Auditor's Report on Bankia, S.A.

(Together with the annual accounts and directors' report of Bankia, S.A. for the year ended 31 December 2020)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Bankia, S.A.

REPORT ON THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of Bankia, S.A. (the "Bank"), which comprise the balance sheet at 31 December 2020, and the income statement, statement of recognised income and expense, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Bank at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 1.3 to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Accounts section of our report.

We are independent of the Bank in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Key Audit Matters

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

Impairment of loans and advances to customers
See notes 3.1 and 11 to the annual accounts

Key audit matter	*How the matter was addressed in our audit*
The Bank's portfolio of loans and advances to customers, classified as financial assets at amortised cost, reflects a net balance of Euros 121,090,085 thousand at 31 December 2020, while allowances and provisions recognised at that date for impairment total Euros 3,400,377 thousand. For the purposes of estimating impairment, financial assets measured at amortised cost are classified into three categories (Stage 1, 2 or 3) according to whether a significant increase in their credit risk since initial recognition has been identified (Stage 2), whether the financial assets are credit-impaired (Stage 3) or whether neither of the foregoing circumstances apply (Stage 1). For the Bank, establishing this classification is a relevant process inasmuch as the calculation of allowances and provisions for credit risk varies depending on the category in which the financial asset has been included. Impairment is calculated based on expected loss models, which the Bank estimates on both an individual and a collective basis. This calculation entails a considerable level of judgement as this is a significant and complex estimate. Individual allowances and provisions consider estimates of future business performance and the market value of collateral provided for credit transactions. In the case of collective allowances and provisions, estimates of expected losses are calculated using internal models that use large databases, different macroeconomic scenarios, parameters to estimate provisions, segmentation criteria and automated processes, which are complex in their design and implementation and require past, present and future information to be considered. The Bank regularly conducts recalibrations and tests of its internal models in order to improve their predictive capabilities based on actual historical experience.	Our audit approach in relation to the Bank's estimate of impairment of loans and advances to customers due to credit risk, classified as financial assets at amortised cost, included an assessment of the relevant controls associated with the processes for estimating impairment, as well as different tests of detail on that estimate, for which we involved our credit risk specialists. Our procedures related to the control environment focused on the following key areas: • Identifying the credit risk management framework and assessing the compliance of the Bank's accounting policies with the applicable regulations. • Evaluating the classification of the loans and advances to customers portfolio based on their credit risk, in accordance with the criteria defined by the Bank, particularly the criteria for identifying and classifying refinancing and restructuring transactions. • Testing of the relevant controls relating to the information available for the monitoring of loans outstanding. • Evaluating the design and implementation of the relevant controls over the management and measurement of collateral and guarantees. • Assessing the consideration of the aspects observed by the Internal Valuation Unit as regards the recalibration and tests of the models to estimate collective allowances and provisions. • Evaluating the control and management of the data used to estimate credit risk impairment. Our tests of detail on the estimated expected losses essentially included the following:

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

<table>
<tr><th colspan="2">Impairment of loans and advances to customers
See notes 3.1 and 11 to the annual accounts</th></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The COVID-19 pandemic is affecting the economy and business activities, leading to a downturn in the macroeconomic situation. To mitigate the impacts of COVID-19, the Spanish government has launched initiatives to support the most affected sectors and customers through various measures such as the provision of State-backed credit facilities, the deferral of payments without penalties (moratoriums) and flexible financing and liquidity facilities. All these aspects have an impact on the parameters considered by the Bank to quantify the expected losses on financial assets (macroeconomic variables, customer net revenues, value of collateral pledged, probability of default, etc.), thus increasing the uncertainty associated with their estimation. The Bank has therefore recognised the adverse effects of COVID-19 on the impairment of financial assets in its income statement at 31 December 2020 by supplementing the expected losses estimated based on historical credit loss data, with certain additional adjustments deemed necessary to reflect the particular characteristics of borrowers, sectors or portfolios.

The consideration of this aspect as a key audit matter is based both on the significance for the Bank of the loans and advances to customers portfolio, and thus the significance of any allowances and provisions recognised, and on the relevance, subjectivity and complexity of the process for classifying these financial assets for the purpose of estimating impairment thereon and of the calculation of that impairment, while taking into consideration the additional situation generated by the COVID-19 pandemic.</td><td>• With regard to the impairment of individually significant transactions, we evaluated the suitability of the discounted cash flows models used by the Bank and selected a sample from the population of significant risks with evidence of credit impairment and assessed the adequacy of the provisions recognised. This sample included borrowers from the economic sectors most impacted by COVID-19 and/or those that have received government aid due to the pandemic.

• With respect to the allowances and provisions for impairment estimated collectively, we evaluated the methodology used by the Bank, assessing the integrity and accuracy of the input balances for the process and evaluating the correct functioning of the calculation engine by repeating the calculation process taking into account the segmentation and assumptions used by the Bank.

In carrying out our audit procedures, we have taken into consideration the impacts of COVID-19 and the government aid on the calculation of expected losses. We also assessed and recalculated the estimate of the additional adjustments to the expected losses calculated using historical credit loss data.

• We analysed whether the disclosures in the notes to the annual accounts are appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Bank.</td></tr>
</table>

<table>
<tr><th colspan="2">Impairment of foreclosed real estate assets
See note 17.3 to the annual accounts</th></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Bank's portfolio of foreclosed real estate assets, classified as non-current assets held for sale, reflects a net balance of Euros 1,324,880 thousand at 31 December 2020, while allowances and provisions recognised at that date for impairment total Euros 551,413 thousand.</td><td>Our audit approach in relation to the estimate of impairment of foreclosed real estate assets includes an assessment of the relevant controls associated with the processes for estimating impairment, as well as different tests of detail on this estimate, which basically included the following:

• Evaluating the competence, capacity and objectivity of the experts engaged by the Bank</td></tr>
</table>

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Impairment of foreclosed real estate assets
See note 17.3 to the annual accounts

Key audit matter	*How the matter was addressed in our audit*
Foreclosed real estate assets classified as held for sale are measured at the acquisition date and subsequently at the lower of the carrying amount of the financial assets relating to the foreclosure and the fair value less the estimated costs to sell the foreclosed real estate assets. For the purposes of determining the net fair value of these real estate assets, the Bank uses its own internal methodology the starting point of which is the appraisal value, which is adjusted to take into account the experience of the sale of similar assets in terms of price and the period of time in which each asset is held on the balance sheet, among other factors. The process to estimate the impairment of these assets requires a considerable degree of judgement as it is a significant and complex estimate. We have therefore considered this a key audit matter.	for the valuation of the foreclosed real estate assets. • Analysing a sample of appraisals to determine the reasonableness of the procedures and the valuation methodology used by the experts engaged by the Bank. To that end, we involved our specialists in real estate asset appraisals. • Evaluating the reasonableness of the key assumptions considered in the internal valuation methodology. • Analysing the reliability of the data sources used and the discounts applied in the internal valuation model. • Recalculating the impairment of foreclosed real estate assets. • We analysed whether the disclosures in the notes to the annual accounts are appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Bank.

Recoverability of the deferred tax assets

See note 24.5 to the annual accounts

Key audit matter	*How the matter was addressed in our audit*
At 31 December 2020, the Bank held deferred tax assets amounting to Euros 9,824,366 thousand, of which the recovery of Euros 2,999,276 thousand is not guaranteed through the monetisation mechanisms established in Royal Decree-Law 14/2013 and article 130 of the Spanish Corporate Income Tax Law, as their recovery is dependent on obtaining future taxable profits. The recognition of deferred tax assets entails a high level of judgement in assessing the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and tax planning opportunities. The financial projections for future taxable profits have taken into consideration the economic impact of the COVID-19 pandemic on the business activity of the Bank. Due to the significance of the balance of deferred tax assets and the uncertainty associated with the recovery thereof, and given the additional rise in this uncertainty due to the aforementioned situation derived from the COVID-19 pandemic, we have considered this a key audit matter.	Our audit procedures mainly include the following: • Assessing and evaluating the control environment of the process to recognise and analyse the recoverability of deferred tax assets. • Evaluating, with the involvement of our valuation specialists, the methodology and key assumptions considered by the Bank to estimate the recovery period for the deferred tax assets. We have analysed the main economic, financial and tax assumptions used by the Bank to estimate future profits, taking into consideration those assumptions that have been adjusted due to the impacts of COVID-19. • Contrasting the profit and loss forecasts used as a basis for recognising the deferred tax assets in prior years against the actual results obtained by the Bank. • Analysing the sensitivity of the results obtained by the Bank. • We analysed whether the disclosures in the notes to the annual accounts are appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Bank.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Provisions for legal contingencies
See notes 2.18 and 19 to the annual accounts

Key audit matter	*How the matter was addressed in our audit*
At 31 December 2020, the Bank was party to a number of legal proceedings and claims arising in the ordinary course of its business activities. In general terms, determining the expected outcome of these proceedings and assessing their financial effect, and therefore the recognition of the related provision or, where necessary, the corresponding breakdown for contingent liabilities, are matters that entail significant complexity and uncertainty as regards their potential outcome and/or definitive amount, and therefore we have considered this a key audit matter.	Our audit procedures mainly include the following: • Evaluating the control environment and the policies put in place by the Bank to identify and classify the legal proceedings and claims, as well as to estimate the provision thereof. • Procuring and analysing the information prepared by the Bank's legal advisors as regards proceedings underway in relation to the provisions recognised and significant contingencies disclosed. • Evaluating and analysing a sample of proceedings from the legal or regulatory documentation that support the provisions recognised and significant contingencies disclosed. To that end, we involved our specialists in legal matters. • Analysing the reasonableness of the methodology and of the main judgements and assumptions considered by the Bank as regards the main provisions recognised and contingencies disclosed. To that end, we involved our specialists in legal matters. • Obtaining confirmation from external lawyers to contrast their assessment of the expected outcome of the claims and litigation against the provisions and contingencies identified by the Bank. • We analysed whether the disclosures in the notes to the annual accounts are appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Bank.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Risks associated with information technology	
Key audit matter	*How the matter was addressed in our audit*
The Bank's operations are based on a complex technological environment that is constantly evolving, and which must reliably and efficiently meet business requirements and ensure that the financial information is processed correctly. In this regard, correctly assessing whether the IT applications and systems used to prepare the financial information are being correctly maintained, as well as an evaluation of how these systems and applications are used and an assessment of the appropriateness of the physical and logical security of the information, are particularly relevant. We have therefore considered this a key audit matter.	With the help of our information systems specialists, we performed tests relating to internal control over the processes and systems involved in generating the financial information, in the following areas: • An understanding of the information flows and identification of the key controls that ensure the processing of the information. • Tests of the key automatic processes that are involved in generating the financial information. • Testing of the controls over the applications and systems related to accessing and processing the information and those related to the security settings of these applications and systems. • Testing of the controls over the operation, maintenance and development of applications and systems.

Other Information: Directors' Report

Other information solely comprises the 2020 directors' report, the preparation of which is the responsibility of the Bank's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility regarding the information contained in the directors' report is defined in the legislation regulating the audit of accounts, as follows:

a) Determine, solely, whether the non-financial information statement and certain information included in the Annual Corporate Governance Report, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.

b) Assess and report on the consistency of the rest of the information included in the directors' report with the annual accounts, based on knowledge of the Bank obtained during the audit of the aforementioned annual accounts. Also, assess and report on whether the content and presentation of this part of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2020, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit and Compliance Committee's Responsibility for the Annual Accounts

The Bank's Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Bank in accordance with the financial reporting framework applicable to the Bank in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Bank's Directors are responsible for assessing the Bank'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 Bank or to cease operations, or have no realistic alternative but to do so.

The Bank's audit and compliance committee is responsible for overseeing the preparation and presentation of the annual accounts.

Auditor's Responsibilities for the Audit of the Annual Accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts 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 legislation regulating the audit of accounts 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 economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the annual accounts, 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 Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Bank's Directors.
- Conclude on the appropriateness of the Bank's 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 Bank'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 annual accounts 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Bank's audit and compliance committee 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 Bank's audit and compliance committee with a statement that we have complied with the applicable ethical requirements, including those regarding 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 to the Bank's audit and compliance committee, we determine those that were of most significance in the audit of the annual accounts of the current period and which are therefore the key audit matters.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital files of Bankia, S.A. for 2020 in European Single Electronic Format (ESEF), which comprise the XHTML file that includes the annual accounts for the aforementioned year, which will form part of the annual financial report.

The Directors of the Bank are responsible for the presentation of the 2020 annual financial report in accordance with the format requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation").

Our responsibility consists of examining the digital file prepared by the Directors of the Bank, in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we plan and perform our audit procedures to determine whether the content of the annual accounts included in the aforementioned digital file fully corresponds to the annual accounts we have audited, and whether the annual accounts have been formatted, in all material respects, in accordance with the requirements of the ESEF Regulation.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

In our opinion, the digital file examined fully corresponds to the audited annual accounts, and these are presented, in all material respects, in accordance with the requirements of the ESEF Regulation.

Additional Report to the Bank's audit and compliance committee

The opinion expressed in this report is consistent with our additional report to the Bank's audit and compliance committee dated 17 February 2021.

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting on 27 March 2020 for a period of three years, beginning after the year commenced 1 January 2020.

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("R.O.A.C.") with nº S0702

(Signed on original in Spanish)

Pedro González Millán

On the Spanish Official Register of Auditors ("R.O.A.C.") with nº 20.175

17 February de 2021

2020 FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

BANKIA, S.A.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Contents

Page

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

BANKIA, S.A.
Balance sheets at 31 December 2020 and 2019

(Thousands of euros)

ASSETS	NOTE	31/12/2020	31/12/2019 (*)
Cash, cash balances at central banks and other demand deposits	**7**	**11,409,212**	**12,826,591**
Financial assets held for trading	**8**	**6,778,561**	**6,702,504**
Derivatives		6,697,324	6,530,330
Equity instruments		683	1,381
Debt securities		80,554	170,793
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum item: loaned or advanced as collateral with the right to sell or pledge		5,316	67,682
Non-trading financial assets mandatorily at fair value through profit or loss	**9**	**11,002**	**34,435**
Equity instruments		-	-
Debt securities		192	237
Loans and advances		10,810	34,198
Central banks		-	-
Credit institutions		-	23,263
Customers		10,810	10,935
Memorandum item: loaned or advanced as collateral with the right to sell or pledge		-	-
Financial assets designated at fair value through profit or loss		**-**	**-**
Debt securities		-	-
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum item: loaned or advanced as collateral with the right to sell or pledge		-	-
Financial assets at fair value through other comprehensive income	**10**	**8,621,927**	**11,979,857**
Equity instruments		58,794	75,816
Debt securities		8,563,133	11,904,041
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum item: loaned or advanced as collateral with the right to sell or pledge		1,866,342	7,568,250
Financial assets at amortised cost	**11**	**163,498,259**	**156,179,198**
Debt securities		37,495,041	33,165,031
Loans and advances		126,003,218	123,014,167
Central banks		-	-
Credit institutions		4,913,133	5,464,732
Customers		121,090,085	117,549,435
Memorandum item: loaned or advanced as collateral with the right to sell or pledge		19,099,741	25,284,204
Derivatives - Hedge accounting	**12**	**2,446,875**	**2,491,810**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**-**	**-**
Investments in subsidiaries, joint ventures and associates	**13**	**1,775,852**	**1,772,674**
Subsidiaries		1,312,324	1,322,649
Joint ventures		18,921	9,034
Associates		444,607	440,991
Tangible assets	**14**	**2,497,329**	**2,597,428**
Property, plant and equipment		2,038,165	2,122,925
For own use		2,038,165	2,122,925
Leased out under an operating lease		-	-
Assigned to welfare projects (savings banks and credit cooperatives)		-	-
Investment property		459,164	474,503
Of which: leased out under an operating lease		459,164	474,503
Memorandum item: acquired under a lease		484,320	504,863
Intangible assets	**15**	**417,612**	**312,047**
Goodwill		-	-
Other intangible assets		417,612	312,047
Tax assets		**10,077,950**	**10,214,679**
Current tax assets		253,584	431,863
Deferred tax assets	24	9,824,366	9,782,816
Other assets	**16**	**960,577**	**1,721,479**
Insurance contracts linked to pensions		643,579	1,061,912
Inventories		-	-
Other		316,998	659,567
Non-current assets and disposal groups classified as held for sale	**17**	**1,627,965**	**2,047,280**
TOTAL ASSETS		**210,123,121**	**208,879,982**

The accompanying Notes 1 to 43 and Appendices I to XI are an integral part of the balance sheet at 31 December 2020.

(*) The balance sheet at 31 December 2019 is presented solely and exclusively for comparison purposes. See Note 1.5.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

BANKIA, S.A.
Balance sheets at 31 December 2020 and 2019
(in thousands of euros)

LIABILITIES AND EQUITY	NOTE	31/12/2020	31/12/2019 (*)
Financial liabilities held for trading	**8**	**6,880,046**	**6,783,073**
Derivatives		6,690,843	6,511,840
Short positions		189,203	271,233
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		-	-
Memorandum item: subordinated liabilities		-	-
Financial liabilities at amortised cost	**18**	**187,879,746**	**186,159,113**
Deposits		168,030,963	167,385,330
Central banks		22,899,831	13,808,756
Credit institutions		14,831,151	26,447,898
Customers		130,299,981	127,128,676
Debt securities issued		17,379,755	17,302,153
Other financial liabilities		2,469,028	1,471,630
Memorandum item: subordinated liabilities		*2,975,097*	*2,983,031*
Derivatives - Hedge accounting	**12**	**151,220**	**85,541**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**-**	**-**
Provisions	**19**	**1,228,157**	**1,685,484**
Pensions and other post-employment defined benefit obligations		644,494	1,038,224
Other long-term employee benefits		-	-
Pending procedural issues and tax litigation		183,500	210,614
Commitments and guarantees given		275,143	301,731
Other provisions		125,020	134,915
Tax liabilities		**404,030**	**452,531**
Current tax liabilities		-	-
Deferred tax liabilities	24	404,030	452,531
Share capital repayable on demand		**-**	**-**
Other liabilities	**20**	**956,401**	**885,606**
Of which: welfare fund (only savings banks and credit cooperatives)		-	-
Liabilities included in disposal groups classified as held for sale		**-**	**-**
TOTAL LIABILITIES		**197,499,600**	**196,051,348**
Own funds	**21**	**12,513,141**	**12,701,647**
Capital		3,069,522	3,069,522
Paid up capital		3,069,522	3,069,522
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		8,623,375	8,500,365
(-) Treasury shares		(49,475)	(50,343)
Profit or (-) loss for the year		250,565	562,949
(-) Interim dividends		-	-
Accumulated other comprehensive income	**22**	**110,380**	**126,987**
Items that will not be reclassified to profit or loss		28,127	52,907
Actuarial gains or (-) losses on defined benefit pension plans		25,060	34,056
Non-current assets and disposal groups classified as held for sale		(18,701)	(9,453)
Fair value changes of equity instruments measured at fair value through other comprehensive income		21,768	28,304
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		82,253	74,080
Hedge of net investments in foreign operations [effective portion]		-	-
Foreign currency translation		(458)	(113)
Hedging derivatives. Cash flow hedges [effective portion]		(3,063)	(8,006)
Fair value changes of debt instruments measured at fair value through other comprehensive income		85,774	82,199
Hedging instruments [not designated elements]		-	-
Non-current assets and disposal groups classified as held for sale		-	-
TOTAL EQUITY		**12,623,521**	**12,828,634**
TOTAL LIABILITIES AND EQUITY		**210,123,121**	**208,879,982**
MEMORANDUM ITEM: OFF-BALANCE SHEET EXPOSURES	**25.2**	**43,325,528**	**36,883,441**
Loan commitments given		28,716,063	23,394,354
Financial guarantees given		341,602	376,728
Other commitments given		14,267,863	13,112,359

The accompanying Notes 1 to 43 and Appendices I to XI are an integral part of the balance sheet at 31 December 2020.
(*) The balance sheet at 31 December 2019 is presented solely and exclusively for comparison purposes. See Note 1.5.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

BANKIA, S.A.
Income statements for the years ended 31 December 2020 and 2019
(in thousands of euros)

	NOTE	2020	2019 (*)
Interest income	26	2,299,287	2,457,957
Financial assets at fair value through other comprehensive income		81,197	143,279
Financial assets at amortised cost		2,012,715	2,187,680
Other interest income		205,375	126,998
(Interest expenses)	27	(406,570)	(468,641)
(Expenses on share capital repayable on demand)		-	-
A) NET INTEREST INCOME		**1,892,717**	**1,989,316**
Dividend income	28	80,518	234,890
Fee and commission income	29	1,165,520	1,058,368
(Fee and commission expenses)	30	(66,795)	(82,539)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	31	154,568	288,776
Financial assets at amortised cost		127,968	71,247
Other financial assets and liabilities		26,600	217,529
Gains or (-) losses on financial assets and liabilities held for trading, net	31	22,034	26,466
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		22,034	26,466
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	31	(513)	905
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		(513)	905
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net		-	-
Gains or (-) losses from hedge accounting, net	31	(22,788)	(11,531)
Exchange differences [gain or (-) loss], net		13,228	15,455
Other operating income	32	62,682	55,302
(Other operating expenses)	33	(306,459)	(303,033)
Of which: mandatory contributions to welfare funds (only savings banks and credit cooperatives)		-	-
B) GROSS INCOME		**2,994,712**	**3,272,375**
(Administrative expenses)		(1,565,166)	(1,596,289)
(Staff expenses)	34	(1,051,277)	(1,100,444)
(Other administrative expenses)	35	(513,889)	(495,845)
(Depreciation and amortisation)	36	(194,330)	(199,677)
(Provisions or (-) reversal of provisions)	37	15,602	(21,658)
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and modification losses or (-) gains, net)	38	(1,043,792)	(457,260)
(Financial assets at fair value through other comprehensive income)		(198)	552
(Financial assets at amortised cost)		(1,043,594)	(457,812)
C) RESULTS FROM OPERATING ACTIVITIES		**207,026**	**997,491**
(Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates)	39	(5,638)	(95,276)
(Impairment or (-) reversal of impairment on non-financial assets)	40	(15,709)	(14,022)
(Tangible assets)		(15,709)	(14,022)
(Intangible assets)		-	-
(Other)		-	-
Gains or (-) losses on derecognition of non-financial assets, net	41	1,917	(329)
Negative goodwill recognised in profit or loss		-	-
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	42	108,960	(117,552)
D) PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**296,556**	**770,312**
(Tax expense or (-) income related to profit or loss from continuing operations)	24.3	(45,991)	(207,363)
E) PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS		**250,565**	**562,949**
Profit or (-) loss after tax from discontinued operations		-	-
F) PROFIT OR (-) LOSS FOR THE YEAR		**250,565**	**562,949**

The accompanying Notes 1 to 43 and Appendices I to XI are an integral part of the income statement for 2020.

(*) The income statement for 2019 is presented solely and exclusively for comparison purposes. See Note 1.5.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

BANKIA, S.A.

Statements of recognised income and expense for the years ended 31 December 2020 and 2019

(in thousands of euros)

	2020	2019 (*)
Profit or (-) loss for the year	**250,565**	**562,949**
Other comprehensive income	**(16,607)**	**13,776**
Items that will not be reclassified to profit or loss	**(24,780)**	**1,223**
Actuarial gains or (-) losses on defined benefit pension plans	(12,851)	5,881
Non-current assets and disposal groups held for sale	(13,211)	(13,504)
Fair value changes of equity instruments measured at fair value through other comprehensive income	(9,337)	9,370
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 their credit risk	-	-
Income tax relating to items that will not be reclassified	10,619	(524)
Items that may be reclassified to profit or loss	**8,173**	**12,553**
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	(493)	256
Translation gains or (-) losses taken to equity	(493)	256
Transferred to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges [effective portion]	7,062	(8,153)
Valuation gains or (-) losses taken to equity	7,062	(8,153)
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	5,107	28,064
Valuation gains or (-) losses taken to equity	25,729	241,234
Transferred to profit or loss	(20,622)	(213,170)
Other reclassifications	-	-
Non-current assets and disposal groups held for sale	-	(2,234)
Valuation gains or (-) losses taken to equity	-	(2,234)
Transferred to profit or loss	-	-
Other reclassifications	-	-
Income tax relating to items that may be reclassified to profit or (-) loss	(3,503)	(5,380)
Total comprehensive income for the year	**233,958**	**576,725**

The accompanying Notes 1 to 43 and Appendices I to XI are an integral part of the statement of recognised income and expense for 2020.

(*) The statement of recognised income and expense for 2019 is presented solely and exclusively for comparison purposes. See Note 1.5.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

BANKIA, S.A.

Statement of total changes in equity for the year ended 31 December 2020

(in 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 for the year	(-) Interim dividends	Accumulated other comprehensive income	Total
Opening balance at 31/12/2019 [before restatement]	**3,069,522**	**619,154**	**-**	**-**	**-**	**-**	**8,500,365**	**(50,343)**	**562,949**	**-**	**126,987**	**12,828,634**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance [current period]	**3,069,522**	**619,154**	**-**	**-**	**-**	**-**	**8,500,365**	**(50,343)**	**562,949**	**-**	**126,987**	**12,828,634**
Total comprehensive income for the year									250,565		(16,607)	**233,958**
Other changes in equity	-	-	**-**	**-**	-	-	**123,010**	**868**	**(562,949)**	-	-	**(439,071)**
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	-	-	-	-	-	-	(352,110)	-		-		**(352,110)**
Purchase of treasury shares					-	-	-	(30,086)				**(30,086)**
Sale or cancellation of treasury shares					-	-	(12,519)	30,954				**18,435**
Reclassification of financial instruments from equity to liability	-	-	-	-								-
Reclassification of financial instruments from liability to equity	-	-	-	-								-
Transfers among components of equity			-	-	-	-	562,949		(562,949)	-	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-			-	-
Share based payments	-	-		-				-				-
Other increase or (-) decrease in equity			-	-	-	-	(75,310)	-	-	-	-	**(75,310)**
Of which: discretionary contributions to welfare funds (only savings banks and credit cooperatives)					-		-					-
Closing balance at 31/12/2020 [current period]	**3,069,522**	**619,154**	**-**	**-**	**-**	**-**	**8,623,375**	**(49,475)**	**250,565**	**-**	**110,380**	**12,623,521**

The accompanying Notes 1 to 43 and Appendices I to XI are an integral part of the statement of total changes in equity for 2020.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

BANKIA, S.A.

Statement of total changes in equity for the year ended 31 December 2019 (*)

(in 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 for the year	(-) Interim dividends	Accumulated other comprehensive income	Total
Opening balance at 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 year									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 liability	-	-	-	-								-
Reclassification of financial instruments from liability 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 contributions to welfare funds (only savings banks and credit cooperatives)					-		-					-
Closing balance at 31/12/2019 [current period]	**3,069,522**	**619,154**	**-**	**-**	**-**	**-**	**8,500,365**	**(50,343)**	**562,949**	**-**	**126,987**	**12,828,634**

(*) The statement of changes in equity for 2019 is presented solely and exclusively for comparison purposes. See Note 1.5.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

BANKIA, S.A.

Statements of cash flows for the years ended 31 December 2020 and 2019

(in thousands of euros)

	2020	2019 (*)
A) CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	**(1,156,082)**	**7,161,341**
Profit or (-) loss for the year	**250,565**	**562,949**
Adjustments to obtain cash flows from (used in) operating activities	**1,011,698**	**808,001**
Depreciation and amortisation	194,330	199,677
Other adjustments	817,368	608,324
Net increase/decrease in operating assets	**(3,879,965)**	**4,695,113**
Financial assets held for trading	90,937	113,296
Non-trading financial assets mandatorily at fair value through profit or loss	22,920	(24,182)
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	3,374,124	3,894,113
Financial assets at amortised cost	(7,965,451)	489,404
Other operating assets	597,505	222,482
Net increase/decrease in operating liabilities	**1,409,246**	**952,528**
Financial liabilities held for trading	(70,021)	209,080
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost	1,757,607	1,051,106
Other operating liabilities	(278,340)	(307,658)
Income tax received/paid	**52,374**	**142,750**
B) CASH FLOWS FROM INVESTING ACTIVITIES	**284,712**	**1,272,084**
Payments	**(223,046)**	**(260,838)**
Tangible assets	(39,325)	(63,794)
Intangible assets	(154,227)	(160,383)
Investments in subsidiaries, joint ventures and associates	(18,211)	(9,438)
Other business units	-	-
Non-current assets and liabilities classified as held for sale	(11,283)	(27,223)
Other payments related to investing activities	-	-
Receipts	**507,758**	**1,532,922**
Tangible assets	38,123	38,838
Intangible assets	-	-
Investments in subsidiaries, joint ventures and associates	88,216	221,105
Other business units	-	-
Non-current assets and liabilities classified as held for sale	381,419	1,272,979
Other receipts related to investing activities	-	-
C) CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**(546,009)**	**38,776**
Payments	**(564,444)**	**(4,145,355)**
Dividends	(352,110)	(353,515)
Subordinated liabilities	-	(1,006,860)
Redemption of own equity instruments	-	-
Acquisition of own equity instruments	(30,086)	(64,971)
Other payments related to financing activities	(182,248)	(2,720,009)
Receipts	**18,435**	**4,184,131**
Subordinated liabilities	-	1,000,000
Issuance of own equity instruments	-	-
Disposal of own equity instruments	18,435	49,131
Other receipts related to financing activities	-	3,135,000
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS	**-**	**-**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**(1,417,379)**	**8,472,201**
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**12,826,591**	**4,354,390**
G) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**11,409,212**	**12,826,591**
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD:		
Cash	936,299	951,824
Cash equivalents at central banks	10,380,666	11,672,642
Other financial assets	92,247	202,125
Less: bank overdrafts repayable on demand	-	-

The accompanying Notes 1 to 43 and Appendices I to XI are an integral part of the statement of cash flows for 2020.

(*) The statement of cash flows for 2019 is presented solely and exclusively for comparison purposes. See Note 1.5.

BANKIA, S.A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

(1.1) Description of Bankia

Bankia, S.A. ("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 2020, the Bank's branch network comprised 2,127 branches. Bankia's 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 out by credit institutions and, in particular, meet the requirements of Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions.

Bankia is the parent of a business group (the "Group" or "Bankia Group"). At 31 December 2020, the consolidated group encompassed 41 companies, including subsidiaries, associates and joint ventures. These companies engage in a range of activities, including insurance, asset management, financing, services and property management. Appendices I, II and III list the entities that form part of the scope of consolidation of the Bankia Group at 31 December 2020 (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 the 2020 year end held shares representing 61.83% of its share capital (62.48% including the impact of treasury shares). Therefore, in addition to the transactions it carries out directly, Bankia is a subsidiary of and belongs to the BFA, Tenedora de Acciones Group (hereinafter "BFA Group").

Bankia's financial statements for 2020 were authorised for issue by Bankia's directors at the Board meeting held on 16 February 2021. The financial statements are pending approval by the shareholders of Bankia at their general meeting. However, the Bank's Board of Directors considers that these financial statements will be approved without any significant changes. Bankia's financial statements for 2019 were approved by the shareholders at the general meeting held on 27 March 2020.

In addition to the individual financial statements, Bankia's Board of Directors also prepared the consolidated financial statements of the Bankia Group for the year ended 31 December 2020, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

(1.2) Incorporation of the Bank

Note 1.2 to the consolidated financial statements for 2020 provides additional information on the origin of the Bank and its performance.

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

Bankia's financial statements for the year ended 31 December 2020 are presented in accordance with the provisions of Bank of Spain Circular 4/2017, of 27 November, to credit institutions on public and confidential financial reporting rules and formats ("Circular 4/2017") and subsequent amendments thereto, which implement and adapt to Spanish credit institutions the International Financial Reporting Standards approved by the European Union (IFRS-EU), in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The other general Spanish business and accounting standards and other applicable Bank of Spain Circulars and standards were also used in the preparation of these financial statements, and the disclosures required by such standards have been included in these notes to the financial statements where appropriate.

The Bank's financial statements for 2020 were prepared taking into consideration all accounting principles and standards and mandatory measurement criteria applicable in order to give a true and fair view, in all material respects, of the equity and financial position of Bankia, S.A. at 31 December 2020 and of the results of its operations and cash flows during the financial year then ended, pursuant to the aforementioned financial reporting framework, and in particular to the accounting principles and criteria therein.

The main accounting policies and measurement bases applied in preparing the Bank's financial statements for the year ended 31 December 2020 are summarised in Note 2.

Main regulatory changes during the period from 1 January to 31 December 2020

Main regulatory changes effective from 1 January 2020

On 16 June 2020, Bank of Spain Circular 3/2020, of 11 June, was published amending Circular 4/2017, of 27 November, to credit institutions on public and confidential financial reporting rules and statement formats.

Following the amendment, loan restructuring or refinancing transactions are no longer considered an automatic classification factor under Stage 2 – Performing exposures under special monitoring, but rather another factor to be considered in the assessment as to whether there has been a significant rise in credit risk since initial recognition.

Bankia has applied this amendment prospectively as a change in the accounting estimates.

(1.4) Responsibility for the information and estimates made

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

In the Bank's financial statements for the year ended 31 December 2020, estimates were made in order to quantify certain assets, liabilities, income, expenses and obligations reported therein. These estimates relate basically to the following:

- The fair value of certain financial and non-financial assets and liabilities (see Notes 2.2 and 2.19).
- Impairment and the classification by levels of certain financial assets, considering the value of the collateral received, and non-financial assets (mainly property), as well as contingent liabilities (see Notes 2.9, 2.15, 2.16, 2.17 and 2.19).
- Classification of financial assets, in the context 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).
- The estimation of the recoverable amount and costs to sell of non-current assets held for sale, investment property and inventories, based on their nature, condition and the purpose for which they are intended, acquired by the Bank in 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 Notes 2.14 and 24).
- The estimation of the commitments included in the agreement for the sale of the CIU custodian business (see Note 27).
- The useful life, right-of-use value and recoverable amount of tangible and intangible assets (see Notes 2.15 and 2.16).
- The assumptions used to quantify certain provisions and the probability of occurrence of certain losses to which the Bank is exposed due to its activity (see Notes 2.18 and 19).

The declaration of COVID-19 as a global pandemic, and its health, economic and social consequences, has increased uncertainty regarding reasonable and supported macroeconomic information, and the impact of public aid measures required to estimate the Entity's loan losses. The current scenario is subject to ongoing changes which, together with the lack of comparable historical references, give rise to a high level of volatility in these figures in the short term. The quantification of the adjustments arising from the situation caused by COVID-19 has entailed a high level of expert judgement by the Entity (see Note 1.16).

Although these estimates were made on the basis of the best information available at 31 December 2020 and at the date of authorisation for issue of these financial statements on the events analysed, future events may require these estimates to be increased or decreased in subsequent years. Any changes to accounting estimates would be applied prospectively in accordance with the applicable standards, recognising the effects of the change in estimates in the related income statement in the future.

(1.5) Comparative information

As required by current law, the information contained in these financial statements relating to 2019 is presented exclusively for the purposes of comparison with the information for 2020 and therefore does not constitute the Bank's financial statements for 2019.

(1.6) Agency agreements

A list at 31 December 2020 of the Bank's agents which meet the conditions established in Article 21 of Royal Decree 84/2015, of 13 February, is provided in Appendix X, attached hereto.

(1.7) Investments in the capital of credit institutions

Details of ownership interests of more than 5% held by non-Bankia 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 were as follows:

Shareholding institution	Investee	Percentage ownership
Banco Popular de Ahorro de Cuba	Corporación Financiera Habana, S.A. (*)	40.00%

(*) Liquidated in 2020 (see Note 1.15).

In 2020, Corporación Financiera Habana, S.A., in liquidation, was wound up. As such, no equity investment is held in this company at 31 December 2020.

The Group has no ownership interests of 5% or more in the capital or voting rights of other Spanish or foreign credit institutions at 31 December 2020.

(1.8) Environmental impact

In view of the business activities carried out by Bankia (see note 1.1), it does not have any environmental liabilities, expenses, assets, provisions or contingencies that might be significant with respect to its equity, financial position and results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the financial statements.

(1.9) Minimum reserve ratio

At 31 December 2020 and throughout 2019, Bankia met the minimum reserve ratio required by applicable Spanish legislation.

(1.10) Deposit Guarantee Fund and Single Resolution Fund

The Bank is a member of the Credit Institution Deposit Guarantee Fund (hereafter “DGF”) created by Royal Decree-Law 16/2011, of 14 October, whose purpose is to guarantee deposits in cash, securities or other financial instruments at credit institutions, 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 offered by the Fund are different and mutually compatible.

The Management Committee of the DGF determined the annual contribution to be made at 1.8 per mille of the calculation basis for the part relating to the guarantee of deposits which, added to the 2 per mille for the part relating to the guarantee of securities, left an accrued amount at 31 December 2020 of EUR 174,320 thousand (EUR 167,261 thousand in 2019), recognised under “Other operating expenses” in the accompanying income statement (see Note 33).

At 30 July 2012, the Management Committee of the DGF 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 2020 and 31 December 2019, the Entity recognised a financial liability equal to the present value of the payment commitments assumed and to be settled in the coming years for an amount of EUR 66,613 thousand and EUR 99,919 thousand, respectively, and an asset account for the same amounts 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, among other measures, to establish financing arrangements for the purpose of ensuring the effective application by the resolution authority of the resolution 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 credit institutions and certain investment firms under the Single Resolution Fund (SRF) as a key element of the Single Resolution Mechanism (SRM) established through Directive 2014/59/EU. The first ex-ante contributions made by institutions to the SRF were for the 2016 contribution period.

In 2020, Bankia made a contribution to the SRF of EUR 70,509 thousand (EUR 75,062 thousand in 2019), using EUR 10,576 thousand of irrevocable payment commitments (EUR 11,260 thousand in 2019), recognising the cash collateral under “Loans and advances” and the remaining EUR 59,933 thousand (EUR 63,802 thousand in 2019) under “Other operating expenses” in the accompanying income statement (see Note 33).

(1.11) Events after the reporting period

No other significant events occurred between 31 December 2020 and the date of authorisation for issue of the accompanying financial statements other than those included in this note or other notes to the financial statements.

(1.12) Customer service department

The Bank has in place the "Customer Protection Regulations of Bankia, S.A. and its Group", approved by the Board of Directors. Among other aspects, the Regulations stipulate that Bankia, S.A.'s Customer Service Department must address and resolve any complaints or claims submitted by those in receipt of financial services from any of the 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 Ministry of Economy Order ECO/734/2004 of 11 March on Customer Service Departments and the Financial Institution Ombudsman).

Information on the activities of Bankia, S.A.'s Customer Service Department at 31 December 2020 and 2019, as required under Ministerial Order ECO/734/2004, is included in Appendix XI attached hereto.

(1.13) Average supplier payment period “Reporting requirement”, additional provision three of Law 15/2010, of 5 July

Information on the average supplier payment period in commercial transactions at 31 December 2020 and 2019, as required under Law 15/2010, of 5 July, is included in Appendix XI attached hereto.

(1.14) Segment reporting and distribution of revenue from the Bank's ordinary activities, by category of activities and geographic market

Segment reporting is carried out on the basis of internal control, monitoring and management of Bankia's activity and results, and its composition is in accordance with the various areas of business established with regard to the Bank's structure and organisation. The Board of Directors is the chief operating decision maker of each business.

The 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 on which accounting and management figures are available are taken as a reference. The same general principles are applied as those used in the Bank's management information, and the measurement, valuation bases and accounting principles applied are basically the same as those used to prepare the financial statements, with no asymmetric allocations.

The itemised segments on which the information in these financial statements is presented at 31 December 2020 and 2019 refer to the following business areas:

- Retail Banking
- Business Banking
- Corporate Centre

The Retail Banking area includes retail banking with legal and natural persons (with annual turnover of less than EUR 6 million), Private Banking and Asset Management activity, and the Bancassurance Directorate distributed through a large multi-channel network in Spain and operating a customer-focused business model.

The Business Banking area serves legal persons with annual sales volumes of over EUR 6 million as well as the main public sector players – e.g. the State and the Autonomous Regions, among others – (Business Banking and Corporate Banking), and activities in Capital Markets (trading in derivatives, financial advisory services, loan and special finance origination, fixed income origination and trading, and distribution of fixed income products to the network), and has specialised Business Development teams (including foreign trade, products and services, business intelligence and sustainable financing). Other individuals, legal persons and self-employed persons with revenues below this threshold are served by the Retail Banking area for these purposes.

Finally, the Corporate Centre deals with any areas other than those already mentioned, including the Investees Management area, 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 Retail Banking and Business Banking positions. The 1-month Euribor is applied to average balances of Capital Market and Corporate Centre positions.
- Cost allocations: direct and indirect costs are allocated to the different segments based on the activity carried out.

The segment reporting of interest income by geographical area for the years ended 31 December 2020 and 2019 is as follows:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Domestic market	2,299,287	2,457,957
International market:	-	-
European Union	-	-
Other OECD countries	-	-
Other countries	-	-
Total	**2,299,287**	**2,457,957**

The table below shows the Bank's ordinary income by geographical area for the years ended 31 December 2020 and 2019:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Domestic market	3,761,308	4,111,133
International market:	-	-
European Union	-	-
Other OECD countries	-	-
Other countries	-	-
Total	**3,761,308**	**4,111,133**

The table below shows the Bank's ordinary income by business segment for the years ended 31 December 2020 and 2019:

2020:

(in thousands of euros)

ITEM	Retail Banking	Business Banking	Corporate Centre	Total
External customers	2,046,948	758,616	955,744	3,761,308
Inter-segment transactions	(402,645)	(81,637)	484,282	-
Total ordinary income [1]	**1,644,303**	**676,979**	**1,440,026**	**3,761,308**

2019:

(in thousands of euros)

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

(1) 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 non-trading financial assets mandatorily at fair value through profit or loss", "Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net", "Gains or (-) losses from hedge accounting, net" and "Other operating income" in the accompanying income statement for 2019, which can be regarded as comparable to the Bank's revenue from ordinary business.

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

Segment results for the years ended 31 December 2020 and 2019 are as follows:

2020:

(in thousands of euros)

ITEM	Retail Banking	Business Banking	Corporate Centre	Total
NET INTEREST INCOME	**831,125**	**425,746**	**635,846**	**1,892,717**
Dividend income	-	17	80,501	80,518
Fee and commission income and expenses	963,484	212,669	(77,428)	1,098,725
+/- Gains or losses on financial assets and liabilities and exchange differences	(115)	41,511	125,133	166,529
+/- Other operating income and expenses	(168,775)	(14,771)	(60,231)	(243,777)
GROSS INCOME	**1,625,719**	**665,172**	**703,821**	**2,994,712**
Administrative expenses	(916,535)	(63,585)	(585,046)	(1,565,166)
Depreciation and amortisation	(92,337)	(2,257)	(99,736)	(194,330)
RESULTS FROM OPERATING ACTIVITIES BEFORE PROVISIONS	**616,847**	**599,330**	**19,039**	**1,235,216**
Provisions or (-) reversal of provisions	13,751	7,463	(5,612)	15,602
Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss	(286,692)	(205,644)	(551,456)	(1,043,792)
Impairment losses on other assets (net) and other gains and losses	104	10	89,416	89,530
PROFIT/(LOSS) BEFORE TAX	**344,010**	**401,159**	**(448,613)**	**296,556**

2019:

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

Segment assets and liabilities of the Bank by business segment at 31 December 2020 are as follows:

(in thousands of euros)				
ITEM	Retail Banking	Business Banking	Corporate Centre	Total
Financial assets at amortised cost – Loans and advances – Customers	78,820,322	38,023,482	4,246,281	121,090,085
Other assets	30,371,303	15,455,757	43,205,976	89,033,036
Total assets	**109,191,625**	**53,479,239**	**47,452,257**	**210,123,121**
Financial liabilities at amortised cost – Deposits – Customers	104,027,059	14,090,675	12,182,247	130,299,981
Net inter-segment financing	-	-	-	-
Other liabilities	5,164,566	39,388,564	22,646,489	67,199,619
Total liabilities	**109,191,625**	**53,479,239**	**34,828,736**	**197,499,600**

Segment assets and liabilities of the Bank by business segment at 31 December 2019 are as follows:

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

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 and deferred tax assets are recognised in the Corporate Centre.

(1.15) Changes in the Group's composition

Sale of the investment in Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A.

On 23 January 2020, Bankia, S.A. entered into a contract with a third party for the sale of its investment in Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. ("Caser") classified at 31 December 2019 under "Non-current assets and disposal groups classified as held for sale". The effectiveness of the aforementioned sale was subject to compliance with certain conditions precedent, such as the obtaining of regulatory authorisations from the pertinent authorities.

On 25 June 2020, after the authorisations required for the transaction had been obtained, the aforementioned sale agreement was completed. This transaction generated profit of EUR 109 million, recognised in the income statement under "Gains or (-) losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" (see Note 42).

Merger of the insurance companies

During 2020 the merger by absorption of Caja Granada Vida, Compañía de Seguros y Reaseguros, S.A. and Cajamurcia Vida y Pensiones de Seguros y Reaseguros, S.A. (absorbed companies) into Bankia Mapfre Vida, S.A., de Seguros y Reaseguros (absorbing company) was carried out, with no significant impact on the Bank's equity. At 31 December 2019 the Bank held a 49% stake in both the absorbed and absorbing companies, which was classified as "Investments in joint ventures and associates - Associates". The situation regarding the investment and classification has not changed in the absorbing company at 31 December 2020.

Corporación Financiera Habana, S.A., in liquidation

During 2020 Corporación Financiera Habana, S.A. in liquidation was wound up. This investment was fully impaired at the liquidation date.

Other information

There were no significant changes in the Group's composition or scope of consolidation in 2020 other than those already described.

Appendices II, III and IV hereto provide details of companies considered as Group companies, associates and joint ventures, respectively, for the purpose of preparing these financial statements.

(1.16) Considerations on the main impacts of the COVID-19 pandemic

Details of the explanatory notes to the consolidated financial statements which disclose the most relevant effects on the consolidated financial statements as a result of the COVID-19 pandemic are as follows:

- Note 1.4 outlines the influence of the COVID-19 pandemic on the judgements and estimates made.
- Note 1.16 contains a general description and quantitative information on the measures put into place by the Group and other measures in the public domain to support families and businesses affected by the pandemic.
- Note 2.9 includes certain aspects that have been taken into consideration with regard to the impairment of financial assets.
- Note 3.2 provides information on the influence of the outbreak on liquidity risk and financing.
- Note 4 provides details of the impact of COVID-19 on the Group's capital.
- Note 6 contains considerations on the effect of the pandemic on the dividends policy.

General considerations

COVID-19 international pandemic

On 11 March 2020, the World Health Organization declared the public health emergency caused by COVID-19 to be a worldwide pandemic. This declaration led most of the governments of affected countries to take different public health measures that have included social distancing, shielding, lockdown and/or quarantine measures to varying degrees depending on each government, with limitations on the free movement of people and even border closures. These measures have evolved in line with the progression of the pandemic in each region.

The declaration of a pandemic, the uncertainty associated with how it will progress and with the development of an effective vaccine, and the exceptional containment and social distancing measures and restrictions on free movement put in place to deal with the situation have led to a major global economic slowdown on both the supply and demand sides. Businesses have faced disruption in supply chains, temporary closures and reduced demand, while households face unemployment and a drop in income. At the same time, certain stock markets have been subject to high volatility, and there is significant uncertainty about how they will perform in the short term.

National health, economic and social measures

The rapid pace at which events at Spanish and international level have unfolded has led to the need for the adoption of a number of immediate measures to tackle the unprecedented and enormous health crisis, both in terms of the number of people affected and the economic and social impact it has generated at Spanish, European and global level.

These measures started in Spain with Royal Decree 463/2020, of 14 March, declaring a state of emergency to manage the health crisis triggered by COVID-19, which was subsequently extended to varying degrees until it was lifted on 21 June 2020.

A brief period of de-escalation and gradual recovery was then followed by a new nationwide upsurge in the pandemic in the last four months of the year, requiring new measures to be taken. These were introduced through Royal Decree 926/2020, of 25 October, declaring a state of emergency to contain the spread of infections caused by SARS-CoV-2, which also newly declared a state of emergency until 9 November 2020, which was in turn subsequently extended until 9 May 2021 by virtue of Royal Decree 926/2020, of 3 November.

Following on from the foregoing measures, the Spanish government has enacted various regulations to deal with the health crisis and its economic and social impact and to protect and revive employment and economic activity, both at national level and through certain measures at sector level, the most important of which are discussed below.

These regulations have in turn been accompanied by others initiated by other public authorities and regional bodies, mainly regional governments and city councils.

Bankia's contingency plan

Against this backdrop, since the beginning of the crisis the Bank has adopted numerous operational and contingency-based measures, including:

- Setting up a Contingency Committee made up of various executives and members of senior management, which has monitored the situation on a daily basis, coordinating the actions carried out in different areas during the most critical months of the pandemic.
- Establishment of Coronavirus prevention and protection protocols, periodically updated in coordination with the health authorities and complemented by various internal guides, all of which are centralised in a single COVID-19 space for employees.
- Measures to ensure critical functions, identifying critical own and third-party services and establishing diversification plans, appropriating new funds to infrastructure to cater to the increase in online activity of both Bankia's customers and employees – including the provision of mobile devices and portable equipment – and reinforcing cyber security measures.
- Measures with suppliers and employees, both preventive (not allowing the presence of non-critical suppliers in corporate buildings, closing common at-risk spaces, transferring COVID protocols to lessors and lessees, etc.) and protective (PPE, face masks, hand gel, protective shields, etc.).
- Various prevention and work-life balance measures based on workplace characteristics, ranging from rotating shifts to remote work for a significant number of Bankia professionals, especially those in corporate buildings, which has reached nearly 95% for central services and 40% for the branch network.
- During the process, Bankia has been in permanent contact with the health authorities, has received advice from QUIRON Prevención and has held numerous meetings with the State Health and Safety Committee to keep this committee informed at all times of the measures adopted and to analyse the proposals made by the workplace labour union branches.

Bankia has secured the COVID-19 secure protocol certificate from APPLUS+ CERTIFICATION, an independent certification entity.

Financial support measures

Public measures to provide financial support to families and businesses

Royal Decree-Law 8/2020, of 17 March, on extraordinary urgent measures to address the economic and social impact of COVID-19 ("RDL 8/2020") provides, inter alia, for a moratorium (public or legislative moratorium) on the payment of mortgage loan instalments for the acquisition of a principal residence and property relating to the economic activity of entrepreneurs and professionals for economically vulnerable people affected by COVID-19, as well as the approval of a line of State guarantees to support lending to companies and self-employed workers, the granting of which is subject to meet certain requirements.

Royal Decree-Law 11/2020, of 31 March, which adopts urgent complementary social and economic measures to deal with COVID-19 ("RDL 11/2020") completed the first raft of measures, extending the moratorium mechanism on payment of instalments to other types of financing, such as consumer credit. In addition, the line of State guarantees was extended to economically vulnerably households as a result of the COVID-19 crisis to provide financing to pay rent for their primary residence.

If the established requirements are met, the public moratoriums relating to RDL 8/2020 and RDL 11/2020 grant a three-month grace period, with the suspension of payment of instalments and any item comprising them during the period of validity, as well as a freeze on the accrual of interest during such period.

Through the Spanish Ministry of Economic Affairs and Digital Transformation and managed by the Spanish Official Credit Institute (ICO), the line of State guarantees seek, if the requirements are met, to ensure that new or renewed loans are secured by the State for a maximum period of up to five years.

In addition, Royal Decree-Law 25/2020, of 3 July, on urgent measures to support economic recovery and employment, establishes a 12-month moratorium for borrowers in financing transactions linked to tourism-related property who, after meeting certain conditions, have undergone financial difficulties as a result of COVID-19.

Royal Decree-Law 26/2020, of 7 July, on economic reactivation measures to deal with the impact of COVID-19 in transport and housing, introduces measures for a six-month postponement of payments relating to loans, finance leases and operating leases that self-employed workers and companies engaging in road transport, and meeting a number of requirements, use to purchase vehicles.

In view of the lingering effects of the crisis, Royal Decree-Law 34/2020, of 17 November, on urgent measures to provide support for business solvency, the energy sector and in tax matters, brought in new measures aimed at mitigating the liquidity problems of businesses and self-employed professionals, thus maintaining the line of business solvency support provided for in the previous royal decrees. Such measures include the following: the deadline for the granting of public guarantees to address the liquidity needs of self-employed workers and businesses has been extended from 31 December 2020 to 30 June 2021; borrowers with a loan that has a public guarantee under Royal Decree-Law 8/2020 may apply for an extension to the loan due date, as well as an extension on the public guarantee by the same amount of time; customers that meet the eligibility requirements laid down in the Royal Decree-Law may obtain an extension of the grace period for repayment of the principal of the guaranteed loan – whether the guarantee was delivered under Royal Decree-Law 8/2020 or under Royal Decree-Law 25/2020 – for a maximum period of 12 months, thus allowing for a maximum total grace period of 24 months; financial institutions are required to uphold working capital financing facility limits until 30 June 2021 for all customers that meet the eligibility requirements and have been granted a loan that is guaranteed under either Royal Decree-Law 8/2020 or Royal Decree-Law 25/2020.

Lastly, and consistent with the prolonged effects of the pandemic, "Royal Decree-Law 3/2021, of 2 February, introducing measures to reduce the gender gap and other Social Security and economic measures", has extended the deadline to apply for public moratoriums until 30 March 2021. It moreover stipulates a maximum cumulative duration of nine months for those applied for since 30 September 2020, including any moratoriums granted previously, and allows for a transitional regime for those granted between 30 September and the date on which the Royal Decree-Law came into force, for which the duration initially granted may be maintained.

Private financial support measures for Bankia customers

As a complementary measure, on 16 April 2020 the CECA banking association resolved to reach a sector agreement (sector-specific or private moratorium) that aims to create a common framework establishing the general criteria for deferral of payment by certain borrowers affected by the health and economic crisis – those who are unable to qualify for the public moratorium and therefore cannot benefit from it, or for those whose capacity proves insufficient – allowing for the deferral of payments within a specific period. As a member of CECA, Bankia is one of the entities adhering to the aforementioned sector-specific moratorium.

The transactions modified under this agreement allow for the suspension of principal payments during the period of validity – 12 months for loans or credits with mortgage guarantee and 6 months for personal loans – with the customer assuming the payment of interest on the outstanding principal over the duration thereof.

On 22 June 2020, it was agreed to extend the term of this sector agreement until 29 September 2020.

On 15 December 2020, an addendum was executed for the purpose of adapting the sector agreement of 16 April and its amendment of 22 June 2020, in line with how the pandemic was unfolding and the guidelines issued by regulators. This introduced the possibility of applying for new moratoriums by 31 March 2021 at the latest for a term of up to nine months in transactions with mortgage guarantee and up to six months in transactions with personal guarantee. Moreover, the addendum provides that moratoriums applied for by the entities adhering to the agreement and their customers between 30 September 2020 and the date of the addendum, and which have been granted, shall be deemed to be protected under the sector agreement, provided that they meet the terms and conditions laid down in the agreement and the deadlines stipulated in the addendum are met.

Bankia has also implemented other measures such as the advance payment of pensions and unemployment benefits, extended repayment terms for short-term loans, the granting of bridge loans until customers obtain the new State-guaranteed liquidity lines through the ICO and flexible fee collection.

Quantitative information on public and sector-specific financial support measures

Nearly 113,000 transactions associated with the aforementioned moratoriums have been granted at 31 December 2020 for a gross carrying amount of approximately EUR 5,625 million, of which nearly EUR 3,400 million are legislative moratoriums related to transactions secured by a mortgage, EUR 375 million are legislative moratoriums related to transactions not secured by a mortgage, and approximately EUR 1,850 million are sector-specific moratoriums. The outstanding balance on these transactions at 31 December 2020 is approximately EUR 4,600 million. Almost all the financing was granted to households, 89% of which was secured by a mortgage and 87% of which matured at less than six months, and most of the balances were classified as performing.

At 31 December 2020 the amount drawn down on the new loans extended and backed by a public guarantee is in excess of EUR 8,200 million, approximately. Of this balance, more than 95% corresponds to companies, of which approximately 69% are SMEs. Approximately 75% of the amount of these transactions is secured.

During the year ended 31 December 2020 Bankia has recognised a negative amount of Euros 13 million in the income statement as a result of adjusting the carrying amount of the transactions modified under a legislative moratorium to the renegotiated cash flows.

<u>Other considerations</u>

Against the current backdrop and in order to provide the greatest possible certainty in this unprecedented situation, the competent authorities and accounting and prudential bodies (IASB, BoE, EBA, ECB, ESMA, etc.) have made various pronouncements to draw attention to the margin of flexibility granted by the regulatory framework in force to support the economy in the particular and extraordinary circumstances caused by the spread of COVID-19. This is without foregoing a prudent approach, through the appropriate identification and classification of transactions and a reasonable estimate of the related credit risk coverage (see Note 2.9), or the capital and liquidity measures carried out (see Note 4 and Note 3.2, respectively).

As regards the recognition of credit risk in the current environment, the accounting treatment applied by the Bankia Group complies with the current accounting and prudential framework and is aligned with the pronouncements made by the various regulators and supervisors so as to ensure the strict and immediate recognition of transactions of which impairment is evidenced to be non-temporary (see Note 2.9).

Furthermore, Notes 3.2 and 4 provide additional information on liquidity risk management and capital management, respectively, in relation to COVID-19.

(1.17) Joint Merger Plan between Caixabank and Bankia

At their General Meeting on 1 December 2020, the Bank's shareholders resolved to approve the merger by absorption of Bankia ("Bankia" – absorbed company) into Caixabank, S.A. ("Caixabank" – absorbing company), with the termination of Bankia, via dissolution without liquidation, and the transfer of all of its assets and liabilities as a whole to Caixabank, which will thus acquire, by universal succession, all of the assets and liabilities and the rights and obligations of the absorbed company (the "Merger"), under the terms and conditions envisaged in the joint merger plan signed by the directors of Caixabank and Bankia on 17 September 2020 (the "Joint Merger Plan"). To this end, and pursuant to Law 3/2009, of 3 April, on structural changes to companies ("Law 3/2009") and other applicable legislation, the following resolutions, inter alia, were adopted as part of a single transaction:

- Approval of the replacement of Bankia's merger balance sheet by its half-yearly financial statement at 30 June 2020 required by the legislation governing the stock market, made public by Bankia on 31 July 2020 and on which KPMG Auditores, S.L., the auditor of Bankia's accounts, duly issued their assurance on 28 July 2020, such statement being approved for the pertinent purposes.

- Approval of the Joint Merger Plan in its entirety and without amendment, and such has been the case for the pertinent purposes. As provided in article 32 of Law 3/2009, the Joint Merger Plan has been available on the corporate website of Bankia (www.bankia.com) and that of Caixabank (www.caixabank.com) since 18 September 2020. Moreover, on 23 October 2020, BDO Auditores, S.L.P., as the independent expert appointed by the Mercantile Registry of Valencia, issued the required report on the Joint Merger Plan, in accordance with article 34 of Law 3/2009.

- Approval of the merger agreement in accordance with article 40 of Law 3/2009 and article 228 of the Mercantile Registry Regulations, the merger by absorption of Bankia into CaixaBank strictly adhering to the terms and conditions of the Joint Merger Plan. The following circumstances, inter alia, associated with the Joint Merger Plan are also noted, without prejudice to the rest of the circumstances thereof that have also been approved and replicated for the pertinent purposes:

  - The exchange ratio for the shares of the merging entities, which was determined on the basis of the actual value of the net assets of CaixaBank and Bankia, will be 0.6845 newly issued shares of CaixaBank, of the same characteristics and with the same rights as the existing CaixaBank shares at the date of their issue, for each share of Bankia, of EUR 1 par value each.

  - Provided the prior legal requirements have been fulfilled, the exchange of Bankia shares for Caixabank shares will take place once the merger has been approved by the shareholders of Bankia and Caixabank at their general meetings (this condition was met on 1 and 3 December 2020, respectively); the conditions precedent referred to hereafter have been met; the notarial instrument of Merger and the corresponding capital increase in Caixabank have been executed; and such notarial instrument of Merger has been filed at the Mercantile Registry of Valencia. The aforementioned exchange of shares will be carried out as of the date indicated in the prospectus to be published in accordance with the applicable legislation.

  - The date from which the operations of the absorbed company shall be deemed, for accounting purposes, to be performed by the absorbing company shall be the date resulting from the application of International Financial Reporting Standard (IFRS) 3, rule 44 of Bank of Spain Circular 4/2017 of 27 November, to credit institutions, on public and confidential financial reporting rules and formats; and recognition and measurement standard 19 of the Spanish General Chart of Accounts approved by Royal Decree 1514/2007, of 16 November and International Financial Reporting Standard (IFRS) 3.

  - In accordance with these regulations, the effective date of the Merger for accounting purposes shall be the date on which, once the shareholders of Caixabank and Bankia have approved the Merger at their respective general meetings, the last of the administrative authorisations required for the Merger to take effect is obtained, as this is the date on which the absorbing company is deemed to have acquired control of the absorbed company.

- Approval for the Merger to avail of the special tax regime provided for in Chapter VII of Title VII and in additional provision two of Corporate Income Tax Law 27/2014, of 27 November.

The approval of the merger agreement described above has not brought to light any relevant aspects that would need to be disclosed or would have a significant impact on these financial statements from an accounting perspective.

At the date of authorising these financial statements for issue, the administrative authorisations required for the Merger to take effect, as stipulated in the Joint Merger Plan, have not been obtained, neither have the pertinent bodies expressed their opposition, as the case may be.

(2) Principles, accounting policies and measurement bases applied

A summary of the main accounting policies and measurement bases applied to prepare Bankia's financial statements for the year ended 31 December 2020 is as follows:

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

(2.1.1) Business combinations

A business combination is a transaction or 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.

A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, thus providing a return for the Bank in the form of interest, dividends or other types of income from its core activities.

In particular, obtaining control over an entity is considered a business combination.

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

- Identify the acquirer.

- Determine the acquisition date.

- Recognise and measure the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. Other than the exceptions mentioned in Circular 4/2017, in general, the identified assets, liabilities and contingent liabilities of the entity or business acquired are measured at fair value when control is acquired.

- Recognise and measure goodwill or a gain from a bargain purchase in the income statement by comparing the price paid in the business combination and the initial value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

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

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

(2.1.2) Investments in subsidiaries, joint ventures and associates

(2.1.2.1) Subsidiaries

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

Consideration as a subsidiary requires:

- Power: An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities; i.e. the activities that significantly affect the investee's returns;

- Returns: An investor is exposed, or has rights, to variable returns from its involvement with the investee when the investor's returns from its involvement have the potential to vary as a result of the investee's performance. The investor's returns can be only positive, only negative or both positive and negative.

- Link between power and returns: An investor controls an investee if the investor not only has power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor's returns from its involvement with the investee.

Appendix I contains significant information on Bankia's subsidiaries.

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

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

At 31 December 2020, there were no major restrictions on the transfer of funds from subsidiaries to the parent, either as dividends or repayment of loans or advances.

(2.1.2.2) Joint ventures

These are entities over which there is a 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 separate financial statements, a joint operator recognises, according to their nature and in accordance with the applicable legislation:
  - its assets, including its share of any assets held jointly;
  - its liabilities, including its share of any liabilities incurred jointly;
  - its revenue from the sale of its share of the output arising from the joint operation;
  - its share of the revenue from the sale of the output by the joint operation, 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 joint venturer must recognise its interest in the joint venture as an investment and account for this investment in its separate financial statements at cost less any impairment losses.

Investments in jointly controlled entities are presented in these financial statements under “Investments in subsidiaries, joint ventures and associates – Joint ventures” on the balance sheet and are measured as indicated previously (see Note 13), except for those classified as non-current assets held for sale, which are recognised and measured as described in Note 2.19.

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

Appendices II and III contain significant information on these companies.

(2.1.2.3) Associates

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

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

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

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

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

At 31 December 2020, the Bank's investments in entities in which it holds an equity interest of over 20% that have not been classified as investments in associates on its balance sheet are immaterial and relate primarily to entities under the management of an insolvency administrator.

(2.2) Financial instruments

(2.2.1) Initial recognition of financial instruments

Financial instruments are initially recognised on the balance sheet when the Bank becomes 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 any of the following conditions arise:

- The contractual rights to the cash flows from the financial asset expire; or
- The financial asset and substantially all the significant risks and rewards associated therewith are transferred, or although these are neither substantially transferred nor retained, control over the financial asset is transferred (see Note 2.7).

Financial liabilities are derecognised from the balance sheet when the obligations are extinguished or when they are repurchased by Bankia 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organised, transparent and deep market (“quoted price” or “market price”).

Bankia measures daily all the positions that must be recognised at fair value based either on available market prices for the same instrument, or on valuation techniques considered appropriate in the circumstances and which maximise the use of observable market inputs or, where applicable, on the best available information, using assumptions that market agents would apply to measure the asset or liability assuming they are acting in their best interest.

Note 23 provides information on the fair value of Bankia's main assets and liabilities at 31 December 2020 and 2019.

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 plus or minus, as appropriate, the cumulative amortisation, using the effective interest method, of any difference between the initial amount and the maturity amount of the financial instruments, and in the case of financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts all estimated future cash payments or receipts through the expected life of a financial instrument to the initial value of the financial instrument, without considering expected credit losses. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date adjusted, where applicable, for the fees and transaction costs that, pursuant to Circular 4/2017, must be included in the calculation of the effective interest rate. In the case of floating rate financial instruments, the effective interest rate is determined in a similar fashion to fixed rate transactions and is recalculated on the date of every revision of the contractual interest rate of the transaction, taking into account any changes in the future cash flows.

(2.2.4) Classification and measurement of financial assets and liabilities

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

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

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

  Financial assets included in this category are initially measured at fair value, adjusted to reflect transaction costs that are directly attributable to the acquisition of the financial asset, which are taken to profit or loss until maturity using the effective interest method. 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.

  When the contractual cash flows are renegotiated or modified in such a way that they do not result in a financial asset being derecognised as a result of a substantial modification, the Bank recalculates the gross carrying amount of the financial asset as the present value of the renegotiated contractual cash flows discounted at the original effective interest rate. The difference between the gross carrying amount before and after the modification is recognised under "Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and modification losses or (-) gains, net" in the income statement.

  In this connection, Bankia considers that, in general, the modifications in the contractual cash flows from loans subject to renegotiation under a public or sector-specific moratorium, which are temporary and linked to the COVID-19 pandemic, are not substantial.

  The interest accrued on these assets from their initial recognition, calculated using the effective interest method, is recognised under "Interest income" in the income statement. Exchange differences on securities included in this portfolio denominated in currencies other than the euro are recorded as set out in Note 2.4. Any impairment losses on these assets are recognised as set out in Note 2.9. Debt securities included in fair value hedges are recognised as set out in 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, until maturity, in the income statement using 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 balancing entry in "Accumulated other comprehensive income" on the balance sheet until the financial asset is derecognised, whereupon they are reclassified to the income statement for the year, in the case of debt instruments, or to 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 income statement. Dividends accrued on equity instruments classified in this category are recognised under "Dividend income" in the income statement.

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

    - **Financial assets held for trading:** those acquired for the purpose of selling them in the near term or that 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 as collateral with the right to sell, 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:** including debt instruments that cannot be classified as at amortised cost or at fair value through 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 designated initially at fair value through other comprehensive income.

- **Financial assets and financial liabilities designated at fair value through profit or loss:** these include, among others, financial instruments designated voluntarily and irrevocably initially at fair value through profit or loss if doing so 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 assets mandatorily 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, and any subsequent changes in fair value are 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", respectively, in the income statement, except for fair value changes due to returns accrued on the financial instrument other than from trading, which are recognised under "Interest income", "Interest expenses" or "Dividend income" in the income statement, depending on their nature. Returns on debt instruments included in this category are calculated using the effective interest method.

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

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

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

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

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

Assessment of business models

The business model refers to how the Bank manages its financial assets in order to generate cash flows. The assessment of the business model of the various financial assets recognised on 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, although interest also includes the consideration for other risks (e.g. liquidity risk) and costs. To perform the SPPI test, the Bank evaluates the facts and circumstances affecting the instrument. Key considerations include:

- Contractual terms that change the timing or amount of contractual cash flows: the existence of contingent events that might affect the cash flows, extension options or prepayment options, etc.
- Contractual terms that do not provide the Bank with consideration for the time value of money and for credit risk: transactions in which the interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate, returns linked to prices or performance of other assets, leverage, etc.
- Non-recourse instruments: financial assets whose contractual cash flows are described as principal and interest, but those cash flows do not represent the payment of principal and interest on the principal amount outstanding.
- Contractually linked instruments: situations in which an issuer may prioritise payments to the holders of financial assets using multiple contractually linked instruments that create concentrations of credit risk (tranches).
- The currency in which the financial asset is denominated.
- De minimis and non-genuine: variables that, while not passing the SPPI test, have an impact that is insignificant or immaterial (de minimis) or that affect contractual cash flows only on the occurrence of an event that is extremely rare, highly abnormal and very unlikely to occur (non-genuine). However, if a contractual cash flow characteristic could have an effect on the contractual cash flows that is more than de minimis or that cash flow characteristic is genuine, and introduces exposure to risks or volatility that is unrelated to a basic lending arrangement, it does not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(2.2.5) Reclassification of financial instruments between portfolios

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

The Bank has defined the following business models:

- Hold assets in order to collect contractual cash flows, whose objective is to hold financial assets to maturity in order to collect the contractual cash flows. Some sales are permitted, if those sales are infrequent or insignificant in value or when, irrespective of their frequency and value, they 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 collect the contractual cash flows arising from their sale. 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 collect cash flows by selling them, which normally involves frequent purchases and sales of the assets. These financial assets are measured at fair value through profit or loss.

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

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

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

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

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

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

(2.3) Hedge accounting and mitigation of risk

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

The Bank uses financial derivatives as part of its strategy to reduce its exposure to interest rate, credit and currency risks, among other risks. When these transactions meet certain requirements stipulated in the applicable accounting regulations, they qualify for hedge accounting.

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

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

To measure the effectiveness of hedges designated as such, the Bank analyses whether, from inception to expiration of 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 or instruments and, retrospectively, whether the actual results of the hedge have been within a range of 80% to 125% of the results of the hedged item.

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

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

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

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

  The Bank uses the hypothetical derivative method to assess effectiveness, by comparing changes in the fair value of the hedging instruments and hedged items attributable to the change in the reference rate. 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 arranged as a hedge and the changes in the fair value of the hypothetical derivative.

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

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

  - Financial assets at fair value through other comprehensive income: fixed-rate debt securities, whose risk is hedged with interest rate derivatives (basically swaps).
  - Financial assets at amortised cost: fixed-rate loans, whose risk is hedged with interest rate derivatives (basically swaps).
  - Financial liabilities at amortised cost: long-term fixed-rate deposits and debt securities issued by the Bank, whose risk is hedged with interest rate derivatives (basically swaps).

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

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

  - The gains or losses arising on both the hedging instruments and the hedged items associated with the hedged risk are recognised directly in the income statement. The balancing entry for changes in the fair value of the hedged item attributable to the hedged risk is recorded as an adjustment to the fair value of the hedged instruments.
  - When fair value hedging is discontinued, 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 until maturity of the hedged items, using the effective interest rate recalculated at the date the hedge accounting is discontinued.

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

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

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

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

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

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

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

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

(2.4) Foreign currency transactions

(2.4.1) Functional currency

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

Details of the equivalent euro value (in thousands of euros) of the main asset and liability balances on the balance sheet at 31 December 2020 and 2019, indicating the nature of the items and the main currencies in which they are denominated, are as follows:

(in thousands of euros)

	31/12/2020		31/12/2019	
ITEM	Assets	Liabilities	Assets	Liabilities
Balances in US dollars				
Cash, cash balances at central banks and other demand deposits	50,910	-	160,994	-
Financial assets and financial liabilities held for trading	200,333	113,474	236,051	120,998
Financial assets at amortised cost	1,467,209	-	1,350,957	-
Financial liabilities at amortised cost	-	1,526,059	-	1,267,675
Financial assets at fair value through other comprehensive income	18,495	-	36,053	-
Other	515	17,370	2,117	15,064
Sum	**1,737,462**	**1,656,903**	**1,786,172**	**1,403,737**
Balances in pounds sterling				
Cash, cash balances at central banks and other demand deposits	7,411	-	6,050	-
Financial assets and financial liabilities held for trading	59,681	60,810	104,682	106,657
Financial assets at amortised cost	259,678	-	175,839	-
Financial liabilities at amortised cost	-	153,687	-	73,353
Other	-	20	-	4
Sum	**326,770**	**214,517**	**286,571**	**180,014**
Balances in other currencies				
Cash, cash balances at central banks and other demand deposits	24,490	-	20,662	-
Financial assets and financial liabilities held for trading	2,387	3,387	6,314	7,597
Financial assets at amortised cost	435,926	-	226,736	-
Financial liabilities at amortised cost	-	92,827	-	101,677
Other	5	3,200	8	1,786
Sum	**462,808**	**99,414**	**253,720**	**111,060**
Total foreign currency balances	**2,527,040**	**1,970,834**	**2,326,463**	**1,694,811**

(2.4.2) Criteria for translation of foreign currency balances

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

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

(2.4.3) Exchange rates applied

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

(2.4.4) Recognition of exchange differences

Exchange differences arising from the translation of foreign currency balances into euros are generally recognised at their net amount under “Exchange differences [gain or (-) loss], net” in the income statement, except for exchange differences deriving from financial instruments at fair value through profit or loss, which are recognised in the income statement under “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” or “Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net”, without differentiating them from the rest of the changes in fair value.

However, exchange differences arising from non-monetary items whose fair value is adjusted through equity are recognised in equity under “Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Foreign currency translation” on the balance sheet until they are realised.

(2.5) Recognition of income and expenses

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

(2.5.1) Interest income and expenses, dividends and similar items

As a general rule, interest income, interest expenses and similar items are recognised on the basis of their period of accrual using the effective interest method defined in Circular 4/2017. Dividends received from other companies are recognised as income when Bankia's right to receive them arises.

However, when a debt security is assessed to be impaired individually or because recovery is considered unlikely, except for purchased or originated credit-impaired financial assets, the interest accrued in the income statement is the result of applying the effective interest rate to the 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 by applying the credit-adjusted effective interest rate to the amortised cost of 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 acquisition cost of financial assets or liabilities other than those classified as at fair value through profit or loss are recognised in the income statement using criteria that vary according to their nature. The most significant fee and commission items are as follows:

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

(2.5.3) Non-financial income and expenses

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

(2.5.4) Deferred income and accrued expenses

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

(2.6) Offsetting

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

In this regard, the presentation of financial assets subject to valuation adjustments for depreciation or impairment, net of these adjustments, is not considered “offsetting”.

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

a) the entity has a legally enforceable right to set off the recognised amounts of the instruments; and

b) the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Circular 4/2017 clarifies when a financial asset and financial liability are eligible for offset. The criteria were considered for the aforementioned offset. Specifically, regarding the first of the above requirements, 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 and all the counterparties.

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

Notes 7 and 12 present details 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 transferred assets are transferred to third parties – i.e. an unconditional sale of financial assets, a sale of financial assets under an agreement to repurchase them at their fair value at the date of repurchase, a sale of financial assets together with a purchased call option or a written put option that is deeply out of the money, securitisation 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 transferred financial asset are retained – i.e. a 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, securitisation of financial assets in which a subordinated debt or another type of credit enhancement that absorbs substantially all the expected credit losses on the securitised assets is retained, and other similar cases – the transferred financial asset is not derecognised and continues to be measured applying the same criteria as those used prior to the transfer. However, the following items are recognised with no offsetting:

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

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

- If the Bank neither transfers nor retains substantially all the risks and rewards associated with the financial asset transferred – i.e. a sale of financial assets with a purchased call option or a written put option that is neither deeply in the money nor deeply out of the money, securitisation of financial assets in which the transferor retains a subordinated debt or other type of credit enhancement for a portion of the transferred asset, and other similar cases – the following distinction is made:

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

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

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

Note 25.1 contains a summary of the main circumstances of the principal transfers of assets outstanding at the 2020 and 2019 year ends.

(2.8) Exchanges of assets

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

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

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

(2.9) Impairment of financial assets

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

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

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

A) Classification of transactions on the basis of 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 – Performing exposures: 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 instrument is equal to 12-month expected credit losses.
- Stage 2 – Performing exposures 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 instrument is equal to lifetime expected credit losses.
- Stage 3 – Non-performing exposures: a default event in the transaction has occurred. The amount of the loss allowance for this type of instrument is equal to lifetime expected credit losses.
- Write-off: transactions in which the Bank has no reasonable expectations of recovery. The amount of the loss allowance for this type of instrument is equal to its carrying amount and entails the full write-off of the asset.

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

Significant increase in credit risk

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

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

For the purposes of the quantitative comparison, the Bank availed of the simplification allowed in the standard, which considers changes in the risk of a default occurring over the next 12 months as a reasonable approximation to changes in lifetime risk of default of the instrument. This approach is aligned with the Bank's credit risk management practices and provides a reasonable approximation to the changes in the lifetime risk of a default occurring. In this respect, no situations have been identified where the financial instrument presents significant payment obligations beyond the next 12 months, where 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 where changes in credit-related factors only have an impact on the credit risk of the financial instrument beyond 12 months indicating that a lifetime assessment is necessary.

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

The Bank’s credit risk management systems also include other quantitative and qualitative components which, combined or separately, could give rise to the 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 or in their regulatory or technological environment, among others, which do not present 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 presumption based on reasonable and supportable information. The Bank has not applied a longer period of time for these purposes.
- Refinancing or restructuring that does not present evidence of impairment. Appendix IX shows the classification and allowance policies and criteria applied by the Bank for these types of transactions.
- Special debt sustainability agreement that does not present evidence of impairment until the cure criterion is applied.
- Agreements with issuers or borrowers declared subject to bankruptcy proceedings that do not present evidence of impairment.
- Repeat default or addition to the default ladder that does not present evidence of impairment of mortgage loans extended to individuals.

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

As regards the measures granted by Bankia to support families and businesses during the COVID-19 pandemic, these measures do not in themselves give rise to an improvement over the previous classification of the loan on the basis of credit risk attributable to insolvency. In addition, the Bank analyses those situations in which the beneficiary of a support measure is dealing with one-off liquidity pressures caused by the outbreak or, on the contrary, the debtor's ability to pay may be jeopardised in the long term. In this regard:

- At the outset of the situation caused by the COVID-19 pandemic and when the transactions are modified, the Bank assesses whether there has been a significant increase in credit risk in such transaction. In the absence of such an increase, the Entity does not lower the credit rating assigned to the transaction.
- The granting of guarantees by the State does not increase or reduce the risk of default by the borrower and, therefore, does not affect the assessment as to whether there has been a significant increase in credit risk since initial recognition. At the outset of the situation caused by the COVID-19 pandemic and when the State-backed financing is extended, the Entity assesses whether there has been a significant increase in credit risk in the pre-existing transactions arranged with the borrower. In the absence of this increase, the Bank does not lower the credit rating assigned to the transaction.

After being granted, public and sector-specific moratoriums entail the calculation of days of default based on the new payment schedule resulting from application thereof. Amounts suspended by public moratoriums are not considered as due and payable or, therefore, as past-due during the moratorium.

Default and credit-impaired financial assets

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

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

- More than 90 days past due. This includes all of a borrower’s transactions 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 includes 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.
- The lender, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender would not otherwise consider. Appendix IX shows the classification and allowance policies and criteria applied by the Bank for these types of transactions.
- It is 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 financial assets to become credit-impaired.

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

In relation to the support measures granted to families and households to mitigate the effects of the COVID-19 pandemic, the following considerations should be noted:

- As regards non-payment of more than 90 days, the granting of the moratorium entails the calculation of days of default based on the new payment schedule resulting from application thereof. Accordingly, the amounts suspended by the public moratoriums are not considered due and payable and, therefore, are not overdue for the purpose of increasing the calculation of days of default for such balances. As such, they do not generate new classifications to Stage 3 - Non-performing exposures during the moratorium as a result of default exceeding 90 days.
- With respect to the existence of reasonable doubts as to the full repayment of the loan, in those cases where relief measures (moratoriums and guarantee lines) have been granted, the Group continues to apply the general criteria contained in the monitoring policies to assess the borrower's ability to pay. This analysis aims to identify those situations in which it is highly likely that temporary problems will turn into longer-term difficulties, ultimately leading to the borrowers' inability to meet their contractual obligations.

No reasonable expectations of recovery

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

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

- Transactions classified as Stage 3 – Non-performing due to arrears that have been in this category for more than four years or that, before reaching this age, have been covered by a credit risk allowance or provision of 100% for over two years, unless there is effective collateral, on the basis of the present value, covering at least 10% of the gross carrying amount of the transaction.
- Transactions with borrowers declared to be in bankruptcy proceedings for which there is evidence that the liquidation phase has been or is due to be declared, except those with effective collateral, on the basis of the present value, covering at least 10% of the gross carrying amount of the transaction.

Classification in this category for the above reasons does not, however, mean that the Group should cease negotiations and legal action to recover the amount.

The Bank also assesses the individual facts and circumstances that could indicate that recovery of the contractual cash flows of the transaction is remote. These include situations where recovery proceedings have 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 justify the amount to be recovered.

B) Methodologies for estimating expected credit losses due to insolvency

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

- The existence of several possible outcomes, for which different weightings are determined based on the probability of occurrence of the various scenarios.

- The time value of money.
- The latest available information without undue cost or effort, reflecting past events, current conditions and forecasts of future economic conditions.

In estimating the expected credit losses on debt instruments, the Bank takes into consideration all the characteristics of the transaction, including the cash flows that would be obtained from enforcing the government's guarantees. Therefore, the expected credit loss is decreased by the positive impact of the cash flows expected to be recovered from the guarantor, irrespective of the classification of the transaction's credit risk attributable to insolvency.

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

B.1) Individual estimation of allowances and provisions

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

- Individual assessment to determine the accounting classification: in this case, all borrowers exceeding the EUR 5 million EAD threshold, excluding those identified as having low credit risk, except for those classified as Stage 3 – Non-performing exposures.
- Individual estimation of allowances and provisions: in this case for:
    - All borrowers that exceed the aforementioned threshold and are classified as Stage 3 - Non-performing exposures, as well as those below the threshold classified as Stage 3 - Non-performing exposures and determined using experienced judgement, including borrowers classified as Stage 3 – Non-performing exposures for reasons other than arrears, or as Stage 2 – Performing exposures under special monitoring, except those classified on the basis of automatic classification factors.
    - Also subject to individual estimation are borrowers with transactions identified as having low risk classified as Stage 3 – Non-performing exposures although they are below the materiality threshold.

The Bank's approach for estimating expected credit losses of debt instruments takes 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: considering all the amounts the Bank expects to obtain over the instrument's remaining life. 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 collateral considers, among others, the time required to enforce, and the ability to dispose of, the collateral. Collateral or guarantees whose effectiveness depends substantially upon the credit quality of the debtor, or of any economic group to which the debtor may belong, are not eligible. The Bank has policies and procedures on the evaluation of collateral in accordance with applicable regulations.

Allowances for large borrowers for which no significant increase in credit risk or evidence of impairment has been determined and which have therefore been classified in Stage 1 - Performing exposures, are estimated collectively. The Bank also collectively estimates expected credit losses on transactions assessed individually and classified in Stage 2 - Performing exposures 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 of future conditions. Allowances for exposures with low credit risk not classified in Stage 3 – Non- performing exposures are calculated using this approach, since there are not enough observations to develop internal models.

In accordance with applicable regulations and following the required approval by the Board of Directors and the corresponding internal validation process, on 1 January 2018 the Bank implemented the use of internal methodologies to carry out the collective estimation of credit loss allowances. In line with the Bank'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.

The Group has established backtesting methodologies between estimated and actual losses. As a result of this testing, the Bank makes modifications to internal methodologies when periodic backtesting shows significant differences between estimated and actual losses.

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

a) *Criteria for grouping transactions*

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

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

b) *Risk parameters*

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

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

c) *Scenarios and use of forecasts of future economic conditions*

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

In estimating impairment losses due to credit risk, all reasonable and well-founded information available must be considered, including that of a forward-looking nature. This means that past events and current conditions, as well as forecasts about future economic conditions, must be taken into consideration. To make the estimate, the Bank takes the most likely scenario (baseline scenario) as the starting point. This baseline scenario is consistent with the scenario used for the purposes of the Bank's internal planning processes.

On the basis of the baseline scenario, a number of assumptions are made about the trends in the macroeconomic variables, such that two additional scenarios are obtained (one more favourable and the other more adverse), thus defining three scenarios at Bank level.

The key macroeconomic variables vary across portfolios. However, the Bank considers the most important macroeconomic variables to be the unemployment rate and gross domestic product ("GDP").

At 31 December 2020, the estimate of the macroeconomic variables applied was revised with respect to those applied at 31 December 2019, as a result of the changes in the macroeconomic scenarios arising from the COVID-19 pandemic.

As a result of the change in economic conditions generated by the COVID-19 pandemic, the weighting of the three scenarios with respect to employees at 31 December 2019, wherein the favourable and adverse scenarios were weighted at 20% and the baseline scenario at 60%, was revised at 31 December 2020. In this new situation, the favourable scenario is temporarily weighted at 15% and the adverse scenario remains at 20%, given the possibility that the economic consequences will be long term and the measures to sustain economic activity in households and companies could hypothetically be insufficient, with the baseline scenario being weighted at 65%.

To generate the reference macroeconomic variables, the scenarios published by Bankia Research in September 2020 were used. These macroeconomic forecasts consider a significant contraction in GDP in the short term and a progressive recovery in the following years to return to pre-COVID-19 levels.

The following table shows the expected changes in unemployment rate and GDP over the next three years, taking into account the aforementioned weighting considered by the Group at 31 December 2020:

	%			
	2020	2021	2022	2023
Unemployment rate	16.0	17.1	15.7	14.4
GDP (variation)	(13.0)	5.0	8.0	3.7

In addition, in applying the impact of the forward-looking scenarios on the expected loss, the Bank has considered the aforementioned mitigating measures in terms of public and sector-specific support. However, since it is difficult to consider both effects in the current context, while the current situation persists, and following the guidelines of the various regulators and supervisors to make use of the flexibility contained in the accounting standard, the Group has given greater weight to the more stable projections, based on its historical experience and long-term projections with respect to the short-term variables, on estimating the impairment losses due to credit risk.

Considering the mitigating measures, the Bank has therefore reflected more stable conditions in its forward-looking scenarios, in which the effects of the immediate fluctuations generated in an environment subject to continuous change in the very short term are mitigated. Once the situation begins to stabilise and reasonable and well-founded information is available, the Bank will be able to make more reliable forecasts that will be reflected in the macroeconomic scenarios and the associated probabilities.

Lastly, the Bank has carried out an additional exercise to assess exposures granted to borrowers that have been significantly affected by the pandemic. This exercise was carried out on the basis of segmentation by sectors and risks so as to identify the most vulnerable borrower groups, evaluating the outlook for each sector and using this information in the borrower credit ratings, with a view to identifying those exposures for which the risk has increased significantly since initial recognition, for the purpose of classifying them, primarily, as Stage 2 – Performing exposures under special monitoring (see Notes 11.2 and 11.3).

As a result of the aforementioned exercises, which involve estimating impairment losses due to credit risk generated by the rise in expected loss as a result of the economic downturn caused by the COVID-19 pandemic, taking into consideration the aforementioned relief and recovery measures, as well as the recommendations from the regulatory and prudential authorities, not to mention the existing uncertainty with regard to when recovery will take place considering the exceptional circumstances of 2020, in comparison with the historical data used to estimate expected losses, during 2020 additional allowances of financial assets EUR 490 million and EUR 15 million have been recognised to Investment property for impairment losses as a result of COVID-19.

C) Credit risk attributable to country risk

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

Non-performing assets due to country risk are deemed to be those transactions with ultimate obligors resident in countries that have had long-standing difficulties in servicing their debt, the possibility of recovering such debt being considered as doubtful; and off-balance sheet exposures, recovery of which is considered a remote possibility due to circumstances attributable to the country.

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

(2.10) Financial guarantees and provisions for financial guarantees

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

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

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

- Its value changes in response to the changes in 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, 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 contracts that require Bankia, 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.

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

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

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

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

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

(2.11) Leases

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

A) The Bank as lessee

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

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

At the commencement date of the lease, the Bank recognises the lease liability of the underlying asset at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Bank uses its incremental borrowing rate. The lease liability is recognised in “Financial liabilities at amortised cost - Other financial liabilities” on the balance sheet. The finance cost related to the lease liability is recognised under “Interest expenses” in the income statement. After the commencement date, the 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” on the balance sheet measured at the amount of the lease liability less any lease payments made at or before the commencement date, any initial direct costs incurred or the cost to be incurred in dismantling and removing the underlying asset or restoring it to the condition required by the terms and conditions of the lease.

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

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

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

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 administrative expenses" in the income statement.

Sale and leaseback transactions

In transactions in which the Bank sells an asset it owns to a third party and leases that asset back, the Bank assesses whether the terms of the contract meet 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 is a sale, the Bank derecognises the asset and recognises the right-of-use asset arising on the sale and leaseback at the proportion of the carrying amount that relates to the right-of-use retained by the Bank. It also recognises a lease liability. Therefore, the Bank only recognises the amount of the gain or loss that relates to the rights transferred to the buyer-lessor.
- If the transfer does not satisfy the requirements to be accounted for as a sale, the Bank continues to recognise the transferred asset and recognises a financial liability equal to the consideration received.

B)The Bank as lessor:

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

Finance leases

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

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

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

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

Operating leases

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

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

Assets managed by the Bank and owned by third parties are not shown on the balance sheet. Fees and commissions generated on this activity are included under "Fee and commission income" in the income statement. Note 25.3 provides information on third-party assets managed by the Bank at 31 December 2020 and 2019.

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

(2.13) Staff expenses

(2.13.1) Post-employment benefits

(2.13.1.1) Types of commitments

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

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

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

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

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

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

- Pensions of current employees:

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

  At 31 December 2020, there were no defined benefit obligations for retirement.

- Pensions of retired employees:

  On 15 July 2020 a labour agreement was entered into with most of the representatives of the Bank's employees. Among other measures, this agreement provides for unification of the system for reviewing defined benefit pension obligations, where these are subject to review, and stipulates constant future growth at a fixed annual rate of 0.35% effective as of 1 January 2021.

  Virtually all the commitments for pensions of retired employees assumed by Bankia are externalised through the pension plan and insurance policies.

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

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

As a rule, the Bank uses the following criteria to determine its obligations and commitments, and to cover such commitments:

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

(2.13.1.4) Accounting criteria for post-employment obligations

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

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

  If at 31 December 2019 there are any outstanding contributions to be made to the external plan funding the post-employment benefit obligations, the related amount is recognised at its present value under "Provisions - Provisions for pensions and other post-employment defined benefit obligations". At 31 December 2020, there were no outstanding contributions to be made to external defined contribution plans.

- *Defined benefit plans*. Under the caption "Provisions - Provisions for pensions and other post-employment defined benefit obligations" on the liability side of the balance sheet, the Bank recognises the present value of obligations assumed net of the fair value of assets qualifying as "plan assets" (or under "Other assets – Other" on the asset side of the balance sheet, depending on whether the resulting difference is positive or negative and on whether or not the conditions for recognition are satisfied).

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

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

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

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

  Post-employment defined benefit payments are recognised as follows:

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

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

(2.13.2.1) Early retirement commitments

At 31 December 2020, these commitments were covered by insurance policies and an internal fund.

(2.13.2.2) Commitments derived from the Labour Agreement adopted as a 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") 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 at 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. Such measures included early retirements, relocation, indemnified redundancies, contract suspension and shorter working days.

(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 Bankia 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 continue 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 2020, the Bank had covered its liabilities under the aforementioned Labour and Workforce Agreements 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 early retirement commitments) and "Provisions – Other provisions" (for the remaining commitments undertaken) on the balance sheet (see Note 19).

(2.13.2.7) Death and disability

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

The amount accrued and paid in 2020 to cover these obligations was EUR 4,194 thousand (EUR 5,681 thousand at 31 December 2019, which was covered in full by the Employee Pension Plan). This amount has been recognised under "Administrative expenses - Staff expenses" in the income statement for the year then ended.

(2.13.3) Financial assistance for employees

Financial assistance for employees is set out in the Collective Bargaining Agreement for Savings Banks. 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 expenses with a balancing entry under "Interest income" in the income statement.

(2.13.4) Termination benefits

Under current legislation, the Bank is required to pay termination benefits to employees made redundant without just cause. Termination benefits must be recognised when the Bank is committed to terminating 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 by provisions recognised at 31 December 2020 (see Note 19).

(2.14) Income tax

The Spanish corporate income tax expense is recognised in the income statement, except when it results from a transaction recognised directly in equity, in which case the income tax is also recognised in the Bank's equity.

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

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences. In any case, deferred tax liabilities arising from accounting for goodwill are not recognised.

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

- Deferred tax assets are only recognised when it is considered probable that the consolidated entities will have sufficient future taxable profit against which these can be utilised; 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 whether they remain in force, and the appropriate adjustments are made on the basis of the results of the review.

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

Constitution of the Bankia tax group

The Bankia tax group opted to pay taxes under the special tax consolidation scheme regulated by Chapter VII of Title VII of the Revised Spanish Income Tax Law ("TRLIS"), for the tax period commenced on 1 January 2011, and informed the taxation authorities of this decision.

Note 24 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 Bank or held under a lease, for present or future administrative use or for the production or supply of goods and services that are expected to be used for more than one financial year. This category includes, inter alia, items of property, plant and equipment received by the Bank in full or partial settlement of financial assets representing rights to receivables from third parties which are intended to be held for continuing use. Property, plant and equipment for own use are presented on the balance sheet at acquisition cost, which is the fair value of any consideration given for the asset plus any monetary amounts paid or committed, less:

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

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

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

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

	Annual rate
Buildings for own use	2%
Furniture and fixtures	10% to 25%
IT equipment	25%

The Bank assesses at each reporting date whether there is any internal or external indication that a tangible asset may be impaired (i.e. its carrying amount exceeds 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 property, plant and equipment for own use is reduced with a charge to "Impairment or (-) reversal of impairment on non-financial assets" in the income statement.

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

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

Upkeep and maintenance expenses on property, plant and equipment for own use are recognised as an expense in the income statement in the period in which they are incurred.

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

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

(2.15.2) Investment property

"Investment property" on the balance sheet reflects the net values of the land, buildings and other structures held to earn rentals or for potential capital appreciation in 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 property foreclosed or received in payment of debt (see Note 2.20) reclassified from non-current assets held for sale to investment property, for example when the property is earmarked for lease, when determining the appropriate method for estimating fair value, the Bank assesses whether the lease transaction satisfies the following two requirements:

- The lessee's ability to pay is sufficient to service the lease payments; and

- The lease price indicates that the market value of the leased asset is above its carrying amount

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

Appendix VIII provides further information about real estate assets foreclosed or received by the Bank in payment of debt and classified under this balance sheet heading on the basis of ultimate purpose, as referred to above.

(2.16) Intangible assets

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

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

In the individual financial statements, intangible assets have finite useful lives and are amortised using similar criteria to those used for the depreciation of tangible assets. When the useful life of intangible assets cannot be estimated reliably, they are amortised over a period of 10 years.

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

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

The Bank recognises any impairment loss on the carrying amount of these assets with a charge to “Impairment or (-) reversal of impairment on non-financial assets - Intangible assets" in the income statement. The 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 (see Note 2.15.1).

(2.17) Inventories

At 31 December 2020 and 2019, the Bank had not recognised any amounts under inventories.

(2.18) Provisions and contingent liabilities

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

- Provisions: credit balances covering present obligations at the reporting date arising from past events which could give rise to a loss for the Bank, which is considered likely to occur and certain as to its nature, but uncertain as to its amount and/or timing; and
- Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one of more uncertain future events not wholly within the control of the Entity, or current obligations of the Entity, the settlement of which is unlikely to require an outflow of resources embodying economic benefits, or the amount of which, in extremely rare circumstances, cannot be measured with sufficient reliability.

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

Provisions are measured based on the best information available on the consequences of the events giving rise to them and estimated 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.

In accordance with IAS 37.92, in rare cases, where disclosure of information can be expected to prejudice seriously the Group's position, generally in a class action lawsuit, detailed information does not have to be disclosed but a description of the general nature of the contingencies should be provided.

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

(2.18.1) Legal proceedings related to the 2011 IPO

Civil proceedings regarding the invalidity of the subscription of shares.

A small number of claims are still being processed at present, seeking the invalidity of the subscription of shares issued in 2011 in the public offering for the stock market listing of Bankia, S.A., and of those related to subsequent purchases, although in the latter case the claims are residual. In application of prevailing legislation, this contingency was recognised in accordance with the information disclosed in Note 19.

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

Summary Procedure 1/2018, arising from Preliminary Proceedings No. 59/2012, before the Criminal Chamber of the National High Court (Audiencia Nacional).

Criminal proceedings in which the court admitted the lawsuit filed by Unión Progreso y Democracia against Bankia, BFA and former members of their respective Boards of Directors for consideration. Other criminal complaints by parties purportedly affected by Bankia's IPO (private prosecution) and by persons without such status (class prosecution) were subsequently joined to these proceedings. Bankia raised a total of EUR 3,092 million in July 2011 from the IPO: EUR 1,237 million from institutional investors and EUR 1,855 million from retail investors. Since retail investors have been refunded 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 parties is considered practically resolved.

On 23 November 2018, as part of the collateral civil liability proceedings, a payment into court of EUR 38.3 million was set. At present, requests for payments into court amounting to EUR 5.8 million have been issued and a decision has yet to be issued by the Court.

On 11 May 2017, the presiding judge of Central Examining Court No. 4 of the National High Court ordered that there was a case to answer, thereby concluding the examination stage, as detailed in Note 19.

On 17 November 2017, Central Examining Court No. 4 of the National High Court ordered commencement of the trial. Specifically, this order commenced the trial in respect of the crimes of falsification of financial statements (defined in article 290 of Spain's Criminal Code) and investor fraud (article 282 bis of the Criminal Code) against certain former directors and current and former executives of Bankia and BFA, the external auditor at the time of the IPO, and against BFA and Bankia as legal persons. As detailed in note 19, the State Prosecutor and the FROB presented written submissions seeking the dismissal of the criminal charges against BFA and Bankia. The FROB did not seek secondary civil liability on the part of Bankia or BFA.

On 29 September 2020, Panel 4 of the National High Court's Criminal Chamber delivered a judgment (no. 13/2020) whereby it unanimously acquitted all the defendants.

Only two prosecutors have lodged the corresponding cassation appeal with the Spanish Supreme Court's Criminal Chamber (namely, the Spanish Association of Minority Shareholders of Listed Companies (AEMEC) and BOCHNER ESPAÑA, S.L. et al.) against the judgment of 29 September 2020 handed down by Panel 4 of the National High Court's Criminal Chamber (no. 13/2020).

In addition, under the scope of this proceeding, three collateral proceedings are ongoing:

- In the two collateral proceedings regarding the preference shares of Caja Madrid and Bancaja, on 17 May 2018 an order was issued to discontinue the cases as the existence of fraud in the issuance and marketing of preference shares in the knowledge that the investors would lose their investment has not been confirmed.

  The two orders were appealed by the private prosecution (not by the public prosecution), with Bankia and BFA (which are not under investigation) having opposed these appeals.

  In orders issued on 28 February 2019, the Criminal Chamber of the National High Court dismissed the appeals lodged, confirming the provisional stay, which has since become final.

- In the collateral proceedings regarding the cards, on 3 October 2018 the Supreme Court delivered a judgment confirming the first instance Judgment of 23 February 2017 in which certain former directors and executives of Caja Madrid and Bankia were convicted, and holding that Bankia must be held liable in respect of the civil liability arising from the crime.

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

The Bank considered the lawsuit underway in Abbreviated Proceedings 1/2018 (deriving from Preliminary Proceedings No. 59/2012) as a contingent liability with an uncertain outcome.

(2.18.2) Other litigation and/or claims in progress

At the 2020 year end, a number of legal proceedings and claims were underway against the Bank in connection with the ordinary course of its business activities. The directors believe that, based on the information available at the reporting date and considering the amounts provided for by the Bank to this end (see Note 19), the conclusion of these proceedings and claims will not have a material impact on the Bank's equity position.

The main material claims against the Bank and their current status are as follows:

Class actions

- Civil proceedings regarding hybrid instruments (preference shares 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 estimated maximum loss for Bankia derived from the costs arising from the enforcement of judgments against the Bank in the various proceedings against it related to the aforementioned issues. Other class action suits have been filed by ADICAE seeking an injunction and invalidity of the issue and sale of those hybrid instruments. Of the six actions initially brought, three are already concluded as the cassation appeals brought by ADICAE were rejected in two cases, and in a third case the second instance judgment which found in favour of the Bank has since become final as no appeal was lodged, and the main claims filed by the claimant in class actions have been definitively dismissed.

- Claims seeking the invalidity of floor clauses. There were 4,411 legal proceedings underway regarding individual actions seeking invalidity at 31 December 2020. Bankia, in addition to virtually all Spanish financial institutions, is also being sued in a class action brought by ADICAE being conducted at Madrid Mercantile Court 11, under case no. 471/2010. On 12 November 2018, Panel 28 of the Madrid Regional Appellate Court issued judgment no. 603/2018 rejecting the appeals filed by the defendant financial institutions against the first instance judgement partially upholding the claim. This judgment upholds the actions for an injunction and the refund of amounts paid brought by ADICAE and, as a result, orders the defendants, including Bankia, (i) to eliminate the floor clauses in the contracts signed with consumers and (ii) to refund the amounts paid as a result of these clauses, with no statute of limitations. Nevertheless, the judgment of the Madrid Regional Appellate Court does not have any automatic effects with respect to the claim for a refund of the amounts paid which, as the case may be, must be decided upon enforcement of the judgment on a case-by-case basis.

- Lawsuits filed in connection with mortgage arrangement fees. At 31 December 2020 a total of 14,426 legal proceedings are underway.

  The judgments of the Supreme Court regarding mortgage arrangement fees, dated 23 January 2019, significantly reduced the existing economic contingency inasmuch as they clarify that the main component of those expenditures, stamp duty, must be assumed by the borrower in the event that a Court declares the clause null and void, in respect of loans arranged prior to the entry into force of Royal Decree-Law 17/2018, of 8 November, amending the Revised Transfer Tax and Stamp Duty Law

  On 16 July 2020, the CJEU delivered a judgment which, in general terms, does not disallow the criterion upheld by the Supreme Court on the various matters analysed.

As regards mortgage fees, the CJEU confirms the interpretation of the Supreme Court, since, without prejudice to the fact that an unfair term must be regarded as not included with no further modification, a refund of the amounts paid does not apply when the payment was made pursuant to the provisions of national law that lay the obligation to pay all or part of such costs on the consumer. In addition, the CJEU notes that an action to enforce the refund under the declaration of invalidity due to a clause being deemed unfair may be subject to a statute of limitations. In view of the CJEU's decision, the Supreme Court subsequently delivered various judgments which interpret the applicable regulations of national law.

As regards the arrangement fee, the CJEU provides certain instructions for the purpose of determining the validity thereof, which generally fall in line with the considerations on which the Supreme Court has based its assertion that it is transparent and not unfair

Between 2019 and 2020, Bankia received notice of nine class actions brought by ADICAE seeking an injunction and the invalidity of the fee clauses agreed upon in contracts arranged by different savings banks that formed Bankia. These actions incorporate different parties and they also seek the refund of amounts paid. A first instance judgment has yet to be handed down on three of these nine proceedings. In three cases, the judgments delivered fully dismiss the actions brought (one such judgment is final), while in another three the judgments uphold only those actions seeking invalidity and an injunction, and dismiss the actions seeking a refund of amounts paid.

At the behest of the Spanish Association of Financial Users (ASUFIN), two class actions remain ongoing.

- One of these is seeking the invalidity of the fee clause and the clause that pegs variable interest to the official mortgage price index (IRPH). This particular case, despite joining actions seeking an injunction and a refund of amounts paid, was ultimately admitted only with respect to the injunction sought on the IRPH clause, and after the Valencia Regional Court had rejected the claim for a refund and ASUFIN had withdrawn its action seeking an injunction and invalidity of the fee clause. A first instance judgment has been delivered which dismisses the action seeking an injunction and the invalidity of the IRPH clause. ASUFIN has appealed this decision.
- A further action has been brought by ASUFIN against Bankia and another seven financial institutions and which several customers have joined, seeking an injunction and the invalidity of the fee clause. This is in addition to the action seeking a refund of amounts paid. Bankia answered this claim recently.

In addition, during the year Bankia received notice of a further action brought by ASUFIN against Bankia and another seven financial institutions and which several customers have joined, seeking an injunction and the invalidity of the fee clause. This is in addition to the action seeking a refund of amounts paid. Bankia answered this claim recently.

Therefore, in view of the foregoing, at present and solely as regards the claims filed with the courts, the risk of an impact on the Entity's equity due to them finding against the Group, in terms of a greater contingency, is not significant.

- In relation to mortgage loans linked to the official mortgage price index (IRPH) the Group, as well as other Spanish financial institutions, is party to proceedings in which the claimants have filed a claim with regard to the validity of these mortgage loans.

  In its judgment of 3 March 2020, the Court of Justice of the European Union resolved the request for a preliminary ruling from the Court of First Instance no. 38 of Barcelona in relation to the alleged lack of transparency in the contractual terms of consumer mortgage loan agreements that are tied to mortgage loan reference indices (IRPH). This matter arises from a decision delivered by the Supreme Court in December 2017 which ruled, after analysing the contractual terms, that these terms met the principles of transparency. According to the CJEU, it is the responsibility of the Spanish courts to determine in each case whether the information obligations set out in prevailing legislation at the loan arrangement date have been met. Therefore, after analysing how the mortgage loans were marketed and arranged, the Spanish courts shall determine, as the case may be, whether there is a lack of transparency and the consequences thereof.

  In the wake of the foregoing judgment of the CJEU, in November 2020 the Spanish Supreme Court handed down five judgments wherein, applying the case law laid down by the Court of Justice of the European Union, it finds the clause not to be unfair.

  At 31 December 2020, prevailing mortgage loans with individuals who are up to date with payments, which include a contractual term linked to the IRPH agreed between the consumer and the Entity, amount to approximately EUR 1,100 million (EUR 1,300 million at 31 December 2019). In addition, an amount of approximately EUR 1,350 million of up-to-date payments (EUR 1,600 million at 31 December 2019) corresponds to loan portfolios relating to the financing of housing and land for which the reference index (IRPH) stipulated in the contractual terms was not agreed between the consumer and the Entity, but rather was imposed by way of a mandatory provision applicable to the consumers in accordance with the legal and de facto framework at the date the contract was signed, such as savings plans for government-subsidised housing. At 31 December 2020, 445 lawsuits are underway with an immaterial economic risk for this kind of proceeding.

  Taking into consideration the aforementioned material and procedural prospects and the related existing uncertainty, the Entity has treated the matter as a contingent liability, the materialisation and consequences of which are uncertain for Bankia.

- In relation to the proceedings regarding the so-called revolving and deferred payment cards, in March 2020 the Supreme Court delivered a judgment confirming the criterion of the Supreme Court Judgment of November 2015, which establishes the purportedly unfair nature of financing transactions on which the interest rate charged could be considered manifestly disproportionate, although no clear, specific and consistent case law has been established. The total number of lawsuits in relation to revolving cards is 107 and the related economic risk is not significant.

Other lawsuits

- Lawsuits filed in accordance with Law 57/1968. At 31 December 2020, there were 740 legal proceedings in progress.
- Lawsuits related to derivatives. At 31 December 2020, there were 91 legal proceedings in progress.
- Lawsuit brought against Bankia, S.A. and others before First Instance Court No. 48 of Madrid: Bankia, S.A. and Corporación Industrial Bankia, S.A. entered into a settlement agreement with the creditors holding credit rights vis-à-vis Alazor y Accesos de Madrid with respect to the settlement of liabilities, whereby all liabilities required of both companies related to the Comfort Letter and Support Agreement provided were settled, without prejudice to the formal termination of the proceeding on completion of the pertinent procedural steps. Payment of the settlement agreement has not had a significant impact on the Group's profit or loss or its equity.
- Criminal complaint brought by the Banco de Valencia Small Shareholder Association "Apabankval": In 2012, Apabankval lodged a criminal complaint against the Board of Directors of Banco de Valencia and the external auditor in respect of corporate crimes. The amount of the civil liability claims has yet to be quantified. The Apabankval complaint has led to Preliminary Proceedings 65/2013-10 at Central Examining Court No. 1 of the National High Court.

  Subsequently, a second criminal complaint was brought by several individuals ("Banco de Valencia"). Against this backdrop, in a ruling dated 6 June 2016, Central Examining Court No. 1 of the National High Court accepted the addition to Preliminary Proceedings 65/2013-10 of a new criminal complaint filed by shareholders of Banco de Valencia against several members of the board of directors of Banco de Valencia, the external auditor and Bankia, S.A. ("in place of Bancaja") for the corporate crime of falsification of financial statements set out in article 290 of the Spanish Criminal Code.

  On 13 March 2017, Panel 3 of the National 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 secondarily liable in the civil liability case.

  As of 1 June 2017, Apabankval represented 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 Procedure Law.

  On 6 September 2017, an individual filed a new criminal complaint regarding the crime of falsification of financial statements under article 290.2 of the Criminal Code. On this occasion the complaint has been brought against the former natural person directors in respect of the criminal liability and against Bankia only in respect of the civil liability (with civil liability also being sought of Valenciana de Inversiones Mobiliarias and the 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 secondarily 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 – and a subsidiary appeal to a superior civil court which it has subsequently withdrawn, not because BFA accepts the ruling, but because it plans to re-file the arguments put forward, which it considers solid and well-founded, at a later stage in the proceedings.

  On 19 October 2018, a ruling was issued rejecting the FROB's appeal – which BFA joined– against the ruling upholding BFA's secondary civil liability, with one dissenting vote on the understanding that the FROB – a public body – cannot be included in the proceedings because secondary civil liability is being claimed of BFA, of which it is the sole owner.

  On 2 December 2019, Central Examining Court No. 1 ruled that there was a case to answer, ordering the continuation of the preliminary proceedings in abbreviated proceedings for the alleged participation in a continuous corporate crime of falsification of Banco de Valencia's financial statements for 2009-2010, provided for and punishable under articles 290.1, 290.2 and 74 of the Criminal Code, against the members of Banco de Valencia's board of directors and against different companies as parties secondarily liable, including BFA, Bankia, Bankia Habitat, S.L. and Valenciana de Inversiones Mobiliarias, S.L.

  Following a ruling delivered on 12 June 2020 which dismissed the appeals for amendment filed by the defence, Bankia and BFA each lodged an appeal with the Criminal Chamber of the National High Court.

  The Bank has treated this contingency as a contingent liability the outcome of which remains uncertain at the reporting date.

(2.19) Non-financial guarantees provided

Deposits or guarantee contracts whereby the Bank undertakes to compensate an obligee in the event of non-compliance with a specific obligation other than a payment obligation of 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 enforceable by law, are considered, for the purpose of preparing these financial statements, to be insurance contracts.

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

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

"Non-current assets and disposal groups classified as held for sale" on the balance sheet include the carrying amounts of items – either individual ("non-current assets") or forming 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 after the date of the financial statements. Therefore, the carrying amount of the items – which may be financial or non-financial – is expected to be recovered through a sale transaction rather than through continuing use.

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

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

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

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

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

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

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

Initial recognition

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

- The carrying amount of the financial assets applied.

  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 are estimated on the basis of their accounting classification before the delivery, 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 is taken as the fair value less the estimated costs to sell of the asset foreclosed or received in payment of debt, calculated 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 the reference value (updated appraisal value) market information on the Spanish banking sector regarding average discounts for real estate collateral.

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

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

- The fair value at the date of foreclosure or receipt of the asset less the estimated costs to sell.

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

  For assets located in Spain, the Bank is considered to have adequate sales experience for a type of real estate if it sells yearly a minimum of 10% of its annual average stock and 75 units of that type.

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

  All court costs associated with the claiming and foreclosure of these assets are recognised immediately in the income statement for the foreclosure period. Registry costs and taxes paid may be added to the value initially recognised provided that, as a result, such value does not exceed the fair value less the estimated costs to sell mentioned in the paragraph above. All expenses related to the administration and management of the assets are recognised in the income statement 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 vis-à-vis the carrying amount of the assets is recognised as potential impairment or, where appropriate, a reversal of impairment if the Bank has the ability to realise the asset at the estimated fair value, up to the amount of accumulated impairment. This ability remains provided the asset foreclosed or received in payment of debt 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, a combination of automated appraisal methods and full individual appraisals may be used (see Note 23.3.2), such that the frequency of the latter is at least every three years.

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

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

(2.21) Statement of cash flows

The following terms are used in the statement of cash flows 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 typical activities of credit institutions and other activities that cannot be classified as 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 indicated in paragraph i) above are classified, for the purpose of this statement, as operating activities, except for subordinated financial liabilities, debt certificates including bonds, and investments in equity instruments classified at fair value through other comprehensive income which are not 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 non-current assets and other investments not included in cash and cash equivalents, such as tangible assets, intangible assets, investments in subsidiaries, joint ventures and associates, non-current assets held for sale and associated liabilities, equity instruments classified at fair value through other comprehensive income which are strategic investments.
- Financing activities: activities that result in changes in the size and composition of equity and liabilities that are not operating activities, such as subordinated liabilities and debt certificates including bonds.

In preparing the statement of cash flows, "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 statement of cash flows, the balance of “Cash, cash balances at central banks and other demand deposits” under assets on the balance sheet was considered as cash and cash equivalents.

(2.22) Share-based payment transactions

Share-based remuneration of senior executives and Board members

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

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

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

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

(2.23) Treasury shares

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

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

“Own funds – (-) Treasury shares” in equity reflect the value of Bankia, S.A. treasury shares held by the Bank at 31 December 2020 and 2019.

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

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

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

Statement of recognised income and expense

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

Accordingly, this statement presents:

- Profit or loss for the corresponding years.
- The net income or expenses temporarily recognised in equity as valuation adjustments.
- The net income or expenses definitively recognised in equity.
- The tax accrued on the items referred to in the preceding two points.
- Total comprehensive income for the year, calculated as the sum of the above amounts.

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

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

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

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

(2.25) Statement of changes in equity

This statement reflects all the changes in equity, including those due to accounting policy changes and corrections of errors. Accordingly, this statement presents a reconciliation between the carrying amount of each component of equity at the beginning and at the end of the period, the changes being grouped on the basis of their nature into the following items:

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

(3) Risk management

Risk management is a strategic pillar of the organisation. The primary objective of risk management is to safeguard the Group's financial stability and asset base, while creating value and developing the business in accordance with the risk tolerance and appetite levels set by the governing bodies. For this purpose, it provides the tools to enable the valuation, control and monitoring of the different risks to which the Group is exposed.

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 efficient internal control framework based on a three lines of defence model governed by the following general principles including its scope, covering all types of relevant risks for the Group as a whole, independence of the risk function and the

commitment of senior management, adapting behaviour to the highest ethical standards and strict compliance with laws and regulations:

- Independent and global risk function, which ensures 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.
- Integrated management of all risks through identification and quantification, 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 the risk function's and risk managers' objectives with the objectives of the Group as a whole, so as to maximise value creation.

2. An effective governance of the risks for which the Group has different inter-related processes that are approved by the Board of Directors on a yearly basis.

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

      The Group has a Risk Appetite Framework approved by the Entity's Board of Directors which represents the management tool via which the Board of Directors: (i) formalises the Group's risk appetite statement, (ii) establishes the mechanism for monitoring risks in such a way as to ensure compliance with the risk appetite, and (iii) reinforces the Group's risk culture.

      This Framework explicitly defines the desired and maximum levels of risk (appetite and tolerance) that the Group's governing bodies are willing to assume to achieve the business goals, as well as the mechanisms for monitoring different risks and the responsibilities of the different managements, committees and governing bodies involved.

      If any of the key indicators in the Risk Appetite Framework exceed the approved limits, an action procedure is set up, whereby the Management Committee is designated as responsible for proposing 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 Entity's strategic lines of action with respect to risk and capital in normal business conditions. Both processes shape the planning of the Group's activities and businesses.

   c) The Recovery Plan, also approved by the Board of Directors, is put into action to manage any possible critical situations, with the aim of returning the Entity to a normal situation, and includes the measures that the Group could adopt in the hypothetical event of a crisis.

   d) The Group performs regular Asset Allocation exercises for the purpose of setting objectives and limits on the different portfolios, in terms of both exposure and expected loss, in order to maximise the risk-adjusted return within the global limits established in the Risk Appetite Framework. The annual budget, beyond the requirement to be commensurate with the risk appetite statement, is 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) set out by prevailing legislation. In these processes the Group identifies and evaluates the different risks to which it is exposed and carries out a self-assessment of capital and liquidity adequacy in various 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 principles. The Group has a transparent organisational structure in which functions and responsibilities are clearly assigned, encompassing senior management right down to the lower levels of the Group, with a responsible management team and an active internal control system, in which the Board of Directors is the body responsible for determining the risk control and management policies, as well as supervising the efficiency of internal control.

   Likewise, the Audit and Compliance Committee is responsible for supervising the effectiveness of internal control, internal audit, regulatory compliance and risk management systems, and is able to put forward related recommendations or proposals to the Board of Directors and, where applicable, verify that they are being followed up.

Furthermore, the Risk Advisory Committee advises the Board of Directors on the Group's global current and future propensity to risk, and also proposes to the Board of Directors a policy of controlling and managing the Entity and Group's risks, through the capital self-assessment report.

On the other hand, the Delegated Risk Committee is the body responsible for approving risks within the scope of the powers delegated to it, and for overseeing and administering the exercising of delegated powers by lower-level bodies, without prejudice to the supervisory powers legally corresponding to the Audit and Compliance Committee.

The Group's risk management and control model is based on a three lines of defence model, the main functions and responsibilities of which are as follows:

- The first line of defence comprises the risk management directorates, owners of the risk processes and those responsible for carrying out the controls established in the first line of defence. Specifically, it comprises both the business units and any of the Entity or Group's units that assume risks. These Directorates will perform their activities in compliance with the Group's risk profile, based on the risk appetite and approved policies.

  In order to carry out its function of managing the risks on a daily basis within the scope of its activity and responsibility, the first line of defence avails of the means to identify, measure, address and report the assumed risks, applying adequate control and reporting procedures based on the Internal Control Framework in place and the procedures for monitoring the risk limits approved in the Risk Appetite Framework and the Group's policies.

- The second line of defence comprises the Directorates that oversee the risks and define the controls mitigating them, and is composed of the Corporate Risk Directorate and the Corporate Directorate of Regulatory Compliance.

  In April 2015, the Board of Directors approved the new Group figure of Chief Risk Officer (CRO), setting out the conditions necessary for performing the function, the main responsibilities of the role, and the rules and powers for appointment and removal. The status reinforces the independence of the Chief Risk Officer, who must maintain constant functional reporting with the Risk Advisory Committee and its Chairman. The CRO also has regular, direct two-way access to senior executives and the governing bodies. Under its management, the main activity of the Corporate Risk Directorate is to carry out the monitoring, control and supervision of all the Group's risks, from a global and forward-looking perspective and, to this end, to maintain a permanent dialogue with the Board of Directors, through the Risk Advisory Committee.

  The Corporate Directorate of Regulatory Compliance is responsible for identifying and assessing the risk of non-compliance, by verifying compliance with internal policies and procedures and by exercising adequate controls and coordinating the preparation and implementation of action plans focused on mitigating the risk of non-compliance, reporting the results of this activity to senior executives. It is also responsible for maintaining dialogue with the regulatory and supervisory bodies.

- The third line of defence comprises the Corporate Directorate of Internal Audit. Internal Audit is an independent and objective assurance and consultation activity, created to add value to and enhance the Entity and Group's transactions. Its mission is to improve and safeguard the value of Bankia and its Group, providing objective assurance, advice and risk-based knowledge, helping the Group to meet its objectives by providing a systematic and disciplined approach towards assessing and enhancing the efficiency of the governance, risk management and control processes.

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

   - Management Committee. This committee monitors the general performance of the Group and 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 and the main variations in risk-weighted assets.

   - Assets and Liabilities Committee. This committee is in charge of monitoring and managing structural balance sheet and liquidity risks, reviewing the balance sheet structure, business performance and market performance, as well as the financial scenario, product profitability, earnings, etc. bearing in mind the policies and authorities approved by the Board of Directors. This committee must also decide on investment and hedging strategies that enable risks to remain within the approved limits, and also the budget for the year.

   - Risk Committee. This committee oversees the operations 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. For the derivatives activity in the area of market risk, this committee is responsible for approving discretional early repayment clauses upon request from the corresponding business or risks directorate.

   - Provisioning Committee. Its responsibility is to ensure compliance with prevailing standards for recognising impairment for credit risk; to 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 the portfolio under special monitoring; to approve the proposals of individual classification following the appearance of evidence of impairment; to authorise 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 (performing, special monitoring, non-performing, write-off) and changes in provisions for portfolios or 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. The main function of this committee is to provide the Board of Directors with a proposal for approving the new models and expanding/modifying already existing models, as well as to provide a proposal for approving the model implementation plan. It is also able to approve non-significant modifications in accordance with the Risks Model Approval Policy. It is also 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.
- Global 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 risk-related duties mainly include identifying, assessing and managing compliance risks associated with 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 its risk-related functions include identifying the operational risk profile of the Group through a qualitative self-assessment, analysis of real operational losses and monitoring of the different indicators. It must also propose the annual framework of appetite and tolerance to operational and technological risk and approve the implementation of specific policies and procedures affecting the field of operational and technological risk.
- Cyber Security Committee. It meets on a monthly basis and its functions include monitoring the status of cyber security and reporting periodically to the Board of Directors. In addition, its competencies include strategic decision-making on investments in cyber security and deciding the cyber security risk appetite framework.
- New Products Committee This committee meets on a monthly basis, unless a meeting does not have to take place in line with planning and information. The functions of this committee include analysing any new product, assuring that all its risks have been identified and assessed, and that these risks can be measured and controlled, approving or rejecting the new projects proposed on the basis of the analyses carried out.

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

- Credit risk (including concentration 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. Credit risk arises 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 potential losses due to adverse changes in the market prices of the 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

The Group understands credit risk to be the risk of having to 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 principles observed by the Group in its credit risk management are as follows:

- Responsible risk approval. Customers should be offered the financing facilities that are best 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 management criteria aimed at ensuring compliance with the Risk Appetite Statement.

- 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, for example 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. A transparent environment is created, integrating the various systems developed to prevent crime and to 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 are intended to be permanent.

- Adaptation. The general criteria should be complemented with the development of specific segment and type-of-product criteria so that a well-defined and unambiguous action framework can be established.

- Adapting price to risk. Considering the customer as a whole as well as individual transactions in accordance with the Pricing Policies in force and guaranteeing the achievement of business objectives and coverage of the 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 flexible and early action by the parties, in the form of initiatives and decision-making aimed at minimising the loss from exposures for the Group.

Moreover, the Group's credit risk management is essentially based on:

- The involvement of senior executives in decision-making.

- A holistic view of the credit risk management cycle that enables:

    - Planning of the key credit risk metrics to guide the actions of the business and risk-taking.

    - Specialisation in each stage of risk management, with policies, procedures and resources in keeping with each one: 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.

- Preventive system for monitoring customers that involves all business units and forms part of daily management, and which facilitates the Group's recovery in the case of impaired exposures.

- 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 to 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 Group 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. It also has a Credit Risk Manual.

The purpose of the "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 the Credit Risk Policies, Methods and Procedures Framework, the Credit Risk Policies, Specific Criteria Manuals and Operating Manuals, which regulate, among others, the methodologies, procedures and criteria used for transaction approvals, changes in the terms and conditions thereof, 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 the recognition and measurement of 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. In addition, due to the exceptional circumstances triggered by COVID-19, the document structure includes a document called: "Powers, Policies, Specific Criteria and Control Framework - Covid-19" that outlines the temporary measures implemented, whilst they are applicable, following the declaration of the State of Emergency and the subsequent entry into force of Royal Decree-Laws 8/2020 and 11/2020 due to COVID-19, as well as the exceptions applicable in this context to the rest of the documents for the document structure.

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, approved by the Board of Directors, 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 as regards 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 Group. They are there for consultative purposes to enable the correct and proper performance of activities in accordance with the requirements previously put in place, thus minimising operational risk. The Specific Criteria Manuals combine with certain policies to provide enterprise-wide risk management.

- The Operating Manuals are methodological documents that develop and expand upon the criteria set out in the Specific Criteria Policies and Manual regulating the activities carried out by the Group. They are there for consultative purposes to enable the correct and proper performance of activities in accordance with the requirements previously put in place, thus minimising operational risk. These manuals are permanently linked with the Credit Risk Policies and the Manuals for Specific Criteria and adhere to the guidelines set out, as well as including sufficiently detailed points of increased relevance for credit risk management purposes.

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 projection
- Risk-adjusted return
- Business revitalisation
- 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, considering the risk-adjusted return expected by the Group on each transaction.

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

- Adaptation to the Entity's general strategy.
- Customer view as a whole, prioritising integral customer management.
- Classification of customers into risk segments for the purpose of identifying, measuring and assessing the risks in the most comprehensive and accurate manner.
- Borrowers' payment capacity.
- Proportionality with the debt-equity level and generating of recurring profit, prioritising the diversification of risks, avoiding significant risk concentrations and establishing sound control and mitigation mechanisms.
- Harmonised application, in concordance with the corporate risk criteria.
- Dynamic management, evaluating continuously the level of exposure, economic and financial situation and solvency of the borrowers, level of coverage of guarantees, etc.
- Data quality, with reliable, complete and updated information on the situation and financial needs of the parties involved.
- Delegation and Membership: organisation under a system of delegation of powers based on a pyramid structure starting with the Board of Directors and with the aim of being in a position to efficiently respond in a timely manner and on due form to customer requests for financing.
- No self-granting of asset transactions, to oneself or for the family members of those persons with granting and other powers rendered by the Group.
- Proactive granting via the use of dynamisation tools that favour and speed up the processes of granting and arranging financing transactions.

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

- Score. Cut-off points are established using risk-adjusted return (RAR) criteria or by determining the maximum default level. Based on the rating given by the model, there are three possible outcomes:
    - Reject, if the score is below the lower cut-off point.
    - Review, if the score is between the lower and higher cut-off points.
    - Accept, if the score is above the higher cut-off point.
- Indebtedness. The level of indebtedness is established based on the financial burden the transaction represents vis-à-vis the stated net income of the applicants. In no case may the resulting available income after allowing for debt servicing represent a noticeable restriction on the borrower's ability to cover their family living expenses. Specifically, in the mortgage segment, the longer the term of the loan, the lower the maximum limit of indebtedness with a view to mitigating the increased sensitivity to fluctuations in interest rates.
- Exclusion filters. The Group uses databases, both internal and external, that provide information on the credit, financial and equity position of the customers or counterparties; the existence of significant incidents in the position of the customers or counterparties may lead to a transaction being rejected. Additionally, a set of criteria are established that limit the maximum terms of financing, in absolute terms and in relation to the age of the applicants or the maximum funds that can be extended.

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 vis-à-vis the borrower cannot depend substantially on the potential return the borrower may obtain on the mortgaged property, but rather the borrower's ability to repay 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, thus ensuring the quality and transparency of the appraisals. In addition, appraisal values must be calculated 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 Ministry of Economy and Finance 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, to credit institutions and payment service providers, on the transparency of banking services and responsible lending, also introduce, as a feature of responsible consumer lending, the requirement for borrowers to provide the institutions 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 that they in turn be adequately informed about the characteristics of the products that are suitable for their needs and the inherent risks thereof. Law 5/2019, of 15 March, on real estate credit agreements, includes provisions aimed at promoting legal security, transparency and understanding with respect to contracts and their clauses, and a fair balance between the parties. This legislation 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 set forth in Ministry of Economy and Finance 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 VIII shows a summary of the policies and standards established by the Group for refinancing or restructuring transactions, in addition to quantitative information relating to these transactions.

Monitoring of credit risk transactions

The monitoring function avails of a series of general criteria on which this activity is hinged, irrespective of the segment in question, as follows:

- Anticipation: monitoring must be of a significantly preventive nature to be truly effective.
- Proactivity: monitoring must be proactive and permanent from the date the transaction is granted until its cancellation.
- Efficiency: the level of enforceability with specific criteria is highly relevant.
- Added value: the monitoring tasks enable an information base to be obtained from which management reports can be produced relating to the customer portfolio, and which are backed by the definition of risk admission criteria and, in addition, speed up the process of managing collection of payments from impaired customers.
- Integral view of the customer, with an approach that is geared towards the overall customer risk position and not just towards an individual contract.
- Integral view of the portfolio: it is very important to analyse the portfolio at macro level in order to obtain micro conclusions.

Recovery of credit risk transactions

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

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 mortgage loan renegotiations during the year resulted from the proposals put forward proactively by the Group.

With business loans, the system of levels described above has the same objective: proactive management of non-performing loans. Therefore, the entire portfolio is monitored in such a way that default only arises from an unsuccessful prior negotiation.

Concentration risk 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 enables a direct measure of concentration risk to be obtained. An approach similar to that used by ratings agencies is applied, paying attention to the weight of the main risks with respect to the volume of capital and income-generation ability.

Risk projection

Stress test 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 is assessed, allowing expected loss under stress scenarios and the impact on profit or 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 considered to determine approval criteria (cut-off points) in accordance with the fees in effect at any given time. The Board, through the Risk Advisory Committee, is informed regularly on the RAR 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 Deputy General Directorate of Credit Risk 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 risk appetite and tolerance decided by the governing bodies through the limits established in 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 any information that is not contained in the models and could affect these decisions.

The Models Committee also ensures that the credit scoring system works properly and proposes potential changes in criteria for decision-making to the Risk Committee. The Group has both approval (reactive) and performance (proactive) scoring models. There are also recovery models applicable to parties in default.

Risk classification also includes the "monitoring levels system". This system aims to develop proactive 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-low risk: maintenance of the risk.
- All other exposures deemed performing exposures.

The level is determined in accordance with the rating, as well as 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-than-expected losses over a period of time, 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. Which concept of expected loss is more appropriate will depend on the specific use.

The Group uses internal methodologies to make 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 greater the coverage, the higher the solvency. This model simulates default events and can therefore quantify concentration risk.

(3.1.2) Exposure to credit risk by segment and activity

The maximum credit risk exposure for financial assets recognised on the accompanying balance sheets is their carrying amount. The maximum credit risk exposure for financial guarantees extended is the maximum amount the Bank would have to pay if the guarantee were enforced.

At 31 December 2020 and 2019, the original credit risk exposure net of impairment for credit risk, 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 2020

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 - Hedge accounting	Loan commitments and financial guarantees given
Loans and advances	**-**	**10,810**	**-**	**-**	**126,003,218**	**-**	**43,325,528**
Credit institutions	-	-	-	-	4,913,133	-	335,633
General government	-	-	-	-	5,632,305	-	1,354,083
Other financial corporations	-	-	-	-	2,643,139	-	3,731,746
Companies	-	10,810	-	-	40,620,377	-	32,007,516
Households	-	-	-	-	72,194,264	-	5,896,550
Mortgage loans	-	-	-	-	64,495,059	-	-
Consumer credit	-	-	-	-	5,082,317	-	-
Cards	-	-	-	-	951,955	-	-
Other	-	-	-	-	1,664,933	-	-
Debt securities	**80,554**	**192**	**-**	**8,563,133**	**37,495,041**	**-**	**-**
Credit institutions	-	-	-	6,367	25,025	-	-
General government	80,554	-	-	8,255,118	18,847,150	-	-
Other financial corporations	-	142	-	44,707	18,562,667	-	-
Companies	-	50	-	256,941	60,199	-	-
Households	-	-	-	-	-	-	-
Equity instruments	**683**	**-**	**-**	**58,794**	**-**	**-**	**-**
Derivatives	**6,697,324**	**-**	**-**	**-**	**-**	**2,446,875**	**-**
Total	**6,778,561**	**11,002**	**-**	**8,621,927**	**163,498,259**	**2,446,875**	**43,325,528**
Memorandum item: Breakdown of general governments by country							
Spanish general government	80,554	-	-	8,065,438	18,623,733	-	1,354,083
Italian general government	-	-	-	-	5,695,075	-	-
French general government	-	-	-	189,680	99,563	-	-
Other general governments	-	-	-	-	61,084	-	-
Total	**80,554**	**-**	**-**	**8,255,118**	**24,479,455**	**-**	**1,354,083**

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 - Hedge accounting	Loan commitments and financial guarantees given
Loans and advances	**-**	**34,198**	**-**	**-**	**123,014,167**	**-**	**36,883,441**
Credit institutions	-	23,263	-	-	5,464,732	-	363,116
General government	-	-	-	-	4,835,216	-	912,487
Other financial corporations	-	-	-	-	2,057,981	-	3,172,284
Companies	-	10,935	-	-	35,379,853	-	26,894,968
Households	-	-	-	-	75,276,385	-	5,540,586
Mortgage loans	-	-	-	-	66,829,665	-	-
Consumer credit	-	-	-	-	5,547,783	-	-
Cards	-	-	-	-	889,748	-	-
Other	-	-	-	-	2,009,189	-	-
Debt securities	**170,793**	**237**	-	**11,904,041**	**33,165,031**	-	-
Credit institutions	-	-	-	18,020	25,006	-	-
General government	160,899	-	-	11,445,049	14,268,694	-	-
Other financial corporations	-	148	-	79,319	18,871,331	-	-
Companies	9,894	89	-	361,653	**-**	-	-
Households	-	**-**	**-**	-	**-**	**-**	**-**
Equity instruments	**1,381**	**-**	**-**	**75,816**	**-**	**-**	**-**
Derivatives	**6,530,330**	**-**	**-**	**-**	**-**	**2,491,810**	**-**
Total	**6,702,504**	**34,435**	**-**	**11,979,857**	**156,179,198**	**2,491,810**	**36,883,441**
Memorandum item: Breakdown of general governments by country							
Spanish general government	142,414	-	-	11,153,657	14,848,073	-	912,487
Italian general government	18,485	-	-	102,197	4,154,793	-	-
French general government	-	-	-	188,291	101,044	-	-
Other general governments	-	-	-	904	-	-	-
Total	**160,899**	**-**	**-**	**11,445,049**	**19,103,910**	**-**	**912,487**

(3.1.3) Breakdown of exposure by product

Credit risk exposure net of impairment for credit risk at 31 December 2020 and 2019, by product (excluding equities), is shown in the table below. Loans and credit make up 75.39% at 31 December 2020 (65.99% at 31 December 2019). Fixed income products are the second-highest exposure, accounting for 20.54% at 31 December 2020 (21.12% at 31 December 2019). Exposure at 31 December 2020 and 2019 is as follows:

31 December 2020:

(in 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 - Hedge accounting	Loan commitments and financial guarantees given
Loans and credit	-	10,810	-	-	121,090,086	-	29,057,665
Fixed income	80,554	192	-	8,563,133	37,495,041	-	-
Interbank deposits	-	-	-	-	4,913,132	-	-
Bank guarantees and documentary credits	-	-	-	-	-	-	14,267,863
Derivatives	6,697,324	-	-	-	-	2,446,875	-
Total	**6,777,878**	**11,002**	**-**	**8,563,133**	**163,498,259**	**2,446,875**	**43,325,528**

31 December 2019:

(in 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 - Hedge accounting	Loan commitments and financial guarantees given
Loans and credit	-	34,198	-	-	117,549,435	-	23,771,112
Fixed income	170,793	237	-	11,904,041	33,165,031	-	-
Interbank deposits	-	-	-	-	5,464,732	-	-
Bank guarantees and documentary credits	-	-	-	-	-	-	13,112,329
Derivatives	6,530,330	-	-	-	-	2,491,810	-
Total	**6,701,123**	**34,435**	**-**	**11,904,041**	**156,179,198**	**2,491,810**	**36,883,441**

(3.1.4) Credit quality

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

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

- Risk of default by the borrower: reflected in the probability of default (PD) by the borrower or in the rating.
- Transaction-specific factors: 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 through companies, sovereigns, institutions and banks: each exposure through a single 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, 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 approved by the risk analyst based on an expert judgement.

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

Credit quality. Exposure and average rating/scoring by segment

The breakdown by segment of the Bank's credit risk exposure net of impairment for credit risk at 31 December 2020 and 2019, excluding equities and derivatives, with the average ratings per segment, is as follows:

31 December 2020

(in thousands of euros)

	With rating		Without rating
SEGMENT	Amount	Average rating	Amount
Credit institutions	5,208,232	A-	70,761
General government	34,077,430	A-	51,792
Other financial corporations	21,235,207	BBB+	3,737,579
Companies	70,407,232	BB+	170,407
Households	74,960,205	BB	897,212
Mortgage loans	62,416,358	BB	270
Consumer credit	4,996,300	BB	78
Cards	935,868	BB-	513
Other	6,611,679	BB-	896,351
Total (excluding default)	**205,888,306**	**BBB-**	**4,927,751**
Total (default)	**4,662,419**	**D**	**-**

31 December 2019

(in thousands of euros)

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

Credit quality. Rating distribution for exposures through the portfolio of credit institutions, general government and financial corporations

The distribution of the exposure net of impairment for credit risk by credit ratings at 31 December 2020 and 2019 is shown in the table below:

(in thousands of euros)

RATING	31/12/2020	31/12/2019
AAA to A-	46,296,483	45,670,829
BBB+ to BB-	13,859,913	12,062,806
B+ to B-	239,557	412,465
CCC+ to C	124,916	78,499
Not rated	3,860,131	3,421,964
Default	50,769	50,982
Total	**64,431,769**	**61,697,545**

Credit quality. Rating distribution for exposures through the portfolio of companies

The distribution of the exposure net of impairment for credit risk by credit ratings at 31 December 2020 and 2019 is shown in the table below:

(in thousands of euros)

RATING	31/12/2020	31/12/2019
AAA to A-	8,952,977	6,589,357
BBB+ to BB-	48,958,925	42,147,135
B+ to B-	11,875,732	9,983,898
CCC+ to C	619,599	390,780
Not rated	170,407	605,928
Default	2,378,253	2,940,294
Total	**72,955,893**	**62,657,392**

Credit quality. Rating distribution for exposures through households

The distribution of the exposure net of impairment for credit risk by credit ratings at 31 December 2020 and 2019 is shown in the table below:

(in thousands of euros)

RATING	31/12/2020	31/12/2019
AAA to A-	28,816,825	8,141,229
BBB+ to BB-	32,067,275	49,994,145
B+ to B-	12,357,338	19,218,721
CCC+ to C	1,718,767	155,883
Not rated	897,212	1,235,582
Default	2,233,397	2,071,411
Total	**78,090,814**	**80,816,971**

Credit quality. Historical default rates

The Bank's default rate, understood as the ratio of non-performing exposures at any given time to the Bank's total credit risk, stood at 4.69% at 31 December 2020 (5.04% at 31 December 2019). At 31 December 2019 this rate would have increased to 5.29% had non-performing exposures classified under non-current assets and disposal groups classified as held for sale (see Note 17) been considered.

(3.1.5) Concentration of risks

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

The table below shows information concerning the diversification of risks by business sector, measured by credit risk, excluding equities and derivatives, in accordance with the borrower's NACE code and regardless of the purpose of the financing at 31 December 2020 and 2019:

(in thousands of euros)

SECTOR	31/12/2020	31/12/2019
Food	1,123,146	1,018,970
Associations	14,311	50,333
Automotive and auto services	2,685,923	2,246,734
Wholesale	8,464,987	6,979,378
Retail	3,167,232	2,201,804
Construction and development (*)	12,344,950	10,832,795
Manufacture of machinery and equipment	4,110,992	3,307,451
Manufacture of intermediate products	5,714,780	4,706,941
Finance	26,844,716	28,141,460
Catering and tour operators	3,369,357	2,438,398
Food, beverages and tobacco industry	3,713,417	3,331,889
Basic manufacturing, textiles, furniture	1,027,067	830,395
Mining, energy and infrastructure	5,302,849	4,650,834
Public sector	33,755,626	31,049,552
Corporate services	6,042,504	4,387,746
Leisure, culture, health and education	5,249,727	5,007,842
Utilities: electricity, gas, steam and water	6,442,732	6,225,304
Telecommunications	1,444,307	1,315,525
Transport	2,624,759	2,494,933
Other sectors (including households)	82,035,094	83,953,624
TOTAL	**215,478,476**	**205,171,908**

(*) Including financing not related to property development.

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

(3.1.6) Netting agreements and collateral agreements

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

The table below lists these derivatives, including separate details of the effects of the arrangements and the collateral received and/or extended.

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

(in thousands of euros)

	31/12/2020		31/12/2019	
Derivatives (trading and hedging)	Assets	Liabilities	Assets	Liabilities
Gross exposure	**17,631,781**	**15,329,645**	**15,784,210**	**13,359,451**
Netting of accounts (Notes 8 and 12)	(8,487,582)	(8,487,582)	(6,762,070)	(6,762,070)
Carrying amount	**9,144,199**	**6,842,063**	**9,022,140**	**6,597,381**
Netting agreements	(4,730,122)	(4,730,122)	(4,549,919)	(4,549,919)
Collateral (*)	(3,533,130)	(2,020,778)	(3,573,881)	(1,999,857)
Net exposure	**880,947**	**91,163**	**898,340**	**47,605**

(*) Includes securities received as collateral.

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

(in thousands of euros)

	31/12/2020		31/12/2019	
Collateral	Delivered	Received	Delivered	Received
Cash	25,425	10,979	1,079	30,829
Securities	-	2,567	8,851	-
Total	**25,425**	**13,546**	**9,930**	**30,829**

(3.1.7) Exposure through collateral received and other credit enhancements

At 31 December 2020 and 2019 the distribution, by segments, of exposure net of impairment for credit risk, excluding equities and derivatives, with collateral and other credit enhancements is as follows:

31 December 2020

(in thousands of euros)

	Exposure net of impairment				
SEGMENT	Mortgage collateral	Other collateral	Personal guarantee	Other guarantees	TOTAL
Credit institutions	-	2,751,895	2,528,263	-	5,280,158
General government	165,059	25,858	33,932,299	45,995	34,169,211
Other financial corporations	84,474	272,642	24,625,190	95	24,982,401
Companies	7,884,260	4,671,447	60,259,011	141,174	72,955,892
Households	64,495,059	73,184	13,497,177	25,394	78,090,814
Mortgage loans	64,495,059	-	-	-	64,495,059
Consumer credit	-	5,297	5,074,125	2,895	5,082,317
Cards	-	-	951,955	-	951,955
Other	-	67,887	7,471,097	22,499	7,561,483
TOTAL	**72,628,852**	**7,795,026**	**134,841,940**	**212,658**	**215,478,476**

31 December 2019

(in thousands of euros)

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

For the purposes of the above tables, the following explanations are provided:

- Transactions with mortgage guarantee: 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, investment funds, bills of exchange, deposit certificates, covered bonds, etc.
- Personal guarantee: with guarantor or without guarantor, collateral and insurance policy.
- Other guarantees: endorsement by a reciprocal guarantee association, CESCE credit insurance policy, bank guarantee and comfort letter.

From a 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 must have legal certainty such that all contracts contain the conditions legally stipulated to make them fully valid, and so that they are duly documented in such a way as to establish a clear effective procedure to enable the guarantee to be enforced 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, and the Credit Risk Policy document details the main characteristics required of these measurements, both in terms of type of eligible appraisals and the frequency with which the appraisals must be updated.

Note 11 shows additional information on the guarantees received.

(3.1.8) Renegotiated financial assets

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

Appendix IX contains the classification and hedging policies and criteria applied by the Bank in this type of transaction, along with the amount of refinancing operations, including details of their classification as non-performing exposures and the respective credit risk allowances.

(3.1.9) Assets impaired and derecognised

Details of the changes in 2020 and in 2019 in the Bank's impaired financial assets that were not recognised on the balance sheet because their recovery was considered unlikely, although the Bank has not discontinued actions to recover the amounts owed ("write-off assets"), are as follows:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Opening balance	**2,388,659**	**1,832,456**
Additions due to:		
Assets unlikely to be recovered	450,302	618,026
Uncollected past-due amounts	97,227	184,547
Sum	**547,529**	**802,573**
Derecognition due to:		
Cash collection	(8,444)	(39,200)
Forgiveness, foreclosure, sales and other causes	(199,914)	(207,157)
Sum	**(208,358)**	**(246,357)**
Net change due to exchange differences	(3,227)	(13)
Balance at the end of the period	**2,724,603**	**2,388,659**

(3.2) Liquidity risk of financial instruments

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

The Bank strives to maintain a long-term financing structure that is in line with the liquidity of its assets; maturity profile should be compatible with the generation of stable, recurring cash flows to enable the Bank to manage its balance sheet without short-term liquidity pressures. In practice, this principle results in the implementation of financing policies and strategies in the Entity which seek to minimise the scale of the financing timing gaps based on the risk profile associated with the business model. In this regard, the Bank:

- Draws up an annual Financial Plan for both the short and medium term, which is evaluated as part of the liquidity adequacy self-assessment process, with protection of the balance sheet assets and liabilities and the main indicators of liquidity and financing risk, which takes into consideration the situation triggered by COVID-19 (see Note 1.13), assuring adequate liquidity from both an economic and regulatory standpoint.

  According to the retail business model underpinning the Bank's banking activity, the main funding source is customer deposits, which have remained stable over the six-month period. The Group taps domestic and international capital markets, in particular repo markets, to raise financing so that it meets its additional liquidity needs, as well as the long-term financing provided by the ECB through the TLTRO programme. In order to support liquidity in the eurozone's financial system and contribute towards maintaining the proper functioning of monetary markets in the scenario affected by the COVID-19 pandemic, in April 2020 the European Central Bank amended some of the terms and conditions associated with the TLTRO III programme, reducing the interest rate by 0.5% with regard to the average rate for deposit facilities in the period from 24 June 2020 to 23 June 2021, whereby the interest rate on these facilities would be -1%. In order to be able to benefit from this reduction, the Group must meet certain financing objectives established by the European Central Bank, whereby the rate for eligible net loans and receivables for the period from 1 March 2020 to 31 March 2021 must be more than 0%. Based on what is set out above, the Group has increased its financing in these programmes to EUR 22,919 million (an additional EUR 9,168 million compared to the figure for the 2019 close). No debt has been issued and placed with third parties this year. This year no debt has been issued and placed with third parties. However, in July a EUR 900 million public-sector covered bond was issued, the full amount of which is held under treasury shares.

  The Entity has a cushion of unencumbered, high-quality liquid assets (measured both in regulatory and internal terms). These assets have been perfectly identified and are available to treasury to be used as a source of contingent financing in the event of a stress scenario. The Entity has deposited certain assets as guarantees in the European Central Bank (ECB) that can be used to raise liquidity immediately. Ongoing monitoring of collateral enables the Group to identify those assets 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 Entity avails of internal governance over liquidity risk comprising policies, procedures and systems that ensure a framework for managing and controlling liquidity risk that is robust and takes into account the complexity of the Entity and its business model.

The following table presents the bulk of the liquidity reserve estimated by the Bank to confront internal and systemic stress events.

(in millions of euros)

	31/12/2020	31/12/2019
Cash (*)	10,115	11,418
Undrawn amount on the facility	5,883	6,161
Highly liquid available assets (**)	19,050	15,538

(*) 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 for 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 executives, represented basically by the Management Committee and the ALCO, is charged with developing and applying the risk management strategy in accordance with the 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 Oversight Committee (GRCOC) 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 Risk Directorate, through the Financial Risk Control Directorate, 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 defined risk appetite 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 the Entity's and the overall market's liquidity and funding position, and to monitor early warning indicators related to the Liquidity Contingency Plan (LCP). Its conclusions and analyses are laid before the ALCO so that 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 currently used to define the strategy for this risk, covering a dual perspective: regulatory-economic and liquidity-funding risk. At 31 December 2020, the indicators were within the Entity's risk limits and regulatory requirements.

Liquidity risk:

- LCR: the strategy is defined from a regulatory viewpoint, related to a survival period using regulatory assumptions of 30 days. At 31 December 2020, the LCR (for Bankia on a standalone basis) stood at 195.22%.
- $SLCR_{30d}$: the liquidity strategy is defined from an economic viewpoint through additional metrics other than the regulatory LCR, taking stress scenarios that are expanded in two ways:
  - More survival horizons are built, which entails adapting the regulatory assumptions to these horizons, as well as envisaging and anticipating corrective measures to address future liquidity vulnerabilities.
  - Varying degrees of stress are created 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 2020, the $SLCR_{30d}$ was within the Entity'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 2020, the NSFR (for Bankia on a standalone basis) stood at 128.83%, which was within the Entity's risk limits and met the regulatory requirements. In accordance with the CRR2 a minimum 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 remaining term to maturity of the Bank's issues at 31 December 2020 and 2019, by type of financial instrument, including promissory notes and issues placed via the network.

31 December 2020

(in thousands of euros)

ITEM	2021	2022	2023	> 2023
Mortgage bonds and covered bonds	2,025,000	3,235,185	1,825,000	8,426,123
Senior debt	35,000	30,000	-	2,569,720
Subordinated, preference and convertible securities	175,000	1,250,000	500,000	1,000,000
Securitisations sold to third parties	-	-	-	1,049,179
Total maturities of issues (*)	**2,235,000**	**4,515,185**	**2,325,000**	**13,045,022**

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

31 December 2019

(in thousands of euros)

ITEM	2020	2021	2022	> 2022
Mortgage bonds and covered bonds	417,917	2,025,000	3,235,185	10,280,323
Senior debt	2,331	35,000	30,000	2,570,032
Subordinated, preference and convertible securities	-	175,000	1,250,000	1,500,000
Securitisations 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.

Issuance capacity

(in thousands of euros)

	31/12/2020	31/12/2019
Covered bonds issuance capacity (Appendix VII)	18,569,186	18,873,244
Public-sector covered bonds issuance capacity	699,826	1,175,730

(3.3) Residual maturities

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

31 December 2020

(in 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, cash balances at central banks and other demand deposits	11,409,212	-	-	-	-	-	11,409,212
Loans and advances – Credit institutions	-	2,706,085	534,456	1,174,190	503,340	-	4,918,071
Loans and advances – Customers	-	3,527,794	5,805,227	12,835,149	46,478,853	52,164,622	120,811,645
Financial assets held for trading – Debt securities	-	1,572	-	-	-	79,174	80,746
Other portfolios – Debt securities	-	97,144	4,111,884	10,468,439	20,670,406	10,723,247	46,071,120
Derivatives (trading and hedging) (1)	-	317,528	415,411	1,411,417	6,782,629	8,704,796	17,631,781
Total	**11,409,212**	**6,650,123**	**10,866,978**	**25,889,195**	**74,435,228**	**71,671,839**	**200,922,575**
Liabilities							
Deposits – Central banks and credit institutions	-	1,115,794	1,399,556	1,832,500	31,516,895	2,001,076	37,865,821
Deposits – Customers	98,826,404	4,710,027	4,022,493	13,571,997	3,543,601	4,524,271	129,198,793
Debt securities issued	-	1,062,809	125,303	565,955	10,555,404	3,914,716	16,224,187
Other financial liabilities (2)	1,975,656	-	-	-	-	-	1,975,656
Derivatives (trading and hedging) (1)	-	238,682	314,893	1,418,180	6,313,618	7,044,272	15,329,645
Total	**100,802,060**	**7,127,312**	**5,862,245**	**17,388,632**	**51,929,518**	**17,484,335**	**200,594,102**

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

(2) Excludes balances of contracts for property, plant and equipment acquired under lease, the expiry dates of which are disclosed in Note 18; the remainder corresponds to a residual line item comprising items that are generally transitory or do not have a contractual maturity date, thus it is not possible to reliably allocate the amounts recognised by term of maturity, and therefore they are classified under on-demand liabilities.

31 December 2019

(in 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, cash balances at central banks and other demand deposits	12,826,591	-	-	-	-	-	12,826,591
Loans and advances – Credit institutions	-	3,178,545	32,075	2,052,113	205,896	-	5,468,629
Loans and advances – Customers	-	3,971,776	6,398,079	13,301,000	39,034,231	54,611,481	117,316,567
Financial assets held for trading – Debt securities	-	327	-	-	-	170,703	171,030
Other portfolios – Debt securities	-	861,702	1,981,497	14,719,729	12,308,070	15,208,206	45,079,204
Derivatives (trading and hedging) (1)	-	265,635	411,882	1,371,876	6,108,740	7,626,077	15,784,210
Total	**12,826,591**	**8,277,985**	**8,823,533**	**31,444,718**	**57,656,937**	**77,616,467**	**196,646,231**
Liabilities							
Deposits – Central banks and credit institutions	-	13,092,306	115,155	11,755,225	12,929,897	2,498,753	40,391,336
Deposits – Customers	86,443,268	5,413,668	6,181,092	17,360,787	4,199,865	6,366,907	125,965,587
Debt securities issued	-	70,037	137,849	615,134	8,151,503	7,282,130	16,256,653
Other financial liabilities (2)	930,568	-	-	-	-	-	930,568
Derivatives (trading and hedging) (1)	-	153,822	370,121	1,323,577	5,546,040	5,965,891	13,359,451
Total	**87,373,836**	**18,729,833**	**6,804,217**	**31,054,723**	**30,827,305**	**22,113,681**	**196,903,595**

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

(2) A residual line item comprising items that are generally transitory or do not have a contractual maturity date, thus it is not possible to allocate the amounts and therefore they are classified under on-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 Entity's results. Interest rate risk management is designed to provide stability to net interest income, maintaining levels of solvency that are appropriate for the Entity's level of risk tolerance.

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

Each month, information on structural balance sheet risk is reported to the ALCO in terms of both economic value (sensitivities to different scenarios and VaR) and net interest income (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. In addition, information prepared by the ALCO is reported by the Corporate Risk Directorate, along with other risks, to the Entity's senior executives.

According to Bank of Spain regulations, the sensitivity of net interest income and equity value to parallel shifts in interest rates (currently ±200 bps) 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 or loss. At 31 December 2020, the sensitivity of net interest income, excluding the trading portfolio and financial activity not denominated in euros, in the most adverse scenario of a 200bp parallel downward shift in yield curve over a one-year time horizon in a scenario of a stable balance sheet, would be -4.04%, of which -1.39% corresponds to the baseline risk (-9.68% at 31 December 2019, with -1.47% accounting for the baseline risk). In a level playing field, the sensitivity of net interest income to the scenario of a parallel upward shift in rates of 200 bp is 24.85%, of which -4.96% corresponds to the baseline risk (13.15% at 31 December 2019, with -4.68% accounting for the baseline risk).
- Impact on economic value of equity, understood as the present value of estimated cash flows from different assets and liabilities. At 31 December 2020, 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 200bp is 0.67% of equity and 0.47% of economic value of the Bank (-3.06% and -2.24%, respectively, at 31 December 2019). In a level playing field, the sensitivity of economic value to a scenario of a parallel upward shift in rates of 200 bp is 14.06% of total equity and 9.81% of economic value of the Group (12.96% and 9.47%, respectively, at 31 December 2019).

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 other financial instruments.

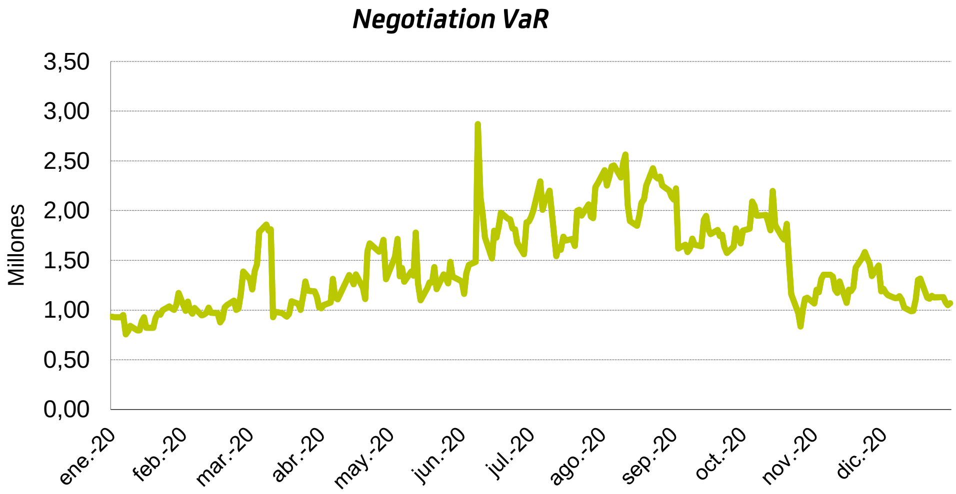
The Board of Directors delegates proprietary trading in financial markets to the Deputy General Directorate of Finance and its business areas, so that they can exploit business opportunities using the most appropriate financial instruments at any given time, including interest rate, exchange rate and 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 Directorate, which reports to the Corporate Risk Directorate, has the function of measuring independently, monitoring and controlling the Entity's market risk and the limits stipulated by the Board of Directors. VaR (value at risk) and sensitivity analysis approaches are used for each type of risk (1 bp in absolute terms or 1% in relative terms, in the underlying risk factor).

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 2020, there were no changes in the methods used to make the estimates included in these 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 2020.



The impact on equity and on the accompanying income statement of reasonable future changes in the various market risk factors at 31 December 2020 and 2019, calculated on the basis of the Bank's fair value portfolio (thus excluding the portfolio of financial assets at amortised cost), is as follows:

(in thousands of euros)

	Accumulated other comprehensive income (1)		Income statement (1)	
MARKET RISK FACTORS (1)	2020	2019	2020	2019
Interest rate	(68,030)	(10,672)	(14)	32
Equity instruments	-	-	(3)	(26)
Exchange rate	-	-	84	95
Credit spread	(212,205)	(329,349)	14	3

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

In addition, at 31 December 2020 there was a structural portfolio consisting of debt securities designed to provide stability to net interest income. The nominal amount of this portfolio at 31 December 2020 is EUR 44,936,813 thousand (EUR 42,729,620 thousand at 31 December 2019). The following table shows the sensitivity analysis, indicating the portfolio in which the component debt securities are classified and the related risks:

(in millions of euros)

	31/12/2020			31/12/2019		
	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	(68)	(212)	(280)	(11)	(329)	(340)
Financial assets at amortised cost	-	(745)	(745)	-	(520)	(520)
Total	**(68)**	**(957)**	**(1,025)**	**(11)**	**(849)**	**(860)**

As regards the sensitivities in the preceding table:

- For debt securities classified as financial assets at fair value through other comprehensive income, the impact would have a balancing entry in “Accumulated other comprehensive income” in 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 allowances (impairment losses) than those presented in the accompanying 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 2020 and 2019, the Bank's net exposure to currency risk is not significant.

(4) Capital management

(4.1) Legislation

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 then. 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 tier. In this respect, the Regulation includes new deductions compared to Basel II (deferred tax assets, pension funds, etc.) and introduces changes to existing deductions. Nevertheless, it establishes a phase-in schedule of between 5 and 10 years for full implementation.
  - Establishment of minimum requirements (Pillar I), with three levels of own funds: a Common Equity Tier 1 capital ratio of 4.5%, a Tier 1 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 is applicable from 2015 onwards.
- The aim and main purpose of the CRD IV, which has been transposed into national legislation by the Member States according to their criteria, is to coordinate national legislation regarding 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 will be 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. Following on from the Basel III regulatory framework, and to mitigate pro-cyclical effects of financial regulation, all financial institutions are required to maintain a capital conservation buffer of 2.5% of Common Equity Tier 1 capital and an institution-specific countercyclical capital buffer based on Common Equity Tier 1 capital.
  - 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, of 26 June 2014, on the organisation, supervision and solvency of credit institutions, and Article 16 of 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 Supervisory Mechanism or SSM). This regulation allows supervisory authorities to impose additional capital requirements to the Pillar I minimum capital requirements for risks not covered therein; known as Pillar II capital requirements.

Since their entry into force, the CRR and CRD IV have been amended several times to address shortcomings in the prudential regulatory framework and to incorporate certain elements pending the reform of financial services worldwide, which are crucial to ensuring the resilience of institutions. These amendments include:

- Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December 2017, amending the CRR as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures.

- Regulation (EU) 2019/876 of the European Parliament and of the Council, of 20 May 2019, and Regulation (EU) 2019/877 of the European Parliament and of the Council, of 20 May 2019, amending the CRR and forming part of the legislative package known as "CRR II". Amendment to the CRR as regards the leverage ratio (setting a minimum requirement of 3% for all institutions), the requirements for own funds and eligible liabilities (MREL), the capital requirement for counterparty credit risk and market risk, the treatment of exposures to central counterparties, exposures to collective investment undertakings, large exposures, report and disclosure requirements and amending Regulation (EU) No 648/2012. An amendment was also made to Regulation (EU) 806/2014 of the European Parliament and of the Council (the "SRM Regulation") in respect of the loss-absorption and recapitalisation capacity of credit institutions and investment firms. Entry into force on 27 June 2019, with a phase-in timetable of up to 2 years for certain modifications.
- Directive (EU) 2019/878 of the European Parliament and of the Council, of 20 May 2019, and Directive (EU) 2019/879 of the European Parliament and of the Council, of 20 May 2019, amending the CRD IV and forming part of the legislative package known as "CRD V". Amendment to the CDR IV as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures. Entry into force on 27 June 2019.
- Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending the CRR and CRR II as regards certain adjustments in response to the COVID-19 pandemic, notably:
    - The date of application of some of the more favourable treatments introduced by the CRR II is brought forward: prudential treatment of certain software assets, the treatment of certain loans backed by pensions or salaries, application of a revised supporting factor for loans to small and medium-sized enterprises (SMEs) (the "SME supporting factor"), and a new adjustment to own funds requirements for credit risk for exposures to entities that operate or finance physical structures or facilities, systems and networks that provide or support essential public services (the "infrastructure supporting factor").
    - The date of application for the leverage ratio buffer requirement for global systemically important institutions is deferred to 1 January 2023 and the possibility is established of excluding certain exposures to central banks from the calculation of the exposure measure laid down in article 429 of the CRR.
    - More flexibility is permitted in the application of Regulation (EU) No 2017/2395 of the European Parliament and of the Council of 12 December 2017 as regards transitional arrangements for mitigating the impact of IFRS 9, in order to limit the possible volatility of regulatory capital that might occur if the COVID-19 pandemic results in a significant increase in expected credit loss provisions. Institutions are allowed to add back to their Common Equity Tier 1 capital any increase in new expected credit loss provisions for unimpaired credit exposures (Stage 1 – Performing exposures and Stage 2 – Performing exposures under special monitoring) that they recognise in 2020 and 2021.
    - A temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income is established, permitting the exclusion of 100% of the accumulated amount of such unrealised gains and losses arising since 31 December 2019 from the calculation of Common Equity Tier 1 in 2020 and applying a transitional timetable until their full inclusion in 2023.
    - Additional flexibility is allowed for competent authorities to mitigate the effects of market volatility in 2020 and 2021 on the internal calculation models for own funds requirements in relation to market risk.

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

- Bank of Spain Circular 2/2014 of 31 January 2014, to credit institutions, on the exercise of 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 mandatory for consolidated groups of credit institutions, and for credit institutions whether or not they are part of a consolidated group, as of 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 future exercise of other options provided for in the CRR for competent authorities in many cases, mainly as regards specific options applied directly under 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, the aim of which is 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. Among other measures, this Circular amends Circular 2/2014 of 31 January on the exercise of various 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 13 February, implementing Law 10/2014, of 26 June, on the organisation and supervision of credit institutions.

- Bank of Spain 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, and subject to prior authorisation by the Bank of Spain, it includes the possibility of treating certain exposures through public sector entities with the same tier weightings as the Administrations to which they belong.

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

- Royal Decree-Law 22/2018, of 14 December, 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 capital buffer for all of an institution's exposures or for 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.

(4.2) Capital requirements

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 buffer requirement applicable to the Group.

In December 2019, the European Central Bank notified the Bankia Group of the capital requirements applicable to it in 2020: maintaining 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 buffer requirement applicable to the Group (2.75%).

The combined buffer requirements applicable for 2019 and 2020 are 2.75% (2.5% for the capital conservation buffer and 0.25% for the “other systemically important institutions” (O-SIIs) buffer). As the Bank of Spain has identified the Bankia Group as being among the "other systemically important institutions" (O-SIIs), a Common Equity Tier 1 capital buffer was established at 0.25% of its total risk exposure on a consolidated basis. Finally, the Group’s own countercyclical capital 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.

On 12 March 2020 the ECB published a raft of measures to firm up the resilience of institutions in the current climate in response to the COVID-19 pandemic, allowing institutions to temporarily operate below the minimum requirements of Pillar II Guidance and the capital conservation buffer. Moreover, the entry into force of article 104 a) of the CRD V was brought forward, allowing institutions to cover the minimum requirements of the Pillar II Requirement not only with Common Equity Tier 1 capital, but also with Additional Tier 1 capital and Tier 2 capital. Following the application of article 104 a), the Bankia Group’s minimum CET1 requirement is 8.375% and the minimum Total Capital requirement remains 12.75%.

In light of the current climate caused by the COVID-19 crisis, and following the supervisor’s recommendations, on 17 July 2020 Bankia Group asked to avail of the option to phase in the initial impact on own funds of the implementation of IFRS 9 provided for in Regulation (EU) 2017/2395 of the European Parliament and of the Council, of 12 December 2017, even though it made no such request on 1 January 2018, having received authorisation from the supervisor in August. Likewise, the Group has communicated its decision to apply the transitional provisions of Regulation (EU) 2020/873 of the European Parliament and of the Council, of 24 June 2020, amending article 473 bis of the CRR and allowing institutions to add back to their Common Equity Tier 1 capital any increase in new expected credit loss provisions for unimpaired credit exposures that they recognise in 2020 and 2021.

In addition, on 17 July 2020 the Bankia Group informed the supervisor of its decision to avail of the option provided for in Regulation (EU) 2020/873 of the European Parliament and of the Council, of 24 June 2020, in respect of the amendment to article 468 of the CRR, which allows for a temporary treatment to be applied to unrealised gains and losses arising since 31 December 2019 on portfolios of debt instruments measured at fair value, corresponding to exposures to central governments, regional governments or local authorities, permitting their exclusion from Common Equity Tier 1 capital.

The Group applies the following to its minimum capital requirements:

- For credit risk requirements:
  - For exposures relating to retail customers and companies:
    - Both advanced internal-ratings based (IRB) models approved by the Bank of Spain and the standardised approach depending on the origin of the portfolio.
    - Advanced internal models for all new business.
  - For exposures to institutions, both advanced internal-ratings based (IRB) models and the standardised approach.
  - The standardised 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 for OTC derivatives (CVA, "credit value adjustment"). The calculation model for market risk was under review. Therefore, until the model was finally approved in November 2020, 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 standardised approach, depending on the origin of the various sub-portfolios.
- To calculate the capital requirements for operational risk, the standardised 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 institutions 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 within a standardised supervisory model. This review takes in around 70 European financial institutions, including the Bankia Group.

The following table provides details of the Bankia Group's capital tiers at 31 December 2020 and 2019 as well as the RWA (risk-weighted assets) calculated in accordance with applicable legislation:

(Thousands of euros and %)

ITEM	31/12/2020 (*)	31/12/2019
Common Equity Tier 1 (CET 1)	**11,639,587**	**11,120,019**
Capital	3,069,522	3,069,522
Share premium	619,154	619,154
Eligible profit or loss attributable to owners of the parent	229,803	541,436
Reserves and treasury shares	9,422,313	8,899,497
Eligible accumulated other comprehensive income	91,379	153,953
Eligible minority interests	-	-
Deductions	(1,792,584)	(2,163,543)
Deferred tax assets that depend on future income	(1,321,209)	(1,089,172)
Valuation adjustments due to prudent requirements (AVA)	(22,431)	(38,442)
Dividend to be deducted for regulatory purposes	-	(355,328)
Intangible assets and other deductions	(448,944)	(680,601)
Additional Tier 1 capital (AT1)	**1,250,000**	**1,250,000**
Tier 1 capital (TIER1=CET1+AT1)	**12,889,587**	**12,370,019**
Tier 2 capital (TIER2)	**1,915,092**	**1,672,270**
Subordinated debt	1,672,270	1,672,270
Other eligible/deductible items	242,822	-
Total capital (TIER1+TIER2)	**14,804,679**	**14,042,289**
Total risk-weighted assets	**67,265,254**	**77,634,917**
Credit risk, counterparty risk and dilution risk	**61,185,266**	**70,990,148**
Standardised approach	19,865,567	27,657,492
Internal ratings-based approach	41,319,699	43,332,656
Market risk	689,688	1,080,319
Operational risk	5,390,300	5,564,450
Common Equity Tier 1 ratio	**17.30%**	**14.32%**
Tier 1 capital ratio	**19.16%**	**15.93%**
Total capital ratio	**22.01%**	**18.09%**

(*) Estimated data

At 31 December 2020, the Bankia Group shows a surplus of EUR 6,006 million (EUR 3,939 million at 31 December 2019) over the regulatory minimum Common Equity Tier 1 capital of 8.375% (9.25% at 31 December 2019) established considering Pillar I, the Pillar II requirement and the combined buffer requirement.

At the same date, the Bankia Group shows a surplus of EUR 6,228 million (EUR 4,144 million at 31 December 2019) over the regulatory minimum Common Equity Tier 1 capital of 12.750%, (12.750% at 31 December 2019) established considering Pillar I, the Pillar II requirement and the combined buffer requirement.

(4.3) 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 Pillar I capital requirements. The entry into force of the CRR imposed on institutions 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 did not initially require a minimum ratio to be met, and only from January 2014 was an indicative reference value of 3% of 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% of Tier 1 capital was ultimately established, applicable from June 2021 onwards, in line with the reference value established by the Basel Committee on Banking Supervision in 2014.

As regards the leverage ratio, Regulation (EU) 2020/873 of the European Parliament and of the Council, amending the CRR and CRR II, regarding certain adjustments made in response to the COVID-19 pandemic, inter alia, sets out the possibility of temporarily excluding certain exposures to central banks from the leverage exposure in advance of its entry into force, and calculating counterparty risk exposure in repurchase transactions using the new calculation provided for in the CRR II, as it better reflects the leverage in the transaction.

The leverage ratio is calculated as the Group'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.

Since September 2020, the Bankia Group has availed of the option set out in Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 with regard to the temporary exclusion of exposure to the effects of the leverage ratio of certain exposures to central banks.

The Bankia Group's leverage ratio at 31 December 2020 and 31 December 2019 calculated in accordance with Commission Delegated Regulation (EU) No 2015/62 is as follows:

(Thousands of euros and %)

ITEM	31/12/2020 (*)	31/12/2019
Tier 1 capital	12,889,587	12,370,019
Exposure	203,971,300	210,098,403
Leverage ratio	**6.32%**	**5.89%**
(+) Exposure on balance sheet	186,206,343	195,719,816
(+) Exposure on derivatives	1,756,197	2,605,920
(+) Additions in counterparty risk in securities financing transactions (SFTs)	4,592,315	3,475,213
(+) Off-balance sheet exposures (includes use of CCFs)	11,416,445	8,297,454
Total leverage ratio exposure	**203,971,300**	**210,098,403**

(*) Estimated data

At 31 December 2020 and 2019, the leverage ratio exceeded the aforementioned minimum required.

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

Directive 2014/59/EU of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms (Bank Recovery and Resolution Directive or BRRD) was approved in May 2014 and came into 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 enters 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 called MREL (Minimum Required Eligible Liabilities) has been established, whereby institutions that are subject to the requirement must have liabilities with certain characteristics that favour the absorption of losses in the event of resolution of the institution.

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 non-preferred senior 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 gives non-preferred ordinary claims 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 with respect to the Entity's total liabilities and own funds (TLOF) and, in addition, indicating its level in percentage terms by dividing the numerator by the Group's RWAs.

On 20 November 2018 the SRB published its annual policy paper on the MREL, which serves as a basis for setting the MREL for banks not considered "complex" (subject to resolution colleges) and that, therefore, did not have binding targets in 2018, including the Bankia Group. On 16 May 2019, the Entity received formal notification from the Bank of Spain on the decision taken by the Single Resolution Board on its minimum requirement for own funds and eligible liabilities (MREL). According to this communication, from 1 July 2021 the Group would have to reach 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, expressed in terms of total liabilities and own funds of the entity (TLOF), would be 10.02%. Thus, as of 31 December 2020, the Group's estimated MREL ratio, calculated according to the current eligibility criteria of the Single Resolution Board, would amount to 25.93% of the total Risk-Weighted Assets (21.92% at 31 December 2019).

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, which came into force on 27 June 2019. These reforms introduce amendments to the BRRD, inter alia, in relation to the minimum subordination requirements of eligible MREL liabilities and the MDA (maximum distributable amounts) set in terms of MREL. In this regard, on 25 June 2019, the SRB published an Addendum to its MREL Policy Paper of January 2019, with the aim of clarifying the relationship between the new regulatory package and its MREL methodology. In May 2020 the SRB published its annual policy paper on MREL on the basis of the new regulatory framework approved with the 2019 package of banking reforms, which brought bank resolution and restructuring regulation into line with prevailing supervision legislation.

As a result of the COVID-19 crisis, and in relation to the MREL, the SRB published its view that compliance with current MREL restrictions in the short term should not prevent banks from extending financing to companies and the real economy. In this respect, on 20 May 2020 the Single Resolution Board published its definitive "Policy on the minimum requirements for own funds and eligible liabilities (MREL)", setting out two binding MREL targets, including those regarding subordination: a binding intermediate target to be met on 1 January 2022 and the fully calibrated MREL (final target) to be met on 1 January 2024, easing the prevailing targets set in the 2018 and 2019 cycles.

(4.5) Transparency Exercises 2020

During 2020, the European Banking Authority (EBA) undertook two new transparency exercises in coordination with the national competent authorities and the European Central Bank. The goal of these exercises is to boost transparency and familiarity with the capital adequacy and solvency of European banks, thereby contributing to market discipline (Pillar 3) and financial stability in the European Union.

Due to the emergence of COVID-19 in 2020 and the adoption of extraordinary measures to support the economy by governments and regulators, the EBA has considered it necessary to publish two transparency exercises this year with the aim of illustrating the impact of the pandemic on the different institutions. For this purpose, the information published on exposures originating due to COVID-19 has been enhanced: moratoriums and financing secured by the ICO.

On 8 June 2020 the European Banking Authority (EBA) published the results of its seventh EU-wide transparency exercise, covering a total of 127 institutions across 27 countries, with consolidated data at 30 September 2019 and 31 December 2019. The information published relates to the banks' capital positions, risk-weighted assets, asset quality (non-performing exposures), profitability, as well as sovereign exposures at the 2019 close. The ratios published in the exercise for Bankia are for the BFA Group, Bankia's parent. From a capital ratio perspective, BFA Group's phase-in Common Equity Tier 1 capital ratio stood at 14.2% at the end of 2019, rising from 14.0% at September 2019. Comparable ratios for the average of banks participating in the exercise stood at 15.1% in December 2019 and 14.6% in September 2019.

On 11 December 2020, the EBA published the results of its 2020 EU-wide transparency exercise, for a sample of 129 banks across the 26 EU countries with consolidated data at 31 March 2020 and 30 June 2020. As on prior occasions, the information published relates to the banks' capital positions, risk-weighted assets, asset quality (non-performing exposures), profitability, sovereign exposures, and 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 wider sample of banks (147 EU institutions with consolidated data). In the context of the COVID-19 pandemic, the transparency exercise included information on public and private moratorium initiatives at 30 June 2020.

The capital ratios published are for the BFA Group, Bankia's parent. The phase-in Common Equity Tier 1 capital ratio stood at 13.81% at 30 June 2020 and 13.57% at March 2020, including the earnings for the period. According to the Risk Assessment of the European Banking System, the average phase-in Common Equity Tier 1 capital ratio for European banks at 30 June 2020 was 15.0%, up from 14.6% at 31 March 2020.

(4.6) Capital management objectives and policies

The Group's capital management covers two targets – a regulatory capital target and an economic capital target.

The regulatory capital target entails 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 them 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 carry 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 were applicable to ICAAP approved by the Management Committee in May 2020. Accordingly, the Bankia Group has aligned its regulatory capital planning to the principles outlined in the guides. Capital planning starts from the need to have adequate 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 II Requirement, Pillar II Guidance and capital buffers, which impact the Group and the Entity's 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.), on the macroeconomic scenarios forecast by the Group and on the impact analysis of potential changes in capital adequacy regulations or those that may affect it. Distinction is made between baseline or expected scenarios and one or more stressed scenarios resulting from the application of a combination of adverse impacts on the expected situation. The capital planning process is formally documented in the following reports approved by the Entity'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 Entity 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, in order to achieve a common objective within the Group's Risk Appetite and Tolerance Framework.
- Capital Planning Policies, which include Senior Executive 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 crisis 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 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, in order to meet the targets set, are analysed and decided. Failure to meet such targets could ultimately trigger the Capital Contingency Plan or even the Recovery Plan.

(5) Remuneration of Board members and senior executives

(5.1) Remuneration of Board members

a) Remuneration accrued at the Bank

Regarding remuneration of directors for the performance of their duties as members of the Board of Directors, the Company 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 thousands of euros)

Name	Salaries	Fixed remuneration	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership on Board committees	Termination benefits	Total 2020
Mr. José Ignacio Goirigolzarri Tellaeche (1)	500	-	-	-	-	-	500
Mr. José Sevilla Álvarez (1)	500	-	-	-	-	-	500
Mr. Antonio Ortega Parra (1)	500	-	-	-	-	-	500
Mr. Carlos Egea Krauel	-	100	-	-	-	-	100
Mr. Joaquín Ayuso García	-	100	-	-	-	-	100
Mr. Francisco Javier Campo García	-	100	-	-	-	-	100
Ms. Eva Castillo Sanz	-	100	-	-	-	-	100
Mr. Jorge Cosmen Menéndez-Castañedo	-	100	-	-	-	-	100
Mr. José Luis Feito Higueruela	-	100	-	-	-	-	100
Mr. Fernando Fernández Méndez de Andés	-	100	-	-	-	-	100
Mr. Antonio Greño Hidalgo	-	100	-	-	-	-	100
Ms. Laura González Molero		100					100
Ms. Nuria Oliver Ramírez (2)	-	74	-	-	-	-	74

(1) The executive directors have renounced any variable remuneration in 2020.

(2) Ms. Oliver was appointed as a Board member with effect as of 3 April 2020, with total remuneration of EUR 100,000 per year. The amounts shown correspond to the period from 3 April to 31 December 2020.

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 remuneration 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 Messrs. Goirigolzarri, Sevilla and Ortega provide for compensation 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. In addition, the contracts of Messrs. Sevilla and Ortega also stipulate a notice period of three months, which is not included in Mr. Goirigolzarri's contract. Pursuant to prevailing legislation, Bankia has amended these contracts, establishing that any compensation and/or amounts received by the senior executives must comply with Royal Decree-Law 2/2012, Law 3/2012 and Law 10/2014.

iii) Share-based payment schemes

In 2020 shares have been allocated to Messrs. Goirigolzarri, Sevilla and Ortega equivalent to 25% of their annual variable remuneration accrued during 2016.

iv) Long-term saving schemes

(in thousands of euros)		
Name	Contribution Funds and Pension Plans [1] 2020 by the Bank	Life Insurance Premiums 2020 by the Bank
Mr. José Ignacio Goirigolzarri Tellaeche	-	-
Mr. José Sevilla Álvarez	-	-
Mr. Antonio Ortega Parra	-	-
Mr. Carlos Egea Krauel	-	-
Mr. Joaquín Ayuso García	-	-
Mr. Francisco Javier Campo García	-	-
Ms. Eva Castillo Sanz	-	-
Mr. Jorge Cosmen Menéndez-Castañedo	-	-
Mr. José Luis Feito Higueruela	-	-
Mr. Fernando Fernández Méndez de Andés	-	-
Mr. Antonio Greño Hidalgo	-	-
Ms. Laura González Molero		
Ms. Nuria Oliver Ramírez	-	-

[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 Entity reported, in a material disclosure to the National Securities Market Commission, a press release regarding the review of its policy for remunerating directors in Group companies and investees. The press release 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

Not applicable.

ii) Share-based payment schemes

Not applicable.

iii) Long-term saving schemes

Not applicable.

iv) Other benefits

Not applicable.

c) Remuneration summary:

(in thousands of euros)			
Name	Total remuneration in the Entity	Total remuneration in the Group	Total 2020
Mr. José Ignacio Goirigolzarri Tellaeche (1)	500	-	500
Mr. José Sevilla Álvarez (1)	500	-	500
Mr. Antonio Ortega Parra (1)	500	-	500
Mr. Carlos Egea Krauel	100	-	100
Mr. Joaquín Ayuso García	100	-	100
Mr. Francisco Javier Campo García	100	-	100
Ms. Eva Castillo Sanz	100	-	100
Mr. Jorge Cosmen Menéndez-Castañedo	100	-	100
Mr. José Luis Feito Higueruela	100	-	100
Mr. Fernando Fernández Méndez de Andés	100	-	100
Mr. Antonio Greño Hidalgo	100	-	100
Ms. Laura González Molero	100		100
Ms. Nuria Oliver Ramírez (2)	74	-	74

(1) The executive directors have renounced any variable remuneration in 2020.

(2) Ms. Oliver was appointed as a Board member with effect as of 3 April 2020, with total remuneration of EUR 100,000 per year. The amounts shown correspond to the period from 3 April to 31 December 2020.

(5.2) Remuneration of the Bank's senior executives (Management Committee)

a) Remuneration accrued at the Bank

For the purposes of these financial statements, the members of the Management Committee, without taking into consideration the executive directors, were considered as senior executives. A total of nine people, Mr. Miguel Crespo Rodríguez, Ms. 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 and 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 ECC/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 accrued by senior executives:

(in thousands of euros)

	Short-term remuneration (1)	Long-term remuneration (1)	Post-employment benefits (2)	Termination benefits	Total
Senior Executives	4,771	414	286	-	5,471

(1) The amount of variable remuneration accrued in 2020 is pending the pertinent authorisation and approval envisaged in current legislation.

(2) Reflects contributions made in respect of pensions and life insurance premiums.

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 remuneration stipulated.

"Compensation for termination of contract" includes any amount of a compensatory nature that the executive may receive as a consequence of termination of contract, whatever the reason, origin or purpose, and the sum of all the amounts that may be received may not exceed the established limits.

The contracts of nine senior executives include 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 remuneration. Pursuant to prevailing legislation, Bankia has amended these contracts, establishing that any compensation and/or amounts received by the senior executives must comply with Royal Decree-Law 2/2012, Law 3/2012 and Law 10/2014.

iii) Share-based payment schemes

In 2020 shares have been allocated to Ms. Blanco and Messrs. Alcubilla and Sobrini equivalent to 25% of their annual variable remuneration accrued during 2016.

(5.3) Situations of conflict of interest of Bank directors

In accordance with the disclosure requirements under article 229 of Royal Legislative Decree 1/2010, of 2 July, enacting the Revised Spanish Companies Act, it is hereby stated that at 31 December 2020 none of the directors are in any of the situations constituting a conflict of interest set out in said article.

Notwithstanding the above, according to the Regulations of the Board of Directors, directors must notify the Board of Directors of any direct or indirect conflict which they or persons related to them may have with the interests of the Entity. 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 Revised Spanish Companies Act, it is hereby stated that during 2020:

- On 19 occasions, Bank directors (Mr. Francisco Javier Campo, Mr. Jorge Cosmen Menéndez-Castañedo, Mr. Carlos Egea Krauel, Ms. Laura González Molero and Mr. Antonio Ortega Parra) 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, Mr. José Ignacio Goirigolzarri Tellaeche, Mr. José Sevilla Alvarez and Mr. Antonio Ortega Parra, as members of the Board of Directors of BFA, Tenedora de Acciones, S.A.U. (BFA), with Mr. José Ignacio Goirigolzarri Tellaeche also being the legal representative of and member and chairman of the Board of Directors of the FROB, have refrained from participating in the deliberation and voting on the following matters: Bankia Group-BFA financial programme, regularisation of the BFA-Bankia recovery service agreement, financing of SAREB bonds in BFA, Bankia-BFA ATA transaction and agreement for the regularisation of SAREB obligations.

(6) Proposed distribution of profit of Bankia, S.A.

The distribution of the individual profit of Bankia, S.A. for the financial year ended 31 December 2020 proposed by the Board of Directors of Bankia, S.A., to be submitted for approval at the General Meeting of Shareholders (with comparative data for 2019), is as follows:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
To reserves	250,565	207,621
To dividends	-	355,328
Net profit for the year	**250,565**	**562,949**

Review of the capital distribution target set in the 2018-2020 Strategic Plan

On 27 March 2020 Bankia's Board of Directors decided that, given the potential impact of the COVID-19 crisis, the Entity should be very prudent in setting shareholder remuneration. Consequently, it reviewed the capital distribution objective set in the Group's 2018-2020 Strategic Plan, ruling out any extraordinary distributions this year and anticipating extreme prudence when defining the eventual dividend charged to 2020.

Furthermore, in the framework of Bankia and Caixabank's joint merger plan (see Note 1.17), both entities undertook not to declare payment of any definitive or interim dividend with a charge to reserves or profit, in cash or in kind, or to make any other distributions of their share capital or reserves or reimburse any part of their share capital until the filing date of the merger deed in the Mercantile Registry of Valencia.

Dividend payment charged to earnings for 2019

A resolution was adopted at the General Meeting of Shareholders of Bankia held on 27 March 2020 to distribute, against earnings for the year ended 31 December 2019, 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 in April 2020 with distribution of EUR 352,109,750.87.

(7) Cash, cash balances at central banks and other demand deposits

Details of "Cash, cash balances at central banks and other demand deposits" on the accompanying balance sheets is as follows:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Cash	936,299	951,824
Cash balances at central banks	10,380,666	11,672,642
Other demand deposits	92,247	202,125
Total	**11,409,212**	**12,826,591**

(8) Financial assets and liabilities held for trading

Breakdown

Details of these items on the accompanying balance sheets, by type of counterparty and type of instrument, indicating the carrying amount at 31 December 2020 and 2019, are as follows:

(in thousands of euros)

	31/12/2020		31/12/2019	
ITEM	Asset positions	Liability positions	Asset positions	Liability positions
By counterparty				
Credit institutions	4,579,106	5,920,853	4,395,001	5,863,319
Resident general government	202,825	-	273,336	-
Non-resident general government	-	-	18,484	-
Other resident sectors	1,679,684	889,029	1,700,445	859,142
Other non-resident sectors	316,946	70,164	315,238	60,612
Total	**6,778,561**	**6,880,046**	**6,702,504**	**6,783,073**
By type of instrument				
Derivatives	6,697,324	6,690,843	6,530,330	6,511,840
Equity instruments	683	-	1,381	-
Debt securities	80,554	-	170,793	-
Short positions	-	189,203	-	271,233
Total	**6,778,561**	**6,880,046**	**6,702,504**	**6,783,073**

Note 3.1 contains information on the credit risk assumed by the Bank in relation to these financial assets. Notes 3.2 and 3.4 contain, respectively, information relating to the liquidity risk and interest rate risk assumed by the Bank in relation to the financial assets included in this category.

Note 23 contains certain information on the fair value of these financial assets, while Note 3.1.5 discloses certain information on the risk concentration of, inter alia, certain assets included in this category of financial instruments.

Financial assets and liabilities held for trading. Derivatives

The following table presents a breakdown, by class of derivative, of the fair value of the Bank's derivatives classified as held for trading at 31 December 2020 and 2019:

(in thousands of euros)

	31/12/2020			31/12/2019		
ITEM	Fair value	Amount netted	Carrying amount	Fair value	Amount netted	Carrying amount
Debit balances:						
Unmatured foreign currency purchases and sales	56,479	-	56,479	66,859	-	66,859
Equity derivatives	6,958	-	6,958	7,583	-	7,583
Interest rate derivatives	14,567,259	(8,005,643)	6,561,616	12,702,473	(6,306,025)	6,396,448
Credit derivatives	-	-	-	178	-	178
Other	72,271	-	72,271	59,262	-	59,262
Total	**14,702,967**	**(8,005,643)**	**6,697,324**	**12,836,355**	**(6,306,025)**	**6,530,330**
Credit balances:						
Unmatured foreign currency purchases and sales	22,724	-	22,724	57,374	-	57,374
Equity derivatives	9,861	-	9,861	9,380	-	9,380
Interest rate derivatives	14,588,840	(8,005,643)	6,583,197	12,689,252	(6,306,025)	6,383,227
Credit derivatives	-	-	-	219	-	219
Other	75,061	-	75,061	61,640	-	61,640
Total	**14,696,486**	**(8,005,643)**	**6,690,843**	**12,817,865**	**(6,306,025)**	**6,511,840**

Details, by maturity, of the notional amount of trading derivatives at 31 December 2020, are as follows:

(in thousands of euros)

ITEM	0 to 3 years	3 to 10 years	More than 10 years	Total
Unmatured foreign currency purchases and sales	2,522,561	168,382	-	2,690,943
Equity derivatives	2,456,306	1,893,044	285,400	4,634,750
Interest rate derivatives	108,778,584	129,460,018	51,435,312	289,673,914
Credit derivatives	-	-	-	-
Other	5,185,913	-	-	5,185,913
Total	**118,943,364**	**131,521,444**	**51,720,712**	**302,185,520**

Details, by maturity, of the notional amount of trading derivatives at 31 December 2019, are as follows:

(in 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
Equity derivatives	1,719,043	2,780,862	349,401	4,849,306
Interest rate derivatives	99,181,161	109,166,808	56,575,436	264,923,405
Credit derivatives	615,727	-	-	615,727
Other	4,668,749	-	-	4,668,749
Total	**110,201,135**	**111,955,456**	**56,924,837**	**279,081,428**

The notional amount of derivatives is the amount that is used as a basis for estimating the results associated therewith, although, inasmuch as a highly significant portion of these positions offset one another, thus hedging the risks assumed, the notional amount cannot be understood to represent a reasonable measure of the Bank's exposure to the risks associated with these products.

Financial assets held for trading. Equity instruments

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

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Shares of resident companies	545	1,250
Shares of non-resident foreign companies	138	131
Total	**683**	**1,381**

Financial assets held for trading. Debt securities

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

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Spanish government debt securities	80,554	142,412
Foreign government debt securities	-	18,484
Other foreign fixed-income securities	-	-
Other Spanish fixed-income securities	-	9,897
Total	**80,554**	**170,793**

The annual average effective interest rate of debt securities included in the financial assets held for trading portfolio at 31 December 2020 was 0.16% (0.50% at 31 December 2019).

(9) Non-trading financial assets mandatorily at fair value through profit or loss

Details of these items on the accompanying balance sheets, by type of counterparty and type of instrument, indicating the carrying amount at 31 December 2020 and 2019, are as follows:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
By counterparty		
Credit institutions	-	23,263
Resident general government	-	-
Other resident sectors	11,002	11,172
Other non-resident sectors	-	-
Total	**11,002**	**34,435**
By type of instrument		
Derivatives	-	-
Equity instruments	-	-
Debt securities	192	237
Loans and advances	10,810	34,198
Central banks	-	-
Credit institutions	-	23,263
Customers	10,810	10,935
Total	**11,002**	**34,435**

Note 3.1 contains information on the credit risk assumed by the Bank in relation to these financial assets. Notes 3.2 and 3.4 contain, respectively, information relating to the liquidity risk and interest rate risk assumed by the Bank in relation to the financial assets included in this category.

Note 23 contains certain information on the fair value of these financial assets, while Note 3.1.5 discloses certain information on the risk concentration of, inter alia, certain assets included in this category of financial instruments.

(10) Financial assets at fair value through other comprehensive income

Breakdown

Details of this item on the accompanying balance sheets, by type of counterparty and type of financial instrument, are as follows:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
By counterparty		
Credit institutions	32,843	44,495
Resident general government	8,065,439	11,153,660
Non-resident general government	189,679	291,393
Other resident sectors	84,476	153,305
Other non-resident sectors	250,022	337,549
Non-performing assets	-	-
Impairment losses	(532)	(545)
Total	**8,621,927**	**11,979,857**
By type of instrument		
Debt securities	8,563,133	11,904,041
Spanish government debt securities	8,065,439	11,153,660
Government bonds	7,865,145	10,861,589
Regional administrations	200,294	292,071
Foreign government debt securities	189,679	291,393
Issued by financial institutions	6,367	18,020
Other fixed-income securities	302,180	441,513
Impairment losses	(532)	(545)
Equity instruments	58,794	75,816
Total	**8,621,927**	**11,979,857**

Note 3.1 contains information on the credit risk assumed by the Bank in relation to these financial assets. Notes 3.2 and 3.4 contain, respectively, information relating to the liquidity risk and interest rate risk assumed by the Bank in relation to the financial assets included in this category.

Note 22 provides details of the gains and losses on these financial instruments recognised under "Accumulated other comprehensive income" on the accompanying balance sheets.

Note 23 contains certain information on the fair value of these financial assets, while Note 3.1.5 discloses certain information on the risk concentration of, inter alia, certain assets included in this category of financial instruments.

The annual average effective interest rate of debt securities included in the financial assets at fair value through other comprehensive income portfolio at 31 December 2020 was 0.38% (0.90% at 31 December 2019).

Non-performing and past-due assets

At 31 December 2020 and 2019, no assets classified as "Financial assets at fair value through other comprehensive income" were considered non-performing or had any past-due amounts.

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 in 2020 and 2019 is as follows:

(in thousands of euros)		
ITEM	2020	2019
Opening balance at 31 December	**545**	**1,108**
Impairment losses for the year charged to income	455	(23)
Available credit loss allowance	(257)	(529)
Net provision/(release) charged/(credited) to the income statement (Note 42)	**198**	**(552)**
Allowances used for depreciated assets	(211)	(11)
Other changes	-	-
Closing balance at 31 December	**532**	**545**
Of which: Type of counterparty:	*532*	*545*
Entities resident in Spain	*307*	*300*
Entities resident abroad	*225*	*245*

During 2020 and 2019, the Bank did not record any impairment losses in the income statement on equity instruments recognised under "Non-current assets and disposal groups classified as held for sale".

(11) Financial assets at amortised cost

(11.1) Breakdown

Details of this item on the accompanying balance sheets, based on the nature of the related financial instrument, are as follows:

(in thousands of euros)		
ITEM	31/12/2020	31/12/2019
Financial assets at amortised cost		
Loans and advances	129,119,283	125,993,541
Central banks	-	-
Credit institutions	4,918,071	5,468,629
Customers	124,201,212	120,524,912
Debt securities	37,460,394	33,174,618
Sum	**166,579,677**	**159,168,159**
Impairment losses	(3,415,259)	(3,218,669)
Other valuation adjustments	333,841	229,708
Total	**163,498,259**	**156,179,198**

Note 3.1 contains information on the credit risk assumed by the Bank in relation to these financial assets. Notes 3.2 and 3.4 contain, respectively, information relating to the liquidity risk and interest rate risk assumed by the Bank in relation to the financial assets included in this category.

Note 23 contains certain information on the fair value of these financial assets, while Note 3.1.5 discloses certain information on the risk concentration of, inter alia, certain assets included in this category of financial instruments.

(11.2) Credit quality of financial assets at amortised cost portfolio

The following table shows financial assets at amortised cost, based on their credit risk classification, distinguishing between gross value and related impairment losses at 31 December 2020 and 31 December 2019:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Gross amount (*)		
Stage 1 – Performing exposures	149,995,141	145,312,323
Stage 2 – Performing exposures under special monitoring	11,202,062	8,244,241
Stage 3 – Non-performing exposures	5,716,315	5,841,303
Sum	**166,913,518**	**159,397,867**
Impairment allowances		
Stage 1 – Performing exposures	(180,117)	(208,717)
Stage 2 – Performing exposures under special monitoring	(625,731)	(440,015)
Stage 3 – Non-performing exposures	(2,609,411)	(2,569,937)
Sum	**(3,415,259)**	**(3,218,669)**
Carrying amount		
Stage 1 – Performing exposures	149,815,024	145,103,606
Stage 2 – Performing exposures under special monitoring	10,576,331	7,804,226
Stage 3 – Non-performing exposures	3,106,904	3,271,366
Sum	**163,498,259**	**156,179,198**

(*) Includes "Other valuation adjustments".

(11.3) Movement in financial assets at amortised cost. Stages of credit impairment

The following table sets out the movements in 2020 and 2019 between stages 1, 2 and 3 in terms of the gross carrying amount of financial assets at amortised cost:

2020

(in thousands of euros)

ITEM	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the period	**145,312,323**	**8,244,241**	**5,841,303**	**159,397,867**
Inter-stage transfer	(4,836,420)	4,187,241	649,179	-
Stage 1 – Performing exposures	(6,992,535)	6,572,269	420,266	-
Stage 2 – Performing exposures under special monitoring	2,150,738	(2,686,132)	535,394	-
Stage 3 – Non-performing exposures	5,377	301,104	(306,481)	-
Additions, disposals and balance variations	9,519,238	(1,229,420)	(350,830)	7,938,988
Write-offs	-	-	(423,337)	(423,337)
Balance at the end of the period	**149,995,141**	**11,202,062**	**5,716,315**	**166,913,518**

2019

(in thousands of euros)				
ITEM	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the period	**144,638,205**	**8,635,397**	**7,704,380**	**160,977,982**
Inter-stage transfer	(726,693)	497,069	229,624	-
Stage 1 – Performing exposures	(2,419,171)	2,007,104	412,067	-
Stage 2 – Performing exposures under special monitoring	1,654,535	(2,167,437)	512,902	-
Stage 3 – Non-performing exposures	37,943	657,402	(695,345)	-
Additions, disposals and balance variations	1,400,811	(888,225)	(1,464,904)	(952,318)
Write-offs	-	-	(627,797)	(627,797)
Balance at the end of the period	**145,312,323**	**8,244,241**	**5,841,303**	**159,397,867**

(11.4) Movement in credit impairment by stages

The following table sets out the movement in impairment losses on financial assets at amortised cost by stages of credit impairment in 2020 and 2019:

2020

ITEM	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the period	**208,717**	**440,015**	**2,569,937**	**3,218,669**
Variations due to origination and acquisition, derecognition and credit risk variation (net)	(28,044)	196,314	886,463	1,054,733
Allowances used for depreciated assets	-	-	(783,502)	(783,502)
Transfer to non-current assets held for sale and other movements	(556)	(10,598)	(63,487)	(74,641)
Balance at the end of the period	**180,117**	**625,731**	**2,609,411**	**3,415,259**
Of which individually identified	-	63,752	616,754	680,506
Of which collectively identified	180,117	561,979	1,992,657	2,734,753

2019

ITEM	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the period	**226,564**	**619,333**	**3,384,881**	**4,230,778**
Variations due to origination and acquisition, derecognition and credit risk variation (net)	(15,643)	(178,049)	628,043	434,351
Allowances used for depreciated assets	-	-	(1,312,917)	(1,312,917)
Transfer to non-current assets held for sale and other movements	(2,204)	(1,269)	(130,070)	(133,543)
Balance at the end of the period	**208,717**	**440,015**	**2,569,937**	**3,218,669**
Of which individually identified	-	69,067	891,856	960,923
Of which collectively identified	208,717	370,948	1,678,081	2,257,746

(11.5) Credit quality of financial assets at amortised cost portfolio. Guarantees received

The breakdown at 31 December 2020 and 2019 of guarantees received in relation to loans and advances on the accompanying balance sheets is as follows:

(in thousands of euros)		
ITEM	31/12/2020 (*)	31/12/2019 (*)
Value of collateral	74,947,158	76,108,254
Of which: collateral for performing exposures under special monitoring	5,384,045	5,022,526
Of which: collateral for non-performing exposures	7,309,305	5,952,561
Value of other guarantees	-	-
Total	**74,947,158**	**76,108,254**

(*) The value of the guarantee or collateral is the lower of the guarantee received and the amount of the loan, except for non-performing exposures, where the relevant measure is fair value.

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

Details of this caption on the accompanying balance sheets, by type of instrument, are as follows:

(in thousands of euros)		
ITEM	31/12/2020	31/12/2019
By type of instrument		
Time deposits	188,737	115,243
Reverse repurchase agreements	2,755,191	3,509,139
Other financial assets	1,971,010	1,839,910
Non-performing assets	3,133	4,337
Sum	**4,918,071**	**5,468,629**
Impairment losses	(2,468)	(737)
Other valuation adjustments	(2,470)	(3,160)
Total	**4,913,133**	**5,464,732**

The annual average effective interest rate of financial instruments included under this heading at 31 December 2020 was 0.85% (0.81% at 31 December 2019).

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

Details of this caption on the accompanying balance sheets, by counterparty sector and by loan type and status, are as follows:

(in thousands of euros)		
ITEM	31/12/2020	31/12/2019
By counterparty sector		
General government	5,680,399	4,883,559
Other financial corporations	2,651,870	2,068,550
Non-financial corporations	42,139,288	37,172,123
Households	74,018,905	76,633,548
Sum	**124,490,462**	**120,757,780**
Impairment losses	(3,400,377)	(3,208,345)
Total	**121,090,085**	**117,549,435**
By loan type and status		
Commercial credit	5,205,963	5,714,716
With collateral	68,885,532	71,794,082
Reverse repurchase agreements	179,659	15,398
Other term loans	40,700,011	33,639,336
Receivable on demand and other	2,468,792	2,549,993
Other financial assets	1,056,658	983,041
Non-performing assets	5,704,597	5,828,346
Sum	**124,201,212**	**120,524,912**
Impairment losses	(3,400,377)	(3,208,345)
Other valuation adjustments	289,250	232,868
Total	**121,090,085**	**117,549,435**

The carrying amount shown in the foregoing table, disregarding the portion reflecting “Other valuation adjustments”, represents the Bank's maximum level of credit risk exposure in relation to the financial instruments included therein.

The annual average effective interest rate of financial instruments included under this heading at 31 December 2020 was 1.56% (1.72% at 31 December 2019).

“Financial assets at amortised cost - Loans and advances - Customers” on the accompanying balance sheets include loans with mortgage collateral which, as indicated in Appendix VII and under the Mortgage Market Law, are considered eligible to guarantee the issue of long-term covered bonds.

This item also includes securitised loans that have not been derecognised from the balance sheets (see Note 2.2.2). The amounts shown on the accompanying balance sheets related to securitised loans are:

(in thousands of euros)		
ITEM	31/12/2020	31/12/2019
Securitised mortgage assets	8,137,843	9,213,001
Of which:		
Receivable on demand and other	1,786	2,423
Non-performing assets	437,608	467,718
Other securitised assets	10,359	11,530
Total (Note 25.1.1)	**8,148,202**	**9,224,531**
Of which:		
Liabilities associated with assets held on the balance sheet (*)	1,041,758	1,531,026

(*) Recognised under "Financial liabilities at amortised cost - Debt securities issued" on the accompanying balance sheets.

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

(in thousands of euros)		
ITEM	31/12/2020	31/12/2019
Securitised mortgage assets	1,360,381	1,460,205
Other securitised assets	3,143	1,821
Total (Note 25.1.1)	**1,363,524**	**1,462,026**

In 2012 and 2013 assets classified under this balance sheet heading were transferred to the SAREB, with a number of adjustments being made to the asset transfer deed up to 2017.

(11.8) Non-performing assets

Details of the movement in non-performing loans and advances to credit institutions and customers, within the financial assets at amortised cost portfolio, during 2020 and 2019 are as follows:

(in thousands of euros)		
ITEM	2020	2019
Carrying amount at the beginning of the period	**5,832,683**	**7,689,153**
Additions	1,550,364	1,989,801
Disposals	(1,679,317)	(3,846,271)
Foreclosures	(168,054)	(302,461)
Portfolio sales	(4,714)	(410,163)
Recoveries and other	(1,013,301)	(1,849,226)
Debt pardoning and disposals of assets	(423,337)	(627,797)
Transfers to disposal group (*)	(69,911)	(656,624)
Carrying amount at the end of the period	**5,703,730**	**5,832,683**

(*) Note 17.5.1 includes the balances classified as disposal groups that, at 31 December 2020, were still recognised on the balance sheet because their disposal did not occur in 2020

The table below shows the classification of the Bank's non-performing financial assets at amortised cost related to "Loans and advances to customers" and "Loans and advances to credit institutions" included in "Loans and advances" at 31 December 2020 and 2019, by counterparty, age of the oldest past-due amount of each, and the type of guarantee or collateral:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
By counterparty		
Credit institutions	3,133	4,337
General government	84,055	89,962
Other financial corporations	12,646	15,335
Non-financial corporations	2,174,210	2,666,628
Households	3,433,686	3,056,421
Total	**5,707,730**	**5,832,683**
By age		
Up to 6 months (*)	2,345,583	2,516,688
Between 6 and 12 months	580,263	557,293
More than 12 months	2,781,884	2,758,702
Total	**5,707,730**	**5,832,683**
By type of guarantee		
Mortgage collateral	3,963,009	3,803,759
Other collateral	32,071	44,493
Without collateral	1,712,650	1,984,431
Total	**5,707,730**	**5,832,683**

(*) At 31 December 2020, approximately 85% of the balance consisted of transactions with no past-due amounts or amounts that are less than 90 days past due (83% at 31 December 2019).

Past-due income receivable from non-performing assets accumulated at 31 December 2020 amounts to EUR 288,662 thousand (EUR 292,761 thousand at 31 December 2019).

The following table provides a breakdown of non-performing 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 connection with the risks to which it relates:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Less than or equal to 40%	383,670	371,866
More than 40% and less than or equal to 60%	429,957	416,114
More than 60% and less than or equal to 80%	548,382	475,870
More than 80%	2,633,071	2,584,402
Total	**3,995,080**	**3,848,252**

(11.9) Assets past due

The table below shows the classification of the Bank's assets past-due but not impaired related to “Loans and advances to customers” and “Loans and advances to credit institutions” at 31 December 2020 and 2019, by counterparty, age past-due and type of guarantee or collateral:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
By counterparty		
Credit institutions	663	6,808
General government	9,417	37,447
Other financial corporations	16,692	19,242
Non-financial corporations	33,086	101,373
Households	29,039	39,018
Total	**88,897**	**203,888**
By age		
Less than 1 month	69,344	151,874
Between 1 and 3 months	19,553	52,014
More than 3 months	-	-
Total	**88,897**	**203,888**
By type of guarantee		
Mortgage collateral	21,610	29,832
Other collateral	139	1,331
Without collateral	67,148	172,725
Total	**88,897**	**203,888**

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 connection with the risks to which it relates:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Less than or equal to 40%	7,086	8,245
More than 40% and less than or equal to 60%	4,076	6,477
More than 60% and less than or equal to 80%	3,973	5,378
More than 80%	6,614	11,063
Total	**21,749**	**31,163**

(11.10) Movement in impairment losses

The table below shows the changes for the years ended 31 December 2020 and 2019 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 balance sheet:

31 December 2020

(in thousands of euros)

ITEM	Allowance for credit risk losses	Country risk allowance	Total
Balance at the beginning of the period	**3,207,421**	**1,661**	**3,209,082**
Of which individually identified	955,074	-	955,074
Of which collectively identified	2,252,347	1,661	2,254,008
Impairment losses for the year charged to income	2,193,035	560	2,193,595
Available credit loss allowance	(1,147,214)	(951)	(1,148,165)
Net provision/(release) charged/(credited) to the income statement	**1,045,821**	**(391)**	**1,045,430**
Allowances used for depreciated assets	(798,759)	-	(798,759)
Exchange differences	(2,298)	(4)	(2,302)
Other changes	(50,606)	-	(50,606)
Balance at the end of the period	**3,401,579**	**1,266**	**3,402,845**
Of which individually identified	674,747	-	674,747
Of which collectively identified	2,726,832	1,266	2,728,098
Of which:			
Type of counterparty:	**3,401,579**	**1,266**	**3,402,845**
Entities resident in Spain	3,208,483	-	3,208,483
Entities resident abroad	193,096	1,266	194,362

31 December 2019

(in thousands of euros)

ITEM	Allowance for credit risk losses	Country risk allowance	Total
Balance at the beginning of the period	**4,218,933**	**4,318**	**4,223,251**
Of which individually identified	1,574,212	-	1,574,212
Of which collectively identified	2,644,721	4,318	2,649,039
Impairment losses for the year charged to income	1,091,569	9,389	1,100,958
Available credit loss allowance	(595,548)	(12,018)	(607,566)
Net provision/(release) charged/(credited) to the income statement	**496,021**	**(2,629)**	**493,392**
Allowances used for depreciated assets	(1,313,738)	-	(1,313,738)
Exchange differences	1,447	-	1,447
Other changes	(195,242)	(28)	(195,270)
Balance at the end of the period	**3,207,421**	**1,661**	**3,209,082**
Of which individually identified	955,074	-	955,074
Of which collectively identified	2,252,347	1,661	2,254,008
Of which:			
Type of counterparty:	**3,207,421**	**1,661**	**3,209,082**
Entities resident in Spain	3,029,041	-	3,029,041
Entities resident abroad	178,380	1,661	180,041

The different items recognised in 2020 and 2019 under "Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and modification losses or (-) gains, net – Financial assets at amortised cost" on the income statements for those years are summarised below:

(in thousands of euros)		
ITEM	31/12/2020	31/12/2019
Net charge for the year	1,054,537	495,453
Write-off assets recovered	(10,943)	(37,641)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and modification losses or (-) gains, net – Financial assets at amortised cost (Note 38)	**1,043,594**	**457,812**

(11.11) Financial assets at amortised cost. Debt securities

Details of this caption on the accompanying balance sheets, by counterparty, are as follows:

(in thousands of euros)		
ITEM	31/12/2020	31/12/2019
By counterparty		
Credit institutions	25,025	25,006
Resident general government	13,005,451	10,012,856
Non-resident general government	5,794,638	4,255,837
Other resident sectors	18,560,770	18,849,362
Other non-resident sectors	65,925	22,937
Non-performing assets	8,585	8,620
Sum	**37,460,394**	**33,174,618**
Impairment losses	(12,414)	(9,587)
Other valuation adjustments	47,061	-
Total	**37,495,041**	**33,165,031**
By type of instrument		
Spanish government debt securities	13,052,512	10,012,856
Foreign government debt securities	5,794,638	4,255,837
Bonds and obligations	18,660,305	18,905,925
Impairment losses	(12,414)	(9,587)
Total	**37,495,041**	**33,165,031**

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 at the time 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 to BFA in respect of the part of the price relating to its own assets and those of its subsidiaries and EUR 19,467 million to Bankia in respect of the part of the price relating to its own assets and those of Bankia subsidiaries. They also include the debt securities received as consideration for the assets originally transferred by the BMN Group in February 2013 for EUR 5,820 million – absorbed following its merger by the Bankia Group.

The securities received by the Bank (with original maturities at 31 December 2013, 2014 and 2015 and 28 February 2014, 2015 and 2016) include an annual renewal option for the issuer, although the estimated value of that option does not generate any negative difference between the fair value of the instruments and the nominal value at the transaction date.

In 2013 and subsequent years, 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 2020 were as follows:

(Thousands of euros and %)

Securities	Amount	Maturity	Interest rate
SAREB 2020-3 Bond	7,623,700	31.12.2022	-
SAREB 2020-2 Bond	5,549,800	31.12.2021	-
SAREB 2019-2 Bond	2,425,000	28.02.2021	-
SAREB 2020-1 Bond	1,681,300	28.02.2021	-
SAREB 2018-4 Bond	942,300	31.12.2021	-
SAREB 2019-3 Bond	264,800	28.02.2022	-

As these cancellations were made at the nominal amount, there were no differences with respect to the carrying amounts. Therefore, the transactions did not have a significant impact on the Bank's income statement for prior years.

At the maturity date, the unamortised cash amount was exchanged for other bonds with a similar maturity (rollover option) and bearing interest at 3-month Euribor plus a spread, which was considered equivalent to market rates of interest for public debt with a similar term. Accordingly, the bonds were recorded at their nominal amount, with no impact recognised on the Bank's income statement for 2020. Rollovers of bonds carried out in previous years also had no impact whatsoever on the Bank's income statement for those years.

Additionally, Bankia has recognised under "Financial liabilities at amortised cost – Other financial liabilities" on the balance sheet, the outstanding amount corresponding to assets transferred by subsidiaries, which is EUR 97,328 thousand at 31 December 2020 (EUR 106,349 thousand at 31 December 2019) (see Note 18).

Note 3.1 contains information on the credit risk assumed by the Bank in relation to these financial assets. Notes 3.2 and 3.4 contain, respectively, information relating to the liquidity risk and interest rate risk assumed by the Bank in relation to the financial assets included in this category.

Note 23 contains certain information on the fair value of these financial assets, while Note 3.1.5 discloses certain information on the risk concentration of, inter alia, certain assets included in this category of financial instruments.

The annual average effective interest rate of debt securities included in the financial assets at amortised cost portfolio at 31 December 2020 was 0.48% (0.51% at 31 December 2019).

On 30 October 2018, the arbitration process between Sareb and other entities, including Bankia (jointly referred to as the "Entities"), arising from the bonds issued by Sareb to address the payment of certain assets that the Entities transferred to Sareb in compliance with the obligation imposed by Law 9/2012, of 14 November, was resolved. The discrepancy submitted to arbitration concerned the possibility that the quarterly coupon of the bonds corresponding to the 2017 and 2018 Senior Issues 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 classified as financial assets at amortised cost during the years ended 31 December 2020 and 2019 is as follows:

(in thousands of euros)

ITEM	2020	2019
Balance at 31 December	**9,587**	**7,526**
Impairment losses for the year charged to income	10,314	2,196
Available credit loss allowance	(1,207)	(135)
Net provision/(release) charged/(credited) to the income statement	**9,107**	**2,061**
Allowances used for depreciated assets and other net movements	(6,281)	-
Other changes	1	-
Balance at 31 December	**12,414**	**9,587**
Of which:		
Type of counterparty:	**12,414**	**9,587**
Entities resident in Spain	8,573	9,439
Entities resident abroad	3,841	148

(12) Derivatives – Hedge accounting

At 31 December 2020 and 2019, the Bank had entered into financial derivative hedging arrangements with counterparties of recognised creditworthiness as the basis of an improved management of the risks inherent in its business (see Note 3).

The Bank enters into hedges on a transaction-by-transaction basis by assessing the hedging instrument and the hedged item on an individual basis and continually monitoring the effectiveness of each hedge, to ensure that changes in the value of the hedging instrument and the hedged item offset one another.

Note 2.2 details the Bank's main hedged positions and the financial hedging instruments.

The benchmark interest rate reforms undertaken by various regulators in different jurisdictions do not have a significant impact on the Bank's designated hedging relationships at 31 December 2020. This is because the market data for the main benchmark indices affecting the Bank's accounting hedges will continue to be available.

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 2020 and 2019 is as follows:

(in thousands of euros)

ITEM	31/12/2020			31/12/2019		
	Fair value	Amount netted	Carrying amount	Fair value	Amount netted	Carrying amount
Debit balances:						
Fair value hedges	2,928,394	(481,938)	2,446,456	2,946,950	(456,045)	2,490,905
Cash flow hedges	419	-	419	905	-	905
Total	**2,928,813**	**(481,938)**	**2,446,875**	**2,947,855**	**(456,045)**	**2,491,810**
Credit balances:						
Fair value hedges	554,108	(481,938)	72,170	495,521	(456,045)	39,476
Cash flow hedges	79,050	-	79,050	46,065	-	46,065
Total	**633,158**	**(481,938)**	**151,220**	**541,586**	**(456,045)**	**85,541**

Details, by maturity, of the notional amount of the derivatives classified as hedging derivatives at 31 December 2020 and 2019 are as follows:

(in thousands of euros)

ITEM	Remaining term to maturity as of 31 December 2020			
	0 to 3 years	3 to 10 years	More than 10 years	Total
Interest rate derivatives	8,017,040	11,296,306	3,186,651	22,499,997
Total	**8,017,040**	**11,296,306**	**3,186,651**	**22,499,997**

(in thousands 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
Interest rate derivatives	5,417,650	15,514,984	3,191,575	24,124,209
Total	**5,417,650**	**15,514,984**	**3,191,575**	**24,124,209**

Operations of fair value hedges

The following table presents a breakdown, by type of hedged item, of the carrying amount of hedged items and the accumulated amount of fair value hedge adjustments thereon in relation to continuing fair value hedges at 31 December 2020 and 2019:

31 December 2020

(in thousands of euros)

ITEM		Carrying amount of the hedged item	Accumulated amount of fair value hedge adjustments on the hedged item	
Debit balances:				
Fixed rate debt securities	A	7,520,058	346,311	D
Fixed rate loans and advances	B	38,823	7,917	
Total		**7,558,881**	**354,228**	
Credit balances:				
Fixed rate deposits	C	5,772,414	(841,480)	E
Fixed rate debt securities issued by the Bank	C	9,542,152	(1,638,767)	F
Total		**15,314,566**	**(2,480,247)**	

31 December 2019

(in thousands of euros)

ITEM		Carrying amount of the hedged item	Accumulated amount of fair value hedge adjustments on the hedged item	
Debit balances:				
Fixed rate debt securities	A	9,355,790	315,539	D
Fixed rate loans and advances	B	43,402	8,051	
Total		**9,399,192**	**323,590**	
Credit balances:				
Fixed rate deposits	C	5,949,948	(889,968)	E
Fixed rate debt securities issued by the Bank	C	9,427,439	(1,611,260)	F
Total		**15,377,387**	**(2,501,228)**	

The hedged item and the fair value hedge adjustment on the hedged item are recognised on the balance sheet under the following line items at 31 December 2020 and 2019:

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 continuing hedges, also recognised at 31 December 2020 and 2019 is the amount of fair value hedge adjustments of discontinued hedges to be amortised in the hedged items, as detailed below:

D- Debt securities classified as financial assets at fair value through other comprehensive income at 31 December 2020 in an amount of EUR 137,301 thousand (EUR 6,393 thousand at 31 December 2019).

E- Deposits classified as financial liabilities at amortised cost at 31 December 2020 in an amount of EUR 44,528 thousand (EUR 65,501 thousand at 31 December 2019).

F- Debt securities issued classified as financial liabilities at amortised cost at 31 December 2020 in an amount of EUR 127 thousand (EUR 228 thousand at 31 December 2019).

The following table presents a breakdown, by type of derivative, of the fair value and the notional amount of derivatives designated as hedging instruments in fair value hedges at 31 December 2020 and 2019:

	Notional amount	Carrying amount	
		Debit balances	Credit balances
Interest rate derivatives	21,895,901	2,446,456	72,170
Total	**21,895,901**	**2,446,456**	**72,170**

	Notional amount	Carrying amount	
		Debit balances	Credit balances
Interest rate derivatives	23,568,207	2,490,905	39,476
Total	**23,568,207**	**2,490,905**	**39,476**

The following table presents a breakdown of the change in the fair value of the hedging instrument and the hedged item used as the basis for recognising hedge ineffectiveness in fair value hedges in 2020 and 2019:

31 December 2020

(in thousands of euros)

ITEM		Gains/(losses) attributable to the hedged risk		Ineffectiveness
Hedged item	Hedging instrument	Hedged item	Hedging instrument	
Debit balances:				
Debt securities	Interest rate derivatives	127,629	(127,762)	(133)
Loans at amortised cost	Interest rate derivatives	(134)	178	44
Total		**127,495**	**(127,584)**	**(89)**
Credit balances				
Deposits	Interest rate derivatives	46,998	(51,608)	(4,610)
Debt securities issued	Interest rate derivatives	(27,506)	12,962	(14,544)
Total		**19,492**	**(38,646)**	**(19,154)**

31 December 2019

(in thousands of euros)

ITEM		Gains/(losses) attributable to the hedged risk		Ineffectiveness
Hedged item	Hedging instrument	Hedged item	Hedging instrument	
Debit balances:				
Debt securities	Interest rate derivatives	285,699	(287,924)	(2,225)
Loans at amortised cost	Interest rate derivatives	724	(790)	(66)
Total		**286,423**	**(288,714)**	**(2,291)**
Credit balances				
Deposits	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)**

Details, by maturity, of the notional amount of derivatives classified as fair value hedges at 31 December 2020 and 2019 are as follows:

(in thousands of euros)

ITEM	Remaining term to maturity as of 31 December 2020			
	0 to 3 years	3 to 10 years	More than 10 years	Total
Debt securities				
Interest rate derivatives	2,415,189	5,096,000	12,400	7,523,589
Loans at amortised cost				
Interest rate derivatives	2,882	11,208	76,860	90,950
Deposits				
Interest rate derivatives	1,941,316	2,048,454	876,600	4,866,370
Debt securities issued				
Interest rate derivatives	3,646,000	3,548,200	2,220,792	9,414,992
Total	**8,005,387**	**10,703,862**	**3,186,652**	**21,895,901**

(in thousands 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
Debt securities				
Interest rate derivatives	890,217	8,136,100	12,400	9,038,717
Loans at amortised cost				
Interest rate derivatives	8,965	12,850	81,469	103,284
Deposits				
Interest rate derivatives	1,760,846	2,373,454	876,600	5,010,900
Debt securities issued				
Interest rate derivatives	2,646,000	4,548,200	2,221,106	9,415,306
Total	**5,306,028**	**15,070,604**	**3,191,575**	**23,568,207**

Operations of cash flow hedges

All cash flow hedges are micro-hedges, and therefore the hedged item perfectly matches the hedging derivative. As a result, in 2020 and 2019, there was no ineffectiveness that, according to applicable regulations, required recognition on the Bank's income statement for those years.

The table below presents a breakdown, by type of hedged item, of the change in the carrying amount of the hedged item in the year and of the cash flow hedge reserve (effective portion) for cash flow hedges at 31 December 2020 and 2019:

31 December 2020

(in thousands of euros)

ITEM	Change in value of the hedged item used as the basis for recognising hedge ineffectiveness in the year	Cash flow hedge reserve	
		Continuing hedges	Discontinued hedges
Debit balances:			
Floating rate debt securities (*)	6,166	525	-
Floating rate loans and advances (*)	896	315	(5,215)
Total	**7,062**	**840**	**(5,215)**

(*) Not taking into consideration the related tax effect.

31 December 2019

(in thousands of euros)

ITEM	Change in value of the hedged item used as the basis for recognising hedge ineffectiveness	Cash flow hedge reserve	
		Continuing hedges	Discontinued hedges
Debit balances:			
Floating rate debt securities (*)	(9,016)	(5,641)	-
Floating rate loans and advances (*)	863	322	(6,118)
Total	**(8,153)**	**(5,319)**	**(6,118)**

(*) Not taking into consideration the related tax effect.

At 31 December 2020 and 2019, the hedged items were recognised under Financial assets at amortised cost.

Details, by class of derivative, of the fair value, notional amount, change in fair value of the hedging instrument used as the basis for recognising ineffectiveness in the year, the ineffectiveness recognised in the year, and the amount reclassified due to the cash flow hedge adjustment in cash flow hedges at 31 December 2020 and 2019 are as follows:

(in thousands of euros)

ITEM	31/12/2020							
				Change in value of the hedging instrument used as the basis for recognising hedge ineffectiveness in the year				
	Notional amount	Carrying amount		Total	Effective portion	Ineffectiveness	Amount reclassified to profit or loss	
		Debit balances	Credit balances		Accumulated other comprehensive income (*)	Gains or (-) losses from hedge accounting, net	Net interest income	Gains or (-) losses from hedge accounting, net
Interest rate derivatives	604,097	419	79,050	7,062	7,062	-	-	-
Total	**604,097**	**419**	**79,050**	**7,062**	**7,062**	**-**	**-**	**-**

(in thousands of euros)

ITEM	31/12/2019							
				Change in value of the hedging instrument used as the basis for recognising hedge ineffectiveness in the year				
	Notional amount	Carrying amount		Total	Effective portion	Ineffectiveness	Amount reclassified to profit or loss	
		Debit balances	Credit balances		Accumulated other comprehensive income (*)	Gains or (-) losses from hedge accounting, net	Net interest income	Gains or (-) losses from hedge accounting, net
Interest rate derivatives	556,002	905	46,065	(8,153)	(8,153)	-	-	-
Total	**556,002**	**905**	**46,065**	**(8,153)**	**(8,153)**	**-**	**-**	**-**

(*) Not taking into consideration the related tax effect.

Details of the estimated term as of 31 December 2020 and 2019 after which the amounts recognised in “Equity – Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Hedging derivatives. Cash flow hedges [effective portion]” at that date are expected to be recognised in future income statements are as follows:

(in thousands of euros)

ITEM	Remaining term to maturity as of 31 December 2020				
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	TOTAL
Losses (*)	-	(231)	(645)	(2,754)	(3,630)
Gains (*)	-	278	173	116	567
Total	**-**	**47**	**(472)**	**(2,638)**	**(3,063)**

(*) Taking into consideration the related tax effect.

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

(*) Taking into consideration the related tax effect.

Details, by maturity, of the notional amount and average fixed interest of derivatives classified as cash flow hedges at 31 December 2020 and 2019 are as follows:

(in thousands of euros)				
ITEM	Remaining term to maturity as of 31 December 2020			
	Between 0 and 3 years	Between 3 and 10 years	More than 10 years	Total
Interest rate derivatives				
Notional amount	11,653	592,444	-	604,097
Average fixed interest rate (%)	2.756	1.177	0.000	1.207
Total	**11,653**	**592,444**	**-**	**604,097**

(in thousands of euros)				
ITEM	Remaining term to maturity as of 31 December 2019			
	Between 0 and 3 years	Between 3 and 10 years	More than 10 years	Total
Interest rate derivatives				
Notional amount	111,622	444,380	-	556,002
Average fixed interest rate (%)	0.658	1.325	-	1.191
Total	**111,622**	**444,380**	**-**	**556,002**

(13) Investments in subsidiaries, joint ventures and associates

(13.1) Investments in subsidiaries, joint ventures and associates – Subsidiaries

Details of the main investments included in this heading on the accompanying balance sheets at 31 December 2020 and 2019 are as follows:

(in thousands of euros)		
ENTITY	31/12/2020	31/12/2019
Arrendadora de Equipamientos Ferroviarios, S.A.	10,812	10,812
Bankia Fondos, S.G.I.I.C, S.A.	34,915	34,915
Bankia Habitat, S.L.U.	3,904,326	3,904,326
Bankia Mediación, Operador de Banca Seguros Vinculados, S.A.U.	99,935	99,935
Bankia Pensiones, S.A., E.G.F.P.	189,744	189,744
Centro de Servicios Operativos e Ingeniería de Procesos, S.L.U.	12,522	12,522
Corporación Industrial Bankia, S.A.U.	784,033	784,033
Inversiones y Desarrollos 2069 Madrid, S.L.U.	39,480	39,480
Puertas de Lorca Desarrollos Empresariales, S.L.U.	13,670	13,645
Valenciana de Inversiones Mobiliarias, S.L.U.	136,841	136,841
Rest of investments	35,400	33,383
Sum	**5,261,678**	**5,259,636**
Valuation adjustments – Impairment losses	**(3,949,354)**	**(3,936,987)**
Total	**1,312,324**	**1,322,649**

Changes in this balance sheet heading in 2020 and 2019 were as follows:

(in thousands of euros)		
ITEM	31/12/2020	31/12/2019
Opening balance	**1,322,649**	**2,549,079**
Acquisitions	2,042	83,170
Disposals	-	(1,203,477)
Other changes	-	-
Net change in impairment losses	(12,367)	(106,123)
Total	**1,312,324**	**1,322,649**

(13.2) Investments in subsidiaries, joint ventures and associates - Joint ventures

Details of the main investments under "Investments in subsidiaries, joint ventures and associates – Joint ventures" on the accompanying balance sheet at 31 December 2020 and 2019 are as follows:

(in thousands of euros)		
ENTITY	31/12/2020	31/12/2019
CACF Bankia Consumer Finance, EFC, S.A.	30,131	13,965
Sum	**30,131**	**13,965**
Valuation adjustments – Impairment losses	**(11,210)**	**(4,931)**
Total	**18,921**	**9,034**

Changes in this balance sheet heading in 2019 were as follows:

(in thousands of euros)		
ITEM	31/12/2020	31/12/2019
Opening balance	**9,034**	**3,818**
Acquisitions	16,166	9,065
Disposals	-	-
Transfers (Note 17)	-	-
Net change in impairment losses	(6,279)	(3,849)
Total	**18,921**	**9,034**

(13.3) Investments in subsidiaries, joint ventures and associates – Associates

Details of the main investments under "Investments in subsidiaries, joint ventures and associates – Associates " on the accompanying balance sheet at 31 December 2020 and 2019 are as follows:

(in thousands of euros)		
ENTITY	31/12/2020	31/12/2019
Avalmadrid, S.G.R.	29,578	29,578
Bankia Mapfre Vida, S.A. de Seguros y Reaseguros	405,382	249,551
Cajagranada Vida, Compañía de Seguros y Reaseguros, S.A.	-	62,160
Cajamurcia Vida y Pensiones de Seguros y Reaseguros, S.A.	-	93,671
Gramina Homes S.L.	124,932	134,324
Redsys Servicios Procesamiento S.L.	7,676	7,676
Sum	**567,568**	**576,960**
Valuation adjustments – Impairment losses	(122,961)	(135,969)
Total	**444,607**	**440,991**

During 2020 the merger by absorption of Caja Granada Vida, Compañía de Seguros y Reaseguros, S.A. and Cajamurcia Vida y Pensiones de Seguros y Reaseguros, S.A. (absorbed companies) into Bankia Mapfre Vida, S.A., de Seguros y Reaseguros (absorbing company) was carried out, with no significant impact on the Group's consolidated equity (see Note 1.15).

The banking-insurance agreements that the Group has entered into with Mapfre include certain safeguards agreed between the parties that are customary in this type of agreement in contingent situations. These consider, inter alia, that in the event of a change in control in Bankia's shareholder structure, Mapfre has an exit option, the terms of which have been agreed by the parties. This issue had no impact on the consolidated financial statements at 31 December 2020.

Changes in this balance sheet heading in 2020 and 2019 were as follows:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Opening balance	**440,991**	**160,740**
Acquisitions	-	80,239
Disposals	(9,392)	(3,000)
Transfers	-	220,778
Net change in impairment losses	13,008	(17,766)
Total	**444,607**	**440,991**

(13.4) Investments in subsidiaries, joint ventures and associates – Impairment losses

A summary of the changes in impairment losses and other fair value adjustments of these items in the years ended 31 December 2020 and 2019 is as follows:

31 December 2020

(in thousands of euros)

ITEM	Subsidiaries	Joint ventures	Associates	Total
Opening balance	**3,936,987**	**4,931**	**135,969**	**4,077,887**
Allowances charged to income	44,644	6,279	22,852	73,775
Reversals with a credit to income	(32,278)	-	(35,859)	(68,137)
Net allowances (Note 39)	**12,366**	**6,279**	**(13,007)**	**5,638**
Other changes and exchange differences	1	-	(1)	-
Total	**3,949,354**	**11,210**	**122,961**	**4,083,525**

31 December 2019

(in thousands of euros)

ITEM	Subsidiaries	Joint ventures	Associates	Total
Opening balance	**3,830,864**	**1,082**	**118,203**	**3,950,149**
Allowances charged to income	181,063	3,849	903	185,815
Reversals with a credit to income	(59,624)	-	(30,915)	(90,539)
Net allowances (Note 39)	**121,439**	**3,849**	**(30,012)**	**95,276**
Other changes and exchange differences	(15,316)	-	-	(15,316)
Transfers	-	-	47,778	47,778
Total	**3,936,987**	**4,931**	**135,969**	**4,077,887**

To assess whether there are indications of impairment losses on these investments, the Bank compares their carrying amount with their recoverable amount, which is deemed to be the higher of their listed price and the present value of the future cash flows expected to be generated from continuing to hold the investment (dividends, profit/loss from ordinary activities excluding extraordinary items, gains/losses on disposal of assets, etc.).

(14) Tangible assets

Details of this item on the accompanying balance sheets are as follows:

(in thousands of euros)

ITEM	For own use	Investment property	Total	Of which: Acquired under a lease
Cost				
Balances at 31/12/2019	**5,316,620**	**670,831**	**5,987,451**	**566,460**
Additions/disposals (net) [1]	(3,970)	(47,813)	(51,783)	41,412
Transfer to non-current assets held for sale and other movements	(30,470)	59,529	29,059	-
Balances at 31/12/2020	**5,282,180**	**682,547**	**5,964,727**	**607,872**
Accumulated depreciation				-
Balances at 31/12/2019	**(3,087,649)**	**(36,315)**	**(3,123,964)**	**(61,597)**
Additions/disposals (net)	78,346	1,901	80,247	3,527
Depreciation for the year (Note 36)	(141,092)	(4,576)	(145,668)	(65,482)
Transfer to non-current assets held for sale and other movements	12,995	278	13,273	-
Balances at 31/12/2020	**(3,137,400)**	**(38,712)**	**(3,176,112)**	**(123,552)**
Impairment losses				-
Balances at 31/12/2019	**(106,046)**	**(160,013)**	**(266,059)**	**-**
Net provision/(release) charged/(credited) to the income statement (Note 40)	-	(15,709)	(15,709)	-
Transfer to non-current assets held for sale and other movements	(569)	(8,949)	(9,518)	-
Balances at 31/12/2020	**(106,615)**	**(184,671)**	**(291,286)**	**-**
Total at 31 December 2019	**2,122,925**	**474,503**	**2,597,428**	**504,863**
Total at 31 December 2020	**2,038,165**	**459,164**	**2,497,329**	**484,320**

(1) Additions to own use and investment property in 2020 amounted to EUR 81,954 thousand and EUR 148 thousand, respectively.

(in thousands of euros)				
ITEM	For own use	Investment property	Total	Of which: Acquired under a lease
Cost				
Balances at 31/12/2018	**4,747,019**	**717,118**	**5,464,137**	**-**
Additions/disposals (net)	619,063	(43,029)	576,034	566,460
Transfer to non-current assets held for sale and other movements	(49,462)	(3,258)	(52,720)	-
Balances at 31/12/2019	**5,316,620**	**670,831**	**5,987,451**	**566,460**
Accumulated depreciation				
Balances at 31/12/2018	**(2,974,164)**	**(34,496)**	**(3,008,660)**	**-**
Additions/disposals (net)	13,331	1,791	15,122	-
Depreciation for the year (Note 40)	(140,825)	(4,993)	(145,818)	(61,597)
Transfer to non-current assets held for sale and other movements	14,009	1,383	15,392	-
Balances at 31/12/2019	**(3,087,649)**	**(36,315)**	**(3,123,964)**	**(61,597)**
Impairment losses				
Balances at 31/12/2018	**(115,453)**	**(168,882)**	**(284,335)**	**-**
Net provision/(release) charged/(credited) to the income statement (Note 43)	210	(14,232)	(14,022)	-
Transfer to non-current assets held for sale and other movements	9,197	23,101	32,298	-
Balances at 31/12/2019	**(106,046)**	**(160,013)**	**(266,059)**	**-**
Total at 31 December 2018	**1,657,402**	**513,740**	**2,171,142**	**-**
Total at 31 December 2019	**2,122,925**	**474,503**	**2,597,428**	**504,863**

* Includes the impact of the first-time application of IFRS 16 amounting to EUR 615,629 thousand.

The recoverable amount of the assets at 31 December 2020 and 2019 exceeded their carrying amount.

(14.1) Tangible assets – Property, plant and equipment – For own use

Details of this heading on the accompanying balance sheets, by type of asset, are as follows:

At 31 December 2020

(in thousands of euros)				
ITEM	Cost	Accumulated depreciation	Impairment losses	Carrying amount
Buildings and other structures	2,347,953	(532,107)	(55,005)	1,760,841
Furniture and vehicles	209,874	(185,272)	-	24,602
Fixtures	1,550,605	(1,305,506)	(51,610)	193,489
Office equipment and machinery	1,173,748	(1,114,515)	-	59,233
Balances at 31 December 2020	**5,282,180**	**(3,137,400)**	**(106,615)**	**2,038,165**

At 31 December 2019

(in thousands of euros)				
ITEM	Cost	Accumulated depreciation	Impairment losses	Carrying amount
Buildings and other structures	2,337,924	(469,683)	(54,436)	1,813,805
Furniture and vehicles	215,293	(187,624)	-	27,669
Fixtures	1,598,467	(1,326,845)	(51,610)	220,012
Office equipment and machinery	1,164,936	(1,103,497)	-	61,439
Balances at 31 December 2019	**5,316,620**	**(3,087,649)**	**(106,046)**	**2,122,925**

At 31 December 2020 and 2019, there were no items of property, plant and equipment for own use of significant amounts which were:

- Temporarily idle.
- Fully depreciated but still in use.
- Retired from active use but not classified as non-current assets held for sale.

(14.2) Tangible assets – Investment property

"Investment property" includes land, buildings and other structures held either to earn rentals or for capital appreciation.

At 31 December 2020 and 2019, the Bank did not have any significant contractual obligations in connection with the future operation of the investment property included on the balance sheet at those dates, and there were no relevant restrictions thereon, other than those inherent to the current conditions of the property market.

During the year ended 31 December 2020 net income from the Bank's investment property totalled EUR 16,352 thousand (EUR 20,376 thousand at 31 December 2019) (see Note 32).

(15) Intangible assets – Other intangible assets

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

(in thousands of euros)		
ITEM	31/12/2020	31/12/2019
Cost		
Computer software	1,454,540	1,306,441
Closing balance	**1,454,540**	**1,306,441**
Accumulated amortisation	(1,036,928)	(994,394)
Total	**417,612**	**312,047**

Movement in this balance sheet heading during the years ended 31 December 2020 and 2019 was as follows:

(in thousands of euros)		
ITEM	31/12/2020	31/12/2019
Opening balance	**312,047**	**205,523**
Other additions	154,227	160,383
Amortisation charged to the income statement (Note 36)	(48,662)	(53,859)
Balance at 31 December	**417,612**	**312,047**

(16) Other assets

Details of “Other assets” on the balance sheets at 31 December 2020 and 2019 are as follows:

(in thousands of euros)		
ITEM	31/12/2020	31/12/2019
Insurance contracts linked to pensions (Note 34.2)	643,579	1,061,912
Other items	316,998	659,567
Total	**960,577**	**1,721,479**

“Other items” mainly reflect transactions in transit, accruals associated with operating income, and unaccrued prepayments.

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

(17.1) Breakdown

The breakdown of this heading under assets on the accompanying balance sheets at 31 December 2020 and 2019 is as follows:

31 December 2020

(in thousands of euros)			
ITEM	Cost	Impairment losses	Carrying amount
Property, plant and equipment for own use	233,714	(59,565)	174,149
Property, plant and equipment foreclosed or received in payment of debt	1,876,293	(551,413)	1,324,880
Other equity instruments	114,594	-	114,594
Investments in subsidiaries, joint ventures and associates	25,086	(24,486)	600
Disposal groups	82,086	(68,344)	13,742
Total	**2,331,773**	**(703,808)**	**1,627,965**

31 December 2019

(in thousands of euros)			
ITEM	Cost	Impairment losses	Carrying amount
Property, plant and equipment for own use	228,297	(62,364)	165,933
Property, plant and equipment foreclosed or received in payment of debt	1,719,441	(482,156)	1,237,285
Other equity instruments	130,839	-	130,839
Investments in subsidiaries, joint ventures and associates	98,985	(28,676)	70,309
Disposal groups	611,812	(168,898)	442,914
Total	**2,789,374**	**(742,094)**	**2,047,280**

(17.2) Property, plant and equipment for own use

At 31 December 2020, this item basically comprises certain buildings for the Bank's own use which have ceased to form part of its branch network and which, pursuant to current regulations, satisfy the requirements for recognition as non-current assets held for sale, given the existence of a detailed plan for their sale.

As described in Note 2.19, the Bank measures these assets at the lower of their carrying amount and their fair value less cost to sell, and in 2020 impairment of EUR 5,660 thousand was recognised thereon (EUR 833 thousand in 2019).

(17.3) Real estate assets foreclosed or received in payment of debt

This item includes assets foreclosed or received in payment of debt, for the full or partial settlement of debtors’ payment obligations vis-à-vis the Bank, which are considered non-current assets held for sale and are recognised and measured as indicated in Note 2.19, unless the Bank has decided to make continuing use of the assets or to hold them to earn rentals and/or for future capital appreciation, in which case they are recognised and measured as described in Note 2.15.

The breakdown of assets foreclosed or received in payment of debt recognised on the accompanying balance sheets is as follows:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Real estate assets		
Completed housing	899,818	806,231
Managed rural property and finished offices, commercial and industrial premises	295,607	304,102
Land parcels, undeveloped land and other assets	129,455	126,952
Total	**1,324,880**	**1,237,285**

Significant changes

The changes recognised in these assets in 2020 and 2019 are as follows:

(in thousands of euros)

ITEM	2020	2019
Carrying amount at beginning of year	**1,237,285**	**1,666,183**
Additions during the year	327.220	279,677
Disposals during the year	(133,025)	(459,798)
Net impairment losses	(125,814)	(164,427)
Other changes	19,214	(84,350)
Carrying amount at year end	**1,324,880**	**1,237,285**

Sales of foreclosed assets are made on an arm's length basis. In 2020, financing was granted for an amount of approximately EUR 60.5 million. On average, 92.4% of the sales amount was financed (EUR 86 million and 90.4% in 2019).

Proceeds from disposals of foreclosed assets, by type, in the years ended 31 December 2020 and 2019 were as follows:

(in thousands of euros)

	31/12/2020		31/12/2019	
ITEM	Disposal of assets at carrying amount	Gain/(loss) recognised on disposal (*)	Disposal of assets at carrying amount	Gain/(loss) recognised on disposal (*)
Completed housing	104,987	12,593	332,988	7,874
Managed rural property and finished offices, commercial and industrial premises	19,650	3,770	102,520	6,452
Land parcels, undeveloped land and other assets	8,388	5,800	24,290	6,271
Total	**133,025**	**22,163**	**459,798**	**20,597**

(*) Excludes fees paid to intermediaries.

Appendix VIII provides further details of the Bank's real estate assets at 31 December 2020 and 2019, including the foreclosed assets referred to in the preceding table.

Moreover, the table below shows the carrying amount of the foreclosed assets at 31 December 2020 and 2019, by their estimated ages as of the date of recognition on the balance sheet:

(in thousands of euros)

Age of foreclosed assets	31/12/2020	31/12/2019
Up to 12 months	128,393	84,104
More than 12 months but not more than 24 months	157,685	134,302
More than 24 months	1,038,802	1,018,879
TOTAL	**1,324,880**	**1,237,285**

The table below presents details of the gross amount of real estate assets foreclosed or received in payment of debt (business in Spain) at 31 December 2020 and 2019 classified, according to their ultimate purpose, as "Non-current assets held for sale" and "Tangible assets – Investment property" on the balance sheet at those dates, excluding those classified as disposal groups (see Note 17.5.1):

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Real estate assets deriving from financing for real estate construction and property development	308,353	293,457
Completed buildings	145,136	140,968
Buildings under construction	31,808	21,817
Land	131,409	130,672
Real estate assets deriving from mortgage-secured financing granted to households for housing purchases	1,489,049	1,341,451
Other real estate assets received in payment of debt	640,234	631,818

Appendix VIII provides information on exposure to the real estate construction and property development sector in Spain, including information on assets foreclosed or received in payment of debt, including the real estate assets presented in the preceding table.

(17.4) Other equity instruments and investments in subsidiaries, joint ventures and associates

Details of these headings at 31 December 2020 and 2019 are as follows:

At 31 December 2020

(in thousands of euros)

ITEM	Cost	Impairment losses	Carrying amount
Other equity instruments	114,594	-	114,594
Investments in subsidiaries	-	-	-
Investments in joint ventures	23,512	(23,512)	-
Investments in associates	1,574	(974)	600
Total	**139,680**	**(24,486)**	**115,194**

At 31 December 2019

(in thousands of euros)

ITEM	Cost	Impairment losses	Carrying amount
Other equity instruments	130,839	-	130,839
Investments in subsidiaries	2,485	(2,485)	-
Investments in joint ventures	23,512	(23,512)	-
Investments in associates	72,988	(2,679)	70,309
Total	**229,824**	**(28,676)**	**201,148**

Investments in subsidiaries, joint ventures and associates – subsidiaries:

(in thousands of euros)

ITEM	2020	2019
Opening balance	-	-
Acquisitions	-	-
Disposals	(2,485)	(2)
Net change in impairment losses	2,485	2
Total	**-**	**-**

Investments in subsidiaries, joint ventures and associates – joint ventures:

There were no significant changes in 2020 nor in 2019.

Investments in subsidiaries, joint ventures and associates – associates:

(in thousands of euros)		
ITEM	2020	2019
Opening balance	70,309	26,816
Acquisitions	-	10
Disposals	(71,414)	(18,658)
Transfers	-	45,207
Net change in impairment losses	1,705	16,934
Total	**600**	**70,309**

At 31 December 2019, this item included the investment in Caser amounting to EUR 69,377 thousand, which was derecognised in the first half of 2020 once the sale described in Note 1.15 was closed.

The table below shows the movement in the impairment of the investments in subsidiaries, joint ventures and associates for the years ended 31 December 2020 and 2019:

31 December 2020

(in thousands of euros)				
ITEM	Subsidiaries	Joint ventures	Associates	TOTAL
Opening balance	**2,485**	**23,512**	**2,679**	**28,676**
Net allowances (Note 42)	-	-	393	393
Allowances charged to income	-	-	407	407
Reversals with a credit to income	-	-	(14)	(14)
Amounts used due to losses on sales	(2,532)	-	(2,098)	(4,630)
Transfers between portfolios	-	-	-	-
Other changes	-	-	-	-
Exchange differences	47	-	-	47
Total	**-**	**23,512**	**974**	**24,486**

At 31 December 2019

(in thousands of euros)				
ITEM	Subsidiaries	Joint ventures	Associates	TOTAL
Opening balance	**2,487**	**23,513**	**19,613**	**45,613**
Net allowances (Note 42)	(2)	-	229	227
Allowances charged to income	-	-	266	266
Reversals with a credit to income	(2)	-	(37)	(39)
Amounts used due to losses on sales	-	-	(5,916)	(5,916)
Transfers between portfolios	-	-	(11,247)	(11,247)
Other changes	-	(1)	-	(1)
Exchange differences	-	-	-	-
Total	**2,485**	**23,512**	**2,679**	**28,676**

(17.5) Assets and liabilities included in disposal groups and discontinued operations

A disposal group is defined as a group of assets, and the directly associated liabilities, to be disposed of together as a group in a single transaction, such as a cash-generating unit. The Bank has classified these disposal groups as non-current assets held for sale since they meet the requirements for classification as "Non-current assets held for sale". Therefore, the assets and liabilities are presented and measured in accordance with the criteria established for "Disposal groups" (see Note 2.1).

31 December 2020

(in thousands of euros)

ITEM	Cost	Impairment losses	Carrying amount
Disposal group assets			
Loan and real estate assets portfolio	82,086	(68,344)	13,742
Total assets at 31 December 2020	**82,086**	**(68,344)**	**13,742**

31 December 2019

(in thousands of euros)

ITEM	Cost	Impairment losses	Carrying amount
Disposal group assets			
Loan and real estate assets portfolio	611,812	(168,898)	442,914
Total assets at 31 December 2019	**611,812**	**(168,898)**	**442,914**

(17.5.1) Loan and real estate assets portfolio

This item includes certain portfolios of loans and credits, and of real estate assets, considered as disposal groups classified as held for sale, since the carrying amounts of these portfolios will be recovered through a highly probable sale within a period of one year from the date of their classification as non-current assets held for sale. The assets were measured on the Group's balance sheet at 31 December 2020 and 2019 at their estimated selling price less expected costs. This did not have a significant impact on the Group's consolidated income statement.

Taking into account the circumstances and uncertainties set out in Note 1.16 to these financial statements, in 2020 the Group reassessed the probability of realisation of the portfolios that have not been sold at 31 December 2020 within one year of their accounting classification. This entailed the reclassification of loans and credits classified as non-current assets held for sale at 31 December 2019 to financial assets at amortised cost, in a gross amount of approximately EUR 306 million, and foreclosed assets, in a gross amount of approximately EUR 180 million, which did not have a significant impact on the income statement.

Details, by type of transaction, of the balance of this item on the accompanying balance sheet are as follows:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Loans	69,911	356,068
Property, plant and equipment for own use	-	702
Foreclosed assets	12,175	255,042
Gross value	**82,086**	**611,812**
Impairment losses	**(68,344)**	**(168,898)**
Carrying amount	**13,742**	**442,914**

At 31 December 2020, all loans are non-performing assets. In addition, other variations have arisen in the balance of this item, due mainly to the performance and current management of such assets (repayments collected, variations associated with the recovery process, foreclosures or assets received in payment of debt, sales of foreclosed assets, etc.).

Real estate assets portfolio

The breakdown of real estate assets at 31 December 2020 and 2019, by classification on the balance sheet and type of asset, is as follows:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Property, plant and equipment for own use	**-**	**702**
Foreclosed assets	**12,175**	**255,042**
Completed housing - borrower's primary residence	10,519	216,973
Managed rural property and finished offices, commercial and industrial premises	1,556	25,875
Land parcels and other real estate assets	100	12,194
TOTAL	**12,175**	**255,744**

The following table provides a breakdown of the gross balance at 31 December 2020 and 2019 of real estate assets foreclosed or received in payment of debt (business in Spain) classified as a disposal group:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Real estate assets deriving from financing for real estate construction and property development	529	28,710
Completed buildings	529	17,339
Buildings under construction	-	214
Land	-	11,157
Real estate assets deriving from mortgage-secured financing granted to households for housing purchases	9,721	189,896
Other real estate assets received in payment of debt	1,925	37,191

Appendix VIII provides information on exposure to the real estate construction and property development sector in Spain, including information on assets foreclosed or received in payment of debt, including the real estate assets presented in the preceding table.

(18) Financial liabilities at amortised cost

Breakdown

Details, by counterparty and type of transaction, of this item on the accompanying balance sheets are as follows:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Financial liabilities at amortised cost		
Deposits from central banks	23,041,189	13,937,693
Deposits from credit institutions	14,824,632	26,453,643
Deposits from customers	129,198,793	125,965,587
Debt securities issued	16,069,302	16,101,766
Other financial liabilities	2,469,028	1,471,630
Sum	**185,602,944**	**183,930,319**
Valuation adjustments	2,276,802	2,228,794
Total	**187,879,746**	**186,159,113**

Financial liabilities at amortised cost – Deposits – Central banks

The breakdown of this heading on the accompanying balance sheets at 31 December 2020 and 2019 is as follows:

(in thousands of euros)		
ITEM	31/12/2020	31/12/2019
Bank of Spain / European Central Bank	23,041,189	13,937,693
Sum	**23,041,189**	**13,937,693**
Valuation adjustments	(141,358)	(128,937)
Total	**22,899,831**	**13,808,756**

These deposits from central banks are taken using the credit policy with a securities pledge Bankia has set up in the central bank, which enables it to raise immediate liquidity (see Note 3.2).

This line item on the accompanying balance sheet, within the framework of the programmes designed by the European Central Bank (TLTRO) to improve long-term funding, includes EUR 22,918,950 thousand from TLTRO III with an average maturity of 2 years and 4 months at 31 December 2020 (EUR 9,166,970 thousand from TLTRO II with an average maturity of 6 months and EUR 4,583,790 thousand from TLTRO III with an average maturity of 3 years at 31 December 2019).

Regarding finance raised under the framework of the TLTRO programme, the Bank considers that in view of the growth in eligible loans up to 31 December 2020, it will meet the requirements to receive the incentive envisaged in the terms of the programme (see Note 3.2). As a result, the Bank recognised EUR 159,682 thousand in the year ended 31 December 2020 (EUR 56,141 thousand in 2019) under "Interest income" in the income statement (see Note 26).

Financial liabilities at amortised cost – Deposits – Credit institutions

Details of this item on the accompanying balance sheets at 31 December 2020 and 2019, by type of transaction, are as follows:

(in thousands of euros)		
ITEM	31/12/2020	31/12/2019
Time deposits	3,090,279	3,712,984
Repos	8,892,105	19,593,061
Other accounts	2,842,248	3,147,598
Sum	**14,824,632**	**26,453,643**
Valuation adjustments	6,519	(5,745)
Total	**14,831,151**	**26,447,898**

The annual average effective interest rate on deposits from credit institutions at 31 December 2020 was 0.23% (0.24% at 31 December 2019).

Financial liabilities at amortised cost – Deposits – Customers

Details of this item on the accompanying balance sheets at 31 December 2020 and 2019, by type of transaction, are as follows:

(in thousands of euros)		
ITEM	31/12/2020	31/12/2019
General government	5,443,813	4,778,217
Current accounts	5,388,481	4,249,764
Time deposits	55,332	528,453
Other financial corporations	13,056,077	14,182,841
Current accounts	5,799,867	5,148,199
Time deposits	7,208,185	8,989,116
Repos	48,025	45,526
Non-financial corporations	15,489,107	14,104,543
Current accounts	15,063,342	12,756,389
Time deposits	425,765	1,348,154
Households	96,310,984	94,063,075
Current accounts	76,051,254	67,515,663
Time deposits	20,259,730	26,547,412
Total	**130,299,981**	**127,128,676**

This balance sheet item includes one-off non-marketable covered bonds issued by the Bank amounting to EUR 4,817,108 thousand at 31 December 2020 (EUR 5,235,025 thousand at 31 December 2019) (see Appendix VII).

The annual average effective interest rate of these instruments at 31 December 2020 was 0.08% (0.13% at 31 December 2019).

Financial liabilities at amortised cost – Debt securities issued

Details of issues recognised under this heading on the balance sheet at 31 December 2020 and 2019 are presented in Appendix V.

Interest accrued on subordinated liabilities in the year ended 31 December 2020 amounted to EUR 62,190 thousand (EUR 73,428 thousand at 31 December 2019), recognised under "Interest expenses" in the income statement.

The coupons accrued on the issuance of contingent convertible bonds (convertible into ordinary shares of Bankia) have been recognised in the Bank's equity as they are payable at the Entity's discretion. In 2020 EUR 76,888 thousand was recognised in equity in this respect (EUR 53,803 thousand in 2019).

The annual average effective interest rate of debt securities issued at 31 December 2020 was 1.12% (1.11% at 31 December 2019).

Issues, repurchases and redemptions of debt securities

The table below shows information on total issues, repurchases and redemptions of debt securities in the years ended 31 December 2020 and 2019:

31 December 2020

(in thousands of euros)

TYPE OF ISSUE	31/12/2019	Issues	Repurchases or redemptions	Valuation adjustments, treasury shares and others	31/12/2020
Debt securities issued in an EU Member State requiring a prospectus to be registered.	17,302,153	-	(2,643)	80,245	17,379,755
Total	**17,302,153**	**-**	**(2,643)**	**80,245**	**17,379,755**

31 December 2019

(in thousands of euros)

TYPE OF ISSUE	31/12/2018	Issues	Repurchases or	Valuation adjustments,	31/12/2019
Debt securities issued in an EU Member State requiring a prospectus to be registered.	16,749,890	4,135,000	(3,754,001)	171,264	17,302,153
Total	**16,749,890**	**4,135,000**	**(3,754,001)**	**171,264**	**17,302,153**

On 2 July 2020, the "Bankia Public-Sector Covered Bond 2020-1" issuance was placed for EUR 900 million, the full amount of which is held under treasury shares (see note 3.2).

Appendices V and VI provide details of the issuances comprising the balance sheet item "Debt securities issued", along with the Bank's issuances, repurchases and redemptions of debt securities in 2020 and 2019.

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 issues recognised under "Financial liabilities at amortised cost" at 31 December 2020 include an option for the issuer to early redeem the securities after (at least) five years have elapsed since the date of disbursement, subject to prior authorisation by the Bank of Spain or, as appropriate, the competent authority, provided 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 Bank for the full early redemption at any time in the following circumstances: i) in the event of a significant and unforeseen change in the applicable tax treatment of the instruments, and ii) in the event of 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 ordinary 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 redeemed at Bankia's discretion 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 set out 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.

Covered bonds were issued in accordance with Mortgage Market Law 2/1981, of 25 March, regulating the mortgage market, and the related implementing provisions.

The Bank has various registration documents on record in the Official Registers of the Spanish National Securities Market Commission (CNMV) for non-participating securities in relation to covered bonds, public-sector covered bonds, ordinary bonds and debentures, subordinated bonds and debentures, and special perpetual subordinated debentures.

Similarly, the Bank has registration documents on record in the Official Registers of the CNMV for the issuance of promissory notes.

Details, by maturity, of the items comprising the most significant balances of this heading of the Bank's balance sheet are provided in Note 3.2, "Liquidity risk of financial instruments".

Financial liabilities at amortised cost - Other financial liabilities

Details of this item on the accompanying balance sheets at 31 December 2020 and 2019, by type, are as follows:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Obligations payable	22,683	56,792
Collateral received	1,827	1,781
Tax collection accounts	288,581	265,141
Special accounts and other items	2,109,546	1,100,667
Financial guarantees	46,391	47,249
Total	**2,469,028**	**1,471,630**

"Special accounts and other items" include financial liabilities arising from leases due to the adoption of Circular 2/2018 (see Note 1.3).
Movement in 2020 and 2019 in financial liabilities arising from leases is as follows:

(in thousands of euros)

ITEM	2020	2019
Opening balance	**512,000**	**-**
Additions/disposals (net)	44,578	566,460
Interest cost	6,559	12,810
Lease payments	(69,765)	(67,270)
Closing balance	**493,372**	**512,000**

(*) Includes the impact of the first-time application of Circular 2/2018 amounting to EUR 615,629 thousand (see Note 1.3).

The present value of the remaining lease payments, discounted at the incremental borrowing rate at 31 December 2020, by remaining term to maturity, is as follows:

(in thousands of euros)

ITEM	1 year	1 to 5 years	More than 5 years	Total
Financial liabilities arising from leases	63,227	153,038	277,107	493,372

The present value of the remaining lease payments, discounted at the incremental borrowing rate at 31 December 2019, by remaining term to maturity, is as follows:

(in thousands of euros)

ITEM	1 year	1 to 5 years	More than 5 years	Total
Financial liabilities arising from leases	60,220	161,602	290,178	512,000

(19) Provisions

Details of this heading on the accompanying balance sheets at 31 December 2020 and 2019 are as follows:

(in thousands of euros)		
ITEM	30/12/2020	30/12/2019
Pensions and other post-employment defined benefit obligations	644,494	1,038,224
Pending procedural issues and tax litigation	183,500	210,614
Commitments and guarantees given	275,143	301,731
Other provisions	125,020	134,915
Total	**1,228,157**	**1,685,484**

The changes in and the purpose of the provisions recognised on the balance sheet in the years ended 31 December 2020 and 2019 are as follows:

31 December 2020

(in thousands of euros)					
ITEM	Pensions and other post-employment defined benefit obligations	Pending procedural issues and tax litigation	Commitments and guarantees given	Other provisions	Total
Balances at 31 December 2019	**1,038,224**	**210,614**	**301,731**	**134,915**	**1,685,484**
Provisions charged to the income statement	-	104,752	67,065	13,324	185,141
Reversals credited to the income statement	(104,711)	-	(92,782)	(3,250)	(200,743)
Net provisions/(reversals) charged/(credited) to profit or loss for the year (Notes 34 and 37)	**(104,711)**	**104,752**	**(25,717)**	**10,074**	**(15,602)**
Provisions used	(110,138)	(132,972)	-	(11,093)	(254,203)
Other changes	(178,881)	1,106	(871)	(8,876)	(187,522)
Balances at 31 December 2020	**644,494**	**183,500**	**275,143**	**125,020**	**1,228,157**

31 December 2019

(in thousands of euros)					
ITEM	Pensions and other post-employment defined benefit obligations	Pending procedural issues and tax litigation	Commitments and guarantees given	Other provisions	Total
Balances at 31 December 2018	**1,080,822**	**183,294**	**373,119**	**209,467**	**1,846,702**
Provisions charged to the income statement	-	104,073	27,343	32,978	164,394
Reversals credited to the income statement	-28,653	-	-99,409	-14,674	-142,736
Net provisions/(reversals) charged/(credited) to profit or loss for the year (Notes 34 and 37)	**-28,653**	**104,073**	**-72,066**	**18,304**	**21,658**
Provisions used	-113,580	-127,032	-	-53,076	-293,688
Other changes	99,635	50,279	678	-39,780	110,812
Balances at 31 December 2019	**1,038,224**	**210,614**	**301,731**	**134,915**	**1,685,484**

Pensions and other post-employment defined benefit obligations

The balance of pension and similar obligations at 31 December 2020 and 2019, recognised under “Provisions - Pensions and other post-employment defined benefit obligations” on the accompanying consolidated balance sheets, stood at EUR 644,494 thousand and EUR 1,038,224 thousand, respectively, reflecting the Group's obligations vis-à-vis its personnel as disclosed in Notes 2.13 and 34.2 to these financial statements.

In 2020, as a result of the closing of the Caser sale (see Note 1.15), the amount of the assets linked to the post-employment obligations insured by this company, recognised until 31 December 2019 under "Other assets - Insurance contracts linked to pensions", was presented net of liabilities under "Provisions - Pensions and other post-employment defined benefit obligations", as set out in applicable legislation. This amount totalled approximately EUR 189 million.

Also, under the new labour agreement, as indicated in Note 2.13.1.2, constant future growth has been set for defined benefit pension obligations of retired employees, applicable as from 1 January 2021, which has reduced pension obligations by approximately EUR 104 million.

Pending procedural issues and tax litigation

The balance of "Pending procedural issues and tax litigation" includes, inter alia, provisions for tax and legal proceedings and was estimated applying prudent calculations in line with the uncertainty inherent in the obligations covered and considering the estimated timing of the outflow of resources from the Bank.

As indicated in Note 2.18, various legal proceedings are underway in relation to Bankia's IPO.

Criminal proceedings at the National High Court

Both Bankia's IPO and its 2011 financial statements were investigated in Preliminary Proceedings no. 59/2012 (currently Abbreviated Proceedings 1/2018) at Central Examining Court No. 4 of the National High Court. These proceedings were instituted by Unión Progreso y Democracia ("UPyD"), among others, against Bankia, BFA and their respective management bodies, accusing them of (i) fraud; (ii) misappropriation; (iii) falsification of financial statements; (iv) breach of trust, and (v) price rigging.

On 11 May 2017, the presiding judge of Central Examining Court No. 4 of the National High Court ordered that there was a case to answer, thereby concluding the examination stage, and the case was continued in Abbreviated Proceedings. In the order, the judge established the punishable acts, classifying them as two alleged offences: (i) falsification of financial statements, as defined in article 290 of the Spanish Criminal Code; and (ii) investor fraud, as defined in article 282 bis), and determined the guilty parties. Accordingly, the order called for the prosecution of the Bank's former chairman, Mr. Rodrigo de Rato Figaredo, the former deputy chairman, Mr. José Luis Olivas Martínez, and 32 other individuals (directors and senior executives of Bankia and the external auditor of the 2011 financial statements), as well as Banco Financiero y de Ahorros (BFA) and Bankia.

Appeals for reconsideration and to a higher court were filed against the order and these were rejected, with the exception of the appeal lodged 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 with an order for the external auditor to remain party to the proceedings.

On 17 November 2017, Central Examining Court No. 4 of the National High Court ordered commencement of the trial. Specifically, this order commenced the trial in respect of the crimes of falsification of financial statements (defined in article 290 of Spain's Criminal Code) and investor fraud (article 282 bis of the Criminal Code) against certain former directors and current and former executives of Bankia and BFA, the external auditor at the time of the IPO, and against BFA and Bankia as legal persons. The State Prosecutor and the FROB presented written submissions seeking the dismissal of the criminal charges against BFA and Bankia. The FROB did not seek secondary civil liability on the part of Bankia or BFA.

On 29 September 2020, Panel 4 of the National High Court's Criminal Chamber delivered a judgment (no. 13/2020) whereby it unanimously acquitted all the defendants.

Only two prosecutors have lodged the corresponding cassation appeal with the Spanish Supreme Court's Criminal Chamber against the judgment of 29 September 2020 handed down.

Considering the foregoing, the Bank has treated this contingency, in accordance with the criteria explained in Note 2.18.1, as a contingent liability the outcome of which remains uncertain at the present date.

Civil proceedings brought by retail investors

In the years since Bankia's IPO, a large number of civil lawsuits have been brought against the Bank by retail investors (on an individual and collective basis), in addition to out-of-court claims.

At 31 December 2015, the Group estimated a total contingency arising from these proceedings of EUR 1,840 million, which included EUR 1,040 million related to the cost of redeeming shares in enforcement of the judgments and EUR 800 million to cover the related legal costs and any late payment interest thereon. The estimates and assumptions used at 31 December 2015 were checked by an independent expert.

In execution of the Settlement Agreement for the distribution between BFA, Tenedora de Acciones, S.A.U. and Bankia of the potential costs arising from the civil lawsuits brought against these entities by retail investors following the placement on the primary market of shares of Bankia, and the addendum thereto, provisions have been recognised in the amounts of EUR 416 million and EUR 320 million, respectively (EUR 736 million in total).

Until 31 December 2020 and since the outset of the proceedings, the total provisions applied in view of the foregoing circumstances amounted to EUR 1,885 million, of which EUR 781 million pertain to Bankia (EUR 556 million in respect of invalidation for redemption of shares, and EUR 225 million in indemnities, interest and legal costs) and EUR 1,104 million to BFA in application of the agreement entered into between the two institutions whereby Bankia assumed a first-loss tranche of 40% of the estimated cost and BFA the remaining 60%. Accordingly, the contingency related to retail investors who subscribed shares in the IPO is considered to be practically resolved.

At 31 December 2020, there are a total of 164 civil proceedings ongoing with respect to shares purchased in the IPO and subsequently.

Civil proceedings brought by institutional investors

Up to 31 December 2020, 84 first instance judgments were handed down in relation to claims arising from the primary market, of which 24 found for and 60 against Bankia. Various regional courts have delivered 45 second instance judgments, of which 31 found against and 14 in favour of Bankia.

Moreover, 21 appeals in cassation have been lodged (nine of which were filed by other parties) against four of the judgments that found in favour of Bankia, which are particularly relevant given the investor profile of the claimants, Bankia having contested these in due time and form, and 12 of which were lodged by Bankia, in view of the high profile of the investor, of which one has been rejected.

A preliminary ruling has been requested from the CJEU in relation to a particular institutional investor.

The Group's directors consider that the provision recognised at 31 December 2020 is sufficient to cover any amounts that may have to be paid as a result of the civil proceedings underway, taking into consideration no additional claims being filed and the rulings handed down on claims already lodged based on the investor profile. The key assumptions and those which, were they to change, could therefore have the greatest impact on the amount of this provision are the number of claims that could be brought, the expected outcome thereof 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 proceedings and claims ongoing, other than those related to the Bankia IPO, which are detailed in Note 2.18.2, the Bank has recognised the provisions it estimates will be necessary as of the reporting date. The change in provisions in 2020 mainly relates to payments made for the class action lawsuits detailed in Note 2.18.2 to these financial statements.

Provisions for contingent exposures and commitments

As described in Note 25.2, "Provisions for contingent exposures and commitments" include 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 2020 mainly comprised the provision for workforce restructuring amounting to EUR 82 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.

(20) Other liabilities

Details of this heading on the balance sheets at 31 December 2020 and 2019 are as follows:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Transactions in transit	51,525	60,025
Other items [1]	904,876	825,581
Total	**956,401**	**885,606**

[1] Includes accruals associated with other operating expenses.

(21) Own funds

(21.1) Capital

On 3 May 2019, the agreement of 25 April 2019 of the Bank's Board of Directors, to partially implement the reduction of capital through the redemption of treasury shares, as approved by the shareholders at the General Meeting held on 22 March 2019, was filed at the Mercantile Registry of Valencia.

Previously, on 5 March 2019, authorisation was received from the European Central Bank to reduce capital by an effective amount of EUR 50 million by redeeming 15,440,845 shares, representing 0.50% of the share capital.

As a result, Bankia's share capital was reduced by EUR 15,440,845, through the redemption of 15,440,845 treasury shares.

The purpose of the capital reduction was the redemption of treasury shares. The capital reduction has not entailed the reimbursement of contributions, since Bankia is the owner of the redeemed shares. The capital reduction has been implemented with a charge to voluntary reserves, while simultaneously making the corresponding appropriation to a restricted reserve equal to the nominal amount of the effectively redeemed treasury shares.

At 31 December 2020, the Bank's share capital amounts to EUR 3,069,522 thousand, represented by 3,069,522,105 subscribed and fully paid up registered shares with a par value of EUR 1 each, of the same class and series.

During 2020 and 2019, no transaction costs were recognised for the issuance or acquisition of own equity instruments.

Bankia, S.A.'s main shareholders at 31 December 2020 and 2019 were as follows:

	Number of shares		% ownership	
Shareholder	31/12/2020	31/12/2019	31/12/2020	31/12/2019
BFA, Tenedora de Acciones, S.A.U.	1,897,818,273	1,896,894,838	61.83%	61.80%

(21.2) Transactions with treasury shares

During the years ended 31 December 2020 and 2019, changes to "Own funds (-) Treasury shares" on the balance sheet, showing the amount of Bankia equity instruments held by the Bank, were as follows:

	31/12/2020		31/12/2019	
ITEM	No. of shares	Amount (in thousands of euros)	No. of shares	Amount (in thousands of euros)
Opening balance	**22,330,560**	**50,343**	**29,543,837**	**96,646**
+ Purchases during the period	26,589,523	30,086	31,664,515	64,971
- Redemption of own securities (*)	-	-	(15,440,845)	(50,000)
- Sales and other changes	(16,934,883)	(30,954)	(23,436,947)	(61,274)
Balance at the end of the period	**31,985,200**	**49,475**	**22,330,560**	**50,343**
Net gain/(loss) on transactions with treasury shares (reserves)		(12,519)		(12,143)

(*) Redemption of own securities through capital reduction (see Note 21.1)

In accordance with prevailing regulations, transactions with treasury shares are recognised directly in equity, and no gain or loss may be recognised in the income statement in respect of such transactions.

Certain disclosures required by applicable regulations in connection with transactions involving treasury shares of Bankia, S.A. carried out by the Bank in 2020 and 2019 are as follows:

Acquisitions of treasury shares:

- Number of treasury shares acquired in 2020: 26,589,523 (31,664,515 shares at 31 December 2019).
- Par value of treasury shares acquired in 2020: EUR 26,590 thousand of EUR 1 par value (EUR 31,665 thousand of EUR 1 par value at 31 December 2019).
- Average price of treasury shares acquired in 2020: EUR 1.131 of EUR 1 par value (EUR 2.052 of EUR 1 par value at 31 December 2019).
- Total amount charged to equity in 2020: EUR 30,086 thousand (EUR 64,971 thousand at 31 December 2019).

Disposals of treasury shares:

- Number of treasury shares sold in 2020: 16,934,883 (23,436,947 shares at 31 December 2019).
- Par value of treasury shares sold in 2020: EUR 16,935 thousand of EUR 1 par value (EUR 23,437 thousand of EUR 1 par value at 31 December 2019).
- Average selling price of treasury shares sold in 2020: EUR 1.089 of EUR 1 par value (EUR 2.096 of EUR 1 par value at 31 December 2019).
- Amount credited to equity for sales in 2020: EUR 30,954 thousand (EUR 61,274 thousand at 31 December 2019).

Treasury shares held at 31 December 2020 and 2019:

- Number of treasury shares held: 31,985,200 (22,330,560 shares at 31 December 2019).
- Par value of treasury shares held: EUR 31,985 thousand of EUR 1 par value (EUR 22,331 thousand of EUR 1 par value at 31 December 2019).
- Average acquisition price of treasury shares held: EUR 1.547 (EUR 2.254 at 31 December 2019).
- Amount charged to equity for acquisition of treasury shares: EUR 49,475 thousand (EUR 50,343 thousand at 31 December 2019).

(21.3) Other reserves

The Bank's statement of changes in equity for the years ended 31 December 2020 and 2019 shows the changes in this equity line item in those years.

(21.3.1) Restricted reserves

Under the Revised Spanish Companies Act, companies must transfer at least 10% of profit for each year to their legal reserve until such reserve reaches an amount equal to 20% of the share capital of the company. The legal reserve may be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of the nominal value of the total share capital after the increase. Other than for this purpose, the legal reserve may only be used to offset losses, and only when no other sufficient reserves are available for such purpose. This reserve is recognised under "Own funds - Other reserves" under equity on the balance sheet and totalled EUR 613,904 thousand at 31 December 2020 and 2019.

During 2019, a restricted reserve equal to the par value of the treasury shares redeemed in the capital reduction referred to in Note 21.1, amounting to EUR 15,441 thousand, was established.

(21.4) Other information

(21.4.1) Investments in listed companies

Other than Bankia, S.A., no other Group subsidiary was listed on an organised market at 31 December 2020.

(21.4.2) Other resolutions adopted at the Annual General Meeting regarding the issuance of shares and other securities

At the Ordinary Annual General Meeting held on 27 March 2020, the shareholders resolved 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 share capital, by means of one or more increases and at any time within a maximum of five years, through cash contributions, with the authority, as the case may be, to approve the disapplication of pre-emptive subscription rights up to a maximum of 20% of share capital.
- The authority to issue, once or on several occasions, 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 or acquire shares of the Company, for a total amount of up to one billion five hundred million (1,500,000,000) euros; as well as the authority to increase the share capital in the requisite amount, and the authority, as the case may be, to disapply pre-emptive subscription rights up to a maximum of 20% of share capital.
- Authorisation of the Board of Directors for the derivative acquisition of treasury shares in accordance with the limits and requirements established in the Spanish Companies Act.
- Authorisation of the Board of Directors for the distribution of dividends on account during the 2020 financial year.

(22) Accumulated other comprehensive income

Details of the balances under this balance sheet item at 31 December 2020 and 2019 are as follows:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Items that will not be reclassified to profit or loss	28,127	52,907
Actuarial gains or (-) losses on defined benefit pension plans	25,060	34,056
Non-current assets and disposal groups classified as held for sale	(18,701)	(9,453)
Share of other recognised income and expense of investments in joint ventures and associates	21,768	28,304
Items that may be reclassified to profit or loss	82,253	74,080
Hedging derivatives. Cash flow hedges [effective portion]	(458)	(113)
Fair value changes of debt instruments measured at fair value through other comprehensive income	(3,063)	(8,006)
Hedging instruments [not designated elements]	85,774	82,199
Non-current assets and disposal groups classified as held for sale	-	-
Accumulated other comprehensive income	110,380	126,987

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

This item on the accompanying balance sheets includes the net amount of the fair value changes of financial assets at fair value through other comprehensive income which must be recognised in the Bank's equity. These changes are recognised in the income statement when the assets which gave rise to them are sold or become impaired.

The following table provides details of the gains and losses by financial instrument at 31 December 2020 and 2019:

31 December 2020

(in thousands of euros)

Gross amounts	Gains	Losses	Amounts net of tax effect	Gains	Losses
Quoted debt securities	136,978	(14,444)	Quoted debt securities	95,885	(10,111)
Unquoted debt securities	-	-	Unquoted debt securities	-	-
Total	**136,978**	**(14,444)**	**Total**	**95,885**	**(10,111)**
Total gains (gross)	**122,534**		**Total gains (net)**	**85,774**	

31 December 2019

(in thousands of euros)

Gross amounts	Gains	Losses	Amounts net of tax effect	Gains	Losses
Quoted debt securities	132,256	(14,829)	Quoted debt securities	92,579	(10,380)
Unquoted debt securities	-	-	Unquoted debt securities	-	-
Total	**132,256**	**(14,829)**	**Total**	**92,579**	**(10,380)**
Total gains (gross)	**117,427**		**Total gains (net)**	**82,199**	

Items that may be reclassified to profit or loss. Hedging derivatives. Cash flow hedges reserve

This item on the accompanying balance sheets reflects the net amount of changes in value of financial derivatives designated as hedging instruments in cash flow hedges, for the portion of such changes considered as an "effective hedge" (see Note 12).

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

This item on the balance sheet shows the amount of gains or losses on post-employment defined benefit remuneration which are not recognised in profit or loss (see Notes 2.13.1 and 34.3).

The statement of recognised income and expense for 2020 and 2019 shows the changes in "Accumulated other comprehensive income" on the balance sheet for these years.

(23) Fair value

(23.1) Fair value of financial instruments

The fair value of a financial instrument on a specific date is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Bank generally uses the following methods to estimate the fair value of financial instruments:

- When the market publishes closing prices, these prices are used to determine the fair value.
- When the market publishes both bid and ask prices for the same instrument, the market price for an asset purchased or a liability to be issued is the bid price and that for an asset to be purchased or a liability issued is the ask 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 barely 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, based on proven valuation techniques 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 it.

- 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 the discounted cash flow method, 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 consider the following factors: the time value of money, credit risk, exchange rates, commodity prices, equity prices, volatility, liquidity, prepayment risk and servicing costs.
- For initial recognition of financial instruments with no market or with a barely active market, 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 involving 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:
    - The fair value of derivatives traded on an organised, transparent and deep market included in the trading portfolios is equivalent to their daily quotation price and, if this is not available at a given date due to exceptional reasons, methods similar to those used to measure derivatives not traded on organised markets will be applied.
    - The fair value of OTC derivatives or derivatives traded on organised but less deep and transparent markets is equivalent to the sum of the future cash flows arising from the instrument, discounted at the measurement date ("present value" or "notional close") using valuation techniques accepted by the financial markets: "net present value" (NPV), option pricing models, etc. Moreover, for derivatives not supported by a CSA (market standard) collateral agreement, an own and/or third-party credit risk adjustment (CVA and DVA) is determined, 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 non-performing: 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 both asset and liability derivatives to reflect the impact of counterparty and own credit risk, respectively, on fair value.

    CVA is calculated considering 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 to which Bankia is exposed.

    DVA is a similar valuation adjustment to CVA, but arises from Bankia's own risk assumed by its counterparties in OTC derivatives. Similarly, DVA is calculated by multiplying expected negative exposure by probability of default and multiplying the result by Bankia's loss given default.

    The valuation adjustments recognised on the balance sheet at 31 December 2020 in respect of own or third-party credit risk exposure through derivatives amounted to EUR 59 million for asset derivatives (CVA) (EUR 100 million at 31 December 2019) and EUR 2 million for liability derivatives (DVA) (EUR 3 million at 31 December 2019). The impact recognised in "Gains or (-) losses on financial assets and liabilities held for trading, net" in the income statement for 2020 corresponding to these adjustments is a profit of EUR 1 million (a profit of EUR 0.4 million at 31 December 2019).

Determination of fair value of financial instruments

The following table compares the amounts at which the Bank's financial assets and financial liabilities are recognised on the accompanying balance sheets and their related fair value:

(in thousands of euros)

ITEM	31/12/2020 Balance sheet total	31/12/2020 Fair value	31/12/2019 Balance sheet total	31/12/2019 Fair value
ASSETS				
Cash, cash balances at central banks and other demand deposits	11,409,212	11,409,212	12,826,591	12,826,591
Financial assets held for trading	6,778,561	6,778,561	6,702,504	6,702,504
Non-trading financial assets mandatorily at fair value through profit or loss	11,002	11,002	34,435	34,435
Financial assets at fair value through other comprehensive income	8,621,927	8,621,927	11,979,857	11,979,857
Financial assets at amortised cost	163,498,259	174,603,776	156,179,198	166,750,383
Non-current assets and disposal groups classified as held for sale – Other equity instruments	114,594	114,594	130,839	130,839
Derivatives – Hedge accounting	2,446,875	2,446,875	2,491,810	2,491,810
LIABILITIES				
Financial liabilities held for trading	6,880,046	6,880,046	6,783,073	6,783,073
Financial liabilities at amortised cost	187,879,746	189,138,395	186,159,113	186,124,874
Derivatives – Hedge accounting	151,220	151,220	85,541	85,541

For financial instruments whose carrying amount differs from their theoretical fair value, the latter was calculated as follows:

- The fair value of “Cash, cash balances at central banks and other demand deposits” is measured as the carrying amount, as the balances are current.
- The fair values of "Financial assets at amortised cost" and "Financial liabilities at amortised cost" were estimated using the discounted cash flow method, taking market interest rates at the end of each year 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 debt securities classified as “Financial assets at amortised cost” is considered equivalent to their quoted price in active markets, except for the SAREB bonds (see Note 11), whose fair value was estimated using Level 2 inputs and did not differ significantly from their carrying amount (fair value was determined using quoted prices of Spanish government bonds of similar characteristics).

Financial instruments whose carrying amount coincides with their fair value were measured as follows:

- LEVEL 1: Financial instruments whose fair value was determined by reference to their quoted price in active markets, without making any change to these prices.
- LEVEL 2: Financial instruments whose fair value was estimated by reference to quoted prices on organised markets for similar instruments or using other valuation techniques in which all the significant inputs are based on directly or indirectly observable market data.
- LEVEL 3: Financial instruments whose fair value was estimated by using valuation techniques in which one or another significant input is not based on observable market data. An input is deemed to be significant when it is important for determining the fair value as a whole.

The Bank has not recognised any financial assets or liabilities whose fair value differs from the transaction price and has not been evaluated through methodologies and assumptions that would allow them to be classified in Level 1 and Level 2. Consequently, no gains or losses have been recognised to reflect changes in the factors used in the valuation that market participants would take into account when pricing the asset or liability. Any difference between the transaction price of an instrument and its fair value is recognised immediately in the income statement, in the case of 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 on the accompanying balance sheet, by measurement method used to estimate fair value:

(in thousands of euros)

	31/12/2020			31/12/2019		
ITEM	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Financial assets held for trading	**82,948**	**6,633,070**	**62,543**	**158,903**	**6,449,171**	**94,430**
Debt securities	80,554	-	-	155,898	14,895	-
Equity instruments	683	-	-	1,381	-	-
Derivatives	1,711	6,633,070	62,543	1,624	6,434,276	94,430
Non-trading financial assets mandatorily at fair value through profit or loss	**-**	**192**	**10,810**	**-**	**237**	**34,198**
Debt securities	-	192	-	-	237	-
Equity instruments	-	-	-	-	-	-
Loans and advances	-	-	10,810	-	-	34,198
Financial assets at fair value through other comprehensive income	**8,514,285**	**67,344**	**40,298**	**11,846,582**	**92,606**	**40,669**
Debt securities	8,514,285	48,848	-	11,846,582	57,459	-
Equity instruments	-	18,496	40,298	-	35,147	40,669
Non-current assets and disposal groups classified as held for sale	**-**	**-**	**114,595**	**-**	**-**	**130,839**
Equity instruments	-	-	114,595	-	-	130,839
Derivatives – Hedge accounting	**-**	**2,446,875**	**-**	**-**	**2,491,810**	**-**
LIABILITIES						
Financial liabilities held for trading	**190,971**	**6,684,510**	**4,565**	**271,233**	**6,507,023**	**4,817**
Derivatives	1,768	6,684,510	4,565	-	6,507,023	4,817
Short positions	189,203	-	-	271,233	-	-
Derivatives – Hedge accounting	**-**	**151,220**	**-**	**-**	**85,541**	**-**

The amounts recognised in the income statements for 2020 and 2019 due to changes in the fair value of the Bank's financial instruments are shown below. 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 2020 and 2019:

At 31 December 2020

(in thousands of euros)

ASSETS	Fair value changes in the period			Cumulative fair value changes recognised on the balance sheet		
	Level 2	Level 3	Total	Level 2	Level 3	Total
ASSETS						
Financial assets held for trading	**235,974**	**11,745**	**247,719**	**6,017,613**	**55,958**	**6,073,571**
Debt securities	-	-	-	-	-	-
Derivatives	235,974	11,745	247,719	6,017,613	55,958	6,073,571
Non-trading financial assets mandatorily at fair value through profit or loss	**(29)**	**-**	**(29)**	**(219)**	**-**	**(219)**
Equity instruments	-	-	-	-	-	-
Debt securities	(29)	-	(29)	(219)	-	(219)
Loans and advances	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	**(4,655)**	**(303)**	**(4,958)**	**12,654**	**18,811**	**31,465**
Equity instruments	(9,297)	(303)	**(9,600)**	12,286	18,811	31,097
Debt securities	4,642	-	**4,642**	368	-	368
Derivatives – Hedge accounting	**(15,518)**	**-**	**(15,518)**	**2,181,592**	**-**	**2,181,592**
TOTAL ASSETS	**215,772**	**11,442**	**227,214**	**8,211,640**	**74,769**	**8,286,409**
LIABILITIES						
Financial liabilities held for trading	**(229,817)**	**(640)**	**(230,457)**	**6,614,777**	**(3,046)**	**6,611,731**
Derivatives	(229,817)	(640)	(230,457)	6,614,777	(3,046)	6,611,731
Derivatives – Hedge accounting	**(154,256)**	**-**	**(154,256)**	**63,952**	**-**	**63,952**
TOTAL LIABILITIES	**(384,073)**	**(640)**	**(384,713)**	**6,678,729**	**(3,046)**	**6,675,683**

At 31 December 2019

(in thousands of euros)

ASSETS	Fair value changes in the period			Cumulative fair value changes recognised on the 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	-	-	-	-	-	-
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 at fair value through other comprehensive income	**17,762**	**(807)**	**16,955**	**24,563**	**18,852**	**43,415**
Equity instruments	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**
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**

The following table presents the main valuation methods, assumptions and inputs used to estimate the fair value of financial instruments classified as level 2 and 3, by type of instrument, and the related balances at 31 December 2020:

(Millions of euros)

Level 2 financial instruments	**Valuation techniques**	**Main assumptions**	**Inputs**	**Fair value**
Debt securities	Present value method (discounted cash flows) LIBOR Market Model (LMM)	Calculation of the present value of financial instruments as the present value of the future cash flows (discounted at market interest rates), bearing in mind: estimation of prepayment rates, issuer credit risk and current market interest rates. Inclusion of stochastic volatilities in the LMM allows complete modelling of the volatility area.	- Yield curves - Credit spreads - Correlation	Debt securities: 49
Equity instruments	Present value method	Calculation of the present value of future cash flows. Considering: - Issuer credit spreads - Prepayment rates - Yield curves - Risk neutrality, non-arbitrage	- Yield curves - Credit spreads	Equity instruments: 18
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: - Forward structure of the underlying - Option volatility - Observable correlations between underlyings	Trading derivatives: Assets: 6,633 Liabilities: 6,685
	For equity, currency or commodity derivatives: Black-Scholes, Skew Model and Tremor model	For measurement of widely traded instruments, e.g. call, put, straddle, etc.	For interest rate derivatives: - Term structure of interest rates - Volatility of the underlying	Hedging derivatives
	Inflation derivatives: Analytical formula	Absence of correlation between interest rates and inflation. Risk neutrality, absence of arbitrage opportunities.	For credit derivatives: - Credit default swap (CDS) quoted prices	Assets: 2,447
	Credit derivatives: Analytical formula	Calculation of probability of default (PD) levels to ensure compliance with the risk neutrality and non-arbitrage assumptions.		Liabilities: 151

(in millions of euros)

Level 3 financial instruments	Valuation techniques	Main assumptions	Unobservable inputs	Fair value
Debt instruments	Present value method The Gaussian Copula Model LIBOR Market Model (LMM)	Calculation of the present value of financial instruments as the present value of the future cash flows (discounted at market interest rates), bearing in mind: estimation of prepayment rates, issuer credit risk and current market interest rates. In the case of 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 the LMM allows complete modelling of the volatility area.	• Prepayment rates • Credit spread • Default correlation • Interest rate correlation	Debt securities: - Loans and advances: 11
Equity instruments	Present value method	Net asset value (NAV) for hedge funds and for equity instruments listed in thin or less active markets.	• Credit spread; • NAV provided by the fund manager or the issuer of the securities	Equity instruments: 155
Derivatives	Interest rate derivatives: LIBOR Market Model (LMM), Hull-White model (HW)	Both methods are based on modelling of near-term future interest rate performance, replicating the yield curve and volatility surface. The inclusion of stochastic volatilities in the LMM allows complete modelling of the volatility area, making the LMM model the most widely used to measure exotic derivatives. The HW model is used provided the volatility smile does not affect the value of the derivative.	• Correlation • Term structure of volatilities based on the underlying	Trading derivatives: Assets: 63 Liabilities: 5
	For equity and currency derivatives: Dupire, Heston, solved by numerical methods	The options are measured using generally accepted valuation models and include implied volatility observed.	• Correlation • Term structure of volatilities • Dividends	
	Inflation derivatives: Jarrow-Yildrim	The Jarrow-Yildrim model is used for modelling inflation and nominal rates. This model is based on the analogy between the inflation index and foreign exchange rates.	• Correlation • Inflation curve • Nominal rates	
	Credit baskets: Gaussian Copula	The Gaussian Copula measurement method is widely accepted in financial markets for its simplicity.	• Correlation between defaults • Historical CDS volatility	

Any change in one or more variables or other assumptions deemed as reasonable would not result in a significant change in the fair value of Level 3 financial instruments relative to the total portfolio of financial instruments.

The Bank has a formal policy that sets out the procedure for assigning fair value levels and potential changes therein.

According to this procedure, a level is assigned to financial instruments measured at fair value, determined based on the quality and availability of the various inputs, models, market information etc. at the date of purchase of the position. These parameters are subsequently reviewed periodically in accordance with their trends.

This procedure is carried out by analysing the information available to the Bank to set the valuation price, studying the necessary inputs, the sources and quality of the information, or the need to use more complex models.

Transfers of financial instruments not classified as non-current assets held for sale between fair value hierarchy levels in 2020 and 2019 were as follows:

At 31 December 2020

(in thousands of euros)

Transfers between levels	FROM:	Level 1		Level 2		Level 3	
	TO:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
Assets							
Financial assets held for trading – Derivatives		-	-	-	2	-	52,072
Financial assets at fair value through other comprehensive income		-	-	-	-	-	-
Liabilities							
Financial liabilities held for trading – Derivatives		-	-	-	5	-	1

At 31 December 2019

(in thousands of euros)

Transfers between levels	FROM:	Level 1		Level 2		Level 3	
	TO:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
Assets							
Financial assets held for trading – Derivatives		-	-	-	4,765	-	3,883
Financial assets at fair value through other comprehensive income		-	-	35,980	-	-	-
Liabilities							
Financial liabilities held for trading – Derivatives		-	-	-	4	-	4

The value of the financial instruments transferred between measurement levels in 2020 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 of EUR 0 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 of EUR 52 million: as relevant observable inputs that represent key assumptions (credit risk) used in the valuation technique to measure certain derivatives have been found.

Movement in the balances of financial assets and financial liabilities at fair value and categorised within Level 3 shown on the accompanying balance sheets at 31 December 2020 and 2019, is as follows:

(in thousands of euros)

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Opening balance	169,296	4,817	139,947	3,979
Gains (losses)	1,868	(253)	4,882	(1,060)
To profit or loss	2,238	(253)	5,626	(1,060)
To reserves from sales	(329)	-	538	-
Valuation adjustment (equity)	(41)	-	(1,282)	-
Purchases, sales and settlements	(23,784)	(34)	22,349	1,819
Net inflows/(outflows) in Level 3	(33,729)	35	2,118	79
Transfers to Assets or Liabilities	-	-	-	-
Closing balance	**113,651**	**4,565**	**169,296**	**4,817**

Gains and losses in 2020 and 2019 on disposals of financial instruments categorised within Level 3 recognised in the accompanying income statement were not significant.

The following table shows the changes in fair value of equity instruments classified as "Non-current assets and disposal groups classified as held for sale" included in Level 3 within the fair value hierarchy and recognised on the accompanying balance sheets at 31 December 2020 and 2019:

(in thousands of euros)	2020	2019
Opening balance	130,839	127,809
Gains (losses)	(13,703)	(17,958)
Other net variations	(2,542)	20,988
Closing balance	**114,594**	**130,839**

(23.2) Fair value of other assets

(23.2.1) Real estate assets

The table below shows the fair value of certain tangible assets of the Bank at 31 December 2020 and 2019, by category, as well as their carrying amount at those dates:

(in thousands of euros)	31/12/2020		31/12/2019	
ITEM	Carrying amount	Fair value	Carrying amount	Fair value
Own use – Buildings and other structures	1,760,841	2,067,649	1,813,805	2,136,810
Investment property	459,164	697,176	474,503	672,405
Total	**2,220,005**	**2,764,825**	**2,288,308**	**2,809,215**

The fair value of the tangible assets in the preceding table was estimated based on the 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 where necessary in accordance with the particular characteristics of each asset, or, as appropriate, recent prices on less active markets and discounted cash flow projections of rents of similar properties.

As explained in Note 2.17, at 31 December 2020, the Bank did not have any balances under inventories.

The amounts recognised in the 2020 and 2019 income statements were EUR 145,668 thousand and EUR 145,818 thousand, respectively under "Depreciation and amortisation", and reversals of EUR 15,709 thousand and EUR 14,022 thousand in "Impairment or (-) reversal of impairment on non-financial assets – Tangible assets", respectively.

Better and greater use of non-financial assets does not mean a different use, except for the real estate assets owned by the Bank, where the building and facilities are considered as assets for the purpose of measuring land.

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

The fair values of the Bank's tangible assets for own use classified under "Non-current assets and disposal groups classified as held for sale" at 31 December 2020 and 2019 were EUR 174,149 thousand and EUR 165,933 thousand, respectively.

The carrying amount of the Bank's foreclosed real estate assets, which were classified as "Non-current assets and disposal groups classified as held for sale", does not differ significantly from their fair value.

As explained in Note 2.19, non-current assets foreclosed or received in payment of debt 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, and are subsequently recognised at fair value less estimated costs to sell.

The Bank has an internal methodology for estimating discounts on the reference value and costs to sell real estate assets foreclosed or received in payment of debt classified as non-current assets held for sale. This methodology is based on the Bank's prior experience of sales of similar assets, in terms of time scales, prices and volumes, and the time taken for their sale. The methodology complies with the principles and requirements governing the development and use of internal methodologies for estimating discounts on the reference value and the costs to sell assets foreclosed or received in payment of debt, and 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. As regards appraisals, the Bank uses those performed by certified appraisal services or companies on the Bank of Spain's Official Register of Appraisal Companies, using full individual appraisals or appraisals performed using automated valuation methods.

The full individual appraisals comply with the requirements of Ministerial Order ECO 805/2003, of 27 March, on rules for the appraisal of real estate and of certain rights for financial purposes. 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 for the preparation of appraisal reports and certificates. 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 appraisal services and companies, aims to promote the technical and formal quality of the appraisals with the overriding aim of better protecting the interests of third parties as investors or insured parties.

Automated appraisal methods are based on statistical models supported by computer programs that use a broad database. This allows for mass appraisals bearing in mind the specific characteristics of each asset appraised, but assuming a confidence interval in the results as, by definition, the models do not factor in all the variables that affect the value. Without prejudice to their statistical basis, throughout the valuation process these appraisals include expert judgements by the appraisal company as regards the model's construction and specification, and in comparisons, and in 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 the recommended best practices for the definition and application of robust valuation procedures using this type of appraisal, and fall within the Bank of Spain's powers to supervise appraisal companies, as laid down in Royal Decree 775/1997.

Information on the companies and agencies carrying out appraisals in 2020 and 2019 is provided below:

(% appraised)

Appraisal companies or agencies	2020	2019
Gesvalt	11.71%	13.15%
Tecnitasa	8.96%	5.40%
Tinsa	48.00%	46.65%
Sociedad de Tasación	7.88%	12.48%
Arco Valoraciones	14.72%	13.55%
KRATA	8.73%	8.77%
Total	**100.00%**	**100.00%**

The valuations are classified as Level 3 in the methodologies described in the financial statements.

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

The following table details the fair value hierarchy for investments in subsidiaries, joint ventures and associates classified as "Non-current assets and disposal groups classified as held for sale" at 31 December 2020 and 2019:

(in thousands of euros)

	31/12/2020			31/12/2019		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Closing balance	-	600	600	-	70,309	70,309

The valuation techniques and inputs used were as follows:

Level 2: fair value is determined 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 the present value method based on net asset value (NAV).

The reconciliation of opening balances to closing balances for Level 3 assets is as follows:

(in thousands of euros)

	31/12/2020	31/12/2019
Opening balance	**70,309**	**255,937**
Gains (losses)	66,547	40,826
To impairment losses or gains (Note 42)	(393)	(13,062)
To sale losses or gains	66,940	53,888
Purchases	75	644,480
Settlements/Sales	(66,954)	(668,481)
Transfers	(69,377)	(202,453)
Closing balance	**600**	**70,309**

(24) Taxation

(24.1) Consolidated tax group

The Entity is the parent of Tax Consolidation Group number 559/11 created on 1 January 2011, which in 2020 comprises the following Group subsidiaries:

INMOGESTION Y PATRIMONIOS, S.A.
PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L. (PACIN)
VALORACION Y CONTROL, S.L.
NAVIERA CATA,S.A.
VALENCIANA DE INVERSIONES MOBILIARIAS, S.L
CORPORACION INDUSTRIAL BANKIA, S.A.U.
BANKIA HABITAT S.L
ARRENDADORA DE EQUIPAMIENTOS FERROVIARIOS, S.A.
CENTRO DE SERVICIOS OPERATIVOS E INGENIERIA DE PROCESOS, S.L.U.
BANKIA MEDIACIÓN, OPERADOR DE BANCA SEGUROS VINCULADO, S.A.U.
BANKIA PENSIONES, S.A., E.G.F.P.
BANKIA FONDOS S.G.I.I.C., S.A.
SEGURBANKIA, S.A.
GESTIÓN Y REPRESENTACIÓN GLOBAL, S.L.U.
GESTIÓN GLOBAL DE PARTICIPACIONES, S.L.U.
GESTION Y RECAUDACION LOCAL, S.L.
BANKIA COMMERCE, S.L. UNIPERSONAL
BANKIA FINTECH VENTURE S.A.U.
PUERTAS DE LORCA DESARROLLOS EMPRESARIALES, S.L.U.

(24.2) Years open to inspection by the taxation authorities and provisions recognised

At 31 December 2020, the Bank had open to inspection by the taxation authorities all applicable taxes for the last four years.

On 13 October and 20 October 2014, tax inspections were commenced to verify the Bank's 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 for earned income/income from professional activities	2011 to 2012
Withholdings/Payments on account for capital gains tax	2011 to 2012
Withholdings/Payments on account for leases	2011 to 2012
Withholdings on account for non-resident income tax	2011 to 2012
Annual return of transactions	2011 to 2012
Special tax for real estate of non-residents	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 corporate income tax inspections was expanded to include 2013.

On 18 December 2019, assessments in respect of withholdings on account for non-resident income tax for 2011 and 2012 in an amount of EUR 1,096 thousand were signed on an uncontested basis. The EUR 506 thousand fine arising from the disciplinary proceedings for this tax was signed on an uncontested basis.

Assessments were signed on an uncontested basis on 28 February 2020 in respect of withholdings/payments on account for earned income and income from professional activities, which resulted in an amount payable of EUR 9,737 thousand (including late payment interest and penalty). As the successor of Caja Madrid's banking business (assignment of responsibility), Bankia paid an amount of EUR 3,377 thousand for this item (including late payment interest and penalty).

Inspections performed at the "Cajas de Ahorros"

In relation to the "Cajas de Ahorros" (savings banks) which transferred their financial business on 16 May 2011, firstly to BFA and subsequently to Bankia, the following should be noted:

- On 11 March 2014, inspections were commenced 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 for earned income/income from professional activities	2010
Withholdings/Payments on account for capital gains tax	2010
Withholdings/Payments on account for leases	2010
Withholdings on account for non-resident income tax	2010
Annual return of transactions	2010
Special tax for real estate of non-residents	2010

- Assessments were signed on an uncontested basis on 26 January 2017 in respect of value added tax and withholdings/payments on account for earned income and income from professional activities, and on 26 October 2017 assessments were signed on an uncontested basis in respect of withholdings/payments on account for capital gains tax in the following amounts:

ITEM	Thousands of euros
Value added tax	5,295
Withholdings/Payments on account for earned income/income from professional activities	1,424
Withholdings/Payments on account for capital gains tax	1,186

These debts were settled on 24 February 2017, except for the amounts owed in respect of withholdings/payments on account for capital gains tax, which were paid on 29 November 2017.

On 11 April 2018, the assessment of income tax for 2008, 2009 and 2010 was signed on an uncontested basis. This did not result in an additional amount payable. In light of the outcome of the tax inspections, disciplinary proceedings were instituted in respect of the revised amounts. Following the issuance of the corresponding penalty agreement of EUR 6.2 million, the debt was paid on 23 May 2018.

In addition, on the same date, 11 April 2018, the assessment of income tax for 2008, 2009 and 2010 was signed on a contested basis in view of differing opinions on the criteria used in the inspection in the entry for business combinations, certain items of earned income, and the deduction for R&D applied by the Bank.

On 3 June 2014, the taxation 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 for earned income/income from professional activities	05/2010 to 12/2010
Withholdings/Payments on account for leases	05/2010 to 12/2010
Withholdings on account for non-resident income tax	05/2010 to 12/2010
Withholdings/Payments on account for capital gains tax	05/2010 to 12/2010

In 2019, assessments were signed on an uncontested basis 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 any amount payable.
- Withholdings/Payments on account for earned income/income from professional activities: as a result of the inspection, the taxation authorities raised additional taxes of EUR 11.5 thousand.
- Withholdings/Payments on account for leases: the result of the inspection was verified and agreed, without giving rise to any amount payable.
- Withholdings on account for non-resident income tax: as a result of the inspection, the taxation authorities raised additional taxes of EUR 5.5 thousand.
- Withholdings/Payments on account for capital gains tax: as a result of the inspection, the taxation authorities raised additional taxes of EUR 63 thousand.

Tax inspections at BMN

- On 21 October 2014, the taxation 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 the 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 taxation authorities raised an assessment of EUR 14,998 thousand, which was signed by the Bank on a contested basis. On that same date it was notified of the start of disciplinary proceedings, which included a proposed fine of EUR 6,546 thousand. The Andalusian taxation authorities 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 Bank filed its pleadings in writing along with all the corresponding documentation on 23 June 2017.

  In February 2020 the taxation authorities of the regional government of Andalusia notified the rejection of the pleadings filed. In the same year the corresponding claim was lodged at the Madrid High Court for this matter.

- In 2015, the Supreme Court ruled on the tax inspection instituted with respect to Caixa Penedès (currently Fundación Pinnae); such ruling resulted in a balance payable of EUR 741 thousand, mainly in respect of corporate income tax from 2001 to 2004.

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

(24.3) Reconciliation of accounting profit and taxable income

Details of the income tax expense in the accompanying income statement for 2020 and 2019 reconciled to profit before tax for those years, including a breakdown of the main income tax expense (income) components, are as follows:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Profit or loss before tax	**296,556**	**770,312**
Adjustment to profit	**(262,411)**	**(197,217)**
Return on equity instruments	(80,518)	(234,890)
Other permanent differences and other adjustments	(181,893)	37,673
Adjusted profit before tax	**34,145**	**573,095**
Tax expense (Taxable income * 30%)	**(10,244)**	**(171,929)**
Deductions	**38,705**	**51,236**
Income tax expense	**28,461**	**(120,693)**
Income tax adjustments	**(87,141)**	**(89,179)**
Income tax (expense)/income related to profit or loss from continuing operations	**(45,991)**	**(207,363)**
Income tax for the year (income/(expense))	(58,679)	(209,872)
Effective rate	19.79%	27.25%
Income tax for prior years (income/(expense))	653	5,164
Other changes	12,035	(2,655)

(24.4) Tax recognised directly in equity

In addition to the income tax recognised in the income statements for 2020 and 2019, the Bank recognises in equity the taxes relating basically to “Accumulated other comprehensive income” (which includes financial assets at fair value through other comprehensive income, cash flow hedges, hedges of net investments in foreign operations, and exchange differences) and to “Own funds – Other reserves” on the accompanying balance sheet.

The amount of income tax related to each component of "Accumulated other comprehensive income" in 2020 and 2019 is as follows:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Items that will not be reclassified to profit or loss	**3,855**	**(1,764)**
Actuarial gains or (-) losses on defined benefit pension plans	3,855	(1,764)
Items that may be reclassified to profit or loss	**3,262**	**(4,140)**
Foreign currency translation	148	(77)
Available-for-sale financial assets	1,269	(11,230)
Cash flow hedges	(2,118)	2,446
Non-current assets and disposal groups held for sale	3,963	4,721
Total	**7,117**	**(5,904)**

In addition, income tax recognised by the Bank directly in "Own funds – Other reserves" on the accompanying balance sheet is detailed in the movement of deferred tax assets and liabilities (see Note 24.5).

(24.5) Deferred tax assets and liabilities

Royal Decree-Law 14/2013, of 29 December

On 30 November 2013, Royal Decree-Law 14/2013, of 29 December, on urgent measures to adapt Spanish law to European legislation on the supervision and solvency of financial institutions was published in the Official State Gazette ("BOE"). With effect from 1 January 2014, this Royal Decree-Law included additional provision twenty-two, *"Conversion of deferred tax assets into a receivable from the taxation authorities"*, in the Revised Corporate Income Tax Law ("TRLIS" as per the Spanish acronym) approved by Royal Legislative Decree 4/2004, of 5 March.

In light of this provision, deferred tax assets related to credit loss allowances or other assets deriving from potential insolvency of debtors not related to the taxpayer, provided that article 12.2.a) of the TRLIS is not applicable, as well as those arising from the application of articles 13.1.b) and 14.1.f) of the same law in respect of provisions for or contributions to employee benefit schemes and, where applicable, early retirement schemes, are converted into a receivable from the taxation authorities when any of the following circumstances arise:

a) The taxpayer recognises accounting losses in its financial statements (audited and approved by the corresponding body). In such cases, the amount of deferred tax assets to be converted is determined by multiplying the total amount thereof by the accounting losses for the period as a percentage of total capital and reserves.

b) The entity is in liquidation or has been legally declared insolvent.

For conversion of deferred tax assets into a receivable from the taxation authorities in this case, the taxpayer may request a credit from the taxation authorities or offset the receivable against other tax liabilities to the state which the taxpayer itself generates at the time of conversion.

In addition, these deferred tax assets may be exchanged for government debt securities once the legal offset period for tax losses provided for in the law (currently 18 years), computed as of the recognition of the tax assets, has elapsed.

A new section 13 was added to article 19, "*Timing of recognition*", of the TRLIS for the purpose of determining the tax base for income tax purposes, with retrospective effect for tax periods commenced on or after 1 January 2011.

Pursuant to the aforementioned section 13 of article 19 of the TRLIS, credit loss allowances or other assets deriving from potential insolvency of debtors not related to the taxpayer, provided article 12.2.a) of the TRLIS does not apply, as well as those deriving from the application of articles 13.1.b) and 14.1.f) of the same law in respect of provisions for or contributions to employee benefit schemes and, as the case may be, early retirement schemes, which have generated deferred tax assets, are included in the tax base up to the limit of the taxable income before their inclusion and the offset of tax loss carryforwards.

As a result of the new criterion for the timing of recognition, Bankia recalculated the corporate income tax bases for 2011 and 2012, which differ from the bases originally filed within the voluntary period, thus generating new tax bases that were duly notified to the taxation authorities.

Law 27/2014, of 27 November

Law 27/2014, of 27 November, on Corporate Income Tax (the "LIS" as per the Spanish acronym) was enacted on 27 November 2014 and came into force on 1 January 2015, repealing the Revised 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 LIS incorporated the text of additional provision twenty-two of the TRLIS into the new law, stating that the aforementioned deferred tax assets may be exchanged for government debt securities once a period of 18 years as of the last date of the tax period in which the assets were recognised has elapsed. 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, according to section 5 of Article 58 of the LIS, consolidated tax groups that include at least one credit institution will be subject to a tax rate of 30%. As Bankia is the parent of its tax group, the tax group continued to pay a CIT rate of 30% in 2015 and thereafter.

Meanwhile Article 26 of the LIS does not stipulate a time limit for the offset of tax loss carryforwards that were available in the period that began when the Law came into effect on 1 January 2015. In addition, transitional provision twenty-three of the LIS does not stipulate any time limit for availing of the deductions to avoid double taxation provided for in Articles 30, 31 and 32 of the TRLIS that had not been used as of the period beginning on or after the date the new law came into effect.

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 amended the tax regime to establish the aforementioned conversion, set new conditions for availing of the regime and introduced certain reporting obligations with respect to the deferred tax assets affected by the regulation. It also provided for a transitional regime applicable to deferred tax assets generated before 1 January 2016, whereby the right to conversion could be retained provided certain conditions were met, although to do so a financial contribution had to be paid, which was regulated by the new Additional Provision Thirteen of the LIS.

The amount of the financial contribution at the 2020 year end was EUR 86,115 thousand (EUR 87,063 thousand in 2019), which was recognised under "Tax expense or (-) income related to profit or loss from continuing operations" in the accompanying income statement.

Royal Decree-Law 3/2016, of 2 December

Lastly, Royal Decree-Law 3/2016 of 2 December, adopting tax measures to consolidate public finances and other urgent social measures, must be considered. This legislation provides that 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 five-year period.

Regarding tax periods commenced on or after 1 January 2016, this legislation places a limit of 25% on the offset of taxable income against prior years' tax loss carryforwards for companies with revenue of at least EUR 60 million. The same restrictions apply to the reversal of deferred tax assets provided for in article 11.12 of the LIS. In addition, this Royal Decree-Law places a new limit on the application of deductions for double taxation, specifically 50% of the full income tax charge, and any unused portion may be applied in future tax periods under the same terms and conditions and with no time limit.

Furthermore, for tax periods commenced on or after 1 January 2017, article 3. Two of Royal Decree-Law 3/2016 stipulates that losses incurred on transfers of equity investments are not deductible when the investments in question qualify for the exemption for profit obtained either in the form of dividends or as capital gains arising on the transfer of the investments.

Royal Decree-Law 27/2018, of 28 December

On 28 December, Royal Decree-Law 27/2018 (the "RDL") was approved, adapting the LIS to Circular 4/2017, as regards first-time application of such Circular 4/2017, with effect from 1 January 2018.

The RDL includes, among others, the following measures:

<u>Impacts of first-time application (Transitional provision thirty-nine)</u>

The preamble to the RDL states that "to reduce the tax effects of this accounting requirement, transitional rules have been put into place, whereby the aforementioned debits and credits to reserve accounts are to be included in the tax base, as soon as they have tax effects pursuant to the tax regulations, in equal parts in each of the first three tax periods beginning on or after 1 January 2018".

Thus, debits and credits to reserve accounts arising from adjustments for the first-time application of Circular 4/2017, when due to the application of the tax regulations, shall have tax effects, i.e. they must be taken into consideration when determining the tax base for the 2018 tax period. The legislation concerns debits and credits having tax effects and which are therefore deductible/taxable, and due to their integration in three equal parts the provisions of article 130 on monetisation of deferred tax assets do not apply, thus the deferral in three equal parts does not give rise to monetisable deferred tax assets.

Such inclusion in equal parts shall continue to apply even if the element in question is derecognised. Only if the taxpayer is dissolved during the aforementioned three-year period shall the remaining amount be included in the tax base of the last tax period, unless it is dissolved as a result of a restructuring operation eligible for the tax neutrality regime.

In accordance with this legislation, the Entity included an amount of EUR 9,988 thousand in 2020.

<u>*Accounting for equity instruments under Circular 4/2017 (Article 17.1 of the TRLIS)*</u>

With the new Circular, investments in equity instruments must be measured at fair value through profit or loss unless the entity elects irrevocably at inception to present these fair value changes in other comprehensive income. If this option is elected, a major change in Circular 4/2017 is that the gains or losses accumulated in other comprehensive income are not reclassified to profit or loss (as was the case previously with available-for-sale financial assets), but rather to reserves.

Accordingly, to guarantee their inclusion in the tax base upon disposal, the RDL amends article 17.1 of the LIS, such that changes in value arising from the application of the fair value criterion are not only included when they are to be taken to profit or loss, but also when they should be recognised in a "reserve account, if so provided for by a legal or regulatory standard".

<u>Adaptation of the Corporate Income Tax Regulation to Circular 4/2017</u>

Regarding Circular 4/2017 and the terminology and credit risk loss model adopted therein, the deductibility criteria are set out in the Corporate Income Tax Regulation and thus far there have been no amendments thereto.

However, the introduction to the RDL states the following: "Lastly, until approval is given for adaptation of the regulatory provisions for credit risk allowances and provisions of financial institutions, the provisions currently in force are considered to be applicable, albeit under the terms used in the new Circular."

Deferred tax assets and liabilities

Pursuant to the tax legislation in force, certain temporary differences have arisen that must be taken into account when quantifying the related income tax expense.

The sources of deferred taxes recognised on the balance sheets at 31 December 2020 and 2019, bearing in mind the impact of article 19.3 of the TRLIS, now article 11.12 of the LIS, are as follows:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Monetisable:	**6,825,090**	**6,859,511**
Credit loss allowances	5,323,201	5,357,622
Impairment losses on foreclosed assets	1,221,078	1,221,078
Provisions for pension funds	280,811	280,811
Non-monetisable:	**2,999,276**	**2,923,304**
Credit loss allowances	322,641	209,167
Impairment losses on foreclosed assets	78	3,778
Provisions for pension funds	7,875	7,875
Impairment losses recognised on financial assets	53,844	58,532
Other charges	138,227	148,434
Unused tax credits	129,864	139,563
Losses on financial assets	14,685	13,505
Recognised unused tax losses	2,332,062	2,342,450
Total deferred tax assets	**9,824,366**	**9,782,816**

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Unrealised gains on financial assets	264,391	307,949
Unrealised gains on properties	131,308	136,194
Other items	8,331	8,387
Total deferred tax liabilities	**404,030**	**452,531**

Movement in 2020 and 2019 was as follows:

31 December 2020

(in thousands of euros)

	Balances at 31/12/2019	(Charged)/credited to the income statement	(Charged)/credited to equity	Other changes	Balances at 31/12/2020
Deferred tax assets	9,782,816	40,176	1,372	-	9,824,366
Deferred tax liabilities	(452,531)	46,026	2,475	-	(404,030)
	9,330,284	**86,202**	**3,847**	**-**	**9,420,335**

31 December 2019

(in thousands of euros)

	Balances at 31/12/2018	(Charged)/credited to the income statement	(Charged)/credited to equity	Other changes	Balances at 31/12/2019
Deferred tax assets	9,989,189	(215,769)	9,395		9,782,816
Deferred tax liabilities	(536,194)	76,009	7,654		(452,531)
	9,452,995	**(139,760)**	**17,049**		**9,330,284**

Details of the Bank's tax loss carryforwards at 31 December 2020, indicating the year in which they arose, are shown below. These details do not include the effects of the potential tax losses applied in the income tax settlement for 2020, which will be filed in July 2021:

(in thousands of euros)

Year in which the tax loss arose	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	364,188
2012 (*)	8,702,554	1,771,092
2016	33,896	10,106
2017	94,550	28,365
TOTAL	**10,666,538**	**2,341,548**

(*) 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.

Details of unused deductions available for offset by the Bank at 31 December 2020, indicating the year in which they arose, are shown below. These details do not show the effects of the potential deductions used in the income tax settlement for 2020, which will be filed in July 2021:

(in thousands of euros)

Year in which the deductions arose	Amount of the deduction 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 reinvestment (Bankia Inversiones)	854	-
2011 - Deduction for R&D&i	2,608	2,608
2011 - Other deductions	151	11
2011 - Deduction for internal double taxation (Bankia Inversiones)	7,252	-
2012 - Deduction for internal double taxation	9,598	9,598
2012 - Deduction for internal double taxation (Bankia Inversiones)	8,936	-
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 internal double taxation (Bankia Inversiones)	13,431	-
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 internal double taxation (Bankia Inversiones)	9,141	-
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
2019 - Deduction for international double taxation	1,079	-
2019 - Deduction for R&D&i	6,011	-
2019 - Other deductions	1,187	-
Total	**224,095**	**139,563**

(24.6) Other tax information

In accordance with current legislation, Bankia's individual financial statements for years prior to 2020 provide additional tax information related to transactions carried out in previous years pursuant to Chapter VIII of Title VII of the Revised Corporate Income Tax Law (TRLIS) approved by Royal Legislative Decree 4/2004, of 5 March.

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

To assess the recoverability of the net deferred tax assets recognised by the Group at 31 December 2020, amounting to EUR 9,420 thousand (EUR 9,330 thousand at 31 December 2019), 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 the Group's approved budget for 2021 and considering the situation arising from the COVID-19 pandemic (see Note 1.16). A projection was made on these forecasts for the period from 2022 to 2032 based on interest rate curve projections for this period and on the trends in the basic variables of the budget, and from there a uniform projection was made, maintaining the basic variables constant (growth, earnings, inflation, etc.), with a full recovery of the net tax assets possible within a period of no more than 20 years. As with any estimates based on assumptions, these estimates may need to be updated in light of future events, 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 (the LIS), at 31 December 2020, the Bank had deferred tax assets amounting to EUR 6,825 million (EUR 6,859 million at 31 December 2019) that meet the requirements under this regulation. Accordingly, their future recovery is guaranteed through the monetisation mechanisms established in aforementioned RDL 14/2013 and article 130 of the LIS, bearing in mind the amendments made for tax periods commenced on or after 1 January 2016 by Law 48/2015, of 29 October, on the General State Budgets for 2016, although to this end it must pay a financial contribution as regulated by the new Additional Provision Thirteen of the LIS.

(25) Other significant disclosures

(25.1) Asset transfers

(25.1.1) Loan securitisation

The Bank has performed various securitisation transactions whereby it transferred loans and credits in its portfolio to different securitisation special purpose vehicles. These assets were derecognised when substantially all the associated risks and rewards were transferred. Where the associated risks have not been substantially transferred, the securitised assets have been recognised on the balance sheet.

"Loans and advances - Customers" include loans transferred to third parties through securitisation for which risk is retained, even if only partially, and which in accordance with applicable accounting standards therefore cannot be derecognised from the balance sheet. Details of securitised loans by nature of the underlying financial instrument and securitised loans that qualify for derecognition from the balance sheet (see Note 2.2.2) are shown in the table below.

(in thousands of euros)

	31/12/2020	31/12/2019
Derecognised from the balance sheet	**1,379,330**	**1,471,706**
Of which mortgage assets securitised through:	1,360,381	1,459,950
Collateralised mortgage bonds	-	-
Mortgage transfer certificates	1,360,381	1,459,950
Other securitised assets	18,949	11,756
Foreclosed assets deriving from securitised mortgage assets	-	-
Held on the balance sheet	**8,491,855**	**9,567,031**
Of which mortgage assets securitised through:	8,137,843	9,213,001
Collateralised mortgage bonds	262,213	330,046
Mortgage transfer certificates	7,875,630	8,882,955
Other securitised assets	10,359	11,530
Foreclosed assets deriving from securitised mortgage assets	343,653	342,500

Appendix IV shows the amounts of loan securitisation transactions on the balance sheet at 31 December 2020 and 2019.

(25.1.2) Repurchase and resale agreements

At 31 December 2020, the Bank had sold financial assets under repurchase agreements amounting to EUR 9,117,290 thousand (EUR 19,900,276 thousand at 31 December 2019), and had purchased financial assets under resale agreements amounting to EUR 2,934,850 thousand (EUR 3,524,537 thousand at 31 December 2019), as follows:

(in thousands of euros)

ITEM	31/12/2020 Repurchase agreement	31/12/2020 Resale agreement	31/12/2019 Repurchase agreement	31/12/2019 Resale agreement
Spanish government debt securities	1,243,041	261,967	10,102,078	467,992
Other debt securities	7,874,249	2,672,883	9,798,198	3,056,545
Total	**9,117,290**	**2,934,850**	**19,900,276**	**3,524,537**

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 2020, the average term of these repurchase agreements and, accordingly, of the assets provided as collateral was 10 months (13 months at 31 December 2019).

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

At 31 December 2020 and 2019, the Bank had assigned significant assets to guarantee its own obligations amounting to EUR 73,713 million and EUR 76,979 million, respectively. These amounts mainly reflected loans linked to the issue of long-term covered bonds (see Note 11 and Appendix VII) which, pursuant to the Mortgage Market Law, are considered eligible to guarantee the issue of covered bonds.

(25.2) Off-balance sheet exposures

Off-balance sheet exposures comprise loan commitments, financial guarantees and other commitments given, whether revocable or irrevocable.

Loan commitments given are irrevocable commitments, or revocable only in the event of a material adverse change, to provide financing under certain previously stipulated terms and conditions, such as balances drawable by third parties within the limits defined previously by the Bank.

Financial guarantees given are contracts that require the Bank, when it acts as issuer in the ordinary course of its business, to make specified payments to reimburse a creditor for a loss it incurs, because a specified debtor fails to make payment where due in accordance with the original or modified terms of a debt instrument, irrespective of its legal form, which may include, among others, a guarantee, a financial surety, an insurance contract or a credit derivative.

Contingent commitments given are those 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.

Details of these guarantees given and drawable by third parties at 31 December 2020 and 2019 are as follows:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Loan commitments given	**28,716,063**	**23,394,354**
Immediately drawable	20,217,302	16,743,146
Conditionally drawable	8,498,761	6,651,208
Financial guarantees given	**341,602**	**376,728**
Contingent commitments given	**14,267,863**	**13,112,359**
Other bank guarantees and indemnities and other contingent exposures	8,253,796	7,699,484
Irrevocable documentary credits confirmed	488,912	462,430
Other contingent exposures	151,070	204,773
Other commitments given (1)	5,374,085	4,745,672
Total	**43,325,528**	**36,883,441**

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

Note 3.1.2 shows the maximum credit risk assumed by the Bank in relation to these instruments at 31 December 2020 and 2019, and contains other information relating to the credit risk assumed by the Bank in this connection.

A significant portion of these guarantees will expire without any payment obligation materialising for the Bank. Therefore, the aggregate balance of these commitments cannot be considered as an actual future need for financing or liquidity to be provided by the Bank to third parties.

The income generated on guarantee instruments is recognised in the income statement under “Fee and commission income” and "Interest income" (in amounts corresponding to the present value of the fees), calculated by applying the interest rate on the underlying contract to the face value of the guarantee.

The provisions established to cover these guarantees, which are calculated by applying similar criteria to those used to calculate the impairment of financial assets at amortised cost, are recognised on the balance sheet as “Provisions - Commitments and guarantees given” (see Note 19).

The maximum exposure to credit risk, i.e. the amount payable if the guarantees and commitments given are enforced, is as follows:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Loan commitments given	28,716,063	23,394,354
Of which, classified as performing exposures under special monitoring	1,469,884	396,192
Of which, classified as non-performing	341,601	361,942
Recognised as liabilities on the balance sheet (1)	82,358	91,026
Total commitments given	**28,716,063**	**23,394,354**
Financial guarantees given	341,602	376,728
Of which, classified as performing exposures under special monitoring	34,877	13,774
Of which, classified as non-performing	41,851	63,903
Recognised as liabilities on the balance sheet (1)	19,397	10,224
Total financial guarantees given	**341,602**	**376,728**
Other commitments given	14,267,863	13,112,359
Of which, classified as performing exposures under special monitoring	911,894	726,650
Of which, classified as non-performing	450,264	535,639
Recognised as liabilities on the balance sheet (1)	173,388	200,481
Total other commitments given	**14,267,863**	**13,112,359**
Total guarantees given and drawable by the third parties	**43,325,528**	**36,883,441**

(1) Amount related to "Provision - Commitments and guarantees given" (see Note 19).

(25.3) Third-party funds managed and marketed by the Group

The breakdown of off-balance sheet funds managed and marketed by the Group at 31 December 2020 and 2019 is as follows:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Investment companies and funds	21,109,177	19,809,312
Pension funds	8,035,603	7,825,939
Customer portfolios managed on a discretionary basis	4,173,431	3,495,036
Total	**33,318,211**	**31,130,287**

In addition, the Group markets off-balance sheet customer funds managed by third parties outside the Group. These amounted to EUR 12,246,681 thousand at 31 December 2020 (EUR 11,377,769 thousand at 31 December 2019).

On 29 May 2020 Bankia reached an agreement with Cecabank, S.A. for the transfer of its CIU and pension funds custodian business. Once the conditions precedent of the agreement had been reached, which involved obtaining the relevant administrative authorisations, the business was derecognised at 31 December 2020.

The fixed amount of the consideration received was EUR 170 million, without considering subsequent additional collections subject to the achievement of certain volume targets. The net gain recorded after the transaction amounted to EUR 155 million, (see Note 42) with a liability recognised for the remaining amount which will be recorded against profit or loss to the extent that the Bank meets the performance commitments set out in the contract for a period of ten years from the signature date.

In addition, the contract includes certain safeguards agreed between the parties which are usual in this type of contract. These safeguards are for contingent situations and include, inter alia, the option for a third party successor, in the event of a change of control in Bankia’s shareholding, to unilaterally terminate the contract in advance within a period of three months from the effective date of Bankia’s change of control. The third party successor may potentially exercise this option and it is therefore an event beyond the control of Bankia’s Management.

In the event of the unilateral rescission of the contract, which would give rise to the third party successor’s acquisition of the transferred custodian business, the amount currently payable by a third party successor would be equivalent to the consideration received to date and therefore similar to the fair value attributed to the aforementioned business.

(25.4) Leases

(25.4.1) Finance leases

In the normal course of its business the Bank acts as lessor in transactions which, pursuant to the provisions of the applicable regulations, are classified as finance leases. Agreements drawn up in this regard are performed in accordance with general market practices for such transactions.

Finance leases granted by the Bank amounted to EUR 965,077 thousand at 31 December 2020 (EUR 1,108,999 thousand at 31 December 2019), and are recognised under "Financial assets at amortised cost - Loans and advances - Customers" on the balance sheet at that date. Impairment losses recognised on these transactions amounted to EUR 40,739 thousand at 31 December 2020 (EUR 41,161 thousand at 31 December 2019).

The gross investment in the lease is the sum of the minimum payments receivable from the finance lease plus any unguaranteed residual value accruing to the lessor. Assets leased under finance leases are recognised at the present value of the lease payments payable by the lessee, plus the guaranteed and unguaranteed residual value, excluding interest expenses and value-added tax.

The breakdown of these items is as follows:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Present value of minimum lease payments receivable (1)	920,020	1,061,604
Unguaranteed residual values	45,057	47,395
Total gross investment in finance leases	**965,077**	**1,108,999**

(1) Includes the value of the purchase option whose collection is guaranteed for the Bank.

Unaccrued finance income from the Bank's finance leases amounted to EUR 46,146 thousand at 31 December 2020 (EUR 60,415 thousand at 31 December 2019).

Meanwhile, the breakdown by maturity of the gross investment and the present value of the minimum payments receivable is presented below:

31 December 2020

(in thousands of euros)

MATURITY	Gross investment	Present value of minimum payments receivable
Up to 1 year	356,757	346,142
1 to 5 years	502,028	477,734
More than 5 years	106,292	96,144
Total	**965,077**	**920,020**

31 December 2019

(in 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**

(25.4.2) Operating leases

In relation to lease transactions which, pursuant to the provisions of prevailing regulations, must be considered as operating leases and in which the Bank acts as the lessee, the amount of leases and subleases recognised as an expense in the income statement totalled EUR 8,500 thousand for the year ended 31 December 2020 (EUR 7,947 thousand at 31 December 2019).

(25.5) Exchanges of assets

In the years ended 31 December 2020 and 2019, the Bank did not carry out any significant exchanges of assets. In this regard, the acquisition by any means of tangible assets in payment of debts arranged by the Bank's debtors is not considered an exchange of assets. Information concerning this type of transaction is shown in Note 2.8 above.

(26) Interest income

The breakdown of this item in the accompanying income statements for the years ended 31 December 2020 and 2019 is as follows:

(in thousands of euros)

ITEM	Income / (Expenses) 31/12/2020	31/12/2019
By counterparty		
Debt securities	260,133	317,038
General government	245,830	298,242
Credit institutions	695	1,181
Other financial corporations	1,664	2,448
Non-financial corporations	11,944	15,167
Loans and advances (1)	1,835,016	2,016,134
General government	39,943	47,440
Credit institutions	4,951	6,146
Other financial corporations	12,331	11,674
Non-financial corporations	680,580	699,733
Households	1,097,211	1,251,141
Other assets (2)	260,856	158,188
Derivatives – Hedge accounting, interest rate risk	(56,718)	(33,403)
Total	**2,299,287**	**2,457,957**

(1) Of which, interest income from non-performing assets at 31 December 2020 was EUR 90,588 thousand (EUR 194,322 thousand at 31 December 2019).

(2) At 31 December 2020, includes EUR 159,682 thousand of interest accrued on deposits taken under the framework of the TLTRO programme (EUR 56,141 thousand at 31 December 2019). (see Note 18).

(27) Interest expenses

The breakdown of this item in the accompanying income statements for the years ended 31 December 2020 and 2019 is as follows:

(in thousands of euros)

ITEM	(Expenses) / Income 31/12/2020	31/12/2019
By counterparty		
Deposits	(320,794)	(392,848)
Central banks	(1,385)	(3,979)
General government	(156)	(1,999)
Credit institutions	(31,575)	(38,928)
Other financial corporations	(245,313)	(315,154)
Non-financial corporations	(32,319)	(13,638)
Households	(10,046)	(19,150)
Debt securities issued	(436,388)	(457,474)
Other financial liabilities	(6,566)	(9)
Derivatives – Hedge accounting, interest rate risk	400,018	450,385
Other liabilities (1)	(42,840)	(68,695)
Total	**(406,570)**	**(468,641)**

(1) Of which, in 2020, finance costs of EUR 6,559 thousand accrued on financial liabilities associated with property, plant and equipment acquired under leases (EUR 12,810 thousand at 31 December 2019).

(28) Dividend income

The breakdown of this item in the accompanying income statements for the years ended 31 December 2020 and 2019 is as follows:

(in thousands of euros)

ITEM	Income 31/12/2020	Income 31/12/2019
Financial assets held for trading	16	186
Financial assets at fair value through other comprehensive income	1,678	17,248
Investments in subsidiaries, joint ventures and associates	78,824	217,456
Total	**80,518**	**234,890**

(29) Fee and commission income

The breakdown of this item in the accompanying income statements for the years ended 31 December 2020 and 2019 is as follows:

(in thousands of euros)

ITEM	Income 31/12/2020	Income 31/12/2019
Contingent exposures	67,186	65,584
Contingent commitments	41,807	33,528
Collection and payment services	523,815	414,645
Securities services	82,527	68,660
Marketing of non-banking financial products	226,004	233,440
Other fees and commissions	224,181	242,511
Total	**1,165,520**	**1,058,368**

(30) Fee and commission expenses

The breakdown of this item in the accompanying income statements for the years ended 31 December 2020 and 2019 is as follows:

(in thousands of euros)

ITEM	(Expenses) 31/12/2020	(Expenses) 31/12/2019
Fees and commissions assigned to other entities and correspondents	(36,043)	(48,509)
Fee and commission expenses on securities transactions	(7,343)	(8,265)
Other fees and commissions	(23,409)	(25,765)
Total	**(66,795)**	**(82,539)**

(31) Gains or (-) losses on financial assets and liabilities

The breakdown of this item in the accompanying income statements for the years ended 31 December 2020 and 2019 by financial instrument portfolio, is as follows:

(in thousands of euros)

ITEM	(Expenses) / Income 31/12/2020	(Expenses) / Income 31/12/2019
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	154,568	288,776
Financial assets at fair value through other comprehensive income	20,622	213,169
Financial assets at amortised cost - Debt securities	127,968	71,247
Financial liabilities at amortised cost	5,978	4,360
Gains or (-) losses on financial assets and liabilities held for trading, net	22,034	26,466
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	(513)	905
Gains or (-) losses from hedge accounting, net	(22,788)	(11,531)
Total	**153,301**	**304,616**

The most significant gains in 2020, amounting to EUR 127 million in 2020 (EUR 71 million in 2019), correspond to sales of debt securities classified as financial assets at amortised cost, mainly including public and private debt securities, considered immaterial and infrequent, based on the business model criteria of holding assets to obtain contractual cash flows (see Note 2.2.5).

The most significant gains for 2019, amounting to EUR 213 million, reflect the sale of financial assets at fair value through other comprehensive income, corresponding mainly to public and private debt securities.

(32) Other operating income

The breakdown of this item in the accompanying income statements for the years ended 31 December 2020 and 2019 is as follows:

(in thousands of euros)

	Income	
ITEM	31/12/2020	31/12/2019
Income from investment property (Note 14.2)	16,352	20,376
Financial fees and commissions offsetting direct costs	22,574	26,366
Other items	23,756	8,560
Total	**62,682**	**55,302**

(33) Other operating expenses

The breakdown of this item in the accompanying income statements for the years ended 31 December 2020 and 2019 is as follows:

(in thousands of euros)

	(Expenses)	
ITEM	31/12/2020	31/12/2019
Contribution to Deposit Guarantee Fund and Resolution Fund (Note 1.10)	(234,252)	(231,063)
Other operating expenses	(72,207)	(71,970)
Total	**(306,459)**	**(303,033)**

(34) Administrative expenses – Staff expenses

The breakdown of this item in the accompanying income statements for the years ended 31 December 2020 and 2019, by type of cost, is as follows:

(in thousands of euros)

	(Expenses) / Income	
ITEM	31/12/2020	31/12/2019
Salaries and wages	(765,857)	(802,359)
Social Security	(220,011)	(223,684)
Contributions to defined contribution pension plans (Note 34.3)	(38,816)	(49,787)
Contributions to defined benefit pension plans	(4,194)	-
Termination benefits	(6,334)	(4,161)
Training expenses	(3,851)	(7,656)
Other staff expenses	(12,214)	(12,797)
Total	**(1,051,277)**	**(1,100,444)**

(34.1) Composition and distribution by gender of employees

The number of Bank employees, by gender and professional category (including executive directors and senior executives at the Bank) at 31 December 2020 and 2019, and the average headcount for the years ended 31 December 2020 and 2019, are as follows:

Remuneration levels	Workforce at 31 December 2020 Men	Women	Year-end workforce	Average headcount for 2020	Average headcount of employees with disability rating >= 33% 2020 (1)
Directors	**3**	**-**	**3**	**3**	**-**
Senior executives	**8**	**1**	**9**	**9**	**-**
Other employees by remuneration level	**6,780**	**8,730**	**15,510**	**15,405**	**185**
Level I	86	11	97	97	-
Level II	509	166	675	677	6
Level III	666	305	971	970	8
Level IV	998	745	1,743	1,747	18
Level V	1,226	1,338	2,564	2,564	23
Level VI	981	1,388	2,369	2,369	32
Level VII	756	1,409	2,165	2,154	29
Level VIII	268	651	919	902	17
Level IX	426	871	1,297	1,266	10
Level X	709	1,616	2,325	2,272	35
Level XI	80	145	225	223	6
Level XII	7	9	16	17	-
Level XIII	63	71	134	135	-
Level XIV	1	3	4	6	-
Group 2 and others	4	2	6	6	1
Total Bankia, S.A.	**6,791**	**8,731**	**15,522**	**15,417**	**185**

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

Remuneration levels	Workforce at 31 December 2019 Men	Women	Year-end workforce	Average headcount for 2019	Average headcount of employees with disability rating >= 33% 2019 (1)
Directors	**3**	**-**	**3**	**3**	**-**
Senior executives	**8**	**1**	**9**	**9**	**-**
Other employees by remuneration level	**6,823**	**8,774**	**15,597**	**15,483**	**182**
Level I	84	9	93	94	-
Level II	464	147	611	611	5
Level III	688	302	990	995	9
Level IV	995	736	1,731	1,737	16
Level V	1,150	1,236	2,386	2,390	23
Level VI	990	1,376	2,366	2,365	32
Level VII	604	1,058	1,662	1,653	21
Level VIII	427	943	1,370	1,358	22
Level IX	347	732	1,079	1,033	8
Level X	793	1,764	2,557	2,521	27
Level XI	197	371	568	559	18
Level XII	15	24	39	39	-
Level XIII	-	-	-	-	-
Level XIV	66	75	141	124	-
Group 2 and others	3	1	4	4	1
Total Bankia, S.A.	**6,834**	**8,775**	**15,609**	**15,495**	**182**

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

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

As described in Note 2.13, the Bank has undertaken certain post-employment defined benefit obligations with its employees. Details of these pension obligations and long-term benefits, which are recognised on the accompanying balance sheets, are as follows:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Post-employment benefits	**905,197**	**1,002,147**
Other long-term employee benefits	**160,628**	**227,057**
Obligations assumed from the labour agreement entered into as a result of the incorporation of the BFA Group (see Note 2.15)	2	1,386
Other long-term benefits	160,626	225,671
(Less) – Assets covering obligations	(434,931)	(194,539)
Total benefits net of plan assets	**630,894**	**1,034,665**
Other obligations	**-**	**-**
Total obligations for pensions funds and similar obligations	**630,894**	**1,034,665**
Of which:		
Debit balances - Assets (1)	(13,600)	(3,559)
Credit balances - Liabilities (2)	644,494	1,038,224
Insurance contracts linked to post-employment benefits (defined benefit)	483,038	836,660
Insurance contracts linked to other long-term obligations	160,541	225,252
Total insurance contracts (3)	**643,579**	**1,061,912**

(1) Included in "Other assets - Other" on the accompanying balance sheets.

(2) Recognised under "Provisions - Pensions and other post-employment defined benefit obligations" on the accompanying balance sheet (see Note 19).

(3) Bankia has taken out insurance policies to cover the portion of the aforementioned obligations that do not qualify as plan assets, irrespective of the provisions included on the balance sheet in accordance with current legislation, which are recognised under "Other assets - Insurance contracts linked to pensions" (see Note 16).

The tables below provide a breakdown at 31 December 2020 and 2019 of total related obligations, distinguishing between those that exceed the value of plan assets and are therefore recognised under "Provisions - Pensions and other post-employment defined benefit obligations" on the balance sheet, and those for which the value of the plan assets vis-à-vis related companies exceeds the present value of the obligation, which, pursuant to applicable regulations, are recognised at their net amount in "Other assets - Other" on the balance sheet:

31 December 2020

(in thousands of euros)

ITEM	Post-employment benefits			Early retirement and other long-term obligations			
	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 obligation exceeds the value of the plan assets recognised under "Provisions – Pensions and other post-employment defined benefit obligations"	676,967	193,099	483,868	160,628	2	160,626	644,494
Commitments for which the value of the obligation is less than the value of the plan assets recognised under "Other assets – Other"	228,230	241,830	(13,600)	-	-	-	(13,600)
Total at 31 December 2020	**905,197**	**434,929**	**470,268**	**160,628**	**2**	**160,626**	**630,894**

31 December 2019

(in thousands of euros)

ITEM	Post-employment benefits			Early retirement and other long-term obligations			Total (III + VI)
	Value of the obligation (I)	Value of plan assets (II)	Total (III = I – II)	Value of the obligation (IV)	Value of plan assets (V)	Total (VI = IV – V)	
Commitments for which the value of the obligation 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 obligation 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**

(34.3) Post-employment benefits

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

Defined contribution plans

As indicated in Note 2.13 above, the Bank has assumed the obligation of making certain contributions to its employees' external pension schemes that qualify as defined contribution plans under applicable legislation.

The Bank accrued contributions to external pension funds in the amount of EUR 51,613 thousand in 2020 of which EUR 12,796 thousand were covered by the employee pension plan and EUR 38,816 thousand are recognised under "Administrative expenses - Staff expenses" in the income statement for the year then ended. In 2019 the Bank accrued contributions to external pension funds in the amount of EUR 51,105 thousand of which EUR 1,318 thousand were covered by the employee pension plan and EUR 49,787 thousand are recognised under "Administrative expenses - Staff expenses" (see Note 34).

Defined benefit plans

The table below shows the reconciliation between the present value of defined benefit pension obligations assumed by the Bank with its employees at 31 December 2020 and 2019, 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 accompanying balance sheet at those dates:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Present value of the obligations	**905,197**	**1,002,147**
Obligations covered by plan assets	422,158	190,148
Obligations covered by non-plan assets	483,039	811,999
Less - Fair value of plan assets	**(434,929)**	**(193,404)**
Recognised under "Provisions – Pensions and other post-employment defined benefit obligations" on the balance sheet	**483,868**	**812,302**
Recognised under "Other Assets - Other" on the balance sheet	(13,600)	(3,559)
Fair value of non-plan assets covering pension obligations	**483,038**	**836,660**

"Fair value of non-plan assets covering pension obligations" in the above table includes the fair value of insurance policies arranged with Bankia Mapfre Vida. The fair value of these insurance policies was calculated in accordance with the applicable provisions of 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 0.55%, 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, point 14 c), of Circular 4/2017.

The fair value of plan assets stated in the above table is presented on the balance sheet as a reduction in the present value of the Bank's obligations.

The present value of the obligations was determined by qualified actuaries using the following techniques:

– Calculation 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	2020	2019
Technical interest rate (1)	0.55%	0.50%
Mortality tables	PERMF-2000	PERMF-2000
Estimated return on reimbursement rights recognised as assets	0.55%	0.50%
Expected return on plan assets	0.55%	0.50%
Social Security pensions growth rate (2)	Not applicable	1.00%
Rate of pension increase according to the Savings Banks collective agreement (3)	0.35%	1.00%
Rate of pension increase according to the CPI (3)	0.35%	1.75%
Cumulative CPI	1.75%	1.75%
Annual salary increase (4)	Not applicable	Not applicable

(1) Assumptions based on the duration of the post-employment obligations, which for this group is approximately 11.6 years, and in line with the yield on AA rated corporate bonds in the euro area.

(2) The assumption regarding the increase in Social Security pensions does not apply, since at the date of the actuarial measurement, 31 December 2020, there is no defined benefit obligation for serving employees or early-retired employees.

(3) With the official approval of pension growth in accordance with the Labour Agreement of 15 July 2020, the revaluation as of 1 January 2021 of all the commitments will be revised at a fixed rate of 0.35%.

(4) The assumption regarding the annual salary increase does not apply, since at the date of the actuarial measurement, 31 December 2020, no serving employee was covered by a defined benefit scheme.

The reconciliation of the balances recognised at 31 December 2020 and 2019 for the present value of the Bank's defined benefit obligations is as follows:

(in thousands of euros)

ITEM	2020	2019
Balance at 1 January	**1,002,147**	**939,337**
Expected interest on the obligation	5,668	15,034
Gains and losses recognised immediately in equity (*)	(29,344)	119,771
a) (Gain)/loss arising from changes in financial assumptions	*(5,179)*	*136,039*
b) (Gain)/loss arising from other changes (data, experience, etc.)	*(24,165)*	*(16,268)*
Benefits paid	(56,908)	(54,136)
Increase in obligation due to new commitments	100,580	1,875
Increase in obligation - Business combination	-	-
Curtailments	(116,946)	(19,734)
Balance at 31 December	**905,197**	**1,002,147**

(*) These amounts are recognised directly in "Accumulated other comprehensive income" in equity on the balance sheets (see Note 2.13).

The reconciliation of the fair value at 31 December 2020 and 31 December 2019 of plan assets in defined benefit obligations is as follows:

(in thousands of euros)

ITEM	2020	2019
Fair value at 1 January	**193,404**	**188,283**
Expected interest on the Fund	1,885	2,992
Gains and losses recognised immediately in equity (*):	(5,928)	14,907
a) Expected return on plan assets, excluding interest on the Fund	(5,928)	14,907
Net contributions/(reimbursements) [(1)]	(1,235)	(136)
Benefits paid	(17,275)	(12,642)
Increase in plan assets - Business combination	-	-
Reduction in plan assets - Reclassification of the value of the assets (transfer to linked insurance)	264,078	-
Fair value at 31 December	**434,929**	**193,404**

[(*)] These amounts are recognised directly in "Accumulated other comprehensive income" in equity on the balance sheets (see Note 2.13).
[(1)] Contributions/(reimbursements) imply a change in the fair value of "Plan assets" and, therefore, do not have any impact on the income statement.

The reconciliation of the fair value at 31 December 2020 and 2019 of reimbursement rights recognised on the balance sheet as assets under "Other assets - Insurance contracts linked to pensions" is as follows:

(in thousands of euros)

ITEM	2020	2019
Fair value at 1 January	**836,660**	**772,825**
Expected interest on insurance contracts linked to pensions	3,923	12,402
Gains and losses recognised immediately in equity [(*)]:	(36,268)	110,746
a)Expected return on linked insurance, excluding interest on insurance contracts linked to pensions	(36,268)	110,746
Net contributions/(reimbursements) [(1)]	(104,519)	(19,693)
Benefits paid	(39,632)	(41,495)
Pension Plan rebates (deduction of contributions to defined contribution plan)	(12,797)	-
Increase in reimbursement rights - Business combination	-	-
Increase in reimbursement rights - Reclassification of the value of the assets (transfer to linked insurance)	(164,329)	1,875
Settlements	-	-
Fair value at 31 December	**483,038**	**836,660**

[(*)] These amounts are recognised directly in "Accumulated other comprehensive income" in equity on the balance sheets (see Note 2.13).
(1) Contributions/(reimbursements) imply a change in the fair value of "Insurance contracts linked to pensions" and, therefore, do not have any impact on the income statement.

Details of the fair value of the main plan assets at 31 December 2020 and 2019 are as follows:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Insurance policies	206,699	11,143
Other assets (*)	228,230	182,261

(*) The fair value of plan assets classified as "Other assets", quantified at EUR 228 million, includes assets covered by employee pension plans or by insurance policies linked to such plans that do not fit into the categories set out in section H) of Rule Fifty-Nine of Bank of Spain Circular 4/2017.

The criteria used to determine the total expected return on plan assets are based on the duration of the post-employment obligations, which for this group is approximately 11.6 years (11.19 years for 2019), and in line with the yield on AA rated corporate bonds in the euro area.

(34.4) Early retirement and other long-term obligations

The table below shows the reconciliation between the present value of early retirement and other long-term obligations assumed by the Bank with its employees at 31 December 2020 and 2019, 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 accompanying balance sheet at those dates:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Present value of the obligations	**160,628**	**227,057**
Obligations covered by plan assets	2	1,139
Obligations covered by non-plan assets	160,541	225,248
Internal fund	85	670
Less - Fair value of plan assets	**(2)**	**(1,135)**
Recognised under "Provisions – Pensions and other post-employment defined benefit obligations" on the balance sheet	**160,626**	**225,922**
Recognised under "Other Assets - Other" on the balance sheet	**-**	**-**
Fair value of assets covering early retirement and other long-term obligations	**160,541**	**225,252**

The present value of the obligations was determined by qualified actuaries using the following techniques:

- Calculation 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	2020	2019
Technical interest rate (1)	0.00%	0.00%
Mortality tables	PERMF-2000	PERMF-2000
Estimated return on reimbursement rights recognised as assets	0.00%	0.00%
Expected return on plan assets	0.00%	0.00%
Social Security costs growth rate	2.00%	2.00%
Rate of pension increase according to the Savings Banks collective agreement	Not applicable	1.00%
Cumulative CPI	1.75%	1.75%
Annual salary increase	Not applicable	Not applicable
Medical cost trend rates	Not applicable	Not applicable

(1) Assumptions based on the duration of other long-term obligations, which for this group is approximately 1.77 years (2.09 years in 2019), and in line with the yield on AA rated corporate bonds in the euro area.

The reconciliation of the balances recognised at 31 December 2020 and 2019 for the present value of early retirement and other long-term obligations assumed by the Bank is as follows:

(in thousands of euros)

Item	2020	2019
Balance at 1 January	**227,057**	**313,470**
Expected interest on the obligation	-	968
Gains and losses recognised immediately	6,773	(5,071)
a)(Gain)/loss arising from changes in financial assumptions	*-*	*1,661*
b) (Gain)/loss arising from other changes (data, experience, etc.)	*6,773*	*(6,732)*
Benefits paid	*(73,208)*	*(82,310)*
Increase in obligation due to new commitments	*6*	-
Business combination	-	-
Settlements	-	-
Balance at 31 December	**160,628**	**227,057**

The table below shows the reconciliation at 31 December 2020 and 2019 of the fair value of plan assets in early retirement obligations and similar defined benefit obligations (all for Spanish companies):

(in thousands of euros)

	Plan assets	
Item	2020	2019
Fair value at 1 January	**1,135**	**7,331**
Expected interest on the Fund	-	16
Gains and losses recognised immediately	335	3,877
a) Expected return on plan assets, excluding interest	335	3,877
Net contributions/(reimbursements)	(872)	(6,070)
Benefits paid	(596)	(4,019)
Fair value at 31 December	**2**	**1,135**

The table below shows the reconciliation at 31 December 2020 and 2019 of the fair value of reimbursement rights recognised as assets under "Other assets - Insurance contracts linked to pensions" on the balance sheet for early retirement and other long-term obligations (all corresponding to the Bank's Spanish entities):

(in thousands of euros)

	Insurance contracts	
Item	2020	2019
Fair value at 1 January	**225,252**	**261,205**
Expected interest on insurance contracts linked to pensions	-	811
Gains and losses recognised immediately	7,801	(138)
a) Expected return on linked insurance, excluding interest on insurance contracts linked to pensions	7,801	(138)
Net contributions/(reimbursements)	(1)	44,134
Benefits paid	(72,511)	(80,760)
Fair value at 31 December	**160,541**	**225,252**

The table below shows the fair value of the main plan assets at 31 December 2020 and 2019 for early retirement and similar obligations:

(in thousands of euros)

Item	31/12/2020	31/12/2019
Insurance policies	2	1,135

(34.5) Estimate of future payments for defined benefit obligations

The following table shows the estimate of payments for defined benefit obligations over the next 10 years:

(in thousands of euros)						
Future payments	2,021	2,022	2,023	2,024	2,025	2026-2030
Pension obligations	57,468	55,641	53,888	52,015	50,142	221,274
Other long-term obligations	69,818	57,843	30,072	2,821	73	-

The best actuarial estimate indicates that the amount of contributions to be made in respect of the pension and similar obligations assumed by the Bank in 2021 will not be significant with respect to the profit and equity estimated for the Bank at the end of the year.

(34.6) Sensitivity analysis

The table below shows an analysis of the sensitivity of defined benefit obligations at 31 December 2020, specifically pension and other long-term obligations (early retirement), to changes in the main actuarial assumptions:

(in thousands of euros)		
Item	Pension obligations	Early retirement
Technical interest rate		
50bp increase	856,065	159,602
50bp decrease (*)	959,439	160,628
Annual salary increase (**)		
50bp increase	Not applicable	Not applicable
50bp decrease	Not applicable	Not applicable
Annual pension increase (***)		
50bp increase	Not applicable	Not applicable
50bp decrease	Not applicable	Not applicable
Cumulative CPI		
50bp increase	905,241	Not applicable
50bp decrease	905,157	Not applicable

(*) As the interest rate for early-retired employees was 0.00%, the measurement with the 0.5% decrease was performed at 0%.

(**) The annual salary increase only affects serving employees. As there were no serving employees covered by defined benefit schemes at 31 December 2020, this change is not applicable.

(***) The annual pension increase is constant at 0.35% following the Labour Agreement of 15 July 2020.

Given the assurance of these obligations (see Note 2.13.1.2) the change in actuarial assumptions would not have a significant impact on these consolidated financial statements.

An estimate has been made of the rise in the Bank's post-employment and long-term obligations in the event of applying the mortality tables published by the Directorate-General for Insurance and Pension Funds on 28 December 2020. Should the first-order PER2020 mortality tables be used for groups, the rise in defined benefit obligations would increase by a maximum of 2.91%. Despite this increase, there is no impact on the Bank's equity.

(34.7) Remuneration in kind

The Bank's remuneration policy includes certain remuneration in kind, mainly financial assistance and health insurance policies, which are taxed, as appropriate, in accordance with prevailing regulations.

(34.8) Share-based payment schemes

The remuneration policy adheres to corporate governance best practices and is in accordance with European regulations concerning remuneration policies at credit institutions and Royal Decree-Law 2/2012 of 3 February, Ministerial Order ECC/1762/2012 of 3 August and Law 10/2014 of 26 June.

The system sets out a specific scheme for settling variable remuneration for executives who 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, whether in shares or cash, must be deferred.

Rest of the identified personnel:

- At least 50% of variable remuneration must be paid in Bankia shares.
- At least 40% of variable remuneration, whether in 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 targets, with deferral of a further 25% to be settled in shares in two equal deliveries in the two subsequent years.

For the rest of the identified personnel, 30% of annual variable remuneration shall be paid in shares following assessment of targets for the year. In addition, 20% of annual variable remuneration shall be deferred in three equal portions over a period of three years.

The share price shall be the average quoted price in the three months prior to the accrual date.

All shares delivered to directors as part of their annual variable remuneration shall be unavailable during the year immediately following the date on which they are delivered.

(35) Administrative expenses - Other administrative expenses

Details, by nature, of this item in the accompanying income statements for the years ended 31 December 2020 and 2019 are as follows:

(in thousands of euros)

	(Expenses)	
ITEM	31/12/2020	31/12/2019
From property, fixtures and supplies [(1)]	(56,538)	(59,242)
IT and communications	(215,408)	(204,576)
Advertising and sponsorship	(47,504)	(53,430)
Technical reports	(34,938)	(34,994)
Surveillance and security carriage services	(16,775)	(18,122)
Insurance and self-insurance premiums	(3,323)	(3,419)
Contributions and other taxes	(28,435)	(31,378)
Other expenses	(110,968)	(90,684)
Total	**(513,889)**	**(495,845)**

On 27 March 2020 the Bank's General Meeting of Shareholders appointed KPMG Auditores, S.L. as the auditor of Bankia, S.A. for 2020, 2021 and 2022, replacing Ernst & Young, S.L.

Fees corresponding to services rendered by the audit firm KPMG Auditores, S.L. for the audit of the financial statements of the Bank for the year ended 31 December 2020, are as follows:

(in thousands of euros)

ITEM	2,020
Bankia, S.A.	
Audit services	2,304
Other assurance services	65
Other services	11
Total	**2,380**

The amounts detailed in the above table for audit services include the total fees for those services, irrespective of the date of invoice.

Other assurance services and other services reflect services provided in relation to the issue of comfort letters and translations, respectively.

In addition, at 31 December 2020 agreed fees, still to be invoiced, between Bankia and KPMG Auditores, S.L. amount to Euros 271 thousand and correspond mainly to regulatory work, agreed-upon procedures reports and translations.

Other entities affiliated with KPMG International have invoiced the Bank the following fees and expenses for professional services during the year ended 31 December 2020:

(in thousands of euros)

ITEM	2,020
Audit services	-
Other assurance services	-
Tax advisory services	4
Other services	320
Total	**324**

Furthermore, at 31 December 2020 agreed fees, still to be invoiced, between the Bank and other entities affiliated with KPMG International, amount to Euros 288 thousand.

Details of the fees for 2019 agreed by the Bank with firms belonging to the worldwide organisation of Ernst & Young, S.L. (the auditor of Bankia, S.A. until 2019) are as follows:

- For the audit of the financial statements of Bankia, S.A. and of the condensed consolidated interim financial statements and consolidated financial statements of the Bankia Group for 2019: EUR 1,804 thousand.

- For other assurance and services similar to auditing required by regulations or supervisory authorities in 2019: EUR 135 thousand.

- For other professional services rendered in 2019: EUR 392 thousand, with no fees agreed for tax advisory services.

The services engaged by the Bankia Group meet the independence requirements stipulated in Audit Law 22/2015, of 20 July, and do not include any work that is incompatible with the audit function.

(36) Depreciation and amortisation

Details of this item in the accompanying income statements for the years ended 31 December 2020 and 2019 are as follows:

(in thousands of euros)

	(Expenses)	
ITEM	31/12/2020	31/12/2019
Depreciation of tangible assets (Note 14)	(145,668)	(145,818)
Amortisation of intangible assets (Note 15)	(48,662)	(53,859)
Total	**(194,330)**	**(199,677)**

(37) Provisions or (-) reversal of provisions

Details of this item in the accompanying income statements for the years ended 31 December 2020 and 2019 are as follows (see Note 19):

(in thousands of euros)

	(Expenses) / Income	
ITEM	31/12/2020	31/12/2019
Commitments and guarantees given	25,717	72,066
Pensions and other post-employment defined benefit obligations	104,711	28,653
Pending procedural issues and tax litigation	(104,752)	(104,073)
Other provisions	(10,074)	(18,304)
Total	**15,602**	**(21,658)**

(38) Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss and modification losses or (-) gains, net

Details of the net amount recognised for this item in the income statements for the years ended 31 December 2020 and 2019, by category of financial instrument, are as follows:

(in thousands of euros)

	(Expenses) / Income	
ITEM	31/12/2020	31/12/2019
Financial assets at amortised cost (Note 11)	(1,043,594)	(457,812)
Financial assets at fair value through other comprehensive income (Note 10)	(198)	552
Total	**(1,043,792)**	**(457,260)**

(39) Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates

Details, by nature, of the amount recognised for this item in the accompanying income statements for the years ended 31 December 2020 and 2019 are as follows:

(in thousands of euros)

	(Expenses) / Income	
ITEM	31/12/2020	31/12/2019
Additions	67,496	181,966
Reversals	(61,858)	(86,690)
Total (Note 13)	**5,638**	**95,276**

(40) Impairment or (-) reversal of impairment on non-financial assets

Details, by nature, of the amount recognised for this item in the accompanying income statements for the years ended 31 December 2020 and 2019 are as follows:

(in thousands of euros)

	(Expenses) / Income	
ITEM	31/12/2020	31/12/2019
Property, plant and equipment (Note 14)	-	210
Additions	-	-
Reversals	-	210
Investment property (Note 14)	(15,709)	(14,232)
Additions	(35,207)	(26,034)
Reversals	19,498	11,802
Other	-	-
Additions	-	-
Total	**(15,709)**	**(14,022)**

(41) Gains or (-) losses on derecognition of non-financial assets and investments, net

Details, by nature, of this item in the accompanying income statements for the years ended 31 December 2020 and 2019 are as follows:

(in thousands of euros)

	(Expenses) / Income	
ITEM	31/12/2020	31/12/2019
Gain/(loss) on disposal of tangible assets	1,956	-
Gain/(loss) on disposal of investments in subsidiaries, joint ventures and associates	-	-
Other items	(39)	(329)
Total	**1,917**	**(329)**

(42) Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

Details, by nature, of this item in the accompanying income statements for the years ended 31 December 2020 and 2019 are as follows:

(in thousands of euros)

ITEM	(Expenses) / Income 31/12/2020	31/12/2019
Non-current assets – Property investment	(107,684)	(158,375)
Non-current assets - Investments in joint ventures and associates	108,923	40,823
Non-current assets - Other income and expenses	107,721	-
Total	**108,960**	**(117,552)**

At 31 December 2020 "Non-current assets – Property investment" include impairment losses on assets amounting to EUR 131,474 thousand (EUR 163,594 thousand at 31 December 2019).

At 31 December 2020 "Non-current assets - Investments in joint ventures and associates" include the profit of EUR 109 million generated on the sale of the Caser investment (see Note 1.15).

At 31 December 2020 "Non-current assets - Other income and expenses" mainly include the profit of EUR 155 million generated on the sale of its collective investment undertaking and pension fund custodian business to Cecabank (see Note 25.3).

(43) Related parties

In addition to the disclosures made in Note 5 regarding the remuneration earned by members of the Board of Directors and Senior Executives of the Bank, a breakdown of the balances recognised on the balance sheet at 31 December 2020 and the gains and losses recognised in the income statement for the year ended 31 December 2020 arising from transactions with related parties is as follows:

(in thousands of euros)

ITEM	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	Total
EXPENSES AND INCOME					
(Interest expenses)	2	-	8,952	105	9,059
Leases	-	-	-	-	-
Services received	-	-	-	-	-
Purchases of goods (finished goods or work in progress)	-	-	-	-	-
Other expenses	-	-	15,090	(1)	15,089
Total	**2**	**-**	**24,042**	**104**	**24,148**
Interest income	238	5	12,049	55	12,347
Dividends received	-	-	78,824	853	79,677
Services rendered	1,565	115	216,687	162	218,529
Sales of inventories	-	-	-	-	-
Other income	-	-	3,448	-	3,448
Total	**1,803**	**120**	**311,008**	**1,070**	**314,001**

(in thousands of euros)

ITEM	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	Total
OTHER TRANSACTIONS					
Financing agreements: loans and capital contributions (lender)	(185)	(839)	17,185	(3,018)	13,143
Financing agreements: loans and capital contributions (borrower)	3,488	(452)	(167,622)	(16,023)	(180,609)
Collateral and bank guarantees given	(966)	-	(2,282)	(844)	(4,092)
Collateral and bank guarantees received	-	-	-	-	-
Commitments undertaken	-	7	4,354	164	4,525
Dividends and other profit distributed	(219,625)	-	-	-	(219,625)
Other transactions	(1,420)	-	(73,634)	-	(75,054)

(in thousands of euros)

ITEM	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	Total
CLOSING BALANCES					
Trade receivables	-	-	-	-	-
Loans and credit extended	379	3,499	329,170	2,261	335,309
Other rights to receivables	-	-	-	-	-
Total receivables	**379**	**3,499**	**329,170**	**2,261**	**335,309**
Suppliers and trade payables	-	-	-	-	-
Loans and credit received	28,466	7,012	844,603	80,616	960,697
Other payment obligations	-	-	-	-	-
Total payables	**28,466**	**7,012**	**844,603**	**80,616**	**960,697**

Details of balances recognised on the balance sheet at 31 December 2019 and in the income statement for 2019 arising from transactions with related parties are as follows:

(in thousands of euros)

ITEM	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	Total
EXPENSES AND INCOME					
(Interest expenses)	59	-	12,619	185	12,863
Leases	-	-	-	-	-
Services received	-	-	-	-	-
Purchases of goods (finished goods or work in progress)	-	-	-	-	-
Other expenses	-	-	(73,925)	45	(73,880)
Total	**59**	**-**	**(61,306)**	**230**	**(61,017)**
Interest income	2	7	13,216	100	13,325
Dividends received	-	-	217,456	5,882	223,338
Services rendered	3,790	117	225,032	477	229,416
Sales of inventories	-	-	-	-	-
Other income	-	-	3,189	-	3,189
Total	**3,792**	**124**	**458,893**	**6,459**	**469,268**

(in thousands of euros)

ITEM	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	Total
OTHER TRANSACTIONS					
Financing agreements: loans and capital contributions (lender)	(100,231)	3,416	(142,981)	3,577	(236,219)
Financing agreements: loans and capital contributions (borrower)	(10,723)	4,296	(1,404,087)	11,347	(1,399,167)
Collateral and bank guarantees given	(264)	(9)	(15,332)	(1,477)	(17,082)
Collateral and bank guarantees received	-	-	-	-	-
Commitments undertaken	-	36	(477)	67	(374)
Dividends and other profit distributed	(219,360)	-	-	-	(219,360)
Other transactions	728	-	85,945	-	86,673

(in thousands of euros)

ITEM	Significant shareholders	Directors and executives	Group employees, companies or entities	Other related parties	Total
CLOSING BALANCES					
Trade receivables	-	-	-	-	-
Loans and credit extended	564	4,338	311,985	5,279	322,166
Other rights to receivables	-	-	-	-	-
Total receivables	**564**	**4,338**	**311,985**	**5,279**	**322,166**
Suppliers and trade payables	-	-	-	-	-
Loans and credit received	24,978	7,464	1,012,225	96,639	1,141,306
Other payment obligations	-	-	-	-	-
Total payables	**24,978**	**7,464**	**1,012,225**	**96,639**	**1,141,306**

Details of subsidiaries, associates and jointly controlled entities are provided in Appendices I, II and III hereto, respectively. “Other related parties” include balances held by close relatives of members of the Bank's Board of Directors (inter alia, directors' spouses and their own and their spouses' ascendants, descendants and siblings), by entities related to such persons, and by the Employee Pension Fund, as far as the Bank is aware.

All transactions between the Bank and its related parties were at arm’s length.

In addition, at 31 December 2020, the Fund for Orderly Bank Restructuring (FROB), through BFA, held a 61.83% (62.48% taking into consideration the effect of treasury shares) stake in Bankia, S.A. The FROB carries out 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 general government at 31 December 2020 are disclosed in the following notes to the financial statements:

- Note 8 Financial assets and liabilities held for trading
- Note 9 Non-trading financial assets mandatorily at fair value through profit or loss
- Note 10 Financial assets at fair value through other comprehensive income
- Note 11 Financial assets at amortised cost
- Note 18 Financial liabilities at amortised cost

.

The income and expenses recognised in the income statements for 2020 and 2019 are as follows:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Interest income Spanish general government (*)	36,375	42,394
(Interest expenses Spanish general government) (*)	(156)	(1,999)

(*) Interest income and interest expenses are shown at their gross amounts.

There were no significant individual transactions with general government outside the ordinary course of the Bank's and Group's business.

Transactions carried out, balances held and contracts entered into with BFA

The main balances held by the Bank with BFA (significant shareholder) at 31 December 2020 include the following:

- "Loans and credit received" include an interest-bearing demand deposit of EUR 28 million, set up by BFA;
- "Other rights to receivables" reflect the balance related to the accrual of fees and commissions explained below;
- "Collateral and bank guarantees given" reflect the amounts drawn on the line of bank guarantees granted by Bankia to BFA;
- "Services rendered" in the income statement include income from services rendered by the Bank to recover fully impaired and written-off BFA assets, calculated in accordance with the total amount recovered, and from bank guarantees issued;
- Lastly, the table above showing related-party figures includes interest income received and interest expenses paid, 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 any duplications.
- A Master Financial Transactions Agreement (MFTA) on derivatives trading between the two institutions.
- A Global Master Repurchase Agreement (GMRA) and a Collateral Assignment Agreement linked to fixed-income repo transactions.
- A European Master Financial Transactions Agreement (EMFTA) covering securities lending and fixed-income repo agreements.
- A cost-sharing agreement for lawsuits related to preference shares 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 European Central Bank 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 (through BFA) stake in Bankia.

All transactions between the two entities are carried out on normal market terms.

APPENDICES

Appendix I – Subsidiaries

The key details on subsidiaries, including those classified under "Non-current assets held for sale", at 31 December 2020 are as follows:

Company	Business activity	Registered office	% Ownership held by the Group		
			% Current ownership		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.	Marketing of products	Madrid - Spain	100.00	-	100.00
BANKIA FINTECH VENTURE S.A.U.	Corporate management firm	Madrid - Spain	100.00	-	100.00
BANKIA FONDOS, S.G.I.I.C., S.A.	Collective investment undertakings manager	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 INDUSTRIAL BANKIA, S.A.U.	Corporate management firm	Madrid - Spain	100.00	-	100.00
COSTA EBORIS, S.L.U., IN LIQUIDATION (1)	Real estate	Valencia – Spain	-	100.00	100.00
ENCINA LOS MONTEROS, S.L.U., IN LIQUIDATION (1)	Real estate	Valencia – Spain	-	100.00	100.00
GESTIÓN Y REPRESENTACIÓN GLOBAL, S.L.U.	Corporate management firm	Madrid - Spain	100.00	-	100.00
GESTIÓN GLOBAL DE PARTICIPACIONES, S.L.U.	Corporate management firm	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 firm	Madrid - Spain	0.10	99.90	100.00
INVERSIONES Y DESARROLLOS 2069 MADRID, S.L.U., IN LIQUIDATION (1)	Real estate	Madrid - Spain	100.00	-	100.00
NAVIERA CATA, S.A.	Acquisition, leases and operation of ships	Las Palmas de Gran Canaria (Las Palmas) - Spain	100.00	-	100.00
PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L.	Corporate management firm	Madrid - Spain	0.01	99.99	100.00
PUERTAS DE LORCA DESARROLLOS EMPRESARIALES, S.L.U., IN LIQUIDATION (1)	Property 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 firm	Valencia – Spain	100.00	-	100.00
VALORACIÓN Y CONTROL, S.L.	Corporate management firm	Madrid - Spain	0.01	99.99	100.00

(1) Companies in the process of liquidation

(2) Companies classified under “Non-current assets and disposal groups classified as held for sale”.

Appendix II – Associates and joint ventures

The key details on associates and joint ventures at 31 December 2020 are as follows:

Company	Business activity	Registered office	% Ownership held by the Group			Thousands of euros (*)		
			% Current ownership		Total ownership interest	2020		
			Direct	Indirect		Assets (*)	Liabilities (*)	Profit/(loss) (*)
Associates								
AVALMADRID, S.G.R.	SME funding	Madrid - Spain	24.55	-	24.55	128,338	62,382	-
BANKIA MAPFRE VIDA, S.A., DE SEGUROS Y REASEGUROS	Life insurance	Majadahonda (Madrid) - Spain	49.00	-	49.00	8,100,628	7,660,589	128,742
BILLIB, S.L.	Other independent services	Madrid - Spain	-	31.81	31.81	7,100	664	(1,210)
FINWEG, S.A.	Other independent services	Madrid - Spain	-	20.00	20.00	1,242	337	(526)
GRAMINA HOMES, S.L.	Real estate	Madrid - Spain	20.00	-	20.00	625,154	24,656	(19,651)
REDSYS SERVICIOS DE PROCESAMIENTO, S.L.	Payment methods	Madrid - Spain	15.94	-	15.94	99,900	29,371	1,797
Joint ventures								
CACF BANKIA CONSUMER FINANCE, EFC, S.A.	Consumer finance	Madrid - Spain	49.00	-	49.00	159,524	120,911	(13,482)

(*) Latest available data, unaudited

Appendix III – 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 2020 are as follows:

Company	Business activity	Registered office	% Ownership held by the Group			Thousands of euros (*)		
			% Current ownership		Total ownership interest	2020		
			Direct	Indirect		Assets (*)	Liabilities (*)	Profit/(loss) (*)
Associates								
ALAZOR INVERSIONES, S.A., IN LIQUIDATION (1)	Activities annexed to land 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	203,158	203,711	6
MURCIA EMPRENDE, SOCIEDAD DE CAPITAL RIESGO DE REGIMEN SIMPLIFICADO, S.A.	Venture capital company	Murcia - Spain	28.68	-	28.68	2,435	35	(160)
NEWCOVAL, S.L., IN LIQUIDATION	Real estate	Valencia – Spain	-	50.00	50.00	739	653	-
ROYACTURA, S.L., IN LIQUIDATION (1)	Real estate	Las Rozas de Madrid (Madrid) - Spain	-	45.00	45.00	57,027	56,157	-
Joint ventures								
CARTERA PERSEIDAS, S.L., IN LIQUIDATION (1)	Corporate management firm	Madrid - Spain	11.82	-	11.82	148	7	(27)
INMACOR DESARROLLOS, S.A. DE CV, IN LIQUIDATION (1)	Real estate	Playa del Carmen (Quintana Roo) - Mexico	-	72.57	72.57	838	11	30
INMOBILIARIA PIEDRA BOLAS, S.A. DE CV, IN LIQUIDATION (1)	Real estate	Playa del Carmen (Quintana Roo) - Mexico	55.55	17.02	72.57	62,355	113,317	(6,124)
PLAYA PARAISO MAYA, S.A. DE CV, IN LIQUIDATION (1)	Real estate	Playa del Carmen (Quintana Roo) - Mexico	57.17	15.40	72.57	89,434	1,561	13,258
PROMOCIONES Y PROYECTOS MURCILOR, S.L., IN LIQUIDATION (1)	Property development	Lorca (Murcia) - Spain	50.00	-	50.00	9,622	33,613	(2,447)
PROYECTOS Y DESARROLLOS HISPANOMEXICANOS, S.A., DE CV	Real estate	Playa del Carmen (Quintana Roo) - Mexico	-	72.57	72.57	51,937	52,735	(4,427)
SOL EDIFICAT PONENT, S.L.	Property development	Vilafranca del Penedès (Barcelona) - Spain	50.00	-	50.00	11,330	36,526	-

(1) Companies in the process of liquidation

(*) Latest available data, unaudited

Appendix IV – Loan securitisation

(in thousands of euros)

ITEM	31/12/2020		31/12/2019	
	Amount	Maturity	Amount	Maturity
RMBS I loan securitisation	613,284	2049	662,128	2049
RMBS II loan securitisation	537,951	2049	577,017	2049
RMBS III loan securitisation	1,112,996	2050	1,180,913	2050
RMBS IV loan securitisation	822,325	2050	877,069	2050
MADRID RESIDENCIAL I loan securitisation	366,951	2051	391,840	2051
MADRID RESIDENCIAL II loan securitisation	334,757	2049	356,077	2049
BANCAJA 7 loan securitisation	194,836	2034	229,153	2034
BANCAJA 8 loan securitisation	243,618	2034	280,439	2034
MBS BANCAJA 2 loan securitisation	-	2035	87,883	2035
BANCAJA 9 loan securitisation	389,685	2040	436,336	2040
MBS BANCAJA 3 loan securitisation	124,450	2040	141,838	2040
BANCAJA 10 loan securitisation	752,969	2046	882,937	2046
MBS BANCAJA 4 loan securitisation	359,007	2050	407,571	2050
BANCAJA 11 loan securitisation	672,782	2047	777,356	2047
BANCAJA 13 loan securitisation	1,359,867	2048	1,468,810	2048
MBS BANCAJA 6 loan securitisation	317,318	2048	351,491	2048
BANCAJA-BVA VPO 1 loan securitisation	-	2047	95,871	2047
AyT HIPOTECARIO MIXTO II loan securitisation	-	2036	18,920	2036
AyT CAJA MURCIA HIP I loan securitisation	34,381	2035	42,639	2035
AyT CAJA MURCIA HIP II loan securitisation	38,220	2036	45,959	2036
AyT HIPOTECARIO MIXTO V loan securitisation	47,764	2041	54,067	2041
AyT HIPOTECARIO MIXTO loan securitisation	-	2033	10,453	2033
AyT CAJA GRANADA HIPOTECARIO I loan securitisation	84,888	2037	95,285	2037
TDA 22 MIXTO loan securitisation (*)	8,443	2044	10,149	2044
TDA 27 loan securitisation (*)	47,073	2047	52,918	2047
CAIXA PENEDÈS 1 TDA loan securitisation	1,950	2043	2,217	2043
CAIXA PENEDÈS 2 TDA loan securitisation	1,169	2045	1,428	2045
CAIXA PENEDÈS FTGENCAT 1 TDA loan securitisation	3,105	2049	3,306	2049
CAIXA PENEDÈS PYMES 1 TDA loan securitisation	4,610	2045	4,907	2045
TDA 20 MIXTO loan securitisation (*)	17,456	2036	20,054	2036
Total on the balance sheet	**8,491,855**		**9,567,031**	

Appendix V – Financial liabilities at amortised cost - Debt securities issued

Details of this heading on the balance sheet at 31 December 2020 and 2019 are as follows:

(in thousands of euros)

			2020		2019		
TYPE OF DEBT SECURITY	Currency	Final maturity	Nominal amount	Annual interest rate	Nominal amount	Credit rating Issuer/Issue (1)	Type of guarantee given (2)
Debt securities issued							
Bankia ICO Line Bond 2014-8	euro	2020	-	EUR 6M+ 2.75%	524	-	Bankia Personal Guarantee
Bankia ICO Line Bond 2014-15	euro	2020	-	EUR 6M+ 2.35%	1,262	-	Bankia Personal Guarantee
Bankia ICO Line Bond 2014-20	euro	2020	-	EUR 6M+ 2.35%	546	-	Bankia Personal Guarantee
Granada Senior Bond	euro	2022	30,000	Inflation-linked coupon	30,000	BBB (high)	Bankia Personal Guarantee
BN BANKIA 2019-1	euro	2024	500,000	0.88%	500,000	BBB (high)	Bankia Personal Guarantee
BN BANKIA SNP 2019-1	euro	2024	500,000	1.00%	500,000	BBB	Bankia Personal Guarantee
BN BANKIA 2019-2	euro	2026	750,000	0.75%	750,000	BBB (high)	Bankia Personal Guarantee
BANKIA SNP 2019-2	euro	2026	750,000	1.13%	750,000	BBB	Bankia Personal Guarantee
CM Bond 29/12/28	euro	2028	65,000	4.76%	65,000	BBB (high)	Bankia Personal Guarantee
Caymadrid Bond (2)	euro	2032	4,721	Irregular and zero coupon	5,032	BBB (high)	Bankia Personal Guarantee
Bankia Covered Bond 2016-1	euro	2021	1,000,000	0.88%	1,000,000	AAA	Mortgage Portfolio-Mortgage Law
CM Covered Bond 26/04/22	euro	2022	1,500,000	4.50%	1,500,000	AAA	Mortgage Portfolio-Mortgage Law
Bankia Covered Bond 2015-2	euro	2022	1,250,000	1.13%	1,250,000	AAA	Mortgage Portfolio-Mortgage Law
Bankia Covered Bond 2014-1	euro	2023	2,500,000	EUR 1M+1.40%	2,500,000	AAA	Mortgage Portfolio-Mortgage Law
Bankia Covered Bond 2016-2	euro	2023	1,000,000	1.00%	1,000,000	AAA	Mortgage Portfolio-Mortgage Law
CM Covered Bond 03/02/25	euro	2025	2,000,000	4.00%	2,000,000	AAA	Mortgage Portfolio-Mortgage Law
Bankia Covered Bond 2015-1	euro	2025	1,285,500	1%	1,285,500	AAA	Mortgage Portfolio-Mortgage Law
Bankia Covered Bond 2018-1	euro	2026	100,000	EUR 6M+0.18%	100,000	AAA	Mortgage Portfolio-Mortgage Law
Bankia Covered Bond 2018-2	euro	2026	400,000	EUR 6M+0.28%	400,000	AAA	Mortgage Portfolio-Mortgage Law
Bankia Covered Bond 2014-2	euro	2027	2,500,000	EUR 1M+1.40%	2,500,000	AAA	Mortgage Portfolio-Mortgage Law
Bankia Covered Bond 2019-1	euro	2027	475,000	EUR 6M+0.50%	475,000	AAA	Mortgage Portfolio-Mortgage Law
Bankia Covered Bond 2019-2	euro	2027	160,000	0.15%	160,000	AAA	Mortgage Portfolio-Mortgage Law
Bankia Covered Bond 2014-3	euro	2028	2,500,000	EUR 1M+1.40%	2,500,000	AAA	Mortgage Portfolio-Mortgage Law
CM Covered Bond 24/03/36	euro	2036	2,000,000	4.13%	2,000,000	AAA	Mortgage Portfolio-Mortgage Law
Bankia Public-Sector Covered Bond 2020-1	euro	2025	900,000	EUR 6M+0.25%	-	AA-	Public-sector loan portfolio
Bankia Subordinated Bond 2017-1	euro	2027	500,000	3.38%	500,000	BBB-	Bankia Personal Guarantee
Bankia AT1 Bond	euro	PERP	750,000	6.00%	750,000	BB-	Bankia Personal Guarantee
Bankia AT1 Bond 2018	euro	PERP	500,000	6.38%	500,000	BB-	Bankia Personal Guarantee
BMN Subordinated Bond	euro	2026	175,000	9.00%	175,000	BBB-	Bankia Personal Guarantee
Subordinated Bond 2019-1 3.75%	euro	2029	1,000,000	3.75%	1,000,000	BBB-	Bankia Personal Guarantee
Sum			**25,095,221**		**24,197,864**		
Treasury shares			(8,871,034)		(7,941,211)		
Valuation adjustments and other			1,155,568		1,045,500		
Closing balance (amortised cost)			**17,379,755**		**17,302,153**		

(1) The ratings on Bankia AT1 and Bankia AT1 2018 Bonds were assigned by S&P Global Ratings and revised on 23 September 2020.

The ratings for the Bankia Subordinated Bond 2014-1, BMN Subordinated Bond, Bankia Subordinated Bond 2017-1 and Bankia Subordinated Bond 2019-1 were assigned by S&P Global Ratings and revised on 23 September 2020.

The ratings for all of the covered bonds were assigned by DBRS and revised on 18 September 2020.

The rating for the Bankia Public-Sector Covered Bond 2020-1 was assigned by S&P Global Ratings and revised on 17 December 2020.

Ratings of other issues were assigned by DBRS and revised on 24 September 2020.

(2) As a result of the liquidation of Caymadrid.

Appendix VI - Movement in issues

Details of issues, repurchases and redemptions of debt securities by the Bank in 2020 and 2019 are as follows:

(in millions of euros)

Issuer information		Data for issues, repurchases and redemptions in 2020										
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 redemption	Balance outstanding	Coupon	Type of guarantee given
Spain	Issue	AA-	ES0413307176	Bankia Public-Sector Covered Bond 2020-1	02/07/2020	02/07/2025	AIAF	euro	900	900	EUR 6M+0.25%	Public-sector loan portfolio
Spain	Redemption	BBB (high)	XS0147547177	Caymadrid Bond	06/05/2020	01/04/2032	LuxSE	euro	0.3	4.7	Irregular coupon until 2013, zero coupon thereafter	Bankia Personal Guarantee
Spain	Redemption	-	ES0213307012	Bankia ICO Line Bond 2014-8	10/01/2020	10/07/2020	AIAF	euro	0.5	-	EUR 6M+ 2.75%	Bankia Personal Guarantee
Spain	Redemption	-	ES0213307020	Bankia ICO Line Bond 2014-15	10/04/2020	10/10/2020	AIAF	euro	1.3	-	EUR 6M+ 2.35%	Bankia Personal Guarantee
Spain	Redemption	-	ES0213307038	Bankia ICO Line Bond 2014-20	10/06/2020	10/12/2020	AIAF	euro	0.5	-	EUR 6M+ 2.35%	Bankia Personal Guarantee

(1) The rating for the Bankia Public-Sector Covered Bond 2020-1 was assigned by S&P Global Ratings and revised on 17 December 2020.
The rating for the Caymadrid Bond was assigned by DBRS and revised on 24 September 2020.

(in millions of euros)

Issuer information					Data for issues, repurchases and redemptions 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 redemption	Balance outstanding	Coupon	Type of guarantee given
Spain	Issue	BBB (low)	XS1951220596	Subordinated Bond 2019-1	15/02/2019	15/02/2029	Dublin	euro	1,000	1,000	0.0375	Bankia Personal Guarantee
Spain	Issue	AAA	ES0413307150	Bankia Covered Bond 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 Bond 2019-1	25/06/2019	25/06/2024	AIAF	euro	500	500	1.00%	Bankia Personal Guarantee
Spain	Issue	AAA	ES0413307168	Bankia Covered Bond 2019-2	22/11/2019	22/11/2027	AIAF	euro	160.0	160.0	0.0015	Mortgage Portfolio-Mortgage Law
Spain	Issue	BBB	ES0213307061	BANKIA SNP 2019-2	12/11/2019	12/11/2026	AIAF	euro	750.0	750.0	0.01125	Bankia Personal Guarantee
Spain	Issue	BBB (high)	ES0213307053	Bankia Bond 2019-2	09/07/2019	09/07/2026	AIAF	euro	750.0	750.0	0.0075	Bankia Personal Guarantee
Spain	Redemption	BBB (high)	ES0313307003	Bankia Bond 2014-1	17/01/2019	17/01/2019	AIAF	euro	1,000.0	-	0.035	Bankia Personal Guarantee
Spain	Redemption	BBB (high)	ES0413056047	BMN Covered Bond 5th Issue	21/01/2019	21/01/2019	AIAF	euro	500.0	-	0.03125	Mortgage Portfolio-Mortgage Law
Spain	Redemption	BBB (low)	ES0213307004	Bankia Subordinated Bond 2014-1	22/05/2019	22/05/2024	AIAF	euro	1,000.0	-	0.04	Bankia Personal Guarantee
Spain	Redemption	AAA	ES0414950693	CM Covered Bond 28/06/19	28/06/2007	28/06/2019	AIAF	euro	1,600.0	-	0.05	Mortgage Portfolio-Mortgage Law
Spain	Redemption	AAA	ES0413056039	BMN Covered Bond 4th Issue	12/07/2012	12/07/2019	AIAF	euro	1,300.0	-	EUR 12M + 5.00%	Mortgage Portfolio-Mortgage Law
Spain	Redemption	BBB (high)	XS0147547177	Caymadrid Bond	06/05/2002	01/04/2032	LuxSE	euro	0.3	5.0	Irregular coupon until 2013, zero coupon thereafter	Bankia Personal Guarantee
Spain	Redemption	-	ES0213307012	Bankia ICO Line Bond 2014-8	10/01/2019	10/07/2020	AIAF	euro	0.5	0.5	EUR 6M+ 2.75%	Bankia Personal Guarantee
Spain	Redemption	-	ES0213307020	Bankia ICO Line Bond 2014-15	10/04/2019	10/10/2020	AIAF	euro	1.3	1.3	EUR 6M+ 2.35%	Bankia Personal Guarantee
Spain	Redemption	-	ES0213307038	Bankia ICO Line Bond 2014-20	10/06/2019	10/12/2020	AIAF	euro	0.5	0.5	EUR 6M+ 2.35%	Bankia Personal Guarantee

(1) The ratings on Bankia AT1 Bonds were assigned by S&P Global Ratings on 31 May 2019.
The ratings on Covered Bonds were assigned by DBRS on 20 September 2019.
Ratings of other issues were assigned by DBRS on 2 July 2019.

Appendix VII – Information on the mortgage market

Marketable and non-marketable covered bonds issued by Bankia and outstanding at 31 December 2020 are recognised on the balance sheet under "Financial liabilities at amortised cost" (see Note 18). Bankia has no mortgage bonds in issue. These mortgage securities are governed mainly 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 Document Structure", approved by the Board of Directors in May 2018, that is revised annually in keeping with the management principles of the Entity and with supervisory expectations. The "Credit Risk Document Structure" is composed of the Credit Risk Policies, Methods and Procedures Framework, the Credit Risk Policies, Specific Criteria Manuals and Operational Manuals.

- The Credit Risk Policies, Methods and Procedures Framework. This 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 high-level action limits to be established by setting general principles that are adjusted accordingly in the policies.
- The Credit Risk Policies contain the set of rules that constitute the credit risk management guidelines. They are effective and consistent with the general principles set out in the Policies Framework and in the Risk Appetite Framework and are applied across the entire Entity. They are used internally to create and develop rules and regulations on risks as regards 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 Entity. They are there for consultative purposes to enable the correct and proper performance of activities in accordance with the requirements previously put in place, thus minimising operational risk. The Specific Criteria Manuals combine with certain policies to provide Group-wide risk management.
- The Operating Manuals are methodological documents that develop and expand upon the criteria set out in the Policies and the Specific Criteria 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 Risk 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 Entity's prevailing risk strategy and appetite and to regulatory requirements.

The criteria and policies approved are mandatory for the committee under whose remit the transaction falls, and such committee shall be responsible for compliance therewith in the transaction approval process.

Additionally, as a result of the exceptional circumstances caused by COVID-19, a document named "Powers, Policies, Specific Criteria and Control Framework Covid19" has been added to the document structure, which contains the adaptations made to the current credit risk policies and specific criteria, as well as the powers established to address the solutions made available to customers following the declaration of the state of emergency and subsequent entry into force of Royal Decree-Laws 8/2020 and 11/2020. This document is of a transitory nature and will remain in force for as long as the aforementioned measures are applicable.

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 in the approval proposal, when granting loans on a LTV basis.

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 real estate 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 Group'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 Group makes mortgage 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 guarantees and privileges enjoyed by holders of mortgage securities issued by Bankia

Pursuant to current legislation, the principal and interest of the covered bonds issued by Bankia are specially secured (entry in the Property Register is not required) by mortgages on all the covered bonds that are registered in Bankia's name at any time, without prejudice to its unlimited liability. The covered bonds entitle the holders not only to the aforementioned guaranteed financial claim but also to claim payment from the issuer after maturity, and confer on the holders the status of special preferential creditors vis-à-vis all other creditors in relation to all the mortgage loans and credits registered in the issuer’s name.

Disclosures on mortgage market security issues

Note 18 discloses the outstanding balances of non-marketable (one-off) covered bonds issued by Bankia. In addition, Appendix VI to the 2020 financial statements individually itemises the outstanding balances of marketable covered bonds 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 2020 and 2019 issued by Bankia, regardless of whether or not they are recognised as liabilities of the Group (in the latter case, due to the fact that they were not placed with third parties or because they were repurchased by Bankia), based on their residual maturity period, with a distinction made, in the case of those recognised by the Group 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 2020 and 2019.

(in thousands of euros)

MORTGAGE SECURITIES	Nominal value 31/12/2020	Average residual maturity period (months) (a) 31/12/2020	Nominal value 31/12/2019	Average residual maturity period (months) (a) 31/12/2019
Mortgage bonds issued (b)	-		-	
Of which: recognised under liabilities	-		-	
Covered bonds issued (b)	**23,487,608**		**23,905,525**	
Of which: recognised under liabilities	15,511,308		15,958,425	
Debt securities. Issued through a public offering (c)	**10,035,500**		**10,035,500**	
Residual maturity up to one year	1,000,000		-	
Residual maturity over one year but not more than two years	2,750,000		1,000,000	
Residual maturity over two years but not more than three years	1,000,000		2,750,000	
Residual maturity over three years but not more than five years	3,285,500		1,000,000	
Residual maturity over five years but not more than ten years	-		3,285,500	
Residual maturity over ten years	2,000,000		2,000,000	
Debt securities. Other issues (c)	**8,635,000**		**8,635,000**	
Residual maturity up to one year	-		-	
Residual maturity over one year but not more than two years	-		-	
Residual maturity over two years but not more than three years	2,500,000		-	
Residual maturity over three years but not more than five years	-		2,500,000	
Residual maturity over five years but not more than ten years	6,135,000		6,135,000	
Residual maturity over ten years	-		-	
Deposits (d)	**4,817,108**		**5,235,025**	
Residual maturity up to one year	1,025,000		417,917	
Residual maturity over one year but not more than two years	585,185		1,025,000	
Residual maturity over two years but not more than three years	325,000		585,185	
Residual maturity over three years but not more than five years	1,276,923		325,000	
Residual maturity over five years but not more than ten years	730,000		2,006,923	
Residual maturity over ten years	875,000		875,000	
Mortgage participation certificates issued (e)	**262,213**	**141**	**330,046**	**145**
Issued in a public offering	258,482	140	311,467	147
Other issues	3,731	143	18,579	118
Mortgage transfer certificates issued (e)	**7,875,630**	**212**	**8,882,955**	**219**
Issued in a public offering	23,297	113	29,143	121
Other issues	7,852,333	212	8,853,812	219

(a) Weighted average residual maturity by amounts, expressed in months rounded up.
(b) Mortgage bonds and covered bonds include all instruments issued and outstanding, even if they have not been recognised under liabilities (because they have not been placed with third parties or have been repurchased).
(c) These bonds are recognised under "Financial liabilities at amortised cost - Debt securities issued" on the accompanying balance sheets at 31 December 2020 and 2019 (see Note 18).
(d) These bonds are recognised under "Financial liabilities at amortised cost - Deposits from credit institutions" and "Financial liabilities at amortised cost - Deposits from customers" on the accompanying balance sheets at 31 December 2020 and 2019 (see Note 18).
(e) Amount of mortgage participation and mortgage transfer certificates issued related exclusively to mortgage loans recognised in assets (held on the balance sheet).

The nominal value at 31 December 2020 and 2019 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:

(in thousands of euros)

	Undrawn balances (nominal value) (2)	
ITEM	31/12/2020	31/12/2019
Total mortgage loans that back the issuance of covered bonds (1)	**1,581,613**	**1,292,621**
Of which:		
Potentially eligible (3)	58,821	66,859
Not eligible	1,522,792	1,225,762

(1) At 31 December 2020 and 2019, Bankia had no mortgage bonds in issue.

(2) Committed amounts (limit) less amounts drawn down on all loans with mortgage guarantee, irrespective of the total risk as a percentage of the latest appraisal value (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 covered bonds under Article 3 of Royal Decree 716/2009.

With regard to lending transactions, the table below shows the breakdown at 31 December 2020 and 2019 of the nominal value of mortgage loans and credit facilities that back the issue of covered bonds by Bankia (as already specified, at the aforementioned reporting dates 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 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 Bankia 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 latest 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 under assets on the balance sheet is also indicated for mortgage loans and credits transferred):

(in thousands of euros)

	Nominal value	
ITEM	31/12/2020	31/12/2019
Total loans (a)	**73,929,803**	**77,027,730**
Mortgage participation certificates issued (b)	**262,213**	**330,046**
Of which: loans held on the balance sheet (c)	*262,213*	*330,046*
Mortgage transfer certificates issued	**9,236,011**	**10,342,905**
Of which: loans held on the balance sheet (c)	*7,875,630*	*8,882,955*
Mortgage loans pledged as security for financing received	**-**	**-**
Loans that back the issue of mortgage bonds and covered bonds (d)	**64,431,579**	**66,354,779**
Ineligible loans (e)	11,748,853	12,767,505
Loans that meet the requirements to be eligible except for the limit established in Article 5.1 of Royal Decree 716/2009	5,911,143	6,686,745
Other	5,837,710	6,080,760
Eligible loans (f)	52,682,726	53,587,274
Loans to cover mortgage bond issues	-	-
Loans eligible to secure covered bond issues	52,682,726	53,587,274
Ineligible amounts (g)	111,733	113,813
Eligible amounts	52,570,993	53,473,461

(a) Principal drawn down on loans with mortgage guarantee in favour of the entity (including those acquired through mortgage participation or mortgage transfer certificates), even if such loans have been derecognised, regardless of the loan-to-value readings.

(b) Principal drawn down on loans that have been transferred through mortgage participation or mortgage transfer certificates, even if such loans have been derecognised.

(c) Principal drawn down on loans that have been transferred, but not derecognised.

(d) Total loans less the sum of mortgage participation certificates issued, mortgage transfer certificates issued and mortgage loans pledged to secure financing received.

(e) Loans with 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 bond and covered bond issues.

(f) Loans eligible for mortgage bond and covered bond issues according to Article 3 of Royal Decree 716/2009, without deducting the eligibility limits established by Article 12 therein.

(g) Amount of the eligible loans which, pursuant to the criteria laid down in Article 12 of Royal Decree 716/2009, are not eligible to cover issuance of mortgage bonds and covered bonds.

The reconciliation between eligible loans and covered bonds issued is as follows, along with issuance capacity and percentage of over-collateralisation:

(in thousands of euros)	Nominal value	
ITEM	31/12/2020	31/12/2019
Loans that back mortgage bonds and covered bonds (a)	64,431,579	66,354,779
Mortgage loans and credits which, pursuant to the criteria laid down in Article 12 of Royal Decree 716/2009, are eligible to cover issuance of mortgage securities (b)	52,570,993	53,473,461
Issue limit = 80% of eligible mortgage loans and credits	42,056,794	42,778,769
Covered bonds issued (c)	23,487,608	23,905,525
Covered bonds issuance capacity (1) (Note 3.2)	18,569,186	18,873,244
Memorandum item:		
Percentage of over-collateralisation of the portfolio (a)/(c)	274%	278%
Percentage of over-collateralisation of the eligible portfolio (b)/(c)	224%	224%

(1) At 31 December 2020, EUR 7,976,300 thousand of covered bonds remained on the consolidated balance sheet. Therefore, the issuance capacity would be EUR 26,545,486 thousand (EUR 7,947,100 thousand at 31 December 2019, with a EUR 26,820,344 thousand issuance capacity).

The table below shows details at 31 December 2020 and 2019 of the nominal value of the loans and credits that back covered bonds issued by Bankia 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) whether they arose from Bankia or from creditor subrogation and other cases; (ii) whether they are denominated in euros or in other currencies; (iii) whether they have a normal payment situation and other cases; (iv) their average residual maturity; (v) whether the interest rate is fixed, floating or mixed; (vi) whether 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) whether 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 completed 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:

(in thousands of euros)

ITEM	Loans that back mortgage bonds and covered bonds (a) 31/12/2020	31/12/2019	Of which: eligible loans (b) 31/12/2020	31/12/2019
TOTAL	**64,431,579**	**66,354,779**	**52,682,726**	**53,587,274**
ORIGIN OF TRANSACTIONS	**64,431,579**	**66,354,779**	**52,682,726**	**53,587,274**
Originated by the Entity	63,850,128	65,924,173	52,109,930	53,164,603
Subrogated from other institutions	581,451	430,606	572,796	422,671
Other	-	-	-	-
CURRENCY	**64,431,579**	**66,354,779**	**52,682,726**	**53,587,274**
Euro	64,349,202	66,209,707	52,624,309	53,472,955
Other currencies	82,377	145,072	58,417	114,319
PAYMENT SITUATION	**64,431,579**	**66,354,779**	**52,682,726**	**53,587,274**
Normal payment situation	60,847,328	62,645,748	51,929,943	52,856,551
Other situations	3,584,251	3,709,031	752,783	730,723
AVERAGE RESIDUAL MATURITY	**64,431,579**	**66,354,779**	**52,682,726**	**53,587,274**
Up to 10 years	11,009,971	11,191,162	9,264,112	9,316,312
More than 10 years and up to 20 years	25,011,037	26,267,433	22,518,193	23,471,889
More than 20 years and up to 30 years	21,744,824	20,770,047	18,990,543	17,777,422
More than 30 years	6,665,747	8,126,137	1,909,878	3,021,651
INTEREST RATES	**64,431,579**	**66,354,779**	**52,682,726**	**53,587,274**
Fixed	7,551,655	5,723,525	6,648,083	4,884,817
Floating	49,925,613	54,006,824	40,053,454	43,194,646
Mixed	6,954,311	6,624,430	5,981,189	5,507,811
BORROWER	**64,431,579**	**66,354,779**	**52,682,726**	**53,587,274**
Legal entities and sole proprietorships (business activities)	7,625,099	8,081,727	4,343,949	4,694,622
Of which: real estate construction and property development (including land)	*870,571*	*732,463*	*239,214*	*239,404*
Other households	56,806,480	58,273,052	48,338,777	48,892,652
TYPE OF COLLATERAL	**64,431,579**	**66,354,779**	**52,682,726**	**53,587,274**
Assets/completed buildings	63,102,281	64,840,580	52,355,525	53,145,627
Housing	57,427,605	58,832,399	48,672,492	49,273,933
Of which: government-subsidised housing	*2,296,416*	*2,270,496*	*1,975,006*	*1,935,044*
Offices and commercial premises	2,205,675	2,433,144	1,516,891	1,670,182
Other buildings and constructions	3,469,001	3,575,037	2,166,142	2,201,512
Assets/buildings under construction	411,316	409,717	66,648	75,023
Housing	309,659	273,761	30,901	29,937
Of which: government-subsidised housing	*20,175*	*15,039*	-	*98*
Offices and commercial premises	33,187	34,433	14,455	10,971
Other buildings and constructions	68,470	101,523	21,292	34,115
Land	917,982	1,104,482	260,553	366,624
Developed urban land	219,796	237,660	54,117	61,470
Other land	698,186	866,822	206,436	305,154

(a) Principal drawn down on loans with mortgage guarantee not transferred to third parties and not pledged to secure financing received, regardless of the loan-to-value readings.
(b) Loans eligible for mortgage bond and covered bond issues according to Article 3 of Royal Decree 716/2009, without deducting the eligibility limits established by Article 12 therein.

The nominal value of eligible mortgage loans and credits at 31 December 2020 and 2019, broken down by the ratios of the amount of the transactions to the latest available appraisal value of the mortgaged assets for mortgage market purposes (loan-to-value), is shown in the tables below:

31 December 2020

(in thousands of euros)

ITEM	Ratio of principal drawn down to latest available appraisal value ("Loan-to-value")				
	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%	Total
Loans eligible for issuance of covered bonds and mortgage bonds (a)					**52,682,726**
Housing	16,032,472	19,816,368	12,854,554	-	48,703,394
Other assets	2,360,151	1,619,181			3,979,332

(a) Loans eligible for mortgage bond and covered bond issues according to Article 3 of Royal Decree 716/2009, without deducting the eligibility limits established by Article 12 therein.

31 December 2019

(in thousands of euros)

ITEM	Ratio of principal drawn down to latest available appraisal value ("Loan-to-value")				
	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%	Total
Loans eligible for issuance of covered bonds 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

(b) Loans eligible for mortgage bond and covered bond issues according to Article 3 of Royal Decree 716/2009, without deducting the eligibility limits established by Article 12 therein.

Movements in the nominal amounts of mortgage loans backing the issuance of mortgage bonds and covered bonds are as follows:

(in thousands of euros)

MOVEMENTS	Eligible loans (a)	Ineligible loans (b)	Eligible loans (a)	Ineligible loans (b)
	31/12/2020		31/12/2019	
Opening balance	**53,587,274**	**12,767,505**	**55,397,064**	**15,878,578**
Disposals in the period	**(4,579,466)**	**(2,024,921)**	**(6,511,022)**	**(4,793,427)**
Principal due collected in cash	(106,220)	(85,541)	(116,477)	(133,718)
Early repayments	(1,164,937)	(330,106)	(1,333,517)	(702,418)
Subrogation by other institutions	-	-	-	-
Others	(3,308,309)	(1,609,274)	(5,061,028)	(3,957,291)
Additions in the period	**3,674,918**	**1,006,269**	**4,701,232**	**1,682,354**
Originated by the Entity	3,475,559	1,002,256	4,668,503	1,679,759
Subrogation from other institutions	199,359	4,013	32,729	2,595
Others	-	-	-	-
Closing balance	**52,682,726**	**11,748,853**	**53,587,274**	**12,767,505**

(a) Loans eligible for mortgage bond and covered bond issues according to Article 3 of Royal Decree 716/2009, without deducting the eligibility limits established by Article 12 therein.

(b) Loans with 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 bond and covered bond issues.

At 31 December 2020 and 2019 there were no replacement assets backing the Bank's covered bond issues.

Appendix VIII – Exposure to the real estate construction and property development sector in Spain

1. Exposure to real estate construction and property development

The table below shows cumulative figures of the financing granted by the Bank at 31 December 2020 and 2019 for real estate construction and property development and the respective credit risk allowances and provisions in place at that date (a):

31 December 2020

(in thousands of euros)

ITEM	Gross carrying amount (b)	Surplus of gross exposure over the maximum recoverable amount of effective collateral (c)	Accumulated impairment (d)
Financing of real estate construction and property development (business in Spain) (e)	1,121,240	306,096	(115,363)
Of which: Non-performing	217,938	91,439	(106,945)
Memorandum item:			
Assets written off (f)	355,075		

Memorandum item:

(in thousands of euros)

Item	Amount
Loans to customers, excluding general government (business in Spain) (carrying amount) (g)	114,467,824
Total assets (all business) (carrying amount)	210,123,121
Impairment and provisions for performing exposures (all business) (h)	889,246

(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 real estate construction or property development, it is not included in this table. And if the borrower is a company whose core business is not real estate construction or property development, but the loan is used to finance property 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 and provisions made by the entity for these transactions.

(e) Includes all types of financing in the form of loans, with and without mortgage guarantee, and debt securities for real estate construction and property development related to the activity in Spain (business in Spain).

(f) Gross loans to finance real estate construction and property development recognised by the Bank (business in Spain) that have been derecognised due to classification as "written-off assets".

(g) Amount at which the asset is recognised on the balance sheet after deduction of any allowances and provisions.

(h) Total amount of credit risk allowances and provisions for exposures classified as performing in accordance with Annex IX of Circular 4/2017, for total activity (all business).

31 December 2019

(in thousands of euros)

ITEM	Gross carrying amount (b)	Surplus of gross exposure over the maximum recoverable amount of effective collateral (c)	Accumulated impairment (d)
Financing of real estate construction and property development (business in Spain) (e)	1,366,618	311,998	(166,440)
Of which: Non-performing	315,894	110,719	(155,249)

Memorandum item:			
Assets written off (f)	350,300		

Memorandum item:

(in thousands of euros)

Item	Amount
Loans to customers, excluding general government (business in Spain) (carrying amount) (g)	111,787,960
Total assets (all business) (carrying amount)	208,879,982
Impairment and provisions for performing exposures (all business) (h)	726,529

(a) Classification of financing in the table according to the purpose of the loans and not the borrower's industry classification (CNAE). Accordingly, if the borrower is a real estate company, but uses the financing granted for a purpose other than real estate construction or property development, it is not included in this table. And if the borrower is a company whose core business is not real estate construction or property development, but the loan is used to finance property 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 and provisions made by the entity for these transactions.

(e) Includes all types of financing in the form of loans, with and without mortgage guarantee, and debt securities for real estate construction and property development related to the activity in Spain (business in Spain).

(f) Gross loans to finance real estate construction and property development recognised by the Bank (business in Spain) that have been derecognised due to classification as "written-off assets".

(g) Amount at which the asset is recognised on the balance sheet after deduction of any allowances and provisions.

(h) Total amount of credit risk allowances and provisions for exposures classified as performing in accordance with Annex IX of Circular 4/2017, for total activity (all business).

The table below breaks down financing for real estate construction and property development at 31 December 2020 and 2019:

(in thousands of euros)

ITEM	Financing for real estate construction and property development (gross carrying amount) (a) 31/12/2020	31/12/2019
1. Not secured by real estate collateral	222,053	270,648
2. Secured by real estate collateral (b)	899,187	1,095,970
2.1. Completed buildings (c)	452,874	551,984
2.1.1. Housing	319,314	389,195
2.1.2. Other	133,560	162,789
2.2. Buildings under construction (c)	167,560	204,229
2.2.1. Housing	164,488	200,485
2.2.2. Other	3,072	3,744
2.3. Land	278,753	339,757
2.3.1. Developed urban land	113,184	137,954
2.3.2. Other land	165,569	201,803
Total	**1,121,240**	**1,366,618**

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

(b) Includes all transactions secured by real estate collateral, 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 (housing) and other uses, the related financing is included in the category representing the main use given to it.

2. Loans to households for housing purchases. Transactions recognised by credit institutions (business in Spain)

The table below presents details at 31 December 2020 and 2019 of financing granted by the Bank for housing purchases (business in Spain) (a):

(in thousands of euros)

ITEM	Gross carrying amount (b) 31/12/2020	Of which: Non-performing	Gross carrying amount (b) 31/12/2019	Of which: Non-performing
Loans for housing purchases	60,235,618	2,104,185	62,359,686	2,044,531
Without a mortgage	474,036	6,082	519,337	9,408
With a mortgage (c)	59,761,582	2,098,103	61,840,349	2,035,123

(a) Loans with or without mortgage guarantee to finance housing purchases relating to business in Spain.

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

(c) Includes all transactions with mortgage guarantee, regardless of the loan-to-value readings.

The table below presents details of loans with mortgage guarantee extended to households for housing purchases at 31 December 2020 and 2019, classified by the ratio of the outstanding amount to the latest available appraisal value (LTV) in respect of transactions recognised by Group credit institutions (business in Spain):

31 December 2020

(in thousands of euros)

ITEM	LTV ranges (a) 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 carrying amount (b)	15,659,065	21,643,661	16,556,562	2,853,495	3,048,799	59,761,582
Of which: non-performing (b)	150,553	210,878	295,499	331,474	1,109,699	2,098,103

(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 2019

(in thousands of euros)

ITEM	LTV ranges (a)					
	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 carrying amount (b)	15,561,386	22,210,415	17,464,604	3,338,254	3,265,690	61,840,349
Of which: non-performing (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.

3. Information concerning real estate assets foreclosed or received in payment of debt (business in Spain)

The Entity uses an internal approach to estimate discounts on the reference value and the cost of disposal of non-current real estate assets held for sale that have been foreclosed or received in payment of debt (hereinafter "foreclosed assets").

In order to expedite the management and sale of foreclosed assets, the Entity has engaged a specialised third party, Haya Real Estate, to service, manage and market the foreclosed assets under the supervision of the Real Estate Management Department.

Following the wholesale portfolio sales in 2019, progress was made in the first half of 2020 on integrating the internal foreclosed asset approach into management through the culmination of various projects. In this regard, new tools have been developed to enhance the information available, which improves decision-making processes regarding commercial activities to enhance the evaluation of the assets organically. No significant wholesale portfolio sales were made in the first half of 2020. The governance and control processes of the appraisals used to estimate the discounts on the reference value have also been improved.

As regards the recurring management and control of the assets, to maintain them in optimum condition for sale and to ensure the expenses incurred are controlled, the Entity carries out technical monitoring and it controls and manages the invoicing of the maintenance expenses derived from holding the foreclosed assets on the balance sheet. The agreement with Haya Real Estate also includes the administration of lease contracts on the portfolio assets and the management of their occupancy status.

Marketing activities are also performed: customer services, review of the assets published and management of offers through various sales channels: network branches, brokers, web, events and trade fairs, etc.

The Entity'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 entities' balance sheets, through companies created for this purpose, vehicles, etc.) makes it necessary from the outset to implement the measures required for management purposes, with the combined objective of divesting the largest volume of foreclosed assets with 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, competition and advertising in all transactions to guarantee public offering of the asset.
- Asset pricing policies and delegated powers. Sales in accordance with the authorisation system in force at any given time.
- Assessment of asset sale offers in any situation.
- The marketing process will be carried out through all the channels established: network branches, web, auctions, 'corners', brokers, trade fairs and events, etc.

The pricing policies and principles for the property portfolio may be summarised as follows:

- Transparency: all assets available for sale are published exclusively on the website www.haya.es with their retail prices.
- Pricing benchmarks: the reference prices will be those of comparable assets, the appraisal value of each asset, reports by mediators and any other input that contributes to determining the asset's market value.
- Adaptation to changes in the housing market: dynamic adaptation and review of prices in accordance with changes in the property market. Prices will be reviewed regularly, with updates of appraisals, observance of regulations and consideration of changes to the official housing market indexes.
- Special events: at trade fairs or other events, more attractive prices may be published for that period only.

- Leases: real estate assets will be leased with a rent approved by the appropriate committee, which will always contemplate a minimum return in accordance with the value of the asset to be leased.

The table below presents details of assets foreclosed by the Bank or received in payment of debt (business in Spain) at 31 December 2020 and 2019, classified by type (a):

31 December 2020

(in thousands of euros)

Assets foreclosed or received in payment of debt	Gross carrying amount (b)	Impairment allowances	Of which: Post-foreclosure impairment allowances	Net carrying amount
1. Real estate assets deriving from financing for real estate construction and property development (c)	478,165	(290,323)	(121,040)	187,842
1.1. Completed buildings	210,407	(103,775)	(39,033)	106,632
1.1.1. Housing	157,489	(77,701)	(25,448)	79,788
1.1.2. Other	52,918	(26,074)	(13,585)	26,844
1.2. Buildings under construction	50,769	(34,122)	(15,161)	16,647
1.2.1. Housing	49,094	(32,979)	(14,515)	16,115
1.2.2. Other	1,675	(1,143)	(646)	532
1.3. Land	216,989	(152,426)	(66,846)	64,563
1.3.1. Developed urban land	151,338	(104,964)	(39,031)	46,374
1.3.2. Other land	65,651	(47,462)	(27,815)	18,189
2. Real estate assets deriving from mortgage-secured financing granted to households for housing purchases	2,330,095	(1,148,979)	(461,581)	1,037,189
3. Other real estate assets foreclosed or received in payment of debt (d)	958,259	(449,014)	(148,943)	493,216
4. Equity instruments foreclosed or received in payment of debt	-	-	-	-
5. Equity investments in entities holding the real estate assets foreclosed or received in payment of debt (e)	-	-	(3,178,530)	739,466
6. Financing to entities holding the real estate assets foreclosed or received in payment of debt (e)	-	-	-	10

(a) Includes assets foreclosed or received in payment of debt deriving from financing granted in relation to business in Spain, as well as equity investments in and financing granted to the entities holding these assets.

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

(c) Includes real estate assets deriving from financing for real estate construction and property development, regardless of the sector and main economic activity of the company or sole proprietor delivering the asset.

(d) Includes real estate assets not arising from financing for real estate construction and property development or from mortgage-secured financing granted to households for housing purchases.

(e) Includes all equity investments in and financing to entities holding the assets foreclosed or received in payment of debt.

31 December 2019

(in thousands of euros)

Assets foreclosed or received in payment of debt	Gross carrying amount	Impairment allowances	Of which: Post-foreclosure impairment allowances	Net carrying amount
1. Real estate assets deriving from financing for real estate construction and property development (c)	501,093	(295,801)	(116,953)	205,254
1.1. Completed buildings	237,637	(118,235)	(38,904)	119,403
1.1.1. Housing	181,892	(91,914)	(30,530)	89,978
1.1.2. Other	55,745	(26,321)	(8,374)	29,425
1.2. Buildings under construction	33,066	(20,008)	(9,052)	13,019
1.2.1. Housing	32,312	(19,510)	(8,514)	12,802
1.2.2. Other	754	(498)	(538)	217
1.3. Land	230,390	(157,558)	(68,997)	72,832
1.3.1. Developed urban land	150,407	(99,072)	(41,919)	51,335
1.3.2. Other land	79,983	(58,486)	(27,078)	21,497
2. Real estate assets deriving from mortgage-secured financing granted to households for housing purchases	2,396,412	(1,329,749)	(464,686)	1,066,662
3. Other real estate assets foreclosed or received in payment of debt (d)	981,857	(438,711)	(125,863)	543,146
4. Equity instruments foreclosed or received in payment of debt	-	-	-	-
5. Equity investments in entities holding the real estate assets foreclosed or received in payment of debt (e)	-	-	(3,163,871)	754,101
6. Financing to entities holding the real estate assets foreclosed or received in payment of debt (e)	-	-	-	64

The above tables reflect real estate assets foreclosed or received in payment of debt, other than those referred to in note (a), and classified by the Bank on the basis of ultimate purpose, mainly under “Non-current assets held for sale” and “Tangible assets – Investment property” and, to a lesser extent, under “Other assets – Inventories” on the balance sheets at those dates.

4. Financial guarantees received and given in relation to real estate exposure

Details of the value of collateral and guarantees received to ensure collection at 31 December 2020 and 2019, distinguishing between collateral and other guarantees, are provided in the table below. The value is understood as the maximum amount of the guarantee considered, except for non-performing exposures, which take the fair value.

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Value of collateral	950,628	815,631
Value of other guarantees	-	-
Total	**950,628**	**815,631**

Details of the guarantees given at 31 December 2020 and 2019 related to real estate construction and property development loans, i.e. the amount the Bank would have to pay if the guarantee or collateral were enforced, which could exceed the amount recognised under liabilities on the balance sheet, are as follows:

(in thousands of euros)

ITEM	31/12/2020	31/12/2019
Financial guarantees given	13,121	12,115
Recognised as liabilities on the balance sheet	-	-

Appendix IX – Refinancing and restructuring transactions and other requirements of Bank of Spain Circular 4/2017

Refinancing and restructuring transactions

As part of its credit risk management policy, the Bank has carried out loan refinancing transactions, modifying the original conditions agreed with the borrowers (e.g. interest rate, term, collateral or guarantee).

Loan refinancing and restructuring is designed to match financing to the customers' current ability to meet their payment commitments, affording sufficient financial stability to ensure the continuity and operation of the borrower or its group. A series of measures must be applied that adapt to the source of the problem, be it systemic in nature (the impact is the same across all segments and borrowers) or specific (individual and structural measures for each case).

In this regard, customers are separated into three groups:

- Large corporations and those borrowers that require special treatment (specific analysis on a case-by-case basis).
- SMEs, micro-companies and self-employed professionals, which are offered more standardised products.
- Retail customers.

In general terms, and equally applicable to all the above customer groups, the following key aspects are to be considered:

- Carrying out a diagnostic of the customer's situation: when it is detected or becomes apparent that the customer is having difficulties meeting its obligations with the Entity, it is essential to carry out a detailed analysis drawing on the greatest amount possible of documentation on the situation.
- The non-interruption of arrears of refinancing or restructuring transactions in arrears until, the cure period having expired, it can be verified that the customer is able and willing to meet its obligations as per the forecast repayment schedule.
- Once granted, the decisions taken are reviewed at least annually to ensure the correct functioning of and compliance with the refinancing and restructuring policies.
- Limits to the re-adaptation of transactions. This must be limited to those customers whose situation has changed with respect to the initial adaptation, verifying the feasibility of the transaction over the medium to long term with stable and long-lasting income.
- Possible adaptation of transactions due to legal action, whereby the status of the legal proceedings and the court costs accrued will be taken into account, while ensuring the feasibility of repayment over the medium to long term. Nevertheless, other alternatives could be proposed based on the collateral and income of the claimants.
- Data quality: up-to-date documentary evidence to justify income, payment commitments and the customer's financial situation will be required.
- The minimum track record with the borrower will be assessed, as will evidence of sufficiently extensive compliance and the existence of new collateral and guarantees.
- Exceptions may be made as regards the minimum documentation required for certain customer groups or products.

As regards the accounting treatment of loan restructuring and refinancing, the Bank adheres to Bank of Spain Circular 4/2017, which in general is compatible with the guidelines and recommendations of the EBA and the European Central Bank. 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, no longer classified as such.

In 2020, Bank of Spain Circular 3/2020, of 11 June, was published, which amends Circular 4/2017. Following the amendment, loan restructuring or refinancing transactions are no longer considered an automatic classification factor under Stage 2 – Performing exposures under special monitoring, but rather another factor to be considered in the assessment as to whether there has been a significant rise in credit risk since initial recognition.

Bankia has applied this amendment prospectively as a change in the accounting estimates. Failing to apply this amendment would have entailed a rise in the need to recognise impairment on transactions classified under Stage 2 – Performing exposures under special monitoring in an amount under EUR 10 million at 31 December 2020.

A transaction is deemed to be a restructuring or refinancing when:

- The classification of the modified transaction was Stage 3 – Non-performing exposures just before the modification, or it would be classified as Stage 3 – Non-performing exposures without said modification.
- The modification involves partial derecognition of the debt for reasons such as the recording of debt reductions or write-offs.
- Simultaneously or nearly simultaneously with the granting of additional financing by the Entity, the borrower has made payments of principal and interest on another transaction with it that was classified as Stage 3 - Non-performing exposures or would in the absence of refinancing be classified as Stage 3 - Non-performing exposures.

- The Entity approves the use of implicit restructuring or refinancing clauses in relation to transactions classified as Stage 3 – Non-performing exposures or which would be so classified if such clauses have not been exercised.

Unless there is evidence to the contrary, transactions shall be deemed to be a restructuring or refinancing when:

- Some or all of the payments of the modified transaction have been due for more than 30 days (without being classified as Stage 3 – Non-performing exposures) 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 made payments of principal or interest on another transaction with it, on which some or all of the payments were past due by more than 30 days at least once in the three months prior to the refinancing.

- When the Entity approves the use of embedded restructuring or refinancing clauses in relation to borrowers with outstanding amounts 30 days past due or that would be 30 days past due if such clauses have not been exercised.

The criteria for the classification of refinanced or restructured transactions are as follows:

- Insignificant exposures (vis-à-vis retail customers, self-employed customers, micro companies and companies not subject to individual assessment) are classified in accordance with the following variables:

Financial effort	Grace period			2nd Refinancing (2)
	<=24 months		>24 months	
	Debt reductions (1) No	Debt reductions (1) Yes		
<= 50%	Performing exposures under special monitoring	Non-performing	Non-performing	Non-performing
> 50%	Non-performing	Non-performing	Non-performing	Non-performing

(1) Debt reductions above the percentage of allowances and provisions provided as an alternative solution in article 140 of Annex IX of Circular 4/2017.
(2) It will be classified as Stage 3 – Non-performing exposures if the refinanced transaction was non-performing at the time of the refinancing or if the refinanced transaction was classified as non-performing on initial classification. Otherwise, the classification is based on the result of the general analysis applicable to all refinancing transactions.

When identified as such, if classification of the refinancing and restructuring transactions as Stage 3 – Non-performing exposures is not warranted, they shall be classified as Stage 2 – Performing exposures under special monitoring and, if no significant increase in credit risk has been detected since initial recognition, they will be classified as Stage 1 – Performing exposures.

- For customers assessed individually, classification is based on the result of the analysis, focusing mostly on the ability to pay and also considering grace periods or debt reduction agreements and sustainable debt.

Criteria have also been established so that refinanced transactions can change their risk classification or identification as such in accordance with the following scheme:

- Refinanced transactions classified as Stage 3 – Non-performing exposures will remain in this category until all the general criteria for reclassifying transactions out of the Stage 3 – Non-performing exposures category and the specific criteria set out below have been met:

  a) That it has been concluded, after an exhaustive review of the borrower's financial situation, that it is not likely to encounter financial difficulties. In this respect, to ensure that there are no indications of financial difficulties, the transactions must meet the following conditions:

  - There have been no payments in arrears by more than 30 days in the past year.
  - Up to date in payments.
  - The customer is not involved in any transactions that are non-performing or in arrears by more than 90 days.
  - The borrower is not in litigation or bankruptcy proceedings.

  b) That at least one year has elapsed since the refinancing or restructuring; Specifically, at least one year has elapsed since the last of the following dates:

  - The refinancing date.
  - The end of the grace period.
  - Last date of entry into Stage 3 – Non-performing exposures.

  During the probation period described, a new refinancing or restructuring measure granted to refinancing, refinanced or restructured transactions or the existence of amounts more than 30 days past due shall entail the reclassification of these transactions to Stage 3 – Non-performing for reasons other than arrears, provided they were classified as Stage 3 – Non-performing exposures before the commencement of the probation period. The minimum period of one year as regards this last point commences on the date of reclassification of the transaction to Stage 3 – Non-performing exposures.

It will be classified as Stage 3 – Non-performing exposures if the refinanced transaction was non-performing at the time of the refinancing or if the refinanced transaction was classified as non-performing on initial classification. Otherwise, the classification is based on the result of the general analysis applicable to all refinancing transactions.

c) That the borrower has paid the accrued principal and interest instalments, reducing the renegotiated principal, since the later of the date of entry into the restructuring or refinancing transaction or the date of reclassification of the transaction as non-performing. Consequently, the transaction may not present past-due amounts. Additionally, the following shall be necessary:

- that the borrower has settled, by means of regular payments, an amount equivalent to all the amounts, including principal and interest, past due on the date of the restructuring or refinancing transaction, or which were derecognised as a result of it; or
- where more appropriate in view of the transaction characteristics, there are other objective criteria evidencing the borrower's ability to pay. An individual's ability to pay will be deemed to be their sustained payment of the transaction being cured, which is also the case for legal persons for an amount under EUR 300 thousand. For transactions of over EUR 300 thousand involving legal persons, expert analysis will be undertaken by the manager to determine the future sustained payment ability.

d) The borrower does not have any other transactions with amounts more than 90 days past due at the date the refinancing, refinanced or restructured transaction was reclassified to the category of Stage 2 – Performing exposures under special monitoring.

When the transactions meet the above criteria they are no longer classified as Stage 3 – Non-performing exposures and are reclassified to Stage 1 – Performing exposures or Stage 2 – Performing exposures under special monitoring depending on whether there has been a significant increase in credit risk since initial recognition. The reclassification of these loan transactions to a more favourable risk category will continue to be identified as refinancing or restructuring transactions.

- Refinanced or restructured transactions that are not classified to the category Stage 3 – Non-performing exposures shall continue to be identified as such until:

a) That it has been concluded, after an exhaustive review of the borrower's financial situation, that it is not likely to encounter financial difficulties.

In this respect, to ensure that there are no indications of financial difficulties, the following conditions must be met:

- They are not at monitoring levels 1 or 2 (excluding collective criteria).
- The transactions are not classified as a repeat default or addition (six months or more on the default ladder within the last year with repayment seven days or more past due, except in the event payment has never been more than 30 days past due, in which case it would not be considered a repeat default) to the mortgage portfolio.
- It has not been on the default ladder (from seven to 90 days past due) in the last three months.
- It has not been rated A01 or A02 by the behavioural scoring model.

b) That a minimum of two years has elapsed since the later of the restructuring or refinancing transaction, or the date of reclassification from the category Stage 3 – Non-performing exposures. The dates are therefore as follows:

- The transaction arrangement date.
- The end of the grace period.
- The last date of emergence from non-performing.

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 – Non-performing exposures. Additionally, the following shall be necessary:

- that the borrower has settled, by means of regular payments, an amount equal to all the amounts (principal and interest) that were past due at the date of the restructuring or refinancing transaction or that were derecognised as a result of it. This information will be taken into consideration whenever it is available and may be substituted by expert criteria based on objective facts; or
- where more appropriate in view of the transaction characteristics, there are other objective criteria evidencing the borrower's ability to pay.

  Therefore, the existence of contract terms that extend the repayment period, such as grace periods for the principal, will mean that the transaction remains identified as a refinancing or restructuring until the aforementioned criteria have been met. An individual's ability to pay will be deemed to be their sustained payment of the transaction being cured, which is also the case for legal persons for an amount under or equal to EUR 300 thousand. For transactions of over EUR 300 thousand involving legal persons, expert analysis will be undertaken by the manager to determine the future sustained payment ability.

d) That the borrower does not have any other transactions with amounts more than 30 days past due at the end of the probation period.

Once the foregoing requirements are met, the transactions are no longer identified as refinancing or restructuring transactions and are removed from the scope of classification, curing and presentation included in this appendix, irrespective of their monitoring for credit risk management purposes.

As regards the measures granted by Bankia to support families and businesses during the COVID-19 pandemic, public and private moratoriums are granted within the framework of a general programme aimed at borrowers with certain generic characteristics. The decision to apply them is not therefore derived from the assessment of the customer's credit situation and, accordingly, as a general rule, the mere concession thereof does not entail the identification of the transaction as refinanced or restructured, as defined in this Appendix.

In this connection, as a general rule, the granting of public and private moratoriums that comply with the EBA/GL/2020/02 Guidelines does not entail the identification of the transactions as refinanced or restructured, unless the transaction was already identified as refinanced or restructured on the date on which the moratorium was granted.

Once the moratorium has been granted, the Entity applies the same criteria contained in the monitoring policies to identify situations where the borrower is showing signs of financial difficulties.

The table below shows the gross amount of refinancing transactions, with a breakdown of their classification as non-performing exposures, and their respective credit risk allowances and provisions at 31 December 2020 and 2019:

31 December 2020

(in thousands of euros)	TOTAL							Of which: NON-PERFORMING						
	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 transactions	Gross carrying amount	Number of transactions	Gross carrying amount	Maximum amount of the collateral: Real estate collateral	Maximum amount of the collateral: Other collateral		Number of transactions	Gross carrying amount	Number of transactions	Gross carrying amount	Maximum amount of the collateral: Real estate collateral	Maximum amount of the collateral: Other collateral	
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General government	9	13,215	1,995	30,776	29,895	-	(10,217)	4	8,965	689	12,069	11,614	-	(8,402)
Other financial corporations and sole proprietorships (financial business)	33	494	8	819	704	8	(313)	11	160	7	740	625	8	(284)
Non-financial corporations and sole proprietorships (non-financial business)	6,460	657,848	4,409	1,725,293	1,079,384	88,174	(553,656)	4,261	416,504	2,501	713,807	465,887	69,227	(500,383)
Of which: financing for real estate construction and property development (including land)	2,029	4,971	532	93,414	61,266	4	(37,818)	2,002	4,906	404	64,751	36,908	4	(36,026)
Other households	20,337	241,473	22,940	2,707,057	2,234,780	284	(528,030)	6,163	78,281	13,999	1,662,162	1,344,609	42	(456,774)
Total	**26,839**	**913,030**	**29,352**	**4,463,945**	**3,344,763**	**88,466**	**(1,092,216)**	**10,439**	**503,910**	**17,196**	**2,388,778**	**1,822,735**	**69,277**	**(965,843)**
Collective credit loss allowances							(758,528)							
Specific credit loss allowances							(333,688)							
ADDITIONAL INFORMATION														
Financing classified as non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-

31 December 2019

(in thousands of euros)

	TOTAL							Of which: NON-PERFORMING						
	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 transactions	Gross carrying amount	Number of transactions	Gross carrying amount	Maximum amount of the collateral			Number of transactions	Gross carrying amount	Number of transactions	Gross carrying amount	Maximum amount of the collateral		
					Real estate collateral	Other collateral						Real estate collateral	Other collateral	
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General government	13	10,808	2,023	37,341	34,130	-	(10,783)	4	493	1,970	25,624	22,488	-	(10,372)
Other financial corporations and sole proprietorships (financial business)	36	526	10	521	401	9	(197)	17	229	7	372	260	9	(155)
Non-financial corporations and sole proprietorships (non-financial business)	5,930	662,617	5,308	2,480,373	1,179,573	95,465	(856,890)	3,965	375,773	3,083	1,248,421	514,746	78,749	(789,675)
Of which: financing for real estate construction and property development (including land)	1,315	18,805	515	159,273	96,480	727	(61,684)	1,266	16,173	358	113,137	56,313	727	(58,495)
Other households	19,678	197,303	28,096	3,345,317	2,719,315	1,286	(476,043)	8,099	64,854	13,655	1,571,536	1,222,328	352	(416,562)
Total	**25,657**	**871,254**	**35,437**	**5,863,552**	**3,933,419**	**96,760**	**(1,343,914)**	**12,085**	**441,349**	**18,715**	**2,845,953**	**1,759,822**	**79,110**	**(1,216,764)**
Collective credit loss allowances							(732,185)							
Specific credit loss allowances							(611,729)							
ADDITIONAL INFORMATION														
Financing classified as non-current assets and disposal groups 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)

Movement in 2020 and 2019 was as follows:

(in thousands of euros)

Item	2020	2019
Carrying amount at the beginning of the period	**5,390,893**	**6,727,511**
(+) Refinancing and restructuring	657,746	447,236
(-) Repayments, transfers and other changes [(1)]	-1,648,968	(1,600,807)
(-) Foreclosures	-61,495	(88,442)
(-) Disposals (reclassified as written-off assets)	-53,417	(94,605)
Carrying amount at the end of the period (*)	**4,284,759**	**5,390,893**

(*) The change in accumulated impairment in 2020 was EUR 251,698 thousand (EUR 788,406 thousand in 2019).

(1) In 2019 transfers to “Disposal groups - Loans and real estate assets” are included.

Other requirements of Bank of Spain Circular 4/2017

The table below provides information on risk concentration by activity and geographical area. Total activity (a):

At 31 December 2020

(in thousands of euros)	31/12/2020				
ITEM	TOTAL	Spain	Rest of the European Union	Americas	Rest of the world
Central banks and credit institutions	21,454,775	13,527,916	4,398,667	77,359	3,450,833
General government	32,979,453	26,880,881	6,037,332	-	61,240
Central government	26,972,656	20,927,098	5,984,318	-	61,240
Other general government	6,006,797	5,953,783	53,014	-	-
Other financial corporations and sole proprietorships (financial business)	24,603,555	22,924,981	283,539	62,615	1,332,420
Non-financial corporations and sole proprietorships (non-financial business) (by purpose)	52,411,221	48,369,037	2,892,729	528,484	620,971
Real estate construction and property development (including land) (b)	2,428,409	2,357,462	34,918	794	35,235
Construction of civil engineering	1,708,280	1,599,271	56,802	24,139	28,068
Other purposes	48,274,532	44,412,304	2,801,009	503,551	557,668
Large corporations (c)	26,292,890	23,419,317	2,126,765	388,070	358,738
SMEs and sole proprietorships (c)	21,981,642	20,992,987	674,244	115,481	198,930
Other households (d) (by purpose) (e)	71,391,765	70,098,411	370,037	102,673	820,644
Housing	61,486,168	60,231,174	359,349	98,890	796,755
Consumer	5,082,317	5,067,034	2,754	1,436	11,093
Other purposes	4,823,280	4,800,203	7,934	2,347	12,796
TOTAL	**202,840,769**	**181,801,226**	**13,982,304**	**771,131**	**6,286,108**

(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 given, irrespective of the balance sheet line item in which they are included, except for "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 credit loss allowances for specific transactions.

The amount of guarantees given is their nominal amount.

The breakdown of activity by geographical 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 comprises all activities related to real estate 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 are classified as "Large corporations" and "SMEs" in accordance with Commission Recommendation 2003/361/EC, of 6 May 2003, concerning the definition of micro, small and medium-sized enterprises. The activity of sole proprietorships is that performed by natural persons in the course of business.

(d) Households, including non-profit institutions serving households, but excluding business activity of sole proprietorships.

(e) The loans will be classified in accordance with their purpose under the criteria of rule 69.2.e) of Circular 4/2017.

At 31 December 2019

(in thousands of euros)			31/12/2019		
ITEM	TOTAL	Spain	Rest of the European Union	Americas	Rest of the world
Central banks and credit institutions	23,378,406	14,956,055	7,961,942	179,548	280,861
General government	30,886,775	26,194,551	4,568,759	904	122,561
Central government	25,569,818	20,920,584	4,568,759	904	79,571
Other general government	5,316,957	5,273,967	-	-	42,990
Other financial corporations and sole proprietorships (financial business)	24,268,274	22,848,004	1,353,549	35,148	31,573
Non-financial corporations and sole proprietorships (non-financial business) (by purpose)	46,760,678	43,536,054	2,594,907	419,425	210,292
Real estate construction and property development (including land) (b)	2,084,413	2,041,818	40,354	2,234	7
Construction of civil engineering	1,711,190	1,553,027	97,170	28,290	32,703
Other purposes	42,965,075	39,941,209	2,457,383	388,901	177,582
Large corporations (c)	24,090,747	21,961,561	1,732,416	265,958	130,812
SMEs and sole proprietorships (c)	18,874,328	17,979,648	724,967	122,943	46,770
Other households (d) (by purpose) (e)	74,484,527	73,122,633	964,570	105,220	292,104
Housing	63,836,929	62,520,655	931,893	100,489	283,892
Consumer	5,547,783	5,529,381	13,973	2,012	2,417
Other purposes	5,099,815	5,072,597	18,704	2,719	5,795
TOTAL	**199,778,660**	**180,657,297**	**17,443,727**	**740,245**	**937,391**

(a) For the purposes of this statement, exposures include: loans and advances, debt securities, equity instruments, derivatives (held for trading and hedging), investments in subsidiaries, joint ventures and associates, and guarantees given, irrespective of the balance sheet line item in which they are included, except for "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 credit loss allowances for specific transactions.

The amount of guarantees given is their nominal amount.

The breakdown of activity by geographical 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 comprises all activities related to real estate 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 are classified as "Large corporations" and "SMEs" in accordance with Commission Recommendation 2003/361/EC, of 6 May 2003, concerning the definition of micro, small and medium-sized enterprises. The activity of sole proprietorships is that performed by natural persons in the course of business.

(d) Households, including non-profit institutions serving households, but excluding business activity of sole proprietorships.

(e) The loans will be classified in accordance with their purpose under the criteria of rule 69.2.e) of Circular 4/2017.

At 31 December 2020

(in thousands of euros) 31/12/2020

ITEM	AUTONOMOUS REGION											
	TOTAL	Andalusia	Canary Islands	Castile-La Mancha	Castile and Leon	Catalonia	Madrid	Community of Valencia	La Rioja	Murcia	Balearic Islands	Other
Central banks and credit institutions	13,527,916	371,805	-	-	-	573	11,789,490	204,211	-	-	-	1,161,837
General government	26,880,881	473,873	329,887	57,535	830,993	220,356	1,902,026	507,732	128,706	39,370	415,992	1,047,313
Central government	20,927,098	-	-	-	-	-	-	-	-	-	-	-
Other general government	5,953,783	473,873	329,887	57,535	830,993	220,356	1,902,026	507,732	128,706	39,370	415,992	1,047,313
Other financial corporations and sole proprietorships (financial business)	22,924,981	18,065	1,734	1,243	2,768	208,069	22,417,464	256,369	256	3,999	1,582	13,432
Non-financial corporations and sole proprietorships (non-financial business) (by purpose)	48,369,037	3,422,459	1,713,982	1,193,393	1,379,697	5,612,052	19,007,349	6,059,626	346,170	1,844,076	1,682,036	6,108,197
Real estate construction and property development (including land)	2,357,462	279,686	45,890	114,420	51,785	193,710	1,110,055	293,754	16,610	52,258	62,619	136,675
Construction of civil engineering	1,599,271	107,210	19,178	24,989	6,371	219,504	920,887	55,009	1,083	10,752	10,730	223,558
Other purposes	44,412,304	3,035,563	1,648,914	1,053,984	1,321,541	5,198,838	16,976,407	5,710,863	328,477	1,781,066	1,608,687	5,747,964
Large corporations	23,419,317	916,040	684,882	278,878	350,139	2,652,616	12,153,894	1,482,822	96,844	576,109	633,053	3,594,040
SMEs and sole proprietorships	20,992,987	2,119,523	964,032	775,106	971,402	2,546,222	4,822,513	4,228,041	231,633	1,204,957	975,634	2,153,924
Other households (by purpose)	70,098,411	8,673,633	2,972,901	2,829,373	2,124,342	8,029,886	22,225,509	11,002,053	606,472	4,098,900	3,904,719	3,630,623
Housing	60,231,174	7,627,215	2,395,922	2,477,916	1,836,265	7,302,988	18,634,221	9,274,444	499,196	3,547,929	3,322,579	3,312,499
Consumer	5,067,034	483,967	421,133	245,050	190,504	262,917	1,610,734	1,017,912	54,315	298,875	280,682	200,945
Other purposes	4,800,203	562,451	155,846	106,407	97,573	463,981	1,980,554	709,697	52,961	252,096	301,458	117,179
TOTAL	**181,801,226**	**12,959,835**	**5,018,504**	**4,081,544**	**4,337,800**	**14,070,936**	**77,341,838**	**18,029,991**	**1,081,604**	**5,986,345**	**6,004,329**	**11,961,402**

(*) Includes the following balance sheet items: Deposits in credit institutions, Loans and advances to customers, Debt securities, Equity instruments, Trading derivatives, Hedging derivatives, Equity investments and Contingent exposures. The amounts included in the table are net of impairment losses.

At 31 December 2019

(in thousands of euros)	31/12/2019											
ITEM		AUTONOMOUS REGION										
	TOTAL	Andalusia	Canary Islands	Castile-La Mancha	Castile and Leon	Catalonia	Madrid	Community of Valencia	La Rioja	Murcia	Balearic Islands	Other
Central banks and credit institutions	14,956,055	387,130	-	-	-	570	13,266,084	158,843	-	-	-	1,143,428
General government	26,194,551	392,370	16,366	48,685	656,697	295,737	1,885,190	414,237	101,181	53,549	341,109	1,068,846
Central government	20,920,584	-	-	-	-	-	-	-	-	-	-	-
Other general government	5,273,967	392,370	16,366	48,685	656,697	295,737	1,885,190	414,237	101,181	53,549	341,109	1,068,846
Other financial corporations and sole proprietorships (financial business)	22,848,004	18,848	1,452	1,013	2,516	43,998	22,505,500	258,519	294	3,836	3,923	8,105
Non-financial corporations and sole proprietorships (non-financial business) (by purpose)	43,536,054	3,314,501	1,543,733	1,022,363	1,239,161	5,273,971	16,327,414	5,651,229	346,035	1,674,918	1,388,799	5,753,930
Real estate construction and property development (including land)	2,041,818	246,704	49,301	69,404	45,582	177,342	887,682	288,424	18,111	59,839	69,056	130,373
Construction of civil engineering	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 purposes	39,941,209	2,825,410	1,482,779	920,260	1,188,163	4,844,571	14,730,056	5,309,510	326,405	1,606,034	1,308,589	5,399,432
Large corporations	21,961,561	873,560	645,688	233,601	318,939	2,584,432	10,681,014	2,072,924	89,309	516,486	445,287	3,500,321
SMEs and sole proprietorships	17,979,648	1,951,850	837,091	686,659	869,224	2,260,139	4,049,042	3,236,586	237,096	1,089,548	863,302	1,899,111
Other households (by purpose)	73,122,633	9,102,716	3,095,025	2,971,991	2,233,923	8,224,365	23,250,345	11,501,133	638,840	4,292,705	4,029,639	3,781,951
Housing	62,520,655	7,957,679	2,469,008	2,601,268	1,920,791	7,458,702	19,432,912	9,636,041	523,499	3,694,515	3,388,625	3,437,615
Consumer	5,529,381	508,339	461,931	263,775	204,696	289,976	1,818,852	1,107,023	58,334	303,773	291,037	221,645
Other purposes	5,072,597	636,698	164,086	106,948	108,436	475,687	1,998,581	758,069	57,007	294,417	349,977	122,691
TOTAL	**180,657,297**	**13,215,565**	**4,656,576**	**4,044,052**	**4,132,297**	**13,838,641**	**77,234,533**	**17,983,961**	**1,086,350**	**6,025,008**	**5,763,470**	**11,756,260**

(*) Includes the following balance sheet items: Deposits in credit institutions, Loans and advances to customers, Debt securities, Equity instruments, Trading derivatives, Hedging derivatives, Equity investments and Contingent exposures. The amounts included in the table are net of impairment losses.

The following table shows the total amount of secured financing in terms of the carrying amount of the financing as a percentage of the latest available appraisal or valuation of the guarantee or collateral (loan-to-value) at 31 December 2020 and 2019 (a):

31 December 2020

(in thousands of euros)

31/12/2020								
ITEM	TOTAL	Of which: real estate collateral (b)	Of which: other collateral (b)	Secured loans. Carrying amount as % of latest 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%
General government	5,578,894	163,714	25,553	40,125	82,636	50,470	2,315	13,721
Other financial corporations and sole proprietorships (financial business)	1,781,846	87,142	271,624	119,239	79,272	18,951	3,702	137,602
Non-financial corporations and sole proprietorships (non-financial business) (by purpose)	41,468,920	7,141,673	4,463,378	3,854,800	2,281,516	1,279,146	358,508	3,831,081
Real estate construction and property development (including land) (d)	902,607	693,186	74,855	217,421	226,049	85,770	87,906	150,895
Construction of civil engineering	500,613	35,332	429,046	42,864	1,770	1,737	29,662	388,345
Other purposes	40,065,700	6,413,155	3,959,477	3,594,515	2,053,697	1,191,639	240,940	3,291,841
Large corporations (e)	20,571,774	957,072	3,446,233	972,874	340,335	252,770	27,369	2,809,957
SMEs and sole proprietorships (e)	19,493,926	5,456,083	513,244	2,621,641	1,713,362	938,869	213,571	481,884
Other households (f) (by purpose) (g)	71,217,058	63,950,084	51,576	17,852,330	23,073,413	16,288,887	3,154,901	3,632,129
Housing	61,486,168	61,307,625	1,856	16,879,991	22,250,625	15,859,255	3,022,851	3,296,759
Consumer	5,082,317	102,507	6,903	46,919	22,018	12,483	4,100	23,890
Other purposes	4,648,573	2,539,952	42,817	925,420	800,770	417,149	127,950	311,480
TOTAL	**120,046,718**	**71,342,613**	**4,812,131**	**21,866,494**	**25,516,837**	**17,637,454**	**3,519,426**	**7,614,533**
MEMORANDUM ITEM								
Refinancing, refinanced and restructured transactions	**4,284,636**	**3,316,448**	**486,052**	**927,932**	**841,029**	**756,886**	**382,554**	**894,099**

(a) The definition of loans to customers is that used to prepare the balance sheet. Includes all transactions of this nature, regardless of the heading under which they are presented on the balance sheet, except for in “Non-current assets and disposal groups classified as held for sale”. The amounts shown reflect the carrying amount of the exposures; i.e. after deducting credit loss allowances for specific transactions.
(b) Includes the carrying amount of all transactions secured by real estate or other collateral, regardless of their loan-to-value ratio 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 latest available appraisal or valuation of the collateral.
(d) Non-financial corporations are classified as “Large corporations” and “SMEs” in accordance with Commission Recommendation 2003/361/EC, of 6 May 2003, concerning the definition of micro, small and medium-sized enterprises. The activity of sole proprietorships is that performed by natural persons in the course of business.
(e) Households, including non-profit institutions serving households, but excluding business activity of sole proprietorships.
(f) The loans will be classified in accordance with their purpose under the criteria of rule 69.2.e).

31 December 2019

(in thousands of euros)

ITEM	TOTAL	Of which: real estate collateral (b)	Of which: other collateral (b)	31/12/2019 Secured loans. Carrying amount as % of latest 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%
General government	4,792,200	177,568	62,519	57,164	113,005	46,753	12,954	10,211
Other financial corporations and sole proprietorships (financial business)	1,313,130	87,680	38,321	30,704	34,417	8,018	3,073	49,789
Non-financial corporations and sole proprietorships (non-financial business) (by purpose)	36,167,651	7,312,792	5,030,746	4,288,702	2,518,169	1,296,296	373,951	3,866,420
Real estate construction and property development (including land) (d)	717,953	522,552	107,950	287,584	173,679	91,754	33,354	44,131
Construction of civil engineering	620,296	69,025	510,999	217,955	180,085	102,719	18,120	61,145
Other purposes	34,829,402	6,721,215	4,411,797	3,783,163	2,164,405	1,101,823	322,477	3,761,144
Large corporations (e)	17,764,858	1,171,612	3,788,922	1,074,901	450,808	255,840	56,326	3,122,659
SMEs and sole proprietorships (e)	17,064,544	5,549,603	622,875	2,708,262	1,713,597	845,983	266,151	638,485
Other households (f) (by purpose) (g)	74,307,179	66,160,364	65,663	17,819,491	23,587,817	17,118,300	3,643,095	4,057,324
Housing	63,836,929	63,348,461	3,783	16,757,648	22,765,278	16,704,303	3,442,355	3,682,660
Consumer	5,547,783	116,114	8,910	47,536	29,958	14,072	5,321	28,137
Other purposes	4,922,467	2,695,789	52,970	1,014,307	792,581	399,925	195,419	346,527
TOTAL	**116,580,160**	**73,738,404**	**5,197,249**	**22,196,061**	**26,253,408**	**18,469,367**	**4,033,073**	**7,983,744**
MEMORANDUM ITEM								
Refinancing, refinanced and restructured transactions	**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 loans to customers is that used to prepare the balance sheet. Includes all transactions of this nature, regardless of the heading under which they are presented on the balance sheet, except for in "Non-current assets and disposal groups classified as held for sale". The amounts shown reflect the carrying amount of the exposures; i.e. after deducting credit loss allowances for specific transactions.
(b) Includes the carrying amount of all transactions secured by real estate or other collateral, regardless of their loan-to-value ratio 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 latest available appraisal or valuation of the collateral.
(d) Non-financial corporations are classified as "Large corporations" and "SMEs" in accordance with Commission Recommendation 2003/361/EC, of 6 May 2003, concerning the definition of micro, small and medium-sized enterprises. The activity of sole proprietorships is that performed by natural persons in the course of business.
(e) Households, including non-profit institutions serving households, but excluding business activity of sole proprietorships.
(f) The loans will be classified in accordance with their purpose under the criteria of rule 69.2.e).

Appendix X – Details of agents and disclosures required by Article 21 of Royal Decree 84/2015, of 13 February

Information at 31 December 2020

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	**Registered office**
MAPFRE	CARRETERA MAJAHONDA, 52-MAJADAHONDA (MADRID)
ASESORAMIENTO FINANCIERO Y PATRIMONIAL S.L.	C/ ORENSE, 32-MADRID

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	**Registered office**
MARTORELL Y CANTACORPS SL	AV. CATALUNYA, 64-CERDANYOLA DEL VALLES (BARCELONA)
VALIA INVEST FAMILY OFFICE ,S.L.	C/ VELAZQUEZ, 86-MADRID
ESF CONSULTORES 2010 SL	C/ANTONIO BELON, 1 -MARBELLA (MALAGA)
SOMOS FINANCIEROS SL	AV. M 40, 17-ALCORCON (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 S.L.	C/ SANT ELIES, 9 DESPATX 95-BARCELONA
CESIONES Y TASACIONES FARMARCEUTICAS SL	AV. MARQUES DE SOTELO 5 P 20, 5-VALENCIA
FERNANDO HERRERIAS MIERA	C/ LUIS MARTINEZ, 27-SANTANDER
GREENB3E S.L.	C/ MISSER MASCO, 42-VALENCIA
JORDI OLIVA PRIM	C/ PEDRO I PONS, 12-BARCELONA
ALTRIA CORPO & INVEST SERVICES SLU	TRAVESSERA DE GRACIA 15 BARCELONA 08021-BARCELONA
AYUDA T UN LUGAR TODAS LAS SOLUCIOINES S.L.	AV. ISAAC NEWTON POL SALINAS, 287-PUERTO DE SANTA MARIA (CADIZ)
OSCAR ROS CUÑAT - VALFARMA	C/ 25 DE ABRIL, 23-RAFELBUNYOL (VALENCIA)
TAICOM TECNOLOGIA Y SERVICIOS SL.	AV DE MADRID 95 -BARCELONA
ASESOC SERV INTEGRALES S.L.	GUELL 42 VILABLAREIX-GIRONA
PROFESIONAL AND LEGAL SOLUCTIONS S.L.	DOCTOR MECA 107 -MAZARRON (MURCIA)
SERVEIS ADMINISTRATIUS BAIX CAMP, S.L.	MISERICORDIA 5 REUS-REUS (TARRAGONA)
CEOFARMA SLU	PZ L' AJUNTAMENT 2 -VALENCIA
TU SOLUCION HIPOTECARIA	C/ TORRES, 26-BARCELONA
AGENCIA MEDITERRANEA	C/ COLON, 18-VALENCIA
AFINANCE FINANCIAL CONSULTING, S.L	PASEO DE GRACIA, 85-BARCELONA
GARANTIA FINANCIERA SL.	BULGARIA 4 -MADRID
TRAMITA LEVANTE VALENCIA SL	MESTRE RACIONAL 11 -VALENCIA
GRUPO FINANCIERO 10, SL	C/ ECHEGARAY, 6-MADRID
EL IDEALISTA CREDITO Y FINANCIACION SL	C/ CEDACEROS, 11-MADRID
RASTREATOR COMPARADOR CORREDURÍA DE SEGUROS, S.L.U.,	C/ SANCHEZ PACHECO, 85-MADRID
HELLOHIPOTECA SL	C/ SERRANO, 8-MADRID
HIPOO DIGITAL LOANS.L.	C/ MARIA DE MOLINA, 1-MADRID
IAHORRO BUSSINES SOLUTIONS S.L.U.,	C/ GENERAL RAMIREZ DE MADRID, 8-MADRID
CLABERE NEGOCIOS S.L. CREDIMARKET	PLAZA AUSIAS MARCH, 1-SAN CUGAT DEL VALLES (BARCELONA)
CRUVERSAN SOLUCIONES, SL IBERCREDIT	C/ DOCTOR ESQUERDO, 184-MADRID
HIPOTECA PRIMERO, S.L.	C/ AGUARON, 27-MADRID
FINTECA TECH SL	C/ PAU VILA, 1-BARCELONA
FRESH LIVING GROUP SL TRIOTECA	C/ BADAJOZ 127 NAVE 3-BARCELONA
GASCON BERNABEU SL	C/ DESIDERIO RODRIGUEZ, 19 -TORREVIEJA (ALICANTE)
JCG ALLFINANZ MALLORCA SLU	C/ TAMONER, 1, 2º -PALMA DE MALLORCA
DANIEL DA CONCEI AO PIRES	C/ FONT I MONTEROS, 6-PALMA DE MALLORCA
SPANISH BEST HOMES 2010 SL	AV. REYES CATOLICOS, 39-MAZARRON (MURCIA)
SKANDINAVISKA SOLFASTIGHETER, S.L.	RAMON GALLUD 39 -TORREVIEJA
FASTIGHETSBYRAN TORREVIEJA SL	TRITON CC TORREMARINA 8-TORREVIEJA
HOME FINANCE SPAIN S.L.	C/ MAESTRO TORRALBA 21 -ORIHUELA COSTA

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	**Registered office**
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)
ILLESLEX, S.L.	C/ OMS 50-PALMA MALLORCA
NICOLA KATE BUCHANAN	C/ SANT FELIU, 4 1º -PALMA DE MALLORCA
PLATINUM SPAIN SL	C/ PAIS VASCO 1-OJEN (MALAGA)
BETTINA ELISABETH LORENZ	C/ ARPELLA, 32-SANT JORDI DE SES SALINES (BALEARES)
SEIFERT INVEST SLU	C/ CAMAMIL.LA Nº 3 ESC. A 2º A-PALMA DE MALLORCA
THE RESORTS OF THE WORLD COMPANY SL	C/ ALARCE, 26-TORRE PACHECO (MURCIA)
KARL JOHN QUANE	C/ DE LA IGLESIA 3-MARBELLA
DAVID GRONDONA OAKES	AV. PUIG DE SARAGOSSA 1 B-SANTA PONÇA (ILLES BALEARS)
GOLF PROPERTY STORE S.L.	C/ RASPALLON, 3-ROLDAN (MURCIA)
TIMOTHY FRENCH	C/ MAR ROJO, 13-TORREVIEJA (ALICANTE)
MORTGAGE DIRECT S.L.	C/ CARRER DELS CAVALLERS, 37 -VALENCIA
RAPIDO FINANCE & LEGAL S.L.	C/ JAEN, 4-SAN PEDRO DE ALCANTARA (MALAGA)
SERVICIOS INMOBILIARIOS MENORCA FARO SL	AV. JOSEP ANSEL CLAVE, 38-MAHON (BALEARES)
PERSONAL PROPERTY CONSULT, S.L	C/ GRAN PUIG DES CASTELLET, 1 -SANTA PONÇA (BALEARES)
POLLENSA INVEST SL	C/ CARRER ROSER VELL, 38-POLLENÇA (BALEARES)
THIMOTHY DYER	C/ RIO GUADALQUIVIR, 10-SAN JAVIER (MURCIA)
LAW HAWKS S.L.	C/ JUAN RAMOS JIMENEZ, 10-MARBELLA (MALAGA)
LA ZENIA LEGAL ADVICE S.L.	C/ MALAQUITA LA ZENIA-ORIHUELA (ALICANTE)
LIONSGATE CAPITAL S.L.	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)
MARIA FUENSANTA VIDAL LUCAS	C/ CUEVAS DEL BUITRE 13-SANGONERA VERDE (MURCIA)
BLUE MED INVEST S.L.	C/ GALERA 16 -MAZARRON (MURCIA)
ALISON JUDITH LOWTHER DE COTTA	C/ JUAN RAMON JIMENEZ 10-MARBELLA
INDEPENDENT SPANISH MORTGAGES-BROKERS S.L.	URB. AZALEA BEACH, CONJ. EL RÍO, CASA 77 -MALAGA
NARCISO LOPEZ LOPEZ	C/ ALAMEDA 58-AGUILAS (MURCIA)
BONILLO SL	PASEO DEL ALTILLO 6-ALMUÑECAR(GRANADA)
MICHAEL ROBERT BARKESS	URB LA CARTUJA DEL GOLF 20-ESTEPONA
LOANISSIMO SL BANK OF SPAIN	C/ JOAQUIN RODRIGO 6-ALFAZ DEL PI (ALICANTE)
GRIMANGA S.A.	AVENIDA DE FILIPINAS 42-CARTAGENA
CHRISTOPHER PHILIP MCNAMARA	C/ PABLO NERUDA 2-ROJALES (ALICANTE)
GESTION INMOBILI. INT, MARE NOSTRUM SL	C/ COLON 64-DENIA (ALICANTE)
ALBERTO LUIS ALCARAZ ABELLAN	C/ JOSE VALERA ROMERO 2-MURCIA
JANE LEES -OLIVACASAS	C/ MAYOR 6-OLIVA (VALENCIA)
ENGEL MALLORCA INVEST SL	C/ ISAAC PERAL 50-ANDRAITX
MARIA TERESA VELASCO GOMEZ	C/ ARCO DEL TEATRO-ALMUÑECAR(GRANADA)
GRUPO PLATINUM ESTATES S.L.	C/MAR RABIOSA 1-SAN JUAN TERREROS (ALMERIA)
CUENCA Y ASOCIADOS S.L.	AV RONDA NORTE 1-MURCIA
NAVIGATOR NORTH SL	C/ LA SAL 21-TORREVIEJA
SEINSA COSTA BLANCA SL	C/ DEL MAR 39-LOS MONTESINOS (ALICANTE)

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	**Registered office**
K7 GRUPO INMOBILIARIO S.L.	PASEO DEL MEDITERRANEO 201-MOJACAR (ALMERIA)
SPANISH PROPERTY CHOICE S.L.	PASEO DEL MEDITERRANEO 363-MOJACAR (ALMERIA)
SERGIO SANCHEZ ARCOS	C/ FRANCIA 3 -BENIDORM
CHILDS DOS SANTOS SL - VERITAS HOMES	PASEO DEL MEDITERRANEO 355-MOJACAR (ALMERIA)
COSTA INVEST S.L.	C/ SALVADOR DALI 20-ORIHUELA COSTA
VIP ALMERIA S.L.	PASEO DEL MEDITERRANEO 22-MOJACAR (ALMERIA)
PRODDIGIA S.L.	AVENIDA DIAGONAL 361 -BARCELONA
ERWIN CLAASEN - MY HOME COSTA BRAVA	PASEO CAMPRODON I ARRETA 39-GIRONA
TERESA SANCHEZ TELLO - INMOBILIARIA TOSCANA	C/ EUCALIPTO 1-LA HERRADURA (GRANADA)
SANCHEZ SOLICITORS S.L.	C/ DIPUTACION PROVINCIAL 9-NERJA (MALAGA)
FERCO GESTION S.L.	C/ PARIS 206 -BARCELONA
LANZAROTE INVESTMENTS REAL ESTATE SL	AV LAS PLAYAS 43 -PUERTO DEL CARMEN (LAS PALMAS)

Appendix XI – Other information

Customer Service Department

The Bank has in place the "Customer Protection Regulations of Bankia, S.A. and its Group", approved by the Board of Directors. Among other aspects, the Regulations stipulate that Bankia, S.A.'s Customer Service Department must address and resolve any complaints or claims submitted by those in receipt of financial services from any of the 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 Ministry of Economy Order ECO/734/2004 of 11 March on Customer Service Departments and the Financial Institution Ombudsman).

Pursuant to Order ECO/734/2004 of 11 March on Customer Service Departments and the Financial Institution Ombudsman, the following Bankia Group entities are subject to the obligations and duties stipulated in the Order in this connection, with claim procedures and solutions being centralised through Bankia, S.A.'s Customer Service Department:

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 Bank 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 Service Departments and the Financial Institution Ombudsman.

The main data on claims submitted in 2020 and 2019 by customers of the Bank are as follows:

31 December 2020

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.	90,643	87,261	3,382	25,869	40,682	13,199

(1) Refers to claims submitted in 2020.

31 December 2019

Company	No. of claims received	No. of claims admitted for processing	No. of claims dismissed (1)	No. of claims resolved against the customer	No. of claims resolved in favour of the customer	No. of claims resolved informing the customer
Bankia, S.A.	43,037	41,139	1,898	14,811	16,740	9,651

(1) Refers to claims submitted in 2019.

Details, by type, of all claims resolved in 2020 and 2019 are as follows:

	Number of claims	
Type of claim	31/12/2020 (1)	31/12/2019 (1)
Asset transactions	12,675	10,400
Liability transactions	42,555	15,638
Other banking products	60	107
Collection and payment services	15,472	8,671
Investment services	648	527
Insurance and pension funds	865	739
Other	7,475	5,120
Total	**79,750**	**41,202**

(1) Not including those dismissed.

Lastly, the claims pending resolution by Bankia at 31 December 2020 and 2019 are as follows:

	Number of claims	
Company	31/12/2020	31/12/2019
Bankia, S.A.	8,916	1,402

Average supplier payment period. "Reporting requirement", additional provision three of Law 15/2010, of 5 July

Pursuant to Law 15/2010, of 5 July, which amends Law 3/2004, of 29 December, containing measures to combat late payments in commercial transactions, as developed by the Spanish Accounting and Auditing Institute (ICAC) Resolution of 29 January 2016 on disclosures in the notes to the financial statements on the average payment period for suppliers in commercial transactions, the following disclosures are made:

- Due to the nature of Bankia's business (mainly financial activities), the information provided in this Note concerning late payments exclusively concerns payments to suppliers for the provision of various services and supplies to Bankia, other than payments to depositors and holding companies of securities issued by the Bank, 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 on demand or in instalments. Moreover, no information is provided concerning payments to suppliers excluded from the scope of this reporting requirement pursuant to the provisions of the aforementioned ICAC Resolution, such as suppliers of fixed assets that are not considered to be trade creditors.
- At 31 December 2020 and 2019, the information required by Law 15/2010, of 5 July, in relation to the Group's trade suppliers and service providers, in due consideration of Article 6 of the ICAC Resolution of 29 January 2016 and the scope defined in the preceding paragraph, is as follows:

(days)

ITEM	2020	2019
Transactions paid ratio	9.33	9.35
Transactions payable ratio	12.46	14.77
Average supplier payment period	**9.39**	**9.44**

(in thousands of euros)

ITEM	2020	2019
Total payments made	811,980	828,797
Total payments outstanding	14,033	14,116

Payments in respect of payables and receivables between Spanish entities of the Group have been excluded from the above data.

BANKIA, S.A.

DIRECTORS' REPORT

DECEMBER 2020

TABLE OF CONTENTS

1.- KEY EVENTS OF 2020

1.1.- Joint merger plan between CaixaBank and Bankia

As indicated in Note 1.17 to Bankia S.A.'s annual accounts for the year ended 31 December 2020, on 18 September Bankia publicly announced, via notification of insider information to the Spanish National Securities Market Commission (CNMV), that the Boards of Directors of Bankia, S.A. and CaixaBank, S.A. had drafted and signed a joint plan for the merger by absorption of Bankia, S.A. by CaixaBank, S.A. (hereinafter the "Merger Plan").

The exchange ratio for the Merger Plan, which was determined on the basis of the actual value of the net assets of both entities and following the pertinent reviews and valuations, is 0.6845 newly issued shares of CaixaBank, of the same characteristics and with the same rights as the existing CaixaBank shares at the date of their issue and with no supplementary cash consideration, for each share of Bankia, of EUR 1 par value each, including a premium of 20% on the exchange ratio at 3 September 2020, prior to informing the market of negotiations regarding the merger.

CaixaBank will cover the exchange of Bankia shares through newly issued ordinary shares of CaixaBank. Bearing in mind the total number of Bankia shares outstanding at the date of the Merger Plan that could potentially be exchanged (3,069,522,105 shares of EUR 1 par value each, less 31,963,300 treasury shares which will be retained by Bankia until the merger is closed and thus not included in the exchange), CaixaBank will have to issue a maximum of 2,079,209,002 ordinary CaixaBank shares of 1 EUR par value each to cover the exchange ratio, which represents a capital increase for a total nominal amount of EUR 2,079,209,002. The amount of the capital increase could be scaled back depending on Bankia's treasury shares and the number of Bankia shares held by CaixaBank at the date the merger is closed.

The exchange ratio implies that the CaixaBank shareholders will initially represent 74.2% of the share capital of the new entity, whereas Bankia shareholders will represent 25.8%. CriteriaCaixa, an entity wholly owned by Fundación Bancaria "la Caixa", will remain the reference shareholder of CaixaBank, holding around 30% of share capital, whereas the Fund for Orderly Bank Restructuring (FROB) will hold 16.1%.

José Ignacio Goirigolzarri will be the executive chairman of the entity, while Gonzalo Gortázar will hold the position of chief executive officer. The Board of Directors will comprise 15 members, of which 60% will be independent directors. Women will make up 33% of board members.

The merger was approved at the extraordinary general meetings of Bankia, S.A. and CaixaBank, S.A. held on 1 December 2020 and 3 December 2020, respectively.

1.2.- Pandemic triggered by COVID-19

In 2020, we have been witness to the sudden emergence of the pandemic caused by COVID-19, which has forced governments to adopt measures that affect normal production activity, consumer spending and, consequently, the economy as a whole. This scenario has precipitated a global economic slowdown that has impacted the results, targets and financial position of companies and financial institutions. Section 2 of this report includes specific information on the impact that COVID-19 has had on Bankia in 2020, as well as the measures adopted by the entity to mitigate the effects of the pandemic, and the expected future impact on the results and financial position of the entity.

1.3.- Evolution of earnings, activity and the financial position of Bankia, S.A.

- Bankia ended 2020 with **profit** of EUR 251 million, down EUR 312 million (-55.5%) on 2019, due substantially to the provisions of EUR 505 million recognised during the year for impairment of financial assets and real estate assets in the wake of COVID-19.

- **Loans and advances to customers** were up by 3% to stand at EUR 121,090 million. This growth is concentrated in the corporate segment and reflects the higher drawdowns of financing facilities and the new loans with a public guarantee extended to ensure the liquidity and working capital needs of the self-employed, SMEs and companies.

- **In terms of customer funds,** customer deposits grew by EUR 3,171 million (+2.5%) as a result of the higher savings rate of individuals and the liquid assets deposited by companies since the onset of the pandemic. Off-balance sheet customers funds rose by EUR 1,510 million over the year (+5.5%), especially investment funds, which grew by 6.6% thanks to the recovery in business volumes following the initial impact of COVID-19 during the first quarter of the year.

- Bankia's **non-performing exposures** were down by 3.6% in the year to stand at EUR 6,209 million at the December 2020 close. The **NPL ratio** was 4.7%, down by 0.3 percentage points on where it stood in December 2019. This trend in non-performing assets is due to the growth in lending and the risk management activities performed during the year, which included control and follow-up measures to anticipate potential impacts on the loan portfolio as a result of COVID-19.

- The bank continues to hold a **robust liquidity position** which is reflected in its LCR ratio of 195.22% and liquid assets amounting to EUR 35,048 million, which would enable it to cover debt maturities by a ratio of 1.6x. At the end of 2020 the amount drawn down on the TLTRO III facility stood at EUR 22,919 million after the drawdown in the second quarter of the year within the framework of the measures implemented by the ECB to mitigate the effects of the COVID-19 crisis. The bank's LTD ratio (Loan to Deposits) stood at 90.1% at year end, a year-on-year increase of +0.6 percentage points which reflects the growth in ICO-backed loans to companies.

- In terms of **solvency**, the Bankia Group's Phase-In CET1 ratio at the end of 2020 stood at 17.30%, while the Total Capital ratio stood at 22.01%, comfortably meeting the European Central Bank's minimum capital requirements, which are 8.38% for CET1 and 12.75% for Total Capital, following the early application of Article 104 a) of Banking Directive CRD V, which was authorised by the supervisor on 12 March 2020. The bank therefore exceeds regulatory CET1 by 892 basis points and Total Capital by 926 basis points.

2.- MANAGEMENT OF THE IMPACT CAUSED BY THE COVID-19 CRISIS

On 11 March 2020, the World Health Organization declared the outbreak of Coronavirus disease 2019 (COVID-19) to be an international pandemic, which has adversely affected activity and the global economy as of the second quarter of the year.

To address this situation, banking sector authorities have adopted various measures to tackle the hampered financial markets, to inject liquidity into the system and to give governments leeway to implement expansionary fiscal policies. The supervisory authorities have also freed up the capital buffers of financial institutions to bolster lending and have rolled out oversight measures to ensure the continuity of entities, while also recommending the limitation of dividend distributions charged to 2019-2020 profit.

In a similar vein, on 1 April 2020, the ECB urged entities to avail of the temporary capital adjustment contained in International Financial Reporting Standard 9 ("IFRS 9") and to take into account the guidelines of the European Securities and Markets Authority ("ESMA"), the European Banking Authority ("EBA") and the International Accounting Standards Board ("IASB") as regards evaluating the significant increase in credit risk and enabling for a collective assessment so as to avoid volatility in capital levels and in the financial statements.

The governments of different countries have adopted measures such as support for vulnerable groups and the financial system, the deferral of taxes, financial support for affected workers, guarantees on bank financing and support for systemic companies in difficulty.

In Spain, the COVID-19 crisis led the government to declare a state of emergency through the approval of Royal Decree-Law 463/2020, of 14 March 2020, Royal Decree-Law 926/2020, of 25 October 2020, and Royal Decree-Law 926/2020, of 3 November 2020, as well as the adoption of measures to alleviate the situation of vulnerable households, as well as promoting the flow of credit required to protect the self-employed and companies impacted by the consequences of the pandemic. These measures were approved by the Spanish government through successive Royal Decree-Laws (8/2020, 11/2020, 25/2020, 26/2020, 34/2020 and 3/2021 being of most relevance to the banking sector), which included:

- Legislative moratoriums to cover the secured and unsecured mortgage loans of individuals and professionals, the common element of which was a free-of-charge temporary suspension of borrowers' repayment obligations.

- Guarantee facilities arranged through the Official Credit Institute (ICO) to ensure the liquidity and working capital needs of the self-employed, SMEs and companies, as well as to shore up production activity and employment.

Additionally, the CECA agreement of 16 April 2020, to which Bankia is a signatory, has introduced a sector-wide moratorium that supplements the scope of the mortgage moratorium approved by the government through the abovementioned Royal-Decree Laws. This sector-wide moratorium establishes the general criteria for deferral of payment by certain borrowers affected by the health and economic crisis – those who are unable to qualify for the public moratorium and therefore cannot benefit from it, or for those whose capacity proves insufficient – allowing for the deferral of payments within a specific period.

Notes 1.16 and 2.9 to Bankia's annual accounts describe in detail the content of the public and private measures to provide financial support to the above-mentioned families and businesses, as well as the accounting treatment of the transactions granted to customers qualifying for the foregoing measures. This section will therefore discuss the impacts of the COVID-19 crisis and the effects that the package of regulatory and government measures have had on the results, financial position and operations of Bankia in 2020, as well as the measures implemented by the entity to mitigate the effects of the pandemic and the future impact that the COVID-19 crisis may have on the Bank.

2.1.- Measures to protect households, the self-employed and companies

As regards the legislative and sector-specific moratoriums and the ICO-backed financing, the main data on the applications received and the transactions granted at 31 December 2020 are as follows:

- Nearly 113,000 moratoriums have been granted for a gross carrying amount of approximately EUR 5,625 million, of which nearly EUR 3,400 million are legislative moratoriums related to transactions secured by a mortgage, EUR 375 million are legislative moratoriums related to transactions not secured by a mortgage, and approximately EUR 1,850 million are sector-specific moratoriums. The outstanding balance on these transactions at 31 December 2020 is approximately EUR 4,600 million. Almost all the financing has been granted to households, 89% was secured by a mortgage, 87% had a maturity of less than six months, and most of the balances have been classified as performing.

  In 2020 Bankia has recognised a negative amount of EUR 13 million in the income statement as a result of adjusting the carrying amount of the transactions modified under a legislative moratorium to the renegotiated cash flows.

- The amount drawn down on the new loans extended and backed by a public guarantee (ICO guarantee) totals more than EUR 8,200 million, approximately. Of this balance, more than 95% corresponds to companies, of which approximately 69% are SMEs. Approximately 75% of the amount of these transactions is guaranteed.

Since the outset of the crisis, Bankia has also rolled out a number of measures aimed at bolstering the economic resilience and covering the financial needs of its customers, the most noteworthy of which are as follows:

- The granting of bridge loans which are gradually cancelled against the drawdown of the ICO guarantee facilities.

- Extending the deadlines of working capital financing for the self-employed, micro companies and larger businesses.

- Refund of accident insurance instalments for the self-employed during the lockdown months.

- Temporary reduction or suspension of banking fees (collection of fees associated with the "Por Ser Tú" programme made more flexible, free cash withdrawals across the entire ATM network, reimbursement of POS terminal fees for the self-employed and small businesses that were unable to operate as a result of the COVID-19 crisis).

- Support for customers through the implementation of measures to address their needs (bringing forward pension and unemployment benefit payments, free shopping delivery service for pensioner customers, introduction of instalment payments for insurance policies, online mortgage moratorium simulator).

2.2.- Measures adopted by Bankia to mitigate the effects of COVID-19 on its operations

Since the outset of the crisis, Bankia has rolled out a number of measures to ensure normal operations of the bank which include the following:

- At the beginning of the crisis, Bankia activated contingency plans to ensure the entity remained fully operational and could carry out its activities from the start of the state of emergency. A Contingency Committee made up of various executives and members of senior management was set up, which has monitored the situation on a daily basis, coordinating the actions carried out in different areas during the most critical months of the pandemic.

- The various areas of the Group identified their key functions, segregated teams and IT infrastructure and organised rotating shifts for key personnel and their replacements.

- Coronavirus prevention and protection protocols were established, periodically updated in coordination with the health authorities and complemented by various internal guides. Bankia has been in permanent contact with the health authorities, has received advice from QUIRON Prevención and has held numerous meetings with the State Health and Safety Committee to keep this committee informed at all times of the measures adopted within the context of the pandemic.

- Depending on workplace characteristics, various prevention and work-life balance measures were established for employees, ranging from rotating shifts to working from home for a sizeable number of Bankia professionals,, which has reached nearly 95% for central services and 40% for the branch network.

- In terms of technology, the capabilities of data systems and lines were amplified and suitable equipment was provided to adapt the organisation to the new remote working situation.

- The contingency plans put in place enabled the vast majority of branches to remain up and running during the state of emergency declared at the outset of the pandemic and practically all of the bank's ATMs were operational.

- A workgroup was formed for the gradual and safe return of Bankia professionals to the work place through a health questionnaire and a COVID-19 test, a new hotdesking system to facilitate the rotation of staff, and ongoing flexibility measures for a work-life balance. These plans also involve the combination of working from home with office-based working in order to minimise risks.

2.3.- Impact of the crisis on the results of Bankia

As indicated in note 2.9 to Bankia, S.A.'s annual accounts, the entity recognised provisions of EUR 505 million in 2020 of impairment losses on financial assets and real estate assets as a result of COVID-19. The charge for these provisions was recognised to comply with the current accounting and prudential framework and is aligned with the pronouncements made by the various regulators and supervisors; it has had a major impact on profit for 2020.

2.4.- Impact on turnover

As regards business performance, the lending activity existing prior to the COVID-19 crisis started to pick up at the end of the second quarter. The mortgage lending segment climbed from the low in April to levels higher than those registered before the pandemic (up 14.3% on the entire year with respect to 2019). In consumer lending the recovery has been more gradual. Therefore, the volume of new consumer loans has declined by 53.6% over the year due to the slowdown in economic activity since the emergence of the pandemic, although it showed clear signs of recovery in the third and fourth quarters. In business banking, the outstanding amount on lending to this segment has grown by 17% with respect to the previous year due to the new ICO-backed transactions. The net result is a rise in the balance of loans and advances to customers of EUR 3,541 million (+3%) with respect to December 2019.

On the liability side, customer deposits have grown by EUR 3,171 million (+2.5%), Deposits have grown, both in terms of companies, which have deposited part of the liquidity drawn down to tackle the effects of the pandemic, and households, as the reduced activity and the heightened uncertainty due to the crisis have incentivised saving. Off-balance sheet products overall were up by 5.5% on the back of the positive performance of investment funds, which overcame the sharp spike in market volatility caused by the COVID-19 pandemic during the first quarter of the year.

2.5.- Impact on the financial position of the entity

In respect of the **non-performing exposures and NPL ratio**, Bankia is continuously monitoring the main indicators to anticipate potential impacts derived from the crisis. The control measures implemented have contained the decline in the credit quality of the portfolio. Accordingly, the bank's non-performing exposures have totalled EUR 6,209 million at the 2020 year-end, down 3.6% on December of the previous year (EUR 6,441 million), and the NPL ratio stands at 4.7% (5% at the 2019 year-end).

As regards **solvency**, despite the economic scenario caused by the crisis, the Group has retained its capital generation ability, reaching a CET1 Phase In ratio of 17.30% and a Total Capital Phase In ratio of 22.01%, meaning it has comfortable buffers above the regulatory minimums for 2020 (see chapter 7 on "Capital management, solvency and leverage").

Bankia's **liquidity position** has remained solid throughout the pandemic with the LCR ratio standing at 195.22% at 31 December 2020. The bank also has an ample liquidity buffer, with available liquid assets amounting to EUR 35,048 million at the end of year, which would enable it to cover its debt maturities by a factor of 1.6 times. This situation is strengthened further by the packages of anti-crisis measures announced by central banks to significantly hike liquidity in the system, coupled with the fact that Bankia has taken preventative steps to shore up its position in this regard. As part of these measures, in the second quarter of the year Bankia drew down the maximum amount provided through the ECB's TLTRO III facility, which is currently drawn down in an amount of EUR 22,919 million. Additionally, the entity draws up an annual Financial Plan for both the short and medium term, which is evaluated as part of the liquidity adequacy self-assessment process, with protection of the balance sheet assets and liabilities and the main indicators of liquidity and financing risk. The Financial Plan takes into consideration the situation caused by COVID-19, ensuring sufficient liquidity from both an economic and regulatory standpoint.

2.6.- Impact on the strategic focus and objectives

The financial objectives of Bankia's 2018-2020 Strategic Plan included the annual ordinary cash dividend distribution of around 45-50% of profit and additional capital actions which would have been considered when the generation of Fully-Loaded CET1 capital exceeded the target of 12%.

Following the instructions of the European Central Bank, on 27 March 2020 Bankia's Board of Directors decided that, given the potential impact of the COVID-19 crisis, the entity had to be very prudent in setting shareholder remuneration. Accordingly, it reviewed the capital distribution objective set in the Group's 2018-2020 Strategic Plan, ruling out any extraordinary distributions for 2020.

2.7.- Future impact of COVID-19 on Bankia

The specific impact on subsequent periods of the current health crisis and the mitigating effects of the support measures introduced by the Government and financial institutions have yet to be seen. Nonetheless, Bankia faces a number of risks common to the entire banking sector and tied to the future of the pandemic, such as a potentially major increase in bad debt, a drop-off in new loans granted to private customers, particularly consumer loans, greater fluctuation in the value of its assets (including financial instruments measured at fair value and securities held for liquidity reasons), a negative impact on the cost of financing (particularly in a climate where future credit ratings may be affected) and weaker results due to the decline in production activity and consumer spending caused by the pandemic.

In this regard, Bankia is monitoring its loan portfolios and the main risk indicators on a continual basis to anticipate any potential impacts from the crisis on asset quality, while continuing to use efficiency and cost controls as major management levers to mitigate the effects of the pandemic.

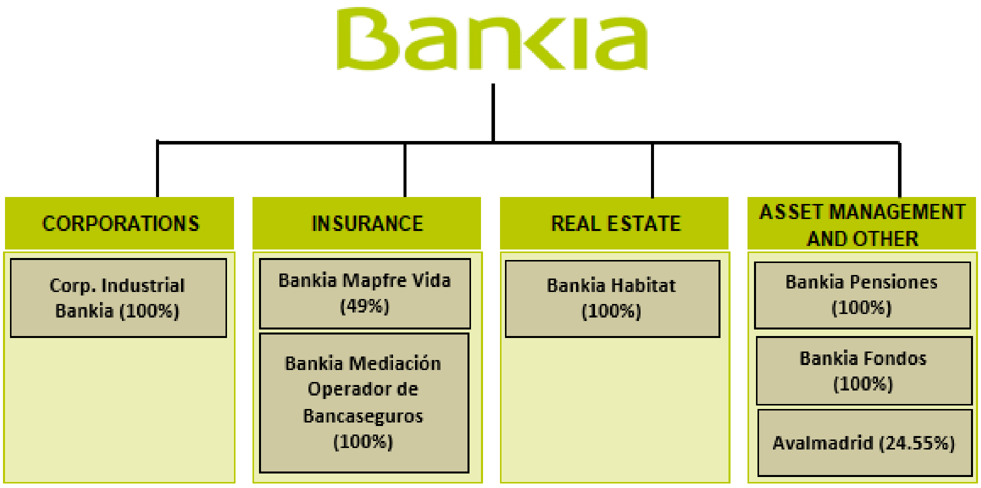
3.- ORGANISATIONAL STRUCTURE AND BUSINESS MODEL

3.1.- Overview of Bankia Group and its organisational structure

Bankia is a financial group with a nationwide presence, whose activity is mainly focused on traditional retail banking, corporate banking, asset management and private banking. Bankia does business mainly in Spain. The bank had total assets of EUR 210,123 million at 31 December 2020. The bank's branch network comprised 2,127 offices at year end. Section 3.3 below provides a breakdown of the branch office network by region.

Bankia's main shareholder is BFA, Tenedora de Acciones, S.A.U. ("BFA"), which, at the December 2020 close, held shares representing 61.83% (62.48% including the impact of treasury shares) of its share capital. Organisationally, Bankia is the Group's parent. The consolidated group is made up of 41 companies comprising subsidiaries, joint ventures and associates, engaging in a range of activities, including the provision of finance, insurance, asset management, services, real estate development and management.

The ownership interests in the companies comprising the consolidated Bankia Group are kept directly in Bankia's own portfolio or, indirectly, through different holdings, the most relevant of which are as follows:



3.2.- Corporate governance

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

- **The General Meeting of Shareholders** is the highest decision-making authority within the scope attributed to it by law or the bylaws; e.g. the appointment and removal of Directors, the approval of the annual accounts, the distribution of dividends or the acquisition or disposal of core assets, and the approval of the director remuneration policy, among others.

- **The Board of Directors** is responsible for representation of the Company and has the broadest of powers to manage the Company, except for matters reserved for the General Meeting of Shareholders. Its responsibilities include approving the strategic or business plan, management objectives and annual budgets, and determining the Company's general policies and strategies, the corporate governance policy for the Company and the Group, the responsible management policy, and supervising the functioning of any committees it may have set up and the actions of the delegate bodies.

There are **six Bankia Committees**, whose members are appointed considering their suitability based on their knowledge, aptitudes, experience and the duties of each Committee.

The Board of Directors The Board of Directors held 21 meetings in 2020
(9 independent directors, 1 other external director and 3 executive directors) • Mr. José Ignacio Goirigolzarri Tellaeche. Executive Chairman • Mr. José Sevilla Álvarez. Chief Executive Officer • Mr. Antonio Ortega Parra. Executive Director • Mr. Joaquín Ayuso García. Independent Director • Mr. Francisco Javier Campo García. Independent Director • Ms. Eva Castillo Sanz Lead Independent Director • Mr. Jorge Cosmen Menéndez-Castañedo. Independent Director • Mr. Carlos Egea Krauel. Other External Director • Mr. José Luis Feito Higueruela. Independent Director • Mr. Fernando Fernández Méndez de Andés. Independent Director • Ms. Laura González Molero. Independent Director • Mr. Antonio Greño Hidalgo. Independent Director • Ms. Nuria Oliver Ramírez. Independent Director

Audit and Compliance Committee	
The responsibilities of the Audit and Compliance Committee include monitoring the effectiveness of internal control, internal audit, regulatory compliance and risk management systems, both financial and non-financial, as well as the statutory financial and non-financial reporting processes; making proposals to the Board on the selection, appointment, re-election and replacement of the external statutory auditors, and conducting relations with the auditors; and examining and supervising compliance with the Company's governance and compliance rules. The Regulations of the Audit and Compliance Committee were modified in 2020 to bring them into line with the reviewed Good Governance Code for Companies approved by the Spanish National Securities Market Commission (CNMV) in June 2020.	**Five directors, four independent and one other external director:** - Mr. Francisco Javier Campo García (Chairman) - Mr. Carlos Egea Krauel (Committee member) - Mr. José Luis Feito Higueruela (Committee member) - Mr. Fernando Fernández Méndez de Andés (Committee member) - Mr. Antonio Greño Hidalgo (Committee member) The Committee held 20 meetings in 2020

Appointments and Responsible Management Committee	
The general powers of the Appointments and Responsible Management Committee include proposing and reporting on the appointment and removal of directors and senior executives; assessing the competencies, knowledge, ability, diversity and experience required on the Board of Directors; assessing the time and commitment required for directors to be able to perform their duties effectively; defining the functions and aptitudes required of candidates to fill vacancies; examining and organising the succession plan in the Board of Directors and of the Company's senior executives; reporting on the plan applicable to senior executives; reviewing the sustainable management policy; and supervising that the Company's environmental and social practices are consistent with the strategy and policies in place. The Regulations of the Appointments and Responsible Management Committee were modified in 2020 to bring them into line with the reviewed Good Governance Code for Companies approved by the Spanish National Securities Market Commission (CNMV) in June 2020.	**Four independent directors:** - Ms. Eva Castillo Sanz (Chairwoman) - Mr. Joaquín Ayuso García (Committee member) - Mr. Francisco Javier Campo García (Committee member) - Ms. Laura González Molero (Committee member) The Committee held 13 meetings in 2020

Remuneration Committee	
The Remuneration Committee has general authority to propose and report on remuneration and other contractual terms and conditions of directors and senior executives. It periodically reviews the remuneration programs, considering their appropriateness and utility and ensuring transparency of remuneration and compliance with the remuneration policy set by the Company, among other responsibilities.	**Four independent directors:** - Mr. Antonio Greño Hidalgo (Chairman) - Mr. Joaquín Ayuso García (Committee member) - Mr. Jorge Cosmen Menéndez-Castañedo (Committee member) - Ms. Laura González Molero (Committee member) The Committee held 10 meetings in 2020

Risk Advisory Committee	
Among other functions, the Risk Advisory Committee advises the Board on the overall propensity of risk and the risk strategy, seeking to ensure that the pricing policy for assets and liabilities offered to customers has regard to the risk strategy, presenting risk policies and proposing to the Board the company and Group's risk control and management policy through the Internal Capital Adequacy Assessment Process. It supervises the internal control and risk management function and proposes the system of credit risk delegation to the Board of Directors.	**Four independent directors:** - Mr. Joaquín Ayuso García (Chairman) - Mr. Fernando Fernández Méndez de Andés (Committee member) - Ms. Laura González Molero (Committee member) - Mr. Antonio Greño Hidalgo (Committee member) The Committee held 19 meetings in 2020

Board Risk Committee	
An executive body with responsibility for approving risks falling within the scope of the powers delegated to it by the Board of Directors, and for overseeing and managing the exercise of the powers delegated to lower-ranking bodies. It approves important transactions and defines overall risk limits. It also reports to the Board of Directors on those risks that may affect solvency, recurring profits, operations or the reputation of the Company, among other responsibilities.	**An executive director and two independent directors:** - Mr. José Sevilla Álvarez (Chairman) - Ms. Eva Castillo Sanz (Committee member) - Mr. Fernando Fernández Méndez de Andés (Committee member) The Committee held 27 meetings in 2020

Technology and Innovation Committee	
In May 2020, Bankia's Board of Directors approved the creation of a Technology and Innovation Committee, tasked, among other functions, with assisting the Board of Directors with complying with its supervisory and decision-making responsibilities on technology-related matters in activities with an impact on the bank's business, taking a holistic approach. Prior to their submission for the approval of the Board of Directors, the Technology and Innovation Committee seeks to understand and report on the Company's technology, innovation, cyber security and data analysis policies and/or strategies, supervising and monitoring any specific plans and projects of particular relevance in this regard, debating such matters and proposing initiatives for the consideration of the Board.	**Two executive directors and three independent directors:** - Mr. José Ignacio Goirigolzarri Tellaeche (Chairman) - Mr. Francisco Javier Campo García (Committee member) - Ms. Eva Castillo Sanz (Committee member) - Ms. Nuria Oliver Ramírez (Committee member) - Mr. Antonio Ortega Parra (Committee member) The Technology and Innovation Committee held 2 meetings between the date on which it was formed on 27 May 2020 and 31 December 2020.

The **Board's policy** is to delegate the day-to-day management of the Company to the executive bodies and management team and to focus on its **general supervisory role** and the consideration of those matters that are particularly important to the Company.

In relation to the above, the Board of Directors defined a **Corporate Governance System** that ensures healthy, prudent management of the Company and that provides for an appropriate distribution of functions within the organisation and the prevention of conflicts of interest. The Board oversees the application of this system and regularly monitors and assesses its effectiveness, taking whatever measures are necessary to resolve possible deficiencies.

One of Bankia's main priorities is to align its corporate governance with Spanish and international best practices. In particular, in compliance with requirements in domestic and European banking regulations and the recommendations and principles of good governance contained in the Code of Good Practices of supervisors and regulators, Bankia has the corporate governance system as a general framework for internal organisation affecting the bank and all the companies that make up the Bankia Group.

The corporate governance system covers and guarantees the proper functioning of internal governance, thereby assuring healthy, prudent management of the entity and its Group, the core objective being to satisfy the corporate interest, understood as the common interest of all shareholders of an independent, public limited company focused on the profitable and sustainable pursuit of its objects and the creation of long-term value. The main priorities of Bankia's Corporate Governance System are:

- To ensure a correct distribution of functions within the organisation
- To prevent and resolve conflicts of interest
- To establish a transparent framework for relations between Bankia and its shareholders

The system embodies the Group's corporate values with respect to business ethics and sustainability and is backed by the principles of good governance developed by the Company based on the recommendations of the Good Governance Code of listed companies

A key part of the corporate governance system is the set of rules and regulations, which provides a Groupwide internal control framework. They comprise a set of internal rules that regulate the Company's corporate governance and the operational functioning, basically made up of **Corporate Texts** (Corporate Bylaws, General Meeting Regulations, Board of Directors Regulations, the Regulations of the Audit and Compliance Committee, the Regulations of the Appointments and Responsible Management Committee and the Regulations of the Remuneration Committee), **Internal Procedures and Rules of Conduct** (including the Code of Ethics and Conduct, and the Internal Rules of Conduct for Securities Markets activities) and **Corporate Policies**, (including the Bankia Group Corporate Governance and Organisational Structure Policy, the Bankia Internal Governance Policy, the Policy on Information, Communication, Contacts and Involvement with shareholders, institutional investors, proxy advisors and other stakeholders, the Policy on the Suitability of Directors, General Managers of Similar and Other Key Function Holders at Bankia and the Policy on the Selection, Diversity, Integration and Training of Directors, the Remuneration Policy for directors, and that for general managers and persons performing senior management functions, the Senior Management Selection and Appointment Policy, the Risk Control and Risk Management Policies, the Investment and Financing Policy, the Sustainable Management Policy, the Dividend Policy, the Treasury Shares Policy, the Conflicts of Interest Policy, the Regulatory Compliance Policy and the New Products Policy).

Turning to director appointments, on 27 March 2020, the Shareholders' Meeting agreed to set the number of Board members at 13 and approved the appointment of Ms. Nuria Oliver Ramírez, as Company director, on an independent basis, for the bylaw-stipulated term of four years.

Similarly, the above General Meeting of Shareholders resolved to re-elect the Company directors Mr. José Sevilla Álvarez, as an executive director, Mr. Joaquín Ayuso García, as an independent director, Mr. Francisco Javier Campo García, as an independent director, Ms. Eva Castillo Sanz, as an independent director, and Mr. Antonio Greño Hidalgo, as an independent director for the bylaw-stipulated term of four years.

On the same date, the Board Meeting held after the General Meeting of Shareholders adopted the following resolutions:

- To re-elect Mr. José Sevilla Álvarez as CEO of the Company.
- To re-elect Mr. Francisco Javier Campo García and Mr. Antonio Greño Hidalgo as members of the Audit and Compliance Committee, as well as to appoint Mr. Francisco Javier Campo García as Chairman of the Audit and Compliance Committee, in lieu of Mr. Antonio Greño Hidalgo, who had held such office until then.
- To re-elect Ms. Eva Castillo Sanz, Mr. Joaquín Ayuso García and Mr. Francisco Javier Campo García as members of the Appointments and Responsible Management Committee, as well as to re-elect Ms. Eva Castillo Sanz as Chairwoman of the Appointments and Responsible Management Committee.
- To re-elect Mr. Joaquín Ayuso García as a member of the Remuneration Committee and to appoint Mr. Antonio Greño Hidalgo as a member and Chairman of the Remuneration Committee in lieu of Mr. Francisco Javier Campo García, who stood down as member and Chairman of the Remuneration Committee.
- To re-elect Mr. José Sevilla Álvarez and Ms. Eva Castillo Sanz as members of the Board Risk Committee, as well as to re-elect Mr. José Sevilla Álvarez as Chairman of the Board Risk Committee.
- To re-elect Mr. Joaquín Ayuso García, Ms. Eva Castillo Sanz and Mr. Antonio Greño Hidalgo as members of the Risk Advisory Committee, as well as to re-elect Mr. Joaquín Ayuso García as Chairman of the Risk Advisory Committee.
- To ratify Ms. Eva Castillo Sanz in her position as Lead Independent Director until finalisation of the three-year term for which she was appointed.

Moreover, on 27 May 2020, within the context of the entity's commitment to digitalisation, innovation, cyber security and data analysis, the Board of Directors resolved to modify the Board Regulations in order to introduce article 14 bis, regulating the Technology and Innovation Committee, resolving to set up the above Committee within the Board of Directors and appointing its members. The Technology and Innovation Committee is headed by the Bankia Chairman, Mr. José Ignacio Goirigolzarri, and comprises the executive director and General Manager of People, Resources and Technology, Mr. Antonio Ortega, and the independent directors Mr. Francisco Javier Campo, Ms. Eva Castillo and Ms. Nuria Oliver, with Mr. Miguel Crespo as secretary.

Bankia also has a **Management Committee**, currently composed of twelve members: the Chairman of the Board of Directors, Mr. José Ignacio Goirigolzarri, the Chief Executive Officer, Mr. José Sevilla, the Executive Director and General Manager of People, Resources and Technology, Mr. Antonio Ortega, the Deputy General Director of Business Banking, Mr. Gonzalo Alcubilla, the Deputy General Director of Financial Management, Mr. Leopoldo Alvear, the Deputy General Director of Communication and External Relations, Mrs. Amalia Blanco, the General Secretary and Deputy General Director of the General Secretariat, Mr. Miguel Crespo, the Deputy General Director of Credit Risks, Mr. Manuel Galarza, the Deputy General Director of People and Culture, Mr. David López, the Deputy General Director of Asset Management and Investees, Mr. Fernando Sobrini, the Deputy General Director of Retail Banking, Mr. Eugenio Solla, and the Deputy General Director of Transformation and Digital Strategy, Mr. Carlos Torres.

3.3.- Business model

Bankia is a franchise with a presence throughout Spain, focusing on Retail and Business Banking, and with a strategy focused on growing in multi-channel business. The main objective of Bankia's activity is to create sustainable, recurring long-term value, to respond to the expectations of its shareholders, customers, employees and society at large. Accordingly, Bankia's business model is characterised by its customer focus, providing a service that is close to customers, professional, adapted to multiple channels and tailored to customers' needs at all times.

Bankia carries out its business through a network of 2,127 branches, distributed geographically as follows:

Autonomous region	Number of offices
Andalusia	309
Aragon	9
Asturias	10
Balearic Islands	131
Canary Islands	98
Cantabria	20
Castilla-La Mancha	102
Castilla y León	118
Catalonia	131
Ceuta	4
Extremadura	9
Galicia	19
La Rioja	47
Madrid	564
Melilla	1
Murcia	151
Navarra	3
Basque Country	17
Valencia	384
TOTAL OFFICES	**2.127**

The commercial model of the entity is structured along three main business lines:

- Retail Banking
- Business Banking
- Asset management and investees

Note 1.14 to Bankia's annual accounts provides a breakdown of the profit or loss of each business segment at 31 December 2020 and 2019, as well as the key balance sheet items at the end of each period. For the purposes of segment reporting, note

1.14 to the annual accounts includes asset management activities in the Retail Banking segment whereas investees are included in the Corporate Centre, which, in addition to investees, also includes non-current assets held for sale and the rest of the operations other than those included in the three main business lines described previously.

Retail Banking

Retail Banking includes retail banking activity with legal and natural persons with annual revenue of less than EUR 6 million, distributed through a large multi-channel network in Spain and operating a customer satisfaction and profitability-oriented business model.

Retail banking is a strategic business for Bankia; it is one of Spain's leading financial institutions in this segment. The Bank focuses its efforts on traditional banking products, such as mortgages, consumer loans, direct salary debits, deposits, credit cards, payments of bills, insurance, investment funds, automatic portfolio and pension management and other financial advisory services, in the latter case for high net worth customers requiring specialist financial and tax advice.

With respect to its **business model**, Retail Banking focuses on ***retail activity*** following a universal banking model. Its objective is to achieve customer satisfaction and loyalty, retaining customers and, providing them with added value in products and services, in advisory and service quality, thereby increasing their satisfaction rate with Bankia. To this end, it segments its customers, offering a specialised, multichannel customer service, as well as products and services adapted to each segment, enabling it to offer comprehensive customer advice catering to the needs of each type of customer (retail customers, self-employed workers, SMEs and traders and portfolio customers receiving financial advice and customers with Conecta con tu Experto portfolios, including personal banking customers).

Bankia's main future objectives and strategies to continue driving retail banking activity in the short and medium term focus on improving margins and profitability, increasing lending and controlling non-performing loans. And all of this with a customer-oriented approach.

Bankia's distribution network is composed of a finely meshed, well-distributed **branch network**, a complementary agency network (spearheaded by Mapfre) that gives the bank a valuable competitive advantage, and a low-cost multichannel distribution network (e.g. ATMs, Internet, Mobile and Telephone Banking). Bankia's commercial model is based on a segmented branch network with universal branches, agile branches, business branches and private banking centres.

In line with its multi-channel strategy, the bank has a complete array of technological channels that allow customers to carry out their transactions, contract and manage products, and contact their agents. Amongst these are the "Conecta con tu Experto" ("connect with your expert") service, provided though multichannel managers integrated within the multichannel branches, which targets digital customers requiring a personalised service. These customers mainly interact with Bankia through remote channels (Bankia Online, mobile applications, telephone) and who, based on their current value and/or commercial track record, require a more proactive commercial approach and personalised service

Business Banking

Business Banking is the Bankia division in charge of providing services to companies with annual sales volumes of over EUR 6 million (Business Banking and Corporate Banking), including the main public sector players (State and the Autonomous Regions, among others), and the activities in Capital Markets and teams specialising in business development, such as the Sustainable Finance and Business Department created in 2019. Customers, legal persons and self-employed workers with revenues below EUR 6 million are managed by the Retail Banking area.

The customer base is highly diversified across productive and economic sectors, especially commerce, manufacturing (industry), services, procurement and construction.

Bankia's **business model** in this segment is customer-oriented and strongly supported by specialist teams, which focus on long-term profitability and customer management, providing customers with quality services, especially financing for their business ventures.

Business Banking has different segments and distribution channels:

- **Business Banking.** Business Banking targets growth in the banking business of customers with annual revenues of over EUR 6 million (excluding those belonging to the corporate segment). It has a network of centres throughout Spain, concentrated in the regions with the greatest business activity. A network of specialist managers is responsible for serving customers and bringing in business. They are assigned a limited number of customers, structuring portfolios where the region's critical mass so allows, based on company revenues, in order to provide a personalised service. The managers also receive support from teams of experts in legal, tax, risk approval and management, marketing and specialised products.
- **Corporate Banking.** This segment caters to Bankia's largest accounts, which have several common denominators: the size of the businesses (over EUR 300 million in annual sales), groups comprising a large number of companies, and the demand for more complex and sophisticated financial services. Commercial coverage of Corporate Banking customers is provided by three centres, in Madrid, Barcelona and Palma de Mallorca, the latter specialised in dealing with customers from the tourism sector. These centres are home to specialised sector-specific teams, working alongside Capital Markets product teams.
- **Capital Markets.** The Capital Markets segment consists of a number of areas specialised in products, offering specific financial solutions requested mainly by Business Banking and Corporate Banking customers.

These segments and distribution channels come in addition to a powerful online banking service called BOL-E ("Bankia On-Line Empresas"), which allows client companies to carry out practically all their transactional operations.

The commercial **strategy** is predicated on active management of total returns for clients, combining a price discipline that sets floor prices based on the cost of funds and the client's risk (assessed using Bank of Spain-approved internal models), efficiency in capital consumption by including the RaR (Risk adjusted Return) approach to transactions, and the active search for cross-selling opportunities.

Asset management and investees

This segment covers private banking activities, asset management, insurance, strategic partnerships and investees.

The ***private banking*** business is geared towards the high-wealth or high-income individual customers, investment companies or foundations. Bankia offers these customers a comprehensive range of products and services with highly personalised, professional and reliable treatment, providing them with solutions that are tailored to their financial or tax needs. The main private banking business lines are wealth management and advisory, the sale of third-party financial products, intermediation in the trading of financial assets and advisory regarding the securities market. To this end, the Private Banking area offers customers an extensive catalogue of both in-house and third-party products, as well as specialised tools and reports.

Bankia Fondos and Bankia Pensiones are responsible for ***asset management***, providing financial products to the retail network.

Bankia owns 100% of Bankia Fondos SGIIC and has marketing agreements with international fund managers for certain niche products. Bankia's investment fund manager offers a wide range of competitive, high-quality products in all categories (money market, fixed income, equities, mixed, guaranteed, global, etc.), in both Spain and abroad. This variety allows it to meet the needs of different customer profiles, from the most conservative, whose priority is capital preservation, to the more adventurous, who are willing to take certain risks in exchange for a higher return. Moreover, mandated by Bankia, Bankia Fondos manages the portfolios of customers from the office network.

Bankia Pensiones, a wholly-owned subsidiary of Bankia, is the Group's pension fund management company. It is engaged in the management of all types of pension plans (individual, employment and related), focusing on meeting unitholders' needs and offering products that are suitable for their investment profile and the time horizon established by the retirement age. In pension funds, Bankia has made significant efforts to encourage long-term saving, highlighting the need to begin saving with a view to supplementing future pensions sufficiently in advance. Pension funds advisory services and simulation tools are the main marketing tools for these retirement saving products.

Bankia's ***Bancassurance*** department is in charge of coordinating and promoting the insurance brokerage activity at Bankia and provides specialised support to the branches. To this end, it has designed a catalogue of insurance tailored to customers' needs, whether individuals (life, home, auto and health) or businesses (comprehensive trade, credit insurance, general liability and comprehensive business).

The Bancassurance department focusses its efforts on increasing the amount of insurance arranged, boosting market penetration, streamlining operations at branches to improve employee productivity and strengthening remote channels for contracting insurance.

The Bancassurance department defines the framework for relations with partner insurance companies based on the strategic alliances entered, with the aim of boosting the contribution from the sale of insurance products to the entity's commission.

The ***Strategic Partnerships and Investees*** division manages the corporate relationship framework with Bankia's strategic partners in the insurance and consumer finance businesses at points of sale mainly. Within this activity, it coordinates the supervision and development of agreements entered into with partners (Mapfre and Crédit Agricole Consumer Finance), ensuring mutual compliance with the commitments therein. As part of these actions, it coordinates horizontal cooperation projects with partners that drive these strategic businesses.

This division is also tasked with defining, managing and implementing disposal plans and the liquidation of the Group's investees and investment vehicles, as well as overseeing the ordinary and corporate management of the Group's subsidiaries. Additionally, its duties, in coordination with the business and innovation areas, include the responsible management of promoting, analysing and designing investment projects and the development of new businesses and alliances in areas where the entity aims to strengthen its competitive position. It particularly focuses on digital businesses (Fintech) and the projects and activities that can generate earnings for the entity.

The ***Agency Network*** department develops and manages a business model based on a variable cost external sales force supplementing the bank's branch network that enables it to attract new customers and additional business across all areas, even where the branch network has little presence, distributing the relevant Bankia products as and when decided and referring customers to the banks' various (physical and digital) contracting channels.

This division, in line with a selective admission policy, is tasked with reaching and fostering collaboration agreements with significant potential to win new customers and business for the bank, designing the business models and operational and oversight policies in conjunction with the Corporate Directorate of Regulatory Compliance, the Corporate Directorate of Legal Services, the Corporate Directorate of the Retail Network and the Corporate Directorate of Business Banking. It currently has four customer channels:

- Agreements with mortgage platforms that provide qualified and quality leads with high conversion rates.
- International customer channels that provide high-profile EU-resident customers and high quality mortgage business.
- Corporate sector and private banking channels (SMEs and self-employed customers) which help the bank's sales network to increase its market share in these segments.
- Assurbanking agreement with insurance company Mapfre, seeking to ensure that the relevant agreements and undertakings are duly observed, while furthering and adopting the necessary measures to facilitate the fulfilment of the business plan.

Developments in digitalisation and the multi-channel network

Bankia's business model includes a commitment to a multi-channel approach and to digital banking that is a pillar of the bank's commercial positioning. Bankia has made the digital transformation one of the mainstays of its 2018-2020 Strategic Plan.

Accordingly, at the close of December 2020, Bankia's digital customers represented 60.5% of the entity's customer base, while digital sales accounted for 46.9% of Bankia's total sales.

The initiatives undertaken until now, and the advances in the multi-channel strategy already rolled out, are designed to enhance customer satisfaction and attract new customers to Bankia. While the results obtained in recent years are encouraging, Bankia is seeking to continue work in this field.

4.- ACTIVITY AND RESULTS

4.1.- Economic and financial environment

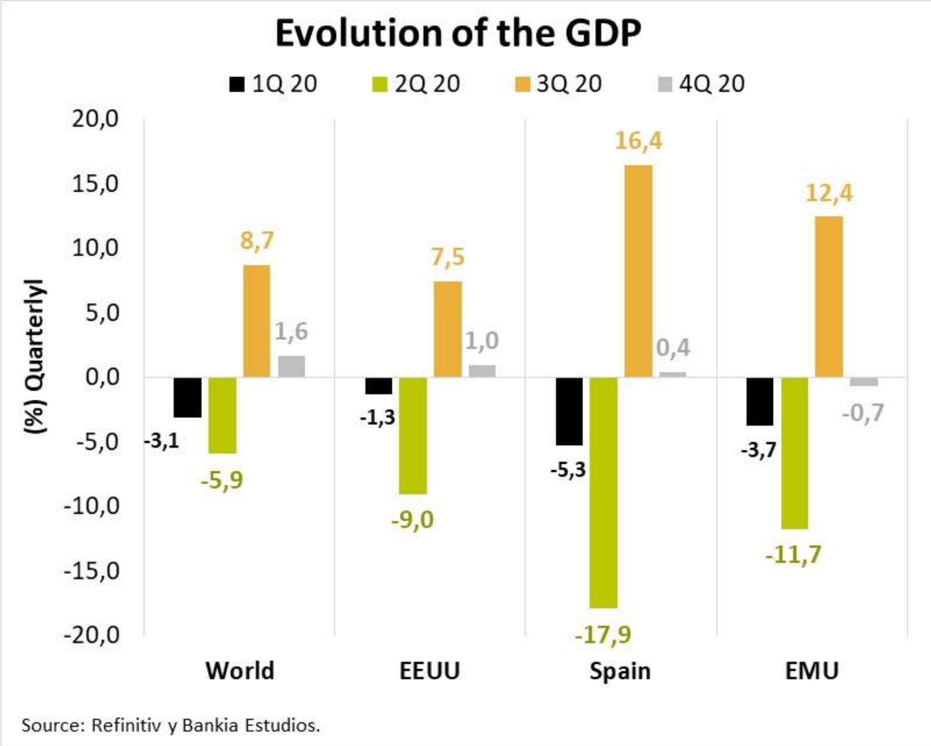
Globally, in 2020 the extensive spread of the coronavirus (COVID-19) in March and April triggered the worst global recession since the second world war due to the lockdown measures implemented to curb the pandemic. The social and mobility restrictions were gradually lifted as of May, leading to a strong rebound in activity, which was bolstered by the unprecedented tax and monetary stimulus measures. However, the re-emergence of major outbreaks at the end of the summer, which persisted throughout the fourth quarter, led to the reinstatement of restrictions on a large part of the service sector in the leading developed economies, which provoked a further contraction of activity. Growth was also stymied by the high degree of political uncertainty as a result of the US elections in November and the seemingly never-ending Brexit negotiations. In the short term, the health and economic situation will remain difficult, but the start of vaccination campaigns in December has boosted confidence that the pandemic will begin to ease definitively starting next spring.

Overall, 2020 was an exceptionally negative year for the global economy. With the exception of China, which was exceedingly successful in controlling the pandemic and managed to close the year with positive GDP growth, the other major economies posted severe contractions in growth, albeit unevenly depending on the structure of their economies, the scale of their public aid and management of the health crisis. Specifically, GDP in the EMU may have contracted by over 7% in 2020, albeit on a very disparate basis among countries: approximately 10% in the Southern European countries that are more dependent on tourism and leisure, as opposed to the estimated 5.5% in Germany. These most uneven effects pose a new threat of fragmentation and led the EU to sign a historic agreement, giving the green light to a Recovery Fund of EUR 750,000 million which, in conjunction with the SURE employment programme and the soft credit facilities extended to ESM governments and EIB companies, will raise the EU stimulus package to EUR 1.3 trillion.

The impact of the COVID-19 pandemic on the economy and companies was felt acutely in risk assets, as reflected by the accumulated decline in the S&P 500 of 35% in just a month, 38% on the Euro Stoxx 600 and 42% on the IBEX, which led various countries to impose short-selling bans. This worsening investor sentiment, coupled with the liquidity tensions, as witnessed in the commercial paper, interbank and public debt markets, led central banks to move at a pace and with a decisiveness never seen before. The Fed lowered interest rates by 150 basis points and cut the benchmark ratio to 0%; it also established a new round of QE that is unlimited in terms of volume and timescales and put various facilities in place that have enabled it to intervene in almost all market segments. It also improved the terms of dollar swap arrangements with other central banks and repurchased from them Treasury Bills in exchange for dollars. The ECB expanded its QE programme (APP) by EUR 120,000 million until the end of 2020 and launched another programme (PEPP) in an amount of EUR 750,000 million, which was then expanded to EUR 1.85 billion. The PEPP included Greek debt and non-financial commercial paper and it abolished the 33% limit on its purchases of public debt. It also approved fresh injections of long-term liquidity and improved their terms and conditions.

The commitment of central banks to ensure favourable financial conditions and ample liquidity, coupled with the initial control of the pandemic and the progress made in treatments and vaccines, all supported an ongoing recovery in risk assets, which came to reach an all-time high in the US, while European indices bounced back by 75% from their February/March lows. Moreover, 12-month Euribor fell sharply from the high of -0.05% to an all-time low of less than -0.50%: Risk premiums on European peripheral bonds also fell, with the IRR on Spanish 10-year bonds hitting levels very close to 0%.

In Spain, the performance of the economy in 2020 was dictated entirely by the COVID-19 crisis, which disrupted all initial forecasts, which had been pointing to a prolongation of the expansive growth phase. The extraordinary measures adopted to contain the spread of the pandemic limited people's mobility and paralysed a major part of production activity, which led to an unprecedented contraction of GDP in the first half of the year. Although the subsequent lifting of the restrictions allowed for a gradual recovery in activity, this growth was incomplete and far from uniform among the Spanish regions, sectors and individual economic agents. Moreover, a progressive slide in the momentum of the recovery could be observed from the summer onwards as outbreaks re-emerged, which led to the reintroduction of restrictive measures.



Spain therefore posted a fall in GDP of 11%, a contraction not seen since at least the Spanish Civil War. The impact of the crisis has been more pronounced in Spain than in neighbouring countries due to various factors. Firstly, the spread of the pandemic was relatively worse in Spain and the initial restrictions at the beginning of the crisis were more stringent than in other countries. Secondly, the major weight of service sector activities, especially those tied to tourism (hospitality and catering, leisure and transport), which are labour intensive and require greater social interaction, as well as peculiarities of Spain's productive landscape, such as the high degree of temporary employment and the smaller size of companies, all made the Spanish economy particularly susceptible to this pandemic and hindered a swift exit from the crisis.

The economic policy response has been key to mitigating the impact of the crisis. Among the measures implemented, of particular note are the furlough schemes (ERTE) and the granting of public guarantees for the financing of companies (ICO credit lines).

The risks to financial stability have risen following the outbreak of the pandemic, although they have been attenuated somewhat by the monetary, fiscal and prudential measures adopted. Against this backdrop, **the banking sector** is playing a key role in mitigating the economic impact of the crisis, by extending the financing required by households and companies. To this end, the sector finds itself in a much more solid position than in the global financial crisis of 2008, supported by a better-quality balance sheet, a sound liquidity position and the considerable reinforcement of capital ratios.

In 2020, bank lending to the private sector grew for the first time since 2008, boosted by the support measures implemented, which stimulated the new flow towards productive activities, essential to meet the liquidity needs of the companies hardest hit by the pandemic. By contrast, household lending remained negative, despite the uptick in new lending for house purchases, which contrasts with the fall in consumer loans. Non-performing loans remained contained, partly as a result of support measures and the expansion of lending. Deposits climbed at a faster pace, driven by the increase in household savings, which reached an all-time high, and the accumulation of liquidity by companies. The rise in asset impairment ahead of the potential negative impact of the pandemic was the main trigger for the sharp decline in results during the year.

Given the growing limitations to increase revenues, the reduction of operating costs has gained weight in strategies, opening the door to a new process of consolidation within the European banking system, which is at this point markedly domestic and led by Spanish banks. Lastly, the vast regulatory and supervisory response to the impact of the health crisis took shape in a substantial raft of measures which have led to an improvement in the capital levels of Spanish banks, which now present a high loss-absorption capacity, as reflected by the latest Bank of Spain stress tests.

4.2.- Corporate transactions undertaken in 2020

Details of the corporate transactions carried out in 2020 are included in notes 1.15, 17.4 and 25.3 to Bankia's annual accounts, notably the following:

- **Disposal of investment in Caser.** On 23 January 2020 Bankia, S.A. entered into an agreement with Helvetia Schweizerische Versicherungsgesellschaft AG to sell its investment in Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. ("Caser"), which at 31 December 2019 was classified under "Non-current assets and disposal groups classified as held for sale". Once the regulatory authorisations relating to the transaction were secured, on 25 June 2020 the sale was closed, which led to a gain of EUR 109 million, recognised in the income statement under "Gains or (-) losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations".

- **Merger of the insurance companies.** In 2020 the merger by absorption of Caja Granada Vida, Compañía de Seguros y Reaseguros, S.A. and Cajamurcia Vida y Pensiones de Seguros y Reaseguros, S.A. (absorbed companies) into Bankia Mapfre Vida, S.A., de Seguros y Reaseguros (absorbing company) was carried out, with no significant impact on the Group's consolidated equity. At 31 December 2019 the Group held a 49% stake in both the absorbed and absorbing companies, which was classified as "Investments in joint ventures and associates - Associates". The situation regarding the investment and classification has not changed in the absorbing company at 31 December 2020.

- **Transfer of the custodian business to Cecabank.** On 29 May 2020 Bankia, S.A. reached an agreement with Cecabank, S.A. for the transfer of its CIU and pension funds custodian business. Once the conditions precedent of the agreement had been reached, which involved obtaining the relevant administrative authorisations, the business was derecognised at 31 December 2020. The fixed amount of the consideration received was EUR 170 million, without considering subsequent additional collections subject to the achievement of certain volume targets. The net gain recorded after the transaction amounted to EUR 155 million (recognised in the income statement under "Gains or (-) losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations"), with a liability recognised for the remaining amount which will be recorded against profit or loss to the extent that Bankia meets the performance commitments set out in the contract for a period of ten years from the signature date.

- **Other changes to shareholdings.** In 2020 Corporación Financiera Habana, S.A. in liquidation was wound up. This investment was fully impaired at the liquidation date.

4.3.- Key figures

KEY FIGURES - BANKIA, S.A.

Balance (thousands of euros)	Dec-20	Dec-19	Variation
Total assets	210,123,121	208,879,982	0.6%
Loans and advances to customers (net)	121,100,895	117,560,370	3.0%
Loans and advances to customers (gross)	124,501,271	120,768,715	3.1%
Customer funds on balance sheet	147,679,736	144,430,829	2.2%
Deposits from customers	130,299,981	127,128,676	2.5%
Debt securities issued	17,379,755	17,302,153	0.4%
Total customer funds managed	176,824,516	172,066,080	2.8%
Total turnover (2)	297,925,411	289,626,450	2.9%
Equity	12,623,521	12,828,634	(1.6%)

Risk managed (millions of Euros and %)	Dec-20	dic-19	Variation
Total risks	132,401,656	128,307,925	3.2%
Non-performing balances	6,208,525	6,441,141	(3.6%)
NPL provisions	3,690,934	3,520,837	4.8%
NPL ratio	4.7%	5.0%	(0.3) p.p.
Coverage ratio	59.4%	54.7%	+4.7 p.p.

Results (thousands of euros)	Dec-20	Dec-19	Variation
Net interest income	1,892,717	1,989,316	(4.9%)
Gross income	2,994,712	3,272,375	(8.5%)
Pre-provision operating income/expenses	1,235,216	1,476,409	(16.3%)
Results from operating activities	207,026	997,491	(79.2%)
Profit before tax from continuing operations	296,556	770,312	(61.5%)
Profit or (-) loss for the year	250,565	562,949	(55.5%)

Relevant ratios (%)	Dec-20	Dec-19	Variation
Efficiency (3)	58.8%	54.9%	+3.9 p.p.
ROA (4)	0.1%	0.3%	(0.2) p.p.
RORWA (5)	0.4%	0.7%	(0.3) p.p.
ROE (6)	2.0%	4.6%	(2.6) p.p.
ROTE (7)	2.1%	4.7%	(2.6) p.p.

Bankia shares	Dec-20	dic-19	Variation
No. of shares at period-end	3,069,522,105	3,069,522,105	0.0%
Share price at period-end (Euros)	1.45	1.90	(23.8%)
Market cap (Euros)	4,447,737,530	5,839,765,805	(23.8%)
Earnings per share (Euros)	0.08	0.18	(55.5%)

Additional information	Dec-20	dic-19	Variation
No. of employees	15,522	15,609	(0.6%)
Average supplier payment period (days)	9.39	9.44	(0.5%)

(1) Comprising customer deposits, debt securities issued and funds managed off-balance sheet.

(2) Comprising net loans and advances to customers, customer funds managed on and off the balance sheet.

(3) Administrative expenses and depreciation over gross income.

(4) Profit for the year over average total assets.

(5) Profit for the year over risk-weighted assets at period-end.

(6) Profit for the year over average own funds.

(7) Profit for the year over average tangible own funds.

4.4.- Balance sheet highlights and performance

BALANCE SHEET - BANKIA, S.A.

(thousands of Euros)	Dec-20	Dec-19	Variation vs. Dec -19 Amount	%
Cash, cash balances at central banks and other demand deposits	11,409,212	12,826,591	(1,417,379)	(11.1%)
Financial assets held for trading	6,778,561	6,702,504	76,057	1.1%
Derivatives	6,697,324	6,530,330	166,994	2.6%
Debt securities	80,554	170,793	(90,239)	(52.8%)
Equity instruments	683	1,381	(698)	(50.5%)
Non-trading financial assets mandatorily at fair value through profit or loss	11,002	34,435	(23,433)	(68.0%)
Debt securities	192	237	(45)	(19.0%)
Loans and advances to credit institutions	-	23,263	(23,263)	(100.0%)
Loans and advances to customers	10,810	10,935	(125)	(1.1%)
Financial assets at fair value through other comprehensive income	8,621,927	11,979,857	(3,357,930)	(28.0%)
Equity instruments	58,794	75,816	(17,022)	(22.5%)
Debt securities	8,563,133	11,904,041	(3,340,908)	(28.1%)
Financial assets at amortised cost	163,498,259	156,179,198	7,319,061	4.7%
Debt securities	37,495,041	33,165,031	4,330,010	13.1%
Loans and advances to credit institutions	4,913,133	5,464,732	(551,599)	(10.1%)
Loans and advances to customers	121,090,085	117,549,435	3,540,650	3.0%
Derivatives - Hedge accounting	2,446,875	2,491,810	(44,935)	(1.8%)
Investments in joint ventures and associates	1,775,852	1,772,674	3,178	0.2%
Tangible and intangible assets	2,914,941	2,909,475	5,466	0.2%
Non-current assets and disposal groups held for sale	1,627,965	2,047,280	(419,315)	(20.5%)
Other assets	11,038,527	11,936,158	(897,631)	(7.5%)
TOTAL ASSETS	**210,123,121**	**208,879,982**	**1,243,139**	**0.6%**
Financial liabilities held for trading	6,880,046	6,783,073	96,973	1.4%
Derivatives	6,690,843	6,511,840	179,003	2.7%
Short positions	189,203	271,233	(82,030)	(30.2%)
Financial liabilities at amortised cost	187,879,746	186,159,113	1,720,633	0.9%
Deposits from central banks	22,899,831	13,808,756	9,091,075	65.8%
Deposits from credit institutions	14,831,151	26,447,898	(11,616,747)	(43.9%)
Deposits from customers	130,299,981	127,128,676	3,171,305	2.5%
Debt securities issued	17,379,755	17,302,153	77,602	0.4%
Other financial liabilities	2,469,028	1,471,630	997,398	67.8%
Derivatives - Hedge accounting	151,220	85,541	65,679	76.8%
Provisions	1,228,157	1,685,484	(457,327)	(27.1%)
Other liabilities	1,360,431	1,338,137	22,294	1.7%
TOTAL LIABILITIES	**197,499,600**	**196,051,348**	**1,448,252**	**0.7%**
Accumulated other comprehensive income	110,380	126,987	(16,607)	(13.1%)
Own funds	12,513,141	12,701,647	(188,506)	(1.5%)
TOTAL EQUITY	**12,623,521**	**12,828,634**	**(205,113)**	**(1.6%)**
TOTAL LIABILITIES AND EQUITY	**210,123,121**	**208,879,982**	**1,243,139**	**0.6%**

- **Summary of Bankia's activity**

Bankia ended 2020 with total assets of EUR 210,123 million on its balance sheet, up 0.6% on December 2019 owing to the new lending transactions extended in the context of the COVID-19 crisis and fixed-income purchases in the year.

Loans and advances to customers were up 3% due to the increase in new business and drawdowns from corporate facilities (mainly new ICO-backed lending to companies).

Growth in customer funds has been 3.0%. On the one hand, customer deposits have risen by 2.5% as a result of the higher savings rate of individuals and the excess liquidity deposited by companies since the onset of the pandemic. On the other, off-balance sheet funds were up by 5.5% mainly on the back of the positive performance of investment funds once business volumes recovered following the initial hit given by the COVID-19 pandemic during the first quarter of the year.

Following is a summary of the trends in Bankia's most significant balance sheet items in 2020.

- **Cash, cash balances at central banks and other demand deposits**

This caption fell by EUR 1,417 million (-11.1%), reflecting the use of part of the excess liquidity deposited at the end of 2019 in the Bank of Spain's treasury account to increase credit granted and finance the acquisition of fixed income during the year.

- **Loans and advances**

Note 3 and Appendices VIII and IX to Bankia's annual accounts provide details on its lending policies, NPL monitoring, debt refinancing and recovery policies with respect to credit risk. Also provided in this note and appendices is the breakdown of credit risk by product, segment and activity, as well as the loan-to-value (LTV) distribution of secured loans, the maturity profile, details of refinancing and restructuring transactions, along with additional information on financing for property development, housing purchases and real estate assets foreclosed or received in payment of debt. Therefore, from a management perspective, this item describes trends in loans and receivables during 2020 and the main movements therein.

Loans and advances to customers reported as financial assets at amortised cost amounted to EUR 121,090 million, up 3.0% in the year reflecting the impacts the current COVID-19 health crisis is having on the financing needs of different collectives. There has been an increase in lending to companies, stemming from larger drawdowns from facilities and new ICO-backed transactions arranged to cover working capital needs in the first months of the crisis, which is reflected in higher balances recorded in non-financial corporations (+13.4%) and other financial corporations (+28.2%). This growth in corporate financing, together with the increased lending to the public sector (+16.3%), offset the fall in household balances (-3.4%), both due to mortgage maturities and the lower volume of new consumer loans, which were affected by the pandemic-induced economic scenario.

Within loans and advances to customers, non-performing loans totalled EUR 5,705 million in 2020, down EUR 124 million (-2.1%) reflecting outflows due to recoveries, foreclosures, derecognitions, transfers to disposal groups and sales (see note 11.8 to the Bankia, S.A.'s 2020 annual accounts relating to "Doubtful assets"). In 2020 non-performing loans included loans reclassified from non-current assets held for sale of EUR 306 million, gross (see section 8, "Risk Management").

LOANS AND ADVANCES TO CUSTOMERS OF BANKIA, S.A. AT AMORTISED COST BY COUNTERPARTY SECTORS

			Variation vs. Dec -19	
(thousands of Euros)	Dec-20	Dec-19	Amount	%
Public Sector	5,680,399	4,883,559	796,840	16.3%
Other financial corporations	2,651,870	2,068,550	583,320	28.2%
Non-financial corporations	42,139,288	37,172,123	4,967,165	13.4%
Households	74,018,905	76,633,548	(2,614,643)	(3.4%)
Loans and advances to customers, gross	**124,490,462**	**120,757,780**	**3,732,682**	**3.1%**
Impairment losses	(3,400,377)	(3,208,345)	(192,032)	6.0%
Loans and advances to customers, net	**121,090,085**	**117,549,435**	**3,540,650**	**3.0%**

Debt securities

Debt securities, recognised under "Financial assets held for trading", "Non-trading financial assets mandatorily at fair value through profit or loss", "Financial assets at fair value through other comprehensive income" and "Financial assets at amortised cost" amounted to EUR 46,139 million compared to EUR 45,240 million at December 2019. Of the total recognised at December 2020, EUR 18,487 million were SAREB bonds received as a result of the asset transfer carried out by Bankia in 2012 and 2013. The remainder comprises sovereign debt, mainly Spanish, and debt from other public and private issuers. The debt securities held in these portfolios by Bankia at the end of 2020 and 2019 are as follows:

DEBT SECURITIES - BANKIA, S.A.

(thousands of Euros)	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	TOTAL (*)
Spanish government debt securities	80,554	-	8,065,439	13,005,451	21,151,444
Foreign government debt securities	-	-	189,679	5,794,638	5,984,317
Financial institutions	-	-	6,367	25,025	31,392
Other fixed-income securities (*)	-	192	302,180	18,635,280	18,937,652
Impairment losses and other valuation adjustments	-	-	(532)	34,647	34,115
Total at 31 December 2020	**80,554**	**192**	**8,563,133**	**37,495,041**	**46,138,920**
Spanish government debt securities	142,412	-	11,153,660	10,012,856	21,308,928
Foreign government debt securities	18,484	-	291,393	4,255,837	4,565,714
Financial institutions	-	-	18,020	25,006	43,026
Other fixed-income securities (*)	9,897	237	441,513	18,880,919	19,332,566
Impairment losses and other valuation adjustments	-	-	(545)	(9,587)	(10,132)
Total at 31 December 2019	**170,793**	**237**	**11,904,041**	**33,165,031**	**45,240,102**

(*) Financial assets at amortised cost include the securities received as consideration for the assets transferred to the SAREB in 2012 and 2013.

Changes were reported during the year mainly in the fixed-income securities of the portfolio of financial assets at fair value through other comprehensive income, which decreased by EUR 3,341 million (-28.1%) on the figure reported at 31 December 2019, as a result of disposals and maturities during the year, amounting to EUR 8,563 million at December 2020. Meanwhile, the portfolio of assets at amortised cost rose by EUR 4,330 million to EUR 37,495 million at December 2020 (+13.1%), which reflected the public debt purchases since the end of the previous year, net of sales during the period.

- **Non-current assets and disposal groups held for sale**

This caption was down EUR 419 million (-20.5%) in 2020 due mainly to the sale of the investment in Caser and the reclassification to financial assets at amortised cost of loans and advances to customers for a gross amount of EUR 306 million, which are not expected to be sold within one year of their classification as non-current assets held for sale due to the current market conditions (see section 8, "Risk Management").

- **Financial liabilities at amortised cost**

Financial liabilities at amortised cost stood at EUR 187,880 million, up EUR 1,721 million (+0.9%) on December 2019.

FINANCIAL LIABILITIES AT AMORTISED COST - BANKIA, S.A.

			Variation vs. Dec -19	
(thousands of Euros)	Dec-20	Dec-19	Amount	%
Deposits from central banks	**22,899,831**	**13,808,756**	**9,091,075**	**65.8%**
Deposits from credit institutions	**14,831,151**	**26,447,898**	**(11,616,747)**	**(43.9%)**
Deposits from customers	**130,299,981**	**127,128,676**	**3,171,305**	**2.5%**
Public Sector	5,443,813	4,778,217	665,596	13.9%
Other financial corporations	7,149,186	7,371,264	(222,078)	(3.0%)
Non-financial corporations	15,489,107	14,104,543	1,384,564	9.8%
Households	96,310,984	94,063,075	2,247,909	2.4%
Repurchase agreements	48,025	45,526	2,499	5.5%
One-off non-marketable mortgage-backed securities	4,817,108	5,235,025	(417,917)	(8.0%)
Securitisations	1,041,758	1,531,026	(489,268)	(32.0%)
Debt securities issued	**17,379,755**	**17,302,153**	**77,602**	**0.4%**
Other financial liabilities	**2,469,028**	**1,471,630**	**997,398**	**67.8%**
Total financial liabilities at amortised cost	**187,879,746**	**186,159,113**	**1,720,633**	**0.9%**

Deposits from central banks and deposits from credit institutions

Deposits from central banks totalled EUR 22,900 million at the end of 2020, an increase of EUR 9,091 million during the the year (+65.8%) as a result of Bankia taking the maximum capacity of the ECB's TLTRO III facility in the midst of the economic situation caused by COVID-19.

Deposits from credit institutions amounted to EUR 14,831 million, down 43.9% since the end of December 2019, caused by the lower volume of repurchase agreements with other entities.

Deposits from customers

Customer deposits at Bankia totalled EUR 130,300 million at the end of 2020, up EUR 3,171 million (+2.5%) during the year, reflecting the higher savings rate of individuals and the excess liquidity deposited by companies since the onset of the pandemic.

Within customer deposits, **strict customer deposits,** excluding repurchase agreements, one-off non-marketable mortgage-backed securities and securitisations, totalled EUR 124,393 million, reflecting an increase of 3.4% during the year in both the public sector (+13.9%) and the corporate sector (+9.8% in non-financial corporations), as well as in households (+2.4%). The growth is seen in the most liquid and lower cost resources (current accounts), attracting liquidity provided by companies to tackle the effects of the COVID-19 crisis and household savings in the current uncertain climate.

Off-balance sheet customer funds were up by 5.5% since December 2019 on the back of the positive performance of investment funds and pension plans once business volumes recovered following the initial impact of the COVID-19 pandemic during the first quarter of the year.

RETAIL CUSTOMERS - BANKIA, S.A.

(thousands of Euros)	Dec-20	Dec-19	Variation vs. Dec -19 Amount	%
Strict customer deposits	**124,393,090**	**120,317,099**	**4,075,991**	**3.4%**
Public Sector	5,443,813	4,778,217	665,596	13.9%
Other financial corporations	7,149,186	7,371,264	(222,078)	(3.0%)
Current accounts	5,799,867	5,148,199	651,668	12.7%
Time deposits (1)	1,349,319	2,223,065	(873,746)	(39.3%)
Non-financial corporations	15,489,107	14,104,543	1,384,564	9.8%
Current accounts	15,063,342	12,756,389	2,306,953	18.1%
Time deposits	425,765	1,348,154	(922,389)	(68.4%)
Households	96,310,984	94,063,075	2,247,909	2.4%
Current accounts	76,051,254	67,515,663	8,535,591	12.6%
Time deposits	20,259,730	26,547,412	(6,287,682)	(23.7%)
One-off non-marketable mortgage-backed securities	**4,817,108**	**5,235,025**	**(417,917)**	**(8.0%)**
Securitisations	**1,041,758**	**1,531,026**	**(489,268)**	**(32.0%)**
Repurchase agreements	**48,025**	**45,526**	**2,499**	**5.5%**
Total customer deposits	**130,299,981**	**127,128,676**	**3,171,305**	**2.5%**
Investment funds (2)	21,109,177	19,809,312	1,299,865	6.6%
Pension funds (2)	8,035,603	7,825,939	209,664	2.7%
Total off-balance-sheet funds	**29,144,780**	**27,635,251**	**1,509,529**	**5.5%**
TOTAL CUSTOMER DEPOSITS	**159,444,761**	**154,763,927**	**4,680,834**	**3.0%**

(1) Excludes one-off non-marketable mortgage-backed securities and securitisations, which are disclosed under a separate heading.

(2) Excludes off-balance sheet customer deposits sold by Bankia but managed by third parties.

Debt securities issued and subordinated debt

At the end of 2020, the balance of debt securities issued by Bankia stood at EUR 17,380 million, a similar amount to December 2019 (EUR 17,302 million) due to the lack of significant issuances and maturities during the year.

- **Provisions**

Provisions recognised on Bankia's balance sheet amounted to EUR 1,228 million, down EUR 457 million (-27.1%) from the amount recognised at 31 December 2019. This decline was mainly due to the release, reversal and transfer to other balance-sheet items of provisions associated with ongoing litigation, guarantees given and employee pension funds. In the latter case, the main movements related to the change of the terms of the employee pension plans made in 2020 under the new labour agreement (see note 2.13.1.2 of the annual accounts, "Description of post-employment obligations undertaken by the Group") and to completion of the Caser sale, which resulted in the post-employment commitments guaranteed by that company and recognised at 31 December 2019 being disclosed net of the related assets, as per applicable legislation (see note 19 to the annual accounts on provisions).

- **Equity**

At the end of 2020 Bankia's equity totalled EUR 12,624 million, EUR 205 million (-1.6%) less than at year-end 2019 after accounting for the dividend paid with a charge to 2019 profit (EUR 352 million). Within equity, own funds stood at EUR 12,513 million, EUR 189 million less than at December 2019.

4.5.- Income statement performance

ANNUAL INCOME STATEMENT - BANKIA, S.A.

(thousands of Euros)	Dec-20	Dec-19	Variation vs. Dec -19 Amount	%
Net interest income	**1,892,717**	**1,989,316**	**(96,599)**	**(4.9%)**
Dividend income	80,518	234,890	(154,372)	(65.7%)
Total net fees and commissions	1,098,725	975,829	122,896	12.6%
Gains and losses on financial assets and liabilities	153,301	304,616	(151,315)	(49.7%)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss (net)	154,568	288,776	(134,208)	(46.5%)
Gains or losses on financial assets and liabilities held for trading (net)	22,034	26,466	(4,432)	(16.7%)
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss (net)	(513)	905	(1,418)	-
Gains or losses from hedge accounting (net)	(22,788)	(11,531)	(11,257)	97.6%
Exchange differences	13,228	15,455	(2,227)	(14.4%)
Other operating income and expenses (net)	(243,777)	(247,731)	3,954	(1.6%)
Gross income	**2,994,712**	**3,272,375**	**(277,663)**	**(8.5%)**
Operating expenses	(1,759,496)	(1,795,966)	36,470	(2.0%)
Administrative expenses	(1,565,166)	(1,596,289)	31,123	(1.9%)
Staff expenses	(1,051,277)	(1,100,444)	49,167	(4.5%)
Other administrative expenses	(513,889)	(495,845)	(18,044)	3.6%
Depreciation	(194,330)	(199,677)	5,347	(2.7%)
Pre-provision operating income/expenses	**1,235,216**	**1,476,409**	**(241,193)**	**(16.3%)**
Provisions or reversal of provisions	15,602	(21,658)	37,260	-
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or modification gains, net	(1,043,792)	(457,260)	(586,532)	128.3%
Results from operating activities	**207,026**	**997,491**	**(790,465)**	**(79.2%)**
Impairment or reversal of impairment of investments in joint ventures and associates	(5,638)	(95,276)	89,638	(94.1%)
Impairment or reversal of impairment on non-financial ass	(15,709)	(14,022)	(1,687)	12.0%
Other gains and losses	110,877	(117,881)	228,758	-
Profit before tax from continuing operations	**296,556**	**770,312**	**(473,756)**	**(61.5%)**
Tax on profit from continuing operations	(45,991)	(207,363)	161,372	(77.8%)
Profit after tax from continuing operations	**250,565**	**562,949**	**(312,384)**	**(55.5%)**
Profit after tax from discontinued operations	-	-	-	-
Profit or (-) loss for the year	**250,565**	**562,949**	**(312,384)**	**(55.5%)**

Key indicators				
Efficiency ratio (1)	58.8%	54.9%	+3.9 p.p.	7.1%
ROA (2)	0.1%	0.3%	(0.2) p.p.	(56.0%)
ROE (3)	2.0%	4.6%	(2.6) p.p.	(56.2%)

(1) (Administrative expenses and depreciation) / Gross income.

(2) Profit for the year/ average total assets.

(3) Profit for the year/ average own funds.

INCOME STATEMENT OF BANKIA, S.A. - QUARTERLY PERFORMANCE

(thousands of Euros)	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Net interest income	**499,664**	**482,546**	**458,376**	**452,131**	**496,562**	**493,876**	**506,367**	**492,511**
Dividend income	7,618	54,463	18,036	401	74,914	80,631	63,634	15,711
Total net fees and commissions	302,592	268,227	272,168	255,738	256,743	237,142	245,385	236,559
Gains and losses on financial assets and liabilities	15,391	4,492	67,982	65,436	63,619	99,038	102,497	39,462
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss (net)	9,998	6,146	71,327	67,097	35,517	110,131	106,541	36,587
Gains or losses on financial assets and liabilities held for trading (net)	12,721	4,300	9,198	(4,185)	25,051	(8,902)	1,375	8,942
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss (net)	347	38	(1,061)	163	(20)	167	450	308
Gains or losses from hedge accounting (net)	(7,675)	(5,992)	(11,482)	2,361	3,071	(2,358)	(5,869)	(6,375)
Exchange differences	1,896	(1,560)	4,131	8,761	3,265	4,876	3,862	3,452
Other operating income and expenses (net)	(172,455)	(6,415)	(60,995)	(3,912)	(173,796)	(5,024)	(65,343)	(3,568)
Gross income	**654,706**	**801,753**	**759,698**	**778,555**	**721,307**	**910,539**	**856,402**	**784,127**
Operating expenses	(443,948)	(436,304)	(423,381)	(455,863)	(441,642)	(452,700)	(450,994)	(450,630)
Administrative expenses	(392,485)	(387,391)	(375,773)	(409,517)	(389,275)	(403,556)	(402,192)	(401,266)
Staff expenses	(266,066)	(255,070)	(249,836)	(280,305)	(262,062)	(277,410)	(280,837)	(280,135)
Other administrative expenses	(126,419)	(132,321)	(125,937)	(129,212)	(127,213)	(126,146)	(121,355)	(121,131)
Depreciation	(51,463)	(48,913)	(47,608)	(46,346)	(52,367)	(49,144)	(48,802)	(49,364)
Pre-provision operating income/expenses	**210,758**	**365,449**	**336,317**	**322,692**	**279,665**	**457,839**	**405,408**	**333,497**
Provisions or reversal of provisions	(33,132)	72,866	(10,352)	(13,780)	17,029	5,369	(34,767)	(9,289)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or modification gains, net	(232,158)	(331,281)	(285,180)	(195,173)	(180,488)	(133,813)	(87,208)	(55,751)
Results from operating activities	**(54,532)**	**107,034**	**40,785**	**113,739**	**116,206**	**329,395**	**283,433**	**268,457**
Impairment or reversal of impairment of investments in joint ventures and associates	14,459	(9,110)	(19,626)	8,639	(54,747)	(73,346)	32,357	460
Impairment or reversal of impairment on non-financial a:	(9,978)	(980)	(3,389)	(1,362)	(4,865)	(2,797)	(4,303)	(2,057)
Other gains and losses	119,190	(36,390)	54,373	(26,296)	(40,117)	(47,098)	2,037	(32,703)
Profit before tax from continuing operations	**69,139**	**60,554**	**72,143**	**94,720**	**16,477**	**206,154**	**313,524**	**234,157**
Tax on profit from continuing operations	(37,279)	(1,293)	10,642	(18,061)	(18,123)	(66,043)	(67,289)	(55,908)
Profit after tax from continuing operations	**31,860**	**59,261**	**82,785**	**76,659**	**(1,646)**	**140,111**	**246,235**	**178,249**
Profit after tax from discontinued operations	-	-	-	-	-	-	-	-
Profit for the period	**31,860**	**59,261**	**82,785**	**76,659**	**(1,646)**	**140,111**	**246,235**	**178,249**

- **Earnings performance**

INCOME STATEMENT OF BANKIA, S.A. - KEY INDICATORS	DECEMBER 2020			DECEMBER 2019		
(thousands of Euros)	Amount	% of gross income	% of average total assets	Amount	% of gross income	% of average total assets
Net interest income	**1,892,717**	**63.2%**	**0.9%**	**1,989,316**	**60.8%**	**0.9%**
Gross income	**2,994,712**	**-**	**1.4%**	**3,272,375**	**-**	**1.6%**
Operating expenses	(1,759,496)	58.8%	0.8%	(1,795,966)	54.9%	0.9%
Administrative expenses	(1,565,166)	52.3%	0.7%	(1,596,289)	48.8%	0.8%
Depreciation	(194,330)	6.5%	0.1%	(199,677)	6.1%	0.1%
Provisions or reversal of provisions	15,602	0.5%	0.0%	(21,658)	0.7%	0.0%
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or modification gains, net	(1,043,792)	34.9%	0.5%	(457,260)	14.0%	0.2%
Results from operating activities	**207,026**	**6.9%**	**0.1%**	**997,491**	**30.5%**	**0.5%**
Impairment or reversal of impairment of investments in joint ventures and associates	(5,638)	0.2%	0.0%	(95,276)	2.9%	0.0%
Impairment or reversal of impairment on non-financial assets	(15,709)	0.5%	0.0%	(14,022)	0.4%	0.0%
Other gains and losses	110,877	3.7%	0.1%	(117,881)	3.6%	0.1%
Profit before tax from continuing operations	**296,556**	**9.9%**	**0.1%**	**770,312**	**23.5%**	**0.4%**
Tax on profit from continuing operations	(45,991)	1.5%	0.0%	(207,363)	6.3%	0.1%
Profit after tax from continuing operations	**250,565**	**8.4%**	**0.1%**	**562,949**	**17.2%**	**0.3%**
Profit after tax from discontinued operations	-	-	-	-	-	-
Profit or (-) loss for the year	**250,565**	**8.4%**	**0.1%**	**562,949**	**17.2%**	**0.3%**

Bankia ended 2020 with profit of EUR 251 million, down 55.5% on 2019, mainly due to provisions made in anticipation of future impacts derived from the worsening macroeconomic climate in relation to the COVID-19 crisis.

The bank's core profit (net interest income and fees and commissions less administration expenses and depreciation and amortisation) amounted to EUR 1,232 million, up 5.4% on 2019 due to the positive performance of fees and commissions and expenses.

The main movements in Bankia's income statement items during 2020 are discussed below.

- **Net interest income**

Net interest income for the Group totalled EUR 1,893 million, down EUR 97 million (-4.9%) year-on-year due to the impact of the decline in the yield curve (12-month Euribor) on the performance of the loan portfolio (mainly mortgages), the change in the portfolio mix, with a greater weight in the corporate segment and lower consumer volumes, as well as the lower contribution of interest from non-performing assets and the fixed income portfolio.

The following table shows a comparison between Bankia's net interest income in 2020 and 2019, showing details of the average balances of income and expenses for the various items comprising total investment and funds, and the impact of changes in volumes and prices on the overall performance of net interest income in 2020 compared to 2019.

INCOME AND COST STRUCTURE - BANKIA, S.A.

(Thousands of euros and %)	December 2020			December 2019			Variation		Effect		
	Average balance	Income / Expense	Rate	Average balance	Income / Expense	Rate	Average balance	Income / Expense	Calendar	Rate	Volume
Interest income											
Financial institutions [1]	18,353,359	209,228	1.14%	13,585,463	98,951	0.73%	4,767,897	110,277	271	(98,951)	54,284
Loans and advances to customers (a)	119,970,303	1,870,344	1.56%	118,547,515	2,040,888	1.72%	1,422,788	(170,544)	5,591	(2,040,888)	22,115
Debt securities	46,864,582	215,742	0.46%	48,309,312	304,736	0.63%	(1,444,730)	(88,994)	835	(304,736)	(6,625)
Other interest-bearing assets	873,640	3,973	0.45%	1,021,351	13,382	1.31%	(147,711)	(9,409)	37	(13,382)	(666)
Other non-interest-bearing assets	26,653,653	-	-	28,713,341	-	-	(2,059,688)	-	-	-	-
Total assets(b)	**212,715,538**	**2,299,287**	**1.08%**	**210,176,982**	**2,457,957**	**1.17%**	**2,538,556**	**(158,670)**	**6,734**	**(2,457,957)**	**27,359**
Finance costs											
Financial institutions [1]	43,380,931	68,211	0.16%	37,783,886	82,862	0.22%	5,597,044	(14,651)	227	(82,862)	8,771
Customer deposits(c)	127,978,895	107,141	0.08%	131,297,176	173,070	0.13%	(3,318,281)	(65,929)	474	(173,070)	(2,766)
Strict customer deposits	121,584,004	27,992	0.02%	123,232,462	46,337	0.04%	(1,648,457)	(18,345)	127	(46,337)	(378)
Repos	92,037	2,500	2.72%	331,247	2,367	0.71%	(239,210)	133	6	(2,367)	(6,481)
Singular covered bonds and securitisations	6,302,854	76,649	1.22%	7,733,467	124,366	1.61%	(1,430,614)	(47,717)	341	(124,366)	(17,320)
Debt securities issued	17,356,719	195,051	1.12%	16,609,560	184,326	1.11%	747,159	10,725	505	(184,326)	8,375
Other interest-bearing liabilities	1,535,598	36,167	2.36%	1,631,131	28,383	1.74%	(95,533)	7,784	78	(28,383)	(2,245)
Other non-interest-bearing liabilities	9,879,955	-	-	10,222,994	-	-	(343,039)	-	-	-	-
Equity	12,583,440	-	-	12,632,235	-	-	(48,795)	-	-	-	-
Total equity and liabilities(d)	**212,715,538**	**406,570**	**0.19%**	**210,176,982**	**468,641**	**0.22%**	**2,538,556**	**(62,071)**	**1,284**	**(468,641)**	**4,837**
Customer margin (a-c)		**1,763,203**	**1.48%**		**1,867,818**	**1.59%**		**(104,615)**	**5,117**	**(1,867,818)**	**24,881**
Net Interest margin (b-d)		**1,892,717**	**0.89%**		**1,989,316**	**0.95%**		**(96,599)**	**5,450**	**(1,989,316)**	**22,522**

(1) Includes central banks and credit institutions. Financial institutions under assets include the negative interest on balances with financial institutions under liabilities (mainly interest on TLTRO facilities and repos) given that, pursuant to accounting standards, income derived from the application of negative interest rates is allocated according to its nature. Conversely, financial institutions under liabilities include negative interest borne on the balances deposited with the Bank of Spain, reverse repos and deposits in other institutions.

Interest income fell 6.5% (EUR -159 million) on 2019 due to a decrease in interest rates as a result of lower credit yields (fall in 12-month Euribor, greater weight in the corporate segment portfolio combined with lower consumer volumes, lower interest contribution from doubtful assets) and the reduction in the average yield of fixed-income portfolios. The decline in interest from loans and advances and fixed-income portfolios has only been partially offset by the positive effect of the volume of financing taken from the ECB on better terms following the support measures adopted by the central bank in response to the COVID-19 pandemic (recorded in the accounts as an increase in income from financial institutions) and income related to the calendar effect (interest accrues over 366 days in 2020, rather than 365).

Finance costs have decreased by 13.2% (EUR 62 million) compared to 2019, driven mainly by the fall in interest rates (lower cost of customer deposits and financing from financial institutions).

The margin on loans and advances to customers has fallen by 16 basis points on the year, to 1.56%, whereas the finance cost of customer deposits has decreased by 5 basis points to 0.08%, situating the customer margin at 1.48%, 11 basis points less than the 1.59% seen at December 2019.

The bank's net interest margin at the December 2020 close stood at 0.89%, 6 basis points below the margin at December 2019 (0.95%).

- **Gross income**

Gross income for Bankia amounted to EUR 2,995 million, down 8.5% year-on-year, mostly due to a lower volume of dividends, a decline in gains on financial transactions, and the aforementioned trend in net interest income.

Dividends contributed EUR 81 million to Bankia's income statement, EUR 154 million less than 2019, mainly due to the lower ordinary dividend received from Bankia Mapfre Vida and the lack of extraordinary dividends which were collected in the prior year from Bankia Mediación Operador de Bancaseguros, Corporación Industrial Bankia and SA Nostra, Compañía de Seguros de Vida.

Net fees and commissions totalled EUR 1,099 million, up 12.6% on 2019. Fees and commissions in the traditional banking business have improved, with those arising from collection and payment services, contingent risks and commitments, and securities services performing particularly well. This growth made up for the decrease in fee and commission income from non-banking financial product sales (mostly insurance) and the rest of activities less related to the traditional business.

Net gains on financial assets and liabilities totalled EUR 153 million, 49.7% less than in 2019 due to the lower volume of fixed-income sales during the year, while income on exchange differences has fallen by 14.4% to EUR 13 million.

Other operating income and expenses showed a net expense of EUR 244 million, down 1.6% on the figure recorded in 2019 (EUR 248 million). This net expense mainly includes the annual contribution to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF), and the cost associated with the deposit tax.

- **Operating expenses**

Operating expenses (administrative expenses and amortisation and depreciation) amounted to EUR 1,759 million, reflecting a drop of 2.0% compared to 2019, mainly due to personnel expenses (-4.5%). This decrease has offset the rise in other administrative expenses (+3.6%), primarily IT and other general expenditure, including, inter alia, the outsourcing of administrative services.

The bank's efficiency ratio (operating expenses/gross income) at the end of 2020 stood at 58.8%, up on the 54.9% recorded in December 2019 owing to the lower gross income.

- **Pre-provision operating income/expenses**

The performance of operating income and expenses resulted in a net pre-provision profit margin of EUR 1,235 million in 2020, down Euros 241 million (-16.3%) on 2019, since the higher fees and commissions and cost savings in the year were not enough to fully make up for the fall in income in the other items under this heading, mainly interest income, dividends and gains and losses on financial assets and liabilities.

- **Provisions and write-downs**

Provisions or reversal of provisions, which mainly include provisions made for pending litigation, pension obligations, tax litigation, commitments and guarantees given, recorded a positive figure of EUR 16 million in December 2020 compared to the net provision of EUR 22 million recorded in 2019 due to the reversal with a credit to the income statement of provisions for the change in the terms of employee pension plans made in 2020 under the new labour agreement (see note 2.13.1.2 of the annual accounts relating to "Description of the post-employment obligations undertaken by the Group").

Impairment of financial assets not measured at fair value through profit or loss, which includes mainly provisions for credit losses, have recorded a significant increase of EUR 587 million (+128.3%) to reach EUR 1,044 million at the end of 2020, basically reflecting the allowances for credit losses recognised during the year to cover the future impacts of the COVID-19 crisis, amounting to EUR 490 million (see section 2 of this report, "Management of the impact caused by the COVID-19 crisis").

In 2020 a charge of EUR 6 million was made to **impairment of investments in joint ventures and associates**, EUR 90 million less than in 2019 when Bankia made more provisions related to the revaluation of certain shareholdings.

Lastly, **impairment of non-financial assets**, mainly tangible assets and investment properties, totalled EUR 16 million, EUR 2 million higher than the figure at December 2019.

The aforementioned trends in the various items of provisions and write-downs resulted in total charges of EUR 1,050 million in 2020, EUR 461 million more than the amount provisioned in 2019.

- **Other gains and losses**

This item mainly includes impairment of Bankia's non-current assets held for sale (real estate assets foreclosed and investments in investees) and gains and losses on the sale of property and share stakes. At the end of December 2020 it showed a gain of EUR 111 million, which includes the gain from the sale of Caser and the depository and custodian business (see section

4.2 of this report, "Corporate transactions undertaken in 2020") as well as EUR 15 million of impairment losses on real estate assets as a result of COVID-19. In December 2019 this heading reflected a loss of EUR 118 million as it mainly reflected the aforementioned impairment of Bankia's non-current assets held for sale.

- **Profit or (-) loss for the year**

In 2020 Bankia obtained profit of EUR 251 million, down 55.5% year-on-year after including the increase in provisions resulting from COVID-19.

5.- ALTERNATIVE PERFORMANCE MEASURES

In addition to the financial information prepared in accordance with the regulatory framework described in Note 1.3 to the annual accounts, Bankia uses certain alternative performance measures ("APMs") widely used in the banking sector as indicators for monitoring the management of the bank's assets and liabilities and its financial and economic position. In compliance with the ESMA transparency directive for the protection of investors, published in October 2015, the following tables present breakdowns of the APMs used in this document, as well as their definition, the relevance of their use and the reconciliation with balance sheet and income statement line items used in their calculation.

5.1.- Activity and results

- **Customer funds managed**

Definition: sum of customer deposits, senior and subordinated wholesale issued notes and off-balance sheet customer resources.

Relevance: the measure is used as an indicator of the total volume of funds raised by the bank on the market.

Calculation method: sum of the following items:

- Customer deposits on the balance sheet
- Debt securities issued included on the balance sheet
- Balances of investment companies and funds and pension funds disclosed in Note 25.3 to the annual accounts.

Thousands of Euros			Dec-20	Dec-19	Dec-18
Sum	+	Deposits from customers	130,299,981	127,128,676	130,084,651
	+	Debt securities issued	17,379,755	17,302,153	16,749,890
	+	Investment companies and funds	21,109,177	19,809,312	17,210,417
	+	Pension funds	8,035,603	7,825,939	7,363,721
=		**Customer funds managed**	**176,824,516**	**172,066,080**	**171,408,679**

- **Total turnover**

Definition: sum of loans and advances, customer deposits, senior and subordinated wholesale issued and off-balance sheet customer resources.

Relevance: this measure is used as an indicator of the bank's performance through the total volume of funds loaned and raised in the market.

Calculation method: sum of the following items:

- Loans and advances to customers on the balance sheet
- Customer deposits on the balance sheet
- Debt securities issued included on the balance sheet
- Balances of investment companies and funds and pension funds disclosed in Note 25.3 to the annual accounts.

Thousands of Euros			Dec-20	Dec-19	Dec-18
Sum	+	Loans and advances to customers (non-trading financial assets)	10,810	10,935	9,161
	+	Loans and advances to customers (financial assets at amortised cost)	121,090,085	117,549,435	118,454,120
	+	Deposits from customers	130,299,981	127,128,676	130,084,651
	+	Debt securities issued	17,379,755	17,302,153	16,749,890
	+	Investment companies and funds	21,109,177	19,809,312	17,210,417
	+	Pension funds	8,035,603	7,825,939	7,363,721
=		**Total turnover**	**297,925,411**	**289,626,450**	**289,871,960**

- **Strict customer deposits**

Definition: this measure relates to customer deposits, excluding market operations (repos and singular covered bonds).

Relevance: the measure is used as an indicator of the funds raised on the balance sheet from retail customers and companies.

Calculation method: this is the amount of customer deposits less repos, securitisations and singular covered bonds.

Thousands of Euros			Dec-20	Dec-19	Dec-18
Sum	+	Deposits from customers	130,299,981	127,128,676	130,084,651
	-	Repurchase agreements	(48,025)	(45,526)	(43,954)
	-	Securitisations	(1,041,758)	(1,531,026)	(1,741,860)
	-	Singular covered bonds	(4,817,108)	(5,235,025)	(6,247,854)
=		**Strict customer deposits**	**124,393,090**	**120,317,099**	**122,050,983**

5.2.- Profitability and efficiency

- **Gains and losses on financial assets and liabilities**

Definition: sum of the profit/(loss) from management of financial assets and liabilities and hedge accounting, as they are presented in the income statement.

Relevance: a figure commonly used in the banking sector to track the trend of revenue obtained from activities outside the typical banking business.

Calculation: sum of the following income statement line items:

- Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net.
- Gains or losses on financial assets and liabilities held for trading, net.
- Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net.
- Gains or losses on financial assets and liabilities at fair value through profit or loss, net.
- Gains or losses from hedge accounting, net.

Thousands of Euros			Dec-20	Dec-19	Dec-18
Sum	+	Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net.	154,568	288,776	399,874
	+	Gains or losses on financial assets and liabilities held for trading, net.	22,034	26,466	48,036
	+	Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net.	(513)	905	(429)
	+	Gains or losses on financial assets and liabilities at fair value through profit or loss, net.	-	-	-
	+	Gains or losses from hedge accounting, net.	(22,788)	(11,531)	(28,534)
=		**Gains and losses on financial assets and liabilities**	**153,301**	**304,616**	**418,947**

- **Pre-provision operating income/expenses**

Definition: gross operating income less administrative expenses and depreciation.

Relevance: a metric commonly used in the banking sector to monitor the performance of the bank's operating profit or loss excluding expenses arising from provisions for contingencies, credit risk, and impairment of real estate assets and equity investments.

Calculation: the aggregate of the following income statement line items:

- Gross income
- Administrative expenses
- Depreciation

Thousands of Euros			Dec-20	Dec-19	Dec-18
Sum	+	Gross income	2,994,712	3,272,375	3,596,805
	+	Administrative expenses	(1,565,166)	(1,596,289)	(1,659,474)
	+	Depreciation	(194,330)	(199,677)	(172,485)
=		**Pre-provision operating income/expenses**	**1,235,216**	**1,476,409**	**1,764,846**

- **Core profit or loss**

Definition: the profit or loss obtained by the bank from its typical business (net interest income and fee and commission income) less operating expenses (administrative expenses and depreciation).

Relevance: used to compare operating costs with the revenue generated by the bank's recurring business.

Calculation: the aggregate of the following income statement line items:

- Net interest income
- Net fees and commissions (fee and commission income less fee and commission expenses)
- Administrative expenses
- Depreciation

Thousands of Euros			Dec-20	Dec-19	Dec-20
Sum	+	Net interest income	1,892,717	1,989,316	2,028,596
	+	Net fees and commissions (fee and commission income less fee and commission expenses)	1,098,725	975,829	963,972
	+	Administrative expenses	(1,565,166)	(1,596,289)	(1,659,474)
	+	Depreciation	(194,330)	(199,677)	(172,485)
=		**Core profit or loss**	**1,231,946**	**1,169,179**	**1,160,609**

- **Customer margin**

Definition: difference between the average interest rate charged on loans and advances to customers and the average interest rate paid on customer deposits.

Relevance: a commonly used metric in the banking sector to measure the profitability obtained by the bank in its ordinary operations with customers.

Calculation: the average interest rate charged on loans and advances to customers is interest income on loans and advances to customers in the period divided by the average month-end balance of loans and advances to customers of the period analysed. The average interest rate paid on customer deposits is interest expenses on customer deposits in the period divided by the average month-end balance of customer deposits in the period analysed. Where the metric is presented at a date before the end of the reporting period, the numerator of both variables (interest income and interest expenses) is annualised.

Thousands of Euros and %			Dec-20	Dec-19	Dec-20
%	**A**	**Average interest rate on loans and advances to customers (a)/(b)**	**1.56%**	**1.72%**	**1.69%**
Numerator	(a)	Interest income on loans to customers	1,870,344	2,040,888	2,034,341
Denominator	(b)	Average month-end balances of loans to customers	119,970,303	118,547,515	120,512,049
%	**B**	**Average interest rate paid on customer deposits (c)/(d)**	**0.08%**	**0.13%**	**0.16%**
Numerator	(c)	Interest expenses on customer deposits	107,141	173,070	208,933
Denominator	(d)	Average month-end balances of customer deposits	127,978,895	131,297,176	129,335,444
A-B	**=**	**Customer Margin (%)**	**1.48%**	**1.59%**	**1.53%**

- **Net interest margin**

Definition: difference between the bank's average return on assets and the average cost of liabilities and equity.

Relevance: this metric is commonly used by credit institutions to measure the profitability obtained on all their investments in assets.

Calculation: the average return on assets is total interest income for the period divided by the average month-end balance of assets of the period analysed. The average cost of liabilities and equity is total interest expenses for the period divided by the average month-end balance of total liabilities and equity of the period analysed. Where the metric is presented at a date before the end of the reporting period, the numerator of both variables (interest income and interest expenses) is annualised.

Thousands of Euros and %			Dec-20	Dec-19	Dec-20
%	**A**	**Average return on assets (a)/(b)**	**1.08%**	**1.17%**	**1.19%**
Numerator	(a)	Total interest income	2,299,287	2,457,957	2,471,354
Denominator	(b)	Average month-end balances of assets	212,715,538	210,176,982	207,749,016
%	**B**	**Average cost of liabilities and equity (c)/(d)**	**0.19%**	**0.22%**	**0.21%**
Numerator	(c)	Total interest expenses	406,570	468,641	442,758
Denominator	(d)	Average month-end balances of liabilities and equity	212,715,538	210,176,982	207,749,016
A-B	**=**	**Net interest margin (%)**	**0.89%**	**0.95%**	**0.98%**

- **ROA**

Definition: measures the return on assets.

Relevance: this metric is commonly used, not only in the banking sector, but also other industries to measure entities' capacity to generate returns on the assets in which they invest.

Calculation: profit or loss for the period, as shown in the income statement (numerator) divided by the average month-end balance of assets of the period analysed. Where the metric is presented at a date before the end of the reporting period, the numerator is annualised.

Thousands of Euros and %			Dec-20	Dec-19	Dec-18
Numerator	(a)	Profit or loss for the period	250,565	562,949	833,668
Denominator	(b)	Average month-end balances of assets	212,811,407	210,448,836	207,749,016
(a)/(b)	**=**	**ROA (%)**	**0.1%**	**0.3%**	**0.4%**

- **RORWA**

Definition: measures the return on risk-weighted assets.

Relevance: this metric is commonly used in the financial sector to measure the return on risk-weighted assets, which includes an adjustment factor according to the risk taken by the bank in the various types of assets in which it invests.

Calculation: profit or loss for the period divided by risk-weighted assets at the end of the period. Where the metric is calculated at a date before the end of the reporting period, the numerator is annualised.

Thousands of Euros and %			Dec-20	Dec-19	Dec-20
Numerator	(a)	Profit or loss for the period	250,565	562,949	833,668
Denominator	(b)	Regulatory risk-weighted assets	67,786,140	78,792,310	84,551,371
(a)/(b)	**=**	**RORWA (%)**	**0.4%**	**0.7%**	**1.0%**

- **ROE**

Definition: measures the return on equity.

Relevance: a standard measure of profitability in the banking and other business sectors used to measure the return on shareholders' equity.

Calculation: profit or loss for the year divided by the average month-end balances of own funds for the 12 months preceding the period end, adjusted for expected dividends. Where the metric is calculated at a date before the end of the reporting period, the numerator is annualised.

Thousands of Euros and %			Dec-20	Dec-19	Dec-18
Numerator	(a)	Profit or loss for the period	250,565	562,949	833,668
Denominator	(b)	Average own funds adjusted by expected dividend	12,434,323	12,248,233	11,944,937
(a)/(b)	**=**	**ROE (%)**	**2.0%**	**4.6%**	**7.0%**

- **ROTE**

Definition: measures the return on equity excluding intangible assets (return on tangible equity).

Relevance: a metric used to measure the return on entities' tangible equity.

Calculation: profit or loss for the year divided by the average month-end balances of own funds less intangible assets for the 12 months preceding the period end, adjusted for expected dividends. Where the metric is calculated at a date before the end of the reporting period, the numerator is annualised.

Thousands of Euros and %			Dec-20	Dec-19	Dec-18
Numerator	(a)	Profit or loss for the period	250,565	562,949	833,668
Denominator	(b)	Average tangible own funds adjusted by expected dividend	12,056,211	11,985,880	11,765,100
(a)/(b)	**=**	**ROTE (%)**	**2.1%**	**4.7%**	**7.1%**

- **Efficiency ratio**

Definition: measures operating costs as a percentage of gross income.

Relevance: this metric is commonly used in the banking sector to compare costs incurred with income generated.

Calculation: operating expenses (administrative expenses and depreciation) for the period divided by gross income, with both taken from the income statement.

Thousands of Euros and %			Dec-20	Dec-19	Dec-18
Numerator	(a)	Operating expenses	1,759,496	1,795,966	1,831,959
		Administrative expenses	1,565,166	1,596,289	1,659,474
		Depreciation	194,330	199,677	172,485
Denominator	(b)	Gross income	2,994,712	3,272,375	3,596,805
(a)/(b)	**=**	**Efficiency ratio (%)**	**58.8%**	**54.9%**	**50.9%**

5.3.- Risk management

- **NPL ratio**

Definition: relationship between non-performing loans and the total balance of customer credit risk and contingent exposures. This metric includes insignificant amounts with credit institutions and fixed-income securities.

Relevance: this is one of the main indicators used in the banking sector to monitor the status and performance of the entities' credit risk.

Calculation: non-performing exposures divided by Bankia's total risks, which mostly comprise loans and advances to customers.

Thousands of Euros and %			Dec-20	Dec-19	Dec-18
Numerator	**A**	**Non-performing exposures (a)+(b)+(c)**	**6,208,525**	**6,441,141**	**8,388,415**
	(a)	Loans and advances to customers excluding public sector	5,620,541	5,738,590	7,564,007
	(b)	Contingent risks	492,115	599,542	683,950
	(c)	Public sector, credit institutions and fixed income	95,869	103,009	140,458
Denominator	**B**	**Total risks (d)+(e)+(f)**	**132,401,656**	**128,307,925**	**130,030,919**
	(d)	Loans and advances to customers excluding public sector	117,602,502	114,809,740	116,640,079
	(e)	Contingent risks	9,235,380	8,743,415	8,358,214
	(f)	Public sector, credit institutions and fixed income	5,563,774	4,754,770	5,032,626
A/B	**=**	**NPL ratio (%)**	**4.7%**	**5.0%**	**6.5%**

- **NPL coverage ratio**

Definition: measures the degree of impairment of NPLs for which impairment allowances have been recognised.

Relevance: a commonly used metric in the banking industry to monitor coverage with provisions for non-performing exposures.

Calculation: NPL provisions divided by the bank's non-performing exposures. NPL provisions include all provisions set aside by the bank to cover non-performing exposures. Non-performing exposures include both loans and advances to customers and contingent exposures and non-performing loans and advances to credit institutions and fixed income.

Thousands of Euros and %			Dec-20	Dec-19	Dec-18
Numerator	(a)	NPL provisions	3,690,934	3,520,837	4,605,005
Denominator	(b)	Non-performing exposures	6,208,525	6,441,141	8,388,415
(a)/(b)	**=**	**NPL coverage ratio (%)**	**59.4%**	**54.7%**	**54.9%**

5.4.- Liquidity

- **Commercial gap**

Definition: a metric used to measure the difference between loans granted to customers and deposits taken from customers.

Relevance: a metric commonly used by financial institutions to measure the level of funding of loans and receivables with customer deposits.

Calculation: the difference between net loans and advances to customers and the sum of customer deposits on the balance sheet plus funds raised through second-floor loans received from the EIB and ICO. Reverse repurchase agreements are subtracted from the balance of loans and advances to customers, and repurchase agreements, securitisations and singular covered bonds are subtracted from customer deposits.

Thousands of Euros			Dec-20	Dec-19	Dec-18
	A	**Loans and advances to customers (a)+(b)+(c)**	**120,921,236**	**117,544,972**	**118,449,663**
	(a)	Loans and advances to customers (non-trading financial assets)	10,810	10,935	9,161
	(b)	Loans and advances to customers (financial assets at amortised cost)	121,090,085	117,549,435	118,454,120
	(c)	Reverse repurchase agreements	(179,659)	(15,398)	(13,618)
	B	**Customer deposits and second-floor funds (d)+(e)+(f)+(g)**	**128,334,858**	**124,604,568**	**125,974,542**
	(d)	Deposits from customers	130,299,981	127,128,676	130,084,651
	(e)	Repurchase agreements	(48,025)	(45,526)	(43,954)
	(f)	Securitisations	(1,041,758)	(1,531,026)	(1,741,860)
	(g)	Singular covered bonds	(4,817,108)	(5,235,025)	(6,247,854)
	(h)	Funds for second-floor credit facilities received from the EIB and I(	3,941,768	4,287,469	3,923,559
A-B	**=**	**Commercial gap**	**(7,413,622)**	**(7,059,596)**	**(7,524,879)**

- **Loan to deposits (LTD)**

Definition: a metric used to measure the relationship between loans granted to customers and deposits taken from customers.

Relevance: a metric commonly used by financial institutions to measure the level of funding of loans and receivables with customer deposits.

Calculation: net loans and advances to customers divided by the sum of customer deposits on the balance sheet plus funds raised through second-floor loans received from the EIB and ICO. Reverse repurchase agreements are subtracted from the balance of loans and advances to customers, and repurchase agreements are subtracted from customer deposits.

Thousands of Euros and %			Dec-20	Dec-19	Dec-18
Numerator	**A**	**Loans and advances to customers (a)+(b)+(c)**	**120,921,236**	**117,544,972**	**118,449,663**
	(a)	Loans and advances to customers (non-trading financial assets)	10,810	10,935	9,161
	(b)	Loans and advances to customers (financial assets at amortised cost)	121,090,085	117,549,435	118,454,120
	(c)	Reverse repurchase agreements	(179,659)	(15,398)	(13,618)
Denominator	**B**	**Customer deposits and second-floor funds (d)-(e)+(f)**	**134,193,724**	**131,370,619**	**133,964,256**
	(d)	Deposits from customers	130,299,981	127,128,676	130,084,651
	(e)	Repurchase agreements	(48,025)	(45,526)	(43,954)
	(f)	Funds for second-floor credit facilities received from the EIB and I	3,941,768	4,287,469	3,923,559
(a)/(b)	**=**	**LTD ratio (%)**	**90.1%**	**89.5%**	**88.4%**

5.5.- Share information

- **Market capitalisation**

Definition: economic metric indicating the total value of all shares of a listed company or financial institution.

Relevance: a metric that reflects the equity value of the company in the market which, unlike book value, fluctuates in line with the supply and demand of the shares in the market.

Calculation: the number of shares at the period-end times the share price at the period-end.

			Dec-20	Dec-19	Dec-20
		(a) Number of shares at period-end (million)	3,070	3,070	3,085
		(b) Share price at period-end (Euros)	1.45	1.90	2.56
(a)*(b)	**=**	**Market capitalisation (millions of Euros)**	**4,448**	**5,840**	**7,898**

- **Earnings per share**

Definition: earnings per share (EPS) is the portion of profit attributable to each share of a company or financial institution.

Relevance: earnings per share is one of the most widely used measures in the financial and business sector to assess the returns for the company's or financial institution's shareholders.

Calculation: profit or loss for the period (numerator) divided by the number of shares outstanding at the period end (denominator). Where the metric is calculated at a date before the end of the reporting period, the numerator is annualised.

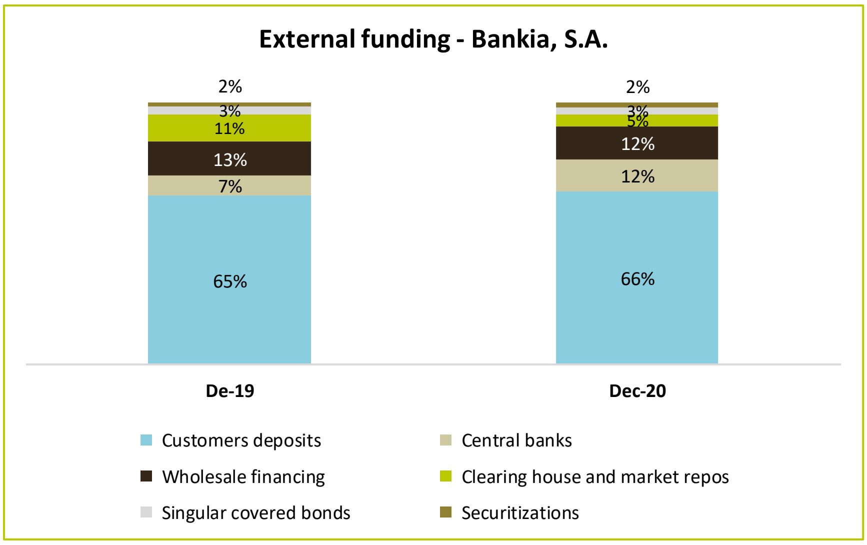
			Dec-20	Dec-19	Dec-18
Numerator	(a)	Profit for the year (millions of euros)	251	563	834
Denominator	(b)	Number of shares at period-end (million)	3,070	3,070	3,085
(a)/(b)	**=**	**Earnings per share (Euros)**	**0.08**	**0.18**	**0.27**

6.- FINANCING AND LIQUIDITY STRUCTURE

Notes 3.2 and 3.3 to the annual accounts for the year ended 31 December 2020 detail Bankia's liquidity management policies and include information on the maturities of financial assets and liabilities which enables the liquidity balance to be projected at different maturities. Accordingly, the changes in the main liquidity indicators and sources of funding in 2020 will be discussed under this heading.

Bankia strives to maintain a long-term financing structure that is in line with the liquidity of its assets; the maturity profile should be compatible with the generation of stable, recurring cash flows.

Based on the retail business model underpinning the banking activity, Bankia's main funding source is deposits from retail customers, which have fully covered net loans and advances to other debtors at the end of 2020. The funds obtained through customer deposits are complemented by wholesale funding focused on the medium and long term (issues), repos arranged in the market, Bankia's balances with the ECB and retail issues (one-off non-marketable mortgage-backed securities included under customer deposits), and other sources of financing.



In 2020, the liquidity attracted by Bankia through external sources of funding increased by EUR 1,721 million compared to the end of December 2019, as described in the following table:

SOURCES OF FINANCING - BANKIA, S.A.

(thousands of Euros)	Dec-20	Dec-19	Variation vs. Dec-19 Amount	Variation vs. Dec-19 %	% of total Dec-20	% of total Dec-19
Strict customer deposits	**124,393,090**	**120,317,099**	**4,075,991**	**3.4%**	**66.2%**	**64.6%**
General government	5,443,813	4,778,217	665,596	13.9%	2.9%	2.6%
Other financial corporations	7,149,186	7,371,264	(222,078)	(3.0%)	3.8%	4.0%
Current accounts	5,799,867	5,148,199	651,668	12.7%	3.1%	2.8%
Time deposits	1,349,319	2,223,065	(873,746)	(39.3%)	0.7%	1.2%
Non-financial corporations	15,489,107	14,104,543	1,384,564	9.8%	8.2%	7.6%
Current accounts	15,063,342	12,756,389	2,306,953	18.1%	8.0%	6.9%
Time deposits	425,765	1,348,154	(922,389)	(68.4%)	0.2%	0.7%
Households	96,310,984	94,063,075	2,247,909	2.4%	51.3%	50.5%
Current accounts	76,051,254	67,515,663	8,535,591	12.6%	40.5%	36.3%
Time deposits	20,259,730	26,547,412	(6,287,682)	(23.7%)	10.8%	14.3%
Wholesaler funding	**23,318,801**	**24,156,990**	**(838,189)**	**(3.5%)**	**12.4%**	**13.0%**
Deposits from credit institutions (1)	5,939,046	6,854,837	(915,791)	(13.4%)	3.2%	3.7%
Debt securities issued	17,379,755	17,302,153	77,602	0.4%	9.3%	9.3%
Interests issued in securitisations	**1,041,758**	**1,531,026**	**(489,268)**	**(32.0%)**	**0.6%**	**0.8%**
Singular covered bonds	**4,817,108**	**5,235,025**	**(417,917)**	**(8.0%)**	**2.6%**	**2.8%**
Repos	**8,940,130**	**19,638,587**	**(10,698,457)**	**(54.5%)**	**4.8%**	**10.5%**
Central banks	**22,899,831**	**13,808,756**	**9,091,075**	**65.8%**	**12.2%**	**7.4%**
Other	**2,469,028**	**1,471,630**	**997,398**	**67.8%**	**1.3%**	**0.8%**
Total external funding sources	**187,879,746**	**186,159,113**	**1,720,633**	**0.9%**	**100.0%**	**100.0%**

(1) Includes interbank deposits, collateral posted and other deposits from credit institutions.

Customer deposits ("strict deposits", which exclude repurchase agreements, one-off non-marketable mortgage-backed securities and securitisation liabilities) totalled EUR 124,393 million, up EUR 4,076 million (+3.4%) in the year, both in companies, which have deposited part of the liquidity available to deal with the effects of COVID-19, and in households, as the drop in activity and the economic uncertainty derived from the pandemic have led to greater savings. As a result of this increase, at the end of December 2020, strict customer deposits accounted for 66.2% of the financing mix on Bankia's balance sheet, compared to 64.6% in December 2019. The related breakdown is as follows: (i) 51.3% households; (ii) 8.2% non-financial corporations; (iii) 3.8% other financial institutions; and (iv) 2.9% public-sector deposits.

In light of the crisis triggered by the COVID-19 pandemic and the measures adopted by the regulatory bodies to mitigate its impacts, Bankia has taken the maximum capacity of the ECB's TLTRO III (EUR 22,919 million), meaning that financing from central banks has increased by EUR 9,091 million (+65.8%) since December 2019, up to EUR 22,900 million in December 2020. Accordingly, the weight of central banks in Bankia's financing structure has risen to account for 12.2% of debt, compared to 7.4% in December 2019. Currently, all the central bank financing that Bankia receives is from TLTRO III auctions.

The bank's wholesale funding stood at EUR 23,319 million, representing 12.4% of external funding at the end of 2020 (13.0% in December 2019), and comprising debt securities and deposits from credit institutions.

Repos arranged through clearing houses and in the market with other institutions totalled EUR 8,940 million, down EUR 10,698 million (-54.5%) in the year, which is linked to the greater volume of financing obtained from the ECB. At the end of 2020, repo financing represented 4.8% of Bankia 's external funding, compared to 10.5% at the end of 2019.

Lastly, one-off non-marketable mortgage-backed securities, securitisations and other funding sources reached to a joint amount of EUR 8,328 million in 2020, representing 2.6%, 0.6% and 1.3%, respectively, of Bankia's borrowings.

Core liquidity metrics remain at comfortable levels. The commercial gap, i.e. the difference between loans (excluding reverse repos) and customer deposits (excluding repos, securitisation liabilities and one-off non-marketable mortgage-backed securities), plus funds received from the EIB and ICO to extend second-floor loans, was negative in an amount of EUR 7,414 million at the end of December 2020, compared to a negative EUR 7,060 million at the end of December 2019. The "Loan to deposits" or LTD ratio (net loans less reverse repos divided by customer deposits less repos plus funds received for second-floor loans) ended 2020 at 90.1% (89.5% at December 2019), reflecting Bankia's funding model through customer deposits.

The bank continues to have a comfortable debt maturity profile, with issues maturing in the amount of EUR 2,235 million in 2021 and EUR 4,515 million in 2022, which are mostly covered bonds (EUR 5,260 million). To cover these maturities and scheduled redemptions in the coming years, Bankia had EUR 35,048 million of available liquid assets at the end of December 2020, equivalent to 16.7% of the bank's assets and which covers all its debt maturities (EUR 22,120 million).

Therefore, with debt maturities covered in the coming quarters, Bankia has a great deal of flexibility to meet its short- and medium-term funding needs, maintaining a solid balance sheet structure.

LIQUIDITY RESERVE - BANKIA, S.A.

			Variation vs. Dec -19	
(millions of euros)	**Dec-20**	**dic-19**	**Amount**	**%**
Highly liquid available assets [1]	19,050	15,538	3,512	22.6%
Undrawn amount on the facility	5,883	6,161	(278)	(4.5%)
Cash [2]	10,115	11,418	(1,303)	(11.4%)
TOTAL (*)	**35,048**	**33,117**	**1,931**	**5.8%**

(1) Market value considering the ECB haircut.

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

7.- CAPITAL MANAGEMENT, SOLVENCY AND LEVERAGE

Capital management, aimed at all times to comply with minimum regulatory requirements and with the risk appetite target or level established by the Group, is one of the basic pillars of the Group's Corporate Risk Appetite and Tolerance Framework.

Since the entry into force of the solvency requirements known as BIS III on 1 January 2014, which then marked a change to the preceding framework and entailed tougher quality and minimum capital requirements, there have been ongoing regulatory changes impacting the solvency of financial institutions. By adequately managing its capital, the Bankia Group has been able to bolster its solvency and minimise the impact of these regulatory changes.

Note 4 to Bankia Group's consolidated annual accounts describes the capital management targets and policies, their effect on the Capital Planning process and their impact on the entity's Risk Appetite Framework. It also details developments in the applicable regulations for calculating solvency ratios and metrics, leverage and MREL. Therefore, from a management perspective, this section looks at trends in solvency and leverage in 2020 and the main components that have affected their composition and performance, including the impacts derived from the main regulatory changes introduced in response to the COVID-19 crisis and the measures taken by Bankia to mitigate the impact on the Group's solvency ratios.

Changes in regulatory requirements and measures taken by Bankia in the context of the crisis caused by the COVID-19 pandemic

On 24 June 2020 Regulation (EU) 2020/873 of the European Parliament and of the Council was published, which amended the CRR and CRR II in respect of certain adaptations made in response to the COVID-19 pandemic, notably:

- The date of application of some of the more favourable treatments introduced by the CRR II has been brought forward: prudential treatment of certain software assets, the treatment of certain loans backed by pensions or salaries, application of a revised supporting factor for loans to small and medium-sized enterprises (SMEs) (the "SME supporting factor"), and a new adjustment to own funds requirements for credit risk for exposures to entities that operate or finance physical structures or facilities, systems and networks that provide or support essential public services (the "infrastructure supporting factor").

- The date of application for the leverage ratio buffer requirement for global systemically important institutions has been deferred to 1 January 2023 and the possibility of excluding certain exposures to central banks from the calculation of the exposure measure laid down in article 429 of the CRR has been introduced.

- More flexibility is permitted in the application of Regulation (EU) No 2017/2395 of the European Parliament and of the Council of 12 December 2017 as regards transitional arrangements for mitigating the impact of IFRS 9, in order to limit the possible volatility of regulatory capital that might occur if the COVID-19 pandemic results in a significant increase in expected credit loss provisions. Institutions are allowed to add back to their Common Equity Tier 1 capital any increase in new expected credit loss provisions for unimpaired credit exposures (Stage 1 – Performing exposures and Stage 2 – Performing exposures under special monitoring) that they recognise in 2020 and 2021.

- A temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income is established, permitting the exclusion of 100% of the accumulated amount of such unrealised gains and losses arising since 31 December 2019 from the calculation of Common Equity Tier 1 in 2020 and applying a transitional timetable for their full inclusion in 2023.

- Additional flexibility is allowed for competent authorities to mitigate the effects of market volatility in 2020 and 2021 on the internal calculation models for own funds requirements in relation to market risk.

Furthermore, on 12 March 2020 the ECB published a raft of measures to firm up the resilience of institutions in the current climate, allowing institutions to temporarily operate below the minimum requirements of Pillar II Guidance and the capital conservation buffer. Moreover, the entry into force of article 104 a) of the CRR II was brought forward, allowing institutions to cover the minimum requirements of the Pillar II Requirement not only with Common Equity Tier 1 capital, but also with Additional Tier 1 capital and Tier 2 capital.

In the context of the regulatory changes caused by the COVID-19 crisis, the Bankia Group has adopted the following measures to mitigate the pandemic's impact on the Group's solvency:

- Following the supervisor's recommendations, on 17 July 2020 Bankia Group asked to avail of the option to phase in the initial impact on own funds of the implementation of IFRS 9 provided for in Regulation (EU) 2017/2395 of the European Parliament and of the Council, of 12 December 2017, even though it made no such request on 1 January 2018, having received authorisation from the supervisor in August.

- It also communicated its decision to apply the transitional provisions of Regulation (EU) 2020/873 of the European Parliament and of the Council, of 24 June 2020, amending article 473 bis of the CRR and allowing institutions to add back to their Common Equity Tier 1 capital the impact of any increase in new expected credit loss provisions that they recognise in 2020 and 2021.

- On 17 July 2020 the Bankia Group informed the supervisor of its intention to avail of the option provided for in Regulation (EU) 2020/873 of the European Parliament and of the Council, of 24 June 2020, in respect of the amendment to article 468 of the CRR, which allows for a temporary treatment to be applied to unrealised gains and losses arising since 31 December 2019 on portfolios of debt instruments measured at fair value, corresponding to exposures to central governments, regional governments or local authorities, permitting their exclusion from Common Equity Tier 1 capital.

Solvency levels

In December 2019, the European Central Bank notified the Bankia Group the capital requirements that have been applicable to it in 2020 and continue to apply in 2021, maintaining the 2019 levels: 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 buffer requirement applicable to the Group (2.75%). Following the application of the aforementioned article 104 a) of the CRD V, in 2020 the minimum CET1 requirement was 8.375% and the minimum Total Capital requirement remained at 12.75%.

In December 2020, the Bankia Group reached a Common Equity Tier 1 BIS III Phase in ratio of 17.30% and a Total Capital BIS III Phase in ratio of 22.01%. These capital levels amount to a surplus of EUR 6,006 million at Common Equity Tier 1 level and EUR 6,228 million at Total Capital level in respect of the regulatory minimum requirements of 8.375% and 12.750%, respectively, as shown in the following table:

BANKIA GROUP - Basel III solvency

Eligible capital (thousands of Euros and %)	December 2020 (1) (2)		December 2019 (1)	
Common Equity Tier 1 (€ millions and %)	11,639,587	17.30%	11,120,019	14.32%
Tier 1 capital	12,889,587	19.21%	12,370,019	15.93%
Tier 2 capital	1,915,092	2.85%	1,672,270	2.15%
Total BIS III Capital	**14,804,679**	**22.06%**	**14,042,289**	**18.09%**
Risk-weighted assets BIS III	**Dec. 2020 (1) (2)**		**Dec. 2019 1**	
Credit risk (including CVA)	61,185,266		70,990,148	
Operational risk	5,390,300		5,564,450	
Market risk	689,688		1,080,319	
Total risk-weighted assets BIS III	**67,265,254**		**77,634,917**	
Surplus/(Shortfall) on minimum regulatory requirement	**December 2020 (1) (2)**		**December 2019 (1)**	
		Minimum		*Minimum*
Surplus Common Equity Tier 1 BIS III (3)	**6,006,122**	**8.375%**	**3,938,788**	**9.250%**
Surplus Total Capital BIS III	**6,228,360**	**12.750%**	**4,143,836**	**12.750%**

(1) Includes the profit attributed to the Group earmarked for reserves.

(2) Estimated data at 31/12/2020.

(3) In December 2020 the minimum regulatory CET-1 notified by the supervisor (9.25%) was adjusted, and stood at 8.38% after applying article 104 a) of the CRD V Directive.

In 2020, the Group's phase-in Common Equity Tier 1 ratio of 17.30% is higher than the 14.32% reached in December 2019. The main impacts of this change in the phase-in Common Equity Tier 1 capital are as follows:

- -26 basis points due to the timing effect associated with the deduction of net tax credits.
- +13 basis points due to the increase in Common Equity Tier 1 capital, mainly owing to the contribution of profit attributed to the Group (+EUR 230 million), not reflecting a deduction for dividend payments in 2020.
- +219 basis points due to lower RWAs, primarily as a result of regulatory impacts related to credit risk, such as the approval of internal models to calculate the RWAs of Bankia's mortgage portfolio and, to a lesser extent, the early application of the CRR II as regards the SMEs correction factor, as well as the adjustment for exposures with companies that finance or manage essential infrastructure or public services.
- +28 basis points due to the entry into force in December of the prudential treatment of intangible software assets provided for in Regulation (EU) 2020/873 of 24 June (CRR II).
- +64 basis points due to the application of flexible measures approved by Regulation (EU) 2020/873 as a result of COVID-19, in respect of the transitional timetable for the implementation of IFRS 9, authorised by the supervisor, and the option to temporarily exclude from capital the changes in unrealised gains and losses on the sovereign portfolio recognised at fair value from 31 December 2019 onwards.

As a result of all the aforementioned effects, at Total Capital Phase In level, in December 2020 the Bankia Group increased the Total Capital ratio by +392 basis points to 22.01%.

Shown below is a reconciliation of equity on the balance sheet to regulatory capital, including the net dividend income for the year earmarked for reserves.

BANKIA GROUP - Reconciliation of equity and eligible capital under BIS III

Eligible items (thousands of Euros and %)	Dec. 2020 (1) (2)	Dec. 2019 (1)	Variation	% Variation
Own funds	12,932,347	13,141,770	(209,423)	(1.6%)
Accumulated other comprehensive income	145,339	180,002	(34,663)	(19.3%)
Minority interests	2,547	13,325	(10,778)	(80.9%)
Total equity (public balance sheet)	**13,080,233**	**13,335,097**	**(254,864)**	**(1.9%)**
Adjustment of differences between public and regulatory balance sheets	-	(2)	2	-
Total equity (regulatory balance sheet)	**13,080,233**	**13,335,095**	**(254,862)**	**(1.9%)**
Non-eligible equity items	**(69,533)**	**(51,533)**	**(18,000)**	**34.9%**
Accumulated other comprehensive income not eligible as CET-1	(53,960)	(26,048)	(27,912)	107.2%
Ineligible minority interests	(2,547)	(13,329)	10,782	(80.9%)
Regulatory own share adjustment	(13,026)	(12,156)	(870)	7.2%
Other equity temporary adjustments (3)	**421,471**	**-**	**421,471**	**-**
Capital deductions	**(1,792,584)**	**(2,163,543)**	**370,959**	**(17.1%)**
Intangible assets and other deductions (regulatory balance sheet)	(448,944)	(680,601)	231,657	(34.0%)
Deferred tax assets	(1,321,209)	(1,089,172)	(232,037)	21.3%
Valuation adjustments due to prudent requirements (AVA)	(22,431)	(38,442)	16,011	(41.7%)
Dividends	-	(355,328)	355,328	(100.0%)
Common Equity Tier 1	**11,639,587**	**11,120,019**	**519,568**	**4.7%**
Additional Tier 1 capital	**1,250,000**	**1,250,000**	**-**	**-**
Tier 2 capital	**1,915,092**	**1,672,270**	**242,822**	**14.5%**
TOTAL REGULATORY CAPITAL	**14,804,679**	**14,042,289**	**762,390**	**5.4%**

(1) Includes the profit attributed to the Group earmarked for reserves excluding any dividend payments in 2020.

(2) Estimated data at 31/12/2020.

(3) Includes temporary adjustments under Regulation (EU) 2020/873 in response to the COVID-19 pandemic: phasing-in of the impact related to IFRS 9 and temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income

The minimum capital requirements cover credit, currency, market and operational risks. At 31 December 2020, the capital requirements for credit risk, including equities and CVA, amounted to EUR 4,895 million (EUR 61,185 million for risk-weighted assets). At present, the requirements for credit risk are calculated using both the standardised and internal ratings-based approaches. Requirements for currency and market risk have been calculated using internal calculation models, which were under review. Therefore, until the models were finally approved in November 2020, the risk-weighted assets (RWA) included an increase for market risk related to the calculation model and not to market activity. At 31 December 2020, the capital requirements for this concept amounted to EUR 55 million (EUR 690 million for risk-weighted assets). Finally, the Bankia Group uses the standardised approach to calculate the capital requirements for operational risk, which it updates once per year, totalling EUR 431 million at 31 December 2020 (EUR 5,390 million for risk-weighted assets)

Leverage ratio

The leverage ratio was implemented by the December 2010 Capital Framework of the Basel Committee on Banking Supervision (BCBS), which introduced this new metric as a supplementary ratio to solvency requirements but unrelated to risk measurement with the aim of including the leverage ratio as a Pillar I requirement. The EU Banking Reforms, which came into force on 27 June 2019 (CRR II), established from June 2021 onwards a binding leverage ratio requirement of 3% of tier 1 capital for all banks and an additional buffer requirement for global systemically important banks (the application of which has since been delayed as indicated previously).

With respect to the changes in regulatory requirements approved by regulatory bodies in the context of the crisis caused by the COVID-19 pandemic, since September 2020, the Bankia Group has availed of the option set out in Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 with regard to the temporary exclusion for leverage ratio purposes of certain exposures to central banks, which has had an impact on the leverage ratio of +33 basis points.

At 31 December 2020 the Bankia Group's leverage ratio (phase-in) stood at 6.32%, above the 3% minimum requirement. This level represents an increase of +43 basis points compared to December 2019, which is primarily driven by the rise in Tier 1 capital (+25 basis points), the lower exposure of items on the balance sheet (+28 basis points, mainly due to the aforementioned temporary exclusion of exposures to central banks), which have offset the higher exposure to off-balance sheet items (-9 basis points).

The following table provides a breakdown of the leverage ratio at 31 December 2020 and for comparative purposes at 31 December 2019, as well as a reconciliation of total assets on the public balance sheet and exposure for the purposes of leverage:

BANKIA GROUP - Leverage ratio

Items (thousands of Euros and %)	Dec. 2020 [1] [2]	Dec. 2019 [1]
Tier 1 capital	12,889,587	12,370,019
Exposure	203,971,300	210,098,403
Leverage ratio	**6.32%**	**5.89%**
Reconciliation between public balance sheet and exposure for leverage purposes		
Total assets on public balance sheet	**209,841,949**	**208,468,273**
(+/-) Adjustment of differences between public and regulatory balance sheets	38,429	4,138
(-) Items already deducted from Tier 1 capital	(1,755,405)	(1,773,081)
(-) On-balance sheet derivative assets	(9,137,895)	(9,017,546)
(+) Exposure on derivatives	(242,847)	643,951
(+) Additions in counterparty risk in securities financing transactions (SFTs)	4,592,315	3,475,213
(+) Off-balance sheet exposures (includes use of CCFs)	11,416,445	8,297,454
(+) Other temporary adjustments [3]	(10,781,691)	-
Total leverage ratio exposure	**203,971,300**	**210,098,403**

(1) Includes the profit attributed to the Group earmarked for reserves excluding any dividend payments in 2020.

(2) Estimated data at 31/12/2020.

(3) Includes temporary adjustments under Regulation (EU) 2020/873 in response to the COVID-19 pandemic: phasing-in of the impact related to IFRS 9 and temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income

Minimum requirement for own funds and eligible liabilities (MREL)

Regarding the internal loss absorption mechanism provided for in Directive 2014/59/EU of the European Parliament and of the Council on bank recovery and resolution (the BRRD), a minimum requirement for own funds and eligible liabilities with loss-absorbing capacity called MREL (Minimum Required Eligible Liabilities) has been established, whereby institutions that are subject to the requirement must have liabilities with certain characteristics that favour the absorption of losses in the event of resolution of the institution. The EU Banking Reform Package introduces amendments to the BRRD, including in relation to the minimum requirements of subordination of MREL eligible liabilities and the determination of a maximum distributable amount (MDA); i.e. limit on the discretionary distribution of capital, in terms of MREL.

On 16 May 2019, the entity received formal notification from the Bank of Spain on the decision taken by the Single Resolution Board on its minimum requirement for own funds and eligible liabilities (MREL). According to this communication, from 1 July 2021 the Group will have to reach 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") would be 10.02%.

Thus, at 31 December 2020, the Bankia Group's MREL ratio, calculated according to the current eligibility criteria of the Single Resolution Board, amounts to 25.87% of the total risk-weighted assets, which represents a rise of +395 basis points compared to December 2019 due to the increase in eligible Total Capital and the decrease in RWAs in the year as a result of the various impacts described above. The application of flexible measures approved by Regulation (EU) 2020/873 as a result of COVID-19, in respect of the transitional timetable for the implementation of IFRS 9, authorised by the supervisor, and the option to temporarily exclude from capital the changes in unrealised gains and losses on the sovereign portfolio recognised at fair value from 31 December 2019 onwards, has had an impact of +67 basis points in terms of MREL.

BANKIA GROUP - MREL ratio

Items (thousands of Euros and %)	Dec. 2020 (1) (2)	Dec. 2019 (1)
Total BIS III Capital	14,804,679	14,042,289
Liabilities eligible for MREL	2,599,385	2,975,882
Total own funds and eligible liabilities (MREL)	**17,404,064**	**17,018,171**
Total risk-weighted assets BIS III	**67,265,254**	**77,634,917**
MREL ratio/RWAs (%)	**25.87%**	**21.92%**

(1) Includes the profit attributed to the Group earmarked for reserves excluding any dividend payments in 2020.

(2) Estimated data at 31/12/2020.

8.- RISK MANAGEMENT

Risk management is a strategic pillar in the organisation. The primary objective of risk management is to safeguard Bankia's financial stability and asset base, while creating value and developing the business in accordance with the risk tolerance and appetite 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.

Note 3 to Bankia's annual accounts at 31 December 2020 details the governing bodies responsible for supervising and controlling the bank's risks, as well as the general principles, organisational model, policies and methods for controlling and measuring the various risks to which the bank is subject as a result of its activity. Therefore, this section will discuss, in general terms, the result of the management and the main indicators that make it possible to assess the evolution of these risks in 2020.

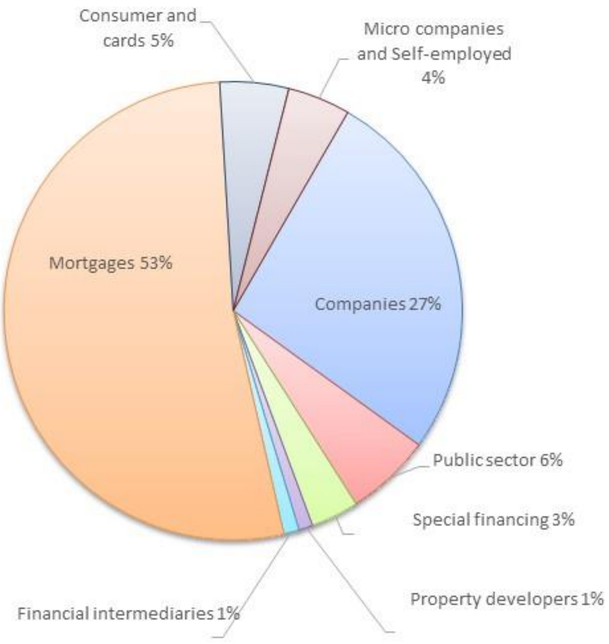
8.1.- Credit risk

Credit risk is defined as the risk that Bankia will assume losses in the regular course of its banking business if its customers or counterparties fail to comply with their contractual obligations. Credit risk management is an end-to-end process, running from loan or credit approval to elimination of exposure, either at maturity or through recovery and sale of assets in the event of foreclosure upon default. It involves identifying, analysing, measuring, monitoring, integrating and valuing credit risk-bearing transactions on a differentiated basis for each segment of Bankia's customers.

The variables used by Bankia to measure credit risk are based on internal models: probability of default, exposure at default and loss given default (severity). These variables enable ex-ante analysis of the credit portfolio's risk profile by calculating the expected loss and economic capital required.

- **Risk profile and asset composition**

Given its activity and business model, Bankia's risk profile shows far greater exposure to credit risk than the other risks to which its business is inherently exposed.



The main characteristics of Bankia's credit risk profile and its performance in 2020 according to data from the audited portfolio (does not include positions in financial equities) are as follows:

- The fixed-income portfolio has increased by 2.0% (EUR 899 million) to stand at EUR 46,139 million (net of impairment) at December 2020.

- The distribution of loans and advances to customers shows a weighting of the retail segment of 62% compared to 38% for the wholesale segment.

- The property development portfolio accounts for 1% of total loans and receivables.

- The mortgage portfolio accounts for 53% of total loans and receivables. The second largest portfolio is Businesses, with a weighting of 27% of the total, followed by the portfolio of loans to public entities and institutions with a weighting of 6% of the total, consumer and cards with a share of 5% and loans to micro companies and self-employed individuals with a weighting of 4% of the total.

- At the December 2020 close, 36% of non-performing investments were classified as such according to subjective criteria or are in the cure period. This means that there is no past due debt in this portfolio that gives rise to an objective arrears situation or that a refinancing agreement has been reached with customers and there is, therefore, an apparent willingness to pay which must be properly verified.

The maturity profile of the credit exposure is detailed in note 3.3 to Bankia's annual accounts at 31 December 2020 (table of residual maturities). A significant portion of loans and advances to customers (43.2%) mature beyond five years given the large volume of home mortgage loans, which are generally for long periods.

The following table shows the distribution by portfolio of Bankia's regulatory capital requirements and expected loss on credit exposure at 31 December 2020:

Segment (in millions of EUR)	Dec-20	
	Regulatory Capital	Expected Loss
Bodies	49.9	85.3
Banks and intermediaries	204.9	8.7
Companies	1,678.5	1,068.9
Property developers	90.5	71.9
Retail:	1,678.7	1,897.6
Mortgages	1,125.5	1,321.1
Consumer	241.2	221.9
Cards	116.6	61.9
Micro companies and self-employed	195.5	292.7
Equities	186.8	6.6
TOTAL	**3702.0**	**3132.4**

- **Asset quality: trends in non-performing balances, arrears and coverage**

Bankia proactively manages and anticipates credit risk with a view to containing the inflow of non-performing loans (NPLs) and maintaining NPL coverage. In this regard, the entity is continually monitoring the main credit risk indicators to anticipate the potential impacts stemming from COVID-19.

The control measures implemented, coupled with the growth in lending and the management of the portfolio over the course of the year, have contained the decline in the credit quality of the portfolio. Accordingly, Bankia's **non-performing exposures** totalled EUR 6,209 million at the 2020 year-end, down 3.6% on December of the previous year (EUR 6,441 million) It should be noted that at the end of December 2020 the non-performing exposures figure includes non-performing loans and credits for a gross amount of EUR 306 million, which have been reclassified from non-current assets and disposal groups of items held for sale, since their sale did not materialise in 2020 nor is it expected to take place within one year of their classification as non-current assets held for sale in view of the current market circumstances (see Note 17.5 to the annual accounts on "Assets and Liabilities in a Disposal Group and Discontinued Operations").

As acknowledged by the various regulatory and supervisory bodies, at present it is difficult to ascertain the specific impact in the coming periods of the crisis caused by COVID-19 and the assistance measures implemented by governments and central banks, such as mortgage moratoriums, credit facilities and guarantees and other relief packages. However, in compliance with accounting standards (IFRS 9), which in the calculation of provisions include prospective macroeconomic information reflecting the future effects of changes in variables to which credit risk models are sensitive, in 2020 Bankia recognised allowances for losses due impairment financial assets of EUR 490 million as a result of COVID-19.

Bearing in mind the foregoing, Bankia ended 2020 with an **NPL ratio** of 4.7%, down slightly on the 5% registered in December 2019, while **non-performing loans coverage** reached 59.4%, an increase of 4.7 percentage points over the year, which is explained by the recognition of the aforementioned provision for COVID-19.

With regard to refinanced transactions, at the end of December 2020 Bankia had a portfolio of EUR 5,377 million in gross terms. 53.8% of refinanced loans were already classified as non-performing, with a coverage ratio of 33.4%.

NPLs AND COVERAGE - BANKIA, S.A.

(Thousands of euros and %)	Dec-20 (1)	Dec-19 (1)	Variation vs. Dec-19 Amount	%
Non-performing balances	6,208,525	6,441,141	(232,616)	(3.6%)
Total risks	132,401,656	128,307,925	4,093,731	3.2%
NPL ratio (2)	**4.7%**	**5.0%**	**(0.3) p.p.**	**(6.6%)**
Total provisions	3,690,934	3,520,837	170,097	4.8%
Coverage ratio	**59.4%**	**54.7%**	**+4.7 p.p.**	**95.4%**

(1) The NPL and coverage ratios exclude non-performing exposures transferred to non-current assets and disposal groups that have been classified as held for sale as indicated in Note 17.5 to the annual accounts at December 2020. Had such assets been included, the NPL ratio would be 4.7% in 2020 and 5.3% in 2019, and the coverage ratio would be 59.8% in 2020 and 53.4% in 2019.

(2) NPL ratio: non-performing balances over total risks.

- **Credit risk of trading in derivatives**

The bank is exposed to credit risk through its activity in financial markets, specifically its exposure to OTC (over the counter) derivatives. This exposure is called counterparty risk.

The method used to estimate counterparty risk entails calculating EAD ("exposure at default") as the sum of the current market exposure and the potential future exposure. This method aims to obtain the maximum expected loss for each transaction.

However, in order to mitigate most of these risks, Bankia has tools including early redemption agreements (break clause), netting of credit and debit positions (netting) and collateralisation for the market value of the derivatives or offsetting of derivatives.

At the December 2020 close, there were 2,040 netting and 234 guarantee agreements (121 derivatives, 75 repos and 38 securities loans). At this date, the most significant figures in terms of quantifying activity in derivatives are as follows:

- Original or maximum exposure: EUR 19,859 million.
- Exposure applying mitigation techniques through netting: EUR 5,515 million.
- Net exposure after applying all mitigation techniques: EUR 1,458 million.

As shown, counterparty risk in derivatives trading is reduced by 92.66% by applying derivatives netting and guarantee agreements.

8.2.- Liquidity risk

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

Notes 3.2 and 3.3 to Bankia's annual accounts for the year ended 31 December 2020 include information on the remaining maturities of the bank's issues, classified by financing instrument, and a breakdown of financial assets and liabilities by remaining contractual maturity at 31 December 2020 and 31 December 2019.

Bankia's approach to monitoring liquidity risk is based on three cornerstones:

- The first one is the liquidity gap, classifying asset and liability transactions by term to maturity considering the residual maturity. The liquidity gap is calculated for the recurring retail business, as well as for the funding needs of the Bank's structural portfolios.

- The second is the funding structure, identifying the relationship between short- and long-term funding and the diversification of the funding mix by asset type, counterparty and other categorisations. In this regard, the entity draws up an annual Financial Plan for both the short and medium term, which is evaluated as part of the liquidity adequacy self-assessment process, with protection of the balance sheet assets and liabilities and the main indicators of liquidity and financing risk. It has been reformulated and adapted to the new situation arising from COVID-19, ensuring sufficient liquidity from both an economic and regulatory standpoint.

- Thirdly, in keeping with the regulatory approach for stressed ratios, Bankia uses metrics that enable it to anticipate the bank's liquidity risk profile in different time horizons of regulatory ratios.

Alongside the various metrics, Bankia has a well-defined Contingency Plan, which identifies alert mechanisms and sets out the procedures to be followed if the plan needs to be activated. This is a framework for action that enables the prevention and management of liquidity tension events. The Liquidity Contingency Plan (LCP) sets out the committees in charge of monitoring and activating the LCP and the protocol for determining responsibilities, internal and external communication flows, and potential action plans to redirect the risk profile to within the entity's tolerance limits.

The LCP is backed by specific metrics, in the form of LCP monitoring alerts, and by complementary metrics to liquidity risk and regulatory funding indicators, LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio). These ratios have built-in stress scenarios for the ability to maintain available liquidity and funding sources (wholesale and retail deposits, funding on capital markets) and allocate them (loan renewal, unprogrammed activation of contingent liquidity lines, etc.).

For the LCR, the scenario relates to a survival period of 30 days, and the regulatory assumptions underlying

the construction of the ratio are valid exclusively for this period. At 31 December 2020, the regulatory LCR ratio (195.22%) was at levels that are demonstrably higher than the regulatory requirements (100%).

Through the net stable funding ratio (NSFR), Bankia draws up its funding strategy from a regulatory perspective. The NSFR is currently undergoing a review by the European Union and, in accordance with CRR II (Capital Requirements Regulation), it will become a prudential requirement from June 2021 onwards, with a requirement of at least 100%. At 31 December 2020, the NSFR stood at 128.83%, which was within the entity's risk limits and met the regulatory requirements.

8.3.-Market risk

Market risk arises from the possibility of incurring losses due to adverse changes in the market prices of financial instruments with which Bankia operates. Limits are established in accordance with a number of metrics: value at risk (VaR) calculated using the historical simulation method, sensitivity, maximum loss (stop loss limit) and the size of the position.

The Financial Risk Control Directorate is independent of the business units and is integrated in the Corporate Risk Directorate, which performs the following functions with respect to market risk in trading: control and monitoring of positions with market risk and counterparty lines; daily calculation of the results of the various desks and portfolios; independent valuation of all market positions; periodic reporting on the various market risks to the pertinent committee; and, lastly, it plays a fundamental role in managing model risk in the valuation of financial instruments for own positions.

- **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 Bankia's results. Rate fluctuations affect both Bankia's net interest income in the short and medium term, and its economic value in the long term. The intensity of the impact depends, to a large extent, on the different structure of maturities and repricing of assets, liabilities and off-balance-sheet transactions. Interest rate risk management is designed to provide stability to net interest income, maintaining levels of solvency that are appropriate for the entity's level of risk tolerance.

Trends in interest rates depend on certain factors that are beyond Bankia's control, such as financial sector regulation, monetary policies applied by the ECB, and the political and international environment. In the current low-interest-rate environment, the entity maintains a balance sheet structure that is more sensitive to increases in interest rates on liabilities than on assets, with the flattening scenario defined by the EBA being the most negative from an economic value standpoint.

According to Bank of Spain regulations, the sensitivity of net interest income and equity value to parallel shifts in interest rates (currently ±200 bps) 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. Note 3.4 to the annual accounts ("Interest rate risk exposure") provides information at 31 December 2020 on the sensitivity analysis under the scenario analysis methodology for interest rate risk.

The Deputy General Directorate of Finance supports and guides the Assets and Liabilities Committee ("ALCO") in planning and controlling the parameters of the bank's financial strategy and asset and liability structure. Control and monitoring is the responsibility of the Corporate Risk Directorate, which acts as an independent unit guaranteeing the appropriate separation between the management and risk control functions, as recommended by the Basel Committee on Banking Supervision. To this end, the Structural Risk Department, which is part of the Financial Risk Department, defines, calculates and monitors metrics related to structural risk. The calculation, proposal and information on the evolution of limits related to structural risk are also the responsibility of the Corporate Risk Directorate, although it is the Board of Directors, with the support of the Risk Advisory Committee (RAC), that is ultimately responsible for their approval and monitoring.

Each month, information on structural risk on the balance sheet is reported to the ALCO in terms of both economic value (sensitivities to different scenarios and VaR) and net interest income (financial margin 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 through the corresponding bodies. In addition, a portion of the information prepared for the ALCO is reported to the Global Risk Management Department for monitoring and reporting, along with other risks, to the entity's senior management.

- **Other market risks**

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

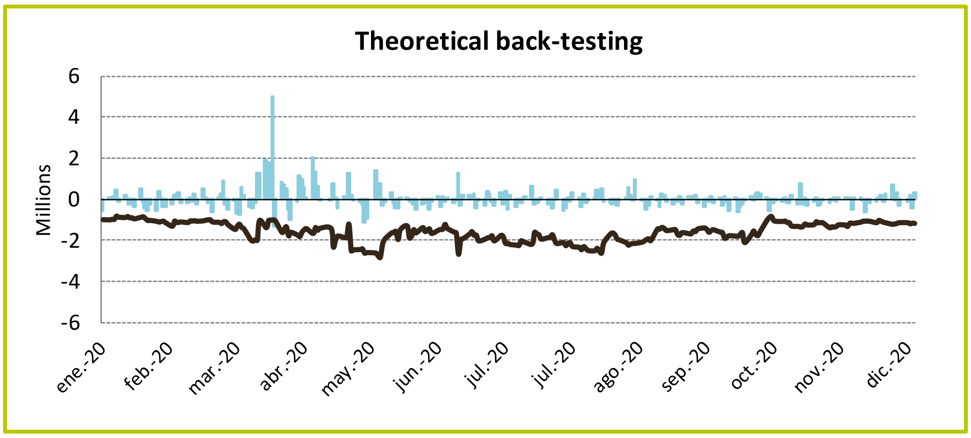
- **Market risk measurement and monitoring**

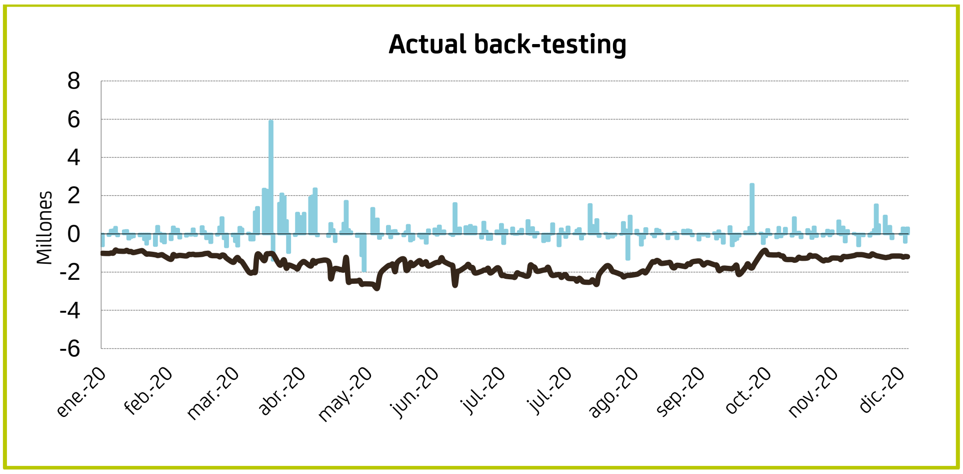
For market risk measurement, two metrics are used: VaR (value at risk), which provides a prediction of the maximum loss that can be incurred in a time interval with a certain level of confidence, and sensitivity, which expresses the impact on the valuation of financial instruments of the changes in various risk factors. These metrics are complemented by an analysis of scenarios, which consists of evaluating the economic impact of extreme movements in market factors on trading activity. Control of market risk is based on a system of limits established based on maximum exposure to market risk, which are approved annually by senior executives and distributed across the various business areas and centres.

a) Value at risk (VaR) and back-testing

VaR is measured by the historical simulation method using a 99% confidence level and a time horizon of one day, with at least one year of observations of market data. The accuracy of the model is verified daily through subsequent controls (back-testing). The exercise compares actual losses with the estimated loss measured using VaR. As required by regulations, two tests are conducted, one applying hypothetical changes in the value of the portfolio by comparing the daily VaR with the results obtained, without considering changes in the positions of the portfolio, and one applying actual changes comparing daily VaR with net daily results excluding commissions.

The tests carried out in 2020 confirm the effective operation of the model used by Bankia to measure VaR in accordance with the assumptions used, with no excesses in the period.





The scope of authorisation by the Bank of Spain of internal capital models lies in the measurement of market risk of the trading portfolio and currency risk. The regulatory capital figure by internal model is calculated as the linear sum of the value at risk (VaR), stressed value at risk (sVaR) and incremental risk (IRC) of regulatory capital.

- Value at risk. VaR is measured by the historical simulation method using a 99% confidence level and a time horizon of one day. A time window of 250 daily observations is used. On a daily basis, two calculations of VaR are performed. One applies an exponential decay factor that lends greater weight to observations nearer the date of the calculation. The other applies the same weight to all observations. The total value at risk figure is calculated conservatively as the sum of the VaR by risk factor (interest rate, exchange rate, equities, credit margins, commodity prices and volatility of the foregoing).
- Stressed value at risk. Stressed value at risk (sVaR) uses the same calculation methodology as the VaR, with two differences: the observation period must include a period of market stress and no exponential weights are applied to observations. The stress period is determined for the entire portfolio as the period that provides the highest VaR figure, calculated as the sum of the values at risk by factor.
- Incremental risk. The methodology for calculating incremental risk (IRC) considers the risk of default and the risk of migration of the interest rate products envisaged for the calculation of the specific risk within the VaR. It is based on measurements of the distribution of losses. The distribution is generated by the Monte Carlo simulation based on the risk parameters deriving from the internal credit risk model (IRB). The IRC is calculated using a confidence level of 99.9%, with a constant level of risk over a time horizon of one year and a liquidity horizon of one year.

b) Sensitivity

Sensitivity quantifies changes in the economic value of a portfolio due to fixed and determined movements of the variables affecting this value.

In the case of non-linear movements, such as derivatives activities, sensitivity analysis is supported by an evaluation of other risk parameters, such as sensitivity to movements in the price of the underlying (delta and gamma), volatility (vega), time (theta) and interest rate (rho). For share or index options, elasticity to changes in dividend yield is calculated. Sensitivity analysis by tranche is also used to measure the impact of non-parallel movements in the term structures of interest rates or volatilities, and to obtain the distribution of risk in each tranche.

c) *Stress testing*

Periodically, stress testing is performed to quantify the economic impact of extreme movements in market factors on the portfolio. Sensitivity, VaR and IRC measurements are supported by stress testing, applying different types of scenarios:

- Historical scenarios: scenarios built based on movements observed in previous crises (e.g. Asian crisis of 1998, the tech bubble of 2000/2001, the financial crisis of 2007/2008). These scenarios are reviewed annually to reflect the key events occurring in the year.
- Macroeconomic scenarios: on the basis of the scenarios established by the EBA in their stress tests conducted every two years.
- Specific IRC scenarios: designed to assess the impact on the measurement of slight changes in the parameters used to calculate the IRC. These scenarios are based on assessing the parameters and stress scenarios that have a bearing on the measurement.

- **Trends and distribution of market risk in 2020**

During 2020, Bankia maintained an average VaR of EUR 1.48 million, with a maximum of EUR 2.87 million and a minimum of EUR 0.76 million.

VaR	Trading portfolio (millions of euros)
Average	1.48
Maximum	2.87
Minimum	0.76

Distribution of VaR by risk category *(millions of euros)*				
Type of risk	**One-off**	**Average**	**Maximum**	**Minimum**
Interest	0.56	0.66	1.43	0.31
Equities	0.09	0.12	0.51	0.02
Change	0.22	0.23	0.45	0.12
Credit	0.19	0.47	1.77	0.05

- **Derivatives activity**

Bankia's trading in derivatives arises mainly from the management of market and interest rate risks, and from market making and distribution activities.

The risk of the derivatives trading activity measured in terms of VaR remains extremely low, as this activity is based on transactions with customers that are settled on the market using transactions of the opposite sign. The VaR values for 2020 are as follows:

VaR of derivatives activity *(millions of euros)*	Fixed income	Equities	Exchange rate	Total
Average	0.25	0.19	0.26	0.70
Maximum	1.15	0.70	1.29	1.75
Minimum	0.10	0.03	0.09	0.28

8.4.-Country risk

Country risk is defined as the risk of incurring losses on exposures with sovereigns or residents of a country due to reasons inherent to the country's sovereignty or economic situation; i.e. reasons other than normal commercial risk, including sovereign risk, transfer risk and other risks related to international financial activity (war, expropriation, nationalisation, etc.).

Bankia's country risk management principles are grounded on criteria of maximum prudence, whereby this risk is assumed on a highly selective basis.

Bankia's exposure to country risk at 31 December 2020 was marginal due to the largely domestic nature of its operations, recognising a provision in this connection of EUR 2 million.

8.5.- Operational risks

- **Customer concentration risk**

The entity is subject to Bank of Spain concentration limits, such that the exposure to any single non-consolidated economic group or borrower must not exceed 25% of eligible capital for borrowers and external economic groups. In this respect, Bankia regularly monitors large exposures with customers, which are reported periodically to the Bank of Spain.

Bankia 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 enables a direct measure of concentration risk to be obtained. An approach similar to that used by ratings agencies is applied, paying attention to the weight of the main risks with respect to the volume of capital and income-generation ability.

At 31 December 2020, there were no exposures that exceeded the maximum concentration risk limits allowed by Bank of Spain.

- **Operational risk**

Operational risk is the risk of loss due to inadequate or failed processes, people and internal systems of the bank or from external events. This definition includes legal risk but excludes strategic risk and reputational risk.

Bankia has the following operational risk management objectives:

- The bank's operational and IT risk management not only covers the recognition of loss events and accounting of the losses, but also promotes control to minimise the potential negative impacts through continuous improvement to processes and the strengthening of operating controls.
- Promote the implementation of more relevant operational risk mitigation plans as set out in the Risk Appetite Framework.
- Define and approve the policies and procedures for the management, control and oversight of this risk.

- Conduct regular reviews of management information.
- Approve and oversee implementation of operational and IT risk mitigation plans.
- Operational and IT risk management must be implemented throughout the entity to help achieve the institution's targets through the management, prevention and mitigation of the related risks.
- Maintain a control environment and culture that ensures that all groupings are aware of the risks to which they are exposed, establish an adequate control environment and assume the responsibilities in this respect.
- Supervise on an ongoing basis compliance with the entity's risk policies and procedures.
- Put in place procedures that guarantee compliance with current and future legal requirements.
- Guarantee that all internal risk information is duly documented and available to the oversight bodies and areas involved.

Operational risk control is overseen by the Non-Financial Risk Control Department, which is part of the Corporate Risk Directorate. The Non-Financial Risk Control Department takes responsibility for acting as the second line of defence in the management of IT and cyber security risk and has a specific Technological Risk Department.

The Operational and Technological Risk Committee, whose responsibilities include approving policies and methods, is the natural channel for senior executives' participation in operational risk management. It is an executive committee and meets on a monthly basis. At its meetings, the Committee addresses issues such as capital consumption, the evolution of real and expected losses, the monitoring of legal risk, the risks associated with using new channels, analyses of risks in outsourcing processes, and all actions taken in the operational and technological risk management process.

The capital requirement to cover operational risk is rooted in Basel II. European Regulation No. 575/2013 of the European Parliament and of the Council, of 26 June 2013 (CRR) regulates the treatment of this type of risk in the area of credit institutions.

The capital charge for operational risk is calculated once a year, after the accounting close. Bankia uses the standardised approach to measure its operational risk. This approach requires the disaggregation of the relevant revenues of the past three reporting periods by business line and the application of a percentage to each, pursuant to regulations, in line with the risk associated with each one.

As set out in the regulations, based on the related risk, Bankia's capital requirement for operational risk at year end 2020 amounted to EUR 460.9 million (EUR 473.8 million in 2019).

- **Changes in regulatory frameworks and regulatory risk**

The financial services industry is characterised by being tightly regulated. Bank operations are subject to specific regulation and the bank's operations are exposed to risks that could arise from changes in the regulatory framework.

Changes in the regulatory framework due to modifications in government policies, the banking union process or of any other type could give rise to new regulatory requirements that affect Bankia's solvency levels, other capital indicators, the ability to generate future profit, business model, dividend policy and its capital and liability structure.

The Regulatory Monitoring Committee, composed of senior executives, identifies the potential impact and influence of regulatory changes on the entity, anticipating any adverse effect. The Committee pays special attention to certain areas, such as business, accounting, risk management, solvency, liquidity, compliance and internal audit. It also establishes the most appropriate criteria for adapting the business model to the new regulatory paradigm, subsequently performing periodic and exhaustive monitoring of each project's adaptation to regulations.

Regulatory developments have been much more abundant since the entry into force in January 2014 of the new prudential requirements known as BIS III. For Europe, this consisted of Directive 2013/36/EU, of 26 June 2013 ("CRD IV") and Regulation (EU) 575/2013, of 26 June 2013 ("CRR"). Both CRD IV and CRR were amended in 2019 by various legislative packages of the European

Parliament and the Council of the European Union, known as "CRD V" and "CRR II", aimed at strengthening the capital position of banks. These reforms came into force on 27 June 2019, with a phase-in period of up to 2 years for certain amendments.

In 2020, the main policy and regulatory milestones that have impacted the activity of the banking sector have occurred in response to the COVID-19 crisis. In this respect, the Spanish government has enacted various regulations to deal with the health crisis and its economic and social impact and to protect and revive employment and economic activity, both at national level and through certain measures at sector level, the most important of which are as follows:

- Royal Decree-Law 8/2020 of 17 March 2020, on extraordinary urgent measures to address the economic and social impact of COVID-19 ("RDL 8/2020") provided, inter alia, for a moratorium of three months (public or legislative moratorium) on the principal and interest payment of mortgage loan instalments for the acquisition of a principal residence and property relating to the economic activity of entrepreneurs and professionals for economically vulnerable people affected by COVID-19, as well as the approval of a line of State guarantees to support lending to companies and self-employed workers, the granting of which was subject to compliance with certain requirements. Managed by the Spanish Official Credit Institute (ICO), the line of State guarantees seek to ensure that new or renewed loans are secured by the State for a maximum period of up to five years.
- Royal Decree-Law 11/2020, of 31 March, on urgent complementary social and economic measures to deal with COVID-19 ("RDL 11/2020"), which completed the first raft of measures, extending the moratorium mechanism on payment of instalments to other types of financing, such as consumer credit. In addition, the line of State guarantees was extended to economically vulnerable households as a result of the COVID-19 crisis to provide financing to pay rent for their principal residence.
- Royal Decree-Law 25/2020 of 3 July 2020 on urgent measures to support economic recovery and employment, established a 12-month moratorium for borrowers, in financing transactions linked to tourism-related property who, after meeting certain conditions, have undergone financial difficulties as a result of COVID-19.
- Royal Decree-Law 26/2020, of 7 July, on economic reactivation measures to deal with the impact of COVID-19 in transport and housing, introduced measures for a six-month postponement of payments relating to loans, finance leases and operating leases that self-employed workers and companies engaging in road transport, and meeting a number of requirements, use to purchase vehicles.
- Royal Decree-Law 34/2020, of 17 November, on urgent measures to provide support for business solvency, the energy sector and in tax matters, brought in new measures aimed at mitigating the liquidity problems of businesses and self-employed professionals, thus maintaining the line of business solvency support provided for in the previous royal decrees. Such measures include the following:
  - The deadline for the granting of public guarantees to address the liquidity needs of self-employed workers and businesses has been extended from 31 December 2020 to 30 June 2021.
  - Borrowers with a loan that has a public guarantee under Royal Decree-Law 8/2020 may apply for an extension to the loan due date, as well as an extension on the public guarantee by the same amount of time.
  - Customers that meet the eligibility requirements laid down in the Royal Decree-Law may obtain an extension of the grace period for repayment of the principal of the guaranteed loan – whether the guarantee was delivered under Royal Decree-Law 8/2020 or under Royal Decree-Law 25/2020 – for a maximum period of 12 months, thus allowing for a maximum total grace period of 24 months.
  - Financial institutions are required to uphold working capital financing facility limits until 30 June 2021 for all customers that meet the eligibility requirements and have been granted a loan that is guaranteed under either Royal Decree-Law 8/2020 or Royal Decree-Law 25/2020.
- Consistent with the prolonged effects of the crisis, "Royal Decree-Law 3/2021, of 2 February, introducing measures to reduce the gender gap and other Social Security and economic measures", has extended the deadline to apply for public moratoriums until 30 March 2021. It moreover stipulates a maximum cumulative duration of nine months for those applied for since 30 September 2020, including any moratoriums granted previously, and allows for a transitional regime for those granted between 30 September and the date on which the Royal Decree-Law came into force, for which the duration initially granted may be maintained.

In the area of solvency, on 12 March 2020 the ECB published a raft of measures to firm up the resilience of institutions in the current climate, allowing institutions to temporarily operate below the minimum requirements of Pillar II Guidance and the capital conservation buffer. Moreover, the entry into force of article 104 a) of the CRR II was brought forward, allowing institutions to cover the minimum requirements of the Pillar II Requirement not only with Common Equity Tier 1 capital, but also with Additional Tier 1 capital and Tier 2 capital. Regulation (EU) No 2020/873 of the European Parliament and of the Council, of 24 June 2020, amending the CRR and CRR II in respect of certain adaptations made in response to the COVID-19 pandemic was published on 26 June 2020 (see chapter 7 on "Capital management, solvency and leverage").

- **Reputational risk**

Following the Board of Directors' approval and annual review of the Reputational Risk Management Policies and Procedures Manual, Bankia has included reputational risks in its risks model, and meets regulatory and supervisory requirements for the management of this risk.

The Basel Committee on Banking Supervision defines reputational risk as "the risk arising from negative perception on the part of customers, counterparties, shareholders, investors or regulators that can adversely affect a bank's ability to maintain existing, or establish new business relationships and continued access to sources of funding".

Since the end of 2015, and in line with the recommendations of the Spanish National Securities Market Commission's Unified Code of Good Governance of Listed Companies, included in the Responsible Management Plan 2016-2018, the entity performed a corporate-wide non-financial risk identification, evaluation and control exercise with a view to improving the management of reputational risk and complying with new regulator and supervisor requirements. The 2019-2020 Responsible Management Plan once again includes a commitment to manage reputational risk, maintaining the system in place and taking measurements to monitor this risk and abide by regulatory requirements.

Sustainable management of reputational risk is crucial for carrying out Bankia's long-term plans and achieving its objectives. It considers reputation not only as past performance, but also as a possibility and future opportunity. Bankia attaches great importance to managing its reputation, as one of its objectives is to achieve trust, loyalty and the best possible valuation on the part of its stakeholders to improve its competitiveness. To meet these requirements, in 2016 the Board of Directors approved the first Reputational Risk Policies, which are updated on an annual basis. Bankia also works to keep an in-house reputational risk map updated which enables Bankia to actively manage the events, based on their severity, that imply the greatest reputational risk.

By drawing up a reputational risk map, Bankia can assess risk events, which are classified according to probability and financial impact by management centres and reputational risk coordinators. The identification of these centres also enables the reputational risk culture to be prioritised internally in business and management areas that are more sensitive due to their exposure to the events identified.

Bankia also has a synthetic indicator for regular monitoring of reputation capable of identifying the main risk events both within the entity and the sector that could result in a deterioration in reputation, as well as the quality of Bankia's control environment to prevent or mitigate them. Through this indicator, the Board of Directors is able to assess Bankia's level of reputational risk and decide whether there is a need to implement measures or make any decisions relating to its internal management processes or its relations with stakeholders.

- **Risks related to the reform of benchmark interest rates**

Several regulators in various jurisdictions are currently in the process of reforming the indices used as interest rate benchmarks for multiple financial transactions with different terms and currencies between different financial market participants. These benchmark indices will be replaced by other risk-free alternatives based on real transactions.

In order to implement the changes arising directly from the interest rate benchmark reform, Bankia has developed a project to address the transition. As part of this project, an effective governance framework has been developed, which is made up of a set of multidisciplinary working groups with members from the Risk, Systems, Legal, Business and Regulatory Compliance

Departments, among others, aimed at analysing, reviewing and coordinating the impacts, the actions to be taken by all areas of the bank and the transformation processes required by the reform of the benchmark indices. The project is led by the Deputy General Directorate of Finance, who regularly reports to the bank's governing bodies on the status of the implementation.

9.- FORECLOSED REAL ESTATE ASSETS

At the December 2020 close, the net balance of real estate assets foreclosed and received in payment of debts of Bankia (businesses in Spain) stood at EUR 1,718 million (EUR 2,450 million gross), accounting for 0.8% of the bank's assets. Part of these assets (EUR 12 million gross) are classed as disposal groups, as described in Note 17.5.1 to Bankia's annual accounts.

ASSETS FORECLOSED AND RECEIVED FROM BANKIA, S.A. - BUSINESSES IN SPAIN

(thousands of Euros)	December 2020			
	Gross amount	Impairment	Carrying amount	Coverage (%)
Real estate assets deriving from real estate construction and property development	308,882	121,040	187,842	39.2%
Of which: completed buildings	145,665	39,033	106,632	26.8%
Of which: property developments under construction	31,808	15,161	16,647	47.7%
Of which: land	131,409	66,846	64,563	50.9%
Real estate assets from financing for home purchases	1,498,770	461,581	1,037,189	30.8%
Other real estate received in payment of debts	642,159	148,943	493,216	23.2%
Total assets foreclosed	**2,449,811**	**731,564**	**1,718,247**	**29.9%**

Bankia's policy is to help borrowers meet their obligations, thus ensuring that foreclosure is always the last option. With this in mind, the Group seeks to mitigate the relevant effects with a range of initiatives: adjusting and renegotiating debts, and offering everything from deferrals to grace periods, to name but two. Only when the amount financed appears unlikely to be recovered is the secured asset acquired.

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. To this end, Bankia has mandated a specialised company, Haya Real Estate, to service, manage and market Bankia's foreclosed assets under the supervision of the Real Estate Management Department.

Moreover, Bankia has in place an active policy of recording provisions with respect to such assets based on an in-house methodology for estimating discounts on the reference value and the sales costs of non-current assets in the sale of foreclosed assets or assets received in payment of debts. Thus, the provisions arranged at the December 2020 close for foreclosed real estate assets originating from Bankia's businesses in Spain amounted to EUR 732 million as from the date of foreclosure, accounting for a coverage rate of 29.9% as from the foreclosure.

As part of its strategy to reduce non-performing assets, Bankia sold foreclosed properties for the amount of EUR 133 million in 2020, 71.1% down on the value of the sales made in 2019, in large part due to the standstill in the real estate market following the COVID-19 crisis.

Following the wholesale portfolio sales in 2019, progress has been made in 2020 on integrating the internal foreclosed asset approach into management through the culmination of various projects. In this regard, new tools have been developed to enhance the information available, which improves decision-making processes regarding commercial activities to enhance the evaluation of the assets organically. The Group has not made any significant wholesale portfolio sales in this period. The governance and control processes of the appraisals used to estimate the discounts on the reference value have also been improved.

10.- INFORMATION ON RATING AGENCIES

The ratings given to Bankia by the various agencies are those detailed in the following tables:

Issuer Ratings BANKIA				
	S&P Global Ratings	Fitch Ratings	DBRS	Scope Ratings
Long term	BBB	BBB	BBB (high)	BBB+
Short term	A-2	F2	R-1 (low)	S-2
Outlook	Credit Watch Positive	Rating Watch Positive	UR Positive	UR Upgrade
Date	23/09/2020	29/09/2020	24/09/2020	21/09/2020

Mortgage Covered Bond Ratings BANKIA				
	S&P Global Ratings	Fitch Ratings	DBRS	Scope Ratings
Rating	AA-	A+	AAA	AAA
Outlook	Negative	Rating Watch Positive	---	Stable
Date	28/09/2020	18/11/2020	18/09/2020	10/07/2020

Note: With respect to the ratings assigned to Bankia by Moody's, in October 2013 Bankia reported that it had decided to terminate the contractual relationship with Moody's. With this in mind, the ratings this agency continues to publish on Bankia are deemed "Unsolicited" and "Non-participating" in nature. In other words, Bankia does not take part in any review of the ratings issued by the agency, which bases its decisions strictly on the information publicly available on the entity. Despite the fact that the agency has repeatedly been asked to cease publishing ratings on Bankia, it falls to Moody's alone to decide when to do so.

The ratings agencies took the following steps in 2020:

S&P Global Ratings

- On 29 April, S&P Global Ratings ratified Bankia's long-term 'BBB' rating, with a Stable outlook, indicating that Bankia has sufficient capital to withstand the current economic shock, even if circumstances worsen. On the same date, S&P ratified Bankia's short-term 'A-2' rating.

- Subsequently, on 23 September, following the CaixaBank merger announcement, S&P changed Bankia's long-term outlook to Credit Watch Positive (CW Positive).

- Lastly, on 28 September, S&P affirmed its 'AA' rating for Bankia's covered bonds, downgrading the outlook from Stable to Negative, mirroring the change in the outlook for sovereign debt on 18 September, which was also lowered from Stable to Negative.

Fitch Ratings

- On 27 March, Fitch Ratings (Fitch) placed Bankia's long-term ('BBB') and short-term ('F2') ratings on Rating Watch Negative (RWN), on the understanding that the economic fallout of the COVID-19 pandemic poses a short-term risk for Bankia.

  Moreover, following a change in methodology, Fitch lowered its rating of the SNP debt to "BBB-" from "BBB", and that of the subordinated debt to "BB+" from "BBB-".

- On 8 April, Fitch placed the rating of Bankia's covered bonds, rated "A+", on RWN, given that the outlook for covered bonds reflects that of the issuer rating.

- On 16 September, Fitch ratings affirmed Bankia's 'BBB' rating, deactivating the Rating Watch Negative (RWN) and placing the outlook on Negative.

- Subsequently, on 29 September, following the CaixaBank merger announcement, the agency upgraded Bankia's long-term outlook to Rating Watch Positive (RW Positive). According to Fitch, Bankia stands to benefit from forming part of a combined institution with a stronger franchise, a more diversified business, greater capacity for income generation, better quality assets and higher coverage ratios owing to the additional provisions.

- On 5 October Fitch set the outlook for Bankia's covered bonds at RW Positive, reflecting the same outlook as the issuer rating.

- Finally, on 18 November, Fitch affirmed its "A+" rating for Bankia's covered bonds, RW Positive.

DBRS

- On 15 April, the agency DBRS ratified Bankia's 'BBB' (high) rating, and lowered Bankia's outlook from Positive to Stable. The reasons leading the agency to downgrade the entity's outlook are industry-specific, since it expects asset quality in the sector to worsen, provisions to rise and profitability to fall. It nonetheless confirmed Bankia's rating thanks to the reduction in non-performing assets in recent years, an improved risk profile and decreased exposure to SMEs and vulnerable sectors.

- On 2 July, the agency affirmed Bankia's 'BBB' (high) rating with a Stable outlook after conducting its annual review of Bankia's credit profile.

- On 18 September, DBRS affirmed its 'AAA' rating of Bankia's covered bonds after conducting its annual review of the mortgage portfolio.

- On 24 September, DBRS placed the long-term rating for Bankia, 'BBB' (high) on review with a positive outlook (Under Review Positive). This action reflects the agency's opinion that Bankia will benefit from an improved rating following the merger with CaixaBank.

Scope Ratings

- Following the annual review of Bankia's mortgage covered bonds, on 10 July, the agency ratified its rating of Bankia's covered bonds at 'AAA', with a Stable outlook.

- On 31 July, Scope affirmed its "BBB+" long-term rating for Bankia, outlook Stable.

- On 21 September, Scope placed Bankia's long-term rating outlook on Under Review for Upgrade. The action reflected the merger announcement between Bankia and CaixaBank. The agency considers that the merger will strengthen Bankia's credit profile.

11.- <u>SHARE PRICE PERFORMANCE AND SHAREHOLDING STRUCTURE</u>

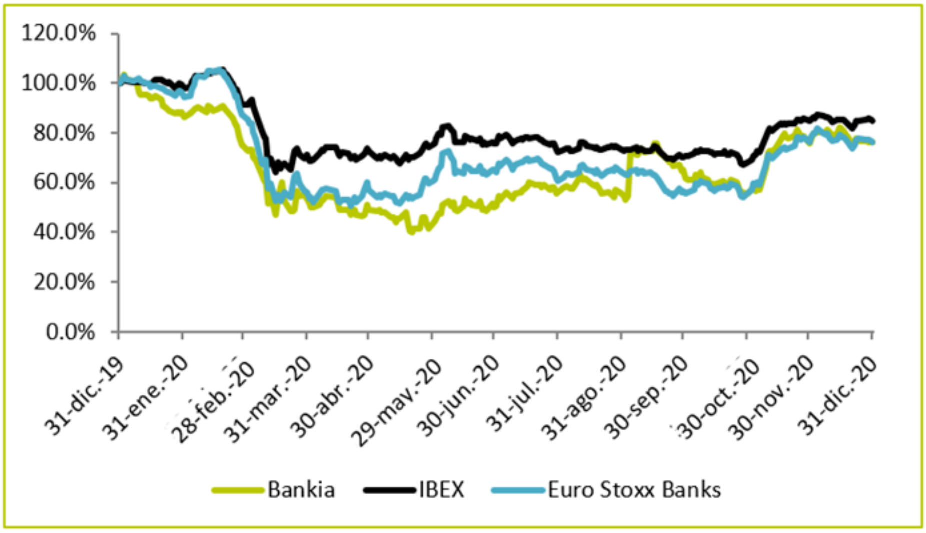
The onset of the COVID-19 pandemic in the first half of 2020 had unprecedented repercussions on economic activity in the main regions worldwide. The European financial sector again fell prey to high exposure to a greatly impaired economic cycle, and to the considerable uncertainty generated in the early months as a result of the economic reconstruction measures enacted and the sectors most affected by the coronavirus, triggering enormous concern among investors. Compelled by necessity, central banks announced interest-rate cuts and new stimulus programmes, the likes of which had not been seen since the financial crisis of 2008, while also advising greater prudence in dividend pay-out and share buy-backs.

In the second half of the year countries have continued to fight against the tide of the pandemic, suffering a second wave of contagion, followed by a third, which prevented the economies from posting a global recovery. At the end of July the EU was able to sign a historic economic reconstruction agreement (a EUR 750,000 million Recovery Fund), sponsored by Merkel and Macron (including debt mutualisation and up to EUR 390,000 million of aid via subsidies). In November, two key events took place just two days apart: Biden's victory in the controversial US elections on 3 November (and a commitment to push through an aggressive fiscal stimulus package) and Pfizer's announcement that its vaccine had proven to be effective in combatting the coronavirus in 90% of cases. These milestones set off a change of sentiment in the market and fuelled a turnaround that saw the main share indices rebound by 20% (40% in the case of the Eurostoxx Banks index) in the last two months of a year that ended with the United Kingdom and the European Union signing the Brexit agreement in the last week of 2020.

In the very complex context of 2020, banks have gone from experiencing the biggest declines in the industry indices since the start of the COVID-19 crisis at the end of February 2020, to posting one of the strongest industry performances from November onwards, against a backdrop of restrictions on dividends being raised as from September 2021, and consolidation of the European banking sector (which began with the Bankia-CaixaBank merger) being encouraged by the ECB with the incentive of lower regulatory capital requirements for merged institutions.

Since the two banks reached a merger agreement on 18 September, Bankia shares have traded in parallel with CaixaBank shares. In 2020 Bankia shares fell back by 23.84% (second-best performance of the year among IBEX 35 banking stocks), CaixaBank lost 24.91% and Eurostoxx Banks dropped 23.72%, compared to a 5.14% decline in the Eurostoxx 50 index and a 15.45% fall in the IBEX 35.

Share price



At the December 2020 close, a total of 29 research firms were actively covering Bankia's shares and providing a target price (the consensus target price at year end was EUR 1.34/share). Buy and Sell recommendations each accounted for 13.79% of all recommendations, respectively, while 62.07% of recommendations were Holds and 10.34% were unavailable (analysts having suspended their target price and/or recommendation due to the merger process o directly offering data for the merged entity comprising Bankia + CaixaBank). One equity research firm did not have an analyst at year end or had yet to resume coverage of the stock.

The information on the consensus reached by the analysts, broken down by firm, target price, recommendation and analyst, is available on the corporate website under "Shares" in the section on "Equities analysts". More than 550 reports referring to Bankia were published in 2020, with analysts updating their target prices over 130 times and modifying their recommendations on more than 30 occasions.

12.- INFORMATION ON TREASURY SHARES

On 27 May 2020, Bankia's Board of Directors approved the proposal submitted concerning the new 2020 Treasury Stock Policy, drafted in line with an accepted market practice per the provisions of article 13 of Regulation (EU) No 596/2014 on market abuse, which, in the case of Spain, has taken the form of the execution of liquidity contracts in accordance with the requirements envisaged in Spanish National Securities Market Commission (CNMV) Circular 1/2017, on liquidity contracts, amended by CNMV Circular 2/2019 of 27 November 2019. The current treasury stock policy, even where no provision is made for the execution of a liquidity contract with a third party, has been drafted with regard to the main guidelines applicable to such liquidity contracts.

Bankia's trading in treasury shares seeks the following objectives:

- To provide liquidity or supply securities to investors, as appropriate, adding breadth and minimising temporary mismatches between supply and demand in trading in Bankia shares.
- To take advantage, for the benefit of all shareholders, of weakness in share price relative to the medium-term outlook.
- To implement, as appropriate, share buybacks approved by the Board of Directors or in performance of resolutions adopted at the Shareholders' Meeting and, in particular, to afford Bankia access to shares that enable it to meet its obligations for the delivery of shares undertaken previously in respect of issuances of convertible or exchangeable securities and other corporate transactions, such as remuneration or loyalty plans for shareholders, directors, managers or employees.
- To comply with other legitimate commitments previously undertaken.
- Any other purposes permitted under the applicable regulations.

Discretionary trading of treasury shares refers to the purchase or sale of treasury shares on the electronic trading platforms of official markets, multilateral trading systems and any other organised trading platform ordered by Bankia, directly or indirectly. Transactions in Bankia shares ordered by companies controlled by Bankia also fall within this category. The discretionary trading of treasury shares may not be carried out to distort price discovery and may not be carried out if the unit in charge of executing the trade possesses inside or relevant information.

Transactions involving treasury shares are performed by the Investment Management Department, a separate unit protected by the appropriate Chinese walls, within the general guidelines determined by the Board of Directors and the Shareholders' Meeting, which also set the risk limits for the treasury stock policy. No other Group unit may trade in treasury shares, except for the repurchase of treasury shares for hedging market risk or to facilitate brokerage or hedging for customers. This may be carried out by units other than the Investment Management Department.

Due to the Bankia-CaixaBank merger process, trading in treasury shares has been interrupted since 3 September 2020, when the CNMV received notification that this strategic transaction with CaixaBank was under consideration.

At 31 December 2019, Bankia held 22,330,560 treasury shares, with a par value of EUR 1 each and a carrying amount of EUR 50.3 million. In 2020 a total of 26,589,523 shares were purchased and 16,934,883 shares were sold. As a result of such transactions, the number of treasury shares held at the December 2020 close stood at 31,985,200 shares with a par value of EUR 1 each and a carrying amount of EUR 49.5 million.

Treasury shares held at the December 2020 year end represented 1.04% of Bankia's share capital at that date. The following tables show the treasury stock transactions carried out in 2020:

TREASURY SHARE TRANSACTIONS - BANKIA GROUP

SHARES ACQUIRED IN 2020

Communication date	No. of shares acquired	Par value per share (€)	Par value (€m)	% of share capital (*)
January	2,733,928	1.0	2.7	0.09%
February	2,742,354	1.0	2.7	0.09%
March	4,016,312	1.0	4.0	0.13%
April	1,647,963	1.0	1.6	0.05%
May	5,662,919	1.0	5.7	0.18%
June	5,092,663	1.0	5.1	0.17%
July	1,834,413	1.0	1.8	0.06%
August	2,823,704	1.0	2.8	0.09%
September	15,338	1.0	0.02	0.00%
October	40	1.0	0.00004	0.00%
November	19,889	1.0	0.02	0.00%
December	-	1.0	-	0.00%
TOTAL	**26,589,523**		**26.6**	**0.87%**

(*) Percentage calculated based on the share capital at each month's close. The percentage reflecting the total amount of acquisitions is calculated based on the share capital at the December close.

TREASURY SHARE TRANSACTIONS - BANKIA GROUP

SHARES SOLD IN 2020

Communication date	No. of shares sold	Par value per share (€)	Par value (€m)	% of share capital (*)
January	494,028	1.0	0.5	0.02%
February	1,432,562	1.0	1.4	0.05%
March	2,113,274	1.0	2.1	0.07%
April	1,649,947	1.0	1.6	0.05%
May	1,739,333	1.0	1.7	0.06%
June	6,476,462	1.0	6.5	0.21%
July	1,570,000	1.0	1.6	0.05%
August	1,459,277	1.0	1.5	0.05%
September	-	1.0	-	0.00%
October	-	1.0	-	0.00%
November	-	1.0	-	0.00%
December	-	1.0	-	0.00%
TOTAL	**16,934,883**		**16.9**	**0.55%**

(*) Percentage calculated based on the share capital at each month's close. The percentage reflecting the total amount of sales is calculated based on the share capital at the December close.

13.- DIVIDEND POLICY

The distribution of dividends is voted on at the General Meeting of Shareholders based on proposals made by the Board of Directors.

In this connection, on 2 April 2020, in enforcement of the resolutions adopted at the General Meeting of Shareholders on 27 March 2020, Bankia distributed a dividend of EUR 352 million corresponding to the profit obtained in 2019 among the shares with the relevant economic rights.

On 27 March 2020, prior to the General Meeting of Shareholders and given the potential impact of the COVID-19 crisis, Bankia's Board of Directors reviewed the capital distribution objective established in the 2018-2020 Strategic Plan and agreed to forego any extraordinary distribution in the current year. This decision was taken in response to the uncertain current environment and on the grounds that maintaining high solvency at this exceptional time was a key objective that forms part of Bankia's top priorities.

Furthermore, in the framework of Bankia and CaixaBank's joint merger plan, both entities undertook not to declare payment of any definitive or interim dividend with a charge to reserves or profit, in cash or in kind, or to make any other distributions of their share capital or reserves or reimburse any part of their share capital until the filing date of the merger deed in the Mercantile Registry of Valencia.

14.- RESEARCH, DEVELOPMENT AND TECHNOLOGY

Investment in technology at Bankia in 2020 was aligned with the shift in the financial industry's activity to adapt to the continuous changes demanded by our customers and regulators, by income statements plagued by tight net interest margins and the arrival of new competitors.

In light of these priorities and the context of the industry (technological, regulatory and markets), Bankia has laid down several strategic lines of action in IT on which it has worked during 2020, launching and carrying out various projects designed to fulfil the requirements of the entity's Strategic Plan as regards technology. These strategic lines were rounded off with the various regulatory projects and business unit projects to which Bankia has geared its efforts in 2020, as well as the steps taken to address the current situation created by the COVID-19 pandemic and those related to the merger plan with CaixaBank.

Below is a summary explaining each of the strategic lines and projects on which Bankia has worked during 2020.

14.1.- Strategic Lines of Technology

- **Digital Transformation.** Bankia has focused its efforts on various areas, which include:
  - Launching a new App and completing the roll-out of the new Bankia Online Empresas.
  - Forging ahead with the Digital Channel Development Plan, with an emphasis on reliability, guidance on sales and conversion.
  - Creating the Group's own acquisition solution under the Waiap brand.
  - Continuing to work on the chatbot, seeking to improve the experience with the customer service centre and to innovate within the App.
  - Strengthening the intelligent platform for the development of artificial intelligence (AI) capabilities.
  - Consolidating the new digital marketing platform with a focus on further development of the analytical and digital marketing tools to engage with customers and non-customers alike in an organised and contextualised way.
  - Implementing the analytical solution in the process to revive consumption.
  - Consolidating the corporate platform for real-time feeding of the new marketing platform.

- **Process redesign.** There are two initiatives to highlight in this area:
    - To implement a platform to unify the generation of all Bankia documents and communications, work got underway in 2019 to implement and integrate the new tool, with 2020 seeing the migration of 1,000 models and 600 document templates.
    - A new Customer Filing System in the form of NEO, aimed at ensuring that all mandatory personal information is updated according to the person in question's relationship with the entity and backed up by documents that evidence this.
- **Core Banking transformation**. The entity continues to promote a set of initiatives including:
    - The development of the New Customer System for integration in Bankia applications.
    - Availability of a single platform for the creation, advertising and distribution of products that includes all of the bank's lines of business and permits the development of capacities relating to the creation, administration and marketing of products (customer acquisitions, payment methods, asset management and insurance), through both internal and external marketing channels.
    - The Payment Methods Plan, with which the bank aims to improve the user experience and optimise the platform's features.
- **Information systems.** In 2020, work has focussed on completing the migration from Netezza to IaaS (Infrastructure as a Service), implementing the Information Builders solution and use thereof for new reports for branches, as well as the creation of a reports portal, which began with submission of the most important reports for the branches (productivity, analytical balance sheet, income statement).
- **Risks.** In 2020, in addition to complying with regulatory requirements, the entity has driven a major transformation of both risk acceptance and the recovery model, incorporating new tools and technologies (analytical models) that will permit more efficient credit risk management.
- **Cyber security.** The principal actions of the Strategic Cyber Security Plan for 2020 include:
    - The development of collaborative platforms for the work of the Red and Blueteam.
    - Function automation and trail creation and audits of actions.
    - The management of third-party security.
    - The development of new analytical models for the automated processing of alerts.
    - The development of a fraud prevention engine to bring together the analysis of transaction links and customer activity.
    - The development of a fraud operation task tray to automate actions (blocks, cancellations, alerts) and to improve the contextual information to investigate alerts.
- **Platform optimisation and evolution.** The main objective of this line is to enhance platforms and reduce costs. It comprises several initiatives which, in 2020, have focused on:
    - The evolution of applications, with an emphasis on accounting applications and their scorecards.
    - App obsolescence management.
    - Evolution of IT Governance and Management Systems.

14.2.- <u>Regulatory projects</u>

The work carried out in 2020 saw some minor modifications with respect to the previous year and was primarily focused on the following areas:

- Advisory, Securities and Capital Markets, which continues to be one of the most important initiatives due to the entry into force of new regulations (Target 2 - Target 2 Securities, Securities Financing Transactions Regulation –SFTR-, etc.); the strengthening of systems for the generation of regulatory statements and implementation of operational improvements in the area of MiFID II (corporate governance, Datamart MiFID, evolution of the appropriateness and suitability tests, etc.)
- Evolution of Regulatory Reporting (Anacredit, Finrep, etc.).
- Tax regulations (Intermediaries Directive, tax identification of Euroresidents, etc.).
- Products and services regulations (Digital authentication in payment operations -3DSecure and SCA-, Reference Indices Regulation, Real Estate Credit Law, etc.).

14.3.- Unit Projects

The requirements arising from the Business Strategy objectives are embodied in the Unit Projects, where the main lines of action have focussed on the implementation of:

- A new customer loyalty programme, which reviews the criteria for waiving commissions, reviewing contracts, evaluating fulfilment of conditions for eligibility for the programme and viewing thereof on the relevant channels.
- A single portfolio management tool, which simplifies the current web of tools and includes, for 2020, Modelled Management for Personal and Private Banking.
- Creation of a new payment methods scheme (Unified Domestic Scheme) and implementation of improvements to the Deferred Payment Issuer services.
- Evolution of the "Bankia Model" developer loans, in the wake of the elimination of restrictions on funding for real estate projects.
- Derivative valuation models for distribution to customers.
- Inclusion of additional data in new customer registration processes with a view to providing more information to help in the fight against money laundering.
- Digital guarantees.

14.4.- Impact of COVID-19 on the technological projects plan

In view of the operating needs arising at the bank as a result of COVID-19, 2020 brought with it a number of IT-related actions, the most noteworthy being:

- The creation of new products and processes with which to cater for the newly approved government measures to provide liquidity to companies and the self-employed.
- Creation of an infrastructure for communicating and sending data and documentation to the Official Credit Institute (ICO) for the registration and validation of transactions.
- Launch of simulators on the channels available to customers to enable them to check whether they are eligible for moratoriums.
- The creation and adaptation of regulatory reporting to the new scenario.

14.5.- Projects related to the merger with CaixaBank

The last quarter of the year was focused on the Merger Plan with CaixaBank. The Bankia teams have focused on finalising the majority of the projects envisaged in the Annual Plan in order to execute all projects required to prepare for the merger. During this period, a massive effort was made to analyse and define the main lines of action of this process:

- Development of interfaces for the migration of data.
- Accounting reconciliation process.
- Gap analysis and drawing up action proposals.
- Migration of legacy data.

15.- FORECASTS AND BUSINESS OUTLOOK

- **Economic backdrop**

Although the beginning of 2021 may be challenging given the adverse health situation, especially in Europe and the United States, the outlook for the global economy is substantially better than in 2020, thanks to the gradual rolling out of vaccines, the provisional results of which have proven to be highly effective against COVID-19. Furthermore, economic activity will likely be buoyed by the new fiscal and monetary measures, both in Europe and the United States, and lower political uncertainty (the conclusion of Brexit and a new, more predictable US administration). If the vaccines prove their effectiveness, the most likely scenario is for a gradual consolidation of the recovery in the leading developed economies and the avoidance of fresh outbreaks caused by the strong link between mobility/socialisation and infections as seen in 2020. The reactivation of the leading developed economies could become highly dynamic as progress is made towards herd immunity, which will foreseeably be in the second half of 2021.

In the monetary policy field, the central banks will continue their stimuli throughout most of the year in order to maintain accommodative financial conditions that enable the costs of the current crisis on the productive structure to be absorbed as quickly as possible and to converge with the inflation target. As regards the ECB specifically, it will maintain its emergency asset purchase programme and long-term financing operations over the course of the year; it is highly unlikely that it will lower benchmark interest rates. This contribution by monetary policy and an economic context that should improve thanks to the vaccination of the population against COVID-19 will favour an increase in risk asset prices and the consolidation of the upward trend in debt yields, albeit limited in intensity. 12-month Euribor should oscillate within the range of -0.50% and -0.45%.

The outlook for the Spanish economy in 2021 give grounds for hope, as confidence among economic agents improves, thanks to the roll-out of effective vaccines against COVID-19. Although there could be a third wave in the first half of 2021, the impact going forward should wane. At any rate, the deterioration observed in the closing stretch of last year adds uncertainty to the scenario and points to a weaker and slower recovery, with GDP expected to grow by around 6% following a slide of 11% in 2020. As a result, at the end of 2021 GDP will still be down 5.9% with respect to the end of 2019.

Irrespective of the evolution of the pandemic, this scenario poses certain risks, especially domestically. In this regard, the ability to adapt economic policies amidst a highly challenging and changeable environment will be key. Although efforts must remain focused on addressing the health crisis and its economic fallout until the country is on a solid and sustained path to recovery, other economic policy moves aimed at fostering medium to long-term growth cannot be overlooked. A major factor will be the ability to mobilise and allocate the European reconstruction funds (Next Generation EU) in an efficient manner.

- **Business outlook for Bankia**

The business outlook for 2021 will be marked by the project to merge with CaixaBank and the current uncertainty in the wake of the COVID-19 crisis.

As regards the project with CaixaBank, the administrative authorisations required for the Merger to take effect have not yet been obtained; the Merger is expected to be closed legally during the first quarter of 2021, while the technological integration is expected to be completed in the last quarter of the year.

As a result of the Merger:

- Annual cost synergies are expected to be generated in an amount of EUR 770 million and new annual income of EUR 290 million is expected to be obtained.

- As regards the merged entity's solvency targets, its CET1 ratio will stand at between 11.0% and 11.5%, excluding the transitional adjustments for IFRS 9, while the buffer will stand at between 250 and 300 basis points above the SREP regulatory requirement.

- Earnings per share for Bankia shareholders is expected to increase by around 70% with respect to the market estimates for 2022.

As regards COVID-19, the specific impact over the coming months of the pandemic and the mitigating effects of the support measures introduced by the Government and financial institutions have yet to be seen. Nonetheless, Bankia faces a number of risks common to the entire banking sector and tied to the future of the pandemic, such as a potentially major increase in bad debt, a drop-off in new loans granted to private customers, particularly consumer loans, greater fluctuations in the value of its assets (including financial instruments measured at fair value and securities held for liquidity reasons), a negative impact on the cost of financing (particularly in a climate where future credit ratings may be affected) and weaker results due to the decline in production activity and consumer spending caused by the pandemic.

In this regard, Bankia will continue monitoring its loan portfolios and the main risk indicators on a continual basis to anticipate any potential impacts from the crisis on asset quality, while continuing to use efficiency and cost controls as major management levers to mitigate the effects of the pandemic on Bankia's business and activities.

16.- SIGNIFICANT EVENTS AFTER THE 2020 CLOSE

No relevant subsequent events have taken place in the period running from 31 December 2020 to the date of authorisation for issue of Bankia's annual accounts that could have a major effect thereon.

17.- ANNUAL CORPORATE GOVERNANCE REPORT

The Annual Corporate Governance Report for 2020, which forms part of this Directors' Report, was prepared in accordance with article 540 of the Spanish Companies Act, with the content outlined in Order ECC/461/2013, of 20 March, and CNMV Circular 2/2018, of 12 June, amending Circular 5/2013, of 12 June, which establishes the formats of the annual corporate governance reports of listed companies, and is attached hereto as a separate document. The report includes a section on the bank's level of compliance with corporate governance recommendations in Spain.

18. - NON-FINANCIAL INFORMATION STATEMENT

In accordance with Law 11/2018, of 28 December, amending Spain's Code of Commerce, the consolidated text of the Spanish Companies Act, enacted by Royal Legislative Decree 1/2010, of 2 July, and Spanish Audit Law 22/2015, of 20 July, regarding the disclosure of non-financial and diversity information, the Bankia Group has prepared a non-financial information statement, which forms part of the Directors' Report of the Bankia Group and is attached thereto as a separate document. This non-financial information statement contains relevant information on environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, and society. The information contained therein was verified by KPMG Asesores, S.L., as independent assurance services provider.

ANNUAL CORPORATE GOVERNANCE REPORT OF
LISTED PUBLIC LIMITED COMPANIES

ISSUER IDENTIFICATION DETAILS

YEAR END-DATE: 31/12/2020

TAX ID (CIF): A-14010342

Company name:

BANKIA, S.A

Registered office:

CL. PINTOR SOROLLA N.8 (VALENCIA)

A. OWNERSHIP STRUCTURE

A.1.Complete the table below with details of the company's share capital:

Date of last change	Share capital (euros)	Number of shares	Number of voting rights
22/03/2019	3,069,522.105.00.	3,069,522.105.	3,069,522.105.

Indicate whether there are different classes of shares with different associated rights:

[ ] Yes

[√] No

A.2.List the company’s significant direct and indirect shareholders at year end, excluding directors:

Name or company name of shareholder	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
ARTISAN PARTNERS ASSET MANAGEMENT INC.	0.00.	3.07.	0.00.	0.00.	3.07.
FROB	0.00.	61.83.	0.00.	0.00.	61.83.
BLACKROCK INC.	0.00.	1.23.	0.00.	1.77.	3.00.

It should also be noted that State Street Bank and Trust and Chase Nominees Ltd., as international custodian/depositary banks, appear in the Company's shareholder register as at 31 December 2020, with shareholdings of 4.56% and 4.35%, respectively, in Bankia's share capital. Nevertheless, the Company understands that these shareholdings are held on behalf of third parties, none of which, to the best of the Company's knowledge, has a shareholding equal to or greater than 3% of the share capital or voting rights.

Breakdown of the indirect holding:

Name or company name of the indirect owner	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights
ARTISAN PARTNERS ASSET MANAGEMENT INC.	ARTISAN PARTNERS LIMITED PARTNERSHIP	3.07.	0.00.	3.07.
FROB	BFA, TENEDORA DE ACCIONES, S.A.U.	61.83.	0.00.	61.83.
BLACKROCK INC.	Funds controlled by BLACKROCK INC.	1.23.	1.77.	3.00.

Indicate the most significant changes in the shareholder structure during the year:

Most significant movements

BFA, TENEDORA DE ACCIONES, S.A.U.::

As a result of Bankia shares coming into BFA's hands by virtue of the enforcement of judgments and out-of-court settlements to avoid or end litigation, BFA TENEDORA DE ACCIONES S.A.U.'s stake in Bankia was increased by +3 bp to 61.83% over the course of the year.

BLACKROCK INC.:

21/05/2020 BLACKROCK INC. informed the CNMV that its stake exceeded 3% of the share capital (3.129%).

01/06/2020 BLACKROCK INC. informed the CNMV its stake had fallen below 3% of the share capital (2.725%).

26/08/2020 BLACKROCK INC. informed the CNMV that its stake exceeded 3% of the share capital (3.014%).

25/09/2020 BLACKROCK INC. informed the CNMV its stake had fallen below 3% of the share capital (2.988%).

22/12/2020 BLACKROCK INC. informed the CNMV that its stake exceeded 3% of the share capital (3.005%).

A.3. Complete the following tables on members of the company's Board of Directors holding voting rights on the company's shares:

Name or company name of Director	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights	% of voting rights that can be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHE	0.01.	0.00.	0.00.	0.00.	0.01.	0.00.	0.00.
MR. JOSÉ SEVILLA ÁLVAREZ	0.00.	0.00.	0.00.	0.00.	0.00.	0.00.	0.00.
MR. JOAQUÍN AYUSO GARCÍA	0.00.	0.00.	0.00.	0.00.	0.00.	0.00.	0.00.
MR. FRANCISCO JAVIER CAMPO GARCÍA	0.00.	0.00.	0.00.	0.00.	0.00.	0.00.	0.00.
MRS. EVA CASTILLO SANZ	0.00.	0.00.	0.00.	0.00.	0.00.	0.00.	0.00.
MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO	0.00.	0.00.	0.00.	0.00.	0.00.	0.00.	0.00.
MR. CARLOS EGEA KRAUEL	0.00.	0.00.	0.00.	0.00.	0.00.	0.00.	0.00.
MR. JOSE LUIS FEITO HIGUERUELA	0.00.	0.00.	0.00.	0.00.	0.00.	0.00.	0.00.
MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	0.00.	0.00.	0.00.	0.00.	0.00.	0.00.	0.00.
MRS LAURA GONZALEZ MOLERO	0.00.	0.00.	0.00.	0.00.	0.00.	0.00.	0.00.
MR. ANTONIO GREÑO HIDALGO	0.00.	0.00.	0.00.	0.00.	0.00.	0.00.	0.00.
MR. ANTONIO ORTEGA PARRA	0.00.	0.00.	0.00.	0.00.	0.00.	0.00.	0.00.
Total percentage of voting rights held by the Board of Directors							0.01.

Breakdown of the indirect holding:

Name or company name of Director	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights	% of voting rights that can be transferred through financial instruments
MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO	QUINTORGE, S.L.	0.00.	0.00.	0.00.	0.00.

At 31 of December 2019, the directors of Bankia held the following shares of the Entity:

Mr. José Ignacio Goirigolzarri, direct owner of 271,091 shares of the Company (representing 0.008% of the share capital);
Mr. José Sevilla Álvarez, direct owner of 66,933 shares of the Company (representing 0.002% of the share capital);
Mr. Antonio Ortega Parra, direct owner of 86,921 shares of the Company (representing 0.002% of the share capital);
Mr. Carlos Egea Krauel, direct owner of 15,595 shares of the Company (representing 0.001% of the share capital);
Mr. Joaquín Ayuso García, direct owner of 55,015 shares of the Company (representing 0.002% of the share capital);
Mr. Francisco Javier Campo García, direct owner of 50,315 shares of the Company (representing 0.002% of the share capital);
Ms. Eva Castillo Sanz direct, owner of 25,000 shares of the Company (representing 0.001% of the share capital);
Mr. Jorge Cosmen Menéndez-Castañedo, direct owner of 21 shares and indirect owner of (through Quintorge, S.L.) of 30,268 shares of the Company (representing 0.001% of the share capital);
Mr. José Luis Feito Higueruela, direct owner of 49,452 shares of the Company (representing 0.002% of the share capital);
Mr. Fernando Fernández Méndez de Andés, direct owner of 16,358 shares of the Company (representing 0.001% of the share capital);
Ms. Laura González Molero, direct owner of 5,000 shares of the Company (representing 0.0002% of the share capital);
Mr. Antonio Greño Hidalgo, direct owner of 20,750 shares of the Company (representing 0.001% of the share capital);

A.4. If applicable, indicate any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, with the exception of those reported in section A.6:6:

Name or company name of related party	Nature of relationship	Brief description
No data		

A.5. If applicable, indicate any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or its group, unless they are insignificant or arise in the ordinary course of business:

Name or company name of related party	Nature of relationship	Brief description
BFA, TENEDORA DE ACCIONES, S.A.U.	Contractual	Framework agreement governing the relations between BFA, Tenedora de Acciones S.A.U. (BFA) and Bankia, setting out the mechanisms necessary, within the legal limits, to ensure an appropriate level of coordination between Bankia and BFA and group companies at all times, and to manage and minimize any situations that may give rise to potential conflicts of interest between the two entities, while ensuring due respect for and protection of the rest of the shareholders in an atmosphere of transparency in dealings between the two entities.
BFA, TENEDORA DE ACCIONES, S.A.U.	Contractual	Service level agreement, a development of the framework agreement, enabling BFA to manage its activity appropriately using Bankia's human and material resources to prevent duplications.
BFA, TENEDORA DE ACCIONES, S.A.U.	Contractual	Cost-sharing agreement for lawsuits related to preference shares and subordinated bonds.
BFA, TENEDORA DE ACCIONES, S.A.U.	Contractual	Agreement establishing an access mechanism allowing BFA, through Bankia, to avail of the liquidity and funding mechanisms set up by the ECB for credit institutions, as well as other transactions inherent in the business of credit institutions.
BFA, TENEDORA DE ACCIONES, S.A.U.	Contractual	Cost-sharing agreement for lawsuits related to the IPO.
BFA, TENEDORA DE ACCIONES, S.A.U.	Contractual	BFA/Bankia cooperation protocol. Article 11 (2) of the CRR, the purpose of which is to govern the relations between BFA and Bankia with a view to defining and implementing the mechanisms and procedures necessary to permit Bankia to comply with the obligations laid down in 11.2 of Regulation (EU) number 575/2013 and, in particular, to ensure that BFA complies with the capital requirements imposed in applicable legislation.

Name or company name of related party	Nature of relationship	Brief description
BFA, TENEDORA DE ACCIONES, S.A.U.	Corporate	Agreement on the management of the FROB's indirect interest in Bankia, S.A. through BFA, Tenedora de Acciones, S.A.U:

A.6. Describe the relationships, unless insignificant for both parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of directors that are legal persons.

Explain, if applicable, how the significant shareholders are represented. Specifically, indicate those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders, or who are related to significant shareholders and/or companies in their group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of any directors of the listed company, or their representatives, who are in turn members or representatives of members of the Board of Directors of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship / post
MR. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHE	BFA, TENEDORA DE ACCIONES, S.A.U.	BANKIA, S.A.	PHYSICAL PERSON REPRESENTATIVE CHAIRMAN (FROB)
MR. JOSÉ SEVILLA ÁLVAREZ	BFA, TENEDORA DE ACCIONES, S.A.U.	BANKIA, S.A.	DIRECTOR
MR. ANTONIO ORTEGA PARRA	BFA, TENEDORA DE ACCIONES, S.A.U.	BANKIA, S.A.	DIRECTOR

There are no proprietary directors on Bankia S.A.'s Board of Directors. The Board of Directors was made up of 13 directors at 31 December 2020, 3 executive, 9 independent and 1 external.

BFA Tenedora de Acciones S.A.U. held shares representing 61.829 % of Bankia's share capital at 31 December 2020.

Since 27 June 2012, BFA has been wholly owned by the FROB, an institution under public law with its own legal personality and full public and private capacity to pursue its objectives, and the purpose of which is to manage credit institution restructuring and resolution processes.

In any event, at the General Meeting of Shareholders of Bankia, S.A. held on 29 June 2012, under item 3 of the Agenda, the proposals for the appointment and ratification of directors were approved with 95% of all valid votes and abstentions in favour, equivalent to 57% of Bankia, S.A.'s share capital at the date of the meeting.

At the General Meeting of Shareholders held on 15 March 2016, resolutions were adopted to appoint a new independent director and to re-elect 4 directors: 3 independent and 1 executive.

In addition, at the General Meeting of Shareholders held on 24 March 2017, to continue with the partial renovation of members of the Board of Directors commenced in the previous year, resolutions were adopted to re-elect 6 directors: 2 executive and 4 independent.

In addition, at the Extraordinary General Meeting of Shareholders held on 14 September 2017, pursuant to the Common Terms of Merger executed between Bankia, S.A. and Banco Mare Nostrum, S.A., a resolution was adopted to appoint a new external director, Mr. Carlos Egea Krauel. He was included on the Bank of Spain's Register of Senior Officers (Registro de Altos Cargos or RAC) on 12 January 2018. On 25 January 2018, this director changed category after being appointed executive director. In 2019, Mr. Egea resigned from his executive duties and since 28 June 2019 has been an external director.

To fill the vacancy arising in October 2017 as a result of the departure of an independent director, on 25 October 2018, after obtaining the pertinent regulatory authorisations, the Board of Directors agreed to appoint Mrs. Laura González Molero as independent director by means of co-optation. The appointment of Ms. González Molero was ratified by the shareholders at the General Meeting of 22 March 2019.

Finally, at the General Meeting of Shareholders held on 27 March 2020, it was resolved to appoint Ms. Nuria Oliver Ramírez as independent director of the Company. At the same General Meeting, it was also resolved to reappoint Mr. José Sevilla Álvarez as executive director, and Mr. Joaquín Ayuso García, Mr. Francisco Javier Campo García, Ms. Eva Castillo Sanz and Mr. Antonio Greño Hidalgo, as independent directors.

Agreement on the management of the FROB's indirect interest in Bankia, S.A. through BFA, Tenedora de Acciones, S.A.U:

On 25 January 2019, the FROB (holder of 100% of BFA's share capital), BFA (controlling shareholder of Bankia) and Bankia signed an agreement on the management of the FROB's indirect interest in Bankia (through BFA). Under the above agreement, the FROB undertook not to take part in the ordinary management of Bankia, which is the responsibility of Bankia’s governing bodies and will be freely and independently exercised by Bankia’s directors. Hence the FROB, through BFA, will not nominate proprietary directors for appointment to Bankia's Board of Directors as provided for in Article 529 duodecies (3) of Royal Legislative Decree 1/2010, of 2 July, approving the revised Corporate Enterprises Act.

A.7. Indicate whether the company has been notified of any shareholders’ agreements that may affect it, in accordance with the provisions of Articles 530 and 531 of the Spanish Corporate Enterprises Act. If so, describe them briefly and list the shareholders bound by the agreement:

[ ] Yes
[√] No

Indicate whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

[ ] Yes
[√] No

If any of the aforementioned agreements or concerted actions have been amended or terminated during the year, indicate this expressly:

Not applicable.

A.8. Indicate whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Securities Market Act. If so, identify them:

[√] Yes
[ ] No

Name or company name
BFA, TENEDORA DE ACCIONES, S.A.U.

BFA Tenedora de Acciones, S.A.U held shares representing 61.829% of Bankia, S.A.’s share capital at 31 December 2020.

The Fund for Orderly Bank Restructuring (FROB) holds 100% of BFA, Tenedora, S.A.U’s shares.

A.9. Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
31,985.200.		1.04.

(*) Through:

Name or company name of direct shareholder	Number of direct shares
No data	

Explain any significant changes during the year:

Explain significant changes

Notification to the CNMV on 13/05/2020: Acquisitions with treasury shares reached the 1% threshold at 11/05/2020. At that date, the total position in treasury shares (29,205,776) amounted to 0.951% of share capital.

Based on privileged information published at the CNMV on 03/09/2020, on the analysis of the merger between Bankia and CaixaBank, Bankia's treasury share transactions in the market have ceased.

A.10. Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares:

On 27 March 2020, a resolution was adopted at the General Meeting of Shareholders of Bankia, S.A. to grant "Authorisation to the Board of Directors for the derivative acquisition of treasury stock in accordance with the limits and requirements established in the Corporate Enterprises Act. Delegation of authority to the Board of Directors to implement this resolution, rendering without effect the delegation granted by the previous General Meeting":

To authorise the Board of Directors, on the broadest of terms, and per the provisions of article 146 of the Corporate Enterprises Act, to engage in the derivative acquisition of treasury shares of Bankia, directly or through companies in its Group, subject to the following limits and requirements:

a. Forms of acquisition: acquisition by way of purchase, by way of any other "inter vivos" act for consideration or any other transaction permitted by law, including with a charge to profits for the fiscal year and/or unrestricted reserves.

b. Maximum number of shares to be acquired: acquisitions may be made, from time to time, on one or more occasions, up to the maximum permitted by law.

c. The price or countervalue will vary from a minimum equal to the lesser of par value or 75% of the stock market price on the date of acquisition, and a maximum equal to up to 5% more than the maximum price achieved for the shares in free trading (including the block market) in the Continuous Market session on the date of acquisition.

d. Duration of the authorisation: five (5) years from the date of this resolution.

These transactions shall also be conducted in compliance with the rules in this regard contained in Bankia's Internal Rules of Conduct for Securities Markets Activities.

To authorise the Board of Directors so that it may sell the shares acquired or use the treasury shares acquired, in whole or in part, to implement remuneration schemes that have as their purpose or entail delivery of shares or option rights on shares, in accordance with the provisions of section 1 a) of article 146 of the Corporate Enterprises Act.

This delegation of authority to the Board of Directors replaces the delegation granted by the General Meeting of Shareholders of the Company held on 22 March 2019, which will therefore be rendered void.

The Board of Directors is authorised, on the broadest of terms, to use the authorisation covered by this resolution for full implementation and development thereof, it being entitled to delegate this authority, without distinction and as extensively as it sees fit, to the Executive Chairman, to any of the directors, to the General Secretary and to the Board Secretary or to any other such person as the Board expressly authorises for this purpose.

A.11. Estimated floating capital:

	%
Estimated floating capital	37.11.

The percentage free float reported was calculated after subtracting the percentage of capital held at 31 December 2020 by BFA Tenedora de Acciones S.A.U. - BFA (61.829%), as controlling shareholder, by members of the Board of Directors (0.023%) and by the Company in treasury shares (1.042%).

As to significant shareholders, only BFA has been considered a major shareholder (core). Other shareholders do not qualify as they are not major shareholders, their stakes have varied considerably over time and their exact ownership interest cannot be ascertained because they buy shares through different custodians.

However, for information purposes only, the free float resulting from also subtracting the interests owned by the other two shareholders that had disclosed significant shareholdings to the CNMV at 31 December 2020 (Artisan Partners Asset Management Inc., holding 3.07% and Blackrock Inc. holding 3.005%) is 31.032%.

The same criterion has been used to complete section B.4.

A.12. Indicate whether there are any restrictions (articles of incorporation, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, indicate the existence of any type of restriction that may inhibit a takeover of the company through acquisition of its shares on the market, as well as such regimes for prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

[√] Yes
[ ] No

Description of restrictions

There are no restrictions on the transfer of securities of the entity except for the statutory restrictions.

Pursuant to article 17 of Law 10/2014 of 26 June 2014, on Governance, Supervision and Solvency of Credit Institutions, any natural or legal person which, acting alone or in collaboration with others, decides to directly or indirectly acquire a significant share in a Spanish credit institution or directly or indirectly increase its interest therein such that the percentage of voting rights or capital held therein equals or exceeds 20%, 30% or 50%, or such that control of the credit institution could be gained through the acquisition, must first notify the Bank of Spain, indicating the amount of the expected investment and any other information required by regulations. This information must be relevant for the evaluation, and proportional and appropriate to the nature of the potential acquirer and the proposed acquisition.

There are no statutory or bylaw restrictions on the exercise of voting rights. Article 32.2 of the Bylaws states that those attending the General Meeting will be entitled to one vote for each share owned or represented.

A.13. Indicate whether the general shareholders' meeting has resolved to adopt measures to neutralise a takeover bid by virtue of the provisions of Law 6/2007.

[ ] Yes
[√] No

If so, explain the measures approved and the terms under which such limitations would cease to apply:

A.14. Indicate whether the company has issued shares that are not traded on a regulated EU market.

[ ] Yes
[√] No

If so, indicate each share class and the rights and obligations conferred.

B. GENERAL SHAREHOLDERS' MEETING

B.1. Indicate whether there are any differences between the minimum quorum regime established by the Spanish Corporate Enterprises Act for General Shareholders' Meetings and the quorum set by the company, and if so give details.

[ ] Yes
[√] No

B.2. Indicate whether there are any differences between the company's manner of adopting corporate resolutions and the regime provided for in the Spanish Corporate Enterprises Act and, if so, give details:

[ ] Yes
[√] No

B.3. Indicate the rules for amending the company's articles of incorporation. In particular, indicate the majorities required for amendment of the articles of incorporation and any provisions in place to protect shareholders' rights in the event of amendments to the articles of incorporation.

The rules governing amendments to the Company's Bylaws are those set forth in the Corporate Enterprises Act. Any amendment to the Bylaws is the responsibility of the General Meeting of Shareholders and will require, at first call, shareholders holding at least fifty percent of the subscribed share capital conferring voting rights to be present in person or by proxy. At second call, shareholders representing twenty-five percent of the share capital shall be sufficient.

In particular, resolutions to amend by the Bylaws may be adopted by an absolute majority if shareholders representing over fifty percent of the share capital are present or represented by proxy at the General Meeting. However, a favourable vote of a two-thirds majority of the share capital present or represented at the meeting is required where, at second call, shareholders representing at least twenty-five percent but less than fifty percent of the subscribed capital with voting rights are in attendance.

In addition, according to 31.1 of the Bylaws, in line with article 197 bis of the Corporate Enterprises Act, in the case of amendment of the Bylaws, separate votes must be held on the amendment of each article or group of articles that is independent of the others, even where they appear in the same agenda item.

Moreover, article 3.1 of the Bylaws states that the Board of Directors has authority to resolve to change the registered office within the same municipality.

B.4. Give details of attendance at General Shareholders' Meetings held during the reporting year and the two previous years:

	Attendance data				
Date of general meeting	% physically present	% distance voting proxy	Electronic voting	Other voting	Total
10/04/2018	61.84	16.07	0.01	0.38	78.30
Of which floating capital:	0.04	16.07	0.01	0.38	16.50
22/03/2019	62.87	17.09	0.01	0.35	80.32
Of which floating capital:	0.45	17.09	0.01	0.35	17.90
27/03/2020	63.13	18.62	0.01	0.14	81.90
Of which floating capital:	0.45	18.62	0.01	0.14	19.22
01/12/2020	62.90	17.05	0.02	0.19	80.16
Of which floating capital:	0.03	17.05	0.02	0.19	17.29

The percentage free float reported was calculated after subtracting the percentage of capital held by BFA, as controlling shareholder, that held by members of the Board of Directors, and that held by the Company in treasury shares, at the date of the General Meetings indicated in the heading.

As regards the percentage of shareholders attending the General Meeting held on 27 March 2020 in person, as a result of the state of emergency declared by Royal Decree 463/2020 of 14 March 2020, and the provisions of Royal Decree-Law 8/2020, of 17 March 2020, on extraordinary urgent measures to address the economic and social impact of Covid-19, the Meeting was held with the shareholders and shareholders' representatives attending electronically.

As regards the percentage of shareholders attending the Extraordinary General Meeting held on 1 December 2020 in person, this meeting was held with shareholders and shareholders' representatives attending both in person and electronically.

B.5. Indicate whether any point on the agenda of the General Shareholders' Meetings during the year was not approved by the shareholders for any reason.

[ ] Yes
[√] No

B.6. Indicate whether the articles of incorporation contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or to vote remotely:

[√] Yes
[ ] No

Number of shares required to attend General Meetings	500
Number of shares required for voting remotely	1

B.7. Indicate whether it has been established that certain decisions, other than those established by law, entailing an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions must be submitted for approval to the General Shareholders’ Meeting.

[ ] Yes
[√] No

B.8. Indicate the address and manner of access on the company's website to information on corporate governance and other information regarding General Shareholders’ Meetings that must be made available to shareholders through the company website.

The Company´s website address is: www.bankia.com, the domain name of which is entered at the Mercantile Registry.

In accordance with article 52 of the Bylaws of Bankia, S.A., the Company must have, for the purposes envisaged in the applicable laws, a website (www.bankia.com) through which its shareholders, investors and the market in general will be advised of material or significant matters related to the Company, and any notices it may legally be required to publish.

On the Company´s website, upon call of general meetings, an electronic shareholder forum must be set up, to which both individual shareholders and such voluntary associations as they may establish on the terms contemplated by law must have appropriately secure access, to facilitate their communication prior to the holding of general meetings.

In this respect, the www.bankia.com home page includes a menu with a heading entitled “Shareholders and Investors” which has a "Corporate Governance and Remuneration Policies" section containing information on the entity's corporate governance. This section contains a specific sub-section providing access to the entity’s annual corporate governance reports, and one providing access to documentation regarding the General Meeting of Shareholders among others containing information on corporate governance at the Company.

The Company website can be accessed in Spanish and English.

C. STRUCTURE OF THE COMPANY'S ADMINISTRATION

C.1. Board of Directors

C.1.1 Maximum and minimum number of directors established in the articles of incorporation and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	5
Number of directors set by the general meeting	13

C.1.2 Complete the following table on Board members:

Name or company name of director	Representative	Category of director	Position on the board	Date first appointed	Date of last appointment	Election procedure
MR. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHE		Executive	CHAIRMAN	09/05/2012	24/03/2017	RESOLUTION OF GENERAL MEETING OF SHAREHOLDERS
MR. JOSÉ SEVILLA ÁLVAREZ		Executive	CHIEF EXECUTIVE OFFICER	25/05/2012	27/03/2020	RESOLUTION OF GENERAL MEETING OF SHAREHOLDERS
MR. JOAQUÍN AYUSO GARCÍA		Independent	DIRECTOR	25/05/2012	27/03/2020	RESOLUTION OF GENERAL MEETING OF SHAREHOLDERS
MR. FRANCISCO JAVIER CAMPO GARCÍA		Independent	DIRECTOR	25/05/2012	27/03/2020	RESOLUTION OF GENERAL MEETING OF SHAREHOLDERS
MRS. EVA CASTILLO SANZ		Independent	INDEPENDENT COORDINATING DIRECTOR	25/05/2012	27/03/2020	RESOLUTION OF GENERAL MEETING OF SHAREHOLDERS
MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO		Independent	DIRECTOR	25/05/2012	24/03/2017	RESOLUTION OF GENERAL MEETING OF SHAREHOLDERS
MR. CARLOS EGEA KRAUEL		Other external	DIRECTOR	14/09/2017	14/09/2017	RESOLUTION OF GENERAL MEETING OF SHAREHOLDERS

Name or company name of director	Representative	Category of director	Position on the board	Date first appointed	Date of last appointment	Election procedure
MR. JOSÉ LUIS FEITO HIGUERUELA		Independent	DIRECTOR	25/05/2012	24/03/2017	RESOLUTION OF GENERAL MEETING OF SHAREHOLDERS
MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS		Independent	DIRECTOR	25/05/2012	24/03/2017	RESOLUTION OF GENERAL MEETING OF SHAREHOLDERS
MRS LAURA GONZALEZ MOLERO		Independent	DIRECTOR	25/10/2018	25/10/2018	CO-OPTATION
MR. ANTONIO GREÑO HIDALGO		Independent	DIRECTOR	15/03/2016	27/03/2020	RESOLUTION OF GENERAL MEETING OF SHAREHOLDERS
MS. NURIA OLIVER RAMIREZ		Independent	DIRECTOR	27/03/2020	27/03/2020	RESOLUTION OF GENERAL MEETING OF SHAREHOLDERS
MR. ANTONIO ORTEGA PARRA		Executive	DIRECTOR	25/06/2014	24/03/2017	RESOLUTION OF GENERAL MEETING OF SHAREHOLDERS

Total number of directors	13

Indicate any cessations, whether through resignation or by resolution of the general meeting, that have taken place in the Board of Directors during the reporting period:

Name or company name of director	Category of the director at the time of cessation	Date of last appointment	Date of cessation	Specialised committees of which he/she was a member	Indicate whether the director left before the end of his or her term of office
No data					

C.1.3 Complete the following tables on the members of the Board and their categories:

EXECUTIVE DIRECTORS		
Name or company name of Director	Post in organisation chart of the company	Profile
MR. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHE	EXECUTIVE CHAIRMAN	Born in 1954, Mr. Goirigolzarri holds a degree in Economics and Business Studies from the Universidad Comercial de Deusto (Bilbao). Finance and Strategic Planning from the University of Leeds (United Kingdom). He has been Chairman of Bankia and BFA, Tenedora de Acciones, S.A.U. since 9 May 2012. He is also Chairman of the Bankia Technology an Innovation Committee. He is Vice Chairman of CECA, trustee of CEDE, Pro Real Academia Española Foundation and honorary trustee of the Spain-USA Board Foundation, Chairman of the Deusto Business School, Chairman of the Advisory Board of the Instituto Americano de Investigación Benjamin Franklin and Chairman of Garum Foundation. He is also Chairman of the Fundación Bankia por la Formación Dual. He began his professional career in Banco de Bilbao in 1977, where he served as general director of BBV and member of the Management Committee, with responsibilities in commercial banking in Spain and operations in Latin America. Mr. Goirigolzarri was responsible for Retail Banking at BBVA and served as Chief Executive Officer there until 2009. During that period he also held directorships in BBVA-Bancomer (Mexico), Citic Bank (China) and CIFH (Hong Kong). He furthermore served as Vice Chairman at Telefónica and Repsol and was Spanish Chairman of the Spain-USA Foundation.
MR. JOSÉ SEVILLA ÁLVAREZ	CHIEF EXECUTIVE OFFICER	Born in 1964, Mr. Sevilla holds a degree in Economics and Business Studies from CUNEF. He is Chief Executive Officer of Bankia and Chairman of the Board Risk Committee. He is also a member of the Board of Directors of BFA, Tenedora de Acciones, S.A.U. Before joining Bankia he held various management positions in BBVA, where he served as general manager of Risks and member of the Management Committee, head of the Office of the Chairman and of the Division of Strategy and Finance for the Americas in BBVA and director of BBVA Bancomer. He is a director of the Asociación para el Progreso de la Dirección (APD). He began his professional career in the investment banking field, working at Merrill Lynch and FG Inversiones Bursátiles.

MR. ANTONIO ORTEGA PARRA	EXCUTIVE DIRECTOR, AND GENERAL MANAGER OF PEOPLE, RESOURCES AND TECHNOLOGY	Born in 1947, Mr. Ortega has a PhD in Business Studies from the Antonio de Nebrija University and holds a degree in Law from the Universidad Nacional de Educación a Distancia. He is a member of the Board of Directors of Bankia and of its Technology and Innovation Committee. He has been general director of People, Resources and Technology at Bankia since 16 May 2012. He has been a member of the Board of Directors of BFA, Tenedora de Acciones, S.A.U. since June 2012. Before joining the bank, he was director of the Master's Degree in Human Resources at Centro de Estudios Garrigues and a member of its academic council. At the same time, he provided business consultancy services and was director of the School of Banking at the Universidad Virtual of the Instituto Tecnológico de Monterrey (Mexico). He spent a large part of his career at the BBVA Group, where he held various management positions. He has been a director of BBVA Bancomer and BBVA Continental, Vice Chairman of Banca Nazionale del Lavoro, general director of Human Resources and Quality at BBVA and a member of the Group's Management Committee. He is a trustee of the Fundación Bankia por la Formación Dual. He is also a director of Cecabank, S.A.

Total number of executive directors	3
Percentage of Board	23.08

EXTERNAL PROPRIETARY DIRECTORS		
Name or company name of Director	Name or company name significant shareholder represented or that nominated the director	Profile
No data		

EXTERNAL INDEPENDENT DIRECTORS	
Name or company name of Director	Profile
MR. JOAQUÍN AYUSO GARCÍA	Born in 1955, he holds a degree in Civil Engineering from Universidad Politécnica de Madrid. He is a member of the Board of Directors of Bankia and until March 2019 he was Independent Coordinating Director. He is Chairman of its Risk Advisory Committee and a member of its Appointments and Responsible Management Committee and of its Remuneration Committee. He has spent his professional career at Ferrovial, where he was Chief Executive Officer and Vice-Chairman of the Board of Directors. Currently, he is Chairman of Adriano Care Socimi. He was Chairman of Autopista del Sol, Concesionaria Española, and a member of the boards of directors of National Express Group PLC and Hispania Activos Inmobiliarios. He is a member of the Advisory Board of the Instituto Benjamin Franklin at the Universidad de Alcalá de Henares and of the advisory board of Kearney. He is also vice-Chairman of the management board of the Real Sociedad Hípica Española Club de Campo.
MR. FRANCISCO JAVIER CAMPO GARCÍA	Born in 1955, he holds a degree in Industrial Engineering from Universidad Politécnica de Madrid. He is a member of Bankia's Board of Directors, Chairman of the Audit and Compliance Committee and a member of the Appointments and Responsible Management Committee and the Technology and Innovation Committee. He is chairman of Asociación Española del Gran Consumo (AECOC), director of Meliá Hotels International and chairman of its Audit and Compliance Committee. He is also a member of the Advisory Board of Kearney (senior advisor) and of the Advisory Board of the Palacios Alimentación Group and IPA Capital S.L. (Pastas Gallo). He is a director of the Asociación para el Progreso de la Dirección (APD) and trustee of the Fundación Bankia por la Formación Dual, the Fundación F. Campo and the Fundación Iter. He began his professional career at Arthur Andersen and served as worldwide Chairman of the Día Group, as a member of the Worldwide Executive Committee of the Carrefour Group and Chairman of the Zena and Cortefiel Groups.
MRS. EVA CASTILLO SANZ	Born in 1962, she holds a degree in Law and Business Studies from Universidad Pontificia de Comillas (E-3) in Madrid. She is a member of Bankia's Board of Directors, chairwoman of the Appointments and Responsible Management Committee, member of its Board Risk Committee and its Technology and Innovation Committee and Independent Coordinating Director. She is an independent director of Zardoya Otis and International Consolidated Airlines Group (IAG), a member of the Council for the Economy of the Holy See, and a member of the Boards of Trustees of Fundación Comillas-ICAI, and Fundación Entreculturas She has been a director of Telefónica, S.A., and chairwoman of the Supervisory Board of Telefónica Deutschland. Previously, Ms. Castillo worked at Merrill Lynch, where she became chairwoman of its Spanish subsidiary.
MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO	Born in 1968, he holds a degree in Business Administration and an MBA from Instituto de Empresa. He is a member of the Board of Directors of Bankia and of its Remuneration Committee. Chairman of ALSA and vice-Chairman of National Express Group, PLC, he is also a member of the Fundación Consejo España-China and of Fundación Integra. Previously, he worked in companies in the tourism, banking and international trade sectors in Spain, Switzerland, Hong Kong and China.

MR. JOSÉ LUIS FEITO HIGUERUELA	Born in 1952, he holds a degree in Economics and Business Studies from Universidad Complutense de Madrid. He has been a member of the Board of Directors of Bankia and of its Audit and Compliance Committee since June 2012. Qualified as a State Trade Expert and Economist and former ambassador of the Kingdom of Spain, at present he is member of the Economic and Financial Policy Commission of the CEOE and trustee of the Fundación Carlos III. He has been Chairman and general manager of the Institute for Economic Studies (IEE)and an independent director of Red Eléctrica Corporación. Previously, he worked in the Spanish Ministry of the Economy, the International Monetary Fund, the OECD, the Banco de España and AB Asesores Bursátiles.
MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	Born in 1956, he holds a doctorate in Economics. He is a member of the Board of Directors of Bankia and of its Board Risk Committee, Risk Advisory Committee and Audit and Compliance Committee. He has been a member of the Board of Directors of BFA, Tenedora de Acciones, S.A.U. He is a lecturer in economics at the IE Business School specialized in Macroeconomics, International Economics and Financial Stability. He has served as Chief Economist of the International Monetary Fund and as Chief economist and head of the Research Service at Banco Central Hispano and Banco Santander and Director of Red Eléctrica.
MRS LAURA GONZALEZ MOLERO	Born in 1965, she holds a degree in Pharmacy, specializing in Industrial Pharmacy, from the Complutense University in Madrid, an Executive MBA from the IE Business School, a higher course from Fontainebleau and a higher course in innovation from IMD Lousanne. She is a member of Bankia’s Board of Directors, the Appointments and Responsible Management Committee, the Remuneration Committee and the Board Risk Committee. She has spent her career in major international corporations in the health and chemical sectors; she was Chairwoman of Bayer HealthCare Latin America, Chairwoman of Merck Serono Latin America, Chief Executive Officer of Merck Group Spain, and Vice-Chairwoman of Serono Iberia & Scandinavia. She is currently an independent director of Acerinox, Grupo Ezentis and Viscofan. She is also chairwoman of the Asociación para el Progreso de la Dirección (APD) and a member of the Advisory Board of ISS Facility Management in Spain.
MR ANTONIO GREÑO HIDALGO.	Born in 1956, he holds a degree in Business Science and is a Certified Public Accountant. He is a member of the Board of Directors of Bankia, Chairman of the Remuneration Committee and member of its Audit and Compliance Committee and Risk Advisory Committee. Previously, he was a member of the Board of Directors of BFA, Tenedora de Acciones, S.A.U. He has made his career at PricewaterhouseCoopers (PwC), where in 1995 he was appointed International Partner and from 2003 to 2010 was the partner responsible for the financial sector at PwC in Spain and he was a member of the PwC EMEA (Europe, Middle East and Africa) Financial Sector Management Committee. He is also an independent director at Liberty Seguros. He has served as a director representing the Deposit Guarantee Fund in Catalunya Bank.

MRS. NURIA OLIVER RAMIREZ	Born in 1970, she holds a higher degree in Telecommunications Engineering from the Universidad Politécnica de Madrid and a Doctorate with honours in Media Arts and Sciences from the Massachusetts Institute of Technology (Massachusetts - United States). She is a member of the Board of Directors of Bankia and of its Technology and Innovation Committee. She has pursued her professional career in internationally recognised companies as researcher, innovator and director of research in artificial intelligence, intelligent and interactive systems, mobile IT and big data. She has been a researcher at Microsoft Research, scientific director at Telefónica I+D and global director of data science research at Vodafone. She is chief data scientist at Data-Pop Alliance and advisor to universities, thinktanks, governments and institutions such as the European Commission and the World Economic Forum. She is co-founder and vice-chairwoman of the European Laboratory of Learning and Intelligent Systems (ELLIS), a European network that seeks to foster scientific excellence in Artificial Intelligence. She has an honorary doctorate from the Universidad Miguel Hernández de Elche and academic member of the Royal Academy of Engineering. She is also the Commissioner of the Office of the President of the Region of Valencia for Artificial Intelligence and, specifically to coordinate data intelligence in the face of the COVID-19 epidemic.

Total number of independent directors	9
Percentage of Board	69.23

Indicate whether any director classified as independent receives from the company or any company in its group any amount or benefit other than remuneration as a director, or has or has had a business relationship with the company or any company in its group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

If so, include a reasoned statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name or company name of director	Description of the relationship	Reasoned statement
MR. JOAQUÍN AYUSO GARCÍA	Finance lease agreements between Bankia and the Real Sociedad Hípica Española Club de Campo.	Based on the report of the Appointments and Responsible Management Committee, the Board of Directors of Bankia, S.A. considers that Joaquín Ayuso García, a member of the management board of the Real Sociedad Hípica Española Club de Campo, can continue to be classified as an independent director of Bankia, S.A. and the Real Sociedad Hípica Española Club de Campo given (i) the ordinary nature of the relations, with business conducted under general market terms; (ii) Bankia, S.A.'s generally rigorous procedures for engaging works and services, which were applied in this case; (iii) the non-intervention by this director in the negotiations and decision-making processes of either party; and (iv) the express intervention of the Board of Directors and the Audit and Compliance Committee given the related-party nature of the relationship.
MR. FRANCISCO JAVIER CAMPO GARCÍA	Financing agreements between Bankia and the Meliá Hotels International Group, the Palacios Alimentación Business Group, IPA Capital, S.L. and guarantee agreement between Bankia and AECOC.	Based on the report of the Appointments and Responsible Management Committee, the Board of Directors of Bankia, S.A. considers that Mr. Francisco Javier Campo García, member of the Board of Directors of Meliá Hotels International, minority shareholder and Senior Advisor of the Palacios Alimentación Group, minority shareholder and Senior Advisor of IPA Capital, S.L. and chairman of AECOC representing Bankia, can continue to be classified as an independent director of Bankia, S.A., Meliá Hotels International, the Palacios Alimentación Group, IPA Capital, S.L. and AECOC, and or the companies of their groups, given (i) the ordinary nature of the relations, with business conducted under general market terms; (ii) Bankia, S.A.'s generally rigorous procedures for engaging works and services, which were applied in this case; (iii) the non-intervention by this director in the negotiations and decision-making processes of either party; and (iv) the express intervention of the Board of Directors and the Audit and Compliance Committee

		given the related-party nature of the relationship.
MRS. EVA CASTILLO SANZ	Financing and services agreements between Bankia and Zardoya Otis and financing and service agreements between Bankia and the IAG Group.	Based on the report by the Appointments and Responsible Management Committee, the Board of Directors of Bankia, S.A. considers that Ms. Eva Castillo Sanz, a member of the board of directors of Zardoya Otis, S.A. and that of International Consolidated Airlines Group, S.A. (IAG) (since 31 December 2020) can continue to be classified as an independent director of Bankia, S.A. despite the commercial relations between Bankia and Zardoya Otis, S.A., and its group companies and between Bankia and IAG and its group companies, given i) that they entail agreements and/or transactions arranged before she joined the board of Zardoya Otis, whose terms and conditions have not been modified since; (ii) the ordinary nature of the relations, with business conducted under general market terms; (iii) Bankia, S.A.'s generally rigorous procedures for engaging works and services, which were applied in this case; and (iv) the non-intervention by this director in the negotiations and decision-making processes of either party.
MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO	Service agreements between Bankia and the Alsa Group (National Express Group).	Based on the report of the Appointments and Responsible Management Committee, the Board of Directors of Bankia, S.A. considers that Mr. Mr. Jorge Cosmen Menéndez-Castañedo, a member of the Board of

		Directors of the National Express Group PLC, can continue to be classified as an independent director of Bankia, S.A. despite the commercial relations between Bankia, S.A. and the ALSA Group (National Express Group), given (i) the ordinary nature of the relations, with business conducted under general market terms; (ii) Bankia, S.A.'s generally rigorous procedures for engaging works and services, which were applied in this case; (iii) the non-intervention by this director in the negotiations and decision-making processes of either party; and (iv) the express intervention of the Board of Directors and the Audit and Compliance Committee given the related-party nature of the relationship.
MRS LAURA GONZALEZ MOLERO	Financing agreements between Bankia and the Acerinox Group, between Bankia and the Ezentis Group, and between Bankia and the Viscofan Group and service agreements between Bankia and the Integrated Service Solutions Group (ISS).	The Board of Directors of Bankia, S.A., based on a report by the Appointments and Responsible Management Committee, considers that Laura González Molero, member of the boards of directors of Acerinox, S.A., Ezentis, S.A. and Viscofan, S.A. and of the advisory board of Integrated Service Solutions, S.L. (ISS), may continue to be classified as an independent director of Bankia, S.A. despite the commercial relations with Bankia, S.A. and Acerinox, Ezentis, Viscofan and the ISS Group, given (i) the ordinary nature of the relations, with business conducted under general market terms; (ii) Bankia, S.A.'s generally rigorous procedures for engaging works and services, which were applied in this case; and (iii) the non-intervention by this director in the negotiations and decision making processes of either party and, (iv) the express intervention of the Board of Directors and Audit and Compliance Committee given the related-party nature of the relationship.

OTHER EXTERNAL DIRECTORS			
Identify the other external directors, indicate the reasons why they cannot be considered either proprietary or independent, and detail their ties with the company or its management or shareholders:			
Name or company name of Director	Reasons	Company, manager or shareholder to which or to whom the director is related	Profile
MR. CARLOS EGEA KRAUEL	On 26 March 2019, Mr. Egea tendered his resignation from his executive duties on the Bankia Board of Directors, while remaining a director. Mr. Egea explained that his resignation from his executive duties was prompted by the completion of the integration of Banco Mare Nostrum, S.A. with Bankia, S.A., and by strictly personal reasons. The effects of Mr. Egea's resignation from his executive duties were in accordance with the terms of the contract for services between Bankia and Mr. Egea. As a result of this resignation from executive duties, on 26 June 2019, in accordance with Article 529 duodecies of the Corporate Enterprises Act, the Board of Directors, based on a report by the Appointments and Responsible Management Committee in favour of the measure, resolved to assign Mr. Egea to the category of “other external director”, with effect from 28 June 2019.	BANKIA, S.A.	Born in 1947, he has an Industrial Engineering degree from Escuela Técnica Superior de Ingenieros Industriales de Madrid and a PhD in Economics and Business from Universidad Autónoma de Madrid. He is a member of the Board of Directors of Bankia and its Audit and Compliance Committee. He was vice-president of Ahorro Corporación, S.A. Member of the boards of directors of CASER, Enagás, S.A. and Iberdrola Renovables, S.A. and Secretary of the board of directors of the Spanish Confederation of Savings Banks (Confederación Española de Cajas de Ahorros, CECA). He started his career in the industrial sector, with the company Fraymon. From there, he joined the financial sector through Banco Atlántico. In 1976, he joined Caja de Ahorros de Murcia, where he was appointed General Manager in 1983 and President in 2008. Since June 2008, he has been President of Fundación Caja Murcia, of which he had previously (since its creation in 2001) been Vice-President. He was the chairman of the board of directors of Banco Mare Nostrum, S.A.

			from 2010 and until the merger with Bankia.

Total number of other external directors	1
Percentage of Board	7.69

Indicate any changes that have occurred during the period in each director's category:

Name or company name of director	Date of change	Previous category	Current category
No data			

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past four years, as well as the category of each:

	Number of female directors				% of total directors for each category			
	Year 2020	Year 2019	Year 2018	Year 2017	Year 2020	Year 2019	Year 2018	Year 2017
Executive					0.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent	3	2	2	1	33.33	25.00	25.00	14.29
Other External					0.00	0.00	0.00	0.00
Total	3	2	2	1	23.08	16.67	16.67	10.00

C.1.5 Indicate whether the company has diversity policies in relation to its Board of Directors on such questions as age, gender, disability, education and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Spanish Auditing Act, will have to report at least the policy that they have implemented in relation to gender diversity.

[√] Yes
[ ] No
[ ] Partial policies

If so, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results over the year. Also indicate the specific measures adopted by the Board of Directors and the nomination and remuneration committee to achieve a balanced and diverse presence of directors.

If the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been applied, and results achieved

In 2018, Bankia's Board of Directors approved the Selection, Diversity, Suitability, Integration and Training Policy for Directors, which brings together and completes the various policies in place at the Bank until then.

In 2020, the Board reviewed and updated the Policy.

With this policy, Bankia ensures that the members of its Board of Directors are suitable and together have the right knowledge, skills and experience necessary to carry out their duties. It also promotes diversity in terms of nationality, gender, knowledge and experience to enrich decisions and provide a broad range of viewpoints. Moreover, it seeks a diversity of profiles in the Board of Directors.

Therefore, the Board of Directors and the Appointments and Responsible Management Committee have set an objective of ensuring that the following areas of diversity are upheld at all times:

a) Academic and professional profile.
b) Gender.
c) Age.
d) Geographical origin.
e) Non-discrimination.

In addition, to achieve the gender diversity target Bankia has established (i.e. having at least 30% of total board places occupied by women directors by the year 2020) the Board of Directors and the Appointments and Responsible Management Committee shall ensure, when new vacancies arise, that the selection procedures do not involve hidden biases that could result in any discrimination whatsoever and, in particular, that they facilitate the selection of sufficient female directors to ensure an equal number of men and women on the Board. In this respect, it shall not establish any requirements and/or apply any criteria that in any way could result in any type of discrimination.

Bankia operates a policy on replacements on the Board based on balancing the principles of representativeness, diversity and independence in the light of domestic and international good governance recommendations, ensuring stability in the composition of the Board of Directors and its Committees, and complying with the duration of directors' mandates in accordance with appointments, re-elections and ratifications.

C.1.6 Describe the measures, if any, agreed upon by the nomination committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates, making it possible to achieve a balance between men and women. Also indicate whether these measures include encouraging the company to have a significant number of female senior executives:

Explanation of measures

Article 15 of the Board of Directors Regulations of Bankia stipulates that the Appointments and Responsible Management Committee is responsible for setting a representation objective for the least-represented gender on the Board of Directors and developing guidance on how to increase the number of the least-represented gender to achieve this objective.

In this respect, the Board of Directors, on a proposal by the Appointments and Responsible Management Committee, has approved the Suitability Policy for Directors, General Managers or Similar, and other key position holders at Bankia and the Director Selection, Diversity, Integration and Training Policy to ensure that the Bankia director selection procedure favours a diversity of gender, experience and knowledge, facilitating the selection of female directors and, in general, does not involve hidden biases that could imply any discrimination, seeking a diversity of profiles on the Board of Directors.

Likewise, with a view to increasing the presence of female directors, in 2020 the General Meeting of Shareholders resolved to appoint and incorporate a new independent director to the Board of Directors.

If in spite of any measures adopted there are few or no female directors or senior managers, explain the reasons for this:

Explanation of reasons

The progressive increase in gender diversity over recent years is noteworthy.

In 2018, the number of female directors on the Board of Directors of Bankia increased with the incorporation of Mrs. Laura Gonzalez Molero.

Additionally, as noted above, the number of female directors increased again in 2020 with the incorporation of Ms. Nuria Oliver Ramírez to the Board of Directors as an independent director.

At year-end 2020, the Board of Directors of Bankia was composed of three executive directors, one "other external director", and nine independent directors, of which three were women, one of whom was an Independent Coordinating Director.

This means that 23.1% of the board seats were occupied by women, representing a 6.4% increase on the previous year.

Women also account for 33.3% of the independent directors, with one of the six board committees chaired by a woman and female directors present on five board committees in total.

Accordingly, as regards the presence of women in the Board of Directors' delegate bodies, they currently account for 50% of the Appointments and Responsible Management Committee, which is also chaired by a woman, 25% of the Remuneration Committee, 25% of the Risk Advisory Committee, and 33 % of the Board Risk Committee and 40% of the Technology and Innovation Committee.

C.1.7 Explain the conclusions of the nomination committee regarding verification of compliance with the policy aimed at promoting an appropriate composition of the Board of Directors.

Pursuant to the Board of Directors Regulations, the Appointments and Responsible Management Committee is the body responsible for periodically reviewing the policy, submitting to the Board of Directors its findings or making the proposals for amendments or improvements it deems appropriate.

The Appointments and Responsible Management Committee is also responsible for running an annual check, based on the report submitted to it by the People, Resources and Technology Department, on compliance with the Policy.

As a result, in 2018, the Board of Directors approved an amendment to Bankia, S.A.'s Director Selection Policy which, at the request of the Appointments and Responsible Management Committee, was reviewed in 2020. At the meeting held on 24 April 2020, the Board approved the Suitability Policy for Directors, General Managers and Similar, and other key position holders at Bankia and the Director Selection, Diversity, Suitability, Integration and Training Policy, to guarantee that the bodies overseeing the director selection process at Bankia seek to ensure that the selection procedure favours a diversity of gender, experience and knowledge, facilitating the selection of female directors and promoting a diversity of profiles.

This ensures a diverse composition with directors of varying professional and personal profiles (e.g. age, gender, nationality) that enriches and brings different viewpoints to the debates and decision-making of the governing bodies.

Bankia has maintained the diversity objective pursued by the previous selection policy of having at least 30% of total board places occupied by women directors before the year 2020.

C.1.8 If applicable, explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name or company name of shareholder	Reason
No data	

Indicate whether the Board has declined any formal requests for presence on the Board from shareholders whose equity interest is equal to or greater than that of others at whose request proprietary directors have been appointed. If so, explain why the requests were not granted:

[ ] Yes
[√] No

C.1.9 Indicate the powers, if any, delegated by the Board of Directors to directors or Board committees:

Name or company name of director or committee	Brief description
MR. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHE	The Chairman of the Board of Directors has broad powers of representation and administration in accordance with the characteristics and requirements of the position of executive Chairman of the Company, with all powers vested in him except for those that cannot be delegated by law or per the Bylaws.
MR. JOSÉ SEVILLA ÁLVAREZ	Mr. Sevilla has been delegated, jointly and severally, all powers delegable to him by law or per the Bylaws in the areas of financial and risk management, financial control and internal audit, those related to real estate and investees, and legal, tax and regulatory compliance advice. The Company also granted Mr. Sevilla general powers of attorney, subject in any event, to the Bankia Group's Catalogue of General Powers, which shall be exercised in accordance with the system in place for each class of legal representative approved by the Board of Directors
MR. ANTONIO ORTEGA PARRA	The Company also granted Mr. Ortega general powers of attorney, subject in any event to the Bankia Group's Catalogue of General Powers, which shall be exercised in accordance with the system in place for each class of legal representative approved by the Board of Directors.
BOARD RISK COMMITTEE	The Board Risk Committee is an executive body and may therefore adopt the corresponding decisions within the scope of the powers delegated to it by the Board of Directors. The Board Risk Committee has the following delegated powers: - To make decisions within the scope of the powers delegated to it by the Board of Directors in risk matters specifically provided for in the Board’s delegation resolution in force from time to time. - Within the scope of its authority, to set the overall pre-classification limits for account holders or customer groups in relation to exposures by risk class. - To report to the Board of Directors on risks that may affect the Company’s capital adequacy, recurring results, operations or reputation. - With respect to the approval of risk types other than credit risk, the powers of the Board Risk Committee will be those delegated to it by the Board of Directors at any given time. - Pursuant to the resolution for the delegation of powers to the Board Risk Committee adopted on 29 June 2012, the Board Risk Committee has powers to decide on credit risk proposals falling within its remit and delegated powers. Such powers are currently limited to between EUR 300 million, for transactions

	with the lowest rating level, and EUR 1,300 million for those with the highest, above which amount approval by the Board of Directors is required in all cases. There is a specific rule for specific groups with reputational risk, with respect to which the maximum amount authorised is EUR 10 million.

C.1.10 Identify any members of the Board who are also directors, representatives of directors or managers in other companies forming part of the listed company's group:

Name or company name of director	Company name of the group entity	Position	Does the director have executive powers?
No data			

C.1.11 List any directors or representatives of legal-person directors of your company who are members of the Board of Directors or representatives of legal-person directors of other companies listed on regulated markets other than group companies of which the company has been informed:

Name or company name of director	Company name of the listed entity	Position
MR. FRANCISCO JAVIER CAMPO GARCÍA	MELIÁ HOTELS INTERNATIONAL, S.A.	DIRECTOR
MRS. EVA CASTILLO SANZ	ZARDOYA OTIS, S.A.	DIRECTOR
MRS. EVA CASTILLO SANZ	INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A. (IAG)	DIRECTOR
MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO	NATIONAL EXPRESS GROUP, PLC.	VICE-CHAIRMAN
MRS. LAURA GONZÁLEZ MOLERO	GRUPO EZENTIS, S.A.	DIRECTOR
MRS. LAURA GONZÁLEZ MOLERO	ACERINOX, S.A.	DIRECTOR
MRS. LAURA GONZÁLEZ MOLERO	VISCOFAN, S.A.	DIRECTOR

Bankia, S.A., as a credit institution, is subject to the restrictions contained in Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions, which sets out the rules for incompatibilities and restrictions to which members of the Board of Directors and general managers or similar of a credit institution are subject, and which regulates the number of Boards on which the directors of credit institutions may sit at the same time.

In this respect, article 8 of the Board of Directors Regulations states that the number of Boards on which directors may sit at the same time shall not exceed that set out in banking and company laws applicable at any given time.

It should also be noted that Ms Eva Castillo Sanz was appointed independent director of International Consolidated Airlines Group, S.A. (IAG) on 31 December 2020.

C.1.12 Indicate whether the company has established rules on the maximum number of company boards on which its directors may sit, explaining if necessary and identifying where this is regulated, if applicable:

[√] Yes
[ ] No

Explanation of the rules and identification of the document where this is regulated

Bankia, S.A., as a credit institution, is subject to the restrictions contained in Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions, which sets out the rules for incompatibilities and restrictions to which members of the Board of Directors and general managers or similar of a credit institution are subject, and which regulates the number of Boards on which the directors of credit institutions may sit at the same time.

In this respect, article 8 of the Board of Directors Regulations states that the number of Boards on which directors may sit at the same time shall not exceed that set out in banking and company laws applicable at any given time.

C.1.13 Indicate the remuneration received by the Board of Directors as a whole for the following items:

Remuneration accruing in favour of the Board of Directors in the financial year (thousands of euros)	2.472
Amount of pension rights accumulated by directors currently in office (thousands of euros)	
Amount of pension rights accumulated by former directors (thousands of euros)	1.541

In relation to the caption “Remuneration accruing in favour of the Board of Directors in the financial year”:

It includes the remuneration of both executive and non-executive directors.

Ms. Oliver Ramírez was appointed as a Board member with effect as of 3 April 2020, with total remuneration of EUR 100,000 per year. The amounts shown correspond to the period running from that date to 31 December 2020.

Mr. Goirigolzarri, Mr. Sevilla and Mr. Ortega have waived any variable remuneration in 2020.

In relation to the caption “Amount of pension rights accumulated by former directors”:

Total amount related to accumulated and updated pension interests as at 31 December 2019 of Rodrigo de Rato Figaredo, Francisco Verdú Pons, José Luis Olivas Martínez and José Manuel Fernández Norniella. The latest contribution by Bankia was in 2012.

C.1.14 Identify members of senior management who are not also executive directors and indicate their total remuneration accrued during the year:

Name or company name	Position(s)
MR. GONZALO ALCUBILLA POVEDANO	DEPUTY GENERAL MANAGER OF BUSINESS BANKING
MR. LEOPOLDO ALVEAR TRENOR	DEPUTY GENERAL DIRECTOR OF FINANCIAL MANAGEMENT
MRS. AMALIA BLANCO LUCAS	DEPUTY GENERAL MANAGER OF COMMUNICATION AND EXTERNAL RELATIONS
MR. MIGUEL CRESPO RODRÍGUEZ	DEPUTY GENERAL MANAGER OF THE GENERAL SECRETARIAT
MR. MANUEL GALARZA PONT	DEPUTY GENERAL DIRECTOR OF CREDIT RISKS
MR. DAVID LÓPEZ PUIG	DEPUTY GENERAL DIRECTOR OF PEOPLE AND CULTURE

MR. FERNANDO SOBRINI ABURTO	DEPUTY GENERAL DIRECTOR OF ASSET MANAGEMENT AND INVESTEES
MR. EUGENIO SOLLA TOMÉ	DEPUTY GENERAL DIRECTOR OF RETAIL BANKING
MR. CARLOS TORRES GARCÍA	DEPUTY GENERAL DIRECTOR OF TRANSFORMATION AND DIGITAL STRATEGY
MR. IÑAKI AZAOLA ONAINDIA	CORPORATE DIRECTOR OF INTERNAL AUDIT

Number of women in senior management	1
Percentage of total senior management	10.00

Total remuneration of senior management (thousands of euros)	

In relation to the caption "total remuneration of senior management":

The amount of variable remuneration granted in 2020 is pending the pertinent authorisations and approvals envisaged in current legislation.

- Clarification regarding "senior managers":

Mr. Iñaki Azaola Onaindia, Corporate Director of Internal Audit, is included in this group following the instructions to fill in this document.

C.1.15 Indicate whether the Board regulations were amended during the year:

[√] Yes

[ ] No

Description of amendment(s)

On 27 May 2020, based on a favourable report by the Audit and Compliance Committee, the Board of Directors resolved to include in the Board of Directors Regulations an article 14 bis, to regulate the Technology and Innovation Committee, with a view to regulating its functioning, composition and rules of operation. On the same date, the Board of Directors resolved to appoint the members of that Committee.

Likewise, on 23 December 2020, based on a favourable report by the Audit and Compliance Committee, the Board of Directors resolved to amend the Board of Directors Regulations in order to bring them into line with the provisions of the Code of Good Governance Code for Listed Companies reviewed by the CNMV in June 2020. The Audit and Compliance Committee Regulations were also amended on that date, and for the same purpose.

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors. List the competent bodies, steps to follow and criteria applied in each procedure.

Directors shall be appointed, re-elected and ratified by the General Meeting of Shareholders or by the Board of Directors in conformity with the provisions set forth in prevailing legislation and in articles 37 to 40 of the Company's Bylaws, article 21 of the Board of Directors Regulations, articles 12 and 13 of the Appointments and Responsible Management Committee Regulations and applying Bankia's Policy on the Suitability of Directors, General Managers and Other Key Function Holders and Policy on the Selection, Diversity, Suitability, Integration and Training of Directors.

In particular, the Board of Directors may appoint directors by the co-optation system to cover vacancies arising during the term of office of the directors. Directors appointed by co-optation shall provisionally hold the post until the date of the first General Meeting of Shareholders after being appointed by co-optation, inclusive, which may resolve to ratify their appointment, whereby the appointment as director shall become permanent. In any event, from the date of appointment, directors appointed by co-optation shall have the same rights and obligations as directors appointed directly by the General Meeting of Shareholders.

Directors appointed by co-optation shall immediately stand down if their appointment is not ratified in the first General Meeting of Shareholders after they are appointed. Moreover, should any vacancies arise once a General Meeting is called but before it is held, the Board of Directors may appoint a director to fill the vacancy until the new General Meeting of Shareholders.

Any proposals for the appointment, re-election and ratification of directors which the Board of Directors submits to the General Meeting of Shareholders and any appointment decisions made by the Board itself under its powers of co-optation are the responsibility of the Appointments and Responsible Management Committee, in the case of independent directors, or the Board itself, in the case of all other directors, subject to a report by the Appointments and Responsible Management Committee, and must in turn be accompanied by the relevant Board report assessing the competence, experience and merits of the proposed candidate, which will be attached to the General Meeting or Board meeting minutes.

In selecting proposed directors, care will be taken to select persons of recognised business and professional good standing, competence, reputation and experience in the financial sector who are equipped to exercise good governance of the Company, in accordance with applicable laws and regulations in the matter.

The persons appointed as directors must satisfy the conditions imposed by Law or the Bylaws, at the time of taking office formally covenanting to fulfil the obligations and duties contemplated therein and in the Board of Directors Regulations. Specifically, candidates proposed for appointment, re-election or ratification as directors of Bankia must meet the suitability requirements set forth in the Policy on the Suitability of Directors, General Managers and Other Key Function Holders at Bankia.

Any legal person who is appointed a director must appoint a single natural person to perform the director's functions on a permanent basis. Any revocation of such an appointment by the legal person director will have no effect until a replacement is appointed. In addition, the appointment of a natural person to act as representative will be subject to a report by the Appointments and Responsible Management Committee.

The natural person who is permanently appointed to perform the functions of a legal person director must meet the same suitability requirements, shall be subject to the same rules of incompatibility, have the same duties and be jointly and severally liable with the legal person director.

There is no age limit for appointment to or serving in this position.

According to article 23 of the Board of Directors Regulations, directors will cease to serve as such when the term for which they were appointed elapses, when so decided by the General Meeting or when they are to resign.

Where, due to resignation or resolution of the General Meeting of Shareholders, a director stands down before the end of his or her term of office, the director must offer a sufficient explanation of the reasons for his or her decision, or in the case of non-executive directors, their opinion of the reasons for their removal by the General Meeting, in a letter addressed to all members of the Board of Directors. The reasons for the decision shall be explained in the annual corporate governance report. Likewise, insofar as it is relevant to investors, the company must make public the director's removal as soon as possible, adequately referring to the reasons or circumstances adduced by the director.

(CONTINUED IN SECTION H)

C.1.17 Explain to what extent the annual evaluation of the Board has given rise to significant changes in its internal organisation and in the procedures applicable to its activities:

Description of amendment(s)

It has not given rise to any relevant changes.

Describe the evaluation process and the areas evaluated by the Board of Directors with or without the help of an external advisor, regarding the functioning and composition of the Board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and areas evaluated

In 2020 the entity carried out an internal assessment which essentially consisted of the surveying of Board Members, in order to assess the Chairman, the Chief Executive Officer, the Coordinating Director, the operation of the Board of Directors, and each Board member. The internal assessment is connected to and completes the previous external assessment (the external assessment is mandatory every three years under the Bankia Bylaws) and provides a means of evaluating the Board of Directors and its most relevant offices and has mainly focussed on the following:

Chairman, Chief Executive Officer and General Secretary

-Activities and performance of the Chairman in 2020.

Assessment of the chairs of the Board Committees:
-Structure, composition, education, operation and competencies of the board committees; - Activities and objectives in 2020.

Assessment of the Lead Independent Director. - Activities and performance in 2020.

Operation of the Board of Directors and individual assessment of each board member:
-Assessment of the operation of the Board: overall assessment (structure, composition, education and competencies of the Board of Directors)
-Individual assessment of each director: performance and contribution of each one.

The findings were presented to the Appointments and Responsible Management Committee and the Board of Directors.

C.1.18 Provide details, for years in which the evaluation was carried out with the help of an external advisor, of the business relationships that the external advisor or company in its group maintains with the company or any company in its group.

The internal evaluation was performed without the assistance of an external advisor.

C.1.19 Indicate the cases in which directors are obliged to resign.

According to article 23 of the Board of Directors Regulations, directors will cease to serve as such when the term for which they were appointed elapses, when so decided by the General Meeting or when they are to resign.

Without prejudice to the above, directors must place their offices at the Board of Directors' disposal and, if the Board deems it appropriate, tender their resignation in the following cases:

a) When they are affected by any of the scenarios of incompatibility or prohibition or unsuitability prescribed by law.

b) When they are tried for or accused of alleged criminal offenses or subject to disciplinary proceedings for serious or very serious infractions brought by the supervisory authorities.

For these purposes, directors of the Company must inform the Board of Directors of the existence of any circumstances - related to their activities at the Company or otherwise - that could be detrimental to the standing and reputation of the Company, and, in particular, of any criminal actions in which they are the party under investigation, as well as subsequent procedural developments.

Where the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, having regard to the specific circumstances, decide, based on a report from the Appointments and Remuneration Committee, whether or not any measures must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be removed by the General Meeting. These events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be placed on record in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, upon implementation of the corresponding measures.

C.1.20 Are qualified majorities other than those established by law required for any particular kind of decision?

[ ] Yes
[√] No

If so, describe the differences.

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, for being appointed as chairman of the Board of Directors.

[ ] Yes
[√] No

C.1.22 Indicate whether the articles of incorporation or Board regulations establish any limit as to the age of directors:

[ ] Yes
[√] No

C.1.23 Indicate whether the articles of incorporation or Board regulations establish any term limits for independent directors other than those required by law or any other additional requirements that are stricter than those provided by law:

[ ] Yes
[√] No

C.1.24 Indicate whether the articles of incorporation or Board regulations establish specific rules for appointing other directors as proxy to vote in Board meetings, if so the procedure for doing so and, in particular, the maximum number of proxies that a director may hold, as well as whether any limit has been established regarding the categories of director to whom votes may be delegated beyond the limits imposed by law. If so, briefly describe these rules.

According to article 18.1 of the Board of Directors Regulations, the directors will do everything possible to attend meetings of the Board. When they cannot do so in person, they will arrange to grant voting proxies to another member of the Board. Proxies will be granted on a special basis for the meeting of the Board of Directors in question, when possible with instructions. Notice thereof may be given in any of the ways contemplated in section 2 of article 17 of the Board of Directors Regulations, although non-executive directors may only grant proxies to another director in accordance with applicable legislation.

Similarly, article 30.4.b) of the Board of Directors Regulations states that directors are required to attend the meetings of the bodies of which they are members and actively participate in the deliberations so that their judgment effectively contributes to decision-making. If, for a justified reason, a director is unable to attend meetings to which he has been called, he to the extent possible must instruct the director who will represent him.

According to article 17.6 of the Board of Directors Regulations, the agendas of Board meetings shall clearly indicate the items on which directors must arrive at a decision or resolution, so they can study the matter beforehand or gather together the material they need to make a decision.

C.1.25 Indicate the number of meetings held by the Board of Directors during the year. Also indicate, if applicable, the number of times the Board met without the chairman being present. Meetings where the chairman gave specific proxy instructions are to be counted as attended.

Number of board meetings	21
Number of board meetings held without the chairman's presence	0

Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	0

Indicate the number of meetings held by each Board committee during the year:

Number of meetings held by the RISK ADVISORY COMMITTEE	19
Number of meetings held by the APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE	13
Number of meeting held by the REMUNERATION COMMITTEE	10
Number of meetings held by the TECHNOLOGY AND INNOVATION COMMITTEE	2
Number of meetings held by the BOARD RISK COMMITTEE	27
Number of meetings held by the AUDIT AND COMPLIANCE COMMITTEE	20

C.1.26 Indicate the number of meetings held by the Board of Directors during the year with member attendance data:

Number of meetings in which at least 80% of directors were present in person	21
Attendance in person as a % of total votes during the year	98.86
Number of meetings with attendance in person or proxies given with specific instructions, by all directors	21
Votes cast in person and by proxies with specific instructions, as a % of total votes during the year	100.00

C.1.27 Indicate whether the individual and consolidated financial statements submitted to the Board for issue are certified in advance:

[√] Yes
[ ] No

Identify, if applicable, the person(s) who certified the individual and consolidated financial statements of the company for issue by the Board:

Name	Position
MR. LEOPOLDO ALVEAR TRENOR	DEPUTY GENERAL DIRECTOR OF FINANCIAL MANAGEMENT

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to ensure that the financial statements it presents to the General Shareholders' Meeting are prepared in accordance with accounting regulations.

Article 53.3 of the Bylaws of Bankia, S.A. states that the Board of Directors will seek to definitively authorise the accounts for issue such that the auditor's report is unqualified. Nevertheless, when the Board believes it must maintain its position, it will, through the Chairman of the Audit and Compliance Committee, publicly explain the substance and scope of the discrepancy and will also seek to have the statutory auditor explain its observations in this regard.

Through the Audit and Compliance Committee, the Board of Directors oversees the entire process of preparing and authorising for issue the annual accounts of the Bank and its Group, and any quarterly and half-yearly financial reports that are prepared. One of the aims of this control and ongoing contact with the auditor is to avoid qualifications in the auditor's report.

Bankia's Audit and Compliance Committee, which is formed exclusively by non-executive directors, all of them independent, shall perform all the duties set forth in applicable legislation. In particular, without limitation, its basic responsibilities include:

Reviewing the Company's accounts to ensure compliance with legal requirements and proper application of generally accepted accounting principles and reporting on any proposals for changes to accounting standards and principles put forward by management, basing its opinion on internal audit reports, other expert reports, and management analysis and opinion, as well as information on the results of the statutory audit, although the Committee must use its judgement to draw its own conclusions. The Committee must also consider in what cases it makes sense and is feasible to involve the statutory auditors in the review of reports other than the financial statements.

Additionally, in the interests of effective supervision the Committee must hold individual meetings with management and internal audit and maintain a free flow of communication with the statutory auditor for the purpose of analysing the following matters:

(i) The appropriateness of the scope of consolidation.
(ii) Any judgements, criteria, valuations or estimates that have a material impact on the financial statements and related non-financial reports.
(iii) Any changes in the significant criteria applied.

(iv) Where applicable, the reasons why in its public reports the Company uses certain alternative performance measures (APMs) instead of the measures directly defined in the accounting standards, the extent to which those APMs provide useful information to investors and the extent to which the Company complies with international recommendations and best practice in this regard.
(v) Any material weaknesses in internal control.
(vi) Any material adjustments identified by the statutory auditor or resulting from reviews performed by internal audit, and management's position on such adjustments, taking into account any demands sent in the current or a previous period by the Comisión Nacional del Mercado de Valores (CNMV), in order to ensure that the incidents identified in those demands are not repeated in future financial statements.

The Committee's independence must be respected in all meetings and communications. In particular, the statutory auditor must not be invited to take part in the decision-making part of Committee meetings.

The Committee must carry out this supervisory task continuously but also on an ad hoc basis at the request of the Board of Directors.

- Reporting to the General Meeting of Shareholders on questions that are posed regarding matters falling within the competence of the Committee and, in particular, on the audit findings, explaining how the audit has contributed to the integrity of the financial information and the Committee's role in this process.

- Overseeing the effectiveness of internal control at the Company, seeking to ensure that the internal control policies and systems in place are effectively applied in practice, internal audit, regulatory compliance, the systems in place to manage and control financial and non-financial risk at the Company and, as the case may be, the Group, and discussing with the statutory auditor any material weaknesses in the internal control system that may have been detected in the audit, without jeopardizing its independence. To this end, where appropriate the Committee may make recommendations or submit proposals to the Board of Directors, including regarding the related follow-up period.

- Supervising and assessing the preparation and filing of regulatory financial and non-financial information and submitting to the Board of Directors recommendations or proposals designed to safeguard the integrity of such information and, in particular:

• Reporting to the Board of Directors, in advance, on the financial information that the Company must publish periodically;
• Reviewing the Company's accounts;
• reviewing issue prospectuses and any periodic financial information the Board is required to provide to the markets and market supervisory bodies.

- Submitting proposals to the Board of Directors for the selection, appointment, re-election and removal of the statutory auditor, and oversee the selection process in accordance with EU legislation and the terms and conditions of engagement.

- Building an appropriate relationship with the external auditors so as to receive information on any matters that could jeopardize the external auditor's independence for examination by the Committee, and on any other matters arising from the audit of the Company's accounts and, as appropriate, authorising the services permitted under the terms of EU legislation and regulations regarding independence, and making any other disclosures required under the applicable auditing legislation and standards. In particular:

• Acting as a communication channel between the Board of Directors and the internal and external auditors, evaluating the results of each audit and the responses of the management team to its recommendations and mediating in the event of disputes between the former and the latter regarding the principles and criteria applicable to the preparation of the financial statements. In particular, the Committee must ensure that the statutory auditor holds at least one meeting each year with the full board of directors to report on the work carried out and any changes in the Company's accounting situation and risks.
• Requesting regular information from the external auditor on the audit plan and its implementation and ensuring that senior management acts on the external auditor's recommendations;
• Ensuring that the external auditor meets, at least once a year, with the Board in full to inform it of the work undertaken and developments in the Company's risk and accounting positions;
• Supervising compliance with the audit contract, seeking to ensure that the opinion on the annual accounts and the principal content of the auditor's report are drafted clearly and accurately;
• Ensuring the independence of the external auditor, as set out in section C.1.30 of this Report.

Issuing a report each year, prior to the release of the auditor's report, expressing an opinion on whether the independence of the external auditor or audit firms has been compromised. This report must contain a reasoned assessment of any additional services other than the statutory audit provided, considered individually and in the aggregate, as well as of the auditor's independence and compliance with auditing standards.

C.1.29 Is the secretary of the Board also a director?

[ ] Yes
[√] No

If the secretary is not a director, complete the following table:

Name or company name of the secretary	Representative
MR. MIGUEL CRESPO RODRÍGUEZ	

C.1.30 Indicate the specific mechanisms established by the company to safeguard the independence of the external auditors, and any mechanisms to safeguard the independence of financial analysts, investment banks and rating agencies, including how legal provisions have been implemented in practice.

Specific mechanisms implemented by the Company to preserve the independence of the external auditors:

As stipulated in article 14 of the Board of Directors Regulations, and in article 13 of the Audit and Compliance Committee Regulations, the Audit and Compliance Committee of Bankia S.A. is responsible, among other things, for ensuring the independence of the external auditor to which end it must:

- Request and receive from the external auditors a declaration of their independence with respect to the Company or entities directly or indirectly related thereto, as well as detailed and individualised information on additional services of any kind provided to, and the corresponding fees received from, such entities by the external auditor or persons or entities related thereto, pursuant to the rules regulating the audit profession.

- Annually, prior to the issue of the audit report, issue a report stating an opinion as to whether the independence of the auditors has been compromised. This report must contain a reasoned assessment of any additional services other than the statutory audit provided, considered individually and in the aggregate, as well as of the auditor’s independence and compliance with auditing standards.

- Maintain the relationship with the statutory auditor in order to receive information about any matters that might jeopardise the auditor’s independence and assess the effectiveness of the safeguards put in place. Also, understand and assess, in aggregate, all dealings between the audited entity and its related entities, on the one hand, and the statutory auditor and its network, on the other, that involve the provision of non-audit services or any other type of relationship.

- Ensure that the company and the external auditor comply with applicable rules regarding the provision of non-audit services other than auditing, limits on the concentration of the auditor’s business, and, in general, all other rules regarding auditor independence.

- Ensure that the remuneration of the statutory auditor for its work does not compromise its quality or independence, taking into account the rules on fees set out in auditing standards.

- In the event that the external auditor resigns, examine the circumstances leading to such resignation.

- Make sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.

- Establish internal sources, within the Company, to obtain relevant information on the independence of the statutory auditor, from financial management, other executive functions, internal audit, or other assurance functions such as regulatory compliance or risks, or external sources such as information supplied by the statutory auditor itself.

- Seek explanations from the statutory auditor about the internal quality control system it has in place to safeguard its independence, as well as information on internal practices regarding the rotation of the audit partner and audit team and whether those practices comply with applicable Spanish and EU regulations in this respect.

- Analyse any changes in the overall remuneration of the statutory auditor.

The Bankia Group has a Policy on Monitoring the Independence of the External Auditor, which is approved by the Board of Directors and reviewed annually. The Policy specifies the control actions designed to ensure compliance with current laws and regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other specific requirements in relation to the independence of the statutory auditor, in accordance with Ley 22/2015 (the Audit Law) and its implementing regulations (Royal Decree 1517/2011) and the recommendations issued by the CNMV in Technical Guide 3/2017 on audit committees at public interest entities.

Policy on Monitoring the Independence of the External Auditor

In particular, the Policy on Monitoring the Independence of the External Auditor, approved annually by the Board of Directors, sets out the mechanisms in place for overseeing the independence of the external auditor. These mechanisms are:

Conflicts of interest arising from personal situations:

- Document provided by the external auditor describing the internal control policies and procedures designed and implemented at the audit firm (and at all firms in its network) with a view to ensuring strict compliance with the independence rules applicable to audit firms.
- The Corporate Internal Audit Department requests an update of this information from the external auditor every six months, which is submitted to the Audit and Compliance Committee along with the half-yearly independence report.
- Half-yearly confirmation of the external auditor's independence implies compliance with this requirement.
- At the beginning of the period to be audited, the external auditor is asked to fully identify the team confirming the people that form it at the date of reference. The team list is updated on completion of the engagement.

- The list is sent to the Executive and People Management Department for reference in selection and hiring processes.

Prohibited services:

- The external auditor informs the Corporate Internal Audit Department of proposals submitted to the Bank before they are signed.
- The Corporate Internal Audit Department reviews proposals for services to be provided by the external auditor prior to their approval.
- The requesting department is asked by the Internal Audit Department to explain why the audit firm is suitable to provide the services by reason of its knowledge and experience.
- The external audit delivers its analysis and assessment of the collaboration proposal, from an independence perspective.
- The internal auditor submits to the Audit and Compliance Committee a monthly report setting out the engagements to be analysed and, as the case may be authorised.
- The Audit and Compliance Committee authorises services on a monthly basis.
- The authorisation of certain engagements ("with no risk to independence") is delegated to the Corporate Internal Audit Department:
- Where required or envisaged by law and/or the supervisor.
- Agreed-upon procedures and other review engagements relating to accounting and financial reporting.
- Translations.

These proposals are ratified by the Audit and Compliance Committee.

- Once the Deputy Secretariat confirms that the Audit and Compliance Committee has authorised the proposal, the external auditor and the Procurement Department are informed so that the relevant contract may be signed, as the case may be.

- The audit firm identifies the members of its team so that any previously unscreened proposals can be retrieved from our systems.

- The conflict of interest arising from providing otherwise non-prohibited services to relations of the principal auditor falls within the scope of "conflicts of interest arising from personal situations".

- The provision of services referred to in Article 5.3 (EU Regulation 537/2014) shall be limited, in its effect on the financial statements, to 5% of the materiality determined by the auditor or 10% of the account item affected. However, if lower limits are set by law, those lower limits shall apply.

(CONTINUED IN SECTION H)

C.1.31 Indicate whether the company changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

[√] Yes
[ ] No

Outgoing auditor	Incoming auditor
ERNST & YOUNG, S.L.	KPMG Auditores, S.L.

If there were any disagreements with the outgoing auditor, explain their content:

[ ] Yes
[√] No

C.1.32 Indicate whether the audit firm performs any non-audit work for the company and/or its group and, if so, state the amount of fees it received for such work and express this amount as a percentage of the total fees invoiced to the company and/or its group for audit work:

[√] Yes
[ ] No

	Company	Group companies	Total
Amount invoiced for non-audit services (thousands of euros)	400	0	400
Amount invoiced for non-audit work/Amount for audit work (in %)	17.36	0.00	17.36

Non-audit work refers to services rendered for the issue of comfort letters and translations, as well as tax advisory and other services.

C.1.33 Indicate whether the auditors’ report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, indicate the reasons given to shareholders at the general meeting by the chairman of the audit committee to explain the content and extent of the qualified opinion or reservations.

[ ] Yes
[√] No

C.1.34 Indicate the number of consecutive years for which the current audit firm has been auditing the company's individual and/or consolidated financial statements. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	1	1

	Individual	Consolidated
Number of years audited by the current audit firm/number of years in which the company has been audited (in %)	4.00	10.00

Considering that Bankia, S.A., was set up as a business enterprise in 1995 under the name Altae Banco, S.A., its individual annual accounts have been audited for 25 years. This does not take into account the fact that Banco Altae, S.A. used to be Banco de Crédito y Ahorro, S.A.

A total of 10 years have been taken into account in the case of the consolidated annual accounts.

C.1.35 Indicate whether there is a procedure for directors to be sure of having the information necessary to prepare the meetings of the governing bodies with sufficient time; provide details if applicable:

[√] Yes
[ ] No

Details of the procedure

The procedure to ensure that the Directors of Bankia, S.A. have the information necessary to prepare the meetings of the governing bodies with sufficient time is regulated in Article 17.2 of the Board of Directors Regulations, which provides that the Board of Directors will be called by individual notice, stating the agenda for the meeting in sufficient detail. This notice will be sent by fax, e-mail or letter to each of the directors, at least five days in advance of the envisaged date of the meeting, unless the Chairman considers the urgency of the matters to require an urgent call, which may be made by telephone, fax, e-mail or any other telematic means, sufficiently in advance to allow the directors to fulfil their duty to attend.

Agendas for meetings will clearly indicate those points in respect of which the Board of Directors must adopt a decision or resolution, so that the directors may, in advance, study or collect the information necessary for the adoption thereof, in accordance with the Board of Directors Regulations.

When, exceptionally, for reasons of urgency, the Chairman wishes to submit decisions or resolutions not appearing on the agenda for approval of the Board of Directors, the express prior consent of the majority of the directors present will be required, with that consent to be reflected in the minutes.

The directors may gather all the additional information they consider necessary concerning the matters for which the Board of Directors is competent. In the context of this duty of directors to demand and their right to receive from the Company all the information they need in order to perform their obligations, article 26 of the Board of Directors Regulations states that directors have the broadest authority to seek information on any aspect of the Company, to examine its books, records, documents and other background information pertaining to the Company's transactions, and to inspect all its facilities.

In order not to interfere with ordinary management of the Company, exercise of information rights must be channelled through the Chairman or Secretary of the Board of Directors who will respond to director inquiries by providing the information directly, making the appropriate spokesmen within the organisation available as appropriate, or arranging for appropriate on-site review and inspection.

C.1.36 Indicate whether the company has established rules obliging directors to inform the Board of any circumstances, whether or not related to their actions in the company itself, that might harm the company’s standing and reputation, tendering their resignation where appropriate. If so, provide details:

[√] Yes
[ ] No

Explain the rules

According to article 40 of the Bylaws, the members of the Board of Directors of Bankia, S.A. must satisfy the requirements of banking regulations to be considered to be persons of good repute who are suited to exercise of such function. In particular, they must have a reputation of business and professional integrity, have knowledge and experience appropriate to the performance of their duties and be in a position to exercise good governance of the Company. Supervening failure to satisfy the above requirements will be grounds for removal of the director.

As per article 23 of the Board of Directors Regulations, directors must place their directorships at the disposal of the Board of Directors and formally tender their resignations, if the Board deems it to be desirable, in the following circumstances:

a) When they are affected by any of the scenarios of incompatibility or prohibition or unsuitability prescribed by law.

b) When they are tried for or accused of alleged criminal offenses or subject to disciplinary proceedings for serious or very serious infractions brought by the supervisory authorities.

For these purposes, directors of the Company must inform the Board of Directors of the existence of any circumstances - related to their activities at the Company or otherwise - that could be detrimental to the standing and reputation of the Company, and, in particular, of any criminal proceedings in which they are the party under investigation, as well as subsequent procedural developments.

Where the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, having regard to the specific circumstances, decide, based on a report from the Appointments and Remuneration Committee, whether or not any measures must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be removed by the General Meeting. These events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be placed on record in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, upon implementation of the corresponding measures.

c) When they are seriously admonished by the Audit and Compliance Committee for violating their duties as directors.

d) When their remaining as directors could present a reputation risk to the interests of the Company.

e) When they cease to hold the positions, offices or functions with which their appointment as executive directors was associated.

f) In the case of proprietary directors, when the shareholder at whose initiative they were appointed disposes of its interest in the Company or reduces its interest to a level that requires a reduction in the number of proprietary directors.

g) In the case of independent directors, when they no longer satisfy the conditions for being considered independent directors.

In addition, if a natural person representing a legal person director is in any of the situations described in the previous sections, that person will be disqualified from acting as representative.

C.1.37 Indicate whether, apart from such special circumstances as may have arisen and been duly minuted, the Board of Directors has been notified or has otherwise become aware of any situation affecting a director, whether or not related to his or her actions in the company itself, that might harm the company’s standing and reputation:

[ ] Yes
[√] No

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

Not applicable.

C.1.39 Identify individually as regards directors, and in aggregate form in other cases, and provide details of any agreements between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal without due cause or termination of employment as a result of a takeover bid or any other type of transaction.

Number of beneficiaries	23
Type of beneficiary	Description of the agreement
EXECUTIVE DIRECTORS, MEMBERS OF THE MANAGEMENT COMMITTEE AND OTHER EXECUTIVES.	EXECUTIVE DIRECTORS: The contracts of Mr. Goirigolzarri, Mr. Sevilla and Mr. Ortega provide for 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 of Mr. Sevilla and Mr. Ortega also provide for a post-contractual non-compete clause, as well as a three-month notice period. Pursuant to prevailing legislation, Bankia has amended these contracts, establishing that any compensation and/or amounts received by these executive directors must comply with Royal Decree-Law 2/2012, Law 3/2012 and Law 10/2014. MEMBERS OF THE MANAGEMENT COMMITTEE: The contracts of the nine senior executives include clauses that set compensation for all items at two years' fixed remuneration if they are dismissed on lawful grounds, except in the case of disciplinary dismissals declared valid by the courts. Pursuant to prevailing legislation, Bankia has amended these contracts, establishing that any

	compensation and/or amounts received by senior executives must comply with Royal Decree-Law 2/2012, Law 3/2012 and Law 10/2014. OTHER EXECUTIVES: In no circumstances may the maximum severance recognised in the case of dismissal on lawful grounds, except in the case of disciplinary dismissal declared valid by the courts, exceed two years' fixed remuneration.

Indicate whether, beyond the cases established by legislation, these agreements have to be communicated and/or authorised by the governing bodies of the company or its group. If so, specify the procedures, the cases concerned and the nature of the bodies responsible for their approval or communication:

	Board of Directors	General shareholders' meeting
Body authorising the clauses	√	

	Yes	No
Are these clauses notified to the General Shareholders' Meeting?	√	

Indemnity or golden parachute clauses are authorised by several bodies:

-Executive Directors: Authorised by the Board of Directors and reported at the General Meeting of Shareholders.

-Members of the Management Committee and persons reporting to the Board or any of its members: Authorised by the Board of Directors at the proposal of the Remuneration Committee.

Other executives: Authorised in accordance with delegated powers and authority regarding Human Resources approved by the Board of Directors.

C.2. Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their members, and the proportion of executive, proprietary, independent and other external directors forming them:

RISK ADVISORY COMMITTEE		
Name	Position	Category
MR. JOAQUÍN AYUSO GARCÍA	CHAIRMAN	Independent
MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	COMMITTEE MEMBER	Independent

MRS. LAURA GONZÁLEZ MOLERO	COMMITTEE MEMBER	Independent
MR. ANTONIO GREÑO HIDALGO	COMMITTEE MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external directors	0.00

On 27 March 2020, following a favourable report from the Appointments and Responsible Management Committee, the Board of Directors resolved to re-elect Mr. Joaquín Ayuso García, Ms. Eva Castillo Sanz and Mr. Antonio Greño Hidalgo as members of the Risk Advisory Committee, as well as to re-elect Mr. Joaquín Ayuso García as Chairman of the Risk Advisory Committee.

On 27 May 2020, following a favourable report from the Appointments and Responsible Management Committee, the Board of Directors resolved to appoint Mrs. Laura González Molero as a member of the Risk Advisory Committee, replacing Mrs. Eva Castillo Sanz who stood down as a member of that Committee.

Explain the functions delegated or assigned to this committee, other than those that have already been described in Section C.1.9, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

FUNCTIONS:

Bankia’s Risk Advisory Committee is assigned all of the duties required by law, particularly by banking regulations. In view of the extent of such duties, they are presented in section H of this Report.

RULES OF ORGANISATION AND FUNCTIONING:

With respect to its rules of organisation and functioning, article 47 ter of the Bylaws and article 16 of Board of Directors Regulations state that the Risk Advisory Committee will be comprised of a minimum of three and maximum of five directors, who may not be executive directors, without prejudice to attendance, when so expressly resolved by the members of the Committee, by other directors, including executive directors, senior executives and any employee. In any event, the number of members of the Risk Advisory Committee will be determined directly by means of an express resolution in this regard, or indirectly by the filling of vacancies or appointment of new members within the established maximum.

The members of the Risk Advisory Committee must have the appropriate knowledge, skills and experience to fully understand and control the risk strategy and risk propensity of the Company. At least one third of its members must be independent directors. In any event, the Chairman of the Committee will be an independent director. The Chairman of the Committee must be replaced every four years, and may be re-elected one or more times for terms of the same length.

The members of the Risk Advisory Committee will be appointed by the Board of Directors, taking into account the directors’ knowledge, skills and experience and the Committee’s duties.

There will be a quorum for Committee meetings when the majority of the directors that are a part thereof are present, in person or by proxy. It will adopt its resolutions by absolute majority of the members of the Committee present at the meeting in person or by proxy. In the event of a tie, the Chairman will have the casting vote.

For the proper performance of its duties, the Risk Advisory Committee will have unrestricted access to the information on the risk status of the Company and, if necessary, to the risk management unit and specialised external advisors.

The Director of the risk unit will be a senior executive, meeting the requirements set forth in the applicable regulations and having direct access in the performance of his/her duties to both the Board of Directors and the Board and Advisory Risk Committees, that Director being removable in accordance with the provisions of applicable regulations.

ACTIONS:

Regarding the main actions carried out in 2020, the Risk Advisory Committee advised the Board of Directors on the following key matters:

-Advice on the definition of the overall propensity to risk of the Company and the Group, set out in the Risk Appetite and Tolerance Framework and in the Risk Budget.
-Advice on the approval of the risk control and management policy of the Company and the Group, identifying the various types of risk assumed by the Company and the Group, the information and internal control systems for managing and controlling risks, the levels of risk they are willing to take and the necessary corrective measures to limit their impact.

-Advice on the approval of Risk Manuals and Policies.
-Regular monitoring of the loan portfolio and the risks assumed by the Company and the Group, in the broadest sense, proposing to the Board the necessary corrective measures to adapt the risk assumed to the approved risk profile.

- Regular monitoring of projects and activities related to the supervisory bodies.

(CONTINUED IN SECTION H)

APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE		
Name	Position	Category
MRS. EVA CASTILLO SANZ	CHAIRMAN	Independent
MR. JOAQUÍN AYUSO GARCÍA	COMMITTEE MEMBER	Independent
MRS. LAURA GONZÁLEZ MOLERO	COMMITTEE MEMBER	Independent
MR. FRANCISCO JAVIER CAMPO GARCÍA	COMMITTEE MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external directors	0.00

On 27 March 2020, following a favourable report from the Appointments and Responsible Management Committee, the Board of Directors resolved to re-elect Ms. Eva Castillo Sanz, Mr. Joaquín Ayuso García and Mr. Francisco Javier Campo García as members of the Appointments and Responsible Management Committee, as well as to re-elect Ms. Eva Castillo Sanz as Chairwoman of the Appointments and Responsible Management Committee.

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

FUNCTIONS:

Bankia’s Appointments and Responsible Management Committee is assigned all the duties required in company law and banking regulations, as well as those set out in the Good Governance Code of Listed Companies revised by the CNMV in June 2020 and in Technical Guide 1/2019, of the Spanish National Securities Market Commission (CNMV), on appointments and remuneration committees, which, in view of their extent, are presented in section H of this Report.

The main role of the Appointments and Responsible Management Committee is to contribute to attracting and retaining talent, seeking to ensure that the Company has the best professionals in its governing bodies and senior management. The Committee’s tasks also include reviewing the Company’s corporate social responsibility and environmental and social sustainability policy, and ensuring that the Company's environmental and social practices are in alignment with the established strategy and policy. In addition to any other tasks assigned to it by the Board, the Committee has general powers to report on and propose the appointment and removal of directors and senior executives, on matters relating to responsible management and, in particular, without limitation, on the responsibilities within the scope of the Committee's Regulations.

RULES OF ORGANISATION AND FUNCTIONING:

The Committee's rules of organisation and functioning are set forth in Article 47 of the Bylaws and Article 15 of the Board of Directors Regulations and, specifically, in the Appointments and Responsible Management Committee Regulations.

The rules provide that the Appointments and Responsible Management Committee shall be made up of non-executive directors and a majority of independent directors, with a minimum of three and a maximum of five directors.

The members of the Appointments and Responsible Management Committee shall be appointed by the Board of Directors, having regard to their knowledge, skills and experience and the duties of the Committee. The members of the Committee, as a whole, must have knowledge and experience in the following areas:

a) Corporate governance;
b) Analysis and strategic evaluation of human resources;
c) Selection of directors and senior executives, including assessment of any suitability requirements that may be required under the regulations applicable to the Company; and
d) Performance of senior management duties.

Efforts will be made to ensure that the membership of the Committee is diverse, taking into account gender, career record, skills, personal capabilities and expertise. When the Company appoints an Independent Coordinating Director, it shall endeavour to appoint him/her as a member of the Appointments and Responsible Management Committee.

The Committee must be chaired by an independent director appointed by the Board of Directors. Previous experience as a member of appointment committees or as an executive director or member of senior management in comparable companies in terms of size and complexity is particularly valued. The Chairman of the Committee must be replaced every four years, and may be re-elected one or more times for terms of the same length.

The Chairman of the Committee shall act as its spokesperson at the meetings of the Board of Directors and, where appropriate, the General Meeting of Shareholders of the Company.

The Chairman of the Committee shall ensure that the members of the Committee receive sufficient information to perform their duties, and the members may request any additional information they require to do so.

The Committee will have a Secretary and, optionally, an Assistant Secretary, who need not be directors and may be different to the Secretary and Assistant Secretary of the Board of Directors, respectively.

The Committee shall meet suitably in advance of Board meetings whenever convened by a resolution of the Committee itself or its Chairman, and at least four times a year. It shall also meet whenever the Board of Directors or its Chairman requests the issue of a report or adoption of proposals.

Coordination mechanisms shall be established with the Remuneration Committee to ensure consistency in the policies and criteria applied by the Committee to attract talent, and with the Audit and Compliance Committee to coordinate their respective functions as regards communications and dealings with shareholders, investors and proxy advisors. In particular, joint meetings shall be held with the Remuneration Committee when warranted by the situation and when thought appropriate. A member may form part of both committees.

There will be a quorum for the Appointments and Responsible Management Committee meetings when the majority of the directors that are a part thereof are in attendance, in person or by proxy.

The Committee shall adopt resolutions by absolute majority of the members present at the meeting in person or by proxy. In the event of a tie, the Chairman will have the casting vote.

The Remuneration Committee must consult with the Chairman and the chief executive of the Company, especially on matters relating to executive directors and senior executives.

The Chairman and any director may submit suggestions to the Committee regarding matters that fall within their remit and, in particular, may put forward potential candidates to fill vacancies on the Board.

(CONTINUED IN SECTION H)

REMUNERATION COMMITTEE		
Name	Position	Category
MR. ANTONIO GREÑO HIDALGO	CHAIRMAN	Independent
MR. JOAQUÍN AYUSO GARCÍA	COMMITTEE MEMBER	Independent
MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO	COMMITTEE MEMBER	Independent

MRS. LAURA GONZÁLEZ MOLERO	COMMITTEE MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external directors	0.00

On 27 March 2020, following a favourable report from the Appointments and Responsible Management Committee, the Board of Directors resolved to re-elect Mr. Joaquín Ayuso García as a member of the Remuneration Committee and to appoint Mr. Antonio Greño Hidalgo as a member and Chairman of the Remuneration Committee in lieu of Mr. Francisco Javier Campo García, who stood down as member and Chairman of the Remuneration Committee.

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

FUNCTIONS:

Bankia's Remuneration Committee is assigned all the duties required in company law and banking regulations, as well as those set out in the Good Governance Code of Listed Companies and in Technical Guide 1/2019, of the Spanish National Securities Market Commission (CNMV), on appointments and remuneration committees, which, in view of their extent, are presented in section H of this Report.

In addition to any other tasks assigned to it by the Board, the Remuneration Committee has general powers to report on and propose the remuneration of directors and senior executives, and, in particular and without limitation, the powers set out in the Committee's Regulations.

RULES OF ORGANISATION AND FUNCTIONING:

The rules on functioning and organization are set out in article 47 bis of the Bylaws and article 15 bis of the Board of Directors Regulations and, specifically, in the Remuneration Committee Regulations.

The rules provide that the Remuneration Committee shall be made up of non-executive directors and a majority of independent directors, with a minimum of three and a maximum of five directors.

The members of the Appointments and Responsible Management Committee shall be appointed by the Board of Directors, having regard to their knowledge, skills and experience and the duties of the Committee. The members of the Committee, as a whole, must have knowledge and experience in the following areas:

a) Corporate governance;
b) Analysis and strategic evaluation of human resources;
c) Performance of senior management duties; and
d) Design of policies and remuneration plans for directors and senior executives.

Efforts will be made to ensure that the membership of the Committee is diverse, taking into account gender, career record, skills, personal capabilities and industry expertise. When the Company appoints an Independent Coordinating Director, it shall endeavour to appoint him/her as a member of the Remuneration Committee.

The Committee must be chaired by an independent director appointed by the Board of Directors. Previous experience as a member of remuneration committees or as an executive director or member of senior management in comparable companies by reason of size and complexity is particularly valued. The Chairman of the Committee must be replaced every four years, and may be re-elected one or more times for terms of the same length.

The Chairman of the Committee shall act as its spokesperson at the meetings of the Board of Directors and, where appropriate, the General Meeting of Shareholders of the Company.

The Chairman of the Committee shall ensure that the members of the Committee receive sufficient information to perform their duties, and the members may request any additional information they require to do so.

The Committee will have a Secretary and, optionally, an Assistant Secretary, who need not be directors and may be different to the Secretary and Assistant Secretary of the Board of Directors, respectively.

The Committee shall meet suitably in advance of Board meetings whenever convened by a resolution of the Committee itself or its Chairman, and at least four times a year. It shall also meet whenever the Board of Directors or its Chairman requests the issue of a report or adoption of proposals.

Coordination mechanisms shall be established with the Appointments and Responsible Management Committee to ensure consistency of the policies and criteria applied by the Committee to attract and retain talent. In particular, joint meetings shall be held when warranted by the situation. A member may form part of both committees.

There will be a quorum for Remuneration Committee meetings when the majority of the directors that are a part thereof are in attendance, in person or by proxy.

In addition to the attendance of all members of the Committee at its meetings, the presence at meetings of other directors, executive or otherwise, of senior executives or of any third party may only occur at the invitation of the Chairman of the Committee and shall be limited to the specific items on the agenda in connection with which they are invited.

The Committee shall adopt resolutions by absolute majority of the members present at the meeting in person or by proxy. In the event of a tie, the Chairman will have the casting vote.

The Remuneration Committee must consult with the Chairman and the chief executive of the Company, especially on matters relating to executive directors and senior executives.

To perform its functions more effectively, the Committee may use whatever resources it considers appropriate, including taking advice from outside professionals in matters falling within its remit, ensuring suitable alignment of interests and that no potential conflicts of interest compromise the independence of the external advice given to the Committee. The Committee shall receive adequate funds for this purpose and shall submit to the Board for approval an annual budget, or alternative mechanisms.

If advisors are retained to assist the Committee in its remuneration policy role, an effort shall be made to ensure that they are different from any advisors who might assist the Appointments and Responsible Management Committee in its selection, appointment and assessment roles.

(CONTINUED IN SECTION H)

TECHNOLOGY AND INNOVATION COMMITTEE		
Name	Position	Category
MR. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHE	CHAIRMAN	Executive
MR. FRANCISCO JAVIER CAMPO GARCÍA	COMMITTEE MEMBER	Independent
MRS. EVA CASTILLO SANZ	COMMITTEE MEMBER	Independent
MS. NURIA OLIVER RAMÍREZ	COMMITTEE MEMBER	Independent
MR. ANTONIO ORTEGA PARRA	COMMITTEE MEMBER	Executive

% of executive directors	40.00
% of proprietary directors	0.00
% of independent directors	60.00
% of other external directors	0.00

On 27 May 2020, following a favourable report by the Audit and Compliance Committee and the Appointments and Responsible Management Committee, the Board of Directors resolved to create a new Board Committee - the Technology and Innovation Committee -, to be formed by five directors: Mr. José Ignacio Goirigolzarri Tellaeche (chairman), Mr. Francisco Javier Campo García (member), Ms. Eva Castillo Sanz (member), Ms. Nuria Oliver Ramírez (member), Mr. Antonio Ortega Parra (member) and Mr. Miguel Crespo Rodríguez (non-director secretary).

Explain the functions delegated or assigned to this committee, other than those that have already been described in Section C.1.9, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

On 27 May 2020, the Board of Directors resolved to amend the Board of Directors Regulations to include article 14 bis, in order to regulate the functions, composition and rules of operation of the Technology and Innovation Committee.

The Technology and Innovation Committee is a permanent internal body of the Board of Directors. It is an advisory body, without executive functions and with powers to report on, oversee, advise on and make recommendations on matters falling within its area of activity. It is governed by the provisions of the Law, the Bylaws and the Board of Directors Regulations.

FUNCTIONS:

The functions of the Technology and Innovation Committee are as follows:

a) To assist the Board of Directors with its supervisory and decision-making responsibilities as regards technology-related matters affecting activities and strategy with an impact on the Bank’s business, taking a holistic approach.

b) To familiarise itself with and report on the technology, innovation, cyber security and data analytics policies prior to their submission to the Board of Directors for approval.

c) To supervise and monitor any specific plans and projects of particular relevance deriving from such policies.

d) To discuss these matters, proposing initiatives for the consideration of the Board.

To fulfil its remit and discharge its duties, the Technology and Innovation Committee must, inter alia:

a) Examine and report on plans and actions relating to IT systems.

b) Examine and report on plans and actions relating to innovation.

c) Familiarise itself with, examine and report on data analytics plans and their use in order to gain a better knowledge of customers and improve their experience, as well as in relation to new business solutions, fraud detection, preparation of risk models and other fields.

d) Examine and report on plans and actions relating to the efficacy, reliability and strength of technological systems and cybersecurity management.

e) Make proposals to the Board of Directors in relation to the technology and data management frameworks at the Company.

f) Assist the Board of Directors with the analysis and approval of strategic lines of technology and innovation.

g) Report to the Board of Directors on the annual systems plan.

h) Assist the Board of Directors with the technological service quality assessment.

i) Assist and collaborate with other Board Committees with specifics powers in relation to which technology and innovation may be relevant, particularly in the areas of risk, regulation and compliance.

RULES OF ORGANISATION AND FUNCTIONING:

As regards its rules of organisation and functioning, article 14 bis of the Bylaws states that the Technology and Innovation Committee will be comprised of a minimum of three and maximum of seven directors, without prejudice to attendance, when so expressly resolved by the members of the Committee, of other directors, senior executives and any other employees. The majority of the members of the Technology and Innovation Committee must be non-executive directors, reflecting, as the case may be, the guidelines on the composition of the Board. The Chairman of the Technology and Innovation Committee may either be an independent director or an executive director, appointed by the Board of Directors. The Chairman of the Committee must be replaced every four years, and may be re-elected one or more times for terms of the same length.

The members of the Technology and Innovation Committee will be appointed by the Board of Directors, taking into account the directors’ knowledge, skills and experience and the matters dealt with by the Committee.

The Committee will have a Secretary and, optionally, an Assistant Secretary, who need not be directors and may be different to the Secretary and Assistant Secretary of the Board of Directors, respectively.

To permit it to discharge its duties the executive directorates responsible for activities relating to technology, new digital business models, data analytics and artificial intelligence and any other considered appropriate shall report to the Committee as often as is deemed fit.

The persons called to the meetings of the Technology and Innovation Committee shall appear at the invitation of the Committee Chairman on the terms decided by the Committee, and shall be obliged to cooperate and facilitate access to the information they have at their disposal.

To fulfil its mandate and functions, the Technology and Innovation Committee shall approve an annual calendar of meetings which shall include at least four meetings. In any event, the Technology and Innovation Committee shall meet as often as it is called by resolution of the Committee itself or its Chairman.

Meetings of the Technology and Innovation Committee will be validly constituted when more than half of its members are present in person or by proxy. Resolutions will be adopted by a majority of the members present at the meeting in person or by proxy. In the event of a tie, the Chairman will have the casting vote. Committee members may delegate their vote to another member, bearing in mind that non-executive directors may only delegate their votes to another non-executive director.

The Technology and Innovation Committee, via its chairman, shall report to the Board of Directors on its activity and work. The supporting documentation provided to the Technology and Innovation Committee and a copy of all of the minutes of the Committee's meetings shall be made available to all directors.

(CONTINUED IN SECTION H)

BOARD RISK COMMITTEE		
Name	Position	Category
MR. JOSÉ SEVILLA ÁLVAREZ	CHAIRMAN	Executive
MRS. EVA CASTILLO SANZ	COMMITTEE MEMBER	Independent
MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	COMMITTEE MEMBER	Independent

% of executive directors	33.33
% of proprietary directors	0.00
% of independent directors	66.67
% of other external directors	0.00

On 27 March 2020, following a favourable report from the Appointments and Responsible Management Committee, the Board of Directors resolved to re-elect Mr. José Sevilla Álvarez and Ms. Eva Castillo Sanz as members of the Board Risk Committee, as well as to re-elect Mr. José Sevilla Álvarez as Chairman of the Board Risk Committee.

Explain the functions delegated or assigned to this committee, other than those that have already been described in Section C.1.9, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

FUNCTIONS:

The Board Risk Committee is governed by article 48 of the Bylaws and article 16 bis of the Board of Directors Regulations. The Board Risk Committee is the body responsible for approving risks within the scope of the authority delegated to it and for overseeing and administering the exercise of the authority delegated to lower-ranking bodies, all this without prejudice to the oversight authority vested by law in the Audit and Compliance Committee. A list of this Committee's functions is provided in section H of this Report.

RULES OF ORGANISATION AND FUNCTIONING:

As regards the rules of organisation and functioning, article 48 of the Bylaws and article 16 bis of the Board of Directors Regulations state that the Board Risk Committee will be made up of no fewer than 3 and no more than 7 directors. The Chairman of the Committee will be a director appointed by the Company’s Board of Directors.

The Board Risk Committee shall be validly constituted when a majority of the directors forming part of it are present, in person or by proxy. Committee resolutions shall be adopted by an absolute majority of members present at the meeting, in person or by proxy. In the event of a tie, the Chairman will have the casting vote.

The Board Risk Committee is an executive body and, therefore, may adopt the corresponding decisions within the scope of authority delegated by the Board.

The Board Risk Committee will have the delegated powers specifically contemplated in the delegation resolution.

Also, copies of the minutes of meetings of this Committee's meetings will be made available to all directors.

ACTIONS:

Regarding the main actions carried out in 2020, the Board Risk Committee's principle activity consists of approving risks within the scope of the authority delegated to it and overseeing and administering the exercise of the authority delegated to lower-ranking bodies.

Given the executive nature of the Board Risk Committee, at its meetings the Committee analyses and, where appropriate, approves all specific risk transactions, finance programmes and the overall limits of pre-classification falling within the scope of the authority delegated to it by the Board of Directors. It also assesses and puts forward, as appropriate, proposal s of this nature, which must be approved by the Board of Directors.

(CONTINUED IN SECTION H)

AUDIT AND COMPLIANCE COMMITTEE		
Name	Position	Category
MR. FRANCISCO JAVIER CAMPO GARCÍA	CHAIRMAN	Independent
MR. CARLOS EGEA KRAUEL	COMMITTEE MEMBER	Other external
MR. JOSE LUIS FEITO HIGUERUELA	COMMITTEE MEMBER	Independent
MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	COMMITTEE MEMBER	Independent
MR. ANTONIO GREÑO HIDALGO	COMMITTEE MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	80.00
% of other external directors	20.00

On 27 March 2020, following a favourable report by the Appointments and Responsible Management Committee, the Board of Directors resolved to re-elect Mr. Francisco Javier Campo García and Mr. Antonio Greño Hidalgo as members of the Audit and Compliance Committee, as well as to appoint Mr. Francisco Javier Campo García as Chairman of the Audit and Compliance Committee, in lieu of Mr. Antonio Greño Hidalgo, who had held such office until then.

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

FUNCTIONS:

The Audit and Compliance Committee of Bankia is assigned all the duties required in company law and banking regulations, as well as those set out in the Good Governance Code of Listed Companies revised by the CNMV in June 2020 and in Technical Guide 1/2019, of the Spanish National Securities Market Commission (CNMV) on audit committees at public interest entities, which, in view of their extent, are presented in section H of this Report.

RULES OF ORGANISATION AND FUNCTIONING:

With respect to its rules of organisation and functioning, article 14 of the Board of Directors Regulations and the Audit and Compliance Committee Regulations state that the Audit and Compliance Committee will have no fewer than three (3) and no more than five (5) members, all of whom will be non-executive directors and a majority, independent. Where the members of the committee expressly so agree, and subject to invitation by the Chairman, its meetings may also be attended by other directors, including executive directors, senior executives and any other employees, to deal only with the specific business on the agenda in connection with which they are invited, and they shall leave the meeting prior to deliberation and decision-making in such regard.

The members of the Audit and Compliance Committee will be appointed by the Board of Directors taking account of their knowledge, skills and experience in accounting, auditing and financial and non-financial risk management as well as the duties of the Committee and, together, the committee members must possess all of the above expertise, as well as the relevant technical knowledge in relation to the banking industry.

The Committee will be chaired by an independent director who must also possess the relevant knowledge, skills and experience in accounting, auditing and financial and non-financial risk management and, in general, any other duties of the Committee. The Chairman of the Committee must be replaced every four years, and may be re-elected after a period of one year elapses since he left office. The Chairman of the Committee may, at any time, request information on the internal audit activities underway from the head of internal audit at the Company. Also, independently of organisational reporting lines, the head of internal audit will maintain a constant functional relationship with the Audit and Compliance Committee and its Chairman. In any event, the Committee shall oversee the performance of the internal audit unit.

The Committee will have a Secretary and, optionally, an Assistant Secretary, who need not be directors and may be different to the Secretary and Assistant Secretary of the Board of Directors, respectively.

The Committee must meet as many times as it is convened by resolution of the Committee itself or its Chairman and no less than four times per year. Any members of the Company’s management team or staff who are called upon to do so are obliged to attend the meetings of the Committee and to cooperate with it and make available any information they may have at their disposal. The Committee may also call upon the statutory auditor to attend, although it must not be invited to take part in the decision-making part of Committee meetings. The Committee must always meet on the occasion of the publication of annual or interim financial information and in these cases may be attended by the internal auditor and, if it has issued any type of review report, the statutory auditor, to provide input on the agenda items for which they have been invited to attend. At least part of these meetings with the internal or statutory auditor must take place without the management team being present, so that any specific issues arising from the audit reviews can be discussed exclusively with the auditor.

One of the Committee’s meetings must be used to assess the efficiency of the Company’s governance rules and procedures and the extent of the Company’s compliance with them and to prepare the information the Board must approve and include in the annual public documentation.

At least twice a year, the Committee must hold joint sessions with the Risk Advisory Committee to discuss common concerns and any other matters that fall within the remit of both committees and so must be examined and supervised by both.

Meetings of the Audit and Compliance Committee will be validly constituted when a majority of the Committee’s members are present in person or by proxy. Resolutions will be adopted by absolute majority of the members present at the meeting in person or by proxy. In the event of a tie, the Chairman will have the casting vote. The members of the Committee may extend proxies to other members. The resolutions of the Audit and Compliance Committee will be recorded in a minutes book, each entry in which will be signed by the Chairman and the Secretary.

Before they attend their first meeting, new members of the Audit Committee must complete an orientation programme that will quickly equip them with sufficient knowledge of the Company to be able to participate actively from the outset.

(CONTINUED IN SECTION H)

Identify the directors who are members of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date on which the Chairperson of this committee was appointed.

Names of directors with experience	MR. FRANCISCO JAVIER CAMPO GARCÍA / MR CARLOS EGEA KRAUEL / MR JOSÉ LUIS FEITO HIGUERUELA / MR FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS / MR. ANTONIO GREÑO HIDALGO
Date of appointment of the chairperson	27/03/2020

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	Year 2020		Year 2019		Year 2018		Year 2017	
	Number	%	Number	%	Number	%	Number	%
RISK ADVISORY COMMITTEE	1	25.00	1	25.00	1	33.33	1	33.33
APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE	2	50.00	2	50.00	1	25.00	0	0.00
REMUNERATION COMMITTEE	1	25.00	1	25.00	1	25.00	1	25.00
TECHNOLOGY AND INNOVATION COMMITTEE	2	20.00	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
BOARD RISK COMMITTEE	1	33.33	1	33.33	1	25.00	1	25.00
AUDIT AND COMPLIANCE COMMITTEE	0	0.00	0	0.00	0	0.00	0	0.00

C.2.3 Indicate, where applicable, the existence of any regulations governing Board committees, where these regulations are to be found, and any amendments made to them during the year. Also indicate whether any annual reports on the activities of each committee have been voluntarily prepared.

AUDIT AND COMPLIANCE COMMITTEE

The regulations governing the Audit and Compliance Committee are set out in the Bylaws (articles 44 and 46), in the Board of Directors Regulations (articles 12 and 14) and in the Audit and Compliance Committee Regulations.

The Audit and Compliance Committee Regulations were modified in 2020 to bring the Committee’s functions into line with the provisions of the Good Governance Code of Listed Companies reviewed by the Spanish National Securities Market Commission (CNMV) in June 2020.

The Audit and Compliance Committee presented the Board of Directors with a report on its activities, detailing the tasks performed by the Committee in relation to the duties falling within its remit for 2019. This report was made available to the shareholders for the General Meeting of Shareholders held on 27 March 2020.

APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE

The regulations governing the Appointments and Responsible Management Committee are set out in the Bylaws (articles 44 and 47), in the Board of Directors Regulations (articles 12 and 15) and in the Appointments and Responsible Management Regulations.

The Appointments and Responsible Management Committee Regulations were modified in 2020 to bring the Committee’s functions into line with the Good Governance Code of Listed Companies reviewed by the Spanish National Securities Market Commission (CNMV) in June 2020.

The Appointments and Responsible Management Committee also presented the Board with a report on its activities, detailing the tasks performed by this Committee in relation to the duties falling within its remit for 2019. This report was made available to the shareholders for the General Meeting of Shareholders held on 27 March 2020.

REMUNERATION COMMITTEE

The regulations governing the Remuneration Committee are set out in the Bylaws (articles 44 and 47 bis), in the Board of Directors Regulations (articles 12 and 15 bis) and in the Remuneration Committee Regulations.

The Remuneration Committee presented the Board with a report on its activities, detailing the tasks performed by this Committee in relation to the duties falling within its remit for 2019. This report was made available to the shareholders for the General Meeting of Shareholders held on 27 March 2020.

RISK ADVISORY COMMITTEE

The Risk Advisory Committee Regulations are set out in the Bylaws (articles 44 and 47 ter) and the Board of Directors Regulations (articles 12 and 16).

In the 2020 period, the Risk Advisory Committee regulations were not amended.

The Risk Advisory Committee presented the Board with an annual report on its activities, detailing the tasks performed by this Committee in relation to the duties falling within its remit for 2019.

BOARD RISK COMMITTEE

The regulations governing the Board Risk Committee are set out in the Bylaws (articles 44 and 48) and the Board of Directors Regulations (articles 12 and 16 bis).

In the 2020 period, the Board Risk Committee regulations were not amended.

The Board Risk Advisory Committee presented the Board with an annual report on its activities, detailing the tasks performed by this Committee in relation to the duties falling within its remit for 2019. TECHNOLOGY AND INNOVATION COMMITTEE

The regulations governing the Technology and Innovation Committee are set out in article 14 bis of the Board of Directors Regulations.

On 27 May 2020 the Board of Directors resolved to amend the Board of Directors Regulations to include an article 14 bis, in order to regulate the functions, composition and rules of operation of the Technology and Innovation Committee. The Technology and Innovation Committee Regulations have not been amended between that date and the close of 2020.

The Bylaws, the Board of Directors Regulations, the Audit and Compliance Committee Regulations, the Appointments and Responsible Management Committee Regulations and the Remuneration Committee Regulations, as well as the compositions of the aforementioned Committees, are permanently available on Bank's website: www.bankia.com (in the "Corporate Governance and Remuneration Policy” section of “Shareholders and Investors” area).

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1. Describe, if applicable, the procedure and competent bodies for the approval of related party and intragroup transactions.

Article 35 of the Board of Directors Regulations

According to article 35 of the Board of Directors Regulations of Bankia, S.A., the Board of Directors must review any transactions the Company engages in, directly or indirectly, with directors, shareholders or persons related to them.

Engaging in such transactions will require authorisation of the Board, after a favourable report from the Audit and Compliance Committee. The aforesaid transactions will be evaluated from the point of view of equal treatment and market terms, and will be included in the periodic public reporting on the terms contemplated in the applicable regulations.

There will be no obligation to advise the Board, or seek the authorisation contemplated in the preceding section, in the case of transactions with shareholders that simultaneously satisfy the following three conditions:

a) they are pursuant to contracts the terms of which are basically standardised and are customarily applied to customers contracting the type of product or service in question;

b) they are at prices or tariffs established on a general basis by the party acting as the supplier of the goods or services in question or, when the transactions relate to goods or services for which there are no established tariffs, they are on customary market terms, comparable to those applied in commercial relationships maintained with customers with similar characteristics; and

c) the amount is no more than 1% of the Company's annual revenues.

Transactions with directors will at all times be subject to the authorisation of the Board of Directors, except in the case of credit, loan or guarantee transactions the amount of which is not more than the amount determined by the Board of Directors, simultaneously satisfying conditions (a) and (b) as set forth in the section above.

Directors will be in breach of their duty of loyalty to the Company if, with prior knowledge, they allow or fail to disclose the existence of related-party transactions not subject to the conditions and oversight referred to in Article 35 of the Regulations.

In 2020, prior to approval by the Board of Directors, the Audit and Compliance Committee reported on the transactions that, in accordance with article 35 of the Board of Directors Regulations, are considered related-party transactions.

Framework agreement

With respect to relations between Bankia and BFA, on 28 February 2018, the entities signed a Framework Agreement, providing, inter alia, that the relations between Bankia and BFA in effect at that time, and any relations, services or transactions that might be arranged in future, will be referred to as the "Related-Party Transactions". For the purposes of the Framework Agreement, "related-party transactions" means the performance, between the parties, of any financial or non-financial transaction, service, transfer, acquisition or investment or disposal concluded directly between them or through any companies belonging to their consolidated groups. Bankia and BFA undertook to ensure that any intra-group service or transaction will always have a contractual basis and, subject to the provisions of each individual contract, that all related-party transactions are governed by the general principles set out in the Framework Agreement.

The Framework Agreement is available for consultation on the corporate website (www.bankia.com).

D.2. Describe any transactions that are significant, either because of the amount involved or the subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name or company name of the significant shareholder	Name or company name of the company or group entity	Nature of the relationship	Type of transaction	Amount (thousands of euros)
No data				N.A.

No significant shareholder or any party related thereto concluded relevant transactions with the Bank outside the ordinary course of business or not at arm’s length, in accordance with Order EHA/3050/2004 of 15 September 2004, on related-party transactions to be disclosed in half-yearly reporting by issuers of securities listed on official secondary markets.

D.3. Describe any transactions that are significant, either because of their amount or the subject matter, entered into between the company or entities within its group and directors or managers of the company:

Name or company name of the directors or executives	Name or company name of the company or group entity	Relationship	Nature of the transaction	Amount (thousands of euros)
No data				N.A.

See note 43 of the separate financial statements and note 46 of the consolidated financial statements for 2020 of Bankia, S.A. as a supplement to this section and notwithstanding the fact that they are not related-party transactions for the purposes of the provisions of Order EHA/3050/2004 of 15 September 2004, on related-party transactions to be disclosed in half-yearly reporting by issuers of securities listed on official secondary markets.

None of the members of the Board of Directors or other member of the senior management at the Bank, or any company at which these individuals are directors, members of senior management, significant shareholders or any parties related thereto, have carried out any transactions that were outside the Company's ordinary course of business, not performed on an arm's length basis or relevant to the Bank, as far as the Bank is aware, pursuant to Order EHA/3050/2004 of 15 September 2004, on related-party transactions to be disclosed in half-yearly reporting by issuers of securities listed on official secondary markets.

D.4. Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the consolidation process and do not form part of the company’s ordinary business activities in terms of their purpose and conditions.

In any case, report any intragroup transaction conducted with entities established in countries or territories considered as tax havens:

Company name of the entity within the group	Brief description of the transaction	Amount (thousands of euros)
No data		N.A.

There have been no transactions with such characteristics.

D.5. Report any material transactions carried out by the company or entities belonging to its group with other related parties that have not been reported in the previous sections.

Company name of the related party	Brief description of the transaction	Amount (thousands of euros)
No data		N.A.

There have been no transactions with such characteristics.

D.6. List the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

Article 32 of the Board of Directors Regulations regulates conflicts of interest that may affect directors, providing for an obligation on directors to notify the Board of Directors of any direct or indirect conflict they, or persons related to them, may have with the interests of the Bank. Also, per article 31 of the Board of Directors Regulations, directors must refrain from deliberating or voting on any resolutions or decisions in which they, or persons related to them, have a direct or indirect conflict of interest.

In addition, under the scope of the Internal Rules of Conduct in the Securities Markets (RIC), article 37 establishes the duties of covered persons and article 38 the general rules for managing conflicts. The mechanisms for detecting conflicts of interest are based fundamentally on the obligation to disclose any situation of conflict of covered persons to the Regulatory Compliance Department .

Moreover, the Bankia Group has a Code of Ethics and Conduct which must be complied with by all persons who have any type of professional relationship with the group. The purpose of the Code of Ethics is to establish ethical principles and general rules that shape the activities of the Group and the individuals subject to the Code, both within the Group and in dealings with clients, partners, suppliers and any individuals and public and private companies with which the Group has direct or indirect relations.

The Group has a Confidential Whistleblowing Channel, where the staff can report any breach of the Code of Ethics and Conduct, involving directors, employers or suppliers. The Ethics and Conduct Committee is ultimately responsible for resolving conflicts of interest and its decisions are binding.

To resolve possible conflicts of interest between BFA and other group companies, efforts have been made to promote best practices in good governance in respect of relations between BFA and Bankia, including the signing of a Framework Agreement in 2011, which was updated on 28 February 2014. The objectives of this agreement are (i) to establish relations between both entities and between their respective group companies and ensure an adequate level of coordination, thereby minimizing and regulating each company's areas of activity - at arm's length - and any potential conflicts of interest that could arise in the future, (ii) to regulate the procedure to be followed should the members of Bankia's Board of Directors find themselves in a situation that conflicts directly or indirectly with the interests of BFA, establishing the obligation to declare this situation of conflict and refrain from taking part in the deliberation and discussion on the relevant decisions, and (iii) to regulate information flows between Bankia and BFA to ensure both parties comply with their statutory, accounting, tax and reporting obligations. In the event that a director is a member of the Boards of both BFA and Bankia, they must refrain from being involved in the matters set forth in the Framework Agreement.

Regarding related-party transactions, the Framework Agreement establishes that such transactions will be governed by the principles of transparency and the provision thereof on reasonable and equitable market terms, preferred treatment, diligence and confidentiality. Bankia's Audit and Compliance Committee will formally issue its opinion, by means of a report to the Company's Board of Directors, on whether the related-party transactions are at arm's length. Following a favourable report from the Audit and Compliance Committee, the Board of Directors will approve all related-party transactions. Section 6.6 of the aforementioned Framework Agreement establishes the requirements to be met in the event that Bankia grants financing to BFA.

In addition, on 17 December 2015, the Board of Directors approved the Conflicts of Interest Policy of Bankia, S.A., which sets forth the procedures for preventing conflicts of interests.

The Conflicts of Interest Policy was updated by the Board of Directors on 24 April 2020. In line with said Policy, a conflict of interest is understood to exist when a there is a direct or indirect contradiction, clash and/or incompatibility between the corporate interests of Bankia or any other Group company and the interests of its (i) directors, (ii) senior management, (iii) shareholders, (iv) employees, (v) suppliers and (vi) customers; as well as any third parties related directly or indirectly thereto; or between customers.

D.7. Indicate whether the company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and whether it has, directly or through any of its subsidiaries, business relationships with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them.

[√] YES
[ ] NO

Indicate whether the respective areas of activity and any business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries have been defined publicly and precisely:

[√] YES
[ ] NO

Report the respective areas of activity and any business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries, and identify where these aspects have been publicly reported

As noted in Section A of this Report, BFA Tenedora de Acciones S.A.U. held shares representing 61.829 % of Bankia's share capital at 31 December 2020.

In general terms, Bankia materially performs and provides to BFA the activities and services specific to the Deputy General Directorate of the General Secretariat, the General Directorate of People, Resources and Technology, the Deputy General Directorate of Communication and External Relations, the groups reporting to the Chief Executive Officer and, in general, any other general management and administration services as may be agreed on by BFA in the future.

On 28 February 2014, the two entities entered into the Framework Agreement governing the relations between BFA and Bankia, with a view to defining the mechanisms necessary, within the legal limits, to (i) ensure an appropriate level of coordination between Bankia and BFA and the Group companies at all times, and (ii) to manage and minimize any situations that may give rise to potential conflicts of interest between the BFA and Bankia (in particular, within the context of related-party transactions), while ensuring due respect for and protection of the interests of the BFA and Bankia shareholders, in an atmosphere of transparency in dealings between the two entities.

The Framework Agreement is available on the corporate website (www.bankia.com).

The Framework Agreement may be implemented in the form of the relevant service level agreements and, for such purpose, the two entities executed a Service Level Agreement 2011, subsequently replaced by another Agreement dated 31 October 2014. The above Agreement seeks to identify and regulate the services and activities to be materially provided and performed by Bankia in favour of BFA (concerning the activities and services specific to the Deputy General Directorate of the General Secretariat, the General Directorate of People, Resources and Technology, the Deputy General Directorate of Communication and External Relations, the groups reporting to the Chief Executive Officer and, in general, any other general management and administration services as may be agreed on by BFA in the future.) Moreover, it aims to set out the general criteria for the provision of services between related parties on reasonable and equitable market terms, and to determine the mechanisms to ensure the proper flow of information between the parties in order to meet their management needs and obligations with the relevant regulators.

Meanwhile, on 24 January 2019, following a favourable report from the Audit and Compliance Committee, the Company’s Board of Directors approved the signing of an agreement on the management of the FROB's indirect interest in Bankia, via BFA Tenedora de Acciones, S.A.U., executed on 25 January 2019. This agreement aims to specify the terms governing the relationship between Bankia, BFA and the FROB for the management by the FROB of its stake in Bankia, via BFA, whereby such management seeks to recover the subsidies granted to Bankia, ensuring the most efficient possible use of public funds and seeking to safeguard the stability of the financial system, in line with the applicable legislation on the resolution of credit institutions.

Identify the mechanisms in place to resolve potential conflicts of interest between the parent of the listed company and the other group companies:

Mechanisms for resolving possible conflicts of interest

In line with the provisions of the Framework Agreement and during such time as it remains in force, Bankia’s Board members must avoid any potential direct or indirect conflicts of interest with the interests of BFA, serving notice on the Board of Directors, which, where such conflicts prove inevitable, will take the relevant action. In the event of conflict, the director affected must leave the meeting room, refraining from intervening in the Board’s deliberations and decisions on the matter to which the conflict refers.

In any event, the proprietary directors representing BFA must leave the meeting room, refraining from the deliberations and decisions to be adopted by the Board of Directors in line with the Framework Agreement on the subject of related-party transactions and conflicts of interest.

In the event that a director is a member of the Boards of both entities, they must, needless to say, refrain from intervening in the matters set forth in the Framework Agreement.

E. RISK MANAGEMENT AND CONTROL SYSTEMS

E.1. Explain the scope of the company's Risk Management and Control System, including tax risk.

Risk management is a strategic pillar of the organisation. The primary objective of risk management is to safeguard the Group’s financial stability and asset base, while creating value and developing the business in accordance with the risk tolerance and appetite levels set by the governing bodies. For this purpose, it provides the tools to enable the valuation, control and monitoring of the different risks to which the Group is exposed. The Group’s risk strategy is implemented with the aim of guaranteeing stable and recurring earnings, with an overall medium-low risk profile. The key pillars of this strategy are:

1. An efficient internal control framework based on a three lines of defence model governed by the following general principles including its scope, covering all types of relevant risks for the Group as a whole, independence of the risk function and the commitment of senior executives, adapting behaviour to the highest ethical standards and strict compliance with laws and regulations:

2. Efficient risk governance.

3. An organisational model that is consistent with the general principles of the function and has a transparent organisational structure in which functions and responsibilities are clearly assigned, encompassing senior executives right down to the lower levels of the Entity, with a responsible management team and an active internal control system, in which the Board of Directors is the body responsible for determining the risk control and management policies, as well as supervising the effectiveness of internal control.

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

- The first line of defence comprises the risk management directorates, owners of the risk processes and those responsible for carrying out the controls established in the first line of defence. Specifically, it comprises both the business units and any of the Entity’s units that assume risks. These Directorates will perform their activities in compliance with the Group’s risk profile, based on the risk appetite and approved policies.

In order to carry out its function of managing the risks on a daily basis within the scope of its activity and responsibility, the first line of defence avails of the means to identify, measure, address and report the assumed risks, applying adequate control and reporting procedures based on the Internal Control Framework in place and the procedures for monitoring the risk limits approved in the Risk Appetite Framework and the Group’s policies.

- The second line of defence comprises the Directorates that oversee the risks and define the controls mitigating them, and is composed of the Corporate Risk Directorate and the Corporate Directorate of Regulatory Compliance.

In April 2015, the Board of Directors appointed the Group’s Chief Risk Officer (“CRO”), setting the conditions necessary for performance of the function, the main responsibilities, and the rules and powers for appointment and removal. The status reinforces the independence of the Chief Risk Officer, who must maintain constant functional reporting with the Risk Advisory Committee and its Chairman. The CRO also has regular, direct two-way access to senior executives and the governing bodies. Under its management, the main activity of the Corporate Risk Directorate is to carry out the monitoring, control and supervision of all the Group's risks, from a global and forward-looking perspective and, to this end, to maintain a permanent dialogue with the Board of Directors, through the Risk Advisory Committee.

The Corporate Directorate of Regulatory Compliance is responsible for identifying and assessing the risk of non-compliance, by verifying compliance with internal policies and procedures and by exercising adequate controls and coordinating the preparation and implementation of action plans focused on mitigating the risk of non-compliance, reporting the results of this activity to senior executives. It is also responsible for maintaining dialogue with the regulatory and supervisory bodies.

- The third line of defence comprises the Corporate Directorate of Internal Audit. Internal Audit is an independent and objective assurance and consultation function, created to add value to and enhance the Group's operations. Its mission is to improve and safeguard the value of Bankia and its Group, providing objective assurance, advice and risk-based knowledge, helping the Group to meet its objectives by providing a systematic and disciplined approach towards assessing and enhancing the efficiency of the governance, risk management and control processes.

(CONTINUED IN SECTION H)

E.2. Identify the bodies within the company responsible for preparing and executing the Risk Management and Control System, including tax risk.

On 26 June 2013, the European Council approved a regulation which, from 1 January 2014, made application of the capital agreements known as BASEL III effective for the entire European Union. This regulation takes the form of a Capital Requirements Directive and a Capital Requirements Regulation, known as CRD IV and CRR, respectively.

One of the main features of this legislation when compared to previous regulations is the introduction of Corporate Governance as a core element of risk management. In this regard, Bankia fits completely with the spirit of the new regulation, with its governing bodies assuming responsibility for the oversight and control of risks:

- The Board of Directors is the highest governing body. It determines and approves the general internal control strategies and procedures, as well as the policies for assuming, managing, controlling and reducing the risks to which the Group is exposed. It has several internal committees, which are attributed different risk control and monitoring responsibilities.

- The basic responsibilities of the Audit and Compliance Committee include overseeing the efficiency of the internal control of the entity, the internal audit, where appropriate, and the risk management systems. Specifically, it is responsible for regularly reviewing internal control and risk management systems in order to properly identify, manage and report the main risks.

- Risk Advisory Committee. Article 38 of the Law on the Regulation, Supervision and Solvency of Credit Institutions (LOSSEC) establishes the need to create a Risk Committee whose members do not have executive duties. Therefore, in 2014, the Board Risk Committee was relieved of functions not related to authorisation of transactions (non-executive). These have been transferred to the new Risk Advisory Committee, whose functions include both those transferred from the Board Risk Committee and those envisaged in Royal Decree 84/2015, implementing the LOSSEC. The Risk Advisory Committee is currently the body responsible for overall risk management, taking the related decisions in accordance with the powers delegated to it and tasked with establishing and supervising compliance with the control mechanisms for the various types of risk, without prejudice to the supervisory authority legally corresponding to the Audit and Compliance Committee.

- The Board Risk Committee, with executive power and authority to approve the most significant transactions, may establish, as authorised by the Board of Directors, the overall limits in order for lower-ranking bodies to approve other transactions. Credit risk, the risk approval structure and any risks that, due to their amount, are reserved for the Board Risk Committee, are determined by the existing risk segments at any given time and the levels classified in accordance with their credit rating ("rating" or "scoring") based on models endorsed by the supervisor.

The organisational model described is rounded out by a number of committees, including:

a) 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.

b) Capital Committee. Among this committee's responsibilities are the monitoring of the regulatory framework and its potential impact on the Group's regulatory capital, and the monitoring and analysis of the main capital ratios and their components, as well as the leverage ratio. It also monitors any capital initiatives carried out within the Group and the main changes in RWAs.

c) Assets and Liabilities Committee. This committee is in charge of monitoring and managing structural balance sheet and liquidity risks, reviewing the balance sheet structure, business performance and market performance, as well as the financial scenario, product profitability, earnings, etc. bearing in mind the policies and authorities approved by the Board of Directors. This committee must also decide on investment and hedging strategies that enable risks to remain within the approved limits, and also the budget for the year.

d) Risk Committee. This committee oversees the operations under its remit and performs a preliminary analysis and assessment of all credit risk which must be resolved by high-ranking levels (Board of Directors and the Board Risk Committee). It is also in charge of designing a risk authorisation system and interpreting regulations to improve operations in accordance with general criteria approved by the Board of Directors.

e) Provisioning Committee. Its responsibility is to ensure compliance with prevailing standards for recognising impairments for credit risk, approve the framework of risk classification policies, criteria and approaches and allowances under the general framework of policies established by the Board of Directors.

f) Models Committee. The main function of this committee is to provide the Board of Directors with a proposal for approving the new models and expanding/modifying already existing models, as well as to provide a proposal for approving the model implementation plan.

(CONTINUED IN SECTION H)

Indicate the main risks, including tax risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives.

Using the conventional classification of risks generally used in the financial sector, Bankia analyses, measures and manages the following risks:

Credit risk

Understood as the risk of loss arising from the failure of a counterparty to meet its contractual obligations. This is the Entity’s main risk.

Loans and advances to customers are in line with the last year in terms of the breakdown between the wholesale segment (38%, including the public sector) and the retail segment (62%).

Personal mortgages account for 53% of gross lending.
The credit risk affecting the total loan investment in the property development portfolio is 0.5% and is highly provisioned.

Market risk

Market risk is the risk of loss caused by adverse fluctuations in prices of the financial instruments in which the Entity operates. Another risk related to market risk is the market liquidity risk.

Activity in financial markets also exposes the Entity to market liquidity risk, which arises from difficulties closing or covering positions due to an absence of counterparties in the market, causing the price to be adversely affected in the event of sale.

Structural interest rate risk

Structural interest rate risk relates to potential losses in the event of adverse trends in market interest rates. Interest rate fluctuations affect both net interest income and equity. The intensity of the impact depends to a large extent on the different schedule of maturities and the repricing of assets, liabilities and off-balance sheet transactions.

Liquidity and financing risk

Structural liquidity risk is defined as uncertainty, in adverse conditions, regarding the availability of reasonably priced funds that allow for punctual compliance with commitments undertaken by the entity and for the financing of investing activity growth. The entity has a broad range of metrics for managing and controlling this risk. In addition to the various metrics, the entity has a clearly established Contingency Plan, which identifies the alarm mechanisms and the procedures to follow in the event said plan is activated.

Operational risk

Operational risk is the risk of loss due to inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but not reputational risk.

IT and cybersecurity risk

A business risk arising from the use, ownership, operation, participation in and influence and adoption of IT systems at the organisation. Within IT risk, cybersecurity risk is the risk of breaches of the confidentiality, integrity or availability of the organisation's data and IT systems.

Reputational risk

Reputational risk is expressed as the probability of incurring losses due to the occurrence of any event that fails to meet stakeholder expectations to the point that this undermines the level of recognition obtained or prevents the desired level from being reached, resulting in an adverse attitude and/or behaviour that could have a negative impact on the business.

The Entity's approach includes mechanisms to assess, measure and manage new risks, enabling the Entity to respond quickly and efficiently to adverse situations that could pose reputational risk and result in financial losses. In this respect, the new corporate risk culture has led to a more demanding and rigorous risk management model embedded in the Entity's strategy and organisation that ensures comprehensive treatment of risks.

Tax risk

In view of the possibility of sustaining a higher-than-expected tax impact on transactions, the reform to the Spanish Companies Act included a series of measures designed to improve corporate governance, such as Tax Risk Management (TRM). Listed companies are obliged to manage tax risk appropriately and the Board of Directors of such companies is ultimately responsible in this respect.

E.4. Indicate whether the entity has risk tolerance levels, including for tax risk.

The entity has a Risk Appetite Framework approved by the Board of Directors.

Risk appetite is understood as the amount and type of risk the Entity is willing to assume in its activity in order to meet its objectives, complying with regulatory restrictions and the commitments undertaken. The Risk Appetite Framework establishes a set of elements that provide a complete view of the levels of appetite, tolerance and capacity for each of the risks and the comparison between same and the Entity's risk profile.

Furthermore, the Board of Directors approved the Capital Planning Framework which, together with the Risk Appetite Framework, sets out the Entity's strategic lines of action with respect to risk and capital in normal business circumstances. Both processes shape the planning of the Entity's activities and businesses.

The Recovery Plan (also approved and effective since February 2015) establishes the potential measures to be adopted in a hypothetical crisis situation. The measures would be triggered if the predefined level of any of the selected indicators in the plan were exceeded. They are consistent with those determined by the tolerance levels in the RAF.

Thus, the Board of Directors approved the necessary changes to the Risk Appetite statement, developing the relationship between the RAF and the Strategic Plan, Business Model, Capital Planning, Recovery Plan and Budget, bringing the indicators into line with the various requirements of the supervisory authorities and the risk control and monitoring needs.

E.5. Indicate which risks, including tax risks, have materialised during the year.

The Bankia Group reduced doubtful exposures by EUR 142 million, closing 2020 with a balance of EUR 5,721 million.

The decrease in the doubtful portfolio led to a reduction in the NPL ratio for loans and receivables to
4.70%

Also worth noting is the breakdown of doubtful assets. At the close of 2020, 36% of assets were classified in the doubtful category based on subjective criteria or are in the "curing" period. Accordingly, no loans in this portfolio are past-due entailing objective default, nor have any refinancing agreements been reached with customers and, therefore, there is an apparent willingness to pay. This must be verified over a period of at least six months, but can be extended to the entire grace period where applicable.

Counterparty risk

To mitigate the risk of trading in derivatives with financial and non-financial institutions, Bankia has entered into CMOF or ISDA framework contracts, which enable it to net negative and positive positions of the same counterparty. At 31 December 2020, there were 2,040 netting agreements. In addition, Bankia has collateral agreements (Appendix III of CMOF and CSA) to mitigate exposure of collateralisation to the market value of positions with the contribution of cash or bonds. There are currently 234 collateral agreements signed (121 derivatives, 75 repos and 38 securities loans). These agreements reduced the credit risk of the derivatives activity by 92.66%.

The valuation adjustment as at 31 December 2020 was EUR 56,373 million.

Market risk

Bankia's average VaR in 2020 was EUR 1.48 million, with a maximum of EUR 2.87 million and a minimum of EUR 0.76 million.

Interest rate VaR (EUR 0.66 million, including volatility) accounted for the largest share of average VaR, followed by credit spread VaR (EUR 0.47 million).

Structural interest rate risk

Low interest rates have had an adverse impact on the entity's net worth and its financial margin in line with similar entities. The entity has in place policies and a framework concerning limits that enable it to measure and control the interest rate risk and maintain risk levels consistent with prudent management.

Liquidity and financing risk

The average liquidity and funding position by volume of liquid assets and status of regulatory ratios remained strong throughout the year and compatible with a low risk profile.

Operational risk

The operational risks materializing in 2020 amount to EUR 48.7 million. The most important operational risks relate to "client practices, products and businesses" (EUR 17.9 million), "execution, delivery and process management" (EUR 16.4 million) and "external fraud" (EUR 7.6 million). These data do not include non-recurring losses relating to past behavioural risks (Annulled Shares, Preference Shares, Floor Clauses, Formalisation Expenses, etc.) with legal proceedings that are still in progress and are exceptional in nature.

Losses from operational events include penalties, interest or surcharges arising from tax-related proceedings against the Bank.

E.6. Explain the response and oversight plans for the company's main risks, including tax risks, as well as the procedures followed by the company in order to ensure that the Board of Directors responds to any new challenges that arise

The entity operates a Risk Appetite Framework that sets the desired and maximum levels of risk that the Group is willing to accept. The Risk Appetite Framework is approved annually by the Board of Directors, while the Risk Advisory Committee is responsible for advising the Board on the Company's current and future overall risk appetite and strategy. With advice from the Risk Advisory Committee, the Board also approves policies for the various risks to which the Entity is exposed. The Risk Appetite Framework and the Policies are reviewed annually to update the desired and maximum levels of risk indicators, add any further suitable tracking metrics and cover any new relevant aspects required by regulations or new risk trends and challenges.

Credit Risk. Credit risk is managed within the limits and guidelines established in the credit risk policy. It is supported by a set of tools that can be classified according to their functionality into the following categories:

- Risk classification.
- Risk quantification.
- Risk projection.
- Risk-adjusted return (RAR).
- Business revitalisation.
- Recovery management.
- Concentration risk management.

Counterparty risk. The following overall limits are established to control Counterparty Risk:

Overall Risk Limit (risk ceiling from all of Bankia's operations with financial institutions), Foreign Trade Framework (ceiling associated with foreign trade) Fixed-income Underwriting Framework (covers underwriting for different issuers assuming final assumption of zero), Limit on Trading in Government Debt (ceiling on all Bankia's trading with an issuer that is a state-owned entity), Limit on Trading in Fixed Income (fixed-income transactions with private issuers for the trading portfolio) Alco Portfolio Limit (structural portfolio allowing for fixed-income investment), and Derivatives Lines for Non-Financial Institutions (individual limits per counterparty).

To mitigate counterparty risk, the Entity performs a daily analysis of exposures to counterparties in order to assess cumulative risk and control potential excesses, periodically reconciling the derivative portfolios of each counterparty and calculating daily the margins to be exchanged with counterparties that have a collateral agreement signed. In addition, it calculates, on a daily basis, the credit value adjustment (CVA), which measures the adjustment to be made to the value of derivatives assuming that they are risk-free to obtain a value adjusted for the risk of counterparty default.

Market risk. Market risk is controlled through the establishment of limits based on VaR, calculated using the historical simulation method, sensitivity, maximum loss and size of the position. These limits are established according to the maximum exposure approved annually by senior management and notified to the different areas and business centres.

The main tools used to measure and control market risk are, on the one hand, VaR with a 1-day time horizon and a 99% confidence level and, on the other, sensitivity. The main movements in market factors used in sensitivity analysis are interest rates, equity prices, exchange rates, volatility and credit spreads.

Structural interest rate risk. The Entity has a structural risk management policies and procedures framework under which it monitors regulatory and other, stricter internal limits. Based on this, it controls and monitors the sensitivity of the interest margin and the value of its assets and liabilities by simulating different interest-rate scenarios to complement regulatory scenarios. The measurement scheme covers the entire balance sheet (focusing on the impact of changes in interest rates on profit or loss) and on portfolios of held-to-maturity financial assets (mainly fixed income).

Liquidity and financing risk

To monitor this risk, the Entity has management policies and procedures in place that enable it to identify, measure, monitor and control the risks inherent in the management of liquidity and financing. The analysis includes different approaches, the liquidity gap in accordance with maturity and the financial structure, including the current/non-current ratio, as well as the calculation of different liquidity coverage ratios, underpinned by the regulatory liquidity ratio, based on different assumptions.

In addition, the Entity has a clear Liquidity Contingency Plan, identifying the alert mechanism and procedures to be observed where necessary.

(CONTINUED IN SECTION H)

F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATING TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)

Describe the mechanisms forming your company's Internal Control over Financial Reporting (ICFR) system.

F.1. The entity's control environment

Report on at least the following, describing their principal features:

F.1.1. The bodies and/or departments that are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its supervision.

Article 4 of the Entity's Board of Directors Regulations expressly states that the Board must provide the markets with prompt, accurate and reliable information ("particularly on ownership structure, substantial amendments to governance rules, trading in treasury shares and particularly significant related-party transactions"), and approve the financial reporting the Company must publish regularly.

In addition, article 36.2 of the Board of Directors Regulations stipulates that "The Board will adopt the measures necessary to guarantee that quarterly, semi-annual and any other financial information that is disclosed to the markets is prepared in accordance with the same professional practices, principles and policies as the annual financial statements and is equally reliable."

Meanwhile, the Audit and Compliance Committee's responsibilities include, inter alia, supervising the preparation and filing of regulatory financial information and, in particular, reviewing the Company's accounts.

The Board of Directors has delegated responsibility for overseeing the proper functioning of the ICFR to the Audit and Compliance Committee .

With respect to the above risk management and control oversight duties, the Audit and Compliance Committee has regard to the criteria of the supervisory authorities regarding anti-corruption and other irregular practices and the identification, management and control of the potential related impacts, acting with the utmost rigour.

Senior Management is responsible for designing and implementing the ICFR through the Deputy General Directorate of Finance, taking the steps required to ensure that it operates correctly, as well as through the other departments involved, which must cooperate with the Deputy General Directorate of Finance.

The Group has an Internal Control over Financial Reporting Policy (the "ICFR Policy"), approved by the Board of Directors, which describes the tools and internal risk management and control systems related to the process of publishing financial information and the related oversight.

F.1.2 Indicate whether the following exist, especially in relation to the drawing up of financial information:

- Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) clear definition of lines of responsibility and authority with an appropriate distribution of tasks and functions; and (iii) ensuring that adequate procedures exist for their proper dissemination throughout the entity.

The Organisation Department is responsible for defining, proposing for adoption and implementing, in accordance with the established regulatory requirements, strategic guidelines and policies, the structure, scale and functions of the Bank's different organisational groupings, as well as the operational procedures and circuits regulating the performance of these functions, in order to achieve the most efficient distribution possible of functions and resources.

It is also responsible for defining and making any changes to the functions attributed to the Bank's groupings, upholding the principles of segregation of duties and organisational efficiency, as well as preparing and keeping up to date the

Bank's Operations Manual and publishing the organisational chart on the intranet, together with the Process Map, which provides an overall, high-level view of the Bank's key processes. Specifically, the latter provides information on the activities carried out, the parties involved and the systems and tools used in the various processes.

Such updates are duly approved by the relevant party in accordance with the system of HR and organisation-related delegated responsibilities and authorities in place and duly communicated to the organization.

- Code of conduct, the body approving this, degree of dissemination and instruction, principles and values covered (stating whether there is specific mention of record keeping and preparation of financial information), body charged with analysing breaches and proposing corrective actions and sanctions.

The Bankia group has a Code of Ethics and Conduct, approved by the Board of Directors, constituting one of the essential pillars of its System of Corporate Governance in order to create a corporate culture and encourage conduct based on its corporate values: integrity, professionalism, commitment, proximity and focus on achievement.

The Code of Ethics and Conduct is a mandatory regulation that seeks to regulate the types of conduct permitted and prohibited by the Entity and set out the ethical principles and general rules guiding the actions of the Group and the people included within the relevant scope of application. The Code of Ethics and Conduct governs relationships both within the Company and with customers, suppliers, shareholders and any other parties that have dealings with Bankia. It sets the standards that must guide their conduct in their daily work and in their decision making. It sets forth the rules and guidelines of professional conduct applicable to all of the Entity’s employees and directors and all of the Bankia Group’s businesses and activities. With respect to the recognition of transactions and the preparation of financial information, the Code of Ethics and Conduct refers to a commitment to compliance with the entity’s policies, procedures and controls in order to meet international requirements and good practices. Moreover, Principles 3 and 4 (Protection of Bankia’s Assets and Information Security) notes that information must be used solely for the pursuit of professional activities, observing suitable measures to safeguard the company’s information.

Bankia's Board of Directors and governing bodies are responsible for ensuring all activities focus on this goal, dealing with potential breaches and, if needed, taking corrective measures as and when required through the competent bodies.

All people to whom the Code of Ethics and Conduct applies have received a copy. It has also been published on the corporate intranet and on the Company's website. In addition, a specific training programme has been set up for all professionals of the Entity. The objectives of this programme include teaching such professionals how to apply the Code of Ethics and Conduct correctly and report any conduct that breaches the Code by using the Confidential Whistleblowing Channel. Alongside the Code of Ethics and Conduct, there are the Internal Rules of Conduct for Securities Markets, with which employees must be familiar and comply in line with the prevailing securities market legislation, and which is signed by company employees on joining.

Bankia has an Ethics and Conduct Committee, whose functions are determined by the Board of Directors, including: adopting the measures necessary to handle ethically questionable conduct; overseeing compliance with the Code of Ethics and Conduct; and performing annual assessments of the degree of compliance with the Code and drafting reports for Senior Management.

- Whistleblower channel allowing notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, indicating whether this channel is confidential:

The Bankia Group has a Confidential Whistleblowing Channel, provided for in the Code of Ethics and Conduct, which all of the Group’s employees and suppliers may use to file a confidential and anonymous (where so requested) written report on any possible financial or accounting irregularities that may potentially be relevant, or on any other conduct breaching the Code of Ethics and Conduct detected at any Bankia Group company.

The regulations governing the above Channel have been approved by the Audit and Compliance Committee, setting out the mechanisms for receiving, filtering, classifying and handling reports submitted, all in accordance with the criteria issued by the Spanish Data Protection Agency in this respect, and guaranteeing confidentiality, managed as it is by an external firm with broad experience in the field, which refers any complaints, queries or suggestions to the Ethics and Conduct Committee.

Both the Code of Ethics and Conduct and the Whistleblowing Channel are core elements of the crime prevention and detection model.

The Committee on Ethics and Conduct provides the Audit and Compliance Committee with an activity report at the end of each period, and regularly reports on the functioning of the Whistleblowing channel, in particular on the number of reports received, their origin and type, the results of the inquiries and the proposed actions.

· Training and periodic refresher programmes for personnel involved in the preparation and revision of financial information, as well as in the assessment of the ICFR system, covering at least accounting standards, auditing, internal control and risk management.

Bankia has established mechanisms to ensure that the individuals directly involved in collating financial information and preparing and reviewing financial reporting have the professional skills and competence to perform such duties. In this respect, these individuals are continuously updated on the prevailing legal requirements

Bankia's Personnel Strategy and Policy Department oversees the Group's training activities and programmes, and keeps an up-to-date record of all training courses delivered and the content thereof. Specifically, regular training and refresher courses are provided to personnel involved in the ICFR and its oversight, covering, at least, accounting standards, auditing, internal control and risk management.

The Internal Control System for Financial Information Policy is available to all employees on the corporate intranet, as is a specific online learning module on the ICFR, which was completed by 24 employees in 2020, joining the 22 in 2019 and the 188 employees trained between 2014 and 2017.

The aim of the course is to strengthen the culture of internal control at the organisation, based on the principles and good practices recommended by the CNMV, broken down into three sections:

-Establishing the (domestic and international) legislative framework applicable to ICFR.

-Introduction to internal control within an organisation and further details on the Internal Control System in place at the Bank, ensuring any persons directly or indirectly involved in the process of preparing financial information are aware of the importance of identifying and implementing instruments and mechanisms to help ensure it is reliable. Methodology in place at Bankia, reminder of the obligations and responsibilities of the parties involved in ICFR, ICFR self-assessment and certification processes, and an explanation of how to search the application used (queries on risks and controls, access to documentation, self-assessments and certifications, etc.).

As well as induction training, further training may be provided during the year to attend to specific needs arising as a result of legislative/regulatory changes or in response to specific requests from the organisation's different departments.

In this respect, the Deputy General Directorate of Finance is in charge of awareness-raising and updating, ensuring that the staff involved in ICFR have the necessary knowledge to perform their duties and responsibilities. Such actions concern any additions or changes to the persons in charge of ICFR, and the identification of any changes to processes, risks or controls arising both internally and externally.

F.2. Assessment of risks in financial reporting

Report on at least the following:

F.2.1 The main characteristics of the risk identification process, including risks of error and fraud, as regards:

·Whether the process exists and is documented.

Bankia has developed a procedure to identify material areas, relevant processes and potential risk events (including the risk of errors and fraud) that may significantly affect the Group’s financial information.

This process is documented, setting out the frequency, methodology, types of risks, controls performed, and the frequency and supervisors of such controls, and the Deputy General Directorate of Finance is responsible for designing, implementing, maintaining and periodically updating said process, to this end drawing on the collaboration of the rest of the departments involved in the ICFR.

· Whether the process covers all the objectives of financial reporting, (existence and occurrence; completeness; valuation; presentation; disclosure and comparability; and rights and obligations), whether it is updated and if so how often:

This procedure, which has been designed with regard to all financial reporting objectives (existence and occurrence, integrity, valuation, presentation, breakdown and comparability, rights and obligations), is updated once a year, using the latest financial information, as well as wherever any previously unidentified circumstances arise that indicate the risk of significant errors in the regulated financial information, or where there are any material changes in operations that may uncover new material risks, calling for implementation of the pertinent mitigating controls.

· The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex corporate structures or special purpose vehicles.

The Company has in place a monthly procedure for updating and verifying the consolidation perimeter performed by the Deputy General Directorate of Finance. This procedure is based on the Group's consolidation tool and enables Bankia to ensure any variations in the scope of consolidation in the different reporting periods are correctly included in the Group's consolidated financial statements. The Group's consolidation perimeter is reported on the corporate intranet every month.

The Board of Directors Regulations also authorise the Board to approve resolutions concerning the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might prove detrimental to the transparency of the Company and the Group.

· Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.

The risk identification process takes account of the impact of other types of risks (e.g. operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that these could affect the Bank’s financial reporting. The Controller’s Department stages working meetings with other groups at the Bank in order to gather information on and understand other types of non-financial risks that may affect the Bankia Group’s financial statements.

•The governing body within the company that supervises the process:

The Audit and Compliance Committee's duties include supervising the effectiveness of internal control and, specifically, periodically reviewing the internal control and risk management systems, so that the principal risks are identified, managed and appropriately disclosed.

F.3. **Control activities**

Report on whether the company has at least the following, describing their main characteristics:

F.3.1 Review and authorisation procedures for financial information and a description of the ICFR, to be disclosed to the securities markets, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including accounting closing procedures and the specific review of significant judgements, estimates, valuations and projections.

As stated in section F.1.1, the Board of Directors has delegated the authority to oversee the correct functioning of the ICFR to the Audit and Compliance Committee.

The powers conferred on the above Committee are as follows:

1. Overseeing the effectiveness of internal control at the Company, seeking to ensure that the internal control policies and systems in place are effectively applied in practice, internal audit, regulatory compliance, the systems in place to manage and control financial and non-financial risk at the Company and, as the case may be, the Group, and discussing with the statutory auditor any material weaknesses in the internal control system that may have been detected in the audit, without jeopardizing its independence. To this end, where appropriate the Committee may make recommendations or submit proposals to the Board of Directors, including regarding the related follow-up period. With regard to information systems and internal control:

-Verifying the appropriateness and integrity of internal control systems and reviewing the appointment and replacement of those responsible for them.

-Reviewing and supervising the preparation and integrity of the financial information regarding the Company and, where appropriate, the Group, reviewing compliance with regulatory requirements, the appropriate definition of the consolidation perimeter and the proper application of accounting principles.

-Supervising and periodically evaluating the internal control and financial and non-financial risk management and control systems concerning the Company and, where applicable, the Group, including operational, technological, legal, social, environmental, political and reputational risk, or risk related to corruption, to ensure that the key risks are identified, managed and duly reported, regardless of the powers entrusted to the Risk Advisory Committee or other risk supervision committees.

-Establishing and supervising a mechanism that allows employees and other persons related to the Company, such as directors, shareholders, suppliers, contractors or subcontractors, to report (confidentially and, in certain cases, anonymously) any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the Company or its Group. Moreover, it will foster compliance with the Code of Ethics and Conduct approved by the company, overseeing the functioning of the Ethics and Conduct Committee within the scope of its powers, which will provide the Audit and Compliance Committee with an activity report at the end of each period.

-Establishing and supervising a system for preventing and detecting crimes that may result in criminal liability for the Company.

2.Supervising the preparation and filing of regulatory financial and non-financial information and submitting to the Board of Directors recommendations or proposals designed to safeguard the integrity of such information and, in particular:

-Reporting to the Board of Directors, in advance, on the financial and related non-financial information that the Company must publish periodically.

-Reviewing the Company's accounts to ensure compliance with legal requirements and proper application of accounting legislation and reporting on any proposals for changes to accounting standards and principles put forward by management.

In the interests of effective supervision, the committee must hold individual meetings with management and internal audit and maintain fluid communication with the statutory auditor for the purpose of analysing the following matters: the appropriateness of the scope of consolidation ; any judgements, criteria, valuations or estimates that have a material impact on the financial statements and related non-financial reports; any changes in the significant criteria applied; where applicable, the reasons why in its public reports the Company uses certain performance measures instead of the measures defined directly by the accounting standards, the extent to which such measures provide useful information to investors and the extent to which the Company complies with international recommendations and best practice in this regard; any material weaknesses in internal control, any material adjustments identified by the statutory auditor or resulting from reviews performed by internal audit, and management's position on such adjustments, taking into account any demands sent in the current or a previous period by the Comisión Nacional del Mercado de Valores (CNMV), in order to ensure that the same incidents identified in those demands are not repeated in future financial statements.

-Reviewing issue prospectuses and any periodic financial information the Board is required to provide to the markets and market supervisory bodies.

The Deputy General Directorate of Finance's duties include, inter alia, overseeing accounting and tax management, and the preparation of the Bank's periodic financial statements, as well as the financial information disclosed to the markets and regulatory bodies.

Meanwhile, the Controller's Department is in charge of designing, implementing, ensuring, regularly updating and managing the ICFR, with the collaboration of the rest of the departments involved.

Responsibility for regulated financial information published within the time limits required by the regulations lies with the Deputy General Directorate of Finance:

-The preparation of regulatory half-yearly and annual financial information is the responsibility of the Controller's Department.

The preparation of quarterly financial information, as well as the Management report included in the regulated semi-annual and annual financial information, is the responsibility of the Directorate of Planning and Financial Management

The Annual Corporate Governance Report and the Non-Financial Statement attached to the Management Report within statutory annual financial reporting are prepared by the Deputy General Directorate of the General Secretariat and the Deputy General Directorate of Communication and External Relations, respectively.

When preparing this information, the Deputy General Directorate of Finance calls on the support of the departments responsible for collating certain supporting information that has to be disclosed in the periodic financial reports. In addition, once the information has been prepared, and before it is published, these departments are also required to review and give final approval of the information under their responsibility.

As part of the process of preparing half-yearly and annual reporting, the Controller's Department is responsible for designing the accounting circuits for recording transactions in the Bank and for applying key controls as specified in the accounting close process on the basis of defined materiality thresholds. In this preparation, control procedures have been defined and implemented that guarantee the quality of information and its reasonableness ahead of its presentation to management.

In this respect, the Corporate Directorate of Internal Audit is tasked with contributing, objectively and in an advisory capacity, to meeting the institution's goals, by systematically evaluating risk management and the oversight of the Bank's processes, issuing recommendations to improve their effectiveness.

The Audit and Compliance Committee is also involved in this review, notifying the Board of Directors, previously, of its conclusions on the financial information that the Company must publish periodically.

Ultimately, the Board of Directors approves the financial information that the Company must periodically disclose. These duties are set forth in the Board of Directors Regulations, as described in point F.1.1 above. This approval is formalised in the minutes of the various Board and Committee meetings.

The description of the ICFR is examined by the Deputy General Directorate of Finance and the Corporate Directorate of Internal Audit.

Within the framework of the specific controls and activities regarding transactions that may significantly affect the financial statements, the Bankia Group has identified material areas and specific risks, as well as significant processes in these areas, differentiating between business processes and transversal processes, and has documented in detail each of the processes, flows of activities, existing risks, mitigating controls, the frequency thereof, and those responsible for carrying out these activities.

Critical areas and meaningful processes are determined by applying quantitative criteria, complemented by qualitative criteria, to the main figures of the consolidated public financial statements, taking into account the defined materiality thresholds.

The business processes identified affect the following critical areas:

-Financial assets held for trading.
-Financial assets at fair value through other comprehensive income.
-Financial assets at amortised cost.
-Derivatives - Hedge accounting.
-Investments in joint ventures and associates.
-Non-current assets and disposal groups classified as held for sale.
-Financial liabilities held for trading.
-Financial liabilities at amortised cost.
-Provisions.
-Tax assets and liabilities.
-Commission earned on collection and payment services. The transversal processes identified are as follows:
-Accounting close.
-Consolidation.
-Judgements and estimates.
-General IT controls.

Accordingly, the accounting close process includes the following phases:

-Accounting close. The accounting close entails review, analysis and control over the close of the individual financial statements.
-Preparation of financial statements.
-Process of planning, preparation and review of statutory public financial reporting.

The estimate and assumption process is supported by a specific Policy approved by the Board of Directors, the purpose of which is to address the most relevant elements subject to judgements and estimates, the classification thereof, generally used assumptions and/or estimates (be they objective or subjective) and the individuals responsible for making them. This policy applies to balances and transactions identified as significant within the Bankia Group and that entail estimates or assumptions to a significant degree due to the various tiers of the Group as a part of the process of preparing financial information, referring mainly to the following:

-The fair value of certain financial and non-financial assets and liabilities.

-Impairment and the classification by levels of certain financial assets, considering the value of the collateral received, and non-financial assets (mainly property), as well as contingent liabilities.

-Classification of financial assets, in the context of the assessment to determine whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

-The assumptions used in the actuarial calculation of the post-employment benefit liabilities and obligations and other long-term commitments.

- The estimation of the recoverable amount and costs to sell of non-current assets held for sale, investment property and inventories, based on their nature, condition and the purpose for which they are intended, acquired by the Group in payment of debt, regardless of the legal format pursuant to which they were acquired.

-The recoverability of recognised deferred tax assets.

- The estimation of the commitments included in the agreement for the sale of the CIU custodian business.

- The useful life, right-of-use value and recoverable amount of tangible and intangible assets.

-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.

The supervisor of each of the affected areas is responsible for preparing the estimates. Moreover, within the framework of the process of preparing the regulated financial information, the Deputy General Directorate of Finance is responsible for gathering said estimates and presenting them to the relevant bodies for the notification and approval thereof.
Such estimates are presented to the Managing Committee, at least once a year, prior to their inclusion in the Group's Annual Accounts, ultimately responsibility lying with the Board of Directors, as indicated in the Annual Accounts themselves.

The Bank has in place a certification model for key controls within the system of Internal Control over Financial Reporting based on a "bottom-up" approach, which starts at the lower levels of the organisational structure, identified as the persons in charge of ICFR, and then rises to the Deputy General Directorate of Finance, thus ensuring that half-yearly/annual financial reporting is reliable when released to the market. To this end, in the form of a survey for the relevant period, each of the persons in charge of the key controls identified certifies the effective implementation of the controls, rising up through the various hierarchical levels up to the Corporate Department/Deputy General Directorate in question, finalising with the Deputy General Directorate of Finance, bringing the certification process to a close.

The Certification Model, coupled with self-assessment of key controls, evolves by leveraging the risk management and internal control system and interdepartmental synergies, continuously monitoring business processes and creating a common language for both processes.

The Controller’s Department, forming part of the Deputy General Directorate of Finance, is responsible for launching the Certification Process every six months and for monitoring timely compliance in due form so that the Deputy General Directorate of Finance can certify the ICFR system prior to the release of public financial reporting.

The Bank carried out two certification processes in 2020 for the preparation of the half-yearly and annual financial statements. No significant incidents were uncovered that could have a material effect on the reliability of the financial information.

For the preparation of financial statements, the Deputy General Directorate of Finance presents the results of the certification process to the Board of Directors and the Audit and Compliance Committee.

Moreover, the Corporate Directorate of Internal Audit carries out supervisory functions, as described in sections F.5.1 and F.5.2.

F.3.2 Internal IT control policies and procedures (access security, control of changes, system operation, operational continuity and segregation of duties, among others) which support significant processes within the company relating to the preparation and publication of financial information.

The Deputy General Directorate of Finance is responsible for preparing and publishing the public financial information.

The General Directorate of People, Resources and Technology is responsible for the Bank's IT and telecommunication systems. Its duties include defining and monitoring the cybersecurity policies, circulars and guides for applications and infrastructures, including the IT internal control model.

The key tasks assumed by this department in relation to IT systems are as follows:

-Surveillance and control of data access and physical security systems.

-Defining and setting in place the logical and technological architecture, development methodology and quality control of the Bank’s software.

-Protecting Bankia’s information as a key asset.
The Bankia Group has a set of cybersecurity rules and regulations, which are mandatory for all persons who process information, including the Cybersecurity Policy and Regulations. These documents are available to all employees on the Corporate intranet.

The Cybersecurity Policy sets out the general regulatory framework, setting for the responsibilities with respect to data protection and covering the general philosophy, the goals, the principles and the acceptable ways of proceeding with respect to information security, and constituting the first level of this set of rules and regulations. The objective is to duly protect the information of the Bankia Group.

The Cybersecurity Regulations detail the actions and controls applied to duly protect Bankia's information. Its aim is to support and facilitate the Policy. In this regard, it takes in the following aspects:

-NCS 001 - Governance
-NCS 002 - Cyber-risk management
-NCS 003 - IT Asset Management
-NCS 004 - Information Classification
-NCS 005 - Access Control
-NCS 006 - Human Resources
-NCS 007 - Third-party Relations
-NCS 008 - Communications
-NCS 009 - Operations
-NCS 010 - Encryption
-NCS 011 - Physical Security
-NCS 012 - Vigilance and Response
-NCS 013 - Business Continuity - NCS 014 - Compliance

The Cybersecurity Rules and Regulations implement and define, inter alia, the measures and controls to protect access, operating procedures and guides documented and reviewed periodically to manage application security, the principles of segregation of duties, the management of back-up copies, the definition of responsibilities and functions regarding security, training and raising awareness among those who process data, as well as issues regarding confidentiality, integrity and availability of information and assets.

The Company's development process, which broadly encompasses the development of new applications or modification of existing applications and appropriate management of these projects, is based on SDLC maturity models.

The Entity has a Business Continuity Policy that sets out the lines of action to prevent or minimize the potential losses for the Entity caused by a disruptive event. This policy also guarantees that Bankia has defined and tested strategies for each critical function that ensure its business processes can be restored and recovered. These lines of action are reviewed periodically through a test plan to ensure that all continuity preparations are performed adequately and produce optimal results in the recovery of business processes.

Bankia also has eight information security operating processes and another five business continuity processes considered internal control procedures.

The entity has back-up architecture in its main processing centres. Back-up policies and procedures also ensure information is available and can be recovered in the event of a loss.

F.3.3 Internal control policies and procedures for overseeing the management of activities subcontracted to third parties, as well as of those aspects of assessment, calculation or valuation entrusted to independent experts, which may materially affect financial statements.

The Bankia Group has an outsourcing policy for services and functions approved by the Board of Directors, along with a governance model for outsourcing.

The outsourcing policy for services and functions, understood as delegating to a third party the provision of services and/or exercise of functions inherent in the normal or typical provision of banking or investment services, outlines the criteria and guidelines necessary to address specific aspects of delegation in order to: comply with applicable legislation; identify, measure, control and manage the inherent outsourcing risks (operational, reputational and cyberrisk); and adopt appropriate measures to prevent or mitigate exposure to potential risks, in particularly when essential services or functions are outsourced.

The Bankia Group's service and function outsourcing policy is supplemented with the Outsourcing Governance Model Functional Manual, which sets out the activities and responsibilities defined in this area, which are applied throughout the outsourcing arrangement (including, in light of the nature and complexity of the activities, as well as the characteristics of the service or function to be outsourced, an analysis of the reasons underlying the outsourcing, the arrangement of the outsourcing agreement, performance of the agreement until it is terminated, contingency plans and exit strategy).

Before outsourcing essential functions and services, the Entity conducts a feasibility study of the service or function, and selects and evaluates providers.

The prior analysis of the outsourcing of services or functions takes into account, inter alia, the following factors: cost-benefit analysis of the outsourcing; policy aspects that could condition the outsourcing; the impact of the outsourcing on the Company's business and the evaluation of the risks incurred by the entity, as well as the requirements as regards internal control mechanisms provided for in the current applicable regulations; the entity's capacity and experience in order to effectively monitor outsourced functions and to adequately manage the risks associated with such outsourcing, above all where such outsourcing involves an essential service or function and/or the use of new technologies; and the development, implementation and maintenance of an emergency plan for disaster recovery and periodic inspection of computer security mechanisms, where necessary in view of the outsourced role or service.

Meanwhile, the selection and assessment of third parties is carried out taking into consideration several factors to ensure that the provider to which the function or provision of services is outsourced: has the appropriate competence, ability, experience, quality and stability, and, depending on the characteristics of the service or function, the appropriate resources and organisational structure; has the necessary authorisation required by applicable legislation to perform the outsourced function or services reliably and professionally; complies with the main laws and regulations applicable to it, in particular anti-money laundering and customer protection laws; performs the outsourced function or service effectively and in accordance with applicable legislation; cooperates with the supervisory authority in all matters relating to the activities outsourced to it; protects all confidential information related to the entity and its customers and, if it accesses, processes and/or stores personal data controlled the Bankia Group, offers sufficient guarantees that it applies appropriate technical and organisational measures so that such access, processing and/or storage complies with prevailing data protection regulations. And, in particular, for services or functions considered essential: supervises the correct performance of the outsourced functions; adequately manages the outsourcing risks and, in this respect, has the appropriate measures to this end, such as the performance of regular data back-ups and security checks, and has, applies and keeps up to date an emergency and contingency plan to enable it to continue its activity and limit losses in the event of serious business-related incidents.

The organisational unit that receives the services is responsible for the monitoring and continuing oversight of the services or functions performed by the outsourcing services provider, regarding both fulfilment of the contract and the effective performance of the outsourced service. For critical services or functions, the Outsourcing Control Centre prepares regular monitoring reports and, once their content has been reviewed by the Corporate Directorate of Internal Audit, which assesses both the risks and rewards of the outsourcing, presents them to the Board of Directors. To ensure proper control and monitoring of the service and depending on its nature, meetings are held regularly throughout the year with the outsourcing service provider. The contract sets out the frequency, the issues to be addressed and the persons attending these meetings.

The entity engages independent experts to obtain certain evaluations, calculations and estimates used to prepare the financial statements published on the securities markets. In general, the main areas that outsource these services are related to actuarial calculations, real estate appraisals, and the measurement of financial instruments and investments/disposals. In this regard, the individual person in charge of each area affected monitors the results of the reports produced to determine their consistency and reasonableness. The Deputy General Directorate of Finance checks the consistency of the findings within the framework of preparing regulatory reporting, as does the external auditor under the framework of its review engagement, in addition to any review procedures that may be implemented by the Corporate Directorate of Internal Audit in accordance with the approved work plans.

F.4. Information and communication

Report on whether the company has at least the following, describing their main characteristics:

F.4.1 A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

The Deputy General Directorate of Finance is tasked with establishing and updating the accounting policies and complying with the Bankia Group’s regulatory requirements. The functions performed include the following:

-Analysing the accounting standards issued by the various pertinent authorities that could have an impact on the Group's financial statements.

-Maintaining and updating existing accounting manuals and plans.

-Analysing and calculating the accounting impacts of the Group's new products, businesses and operations.

-Referring to and interpreting accounting standards in order to draft basic announcements, policies, judgments and estimates for subsequent practical application.

-Coordinating communication with the supervisory accounting authorities.

-Coordinating work schedules and liaising with external auditors.

-Preparing reports and developing specific rules.

The Deputy General Directorate of Finance is also responsible for receiving and resolving any doubts or disputes over interpretation of the accounting treatment of specific transactions in the Group (both the parent company and the subsidiaries included in the scope of consolidation).

The Bank has an Accounting Policies Manual, approved by the Board of Directors and updated at least once a year to include any applicable amendments to accounting standards. All areas affected are notified and the policy is published on the Corporate Intranet.

The Bank rounds off the Accounting Policies Manual with several policies and manuals for certain matters that include specific issues requiring more in-depth development.

Indeed, as a complement to the Manual, there is a Financial Disclosure Policy, approved by the Board of Directors, which sets out the main disclosures required in regulated financial reporting and establishes the principles governing consistency between the information disclosed in the Entity's regulated financial reports and that of other regulatory information (Basel Pillar III).

F.4.2 Mechanisms for capturing and preparing financial information in standardised formats for application and use by all units of the entity or group, and support its main financial statements and notes, as well as disclosures concerning ICFR.

The Deputy General Directorate of Finance issues the accounting policies and procedures to be applied generally in the preparation of individual financial statements by companies that are majority owned by Bankia (subsidiaries, hereinafter "companies" or "investees"), to be reported to the Group so it may prepare its consolidated financial statements, as well as precise instructions on the information to be reported, regulating the minimum content and deadlines of the information to be furnished by the various entities comprising the consolidated Group.

The Bankia Group boasts IT systems and applications that enable it to aggregate and standardise the individual accounting records of the Group's business areas and subsidiaries to the required level of detail, as well as to prepare the individual and consolidated financial statements ultimately disclosed to the markets.

Moreover, it has in place a procedure for centralising the gathering of information on companies comprising the group and which includes criteria and models ensuring the information is received in standardised form. There are also a series of controls implemented that allow the reliability and accuracy of the information received from the subsidiaries to be ensured.

The Deputy General Directorate of Finance is responsible for preparing public financial information of a regulatory nature.

F.5. **Supervision of the functioning of the system**

Report on at least the following, describing their principal features:

F.5.1 The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function one of the responsibilities of which is to provide support to the committee in its task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible for performing the assessment communicates its results, whether the company has an action plan detailing possible corrective measures, and whether their impact on financial reporting has been considered.

Bankia's Board of Directors Regulations establishes that the internal audit services must comply with any requests for information from the Audit and Compliance Committee in the performance of its duties.

Reporting functionally to the Audit and Compliance Committee and organically to the Chief Executive Officer, Bankia's Corporate Directorate of Internal Audit had 112 employees at 31 December 2020.

The functions of Bankia's Corporate Directorate of Internal Audit include supporting the Audit and Compliance Committee in ensuring the internal control system operates correctly, by performing periodic reviews of financial reporting procedures.

Bankia's Corporate Directorate of Internal Audit has annual audit plans which are submitted to the Audit and Compliance, for a favourable report, and which are subsequently approved by the Board of Directors. The reports issued refer, inter alia, to the assessment of risk management, internal control, corporate governance and IT systems processes, including an analysis of assets and their appropriate financial accounting classification.

The 2020 Audit Plan includes assessment activities covering aspects related to the process of preparing the financial information. Furthermore, in 2020, within the rotation plan established for the supervision of the ICFR and in line with the 3-year period recommended by CNMV, 8 of the processes identified at the Entity were reviewed. The scope for each of the reviewed periods is as follows:

-The sufficiency of the controls implemented to mitigate the risks identified.

-Evidence of execution of the controls identified in the ICFR documentation.

-Review of the outcome of the self-assessment and certifications corresponding to the processes analysed.

The outcome of the review is set out in a report which is circulated to the groups responsible for control, and to the Controller´s Department (which ensures that the controls continue to work as intended). Recommendations in support of an action plan are proposed and approved by the areas involved to resolve any weakness detected, defining responsibilities and deadlines for implementing the action.

Once a quarter, the Corporate Directorate of Internal Audit provides the Audit and Compliance Committee with the results of the verification and validation procedures performed by the internal audit team, which also includes the action plans designed to remedy the most significant weaknesses detected.

The minutes of the meetings of the Audit and Compliance Committee set out the activities performed in relation to supervision, planning (approval of the annual operations plan, allocation of responsibilities to implement the plan, etc.) and review of the results obtained.

F.5.2 Whether there is a discussion procedure whereby the auditor (as defined in the Spanish Technical Audit Standards), the internal auditor and other experts can report to senior management and the audit committee or directors of the company any significant weaknesses in internal control identified during the review of the annual financial statements or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses detected.

Bankia's auditor has direct access to Bankia's senior management, holding regular meetings to obtain the information needed to perform its work and to communicate any control weaknesses detected during the audit.

In addition, the auditor regularly informs the Audit and Compliance Committee of the findings of its audit and review of Bankia's financial information, including any aspect that it deems relevant, and assists this Committee when it presents financial information.

The Corporate Directorate of Internal Audit, with the frequency set out in the Internal Audit Policy approved by the Board of Directors, presents to Senior Management and the Audit and Compliance Committee the results of the assurance and validation work performed under the Annual Audit Plan previously approved by the Board, or those arising from specific reviews requested by the Audit and Compliance Committee, supervisory bodies or other associations, including the related action plans to address the most significant deficiencies uncovered.

The meeting minutes record the various activities performed in its supervisory work, both in terms of planning (approval of the annual operating plan, appointment of the persons in charge, etc) and the review of the results obtained.

F.6. Other relevant information

Not applicable.

F.7. External auditor's report

Report:

F.7.1 Whether the ICFR information sent to the markets has been subjected to review by the external auditor, in which case the entity should include the corresponding report as an attachment. If not, reasons why should be given.

In 2020, Bankia's external auditor reviewed the information contained in section F of the annual corporate governance report regarding ICFR in accordance with generally accepted professional standards in Spain regarding the engagement of the agreed procedures and, in particular, as provided for in the guidance document on the audit report on information provided by listed companies on their ICFR issued by professional bodies and auditors, and published by the CNMV on its website.

The external auditors' report will be included as an appendix to the annual corporate governance report.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's degree of compliance with recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation of the reasons must be included so that shareholders, investors and the market in general have enough information to assess the company´s conduct. General explanations are not acceptable.

1. That the articles of incorporation of listed companies should not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of its shares on the market.

   Complies [X]   Explain [   ]

2. That when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:

   a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.

   b) The mechanisms in place to resolve any conflicts of interest that may arise.

   Complies [X]   Partially complies [   ]   Explain [   ] Not applicable [   ]

3. That, during the ordinary General Shareholders' Meeting, as a complement to the distribution of the written annual corporate governance report, the chairman of the Board

of Directors should inform shareholders orally, in sufficient detail, of the most significant aspects of the company's corporate governance, and in particular:

a) Changes that have occurred since the last General Shareholders' Meeting.

b) Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.

Complies [X] Complies partially [ ] Explain [ ]

4. That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders. And that the company should publish this policy on its website, including information on how it has been put into practice and identifying the contact persons or those responsible for implementing it.

And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may consider appropriate (communication media, social networks or other channels) that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

Complies [X] Complies partially [ ] Explain [ ]

5. That the Board of Directors should not submit to the General Shareholders' Meeting any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of preemptive rights in an amount exceeding 20% of the capital at the time of delegation.

And that whenever the Board of Directors approves any issue of shares or convertible securities with the exclusion of preemptive rights, the company should immediately publish the reports referred to by company law on its website.

Complies [X] Complies partially [ ] Explain [ ]

6. That listed companies that prepare the reports listed below, whether under a legal obligation or voluntarily, should publish them on their website with sufficient time before the General Shareholders' Meeting, even if their publication is not mandatory:

a) Report on the auditor's independence.

b) Reports on the workings of the audit and nomination and remuneration committees.

c) Report by the audit committee on related party transactions.

Complies [X] Complies partially [ ] Explain [ ]

7. That the company should transmit in real time, through its website, the proceedings of the General Shareholders' Meetings.

   And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.

   Complies [X] Complies partially [ ] Explain [ ]

8. That the audit committee should ensure that the financial statements submitted to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the chairman of the audit committee should clearly explain to the general meeting the opinion of the audit committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called, alongside the other Board proposals and reports.

   Complies [X] Complies partially [ ] Explain [ ]

9. That the company should permanently publish on its website the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

   And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

   Complies [X] Complies partially [ ] Explain [ ]

10. That when a duly authenticated shareholder has exercised his or her right to complete the agenda or to make new proposals for resolutions in advance of the General Shareholders' Meeting, the company:

    a) Should immediately distribute such complementary points and new proposals for resolutions.

    b) Should publish the attendance, proxy and remote voting card specimen with the necessary changes such that the new agenda items and alternative proposals can be voted on in the same terms as those proposed by the Board of Directors.

    c) Should submit all these points or alternative proposals to a vote and apply the same voting rules to them as to those formulated by the Board of Directors including, in particular, assumptions or default positions regarding votes for or against.

    d) That after the General Shareholders' Meeting, a breakdown of the voting on said additions or alternative proposals be communicated.

    Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

11. That if the company intends to pay premiums for attending the General Shareholders' Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

12. That the Board of Directors should perform its functions with a unity of purpose and independence of criterion, treating all similarly situated shareholders equally and being guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, promoting its continuity and maximising the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and conducting itself on the basis of good faith, ethics and a respect for commonly accepted best practices, it should seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders that may be affected, as well as the impact of its corporate activities on the communities in which it operates and on the environment.

Complies [X] Complies partially [ ] Explain [ ]

13. That the Board of Directors should be of an appropriate size to perform its duties effectively and in a collegial manner, which makes it advisable for it to have between five and fifteen members.

Complies [X] Explain [ ]

14. That the Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board and that:

a) Is concrete and verifiable;

b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and

c) Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.

That the result of the prior analysis of the skills required by the Board of Directors be contained in the supporting report from the nomination committee published upon calling the General Shareholders' Meeting to which the ratification, appointment or re-election of each director is submitted.

The nomination committee will annually verify compliance with this policy and explain its findings in the annual corporate governance report.

Complies [X] Complies partially [ ] Explain [ ]

15. That proprietary and independent directors should constitute a substantial majority of the Board of Directors and that the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and no less 30% prior to that date.

Complies [ ] Complies partially [X] Explain [ ]

The General Meeting of Shareholders held on 27 March 2020 resolved to set the number of members of the Board of Directors at 13.

The current distribution of the above Board members is as follows: three executive directors, one external director and nine independent directors, so that independent directors account for an ample majority of the Board, representing 69% of its members.

It should also be noted that a new independent female director was appointed in 2020 to increase the number of female directors and attempt to reach the target for 30% of board members to be women in 2020.

The above target was ultimately only partially met as events this year, Covid 19 and the planned merger with CaixaBank approved in the last quarter of the year, have prevented further changes to the Company’s Board.

16. That the number of proprietary directors as a percentage of the total number of non-executive directors not be greater than the proportion of the company's share capital represented by those directors and the rest of the capital.

This criterion may be relaxed:

a) In large-cap companies where very few shareholdings are legally considered significant.

b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.

Complies [X] Explain [ ]

17. That the number of independent directors should represent at least half of the total number of directors.

That, however, when the company does not have a high level of market capitalisation or in the event that it is a large-cap company with one shareholder or a group of shareholders acting in concert who together control more than 30% of the company’s share capital, the number of independent directors should represent at least one third of the total number of directors.

Complies [X] Explain [ ]

18. That companies should publish the following information on their directors on their website, and keep it up to date:

a) Professional profile and biography.

b) Any other Boards to which the directors belong, regardless of whether or not the companies are listed, as well as any other remunerated activities engaged in, regardless of type.

c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.

d) Date of their first appointment as a director of the company's Board of Directors, and any subsequent re-elections.

e) Company shares and share options that they own.

Complies [X] Complies partially [ ] Explain [ ]

19. That the annual corporate governance report, after verification by the nomination committee, should explain the reasons for the appointment of any proprietary directors at the proposal of shareholders whose holding is less than 3%. It should also explain, if applicable, why formal requests from shareholders for presence on the Board were not honoured, when their shareholding was equal to or exceeded that of other shareholders whose proposal for proprietary directors was honoured.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

20. That proprietary directors representing significant shareholders should resign from the Board when the shareholder they represent disposes of its entire shareholding. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

21. That the Board of Directors should not propose the dismissal of any independent director before the completion of the director's term provided for in the articles of incorporation unless the Board of Directors finds just cause and a prior report has been prepared by the nomination committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties inherent to his or her post as a director, fails to complete the tasks inherent to his or her post, or is affected by any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or other similar corporate transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of application of the proportionate representation criterion provided in Recommendation 16.

Complies [X] Explain [ ]

22. That companies should establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and reputation, and in particular requiring them to inform the Board of any criminal proceedings in which they appear as suspects or defendants, as well as of how the legal proceedings subsequently unfold.

    And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the nomination and remuneration committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. And that these events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, at the time when the corresponding measures are implemented.

    Complies [X] Complies partially [ ] Explain [ ]

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

    Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

    This recommendation also applies to the secretary of the Board of Directors, even if he or she is not a director.

    Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

24. That whenever, due to resignation or resolution of the General Shareholders' Meeting, a director leaves before the completion of his or her term of office, the director should explain the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for their removal, in a letter addressed to all members of the Board of Directors.

    And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant to investors, the company must publish the removal as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

    Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

25. That the nomination committee should make sure that non-executive directors have sufficient time available in order to properly perform their duties.

And that the Board regulations establish the maximum number of company Boards on which directors may sit.

Complies [X] Complies partially [ ] Explain [ ]

26. That the Board of Directors meets frequently enough to be able to effectively perform its duties, and at least eight times per year, following a schedule of dates and agendas established at the beginning of the year and allowing each director individually to propose other items that do not originally appear on the agenda.

Complies [X] Complies partially [ ] Explain [ ]

27. That director absences occur only when absolutely necessary and be quantified in the annual corporate governance report. And when absences do occur, that the director appoint a proxy with instructions.

Complies [X] Complies partially [ ] Explain [ ]

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes at the request of the director expressing them.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

29. That the company should establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company’s expense.

Complies [X] Complies partially [ ] Explain [ ]

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances make this advisable.

Complies [X] Explain [ ] Not applicable [ ]

31. That the agenda for meetings should clearly indicate those matters on which the Board of Directors is to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, in exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies [X] Complies partially [ ] Explain [ ]

32. That directors be periodically informed of changes in shareholding and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies [X] Complies partially [ ] Explain [ ]

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out the duties assigned by law and the articles of incorporation, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances make this advisable.

Complies [X] Complies partially [ ] Explain [ ]

34. That when there is a coordinating director, the articles of incorporation or Board regulations should confer upon him or her the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; to liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and to coordinate a succession plan for the chairman.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account such recommendations regarding good governance contained in this Good Governance Code as may be applicable to the company.

Complies [X] Explain [ ]

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

a) The quality and efficiency of the Board of Directors' work.

b) The workings and composition of its committees.

c) Diversity in the composition and skills of the Board of Directors.

d) Performance of the chairman of the Board of Directors and of the chief executive officer of the company.

e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the nomination committee.

Every three years, the Board of Directors will rely for its evaluation upon the assistance of an external advisor, whose independence shall be verified by the nomination committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group must be specified in the annual corporate governance report.

The process and the areas evaluated must be described in the annual corporate governance report.

Complies [X] Complies partially [ ] Explain [ ]

37. That if there is an executive committee, it must contain at least two non-executive directors, at least one of whom must be independent, and its secretary must be the secretary of the Board.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

39. That the members of the audit committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.

Complies [X] Complies partially [ ] Explain [ ]

40. That under the supervision of the audit committee, there should be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies [X] Complies partially [ ] Explain [ ]

41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

   a) Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group - including operational , technological, legal, social, environmental, political and reputational risk, or risk related to corruption - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.

   b) Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service; approving or proposing its orientation and annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.

   c) Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.

   d) Generally ensuring that internal control policies and systems are effectively applied in practice.

2.With regard to the external auditor:

   a) In the event that the external auditor resigns, examining the circumstances leading to such resignation.

   b) Ensuring that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor’s independence.

   c) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.

   d) Ensuring that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks performed and the development of the company's accounting situation and risks.

   e) Ensuring that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing, limits on the concentration of the auditor’s business, and, in general, all other rules regarding auditors' independence.

Complies [X] Complies partially [ ] Explain [ ]

43. That the audit committee be able to require the presence of any employee or manager of the company, even stipulating that he or she appear without the presence of any other member of management.

Complies [X] Complies partially [ ] Explain [ ]

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draw up a prior report to the Board of Directors on the economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

45. That the risk management and control policy identify or determine, as a minimum:

a) The various types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks and risks relating to corruption) which the company faces, including among the financial or economic risks contingent liabilities and other off-balance sheet risks.

b) A risk control and management model based on different levels, which will include a specialised risk committee when sector regulations so require or the company considers it to be appropriate.

c) The level of risk that the company considers to be acceptable.

d) Measures in place to mitigate the impact of the risks identified in the event that they materialise.

e) Internal control and information systems to be used in order to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

Complies [X] Complies partially [ ] Explain [ ]

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal risk control and management function should exist, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:

a) Ensuring the proper functioning of the risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks affecting the company.

b) Actively participating in drawing up the risk strategy and in important decisions regarding risk management.

c) Ensuring that the risk management and control systems adequately mitigate risks as defined by the policy laid down by the Board of Directors.

Complies [X] Complies partially [ ] Explain [ ]

47. That in designating the members of the nomination and remuneration committee – or of the nomination committee and the remuneration committee if they are separate – care be taken to ensure that they have the knowledge, aptitudes and experience appropriate to the functions that they are called upon to perform and that the majority of said members are independent directors.

Complies [X] Complies partially [ ] Explain [ ]

48. That large-cap companies have separate nomination and remuneration committees.

Complies [X] Explain [ ] Not applicable [ ]

49. That the nomination committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director be able to ask the nomination committee to consider potential candidates that he or she considers suitable to fill a vacancy on the Board of Directors.

Complies [X] Complies partially [ ] Explain [ ]

50. That the remuneration committee exercise its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

a) Proposing the basic conditions of employment for senior management to the Board of Directors.

b) Verifying compliance with the company's remuneration policy.

c) Periodically reviewing the remuneration policy applied to directors and senior managers, including share-based remuneration systems and their application, as well as ensuring that their individual remuneration is proportional to that received by the company's other directors and senior managers.

d) Making sure that potential conflicts of interest do not undermine the independence of external advice given to the committee.

e) Verifying the information on remuneration of directors and senior managers contained in the various corporate documents, including the annual report on director remuneration.

Complies [X] Complies partially [ ] Explain [ ]

51. That the remuneration committee should consult with the chairman and the chief executive of the company, especially on matters relating to executive directors and senior management.

Complies [X] Complies partially [ ] Explain [ ]

52. That the rules regarding the composition and workings of the supervision and control committees should appear in the regulations of the Board of Directors and that they should be consistent with those applying to legally mandatory committees in accordance with the foregoing recommendations, including:

a) That they be composed exclusively of non-executive directors, with a majority of independent directors.

b) That their chairpersons be independent directors.

c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and require them to render account of their activities and of the work performed in the first plenary session of the Board of Directors held after each committee meeting.

d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.

e) That their meetings be recorded and be made available to all directors.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of self-organisation, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it.

Complies [X] Complies partially [ ] Explain [ ]

54. The minimum functions referred to in the foregoing recommendation are the following:

a) Monitoring of compliance with the company’s internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.

b) Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.

c) The periodic evaluation and review of the company’s corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.

d) Supervision of the company's environmental and social practices to ensure that they are in alignment with the established strategy and policy.

e) Supervision and evaluation of the way in which relations with the various stakeholders are handled.

Complies [X] Complies partially [ ] Explain [ ]

55. That environmental and social sustainability policies identify and include at least the following:

a) The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct

b) Means or systems for monitoring compliance with these policies, their associated risks, and management.

c) Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.

d) Channels of communication, participation and dialogue with stakeholders.

e) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies [X] Complies partially [ ] Explain [ ]

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgement of non-executive directors.

Complies [X] Explain [ ]

57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other provident schemes.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition.

Complies [X] Complies partially [ ] Explain [ ]

58. That, as regards variable remuneration, remuneration policies should incorporate the necessary limits and technical safeguards to ensure that such remuneration is in line with

the professional performance of its beneficiaries and not based solely on general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk incurred to achieve a given result.

b) Promote the sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with the company's rules and internal operating procedures and with its risk management and control policies.

c) Are based on balancing the attainment of short-, medium- and long-term objectives, so as to allow remuneration of continuous performance over a period long enough to be able to assess its contribution to the sustainable creation of value, such that the elements used to measure performance are not associated only with one-off, occasional or extraordinary events.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have effectively been met. Entities must include in their annual report on director remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.

That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

60. That remuneration related to company results should take into account any reservations that might appear in the external auditor's report and that would diminish said results.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

61. That a material portion of executive directors' variable remuneration be linked to the delivery of shares or financial instruments referenced to the share price.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.

An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The forgoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

H. FURTHER INFORMATION OF INTEREST

1. If there is any significant aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which it is necessary to include in order to provide a more comprehensive and reasoned picture of the structure and governance practices in the company or its group, describe them briefly below.

2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not repetitive.

   Specifically, indicate whether the company is subject to any corporate governance legislation other than that of Spain and, if so, include any information required under this legislation that differs from the data required in this report.

3. The company may also indicate whether it has voluntarily subscribed to other ethical or best practice codes, whether international, sector-based, or other. In such case, name the code in question and the date on which the company subscribed to it. Specific mention must be made as to whether the company adheres to the Code of Good Tax Practices of 20 July 2010.

H.1.H FURTHER INFORMATION OF INTEREST

Bankia has a System of Corporate Governance approved by the Board of Directors and inspired by the Bankia Group's corporate values with respect to business ethics and corporate social responsibility: integrity, professionalism, commitment, proximity and focus on achievement.

This system is also underpinned by the principles of good governance assumed and developed by the Company in the Bankia Group Corporate Governance and Organisational Structure Policy, as regards internal governance, approved by the Company's Board of Directors based on the recommendations of the Good Governance Code of Listed Companies approved by the Board of the CNMV.

Bankia's System of Corporate Governance comprises a set of internal policies, standards and procedures in accordance with prevailing legislation and the scope of corporate autonomy supported therein, ultimately aimed at satisfying the corporate interest, understood as the common interest of all the shareholders of an independent, public listed company (sociedad anónima) focused on the profitable and sustainable pursuit of its objects and the creation of long-term value, which in the case Bankia entails a broad institutional and retail shareholder base.

Bankia's System of Corporate Governance comprises mainly (i) Corporate rules and regulations, (ii) Internal Procedures and Rules of Conduct and (iii) Corporate Policies.

(i) Corporate rules and regulations:

- Bylaws.
- General Meeting of Shareholders Regulations.
- Board of Directors Regulations.
- Audit and Compliance Committee Regulations.
- Appointments and Responsible Management Committee Regulations. - Remuneration Committee Regulations.

(ii) Internal rules of conduct and procedures:

The Company and the Group also have other internal procedures and rules of conduct that comply with regulatory and statutory requirements, or arise from good governance recommendations.

These include, among others, the following rules and procedures:

-Code of Ethics and Conduct.
-Internal Rules of Conduct for Securities Markets activities.

Said basic texts within the scope of the codes of conduct are developed and supplemented through other internal procedures and provisions addressing issues such as the prevention of money laundering and terrorist financing, the Customer Protection Rules of Bankia and its Group and the Whistleblowing Channel Regulations, all of which fall within the framework of Bankia's commitment to promoting an ethical corporate culture that complies with and encourages responsible behaviour at the Entity.

(iii)Corporate Policies:

These policies determine the general principles and guidelines that regulate the governing bodies, the duties, activities and processes of the Company and its Group, establishing a framework for action that offers legal certainty to the company and its Group. They are general in nature and are intended to be permanent. They were approved by the Board of Directors, taking into account the relevant legal requirements, such as good governance recommendations.

Specifically, Bankia's Corporate Governance System includes, inter alia, the following policies:

- Bankia Group Corporate Governance and Organisational Structure Policy.
- Internal Governance Policy.
- Policy on Information, Communication, Contacts and Involvement with Shareholders, Institutional Investors, Proxy Advisors and other Stakeholders.
- Policy on the Suitability of Directors, General Managers and other Key Function Holders at Bankia.
- Policy on the Selection, Diversity, Integration and Training of Directors.
- Bankia Senior Management Selection and Appointment Policy.
- Remuneration Policy for Directors, General Managers and Persons performing Senior Management Functions
- Risk Management and Control Policies.
- Investment and Financing Policy.
- Sustainable Management Policy.
- Dividend Policy.
- Treasury Shares Policy.
- Conflicts of Interest Policy.
- Regulatory Compliance Policy. - New Products Policy.

In 2020, the Board of Directors updated the corporate governance system and several policies; e.g., the Group Corporate Governance and Organisational Structure Policy, the Policy on the Suitability of Directors, General Managers and Other Key Function Holders, the Policy on the Selection, Diversity, Suitability, Integration and Training of Directors, the Senior Management Selection and Appointment Policy, and the Conflicts of Interest Policy.

H.2.- FURTHER INFORMATION OF INTEREST

The Company is not subject to any legislation other than Spanish law for corporate governance purposes.

MERGER WITH CAIXABANK

At their Extraordinary General Meeting held on 1 December 2020, the shareholders resolved to approve the merger by absorption of Bankia, S.A. into CaixaBank, S.A., with the termination of the absorbed company and the transfer en bloc of all of its assets and liabilities as a whole to the absorbing company, under the general terms of merger of 17 September 2020.

The effectiveness of the merger is subject to the following conditions precedent:

(a) Authorisation by the Minister of Economic Affairs and Digital Transformation per the provisions of additional provision twelve of Law 10/2024 of 26 June 2014, on the organisation, supervision and solvency of credit institutions.

(b) Authorisation by the National Markets and Competition Commission for the economic concentration arising as a result of the merger, per the provisions of Competition Law 15/2007 of 3 July 2007, and related legislation.

(c) The absence of objections on the part of the Directorate-General for Insurance and Pension Funds, the CNMV and the Bank of Spain regarding the acquisition by CaixaBank, as a result of the merger, of significant shareholdings in companies subject to supervision by such bodies, be it by express declaration of the absence of objections, or due to the maximum period established in the applicable legislation elapsing without the relevant objections having been raised.

(d) The absence of objections by the European Central Bank regarding the acquisition of significant shareholdings by CaixaBank, as a result of the merger, be it by express declaration of the absence of objections, or due to the maximum period established in the applicable legislation elapsing without the relevant objections having been raised.

(e) Authorisation for or, as the case may be, the absence of objections by the relevant supervisory authorities (including, specifically, the European Central Bank, the Bank of Spain, the Directorate-General for Insurance and Pension Funds and the CNMV) o the acquisition by the future, post-merger shareholders of CaixaBank of significant indirect holdings in investees of CaixaBank subject to the supervision of such authorities.

SECTION C.1.16 (continued)

In the event that the Board of Directors proposes the removal of any external director before the end of the term for which the director was appointed under the Bylaws, the proposal must be explained and be supported by the relevant report of the Appointments and Responsible Management Committee. The Board of Directors will not propose the removal of any independent director before the expiry of that director's tenure as mandated by the Bylaws, except where the Board of Directors considers just cause to exist, after a report from the Appointments and Responsible Management Committee. The removal of independent directors may also be proposed as a result of a takeover bid, merger or similar corporate transaction entailing changes in the shareholder structure of the Company, where such changes in the structure of the Board are made in order to meet the proportionality criterion referred to in the good corporate governance recommendations.

Without prejudice to the foregoing, directors must place their directorships at the Board of Directors’ disposal and, if the Board deems it appropriate, tender their resignation in the cases stated in article 23.4 of the Board of Directors Regulations, as described in section C.1.19 of this report.

SECTION C.1.30 (continued)

Contracting, rotation of appointment:

- Monitoring of contract expiry dates, signing of audit reports, submission of replacement options/tender in October. The selection process will be conducted according to the Procedure for selecting the external auditor in force from time to time.
- Verification of inclusion of the reference to rotation in the document provided by the external auditor describing the internal control policies and procedures designed and implemented at the audit firm (and at all firms in its network) with a view to ensuring strict compliance with the independence rules applicable to audit firms.

Fees and transparency:

- Monthly monitoring of the 70% limit on each new proposal submitted to the Audit and Compliance Committee. Additional control of amounts invoiced.
- Six-monthly reconciliation of billing recorded on Bankia's systems to proposals reviewed, accounting records and billing reported by the external auditor.
- Six-monthly review of billing for services provided to Bankia in proportion to the external auditor's total revenue.

Specific mechanisms established by the Company to safeguard the independence of financial analysts, investment banks and credit rating agencies:

Elsewhere, article 38 of the Board of Directors Regulations states that the Board of Directors will establish mechanisms for the regular exchange of information with institutional investors who are among the Company's shareholders, and that the relations between the Board of Directors and institutional shareholders may not result in delivery to such shareholders of information that could give them a privilege or advantage over other shareholders.

Article 36.5 of the Board of Directors Regulations states that the Board of Directors shall define, promote and publish on its website a policy for communication, contact and engagement with shareholders, institutional investors and proxy advisors that is fully consistent with the rules against market abuse and gives similar treatment to shareholders that are in the same position. The Board of Directors shall also define a general policy regarding the communication of economic-financial, non-financial and corporate information, through such channels as it may consider appropriate, that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

This policy is applicable to information and communications provided by the Company to financial analysts, investment banks and rating agencies. In the case of financial analysts, regulatory compliance recommendations are adhered to. In the case of investment banks, where they are advisors to the Bank, the relationship is governed by non-disclosure agreements and all parties involved are included on the lists of insiders as applicable in accordance with prevailing law. In the case of rating agencies, the relationship is governed by non-disclosure agreements. Credit rating agency analysts are subject to the specific regulations of the ESMA (European Securities and Markets Authority) that apply to them.

In this respect, the Policy of Information, Communication, Contacts and Engagement with Shareholders, Institutional Investors and Proxy Advisors and other Stakeholders approved by the Board of Directors and which forms part of the Company's corporate governance system, aims to engage and encourage permanent dialogue with each of the Company's stakeholders, particularly its shareholders, institutional investors and proxy advisors, in order to generate stable and sound relations and promote transparency within the framework of corporate interest, acting in accordance with the following principles: (i) transparent communication, (ii) ongoing information and dialogue, (iii) equal treatment and non-discrimination, (iv) commitment and integrity in the dissemination, communication and management of corporate information, (v) innovation, sustainability and development in the use of new technologies, and (vi) compliance with the law and the corporate governance system. SECTION C.2.1. (continued)

FUNCTIONS OF THE RISK ADVISORY COMMITTEE (continued)

The Risk Advisory Committee will perform the following functions:

a) Advise the Board of Directors on the Company's general propensity to risk, now and in the future, and its strategy in this respect, and assist the Board in overseeing the implementation of that strategy. Nevertheless, the Board of Directors will have ultimate responsibility for the risks taken by the Company.

b) Ensure that the pricing of the assets and liabilities offered to customers takes the Company's business model and risk strategy fully into account. Where this is not the case, the Risk Advisory Committee will present the Board of Directors with a plan to remedy the situation.

c) Determine, together with the Board of Directors, the nature, quantity, format and frequency of the risk reports the Risk Advisory Committee and the Board of Directors are to receive.

d) Collaborate to establish rational remuneration policies and practices. For this purpose, without prejudice to the functions of the Remuneration Committee, the Risk Advisory Committee will monitor the incentives provided for in the remuneration system to ensure that it gives proper consideration to risk, capital, liquidity and the probability and timing of profits.

e) Present risk policies to the Board of Directors.

f) Propose the Company's and the Group's risk control and risk management policy to the Board of Directors through the Internal Capital Adequacy Assessment (ICAAP) Report, which must identify in particular:

- The various types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks and risks relating to corruption) facing the company and the Group, including among the financial or economic risks contingent liabilities and other off-balance sheet risks.
- The report on the level-based risk management and control model, which will include the Risk Advisory Committee itself.
- Internal control and information systems to be used in order to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.
- The level of risk that the Company considers to be acceptable.
- Measures in place to mitigate the impact of the risks identified in the event that they should materialise.

g) Present to the Board of Directors proposals concerning:

- The approval of policies for assumption, management, control and reduction of risks to which the Company is or may be exposed, including those arising from the macroeconomic environment in relation to the current stage of the economic cycle.
- The approval of the general internal control strategies and procedures, on the status of which it periodically will be advised.
- Periodic reports on the results of verification and control functions undertaken by the Company's units.

h) Periodically monitor the loan portfolio of the Company and the Group to make proposals to the Board of Directors on control of matching the risks taken to the established risk profile, paying particular attention to the main customers of the Company and Group and the distribution of risk by sector of activity, geographical area and risk type.

i) Periodically check the systems, processes, assessment methods and criteria for approving transactions.

j) Make proposals to the Board of Directors for the assessment, monitoring and implementation of instructions and recommendations issued by supervisory bodies in the exercise of their function and, where applicable, refer to the Board of Directors any proposals for actions to be taken, while following the instructions received.

k) Verify that the Company's risk reporting processes are appropriate for managing the risks taken and, where appropriate, propose any improvements that may be considered necessary to correct them.

l) Make proposals to the Board of Directors in relation to the Company's credit risk authority framework.

m) Supervise the internal control and risk management function. The officer in charge of this function shall provide the Committee, at the end of each year, with a report on activities, evaluating whether the risk unit has the processes, technical resources and personnel necessary for proper performance of its duties in an independent manner, consistent with the Company's risk profile.

In particular, the Risk Advisory Committee shall supervise the functions of the risks unit with respect to:

-Ensuring the proper functioning of the risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks affecting the Company.
-Actively participating in drawing up the risk strategy and in important decisions regarding risk management.
-Ensuring that the risk management and control systems adequately mitigate risks as defined by the policy laid down by the Board of Directors.

APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE (CONTINUED)

To perform its functions more effectively, the Committee may use whatever resources it considers appropriate, including taking advice from outside professionals in matters within its remit, ensuring suitable alignment of interests and scrutinising, at the time of engagement, any potential conflicts of interest that might exist. The Committee shall receive adequate funds for this purpose and shall submit to the Board for approval an annual budget, or alternative mechanisms.

If advisors are retained to assist the Committee in its selection, appointment and assessment roles, they shall be different from any advisors who might assist the Remuneration Committee in its remuneration policy work. The above is subject to the principle of proportionality and the specific circumstances of each case.

The Committee shall record any potential conflict of interest affecting the external advisors, the detail of the fees earned by each advisor over the year and the measures and actions taken to safeguard their independence. External advisors shall be required to disclose in their service provision proposals any conflicts of interest they may have with the Company, with the directors or with potential candidates for Chairman, CEO or director.

In the performance of its duties, the Appointments and Responsible Management Committee shall take into account, inasmuch as possible and on a continuing basis, the need to ensure that the Board of Directors' decision-making is not dominated by one individual or by a small group of individuals such as could harm the interests of the Bank as a whole.

ACTIONS:

In 2020, the Appointments and Responsible Management Committee's key actions focused on:

-Annual verification of the status of directors: The Committee verified the status of directors and was briefed on business relations between the Bank and the independent directors. Such relations are disclosed in the annual corporate governance report.

-Reports on appointments: In 2020, the Committee submitted reports and proposals to the Board of Directors for the appointment and ratification of directors and their specific positions, and regarding senior management. It also reported on the re-election of the Chief Executive Officer, the renewal of the members of the Board Committees, the appointment of a new independent director and the creation and composition of the Technology and Innovation Committee as well as the appointment of the Chief Risk Officer (CRO).

-Policy for the selection of directors and senior managers: In 2020, the Committee reported favourably on the proposal to update the Policy on the Suitability of Directors, General Managers and Other Key Function Holders at Bankia and the Policy on the Selection, Diversity, Integration and Training of Directors, and on the proposal to update the Senior Management Selection and Appointment Policy.
The Committee was briefed on the annual verification of compliance with the Policy on the Suitability of Directors, General Managers and Other Key Function Holders at Bankia, the Policy on the Selection, Diversity, Integration and Training of Directors, and the Senior Management Selection and Appointment Policy. The Committee was informed at several meetings of the steps taken to meet the gender diversity target and of the start of the process of assessing the suitability of the selected female candidates.

-Assessment: The Committee was briefed on the commencement of the suitability assessment in respect of both members of the Board of Directors and key function holders, as the body responsible for assessing the suitability of directors and senior executives and for proposing updates to the Group's Suitability Manual. The Committee was also informed of the membership of the management bodies of Group companies and the suitability of their members. The Committee was briefed on the evaluation by an external expert of the effectiveness of the Board and its Committees, and on the specific performance assessments of the Chairman and the Chief Executive Officer.

-Responsible Management: In 2020, the Committee reviewed, monitored and evaluated the Responsible Management Policy and Plan and the update to the Responsible Management Policy. It was briefed on the sponsorship and social action policy, with details of the changes as regards social investment and key indicators for 2019. Bankia’s Responsible Management Plan is monitored every six months by the Committee. The Committee was also briefed on the Sustainable Management Framework and the application of ESG (environmental, social and corporate governance) Criteria, on the results of the assessments by ESG analysts who evaluate Bankia’s performance in this regard, on the proposed review of the Policy on the Protection of and Respect for Human Rights and the activity report of the Ethics and Conduct Committee, as well as on the renewal and monitoring of the Conventions Policy and the monitoring of Sustainable Development Goals.

-Succession plans: The Committee was informed of the Company's succession plans and their updates, which are intended to ensure the continuity of the business and its leadership.

-Annual Board Training Plan and New Directors Orientation Plan: The Committee was briefed on the Board Training Cycle Survey, the purpose of which was to gather the opinions of directors on the training cycle offered in 2019. In this regard, Directors were required to answer questions in the following areas: Content, Methodology, Summary and Comments/Suggestions: The Committee was also informed of the new independent director’s progress with the New Directors Orientation Plan.

-Merger with CaixaBank: As regards governance matters, the Appointments and Responsible Management Committee held a specific meeting to analyse the governance structure resulting from the general terms of merger with CaixaBank S.A.. Among other issues, it analysed the composition of the future Board of Directors of the post-merger entity, the executive chairmanship, the chief executive status of the Chief Executive Officer and the remuneration systems to be applied at the post-merger entity to executive directors, senior executives and other categories of staff whose professional activities have a significant impact on the entity’s risk profile. It was also briefed on the content of the Directors’ Report concerning the draft terms of merger.

-Other activities in 2020: Report on the members of staff forming the Identified Personnel group in 2020, the assessment to determine the Identified Personnel for 2020, as well as any changes in relation to the criteria for establishing this group. It was also briefed on the monitoring of reputational risk (2019), the contracts of the members of the Management Committee, the Bankia Group's consolidated non-financial information statement, the Bankia labour agreement and the sector-specific collective bargaining agreement and the aspects of the Annual Corporate Governance Report falling within its area of authority, among other activities, as well as on the policy concerning personnel rendering real estate mortgage/loan services.

The Appointments and Responsible Management Committee produces a detailed annual activity report. The report is made available to shareholders when the General Meeting of Shareholders is called and can be accessed on the corporate website (www.bankia.com).

FUNCTIONS OF THE APPOINTMENTS AND RESPONSIBLE MANAGEMENT COMMITTEE (CONTINUED)

The Appointments and Responsible Management Committee will have general authority to propose and report on the appointment and removal of directors and senior executives. In particular, without prejudice to other tasks assigned to it by the Board, the Appointments and Responsible Management Committee shall have all the functions assigned to it by applicable legislation and, in particular and without limitation, the core responsibilities under Chapter III of the Committee Regulations, including:

a) Assess the competencies, knowledge, skills, diversity and experience required of the Board of Directors and, in light of that assessment, define the roles and capabilities required of the candidates to fill each vacancy, and estimate the time and commitment that will be needed for them to perform their duties effectively, ensuring that non-executive directors have sufficient time available to discharge their responsibilities effectively;

b) Identify candidates and make recommendations and proposals to the Board of Directors for the appointment of independent directors by co-optation or, if applicable, by vote of the General Meeting of Shareholders, and make proposals for the re-election or removal of such directors by the General Meeting;

c) Identify candidates, make recommendations and submit reports to the Board of Directors on proposals for the appointment of the remaining directors by co-optation or by vote of the General Meeting of Shareholders, and make proposals for their re-election or removal at the General Meeting;

d) At the request of the Chairman and on a non-binding basis, inform on Board resolutions concerning the appointment or removal of senior executives of the Group and the basic terms and conditions of their contracts, without prejudice to the powers of the Remuneration Committee with regard to remuneration, and conduct regular reviews of the Board's Policy concerning the selection and appointment of the Group's senior management, offering recommendations;

e) Examine and update the succession plans for the Chairman, the Deputy Chairman and, as the case may be, the Chief Executive Officer and senior executives of the Company and, where appropriate, submit proposals to the Board of Directors with a view to ensuring an orderly, planned succession;

f) To safeguard the independence, impartiality and professionalism of the Secretary and Assistant Secretary of the Board of Directors, submit reports on their appointment and removal for approval by the full Board;

g) Set a target for the level of representation of the least-represented gender on the Board of Directors and draw up guidelines on how to increase the number of persons of the least-represented gender so as to meet that target. The Committee will also take steps to ensure that the selection procedures used to fill vacancies do not contain implicit biases that prevent the selection of persons of the least-represented gender;

h) At regular intervals and at least once a year, assess the structure, size, composition and performance of the Board of Directors, making recommendations to the Board in respect of possible changes;

i) At regular intervals and at least once a year, assess the suitability of the various members of the Board of Directors and of the Board as a whole and report the results to the Board;

j) Report to the Board of Directors on issues of good corporate governance concerning matters falling within the Committee's remit (objectives, talent management, liability insurance, etc.) and make proposals for improvement;

k) Propose the board diversity policy and director selection policy to the Board of Directors and run an annual check on compliance with the policy;

l) Without prejudice to the responsibilities assigned to the Audit and Compliance Committee, the Ethics and Conduct Committee will submit to the Appointments and Responsible Management Committee periodically, and at least at the end of each year, a report on activities in relation to the performance of the duties assigned to it and, in particular, on the oversight and monitoring of the Code of Ethics and Conduct;

m) Periodically evaluate and review the Company's corporate social responsibility and environmental and social sustainability policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.

n) Supervise the Company's environmental and social practices to ensure that they are in alignment with the established strategy and policies.

o) Supervise and evaluate the way in which relations with the various stakeholders are handled. Specifically, the Chairman and other Committee Members, along with the lead director, shall be involved in communication and contacts with shareholders and institutional investors, above all with those not represented on the Board. The Committee will also be involved with proxy advisors and shall liaise between all of the above stakeholders and the Board, sounding them out them on specific matters, particularly matters relating to corporate governance, and may also involve them in the improvement of any aspect. In any event, the Board will authorise these contacts and establish the basic outline of any messages to be conveyed, which may on no account include privileged information and it shall be informed of any matters dealt with.

The duties and responsibilities of the Appointments and Responsible Management Committee are set out in Article 15 of the Board of Directors Regulations, and are further implemented by the Appointments and Responsible Management Committee Regulations. Both sets of regulations are available at the corporate website (www.bankia.com).

REMUNERATION COMMITTEE (continued)

The Committee shall record any potential conflict of interest affecting external advisors, the detail of the fees earned by each advisor over the year and the measures and actions taken to safeguard their independence. External advisors shall be required to disclose in their service provision proposals any conflicts of interest they may have with the Company, with the directors or with potential candidates for Chairman, CEO or director.

ACTIONS:

In 2020, the Remuneration Committee's key actions focused on:

-Director and senior executive remuneration policy: in 2020, the Committee performed the periodic review of the remuneration policy applicable to directors and senior executives and was briefed on the report prepared by the independent expert on the evaluation of the 2019 Bankia Remuneration Policy and its compliance with the legislation in force on remuneration. As regards remuneration, the Committee was briefed on the resolutions of the 2020 General Meeting of Shareholders regarding the variable remuneration of directors, the request for authorisation to pay the variable remuneration for 2016 to executive directors and senior management, the accrual of the variable remuneration for 2018, the request for variable remuneration for 2019, the multi-year variable remuneration for 2020, the information on remuneration contained in the 2019 annual reports, the variable remuneration for Retail Banking and the amendments to the remuneration regulations. It was also briefed on the analysis of the Remuneration Policy and its alignment to the Risk Appetite Framework (RAF) and equal pay for men and women.

-2019 Annual Report on Directors' Remuneration and Annual Corporate Governance Report: The Committee reported favourably on the 2019 Annual Corporate Governance Report regarding matters falling within the scope of its authority and on the 2019 Annual Report on Directors' Remuneration.

-Other activities: In 2019, the Committee was briefed, among other matters, on the identities of and updates to the Identified Personnel, the proposed targets for 2020, the appointment of corporate managers, the contract of the Chief Executive Officer upon his proposed re-election, residential mortgage financing, and remote working.

The Remuneration Committee produces a detailed annual activity report. The report is made available to shareholders when the General Meeting of Shareholders is called and can be accessed on the corporate website (www.bankia.com)).

FUNCTIONS OF THE REMUNERATION COMMITTEE (continued)

In addition to any other tasks assigned to it by the Board, the Remuneration Committee has general powers to report on and propose remuneration for directors and senior executives. In particular, and without limitation, the Committee shall have the powers under Chapter III of its Regulations, which include:

-Submitting proposals to the Board of Directors for the policy on the remuneration of directors and general managers or senior managers who report directly to the Board, executive committees or the CEO, as well as the individual remuneration and other contractual terms of executive directors, and oversee compliance;

-Reporting on senior management remuneration. Overseeing the remuneration of the heads of Internal Audit, Risks and Compliance;

-Periodically reviewing the Company's remuneration programmes, assessing their appropriateness and effectiveness, the remuneration policy applied to directors and senior executives, including share-based remuneration systems and their application, and ensuring that their individual compensation is proportionate to the amounts paid to other directors and senior executives in the Company;

-Ensuring transparency in remuneration and the inclusion of information about directors’ remuneration in the annual report on directors’ remuneration and the annual corporate governance report, submitting such information as may be necessary to the Board for that purpose;

-Verifying compliance with the Company's remuneration policy.

-Submitting proposals to the Board on any remuneration decisions to be made by the Board, including those that may have an impact on risk and the Company’s risk management, taking the long-term interests of shareholders, investors and other stakeholders into account, as well as the public interest, all this without prejudice to the functions assigned to the Risk Advisory Committee in this matter;

-Making sure that potential conflicts of interest do not undermine the independence of external advice given to the committee.

-Verifying the information on remuneration of directors and senior managers contained in the various corporate documents, including the annual report on director remuneration, to which end it will submit a report to the Board of Directors.

The duties and responsibilities of the Remuneration Committee are set out in Article 15 bis of the Board of Directors Regulations, and are further implemented by the Remuneration Committee Regulations. Both sets of regulations are available at the corporate website (www.bankia.com).

FUNCTIONS OF THE BOARD RISK COMMITTEE (continued)

The Board Risk Committee shall have the following functions, among others:

a) To make decisions within the scope of the powers delegated to it by the Board of Directors in risk matters specifically provided for in the Board's current delegation resolution.

b) Within the scope of its authority, to set the overall pre-classification limits for account holders or customer groups in relation to exposures by risk class.

c) To report to the Board of Directors on risks that may affect the Company's capital adequacy, recurring results, operations or reputation.

d) With respect to the approval of risk types other than credit risk, the powers of the Board Risk Committee will be those delegated to it by the Board of Directors at any given time.

TECHNOLOGY AND INNOVATION COMMITTEE (Continued)

ACTIONS:

Regarding the main actions carried out since its creation on 27 May 2020 and the close of year 2020, the Technology and Innovation Committee advised the Board of Directors on the following key matters:

- Digital Transformation: objectives and structure of the Digital Transformation and Strategy, the Digital Transformation Plan and reflections with respect to 2021.
- Technology and operations 2020: Technology and Operations presentation, IT 2020, 2020 Projects Plan, Transformation of IT and Operations, Annex, Core Banking transformation strategies.
- The road towards innovation as a culture: the aim of which is to give a comprehensive view of the role of innovation at Bankia and its lines of future development.

AUDIT AND COMPLIANCE COMMITTEE (CONTINUED)

ACTIONS:

In 2020, the Audit and Compliance Committee's key actions focused on:

- Financial and non-financial reporting and related internal control mechanisms: In 2020, the Committee oversaw the preparation and fairness of the Company's separate and consolidated financial statements, as well as the key business figures and the Bankia Group's consolidated non-financial information statement. It was informed of the proposal to update the Accounting Policies Manual with a view to bringing it into line with the latest legislative developments. Moreover, over the year, the Committee regularly oversaw the effectiveness of the Company's internal control, internal audit and risk management systems and, in particular, the system of Internal Control over Financial Reporting (ICFR) and the Internal Control over Non-Financial Reporting (ICNFR) Policy. The Committee was briefed on the activities of the Ethics and Conduct Committee and the Whistleblowing Channel and their updated Regulations. It was also briefed on the proposed 2020-2022 Financial Plan, as well as the report on the observations concerning the key accounting impacts of Covid-19; the monitoring of contingencies, the report on the recoverability of deferred tax assets (DTAs), the report on the supervision of Bankia, S.A.'s dividends policy during 2019, the report on variations in legal and tax contingencies and the current status of the Action Plans concerning the Deposit Guarantee Fund Stress Test.

- Regulatory compliance: The Committee is the oversight body for the compliance risk control systems and monitors the Compliance function. The Committee was informed of the progress of the Annual Compliance Plan for 2019, and the 2019 Annual Compliance Report. The Committee was briefed on the progress of compliance control activities, including: activity reports on criminal risk and the updating of Bankia's Crime Prevention Policy, the prevention of money laundering and terrorist financing and reports by external experts. Reports on the Internal Rules of Conduct in the Securities Market, compliance with the Market Abuse Prevention Policy, personal data protection and the proposed modifications to the data protection governance model and policy, as well as the amendment to the Bankia Group's Compliance Model, with briefings on processing and reporting to the Chief Data Officer. The report on essential outsourcing, the Conflicts of Interest Policy and the related modifications, on notifications and inspections by the supervisory authorities, the periodic reports on investment services and reviews of the Treasury Stock Policy, the Policy on Commercial Communications and Algorithmic Trading, the reports on non-subject related-party transactions, the proposed review and update of the Document on Criteria, Related-Party Transactions and Credit Facilities, the 2019 Annual Compliance Report and specific activity reports and the proposed PBC-FT/Comex Action Plan, the Pension Plan Commercialisation Policy and the Compliance Training Plan, and progress with the Economic Systems Development for Compliance, as well as actions under the 2020 Action Plan.

- Corporate governance: The Committee oversaw the effectiveness of and compliance with governance rules and procedures, review and updating of the Company's Corporate Governance System and Corporate Policies, the 2019 Corporate Governance Report, the suitability of the content that the Board of Directors must include in annual public documentation, the proposed amendment to the Shareholders' Meeting Regulations in order to include, where applicable, the core principles of Directive (EU) 2017/828, certain provisions concerning recent legislative reforms, certain aspects in line with best good governance practices and certain technical specifications. Moreover the Committee resolved to report favourably on the proposed amendment to the Board Regulations, introducing article 14 bis regulating the Technology and Innovation Committee. It was also briefed on the reform to the Code of Good Governance at Listed Companies approved by the CNMV on

26 June 2020, and on the update to and supervision of the Corporate Governance System in the first half of 2020 (corporate governance management).

-Related-party transactions: In 2020, the Committee reported on related-party transactions involving members of the Board and transactions with significant shareholders, supervised the Framework Agreement between Bankia and BFA and was briefed on the proposed modification of the BFA-Bankia recovery services agreement, to this end drawing on the reports of several external experts. The Committee was also informed of the non-subject related-party transactions in 2019.

-Risk management and control: Within its sphere of concern, the Committee took part in the management and control of the Bank's risks, supervising risk management systems in the financial reporting process, including tax risks. The Committee also evaluated the Company's regulatory and litigation risks and was briefed on Bankia's Investment and Financing Policy over the year and the preliminary conclusions of the 2019 report on protection of customer assets. As part of its risk management and control duties, in 2020 the Committee held two joint meetings with the Risk Advisory Committee.

-Internal audit activity: Bankia's Corporate Internal Audit Department reports to the Audit and Compliance Committee. The Chairman of the Committee may approach the department at any time to request information on its activities. In this regard, the Committee was briefed on the progress of the internal audit in respect of the fourth quarter of 2019 and the Annual Report on the 2019 Audit Plan, the evaluation of the effectiveness of and compliance with Bankia's governance rules and procedures, the annual evaluation of the functioning of the internal audit unit, as well as the 2021 Audit Plan and the budget and proposed funds for the above unit in 2021. Furthermore, the Committee received monthly reports on the independence of the external auditors, on the reviews associated with the appointment of the external auditor and the follow-up report on the external auditor's recommendations. It was also informed of the Proposed New Criteria for the Reformulation of Recommendations (February/2020), the report on the profiles of the internal audit team and the report on the Covid-19 Financial Transactions Oversight Office. The Committee was also briefed on the review of the Internal Audit Regulations and Policy, as well as the 2020 report on Compliance with the Policy and Regulations.

-External audit: in line with the External Auditor Selection Policy, the Committee was briefed at several meetings on the process for reviewing the appointment of the external auditor for the coming years, a process that began in 2019. Following the reviews and analyses conducted, the Annual Shareholders' Meeting of 27 March 2020, at the proposal of the Audit and Compliance Committee, approved the appointment of KPMG Auditores, S.L. as the auditor of Bankia, S.A. and its consolidated group in 2020, 2021 and 2022. The external auditors (both outgoing and incoming) were invited to attend 7 meetings of the Committee in 2020, at which they confirmed their independence, presented the conclusions of the audit of the 2019 financial statements and the planning, scope and conclusions of the audit engagement as at 30 June 2020 and the financial statements for 2020. The Committee verified the fees paid to the external auditor for its engagements. The Committee received written confirmation from the external auditor of its independence from the Bankia Group and from entities directly or indirectly related to the Bank. The outgoing external auditor also presented the Committee with a report supplementing the audit report and the 2019 annual report on customer asset protection. The current auditor also provided the Committee with the strategy and planning for the audit of the individual and consolidated annual accounts at 31 December 2020.

-Follow-up to the Committee's action plans: The Audit and Compliance Committee received reports throughout 2020 on the schedule of planned and recurring matters to be examined, and regularly followed up action plans, meeting on a monthly schedule, in addition to ad hoc meetings convened as appropriate over the year.

-Other activities: in 2020, the Committee analysed and supervised, inter alia, the following matters: tax information, the dividends policy, treasury share transactions, policy on powers of attorney, registration documents and issuance programmes, documentation relating to the 2019 year-end, the annual report of the Customer Service Department, the annual report on the corporate website, the 2019 report on essential outsourcing and the proposed amendment to Bankia's Board Regulations, introducing article 14 bis regulating the Technology and Innovation Committee, as well as Judgment 13/2020 of 29 September 2020, of Panel 4 of the Criminal Chamber of the National Appellate Court /Bankia Flotation" (Abbreviated Proceedings 1/2018). Moreover, the Committee was regularly informed of the planned merger between Bankia, S.A. (as the absorbed company) and CaixaBank, S.A. (as the absorbing company). The Committee was also informed of the updates to the Cybersecurity Policy and Regulations and the Bankia Group's Procurement Policy.

In 2020, the Bank did not create or acquire shares in special purpose vehicles or entities domiciled in countries or territories listed as tax havens. Therefore the Audit and Compliance Committee did not report to the Board of Directors on this matter.

The Audit and Compliance Committee produces a detailed annual activity report. The report is made available to shareholders when the General Meeting of Shareholders is called and is accessible on the corporate website (www.bankia.com).

FUNCTIONS OF THE AUDIT AND COMPLIANCE COMMITTEE (Continued)

Without prejudice to any other tasks that may be assigned to it by the Board of Directors, and in accordance with article 14 of the Board of Directors Regulations and the Audit and Compliance Committee Regulations, the Audit and Compliance Committee has all the functions assigned to it under applicable law and, in particular and without limitation:

a) Reporting to the General Meeting on issues that fall within its remit and, in particular, on the audit findings, explaining how the audit has contributed to the integrity of the financial information and the Committee's role in this process.

b) Overseeing the effectiveness of internal control at the Company, seeking to ensure that the internal control policies and systems in place are effectively applied in practice, internal audit, regulatory compliance, the systems in place to manage and control both financial and non-financial risk at the Company and the Group, and discussing with the statutory auditor any material weaknesses in the internal control system that may have been detected in the audit, without jeopardizing its independence. To this end, where appropriate the Committee may make recommendations or submit proposals to the Board of Directors, along with the related follow-up period.

c) Supervising and assessing the preparation and filing of regulatory financial and non-financial information and making recommendations or submitting proposals to the Board of Directors to safeguard the integrity of the financial information.

d) Making recommendations to the Board of Directors for the selection, appointment, re-election and removal of the statutory auditor, and overseeing the selection process in accordance with EU legislation and the terms and conditions of engagement.

e) Establishing appropriate relations with the external auditors so as to receive information on matters that could jeopardize the external auditor's independence, so that they may be examined by the committee, and on any other matters arising from the auditing of the Company's accounts and, as appropriate, authorising the services permitted under the terms of EU legislation and regulations regarding independence, and making any other disclosures required under applicable legislation and auditing standards. In any event, the Committee must also receive an annual statement from the external auditor certifying its independence in relation to the Company or entities directly or indirectly related to it, as well as detailed information about any additional services of any kind provided and the fees received from these entities by the external auditor, or by individuals or entities related to it, in accordance with the laws on auditing.

f) Issuing a report each year, prior to the release of the auditor’s report, expressing an opinion on whether the independence of the external auditor or audit firms has been compromised. This report must contain a reasoned assessment of any additional non-audit services provided, considered individually and in the aggregate, other than the statutory audit and in relation to the auditors’ independence and compliance with auditing standards.

g) Examining and supervising compliance with the Board of Directors Regulations, the internal regulations on the Company’s conduct in securities markets, the anti-money laundering manuals and procedures and, in general, the Company’s governance and compliance rules, making the necessary proposals for improvement thereof, while seeking to ensure the corporate culture is in line with their purpose and values.

h) Reporting to the Board on the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories classified as tax havens, and any other transactions or operations of a comparable nature the complexity of which could impair the transparency of the group.

i) Reporting in advance to the Board of Directors on any matters within its remit under the law, the Bylaws or the Board Regulations.

j) Any other functions which have been assigned to it, or for which it has been granted authority, by the Board.

The Audit and Compliance committee will also report to the Board on related-party transactions, before the Board makes any decision in this respect.

The Audit and Compliance Committee must be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draw up a prior report to the Board of Directors on the economic conditions and accounting implications and, in particular, any exchange ratio involved.

The duties and responsibilities of the Audit and Compliance Committee are set out in Article 14 of the Board of Directors Regulations, and are further implemented by the Audit and Compliance Committee Regulations. Both sets of regulations are available at the corporate website (www.bankia.com).

SECTION E.1 (CONTINUED)

The Board of Directors of the Company has a permanent commitment to ensuring that the risk control and management model, especially with regard to crime prevention, prevents or minimises the probability of irregular practices and ensures, when any such conduct is detected, that it is stopped and the persons responsible are brought to account, to the strictest standards. The Audit and Compliance Committee takes the above into account as part of its role of monitoring the effectiveness of internal control and internal audit, in accordance with the criteria of the supervisory bodies, notwithstanding, in any event, the mandatory disclosures to the markets via the Non-Financial Information Statement (NFIS) and this Annual Corporate Governance Report.

Tax risk:

Tax risk control was first implemented in 2015 and the associated process describing this control is documented. All transactions approved by Centralised Committees or Governing Bodies are backed, where necessary, by an opinion from Tax Advisory or, in its absence, a certified, external tax advisor. This is also required by the New Products Committee for the launch of each new product or service. For the remaining Committees, the groups responsible for making proposals must verify whether a tax opinion has been issued if so required in accordance with the established criteria.

Work will continue on the activities envisaged in the Entity's control process in 2020.

SECTION E.2. (CONTINUED)

g) Contingency Committee: This 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.

h) Global Risk Control and Oversight Committee: Its risk-related functions include controlling, overseeing and effectively evaluating trends in the Group's risk profile, the risk appetite approved by the Board of Directors, and the business model from a holistic and forward-looking perspective, analysing any deviations affecting the Group's risk profile, solvency and/or liquidity, proposing, where necessary, any measures considered appropriate.

i) Regulatory Compliance Committee: This committee meets monthly. Its risk-related duties mainly include identifying, assessing and managing compliance risks associated with the Group's operations; updating and managing codes of conduct; and drafting, maintaining and overseeing compliance manuals and policies.

j) Operational and Technological Risk Committee: Its functions related to risk include awareness of the Group's operational risk profile through a qualitative self-assessment, analysing actual operational losses and monitoring of various indicators. It must also propose the annual framework of appetite and tolerance to operational and technological risk and approve the implementation of specific policies and procedures affecting the field of operational and technological risk.

k) Cyber Security Committee: Its functions include monitoring the status of cybersecurity and reporting regularly to the Board of Directors. In addition, its competencies include strategic decision-making on cyber security investments.

SECTION E.6 (CONTINUED)

Operational risk. In 2013, the Entity chose the standardized approach for calculating its capital requirements, subsequently making improvements in operational risk management on several fronts, including the real loss database and the extension of the self-assessment to all Group companies.
For the follow-up of this risk, the Entity has in place management policies and procedures which allow it to identify, measure, monitor and control the operational risks of the Entity.

Bankia's operational risk management objectives are to foster a culture of operational risk management that is particularly geared to raising risk awareness, assuming responsibility for and a commitment to service quality, and to ensuring that operational risks are identified and measured in order to prevent possible damages that could affect results.

Bankia performs Operational and Technological Risk Management that not only covers the recognition of loss-generating events and the accounting thereof, but also promotes their control, in order to minimize their potential negative effects through the continuous improvement of processes and the reinforcement of operational controls.

Operational and Technological Risk Management must be implemented throughout the entity to contribute to the realisation of the institutional objectives, through the management, prevention and mitigation of associated risks.

Reputational risk: The entity has procedures in place that enable it to identify, measure, monitor and control its reputational risks. Based on these policies, the entity is able to identify and quantify this type of risk and to identify potential additional sources of reputational risk.

Tax risk. Tax risk control was first implemented in 2015 and the associated process is documented.
All transactions approved by Centralised Committees or Governing Bodies are backed, where necessary, by an opinion from Tax Advisory or, in its absence, a certified, external tax advisor. This is also required by the New Products Committee for the launch of each new product or service. For the remaining Committees, the groups responsible for making proposals must verify whether a tax opinion has been issued if so required in accordance with the established criteria.

SECTION G.6

The Company publishes the reports indicated in the recommendation sufficiently in advance of the General Meeting of Shareholders.

In particular, the Audit and Compliance Committee's annual report includes the information on auditor independence, related-party transactions and the functioning of the Audit and Compliance Committee.

SECTIONS G.37 AND G.38

The Bylaws and the Board of Directors Regulations provide for possibility of creating an Executive Committee. However, one has not been set up and no members have been appointed. Therefore, in accordance with article 45 of the Bylaws, where no Executive Committee is constituted, the Board of Directors will retain its authority.

SECTION G.62

The General Shareholders' Meeting of 22 March 2019 approved the Director Remuneration Policy, with a deferral of the annual variable remuneration of 6 years, and partial payments in the final three years of deferral. The variable multi-year remuneration is deferred over a 5-year period as from the accrual of the conditional remuneration granted.

With respect to the prohibition on directors from transferring the shares granted until at least three years have elapsed, in the case of Bankia, while the holding period is one year as from the date on which the shares are delivered to the directors, given the specific limitations and conditions for the accrual, payment and deferral of the remuneration of Bankia's executive directors, the above period is extended to at least 4 years. In other words, as from the date on which the number of shares is determined, plus the one-year holding period as from the effective date of delivery, at least 4 years must elapse before such executive directors may transfer their shares.

2020 was the first year in which the executive directors received the shares in respect of the 2016 annual variable remuneration, since they had expressly waived such shares in previous years, and such shares are therefore retained and may not be transferred until 2021.

H.3.- FURTHER INFORMATION OF INTEREST

Institutional initiatives to which Bankia has signed up:

• Code of Best Tax Practices of the Spanish Tax Authorities (CBPT). In 2016, the Board of Directors of Bankia resolved to sign up to the Spanish Tax Authorities' Code of Best Tax Practices (CBPT). The Code of Best Tax Practices contains recommendations, which are undertaken voluntarily by the Spanish Tax Authorities and signatory companies, to enhance the enforcement of the Spanish tax system by increasing legal certainty, mutual cooperation based on good faith and legitimate trust between the Tax Authorities and companies, and the implementation of responsible tax policies at companies with the knowledge of the Board of Directors.

Sign-up date: 31 March 2016.

• The Code of Best Practices for the viable restructuring of loans secured by mortgages over normal residences. Signing up to the Code is voluntary and implies accepting a series of mechanisms designed to enable the restructuring of mortgage loans of borrowers experiencing extraordinary difficulties in meeting their payment obligations, as set forth in Royal Decree-Law 6/2012, of 9 March, on urgent measures to protect mortgagors without funds.

Sign-up date: 10 April 2012.

• Social Housing Fund. Created pursuant to an agreement spearheaded by the Ministry of Economy and Competitiveness Ministry, the Ministry of Health, Social
Services and Equality, the Ministry of Development, and the Bank of Spain, the Spanish Federation of Towns and Provinces (FEMP), the Third Sector Platform (non-governmental organisations), the banking employers' association and 33 credit institutions. The Social Housing Fund provides housing to families in a particularly vulnerable situation that have been evicted since 1 January 2008 for default on a mortgage loan or other regulated circumstances. Bankia has contributed 2,921 homes to the Fund.

Sign-up date: 17 January 2013.

• United Nations Global Compact. Bankia promotes and embraces the 10 universal principles in the areas of Human Rights, Labour, Environment and Anti-Corruption.

Sign-up date: 15 November 2013.

•SpainSIF. Platform created in Spain to promote socially responsible investment (SRI). The platform includes financial institutions, fund managers, SRI service providers and not-for-profit organisations.

Sign-up date: 1 January 2011.

• Forética (Forum for the Assessment of Ethical Management). A multi-stakeholder organisation that works together with companies to promote ethical and socially responsible management policies based on the engagement and participation of all stakeholders through decision forums.

Sign-up date: November 2012.

• Diversity Charter. Initiative falling under the framework of European Union non-discrimination directives implying a voluntary commitment to support diversity and non-discrimination in the workplace.

Sign-up date: 23 April 2014.

• Fundación SERES (Responsible Society and Businesses). Spanish non-governmental organisation comprising more than 100 companies set up to foster a commitment among companies to improve society through responsible actions aligned to the strategy of each company that create value for everyone.

Sign-up date: 29 July 2014.

• Fundación LEALTAD. A not-for-profit organisation that offers individuals and companies independent, objective and consistent information on NGOs to help them decide which one to collaborate with, and guide them in monitoring their donations. This information is based on free transparency analyses by the foundation of NGOs that voluntarily so request.

Sign-up date: 2 July 2014.

• Fundación ETNOR (foundation for ethics in business and organisations). Non-profit organisation founded in 1991 to promote acknowledgement and dissemination of and respect for the ethical values inherent in economic activity and quality at public and private organisations and institutions.

Sign-up date: 5 November 2015.

• Plan de Educación Financiera (financial literacy plan) of the CNMV and the Bank of Spain. Plan to enhance financial awareness in society, providing tools and knowledge to aid in financial decision-making.

Sign-up date: 1 January 2011.

• Association for the Self-regulation of Commercial Communications (Autocontrol). Platform comprising self-regulation systems, as the industry's response to society's demands for a degree of assurance of reliability and credibility in advertising. The platform is not intended to replace legal oversight, but rather to supplement it through joint regulation.

Sign-up date: 1 January 2011.

• The Spanish Association of Advertisers. The Spanish Association of Advertisers is the non-profit professional association that represents advertising companies in the defence of their interests in all matters affecting commercial communication. It represents advertising companies (more than 200 associates) with a view to fostering ethical, responsible and efficient communication and dialogue with society. The association defends the freedoms of communication and competition and seeks the recognition of the value of their brands' communication.

Sign-up date: 1 January 2011.

• Spanish Association of Social Responsibility Directors (DIRSE). The purpose of this association is to ascertain and clearly define and demarcate the professional status of CSR managers with a view to appropriate recognition of their management function and professional role. It also aims to identify and apply in Spain the trends of similar associations in other countries that have laid the groundwork.

Sign-up date: 16 December 2015.

• The Spanish Green Growth Group is an association that promotes public-private collaboration with a view to joint progress regarding environmental challenges, through solutions regarding climate change mitigation and adaptation, the decarbonisation of the economy and the promotion of a circular economy. This association encourages companies to participate in national and international discussion forums and shares information to identify opportunities for Spanish companies.

Sign-up date: 2 November 2017.

• The Business and Society Foundation is an organization that drives social change through business innovation and promotes innovative ideas through studies, collaborative forums and services. It works through a permanent observatory on business, the economy and society, and provides associative services to identify business solutions and content, form part of innovation committees and collaborate with corporate work groups.

Sign-up date: 6 September 2017.

• Dow Jones Sustainability Index (DJSI). Bankia was included on this index in 2016, which recognises it as one of the most sustainable companies in the world. Only 25 banks in the world (of which 9 are European, including three Spanish banks) are listed on the index. The DSJI evaluates companies' economic, environmental and social performance. Bankia was removed from the index in 2018. Nonetheless, following an analysis by RobecoSam, it was relisted on the Dow Jones Sustainability Index Europe in September 2019

Date of listing: 30 December 2016.

• CDP is an independent, not-for-profit organisation with the world's largest database of corporate information on climate change and representing more than 820 institutional investors. It provides the only global system for companies to report on their environmental impacts and the measures adopted to reduce them.

Sign-up date: 1 January 2012.

• Fundación Ecología y Desarrollo (ECODES) seeks to promotes a sustainable economic and social development model by generating, implementing and disseminating activity models that factor in environmental and social costs in institutional, business and personal decision-making processes. Moreover, through ECODES, Bankia has become a strategic ally in the #PorElClima community, whose objective is to assist with and facilitate pro-climate actions and raise awareness about the efforts of social partners to stop climate change.

Sign-up date: 4 April 2018.

•Corporate Excellence – Centre for Reputation Leadership. Under the brand name "Corporate Excellence – Centre for Reputation Leadership", Fundación Excelencia Corporativa en Comunicación y Reputación (Fundación ECCR) aims to develop and encourage initiatives and actions that can contribute to enhancing corporate and business reputation. Its main objectives are: to boost organisations' competitiveness and legitimacy through excellent management of their reputation, brand, communications, public affairs, sustainability, metrics and training; to demonstrate the economic impact of intangible assets and resources; to promote long-term strategies with a multi-stakeholder vision; and to promote cooperation between different social actors as a means of regaining trust and generating economic, social and environmental value.

Sign-up date: 11 July 2018.

• TCFD. Bankia has undertaken to abide by the recommendations on financing and climate change of the Task Force on Climate-related Financial
Disclosure (TCFD) promoted by the UN Financial Stability Board. Bankia will follow the recommendations of the UN Financial Stability Board (FSB) in assessing its climate-related risks and opportunities to promote a transition to a low-carbon economy. The recommendations of the Task Force on Climate-related Financial Disclosure focus on four areas: governance, strategy, risk management, and metrics and targets. Addressing these recommendations will help Bankia to measure and manage its climate-related risks.

Sign-up date: 5 June 2018.

• UNEPFI. UN Environment Programme Finance Initiative (UNEP FI) is a partnership between UNEP and the global financial sector to mobilize private sector finance for sustainable development. Bankia has signed up for two initiatives promoted by UNEPFI:

• Principles for Responsible Banking. This commitment implies that signatories of the principles recognise that they play an active role in creating a sustainable economy and are committed to integrating environmental and social considerations in their operations to achieve a sustainable banking industry.
• Collective Commitment to Climate Action. The entity is committed to developing products and services that facilitate the economic transition required to achieve climate neutrality. The signatories undertake to align their operations with the Paris Agreement and the United Nations Sustainable Development Goals (SDGs).

Sign-up date: 22 September 2019.

• Signature of the Women's Empowerment Principles. Launched by the UN Global Compact and UN Women in 2010. They offer a global framework for companies on how to empower women in the workplace, the market and the community. Bankia complies with the seven principles in the form of the policies and initiatives carried out under its equality and diversity plans and reported in the Non-Financial Information Statement.

Sign-up date: 22 May 2020

This Annual Corporate Governance Report was approved by the Board of Directors of the company in its meeting held on:

16/02/2021

Indicate whether any director voted against or abstained from approving this report.

[ ] Yes
[√] No

Certificate to attest that at the meeting held on 16 February 2021 the Board of Directors of BANKIA, S.A. authorised the issue of the individual annual accounts and individual directors' report for the period from 1 January 2020 to 31 December 2020, which comprise: the balance sheet, statement of recognised income and expense, statement of changes in equity, statement of cash flows and notes thereto., together with the annual corporate governance report, which is appended thereto. These documents are endorsed with the signature below of the members of the Board of Directors of BANKIA, S.A. The directors hereby declare that, to the best of their knowledge, the aforementioned accounts have been prepared in accordance with the applicable accounting principles and that they give a true and fair view of the equity, financial position and financial performance of the Company. In addition, the directors' report includes a true and fair analysis of the business performance, results and position of the Company, together with a description of the main risks and uncertainties they face.

In Madrid, on 16 February 2021.

Mr. José Ignacio Goirigolzarri Tellaeche
Chairman

Mr. José Sevilla Álvarez
Chief Executive Officer

Mr. Joaquín Ayuso García
Board Member

Mr. Francisco Javier Campo García
Board Member

Ms. Eva Castillo Sanz
Board Member

Mr. Jorge Cosmen Menéndez-Castañedo
Board Member

Mr. Carlos Egea Krauel
Board Member

Mr. José Luis Feito Higueruela
Board Member

Mr. Fernando Fernández Méndez de Andés
Board Member

Ms. Laura González Molero
Board Member

Mr. Antonio Greño Hidalgo
Board Member

Mr. Antonio Ortega Parra
Board Member

Ms. Nuria Oliver Ramírez
Board Member

BANKIA, S.A.

Auditor's Report on the “Internal Control over Financial Reporting (ICOFR) Information” of BANKIA, S.A. for 2020

KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Auditor's Report on the "Internal Control over Financial Reporting (ICOFR) Information" of BANKIA, S.A. for 2020

To the Directors of BANKIA, S.A.

As requested by the Board of Directors of BANKIA, S.A. (the "Company") and in accordance with our proposal letter dated 28 January 2021, we have applied certain procedures to the "ICOFR information" attached hereto in section F of the Annual Corporate Governance Report (ACGR) of BANKIA, S.A. for 2020, which summarises the Company's internal control procedures for annual financial reporting.

The Board of Directors are responsible for adopting appropriate measures to reasonably ensure the implementation, maintenance and monitoring of an adequate system of internal control and developing improvements to that system, as well as defining the content of and preparing the ICOFR information attached hereto.

In this respect, it should be borne in mind that irrespective of the quality of the design and operation of the internal control system adopted by the entity in relation to annual financial reporting, the system may only provide reasonable, but not absolute assurance in relation to the objectives pursued, due to the limitations inherent in any internal control system.

In the course of our audit work on the annual accounts and in accordance with Technical Auditing Standards, our evaluation of the entity's internal control was solely aimed at enabling us to establish the scope, nature and timing of the audit procedures on the entity's annual accounts. Consequently, the scope of our evaluation of internal control, performed for the purposes of the audit of accounts, was not sufficient to enable us to issue a specific opinion on the efficacy of this internal control over regulated annual financial reporting.

For the purposes of issuing this report, we have applied only the specific procedures described below and set out in the *Guidelines for preparing the auditor's report on the information on the system of internal control over financial reporting of listed companies*, published on the website of the Spanish National Securities Market Commission (CNMV), which define the work to be performed, the minimum scope thereof and the content of this report. As the scope of the work resulting from these procedures is in any event limited and substantially less than that of an audit or review of the internal control system, we do not express an opinion on its effectiveness or design or operating efficiency, with respect to the entity's annual financial reporting for 2020 described in the ICOFR information attached hereto. Consequently, had additional procedures been applied other than those established in the aforementioned Guidelines, or had an audit or a review been performed of the internal control system in relation to regulated annual financial reporting, other events or matters could have been identified, which would have been reported to you.

As this special work did not constitute an audit of accounts and is not subject to current legislation regulating the audit of accounts in Spain, we do not express an audit opinion under the terms provided in such legislation.

The procedures applied were as follows:

1. Reading and understanding of the information prepared by the entity regarding ICOFR – disclosures included in the Directors' Report – and an evaluation of whether this information meets all the minimum reporting requirements, taking into account the minimum content described in section F, on the description of ICOFR, of the ACGR template provided in the Spanish National Securities Market Commission (CNMV) Circular 5/2013 of 12 June 2013 and subsequently amendments, the most recent being CNMV Circular 1/2020 of 6 October 2020 (hereinafter the CNMV Circulars).

2. Inquiries of the personnel responsible for drawing up the information detailed in point 1 above in order to: (i) gain an understanding of the preparation process; (ii) obtain information that allows us to assess whether the terminology used conforms to the definitions contained in the reference framework; (iii) obtain information on whether the control procedures described are in place and operational in the entity.

3. Review of the explanatory documents supporting the information detailed in point 1 above, primarily including documents directly made available to those responsible for describing ICOFR systems. This documentation includes reports prepared by internal audit, senior management and other internal or external specialists supporting the Audit Committee.

4. Comparison of the information detailed in point 1 above with the understanding of the entity's ICOFR gained as a result of the procedures performed within the framework of the audit work on the annual accounts.

5. Reading of the minutes of the meetings of the Board of Directors, Audit and Control Committee and other committees of the entity for the purposes of assessing the consistency of the matters discussed at these meetings in relation to ICOFR with the information detailed in point 1 above.

6. Procurement of a representation letter concerning the work performed, duly signed by those responsible for preparing and drawing up the information detailed in point 1 above.

As a result of the procedures applied to the ICOFR information, no inconsistencies or incidents have been detected that could affect it.

This report has been prepared exclusively within the context of the requirements laid down in article 540 of the Revised Spanish Companies Act and in the CNMV Circulars for the purposes of the description of ICOFR in annual corporate governance reports.

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors (“R.O.A.C.”) with nº S0702

(Signed on original in Spanish)

Pedro González Millán

On the Spanish Official Register of Auditors (“R.O.A.C.”) with nº 20.175

17 February de 2021