ANNEX II

CREDIT INSTITUTIONS

1st	HALF-FINANCIAL REPORT FOR FINANCIAL YEAR	2019

REPORTING DATE 30/06/2019

I. IDENTIFICATION DATA

Registerd Company Name: Bankia, S.A.

Registered Address: C/Pintor Sorolla, 8 - Valencia -	**Tax Identification Number**
	A-14010342

II. SUPPLEMENT INFORMATION TO PREVIOUSLY RELEASED PERIODIC INFORMATION

Explanation of the main modifications with respect to the previously released periodic information:
(complete only in the situations indicated in Section B) of the instructions)

(Text field)

Traslation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

III. STATEMENTS(S) BY THE PERSON(S) RESPONSIBLE FOR THE INFORMATION

To the best of our knowledge, the accompanying condensed annual financial statements, which have been prepared in accordance with applicable accounting principles, give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or of the undertakings included in the consolidated financial statements taken as a whole, and the interim management report includes a fair review of the information

Comments on the above statement(s):

Person(s) responsible for this information:

(When the issuer ticks the red box, the following text will appear here:)
In accordance with the power delegated by the board of directors, the board secretary certifies that the half-yearly financial report has been signed by the directors.

Registered Address: C/Pintor Sorolla, 8 - Valencia -

Name/Company Name	Office
Mr. José Ignacio Goirigolzarri Tellaeche	Executive chairman
Mr. José Sevilla Álvarez	Chief Executive Officer
Mr. Antonio Ortega Parra	Executive Director
Mr. Joaquín Ayuso García	Director
Mr. Francisco Javier Campo García	Director
Mrs. Eva Castillo Sanz	Director
Mr. Jorge Cosmen Menéndez-Castañedo	Director
Mr. José Luis Feito Higueruela	Director
Mr. Fernando Fernández Méndez de Andés	Director
Mr. Antonio Greño Hidalgo	Director
Mrs.Laura González Molero	Director
Mr. Carlos Egea Krauel	Other external Director

Date this half-yearly financial report was signed by the corresponding governing body: 24/07/2019

IV. SELECTED FINANCIAL INFORMATION

1. INDIVIDUAL BALANCE SHEET (1/3)

(PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)

Uds.: Thousands of euros

ASSETS		CURRENT PERIOD 30/06/2019	PREVIOUS PERIOD 31/12/2018
1. Cash, cash balances at central banks and other demand deposits	0040	7,733,874	4,354,390
2. Total financial assets	0041	182,825,115	181,319,857
a) Financial assets held for trading	0045	6,983,921	6,320,607
Memorandum item: loaned or advanced as collateral with right to sell or pledge	0046	5,862	590
b) Non-trading financial assets mandatorily at fair value through profit or loss	0050	10,489	9,348
Memorandum item: loaned or advanced as collateral with right to sell or pledge	0051	-	-
c) Financial assets designated at fair value through profit or loss	0055	-	-
Memorandum item: loaned or advanced as collateral with right to sell or pledge	0056	-	-
d) Financial assets at fair value through other comprehensive income	0060	14,378,860	15,622,815
Memorandum item: loaned or advanced as collateral with right to sell or pledge	0061	7,325,084	7,138,310
e) Financial assets at amortised cost	0065	158,957,080	156,747,204
Memorandum item: loaned or advanced as collateral with right to sell or pledge	0066	23,583,959	23,310,362
f) Derivatives – Hedge accounting	0070	2,494,765	2,619,883
g) Fair value changes of the hedged items in portfolio hedge of interest rate risk	0075	-	-
3. Investments in joint ventures and associates	0080	2,861,539	2,713,637
a) Subsidiaries	0090	2,583,309	2,549,079
b) Jointly-controlled entities	0091	11,569	3,818
c) Associates	0092	266,661	160,740
4. Tangible assets	0100	2,739,702	2,171,142
a) Property, plant and equipment	0101	2,221,267	1,657,402
i) For own use	0102	2,221,267	1,657,402
ii) Leased out under an operating lease	0103	-	-
iii) Assigned to welfare projects (saving banks and credit cooperatives)	0104	-	-
b) Investment property	0105	518,435	513,740
Of which: assigned under operating leases	0106	518,435	513,740
Memorandum item: acquired in leasing	0107	586,429	-
5. Intangible assets	0110	263,499	205,523
a) Goodwill	0111	-	-
b) Other intangible assets	0112	263,499	205,523
6. Tax assets	0120	10,173,998	10,449,957
a) Current tax assets	0121	286,472	460,768
b) Deferred tax assets	0122	9,887,526	9,989,189
7. Other assets	0130	1,671,817	1,672,042
a) Insurance contracts linked to pensions	0131	1,031,399	1,034,030
b) Inventories	0132	-	-
c) Other	0133	640,418	638,012
8. Non-current assets and disposal groups classified as held for sale	0140	3,232,823	3,459,184
TOTAL ASSETS	0150	211,502,367	206,345,732

IV. SELECTED FINANCIAL INFORMATION

1. INDIVIDUAL BALANCE SHEET (2/3)

(PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)

Uds.: Thousands of euros

LIABILITIES		CURRENT PERIOD 30/06/2019	PREVIOUS PERIOD 31/12/2018
1. Financial liabilities held for trading	0160	7,055,248	6,078,800
2. Financial liabilities designated at fair value through profit or loss	0170	-	-
Memorandum item: subordinated liabilities	0175	-	-
3. Financial liabilities at amortised cost	0180	188,543,160	184,060,914
Memorandum item: subordinated liabilities	0185	2,967,317	2,989,889
4. Derivatives – Hedge accounting	0190	85,288	182,331
5. Fair value changes of the hedged items in portfolio hedge of interest rate risk	0200	-	-
6. Provisions	0210	1,767,647	1,846,702
a) Pensions and other post employment defined benefit obligations	0211	1,035,871	1,080,822
b) Other long term employee benefits	0212	-	-
c) Pending legal issues and tax litigation	0213	214,098	183,294
d) Commitments and guarantees given	0214	373,601	373,119
e) Other provisions	0215	144,077	209,467
7. Tax liabilities	0220	552,225	536,194
a) Current tax liabilities	0221	-	-
b) Deferred tax liabilities	0223	552,225	536,194
8. Share capital repayable on demand	0230	-	-
9. Other liabilities	0240	793,891	1,106,381
Of which: Welfare Fund (only saving banks and credit cooperatives)	0241	-	-
10. Liabilities included in disposal groups classified as held for sale	0250	-	-
TOTAL LIABILITIES	0260	198,797,459	193,811,322

IV. SELECTED FINANCIAL INFORMATION
1. INDIVIDUAL BALANCE SHEET (3/3)
(PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)

Uds.: Thousands of euros

LIABILITIES (continue)		CURRENT PERIOD 30/06/2019	PREVIOUS PERIOD 31/12/2018
OWN FUNDS	0270	12,453,162	12,421,199
1. Capital	0280	3,069,522	3,084,963
a) Paid up capital	0281	3,069,522	3,084,963
b) Unpaid capital which has been called up	0282	-	-
Memorandum item: Uncalled capital	0283	-	-
2. Share Premium	0290	619,154	619,154
3. Equity instruments issued other than capital	0300	-	-
a) Equity component of compound financial instruments	0301	-	-
b) Other equity instruments issued	0302	-	-
4. Other equity	0310	-	-
5. Retained earnings	0320	-	-
6. Revaluation reserves	0330	-	-
7. Other reserves	0340	8,394,816	7,980,060
8. (-) Treasury shares	0350	(54,814)	(96,646)
9. Profit or loss of the period	0360	424,484	833,668
10. (-) Interim dividends	0370	-	-
ACCUMULATED OTHER COMPREHENSIVE INCOME	0380	251,746	113,211
1. Items that will not be reclassified to profit or loss	0390	53,627	51,684
a) Actuarial gains or (-) losses on defined benefit pension plans	0391	29,939	29,939
b) Non-current assets and disposal groups classified as held for sale	0392	(3,191)	-
c) Share of other recognised income and expense of investments in joint ventures and associates	0394	26,879	21,745
d) Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income	0393	-	-
e) Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in the credit risk	0395	-	-
2. Items that may be reclassified to profit or loss	0400	198,119	61,527
a) Hedge of net investments in foreign operations [effective portion]	0401	-	-
b) Foreign currency translation	0402	(235)	(292)
c) Hedging derivatives. Cash flow hedges [effective portion]	0403	(240)	(2,299)
d) Fair value changes of debt instruments measured at fair value through other comprehensive income	0404	198,594	62,554
e) Hedging instruments [not designated elements]	0405	-	-
f) Non-current assets and disposal groups classified as held for sale	0407	-	1,564
TOTAL EQUITY	0450	12,704,908	12,534,410
TOTAL EQUITY AND TOTAL LIABILITIES	0460	211,502,367	206,345,732
MEMORANDUM ITEM: OFF-BALANCE SHEET ITEMS			
1. Loan commitments given	0470	21,557,574	21,070,128
2. Financial guarantees given	0490	419,163	427,621
3. Contingent commitments given	0480	12,932,910	12,550,826

IV. SELECTED FINANCIAL INFORMATION
2. INDIVIDUAL PROFIT AND LOSS ACCOUNT
(PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)

Uds.: Thousands of euros

			PRESENT CURRENT PERIOD (2nd HALF YEAR)	PREVIOUS CURRENT PERIOD (2nd HALF YEAR)	CURRENT CUMULATIVE 30/06/2019	PREVIOUS CUMULATIVE 30/06/2018
(+)	Interest income	0501			1,232,084	1,273,242
	a) Financial assets at fair value through other comprehensive income	0591			82,354	140,074
	b) Financial assets at amortised cost	0592			1,087,138	1,139,235
	c) Other interest income	0593			62,592	(6,067)
(-)	(Interest expenses)	0502			(233,206)	(228,522)
(-)	(Expenses on share capital repayable on demand)	0503			-	-
=	**NET INTEREST INCOME**	0505			998,878	1,044,720
(+)	Dividend income	0506			79,345	208,746
(+)	Fee and commission income	0508			522,004	523,652
(+)	(Fee and commission expenses)	0509			(40,060)	(37,813)
(+/-)	Gains or (-) losses on the derecognition in financial assets and liabilities not measured at fair value through profit or loss account, net	0510			143,128	270,399
	a) Financial assets at amortised cost	0594			45,628	749
	b) Other financial assets and liabilities	0595			97,500	269,650
(+/-)	Gains or (-) losses on financial assets and liabilities held for trading, net	0511			10,317	35,903
	a) Reclassification of financial assets out of measured at fair value through other comprehensive income category	0596			-	-
	b) Reclassification of financial assets out of measured at amortised cost	0597			-	-
	c) Other gains or (-) losses	0598			10,317	35,903
(+/-)	Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	0519			758	73
	a) Reclassification of financial assets out of measured at fair value through other comprehensive income category	0599			-	-
	b) Reclassification of financial assets out of measured at amortised cost	0581			-	-
	c) Other gains or (-) losses	0582			758	73
(+/-)	Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	0512			-	-
(+)	Gains or (-) losses from hedge accounting, net	0513			(12,244)	(13,259)
(+/-)	Exchange differenes (gain or (-) loss), net	0514			7,314	5,753
(+/-)	Gains or (-) losses on the derecognition in non financial assets accounts and investments, net	0546			4,427	2,359
(+)	Other operating income	0515			28,784	28,562
(-)	(Other operating expenses)	0516			(97,695)	(100,330)
(+)	Administrative expenses	0521			(803,458)	(840,626)
(+)	a) Staff expenses	0522			(560,972)	(580,989)
(+)	b) Other administrative expenses	0523			(242,486)	(259,637)
(+)	Depreciation	0524			(98,166)	(87,356)
(+/-)	Provisions or (-) reversal of provisions	0525			(44,056)	38,205
(+/-)	(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	0526			(142,959)	(211,007)
(+/-)	a) Financial assets at fair value through other comprehensive income	0527			3	(772)
(+/-)	b) Financial assets at amortised cost	0528			(142,962)	(210,235)
=	**TOTAL OPERATING INCOME, NET**	0540			556,317	867,981
(+/-)	Impairment or (-) reversal of impairment of investments in joint ventures and associates	0541			32,817	47,049
(+/-)	Impairment or (-) reversal of impairment on non-financial assets	0542			(6,360)	(5,640)
(+/-)	a) Tangible assets	0543			(6,360)	(5,640)
(+/-)	b) Intangible assets	0544			-	-
(+/-)	c) Other	0545			-	-
(+)	Negative goodwill recognised in profit or loss	0547			-	-
(+/-)	Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	0548			(35,093)	(68,078)
=	**PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS**	0550			547,681	841,312
(+/-)	Tax expense or (-) income related to profit or loss from continuing operations	0551			(123,197)	(149,356)
=	**PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS**	0560			424,484	691,956
(+/-)	Profit or (-) loss after tax from discontinued operations	0561			-	-
=	**PROFIT OR (-) LOSS**	0570			424,484	691,956

EARNINGS PER SHARE		Amount (X.XX EUROS)	Amount (X.XX EUROS)	Amount (X.XX EUROS)	Amount (X.XX EUROS)
Basic earnings/(loss) per share (euros)	0580				
Diluted earnings/(loss) per share (euros)	0590				

IV. SELECTED FINANCIAL INFORMATION
3. INDIVIDUAL STATEMENT OF CHANGES IN EQUITY
(PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)

Uds.: Thousands of euros

		PRESENT CURRENT PERIOD (2nd HALF YEAR)	PREVIOUS CURRENT PERIOD (2nd HALF YEAR)	CURRENT CUMULATIVE 30/06/2019	PREVIOUS CUMULATIVE 30/06/2018
A) Profit or (-) loss	0600			424,484	691,956
B) Other comprehensive income	0610			138,535	(231,624)
1. Items that will not be reclassified to profit or loss	0620			1,943	4,149
a) Actuarial gains or (-) losses on defined benefit pension plans	0621			-	-
b) Non-current assets and disposal groups held for sale	0622			(4,559)	-
c) Share of other recognised income and expense of entities accounted for using the equity method	0623			7,334	5,927
d) Fair value changes of equity instruments measured at fair value through other comprehensive income	0625			-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]	0626			-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]	0627			-	-
e) Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in the credit risk	0629			-	-
f) Income tax relating to items that will not be reclassified	0624			(832)	(1,778)
2. Items that may be reclassified to profit or loss	0630			136,592	(235,773)
a) Hedge of net investments in foreign operations [effective portion]	0635			-	-
- Valuation gains or (-) losses taken to equity	0636			-	-
- Transferred to profit or loss	0637			-	-
- Other reclassifications	0638			-	-
b) Foreign currency translation	0640			81	366
- Valuation gains or (-) losses taken to equity	0641			81	366
- Transferred to profit or loss	0642			-	-
- Other reclassifications	0643			-	-
c) Cash flow hedges [effective portion]	0645			2,941	(17,493)
- Valuation gains or (-) losses taken to equity	0646			2,941	(17,493)
- Transferred to profit or loss	0647			-	-
- Transferred to initial carrying amount of hedged items	0648			-	-
- Other reclassifications	0649			-	-
d) Hedging instruments [not designated elements]	0631			-	-
- Valuation gains or (-) losses taken to equity	0632			-	-
- Transferred to profit or loss	0633			-	-
- Other reclassifications	0634			-	-
e) Financial assets at fair value through other comprehensive income	0650			194,343	(324,555)
- Valuation gains or (-) losses taken to equity	0651			288,017	(54,848)
- Transferred to profit or loss	0652			(93,674)	(269,707)
- Other reclassifications	0653			-	-
f) Non-current assets and disposal groups held for sale	0655			(2,235)	4,863
- Valuation gains or (-) losses taken to equity	0656			(2,235)	4,863
- Transferred to profit or loss	0657			-	-
- Other reclassifications	0658			-	-
g) Income tax relating to items that may be reclassified to profit or (-) loss	0660			(58,538)	101,046
C) Total comprehensive income	0670			563,019	460,332

IV. SELECTED FINANCIAL INFORMATION
4. INDIVIDUAL STATEMENT OF CHANGES IN TOTAL EQUITY
(PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS) (1/2)

Uds.: Thousands of euros

CURRENT PERIOD		Capital	Share premium	Equity instruments issued other than Capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or (-) loss of the period	(-) Interim dividends	Accumulated Other Comprehensive Income	Total
Opening balance [before restatement]	0700	3,084,963	619,154	-	-	-	-	7,980,060	(96,646)	833,668	-	113,211	12,534,410
Effects of corrections of errors	0701	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	0702	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance [current period]	0710	3,084,963	619,154	-	-	-	-	7,980,060	(96,646)	833,668	-	113,211	12,534,410
Total comprehensive income for the period	0720					-	-	-		424,484		138,535	563,019
Other changes in equity	0730	(15,441)	-	-	-	-	-	414,756	41,832	(833,668)	-	-	(392,521)
Issuance of ordinary shares	0731	-	-			-	-	-					-
Issuance of preference shares	0732	-	-	-		-	-	-					-
Issuance of other equity instruments	0733			-		-	-	-					-
Exercise or expiration of other equity instruments issued	0734			-		-	-	-					-
Conversion of debt to equity	0735	-	-	-	-	-		-	-				-
Capital reduction	0736	(15,441)	-			-	-	(34,559)	50,000	-			-
Dividends (or remuneration of partners)	0737	-	-	-	-	-	-	(353,515)	-		-		(353,515)
Purchase of treasury shares	0738					-	-	-	(36,100)				(36,100)
Sale or cancellation of treasury shares	0739					-	-	(3,050)	27,932				24,882
Reclassification of financial instruments from equity to liability	0740	-	-	-	-								-
Reclassification of financial instruments from liability to equity	0741	-	-	-	-								-
Transfers among components of equity	0742			-	-	-	-	833,668		(833,668)	-	-	-
Equity increase or (-) decrease resulting from business combinations	0743	-	-	-	-	-	-	-	-			-	-
Share based payments	0744	-	-		-				-				-
Other increase or (-) decrease in equity	0745			-	-	-	-	(27,788)	-	-	-	-	(27,788)
Of which: discretionary provision to welfare funds (only saving banks and credit cooperatives)	0746					-		-					-
Closing balance [current period]	0750	3,069,522	619,154	-	-	-	-	8,394,816	(54,814)	424,484	-	251,746	12,704,908

IV. SELECTED FINANCIAL INFORMATION
4. INDIVIDUAL STATEMENT OF CHANGES IN TOTAL EQUITY
(PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS) (2/2)

Uds.: Thousands of euros

PREVIOUS PERIOD		Capital	Share premium	Equity instruments issued other than Capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or (-) loss of the period	(-) Interim dividends	Accumulated Other Comprehensive Income	Total
Opening balance [before restatement]	0751	3,084,963	619,154	-	-	-	-	8,384,243	(79,837)	468,752	-	315,070	12,792,345
Effects of corrections of errors	0752	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	0753	-	-	-	-	-	-	(487,047)	-	-	-	172,358	(314,689)
Opening balance [current period]	0754	3,084,963	619,154	-	-	-	-	7,897,196	(79,837)	468,752	-	487,428	12,477,656
Total comprehensive income for the period	0755					-	-	-		691,956		(231,624)	460,332
Other changes in equity	0756	-	-	-	-	-	-	109,264	5,053	(468,752)	-	-	(354,435)
Issuance of ordinary shares	0757	-	-			-	-	-					-
Issuance of preference shares	0758	-	-	-		-	-	-					-
Issuance of other equity instruments	0759			-		-	-	-					-
Exercise or expiration of other equity instruments issued	0760			-		-	-	-					-
Conversion of debt to equity	0761	-	-	-	-	-		-	-				-
Capital reduction	0762	-	-			-	-	-	-	-			-
Dividends (or remuneration of partners)	0763	-	-	-	-	-	-	(338,015)	-		-		(338,015)
Purchase of treasury shares	0764					-	-	-	(59,159)				(59,159)
Sale or cancellation of treasury shares	0765					-	-	(2,664)	64,212				61,548
Reclassification of financial instruments from equity to liability	0766	-	-	-	-								-
Reclassification of financial instruments from liability to equity	0767	-	-	-	-								-
Transfers among components of equity	0768			-	-	-	-	468,752		(468,752)	-	-	-
Equity increase or (-) decrease resulting from business combinations	0769	-	-	-	-	-	-	-	-			-	-
Share based payments	0770	-	-		-				-				-
Other increase or (-) decrease in equity	0771			-	-	-	-	(18,809)	-	-	-	-	(18,809)
Of which: discretionary provision to welfare funds (only saving banks and credit cooperatives)	0772					-		-					-
Closing balance [current period]	0773	3,084,963	619,154	-	-	-	-	8,006,460	(74,784)	691,956	-	255,804	12,583,553

IV. SELECTED FINANCIAL INFORMATION
5. INDIVIDUAL STATEMENT OF CASH FLOWS
(PREPARED USING PREVAILING NATIONAL ACCOUNTING STANDARDS)

Uds.: Thousands of euros

		CURRENT PERIOD 30/06/2019	PREVIOUS PERIOD 30/06/2018
A) CASH FLOWS USED IN OPERATING ACTIVITIES (1+2+3+4+5)	0800	3,511,357	1,390,235
1. Profit/(loss) for the period	0810	424,484	691,956
2. Adjustments made to obtain the cash flows from operating activities	0820	261,387	157,672
(+) Depreciation and amortisation	0821	98,166	87,356
(+/-) Other	0822	163,221	70,316
3. Net increase/(decrease) in operating assets	0830	(959,328)	810,403
(+/-) Financial assets held for trading	0831	101,748	(193,014)
(+/-) Non-trading financial assets mandatorily at fair value through profit or loss	0836	(383)	(315)
(+/-) Financial assets at fair value through profit or loss	0832	-	-
(+/-) Financial assets at fair value through other comprehensive income	0833	1,539,309	6,085,020
(+/-) Financial assets at amortised cost	0834	(2,415,112)	(4,355,605)
(+/-) Other operating assets	0835	(184,890)	(725,683)
4. Net increase/(decrease) in operating liabilities	0840	3,741,520	(316,848)
(+/-) Financial liabilities held for trading	0841	211,386	(121,066)
(+/-) Financial liabilities at fair value through profit or loss	0842	-	-
(+/-) Financial liabilities at amortised cost	0843	4,007,885	(377,678)
(+/-) Other operating liabilities	0844	(477,751)	181,896
5. (+/-) Income tax receipts/(payments)	0850	43,294	47,052
B) CASH FLOWS FROM INVESTING ACTIVITIES (1+2)	0860	370,302	550,690
1. Payments	0870	(128,478)	(78,156)
(-) Tangible assets	0871	(29,902)	(102)
(-) Intangible assets	0872	(83,818)	(73,701)
(-) Investments in joint ventures and associates	0873	(9,105)	(3,340)
(-) Subsidiaries and other business units	0874	-	-
(-) Non-current assets held for sale and associated liabilities	0875	(5,653)	(1,013)
(-) Other payments related to investing activities	0877	-	-
2. Proceeds	0880	498,780	628,846
(+) Tangible assets	0881	13,067	15,871
(+) Intangible assets	0882	-	-
(+) Investments in joint ventures and associates	0883	65,997	226,506
(+) Subsidiaries and other business units	0884	-	-
(+) Non-current assets held for sale and associated liabilities	0885	419,716	386,469
(+) Other proceeds related to investing activities	0887	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES (1+2)	0890	(502,175)	(3,866,833)
1. Payments	0900	(3,002,057)	(4,028,382)
(-) Dividends	0901	(353,515)	(338,015)
(-) Subordinated liabilities	0902	-	-
(-) Redemption of own equity instruments	0903	-	-
(-) Acquisition of own equity instruments	0904	(36,100)	(59,160)
(-) Other payments related to financing activities	0905	(2,612,442)	(3,631,207)
2. Proceeds	0910	2,499,882	161,549
(+) Subordinated liabilities	0911	1,000,000	-
(+) Issuance of own equity instruments	0912	-	-
(+) Disposal of own equity instruments	0913	24,882	61,549
(+) Other proceeds related to financing activities	0914	1,475,000	100,000
D) EFFECT OF EXCHANGE RATE DIFFERENCES	0920	-	-
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	0930	3,379,484	(1,925,908)
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	0940	4,354,390	3,755,070
G) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (E+F)	0950	7,733,874	1,829,162

COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		CURRENT PERIOD 30/06/2019	PREVIOUS PERIOD 30/06/2018
(+) Cash	0955	929,835	852,574
(+) Cash equivalents at central banks	0960	3,309,614	859,719
(+) Other financial assets	0965	114,941	116,869
(-) Less: Bank overdrafts refundable on demand	0970	-	-
TOTAL OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	0980	4,354,390	1,829,162

IV. SELECTED FINANCIAL INFORMATION
6. CONSOLIDATED BALANCE SHEET (1/3) (ADOPTED IFRS)

Uds.: Thousands of euros

ASSETS		CURRENT PERIOD 30/06/2019	PREVIOUS PERIOD 31/12/2018
1. Cash, cash balances at central banks and other demand deposits	1040	8,117,152	4,753,800
2. Total financial assets	1041	182,504,862	181,041,467
a) Financial assets held for trading	1045	6,970,635	6,307,967
Memorandum item: loaned or advanced as collateral with right to sell or pledge	1046	5,862	590
b) Non-trading financial assets mandatorily at fair value through profit or loss	1050	10,489	9,348
Memorandum item: loaned or advanced as collateral with right to sell or pledge	1051	-	-
c) Financial assets designated at fair value through profit or loss	1055	-	-
Memorandum item: loaned or advanced as collateral with right to sell or pledge	1056	-	-
d) Financial assets at fair value through other comprehensive income	1060	14,390,833	15,635,715
Memorandum item: loaned or advanced as collateral with right to sell or pledge	1061	7,325,084	7,138,310
e) Financial assets at amortised cost	1065	158,630,295	156,461,440
Memorandum item: loaned or advanced as collateral with right to sell or pledge	0066	23,583,959	23,443,829
f) Derivatives – Hedge accounting	1070	2,502,610	2,626,997
g) Fair value changes of the hedged items in portfolio hedge of interest rate risk	1075	-	-
3. Investments in joint ventures and associates	1080	423,887	305,887
a) Jointly-controlled entities	1091	11,569	3,818
b) Associates	1092	412,318	302,069
4. Assets under insurance contracts	1095	-	-
5. Tangible assets	1100	2,758,448	2,189,693
a) Property, plant and equipment	1101	2,233,001	1,669,319
i) For own use	1102	2,233,001	1,669,319
ii) Leased out under an operating lease	1103	-	-
iii) Assigned to welfare projects (saving banks and credit cooperatives)	1104	-	-
b) Investment property	1105	525,447	520,374
Of which: assigned under operating leases	1106	525,447	520,374
Memorandum item: acquired in leasing	1107	586,429	-
6. Intangible assets	1110	354,151	297,554
a) Goodwill	1111	89,662	90,862
b) Other intangible assets	1112	264,489	206,692
7. Tax assets	1120	10,830,174	11,088,695
a) Current tax assets	1121	329,497	485,289
b) Deferred tax assets	1122	10,500,677	10,603,406
8. Other assets	1130	1,613,236	1,639,569
a) Insurance contracts linked to pensions	1131	1,031,399	1,034,030
b) Inventories	1132	-	-
c) Other	1133	581,837	605,539
9. Non-current assets and disposal groups classified as held for sale	1140	3,322,656	3,906,205
TOTAL ASSETS	1150	209,924,566	205,222,870

IV. SELECTED FINANCIAL INFORMATION
6. CONSOLIDATED FINANCIAL SHEET (2/3) (ADOPTED IFRS)

Uds.: Thousands of euros

LIABILITIES		CURRENT PERIOD 30/06/2019	PREVIOUS PERIOD 31/12/2018
1. Financial liabilities held for trading	1160	7,022,287	6,046,596
2. Financial liabilities designated at fair value through profit or loss	1170	-	-
Memorandum item: subordinated liabilities	1175	-	-
3. Financial liabilities at amortised cost	1180	186,261,598	181,868,586
Memorandum item: subordinated liabilities	1185	2,967,317	2,989,889
4. Derivatives – Hedge accounting	1190	86,285	183,189
5. Fair value changes of the hedged items in portfolio hedge of interest rate risk	1200	-	-
6. Liabilities under insurance contracts	1205	-	-
7. Provisions	1210	1,842,393	1,922,116
a) Pensions and other post employment defined benefit obligations	1211	1,035,893	1,080,822
b) Other long term employee benefits	1212	-	-
c) Pending legal issues and tax litigation	1213	224,773	193,670
d) Commitments and guarantees given	1214	373,271	373,082
e) Other provisions	1215	208,456	274,542
8. Tax liabilities	1220	571,688	555,842
a) Current tax liabilities	1221	396	43
b) Deferred tax liabilities	1223	571,292	555,799
9. Share capital repayable on demand	1230	-	-
10. Other liabilities	1240	795,681	1,106,217
Of which: Welfare Fund (only saving banks and credit cooperatives)	1241	-	-
11. Liabilities included in disposal groups classified as held for sale	1250	3,269	350,885
TOTAL LIABILITIES	1260	196,583,201	192,033,431

IV. SELECTED FINANCIAL INFORMATION
6. CONSOLIDATED FINANCIAL SHEET (3/3) (ADOPTED IFRS)

Uds.: Thousands of euros

LIABILITIES (continue)		CURRENT PERIOD 30/06/2019	PREVIOUS PERIOD 31/12/2018
OWN FUNDS	1270	13,036,796	13,029,511
1. Capital	1280	3,069,522	3,084,963
a) Paid up capital	1281	3,069,522	3,084,963
b) Unpaid capital which has been called up	1282	-	-
Memorandum item: Uncalled capital	1283	-	-
2. Share Premium	1290	619,154	619,154
3. Equity instruments issued other than capital	1300	-	-
a) Equity component of compound financial instruments	1301	-	-
b) Other equity instruments issued	1302	-	-
4. Other equity	1310	-	-
5. Retained earnings	1320	-	-
6. Revaluation reserves	1330	-	-
7. Other reserves	1340	9,003,354	8,718,830
8. (-) Treasury shares	1350	(54,814)	(96,646)
9. Profit or loss of the period	1360	399,580	703,210
10. (-) Interim dividends	1370	-	-
ACCUMULATED OTHER COMPREHENSIVE INCOME	1380	291,076	147,454
1. Items that will not be reclassified to profit or loss	1390	55,667	54,627
a) Actuarial gains or (-) losses on defined benefit pension plans	1391	29,939	29,939
b) Non-current assets and disposal groups classified as held for sale	1392	(3,230)	-
c) Share of other recognised income and expense of investments in joint ventures and associates	1393	2,110	3,183
d) Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income	1394	26,848	21,505
e)Fair value changes of equity instruments measured at fair value through other comprehensive income	1395	-	-
f) Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in the credit risk	1398	-	-
2. Items that may be reclassified to profit or loss	1400	235,409	92,827
a) Hedge of net investments in foreign operations [effective portion]	1401	-	-
b) Foreign currency translation	1402	(236)	(293)
c) Hedging derivatives. Cash flow hedges [effective portion]	1403	(240)	(2,299)
d) Fair value changes of debt instruments measured at fair value through other comprehensive income	1404	198,500	62,459
e) Hedging instruments [not designated elements]	1405	-	-
f) Non-current assets and disposal groups classified as held for sale	1407	2,679	4,187
h) Share of other recognised income and expense of investments in joint ventures and associates	1408	34,706	28,773
Minority interests [Non-controlling interests]	1410	13,493	12,474
Accumulated Other Comprehensive Income	1420	1,356	1,318
Other items	1430	12,137	11,156
TOTAL EQUITY	1450	13,341,365	13,189,439
TOTAL EQUITY AND TOTAL LIABILITIES	1460	209,924,566	205,222,870

MEMORANDUM ITEM: OFF-BALANCE SHEET ITEMS

1. Loan commitments given	1470	21,425,790	20,888,323
2. Financial guarantees given	1490	419,163	427,621
3. Contingent commitments given	1480	12,886,956	12,504,994

IV. SELECTED FINANCIAL INFORMATION

7. CONSOLIDATED PROFIT AND LOSS ACCOUNTS (IFRS ADOPTED)

Uds.: Thousands of euros

			PRESENT CURRENT PERIOD (2nd HALF YEAR)	PREVIOUS CURRENT PERIOD (2nd HALF YEAR)	CURRENT CUMULATIVE 30/06/2019	PREVIOUS CUMULATIVE 30/06/2018
(+)	Interest income	1501			1,233,015	1,256,954
	a) Financial assets at fair value through other comprehensive income	1591			82,386	140,083
	b) Financial assets at amortised cost	1592			1,083,896	1,130,384
	c) Other interest income	1593			66,733	(13,513)
(-)	(Interest expenses)	1502			(215,247)	(209,750)
(-)	(Expenses on share capital repayable on demand)	1503			-	-
=	**NET INTEREST INCOME**	1505			1,017,768	1,047,204
(+)	Dividend income	1506			14,131	7,994
(+)	Resultados de entidades valoradas por el método de la participación	1507			28,906	29,319
(+)	Fee and commission income	1508			575,385	576,194
(-)	(Fee and commission expenses)	1509			(42,104)	(42,321)
(+/-)	Gains or (-) losses on the derecognition in financial assets and liabilities not measured at fair value through profit or loss account, net	1510			143,096	270,174
	a) Financial assets at amortised cost	1594			45,628	749
	b) Other financial assets and liabilities	1595			97,468	269,425
(+/-)	Gains or (-) losses on financial assets and liabilities held for trading, net	1511			7,956	33,991
	a) Reclassification of financial assets out of measured at fair value through other comprehensive income category	1596			-	-
	b) Reclassification of financial assets out of measured at amortised cost	1597			-	-
	c) Other gains or (-) losses	1598			7,956	33,991
(+/-)	Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net	1519			758	72
	a) Reclassification of financial assets out of measured at fair value through other comprehensive income category	1599			-	-
	b) Reclassification of financial assets out of measured at amortised cost	1581			-	-
	c) Other gains or (-) losses	1582			758	72
(+/-)	Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	1512			-	-
(+)	Gains or (-) losses from hedge accounting, net	1513			(12,243)	(13,260)
(+/-)	Exchange differences (gain or (-) loss), net	1514			7,182	5,774
(+/-)	Gains or (losses) on the derecognition in non financial assets accounts and investments, net	1546			4,602	2,913
(+)	Other operating income	1515			28,045	29,187
(-)	(Other operating expenses)	1516			(97,721)	(102,879)
(+)	Income of insurance and reinsurance contracts	1517			-	-
(-)	(Expenses of liabilities covered by insurance or reinsurance contracts)	1518			-	-
(+)	Administrative expenses	1521			(813,312)	(856,178)
(+)	a) Staff expenses	1522			(570,630)	(596,038)
(+)	b) Other administrative expenses	1523			(242,682)	(260,140)
(+)	Depreciation	1524			(98,893)	(88,115)
(+/-)	Provisions or (-) reversal of provisions	1525			(44,897)	36,393
(+/-)	(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	1526			(141,417)	(207,644)
(+/-)	a) Financial assets at fair value through other comprehensive income	1527			3	(772)
(+/-)	b) Financial assets at amortised cost	1528			(141,420)	(206,872)
=	**TOTAL OPERATING INCOME, NET**	1540			577,242	728,818
(+/-)	Impairment or (-) reversal of impairment of investments in joint ventures and associates	1541			-	40,623
(+/-)	Impairment or (-) reversal of impairment on non-financial assets	1542			(9,343)	(8,960)
(+/-)	a) Tangible assets	1543			(6,493)	(5,856)
(+/-)	b) Intangible assets	1544			(2,850)	(2,850)
(+/-)	c) Other	1545			-	(254)
(+)	Negative goodwill recognised in profit or loss	1547			-	-
(+/-)	Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	1548			(27,888)	(79,388)
=	**PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS**	1550			540,011	681,093
(+/-)	Tax expense or (-) income related to profit or loss from continuing operations	1551			(139,642)	(166,307)
=	**PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS**	1560			400,369	514,786
(+/-)	Profit or (-) loss after tax from discontinued operations	1561			-	-
=	**PROFIT OR (-) LOSS**	1570			400,369	514,786
	Attributable to minority interest (non-controlling interests)	1571			789	211
	Attributable to owners of the parent	1572			399,580	514,575

EARNINGS PER SHARE		Amount (X.XX EUROS)	Amount (X.XX EUROS)	Amount (X.XX EUROS)	Amount (X.XX EUROS)
Basic earnings/(loss) per share (euros)	1580			0.12	0.16
Diluted earnings/(loss) per share (euros)	1590			0.12	0.16

IV. SELECTED FINANCIAL INFORMATION
8. CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES (IFRS ADOPTED)

Uds.: Thousands of euros

		PRESENT CURRENT PERIOD (2nd HALF YEAR)	PREVIOUS CURRENT PERIOD (2nd HALF YEAR)	CURRENT CUMULATIVE 30/06/2019	PREVIOUS CUMULATIVE 30/06/2018
A) Profit or (-) loss	1600			400,369	514,786
B) Other comprehensive income	1610			143,660	(239,122)
1. Items that will not be reclassified to profit or loss	1620			1,040	1,321
a) Actuarial gains or (-) losses on defined benefit pension plans	1621			-	-
b) Non-current assets and disposal groups held for sale	1622			(4,614)	-
c) Share of other recognised income and expense of entities accounted for using the equity method	1623			(1,073)	(2,714)
d) Fair value changes of equity instruments measured at fair value through other comprehensive income	1625			7,633	5,764
e) Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	1626			-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]	1627			-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]	1628			-	-
f) Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in the credit risk	1629			-	-
g) Income tax relating to items that will not be reclassified	1624			(906)	(1,729)
2. Items that may be reclassified to profit or loss	1630			142,620	(240,443)
a) Hedge of net investments in foreign operations [effective portion]	1635			-	-
- Valuation gains or (-) losses taken to equity	1636			-	-
- Transferred to profit or loss	1637			-	-
- Other reclassifications	1638			-	-
b) Foreign currency translation	1640			81	370
- Valuation gains or (-) losses taken to equity	1641			81	370
- Transferred to profit or loss	1642			-	-
- Other reclassifications	1643			-	-
c) Cash flow hedges [effective portion]	1645			2,941	(17,493)
- Valuation gains or (-) losses taken to equity	1646			2,941	(17,493)
- Transferred to profit or loss	1647			-	-
- Transferred to initial carrying amount of hedged items	1648			-	-
- Other reclassifications	1649			-	-
d) Hedging instruments [not designated elements]	1631			-	-
- Valuation gains or (-) losses taken to equity	1632			-	-
- Transferred to profit or loss	1633			-	-
- Other reclassifications	1634			-	-
e) Financial assets at fair value through other comprehensive income	1650			194,344	(324,377)
- Valuation gains or (-) losses taken to equity	1651			287,986	(54,895)
- Transferred to profit or loss	1652			(93,642)	(269,482)
- Other reclassifications	1653			-	-
f) Non-current assets and disposal groups held for sale	1655			(2,141)	5,279
- Valuation gains or (-) losses taken to equity	1656			(2,141)	5,279
- Transferred to profit or loss	1657			-	-
- Other reclassifications	1658			-	-
g) Share of other income and expense of investments in joint ventures and associates	1659			5,933	(5,219)
h) Income tax relating to items that may be reclassified to profit or (-) loss	1660			(58,538)	100,997
C) Total comprehensive income	1670			544,029	275,664
Attributable to minority interest (non-controlling interest)	1680			827	382
Attributable to owners of the parent	1690			543,202	275,282

IV. SELECTED FINANCIAL INFORMATION

9. Consolidated statement of changes in total equity (ADAPTED TO IFRS) (1/2)

Uds.: Thousands of euros

ACTUAL PERIOD		Capital	Share premium	Equity instruments issued other than Capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or (-) loss atributable to owners of the parent	(-) Interim dividends	Accumulated Other Comprehensive Income	Minority interests: Accumulated Other Comprehensive Income	Minority interests: Other items	Total
Opening balance [before restatement]	1700	3,084,963	619,154	-	-	-	-	8,718,830	(96,646)	703,210	-	147,454	1,318	11,156	13,189,439
Effects of corrections of errors	1701	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	1702	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance [current period]	1710	3,084,963	619,154	-	-	-	-	8,718,830	(96,646)	703,210	-	147,454	1,318	11,156	13,189,439
Total comprehensive income for the period	1720									399,580		143,622	38	789	544,029
Other changes in equity	1730	(15,441)	-	-	-	-	-	284,524	41,832	(703,210)	-	-	-	192	(392,103)
Issuance of ordinary shares	1731	-	-			-	-	-						-	-
Issuance of preference shares	1732	-	-	-		-	-	-						-	-
Issuance of other equity instruments	1733			-		-	-	-						-	-
Exercise or expiration of other equity instruments issued	1734			-		-	-	-						-	-
Conversion of debt to equity	1735	-	-	-	-	-		-	-					-	-
Capital reduction	1736	(15,441)	-			-	-	(34,559)	50,000	-				-	-
Dividends (or remuneration of partners)	1737	-	-	-	-	-	-	(353,515)	-		-			-	(353,515)
Purchase of treasury shares	1738					-	-	-	(36,100)				-	-	(36,100)
Sale or cancellation of treasury shares	1739					-	-	(3,050)	27,932				-	-	24,882
Reclassification of financial instruments from equity to liability	1740	-	-	-	-									-	-
Reclassification of financial instruments from liability to equity	1741	-	-	-	-									-	-
Transfers among components of equity	1742			-	-	-	-	703,210		(703,210)	-	-	-	-	-
Equity increase or (-) decrease resulting from business combinations	1743	-	-	-	-	-	-	-	-			-		-	-
Share based payments	1744	-	-		-				-					-	-
Other increase or (-) decrease in equity	1745			-	-	-	-	(27,562)	-	-	-	-	-	192	(27,370)
Of which: discretionary provision to welfare funds (only saving banks and credit cooperatives)	1746					-		-							-
Closing balance [current period]	1750	3,069,522	619,154	-	-	-	-	9,003,354	(54,814)	399,580	-	291,076	1,356	12,137	13,341,365

IV. SELECTED FINANCIAL INFORMATION

9. Consolidated statement of changes in total equity (ADAPTED TO IFRS) (2/2)

Uds.: Thousands of euros

PREVIOUS PERIOD		Capital	Share premium	Equity instruments issued other than Capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or (-) loss atributable to owners of the parent	(-) Interim dividends	Accumulated Other Comprehensive Income	Minority interests: Accumulated Other Comprehensive Income	Minority interests: Other items	Total
Opening balance [before restatement]	1751	3,084,963	619,154	-	-	-	-	9,093,630	(79,837)	504,513	-	365,780	989	23,902	13,613,094
Effects of corrections of errors	1752	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	1753	-	-	-	-	-	-	(487,047)	-	-	-	172,358	-	-	(314,689)
Opening balance [current period]	1754	3,084,963	619,154	-	-	-	-	8,606,583	(79,837)	504,513	-	538,138	989	23,902	13,298,405
Total comprehensive income for the period	1755									514,575		(239,293)	171	211	275,664
Other changes in equity	1756	-	-	-	-	-	-	143,905	5,053	(504,513)	-	-	-	(10,012)	(365,567)
Issuance of ordinary shares	1757	-	-			-	-	-						-	-
Issuance of preference shares	1758	-	-	-		-	-	-						-	-
Issuance of other equity instruments	1759			-		-	-	-						-	-
Exercise or expiration of other equity instruments issued	1760			-		-	-	-						-	-
Conversion of debt to equity	1761	-	-	-	-	-		-	-					-	-
Capital reduction	1762	-	-			-	-	-	-	-				-	-
Dividends (or remuneration of partners)	1763	-	-	-	-	-	-	(338,015)	-		-			-	(338,015)
Purchase of treasury shares	1764					-	-	-	(59,159)				-	-	(59,159)
Sale or cancellation of treasury shares	1765					-	-	(2,664)	64,212				-	-	61,548
Reclassification of financial instruments from equity to liability	1766	-	-	-	-									-	-
Reclassification of financial instruments from liability to equity	1767	-	-	-	-									-	-
Transfers among components of equity	1768			-	-	-	-	504,513		(504,513)	-	-	-	-	-
Equity increase or (-) decrease resulting from business combinations	1769	-	-	-	-	-	-	-	-			-		-	-
Share based payments	1770	-	-		-				-					-	-
Other increase or (-) decrease in equity	1771			-	-	-	-	(19,929)	-	-	-	-	-	(10,012)	(29,941)
Of which: discretionary provision to welfare funds (only saving banks and credit cooperatives)	1772					-		-							-
Closing balance [current period]	1773	3,084,963	619,154	-	-	-	-	8,750,488	(74,784)	514,575	-	298,845	1,160	14,101	13,208,502

IV. SELECTED FINANCIAL INFORMATION

10. CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSES (INDIRECT METHOD) (IFRS ADOPTED)

Uds.: Thousands of euros

		CURRENT PERIOD 30/06/2019	PREVIOUS PERIOD 30/06/2018
A) CASH FLOWS USED IN OPERATING ACTIVITIES (1+2+3+4+5)	1800	3,667,745	194,481
1. Profit/(loss) for the period	1810	400,369	514,786
2. Adjustments made to obtain the cash flows from operating activities	1820	277,536	165,146
(+) Depreciation and amortisation	1821	98,893	88,115
(+/-) Other	1822	178,643	77,031
3. Net increase/(decrease) in operating assets	1830	(1,531,571)	1,196,161
(+/-) Financial assets held for trading	1831	101,748	(128,969)
(+/-) Non-trading financial assets mandatorily at fair value through profit or loss	1832	(383)	(243)
(+/-) Financial assets at fair value through profit or loss	1836	-	-
(+/-) Financial assets at fair value through other comprehensive income	1833	1,540,504	6,089,764
(+/-) Financial assets at amortised cost	1834	(2,372,681)	(4,277,418)
(+/-) Other operating assets	1835	(800,759)	(486,973)
4. Net increase/(decrease) in operating liabilities	1840	4,478,117	(1,728,664)
(+/-) Financial liabilities held for trading	1841	211,275	(121,066)
(+/-) Financial liabilities at fair value through profit or loss	1842	-	-
(+/-) Financial liabilities at amortised cost	1843	4,668,801	(1,762,904)
(+/-) Other operating liabilities	1844	(401,959)	155,306
5. (+/-) Income tax receipts/(payments)	1850	43,294	47,052
B) CASH FLOWS FROM INVESTING ACTIVITIES (1+2)	1860	332,304	459,521
1. Payments	1870	(113,983)	(75,511)
(-) Tangible assets	1871	(29,901)	(64)
(-) Intangible assets	1872	(84,039)	(73,927)
(-) Investments in joint ventures and associates	1873	-	(366)
(-) Subsidiaries and other business units	1874	-	-
(-) Non-current assets held for sale and associated liabilities	1875	(43)	(1,154)
(-) Other payments related to investing activities	1877	-	-
2. Proceeds	1880	446,287	535,032
(+) Tangible assets	1881	13,302	15,871
(+) Intangible assets	1882	-	-
(+) Investments in joint ventures and associates	1883	-	112,642
(+) Subsidiaries and other business units	1884	1,153	-
(+) Non-current assets held for sale and associated liabilities	1885	431,832	406,519
(+) Other proceeds related to investing activities	1887	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES (1+2)	1890	(636,697)	(2,640,100)
1. Payments	1900	(3,136,579)	(2,801,649)
(-) Dividends	1901	(353,515)	(338,015)
(-) Subordinated liabilities	1902	-	-
(-) Redemption of own equity instruments	1903	-	-
(-) Acquisition of own equity instruments	1904	(36,100)	(59,160)
(-) Other payments related to financing activities	1905	(2,746,964)	(2,404,474)
2. Proceeds	1910	2,499,882	161,549
(+) Subordinated liabilities	1911	1,000,000	-
(+) Issuance of own equity instruments	1912	-	-
(+) Disposal of own equity instruments	1913	24,882	61,549
(+) Other proceeds related to financing activities	1914	1,475,000	100,000
D) EFFECT OF EXCHANGE RATE DIFFERENCES	1920	-	-
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	1930	3,363,352	(1,986,098)
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1940	4,753,800	4,503,911
G) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (E+F)	1950	8,117,152	2,517,813

COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		CURRENT PERIOD 30/06/2019	PREVIOUS PERIOD 30/06/2018
(+) Cash	1955	797,870	852,581
(+) Cash equivalents at central banks	1960	6,827,080	859,719
(+) Other financial assets	1965	492,202	805,513
(-) Less: Bank overdrafts refundable on demand	1970	-	-
TOTAL OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1980	8,117,152	2,517,813
of which: held by consolidated entities but not drawable by the Group	1990	-	-

IV. SELECTED FINANCIAL INFORMATION

11. DIVIDENDS PAID

		CURRENT PERIOD		PREVIOUS PERIOD	
		Euros per share (X.XX)	Amount (thousand euros)	Euros per share (X.XX)	Amount (thousand euros)
Ordinary shares	2158	0.12	353,515	0.11	338,015
Other shares (non-voting shares, redeemable shares, etc.)	2159	-	-	-	-
Total dividends paid	2160	0.12	353,515	0.11	338,015
a) Dividends charged to profit and loss	2155	0.12	353,515	0.11	338,015
b) Dividends charged to reserves or share premium	2156	-	-	-	-
c) Dividends in kind	2157	-	-	-	-
d) Flexible payment	2154				

IV. SELECTED FINANCIAL INFORMATION
12. BREAKDOWN OF FINANCIAL INSTRUMENTS BY NATURE AND CATEGORY (1/2)

Uds.: Thousands of euros

FINANCIAL ASSETS: NATURE / CATEGORY		CURRENT PERIOD				
		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
Trading derivatives	2470	6,800,199				
Equity instruments	2480	3,678	-	-	73,899	
Debt securities	2490	180,044	203	-	14,304,961	33,306,074
Loans and advances	2500	-	10,286	-		125,651,006
Central banks	2501	-	-	-		32
Loans and advances to credit institutions	2502	-	-	-		5,092,033
Loans and advances to customers	2503	-	10,286	-		120,558,941
TOTAL (INDIVIDUAL)	2510	6,983,921	10,489	-	14,378,860	158,957,080
Trading derivatives	2520	6,786,912				
Equity instruments	2530	3,677	-	-	83,856	
Debt securities	2540	180,046	203	-	14,306,977	33,199,005
Loans and advances	2550	-	10,286	-		125,431,290
Central banks	2551	-	-	-		32
Loans and advances to credit institutions	2552	-	-	-		5,094,691
Loans and advances to customers	2553	-	10,286	-		120,336,567
TOTAL (CONSOLIDATED)	2560	6,970,635	10,489	-	14,390,833	158,630,295

FINANCIAL LIABILITIES: NATURE / CATEGORY		CURRENT PERIOD		
		Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss	Financial liabilities at amortised cost
Trading derivatives	2570	6,759,892		
Short positions	2580	295,356		
Deposits	2590	-	-	171,523,181
Deposits from central banks	2591	-	-	13,873,812
Deposits from credit institutions	2592	-	-	23,369,751
Customer deposits	2593	-	-	134,279,618
Marketable debt securities	2600	-	-	15,589,874
Other financial liabilities	2610	-	-	1,430,105
TOTAL (INDIVIDUAL)	2620	7,055,248	-	188,543,160
Trading derivatives	2630	6,726,930		
Short positions	2640	295,357		
Deposits	2650	-	-	167,824,352
Deposits from central banks	2651	-	-	13,873,811
Deposits from credit institutions	2652	-	-	23,387,669
Customer deposits	2653	-	-	130,562,872
Marketable debt securities	2660	-	-	17,065,558
Other financial liabilities	2670	-	-	1,371,688
TOTAL (CONSOLIDATED)	2680	7,022,287	-	186,261,598

IV. SELECTED FINANCIAL INFORMATION
12. BREAKDOWN OF FINANCIAL INSTRUMENTS BY NATURE AND CATEGORY (2/2)

Uds.: Thousands of euros

FINANCIAL ASSETS: NATURE / CATEGORY		PREVIOUS PERIOD				
		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
Trading derivatives	5470	6,035,137				
Equity instruments	5480	3,901	-	-	66,484	
Debt securities	5490	281,569	187	-	15,556,331	33,860,266
Loans and advances	5500	-	9,161	-		122,886,938
Central banks	5501	-	-	-		-
Loans and advances to credit institutions	5502	-	-	-		4,432,818
Loans and advances to customers	5503	-	9,161	-		118,454,120
TOTAL (INDIVIDUAL)	5510	6,320,607	9,348	-	15,622,815	156,747,204
Trading derivatives	5520	6,022,496				
Equity instruments	5530	3,901	-	-	76,300	
Debt securities	5540	281,570	187	-	15,559,415	33,742,245
Loans and advances	5550	-	9,161	-		122,719,195
Central banks	5551	-	-	-		-
Loans and advances to credit institutions	5552	-	-	-		4,433,419
Loans and advances to customers	5553	-	9,161	-		118,285,776
TOTAL (CONSOLIDATED)	5560	6,307,967	9,348	-	15,635,715	156,461,440

FINANCIAL LIABILITIES: NATURE / CATEGORY		PREVIOUS PERIOD		
		Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss	Financial liabilities at amortised cost
Trading derivatives	5570	5,956,719		
Short positions	5580	122,081		
Deposits	5590	-	-	165,712,473
Deposits from central banks	5591	-	-	13,856,000
Deposits from credit institutions	5592	-	-	21,771,822
Customer deposits	5593	-	-	130,084,651
Marketable debt securities	5600	-	-	16,749,890
Other financial liabilities	5610	-	-	1,598,551
TOTAL (INDIVIDUAL)	5620	6,078,800	-	184,060,914
Trading derivatives	5630	5,924,515		
Short positions	5640	122,081		
Deposits	5650	-	-	161,963,232
Deposits from central banks	5651	-	-	13,856,000
Deposits from credit institutions	5652	-	-	21,787,756
Customer deposits	5653	-	-	126,319,476
Marketable debt securities	5660	-	-	18,360,095
Other financial liabilities	5670	-	-	1,545,259
TOTAL (CONSOLIDATED)	5680	6,046,596	-	181,868,586

IV. SELECTED FINANCIAL INFORMATION

13. SEGMENT REPORTING

Uds.: Thousands of euros

Geographic Area		Distribution of ordinary income by geographic areas			
		Individual		Consolidated	
		CURRENT PERIOD	PREVIOUS PERIOD	CURRENT PERIOD	PREVIOUS PERIOD
Domestic market	2210	1,232,084	1,273,242	1,232,252	1,256,608
Export:	2215	-	-	763	346
a) European Union	2216	-	-	-	-
a.1) Euro zone countries	2217	-	-	-	-
a.2) Non euro zone countries	2218	-	-	-	-
b) Rest of countries	2219	-	-	763	346
TOTAL	2220	1,232,084	1,273,242	1,233,015	1,256,954

SEGMENTS		CONSOLIDATED			
		Ordinary income		Profit / (loss)	
		CURRENT PERIOD	PREVIOUS PERIOD	CURRENT PERIOD	PREVIOUS PERIOD
Retail Banking	2221	1,101,454	1,059,477	504,107	394,108
Business Banking	2222	306,347	303,811	294,788	324,321
Corporate Centre	2223	582,342	798,018	(258,884)	(37,336)
Total profit (loss) of segments reported	2235	1,990,143	2,161,306	540,011	681,093

IV. SELECTED FINANCIAL INFORMATION
14. AVERAGE WORKFORCE AND NUMBER OF OFFICE

Uds.: Thousands of euros

		INDIVIDUAL		CONSOLIDATED	
		Current period	Previous period	Current period	Previous period
AVERAGE WORKFORCE	2295	15,502	16,238	15,926	16,771
Men	2296	6,839	7,295	7,028	7,542
Women	2297	8,663	8,943	8,898	9,229

		Current period	Previous period
NUMBER OF BRANCHES	2298	2,277	2,298
Spain	2299	2,277	2,298
Abroad	2300	-	-

IV. SELECTED FINANCIAL INFORMATION
15. REMUNERATION RECEIVED BY DIRECTORS AND MANAGING DIRECTORS

DIRECTORS

Remuneration concept:		Amount (thousand euros)	
		Current period	Previous period
Director's fees	2310	401	379
Fixed remuneration	2311	897	804
Variable remuneration	2312	-	-
Options on shares and/or other financial instruments	2313	-	-
Severance payments	2314	-	-
Long term saving systems	2315	-	-
Others	2316	-	-
TOTAL	2320	1,298	1,183

MANAGING DIRECTORS:

		Amount (thousand euros)	
		Current period	Previous period
Total rumenerations paid to managing directors	2325	1,852	942

IV. SELECTED FINANCIAL INFORMATION
16. RELATED PARTIES TRANSACTIONS (1/2)

Uds.: Thousands of euros

RELATED TRANSACTIONS

EXPENSES AND INCOME		CURRENT PERIOD				
		Significant shareholders	Board of Directors and senior executives	Associates and Jointly-controlled entities	Other related parties	Total
1) Interest expenses	2340	56	-	1,494	122	1,672
2) Leases	2343	-	-	-	-	-
3) Services received	2344	-	-	-	-	-
4) Purchase of goods (complete or in progress)	2345	-	-	-	-	-
5) Other expenses	2348	-	-	(3,022)	-	(3,022)
TOTAL EXPENSES (1 + 2 + 3 + 4 + 5)	**2350**	56	-	(1,528)	122	(1,350)
6) Interest income	2351	-	4	1,530	60	1,594
7) Dividends received	2354	-	-	-	-	-
8) Income from services	2356	934	100	605	208	1,847
9) Inventories sale	2357	-	-	-	-	-
10) Other income	2359	-	-	-	-	-
TOTAL INCOME (6 + 7 + 8 + 9 + 10)	**2360**	934	104	2,135	268	3,441

OTHER TRANSACTIONS		CURRENT PERIOD				
		Significant shareholders	Board of Directors and senior executives	Associates and Jointly-controlled entities	Other related parties	Total
Financing agreement: loans and capital contributors (lender)	2372	(70,686)	3,518	(13,108)	164	(80,112)
Financing agreement: loans and capital contributor (borrower)	2375	(8,272)	1,256	(177,074)	(40,804)	(224,894)
Collateral and guarantees given	2381	(1,230)	(9)	423	(2,543)	(3,359)
Collateral and guarantees received	2382	-	-	-	-	-
Commitments assumed	2383	-	37	(87)	27	(23)
Dividends and other earnings distributed	2386	219,360	-	-	-	219,360
Other transactions	2385	(983)	-	-	-	(983)

CLOSING BALANCE		CURRENT PERIOD				
		Significant shareholders	Board of Directors and senior executives	Associates and Jointly-controlled entities	Other related parties	Total
1) Trade and other receivables	2341	-	-	-	-	-
2) Loans and credits granted	2342	30,109	4,440	196,413	1,866	232,828
3) Otros receivables	2346	-	-	-	-	-
TOTAL DEBIT BALANCE (1 + 2 + 3)	**2347**	30,109	4,440	196,413	1,866	232,828
4) Trade and other payables	2352	-	-	-	-	-
5) Loans and credit received	2353	27,429	4,424	281,871	44,488	358,212
6) Other payment obligations	2355	-	-	-	-	-
TOTAL CREDIT BALANCE (4 + 5 + 6)	**2358**	27,429	4,424	281,871	44,488	358,212

IV. SELECTED FINANCIAL INFORMATION
16. RELATED PARTIES TRANSACTIONS (2/2)

Uds.: Thousands of euros

RELATED TRANSACTIONS

EXPENSES AND INCOME		PREVIOUS PERIOD				
		Significant shareholders	Board of Directors and senior executives	Associates and Jointly-controlled entities	Other related parties	Total
1) Interest income	6340	72	-	2,554	75	2,701
2) Leases	6343	-	-	-	-	-
3) Services received	6344	-	-	-	-	-
4) Purchase of goods (complete or in progress)	6345	-	-	-	-	-
5) Other losses	6348	-	-	(1,425)	-	(1,425)
EXPENSES (1 + 2 + 3 + 4 + 5)	**6350**	72	-	1,129	75	1,276
6) Interest expenses	6351	-	1	5,674	11	5,686
7) Received dividends	6354	-	-	-	-	-
8) Income from services	6356	3,740	57	605	255	4,657
9) Inventories sale	6357	-	-	-	-	-
10) Other expenses	6359	-	-	-	-	-
INCOME (6 + 7 + 8 + 9 + 10)	**6360**	3,740	58	6,279	266	10,343

OTHER TRANSACTIONS		PREVIOUS PERIOD				
		Significant shareholders	Board of Directors and senior executives	Associates and Jointly-controlled entities	Other related parties	Total
Financing agreement: loans and capital contributors (lender)	6372	(48,009)	(37)	(29,527)	1,175	(76,398)
Financing agreement: loans and capital contributor (borrower)	6375	39,334	1,484	266,757	39,266	346,841
Collateral and guarantees given	6381	-	-	1,022	38,445	39,467
Collateral and guarantees received	6382	-	-	-	-	-
Commitments assumed	6383	-	71	13,178	161	13,410
Dividends and other earnings distributed	6386	208,048	-	-	-	208,048
Other transactions	6385	1,416	-	(1,488)	-	(72)

CLOSING BALANCE		PREVIOUS PERIOD				
		Significant shareholders	Board of Directors and senior executives	Associates and Jointly-controlled entities	Other related parties	Total
1) Trade and other receivables	2341	-	-	-	-	-
2) Loans and credits granted	2342	331	947	209,960	1,647	212,885
3) Otros receivables	2346	-	-	-	-	-
TOTAL DEBIT BALANCE (1 + 2 + 3)	**2347**	331	947	209,960	1,647	212,885
4) Trade and other payables	2352	-	-	-	-	-
5) Loans and credit received	2353	47,457	2,882	402,582	84,124	537,045
6) Other payment obligations	2355	-	-	-	-	-
TOTAL CREDIT BALANCE (4 + 5 + 6)	**2358**	47,457	2,882	402,582	84,124	537,045

IV. SELECTED FINANCIAL INFORMATION
17. SOLVENCY INFORMATION

Uds.: Percentage

CAPITAL RATIOS		CURRENT PERIOD	PREVIOUS PERIOD
Common Equity Tier I (CET 1) (thousand euro)	7010	11,517,805	11,366,651
Additional Tier I Capital (AT1) (thousand euro)	7020	1,250,000	1,250,000
TIER2 (thousand euro)	7021	1,846,406	1,862,961
Total Risk Weighted Assets (thousand euro)	7030	81,825,478	82,381,203
Common Equity Tier I ratio	7110	14.08%	13.80%
Equity Tier I ratio	7121	15.60%	15.31%
Total capital ratio	7140	17.86%	17.58%

LEVERAGE RATIO		CURRENT PERIOD	PREVIOUS PERIOD
Tier I Capital (thousand euro)	7050	12,767,805	12,616,651
Total leverage ratio exposures (thousand euro)	7060	211,484,453	207,077,825
Leverage ratio	7070	6.04%	6.09%

IV. SELECTED FINANCIAL INFORMATION

18. CREDIT QUALITY OF LOANS AND ADVANCES PORTFOLIO

Uds.: Thousands of euros

GROSS AMOUNT		CURRENT PERIOD	PREVIOUS PERIOD
Normal risk	7500	146,660,222	144,313,389
Normal risk under special monitoring	7501	8,848,597	8,635,397
Doubtful risk	7502	6,869,220	7,731,664
Total gross amount	7505	162,378,039	160,680,450

IMPAIRMENT LOSSES		CURRENT PERIOD	PREVIOUS PERIOD
Normal risk	7510	(231,090)	(226,317)
Normal risk under special monitoring	7511	(600,618)	(619,333)
Doubtful risk	7512	(2,916,036)	(3,373,360)
Total impairment losses	7515	(3,747,744)	(4,219,010)
Impairment loss calculated collectively	7520	(2,472,167)	(2,644,798)
Impairment loss calculated individually	7530	(1,275,577)	(1,574,212)

CARRYING AMOUNT		CURRENT PERIOD	PREVIOUS PERIOD
Normal risk	7540	146,429,132	144,087,072
Normal risk under special monitoring	7541	8,247,979	8,016,064
Doubtful risk	7542	3,953,184	4,358,304
Total carrying amount	7545	158,630,295	156,461,440

GUARANTEES RECEIVED		CURRENT PERIOD	PREVIOUS PERIOD
Value of the collateral	7550	79,138,706	81,129,164
Of which: collateral with standard risk under special monitoring	7551	5,470,274	5,220,995
Of which: collateral with default risks	7552	7,599,683	8,159,882
Value of others collateral	7554	-	-
Of which: collateral with standard risk under special monitoring	7555	-	-
Of which: collateral with default risks	7556	-	-
Total guarantees received	7558	79,138,706	81,129,164

FINANCIAL GUARANTEES GIVEN		CURRENT PERIOD	PREVIOUS PERIOD
Value of collateral	7560	21,425,790	20,888,323
Of which: guarantees risks under special monitoring	7561	417,626	673,937
Of which: guarantees non-performing risks	7562	446,306	447,095
Recognized as liabilities in the balance sheet	7563	89,967	76,423
Financial guarantees given	7565	419,163	427,621
Of which: guarantees risks under special monitoring	7566	19,842	31,850
Of which: guarantees non-performing risks	7567	68,264	81,526
Recognized as liabilities in the balance sheet	7568	18,152	17,624
Other commitments given	7570	12,886,956	12,504,994
Of which: guarantees risks under special monitoring	7571	891,750	963,637
Of which: guarantees non-performing risks	7572	576,207	602,424
Recognized as liabilities in the balance sheet	7573	265,152	279,035

IV. SELECTED FINANCIAL INFORMATION
19 REAL ESTATE EXPOSURE

Uds.: Thousands of euros

GROSS AMOUNT		CURRENT PERIOD	PREVIOUS PERIOD
Total Gross amount	9000	694,578	748,964
Of which: non-performing	9001	232,032	300,970

IMPAIRMENT LOSSES		CURRENT PERIOD	PREVIOUS PERIOD
Total asset impairment losses	9015	(125,039)	(158,326)
Of which: non-performing	9016	(113,387)	(145,404)

CARRYING AMOUNT		CURRENT PERIOD	PREVIOUS PERIOD
Total carrying amount	9025	569,539	590,638
Of which: non-performing	9026	118,645	155,566
Total carrying amount of financing granted to customers	9030	113,189,429	112,322,538

GUARANTEES RECEIVED		CURRENT PERIOD	PREVIOUS PERIOD
Value of collateral	9050	809,510	846,650
Of which: guarantees non-performing risks	9053	112,500	136,338
Value of other guarantees	9054	-	-
Of which: guarantees non-performing risks	9057	-	-
Total value of guarantees received	9058	809,510	846,650

FINANCIAL GUARANTEES		CURRENT PERIOD	PREVIOUS PERIOD
Financial guarantees given relating to real estate construction and development	9060	12,013	6,921
Amount recognised under liabilities	9061	29	32

Foreclosed assets and assets received as payment for debts - Spain

TOTAL GROSS		CURRENT PERIOD	PREVIOUS PERIOD
Foreclosed property and property received as payment for debts	9070	4,212,001	4,330,536
Of which: land	9071	341,426	347,009
Investments in real estate entities	9072	-	-
Total gross amount	9075	4,212,001	4,330,536

IMPAIRMENT LOSSES		CURRENT PERIOD	PREVIOUS PERIOD
Foreclosed property and property received as payment for debts	9080	(1,508,134)	(1,530,147)
Of which: land	9081	(193,316)	(180,062)
Investments in real estate entities	9082	-	-
Total asset impairment losses	9085	(1,508,134)	(1,530,147)

CARRYING AMOUNT		CURRENT PERIOD	PREVIOUS PERIOD
Foreclosed property and property received as payment for debts	9090	2,703,867	2,800,389
Of which: land	9091	148,110	166,947
Investments in real estate entities	9092	-	-
Total carrying amount	9095	2,703,867	2,800,389

Independent Auditor's Report on the
Condensed Consolidated Interim Financial Statements

BANKIA, S.A. AND SUBSIDIARIES
Condensed Consolidated Interim Financial Statements and
Interim Management Report
for the six-month period ended
June 30, 2019

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INDEPENDENT AUDITOR'S REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Translation of the report and the condensed consolidated interim financial statements originally issued in Spanish. In the event of discrepancy, the Spanish version prevails. (See note 20)

To the shareholders of Bankia, S.A., at the request of the Board of Directors:

Report on the condensed consolidated interim financial statements

Opinion

We have audited the condensed consolidated interim financial statements of Bankia, S.A. (the Parent Company) and its subsidiaries (the Group), which comprise the consolidated balance sheet at June 30, 2019, the consolidated income statement, the consolidated statement of recognised income and expenses, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the explanatory notes thereto for the six-month period then ended.

In our opinion, the accompanying condensed consolidated interim financial statements for the six-month period ended June 30, 2019 have been prepared, in all material respects, in accordance with the requirements of the International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, in accordance to article 12 of Royal Decree 1362/2007, for the preparation of condensed interim financial statements.

Basis for opinion

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

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

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

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the condensed consolidated interim financial statements of the six-month period ended June 30, 2019. These matters were addressed in the context of our audit of the condensed consolidated interim financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

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

Description

Estimating the impairment loss allowance for credit risk is one of the most significant and complex elements of Group's financial reporting process. In note 2.9 to the consolidated financial statements as of 31 December 2018, management explains the main principles and criteria applied by the Group to estimate impairment losses, and note 7.5 of the accompanying notes to the interim condensed consolidated financial statements includes the estimated amounts, which are assessed individually or collectively.

The approach used for individual estimates considers mainly the identification and classification of impaired exposures and exposures with a significant increase in risk, the debtor's expected future cash flows and, where appropriate, estimates of the realisable value of the related collateral.

The collective estimate is made using internal models that consider matters such as the grouping of transactions, distributing them in homogeneous groups based on their credit risk (e.g. borrower, type of transaction, guarantee or collateral); the identification and classification of exposures with a significant increase in risk and impaired exposures; risk parameters (exposure, probability of default, loss given default), and the use of scenarios and forecasts of future economic conditions.

Therefore, the estimate of impairment loss allowances for credit risk on the portfolio of loans and advances at amortised cost was considered a key audit matter.

Our response

Among the audit procedures carried out in this respect, we assessed and evaluated internal control and performed substantive tests on impairment allowances assessed both individually and collectively.

Regarding internal control, our tests focused on:

- Reviewing compliance of the policies and procedures established by the Group and the internal model with applicable regulatory requirements.
- Reviewing, in the granting process, the procedures established by the Group to evaluate the borrower's creditworthiness based on future cash flows and its financial information.
- Evaluating whether the regular review process of credit files for monitoring of their classification and identification of impairment, where applicable, is performed adequately.
- Assessing the classification criteria for exposures based on the ageing of arrears, the transaction terms, including refinancing or forbearance, and the monitoring controls or warnings in place.

- Assessing the relevant controls in place for managing and valuing the guarantees related to credit transactions.
- Evaluating the consistency and reliability of the databases used in these calculations.

We also performed substantive procedures, consisting mainly of:

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

Finally, we assessed that the condensed consolidated interim financial statements contain the disclosures required in the financial regulatory framework applied by the Group.

Estimate of impairment losses on real estate assets arising from foreclosures

Description

In Notes 2.15.2 and 2.20 to the consolidated financial statements for the year ended 31 December 2018, the Group describes the process for estimating impairment losses on real estate assets arising from foreclosures based on third-party appraisals adjusted to reflect the Group's experience in sales of these assets, or, in its absence, based on information on the Spanish banking sector. The accompanying explanatory notes 9.3, 9.5 and 10 describes the Group's exposure to these assets and the impairment losses recognised.

In addition, as indicated in the accompanying explanatory note 9.5.1, the Group reached an agreement with two companies to sell a real estate portfolio arising from foreclosures. The closing of this transactions is expected for the second semester of 2019.

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

Our response

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

- Assessing the ability, capacity and objectivity of the experts engaged by the Group to appraise its real estate assets and the appropriateness of their work for use as audit evidence.

- Analysing, based on a sample of appraisals, the reasonableness of the valuation procedures and approaches used by the experts engaged by the Group's management, with the involvement of our specialists.
- Analysing the reasonableness of the key assumptions used in the internal valuation methodology.
- Assessing the reliability and coherence of the information sources used.
- Re-executing calculations to obtain the discounts of the internal methodology.
- Recalculating impairment losses on real estate assets arising from foreclosures.

In relation to the agreement to sell a real estate portfolio arising from foreclosures, we have tested the valuation of the real estate assets in accordance with the price agreed between the parties and considering the transaction costs.

Lastly, we assessed that the condensed consolidated interim financial statements contain the disclosures required in the financial regulatory framework applied by the Group.

Provisions for legal contingencies

Description

In the accompanying explanatory notes 1.9 and 14, the Group describes the legal and administrative proceedings to which it is party arising from its ordinary operations.

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

In general, these proceedings are subject to uncertainty and are completed after a lengthy period of time, resulting in complex estimation processes. Accompanying explanatory note 14 includes disclosures of the amounts and relevant information related to these proceedings.

Our response

Our work consisted of, mainly:

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

- Assessing the recognition and changes in accounting provisions.

In addition, our audit included assessing whether the information included in the accompanying explanatory notes 1.9 and 14 meets the requirements in the financial reporting framework applied by the Group.

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

Description	In accordance with the Group's policies, as explained in Note 2.14 to the consolidated financial statements for the year ended 31 December 2018, deferred tax assets are only recognised when it is considered probable that there will be sufficient future taxable income to enable their application. As indicated in the accompanying explanatory note 17, at 30 June 2019, the Group had deferred tax assets amounting to EUR 10,501 million, of which the recovery of EUR 7,447 million is guaranteed through the monetisation mechanisms established in Royal Decree Law 14/2013 and article 130 of the Law on Corporate Income Tax. Management assesses the Group's ability to recover deferred tax assets based on estimates of future taxable profit using the Group's financial projections and business plans and taking into account applicable tax legislation. Therefore, the assessment of the Group's ability to recover deferred tax assets is a complex exercise requiring significant judgement and estimation.
Our response	We performed audit procedures to evaluate the assumptions used by management to estimate the recovery of deferred tax assets, focusing our analysis on the economic and financial assumptions used by the Group to estimate future taxable income. We also carried out a sensitivity analysis of income and evaluated the disclosures in the accompanying explanatory notes.

Automated financial reporting systems

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

Emphasis of matter paragraph

We draw attention to note 1.3 of the attached explanatory notes, which explains that the condensed consolidated interim financial statements do not include all the information that would be required for complete consolidated interim financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. As a result, these condensed consolidated interim financial statements shall be read together with the Group financial statements for the year ended December 31, 2018. Our opinion is not modified in respect of this matter.

Other information: interim management report

Other information refers exclusively to the interim management report for the six-month period ended June 30, 2019, the preparation of which is the responsibility of the Parent Company's directors and is not an integral part of the condensed consolidated interim financial statements.

Our audit opinion on condensed consolidated interim the financial statements does not cover the consolidated interim management report. In conformity with prevailing audit regulations in Spain, our responsibility in terms of the consolidated interim management report is to assess and report on the consistency of the consolidated interim management report with the condensed consolidated interim financial statements based on the knowledge of the entity we obtained while auditing the condensed consolidated interim financial statements, and does not include any information not obtained as evidence during the course of the audit. In addition, our responsibility is to assess and report on whether the content and presentation of the consolidated interim management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described in the above paragraph, the information contained in the consolidated interim management report is consistent with that provided in the 2019 condensed consolidated interim financial statements and their content and presentation are in conformity with applicable regulation.

Responsibilities of the directors of the Parent Company and the audit committee for the condensed consolidated interim financial statements

The directors of the Parent Company are responsible for the preparation of the accompanying condensed consolidated interim financial statements in accordance with the requirements of the International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, in accordance to article 12 of the Royal Decree 1362/2007 for the preparation of the condensed interim financial statements, and for such internal control as they determine is necessary to enable the preparation of condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee of the Parent Company is responsible for overseeing the financial reporting process and the preparation of the condensed consolidated interim financial statements.

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

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

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

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

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

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

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

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the condensed consolidated interim financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the condensed consolidated interim financial statements, including the disclosures, and whether the condensed consolidated interim financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Report on other legal and regulatory requirements

Term of engagement

On March 22, 2019 the Ordinary General Shareholders' Meeting appointed us as the Group auditors for the year that began January 1, 2019.

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

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

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

July 26, 2019

Bankia

Bankia, S.A. and subsidiaries composing the Bankia Group

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Condensed Consolidated Interim Financial Statements (Half-Year) and Consolidated Interim Management Report for the six-month period ended June 30, 2019

Translation of the condensed consolidated interim financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1.3 and 20). In the event of a discrepancy, the Spanish-language version prevails.

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Consolidated balance sheets at 30 June 2019 and 31 December 2018

(Thousands of euros)

ASSETS	NOTE	30/06/2019	31/12/2018(*)
Cash, cash balances at central banks and other demand deposits		**8,117,152**	**4,753,800**
Financial assets held for trading	**7.1**	**6,970,635**	**6,307,967**
Derivatives	7.2	6,786,912	6,022,496
Equity instruments		3,677	3,901
Debt securities		180,046	281,570
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum item: loaned or advanced as collateral with right to sell or pledge		*5,862*	*590*
Non-trading financial assets mandatorily at fair value through profit or loss	**7.3**	**10,489**	**9,348**
Equity instruments		-	-
Debt securities		203	187
Loans and advances		10,286	9,161
Central banks		-	-
Credit institutions		-	-
Customers		10,286	9,161
Memorandum item: loaned or advanced as collateral with right to sell or pledge		-	-
Financial assets designated at fair value through profit or loss		**-**	**-**
Debt securities		-	-
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum item: loaned or advanced as collateral with right to sell or pledge		-	-
Financial assets at fair value through other comprehensive income	**7.4**	**14,390,833**	**15,635,715**
Equity instruments		83,856	76,300
Debt instruments		14,306,977	15,559,415
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum item: loaned or advanced as collateral with right to sell or pledge		*7,325,084*	*7,138,310*
Financial assets at amortised cost	**7.5**	**158,630,295**	**156,461,440**
Debt securities		33,199,005	33,742,245
Loans and advances		125,431,290	122,719,195
Central banks		32	-
Credit institutions		5,094,691	4,433.419
Customers		120,336,567	118,285,776
Memorandum item: loaned or advanced as collateral with right to sell or pledge		*23,583,959*	*23,310,362*
Derivatives – hedge accounting		**2,502,610**	**2,626,997**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**-**	**-**
Investments in joint ventures and associates		**423,887**	**305,887**
Joint ventures		11,569	3,818
Associates		412,318	302,069
Assets under insurance contracts		**-**	**-**
Tangible assets	**10**	**2,758,448**	**2,189,693**
Property, plant and equipment		2,233,001	1,669,319
For own use		2,233,001	1,669,319
Leased out under an operating lease		-	-
Assigned to welfare projects (savings banks and credit cooperatives)		-	-
Investment property		525,447	520,374
Of which: leased out under operating leases		525,447	520,374
Memorandum item: acquired in financial lease		*586,429*	-
Intangible assets	**11**	**354,151**	**297,554**
Goodwill		89,662	90,862
Other intangible assets		264,489	206,692
Tax assets		**10,830,174**	**11,088,695**
Current tax assets		329,497	485,289
Deferred tax assets	17	10,500,677	10,603,406
Other assets	**12**	**1,613,236**	**1,639,569**
Insurance contracts linked to pensions		1,031,399	1,034,030
Inventories		-	-
Other		581,837	605,539
Non-current assets and disposal groups classified as held for sale	**9**	**3,322,656**	**3,906,205**
TOTAL ASSETS		**209,924,566**	**205,222,870**

The accompanying Notes 1 to 20 and Appendices I to VIII are an integral part of the consolidated balance sheet at 30 June 2019.

(*) The consolidated balance sheet at 31 December 2018 is presented solely for comparison. See note 1.5.

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

Consolidated balance sheets at 30 June 2019 and 31 December 2018

(Thousands of euros)

LIABILITIES AND EQUITY	NOTE	30/06/2019	31/12/2018(*)
Financial liabilities held for trading		**7,022,287**	**6,046,596**
Derivatives	13.2	6,726,930	5,924,515
Short positions		295,357	122,081
Deposits		-	-
Central Banks		-	-
Credit institutions		-	-
Customers		-	-
Debt securities issued		-	-
Other financial liabilities		-	-
Financial liabilities designated at fair value through profit or loss		**-**	**-**
Deposits		-	-
Central Banks		-	-
Credit institutions		-	-
Customers		-	-
Debt securities issued		-	-
Other financial liabilities		-	-
Memorandum item: subordinated liabilities		-	-
Financial liabilities measured at amortised cost		**186,261,598**	**181,868,586**
Deposits		167,824,352	161,963,232
Central Banks	13.3	13,873,811	13,856,000
Credit institutions	13.4	23,387,669	21,787,756
Customers	13.5	130,562,872	126,319,476
Debt securities issued	13.6	17,065,558	18,360,095
Other financial liabilities	13.7	1,371,688	1,545,259
Memorandum item: subordinated liabilities		*2,967,317*	*2,989,889*
Derivatives – hedge accounting		**86,285**	**183,189**
Fair value changes of the hedged items in portfolio hedge of interest rate risk		**-**	**-**
Liabilities under insurance contracts		**-**	**-**
Provisions	**14**	**1,842,393**	**1,922,116**
Pensions and other post-employment defined benefit obligations		1,035,893	1,080,822
Other long-term employee benefits		-	-
Pending legal issues and tax litigation		224,773	193,670
Commitments and guarantees given		373,271	373,082
Other provisions		208,456	274,542
Tax liabilities		**571,688**	**555,842**
Current tax liabilities		396	43
Deferred tax liabilities	17	571,292	555,799
Share capital repayable on demand		-	-
Other liabilities		**795,681**	**1,106,217**
Of which: welfare fund (only savings banks and credit cooperatives)		-	-
Liabilities included in disposal groups classified as held for sale	**9**	**3,269**	**350,885**
TOTAL LIABILITIES		**196,583,201**	**192,033,431**
Equity		**13,036,796**	**13,029,511**
Capital	15.1	3,069,522	3,084,963
Paid up capital		3,069,522	3,084,963
Unpaid capital which has been called up		-	-
Memorandum item: Uncalled capital		-	-
Share premium		619,154	619,154
Equity instruments issued other than capital		-	-
Equity component of compound financial instruments		-	-
Other equity instruments issued		-	-
Other equity		-	-
Retained earnings		-	-
Revaluation reserves		-	-
Other reserves		9,003,354	8,718,830
Reserves or accumulated losses of investments in joint ventures and associates		(141,712)	(158,969)
Other		9,145,066	8,877,799
(-) Treasury shares	15.2	(54,814)	(96,646)
Profit or loss attributable to owners of the parent		399,580	703,210
(-) Interim dividends		-	-
Accumulated other comprehensive income		**291,076**	**147,454**
Items that will not be reclassified to profit or loss		55,667	54,627
Actuarial gains or (-) losses on defined benefit pension plans		29,939	29,939
Non-current assets and disposal groups classified as held for sale		(3,230)	-
Share of other recognised income and expense of investments in joint ventures and associates		2,110	3,183
Accumulated changes in fair value of equity instruments measured at fair value through other comprehensive income		26,848	21,505
Accumulated hedge ineffectiveness for equity instruments measured liability at fair value through other comprehensive income		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedge item]		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]		-	-
Accumulated changes in fair value of a financial liability at fair value through profit or loss that is attributable to changes in the credit risk of that liability		-	-
Items that may be reclassified to profit or loss		235,409	92,827
Hedge of net investments in foreign operations [effective portion]		-	-
Foreign currency translation		(236)	(293)
Hedging derivatives. Cash flow hedges reserve [effective portion]		(240)	(2,299)
Fair value changes of financial assets measured at fair value through other comprehensive income		198,500	62,459
Hedging instruments [not designated elements]		-	-
Non-current assets and disposal groups classified as held for sale		2,679	4,187
Share of other recognised income and expense of investments in joint ventures and associates		34,706	28,773
Minority interests [Non-controlling interests]		**13,493**	**12,474**
Accumulated Other Comprehensive Income		1,356	1,318
Other items		12,137	11,156
TOTAL EQUITY		**13,341,365**	**13,189,439**
TOTAL EQUITY AND TOTAL LIABILITIES		**209,924,566**	**205,222,870**
MEMORANDUM ITEM: OFF-BALANCE SHEET ITEMS	**18**	**34,731,909**	**33,820,938**
Loan commitments given		21,425,790	20,888,323
Financial guarantees given		419,163	427,621
Contingent commitments given		12,886,956	12,504,994

The accompanying Notes 1 to 20 and Appendices I to VIII are an integral part of the condensed consolidated balance sheet at 30 June 2019.

(*) The consolidated balance sheet at 31 December 2018 is presented solely for comparison. See Note 1.5.

BANKIA, S.A. AND SUBSIDIARIES COMPOSING THE BANKIA GROUP
Consolidated income statement for the six months ended 30 June 2019 and 2018

(Thousands of euros)

	30/06/2019	30/06/2018(*)
Interest income	1,233,015	1,256,954
Financial assets at fair value through other comprehensive income	82,386	140,083
Financial assets at amortised cost	1,083,896	1,130,384
Other interest income	66,733	(13,513)
(Interest expenses)	(215,247)	(209,750)
(Expenses on share capital repayable on demand)	-	-
A) NET INTEREST INCOME	**1,017,768**	**1,047,204**
Dividend income	14,131	7,994
Share of profit/(loss) of companies accounted for using the equity method	28,906	29,319
Fee and commission income	575,385	576,194
(Fee and commission expenses)	(42,104)	(42,321)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	143,096	270,174
Financial assets at amortised cost	45,628	749
Other financial assets and liabilities	97,468	269,425
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	7,956	33,991
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	7,956	33,991
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	758	72
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	758	72
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	-	-
Gains or (-) losses from hedge accounting, net	(12,243)	(13,260)
Exchange differences [gain or (-) loss], net	7,182	5,774
Other operating income	28,045	29,187
(Other operating expenses)	(97,721)	(102,879)
Of which: Mandatory provisions to welfare fund (only savings banks and credit cooperatives)	-	-
Income of insurance and reinsurance contracts	-	-
(Expenses of liabilities covered by insurance or reinsurance contracts)	-	-
B) GROSS INCOME	**1,671,159**	**1,841,449**
(Administrative expenses)	(813,312)	(856,178)
(Staff expenses)	(570,630)	(596,038)
(Other administrative expenses)	(242,682)	(260,140)
(Depreciation)	(98,893)	(88,115)
(Provisions or (-) reversal of provisions)	(44,897)	36,393
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss or modification gains or (-) losses, net)	(141,417)	(207,644)
(Financial assets at fair value through other comprehensive income)	3	(772)
(Financial assets at amortised cost)	(141,420)	(206,872)
C) TOTAL OPERATING INCOME, NET	**572,640**	**725,905**
(Impairment or (-) reversal of impairment of investments in joint ventures and associates)	-	40,623
(Impairment or (-) reversal of impairment on non-financial assets)	(9,343)	(8,960)
(Tangible assets)	(6,493)	(5,856)
(Intangible assets)	(2,850)	(2,850)
(Other)	-	(254)
Gains or (-) losses on derecognition of non-financial assets accounts and investments, net	4,602	2,913
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	(27,888)	(79,388)
D) PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**540,011**	**681,093**
(Tax expense or (-) income related to profit or loss from continuing operations)	(139,642)	(166,307)
E) PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS	**400,369**	**514,786**
Profit or (-) loss after tax from discontinued operations	-	-
F) PROFIT OR (-) LOSS	**400,369**	**514,786**
Attributable to minority interest	789	211
Attributable to owners of the parent	399,580	514,575
EARNINGS PER SHARE		
Basic earnings/(loss) per share	0.12	0.16
Diluted earnings/(loss) per share	0.12	0.16

The accompanying Notes 1 to 20 and Appendices I to VIII are an integral part of the consolidated income statement for the six months ended 30 June 2019.

(*) The consolidated income statement for the six months ended 30 June 2018 is presented solely for comparison. See Note 1.5.

BANKIA, S.A. AND SUBSIDIARIES COMPOSING THE BANKIA GROUP
Consolidated statement of recognised income and expense for the six months ended 30 June 2019 and 2018

Thousands of euros)	30/06/2019	30/06/2018(*)
Profit or (-) loss	**400,369**	**514,786**
Other comprehensive income	**143,660**	**(239,122)**
Items that will not be reclassified to profit or loss	**1,040**	**1,321**
Actuarial gains or (-) losses on defined benefit pension plans	-	-
Non-current assets and disposal groups held for sale	(4,614)	-
Share of other recognised income and expense of entities accounted for using the equity method	(1,073)	(2,714)
Fair value changes of equity instruments measured at fair value through other comprehensive income	7,633	5,764
Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]	-	-
Amount of change in fair value of a financial liability at fair value through profit or loss that is attributable to changes in the credit risk of that liability	-	-
Income tax relating to items that will not be reclassified	(906)	(1,729)
Items that may be reclassified to profit or loss	**142,620**	**(240,443)**
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	81	370
Translation gains or (-) losses taken to equity	81	370
Transferred to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges [effective portion]	2,941	(17,493)
Valuation gains or (-) losses taken to equity	2,941	(17,493)
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	194,344	(324,377)
Valuation gains or (-) losses taken to equity	287,986	(54,895)
Transferred to profit or loss	(93,642)	(269,482)
Other reclassifications	-	-
Non-current assets and disposal groups held for sale	(2,141)	5,279
Valuation gains or (-) losses taken to equity	(2,141)	5,279
Transferred to profit or loss	-	-
Other reclassifications	-	-
Share of other recognised income and expense of Investments in joint ventures and associates	5,933	(5,219)
Income tax relating to items that may be reclassified to profit or (-) loss	(58,538)	100,997
Total comprehensive income	**544,029**	**275,664**
Attributable to minority interest [Non-controlling interest]	827	382
Attributable to owners of the parent	543,202	275,282

The accompanying Notes 1 to 20 and Appendices I to VIII are an integral part of the consolidated statement of recognised income and expense for the six months ended 30 June 2019.

(*) The consolidated statement of recognised income and expense for the six months ended 30 June 2018 is presented solely for comparison. See Note 1.5.

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

Consolidated statement of changes in total equity for the six months ended 30 June 2019

(Thousands of euros)

												Minority interests		
Sources of equity changes	Capital	Share premium	Equity instruments issued other than Capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or (-) loss attributable to owners of the parent	(-) Interim dividends	Accumulated Other Comprehensive Income	Accumulated Other Comprehensive Income		Other items
Opening balance at 31 December 2018 [before restatement]	**3,084,963**	**619,154**	**-**	**-**	**-**	**-**	**8,718,830**	**(96,646)**	**703,210**	**-**	**147,454**	**1,318**	**11,156**	**13,189,439**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies (*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance [current period]	**3,084,963**	**619,154**	**-**	**-**	**-**	**-**	**8,718,830**	**(96,646)**	**703,210**	**-**	**147,454**	**1,318**	**11,156**	**13,189,439**
Comprehensive accumulated income					**-**	**-**	**-**		**399,580**		**143,622**	**38**	**789**	**544,029**
Other changes in equity	(15,441)	-	-	-	-	-	284,524	41,832	(703,210)	-	-	-	192	(392,103)
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					-	-	-	(36,100)				-	-	(36,100)
Sale or cancellation of treasury shares					-	-	(3,050)	27,932				-	-	24,882
Reclassification of financial instruments from equity to liability	-	-	-	-									-	-
Reclassification of financial instruments from liability to equity	-	-	-	-									-	-
Transfers among components of equity			-	-	-	-	703,210		(703,210)	-	-	-	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-					-	-
Share based payments	-	-		-				-					-	-
Other increase or (-) decrease in equity			-	-	-	-	(27,562)	-	-	-	-	-	192	(27,370)
Of which: discretionary provision to welfare funds (only savings banks and credit cooperatives)					-		-							-
Closing balance at 30 June 2019 [current period]	**3,069,522**	**619,154**	**-**	**-**	**-**	**-**	**9,003,354**	**(54,814)**	**399,580**	**-**	**291,076**	**1,356**	**12,137**	**13,341,365**

The accompanying Notes 1 to 20 and Appendices I to VIII are an integral part of the consolidated statement of recognized income and expense for the six months ended 30 June 2019.

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

Consolidated statement of changes in total equity for the six months ended 30 June 2018 (*)

(Thousands of euros)

												Minority interests		
Sources of equity changes	Capital	Share premium	Equity instruments issued other than Capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or (-) loss attributable to owners of the parent	(-) Interim dividends	Accumulated Other Comprehensive Income	Accumulated Other Comprehensive Income	Other items	Total
Opening balance at 31 December 2017 [before restatement]	**3,084,963**	**619,154**	**-**	**-**	**-**	**-**	**9,093,630**	**(79,837)**	**504,513**	**-**	**365,780**	**989**	**23,902**	**13,613,094**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	(487,047)	-	-	-	172,358	-	-	(314,689)
Opening balance [current period]	**3,084,963**	**619,154**	**-**	**-**	**-**	**-**	**8,606,583**	**(79,837)**	**504,513**	**-**	**538,138**	**989**	**23,902**	**13,298,405**
Comprehensive accumulated income					-	-	-		514,575		(239,293)	171	211	275,664
Other changes in equity	-	-	-	-	-	-	143,905	5,053	(504,513)	-	-	-	(10,012)	(365,567)
Issuance of ordinary shares	-	-			-	-	-						-	-
Issuance of preference shares	-	-	-		-	-	-						-	-
Issuance of other equity instruments			-		-	-	-						-	-
Exercise or expiration of other equity instruments issued			-		-	-	-						-	-
Conversion of debt to equity	-	-	-	-	-		-	-					-	-
Capital reduction	-	-			-	-	-	-	-				-	-
Dividends	-	-	-	-	-	-	(338,015)	-		-			-	(338,015)
Purchase of treasury shares					-	-	-	(59,159)				-	-	(59,159)
Sale or cancellation of treasury shares					-	-	(2,664)	64,212				-	-	61,548
Reclassification of financial instruments from equity to liability	-	-	-	-									-	-
Reclassification of financial instruments from liability to equity	-	-	-	-									-	-
Transfers among components of equity			-	-	-	-	504,513		(504,513)	-	-	-	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-			-		-	-
Share based payments	-	-		-				-					-	-
Other increase or (-) decrease in equity			-	-	-	-	(19,929)	-	-	-	-	-	(10,012)	(29,941)
Of which: discretionary provision to welfare funds (only savings banks and credit cooperatives)					-		-							-
Closing balance at 30 June 2018 [current period]	**3,084,963**	**619,154**	**-**	**-**	**-**	**-**	**8,750,488**	**(74,784)**	**514,575**	**-**	**298,845**	**1,160**	**14,101**	**13,208,502**

(*) The consolidated statement of changes in equity for the six months ended 30 June 2018 is presented solely for comparison. See Note 1.5.

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

Consolidated statement of cash flows for the six months ended 30 June 2019 and 2018

(Thousands of euros)	30/06/2019	30/06/2018
A) CASH FLOWS USED IN OPERATING ACTIVITIES	**3,667,745**	**194,481**
Consolidated profit/(loss)	**400,369**	**514,786**
Adjustments to obtain cash flows from operating activities	**277,536**	**165,146**
Depreciation and amortisation	98,893	88,115
Other	178,643	77,031
Net increase/(decrease) in operating assets	**(1,531,571)**	**1,196,161**
Financial assets held for trading	101,748	(128,969)
Non-trading financial assets mandatorily at fair value through profit or loss	(383)	(243)
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	1,540,504	6,089,764
Financial assets at amortised cost	(2,372,681)	(4,277,418)
Other operating assets	(800,759)	(486,973)
Net increase/(decrease) in operating liabilities	**4,478,117**	**(1,728,664)**
Financial liabilities held for trading	211,275	(121,066)
Other financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	4,668,801	(1,762,904)
Other operating liabilities	(401,959)	155,306
Income tax receipts/(payments)	**43,294**	**47,052**
B) CASH FLOWS FROM INVESTING ACTIVITIES	**332,304**	**459,521**
Payments	**(113,983)**	**(75,511)**
Tangible assets	(29,901)	(64)
Intangible assets	(84,039)	(73,927)
Investments in joint ventures and associates	-	(366)
Subsidiaries and other business units	-	-
Non-current assets held for sale and associated liabilities	(43)	(1,154)
Other payments related to investing activities	-	-
Proceeds	**446,287**	**535,032**
Tangible assets	13,302	15,871
Intangible assets	-	-
Investments in joint ventures and associates		112,642
Subsidiaries and other business units	1,153	-
Non-current assets held for sale and associated liabilities	431,832	406,519
Other proceeds related to investing activities	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES	**(636,697)**	**(2,640,100)**
Payments	**(3,136,579)**	**(2,801,649)**
Dividends	(353,515)	(338,015)
Subordinated liabilities	-	-
Redemption of own equity instruments	-	-
Acquisition of own equity instruments	(36,100)	(59,160)
Other payments related to financing activities	(2,746,964)	(2,404,474)
Proceeds	**2,499,882**	**161,549**
Subordinated liabilities	1,000,000	-
Issuance of own equity instruments	-	-
Disposal of own equity instruments	24,882	61,549
Other proceeds related to financing activities	1,475,000	100,000
D) EFFECT OF EXCHANGE RATE DIFFERENCES	**-**	**-**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**3,363,352**	**(1,986,098)**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**4,753,800**	**4,503,911**
G) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**8,117,152**	**2,517,813**
MEMORANDUM ITEM		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash	797,870	852,581
Cash equivalents at central banks	6,827,080	859,719
Other financial assets	492,202	805,513
Less: Bank overdrafts refundable on demand	-	-
Total cash and similar at the end of period	**8,117,152**	**2,517,813**
Of which: held by Group entities but not available by the Group	-	-

The accompanying Notes 1 to 20 and Appendices I to VIII are an integral part of the consolidated statement of recognized income and expense for the six months ended 30 June 2019.
(*) The consolidated statement of cash flow at 30 June 2018 is presented solely for comparison. See Note 1.5.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

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

(1.1) Group description

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 30 June 2019, the Bank's branch network comprised 2,277 offices. The company bylaws may be consulted, together with other relevant legal information, at its registered office and on its website (www.bankia.es).

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

Bankia is the parent of a business group (the "Group" or "Bankia Group"). At 30 June 2019, the scope of consolidation of the Bankia Group encompassed 57 companies, including subsidiaries, associates and joint ventures. These companies engage in a range of activities, including among others, insurance, asset management, financing, services and property management. Appendices II, III and IV list the entities that form part of the scope of consolidation of the Bankia Group at 30 June 2019 (subsidiaries controlled by the Bank, joint ventures and associates over which Bankia, directly or indirectly, exercises significant influence, distinguishing those classified under "Non-current assets held for sale"), and specifying the percentage of voting rights controlled by Bankia in each company.

Bankia's main shareholder is BFA, Tenedora de Acciones, S.A.U., (hereinafter "BFA") which at 30 June 2019 held shares representing 61.77% of its share capital (62.15 % including the impact of treasury shares). Therefore, in addition to the operations it carries out directly, Bankia is a subsidiary of the BFA, Tenedora de Acciones Group (hereinafter "BFA Group").

The Bankia Group's condensed consolidated interim financial statements for the six months ended 30 June 2019 were authorised for issue by Bankia's directors at the Board meeting held on 24 July 2019. The Bankia Group's consolidated financial statements for 2018 were approved by the shareholders at the general meeting held on 22 March 2019.

Appendix I presents the balance sheet as of 30 June 2019, as well as the profit and loss account, recognized income and expense statement, the statement of changes in the Bank's net worth and the Bank's cash flow statement for the period ended 30 June 2019, as well as information, exclusively for comparative purposes, referring to 31 December 2018 and the six-month period ended 30 June 2018.

(1.2) Restructuring Plan

As explained in Note 1.2 to the 2018 consolidated financial statements, at 31 December 2017, the Group had completed implementation of the measures and commitments contemplated in its 2012-2017 Restructuring Plan, as approved by the European Commission, the Bank of Spain and the FROB, and described in detail in that note, along with the main highlights of the period.

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

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

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

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

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

In this respect, the Bankia Group's consolidated financial statements for 2018 were presented in accordance with IFRS-EU, considering Bank of Spain Circular 4/2017, of 27 November, on public and confidential financial reporting rules and formats for credit institutions (“Circular 4/2017”) and subsequent amendments, which implemented and adapted IFRS-EU for Spanish credit institutions.

The Group's consolidated financial statements for 2018 were prepared taking into account all accounting principles and standards and mandatory measurement criteria applicable in order to give a true and fair view, in all material respects, of the consolidated equity and financial position of Bankia, S.A. and subsidiaries composing the Bankia Group at 31 December 2018 and of the consolidated results of its operations and consolidated cash flows during the financial year then ended, pursuant to the aforementioned financial information reporting framework, and in particular to the accounting principles and criteria herein.

These condensed interim financial statements have been prepared and presented in accordance with IAS 34 “Interim Financial Reporting” and article 12 of Royal Decree 1362/2007 and take into account the requirements Circular 3/2018, of 28 June, National Securities Market Commission (Comisión Nacional del Mercado de Valores or CNMV), on periodic reporting by issuers of securities admitted to trading on regulated markets related to half-yearly financial reports, interim management statements and, where applicable, quarterly financial reports. These condensed consolidated interim financial statements will be included in the Interim Financial Report presented by the Bankia Group for the first half of 2019.

In accordance with IAS 34, the condensed interim financial statements are prepared to provide an update on the latest complete set of annual consolidated financial statements, focusing on new activities, events and circumstances that took place during the first half of the year and not duplicating information previously reported in the latest annual consolidated financial statements. Consequently, the condensed consolidated interim financial statements do not include all the information and disclosures required in complete consolidated financial statements prepared in accordance with International Financial Reporting Standards. Therefore, for an appropriate understanding of the information provided in these interim financial statements, they should be read in conjunction with the Bankia Group’s annual consolidated financial statements for the year ended 31 December 2018.

The accounting policies and measurement bases applied in the accompanying condensed consolidated interim financial statements are the same as those applied in the 2018 audited consolidated financial statements, but these also take into consideration the standards and interpretations that entered into force during the first half of 2019, which are described as follows, so as to provide a true and fair view of the Group’s consolidated equity and financial position at 30 June 2019 and of its consolidated results from operations and consolidated cash flows for the six months ended 30 June 2019.

Main regulatory changes during the period from 1 January to 30 June 2019

A) New standards, amendments and interpretations with mandatory application the natural year that began on 1 January 2019 approved by European Union

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

- **IFRS 16: “Leases”**

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

  In May 2017, IASB issued IFRS 16, being adopted by the European Union through Regulation (EU) 2017/1986 of 31 October 2017, and involved amendments to IFRS 1, IFRS 3, IFRS 4, IFRS 7, IFRS 9, IFRS 13 and IFRS 15, IAS 1, IAS 2, IAS 7, IAS 12, IAS 16, IAS 21, IAS 23, IAS 32, IAS 38, IAS 39, IAS 40 and IAS 41, IFRIC 1 and IFRIC 12, and SIC 29 and SIC 32, as well as the repeal of IAS 17, IFRIC 4, SIC 15 and SIC 27.

  It aims to establish the principles of recognition, measurement, presentation and breakdown of leases. The standard essentially maintains the treatment for landlords listed in IAS 17 through the dual model, distinguishing between leasing and operating lease.

  For lessees, IFRS 16 eliminates the dual accounting model and develops a unique model by which most leases should be posted to the balance sheet in a similar way to financial leases under IAS 17. At inception, the lessee registers a liability for the committed payments and an asset for the right to use the underlying good during the term of the lease. It is also necessary to record separately an interest expense for the liability associated with the lease and a depreciation expense for the right of use of the underlying asset. The standard includes two exemptions for lessees: short-term leases and leases where the underlying asset is of low value.

IFRS 16 requires an assessment to reassess the lease liability to reflect changes in payments after the start date as a result of certain events, such as a change in the term or an update rate on payments, among others. Generally, the remeasurement of the liability is recognized as an adjustment to the right of use of the underlying asset.

First implementation by the Group

The Group has chosen to apply IFRS 16 to its leases in which it is a lessee, retroactively, recognizing the cumulative effect of the initial application of the standard as an adjustment of the opening balance of reserves on the date of initial application, not re-expressing comparative information, in accordance with the options permitted by the standard.

Thus, for those leases previously classified as finance leases in accordance with the previous regulations, the carrying amounts of the asset for right of use and the lease liability as of 1 January 2019 are the same, respectively, with the amounts in books of the lease asset and the lease liability as of 31 December 2018, assessed in accordance with the criteria of the previous legislation. Subsequently, the right-of-use asset and the lease liability are accounted for in accordance with the new lease criteria introduced by IFRS 16.

In this sense, for those leases previously classified as operating leases in accordance with the previous regulations, they have been recognized as of 1 January 2019:

- A lease liability, which is valued at the current value of the remaining lease payments, deducted from the additional type of financing on that date.
- An asset by right of use, which is valued at an amount equal to the lease liability recognized in accordance with the above paragraph, adjusted for the amount of any advance payment or accrued in connection with the lease and recognized in the condensed consolidated interim balance sheet 31 December 2018.

In addition, the Group applies the rule to contracts that, in accordance with the provisions of IAS 17 and IFRIC 4, were identified as leases and makes use of the option provided for in the rule to apply exemptions for short-term leases and in which the asset underlying is of low value.

The impact of IFRS 16 first application to 1 January 2019 has resulted in the increase of the heading "Financial liabilities at amortised cost – Other financial liabilities" (Note 13.7) by approximately EUR 616 million, as well as the heading "Tangible assets – Property, plant and equipment", (Note 10), in the same amount.

Changes in accounting policies and measurement criteria

The adoption of IFRS 16 has led to the modification of the accounting policies and valuation criteria applicable since 1 January 2019, in respect of those applied in the Group's consolidated annual accounts for the year ended 31 December 2018. The principles, accounting policies and valuation criteria described in the following paragraph replace those set out in Note 2 of those consolidated annual accounts.

i) Lease accounting

a) The Group as lessee

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

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

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

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

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

- The asset's accumulated depreciation. The right-of-use asset is depreciated over the shorter of the useful life of the underlying asset and the lease term. Annual depreciation charges are recognised with the balancing entry in "Depreciation" in the consolidated income statement.
- Any impairment losses are recognised in "Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss" in the consolidated income statement.
- Reflecting any new measurement of the lease liability.

The criteria for depreciation, the estimation of the assets' useful lives and the recognition of potential impairment losses are consistent with those described for property, plant and equipment for own use in Note 2.15.1 to the annual consolidated financial statements of the Bankia Group for the year ended 31 December 2018.

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

Sale and leaseback transactions

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

- If the transfer is a sale, the Group derecognises the asset and recognises the right-of-use asset arising on the sale and leaseback at the proportion of the subsequent carrying amount that relates to the right-of-use retained by the Group. It also recognises a lease liability. Therefore, the Group 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 Group continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds.

b) Group as lessor

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

F*inance leases*

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

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

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

When the Group acts as lessee in a finance lease, it recognises the cost of the leased assets in the consolidated balance sheet according to the nature of the leased asset, and, simultaneously, a liability for the same amount (at the lower of the fair value of the leased asset and the sum of the present values of the amounts payable to the lessor plus, where applicable, the exercise price of the purchase option). The depreciation policy for these assets is consistent with that for the Group's property, plant and equipment for own use (see Note 2.15.1 to the Bankia Group's annual consolidated financial statements for the year ended 31 December 2018). In both cases, the finance income and finance charges arising under these agreements are credited and debited, respectively, to "Interest income" and "Interest expense", respectively, in the consolidated income statement and the accrued interest is estimated using the effective interest method as defined in IFRS 9.

Operating leases

In operating leases, the ownership of the leased asset and substantially all the risks and rewards relating to the leased asset are retained by the lessor. When the Group act as lessor in operating leases, it presents the acquisition cost of the leased assets under "Tangible assets" as "Investment property" or as "Property, plant and equipment leased out under 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 consolidated income statement".

As indicated above, in accordance with the transitional arrangements contained in IFRS 16, the Group has chosen not to re-express comparative information, so that the principles, accounting policies and valuation criteria set out in the Note 2 of the Bankia Group's audited consolidated annual accounts for the year ended 31 December 2018, are applicable to comparative information contained in these summary interim financial statements consolidated for the six-month period ended 30 June 2019.

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

[Entry into force in the financial years initiated from 1 January 2019, with advance application permitted]

Its objective is to clarify that an entity applies IFRS 9 "Financial Instruments" to long-term investments in associates or joint ventures to which the equity method is not applied, but which is essentially part of its net investment. The amendment involves applying the model of the expected loan loss of IFRS 9 to such investments.

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

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

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

[Entry into force in the financial years initiated from 1 January 2019, with advance application permitted]

The improvements included in this cycle affect the following standards:

- IFRS 3 "Business combinations": clarifications on the posting of acquisitions of shares in joint ventures. The requirements of the co-nations of business carried out in stages should be applied, again valuing the fair value of the shares previously held in the assets and liabilities of the joint venture. The Entity that acquires the stake, again values the entirety of its previous participation in the joint venture.
- IFRS 11 "Joint Agreements": clarifications on the posting of acquisitions of shares in joint ventures. The Entity that participates, but has no control, in a joint venture, and obtains joint control of that joint venture, which is a business in accordance with IFRS 3 "Business Combinations", should not reassess the fair value of the shares previously held in the assets and liabilities of the joint venture.
- IAS 12 "Earnings Tax": recognition of the consequences of payments on financial instruments classified as equity. The tax consequences of a dividend in results, in another aggregate result or equity result, should be recognized in the interests of how past transactions or events that generated a distributable profit will be recognized.
- IAS 23 "Interest costs" means costs of capitalisation-eligible loans. They may be considered part of the overhead costs, any interest costs originally incurred to develop a qualifying asset when, substantially, all the activities necessary to prepare the asset for use or sale, are have been completed.

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

- Amendments to IAS 19: "Modification, reduction or liquidation of a plan"

[Entry into force in the financial years initiated from 1 January 2019, with advance application permitted]

IAS 19 sets out how entities should account for changes in defined benefit plans, requiring the remeasurement of the current value of the obligations assumed and the fair value of the assets affected by the plan. As a result of this re-measurement, the use of updated assumptions is established to determine the cost of the services for the current financial year and the net interest on the defined liability or asset resulting from the change of the plan.

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

- Amendments to IFRS 9: "Financial Instruments"

[Entry into force in the financial years initiated from 1 January 2019, with advance application permitted]

Its objective is to allow certain depreciable financial assets to be recorded in advance with negative compensation, at amortised cost or at fair value with changes in equity, rather than at fair value with changes in results.

This standard was applied in advance by the Group, as of 1 January 2018, together with changes arising from the first application of IFRS 9 – "Financial Instruments", with entry into force in the years beginning on Ores of 1 January 2018.

- Interpretation IFRIC 23: "Uncertainty on income tax treatments"

[Entry into force in the financial years initiated from 1 January 2019, with advance application permitted]

This interpretation clarifies how to apply the recognition and measurement requirements in IAS 12, where there is uncertainty about the income tax. In such circumstances, the entity shall recognise and measure its tax assets or liabilities, current or deferred, applying the requirements of IAS 12, on the basis of taxable profits (tax losses), tax bases, unused tax losses, credits unused taxes and applied fees, applying this interpretation.

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

B) New rules, amendments and interpretations of mandatory application in fiscal years initiated from 1 January 2020 and beyond, approved by the European Union

In the first half of 2019, there are no rules, modifications or interpretations issued by the International Accounting Standard Board ("IASB") and approved by the European Union, which is mandatory in post-natural years started on 1 January 2019.

C) New rules, amendments and interpretations issued and pending approval by the European Union

The following are the main rules, modifications or interpretations issued by the IASB that were pending approval by the European Union and are therefore not applied in the preparation of these condensed consolidated interim financial statements:

- **IFRS 17: "Insurance Contracts"**

  [It shall enter into force in the financial years initiated from 1 January 2021, with advance application permitted]

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

- **Amendments to the IFRS Conceptual Framework**

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

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

- **Amendments to IFRS 3: "Business Combinations"**

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

  Introduces clarifications to the definition of business.

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

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

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

(1.4) Responsibility for the information and estimates made

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

In the Group’s condensed consolidated interim financial statements for the six months ended 30 June 2019, estimates were made in order to quantify certain of the assets, liabilities, income, expenses and obligations reported therein. These estimates relate basically to the following:

- The fair value of certain financial and non-financial assets and liabilities.
- The recoverable amount on certain financial assets – considering the value of the collateral received- and non-financial assets (mainly property), holdings in the capital of associates or joint ventures, as well as contingent liabilities.
- The assumptions used in the actuarial calculation of the post-employment benefit liabilities and obligations and other long-term commitments.
- Estimate of the recoverable amount and of the costs to sell of non-current assets held for sale, investment property and inventories based on their nature, state of use and purpose for which they are intended, acquired by the Group as payment of debts, regardless of the legal format pursuant to which they were acquired.
- The recoverability of recognised tax assets.
- The useful life, fair value, right of use value and recoverable value 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.

Although these estimates were made on the basis of the best information available at 30 June 2019 and at the date of preparation of these condensed consolidated interim financial statements on the events analysed, future events may make necessary to change these estimates (upwards or downwards). Any changes in accounting estimates would be applied prospectively in accordance with the applicable standards, recognising the effects of the change in estimates in the related consolidated income statement in the future periods affected.

(1.5) Comparative information

As required by current law, the information contained in these consolidated summary interim financial statements relating to 31 December 2018 and the six-month period ended 30 June 2018, is presented exclusively for the purposes of information for the six-month period ended 30 June 2019 and therefore do not constitute the condensed consolidated interim summary financial statements for the six-month period ended 30 June 2019.

As explained in Note 1.3, IFRS 16 became effective for annual periods beginning on or after 1 January 2019. The Group elected apply this standard to leases in which it is lessee retrospectively, recognising the cumulative effective of initially applying the standard as an adjustment to the opening balance of reserves at the date of initial application, as permitted in the standard. This should be considered when comparing information as at 31 December 2018 and information for the six months ended 30 June 2018 with the information contained in the condensed consolidated interim financial for the six months ended 30 June 2019.

(1.6) Seasonality of operations

The Group's main operations relate to the typical activities of financial institutions. Therefore, its business is not highly seasonal.

(1.7) Environmental impact

In view of the business activities carried on by the Group, it does not have any environmental responsibilities, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position and results. Therefore, no specific disclosures relating to environmental issues are included in the condensed consolidated interim financial statements.

(1.8) Minimum reserve ratio

At 30 June 2019 and throughout the first half of 2019, Bankia met the minimum reserve ratio required by applicable Spanish legislation.

(1.9) Provisions and contingent liabilities

When preparing these condensed consolidated interim financial statements, the Group's directors made a distinction between:

- Provisions: credit balances covering present obligations at the reporting date arising from past events which could give rise to a loss for the Group, which is considered to be likely to occur and certain as to its nature, but uncertain as to its amount and/or timing; and

- Contingent liabilities: possible obligations arising from past events, whose existence will be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated entities.

The Group's condensed consolidated interim 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 condensed consolidated interim financial statements, but rather are disclosed in accordance with the requirements of IAS 37.

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

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, the Group may not provide detailed information, but rather discloses the generate nature of the contingencies.

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

(1.9.1) Legal proceedings related to the 2011 IPO

Civil proceedings regarding the invalidity of the subscription of shares.

At present, there are claims being processed seeking the invalidity of the subscription of shares issued in 2011 in the public offering for the stock market listing of Bankia, S.A., including those relating to subsequent subscriptions. In application of prevailing legislation, this contingency was recognised in accordance with the information disclosed in Note 14.

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

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

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

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

The judge presiding Central Examining Court No. 4 of the National High Court has closed the discovery process and is continuing to process the case by means of the Summary Procedure, having issued the corresponding Transformation Ruling on 11 May 2017, as detailed in Note 14.

On 17 November 2017, Central Examining Court No. 4 of the National High Court ordered the start of the hearings. Specifically, the court has ordered the start of the hearings for the crimes of financial statement forgery (categorised in article 290 of Spain's Criminal Code) and investor fraud (article 282 *bis* of the Criminal Code) against certain former directors and executives of Bankia and BFA, the external auditor, in IPO´s time, and against BFA and Bankia as legal persons. As detailed in note 14, the State Prosecutor and the FROB have presented written allegations requesting the dismissal of the criminal charges against BFA and Bankia. The FROB is not seeking subsidiary civil liability on the part of Bankia or BFA.

The trial began on 26 November 2018 and is expected to run through the first half of 2019. During the months of June and July 2019, ratifications of expert reports are being carried out, once the interrogation of the accused and the examination of the witnesses have been completed.

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

- Two Separate Pieces of Credit of Caja Madrid and Bancaja, for which the Orders of 17 May 2018 of the Central Court of Instruction No. 4 of the National Court decreed their file, since the existence of a crime of fraud in the emissive and the marketing of preferred shares.

  Those orders were appealed on the particular charges of the Criminal Chamber of the National Hearing – the third section – it issued three Orders on 28 February 2019 No 75/19, No 76/19 and No 77/19 in which the appeals filed are dismissed confirming the provisional consideration that becomes firm.

- In the Separate Piece of Cards, dated 3 October 2018, the Supreme Court delivered Judgment confirming the Judgment of Instance of 23 February 2017 in which certain former directors and former directors of Caja Madrid and Bankia were convicted, also establishing in the judgment that Bankia must be the beneficiary of civil liability arising from the crime.

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

The Group considered the lawsuit included in the Abbreviated Proceeding 1/2018 (with origin in the preliminary proceedings No. 59/2012) as a contingent liability with an uncertain outcome. Note 14 provides additional information on the current status of the proceeding and the criteria applied by the Group in its accounting treatment.

(1.9.2) Other litigation and/or claims in progress

At 30 June 2019, the Group was party to a number of legal proceedings and claims arising in the ordinary course of its business activities. The directors believe that, based on the information available at the reporting date and considering the amounts provided for by the Group to this end (note 14), the conclusion of these proceedings and claims will not have a material impact on the Group's financial situation.

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

Class actions

- Civil proceedings regarding hybrid instruments (preferred participating securities and subordinated bonds. The EUR 246 million provision set aside for this was used in full in 2015. Under the terms of the agreement signed between Bankia and BFA, this provision covers the maximum loss for Bankia derived from the costs related to the enforcement of rulings against the Bank in the various proceedings against it related to the aforementioned issues. There are other class action suits filed by ADICAE seeking the cessation and nullity of emissions and the sale of those hybrid instruments. Of the six actions initially brought, two of which are already completed on the occasion of the appeals brought by ADICAE, and the main claims brought by the applicant in collective actions

- Claims seeking nullity of floor clauses. There were 6,424 legal proceedings underway regarding individual actions seeking nullity at 30 June 2019. Bankia, in addition to virtually all Spanish financial institutions, is also being sued in a class action brought by ADICAE being processed in Madrid mercantile court 11, under case no. 471/2010. On 12 November 2018, Section 28 of the Madrid Regional Court issued ruling no. 603/2018 rejecting the appeals filed by the financial institutions against the ruling in first instance partially upholding the claim. This ruling upholds the injunctions and restitution of amounts exercised by ADICAE and, as a result, ordering the defendants, including Bankia, (ii) to reimburse the amounts paid as a result of these stipulations, with no statute of limitations. The main argument for the declaration of nullity is the abstract of judgement of material or substantive transparency after an examination of each bank's standard loan arrangement practices. The analysis focused primarily on the wording and contractual treatment of the floor clause in the contract clauses with a view to determining whether, in the eyes of the average consumer, there was a lack of transparency. Bankia has filed an administrative appeal. Nevertheless, the ruling of the Madrid Regional Court does not have any automatic effects on all consumers, especially with respect to the claim for restitution of the amounts paid which, as appropriate, and must be addressed in enforcement of the ruling on a case-by-case basis.

- Lawsuits presented in connection with mortgage arrangement fees. At 30 June 2019, a total of 16,106 suits had been filed, in addition to a class action presented by Asufin seeking the cessation and reimbursement of fees and the use of the IRPH mortgage price index.

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

  In recent years, six class actions brought by ADICAE have been notified to Bankia, bringing an action for an injunction and invalidity of the clauses of expenses agreed in contracts concluded by different savings banks that formed Bankia. Those actions incorporate different members of the members and they also request the restitution of amounts, all these proceedings are pending judgment at first instance, although in four of them the court has refused the admission of the accumulated return actions to injunctions and invalidity.

Other lawsuits

- Lawsuits filed in accordance with Law 57/1968. At 30 June 2019, there were 675 legal proceedings in progress.
- Lawsuits related to derivatives. There were 165 legal proceedings in progress at 30 June 2019.
- Lawsuit brought against Bankia, S.A. and Others before the 1st Instance Court No. 48 of Madrid: declaratory proceedings against Bankia in claim of compliance with the Comfort Letter for its obligations to ensure compliance with Corporación Industrial Bankia, S.A. (CIBSA) obligations assumed in Contract to Support shareholders to the concessionaire and its company that owns it. A judgment has been received in first and second unfavourable instance to Bankia, which has brought an appeal on a point of law before the Supreme Court, pending admission, having been allocated the amount that is directly payable by the creditor spending. The actor has requested provisional execution, against which Bankia has opposed it.
- Appeals against the forfeiture of construction and operation surety bonds issued to toll road concessionaires, particularly against the following resolutions of the Council of Ministers:
    - Of 20 July 2018, terminating the concession arrangement for the construction, maintenance and operation of the Alicante ring-road toll highway, the El Campello toll-free bypass, and ordering the forfeiture of the surety bonds deposited with the government by concessionaire Ciralsa, S.A. (five bonds issued by CaixaBank for half and jointly and severally to the debtor).
    - Of 13 July 2018, terminating the concession arrangement for the construction, maintenance and operation of the Madrid to Guadalajara section of the R-2 toll road and the Madrid M-50 ring road, sub-section from the N-II to the N-1 highways, and ordering the forfeiture of the bonds deposited with the government by concessionaire Autopista del Henares, S.A. (nine bonds issued solely by Bankia).
    - Of 13 July 2018, terminating the concession arrangement for the construction, maintenance and operation of the following sections: M-40 Arganda del Rey, of the R-3 toll road direction Madrid to Arganda del Rey; M-40 Navalcarnero, of the R-5 toll road, direction Madrid to Navalcarnero, and of the M-50 between the A-6 highway and the M-409 highway, and ordering the forfeiture of the bonds deposited with the government by concessionaire Accesos de Madrid, Concesionaria Española, S.A. (10 bonds issued solely by Bankia).
    - Of 13 July 2018, terminating the concession arrangement for the construction, maintenance and operation of the airport axis from the M-110 to the A-10 high, the airport axis toll road from the A-10 to the M-40, and the extension and upgrade of the south access to Barajas, the widening to three lanes of the A-10 between the connection with the airport axis and the Hortaleza junction, and the airport-N-II bypass connection and Barajas south service lanes (an operating guarantee issued by Bankia).

  Administrative Litigation Appeals before the Supreme Court, which has agreed as a precautionary measure, the suspension of the effectiveness of the seizure agreements.
- Lawsuit brought by the Banco de Valencia Small Shareholder Association "Apabankval": In 2012, Apabankval filed a lawsuit against the Board of Directors of Banco de Valencia and Deloitte S.L. for corporate crimes. It is in the pre-trial phase. The amount of the civil liability claims has yet to be quantified. The Apabankval lawsuit has given rise to pre-trial proceedings 65/2013-10 at Central Examining Court No. 1 of the National High Court.

  Subsequently, a second lawsuit was brought by several individuals ("Banco de Valencia"). Against this backdrop, in a ruling dated 6 June 2016, Central Court of Instruction 1 of the National Court admitted the addition to preliminary proceedings 65/2013-10 of a new claim submitted by shareholders of Banco de Valencia against several members of the board of directors of Banco de Valencia, external auditor and Bankia, S.A. ("in place of Bancaja") for the corporate crime of falsification of accounting documents set out in article 290 of the Spanish Penal Code. The new plaintiffs are seeking joint compensation of EUR 9.9 million.

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

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

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

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

The FROB, through the State Attorney, filed an appeal against the ruling of 13 December 2017 rejecting the appeal for amendment, which is still outstanding. Bankia and BFA are joined thereunder as they consider the FROB's arguments to be materially correct and oppose any subsidiary civil liability on the part of BFA, which would extend to Bankia.

On 25 June 2018, Central Court of Instruction 1 issued a ruling rejecting the appeal filed by Fundación Bancaja de carácter especial de la Comunidad de Valencia against the ruling of 13 December 2017 holding it subsidiarily liable. Therefore, Fundación Bancaja remains subsidiarily liable, along with BFA and Bankia.

On 1 October 2018, the court issued a ruling requiring the parties to submit a request for stay or continuance of the summary process. BFA and Bankia have requested the stay. The Tax Minister requested an extension of the pre-trial stage to complete outstanding actions (i.e. take statements by Banco de Valencia managers).

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

In the second quarter of 2019, a witness is being taken to different managers of the Bank of Valencia.

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

(1.10) Deposit Guarantee Fund and Single Resolution Fund

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

At the date of authorisation for issue of the accompanying condensed consolidated interim financial statements for the six months ended 30 June 2019, the Management Committee of the DGF had yet to announce the annual contribution to be made by the Group to both the part relating to the guarantee of deposits and the part relating to the guarantee of securities for 2018. At 31 December 2018, the amount accrued in this connection raised to EUR 160,384 thousand.

At 30 July 2012, the Management Committee of the Deposit Guarantee Fund of Credit Institutions (DGFCI) 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 30 June 2019 and 31 December 2018, the Group recognised a financial liability equal to the present value of the payment commitments assumed and to be settled in the coming years for an amount of EUR 99,919 and EUR 125,681 thousand respectively and an asset account for the same amount to recognise accrual of the payment in the income statement over the entire settlement period.

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

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

(1.11) Events after the reporting period

No additional significant events took place between 30 June 2019 and the date of preparation for issue of these condensed consolidated interim financial statements other than those mentioned in these condensed consolidated interim financial statements.

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

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

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 Group management information, and the measurement, valuation bases and accounting principles applied are basically the same as those used to prepare the consolidated financial statements, with no asymmetric allocations.

The itemised segments on which the information in these condensed consolidated interim financial statements is presented at 30 June 2019 and 2018 refer to the following business areas:

- Retail Banking
- Business Banking
- Corporate Centre

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

The Business Banking division serves legal persons with annual sales volumes of over EUR 6 million (Business Banking), and activity in Capital Markets (trading in derivatives, financial advisory, loan and special finance origination, fixed income origination and trading, and distribution of fixed income products to the network). Other individuals, businesses and self-employed 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 Investees Management area. The portfolios and assets covered by the Restructuring Plan, most of which are classified as "Non-current assets held for sale", have been allocated to this segment.

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

- Internal transfer prices: an internal transfer price, cost or return, as appropriate, which replicates the market interest rates for the term of the various transactions is applied to average balances of Private Banking and Business Banking positions. The 1-month Euribor rate is applied to average balances of Corporate Centre positions.
- Cost allocations: direct and indirect costs, according to the activity carried out, are allocated to the different segments.

Geographical segment reporting regarding interest income for the six months ended 30 June 2019 and 2018 is as follows:

(Thousands of euros)

ITEM	Distribution of profit of interest by geographic areas			
	30/06/2019		30/06/2018	
	Bank	Group	Bank	Group
National market	1,232,084	1,232,252	1,273,242	1,256,608
International market	-	763	-	346
European Union	-	-	-	-
Rest of countries	-	763	-	346
Total	**1,232,084**	**1,233,015**	**1,273,242**	**1,256,954**

Geographical segment reporting regarding ordinary income for the six months ended 30 June 2019 and 2018 is as follows:

(Thousands of euros)

ITEM	30/06/2019	30/06/2018
National market	1,989,437	2,160,928
International market	706	378
European Union	-	-
Rest of countries	706	378
Total	**1,990,143**	**2,161,306**

The table below shows the Bank ordinary income by business segments at 30 June 2019 and 2018:

First half of 2019:

(Thousands of euros)

ITEM	Retail Banking	Business Banking	Corporate Centre	Group
External customers	1,136,068	357,197	496,878	1,990,143
Inter-segment transactions	(34,614)	(50,850)	85,464	-
Total ordinary income (2)	**1,101,454**	**306,347**	**582,342**	**1,990,143**

First half of 2018:

(Thousands of euros)

ITEM (1)	Retail Banking	Business Banking	Corporate Centre	Group
External customers	1,151,815	359,344	650,147	2,161,306
Inter-segment transactions	(92,338)	(55,533)	147,871	-
Total ordinary income (2)	**1,059,477**	**303,811**	**798,018**	**2,161,306**

(1) In the comparative information for the first half of 2018, cross-segment reclassifications have been made with respect to the information contained in the condensed consolidated summary interim financial statements for the first 2019, after completion of the processes of integration and reassignment of segments to the asset portfolio originating in the combination of BMN business.

(2) In the table above, "Ordinary income" is understood as the balances under "Interest income", "Dividend income", "Fee and commission income", "Gains or (-) losses on financial assets and liabilities not measured at fair value through profit or loss, net", “Gains or (-) losses on financial assets and liabilities held for trading, net”, “Gains or (-) losses on 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 consolidated income statement for the six months period ended 30 June 2019, which can be regarded as comparable to the Group's revenue from ordinary business.

Segment results at 30 June 2019 and 2018 are as follows:

First half of 2019:

(Thousands of euros)

ITEM	Retail Banking	Business Banking	Corporate Centre	Group
NET INTEREST INCOME	**636,418**	**192,437**	**188,913**	**1,017,768**
Return on equity instruments	-	94	14,037	14,131
Results of entities accounted for using the equity method	-	-	28,906	28,906
Net fees and commissions	442,491	83,650	7,140	533,281
+/- Gains and losses on financial assets and liabilities and exchange differences	2	26,465	120,282	146,749
+/- Other operating income and operating expenses	9,848	1,422	(80,946)	(69,676)
GROSS INCOME	**1,088,759**	**304,068**	**278,332**	**1,671,159**
Administrative expenses	(477,209)	(30,347)	(305,756)	(813,312)
Amortisation	(28,175)	(587)	(70,131)	(98,893)
OPERATING INCOME BEFORE PROVISIONS	**583,375**	**273,134**	**(97,555)**	**758,954**
Provisions or (-) reversal of provisions	(11,395)	11,582	(45,084)	(44,897)
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss or (-) modification gains, net)	(67,872)	10,072	(83,617)	(141,417)
Impairment losses on other assets (net) and other gains and losses	(1)	-	(32,628)	(32,629)
PROFIT/(LOSS) BEFORE TAX	**504,107**	**294,788**	**(258,884)**	**540,011**

First half of 2018:

(Thousands of euros)

ITEM (1)	Retail Banking	Business Banking	Corporate Centre	Group
NET INTEREST INCOME	**571,200**	**196,270**	**279,734**	**1,047,204**
Return on equity instruments	-	74	7,920	7,994
Results of entities accounted for using the equity method	-	-	29,319	29,319
Net fees and commissions	454,949	73,151	5,773	533,873
+/- Gains and losses on financial assets and liabilities and exchange differences	440	31,729	264,582	296,751
+/- Other operating income and operating expenses	6,837	1,776	(82,305)	(73,692)
GROSS INCOME	**1,033,426**	**303,000**	**505,023**	**1,841,449**
Administrative expenses	(477,467)	(29,322)	(349,389)	(856,178)
Amortisation	31,862	(647)	(55,606)	(88,115)
OPERATING INCOME BEFORE PROVISIONS	**524,097**	**273,031**	**100,028**	**897,156**
Provisions or (-) reversal of provisions	(7,223)	40,032	3,584	36,393
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss or (-) modification gains, net)	(122,940)	(11,258)	(95,962)	(207,644)
Impairment losses on other assets (net) and other gains and losses	174	-	(44,986)	(44,812)
PROFIT/(LOSS) BEFORE TAX	**394,108**	**324,321**	**(37,336)**	**681,093**

(1) In the comparative information for the first half of 2018, cross-segment reclassifications have been made with respect to the information contained in the condensed consolidated interim summary financial statements for the first half 2018, after the integration and reassignment of segments to the asset portfolio originating in BMN's business mix has been completed.

Segment assets and liabilities of the Bank by business segments at 30 June 2019 are as follows:

(Thousands of euros)

Segment balance sheet	Retail Banking	Business Banking	Corporate Centre	Group
Financial assets at amortised cost – Loans and advances – Customers	84,191,214	30,289,369	5,855,984	120,336,567
Other assets	28,012,479	14,413,625	47,161,895	89,587,999
Total assets	**112,203,693**	**44,702,994**	**53,017,879**	**209,924,566**
Financial liabilities at amortised cost – Customers	106,762,053	11,824,707	11,976,112	130,562,872
Other liabilities	5,441,640	32,878,287	27,700,402	66,020,329
Total liabilities	**112,203,693**	**44,702,994**	**39,676,514**	**196,583,201**

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

Segment assets and liabilities of the Bank by business segments at 31 December 2018 are as follows:

(Thousands of euros)

Segment balance sheet (1)	Retail Banking	Business Banking	Corporate Centre	Group
Financial assets at amortised cost - Loans and advances – Customers	84,176,849	28,740,947	5,367,980	118,285,776
Other assets	24,159,177	11,017,219	51,760,698	86,937,094
Total assets	**108,336,026**	**39,758,166**	**57,128,678**	**205,222,870**
Financial liabilities at amortised cost – Customers	103,178,189	11,584,254	11,557,033	126,319,476
Other liabilities	5,157,837	28,173,912	32,382,206	65,713,955
Total liabilities	**108,336,026**	**39,758,166**	**43,939,239**	**192,033,431**

(1) In the comparative information for the first half of 2018, cross-segment reclassifications have been made with respect to the information contained in the consolidated summary interim financial statements for the first 2019, after completion of the processes of integration and reassignment of segments to the asset portfolio originating in the combination of BMN business

(1.13) Audit fees

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

- For the audit of the annual financial statements of Bankia, S.A. and of the condensed consolidated interim and annual financial statements of the Bankia Group for 2019, EUR 2,029 thousand.
- For other assurance and services similar to auditing required by regulations or supervisory authorities 113 thousand.
- For other professional services agreed, EUR 330 thousand. No expense was incurred for tax advisory services.

Meanwhile, in 2019, the various Bankia Group companies have not paid audit fees to firms other than the Parent's auditor.

The services engaged by the Bankia Group meet the requirements of independence stipulated in Law 22/2015, of 20 July, of accounts auditing, and do not include any work that is incompatible with the auditing function.

(2) Business combinations, significant changes in interests in subsidiaries, joint ventures, associates or other equity instruments, and other significant events

Note 2.1 to the Group's consolidated financial statements for the year ended 31 December 2018 describes the criteria followed to consider an entity as a group company, a joint venture or an associate, along with the consolidation and measurement methods applied to each for the preparation of those consolidated financial statements.

Appendices II, III and IV to the notes to the condensed consolidated interim financial statements provide a detail of companies considered group companies, associates and joint ventures, respectively, for the purpose of preparing these condensed consolidated interim financial statements.

Other operations-Bancassurance reorganisation alliances

As indicated in Note 9.5.2, during the first half of 2019, the process of reordering insurance alliances has been completed, following the acquisition, on 29 March 2019, of the approval by the competition authority and the non-opposition of the Directorate-General of Insurance and Pension Funds, to the sale of 51% of the share capital of the insurers Caja Granada Vida Compañía de Seguros Reaseguros, S.A. and Cajamurcia Vida y Pensiones de Seguros y Reaseguros, S.A., excluding the shareholding sold classified.

As 31 December 2018 the Group maintained 100% of its share capital of both companies as disposition group - Discontinued activities. As 30 June 2019, the Group has reclassified the remaining shares of the 49% that the Group holds in the aforementioned companies heading Investments in Joint and Associate Companies – Associates.

(3) Risk management

Risk management is a strategic pillar in the Bankia Group. 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. It involves the use of tools for measuring, controlling and monitoring the requested and authorised levels of risk, managing non-performing loans and recovering unpaid risks.

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

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

1. General principles governing the risk function and 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. These principles are:
    - Independent and global risk function, which assures there is adequate information for decision-making at all levels.
    - Objectivity in decision-making, taking account of all relevant (quantitative and qualitative) risk factors.
    - Active management throughout the life of the risk, from preliminary analysis until the risk is extinguished.
    - Clear processes and procedures, reviewed regularly as needs arise, with clearly defined levels of responsibility.
    - Comprehensive management of all risks through identification, measurement and consistent management based on a common measure (economic capital).
    - Individual treatment of risks, channels and procedures based on the specific characteristics of the risk.
    - Generation, implementation and promotion of advanced tools to support decision-making which, with efficient use of new technologies, aids risk management.
    - Decentralisation of decision-making based on the approaches and tools available.
    - Inclusion of risk in business decisions at all levels (strategic, tactical and operational).
    - Alignment of overall and individual risk targets in the Entity to maximise value creation.
2. Efficient risk governance:

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

    Illustrating its willingness to strengthen the importance of Corporate Governance in Risk Management and following the recommendations issued by the main international regulatory bodies, the Group has a Risk Appetite Framework approved by the Board of directors of the Bank. The RAF sets out the desired levels of risk and the maximum levels of risk that the Group is willing to accept, monitoring mechanism and the system of responsibilities of the various committees and governing bodies involved.

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

    Additionally, the Board of Directors approved 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 circumstances. Both processes shape the planning of the Entity's activities and businesses.

    The Recovery Plan, also approved BY Board of Directors, 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.

    One mechanism the Group has put in place to mainstream the RAF entails a system for determining target levels and limits in the various loan portfolios in terms of exposure and expected loss. This system is defined to maximise risk-adjusted returns within the overall limits established in the RAF. In fact, preparation of the annual budget, beyond the requirement to be commensurate with the risk appetite statement, was drawn up comparing business development proposals with the optimal portfolios provided by the system.

    If any of the key indicators in the Risk Appetite Framework are breached, the Management Committee, as appropriate, will propose 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.

    Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Assessment Process (ILAAP) adapted to new European Central Bank criteria:

    In these processes, the Group performs a self-assessment of risks, liquidity and capital adequacy in different scenarios (baseline and stressed). The results of the assessments were approved by the Board of Directors in April and reported to the European supervisor. This exercise is a core element of the new single European banking supervision process.

3. An organisational model consistent with the function's general principles.

   Following the ECB's regulatory guidelines, the structure that manages the risk function is separated into two Directorates:

   - Status of the Chief Risk Officer (CRO): In April 2015, the Board of Directors approved the new status of the Bank's CRO, setting out: the conditions necessary for proper performance of the function; the main duties and responsibilities and the rules and powers for appointment and removal. The status reinforces the independence of the Chief Risk Officer, which must maintain constant functional reporting with the Risk Advisory Committee and its Chairman. The CRO also has regular, direct two-way access to Senior Management and the governing bodies.

     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 prospective perspective and, to this end, to maintain a permanent dialogue with the Board of Administration, through the Risk Advisory Committee.

     The Corporate Risk Department is responsible for defining all the bank's risk management policies, creating and validating all risk methodologies and models and constituting a powerful and structured second line of defence in risk management, an aspect that is crucial for the bank's corporate governance.

   - The Corporate Credit Risk Department is responsible for loan authorisation, monitoring and recoveries and for managing the real estate assets foreclosed by the bank.

   Subsequently, in March 2018, the Group approved the Risk Function Transformation Plan, as the Group considers transforming and reinforcing the Risk Function crucial to ensure the continuity of its business model, better manage the Group’s risk, meet the Supervisor's expectations and adapt its corporate governance to best market practices. The Risk Function Transformation Plan pursues the following objectives:

   - To help to strength the Board of Directors’ supervisory function.
   - To enhance the supervisor relationship model in terms of risks, thereby improving compliance with SREP recommendations and the Annual Supervision Program.
   - To reinforce the holistic view of risk with a forward-looking approach aligned with a sustainable and profitable business model, embracing the risk culture across the entire organisation.
   - To improve the risk control by implementing a new internal control tool (for credit and market risk) that identifies, measures and control the critical risks of key processes.
   - To strengthen the credit risk management and control environment within a framework of revitalization that improves the roll-out of the credit growth strategy, in addition to optimisation of the recoveries model.
   - To adapt the risk function to a three lines of defence model, thereby complying with best practices and supervisory expectations.
     - The first line entails operational areas, business lines or support units, as well as risk areas that directly service the business. All of these are responsible for complying with the risk frameworks, policies and procedures established by the governing bodies.
     - The second line of defence consists of the areas that control and monitor risks, being consisting mainly of the Corporate Risk Directorate and the Corporate Directorate of Regulatory Compliance. The main activity, as well as by other addresses that perform functions of the Corporate Directorate. Risks is to carry out the monitoring, control and supervision of all complementary internal risks within the Group, from a global and forward-looking perspective and, to this end, to maintain a permanent dialogue with the Board of Directors, through Risk Advisory Committee.
     - The third line of defence is the independent Internal Audit function. This function, carried out by the Corporate Internal Audit Directorate under the Audit and Compliance Committee, provides an independent and objective assessment of the quality and effectiveness of the internal control system in place, of the first and second lines of defence, and of the governance framework established for managing risk.

   Meanwhile, the functions of the Audit and Compliance Committee, which reports to the Board of Directors, include supervising the effectiveness of the Company’s internal controls, internal audit (where applicable) and risk management systems (including tax risks) and discussing with the statutory auditor any material weaknesses of the internal control system that may have been detected in the audit, all while safeguarding independence.

   Execution of the Transformation Plan entails implementation of a number of action plans which, together with the approved modification of the risks structure, will enable the Group to better adapt its risk function to the three lines of defence model.

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

   - The Risk Advisory Committee (Executive Committee of the Board of Directors). The main function of the Risk Advisory Committee is to advise the Board of Directors regarding overall risk exposure of the Group, current and future, and its strategy in this regard.
   - The Delegated Risk Committee (Executive Committee of the Board of Directors). Organ responsible for approving risks within the scope of delegation thereto and guiding and administering exercise of the delegations to lesser bodies. It is

also responsible for reporting to the Board of Directors on those risks that may affect solvency, profits, operations or the reputation of the Group.

- Management Committee. This committee is presented with the documentation analysed at previous meetings of the organisation's various units. Under the scope of the Risk Appetite Framework, this committee is in charge of proposing the pertinent measures when limits are approached.
- Capital Committee. Among this committee's responsibilities are the monitoring of the regulatory framework and its potential impact on the Group's regulatory capital, and the monitoring and analysis of the main capital ratios and their components, as well as the leverage ratio. It also monitors the capital initiatives being carried out within the Group.
- Assets and Liabilities Committee. This committee is charged with monitoring and managing structural balance sheet and liquidity risks, reviewing the balance sheet structure, business performance, product profitability, earnings, etc. bearing in mind the policies and authorities approved by the Board of Directors.
- Risk Committee. This committee oversees the operation under its remit and performs a preliminary analysis and assessment of all credit risk which must be resolved by high-ranking levels (Board of Directors and the Board Risk Committee). It is also in charge of designing a risk authorisation system and interpreting regulations to improve operations in accordance with general criteria approved by the Board of Directors.
- Provisioning Committee: Its responsibility to ensure compliance with prevailing standards for recognising impairments for credit risk; approve the framework of risk classification policies, criteria and approaches and of allowances under the general framework of policies established by the Board of Directors; to monitor and control the budget of non-performing loans and NPL provisions, as well as watchlist; to approve the proposals of individual classification following the appearance of evidence of impairment; to authorize the approvals scheme to allow the risks teams to decide on the classification and individualised allowances for borrowers and exposures of smaller amounts; to approve reclassifications (standard, watchlist , doubtful ,failed) and changes in portfolio provisions of sets of exposures; to approve the approach for determining credit valuation adjustments (CVA) in the derivatives portfolio; and to monitor the CVA.
- The Models Committee. Its main job is to manage, approve and monitor the Entity's internal models (including the extension/modification of existing models). It has also inherited the functions of the now defunct Ratings and Credit Scoring Committees. In short, the Models Committee is tasked with ensuring the integrity of the ratings and credit scores, establishing criteria for situations not contemplated by the ratings models and setting up a body to monitor the credit scoring systems.
- Contingency Committee: it meets quarterly and its duties include identifying, monitoring and measuring legal and tax contingencies, analysing their probability of occurrence and adopting mitigation measures, as well as analysing the sufficiency of the provisions set aside for the contingencies
- Risk Control and Oversight Committee: Its risk-related functions include controlling, overseeing and exercising effective challenge to trends in the Group’s risk profile, the risk appetite approved by the Board of Directors, and the business model from a holistic and forward-looking perspective, analysing any deviations affecting the Group's risk profile, solvency and/or liquidity, proposing, where necessary, any measures considered appropriate.
- Regulatory Compliance Committee: this committee meets monthly. Its duties related to risk include mainly identifying, assessing and managing compliance risks related to the Group's operations; updating and managing codes of conduct; and drafting, maintaining and overseeing compliance manuals and policies.
- Operational and Technological Risk Committee: It meets on a monthly basis and among its functions related to risks, are to know the Operational Risk profile of the Group, propose the annual framework of appetite and tolerance to operational risk and approve the implementation of specific policies and procedures affecting the field of operational and technological risk.
- Cybersecurity Committee: It meets on a monthly basis and its functions include monitoring the status of cybersecurity and reporting periodically to the Board of Directors. In addition, its competencies include strategic decision-making on cybersecurity investments.

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

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

(3.1) Exposure to credit risk

(3.1.1) Credit risk management objectives, policies and processes

A. Aim of credit risk management

Credit risk, understood as the risk that the Group will assume losses in the regular course of its banking business if its customers or counterparties fail to comply with their contractual obligations, is overseen by the Corporate Risk Directorate (which reports to the CEO), in accordance with the policies, methods and procedures approved by the Bank's Board of Directors. This risk is inherent to all traditional banking products of financial institutions (loans, credits, financial guarantees given, etc.), and other types of financial assets (debt securities, derivatives and other) and affects financial assets measured at both amortised cost and fair value.

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

- Responsible risk approval. Customers should be offered the financing facilities that are tailored to their needs, for amounts and under terms and conditions that match their payment ability. The necessary support should be provided so that borrowers of good faith can overcome their financial difficulties.
- Alignment with the Risk Appetite Framework. Policies must be seen as a set of action guidelines and restrictions aimed at ensuring compliance with the Risk Appetite statement approved by the Board of Directors.
- Establishing criteria that feed through to best banking practices. In this vein, specific policies are defined for industries or borrowers that may be sensitive on account of their social implications, such as investments in or financing of controversial businesses, such as arms and ammunition, or that infringe on human rights, or any activity that could compromise the Entity's ethics.
- Transparent environment. It creates a transparent environment, integrating the various systems developed to prevent crimes and correct fraud, acting at all times in compliance with applicable law.
- Stable general approval criteria. Although the specific conditions are subject to change, the general guidelines have a vocation for permanence.
- Adaptation. Segment-specific criteria should combine stability with adaptation to the Group's strategic targets, as well as the prevailing economic environment.
- Adapting price to risk. Adapting price to risk, considering both the customer as a whole and individual transactions, and guaranteeing the achievement of business objectives and coverage of cost of risk.
- Data quality. To assess risk appropriately, sufficient and accurate data are required. Therefore, the coherence and integrity of the data must be assured.
- Two-way relationship with internal scoring systems. Policies must establish clear lines of action designed to ensure that the internal scoring systems are fed with accurate and sufficient information to guarantee that they work properly. At the same time, decisions related to credit risk must be shaped by the rating of the borrower and/or the transactions.
- Continuous monitoring of exposures. Monitoring is underpinned by the allocation of specific management responsibilities for customers/transactions, supported by policies, procedures, tools and systems that allow for their appropriate identification and assessment throughout their life-cycle.
- Fostering the recovery activity. Based on policies, procedures, tools and systems that ensure a flexible and early procedure by the parties, specified in actions and decision-making aimed at minimising the loss from exposures for the Group.

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

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

- Third line: Departments that provide independent assurance.

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 in May 2018 and revised in May 2019 to replace its previous Credit Risk Statement and Manual to reflect the completion of the Group restructuring plan on 31 December 2017, in addition to the amendments included as a result of the entry into force of Bank of Spain Circular 4/2017 on 1 January 2018.

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 a Framework of credit risk methods and procedures, Credit Risk Policies, Specific Criteria Manuals, and Operating Manuals, which regulate, among others, the methodologies, procedures and criteria used for transaction approvals, applying changes in terms and conditions, the assessment, monitoring and control of credit risk, including the classification of transactions and assessment of allowances, in addition to defining and establishing effective guarantees, and registering and assessing foreclosed assets or assets received in payment of debt so that any impairment can be detected early and a reasonable estimate of credit risk allowances can be made. A brief summary of each document is provided below:

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

C. Assessment, monitoring and control of credit risk

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

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

Approval and amendment of credit risk transactions

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

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

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

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

- Score. Cut-off points are established using risk-adjusted return (RAR) criteria or by determining the maximum default level. Based on the rating given by the model, there are three possible outcomes:
  - Reject, if the score is below the lower cut-off point.
  - Review, if the score is between the lower and higher cut-off points.
  - Accept, if the score is above the higher cut-off point.
- Indebtedness. The level of indebtedness is established based on the financial burden which the transaction represents over the stated net income of the applicants. In no case can the resulting available income after allowing for debts represent a noticeable limit to cover the living expenses of the borrower. Specifically, in the mortgage segment, the longer the term of the loan, the higher the maximum limit of indebtedness with a view to mitigating the increased sensitivity to fluctuations in interest rates.
- Exclusion filters.: The Group uses databases, both internal and external, that provide information on the credit, financial and patrimonial situation of the clients or counterparts; The existence of incidents in the situation of the clients or counterparts, may imply the resolution to deny

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

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

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

- Pre-contract information file (PCIF): A document prepared for delivery to the customer describing the characteristics and general conditions of the product.
- Personalised information file (PIF): Pre-contract information on the specific conditions of the product, which is non-binding and adapted to the customer's application, finance needs, financial position and preference so the borrower can compare the product with other loans available in the market, assess the implications and make an informed decision. Appendices: (I) Adhesion to the Good of Good Practices and (II) Additional information on variable-rate loans (interest rate scenarios), to be delivered together with the personalised information file.
- BO or binding offer: Document with all the terms and conditions of the transaction (similar to the personalised information file) but binding for the Bank for a period of 14 calendar days from delivery.
- As of 21 March 2019, the Personalised information file has been replaced by the European Standardised Information Sheet (ESIS), as provided for in article 10.2 of Law 5/2019.

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 forbearance transactions, in addition to quantitative information relating to these transactions.

Monitoring of credit risk transactions

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

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

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

Recovery credit risk transactions

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

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

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

Risk projection

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

Risk-adjusted return

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

RAR (risk-adjusted return) is a core risk management tool. In wholesale banking, pricing powers depend on both the RAR of the new transactions proposed and the RAR of the relationship, considering all the outstanding business with a customer. In retail banking, RAR is considered to determine approval criteria (cut-off points) in accordance with the fees in effect at any given time. The Board, through the Board Risk Committee, is informed regularly on the 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 Risks Directorate is equally responsible for revitalising the lending business, providing tools and establishing criteria that identify potential customers, simplify the decision-making processes and allocate risk lines, always within pre-defined tolerance levels. It has tools and pre-authorisation and limit assignment processes for lending to both companies and retail customers.

Risk classification

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

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

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

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

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

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

Risk quantification

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

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

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

As set out in Notes 2.9 and 3.1 of the 2018 annual consolidated financial statements, at 1 January 2018 the Group implemented the use of internal methods for collective estimates of credit risk allowances. In line with the Group’s internal models for estimating capital requirements, this internal methodology includes the calculation of losses, based on internal data, through own estimates of credit risk parameters.

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

(3.1.2) Exposure to credit risk by segment and activity

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

At 30 June 2019 and at 31 December 2018, the original credit risk exposure, without deducting collateral or any other credit enhancements received, and without applying the credit conversion factors, is as follows:

30 June 2019

(Thousands of euros)

SEGMENT AND ACTIVITY	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets designated at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Derivatives - Hedging accounting	Loan commitments, financial guarantees and contingent commitments given.
Loans and advances	**-**	**10,286**	**-**	**-**	**125,431,290**	**-**	**34,731,909**
Central Banks	**-**	**-**	**-**	**-**	32	**-**	**-**
Credit institutions	-	-	-	-	5,094,691	-	318,316
Government agencies	-	-	-	-	5,475,939	-	315,032
Others financial companies	-	-	-	-	2,648,840	-	3,137,731
Companies	-	10,286	-	-	34,127,785	-	25,417,612
Households	-	-	-	-	78,084,003	-	5,543,218
Mortgage loans	-	-	-	-	69,030,014	-	-
Consumer credit	-	-	-	-	5,147,519	-	-
Cards	-	-	-	-	836,185	-	-
Others	-	-	-	-	3,070,285	-	-
Debts	**180,046**	**203**	**-**	**14,306,977**	**33,199,005**	**-**	**-**
Credit institutions	529	-	-	18,237	24,930	-	-
Government agencies	179,182	-	-	13,843,693	14,176,833	-	-
Other financial companies	-	136	-	83,030	18,997,242	-	-
Companies	335	67	-	362,017	-	-	-
Households	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equity instruments	**3,677**	**-**	**-**	**83,856**	**-**	**-**	**-**
Derivatives	**6,786,912**	**-**	**-**	**-**	**-**	**2,502,610**	**-**
Total	**6,970,635**	**10,489**	**-**	**14,390,833**	**158,630,295**	**2,502,610**	**34,731,909**
Memorandum item: Breakdown by country of the Public Agency							
Spanish government agencies	*173,320*	-	-	*13,430,513*	*15,575,171*	-	*315,032*
Italian government agencies	*5,862*	-	-	*220,868*	*3,976,649*	-	-
French government agencies	-	-	-	*191,418*	*100,952*	-	-
Other government agencies	-	-	-	*894*	-	-	-
Total	**179,182**	**-**	**-**	**13,843,693**	**19,652,772**	**-**	**315,032**

31 December 2018

(Thousands of euros)

SEGMENT AND ACTIVITY	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets designated at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Derivatives - Hedging accounting	Loan commitments, financial guarantees and contingent commitments given.
Loans and advances	**-**	**9,161**	**-**	**-**	**122,719,195**	**-**	**33,820,938**
Credit institutions	-	-	-	-	4,433,419	-	3,170,181
Government agencies	-	-	-	-	5,139,351	-	509,456
Others financial companies	-	-	-	-	1,662,479	-	349,509
Companies	-	9,161	-	-	33,222,032	-	24,353,861
Households	-	-	-	-	78,261,914	-	5,437,931
Mortgage loans	-	-	-	-	70,524,379	-	-
Consumer credit	-	-	-	-	4,821,710	-	-
Cards	-	-	-	-	854,877	-	-
Others	-	-	-	-	2,060,948	-	-
Debts	**281,570**	**187**	**-**	**15,559,415**	**33,742,245**	**-**	**-**
Credit institutions	-	-	-	27,633	29,992	-	-
Government agencies	276,188	-	-	15,042,412	14,376,789	-	-
Other financial companies	1,992	136	-	213,477	19,335,464	-	-
Companies	3,390	51	-	275,893	-	-	-
Households	-	-	-	-	-	-	-
Equity instruments	**3,901**	**-**	**-**	**76,300**	**-**	**-**	**-**
Derivatives	**6,022,496**	**-**	**-**	**-**	**-**	**2,626,997**	**-**
Total	**6,307,967**	**9,348**	**-**	**15,635,715**	**156,461,440**	**2,626,997**	**33,820,938**
Memorandum item: Breakdown by country of the Public Agency							
Spanish government agencies	*94,421*	-	-	*12,409,056*	*15,956,718*	-	*509,456*
Italian government agencies	*181,767*	-	-	*2,632,473*	*2,786,092*	-	-
French government agencies	-	-	-	-	*773,330*	-	-
Other government agencies	-	-	-	*883*	-	-	-
Total	**276,188**	**-**	**-**	**15,042,412**	**19,516,140**	**-**	**509,456**

(3.1.3) Credit quality. Historical default rates

The Group's default rate, understood as the ratio between default risks at any given time and the Group's total credit risks stood at 5.74% at 30 June 2019 (6.48% at 31 December 2018). This rate increases to 6.83% (7.46% at 31 December 2018) factoring in doubtful exposures classified under non-current assets and disposal groups classified as held for sale (see Note 9).

(3.1.4) Netting agreements and collateral agreements

In addition to amounts that can be set off in accordance with IAS 32, 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, along with the effects of the arrangements and the collateral received and/or posted.

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

(Thousands of euros)

	30/06/2019		31/12/2018	
Derivatives (trading and hedging)	Assets	Liabilities	Assets	Liabilities
Gross exposure	**16,237,818**	**13,761,511**	**12,678,569**	**10,136,780**
Amount netted	(6,948,296)	(6,948,296)	(4,029,076)	(4,029,076)
Carrying amount	**9,289,522**	**6,813,215**	**8,649,493**	**6,107,704**
Netting agreement	(4,717,209)	(4,717,209)	(4,256,967)	(4,256,967)
Collaterals (*)	(4,203,694)	(2,464,444)	(3,516,355)	(1,848,773)
Net exposure	**368,619**	**(368,438)**	**876,171**	**1,964**

(*) Includes instruments received/delivered as collateral.

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

(Thousands of euros)

	30/06/2019		31/12/2018	
Collateral	Delivered	Received	Delivered	Received
Cash	6,923	55,183	8,269	17,438
Financial instruments	23,195	32,117	-	81,512
Total	**30,118**	**87,300**	**8,269**	**98,950**

(3.1.5) Renegotiated financial assets

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

Appendix VIII contains the classification and hedging policies and criteria applied by the Group in this type of transaction, along with the amount of refinancing operations by their risk classification (i.e. transactions, substandard or doubtful risk) and respective coverages of credit risk.

(3.1.6) Assets impaired and derecognised

Following is the change in the first half of 2019 and 2018 in the Group's impaired financial assets that were not recognised on the face of the consolidated balance sheet because their recovery was considered unlikely, although the Group had not discontinued actions to recover the amounts owed ("written-off assets"):

(Thousands of euros)

ITEM	1st half 2019	1st half 2018
Accounting balance at the beginning of the period	**1,832,456**	**1,980,236**
Additions from:		
Assets unlikely to be recovered	120,827	48,807
Uncollected past-due amounts	62,344	113,178
Sum	**183,171**	**161,985**
Derecognition through:		
Cash collection	(33,073)	(24,683)
Foreclosure of assets, sales and other causes	(130,313)	(310,925)
Sum	**(163,386)**	**(335,608)**
Net change due to exchange differences	38	176
Accounting balance at the end of the period	**1,852,279**	**1,806,789**

(3.1.7) Information regarding financing for property development, home purchasing, and foreclosed assets

In accordance with Bank of Spain guidelines, Appendix VII presents key information at 30 June 2019 and 31 December 2018 regarding financing for property development, home purchasing and assets acquired through foreclosure or in settlement of debts.

(3.2) Liquidity risk of financial instruments

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

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

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

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

(Millions of euros)

ITEM	30/06/2019	31/12/2018
Cash (*)	6,421	2,921
Undrawn amount on the facility	12,914	11,339
Highly liquid available assets (**)	13,029	17,678

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

(**) Market value considering the ECB haircut.

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

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

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

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

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

The structure is rounded off with the creation of two specific bodies, the Contingent Liquidity Committee (CLC) and the Technical Liquidity Committee (TLC), geared towards managing risk under stress events. The CLC's objective is to respond to contingent liquidity events quickly and effectively. The TLC is an advisory body that meets at least monthly to assess both Bankia's and the overall market's liquidity and funding situation, and to monitor early warning indicators related to the LCP. Its conclusions and analyses are laid before the ALCO so managers of the function are apprised of any problems or situations that in the Committee's opinion could potentially pose a threat to the Entity's liquidity.

Strategy

Five key indicators are used currently to define the strategy for this risk covering a dual perspective: regulatory-economic and liquidity-funding risk. At 30 June 2019, the indicators were within Bankia's risk limits and regulatory requirements.

Liquidity risk:

- LCR: the strategy is defined from the regulatory viewpoint, related to a survival period using regulatory assumptions of 30 days. At the end of June, the LCR (Bankia at individual level) stood at 185.16%.
- $SLCR_{30d:}$ the liquidity strategy is defined from an economic viewpoint through additional metrics other than the regulatory LCR taking expanded stress scenarios in two ways:
  - It builds more survival horizons, which implies adapting the regulatory assumptions to these horizons, as well as envisaging and adopting corrective measures to address future liquidity vulnerabilities.
  - It creates varying degrees of stress for each survival horizon. This approach allows the stressed LCR (SLCR) to be built and calculated at different horizons using more stringent assumptions than the regulatory assumptions, based on expert criteria, past experience or a combination of both.

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

Funding Risk:

- NSFR: through this indicator, the Entity draws up the funding strategy from a regulatory viewpoint. At 30 June 2019, the NSFR was within Bankia's risk limits and regulatory requirements.
- LtD Strict: through this indicator, the Entity draws up the funding strategy from the economic viewpoint, setting the appetite for self-financing of the commercial balance sheet and limiting reliance on funding from capital markets.
- Asset Encumbrance Ratio (% AE): the objective of this indicator is to design a strategy on the desired level of encumbered assets that does not limit the capacity to raise contingent liquidity in stress scenarios or reduce investor appetite for our "unsecured funding" (i.e. without collateral) instruments that could undermine or increase the cost of achieving the MREL objectives.

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

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

Maturities of issues

The following table provides information on the term to maturities of the Group's issues at 30 June 2019 and 31 December 2018, by type of financial instrument, including promissory notes and issues placed via the network.

30 June 2019

(Thousands of euros)				
ITEM	2019	2020	2021	>2021
Mortgage bonds and covered bonds	962,830	417,917	2,025,000	13,355,508
Senior debt	3,496	-	35,000	1,100,191
Subordinate, preference and convertible securities	-	-	175,000	2,750,000
Securitisations sold to third parties	-	-	-	1,467,164
Total maturities of issues (*)	**966,326**	**417,917**	**2,235,000**	**18,672,863**

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

31 December 2018

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

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

Issuance capacity

(Thousands of euros)

ITEM	30/06/2019	31/12/2018
Covered bonds issuance capacity (Appendix VI)	17,690,856	16,526,637
Territorial bond issuance capacity	1,319,245	1,278,790

(3.3) Residual maturities

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

30 June 2019

(Thousands of euros)

ITEM	On demand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Assets							
Cash and balances with central banks and other demand deposits	8,117,152	-	-	-	-	-	8,117,152
Loans and advances to credit institutions	-	2,473,364	251,090	2,358,596	14,603	-	5,097,653
Loans and advances to customers	-	4,404,029	5,624,397	13,914,965	38,867,545	61,062,581	123,873,517
Financial assets held for trading and financial assets at fair value through profit or loss	-	6,170	-	-	-	174,079	180,249
Other portfolios - Debt securities	-	177,351	1,020	8,787,448	20,390,652	18,158,661	47,515,132
Derivatives (trading and hedging) (1)	-	191,443	200,845	1,714,728	6,584,743	7,546,059	16,237,818
Total	**8,117,152**	**7,252,357**	**6,077,352**	**26,775,737**	**65,857,543**	**86,941,380**	**201,021,521**
Liabilities							
Deposits from central banks and credit institutions	-	7,967,014	3,444,641	15,716,543	6,712,574	3,590,535	37,431,307
Customer deposits	86,260,295	5,127,679	5,623,304	22,268,176	4,878,734	5,182,841	129,341,029
Marketable debt securities	-	-	-	-	6,183,901	9,839,239	16,023,140
Other financial liabilities (2)	1,371,688	-	-	-	-	-	1,371,688
Derivatives (trading and hedging) (1)	-	184,305	141,207	1,676,748	5,891,771	5,867,480	13,761,511
Total	**87,631,983**	**13,278,998**	**9,209,152**	**39,661,467**	**23,666,980**	**24,480,095**	**197,928,675**

(1) Gross exposure excluding netting arrangements (see Notes 3.1.4, 7 and 13).
(2) A residual item comprising items that are generally transitory or do not have a contractual maturity, making it impossible to allocate reliably the amounts recognised by term of maturity, and therefore classified under demand liabilities.

31 December 2018

(Thousands of euros)

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

(1) Gross exposure excluding netting arrangements (see Notes 3.1.4, 7 and 13).
(2) A residual item comprising items that are generally transitory or do not have a contractual maturity, making it impossible to allocate reliably the amounts recognised by term of maturity, and therefore classified under demand liabilities.

(3.4) Exposure to interest rate risk

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

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

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

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

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

- Impact on profit and loss. At 30 June 2019, the sensitivity of net interest income, excluding the trading portfolio and financial activity not denominated in euros, in the most adverse scenario of a 200 bp parallel shift in yield curve over a one-year time horizon in a scenario of a stable balance sheet, would be -10.61%.
- Impact on economic value of equity, understood as the present value of estimated cash flows from different assets and liabilities. At 30 June 2019, the sensitivity of economic value, excluding the trading portfolio and financial activity not denominated in euros, facing the most adverse scenario of a parallel downward shift in the yield curve of 200 bp is -2.37% of equity and -1.89% of economic value of the Group.

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

(3.5) Exposure to other market risks

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

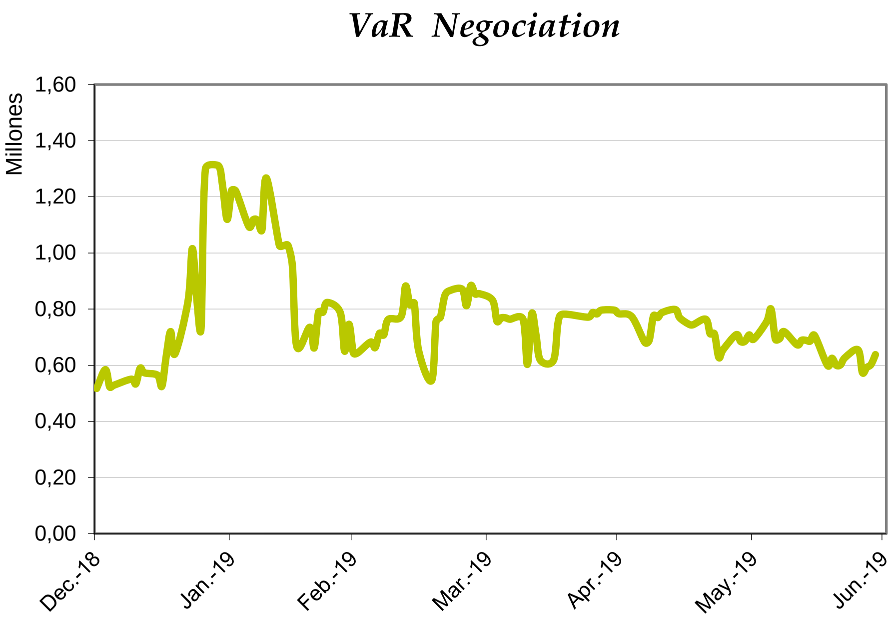
The Board of Directors delegates proprietary trading in financial markets to the Corporate Financial Department and its business areas, so they can exploit business opportunities using the most appropriate financial instruments at any given time, including interest rate, exchange rate and equity derivatives.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

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

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

The reliability of the VaR approach used is confirmed through backtesting, verifying that the VaR estimates are within the confidence level considered. Backtesting is extended to measure the effectiveness of the hedging derivatives. In the first half of 2019, there were not changes in the methods used to make the estimates included in the consolidated financial statements from those used the preceding year. Specifically, in the second half we switched from using an aggregate or incremental VaR metric to using a diversified VaR metric.

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 the first half of 2019.



(4) Capital management

(4.1) Capital requirements

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

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

- The CRR, which is directly applicable to Member States, contains prudential requirements for credit institutions and covers, inter alia, the following:
  - The definition of elements of eligible own funds, establishing requirements for hybrid instruments to be included and limiting the eligibility of minority interests.
  - The definition of prudential filters and deductions of items in each capital levels. In this respect, the Regulation includes new deductions compared to Basel II (deferred tax assets, pension funds…) and introduces changes to existing deductions. Nevertheless, it notes that the Regulation establishes a phase calendar until its final full implementation l between 5 and 10 years.
  - Establishment of minimum requirements (Pillar I), with three levels of own funds: a Common Equity Tier I capital ratio of 4.5%, a Tier I capital ratio of 6% and a minimum requirement total capital ratio of 8%.
  - Requirement of financial institutions to calculate a leverage ratio, defined as Tier 1 capital divided by total exposure unadjusted for risk. The disclosure requirement will be applicable from 2015 onwards.
- The aim and main purpose of the CRD IV, which must be transposed into national legislation by the Member States according to their criteria, is to coordinate national legislation regarding the access to the activity of credit institutions and investment firms and their governance and supervisory framework. The CRD IV includes, *inter alia*, additional capital requirements to those established in the CRR, which 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, extending the regulatory framework of Basel III, to mitigate pro-cyclical effects of financial regulation. All financial institutions must maintain a common capital buffer of 2.5% above Common Equity Tier 1 and an institution-specific countercyclical buffer above Common Equity Tier 1.

- A systemic risk buffer. For global systemically important institutions and other systemically important institutions to mitigate systemic or macroprudential risks; i.e. risks of disruptions in the financial system with the potential to have serious negative consequences for the financial system and the real economy in a specific Member State.
- In addition, Article 104 of the CRD IV, Article 68 of Law 10/2014 and Article 16 Council Regulation (EU) No 1024/2013, of 15 October 2013, confer specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (Single Supervision Mechanism or SSM by its acronym). This regulation allows supervisory authorities to impose additional capital requirements to the Pillar I minimum capital requirements for risks not covered therein; known as Pillar II capital requirements.

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

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

- The CRR II- Regulation of the European Parliament and of the Council amending Regulation No 575/2013 on the leverage ratio by setting a minimum requirement of 3% for all entities and an additional requirement buffer in the case of those considered to be entities of global systemic relevance, the requirements on eligible own funds and liabilities (MREL), capital requirement for counterparty credit risk and market risk, treatment of exposures to counterparties exposures to collective investment bodies, large risks, reporting and disclosure requirements and amending Regulation No. 648/2012.
- The CRD V- Directive of the European Parliament and of the Council amending Directive 2013/36/EU as regards exempt entities, joint holding companies, remuneration, supervisory measures and measures to conserve powers and capital.

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

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

Regarding combined capital buffer requirements, bearing in mind the phase-in period provided for in Law 10/2014 and it had finished 1 January 2019, the capital conservation buffer applicable in 2019 will be 2.5% (which will amount to 1.875% in 2018), corresponding to 100% (75% in 2018) of the total (2.5%). Similarly, as the Bank of Spain has identified the Bank Group as another systemically important institution (O-SII), a Common Equity Tier I capital buffer was established at 0.25% of its total risk exposure on a consolidated basis. In 2019, it must meet 100% (75% in 2018) of this buffer; i.e. 0.25% (0.1875% in 2018). Finally, the Group’s own countercyclical buffer, calculated based on the geographical location of its exposures, is 0%. This is because the Group’s exposures are located in countries (mainly Spain) whose supervisors have established the buffer at 0% for exposures in their territories. The combined buffer requirements applicable for 2019 will be 2.75% (2.5% for the capital conservation buffer and 0.25% for the “other systemically important institution” (O-SII)) buffer after the end of the phase-in period.

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

- Bank of Spain Circular 2/2014, of 31 January, for credit institutions regarding the various regulatory options contained in Regulation (EU) no. 575/2013. The purpose is to establish, in accordance with the powers granted, which options of those contained in the CRR attributed to national competent authorities will be required to consolidated groups of credit institutions and credit institutions, whether part of a group or not, by 1 January 2014 and to what extent. In this Circular, the Bank of Spain makes use of some of the permanent regulatory options included in the CRR, to allow the treatment that Spanish law had been giving to certain questions before the entry into force of the EU regulation to be continued, justifying this by the business model that Spanish institutions have traditionally followed. This does not preclude the exercise in future of other options for competent authorities provided for in the CRR, in many cases mainly when they are specific for direct application of the CRR without the requirement to be included in a Bank of Spain circular.
- Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions, to continue the transposition of the CRD IV initiated by Royal Decree Law 14/2013, of 29 November, and recast certain national provisions in place at the time regarding the organisation and discipline of credit institutions. This law introduces, inter alia, an express obligation for the first time on the part of the Bank of Spain to present an annual Supervisory Programme setting out the content and how it will perform its supervisory activity, together with the actions to be taken in accordance with the outcome. This programme must include a stress test at least once a year.

- Bank of Spain Circular 3/2014, of 30 July, for credit institutions and authorised appraisal firms and services. Among other measures, this Circular amends Circular 2/2014 of 31 January on the exercise of the regulatory options contained in Regulation (EU) No. 575/2013, on prudential requirements for credit institutions and investment firms in order to unify the treatment of the deductions of intangible assets during the transitional period set out in Regulation (EU) No. 575/2013, equating the treatment of goodwill to that of all other intangible assets.
- Royal Decree Law 84/2015, of February 13, implementing Law 10/2014, of June 26, on the management and supervision of credit institutions 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, it includes the possibility of treating, subject to prior authorisation by the Bank of Spain, certain exposures with public sector entities with the level weightings as the administrations to which they belong.
- Bank of Spain Circular 3/2017 (of 24 October 2017) amending certain aspects of Circular 2/2014 (of 31 January 2014). Its scope of application has been limited to the less significant entities, the contents of the Circular have been fine-tuned to reflect the guidelines issued by the ECB and it eliminates the rules regarding the transitional arrangements that were in effect until 2017.
- Royal Decree Law 22/2018 of 14 December 2018 establishing macroprudential tools and limits on sectoral concentration, along with conditions on the granting of loans and other exposures. In this respect, the Bank of Spain may require application of a countercyclical buffer for all of an entity's exposures or exposures in a specific sector.

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

The Group applies the following to its minimum capital requirements:

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

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

The following table provides a detail of the Bankia Group's capital levels at 30 June 2019 and 31 December 2018 as well as the RWA (Risk Weighted Assets) calculated in accordance with the CRR and CRD IV:

(Thousands of euros and %)

ITEM	30/06/2019 (*)	31/12/2018
Common Equity Tier I (CET 1)	**11,517,805**	**11,366,651**
Equity	3,069,522	3,084,963
Share premium	619,154	619,154
Profit or loss admissible attributable to owners of the parent	399,581	703,211
Reserves and treasury shares	8,940,855	8,606,331
Other comprehensive eligible and accumulated income	261,378	123,001
Non-competing minority interests	-	-
Deductions	(1,772,685)	(1,770,009)
Deferred tax assets depend on future incomes	(1,026,699)	(846,699)
Prudent valuation related to assets side (AVA)	(24,160)	(35,947)
Dividend to be deducted for regulatory purposes	(202,921)	(357,115)
Intangible assets and other deductions	(518,905)	(530,248)
Additional Tier I Capital (AT1)	**1,250,000**	**1,250,000**
TIER I (TIER1=CET1+AT1)	**12,767,805**	**12,616,651**
TIER2	**1,846,406**	**1,862,961**
Subordinated debt	1,672,270	1,672,270
Others eligible/deductibles elements	174,136	190,691
Total capital (TIER1+TIER2)	**14,614,211**	**14,479,612**
Total Risk Weighted Assets	**81,825,478**	**82,381,203**
Credit risk, counterparty and dilution	**74,240,998**	**74,921,505**
Standardised approach	32,144,649	33,121,634
Internal ratings-based approach	42,096,349	41,799,871
By market risk	**1,703,505**	**1,578,723**
By operational risk	**5,880,975**	**5,880,975**
Common Equity Tier I ratio	**14.08%**	**13.80%**
Equity Tier I ratio	**15.60%**	**15.31%**
Total capital ratio	**17.86%**	**17.58%**

(*) Estimated data.

At 30 June 2019, the Bankia Group showed a surplus of EUR 3,949 million (EUR 4,313 million at 31 December 2018) over the regulatory minimum Common Equity Tier I of 9.25 (8.563% at 31 December 2018) established considering Pillar I, Pillar II and the combined requirement of buffers.

At the same date, the Bankia Group shows a surplus of EUR 4,181 million (EUR 4,542 million on 31 December 2018) over the regulatory minimum Common Equity Tier 1 of 12.75%. (12.063% on 31 December 2018) established considering Pillar I, Pillar II requirement and the combined requirement of buffers.

(4.2) Leverage ratio

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

With the entry into force of CRR II on 27 June 2019, a binding leverage ratio requirement of 3% level I capital is established, in line with the reference value established by the Basel Committee on Banking Supervision in 2014.

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

The Bankia Group's leverage ratio at 30 June 2019 and 31 December 2018 calculated in accordance with Commission Delegated Regulation (EU) No. 2015/62 is as follows:

(Thousands of euros and %)

ITEM	30/06/2019 (*)	31/12/2018
Tier I capital	12,767,805	12,616,651
Exposure	211,484,453	207,077,825
Leverage ratio	**6.04%**	**6.09%**
(+) Exposure on balance	197,173,931	193,061,853
(+) Exposure on derivates	2,686,905	2,516,452
(+) Additions in counterparty risk in op. securities financing (SFTs)	3,891,906	3,925,402
(+) Exposure off-balance sheet (includes application of CCFs)	7,731,711	7,574,118
Total exposure on leverage ratio	**211,484,453**	**207,077,825**

(*) Estimated data.

At 30 June 2019, the leverage ratio exceeded the 3% minimum defined by the Basel Committee on Banking Supervision.

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

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

Regarding the mechanism for internal loss-absorption, a minimum requirement for own funds and eligible liabilities with loss-absorbing capacity MREL (Minimum Required Eligible Liabilities) has been established. That implies that entities subject to themselves, those that have the things that have characteristics that favour the absorption of losses in the case of resolution of the entity.

On 23 June 2017, on the Spanish legislative front, Royal Decree Law 11/2017 on urgent measures in financial matters was enacted. Among other things, the legislation created a new category of senior non-preferred debt, with a lower ranking relative to other preferred claims or ordinary senior debt, and established the requirements for classification in this category to guarantee loss-absorption capacity in the event of resolution. Enactment of this Royal Decree takes non-preferred ordinary claims to a legal status, in line with other EU Member States and the regulatory proposals being put forward in Europe in this respect.

The Group is currently reporting its MREL levels to the Group's resolution authorities, the Single Resolution Board, FROB, and the Bank of Spain in terms of resolution, in accordance with the BRRD definition, as the ratio of the amount of own funds and eligible liabilities as a percentage of the entity's total liabilities and own funds and, in addition, indicating its level of percentage terms by dividing the numerator by the Group's RWAs.

The SRB published its annual policy paper on the MREL, which serves as a basis for setting minimum MREL requirements for banks not considered "complex" (subject to resolution colleges) and that, therefore, did not having binding targets in 2018, including the Bankia Group. In this regard, on 16 May 2019, the Entity was formally notified by the Bank of Spain of a decision taken by the Single Resolution Board regarding the minimum requirements for own funds and eligible liabilities (MREL). According to this communication, the Group will have to reach from 1 July 2021 a minimum volume of own funds and eligible liabilities of 23.66% in terms of risk-weighted assets calculated at the end of the 2017 financial year. This MREL requirement, expressed in terms of total liabilities and own funds of the entity ("TLOF" by its name) would be 10.02%. Thus, as of 30 June 2019, the Bankia Group's MREL ratio, calculated according to the current computability criteria of the Single Resolution Board, would amount to 19.82% on the total Risk-Weighted Assets.

As mentioned above, the EU Banking Reforms package includes, inter alia, the reform of Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 and whose entry into force took place on 27 June 2019. These reforms introduce amendments to BRRD, inter alia, in relation to the minimum subordination requirements of eligible MREL liabilities and the MDA (Maximum Distributable Amounts) level setting, limitation on the discretionary allocation of capital) in terms of MREL. In this regard, on 25 June 2019, the SRB published an Addendum to its MREL Policy Paper in January 2019, with the aim of clarifying the relationship between the new regulatory package and its MREL methodology. The SRB will publish its annual MREL Policy Paper in early 2020, based on the new regulatory framework.

(4.4) Capital management objectives and policies

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

The regulatory capital target implies amply satisfying the minimum capital requirements in applicable regulations (Pillar I and Pillar II), including additional capital buffers applicable at all times.

The economic capital target is set internally based on the results of the internal capital adequacy assessment process (ICAAP), which analyses the Group's risk profile and evaluates its internal control and corporate governance systems.

The capital planning process is part of the Strategic Planning process to ensure that the capital plan in consistent, coherent and aligned with the strategic objectives, the Group's Risk Appetite Framework and the rest of the tactical plans comprising the financial plan for the forecast macroeconomic environment. The Management Committee updates the financial plan and, accordingly, the capital plan annually then submits then for approval by the Board of Directors. They form the basis for all planning, for shorter periods and for the budgeted period, and for the preparation of the ICAAP as a supervisory review document that includes the simulation of scenarios (i.e. stress tests). An organisational structure with a clear segregation of duties that prevents potential conflicts of interest and allows for the functions to be discharged within the capital planning process is required to carrying out these processes.

In early 2017, the ECB embarked on a multi-year plan to drive improvements regarding the ICAAP so that the document meets supervisors' expectations, publishing its guides to the ICAAP and ILAAP, which will be application in 2019 SREP. Accordingly, the Bankia Group will align its regulatory capital planning to the principles outlined in the guides. Capital planning starts from the need to have sufficient capital to guarantee the Entity's survival over time. The actions carried out are underpinned by risk management to comply with both Pillar I (credit, market and operational risk) and Pillar II (other risks; e.g. business, reputation) requirements, such as the Pillar I Requirement, Pillar II Guidance and capital buffers, which impact the Group and its remuneration policy (including the distribution of dividends). They are also geared towards integrated management of risks extended by the Entity in the scope of its corporate governance, the nature of the business, management of strategic planning and market demands, among other areas. Decision-making on capital management considers this enterprise-wide impact, whereby decisions are aligned with capital adequacy targets.

The capital planning exercise is based on financial planning (e.g. balance sheet, income statement, etc.) in the macroeconomic scenarios forecast by the Group and in the impact analysis of potential changes in capital adequacy regulations or those that may affect it. The Group's capital management policies are aligned with the Corporate Risk Appetite Framework and the Group's Strategic Plans established by senior management. The capital planning process is formally documented in the following reports approved by the Bank's Board of Directors, which are reviewed at least once a year:

- The Corporate Risk Appetite and Tolerance Framework, which defines the level of risk appetite (internal capital target) based on the risks the Group is willing to assume in carrying out its business. Together with the capital target, tolerance or maximum levels of deviation from the established target which the Bank considers acceptable are determined.
- The Corporate Capital Planning Framework, which sets out a clear governance framework to ensure the involvement and coordinated orientation of the Group's various divisions related to the capital planning process to achieve a common objective and that this objective fits in the Group's Risk Appetite and Tolerance Framework.
- Capital Planning Policies, which include Senior Management's guidelines regarding capital preservation and correct risk measurement, as well as the corrective measures for potential deviations included in the Capital Contingency Plan.
- Recovery Plan, which sets out the solvency and leverage indicator levels below the Entity's tolerance level which, prior to potential non-compliance with regulations, would trigger the corrective measures in crises situations, as well as the range of measures and execution of each.

Capital planning is a dynamic and ongoing process, therefore, these documents define a series of regulatory and financial indicators and metrics, with related minimum thresholds, calibrated and graded in accordance with the various levels of admission (Risk Appetite and Tolerance Levels, Early Warning levels and Recovery Plan levels). The objective is to facilitate appropriate monitoring and control of the established targets and identify in advance future capital requirements and the corrective measures to be adopted.

In this respect, real capital adequacy ratios are measured against these metrics and indicators, and their various thresholds. Potential deviations are analysed to determine whether the causes relate to one-off or structural events. The measures required to adapt the level of capital, so it complies with the established targets is analysed and decided. In the case of default, this could ultimately trigger the Capital Contingency Plan or even the Recovery Plan.

(5) Earnings per share and dividend policy

Earnings per share

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

- Earnings per share is calculated by dividing "Profit / (loss) attributable to owners of the parent", adjusted for the after-tax amount corresponding to remuneration recognised in equity in connection with the contingent convertible bonds (Note 13), by the weighted average number of shares outstanding, excluding the weighted number of shares held as treasury stock, over the course of the reporting period.
- Diluted earnings per share are determined using a method similar to that used to calculate basic earnings per share, by adjusting the weighted average number of shares in circulation and, where applicable, the profit for the year attributable to equity holders of the parent, in order to take into account the potential dilutive effect of certain financial instruments that could generate the issue of new Bank shares (share option commitments with employees, warrants on parent company shares, convertible debt instruments) or for discontinued operations.

The table below shows the earnings per share corresponding to the six-month periods ending at 30 June 2019 and 2018:

(Thousands of euros)

ITEM	30/06/2019	30/06/2018
Attributable to owners of the parent	399,580	514,575
Adjusted for: remuneration on contingent convertible bonds	(26,812)	(15,734)
Net earnings/loss attributed to the Group (thousands of euros)	372,768	498,841
Of which:		
Earnings/Loss for the period from discontinued operations (net) (thousands of euros)	-	-
Earnings/Loss from ordinary business (thousands of euros)	372,768	498,841
Weighted average number of shares outstanding	3,052,204,670	3,066,495,921
Basic earnings/(loss) per share (in euros)	**0.12**	**0.16**
Basic earnings/(loss) per share for discontinued operations (in euros)	**-**	**-**
Basic earnings/(loss) per share for continuing operations (in euros)	**0.12**	**0.16**
Dilutive effect		
Entitlement to receive shares	-	-
Adjusted average number of shares for the calculation	3,052,204,670	3,066,495,921
Diluted earnings/(loss) per share (in euros)	**0.12**	**0.16**
Diluted earnings/(loss) per share for discontinued operations (in euros)	**-**	**-**
Diluted earnings/(loss) per share for continuing operations (in euros)	**0.12**	**0.16**

Dividend policy

A resolution was adopted at the General Meeting of Shareholders of Bankia held on 22 March 2019 to distribute, against earnings for the year ended 31 December 2018, a gross dividend of EUR 0.11576 per share of Bankia, S.A. entitled to dividend and outstanding at the date payment is made. The dividend was paid on 11 April 2019 with distribution of EUR 353,514,598.26.

(6) Remuneration of Board members and senior executives

(6.1) Remuneration of Board members

a) Remuneration accrued at the Bank

Regarding remuneration of directors for the performance of their duties as members of the Board of Directors, the Bank applies the provisions of Royal Decree-Law 2/2012, of 3 February, on the reorganisation of the financial sector, and Order ECC/1762/2012, of 3 August. In this respect, remuneration at Bankia, S.A. for all items of members of the various boards of directors other than executive chairmen, CEOs and executives of the companies is capped at EUR 100,000 per year. The limit for executive directors is EUR 500,000.

i) Gross remuneration in cash

(Thousands of euros)

Name	Salaries	Attendance fees	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership on Board committees	Compensations	Total 1st Half 2019
Mr. José Ignacio Goirigolzarri Tellaeche	250	-	-	-	-	-	250
Mr. José Sevilla Álvarez	250	-	-	-	-	-	250
Mr. Antonio Ortega Parra	250	-	-	-	-	-	250
Mr. Carlos Egea Krauel (1)	147	1	-	-	-	-	148
Mr. Joaquín Ayuso García	-	50	-	-	-	-	50
Mr. Francisco Javier Campo García	-	50	-	-	-	-	50
Mrs. Eva Castillo Sanz	-	50	-	-	-	-	50
Mr. Jorge Cosmen Menéndez-Castañedo	-	50	-	-	-	-	50
Mr. José Luis Feito Higueruela	-	50	-	-	-	-	50
Mr. Fernando Fernández Méndez de Andés	-	50	-	-	-	-	50
Mr. Antonio Greño Hidalgo	-	50	-	-	-	-	50
Mrs. Laura González Molero	-	50	-	-	-	-	50

(1) On 26 March 2019, Carlos Egea Krauel stepped down from his executive duties on Bankia's Board of Directors, retaining his director status. The impact of his resigning from his executive duties resulted in an adjustment to the terms and conditions of the commercial contract entered into between Bankia and Mr. Egea Krauel, leaving him with the status of other external director as of 28 June 2019. The amounts shown correspond to the period from 1 January to 27 June 2019 as executive director and from 28 to 30 June 2019 as other external director.

ii) Golden parachute clauses in Board of Directors' contracts

Pursuant to additional provision seven of Law 3/2012, Bankia may not pay "compensation for termination of contract" for employment contracts of Directors of Bankia in excess of the lower of the following amounts:

EUR 1,000,000; or

Two years of the fixed compensation stipulated.

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

The contracts of five senior executives included clauses that set compensation for all items if they are dismissed for legal reasons, except for disciplinary reasons considered legally valid, equivalent to two years' fixed compensation. Pursuant to prevailing legislation, Bankia has amended these contracts, establishing that any compensation and/or amounts received by the senior executives must comply with Royal Decree-Law 2/2012, Law 3/2012 and Law 10/2014.

iii) Share-based payment schemes

No shares have delivered in 2019 as no amounts of variable compensation has paid.

iv) Long-term saving schemes

(Thousands of euros)

Name	Contribution Funds and Pension Plans [1] 1st Half 2019 by the entity	Life Insurance Premiums 1st Half 2019 by the entity
Mr. José Ignacio Goirigolzarri Tellaeche	-	-
Mr. José Sevilla Álvarez	-	-
Mr. Antonio Ortega Parra	-	-
Mr. Carlos Egea Krauel	-	-
Mr. Joaquín Ayuso García	-	-
Mr. Francisco Javier Campo García	-	-
Mrs. Eva Castillo Sanz	-	-
Mr. Jorge Cosmen Menéndez-Castañedo	-	-
Mr. José Luis Feito Higueruela	-	-
Mr. Fernando Fernández Méndez de Andés	-	-
Mr. Antonio Greño Hidalgo	-	-
Mrs. Laura González Molero	-	-

(1) Regarding pension obligations, there are no cumulative amounts as there is no pension scheme for directors.

b) Remuneration accrued for membership on the Boards of other Group companies or investees

On 7 June 2012, the Company reported, in a material disclosure to the National Securities Market Commission, a review of its policy for remunerating directors in Group companies and investees. In this filing, it stated that the Bank's Board of Directors had decided that directors representing it in investees would receive no remuneration and that the per diems to which they are entitled would be paid by the Group.

i) Gross remuneration

Not applicable.

ii) Share-based payment schemes

Not applicable.

iii) Long-term saving systems

Not applicable.

iv) Other benefits

Not applicable.

c) Remuneration summary:

(Thousands of euros)

Name	Total remuneration in the entity	Total remuneration in the Group	Total 1st half 2019
Mr. José Ignacio Goirigolzarri Tellaeche	250	-	250
Mr. José Sevilla Álvarez	250	-	250
Mr. Antonio Ortega Parra	250	-	250
Mr. Carlos Egea Krauel [1]	148	-	148
Mr. Joaquín Ayuso García	50	-	50
Mr. Francisco Javier Campo García	50	-	50
Mrs. Eva Castillo Sanz	50	-	50
Mr. Jorge Cosmen Menéndez-Castañedo	50	-	50
Mr. José Luis Feito Higueruela	50	-	50
Mr. Fernando Fernández Méndez de Andés	50	-	50
Mr. Antonio Greño Hidalgo	50	-	50
Mrs. Laura González Molero	50	-	50

(1) On 26 March 2019, Carlos Egea Krauel stepped down from his executive duties on Bankia's Board of Directors, retaining his director status. The impact of his resigning from his executive duties resulted in an adjustment to the terms and conditions of the commercial contract entered into between Bankia and Mr. Egea Krauel, leaving him with the status of other external director as of 28 June 2019. The amounts shown correspond to the period from 1 January to 27 June 2019 as executive director and from 28 to 30 June 2019 as other external director.

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

a) Remuneration accrued at the Bank

As explained in Note 1.11 to the 2018 consolidated annual financial statements, on 24 January 2019, the Board of Directors of Bankia, based on a favourable report of the Appointments and Responsible Management Committee, approved a change in the Bank's organisation to drive its transformation and that of its businesses, creating four new general subdivisions - Financial, Credit Risks, People and Culture, and Digital Strategy and Transformation -. Their members will have a seat on the Management Committee. This comes after the transfer of duties following the departure of the Deputy General Director of Investees and Associated Undertakings, Joaquín Cánovas. As a result, the composition of the Bank's highest management body increases from eight to 12 members, as follows:

- Mr. José Ignacio Goirigolzarri Tellaeche (President)
- Mr. José Sevilla Alvarez (Chief Executive Officer)
- Mr. Antonio Ortega Parra (Executive Director and General Manager of People, Resources and Technology)
- Mr. Miguel Crespo Rodríguez (General Secretary and Deputy General Director of the General Secretariat)
- Mr. Gonzalo Alcubilla Povedano (Deputy General Director of Business Banking)
- Mr. Leopoldo Alvear Trenor (Deputy General Director of Financial Management
- Mrs. Amalia Blanco Lucas (Deputy General Director of Communication and External Relations)
- 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)

For the purposes of these consolidated 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, Mrs. Amalia Blanco Lucas, Mr. Fernando Sobrini Aburto, Mr. Gonzalo Alcubilla Povedano, Mr. Leopoldo Alvear Trenor, Mr. Manuel Galarza Pont, Mr. David López Puig, Mr. Eugenio Solla Tomé 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 received by the senior executives, as defined above:

(Thousands of euros)

	Short-term remuneration	Long-term remuneration	Post-employment benefits [1]	Termination benefits	Total [2]
Senior Executives	1,742	-	110	-	1,852

[1] Corresponds to contributions made in respect of pensions and life insurance premiums.

[2] Remunerations of Mr. Alvear, Mr. Galarza, Mr. López, Mr. Solla and Mr. Torres for the period from 24 January 2019 to 30 June 2019 have been considered, as well as the amount accrued by Mr. Cánovas for the period from 1 January to 23 January 2019. In addition, Mr. Cánovas has not received any compensation amount by having a post-contractual non-compete agreement for a period of two years for the equivalent amount of two years fixed remuneration.

ii) Golden parachute clauses in senior executive contracts

Pursuant to additional provision seven of Law 3/2012, Bankia may not pay "compensation for termination of contract" for employment contracts of senior executives of Bankia in excess of the lower of the following amounts:

EUR 1,000,000; or
Two years of the fixed compensation stipulated.

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

The contracts of nine senior executives included clauses that set compensation for all items if they are dismissed for legal reasons, except for disciplinary reasons considered legally valid, equivalent to two years' fixed compensation. Pursuant to prevailing legislation, Bankia has amended these contracts, establishing that any compensation and/or amounts received by the senior executives must comply with Royal Decree-Law 2/2012, Law 3/2012 and Law 10/2014.

iii) Share-based payment schemes

In the first half of the 2019 financial year, shares of 50% of the annual variable remuneration accrued in the 2015 financial year by Mrs. Blanco and Mr. Alcubilla and Mr. Sobrini were allocated.

(6.3) Situations of conflict of interest of Bank directors

In accordance with the disclosure requirements under Section 229 of Royal Legislative Decree 1/2010, of 2 July, enacting the Consolidated Text of the Spanish Enterprises Act, it is hereby stated that at 30 June 2019, none of the directors of the Bank are in any of the situations constituting a conflict of interest set out in said article.

According to the Regulations of the Board of Directors, directors must notify the Board of Directors of any direct or indirect conflict which they themselves or persons related to them may have with the interests of the Company. Moreover, directors must refrain from deliberating or voting on resolutions or decisions in which they, or persons related to them, have a direct or indirect conflict of interest.

In this respect, in accordance with Section 228.c) of Royal Legislative Decree 1/2010, of 2 July, enacting the Consolidated Text of the Spanish Enterprises Act, it is hereby stated that during the first half of 2019:

- On nine occasions, Bank directors (Mr. Joaquín Ayuso García, Mr. Jorge Cosmen Menéndez-Castañedo, Mr. Carlos Egea Krauel, Mr. José Luis Feito Higueruela, Mr. Fernando Fernández Méndez de Andés and Mrs. Laura González Molero) refrained from participating in the deliberation and voting on matters at the Board of Directors' meetings regarding transactions that they, or persons related to them, had a direct or indirect potential conflict of interest with the Bank.
- In addition, in keeping with the best practices of corporate governance, the Executive Directors of the Entity, José Ignacio Goirigolzarri Tellaeche, Mr. José Sevilla Alvarez and Mr. Antonio Ortega Parra, as members of the Board of Directors both of Bankia, S.A. as of BFA, Tenedora de Acciones, S.A.U. (dominant company of the former) have refrained from participating in the deliberation and vote on the agreement to manage the indirect participation of the FROB, through BFA, in Bankia.

(7) Financial assets

(7.1) Breakdown by nature and category

The breakdown of the balance of the Group's financial assets, excluding “Cash, cash balances at central banks and other demand deposits” and “Derivatives – Hedge accounting”, classified by nature and category, at 30 June 2019 and 31 December 2018 is as follows:

30 June 2019

(Thousands of euros)

FINANCIAL ASSETS	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
Trading derivatives	6,786,912	-	-	-	-
Equity instruments	3,677	-	-	83,856	-
Debt securities	180,046	203	-	14,306,977	33,199,005
Loans and advances	-	10,286	-	-	125,431,290
Central banks	-	-	-	-	32
Customers	-	-	-	-	5,094,691
Credit institutions	-	10,286	-	-	120,336,567
Total	**6,970,635**	**10,489**	**-**	**14,390,833**	**158,630,295**

31 December 2018

(Thousands of euros)

FINANCIAL ASSETS	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
Trading derivatives	6,022,496	-	-	-	-
Equity instruments	3,901	-	-	76,300	-
Debt securities	281,570	187	-	15,559,415	33,742,245
Loans and advances	-	9,161	-	-	122,719,195
Central banks	-	-		-	-
Credit institutions	-	-	-	-	4,433,419
Customers	-	9,161	-	-	118,285,776
Total	**6,307,967**	**9,348**	-	**15,635,715**	**156,461,440**

(7.2) Financial assets held for trading. Trading derivatives

The following table presents a breakdown, by class of derivative, of the fair value of the Group's derivatives held for trading at 30 June 2019 and 31 December 2018:

(Thousands of euros)

	30/06/2019			31/12/2018		
ITEM	Fair value	Amount netted	Carrying amount	Fair value	Amount netted	Carrying amount
Unmatured foreign currency purchases and sales	64,300	-	64,300	51,453	-	51,453
Equity derivatives	9,258	-	9,258	4,563	-	4,563
Interest rate derivatives	13,118,971	(6,477,646)	6,641,325	9,719,224	(3,821,047)	5,898,177
Credit derivatives	321	-	321	2,170	-	2,170
Other	71,708	-	71,708	66,133	-	66,133
Total	**13,264,558**	**(6,477,646)**	**6,786,912**	**9,843,543**	**(3,821,047)**	**6,022,496**

(7.3) Financial assets not held for trading at fair value through other comprehensive income

The detail of this item, by type of counterparty and type of financial instrument in the accompanying condensed consolidated balance sheet, indicating the book value of the same at 30 June 2019 and 31 Decemeber 2018 is as follows:

(Thousands of euros)

ITEM	30/06/2019	31/12/2018
By counterparty		
Other resident sectors	10,489	9,348
Total	**10,489**	**9,348**
By type of instrument		
Debt securities	203	187
Loans and advances	10,286	9,161
Customers	10,286	9,161
Total	**10,489**	**9,348**

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

The detail of this item, by type of counterparty and type of financial instrument in the accompanying condensed consolidated balance sheet, is as follows:

(Thousands of euros)

ITEM	30/06/2019	31/12/2018
By counterparty		
Credit institutions	44,712	54,107
Resident public sector	13,430,513	12,409,054
Non-resident public sector	413,181	2,633,356
Other resident sectors	175,914	174,786
Other non-resident sectors	327,611	365,520
Doubtful assets	-	-
Impairment losses	(1,098)	(1,108)
Total	**14,390,833**	**15,635,715**
By type of instrument		
Debt securities	14,306,977	15,559,415
Spanish government debt securities	13,430,513	12,409,054
Government bonds	13,125,496	12,100,879
Regional administrations	305,017	308,175
Foreign government debt securities	413,181	2,633,356
Issued by financial institutions	18,238	27,633
Other fixed-income securities	446,143	490,480
Impairment losses	(1,098)	(1,108)
Equity instruments	83,856	76,300
Total	**14,390,833**	**15,635,715**

At 30 June 2019 and 31 December 2018, the Group did not have any assets classified in the financial assets at fair value through other comprehensive income portfolio with past-due amounts and no impaired.

The average effective annual interest rate of debt securities included in the financial assets at fair value through other comprehensive income portfolio at 30 June 2019 was 0.90% (0.87% at 31 December 2018).

A summary of changes in relation to impairment losses due to credit risk in the six months ended 30 June 2019 and 2018 included in the Group's financial assets at fair value through other comprehensive income, by identification criteria and type of counterparty, is as follows:

(Thousands of euros)

DEBT SECURITIES	First half of 2019	First half of 2018
Balances at 31 December	**1,108**	**4,624**
Adjustments for first-time application of IFRS 9	-	(719)
Balances at 1 January	**1,108**	**3,905**
Impairment losses for the year charged to income	24	1,056
Available credit loss allowance	(27)	(284)
Net provision/(release) charged/(credited) to income statement	**(3)**	**772**
Amounts used for depreciated assets and other net movements	(7)	(3,497)
Balances at 30 June	**1,098**	**1,180**
Of which:		
Type of counterparty:	**1,098**	**1,180**
Entities resident in Spain	857	799
Entities resident abroad	241	381

(7.5) Financial assets at amortised cost

(7.5.1) Breakdown

The detail of this item in the accompanying consolidated balance sheets at 30 June 2019 and 31 December 2018, based on the nature of the related financial instruments, is as follows:

(Thousands of euros)

ITEM	30/06/2019	31/12/2018
Financial assets at amortised cost		
Loans and advances	128,971,202	126,749,755
Central Banks	32	-
Credit institutions	5,097,653	4,426,683
Customers	123,873,517	122,323,072
Debt securities	33,207,057	33,749,771
Sum	**162,178,259**	**160,499,526**
Impairment losses	(3,747,744)	(4,219,010)
Other valuation adjustments	199,780	180,924
Total	**158,630,295**	**156,461,440**

(7.5.2) Credit quality of the portfolio of financial assets at amortised cost

The following table shows financial assets at amortised cost, based on their credit risk classification, distinguishing between gross value and related impairment losses at 30 June 2019 and 31 December 2018:

(Thousands of euros)

ITEM	30/06/2019	31/12/2018
Gross amount		
Phase 1 – Standard risk	146,660,222	144,313,389
Phase 2 – Standard risk under special monitoring	8,848,597	8,635,397
Phase 3 – Doubtful risk	6,869,220	7,731,664
Sum	**162,378,039**	**160,680,450**
Impairment allowance		
Phase 1 – Standard risk	(231,090)	(226,317)
Phase 2 – Standard risk under special monitoring	(600,618)	(619,333)
Phase 3 – Doubtful risk	(2,916,036)	(3,373,360)
Sum	**(3,747,744)**	**(4,219,010)**
Net carrying amount		
Phase 1 – Standard risk	146,429,132	144,087,072
Phase 2 – Standard risk under special monitoring	8,247,979	8,016,064
Phase 3 – Doubtful risk	3,953,185	4,358,304
Sum	**158,630,295**	**156,461,440**

(*) Include "Other measurement adjustments"

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

The following table sets out the movements in the first half of 2019 and 2018 between stages 1, 2 and 3 in terms of the gross carrying amount of financial assets at amortised cost:

30 June 2019

(Thousands of euros)

ITEM	Phase 1	Phase 2	Phase 3	Total
Balance at the beginning of the period	**144,313,389**	**8,635,397**	**7,731,664**	**160,680,450**
Inter-phase transfer	(982,165)	789,747	192,418	-
Phase 1 – Standard risk	*(1,868,196)*	*1,684,662*	*183,534*	-
Phase 2 – Standard risk under special monitoring	*854,466*	*(1,261,166)*	*406,700*	-
Phase 3 – Doubtful risk	*31,565*	*366,251*	*(397,816)*	-
Highs, lows and balance variations	3,328,998	(576,547)	(939,549)	1,812,902
Failed	-	-	(115,313)	(115,313)
Balance at the end of the period	**146,660,222**	**8,848,597**	**6,869,220**	**162,378,039**

30 June 2018

(Thousands of euros)				
ITEM	Phase 1	Phase 2	Phase 3	Total
Balance at the beginning of the period	**140,176,548**	**11,952,799**	**11,318,382**	**163,447,729**
Inter-phase transfer	(53,980)	(542,051)	596,031	-
Phase 1 – Standard risk	*(2,100,992)*	*1,839,006*	*261,986*	-
Phase 2 – Standard risk under special monitoring	*2,017,476*	*(2,721,440)*	*703,964*	-
Phase 3 – Doubtful risk	*29,536*	*340,382*	*(369,918)*	-
Highs, lows and balance variations	5,982,040	(947,505)	(1,620,550)	3,413,985
Failed	-	-	(199,503)	(199,503)
Balance at the end of the period	**146,104,608**	**10,463,243**	**10,094,360**	**166,662,211**

(7.5.4) Movement in credit impairment by stages

The following table sets out the movements in impairment losses by stages of credit impairment in the first half of 2019 and 2018 in financial assets at amortised cost:

30 June 2019

(Thousands of euros)				
ITEM	Phase 1	Phase 2	Phase 3	Total
Balances as of 1 January 2019	**226,317**	**619,333**	**3,373,360**	**4,219,010**
Variations by origination and acquisition, account loss and credit risk variation (net)	7,626	(18,887)	182,329	171,068
Use of funds for amortised assets	-	-	(547,507)	(547,507)
Transfer to non-current assets for sale and other movements	(2,853)	172	(92,146)	(94,827)
Balances as of 30 June 2019	**231,090**	**600,618**	**2,916,036**	**3,747,744**
Of which individually identified	-	91,671	1,183,906	1,275,577
Of which collectively identified	231,090	508,947	1,732,130	2,472,167

30 June 2018

(Thousands of euros)				
ITEM	Phase 1	Phase 2	Phase 3	Total
Balances as of 1 January 2018	**226,037**	**937,888**	**5,255,830**	**6,419,755**
Variations by origination and acquisition, account loss and credit risk variation (net)	(3,703)	(153,118)	388,586	231,765
Use of funds for amortised assets	-	-	(980,883)	(980,883)
Transfer to non-current assets for sale and other movements	7,524	(7,721)	(113,269)	(113,466)
Balances as of 30 June 2018	**229,858**	**777,049**	**4,550,264**	**5,557,171**
Of which individually identified	-	59,796	1,926,694	1,986,490
Of which collectively identified	229,858	717,253	2,623,570	3,570,681

(7.5.5) Credit quality of financial assets at amortised cost portfolio. Guarantees received

The breakdown at 30 June 2019 and 31 December 2018 of guarantees received related to Loans and Receivables in the accompanying consolidated balance sheet is as follows:

(Thousands of euros)		
ITEM (*)	30/06/2019	31/12/2018
Value of the collateral	79,138,706	81,129,164
Of which: collateral with standard risks under special monitoring	5,470,274	5,220,995
Of which: collateral with doubtful risks	7,599,683	8,159,882
Value of other guarantees and collaterals	-	-
Of which: collateral with standard risks under special monitoring	-	-
Of which: collateral with doubtful risks	-	-
Total	**79,138,706**	**81,129,164**

(*) The value of the guarantee or collateral is the lower of the guarantee received and the amount of the loan, except doubtful transactions, where the relevant measure is fair value.

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

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

(Thousands of euros)

ITEM	30/06/2019	31/12/2018
By instrument type		
Time deposits	176,853	157,569
Reverse repurchase agreements	2,914,041	2,029,395
Other financial assets	2,002,421	2,233,695
Doubtful assets	4,338	6,024
Sum	**5,097,653**	**4,426,683**
Impairment losses	(737)	(1,205)
Other valuation adjustments	(2,225)	7,941
Total	**5,094,691**	**4,433,419**

The average effective annual interest rate of financial instruments included under this heading at 30 June 2019 was 0.93% (0.86% at 31 December 2018).

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

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

(Thousands of euros)

ITEM	30/06/2019	31/12/2018
Public sector	5,526,507	5,202,629
Other financial corporations	2,669,636	1,686,432
Non-financial corporations	36,381,646	35,752,981
Households	79,497,733	79,854,012
Sum (1)	**124,075,522**	**122,496,054**
Impairment losses	(3,738,955)	(4,210,278)
Total	**120,336,567**	**118,285,776**

(1) Of which EUR 6,856,265 thousand corresponds to doubtful “Loans and advances” at 30 June 2018 (EUR 7,716,438 thousand at 31 December 2018). Includes “Other valuation adjustments”

The average effective annual interest rate of financial instruments included under this heading at 30 June 2019 was 1.73% (1.68% at 31 December 2018).

(7.5.8) Doubtful assets

The movement produced during the first half of 2019 and 2018 of the balance of doubtful assets is detailed in the following table:

(Thousands of euros)

ITEM	First half 2019	First half 2018
Accounting balance at the beginning of the period	**7,722,462**	**11,305,013**
Additions	872,853	1,117,783
Disposals	(1,734,713)	(2,340,465)
Through foreclosure	(129,025)	(231,852)
Through portfolios sales	(438,508)	(527,243)
Through reversals and others	(731,987)	(1,381,867)
Through debt reductions and disposals of assets	(115,314)	(199,503)
Through to a Disposal group	(319,879)	-
Accounting balance at the end of the period	**6,860,602**	**10,082,331**

The table below shows, for doubtful financial assets at amortised cost, the classification of the Bankia Group's doubtful assets related to "Loans and advances to customers" and "Loans and advances to credit institutions" included in "Loans and advances" at 30 June 2019 and 31 December 2018, by counterparty, age of the oldest past-due amount of each, and the type of guarantee or collateral:

(Thousands of euros)

ITEM	30/06/2019	31/12/2018
By counterparty		
Credit institutions	4,338	6,024
Public sector	97,796	125,147
Other financial corporations	20,382	20,668
Non-financial corporations	3,331,216	3,814,179
Households	3,406,870	3,756,444
Total	**6,860,602**	**7,722,462**
By age		
Up to 6 months (*)	3,276,075	3,626,380
Between 6 and 12 months	500,303	660,229
More than 12 months	3,084,224	3,435,853
Total	**6,860,602**	**7,722,462**
Balance doubtful operations		
Full mortgage collateral	4,705,503	5,412,649
Other collateral	58,486	76,935
Without collateral	2,096,613	2,232,878
Total	**6,860,602**	**7,722,462**

(*) At 30 June 2019, approximately 85% of the balance consisted of transactions with no past-due amounts or amounts that are less than 90 days past due.

The past due and not collected products from the doubtful assets accumulated at 30 June 2019, amount to EUR 435,091 thousand (EUR 444,175 thousand as of 31 December 2018).

The following table provides a breakdown of doubtful assets with collateral included in this category by the percentage of risk in relation to the value of the collateral ("loan to value"), as the key measure for the collateral in relation to the risks to which it is exposed:

(Thousands of euros)

ITEM	30/06/2019	31/12/2018
Lower than or equal to 40%	550,833	545,715
Greater than 40% and lower than or equal to 60%	483,562	534,993
Greater than 60% and lower than or equal to 80%	593,927	697,593
Greater than 80%	3,135,667	3,711,283
Total	**4,763,989**	**5,489,584**

(7.5.9) Assets past-due at 30 June 2019 and 31 December 2018

The table below shows the classification of assets past-due but not impaired related to "Loans and advances to customers" and "Loans and advances to credit institutions" at 30 June 2019 and 31 December 2018, by counterparty, age past-due and type of guarantee or collateral:

(Thousands of euros)

ITEM	30/06/2019	31/12/2018
By counterparty		
Credit institutions	9,021	30,705
Public sector	26,859	26,985
Other financial corporations	2,169	1,266
Non-financial corporations	134,495	467,136
Households	43,374	34,221
Total	**215,918**	**560,313**
By age		
Less than one month	137,419	513,384
Between 1 and 3 months	59,935	34,598
More than 3 months	18,564	12,331
Total	**215,918**	**560,313**
By type of collateral		
Full mortgage collateral	33,143	28,962
Other collateral	2,858	1,205
Without collateral	179,917	530,146
Total	**215,918**	**560,313**

The following table provides a breakdown of assets with collateral included in this category by the percentage of risk in relation to the value of the collateral ("loan to value"), as the key measure for the collateral in relation to the risks to which it is exposed:

(Thousands of euros)

ITEM	30/06/2019	31/12/2018
Lower than or equal to 40%	9,973	8,692
Greater than 40% and lower than or equal to 60%	7,976	4,786
Greater than 60% and lower than or equal to 80%	6,192	5,212
Greater than 80%	11,860	11,477
Total	**36,001**	**30,167**

The following table presents a summary of movements affecting impairment losses due to credit risk in the six months ended 30 June 2019 and 2018 recognised under “Loans and advances — Credit institutions” and “Loans and advances – Customers” under “Financial assets at amortised cost” in the consolidated balance sheets by identification criteria and type of the counterparties:

30 June 2019

(Thousands of euros)

ITEM	Allowance attributable to insolvency	Country risk allowance	Total
Balances at 31 December 2018	**4,207,166**	**4,318**	**4,211,484**
Individually assessed	1,574,212	-	1,574,212
Collectively assessed	2,632,954	4,318	2,637,272
Impairment losses for the year charged to income	473,814	9,050	482,864
Available credit loss allowance	(300,303)	(12,018)	(312,321)
Net provision/(release) charged/(credited) to income statement	**173,511**	**(2,968)**	**170,543**
Amounts used for depreciated assets and other changes	(642,711)	(35)	(642,746)
Exchange differences	412	(1)	411
Balances at 30 June 2019	**3,738,378**	**1,314**	**3,739,692**
Individually assessed	1,270,072	-	1,270,072
Collectively assessed	2,468,306	1,314	2,469,620
Of which			
Type of counterparty:	**3,738,378**	**1,314**	**3,739,692**
Entities resident in Spain	3,569,810	-	3,569,810
Entities resident abroad	168,568	1,314	169,882

30 June 2018

(Thousands of euros)

ITEM	Allowance attributable to insolvency	Country risk allowance	Total
Balances at 31 December 2017	**5,752,977**	**4,997**	**5,757,974**
Individually assessed	2,263,709	-	2,263,709
Collectively assessed	3,489,268	4,997	3,494,265
Adjustments for first-time application of IFRS 9	652,914	-	652,914
Balances at 1 January 2018	**6,405,891**	**4,997**	**6,410,888**
Impairment losses for the year charged to income	700,182	2,223	702,405
Available credit loss allowance	(465,817)	(3,767)	(469,584)
Net provision/(release) charged/(credited) to income statement	**234,365**	**(1,544)**	**232,821**
Amounts used for depreciated assets and other changes	(1,101,939)	(33)	(1,101,972)
Exchange differences	7,389	-	7,389
Balances at 30 June 2018	**5,545,706**	**3,420**	**5,549,126**
Individually assessed	1,920,495	-	1,920,495
Collectively assessed	3,625,211	3,420	3,628,631
Of which			
Type of counterparty:	**5,545,706**	**3,420**	**5,549,126**
Entities resident in Spain	5,133,625	-	5,133,625
Entities resident abroad	412,081	3,420	415,501

(7.5.10) Financial assets at amortised cost. Debt securities

The detail, by counterparty and by type of instrument, of this condensed consolidated balance sheet heading at 30 June 2018 and 31 December 2018 is as follows:

(Thousands of euros)

ITEM	30/06/2019	31/12/2018
By counterparty		
Credit institutions	24,930	29,992
Resident public sector	10,099,232	10,817,367
Non-resident public sector	4,077,601	3,559,422
Other resident sectors	18,963,013	19,289,243
Other non-resident sectors	33,665	44,544
Doubtful assets	8,616	9,203
Sum	**33,207,057**	**33,749,771**
Impairment losses and fair value adjustments due to credit risk	(8,052)	(7,526)
Other valuation adjustments	-	-
Total	**33,199,005**	**33,742,245**
By type of instrument		
Spanish government debt securities	10,099,232	10,817,367
Foreign government debt securities	4,077,601	3,559,422
Bonds and obligations	19,030,224	19,372,982
Impairment loss	(8,052)	(7,526)
Total	**33,199,005**	**33,742,245**

The balances in “Other resident sectors” and “Bonds and obligations” include the debt securities issued by Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria (SAREB) backed by the Spanish Government, which were received as consideration for the assets transferred by the BFA Group to SAREB in December 2012, at a price of EUR 22,317 million – EUR 2,850 million at BFA in respect of the part of the price relating to its own assets and those of its subsidiaries and EUR 19,467 million at Bankia in respect of the part of the price relating to its own assets and those of Bankia subsidiaries–. They also include the debt securities received as consideration for the assets originally transferred by the BMN Group in February 2013 for EUR 5,820 million – absorbed following its merger by the Bankia Group – as explained in Note 1.15 to the 2018 consolidated financial statements.

The securities received by the Group (with original maturities at 31 December 2013, 2014 and 2015 and 28 February 2014, 2015 and 2016) include an annual renewal option for the issuer, although the estimated value of that option does not generate any negative difference between the fair value of the instruments and the nominal value at the transaction date.

In 2013 and subsequent periods, the SAREB redeemed and delivered new bonds. Accordingly, the securities received by the Group and recognised under "Financial assets at amortised cost" at 30 June 2019 were as follows:

(Thousands of euros and %)

Bonds	Amount	Maturity	Interest rate
SAREB 2018-3 Bonds	7,623,700	31.12.2020	-
SAREB 2018-2 Bonds	5,549,800	31.12.2019	-
SAREB 2019-2 Bonds	2,425,000	28.02.2021	-
SAREB 2019-1 Bonds	1,681,300	28.02.2020	-
SAREB 2018-4 Bonds	1,168,200	31.12.2021	-
SAREB 2019-3 Bonds	394,200	28.02.2022	-

As these cancellations were made at the nominal amount, there were no differences with respect to the carrying amounts. Therefore, the transactions did not have a significant impact on the Group's consolidated income statement for prior periods.

At the maturity date, the unamortised cash amount was exchanged for other bonds with a similar maturity (rollover option) and bearing interest at the 3-month Euribor plus a differential, 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 Group’s income statement for the first half of 2019. Rollovers of bonds carried out in previous years also had no impact whatsoever on the Group’s income statement for those periods.

The Group’s debt securities classified as financial assets at amortised cost included assets of EUR 8,616 thousand at 30 June 2019 (EUR 9,203 thousand at 31 December 2018) that were assessed individually to be impaired due to credit risk.

At 30 June 2019 and 31 December 2018, the Group had no debt securities classified as financial assets at amortised cost with past-due amounts and not impaired.

The average effective annual interest rate of debt securities included in financial assets measured at amortised cost portfolio at 30 June 2019 was 0.53% (0.55% at 31 December 2018).

A summary of the changes in relation to impairment losses and fair value adjustments due to credit risk of debt securities included in this portfolio for the six months ended 30 June 2019 and 2018 is as follows:

(Thousands of euros)

DEBT SECURITIES	First half of 2019	First half of 2018
Balances at 31 December	**7,526**	**9,120**
Adjustments for first-time application of IFRS 9	-	(253)
Balances at 1 January	**7,526**	**8,867**
Impairment losses for the year charged to income	616	2,534
Available credit loss allowance	(91)	(3,590)
Net provision/(release) charged/(credited) to income statement	**525**	**(1,056)**
Amounts used for depreciated assets and other net movements	1	234
Exchange differences	-	-
Balances at 30 June	**8,052**	**8,045**
Of which:		
Type of counterparty:	**8,052**	**8,045**
Entities resident in Spain	7,903	7,894
Entities resident abroad	149	151

(8) Fair value

(8.1) Financial instruments

(8.1.1) Fair value of financial instruments

The fair value of a financial asset or liability 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 Group generally uses the following methods to estimate the fair value of financial instruments:

- When the market publishes closing prices, these prices are used to determine the fair value.
- When the market publishes both bid and asking prices for the same instrument, the market price for a purchased asset or a liability to be issued is the bid price and that for an asset to be purchased or an issued liability is the asking price. If there is significant market-making activity or it can be demonstrated that the positions can be closed – settled or hedged – at the average price, the average price is used.
- If there is no market price for a given financial instrument or for scantly active markets, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, of valuation techniques sufficiently used by the international financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with the instrument.
- The valuation techniques used to estimate the fair value of a financial instrument meet the following requirements:
    - The techniques used are based on the most consistent and appropriate economic and financial methods, which have been demonstrated to provide the most realistic estimate of the financial instrument's price.
    - They are those which are customarily used by market participants to measure this type of financial instrument, such as discounting of cash flows, 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 scantly 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 in the same instrument, or by using a valuation technique in which all the variables are taken solely from observable market data.

- The fair value of derivatives is determined as follows:

  - Financial derivatives included in the held for trading portfolios which are traded in organised, transparent and deep markets: the fair value is deemed to be their daily quoted price and if, for exceptional reasons, the quoted price at a given date cannot be determined, these financial derivatives are measured using methods similar to those used to measure OTC derivatives.

  - OTC derivatives or derivatives traded in scantly deep or transparent organised markets: the fair value is taken to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement ("present value" or "theoretical close") using valuation techniques accepted by the financial markets: "net present value" (NPV), option pricing models, etc. Derivatives not supported by a CSA (market standard) collateral agreement: an own and/or third party credit risk adjustment (DVA and CVA) differentiated based on the internal rating of the counterparty (see Note 3.1):

    - Counterparties rated CCC or higher: all components are taken directly from the market (risk factors that affect the value of the derivative) or indirectly from the inputs that reflect credit risk through quoted prices in markets that are closest to that of the counterparty and of Bankia.

    - Counterparties classified as "doubtful": internal expert criteria regarding recovery of the debt are used as there are no market indices to assess their credit risk due to the absence of a secondary market with prices and reasonable liquidity.

  CVA and DVA are included in the valuation of derivatives, both assets and liabilities, to reflect the impact of counterparty and own credit risk, respectively, on fair value.

  CVA is calculated 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 at which the Bankia Group is exposed.

  DVA is a similar valuation adjustment to CVA, but arises from Bankia's own risk assumed with OTC derivatives counterparties. Similarly, DVA is calculated by multiplying expected negative exposure by probability of default and multiplying the result by Bank's loss given default.

  The credit risk valuation adjustments registered in the consolidated balance sheet at 30 June 2019 were EUR 110 million for CVA (EUR 103 million at 31 December 2018) and EUR 3 million for DVA (EUR 5 million at 31 December 2018).

(8.1.2) Determination of fair value of financial instruments

The following table compares the amounts at which the Group's financial assets and financial liabilities are recognised in the accompanying condensed consolidated interim balance sheet and their related fair value:

(Thousands of euros)

ITEM	30/06/2019 Balance sheet total	30/06/2019 Fair value	31/12/2018 Balance sheet total	31/12/2018 Fair value
ASSETS				
Cash and balances with central banks and other demand deposits	8,117,152	8,117,152	4,753,800	4,753,800
Financial assets held for trading	6,970,635	6,970,635	6,307,967	6,307,967
Non-trading financial assets mandatorily at fair value through profit or loss	10,489	10,489	9,348	9,348
Financial assets at fair value through other comprehensive income	14,390,833	14,390,833	15,635,715	15,635,715
Financial assets at amortised cost	158,630,295	168,231,982	156,461,440	167,886,708
Non-current assets and disposal groups classified as held for sale – Other equity instruments	124,453	124,453	132,227	132,227
Hedging derivatives	2,502,610	2,502,610	2,626,997	2,626,997
LIABILITIES				
Financial liabilities held for trading	7,022,287	7,022,287	6,046,596	6,046,596
Financial liabilities at amortised cost	186,261,598	184,862,970	181,868,586	182,189,468
Hedging derivatives	86,285	86,285	183,189	183,189

For financial instruments whose carrying amount differs from their theoretical fair value, the latter was calculated as follows:

- The fair value of “Cash and balances with central banks” is measured at carrying amount, as the balances are short term.
- Fair value 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 period without considering the issuer's credit risk. This valuation is considered to use Level 3 inputs in the approaches described below for financial instruments whose carrying amount is equal to their fair value.

  The fair value of the debt securities classified as “Financial assets at amortised cost” is considered equivalent to their quoted price in active markets except for the SAREB bonds (see Note 7.5.10), 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 Group 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.

The following table presents the main financial instruments measured at fair value in the accompanying consolidated balance sheet, by measurement method used to estimate fair value:

(Thousands of euros)

	30/06/2019			31/12/2018		
ITEM	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Financial assets held for trading	**187,806**	**6,681,822**	**101,007**	**285,998**	**5,933,432**	**88,537**
Debt securities	180,046	-	-	281,570	-	-
Equity instruments	3,677	-	-	3,901	-	-
Trading derivatives	4,083	6,681,822	101,007	527	5,933,432	88,537
Non-trading financial assets mandatorily at fair value through profit or loss	**-**	**203**	**10,286**	**-**	**187**	**9,161**
Debt securities	-	203	-	-	187	-
Equity instruments	-	-	-	-	-	-
Loans and advances	-	-	10,286	-	-	9,161
Financial assets at fair value through other comprehensive	**14,244,084**	**104,917**	**41,832**	**15,452,686**	**140,784**	**42,245**
Debt securities	14,244,084	62,893	-	15,452,686	106,729	-
Equity instruments	-	42,024	41,832	-	34,055	42,245
Non-current assets and disposal groups classified as held for sale – Other equity instruments	**-**	**-**	**124,453**	**42**	**-**	**132,185**
Hedging derivatives	**-**	**2,502,610**	**-**	**-**	**2,626,993**	**4**
LIABILITIES						
Financial liabilities held for trading	**298,772**	**6,719,131**	**4,384**	**122,121**	**5,920,496**	**3,979**
Trading derivatives	3,415	6,719,131	4,384	40	5,920,496	3,979
Short positions	295,357	-	-	122,081	-	-
Hedging derivatives	**-**	**86,285**	**-**	**-**	**183,189**	**-**

The following table presents the main valuation methods, assumptions and inputs used to measure the fair value of financial instruments classified as level 2 and 3, by type of instrument, and the related balances at 30 June 2019:

(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 LMM allows complete modelling of the volatility area.	- Yield Curves - Credit spreads - Correlation	Debt securities: 63
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: 42
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 among underlyings For interest rate derivatives: - Term structure of interest rates. - Volatility of the underlying For credit derivatives: - Quoted Credit Default Swaps (CDS) prices	Trading Derivatives: Assets: 6,682 Liabilities: 6,719 Hedging Derivatives: Assets: 2,503 Liabilities: 86
	For equity, currency or commodity derivatives: Black Scholes, Skew Model	For measurement of widely traded instruments, e.g. call, put, straddle, etc.		
	For inflation derivatives: analytical formula	Absence of correlation between interest rates and inflation. Risk neutrality, absence of arbitrage opportunities		
	For credit derivatives: analytical formula	Calculation of probability of default (PD) levels to ensure compliance with the risk neutrality and non-arbitrage assumptions.		

(Millions of euros)

Level 3 financial instruments	Valuation techniques	Main assumptions	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. To measure asset backed securities (ABS), future prepayments are calculated based on conditional prepayment rates provided by the issuers. The "time-to-default" model is used to measure the probability of default. One of the main variables used is the correlation of defaults extrapolated from several index tranches (ITRAXX and CDX) with the underlying portfolio of our CDOs. Inclusion of stochastic volatilities in LMM allows complete modelling of the volatility area.	• Prepayment rates • Credit spread • Default correlation • Interest rate correlation	Debt securities: (*) Loans and advances: 10
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: 42
Derivatives	For interest rate derivatives: the Libor Market (LMM), Hull and White model (HW)	Both methods are based on modelling of future interest rate performance, replicating the yield curve and volatility surface. The HW model is used provided the volatility smile does not affect the value of the derivative. The inclusion of stochastic volatilities in LMM allows complete modelling of the volatility area, making the LMM model the most widely used to measure exotic derivatives.	• Correlation • Term structure of volatilities based on the underlying	Trading Derivatives: Assets: 101 Liabilities: 4
	For equity and currency derivatives: Dupire, Heston, Black, solved by numerical methods	The options are measured using generally accepted valuation models and include implied volatility observed	• Correlation • Term structure of volatilities • Dividends	
	Inflation derivatives: Jarrow y Yildrim	The Jarrow and 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, which is widely accepted in financial markets for its simplicity.	• Correlation between defaults • Historical CDS volatility	

(*) There are no outstanding transactions at 30 June 2019.

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 Group has a formal policy that sets out the procedure for assigning fair value levels and potential changes therein.

According to this procedure, a Level is assigned to financial instruments measured at fair value, determined based on the quality and availability of the various inputs, models, market information etc. at the date of purchase of the position. These parameters are subsequently reviewed periodically in accordance with their trends.

This procedure is carried out by analysing the information available to the Group to set the valuation price, studying the necessary inputs, the sources and quality of the information, or the need to use more complex models.

Transfers of financial instruments not classified as non-current assets held for sale between fair value hierarchy levels in the six months ended 30 June 2019 and 2018 were as follows:

First half of 2019

(Thousands of euros)

Transfers between levels	FROM:	Level 1		Level 2		Level 3	
	TO:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
Assets							
Financial assets held for trading – Derivatives		-	-	-	5,217	-	4,562
Financial assets at fair value through other comprehensive income		-	-	35,817	-	-	-
Liabilities							
Financial liabilities held for trading – Derivatives		-	-	-	137	-	-

First half of 2018

(Thousands of euros)

Transfers between levels	FROM:	Level 1		Level 2		Level 3	
	TO:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
Assets							
Financial assets held for trading – Derivatives		-	-	-	2,011	-	84
Financial assets at fair value through other comprehensive income		-	-	-	-	-	-
Liabilities							
Financial liabilities held for trading – Derivatives		-	-	-	17	-	11

The value of the financial instruments transferred between measurement levels during the first half of 2019 is immaterial relative to the total value of the portfolios and relates mainly to changes in one or more characteristics of the assets. Specifically:

- Transfer from Level 2 to Level 1 for EUR 36 million; as certain Level 2 debt instruments have returned to active markets with observable inputs.
- Transfer from Level 2 to Level 3 for EUR 5 million: as relevant inputs that represent key assumptions (credit risk) used in the valuation technique to measure certain derivatives have become unobservable.
- Transfer from Level 3 to Level 2 for EUR 5 million: as relevant observable inputs that represent key assumptions (credit risk) used in the valuation technique to measure certain derivatives have been found.

The movement in balances financial assets and financial liabilities categorised within Level 3 excluding those classified as “Non-current assets and disposal groups classified as held for sale”, shown in the accompanying consolidated balance sheets at 30 June 2019 and 2018 follow:

(Thousands of euros)

ITEM	First half 2019		First half 2018	
	Assets	Liabilities	Assets	Liabilities
Opening balance	**139,947**	**3,979**	**128,614**	**4,982**
Gains (losses)	12,361	94	5,650	169
To profit and loss	12,747	94	3,205	169
To reserves for sale	27	-	-	-
To equity	(413)	-	2,445	-
Purchases, sales and settlements	(443)	334	(9,277)	112
Net inflows/(outflows) in Level 3	1,235	(48)	12,114	33
Transfers to Assets or Liabilities	25	25	181	181
Closing balance	**153,125**	**4,384**	**137,282**	**5,477**

(8.2) Fair value of other assets, not considered as a disposition group or discontinued transactions

The most significant aspects related to fair value and assessment of the impairment of non-financial assets are detailed below.

(8.2.1) Foreclosed real estate assets classified as non-current assets held for sale

As described in Note 18.3 of the 2018 consolidated financial statements, the Group has developed an internal approach to estimate discounts on the reference value and the cost of disposal of foreclosed assets or those received in payment of debt, on the basis of its experience in selling by asset category in relation to terms, prices and volume, and also factors in the price trends of these assets and the time it takes to sell them. The method therefore excludes those assets for which the Group has not attained sufficient sales volume, meaning therefore that its management unit does not possess the sales experience needed to sell or otherwise realise those assets at their fair value. These are measured by taking the reference value and applying the percentage discount rates estimated by the Bank of Spain, on the basis of its experience and the information it possesses on the banking sector, as set out in Bank of Spain Circular 4/2017.

Based on the above, the Group estimates that the carrying amount of foreclosed assets or those received in payment of debt classified as "Non-current assets and disposal groups classified as held for sale" does not differ significantly from their fair value estimated on the basis of the aforementioned discounts on reference value.

Information on the companies and agencies carrying out appraisals in the first half of 2019 and 2018 is provided below:

(% revalued)		
Appraiser agency	30.06.19	31.12.18
Gesvalt	16.39%	4.96%
Tecnitasa	3.27%	14.17%
Tinsa	43.90%	55.52%
Krata	8.45%	-
Arco Valoraciones	13.35%	25.18%
Sociedad de Tasación	14.64%	
Other	-	0.17%
Total	**100.00%**	**100.00%**

The valuations are classified as Level 3 in the methodologies described previously.

(8.2.2) Intangible assets – Goodwill

Note 11.1 of these condensed consolidated interim financial statements details the analysis of the deterioration of goodwill as of 30 June 2019.

(8.2.3) Investments in associates and joint ventures

The Group performed impairment tests on all its investments in associates and joint ventures showing evidence of impairment, as described in Note 1.3, in order to quantify the corresponding impairment allowance. Having identified the investments likely to suffer impairment losses, the recoverable amount of the investment was calculated, understood to be the higher of its fair value less costs of disposal and its value in use.

Regarding the impairment for Caser investment, the cash flow estimates are obtained from the company's strategic plan for 2019-2022, excluding the potential positive impact of structural changes in future periods. Growth to perpetuity of 1.5% is forecast for the remaining years. The discount rate applied for these flows was 10.5%.

Given the uncertainty of these estimates, the Group also performed a sensitivity analysis for the most significant variables to obtain more stressed scenarios compared to the baseline, factoring in potential variations in the main variables, specifically the discount rate (-0.5%, +0.5%), and the growth rate (-0.5%, +0.5%). The results of the sensitivity analysis did not uncover the need to recognise any additional impairment losses.

(9) Non-current assets and disposal groups that are classified as held for sale

(9.1) Breakdown

Details of these items on the accompanying consolidated balance sheets at 30 June 2019 and 31 December 2018 are as follows:

30 June 2019

(Thousands of euros)

ITEM	Cost	Impairment losses	Carrying Amount
Non-current Assets Held for Sale	2,627,117	(680,081)	1,947,036
Tangible assets for own use	257,607	(70,714)	186,893
Foreclosed tangible assets	2,222,262	(608,208)	1,614,054
Other equity instruments	124,453	-	124,453
Investments in associates and joint ventures	22,795	(1,159)	21,636
Assets included in disposal groups and discontinued operations	3,048,633	(1,673,013)	1,375,620
Total assets at 30 June 2019	**5,675,750**	**(2,353,094)**	**3,322,656**
Liabilities included in disposal groups and discontinued operations	3,269	-	3,269
Total liabilities at 30 June 2019	**3,269**	**-**	**3,269**

31 December 2018

(Thousands of euros)

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

At 30 June 2019, the fair value of non-current assets held for sale does not differ significantly from their carrying values.

(9.2) Tangible assets for own use

At 30 June 2019 and 31 December 2018, this item basically comprises certain buildings for the Group'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 immediate sale. The Group recognises these assets at the lower of their carrying amount and fair value less cost to sell. As set out in Ministerial Order ECO/805/2003 or appraisal automated methods, the fair value is based mainly on independent expert appraisals, adjusted, where appropriate, to factor in the estimated impact from the appraisal date of certain real estate-related variables. These variables consider mainly the age of the appraisals available, as well as the sale experience.

(9.3) Tangible assets foreclosed or in payment of debts

As of 30 June 2019 and 31 December 2018, this item essentially includes the balance corresponding to assets awarded or received in payment of debts by the Group, for the satisfaction, in whole or in part, of the obligations to pay against it of its debtors, and which have been considered non-current assets for sale, being recorded and valued in accordance with Note 2.20 of the interim condensed consolidated financial statements for 2018.

The change recognised in this items in the six months ended 30 June 2019 and 2018 are as follows:

(Thousands of euros)

ITEM	1st half 2019	1st half 2018
Accounting balance at the beginning of the period	**1,708,400**	**2,731,003**
Additions during the year and other changes	143,919	43,294
Disposals during the year	(163,410)	(298,302)
Net impairment losses	(74,855)	(45,892)
Accounting balance at the end of the period	**1,614,054**	**2,430,103**

Further, sales of foreclosed assets, by type, made in the six-month periods ended 30 June 2019 and 2018 are as follows:

(Thousands of euros)

ITEM	1st half 2019	1st half 2018
Property assets		
Finished dwellings	128,324	241,527
Managed rural property and offices, commercial and industrial premises	25,504	37,631
Building plots, plots and other property assets	9,582	19,144
Total	**163,410**	**298,302**

The table below presents the detail of foreclosed property assets or received in payment of debts (transactions in Spain) at 30 June 2019 and 31 December 2018 held, according to their final purpose, as "Non-current assets held for sale" and "Tangible assets- Investment Property" of the consolidated balance sheet, excluding those held as disposal groups (See Note 9.5.1):

(Thousands of euros)

ITEM	30/06/2019	31/12/2018
Property assets from financing intended for construction and property development	374,725	381,862
Finished products (completed property developments)	178,947	182,801
Work in progress (property developments under construction)	26,333	29,032
Land	169,445	170,029
Property assets from mortgage-secured financing granted to households for home in settlement of debt	1,684,459	1,742,882
Other real estate received in payments of debts	781,372	783,760

Appendix VII provides information on exposure to property and construction risk in Spain, including information on assets foreclosed or received in payment of debts and the real estate assets included in the preceding table.

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

This includes balances related to investments in joint ventures and associates, and other investments initially recognised under "Financial assets at fair value through other comprehensive income" that the Group reclassified, pursuant to prevailing legislation, to "Non-current assets held for sale". The following table shows a breakdown of the balance by item under which the investment was recognised before its classification under "Non-current assets held for sale":

(Thousands of euros)

ITEM	30/06/2019	31/12/2018
Other equity instruments	124,453	132,227
Investments in associates and joint ventures – joint ventures	22	24
Investments in associates and joint ventures – associates	21,614	21,857
TOTAL	**146,089**	**154,108**

(9.5) Assets and liabilities included in disposal groups and discontinued operations

A disposal group is defined as a group of assets, possibly with some directly associated liabilities, which will be disposed of in a single transaction. The Group has classified these disposal groups as non-current assets held for sale since they satisfy the requirements for classification as "non-current assets held for sale". Therefore, the assets and liabilities are presented and measured in accordance with the criteria established for "Disposal groups".

30 June 2019

(Thousands of euros)

ITEM	Cost or Gross value	Impairment losses	Carrying Amount
Assets			
Disposal groups	3,048,633	(1,673,013)	1,375,620
Loan and real estate assets portfolio	3,028,775	(1,673,013)	1,355,762
Group entities- assets	19,858	-	19,858
Total assets on 30 June 2019	**3,048,633**	**(1,673,013)**	**1,375,620**
Liabilities			
Disposal groups	3,269	-	3,269
Group entities- liabilities	3,269	-	3,269
Total liabilities on 30 June 2019	**3,269**	**-**	**3,269**

31 December 2018

(Thousands of euros)

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

(9.5.1) Loans and real estate assets portfolio

As of 30 June 2019 and 31 December 2018, this item includes, as indicated in Note 18.5.1 of the consolidated annual accounts for the 2018 financial year, the balance for the mortgage loan and principals portfolios awarded for the sale agreed with Lone Star XI in December 2018 is pending closure until the corresponding administrative authorizations are obtained, the compliance of which is estimated for the second half of the 2019 financial year and within one year from the date of classification as non-current for sale of the assets, at which point the assets will be decommissioned from the consolidated balance sheet. Until the final close of the transaction, these assets have been classified as a non-current group of items or disposal group, and have been classified as held for sale, since the carrying amount of all assets is intended to be recovered from jointly through the aforementioned transaction, the realization of which is considered highly likely.

Moreover, on 31 March 2019, the Group reached an agreement with a third party for the sale of a portfolio of loans and credits, mainly mortgages and NPLs, with a gross value of EUR 286 million. At the date of authorisation for issue of the accompanying condensed consolidated interim financial statements completion of the sale was still contingent on compliance with the conditions precedent provided in the purchase-sale agreement. Until the transaction is completed, these assets have been classified as a disposal group of assets or disposal group classified as held for sale since the carrying amount of all the assets will be recovered through this transaction, which is considered to be highly probable. This transaction has not had a significant impact on consolidated profit or loss.

During the first half of 2019, the variations in the balance of this item are due, mainly, to the evolution and current management of such assets (depreciation collections variations associated with the recovery process, awards or sales of awarded assets, etc.).

(9.5.2) Bancassurance's alliances reorganisation

As indicated in Note 18.5.2 of the 2018 annual accounts, following the merger by takeover of Banco Mare Nostrum, S.A., the reordering of the secure banking alliances maintained by the bank companies of the Bankia Group has been carried out.

This reordering culminated in the first half of 2019, following the acquisition, on 29 March 2019, of the approval by the competition authority and the non-opposition of the Directorate-General for Insurance and Pension Funds, to the sale of 51% of the share capital of the insurers Caja Granada Vida Compañía de Seguros Reaseguros, S.A. and Cajamurcia Vida y Pensiones de Seguros y Reaseguros, S.A., of which the Group held 100% of its share capital, to Mapfre Vida Sociedad Anónima de Seguros de la Vida Humana ("Mapfre Vida"), for a total price of 110 million euros, and whose sales agreement previously signed on 4 December 2018, was subject to obtaining the aforementioned regulatory authorisations and the appropriate competition authorities.

The final loss of the shares, which as of December 31, 2018 were classified as disposition group - Discontinued activities, has not had a significant impact on the net worth of the Bankia Group, because they were valued for its sale price, once deducted the estimated amounts of dividends to be distributed to Bankia as the sole shareholder of the companies, as provided for in the sale agreement. After the sale, the remaining shares of the 49% held by the Group in these companies have been classified at fair value under the heading Investments in Joint Ventures and Associates. Additional information on both companies is shown in Annex III.

(9.5.3) Subsidiaries – Assets and Liabilities

The following table shows a breakdown, at 30 June 2019 and 31 December 2018, of the assets and labilities of subsidiaries that meet the criteria for classification as "disposal groups" and are, therefore, disclosed as "Non-current assets and disposal groups classified as held for sale" and "Liabilities included in disposal groups classified as held for sale":

(Thousands of euros)	30/06/2019	31/12/2018		30/06/2019	31/12/2018
Cash and balances with central banks and other demand deposits	17	14	Financial liabilities at amortised cost	1,833	3,099
Financial assets at amortised cost	16,073	13,468	Provisions	1,228	1,228
Tangible assets	5	21	Other liabilities	208	315
Intangible assets	138	159			
Other assets	3,625	3,699			
TOTAL ASSETS	**19,858**	**17,361**	**TOTAL LIABILITIES**	**3,269**	**4,642**

Appendix II contains additional information concerning these subsidiaries.

(10) Tangible assets

The movement of this item in the accompanying consolidated balance sheet for the six-month period ended at 30 June 2019 and 30 June 2018 is as follows:

30 June 2019

(Thousands of euros)

ITEM	For own use	Investment property	Total
Cost			
Balances at 31/12/2018	**4,823,994**	**725,363**	**5,549,357**
Additions/disposals (net) (*)	640,690	(7,991)	632,699
Transfers to/from non-current assets held for sale and other changes	(39,203)	27,231	(11,972)
Balances at 30/06/2019	**5,425,481**	**744,603**	**6,170,084**
Accumulated depreciation			
Balances at 31/12/2018	**(3,039,213)**	**(29,640)**	**(3,068,853)**
Additions/disposals (net)	12,156	512	12,668
Depreciation during the year	(70,189)	(2,440)	(72,629)
Transfers to/from non-current assets held for sale and other changes	12,199	200	12,399
Balances at 30/06/2019	**(3,085,047)**	**(31,368)**	**(3,116,415)**
Impairment losses			
Balances at 31/12/2018	**(115,462)**	**(175,349)**	**(290,811)**
Net provision/(release) charged/(credited) to income statement	-	(6,493)	(6,493)
Transfers to/from non-current assets held for sale and other changes	8,029	(5,946)	2,083
Balances at 30/06/2019	**(107,433)**	**(187,788)**	**(295,221)**
Total at 31 December 2018	**1,669,319**	**520,374**	**2,189,693**
Total at 30 June 2019 (*)	**2,233,001**	**525,447**	**2,758,448**

(*) During the first half of 2019, on the occasion of the entry into force of IFRS 16, there have been acquisitions of EUR 615,629 thousand in tangible assets for own use (see Note 1.3). The amount amortised in the period corresponding to these assets amounted to EUR 29,200 thousand, with the balance as of 30 June 2019 being EUR 586,429 thousand.

30 June 2018

(Thousands of euros)

ITEM	For own use	Investment property	Total
Cost			
Balances at 31/12/2017	**4,864,636**	**962,880**	**5,827,516**
Additions/disposals (net)	1,580	(18,590)	(17,010)
Transfers to/from non-current assets held for sale and other changes	(66,834)	(6,545)	(73,379)
Balances at 30/06/2018	**4,799,382**	**937,745**	**5,737,127**
Accumulated depreciation			
Balances at 31/12/2017	**(2,972,394)**	**(59,293)**	**(3,031,687)**
Additions/disposals (net)	29,374	2,934	32,308
Depreciation during the year	(48,321)	(7,119)	(55,440)
Transfers to/from non-current assets held for sale and other changes	(9,903)	21,016	11,113
Balances at 30/06/2018	**(3,001,244)**	**(42,462)**	**(3,043,706)**
Impairment losses			
Balances at 31/12/2017	**(134,732)**	**(237,463)**	**(372,195)**
Net provision/(release) charged/(credited) to income statement	12	(5,868)	(5,856)
Transfers to/from non-current assets held for sale and other changes	19,515	14,055	33,570
Balances at 30/06/2018	**(115,205)**	**(229,276)**	**(344,481)**
Total at 31 December 2017	**1,757,510**	**666,124**	**2,423,634**
Total at 30 June 2018	**1,682,933**	**666,007**	**2,348,940**

Recoverable amount at 30 June 2019 exceeded carrying amount.

Tangible assets - Investment property

"Investment property" includes land, buildings and other structures held either to earn rentals or for capital appreciation.

At 30 June 2019, the Group did not have any significant contractual obligations in connection with the future operation of the investment properties included on the balance sheet, and there were no relevant restrictions thereon, other than those inherent to the current conditions of the property market.

During the year ended at 30 June 2019 net income from the Group's investment property totaled EUR 11,012 thousand (EUR 11,224 thousand in 2018).

(11) Intangible assets

(11.1) Goodwill

The breakdown of goodwill included under "Intangible assets" in the accompanying condensed consolidated balance sheet, by company, is as follows:

(Thousands of euros)		
ENTITY	30/06/2019	31/12/2018
Bankia Pensiones, S.A. Entidad Gestora de Fondos de Pensiones	89,662	90,862
Total	**89,662**	**90,862**

Movements (gross amounts) in goodwill recognised under this item in the consolidated balance sheet in the six months ended 30 June 2019 and 2018 are as follows:

(Thousands of euros)		
ITEM	1st half 2019	1st half 2018
Carrying amount at beginning of period	**90,862**	**93,262**
Provisions charged to the income statement	(1,200)	(1,200)
Carrying amount at end of period	**89,662**	**92,062**

As explained in Note 2.16.1 to the 2018 annual consolidated financial statements, the cash-generating units to which goodwill has been allocated are tested for impairment, including the amount of goodwill allocated in their carrying amount. Impairments tests are carried out at least annually, or whenever there is any indication that an asset may be impaired.

Projections of estimated cash flows, based on the estimation of a business plan for the next 5 years, are used to carry out the goodwill impairment test, excluding the share of the business received, with an increase of 1% per year and perpetual growth from the fifth year of 2%. The rate used to discount the value of cash flows has been 10%.

In addition, the Group performs a sensitivity analysis on the most significant variables in addition to the central scenario. In this sense, possible variations have been calculated in the main key assumptions of the model, discount rate (-1% and +1%) growth rate (-1% and +1%).

In accordance with all of the above and on the basis of the analysis of the information available on the evolution of the various cash-generating units that could reveal signs of deterioration, the Administrators have concluded that, in the first half of 2019, there were no value losses that required the recognition of additional impairments to the EUR 1,200 thousand recorded in the attached consolidated income statement for the first half 2019 (1,200 thousand euros, in the first half of 2018).

(11.2) Other intangible assets

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

(Thousands of euros)		
ITEM	30/06/2019	31/12/2018
With a finite useful life	**264,888**	**207,353**
Computer software	1,238,123	1,152,194
Other	1,168	1,168
(Accumulated depreciation)	(974,403)	(946,009)
Total assets net of depreciation	**264,888**	**207,353**
Impairment losses	**(399)**	**(661)**
Total	**264,489**	**206,692**

The movements in the heading of the consolidated balance sheet during the first half ended at 30 June 2019 and 2018 were as follows:

(Thousands of euros)

ITEM	1st half 2019	1st half 2018
With finite useful life		
Carrying amount at beginning of period	**206,692**	**144,237**
Additions	84,060	73,927
Depreciation charged to income	(26,263)	(32,676)
Other changes	-	-
Carrying amount at end of period	**264,489**	**185,488**

(12) Other assets

Details of “Other assets” on the consolidated balance sheets at 30 June 2019 and 31 December 2018 are as follows:

(Thousands of euros)

ITEM	30/06/2019	31/12/2018
Insurance contracts linked to pensions (see Note 14)	1,031,399	1,034,030
Stock	-	-
Other items	581,837	605,539
Total	**1,613,236**	**1,639,569**

“Other items” heading includes, mainly, transactions in transit, accruals associated with operating income, and unaccrued expenses.

There were no significant changes in “Inventories” in the first half of 2019 or 2018.

Appendix VII contains information concerning foreclosed assets or assets acquired in settlement of debts classified as inventories, as required by applicable regulations.

(13) Financial liabilities

(13.1) Breakdown by nature and category

The following table shows the balances of “Financial liabilities” in the condensed consolidated balance sheet, by nature and category, at 30 June 2019 and 31 December 2018:

30 June 2019

(Thousands of euros)

FINANCIAL LIABILITIES	Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss	Financial liabilities at amortised cost
Trading derivatives	6,726,930	-	-
Short positions	295,357	-	-
Deposits	-	-	167,824,352
Central banks	-	-	13,873,811
Credit institutions	-	-	23,387,669
Customers	-	-	130,562,872
Debt securities issued	-	-	17,065,558
Other financial liabilities	-	-	1,371,688
Total	**7,022,287**	-	**186,261,598**

31 December 2018:

(Thousands of euros)

FINANCIAL LIABILITIES	Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss	Financial liabilities at amortised cost
Trading derivatives	5,924,515	-	-
Short positions	122,081	-	-
Deposits	-	-	161,963,232
Central banks	-	-	13,856,000
Credit institutions	-	-	21,787,756
Customers	-	-	126,319,476
Debt securities issued	-	-	18,360,095
Other financial liabilities	-	-	1,545,259
Total	**6,046,596**	**-**	**181,868,586**

(13.2) Financial assets held for trading. Trading derivatives

The breakdown, by type of derivative, of the fair value of the Group's trading derivatives at 30 June 2019 and 31 December 2018 is as follows:

(Thousands of euros)

ITEM	30/06/2019			31/12/2018		
	Fair value	Amount netted	Carrying amount	Fair value	Amount netted	Carrying amount
Unmatured foreign currency purchases and sales	48,588	-	48,588	43,322	-	43,322
Equity derivatives	11,738	-	11,738	4,785	-	4,785
Interest rate derivatives	13,074,632	(6,477,646)	6,596,986	9,623,931	(3,821,047)	5,802,884
Credit derivatives	387	-	387	2,573	-	2,573
Other	69,231	-	69,231	70,951	-	70,951
Total	**13,204,576**	**(6,477,646)**	**6,726,930**	**9,745,562**	**(3,821,047)**	**5,924,515**

(13.3) Financial liabilities at amortised cost. Deposits from central banks

The detail of "Deposits from central banks" in the accompanying consolidated balance sheet is as follows:

(Thousands of euros)

ITEM	30/06/2019	31/12/2018
Bank of Spain / European Central Bank	14,040,504	13,855,970
Sum	**14,040,504**	**13,855,970**
Valuation adjustments	(166,693)	30
Total	**13,873,811**	**13,856,000**

Regarding finance raised under the framework of the T-LTRO II programme, the Group has received notice from the ECB confirming its compliance with the requirements to receive the incentive included in the terms of the programme. As a result, the Group recognised EUR 27,782 thousand in the six months ended 30 June 2019 under “Interest income” in the consolidated income statement.

(13.4) Financial liabilities at amortised cost. Deposits from credit institutions

The detail, by type of transaction, of "Deposits from credit institutions" in the accompanying consolidated balance sheet is as follows:

(Thousands of euros)

ITEM	30/06/2019	31/12/2018
Mutual accounts	-	-
Term accounts	3,807,301	3,769,763
Repos	15,973,968	14,643,061
Other accounts	3,609,534	3,370,364
Sum	**23,390,803**	**21,783,188**
Valuation adjustments	(3,134)	4,568
Total	**23,387,669**	**21,787,756**

The average effective annual interest rate on deposits from central banks and other credit institutions at 30 June 2019 was 0.25% (0.20 % at 31 December 2018).

(13.5) Financial liabilities at amortised cost. Deposits from customers

The detail, by counterparty and type of transaction, of "Customer deposits" in the accompanying consolidated balances sheets is as follows:

(Thousands of euros)

ITEM	30/06/2019	31/12/2018
Public sector	6,824,710	6,608,051
Current accounts	6,050,311	5,826,475
Term deposits	774,399	781,576
Other financial corporations	14,800,775	14,510,107
Current accounts	5,203,594	5,730,785
Term deposits	8,713,022	8,735,368
Repos	884,159	43,954
Non-financial corporations	14,701,256	14,340,179
Current accounts	12,733,676	12,033,995
Term deposits	1,967,580	2,306,184
Households	94,236,131	90,861,139
Current accounts	64,459,875	59,632,449
Term deposits	29,776,256	31,228,690
Total	**130,562,872**	**126,319,476**

This consolidated balance sheet items includes one-off non-marketable covered bonds issued by the Group amounting to EUR 6,197,854 thousand at 30 June 2019 (EUR 6,247,854 thousand at 31 December 2018).

The average effective annual interest rate of these instruments at 30 June 2019 was 0.10% (0.12 % at 31 December 2018).

(13.6) Financial liabilities at amortised cost. Debt securities issued

This heading includes the issues of marketable debt securities of the Group includes subordinated issues which, in terms of payment priority, rank junior to all general creditors of the Bank´s issuers.

Interest accrued on subordinated liabilities in the first half year ended 30 June 2019 amounted to EUR 41,964 thousand (EUR 32,740 thousand at 30 June 2018), recognised under "Interest expense" in the consolidated income statement.

The average effective annual interest rate of these instruments at 30 June 2019 has been 1.08% (1.06 % at 31 December 2018).

Issuances, repurchases and repayments of debt securities and subordinated liabilities

The table below shows information on the total issuances, repurchases and repayments of debt securities and issues liabilities in the six months ended 30 June 2019 and 2018:

30 June 2019

(Thousands of euros)

TYPE OF ISSUE	31/12/2018	Issues (*)	Repurchases or repayments (*)	Valuation adjustments, treasury and others	30/06/2019
Debt securities issued in an EU Member State requiring a prospectus to be registered.	18,360,095	2,475,000	(4,235,933)	466,396	17,065,558
Debt securities issued in an EU Member State not requiring a prospectus to be registered.	-	-	-	-	-
Other debt securities issued outside the EU.	-	-	-	-	-
Total	**18,360,095**	**2,475,000**	**(4,235,933)**	**466,396**	**17,065,558**

(*) Nominal amounts

30 June 2018

(Thousands of euros)

TYPE OF ISSUE	31/12/2017	Issues (*)	Repurchases or repayments (*)	Valuation adjustments, treasury and others	30/06/2018
Debt securities issued in an EU Member State requiring a prospectus to be registered.	19,784,810	100,000	(2,438,735)	5,161	17,451,236
Debt securities issued in an EU Member State not requiring a prospectus to be registered.	-	-	-	-	-
Other debt securities issued outside the EU.	-	-	-	-	-
Total	**19,784,810**	**100,000**	**(2,438,735)**	**5,161**	**17,451,236**

(*) Nominal amounts

During the first half of 2019 the main issues and repurchases or repayments were:

- On 17 January 2019, the “Bankia 2014-1 Bond” issuance was redeemed at maturity for EUR 1,000 million.
- On 21 January 2019, the “BMN 5th Covered Bond” issuance was redeemed at maturity for EUR 500 million.
- On 25 January 2019, the “Bankia 2019-1 Mortgage-Covered Bond” issuance was placed for EUR 475 million.
- On 15 February 2019, the “Bankia 2019-1 Subordinated Bond” issuance was placed for EUR 1,000 million.
- On 25 March 2019, the “Bankia 2019-1 Straight Bond” issuance was placed for EUR 500 million.
- On 22 May 2019, the “Bankia 2014-1 Subordinated Bond” issuance was redeemed at maturity for EUR 1,000 million.
- On 25 June 2019, the issuance of Bankia 2019-1 Non-Preferential Ordinary Bonus was issued in the amount of EUR 500 million.
- On 28 June 2019, the repayment for the expiration of the issuance of "Cédula Hipotecaria Caja Madrid 2007-2” in the amount of 1,600 million euros

Appendix V provides a detail of issues, repurchase or redemptions of debt instruments carried out by the Bank or other Group companies in the six months ended 30 June 2019 and 2018.

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 bonds issue recognised under “Financial liabilities at amortised cost” at 30 June 2019 include an option for the issuer to call, redeem, repurchase or repay early the securities after (at least) five years from the date of payment and on each coupon payment date, subject to prior authorisation by the Bank of Spain or, as appropriate, the competent authority, as long as it meets the requirements of Regulation (EU) No. 575/2013 and Directive 2013/36/EU. In addition, in compliance with regulatory requirements, authorisation may be given to the issuer for the full early redemption at any time in the following circumstances: i) in the event that there is a significant and unforeseen change in the applicable tax treatment and instruments, and ii) in the event that there is an unforeseen change, and with sufficient certainty, in the regulatory classification of the instruments that would likely result in their exclusion as capital.

The contingent convertible bonds, convertible into Bankia shares, targeted solely at professional investors, carry remuneration, payment of which is subject to certain terms and is discretionary. They are perpetual securities, although they can be repaid at Bankia's option in the circumstances contemplated in the associated terms and conditions. Regardless, they will convert into ordinary new-issue Bankia shares if Bankia or the Group presents a common equity tier 1 capital ratio, calculated as required in

Regulation (EU) 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms, of less than 5.125%.

Issues of medium term notes are guaranteed by the issuing Group entities or are secured by restricted deposits.

Mortgage-backed securities were issued in accordance with Mortgage Market Law 2/1981, of 25 March, of the mortgage market regulation and the disposition built.

The Group has various registration documents on record in the Official Registers of the Spanish Securities Market Commission (CNMV) for non-participating securities, to be instrumented in mortgage-backed bonds, territorial bonds, non-convertible bonds and debentures, subordinated bonds and debentures, and special perpetual subordinated debentures.

Similarly, the Group has registration documents on record in the Official Registers of the CNMV for the issuance of promissory notes.

A detail, by maturity, of the balance sheet of the Group's main debt securities included in this heading is provided in Note 3.2, "Liquidity risk of financial instruments".

(13.7) Financial liabilities at amortised cost. Other financial liabilities

The detail, by type of transaction, of "Other financial liabilities" in the accompanying consolidated balance sheet is as follows:

(Thousands of euros)

ITEM	30/06/2019	31/12/2018
Obligations payable	153,287	156,738
Deposits received	1,976	2,098
Tax collection accounts	249,780	264,317
Special accounts and other items	920,554	1,076,719
Financial guarantees	46,091	45,387
Total	**1,371,688**	**1,545,259**

"Special accounts and other items" includes the financial liabilities related to the adoption of IFRS 16 (see Note 1.3), which amounts an outstanding balance at 30 June 2019 of EUR 588,799 thousand.

(14) Provisions

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

(Thousands of euros)

ITEM	30/06/2019	31/12/2018
Pensions and other post-employment defined benefit obligations	1,035,893	1,080,822
Pending legal issues and tax litigation	224,773	193,670
Commitments and guarantees given	373,271	373,082
Other provisions	208,456	274,542
Total	**1,842,393**	**1,922,116**

The changes in the provisions recognised in the consolidated balance sheet in the six-months ended 30 June 2019 and 2018 and the purposes thereof are as follows:

30 June 2019

(Thousands of euros)

ITEM	Pensions and other post-employment defined benefit obligations	Pending legal issues and tax litigation	Provision for risk and contingent commitments	Other provisions	Total
Balances at 31 December 2018	**1,080,822**	**193,670**	**373,082**	**274,542**	**1,922,116**
Provisions charged to the income statement	-	54,401	27,565	4,424	86,390
Reversals credited to the income statement	-	-	(27,847)	(13,646)	(41,493)
Net provisions/(reversals) charged to profit recognised for the year	**-**	**54,401**	**(282)**	**(9,222)**	**44,897**
Use of funds and other movements	(44,929)	(23,298)	471	(56,864)	(124,620)
Balances at 30 June 2019	**1,035,893**	**224,773**	**373,271**	**208,456**	**1,842,393**

30 June 2018

(Thousands of euros)

ITEM	Pensions and other post-employment defined benefit obligations	Pending legal issues and tax litigation	Provision for risk and contingent commitments	Other provisions	Total
Balances at 31 December 2017	**442,407**	**363,803**	**379,484**	**848,881**	**2,034,575**
Adjustments for firs-time application of IFRS 9	-	-	43,114	-	43,114
Balances at 1 January 2018	**442,407**	**363,803**	**422,598**	**848,881**	**2,077,689**
Provisions charged to the income statement	-	-	6,608	1,850	8,458
Reversals credited to the income statement	-	(841)	(44,010)	-	(44,851)
Net provisions/(reversals) charged to profit recognised for the year	**-**	**(841)**	**(37,402)**	**1,850**	**(36,393)**
Use of funds and other movements	(11,070)	(94,399)	966	(180,550)	(285,053)
Balances at 30 June 2018	**431,337**	**268,563**	**386,162**	**670,181**	**1,756,243**

Pensions and other post-employment defined benefit obligations

The balance of pension and similar obligations at 30 June 2019 and 31 December 2018, recognised under "Provisions - Pensions and other post-employment defined benefit obligations" in the accompanying consolidated balance sheets stood at EUR 1,035,893 thousand and EUR 1,080,822 thousand, as disclosed in Notes 2.12 and 38.2 to the Group's annual consolidated financial statements for the year ended 31 December 2018. Funds used and other movements carried out during the first half of 2019 include a payment of EUR 41 million to Bankia Mapfre Vida on the basis of assurance of commitments from the headcount restructuring 2019 (See Note 20 in 2018 annual consolidated financial statements).

Criminal procedure in the National Court

The balance of "Pending legal issues and tax litigation" includes, inter alia, provisions for tax and legal proceedings, was estimated applying prudent calculations in line with the uncertainty inherent in the contingencies covered and considering the estimating timing of the outflow of resources from the Group.

As indicated in Note 1.9 the Group is involved in various legal proceedings related to Bankia's IPO.

Criminal procedure in the National Court

Both Bankia's IPO and its 2011 financial statements were investigated in preliminary proceedings no. 59/2012 in Central Court of Instruction 4 of the National Court (Audiencia Nacional). This proceeding was initiated, among others, by Unión Progreso y Democracia ("UPyD") against Bankia, BFA and their respective management bodies, accusing them of (i) fraud; (ii) misappropriation; (iii) falsification of financial statements; (iv) fraudulent or disloyal administration, and (v) price rigging.

The presiding judge of Central Court of Instruction No. 4 of the National Court (Audiencia Nacional) has concluded the pre-trial stage, continuing with the proceedings in an abbreviated procedure, through a fast-track ruling of 11 May 2017. In its ruling, the judge defined the punishable acts, classified them (as two alleged offences: (i) falsifying balance sheets and annual accounts, as set out in article 290 of the Spanish Penal Code, and (ii) misleading investors, as set out in article 282 bis therein) and determined the guilty parties. Accordingly, the ruling determines the prosecution of the Bank's former chairman, Rodrigo De Rato Figaredo, the former deputy chairman, José Luis Olivas Martínez, and 32 other individuals (directors and senior executives of Bankia and the external auditor of the 2011 financial statements), as well as Banco Financiero y de Ahorros (BFA) and Bankia.

An appeal for inadmissibility against the transformation ruling were submitted, but were rejected, except the appeal by the savings banks' employees' union (CIC) with respect to the dismissal of the criminal liability charges against the external audit firm at the time of the IPO, which was accepted. As a result, an agreement was reached to keep the external auditor in the proceeding.

On 17 November 2017, Central Examining Court No. 4 of the National High Court ordered the start of the hearings. Specifically, the court has ordered the start of the hearings for the crimes of financial statement forgery (categorised in article 290 of Spain's Criminal Code) and investor fraud (article 282 *bis* of the Criminal Code) against certain former directors and executives.

The expert reports were being verified in June and July 2019 after the interrogation of the defendants and examination of the witnesses had concluded.

Considering the above, the Group has treated this contingency, in accordance with the criteria explained in Note 1.9.1, as a contingent liability with an uncertain outcome at this date.

Civil proceedings by individual investors

In the years since Bankia's IPO, the Group has received a large number of civil lawsuits from individual (individual and collective) and institutional investors, as well as out-of-court claims.

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 reimbursing shares pursuant to the enforcement of rulings and EUR 800 million to cover the related court costs and, as appropriate, any late-payment interest. At 31 December 2015, the estimates and assumptions were considered by an independent expert.

In execution of the Transactional Agreement - Convenio Transaccional - over the sharing between BFA, Tenedora de Acciones, S.A.U. and Bankia of the costs arising from the civil lawsuits brought by retail investors against the entities for the placement on the primary market of shares of Bankia and its addendum, provisions have been recognised in the amounts of EUR 416 million and EUR 320 million, respectively (EUR 736 million in total).

Until June 30, 2019 and from its inception, the Group had used provisions amounting to EUR 1,879 million, of which EUR 775 million related to Bankia (EUR 555 million in respect of nullity for reimbursement of shares, and EUR 220 in indemnities, interest and expenses) and EUR 1,104 million to BFA in application of the agreement entered into between the two institutions where 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 30 June 2019, there are a total of 306 civil proceedings ongoing with respect to shares purchased in the IPO and subsequently.

Civil proceedings by institutional investors

Elsewhere, until 30 June 2019, 81 sentences have been handed down to institutional investors, of which 24 were favourable at first instance and 57 were unfavourable. On appeal, a total of 42 judgements have been delivered, of which 30 were unfavourable and 12 were favourable.

Eighteen appeals have been lodged (eight by the other party and ten by Bankia).

The Group's directors consider that the provision at 30 June 2019 is sufficient to cover the amounts that the Group would have to pay as a result of the civil proceedings and restitution process described above. The key assumptions and, therefore, those whose changes could have the greatest impact on the amount of this provision are the number of claims to be received, and expectations regarding the outcome and the profile of the claimants, given the inherent uncertainty. The effects of changes in these assumptions would be recognised in accordance with the criteria described in Note 1.4, unless expressly indicated otherwise.

Regarding the other legal and claims proceedings underway, other than those related to the Bankia IPO, which are detailed in Note 1.9.2, the Group has recognised the provisions it estimates will be necessary as of the reporting date.

The change in provisions in the first half of 2019 related mainly to the endowment and the utilisation of provision for the class action lawsuits described in Note 1.9.2 to the accompanying condensed consolidated interim financial statements.

Provision for risk and contingent commitments

As described in Note 18 to the accompanying condensed consolidated interim financial statements, "Provisions for contingent liabilities and commitments" includes provisions recognised to cover off-balance sheet exposures, calculated using the same criteria as for impairment of financial assets measured at amortised cost.

Other provisions

"Other provisions" at 30 June 2019 comprised mainly the provision for workforce restructuring, for EUR 83 million, additional provisions related to the restructuring of investees and the related liabilities and contingencies, and other provisions to cover certain contingencies arising from the ordinary course of business.

During the first half of 2019, the Group transferred approximately EUR 40 million of provisions to "Pending legal issues and tax litigation".

(15) Equity

(15.1) Share Capital

On 10 May 2019, the agreement of 25 April 2019 of the Board of Directors of the Bank was registered in the Commercial Register of Valencia, to partially implement the reduction of capital through the redemption of own shares approved by the General Meeting Shareholders on March 22, 2019.

Previously, on 5 March 2019, the European Central Bank was authorised to reduce capital by an effective amount of EUR 50 million by amortising 15,440,845 shares, representing 0.50% of the share capital.

As a result, Bankia's share capital has been reduced by EUR 15,440,845, by the redemption of 15,440,845 shares of its own.

The purpose of the capital reduction has been the amortization of own shares. The reduction of capital has not meant the return of contributions, since Bankia is the owner of the amortised shares. The capital reduction has been implemented from voluntary reserves, making the corresponding provision of an unavailable reserve equal to the face value of the actually amortised own shares.

At 30 June 2019, the Bank's share capital amounts to EUR 3,069,522 thousand, represented by 3,069,522,105 fully subscribed and paid up registered shares with a par value of EUR 1 each of the same class and series.

During first half of 2019 and 2018, no transaction costs were recognised for the issuance or acquisition of own equity instruments.

Bankia, S.A.'s main shareholders at 30 June 2019 and 31 December 2018 were as follows:

Shareholder	Number of shares		% of participation	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
BFA, Tenedora de Acciones, S.A.U.	1,895,959,766	1,893,698,598	61.767%	61.385%

(15.2) Transactions with treasury shares

In the half-years ended 30 June 2019 and 2018, changes to "Equity - Less: Treasury shares" on the balance sheet, showing the amount of Bankia's equity instruments held by the Bank, were as follows:

(Thousand euros and number of shares)

ITEM	30/06/2019		30/06/2018	
	No. shares	Amount (thousands of euros)	No. shares	Amount (thousands of euros)
Balance at 1 January	**29,543,837**	**96,646**	**20,023,158**	**79,837**
+ Purchases during the period	14,999,853	36,100	16,162,011	59,159
- Amortization of own securities (*)	(15,440,845)	(50,000)	-	-
- Sales and other changes	(10,017,687)	(27,932)	(16,296,096)	(64,212)
Balances at 30 June	**19,085,158**	**54,814**	**19,889,073**	**74,784**
Net gain/(loss) on transactions with treasury shares (reserves)		(3,050)		(2,664)

(*) Amortization of own securities in the first half of 2019 by capital reduction (see Note 15.1)

In accordance with prevailing regulations, treasury share transactions are recognised directly in equity; no gain or loss may be recognised in respect of such transactions in the consolidated income statement.

(15.3) Reserves

The Group's consolidated statement of changes in total equity for the six months ended 30 June 2019 and 2018 includes shows the changes to consolidated equity for this item in the period.

Restricted reserves

Pursuant to the Consolidated Text of the Spanish Corporate Enterprises Act, companies must earmark an amount at least 10% of profit for the legal reserve until such reserve represents 20% of the capital. The legal reserve may be used to increase capital to the extent that it exceeds 10% of the increased capital figure. Other than for this purpose, the legal reserve may be used to set off losses if no other sufficient reserves are available for such purpose. This reserve is recognised under "Equity - Other reserves" under equity in the consolidated balance sheet and totaled EUR 613,904 thousand at 30 June 2019 (EUR 616,993 thousand at 31 December 2018).

During the first half of 2019, an unavailable reserve equivalent to the face value of the own shares amortised in the capital reduction referred to in Note 15.1, amounting to EUR 15,441 thousand, was established.

(15.4) Accumulated other comprehensive income

This item mainly includes the net amount of changes in fair value of available-for-sale financial assets, and valuation adjustments recognised in equity of associates.

(15.5) Non-controlling interests

This item includes the equity of subsidiaries attributable to equity instruments that do not belong, directly or indirectly, to the Group, including the Group's share of profit/(loss) for the period.

(15.6) Investments in listed companies

Other than Bankia, S.A., no other Group subsidiary was listed on an active market at 30 June 2019.

(15.7) Other information

At the General Meeting of Shareholders held on 22 March 2019, resolutions were adopted to delegate to the Board of Directors of the Bank the following powers:

- The authority to increase the share capital by up to a maximum of 50% of the subscribed share capital, by means of one or more increases and at any time within a maximum of five years, by means of cash contributions, with authority, if applicable, to misapply preemptive subscription rights up to a maximum of 20% of share.
- The authority to issue, within a maximum term of five years, securities convertible into and/or exchangeable for shares of the Company, as well as warrants or other similar securities that may directly or indirectly entitle the holder to subscribe for or acquire shares of the Company, for an aggregate amount of up to one billion five hundred million (1,500,000,000) euro;

as well as the authority to increase the share capital in the requisite amount, and the authority, if applicable, to misapply preemptive subscription rights up to a maximum of 20% of share capital.

- Authorisation for the derivative acquisition of own shares in accordance with the limits and requirements established in the Corporations Act.
- Authorization to the Board of Directors for the distribution of dividends on account during the 2019 financial year.
- Authorise the Board of Directors to carry out the capital reduction described in Note 15.1.

(16) Composition and distribution by gender of employee

The number of Group employees, by gender and professional category (including executive directors and senior managers at the Bank) at 30 June 2019 and 31 December 2018 is as follows:

	Workforce at 30 june 2019				Workforce at 31 december 2018			
	Men	Women	Year-end workforce	Average head count for >= 33% (1)	Men	Women	Year-end workforce	Average head count for >= 33% (1)
Directors	**3**	**-**	**3**	**-**	**4**	**-**	**4**	**-**
Senior executives	**8**	**1**	**9**	**-**	**4**	**1**	**5**	**-**
Other employees by remuneration level	**6,840**	**8,775**	**15,615**	**182**	**6,763**	**8,714**	**15,477**	**194**
Level I	85	9	94	-	80	9	89	1
Level II	465	147	612	5	437	134	571	6
Level III	690	302	992	9	703	286	989	10
Level IV	1,003	738	1,741	17	1,025	765	1,790	20
Level V	1,153	1,241	2,394	22	1,085	1,154	2,239	25
Level VI	964	1,358	2,322	31	946	1,323	2,269	34
Level VII	612	1,058	1,670	21	554	932	1,486	19
Level VIII	392	878	1,270	21	463	1,015	1,478	22
Level IX	340	679	1,019	10	295	685	980	12
Level X	757	1,726	2,483	21	760	1,667	2,427	16
Level XI	292	541	833	24	391	712	1,103	28
Level XII	14	27	41	-	9	23	32	-
Level XIII	2	1	3	-	8	8	16	-
Level XIV	68	69	137	-	-	-	-	-
Group 2 and others	3	1	4	1	7	1	8	1
Total Bankia, S.A.	**6,851**	**8,776**	**15,627**	**182**	**6,771**	**8,715**	**15,486**	**194**
Other Group companies	193	242	435	3	199	239	438	4
Total	**7,044**	**9,018**	**16,062**	**185**	**6,970**	**8,954**	**15,924**	**198**

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

The table below shows the average workforce of the Bank and Group at 30 June 2019 and 2018, by gender, in accordance with the provisions of Organic Law 3/2007, of 22 March:

	Bank		Group	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
Average workforce	**15,502**	**16,238**	**15,926**	**16,771**
Men	6,839	7,295	7,028	7,542
Women	8,663	8,943	8,898	9,229

(17) Deferred tax assets and liabilities

Pursuant to the tax legislation in force in the countries in which the consolidated companies operate, certain temporary differences arose that must be considered when quantifying the related income tax expense.

The sources of deferred taxes recognised in the consolidated balance sheets at 30 June 2019 and 31 December 2018, bearing in mind the impact of the retrospective application of article 19.3 of the TRLIS, (Consolidated Text of the Spanish Corporations Act) today article 11.12 of the LIS, (Corporations Act) are as follows:

(Thousands of euros)

ITEM	30/06/2019	31/12/2018
Monetisable:	**7,447,458**	**7,473,350**
Allowances for credit impairment	5,339,053	5,364,945
Impairment losses on foreclosed assets	1,221,078	1,221,078
Additions to provisions for pensions	280,811	280,811
Other originating at Group companies	606,516	606,516
Non-monetisable:	**3,053,219**	**3,130,056**
Allowances for credit impairment	382,711	402,615
Impairment losses recognised on financial assets	8,902	11,690
For impairment losses posted on capital instruments	57,594	63,247
Additions to provisions for pensions	7,875	7,875
Other provisions	155,079	175,021
Tax assets relating to unused tax credits and tax relief	78,128	88,367
From loss on available-for-sale financial assets	9,036	27,347
Recognised unused tax losses	2,353,894	2,353,894
Total of deferred tax assets	**10,500,677**	**10,603,406**

(Thousands of euros)

ITEM	30/06/2019	31/12/2018
Deferred tax liabilities arising at the Bank	**552,225**	**536,195**
Unrealised gains on available-for-sale financial assets	399,667	378,830
Unrealised gains on properties	144,116	148,923
Other	8,442	8,442
Deferred tax liabilities arising at other Group entities	**19,067**	**19,604**
Total of deferred tax liabilities	**571,292**	**555,799**

To assess the recoverability of the net deferred tax assets recognised by the Group at 30 June 2019, amounting to EUR 9,929 thousand (EUR 10,047 thousand at 31 December 2018), the directors analysed, based on the nature of the assets, the ability to generate sufficient taxable profit against which the deferred tax assets can be utilised. This analysis was based on the assumptions, conditions and estimates in trends in the strategic plan over the next three years. Assuming constant growth thereafter for future periods estimated according to forecast inflation in the long term, full recovery of the net tax assets would be enabled within a period of no more than 20 years. As with any estimates subject to assumptions, future events may make it necessary to change them, which could lead to a prospective change in the net tax assets recognised by the Group, pursuant to the accounting principle explained in Note 1.4.

In addition, regarding the assessment of the recoverability of deferred tax assets, it should be noted that, in accordance with Royal Decree-Law 14/2013, of 29 December, on urgent measures to adapt Spanish law to European legislation on the supervision and solvency of financial institutions, and articles 11.12 and 130 of Law 27/2014, of 27 November, on Corporate Income Tax -LIS-the Group had deferred tax assets amounting to EUR 7,447 thousand (EUR 7,473 million at 31 December 2018) that meet the requirements under this law. Accordingly, this recovery is expected to be through the offset of future profit, their future recovery is guaranteed through the monetisation mechanisms established in RDL 14/2013 and article 130 of the LIS, although this recovery is not expected to be through the offset of future profit, bearing in mind the amendments made for tax periods beginning on or after 1 January 2016 by Law 48/2015, of 29 October, on the General State Budgets for 2016, although for it must be faced to a financial nature regulated by the new Thirteenth Additional Provision of the LIS.

(18) Guarantees provided and drawable by third parties

Off-balance sheet exposures include loan commitments, financial guarantees and other commitments given, including both revocable and irrevocable commitments.

Loan commitments are irrevocable commitments, or revocable only in the event of a significant adverse change, to provide financing under certain previously stipulated terms and conditions, such as balances drawable by third parties within the limits defined previously by the Group.

Financial guarantees are contracts that require the Group, when it acts as issuer in the ordinary course of its business, to make specified payments to reimburse a creditor for a loss it incurs, because a specified debtor fails to make payment where due in accordance with the original or modified terms of a debt instrument, irrespective of its legal form, which may include, among others, a guarantee, a financial surety, an insurance contract or a credit derivative.

Contingent obligations are the off-balance sheet exposures included in Annex 1 of Regulation (EU) No 575/2013 of the European Parliament and of the Council, of 26 June 2013, that do not meet the definition of loan commitment or financial guarantee. They include, among others, non-financial guarantees.

The detail of these guarantees provided and drawable by third parties at 30 June 2019 and 31 December 2018 is as follows:

(Thousands of euros)

ITEM	30/06/2019	31/12/2018
Loan commitments given	**21,425,790**	**20,888,323**
Immediately drawable	15,641,475	15,543,376
Conditionally drawable	5,784,315	5,344,947
Financial guarantees given	**419,163**	**427,621**
Contingent commitments given	**12,886,956**	**12,504,994**
Other guarantees, indemnities and other contingent risks	7,614,109	7,390,264
Irrevocable documentary credits issued	433,692	426,209
Irrevocable documentary credits confirmed	175,400	67,872
Other contingent risk	416	416
Other commitments given(1)	4,663,339	4,620,233
Total	**34,731,909**	**33,820,938**

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

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

Note 3.1 shows the maximum credit risk assumed by the Group in relation to these instruments at 30 June 2019 and 31 December 2018, and contains other information relating to the credit risk assumed by the Group in this connection.

The income generated on guarantee instruments is recognised in the consolidated income statement under “Fee and commission income” and "Interest income" (in amounts corresponding to the present value of the fees), calculated by applying the interest rate on the underlying contract to the face value of the guarantee.

The provisions established to cover these guarantees, which are calculated by applying similar criteria to those used to calculate the impairment of financial assets at amortised cost, are recognised in the consolidated balance sheet as “Provisions - Commitments and guarantees given” (see Note 14).

The maximum exposure to credit risk; i.e. the amount payable if the guarantees and commitments extended are called, is as follows:

(Thousands of euros)

ITEM	30/06/2019	31/12/2018
Commitments of given loans	21,425,790	20,888,323
Of which, classified as normal in special surveillance	417,626	*673,937*
Of which, classified as doubtful	446,306	*447,095*
Recognised as liabilities in the balance sheet (1)	89,967	*76,423*
Total commitments and given loans	**21,425,790**	**20,888,323**
Commitments and given guarantees	419,163	427,621
Of which, classified as normal in special surveillance	19,842	*31,850*
Of which, classified as doubtful	68,264	*81,526*
Recognised as liabilities in the balance sheet (1)	18,152	*17,624*
Total commitments and given guarantees	**419,163**	**427,621**
Other given commitments	12,886,956	12,504,994
Of which, classified as normal in special surveillance	891,750	*963,637*
Of which, classified as doubtful	576,207	*602,424*
Recognised as liabilities in the balance sheet (1)	265,152	*279,035*
Other given commitments	**12,886,956**	**12,504,994**
Total guarantees issued provided by the third party	**34,731,909**	**33,820,938**

(1) Amount related to "Provision - Commitments and guarantees given" (Note 14).

(19) Related parties

In addition to the disclosures made in Note 6 regarding the remuneration earned by members of the Board of Directors and Senior Executives of the Group, a breakdown of the balances recognised on the condensed balance sheet at 30 June 2019 and the gains and losses recognised on the condensed consolidated income statement for the six-month period ended 30 June 2019 arising from transactions with related parties is as follows:

(Thousands of euros)

ITEM	Associates	Joint ventures	Significant shareholders [1]	Board of Directors and senior executives	Other related parties
ASSETS					
Loans and advances – Customers	307,004	10,594	30,109	4,440	1,866
Impairment of financial assets	(112,627)	(8,558)	-	-	-
Other assets	-	-	675	-	-
Total	**194,377**	**2,036**	**30,784**	**4,440**	**1,866**
LIABILITIES					
Deposits – Customers	247,487	33,287	27,429	4,424	44,488
Debt securities issued	1,097	-	-	-	-
Total	**248,584**	**33,287**	**27,429**	**4,424**	**44,488**
OTHER					
Contingent commitments granted	2,120	114	-	195	300
Guarantees granted	10,728	427	966	-	-
Total	**12,848**	**541**	**966**	**195**	**300**
PROFIT OR LOSS					
Interest income [2]	1,530	-	-	4	60
Interest expense [2]	(1,494)	-	(56)	-	(122)
Profit/(loss) of companies accounted for using the equity method	30,219	(1,313)	-	-	-
Commission income/expense	594	11	934	100	208
Other results	-	-	-	-	-
Provision for impairment of financial assets	3,022	-	-	(6)	-

(1) Transactions between Bankia and shareholder BFA only.

(2) Finance income and expense are presented gross.

The following are balances recorded in the consolidated balance sheet and consolidated income statement at the end of the first half of 2018, which have their origin in operations with related parties:

(Thousands of euros)

ITEM	Associates	Joint ventures	Significant shareholders (1)	Board of Directors and senior executives	Other related parties
ASSETS					
Loans and advances – Customers	255,175	298,245	331	947	1,647
Impairment of financial assets	(114,357)	(229,103)	-	-	-
Other assets	-	-	2,155	-	-
Total	**140,818**	**69,142**	**2,486**	**947**	**1,647**
LIABILITIES					
Deposits – Customers	286,789	115,793	47,457	2,882	84,124
Total	**286,789**	**115,793**	**47,457**	**2,882**	**84,124**
OTHER					
Contingent commitments granted	13,942	9	-	199	281
Guarantees granted	12,901	3	2,401	9	38,448
Total	**26,843**	**12**	**2,401**	**208**	**38,729**
PROFIT OR LOSS					
Interest income (2)	2,428	3,246	-	1	11
Interest expense (2)	(2,495)	(59)	(72)	-	(75)
Profit/(loss) of companies accounted for using the equity method	25,190	4,129	-	-	-
Commission income/expense	235	370	3,740	57	255
Provision for impairment of financial assets	-	-	-	(2)	-
	2,178	(753)	-	-	-

(1) Transactions between Bankia and Shareholder BFA only.
(2) Interest income and expenses are presented by their gross amount.

The list of associates and joint ventures is included in Appendices III and IV. "Other related parties" includes interim statements held by close family relations of Bank directors (inter alia, directors' spouses and their own and their spouses' ancestors, descendants and siblings) and by entities related to such persons, as well as the Employee Pension Fund, which the Bank is aware.

All the transactions between the Group and its related parties were performed on an arm's-length basis.

In addition, at 30 June 2019, the FROB, through BFA, Tenedora de Acciones, S.A.U., held a 61.77% (62.15% taking treasury share policy in consideration) stake in Bankia, S.A. The FROB carries on its activity in accordance with Law 9/2012, of 14 November 2012. It is wholly owned by the Spanish government and its purpose is to oversee the restructuring and resolution of credit institutions. Given the indirect stake held by the FROB in Bankia, S.A., the Spanish government is a related party under prevailing regulations.

Balances with public administrations at 30 June 2019 are disclosed in the following notes to the condensed consolidated financial statements:

- Note 7.4 Financial assets at fair value through other comprehensive income.
- Note 7.5 Financial assets measured at amortised cost.
- Note 13.5 Financial liabilities at amortised cost - Customer deposits.

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

(Thousands of euros)

ITEM	30/06/2019	30/06/2018
Public sector interest income (*)	24,313	29,254
(Public sector interest expense) (*)	(992)	(1,299)

(*) Interest income and expenses shown at their gross amounts.

There were no significant individual transactions with the Spanish public sector outside the ordinary course of the Group's business.

Transactions carried out, balances held and contracts entered into with BFA

The main balances held by the Bank with BFA (significant shareholder) at 30 June 2019 include:

- "Loans and advances - Customers" includes EUR 30 million corresponding to reverse repurchase agreements from BFA.

- “Deposits - Customers” includes a demand deposit (interest-bearing) made by BFA for EUR 27 million;
- “Other assets” includes mainly receivables related to the accrual of fees and commissions explained below;
- “Guarantees granted” includes the amounts drawn on the line of guarantees granted by Bankia to BFA;
- "Net fee and commission income" in the income statement includes income from services rendered by the Bank to recover BFA assets completely deteriorated and assets written off, calculated in accordance with the total amount recovered and from guarantees issued;
- The table above showing related-party figures at 30 June 2019 includes finance costs and income, respectively, in connection with the loan and deposit transactions mentioned under the above headings.

Bankia and BFA have also entered into the following contracts and agreements:

- A framework agreement governing relations between the two institutions.
- A Service Level Agreement that enables BFA to correctly perform its activity by using Bankia's human and material resources, while avoiding redundancies.
- A CMOF “(Contrato Marco de Operaciones Financieras)” Master Agreement on derivatives trading between the two institutions.
- A Global Master Repurchase Agreement (GMRA) and a Collateral Assignment Agreement linked to fixed-income asset sale and repurchase transactions.
- A European Master Financial Transactions Agreement (EMFTA) covering securities loans and fixed-income repo agreements.
- A cost-sharing agreement for lawsuits related to preferred participating securities and subordinated bonds.
- An agreement establishing an access mechanism allowing BFA, through the Bank, to avail of the liquidity and funding mechanisms set up by the ECB for credit institutions, as well as private deals inherent in the business of credit institutions.
- An agreement to apportion the cost of civil proceedings and claims filed in relation to Bankia's IPO.
- BFA/Bankia cooperation protocol. Article 11.2 CRR, designed to regulate relations between BFA and Bankia with respect to defining and implementing the necessary mechanisms and procedures to comply with the obligations imposed by article 11.2 of Regulation (EU) No 575/2013 and, in particular, to verify that BFA complies with the capital requirements imposed by applicable legislation.
- An agreement for managing the FROB's indirect stake in Bankia, through BFA

All transactions between the two entities are carried out on normal market terms.

(20) Explanation added for translation to English

These condensed consolidated interim financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 1.3). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

APPENDICES

Appendix I – Separate Financial Statements

BANKIA, S.A.
Balance sheets at 30 June 2019 and 31 December 2018

(Thousands of euros)

ASSETS	30/06/2019	31/12/2018 (*)
Cash, cash balances at central banks and other demand deposits	**7,733,874**	**4,354,390**
Financial assets held for trading	**6,983,921**	**6,320,607**
Derivatives	6,800,199	6,035,137
Equity instruments	3,678	3,901
Debt securities	180,044	281,569
Loans and advances	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Memorandum item: loaned or advanced as collateral with right to sell or pledge	*5,862*	*590*
Non-trading financial assets mandatorily at fair value through profit or loss	**10,489**	**9,348**
Equity instruments	-	-
Debt securities	203	187
Loans and advances	10,286	9,161
Central banks	-	-
Credit institutions	-	-
Customers	10,286	9,161
Memorandum item: loaned or advanced as collateral with right to sell or pledge	-	-
Financial assets designated at fair value through profit or loss	-	**-**
Debt securities	-	-
Loans and advances	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Memorandum item: loaned or advanced as collateral with right to sell or pledge	-	-
Financial assets at fair value through other comprehensive income	**14,378,860**	**15,622,815**
Equity instruments	73,899	66,484
Debt securities	14,304,961	15,556,331
Loans and advances	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Memorandum item: loaned or advanced as collateral with right to sell or pledge	*7,325,084*	*7,138,310*
Financial assets at amortised cost	**158,957,080**	**156,747,204**
Debt securities	33,306,074	33,860,266
Loans and advances	125,651,006	122,886,938
Central banks	32	-
Credit institutions	5,092,033	4,432,818
Customers	120,558,941	118,454,120
Memorandum item: loaned or advanced as collateral with right to sell or pledge	*23,583,959*	*23,310,362*
Derivatives – hedge accounting	**2,494,765**	**2,619,883**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**-**	-
Investments in subsidiaries, joint ventures and associates	**2,861,539**	**2,713,637**
Group entities	2,583,309	2,549,079
Joint ventures	11,569	3,818
Associates	266,661	160,740
Tangible assets	**2,739,702**	**2,171,142**
Property, plant and equipment	2,221,267	1,657,402
For own use	2,221,267	1,657,402
Leased out under an operating lease	-	-
Assigned to welfare projects (savings banks and credit cooperatives)	-	-
Investment property	518,435	513,740
Of which: leased out under operating leases	518,435	*513,740*
Memorandum item: acquired in financial lease	*586,429*	-
Intangible assets	**263,499**	**205,523**
Goodwill	-	-
Other intangible assets	263,499	205,523
Tax assets	**10,173,998**	**10,449,957**
Current tax assets	286,472	460,768
Deferred tax assets	9,887,526	9,989,189
Other assets	**1,671,817**	**1,672,042**
Insurance contracts linked to pensions	1,031,399	1,034,030
Inventories	-	-
Other	640,418	638,012
Non-current assets and disposal groups classified as held for sale	**3,232,823**	**3,459,184**
TOTAL ASSETS	**211,502,367**	**206,345,732**

(*)Presented solely for comparison (See Note 1.5).

BANKIA, S.A.
Balance sheets at 30 June 2019 and 31 December 2018

(Thousands of euros)

LIABILITIES AND EQUITY	30/06/2019	31/12/2018 (*)
Financial liabilities held for trading	**7,055,248**	**6,078,800**
Derivatives	6,759,892	5,956,719
Short positions	295,356	122,081
Deposits	-	-
Other financial liabilities	-	-
Financial liabilities designated at fair value through profit or loss	**-**	**-**
Deposits	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Debt securities issued	-	-
Other financial liabilities	-	-
Memorandum item: subordinated liabilities	-	-
Financial liabilities measured at amortised cost	**188,543,160**	**184,060,914**
Deposits	171,523,181	165,712,473
Central banks	13,873,812	13,856,000
Credit institutions	23,369,751	21,771,822
Customers	134,279,618	130,084,651
Debt securities issued	15,589,874	16,749,890
Other financial liabilities	1,430,105	1,598,551
Memorandum item: subordinated liabilities	*2,967,317*	*2,989,889*
Derivatives – hedge accounting	**85,288**	**182,331**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**-**	**-**
Provisions	**1,767,647**	**1,846,702**
Pensions and other post-employment defined benefit obligations	1,035,871	1,080,822
Other long-term employee benefits	-	-
Pending legal issues and tax litigation	214,098	183,294
Commitments and guarantees given	373,601	373,119
Other provisions	144,077	209,467
Tax liabilities	**552,225**	**536,194**
Current tax liabilities	-	-
Deferred tax liabilities	552,225	536,194
Share capital repayable on demand	**-**	**-**
Other liabilities	**793,891**	**1,106,381**
Of which: welfare fund (only savings banks and credit cooperatives)	-	-
Liabilities included in disposal groups classified as held for sale	**-**	**-**
TOTAL LIABILITIES	**198,797,459**	**193,811,322**
Equity	**12,453,162**	**12,421,199**
Capital	3,069,522	3,084,963
Paid up capital	3,069,522	3,084,963
Unpaid capital which has been called up	-	-
Memorandum item: Uncalled capital	-	-
Share premium	619,154	619,154
Equity instruments issued other than capital	-	-
Equity component of compound financial instruments	-	-
Other equity instruments issued	-	-
Other equity	-	-
Retained earnings	-	-
Revaluation reserves	-	-
Other reserves	8,394,816	7,980,060
(-) Treasury shares	(54,814)	(96,646)
Profit or loss attributable to owners of the parent	424,484	833,668
(-) Interim dividends	-	-
Accumulated other comprehensive income	**251,746**	**113,211**
Items that will not be reclassified to profit or loss	53,627	51,684
Actuarial gains or (-) losses on defined benefit pension plans	29,939	29,939
Non-current assets and disposal groups classified as held for sale	(3,191)	-
Accumulated changes in fair value of equity instruments measured at fair value through other comprehensive income	26,879	21,745
Accumulated hedge ineffectiveness 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]	-	-
Accumulated changes in fair value of a financial liability at fair value through profit or loss that is attributable to changes in the credit	-	-
Items that may be reclassified to profit or loss	198,119	61,527
Hedge of net investments in foreign operations [effective portion]	-	-
Foreign currency translation	(235)	(292)
Hedging derivatives. Cash flow hedges reserve [effective portion]	(240)	(2,299)
Fair value changes of financial assets measured at fair value through other comprehensive income	198,594	62,554
Hedging instruments [not designated elements]	-	-
Non-current assets and disposal groups classified as held for sale	-	1,564
TOTAL EQUITY	**12,704,908**	**12,534,410**
TOTAL EQUITY AND TOTAL LIABILITIES	**211,502,367**	**206,345,732**
MEMORANDUM ITEM: OFF-BALANCE SHEET ITEMS	**34,909,647**	**34,048,575**
Loan commitment given	21,557,574	21,070,128
Financial guarantees given	419,163	427,621
Contingent commitments	12,932,910	12,550,826

(*) Presented solely for comparison (See Note 1.5).

BANKIA, S.A.
Income statement for the six months ended 30 June 2019 and 2018

(Thousands of euros)

	30/06/2019	30/06/2018 (*)
Interest income	1,232,084	1,273,242
Financial assets at fair value through other comprehensive income	82,354	140,074
Financial assets at amortised cost	1,087,138	1,139,235
Other interest income	62,592	(6,067)
(Interest expenses)	(233,206)	(228,522)
(Expenses on share capital repayable on demand)	-	-
A) NET INTEREST INCOME	**998,878**	**1,044,720**
Dividend income	79,345	208,746
Fee and commission income	522,004	523,652
(Fee and commission expenses)	(40,060)	(37,813)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	143,128	270,399
Financial assets at amortised cost	45,628	749
Other financial assets and liabilities	97,500	269,650
Gains or (-) losses on financial assets and liabilities held for trading, net	10,317	35,903
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	10,317	35,903
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	758	73
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	758	73
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	-	-
Gains or (-) losses from hedge accounting, net	(12,244)	(13,259)
Exchange differences [gain or (-) loss], net	7,314	5,753
Other operating income	28,784	28,562
(Other operating expenses)	(97,695)	(100,330)
Of which: Mandatory provisions to welfare fund (only savings banks and credit cooperatives)	-	
B) GROSS INCOME	**1,640,529**	**1,966,406**
(Administrative expenses)	(803,458)	(840,626)
(Staff expenses)	(560,972)	(580,989)
(Other administrative expenses)	(242,486)	(259,637)
(Depreciation)	(98,166)	(87,356)
(Provisions or (-) reversal of provisions)	(44,056)	38,205
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	(142,959)	(211,007)
(Financial assets at fair value through other comprehensive income)	3	(772)
(Financial assets at amortised cost)	(142,962)	(210,235)
C) TOTAL OPERATING INCOME, NET	**551,890**	**865,622**
(Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates)	32,817	47,049
(Impairment or (-) reversal of impairment on non-financial assets)	(6,360)	(5,640)
(Tangible assets)	(6,360)	(5,640)
(Intangible assets)	-	-
(Other)	-	-
Gains or (-) losses on derecognition in nonfinancial assets accounts and investments, net	4,427	2,359
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	(35,093)	(68,078)
D) PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**547,681**	**841,312**
(Tax expense or (-) income related to profit or loss from continuing operations)	(123,197)	(149,356)
E) PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS	**424,484**	**691,956**
Profit or (-) loss after tax from discontinued operations	-	-
F) PROFIT OR (-) LOSS FOR THE PERIOD	**424,484**	**691,956**

(*) Presented solely for comparison. See Note 1.5.

BANKIA, S.A.
Statement of recognised income and expense for the six months ended 30 June 2019 and 2018

(Thousands of euros)

	30/06/2019	30/06/2018 (*)
Profit or (-) loss for the period	**424,484**	**691,956**
Other comprehensive income	**138,535**	**(231,624)**
Items that will not be reclassified to profit or loss	**1,943**	**4,149**
Actuarial gains or (-) losses on defined benefit pension plans	-	-
Non-current assets and disposal groups held for sale	(4,559)	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	7,334	5,927
Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]	-	-
Amount of change in fair value of a financial liability at fair value through profit or loss that is attributable to changes in the credit risk of that liability	-	-
Income tax relating to items that will not be reclassified	(832)	(1,778)
Items that may be reclassified to profit or loss	**136,592**	**(235,773)**
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	81	366
Translation gains or (-) losses taken to equity	81	366
Transferred to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges [effective portion]	2,941	(17,493)
Valuation gains or (-) losses taken to equity	2,941	(17,493)
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	194,343	(324,555)
Valuation gains or (-) losses taken to equity	288,017	(54,848)
Transferred to profit or loss	(93,674)	(269,707)
Other reclassifications	-	-
Non-current assets and disposal groups held for sale	(2,235)	4,863
Valuation gains or (-) losses taken to equity	(2,235)	4,863
Transferred to profit or loss	-	-
Other reclassifications	-	-
Income tax relating to items that may be reclassified to profit or (-) loss	(58,538)	101,046
Total comprehensive income for the period	**563,019**	**460,332**

(*) Presented solely for comparison (See Note 1.5)

BANKIA, S.A.

Statement of changes in total equity for the six months ended 30 June 2019

(Thousands of euros)

Sources of equity changes	Capital	Share premium	Equity instruments issued other than Capital Equity	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or (-) loss of the period	(-) Interim dividends	Accumulated Other Comprehensive Income	Total
Opening balance 31/12/2018 [before restatement]	**3,084,963**	**619,154**	**-**	**-**	**-**	**-**	**7,980,060**	**(96,646)**	**833,668**	**-**	**113,211**	**12,534,410**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance [current period]	**3,084,963**	**619,154**	**-**	**-**	**-**	**-**	**7,980,060**	**(96,646)**	**833,668**	**-**	**113,211**	**12,534,410**
Total comprehensive income for the period					**-**	**-**	**-**		**424,484**		**138,535**	**563,019**
Other changes in equity	(15,441)	-	-	-	-	-	414,756	41,832	(833,668)	-	-	(392,521)
Issuance of ordinary shares	-	-			-	-	-					-
Issuance of preference shares	-	-	-		-	-	-					-
Issuance of other equity instruments			-		-	-	-					-
Exercise or expiration of other equity instruments issued			-		-	-	-					-
Conversion of debt to equity	-	-	-	-	-		-	-				-
Capital reduction	(15,441)	-			-	-	(34,559)	50,000	-			-
Dividends (or remuneration of partners)	-	-	-	-	-	-	(353,515)	-		-		(353,515)
Purchase of treasury shares					-	-	-	(36,100)				(36,100)
Sale or cancellation of treasury shares					-	-	(3,050)	27,932				24,882
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			-	-	-	-	(27,788)	-	-	-	-	(27,788)
Of which: discretionary provision to welfare funds (only savings banks and credit cooperatives)					-		-					**-**
Closing balance 30/06/2019 [current period]	**3,069,522**	**619,154**	**-**	**-**	**-**	**-**	**8,394,816**	**(54,814)**	**424,484**	**-**	**251,746**	**12,704,908**

BANKIA, S.A.

Statement of changes in total equity for the six months ended 30 June 2018 (*)

(Thousands of euros)

Sources of equity changes	Capital	Share premium	Equity instruments issued other than Capital Equity	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or (-) loss of the period	(-) Interim dividends	Accumulated Other Comprehensive Income	Total
Opening balance 31/12/2017 [before restatement]	**3,084,963**	**619,154**	**-**	**-**	**-**	**-**	**8,384,243**	**(79,837)**	**468,752**	**-**	**315,070**	**12,792,345**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	(487,047)	-	-	-	172,358	(314,689)
Opening balance [current period]	**3,084,963**	**619,154**	**-**	**-**	**-**	**-**	**7,897,196**	**(79,837)**	**468,752**	**-**	**487,428**	**12,477,656**
Total comprehensive income for the period					-	-	-		**691,956**		**(231,624)**	**460,332**
Other changes in equity	-	-	-	-	-	-	109,264	5,053	(468,752)	-	-	(354,435)
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 (or remuneration of partners)	-	-	-	-	-	-	(338,015)	-		-		(338,015)
Purchase of treasury shares					-	-	-	(59,159)				(59,159)
Sale or cancellation of treasury shares					-	-	(2,664)	64,212				61,548
Reclassification of financial instruments from equity to liability	-	-	-	-								-
Reclassification of financial instruments from liability to equity	-	-	-	-								-
Transfers among components of equity			-	-	-	-	468,752		(468,752)	-	-	-
Equity increase or (-) decrease resulting from business combinations	-	-	-	-	-	-	-	-			-	-
Share based payments	-	-		-				-				-
Other increase or (-) decrease in equity			-	-	-	-	(18,809)	-	-	-	-	(18,809)
Of which: discretionary provision to welfare funds (only savings banks and credit cooperatives)					-		-					-
Closing balance 30/06/2018 [current period]	**3,084,963**	**619,154**	**-**	**-**	**-**	**-**	**8,006,460**	**(74,784)**	**691,956**	**-**	**255,804**	**12,583,553**

(*) Presented solely for comparison. See Note 1.5.

BANKIA, S.A.

Statement of cash flows for the six months ended 30 June 2019 and 2018

(Thousands of euros)

	30/06/2019	30/06/2018 (*)
A) CASH FLOWS USED IN OPERATING ACTIVITIES	**3,511,357**	**1,390,235**
Profit/(loss) for the period	**424,484**	**691,956**
Adjustments to obtain cash flows from operating activities	**261,387**	**157,672**
Depreciation and amortisation	98,166	87,356
Other	163,221	70,316
Net increase/(decrease) in operating assets	**(959,328)**	**810,403**
Financial assets held for trading	101,748	(193,014)
Non-trading financial assets mandatorily at fair value through profit or loss	(383)	(315)
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	1,539,309	6,085,020
Financial assets at amortised cost	(2,415,112)	(4,355,605)
Other operating assets	(184,890)	(725,683)
Net increase/(decrease) in operating liabilities	**3,741,520**	**(316,848)**
Financial liabilities held for trading	211,386	(121,066)
Other financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	4,007,885	(377,678)
Other operating liabilities	(477,751)	181,896
Income tax receipts/(payments)	**43,294**	**47,052**
B) CASH FLOWS FROM INVESTING ACTIVITIES	**370,302**	**550,690**
Payments	**(128,478)**	**(78,156)**
Tangible assets	(29,902)	(102)
Intangible assets	(83,818)	(73,701)
Investments in joint ventures and associates	(9,105)	(3,340)
Subsidiaries and other business units	-	-
Non-current assets held for sale and associated liabilities	(5,653)	1,013
Other payments related to investing activities	-	-
Proceeds	**498,780**	**628,846**
Tangible assets	13,067	15,871
Intangible assets	-	-
Investments in joint ventures and associates	65,997	226,506
Subsidiaries and other business units	-	-
Non-current assets held for sale and associated liabilities	419,716	386,469
Other proceeds related to investing activities	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES	**(502,175)**	**(3,866,833)**
Payments	**(3,002,057)**	**(4,028,382)**
Dividends	(353,515)	(338,015)
Subordinated liabilities	-	-
Redemption of own equity instruments	-	-
Acquisition of own equity instruments	(36,100)	(59,160)
Other payments related to financing activities	(2,612,442)	(3,631,207)
Proceeds	**2,499,882**	**161,549**
Subordinated liabilities	1,000,000	-
Issuance of own equity instruments	-	-
Disposal of own equity instruments	24,882	61,549
Other proceeds related to financing activities	1,475,000	100,000
D) EFFECT OF EXCHANGE RATE DIFFERENCES	**-**	**-**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**3,379,484**	**(1,925,908)**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**4,354,390**	**3,755,070**
G) CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**7,733,874**	**1,829,162**
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
Cash	797,869	852,574
Cash equivalents at central banks	6,827,080	859,719
Other financial assets	108,925	116,869
Less: Bank overdrafts refundable on demand	-	-

(*) Presented solely for comparison. See Note 1.5.

Appendix II – Subsidiaries

The key details on subsidiaries, including those classified under "Non-current assets held for sale" at 30 June 2019 are as follows:

Company	Business activity	Location	% Ownership interest owned by the Group		
			% Current interest		Total ownership interest
			Direct	Indirect	
ARRENDADORA DE EQUIPAMIENTOS FERROVIARIOS, S.A.	Purchase and lease of trains	Barcelona – Spain	85.00	-	85.00
BANKIA FONDOS, S.G.I.I.C., S.A.	Manager of collective investment undertakings	Madrid – Spain	100.00	-	100.00
BANKIA HABITAT, S.L. UNIPERSONAL	Real Estate	Valencia – Spain	100.00	-	100.00
BANKIA INVERSIONES FINANCIERAS, S.A. UNIPERSONAL	Corporate management	Madrid – Spain	100.00	-	100.00
BANKIA MEDIACIÓN, OPERADOR DE BANCA SEGUROS VINCULADO, S.A. UNIPERSONAL	Insurance intermediary-Bancassurance operator	Madrid – Spain	100.00	-	100.00
BANKIA PENSIONES, S.A., ENTIDAD GESTORA DE FONDOS DE PENSIONES	Pension fund manager	Madrid – Spain	35.74	64.26	100.00
BEIMAD INVESTMENT SERVICES COMPANY LIMITED	Business management advisory services	Chaoyang (Beijing) - People's Republic of China	100.00	-	100.00
CENTRO DE SERVICIOS OPERATIVOS E INGENIERIA DE PROCESOS, S.L.U.	Other independent services	Madrid – Spain	100.00	-	100.00
CORPORACIÓN FINANCIERA HABANA, S.A., in settlement (1)	Industry, commerce and services financing	Ciudad de la Habana (La Habana) - República De Cuba	60.00	-	60.00
CORPORACIÓN INDUSTRIAL BANKIA, S.A.U.	Corporate management	Madrid – Spain	100.00	-	100.00
COSTA EBORIS, S.L. UNIPERSONAL, in settlement (2)	Real Estate	Valencia – Spain	-	100.00	100.00
ENCINA LOS MONTEROS, S.L.U, in settlement (2)	Real Estate	Valencia – Spain	-	100.00	100.00
GEOPORTUGAL - IMOBILIARIA, LDA.	Real Estate development	Oporto - Portugal	-	100.00	100.00
GESTIÓN Y REPRESENTACIÓN GLOBAL, S.L.U.	Business management advisory services	Madrid – Spain	100.00	-	100.00
GESTIÓN GLOBAL DE PARTICIPACIONES	Business management advisory services	Madrid – Spain	100.00	-	100.00
GESTION Y RECAUDACION LOCAL, S.L. (1)	Tax management.	Granada - Spain	-	99.75	99.75
GRAMINA HOMES, LS (1)	Real Estate	Madrid – Spain	94.82	5.18	100.00
INMOGESTIÓN Y PATRIMONIOS, S.A.	Corporate management	Madrid – Spain	0.10	99.90	100.00
INVERSION GENERAL DE GRANADA 2, S.L. in settlement (1) (2)	Real Estate development	Atarfe (Granada) - Spain	75.00	-	75.00
INVERSIONES Y DESARROLLOS 2069 MADRID, S.L.U, in settlement (2)	Real Estate	Madrid – Spain	100.00	-	100.00
NAVIERA CATA, S.A.	Acquisition, leases and operation of ships	Las Palmas de Gran Canarias - Spain	100.00	-	100.00
PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L.	Corporate management	Madrid – Spain	0.01	99.99	100.00
PUERTAS DE LORCA DESARROLLOS EMPRESARIALES, S.L.U., in settlement (2).	Real Estate development	Madrid - Spain	100.00	-	100.00

Company	Business activity	Location	% Ownership interest owned by the Group		
			% Current interest		Total ownership interest
			Direct	Indirect	
SEGURBANKIA, S.A. CORREDURÍA DE SEGUROS DEL GRUPO BANKIA	Insurance intermediary	Madrid – Spain	100.00	-	100.00
VALENCIANA DE INVERSIONES MOBILIARIAS, S.L.U.	Corporate management	Valencia - Spain	100.00	-	100.00
VALORACIÓN Y CONTROL, S.L.	Corporate management	Madrid – Spain	0.01	99.99	100.00
VECTOR CAPITAL, S.L.U. in settlement (2)	Consulting and management services	Madrid – Spain	100.00	-	100.00

(1) Classified under “Non-current assets and disposal group classified as held for sale”.
(2) Companies with processes initiated to carry out their liquidation.

Appendix III – Associates and joint ventures

The key details on associates and joint ventures at 30 June 2019 are as follows:

Company	Business activity	Location	% Ownership interest owned by the Group		
			% Current interest		Total ownership interest
			Direct	Indirect	
Associate					
AVALMADRID, S.G.R.	SEMs funding	Madrid – Spain	25.26	-	25.26
BANKIA MAPFRE VIDA, S.A., DE SEGUROS Y REASEGUROS	Life insurance	Majadahonda (Madrid) - Spain	19.39	29.61	49.00
CAJA DE SEGUROS REUNIDOS, COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A., "CASER"	Insurance	Madrid – Spain	15.00	-	15.00
CAJAGRANADA VIDA, COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	Life insurance	Majadahonda (Madrid) - Spain	49.00		49.00
CAJAMURCIA VIDA, COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	Life insurance	Majadahonda (Madrid) - Spain	49.00		49.00
NETTIT COLABORATIVE PAYMENTS, S.L.	Other services	Madrid – Spain	30.00	-	30.00
REDSYS SERVICIOS DE PROCESAMIENTO, S.L.	Payment methods	Madrid – Spain	15.94	-	15.94
Joint ventures					
CA CF – Bankia, S.A.	Consumer finance	Madrid - SPAIN	49.00	-	49.00

Appendix IV – Joint ventures and associates classified under Non-current assets held for sale

The key details on joint ventures and associates classified under "Non-current assets held for sale" at 30 June 2019 are as follows:

Company	Business activity	Location	% Ownership interest owned by the Group		
			% Current interest		Total ownership interest
			Direct	Indirect	
Joint ventures					
CARTERA PERSEIDAS, S.L.	Management Company	Madrid - Spain	11.82	-	11.82
INMACOR DESARROLLOS, S.A. DE CV	Real Estate	Playa del Carmen (Quintana Roo) - México	-	72.57	72.57
INMOBILIARIA PIEDRA BOLAS, S.A. DE CV	Real Estate	Playa del Carmen (Quintana Roo) - México	55.93	16.64	72.57
METRO HOUSE INVEST, S.L.	Real Estate	Palma de Mallorca (Baleares) - Spain	-	50.00	50.00
PLAYA PARAISO MAYA, S.A. DE CV	Real Estate	Playa del Carmen (Quintana Roo) - México	58.03	14.54	72.57
PROMOCIONES Y PROYECTOS MURCILOR, S.L., EN LIQUIDACIÓN	Real Estate	Lorca (Murcia) - Spain	50.00	-	50.00
PROYECTOS Y DESARROLLOS HISPANOMEXICANOS. S.A., DE CV	Real Estate	Playa del Carmen (Quintana Roo) - México	-	72.57	72.57
SOL EDIFICAT PONENT, S.L.	Real Estate	Villafranca del Penedés (Barcelona) - Spain	50.00	-	50.00
Associates					
ALAZOR INVERSIONES, S.A., EN LIQUIDACIÓN	Activities annexed to land transport	Villaviciosa de Odón (Madrid) - Spain	-	20.00	20.00
ARRENDADORA FERROVIARIA, S.A.	Buying and leasing trains	Barcelona - Spain	29.07	-	29.07
CARTAGENA JOVEN, S.L., EN LIQUIDACIÓN	Real Estate	Cartagena (Murcia) - Spain	30.00	-	30.00
CIUTAT SAVALL, S.L. EN LIQUIDACIÓN	Real Estate	Palma de Mallorca (Baleares) - Spain	-	45.00	45.00
FALSTACEN, S.L.	Hotel	Motril (Granada) - Spain	24.10	-	24.10
FERROMOVIL 3000, S.L.	Buying and leasing material railway	Madrid – Spain	30.00	-	30.00
FERROMOVIL 9000, S.L.	Buying and leasing material railway	Madrid – Spain	30.00	-	30.00
GESTIO DE MITJANS DE PAGAMENT, S.L. EN LIQUIDACIÓN	Means of Payment	Palma de Mallorca – Spain	20.00	-	20.00
MURCIA EMPRENDE, SOCIEDAD DE CAPITAL RIESGO DE REGIMEN SIMPLIFICADO, S.A.	Venture Capital Company	Murcia – Spain	28.68	-	28.68
NEWCOVAL, S.L.	Real Estate	Valencia – Spain	-	50.00	50.00
NUEVA VIVIENDA JOVEN DE MURCIA, S.L. EN LIQUIDACIÓN	Real Estate	Murcia – Spain	49.89	-	49.89
PLAN AZUL 07, S.L.	Buying and leasing material railway	Madrid – Spain	31.60	-	31.60
ROYACTURA, S.L.	Real Estate	Las Rozas de Madrid (Madrid) – Spain	-	45.00	45.00
SHARE CAPITAL, S.L., EN LIQUIDACIÓN	Real Estate	Paterna (Valencia) - Spain	-	43.02	43.02

Appendix V – Movement in issued securities

Details of issues, repurchases and repayments of debt securities in 30 June 2019 and 2018 by the Bank or Group companies.

30/06/2019

(Millions of euros)

Issuer information	Data concerning issuances, repurchases and repayments in 1st half of 2019											
Country of residence	Transaction	Credit rating Issuer/Issue (1)	ISIN code	Type of security	Transaction date	Maturity date	Market where listed	Issue currency	Amount of issue/repurchase or repayment	Balance outstanding	Coupon	Type of guarantee issued
Spain	Emission	BBB (low)	XS1951220596	Subordinate Bond 2019-1	15/02/19	15/02/29	Dublin	euro	1,000	1,000	3.75%	Bankia Personal Guarantee
Spain	Emission	AAA	ES0413307150	Mortgage Certificate BANKIA 2019-1	25/01/19	25/01/27	AIAF	euro	475	475	EUR 6M + 0.5%	Mortgage Portfolio - Mortgage Law
Spain	Emission	BBB (high)	ES0313307201	BANKIA Bond 2019-1	25/03/19	25/03/24	AIAF	euro	500	500	0.88%	Bankia Personal Guarantee
Spain	Emission	BBB	ES0313307219	Non-Preferential Ordinary Bonds 2019-1	25/06/19	25/06/24	AIAF	euro	500	500	1%	Bankia Personal Guarantee
Spain	Refund	BBB (high)	ES0313307003	BANKIA Bond 2014-1	17/01/19	17/01/19	AIAF	euro	1,000	-	3.50%	Bankia Personal Guarantee
Spain	Refund	BBB (high)	ES0413056047	Mortgage Certificate BMN 5ª Emission	21/01/19	21/01/19	AIAF	euro	500	-	3.13%	Mortgage Portfolio – Mortgage Law
Spain	Refund	BBB (low)	ES0213307004	Bankia Subordinate Bond 2014-1	22/05/19	22/05/24	AIAF	euro	1,000	-	4.00%	Bankia Personal Guarantee
Spain	Refund	AAA	ES0414950693	Mortgage Certificate CM 28/06/19	28/06/07	28/06/19	AIAF	euro	1,600		5.00%	Mortgage
Spain	Refund	BBB (high)	XS0147547177	Caymadrid Bond (2)	Several	01/04/32	Luxembourg S.M.	euro	0.1	5	Irregular coupons until 2013, then zero coupon	Bankia Personal Guarantee
Spain	Refund	-	ES0213307012	Bankia ICO Line Bond 2014-8	10/01/19	10/07/20	AIAF	euro	0.3	0.8	EUR 6M+ 2.75%	Bankia Personal Guarantee
Spain	Refund	-	ES0213307020	Bankia ICO Line Bond 2014-15	10/04/19	10/10/20	AIAF	euro	0.6	1.9	EUR 6M+ 2.35%	Bankia Personal Guarantee
Spain	Refund	-	ES0213307038	Bankia ICO Line Bond 2014-20	10/06/19	10/12/20	AIAF	euro	0.3	0.8	EUR 6M+ 2.35%	Bankia Personal Guarantee
Several	Refund	-	Several	Securitisation Bonds	Several	Several	Several	Several	135	-	-	-

(1) The ratings for mortgage cards are from DBRS dated September 21, 2018. All other grades are From DBRS dated July 2, 2019.

(2) In the case of the Caymadrid Bonds these are monthly refunds. Bankia was a guarantor of the bond, and as a result of the liquidation of the company Caymadrid, Bankia became a direct debtor of the Bono Caymadrid.

30/06/2018

(Million of euros)

Issuer information	Data concerning issuances, repurchases and repayments in 1st half of 2018											
Country of residence	Transaction	Credit rating Issuer/Issue (1)	ISIN code	Type of security	Transaction date	Maturity date	Market where listed	Issue currency	Amount of issue/repurchase or repayment	Balance outstanding	Coupon	Type of guarantee issued
Spain	Issue	AAA	ES0413307135	CED BANKIA 2018-1	01/06/18	01/06/26	AIAF	euro	100	100	EUR 6M+0.18%	Mortgage Portfolio-Mortgage Law
Spain	Repayment	BBB (high)	ES0214950190	Bond CM 16/06/23	16/06/18	16/06/23	AIAF	euro	172	-	5.75%	Bankia Personal Guarantee
Spain	Repayment	BBB (high)	XS0147547177	Bond Caymadrid (2)	06/05/02	01/04/32	Luxembourg S.M.	euro	0.2	6	Irregular coupon until 2013, after zero	Bankia Personal Guarantee
Spain	Repayment	BBB (high)	ES0214977110	Bond BANCAJA 22/05/18	22/05/06	22/05/18	AIAF	euro	50	-	1.50%	Bankia Personal Guarantee
Spain	Repayment	BBB (high)	XS0362375544	Bond CM EMTN 2008-2 14/05/18	14/05/08	14/05/18	London Bank	euro	25	-	EUR 3M+0.98%	Bankia Personal Guarantee
Spain	Repayment	AAA	ES0414950651	CH CM 25/05/18	25/05/06	25/05/18	AIAF	euro	2,060	-	4.25%	Mortgage Portfolio-Mortgage Law
Spain	Repayment	-	ES0313307029	Bankia 2014-2 facility bonds	10/05/14	10/05/18	AIAF	euro	0.4	-	EUR 6M+3.50%	Bankia Personal Guarantee
Spain	Repayment	-	ES0313307045	Bankia 2014-4 facility bonds	10/06/14	10/06/18	AIAF	euro	0.4	-	EUR 6M+2.75%	Bankia Personal Guarantee
Spain	Repayment	-	ES0313307052	Bankia 2014-5 facility bonds	10/06/14	10/06/18	AIAF	euro	0.3	-	EUR 6M+3.00%	Bankia Personal Guarantee
Spain	Repayment	-	ES0313307078	Bankia 2014-7 facility bonds	10/07/14	10/07/18	AIAF	euro	0.9	0.9	EUR 6M+ 2.75%	Bankia Personal Guarantee
Spain	Repayment	-	ES0213307012	Bankia 2014-8 facility bonds	10/07/14	10/07/20	AIAF	euro	0.3	1.3	EUR 6M+ 2.75%	Bankia Personal Guarantee
Spain	Repayment	-	ES0313307102	Bankia 2014-11 facility bonds	11/08/14	10/08/18	AIAF	euro	0.4	0.4	EUR 6M+ 2.75%	Bankia Personal Guarantee
Spain	Repayment	-	ES0313307136	Bankia 2014-14 facility bonds	10/10/14	10/10/18	AIAF	euro	0.4	0.4	EUR 6M+ 2.35%	Bankia Personal Guarantee
Spain	Repayment	-	ES0213307020	Bankia 2014-15 facility bonds	10/10/14	10/10/20	AIAF	euro	0.6	3.2	EUR 6M+ 2.35%	Bankia Personal Guarantee
Spain	Repayment	-	ES0313307151	Bankia 2014-17 facility bonds	10/11/14	10/11/18	AIAF	euro	1.0	1.0	EUR 6M+ 2.35%	Bankia Personal Guarantee
Spain	Repayment	-	ES0313307177	Bankia 2014-19 facility bonds	10/12/14	10/12/18	AIAF	euro	0.5	0.5	EUR 6M+ 2.35%	Bankia Personal Guarantee
Spain	Repayment	-	ES0213307038	Bankia 2014-20 facility bonds	10/12/14	10/12/20	AIAF	euro	0.3	1.4	EUR 6M+ 2.35%	Bankia Personal Guarantee
Miscellaneous	Repayment	-	Miscellaneous	Securitisation bonds	Miscellaneous	Miscellaneous	Miscellaneous	Miscellaneous	126	-	-	-

(1) Latest credit rating assigned by DRBS for subordinated bond 2017-1 securities is from 22 September 2017. Ratings of other issues by DRBS on 4 July 2018.
(2) Refund of the Caymadrid Bond is due to the change in the issuer and debtor. Bankia was a guarantor of the bond, and after the liquidation of Caymadrid, Bankia became a direct debtor of the Bono Caymadrid.

Appendix VI – Information on the mortgage market

Covered bonds, marketable and non-marketable, issued by the Group and outstanding at 30 June 2019 are recognised in the consolidated balance sheet under "Financial liabilities at amortised cost" (Note 13). The Group has no mortgage bonds in issue. These mortgage securities are governed chiefly by Mortgage Market Law 2/1981, of 25 March, as amended by Law 41/2007, of 7 December, and by Royal Decree 716/2009, of 24 April, implementing certain provisions of the aforementioned Law.

Declarations by the Board of Directors of Bankia, S.A. concerning the existence of policies and procedures required by applicable regulations

In compliance with the requirements of applicable regulations, Bankia's Board of Directors declares that the entity has express policies and procedures in relation to its mortgage market business, and that the Board of Directors is responsible for compliance with mortgage market regulations applicable to this business. These policies and procedures include, inter alia, (i) the criteria applied concerning the relationship that must exist between the amount of the loan and the appraisal value of the mortgaged property, and the influence of the existence of other additional collateral and the criteria applied in the selection of the appraisers; (ii) the relationship between the debt and the income of the borrower and the existence of procedures aimed at assuring the information supplied by the borrower and the borrower's solvency; (iii) the prevention of imbalances between flows from the hedging portfolio and those arising from making the payments owed on the securities.

Regarding mortgage market laws and regulations, Bankia has in place suitable mortgage risk policies and procedures in the two major areas – assets and liabilities – to monitor and quantify the mortgage portfolio and the related borrowing limits.

In terms of assets, mortgage risk exposure policy takes the form of multilevel decision-making in the Bank by means of a system of authorities and delegated powers.

The Group has a "Credit Risk Documentary Structure", approved by the Board of Directors in May 2018, and revised in May 2019 adapting it to the management principles of the Entity and in line with supervisory expectations. The "Credit Risk Documentary Structure" is composed of the Credit Risk Policy Framework, Methods and Procedures, Credit Risk Policies, Specific Criteria Manuals and Operational Manuals.

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

- The Credit Risk Policies contain a set of rules and main instructions governing the management of credit risk. They are effective and consistent with the general principles set out in the Policies Framework and in the Risk Appetite Framework and are applied across the entire Group. They are used internally to create and develop rules and regulations on risks when it comes to competencies related to risk strategy, implementation and control.

- Meanwhile, the Specific Criteria Manuals provide a detailed description of the criteria set out in the policies regulating the activities carried out by the Bank. They are there for consultative purposes to enable the correct and proper performance of activities in accordance with the requirements previously put in place by minimising operational risk. The Specific Criteria Manuals combine with the Credit Risk Policies to provide transversal risk management across the Group.

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

To ensure proper governance of the Credit Risk Policies Framework, the Board of Directors delegates authority to the Risks Committee to approve the Specific Criteria Manual for Credit Risk Policies, Methods and Procedures and authority to the Provisions Committee to approve the Specific Criteria Manual for Policies, Methods and Procedures for Classifying and Hedging Credit Risk.

The Risk Committee and the Provisions Committee exercise these powers by periodically reviewing and updating, over the course of the year, the Specific Criteria Manual for Credit Risk Policies, Methods and Procedures and the Specific Criteria Manual for Policies, Methods and Procedures for Classifying and Hedging Credit Risk. They adjust and tailor the specific criteria contained in both documents to the Bank's prevailing risk strategy and appetite and to regulatory requirements.

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

General approval criteria include those associated with borrower risk, mainly the ability of the borrower to repay, with no reliance on guarantors or assets delivered as collateral, which are considered as alternative methods of collection.

Consideration is also given to criteria associated with the transaction, mainly the suitability of financing in accordance with the customer's risk profile and adaptation of the product to the intended purpose.

Specific policies for the mortgage portfolio establish considerations concerning the appraisal value associated with the loan as a cut-off point for the approval proposal.

Risk management of this portfolio is based on a mandatory scoring methodology approved by the Supervisor, with specific monitoring of the cut-off points associated with the decision-making structure.

Other basic criteria are the maximum timelines of the transactions and the type of products sold by the group.

The guidelines laid out in the credit risk policies acknowledge property-based collateral subject to certain requirements, such as a first-charge requirement, and compliance with measurement criteria in accordance with the stipulations of prevailing regulations.

Any imbalance between mortgage portfolio flows and issued securities is managed by a regular review of key portfolio parameters followed by a report to credit rating agencies for the purpose of monitoring issued securities.

IT systems are in place to record, monitor and quantify these elements and to assess the degree of compliance with mortgage market requirements for the purposes of portfolio eligibility for covering the Bank's related borrowings.

In terms of liabilities, in line with its financing strategy in place at each given time in the light of the outstanding mortgage portfolio, the Bank makes covered security issuance decisions on the basis of records that enable it to keep its issued securities within the bounds of eligibility for covering borrowings in compliance with mortgage market laws and regulations.

Disclosures on the security and privileges enjoyed by holders of mortgage bonds and covered bonds issued by Bankia

Pursuant to current legislation, the principal and interest of the mortgage bonds issued by Bankia are specially secured (entry in the Property Register is not required) by mortgages on all the mortgage bonds that are registered in Bankia's name at any time, without prejudice to its unlimited liability. The mortgage bonds entitle the holders not only to the aforementioned guaranteed financial claim but also to claim payment from the issuer after maturity, and confer on the holders the status of special preferential creditors vis-à-vis all other creditors in relation to all the mortgage loans and credits registered in the issuer's name.

Information concerning covered bonds

Note 13 discloses the outstanding balances of non-marketable (one-off) covered bonds issued by the Bankia. In addition, Appendix VI in consolidated 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 30 June 2019 and 31 December 2018 issued by Bankia, regardless of whether or not they are recognised as liabilities of the Bank (in the latter case, due to the fact that they were not placed with third parties or because they were repurchased by Bankia), based on their residual maturity period, with a distinction made, in the case of those recognised by Bankia as debt securities, between those issued through a public offering and with no public offering, along with the aggregate nominal values of mortgage participation certificates and mortgage transfer certificates issued by Bankia and outstanding at 30 June 2019 and 31 December 2018, with their average residual maturity period.

(Thousands of euros)

MORTGAGE SECURITIES	Nominal value 30/06/2019	Average residual maturity period (months) (a) 30/06/2019	Nominal value 31/12/2018	Average residual maturity period (months) (a) 31/12/2018
Mortgage bonds issued (b)	-		-	
Of which: recognised on the liability side of the balance sheet	-		-	
Covered bonds issued (b)	**26,008,354**		**27,683,354**	
Of which: recognised on the liability side of the balance sheet	16,761,254		18,087,604	
Debt securities. Issued through a public offering (c)	**10,035,500**		**12,035,500**	
Residual maturity up to one year	-		2,000,000	
Residual maturity over one year but not more than two years	1,000,000		-	
Residual maturity over two years but not more than three years	1,500,000		1,000,000	
Residual maturity over three years but not more than five years	2,250,000		3,750,000	
Residual maturity over five years but not more than ten years	3,285,500		3,285,500	
Residual maturity over ten years	2,000,000		2,000,000	
Debt securities. Other issues (c)	**9,775,000**		**9,400,000**	
Residual maturity up to one year	1,300,000		1,400,000	
Residual maturity over one year but not more than two years	-		-	
Residual maturity over two years but not more than three years	-		-	
Residual maturity over three years but not more than five years	2,500,000		2,500,000	
Residual maturity over five years but not more than ten years	5,975,000		5,500,000	
Residual maturity over ten years	-		-	
Deposits (d)	**6,197,854**		**6,247,854**	
Residual maturity up to one year	1,380,746		1,012,829	
Residual maturity over one year but not more than two years	1,025.,000		417,917	
Residual maturity over two years but not more than three years	300,000		1,025,000	
Residual maturity over three years but not more than five years	610,185		910,185	
Residual maturity over five years but not more than ten years	2,006,923		2,006,923	
Residual maturity over ten years	875,000		875,000	
Mortgage participation certificates issued (e)	**405,634**	**147**	**439,357**	**150**
Issued in a public offering	391,793	147	430,005	150
Other issues	13,841	122	9,352	136
Mortgage transfer certificates issued (e)	**9,299,587**	**224**	**9,707,889**	**228**
Issued in a public offering	31,145	125	33,578	129
Other issues	9,268,442	224	9,674,311	229

(a) Weighted average residual maturity by amounts, expressed in months rounded up.

(b) Mortgage bonds and mortgage-backed securities includes instruments issued and outstanding irrespective of whether they are recognised under liabilities (since they have not been placed with third parties or repurchased).

(c) These securities are recognised under "Financial liabilities at amortised cost - Marketable debt securities" in the accompanying balance sheet at 30 June 2019 and 31 December 2018 (see Note 13).

(d) These securities are recognised under "Financial liabilities at amortised cost - Deposits from credit institutions" and "Financial liabilities at amortised cost - Customer deposits" in the accompanying balance sheet at 30 June 2019 and 31 December 2018 (see Note 13).

(e) Amount of mortgage participations and mortgage transfer certificates issued related exclusively to mortgage loans still recognised in assets (maintained on the balance sheet

The nominal value at 30 June 2019 and 31 December 2018 of the amounts available (committed amounts not drawn down) of all mortgage loans and credits, with a distinction made between those potentially eligible and those that are not eligible, is shown in the table below:

(Thousands of euros)

ITEM	Undrawn balances (nominal value) (2)	
	30/06/2019	31/12/2018
Mortgage loans that back the issuance of covered bonds (1)	**940,514**	**801,290**
Of which:		
Potentially eligible (3)	330,137	75,085
Not eligible	610,377	726,205

(1) At 30 June 2019 and 31 December 2018, the Group had no mortgage bonds in issue.

(2) Committed amounts (limit) less amounts drawn down on all loans with mortgage collateral, irrespective of the percentage of total risk on the amount of the last appraisal (Loan to Value), not transferred to third parties or relating to financing received. Also includes balances that are only delivered to developers when the dwellings are sold.

(3) Loans potentially eligible for issuance of covered bonds under Article 3 of Royal Decree 716/2009.

With regard to lending operations, the table below shows the breakdown at 30 June 2019 and 31 December 2018 of the nominal value of mortgage loans and credit facilities that back the issue of covered bonds issued by Bankia (as already mentioned, as at the reporting date Bankia had no mortgage bonds in issue), indicating the total eligible loans and credit facilities, without regard to the limits under Article 12 of Royal Decree 716/2009 of 24 April, and those that are eligible which, pursuant to the criteria of the aforementioned Article 12 of Royal Decree 716/2009, are eligible for issuance of mortgage securities.

This amount is presented, as required by applicable legislation, as the difference between the nominal value of the entire portfolio of loans and credits secured through mortgages registered in favour of 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 last available appraisal for purposes of the mortgage market, less the mortgage loans and credits transferred through mortgage participation certificates and mortgage transfer certificates, regardless of whether or not they were derecognised from the balance sheet, and those designated as security for financing received (the amount recognised on the asset side of the consolidated balance sheet is also indicated for mortgage loans and credits transferred):

(Thousands of euros)

ITEM	Nominal value	
	30/06/2019	31/12/2018
Total loans (a)	**79,280,241**	**81,620,240**
Mortgage certificates issued (b)	**405,634**	**500,996**
Of which: loans maintained on the balance sheet (c)	*405,634*	*439,357*
Mortgage transfer certificates issued	**9,299,587**	**9,843,602**
Of which: loans maintained on the balance sheet (c)	*9,299,587*	*9,707,889*
Mortgage loans pledged as security for financing received	-	-
Loans that back the issue of mortgage bonds and covered bonds (d)	**69,575,020**	**71,275,642**
Loans not eligible (e)	14,818,199	15,878,578
Loans that meet the requirements to be eligible except for the limit established in Article 5.1 of Royal Decree 716/2009	7,596,010	7,978,562
Other	7,222,189	7,900,016
Eligible loans (f)	54,756,821	55,397,064
Loans to cover mortgage bonds issues	-	-
Loans eligible to cover covered bonds issues	54,756,821	55,397,064
Ineligible amounts (g)	132,809	134,575
Eligible amounts	54,624,012	55,262,489

(a) Amount of principal drawn under mortgage loans in favour of the entity (including those acquired through mortgage participations or mortgage transfer certificates, even if such loans have been derecognised, regardless of the loan-to-value readings.

(b) Amount of principal drawn under loans that have been transferred through mortgage participations or mortgage transfer certificates, even if such loans have been derecognised.

(c) Amount of principal drawn under loans that have been transferred, but not derecognised.

(d) Total loans less the sum of mortgage participations issued, mortgage transfer certificates issued and mortgage loans pledged to secure financing received.

(e) Loans secured by mortgage guarantee not transferred to third parties and not pledged to secure financing received that do not meet the eligibility requirements of article 3 of Royal Decree 716/2009 for mortgage bonds and mortgage-backed securities issues.

(f) Loans eligible for mortgage bonds and mortgage-backed securities issues according to article 3 of Royal Decree 716/2009, without deducting the computation limits established by article 12 therein.

(g) Amount of the 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 presented, along with issuance capacity and percentage of overcollateralization:

(Thousands of euros)

ITEM	Nominal value 30/06/2019	Nominal value 31/12/2018
Mortgage loans and credits which, pursuant to the criteria laid down in Article 12 of RD 716/2009, are eligible to cover issuance of covered bonds securities	54,624,012	55,262,489
Issue limit = 80% of eligible mortgage loans and credits	43,699,210	44,209,991
Covered bonds issued	26,008,354	27,683,354
Covered bonds issuance capacity (1) (Note 3.2)	17,690,856	16,526,637
Memorandum item:		
Percentage of overcollateralization of the portfolio	268%	257%
Percentage of overcollateralization of the eligible portfolio	210%	200%

(1) At 30 June 2019, EUR 9,247,100 thousand of covered bonds remained on the balance sheet. Therefore, the issuance capacity would be EUR 26,937,956 thousand (EUR 9,595,750 thousand at 31 December 2018, with a EUR 26,122,387 thousand issuance capacity).

The table below shows the detail at 30 June 2019 and 31 December 2018 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) if they arose from Bankia or from creditor subrogation and other cases; (ii) if they are denominated in euros or in other currencies; (iii) if they have a normal payment situation and other cases; (iv) their average residual maturity; (v) if the interest rate is fixed, floating or mixed; (vi) if the transactions are aimed at legal entities or individuals that are to use the loan proceeds for the purpose of their business activity (with a disclosure of the portion related to property development) and transactions aimed at households; (vii) if the guarantee consists of assets/completed buildings (with a distinction made between those used for residential, commercial and other purposes), assets/buildings under construction (with a disclosure similar to that of the finished buildings) or land (with a distinction made between developed land and other land), indicating the transactions that are secured by government-subsidised housing, even that under development:

(Thousands of euros)

	Loans that back mortgage bonds and covered bonds (a)		Of which: eligible loans (b)	
ITEM	30/06/2019	31/12/2018	30/06/2019	31/12/2018
TOTAL	**69,575,020**	**71,275,642**	**54,756,821**	**55,397,064**
ORIGIN OF OPERATIONS	69,575,020	**71,275,642**	54,756,821	**55,397,064**
Originated by Bankia	68,909,456	70,610,703	54,131,189	54,766,906
Subrogated to other entities	665,564	664,939	625,632	630,158
Other	-	-	-	-
CURRENCY	**69,575,020**	**71,275,642**	**54,756,821**	**55,397,064**
Euro	69,445,543	71,131,611	54,692,247	55,320,114
Other currencies	129,477	144,031	64,574	76,950
PAYMENT SITUATION	**69,575,020**	**71,275,642**	**54,756,821**	**55,397,064**
Normal payment situation	63,798,153	64,974,214	53,871,989	54,528,909
Other situations	5,776,867	6,301,428	884,832	868,155
AVERAGE RESIDUAL MATURITY	**69,575,020**	**71,275,642**	**54,756,821**	**55,397,064**
Up to ten years	11,932,395	11,774,482	9,470,708	9,475,651
More than ten years and up to 20 years	27,377,276	27,931,806	23,954,617	24,171,928
More than 20 years and up to 30 years	21,005,298	20,685,575	17,550,429	17,167,260
More than 30 years	9,260,051	10,883,779	3,781,067	4,582,225
INTEREST RATES	**69,575,020**	**71,275,642**	**54,756,821**	**55,397,064**
Fixed	5,191,425	4,548,921	4,464,293	3,835,250
Floating	57,895,653	60,459,333	45,249,447	46,799,826
Mixed	6,487,942	6,267,388	5,043,081	4,761,988
OWNERS	**69,575,020**	**71,275,642**	**54,756,821**	**55,397,064**
Legal entities and natural person entrepreneurs	8,517,554	9,361,442	4,913,523	5,186,908
Of which: construction and property developments (land included)	*678,589*	*680,928*	*309,900*	*258,661*
Other	61,057,466	61,914,200	49,843,298	50,210,156
TYPE OF COLLATERAL	**69,575,020**	**71,275,642**	**54,756,821**	**55,397,064**
Assets/completed buildings	68,054,851	69,752,202	54,225,240	54,891,326
Residential	61,629,452	63,005,419	50,210,942	50,762,529
Of which: government-subsidised housing	*2,347,027*	*2,364,210*	*1,947,859*	*1,952,266*
Commercial	2,703,827	2,786,781	1,805,648	1,850,632
Other buildings and constructions	3,721,572	3,960,002	2,208,650	2,278,165
Assets/buildings under construction	359,159	256,311	139,312	66,152
Residential	253,131	139,853	109,980	36,932
Of which: government-subsidised housing	*4,587*	*5,966*	*2,852*	*593*
Commercial	10,053	25,604	4,803	11,724
Other buildings and constructions	95,975	90,854	24,529	17,496
Land	1,161,010	1,267,129	392,269	439,586
Developed	415,540	446,864	64,989	66,135
Other	745,470	820,265	327,280	373,451

(a) Amount of principal drawn under mortgage loans in favour of the entity including those acquired through mortgage participations or mortgage transfer certificates, even if such loans have been derecognised, regardless of the loan-to-value readings.

(b) Loans eligible for mortgage bonds and mortgage-backed securities issues according to article 3 of Royal Decree 716/2009, without deducting the computation limits established by article 12 therein.

The nominal value of eligible mortgage loans and credits at 30 June 2019 and 31 December 2018, broken down by the ratios of the amount of the transactions to the last available appraisal of the mortgaged assets (Loan to Value), is shown in the tables below:

30 June 2019

(Thousands of euros)

ITEM	Amount of the transactions to the last available appraisal ("Loan to Value")				
	Less than or equal to 40%	More than 40% and less than 60%	More than 60% and less than or equal to 80%	More than 80%	Total
Loans eligible for issuance of covered bonds and mortgage bonds (a)					**54,756,821**
Housing	15,908,086	20,772,187	13,640,649	-	50,320,922
Other assets	2,670,787	1,765,112			4,435,899

(a) Loans eligible for mortgage bonds and mortgage-backed securities issues according to article 3 of Royal Decree 716/2009, without deducting the computation limits established by article 12 therein.

31 December 2018

(Thousands of euros)

ITEM	Amount of the transactions to the last available appraisal ("Loan to Value")				
	Less than or equal to 40%	More than 40% and less than 60%	More than 60% and less than or equal to 80%	More than 80%	Total
Loans eligible for issuance of covered bonds and mortgage bonds (a)					**55,397,064**
Housing	15,839,206	20,890,927	14,069,327	-	50,799,460
Other assets	2,742,579	1,855,025			4,597,604

(a) Loans eligible for mortgage bonds and mortgage-backed securities issues according to article 3 of Royal Decree 716/2009, without deducting the computation limits established by article 12 therein.

Movements in the nominal amounts of mortgage loans backing the issuance of mortgage bonds and covered bonds are as follows

(Thousands of euros)

MOVEMENTS	Eligible loans	Non-eligible loans	Eligible loans	Non-eligible loans
	First half of 2019		First half of 2018	
Balance at 1 January	**55,397,064**	**15,878,578**	**57,683,131**	**17,201,071**
Disposals at the period	**(3,309,510)**	**(3,262,103)**	**(5,207,572)**	**(3,118,661)**
Principal due cashed	(46,046)	(70,775)	(34,654)	(39,215)
Prepayments	(636,378)	(288,306)	(483,907)	(396,230)
Subrogation by other entities	-	-	-	-
Others	(2,627,086)	(2,903,022)	(4,689,011)	(2,683,216)
Additions at the period	**2,669,267**	**2,201,724**	**3,632,709**	**2,533,377**
Originated by the entity	2,633,439	2,185,271	3,630,558	2,532,368
Subrogation of other entities	15,994	1,157	-	-
Others	19,834	15,296	2,151	1,009
Balance at 30 June	**54,756,821**	**14,818,199**	**56,108,268**	**16,615,787**

(a) Loans eligible for mortgage bonds and mortgage-backed securities issues according to article 3 of Royal Decree 716/2009, without deducting the computation limits established by article 12 therein.

(b) Loans secured by mortgage guarantee not transferred to third parties and not pledged to secure financing received that do not meet the eligibility requirements of article 3 of Royal Decree 716/2009 for mortgage bonds and mortgage-backed securities issues.

Finally, at 30 June 2019 and 31 December 2018 there were no replacement assets backing the Bank's covered bonds issues.

Appendix VII – Exposure to developer and real estate risk sector (transactions in Spain)

1. Exposure to property and construction risk (transactions in Spain)

The table below shows cumulative figures on the financing granted by the Group's credit institutions at 30 June 2019 and 31 December 2018 for the purposes of construction and property development and the respective credit risk coverage in place at that date (a):

30 June 2019

(Thousands of euros)

ITEM	Gross carrying amount (b)	Surplus of gross exposure over the maximum recoverable amount of effective collateral (c)	Accumulated impairment charges (d)
Loans recognised by credit institutions comprising the Group (transactions in Spain) (e)	694,578	191,037	(125,039)
Of which: Doubtful	232,032	119,532	(113,387)
Memorandum item:			
Assets written off (f)	326,444		

Memorandum item (Consolidated Group figures):

(Thousands of euros)

Item	Amount
Loans to customers, excluding the public sector (transactions in Spain) (carrying amount) (g)	113,189,429
Total consolidated assets (all transactions) (carrying amount)	209,924,566
Impairment and provisions for performing exposures (all transactions) (h)	(928,195)

(a) Classification of financing in the table according to the purpose of the loans and not the borrower's industry classification (CNAE). Accordingly, if the borrower is a real estate company, but uses the financing granted for a purpose other than the construction or development of real estate, it is not included in this table. And if the borrower is a company whose core business is not real estate construction or development, but the financing granted is used for properties for real estate development, it is included in this table.

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

(c) Amount calculated as provided for in rule 64.16.k) of Circular 4/2017.

(d) Amount of allowances made by the company for these transactions.

(e) Includes all types of financing in the form of loans, with and without mortgage collateral, debt securities for real estate construction and development related to the activity in Spain (businesses in Spain).

(f) Gross loans to fund real estate construction and development recognised by the Group (businesses in Spain) derecognised from asset due to classification as "written-off assets".

(g) Amount at which the asset is recognised in the balance sheet after deduction of any amount of provisions and allowances.

(h) Total amount of impairment provisions and allowances for credit risk for exposures classified as standard in accordance with Annex of Circular 4/2017, for total activity (all businesses).

31 December 2018

(Thousands of euros)

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

Memorandum item:	
Assets written off (f)	333,794

Memorandum item (Consolidated Group figures):

(Thousands of euros)

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

(a) Classification of financing in the table according to the purpose of the loans and not the borrower's industry classification (CNAE). Accordingly, if the borrower is a real estate company, but uses the financing granted for a purpose other than the construction or development of real estate, it is not included in this table. And if the borrower is a company whose core business is not real estate construction or development, but the financing granted is used for properties for real estate development, it is included in this table.

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

(c) Amount calculated as provided for in rule 64.16.k) of Circular 4/2017.

(d) Amount of allowances made by the company for these transactions.

(e) Includes all types of financing in the form of loans, with and without mortgage collateral, debt securities for real estate construction and development related to the activity in Spain (businesses in Spain).

(f) Gross loans to fund real estate construction and development recognised by the Group (businesses in Spain) derecognised from asset due to classification as "written-off assets".

(g) Amount at which the asset is recognised in the balance sheet after deduction of any amount of provisions and allowances.

(h) Total amount of impairment provisions and allowances for credit risk for exposures classified as standard in accordance with Annex of Circular 4/2017, for total activity (all businesses).

The table below breaks down construction and property development financing granted by Group credit entities at 30 June 2019 and 31 December 2018:

(Thousands of euros)

ITEM	Finance intended for construction and property development (gross) (a)	
	30/06/2019	31/12/2018
1. Not mortgage-secured	43,021	59,106
2. Mortgage-secured (b)	651,557	689,858
2.1. Finished buildings (c)	397,458	441,861
2.1.1. Housing	216,583	231,948
2.1.2. Other	180,875	209,913
2.2. Buildings under construction (c)	131,868	101,285
2.2.1. Housing	103,271	71,607
2.2.2. Other	28,597	29,678
2.3. Land	122,231	146,712
2.3.1. Urban land	91,708	107,045
2.3.2. Other land	30,523	39,667
Total	**694,578**	**748,964**

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

(b) Includes all transaction secured by mortgages, regardless of the legal form of the guarantee or loan-to-value readings.

(c) If a building serves more than one purpose (e.g. residential) and other uses, the related financing is included in the category representing the main use given to it.

2. Loans to households for home purchases. Transactions recognised by credit institutions (transactions in Spain)

The table below presents the detail at 30 June 2019 and 31 December 2018 of financing granted by the credit institutions comprising the Group for the purpose of home purchase (business in Spain) (a):

(Thousands of euros)

ITEM	Total gross (b) 30/06/2019	Of which: Doubtful 30/06/2019	Total gross (b) 31/12/2018	Of which: Doubtful 31/12/2018
Loans for home purchases	65,143,412	3,343,528	66,472,123	3,517,740
Non-mortgage-secured	537,239	6,512	556,937	7,293
Mortgage-secured (c)	64,606,173	3,337,016	65,915,186	3,510,447

a) Loans with or without mortgage collateral to finance home acquisitions for businesses in Spain.
b) Amounts prior to the deduction of accumulated impairment losses, if any.
c) Includes all transaction secured by mortgages, regardless of the loan-to-value readings.

The table below presents the detail of mortgage-secured loans to households for home purchases at 30 June 2019 and 31 December 2018, classified by the ratio of the outstanding amount to the latest available appraised value (LTV) in respect of transactions recognised by Group credit institutions (transactions in Spain):

30 June 2019

(Thousands of euros)

	LTV ranges (a)					
ITEM	Less than or equal to 40%	More than 40% and less than or equal to 60%	More than 60% and less than or equal to 80%	More than 80% and less than or equal to 100%	More than 100%	Total
Total gross (b)	15,504,331	22,525,542	18,398,006	3,802,978	4,375,316	64,606,173
Of which: doubtful (b)	154,938	236,090	370,639	448,971	2,126,378	3,337,016

(a) The loan-to-value ratio is obtained by dividing the gross carrying amount of the exposure at the reporting date by the amount of the latest available appraisal.
(b) Amount prior to the deduction of accumulated impairment losses, if any.

31 December 2018

(Thousands of euros)

	LTV ranges (a)					
ITEM	Less than or equal to 40%	More than 40% and less than or equal to 60%	More than 60% and less than or equal to 80%	More than 80% and less than or equal to 100%	More than 100%	Total
Total gross (b)	15,392,491	22,604,292	19,158,863	4,170,774	4,588,766	65,915,186
Of which: doubtful (b)	144,244	212,812	370,268	478,372	2,304,751	3,510,447

(a) The loan-to-value ratio is obtained by dividing the gross carrying amount of the exposure at the reporting date by the amount of the latest available appraisal.
(b) Amount prior to the deduction of accumulated impairment losses, if any.

3. Information concerning property assets foreclosed or received in payment of debts (transactions in Spain)

During the first half of 2019, more projects were successfully completed, while various new projects were designed to enhance the real estate portfolio by acquiring further knowledge of the assets and improving the information available, boosting sales in a bid to continue reducing the stock of foreclosed assets.

The Group's general policies for managing its foreclosed assets are summarised as follows:

- The volume of foreclosed assets, irrespective of how they are managed (on the balance sheets of entities, in companies created for this purpose, in vehicles, etc.) makes it necessary at the outset to address the necessary measures for management purposes with the objective of disposing of the greatest amount of foreclosed assets at the least possible detriment to the income statement.
- Showcase of foreclosed assets, aiming first on sales and second on rentals when specific circumstances related to the Housing Social Fund and/or special rentals are met. In the case of unique assets (specific buildings, offices, commercial premises, industrial buildings and land), the general policy is to sell these assets.
- Policy of transparency in all transactions to guarantee public offering of the asset.
- Policies to set prices for assets and delegated powers. Sales in accordance with the authorisation system valid at the given time.
- General policy of non-exclusivity in mediation on sales of assets.

- Assessment of asset sale offers in any situation.
- The marketing process will be carried out through all the channels established: network branches, web, auctions in sales 'corners', property sales desks at certain branches, brokers, trade fairs and events.

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.
- References to set prices: the price references will be those of comparable assets, the appraisal value of each asset, reports by mediators and any other input that contributes to determine the asset's market value.
- Adaptation to changes in the housing market: dynamic adaptation and review of prices in accordance with changes on the property market. Prices will be reviewed regularly, with updates of appraisals and observance of regulations and consideration of changes to the official housing market indexes.
- Special events: at trade fairs, real estate fairs or other temporary events, more attractive prices may be published for that period only.
- Leases: property assets will be leased with a rent approved by the appropriate committee, which will always contemplate a minimum return in accordance with the value of the asset to be leased.

The table below presents the detail of assets acquired by the Group through foreclosure (transactions in Spain) at 30 June 2019 and 31 December 2018, classified by type (a):

30 June 2019

(Thousands of euros)

ITEM	Gross carrying amount (b)	Impairment allowance	Of wich: post allocation impairment allowance	Net carrying amount
1. Property assets from financing intended for construction and property development (c)	1,012,648	(634,504)	(320,130)	378,143
1.1. Finished buildings	444,319	(242,024)	(99,254)	202,295
1.1.1. Housing	333,140	(177,762)	(79,772)	155,378
1.1.2. Other	111,179	(64,261)	(19,482)	46,917
1.2. Buildings under construction	76,952	(49,214)	(27,560)	27,738
1.2.1. Housing	74,947	(48,108)	(26,134)	26,839
1.2.2. Other	2,005	(1,106)	(1,426)	899
1.3. Land	491,377	(343,267)	(193,316)	148,110
1.3.1. Urban land	245,510	(170,825)	(78,408)	74,684
1.3.2. Other land	245,867	(172,442)	(114,908)	73,426
2. Property assets from mortgage-secured financing granted to households for home purchases	3,706,493	(2,154,971)	(949,116)	1,551,522
3. Other property assets received in settlement of debt (d)	1,506,230	(732,027)	(238,889)	774,203
4. Equity instruments, investments and financing to companies holding such assets	-	-	-	-
5. Equity investments to entities holding the foreclosed property assets or assets received in payment of debts (e)	-	-	-	-
6. Financing to entities holding the foreclosed property assets or assets received in payment of debts (e)	-	-	-	-

31 December 2018

(Thousands of euros)

ITEM	Gross carrying amount (b)	Impairment allowance	Of wich: post allocation impairment allowance	Net carrying amount
1. Property assets from financing intended for construction and property development (c)	1,051,089	(642,972)	(310,534)	408,117
1.1. Finished buildings	460,098	(247,568)	(106,112)	212,530
1.1.1. Housing	344,873	(182,454)	(85,440)	162,419
1.1.2. Other	115,225	(65,114)	(20,672)	50,111
1.2. Buildings under construction	78,832	(50,192)	(24,360)	28,640
1.2.1. Housing	75,488	(48,760)	(23,631)	26,728
1.2.2. Other	3,344	(1,432)	(729)	1,912
1.3. Land	512,159	(345,212)	(180,062)	166,947
1.3.1. Urban land	215,290	(148,933)	(59,563)	66,357
1.3.2. Other land	296,869	(196,279)	(120,499)	100,590
2. Property assets from mortgage-secured financing granted to households for home purchases	3,832,178	(2,232,769)	(986,956)	1,599,409
3. Other property assets received in settlement of debt (d)	1,532,454	(739,592)	(232,656)	792,862
4. Equity instruments, investments and financing to companies holding such assets	-	-	-	-
5. Equity investments to entities holding the foreclosed property assets or assets received in payment of debts (e)	-	-	-	-
6. Financing to entities holding the foreclosed property assets or assets received in payment of debts (e)	-	-	-	-

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

(b) Amounts before the deduction of any impairment.

(c) Includes property asset arising in connection with loans to construction and property development companies, regardless or the sector and main economic activity of the company or individual entrepreneur delivering the asset.

(d) Includes property assets not arising in connection with loans to construction and property development companies, or to households for home purchases.

(e) Includes all equity investments in and financing to entities holding the foreclosed property assets or assets received in payment of debts.

The above tables set out property assets acquired through foreclosure or in settlement of debts, other than the consideration referred to in the foregoing (a), and classified by the Group 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" in the accompanying consolidated balance sheet for those dates.

4. Received and granted financial guarantee of real state exposure

The detail of the value of collateral and guarantees received to ensure collection at 30 June 2019 and 31 December 2018, distinguishing between collateral and other guarantees, is provided in the table below. The value is understood as the maximum amount of the guarantee considered, except for non-performing loans, which is the fair value.

(Thousands of euros)

ITEM	30/06/2019	31/12/2018
Collaterals	809,510	846,650
Other collateral	-	-
Total	**809,510**	**846,650**

The detail of the guarantees extended at 30 June 2019 and 31 December 2018 related to construction and property development loans; i.e. the amount the Group would have to pay if the guarantee or collateral was called, which could exceed the amount recognised under liabilities in the balance sheet, is as follows:

(Thousands of euros)

ITEM	30/06/2019	31/12/2018
Financial guarantees extended	12,013	6,921
Recognised in the liability of the consolidated balance sheet	29	32

Appendix VIII – Refinancing and restructuring operations

As part of its credit risk management policy, the Group has carried out loan refinancing operations, modifying the original conditions agreed with the borrowers (e.g. interest rate, term, grace period, collateral or guarantee).

Loan refinancing and restructuring is designed to match financing to the customers' current ability to meet its payment commitments, affording sufficient financial stability to ensure the continuity and operation of the borrower or its group. To do so, certain measures must be adopted that adapt to the source of the problem, whether they are systemic (affect all segments and borrowers the same, e.g. rises in interest rates) or specific (affect individual borrowers and require individual and structural measures for each case).

The general policies regarding loan refinancing can be summarised as follows:

- Loan refinancing, restructuring, rollover or negotiation should always aim to resolve the problem and never to hide or delay it. Delays should only be based on a realistic probability that the borrower can improve their financial situation in the future.
- Decisions on these types of operations require analysis of the borrower's and guarantor's current economic and financial situations so that the new conditions of the loan are in accordance with borrower's real ability to pay. In addition to ability, equally important is the assessment of the customer's willingness and commitment to continue meeting its payment obligations. In the case of companies, for instance.
- The amounts estimated to be irrecoverable should be recognised immediately.
- The refinancing or restructuring of loans whose payment is not up to date does not interrupt their arrears until, having expired the cure period, can be verified the customer can make payment on schedule and have the willingness or unless new effective guarantees or collateral are provided.

From a management viewpoint, where loan refinancing is offered, particularly with retail loans, the operations are channelled through specific products that:

- Guarantee identification of the refinancing operations.
- Establish standardised financial conditions across the branch network within limits considered acceptable and consistent with the Risk Policies.

To ensure the success of the refinancing or restructuring, identifying the problem even before it arises is of paramount importance. This requires pro-active management, backed by the following instruments:

- For companies, customers are classified by monitoring levels, applying both objective and subjective criteria and taking account of the customer's particular situation or that of the sector to which it belongs. The level determines the management model and authorities, gearing the monitoring activity towards the most vulnerable customers. In this sense, loan refinancing can become a crucial tool for a finance problem that guarantees the customer's viability when it has yet to become unable to meet its payment obligations.
- For individuals, behaviour and early warning models are applied. These not only identify potentially vulnerable loans although payment is up to date, but they also put forward specific refinancing solutions in accordance with the customer's situation, following a ranking that responds to the Group's preference among the various potential refinancing possibilities (e.g. avoiding the inclusion of grace periods).

The Group accounts for loan restructuring and refinancing operations in accordance with Bank of Spain Circular 4/2017, which in general are compatible with those of the ESMA and the EBA. These criteria set out certain rules for classification at source, as well as general criteria for a restructured or refinanced exposure to be considered cured, and therefore, reclassified to a lower risk level.

A transaction is deemed to be a restructuring or refinancing when:

- Some or all of the payments of the modified transaction have been due for more than 30 days (without being classified as doubtful) at least once in the three months preceding its modification, or would be due for more than 30 days without said modification.
- Simultaneously or nearly simultaneously with the granting of additional financing by the Entity, the borrower has made payments of the principal or interest on another transaction with it, on which some or all the payments have been due for more than 30 days at least once in the three months prior to the refinancing.
- When the Entity approves the use of implicit restructuring or refinancing clauses in relation to borrowers with outstanding amounts 30 days 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 operations are as follows:

- Insignificant exposures (retail, micro companies and companies not subject to individual assessment) are classified in accordance with the following variables:

Financial effort	Grace period			2nd Refinancing (2)
	<=24 months		>24 months	
	Debt reductions(1) No	Debt reductions (1) Yes		
<= 50%	Standard under special monitoring	Doubtful	Doubtful	Doubtful
> 50%	Doubtful	Doubtful	Doubtful	Doubtful

(1) Debt reductions above % of the allowances and provisions established in Appendix IX of Bank of Spain Circular 4/2017

(2) It will be classified as doubtful if the refinanced operation was doubtful at the time of the refinancing or if the refinanced transaction was classified as doubtful on initial classification. Otherwise, the classification is based on the result of the general analysis applicable to all refinancing transactions.

- For customers assessed individually, classification is based on the result of the analysis, focusing mostly on the ability to pay and also considering forbearance or debt reductions agreements and sustainable debt.

Cure criteria have also been established so that refinanced transactions can change their risk classification, in accordance with the following scheme:

- Refinanced transactions classified as doubtful will remain in this category until:
  - At least one year has elapsed since the last of the following dates:
    - The refinancing date.
    - The end of the grace period.
    - The end of the disbursements.
    - The date of the last entry into arrears.
    - Other dates.
  - The borrower is not in litigation or creditors' agreement.
  - Not present past due amounts.
  - The customer does not have any other transactions classified as doubtful.

  There have been no payments in arrears by more than 90 days in the past year.

  The borrower has settled payment obligations in the wake of the refinancing in an amount equal to or higher than the defaulted amount subject to forbearance measures.

- Refinancing transactions classified as standard under special montoring will remain in this category until:
  - At least two years have elapsed since the last of the following dates:
    - The refinancing date.
    - The end of the grace period.
    - The end of the disbursements.
    - The last date of emergence from non-performing.
    - Other dates.
  - Not present past due amounts.
  - The customer does not have any other transactions under special monitoring or classified as doubtful or write-off.
  - The borrower has settled payment obligations in the wake of the refinancing in an amount equal to or higher than the defaulted amount subject to forbearance measures.
  - In addition, a series of conditions must be met to evidence the lack of payment impediments.

Once the foregoing requirements are met, the transactions are classified as standard exposures and removed from the scope of classification, curing and presentation included in the appendix, irrespective of their monitoring for credit risk management purposes.

The table below shows the gross amount of refinancing operations, with a breakdown of their classification as under doubtful risk, and their respective allowances of credit risk at 30 June 2019 and 31 December 2018:

30 June 2019

(thousand of euros)	TOTAL							Of which: DOUBTFUL						
	Without collateral		With collateral					Without collateral		With collateral				
					Maximum amount of the collateral							Maximum amount of the collateral		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Property-based collateral	Other collateral	Accumulated impairment losses or accumulated fair value losses due to credit risk	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Property-based collateral	Other collateral	Accumulated impairment losses or accumulated fair value losses due to credit risk
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Sector	19	11,407	2,077	42,020	41,199	-	(12,220)	11	3,887	2,025	29,727	29,008	-	(11,789)
Other financial institutions and natural person entrepeneurs (financial business)	51	26,505	14	2,076	2,066	10	(13,679)	30	13,447	9	782	771	10	(13,421)
Non financial institutions and natural person entrepeneurs (non-business)	7,856	1,998,203	5,756	1,635,131	1,357,714	96,148	(1,138,386)	5,645	1,117,862	3,159	975,322	779,685	72,698	(1,045,916)
Of which: Construction and property development (including land)	1,532	31,424	1,087	220,271	165,267	264	(88,375)	1,481	25,105	408	134,115	85,903	58	(83,456)
Other households	19,206	250,902	30,175	3,720,440	3,101,695	166	(467,287)	9,133	125,129	14,612	1,763,217	1,427,458	101	(398,832)
Total	**27,132**	**2,287,017**	**38,022**	**5,399,667**	**4,502,674**	**96,324**	**(1,631,572)**	**14,819**	**1,260,325**	**19,805**	**2,769,048**	**2,236,922**	**72,809**	**(1,469,958)**
Adjustment of value for colective impairment							(776,579)							
Adjustment of value for specific impairment							(854,993)							
ADITIONAL INFORMATION														
Financing classified as non-current assets and disposal groups that are classified as held for sale	119	4,260	6,093	869,447	642,517	7	(365,096)	119	4,260	6,070	865,340	638,837	7	(364,750)

31 December 2018

(thousand of euros)	TOTAL							Of which: DOUBTFUL						
	Without collateral		With collateral					Without collateral		With collateral				
					Maximum amount of the collateral							Maximum amount of the collateral		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Property-based collateral	Other collateral	Accumulated impairment losses or accumulated fair value losses due to credit risk	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Property-based collateral	Other collateral	Accumulated impairment losses or accumulated fair value losses due to credit risk
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Sector	28	32,902	2,313	63,501	62,360	-	(23,326)	19	4,752	2,308	54,214	53,406	-	(23,326)
Other financial institutions and natural person entrepeneurs (financial business)	44	30,453	15	2,142	2,130	12	(13,767)	27	13,439	9	798	786	12	(13,465)
Non financial institutions and natural person entrepeneurs (non-business)	7,890	2,504,869	6,876	1,935,955	1,589,344	110,473	(1,533,114)	5,748	1,469,407	3,742	1,123,882	880,217	84,035	(1,418,701)
Of which: Construction and property development (including land)	1,620	57,778	1,422	266,233	203,822	263	(114,493)	1560	47,831	533	156,382	101,919	54	(108,449)
Other households	17,605	231,210	32,462	4,058,799	3,321,633	186	(562,113)	9,594	129,696	15,877	1,930,615	1,548,984	102	(472,457)
Total	**25,567**	**2,799,434**	**41,666**	**6,060,397**	**4,975,467**	**110,671**	**(2,132,320)**	**15,388**	**1,617,294**	**21,936**	**3,109,509**	**2,483,393**	**84,149**	**(1,927,949)**
Adjustment of value for colective impairment							(874,997)							
Adjustment of value for specific impairment							(1,257,323)							
ADITIONAL INFORMATION														
Financing classified as non-current assets and disposal groups that are classified as held for sale	11	135	5,818	811,753	570,892	7	(375,767)	11	135	5,813	811,034	570,352	7	(375,713)

Movements at the first half year of 2019 and 2018 were as follows:

(Thousands of euros)

ITEMS	1st half 2019	1st half 2018
Balances at 31 December	**6,727,511**	**9,241,383**
(+) Refinancing and restructuring	83,049	126,067
(-) Debt depreciation	(538,712)	(1,181,575)
(-) Foreclosure	(38,038)	(62,526)
(-) Disposals (reclassified as written off)	(14,100)	(27,619)
(+/-) Other changes	(164,598)	(122,774)
Balances at 30 June (*)	**6,055,112**	**7,972,956**

(*) The accumulated impairment at the first half year 2019 was EUR 500,748 thousand (EUR 305,864 thousand at the 1st half-year end 2018).

This document is a translation of and original text in Spanish. In case of any discrepancy between the English and the Spanish version, the Spanish version will prevail.

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

INTERIM MANAGEMENT REPORT

JUNE 2019

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This report was prepared in accordance with the criteria set out in Circular 3/2018 of 28 June, of the National Securities Market Commission (CNMV), on period reporting by issuers of securities admitted to trading on regulated markets related to half-year financial reports, interim management statements and, where applicable, quarterly financial reports.

1.- KEY EVENTS DURING THE FIRST HALF OF 2019

1.1.- Earnings performance

Net attributable profit for the first half of 2019 amounted to EUR 400 million, down 22.3% from the same period last year. The decrease was due mostly to lower gains and losses on financial assets and liabilities (lower income from fixed-income portfolio sales). The merger with BMN had a positive impact, driving a 5% year-on-year fall in administrative expenses. Income from the core banking business (net interest income and fee and commission income less administrative expenses and depreciation) was stable from 2018, amounting to EUR 639 million (compared to EUR 637 million at 30 June 2018).

1.2.- Positive commercial trends, increase in lending in customer funds

The advances in commercial strategy were borne out in lending. The Bankia Group maintained a healthy pace of new loans, with increases compared to the first half of 2018 in both mortgages (+5.4%) and consumer loans (+16.2%). This had a positive impact on the performing loan portfolio, which grew by 2.1% from year-end 2018.

Another driver was the increase in customer funds. Combined, customer deposits and off-balance sheet customer funds managed rose by 3.9% from the end of 2018, underpinned by the good performance of strict customer deposits (+2.9%) and assets managed and marketed in investment funds (+7.8%).

1.3.- Ongoing improvement in asset quality on the back of further declines in the balance of NPLs and foreclosed assets

The Group's **doubtful exposures** fell further in the first half of 2019, by 10.7% (EUR 902 million) from 31 December 2018. This improvement was the result of stronger efforts in monitoring and recovery management, and the continued sale of portfolios of doubtful assets in 2019. As a result, the **NPL ratio** improved further, to 5.7% at 30 June 2019, 0.8 percentage points lower than at 31 December 2018.

The Group’s strategy for reducing problematic assets has also resulted in a reduction in the volume of foreclosed assets, the net value of which fell by 3.4% from December 2018.

1.4. – Capital Strength

Bankia's Phase-in CET 1 ratio at 30 June 2019, including profit for the year less the dividend to be charged to reserves, stood at 14.08%, up +28 bp compared to 31 December 2018. Once again in 2019, the Bankia Group showed an organic CET1 generation model (+62 bp), allowing it to offset negative one-off impacts arising in regulations and supervision of credit institutions (e.g. IFRS 16), while continuing to meet the CET1 target set in the Corporate Risk Appetite and Tolerance Framework.

This level of higher-quality capital shows a capital surplus of 483 bps (EUR 3,949 million) above the minimum capital requirement for CET 1 SREP communicated by the ECB to the Group for 2019 (9.25%).

The Bankia Group's solvency strength is underpinned by the Group's organic capital generation model, in which the capitalization of profits and selective growth in the business segments that are considered strategic by Bankia for their higher credit quality are the main cornerstones of its sound solvency position. At the same time, Bankia continues with a gradual process of optimization of its risk weighted assets that has a positive impact on solvency. This underscores the Bankia Group's ability to continue generating capital while still paying dividends to shareholders.

The Group also issued senior and subordinated notes for an aggregate amount of EUR 2,000 million, enabling it to roll over maturities and increase its buffer of liabilities with loss-absorbing capacity ahead of the MREL regulatory requirement. These issues fall under the Group's funding plan, which calls for the issuance of around EUR 5,000 million to meet the 23.66% MREL target by 1 July 2021.

1.5.- Conclusion of the agreement with Grupo Mapfre for the reorganisation of the bancassurance business

In December 2018, Bankia reached an agreement with Grupo Mapfre and Grupo Caser for the reorganisation of their bancassurance alliances. In the life business, this entailed the sale of 51% stakes in Caja Granada Vida and Caja Murcia Vida y Pensiones to Mapfre Vida, although Bankia maintains its exclusive bancassurance agreement with Caser in the Balearic Islands for the life insurance and pension business. In addition, in the non-life business, Bankia agreed to terminate its alliance with Grupo Caser covering certain general insurance branches, while extending the scope of the current alliance with Grupo Mapfre for general insurance in the network from BMN.

On 29 March 2019, after receiving authorisation by the competent authority and in the absence of opposition by the General Directorate of Insurance and Pensions (Dirección General de Seguros y Pensiones), Bankia completed the sale of its shareholdings in Caja Granada Vida y Caja Murcia Vida y Pensiones to Mapfre Vida. The purchase price was EUR 110.3 million.

Execution of the sale marked the end of the bancassurance reorganisation undertaken by Bankia following its merger with Banco Mare Nostrum (BMN).

1.6.- Upgrades to credit ratings

During the first half of 2019 the main rating agencies continued to upgrade the Bankia Group's credit ratings.

On 30 January 2019 Fitch upgraded Bankia's long-term rating from BBB- to BBB, citing its strengthened national franchise following its merger with BMN, the reduction of its exposure to problem assets, sound post-merger capitalisation, adequate funding and liquidity and management's proven record in integrations. On the same date, the agency raised its rating of Bankia's subordinated debt, from "BB+" to "BBB-", affirming its short-term F3 rating.

On 13 May 2019, DBRS assigned credit ratings to Bankia's debt instruments; "BBB" for its senior non-preferred debt, "BBB (low)" for its subordinated debt, and "BB (low)" for its AT1 instruments.

These rating changes leave Bankia firmly in the "investment grade" category after the consolidation of BMN's integration, the prompt realisation of cost synergies, and the reduction of problem assets.

1.7.- Shareholder remuneration

Pursuant to the resolutions adopted on 22 March 2019 by the General Meeting of Shareholders, on 11 April 2019 Bankia distributed a EUR 354 million dividend (EUR 0.11576 per share) out of 2018 profit. This amount shows a 4.7% increase in comparison with the dividend total amount paid the previous year (EUR 338 million).

Underpinned by its organic capital generation ability and an increasingly strong balance sheet, the Bankia Group's goal is to maintain and improve shareholder remuneration in coming years as another step towards getting the business back to normal and repaying the public assistance received.

2.- ORGANISATIONAL STRUCTURE AND BUSINESS MODEL

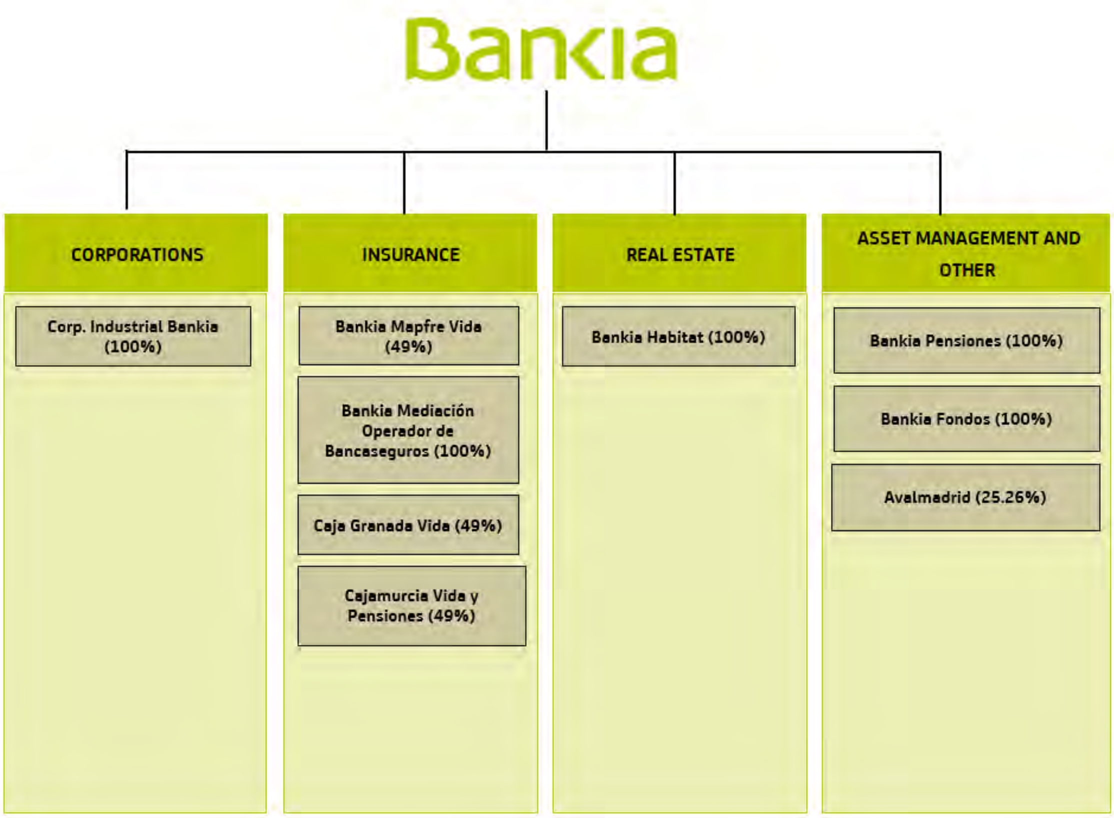
2.1.- Overview of Bankia Group and its organisational structure

Bankia is a financial group with a presence throughout all the national territory, with an activity that is mainly focused on traditional retail banking, corporate banking, asset management and private banking businesses.

Organisationally, Bankia is the Group's parent. At 30 June 2019, the consolidation scope comprised 57 companies between subsidiaries, joint ventures and associates, engaging in a range of activities, including the provision of finance, insurance, asset management, services, and real estate development and management.

Bankia does business mainly in Spain. The Group had total assets at 30 June 2019 of EUR 209,925 million. The Group's branch network at the end of the year's first half comprised 2,277 offices at the year-end. Section 2.3 below provides a breakdown of the branch office network by region.

BFA, Tenedora de Acciones, S.A.U. ("BFA"), is Bankia's biggest shareholder, with a 61.77% stake at 30 June 2019. The participations in the companies that make up the perimeter of consolidation of the Bankia group are maintained directly in Bankia's own portfolio or, indirectly, through different holdings, highlighting the following as the most relevant:



Bankia does business mainly in Spain. The Group had total assets at 30 June 2019 of EUR 209,925 million. The Group's branch network at the end of the year's first half comprised 2,277 offices at the year-end. Section 2.3 below provides a breakdown of the branch office network by region.

2.2.- Corporate governance

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

- **The General Shareholders Meeting** is the highest decision-making authority within the scope attributed to it by law or by the bylaws; e.g. the appointment and removal of Directors, the approval of the annual financial statements, the distribution of dividends, the acquisition or disposal of assets under the terms established by the Law or the approval of the Director Remuneration policy, among others.

- **The Board of Directors** is responsible for representation of the Company and has the broadest authority to administer the Company except for matters reserved for the General Shareholders Meeting. Its responsibilities include, inter alia, approving the strategic or business plan, management objectives and annual budgets, and determining the Company's general policies and strategies, the corporate governance policy for the Company and the Group, the responsible management policy, the control and risk management policies, and the dividend policy and supervising the functioning of any committees it may have set up and the actions of the delegate bodies.

There are **five Board committees**, whose members are appointed in accordance with their suitability based on their knowledge, aptitudes, experience and the duties of each committee.

Board of directors **The Board of Directors held 8 meetings during the first half of 2019**
(8 independent directors, 1 external director and 3 executive directors)
• Mr. José Ignacio Goirigolzarri Tellaeche. Executive Chairman • Mr. José Sevilla Álvarez. Chief Executive Officer • Mr. Antonio Ortega Parra. Executive Director • Mr. Joaquín Ayuso García. Independent Director • Mr. Francisco Javier Campo García. Independent Director • Mrs. Eva Castillo Sanz. Lead Independent Director (1) • Mr. Jorge Cosmen Menéndez-Castañedo. Independent Director • Mr. Carlos Egea Krauel. External Director • Mr. José Luis Feito Higueruela. Independent Director • Mr. Fernando Fernández Méndez de Andés. Independent Director • Mrs. Laura González Molero. Independent Director • Mr. Antonio Greño Hidalgo. Independent Director

(1) The appointment of Eva Castillo Sanz as Lead Independent Director will be effective once the pertinent regulatory authorisations are obtained.

Audit and Compliance Committee	
The Audit and Compliance Committee, among other functions, monitors the effectiveness of internal control, the internal audit, compliance and the risk management systems, and the preparation of regulated financial information. It makes proposals to the Board of Directors for the selection, appointment, re-election and replacement of the statutory auditors. It also conducts the necessary relations with the external auditor and examines and supervises compliance with Bankia's governance and compliance rules, among other responsibilities.	**Five executive directors, four external independent directors, and one external:** - Mr. Antonio Greño Hidalgo (Chairman) - Mr. Francisco Javier Campo García (Director) - Mr. Carlos Egea Krauel (Director) - Mr. José Luis Feito Higueruela (Director) - Mr. Fernando Fernández Méndez de Andés (Director) The Audit and Compliance Committee held 10 meetings during the first half of 2019.
Appointments Committee and Responsible Management Committee	
This committee has general authority to propose and report on the appointment and removal of directors and senior managers, determines the competencies, abilities, experience, diversity and knowledge required on the Board of Directors, and defines the functions to be performed and the aptitudes required of candidates to fill vacancies. It also assesses the time and commitment required for directors to be able to perform their duties effectively, examines and organises the succession plan for the governing bodies and reviews the corporate social responsibility policy. In addition, it monitors the strategy and practices for implementing that policy and assesses all aspects of the bank's social, environmental, political and reputational risks.	**Four external independent directors:** - Mrs. Eva Castillo Sanz (Chairwoman) - Mr. Joaquín Ayuso García (Director) - Mr. Francisco Javier Campo García (Director) - Mrs. Laura González Molero (Director) The Appointments Committee and Responsible Management Committee held 7 meetings during the first half of 2019.
Remuneration Committee	
The Remuneration Committee has general authority to propose and report on remuneration and other contractual terms and conditions of directors and senior managers, and must periodically review the remuneration programs, considering their appropriateness and utility, and ensuring transparency of remuneration and compliance with the remuneration policy set by the Company, among other responsibilities.	**Four external independent directors:** - Mrs. Francisco Javier Campo García (Chairman) - Mr. Joaquín Ayuso García (Director) - Mr. Jorge Cosmen Menéndez-Castañedo (Director) - Mrs. Laura González Melero (Director) The Remuneration Committee held 6 meetings during the first half of 2019.
Risk Advisory Committee	
The Risk Advisory Committee advises on the overall propensity of risk and the risk strategy, overseeing the pricing policy, presenting risk policies and proposing to the Board the company's and Group's risk control and management policy through the Internal Capital Adequacy Assessment Process (ICAAP). Supervises the internal control and risk management function and proposes the system of credit risk delegation to the Board of Directors, among other responsibilities.	**Four external independent directors:** - Mr. Joaquín Ayuso García (Chairman) - Mrs. Eva Castillo Sanz (Director) - Mr. Fernando Fernández Méndez de Andés (Director) - Mr. Antonio Greño Hidalgo (Directors) The Risk Advisory Committee held 17 meetings during the first half of 2019.
Board Risk Committee	
It is an executive body with responsibility for approving risk-related decisions within the scope of authority delegated by the Board of Directors, and guides and administers the exercise of delegated authority by lower-ranking bodies. It approves important transactions and defines overall risk limits. It is also reports to the Board of Directors on any risks that may affect the Bank's solvency, recurring results, operations or reputation, among other responsibilities.	**An Executive director and two external independent directors:** - Mr. José Sevilla Álvarez (Chairman) - Mrs. Eva Castillo Sanz (Director) - Mr. Fernando Fernández Méndez de Andés (Director) The Board Risk Committee held 17 meetings during the first half of 2019.

The **Board's policy** is to delegate ordinary Company management to the management bodies and management team and to concentrate its work on the **general supervisory** function and consideration of those matters that are of particular importance to the Company.

In relation to the above, the Board of Directors defined a **Corporate Governance System** that ensures healthy, prudent management of the Company and that provides for an appropriate distribution of functions within the organization and the prevention of conflicts of interest. The Board oversees the application of this system and regularly monitors and assesses its effectiveness, taking whatever measures are necessary to resolve possible deficiencies.

One of Bankia's main priorities is to align its corporate governance with Spanish and international best practices. In particular, in compliance with requirements in domestic and European banking regulations and the recommendations and principles of good governance contained in the Code of Best Practices of supervisors and regulators, Bankia has the Corporate Governance System as a general framework for internal organization affecting the Bank and all the companies that make up the Bankia Group.

The system of corporate governance covers and guarantees the proper functioning of internal governance, thereby assuring healthy, prudent management of the Entity and its Group, the core objective being to satisfy the corporate interest, understood as the common interest of all shareholders of an independent, public limited company focused on the profitable and sustainable pursuit of its objects and the creation of long-term value. The main priorities are:

- To ensure a correct distribution of functions within the organisation
- To prevent and resolve conflicts of interest
- To establish a transparent framework for relations between Bankia and its shareholders

The system embodies the Group's corporate values with respect to business ethics and corporate social responsibility and is backed by the principles of good governance developed by the Company based on the recommendations of the Good Governance Code of the listed companies.

A key part of the system of corporate governance is the set of rules and regulations, which provides a Group-wide internal control framework. They comprise a set of internal rules that regulate the Company's corporate governance and the operational functioning, basically made up of corporate texts (Corporate Bylaws, General Meeting Regulations, Board of Directors Regulations and, more recently, the Regulations of the Audit and Compliance 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.

Turning to director appointments, on 25 February 2019, the Board of Directors agreed to nominate de Eva Castillo Sanz as Lead Independent Director in place of Joaquín Ayuso García after his term of office expired. The appointment is contingent on the pertinent regulatory authorisations.

Also, on 25 February 2019, the Board of Directors, in line with best corporate governance practices, agreed to renew the composition of the various Board committees.

The appointment of Laura González Molero as Company director in the category of independent director was ratified at the Ordinary General Meeting of Shareholders held on 22 March 2019. She was appointed by co-option under a resolution adopted by the Board of Directors at a meeting held on 25 October 2018.

In addition, as a result of director's Carlos Egea Krauel resignation from his executive duties on the Board of Directors, retaining his status as director, the Board approved a resolution to assign him the category of other external director, with effect from 28 June 2019. With effect from the same date, Mr. Egea Krauel was also appointed member of the Audit and Compliance Committee.

Pursuant to these resolutions, the Board of Directors of Bankia is now composed of 12 directors, of which eight are independent directors, one is other external and three are executive directors. This means that 66.67% of the members of Bankia's Board of Directors are independent directors. This level complies with the Good Governance Code of Listed Companies, which recommends that independent directors occupy at least half of board places.

Bankia also has a **Management Committee**, currently composed of twelve members pursuant to a resolution by the Board of Directors on 24 January 2019 to change to the Bank's organisation to drive its transformation and that of its businesses, creating five new deputy general directorates -Finance, Credit Risks, People and Culture, Transformation and Digital Strategy, and Asset Management and Investees-.

Therefore, the Management Committee was composed of: the Chairman of the Board of Directors, José Ignacio Goirigolzarri, the Chief Executive Officer, José Sevilla, the Executive Director and General Manager of People, Resources and Technology, Antonio Ortega, the General Secretary and Deputy General Director of the General Secretariat, Miguel Crespo, the Deputy General Director of Communication and External Relations, Amalia Blanco, the Deputy General Director of Retail Banking, Eugenio Solla, the Deputy General Director of Asset Management and Investees, Fernando Sobrini, the Deputy General Director of Business Banking, Gonzalo Alcubilla, the Deputy General Director of Financial Management, Leopoldo Alvear, the Deputy General Director of Credit Risks, Manuel Galarza, the Deputy General Director of People and Culture, David López and the Deputy General Director of Transformation and Digital Strategy, Carlos Torres.

2.3.- Business model

The Bankia Group is a franchise with a presence throughout Spain, focusing on Retail and Business Banking, and a strategy focused on growing in multi-channel business. The main objective of its activity is to create sustainable, recurring long-term value, to respond to the expectations of its shareholders, customers, employees and society at large. Accordingly, the Bankia Group's business model is characterized by its customer focus, providing a service that is close to customers, professional and tailored to customers' needs at all times. With this purpose, the commercial model of the Bankia Group, is structured in three main business lines:

- Retail Banking
- Business Banking
- Corporate Centre.

Note 1.12 of the Bankia Group's condensed consolidated interim financial statements (interim financial statements) provides a breakdown of the results of each business line during the first half of 2019 and 2018, as well as the key balance sheet items at the end of 30 June 2019 and 31 December 2018.

Bankia Group carries out its business through a network of 2,277 branches, distributed geographically as follows:

Autonomous communities	Branches number
Andalucía	321
Aragón	10
Asturias	11
Baleares	146
Canarias	103
Cantabria	20
Castilla - La Mancha	103
Castilla - León	125
Cataluña	135
Ceuta	5
Extremadura	9
Galicia	22
La Rioja	51
Madrid	631
Melilla	1
Región de Murcia	163
Navarra	3
País Vasco	17
Valencia	401
TOTAL BRANCHES	**2,277**

Retail Banking

Retail Banking includes retail banking activity with legal and natural persons with annual income of less than EUR 6 million, distributed through a large multi-channel network in Spain and operating a customer-satisfaction and asset management profitability business model. It also includes the Corporate Directorate of Private Banking and Asset Management, as well as Insurance Banking Directorate.

Retail banking is a strategic business for Bankia; it is one of Spain's leading financial institutions in this segment. The Bank focus its efforts on traditional banking products, such as mortgages, consumer loans, direct deposit of salary and pension, credit cards, payments of bills, insurance, investment and pension funds, and other asset management services, in the latter case for high net worth customers requiring specialist financial and tax advice.

This area focuses on ***retail activity*** following a universal **banking model**. Its objective is to achieve customer satisfaction and loyalty, retaining customers and, providing them with added value in products and services, and in advisory, and service quality, thereby increasing its satisfaction rate with Bankia. For it, it segments his clients offering specialized attention, as well as products and services adapted to every segment that allow to realize an integral advice of the client depending on the needs of every type of client (particular clients, personal banking customers, private banking, self-employed workers, SMEs and trades). This segmentation allows Bankia to assign specific customers a specialised manager responsible for their overall relationship with the Bank, which increases satisfaction and generates new business opportunities. Moreover, with a view to offering families a comprehensive commercial service, ensuring that they are provided with the same quality as the biggest customers, all customers of each family group are assigned the same manager. This way, we simplify their dealings with Bankia, while enhancing the service Bankia offers them.

The **main objectives and future strategies of the Bankia Group to continue driving retail banking activity** in the short and medium-term focus on improving margins and profitability, increasing lending to individuals, controlling non-performing loans and gathering deposits. And all of this with a customer-focus approach.

The alignment with its needs, understood as something dynamic, is what inspires Bankia's planning and strategy for the development of the Personal Banking business.

During the first half of 2019, Retail Banking continued to focus on a loyalty strategy with **retail customers** which began on January 2016, eliminating fees and commissions for customers with payroll and direct income deposit. The “We remove your fees” strategy has become a cornerstone for the Bank with retail customers. Following the merger with BMN, over 4.4 million retail customers no longer pay fees by benefiting from the advantages of this commercial strategy. This strategy also is applied to autonomous clients with social domiciled insurances, SMEs and self-employed professionals

Another strategic product for Bankia, which saw further improvements during the first half of 2019, is consumer finance, mostly customers that were pre-approved for financing, enabling them to take out products with Bankia in less than a minute through any of the Bank's channels. This is rounded off with a permanent offer of personalised financing for the times when the customer needs it most. To strengthen the consumer lending business, Bankia and Crédit Agricole set up a joint venture in 2018 (“CA CF – Bankia, S.A.) specialising in point-of-sale consumer finance, 51%-owned by Crédit Agricole and 49% by Bankia. The products to be marketed by the JV include personal and consumer loans, consumer appliance leasing, revolving credit lines and loyalty cards. The JV will market its products exclusively in Spain through non-banking channels.

Bankia’s distribution network is composed of a finely meshed **branch network**, a complementary agency network (spearheaded by Mapfre) that gives the bank a valuable competitive advantage, and a low-cost multi-channel distribution network (e.g. ATMs, Internet, Mobile and Telephone Banking).

With the aim of strengthening its competitive positioning, based on its relationship with customers, Bankia’s commercial model is based on a segmented branch network in which universal branches, business branches, private banking centres, +Valor offices (oriented to multichannel consumers) and the new ‘agile’ branches coexist. Agile branches are a new type of branch launched by Bankia in a pioneering move in the Spanish financial system that allows it to deliver quality, fast service to the transaction-intensive customers, to free up time for the rest of the branches, so they can devote more time to advisory services and commercial actions. The offices have longer opening hours and are equipped with a large number of ATMs and quick service cashier positions, covering the areas with the largest concentration of transaction-intensive customers.

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 to use the online broker. Amongst these are, the “Conecta con tu Experto” (“connect with your expert”) service, provided though multi-channel managers integrated in the multi-channel branches, that is directed to customers requiring a personalised service. These customers interact with Bankia in over 90% of the cases through remote channels and, based on their current value and/or commercial upside, require more pro-active selling and personalised service.

Within Retail Banking, the ***financial advisory*** and ***private banking*** business are geared towards the high-wealth or high-income individual customers, investment companies or foundations. Bankia offers these customers a comprehensive range of products and services with highly personalised, professional and reliable treatment, providing them with solutions that are tailored to their financial or tax needs. The main private banking business lines are wealth management and advisory, the sale of third-party financial products, intermediation in the trading of securities and advisory regarding the securities market.

Bankia Fondos and Bankia Pensiones are responsible for ***asset management*** which provide financial products to the retail network.

Bankia owns 100% of Bankia Fondos SGIIC and has marketing agreements with international fund managers for certain niche products. Bankia’s investment fund manager offers a wide range of competitive, high quality products in all categories (money market, fixed income, equity, mixed, guaranteed, global, etc.), in both Spain and abroad. This variety allows it to meet the needs of different customer profiles, from the most conservative, whose priority is capital preservation, to the more adventurous, and who are willing to take certain risks in the interest of a higher return.

In pension funds, significant efforts have been made to encourage long-term saving, highlighting the need to address the situation of savings to supplement future pensions sufficiently in advance. Pension fund advisory services and simulation tools are the main marketing tools for these retirement saving products.

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.

Bankia’s ***Bancassurance*** department is in charge of coordinating and promoting the insurance brokerage activity at Bankia and provides specialised support to the branches for the marketing of insurance product for individuals (life, home, auto, health and saving) and businesses (comprehensive trade, credit insurance, general liability and comprehensive business).

The Bancassurance department defines the framework for relations with partner insurance companies based on the strategic alliances entered, with the aim to boost the contribution from the sale of insurance products to the Entity's fees and commissions.

The distribution model is under constant development to bring marketing and sales processes in line with customer needs across the main sales channels (physical, assisted distance and digital) as the Bank seeks to unlock the value of an enhanced and more effective single distribution model for the entire network. The Bank is also driving new initiatives in a bid to maximise its results from this business.

During the first half of 2019, the activity focused on boosting production of insurance, increasing product penetration among Bankia customers and raising the contribution to the Entity's income statement, simplifying operations in branches to boost productivity per employee, tailoring products to the needs of customers from the bancassurance channel, promoting remote channels for arranging insurance and accompanying the Bank on its digital transformation, maximising its potential.

In addition to providing support and advice to the distribution networks and employee training, during the first half of 2019, Bancassurance is continuing to improve support for in-branch sales and portfolio management, as well as after-sales service. Progress was also made in optimising commercialisation systems and in streamlining procedures for arranging insurance and managing the portfolio, not only through the traditional branch network but also new channels, which now have added features and functionalities to enhance the customer experience.

Business Banking

Business Banking targets legal entities with annual income more than EUR 6 million (Corporate banking) as well as the Capital Markets activity. Other customers, legal entities or self-employed professionals with income below this figure fall into the Retail Banking category.

The customer basis is highly diversified between different productive and economic sectors, especially commerce, manufacturing and service sector followed by supply and construction. Bankia has traditionally had a large number of customers in the medium and large company segment in two of the three biggest business markets: Madrid and Comunidad Valenciana. Bankia also has good penetration rates among companies in other regions where it is a strong player such as Andalucía, La Rioja, the Canary Islands or Castilla la Mancha.

Bankia Group **business model** in this segment is customer-oriented and strongly supported by specialist teams, which focus on long-term profitability and customer management, providing good service to customers, especially financing for their business ventures.

Business model distinguishes between different segments and distribution channels:

- **Business Banking.** Business Banking targets growth in the banking business of companies with annual revenue of over EUR 6 million (excluding those belonging to the corporate segment). It has a network of centres throughout Spain, concentrated in the regions with the greatest business activity. A network of specialist managers is responsible for serving customers and bringing in business. They are assigned a limited number of customers -structuring portfolios where the region's critical mass allows based on the business's revenues- so that they can provide personalised service. The managers also receive support by teams of experts in legal, tax, risk approval and management, marketing and specialised products.

- **Corporate Banking**. This segment caters to Bankia's largest accounts, which have several common denominators: the size of the businesses (over EUR 300 million in annual sales), groups comprising a large number of companies, and the demand for more complex and sophisticated financial services. Commercial coverage of Corporate Banking customers is provided by three centres, in Madrid and Barcelona, and Palma de Mallorca, the latter specialised in dealing with customers from the Hotel business. When selling products and services, Corporate Banking managers work 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) and the active search for cross-selling opportunities, efficiency in capital consumption by including the RaR (Risk adjusted Return) approach to transactions.

The prices offered to customers take into consideration the cost of funds, the customer’s risk ––which is determined through advanced internal models validated by the Bank of Spain–– and their level of engagement with the Bank.

The objectives of the teams are to contribute business volume and results, cross-selling and close supervisions of risks, to provide financial support to business ventures with a view to establishing long-term relationships with customers.

To control and manage risk, there are Business Banking teams that report hierarchically and functionally to the Corporate Risk Department, whose objective is to analyse risks, sanction them as appropriate, and monitor them as needed. There are risk analysis and approval teams specialised in businesses some of them centralised teams provide support to transactions with large corporations and institutions. The rest are not centralised in business directions.

2019 will continue to open new possibilities with business with large corporations for two reasons: 1) the lifting of the operating and business restrictions included in the Bank's restructuring plan; and 2) the integration of BMN customers. Regarding restrictions, the Bank raised long-term finance again in 2018 for investment grade companies and companies with access to capital markets, thereby expanding the potential business base. At the same time, in terms of products, we can be more active in project finance operations. Regarding customers, from the beginning of 2018, BMN's integration increased the Bank's base of business companies with annual revenue of over EUR 6 million. Having service staff specialised in customers with higher turnover and working harder on relational quality on all business fronts should present opportunities with the Bank's new customers in short and middle-term.

Corporate Centre

The Corporate Centre includes the rest of the businesses and activities other than Retail Banking and Business Banking, including, among others, Investees and Non-current assets held for sale.

Customer service and multi-channel network

Amid an increasingly competitive environment, Bankia's over-riding objective is to maximise customer satisfaction and loyalty. The Bank's activity places priority on delivering an increasingly efficient and higher quality service, striving to always satisfy customers' needs and expectations.

Technological progress and the development of the information society have given rise to new ways of providing service to bank customers, with tools such as the web or mobile phone becoming increasingly important. As a result, providing appropriate multi-channel customer service is one of the priorities.

In line with its growing multi-channel and digital banking strategy, one of the pillars of the Group's commercial position, noteworthy is that Bankia was Spain's first bank to offer customers all the digital payment platforms available in the market, after reaching agreements with the leading players (Apple Pay, Samsung Pay, Google Pay, PayPal, Bizum). In this line, "Oficina Internet" (Internet Office) and the new Bankia app, with improved innovative features during the first half of 2019 to make it easier for customers to take out products and contact the Bank.

Additionally, Bankia has continued to market "Cuenta On", launched on November 2016. Also, this year, Bankia has strengthened "Bankia online", the net internet office for retail customers, which was launched in 2017 and continued promoting new business models through "Open Business", and its main component, "Bankia Connect". Several third-party platforms have been integrated through the latter, including PayPal, Zankyou and MTV, while the capability of taking out credit and debit cards from third-party platforms was also developed.

Digitalisation is one of the key growth drivers in the 2018-2020 Strategic Plan for the coming years, above all in the area of payment methods. By the plan's conclusion, over 65% of bank customers will be digital and over 35% of purchases will be made via digital channels.

Significant strides were made in the Bankia Group's multi-channel strategy during the first half of 2019, cementing many of the projects initiated in previous years, which have driven considerable growth in the multi-channel and digital customer bases. At the end of June 2019, digital customers were overcoming 3.5 million, one 9.4% more than in December 2018.

Bankia's big project in terms of digital service for customers is "Conecta con tu Experto" (connect with your expert), a free and remote specialist advisory service, which is key to delivering multi-channel customer services, especially to the more digital customers. In this service, Bankia assigns a personal manager which customers can contact through the telematics means of their choice, by phone, e-mail, virtual chat, etc., who can provide personalised service and do away with waiting times. All types of banking transactions can be performed through this service, except cash withdrawals. At the end of June 2019, the service "Conecta con tu experto" had more than 745,000 users.

The initiatives undertaken until now, coupled with advances in the multi-channel strategy to be rolled out in the coming years, are designed to enhance customer satisfaction and attract new customers to the Bankia Group. While the results obtained in recent years are encouraging, more work needs to be done.

3.- ACTIVITY AND RESULTS

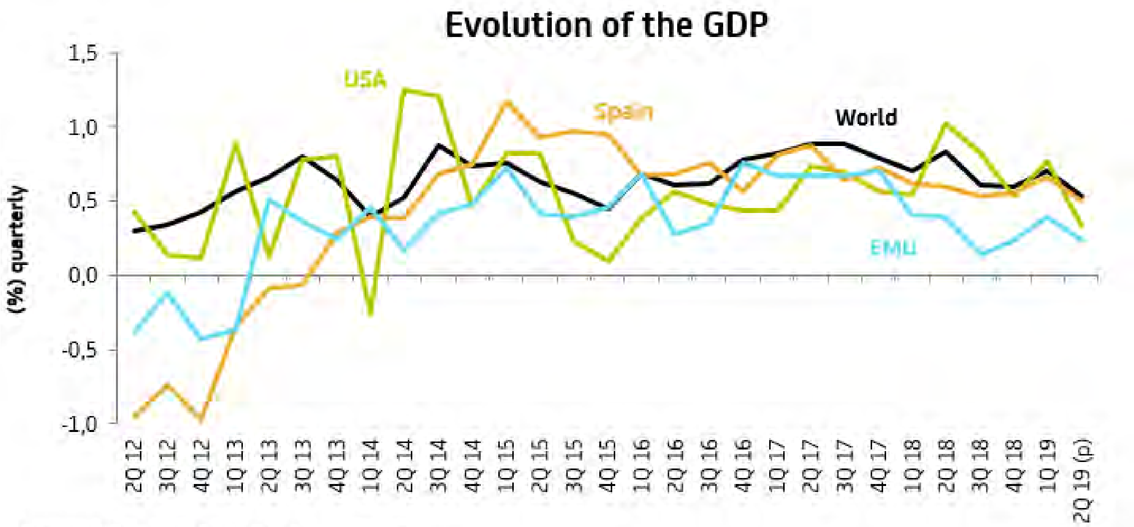
3.1.- Economic and financial backdrop

World economic growth in the first half of the year exceeded forecasts, but slowdown seen in 2018 persisted (signs of the cycling coming to an end). The US economy continued to fare well, led by growth in domestic demand, although the pace eased in the second quarter to an estimated annualised rate of 1.5% (half the level of the first quarter). The EMU delivered another modest performance in the first half this year (with estimated annualised growth of 1.3%), undermined by the uncertainty caused by Brexit (all options are still possible), Italy's political and fiscal situation, and the US-led trade war.

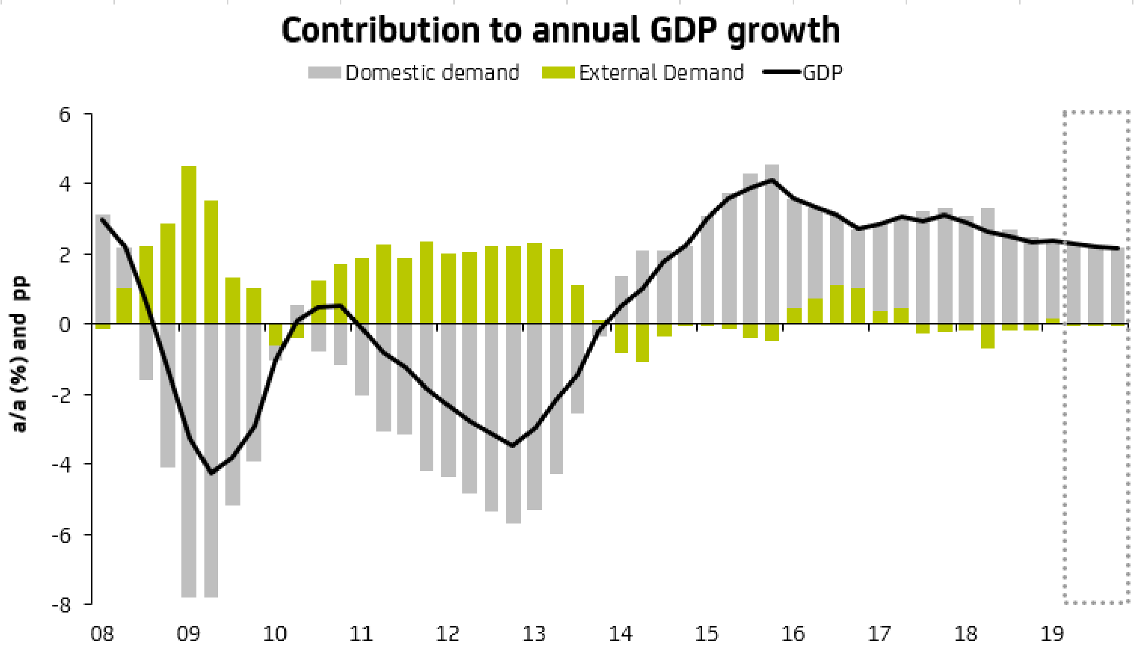
Inflation was still lower than expected (1.2% in the EMU in June), while the long-term inflation rate priced in by markets in June was below initial forecasts as a result of deflation in 2016. This absence of price pressure lends stability amid doubts as to whether the global economy can continue growing since it does not constrain monetary policy. Indeed, the main central banks' stance in favour of expansionary measures increased throughout the period and especially in June. The ECB has hinted that it may cut its interest rates again and resume its asset purchases, while the Fed has also appeared willing to lower rates.

These developments pushed money market rates down, with the 12-month Euribor rate reaching a new all-time low (of -0.214% in June). They are also positive for both public and private fixed income, causing the volume of bonds with negative yields to reach its highest level ever. Among public debt, Spanish bonds performed well, with the yield on the 10-year bond falling by more than one percentage point through June, to around 0.4%.

In Spain, economic activity remained buoyant in the first half of 2019, with a 0.6% GDP growth in the second quarter, according to Bank of Spain figures. Domestic demand remained sound thanks to the recovery by wage income and a strong job market. However, the external sector remained weak, undermined by the global slowdown in trade and industrial activity. On the bright side, there was nearly a half a million new Social Security registrations in the period, taking the total at 30 June to slightly over 19.5 million, a new record high. Despite the worse balance of trade, the Spanish economy is still generating net lending capacity, although it is at its lowest since 2013 (1.2% of GDP).



Sources: Refinitiv and Bankia Estudios . (p) forecast



Sources: INE and Bankia Estudios.

In the banking sector, asset quality indicators continued to improve, while the stock of credit fell further on the back of declines in lending to businesses. Meanwhile, household lending has been growing for nearly a year now. The performance of new loans across sectors remained mixed, with growth in household lending driven by demand for consumer finance and home purchases and decreases in lending to the business sector. Deposit-taking featured a good performance by retail deposits, which rose further while assets of investment funds rebounded after the poor market performance in May, ending the second quarter in the black.

On the regulatory front, after two years of negotiations, the “EU Banking Reform Package” presented by the European Commission in November 2016 was approved. It comprises a set of rules to complete the banking union, incorporating into European regulations the latest Basel III standards, which have yet to be transposed, and the international loss absorption capacity requirement, or TLAC (“Total Loss Absorption Capacity”). The bulk of the regulation will not be effective until the end of 2020 or middle of 2021.

3.2.- Key figures data

KEY FIGURES DATA - BANKIA GROUP

Balance (Millions of euros) (*)	jun-19	dec-18	Variation
Total assets	209,925	205,233	2.3%
Loans and advances to customers (net)	120,347	118,295	1.7%
Balance sheet customer funds	147,628	144,680	2.0%
Customer deposits	130,563	126,319	3.4%
Debt securities issued	17,066	18,360	(7.1%)
Total customer managed funds (1)	173,781	169,254	2.7%
Total turnover (2)	294,128	287,549	2.3%
Equity	13,341	13,189	1.2%

Solvency and leverage (*)	jun-19	dec-18	Variation
Common Equity Tier 1 (CET 1) - BIS III Phase In	14.08%	13.80%	+0.28 p.p.
Total capital ratio - Total BIS III Phase In capital	17.86%	17.58%	+0.28 p.p.
BIS III Risk weighted assets	81,825	82,380	(0.7%)
Phase In Leverage Ratio (Delegated Regulation No 62/2015)	6.04%	6.09%	(0.05) p.p.

Risk Management (millions of euros and %) (*)	jun-19	dec-18	Variation
Total risk	130,810	129,792	0.8%
Non-performing loans (NPEs)	7,514	8,416	(10.7)%
Provisions for credit losses	4,122	4,593	(10.3)%
NPL ratio	5.7%	6.5%	(0.8) p.p.
Hedging ratio	54.9%	54.6%	+0.3 p.p.

Profit / Losses (Millions of euros) (*)	jun-19	jun-18	Variation
Net interest income	1,018	1,047	(2.8%)
Gross income	1,671	1,841	(9.2%)
Operating income /(expenses) before provisions	759	897	(15.4%)
Operating income /(expenses)	573	726	(21.1%)
Profit/ Loss before tax from continuing operations	540	681	(20.7%)
Profit/ Loss	400	515	(22.2%)
Profit attributable to the dominant entity	400	515	(22.3%)

Key ratio (%)	jun-19	jun-18	Variation
Cost to income (3)	54.6%	51.3%	+3.3 p.p.
ROA (4)	0.4%	0.5%	(0.1) p.p.
RORWA (5)	1.0%	1.2%	(0.3) p.p.
ROE (6)	6.3%	8.3%	(2.0) p.p.
ROTE (7)	6.5%	8.5%	(2.0) p.p.

Bankia's share	jun-19	dec-18	Variation
Number of shares in issue (millions)	3,070	3,085	(0.5%)
Closing price	2.08	2.56	(18.8%)

Additional information	jun-19	dec-18	Variation
Nº of employees	16,062	15,924	0.9%

(*) Interim Financial Statement amounts rounded to millions of euros.
(1) Comprises customer deposits marketable debt securities and off balance sheet funds managed.
(2) Comprises net loans and advances to customer, on and off balance sheet client managed funds.
(3) Administration and amortization costs / gross margin.
(4) Profit/ Loss/ average total assets.
(5) Profit/ Loss attributable to owners of the parent/ risk weighted assets.
(6) Profit/ Loss attributable to owners of the parent/ average own funds.
(7) Profit/ Loss attributable to owners of the parent/ average tangible own funds.

3.3.- Highlights and changes in the balance sheet

BALANCE SHEET - BANKIA GROUP

(millions of euros) (*)	jun-19	dec-18	Variation dec -18 Amount	%
Cash, cash balances at central banks and other demand deposits	8,117	4,754	3,363	70.8%
Financial assets held for trading	6,971	6,308	663	10.5%
Derivatives	6,787	6,022	764	12.7%
Debt securities	180	282	(102)	(36.1%)
Equity instruments	4	4	(0)	(5.7%)
Non-trading financial assets mandatorily at fair value through profit or loss	10	9	1	12.2%
Debt securities	0.20	0.19	0	8.6%
Loans and advances to customers	10	9	1	12.3%
Financial assets at fair value through other comprehensive income	14,391	15,636	(1,245)	(8.0%)
Equity instruments	84	76	8	9.9%
Debt securities	14,307	15,559	(1,252)	(8.0%)
Financial assets at amortised cost	158,630	156,461	2,169	1.4%
Debt securities	33,199	33,742	(543)	(1.6%)
Loans and advances to central banks	0.03	0.00	0.03	-
Loans and advances to credit institutions	5,095	4,433	661	14.9%
Loans and advances to customers	120,337	118,286	2,051	1.7%
Derivatives – Hedge accounting	2,503	2,627	(124)	(4.7%)
Investments in joint ventures and associates	424	306	118	38.6%
Tangible and intangible assets	3,113	2,487	625	25.1%
Non-current assets and disposal groups classified as held for sale	3,323	3,906	(584)	(14.9%)
Other assets	12,443	12,728	(285)	(2.2%)
TOTAL ASSETS	**209,925**	**205,223**	**4,702**	**2.3%**
Financial liabilities held for trading	7,022	6,047	976	16.1%
Derivatives	6,727	5,925	802	13.5%
Short positions	295	122	173	141.9%
Financial liabilities at amortised cost	186,262	181,869	4,393	2.4%
Central bank deposits	13,874	13,856	18	0.1%
Deposits of credit institutions	23,388	21,788	1,600	7.3%
Customer deposits	130,563	126,319	4,243	3.4%
Debt securities issued	17,066	18,360	(1,295)	(7.1%)
Other financial liabilities	1,372	1,545	(174)	(11.2%)
Derivatives - hedge accounting	86	183	(97)	(52.9%)
Provisions	1,842	1,922	(80)	(4.1%)
Remaining liabilities	1,371	2,013	(642)	(31.9%)
TOTAL LIABILITIES	**196,583**	**192,033**	**4,550**	**2.4%**
Minority interests (non-controlling interests)	13	12	1	8.2%
Other accumulative results	291	147	144	97.4%
Own funds	13,037	13,030	7	0.01%
TOTAL EQUITY	**13,341**	**13,189**	**152**	**1.2%**
TOTAL EQUITY AND LIABILITIES	**209,925**	**205,223**	**4,702**	**2.3%**

(*) Interim Financial Statement amounts rounded to millions of euros.

- **Summary of Group Activities**

The Bankia Group ended June 2019 with EUR 209,925 million of total assets, 2.3% higher than at 31 December 2018 due to the surplus liquidity deposited at the Bank of Spain and the increase in loans and receivables.

Customer loans raised 1.7% as a result of prepayments to the public sector and the raise of new formalisations, offsetting natural maturities of the mortgage portfolio and the sustained reduction in doubtful assets. New loans continued to grow at a healthy pace in the first half of 2019, mainly with loans to individuals in the form of mortgages and consumer loans.

In customer funds, there was further growth in the most liquid and lower cost deposits (i.e. current accounts) which continued to attract large proportion of funds withdrawn by customers from deposits with set maturity. With reference to the resources out of balance sheet, investment funds grow by 7.8% during the first half of 2019 due to the growing demand for these savings products and the organic growth of the Group's assets under management.

We now briefly comment the trends of the Bankia Group's key balance sheet items in the first half of 2019.

- **Loans and receivables**

Note 3 and Appendices VII and VIII of the notes to the Bankia Group's interim financial statements provide details on the Group's loan approval policies, NPL monitoring, debt refinancing and recovery policies with respect to credit risk.

Also provided in this note and appendices is the breakdown of credit risk by product and activities, as well as the distribution of Loan to Value (LTV) of secured loans, the maturity profile, the detail of refinancing and restructuring operations, along with additional information on loans for property development, home purchases and property assets foreclosed or received in payment of debts.

Therefore, from a management perspective, this point looks at trends in loans and receivables during the first half of 2019 and the main movements therein.

Under this item, **loans and advances to customers reported as financial assets at amortised cost** amounted to EUR 120,337 million, up 1.7% from 31 December 2018, both in public sector and financial and non-financial entities, offsetting the reduction in doubtful loans and the stock of mortgage loans.

Gross non-performing loans (NPLs) extended the downtrend seen in 2018, falling by EUR 860 million (-11.1%). The fall was both organic (lower gross NPL inflows and healthy pace of recovery), and due to credit portfolio sales in the first half of the year amounting EUR 439 million, gross. Part of the decrease in NPLs in the year was also due to the transfer to non-current assets held for sale of loans for EUR 286 million, gross, after the agreement for the sale with a third party, completion of which is contingent on compliance with the conditions precedent provided in the purchase-sale agreement.

Stripping out non-performing loans, the Group's performing loan portfolio has got up 2.1% from December 2018, underscoring the good performance of the Group's new loans as seen in the positive performance in loans to all sectors except households, where existing mortgages are maturing faster than new ones are being granted.

LOANS AND ADVANCES TO CUSTOMERS BANKIA GROUP BY COUNTERPARTY

			Variation dec -18	
(millions of euros) (*)	jun-19	dec-18	Amount	%
Government agencies	5,527	5,203	324	6.2%
Other financial companies	2,670	1,686	983	58.3%
Non-financial companies	36,382	35,753	629	1.8%
Households	79,498	79,854	(356)	(0.4%)
Gross loans and customer advances	**124,076**	**122,496**	**1,579**	**1.3%**
Impairment losses	(3,739)	(4,210)	471	(11.2%)
Net loans and customer advances	**120,337**	**118,286**	**2,051**	**1.7%**
Doubtful loans and advances	6,856	7,716	(860)	(11.1%)
Gross loans and customer advances excluding doubftul loans	**117,219**	**114,780**	**2,440**	**2.1%**

(*) Interim Financial Statement amounts rounded to millions of euros.

- **Debt securities**

Debt securities at 30 June 2019, recognised under "Financial assets held for trading", "Financial assets at fair value through other comprehensive income" and "financial assets at amortised cost" amounted to EUR 47,686 million compared to EUR 49,583 million at December 2018. The debt securities held in these portfolios- by Bankia Group by type of instrument, at 30 June 2019 and 31 December 2018 are as follows:

DEBT SECURITIES- BANKIA GROUP

(millions of euros) (*)	Financial assets held for trading	Financial assets designated at fair value through other comprehensive income	Financial assets at amortised cost	TOTAL PORTFOLIO
Spanish goverment debt securities	173	13,431	10,099	23,703
Foreign goverment debt securities	6	413	4,078	4,497
Financials institutions	1	18	25	44
Other straight fixed income securities (**)	0.3	446	19,005	19,452
Impairment losses and other fair value adjustments	-	(1)	(8)	(9)
Total at 30 June 2019	**180**	**14,307**	**33,199**	**47,686**
Spanish goverment debt securities	94	12,409	10,817	23,321
Foreign goverment debt securities	182	2,633	3,559	6,375
Financials institutions	-	28	30	58
Other straight fixed income securities (**)	5	490	19,343	19,839
Impairment losses and other fair value adjustments	-	(1)	(8)	(9)
Total at 31 December 2018	**282**	**15,559**	**33,742**	**49,583**

(*) Interim Financial Statement amounts rounded to millions of euros.
(**) Financial assets at amortised cost includes securities received as consideration for assets transferred to the SAREB in December 2012.

Of the total at the end of June 2019, EUR 18,842 million were SAREB bonds received as a result of the asset transfer carried out by the Group in 2012 and 2013. The remainder are comprises sovereign debt, mainly Spanish, and debt from other public and private issuers.

Changes were reported on the first half of 2019 in the portfolio of financial assets at fair value through other comprehensive income, which decreased EUR 1,252 million (-8%) on the figure reported at 31 December 2018 to reach EUR 14,307 million at 30 June 2019.

Meanwhile, the portfolio of assets at amortised cost decreased EUR 543 million to reach EUR 33,199 million. The decreases in both cases were due sales of government bonds, mostly Spanish, carried out in the period.

- **Financial liabilities at amortised cost**

Financial liabilities at amortised cost at 30 June 2019 stood at EUR 186,262 million, increase EUR 4,393 million (+2.4%) from December 2018. This performance was shaped by the higher volume of liquidity raised through customer deposits and repurchase agreements entered into with other credit institutions and clearing and settlement houses, offsetting wholesale maturities in the period.

FINANCIAL LIABILITIES AT AMORTISED COST - BANKIA GROUP

			Variation dec-18	
(millions of euros) (*)	jun-19	dec-18	Amount	%
Deposits from central banks	**13,874**	**13,856**	**18**	**0.1%**
Deposits from credit institutions	**23,388**	**21,788**	**1,600**	**7.3%**
Customer deposits	**130,563**	**126,319**	**4,243**	**3.4%**
Government agencies	6,825	6,608	217	3.3%
Other financial companies	7,719	8,218	(500)	(6.1%)
Non-financial companies	14,701	14,340	361	2.5%
Households	94,236	90,861	3,375	3.7%
Reserve repurchase agreement	884	44	840	-
Single mortgage bonds	6,198	6,248	(50)	(0.8%)
Securities issued	**17,066**	**18,360**	**(1,295)**	**(7.1%)**
Debt securities issued	**1,372**	**1,545**	**(174)**	**(11.2%)**
Other financial liabilities	**186,262**	**181,869**	**4,393**	**2.4%**

(*) Interim Financial Statement amounts rounded to millions of euros.

Deposits from central banks and deposits from credit institutions

Deposits from central banks totalled EUR 13,874 million at the end of June 2019, similar to the amount at 31 December 2018 (+18 million euros). All ECB funding (EUR 13,856 million) comprised the amounts acquired at the TLTRO II auctions.

Deposits from credit institutions amounted to EUR 23,388 million at 30 June 2019, rise 7.3% since the end of December 2018, caused by the greater volume of reverse repurchase agreements with other entities.

Customer deposits

Customer deposits at the Group totalled EUR 130,563 million at 30 June 2019, up EUR 4,243 million (+3.4%) since 31 December 2018. This change came in response to the growth of strict customer deposits in the first six months of the year and the higher volume of repurchase agreements entered into with clearing and settlement houses.

CUSTOMER DEPOSITS - BANKIA GROUP

			variación s/dic -18	
(millons of euros) (*)	jun-19	dec-18	Amount	%
Strict customer deposit	**123,481**	**120,028**	**3,453**	**2.9%**
Public sector	6,825	6,608	217	3.3%
Other financial companies	7,719	8,218	(500)	(6.1%)
Current accounts	5,204	5,731	(527)	(9.2%)
Term deposits (1)	2,515	2,488	28	1.1%
Non-financial companies	14,701	14,340	361	2.5%
Current accounts	12,734	12,034	700	5.8%
Term deposits	1,968	2,306	(339)	(14.7%)
Households	94,236	90,861	3,375	3.7%
Current accounts	64,460	59,632	4,827	8.1%
Term deposits	29,776	31,229	(1,452)	(4.7%)
Single mortgage bonds	**6,198**	**6,248**	**(50)**	**(0.8%)**
Reserve repurchase agreement	**884**	**44**	**840**	**-**
Total customer deposits	**130,563**	**126,319**	**4,243**	**3.4%**
Investment funds (2)	18,558	17,210	1,348	7.8%
Pension funds (2)	7,594	7,364	231	3.1%
Total off balance funds resources	**26,152**	**24,574**	**1,578**	**6.4%**

(*) Interim Financial Statement amounts rounded to millions of euros.

(1) Excluded single mortgage bonds, showed in a separate epigraph.

(2) Excludes off-balance-sheet customer funds marketed by the Group but managed by third parties outside the Bankia Group.

Within customer deposits, **strict customer deposits** excluding repurchase agreements, and one-off non-marketable mortgage-backed securities totalled EUR 123,481 million, increasing 2.9% from 31 December 2018. Highlights in the year an increase in funds deposited by the public sector and growth in the most liquid and lower cost (current accounts) resources of the retail network (households), and financial and non-financial corporations (companies), attracting part of the balances that customers are transferring out of deposits with agreed maturity, whose yields remained constant, in line with the trend of market interest rates. With low interest rates, the Bankia Group remained opting for a commercial policy aimed at offering customers higher-yielding off-balance sheet products, with more attractive yields, driving an 6.4% growth in off-balance sheet funds. Investment funds continued to deliver the best performance of any product thanks to healthy subscription.

The combined balance of strict customer deposits and off-balance sheet funds was broadly steady during the first half of 2019, increasing by EUR 5,822 million (+3.9%) from December 2018.

Debt securities issued and subordinated debt

Bankia has selective policy in fixed-income markets wholesale issuance, orientated to maintain the Group financial soundness, to adapt deal sizes to its structural liquidity needs and maintaining an appropriate funding structure. During the first half of 2019 featured a successful issuance of AT1 for EUR 2,475 million, of which EUR 2,000 million were issues of senior and subordinated debt made to roll over maturities and accumulate eligible liabilities ahead of the future regulatory MREL requirement, and EUR 475 million were new mortgage covered bonds issued in the period.

Despite the new senior and subordinate debt issues made at 30 June 2019, the balance of debt securities issued by the Group stood at EUR 17,066 million, down EUR 1,295 million on the figure reported at 31 December 2018. This reduction was a product of maturities and wholesale redemptions during the first half of the year, mainly in relation to mortgage covered bonds (mortgage bonds).

- **Provisions**

Provisions recognised on the Group's balance sheet at 30 June 2019 amounted to EUR 1,842 million, down EUR 80 million (-4.1%) from the amount recognised at 31 December 2018. The decrease was due primarily to the reversal of provisions for contingent liabilities in the period and the use of provisions related to employee pension funds, legal issues and provisions set aside to meet payment obligations relating to the Group's integration process following the merger with BMN (mainly for workforce restructuring and the cancellation of contracts).

- **Total equity**

At 30 June 2019 amounted to EUR 13,341 million, EUR 152 million more than at year-end 2018. Within equity, share capital at 30 June 2019 stood at EUR 3,070 million, EUR 15 million lower than at 31 December 2018. The decrease was the result of the capital reduction to cancel treasury shares carried out on 10 May 2019, as explained in Note 15 to Bankia Group's consolidated interim financial statements for the first half of 2019.

3.4.- Evolution of the income statement

INCOME STATEMENT - BANKIA GROUP

(millions of euros) (*)	jun-19	jun-18	Variation jun -18 Amount	%
Net interest income	**1,018**	**1,047**	**(29)**	**(2.8%)**
Dividend income	14	8	6	76.8%
Fee and comission income	29	29	(0)	(1.4%)
(Fee and comission expenses)	533	534	(1)	(0.1%)
Gain and losses on financial assets and liabilities	140	291	(151)	(52.0%)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair	143	270	(127)	(47.0%)
Gains or (-) losses on financial assets and liabilities held for trading, net	8	34	(26)	(76.6%)
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	1	0	1	952.8%
Gains or (-) losses from hedge accounting, net	(12)	(13)	1	(7.7%)
Exchange differences [gain or (-) loss], net	7	6	1	24.4%
Other operating income and other operating expenses, net	(70)	(74)	4	(5.4%)
Gross income	**1,671**	**1,841**	**(170)**	**(9.2%)**
Operating expenses	(912)	(944)	32	(3.4%)
Administrative expenses	(813)	(856)	43	(5.0%)
Staff costs	(571)	(596)	25	(4.3%)
Other administrative expenses	(243)	(260)	17	(6.7%)
Depreciation	(99)	(88)	(11)	12.2%
Pre impairment income	**759**	**897**	**(138)**	**(15.4%)**
Provisions or reversal of provisions	(45)	36	(81)	-
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(141)	(208)	66	(31.9%)
Total operating income	**573**	**726**	**(153)**	**(21.1%)**
Impairment or reversal of impairment of investments in joint ventures and associates	0	41	(41)	(100.0%)
Impairment or reversal of impairment on non-financial assets	(9)	(9)	(0)	4.3%
Other gains and losses	(23)	(76)	53	(69.6%)
Profit or (-) loss before tax from continuing operations	**540**	**681**	**(141)**	**(20.7%)**
Tax expense or income related to profit or loss from continuing operations	(140)	(166)	27	(16.0%)
Profit or (-) loss after tax from continuing operations	**400**	**515**	**(114)**	**(22.2%)**
Profit or (-) loss after tax from discontinued operations	-	-	-	-
Profit or (-) loss	**400**	**515**	**(114)**	**(22.2%)**
Attributable to minority interest [non-controlling interests]	1	0.2	1	273.9%
Profit or (-) Loss attributable to owners of the parent	**400**	**515**	**(115)**	**(22.3%)**
Main indicators				
Cost to income ratio (1)	54.6%	51.3%	+3.3 p.p.	6.4%
ROA (2)	0.4%	0.5%	(0.1) p.p.	(22.4%)
ROE (3)	6.3%	8.3%	(2.0) p.p	(24.1%)

(*) Interim Financial Statement amounts rounded to millions of euros.
(1) (Administrative expenses + Depreciation) / Gross income.
(2) Profit or (-) loss / Total assets.
(3) Profit attributable to owners of the parent / Own funds.

INCOME STATEMENT BANKIA, GROUP- QUARTERLY TREND

(millions of euros) (*)	2Q 19	1Q 19	4Q 18	3Q 18	2Q 18	1Q 18
Net interest income	**516**	**502**	**507**	**495**	**521**	**526**
Dividend income	14	1	3	0	7	1
Share of profit/(loss) of companies accounted for using the equity method	15	14	13	14	18	12
Total net fees and commissions	273	260	266	265	270	264
Gain and losses on financial assets and liabilities	102	37	30	90	152	139
Gains or (-) losses on the derecognition in financial assets and liabilities not measured at fair value through profit or loss, (net)	107	37	48	82	141	130
Gains or (-) losses on financial assets and liabilities held for trading, (net)	1	7	(7)	14	18	16
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	0.5	0.3	(0.2)	(0.3)	0.0	0.0
Gains or (-) losses from hedge accounting, (net)	(6)	(6)	(10)	(5)	(7)	(7)
Exchange differences [gain or (-) loss], net	4	3	4	5	5	1
Other operating income (-) expenses, net	(66)	(4)	(160)	(5)	(70)	(3)
Gross income	**858**	**813**	**662**	**865**	**903**	**939**
Operating expenses	(456)	(456)	(468)	(458)	(459)	(485)
Administrative expenses	(407)	(407)	(425)	(415)	(419)	(437)
Staff costs	(286)	(285)	(278)	(287)	(291)	(305)
Other administrative expenses	(121)	(122)	(147)	(128)	(128)	(132)
Depreciation	(49)	(50)	(43)	(42)	(40)	(48)
Pre impairment income	**402**	**357**	**194**	**407**	**444**	**453**
Provisions or reversal of provisions	(35)	(10)	(46)	(0)	24	13
Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss or modification gain or losses, (net)	(86)	(55)	(146)	(73)	(91)	(116)
Total operating income	**281**	**292**	**1**	**334**	**376**	**350**
Impairment or reversal of impairment of investment in joint-ventures or associates	0	0	0	0	41	0
Impairment or reversal of impairment on non-financial assets	(6)	(4)	(19)	(3)	(5)	(4)
Other gains and losses	(4)	(19)	(31)	(43)	(28)	(49)
Profit or (-) loss before tax from continuing operations	**271**	**269**	**(49)**	**288**	**384**	**297**
Tax expense or income related to Profit or Loss from continuing operations	(76)	(64)	7	(63)	(99)	(67)
Profit or (-) loss after tax from continuing operations	**196**	**205**	**(42)**	**224**	**285**	**230**
Profit or (-) loss after tax from discontinued operations (1)	0	0	1	5	0	0
Profit or Loss	**196**	**205**	**(40)**	**229**	**285**	**230**
Attributable to minority interest [non-controlling interests]	1	(0)	(0)	0	(0)	0
Profit or (-) Loss attributable to owners of the parent	**195**	**205**	**(40)**	**229**	**285**	**229**

(*) Interim Financial Statement amounts rounded to millions of euros.

(1) Figures for 4Q and 3Q 2018 include the profit/(loss) of Caja Murcia Vida and Caja Granada Vida from the acquisition of the entire share capital of the two companies in July 2018. As of 1Q 2019, the profit or loss of Caja Murcia Vida and Caja Granada Vida are accounted for using the equity method after the sale of 51% stakes in each companies to Mapfre Vida in March 2019.

INCOME STATEMENT BANKIA GROUP - HIGHLIGHTS

(millions of euros) (*)	June 2019 Amount	June 2019 % of gross income	June 2019 % of average total net assets	June 2018 Amount	June 2018 % of gross income	June 2018 % of average total net assets
Net income interest	**1,108**	**60.9%**	**1.0%**	**1,047**	**56.9%**	**1.0%**
Gross income	**1,671**	**-**	**1.6%**	**1,841**	**-**	**1.8%**
Operating expenses	(912)	(54.6%)	(0.9%)	(944)	(51.3%)	(0.9%)
Administrative expenses	(813)	(48.7%)	(0.8%)	(856)	(46.5%)	(0.8%)
Depreciation and amortization charge	(99)	(5.9%)	(0.1%)	(88)	(4.8%)	(0.1%)
Provisions or reversal of provisions	(45)	(2.7%)	(0.0%)	36	2.0%	0.0%
Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss or modification gain or losses, (net)	(141)	(8.5%)	(0.1%)	(208)	(11.3%)	(0.2%)
Total operating income	**573**	**34.3%**	**0.6%**	**726**	**39.4%**	**0.7%**
Impairment or reversal of impairment on non-financial assets Investments in joint ventures and associates	0	0.0%	0.0%	41	2.2%	0.0%
Impairment or reversal of impairment on non-financial assets	(9)	(0.6%)	(0.0%)	(9)	(0.5%)	(0.0%)
Other gains and losses	(23)	(1.4%)	(0.0%)	(76)	(4.2%)	(0.1%)
Profit or Loss before tax from continuing operations	**540**	**32.3%**	**0.5%**	**681**	**37.0%**	**0.7%**
Tax expense or income related to profit or Loss from continuing operatioı	(140)	(8.4%)	(0.1%)	(166)	(9.0%)	(0.2%)
Profit or (-) loss after tax from continuing operations	**400**	**24%**	**0.4%**	**515**	**28.0%**	**0.5%**
Profit or (-) loss after tax from discontinued operations	0	0.0%	0.0%	0	0.0%	0.0%
Profit or Loss	**400**	**24.0%**	**0.4%**	**515**	**28.0%**	**0.5%**
Attributable to minority interest [non-controlling interests]	1	0.0%	0.0%	0	0.0%	0.0%
Profit or (-) Loss attributable to owners of the parent	**400**	**23.9%**	**0.4%**	**515**	**27.9%**	**0.5%**

(*) Interim Financial Statement amounts rounded to millions of euros.

- **Earnings performance**

The Bankia Group reported net attributable profit of EUR 400 million in the first half of 2019, down 22.3% from the same period last year. The decrease was due mostly to lower gains and losses on financial assets and liabilities (lower income from fixed-income portfolio sales). The merger with BMN had a positive impact, driving a 5% year-on-year fall in administrative expenses. Income from the core banking business (net interest income and fee and commission income less administrative expenses and depreciation) was stable, amounting to EUR 639 million (compared to EUR 637 million at 30 June 2018).

Main movements in the Group's income statement items of the first half of the year 2019 are discussed below.

- **Net interest income**

Net interest income for the Bank totalled EUR 1,018 million, down EUR 29 million (-2.8%) due to the impact of the lower yield on fixed income securities following the sales and portfolio rotation carried out, higher finance costs of the excess liquidity earning negative rates and other non-interest bearing liabilities.

The following table shows trends in net interest income in the first half of years 2019 and 2018, with average balances of income and expenses for the various items comprising total investment and funds, and the impact of changes in volumes and prices on the overall trend in net interest income in the first half of years 2019 and 2018.

INCOME AND COST STRUCTURE - BANKIA GROUP

	June 2019			June 2018			Variation		Effect	
(millions of euros and %) (*)	Average balance	Income/ Expenses [1]	Type	Average balance	Income/ Expenses [1]	Type	Average balance	Income/ Expenses	Type	Volume
Financial income										
Credit institutions [1]	12,007	50	0.84%	7,038	45	1.30%	4,969	5	(16)	21
Loans and advances to customers (a)	118,135	1,013	1.73%	120,749	1.018	1.70%	(2,614)	(4)	18	(22)
Debt securities	50,422	163	0.65%	53,582	190	0.72%	(3,160)	(27)	(17)	(10)
Other interest bearing assets	1,024	7	1.32%	428	4	1.87%	596	3	(1)	4
Other non interest bearing assets	27.491	-	-	26,812	-	-	679	-	-	-
Total assets (b)	**209,078**	**1,233**	**1.19%**	**208,609**	**1,257**	**1.22%**	**469**	**(24)**	**(27)**	**3**
Financial expenses										
Credit institutions [1]	38,529	40	0.21%	37,563	25	0.13%	966	15	14	1
Customer deposits (c)	127,439	64	0.10%	126,628	82	0.13%	811	(19)	(19)	0
Strict customer deposits	120,858	21	0.03%	118,499	35	0.06%	2,358	(14)	(14)	0
Repos	346	1	0.68%	929	1	0.24%	(583)	0	2	(2)
Singular bonds	6,235	42	1.34%	7,200	46	1.30%	(964)	(5)	2	(6)
Debt securities issued	18,089	97	1.08%	19,072	97	1.02%	(983)	1	6	(5)
Other interest bearing liabilities	1,693	14	1.68%	1,192	6	0.94%	501	9	4	4
Other non interest bearing liabilitites	10,102	-	-	10,841	-	-	(740)	-	-	-
Equity	13,227	-	-	13,313	-	-	(86)	-	-	-
Total liabilities and equity (d)	**209,078**	**215**	**0.21%**	**208,609**	**210**	**0.20%**	**469**	**5**	**5**	**0**
Customer Margin (a-c)		**949**	**1.63%**		**935**	**1.57%**		**14**	**37**	**(23)**
Balance sheet differential (b-d)		**1,018**	**0.98%**		**1,047**	**1.01%**		**(29)**	**(32)**	**2**

(*) Interim Financial Statement amounts rounded to millions of euros.
(1) Includes central banks and credit institutions. Loans and advances to credit institutions includes negative interest arising from deposits from credit institutions (mainly TLTRO II and repo transactions), since, according to accounting regulations, income arising from the application of negative interest rates is recognised in accordance with the nature of the item.The opposite occurs with deposits from credit institutions.

Finance income was down 1.9% (EUR -24 million) in comparison with the first six months of year 2018 because of both prevailing rates (rotation of fixed income portfolios and lower rates from assets with financial institutions) and a reduction in volume (sales of fixed income portfolios, doubtful loans and natural maturities of credit stock, which are still outpacing the growing contribution made by new loans).

The Group's finance costs increased by 2.6% (EUR 5 million) from the first half of 2018, driven mainly by the higher negative rates earned on the surplus liquidity lent to other institutions and deposited at the Bank of Spain (recorded as interest expenses - financial corporations), the increase in finance costs arising from the remeasurement of employ pension obligations and the application of IFRS 16 to rentals from January 2019 (higher expense in “other interest bearing liabilities”).

Nevertheless, the margin on loans and advances to customers improved (+3 basis points to 1.73%) compared to the first half of 2018. This, coupled with the decrease in the finance cost of retail savings (-3 basis points to 0.10%), pushed up the customer margin by 6 bp to 1.63% from 1.57% at the end of June 2018.

The Group's net interest margin at 30 June 2019 stood at 0.98%, below the 1.01% net interest margin seen in June 2018.

- **Gross income**

Gross income for the Bankia Group amounted to EUR 1,671 million, down 9.2% year-on-year mostly due to the lower amount of gains and losses on financial assets and liabilities. Excluding the gains and losses on financial assets and liabilities, the decrease in gross income would have 1.2%. Net interest income and fee and commission income accounted for 92.8% of the Group's gross income at 30 June 2019, compared to 85.9% at 30 June 2018.

Net fees and commissions totalled EUR 533 million, in line with the earlier year figure (EUR 534 million). The first half of 2019 featured good performances by fees and commissions from security services (+11.9%), corporate operations design and framing (+16.2%), claim of debtor positions (+5.4%) and banking financial product sales (+0.9% in pension funds and insurance). This made up for the slight decrease in fee and commission income from collection and payment services, contingent liabilities and recovered written off assets.

NET FEES AND COMISSIONS - BANKIA GROUP

(millions of euros) (*)	jun-19	jun-18	Variation jun-18 Amount	Variation jun-18 %
Traditional banking	252	259	(7)	(2.8%)
Contingent liabilities and commitmentss	49	50	(1)	(2.7%)
Collection and payment services	203	209	(6)	(2.8%)
Banking financial product sales	174	172	2	0.9%
Investment funds	62	65	(3)	(5.1%)
Pensions funds	33	30	3	9.1%
Insurance and others	79	76	2	2.8%
Total fees and commissions and banking sales	**426**	**431**	**(6)**	**(1.3%)**
Other commissions income	**150**	**145**	**5**	**3.3%**
Security services	33	29	4	11.9%
Operations design and framing	17	15	2	16.2%
Recovered written off assets	1	4	(3)	(75.1%)
Claim of debtor positions	66	62	3	5.4%
Others	33	35	(2)	(4.8%)
Fees and commission income	**575**	**576**	**(1)**	**(0.1%)**
Fees and commission expenses	**42**	**42**	**0**	**(0.5%)**
Total net commissions	**533**	**534**	**(1)**	**(0.1%)**

(*) Interim Financial Statement amounts rounded to millions of euros.

Gains and losses on financial assets and liabilities has totalled EUR 140 million, 52% less than at 30 June 2018 mainly in response to the lower volume of fixed-income sales, mostly during the first six months of the year.

Other operating income and expenses showed a net expense of EUR 70 million at 30 June 2019, down EUR 4 million from the last year. It mainly includes the annual contribution paid to the Single Resolution Fund (SRF).

The other items comprising gross margin (dividends, share of other recognised income and expense of entities accounted for using the equity method and exchange differences) totalled EUR 50 million at June 2019, up EUR 7 million from the year earlier, thanks mostly to the larger dividend income (Sa Nostra Vida).

- **Operating expenses**

Operating expenses (administrative expenses and depreciation) fell by 3.4% to EUR 912 million at 30 June 2019, due to the realisation of the initial cost synergies after the merger with BMN. This decrease was in line with the objective of controlling costs and managing efficiency as a core element of the Group's strategy.

The Group's efficiency ratio (operating expenses/gross income) at 30 June 2019 stood at 54.6% versus to 51.3% registered at 30 June 2018.

ADMINISTRATIVE EXPENSES - BANKIA GROUP

(millions of euros) (*)	jun-19	jun-18	variation jun-18 Amount	variation jun-18 %
Staff costs	**571**	**596**	**(25)**	**(4.3%)**
Wages and salaries	419	457	(38)	(8.4%)
Social security costs	113	114	(0)	(0.1%)
Pension plans	26	10	15	143.6%
Others	13	15	(2)	(13.6%)
Other administrative expenses	**243**	**260**	**(17)**	**(6.7%)**
Real state, facilities and material	31	60	(29)	(48.4%)
IT and communications	103	95	8	8.7%
Advertising and publicity	28	25	2	9.4%
Technical reports	17	12	6	49.7%
Surveillance and security courier services	9	9	(0)	(2.9%)
Levies and taxes	15	14	1	7.4%
Insurance and self insurance premiums	2	2	0	0.4%
Other expensives	38	43	(5)	(12.4%)
Total administrative expensives	**813**	**856**	**(43)**	**(5.0%)**
Efficiency ratio	**54.6%**	**51.3%**	**+3.3 p.p.**	**6.4%**

(*) Interim Financial Statement amounts rounded to millions of euros.

- **Pre-provision operating income**

The evolution of operating income and expenses placed pre-provision profit´s margin in EUR 759 million at 30 June 2019, down EUR 138 million (-15.4%) on the amount reported in June 2018, since the cost savings were not enough to make up for the entire fall in gains and losses on financial assets and liabilities.

- **Provisions and write-downs**

Provisions, which include provisions for pending legal issues, tax litigation, commitments and guarantees given, and other provisions, amounted to EUR 45 million at 30 June 2019, mainly regarding the funds provisioned by the Group for the pending legal issues. Conversely, in June 2018 the Group recognised a positive figure of EUR 36 million due to reversals of provisions for issuer risk and other contingent liabilities in the year.

Impairment of financial assets not measured at fair value through profit or loss, which includes mainly provisions for credit losses, decreased by EUR 66 million (-31.9%) to EUR 141 million on the amount reported in June 2018.

Impairment of non-financial assets, mainly goodwill, property, plant and equipment, investment properties and inventories, amounted to EUR 9 million, unchanged from the year before. **Impairment of investments in joint ventures and associates** did not include any significant amount in the first half of 2019, whereas until June last year these impairment tests of the equity investments in associates and joint ventures did not uncover the need to make any additional allowances, giving rise to the reversal of impairment of EUR 41 million for the investment held in Caser.

The trends in the various items of provisions and impairments resulted in total charges at 30 June 2019 of EUR 196 million, up 40.2% from the amount endowed on the first half of 2018.

- **Other gains and other losses**

This item mainly includes impairment of the non-current assets held for sale (mainly, foreclosed real estate assets) of the Group and the extraordinary results of the sale of property and share stakes. At 30 June 2019, it shows a negative figure of EUR 23 million, down on the negative EUR 76 million reported in June 2018 since the current period's amount included the income from the sale of non-current real estate assets held for sale.

- **Attributable profit**

The Bankia Group obtained profit attributable to the parent in the first six months of 2019 of EUR 400 million, down 22.3% year-on-year due to the lower amount of gains and losses on financial assets and liabilities.

4.- ALTERNATIVE PERFORMANCE MEASURES

In addition to the financial information prepared in accordance with the criteria described in Note 1.3 on the interim financial statements, the Bankia Group uses certain alternative performance measures ("APMs") widely used in the banking sector as indicators for monitoring the management of the Group's assets and liabilities and its financial and economic position. In compliance with the ESMA transparency directive for the protection of consumers, published in October 2015, the tables below present breakdowns of all the APMs used in this document, their definitions and the reconciliation with balance sheet and income statement line items used in their calculation.

ALTERNATIVE MEASURES OF PERFORMANCE

PERFORMANCE MEASURE	DEFINITION	CALCULATION METHOD AND ACCOUNTING DATA USED	SECTION OF MANAGEMENT REPORT
Client balances under management	Sum of customer deposits, wholesale issued notes, off-balance sheet customer resources	Balance sheet items: - Customer deposits - Security debts issued Third-party resources managed and marketed by the Group (Estate F.22.02 excluding the discretionary portfolios managed by the customers): - Investment companies and funds - Pension funds	3.2
Total turnover	Sum of loans and advances, customer deposits, wholesale issued, off-balance sheet customer resources	Balance sheet items: - Loans and advances - Customer deposits - Debt securities issued Third-party resources managed and marketed by the Group (Estate F.22.02, excluding the discretionary portfolios managed by the customers): - Investment companies and funds - Pension funds	3.2
NPL ratio (%)	Relationship between non-performing loans and the total balance of customer credit risk and contingent risks	Gross balance (before provisions) of NPLs under loans and advances to customers and contingent risks divided by gross loans and advances to customers (before provisions) and contingent risks.	1.3 3.2 7.1
NPL coverage ratio (%)	Measures the degree of impairment of NPLs for which impairment allowances have been recognised	Impairment allowances for loans and advances to customers and contingent risks divided by gross NPLs under loans and advances to customers and contingent risks.	3.2 7.1
LTD ratio (%)	Relationship between loans granted to customers and deposits taken from customers	Loans and advances to customers divided by customer deposits plus funds raised through second-floor loans received from the EIB and ICO. - Loans and advances to customers less reverse repos. - Customer deposit less repos.	5
Trading income	Sum of the profit/ (loss) from management of the trading portfolios, financial assets available for sale, assets and liabilities at amortized cost and hedge accounting	Sum of the flowing items of the income statement: - Gains or (-) losses on financial assets and liabilities not measured at fair value through profit or loss, net.	3.4

PERFORMANCE MEASURE	DEFINITION	CALCULATION METHOD AND ACCOUNTING DATA USED	SECTION OF MANAGEMENT REPORT
		- Gains or (-) losses on financial assets and liabilities held for trading, net. - Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net - Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net. - Gains or (-) losses from hedge accounting, net.	
Operating income before provisions	Gross margin less administrative expenses and depreciation	Sum of the flowing items of the income statement: - Gross Margin - Administration expenses - Depreciation	3.2 3.4
Customers margin (%)	Difference between the average interest rate charged on loans and advances to customers and the average interest rate paid on customer deposits	Average interest rate on loans and advances to customers: - Interest income on loans and advances to customers recognised in the year divided by the average month-end balance of loans and advances to customers in the year. Average interest rate paid on customer deposits: - Interest expenses on customer deposits of the year divided by the average month-end balance of customer deposits in the year. Interest income and expense are annualised at the June accounting close.	3.4
Differences on the balance sheet (%)	Difference between the average return on assets and the average cost of liabilities and equity	Average return on assets: - Interest income in the year divided by average month-end balances of recognised assets. Average cost of liabilities and equity: - Interest expenses in the year divided by average month-end balances of total equity and liabilities in the year. Interest income and expense are annualised at the June accounting close.	3.4
ROA (%)	Measures the return on assets	Profit/(loss) for the year divided by average recognised assets at the end of the 12-month period. Earnings for the period are annualised at the June accounting close.	3.2 3.4
ROE (%)	Measures the return obtained from own funds	Profit/(loss) for the year attributable to owners of the Parent divided by average equity at the end of the 12-month period. Earnings for the period are annualised at the June accounting close.	3.2
RORWA (%)	Measures the return obtained from the risk-weighted average assets	Profit/(loss) for the year attributable to owners of the Parent divided by regulatory risk-weighted assets at the end of the period. Earnings for the period are annualised at the June accounting close.	3.2 3.4
ROTE (%)	Measures the return on equity excluding intangible assets	Profit/(loss) for the year attributable to owners of the Parent divided by average equity less intangible assets at the end of the 12-month period adjusted for expected dividends. Earnings for the period are annualised at the June accounting close.	3.2
Efficiency ratio (%)	Measures operating costs as a percentage of gross income	Administrative + depreciation expenses divided by gross income.	3.2 3.4

CALCULATION OF ALTERNATIVE PERFORMANCE MEASURES AND ACCOUNTING RECONCILIATIONS

ACCOUNTING DATA (EUR million and %)	Jun-19	Dec-18
Client balances under management	**173,781**	**169,254**
- Customer deposits	130,563	126,319
- Issued debt securities	17,066	18,360
- Investment companies and funds	18,558	17,210
- Pension funds	7,594	7,364
Total turnover	**294,128**	**287,549**
- Loans and advances - customers	120,347	118,295
- Customer deposits	130,563	126,319
- Debt securities issued	17,066	18,360
- Investment companies and funds	18,558	17,210
- Pension funds	7,594	7,364
NPL ratio (%)	**5.7%**	**6.5%**
- Doubtful risks of loans and advances to customers and contingent risks	7,514	8,416
- Total risks of loans and advances to customers and contingent risks	130,810	129,792
NPL coverage ratio (%)	**54.9%**	**54.6%**
- Loan impairment and customer advances and contingent risks	4,122	4,593
- Doubtful risks of loans and advances to customers and contingent risks.	7,514	8,416
LTD ratio (%)	**90.5%**	**91.2%**
- Loans and advances to customers	120,347	118,295
- Temporary Acquisitions of Assets	15	14
- Deposits of the customers	130,563	126,319
- Temporary Assignment of Assets	884	44
- Funds for mediation appropriations received from the EIB and ICO	3,348	3,424

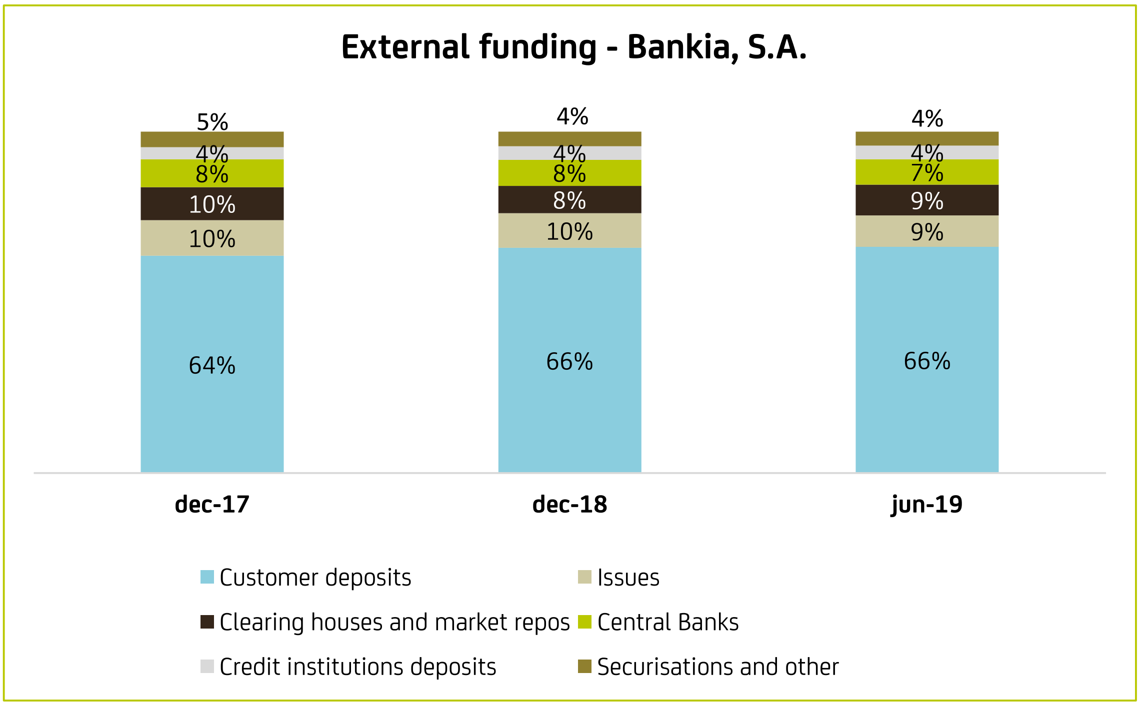
ACCOUNTING DATA (EUR million and %)	Jun-19	Jun-18
Gains or losses on financial assets and liabilities (net)	**140**	**291**
- Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net.	143	270
- Gains or losses on financial assets and liabilities held for trading, net.	8	34
- Gains or losses on Non-trading financial assets mandatorily at fair value through profit or loss, net	1	-
- Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	-	-
- Gains or losses from hedge accounting, net.	(12)	(13)
Operating income before provisions	**759**	**897**
- Gross income	1,671	1,,841
- Administrative expenses	(813)	(856)
- Depreciation	(99)	(88)
Customer Margin (%)	**1.63%**	**1.57%**
Average interest rate on loans and advances to customers (%):	1.73%	1.70%
– Interest income on loans and advances to customers in the period	1,013	1,018
– Interest income on loans and advances to customers in the period annualised	2,043	2,052
– Average month-end balances of loans and advances to customers	118,135	120,749
Average interest rate paid on customer deposits (%):	0.10%	0.13%
– Interest expenses on customer deposits in the period	64	82
– Interest expenses on customer deposits in the period annualised	128	166
– Average month-end balances of customer deposits	127,439	126,628
Balance sheet spread (%)	**0.98%**	**1.01%**
Average return on assets (%):	1.19%	1.22%
– Interest income in the period	1,233	1,257
– Interest income in the period annualised	2,486	2,535
– Average month-end balances of recognised assets in the period	209,078	208,609
Average cost of liabilities and equity (%):	0.21%	0.20%
– Interest expenses in the period	215	210
– Interest expenses in the period annualized	434	423
– Average month-end balances of total equity and liabilities in the period	209,078	208,609
ROA (%)	**0.4%**	**0.5%**
– Profit/(loss) of the period	400	515
– Profit/(loss) of the period annualised	807	1,038
– Average value of recognised assets at the end of the period	209,078	208,609
RORWA (%)	**1.0%**	**1.2%**
– Profit/(loss) of the period	400	515
– Profit/(loss) of the period annualised	807	1,038
– Regulatory risk-weighted assets in the period	81,825	83,526
ROE (%)	**6.3%**	**8.3%**
– Profit/(loss) of the period	400	515
– Profit/(loss) of the period annualised	806	1,038
– Average value of equity of the 12 months preceding the period end adjusted for expected dividends	12,761	12,478
ROTE (%)	**6.5%**	**8.5%**
– Profit/(loss) of the period	400	515
– Profit/(loss) of the period annualised	806	1,038
– Average value of tangible equity of the 12 months preceding the period end adjusted for expected dividends	12,452	12,230
Efficiency ratio (%)	**54.6%**	**51.3%**
– Administrative expenses	813	856
– Depreciation for the period	99	88
– Gross income	1,671	1,841

5.- FUNDING STRUCTURE AND LIQUIDITY

Notes 3.2 and 3.3 to the condensed consolidated interim financial statements for the period ended 30 June 2019 describe Bankia Group's liquidity management policies and provide details on maturities of financial assets and financial liabilities that allows as to project its liquidity balance at different maturities. Accordingly, this section refers to the performance of the Group's main liquidity indicators and funding sources in the first half of 2019.

The Group's goal is to maintain a long-term financing structure that is in line with the liquidity of its assets and whose maturity profiles are compatible with the generation of stable, recurring cash flows

According to the retail business model underpinning its banking activity, the Bankia Group's main source of funding are strict customer deposits, which cover the whole of net loans and advances to customers at 30 June 2019 and provide great stability to the Group's funding structure. Strict customer deposits arise mainly from business with retail customers (81.8% of customer deposits come from retail banking). Funds obtained through customer deposits are complemented by wholesale funding gearing towards the medium and long term (issuances), repos arranged in the market, balances with the ECB and (non-marketable) single mortgage bonds.



On the first half of 2019, the amount of liquidity raised through external funding sources rose by EUR 4,393 million from 31 December 2018, as shown in the following table:

FUNDING SOURCES- BANKIA GROUP

			Variation Dec-18		% of the total	
(Millions of euros) (*)	jun-19	dec-18	Amount	%	jun-19	dec-18
Strict customer deposit	**123,481**	**120,028**	**3,453**	**2.9%**	**66.3%**	**66.0%**
Public sector	6,825	6,608	217	3.3%	3.7%	3.6%
Other financial companies	7,719	8,218	(500)	(6.1%)	4.1%	4.5%
Current accounts	5,204	5,731	(527)	(9.2%)	2.8%	3.2%
Term deposits	2,515	2,488	28	1.1%	1.4%	1.4%
Non-financial companies	14,701	14,340	361	2.5%	7.9%	7.9%
Current accounts	12,734	12,034	700	5.8%	6.8%	6.6%
Term deposits	1,968	2,306	(339)	(14.7%)	1.1%	1.3%
Households	94,236	90,861	3,375	3.7%	50.6%	50.0%
Current accounts	64,460	59,632	4,827	8.1%	34.6%	32.8%
Term deposits	29,776	31,229	(1,452)	(4.7%)	16.0%	17.2%
Wholesaler funding	**24,479**	**25,505**	**(1,026)**	**(4.0%)**	**13.1%**	**14.0%**
Deposits and credit institutions (1)	7,414	7,145	269	3.8%	4.0%	3.9%
Debt securities issued	17,066	18,360	(1,295)	(7.1%)	9.2%	10.1%
Single mortgage bonds	**6,198**	**6,248**	**(50)**	**(0.8%)**	**3.3%**	**3.4%**
Repos	**16,858**	**14,687**	**2,171**	**14.8%**	**9.1%**	**8.1%**
Central banks	**13,874**	**13,856**	**18**	**0.1%**	**7.4%**	**7.6%**
Others	**1,372**	**1,545**	**(174)**	**(11.2%)**	**0.7%**	**0.8%**
Total external funding sources	**186,262**	**181,869**	**4,393**	**2.4%**	**100.0%**	**100.0%**

(*) Interim Financial Statement amounts rounded to millions of euros.

(1) Includes interbank deposits, collateral posted and other loans and deposits from credit institutions.

Customer funds reached EUR 123,481 million, 66.3% of the Group's funding mix, compared to 66% in December 2018, with the following breakdown: (i) 50.6% households, (ii) 7.9% non-financial corporations, (iii) 4.1% other financial institutions and (iv) 3.7% public sector deposits. Customers continued to transfer savings to current accounts and short-term deposits during the first half of 2019, along with off-balance sheet products under management further illustrating the shift of funds by Bankia customers away from longer-term products earning lower interest.

Wholesale funding stood at EUR 24,479 million at 30 June 2019, representing 13.1% of external funding (14% at 31 December 2018), and comprising mainly mortgage-backed securities and deposits from credit institutions. The decrease of EUR 1,026 million during the first half of 2019 is explained by debt maturities.

Repos arranged through clearing houses and in the market stood at EUR 16,858 million, representing 9.1% of the Bankia Group's external funding at June 2019 compared to 8.1% in year end 2018. This activity forms part of the Group's strategy to diversify its funding sources, to reduce costs, and to maintain alternative external funding secured by liquid assets, other than that of the ECB.

ECB financing has remained stable, amounting EUR 13,874 million on the first half of 2019. As a result, the weight of central banks on the Bankia Group's funding structure stands at 7.4% of external funding compared to 7.6% in December 2018. Practically, the total funding from central banks held by the Bankia Group at 30 June 2019 was related to funds obtained in the TLTRO II programme.

Lastly, non-marketable mortgage-backed securities disclosed within customer deposits and other funding sources amounted to a combined EUR 7,570 million at 30 June 2019. They are a residual component of the Group's funding structure, representing 3.3% and 0.7%, respectively, of the Bankia Group's borrowings.

Core liquidity metrics remain at comfortable levels. The commercial gap, i.e. the difference between loans (excluding reverse repos) and strict customer deposits, plus funds received from the EIB and ICO to extend second-floor loans, was a negative EUR 6,497 million at 30 June 2019, in compared to a negative EUR 5,170 million at the end of December 2018. The “Loan to deposits” or LTD ratio (net loans less reverse repos divided by strict customer deposits less reverse repos plus funds received for second-floor loans) ended the first half of 2019 in 90.5% (91.2% on December 2018), reflecting the Group’s model in funding through customer deposits.

The Group has a comfortable debt maturity profile, with EUR 966 million in the second half of 2019 and EUR 418 million in 2020, which are mainly mortgage-backed securities (EUR 1,381 million). To cover these maturities and scheduled redemptions in the coming years, the Group had EUR 32,364 million of available liquid assets at June 2019, equivalent to a 15.4% of the Group's assets and covers its entire wholesale debt maturities.

Therefore, with manageable debt maturities in coming quarters and a favourable capital markets environment, Bankia Group has a great deal of flexibility to meet its short- or medium-term funding needs, enabling it to maintain a solid balance sheet structure.

LIQUIDITY RESERVE - BANKIA GROUP

			Variation dec 18	
(millones de euros) (*)	**jun-19**	**dec-18**	**Amount**	**%**
Activos disponibles de elevada liquidez [1]	13,029	17,678	(4,649)	(26.3%)
Disponible en póliza	12,914	11,339	1,575	13.9%
Efectivo [2]	6,421	2,921	3,500	119.8%
TOTAL	**32,364**	**31,938**	**426**	**1.3%**

(*) Interim Financial Statement amounts rounded to millions of euros

(1) Market value including haircut by ECB

(2) Bills, coins and Central Banks accounts reduced minimal reserves

6.- CAPITAL MANAGEMENT, SOLVENCY AND LEVERAGE RATIO

Capital management geared at all times to complying with minimum regulatory requirements and with the risk appetite target or level established by the Group is a key cornerstone of the Group's Corporate Risk Appetite and Tolerance Framework.

The entry into force of the solvency requirements known as BIS III on 1 January 2014, which then marked a change and entailed tougher quality and minimum capital requirements, has led to a raft of regulatory changes impacting the solvency of financial institutions. By adequately managing its capital, the Bankia Group has been able to bolster its solvency and minimise the impact of these regulatory changes.

On 7 June 2019, the European Parliament and the Council published a legislative package which contains amendments to (i) CRD IV, (ii) CRR, (iii) Directive 2014/59/EU of the European Parliament and of the Council, of 15 May 2014, establishing a framework for the recovery and resolution of credit institutions and investment firms (the "BRRD") and (iv) Regulation (EU) 806/2014 of the European Parliament and of the Council (the "SRM regulation") (collectively the "EU Banking Reform Package") to reinforce the capital and liquidity positions of banks and strengthen the framework for the recovery and resolution of banks in difficulty. The EU Banking Reform Package will enter into force on 27 June 2019, with a two-year phase-in for implementing certain amendments.

Note 4 to Bankia Group's interim financial statements describes the capital management targets and policies, their involvement in the Capital Planning process and their impact on the Group's Risk Appetite Framework. It also details developments in regulations for calculating solvency ratios and metrics, leverage and MREL. Therefore, from a management perspective, this point looks at trends in solvency and leverage ratios in the first half of 2019 and the main impacts affecting their composition and performance.

Solvency levels

In February 2019, the European Central Bank notified the Bank Group of the minimum capital requirements in the SREP applicable to it for 2019. The Pillar 2 Requirement is unchanged from 2018, at 2%. Therefore, in 2019, after the end of the transitional period applicable to capital buffers, a minimum Common Equity Tier I capital ratio of 9.25% (8.563% at December 2018) and a minimum Total Capital ratio of 12.75% (12.063% at 31 December 2018) are required, both measured in relation to its transitional (phase-in) regulatory capital.

Regarding combined capital buffer requirements, bearing in mind the phase-in period provided for in Law 10/2014, which ended on 1 January 2019, the capital conservation buffer applicable in 2019 is 2.5% (1.875% in 2018), corresponding to 100% (75% in 2018).

In addition, Bankia Group was identified by the Bank of Spain as another systematically important institution ((O-SII), and a Common Equity Tier I capital buffer was stablished at 0.25% of its total exposure on a consolidated basis. In 2019, 100% of the buffer will be required (75% in 2018).

Finally, the Group's own countercyclical buffer, calculated based on the geographical location of its exposures, is 0%. This is because the Group's exposures are located in countries (mainly Spain) whose supervisors have established the buffer at 0% for exposures in their territories. The combined buffer requirements applicable for 2019 will be 2.75% (2.5% for the capital conservation buffer and 0.25% for the "other systemically important institution" (O-SII)) after the end of the phase-in period, so the phase-in and fully-loaded minimum capital requirements will be the same.

In June 2019, the Bankia Group achieved a Common Equity Tier 1 BIS III Phase-In ratio of 14.08% and a Total Capital BIS III Phase-in ratio of 17.86%. These capital levels imply surpluses of EUR 3,949 million and EUR 4,181 million above the minimum Common Equity Tier 1 and Total Capital ratios, respectively.

The following table provides a detail of capital levels, as well as risk-weighted assets calculated in accordance with the CRR and CRD IV at 30 June 2019 and to comparative effects on 31 December 2018 applying the phase-in schedule for each period and includes profit or loss for each period to be taken to reserves.

BANKIA Group Solvency Basilea III

(millions of € and %)

Eligible capital	June 2019(*) (**)		December 2018 (*)	
Common Equity Tier I	11,518	14.08%	11,367	13.80%
Equity tier I	12,768	15.60%	12,617	15.31%
Equity tier II	1,846	2.26%	1,863	2.26%
Total Equity BIS III	**14,614**	**17.86%**	**14,480**	**17.58%**

Risk weighted assets BIS III	June 2019 (**)	Dec. 2018 (**)
Credit risk (include CVA)	74,241	74,921
Operational risk	5,881	5,881
Market risk	1,704	1,579
Total weighed assets BIS III	**81,825**	**82,381**

Excess/(Minimal regulatory defects)	June 2019 (*) (**)		December 2018 (*) (**)	
		minimum		*minimum*
Excess Common equity Tier I BIS III	**3,949**	**9.250%**	**4,313**	**8.563%**
Total Equity Bis III	**4,181**	**12.750%**	**4,542**	**12.063%**

(*) Including the amount of net profit allocated to reserves.

(**) Estimated at 30/06/2019.

At 30 June 2019, the phase-in Common Equity Tier 1 ratio stood at 14.08%, up by +28 basis points. In the first half of 2019, Bankia Group has maintained its organic CET1 generation model (+62 bp), allowing it to offset negative one-off impacts arising from amendments to regulations and continue meeting the CET1 target set in its Corporate Risk Appetite and Tolerance Framework.

The main factors explaining CET1 Phase-in capital performance in the first six months of 2019:

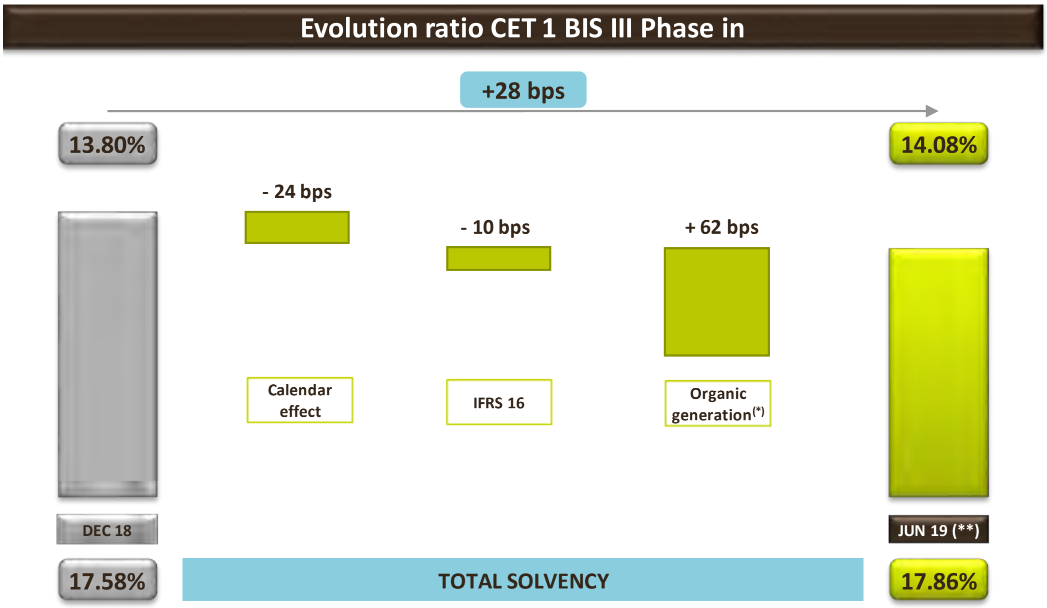
- The **calendar effect** has had an impact of **-24 basis points**.

- **Adoption of IFRS 16** has had an impact of **-10 bp.**

- **Organic generation in the year of +62 basis points**, including mostly profit attributable to the Group (EUR **+400million**) net of the **regulatory dividend** (EUR -**203 million**), the increase in unrealised gains on financial assets at fair value and the **decrease in credit risk-weighted assets.**

Bankia Group's phase-in Total Capital ratio increased by 28 bp in the first half of 2019, to 17.86%, mainly because of the trend in Common Equity Tier. In February, Bankia issued EUR 1,000 million of subordinated debt eligible as total capital to replace the issue of EUR 1,000 million of subordinated debt redeemed early in May.

The following chart shows the trend in capital ratios:



(*) Profit or (-) loss attributable to the Group adjusted for the estimated dividend, other impacts on the numerator and the change in RWAs.
(**) Estimated data .

It also presents reconciliation of equity in the balance sheet to regulatory capital, including profit of dividend for the year earmarked for reserves.

BANKIA Group reconciliation between Equity and Qualifying Capital BIS III

(millions of € and %)

Qualifying elements	Jun. 2019 (*) (**)	Dec. 2018 (*)	Variation	% Variation
Own funds	13,037	13,030	7	0%
Other comprehensive accumulated income	291	147	144	97%
Minority interests	13	12	1	8%
Total Equity (Public Balance)	**13,341**	**13,189**	**152**	**1%**
Adjustment between public and regulatory balance	0.1	0.4	(0)	(77%)
Total Equity (Regulatory balance)	**13,341**	**13,190**	**152**	**1%**
Non-qualifying equity elements	**(51)**	**(53)**	**2**	**(4%)**
Other comprehensive accumulated income	(30)	(24)	(5)	21%
Minority interests	(14)	(13)	(1)	5%
Regulatory own share adjustmets	(8)	(16)	8	(52%)
Regulatory capital deductions	**(1,773)**	**(1,770)**	**(3)**	**0%**
Intangible assets and other deductions (regulatory balance)	(519)	(530)	11	(2%)
Deferred tax assets	(1,027)	(847)	(180)	21%
Valuation adjustments due to prudent requirements (AVA)	(24)	(36)	12	(33%)
Dividends	(203)	(357)	154	(43%)
Common Equity Tier I	**11,518**	**11,367**	**151**	**1%**
Additional Equity Tier I	**1,250**	**1,250**	**0**	**0%**
Equity Tier II	**1,846**	**1,863**	**(17)**	**(1%)**
TOTAL REGULATORY EQUITY (*)	**14,614**	**14,480**	**135**	**1%**

(*) Including the amount of net profit earmarketed for reserves.
(**) Estimated at 30/06/2019.

The minimum capital requirements cover credit, foreign currency, market and operational risks.

At 30 June 2019, the capital requirements for credit risk, including equity and CVA, amounted to EUR 5,939 million (EUR 74,241 million risk-weighted assets). At present, the requirements for credit risk are calculated using both the standardised and internal rating-based approaches.

Currency and market risk exposures were calculated using internal models. During the first half of 2019, the requirements included an increase related to the calculation model and not merely to market activity. At 30 June 2019 capital requirements for this concept amounted to EUR 136 million (EUR 1,704 million risk-weighted assets).

Finally, the Bankia Group used the standardised approach to calculate the capital requirements for operational risk, totalling EUR 470 million at 30 June 2019 (EUR 5,881 million risk-weighted assets).

Leverage ratio

The leverage ratio was implemented by the December 2010 Capital Framework of the Basel Committee on Banking Supervision (BCBS), which introduced this new metric as a supplementary ratio to solvency requirements but unrelated to risk measurement with the aim of including the leverage ratio as a binding Pillar I requirement.

Since January 2014, there is an indicative 3% of CET1 which was set by the BCBS. It is important to remark that the EU Banking Reforms established a binding leverage ratio requirement of 3% of tier 1 capital for all banks, and an additional buffer requirement for global systemically important banks, which came into force on June 2020.

At 30 June 2019, the Bankia Group's leverage ratio (phase-in) stood at 6.04%, above the 3% minimum requirement. In the first half of 2019, the leverage ratio decreased by -5 basis points, due above all to the phase-in implementation for Tier 1 capital and the increase in exposure (mostly for balance sheet), with an impact on the ratio of -22 bp. This was partly offset by the increase in phase-in Tier 1 capital, with an impact of +17 basis points.

The following table provides a breakdown of the leverage ratio at 30 June 2019 and to comparative effects as 31 December 2018 along with a reconciliation of total assets on the balance sheet and leverage exposure measure:

BANKIA Group leverage ratio

Items (Millions of euros and %)	June 2019 (*) (**)	Dec. 2018 (*)
Tier 1 Capital	12,768	12,617
Exposure	211,484	207,078
Leverage ratio	**6.04%**	**6.09%**
Reconciliation between Public Balance sheet and exposure for leverage ratio		
Total Assets Public Balance	**209,925**	**205,223**
(+/-) Adjustments difference between Public and Regulatory Balance	70	(330)
(-) Items already deducted from Tier 1 capital	(1,533)	(1,385)
(-) On-balance sheet derivatives assets	(9,290)	(8,649)
(+) Derivative exposure	689	721
(+) Add-ons for counterparty risk in securities financing transactions (SFTs)	3,892	3,925
(+) Off-balance sheet items (including use of CCFs)	7,732	7,574
Total exposure leverage ratio	**211,484**	**207,078**

(*) Including the amount of net profit earmarketed for reserves.

(**) Estimated at 30/06/2019.

Minimum requirement for own funds and eligible liabilities (MREL)

Regarding the internal loss absorption mechanism provided for in Directive 2014/59/EU of the Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms (the BRRD), a minimum requirement for own funds and eligible liabilities (MREL) with loss-absorbing capacity is defined, implying that the entities subject to this requirement must have liabilities with certain characteristics that favour the absorption of losses in the event of resolution of the institution. As noted previously, the EU Banking Reform Package introduces amendments to the BRRD; e.g. regarding minimum requirements of subordination of MREL eligible liabilities and the determination of a maximum distributable amount (MDA); i.e. limit on the discretionary distribution of capital, in terms of MREL.

On 16 May 2019, the Group received formal notification by the Bank of Spain on the decision taken by the Single Resolution Board on its minimum requirement for own funds and eligible liabilities (MREL). In accordance with this notification, the Group has until 1 July 2021 to reach a minimum amount of own funds and eligible liabilities equal to 23.66% of its risk-weighted assets calculated as at year-end 2017. The MREL would be equivalent to 10.02% in terms of total liabilities and own funds ("TLOF").

As at 30 June 2019, Bankia Group's MREL, calculated according to the SRB's eligibility criteria currently in effect, stood at 19.82% of total risk-weighted assets.

In addition to the EUR 1,000 million subordinated debt issue carried out in February to replace the EUR 1,000 million issue of subordinated debt redeemed early in May, in the first half of 2019. The Group issued EUR 500 million of senior debt and EUR 500 million of senior non-preferred debt in the first half of 2019. Both issues are eligible for the MREL and, together with the increase in total phase-in capital, resulted in an increase in the MREL ratio of 149 basis points in the first half of 2019. The EUR 750 million senior preferred debt issue made on 2 July 2019, after the end of the first half, would increase the MREL ratio to 20.73%. These issues fall under the Group's funding plan 2019-2021, which calls for the issuance of around EUR 5,000 million to meet the 23.66% MREL target by 1 July 2021

GRUPO BANKIA Ratio MREL

Items (millons € and %)	Jun. 2019 (*) (**)	Dic. 2018 (*)
Total capital BIS III	14,614	14,480
Liabilities eligible for MREL	1,601	622
Total own funds and eligible liabilities MREL	**16,215**	**15,102**
Total risk-weighted assets BIS III	**81,825**	**82,381**
Ratio MREL / RWAs (%)	**19.82%**	**18.33%**

(*) Including the amount of net profit earmarketed for reserves.

(**) Estimated at 30/06/2019.

7.- RISK MANAGEMENT

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

Note 3 to Bankia Group's condensed consolidated interim financial statements for the period ended 30 June 2019 provides details on the governing bodies responsible for supervising and controlling the Group's risks, as well as the general principles, organisational model, policies and methods to control and measure the risks to which the Group is exposed through its business. Accordingly, this section provides an overview of the performance and main indicators used to assess the trends in risks in the first half of 2019.

7.1.- Credit risk

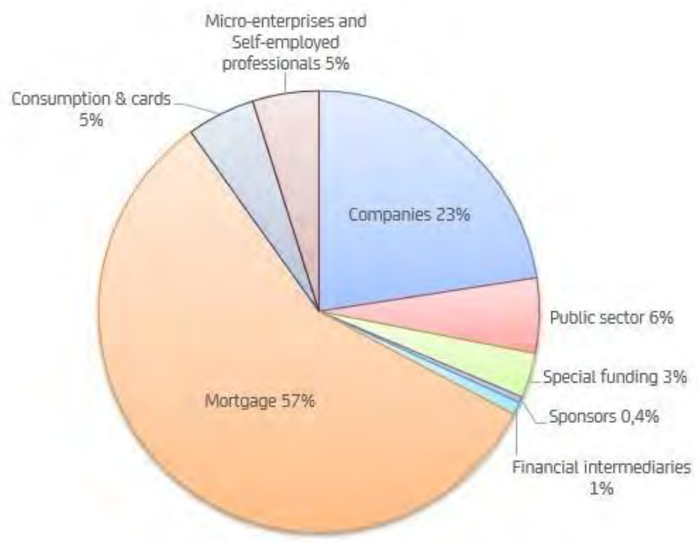
Credit risk is the risk of loss assumed by Bankia Group in the regular course of its banking business if its customers or counterparties fail to comply with their contractual payment obligations.

Credit risk management is an end-to-end process, running from loan or credit approval to elimination of exposure, either at maturity or through recovery and sale of assets in the event of foreclosure upon default. It involves identifying, analysing, measuring, monitoring, integrating and valuing credit risk-bearing transactions on a differentiated basis for each segment of the Group's customers.

The variables the Bankia Group uses to measure credit risk are derived from internal models: probability of default, exposure at default and loss given default (severity). These variables allow ex-ante analysis of the credit portfolio's risk profile by calculating the expected loss and economic capital required.

- **Risk profile and composition of assets**

Given its activity and business model, Bankia Group'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 the Group's credit risk profile and its performance in the first half of 2019 according to data from the audited portfolio (does not include positions in financial equities) are as follows:

- In the breakdown of loans and advances to customers, the weight of the retail segment lies on 67% while weight of the wholesale segment is on 33%.
- The weight of the real estate portfolio over total loans is on 0.4%.
- The mortgage portfolio accounts for 57% of total loans and receivables. The second largest portfolio corresponds to companies representing 23% of the total, followed by loans to public institutions and bodies and loans to micro-enterprises and self-employed professionals accounting, retail and credit cards for 6% and 5% respectively of the total portfolio.

- As of June 2019, 43% of non-performing loans was classified as such for subjective criteria or are in the "cure" period. This means that no loans in this portfolio are past-due and imply subjective arrears, or refinancing agreements have been reached with the customers and, therefore, there is an apparent willingness to pay that must be verified over a period of at least twelve months, but can be extended to the entire grace period when applicable.

The following table shows the distribution by portfolio of expected loss and regulatory capital for credit risk of Bankia Group at 30 June 2019:

Segment name (millions of euros)	jun-19	
	Regulatory capital	Expected loss
Entities	39.0	93.7
Banks and financial intermediaries	196.7	9.7
Companies	1,692.7	1,761.4
Promotors	78.0	223.4
Retail:	2,605.9	2,652.6
Mortgage	2,017.5	2,006.9
Consumption	*253.7*	*152.2*
Cards	*95.9*	*52.3*
Small business and self-employed professionals	*238.8*	*441.3*
Equity	32.3	1.1
TOTAL	**4,644.6**	**4,741.9**

The maturity profile of credit exposure is detailed in Note 3.3 to the interim financial statements of 2019 (table on residual maturities). A significant portion of loans and advances to customers (49.3%) mature beyond five years given the large volume of home mortgage loans, which are generally for long periods.

- **Asset quality: trends in doubtful balances, NPL and coverage.**

The Group pro-actively manages and anticipates credit risk with a view to containing the inflow of non-performing loans (NPLs) and maintaining NPL coverage. Management has enabled that during 2019 the key variables related to credit quality of assets has been continued with the positive evolution showed in 2018.

At 30 June 2019, the Group's **doubtful exposures** fell further, by 10.7% (EUR 902 million of euros) from the end of 2018 to EUR 7,514 million at the first half of 2019. This improvement is explained mainly by the gradual decrease in inflows of NPLs, stronger efforts in monitoring and recovery management and, to a lesser extent, the sale of portfolios of doubtful and extremely doubtful assets in the year, which resulted in the reclassification of EUR 286 million of non-performing loans as non-current assets held for sale due to the sale described in section 9.5.1. As a result, the NPL ratio improved further, to 5.7% at 30 June 2019, 0.8 percentage points lower on a same-scope basis than at 31 December 2018.

At 30 June 2019, Bankia Group had counted a portfolio of refinanced operation of EUR 7,687 million in gross terms. The 52.4% of the refinanced credits had been classified as doubtful with a NPL ratio of 36.5%.

The improvement in the portfolio risk profile and satisfactory levels of provision coverage leave the Group in a good position to achieve one of the main objectives in the Strategic Plan: to increase profitability and curtail risk in the coming years. Maintaining the cost of risk under control.

NPL and Coverage - BANKIA GROUP

(Millions of euros and %) (*)	jun-19	dec-18 (1)	Variation dec-18 Amount	Variation dec-18 %
NPLs	9,047	9,789	(742)	(7.6%)
Total risk	132,363	131,170	1,194	0.9%
Total NPL Ratio (2)	**6.8%**	**7.5%**	**(0.7) p.p.**	**(8.4%)**
Total provisions	5,005	5,416	(411)	(7.6%)
Hedging ratio	**55.3%**	**55.3%**	**(0.0) p.p.**	**0.0%**

(*) Interim Financial Statement amounts rounded to millions of euros.

(1) In December 2018, the NPL and NPL coverage ratios include the transactions reclassified to non-current assets held for sale after the sale agreement with Lone Star XI described in Note 18.5 to the 2018 annual financial statements.

(2) NPL ratio: non- performing loans and advances to customers and contingent liabilities/risk assets consisting of loans and advances to customers and contingent liabilities.

- **Credit risk of trading in derivatives**

The Group 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, the Bankia Group has, inter alia, tools that mitigate risk, such as early redemption agreements (break clause), netting of credit and debit positions (netting) and collateralisation for the market value of the derivatives or offsetting of derivatives.

At 30 June 2019, there were 2,247 netting and 237 guarantee agreements (124 derivatives, 75 repos and 38 securities loans). The main figures regarding quantification of the derivatives activity at that date are as follows:

- Original or maximum exposure: EUR 18,855 million.
- Exposure applying mitigation techniques through netting: EUR 5,949 million.
- Net exposure after applying all mitigation techniques: EUR 1,669 million.

As shown, counterparty risk in derivatives trading is reduced by 91.15% by applying derivatives netting and guarantee agreements.

7.2.- Liquidity risk

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

Note 3.2 and 3.3 Bankia Group's condensed consolidated interim financial statements of 30 June 2019 provide information on remaining term to maturity of the Bank's issues by funding instrument, along with a breakdown of financial assets and liabilities by contractual residual maturity at 30 June 2019 and 31 December 2018.

The Entity'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 Group's structural portfolios.

- The second is the funding structure, identifying the relationship between short- and long-term funding and the diversification of the funding mix by asset type, counterparty and other categorisations.

- Third, in keeping with the future regulatory approach, the Group uses metrics that enable it to measure the resilience of the bank's liquidity risk profile in different time horizons of regulatory ratios.

Alongside to the various metrics, the Group has a well-defined Contingency Plan, which identifies alert mechanisms and sets out the procedures to be followed if the plan needs to be activated. It is a question of a frame of action that it allows to anticipate and to manage tension events of liquidity. Liquidity Contingency Plan (LCP), which sets out the committees in charge of monitoring and activating the LCP and the protocol for determining responsibilities, internal and external communication flows, and potential action plans to redirect the risk profile within the Group's tolerance limits.

The LCP is backed by specific metrics, in the form of LCP monitoring alerts, and by complementary metrics to liquidity risk and regulatory funding indicators, LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio). These ratios have built-in stress scenarios for the ability to maintain available liquidity and funding sources (corporate and retail deposits, funding on capital markets) and allocate them (loan renewal, unprogrammed activation of contingent liquidity lines, etc).

For the LCR, the scenario relates to a survival period of 30 days, and the regulatory assumptions underlying the construction of the ratio are valid exclusively for this period. At 30 June 2019, the regulatory LCR (185% for Bankia on a standalone basis) was at levels that are demonstrably higher than the regulatory requirements for 2019 (100%).

Through the net stable funding ratio (NSFR), the Group draws up its funding strategy from a regulatory perspective. At 30 June 2019, the NSFR was within Bankia's risk limits and regulatory requirements.

7.3.- Market risk

Market risks arise from the possibility of incurring losses on positions in financial assets caused by changes in market risk factors (interest rates, equity prices, foreign exchange rates or credit spreads). Limits are established in accordance with a number of metrics: value at risk (VaR) calculated using the historical simulation method, sensitivity, maximum loss (stop-loss limit) and the size of the position.

The Markets and Operational Risks Department is independent of the business units and it is integrated in the Corporate Risks Department, which with respect to market risk in trading performs the following functions: control and monitoring of positions with market risk and counterparty lines; daily calculation of the results of the various desks and portfolios; independent valuation of all market positions; periodic reporting on the various market risks to the pertinent committee; and, lastly, control of model risk.

- **Interest rate risk**

Interest rate risk balance sheet reflects the probability of incurring losses because of changes in the benchmark interest rates for asset and liability positions (or certain off-balance sheet items) that could have an impact on the stability of the Group's results. Rate fluctuations affect both the Group's interest margin in the short and medium term, and its economic value in the long term. The intensity of the impact depends largely on different schedules of maturities and repricing of assets, liabilities and off-balance sheet transactions. Interest rate risk management is designed to lend stability to interest margins, maintaining levels of solvency that are appropriate for the Group's level of risk tolerance.

Trends in interest rates depend on certain factors that are beyond the Bankia Group's control, such as financial sector regulation, monetary policies applied by the ECB, and the political and international environment, Like other risks, structural interest rate risk management is predicated on a clear system of separation of roles and responsibilities. The principles, metrics and limits approved by the Board of Directors are monitored by the Structural Risks Department under the Market and Operational Risks Department, which is part of the Corporate Risk Department.

Each month, information on risk in the banking book is reported to the ALCO in terms of both economic value (sensitivities to different scenarios and VaR) and interest margin (net interest income projections in different interest-rate scenarios for horizons of 1 and 3 years). At least quarterly, the Board of Directors is informed through the Risk Advisory Committee on the situation and monitoring of limits. Any excesses are reported immediately to the Board by the adequate committee. In addition, information prepared by the ALCO is reported by the Global Risk Management Division, along with other risks, to the Group's Top Management. According to Bank of Spain regulations, the sensitivity of the net interest margin and the value of equity to parallel shifts in interest rates (currently ±200 basis points) is controlled. In addition, different sensitivity scenarios are established based on implied market interest rates, comparing them to non-parallel shifts in yield curves that alter the slope of the various references of balance sheet items.

- **Other market risks**

Other market risks arise from the possibility of incurring losses in value of positions in financial assets caused by changes in market risk factors other than interest rate risk (equity prices, foreign exchange rates or credit spreads). These risks arise from cash and capital markets positions and can be managed by arranging other financial instruments.

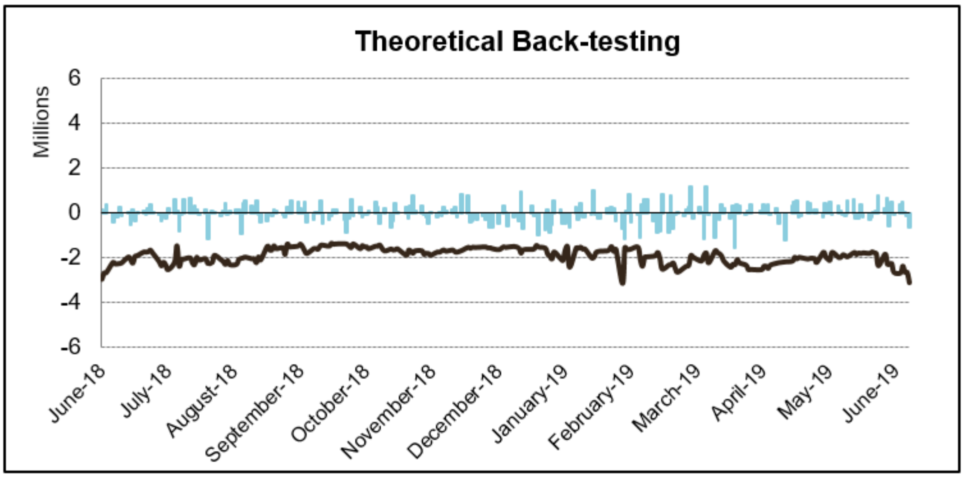
- **Market risk measurement and monitoring**

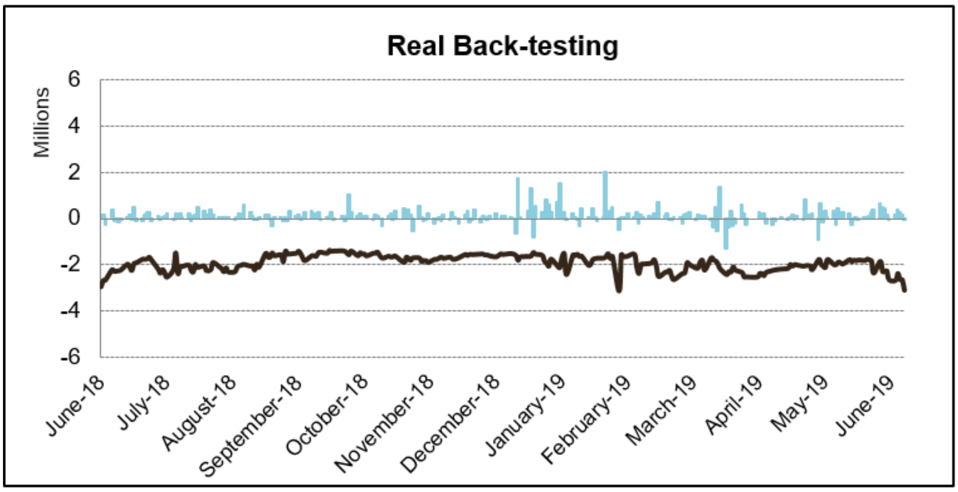
For market risk measurement used two metrics: VaR (value at risk), which provides a prediction of the maximum loss that can suffer in a time interval with a certain level of confidence and sensitivity, which expresses the impact on the valuation of financial instruments to the changes in various risk factors. These metrics are complemented by an analysis of scenarios, which consists of evaluating the economic impact of extreme movements in market factors on trading activity. Control of market risk is based on a system of fixed limits in terms of maximum exposure to market risk, which are approved annually by senior management and distributed across the various business areas and centres.

a) Value at Risk (VaR) and back-testing

VaR is measured by the historical simulation method using a 1-day time horizon and a 99% confidence level and a temporary horizon of one day, with takes at least one year of observations of market data. The accuracy of the model is verified daily through subsequent controls (back-testing). The exercise compare 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 checks carried out in the first half of 2019 confirm the effective operation of the model used by the Bankia Group to measure VaR in accordance with the assumptions used, with no breaches in the period.





The scope of authorisation by the Bank of Spain of internal models lies in the measurement of market risk of the trading portfolio and exchange risk. The regulatory capital figure is calculated by the internal model as the linear sum of the value at risk (VaR), stressed value at risk (SVaR) and incremental risk (IRC) regulatory capitals.

- Value at Risk. The calculation method used to measure VaR is historical simulation with 99% confidence level and a time horizon of 1 day. A time window of 250 daily observations is used. On 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 VaRs by risk factor (interest rate, exchange rate, equity investments, credit margins, commodity prices and volatility of the foregoing).

- Stressed Value at Risk. Stressed value at risk (sVaR) uses the same calculation methodology as the VaR, with two differences. The observation period must include a period of market stress and no exponential weights are applied to observations. The stress period is determined for the entire portfolio as the period that provides the highest VaR figure, calculated as the sum of the values at risk by factor.

- Incremental risk. The methodology for calculating incremental risk (IRC) considers the risk of default and the risk of migration of the interest rate products contemplated for the calculation of the specific risk within the VaR. It is based on measurements of the distribution of losses. The distribution is generated by Monte Carlo simulation based on the risk parameters deriving from the internal credit risk model (IRB). The IRC is calculated using a confidence level of 99.9%, with a constant level of risk over a time horizon of one year and a liquidity horizon of one year.

b) Sensitivity

Sensitivity quantifies changes in the economic value of a portfolio due to given movements and determinants of the variables affecting this value.

In the case of non-linear movements, such as derivatives activities, sensitivity analysis is supported by an evaluation of other risk parameters, such as sensitivity to movements in the price of the underlying (delta and gamma), volatility (vega), time (theta) and interest rate (rho). For share or index options, elasticity to changes in dividend yield is calculated. Sensitivity analysis by tranche is also used to measure the impact of non-parallel movements in the term structures of interest rates or volatilities, and to obtain the distribution of risk in each tranche.

c) Stress-testing

Periodically, stress-testing is performed to quantify the economic impact of extreme movements in market factors on the portfolio. Sensitivity, VaR and IRC measures are supported by stress-testing applying different types of scenarios:

- Historical scenario: scenarios built based on movements observed in previous crises (e.g. Asian crisis of 1998, the tech bubble of 2000/2001, the financial crisis of 2007/2008). These scenarios are reviewed annually to reflect the key events occurring in the year.

- Crisis scenario: applies extreme movements in risk factors that may not necessarily have been observed.

- Last-year scenario: maximum expected daily loss over a 1-year observation period with a 100% confidence level.

- Sensitivity analysis: designed to measure the impact on the metric of slight changes in the parameters used to calculate the IRC, the estimate of the metric excluding transitions to default and the impact on the metric of parallel movements in loss rates in the event of default.

- Credit crisis scenario: devised by two separate analysis; 1) based on a matrix of credit margins built observed, and 2) based on a transition matrix related to credit risk stress scenarios.

- Worst case: default by all issuers in the portfolio.

- **Trends and distribution of market risk in the first half of 2019**

Bankia Group maintained an average VaR in the first half of 2019 of EUR 0.77 million, with a maximum of EUR 1.31 million and a minimum of EUR 0.52 million.

VaR	**Trading book** (Millions of euros)
Average	0.77
Maximum	1.31
Minimum	0.52

Distribution of VaR by risk category *(Millions of euros)*				
Risk category	**Punctual**	**Average**	**Maximum**	**Minimum**
Interest rate	0.28	0.31	0.51	0.13
Equity instrument	0.12	0.05	0.18	0.02
Exchange rate	0.12	0.13	0.26	0.07
Credit	0.11	0.27	0.81	0.03

- **Trading derivatives**

Bankia Group's trading in derivatives arises mainly from the management of market and interest rate risks, and from market making and distribution activities.

Risk of the derivatives trading activity measured in terms of VaR remains extremely low, as this activity is based on transactions with customers carried out in the market under the same terms as opposite transactions. The VaRs for the first half of 2019 are as follows:

VaR of derivatives activity *(Millions of euros)*	**Fixed income**	**Variable income**	**Exchange rate**	**Total**
Average	0.16	0.07	0.18	0.42
Maximum	0.20	0.13	0.36	0.60
Minimum	0.12	0.04	0.12	0.32

7.4.- Country risk

Country risk is defined as the risk of incurring losses on exposures with sovereigns or residents of a country due to reasons inherent to the country's sovereignty or economic situation; i.e. reasons other than normal commercial risk, including sovereign risk, transfer risk and other risks related to international financial activity (war, expropriation, nationalization, etc.).

The Bankia Group's country risk management principles are grounded on criteria of maximum prudence, whereby this risk is assumed on a highly selective basis.

Bankia Group's exposure to country risk at 30 June 2019 was marginal due to the largely domestic nature of its operations, recognising a provision in this connection of EUR 2 million.

7.5.- Operational risks

- **Customer concentration risk**

Bankia is subject to Bank of Spain concentration limits, such that the exposure to any single non-consolidated economic group or borrower must not exceed 25% of eligible capital for borrowers and external economical Groups. In this respect, the Group regularly monitors large exposures with customers, which are reported periodically to the Bank of Spain.

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

At 30 June 2019, there were no exposures that exceeded the maximum concentration risk limits allowed by Bank of Spain.

- **Operational risk**

The control of the operational risk is carried out in the Operational risk is the risk of loss due to inadequate or failed internal processes, people and systems of the Group or from external events. This definition includes legal risk but excludes strategic risk and reputational risk.

Bankia Group has the following operational risk management objectives:

- The Bankia Group'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 Operational and IT Risks Department under the Market and Operational Risks Department, which is part of the Corporate Risks Department. As of March 2017, the Operational Risk Department took responsibility for acting as the second line of defence in the management of IT and cybersecurity risk, changing its name to the Operational and IT Risk Department.

The Operational and Technological Risk Committee, whose responsibilities include approving policies and methods, is the natural channel for senior management participation in operational risk management. It is an executive committee and meets on a monthly basis. At its meetings, the Committee addresses issues such as the consumption of own resources, the performance of real and expected losses, risks in outsourcing processes, and all actions taken in the operational and technological risk management process.

The capital requirement to cover operational risk is rooted in Basel II. European Regulation No. 575/2013 of the European Parliament and of the Council, of 26 June 2013 (CRR) regulates the treatment of this type of risk in the area of credit institutions.

The Bankia Group used the standardised approach to measure its operational risk. This approach requires the disaggregation of the relevant revenues of the past three reporting periods by business line and the application of a percentage to each.

The capital charge for operational risk is calculated once a year, after the accounting close. In 2018, Bankia Group used the standardised approach to measure its operational risk for the sixth consecutive year, consolidating the management aspects associated with the implementation of this method. As set out in the regulations, based on the related risk. The Bankia Group's capital requirement for operational risk at year end 2018 amounted to EUR 470.478 million (EUR 518.10 million at 2017).

- **Changes in regulatory frameworks and regulatory risk**

The financial services industry is characterized for being tightly regulated. Bank operations are subject to specific regulation and Bankia Group’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 the Bankia Group's solvency levels, other capital indicators, ability to generate future profit, business model, dividend policy, and capital and liability structure.

The Regulatory Monitoring Committee, composed of senior managers, identifies the potential impact and influence of regulatory changes on the Group, anticipating any adverse effect. The Committee pays special attention to certain areas, such as business, accounting, risk management, solvency, liquidity, compliance and internal audit. Meanwhile, it establishes appropriate criteria for adapting the business model to the new regulatory paradigm, subsequently performing periodic and exhaustive monitoring of each adaptation project.

Regulatory developments have been much more profound since the entry into force in January 2014 to the new prudential requirements known as BIS III became effective. For Europe, this consisted of Directive 2013/36/EU, of 26 June 2013 (“CRD IV”) and Regulation (EU) 575/2013, of 26 June 2013 ("CRR"). On 7 June 2019, the European Parliament and the Council published a legislative package which contains amendments to (i) CRD IV, (ii) CRR, (iii) Directive 2014/59/EU of the European Parliament and of the Council, of 15 May 2014, establishing a framework for the recovery and resolution of credit institutions and investment firms (the "BRRD") and (iv) Regulation (EU) 806/2014 of the European Parliament and of the Council (the "SRM regulation") (collectively the "EU Banking Reform Package") to reinforce the capital and liquidity positions of banks and strengthen the framework for the recovery and resolution of banks in difficulty. The EU Banking Reform Package will enter into force on 27 June 2019, with a two-year phase-in for implementing certain amendments.

- **Reputational risk**

Following the Board of Directors’ approval and annual review of the Reputational Risk Management Policies and Procedures Manual, Bankia has included reputational risks in its risks model, and meets regulatory and supervisory requirements for the management of this extra financial risk.

The Basel Committee on Banking Supervision defines reputational risk as “the risk arising from negative perception on the part of customers, counterparties, shareholders, investors or regulators that can adversely affect a bank’s ability to maintain existing, or establish new, business relationships and continued access to sources of funding”.

Since the end of 2015, and in line with the Good Governance Code recommendations included in the Responsible Management Plan 2016-2018 approved by the Board of Directors, the Entity is carrying out a corporate-wide non-financial risk identification, evaluation and control exercise with a view to improving the management of reputational risk and complying with new regulator and supervisor requirements. This is reviewed annually.

Sustainable management of reputational risk is crucial for carrying out the Bankia Group's long-term plans and achieving its objectives. It considers reputation not only as past performance, but also as a possibility and future opportunity. The Bankia Group attaches great importance to managing its reputation, as one of its objectives, since one of its objectives is to achieve trust, loyalty and the best possible valuation on the part of its interest groups to pass on an improvement of its competitiveness. Spurred by these requirements, in year 2016, the Board of Directors approved the Reputational Risk Manual which allow Bankia manage actively those events that could result in greatest reputational risk.

By drawing up a reputational risk map, Bankia can manage risk events, which are classified according to probability and financial impact by management centres and reputational risk coordinators. The identification of these centres also enables the reputational risk culture to be prioritised internally in business and management areas that are more sensitive due to their exposure to the events identified.

Bankia also has a synthetic indicator for regular monitoring of reputation capable of identifying the main risk events both within the entity and the sector that could result in a deterioration in reputation, as well as the quality of Bankia's control environment to prevent or mitigate them. Through this indicator, the Board of Directors is able to assess Bankia's level of reputational risk and decide whether there is a need to implement measures or make any decisions relating to its internal management processes or its relations with stakeholders.

8.- FORECLOSED REAL ESTATE ASSETS

The net balance of the Bankia Group's property assets foreclosed or received in payment of debt ended at 30 June 2019 at EUR 2,704 million (EUR 4,212 million gross), representing just 1.3% of the Group's assets. Part of these assets (EUR 1,371 million, gross) is classified under disposal groups pursuant mainly to the agreement reached with subsidiaries of investment fund Lone Star XI explained in Note 9.5.1 to the Bankia Group's interim financial statements.

FORECLOSED AND ACQUIRED ASSETS OF BANKIA GROUP- SPAIN BUSINESS

	June 2019			
(Millions of euros) (*)	Gross value	Valuation adjustments	Net value	Coverage (%)
Real estate assets from construction and development	698	320	378	45.8%
Of which: finished buildings	302	99	202	32.9%
Of which: buildings under constructions	55	28	28	49.8%
Of which: land	341	193	148	56.6%
Property assets from loan for house purchase	2,501	949	1,552	38.0%
Other real estate assets	1,013	239	774	23.6%
Total foreclosed assets	**4,212**	**1,508**	**2,704**	**35.8%**

(*) Interim Financial Statement amounts rounded to millions of euros.

The Group's policy helps borrowers meet their obligations, so that foreclosure is always the last solution. It has several initiatives in place to ease the impact: adapting debts and renegotiations, offering to extend maturities or grace periods, among many other initiatives. Only when it believes there are no real chances of recovering the amount financed does it acquire the mortgaged asset.

In this respect, Bankia Group's objective regarding this type of asset is to dispose of it with the smallest possible impact on the income statement through sale or rental, with or without a purchase option related to the Housing Social Fund and/or special rentals. With this objective, the Group engaged Haya Real Estate to manage, administer and sell its foreclosed assets including all portfolio from BMN.

Accordingly, Bankia Group has an active provisioning policy for these assets based on appraisal updates and the outlook for the real estate market. Provisions recognised at 30 June 2019 for foreclosed assets from Bankia Group's business in Spain amounted to EUR 1,508 million, implying financial coverage of 35.8% since the adjudication.

The Bankia Group continued to pursue its strategy of reducing problematic assets by selling a total of EUR 163 million in foreclosed real estate assets in the first half of 2019, down 45.2% on total proceeds from organic sales carried out in 2018.

9.- INFORMATION ON CREDIT RATINGS

The ratings granted to Bankia Group by different rating agencies include the following:

Issuer ratings BANKIA	STANDARD & POOR'S	FitchRatings	DBRS	SCOPE
Long Term	BBB	BBB	BBB (high)	BBB+
Short Term	A-2	F3	R-1 (low)	S-2
Perspective	Stable	Stable	Positive	Stable
Date	31/05/2019	30/01/2019	02/07/2019	09/05/2019

Mortgages bonds ratings BANKIA	STANDARD & POOR'S	FitchRatings	DBRS	SCOPE
Rating	AA-	A+	AAA	AAA
Perspective	Positive	Stable	---	Stable
Date	27/03/2018	05/02/2019	21/09/2018	12/07/2019

Note: Related to the ratings assigned to Bankia by Moody's in October 2013 Bankia informed that had decided to end the contractual relationship with Moody's. In this sense, the ratings that the agency continues to publish about Bankia have the status of "not requested" ("Unsolicited") "and" non-equity "(" Non-participating "), ie Bankia does not participate in the review of ratings by the agency, who based their decisions strictly on available public information about the entity. Despite that repeatedly has asked the agency to stop publishing ratings of Bankia, is Moody's unilateral decision to determine the time at which stop publishing ratings on the Bank.

Along the first half of 2019 rating agencies took the following rating actions:

S&P Global Ratings

- On 6 February, it affirmed Bankia's long-term rating at “BBB”, outlook stable, reflecting the progress made in strengthening the balance sheet through a sharp reduction in NPAs (“Non-performing assets”) in 2018. On the same date, S&P affirmed Bankia’s short-term rating at “A-2”.

- Then, on 31 May, after its review of Spain's economic risk led to an improvement from 5/Positive to 4/Stable (on a scale of 1-10 where 10 is maximum risk and 1 minimum risk), S&P Global Ratings again affirmed Bankia's long-term rating at “BBB”, outlook stable, and its short-term rating at “A-2”.

Fitch Ratings

- On 30 January 2019, Fitch Ratings (Fitch) upgraded Bankia’s long-term rating from “BBB-“ to “BBB”, changing its rating outlook from positive to stable. On the same date, Fitch affirmed Bankia’s short-term rating at “F3” and upgraded its subordinated debt rating from “BB+” to “BBB-”.

According to the agency, the upgrade follows the reduction of problem assets basis on the sale of a significant portfolio of NPAs and organic reduction of problem assets in 2018, which have materially reduced the bank's capital encumbrance from unreserved problem assets. This materially reduced capital encumbrance from unreserved problem assets. It also reflects a strengthened national retail franchise following its merger with BMN, sustained sound post-merger capitalisation, adequate funding and liquidity and management's proven record in integrations, as demonstrated BMN's speedy and trouble-free integration.

- On 5 February 2019, Fitch upgraded Bankia's mortgage cover bonds from "A" to "A+", changing the outlook to Positive from Stable. The action was driven mainly by the upgrade of Bankia's long-term issuer default rating on 30 January and the level of overcollateralization of the portfolio, which is greater than the level required by the agency for an "A+" rating.

DBRS

- Turning to the ratings assigned by DBRS, after the end of the first half of 2019, on 2 July 2019, the rating agency confirmed Bankia's rating at "BBB (high) and raised its outlook to Positive from Stable after its annual review of Bankia's credit profile. The rating action stems from the annual review and considers the marked improvement in asset quality shown by the material organic reduction of problem assets, as well as the sale of NPAs to Lone Star in December last year. DBRS estimates that completion of the transaction will enable Bankia to achieve NPAs close to those of its domestic and international peers.

Scope Ratings

- On 9 May, as part of its ongoing review, Scope Ratings affirmed Bankia's long-term rating at "BBB+/Stable outlook". In the agency's opinion, the rating acknowledges the strengthened retail franchise following the merger and successful integration of BMN and the good execution track record of a credible management team.

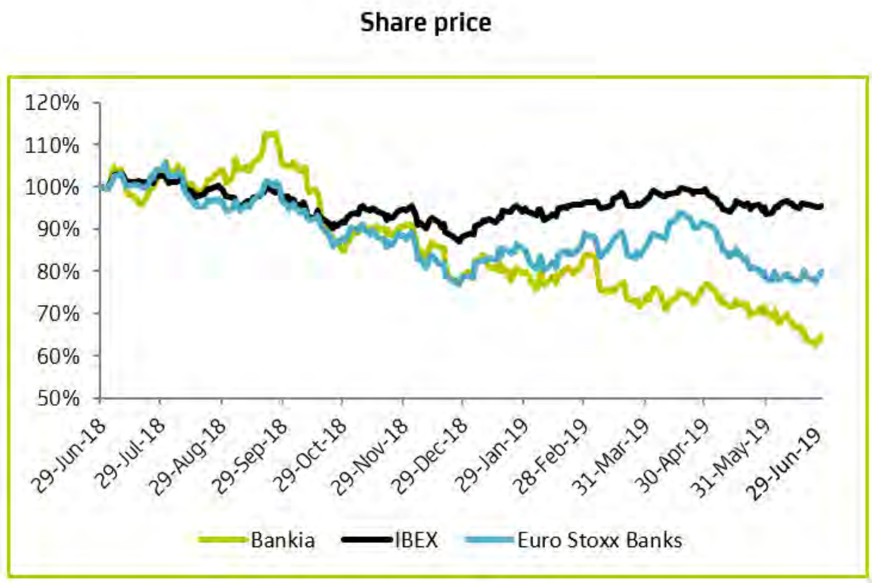
- After the annual review of Bankia's mortgage covered bonds, on 12 July 2019, after the end of the first half of 2019, Scope Ratings affirmed its rating of Bankia's mortgage covered bonds at "AAA", outlook stable.

10.- SHARE PRICE PERFORMANCE AND SHAREHOLDER STRUCTURE

The market environment for the banking sector was challenging in the first half of 2019. The two main events underpinning the downward trend at the end of 2018 were the recovery of the clearly dovish (accommodative) bias of central banks (at the March meetings of the ECB and the Fed) and the break off of trade relations between the US and China in early May, which led to weaker economic activity and confidence readings.

The banking sector was up +1.26% compared to a +15.76% gain by the benchmark Eurostoxx 50 index. In Spain, the strong response by interest rates and public debt markets, pricing in US interest-rate cuts and recovery of monetary stimulus measures in the Eurozone, prompted analysts to lower their earnings forecasts for the sector. This had a considerable impact on the share prices of domestic banks, which are more heavily influenced by the yield curve.

Against this backdrop, Bankia's share price share price fell -18.79% in the first half of 2019. Average daily trading volume was 7.65 million shares, with averaging EUR 2.403 per share.



At the end of the first half of 2019, a total of 34 equity research firms covered Bankia, of which six either did not have an analyst or had a new analyst who had yet to initiate coverage of the stock. Excluding those six research firms, Bankia's average target price at 30 June 2019 was EUR 2.65 per share. Regarding recommendations made, 14.3% of them were to buy, while 25% were to sell and a 60.7% to hold.

The information on analysts' consensus, broken down by firm, target price, recommendation and analyst, is available on the corporate website under "The share" in "Equity analysts". More than 170 research reports with references made to Bankia were published during the first half of 2019, with analysts updating their target prices over 60 times and their recommendations more than 9 times.

The main highlights regarding Bankia's share price in the first half of 2019 were as follows:

- A cash dividend of EUR 11.576 cents per share was paid out of 2018 profit, giving a total outlay of EUR 354 million, paid on 11 April 2019.

- On 20 May 2019, the capital reduction was carried out through the cancellation of treasury shares. The capital reduction amounted to EUR 15,440,845, with the cancellation of 15,440,845 treasury shares. As a result, Bankia's share capital amounted to 3,069,522,105 euros, represented by 3,069,522,105 shares of 1 euro par value each.

Bankia had 180,724 shareholders at 30 June 2019. BFA was the Group's main shareholder, with a 61.77% stake.

11.- INFORMATION ON TREASURY SHARES

Group trading in treasury shares pursues the following objectives:

- To provide liquidity or supply securities to investors, as appropriate, adding breadth and minimising temporary mismatches between supply and demand in trading in Bankia shares.

- To take advantage, in the benefit of all shareholders, of weakness in share price relative to the medium-term outlook.

- To implement, as appropriate, share buybacks approved by the Board of Directors or in execution of resolutions adopted by the General Meeting of Shareholders and, in particular, to afford Bankia access to shares that enable it to meet its obligations for the delivery of shares undertaken previously in respect of issuances of convertible or exchangeable securities and other corporate transactions, such as remuneration or loyalty plans for shareholders, directors, managers or employees.

- To comply with other legitimate commitments previously undertaken.

- Any other purposes permitted under applicable regulations.

Discretionary trading over treasury shares refers to the purchase or sale of own shares on electronic trading platforms of official markets, multilateral trading systems and any other organised trading platform which is ordered by Bankia, directly or indirectly. Transactions in Bankia shares ordered by companies which are controlled by Bankia are also considered in this definition. Discretionary trading over 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 price sensitive information.

Transactions involving treasury shares are performed by Treasury Share Management, a separate unit protected by the appropriate Chinese walls within the general departments determined by the Board of Directors and the General Meeting of Shareholders, which also list the risk limits for the treasury share policy. No other Group unit may trade in treasury shares, except for the repurchase of own shares for hedging market risk or to facilitate brokerage or hedging for customers. This may be carried out by units other than Treasury Share Management.

At 31 December 2018, Bankia held 29,543,837 treasury shares, with a par value of EUR 1 each and a combined carrying amount of EUR 96.6 million. During the first half of 2019, the Group has bought 14,999,853 shares and sold 10,017,687 shares. Thank to these transactions and the capital reduction to cancel treasury shares (15,440,845 shares) carried out in May (See Note 15.1 on the condensed consolidated interim financial statements on 30 June 2019) the total number of treasury shares held at 31 December 2018 to 19,085,158, with a par value of EUR 1 each and a combined carrying amount of EUR 54.8 million.

Treasury shares held at the end of June 2019 represented 0.62% of Bankia's share capital at that date. The following tables show treasury share transactions carried out in the first half of 2019:

TREASURY STOCK OPERATIONS - BANKIA GROUP

SHARES ACQUIRED IN THE FIRST HALF OF 2019

Communication date	Number of shares acquired	Nominal value per action (€)	Nominal value (€ Mn)	% on the share capital (*)
January	1,929,673	1.0	1.9	0.06%
February	2,402,916	1.0	2.4	0.08%
March	4,096,669	1.0	4.1	0.13%
April	2,007,503	1.0	2.0	0.07%
May	3,474,542	1.0	3.5	0.11%
June	1,088,550	1.0	1.1	0.04%
TOTAL	**14,999,853**		**15.0**	**0.49%**

(*) Percentage calculated on share capital at the close of each month. The percentage of total acquisitions is calculated on the share capital at the end of June.

SHARES SOLD IN THE FIRST HALF OF 2019

Communication date	Number of shares sold	Nominal value per action (€)	Nominal value (€ Mn)	% on the share capital (*)
January	1,329,097	1.0	1.3	0.04%
February	3,307,392	1.0	3.3	0.11%
March	1,821,543	1.0	1.8	0.06%
April	2,294,536	1.0	2.3	0.07%
May	542,905	1.0	0.5	0.02%
June	722,214	1.0	0.7	0.02%
TOTAL	**10,017,687**		**10.0**	**0.33%**

(*) Percentage calculated on share capital at the close of each month. The percentage of total sales is calculated on the share capital at the end of June.

12.- DIVIDEND POLICY

The distribution of dividends is voted on by the General Meeting of Shareholders based on proposals made by the Board of Directors.

Pursuant to the decision by the European Commission of 20 July 2012, Bankia suspended dividend payments to shareholders until 31 December 2014. Therefore, the Entity did not pay any dividends in 2011, 2012 or 2013. The restriction on dividend payments ended on 31 December 2014.

Likewise, further to the resolutions adopted at the General Meeting of Shareholders held on 22 March 2019, on 11 April 2019 Bankia paid a total dividend of EUR 354 million out of profit for 2018.

Underpinned by organic capital generation ability and an increasingly strong balance sheet, the Bankia Group's goal in the coming years is to maintain shareholder remuneration as another step towards getting the business back to normal and repaying the public assistance received.

13.- RESEARCH, DEVELOPMENT AND TECHNOLOGY

On the 2017-2019 period, investment in software development at Bankia has been characterised for targeting transformational projects. This has followed the major shift in the financial industry's activity to adapt to the continuous changes demanded by our customers, regulators, income statements plagued by thin net interest margins, and the arrival of new competitors.

Technology has become a key element of the Bank's business strategy, with the priorities of software development in 2019 framed within the following scenario:

- The Bank's new Digital Transformation Plan, which includes rolling out new technologies in online channels, business processes, customer analytics, products and segments, and the development of core banking applications to properly support the required capabilities.

- Additional spending on cyber security and technology platform optimisation and evolution to ensure that our facilities are fit for purpose and use resources efficiently in the face of growth in the customer base and activity.

- Regulatory and supervisory requirements, focusing this year on risk models, management and control.

In the light of these priorities, Bankia laid down nine strategic lines of action in IT and a range of "regulatory projects" and "unit projects": online channel development plan, process redesign, AI for processes, development of the customer service department (CSD) and the user service department (USD), core banking transformation, reporting system, risk management, cyber security and platform optimisation and development.

Highlights for the first half of 2019 in each strategic line of action are:

13.1.- Digital channel development plan

Efforts in the first half of 2019 focused on the following functional groups:

- Digital Banking: Configuration of the future channels map, and development and transformation roadmap of the online channel and smartphone app.

- Technological development to revise channel architecture and technological evolution (e.g., cloud computing and voice biometrics).

- Impact on Open Business and payments: Identifying new value-added service possibilities for the Open Business platform and adding Open Banking to the channels map.

- Development of business intelligence: Single vision of the customer and consumer, integrating architecture with cognitive analytics, among other initiatives.

13.2.- Process redesign

Work began in the first half of 2019 on meeting the following process redesign requirements:

- Redesign of certain commercial processes: digital channel subscription and management (remote banking processes), on-boarding cancellations, payment method complaints and disputes, and commercial filing systems.

- Redesign of servicing processes involving significant administration time at branch offices

- Developing the Documents Workshop (a new tool) and streamlining of digital document signature processes.

13.3.- <u>AI for processes</u>

AI spend showed one of the largest increases in expenditure in 2019. Projects in this line of work in the first half of 2019 focused on three areas:

- Continuing with the work begun in 2018 on validating loan documentation. Validation of SET 2 documents (10 documents, which are additional to the 7 SET 1 documents, now in production) will be completed in 2019.
- Developing processes for recording financial and economic data extracted from documents presented by customers for loan transactions.
- Making inroads on adding AI to new processes.

13.4.- <u>Developing the customer and user service departments</u>

In 2019, our customer and user service centre expenditure is aimed at transformation towards a cognitive contact centre model. In the first half, we have already started three key lines of work:

- Introducing conversation assistants. The USD project started in 2018 with the addition of operational insurance queries and the technical USD to Amelia.
- Replacing PeopleSoft with platforms providing contact and case-management capabilities. These tools also integrate with Amelia:
    - Contacts management, mainly at the CSD.
    - Cases management (technical queries and incidents) at the USD.
- Routing and resolving contacts at the CSD via different channels by integrating the Genesys (CTI), Amelia and Salesforce platforms.

13.5.- <u>Transformation of core banking</u>

Following the design concept work done in 2018, this year we continued the process of transforming three core banking applications: customers, workshops and commercial catalogue and payment methods.

Work also began on analysing the commercial tools ecosystem, which is now entirely mainframe-based.

13.6.- <u>Reporting system</u>

Initiatives in 2019 will focus on adapting the analytics engine to draw on the integrated corporate repository (Spanish “RCI”) for the start of decommissioning data warehouse analytics, and on actually decommissioning the data warehouse and management information system (MIS) reports.

Work also continued in the first half of 2019 on: reinforcing the Big Data platform and integrating it with the RCI; deploying the comprehensive model of reporting governance (RCI + Big Data); and developing data labs and analytical models.

13.7.- <u>Risks</u>

A specific line of action encompassing all risk-related projects was created in the first half of 2019: Risk Model Plan, regulatory projects (e.g. risk data aggregation or RDA, a new definition of default, TRIM requirements for the mortgage model, risk control system) and projects included in the Bank's Strategic Plan (e.g. recoveries model, NPL ratio, cost of risk).

13.8.- Cyber security

Efforts were made in the first half of 2019 to step up the following development initiatives:

- Implementing systems to manage cyber security risks and raise security awareness
- Fraud:
    - Integrating processes across channels in the fraud prevention system, introducing new antifraud rules and scheduling monitoring alerts.
    - Putting in place an analytical model to reduce fraud alerts arising from automatic processing (algorithms and AI).
- Analytics:
    - Developing dashboards and flowcharts for the security data lake and indicator management.
    - Researching user security behaviours (anomalous patterns).
- Continuity developments - PowersAPP questionnaires for BIA (Business Impact Analysis).

13.9.- Optimising and developing platforms

The objective in 2019 is still on lowering infrastructure costs and enhancing platforms. Key actions in the first half included:

- Infrastructure costs:
    - Work continued to reduce usage of the mainframe platform by migrating applications to distributed systems and optimising online transactions and batch processes by number of executions and usage.
    - The scope of the Open Source Cloud/DevOps IT approach was extended further.
- Platform enhancements:
    - Progress was made on solving the obsolescence of some applications by migrating them to open source technology and eliminating the infrastructure for apps scheduled for decommissioning.
    - The NEO platform was optimised further, along with the monitoring systems to meet the needs of the branch office network.

13.10.- Regulatory projects

Regulatory projects are especially important. In the first half of 2019, the focus was on:

- Producing new regulatory statements and automating some existing reporting to shorten production time and reduce manual processing errors.
- Reinforcing new developments that support advisory functions, securities dealing and capital markets (operations and reporting).
- Implementing stricter security standards in payment processes.
- Finalising developments arising from the Compliance area's Transformation Plan.
- Implementing product regulations: Mortgage and insurance directives.

13.11.- Unit projects

Work began on the following key projects in the first half of 2019:

- *Multiproducto Global*: Modifying the fit with financial programmes, based on sub-limits by risk family, the widened scope of payment financing-related transactions, introduction of LTCs, discretionary reserve of a portion of the credit limit for the exclusive use of credit accounts, and one-stop processing of *Multiproducto* transactions for local price calculation.

- Portfolio advisory and management models. Developing retail and private banking portfolio advisory and management models through the branch network and online in accordance with the concepts prioritised by the business model: *Bankia Gestión Experta* (expert management) via the online channel, modelling-driven portfolio management in private banking, evolving discretionary portfolio management in retail banking (currently branded *Bankia Gestión Experta*) towards the private banking model, recurring investment advice in retail banking.

- Asset management system assessment: Drawing up and executing a plan for core applications for asset management front-office, risks and back-office (investment funds and pension plans) to improve efficiency and management information.

- Relationship sales: Creating an online relationship sales service supported by branch offices that enables customers to buy consumer products with 0% APR financing, using cards or cash.

- Payment methods: Creating new payment gateways, new smartphone payment systems and new card functionalities.

- Insurance plan, in which the following policies will be redesigned: *Vida Riesgo* (life), *Protección de Pagos* (payment protection), *Vida Ahorro*. Health, funeral, MRE insurance portfolio.

14.- FORECASTS AND BUSINESS OUTLOOK

- **Economic overview**

The first half of 2019 showed further evidence of the end of the cycle, while the uncertainties caused by the trade war and Brexit had a negative impact on corporate sentiment and weakened global trade and investment. Nevertheless, the world economy is still showing considerable resistance to negative shocks, with reasonably upbeat short- and medium-term outlooks, underpinned by: (i) the resilience of the services sector, which is sustaining the job market and consumption; (ii) the commitment of central banks to support growth; and (iii) the absence of particularly significant macroeconomic imbalances, unlike at other times and although growth is in the mature stage. Overall, growth by the main economies is expected to remain in line with their potential growth in the second half of 2019.

The ECB's willingness to adopt new measures means that, at its July meeting, it is likely to adjust its forward guidance and that, in September, it will likely cut its deposit facility and repo rate by 10 basis and restart QE. The Fed looks set to lower the target range for rates from 2.25%-2.50% to 2.00%-2.25%, potentially with another cut before the end of the year.

Against this backdrop, unless the trade conflict is unexpectedly resolved in the short term or there is a surprising spike in growth and inflation, IRRs still have scope to fall, which could take the yield on the Spanish 10-year bond to around 0% and on the German bond to -0.60%.

Moreover, the expansionary effects of monetary and fiscal policy should wear off, while the low household saving rate should rebound. On balance, we expect GDP growth of 2.2% for the full year (2018: 2.6%). One of the key factors supporting the continuation of the growth phase is the more balanced position compared to previous cycles in terms of competitiveness, as shown by lending capacity, and the financial position of families and businesses. External risks include notably the impact of protectionism and the uncertainty over the resolution of Brexit, while domestic risks include uncertainty over the direction of economic policies or high public debt, which poses a vulnerability.

- **Business outlook for the Bankia Group**

As regards, in the second half of 2019, the Bankia Group will continue to work on consolidating the business, with the overriding aim of becoming more competitive and profitable, and expanding the more recurring business so it can generate capital organically. The Group's objectives are now enshrined in its new 2018-2020 Strategic Plan, which was approved by its Board of Directors on 22 February 2018. The new Strategic Plan seeks to increase the Group's earnings by driving sales and commercial activity, while continuing to improve quality and the balance sheet and ultimately payout to shareholders. To accomplish these objectives, the 2018-2020 Strategic Plan targets four key areas:

- **Synergies arising from the merger with BMN**. Both Bankia and BMN have a business model focused on retail banking, with a similar customer profile. This promises considerable synergy potential through the reduction of redundant costs and limited integration risk. Meanwhile, the Strategic Plan envisions higher revenue generation, mostly in net interest income and fee and commission income, since BMN boasts a leading franchise in regions where Bankia has a relatively small presence, such as Murcia, Granada and the Balearic Islands, and this should drive a major increase in scale and customer bases in these areas.

- **Efficiency and cost control**. The new Strategic Plan envisions an improvement in the Group's efficiency (cost-to-income) to below 47% by 2020 once the cost synergies have been unlocked from the merger with BMN (EUR 190 million on 2020, up 23% on the EUR 155 million initially envisaged).

- **Driving income through increased sales of high-value products**. Over the next three years, the Bankia Group aims to continue growing lending activity in the mortgage, consumer finance and business loan segments. It also intends to increase fees and commissions on high-value products (mutual funds, payment services and insurance) as a means of boosting income and margins. To help it achieve this objective, the Group have rolled out new lines of business now that the restrictions set out in the Restructuring Plan no longer apply, since the plan ended in December 2017. These activities include lending to real estate developers, long-term financing to large corporations through placements on the capital markets both in and outside Spain, and other fee-bearing products (project finance and M&A funding).

- **Drive to reduce problem assets.** Another pillar of the new Strategic Plan is to continue reducing problem assets organically and via the sale of portfolios. The aim here is to free up liquidity and funds with which to grant loans and new credit in segments where Bankia intends to increase its lending activity and market shares. The increase in lending will be accompanied by further reductions in non-performing loans and foreclosed assets (EUR 8,800 million projected for 2018-2020). According to the estimates contained in the new Strategic Plan, this will bring the Group's problem assets ratio (gross NPLs + gross foreclosed assets / total risks + gross foreclosed assets) to below 6% by year-end 2020 and the NPL ratio to 3.9%.

Accomplishing the objectives set out in the Strategic Plan will allow the Bankia Group to continue generating strong organic capital, while keeping its capital adequacy ratio at above 12% (fully-loaded CET1).

The Bankia Group has embarked on this new plan from a solid financial position, strong capitalized and an ability to enhance solvency organically and on a recurring basis. These strengths will be crucial for the Group to rise to the challenge of a new growth stage, against a background that will continue be tough for the banking industry, owing to stiffer capital requirements in response to regulatory pressure, low interest rates, and fierce competition.

15.- SUBSEQUENT EVENTS AFTER THE FIRST HALF OF 2019

No significant events took place between 30 June 2019 and the date of authorisation for issue of the Bankia Group's condensed consolidated interim financial statements with a significant impact.