6-30-2014

Bankia, S.A: Tailored Resolution Plan

United States: Federal Deposit Insurance Corporation (FDIC)

BANKIA, S.A.
Tailored Resolution Plan
Public Section

Date: June 30, 2014

This public section of the resolution plan with respect to Bankia, S.A. ("Bankia") is being filed pursuant to a requirement in Section 165(D) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "DFA") and the implementing joint final rule issued by the Board of Governors of the Federal Reserve System (the "Federal Reserve") and the Federal Deposit Insurance Corporation ("FDIC") on September 13, 2011 (the "Final Rule"). Section 165(d) of the DFA and the Final Rule require any foreign bank or company that (i) is a bank holding company or treated as a bank holding company under Section 8(a) of the International Banking Act of 1978 (the" IBA") and (ii) has $50 billion of more in total consolidated assets (such company a "covered company") to submit to the Federal Reserve and the FDIC its plan for "rapid and orderly resolution in the event of a material financial distress or failure" of subsidiaries and operations of such foreign-based covered company that are domiciled in the United States or conducted in whole of material part in the United States. Bankia controls a national banking association organized under the laws of the United States, and accordingly is a bank holding company pursuant to the Bank Holding Company Act of 1956 (the "BHC Act"). As of December 31, 2013 Bankia had total consolidated assets of approximately € 251.472 million, and therefore is required under the Final Rule to submit a resolution plan (the "Resolution Plan").

The Final Rule permits certain eligible covered companies to file a "tailored" Resolution Plan. According to the Final Rule and the related guidance issued by the Federal Reserve and the FDIC (the "Guidance"), a tailored Resolution Plan filer may file a Resolution Plan that is focused only on the U.S. "nonbanking material entities and operations" of the covered company as well as the interconnections and interdependences between its U.S. banking operations and its non-U.S. operations. Bankia meets the criteria to file a tailored resolution plan and has been approved by the Federal Reserve and the FDIC to file a tailored Resolution Plan for 2013. Therefore, the scope of Bankia's Tailored Resolution Plan is limited to its "non banking material entities and operations" that are domiciled in the United States (if any).

Because the scope of Bankia's tailored Resolution Plan is limited to Bankia's non-banking "Core Business Lines", U.S. non banking "Critical Operations" and U.S. non banking "Material Entities", if any, Bankia first determined if it has any U.S. "Core Business Lines", U.S. "Critical Operations" and U.S. "Material Entities" followed by a determination of whether any such U.S. "Core Business Lines", U.S. "Critical Operations" and U.S. "Material Entities" constitute "non-banking material entities or operations."

The final rule defines a "Material Entity" as a subsidiary or foreign office of the covered company that is significant to the activities of a "Critical Operation" or "Core Business Line." "Core Business Lines" are defined under the Final Rules as "those business lines of the covered company, including associated operations, services, functions and support, that in the view of the covered company, upon failure would result in a material loss of revenue, profit, or franchise value." For a foreign-based covered company, such as Bankia, its Resolution Plan is required to address only Core Business Lines and Critical Operations that are domiciled in the United States. Bankia has not identified any Core Business Lines, banking or non-banking, which are domiciled in the United States or conducted in whole or material part in the United States and, based on the limited nature of its U.S. operations, Bankia does not believe it has any U.S. Critical Operations. Accordingly Bankia has not identified any U.S. Material Entities banking or non-banking for purposes of this tailored Resolution Plan.

I.- Names of Material Entities:
According to the Final Rule and the Guidance, a foreign-based covered company that is filing a tailored Resolution Plan, such as Bankia, may limit its Material Entities to its U.S. non-banking Material Entities.

Bankia did not identify any U.S. non-banking Material Entities.

II.- Description of Core Business Lines
According to the Final Rule and the Guidance, a foreign-based covered company that is filing a tailored Resolution Plan, such as Bankia, may limit its Core Business Lines to its U.S. non-banking Core Business Lines.

Bankia did not identify any U.S. non-banking Core Business Lines.

III.- Consolidated or Segment Financial Information Regarding Assets, Liabilities, Capital and Major Funding Resources.

Consolidated or Segment Financial Information regarding Assets, Liabilities, Capital
Bankia's annual Report includes detailed financial information. Bankia's December 31, 2013 consolidated balance sheet, reflecting assets, liabilities and capital is found on pages 1 to 6 of Exhibit A. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. For a more detailed discussion regarding any line item on the consolidated balance sheet, again, please refer to Exhibit A, Bankia's Audited 2013 Consolidated Annual Report

Major Funding Sources
Bankia centralizes its liquidity management in its head office in Madrid and pages 1 to 6 of the attached Audited 2013 Consolidated Annual Report, located at Exhibit A, provides a broad overview of those sources.

IV.- Derivative Activities and Hedging Activities
As noted above, the scope of Bankia's tailored Resolution Plan is limited to its "non-banking material entities and operations" that are domiciled in the United States or conducted in whole or material part in the United States (if any).

Bankia did not identify any U.S. non-banking Material Entities given it did not identify any U.S. non-banking Core Business Lines or U.S. non-banking Critical Operations. As a result of the foregoing, this section is not applicable.

V.- List of Memberships in Material Payment, Clearing and Settlement Systems
As noted above, the scope of Bankia's tailored Resolution Plan is limited to its "non-banking material entities and operations" that are domiciled in the United States or conducted in whole or material part in the United States (if any).

Bankia did not identify any U.S. non-banking Material Entities given it did not identify any U.S. non-banking Core Business Lines or U.S. non-banking Critical Operations. As a result of the foregoing, this section is not applicable.

VI.- Description of Foreign Operations

Bankia is headquartered in Madrid, Kingdom of Spain, and its shares of common stock are publicly traded in the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges and in the *Sistema de interconexión Bursatil Español or Mercado Continuo.*

Bankia leads a universal financial services group (collectively the "Group") with 2.093 branches in Spain as of December 31, 2013. Bankia is primarily a Spanish domestic entity, and its overseas presence is limited to a representative office in Shanghai, China, and La Habana, Cuba, and its current holdings in City National Bank of Florida and the minority stake in CIFI Panamanian Corporation (Corporación Interamericana para el Financiamiento de las Infraestructuras). City National Bank of Florida is in the process of being sold to Banco de Credito e Inversiones of Santiago, Chile, and this sale of is pending only Federal Reserve Approval. The remaining overseas presence is also in the process of either being sold or closed.

VII.- Material Supervisory Activities

As noted above, the scope of Bankia's tailored Resolution Plan is limited to its "non-banking material entities and operations" that are domiciled in the United States or conducted in whole or material part in the United States (if any).

Bankia did not identify any U.S. non-banking Material Entities given it did not identify any U.S. non-banking Core Business Lines or U.S. non-banking Critical Operations. As a result of the foregoing, this section is not applicable.

VIII.- Identities of the Principal Officers

The current composition of the Board of Directors of Bankia is as follows:

- Jose Ignacio Goirigolzarri Tellaeche (Executive Chairman)
- José Sevilla Alvarez (CEO)
- Antonio Ortega Parra
- Joaquín Ayuso García
- Francisco Javier Campo García
- Eva Castillo Sanz
- Jorge Cosmen Menendez-Castañedo
- Jose Luis Feito Higueruela
- Fernando Fernández Méndez de Andés
- Alfredo Lafita Pardo
- Alvaro Rengifo Abbad

- Miguel Crespo Rodríguez – Secretary non-director
- Antonio Zafra Jiménez- Deputy Secretary non-director

The current composition of the Management Committee of Bankia is as follows:

- Jose Ignacio Goirigolzarri Tellaeche (Chairman)
- José Sevilla Alvarez
- Antonio Ortega Parra
- Amalia Blanco Lucas
- Miguel Crespo Rodríguez.

- Fernando Sobrini Aburto.
- Gonzalo Alcubilla Povedano.

IX.- Corporate Governance Structure and Processes Related to Resolution Planning

Bankia is subject to the provisions of Law 9/2012, dated November 14, 2012 for the restructuring and resolution of Credit Entities, which does not provide for the Credit Entities such as Bankia implementing a resolution plan. In addition, Bankia is subject to the provisions of Law 10/2014, dated June 26, 2014, for the Organization, Supervision and Solvency of Credit Entities.

A Memorandum of Understanding ("MoU") was entered into by and between Spain and the Euro area countries in July 2012, with respect to four banks (i.e., BFA/Bankia, NCG Banco, Catalunya Banc and Banco de Valencia) and said institutions were identified as a specific group – the so-called "group 1". This group has come under the control of the Spanish Fund for Orderly Bank Restructuring (also known as the "FROB"). Many in the group had already received state aid. The MoU anticipated that the Spanish authorities would enter into restructuring or resolution plans with the European Commission ("Commission") and the Commission in fact approved a resolution plan by the end of November 2012. In fact on November 28, 2012, the Commission approved the restructuring plans of Spanish bank BFA/Bankia and established restructuring measures to ensure that the bank return to long term viability as sound credit institutions in Spain. By 2017, it is anticipated that the balance sheet of BFA/Bankia will shrink by more than 60%, as compared to 2010. In particular, BFA/Bankia will refocus their business model on retail and small business lending in their historical Spanish core regions. They will exit from lending to real estate development and limit their presence in wholesale businesses. It is anticipated that this will contribute to the reinforcement of BFA/Bankia's capital and liquidity position and reduce their reliance on wholesale and Central Bank funding. BFA/Bankia's transfer of real estate assets to the asset management company "Sareb" will further limit the impact of additional impairments on the riskier assets and help to restore confidence. Lastly, the term sheet annexed to the Restructuring Plan sets out the commitments for the recapitalization and restructuring of BFA/Bankia which the kingdom of Spain and BFA/Bankia have committed to implement, and it was that term sheet that required BFA/Bankia to dispose of City National Bank of Florida. As stated previously, Bankia is in the process of selling this U.S. bank asset pending only Board of Governors of the Federal Reserve System approval.

X.- Material Management Information Systems

As noted above, the scope of Bankia's tailored Resolution Plan is limited to its "non-banking material entities and operations" that are domiciled in the United States or conducted in whole or material part in the United States (if any).

Bankia did not identify any U.S. non-banking Material Entities given it did not identify any U.S. non-banking Core Business Lines or U.S. non-banking Critical Operations. As a result of the foregoing, this section is not applicable.

XI.- High Level Description, of the Covered Company's Resolution Strategy, Covering Such Items as the Range of Potential Purchasers of the Covered Company, its Material Entities and Core Business Lines.

As noted above, the scope of Bankia's tailored Resolution Plan is limited to its "non-banking material entities and operations" that are domiciled in the United States or conducted in whole or material part in the United States (if any).

Bankia did not identify any U.S. non-banking Material Entities given it did not identify any U.S. non-banking Core Business Lines or U.S. non-banking Critical Operations. As a result of the foregoing, this section is not applicable.

Exhibit A
Audited Bankia´s Consolidated Annual Report as of December 31, 2013

Audit Report

BANKIA, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and Consolidated Management Report for the year ended December 31, 2013

(Free translation from the original in Spanish)

Building a better working world

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Translation of a report and consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (see Note 50)

AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Bankia, S.A.:

1. We have audited the consolidated financial statements of Bankia, S.A. (hereinafter the Bank) and Subsidiaries composing the Bankia Group (hereinafter the Group), which comprise the consolidated balance sheet at December 31, 2013 and the related consolidated income statement, consolidated statement of changes in total equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended. As indicated in Note 1.3 to the accompanying consolidated financial statements, the Bank's directors are responsible for the preparation of the Group's financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and other provisions in the regulatory framework applicable to the Group. Our responsibility is to express an opinion on the aforementioned consolidated financial statements taken as a whole, based upon work performed in accordance with prevailing audit regulations in Spain, which require the examination, through the performance of selective tests, of the evidence supporting the consolidated financial statements, and the evaluation of whether their presentation, the accounting principles and criteria applied and the estimates made are in agreement with the applicable regulatory framework for financial information.

2. In our opinion, the accompanying 2013 consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of Bankia Group at December 31, 2013, and the consolidated results of operations and consolidated cash flow for the year then ended, in conformity with International Financial Reporting Standards, as adopted by the European Union, and other applicable provisions in the regulatory framework for financial information.

3. The accompanying 2013 consolidated management report contains such explanations as the Bank's directors consider appropriate concerning the situation of Bankia Group, the evolution of its business and other matters; however, it is not an integral part of the consolidated financial statements. We have checked that the accounting information included in the aforementioned consolidated management report agrees with the 2013 consolidated financial statements. Our work as auditors is limited to verifying the consolidated management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the accounting records of Bankia, S.A. and Subsidiaries, composing the Bankia Group.

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

José Carlos Hernández Barrasús

February 18, 2014

Bankia

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

Consolidated financial statements for the year ended 31 December 2013

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1-3 and 50). In the event of a discrepancy, the Spanish-language version prevails.

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Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1-3 and 50). In the event of a discrepancy, the Spanish-language version prevails.

BANKIA, S.A. AND SUBSIDIARIES FORMING THE BANKIA GROUP
Consolidated balance sheet at 31 December 2013 and 2012

(Thousands of euros)

ASSETS	31/12/2013	31/12/2012 (*)
1. Cash and balances with central banks (Note 8)	**3,448,606**	**4,569,525**
2. Financial assets held for trading (Note 9)	**22,243,718**	**35,772,072**
2.1. Loans and advances to credit institutions	-	-
2.2. Loans and advances to customers	2,730	39,874
2.3. Debt securities	165,712	323,863
2.4. Equity instruments	38,764	22,951
2.5. Trading derivatives	22,036,512	35,385,384
Memorandum item: loaned or advanced as collateral	159,899	282,966
3. Other financial assets at fair value through profit or loss (Note 10)	**-**	**16,486**
3.1. Loans and advances to credit institutions	-	-
3.2. Loans and advances to customers	-	-
3.3. Debt securities	-	-
3.4. Equity instruments	-	16,486
Memorandum item: loaned or advanced as collateral	-	-
4. Available-for-sale financial assets (Note 11)	**40,704,263**	**39,686,164**
4.1. Debt securities	40,704,263	39,686,164
4.2. Equity instruments	-	-
Memorandum item: loaned or advanced as collateral	17,485,389	8,963,941
5. Loans and receivables (Note 12)	**129,918,268**	**144,340,771**
5.1. Loans and advances to credit institutions	9,219,044	7,988,290
5.2. Loans and advances to customers	119,115,562	134,137,132
5.3. Debt securities	1,583,662	2,215,349
Memorandum item: loaned or advanced as collateral	101,653,592	109,345,404
6. Held-to-maturity investments (Note 13)	**26,979,650**	**29,159,493**
Memorandum item: loaned or advanced as collateral	4,787,303	4,456,923
7. Changes in the fair value of hedged items in portfolio hedges of interest rate risk	**-**	**-**
8. Hedging derivatives (Note 14)	**4,259,621**	**6,174,397**
9. Non-current assets held for sale (Note 15)	**12,000,380**	**9,506,341**
10. Investments (Note 16)	**150,083**	**300,007**
10.1. Associates	-	-
10.2. Jointly-controlled entities	150,083	300,007
	-	
11. Insurance contracts linked to pensions (Note 41.2)	**202,125**	**405,804**
12. Reinsurance assets	**1,494**	**1,325**
13. Tangible assets (Note 17)	**1,925,776**	**1,850,402**
13.1. Property, plant and equipment	1,325,364	1,637,987
13.1.1. For own use	1,325,364	1,634,183
13.1.2. Leased out under an operating lease	-	3,804
13.2. Investment property	600,412	212,415
Memorandum item: acquired under a finance lease	-	-
14. Intangible assets (Note 18)	**80,631**	**69,407**
14.1 Goodwill	-	-
14.2 Other intangible assets	80,631	69,407
15. Tax assets	**8,661,703**	**9,018,452**
15.1 Current	129,760	109,228
15.2 Deferred (Note 28)	8,531,943	8,909,224
16. Other assets (Note 19)	**895,726**	**1,439,711**
16.1 Inventories	237,970	262,261
16.2 Other	657,756	1,177,450
TOTAL ASSETS	**251,472,044**	**282,310,357**

LIABILITIES AND EQUITY	31/12/2013	31/12/2012 (*)
LIABILITIES		
1. Financial liabilities held for trading (Note 9)	**20,217,934**	**33,655,117**
1.1. Deposits from central banks	-	-
1.2. Deposits from credit institutions	-	-
1.3. Customer deposits	-	-
1.4. Marketable debt securities	-	-
1.5. Trading derivatives	20,111,225	33,655,117
1.6. Short positions	106,709	-
1.7. Other financial liabilities	-	-
2. Other financial liabilities at fair value through profit or loss	**-**	**-**
2.1. Deposits from central banks	-	-
2.2. Deposits from credit institutions	-	-
2.3. Customer deposits	-	-
2.4. Marketable debt securities	-	-
2.5. Subordinated liabilities	-	-
2.6. Other financial liabilities	-	-
3. Financial liabilities at amortised cost (Note 20)	**207,876,942**	**243,722,867**
3.1. Deposits from central banks	43,405,679	51,954,777
3.2. Deposits from credit institutions	26,218,113	26,080,618
3.3. Customer deposits	108,543,217	110,904,200
3.4. Marketable debt securities	28,138,887	37,334,769
3.5. Subordinated liabilities	-	15,640,909
3.6. Other financial liabilities	1,571,046	1,807,594
4. Changes in the fair value of hedged items in portfolio hedges of interest rate risk	**-**	**-**
5. Hedging derivatives (Note 14)	**1,897,073**	**2,790,218**
6. Liabilities associated with non-current assets held for sale (Note 15)	**5,954,043**	**3,401,085**
7. Liabilities under insurance contracts (Note 21)	**237,822**	**262,414**
8. Provisions (Note 22)	**1,706,025**	**2,869,192**
8.1. Provisions for pensions and similar obligations	228,912	494,503
8.2. Provisions for taxes and legal contingencies	330,221	78,314
8.3. Provisions for contingent liabilities and commitments	611,938	635,899
8.4. Other provisions	534,954	1,660,476
9. Tax liabilities	**1,177,432**	**1,059,423**
9.1. Current	25,541	42,879
9.2. Deferred (Note 28)	1,151,891	1,016,544
10. Other liabilities (Note 23)	**819,924**	**606,032**
TOTAL LIABILITIES	**239,887,195**	**288,366,348**
EQUITY		
1. Own funds (Note 26)	**10,882,741**	**(5,204,345)**
1.1. Capital	11,517,329	3,987,927
1.1.1 Issued	11,517,329	3,987,927
1.1.2 Less: Uncalled capital	-	-
1.2. Share premium	4,054,700	11,986,494
1.3. Reserves	(5,189,167)	(2,121,180)
1.3.1 Accumulated reserves (losses)	(4,087,777)	(2,070,087)
1.3.2 Reserves (losses) of entities accounted for using the equity method	(1,101,390)	(51,093)
1.4. Other equity instruments	-	-
1.5. Less: treasury shares	(11,758)	(1,182)
1.6. Profit/(loss) for the year attributable to the parent	511,637	(19,056,404)
1.7. Less: dividends and remuneration	-	-
2. Valuation adjustments (Note 25)	**741,772**	**(803,688)**
2.1. Available-for-sale financial assets	705,157	(785,510)
2.2. Cash flow hedges	(18,120)	(26,755)
2.3. Hedges of net investments in foreign operations	24,819	13,686
2.4. Exchange differences	(644)	3,919
2.5. Non-current assets held for sale	12,439	8,791
2.6. Entities accounted for using the equity method	11,223	(17,819)
2.7. Other valuation adjustments	6,898	-
3. Non-controlling interests (Note 24)	**(39,664)**	**(47,958)**
3.1. Valuation adjustments	(696)	(301)
3.2. Other	(38,968)	(47,657)
TOTAL EQUITY	**11,584,849**	**(6,055,991)**
TOTAL LIABILITIES AND EQUITY	**251,472,044**	**282,310,357**
MEMORANDUM ITEM	**28,689,537**	**29,632,049**
1. Contingent exposures (Note 29)	**7,412,873**	**8,458,946**
2. Contingent commitments (Note 29)	**21,276,664**	**21,173,103**

The accompanying Notes 1 to 50 and Appendices I to XII are an integral part of the consolidated balance sheet at 31 December 2013.
(*) Presented solely and exclusively for comparison purposes.

BANKIA, S.A. AND SUBSIDIARIES FORMING THE BANKIA GROUP
Consolidated income statement for the years ended 31 December 2013 and 2012

(Thousands of euros)

	2013	2012 (*)
1. Interest and similar income (Note 31)	**5,376,763**	**7,500,815**
2. Interest expense and similar charges (Note 32)	**(2,951,943)**	**(4,411,752)**
3. Remuneration of capital having the nature of a financial liability	**-**	**-**
A. NET INTEREST INCOME	**2,424,820**	**3,089,063**
4. Return on equity instruments (Note 33)	**8,554**	**38,384**
5. Share of profit/(loss) of companies accounted for using the equity method (Note 34)	**29,348**	**(32,404)**
6. Fees and commission income (Note 35)	**1,070,597**	**1,155,121**
7. Fees and commission expenses (Note 36)	**(135,675)**	**(163,088)**
8. Gains and losses on financial assets and liabilities (net) (Note 37)	**415,310**	**347,739**
8.1. Held for trading	(26,460)	(93,841)
8.2. Other financial instruments at fair value through profit or loss	9,208	2,824
8.3. Financial instruments not measured at fair value through profit or loss	298,120	399,716
8.4. Other	134,442	39,040
9. Exchange differences (net) (Note 38)	**19,700**	**39,066**
10. Other operating income (Note 39)	**143,625**	**376,364**
10.1. Income from insurance and reinsurance contracts issued	38,625	30,741
10.2. Sales and income from the rendering of non-financial services	20,982	258,778
10.3. Other operating income	84,018	86,845
11. Other operating expenses (Note 40)	**(345,957)**	**(840,446)**
11.1. Expenses of insurance and reinsurance contracts	(44,100)	(37,964)
11.2. Change in inventories	(5,319)	(212,068)
11.3. Other operating expenses	(296,538)	(590,414)
B. GROSS INCOME	**3,630,322**	**4,009,799**
12. Administrative expenses	**(1,729,463)**	**(2,017,276)**
12.1. Staff costs (Note 41)	(1,116,772)	(1,353,452)
12.2. Other general administrative expenses (Note 42)	(612,691)	(663,824)
13. Depreciation and amortisation charge (Note 43)	**(175,451)**	**(275,608)**
14. Provisions (net) (Note 44)	**(180,096)**	**(1,831,704)**
15. Impairment losses on financial assets (net) (Note 45)	**(1,249,194)**	**(18,931,886)**
15.1. Loans and receivables	(1,236,084)	(18,181,736)
15.2. Other financial instruments not measured at fair value through profit or loss	(13,110)	(750,150)
C. NET OPERATING INCOME/(EXPENSE)	**296,118**	**(19,046,675)**
16. Impairment losses on other assets (net) (Note 46)	**(17,912)**	**(781,968)**
16.1. Goodwill and other intangible assets	(504)	(57,324)
16.2. Other assets	(17,408)	(724,644)
17. Gains/(losses) on disposal of assets not classified as non-current assets held for sale (Note 47)	**31,479**	**18,489**
18. Negative goodwill on business combinations	**-**	**-**
19. Gains/(losses) on non-current assets held for sale not classified as discontinued operations (Note 48)	**(29,555)**	**(2,379,071)**
D. PROFIT/(LOSS) BEFORE TAX	**280,130**	**(22,189,225)**
20. Income tax	**112,225**	**2,996,614**
21. Mandatory transfer to welfare funds	**-**	**-**
E. PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**392,355**	**(19,192,611)**
22. Profit/(loss) from discontinued operations (net)	**116,600**	**(5)**
F. CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	**508,955**	**(19,192,616)**
F.1) Attributable to the parent	511,637	(19,056,404)
F.2) Attributable to non-controlling interests	(2,682)	(136,212)

Earnings per share (Note 5)

For continuing and discontinued operations		
Basic earnings/(loss) per share (euros)	0.07	(10.14)
Basic earnings/(loss) per share for discontinued operations (euros)	0.01	-
Diluted earnings/(loss) per share for continuing operations (euros)	0.06	(10.14)
For continuing operations		
Basic earnings/(loss) per share (euros)	0.07	(10.14)
Basic earnings/(loss) per share for discontinued operations (euros)	0.01	-
Diluted earnings/(loss) per share for continuing operations (euros)	0.06	(10.14)

(*) Presented solely and exclusively for comparison purposes.

The accompanying Notes 1 to 50 and Appendices I to XII are an integral part of the consolidated income statement for the year ended 31 December 2013.

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

Consolidated statement of recognised income and expense for the years ended 31 December 2013 and 2012

(Thousands of euros)	2013	2012 (*)
A) CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	**508,955**	**(19,192,616)**
B) OTHER RECOGNISED INCOME AND EXPENSE	**1,545,065**	**(100,435)**
B.1) Items not to be reclassified to profit or loss	**6,898**	**-**
1. Actuarial gains/(losses) on defined-benefit pension plans	9,854	**-**
2. Non-current assets held for sale	-	**-**
3. Companies accounted for using the equity method	-	**-**
4. Income tax on items not to be reclassified to profit or loss	(2,956)	**-**
B.2) Items eligible to be reclassified to profit or loss	**1,538,167**	**(100,435)**
1. Available-for-sale financial assets	**2,129,524**	**(368,137)**
1.1. Revaluation gains/(losses)	2,201,082	(172,131)
1.2. Amounts transferred to income statement	(71,558)	(183,447)
1.3. Other reclassifications	-	(12,559)
2. Cash flow hedges	**12,336**	**63,523**
2.1. Revaluation gains/(losses)	12,336	15,046
2.2. Amounts transferred to income statement	-	48,477
2.3. Amounts transferred to initial carrying amount of hedged items	-	-
2.4. Other reclassifications	-	-
3. Hedges of net investments in foreign operations	**15,904**	**-**
3.1. Revaluation gains/(losses)	15,904	-
3.2. Amounts transferred to income statement	-	-
3.3. Other reclassifications	-	-
4. Exchange differences	**(4,958)**	**(9,367)**
4.1. Revaluation gains/(losses)	(4,958)	(9,367)
4.2. Amounts transferred to income statement	-	-
4.3. Other reclassifications	-	-
5. Non-current assets held for sale	**5,211**	**12,559**
5.1. Revaluation gains/(losses)	5,211	-
5.2. Amounts transferred to income statement	-	-
5.3. Other reclassifications	-	12,559
6. Actuarial gains/(losses) on pension plans	**-**	**-**
7. Entities accounted for using the equity method	**29,042**	**113,371**
7.1. Revaluation gains/(losses)	29,042	113,371
7.2. Amounts transferred to income statement	-	-
7.3. Other reclassifications	-	-
8. Other recognised income and expense	**-**	**-**
9. Income tax on items eligible to be reclassified to profit or loss	**(648,892)**	**87,616**
C) TOTAL RECOGNISED INCOME AND EXPENSE (A+B)	**2,054,020**	**(19,293,051)**
C 1) Attributable to the parent	2,057,097	(19,156,633)
C 2) Attributable to non-controlling interests	(3,077)	(136,418)

(*) Presented solely and exclusively for comparison purposes.

The accompanying Notes 1 to 50 and Appendices I to XII are an integral part of the consolidated statement of recognised income and expense for the year ended 31 December 2013.

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

Consolidated statement of changes in total equity for the year ended 31 December 2013

(Thousands of euros)

	EQUITY ATTRIBUTABLE TO THE PARENT												
	OWN FUNDS												
			RESERVES										
	Share capital	Share premium	Accumulated reserves (losses)	Reserves (losses) of entities accounted for using the equity method	Other equity instruments	Less: treasury shares	Profit/(loss) for the year attributable to the parent	Less: Dividends and remuneration	Total own funds	VALUATION ADJUSTMENTS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
1. Balance at 31 December 2012	**3,987,927**	**11,986,494**	**(2,070,087)**	**(51,093)**	**-**	**1,182**	**(19,056,404)**	**-**	**(5,204,345)**	**(803,688)**	**(6,008,033)**	**(47,958)**	**(6,055,991)**
1.1 Adjustments due to accounting policy change	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Error adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Adjusted opening balance	**3,987,927**	**11,986,494**	**(2,070,087)**	**(51,093)**	**-**	**1,182**	**(19,056,404)**	**-**	**(5,204,345)**	**(803,688)**	**(6,008,033)**	**(47,958)**	**(6,055,991)**
3. Total recognised income and expense	**-**	**-**	**-**	**-**	**-**	**-**	**511,637**	**-**	**511,637**	**1,545,460**	**2,057,097**	**(3,077)**	**2,054,020**
4. Other changes in equity	**7,529,402**	**(7,931,794)**	**(2,017,695)**	**(1,050,297)**	**-**	**10,576**	**19,056,404**	**-**	**15,575,449**	**-**	**15,575,449**	**11,371**	**15,586,820**
4.1 Capital increases	3,587,065	1,265,024	(889)	-	-	-	-	-	4,851,200	-	4,851,200	-	4,851,200
4.2 Capital reductions	(3,967,987)	-	3,967,987	-	-	-	-	-	-	-	-	-	-
4.3 Conversion of financial liabilities into equity	7,910,324	2,789,676	-	-	-	-	-	-	10,700,000	-	10,700,000	-	10,700,000
4.4 Increase in other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.5 Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.6 Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
4.7 Remuneration to members	-	-	-	-	-	-	-	-	-	-	-	-	-
4.8 Treasury share transactions (net)	-	-	27,363	-	-	10,576	-	-	16,787	-	16,787	-	16,787
4.9 Transfers between equity accounts	-	(11,986,494)	(6,019,613)	(1,050,297)	-	-	19,056,404	-	-	-	-	-	-
4.10 Increases/(decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-
4.11 Discretionary transfer to welfare projects and funds	-	-	-	-	-	-	-	-	-	-	-	-	-
4.12 Equity instrument-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.13 Other increases/(decreases) in equity	-	-	7,462	-	-	-	-	-	7,462	-	7,462	11,371	18,833
5. Balance at 31 December 2013	**11,517,329**	**4,054,700**	**(4,087,777)**	**(1,101,390)**	**-**	**11,758**	**511,637**	**-**	**10,882,741**	**741,772**	**11,624,513**	**(39,664)**	**11,584,849**

The accompanying Notes 1 to 50 and Appendices I to XII are an integral part of the consolidated statement of changes in total equity for the year ended 31 December 2013.

BANKIA, S.A. AND SUBSIDIARIES FORMING THE BANKIA GROUP
Consolidated statement of changes in total equity for the year ended 31 December 2012(*)

(Thousands of euros)

	EQUITY ATTRIBUTABLE TO THE PARENT												
	OWN FUNDS												
			RESERVES										
	Share capital	Share premium	Accumulated reserves (losses)	Reserves (losses) of entities accounted for using the equity method	Other equity instruments	Less: treasury shares	Profit/(loss) for the year attributable to the parent	Less: Dividends and remuneration	Total own funds	VALUATION ADJUSTMENTS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
1. Balance at 31 December 2011	**3,465,145**	**11,643,001**	**990,325**	**(23,821)**	**-**	**27,649**	**(2,978,673)**	**-**	**13,068,328**	**(703,459)**	**12,364,869**	**128,207**	**12,493,076**
1.1 Adjustments due to accounting policy change	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Error adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Adjusted opening balance	**3,465,145**	**11,643,001**	**990,325**	**(23,821)**	**-**	**27,649**	**(2,978,673)**	**-**	**13,068,328**	**(703,459)**	**12,364,869**	**128,207**	**12,493,076**
3. Total recognised income and expense	**-**	**-**	**-**	**-**	**-**	**-**	**(19,056,404)**	**-**	**(19,056,404)**	**(100,229)**	**(19,156,633)**	**(136,418)**	**(19,293,051)**
4. Other changes in equity	**522,782**	**343,493**	**(3,060,412)**	**(27,272)**	**-**	**(26,467)**	**2,978,673**	**-**	**783,731**	**-**	**783,731**	**(39,747)**	**743,984**
4.1 Capital increases	522,782	343,493	(1,075)	-	-	-	-	-	865,200	-	865,200	-	865,200
4.2 Capital reductions	-	-	-	-	-	-	-	-	-	-	-	-	-
4.3 Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4.4 Increase in other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.5 Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.6 Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
4.7 Remuneration to members	-	-	-	-	-	-	-	-	-	-	-	-	-
4.8 Treasury share transactions (net)	-	-	(72,142)	-	-	(26,467)	-	-	(45,675)	-	(45,675)	-	(45,675)
4.9 Transfers between equity accounts	-	-	(2,978,673)	-	-	-	2,978,673	-	-	-	-	-	-
4.10 Increases/(decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-
4.11 Discretionary transfer to welfare projects and funds	-	-	-	-	-	-	-	-	-	-	-	-	-
4.12 Equity instrument-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.13 Other increases/(decreases) in equity	-	-	(8,522)	(27,272)	-	-	-	-	(35,794)	-	(35,794)	**(39,747)**	(75,541)
5. Balance at 31 December 31/12/2012	**3,987,927**	**11,986,494**	**(2,070,087)**	**(51,093)**	**-**	**1,182**	**(19,056,404)**	**-**	**(5,204,345)**	**(803,688)**	**(6,008,033)**	**(47,958)**	**(6,055,991)**

(*)Presented solely and exclusively for comparison purposes.

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

Consolidated statement of cash flows for the years ended 31 December 2013 and 2012

(Thousands of euros)	2013	2012 (*)
A) CASH FLOWS USED IN OPERATING ACTIVITIES	**(2,403,341)**	**(8,294,103)**
1. Consolidated profit/(loss) for the year	**508,955**	**(19,192,616)**
2. Adjustments made to obtain the cash flows from operating activities	**979,419**	**31,944,563**
2.1. Depreciation and amortisation	175,451	275,608
2.2. Other	803,968	31,668,955
3. Net increase/(decrease) in operating assets	**18,481,548**	**5,168,605**
3.1. Financial assets held for trading	(16,576)	598,997
3.2. Other financial assets at fair value through profit or loss	16,486	60,157
3.3. Available-for-sale financial assets	1,176,570	(5,664,503)
3.4. Loans and receivables	13,204,374	13,909,433
3.5. Other operating assets	4,100,694	(3,735,479)
4. Net increase/(decrease) in operating liabilities	**(22,373,263)**	**(26,214,655)**
4.1. Financial liabilities held for trading	106,709	(512,141)
4.2. Other financial liabilities at fair value through profit or loss	-	-
4.3. Financial liabilities at amortised cost	(19,994,574)	(25,920,405)
4.4. Other operating liabilities	(2,485,398)	217,891
5. Income tax receipts/(payments)	**-**	**-**
B) CASH FLOWS FROM INVESTING ACTIVITIES	**1,336,906**	**1,297,044**
6. Payments	**1,785,200**	**43,114**
6.1. Tangible assets	-	-
6.2. Intangible assets	71,320	42,959
6.3. Investments	935,341	155
6.4. Subsidiaries and other business units	-	-
6.5. Non-current assets held for sale and associated liabilities	778,539	-
6.6. Held-to-maturity investments	-	-
6.7. Other payments related to investing activities	-	-
7. Proceeds	**3,122,106**	**1,340,158**
7.1. Tangible assets	120,186	148,867
7.2. Intangible assets		-
7.3. Investments	1,946	100
7.4. Subsidiaries and other business units	-	-
7.5. Non-current assets held for sale and associated liabilities	945,059	351,894
7.6. Held-to-maturity investments	2,054,915	812,830
7.7. Other proceeds related to investing activities	-	26,467
C) CASH FLOWS FROM FINANCING ACTIVITIES	**(54,484)**	**5,286,744**
8. Payments	**15,651,485**	**403,990**
8.1. Dividends	-	-
8.2. Subordinated liabilities	15,640,909	-
8.3. Redemption of own equity instruments	-	-
8.4. Acquisition of own equity instruments	10,576	255,026
8.5. Other payments related to financing activities	-	148,964
9. Proceeds	**15,597,001**	**5,690,734**
9.1. Subordinated liabilities	-	4,615,110
9.2. Issuance of own equity instruments	15,552,089	866,275
9.3. Disposal of own equity instruments	-	209,349
9.4. Other proceeds related to financing activities	44,912	-
D) EFFECT OF EXCHANGE RATE DIFFERENCES	**-**	**-**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**(1,120,919)**	**(1,710,315)**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**4,569,525**	**6,279,840**
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**3,448,606**	**4,569,525**
MEMORANDUM ITEM		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
1.1. Cash	660,171	794,792
1.2. Cash equivalents at central banks	2,788,435	3,774,733
1.3. Other financial assets	-	-
1.4. Less: Bank overdrafts refundable on demand	-	-
Total cash and cash equivalents at end of year	**3,448,606**	**4,569,525**
of which: held by consolidated entities but not drawable by the Group	-	-

(*) Presented solely and exclusively for comparison purposes.

The accompanying Notes 1 to 50 and Appendices I to XII are an integral part of the consolidated statement of cash flows for the year ended 31 December 2013.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1-3 and 50). In the event of a discrepancy, the Spanish-language version prevails.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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

(1.1) Group description

Bankia, S.A. ("the Bank" or "Bankia") is a private-law entity subject to the legislation and regulations for banks operating in Spain. Its registered office is at calle Pintor Sorolla, 8, Valencia. At 31 December 2013, the Bank's branch network comprised 2,093 offices (excluding the 26 offices of City National Bank of Florida, which is classified as a disposal group). The company bylaws may be consulted, together with other relevant legal information, at its registered office and on its website (www.bankia.es).

Bankia's bylaws stipulate the activities it may engage in, which are those commonly carried on by credit institutions and, in particular, satisfy the requirements of Law 26/1988, of 29 July, on the Discipline and Intervention in Credit Institutions.

In addition to the operations it carries out directly, Bankia is a subsidiary of the Banco Financiero y de Ahorros Group and, in turn, the parent of a business group (the "Group" or "Bankia Group"). At 31 December 2013, the scope of consolidation of the Bankia Group encompassed 281 companies, including subsidiaries, associates and jointly-controlled entities. These companies engage in a range of activities, including among others insurance, asset management, financing, services, and property development and management.

Appendices I, III and IV list the entities that form part of the scope of consolidation of the Bankia Group at 31 December 2013 (subsidiaries controlled by the Bank, jointly-controlled entities and associates over which Bankia, directly or indirectly, exercises significant influence, distinguishing those classified under "Non-current assets held for sale", see Note 2.1), and specifying the percentage of voting rights controlled by Bankia in each company.

The Bankia Group's consolidated financial statements for the year ended 31 December 2013 were authorised for issue by Bankia's directors at the Board meeting held on 17 February 2014. The Bankia Group's consolidated financial statements for 2012 were approved by the shareholders at the general meeting held on 25 June 2013.

Appendix I presents the Bank's balance sheet at 31 December 2013, the income statement, statement of recognised income and expense, the statement of total changes in equity and the statement of cash flows for the year then ended (separate financial statements of Bankia, S.A.), together with the Bank's separate financial statements for 2012 for purposes of comparison.

(1.2) Restructuring plan

Bankia's main shareholder is Banco Financiero y de Ahorros, S.A.U. ("BFA"), which at the date of authorisation for issue of these consolidated financial statements held shares representing 68.395% of its share capital.

Year 2012

At its meeting of 9 May 2012, BFA's Board of Directors agreed unanimously to submit a request to the Fund for Orderly Bank Restructuring ("FROB"), through the Bank of Spain, to convert the EUR 4,465 million of convertible preference shares issued by BFA and subscribed by the FROB into BFA shares, which would be issued pursuant to the resolution adopted to increase capital to carry out the conversion. After this request, the FROB's Governing Committee, at its meeting of 14 May 2012, agreed to accept this request.

On 23 May 2012, BFA sent communications to the Bank of Spain and the FROB notifying them of its intention to request a capital contribution from the FROB of EUR 19,000 million. On 24 May 2012, Bankia received replies from both institutions expressing their willingness to provide this financial support immediately pursuant to compliance with the requirements set for in their regulations.

Under EU rules governing aid to Member States, the European Commission gave temporary authorisation to the conversion into capital of the convertible preference shares held by the Spanish state for EUR 4,465 million euros and granted the possibility of issuing debt backed by the Spanish government for EUR 19,000 million to the BFA Group and its Bankia subsidiary.

On 27 June 2012, once the conversion of the convertible preference shares was completed (which, inter alia, led to the prior reduction of BFA's share capital to zero following the redemption of 27,040,000 shares), the FROB became the sole shareholder of BFA, as it controlled 100% of its share capital, warranting disclosure of its single member status.

In June 2012, the results of the stress text of the Spanish banking system carried out by two international consulting firms, which assessed the system's capital deficit under a severely adverse stress scenario, were released. Under this scenario, the system-wide capital buffer requirement estimated by the consultants was between EUR 51,000 million and EUR 62,000 million.

Subsequently, based on the analysis of the credit portfolios of 14 Spanish banks, including BFA-Bankia, performed by four auditing firms, one of the international consultants conducted a final stress test in which it estimated the expected losses by these banks, including those of BFA-Bankia. The result of this stress test was released on 28 September 2012, showing capital needs for the BFA–Bankia Group of EUR 13,230 million in the baseline scenario and EUR 24,743 million in the adverse scenario.

In order to strengthen the BFA-Bank Group's regulatory capital, on 12 September 2012, while the restructuring process was being completed, the FROB agreed to the capital increase of BFA through the non-monetary contribution of EUR 4,500 million through the issue of 4,500 million registered ordinary shares with a par value of EUR 1 each, fully subscribed and paid in. On the same date, BFA granted Bankia, S.A. a subordinated loan in the amount of EUR 4,500 million with an unspecified maturity and an interest rate of 8%.

Lastly, on 28 November 2012, the BFA–Bankia Group received approval by the European Commission, the Bank of Spain and the FROB for the Bank's 2012-2017 Restructuring Plan (the "Restructuring Plan"). This final approval marked the completion of the joint analysis and work by the entities, the European Commission, the FROB and the Bank of Spain which began last July and concluded when the results of the stress test were released on 28 September 2012. The capital requirements identified in the stress tests were reduced by EUR 24,552 million due to the impact of the transfer of real estate assets to the Society of Asset Management from the Banking Restructuring (SAREB) (see Note 1.15).

The estimates of public assistance required by the BFA Group set out in the Restructuring Plan to comply with regulatory capital and cash adequacy requirements in applicable regulations include approximately EUR 6,500 million related to the positive impact estimated for certain management actions with the BFA Group's hybrid instruments (preference shares and subordinated debt) to be carried out within the scope of the principles and targets regarding the burden-sharing of bank restructuring costs set out in Law 9/2012, of 14 November, on the Restructuring and Resolution of Credit Institutions ("Law 9/2012"). As a result, the amount of public assistance required by the BFA Group in the Restructuring Plan was finally estimated at EUR 17,959 million.

The Bankia Group's capital requirements, which should be considered as part of the BFA Group's requirements indicated above, were estimated at EUR 15,500 million. Of this amount, approximately EUR 4,800 million is expected to be covered through the conversion of hybrid instruments mentioned above and EUR 10,700 million through contributions by the Bank's shareholders, with Bankia's capital increase fully guaranteed by BFA.

In this respect, on 26 December 2012, as part of the before mentioned Restructuring Plan, the FROB adopted the following agreements:

- The capital increase at Banco Financiero y de Ahorros, S.A.U. amounting to EUR 13,459 million, subscribed by the FROB and paid through the non-monetary contribution of securities of the European Stability Mechanism (EMS). The increase comes in addition to that of EUR 4,500 million carried out on 12 September 2012 through the non-monetary payment of treasury bills. These bills were also swapped for securities of the ESM.
- The issue by Bankia of convertible contingent bonds without preferential subscription rights in an amount of EUR 10,700 million subscribed in full by BFA through the contribution of fixed-income securities issued by the ESM.

The BFA Group's Restructuring Plan defines the framework that will allow the BFA–Bankia Group to implement a Strategic Plan for the 2012-2015 periods. This plan establishes the measures that will be adopted during the period within the framework of the limitations imposed and commitments assumed by the BFA Group with EU and Spanish authorities in the Restructuring Plan that will enable the BFA Group to meet all the commitments assumed with them by 2017. As a result, from the end of the Strategic Plan until 2017, additional measures to those considered initially for the 2012-2015 period will likely be adopted with the overriding goal of strengthening the Bank's competitive position, rebalancing its balance sheet, improving efficiency and reducing the risk premium. The main measures included in the 2012-2015 Strategic Plan are as follows:

- The disposal of non-earning assets and non-strategic equity investments. Between the transfer of assets to the SAREB, the sale of investees and other portfolios, and the disposal of loan portfolios, Bankia expects to shed EUR 50,000 million (down from EUR 90,000 million to EUR 40,000).
- A change in the composition of the loan portfolio, resulting in a greater proportion of lending to businesses and practically zero exposure to the real estate business.
- Reduction in the Bank's capacity, in terms of both its branch network and its workforce, to ensure its future viability. The number of branches will be reduced by approximately 39%, from 3,117 to around 1,900-2,000.
- The workforce will be cut by 28%, from 20,589 to around 14,500 employees. This retrenchment will guarantee the Bank's viability and the preservation of 72% of existing jobs.

Year 2013

On 8 February 2013 a labour agreement was entered into with the majority of the Bank's union representatives, which includes the collective dismissal of up to 4,500 Bank employees (see Note 2.13).

However, these agreements did not imply full compliance with the Restructuring Plan, as they did not result in Bankia's full recapitalisation, but rather temporarily enabled the bank to comply with the solvency requirements of application legislation. Accordingly, to ensure full compliance with the Restructuring Plan and, therefore, achieve the effective recapitalisation of the bank, on 16 April 2013, the FROB's Governing Committee adopted the following restructuring measures:

- Reduction of Bankia's share capital via the reduction in the par value of Bankia shares to EUR 0.01 per share and an amendment to the bylaws consisting of an increase in the par value and grouping of the shares (reverse split) (see Note 26).
- Early redemption of the mandatory convertible shares issued by Bankia, S.A., contingent on and simultaneous with the subscription by BFA of the capital increase explained in the following point (see Note 20).

- Capital increase with preferential subscription rights of up to EUR 10,700 million (see Note 26).
- Transactions with hybrid capital instruments and subordinated debt entailing the buy-back of all of the BFA Group's hybrid capital instruments and subordinated debt issues (of which 28 are retail issues) and the simultaneous subscription of shares of Bankia or of a deposit, depending on the issue (see Note 20).

Following execution of these resolutions, the Bank's share capital increased from EUR 3,987,927 thousand at 31 December 2012, represented by 1,993,963,354 fully subscribed and paid up registered shares, to EUR 11,517,329 thousand at 31 December 2013, represented by 11,517,328,544 fully subscribed and paid up registered shares of EUR 1 par value each (see Note 26).

Lastly, on 23 May 2013, the Bank, pursuant to authorisation by the FROB, repaid the EUR 4,500 million subordinated loan granted by BFA on 12 September 2012.

Elsewhere, the commitments agreed with the authorities in the framework of the Restructuring Plan include the adoption, by BFA, of the following measures by 31 December 2013:

- Its merger, into a single entity, with Bankia, S.A., or
- Its transformation into a holding company without a banking license

In this respect, pursuant to the resolution adopted by the FROB's Governing Committee on 19 December 2013, BFA's Board of Directors resolved to submit an application to surrender its license to operate as a credit institution. At the date of authorisation for issue of these consolidated financial statements, no response to this application had been received. This decision has no impact on the Bankia Group's or the BFA Group's equity.

The authorities monitor compliance with the Group's Restructuring Plan and to do have not uncovered any significant matters regarding compliance with the commitments acquired.

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

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

The Bankia Group's consolidated financial statements for 2013 are presented in accordance with IFRS-EU, taking into account Bank of Spain Circular 4/2004, of 22 December, on public and confidential financial reporting rules and formats for credit institutions ("Circular 4/2004"), and subsequent amendments thereto, which implements and adapts IFRS-EU for Spanish credit institutions.

The Group's consolidated financial statements for the year ended 31 December 2013 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 consolidated financial position of Bankia, S.A. and subsidiaries forming the Bankia Group at 31 December 2013 and of the consolidated results of its operations and consolidated cash flows during the financial year then ended, pursuant to the aforementioned applicable financial information reporting framework, and in particular to the accounting principles and criteria therein.

The consolidated financial statements of the Bankia Group were prepared from the accounting records of Bankia and of the other Group entities. However, since the accounting policies and measurement bases used in preparing these consolidated financial statements may differ from those used by certain Group entities, the required adjustments and reclassifications were made on consolidation to unify such policies and criteria and to make them compliant with the IFRS-EU used by the Bank.

The principal accounting policies and measurement bases applied in preparing the Group's consolidated financial statements for 2013 are summarised in Note 2.

(1.3.1) Main regulatory changes during the period from 1 January to 31 December 2013

The main changes arising in 2013 in the laws and regulations applicable to the Bankia Group, which were applied in the preparation of these consolidated financial statements, are as follows:

(1.3.1.1) Modifications to International Financial Reporting Standards

The main standards or amendments to IFRSs adopted by the European Union that came into force and became mandatory in the year beginning 1 January 2013, the effects of which, if any, were included in these consolidated financial statements, were as follows:

A) New mandatory standards, amendments and interpretations applicable in the calendar year beginning 1 January 2013.

The adoption of the following standards has had no material impact on either the presentation or disclosures of the consolidated financial statements or the figures reported therein:

- **Amendment to IAS 19 "Employee Benefits"**

  This amendment removes the option of deferring recognition of actuarial gains and losses, known as the 'corridor method'. It also establishes that remeasurement impacts on defined-benefit plans be recognised in equity (under "Other comprehensive income" or "OCI"), but maintains the current accounting recognition of interest income or expense and service costs in the income statement. The disclosure requirements are also enhanced for these types of plans.

- **Amendment to IAS 1 "Presentation of Financial Statements": "Presentation of items of Other Comprehensive Income"**

  The objective of the amendments to IAS 1 is to clarify the presentation of the increasing number of items of other comprehensive income and help users of financial statements to distinguish between items that would be reclassified to profit or loss at a future point and items that will never be reclassified.

- **IFRS 13: "Fair Value Measurement"**

  IFRS 13, issued by the IASB in May 2011, establishes a single source of guidance under IFRS for all fair value measurements. The new standard will accordingly provide guidance on how to measure fair value of financial as well as non-financial assets and liabilities. IFRS 13 also introduces consistent requirements for itemised disclosure of all these elements measured at fair value.

  The Group's interpretation up to 1 January 2013 of the determination of fair value did not differ significantly from the guidance provided in IFRS 13. In addition, on 31 December 2013, a significant part of the exposure to derivatives was collateralized. Therefore, application of this standard did not have a significant impact on the Group's equity or income statement.

- **Amendment to IFRS 12: "Income Tax - Deferred Tax: Recovery of Underlying Assets"**

  The amendment introduces an exception to the general principles set out in IAS 12. This exception affects deferred taxes in connection with investment properties valued using the fair value model set out in IAS 40 Investment Property. In these cases, the amendment introduces a presumption that recovery of the carrying amount will normally be through sale.

- **Amendment to IAS 32: "Offsetting Financial Assets and Liabilities" and amendment of IFRS 7: Disclosures — "Offsetting Financial Assets and Financial Liabilities"**

  The changes further clarify the requirements under the standard for offsetting financial assets and financial liabilities for the purpose of presentation on the balance sheet. In addition, the amendment introduces new disclosure requirements for financial assets and liabilities presented net on the balance sheet, or those subject to a legally enforceable right to offset or similar, whether or not they are presented net.

  The Group will apply the modification of IAS 32 apart from 2014. Early release is possible.

- **Fourth improvements project, “Annual improvements to IFRS” (2009-2011 cycle)**

  This document is a collection of amendments to IFRSs in response to six issues addressed during the 2009-2011 cycle. The IASB uses the Annual Improvements process to make necessary, but non-urgent, amendments to IFRSs that will not be included in part of any other project. The most significant amendments affect, IAS 1, IAS 16, IAS 32 and IAS 34.

B) New mandatory standards, amendments and interpretations applicable in the years subsequent to the calendar year beginning 1 January 2013 (applicable as of 2013) approved by the European Union.

Following is a list of standards, amendments and interpretations issued by the International Accounting Standard Board (“IASB”) and adopted by the European Union:

- **IFRS 10: “Consolidated Financial Statements”**

  [Applicable to financial periods beginning on or after 1 January 2014, with early adoption permitted]

  This IFRS, which replaces SIC 12 “Consolidation - Special Purpose Entities” and certain sections of IAS 27 “Consolidated and Separate Financial Statements”, establishes the concept of control for the purposes of assessing whether an entity ought to be included in the consolidated financial statements of the parent, and also issues guidelines to be used in certain cases where measurement proves difficult.

- **IFRS 11: “Joint Arrangements”**

  [Applicable to financial periods beginning on or after 1 January 2014, with early adoption permitted]

  This standard, which replaces IAS 31 “Interests in Joint Ventures” and SIC 13 “Jointly-Controlled Entities - Non-Monetary Contributions by Ventures”, analyses the inconsistencies of reporting in relation to joint ventures, and establishes a single method to account for investments or interests in jointly-controlled entities.

- **IFRS 12: “Disclosure of Interests in Other Entities”**

  [Applicable to financial periods beginning on or after 1 January 2014, with early adoption permitted]

  The standard determines the disclosure requirements for all forms of investment in other entities, including joint arrangements, associates, SPEs (Special-Purpose Entities) or SPVs, or other off-balance sheet vehicles.

- **Amendment to IAS 27: “Consolidated and Separate Financial Statements”**

  [Applicable to financial periods beginning on or after 1 January 2014, with early adoption permitted]

  This amends the previous IAS 27 (“Consolidated and Separate Financial Statements”). IFRS 10 (“Consolidated Financial Statements”), the origin of this amendment, referred to above, becomes applicable to consolidated financial statements, and the current guidelines of IAS 27 to separate financial statements.

- **Amendment to IAS 28: “Investments in Associates and Joint Ventures”**

  [Applicable to financial periods beginning on or after 1 January 2014, with early adoption permitted]

  This amends the previous IAS 28 (“Accounting for Investments in Associates”), pursuant to the changes made through issuance of IFRS 10 and IFRS 11 mentioned above. The standard sets out, subject to certain requirements, application of the equity method when accounting for investments in associates and joint ventures.

- **Amendments to IFRS 10, IFRS 11 and IFRS 12: “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition guidance”**

  [Applicable to financial periods beginning on or after 1 January 2014, with early adoption permitted]

The amendments clarify the transition guidance for IFRS 10 “Consolidated Financial Statements”. In addition, they provide transition relief for IFRS 10, IFRS 11 (“Joint Arrangements”) and IFRS 12 (“Disclosure of Interests in Other Entities”), limiting the requirements to provide adjusted comparative information to the immediately preceding period only.

- **Amendments to IFRS 10, IFRS 12 and IAS 27: “Investment Entities”**

  [Effective for annual periods beginning on or after 1 January 2014, with early adoption permitted]

  The amendments apply to a particular class of business that qualify as investment entities. The IASB uses the term ‘investment entity’ to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income, or both. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

  The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosures requirements for investment entities.

- **Amendments to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”**

  [Effective for annual periods beginning on or after 1 January 2014, with early adoption permitted]

  The narrow scope amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty (CCP) as a result of laws or regulations, if specific conditions are met (in this context, a novation indicates that the parties to a contract agree to replace their original counterparty with a new one). Retrospective application is required in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

- **Amendments to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”**

  [Effective for annual periods beginning on or after 1 January 2014, with early adoption permitted]

  The objective of the amendments is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets.

The Group will apply these amendments from 2014 at the latest pursuant to Regulations (EU) 313/2013, (EU) 1254/2012, (EU) 1374/2013 and (EU) 1375/2013 adopting these amendments. Their application is not expected to have a significant impact.

C) New mandatory standards, amendments and interpretations applicable in the years subsequent to the calendar year beginning 1 January 2013 (applicable as of 2014) pending adopting by the European Union.

Following is a list of the main standards, amendments and interpretations issued by the International Accounting Standards Board (“IASB”) that have yet to be adopted by the European Union and therefore were not applied in the preparation of these consolidated annual financial statements:

- **IFRS 9: “Financial instruments”**

  [With amendments approved on 19 November 2013, it removes the 1 January 2015 mandatory effective date of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements]

  This is the first of three standards that are to replace the current IAS 39. The first new standard amends the criteria for classifying and measuring financial instruments. At the date of writing, this amendment had yet to be definitively adopted.

  On 19 November, the IASB issued IFRS 9 “Financial Instruments: Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39”. The amendments:

  - bring into effect a substantial overhaul of hedge accounting (the second part of the project) that will allow entities to better reflect their risk management activities in the financial statements;

- allow the changes that address the so-called “own credit” issue that were already included in IFRS 9 “Financial Instruments” to be applied in isolation without the need to change any other accounting for financial instruments; and
- remove the 1 January 2015 mandatory effective date of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

- **Amendments to IAS 19 “Defined Benefit Plan: Employee Contributions (Amendments)”**

  [Effective for annual periods beginning on or after 1 July 2014, with early adoption permitted]

  The narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

- **Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle**

  [Effective for annual periods beginning on or after 1 July 2014, with early adoption permitted]

  These two documents are the fifth and sixth collection of amendments to IFRSs in response to seven issues addressed during the 2010-2012 cycle and four issues addressed during the 2011-2013 cycle. The IASB uses the Annual Improvements process to make necessary, but non-urgent, amendments to IFRSs that will not be included in part of any other project. The most significant amendments affect IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38 and IAS 40.

- **IFRIC 21: “Levies”**

  [Effective for annual periods beginning on or after 1 January 2014, with early adoption permitted]

  IFRIC 21 is an interpretation of how to account for levies imposed by governments. IFRIC 21 is an interpretation of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, which defines a provision as a liability of uncertain timing or amount and requires a provision to be recognised when, and only when, the entity has a present obligation as a result of a past event. IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation.

Early adoption of the accounting standards described in letters B and C, already endorsed by the European Union, is permitted. However, the Group elected not to adopt them for these consolidated financial statements. Adoption of some of the standards is not expected to have any material impact for the Group. However, their potential impact is being considered by Group management. A reliable estimate of their potential impact is not possible yet; this will depend on the content of the text finally adopted by the European Union and on the composition of the Group and its assets at the time of application.

(1.4) Responsibility for the information and estimates made

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

In the Group’s consolidated financial statements for the year ended 31 December 2013, estimates were made in order to quantify certain of the assets, liabilities, income, expenses and obligations reported therein. These estimates relate basically to the following:

– The fair value of certain financial and non-financial assets and liabilities (see Notes 2.2 and 2.20).

– Impairment losses on certain financial assets – considering the value of the collateral receveid- and non-financial assets (chiefly property) (see Notes 2.9, 2.15, 2.16, 2.17 and 2.20).

– The assumptions used in the actuarial calculation of the post-employment benefit liabilities and obligations and other long-term commitments (see Note 2.13).

– Estimate of the costs to sell and of the recoverable amount 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, applied on a consistent basis in accordance with Bank of Spain Circular 4/2004 (see Notes 2.15, 2.17 and 2.20).

- The recoverability of deferred tax assets recognised (see Note 28).
- The useful life and fair value of tangible and intangible assets (see Notes 2.15 and 2.16).
- The current estimate of the potential impact of the legal claims arising under the scope of management actions carried out with hybrid instruments and subordinated debt (see Note 22).
- The probability of occurrence of certain losses to which the Group is exposed due to its activity (see Notes 2.19 and 2.22).

Although these estimates were made on the basis of the best information available at 31 December 2013 and at the date of authorisation for issue of these consolidated financial statements on the events analysed, future events may make it necessary to change these estimates (upwards or downwards) in the years ahead. Changes to accounting estimates would be applied prospectively in accordance with the applicable standards, recognising the effects of the change in estimates in the related consolidated income statement in the future financial years concerned.

(1.5) Comparative information

In compliance with current legislation, the information relating to 2012 contained in these consolidated financial statements is presented solely for comparison with the information relating to 2013 and, accordingly, does not constitute the Group's consolidated financial statements for 2012.

(1.6) Agency agreements

A list at 31 December 2013 of the Group’s agents which meet the conditions established in Article 22 of Royal Decree 1245/1995, of 14 July, is provided in Appendix XI, attached.

(1.7) Investments in the capital of credit institutions

The Group’s ownership interests of 5% or more in the capital or voting rights of other Spanish or foreign credit institutions at 31 December 2013 are listed in Appendices II, III and IV.

In addition to the stake in Bankia held by BFA (see Note 26), the breakdown of ownership interests of more than 5% held by non-Group Spanish or foreign credit institutions in the share capital or voting rights of credit institutions forming part of the Bankia Group at 31 December 2013 and 2012 is as follows:

Shareholding institution	Investee	Ownership interest
Banco Popular de Ahorro de Cuba	Corporación Financiera Habana, S.A.	40%

(1.8) Environmental impact

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

(1.9) Minimum reserve ratio

At 31 December 2013, and throughout 2013, Bankia itself and the credit institutions included in the Group to which the ratio is applicable met the minimum reserve ratio required by applicable Spanish legislation.

(1.10) Deposit Guarantee Fund

Pursuant to the Ministry of Economy and Finance Order EHA/3515/2009 of 29 December, establishing the contributions to be made by savings banks to the Deposit Guarantee Fund (Spanish "FGD"), and at the proposal of the Bank of Spain, the amount of the contributions by the "Cajas" was set at 1 per mille of the deposits covered by the guarantee.

The following regulations were published in 2013 and prior's years in amendment to the system for contributions to the Deposit Guarantee Fund:

- Royal Decree-Law 16/2011 of 14 October creating the Credit Institutions' Deposit Guarantee Fund, merging the three deposit guarantee funds that had existed hitherto (the Savings Banks' Deposit Guarantee Fund, the Banking Establishments' Deposit Guarantee Fund and the Credit Cooperatives' Deposit Guarantee Fund) into a single fund termed the Fondo de Garantía de Depósitos de Entidades de Crédito (Credit Institution Deposit Guarantee Fund), which continues the role of its three predecessor funds – to guarantee deposits with credit institutions - and is designed, in addition, to support a further purpose: reinforcement of banks' solvency and operational effectiveness, also known as the "resolving role", to ensure that the new comprehensive Fund can operate flexibly.
- Royal Decree-Law 19/2011 of 2 December to amend Royal Decree-Law 16/2011 of 14 October creating the Credit Institution Deposit Guarantee Fund. This Royal Decree-Law completes and enhances the reform of the system conducted by Royal Decree-Law 16/2011, with a review of the legal threshold for the annual contributions that must be made to the fund by entities, raising it from 2 per mille to 3 per mille in order to guarantee a maximum operating capacity for the Fund. Additionally, provision is made for the express derogation of ministerial orders which, pursuant to the prevailing system, established a circumstantial optional reduction of contributions by entities, including Ministry of Economy and Finance Order 3515/2009 of 29 December setting the contributions by the Bank at 1 per mille of the deposits covered by the guarantee. The result of both these changes is the establishment, within a regulation considered as law, of a threshold of 3 per mille of contributions of guaranteed deposits and the establishment of an actual contribution of 2 per mille instead of the aforementioned percentages.
- Royal Decree 771/2011 was introduced on 4 June 2011 and amended, among others, Royal Decree 2606/1996 governing deposit guarantee funds at credit institutions. The new regulation created a new system of additional contributions to the funds based on remuneration from the deposits themselves. Meanwhile, Bank of Spain Circular 3/2011 of 30 June was published and entered into force on 4 July 2011. It implemented the new system of contributions to deposit guarantee funds, requiring additional contributions (payable quarterly) from entities which arrange term deposits or settle demand accounts with remuneration that exceeds certain interest rates published by the Bank of Spain, depending on term or demand status.
- On 31 August 2012, Royal Decree-Law 24/2012, of 31 August, on the restructuring and resolution of credit institutions took effect, repealing Sections 2 bis and 2 ter of Article 3 of Royal Decree 2606/1996, of 20 December, on the credit institution deposit guarantee fund, governing additional quarterly contributions by the banks involved that had taken deposits or settled current accounts at rates above the official benchmark rates published by the Bank of Spain (see previous paragraph).
- On 30 July 2012, the governing body of the deposit guarantee fund (FGDEC for its initials in Spanish) agreed to an extraordinary contribution by member entities payable by each in ten equal annual instalments on the same day that the entities must make their ordinary annual contributions, over the next ten years. The contribution to be deposited by each member may be deducted from the annual contribution which, as appropriate, is paid by the entity on the same date, and up to the amount of the ordinary contribution.

- In addition, new paragraph 5 of the fifth additional provision of Royal Decree-Law 21/2012 of 13 July, introduced by Article 2 of Royal Decree-Law 6/2013, of 22 March, established a special contribution of 3 per thousand of the deposits held by the adhered entities as of 31 December 2012, stating that the first tranche of such contribution, amounting to two fifths, should be disbursed within the first 20 working days of 2014, after the deductions that could be adopted in accordance with the aforesaid provisions. In order to implement the pay-out of the first tranche, the Managing Committee of the Fund, at its meeting of 22 November 2013, agreed to adopt, under the terms of the enabling framework established by the aforementioned provision, the deductions foresee therein. In particular, the non-application of the first tranche to the entities referred to in the ninth additional provision of Law 9/2012, of 14 November, which include the Bank.

  As of the date of authorisation for issue of these consolidated financial statements, the Managing Committee of the Fund had not notified the entities affected of the payment schedule for the second tranche of the shortfall, which for the Group amounts to EUR 157,004 thousand. Accordingly, it was considered a contingent liability not payable at that date and, therefore, no amount in this connection was recognised.

The contributions to the Deposit Guarantee Fund made by the Bank and Group entities under an obligation to do so amounted to EUR 174,447 thousand in 2013 (EUR 426,189 thousand in 2012) and were recognised under "Other operating expenses – Other operating expenses" in the accompanying consolidated income statement (see Note 40).

(1.11) Events after the reporting period

On 9 January 2014, Bankia launched a EUR 1,000 million issue of five-year senior debt. The issue was priced at midswap (the market reference rate) plus 235 basis points. The senior debt is backed exclusively by the Bank's own creditworthiness.

On 17 January 2014, the Group announced the sale of its entire (direct and indirect) stake in NH Hoteles, S.A., consisting of 24,878,359 shares. The deal was worth a total of EUR 122.9 million, equivalent to a selling price of EUR 4.94 per share, and generated net gains of approximately EUR 41 million.

On 31 January 2014, Bankia and Mapfre reached an agreement whereby Mapfre will become the exclusive provider of life and non-life insurance for Bankia and distribute its products throughout the Bank's sales network. The agreement involves restructuring the bancassurance business through new distribution agreements for life and non-life insurance with the bancassurance operator, Bankia Mediación, as well as incorporating Aseval and Laietana Vida's business into Bankia's and Mapfre's existing life insurance joint venture. The price for Mapfre's acquisition of 51% of Aseval y Laietana Vida and 100% of Laietana Seguros Generales from Bankia was EUR 151,7 million, once the financial conditions of the agreement have been taken into account, including separating Aseval's pensions business and adjusting each company's capital to ensure compliance with insurance regulations. The transaction is not expected to have a significant impact on Bankia's income statement for 2014. The definitive closing of the deal is subject to the approval of the competent supervisory and regulatory authorities.

No other significant events took place between 31 December 2013 and the date of authorisation for issue of these consolidated financial statements other than those mentioned in these consolidated financial statements.

(1.12) Customer care service

At its meeting on 16 June 2011, the Board of Directors of Bankia, S.A. approved the "Customer Protection Regulations of Bankia, S.A. and its Group", which was subsequently updated at its meeting of 25 July 2012. Among other aspects, the Regulations stipulate that the Bankia, S.A. Customer Care Service must handle and resolve any complaints or claims submitted by those in receipt of financial services from all BFA Group finance companies – one of which is the Bank – covered by the scope of the service (Bankia, S.A. and Group entities subject to Order ECO/734/2004 of 11 March governing Customer Care Departments and Services and Customer Ombudsmen of Financial Institutions).

Pursuant to Order ECO/734/2004 of 11 March governing Customer Care Departments and Services and Customer Ombudsmen of Financial Institutions, the following BFA Group entities are subject to the obligations and duties required by the Order in this connection, with claim procedures and solutions centralised through the Bankia, S.A. Customer Care Service:

Company
Bankia, S.A.
Banco Financiero y de Ahorros, S.A.U.
Bankia Fondos, S.G.I.I.C., S.A.
Bancofar, S.A.
Bankia Pensiones, S.A.U., E.G.F.P.
Laietana Generales, Compañía de Seguros de la Caja de Ahorros Laietana, S.A.U.
Laietana Vida, Compañía de Seguros de la Caja de Ahorros Laietana, S.A.U.
Segurbankia, S.A., Correduría de Seguros

The Bankia Group fulfils these obligations and duties in accordance with Law 44/2002, of 22 November, on Financial System Reform Measures, and with Ministry of Economy Order ECO/734/2004, of 11 March, on Customer Care Departments and Services and Customer Ombudsmen of Financial Institutions.

The main data on customer claims in 2013 for Group entities subject to these duties and obligations are as follows:

Company	No. of claims received	No. of claims admitted for processing	No. of claims dismissed	No. of claims resolved against the customer	No. of claims resolved in favour of the customer
Bankia, S.A. (1)	48,249	45,853	2,396	35,600	11,903
Banco Financiero y de Ahorros, S.A.U.	3	3	-	3	-
Bankia Fondos, S.G.I.I.C., S.A.	56	54	2	25	9
Bancofar, S.A.	207	203	4	135	1
Bankia Pensiones, S.A.U., E.G.F.P.	153	150	3	91	12
Laietana Vida, Cía. de Seguros de la C. de A. Laietana, S.A.U.	-	-	-	2	-

(1) 2013 featured the merger by absorption of Bancaja Gestión de Activos, S.L.U., Bankia Banca Privada, S.A. and Madrid Leasing Corporación, S.A.U., E.F.C. by Bankia, S.A. (see Note 16). Therefore, the claims corresponding to the absorbed companies have been attributed to Bankia, S.A. in the preceding table.

The breakdown by type of all claims resolved and dismissed in 2013 is as follows:

Type of claim	Number of claims
Mortgage loans and credits	4,435
Other loans and credits	399
Other lending transactions	120
Current accounts	8,107
Other deposit transactions	30,103
Cards, ATMs and POS terminals	3,873
Other banking products	183
Direct debits	717
Transfers	787
Bills and cheques	340
Other collection and payment services	698
Relations with collective investment institutions	85
Other investment services	1,720
Life insurance	173
Damage insurance	301
Pension funds	189
Other insurance	253
Miscellaneous	3,198
Total	**55,681**

Claims pending resolution by Group entities subject to these obligations at 31 December 2013 are as follows:

Company	Number of claims pending resolution
Bankia, S.A. (1)	6,720
Bankia Fondos, S.G.I.I.C., S.A.	27
Bancofar, S.A.	68
Bankia Pensiones, S.A.U., E.G.F.P.	46

(1) 2013 featured the merger by absorption of Bancaja Gestión de Activos, S.L.U., Bankia Banca Privada, S.A. and Madrid Leasing Corporación, S.A.U., E.F.C. by Bankia, S.A. (see Note 16). Therefore, the claims corresponding to the absorbed companies have been attributed to Bankia, S.A. in the preceding table.

The main data on customer claims in 2012 for Group entities subject to these duties and obligations are as follows:

Company	No. of claims received	No. of claims admitted for processing	No. of claims dismissed	No. of claims resolved against the customer	No. of claims resolved in favour of the customer
Bankia, S.A.	28,226	27,539	687	10,153	5,760
Banco Financiero y de Ahorros, S.A.U.	1	1	-	1	-
Bankia Banca Privada, S.A.	50	48	2	24	12
Bankia Bolsa, S.V., S.A. (1)	2	2	-	1	1
Bankia Fondos, S.G.I.I.C., S.A.	71	70	1	59	13
Bancofar, S.A.	9	8	1	5	2
Bankia Pensiones, S.A.U., E.G.F.P.	196	195	1	176	24
Finanmadrid, S.A.U., E.F.C. (1)	118	114	4	52	54
Madrid Leasing Corporación, S.A.U., E.F.C.	18	17	1	6	5
Laietana Vida, Cía. de Seguros de la C. de A. Laietana, S.A.U.	2	2	-	1	-
Tasaciones Madrid, S.A. (1)	3	3	-	4	-

(1) The Group sold Tasaciones Madrid, S.A. in 2012 and Bankia Bolsa, S.V., S.A. in 2013.

The breakdown by type of all claims resolved and dismissed in 2012 is as follows:

Type of claim	Number of claims
Mortgage loans and credits	1,517
Other loans and credits	288
Other lending transactions	88
Current accounts	1,169
Other deposit transactions	7,743
Cards, ATMs and POS terminals	1,760
Other banking products	203
Direct debits	374
Transfers	341
Bills and cheques	174
Other collection and payment services	378
Relations with collective investment institutions	109
Other investment services	404
Life insurance	78
Damage insurance	163
Pension funds	248
Other insurance	143
Miscellaneous	1,870
Total	**17,050**

Claims pending resolution by Group entities subject to these obligations at 31 December 2012 are as follows:

Company	Number of claims pending resolution
Bankia, S.A.	13,564
Bankia Banca Privada, S.A.	16
Bankia Fondos, S.G.I.I.C., S.A.	9
Bancofar, S.A.	1
Bankia Pensiones, S.A.U., E.G.F.P.	4
Finanmadrid, S.A.U., E.F.C. (1)	15
Madrid Leasing Corporación, S.A.U., E.F.C.	7
Laietana Vida, Cía. de Seguros de la C. de A. Laietana, S.A.U.	1

(1) The Group sold this investee in 2013.

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

In compliance with the provisions of Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, establishing measures to combat late payment on commercial transactions, implemented by Spanish Accounting and Audit Institute (ICAC) Resolution of 29 December 2010, on the information to be included in the notes to financial statements with regard to deferred payments to suppliers in commercial transactions, it is disclosed that:

- Due to the nature the business activities in which the Group mainly engages (financial activities), the information provided in this Note concerning deferred payments exclusively concerns payments to suppliers for the provision of various services and supplies to the Group's entities resident in Spain and to payments to suppliers made by Spanish Group entities that carry out non-financial activities, other than payments to depositors and holding companies of securities issued by Group entities, which were made, in all cases, in strict compliance with the contractual and legal periods established in each case, irrespective of whether or not they were payable in cash or by instalment. Nor is any information provided concerning payments to suppliers excluded from the scope of this mandatory disclosure pursuant to the provisions of the aforementioned ICAC Resolution, such as suppliers of fixed assets that are not considered to be trade creditors.

- In connection with the information required by Law 15/2010 of 5 July in relation to Group's commercial and service providers, and in due consideration of the third additional provision of the ICAC Resolution of 29 December, 2010, there follows the information required by this regulation, to the scope defined in the preceding paragraph:

(Thousands of euros)	Payments made in 2013 and outstanding at 31 December 2013		Payments made in 2012 and outstanding at 31 December 2012	
	Amount	% (1)	Amount	% (1)
Within the statutory period (2)	711,304	100 %	1,056,317	100 %
Other	-	-	-	-
Total payments in the year	**100%**	**100 %**	**1,056,317**	**100 %**
Weighted average late payment days	-	-	-	-
Deferrals beyond the statutory period at 31 December	-	-	-	-

(1) Percentage of total.

(2) The statutory payment period is, in each case, that corresponding to the nature of the goods or services received by Bankia in accordance with the provisions of Law 3/2004, of 29 December, establishing measures to combat late payment in commercial transactions.

Payments for payables and receivables among Spanish entities of the Bankia Group have been excluded from the above data.

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

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

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

The itemised segments on which the information in these consolidated financial statements is presented at 31 December 2013 and 2012 refer to the following business areas:

- Personal Banking
- Business Banking
- Corporate Centre

Personal Banking includes retail banking 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-centric business model.

Business Banking targets legal entities with annual income in excess of EUR 6 million. Other customers, legal entities or self-employed professionals with income below this figure fall into the Personal Banking category.

Finally, the Corporate Centre deals with any areas other than those already mentioned, including the Capital Markets, Private Banking, Asset Management and Bancassurance, and Investees areas.

Segment assets and liabilities at 31 December 2013 and 2012 are as follows:

(Thousands of euros)	31/12/2013	31/12/2012
TOTAL SEGMENT ASSETS		
Personal Banking	92,580,406	101,773,877
Business Banking	25,753,217	28,487,273
Corporate Centre and other adjustments	132,905,592	152,049,207
TOTAL SEGMENT LIABILITIES		
Personal Banking	79,619,875	84,620,196
Business Banking	8,777,191	9,639,650
Corporate Centre and other adjustments	151,263,150	194,106,502

Geographical segment reporting regarding interest and similar income for the years ended 31 December 2013 and 2012 is as follows:

(Thousands of euros)				
Distribution of interest and similar income by geographic areas				
	31/12/2013		31/12/2012	
MARKET	Bank	Group	Bank	Group
Domestic market	5,205,138	5,236,321	7,181,554	7,313,202
Export:	32,170	140,442	78,690	187,613
European Union	13,699	13,699	43,331	44,254
Other OECD countries	18,471	120,891	35,359	134,350
Other countries	-	5,852	-	9,009
Total	**5,237,308**	**5,376,763**	**7,260,244**	**7,500,815**

The table below shows the Group's ordinary income by business segments for the years ended 31 December 2013 and 2012:

(Thousands of euros)		
	Total ordinary income (1)	
SEGMENT	31/12/2013	31/12/2012
Personal Banking	2,765,208	4,187,422
Business Banking	1,093,882	1,509,871
Corporate Centre	3,155,759	3,721,130
Total	**7,014,849**	**9,418,423**

(1) In the table above, "Ordinary income" is understood as the balances under "Interest and similar income", "Return on equity instruments", "Fee and commission income", "Gains and losses on financial transactions (net)" and "Other operating income" in the accompanying consolidated income statement for the years ended 31 December 2013 and 2012, which can be regarded as comparable to the Group's revenue from ordinary business.

The table below shows information by segment in relation to "Profit before tax" in the consolidated income statements for the financial years ended 31 December 2013 and 2012:

31 December 2013

(Thousands of euros)				
Item	Personal Banking	Business Banking	Corporate Centre and other adjustments	Total
Adjusted net operating income (1)	**1,352,976**	**571,870**	**(199,438)**	**1,725,408**
(+/-) Impairment losses and provisions	(999,654)	(191,572)	(238,064)	(1,429,290)
(+/-) Other income (loss)	220	(1,440)	(14,768)	(15,988)
PROFIT/(LOSS) BEFORE TAX	**353,542**	**378,858**	**(452,270)**	**280,130**

(1) Earnings from operating activity for the years ended 31 December 2013 and 2012, excluding impairment losses and provisions on the consolidated income statement

31 December 2012 (2)

(Thousands of euros)				
Items	Personal Banking	Business Banking	Corporate Centre and other adjustments	Total
Adjusted net operating income (1)	**1,358,048**	**734,229**	**(375,362)**	**1,716,915**
(+/-) Impairment losses and provisions	(6,851,134)	(6,075,034)	(7,837,422)	(20,763,590)
(+/-) Other income (loss)	(40,460)	(1,440)	(3,100,650)	(3,142,550)
PROFIT/(LOSS) BEFORE TAX	**(5,533,546)**	**(5,342,245)**	**(11,313,434)**	**(22,189,225)**

(1) Earnings from operating activity for the years ended 31 December 2013 and 2012, excluding impairment losses and provisions on the consolidated income statement.

(2) Minor inter-segment adjustments were made to the 2012 figures to make them consistent with the criteria applied in 2013

(1.15) Company for the Management of Assets proceeding from Restructuring of the Banking System (Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria, thereinafter SAREB).

As indicated in Note 1.2, on 28 November 2012 the BFA–Bankia Group received approval by the European Commission, the Bank of Spain and the FROB for the Bank's 2012-2017 Restructuring Plan.

Additional provision nine of Law 9/2012, of 14 November, on the restructuring and resolution of credit institutions, which transposes into law Royal Decree-Law 24/2012, of 31 August, on the restructuring and resolution of credit institutions, requires credit institutions that at the date of entry into force of said Royal Decree-Law are majority owned by the FROB, which is the case of the BFA–Bankia Group (see Note 1) to transfer certain assets to the asset management company Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria (SAREB).

In November and December 2012, with the oversight of the Bank of Spain and the FROB, the scope of the assets eligible for transfer to the SAREB was defined. On 21 December 2012, the deed for the transfer by the BFA Group to the SAREB of a first block asset was placed on public record. The transfer price for the BFA Group was EUR 22,317 million. The asset transfer agreement was entered into between the SAREB, BFA and Bankia with effect from 31 December 2012.

The price was paid through the delivery of debt securities issued by the SAREB and guaranteed by the Spanish State in amounts of EUR 2,850 million to Banco Financiero y de Ahorros in proportion to the assets owned by BFA and its subsidiaries, and EUR 19,467 million to Bankia in proportion to the assets owned by Bankia and its subsidiaries.

The securities received by the Group (with original maturities of 31 December 2013, 2014 and 2015) were recognised under "Held-to-maturity investments" and grant an annual rollover option to the issuer, although the estimated value of the option does not result in any material differences between the fair value of the securities and their nominal amount at the date of the transaction.

Bankia, BFA and the SAREB signed an asset management and administration agreement under which Bankia and BFA will oversee the administration and management of the transferred assets.

The table below provides a breakdown of the Bankia Group assets transferred, distinguishing between the gross amount and the discount applied, by nature of the transferred assets:

(Thousands of euros)			
ITEM	Gross amount	Discount	Transfer price
Financing transactions	29,915,467	(13,510,188)	16,405,279
Real estate assets	6,729,303	(3,667,185)	3,062,118

On 4 June 2013, the deed of transfer of assets to the SAREB was corrected to adjust the scope initially estimated to the exact scope of the transfers as at the effective transfer date.

The total assets covered by the adjustment amount to EUR 126,975 thousand, calculated by applying the criteria of the Asset Transfer Agreement signed with the SAREB and on the basis of the information provided by the BFA-Bankia Group entities party to said agreement. The price is distributed as follows: EUR 6,703 thousand in respect of assets owned by BFA and its subsidiaries, and EUR 120,272 thousand in respect of assets owned by Bankia and its subsidiaries.

On 14 June 2013, the price initially paid was returned by means of delivery to the SAREB of bonds originally issued by the SAREB and delivered to Bankia and BFA as consideration for the transaction executed on 21 December 2012. The impact on profit and loss was immaterial.

Furthermore, the amount calculated for the assets covered by the adjustment includes the coupon accrued and paid by the SAREB prior to the correction settlement date. The coupon paid was calculated on the basis of the cash value of each bond series, applying an interest rate for said coupons to compensate the SAREB for the funds disbursed.

Therefore, subsequent to this adjustment the transfer price was EUR 22,190,761 thousand, of which EUR 2,843,636 thousand in respect of assets owned by BFA and its subsidiaries and EUR 19,347,125 thousand (EUR 16,316,677 thousand related to financial operations and EUR 3,030,448 thousand to real estate assets) in respect of assets owned by Bankia and its subsidiaries.

On 31 December 2013, the SAREB carried out the ordinary or early redemption in cash of the securities given, for a nominal amount of EUR 762,000 thousand, and the redemption through the delivery of new shares, for a nominal amount of EUR 5,575,500 thousand. As a result, the securities received by the Group and recognised under “Held-to-maturity investments” at 31 December 2013 were as follows:

(Thousands of euros and %)

Amount	Maturity	Interest rate
8,363,300	31/12/2014	2.86%
4,646,300	31/12/2015	3.26%
5,575,500	31/12/2014	0.95%

Adjustments may be made to the transfer price, as derived from the demarcation of the scope of assets and price setting. However, the review progress advanced significantly in 2013. Based on the data available, the directors estimate that any adjustments as a result of the review would not imply a material change in the Group’s equity or results.

(2) Accounting policies and measurement bases

A summary of the main accounting policies and measurement bases applied to prepare the Bankia Group's consolidated financial statements for the year ended 31 December 2013 is as follows:

(2.1) Business combinations and consolidation

(2.1.1) BFA-Bankia Group Restructuring Plan.

As indicated in Note 1.2, on 28 November 2012 the BFA–Bankia Group received approval by the European Commission, the Bank of Spain and the FROB for the Bank's 2012-2017 Restructuring Plan. The Restructuring Plan includes, inter alia, the start-up of a disposal plan for non-strategic holdings. Following the roll-out of the disposal plan and in accordance with applicable regulations (see Note 2.20), the Group reclassified certain equity investments to "Non-current assets held for sale". The classification, recognition and measurement criteria applied based on the type of investments put up for sale were as follows:

- **Investments in Group companies:** subsidiaries that based on the foregoing criteria meet the requirement for recognition as "Non-current assets held for sale" were fully consolidated, and all their assets and liabilities were presented and measured in accordance with the criteria established for “Disposal groups”. Assets and liabilities of disposal groups are measured following the criteria established for non-current assets held for sale (Note 2.20).

  The assets are presented separately on the balance sheet under "Non-current assets held for sale" and the liabilities under "Liabilities associated with non-current assets held for sale". Valuation adjustments to equity related to these items were classified, where appropriate, under "Valuation adjustments - Non-current assets held for sale". Gains and losses on these assets and liabilities, and impairment losses and recovery, where applicable, were recognised under "Gains/(losses) on non-current assets held for sale not classified as discontinued operations", except in the case of financial assets, assets arising from employee remuneration, deferred tax assets and assets under insurance contracts, which are measured in accordance with the general measurement criteria for this type of asset.

  The table below provides a detail of the subsidiaries meeting the criteria for recognition as disposal groups and whose assets and liabilities are therefore presented under "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale", respectively. Note 15 provides details of the amounts of these assets and liabilities.

	% shareholding	
Company	31/12/2013	31/12/2012
BANCOFAR, S.A.	70.21	70.21
CITY NATIONAL BANK OF FLORIDA	100.00	100.00
CM FLORIDA HOLDINGS, INC.	100.00	100.00
SALA RETIRO, S.A. (*)	100.00	100.00

(*) Classified as “Disposal group” in 2013

In addition, the acquisition of the 50% of Aseguradora Valenciana, S.A. de Seguros y Reaseguros it did not already own (see Note 2.1.2) resulted in the classification of this company as a “Discontinued operation” (in accordance with IFRS 5.32, as it is part of a co-ordinated disposal plan under the approved Restructuring Plan). Therefore, the measurement and presentation are the same as for “Disposal groups” except with respect to the presentation of revenue and expenses. With discontinued operations, all revenue and expenses of any kind, and any impairment losses, even if they arose before this classification, are shown net of the related tax effect, in the income statement as a single amount under “Profit/(loss) from discontinued operations (net)" whether the item remains on the balance sheet or has been derecognised, along with the gain or loss recognised on the disposal.

Appendix II contains significant information on these entities.

- **Investments in jointly-controlled entities and associates**: pursuant to prevailing legislation, the equity method of accounting is no longer applied to investments in jointly-controlled entities and associates classified under "Non-current assets held for sale"; instead, the investments are presented and measured as "Non-current assets held for sale", that is, at the lower of fair value less costs to sell and carrying amount at the classification date in accordance with applicable standards (see Note 2.20). The gains and losses arising on their disposal, and impairment losses and recovery, where appropriate, are recognised under "Gains/(losses) on non-current assets held for sale not classified as discontinued operations". The remaining income and expenses are classified under the related income statement items according to their nature.

  All investments in jointly-controlled entities and associates at 31 December 2013 were reclassified to "Non-current assets held for sale" except the following:

	% shareholding	
Company	31/12/2013	31/12/2012
MAPFRE CAJA MADRID VIDA, S.A., DE SEGUROS Y REASEGUROS	49.00	49.00

  Note 15 details the amount of investments in jointly-controlled entities and associates that were reclassified to "Non-current assets held for sale" and the related impairment.

  Relevant information on these companies is provided in Appendix IV.

- **Available-for-sale financial assets:** as indicated in Note 2.20, as these are financial assets, they are not measured using the general criteria for non-current assets held for sale, but rather applying the measurement criteria for financial assets (see Note 2.2). Previously recognises losses in "Equity - Valuation adjustments" are considered realised and recognised in the income statement at the date of classification. Remaining valuation adjustments recognised in equity are classified, as appropriate, under "Valuation adjustments - Non-current assets held for sale".

  As a result of the Restructuring Plan described previously, all the investments recognised under "Available-for-sale financial assets - Equity instruments" were reclassified to "Non-current assets held for sale" on the accompanying consolidated balance sheet at 31 December 2013. Note 15 to the consolidated financial statements details the amounts at which the investments are recognised and the related impairment.

(2.1.2) Business combinations

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

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

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

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

- Identify the acquirer;
- Determine the acquisition date;
- Recognise and measure the identifiable acquired assets, the liabilities assumed and any non-controlling interest in the acquiree. Other than the exceptions mentioned in IFRS 3, in general the identified assets, liabilities and contingent liabilities of the entity or business acquired are measured at fair value when control is acquired.
- Recognise and measure goodwill or the gain from a bargain purchase in the consolidated income statement comparing the price paid in the business combination and the initial value of the identified assets, liabilities and contingent liabilities of the acquired business.

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

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

Acquisition of 50.00% of Aseguradora Valencia, S.A. de Seguros y Reaseguros

On 23 April 2013, after obtaining the pertinent regulatory authorisations, the acquisition of Aseguradora Valenciana, S.A. de Seguros y Reaseguros was completed via the delivery of the shares owned by Aviva (50% of share capital) in exchange for the release of funds deposited in the escrow account (EUR 608,172,000) in its favour (see Note 16). The best estimate of the directors, included in the Restructuring Plan approved by the FROB and the EU, include the sale of this stake or a significant part thereof. As a result, it was classified as a "Discontinued operation" (see Notes 2.11 and 15). All the income and expenses generated in the period from the investment in Aseguradora Valenciana, S.A. de Seguros y Reaseguros, of any kind, including any impairment losses generated prior to its classification as a discontinued operation, are shown, net of the related tax effect, in the income statement as a single amount under "Profit/(loss) from discontinued operations (net)", including the effect of applying the purchase method (in accordance with IFRS 3) and the use of provisions recognised in this connection at 31 December 2012.

There were no other transactions or events resulting in significant business combinations in 2013.

(2.1.3) Subsidiaries

"Subsidiaries" are defined as entities over which the Bank has the capacity to exercise control; control is, in general but not exclusively, presumed to exist when the parent owns directly or indirectly half or more of the voting rights of the investee or, even if this percentage is lower or zero, when, for example, there are other circumstances or agreements that give the Bank control

In accordance with IAS 27, control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The following tables provides a breakdown of investees in which the Group holds a direct or indirect stake and which, despite ownership of more than half their capital or voting rights, are not under its control, and they have not been considered as subsidiaries for the purposes of these consolidated financial statements:

	% shareholding	
Company	31/12/2013	31/12/2012
Montis Locare, S.L.	52.27	52.27

The financial statements of the subsidiaries are fully consolidated with those of the Bank using the method defined in IAS 27, except those classified under "Non-current assets held for sale", which are recognised and measured as explained in Note 2.1.1.

Accordingly, all material balances of the transactions between fully consolidated entities are eliminated on consolidation. Also, the share of third parties of:

- The Group's equity is presented under "Equity - Non-controlling interests" in the consolidated balance sheet (see Note 24);
- Consolidated profit/(loss) for the year: is recognised under "Profit/(loss) attributable to non-controlling interests" in the consolidated income statement.

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

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

Appendix II contains significant information on these entities.

(2.1.4) Joint ventures

A joint venture is a contractual arrangement whereby two or more entities, called venturers, undertake an economic activity which is subject to joint control, i.e. the contractually agreed sharing of the power to govern the financial and operating policies of an entity, or other economic activity, so as to benefit from its operations, the strategic financial and operating decisions requiring the unanimous consent of all the venturers.

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

Investments in entities that are not subsidiaries but which are jointly controlled by two or more unrelated companies, of which the Group is one ("jointly-controlled entities"), are also considered "joint ventures".

Pursuant to current regulations, the Bank opted to measure its interests in jointly-controlled entities using the "equity method" since it considered that this method presents faithfully the economic substance and reality of the jointly-controlled entities' relations in the framework of the contractual arrangements in force with the other venturers (see Note 16), except those classified under "Non-current assets held for sale", which are recognised and measured as explained in Note 2.1.1.

If investments in jointly-controlled entities had been consolidated proportionately, it is estimated that the following consolidated balance sheet figures at 31 December 2013 and 2012 would have differed as follows:

(Thousands of euros)

ITEM	31/12/2013	31/12/2012
Consolidated balance sheet		
Assets	**2,467,509**	**3,198,407**
Available-for-sale financial assets	2,383,707	3,165,687
Loans and receivables	14,163	13,326
Tangible assets	8	495
Other assets	69,631	18,899
Liabilities	**2,467,509**	**3,198,407**
Financial liabilities at amortised cost	(18,137)	(312,649)
Liabilities under insurance contracts	2,416,157	3,467,145
Other liabilities	69,489	43,911

Moreover, if interests in jointly-controlled entities had been consolidated proportionately, it is estimated that the following figures on the consolidated income statement for the years ended 31 December 2013 and 2012 would have differed as follows:

(Thousands of euros)		
ITEM	**31/12/2013**	**31/12/2012**
Consolidated income statement		
Net interest income	2,814	53,211
Gross income	18,291	33,735
Net operating income	12,500	17,287

Appendix III contains significant information on these entities.

(2.1.5) Associates

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

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

In the consolidated financial statements, investments in associates are accounted for using the equity method, as defined by IAS 28. However, as indicated in Note 2.1.1., all the associates were reclassified to "Non-current assets held for sale" in 2012, and presented and measured from then as explained in that Note.

Relevant information on associates is provided in Appendix IV. The Appendix lists entities in which the Group holds less than 20% of share capital as it considers that it has significant influence over their financial and operating policies.

The table below shows a breakdown of these entities which, despite not holding 20% of their capital or voting rights and despite their classification under "Non-current assets held for sale", the Group considered to be associates as it exercises significant influence (due to significant representation on the companies' governing bodies, or the effective ability to influence their strategic and operating policies):

	% shareholding	
Investee	31/12/2013	31/12/2012
Concesiones Aereoportuarias S.A.	15.00	15.00
Deoleo, S.A.	16.28	18.37
Haciendas Marqués de la Concordia, S.A.	16.16	16.16
NH Hoteles, S.A.	8.03	10.04
Numzaan, S.L.	14.13	14.13
Promociones Parcela H1 Dominicana, S.L.	19.79	19.79
Torrento Can Gelat, S.A.	11.83	35.73

The following is a list of companies in which the Group holds an interest exceeding 20% of capital but not treated as associates in the Group's consolidated balance sheet at 31 December 2013, since it is considered that the Group does not exercise significant influence over them, given the specific features of those investments: either the Group has no significant representation on those companies' governing bodies, or it has no effective ability to influence their strategic and operating policies:

	% shareholding	
Investee	31/12/2013	31/12/2012
Promociones y Gestiones Patrimoniales 1997, S.L.	48.66	48.66
Desafío de Inversiones, SICAV, S.A.	44.52	42.70
Naviera Koala, A.I.E.	34.78	34.78
Desarrollo y Tecnología del Automóvil, S.A.	33.41	33.41
Vinos y Bodegas de Pardilla, S.L.	30.00	30.00
Compañía de Terminal Multimodal, S.L.	25.00	25.00
Aviones Carraixet Crj-200 II, A.I.E.	25.00	25.00
Aviones Turia Crj-200 I, A.I.E.	25.00	25.00
Aviones Portacoli Crj-200 III, A.I.E.	24.90	24.90

The aggregate of investments in such companies was not a significant item in the Group's consolidated financial statements for the year ended 31 December 2013.

(2.2) Financial instruments: initial recognition, derecognition of financial instruments, fair value and amortised cost of financial instruments, classification and measurement and reclassification among categories

(2.2.1) Initial recognition of financial instruments

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

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

(2.2.2) Derecognition of financial instruments

A financial asset is derecognised when:

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

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

(2.2.3) Fair value and amortised cost of financial instruments

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

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

Note 27 provides information on the fair value of the Group's main assets and liabilities at 31 December 2013 and 2012.

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

The effective interest rate is the discount rate that exactly matches the carrying amount of a financial instrument to the present value of all its estimated cash flows of all kinds over its remaining life, but disregarding future credit losses. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date adjusted, where applicable, for the fees and transaction costs that, pursuant to IAS 39, must be included in the calculation of the effective interest rate. In the case of floating rate financial instruments, the effective interest rate is determined in a similar fashion to fixed rate transactions and is recalculated on the date of every revision of the contractual interest rate of the transaction, taking into account any changes in the future cash flows.

(2.2.4) Classification and measurement of financial assets and liabilities

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

- **Financial assets and liabilities at fair value through profit or loss**: this category includes financial instruments classified as held for trading and other financial assets and liabilities classified as at fair value through profit or loss:
  - **Financial assets held for trading** include those acquired with the intention of selling them in the short term or which are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking, and derivatives not designated as hedging instruments, including those separated from hybrid financial instruments pursuant to IAS 39.
  - **Financial liabilities held for trading** include those that have been issued with an intention to repurchase them in the near term or that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking; short positions arising from financial asset sales under non-optional repurchase agreements or borrowed securities, and derivatives other than as hedging instruments, including those separated from hybrid financial instruments pursuant to IAS 39.
  - Other **financial assets at fair value through profit or loss** are considered as financial assets designated as such from initial recognition, the fair value of which may be determined reliably, which meet one of the following conditions:
    - In the case of hybrid financial instruments in which the embedded derivative(s) must be accounted for separately from the host contract, the fair value of the embedded derivative(s) cannot be estimated reliably.

- In the case of hybrid financial instruments for which it is compulsory to separate the embedded derivative(s), the Group has elected to classify the entire hybrid financial instrument in this category from initial recognition, since the requirements established by current regulations are met in the sense that the embedded derivative(s) significantly modify/modifies the cash flows that the host contract would have had if it had been considered separately from the embedded derivative(s) and that there is an obligation to separate the embedded derivative(s) from the host contract for accounting purposes.
- When the classification of a financial asset in this category results in more relevant information, because it eliminates or significantly reduces a measurement or recognition inconsistency (also referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.
- When the classification of a financial asset in this category results in more relevant information, because a group of financial assets, liabilities or both, is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided on that basis to the Group's key management personnel.

- Other **financial liabilities at fair value through profit or loss** are considered as financial liabilities designated as such from initial recognition, the fair value of which may be determined reliably, which meet one of the following conditions:
  - In the case of hybrid financial instruments in which the embedded derivative(s) must be accounted for separately from the host contract, the fair value of the embedded derivative(s) cannot be estimated reliably.
  - In the case of hybrid financial instruments for which it is compulsory to separate the embedded derivative(s), the Group has elected to classify the entire hybrid financial instrument in this category from initial recognition, since the requirements established by current regulations are met in the sense that the embedded derivative(s) significantly modify/modifies the cash flows that the host contract would have had if it had been considered separately from the embedded derivative(s) and that, pursuant to prevailing regulations, there is an obligation to separate the embedded derivative(s) from the host contract for accounting purposes.
  - When the classification of a financial liability in this category results in more relevant information, because it eliminates or significantly reduces a measurement or recognition inconsistency (also referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.
  - When the classification of a financial liability in this category results in more relevant information, because a group of financial liabilities, assets or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the group is provided on that basis to the Group's key management personnel.

Financial instruments at fair value through profit or loss are initially measured at their fair value. Later changes to the fair value are recognised in the consolidated income statement under "Gains or losses on financial assets and liabilities (net)", except for changes in the fair value attributable to income accrued on the financial instrument other than trading derivatives, which is recognised in the consolidated income statement under either "Interest and similar income", "Interest expense and similar charges", or "Return on equity instruments", depending on their nature. The accrued returns on debt instruments included in this category are calculated using the effective interest method.

Notwithstanding the above, financial derivatives whose underlying assets are equity instruments whose fair value cannot be measured reliably and which are settled by delivery of the underlying, are measured in these consolidated financial statements at cost.

- **Held-to-maturity investments:** this category includes debt securities traded on active markets with fixed maturities and fixed or determinable cash flows for which the Group has, from inception and any subsequent date, both the positive intention and demonstrated financial ability to hold to maturity.

  Debt securities included in this category are initially measured at fair value adjusted by the amount of the transaction costs that are directly attributable to the acquisition of the financial asset, which are recognised in the consolidated income statement by the effective interest method as defined in IAS 39. Subsequent to acquisition, debt securities included in this category are measured at amortised cost calculated using the effective interest method.

  The interest accrued on these securities, calculated using the effective interest method, is recognised under "Interest and similar income" in the consolidated income statement. Exchange differences on securities included in this portfolio denominated in currencies other than the euro are recognised as explained in Note 2.4. Any impairment losses on these securities are recognised as set forth in Note 2.9.

- **Loans and receivables**: this category includes unquoted debt securities, financing granted to third parties in connection with ordinary lending activities carried out by the consolidated entities and receivables from purchasers of their goods and the users of their services. This category also includes finance lease transactions in which the consolidated entities act as the lessor.

  The financial assets included in this category are initially measured at fair value adjusted by the amount of the fees and transaction costs that are directly attributable to the acquisition of the financial asset and which, in accordance with the provisions of the regulations applicable, must be allocated to the consolidated income statement by the effective interest method through maturity. Subsequent to acquisition, assets included in this category are measured at amortised cost.

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

  The consolidated entities generally intend to hold the loans and credits granted by them until their final maturity and, therefore, they are presented in the consolidated balance sheet, subsequent to initial recognition, at their amortised cost.

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

  Available-for-sale financial assets: This category includes debt securities not classified as held-to-maturity investments, as loans and receivables or as financial assets at fair value through profit or loss owned by the Group and equity instruments owned by the Group relating to entities other than subsidiaries, joint ventures or associates that are not classified as at fair value through profit or loss.

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

  However, equity instruments whose fair value cannot be determined in a sufficiently objective manner are measured in these consolidated financial statements at cost less any impairment losses calculated as detailed in Note 2.9.

Changes in the fair value of available-for-sale financial assets relating to accrued interest or dividends since their initial recognition are recognised in “Interest and similar income" (calculated using the effective interest method) and “Return on equity instruments” in the consolidated income statement, respectively. Any impairment losses on these instruments are recognised as described in Note 2.9. Exchange differences on financial assets denominated in currencies other than the euro are recognised as explained in Note 2.4. Changes in the fair value of financial assets hedged in fair value hedges are recognised as explained in Note 2.3.

Other changes in the fair value of available-for-sale financial assets from the acquisition date are recognised in Group's equity under “Valuation adjustments - Available-for-sale financial assets” until the financial asset is derecognised, at which time the balance recorded under this item is recognised under “Gains or losses on financial assets and liabilities (net)” in the consolidated income statement or, in the case of equity instruments considered to be strategic investments for Group, under “Gains/(losses) on non-current assets held for sale not classified as discontinued operations”.

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

The liabilities issued by the consolidated entities which, although capital for legal purposes, do not meet the requirements for classification as equity in accordance with IAS 32, basically the shares issued by the consolidated entities that do not carry any voting rights but entitle their holders to receive dividends if certain conditions are met, are classified as financial liabilities at amortised cost, unless the Group has designated them as financial liabilities at fair value through profit or loss, if they qualify as such.

The financial liabilities included in this category are initially measured at fair value adjusted by the amount of the transaction costs that are directly attributable to the issuance or trading of the financial liability, which are recognised in the consolidated income statement by the effective interest method defined in IAS 39 until maturity. Subsequently, these financial liabilities are measured at amortised cost calculated using the effective interest method defined in IAS 39.

The interest accrued on these liabilities since their initial recognition, calculated using the effective interest method, is recognised under “Interest expense and similar charges” in the consolidated income statement. Exchange differences on liabilities included in this portfolio denominated in currencies other than the euro are recognised as explained in Note 2.4. Financial liabilities included in fair value hedges are recognised as explained in Note 2.3.

Nevertheless, financial instruments that should be considered as non-current assets held for sale in accordance with IFRS 5 are recognised in the consolidated financial statements as explained in Note 2.20.

(2.2.5) Reclassification of financial instruments between portfolios

In 2013 and 2012, there were no reclassifications between financial instrument portfolios, nor were there any sales of financial assets classified as "Held-to-maturity investments" for significant amounts.

(2.3) Hedge accounting and mitigation of risk

The Group uses financial derivatives as part of its strategy to reduce its exposure to interest rate, credit, foreign exchange risk and other risks. When these transactions meet certain requirements stipulated in IAS 39, they qualify for hedge accounting.

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

The Group only applies hedge accounting for hedges that are considered highly effective over their entire lives. A hedge is considered to be highly effective if, during its expected life, the changes in fair value or cash flows of the hedged item that are attributable to the risk hedged in the hedging of the financial instrument(s) are almost completely offset by changes in the fair value or cash flows, as appropriate, of the hedging instrument(s).

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

Hedging transactions performed by the Group are classified as follows:

- **Fair value hedges**: hedge of the exposure to changes in fair value of financial assets or liabilities or unrecognised firm commitments, or of an identified portion of such assets, liabilities or firm commitments, that is attributable to a particular risk, provided that it affects the consolidated income statement.
- **Cash flow hedges**: hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a financial asset or liability or a highly probable forecast transaction, provided that it could affect the consolidated income statement.
- **Hedge of a net investment in foreign operations**: hedge of the currency risk on investments in subsidiaries, associates, joint ventures and branches of the Group whose activities are based on or conducted in another country or in a functional currency than the euro.

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

- In **fair value hedges**, the gains or losses arising on both the hedging instruments and the hedged items are recognised directly in the consolidated income statement.
- In **cash flow hedges**, the gains or losses attributable to the portion of the hedging instruments that qualifies as an effective hedge are recognised temporarily in consolidated equity under "Valuation adjustments - Cash flow hedges". Financial instruments hedged in this type of hedging transaction are recognised as explained in Note 2.2, with no change made to the recognition criteria due to their consideration as hedged items.
- In **hedges of net investments in foreign operations**, the gains or losses attributable to the portion of the hedging instruments qualifying as an effective hedge are recognised temporarily in consolidated equity under "Valuation adjustments - Hedges of net investments in foreign operations". Financial instruments hedged in this type of hedging transaction are recognised as explained in Note 2.2, with no change made to the recognition criteria due to their consideration as hedged items.

As a general rule, in cash flow hedges, the gains or losses attributable to the effective portion of the hedging instruments are not recognised in the consolidated income statement until the gains or losses on the hedged item are recognised in the consolidated income statement or, if the hedge relates to a highly probable forecast transaction that will lead to the recognition of a non-financial asset or liability, they will be recognised as part of the acquisition or issue cost when the asset is acquired or the liability is assumed.

In the case of hedges of net investments in foreign operations, the amounts recognised as valuation adjustments in equity in accordance with the aforementioned criteria are recognised in the consolidated income statement when they are disposed of or derecognised.

In cash flow hedges and hedges of net investments in foreign operations, the gains or losses on the ineffective portion of the hedging instruments are recognised directly under “Gains or losses on financial assets and liabilities (net)” in the consolidated income statement.

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

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

If hedge accounting is discontinued for a cash flow hedge or a hedge of a net investment in a foreign operation, the cumulative gain or loss on the hedging instrument recognised in equity under "Valuation adjustments" in the consolidated balance sheet will continue to be recognised under that heading until the forecast hedged transaction occurs, when it will be reclassified into the income statement or it will correct the acquisition cost of the asset or liability to be recorded, if the hedged item is a forecast transaction that results in the recognition of a non-financial asset or liability.

The Group enters into hedges on a transaction-by-transaction basis pursuant to the aforementioned criteria by assessing the hedging instrument and the hedged item on an individual basis and continually monitoring the effectiveness of each hedge, to ensure that changes in the value of the hedging instrument and the hedged item offset each other.

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

Fair value hedges

- Available-for-sale financial assets:
  - Fixed-rate debt securities, whose risk is hedged with interest rate derivatives (basically swaps). The Group also hedges certain positions against credit risk with credit derivatives (basically credit default swaps).
  - Equity instruments, whose market risk is hedged with equity swaps and futures arranged in active markets.
- Loans and receivables:
  - Fixed-rate loans, whose risk is hedged with interest rate derivatives (basically swaps). The Group also hedges certain positions against credit risk with credit derivatives (basically credit default swaps).
- Financial liabilities at amortised cost:
  - Long-term fixed-rate deposits and marketable debt securities issued by the Group, whose risk is hedged with interest rate derivatives (basically swaps).

Cash flow hedges

- Available-for-sale financial assets:
  - Floating-rate debt securities, whose risk is hedged with interest rate derivatives (basically swaps).
- Loans and receivables:
  - Floating-rate loans, whose risk is hedged with interest rate derivatives (basically swaps).
- Financial liabilities at amortised cost:
  - Marketable debt securities issued by the Group, whose risk is hedged with interest rate derivatives (basically swaps).

Hedges of net investments in foreign operations

- Investments and branches:
  - Forward currency (USD) transactions to hedge future exchange rate fluctuations.

(2.4) Foreign currency transactions

(2.4.1) Functional currency

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

The detail, by currency and item, of the equivalent euro value of the main asset and liability balances in the consolidated balance sheet at 31 December 2013 and 2012 denominated in foreign currency is as follows:

(Thousands of euros)

ITEM	31/12/2013 Assets	31/12/2013 Liabilities	31/12/2012 Assets	31/12/2012 Liabilities
Balances in US dollars				
Cash and balances with central banks	1,172	-	103,172	-
Financial assets and liabilities held for trading	536,499	558,613	976,368	1,043,272
Loans and receivables	1,674,754	-	2,858,673	-
Investments	-	-	-	-
Financial liabilities at amortised cost	-	257,452	-	709,247
Available-for-sale financial assets	747	-	-	-
Held-to-maturity investments	8,549	-	11,083	-
Other (1)	3,400,999	2,838,507	3,475,875	2,907,014
Total	**5,622,720**	**3,654,572**	**7,425,171**	**4,659,533**
Balances in pounds sterling				
Cash and balances with central banks	549	-	942	-
Financial assets and liabilities held for trading	168,922	170,485	202,407	203,630
Loans and receivables	69,163	-	92,855	-
Financial liabilities at amortised cost	-	55,071	-	48,359
Available-for-sale financial assets	686	-	2,047	-
Other	165	380	993	206
Total	**239,485**	**225,936**	**299,244**	**252,195**
Balances in other currencies				
Cash and balances with central banks	336	-	503	-
Financial assets and liabilities held for trading	19,641	16,269	49,056	48,796
Loans and receivables	226,670	-	425,989	-
Investments	-	-	-	-
Financial liabilities at amortised cost	-	17,853	-	289,512
Available-for-sale financial assets	-	-	-	-
Held-to-maturity investments	-	-	-	-
Other	3,738	14,591	72,853	33,634
Total	**250,385**	**48,713**	**548,401**	**371,942**
Total foreign currency balances	**6,112,590**	**3,929,221**	**8,272,816**	**5,283,670**

(1) Relates mainly to balances with City National Bank of Florida, classified as a "Disposal group"

(2.4.2) Translation of foreign currency balances

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

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

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

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

Furthermore:

- Non-monetary items measured at historical cost are translated to the functional currency at the exchange rate at the date of acquisition.
- No-monetary items measured at fair value are translated to the functional currency at the exchange rate at the date when the fair value was determined.

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

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

(2.4.3) Exchange rates applied

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

(2.4.4) Recognition of exchange differences

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

However, exchange differences arising on non-monetary items measured at fair value through equity are recognised in consolidated equity under “Valuation adjustments – Exchange differences” in the consolidated balance sheet until they are realised.

The exchange differences arising on the translation to euros of the financial statements in the functional currencies of the consolidated entities, whose functional currency is not the euro, are recognised in consolidated equity under “Valuation adjustments – Exchange differences” in the consolidated balance sheet, whereas those translated to euros of the financial statements of entities accounted for using the equity method are recognised under “Valuation adjustments – Entities accounted for using the equity method”.

(2.4.5) Entities and branches located in hyperinflationary economies

None of the functional currencies of the consolidated subsidiaries and associates and of their branches located abroad relate to hyperinflationary economies as defined by IFRS-EU. Accordingly, at the 2013 year-end it was not necessary to adjust the financial statements of any consolidated entity or associate to correct for the effect of inflation.

(2.5) Recognition of income and expenses

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

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

As a general rule, interest income, interest expenses and similar items are recognised on the basis of their period of accrual using the effective interest method defined in IAS 39. Dividends received from companies other than those within the scope of consolidation of the Group are recognised as income when the consolidated entities' right to receive them arises.

However, when a debt security is assessed to be impaired individually or collectively because recovery is considered unlikely, the entity ceases to recognise the interest accrued in the consolidated income statement. This interest is recognised as income when received.

(2.5.2) Commissions, fees and similar items

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

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

(2.5.3) Non-finance income and expenses

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

(2.5.4) Deferred income and accrued expenses

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

(2.6) Offsetting

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

In this regard, “offsetting" is not considered when presenting the financial assets subject to valuation adjustments for decline in value or impairment, i.e. net of these adjustments, in the consolidated financial statements under IFRS-EU.

In addition, following application of the amendment to IAS 32 Offsetting Financial Assets and Financial Liabilities (see Note 1.3), the Group offset the positions in trading derivatives arranged through clearing houses as they met the criteria for offsetting a financial asset and a financial liability, as follows:

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

The amendment to IAS 32 clarifies when a financial asset and financial liability is eligible for offset. The criteria were considered for the aforementioned set-off. Specifically, regarding the first of the above criteria, the right of set-off cannot be contingent on a future event and must be legally enforceable in the following circumstances: the normal course of business, an event of default and an event of insolvency or bankruptcy of the entity or any of the counterparties.

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

Note 9 presents a detail of net positions by class of derivative. However, in accordance with prevailing regulations, other disclosures regarding offset positions are presented at their gross amount.

(2.7) Transfers of financial assets

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

- If substantially all the risks and rewards of the assets transferred are transferred to third parties – unconditional sale of financial assets, sale of financial assets under an agreement to repurchase them at their fair value at the date of repurchase, sale of financial assets with a purchased call option or written put option that is deeply out of the money, securitisation of assets in which the transferor does not retain a subordinated debt or grant any credit enhancement to the new holders, and other similar cases – the transferred financial asset is derecognised and any rights or obligations retained or created in the transfer are recognised simultaneously.
- If substantially all the risks and rewards associated with the financial asset transferred are retained - sale of financial assets under an agreement to repurchase them at a fixed price or at the sale price plus interest, a securities lending agreement in which the borrower undertakes to return the same or similar assets, securitisation of financial assets in which a subordinated debt or another type of credit enhancement is retained that absorbs substantially all the expected credit losses on the securitised assets, and other similar cases – the transferred financial asset is not derecognised and continues to be measured by the same criteria as those used prior to the transfer. However, the following items are recognised with no offsetting:
  - An associated financial liability, for an amount equal to the consideration received; this liability is subsequently measured at amortised cost, or, if the aforementioned requirements for classification as other financial liabilities at fair value through profit or loss are met, at fair value, in accordance with the aforementioned criteria for this type of financial liability.
  - The income from the financial asset transferred but not derecognised and any expense incurred on the new financial liability.
- If the Group neither transfers nor retains substantially all the risks and rewards associated with the financial asset transferred – sale of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitisation of financial assets in which the transferor retains a subordinated debt or other type of credit enhancement for a portion of the transferred asset, and other similar cases – the following distinction is made:
  - If the seller does not retain control of the transferred financial asset, the transferred financial assets is derecognised and any right or obligation retained or created as a result of the transfer is recognised.
  - If the seller retains control of the transferred financial asset, it continues to recognise it in the consolidated balance sheet for an amount equal to its exposure to changes in value and recognises a financial liability associated with the transferred financial asset. The net amount of the transferred asset and associated liability is the amortised cost of the rights and obligations retained, if the transferred asset is measured at amortised cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

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

Note 29.1 contains a summary of the main circumstances of the principal transfers of assets outstanding at 2013 year end which did not lead to the derecognition of the related assets.

(2.8) Exchanges of assets

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

The assets received in an exchange of assets are recognised at fair value, provided that the transaction can be deemed to have commercial substance, as defined in IAS 16 and IAS 38, and that the fair value of the asset received or, failing this, of the asset given up, can be estimated reliably. The fair value of the instrument received is determined as the fair value of the asset given up plus, where applicable, the fair value of any monetary consideration given up in exchange, unless there is clearer evidence of the fair value of the asset received.

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

(2.9) Impairment of financial assets

A financial asset is considered to be impaired – and therefore its carrying amount is adjusted to reflect the effect of impairment – when there is objective evidence that events have occurred which:

- In the case of debt instruments (loans and debt securities), give rise to an adverse impact on the future cash flows that were estimated at the transaction date. An instrument is considered impaired when there are reasonable doubts that its carrying amount will be recovered and/or the related interest will be collected for the amounts and on the dates initially agreed upon.
- In the case of equity instruments, mean that their carrying amount may not be fully recovered.

As a general rule, the carrying amount of impaired financial instruments is adjusted with a charge to the consolidated income statement for the period in which the impairment becomes evident, and the reversal, if any, of previously recognised impairment losses is recognised in the consolidated income statement for the period in which the impairment is reversed or reduced.

When the recovery of any recognised amount is considered unlikely, the amount is written off, without prejudice to any actions that the consolidated entities may initiate to seek collection until their contractual rights are extinguished due to expiry of the statute-of-limitations period, forgiveness or any other cause.

The criteria applied by the Group to determine possible impairment losses in each of the various financial instrument categories and the method used to calculate and recognise such impairment losses are as follows:

Debt instruments carried at amortised cost

The amount of an impairment loss incurred on a debt instrument carried at amortised cost is equal to the negative difference between its carrying amount and the present value of its estimated future cash flows.

In estimating the future cash flows of debt instruments the following factors are taken into account:

- All the amounts that are expected to be obtained over the remaining life of the instrument; including, where appropriate, those which may result from the collateral provided for the instrument (less the costs for obtaining and subsequently selling the collateral). The impairment loss takes into account the likelihood of collecting accrued past-due interest receivable.
- The different types of risk to which each instrument is exposed.
- The circumstances in which collections will foreseeably be made.

Specifically as regards impairment losses resulting from materialisation of the insolvency risk of the obligors (credit risk), a debt instrument is impaired due to insolvency:

- When there is evidence of a deterioration of the obligor’s ability to pay, either because it is in arrears or for other reasons, and/or

- When country risk materialises; country risk is defined as the risk that is associated with debtors resident in a given country due to circumstances other than normal commercial risk.

Impairment losses on these assets are assessed as follows:

- Individually, for all significant debt instruments and for instruments which, although not significant, cannot be included in any group of assets with similar risk characteristics: instrument type, debtor's industry and geographical location, type of guarantee or collateral, age of past-due amounts etc.
- Collectively, the Group classifies transactions on the basis of the nature of the obligors, the conditions of the countries in which they reside, transaction status, type of guarantee or collateral, age of past-due amounts, etc. For each risk group it establishes the impairment losses that must be recognised in the consolidated financial statements. Additionally, the Group recognises a loss for inherent impairments not specifically identified. This impairment is the loss inherent to any portfolio of assets incurred at the date of the financial statements and is quantified by application of the parameters established by the Bank of Spain based on experience and on the information available to it concerning the Spanish banking sector.

Debt instruments classified as available for sale

The amount of the impairment losses on debt securities included in the available-for-sale financial asset portfolio is the full or partial negative difference, if any, between their fair value and their acquisition cost (net of any principal repayment or amortisation), less any impairment loss previously recognised in the consolidated income statement.

In the case of impairment losses arising due to the insolvency of the issuer of the debt instruments classified as available for sale, the procedure followed by the Group for calculating such losses is the same as the method used for debt instruments carried at amortised cost explained in the preceding section.

When there is objective evidence that the losses arising on measurement of these assets are due to impairment, they are removed from the equity item “Valuation adjustments – Available-for-sale financial assets” on the Group’s consolidated balance sheet and are recognised, for their cumulative amount, in the consolidated income statement. If all or part of the impairment losses are subsequently recovered, the amount is recognised in the consolidated income statement for the period in which the recovery occurs. In particular, the main events that might indicate evidence of impairment include the following:

- The issuer has been declared or will probably be declared bankrupt or in significant financial difficulty.
- A breach of the contract governing the instruments, such as default on principal or interest, occurs.
- The issuer is granted financing or arranges debt restructuring because it is in financial difficulty, unless there is reasonable certainty that the customer will be able to settle its debt in the envisaged period or new effective collateral is provided.

Similarly, any impairment losses arising on measurement of debt instruments classified as “Non-current assets held for sale” which are recorded in the Group’s consolidated equity are considered to be realised and are therefore recognised in the consolidated income statement when the assets are classified as “Non-current assets held for sale”.

Equity instruments classified as available for sale

The criteria for recognising impairment losses on equity instruments classified as available for sale are similar to those for debt instruments explained in the preceding section, with the exception that any recovery of these losses is recognised in equity under “Valuation adjustments – Available-for-sale financial assets” in the consolidated balance sheet.

The main events that might constitute evidence of impairment of equity instruments include the following:

- The issuer has been declared or will probably be declared bankrupt or in significant financial difficulty.

- Significant changes in the technological, market, economic or legal environment in which the issuer operates may have adverse effects on the recovery of the investment.
- A significant or prolonged decline in the fair value of an equity instrument below its carrying amount. In this regard, the objective evidence of the impairment of instruments quoted in active markets is more pronounced in the event of a 40% fall in its market price over a period of one-and-a-half years.

Equity instruments measured at cost

The amount of the impairment losses on equity instruments carried at cost is the difference between their carrying amount and the present value of the expected future cash flows discounted at the market rate of return for similar securities.

Impairment losses are recognised in the consolidated income statement for the period in which they arise as a direct reduction of the cost of the instrument. These losses can only be reversed subsequently if the related assets are sold.

(2.10) Financial guarantees and provisions for financial guarantees

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

In accordance with IFRS-EU, the Group generally treats financial guarantees provided to third parties as financial instruments within the scope of IAS 39.

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

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

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

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

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

- The amount determined in accordance with IAS 37, taking into account that set forth in Appendix IX of Bank of Spain Circular 4/2004 in this estimate. In this regard, financial guarantees, regardless of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on debt instruments carried at amortised cost, which are described in Note 2.9 above.
- The amount initially recognised for these instruments, less the related amortisation which, in accordance with IAS 18, is charged to the consolidated income statement on a straight-line basis over the contract term.

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

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

(2.11) Accounting for leases

(2.11.1) Finance leases

Finance leases are leases that transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee.

The factors considered by the Group to determine whether a lease agreement is a finance lease include, inter alia, the following:

- Whether the lease agreement covers the major part of the useful life of the asset.
- Whether the exercise price of 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 minimum lease payments at the inception of the lease is equal to substantially all the fair value of the leased asset;
- Whether use of the asset is restricted to the lessee.

When the consolidated entities act as lessors of an asset in a finance lease transaction, 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 “Loans and receivables” in the consolidated balance sheet based on the type of lessee.

When the consolidated entities act as the lessees in a finance lease transaction, they present the cost of the leased assets in the consolidated balance sheet, based on the nature of the leased asset, and, simultaneously, recognise a liability for the same amount (which is the lower of the fair value of the leased asset and the sum of the present values of the lease payments payable to the lessor plus, if appropriate, 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).

In both cases, the finance income and finance charges arising under finance lease agreements are credited and debited, respectively, to “Interest and similar income” and “Interest expense and similar charges”, respectively, in the consolidated income statement and the accrued interest is estimated using the effective interest method as defined in IAS 39.

(2.11.2). Operating leases

In operating leases, the ownership of the leased asset and substantially all the risks and rewards relating to the leased asset remain with the lessor.

When the consolidated entities act as lessors in operating leases, they present 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 - Sales and income from the provision of non-financial services” in the consolidated income statement.

When the consolidated entities act as the lessees in operating leases, lease expenses, including any incentives granted by the lessor, are charged to “Administrative expenses - Other general administrative expenses” in the consolidated income statement on a straight-line basis (or using another method, if applicable).

(2.11.3) Asset sale and leaseback transactions

Where transactions involve the sale to a third party of an asset owned by the Group that is subsequently leased back by the Group selling the asset, the terms and conditions of the lease agreement are analysed by the Group to determine whether it should be considered a finance lease or an operating lease, in accordance with the criteria stipulated in Notes 2.11.1 and 2.11.2 above.

In this regard, if a sale and leaseback transaction results in a finance lease, any possible excess of sales proceeds over the carrying amount of the sold asset shall not be immediately recognised as income by the Group. The excess, if any, is deferred by the Group and apportioned over the lease term.

However, if a sale and leaseback transaction by the Group results in an operating lease, and the transaction was established at fair value, any profit or loss from the sale will be recognised immediately in the consolidated income statement. If the sale price is below fair value of the asset sold by the Group, any profit or loss shall be recognised immediately in the consolidated income statement, except that, if the loss is offset by future lease payments at below market price, it shall be deferred and recognised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price of the asset sold is above fair value, the excess over fair value will be deferred and recognised over the period for which the asset is expected to be used by the Group.

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

Assets owned by third parties and managed by the consolidated entities are not presented on the face of the consolidated balance sheet. Management fees are included in “Fee and commission income” in the consolidated income statement. Details of third-party assets managed by the Group at 31 December 2013 and 2012 are disclosed in Note 29.

The investment funds and pension funds managed and savings insurance policies marketed and managed by the Group are not recognised on the Group's consolidated balance sheet since the related assets are owned by third parties (see Note 29.4). The fees and commissions earned in the year for the services rendered by the Group entities to these funds (asset management and custody services, etc.) are recognised under “Fee and commission income” in the consolidated income statement.

(2.13) Staff costs

(2.13.1) Post-employment benefits

(2.13.1.1) Types of commitments

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

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

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

All pension obligations to current and former employees of the Group are covered by pension plans in Spain, with residual commitments of similar characteristics in other countries (USA and Portugal), all defined-contribution obligations.

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

The rights of participants in pension plans from the "Cajas" integrated in Bankia where transferred to the new Bankia Group Joint Promotion Employee Pension Plan (*Plan de Pensiones de Promoción Conjunta de Empleados del Grupo Bankia*).

There are differences among the characteristics and obligations undertaken by the Group vis-à-vis its employees, described below, depending on the "Cajas" that were their original employers:

- **Non-accrued pensions:**

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

  At 31 December 2013, there were 75 employees with defined-benefit obligations (of which 54 were pre-retired). These obligations are covered with the pension plan or insurance policies.

  As a result of agreements in the former Caja Insular de Canarias, the amounts recognised as past service rights not covered by internal funds resulted in a shortfall, which is contributed to the pension plan annually, over a 15-year period applying a declining balance depreciation rate of 2% and an interest rate of 4%.

  At 31 December 2013, the outstanding amount to be contributed by Bankia to the plan was EUR 6,907 thousand. Its contribution ends in 2016. A provision for this obligation was recognised in the accompanying balance sheet.

- **Accrued pensions:**

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

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

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

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

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

(2.13.1.4) Accounting criteria for post-employment commitments

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

- *Defined-contribution plans*. Group contributions to defined contribution plans are recognised under “Administrative expenses – Staff costs” in the consolidated income statement.

  If at year-end there are any outstanding contributions to be made to the external plan funding the post-employment benefit obligations, the related amount is recognised at its present value under “Provisions - Provisions for pensions and similar obligations". At 31 December 2013, there were no outstanding contributions to be made to external defined-contribution plans.

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

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

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

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

  Pursuant to the provisions of IAS 19, the Bankia Group recognised in its consolidated financial statements the liabilities (or, as the case may be, and/or the assets) related to post-employment benefit obligations at the present value of the obligations, less the fair value of any plan assets.

Defined-benefit post-employment payments are recognised as follows:

- In the consolidated income statement:
  - service cost in the current period
  - any past service cost and gains or losses on plan settlements
  - the net interest on the defined benefit liability (asset), which is determined by multiplying the net defined benefit liability (asset) by the interest rate used to estimate the present value of the obligations at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset). Net interest comprises the interest income on plan assets, interest cost on the obligation and interest from measuring plan assets at the present value of the cash flows available to the entity from plan curtailments or reduction in future contributions to the plan.
- In the statement of changes in equity:
  - actuarial losses and gains, which are changes in the present value of the defined benefit obligations resulting from the effects of changes in actuarial assumptions and experience adjustments
  - the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset)
  - any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset)

(2.13.2) Other long-term employee benefits

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

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

(2.13.2.1) Pre-retirements and partial retirements

The Group assumed the pre-retirement and partial retirement commitments of the Cajas and their investees.

At 31 December 2013, these commitments were covered by arranging insurance policies and recognising provisions on the consolidated balance, in accordance with current regulations.

(2.13.2.2) Commitments derived from the Labour Agreement adopted as result of the creation of Banco Financiero y de Ahorros

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

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

(2.13.2.3) Labour Agreement - Bankia Restructuring Plan (see Note 1.2)

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

Efficiency will also be improved by streamlining the intermediate structures of the branch network and optimising central services.

At 31 December 2013, the Group had covered its liabilities under the aforementioned Labour Agreement in terms of outstanding settlements to employees already on the scheme, with appropriate provisions under "Provisions – Provisions for pensions and similar obligations" (to cover pre-retirement commitments) and "Provisions – Other provisions" (for the remaining commitments assumed) on the balance sheet (see Note 22).

Notwithstanding the information in the preceding paragraphs, commitments for pre-retirement up to the effective age of retirement are accounted for in all areas applicable following the same criteria as explained for the Group's defined-benefit post-employment compensation.

(2.13.2.4) Death and disability

Commitments to cover the death or disability of current employees, covered by insurance policies and an external fund, are recognised in the income statement for the amount of the insurance policy premiums accrued in each year and the contributions made to the fund.

The amount accruing on insurance premiums and external funds, paid out in 2013 to cover these commitments, totalled EUR 20,698 thousand (EUR 15,120 thousand at 31 December 2012), recognised under "Administrative expenses - Staff costs" in the 2013 consolidated income statement.

(2.13.3) Financial aid for employees

The financial aid for employees is stipulated in the Savings Banks' collective wage agreement. The various internal agreements are maintained under the same conditions as at the original "Cajas", for those transactions outstanding at 31 December 2013.

On 26 November 2012, a Labour Agreement was reached to unify and certify, among other aspects, the economic conditions of employee loans that became effective for transactions requested by employees of Bankia from 1 January 2013.

The general breakdown of the scheme is as follows::

a) Advance payments

This type of assistance is available to full-time employees who have undergone a trial period of employment. The maximum sum offered is six months' gross salary with no interest accruing.

b) Welfare loan for miscellaneous purposes

This type of assistance is available to full-time employees. The maximum amount is EUR 36,000 euros. It may be requested for any purpose, and the interest rate applicable is Euribor to the legal interest threshold.

c) Main home loan

This type of assistance is available to full-time employees. The maximum sum offered depends on annual gross fixed remuneration and appraisal/purchase value. It may be requested for purchasing, building, extending or refurbishing the employee's normal and permanent residence, and the maximum repayment period is 35 - 40 years, up to the age of 70. The interest rate applicable is 70% of Euribor, with a ceiling of 5.25% and a floor of 1.50%.

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

(2.13.4) Termination benefits

Under current legislation, Spanish consolidated companies and certain foreign companies are required to pay termination benefits to employees made redundant without just cause. Termination benefits must be recognised when the Group is committed to terminate the employment contracts of its employees and has a detailed formal termination plan. In addition to the commitments described in Note 2.13.2 and as explained in Note 1.2., the Bank signed a labour agreement whose related commitments are adequately covered with provisions recognised at 31 December 2013 (see Note 22).

(2.13.5) Long-service bonuses

Pursuant to the Labour Agreement of 26 November 2012 unifying the labour conditions at Bankia, long-service bonuses no longer existed at 31 December 2013, having been replaced and compensated for by the Career Development and Promotion System.

(2.14) Income tax

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

Income tax expense is calculated as the tax payable on taxable profit for the year, after adjusting for variations in assets and liabilities due to temporary differences, tax credits for tax deductions and benefits, and tax losses (see Note 28).

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences. In this connection, a deferred tax liability is recognised for taxable temporary differences arising from investments in subsidiaries and associates and from interests in joint ventures, except when the Group is in a position to control the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future. Nor is there any recognition of deferred tax liabilities arising from accounting for goodwill.

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

- Deferred tax assets are only recognised when it is considered likely that the consolidated entities will have sufficient future taxable profit to make these effective; and, in the case of deferred tax assets arising from tax loss carryforwards, when the carryforwards have arisen for identified reasons that are unlikely to be repeated.
- No deferred tax assets or liabilities are recognised if they arise from the initial recognition of an asset or liability (except in the case of a business combination) that at the time of recognition affects neither accounting profit nor taxable profit.

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

In this respect, on 30 November 2013, Royal Decree-Law 14/2013, of 29 December, on urgent measures to adapt Spanish law to European Legislation on the supervision and solvency of financial institutions was published in the Official State Gazette (Boletín Oficial del Estado). With effect from tax periods commencing on or after 1 January 2014, this legislation adds a twenty-second additional provision to the Revised Text of the Corporate Income Tax Law (TRLIS), enacted by Royal Decree-Law 4/2004, of 5 March "Conversion of deferred tax assets into credits that give rise to a receivable from the tax authorities". Note 28.5 explains the main implications of this legislation on deferred taxes recognised.

Constitution of the Bankia tax group

The Bankia tax group opted to pay taxes under the special tax consolidation scheme regulated by Chapter VII, Title VII of the TRLIS, approved by Royal Decree-Law 4/2004, of 5 March, for the tax period commencing on 1 January 2011, and informed the tax authorities of this decision.

Note 28 provides a breakdown of the companies making up the tax group headed by Bankia, S.A. in 2013.

(2.15) Tangible assets

(2.15.1) Property, plant and equipment for own use

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

- the corresponding accumulated depreciation; and
- any estimated impairment losses (carrying amount higher than recoverable amount).

Depreciation is calculated using the straight-line method on the basis of the acquisition cost of the assets less their residual value. The land on which the buildings and other structures stand has an indefinite life and, therefore, is not depreciated.

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

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

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

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

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

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

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

Foreclosed assets as payment of debts which, based on their nature and intended purpose, are classified as property, plant and equipment for own use, are recognised in accordance with the criteria indicated below in Note 2.15.2 for assets of this type.

(2.15.2) Investment property

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

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

Assets foreclosed by the Group, understood as assets which the Group receives from borrowers or other debtors as total or partial payment of financial assets representing collection rights against those which, regardless of the way in which the properties are acquired and, in accordance with their nature and the use to which they are put, are classified as investment properties, are initially recognised at their estimated cost as the lower of the carrying amount of the financial assets applied, i.e. their amortised cost, net of any impairment losses recognised and, in any case, a minimum of 10%, and the appraised fair value of the asset received in its current condition less the estimated costs to sell, which under no circumstances are estimated as less than 10% of the appraisal value in its current condition.

The age of the assets received in payment of debt on the balance sheet is considered by the Group as an unequivocal indication of impairment. Unless the offers received indicate a greater amount, the impairment recognised on these assets is not less than the result of raising the percentage from the aforementioned 10% to 20% if the period for acquiring the asset exceeds 12 months, to 30% if this acquisition period exceeds 24 months and to 40% if it exceeds 36 months.

All court costs are recognised immediately in the consolidated income statement for the period of foreclosure. Registry costs and taxes paid may be added to the value initially recognised provided that, as a result, this does not exceed the appraisal value less the estimated costs to sell mentioned in the preceding paragraph.

All costs incurred between the date of foreclosure and the date of sale as a result of maintaining and protecting the asset, such as insurance, security services, etc., are recognised in the income statement for the period in which they are incurred.

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

(2.15.3) Property, plant and equipment leased out under an operating lease

"Property, plant and equipment - Leased out under an operating lease" on the consolidated balance sheet reflects the net values of the tangible assets, other than land and buildings, leased out by the Group under an operating lease.

The criteria used to recognise the acquisition cost of assets leased out under operating leases, to calculate their depreciation and their respective estimated useful lives and to recognise any impairment losses thereon are consistent with those described in relation to property, plant and equipment for own use (see Note 2.15.1).

Foreclosed assets which, based on their nature and intended purpose, are classified as property, plant and equipment leased out under an operating lease, are generally recognised in accordance with the criteria indicated for assets of this type in Note 2.15.2 above, taking into account for impairment purposes the effect arising from the rent expected to be received from their lease.

(2.16) Intangible assets

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

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

(2.16.1) Goodwill

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

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

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

Positive goodwill acquired by the Group is measured at acquisition cost. An impairment test is carried out at end of each reporting period to assess whether goodwill has suffered any impairment loss that would reduce its recoverable amount to below its recognised net cost. If so, the appropriate deduction is made with a balancing entry under “Impairment losses on other assets (net) - Goodwill and other intangible assets” in the consolidated income statement.

Impairment losses on goodwill recognised under "Intangible assets - Goodwill" pursuant to the preceding paragraph are not reversed subsequently.

In general, the Group uses methods based on the following assumptions to estimate the recoverable amounts for subsequent comparison with the carrying amounts of the aforementioned assets:

- The recoverable value is the value in use of the investment, obtained from the present value of the cash flows that are expected to be obtained from the cash-generating unit, from its ordinary activities (adjusted for extraordinary items) or from the possible disposal thereof.
- Estimated cash flow projections usually have a maximum time horizon of five years and include cyclical growth rates based on various factors such as the economic situation at the time the assessment is performed, growth in the industry, historical rates etc. At 31 December 2013, no estimates had been made with cash flows for longer periods.

- The cash flows are discounted using specific discount rates for each asset, on the basis of a risk-free interest rate which is increased by a risk premium for each investment based on various capital-weighting factors (ratings, internal scorings, etc.).

(2.16.2) Other intangible assets

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

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

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

Intangible assets with finite useful lives are amortised over the useful lives using methods similar to those used to depreciate tangible assets. The annual amortisation of intangible assets with a finite useful life is recognised under "Depreciation and amortisation" in the consolidated income statement. None of the Group's significant intangible assets have an indefinite useful life. These intangible assets, which were developed by non-Group companies, have an average useful life of three years.

Consolidated entities recognise any impairment loss on the carrying amount of these assets with a charge to "Impairment losses on other assets (net) – Goodwill and other intangible assets" in the consolidated income statement. Criteria for recognising impairment losses on these assets and any recovery of impairment losses recognised in past years are similar to those used for property, plant and equipment for own use (Note 2.15.1).

(2.17) Inventories

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

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

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

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

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

Any write-downs of inventories to net realisable value and any subsequent reversals of write-downs to below their carrying amount are recognised under "Impairment losses on other assets (net) - Other assets" in the consolidated income statement.

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

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

- Gross debt, less any associated provision, with a minimum of 10%.
- Appraisal value decreased by 10%.

The above percentages are increased to 20% as from 12 months after initial recognition, 30% after 24 months and 40% after 36 months.

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

(2.18) Insurance transactions

In accordance with standard accounting practice in the insurance industry, the consolidated insurance entities credit the amounts of premiums to income when the related insurance policy is issued and charge the cost of the claims incurred upon settlement thereof to the consolidated income statement. Insurance entities are therefore required to accrue at period end the unearned revenues credited to their income statements and the accrued costs not charged to the aforementioned consolidated income statement.

The most significant accruals recorded by the consolidated entities in relation to direct insurance contracts arranged by them are included in the following technical provisions:

- Provision for unearned premiums, which reflects the gross premium written in a year allocable to future years, less the loading for contingencies.
- Unexpired risks, which supplement the provision for unearned premiums by the amount by which that provision is not sufficient to reflect the assessed risks and expenses to be covered in the coverage period not elapsed at the reporting date.
- Provision for claims outstanding, which reflects the estimated obligations outstanding arising from claims incurred prior to the reporting date – both unsettled or unpaid claims and claims not yet reported – less payments made on account, taking into consideration the internal and external claim settlement expenses and, where appropriate, any additional provisions required for variances in assessments of claims involving long handling periods.
- Life insurance: in life insurance where the period of coverage is a year or less, the unearned premium provision reflects premiums issued in the year attributable to future years. If this provision is insufficient, a supplemental provision is calculated for unexpired risks which covers the assessed risks and expenses expected to arise in the policy period not elapsed at the reporting date.
- In life insurance policies whose coverage period is more than one year, the mathematical provision is calculated as the difference between the present actuarial value of the future obligations of the consolidated entities operating in this line of insurance and those of the policyholder or the insured, taking as a basis for calculation the "inventory" premium accrued during the year (i.e., pure premium plus a loading for administrative expenses per the technical bases).
- Provision for life insurance policies where the investment risk is borne by the policyholders: this provision is determined on the basis of the assets specifically assigned to determine the value of the rights.
- Share in profits and return premiums: this provision includes the amount of the bonuses accruing to policyholders, insured parties or beneficiaries and the premiums to be returned to policyholders or insured parties, based on the behaviour of the risk insured, to the extent that such amounts have not been assigned.

The individually applicable technical provisions for inward reinsurance are determined using criteria similar to those applied for direct insurance and are generally calculated on the basis of the information provided by the cedants.

The technical provisions for direct insurance and inward reinsurance are presented in the consolidated balance sheet under “Liabilities under insurance contracts” (see Note 21).

The technical provisions for reinsurance ceded - which are calculated on the basis of the reinsurance contracts entered into and by applying the same criteria as those used for direct insurance - are presented in the consolidated balance sheet under “Reinsurance assets”.

The deposit component of the life insurance policies linked to investment funds is included under “Other financial liabilities at fair value through profit or loss — Other financial liabilities” when the financial assets to which they are linked are also measured at fair value through profit and loss.

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

When the Group provides the guarantees or sureties indicated in the preceding paragraph, it recognises them under “Liabilities under insurance contracts” in the consolidated balance sheet at fair value plus the related transaction costs, which, unless there is evidence to the contrary, is the same as the value of the premiums received plus, if applicable, the present value of cash flows to be received for the guarantee or surety provided, and an asset is recognised simultaneously for the present value of the cash flows to be received. Subsequently, the present value of the fees or premiums to be received is discounted, and the differences are recognised under “Interest and similar income” in the consolidated income statement; and the value of the amounts initially recognised in liabilities is allocated on a straight-line basis to the consolidated income statement (or, if applicable, using another method which must be indicated). In the event that, in accordance with IAS 37, a provision is required for the surety which exceeds the liability recognised, the provision is recognised using criteria similar to those described for the recognition of impairment of financial assets and the amount recorded is reclassified as an integral part of the aforementioned provision.

(2.19) Provisions and contingent liabilities

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

- Provisions: credit balances covering present obligations at the reporting date arising from past events which could give rise to a loss for the Group, which is considered to be likely to occur and certain as to its nature, but uncertain as to its amount and/or timing, and
- Contingent liabilities: possible obligations arising from past events, whose existence will be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated entities.

The Group's consolidated financial statements include all significant provisions with respect to which it is considered more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, but rather are disclosed in accordance with the requirements of IAS 37.

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

The recognition and reversal of provisions considered necessary pursuant to the foregoing criteria are recognised with a charge or credit, respectively, to “Provisions (net)” in the consolidated income statement.

(2.19.1) Litigation and/or claims in process

At the end of 2013, certain litigation and claims were in process against the Group arising from the ordinary course of its operations. The Group's directors consider that, with the information available and in view of the provisions made by the Group in this connection (Note 22), the outcome of litigation and claims will not have a material effect on the consolidated financial statements for the years in which they are settled.

The main claims against the Bank, along with their current status and possible outcomes considered by the directors, are as follows:

- Civil proceedings regarding hybrid instruments (preferred participating securities and subordinated bonds) and injunctions on certain issues of these instruments before mercantile courts.

- Lawsuit filed against Bankia for up to EUR 16.4 million over indemnity clauses in the purchase-sale agreements for shares in Parque Temático de Madrid, S.A. (PTM) granted by Caja Madrid to the plaintiff.
- Lawsuit filed against Corporación Industrial Bankia, S.A. and others, claiming breach of certain obligations assumed within the framework of the financing granted to certain concessionaires for highway construction. The proceeding is pending a response to the claim. On 12 December 2013, a challenge against jurisdiction of the Court of First Instance was submitted, suspending proceedings until a ruling is issued.
- Lawsuit against Bankia Habitat as guarantor for signing a comfort letter, claiming EUR 16.1 million. A preliminary hearing has been scheduled for 19 February 2014.

(2.20) Non-current assets held for sale

"Non-current assets held for sale" includes the carrying amount of individual items, disposal groups or items forming part of a business unit earmarked for sale ("discontinued operations"), whose sale in their present condition is highly likely to be completed within a year from the reporting date.

Investments in associates and joint ventures meeting the conditions set forth in the foregoing paragraph also qualify as non-current assets held for sale.

Therefore, the carrying amount of these items, which can be of a financial nature or otherwise, will foreseeably be recovered from sale rather than continuing use.

Specifically, property or other non-current assets received by the Group as total or partial settlement of its debtors' payment obligations to it are deemed to be non-current assets held for sale, unless the Group has decided to make continuing use of these assets or to hold them to earn rentals or for future capital appreciation.

Non-current assets held for sale arising from foreclosure or otherwise acquired in settlement of debts are initially recognised as the lower of:

- Gross debt, less any associated provision, with a minimum of 10%.
- Appraisal value decreased by 10%.

The above percentages are increased to 20% as from 12 months after initial recognition, 30% after 24 months and 40% after 36 months,

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

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

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

If the carrying amount of the assets exceeds their fair value less costs to sell, the Group adjusts the carrying amount of the assets by the amount of the excess with a charge to “Gains/(losses) on non-current assets held for sale not classified as discontinued operations” in the consolidated income statement. If the fair value of such assets subsequently increases, the Group reverses the losses previously recognised and increases the carrying amount of the assets without exceeding the carrying amount prior to the impairment, with a credit to “Gains/(losses) on non-current assets held for sale not classified as discontinued operations” in the consolidated income statement.

Similarly, “Liabilities associated with non-current assets held for sale” includes the balances payable associated with disposal groups and the Group's discontinued operations.

The gains or losses arising on the sale of non-current assets held for sale are presented under “Gains/(losses) on non-current assets held for sale not classified as discontinued operations” in the consolidated income statement.

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

(2.21) Consolidated statement of cash flows

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

- Cash flows: inflows and outflows of cash and cash equivalents. Cash equivalents are short-term, highly liquid investments that are subject to an insignificant risk of changes in value (where applicable: and, exclusively, since they form part of cash management, bank overdrafts repayable on demand, which reduce the amount of cash and cash equivalents).
- Operating activities: the principal revenue-producing activities of credit institutions and other activities that are not investing or financing activities. Operating activities also include interest paid on any financing received, even if this financing is considered to be a financing activity. Activities performed with the various financial instrument categories stipulated in Note 2.2 above are classified, for the purpose of this statement, as operating activities, except for held-to-maturity investments, subordinated financial liabilities and investments in equity instruments classified as available for sale which are strategic investments. For these purposes, a strategic investment is that made with the intention of establishing or maintaining a long-term operating relationship with the investee, since, inter alia, one of the circumstances that could determine the existence of significant influence prevails, even though this influence does not actually exist.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents, such as tangible assets, intangible assets, investments, non-current assets held for sale and associated liabilities, equity instruments classified as available for sale which are strategic investments and debt instruments included in held-to-maturity investments.
- Financing activities: activities that result in changes in the size and composition of equity and liabilities that are not operating activities, such as subordinated liabilities.

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

(2.22) Share-based payment transactions

Share-based remuneration of senior executives and Board members

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

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

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

On 27 July 2011, the Bank's Board of Directors approved the director remuneration policy in accordance with the best corporate governance practices and pursuant to European regulations concerning remuneration policies at credit institutions and also to the provisions of Royal Decree 771/2011 of 3 June, making particular reference to variable remuneration.

The new system establishes a specific format for payment of variable remuneration for directors carrying out control functions or whose activity significantly affects the Bank's risk profile:

– At least 50% of variable remuneration must be paid in Bankia shares.

– At least 40% of variable remuneration, in either shares or cash, must be deferred over a period of three years.

Thus, 50% of annual variable remuneration will be paid in shares (30% of the total will be paid following assessment of the year's objectives, and the remaining 20% deferred in portions of one-third, over a period of three years).

The share price will be the average quoted price over the three months prior to the accrual date.

All shares delivered to directors on the aforementioned scheme as part of their annual variable remuneration will be unavailable during the year immediately following the date on which they are delivered. In any case, no shares were delivered in 2013 as no amounts of variable compensation were paid.

(2.23) Treasury shares

On 28 August 2013, Bankia's Board of Directors approved an update to the Treasury Share policy, determining the framework for the control and management of transactions with treasury shares and the related risk. All purchases and sales of treasury shares by Bankia or its subsidiaries must comply with prevailing legislation and resolutions adopted at the Annual General Meeting of Shareholders.

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

"Own funds – Less: treasury shares" in equity presents the value of Bankia, S.A. treasury shares held by the Group at 31 December 2013 and 2012.

Note 26.2 includes the disclosures required by applicable regulations regarding transactions with treasury shares.

(2.24) Consolidated statement of recognised income and expense

As indicated above, according to the options available under IAS 1, the Group has elected to present separately, first, a statement displaying the components of consolidated profit or loss ("Consolidated income statement") and, secondly, a statement that begins with profit or loss for the year and displays the components of other comprehensive income for the year, which in these consolidated financial statements, in accordance with the terminology of Bank of Spain Circular 4/2004, is termed the "Consolidated statement of recognised income and expense".

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

Accordingly, this statement presents:

- Consolidated profit or loss for the years ended 31 December 2013 and 2012.
- The revenue or expenses temporarily recognised in consolidated equity as valuation adjustments.
- The revenue or expenses definitively recognised in consolidated equity.
- The tax accrued on the items referred to in the preceding two subparagraphs, except in relation to impairment losses on investments in entities consolidated using the equity method, which are presented on a net basis.

- Total recognised consolidated income and expense for the year (calculated as the sum of four previous amounts, showing separately the total amounts attributable to equity holders of the parent and to non-controlling interests.
- The amount of the income and expenses relating to entities accounted for using the equity method recognised directly in equity is presented in this statement, irrespective of the nature of the related items, under “Entities accounted for using the equity method”.

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

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

As required by the amendment of IAS 1, all items of the consolidated statement of recognised income and expense may be recognised in the consolidated income statement except “Actuarial gains/(losses) on pension plans”.

The amounts of these items are presented gross and, except as indicated above for the items relating to valuation adjustments of entities accounted for using the equity method, the related tax effect is recognised in this statement under “Income tax”.

(2.25) Statement of changes in equity

The statement of changes in equity (which appears in these consolidated financial statements as "Statement of changes in total equity" in accordance with the terminology used by Bank of Spain Circular 4/2004) reflects all the changes in consolidated equity, including those due to accounting policy changes and error corrections. This statement accordingly presents a reconciliation between the carrying amount of each component of consolidated equity at the beginning and the end of the period, separately disclosing each change into the following headings:

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

(3) Risk management

Risk management is a strategic pillar in the 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 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.

Given the importance of risk management for the Entity, a process began in 2013 to transform the risk functions and align them with best practices to achieve excellence is risk management. There were three main cornerstones to this process:

- General principles governing the risk function: the first step in the transformation was to set the basic principles guiding risk management 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. Also required was comprehensive management of risk throughout the life of the risk based on economic capital and risk-adjusted return measures, guaranteeing the Group's stability, prioritising diversification and adapting behaviour to the highest ethical standards, with 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.
- A new organisational model: the risk function has been restructured to take a comprehensive vision of risk throughout its life cycle. Management is divided up between two units, Wholesale Risks and Retail Risks, with each overseeing all the functions of authorisation, monitoring and recoveries within their domain. The Risk Department, which reports directly to the Office of the Chairman, delegates responsibilities to the following departments:
    - Retail Risks
    - Wholesale Risks
    - Global Risk Management
    - Technical Secretariat and Projects
    - Internal Control and Validation
- A transformation plan: the change in the risk management model culminated with the definition and design of a set of initiatives to improve performance within the general principles.

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, Corporate Finance, 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 and foreign currency 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.

The Board of Directors has exclusive power to approve, or delegate the power to approve, investments or transactions considered strategic for their amount or special characteristics.

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

- Delegated Risk Committee. This committee is in charge of establishing and overseeing compliance with the control mechanisms, global risk management and the assessment of the Entity's reputational risk. It is also in charge of approving key transactions and setting overall limits so lower levels can approve other transactions.
- Risk Committee. This committee is 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.
- Assets and Liabilities Committee. This committee is responsible for monitoring and managing structural balance sheet risks in accordance the criteria approved by the Board of Directors.
- Wholesale and Retail Banking Risk Coordination and Recovery Committees. These two committees monitor and coordinate the commercial activities of the business units and the Risk and Recoveries Department in order to meet targets more efficiently.
- Rating Committee. This committee is tasked with ensuring the integrity of ratings and establishing criteria to determine situations not reflected in rating models, thereby lending stability to the Entity's internal rating system.

The Internal Audit Unit, supervised by the Audit and Compliance Committee, is responsible for overseeing the efficiency of operating processes and internal control systems and for verifying compliance with all applicable regulations.

(3.1) Exposure to credit risk and risk concentration

(3.1.1) Credit risk management objectives, policies and processes

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 payment obligations, is overseen by the Risk Management Department (under the Office of Chairman), in accordance with the policies, methods and procedures approved by the Bank's Board of Directors.

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

- Stable general approval criteria.
- Adaptation of segment-specific criteria to the Entity's strategic targets and the prevailing economic environment.
- Appropriate price/risk matching.
- Risk concentration limits.
- Data quality. To assess risk appropriately, sufficient and accurate data are required. Therefore, the coherence and integrity of the data must be assured.
- Capital adequacy.
- Compliance. Credit risk policies must be observed at all times. Exceptions to limits and conditions are approved for customers with strong ties to the Entity and must be duly documented and justified.

The policies include general approval criteria, underpinned by four cornerstones:

- Activity: geared toward Retail – SMEs banking in Spain through the branch network and specialised business centres. Specifically, real estate, project, acquisition and asset finance is restricted.
- Borrower solvency: payment ability, global view of the customer, knowledge of the customer and the industry.
- Operation: financing commensurate with the customer size and profile, balance with short- and long-term financing, assessment of guarantees or collateral.
- Environmental risk: the environmental impact of the borrower's business activity must be taken into account.

Another key issue for determining approval is the need to apply a diversification policy, setting individual and sector-wide limits.

In addition, the Risk Policies introduce specific approval criteria according to the portfolio segment. This could include setting rating floors or minimum coverage of guarantees or collateral.

As for risk monitoring, there is a monitoring policy for business activity. The main objective is to involve all levels of the Group in the proactive management of risk positions with customers so that potentially problematic situations of impairment can be foreseen before non-payment. The risks portfolio should be monitored continuously. This responsibility falls with the business units, in conjunction with the Risks and Recoveries Department. This policy is implemented using a risk classification tool by monitoring levels.

A key feature of the policies is the reference to refinancing and restructuring operations. The objective is 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). Appendix X details the criteria governing loan refinancing and restructuring and their accounting classification.

Risk management is carried out within limits and according to the guidelines set out in the policies. It is supported by the following processes and systems:

- Risk classification
- Risk quantification
- Risk projection
- Risk-adjusted return
- Business revitalisation
- Non-performing loan management

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.

All approaches to analysing borrower creditworthiness and the credit quality of transactions are backed by the so-called “Credit scoring system”. The Rating Committee reviews and decides on scorings and 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 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. 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 loss, 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; i.e. 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.

The economic capital model is a probabilistic measure of the amount of potential future losses within a given confidence level. The amount of capital is calculated considering specific exposures to each risk, the Entity’s target solvency within a period and a percentage probability. The economic capital calculation includes penalties for risk concentration and mitigation through diversification.

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. The tests may determine not only the unexpected loss (or required solvency), but also the impact on profit and loss.

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 or to comply with regulatory capital requirements.

The risk measures are included in price-setting tools based on risk-adjusted returns (RAR). Therefore, it is possible to determine the price that meets the RAR target for a portfolio or the price that meets a minimum RAR below which the transaction would not be admissible.

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 Department 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.

Recovery management

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

Early warning models are applied in lending to retail customers. They are designed to identify potential problems and offer solutions, which may entail adapting the conditions of the loan. In fact, a large number of the mortgage loan renegotiations in 2013 resulted from the proposals put forward pro-actively by the Entity.

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.

(3.1.2) Exposure to credit risk by segment and activity

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

At 31 December 2013 and 2012, the original credit risk exposure, without deducting collateral or any other credit enhancements received, as defined in Bank of Spain Circular 3/2008, and grouped according to the main segments and activities determined by the Group, is as follows:

31 December 2013

(Thousands of euros)	31/12/2013						
SEGMENT AND ACTIVITY	Financial assets held for trading and financial assets at fair value through profit or loss	Trading derivatives	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments	Hedging derivatives	Off-balance sheet items and others
Institutions: Government agencies	**154,548**	**-**	**21,765,292**	**5,435,257**	**6,156,684**	**-**	**817,016**
Institutions: Credit institutions and others	**664**	**-**	**16,967,735**	**9,219,138**	**19,551,877**	**-**	**701,407**
Companies	**13,230**	**-**	**1,971,236**	**32,085,444**	**1,271,089**	**-**	**16,230,672**
Retail customers	**-**	**-**	**-**	**83,178,429**	**-**	**-**	**4,030,618**
Consumer	-	-	-	2,177,702	-	-	109,381
Mortgage - SMEs	-	-	-	-	-	-	-
Mortgage - Other	-	-	-	73,415,942	-	-	829,310
Retail - SMEs	-	-	-	6,714,808	-	-	646,565
Cards	-	-	-	869,977	-	-	2,445,362
Derivatives	**-**	**22,036,512**	**-**	**-**	**-**	**4,259,621**	**-**
Equity	**38,764**	**-**	**-**	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**207,206**	**22,036,512**	**40,704,263**	**129,918,268**	**26,979,650**	**4,259,621**	**21,779,713**
Memorandum item: Breakdown by country of the public agency							
Spanish government agencies	154,548	-	21,764,545	5,430,010	4,258,275	-	817,016
Greek government agencies	-	-	-	-	-	-	-
Italian government agencies	-	-	-	-	989,155	-	-
Portuguese government agencies	-	-	-	-	-	-	-
Other government agencies	-	-	747	5,247	909,254	-	-
TOTAL	**154,548**	**-**	**21,765,292**	**5,435,257**	**6,156,684**	**-**	**817,016**

31 December 2012

(Thousands of euros)	31/12/2012						
SEGMENT AND ACTIVITY	Financial assets held for trading and financial assets at fair value through profit or loss	Trading derivatives	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments	Hedging derivatives	Off-balance sheet items and others
Institutions: Government agencies	**275,848**	**-**	**18,155,001**	**9,078,746**	**7,234,643**	**-**	**641,319**
Institutions: Credit institutions and others	**21,057**	**-**	**18,721,522**	**7,988,838**	**20,424,809**	**-**	**665,833**
Companies	**66,832**	**-**	**2,809,641**	**39,297,119**	**1,500,041**	**-**	**20,647,117**
Retail customers	**-**	**-**	**-**	**87,976,067**	**-**	**-**	**4,525,817**
Consumer	-	-	-	2,154,286	-	-	159,223
Mortgage - SMEs	-	-	-	-	-	-	-
Mortgage - Other	-	-	-	77,172,452	-	-	571,992
Retail - SMEs	-	-	-	7,599,317	-	-	1,161,097
Cards	-	-	-	1,050,012	-	-	2,633,505
Derivatives	**-**	**35,385,384**	**-**	**-**	**-**	**6,174,397**	**-**
Equity	**39,437**	**-**	**-**	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**1**	**-**	**-**	**2**
Total	**403,174**	**35,385,384**	**39,686,164**	**144,340,771**	**29,159,493**	**6,174,397**	**26, 480,088**
Memorandum item: Breakdown by country of the public agency							
Spanish government agencies	*275,848*		*18,017,151*	*9,027,033*	*5,131,265*	*-*	*641,319*
Greek government agencies	*-*	*-*	*-*	*-*		*-*	*-*
Italian government agencies	*-*	*-*	*-*	*-*	*980,981*	*-*	*-*
Portuguese government agencies	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Other government agencies	*-*	*-*	*137,850*	*51,713*	*1,122,397*	*-*	*-*
TOTAL	***275,848***	***-***	***18,155,001***	***9.078.746***	***7.234.643***	*-*	***641,319***

No impairment losses were recognised on investments in sovereign risk at 31 December 2013 and 2012.

(3.1.3) Breakdown of original exposure by product

Original credit risk exposure at 31 December 2013 and 2012, by product (excluding equity products), is shown in the table below. Loans and credits reflect the highest customer demand, accounting for 54.3% at 31 December 2013 (54.0% at 31 December 2012). Fixed income products represent the second-highest customer demand, accounting for 28.2% at 31 December 2013 (25.4% at 31 December 2012).

The breakdown at 31 December 2013 is as follows:

(Thousands of euros)	31/12/2013						
PRODUCT	Financial assets held for trading and financial assets at fair value through profit or loss	Trading derivatives	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments	Hedging derivatives	Off-balance sheet items and others
Loans and credits	2,730	-	-	119,115,562	-	-	14,366,840
Fixed income	165,712	-	40,704,263	1,583,662	26,979,650	-	-
Interbank deposits	-	-	-	9,219,044	-	-	-
Guarantees and documentary credits	-	-	-	-	-	-	7,412,873
Derivatives	-	22,036,512	-	-	-	4,259,621	-
Total	**168,442**	**22,036,512**	**40,704,263**	**129,918,268**	**26,979,650**	**4,259,621**	**21,779,713**

The breakdown at 31 December 2012 is as follows:

(Thousands of euros)	31/12/2013						
PRODUCT	Financial assets held for trading and financial assets at fair value through profit or loss	Trading derivatives	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments	Hedging derivatives	Off-balance sheet items and others
Loans and credits	39,874	-	-	134,137,132	-	-	18,021,142
Fixed income	323,863	-	39,686,164	2,215,349	29,159,493	-	-
Interbank deposits	-	-	-	7,988,290	-	-	-
Guarantees and documentary credits	-	-	-	-	-	-	8,458,946
Derivatives	-	35,385,384	-	-	-	6,174,397	-
Total	**363,737**	**35,385,384**	**39,686,164**	**144,340,771**	**29,159,493**	**6,174,397**	**26,480,088**

(3.1.4) Credit quality

The Group uses advanced systems to measure the credit risk inherent in certain credit portfolios to measure exposure to credit risk by both the standardized approach and by the internal ratings-based (IRB) approach.

Thus, at 31 December 2013, the internal ratings-based approached is used to assess approximately 53.1% of the Group's portfolio. This segment comprises both part of the corporate client portfolio (measured using internal rating systems), and part of the retail portfolio (individual customers, micro-companies, i.e., companies with revenue under EUR 1 million per year, and self-employed professionals: measured using points-based or scorings). The Group's remaining portfolio (approximately 46.9% of the original exposure) is assessed by the standard approach.

A roll-out plan is in place to extend advanced IRB models.

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

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

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

The rating system used makes a distinction between the following:

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

The rating system has grading models for banks, large companies, companies, public institutions and special financing. There are three different types of rating:

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

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

Credit quality. Original exposure and average rating/scoring, by segment

The breakdown by segment of the Group's credit risk exposure at 31 December 2013 and 2012, excluding trading derivatives, with the average ratings per segment (excluding default), is as follows:

Breakdown at 31 December 2013

(Thousands of euros)				
	IRB		Standard	
SEGMENT	Amount	Average rating	Amount	Average rating
Institutions	**13,171,571**	**BB+**	**66,007,922**	**BBB-**
Companies	**28,385,952**	**B+**	**4,541,291**	**B**
Retail customers	**54,111,957**	**B+**	**24,825,943**	**BB-**
Consumer	1,365,947	B+	642,570	B
Mortgage – Other	46,749,769	BB-	21,233,053	BB-
Retail – SMEs	3,189,877	B	2,475,250	B+
Cards	2,806,364	BB-	475,070	BB-
Total	**95,669,480**	**BB-**	**95,375,156**	**BB**

Breakdown at 31 December 2012

(Thousands of euros)				
	IRB		Standard	
SEGMENT	Amount	Average rating	Amount	Average rating
Institutions	**16,721,302**	**BBB-**	**69,563,733**	**BBB-**
Companies	**28,874,507**	**B+**	**7,161,237**	**B**
Retail customers	**57,001,417**	**B+**	**28,659,934**	**B+**
Consumer	1,240,867	B	869,188	**B**
Mortgage – Other	49,691,670	BB-	22,814,631	**BB-**
Retail – SMEs	3,283,542	B	4,157,853	**B**
Cards	2,785,338	BB-	818,262	**B+**
Institutions	**102,597,226**	**BB-**	**105,384,904**	**BB**

Credit quality. Rating distribution by exposure of the institutions and corporate portfolio

The distribution of original exposure by credit ratings, differentiating between rating-based exposures whose capital requirements are determined using the IRB approach (excluding special financing) and exposures under the standardized approach, is as follows:

(Thousands of euros)				
	31/12/2013		31/12/2012	
RATING	IRB	Standard	IRB	Standard
AAA to A-	7,459,967	10,625,012	7,455,664	12,936,668
BBB+ to BB-	25,262,561	55,922,438	30,693,673	58,831,629
B+ to B-	7,882,384	3,443,117	6,519,203	4,306,920
CCC+ to C	952,612	558,646	927,268	649,754
Default	7,638,881	4,356,844	5,768,732	5,311,537
Total	**49,196,405**	**74,906,057**	**51,364,540**	**82,036,508**

Credit quality. Rating distribution for exposures for the corporate portfolio

The distribution of the original exposure by credit ratings at 31 December 2013 and 2012, differentiating between rating-based exposures whose capital requirements are determined using the internal ratings method (excluding special financing) and exposures under the standard method, is shown in the table below:

(Thousands of euros)				
	31/12/2013		31/12/2012	
RATING	IRB	Standard	IRB	Standard
AAA to A-	1,186,124	7,481	1,688,207	10,302
BBB+ to BB-	19,381,123	2,023,267	20,273,267	3,039,917
B+ to B-	7,071,848	1,984,006	6,012,742	3,461,980
CCC+ to C	746,857	526,535	900,292	649,038
Default	7,177,660	4,300,402	5,622,858	5,245,540
Total	**35,563,612**	**8,841,691**	**34,497,366**	**12,406,777**

Credit quality. Distribution of retail exposures

The distribution of the original exposure by credit ratings at 31 December 2013 and 2012 for scoring-based exposures whose capital requirements are determined using the internal ratings method and exposures under the standard method, is shown in the table below:

(Thousands of euros)				
	31/12/2013		31/12/2012	
RATING	IRB	Standard	IRB	Standard
AAA to A-	6,367,124	219,056	6,419,268	366,882
BBB+ to BB-	33,385,059	15,382,671	33,904,503	18,309,855
B+ to B-	13,209,501	9,192,784	15,546,627	9,947,889
CCC+ to C	1,150,273	31,432	1,131,017	35,308
Default	5,212,810	3,108,634	3,172,839	3,750,472
Total	**59,324,767**	**27,934,577**	**60,174,254**	**32,410,406**

Credit quality. Historical default rates

The Group's default rate, understood as the ratio between default risks at any given time and total Group credit risks, was 14.65% at 31 December 2013 (12.99% at 31 December 2012).

(3.1.5) Concentration of risks

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

The table below shows information concerning the diversification of risks by business sectors, measured as credit risk, excluding equity income and trading derivatives, in accordance with the borrower's CNAE activity code and regardless of the purpose of the financing at 31 December 2013 and 2012:

(Thousands of euros)		
SECTOR	31/12/2013	31/12/2012
Foodstuffs	1,171,932	1,324,708
Associations	491,917	583,800
Automotive and auto services	1,294,678	1,234,281
Wholesale	4,539,042	4,628,316
Retail	3,053,914	3,191,669
Construction and development (*)	16,742,213	18,919,791
Machinery and equipment manufacturing	2,904,522	3,029,361
Manufacturing of intermediate products	3,591,343	3,745,433
Finance	39,999,844	25,499,842
Catering and tour operators	4,067,078	4,363,008
Food, beverages and tobacco industry	1,966,396	1,926,609
Basic manufacturing, textiles, furniture	800,783	881,461
Mining, energy and infrastructures	6,071,632	6,948,102
Public sector	40,687,919	40,963,516
Company services	6,818,801	26,805,601
Leisure, culture, health and education	6,069,801	6,652,442
Supplies: electricity, gas, steam, water	6,946,826	7,820,375
Telecommunications	1,046,959	1,416,742
Transport	2,271,757	2,451,752
Other sectors	68,536,977	72,725,941
TOTAL	**219,074,334**	**235,112,750**

(*)Included financing not related to real estate development

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

(3.1.6) Netting agreements and collateral agreements

In addition to amounts that can be set off in accordance with IAS 32 (see Note 2.6), there are other offsetting (netting) and collateral agreements that effectively reduce credit risk, but do not meet the 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)				
	31/12/2013		31/12/2012	
Derivatives (trading and hedging)	Assets	Liabilities	Assets	Liabilities
Gross exposure	**27,081,238**	**22,793,403**	**41,559,781**	**36,445,335**
Amount netted (Note 9)	785,105	785,105	-	-
Carrying amount	**26,296,133**	**22,008,298**	**41,559,781**	**36,445,335**
Netting agreement	19,399,945	19,399,946	32,769,216	32,769,216
Collaterals (*)	4,592,577	2,223,270	5,273,007	3,092,709
Net exposure	**2,303,611**	**385,082**	**3,517,558**	**583,410**

(*) Includes securities received as collateral

In addition, under the framework of repurchase and reverse repurchase transactions carried out by the Group (see Note 29.1), there are other agreements entailing the receipt and/or delivery of the following additional guarantees or collateral to the contractual guarantees in the transactions:

(Thousands of euros)				
	31/12/2013		31/12/2012	
Collateral	Delivered	Received	Delivered	Received
Cash	82,645	9,028	279,067	98,939
Securities	552,729	-	-	-
Total	**635,374**	**9,028**	**279,067**	**98,939**

(3.1.7) Collateral received and other credit enhancements

At 31 December 2013, the distribution by segments of original exposure, excluding equities and trading derivatives, with collateral and other credit enhancements was as follows:

(Thousands of euros) SEGMENT	Mortgage collateral	Other collateral	Unsecured guarantees	Other guarantees	TOTAL
Standard Approach	**31,385,518**	**805,068**	**70,525,171**	**124,878**	**102,840,635**
IRB Approach	**57,062,338**	**9,902,595**	**48,911,193**	**357,573**	**116,233,699**
Institutions	405,836	296,461	12,929,201	1,294	13,632,792
Companies	4,451,227	9,395,208	29,240,980	188,726	43,276,141
Retail customers	52,205,275	210,926	6,741,012	167,553	59,324,766
Consumer	49,223	61,237	1,470,395	204	1,581,059
Mortgage - Other	50,177,446	-	609,317	-	50,786,763
Retail - SMEs	1,978,606	149,689	1,831,025	167,349	4,126,669
Cards	-	-	2,830,275	-	2,830,275
TOTAL	**88,447,856**	**10,707,663**	**119,436,364**	**482,451**	**219,074,334**

At 31 December 2012, the distribution by segments of original exposure, excluding equities and trading derivatives, with collateral and other credit enhancements was as follows:

(Thousands of euros) SEGMENT	Mortgage collateral	Other collateral	Unsecured guarantees	Other guarantees	TOTAL
Standard Approach	**35,782,499**	**966,715**	**77,528,890**	**177,898**	**114,456,002**
IRB Approach	**57,926,988**	**10,073,746**	**52,293,151**	**362,863**	**120,656,748**
Institutions	576,380	27,708	16,260,812	2,276	16,867,176
Companies	3,843,261	9,855,566	29,758,946	157,544	43,615,317
Retail customers	53,507,347	190,472	6,273,393	203,043	60,174,255
Consumer	54,621	57,917	1,240,149	239	1,352,926
Mortgage - Other	51,535,470	-	703,342	-	52,238,812
Retail - SMEs	1,917,256	132,555	1,490,351	202,804	3,742,966
Cards	-	-	2,839,551	-	2,839,551
TOTAL	**93,709,487**	**11,040,461**	**129,822,041**	**540,761**	**235,112,750**

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

- Transactions with mortgage collateral: property mortgage, concession mortgage, chattel mortgage, shipping mortgage and aircraft mortgage.
- Other collateral: equity securities, fixed-income securities and other types of securities, government securities, term deposits and other account deposits, goods and receipts, investment funds, bills of exchange, deposit certificates, mortgage-backed securities, etc.

- Personal guarantees: with or without guarantor, joint guarantee and insurance policy.
- Other guarantees: endorsement by a reciprocal guarantee association, CESCE credit insurance policy, bank guarantee and comfort letter.

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

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

These are the principles inspiring the functional definition of the Corporate Guarantee System currently deployed, the Corporate Transactions Module of which is now operational.

Guidelines have been drawn up and approved with detailed procedures for the treatment of certain guarantees such as mortgage collateral or securities pledges.

The Group also has a Credit Policy Manual with, inter alia, a specific chapter concerning the measurement of property assets and foreclosed assets. This sets out the conditions that must be met by a property to serve as collateral, and regulates admissible appraisals and their review frequency. Finally, it establishes the conditions for measurement of property assets foreclosed or received in payment of debts.

(3.1.8) Renegotiated financial assets

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

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

(3.1.9) Assets impaired and derecognised

Following are the changes in 2013 and 2012 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	2013	2012
Balance at 1 January	**1,573,516**	**1,384,610**
Additions from:		
Assets unlikely to be recovered	2,391,118	15,047,757
Uncollected past-due amounts	67,322	132,401
Other causes	-	6,596
Total	**2,458,440**	**15,186,754**
Derecognition through:		
Cash collection	(215,110)	(239,645)
Foreclosure of assets and other causes (*)	(1,618,690)	(14,757,335)
Total	**(1,833,800)**	**(14,996,980)**
Net change due to exchange differences	(192)	(868)
Balances at 31 December	**2,197,964**	**1,573,516**

(*)The balance of these items for 2012 includes EUR 13,510,188 thousand related to losses incurred in the transfer of loans to the SAREB (see Note 1.15).

(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 Assets and Liabilities Committee (ALCO) is the body responsible for monitoring and managing liquidity risk in accordance with the decisions and criteria approved by the Board of Directors. The Committee approves procedures for action to be taken to secure financing through instruments and maturities with a view to guaranteeing at all times the availability of funds at reasonable prices, to enable the Bank to meet the obligations undertaken and finance the growth of investment business.

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. 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 immediate liquidity. Through ongoing monitoring of assets, the Group can identify those that are readily usable as liquidity reserves at times of market stress, differentiating between assets that are considered eligible by the ECB, or by clearing houses or other financial counterparties (e.g. insurance companies, investment funds).

The Group has a liquidity contingency plan to deal with unexpected situations that could require immediate availability of funds. The plan sets out of the guidelines and procedures for monitoring and regular updating. Approaches and liquidity stress scenarios are developed –stress of the Entity and market-wide stress- to determine the appropriate buffer of liquid assets for the Group’s risk tolerance level.

At 31 December 2013, the Group had EUR 24,673 million of effective liquid assets (EUR 28,091 million at 31 December 2012), all eligible for ECB financing operations. Of these, EUR 9,177 million were included in the ECB facility at 31 December 2013 (EUR 3,980 million at 31 December 2012). In addition, the liquidity surplus (marginal deposit facility, treasury account less minimum reserve requirement) in the Eurosystem at 31 December 2013 stood at EUR 2,044 million (EUR 2,896 million at 31 December 2012).

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

(Thousands of euros)	31/12/2013	31/12/2012
Treasury account and deposit facility	2,044	2,896
Undrawn amount on the facility	9,177	3,980
Highly liquid available assets (*)	15,496	24,111

(*) 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.

Most Spanish issuers have been unable to tap the primary debt market for some time. This has resulted in a concentration of their wholesale financing, as they have been unable to rollover issues as they mature. They have made up for the loss of this source of funding by improving the commercial gap, and turning to the ECB and private repo market. Nevertheless, recent trends in Bankia’s secondary market spreads indicate that the wholesale financing markets should gradually open back up for the Bank.

Maturities of issues

The following table provides information on the term to maturities of the Group's issues at 31 December 2013 and 2012, by type of financial instrument, including promissory notes and issues placed via the network.

31 December 2013

(Thousands of euros)				
ITEM	2014	2015	2016	> 2016
Mortgage-backed bonds and securities	5,806,113	2,720,289	5,153,472	11,855,390
Territorial bonds	1,447,250	-	-	-
Senior debt	1,036,800	459,682	460,600	1,112,085
State-guaranteed issues	-	-	-	-
Subordinate, preference and convertible securities	-	-	-	-
Other medium-term and long-term financial instruments	-	-	-	-
Securitisations sold to third parties	-	-	-	4,821,556
Commercial paper	200,000	-	-	-
Total maturities of issues (*)	**8,490,163**	**3,179,971**	**5,614,072**	**17,789,031**

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

31 December 2012

(Thousands of euros)				
ITEM	2013	2014	2015	> 2015
Mortgage-backed bonds and securities	3,294,819	5,773,913	2,849,489	18,281,612
Territorial bonds	-	1,442,300	-	-
Senior debt	1,687,150	750,850	459,604	1,684,216
State-guaranteed issues	300,000	-	-	-
Subordinate, preference and convertible securities (*)	-	-	-	15,498,427
Other medium-term and long-term financial instruments	-	-	-	-
Securitisations sold to third parties	-	-	-	6,016,475
Commercial paper	1,519,657	-	-	-
Total maturities of issues (**)	**6,801,626**	**7,967,063**	**3,309,093**	**41,480,730**

(*)Includes the EUR 4,500,000 thousand subordinated loan granted by Banco Financiero y de Ahorros in September 2012 and the EUR 10,700,000 thousand of convertible bonds subscribed by Banco Financiero de Ahorros under Bankia's Recapitalisation Plan. The remaining EUR 298,427 thousand are subject to the execution of the burden-sharing exercise among the commitments of the Recapitalisation Plan.

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

Issuance capacity

(Thousands of euros)	31/12/2013	31/12/2012
Mortgage-backed securities issuance capacity (Appendix VIII)	2,439,770	1,936,298
Territorial bond issuance capacity	374,009	503,249

The Group has resources to project its liquidity balance at different maturities to foresee potential reductions in liquidity. The Group's liquidity gap in shown below, classifying capital outstanding on financial assets and financial liabilities by due dates, using the reference of the periods to run between the date deferred to and their contractual due dates.

The liquidity gap at 31 December 2013 is as follows:

(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	3,448,606	-	-	-	-	-	3,448,606
Loans and advances to credit institutions	1,396,524	7,692,130	4,333	10,152	82,444	33,461	9,219,044
Loans and advances to customers	-	2,578,757	3,706,445	8,306,704	26,439,907	78,086,479	119,118,292
Financial assets held for trading and financial assets at fair value through profit or loss	-	4,664	4,022	20,563	38,909	97,554	165,712
Other portfolios - Debt securities	-	15,310	643,783	22,953,939	33,241,497	12,413,046	69,267,575
Total	**4,845,130**	**10,290,861**	**4,358,583**	**31,291,358**	**59,802,757**	**90,630,540**	**201,219,229**
Liabilities							
Deposits from central banks and credit institutions	378,390	28,620,010	4,366,711	2,766,340	32,468,026	1,024,315	69,623,792
Customer deposits	37,305,071	18,106,415	6,421,038	26,023,549	15,802,787	4,884,357	108,543,217
Marketable debt securities	-	351,493	3,091,710	4,792,581	11,316,120	8,586,983	28,138,887
Subordinated liabilities	-	-	-	-	-	-	-
Total	**37,683,461**	**47,077,918**	**13,879,459**	**33,582,470**	**59,586,933**	**14,495,655**	**206,305,896**
TOTAL GAP	**(32,838,331)**	**(36,787,057)**	**(9,520,876)**	**(2,291,112)**	**215,824**	**76,134,885**	**(5,086,667)**

Valuation adjustments and accrued interest are included.

The liquidity gap at 31 December 2012 is as follows:

(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	4,569,525	-	-	-	-	-	4,569,525
Loans and advances to credit institutions	2,112,750	5,060,645	253,992	219,854	228,366	112,683	7,988,290
Loans and advances to customers	-	4,103,243	4,107,660	10,267,871	31,157,707	84,540,525	134,177,006
Financial assets held for trading and financial assets at fair value through profit or loss	-	24,920	199,404	5,085	10,800	83,654	323,863
Other portfolios - Debt securities	-	133,715	216,576	8,561,687	48,010,938	14,138,090	71,061,006
Total	**6,682,275**	**9,322,523**	**4,777,632**	**19,054,497**	**79,407,811**	**98,874,952**	**218,119,690**
Liabilities							
Deposits from central banks and credit institutions	5,115,243	40,214,658	1,088,143	496,283	29,991,436	1,129,632	78,035,395
Customer deposits	38,392,741	13,118,676	6,557,261	28,824,441	16,924,433	7,086,648	110,904,200
Marketable debt securities	-	263,779	2,480,759	3,663,080	16,429,505	14,497,646	37,334,769
Subordinated liabilities	-	-	-	-	-	15,640,909	15,640,909
Total	**43,507,984**	**53,597,113**	**10,126,163**	**32,983,804**	**63,345,374**	**38,354,835**	**241,915,273**
TOTAL GAP	**(36,825,709)**	**(44,274,590)**	**(5,348,531)**	**(13,929,307)**	**16,062,437**	**60,520,117**	**(23,795,583)**

Valuation adjustments and accrued interest are included

Pursuant to applicable regulations, “Liabilities at amortised cost – Other financial liabilities” is a residual item which, in general, includes temporary items or those with no contractual maturity. Therefore, it is not included in the preceding table, because it is not possible to reliably attribute the amounts recognised therein by maturity.

The residual maturity for financial guarantees issued and loan commitments (drawable by third parties) is the first date on which the Group can demand payment. Therefore, virtually all of them are short-term (on demand or up to one year) from the grant date. Based on historical experience, the Group estimates that most of the financial guarantees provided will mature without any payment obligation and that third parties will not make significant use of drawdowns. Therefore, the impact on liquidity needs is not material.

In addition, regarding derivatives entered into by the Bank, as fair value is estimated and as the operations have regular maturity schedules in many cases, it is not possible to reliably attribute the amount to specific maturities. As a result, the derivative financial instruments used by the Bank, both trading or hedging, are not material and in no case essential for understanding its exposure to liquidity risk.

The gap is the result of grouping financial assets and financial liabilities together by contractual maturity at 31 December 2013 and 2012, disregarding possible renewals. It is, therefore, an extremely prudent analysis of liquidity risk, given the historical performance of the Group's financial liabilities, especially customer deposits (retail liabilities). Therefore, in terms of liquidity risk, the balances of customer demand deposits have historically remained stable over time, although legally they are payable on demand. Moreover, most of the assets in the securities portfolio are eligible for use as collateral for short-term financing operations in the market and for financing with the ECB, with strong possibilities of being rolled over.

The Group has a liquidity contingency plan to deal with unexpected situations that could require immediate availability of funds, having designed quantitative and qualitative indicators to detect different types of crisis (idiosyncratic, systemic or a mix of both) that could trigger the plan, while monitoring the capabilities that could be implemented if required.

The plan clearly sets out specific steps, the areas involved in measurement, management and execution, and the relevant information. Potential subplans to mitigate risk have also been developed. In this vein, approaches and liquidity stress scenarios are developed –stress of the Group and market-wide stress- to determine the appropriate buffer of liquid assets for the Group’s risk tolerance level.

Meanwhile, liquidity risk and financing control and oversight structures have been strengthened in the Group, allowing it to perform regular assessments of liquidity stress so that it can assess inflows and outflows of funds and their impact on the liquidity position in different scenarios.

Liquidity sources are analysed from different angles in order to achieve maximum diversification in: term, investor type and number (e.g. financial, corporate, private banking), guarantee or collateral required and/or type of assets to be issued.

(3.3) 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 of the stability of the Entity’s results. Interest rate risk management is designed to lend stability to margins, maintaining levels of solvency that are appropriate for the Entity’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.

In line with Bank of Spain regulations, interest rate risk is analysed from a dual perspective, measuring the direct impact on both net interest income and on economic value. Accordingly, a range of approaches are used, based on analysis of scenarios, regulations and other stress alternatives, of duration gap and/or of type of balance. For the most part, statistical techniques (gap) are used.

There were no significant changes in the approaches and assumptions used in the sensitivity analysis during the year. However, structural interest rate risk control and oversight structures were strengthened, so that in 2014 the Group can regularly conduct a complementary analysis of MeR and VaR to those already in place.

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

- Impact on profit and loss. At 31 December 2013, the sensitivity of net interest income, excluding the trading portfolio and financial activity not denominated in euros, to a parallel upward shift in the yield curve of 200 bp over a one-year time horizon in a scenario of a stable balance sheet is -15.21% (-19.05% at 31 December 2012).
- Impact on economic value of equity, understood as the present value of estimated cash flows from different assets and liabilities. At 31 December 2013, the sensitivity of economic value, excluding the trading portfolio and financial activity not denominated in euros, to a parallel upward shift in the yield curve of 200 bp is 2.51% of consolidated equity and 1.06% of economic value (-4.69% and -5.31%, respectively, at 31 December 2012).

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. A maximum duration of non-remunerated demand deposits of four years is considered, less 10% for those with nil duration as they are considered volatile.

(3.4) 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 Finance 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.

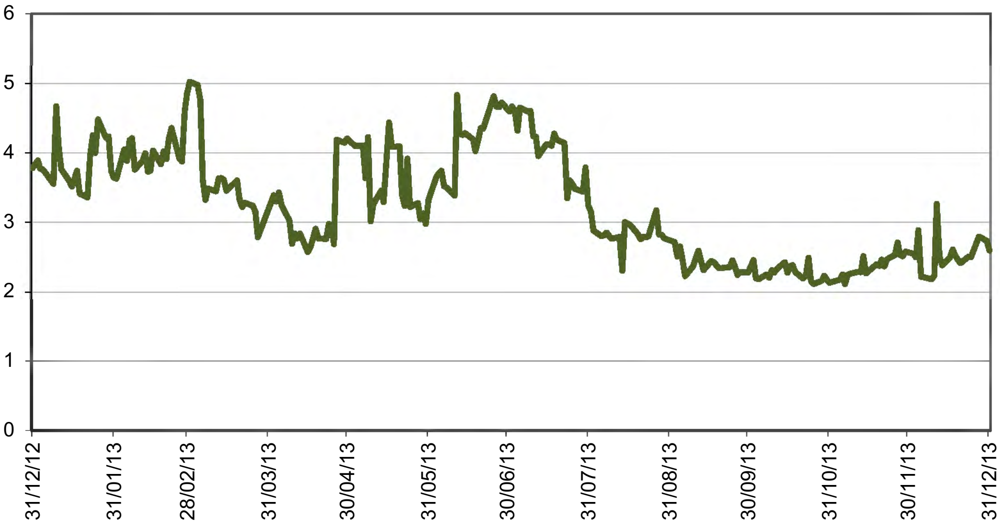
Each year, the Board of Directors approves the risk limits and internal risk measurement procedures for each product and market in which the various trading areas operate. The Market and Structural Risks Area, which reports to the Risk Department, has the independent function of measuring, monitoring 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. There were no changes in the methods or assumptions underlying the estimates included in the consolidated financial statements in 2013 compared to those used in 2012.

The following chart shows the trend in 1-day VaR with a 99% confidence level for operations in the markets area in 2013.

Trading VaR



The impact on equity and on the accompanying consolidated income statement of reasonable future changes in the various market risk factors at 31 December 2013 and 2012, calculated for the Group's portfolio, is as follows:

(Thousands of euros)				
	Impact on equity (1)		Impact on profit and loss (1)	
MARKET RISK FACTORS	**2013**	**2012**	**2013**	**2012**
Interest rate	(246,161)	(221,900)	6,264	(1,222)
Equity instruments	-	-	(298)	112
Exchange rates	-	-	(679)	(338)
Credit spread	(420,912)	(450,800)	(340)	5,420

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

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

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

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

In addition, at 31 December 2013 there was a structural portfolio consisting of debt securities designed to provide stability to margins. The nominal value of this portfolio at 31 December 2013 was EUR 67,351,416 thousand (EUR 75,732,174 thousand at 31 December 2012). The following table shows the sensitivity of the portfolio in which the debt securities that comprise it are classified and the related risks:

(Thousands of euros)						
	31/12/2013			31/12/2012		
	Interest rate risk	Credit risk (spreads)	Total	Interest rate risk	Credit risk (spreads)	Total
Held for sale portfolio	(246)	(421)	(667)	(460)	(481)	(941)
Held-to-maturity portfolio	-	(250)	(250)	-	(92)	(92)
Total	**(246)**	**(671)**	**(917)**	**(460)**	**(573)**	**(1.033)**

As for the sensitivities in the preceding table:

- For debt securities classified as available-for-sale financial assets, the impact would have a balancing entry in valuation adjustments recognised in consolidated equity.
- For debt securities classified as held-to-maturity investments, although the sensitivity shows the theoretical impact of credit risk (default) that would require the recognition of higher credit loss provisions (impairment losses) than presented in the accompanying consolidated annual financial statements, this is highly unlikely given the portfolio’s composition; i.e. mainly debt securities issued directly or guaranteed by the government.

(4) Capital management

(4.1) Capital requirements established by Bank of Spain Circular 3/2008

Bank of Spain Circular 3/2008 on the calculation and control of minimum capital requirements ("Circular 3/2008"), contained in Law 36/2007, of 16 November, in turn amending Law 13/1985, of 25 May, on the investment ratios, capital and reporting requirements of financial intermediaries, was approved and came into force in 2008. Bank of Spain Circular 3/2008 adapts Spanish legislation on capital requirements to the Community Directives, which stem, in turn, from the Basel Capital Accord (Basel II).

Since it came into force, Circular 3/2008 has undergone a number of amendments adapting it to changes in capital adequacy made in European regulation. The most recent amendment reflects the changes introduced by Bank of Spain Circular 4/2011 which transposes into Spanish law Directive 2010/76/EU as regards capital requirements for instruments held for trading and for re-securitisations, as well as the supervisory review of remuneration policies.

In addition, on 30 November 2012, the Bank of Spain issued Circular 7/2012 on minimum principal capital requirements, which came into effect on 1 January 2013. The new Circular resulted in a modification of the principal capital requirement (9%), of eligible capital instruments, and of deductions applicable in accordance with the Core Tier I definition used by the European Banking Authority (EBA) under Recommendation EBA/REC/2011/1.

Bank of Spain Circular 3/2008 is based on three core pillars: minimum capital requirements (Pillar I), the internal capital adequacy assessment process (Pillar II) and market disclosures (Pillar III).

With respect to minimum capital requirements (Pillar I), after obtaining explicit authorisation from the Bank of Spain, the Group applied advanced IRB approaches to assess its credit risk for certain risk exposures – institutional, corporate and retail (including micro companies, mortgages, cards and other retail transactions) – in the Caja Madrid portfolio, as well as for new investments, and the standardised approach for such exposures at the remaining Group entities. The Group uses the standardised approach to measure other exposures in order to calculate the capital requirements for credit risk.

The minimum capital requirements for risks related to instruments held for trading (currency risk and market risk) and consumer leading for credit risk exposures of equity securities are calculated by applying internal models. Minimum capital requirements for credit risk of equity investments are calculated by applying a simple risk-weighting and PD/LGD approach in accordance with the various subportfolios.

Additionally, as regards the calculation of capital requirements for operational risk, the Group uses the basic indicator approach.

Following is a detail, classified into Tier 1 and Tier 2 capital, of the Bankia Group's capital at 31 December 2013 and 2012, and of the capital requirements for each type of risk, calculated as required by Bank of Spain Circular 3/2008:

(Thousands of euros)				
	31/12/2013 (*)		31/12/2012	
ITEM	Amount	%	Amount	%
Tier 1 capital (1)	10,413,607	11.7%	5,215,253	5.0%
Of which:				
Core capital	10,556,098	11.9%	5,382,356	5.2%
Tier 2 capital (2)	228,246	0.3%	5,017,089	4.8%
Total Group eligible capital	**10,641,853**	**12.0%**	**10,232,342**	**9.8%**
Total minimum capital requirements	**7,111,332**	**8.0%**	**8,345,387**	**8.0%**

(*) Estimated data

(1) Includes share capital, reserves, net profit/(loss) for the year to be appropriated to reserves and non-controlling interests, net, among other items, of treasury shares, the Group's other intangible assets, and 50% of the total deduction arising from the expected loss on the equity portfolio, on investments of more than 10% in financial institutions and on investments of more than 20% in insurance companies and the first-loss tranche of securitisations. At 31 December 2012, also included contingent convertible bonds (CoCos) subscribed by BFA and unrealised net losses on equity instruments

(2) Includes mainly the positive difference between provisions calculated using the IRB approach, 45% of gross unrealised losses on equity instruments and the related expected losses, the balance of the general allowance for portfolios subject to the standardised approach, less 50% of the total deduction arising from the expected loss on the equity portfolio, investments of more than 10% in financial institutions and of more than 20% in insurance companies, and the first-loss tranche of securitisations. At 31 December 2012, also included subordinated financing.

At 31 December 2013, the Bankia Group showed a capital cushion of EUR 3,531 million above the minimum regulatory BIS II requirement of 8% (EUR 1,887 million at 31 December 2012).

The table below details the Group's principal capital at 31 December 2013 calculated in accordance with Bank of Spain Circular 7/2012, of 30 November, and at 31 December 2012 calculated in accordance with RD 2/2011, amended by RDL 24/2012, of 31 August, and Law 9/2012:

(Thousands of euros)				
	31/12/2013 (*)		31/12/2012	
ITEM	Amount	%	Amount	%
Principal capital (1)	10,413,607	11.7%	4,590,455	4.4%
Total principal capital requirement	8,000,249	9.0%	8,345,387	8.0%

(*) Estimated data.

(1) At 31 December 2013, includes share capital, reserves, net profit/(loss) for the year to be appropriated to reserves and non-controlling interests, net, among other items, of treasury shares, the Group's other intangible assets, and 50% of the total deduction arising from the expected loss on the equity portfolio, on investments of more than 10% in financial institutions and on investments of more than 20% in insurance companies and the first-loss tranche of securitisations. At 31 December 2012, includes share capital, reserves, contingent convertible bonds subscribed by BFA, net profit/(loss) for the year to be appropriated to reserves and non-controlling interests, net, among other items, of treasury shares, the Group's other intangible assets, unrealised net losses on capital instruments and on the available-for-sale fixed income portfolio.

At 31 December 2013, the Bankia Group showed a capital cushion of EUR 2,413 million above the minimum regulatory requirement of 9%.

(4.2) Capital requirements of EU Regulation No 575/2013 and Directive 2013/36/EU

On 26 June 2013, Regulation 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, and Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms were approved. The entry into effect of these regulations will result in the substitution all of the Bank of Spain's current capital regulations (Circular 3/2008 and 7/2012) due to incompatibility. They will also imply implementation of the Basel III Accord, which will be phased-in gradually, with full implementation slated for 1 January 2019.

Regulation No. 575/2013 takes effect on 1 January 2014 and is directly and immediately applicable to European financial institutions, although certain regulatory options must be established by the national supervisors. In this respect, the Bank of Spain issued Circular 2/2014, of 31 January, to set out the options and scope which Spanish credit institutions will have regarding the alternatives attributed to the Bank of Spain, above all regarding application of the phase-in implementation schedule.

Directive 2013/36/EU was incorporated into Spanish law through the publication of Royal Decree-Law 14/2013, of 29 November, on urgent measures to adapt Spanish law to European legislation on the supervision and solvency of financial institutions. In addition, the Royal Decree-Law includes a transitional provision designed to ease the effects of repealing the principal capital requirement (Circular 7/2012), whereby until 31 December 2014, the Bank of Spain may prevent or restrict any distribution of Tier 1 capital components that were eligible for compliance with the principal capital requirements when the absolute level of the distributions through 2014 exceed the legal minimum requirement at 31 December 2013.

Regulation No. 575/2013 addresses, inter alia, the following:

- Definition of eligible capital and minimum requirements. It establishes three tiers of own funds: Common Equity Tier 1, with a minimum capital requirement of 4.5%, Additional Tier 1, with a minimum capital requirement of 6%, and Tier 2 capital, with a minimum capital requirement of 8%.
- Definition of prudential filters and deductions of items from all three capital levels. In this respect, the Regulation includes new deductions compared to Basel II (deferred tax assets, pensions funds) and introduces changes to existing deductions. Nevertheless, it notes that the phasing in of the Regulation should be gradual, with full application between 5 and 10 years.
- Limit on the calculation of minority interests
- Requirement of financial institutions to calculate a leverage ratio, defined as Tier 1 capital divided by total exposure.

Similarly, Directive 2013/36/EU establishes additional capital buffers, part are which are common to all European financial institutions and part of which are set by the supervisor for each entity individually. Failure to meet the buffer requirement could result in restrictions on discretionary distributions of profits.

At 31 December 2013, the Bankia Group complied with the minimum capital requirements of Regulation No. 575/2013 and Bank of Spain Circular 2/2014, of 31 January, for 2014.

(4.3) Capital management objectives, policies and processes

The Bankia 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 various applicable regulations. In this respect, the Recapitalisation Plan submitted on 26 November 2012 to the European Commission identified the capital requirements and resources needed to restore the Group's solvency. Among the main measures carried out, in December 2012 the BFA Group received public assistance in the form of an additional capital injection of EUR 13,459 million and transferred a large portion of its real estate assets to the SAREB. In addition, the second quarter of 2013 featured the exchange of hybrid instruments (preferred and subordinated), which generated EUR 4,951 million of capital for the Bankia Group, and the conversion into capital of Bankia of the CoCos subscribed by BFA for EUR 10,700 million (using part of the public assistance received).

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. Moreover, the capital objective aims to guarantee that sufficient capital is generated to repay the public assistance provided temporarily by the sole shareholder of the Group's parent, the FROB, within the scope of the restructuring and recapitalisation of the Spanish financial system.

A main cornerstone of capital management is (short- and medium-term) capital planning. This allows the Group to identify future capital needs early and, as appropriate, evaluate the various capital generation alternatives available to meet its two objectives. Capital planning is based on financial planning (e.g. balance sheet, income statement, planned corporate transactions) taking into account macroeconomic scenarios forecast by the Group's Research Area and the impact analysis of potential changes in capital adequacy regulations. Capital planning is also subject to stress tests, i.e. stressed macroeconomic variables and adverse business performance scenarios.

Capital planning is a dynamic and ongoing process. As such, actual ratios often differ from planned ratios. Any deviations are analysed to determine whether the causes relate to one-off events or if they are structural. In the latter case, management reviews and adopts the measures required to adjust the level of capital to the targets set.

(5) Earnings per share

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

- Basic earnings per share are calculated by dividing profit for the year attributable to equity holders of the parent by the weighted average number of shares outstanding during the period, excluding the average number of treasury shares held in the period.
- Diluted earnings per share are determined using a method similar to that used to calculate basic earnings per share, by adjusting the weighted average number of shares in circulation and, where applicable, the profit for the year attributable to equity holders of the parent, in order to take into account the potential dilutive effect of certain financial instruments that could generate the issue of new Bank shares (share option commitments with employees, warrants on parent company shares, convertible debt instruments) or for discontinued operations.

The table below shows loss per share for the years ended 31 December 2013 and 2012:

(Thousands of euros)

ITEM	31/12/2013	31/12/2012
Net earnings/loss attributed to the Group (thousands of euros)	511,637	(19,056,404)
Of which:		
Earnings/Loss for the year from discontinued operations (net) (thousands of euros)	116,600	(5)
Earnings/Loss from ordinary business (thousands of euros)	395,037	(19,056,399)
Weighted average number of shares outstanding	7,053,933,590	1,879,242,894
Basic earnings/(loss) per share (in euros)	**0.07**	**(10.14)**
Basic earnings/(loss) per share for discontinued operations (in euros)	**0.01**	**-**
Basic earnings/(loss) per share for continuing operations (in euros)	**0.06**	**(10.14)**
Dilutive effect		
Entitlement to receive shares	-	7,910,324,072
Adjusted average number of shares for the calculation (a)	7,053,933,590	1,909,784,686
Diluted earnings/(loss) per share (in euros)	**0.07**	**(b)**
Diluted earnings/(loss) per share for discontinued operations (in euros)	**0.01**	
Diluted earnings/(loss) per share for continuing operations (in euros)	**0.06**	**(b)**

(a) The calculation of the number of shares at 31 December 2013 takes into consideration the impact of the reverse split on the number of shares existing at 1 January 2013 (see Note 26).

(b) As indicated in Note 1, on 26 December 2012, the FROB agreed the issue by the Bank of convertible contingent bonds without preferential subscription rights in the amount of EUR 10,700 million subscribed in full by BFA. A total of 107,000 bonds were issued, represented by collective certificates with a nominal value of EUR 100,000 each. As the conversion rate of the bonds into ordinary Bankia shares was not known at the end of 2012, the directors decided to disclose diluted loss per share as required in prevailing legislation based on the potential fluctuation range of the value attributed to Bankia shares as stipulated in the conversion bases and types in the issue agreement approved by the FROB.

(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	Termination benefits (2)	2013 Total
José Ignacio Goirigolzarri Tellaeche	464	-	-	-	-	-	**464**
José Sevilla Álvarez	500	-	-	-	-	-	**500**
Joaquín Ayuso García (1)	-	100	-	-	-	-	**100**
Francisco Javier Campo García	-	100	-	-	-	-	**100**
Eva Castillo Sanz (1)	-	100	-	-	-	-	**100**
Jorge Cosmen Menéndez-Castañedo	-	100	-	-	-	-	**100**
José Luis Feito Higueruela (1)	-	100	-	-	-	-	**100**
Fernando Fernández Méndez de Andés (1)	-	100	-	-	-	-	**100**
Alfredo Lafita Pardo	-	100	-	-	-	-	**100**
Álvaro Rengifo Abbad (1)	-	100	-	-	-	-	**100**

(1) The 2012 remuneration of these directors was adjusted in February 2013 in accordance with the degree of attendance to board meetings in 2012. As a result, remuneration paid in 2013 to Mr. Ayuso, Mr. Fernández and Mr. Rengifo amounted to EUR 97 thousand and to Ms. Castillo and Mr. Feito to EUR 94 thousand.

(2) In 2013, a termination benefit of EUR 462 thousand was paid to Francisco Verdú Pons.

Remuneration for membership on the Board of Directors of Bankia, S.A. is incompatible with remuneration for membership on the Board of Banco Financiero y de Ahorros, S.A.U.

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 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 two executive directors contain a termination benefit of one year of fixed remuneration if the Company decides to terminate their employment unilaterally or in the event of a change of control of the Company. The contracts also contain a post-contractual non-compete clause for the one year of fixed remuneration. Pursuant to prevailing legislation, Bankia has amended these contracts, establishing that any compensation and/or amounts received by these executive directors must comply with Royal Decree-Law 2/2012 and Law 3/2012.

iii) Share-based payment schemes

No shares were delivered as no amounts of variable compensation were paid in 2013. Bankia eliminated variable remuneration for 2012 and 2013.

iv) Long-term saving schemes

(Thousands of euros)	
Name/period	**Contribution in the year 2013 by the entity**
José Ignacio Goirigolzarri Tellaeche	-
José Sevilla Álvarez	-
Joaquín Ayuso García	-
Francisco Javier Campo García	-
Eva Castillo Sanz	-
Jorge Cosmen Menéndez-Castañedo	-
José Luis Feito Higueruela	-
Fernando Fernández Méndez de Andés	-
Alfredo Lafita Pardo	-
Álvaro Rengifo Abbad	-

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 in cash

(Thousands of euros)							
Name	**Salaries**	**Attendance fees**	**Short-term variable remuneration**	**Long-term variable remuneration**	**Remuneration for membership on Board committees**	**Termination benefits**	**2013 Total**
José Ignacio Goirigolzarri Tellaeche (1)	-	36	-	-	-	-	**36**

(1) Mapfre, S.A. paid José Ignacio Goirigolzarri Tellaeche EUR 36 thousand for his service on the Board of Directors. This amount was deducted from the remuneration paid to this director by Bankia, so that his total fixed remuneration complies with the limit stipulated in RDL 2/2012.

This table includes remuneration accrued by directors for membership on the boards in other Group companies, as well as those of investees not forming part of the Group.

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 (1)**	**2013 Total**
José Ignacio Goirigolzarri Tellaeche	464	36	**500**
José Sevilla Álvarez	500	-	**500**
Joaquín Ayuso García (2)	100	-	**100**
Francisco Javier Campo García	100	-	**100**
Eva Castillo Sanz (2)	100	-	**100**
Jorge Cosmen Menéndez-Castañedo	100	-	**100**
José Luis Feito Higueruela (2)	100	-	**100**
Fernando Fernández Méndez de Andés (2)	100	-	**100**
Alfredo Lafita Pardo	100	-	**100**
Álvaro Rengifo Abbad (2)	100	-	**100**

(1) Mapfre, S.A. paid José Ignacio Goirigolzarri Tellaeche EUR 36 thousand for his service on the Board of Directors. This amount was deducted from the remuneration paid to this director by Bankia, so that his total fixed remuneration complies with the limit stipulated in RDL 2/2012.

(2) The 2012 remuneration of these directors was adjusted in February 2013 in accordance with the degree of attendance to board meetings in 2012. As a result, remuneration paid in 2013 to Mr. Ayuso, Mr. Fernández and Mr. Rengifo amounted to EUR 97 thousand and to Ms. Castillo and Mr. Feito to EUR 94 thousand.

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

a) Remuneration accrued at the Bank

i) Gross remuneration in cash (thousands of euros)

For the purposes of these consolidated financial statement ts, the members of the Management Committee, without taking into consideration the executive directors, were considered as senior executives. A total of three people were classified for these purposes as key personnel for the Bank.

The following table shows the remuneration received by the senior executives, as defined above:

(Thousands of euros)	**Short-term remuneration**	**Post-employment benefits**	**Termination benefits**	**Total**
Senior executives	1,169	-	300	1,469

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.

As of 31 December 2013, the contracts of three senior executives included clauses that set compensation for all items if they are dismissed for legal reasons, except for disciplinary reasons considered legally valid, equivalent to two years' fixed compensation. Pursuant to prevailing legislation, Bankia has amended these contracts, establishing that any compensation and/or amounts received by senior executives must comply with Royal Decree-Law 2/2012 and Law 3/2012.

iii) Share-based payment schemes

No shares were delivered as no amounts of variable compensation were paid in 2013.

(6.3) Disclosures on Bank directors' holdings and business activities

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, the following table presents the positions and duties performed by Bank directors at 31 December 2013 on account of others in companies with the same, analogous or similar corporate purpose as that of the Bank, and the direct or indirect stakes they have in these entities:

Name or corporate name of director	Company	Position, duty or involvement
José Ignacio Goirigolzarri Tellaeche	Banco Financiero y de Ahorros, S.A.U.	Natural person representative FROB (Chairman)
	Confederación Española de Cajas de Ahorros (CECA)	Vice-Chairman of the Board
José Sevilla Álvarez	Banco Financiero y de Ahorros, S.A.U.	Director
Jorge Cosmen Menéndez-Castañedo	BBVA, S.A.	640 shares
José Luis Feito Higueruela	BBVA, S.A.	28,800 shares
	Banco Santander, S.A.	30,000 shares
Fernando Fernández Méndez de Andés	Banco Financiero y de Ahorros, S.A.U.	Director
	Bankinter, S.A.	1,210 shares
	Banco Santander, S.A.	1,332 shares
	BBVA, S.A.	569 shares (bare owner)
	Bankinter, S.A.	2,037 shares (bare owner)
	Banco Santander, S.A.	1,803 shares (bare owner)
	Arcano Wealth Advisors EAFI, S.L.U	External Investment Committee Advisor
	Barclays Bank, Plc.	Activity of a relative
Alfredo Lafita Pardo	Banco Finantia, S.A. (Portugal)	Indirect shareholding, together with other related parties of the director of 3.68%.
	Banco Sabadell, S.A.	Indirect shareholding, together with other related parties of the director of 303,879 shares
	Corporación Financiera Alba, S.A.	Indirect shareholding, together with other related parties of the director of 52,218 shares
	Commerzbank AG	Indirect shareholding, together with other related parties of the director of 2,190 shares
	Mercapital Spanish Buy-Out Fund III	Indirect shareholding, together with other related parties of the director of 0.06%.
	Deyá Capital II, SCR de Régimen Común, S.A.	Indirect shareholding, together with other related parties of the director of 10.87%.
	Torrenova de Inversiones, S.A., SICAV	Insignificant stake held by relatives
	Erst Bank	Insignificant stake held by relatives
	ING Groep N.V.	Insignificant stake held by relatives
	Turkiye Vakiflar Bankasi	Insignificant stake held by relatives
	Citibank	Activity of a relative
Álvaro Rengifo Abbad	BBVA, S.A.	47,075 shares
		Insignificant stake held by relatives
	Banco Santander, S.A.	12,955 shares
		Insignificant stake held by relatives
	Bankinter, S.A.	Insignificant stake held by relatives

(7) Proposed appropriation of profit of Bankia, S.A.

The allocation of individual profit of Bankia, S.A. for the financial year ended 31 December 2013 proposed by the Board of Directors of Bankia, S.A., to be submitted for approval at the General Meeting of Shareholders (with data for 2012 presented for purposes of comparison), is as follows:

(Thousands of euros)	2013	2012
To accumulated reserves / (losses)	171,768	(18,306,443)
Net profit/(loss) for the year	**171,768**	**(18,306,443)**

(8) Cash and balances with central banks

The detail of "Cash and balances with central banks" in the accompanying consolidated balance sheet is as follows:

(Thousands of euros)

ITEM	31/12/2013	31/12/2012
Cash	660,171	794,792
Balances with the Bank of Spain	2,783,626	3,664,601
Balances with other central banks	4,700	109,816
Valuation adjustments	109	316
Total	**3,448,606**	**4,569,525**

(9) Financial assets and liabilities held for trading

Breakdown

The detail, by counterparty and type of instrument, of these items in the consolidated balance sheet at 31 December 2013 and 2012, showing the carrying amounts at that date, is as follows:

(Thousands of euros)

	31/12/2013		31/12/2012	
ITEM	Asset positions	Liability positions	Asset positions	Liability positions
By counterparty				
Credit institutions	19,439,703	19,394,567	31,867,590	32,616,306
Resident public sector	269,782	20	442,081	1,153
Other resident sectors	1,951,025	739,146	2,492,321	941,691
Other non-resident sectors	583,208	84,201	970,080	95,967
Total	**22,243,718**	**20,217,934**	**35,772,072**	**33,655,117**
By type of instrument				
Loans and advances to customers	2,730	-	39,874	-
Debt securities	165,712	-	323,863	-
Other equity instruments	38,764	-	22,951	-
Trading derivatives	22,036,512	20,111,225	35,385,384	33,655,117
Short positions	-	106,709	-	-
Total	**22,243,718**	**20,217,934**	**35,772,072**	**33,655,117**

Note 3.1 contains information on the credit risk assumed by the Group in relation to these financial assets. Notes 3.2 and 3.3 contain, respectively, information relating to the liquidity risk and interest rate risk assumed by the Group in relation to the financial assets included in this category.

Note 27 contains certain information on the fair value of these financial assets, while Note 3.1.5 discloses certain information on the risk concentration of, inter alia, certain assets included in this category of financial instruments.

Financial assets held for trading. Debt securities

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

(Thousands of euros)

ITEM	31/12/2013	31/12/2012
Spanish government debt securities	154,548	275,848
Issued by financial institutions	664	21,057
Other foreign fixed-income securities	-	15,450
Other Spanish fixed-income securities	10,500	11,508
Total	**165,712**	**323,863**

Financial assets held for trading. Equity instruments

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

(Thousands of euros)

ITEM	31/12/2013	31/12/2012
Shares of resident companies	36,550	21,929
Shares of non-resident foreign companies	2,214	1,022
Total	**38,764**	**22,951**

Financial assets held for trading. Trading derivatives

The breakdown, by type of derivative, of the fair value of the Group's trading derivatives at 31 December 2013 and 2012 is as follows:

(Thousands of euros)

	31/12/2013			31/12/2012		
ITEM	Fair Value	Amount netted	Carrying amount	Fair Value	Amount netted	Carrying amount
Debit balances:						
Unmatured foreign currency purchases and sales	109,517	-	109,517	183,720	-	183,720
Securities derivatives	20,506	-	20,506	59,589	-	59,589
Interest rate derivatives	22,648,987	(785,105)	21,863,882	35,081,499	-	35,081,499
Credit derivatives	16,452	-	16,452	38,358	-	38,358
Other	26,155	-	26,155	22,218	-	22,218
Total	**22,821,617**	**(785,105)**	**22,036,512**	**35,385,384**	**-**	**35,385,384**
Credit balances:						
Unmatured foreign currency purchases and sales	66,673	-	66,673	95,225	-	95,225
Securities derivatives	49,669	-	49,669	49,335	-	49,335
Interest rate derivatives	20,737,560	(785,105)	19,952,455	33,450,206	-	33,450,206
Credit derivatives	15,621	-	15,621	33,184	-	33,184
Other	26,807	-	26,807	27,167	-	27,167
Total	**20,896,330**	**(785,105)**	**20,111,225**	**33,655,117**	**-**	**33,655,117**

The detail, by maturity, of the notional amount of the trading derivatives at 31 December 2013 is as follows:

(Thousands of euros)				
ITEM	0 to 3 years	3 to 10 years	More than 10 years	Total
Unmatured foreign currency purchases and sales	5,341,017	405,372	-	5,746,389
Securities derivatives	7,599,788	1,617,851	-	9,217,639
Interest rate derivatives	243,341,631	157,672,363	131,475,990	532,489,984
Credit derivatives	36,375	310,716	-	347,091
Other	1,643,139	36,836	-	1,679,975
Total	**257,961,950**	**160,043,138**	**131,475,990**	**549,481,078**

The detail, by maturity, of the notional amount of the trading derivatives at 31 December 2012 is as follows:

(Thousands of euros)				
ITEM	0 to 3 years	3 to 10 years	More than 10 years	Total
Unmatured foreign currency purchases and sales	12,983,680	616,265	-	13,599,945
Securities derivatives	6,241,261	1,888,545	-	8,129,806
Interest rate derivatives	294,558,994	191,092,092	131,257,697	616,908,783
Credit derivatives	50,464	856,408	-	906,872
Other	463,838	(1,451)	-	462,387
Total	**314,298,237**	**194,451,859**	**131,257,697**	**640,007,793**

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

(10) Other financial assets at fair value through profit or loss

The detail, by type, of the financial assets included in this category at 31 December 2013 and 2012 is as follows:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
By type		
Equity instruments	-	16,486
Valuation adjustments	-	-
Total	**-**	**16,486**

Note 3.1 contains information on the credit risk assumed by the Group in relation to these financial assets. Notes 3.2 and 3.3 contain, respectively, information relating to the liquidity risk and interest rate risk assumed by the Group in relation to the financial assets included in this category.

Note 27 contains certain information on the fair value of these financial assets, while Note 3.1.5 discloses certain information on the risk concentration of, inter alia, certain assets included in this category of financial instruments.

(11) Available-for-sale financial assets

Breakdown

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

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
By counterparty		
Credit institutions	7,307,860	8,021,522
Resident public sector	21,764,545	18,017,151
Non-resident public sector	747	137,850
Other resident sectors	877,798	1,148,925
Other non-resident sectors (*)	10,771,602	12,405,650
Doubtful assets	2,455	57,656
Impairment losses	(20,744)	(102,590)
Other valuation adjustments (micro-hedges)	-	-
Total	**40,704,263**	**39,686,164**
By type of instrument		
Debt securities	40,704,263	39,686,164
Spanish government debt securities	21,764,545	18,017,151
Treasury bills	29,964	86,811
Government bonds	20,634,399	16,958,884
Regional administrations	1,100,182	971,456
Foreign government debt securities	747	137,850
Issued by financial institutions	7,307,860	8,021,522
Other fixed-income securities (*)	11,651,855	13,612,231
Impairment losses and fair value adjustments due to credit risk	(20,744)	(102,590)
Other valuation adjustments (micro-hedges)	-	-
Total	**40,704,263**	**39,686,164**

(*)Includes, inter alia, securities issued by the ESM (see Note 1.2)

Note 3.1 contains information on the credit risk assumed by the Group in relation to these financial assets. Notes 3.2 and 3.3 contain, respectively, information relating to the liquidity risk and interest rate risk assumed by the Group in relation to the financial assets included in this category.

Note 25 provides details of the gains and losses on these financial instruments recognised under “Valuation adjustments – Available-for-sale financial assets” in the accompanying consolidated balance sheet.

Note 27 contains certain information on the fair value of these financial assets, while Note 3.1.5 discloses certain information on the risk concentration of, inter alia, certain assets included in this category of financial instruments.

Past-due and/or impaired assets

At 31 December 2013 and 2012, no asset recognised under "Available-for-sale financial assets" was past-due but not impaired.

The detail of those assets recognised under "Available-for-sale financial assets – Debt securities", that were considered to be impaired at 31 December 2013 and 2012, is as follows:

Impaired assets

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
By counterparty		
Credit institutions	948	9,949
Other resident sectors	1,390	200
Other non-resident sectors	117	47,507
Total	**2,455**	**57,656**

Changes for the year in impairment losses

A summary of the changes in relation to impairment losses and fair value adjustments due to credit risk of debt securities included in this portfolio for the year ended 31 December 2013 and 2012 are as follows:

31 December 2013

(Thousands of euros)			
ITEM	Individually assessed	Collectively assessed	Total
Balances at 31 December 2012	**32,497**	**70,093**	**102,590**
Impairment losses for the year charged to income	998	34,839	35,837
Available credit loss allowance	(22,113)	(48,380)	(70,493)
Net provision/(release) charged/(credited) to income statement	(21,115)	(13,541)	(34,656)
Amount used for depreciated assets	-	(24,961)	(24,961)
Other changes	(6,884)	(15,345)	(22,229)
Balances at 31 December 2013	**1,363**	**19,381**	**20,744**
Of which:			
Type of counterparty:	**1,363**	**19,381**	**20,744**
Entities resident in Spain	298	14,505	14,803
Entities resident abroad	1,065	4,876	5,941

31 December 2012

(Thousands of euros)			
ITEM	Individually assessed	Collectively assessed	Total
Balances at 31 December 2011	**25,189**	**26,450**	**51,639**
Impairment losses for the year charged to income	9,747	53,978	63,725
Available credit loss allowance	(2,887)	(10,190)	(13,077)
Net provision/(release) charged/(credited) to income statement	**6,860**	**43,788**	**50,648**
Other changes	448	(145)	303
Balances at 31 December 2012	**32,497**	**70,093**	**102,590**
Of which:			
Type of counterparty:	**32,497**	**70,093**	**102,590**
Entities resident in Spain	7,153	36,700	43,853
Entities resident abroad	25,344	33,393	58,737

In addition, in 2013, the Group recognised EUR 49,453 thousand in the consolidated income statement for impairment losses on equity instruments recognised under “Non-current assets held for sale" (see Note 15).

(12) Loans and receivables

Breakdown

The detail, by type of financial instrument, of “Loans and receivables” on the asset side of the consolidated balance sheet is as follows:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Loans and receivables		
Loans and advances to credit institutions	9,226,661	8,002,105
Loans and advances to customers	129,821,480	145,697,229
Debt securities	1,548,039	2,190,318
Total	**140,596,180**	**155,889,652**
Impairment losses	(10,716,140)	(11,659,706)
Other valuation adjustments	38,228	110,825
Total	**129,918,268**	**144,340,771**

Note 3.1 contains information on the credit risk assumed by the Group in relation to these financial assets. Notes 3.2 and 3.3 contain, respectively, information relating to the liquidity risk and interest rate risk assumed by the Group in relation to the financial assets included in this category.

Note 27 contains certain information on the fair value of these financial assets, while Note 3.1.5 discloses certain information on the risk concentration of, inter alia, certain assets included in this category of financial instruments.

Loans and receivables. Loans and advances to credit institutions

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

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
By counterparty		
Reciprocal accounts	524,765	442,821
Time deposits	166,039	381,506
Hybrid financial assets	8,639	42,009
Reverse repurchase agreements	4,250,542	860,684
Other financial assets	4,266,603	6,247,607
Doubtful assets	10,073	27,478
Total	**9,226,661**	**8,002,105**
Impairment losses	(8,037)	(16,800)
Other valuation adjustments	420	2,985
Total	**9,219,044**	**7,988,290**

Loans and receivables. Loans and advances to customers

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

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
By loan type and status		
Commercial credit	2,591,388	2,761,774
Secured loans	79,877,444	86,401,243
Reverse repurchase agreements	-	9,700
Other term loans	25,090,833	33,239,992
Receivable on demand and other	2,689,622	2,826,679
Other financial assets	577,337	1,654,378
Doubtful assets	18,994,856	18,803,463
Subtotal	**129,821,480**	**145,697,229**
Impairment losses	(10,700,011)	(11,606,515)
Other valuation adjustments	(5,907)	46,418
Total	**119,115,562**	**134,137,132**
By counterparty		
Resident public sector	5,430,010	9,027,033
Non-resident public sector	5,247	51,713
Other resident sectors	118,761,216	128,255,603
Other non-resident sectors	5,047,670	6,708,502
Other financial assets	577,337	1,654,378
Impairment losses	(10,700,011)	(11,606,515)
Other valuation adjustments	(5,907)	46,418
Total	**119,115,562**	**134,137,132**

The carrying amount recorded in the foregoing table, disregarding the portion relating to “Other valuation adjustments”, represents the Group's maximum level of credit risk exposure in relation to the financial instruments included therein.

“Loans and receivables - Loans and advances to customers” in the accompanying consolidated balance sheet includes certain loans with mortgage collateral which, as indicated in Appendix VIII and under the Mortgage Market Law are considered eligible to guarantee the issue of long-term mortgage-backed securities. This item also includes certain securitised loans that have not been derecognised from the consolidated balance sheet (see Note 2.2.2). The amounts shown in the accompanying consolidated balance sheet related to securitised loans are:

(Thousands of euros)		
Securitised loans	31/12/2013	31/12/2012
Securitised mortgage-backed assets	17,017,832	18,850,762
Of which:		
Receivable on demand and other	4,988	7,383
Doubtful assets	1,712,871	1,753,857
Other securitised assets	2,666,658	4,278,319
Total securitised assets	**19,684,490**	**23,129,081**
Of which:		
Liabilities associated with assets kept on the balance sheet (*)	5,171,193	6,016,475

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

As indicated in Note 1.15, in 2012 assets classified under this consolidated balance sheet heading were transferred to the SAREB. In 2013, an adjustment was made to the deed of transfer of assets.

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

(Thousands of euros)		
Securitised loans	31/12/2013	31/12/2012
Securitised mortgage-backed assets	939,386	1,096,267
Other securitised assets	17	92
Total securitised assets	**939,403**	**1,096,359**

Loans and receivables. Loans and advances to credit institutions and loans and advances to customers. Past-due and impaired assets (doubtful)

Following is a detail of assets classified as "Loans and receivables - Loans and advances to credit institutions" and "Loans and receivables - Loans and advances to customers", considered to be impaired at 31 December 2013 and 2012, and of the assets which, although not considered to be impaired, include any past-due amounts as at those dates, by counterparty.

Impaired assets at 31 December 2013 and 2012

The table below shows the classification of the Bankia Group's doubtful assets related to "Loans and advances to customers" and "Loans and advances to credit institutions" at 31 December 2013 and 2012, by counterparty, age of the oldest past-due amount of each operation or consideration as impaired, and the type of guarantee or collateral:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
By counterparty		
Credit institutions	10,073	27,478
Public sector	30,303	49,039
Other resident sectors	17,902,021	17,644,071
Other non-resident sectors	1,062,532	1,110,353
Total	**19,004,929**	**18,830,941**
By age		
Up to 6 months	9,469,731	11,312,293
Between 6 and 9 months	1,607,587	1,708,194
9 to 12 months	973,224	1,135,341
More than 12 months	6,954,387	4,675,113
Total	**19,004,929**	**18,830,941**
By type of collateral		
Full mortgage collateral	13,074,929	12,445,622
Other collateral	181,844	1,311,065
Without collateral	5,748,156	5,074,254
Total	**19,004,929**	**18,830,941**

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

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Lower than or equal to 40%	4,147,548	4,356,218
Greater than 40% and lower than or equal to 60%	5,086,518	5,913,295
Greater than 60% and lower than or equal to 80%	1,100,133	728,036
Greater than 80%	2,922,574	2,759,138
Total	**13,256,773**	**13,756,687**

Assets including past-due amounts not considered to be impaired at 31 December 2013 and 2012

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 31 December 2013 and 2012, by counterparty, age past-due and type of guarantee or collateral:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
By counterparty		
Credit institutions	361	180
Public sector	132,126	188,602
Other resident sectors	442,253	324,184
Other non-resident sectors	50,481	51,918
Total	**625,221**	**564,884**
By age		
Less than one month	353,913	343,929
Between 1 and 3 months	208,425	205,958
Between 3 and 12 months (*)	62,883	14,997
Total	**625,221**	**564,884**
By type of collateral		
Full mortgage collateral	91,012	89,981
Other collateral	8,576	30,994
Without collateral	525,633	443,909
Total	**625,221**	**564,884**

(*)Relates mainly to risks with the public sector

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)	31/12/2013	31/12/2012
Lower than or equal to 40%	8,930	25,995
Greater than 40% and lower than or equal to 60%	6,531	11,997
Greater than 60% and lower than or equal to 80%	16,087	32,993
Greater than 80%	68,040	49,990
Total	**99,588**	**120,975**

The table below shows the changes for the years ended 31 December 2013 and 2012 in provisions for impairment losses and fair value adjustments due to credit risk in relation to assets in "Loans and advances to credit institutions" and "Loans and advances to customers" under "Loans and receivables" on the accompanying consolidated balance sheet:

31 December 2013

(Thousands of euros)

ITEM	General allowance	Country risk allowance	Specific allowance	Total
Balances at 31 December 2012	**474,107**	**20,275**	**11,128,933**	**11,623,315**
Individually assessed	-	-	6,297,839	6,297,839
Collectively assessed	474,107	20,275	4,831,094	5,325,476
Impairment losses for the year charged to income	3,298	15,537	6,350,158	6,368,993
Available credit loss allowance	(20,913)	(10,924)	(4,898,486)	(4,930,323)
Net provision/(release) charged/(credited) to income statement	**(17,615)**	**4,613**	**1,451,672**	**1,438,670**
Amounts used for depreciated assets	-	-	(2,312,266)	(2,312,266)
Other changes	(312,232)	-	271,465	(40,767)
Exchange differences	-	(904)	-	(904)
Balances at 31 December 2013	**144,260**	**23,984**	**10,539,804**	**10,708,048**
Individually assessed	-	-	6,043,174	6,043,174
Collectively assessed	144,260	23,984	4,496,630	4,664,874
Of which:				
Type of counterparty:	**144,260**	**23,984**	**10,539,804**	**10,708,048**
Entities resident in Spain	137,599	-	9,730,728	9,868,327
Entities resident abroad	6,661	23,984	809,076	839,721

31 December 2012

(Thousands of euros)

ITEM	General allowance	Country risk allowance	Specific allowance	Total
Balances at 31 December 2011	**1,273,641**	**23,901**	**7,452,639**	**8,750,181**
Individually assessed	-	-	2,439,110	2,439,110
Collectively assessed	1,273,641	23,901	5,013,529	6,311,071
Impairment losses for the year charged to income	2,641	14,129	25,521,741	25,538,511
Available credit loss allowance	(738,226)	(19,241)	(6,403,084)	(7,160,551)
Net provision/(release) charged/(credited) to income statement	**(735,585)**	**(5,112)**	**19,118,657**	**18,377,960**
Amounts used for depreciated assets	-	-	(1,830,774)	(1,830,774)
Other changes (1)	(63,949)	1,843	(13,600,170)	(13,662,276)
Exchange differences	-	(357)	(11,419)	(11,776)
Balances at 31 December 2012	**474,107**	**20,275**	**11,128,933**	**11,623,315**
Individually assessed	-	-	6,297,839	6,297,839
Collectively assessed	474,107	20,275	4,831,094	5,325,476
Of which:				
Type of counterparty:	**474,107**	**20,275**	**11,128,933**	**11,623,315**
Entities resident in Spain	464,970	-	10,270,354	10,735,324
Entities resident abroad	9,137	20,275	858,579	887,991

(1) Mainly assets transferred to the SAREB.

The various items recognised in 2013 and 2012 under “Impairment losses on financial assets (net) - Loans and receivables” on the income statements for those years are summarised below:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Net charge for the year	1,429,063	18,387,746
Written-off assets recovered	(192,979)	(206,010)
Impairment losses on financial assets (net) - Loans and receivables (Note 45)	**1,236,084**	**18,181,736**

Loans and receivables. Debt securities

The detail, by counterparty, of this consolidated balance sheet heading at 31 December 2013 and 2012 is as follows:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
By counterparty		
Credit institutions	94	548
Other resident sectors	1,371,745	1,927,267
Other non-resident sectors	169,994	254,816
Doubtful assets	6,206	7,687
Total	**1,548,039**	**2,190,318**
Impairment losses and fair value adjustments due to credit risk	(8,092)	(36,391)
Other valuation adjustments	43,715	61,422
Total	**1,583,662**	**2,215,349**

Loans and receivables. Debt securities. Past-due and impaired assets (doubtful)

The detail of assets recognised under "Loans and receivables - Debt securities" considered impaired at 31 December 2013 and 2012 is as shown below.

At 31 December 2013 and 2012, no assets recognised under "Loans and receivables – Debt securities" were past-due.

Impaired assets at 31 December 2013 and 2012

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
By counterparty		
Credit institutions	-	2,700
Other resident sectors	6,206	4,987
Total	**6,206**	**7,687**

A summary of the changes in impairment losses, due to credit risk, on debt securities recognised under "Loans and receivables" for the years ended 31 December 2013 and 2012 are as follows:

31 December 2013

(Thousands of euros)		
ITEM	Individually assessed	Collectively assessed
Balances at 31 December 2012	**2,700**	**33,691**
Impairment losses for the year charged to income	-	18,717
Available credit loss allowance	(2,700)	(25,624)
Net provision/(release) charged/(credited) to income statement	**(2,700)**	**(6,907)**
Amounts used for depreciated assets and other net movements	-	(15,339)
Other changes	-	(3,353)
Balances at 31 December 2013	**-**	**8,092**
Of which:		
Type of counterparty:	**-**	**8,092**
Entities resident in Spain	-	6,085
Entities resident abroad	-	2,007

31 December 2012

(Thousands of euros)		
ITEM	Individually assessed	Collectively assessed
Balances at 31 December 2011	**-**	**31,607**
Impairment losses for the year charged to income	2,700	16,600
Available credit loss allowance	-	(9,514)
Net provision/(release) charged/(credited) to income statement	**2,700**	**7,086**
Amounts used for depreciated assets and other net movements	-	(8,353)
Other changes	-	3,351
Balances at 31 December 2012	**2,700**	**33,691**
Of which:		
Type of counterparty:	**2,700**	**33,691**
Entities resident in Spain	-	20,854
Entities resident abroad	2,700	12,837

(13) Held-to-maturity investments

Breakdown

The breakdown of this heading in the accompanying consolidated balance sheet by type of counterparty and financial instrument is as follows:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
By counterparty		
Credit institutions	965,550	957,609
Resident public sector	4,258,275	5,131,265
Non-resident public sector	1,898,409	2,103,378
Other resident sectors (*)	19,169,351	20,262,858
Other non-resident sectors	771,782	793,800
Doubtful assets	2,224	579
Impairment losses and fair value adjustments due to credit risk	(85,941)	(89,996)
Total	**26,979,650**	**29,159,493**
By type of instrument		
Spanish government debt securities	4,258,275	5,131,265
Foreign government debt securities	1,898,409	2,102,793
Other fixed-income securities	67,557	88,514
Bonds (*)	20,841,350	21,926,917
Impairment losses and fair value adjustments due to credit risk	(85,941)	(89,996)
Total	**26,979,650**	**29,159,493**

(*) Includes debt securities received as consideration for assets transferred to the SAREB recognised at nominal amount and backed by the Spanish government (see Note 1.15)

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

Note 27 contains certain information on the fair value of these financial assets, while Note 3.1.5 discloses certain information on the risk concentration of, inter alia, certain assets included in this category of financial instruments.

A summary of the changes in relation to impairment losses and fair value adjustments due to credit risk in this portfolio for the years ended 31 December 2013 and 2012 is as follows:

31 December 2013

(Thousands of euros)		
ITEM	Individually assessed	Collectively assessed
Balances at 31 December 2012	**-**	**89,996**
Impairment losses for the year charged to income	-	2,999
Available credit loss allowance	-	(4,686)
Net provision/(release) charged/(credited) to income statement (Note 45)	-	**(1,687)**
Amounts used for depreciated assets and other net movements	-	(2,266)
Other changes	-	(100)
Exchange differences	-	(2)
Balances at 31 December 2013	**-**	**85,941**
Of which:		
Type of counterparty:	**-**	**85,941**
Entities resident in Spain	-	889
Entities resident abroad	-	85,052

31 December 2012

(Thousands of euros)		
ITEM	Individually assessed	Collectively assessed
Balances at 31 December 2011	**-**	**36,966**
Impairment losses for the year charged to income	-	53,941
Available credit loss allowance	-	(911)
Net provision/(release) charged/(credited) to income statement (Note 45)	**-**	**53,030**
Balances at 31 December 2012	**-**	**89,996**
Of which:		
Type of counterparty:	**-**	**89,996**
Entities resident in Spain	-	3,395
Entities resident abroad	-	86,601

Held-to-maturity investments. Past-due and impaired assets

A breakdown of assets recognised under "Held-to-maturity investments" that were considered to be impaired at 31 December 2013 and 2012 are as shown below.

The Bank did not have any assets classified as held to maturity at 31 December 2013 and 2012 with any past-due amount.

Impaired assets at 31 December 2013 and 2012

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
By counterparty		
Other resident sectors	2,224	579
Total	**2,224**	**579**

(14) Hedging derivatives (debtors and creditors)

At 31 December 2013 and 2012, the Group had entered into financial derivative hedging arrangements with counterparties of recognised creditworthiness as the basis of an improved management of the risks inherent to its business (see Note 3).

The Group enters into hedges on a transaction-by-transaction basis by assessing the hedging instrument and the hedged item on an individual basis and continually monitoring the effectiveness of each hedge, to ensure that changes in the value of the hedging instrument and the hedged item offset each other.

Note 3.2 details the Group's main hedged positions and the financial hedging instruments.

Following is a breakdown, by type of derivative and for each type of hedge, of the fair value of derivatives designated as hedging instruments at 31 December 2013 and 2012:

(Thousands of euros)				
	31/12/2013		31/12/2012	
ITEM	Debit balances	Credit balances	Debit balances	Credit balances
Fair value hedges	4,238,778	1,845,923	6,159,488	2,697,951
Cash flow hedges	20,843	51,150	14,909	92,267
Total	**4,259,621**	**1,897,073**	**6,174,397**	**2,790,218**

Fair value hedges:

(Thousands of euros)				
	31/12/2013		31/12/2012	
ITEM	Debit balances	Credit balances	Debit balances	Credit balances
Securities derivatives	3,628	-	7,264	-
Interest rate derivatives	4,234,327	1,842,649	6,144,081	2,697,133
Loans and receivables	1,188	26,686	959	34,193
Available-for-sale financial assets	26,652	1,459,867	19,786	2,119,327
Financial liabilities at amortised cost	4,206,487	356,096	6,123,336	543,613
Other	823	3,274	8,143	818
Total	**4,238,778**	**1,845,923**	**6,159,488**	**2,697,951**

Cash flow hedges:

(Thousands of euros)				
	31/12/2013		31/12/2012	
ITEM	Debit balances	Credit balances	Debit balances	Credit balances
Interest rate derivatives	20,843	46,660	14,909	91,944
Loans and receivables	19,964	5,689	9,284	11,467
Available-for-sale financial assets	845	730	5,522	977
Financial liabilities at amortised cost	34	40,241	103	79,500
Other	-	4,490	-	323
Total	**20,843**	**51,150**	**14,909**	**92,267**

The detail of the periods after 31 December 2013 at which it is estimated that the amounts recognised in consolidated equity under "Valuation adjustments – Cash flow hedges" at that date will be recognised in future consolidated income statements is as follows (figures for 31 December 2012 are presented for comparison purposes):

	Remaining term to maturity as of 31 December 2013				
(Thousands of euros)	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	TOTAL
Losses (*)	(13,330)	(8,909)	(85)	(8,306)	(30,630)
Gains (*)	28	214	393	11,875	12,510
Total	**(13,302)**	**(8,695)**	**308**	**3,569**	**(18,120)**

(*)Taking into consideration the related tax effect

	Remaining term to maturity as of 31 December 2012				
(Thousands of euros)	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	TOTAL
Losses (*)	(5,779)	(30,607)	-	(8,555)	(44,941)
Gains (*)	-	256	36	17,894	18,186
Total	**(5,779)**	**(30,351)**	**36**	**9,339**	**(26,755)**

(*)Taking into consideration the related tax effect

The table below presents an estimate at 31 December 2013 of future receipts and payments hedged with cash flow hedges, classified by the time as from that date that the hedges are expected to take effect in the form of receipt or payment (figures at 31 December 2012 presented for comparison purposes):

	Remaining term to maturity as of 31 December 2013			
(Thousands of euros)	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Receipts	52,969	548,368	133,649	208,473
Payments	(75,795)	(571,437)	(151,399)	(215,919)
Total	**(22,826)**	**(23,069)**	**(17,750)**	**(7,446)**

	Remaining term to maturity as of 31 December 2012			
(Thousands of euros)	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Receipts	341,642	88,659	37,465	652,682
Payments	(376,735)	(131,115)	(50,089)	(664,658)
Total	**(35,093)**	**(42,456)**	**(12,624)**	**(11,976)**

The detail, by maturity, of the notional amount of the derivatives classified as hedging derivatives at 31 December 2013 is as follows:

(Thousands of euros)				
ITEM	0 to 3 years	3 to 10 years	More than 10 years	Total
Securities derivatives	10,827	-	-	10,827
Interest rate derivatives	37,280,916	17,866,144	9,140,519	64,287,579
Other	22,000	135,000	-	157,000
Total	**37,313,743**	**18,001,144**	**9,140,519**	**64,455,406**

The detail, by maturity, of the notional amount of the derivatives classified as hedging derivatives at 31 December 2012 is as follows:

(Thousands of euros)				
ITEM	0 to 3 years	3 to 10 years	More than 10 years	Total
Securities derivatives	15,196	-	-	15,196
Interest rate derivatives	5,696,724	45,848,238	16,415,257	67,960,219
Other	-	242,000	7,000	249,000
Total	**5,711,920**	**46,090,238**	**16,422,257**	**68,224,415**

(15) Non-current assets held for sale and Liabilities associated with non-current assets held for sale

Breakdown

The detail of “Non-current assets held for sale” on the accompanying consolidated balance sheet at 31 December 2013 and 2012 is as follows:

31 December 2013

(Thousands of euros)			
ITEM	Cost	Impairment losses	Carrying Amount
Property, plant and equipment for own use	484,307	(131,934)	352,373
Foreclosed tangible assets	3,765,462	(1,245,941)	2,519,521
Investments	1,247,499	(735,480)	512,019
Other equity instruments	460,326	-	460,326
Assets included in disposal groups	4,966,045	(79,585)	4,886,460
Discontinued operations	3,269,681	-	3,269,681
Total assets at 31 December 2013	**14,193,320**	**(2,192,940)**	**12,000,380**
Liabilities included in disposal groups	3,361,080	-	3,361,080
Discontinued operations	2,592,963	-	2,592,963
Total liabilities at 31 December 2013	**5,954,043**	**-**	**5,954,043**

31 December 2012

(Thousands of euros)			
ITEM	Cost	Impairment losses	Carrying Amount
Property, plant and equipment for own use	1,115,020	(526,127)	588,893
Investment property	17,105	-	17,105
Foreclosed tangible assets	3,274,740	(1,046,827)	2,227,913
Investments	2,102,227	(1,038,758)	1,063,469
Other equity instruments	524,880	-	524,880
Assets included in disposal groups	5,163,666	(79,585)	5,084,081
Total assets at 31 December 2012	**12,197,638**	**(2,691,297)**	**9,506,341**
Liabilities included in disposal groups	3,401,085	-	3,401,085
Total liabilities at 31 December 2012	**3,401,085**	**-**	**3,401,085**

Non-current assets held for sale. Property, plant and equipment for own use

At 31 December 2013, 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.

As described in Note 2.20, the Group recognises these assets at the lower of their carrying amount and fair value less cost to sell.

As a result of the sale of buildings by the Bank in previous periods, at 31 December 2013 it was a party to operating lease contracts with the purchasers of the buildings (investors). These contracts have mandatory durations of 25 to 30 years, extendable for additional periods of 5 to 10 years. The present value of the minimum future payments to be made by the Bank throughout the mandatory duration is EUR 26,432 thousand within one year, EUR 91,220 thousand within two to five years, and EUR 215,300 thousand after five years.

Other significant features common to all the operating leases referred to above include the following:

- Rent was agreed on an arm's-length basis (similar to comparable transactions).
- For the purposes of analysing the accounting treatment of these transactions, it was at no point assumed that the transfer of ownership of the properties to the Bank was reasonably assured.
- Each lease carries an option whereby the Bank may, on expiry of each lease, purchase the property at fair value as determined by independent appraisers at that expiry date.

The Group has given no undertaking to assure or redress the purchasers for any gain or loss arising from fluctuations in the residual fair value of the properties.

Non-current assets held for sale. Foreclosed tangible assets. Breakdown

The breakdown of assets foreclosed in settlement of debts recognised on the Group's accompanying consolidated balance sheet is as follows:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Property assets		
Finished dwellings - borrower's primary residence	2,289,575	1,988,750
Managed rural property and offices, commercial and industrial premises	174,926	104,362
Building plots, plots and other property assets	55,020	133,628
Other	-	1,173
Total	**2,519,521**	**2,227,913**

Significant changes

The changes recognised in foreclosed assets in the years ended 31 December 2013 and 2012 are as follows:

(Thousands of euros)		
ITEM	2013	2012
Accounting balance at 31/12/12	**2,227,913**	**3,643,743**
Additions during the year	747,512	2,060,605
Disposals during the year	(182,453)	(783,685)
Net impairment losses (see Note 48)	(285,447)	(613,870)
Other changes (*)	11,996	(2,078,880)
Accounting balance at 31/12/13	**2,519,521**	**2,227,913**

(*) In 2012, due mainly to the transfer of assets to the SAREB.

Sales of foreclosed assets are made on an arm's length basis. Financing was granted for an amount of approximately EUR 74 million (EUR 670 million in 2012). On average, 86% of the sales amount was financed (85% in 2012).

Proceeds on disposals of foreclosed assets, by type, in the years ended 31 December 2013 and 2012 were as follows:

31 December 2013

(Thousands of euros) ITEM	Disposal of assets at carrying amount	Gain/(loss) recognised on disposal (*)
Property assets		
Finished dwellings - borrower's primary residence	162,065	5,599
Managed rural property and offices, commercial and industrial premises	4,515	3,049
Building plots, plots and other property assets	1,105	1,206
Other	14,768	1,932
Total	**182,453**	**11,786**

(*) The breakdown of the loss on the disposal of these assets is offset, almost entirely, with (the use of) provisions recognised for the asset prior to their disposal and exclude fees paid to intermediaries.

31 December 2012

(Thousands of euros) ITEM	Disposal of assets at carrying amount	Gain/(loss) recognised on disposal (*)
Property assets		
Finished dwellings - borrower's primary residence	584,460	(51,824)
Managed rural property and offices, commercial and industrial premises	50,494	(18,414)
Building plots, plots and other property assets	131,124	(8,252)
Other	17,607	(11,690)
Total	**783,685**	**(90,180)**

(*) The breakdown of the loss on the disposal of these assets is offset, almost entirely, with (the use of) provisions recognised for the asset prior to their disposal and exclude fees paid to intermediaries.

Appendix IX provides further details on the Group's property assets at 31 December 2013, including the foreclosed assets referred to in the preceding paragraph.

The table below shows the net value of the foreclosed assets at 31 December 2013 and 2012, by their estimated ages as of the date of acquisition:

Age of foreclosed assets	31/12/2013	31/12/2012
Less than 12 months	761,785	913,000
12 months to 24 months	772,613	538,997
More than 24 months	985,123	775,916
TOTAL	**2,519,521**	**2,227,913**

Non-current assets held for sale. Investments and other equity instruments

This includes balances related to investments in jointly-controlled entities and associates, and other investments initially recognised under "Available-for-sale financial assets" that the Group reclassified, pursuant to prevailing legislation, to "Non-current assets held for sale" (see Note 2.1). 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	31/12/2013	31/12/2012
Other equity instruments	460,326	524,880
Investments - Jointly-controlled entities	197,590	243,025
Investments - associates	314,429	820,444
TOTAL	**972,345**	**1,588,349**

Impairment losses on investments in jointly-controlled entities and associates amounting to EUR 42,325 thousand were recognised in 2013 (EUR 1,008,860 thousand for the year ended 31 December 2012) under "Gains/(losses) on non-current assets held for sale not classified as discontinued operations" in the consolidated income statement (see Note 48).

Changes in the impairment of investments in group companies, jointly-controlled entities and associates were as follows, in the years ended 31 December 2013 and 2012:

31 December 2013

(Thousands of euros)			
ITEM	Jointly-controlled entities	Associates	TOTAL
Balances at 1 January	**(375,289)**	**(663,469)**	**(1,038,758)**
Provision charged to income	(16,445)	(26,032)	(42,477)
Recovery of provisions with a credit to income	152	-	152
Net provision (Note 48)	**(16,293)**	**(26,032)**	**(42,325)**
Amounts used due to losses on sales	14,211	331,392	345,603
Total	**(377,371)**	**(358,109)**	**(735,480)**

31 December 2012

(Thousands of euros)			
ITEM	Jointly-controlled entities	Associates	TOTAL
Balances at 1 January	**-**	**-**	**-**
Provision charged to income	(375,289)	(663,469)	(1,038,758)
Recovery of provisions with a credit to income	-	29,898	29,898
Net provision (Note 48)	**(375,289)**	**(633,571)**	**(1,008,860)**
Amounts used due to losses on sales	-	18,912	18,912
Valuation adjustments from investees	-	(48,810)	(48,810)
Total	**(375,289)**	**(663,469)**	**(1,038,758)**

Disposal groups

Disposal groups primarily comprises the amount of financial assets and financial liabilities of certain subsidiaries that following approval of the Group's Restructuring Plan met the requirements for classification as "Non-current assets held for sale" and, therefore, were fully consolidated, and all their assets and liabilities presented and measured in accordance with the criteria established for disposal groups (see Note 2.1).

The following table shows a breakdown of the assets and liabilities corresponding to disposal groups by item under which they were recognised before their classification under "Non-current assets held for sale" at 31 December 2013 and 2012:

(Thousands of euros)

	31/12/2013	31/12/2012		31/12/2013	31/12/2012
Cash and balances with central banks	145,468	357,791	Financial liabilities at amortised cost	3,347,588	3,389,820
Financial assets held for trading	1,502	-	Financial liabilities held for trading	1,252	-
Available-for-sale financial assets	652,118	545,951	Provisions	2,328	1,073
Loans and receivables	3,600,487	3,565,946	Tax liabilities	-	1,508
Held-to-maturity investments	222,162	339,596	Other liabilities	9,912	8,684
Non-current assets held for sale	26,625	8,441			
Investments	2	2			
Tangible assets	58,598	62,551			
Intangible assets	31,165	46,021			
Tax assets	137,232	156,547			
Other assets	11,101	1,235			
TOTAL ASSETS	**4,886,460**	**5,084,081**	**TOTAL LIABILITIES**	**3,361,080**	**3,401,085**

Main transactions

The main acquisitions, increases and decreases in investments in subsidiaries, joint ventures and associates classified as "Non-current assets held for sale" carried out by the Group in the year ended 31 December 2013 are discussed below.

Disposals of non-strategic assets

The commitments assumed by the Group under the BFA-Bankia Group Restructuring Plan approved by the Spanish and European authorities in November 2012 included the disposal of assets considered non-strategic. The most significant transactions were as follows:

- On 21 March 2013, the entity reached an agreement to sell Finanmadrid, E.F.C., S.A.U. to Apollo European Principal Finance Fund II, the fund arm of Apollo Global Management, LLC, for EUR 1.6 million.
- On 27 June 2013, the Bank sold the whole of its direct and indirect interest in International Consolidated Airlines Group, S.A. ("IAG"), which consisted of 224,253,361 shares, representing 12.09% of the company's share capital. The amount received for the sale was EUR 675 million, resulting in a gross gain of EUR 237,941 thousand recognised under "Gains/(losses) on non-current assets held for sale not classified as discontinued operations" in the accompanying consolidated income statement. The sale was carried out in a private placement, with the shares placed among qualified investors through an accelerated bookbuilding process. As a result of this placement, Bankia no longer has any direct or indirect interest in IAG.
- On 5 November 2013, Bankia Inversiones Financieras, S.A.U. (formerly Caja Madrid Cibeles), a wholly owned subsidiary of Bankia, S.A., sold 60,636,135 shares of Banco Inversis, S.A. to Banca March, S.A. (owner of 5% of Banco Inversis, S.A.). Bankia received approximately EUR 87 million from the sale, allowing it to recognise a gross capital gain of EUR 68,596 thousand under "Gains/(losses) on non-current assets held for sale not classified as discontinued operations" in the accompanying consolidated income statement.

In addition, on 24 May 2013, the Board of Directors of Bankia authorised the sale of City National Bank of Florida via the transfer from investee Bankia Inversiones Financieras, S.A.U of 100% of the shares of CM Florida Holdings Inc to Banco de Crédito e Inversiones of Chile. The sale will be carried out via payment of the agreed price (US dollars 882.8 million) and the transfer of shares once approval is given by the regulators in Chile, the US and Spain, tentatively in the first half of 2014. Although the transaction has not been accounted for definitively, since the carrying amount of the entity's equity in the accompanying consolidated balance sheet is US dollars 556.8 million, the final gain or loss would be zero. However, that will depend on the exchange rate when the transaction is completed, as well as the outcome of the hedges arranged.

Though not a disposal of a non-strategic asset, on 3 September 2013, the Bank signed an agreement for sale to Promontoria Plataforma, S.L.U. ("Plataforma"), a member of the Cerberus Capital Management, LP investor group, of its property management and sale and developer loan business. The deal also included the transfer of the Bankia Group's investments in Gesnova Gestión Inmobiliaria Integral, S.L. and Reser Subastas y Servicios Inmobiliarios, S.A.

The sale formed part of the transfer of the assets and liabilities associated with the real estate asset management business (but not ownership of the real estate and of the developer loans managed), as well as the transfer of 425 employees of Bankia and Bankia Habitat, S.L.U. These, together with the 32 employees of Gesnova Gestión Inmobiliaria Integral, S.L. and Reser Subastas y Servicios Inmobiliarios, S.A., resulted a total reduction of 457 Bankia Group employees.

The price of the sale will depend on the degree of fulfilment of the business plan of the transferred activity and is expected to be between EUR 40 million and EUR 90 million. No amount was recognised in 2013.

Discontinued operations

This includes the amount of assets and liabilities related to the Group's investment in Aseguradora Valenciana, S.A. de Seguros y Reaseguros (see Notes 1.11 and 16).

All the income and expenses generated in the year from the investment in Aseguradora Valenciana, S.A. de Seguros y Reaseguros, of any kind, including any impairment losses generated prior to its classification as a discontinued operation, are shown, net of the related tax effect, in the income statement as a single amount under "Profit/(loss) from discontinued operations (net)", along with the effect of applying the purchase method (in accordance with IFRS 3) and the use of provisions recognised in this connection at 31 December 2012. The gain generated on this investment in 2013 amounted to EUR 116,594 thousand (EUR 33,803 thousand in 2012 recognised under "Share of profit/(loss) of companies accounted for using the equity method" in the accompanying consolidated income statement for that year).

Non-current assets held for sale. Other assets

In addition to the foreclosed tangible assets and property, plant and equipment for own use referred to in the foregoing sections, in accordance with current regulations the Group has classified as non-current assets held for sale a number of other assets which it also plans to sell or dispose of immediately.

(16) Investments

(16.1) Changes in Group composition

The most significant acquisitions, increases and decreases in investments in subsidiaries, joint ventures or associates by the Group in the year ended 31 December 2013 are detailed below.

The most significant transactions are described below.

Restructuring of the bancassurance business

As explained in the Group's 2012 consolidated financial statements, on 18 December 2012, Bankia reached an agreement with Aviva Europe SE of the UK to put an end to their dispute under the arbitration proceedings which they submitted to the Arbitration Court of Madrid's Official Chamber of Commerce and Industry, whereby both parties, jointly with Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja), requested a decision on the terms agreed by the parties. The agreement consisted of the sale to Bankia, S.A. by Aviva Europe SE of all the shares held by Aviva Europe SE in Aseguradora Valenciana, S.A. de Seguros y Reaseguros (Aseval), representing 50% of its share capital, for a total price of EUR 608,172 thousand (including EUR 58,054 thousand of compensation).

On 23 April 2013, after obtaining the pertinent regulatory authorisations, the acquisition of Aseguradora Valenciana, S.A. de Seguros y Reaseguros was completed via the delivery of the shares owned by Aviva Europe SE (50% of share capital) in exchange for the release of funds deposited in the escrow account (EUR 608,172,000) in its favour. The best estimate of the directors, included in the Restructuring Plan approved by the FROB and the EU, includes the sale of this stake or a significant part thereof. As a result, it was classified as a "Discontinued operation" (see Note 15). Accounting of this transaction resulted in the use of a provision recognised in this connection under "Provisions - Other provisions" at 31 December 2012 (see Note 22) and the recognition of implicit goodwill of EUR 205 million.

The Group used an independent expert's valuation in the initial recognition (see Note 2.1), which was updated at the end of the year. The update did not result in the need to recognise any additional impairment loss on this investment.

In addition, on 25 March 2013, Bankia signed an agreement with Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. (CASER) extinguishing the commitments of exclusive distribution in agency contracts, thereby cancelling the exclusive distribution agreements signed previously with the Group's bancassurance operators that came from Bancaja, Caja Canarias, Segovia, Caja Avila and Caja Rioja. Under the terms of the new agreement, the agency contracts remain in force, without the commitment to exclusive distribution. The agreement did not have any impact on equity in the accompanying consolidated financial statements as the provision recognised at 31 December 2012 (see Note 22) was used.

Also as part of this process, on 23 July 2013, Bankia reached an agreement with Helvetia to cancel the exclusivity agreement on burial insurance products signed on 21 December 2009. Finally, on 7 November 2013, Plus Ultra Seguros Generales y Vida, S.A. de Seguros y Reaseguros (formerly Seguros Groupama, Seguros y Reaseguros, S.A.) and Bankia signed an agreement putting an end to the agency contract signed on 23 December 2008 for the distribution of the insurance company's comprehensive home insurance products through the Bancaja Group branch network. The indemnity payments related to the agreements, of EUR 11,400 thousand and EUR 16,000 thousand, respectively, were recognised under "Provisions (net)" in the accompanying 2013 consolidated income statement.

Other transactions

At the General Meeting held 25 June 2013, shareholders approved the mergers listed below, the plans of which were signed by the companies' respective governing bodies on 14 May 2013:

- Merger by absorption by Bankia, S.A. (absorbing company) of Bancaja Gestión de Activos, S.L.U. (absorbed company and wholly-owned subsidiary of Bankia)
- Merger by absorption by Bankia, S.A. (absorbing company) of Bankia Banca Privada, S.A. (absorbed company and wholly-owned subsidiary of Bankia)

- Merger by absorption by Bankia, S.A. (absorbing company) of Madrid Leasing Corporación, S.A.U. E.F.C. (absorbed company and wholly-owned subsidiary of Bankia)

These transactions had no impact on the Group's consolidated financial statements.

On 9 October, Bankia reached an agreement with General de Valores y Cambios, S.A. (GVC) for the sale of all of the shares of Bankia Bolsa, Sociedad de Valores, S.A. The sale was carried out on 30 December 2013 after the required authorisations were obtained, generating a gross gain for the Group of approximately EUR 37 million. Under the scope of the agreement, Bankia signed a partnership agreement with the acquiree to maintain the operations currently carried out for a period of five years following completion of the sale.

The main data on sales of significant stakes in subsidiaries, joint ventures and/or investments in associates are as follows:

Company name	Category	Effective transaction date	% of rights sold or derecognised	Gain/(loss) generated (thousands of euros)
Maraton Gardens Sp. Zoo	Subsidiary	jun-13	71.83	(3,776)
International Consolidated Airlines Group, S.A. (IAG)	NCAHS-Associate	jun-13	12.09	237,941
Hotel Alameda Valencia, S.L.	Subsidiary	jul-13	100.00	(4,441)
Ged See Oportunity I, S.A.	NCAHS-Associate	jul-13	52.17	5,481
Mecalux, S.A.	NCAHS-Associate	jul-13	20.00	22,568
Finanmadrid, Entidad de Financiación, S.A.U.	NCAHS-Subsidiary	sep-13	100.00	(14,659)
Banco Inversis NET, S.A.	NCAHS-Associate	nov-13	38.48	68,596
Bankia Bolsa, S.V., S.A.	Subsidiary	dic-13	100.00	36,634

(16.2) Investments - Jointly-controlled entities (joint ventures)

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

(Thousands of euros)		
COMPANY	31/12/2013	31/12/2012
Aseguradora Valenciana, S.A. de Seguros y Reaseguros (1)	-	169,128
Mapfre Caja Madrid Vida, S.A., de Seguros y Reaseguros	150,083	130,879
Total	**150,083**	**300,007**
Goodwill	-	-
Total	**150,083**	**300,007**

(1) As indicated in Note 16.1, this investment was transferred to "Non-current assets held for sale – Discontinued operations" (see Note 15)

(17) Tangible assets

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

(Thousands of euros)				
ITEM	For own use	Leased out under an operating lease	Investment property	Total
Cost				
Balances at 31 December 2011	**5,410,192**	**287,218**	**771,614**	**6,469,024**
Additions/disposals (net)	(70,273)	(219)	(229,159)	(299,651)
Transfers to non-current assets held for sale and other changes(1)	(1,053,522)	6,178	(261,302)	(1,308,646)
Balances at 31 December 2012	**4,286,397**	**293,177**	**281,153**	**4,860,727**
Additions/disposals (net)	(279,578)	-	6,712	(272,866)
Transfers to non-current assets held for sale and other changes(1)	(345,594)	(4,669)	887,388	537,125
Balances at 31 December 2013	**3,661,225**	**288,508**	**1,175,253**	**5,124,986**
Accumulated depreciation				
Balances at 31 December 2011	**(2,683,589)**	**(273,568)**	**(50,954)**	**(3,008,111)**
Additions/disposals (net)	90,175	209	7,453	97,837
Depreciation for the year (Note 43)	(170,226)	(1,015)	(12,634)	(183,875)
Transfers to non-current assets held for sale and other changes(1)	131,678	(14,373)	19,521	136,826
Balances at 31 December 2012	**(2,631,962)**	**(288,747)**	**(36,614)**	**(2,957,323)**
Additions/disposals (net)	285,024	-	1,920	286,944
Depreciation for the year (Note 43) (*)	(107,694)	-	(6,120)	(113,814)
Transfers to non-current assets held for sale and other changes(1)	143,342	239	1,800	145,381
Balances at 31 December 2013	**(2,311,290)**	**(288,508)**	**(39,014)**	**(2,638,812)**
Impairment losses				
Balances at 31 December 2011	**(4,137)**	**(630)**	**(106,592)**	**(111,359)**
Net provision/(release) charged/(credited) to income statement (Note 46)	(13,622)	-	(113,351)	(126,973)
Transfers to non-current assets held for sale and other changes(1)	(2,493)	4	187,819	185,330
Balances at 31 December 2012	**(20,252)**	**(626)**	**(32,124)**	**(53,002)**
Net provision/(release) charged/(credited) to income statement (Note 46)	(869)	-	(12,013)	(12,882)
Transfers to non-current assets held for sale and other changes(1)	(3,450)	626	(491,690)	(494,514)
Balances at 31 December 2013	**(24,571)**	**-**	**(535,827)**	**(560,398)**
Total at 31 December 2012	**1,634,183**	**3,804**	**212,415**	**1,850,402**
Total at 31 December 2013	**1,325,364**	**-**	**600,412**	**1,925,776**

(1) Assets for own use relate mainly to the transfer of properties and fixtures eligible for disposal to "Non-current assets held for sale". Investment properties relate mainly to asset transfers to the SAREB.

(*) In addition, provisions for EUR 4,025 thousand were recognised in 2013 for tangible assets of companies classified as “Disposal groups” (see Note 15).

The depreciation charge for tangible assets in the year ended 31 December 2013 amounted to EUR 117,839 thousand (EUR 183,975 thousand at 31 December 2012), which was recognised under "Depreciation and amortisation charge" on the accompanying consolidated income statement for the year (see Note 43).

Impairment losses in the year ended 31 December 2013 stood at EUR 12,882 thousand (EUR 126,973 thousand at 31 December 2012), recognised under "Impairment losses on other assets (net) - Other assets" on the accompanying consolidated income statement for that period (see Note 46).

(17.1) Property, plant and equipment for own use

The detail, by type of asset, of the balance of "Property, plant and equipment for own use" in the accompanying consolidated balance sheet is as follows:

31 December 2013

(Thousands of euros) ITEM	Cost	Accumulated depreciation	Impairment losses	Net balance
Buildings and other structures	1,551,286	(408,343)	(24,571)	1,118,372
Furniture and vehicles	173,338	(152,282)	-	21,056
Fixtures	1,050,284	(886,468)	-	163,816
Investment property under construction	886,317	(864,197)	-	22,120
Balance at 31 December 2013	**3,661,225**	**(2,311,290)**	**(24,571)**	**1,325,364**

31 December 2012

(Thousands of euros) ITEM	Cost	Accumulated depreciation	Impairment losses	Net balance
Buildings and other structures	1,697,104	(375,593)	(20,252)	1,301,259
Furniture and vehicles	279,833	(232,559)	-	47,274
Fixtures	1,285,656	(1,056,265)	-	229,391
Investment property under construction	1,013,434	(967,545)	-	45,889
Buildings and other structures	10,370	-	-	10,370
Balance at 31 December 2012	**4,286,397**	**(2,631,962)**	**(20,252)**	**1,634,183**

At 31 December 2013 and 2012, there were no items of property, plant and equipment for own use of significant amounts which were:

- Temporarily idle;
- Fully depreciated but still in use; or
- Retired from active use but not classified as non-current assets held for sale

(17.2) Investment property

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

At 31 December 2013, the Group did not have any significant contractual obligations in connection with the future operation of the investment properties included in the balance sheet, and there were no relevant restrictions thereon, other than those inherent to the current conditions of the property market.

Net income from the Group's investment property in the year ended 31 December 2013 totalled EUR 8,942 thousand (EUR 10,040 thousand for the year ended 31 December 2012) (see Note 39).

On 3 October 2013, as part of the 2012-2015 Strategic Plan, Bankia reached an agreement to lease the "Torre Foster" building owned by the Group through its investee Torre Norte Castellana S.A. (which at 31 December 2012 was classified as a non-current asset held for sale). The lease agreement is for eight years, extendible for a further seven years on an annual basis.

The agreement includes an option to purchase the investee in 2016 at a price that will be determined at the time the shares are sold, in accordance with pre-agreed objective criteria. If the option is exercised, these criteria must be fixed upon completion of the sale based on specific parameters (i.e. capitalisation of amounts, net of discounts and similar on the exercise date).

An assessment of the terms of the agreement gives no indication that the related asset may have suffered any additional impairment than that already recognised.

(18) Intangible assets

(18.1) Goodwill

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

(Thousands of euros)	31/12/2013	31/12/2012
Balance at 1 January	**-**	**40,804**
Transfers to non-current assets held for sale	-	(2,135)
Impairment losses for the year (Note 46)	-	(38,669)
Balance at 31 December	**-**	**-**

(18.2) Other intangible assets

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

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
With indefinite useful life	**68**	**68**
Other assets	**68**	68
With a finite useful life	**86,075**	**75,683**
Computer software	735,307	712,256
Other	18,674	16,420
(Accumulated amortisation)	(667,906)	(652,993)
Total assets less accumulated amortisation	**86,143**	**75,751**
Impairment losses	**(5,512)**	**(6,344)**
Total	**80,631**	**69,407**

The changes in this item on the consolidated balance sheet during the financial years ended 31 December 2013 and 2012 were as follows:

(Thousands of euros)		
ITEM	**2013**	**2012**
With indefinite useful life -		
Balance at 1 January	**68**	**68**
Closing balance	**68**	**68**
With finite useful life -		
Balance at 1 January	**69,339**	**181,221**
Additions	79,786	82,437
Amortisation recognised in income (Note 43) (*)	(47,488)	(91,733)
Derecognition for disposal or other	(21,395)	(44,591)
Other changes	321	(57,995)
Closing balance	**80,563**	**69,339**
Total	**80,631**	**69,407**

(*) In addition, provisions for EUR 10,124 thousand were recognised in 2013 for tangible assets of companies classified as “Disposal groups” (see Note 15).

Amortisation of finite-life intangible assets

The amortisation charge for intangible assets in the year ended 31 December 2013 amounted to EUR 57,612 thousand (EUR 91,733 thousand at 31 December 2012), recognised under "Depreciation and amortisation charge" on the accompanying consolidated income statement for the year.

(19) Other assets

The detail of "Other assets" in the consolidated balance sheet at 31 December 2013 and 2012 is as follows:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Inventories	237,970	262,261
Other items (1)	657,756	1,177,450
Total	**895,726**	**1,439,711**

(1) Includes, inter alia, transactions in transit, accruals associated with operating income, and unaccrued prepayments

Inventories

The Group's most significant inventories at 31 December 2013 and 2012 were classified as follows:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Raw materials and goods held for conversion (land)	**324,675**	**182,794**
Of which: acquired in payment of debt	260,033	143,003
Other	64,642	39,791
Work in progress (property developments under construction)	**154,552**	**195,695**
Of which: acquired in payment of debt	107,688	88,028
Other	46,864	107,667
Finished products (completed property developments)	**154,903**	**124,900**
Of which: acquired in payment of debt	18,178	13,534
Other	136,725	111,366
Total, gross	**634,131**	**503,389**
Less: impairment losses	**(396,161)**	**(241,128)**
Raw materials and assets acquired for conversion (land)	**(291,739)**	**(147,352)**
Work in progress (property developments under construction)	**(68,542)**	**(76,270)**
Finished products (completed property developments)	**(35,880)**	**(17,506)**
Total net	**237,970**	**262,261**

The changes affecting the impairment losses of these items, which include the adjustments necessary to reduce their cost to net realisable value, in the years ended 31 December 2013 and 2012 are as follows:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Balance at 31 December 2012	**241,128**	**919,044**
Net provisions charged against/(credited to) profit for the year (Note 46)	4,482	585,100
Disposals during the year	-	(47,165)
Transfers to/from non-current assets held for sale	(3,113)	(54,008)
Additions for inclusion in consolidation scope	133,274	-
Other changes(*)	20,390	(1,161,843)
Balance at 31 December 2013	**396,161**	**241,128**

(*) The amount for 2012 includes mainly assets transferred to the SAREB.

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

In 2013, there were no significant sales of assets classified under this heading on the accompanying consolidated balance sheet.

(20) Financial liabilities at amortised cost

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	31/12/2013	31/12/2012
Bank of Spain	43,000,000	51,710,663
Total	**43,000,000**	**51,710,663**
Valuation adjustments	405,679	244,114
Total	**43,405,679**	**51,954,777**

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	31/12/2013	31/12/2012
Reciprocal accounts	18	76,269
Time deposits	6,855,799	7,092,089
Repos	13,171,945	6,852,248
Other accounts	6,104,801	11,949,803
Total	**26,132,563**	**25,970,409**
Valuation adjustments	85,550	110,209
Total	**26,218,113**	**26,080,618**

This consolidated balance sheet items includes one-off non-marketable mortgage-backed securities issued by the Group amounting to EUR 72,000 thousand at 31 December 2013 (EUR 97,000 thousand at 31 December 2012) (see Appendix VIII).

Financial liabilities at amortised cost - Customer deposits

The detail, by type of transaction, of “Customer deposits” in the accompanying consolidated balance sheet is as follows:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Public sector	4,302,204	6,804,107
Other resident sectors	100,174,436	99,622,918
Current accounts	11,541,444	12,040,246
Savings accounts	23,645,865	23,687,483
Fixed-term deposits	58,762,354	62,357,890
Repos and other accounts	6,224,773	1,537,299
Non-residents	2,633,047	2,381,887
Repos	1,477,285	1,042,464
Other accounts	1,155,762	1,339,423
Total	**107,109,687**	**108,808,912**
Valuation adjustments	1,433,530	2,095,288
Total	**108,543,217**	**110,904,200**

This consolidated balance sheet items includes one-off non-marketable mortgage-backed securities issued by the Group amounting to EUR 9,316,165 thousand at 31 December 2013 (EUR 10,557,778 thousand at 31 December 2012) (see Appendix VIII).

Liabilities at amortised cost - Marketable debt securities

The detail of issues recognised under "Marketable debt securities" in the consolidated balance sheet at 31 December 2013 and 2012 is set out in Appendix VI.

Subordinated liabilities

The detail of issues recognised under "Subordinated liabilities" in the consolidated balance sheet at 31 December 2013 and 2012 is set out in Appendix VI.

The detail, by type of transaction, of "Subordinated liabilities" in the accompanying balance sheet at 31 December 2013 and 2012 is as follows:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Subordinated loans (1)	-	4,500,000
Subordinated issues (see Appendix VI) (2)	-	10,997,736
Total	**-**	**15,497,736**
Valuation adjustments	-	143,173
Total	**-**	**15,640,909**

(1) Amount corresponding to the loan granted by BFA in the framework of the restructuring process (see Note 1.2).

(2) The balance at 31 December 2012 includes EUR 10,700 million related to the contingent convertible bonds fully subscribed by BFA in the framework of the BFA-Bankia Group's restructuring (see Note 1.2).

These are subordinated issues and, in terms of payment priority, they rank junior to all general creditors of the Group's issuers.

As explained in Note 1.2, the issues included under this item on the accompanying consolidated balance sheet were redeemed or repurchased under the scope of the Group's Restructuring Plan, as follows:

- On 16 April, the FROB agreed the full early redemption of the 107,000 CoCos issued by Bankia, with a nominal value of EUR 100,000 each, removing them from circulation.
- Included in the transactions with hybrid capital instruments and subordinated debt agreed by the FROB for the BFA Group, Bankia recognised the repurchase of an issue of perpetual subordinated debt with a nominal value of EUR 298 million. The results generated on this transaction, amounting to EUR 99 million, were recognised under "Gains and losses on financial assets and liabilities (net)" in the consolidated income statement for the year ended 31 December 2013 (see Note 37).
- The repayment, on 23 May, by Bankia of the EUR 4,500 million subordinated loan granted by BFA, pursuant to authorisation by the FROB.

Interest accrued on subordinated liabilities in the year ended 31 December 2013 amounted to EUR 151,956 thousand (EUR 136,100 thousand at 31 December 2012), recognised under "Interest expense and similar charges" in the consolidated income statement for the year (Note 32).

Issuances, repurchases and repayments of debt securities and subordinated liabilities

The table below shows information on the total issuances, repurchases and repayments of debt securities and subordinated liabilities in the years ended 31 December 2013 and 2012:

31 December 2013

(Thousands of euros) TYPE OF ISSUE	31/12/2012	Issues	Repurchases or repayments	Exchange rate adjustments and others	31/12/2013
Debt securities issued in an EU Member State requiring a prospectus to be registered	48,366,530	200,000	(19,175,952)	(1,251,691)	28,138,887
Debt securities issued in an EU Member State not requiring a prospectus to be registered	-	-	-	-	-
Other debt securities issued outside the EU	-	-	-	-	-
Total	**48,366,530**	**200,000**	**(19,175,952)**	**(1,251,691)**	**28,138,887**

31 December 2012

(Thousands of euros) TYPE OF ISSUE	31/12/2011	Issues	Repurchases or repayments	Exchange rate adjustments and others	31/12/2012
Debt securities issued in an EU Member State requiring a prospectus to be registered	55,968,976	33,209,377	(41,861,621)	1,049,798	48,366,530
Debt securities issued in an EU Member State not requiring a prospectus to be registered	70,970	-	(70,970)	-	-
Other debt securities issued outside the EU	-	-	-	-	-
Total	**56,039,946**	**33,209,377**	**(41,932,591)**	**1,049,798**	**48,366,530**

Appendices VI and VII provide a detail of issues comprising “Marketable debt securities” and “Subordinated liabilities”, along with issuances, repurchases or repayments of debt securities in 2013 and 2012 by the Bank or other Group companies.

Other information

For credit seniority purposes, subordinated debt issues rank junior to the claims of all the general creditors of the issuers. 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, and the related implementing provisions.

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

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

A detail, by maturity, of the balances of the Group's main consolidated balance sheet headings is provided in Note 3.2, “Liquidity risk of financial instruments”.

Financial liabilities at amortised cost - Other financial liabilities

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

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Obligations payable	530,159	915,351
Collateral received	6,614	(59,219)
Tax collection accounts	141,481	174,025
Special accounts and other items	835,981	735,808
Financial guarantees	56,811	41,629
Total	**1,571,046**	**1,807,594**

(21) Liabilities under insurance contracts

The breakdown of "Liabilities under insurance contracts" in the consolidated balance sheet at 31 December 2013 and 2012 is as follows:

(Thousands of euros)						
ITEM	31/12/2013			31/12/2012		
	Direct insurance	Accepted reinsurance	Total	Direct insurance	Accepted reinsurance	Total
Financial liabilities under life-savings insurance	233,394	-	233,394	257,901	-	257,901
Guarantee contracts	-	-		-	-	
Other provisions allocated to insurance contracts	4,428	-	4,428	4,513	-	4,513
Total	**237,822**	**-**	**237,822**	**262,414**	**-**	**262,414**

(22) Provisions

The detail of this heading in the accompanying consolidated balance sheet at 31 December 2013 and 2012 is as follows:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Provisions for pensions and similar obligations	228,912	494,503
Provisions for taxes and other legal contingencies	330,221	78,314
Provisions for contingent liabilities and commitments	611,938	635,899
Other provisions	534,954	1,660,476
Total	**1,706,025**	**2,869,192**

The changes in the provisions recognised in the consolidated balance sheet in the years ended 31 December 2013 and 2012 and the purposes thereof are as follows:

(Thousands of euros)

ITEM	Provisions for pensions and similar obligations	Provisions for taxes and other legal contingencies	Provisions for contingent liabilities and commitments	Other provisions	Total
Balances at 31 December 2011	**540,902**	**85,260**	**468,805**	**189,529**	**1,284,496**
Provisions charged to the income statement	42,641	31,727	813,671	1,781,910	2,669,949
Reversals credited to the income statement	(33,366)	-	(346,873)	(458,006)	(838,245)
Net provisions/(reversals) charged to profit recognised for the year (Note 44)	**9,275**	**31,727**	**466,798**	**1,323,904**	**1,831,704**
Amounts used	(95,440)	(20,490)	-	(143,464)	(259,394)
Transfers and other movements	39,766	(18,183)	(299,704)	290,507	12,386
Balances at 31 December 2012	**494,503**	**78,314**	**635,899**	**1,660,476**	**2,869,192**
Provisions charged to the income statement	3,788	251,797	263,742	50,618	569,945
Reversals credited to the income statement	-	-	(290,896)	(98,953)	(389,849)
Net provisions/(reversals) charged to profit recognised for the year (Note 44)	**3,788**	**251,797**	**(27,154)**	**(48,335)**	**180,096**
Amounts used	(278,736)	(17,524)	-	(1,072,417)	(1,368,677)
Transfers and other movements	9,357	17,634	3,193	(4,770)	25,414
Balances at 31 December 2013	**228,912**	**330,221**	**611,938**	**534,954**	**1,706,025**

The main movements in 2013 were as follows:

- Recognition of a provision for EUR 230 million for legal contingencies to cover the costs of legal claims regarding the subscription or acquisition of preferred participating securities or other subordinated bonds issued previously by the Cajas. The amount of the provision was based on the information available regarding lawsuits received and taking into account the resolution of the FROB's Governing Committee, backed by a number of legal opinions, and the signing of an agreement between Bankia and BFA whereby Bankia assumes a maximum loss derived from the costs related to the enforcement of rulings against it in the proceedings against the Bank related to the aforementioned issues.
- Use of EUR 590 million of provisions for the implementation of the Restructuring Plan concerning staff reduction and office closures (see Notes 1.2 and 2.15.2.3).
- Cancellation and use of provisions for approximately EUR 79 million for guarantees issued by the Group to third parties related to real estate investees.
- Use of EUR 372 million of provisions for the cancellation and settlement of certain exclusive agreements for the sale of insurance products, the completion of the arbitration proceedings with Avive Europe, S.E. and the acquisition of a 50% stake in Aseguradora Valenciana, S.A. de Seguros y Reaseguros.

The detail of items of "Provisions - Other provisions" in the accompanying balance sheet at 31 December 2013 and 2012 is as follows:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Provision for restructuring costs (*)	161,442	736,100
Other (**)	373,512	924,376
Total	**534,954**	**1,660,476**

(*)Includes provisions estimated to implement the measures included in the Restructuring Plan described in Note 1.2.

(**)Includes estimated coverage for losses related to real estate assets and investees.

(23) Other liabilities

The detail of this heading in the consolidated balance sheet at 31 December 2013 and 2012 is as follows:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Other accrued fees, commissions and expenses	532,590	418,225
Transactions in transit	61,319	88,610
Other items	226,015	99,197
Total	**819,924**	**606,032**

(24) Non-controlling interests

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

(Thousands of euros)		
COMPANY	31/12/2013	31/12/2012
Bancofar, S.A.	35,375	33,771
Pagumar A.I.E.	8,562	8,563
Corporación Financiera Habana, S.A.	5,185	9,470
Maraton Gardens Sp. Z.O.O.	-	1,726
Other companies	(88,786)	(101,488)
Balances at the end of the year	**(39,664)**	**(47,958)**

The detail, by company, of "Profit/(loss) attributable to non-controlling interests" in the accompanying consolidated income statement of the Group for 2013 and 2012 is as follows:

(Thousands of euros)		
COMPANY	31/12/2013	31/12/2012
Adamar Sectors, S.L.	(261)	(1,206)
Aliancia Zero, S.L.	(1,325)	(73,769)
Alianza Inversiones en Inmuebles Dos, S.L.	(1,283)	(19,349)
Alquiler Jovenes Viviendas Colmenar Viejo, S.L.	(954)	-
Arrendadora Aeronautica A.I.E.	425	211
Arrendadora Equipamientos Ferroviarios, S.A.	47	26
Bancaja-BVA VPO 1 FTA	(251)	(89)
Bancofar, S.A.	1,602	956
Cami La Mar de Sagunto, S.L.	-	(378)
Cavaltour, Agencias de Viajes, S.A.	(324)	(62)
Centro Médico Maestranza, S.A.	-	(14)
Civitas Inmuebles, S.L.	(44)	(911)
Cobimansa Promociones Inmobiliarias, S.L.	615	(2,294)
Corporación Financiera Habana, S.A.	1,713	1,611
Emeral Place	(293)	(186)
Espai Comercial Vila-Real, S.L.	(2)	-
Garanair, S.L.	2	-
Geoportugal - Imobiliaria, LDA.	(422)	(3,266)
Gestora de suelo de Levante, S.L.	330	(1,203)
IB Investments GmbH	(16)	(2)
Iniciativas Gestiomat, S.L.	(603)	(5,363)
Inmovemu, S.L.	1,085	(3,064)
Jardi Residencial La Garriga, S.L.	(142)	(4,334)
Macla 2005, S.L.	(356)	(1,434)
Maraton Gardens, Sp. Z.O.O..	(466)	(80)
Pagumar, A.I.E.	(1)	(1)
Parque Biológico de Madrid, S.A.	(668)	(260)
Plurimed, S.A.	3	(186)
Proyecto Inmobiliario Valiant, S.L.	(1,338)	(4,810)
Reales Atarazanas, S.L.	(117)	(742)
Renlovi, S.L.	(2,420)	(4,028)
Reser, Subastas y Servicios Inmobiliarios, S.A.	-	96
Restaura Nowogrozka, Sp. Z.O.O.	(101)	(1,004)
Urbapinar, S.L.	2,935	(10,687)
Viajes Caja Ávila, S.A.	-	(136)
Viajes Hidalgo, S.A.	-	(82)
La Viajes La Caja Tour, S.A.	(43)	(19)
Xaday Proyectos y Aplicaciones, S.L.	(3)	(153)
Balances at the end of the year	**(2,682)**	**(136,212)**

The detail, by company, of the changes in the balance of "Non-controlling interests" in the consolidated balance sheet for the years ended 31 December 2013 and 2012 is as follows:

31 December 2013

(Thousands of euros)

COMPANY	31/12/2012	Dividends paid to non-controlling shareholders	Capital increase and other	31/12/2013
Adamar Sectors, S.L.	(1,151)	-	(72)	(1,223)
Alquiler para Jóvenes Viviendas Colmenar Viejo, S.L.	1,152	-	(955)	197
Arrendadora Equipamientos Ferroviarios, S.A.	1,527	-	48	1,575
Bancofar, S.A.	33,772	-	1,603	35,375
Cavaltour, Agencia de Viajes, S.A.	1,089	-	(322)	767
Cobimansa Promociones Inmobiliarias, S.L.	(1,634)	-	615	(1,019)
Corporación Financiera Habana, S.A.	9,470	(2,148)	(2,137)	5,185
Iniciativas Gestiomat, S.L.	(3,428)	-	(602)	(4,030)
La Caja Tours, S.A.	19	-	(315)	(296)
Pagumar, A.I.E.	8,563	-	(1)	8,562
Parque Biológico de Madrid, S.A.	356	-	(579)	(223)
Plurimed, S.A.	1,807	-	16	1,823
Reales Atarazanas, S.L.	(723)	-	(116)	(839)
Reser, Subastas y Servicios Inmobiliarios, S.A.	172	-	(172)	-
Maraton Gardens Sp. Z.O.O.	1,727	-	(1,727)	-
Viajes Caja Ávila, S.A.	(41)	-	38	(3)
Xaday Proyectos y Aplicaciones, S.L.	(9)	-	6	(3)
Other companies	(100,626)	-	15,114	(85,512)
Balances at the end of the year	**(47,958)**	**(2,148)**	**10,442**	**(39,664)**

31 December 2012

(Thousands of euros)

COMPANY	31/12/2011	Dividends paid to non-controlling shareholders	Capital increase and other	31/12/2012
Adamar Sectors, S.L.	161	-	(1,312)	(1,151)
Alquiler para Jóvenes Viviendas Colmenar Viejo, S.L.	1,159	-	(7)	1,152
Arrendadora Equipamientos Ferroviarios, S.A.	1,501	-	26	1,527
Baja California Investments, B.V.	499	-	(499)	-
Bancofar, S.A.	34,454	-	(682)	33,772
Cavaltour, Agencia de Viajes, S.A.	1,146	-	(57)	1,089
Cobimansa Promociones Inmobiliarias, S.L.	661	-	(2,295)	(1,634)
Corporación Financiera Caja Madrid, S.A.	38,379	-	(38,379)	-
Corporación Financiera Habana, S.A.	9,156	-	314	9,470
Iniciativas Gestiomat, S.L.	1,997	-	(5,425)	(3,428)
Inmacor Desarrollo S.A. de C.V.	689	-	(689)	-
La Caja Tours, S.A.	19	-	-	19
Pagumar, A.I.E.	8,564	-	(1)	8,563
Parque Biológico de Madrid, S.A.	860	-	(504)	356
Playa Paraiso Maya S.A. de CV	691	-	(691)	-
Plurimed, S.A.	2,008	-	(201)	1,807
Portuna Investment, B.V.	3,695	-	(3,695)	-
Proyectos y Desarrollos Hispanomexicanos S.A. de C.V.	(1,603)	-	1,603	-
Reales Atarazanas, S.L.	20	-	(743)	(723)
Reser, Subastas y Servicios Inmobiliarios, S.A.	77	-	95	172
Restaura Maraton Gardens Sp.Z.O.O.	3,163	-	(1,436)	1,727
Varamitra Real Estates, B.V.	(15)	-	15	-
Viajes Caja Ávila, S.A.	5	-	(136)	(41)
Xaday Proyectos y Aplicaciones, S.L.	120	-	(129)	(9)
Other companies	20,711	-	(121,337)	(100,626)
Balances at the end of the year	**128,207**	**-**	**(176,165)**	**(47,958)**

Following is a detail of the non-Group or related companies with ownership interests of 10% or more in Group companies at 31 December 2013 and 2012:

Group company	Investment holder	Ownership interest	
		31/12/2013	31/12/2012
Aliancia Inversión en Inmuebles Dos, S.L.	Viviendas Caja Círculo, S.A.U.	18.69	18.69
Aliancia Zero, S.L.	Banco CAM, S.A.U.	14.63	14.63
Alquiler para Jóvenes de Viviendas en Colmenar Viejo, S.L.	Bruesa Construcciones, S.A.	19.20	19.20
Arrendadora Aeronáutica, A.I.E.	Instituto de Crédito Oficial	17.21	17.21
Arrendadora de Equipamientos Ferroviarios, S.A.	Inversiones en Concesiones Ferroviarias, S.A.	15.00	15.00
Cavaltour, Agencia de Viajes, S.A.	Viajes Iberia, S.A.	50.00	50.00
Cívitas Inmuebles, S.L.	Jocasepama, S.L.	-	20.00
Cobimansa Promociones Inmobiliarias, S.L.	Grupo AA 1885, S.L.	16.70	16.70
Corporación Financiera Habana, S.A.	Banco Popular de Ahorro de Cuba, S.A.	40.00	40.00
Garanair, S.L.	El Corte Inglés, S.A.	13.00	13.00
Geoportugal - Imobiliaria, LDA.	Geoinvers, S.A.	42.20	42.20
Gestora de Suelo de Levante, S.L.	Gestión y Transformación del Suelo, S.L.	33.33	33.33
Iniciativas Gestiomat, S.L.	Fornas Ibiza, S.L.	15.04	15.04
Jardi Residencial La Garriga, S.L.	Nyesa Servicios Generales,S.L.	49.00	49.00
La Caja Tours, S.A.	Iniciativas Turísticas de Cajas de Ahorros, S.A.	29.77	29.77
Pagumar, AIE	Caja España de Inversiones, Salamanca y Soria, CAMP	14.55	14.55
Reales Atarazanas, S.L.	Torrescamara y Cia de Obras, S.A.	30.00	30.00
Renlovi, S.L.	Restaura, S.L.	-	49.00
Reser, Subastas y Servicios Inmobiliarios, S.A.	Roan Asesoramiento Inmobiliario, S.A.	-	45.00
Restaura Maraton Gardens Sp. Z.O.O.	Inverporfolio Internacional, S.A..	-	28.17
Viajes Caja de Ávila, S.A.	Iniciativas Turísticas de Cajas, S.A.	30.00	30.00
Viajes Hidalgo, S.A.	Iniciativas Turísticas de Cajas, S.A.	25.02	25.02

(25) Valuation adjustments

Available-for-sale financial assets

This item in the accompanying consolidated balance sheet includes the net amount of the changes in fair value of available-for-sale financial assets which must be recognised in the Group's equity. These changes are recognised in the consolidated income statement when the assets which gave rise to them are sold or become impaired.

The following table provides details of the gains and losses by financial instrument at 31 December 2013 and 2012:

31 December 2013

(Thousands of euros)					
TOTAL GROSS	**Gains**	**Losses**	**AMOUNTS NET OF TAX EFFECT**	**Gains**	**Losses**
Quoted debt securities	1,154,960	(156,923)	Quoted debt securities	808,471	(109,846)
Unquoted debt securities	11,076	(1)	Unquoted debt securities	7,754	(1)
Quoted equity instruments	-	-	Quoted equity instruments	-	-
Unquoted equity instruments	-	(1,744)	Unquoted equity instruments		(1,221)
TOTAL	**1,166,036**	**(158,668)**	**TOTAL**	**816,225**	**(111,068)**
TOTAL GAINS (GROSS)	**1,007,368**		**TOTAL GAINS (NET)**	**705,157**	

31 December 2012

(Thousands of euros)					
TOTAL GROSS	Gains	Losses	AMOUNTS NET OF TAX EFFECT	Gains	Losses
Quoted debt securities	246,556	(1,388,441)	Quoted debt securities	172,589	(971,909)
Unquoted debt securities	44,104	(24,376)	Unquoted debt securities	30,873	(17,063)
Quoted equity instruments	-	-	Quoted equity instruments	-	-
Unquoted equity instruments	-	-	Unquoted equity instruments	-	-
TOTAL	**290,660**	**(1,412,817)**	**TOTAL**	**203,462**	**(988,972)**
TOTAL LOSSES (GROSS)	**-**	**(1,122,157)**	**TOTAL LOSSES (NET)**	**-**	**(785,510)**

Cash flow hedges

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

Hedges of net investments in foreign operations

This item in the accompanying consolidated balance sheet includes the effective portion of the net gain or loss on hedging instruments in hedges of net investments in foreign operations (see Note 2.3).

Exchange differences

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

The detail of this heading in the consolidated balance sheet at 31 December 2013 and 2012 is as follows:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Exchange differences arising as a result of the consolidation process		
CM Florida Holdings, Inc / City National Banchares INC	-	4,639
Caja Madrid Cibeles, S.A.	826	826
Corporación Financiera Habana, S.A.	(383)	210
Beimad Investment Services Co, Ltd	(6)	(6)
Caymadrid Internacional, Ltd	(3)	2
Harbor Drive LLC	-	(18)
Habitat USA Corporación	(1,233)	(1,506)
Emeral Place	172	(260)
Restaura Maraton Gardens Sp.Z.O.O.	-	122
Restaura Wislana, Sp.Z.O.O.	-	(20)
Other exchange differences	(17)	(70)
Total	**(644)**	**3,919**

Entities accounted for using the equity method

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

The detail of this heading in the consolidated balance sheet at 31 December 2013 and 2012 is as follows:

(Thousands of euros)		
COMPANY	31/12/2013	31/12/2012
Aseguradora Valenciana, S.A. de Seguros y Reaseguros	-	(15,041)
Mapfre Caja Madrid Vida, S.A. de Seguros y Reaseguros	11,223	(2,791)
Other companies	-	13
Total	**11,223**	**(17,819)**

Other valuation adjustments

This item on the consolidated balance sheet shows the cumulative amount of valuation adjustments recognised in equity.

The consolidated statement of recognised income and expense for 2013 show the changes in this heading in the consolidated balance sheet for this year.

(26) Equity - Share capital and share premium, treasury share transactions, reserves and other information

(26.1) Capital and share premium

At 31 December 2012, the Bank's share capital amounted to EUR 3,987,927 thousand, represented by 1,993,963,354 fully subscribed and paid up registered shares. The following events took place in the first half of 2013 pursuant to the adoption of the restructuring instruments agreed by the FROB's Governing Committee and described in Note 1.2:

- On 17 April, after the transactions described below, Bankia, S.A.'s share capital stood at EUR 19,939,633, represented by 19,939,633 fully subscribed and paid up registered shares with a par value of EUR 1 each:
    1. reduction of Bankia, S.A.'s share capital by EUR 3,967,987,074.46 by reducing the par value of Bankia, S.A. shares from EUR 2 per share to EUR 0.01 per share;
    2. reduction of Bankia, S.A.'s share capital by EUR 0.54 via the redemption of 54 shares of EUR 0.01 par value each for the purpose of grouping the shares for the reverse split;
    3. grouping of shares and increase in par value (reverse split) of shares of Bankia, S.A. in the proportion of 100 old shares of EUR 0.01 par value each for each new share of EUR 1 par value.
- Capital increase with preferential subscription rights of EUR 10,700 million via the issuance of 7,910,324,072 shares of EUR 1 par value and a EUR 0.35266266 share premium per share. During the preferential subscription period, which began on 30 April 2013 and ended on 14 May 2013, a total of 3,899,658,746 new shares were subscribed (of which 3,841,040,108 shares related to the exercise of preferential subscription rights of BFA). The remaining 4,010,665,326 new shares were subscribed and paid up by BFA.
- Lastly, within the scope of actions regarding the management of hybrid capital instruments and subordinated debt agreed by the FROB, a total of 3,587,064,839 shares of EUR 1 par value each, with an issue premium of EUR 0.35266266 each, were issued and subscribed.

As a result of all these transactions, the Bank's share capital at 31 December 2013 amounted to EUR 11,517,329 thousand, represented by 11,517,328,544 fully subscribed and paid up registered shares (EUR 3,987,927 thousand and 1,993,963,354 shares at 31 December 2012).

Bankia, S.A.'s main shareholders at 31 December 2013 were as follows:

Shareholder	Number of shares	Ownership interest
Banco Financiero y de Ahorros, S.A.U.	7,877,272,186	68.395%

As explained in Note 1.2, on 27 June 2012, the FROB became the sole shareholder of BFA (the parent company of the Banco Financiero y de Ahorros Group, of which Bankia forms part).

(26.2) Transactions with treasury shares

In the years ended 31 December 2013 and 2012, changes to "Equity - Less: Treasury shares" on the balance sheet, showing the amount of Bankia's equity instruments held by the Bank, were as follows:

	31/12/2013		31/12/2012	
ITEM	**No. shares**	**Amount (thousands of euros)**	**No. Shares**	**Amount (thousands of euros)**
Balances at 1 January	**450,000**	**1,182**	**8,048,703**	**27,649**
+ Purchases during the year	132,322,042	101,440	96,483,997	255,023
- Sales and other changes	(120,466,976)	(90,864)	(104,082,700)	(281,490)
Balance at 31 December	**12,305,066**	**11,758**	**450,000**	**1,182**
Net gain/(loss) on transactions with treasury shares (reserves)	-	27,363	-	(72,142)

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

Certain disclosures required by applicable regulations in connection with transactions involving treasury shares of Bankia, S.A. by the Group in 2013 follow:

Acquisitions of treasury shares

- Number of treasury shares acquired in 2013: 132,322,042 (96,483,997 shares at 31 December 2012).
- Par value of treasury shares acquired in 2013: EUR 132,752 thousand (EUR 192,968 thousand at 31 December 2012).
- Average price of treasury shares acquired in 2013: 430,343 shares at EUR 0.585 per share (before the reverse split) and 131,891,699 shares at EUR 0.767 (EUR 2.643 at 31 December 2012).
- Total amount charged to equity in 2013: EUR 101,440 thousand (EUR 255,023 thousand at 31 December 2012).

Disposals of treasury shares

- Number of treasury shares sold in 2013: 120,466,976 (104,082,700 shares at 31 December 2012).
- Par value of treasury shares sold in 2013: EUR 121,347 thousand (EUR 208,165 thousand at 31 December 2012).
- Average selling price of treasury shares sold in 2013: 880,343 shares at EUR 0.609 per share (before the reverse split) and 119,586,633 shares at EUR 0.984 (EUR 2.011 at 31 December 2012).
- Amount charged to equity for sales in 2013: EUR 90,864 thousand (EUR 281,490 thousand at 31 December 2012).
- Gain/(loss) recognised with a (debit)/credit to reserves for sales in 2013: EUR (27,363) thousand (EUR 72,142 thousand at 31 December 2012).

Treasury shares held at 31 December 2013 and 2012:

- Number of treasury shares held: 12,305,066 (450,000 shares at 31 December 2012).
- Par value of treasury shares held: EUR 12,305 thousand (EUR 900 thousand at 31 December 2012).
- Average acquisition price of treasury shares held: EUR 0.956 (EUR 2.627 at 31 December 2012).
- Amount charged to equity for acquisition of treasury shares: EUR 11,758 thousand (EUR 1,182 thousand at 31 December 2012).

(26.3) Reserves

The Group's consolidated statement of changes in total equity for the year ended 31 December 2013 includes shows the changes to consolidated equity for this item in the year.

(26.3.1) Restricted reserves

The information on the Group's restricted reserves is disclosed below:

Legal reserve

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.

The amount of this reserve recognised under "Equity - Reserves" on the consolidated balance sheet at 31 December 2013 was EUR 3,608 thousand (EUR 3,608 thousand at 31 December 2012), less than the 20% mentioned in the preceding paragraph.

(26.3.2) Breakdown of reserves by entity

The detail, by fully or proportionately consolidated entities and those accounted for using the equity method, of "Reserves" in the consolidated balance sheet at 31 December 2013 and 2012 is as follows:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Acinelav Inversiones 2006, S.L.	(16,273)	(16,272)
Aseguradora Valenciana, S.A. de Seguros y Reaseguros	7,979	95,628
Bancaja Gestion Activos, S.L.	-	15,443
Bankia Banca Privada, S.A.	-	188,812
Bankia Habitat, S.L.	(1,880,656)	(28,813)
Bancaja Participaciones S.A.	(38,787)	24,230
Bankia Inversiones Financieras, S.A.U.	63,045	88,138
Cartera de Participaciones Empresariales de la Comunidad Valenciana, S.L.	27,916	37,056
CM Florida Holdings, Inc / City National Banchares INC	(14,994)	(40,929)
Corporación Industrial Bankia, S.A.U.	(186,738)	89,162
Deoleo, S.A.	(107,642)	(7,209)
Deproinmed, S.L.	(5,833)	11,769
Finanmadrid, S.A., E.F.C.	-	(179,249)
Global Via Infraestructuras, S.A.	(292,512)	(39,266)
International Consolidated Airlines Group, S.A.	-	198,445
Inmovemu, S.L.	(78,154)	(18,562)
Madrid Leasing Corporación, S.A., E.F.C.	-	(51,179)
Mapfre Cajamadrid Vida, S.A. de Seguros y Reaseguros	10,785	21,398
Pinar Habitat S.L.	(27,596)	(27,596)
Promociones y Propiedades Espacio-Habitat S.L.	(46,723)	(46,723)
Proyectos y Desarrollos Hispanoamericanos, S.A. de C.V.	12,968	10,939
Realia Business, S.A.	(117,660)	(13,101)
Torre Norte Castellana, S.A.	(483,247)	(23,563)

(26.4) Other disclosures

Other than Bankia, S.A., no other Group subsidiary was listed on an active market at 31 December 2013.

Appendix XII discloses the number and par values of, and outstanding payments on, shares issued by Group entities and held by the Bank at 31 December 2013, by share class (where applicable).

(27) Fair value

(27.1) Fair value of financial instruments

The fair value of a financial asset or liability on a specific date is the amount at which it could be delivered or settled, respectively, on that date between knowledgeable, willing parties acting freely and prudently in an arm's length transaction.

The Group generally uses the following methods to estimate the fair value of financial instruments:

- When the market publishes closing prices, these prices are used to determine the fair value.
- When the market publishes both bid and asking prices for the same instrument, the market price for a purchased asset or a liability to be issued is the bid price and that for an asset to be purchased or an issued liability is the asking price. If there is significant market-making activity or it can be demonstrated that the positions can be closed – settled or hedged – at the average price, the average price is used.
- If there is no market price for a given financial instrument or for scantly active markets, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, of valuation techniques sufficiently used by the international financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with the instrument.
- The valuation techniques used to estimate the fair value of a financial instrument meet the following requirements:
    - The techniques used are based on the most consistent and appropriate economic and financial methods, which have been demonstrated to provide the most realistic estimate of the financial instrument's price.
    - They are those which are customarily used by market participants to measure this type of financial instrument, such as discounting of cash flows, condition-based or non-arbitrage option pricing models, etc.
    - They maximise the use of available information, in relation to both observable data and recent transactions of similar characteristics, and limit the use of non-observable data and estimates as far as possible.
    - They are sufficiently and amply documented, including the reasons why they were chosen in preference to other possible alternatives.
    - They are applied consistently over time so long as the reasons for choosing them do not change.
    - The validity of the models is examined periodically using recent transactions and current market data.
    - They take into account the following factors: the time value of money, credit risk, exchange rates, commodity prices, equity prices, volatility, liquidity, prepayment risk and servicing costs.
- For financial instruments with no market or with a scantly active market, on initial recognition, the fair value is obtained either on the basis of the most recent transaction price, unless another value can be demonstrated through comparison with other recent market transactions in the same instrument, or by using a valuation technique in which all the variables are taken solely from observable market data.

- The fair value of derivatives is determined as follows:
  - Financial derivatives included in the held-for-trading portfolios which are traded in organised, transparent and deep markets: the fair value is deemed to be their daily quoted price and if, for exceptional reasons, the quoted price at a given date cannot be determined, these financial derivatives are measured using methods similar to those used to measure OTC derivatives.
  - OTC derivatives or derivatives traded in scantly deep or transparent organised markets: the fair value is taken to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement ("present value" or "theoretical close") using valuation techniques accepted by the financial markets: "net present value" (NPV), option pricing models, etc. Derivatives not supported by a CSA (market standard) collateral agreement: an own or third party credit risk adjustment (CVA and DVA) is determined using internal credit risk models (see Note 3.1) and two valuation techniques depending on the fair value exposure, the sensitivity and the notional amount:
    - for significant derivatives, the calculation is made using a Montecarlo simulation with implied market parameters (interest rates and volatilities) and a risk neutral assumption (Hull & White 1 factor model), modelled to accurately simulate all the components of the credit adjustment.
    - for insignificant or immaterial derivatives, the calculation is made considering that the perform similarly to a credit derivative with a notional amount equal to the derivative's actual exposure plus a credit spread obtained through internal models.

Determination of fair value of financial instruments

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

(Thousands of euros)

	2013		2012	
ITEM	BALANCE SHEET TOTAL	FAIR VALUE	BALANCE SHEET TOTAL	FAIR VALUE
ASSETS				
Cash and balances with central banks	3,448,606	3,448,606	4,569,525	4,569,525
Financial assets held for trading	22,243,718	22,243,718	35,772,072	35,772,072
Other financial assets at fair value through profit or loss	-	-	16,486	16,486
Available-for-sale financial assets	40,704,263	40,704,263	39,686,164	39,686,164
Loans and receivables	129,918,268	140,266,265	144,340,771	144,340,771
Held-to-maturity investments	26,979,650	27,651,364	29,159,493	29,413,906
Non current assets held for sale – Other equity instruments	460,326	460,326	524,880	524,880
Hedging derivatives	4,259,621	4,259,621	6,174,397	6,174,397
LIABILITIES				
Financial liabilities held for trading	20,217,934	20,217,934	33,655,117	33,655,117
Financial liabilities at amortised cost	207,876,942	209,674,213	243,722,867	243,722,867
Hedging derivatives	1,897,073	1,897,073	2,790,218	2,790,218

For financial instruments whose carrying amount differs from their theoretical fair value, this latter value 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.
- The fair value of “Held-to-maturity investments" is considered to be the quoted value of the investments in active markets, with the sole exception of SAREB bonds (see Note 1.15), whose fair value estimate was considered Level 2, which did not differ significantly from their carrying amount.
- The fair value of “Loans and receivables” and “Financial liabilities at amortised cost” is estimated using the discounted cash flow method based on market rates at the end of each year. The measurement is classified as Level 3 in the measurement hierarchy of approaches described below for financial instruments whose carrying amount coincides with their fair value.

Financial instruments whose carrying amount coincides with their fair value were measured as follows:

- Level 1: Financial instruments whose fair value was determined by reference to their quoted price in active markets, without making any change to these prices.
- Level 2: Financial instruments whose fair value was estimated by reference to quoted prices on organised markets for similar instruments or using other valuation techniques in which all the significant inputs are based on directly or indirectly observable market data.
- Level 3: Instruments whose fair value was estimated by using valuation techniques in which one or another significant input is not based on observable market data. An input is deemed to be significant when it is important for determining the fair value as a whole.

The 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)						
		2013			2012	
ITEM	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Financial assets held for trading	**217,965**	**22,025,753**	**-**	**353,238**	**35,418,628**	**206**
Loans and advances to customers	-	2,730	-	-	39,874	-
Debt securities	165,712	-	-	323,863	-	-
Equity instruments	38,764	-	-	22,951	-	-
Trading derivatives	13,489	22,023,023	-	6,424	35,378,754	206
Other financial assets at fair value through profit or loss	-	-	-	**16,486**	**-**	**-**
Debt securities	-	-	-	-	-	-
Equity instruments	-	-	-	16,486	-	-
Available-for-sale financial assets	**27,842,607**	**12,685,153**	**176,503**	**39,336,250**	**-**	**349,914**
Debt securities	27,842,607	12,685,153	176,503	39,336,250	-	349,914
Equity instruments	**-**	**-**	**-**	-	-	-
Non current assets held for sale – Other equity instruments	**10,270**	**108,483**	**341,573**	**27,060**	**166,824**	**330,996**
Hedging derivatives	**-**	**4,259,621**	**-**	**-**	**6,174,397**	**-**
LIABILITIES						
Financial liabilities held for trading	**113,876**	**20,104,058**	**-**	**2,272**	**33,651,980**	**865**
Trading derivatives	7,167	20,104,058	-	2,272	33,651,980	865
Short positions	106,709	-	-	-	-	-
Other financial liabilities at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**
Hedging derivatives	**-**	**1,897,073**	**-**	**-**	**2,790,218**	**-**

Below are the amounts recognised in the consolidated income statement for 2013 and 2012 due to changes in the fair value of the Group's financial instruments. The changes relate to unrealised gains and losses, with a distinction made between financial instruments whose fair value is determined by reference to published price quotations in an active market (Level 1) or using valuation techniques the variables of which are obtained from observable market data (Level 2) and all other financial instruments (Level 3), together with the unrealised cumulative changes in value at 31 December 2013 and 2012:

At 31 December 2013

(Thousands of euros)	UNREALISED GAINS AND LOSSES RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT			CUMULATIVE CHANGES IN FAIR VALUE RECOGNISED IN THE CONSOLIDATED BALANCE SHEET		
ASSETS	Level 2	Level 3	Total	Level 2	Level 3	Total
Cash and balances with central banks	**-**	**-**	**-**	-	-	**-**
Financial assets held for trading	**(11,591,670)**	**-**	**(11,591,670)**	**19,438,954**	**-**	**19,438,954**
Loans and advances to customers	2,134	-	**2,134**	2,971	-	**2,971**
Debt securities	-	-	**-**	-	-	**-**
Equity instruments	-	-	**-**	-	-	**-**
Trading derivatives	(11,593,804)	-	**(11,593,804)**	19,435,983	-	**19,435,983**
Other financial assets at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**
Debt securities	-	-	**-**	-	-	**-**
Available-for-sale financial assets	**-**	**-**	**-**	**207,061**	**19,482**	**226,543**
Debt securities	-	-	**-**	207,061	19,482	226,543
Equity instruments at fair value	-	-	**-**	-	-	**-**
Equity instruments carried at cost	-	-	**-**	-	-	**-**
Hendging derivates	**(1,732,881)**	**-**	**(1,732,881)**	**3,761,322**	**-**	**3,761,322**
TOTAL ASSETS	**(13,324,551)**	**-**	**(13,324,551)**	**23,407,337**	**19,482**	**23,426,819**

(Thousands of euros)	UNREALISED GAINS AND LOSSES RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT			CUMULATIVE CHANGES IN FAIR VALUE RECOGNISED IN THE CONSOLIDATED BALANCE SHEET		
LIABILITIES	Level 2	Level 3	Total	Level 2	Level 3	Total
Financial liabilities held for trading	**11,566,895**	**-**	**11,566,895**	**17,899,803**	**-**	**17,899,803**
Trading derivatives	11,566,895	-	11,566,895	17,899,803	-	17,899,803
Short positions	-	-	-	-	-	-
Other financial liabilities at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**
Hendging derivates	**737,566**	**-**	**737,566**	**1,550,910**	**-**	**1,550,910**
TOTAL LIABILITIES	**12,304,461**	**-**	**12,304,461**	**19,450,713**	**-**	**19,450,713**

At 31 December 2012

(Thousands of euros)	UNREALISED GAINS AND LOSSES RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT			CUMULATIVE CHANGES IN FAIR VALUE RECOGNISED IN THE CONSOLIDATED BALANCE SHEET		
ASSETS	Level 2	Level 3	Total	Level 2	Level 3	Total
Cash and balances with central banks	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets held for trading	**11,782,879**	**38**	**11,782,917**	**31,338,754**	**109**	**31,338,863**
Loans and advances to customers	344	-	344	344	-	344
Debt securities	-	-	-	-	-	-
Equity instruments	-	-	-	-	-	-
Trading derivatives	11,782,535	38	11,782,573	31,338,410	109	31,338,519
Other financial assets at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**
Debt securities	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	**(31,358)**	**(31,358)**
Debt securities	-	-	-	-	(31,358)	(31,358)
Equity instruments at fair value	**-**	**-**	**-**	**-**	**-**	**-**
Equity instruments carried at cost	-	-	-	-	-	-
Hendging derivates	**1,101,981**	**-**	**1,101,981**	**5,644,242**	**-**	**5,644,242**
TOTAL ASSETS	**12,884,860**	**38**	**12,884,898**	**36,982,996**	**(31,249)**	**36,951,747**

(Thousands of euros)	UNREALISED GAINS AND LOSSES RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT			CUMULATIVE CHANGES IN FAIR VALUE RECOGNISED IN THE CONSOLIDATED BALANCE SHEET		
LIABILITIES	Level 2	Level 3	Total	Level 2	Level 3	Total
Financial liabilities held for trading	**(11,819,765)**	**88**	**(11,819,677)**	**29,979,882**	**(3)**	**29,979,879**
Trading derivatives	(11,819,765)	88	(11,819,677)	29,979,882	(3)	29,979,879
Short positions	-	-	-	-	-	-
Other financial liabilities at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**
Hendging derivates	**(841,665)**	**-**	**(841,665)**	**2,389,750**	**-**	**2,389,750**
TOTAL LIABILITIES	**(12,661,430)**	**88**	**(12,661,342)**	**32,369,632**	**(3)**	**32,369,629**

The following table presents the main methods, assumptions and inputs used to measure the fair value of Level 2 and 3 financial instruments and the related balances at 31 December 2013:

(Millions of Euros)

<table>
<tr><th>Level 2 financial instruments</th><th>Valuation techniques</th><th>Main assumptions</th><th>Inputs</th><th>Fair Value</th></tr>
<tr><td>Debt securities</td><td rowspan="3">Present value method (discounted cash flows or DCF)</td><td rowspan="3">Calculation of the present value of future cash flows. Considering
• Issuer credit spreads
• Prepayment Rates
• Yield Curves
• Risk Neutrality, non-arbitrage</td><td rowspan="3">• Yield Curves
• Credit spreads</td><td>Debt securities: 12,685</td></tr>
<tr><td>Loans and advances to customers</td><td>Loans and advances to customers: 3</td></tr>
<tr><td>Equity instruments</td><td>Equity instruments: 108</td></tr>
<tr><td rowspan="4">Derivatives</td><td>Interest rate derivatives: Black 76</td><td>For measurement of widely traded instruments, e.g. caps, floors, European swaptions, etc. This model is widely used in the marketplace.</td><td rowspan="4">For equity, inflation, currency or commodity derivatives:
• Forward structure of the underlying
• Option Volatily
• 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
• Historical CDS volatility</td><td rowspan="4">Trading Derivatives:
Assets: 22,023
Liabilities: 20,104.
Hedging Derivatives:
Assets: 4,260
Liabilites: 1,897</td></tr>
<tr><td>For equity, currency or commodity derivatives: Black Scholes.</td><td>For measurement of widely traded instruments, e.g. call, put, straddle, etc.</td></tr>
<tr><td>For inflation derivatives: analytical formula</td><td>Absence of correlation between interest rates and inflation.
Risk neutrality, absence of arbitrage opportunities</td></tr>
<tr><td>For credit derivatives: analytical formula</td><td>Calculation of probability of default (PD) levels to ensure compliance with the risk neutrality and non-arbitrage assumptions</td></tr>
</table>

(Millions of euros)

Level 3 financial instruments:	Valuation techniques	Main assumptions	Non-observable inputs	Fair Value
Debt securities	Present value method Copula Gaussiana model	Calculation of the present value of financial instruments as the present value of the future cash flows (discounted at market interest rates), bearing in mind: Estimation of prepayment rates, issuer credit risk and current market interest rates. To measure asset backed securities (ABS), future prepayments are calculated based on conditional prepayment rates provided by the issuers. The "time-to-default" model is used to measure probability of default. One of the main variables used is the correlation between default extrapolated to several index tranches (ITRAXX and CDX) and the portfolio of underlyings of our CDOs.	• Prepayment rates • Correlation of default • Credit spread	Debt securities: 177
Equity instruments	Present value method	Net asset value (NAV) for unquoted securities	• Credit spread; • NAV provided by the issuer of the securities and/or internal estimates	Equity instruments: 342

Any reasonably possible changes in one or more variable or other assumptions would not result in a significant change in the fair value of Level 3 financial instruments relative to the total portfolio of financial instruments.

The table below shows, for measurements of the fair value of Level 3 instruments in the fair value hierarchy, recognised on the balance sheet, a reconciliation of balances recognised at 31 December 2013 and 2012:

(Thousands of euros)		
	Available-for-sale financial assets	
ASSETS	31/12/2013	31/12/2012
Opening balance	**349,914**	**551,915**
Gains or losses	111,516	(17,645)
To profit and loss	58,668	50,675
To equity valuation adjustments	52,848	(68,320)
Purchases	2,364	29,805
Settlements	(287,291)	(214,161)
Closing balance	**176,503**	**349,914**
Total gain or loss in the year on instruments held at the end of the year	**41,405**	**(2,348)**

There were no significant transfers between Levels 1 and 2 in the fair value hierarchy in 2013 and 2012.

(27.2) Fair value of tangible assets

The table below shows, for measurements of the fair value of Level 3 instruments in the fair value hierarchy, recognised on the balance sheet, a reconciliation of balances recognised at 31 December 2013 and 2012:

(Thousands of euros)				
ITEM	31/12/2013		31/12/2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Tangible assets	1,925,776	2,225,360	1,846,598	2,070,857
Property, plant and equipment for own use	1,325,364	1,591,016	1,634,183	1,831,806
Investment property	600,412	634,344	212,415	239,051
Inventories	237,970	237,970	262,261	262,261

The fair value of buildings was estimated taking the latest appraisal by independent experts for each of the assets appraised.

The fair values at 31 December 31 2013 and 2012 of the Bankia Group’s property, plant and equipment for own use classified under “Non-current assets held for sale” at those dates were EUR 397,407 thousand and EUR 622,770 thousand, respectively. The values were mainly based on independent expert appraisals.

In addition, the fair value of the Bankia Group’s foreclosed real estate assets classified under “Non-current assets held for sale” in the consolidated balance sheet at 31 December 2013 and 2012 was EUR 3,385,870 thousand and EUR 2,436,506 thousand, respectively. The fair value was estimated by an independent expert based on the latest available appraisals of the assets, adjusted where appropriate to reflect the estimated impact of changes in the appraisals from those dates caused by trends in key macroeconomic variables affecting the Spanish real estate industry. These variables mainly factor in the type of asset, the age of the available appraisal and the geographic location of the asset.

(28) Tax matters

(28.1) Consolidated tax group

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

ABITARIA CONSULTORIA Y GESTION, S.A.

AVANZA INVERSIONES EMPRESARIALES, SGECR, S.A.

BANKIA INVERSIONES FINANCIERAS, S.A.

CORPORACIÓN INDUSTRIAL BANKIA, S.A.

ESTRATEGIA INVERSIONES EMPRESARIALES, SCR, S.A.

INMOGESTION Y PATRIMONIOS, S.A.

INTERMEDIACIÓN Y PATRIMONIOS, S.L.

MEDIACIÓN Y DIAGNOSTICOS, S.A.

PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L. (PACIN)

PLURIMED, S.A.

SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID, S.A. (S.P.P.E.)

VALORACION Y CONTROL, S.L.

ACCIONARIADO Y GESTION, S.L.

GARANAIR, S.L.

NAVIERA CATA,S.A.

SECTOR DE PARTICIPACIONES INTEGRALES, S.L.

TORRE NORTE CASTELLANA, S.A.

ARRENDADORA DE EQUIPAMIENTOS FERROVIARIOS, S.A.

SALA RETIRO, S.A.

ADAMAR SECTORS, S.L.

BANKIA HABITAT S.L

BENIDORM COMPLEJO VIDA & GOLF UNIPERSONAL S.L.UNIPERSONAL

CIVITAS INMUEBLES, S.L.

COMPLEJO CAPRI GAVA MAR, S.A.

COSTA EBORIS S.L

ENCINA LOS MONTEROS S.L

HABITAT RESORTS S.L UNIPERSONAL

OCIO LOS MONTEROS S.L. UNIPERSONAL

SANTA POLA LIFE RESORTS, S.L.UNIPERSONAL

XADAY PROYECTOS Y APLICACIONES, S.L.

ALQUILER PARA JOVENES VIVIENDAS COLMENAR VIEJO S.L.

COBIMANSA PROMOCIONES INMOBILIARIAS, S.L.

COLMENAR DESARROLLOS RESIDENCIALES, S.L.

FINCAS Y GESTIÓN INMOBILIARIA 26001, S.L.U.

INMOVEMU, S.L.

INVERÁVILA, S.A.

INVERSIÓN EN ALQUILER VIVIENDAS S.L.

INVERSIONES Y DESARROLLOS 2069 MADRID, S.L.

URBAPINAR S.L.

VIVIENDAS ALQUILER MOSTOLES S.L.

CAMÍ LA MAR DE SAGUNTO, S.L.

GES LAYETANA DE PENSIONES S.A., ENTIDAD GESTORA DE FONDOS DE PENSIONES

LAIETANA GENERALES, CÍA. SEGUROS DE LA CAJA DE AHORROS LAIETANA, S.A.U.

LAIETANA MEDIACIÓN OPERADOR DE BANCA-SEGUROS VINCULADO, S.A.U.

LAIETANA VIDA, CIA. SEGUROS DE LA CAJA DE AHORROS LAIETANA, S.A.U.

BANKIA MEDIACION BANCA SEGUROS (ANTES CAJA SEGOVIA OPERADOR DE BANCA SEGUROS, S.A.)

BANKIA BANCA PRIVADA GESTION SGIIC SA

ARCALIA SERVICIOS, S.A.

BANKIA BANCA PRIVADA

BANKIA PENSIONES, S.A. E.G.F.P.

BANKIA FONDOS S.G.I.I.C., S.A.

MINERVA RENOVABLES (ANTES LA CAJA DE CANARIAS MEDIACIÓN OPERADOR DE BANCA - SEGUROS VINCULADO)

MONDRASOL 1, S.L.

MONDRASOL 10, S.L.

MONDRASOL 11, S.L.

MONDRASOL 12, S.L.

MONDRASOL 13, S.L.

MONDRASOL 14, S.L.

MONDRASOL 15, S.L.

MONDRASOL 2, S.L.

MONDRASOL 3, S.L.

MONDRASOL 4, S.L.

MONDRASOL 5, S.L.

MONDRASOL 6, S.L.

MONDRASOL 7, S.L.

MONDRASOL 8, S.L.

MONDRASOL 9, S.L.

PARKIA CANARIAS, S.L.

VOLTPRO I, S.L.

VOLTPRO II, S.L.

VOLTPRO III, S.L.

VOLTPRO IV, S.L.

VOLTPRO IX, S.L.

VOLTPRO V, S.L.

VOLTPRO VI, S.L.

VOLTPRO VII, S.L.

VOLTPRO VIII, S.L.

VOLTPRO X, S.L.

VOLTPRO XI, S.L.

VOLTPRO XII, S.L.

VOLTPRO XIII, S.L.

VOLTPRO XIV, S.L.

VOLTPRO XIX, S.L.

VOLTPRO XV, S.L.

VOLTPRO XVI, S.L.

VOLTPRO XVII, S.L.

VOLTPRO XVIII, S.L.

VOLTPRO XX, S.L.

INVERSIONES TURÍSTICAS DE ÁVILA, S.A.

BANCAJA CONSULTORA DE RIESGOS, S.L.

BANCAJA EMISIONES, S.A. UNIPERSONAL

BANCAJA GESTION ACTIVOS, S.L

BANCAJA PARTICIPACIONES S.L

BANCAJA US DEBT

GRUPO BANCAJA CENTRO DE ESTUDIOS S.A.

INVERCALIA GESTIÓN PRIVADA S.A.

SPEC GESTION INVERSION (ANTES OPERADOR DE BANCA SEGUROS VINCULADO A GRUPO BANCAJA, S.A.)

VALENCIANA DE INVERSIONES MOBILIARIAS, S.L

SEGURÁVILA, OPERADOR DE BANCA-SEGUROS VINCULADO DE CAJA DE AHORROS DE ÁVILA, S.L.

PARQUE BIOLÓGICO DE MADRID, S.A.

MADRID LEASING CORPORACIÓN, S.A., E.F.C.

AUTO RENTING RIOJA, S.A.U.

CAJARIOJA MEDIACIÓN DE SEGUROS O.B.S., S.A.U.

CORPORACIÓN EMPRESARIAL CAJARIOJA, S.A.U.

GESTIÓN DE INICIATIVAS RIOJANAS, S.A.U.

SEGURBANKIA, S.A.

GESTORA DE DESARROLLOS Y ARRENDAMIENTOS, S.L.

All other subsidiaries and other entities included in the scope of consolidation of the Bankia Group at 31 December 2013 file individual income tax returns.

(28.2) Years open for review by the tax authorities and provisions recognised

At 31 December 2013, the Bank had the last four years open to review by the tax inspection authorities for all the taxes applicable to it.

In 2009, the tax authorities performed an inspection on the main sections of the tax return applicable to Altae Banco, S.A. (which changed its corporate name in 2011 to Bankia, S.A. and carried out the private banking business) for the years 2005 and 2006 (with the exception of corporate income tax, in which an inspection was carried out for the years 2004 to 2006). Following the inspections, the authorities raised tax assessments for a total amount of EUR 396 thousand, which were signed in agreement and subsequently settled.

Inspections performed at the "Cajas"

In relation to the "Cajas" which transferred their financial business on 16 May 2011, firstly to Banco Financiero y de Ahorros and subsequently to the Bank, the information is as follows:

- On 24 July 2009, inspections were performed at Caja de Ahorros y Monte de Piedad de Madrid in order to ascertain compliance with tax obligations and duties in respect of the following items and periods:

ITEM	PERIOD
Income tax	2004 to 2006
Value added tax	07/2005 to 2006
Withholdings / Payments on account of earned income	07/2005 to 2006
Withholdings / Payments on account for investment income	07/2005 to 2006
Withholdings / Payments on account for leases	07/2005 to 2006
Withholdings on account on non-resident income	07/2005 to 2006
Annual statement of operations	2005 and 2006
Summarised statement - intracommunity provision and acquisition of goods	2005 and 2006

- On 19 October 2012, an assessment for withholdings/prepayment on investment income of EUR 370 thousand was signed under protest and appealed before the Central Economic Administrative Court. On 8 April 2013, a fine for withholdings/prepayment on investment income of EUR 175 thousand was issued. This fine was appealed before the Central Economic Administrative Court.

- On 7 June 2013, assessments related to income tax for the years 2004 to 2006 of Tax Group 38/90 whose parent was Caja de Ahorros y Monte de Piedad de Madrid for a total amount of EUR 9,694 thousand were signed in agreement. The amount was paid on 20 August 2013.

- On 23 December 2013, a fine for income tax for the years 2004 to 2006 was issued to Tax Group 38/90, which was appealed before the Central Economic Administrative Court.

- On 7 June 2011, inspections were performed at Caja de Ahorros y Monte de Piedad de Segovia in order to ascertain compliance with tax obligations and duties in respect of the following items and periods:

ITEM	PERIOD
Income tax	2007 to 2009
Value added tax	2008 to 2010
Withholdings / Payments on account for investment income	2008 to 2010

Subsequently, on 8 February 2012, an agreement was reached to extend the investigation to include 2010. This extension partially refers to income tax for that year, limited to potential incidents in 2010 of possible tax contingencies arising on financing granted by the Caja to its subsidiaries for their mark-to-market valuations.

On 18 September 2013, assessments for the following items were signed in agreement:

ITEM	Thousands of euros
Income tax	2,839
Value added tax	1,055
Withholdings / Payments on account for investment income	75

On 5 December 2013, a total of EUR 3,969 thousand was paid.

Meanwhile, an assessment for income tax for 2007 and 2008 of EUR 502 thousand was signed under protest and appealed before the Central Economic Administrative Court.

On 19 November 2013, a fine was issued (abbreviated procedure) for the following items and years, which was signed in agreement. The deadline for voluntary payment of the fines (EUR 475 thousand) is 5 February 2014:

ITEM	Thousands of euros
Income tax	248
Value added tax	227

- On 8 July 2010, inspections were performed at Caja Insular de Ahorros de Canarias in order to ascertain compliance with tax obligations and duties in respect of the following items and periods:

ITEM	PERIOD
Income tax	2005 to 2008
Value added tax	06/2006 to 2009
Withholdings / Payments on account of earned income	06/2006 to 2009
Withholdings / Payments on account for leases	06/2006 to 2009
Withholdings on account on non-resident income	06/2006 to 2009
Withholdings / Payments on account for investment income	06/2006 to 2009

On 12 December 2012, tax assessments were signed in disagreement for the following:

ITEM	Thousands of euros
Income tax	848
Value added tax	891
Withholdings / Payments on account of earned income	55
Withholdings on account on non-resident income	55
Withholdings / Payments on account for investment income	482

These amounts, for a combined total of EUR 2,331 thousand, were paid on February 2013.

On 10 April 2013, a fine was issued (abbreviated procedure) for the following items and years, which was signed in agreement.

ITEM	Thousands of euros
Income tax	282
Withholdings / Payments on account of earned income	10
Withholdings on account on non-resident income	11

These amounts were paid on 5 July 2013.

- On 15 February 2012, inspections began at Bancaja in order to ascertain compliance with tax obligations and duties in respect of the following items and periods:

ITEM	PERIOD
Income tax	2008 to 2010
Value added tax	2008 to 2010
Withholdings / Payments on account of earned income	2008 to 2010
Withholdings / Payments on account for leases	2008 to 2010
Withholdings on account on non-resident income	2008 to 2010
Withholdings / Payments on account for investment income	2008 to 2010

On 26 November 2013, assessments for the following items were signed in agreement:

ITEM	Thousands of euros
Withholdings / Payments on account of earned income	28
Withholdings / Payments on account for investment income	687

The deadline for voluntary payment is 5 February. A fine (abbreviated procedure) was also issued for withholdings/payment on account of employee/independent professionals income tax of EUR 67 thousand, payment of which is due by 5 February 2014.

An assessment was also signed in agreement for taxes withheld on account from non-residents of EUR 394 thousand, which was paid on 28 November 2013.

The tax inspections for the rest of the items are still ongoing at present. No matter worthy of disclosure has arisen in this respect.

- On 12 June 2012, inspections were performed at Caja de Ahorros y Monte de Piedad de Avila in order to ascertain compliance with tax obligations and duties in respect of the following items and periods:

ITEM	PERIOD
Income tax	2008 to 2010
Value added tax	05/2008 to 12/2010
Withholdings / Payments on account for leases	05/2008 to 12/2010
Withholdings on account on non-resident income	05/2008 to 12/2010
Withholdings / Payments on account of earned income	02/2009 to 12/2010
Withholdings / Payments on account for investment income	05/2008 to 12/2010

Verification and inspection activities are still ongoing to date, and no noteworthy aspects have been singled out.

- On 20 June 2012, inspections were performed at Caja Rioja in order to ascertain compliance with tax obligations and duties in respect of the following items and periods:

ITEM	PERIOD
Income tax	2008 to 2010
Value added tax	05/2008 to 12/2010
Withholdings / Payments on account for leases	05/2008 to 12/2010
Withholdings on account on non-resident income	05/2008 to 12/2010
Withholdings / Payments on account of earned income	02/2009 to 12/2010
Withholdings / Payments on account for investment income	05/2008 to 12/2010

  Verification and inspection activities are still ongoing to date, and no noteworthy aspects have been singled out.

  Meanwhile, on 18 December 2012, inspections began at Caixa D'Estalvis Laietana in order to ascertain compliance with tax obligations and duties in respect of the following items and periods:

ITEM	PERIOD
Income tax	2008 to 2010
Value added tax	11/2008 to 12/2010
Withholdings / Payments on account for leases	11/2008 to 12/2010
Withholdings on account on non-resident income	11/2008 to 12/2010
Withholdings / Payments on account of earned income	2009 to 2010
Withholdings / Payments on account for investment income	11/2008 to 12/2010

  Verification and inspection activities are still ongoing to date, and no noteworthy aspects have been singled out.

As a result of the aforementioned tax assessments appealed, and due to the varying interpretations that may arise from fiscal regulations, the outcome of inspections by the authorities for the years inspected (for both the Cajas and the Bank) may give rise to tax liabilities that cannot be objectively quantified at the present time. However, it is estimated that if any contingent liability arose that was not reasonably covered (see Note 22), this would not significantly affect the true and fair view of the Group’s equity and financial position.

(28.3) Reconciliation of accounting profit/(loss) to taxable profit (tax loss)

The following table shows a reconciliation of the income tax figure recognised in the consolidated income statement for 2013 and 2012 to the consolidated profit/(loss) before tax for the years multiplied by the tax rate applicable in Spain:

(Thousands of euros)

ITEM	31/12/2013	31/12/2012
Accounting profit/(loss) before tax	280,130	(22,189,225)
Applicable tax rate	30%	30%
Income tax at 30%	84,039	(6,656,767)
Impact of permanent differences (*)	17,690	14,221
Tax credits and tax relief for the Bank	(4,563)	(30,016)
Prior year income tax expense/(receipt) (**)	(209,391)	-
Income tax not recognised in the income statement	-	3,675,948
Current income tax expense recognised in the income statement	**(112,225)**	**(2,996,614)**

(*) Includes, among others, the effect of "Share of profit/loss of entities accounted for using the equity method" in the accompanying consolidated income statement.

(**) Relates mainly to the recognition of deferred tax assets arising on impairment losses recognised in 2012 under the scope of Royal Decree-Law 14/2013 (see Note 28.5) as their future recovery is guaranteed by the "monetisation" mechanisms included in the law.

(28.4) Tax recognised directly in consolidated equity

In addition to the income tax recognised in the consolidated income statement for 2013, the Group recognises in consolidated equity the taxes relating basically to "Valuation Adjustments" (which includes available-for-sale financial assets, cash flow hedges, hedges of net investments in foreign operations, and exchange differences) and to "Equity – Reserves" on the accompanying consolidated balance sheet, amounting to EUR (651,848) thousand and EUR 87,650 thousand, respectively.

(28.5) Deferred tax assets and liabilities

Royal Decree 14/2013, of 29 December

On 30 November 2013, Royal Decree-Law 14/2013, of 29 December, on urgent measures to adapt Spanish law to European legislation on the supervision and solvency of financial institutions was published in the Official State Gazette *(Boletín Oficial del Estado)*. With effect for tax periods commencing on or after 1 January 2014, this Royal Decree-Laws adds a twenty-second additional provision to the TRLIS, enacted by Royal Decree-Law 4/2004, of 5 March "Conversion of deferred tax assets into credits that give rise to a receivable from the tax authorities".

In light of this article, deferred tax assets related to credit loss allowances or other assets for potential debtor insolvency not related to the taxpayer, provided that article 12.2.a) of the TRLIS is not applicable, as well as those related to the application of articles 13.1.b) and 14.1.f) of the same law regarding contributions to employee welfare systems or pensions schemes and, as applicable, provisions for pre-retirement schemes, may be converted into credits that give rise to a receivable from the tax authorities when any of the following circumstances arise:

a) That the taxpayer recognises accounting losses in its annual accounts (audited and approved by the corresponding body). In this case, the amount of deferred tax assets to be converted will be determined by applying the ratio of accounting losses to the sum of capital and reserves to these deferred tax assets.
b) That the entity is in liquidation or has been legally declared insolvent.

For this conversion of deferred tax assets into a credit that gives rise to a receivable from the tax authorities, the taxpayer may request a credit from the tax authorities or offset the credit with other tax liabilities which the taxpayer itself generates as of the time of conversion. Nevertheless, the procedure and deadline for offset or credit have yet to be established in regulations.

In addition, these deferred tax assets may be exchanged for Spanish government debt once the legal offset period for tax losses has elapsed (currently 18 years), to be computed as from the accounting recognition of these tax assets. The procedure and period for offset or credit have yet to be established in regulations.

A new section 13 of article 19 of TRLIS, *Timing differences*, has been added for determining taxable income/(tax loss) for income tax purposes, with retroactive effect from tax periods commencing on or after 1 January 2011.

In light of the new section 13 of article 19 of the TRLIS, provisions for impairment of loans or other insolvency-related assets vis-à-vis unrelated debtors to which the deductibility limitation provided for in article 12.2.a) of the TRLIS does not apply, as well as allowances or contributions to welfare of early retirement schemes to which the limitations on deductibility provided for in articles 13.1.b) and 14.1.f) of the same law apply, have generated deferred tax assets will be included in the tax base up to the limit of the positive tax base of the year before their inclusion and the offset of tax losses.

As a result of the new timing criteria, the Group calculated a different tax base for 2011 and 2012 than declared, which it will report to the tax authorities in due time and form.

Accordingly, the figures shown below in “Deferred tax assets and liabilities” for deferred tax assets and tax losses for 2013 are not comparable to those for 2012 included in the 2012 consolidated annual financial statements. The 2013 figures show the balances capitalised for deferred tax assets applying the new section 13 of article 19 of the TRLIS from 2011 to 2013, whereas the data for 2012 in the annual accounts approved for that year did not take into consideration the criterion for recognition.

Similarly, that section includes new figures for taxable income (tax losses) for 2011 and 2012, estimating the impact of article 19.13 of the TRLIS. This amount may differ from the tax loss subsequently reported to the tax authorities. Nevertheless, any difference should not have a material effect on the Group’s results or equity.

Deferred tax assets and liabilities

Pursuant to the tax legislation in force in the countries in which the consolidated companies are located, certain temporary differences arose that must be taken into account when quantifying the related income tax expense.

The sources of deferred taxes recognised in the balance sheets at 31 December 2013 and 2012, bearing in mind the impact of the retroactive application of article 19.3 of the TRLIS, are as follows:

(Thousands of euros)

ITEM	31/12/2013	31/12/2012
Deferred tax assets (prepayments) arising at the Bank from consolidation adjustments	**7,859,137**	**8,621,624**
Pre-paid taxes arising from temporary differences in the recognition of accounting and taxable income and expense	4,649,238	3,450,053
Investments in subsidiaries, branches, associates and joint ventures	-	513,001
Credit losses (*)	3,749,633	1,985,535
Impairment losses recognised on financial assets with consolidation adjustments	72,896	307,733
Impairment losses on foreclosed assets (*)	712,020	405,600
Other impairment losses	-	45,107
Loan origination fees	-	13,028
Accelerated depreciation and amortisation	-	11,263
Additions to provisions for pensions (*)	114,689	79,686
Recognised provisions	-	89,100
Tax assets relating to unused tax credits and tax relief	4,563	294,351
Losses on available-for-sale financial assets	51,913	427,321
Recognised unused tax losses	3,153,423	4,428,462
Other items	-	20,937
Deferred tax assets (prepayments) arising at Group entities (*)	**672,806**	**288,100**
Total	**8,531,943**	**8,909,224**

(*)Deferred tax assets eligible to be “monetised”

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Deferred tax liabilities arising at the Bank:	**1,051,073**	**868,617**
Unrealised gains on available-for-sale financial assets	828,386	567,732
Unrealised gains on cash flow hedges	16,534	11,067
Unrealised gains on properties	106,988	190,029
Other items	99,165	99,789
Deferred tax liabilities arising at other Group entities	**100,818**	**147,927**
Total	**1,151,891**	**1,016,544**

The detail of both recognised tax loss carryforwards of the Bank at 31 December 2013, including their year of origin and expiry date in accordance with applicable tax legislation, is as follows:

(Thousands of euros)			
ITEM			
Year giving rise to the tax loss	Years remaining at 31 December 2013 until their use	Amount of the tax loss available for offset	Amount of the deferred tax asset recognised (tax credit)
Recognised amounts			
2009	14	7,076	2,123
2010	15	615,298	184,589
2011 (*)	16	1,208,076	362,423
2012 (*)	17	8,680,959	2,604,288
2013 (**)	18	1,001,855	-
TOTAL		**11,513,264**	**3,153,423**

(*) As indicated above, the tax losses for 2011 and 2012 were calculated estimating the impact of article 19.13 of the TRLIS approved by Royal Decree-Law 14/2013, of 29 December, on urgent measures to adapt Spanish law to European legislation on the supervision and solvency of financial institutions. These amounts may differ from the tax losses subsequently reported to the tax authorities. Nevertheless, any difference should not have a material effect on the Bank’s results or equity.

(**) Estimated amount, which may differ from the tax loss subsequently reported in the 2013 income tax return.

The detail of recognised unused deductions and deductions available for offset by the Bank at 31 December 2013, including their year of origin and expiry date in accordance with applicable tax legislation, is as follows:

(Thousands of euros)			
ITEM	31/12/2013		
Year giving rise to the tax credits	Years remaining at 31 December 2013 until their use	Amount of the tax credits or tax relief available for offset	Amount of the deferred tax asset recognised
2005-Deduction for international double taxation	2	85	-
2005-Other deductions	7	103	-
2008-Deduction for reinvestment	10	65,890	-
2008- Deduction for R&D	13	405	-
2009-Deduction for reinvestment	11	67,402	-
2009- Deduction for internal double taxation	3	355	-
2009- Deduction for R&D	14	2,319	-
2009-Other deductions	11	2,394	-
2009-Deductions for donations (Law 49/2002)	6	419	-
2010-Deduction for reinvestment	12	35,433	-
2010- Deduction for internal double taxation	4	42,785	-
2010- Deduction for international double taxation	7	3,034	-
2010- Deduction for R&D	15	1,872	-
2010-Other deductions	12	1,582	-
2010-Deductions for donations (Law 49/2002)	7	439	-
2011- Deduction for internal double taxation	5	65,982	-
2011- Deduction for international double taxation	8	1,748	-
2011- Deduction for R&D	16	1,202	-
2011-Other deductions	13	450	-
2011-Deductions for donations (Law 49/2002)	8	140	-
2012- Deduction for internal double taxation	6	8,823	-
2012- Deduction for international double taxation	9	1,012	-
2012- Deduction for R&D	17	1,502	-
2013-Deduction for internal double taxation	7	4,563	4,563
TOTAL		**309,939**	**4,563**

(28.6) Other tax information

In accordance with prevailing law, Bankia's individual financial statements for 2013 and prior years provide the following additional tax information:

- Transactions carried out in 2013 and previous years pursuant to Chapter VIII Title VII of the Revised Corporate Income Tax Law approved by Royal Legislative Decree 4/2004 of 5 March;
- The tax credit for the reinvestment of extraordinary income and the Canary Island investment reserve;
- The provisions of Article 12.3, final section, of the Revised Corporate Income Tax Law approved by Royal Legislative Decree 4/2004 of 5 March in force until 31 December 2012.

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

To assess the recoverability of the net deferred tax assets recognised by the Group at 31 December 2013, amounting to EUR 7,380,052 thousand, the directors analysed, based on the nature of the assets, the ability to generate sufficient taxable profit against which they can be utilised within the legal period. This analysis was based on the assumptions, conditions and estimates contained in the Restructuring Plan approved by the authorities and updated to reflect changes observed in certain parameters in 2013, which to date the Group is fulfilling without any significant deviations (see Note 1.2). The Restructuring Plan considers a forecast period (2012 to 2017), by the end of which the Group would achieve a return on equity above 10%. It assumes constant growth thereafter for future periods estimated according to forecast inflation in the long term, enabling the full recovery of the net tax assets within the legal period. 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 (see Note 28.5), at 31 December 2013, the Group had deferred tax assets amounting to EUR 5,249,148 thousand that meet the requirements under this law. Accordingly, their future recovery is guaranteed through the monetisation mechanisms established in RDL 14/2013, although this recovery is not expected to be through the offset of future profit.

(29) Other significant disclosures

(29.1) Asset transfers

(29.1.1) Securitisation

Group entities performed various securitisation transactions whereby they transferred loans and credits in their portfolio to several securitisation special-purpose vehicles. These assets were derecognised when substantially all the associated risks and rewards were transferred. The securitised assets are recognised in the consolidated balance sheet when all the associated risks were not substantially transferred.
The consolidation of special-purpose vehicles entails the elimination of the related transactions between Group entities, including most notably: loans to special-purpose vehicles, liabilities associated with assets not derecognised, credit enhancements granted to special-purpose vehicles and bonds acquired by Group entities.

"Loans and advances to customers" includes, inter alia, loans transferred to third parties through securitisation for which risk is retained, if only partially, which in accordance with applicable accounting standards cannot be derecognised from the balance sheet. The detail of securitised loans by nature of the underlying financial instrument and the securitised loans that meet the requirements for derecognition from the balance sheet (see Note 2.2.2) are shown in the table below.

(Thousands of euros)	31/12/2013	31/12/2012
Derecognised	**939,403**	**1,096,359**
Of which mortgage assets securitised through:	939,386	1,096,267
Mortgage participations	574,970	679,992
Mortgage transfer certificates	364,416	416,275
Other securitised assets	17	92
On balance sheet	**19,962,033**	**23,362,263**
Of which mortgage assets securitised through:	17,017,832	18,850,762
Mortgage participations	8,869	10,254
Mortgage transfer certificates	17,008,963	18,840,508
Other securitised assets	2,666,658	4,278,319
Foreclosed assets from securitised mortgage assets	277,543	233,182

Appendix V to these consolidated financial statements shows detail of securitisation transactions at 31 December 2013 and 2012.

(29.1.2) Repurchase and resale agreements

At 31 December 2013, the Group had sold financial assets under outstanding repurchase agreements amounting to EUR 22,597,921 thousand (EUR 13,445,590 thousand at 31 December 2012), and had purchased financial assets under outstanding resale agreements amounting to EUR 4,276,843 thousand (EUR 870,383 thousand at 31 December 2012), as follows:

(Thousands of euros)	31/12/2013		31/12/2012	
ITEM	Repurchase agreement	Resale agreement	Repurchase agreement	Resale agreement
Government debt securities	8,612,820	3,479,521	9,066,276	44,599
Other debt securities	13,985,101	797,322	4,379,314	825,784
Total	**22,597,921**	**4,276,843**	**13,445,590**	**870,383**

(29.2) Guarantees provided

Financial guarantees are amounts the consolidated entities would be obliged pay on account of third parties if the original debtors were to default on payments pursuant to commitments assumed by those entities in the course of their ordinary business activities.

The detail of these financial and non-financial guarantees provided at 31 December 2013 and 2012 is as follows:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Financial guarantees	657,878	875,871
Other guarantees and indemnities and other contingent liabilities	6,560,716	7,405,774
Credit derivatives sold	8,644	25,602
Irrevocable documentary credits issued	170,569	134,990
Irrevocable documentary credits confirmed	3,899	5,327
Other contingent liabilities	11,167	11,382
Total	**7,412,873**	**8,458,946**

Note 3.1 shows the maximum credit risk assumed by the Group in relation to these instruments at 31 December 2013 and 2012, and contains other information relating to the credit risk assumed by the Group in this connection.

A significant portion of these guarantees will expire without any payment obligation materialising for the consolidated entities. Therefore, the aggregate balance of these commitments cannot be considered as an actual future need for financing or liquidity to be provided by the Group to third parties.

The income generated on guarantee instruments is recognised in the consolidated income statement under “Fee and commission income” and "Interest and similar 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 - Provisions for contingent liabilities and commitments” (see Note 22).

(29.3) Drawable by third parties

At 31 December 2013 and 2012, the limits of the financing contracts granted and the amounts drawn down thereon in relation to which the Group had assumed a credit commitment which was higher than the amount recognised on the asset side of the consolidated balance sheet at that date were as follows:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Drawable by third parties	11,059,027	14,196,376
Immediately drawable	8,514,983	10,747,200
Conditionally drawable	2,544,044	3,449,176
Other commitments	10,217,637	6,976,727
Total	**21,276,664**	**21,173,103**

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

The breakdown of off-balance sheet funds managed and comercialized by the Group at 31 December 2013 and 2012 is as follows:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Investment companies and funds	8,215,798	6,460,294
Pension funds	6,269,155	3,785,364
Savings insurance	6,346,038	4,345,854
Discretionally managed customer portfolios	181,787	213,580
Total	**21,012,778**	**14,805,092**

In addition, the Group markets off-balance-sheet customer funds managed by third parties outside the Group. These amounted to EUR 1,808,473 thousand at 31 December 2013 (EUR 4,788,812 at 31 December 2012).

(29.5) Leases

(29.5.1) Finance leases

In the normal course of its business the Group acts as lessor in transactions which, pursuant to the provisions of the regulations applicable, are classified as finance leases, Arrangements drawn up in this regard are performed in accordance with general market practices for such transactions.

Finance leases granted by the Group amounted to EUR 1,636,583 thousand at 31 December 2013 (EUR 1,878,682 thousand at 31 December 2012), recognised under "Loans and receivables - Loans and advances to customers" in the consolidated balance sheet at that date, Impairment losses recognised on these transactions amounted to EUR 218,617 thousand at 31 December 2013 (EUR 213,807 thousand at 31 December 2012).

The gross investment in the lease is the sum of: the minimum payments receivable from the finance lease plus any unsecured residual value corresponding to the lessor. It should be remembered that the assets leased under finance leases are recognised at the present value of the lease payments payable by the lessee, plus the guaranteed and non-guaranteed residual value, excluding interest expenses and value-added tax.

The breakdown of these items is as follows:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Present value of minimum lease payments receivable (1)	1,447,372	1,691,713
Residual values not guaranteed	189,211	186,969
Total gross investment in finance leases	**1,636,583**	**1,878,682**

(1) Includes the value of the purchase option whose collection is guaranteed for the Bank.

Unearned finance income from the Bank's finance leases amounted to EUR 134,477 thousand at 31 December 2013 (EUR 162,469 thousand at 31 December 2012).

The breakdown, by maturity, of gross investment and the present value of minimum payments receivable is as follows:

(Thousands of euros)		
MATURITY	**Gross investment**	**Present value of minimum payments receivable**
Up to 1 year	388,682	380,578
1 to 5 years	614,374	570,388
More than 5 years	633,527	496,406
Total	**1,636,583**	**1,447,372**

The Group does not act as lessee in finance lease transactions.

(29.5.2) Operating leases

In relation to lease transactions which, pursuant to the provisions of prevailing regulations, must be considered as operating leases and in which the Group acts as the lessee, the amount of leases and subleases recognised as an expense in the consolidated income statement amounted to EUR 95,071 thousand for the year ended 31 December 2013 (EUR 100,807 thousand at 31 December 2012).

(29.6) Exchanges of assets

In the years ended 31 December 2013 and 2012, the Group did not carry out any significant exchanges of assets. In this regard, the acquisition by any means of tangible assets in payment of debts arising with the Group's debtors is not considered an exchange of assets. Information concerning this type of transaction is shown in Note 2.8 above.

(30) Contribution to consolidated profit or loss by company

The contribution by entity within the scope of consolidation of the Bankia Group to consolidated profit/(loss) for the years ended 31 December 2013 and 2012 is as follows:

(Thousands of euros)	31/12/2013		31/12/2012	
COMPANY	Fully consolidated entities of the Group	Share of profit/(loss) of entities accounted for using the equity method	Fully consolidated entities of the Group	Share of profit/(loss) of entities accounted for using the equity method
Bankia, S.A.	246,550	-	(18,306,443)	-
International Consolidated Airlines Group, S.A.	-	-	-	40,775
Aseguradora Valenciana, S.A. de Seguros y Reaseguros	116,594	-	-	33,803
Mapfre Caja Madrid Vida, S.A., Sdad. de Seguros y Reaseguros	-	29,348	-	18,401
Global Vía Infraestructuras ,S.A.	-	-	-	(13,722)
Participaciones Agrupdas, S.R.L.	-	-	-	(16,342)
Bankia Inversiones Financieras, S.A.U.	104,893		(12,390)	-
Aliancia Zero, S.L.	(3,291)	-	(183,212)	-
Alianza Inversiones en Inmuebles Dos, S.L.	(4,983)	-	(75,129)	-
Urbapinar, S.L.	(1,941)	-	(107,624)	-
Other companies	17,027	-	(475,414)	(95,319)
Total	**474,849**	**29,348**	**(19,160,212)**	**(32,404)**

(31) Interest and similar income

The breakdown of this item in the accompanying consolidated income statement for the years ended 31 December 2013 and 2012 is as follows:

(Thousands of euros)	(Expenses) / Income	
ITEM	31/12/2013	31/12/2012
Loans and advances to central banks	4,775	13,090
Loans and advances to credit institutions	30,081	70,946
Loans and advances to customers	3,201,513	5,470,598
Public sector	217,566	290,143
Resident sector	2,772,952	4,897,542
Non-resident sector	210,995	282,913
Debt securities	2,336,851	1,929,836
Doubtful assets	152,791	246,420
Rectification of income as a result of hedging transactions	(421,737)	(362,171)
Finance income from non-financial activities	981	9,037
Other interest	71,508	123,059
Total	**5,376,763**	**7,500,815**

(32) Interest expense and similar charges

The breakdown of this item in the accompanying consolidated income statement for the years ended 31 December 2013 and 2012 is as follows:

(Thousands of euros)	(Expenses) / Income	
ITEM	31/12/2013	31/12/2012
Deposits from central banks	(257,616)	(377,320)
Deposits from credit institutions	(227,455)	(366,187)
Customer deposits	(2,228,421)	(2,691,758)
Public sector	(55,765)	(80,648)
Resident sector	(2,134,177)	(2,567,996)
Non-resident sector	(38,479)	(43,114)
Marketable debt securities	(1,158,025)	(1,710,823)
Subordinated liabilities	(151,956)	(136,100)
Rectification of expenses as a result of hedging transactions	1,121,607	967,629
Finance expenses of non-financial activities	(8,706)	(16,484)
Other interest	(41,371)	(80,709)
Total	**(2,951,943)**	**(4,411,752)**

(33) Return on equity instruments

The breakdown of this item in the accompanying consolidated income statement for the years ended 31 December 2013 and 2012 is as follows:

(Thousands of euros)	Revenue	
ITEM	31/12/2013	31/12/2012
Financial assets held for trading	167	30,042
Non-current assets held for sale – Investments and other equity instruments	8,387	8,342
Total	**8,554**	**38,384**

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

The breakdown of this item in the accompanying consolidated income statement for the years ended 31 December 2013 and 2012 is as follows:

(Thousands of euros)	(Expenses) / Income	
ITEM	31/12/2013	31/12/2012
Associates	-	(21,266)
Joint ventures	29,348	(11,138)
Total	**29,348**	**(32,404)**

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

The detail of the contribution to profit or loss of entities accounted for using the equity method for the main companies is disclosed in Note 30 above.

(35) Fee and commission income

The breakdown of this item in the accompanying consolidated income statement for the years ended 31 December 2013 and 2012 is as follows:

(Thousands of euros)	Income	
ITEM	31/12/2013	31/12/2012
Contingent liabilities	76,976	89,671
Contingent commitments	37,248	52,370
Collection and payment services	451,827	483,024
Securities services	51,602	60,763
Non-banking financial product sales	203,249	183,561
Other fees and commissions	249,695	285,732
Total	**1,070,597**	**1,155,121**

(36) Fee and commission expense

The breakdown of this item in the accompanying consolidated income statement for the years ended 31 December 2013 and 2012 is as follows:

(Thousands of euros)	(Expenses)	
ITEM	31/12/2013	31/12/2012
Brokerage fees on asset and liability transactions	-	(318)
Fees and commissions assigned to other entities and correspondents	(73,915)	(90,878)
Fee and commission expenses on securities transactions	(6,787)	(8,165)
Other fees and commissions	(54,973)	(63,727)
Total	**(135,675)**	**(163,088)**

(37) Gains and losses on financial assets and liabilities (net)

The breakdown of this item in the accompanying income statement for the years ended 31 December 2013 and 2012, by financial instrument portfolio, is as follows:

(Thousands of euros)	(Expenses) / Income	
ITEM	31/12/2013	31/12/2012
Financial assets and liabilities held for trading	(26,460)	(93,841)
Other financial instruments designated at fair value through profit or loss	9,208	2,824
Available-for-sale financial assets	81,013	183,447
Loans and receivables	(22,072)	(20,896)
Held-to-maturity investments	4,554	4,137
Financial liabilities at amortised cost	234,626	233,028
Results of hedging instruments	(1,004,891)	298,498
Results of hedged items	1,139,244	(260,082)
Other	88	624
Total	**415,310**	**347,739**

"Financial liabilities at amortised cost" includes gains and losses on repurchases of debt securities and subordinated liabilities (see Note 20), specifically:

- EUR 216,773 thousand in 2013, corresponding to the gains and losses on the cash purchase of mortgage covered bonds through a public tender, and other exchange processes and repurchases of securitisation bonds and subordinated debt.
- EUR 228,801 thousand in 2012, corresponding to gains and losses on the cash purchase of securitisation bonds by institutional investors in a tender offer.

(38) Exchange differences (net)

The breakdown of this item in the accompanying consolidated income statement for the year ended 31 December 2013 and 2012 is as follows:

(Thousands of euros)	(Expenses) / Income	
ITEM	31/12/2013	31/12/2012
Note purchases/sales	-	24
Commercial transactions	19,700	39,042
Total	**19,700**	**39,066**

(39) Other operating income

The breakdown of this item in the accompanying consolidated income statement for the years ended 31 December 2013 and 2012 is as follows:

(Thousands of euros)	Income	
ITEM	31/12/2013	31/12/2012
Income from investment property (Note 17.2)	8,942	10,040
Income from operating leases	857	2,396
Sales and income from the rendering of non-financial services	20,982	258,778
Financial fees and commissions offsetting direct costs	17,367	12,858
Income on insurance contracts	38,625	30,741
Other Items	56,852	61,551
Total	**143,625**	**376,364**

(40) Other operating expenses

The breakdown of this item in the accompanying consolidated income statement for the years ended 31 December 2013 and 2012 is as follows:

(Thousands of euros)	(Expenses)	
ITEM	31/12/2013	31/12/2012
Insurance business	(44,100)	(37,964)
Contribution to deposit guarantee fund (Note 1.10)	(174,447)	(426,189)
Expenses from investment property	(590)	(1,529)
Change in inventories	(5,319)	(212,068)
Other operating expenses	(121,501)	(162,696)
Total	**(345,957)**	**(840,446)**

(41) Administrative expenses – Staff costs

The detail of this item in the accompanying consolidated income statement for the years ended 31 December 2013 and 2012, by type of cost, is as follows:

(Thousands of euros)	(Expenses) / Income	
ITEM	31/12/2013	31/12/2012
Wages and salaries	(858,957)	(1,024,967)
Social security costs	(211,188)	(226,953)
Contributions to defined contribution pension plans	(3,143)	(40,608)
Contributions to defined benefit pension plans	(55)	(1,566)
Termination benefits	(5,997)	(12,213)
Training costs	(4,865)	(11,484)
Other staff costs	(32,567)	(35,661)
Total	**(1,116,772)**	**(1,353,452)**

(41.1) Composition and distribution by gender of employees

The numbers of Group employees, by gender and professional category (including executive directors and senior executives at the Bank), at 31 December 2013 and 2012, and the average headcount for the years ended 31 December 2013 and 2012 are as follows:

REMUNERATION LEVELS	Headcount at 31 December 2013			Average headcount for 2013
	Men	Women	Year-end headcount	
Directors	2	-	2	2
Senior executives	2	1	3	3
Other employees by remuneration level	**6,707**	**7,757**	**14,464**	**16,945**
Level I	158	13	171	197
Level II	533	113	646	778
Level III	904	270	1,174	1,380
Level IV	1,028	670	1,698	2,003
Level V	786	784	1,570	1,835
Level VI	1,078	1,567	2,645	3,218
Level VII	299	514	813	938
Level VIII	278	616	894	1,105
Level IX	255	469	724	808
Level X	229	497	726	833
Level XI	1,094	2,157	3,251	3,650
Level XII	50	81	131	141
Level XIII	-	-	-	-
Group 2 and others	15	6	21	59
Total Bankia, S.A.	**6,711**	**7,758**	**14,469**	**16,950**
Other Group companies	452	639	1,091	1,300
Total	**7,163**	**8,397**	**15,560**	**18,250**

REMUNERATION LEVELS	Headcount at 31 December 2012			Average headcount for 2012
	Men	Women	Year-end headcount	
Directors	2	-	2	3
Senior executives	2	1	3	3
Other employees by remuneration level	**9,115**	**9,434**	**18,549**	**18,774**
Level I	175	12	187	195
Level II	727	112	839	869
Level III	1,156	301	1,457	1,488
Level IV	1,368	721	2,089	2,123
Level V	1,158	1,025	2,183	2,197
Level VI	1,459	1,843	3,302	3,353
Level VII	520	656	1,176	1,180
Level VIII	431	803	1,234	1,238
Level IX	301	546	847	842
Level X	315	631	946	948
Level XI	1,291	2,499	3,790	3,810
Level XII	179	262	441	463
Level XIII	-	-	-	-
Group 2 and others	35	23	58	68
Total Bankia, S.A.	**9,119**	**9,435**	**18,554**	**18,780**
Other Group companies	794	1,010	1,804	1,963
Total	**9,913**	**10,445**	**20,358**	**20,743**

Note: does not include partially-retired employees (251 at 31 December 2013 and 441 at 31 December 2012)

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

As described in Note 2.13, the Group has defined post-employment benefit obligations with certain employees. Following is a detail of these pension obligations and long-term commitments, which are recognised in the Group's consolidated balance sheet:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Post-employment benefits	**660,942**	**675,778**
Other long-term employee benefits	**196,679**	**274,950**
Obligations assumed from the labour agreement entered into as a result of the incorporation of the Banco Financiero y de Ahorros Group	138,154	164,797
Other long-term benefits	58,525	110,153
(Less) – Plan assets	**(634,745)**	**(458,683)**
Total obligations net of associated assets	**222,876**	**492,045**
Other obligations	**-**	**-**
Total obligations for pensions funds and similar obligations	**222,876**	**492,045**
of which:		
Debit balances - Assets (1)	*(6,036)*	*(2,458)*
Credit balances - Liabilities (2)	*228,912*	*494,503*
Insurance contracts linked to pensions (defined-benefit)	112,967	265,634
Insurance contracts linked to other long-term obligations	89,158	140,170
Total insurance contracts (3)	**202,125**	**405,804**

(1) Included in "Other assets" in the accompanying consolidated balance sheet.

(2) Recognised under "Provisions - Provisions for pensions and similar obligations" in the accompanying consolidated balance sheet. (Note 22).

(3) The Group has a range of insurance policies covering the portion of the aforementioned obligations that do not satisfy the conditions for classification as plan assets, irrespective of the provisions included in the consolidated balance sheet in accordance with current legislation, which were recognised under "Insurance contracts linked to pensions" on the asset side of the balance sheet.

The tables below provide a breakdown at 31 December 2013 and 2012 of total obligations for qualifying assets, distinguishing between those that exceed the value of plan assets and are therefore recognised under "Provisions - Provisions for pensions and similar obligations" in the consolidated balance sheet, and those for which the obligations covered by plan assets exceeds the present value of the obligation which, under current regulations, are recognised at their net amount in "Other assets - Other" in the consolidated balance sheet:

31 December 2013:

(Thousands of euros)							
	Post-employment benefits			Pre-retirement and other long-term commitments			Total (III + VI)
	Value of the obligation	Value of plan assets (II)	Total (III = I – II)	Value of the obligation (IV)	Value of plan assets (V)	Total (VI = IV – V)	
Commitments for which the value of the obligations exceeds the value of the plan assets recognised under "Provisions – Provisions for pension and similar obligations"	411,460	280,536	130,924	196,679	98,691	97,988	228,912
Commitments for which the value of the obligations is less than the value of the plan assets recognised under "Other assets – Other"	249,482	255,518	(6,036)	-	-	-	(6,036)
Total at 31 December 2013	**660,942**	**536,054**	**124,888**	**196,679**	**98,691**	**97,988**	**222,876**

31 December 2012:

(Thousands of euros)	Post-employment benefits			Pre-retirement and other long-term commitments			
	Value of the obligation	Value of plan assets (II)	Total (III = I – II)	Value of the obligation (IV)	Value of plan assets (V)	Total (VI = IV – V)	Total (III + VI)
Commitments for which the value of the obligations exceeds the value of the plan assets recognised under “Provisions – Provisions for pension and similar obligations”	654,200	345,937	308,263	274,950	88,710	186,240	494,503
Commitments for which the value of the obligations is less than the value of the plan assets recognised under “Other assets – Other”	21,578	24,036	(2,458)	-	-	-	(2,458)
Total at 31 December 2012	**675,778**	**369,973**	**305,805**	**274,950**	**88,710**	**186,240**	**492,045**

(41.3) Post-employment benefits

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

Defined-contribution plans

As indicated in Note 2.13 above, the consolidated entities have assumed the obligation of making certain contributions to their employees' external pension schemes that qualify as "defined-contribution" plans under applicable law.

The Group made contributions to external pension funds in the amount of EUR 564 thousand in 2013 (EUR 38,676 thousand in 2012), recognised under "Administrative expenses – Staff costs" in the consolidated income statement for that year. As a result of the labour agreement reached on 18 July 2012, the contributions to pension plans were suspended in the second half of 2012. For 2013, the contributions remained suspended in accordance with the labour agreement of 8 February 2013.

Defined-benefit plans

The table below shows the reconciliation between the present value of defined-benefit pension obligations assumed by the Group with its employees at 31 December 2013 and 2012, the fair value of plan assets and the fair value of reimbursement rights that do not qualify as plan assets, in all cases within Spain, along with the amounts recognised on the consolidated balance sheet at those dates:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Present value of the obligations	**660,942**	**675,778**
Obligations covered by plan assets	548,094	377,939
Obligations covered by non-qualifying assets	112,848	297,839
Other commitments		-
Less - Fair value of plan assets	**(536,054)**	**(370,561)**
Recognised under "Provisions – Provisions for pensions and similar obligations" on the consolidated balance sheet	**130,924**	**308,263**
Recognised under "Other Assets" on the consolidated balance sheet	**(6,036)**	**(2,458)**
Fair value of non-qualifying assets	**112,967**	**265,634**

“Fair value of non-qualifying assets” in the above table includes the fair value of insurance policies arranged with AVIVA (EUR 112,967 thousand) to cover employee obligations arising at Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja (see Note 2.15) Pursuant to IAS 19, the fair value of the insurance was taken to be the present value of the insured pensions. The expected return on these policies was calculated using a 3.3% interest rate, established in accordance with IAS 19 and the actuarial assumptions specified in Spanish legislation as they entail obligations with employees subject to Spanish labour laws covered with funds set up in accordance with Royal Decree 1588/1999, of 15 October, as required by rule 35, indent 11 c) of Bank of Spain Circular 5/2013.

The fair value of plan assets stated in the above table is presented on the consolidated balance sheet as a reduction of the present value of the Group's obligations.

The present value of the obligations was determined by qualified actuaries using the following techniques:

- Valuation method: projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately.

- The estimated retirement age of each employee is the earliest at which the employee is entitled to retire.

- Actuarial assumptions used: unbiased and mutually compatible. Specifically, the most significant actuarial assumptions used in the calculations were as follows:

Actuarial assumptions	2013
Technical interest rate	3.3% (1)
Mortality tables	GRMF95
Estimated return on reimbursement rights recognised as assets	3.3% (1)
Expected return on plan assets	3.3% (1)
Annual pension increase	2%
Cumulative inflation	2%
Annual salary increases	3% or 2% (2)
Healthcare cost increase	-

1) Assumptions based on the duration of the post-employment obligations, which for this group is approximately 12.5 years, and in line with the yield on AA and AAA rated corporate bonds in the euro area.

2) 2% for pre-retired employees who do not accrue seniority wage increases every three years.

The reconciliation of the balances recognised at 31 December 2013 and 2012 for the present value of the Group's defined-benefit obligations is as follows:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Balance at 1 January	**675,778**	**648,346**
Other movements (1)	(1,473)	-
Current year's service cost	1,955	2,230
Expected interest on obligation	22,942	26,777
Gains and losses recognised immediately in equity (*)	1,616	45,570
a) *(Gain)/loss arising from changes in financial assumptions*	*16,811*	*63,199*
b) *(Gain)/loss arising from changes in demographic assumptions*	-	-
c) *(Gain)/loss arising from other changes (data, experience, etc.)*	*(15,195)*	*(17,629)*
Benefits paid	(35,061)	(38,149)
Risk premium	(3)	(3)
Plan settlements	(4,812)	(8,993)
Balance at 31 December	**660,942**	**675,778**

(*) Since 2013, these amounts are recognised directly in "Valuation adjustments" in equity in the consolidated balance sheets (see Note 2.13).

(1) Departure of Finanmadrid and Bankia Bolsa from the Bankia Group.

The reconciliation of the fair value at 31 December 2013 and 2012 of plan assets in defined-benefit obligations is as follows:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Fair value at 1 January	**370,561**	**500,562**
Other movements (1) and (3)	148,557	(128,634)
Changes in consolidation scope (2)	(1,473)	-
Expected interest on the plan	17,711	14,029
Gains and losses recognised immediately in equity (*)	12,080	4,829
a) Expected return on plan assets, excluding interest on the plan	*12,080*	*4,829*
Contributions by entity	19,544	9,588
Benefits paid	(26,110)	(20,820)
Risk premium	(3)	-
Plan settlements	(4,813)	(8,993)
Fair value at 31 December	**536,054**	**370,561**

(*) Since 2013, these amounts are recognised directly in "Valuation adjustments" in equity in the consolidated balance sheets (see Note 2.13).

(1) The amount for 2012 relates to the transfer of the fair value of plan assets of policies taken out with Mapfre for defined-benefit commitments assumed with Caja Madrid employees at 31 December 2011 that were recognised at the end of 2012 at the fair value of the assets recognised as "Insurance contracts linked to pensions".

(2) Departure of Finanmadrid and Bankia Bolsa from the Bankia Group.

(3) The amount for 2013 corresponds to the transfer of the fair value of plans assets of insurance arranged with Mapfre, after it was no longer considered a related party, and of the defined-benefit obligations assumed with Caja Madrid employees at 31/12/2012 accounted for at the end of 2013 in the account of fair value of assets recognised as "Defined-benefit plan assets".

The reconciliation of the fair value at 31 December 2013 and 2012 of reimbursement rights recognised on the consolidated balance sheet as assets under "Insurance contracts linked to pensions" is as follows:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Fair value at 1 January	**265,634**	**109,912**
Other movements (1) and (2)	(148,557)	128,634
Expected interest on insurance contracts linked to pensions	3,955	11,360
Gains and losses recognised immediately in equity (*)	(608)	28,802
a) Expected return on insurance contracts, excluding interest on insurance contracts linked to pensions	*(608)*	*28,802*
Contributions by entity	-	2,682
Benefits paid	(7,457)	(15,753)
Risk premium	-	(3)
Fair value at 31 December	**112,967**	**265,634**

(*) Since 2013, these amounts are recognised directly in “Valuation adjustments” in equity in the consolidated balance sheets (see Note 2.13).

(1) The amount for 2012 relates to the transfer of the fair value of plan assets of policies taken out with Mapfre for defined-benefit commitments assumed with Caja Madrid employees at December 31, 2011 that were recognised at the end of 2012 at the fair value of the assets recognised as “Insurance contracts linked to pensions”.

(2) The amount for 2013 corresponds to the transfer of the fair value of plans assets of insurance arranged with Mapfre, after it was no longer considered a related party, and of the defined-benefit obligations assumed with Caja Madrid employees at 31/12/2012 accounted for at the end of 2013 in the account of fair value of assets recognised as “Defined-benefit plan assets”.

The detail of the fair values of the main plan assets at 31 December 2013 and 2012 is as follows:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Insurance policies	250,139	94,350
Other assets	285,915	276,211

The criteria used to determine the total expected return on plan assets are based on the duration of the post-employment obligations, which for this group is approximately 12.5 years, and in line with the yield on AA and AAA rated corporate bonds in the euro area.

(41.4) Pre-retirement commitments and other long-term commitments

The table below shows the reconciliation between the present value of pre-retirement commitments and other long-term obligations assumed by the Group with its employees at 31 December 2013 and 2012, the fair value of plan assets and the fair value of reimbursement rights that do not qualify as plan assets, in all cases within Spain, along with the amounts recognised on the consolidated balance sheet at those dates:

(Thousands of euros)	31/12/2013	31/12/2012
ITEM		
Present value of the obligations-	**196,679**	**274,950**
Obligations covered by plan assets -	101,176	88,377
Obligations covered by non-qualifying assets	95,503	186,573
Less - Fair value of plan assets	**(98,691)**	**(88,710)**
Recognised under "Provisions – Provisions for pensions and similar obligations" on the consolidated balance sheet	**97,988**	**186,240**
Fair value of non-qualifying assets	**89,158**	**140,170**

The present value of the obligations was determined by qualified actuaries using the following techniques:

- Valuation method: projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately.
- The estimated retirement age of each employee is the earliest at which the employee is entitled to retire.
- Actuarial assumptions used: unbiased and mutually compatible, Specifically, the most significant actuarial assumptions used in the calculations were as follows:

Actuarial assumptions	2013
Technical interest rate	1.4% (1)
Mortality tables	GRMF95
Estimated return on reimbursement rights recognised as assets	1.4% (1)
Expected return on plan assets	1.4% (1)
Annual pension increase	2%
Cumulative inflation	2%
Annual salary increases	2%
Healthcare cost increase	2%

(1) Assumptions based on the duration of other long-term commitments, which for this group is approximately 2.8 years, and in line with the yield on AA and AAA rated corporate bonds in the euro area.

Reconciliation of the balances recognised at 31 December 2013 and 2012 for the present value of obligations relating to pre-retirements and other long-term obligations assumed by the Group is as follows:

(Thousands of euros)

ITEM	31/12/2013	31/12/2012
Balance at 1 January	**274,950**	**385,331**
Other movements (1)	(4,237)	--
Expected interest on the obligation	3,285	5,627
Gains and losses recognised immediately	5,115	2,842
a) (Gains)/losses arising on changes in financial assumptions	-	-
b) (Gains)/losses arising on changes in demographic assumptions	-	2,842
c) (Gains)/losses arising from other changes (data, experience, etc.)	5,115	-
Benefits paid	(82,434)	(130,722)
New obligations assumed	-	19,741
Plan settlements	-	(7,869)
Fair value at 31 December	**196,679**	**274,950**

(1) Departure of Finanmadrid and Bankia Bolsa from the Bankia Group.

The table below shows the reconciliation of the fair value at 31 December 2013 and 2012 of plan assets in pre-retirement commitments and similar defined-benefit obligations (all for Spanish companies):

(Thousands of euros)	Plan assets	
ITEM	31/12/2013	31/12/2012
Fair value at 1 January	**88,710**	**7,355**
Expected interest on the plan	1,208	667
Gains and loss recognised immediately	298	7,998
a) Expected return on plan assets, excluding interest on the plan	298	7,998
Contributions by entity	11,631	80,045
Benefits paid	(3,156)	-
Plan settlements	-	(7,355)
Fair value at 31 December	**98,691**	**88,710**

The table below shows the reconciliation between 31 December 2013 and 2012 of the fair value of reimbursement rights recognised as assets under "Insurance contracts linked to pensions" on the consolidated balance sheet for pre-retirement and other long-term obligations (all corresponding to the Group's Spanish entities):

(Thousands of euros)	Insurance contracts linked to pensions	
ITEM	31/12/2013	31/12/2012
Fair value at 1 January	**140,170**	**117,043**
Other movements (1)	(4,275)	-
Expected interest on insurance contracts linked to pensions	1,535	2,377
Gains and losses recognised immediately	1,030	4,647
a) Expected return on insurance contracts, excluding interest on insurance contracts linked to pensions	1,030	4,647
Contributions by entity	(30)	71,131
Benefits paid	(49,272)	(55,028)
Fair value at 31 December	**89,158**	**140,170**

(1) Departure of Finanmadrid and Bankia Bolsa from the Bankia Group.

The table below shows the fair values of the main plan assets at 31 December 2013 and 2012 for early-retirement and similar obligations:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Insurance policies	98,692	88,710

(41.5) Estimate of future payments for defined-benefit obligations

The following table shows the estimate of payments for defined-benefit obligations over the next 10 years:

(Thousands of euros)						
FUTURE PAYMENTS	**2014**	**2015**	**2016**	**2017**	**2018**	**2019-2023**
Pension commitments	41,130	41,006	40,857	40,625	40,623	195,461
Other long-term commitments	60,435	40,769	30,516	28,728	23,700	20,739

(41.6) Sensitivity analysis

The table below shows an analysis of the sensitivity of defined-benefit obligations at 31 December 2013 corresponding to pension commitments and other long-term commitments (pre-retirements) to changes in the main actuarial assumptions:

(Thousands of euros)		
	Pension commitments	Pre-retirement commitments
Technical interest rate		
50bp increase	619,946	194,130
50bp decrease	706,107	198,680
Annual salary increases (*)		
50bp increase	-	-
50bp decrease	-	-
Annual pension increase (**)		
50bp increase	701,203	198,229
50bp decrease	625,041	195,145
Cumulative inflation		
50bp increase	701,203	198,229
50bp decrease	625,041	195,145

(*)Annual salary increases only affect a group of assets, so the impact would not be significant.

(**) The annual pension increase is based on inflation (CPI), so the sensitivity is the same as for the compound annual CPI.

(41.7) Remuneration in kind

The Group's remuneration policy includes certain remuneration in kind, mainly financial assistance and life and health insurance policies, taxed, as appropriate, in accordance with prevailing regulations.

(41.8) Share-based payment schemes

On 27 July 2011, the Group's Board of Directors approved the direct remuneration policy in accordance with the best corporate governance practices and pursuant to European regulations concerning remuneration policies at credit institutions and also to the provisions of Royal Decree 771/2011 of 3 June, making particular reference to variable remuneration.

The new system establishes a specific format for payment of variable remuneration for directors carrying out control functions or whose activity significantly affects the risk profile:

- At least 50% of variable remuneration must be paid in Bankia shares.
- At least 40% of variable remuneration, in either shares or cash, must be deferred over a period of three years.

Thus, 30% of annual variable remuneration will be paid in shares following assessment of the year's objectives. In addition, 20% of annual variable remuneration will be deferred in portions of one third over a period of three years.

The share price will be the average quoted price over the three months prior to the accrual date.

All shares delivered to directors as part of their annual variable remuneration will be unavailable during the year immediately following the date on which they are delivered.

(42) Administrative expenses - Other general administrative expenses

The detail, by nature, of this item in the accompanying consolidated income statement for the financial years ended 31 December 2013 and 2012 is as follows:

(Thousands of euros)	(Expenses)	
ITEM	31/12/2013	31/12/2012
From property, fixtures and supplies	(170,329)	(192,899)
IT and communications	(178,885)	(172,750)
Advertising and publicity	(44,252)	(58,187)
Technical reports	(62,148)	(49,060)
Surveillance and security courier services	(21,988)	(23,593)
Insurance and self-insurance premiums	(54,071)	(69,774)
Levies and taxes	(4,457)	(5,953)
Other expenses	(76,561)	(91,608)
Total	**(612,691)**	**(663,824)**

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 2013 is as follows:

- For the audit of the annual financial statements of Bankia, S.A. and of the consolidated interim and annual financial statements of the Bankia Group for 2013: EUR 1,448 thousand.
- For the audit and review of the financial statements of foreign subsidiaries and companies comprising the Bankia Group, all for 2013: EUR 422 thousand.
- For other assurance and services similar to auditing required by regulations or supervisory authorities: EUR 155 thousand.
- For other professional services rendered: EUR 674 thousand, of which EUR 151 thousand related to tax advice.

Fees paid in 2013 by the various Bankia Group entities to audit firms other than the parent’s auditor came to EUR 472 thousand for audit services, EUR 183 thousand for other assurance services and services similar to auditing, and EUR 972 thousand for other professional services rendered.

The services engaged by the Bankia Group meet the requirements of independence stipulated in Royal Legislative-Decree 1/2011 of 1 July approving the Consolidated Tax of the Accounting Law and do not include any work that is incompatible with the auditing function.

(43) Amortisation

The detail of this item in the accompanying consolidated income statement for the years ended 31 December 2013 and 2012 is as follows:

(Thousands of euros)	(Expenses)	
ITEM	31/12/2013	31/12/2012
Depreciation of tangible assets (Note 17)	(117,839)	(183,875)
Amortisation of intangible assets (Note 18.2)	(57,612)	(91,733)
Total	**(175,451)**	**(275,608)**

(44) Provisions (net)

The detail of this item in the accompanying consolidated income statement for the years ended 31 December 2013 and 2012 is as follows:

(Thousands of euros)	(Expenses) / Income	
ITEM	31/12/2013	31/12/2012
Provision for contingent liabilities (Note 22)	27,154	(466,798)
Provision for pension commitments and similar obligations (Note 22)	(3,788)	(9,275)
Provision for tax contingencies and other legal contingencies (Note 22)	(251,797)	(31,727)
Other provisions (Note 22)	48,335	(1,323,904)
Total	**(180,096)**	**(1,831,704)**

(45) Impairment losses on financial assets (net)

The net provision recognised for this item of the consolidated income statement for the years ended 31 December 2013 and 2012 relates to the following financial instruments, by category:

(Thousands of euros)	(Expenses) / Income	
ITEM	31/12/2013	31/12/2012
Loans and receivables (Note12)	(1,236,084)	(18,181,736
Held-to-maturity investments (Nota 13)	1,687	(53,030)
Available-for-sale financial assets (Nota 11)	(14,797)	(697,120)
Total	**(1,249,194)**	**(18,931,886**

(46) Impairment losses on other assets (net)

The detail by nature of the amount recognised for this item in the accompanying consolidated income statement for the years ended 31 December 2013 and 2012 is as follows:

(Thousands of euros)	(Expenses) / Income	
ITEM	31/12/2013	31/12/2012
Impairment losses (net) on goodwill (Notes 18.1 and 16.2)	(548)	(51,721)
Impairment losses (net) on investment property (Note 17)	(12,013)	(113,351)
Impairment losses (net) on property, plant and equipment for own use (Note 17)	(869)	(13,622)
Impairment losses (net) on inventories	(4,482)	(585,100)
Of which: write-down of value of the asset	-	-
Of which: recognised in "Provisions for impairment losses" (Note 19)	(4,482)	*(585,100)*
Other assets	-	(18,174)
Total	**(17,912)**	**(781,968)**

(47) Gains/(losses) on disposal of financial assets not classified as non-current assets held for sale

The detail of this item in the accompanying consolidated income statement for the years ended 31 December 2013 and 2012 is as follows:

(Thousands of euros)	(Expenses) / Income	
ITEM	31/12/2013	31/12/2012
Gain/(loss) on disposal of tangible assets	13,030	(1,279)
Gain/(loss) on disposal of investment properties	(7,317)	(4,159)
Gain/(loss) on disposal of investments	26,046	17,475
Other items	(280)	6,452
Total	**31,479**	**18,489**

(48) Gains (losses) on non-current assets held for sale not classified as discontinued operations

The detail of this item in the accompanying consolidated income statement for the years ended 31 December 2013 and 2012 is as follows:

(Thousands of euros)	(Expenses) / Income	
ITEM	31/12/2013	31/12/2012
Impairment losses	(363,283)	(2,243,725)
Foreclosed tangible assets (Note 15)	(285,447)	(613,870)
Non-current assets - Property, plant and equipment for own use	(22)	(512,896)
Investments (Note 15)	(42,325)	(1,008,860)
Other impairments	(35,489)	(108,099)
Other gains (losses)	333,728	(135,346)
Total	**(29,555)**	**(2,379,071)**

(49) Related parties

In addition to the disclosures made in Note 6 regarding the remuneration earned by members of the Board of Directors and senior executives of the Group, following is a detail of the balances recognised in the consolidated balance sheet at 31 December 2013 and the gains and losses recognised in the consolidated income statement for the year ended 31 December 2013 arising from transactions with related parties:

(Thousands of euros)					
ITEM	Associates	Jointly-controlled entities	Significant shareholders	Board of Directors and senior executives	Other related parties
ASSETS					
Credit institutions	-	-	4,868,546	-	-
Loans and advances to customers	630,338	286,480	-	638	131
Other assets	-	-	1,373,840	-	-
Total	**630,338**	**286,480**	**6,242,386**	**638**	**131**
LIABILITIES					
Credit institutions	-	-	1,233,048	-	-
Customer deposits	209,783	102,352	-	2,054	63,147
Debt securities	-	-	-	-	201
Subordinated liabilities	-	-	-	-	-
Other liabilities	-	-	159,291	-	-
Total	**209,783**	**102,352**	**1,392,339**	**2,054**	**63,348**
OTHER					
Contingent liabilities	105,731	22,374	6,672	-	3
Commitments	38,656	3,856	7,328	41	48
Total	**144,387**	**26,230**	**14,000**	**41**	**51**
PROFIT OR LOSS					
Finance income (*)	14,982	3,652	42,368	6	29
(Finance expense) (*)	(3,786)	(344)	(146,989)	(38)	(946)
Share of profit (loss) of equity-accounted entities	-	29,348	-	-	-
Net fee and commission income	3,810	21,142	37,073	8	(131)

(*)Finance income and expenses shown at their gross amounts.

The detail of balances recognised in the Group's consolidated balance sheet at 31 December 2012 and the gains and losses recognised in the consolidated income statement for the year ended 31 December 2013 arising from transactions with related parties is as follows:

(Thousands of euros)					
ITEM	Associates	Jointly-controlled entities	Significant shareholders	Board of Directors and senior executives	Other related parties
ASSETS					
Credit institutions	3,844	237	1,392,052	-	-
Loans and advances to customers	947,239	243,362	-	670	1,794
Other assets	-	-	1,949,137	-	-
Total	**951,083**	**243,599**	**3,341,189**	**670**	**1,794**
LIABILITIES					
Credit institutions	41,039	-	5,681,418	-	-
Customer deposits	224,591	620,963	-	858	60,837
Debt securities	-	12,121	-	-	1,098
Subordinated liabilities	-	-	15,309,148	-	-
Other liabilities	-	-	595,093	-	-
Total	**265,630**	**633,084**	**21,585,659**	**858**	**61,935**
OTHER					
Contingent liabilities	144,765	31,922	-	-	20
Commitments	48,807	6,712	-	40	42
Total	**193,572**	**38,634**	**-**	**40**	**62**
PROFIT OR LOSS					
Finance income(*)	61,960	28,537	67,196	13	105
(Finance expense)(*)	(5,120)	(19,007)	(222,783)	(4)	(999)
Share of profit (loss) of equity-accounted entities	(21,266)	(11,138)	-	-	-
Net fee and commission income	4,896	23,223	60,974	2	(48)

(*)Finance income and expenses shown at their gross amounts.

Appendices II and III to these consolidated financial statements show the details of associates and jointly-controlled entities, "Other related parties" includes balances held by close family relations of Bank directors (inter alia, directors' spouses and their own and their spouses' ancestors, descendants and siblings) and by entities which the Bank is aware are related to such persons.

All the transactions between the Group and its related parties were performed on an arm's-length basis.

At 31 December 2013, the FROB, through Banco Financiero y de Ahorros, S.A.U., held a 68.395% stake in Bankia, S. A. The FROB carries on its activity in accordance with Law 9/2012, of 14 November 2012. It is wholly owned by the Spanish government and its purpose is to oversee the restructuring and resolution of credit institutions. Given the indirect stake held by the FROB in Bankia, S.A., the Spanish government is a related party under prevailing regulations.

Balances with public administrations at 31 December 2013 are disclosed in the following notes to the consolidated financial statements:

- Note 12 Loans to the Spanish public sector.
- Notes 9, 11 and 13 Investments in Spanish government debt securities.
- Note 20 Spanish public sector deposits.
- Appendix VI Securities issued with an irrevocable guarantee of the Spanish State (which, in the year of issue, include payment of a fee).

The income and expense recognised in the consolidated income statements for 2013 and 2012 are as follows:

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
Finance income (*) (Note 31)	217,566	290,143
(Finance expense)(*) (Note 32)	(55,765)	(80,648)

(*)Finance 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 Banco Financiero y de Ahorros

The main balances held by the Bank with BFA (significant shareholder) at 31 December 2013 include:

– "Credit institutions" on the asset side of the balance sheet mainly includes the amount corresponding to reverse repurchase agreements with BFA (see Note 12); the balance arising from guarantees provided as collateral under the master agreement entered into with the main shareholder to cover operations involving derivatives and fixed-income repo agreements, all at arm's length prices, for EUR 66 million; the balance payable on the mutual account held with BFA of EUR 514 million; and the balance payable to BFA as a result of the adjustments made following the Bank's departure from the tax consolidation group headed by BFA;

– "Credit institutions" on the liability side of the balance sheet includes the amount arising from the guarantees received from BFA as collateral in connection with the transactions mentioned in the preceding paragraph, totalling EUR 524 million, This item also includes a demand deposit (interest-bearing) made by BFA for EUR 708 million;

– "Other assets" includes mainly debt securities issued by BFA and subscribed by the Bank for EUR 611 million and receivables related to transactions with derivatives entered into by it, as well as the balance related to the accrual of fees and commissions explained below;

– "Other liabilities" includes mainly payables related to transactions with derivatives entered into by BFA;

– "Contingent liabilities" and "Commitments" include amounts drawn and drawable, respectively, 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 written off, calculated in accordance with the total amount recovered and from guarantees issued/received;

– The table above showing related-party figures at 31 December 2013 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 guarantee line in favour of Bankia amounting to EUR 135 million to back guarantees issued temporarily in respect of liabilities from lawsuits requiring the guarantee of a financial institution, in addition to other types of claims.
- A guarantee line in favour of BFA amounting to EUR 14 million to back the limits on guarantee lines and temporary guarantees issued in respect of liabilities from lawsuits requiring the guarantee of a financial institution, in addition to other types of claims.
- A cost-sharing agreement for lawsuits related to preferred participating securities and subordinated bonds.

(50) Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 1-3). Certain accounting practices applied by the 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 sheet at 31 December 2013 and 2012
(Thousands of euros)

ASSETS	31/12/2013	31/12/2012
1. Cash and balances with central banks	**3,448,578**	**4,563,082**
2. Financial assets held for trading	**22,216,612**	**35,733,950**
2.1. Loans and advances to credit institutions	-	-
2.2. Loans and advances to customers	2,730	28,573
2.3. Debt securities	159,900	314,632
2.4. Equity instruments	13,969	4,420
2.5. Trading derivatives	22,040,013	35,386,325
Memorandum item: loaned or advanced as collateral	159,899	282,966
3. Other financial assets at fair value through profit or loss	**-**	**16,486**
3.1. Loans and advances to credit institutions	-	-
3.2. Loans and advances to customers	-	-
3.3. Debt securities	-	-
3.4. Equity instruments	-	16,486
Memorandum item: loaned or advanced as collateral	-	-
4. Available-for-sale financial assets	**41,083,893**	**39,997,793**
4.1. Debt securities	41,083,893	39,997,793
4.2. Equity instruments	-	-
Memorandum item: loaned or advanced as collateral	17,485,389	8,963,941
5. Loans and receivables	**131,891,417**	**146,602,130**
5.1. Loans and advances to credit institutions	8,759,368	9,024,397
5.2. Loans and advances to customers	121,548,482	135,358,378
5.3. Debt securities	1,583,567	2,219,355
Memorandum item: loaned or advanced as collateral	101,653,592	109,407,069
6. Held-to-maturity investments	**26,840,395**	**29,006,962**
Memorandum item: loaned or advanced as collateral	4,787,303	4,456,923
7. Changes in the fair value of hedged items in portfolio hedges of interest rate risk	**-**	**-**
8. Hedging derivatives	**4,244,193**	**6,174,395**
9. Non-current assets held for sale	**3,407,061**	**2,925,162**
10. Investments	**2,967,344**	**2,446,442**
10.1. Associates	-	-
10.2. Jointly-controlled entities	-	54,740
10.3. Group entities	2,967,344	2,391,702
11. Insurance contracts linked to pensions	**202,125**	**397,686**
12. Tangible assets I	**1,425,143**	**1,688,299**
12.1. Property, plant and equipment	1,300,531	1,574,179
12.1.1. For own use	1,300,531	1,574,081
12.1.2. Leased out under an operating lease	-	98
13.1.3 Assigned to welfare projects	-	-
12.2. Investment property	124,612	114,120
Memorandum item: acquired under a finance lease	-	-
13. Intangible assets	**72,816**	**59,466**
13.1 Goodwill	-	-
13.2 Other intangible assets	72,816	59,466
14. Tax assets	**8,019,804**	**8,655,370**
14.1 Current	52,052	34,246
14.2 Deferred	7,967,752	8,621,124
16. Other assets	**436,759**	**975,794**
TOTAL ASSETS	**246,256,140**	**279,243,017**

LIABILITIES AND EQUITY	31/12/2013	31/12/2012
LIABILITIES		
1. Financial liabilities held for trading	**20,204,038**	**33,610,393**
1.1. Deposits from central banks	-	-
1.2. Deposits from credit institutions	-	-
1.3. Customer deposits	-	-
1.4. Marketable debt securities	-	-
1.5. Trading derivatives	20,097,329	33,610,393
1.6. Short positions	106,709	-
1.7. Other financial liabilities	-	-
2. Other financial liabilities at fair value through profit or loss	**-**	**-**
2.1. Deposits from central banks	-	-
2.2. Deposits from credit institutions	-	-
2.3. Customer deposits	-	-
2.4. Marketable debt securities	-	-
2.5. Subordinated liabilities	-	-
2.6. Other financial liabilities	-	-
3. Financial liabilities at amortised cost	**209,822,099**	**245,230,619**
3.1. Deposits from central banks	43,405,679	51,954,778
3.2. Deposits from credit institutions	25,898,606	26,114,761
3.3. Customer deposits	115,052,713	117,916,947
3.4. Marketable debt securities	23,113,835	31,152,398
3.5. Subordinated liabilities	-	15,641,800
3.6. Other financial liabilities	2,351,266	2,449,935
4. Changes in the fair value of hedged items in portfolio hedges of interest rate risk	**-**	**-**
5. Hedging derivatives	**1,897,010**	**2,726,923**
6. Liabilities associated with non-current assets held for sale	**-**	**-**
8. Provisions	**1,493,034**	**2,434,089**
8.1. Provisions for pensions and similar obligations	228,912	486,376
8.2. Provisions for taxes and legal contingencies	285,572	36,721
8.3. Provisions for contingent liabilities and commitments	576,162	603,072
8.4. Other provisions	402,388	1,307,920
9. Tax liabilities	**1,051,534**	**876,936**
9.1. Current	461	8,319
9.2. Deferred	1,051,073	868,617
10. Welfare Fund	**-**	**-**
11. Other liabilities	**747,930**	**551,875**
12. Capital having the nature of a financial liability	**-**	**-**
TOTAL LIABILITIES	**235,215,645**	**285,430,835**
EQUITY		
1. Own funds	**10,321,049**	**(5,408,822)**
1.1. Capital	**11,517,329**	**3,987,927**
1.1.1 Issued	11,517,329	3,987,927
1.1.2 Less: Uncalled capital	-	-
1.2. Share Premium	**4,054,700**	**11,986,494**
1.3. Reserves	**(5,410,995)**	**(3,075,618)**
1.4. Other equity instruments	-	-
1.4.1. Equity component of compound financial instruments	-	-
1.4.2. Non-voting equity units and associated funds	-	-
1.4.3. Other equity instruments	-	-
1.5. Less: treasury shares	**(11,753)**	**(1,182)**
1.6. Profit/(loss) for the year attributable to the parent	**171,768**	**(18,306,443)**
1.7. Less: dividends and remuneration	**-**	**-**
2. . Valuation adjustments	**719,446**	**(778,996)**
2.1. Available-for-sale financial assets	708,101	(792,359)
2.2. Cash flow hedges	3,373	4,926
2.3. Hedges of net investments in foreign operations	-	-
2.4. Exchange differences	-	(70)
2.5. Non-current assets held for sale	1,074	8,507
2.7. Other valuation adjustments	6,898	-
TOTAL EQUITY	**11,040,495**	**(6,187,818)**
TOTAL LIABILITIES AND EQUITY	**246,256,140**	**279,243,017**
MEMORANDUM ITEM	**31,125,913**	**31,533,760**
1. Contingent exposures	**7,779,823**	**10,313,773**
2. Contingent commitments	**23,346,090**	**21,219,987**

Bankia, S.A.

Income statement for the years ended 31 December 2013 and 2012

(Thousands of euros)

	31/12/2013	31/12/2012
1. Interest and similar income	**5,237,308**	**7,260,244**
2. Interest expense and similar charges	**(3,022,879)**	**(4,510,056)**
3. Remuneration of capital having the nature of a financial liability	**-**	**-**
A. NET INTEREST INCOME	**2,214,429**	**2,750,188**
4. Return on equity instruments	**26,947**	**77,758**
6. Fees and commission income	**983,766**	**1,065,180**
7. Fees and commission expenses	**(106,688)**	**(130,351)**
8. Gains and losses on financial assets and liabilities (net)	**400,664**	**386,778**
8.1. Held for trading	(18,161)	(39,142)
8.2. Other financial instruments at fair value through profit or loss	9,222	2,910
8.3. Financial instruments not measured at fair value through profit or loss	279,683	384,432
8.4. Other	129,920	38,578
9. Exchange differences (net)	**20,854**	**39,211**
10. Other operating income	**45,637**	**43,809**
11. Other operating expenses	**(255,800)**	**(530,480)**
B. GROSS INCOME	**3,329,809**	**3,702,093**
12. Administrative expenses	**(1,601,113)**	**(1,821,196)**
12.1. Staff costs	(1,039,395)	(1,240,318)
12.2. Other general administrative expenses	(561,718)	(580,878)
13. Depreciation and amortisation charge	**(147,710)**	**(227,992)**
14. Provisions (net)	**(222,791)**	**(1,424,123)**
15. Impairment losses on financial assets (net)	**(1,208,985)**	**(18,116,330)**
15.1. Loans and receivables	(1,198,275)	(17,476,901)
15.2. Other financial instruments not measured at fair value through profit or loss	(10,710)	(639,429)
C. NET OPERATING INCOME/(EXPENSE)	**149,210**	**(17,887,548)**
16. Impairment losses on other assets (net)	**348,804**	**(2,953,645)**
16.1. Goodwill and other intangible assets	-	(5,434)
16.2. Other assets	348,804	(2,948,211)
17. Gains/(losses) on disposal of assets not classified as non-current assets held for sale	**6,339**	**492**
18. Negative goodwill on business combinations	**-**	**-**
19. Gains/(losses) on non-current assets held for sale not classified as discontinued operations	**(45,174)**	**(704,487)**
D. PROFIT/(LOSS) BEFORE TAX	**459,179**	**(21,545,188)**
20. Income tax	**(287,411)**	**3,238,745**
21. Mandatory transfer to welfare funds	**-**	**-**
E. PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**171,768**	**(18,306,443)**
22. Profit/(loss) from discontinued operations (net)	**-**	**-**
F. CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	**171,768**	**(18,306,443)**

BANKIA, S.A.

Statement of recognised income and expense for the years ended 31 December 2013 and 2012

(Thousands of euros)	31/12/2013	31/12/2012
A) CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	**171,768**	**(18,306,443)**
B) OTHER RECOGNISED INCOME AND EXPENSE	**1,498,442**	**(197,556)**
B.1) Items not to be reclassified to profit or loss	**6,898**	**-**
1. Actuarial gains/(losses) on defined-benefit pension plans	9,854	**-**
2. Non-current assets held for sale	-	**-**
3. Companies accounted for using the equity method	(2,956)	**-**
B.2) Items eligible to be reclassified to profit or loss	**1,491,544**	**(197,556)**
1. Available-for-sale financial assets	**2,143,514**	**(348,878)**
1.1. Revaluation gains/(losses)	2,223,348	(158,963)
1.2. Amounts transferred to income statement	79,834	(177,762)
1.3. Other reclassifications	-	(12,153)
2. Cash flow hedges	**(2,219)**	**54,733**
2.1. Revaluation gains/(losses)	(2,219)	25,730
2.2. Amounts transferred to income statement	-	29,003
2.3. Amounts transferred to initial carrying amount of hedged items	-	-
2.4. Other reclassifications	-	-
3. Hedges of net investments in foreign operations	**-**	**-**
3.1. Revaluation gains/(losses)	-	-
3.2. Amounts transferred to income statement	-	-
3.3. Other reclassifications	-	-
4. Exchange differences	**100**	**(231)**
4.1. Revaluation gains/(losses)	100	(231)
4.2. Amounts transferred to income statement	-	-
4.3. Other reclassifications	-	-
5. Non-current assets held for sale	**(10,619)**	**12,153**
5.1. Revaluation gains/(losses)	(10,619)	-
5.2. Amounts transferred to income statement	-	-
5.3. Other reclassifications	-	12,153
8. Other recognised income and expense	**-**	**-**
9. Income tax on items that could be reclassified to profit or loss	**(639,232)**	**84,667**
C) TOTAL RECOGNISED INCOME AND EXPENSE (A+B)	**1,670,210**	**(18,503,999)**

Bankia, S.A.

Statement of changes in equity:

Statement of changes in total equity for the year ended 31 December 2013

(Thousands of euros)

	OWN FUNDS								VALUATION ADJUSTMENTS	TOTAL EQUITY
	Share capital	Share premium	Reserves	Other equity instruments	Less: treasury shares	Profit/(loss) for the year	Less: Dividends and remuneration	Total own funds		
1. Balance at 31 December 2012	**3,987,927**	**11,986,494**	**(3,075,618)**	**-**	**(1,182)**	**(18,306,443)**	**-**	**(5,408,822)**	**(778,996)**	**(6,187,818)**
1.1 Adjustments due to accounting policy change	-	-	-	-	-	-	-	-	-	-
1.2 Error adjustments	-	-	-	-	-	-	-	-	-	-
2. Adjusted opening balance	**3,987,927**	**11,986,494**	**(3,075,618)**	**-**	**(1,182)**	**(18,306,443)**	**-**	**(5,408,822)**	**(778,996)**	**(6,187,818)**
3. Total recognised income and expense	**-**	**-**	**-**	**-**	**-**	**171,768**	**-**	**171,768**	**1,498,442**	**1,670,210**
4. Other changes in equity	**7,529,402**	**(7,931,794)**	**(2,335,377)**	**-**	**(10,571)**	**18,306,443**	**-**	**15,558,103**	**-**	**15,558,103**
4.1 Capital increases	3,587,065	1,265,024	(889)	-	-	-	-	4,851,200	-	4,851,200
4.2 Capital reductions	3,967,987	-	(3,967,987)	-	-	-	-	-	-	-
4.3 Conversion of financial liabilities into equity	7,910,324	2,789,676	-	-	-	-	-	10,700,000	-	10,700,000
4.4 Increase in other equity instruments	-	-	-	-	-	-	-	-	-	-
4.5 Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-
4.6 Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-
4.7 Remuneration to members	-	-	-	-	-	-	-	-	-	-
4.8 Treasury share transactions (net)	-	-	27,363	-	(10,571)	-	-	16,792	-	16,792
4.9 Transfers between equity accounts	-	(11,986,494)	(6,319,949)	-	-	18,306,443	-	-	-	-
4.10 Increases/(decreases) due to business combinations	-	-	(9,821)	-	-	-	-	(9,821)	-	(9,821)
4.11 Discretionary transfer to welfare projects and funds	-	-	-	-	-	-	-	-	-	-
4.12 Equity instrument-based payments	-	-	-	-	-	-	-	-	-	-
4.13 Other increases/(decreases) in equity	-	-	(68)	-	-	-	-	(68)	-	(68)
5. Balance at 31 December 2013	**11,517,329**	**4,054,700**	**(5,410,995)**	**-**	**(11,753)**	**171,768**	**-**	**10,321,049**	**719,446**	**11,040,495**

Bankia, S.A.

Statement of changes in equity:

Statement of changes in total equity for the year ended 31 December 2012

(Thousands of euros)

	OWN FUNDS								VALUATION ADJUSTMENTS	TOTAL EQUITY
	Share capital	Share premium	Reserves	Other equity instruments	Less: treasury shares	Profit/(loss) for the year	Less: Dividends and remuneration	Total own funds		
1. Balance at 31 December 2011	**3,465,145**	**11,643,001**	**28,150**	**-**	**(27,649)**	**(3,030,551)**	**-**	**12,078,096**	**(581,440)**	**11,496,656**
1.1 Adjustments due to accounting policy change	-	-	-	-	-	-	-	-	-	-
1.2 Error adjustments	-	-	-	-	-	-	-	-	-	-
2. Adjusted opening balance	**3,465,145**	**11,643,001**	**28,150**	**-**	**(27,649)**	**(3,030,551)**	**-**	**12,078,096**	**(581,440)**	**11,496,656**
3. Total recognised income and expense	**-**	**-**	**-**	**-**	**-**	**(18,306,443)**	**-**	**(18,306,443)**	**(197,556)**	**(18,503,999)**
4. Other changes in equity	**522,782**	**343,493**	**(3,103,768)**	**-**	**26,467**	**3,030,551**	**-**	**819,525**	**-**	**819,525**
4.1 Capital increases	522,782	343,493	-	-	-	-	-	866,275	-	866,275
4.2 Capital reductions	-	-	(1,075)	-	-	-	-	(1,075)	-	(1,075)
4.3 Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-
4.4 Increase in other equity instruments	-	-	-	-	-	-	-	-	-	-
4.5 Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-
4.6 Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-
4.7 Remuneration to members	-	-	-	-	-	-	-	-	-	-
4.8 Treasury share transactions (net)	-	-	(72,142)	-	26,467	-	-	(45,675)	-	(45,675)
4.9 Transfers between equity accounts	-	-	(3,030,551)	-	-	3,030,551	-	-	-	-
4.10 Increases/(decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-
4.11 Discretionary transfer to welfare projects and funds	-	-	-	-	-	-	-	-	-	-
4.12 Equity instrument-based payments	-	-	-	-	-	-	-	-	-	-
4.13 Other increases/(decreases) in equity	-	-	-	-	-	-	-	-	-	-
5. Balance at 31 December 2012	**3,987,927**	**11,986,494**	**(3,075,618)**	**-**	**(1,182)**	**(18,306,443)**	**-**	**(5,408,822)**	**(778,996)**	**(6,187,818)**

Bankia, S.A.		
Statement of cash flows for the years ended 31 December 2013 and 2012		
(Thousands of euros)	31/12/2013	31/12/2012
A) CASH FLOWS USED IN OPERATING ACTIVITIES	**(2,319,247)**	**(7,390,261)**
1. Consolidated profit/(loss) for the year	**171,768**	**(18,306,443)**
2. Adjustments made to obtain the cash flows from operating activities	**1,312,415**	**29,349,111**
2.1. Depreciation and amortisation	147,710	227,992
2.2. Other	1,164,705	29,121,119
3. Net increase/(decrease) in operating assets	**17,506,532**	**6,813,635**
3.1. Financial assets held for trading	43,268	634,961
3.2. Other financial assets at fair value through profit or loss	16,486	60,157
3.3. Available-for-sale financial assets	1,241,721	(5,131,508)
3.4. Loans and receivables	12,792,151	11,651,743
3.5. Other operating assets	3,412,906	(401,718)
4. Net increase/(decrease) in operating liabilities	**(21,309,962)**	**(25,246,564)**
4.1. Financial liabilities held for trading	57,179	(511,752)
4.2. Other financial liabilities at fair value through profit or loss	-	-
4.3. Financial liabilities at amortised cost	(19,089,333)	(24,920,227)
4.4. Other operating liabilities	(2,277,808)	185,415
5. Income tax receipts/(payments)	-	-
B) CASH FLOWS FROM INVESTING ACTIVITIES	**1,281,305**	**417,371**
6. Payments	**1,770,902**	**737,482**
6.1. Tangible assets	-	-
6.2. Intangible assets	57,806	26,836
6.3. Investments	934,807	710,314
6.4. Subsidiaries and other business units	-	-
6.5. Non-current assets held for sale and associated liabilities	778,289	332
6.6. Held-to-maturity investments	-	-
6.7. Other payments related to investing activities	-	-
7. Proceeds	**3,052,207**	**1,154,853**
7.1. Tangible assets	172,832	106,792
7.2. Intangible assets	-	-
7.3. Investments	396	9,537
7.4. Subsidiaries and other business units	-	-
7.5. Non-current assets held for sale and associated liabilities	820,046	378,583
7.6. Held-to-maturity investments	2,058,933	659,941
7.7. Other proceeds related to investing activities	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES	**(76,562)**	**5,418,723**
8. Payments	**15,652,371**	**280,418**
8.1. Dividends	-	-
8.2. Subordinated liabilities	15,641,800	-
8.3. Redemption of own equity instruments	-	-
8.4. Acquisition of own equity instruments	10,571	255,023
8.5. Other payments related to financing activities	-	25,395
9. Proceeds	**15,575,809**	**5,699,141**
9.1. Subordinated liabilities	-	4,623,517
9.2. Issuance of own equity instruments	15,552,089	866,275
9.3. Disposal of own equity instruments	-	209,349
9.4. Other proceeds related to financing activities	23,720	-
D) EFFECT OF EXCHANGE RATE DIFFERENCES	**-**	**24**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**(1,114,504)**	**(1,554,143)**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**4,563,082**	**6,117,225**
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**3,448,578**	**4,563,082**
MEMORANDUM ITEM		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
1.1. Cash	660,143	794,364
1.2. Cash equivalents at central banks	2,788,435	3,768,718
1.3. Other financial assets	-	-
1.4. Less: Bank overdrafts refundable on demand	-	-
Total cash and cash equivalents at end of year	**3,448,578**	**4,563,082**

Appendix II - Subsidiaries

The key details on subsidiaries, including those classified under "Non-current assets held for sale" at 31 December 2013 are as follows:

Company	Business activity	Location	% Ownership interest owned by the Group		
			% Current interest		Total ownership interest (%)
			Direct	Indirect	
ABITARIA CONSULTORIA Y GESTION, S.A.	Other independent services	Madrid – SPAIN	-	100.00	100.00
ACCIONARIADO Y GESTIÓN, S.L.	Other independent services	Madrid – SPAIN	100.00	0.00	100.00
ADAMAR SECTORS, S.L.	Real Estate development	Mataró (Barcelona) - SPAIN	-	82.00	82.00
ALIANCIA INVERSIÓN EN INMUEBLES DOS, S.L.	Real estate	Las Rozas (Madrid) - SPAIN	48.33	25.92	74.25
ALIANCIA ZERO S.L.	Real estate	Las Rozas (Madrid) - SPAIN	28.69	31.05	59.74
ALQUILER PARA JOVENES VIVIENDAS COLMENAR VIEJO, S.L.	Real estate development	Madrid – SPAIN	-	80.80	80.80
ARCALIA SERVICIOS, S.A.	Accounting services	Madrid – SPAIN	99.99	0.01	100.00
ARRENDADORA AERONÁUTICA, AIE	Purchase and lease of aircraft	Madrid – SPAIN	68.17	-	68.17
ARRENDADORA DE EQUIPAMIENTOS FERROVIARIOS, S.A.	Purchase and lease of trains	Barcelona - SPAIN	85.00	-	85.00
ASEGURADORA VALENCIANA, S.A.U. (1)	Life assurance and ancillary activities	Valencia - SPAIN	100.00	-	100.00
AUTO RENTING RIOJA, S.A.U.	Vehicle leases	Logroño (La Rioja) - SPAIN	-	100.00	100.00
AVANZA INVERSIONES EMPRESARIALES, SGECR, S.A.U.	Venture capital fund management	Madrid – SPAIN	-	100.00	100.00
BANCAJA CONSULTORA DE RIESGOS, S.L.	Brokerage / insurance	Valencia - SPAIN	99.00	1.00	100.00
BANCAJA EMISIONES, S.A.U.	Financial brokerage	Castellón - SPAIN	100.00	-	100.00
BANCAJA PARTICIPACIONES, S.L.	Corporate management	Castellón - SPAIN	99.99	0.01	100.00
BANCAJA US DEBT, S.A.U.	Financial brokerage	Castellón - SPAIN	100.00	-	100.00
BANCOFAR, S.A. (1)	Banking	Madrid – SPAIN	70.21	-	70.21
BANKIA FONDOS, S.G.I.I.C., S.A.	Manager of collective investment undertakings	Madrid – SPAIN	100.00	0.00	100.00
BANKIA HABITAT, S.L.U.	Real estate	Valencia - SPAIN	100.00	-	100.00
BANKIA INVERSIONES FINANCIERAS S.A.U.	Corporate management	Madrid - SPAIN	100.00	-	100.00
BANKIA MEDIACIÓN, OPERADOR DE BANCA SEGUROS VINCULADO, S.A.U.	Insurance intermediary-Bancassurance operator	Madrid - SPAIN	100.00	-	100.00
BANKIA PENSIONES, S.A.U. E.G.F.P.	Pension fund manager	Madrid - SPAIN	-	100.00	100.00
BEIMAD INVESTMENT SERVICES COMPANY LIMITED	Business management advisory services	Beijing - CHINA	100.00	-	100.00
BENIDORM COMPLEJO VIDA & GOLF U. S.L.U.	Real estate	Valencia - SPAIN	-	100.00	100.00
CAJA MADRID, S.D. FINANCE BV	Financial brokerage	Amsterdam - NETHERLANDS	100.00	-	100.00
CAMI LA MAR DE SAGUNTO, S.L.	Real estate	Valencia - SPAIN	-	100.00	100.00
CAVALTOUR, AGENCIA DE VIAJES, S.A.	Travel agent	Valencia - SPAIN	50.00	-	50.00
CAYMADRID INTERNACIONAL, LTD.	Financial brokerage	Gran Caimán - CAYMAN ISLANDS	100.00	-	100.00

Company	Business activity	Location	% Ownership interest owned by the Group		
			% Current interest		Total ownership interest (%)
			Direct	Indirect	
CITY NATIONAL BANK OF FLORIDA (1)	Banking	Florida - UNITED STATES	-	100.00	100.00
CIVITAS INMUEBLES S.L.	Real estate	Valencia - SPAIN	-	100.00	100.00
CM FLORIDA HOLDINGS, INC. (1)	Corporate management	Florida - UNITED STATES	-	100.00	100.00
COBIMANSA PROMOCIONES INMOBILIARIAS, S.L.	Real Estate development	Madrid - SPAIN	-	83.30	83.30
COLMENAR DESARROLLOS RESIDENCIALES, S.L.	Real Estate development	Madrid - SPAIN	-	100.00	100.00
CORPORACIÓN FINANCIERA HABANA, S.A.	Industry, commerce and services financing	La Habana - REPÚBLIC OF CUBA	60.00	-	60.00
CORPORACIÓN INDUSTRIAL BANKIA, S.A.U.	Corporate management	Madrid – SPAIN	100.00	-	100.00
COSTA EBORIS, S.L.U.	Real estate	Valencia – SPAIN	-	100.00	100.00
EMERALD PLACE LLC	Real estate	Florida - UNITED STATES	-	76.70	76.70
ENCINA LOS MONTEROS, S.L.U.	Real estate	Valencia – SPAIN	-	100.00	100.00
ESPAI COMERCIAL VILA REAL,S.L.	Real estate	Castellón - SPAIN	48.48	46.18	94.66
FINCAS Y GESTIÓN INMOBILIARIA 26001, S.L.U.	Real estate	Valencia – SPAIN	100.00	-	100.00
GARANAIR, S.L.	Other independent services	Madrid – SPAIN	87.00	-	87.00
GEOPORTUGAL - IMOBILIARIA, LDA.	Real estate development	Povoa du Varzim - PORTUGAL	-	57.80	57.80
GESTIÓN DE INICIATIVAS RIOJANAS, S.A.U.	Services	Logroño (La Rioja) – SPAIN	100.00	-	100.00
GESTORA DE DESARROLLOS Y ARRENDAMIENTOS, S.L.	Real estate	Alicante-SPAIN	-	100.00	100.00
GESTORA DE SUELO DE LEVANTE, S.L.	Real estate	Madrid – SPAIN	-	60.05	60.05
GRUPO BANCAJA CENTRO DE ESTUDIOS S.A.	Corporate management	Valencia – SPAIN	99.83	0.17	100.00
HABITAT RESORTS, S.L.U.	Real estate	Valencia – SPAIN	-	100.00	100.00
HABITAT USA CORPORATION	Real estate	Florida - UNITED STATES	-	100.00	100.00
IB INVESTMENTS GMBH	Real estate development	Berlín – GERMANY	-	94.50	94.50
INICIATIVAS GESTIOMAT, S.L.	Real estate development	Mataró (Barcelona) – SPAIN	-	57.15	57.15
INMOGESTION Y PATRIMONIOS, S.A.	Corporate management	Madrid – SPAIN	0.10	99.90	100.00
INMOVEMU, S.L.	Real estate development	Ávila – SPAIN	-	95.22	95.22
INTERMEDIACIÓN Y PATRIMONIOS, S.L.	Real estate development	Madrid – SPAIN	0.00	100.00	100.00
INTERNOVA VIVIENDA JOVEN, S.L.	Real estate	Madrid – SPAIN	-	100.00	100.00
INVERÁVILA S.A.U.	Real estate	Ávila – SPAIN	100.00	-	100.00
INVERCALIA GESTIÓN PRIVADA, S.A.	Business management consulting	Valencia – SPAIN	99.83	0.17	100.00
INVERSION EN ALQUILER DE VIVIENDAS, S.L.U.	Corporate management	Segovia – SPAIN	100.00	-	100.00
INVERSIONES TURISTICAS DE ÁVILA, S.A.	Real estate	Ávila – SPAIN	100.00	-	100.00
INVERSIONES Y DESARROLLOS 2069 MADRID, S.L.U.	Real estate	Madrid – SPAIN	100.00	-	100.00
JARDI RESIDENCIAL LA GARRIGA, S.L.	Real estate development	Mataró (Barcelona) - SPAIN	-	51.00	51.00
LA CAJA TOURS, S.A.	Travel agent	Las Palmas de Gran Canarias - SPAIN	70.23	-	70.23

Company	Business activity	Location	% Ownership interest owned by the Group		
			% Current interest		Total ownership interest (%)
			Direct	Indirect	
LAIETANA GENERALES COMPAÑIA DE SEGUROS DE LA CAJA DE AHORROS LAIETANA, S.A.U.	Life assurance and ancillary activities	Mataró (Barcelona) - SPAIN	100.00	-	100.00
LAIETANA VIDA COMPANIA DE SEGUROS DE LA CAJA DE AHORROS LAIETANA, S.A.U.	Life assurance and ancillary activities	Mataró (Barcelona) - SPAIN	100.00	-	100.00
MACLA 2005, S.L.	Real estate development	Mataró (Barcelona) - SPAIN	-	52.73	52.73
MEDIACIÓN Y DIAGNÓSTICOS, S.A.	Corporate management	Madrid - SPAIN	100.00	0.00	100.00
MINERVA RENOVABLES S.A.U.	Photovoltaic energy	Madrid - SPAIN	100.00	-	100.00
MONDRASOL 1, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
MONDRASOL 10, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
MONDRASOL 11, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
MONDRASOL 12, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
MONDRASOL 13, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
MONDRASOL 14, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
MONDRASOL 15, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
MONDRASOL 2, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
MONDRASOL 3, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
MONDRASOL 4, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
MONDRASOL 5, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
MONDRASOL 6, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
MONDRASOL 7, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
MONDRASOL 8, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
MONDRASOL 9, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
NAVIERA CATA, S.A.	Acquisition, leases and operation of ships	Las Palmas de Gran Canarias - SPAIN	100.00	0.00	100.00
OCIO LOS MONTEROS, S.L.U.	Real estate	Valencia - SPAIN	-	100.00	100.00
PAGUMAR, A.I.E.	Acquisition, leases and operation of ships	Las Palmas de Gran Canarias - SPAIN	85.45	-	85.45
PARKIA CANARIAS, S.L.	Car park management	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
PARQUE BIOLÓGICO DE MADRID, S.A.	Biological park operation, concession, management and use	Madrid - SPAIN	-	91.57	91.57
PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L.	Corporate management	Madrid - SPAIN	0.01	99.99	100.00
PLURIMED, S.A.	Healthcare centre management	Madrid - SPAIN	-	92.48	92.48
PROYECTO INMOBILIARIO VALIANT,S.L.	Real estate development	Mataró (Barcelona) - SPAIN	-	100.00	100.00
REALES ATARAZANAS, S.L.	Real estate	Valencia - SPAIN	-	70.00	70.00
RENLOVI, S.L.	Real estate development	Mataró (Barcelona) - SPAIN	100.00	-	100.00
RESTAURA NOWOGROZKA,SP. ZOO	Real estate development	Warszawa - POLAND	-	100.00	100.00
SALA RETIRO, S.A. (1)	Moveable goods brokerage	Madrid - SPAIN	0.01	99.99	100.00

Company	Business activity	Location	% Ownership interest owned by the Group		
			% Current interest		Total ownership interest (%)
			Direct	Indirect	
SANTA POLA LIFE RESORTS, S.L.U.	Real estate	Valencia - SPAIN	-	100.00	100.00
SECTOR DE PARTICIPACIONES INTEGRALES, S.L.	Corporate management	Madrid - SPAIN	100.00	0.00	100.00
SEGURBANKIA, S.A. CORREDURÍA DE SEGUROS DEL GRUPO BANKIA	Insurance intermediary	Madrid - SPAIN	0.02	99.98	100.00
SPEC GESTIÓN DE INVERSIONES, S.A.	Corporate management	Madrid - SPAIN	100.00	-	100.00
TORRE NORTE CASTELLANA, S.A.	Real estate	Madrid - SPAIN	100.00	0.00	100.00
URBAPINAR S.L.	Real estate	Madrid - SPAIN	90.07	-	90.07
VALENCIANA DE INVERSIONES MOBILIARIAS, S.L.	Corporate management	Valencia - SPAIN	100.00	0.00	100.00
VALORACION Y CONTROL, S.L.	Corporate management	Madrid - SPAIN	0.01	99.99	100.00
VIAJES CAJA ÁVILA, S.A.	Travel agent and tour operator	Ávila - SPAIN	70.00	-	70.00
VIAJES HIDALGO,S.A.	Travel agent and tour operator	Ávila - SPAIN	-	52.48	52.48
VIVIENDAS EN ALQUILER DE MOSTOLES, S.L.	Real estate development	Madrid - SPAIN	-	100.00	100.00
VOLTPRO I, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
VOLTPRO II, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
VOLTPRO III, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
VOLTPRO IV, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
VOLTPRO IX, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
VOLTPRO V, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
VOLTPRO VI, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
VOLTPRO VII, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
VOLTPRO VIII, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
VOLTPRO X, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
VOLTPRO XI, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
VOLTPRO XII, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
VOLTPRO XIII, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
VOLTPRO XIV, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
VOLTPRO XIX, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
VOLTPRO XV, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
VOLTPRO XVI, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
VOLTPRO XVII, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
VOLTPRO XVIII, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00
VOLTPRO XX, S.L.U.	Photovoltaic energy	Las Palmas de Gran Canarias - SPAIN	100.00	-	100.00

(1) Classified under "Non-current assets held for sale".

Appendix III - Jointly-controlled entities

The key details on jointly-controlled entities at 31 December 2013 are as follows:

			% Ownership interest owned by the Group			Thousands of euros		
						Investee information (**)		
			Current interest (%)		Total ownership interest (%)	2013		
Company	Business activity	Business activity	Direct	Indirect		Assets	Liabilities	Profit/(loss)
MAPFRE CAJA MADRID VIDA, S.A., DE SEGUROS Y REASEGUROS	Life insurance	Madrid - SPAIN	-	49.00	49.00	5,446,018	5,125,617	54,904

(**)Latest available data, unaudited

Appendix IV - Jointly-controlled entities and associates classified under Non-current assets held for sale

The key details on jointly-controlled entities and associates classified under "Non-current assets held for sale" at 31 December 2013 are as follows:

						Thousands of euros		
			% Ownership interest owned by the Group			Investee information (*)		
			Current interest (%)		Total ownership interest (%)	2013		
Company	Business activity	Location	Direct	Indirect		Assets	Liabilities	Profit/(loss)
Jointly controlled entities								
ASOCIACIÓN TÉCNICA DE CAJAS DE AHORROS, A.I.E.	IT services	Zaragoza - SPAIN	38.00	-	38.00	7,097	173	-
CARTERA DE PARTICIPACIONES EMPRESARIALES DE LA COMUNIDAD VALENCIANA, S.L.	Holding company	Valencia - SPAIN	-	50.00	50.00	27,555	6	(33,415)
COSTA VERDE HABITAT, S.L.	Real estate development	Valencia - SPAIN	-	50.00	50.00	8,990	54	(1,916)
CSJ DESARROLLOS RESIDENCIALES, S.L.	Real estate	Madrid - SPAIN	50.00	-	50.00	694	4,646	(35)
DESARROLLOS INMOBILIARIOS CAMPOTEJAR, S.L.	Real estate	Madrid - SPAIN	50.00	-	50.00	9,800	34,289	(1,683)
DESARROLLOS URBANISTICOS LOS CASTAÑOS, S.L.	Real estate	Madrid - SPAIN	50.00	-	50.00	21,880	44,722	(1)
DESARROLLOS URBANISTICOS VALDEAVERUELO S.L.	Real estate	Madrid - SPAIN	-	37.50	37.50	41,468	44,651	(977)
EUROPEA DE DESARROLLOS URBANOS, S.A.	Real estate development	Madrid - SPAIN	20.00	-	20.00	250,842	247,322	(4,759)
FONDO C.P.E CAPITAL CV, F.C.R.	Holding company	Madrid - SPAIN	-	50.00	50.00	5,865	100	(12)
GLOBAL VIA INFRAESTRUCTURAS, S.A.	Development and operation of public infrastructure	Madrid - SPAIN	-	50.00	50.00	3,283,836	2,444,261	(2,923)
GRUPO LAR DESARROLLOS URBANÍSTICOS, S.L.	Real estate development	Madrid - SPAIN	-	50.00	50.00	3,867	5,306	-
IB OPCO HOLDING, S.L.	Other independent services	Madrid - SPAIN	-	43.59	43.59	1,574,481	191	(577,135)
LEADERMAN INVESTMENT GROUP, S.L.	Real estate	Madrid - SPAIN	50.00	-	50.00	26,926	79,001	-
MADRID DEPORTE AUDIOVISUAL, S.A.	Other independent services	Madrid - SPAIN	47.50	-	47.50	97,347	90,651	(2,352)
MEGO INVERSIONES, S.L.	Real estate	Plasencia (Cáceres) - SPAIN	50.00	-	50.00	29,615	30,432	(1,650)
MONTIS LOCARE, S.L.	Residential leasing	Zaragoza - SPAIN	-	52.27	52.27	7,054	7,208	(66)
NAVICOAS ASTURIAS, S.L.	Real estate	Madrid - SPAIN	-	50.00	50.00	-	-	-
NH SEGOVIA, S.L.	Hotel and catering	Segovia - SPAIN	46.74	-	46.74	7,337	3,973	(5)
ONCISA INICIATIVAS DE DESARROLLO, S.L.	Real estate	Madrid - SPAIN	50.00	-	50.00	24	51	(15)
PINARGES, S.L.	Real estate	Madrid - SPAIN	50.00	-	50.00	16,017	12,510	(263)
REALIA BUSINESS, S.A.	Real estate	Madrid - SPAIN	-	24.95	24.95	3,256,607	2,543,638	(23,823)
VALDECARRIZO, S.L.	Real estate	Majadahonda (Madrid) - SPAIN	20.00	-	20.00	1,124	-	(279)
Associates						-	-	-
ACINELAV INVERSIONES 2006, S.L.	Real estate	Valencia - SPAIN	-	25.40	25.40	280,157	286,047	(10,113)

Company	Business activity	Location	% Ownership interest owned by the Group			Thousands of euros Investee information (*) 2013		
			Current interest (%)		Total ownership interest (%)			
			Direct	Indirect		Assets	Liabilities	Profit/(loss)
ALAZOR INVERSIONES, S.A.)	Other activities related to road transport	Villaviciosa de Odon (Madrid)- SPAIN	-	20.00	20.00	1,170,685	1,310,565	(20,436)
ALIANZA LOGISTICA MAFORT-HABITAT S.L.	Real estate	Valencia - SPAIN	-	50.00	50.00	16,548	24,095	(319)
ALTAFULLA LIFE RESORTS, S.L.	Real estate	Torredembarra (Tarragona) - SPAIN	-	50.00	50.00	6,787	722	(1,139)
ALTER INMUEBLES S.L.	Real estate	Madrid - SPAIN	33.41	-	33.41	30,640	32,828	(755)
ANIRA INVERSIONES S.L.	Holding company	Madrid - SPAIN	20.00	-	20.00	86,877	43,242	4,203
APARCAMIENTOS ESPOLÓN, S.A.	Car park operation	Logroño (La Rioja) - SPAIN	-	25.00	25.00	2,697	203	413
ARRENDADORA FERROVIARIA, S.A.	Purchase and lease of trains	Barcelona - SPAIN	29.07	-	29.07	431,185	431,731	4
ASSETS FOUND, S.L.	Real estate	Valencia - SPAIN	-	50.00	50.00	11,753	17,742	(1,775)
AVALMADRID, S.G.R.	SME financing	Madrid - SPAIN	30.37	-	30.37	106,456	61,508	-
AVANZA MADRID VIVIENDA JOVEN, S.L.	Real estate	Madrid - SPAIN	-	40.00	40.00	4,979	(1)	(1)
BAJA CALIFORNIA INVESTMENTS, B.V.	Real estate	The Netherlands	-	40.00	40.00	76,863	2	5
BENETESA, S.A.	Hotel property holdings	Barcelona - SPAIN	-	20.00	20.00	8,410	7,586	(306)
CAPITAL RIESGO DE LA COMUNIDAD DE MADRID, S.A., S.C.R., EN LIQUIDACIÓN	Venture capital	Madrid - SPAIN	-	35.11	35.11	459	2	(74)
CENTRO SOCIO SANITARIO DE LOGROÑO, S.L.	Social care services	Logroño (La Rioja) - SPAIN	-	50.00	50.00	6,743	7,008	17
CISTERCAM ALQUILERES PROTEGIDOS, S.L.	Real estate	Valladolid - SPAIN	-	45.00	45.00	13,631	2,839	42
COMTAL ESTRUC, S.L.	Real estate dealing on its own behalf	Madrid - SPAIN	31.51	-	31.51	15,713	25,512	(208)
CONCESIONES AEREOPORTUARIAS, S.A.	Other activities related with air transport	Castellón - SPAIN	-	15.00	15.00	145,994	116,325	(79)
CONCESSIA, CARTERA Y GESTIÓN DE INFRAESTRUCTURAS, S.A.	Holding company	Madrid - SPAIN	15.01	6.30	21.31	92,431	23,418	1,761
CORPORACIÓN INTERAMERICANA PARA EL FINANCIAMIENTO DE INFRAESTRUCTURA, S.A.	Infrastructure finance in Latin America and the Caribbean	San Jose - COSTA RICA	25.93	-	25.93	199,307	132,732	3,027
COSTA BELLVER, S.A.	Real estate	Castellón - SPAIN	-	46.40	46.40	9,564	8,023	(671)
CREACIÓN DEL SUELO E INFRAESTRUCTURAS S.L.	Real estate	Madrid - SPAIN	-	25.00	25.00	13,574	12,902	(282)
D.U. MIRAPLANA, S.L.	Real estate	Borriol (Castellón) - SPAIN	-	50.00	50.00	6	1	-
DEDIR CLÍNICA, S.L.	Construction and operation of healthcare centres	Palma de Mallorca - SPAIN	-	32.37	32.37	36,732	17,977	852
DEOLEO, S.A.	Foodstuffs	Madrid - SPAIN	-	16.28	16.28	1,663,174	1,052,014	9,125
DESARROLLOS INMOBILIARIOS SALAMANCA, S.L.	Real estate	Alcalá de Henares (Madrid) - SPAIN	25.00	-	25.00	83,067	68,271	-
EBROSA PARTICIPACIONES, S.L.	Real estate	Zaragoza - SPAIN	-	50.00	50.00	22,321	27,161	(4,382)
EGICAM PLAN JOVEN, S.L.	Real estate	Madrid - SPAIN	-	40.00	40.00	43,786	42,254	(1,007)
ENSATEC, S.L.	Engineering	Navarrete (La Rioja) - SPAIN	-	20.00	20.00	3,435	2,141	(355)
ESPACIO JOVEN HOGARES, S.L.	Real estate	Madrid - SPAIN	-	47.00	47.00	27,979	23,634	(18)
EUROBITS TECHNOLOGIES, S.L.	Business process computerisation and outsourcing	Madrid - SPAIN	49.99	-	49.99	1,991	649	214
EUROFORUM TORREALTA, S.A.	Acquisition and holding of urban and rustic land	Madrid – SPAIN	26.78	-	26.78	4,748	(4)	14,472
FERROCARRIL INTERMEDIACIÓN Y PATRIMONIOS, S.L.	Real estate	Madrid – SPAIN	-	35.00	35.00	63,281	55,682	(648)

Company	Business activity	Location	% Ownership interest owned by the Group			Thousands of euros — Investee information (*)		
			Current interest (%)		Total ownership interest (%)	2013		
			Direct	Indirect		Assets	Liabilities	Profit/(loss)
FERROMOVIL 3000, S.L.	Purchase and lease of railway stock	Madrid – SPAIN	30.00	-	30.00	559,235	529,283	(274)
FERROMOVIL 9000, S.L.	Purchase and lease of railway stock	Madrid – SPAIN	30.00	-	30.00	358,981	336,880	(243)
FERULEN, S.L.	Real estate	Alzira (Valencia) – SPAIN	-	30.00	30.00	10,719	13,212	(781)
FIBEL 2005, S.L.	Real estate	La Vall Dúixo (Castellón) - SPAIN	-	33.33	33.33	1,889	8	(3)
FIRSA II, INVERSIONES RIOJANAS, S.A.	Holding company	Logroño (La Rioja) – SPAIN	-	25.53	25.53	9,672	74	1,639
FISSER INVERSIONES 2007, S.L.	Investment holding company	Palma de Mallorca – SPAIN	-	50.00	50.00	19,753	298	(7)
FOMENTO DE INVERSIONES RIOJANAS, S.A.	Holding company	Logroño (La Rioja) – SPAIN	-	40.00	40.00	14,649	31	6,337
FROZEN ASSETS, S.L.	Other scientific professional activities	Madrid – SPAIN	-	41.96	41.96	4,595	1,174	(4)
GEBER URBANA S.L.	Real estate	Valencia – SPAIN	-	50.00	50.00	10,125	28,636	(728)
GENERA ENERGIAS NATURALES, S.L	Power generation, transmission and distribution	Ávila – SPAIN	35.00	-	35.00	19	-	-
GEOINVERS, S.A.	Real estate development	Barcelona – SPAIN	-	49.81	49.81	17,427	16,206	(1,314)
GESTECAM VIVIENDA JOVEN, S.L.	Real estate	Madrid – SPAIN	-	49.00	49.00	17,860	14,752	36
GRUPO VALENCIANO DE ALQUILER PROTEGIDO, S.L.	Real estate	Valencia – SPAIN	-	33.33	33.33	28,913	23,287	(158)
HABITAT SON VALENTI, S.L.	Real estate	Valencia – SPAIN	-	50.00	50.00	21,847	24,456	(942)
HACIENDAS MARQUÉS DE LA CONCORDIA, S.A.	Winemaking	Alfaro (La Rioja) – SPAIN	-	16.16	16.16	12,316	771	175
HERCECAM VIVIENDA JOVEN, S.L.	Real estate	Guadalajara – SPAIN	-	40.00	40.00	66,286	59,775	(1,230)
HERCECAM VIVIENDA TORREJÓN, S.L.	Real estate	Guadalajara – SPAIN	-	49.00	49.00	95,787	83,614	1,319
HERCESA INTERMEDIACIÓN Y PATRIMONIOS, S.L.	Real estate	Guadalajara – SPAIN	-	30.00	30.00	9,310	6,440	141
HOGAR Y PATRIMONIO VIVIENDA JOVEN, S.L.	Real estate	Castellón – SPAIN	-	30.00	30.00	12,316	10,822	(148)
HOSPIMAR 2000, S.L.	Healthcare	Madrid – SPAIN	-	31.60	31.60	59,319	18,427	3,718
IAF CHEQUIA S.R.O.	Real estate	Prague – CZECH REPUBLIC	-	30.00	30.00	6,699	(27)	(152)
IMASINTER VIVIENDA JOVEN, S.L.	Real estate	Madrid – SPAIN	-	43.96	43.96	25,048	23,273	(130)
INDUSTRIA MANUFACTURERA ABULENSE S.L.	Manufacturing industries	Ávila – SPAIN	20.00	-	20.00	788	1,118	(188)
INFRAESTRUCTURAS Y SERVICIOS ALZIRA, S.A.	Other activities	Alzira (Valencia) – SPAIN	-	30.00	30.00	3,335	151	220
INMO-CAM VIVIENDA JOVEN, S.L.	Real estate	Alicante – SPAIN	-	47.00	47.00	25,012	19,395	(161)
INPAFER VIVIENDA JOVEN, S.L.	Real estate	Madrid – SPAIN	-	30.00	30.00	15,016	12,486	26
INTERISOLUX ALCORCON VIVIENDA JOVEN, S.L.	Real estate	Madrid – SPAIN	-	20.00	20.00	16,177	13,767	153
INURBE IBERICA, S.A. DE C.V.	Real estate	Coahuila de Zaragoza - MÉXICO	-	50.00	50.00	2,425	14	(12)
INVERSIONES AHORRO 2000 S.A.	Holding company activities	Vigo (Pontevedra) - SPAIN	20.00	-	20.00	22,912	1	754
INVERSIONES VALIX - 6 SICAV, S.A.	Mutual fund manager	Madrid - SPAIN	49.97	-	49.97	3,445	16	121
INVERSORA DE HOTELES VACACIONALES, S.A.	Tourism-related property development and construction	Palma de Mallorca - SPAIN	-	25.00	25.00	122,202	84,052	(1,027)
JULIÁN MARTÍN, S.A.	Meat processing and storage, meat product manufacturing	Guijuelo (Salamanca) - SPAIN	20.00	-	20.00	83,823	58,372	(1,810)

Company	Business activity	Location	% Ownership interest owned by the Group			Thousands of euros – Investee information (*)		
			Current interest (%)		Total ownership interest (%)	2013		
			Direct	Indirect		Assets	Liabilities	Profit/(loss)
JUVIGOLF S.A.	Real estate	Valencia - SPAIN	-	50.00	50.00	28,283	13,259	(2)
LAVARALDA, S.L.	Real estate	Madrid - SPAIN	-	50.00	50.00	17,964	29,805	(973)
MAQUAVIT INMUEBLES, S.L.	Property holdings	Madrid - SPAIN	-	43.16	43.16	57,362	14,967	(482)
MATARÓ LLAR, S.L.	Real estate development	Mataró (Barcelona) - SPAIN	-	50.00	50.00	4,876	5,862	(187)
NESCAM 2006 S.L.	Real estate	Madrid - SPAIN	-	25.00	25.00	10,134	9,046	127
NEWCOVAL, S.L.	Real estate	Valencia - SPAIN	-	50.00	50.00	317	1,881	(497)
NH HOTELES, S.A.	Hotels	Madrid - SPAIN	-	8.03	8.03	2,799,312	1,732,705	(8,900)
NORDIC RESIDENTIAL, S.L.	Real estate	Valencia - SPAIN	-	50.00	50.00	3,692	2,000	(188)
NORDIC SOL COMERCIAL, S.L.	Real estate	Valencia - SPAIN	-	50.00	50.00	1,807	3,898	(163)
NOVA PANORÁMICA, S.L.	Real estate	Valencia - SPAIN	-	50.00	50.00	36,908	44,320	(1,410)
NUEVAS ACTIVIDADES URBANAS, S.L.	Real estate	Valencia - SPAIN	-	48.62	48.62	460,909	123,118	3,481
NUMZAAN, S.L.	Real estate	Zaragoza - SPAIN	14.13	-	14.13	38,760	65,373	(2,170)
OLESA BLAVA, S.L.	Real estate	Barcelona - SPAIN	29.07	-	29.07	7,174	10,396	(91)
ORCHID INVESTMENT B.V.	Real estate	The Netherlands	-	45.90	45.90	398	38	(130)
PARQUE CENTRAL AGENTE URBANIZADOR, S.L.	Real estate	Valencia - SPAIN	10.83	17.10	27.93	55,382	50,912	(527)
PINAR HABITAT, S.L.	Real estate	Madrid - SPAIN	-	50.00	50.00	38,603	57,759	(395)
PINARCAM VIVIENDA JOVEN, S.L.	Real estate	Madrid - SPAIN	-	30.00	30.00	6,468	5,300	(25)
PLAN AZUL 07, S.L.	Purchase and lease of railway stock	Madrid - SPAIN	31.60	-	31.60	383,465	366,656	1,748
PLAYA CARACOL, S.L.	Real estate	Llucmajor (Palma de Mallorca) - SPAIN	-	20.00	20.00	8,579	3,716	(799)
POLSAR CORPORATION, S.L.	Real estate development	Cabrera de Mar (Barcelona) - SPAIN	-	49.61	49.61	3,751	4,627	(13)
PORTUNA INVESTMENT, B.V.	Real estate	The Netherlands	-	40.00	40.00	48,669	1	(2)
PRISOLES MEDITERRANEO, S.A.	Real estate development	Barcelona - SPAIN	-	37.50	37.50	63,414	66,683	(2,002)
PROMOCIONES AL DESARROLLO BUMARI, S.L.	Real estate	Casa del Cordon (Burgos) - SPAIN	-	40.00	40.00	3,566	-	(112)
PROMOCIONES GUADÁVILA, S.L.	Real estate development	Madrid - SPAIN	30.00	-	30.00	1,247	16,316	(152)
PROMOCIONES PARCELA H1 DOMINICANA, S.L.	Real estate development	Pontevedra - SPAIN	19.79	-	19.79	21,011	140	-
PROMOCIONES Y PROPIEDADES ESPACIO-HABITAT S.L.	Real estate	Valencia - SPAIN	-	50.00	50.00	127,479	183,519	(5,950)
PROMOPUERTO, S.L.	Real estate development	El Puerto de Santa María (Cádiz) - SPAIN	-	42.86	42.86	25,030	26,712	(293)
PROMO-SERVEIS DAMSEL, S.L.	Real estate development	Lloret de Mar (Girona) - SPAIN	-	50.00	50.00	14,311	42,980	(1,602)
PRYGECAM ARROYOMOLINOS VIVIENDA JOVEN, S.L.	Real estate	Madrid - SPAIN	-	20.00	20.00	6,472	4,518	(239)
PRYGECAM MOSTOLES VIVIENDA JOVEN, S.L.	Real estate	Madrid - SPAIN	-	20.00	20.00	9,942	9,196	(37)
RADION IBERKAT, S.L.	Real estate development	Barcelona - SPAIN	-	38.14	38.14	3,592	8,435	(366)
RENOVABLES SAMCA S.A.	Power production	Badajoz – SPAIN	-	33.33	33.33	659,552	427,055	22,200

Company	Business activity	Location	% Ownership interest owned by the Group			Thousands of euros – Investee information (*)		
			Current interest (%)		Total ownership interest (%)	2013		
			Direct	Indirect		Assets	Liabilities	Profit/(loss)
RESIDENCIA FONTSANA, S.L.	Property - nursing homes	Mataró (Barcelona) - SPAIN	-	49.24	49.24	22,612	24,751	(694)
RESIDENCIAL NAQUERA GOLF, S.A.	Real estate	Valencia – SPAIN	-	23.75	23.75	11,058	8,736	(43)
RESTAURA INVERSIONES, S.L.	Real estate	Madrid – SPAIN	-	20.00	20.00	12,608	8,343	(455)
RIBERA SALUD, S.A.	Healthcare	Valencia – SPAIN	-	50.00	50.00	322,396	245,989	(489)
RICARI DESARROLLO DE INVERSIONES RIOJANAS, S.A.	Private equity company	Logroño (La Rioja) - SPAIN	22.83	-	22.83	3,094	16	(51)
RIOJA ARAGÓN DESARROLLOS URBANÍSTICOS, S.A.	Real estate	La Muela (Zaragoza) - SPAIN	-	40.00	40.00	8,917	7,737	-
RIVIERA MAYA INVESTMENT, B.V.	Real estate	Holanda - PAISES BAJOS	-	40.00	40.00	18,227	4	(1)
ROYACTURA, S.L.	Real estate	Las Rozas de Madrid (Madrid) - SPAIN	-	45.00	45.00	53,661	52,791	-
SAN MIGUEL URBANIZADORA, S.L.	Real estate	Valencia – SPAIN	-	33.33	33.33	3,615	3,272	(67)
SEGOBRIDA DEL ERESMA, S.A.	Real estate	Burgos – SPAIN	32.26	-	32.26	39,177	32,542	(2,669)
SERALICAN S.L.	Foodstuffs	Ingenio (Las Palmas de Gran Canarias) – SPAIN	40.00	-	40.00	6,972	5,883	(479)
SHARE CAPITAL, S.L.	Real estate	Paterna (Valencia) – SPAIN	-	43.02	43.02	15,631	72,873	(3,857)
SOCIETE CASA MADRID DEVELOPMENT	Equity investments	Casablanca – MOROCCO	-	50.00	50.00	-	-	-
SOTO ONCE, S.L.	Real estate	Majadahonda (Madrid) - SPAIN	24.50	-	24.50	27,803	20,571	-
SUELÁBULA, S.A.	Real estate development	Madrid – SPAIN	-	22.74	22.74	32,777	38,339	(1,253)
TEPEYAC ASESORES, S.A. DE CAPITAL VARIABLE EN LIQUIDACIÓN	Administration and marketing services	México DF – MEXICO	-	33.00	33.00	414	-	45
TERRENYS BEGUDA ALTA, S.L.	Real estate	Sant Esteve Sesrovires (Barcelona) - SPAIN	-	20.00	20.00	36,083	38,772	(2,451)
TEULAVER, S.L.	Real estate development	Mataró (Barcelona) – SPAIN	-	50.00	50.00	27,145	29,119	(764)
TORRE LUGANO, S.L.	Real estate	Alcobendas (Madrid) - SPAIN	-	50.00	50.00	12,193	4,702	(97)
TORRENTO CAN GELAT, S.A.	Real estate development	Barcelona – SPAIN	-	11.83	11.83	29,602	37,940	(1,545)
UNCRO S.L.	Services	Madrid – SPAIN	-	25.00	25.00	6,118	10,231	(322)
URABITAT RESIDENCIAL, S.L.	Real estate	Valencia – SPAIN	-	50.00	50.00	22,718	24,124	(124)
URBANIKA, PROYECTOS URBANOS, S.L.	Real estate	Alicante – SPAIN	-	32.91	32.91	844,282	715,136	(11,121)
URBANISMO NUEVO SIGLO, S.L.	Real estate	Valencia – SPAIN	-	29.00	29.00	31,428	64,950	1,879
URBANIZADORA FUENTE SAN LUIS, S.L.	Real estate	Valencia – SPAIN	9.90	15.56	25.46	77,686	77,013	(706)
URBANIZADORA LA VIÑA DEL MAR, S.L.	Real estate	Valencia – SPAIN	-	47.50	47.50	898	7,538	(347)
URBANIZADORA MARINA COPE, S.L.	Real estate	Madrid – SPAIN	-	20.00	20.00	91,181	2,774	(44)
VALDEMONTE PROYECTOS, S.L.	Residential leasing	Logroño (La Rioja) – SPAIN	-	50.00	50.00	16,726	15,388	(103)
VALDEMONTE RENTAS, S.L.	Residential leasing	Logroño (La Rioja) – SPAIN	-	50.00	50.00	9,275	26	(111)
VALLE Y PAISAJE, S.L.	Real estate	Valencia – SPAIN	-	50.00	50.00	1,805	5,510	(2)
VALLEMAR RESIDENCIAL, S.L.	Real estate development	Mataró (Barcelona) – SPAIN	-	50.00	50.00	902	35	29
VARAMITRA REAL ESTATES, B.V.	Real estate	The Netherlands	-	40.00	40.00	23,096	1	12

Company	Business activity	Location	% Ownership interest owned by the Group			Thousands of euros		
						Investee information (*)		
			Current interest (%)		Total ownership interest (%)	2013		
			Direct	Indirect		Assets	Liabilities	Profit/(loss)
VEHÍCULO DE TENENCIA Y GESTIÓN 9, S.L.	Real estate development	Madrid - SPAIN	22.87	19.79	42.66	114,350	118,266	(13,066)
VILADECAVALLS PARK, CENTRO INDUSTRIAL, LOGÍSITICO Y COMERCIAL, S.A.	Real estate development	Barcelona - SPAIN	-	34.73	34.73	10,001	37,783	(1,240)
VISSUM CORPORACIÓN, S.L.	Healthcare	Alicante - SPAIN	-	24.69	24.69	32,969	37,951	(594)
VIVIENDA JOVEN INTERBIGECO II, S.L.	Real estate	Madrid - SPAIN	-	49.00	49.00	20,417	18,704	(124)
VIVIENDA JOVEN INTERBIGECO, S.L.	Real estate	Madrid - SPAIN	-	45.00	45.00	43,892	40,791	(552)

(*) Latest available unaudited data

Appendix V – Marketable Debt Securities

(Thousands of euros)		
ITEM	31/12/2013	31/12/2012
CIBELES III	28,680	41,127
AyT 2 loan securitisation	5,064	6,783
BANCAJA 3 loan securitisation	123,773	154,705
BANCAJA 4 loan securitisation	152,660	175,461
BANCAJA 5 loan securitisation	177,634	202,740
FTPYME BANCAJA 2 loan securitisation	26,728	34,085
BANCAJA 6 loan securitisation	406,499	459,663
AyT HIPOTECARIO IV loan securitisation	17,289	20,346
AYT 1 TIT FONDO TIT HIPOTECARIA	1,076	1,449
Total derecognised	**939,403**	**1,096,359**
AyT VPO II loan securitisation	-	46,106
AyT COLATERALES GLOBAL loan securitisation	78,641	93,361
AyT FTPYME II loan securitisation	32,934	38,879
FTPYME II loan securitisation	424,986	657,805
FTPYME I loan securitisation	461,592	629,717
RMBS I loan securitisation	986,693	1,041,414
RMBS II loan securitisation	878,538	925,726
RMBS III loan securitisation	1,659,741	1,743,554
RMBS IV loan securitisation	1,286,706	1,373,321
ICO-FTVPO I loan securitisation	172,469	190,898
MADRID CONSUMO I loan securitisation	-	185,527
MADRID RESIDENCIAL I loan securitisation	557,107	590,210
MADRID RESIDENCIAL II loan securitisation	495,637	525,839
CORPORATIVOS III loan securitisation	-	621,210
CORPORATIVOS IV loan securitisation	-	631,705
CORPORATIVOS V loan securitisation	882,975	1,077,481
MBS BANCAJA 1 loan securitisation	90,495	110,880
BANCAJA 7 loan securitisation	507,320	565,599
FTPYME BANCAJA 3 loan securitisation	49,988	62,111
BANCAJA 8 loan securitisation	556,071	616,128
MBS BANCAJA 2 loan securitisation	217,971	248,130
CM BANCAJA 1 loan securitisation	56,192	72,615
BANCAJA 9 loan securitisation	834,819	920,130
MBS BANCAJA 3 loan securitisation	302,311	340,101
CONSUMO BANCAJA 1 loan securitisation	49,599	63,998
PYME BANCAJA 5 loan securitisation	116,568	135,133
BANCAJA 10 loan securitisation	1,461,832	1,588,264
MBS BANCAJA 4 loan securitisation	861,764	966,817
BANCAJA 11 loan securitisation	1,225,692	1,333,287
FTPYME BANCAJA 6 loan securitisation	171,446	202,216
PYME BANCAJA 7 loan securitisation	-	380,507
BANCAJA 13 loan securitisation	2,189,071	2,363,009
MBS BANCAJA 6 loan securitisation	666,521	750,609
BANCAJA-BVA VPO 1 loan securitisation	233,000	255,827
FTGENVAL BANCAJA 1 loan securitisation	231,647	251,261
BANCAJA LEASING 1 loan securitisation	405,893	476,640
MBS BANCAJA 7 loan securitisation	722,993	778,583
MBS BANCAJA 8 loan securitisation	375,667	409,273
BANKIA PYME I loan securitisation	628,826	-
AYT HIPOTECARIO MIXTO II	12,312	14,640
AYT ICO-TFVVPO III FTA	76,016	83,752
Total balance	**19,962,033**	**23,362,263**
Total	**20,901,436**	**24,458,622**

Appendix VI – Marketable debt securities and subordinated liabilities issued

Marketable debt securities

The breakdown of this item on the accompanying consolidated balance sheet is as follows:

(Thousands of euros)

			2013		2012		
TYPE OF DEBT SECURITY	Currency	Latest maturity	Nominal amount	Annual nominal interest rate	Nominal amount	Credit rating Issuer/Issue(1)	Type of guarantee extended
Marketable debt securities							
BN CM GGB 30/12/13	Euro	2013	-	EUR 3M+0.60% (1)	300,000	A-	Spanish Treasury Guarantee
BN CM 25/06/13	Euro	2013	-	CMS10Y (min 5.63% and max 8%)	20,000	BBB-	Bankia Personal Guarantee
BN CM 18/02/13	Euro	2013	-	MIN(CMS5Y+0.0575%) ; 5.1575%	200,000	BBB-	Bankia Personal Guarantee
BN CM 30/11/13	Euro	2013	-	EUR 3M+2.75%	300,000	BBB-	Bankia Personal Guarantee
BN CM 26/07/13	Euro	2013	-	EUR 1M+0.125%	300,000	BBB-	Bankia Personal Guarantee
BN BANCAJA 23/09/13	Euro	2013	-	EUR 3M+0.20%	650,000	BBB-	Bankia Personal Guarantee
BN BANCAJA 26/05/13	Euro	2013	-	4.25%	500,000	BBB-	Bankia Personal Guarantee
BN BANCAJA 23/04/14	Euro	2014	850,000	EUR 3M+0.175%	850,000	BBB-	Bankia Personal Guarantee
BN BANCAJA 18/09/15	Euro	2015	210,000	3.94%	210,000	BBB-	Bankia Personal Guarantee
BN CM 27/07/16	Euro	2016	32,000	EUR 3M+0.20%	32,000	BBB-	Bankia Personal Guarantee
BN BANCAJA 25/01/16	Euro	2016	500,000	EUR 3M+0.20%	500,000	BBB-	Bankia Personal Guarantee
BN BANCAJA 14/02/17	Euro	2017	500,000	4.38%	500,000	BBB-	Bankia Personal Guarantee
BN CM 14/05/18	Euro	2018	25,000	EUR 3M+0.98%	25,000	BBB-	Bankia Personal Guarantee
BN BANCAJA 22/05/18	Euro	2018	50,000	1.50%	50,000	BBB-	Bankia Personal Guarantee
BN CM 16/06/23	Euro	2023	172,000	5.75%	172,000	BBB-	Bankia Personal Guarantee
BN CM 29/12/28	Euro	2028	65,000	4.76%	65,000	BBB-	Bankia Personal Guarantee
Securitisation bonds	Euro	-	4,832,573	-	6,016,475	-	-
CH CM 14/03/13	Euro	2013	-	3.50%	1,325,000	BBB	Mortgage Portfolio-Mortgage Law

(Thousands of euros)

TYPE OF DEBT SECURITY	Currency	Latest maturity	2013 Nominal amount	Annual nominal interest rate	2012 Nominal amount	Credit rating Issuer/Issue(1)	Type of guarantee extended
CH BANCAJA 11/04/13	Euro	2013	-	4.50%	210,000	BBB	Mortgage Portfolio-Mortgage Law
CH BANCAJA 15/04/13	Euro	2013	-	3.00%	1,350,000	BBB	Mortgage Portfolio-Mortgage Law
CH CM 13/11/14	Euro	2014	150,000	3.50%	150,000	BBB	Mortgage Portfolio-Mortgage Law
CH CM 13/11/14	Euro	2014	600,000	3.50%	600,000	BBB	Mortgage Portfolio-Mortgage Law
CH CM 13/11/14	Euro	2014	1,000,000	3.50%	1,000,000	BBB	Mortgage Portfolio-Mortgage Law
CH CM 30/10/14	Euro	2014	1,500,000	5.00%	1,500,000	BBB	Mortgage Portfolio-Mortgage Law
CH CM 31/03/14	Euro	2014	750,000	4.88%	750,000	BBB	Mortgage Portfolio-Mortgage Law
CH BANKIA 280214	Euro	2014	500,000	4.00%	500,000	BBB	Mortgage Portfolio-Mortgage Law
CH CM 14/12/15	Euro	2015	2,000,000	3.50%	2,000,000	BBB	Mortgage Portfolio-Mortgage Law
CH BANCAJA 28/01/15	Euro	2015	250,000	4.38%	250,000	BBB	Mortgage Portfolio-Mortgage Law
CH CM 05/07/16	Euro	2016	124,050	4.25%	124,050	BBB	Mortgage Portfolio-Mortgage Law
CH CM 29/06/16	Euro	2016	1,000,000	5.75%	1,000,000	BBB	Mortgage Portfolio-Mortgage Law
CH CM 05/10/16	Euro	2016	1,750,000	3.63%	1,750,000	BBB	Mortgage Portfolio-Mortgage Law
CH BANKIA 24/11/16	Euro	2016	3,000,000	EUR 1M+2.85%	3,000,000	BBB	Mortgage Portfolio-Mortgage Law
CH CM 05/07/16	Euro	2016	2,520,000	4.25%	2,520,000	BBB	Mortgage Portfolio-Mortgage Law
CH CM 10/05/17	Euro	2017	1,000,000	EUR 1M+2.50%	1,000,000	BBB	Mortgage Portfolio-Mortgage Law
CH CM 10/11/17	Euro	2017	1,000,000	EUR 1M+2.50%	1,000,000	BBB	Mortgage Portfolio-Mortgage Law
CH BANKIA 2012-4	Euro	2017	3,500,000	EUR 1M+3.50%	3,500,000	BBB	Mortgage Portfolio-Mortgage Law
CH CM 25/05/18	Euro	2018	2,060,000	4.25%	2,060,000	BBB	Mortgage Portfolio-Mortgage Law
CH BANKIA 2012-5	Euro	2018	2,000,000	EUR 1M+3.50%	2,000,000	BBB	Mortgage Portfolio-Mortgage Law
CH CM 28/06/19	Euro	2019	1,600,000	5.00%	1,600,000	BBB	Mortgage Portfolio-Mortgage Law
CH BANCAJA 10/01/19	Euro	2019	3,000,000	EUR 1M+2.50%	3,000,000	BBB	Mortgage Portfolio-Mortgage Law
CH CM 26/04/22	Euro	2022	1,500,000	4.50%	1,500,000	BBB	Mortgage Portfolio-Mortgage Law
CH CM 03/02/25	Euro	2025	2,000,000	4.00%	2,000,000	BBB	Mortgage Portfolio-Mortgage Law
CH CM 24/03/36	Euro	2036	2,000,000	4.13%	2,000,000	BBB	Mortgage Portfolio-Mortgage Law
CH CM 26/02/38	Euro	2038	-	5.02%	50,000	BBB	Mortgage Portfolio-Mortgage Law

(Thousands of euros)

TYPE OF DEBT SECURITY	Currency	Latest maturity	2013 Nominal amount	2013 Annual nominal interest rate	2012 Nominal amount	Credit rating Issuer/Issue(1)	Type of guarantee extended
CH CM 21/07/38	Euro	2038	-	5.41%	60,000	BBB	Mortgage Portfolio-Mortgage Law
C TERRITORIALES CM 21/02/14	Euro	2014	1,250,000	4.25%	1,250,000	Baa3	Public Sector Portfolio
C TERRITORIALES CM 21/02/14	Euro	2014	275,000	4.25%	275,000	Baa3	Public Sector Portfolio
Corporate promissory notes	Euro	2014	100,000	0.95%	-	F3	Bankia Personal Guarantee
Corporate promissory notes	Euro	2014	100,000	0.87%	-	F3	Bankia Personal Guarantee
Corporate promissory notes	Euro	2012	-	(2)	3,309	F3	Bankia Personal Guarantee
Corporate promissory notes	Euro	2012	-	(3)	1,633,265	F3	Bankia Personal Guarantee
V HIBRIDOS C GARANTIZADO CM 02/06/15	Euro	2015	20,000	COUPON 0%	20,000	BBB-emr	Bankia Personal Guarantee
V HIBRIDOS C GARANTIZADO CM 02/06/15	Euro	2015	20,000	COUPON 0%	20,000	BBB-emr	Bankia Personal Guarantee
V HIBRIDOS C GARANTIZADO CM 17/03/14	Euro	2014	52,000	COUPON 0%	52,000	BBB-emr	Bankia Personal Guarantee
V HIBRIDOS C GARANTIZADO CM 17/03/14	Euro	2014	50,000	COUPON 0%	50,000	BBB-emr	Bankia Personal Guarantee
V HIBRIDOS C GARANTIZADO CM 30/04/15	Euro	2015	70,000	COUPON 0%	70,000	BBB-emr	Bankia Personal Guarantee
V HIBRIDOS C GARANTIZADO CM 30/04/15	Euro	2015	70,000	COUPON 0%	70,000	BBB-emr	Bankia Personal Guarantee
Total			**44,047,623**		**51,933,099**		
Own shares			(17,356,707)		(17,464,123)		
Valuation adjustments and other			1,447,971		2,865,793		
Balances at the end of the year (amortised cost)			**28,138,887**		**37,334,769**		

(1) GGB issue backed by the Spanish government. Latest credit rating assigned by DBRS is from 8 March 2013.
Ratings of mortgage covered bonds by Standard & Poor's on 2 April 2013.
Ratings of territorial bonds assigned by Moody's Investors Service on 13 December 2013, even though they are "non-participating" securities of Bankia.
Rating of remain issues by Fitch Ratings on 18 September 2013.
(2) Commercial paper issued with an IRR of between 3% and 4%.
(3) Commercial paper issued with an IRR of between 4% and 5%.
(4) The total nominal value relating to mortgaged-backed securities classified as held for trading and listed in Appendix VI amounted to EUR 34,804 million at 31 December 2013 (EUR 39,799 million at 31 December 2012). At 31 December 2013, the Group also held one-off non-marketable, mortgage-backed securities amounting to EUR 9,316 million (EUR 10,558 million at 31 December 2011) under “Financial liabilities at amortised cost - Customer deposits” and one-off non-marketable, mortgage-backed securities amounting to EUR 72 million (EUR 97 million at 31 December 2012) recognised under “Financial liabilities at amortised cost - Deposits from credit institutions” on the consolidated balance sheet (see Note 20). Therefore, the total nominal value of mortgage-backed securities issued by the Group was EUR 44,192 million at 31 December 2013 (EUR 48,454 million at 31 December 2012) (see Note 1.14).

Subordinated liabilities issued

The breakdown of this item on the accompanying consolidated balance sheet is as follows:

(Thousands of euros)			2013		2012		
TYPE OF DEBT SECURITY	Currency	Latest maturity	Nominal Amount	Annual nominal interest rate	Nominal amount	Credit rating Issuer/Issue	Type of guarantee issued
Bancaja Issues	EUR	(a)	-	4.63	297,736	-	Bankia Personal Guarantee
BN Convertibles	EUR	Perpetual	-	Zero Coupon	10,700,000	BBB-	Bankia Personal Guarantee
Total			**-**		**10,997,736**		
Valuation adjustments and other			-		34,025		
Balances at the end of the year (amortised cost)			**-**		**11,031,761**		

(a) Perpetual, but callable on 17/11/2014 (Bancaja Issues).

Appendix VII – Movement in issues

Details of issues, repurchases and repayments of debt securities in 2013 and 2012 by the Bank or Group companies:

31/12/2013

(Millions of euros)

Issuer information	Data concerning issuances, repurchases and repayments in 2013											
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	Balance outstanding	Coupon	Type of guarantee issued
Spain	Repayment	BBB	ES0314950322	Treasury bond	18/02/08	18/02/13	AIAF	euro	200	-	MIN(CMS5Y+0.0575%) ; 5.1575%	Bankia Personal Guarantee
Spain	Repayment	BBB	ES0414950826	Mortgage covered bond	14/09/10	14/03/13	AIAF	euro	1,325	-	3.50%	Mortgage Portfolio-Mortgage Law
Spain	Repayment	BBB	ES0414977266	CH.BANCAJA 11/04/13	11/04/08	11/04/13	AIAF	euro	210	-	4.50%	Mortgage Portfolio-Mortgage Law
Spain	Repayment	BBB	ES0414977357	CH. BANCAJA 15/04/13	15/04/10	15/04/13	AIAF	euro	1,350	-	3.00%	Mortgage Portfolio-Mortgage Law
Spain	Repayment	-	ESCOCOS27121190	CONVERTIBLE BONDS	27/12/2012	Perpetual	Physical securities	euro	10,700	-	Zero Coupon	Bankia Personal Guarantee
Spain	(2)	BBB	XS0205497778	Bancaja Issues	16/11/2004	Perpetual	Euronext Amsterdam	euro	298	-	4.63%	Bankia Personal Guarantee
Spain	Repayment	BBB	XS0297249111	Bancaja Issues bonds	11/05/2007	11/05/2037	B.luxemburgo	JPY	93	-	2.76%	Bankia Personal Guarantee
Spain	Repayment	BBB	ES0214977128	OB BANCAJA 90EM	26/05/06	26/05/13	AIAF	euro	500	-	4.25%	Bankia Personal Guarantee
Spain	Repayment	BBB	XS0372107739	Treasury bonds	25/06/08	25/06/13	B.luxemburgo	euro	20	-	CMS10Y (min 5.63% and max 8%)	Bankia Personal Guarantee
Spain	Repayment	BBB-	ES0414950818	Treasury bonds	26/07/10	26/07/13	AIAF	euro	300	-	EUR 1M+0.125%	Bankia Personal Guarantee
Spain	Repayment	BBB-	ES0214977136	OB BANCAJA 100EM	22/09/06	23/09/13	AIAF	euro	650	-	EUR 3M+0.20%	Bankia Personal Guarantee
Spain	Repayment	BBB	ES0414950701	Mortgage covered bonds	26/02/08	26/02/38	AIAF	euro	50	-	5.02%	Mortgage Portfolio-Mortgage Law
Spain	Repayment	BBB	ES0414950719	Mortgage covered bonds	21/07/08	21/07/38	AIAF	euro	60	-	5.41%	Mortgage Portfolio-Mortgage Law
Spain	Repayment	BBB-	ES0314950686	Treasury bonds	30/11/10	30/11/13	AIAF	euro	300	-	EUR 3M+2.75%	Bankia Personal Guarantee
Spain	Repayment	A-	ES0314950579	BN CM GGB 2010-1	22/03/10	30/12/13	AIAF	euro	300	-	EUR 3M+0.60% (3)	Spanish Treasury Guarantee
Spain	Issue	F3	ES05133074O6	Promissory notes and ECPs	27/11/13	27/03/14	AIAF	euro	100	100	0.95%	Bankia Personal Guarantee
Spain	Issue	F3	ES05133074P3	Promissory notes and ECPs	05/12/2013	05/12/2014	AIAF	euro	100	100	0.82%	Bankia Personal Guarantee
Spain	Repayment	F3	Miscellaneous	Promissory notes and ECPs	Miscellaneous	Miscellaneous	Miscellaneous	Miscellaneous	1,637	-	Miscellaneous	Bankia Personal Guarantee
Miscellaneous	Repayment	-	Miscellaneous	Securitisation bonds	Miscellaneous	Miscellaneous	Miscellaneous	Miscellaneous	1,184	-	-	-

(1) Ratings of mortgage covered bonds by S&P on 2 April 2013.
Ratings of other issues by Fitch Ratings on 18 September 2013.
(2) Issue included in management actives with hybrid instruments under the Recapitalisation Plan
(3) GGB issue backed by the Spanish government. Latest credit rating assigned by DBRS is from 8 March 2013

31/12/2012

(Millions of euros)												
Issuer information	Data concerning issuances, repurchases and repayments in 2012											
Country of residence	Transaction date	Maturity date	Market where listed	Issue currency	Amount of issue/repurchase	Balance outstanding	Coupon	Type of guarantee issued	Amount of issue/repurchase	Balance outstanding	Coupon	Type of guarantee issued
Spain	Repayment	BBB	ES0314950595	BN CM 30/03/12	30/03/10	30/03/12	AIAF	euro	20	-	EUR 3M+1.75%	Bankia Personal Guarantee
Spain	Repayment	BBB	ES0315530040	BN RIOJA 22/02/12	22/02/07	22/02/12	AIAF	euro	200	-	EURIBOR 3 M + 0.20	Bankia Personal Guarantee
Spain	Repayment	A-	ES0314910045	BN AVILA GGB 30/04/12	30/04/09	30/04/12	AIAF	euro	150	-	EUR 3M+1% (1)	Spanish Treasury Guarantee
Spain	Repayment	A-	ES0314950462	BN CM GGB 25/01/12	02/04/09	25/01/12	AIAF	euro	358	-	2.902% (1)	Spanish Treasury Guarantee
Spain	Repayment	BBB	ES0214950158	BN CM 09/02/12	09/06/06	09/02/12	AIAF	euro	826	-	EUR 3M +0.125%	Bankia Personal Guarantee
Spain	Repayment	A-	ES0314950454	BN CM GGB 20/02/12	20/02/09	20/02/12	AIAF	euro	2,000	-	3.125% (1)	Spanish Treasury Guarantee
Spain	Repayment	A-	ES0314950470	BN CM GGB 16/04/12	16/04/09	16/04/12	AIAF	euro	2,500	-	2.875% (1)	Spanish Treasury Guarantee
Spain	Repayment	BBB	ES0314977267	BN BANCAJA 21/03/12	21/03/07	21/03/12	AIAF	euro	300	-	EUR 3M+0.15%	Bankia Personal Guarantee
Spain	Repayment	A-	ES0314977283	BN BANCAJA GGB 18/03/12	18/03/09	16/03/12	AIAF	euro	100	-	EUR 3M+1% (1)	Spanish Treasury Guarantee
Spain	Repayment	BBB	ES0314977259	BN BANCAJA 24/01/12	24/01/07	24/01/12	AIAF	euro	1,500	-	EUR 3M+0.15%	Bankia Personal Guarantee
Spain	Repayment	A-	ES0314977275	BN BANCAJA GGB 12/03/12	12/03/09	12/03/12	AIAF	euro	1,500	-	3% (1)	Spanish Treasury Guarantee
Spain	Repayment	A-	ES0314977325	BN BANCAJA GGB 11/05/12	11/05/09	11/05/12	AIAF	euro	1,500	-	3% (1)	Spanish Treasury Guarantee
Spain	Repayment	A-	ES0314977317	BN BANCAJA GGB 27/04/12	27/04/09	27/04/12	AIAF	euro	250	-	3.375% (1)	Spanish Treasury Guarantee
Spain	Repayment	BBB+	ES0414950735	CH CM 10/01/12	01/09/08	10/01/12	AIAF	euro	25	-	5.13%	Mortgage Portfolio-Mortgage Law
Spain	Repayment	BBB+	ES0414950768	CH CM 17/02/12	17/02/09	17/02/12	AIAF	euro	533	-	3.50%	Mortgage Portfolio-Mortgage Law a
Spain	Repayment	BBB+	ES0414950586	CH CM 01/03/12	01/03/02	01/03/12	AIAF	euro	1,445	-	5.25%	Mortgage Portfolio-Mortgage Law
Spain	Repayment	BBB+	ES0414977324	CH BANCAJA 17/02/12	17/02/09	17/02/12	AIAF	euro	463	-	3.50%	Mortgage Portfolio-Mortgage Law
Spain	Repayment	BBB+	ES0414977332	CH BANCAJA 23/02/12	23/02/09	23/02/12	AIAF	euro	100	-	3.25%	Mortgage Portfolio-Mortgage Law
Spain	Repayment	BBB+	ES0414950792	CH CM 01/02/18	01/02/10	09/05/12	AIAF	euro	200	-	EUR 3M+0.70%	Mortgage Portfolio-Mortgage Law
Spain	Repayment	BBB	ES0314950645	V HIBRIDOS C GARANTIZADO CM 30/04/12	25/08/10	30/04/12	AIAF	euro	5	-	4.90%	Bankia Personal Guarantee
Spain	Repayment	BBB	ES0214950133	BN CM 01/06/12	01/06/05	01/06/12	AIAF	euro	1,307	-	EUR 3M +0.125%	Bankia Personal Guarantee
Spain	Repayment	BBB	ES0214977086	BN BANCAJA 06/06/12	06/06/05	06/06/12	AIAF	euro	1,200	-	EUR 3M+0.15%	Bankia Personal Guarantee
Spain	Repayment	A-	ES0314983067	BN INSULAR GGB 19/06/12	22/06/09	19/06/12	AIAF	euro	150	-	3.125% (1)	Spanish Treasury Guarantee
Spain	Repayment	A-	ES0314846041	BN LAIETANA GGB 05/06/12	05/06/09	05/06/12	AIAF	euro	100	-	2.910% (1)	Spanish Treasury Guarantee
Spain	Repayment	A-	ES0314846033	BN LAIETANA GGB 19/06/12	23/06/09	19/06/12	AIAF	euro	230	-	3.125% (1)	Spanish Treasury Guarantee
Spain	Repayment	A-	ES0314910052	BN AVILA GGB 19/06/12	19/06/09	19/06/12	AIAF	euro	110	-	3.125% (1)	Spanish Treasury Guarantee
Spain	Repayment	A-	ES0314959067	BN SEGOVIA GGB 19/06/12	19/06/09	19/06/12	AIAF	euro	100	-	3.125% (1)	Spanish Treasury Guarantee
Spain	Repayment	BBB+	ES0414983215	CH INSULAR 12/06/12	12/06/09	12/06/12	AIAF	euro	20	-	3.87%	Mortgage Portfolio-Mortgage Law
Spain	Repayment	BBB+	ES0414977373	CH. BANCAJA 26/06/13	04/06/10	26/06/13	AIAF	euro	500	-	2.63%	Mortgage Portfolio-Mortgage Law
Spain	Repayment	BBB+	ES0414950834	Mortgage covered bonds	17/02/11	17/02/14	AIAF	euro	2,000	-	EUR 1M+2.50%	Mortgage Portfolio-Mortgage Law
Spain	Repayment	BBB+	ES0414977399	CH BANCAJA	31/03/11	31/03/14	AIAF	euro	1,000	-	4.88%	Mortgage Portfolio-Mortgage Law
Spain	Repayment	BBB+	ES0314959075	BN SEGOVIA GGB 26/10/12	26/10/09	26/10/12	AIAF	euro	61	-	2.50% (1)	Spanish Treasury Guarantee
Spain	Repayment	BBB+	ES0414977381	CH BANCAJA 18 EM	21/02/11	21/02/13	AIAF	euro	1,000	-	4.63%	Mortgage Portfolio-Mortgage Law
Spain	Repayment	A-	ES0314977341	BN BANCAJA GGB 18/09/12	18/09/09	18/09/12	AIAF	euro	796	-	2.375% (1)	Spanish Treasury Guarantee
Spain	Issue		ESCOCOS27121190	BN CONVERTIBLES	27/12/2012	Perpetual	Physical securities	euro	10,700	10,700	Zero Coupon	Bankia Personal Guarantee
Spain	Issue	BBB+	ES0413307051	CH BANKIA 2012-5	15/06/12	15/06/18	AIAF	euro	2,000	2,000	EUR 1M +3.50%	Mortgage Portfolio-Mortgage Law
Spain	Issue	BBB+	ES0413307028	CH BANKIA 280214	29/02/12	28/02/14	AIAF	euro	500	500	4.00%	Mortgage Portfolio-Mortgage Law
Spain	Issue	BBB+	ES0413307036	CH BANKIA 2012-3	16/03/2012	16/03/2015	AIAF	euro	3,000	-	EUR 1M+3%	Mortgage Portfolio-Mortgage Law

(Millions of euros)												
Issuer information	Data concerning issuances, repurchases and repayments in 2012											
Country of residence	Transaction date	Maturity date	Market where listed	Issue currency	Amount of issue/repurchase	Balance outstanding	Coupon	Type of guarantee issued	Amount of issue/repurchase	Balance outstanding	Coupon	Type of guarantee issued
Spain	Issue	BBB+	ES0413307010	CH BANKIA 2012-1	13/01/2012	13/01/2017	AIAF	euro	2,000	-	EUR 1M+2.85%	Mortgage Portfolio-Mortgage Law
Spain	Repayment	BBB+	ES0413307036	CH BANKIA 2012-3	16/03/2012	16/03/2015	AIAF	euro	3,000	-	EUR 1M+3%	Mortgage Portfolio-Mortgage Law
Spain	Repayment	BBB+	ES0413307010	CH BANKIA 2012-1	13/01/2012	13/01/2017	AIAF	euro	2,000	-	EUR 1M+2.85%	Mortgage Portfolio-Mortgage Law
Spain	Issue	BBB+	ES0413307044	CH BANKIA 2012-4	31/05/12	31/05/17	AIAF	euro	3,500	3,500	EUR 1M+3.50%	Mortgage Portfolio-Mortgage Law
Spain	Issue	F2	Miscellaneuos	Promissory notes and ECPs	Miscellaneuos	Miscellaneuos	Miscellaneuos	Miscellaneuos	11,509	1,637	Miscellaneuos	Bankia Personal Guarantee
Spain	Repayment	F2	Miscellaneuos	Promissory notes and ECPs	Miscellaneuos	Miscellaneuos	Miscellaneuos	Miscellaneuos	12,333	-	Miscellaneuos	Bankia Personal Guarantee
Spain	Repayment	-	Miscellaneuos	Securistitation bonds	Miscellaneuos	Miscellaneuos	Miscellaneuos	Miscellaneuos	2,052	6,016	-	-

Appendix VIII – Information on the mortgage market

Mortgage-backed securities bonds, marketable and non-marketable, issued by the Group and outstanding at 31 December 2013 are recognised in the consolidated balance sheet under "Financial liabilities at amortised cost" (Note 19). The Group has no mortgage-backed debentures in issue. These mortgage securities are governed chiefly by Mortgage Market Law 2/1981, of 25 March, as amended by Law 41/2007, of 7 December, and by Royal Decree 716/2009, of 24 April, implementing certain provisions of the aforementioned Law.

Declarations by the Board of Directors of Bankia, S.A. concerning the existence of policies and procedures required by applicable regulations

In compliance with the requirements of applicable regulations, Bankia's Board of Directors declares that the Entity has express policies and procedures in relation to its mortgage market business, and that the Board of Directors is responsible for compliance with mortgage market regulations applicable to this business. These policies and procedures include, inter alia, (i) the criteria applied concerning the relationship that must exist between the amount of the loan and the appraisal value of the mortgaged property, and the influence of the existence of other additional collateral and the criteria applied in the selection of the appraisers; (ii) the relationship between the debt and the income of the borrower and the existence of procedures aimed at assuring the information supplied by the borrower and the borrower's solvency; (iii) the prevention of imbalances between flows from the hedging portfolio and those arising from making the payments owed on the securities.

Regarding mortgage market laws and regulations, Bankia has in place suitable mortgage risk policies and procedures in the two major areas – assets and liabilities – to monitor and quantify the mortgage portfolio and the related borrowing limits.

In terms of assets, mortgage risk exposure policy takes the form of multilevel decision-making in the Bank by means of a system of authorities and delegated powers.

Credit risk policies were approved by the entity's Board of Directors on 21 March 2013 to stabilise the general approval criteria, including specific criteria by segments, such as portfolios associated with the mortgage market.

General approval criteria include those associated with borrower risk, mainly the ability of the borrower to repay, with no reliance on guarantors or assets delivered as collateral, which are considered as alternative methods of collection.

Consideration is also given to criteria associated with the transaction, mainly the suitability of financing in accordance with the customer's risk profile and adaptation of the product to the intended purpose.

Specific policies for the mortgage portfolio establish considerations concerning the appraisal value associated with the loan as a cut-off point for the approval proposal.

Risk management of this portfolio is based on a mandatory scoring methodology approved by the Supervisor, with specific monitoring of the cut-off points associated with the decision-making structure.

Other basic criteria are the maximum timelines of the transactions and the type of products sold by the Bank.

The guidelines laid out in the credit risk policies acknowledge property-based collateral subject to certain requirements, such as a first-charge requirement, and compliance with measurement criteria in accordance with the stipulations of prevailing regulations.

Any imbalance between mortgage portfolio flows and issued securities is managed by a regular review of key portfolio parameters followed by a report to credit rating agencies for the purpose of monitoring issued securities.

IT systems are in place to record, monitor and quantify these elements and to assess the degree of compliance with mortgage market requirements for the purposes of portfolio eligibility for covering the Bank's related borrowings.

In terms of liabilities, in line with its financing strategy in place at each given time in the light of the outstanding mortgage portfolio, the Bank makes mortgage-backed security issuance decisions on the basis of records that enable it to keep its issued securities within the bounds of eligibility for covering borrowings in compliance with mortgage market laws and regulations.

Disclosures on the security and privileges enjoyed by holders of mortgage-backed instruments issued by Bankia

Pursuant to current legislation, the principal and interest of the mortgage-backed bonds issued by Bankia are specially secured (entry in the Property Register is not required) by mortgages on all the mortgage-backed bonds that are registered in the Group's name at any time, without prejudice to its unlimited liability. The mortgage-backed bonds entitle the holders not only to the aforementioned guaranteed financial claim but also to claim payment from the issuer after maturity, and confer on the holders the status of special preferential creditors vis-à-vis all other creditors in relation to all the mortgage loans and credits registered in the issuer’s name.

In the event of insolvency, the holders of these bonds will enjoy the special privilege established in Article 90(1)(1) of Insolvency Law 22/2003 of 9 July. Without prejudice to the foregoing, in accordance with Article 84(2)(7) of Insolvency Law 22/2003, during the solvency proceedings the payments relating to the repayment of the principal and interest of the mortgage-backed securities issued and outstanding at the date of the insolvency filing will be settled, as preferred claims, up to the amount of the income received by the insolvent party from the mortgage loans and credits and, where appropriate, from the replacement assets backing the securities and from the cash flows generated by the financial instruments associated with the issues.

If, due to a timing mismatch, the income received by the insolvent party is insufficient to meet the payments described in the preceding paragraph, the administrative receivers must settle them by realising the replacement assets, if any, identified to cover the issue and, if this is not sufficient, they must obtain financing to meet the mandated payments to the holders of the mortgage-backed securities, and the finance provider must be subrogated to the position of the security-holders.

In the event that the measure indicated in Article 155(3) of Insolvency Law 22/2003, of 9 July, is required, the payments to all holders of the mortgage-backed bonds issued would be made on a pro rata basis, irrespective of the issue dates of the bonds.

Disclosures on mortgage market security issues

Note 20 disclose the outstanding balances of non-marketable (one-off) mortgage-backed securities issued by the Group. In addition, Appendix VI individually itemises the outstanding balances of marketable mortgage-backed securities issued by Bankia with their maturities, currencies and reference rates.

The following table itemises the aggregate nominal value of marketable and non-marketable mortgage-backed securities outstanding at 31 December 2013 and 2012 issued by the Group, regardless of whether or not they are recognised as consolidated 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 the Group), based on their residual maturity period, with a distinction made, in the case of those recognised by the Group as debt securities, between those issued through a public offering and with no public offering, along with the aggregate nominal values of mortgage participation certificates and mortgage transfer certificates issued by the Group and outstanding at 31 December 2013 and 2012, with their average residual maturity period:

(Thousands of euros)				
NOMINAL VALUE OF MORTGAGE-BACKED SECURITIES	31/12/2013		31/12/2012	
	Nominal value	Average residual maturity period (months)	Nominal value	Average residual maturity period (months)
1. Mortgage-backed securities issued	**44,192,215**	**63**	**48,453,828**	**69**
Of which: not recognised on the liability side of the balance sheet	17,104,450	**54**	16,253,800	65
1.1 Debt securities. Issued through a public offering (1)	**20,410,000**	**70**	**23,010,000**	**73**
Residual maturity up to one year	3,850,000	**9**	2,600,000	3
Residual maturity over one year but not more than two years	2,250,000	**23**	3,850,000	21
Residual maturity over two years but not more than three years	5,250,000	**32**	2,250,000	35
Residual maturity over three years but not more than five years	2,060,000	**54**	5,250,000	44
Residual maturity over five years but not more than ten years	3,000,000	**84**	5,060,000	84
Residual maturity over ten years	4,000,000	**203**	4,000,000	215
1.2 Debt securities. Other issues (1)	**14,394,050**	**45**	**14,789,050**	**58**
Residual maturity up to one year	650,000	**4**	285,000	3
Residual maturity over one year but not more than two years	-	**-**	650,000	16
Residual maturity over two years but not more than three years	3,144,050	**35**	-	-
Residual maturity over three years but not more than five years	7,500,000	**46**	8,644,050	52
Residual maturity over five years but not more than ten years	3,100,000	**61**	5,100,000	71
Residual maturity over ten years	-	**-**	110,000	309
1.3 Deposits (2)	**9,388,165**	**75**	**10,654,778**	**77**
Residual maturity up to one year	1,455,415	**6**	1,266,613	8
Residual maturity over one year but not more than two years	1,276,736	**20**	1,455,415	19
Residual maturity over two years but not more than three years	1,377,222	**29**	1,276,736	32
Residual maturity over three years but not more than five years	1,453,387	**50**	2,092,222	47
Residual maturity over five years but not more than ten years	1,583,008	**90**	1,996,395	85
Residual maturity over ten years	2,242,397	**183**	2,567,397	187
2. Mortgage participation certificates issued	**8,869**	**144**	**10,254**	**168**
3. Mortgage transfer certificates issued	**17,008,963**	**276**	**18,840,508**	**288**

(1) These securities are recognised under "Financial liabilities at amortised cost - Marketable debt securities" in the accompanying consolidated balance sheet at 31 December 2013 and 2012 (see Note 20).

(2) 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 consolidated balance sheet at 31 December 2013 and 2012.

The nominal value at 31 December 2013 and 2012 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)		
	Undrawn balances (nominal value) (2)	
	31/12/2013	31/12/2012
Mortgage loans that back the issuance of mortgage-backed securities (1)	**650,805**	**878,962**
Of which:		
Potentially eligible (3)	497,687	681,443
Not eligible	153,118	197,519

(1) At 31 December 2013, Bankia had no mortgage bonds in issue.

(2) Committed amounts (limit) less amounts drawn down on all loans with mortgage collateral, irrespective of the percentage of total risk on the amount of the last appraisal (Loan to Value), not transferred to third parties or relating to financing received. Also includes balances that are only delivered to developers when the dwellings are sold.

(3) Loans potentially eligible for issuance of mortgage-backed securities under Article 3 of Royal Decree 716/2009.

With regard to lending operations, the table below shows the breakdown at 31 December 2013 and 2012 of the nominal value of mortgage loans and credit facilities that back the issue of mortgage-backed securities issued by Bankia (as already mentioned, as at the reporting date the Bankia had no mortgage bonds in issue), indicating the total eligible loans and credit facilities, without regard to the limits under Article 12 of Royal Decree 716/2009 of 24 April, and those that are eligible which, pursuant to the criteria of the aforementioned Article 12 of Royal Decree 716/2009, are eligible for issuance of mortgage securities.

This amount is presented, as required by applicable legislation, as the difference between the nominal value of the entire portfolio of loans and credits secured through mortgages registered in favour of the Group and pending collection (including, where applicable, those acquired through mortgage participation certificates and mortgage transfer certificates), even if they have been derecognised, irrespective of the proportion of the risk of the loan to the last available appraisal for purposes of the mortgage market, less the mortgage loans and credits transferred through mortgage participation certificates and mortgage transfer certificates, regardless of whether or not they were derecognised from the balance sheet, and those designated as security for financing received (the amount recognised on the asset side of the consolidated balance sheet is also indicated for mortgage loans and credits transferred):

(Thousands of euros)	Nominal value	
	31/12/2013	31/12/2012
1. Total loans	**97,618,714**	**104,336,650**
2. Mortgage participation certificates issued	**583,839**	**690,246**
Of which: loans maintained on the balance sheet	8,869	10,254
3. Mortgage transfer certificates issued	**17,373,680**	**19,256,962**
Of which: loans maintained on the balance sheet	17,008,963	18,840,508
4. Mortgage loans pledged as security for financing received	**-**	**-**
5. Loans that back the issue of mortgage-backed securities (1-2-3-4)	**79,661,195**	**84,389,442**
5.1 Loans not eligible	21,149,941	21,162,196
5.1.1 Loans that meet the requirements to be eligible except for the limit established in Article 5.1 of Royal Decree 716/2009	8,505,138	10,476,620
5.1.2 Other	12,644,803	10,685,576
5.2 Eligible loans	58,511,254	63,227,246
5.2.1 Ineligible amounts (1)	221,273	239,589
5.2.2 Eligible amounts (loans eligible to cover mortgage-backed security issues)	58,289,981	62,987,657

(1) 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 mortgage-backed securities.

The reconciliation of eligible loans to mortgage-backed securities issued, along with issuance capacity and percentage of overcollateralization, is as follows:

(Thousands of euros)	Nominal value	
	31/12/2013	31/12/2012
Mortgage loans and credits which, pursuant to the criteria laid down in Article 12 of RD 716/2009, are eligible to cover issuance of mortgage-backed securities.	58,289,981	62,987,657
Issue limit = 80% of eligible mortgage loans and credits	46,631,985	50,390,126
Mortgage-backed securities issued	44,192,215	48,453,828
Mortgage-backed securities issuance capacity (1)	2,439,770	1,936,298
Memorandum item:		
Percentage of overcollateralization of the portfolio	180%	174%
Percentage of overcollateralization of the eligible portfolio	132%	130%

(1) At 31 December 2013, EUR 17,104,450 thousand of mortgage-backed securities remained on the balance sheet. Therefore, the issuance capacity would be EUR 19,544,220 thousand. (EUR 16,253,800 thousand at 31 December 2012 with a EUR 18,190,098 thousand issuance capacity).

The table below shows the detail at 31 December 2013 and 2012 of the nominal value of the loans and credits that back mortgage-backed securities issued by the Group and of those loans and credits that are eligible, without taking into consideration the restrictions on their eligibility established in Article 12 of Royal Decree 716/2009, based on (i) if they arose from the Group or from creditor subrogations and other cases; (ii) if they are denominated in euros or in other currencies; (iii) if they have a normal payment situation and other cases; (iv) their average residual maturity; (v) if the interest rate is fixed, floating or mixed; (vi) if the transactions are aimed at legal entities or individuals that are to use the loan proceeds for the purpose of their business activity (with a disclosure of the portion related to property development) and transactions aimed at households; (vii) if the guarantee consists of assets/completed buildings (with a distinction made between those used for residential, commercial and other purposes), assets/buildings under construction (with a disclosure similar to that of the finished buildings) or land (with a distinction made between developed land and other land), indicating the transactions that are secured by government-subsidised housing, even that under development:

(Thousands of euros)

	Loans that back mortgage-backed securities		Of which: eligible loans	
Total	31/12/2013	31/12/2012	31/12/2013	31/12/2012
1. Origin of operations	**79,661,195**	**84,389,442**	**58,511,254**	**63,227,246**
1.1 Originated by Bankia	75,344,043	78,845,086	54,323,721	58,087,661
1.2. Subrogated to other entities	989,058	1,145,534	964,533	1,104,563
1.3 Other	3,328,094	4,398,822	3,223,000	4,035,022
2. Currency	**79,661,195**	**84,389,442**	**58,511,254**	**63,227,246**
2.1 Euro	78,998,272	83,690,231	58,511,254	63,227,246
2.2 Other currencies	662,923	699,211	-	-
3. Payment situation	**79,661,195**	**84,389,442**	**58,511,254**	**63,227,246**
3.1 Normal payment situation	67,117,926	73,277,691	55,048,328	59,897,475
3.2 Other situations	12,543,269	11,111,751	3,462,926	3,329,771
4. Average residual maturity	**79,661,195**	**84,389,442**	**58,511,254**	**63,227,246**
4.1 Up to ten years	12,540,831	12,515,225	6,685,788	6,653,905
4.2 More than ten years and up to 20 years	22,409,767	23,599,166	18,262,628	19,344,522
4.3 More than 20 years and up to 30 years	26,960,257	29,818,777	22,323,941	24,679,782
4.4 More than 30 years	17,750,340	18,456,274	11,238,897	12,549,037
5. Interest rates	**79,661,195**	**84,389,442**	**58,511,254**	**63,227,246**
5.1 Fixed	983,212	2,004,067	640,784	1,195,342
5.2 Floating	69,687,253	73,849,402	51,192,377	55,376,208
5.3 Mixed	8,990,730	8,535,973	6,678,093	6,655,696
6. Owners	**79,661,195**	**84,389,442**	**58,511,254**	**63,227,246**
6.1 Legal entities and natural person	27,486,611	29,649,745	15,261,401	17,189,042
Of which: property developments	3,345,476	*4,463,106*	1,658,150	*2,213,774*
6.2 Other individuals and non-profit institutions	52,174,584	54,739,697	43,249,853	46,038,204
7. Type of collateral	**79,661,195**	**84,389,442**	**58,511,254**	**63,227,246**
7.1 Assets/completed buildings	78,617,830	82,789,860	58,330,170	62,740,288
7.1.1 Residential	62,744,998	66,406,464	52,382,102	56,379,583
Of which: government-subsidised housing	3,293,427	2,392,562	1,886,318	*1,365,051*
7.1.2 Commercial	97,548	413,308	77,067	246,787
7.1.3 Other	15,775,284	15,970,088	5,871,001	6,113,918
7.2 Assets/buildings under construction	275,557	548,225	181,084	406,349
7.2.1 Residential	247,039	459,292	179,345	378,733
Of which: government-subsidised housing	-	24,588	-	*24,133*
7.2.2 Commercial	7,281	20,127	1,247	13,364
7.2.3 Other	21,237	68,806	492	14,252
7.3 Land	767,808	1,051,357	-	80,609
7.3.1 Developed	-	109,653	-	46,975
7.3.2 Other	767,808	941,704	-	33,634

The nominal value of eligible mortgage loans and credits at 31 December 2013 and 2012, broken down by the ratios of the amount of the transactions to the last available appraisal of the mortgaged assets (Loan to Value), is shown in the table below:

31 December 2013

(Thousands of euros)

	Risk in relation to the last available appraisal for the mortgage market (Loan to Value)					
	Less than or equal to 40%	More than 40% and less than 60%	Over 60%	More than 60% and less than or equal to 80%	More than 80%	Total
Loans eligible for issuance of mortgage-backed securities and mortgage bonds	**14,422,822**	**20,857,546**	-	**23,230,707**	**180**	**58,511,254**
Housing	11,330,387	18,000,174	-	23,230,717	180	52,561,448
Other assets	3,092,435	2,857,372	-	-	-	5,949,806

31 December 2012

(Thousands of euros)

	Risk in relation to the last available appraisal for the mortgage market (Loan to Value)					
	Less than or equal to 40%	More than 40% and less than 60%	Over 60%	More than 60% and less than or equal to 80%	More than 80%	Total
Loans eligible for issuance of mortgage-backed securities and mortgage bonds	**14,490,881**	**21,423,112**	**79,304**	**27,157,258**	**76,691**	**63,227,246**
Housing	11,350,885	18,173,482	-	27,157,258	76,691	56,758,316
Other assets	3,139,996	3,249,630	79,304	-	-	6,468,930

Finally, at 31 December 2013 and 2012 there were no replacement assets backing the Bank's mortgaged-backed issues.

Appendix IX - Exposure to property and construction risk (transactions in Spain)

1. Disclosures on exposure to property development and construction

The table below shows cumulative figures on the financing granted by the Group's credit institutions at 31 December 2013 and 2012 for the purposes of construction and property development and the respective credit risk coverage in place at that date (1):

31 December 2013

(Thousands of euros)	Total gross	Excess over value of collateral (2)	Specific coverage
1. Loans recognised by credit institutions comprising the Group (transactions in Spain)	2,313,683	656,409	877,213
1.1. Of which: Doubtful	1,260,205	466,026	761,428
1.2. Of which: Substandard	280,015	89,342	115,785

Memorandum item:	
Assets written off (4)	674,607

Memorandum item (Consolidated Group figures):

(Thousands of euros)

Item	Carrying amount
1. Total loans and advances to customers, excluding the public sector (transactions in Spain) (5)	110,936,380
2. Total consolidated assets (all transactions)	251,472,044
3. Total general coverage (all transactions) (3)	157,562

(1) For the purposes of this table, credits are classified by purpose rather than the borrower's CNAE code. If the borrower is a property company but uses the financing received for a purpose other than construction or property development, the transaction is excluded from this table. Conversely, if the borrower is a company whose core business is not construction or property development-related but uses the financing received for property development purposes, the transaction is included in this table.

(2) The excess of the gross amount of the financing over the value of any property rights received as collateral, calculated pursuant to Annex IX of Circular 4/2004. Thus the value of such property rights is the lower of the cost of the asset and its appraised value in its present condition, weighted by a percentage ranging from 70% to 50%, in accordance with the nature of the mortgaged asset.

(3) The total amount of collective coverage put in place in any form whatsoever, by the consolidated Group (all transactions).

(4) Gross amount of financial for the purpose of construction and property development granted by Group credit institutions (transactions in Spain) and assets written off.

(5) The carrying amount is the value at which the assets are recognised on the balance sheet after deduction of any amount allocated to cover such assets.

31 December 2012

(Thousands of euros)	Total gross	Excess over value of collateral (2)	Specific coverage
1. Loans recognised by credit institutions comprising the Group (transactions in Spain)	3,052,841	845,112	1,298,303
1.1. Of which: Doubtful	1,369,394	484,793	963,377
1.2. Of which: Substandard	757,688	220,667	334,926

Memorandum item:			
Assets written off (4)	441,637		

Memorandum item (Consolidated Group figures):

(Thousands of euros)	
Item	Carrying amount
1. Total loans and advances to customers, excluding the public sector (transactions in Spain) (5)	123,256,665
2. Total consolidated assets (all transactions)	282,310,357
3. Total general coverage (all transactions) (3)	187,577

(1) For the purposes of this table, credits are classified by purpose rather than the borrower's CNAE code. If the borrower is a property company but uses the financing received for a purpose other than construction or property development, the transaction is excluded from this table. Conversely, if the borrower is a company whose core business is not construction or property development-related but uses the financing received for property development purposes, the transaction is included in this table.

(2) The excess of the gross amount of the financing over the value of any property rights received as collateral, calculated pursuant to Annex IX of Circular 4/2004. Thus the value of such property rights is the lower of the cost of the asset and its appraised value in its present condition, weighted by a percentage ranging from 70% to 50%, in accordance with the nature of the mortgaged asset.

(3) The total amount of collective coverage put in place in any form whatsoever, by the consolidated Group (all transactions).

(4) Gross amount of financial for the purpose of construction and property development granted by Group credit institutions (transactions in Spain) and assets written off.

(5) The carrying amount is the value at which the assets are recognised on the balance sheet after deduction of any amount allocated to cover such assets.

The table below breaks down construction and property development financing granted by Group credit entities at 31 December 2013 and 2012:

(Thousands of euros)	Finance intended for construction and property development (gross)	
	31/12/2013	31/12/2012
1. Not mortgage-secured	192,452	205,232
2. Mortgage-secured (1)	2,121,232	2,847,610
2.1. Finished buildings (2)	1,410,836	1,652,948
2.1.1. Housing	553,350	691,526
2.1.2. Other	857,486	961,422
2.2. Buildings under construction (2)	188,542	295,568
2.2.1. Housing	145,823	152,811
2.2.2. Other	42,719	142,757
2.3. Land	521,854	899,094
2.3.1. Urban land	281,495	692,387
2.3.2. Other land	240,359	206,707
Total	**2,313,684**	**3,052,842**

(1) Includes all mortgage-secured transactions regardless of ratio of outstanding amount to the latest appraised value.

(2) If a building is used for both residential (housing) and commercial (offices and/or premises) purposes, the related financing is classified under the category of the predominant purpose.

2. Loans to households for home purchases. Transactions recognised by credit institutions (transactions in Spain)

The table below presents the detail at 31 December 2013 and 2012 of financing granted by the credit institutions comprising the Group for the purpose of home purchases:

(Thousands of euros)	Total gross	Of which: Doubtful	Total gross	Of which: Doubtful
	31/12/2013		31/12/2012	
Loans for home purchases	78,672,091	6,830,956	82,980,960	6,212,023
Non-mortgage-secured	754,964	1,647	879,627	4,673
Mortgage-secured	77,917,127	6,829,309	82,101,333	6,207,350

The table below presents the detail of mortgage-secured loans to households for home purchases at 31 December 2013 and 2012, classified by the ratio of the outstanding amount to the latest available appraised value (LTV) in respect of transactions recognised by Group credit institutions (transactions in Spain):

31 December 2013

	LTV ranges (1)					
	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	15,095,656	21,789,896	29,776,673	9,747,750	1,507,152	77,917,127
Of which: doubtful	534,213	932,184	2,505,055	2,108,366	749,491	6,829,309

(1) LTV (loan-to-value) is the ratio of the amount outstanding at the reporting date to the latest available appraised value.

31 December 2012

	LTV ranges (1)					
	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	14,853,602	21,529,022	32,605,521	11,670,342	1,442,846	82,101,333
Of which: doubtful	533,429	836,788	2,322,832	1,928,064	586,237	6,207,350

(1) LTV (loan-to-value) is the ratio of the amount outstanding at the reporting date to the latest available appraised value.

3. Information concerning property assets foreclosed or received in payment of debts (transactions in Spain)

In order to dispose of its foreclosed assets with the smallest possible impact on the income statement, the Group has Property Asset Management Areas to manage, administer and sell the Group's foreclosed assets.

In order to maintain assets in the best possible conditions for sale and ensure efficient control of the expenditure incurred in the process, technical maintenance procedures are deployed along with control and management of turnover arising from the assets remaining on the portfolio. Consideration is also given to maintaining lease contracts on assets in the portfolio and management of occupancy situations concerning the assets. For construction in progress, each specific project is assessed in order to determine its technical and commercial feasibility, making investment necessary to provide liquidity to the project.

Attention is also paid to activities arising from the marketing process: customer care, review of the assets published and management of offers through various sales channels: branch network, brokers, web, events and trade fairs, etc. There is a specific financing product for the purchase of property assets (housing and commercial premises).

Specific property assets (land, ongoing development, finished projects etc.) placed on the Group's balance sheet are given priority for disposal, and may be managed through direct sales to a **development company**, sales to **cooperatives and community associations** through structured demand or **contributions and exchanges** which enable them to be removed from the Group's balance sheet in the medium term, and a low-liquidity product (land) may be exchanged for another with higher liquidity (housing).

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 single aim of disposal of assets at the least possible detriment to the income statement.
- Disposal mechanisms focus on sale and also rentals with or without a purchase option. In the case of unique assets (specific buildings, offices, commercial premises, industrial buildings and land), the general policy adopted is to sell these assets.
- Policy of transparency in all transactions to guarantee public offering of the asset.
- Policies to set prices for assets and delegated powers. Sales in accordance with an authorisation system valid at all times.
- General policy of non-exclusivity in mediation on sales of assets.
- Assessment of asset sale offers in any situation.
- The marketing process will be carried out through all the channels established: network branches, web, property sales desks at certain branches, brokers with or without keys, trade fairs and events, etc.

The pricing policies and principles for the property portfolio may be summarised as follows:

- **Transparency**: all assets available for sale are published exclusively on the Real Estate Portal 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 ordinary costs (taxes and community expenses) up to the estimated time of sale.
- **Unique assets**: the primary reference of unique assets will be the latest appraisal value, although the complex nature of sales of these assets will require individual negotiations, using the same references as cited above.
- **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.
- **Auctions** by the specialist auctioneer RESER.

- **Leases**: property assets will be leased with a rent approved by the appropriate committee, which will at all times contemplate a minimum return in accordance with the value of the asset to be leased. Lessor purchase options may also be considered for the asset leased.
- **Employees of the Bank**: employees will have the benefits agreed on each occasion.

The table below presents the detail of assets acquired by the Group through foreclosure (transactions in Spain) at 31 December 2013 and 2012, classified by type (1):

(Thousands of euros)	Carrying amount	Of which: impairment allowance	Carrying amount	Of which: impairment allowances
	31/12/2013		31/12/2012	
1. Property assets from financing intended for construction and property development	360,963	287,682	522,796	288,434
1.1. Finished buildings	253,190	80,785	423,524	88,731
1.1.1. Housing	215,409	67,363	348,220	64,049
1.1.2. Other	37,781	13,422	75,304	24,682
1.2. Buildings under construction	50,830	54,557	44,710	54,506
1.2.1. Housing	49,526	53,446	40,673	52,570
1.2.2. Other	1,304	1,111	4,037	1,936
1.3. Land	56,943	152,340	54,562	145,197
1.3.1 Urban land	34,625	90,556	26,604	75,959
1.3.1 Other land	22,318	61,784	27,958	69,238
2. Property assets from mortgage-secured financing granted to households for home purchases	1,998,852	1,018,678	1,624,045	863,873
3. Other property assets received in settlement of debt (2)	295,999	135,906	175,600	72,526
4. Equity instruments, investments and financing to companies holding such assets (3).	82,298	748,261	103,012	777,055

(1) Includes foreclosed assets and assets acquired, purchased or exchanged for debt in connection with financing granted by Group entities (transactions in Spain), as well as investments in and financing to non-consolidated entities holding these assets.

(2) Includes property assets not arising in connection with loans to construction and property development companies, regardless of the economic sector to which the company or entrepreneur belongs, or to households for home purchases.

(3) Includes all assets of this type, such as equity instruments, investments in and financing to entities holding the property assets referred to in lines 1 to 3 of this table and equity instruments of and investments in construction or property companies accepted in settlement of debts.

The above tables set out property assets acquired through foreclosure or in settlement of debts, other than the exception referred to in the foregoing sub-paragraph, and classified by the Group on the basis of ultimate purpose, mainly under “Non-current assets held for sale” and “Property, plant and equipment – Investment property” and, to a lesser extent, under “Other assets - Inventories” in the accompanying consolidated balance sheet for those dates.

Appendix X – Refinancing and restructuring operations and other requirements of Bank of Spain Circular 6/2012

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, contributions of funds from shareholders or additional guarantees or collateral may be required.
- 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 the customer can make payment on schedule 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 channeled through specific products that:

- Perfectly identify 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 way, 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 6/2012 and its recommendations, 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. As a general rule, all refinancings and restructurings should be classified as substandard risk when they are arranged, unless there are objective circumstances for them to be classified as doubtful or standard risks.

Application of the new criteria results in the review and classification of the entire refinanced or restructured portfolio, from two different approaches:

- According to objective criteria: For retail and SME loans, there is a set of objective criteria covering the conditions of the new loan (grace period, interest deferral, financing of past-due interest, additional effective guarantees or collateral), as well as the financial efforts implied for the customer in accordance with their current income. Each combination of criteria determines the corresponding accounting treatment at source, as shown in the following table:

Financing of past-due interest	LTV over updated appraisal	Financial effort	Grace period		
			<= 12 months	Between 13 and 30 months	> 30 months
NO	<= 100%	<= 50%	Normal	Normal	Normal
		> 50%	Normal	Normal	Substandard
	> 100%	<= 50%	Normal	Normal	Substandard
		> 50%	Substandard	Substandard	Doubtful
YES	<= 100%	<= 50%	Normal	Substandard	Substandard
		> 50%	Substandard	Substandard	Doubtful
	> 100%	<= 50%	Substandard	Substandard	Doubtful
		> 50%	Doubtful	Doubtful	Doubtful

The following table is applied to the refinancing of a previously refinanced loan, which always entails a higher risk level than in the preceding table:

Financing of past-due interest	LTV over updated appraisal	Financial effort	Grace period		
			<= 12 months	Between 13 and 30 months	> 30 months
NO	<= 100%	<= 50%	Subestándar	Substandard	Doubtful
		> 50%	Substandard	Doubtful	Doubtful
	> 100%	<= 50%	Substandard	Doubtful	Doubtful
		> 50%	Doubtful	Doubtful	Doubtful
YES	<= 100%	<= 50%	Substandard	Doubtful	Doubtful
		> 50%	Doubtful	Doubtful	Doubtful
	> 100%	<= 50%	Doubtful	Doubtful	Doubtful
		> 50%	Doubtful	Doubtful	Doubtful

Similarly, certain objective criteria are established that determine the minimum “curing” period (generally one year, but this can be reduced to six months for a home mortgage on a primary residence) before the refinanced or restructured operation can be reclassified to a lower risk level. These criteria are summarised in the following table:

<table>
<tr><th>Grace Period</th><th>Deferred interest and second mortgage</th><th>Risk classification</th><th>Classification up to 12 months after arrangement</th><th>Classification up to 3 months after grace period</th><th>Classification 12 months after the end of grace period</th></tr>
<tr><td rowspan="2">NO</td><td rowspan="2">NO</td><td>Substandard</td><td>Normal</td><td>Normal</td><td>Normal</td></tr>
<tr><td>Doubtful</td><td>Normal</td><td>Normal</td><td>Normal</td></tr>
<tr><td rowspan="3">YES</td><td rowspan="2">NO</td><td>Substandard</td><td>Substandard</td><td>Normal</td><td>Normal</td></tr>
<tr><td>Doubtful</td><td>Substandard</td><td>Normal</td><td>Normal</td></tr>
<tr><td>YES</td><td>Doubtful</td><td>Doubtful</td><td>Doubtful</td><td>Normal</td></tr>
</table>

- According to individual analysis: for the rest of the portfolio, the accounting treatment and subsequent “curing” are based on a detailed analysis of the customer's situation and the conditions of the loan. However, the general criteria set out in the Circular letter are taken as a reference.

As indicated above, the Group carries out refinancing operations to provide borrowers with financial stability to continue their activity, adapting the operations to their ability to pay.

In no circumstances does loan refinancing delay or reduce the impairment losses to be recognised on the loans when they have not been renegotiated. Therefore, all operations that under current regulations should be impaired have been considered impaired before any refinancing. Recognised impairment losses are not reversed merely because the operations may be refinanced.

Therefore, after making the corresponding changes to the contractual terms, there is no evidence of significant impairment requiring the recognition of additional losses in accordance with IAS 39. In this respect, the provision for insolvency maintained or increased on refinanced operations offsets any potential loss arising from the difference between the carrying amount of the refinanced assets before and after the renegotiation.

The table below shows the gross amount of refinancing operations, with a breakdown between their classification as transactions that require special monitoring, substandard risk or doubtful risk, and their respective coverages of credit risk:

At 31 December 2013

(Thousands of euros)	Normal (1)					
	Full mortgage guarantee		Other collateral (2)		Without collateral	
	No. of transactions	Gross amount	No. of transactions	Gross amount	No. of transactions	Gross amount
Government agencies	-	-	1	1,152	48	126,576
Other legal persons and sole proprietors	3,002	850,360	830	671,601	4,296	778,515
Of which: Financing for construction and property development	376	182,459	78	37,906	270	29,065
Other natural persons	46,531	5,828,218	3,523	477,900	20,175	128,179
Total	**49,533**	**6,678,578**	**4,354**	**1,150,653**	**24,519**	**1,033,270**

(Thousands of euros)	Substandard						
	Full mortgage guarantee		Other collateral (2)		Without collateral		
	No. of transactions	Gross amount	No. of transactions	Gross amount	No. of transactions	Gross amount	Specific allowance
Government agencies	-	-	-	-	5	4,415	(143)
Other legal persons and sole proprietors	641	566,984	184	1,122,339	396	1,022,063	(525,450)
Of which: Financing for construction and property development	95	72,345	21	8,884	59	4,472	(38,429)
Other natural persons	7,464	1,185,924	966	130,946	1,319	7,600	(79,947)
Total	**8,105**	**1,752,908**	**1,150**	**1,253,285**	**1,720**	**1,034,078**	**(605,540)**

(Thousands of euros)	Doubtful						
	Full mortgage guarantee		Other collateral (2)		Without collateral		
	No. of transactions	Gross amount	No. of transactions	Gross amount	No. of transactions	Gross amount	Specific allowance
Government agencies	-	-	-	-	4	833	-
Other legal persons and sole proprietors	7,199	3,101,774	2,209	1,740,755	7,973	1,933,553	(3,558,838)
Of which: Financing for construction and property development	3,300	504,313	703	210,747	2,672	445,767	(866,606)
Other natural persons	20,750	3,515,234	4,621	719,798	34,266	964,279	(1,403,062)
Total	**27,949**	**6,617,008**	**6,830**	**2,460,553**	**42,243**	**2,898,665**	**(4,961,900)**

(Thousands of euros)	Total									
	Full mortgage guarantee		Other collateral (2)		Without collateral					
	No. of transactions	Gross amount	No. of transactions	Gross amount	No. of transactions	Gross amount	Specific allowance	No. of transactions	Gross amount	Specific allowance
Government agencies	-	-	1	1,152	57	131,824	(143)	58	132,976	(143)
Other legal persons and sole proprietors	10,842	4,519,118	3,223	3,534,695	12,665	3,734,131	(4,084,288)	26,730	11,787,944	(4,084,288)
Of which: Financing for construction and property development	3,771	759,117	802	257,537	3,001	479,304	(905,035)	7,574	1,495,958	(905,035)
Other natural persons	74,745	10,529,376	9,110	1,328,644	55,760	1,100,058	(1,483,009)	139,615	12,958,078	(1,483,009)
Total	**85,587**	**15,048,494**	**12,334**	**4,864,491**	**68,482**	**4,966,013**	**(5,567,440)**	**166,403**	**24,878,998**	**(5,567,440)**

(1) Standard risks classified as special monitoring as per Section 7 of Appendix IX of Circular 4/2004
(2) Includes transactions with partial mortgage collateral, i.e. with an LTV of over 1, and other transactions with collateral other than a mortgage, regardless of the LTV.

At 31 December 2012

(Thousands of euros)	Normal (1)					
	Full mortgage guarantee		Other collateral (2)		Without collateral	
	No. of transactions	Gross amount	No. of transactions	Gross amount	No. of transactions	Gross amount
Government agencies	77	13,152	-	-	35	62,710
Other legal persons and sole proprietors	1,391	319,655	201	337,949	1,703	373,105
Of which: Financing for construction and property development	552	98,296	47	43,289	557	41,721
Other natural persons	39,030	5,499,759	3,684	544,679	6,512	48,456
Total	**40,498**	**5,832,566**	**3,885**	**882,628**	**8,250**	**484,271**

(Thousands of euros)	Substandard						
	Full mortgage guarantee		Other collateral (2)		Without collateral		
	No. of transactions	Gross amount	No. of transactions	Gross amount	No. of transactions	Gross amount	Specific allowance
Government agencies	-	-	-	-	2	8,000	(1,200)
Other legal persons and sole proprietors	3,312	894,523	834	974,181	5,378	668,025	(562,017)
Of which: Financing for construction and property development	518	144,736	69	70,177	382	149,005	(133,476)
Other natural persons	2,980	503,850	494	55,294	24,846	182,751	(54,764)
Total	**6,292**	**1,398,373**	**1,328**	**1,029,475**	**30,226**	**858,776**	**(617,981)**

(Thousands of euros)	Doubtful						
	Full mortgage guarantee		Other collateral (2)		Without collateral		
	No. of transactions	Gross amount	No. of transactions	Gross amount	No. of transactions	Gross amount	Specific allowance
Government agencies	-	-	-	-	10	11,498	(5,368)
Other legal persons and sole proprietors	4,012	2,142,434	1,361	1,522,760	7,242	2,003,813	(2,931,371)
Of which: Financing for construction and property development	1,586	354,307	541	136,750	2,245	534,786	(657,289)
Other natural persons	15,863	2,609,536	3,376	509,266	10,057	101,125	(1,268,745)
Total	**19,875**	**4,751,970**	**4,737**	**2,032,026**	**17,309**	**2,116,436**	**(4,205,484)**

(Thousands of euros)	Total									
	Full mortgage guarantee		Other collateral (2)		Without collateral		Specific allowance			
	No. of transactions	Gross amount	No. of transactions	Gross amount	No. of transactions	Gross amount		No. of transactions	Gross amount	Specific allowance
Government agencies	77	13,152	-	-	47	82,208	(6,568)	124	95,360	(6,568)
Other legal persons and sole proprietors	8,715	3,356,612	2,396	2,834,890	14,323	3,044,943	(3,493,388)	25,434	9,236,445	(3,493,388)
Of which: Financing for construction and property development	2,656	597,339	657	250,216	3,184	725,512	(790,765)	6,497	1,573,067	(790,765)
Other natural persons	57,873	8,613,145	7,554	1,109,239	41,415	332,332	(1,323,509)	106,842	10,054,716	(1,323,509)
Total	**66,665**	**11,982,909**	**9,950**	**3,944,129**	**55,785**	**3,459,483**	**(4,823,465)**	**132,400**	**19,386,521**	**(4,823,465)**

(1) Standard risks classified as special monitoring as per Section 7 of Appendix IX of Circular 4/2004
(2) Includes transactions with partial mortgage collateral, i.e. with an LTV of over 1, and other transactions with collateral other than a mortgage, regardless of the LTV.

Other requirements of Bank of Spain Circular 6/2012

The table below shows information concerning sector and geographical concentration risk:

At 31 December 2013:

(Thousands of euros)	31/12/2013				
ACTIVITY	TOTAL(*)	Spain	Other European Union country	America	Rest of the world
Credit institutions	40,996,566	23,891,731	16,435,170	575,210	94,455
Government agencies	33,711,225	31,806,639	1,895,436	4,045	5,105
Central administration	27,143,920	25,239,523	1,895,436	4,045	4,916
Other	6,567,305	6,567,116	-	-	189
Other financial institutions	38,827,295	27,094,370	11,630,060	90,365	12,500
Non-financial institutions and sole proprietors	39,371,883	33,979,129	3,007,906	2,018,410	366,438
Construction and property development (b)	3,398,828	3,246,866	45,674	106,288	
Civil engineering construction	4,232,034	3,815,302	386,715	29,665	352
Other	31,741,021	26,916,961	2,575,517	1,882,457	366,086
Other	20,530,507	16,790,716	2,338,637	1,103,097	298,057
SMEs and sole proprietors	11,210,514	10,126,245	236,880	779,360	68,029
Other households and NPISH	78,927,833	77,551,748	1,012,277	57,474	306,334
Housing	74,728,818	73,398,193	979,166	52,989	298,470
Consumer	1,735,192	1,722,395	5,349	3,465	3,983
Other	2,463,823	2,431,160	27,762	1,020	3,881
Subtotal	231,834,802	194,323,617	33,980,849	2,745,504	784,832
Less: Valuation adjustments due to impairment of assets not attributable to specific transactions	(166,326)				
TOTAL	**231,668,476**				

(*) The definition of risk includes the following items of the public balance sheet: “Loans and advances to credit institutions”, “Loans and advances to customers”, “Debt securities”, “Equity instruments”, “Trading derivatives”, “Hedging derivatives·”, “Investments” and “Contingent exposures”. The amounts included in the table are net of impairment losses.

(Thousands of euros)		Autonomous communities							
ACTIVITY	**Total(*)**	Andalucía	Canarias	Castilla-León	Cataluña	Madrid	Comunidad Valenciana	La Rioja	Others
Credit institutions	23,891,731	280,379	19	3,975	283,274	21,680,192	823,993	60	819,839
Government agencies	31,806,639	137,784	147,643	104,457	1,173,212	4,003,622	625,174	29,752	345,472
Central administration	25,239,523	-	-	-	-	-	-	-	
Other	6,567,116	137,784	147,643	104,457	1,173,212	4,003,622	625,174	29,752	345,472
Other financial institutions	27,094,370	1,696	8,796	438	33,695	26,291,688	742,436	1,064	14,557
Non-financial institutions and sole proprietors	33,979,129	1,767,786	1,484,236	1,168,845	4,444,955	16,197,402	4,911,352	396,912	3,607,641
Construction and property development (b)	3,246,866	193,225	129,349	142,579	299,777	1,501,945	541,529	25,297	413,165
Civil engineering construction	3,815,302	78,369	29,745	24,280	184,500	3,283,234	68,847	1,481	144,846
Other	26,916,961	1,496,192	1,325,142	1,001,986	3,960,678	11,412,223	4,300,976	370,134	3,049,630
Other	16,790,716	1,080,025	892,228	542,281	2,794,656	6,181,636	3,442,915	150,009	1,706,966
SMEs and sole proprietors	10,126,245	416,167	432,914	459,705	1,166,022	5,230,587	858,061	220,125	1,342,664
Other households and NPISH	77,551,748	4,758,336	3,664,548	2,799,427	9,941,105	32,523,025	13,456,454	925,464	9,483,389
Housing	73,398,193	4,526,100	3,312,470	2,574,029	9,185,231	32,135,453	11,890,406	835,195	8,939,309
Consumer	1,722,395	100,420	166,717	87,223	443,976	17,442	617,267	23,436	265,914
Other	2,431,160	131,816	185,361	138,175	311,898	370,130	948,781	66,833	278,166
Subtotal	194,323,617	6,945,981	5,305,242	4,077,142	15,876,241	100,695,929	20,559,409	1,353,252	14,270,898
Less: Valuation adjustments due to impairment of assets not attributable to specific transactions (**)	(166,326)								
TOTAL	**194,157,291**								

(*) The definition of risk includes the following items of the public balance sheet: "Loans and advances to credit institutions", "Loans and advances to customers", "Debt securities", "Equity instruments", "Trading derivatives", "Hedging derivatives·", "Investments" and "Contingent exposures". The amounts included in the table are net of impairment losses.

(**) Includes the total amount of valuation adjustments for impairment of assets not attributable to specific transactions.

At 31 December 2012:

(Thousands of euros)			31/12/2012		
ACTIVITY	TOTAL(*)	Spain	Other European Union country	America	Rest of the world
Credit institutions	56,237,855	28,563,306	24,164,928	3,297,045	212,576
Government agencies	34,235,772	31,942,151	2,237,367	49,695	6,559
Central administration	27,418,625	25,125,664	2,237,367	49,695	5,899
Other	6,817,147	6,816,487	-	-	660
Other financial institutions	24,573,342	11,649,865	12,795,217	115,760	12,500
Non-financial institutions and sole proprietors	64,388,824	58,167,434	3,901,348	1,888,080	431,962
Construction and property development (b)	4,831,437	4,639,275	33,555	136,180	22,427
Civil engineering construction	4,072,295	3,564,124	482,256	25,915	-
Other	55,485,092	49,964,035	3,385,537	1,725,985	409,535
Other	33,118,446	28,348,710	2,954,408	1,428,426	386,902
SMEs and sole proprietors	22,366,646	21,615,325	431,129	297,559	22,633
Other households and NPISH	84,952,508	83,431,214	1,102,581	89,757	328,956
Housing	77,210,995	75,739,283	1,065,447	85,683	320,582
Consumer	3,484,412	3,469,231	6,752	4,074	4,355
Other	4,257,101	4,222,700	30,382	-	4,019
Subtotal	264,388,301	213,753,970	44,201,441	5,440,337	992,553
Less: Valuation adjustments due to impairment of assets not attributable to specific transactions	(479,965)				
TOTAL	263,908,336				

(*) The definition of risk includes the following items of the public balance sheet: “Loans and advances to credit institutions”, “Loans and advances to customers”, “Debt securities”, “Equity instruments”, “Trading derivatives”, “Hedging derivatives•”, “Investments” and “Contingent exposures”. The amounts included in the table are net of impairment losses

(Thousands of euros)		Autonomous communities							
ACTIVITY	**Total(*)**	Andalucía	Canarias	Castilla-León	Cataluña	Madrid	Comunidad Valenciana	La Rioja	Others
Credit institutions	28,563,306	364,352	3,374	1	75	26,235,866	1,173,067	-	786,571
Government agencies	31,942,151	202,493	86,444	75,555	167,109	4,982,964	839,790	33,074	429,058
Central administration	25,125,664								
Other	6,816,487	202,493	86,444	75,555	167,109	4,982,964	839,790	33,074	429,058
Other financial institutions	11,649,865	2,147	563	503	-	9,721,165	1,915,778	6	9,703
Non-financial institutions and sole proprietors	58,167,434	1,841,011	384,550	1,036,587	853,356	44,832,854	5,452,649	46,382	3,720,045
Construction and property development (b)	4,639,275	277,748	16,914	166,273	-	1,786,889	1,968,921	-	422,530
Civil engineering construction	3,564,124	79,408	3,798	19,847	94,198	3,077,168	47,521	945	241,239
Other	49,964,035	1,483,855	363,838	850,467	759,158	39,968,797	3,436,207	45,437	3,056,276
Other	28,348,710	648,654	127,394	236,795	451,090	23,460,933	2,286,082	6,643	1,131,119
SMEs and sole proprietors	21,615,325	835,201	236,444	613,672	308,068	16,507,864	1,150,125	38,794	1,925,157
Other households and NPISH	83,431,214	6,495,695	1,524,203	2,345,655	2,935,947	47,614,898	11,772,094	198,152	10,544,570
Housing	75,739,283	6,039,540	1,406,071	2,171,257	2,651,892	43,267,808	10,153,425	188,639	9,860,651
Consumer	3,469,231	228,960	60,481	80,572	186,746	1,910,599	626,840	5,733	369,300
Other	4,222,700	227,195	57,651	93,826	97,309	2,436,491	991,829	3,780	314,619
Subtotal	**213,753,970**	**8,905,698**	**1,999,134**	**3,458,301**	**3,956,487**	**133,387,747**	**21,153,378**	**277,614**	**15,489,947**
Less: Valuation adjustments due to impairment of assets not attributable to specific transactions	(479,965)								
TOTAL	**213,274,005**								

(*) The definition of risk includes the following items of the public balance sheet: "Loans and advances to credit institutions", "Loans and advances to customers", "Debt securities", "Equity instruments", "Trading derivatives", "Hedging derivatives·", "Investments" and "Contingent exposures". The amounts included in the table are net of impairment losses.

(**) Includes the total amount of valuation adjustments for impairment of assets not attributable to specific transactions.

The following table shows the total amount of secured financing by the percentage of the carrying amount of the financing to the latest available appraisal or the valuation of the available guarantee or collateral (loan to value).

At 31 December 2013

(Thousands of euros)				Secured loans. Loan to value				
ITEM	TOTAL	Of which: Mortgage loans	Of which: Other secured loans	Less than or equal to 40%	More than 40% and less than or equal to	More than 60% and less than or equal to	More than 80% and less than or equal	More than 100%
Government agencies	5,468,208	100,678	1,201	10,167	30,271	47,744	539	13,158
Other financial institutions	4,447,438	24,353	175,387	11,556	8,952	2,940	286	176,006
Non-financial institutions and sole proprietors	30,445,276	10,840,871	7,727,941	4,694,896	3,274,708	1,117,062	345,259	9,136,887
Construction and property development	2,286,193	1,446,123	41,546	595,872	371,727	196,280	176,414	147,376
Civil engineering construction	4,232,034	3,388,968	505,562	1,733,492	1,172,932	259,913	64,591	663,602
Other	23,927,049	6,005,780	7,180,833	2,365,532	1,730,049	660,869	104,254	8,325,909
Large enterprises	13,855,995	697,301	6,630,677	150,355	126,656	40,140	2,740	7,008,087
SMEs and sole proprietors	10,071,054	5,308,479	550,156	2,215,177	1,603,393	620,729	101,514	1,317,822
Other households and NPISH	78,910,394	76,562,745	326,892	13,624,928	23,699,241	28,550,174	7,963,381	3,051,913
Housing	74,728,818	74,189,196		12,912,447	22,902,631	28,122,366	7,863,486	2,388,266
Consumer	1,717,755	200,209	90,615	78,011	38,196	16,888	4,224	153,505
Other	2,463,821	2,173,340	236,277	634,470	758,414	410,920	95,671	510,142
Subtotal	119,271,316	87,528,647	8,231,421	18,341,547	27,013,172	29,717,920	8,309,465	12,377,964
Less: Valuation adjustments due to impairment of assets not attributable to specific transactions	(153,024)							
TOTAL	119,118,292							
MEMORANDUM ITEM								
Refinancing, refinanced and restructured operations	19,128,263	15,236,973	2,372,750	2,547,877	4,519,279	4,136,673	2,365,263	4,040,631

At 31 December 2012

(Thousands of euros)				Secured loans. Loan to value				
ITEM	TOTAL	Of which: Mortgage loans	Of which: Other secured loans	Less than or equal to 40%	More than 40% and less than or equal to	More than 60% and less than or equal to	More than 80% and less than or equal	More than 100%
Government agencies	8,964,812	110,721	1,359	19,232	21,696	63,617	767	6,768
Other financial institutions	6,700,837	28,048	1,608	15,089	8,762	3,289	423	2,093
Non-financial institutions and sole proprietors	34,578,269	12,440,698	3,788,959	5,253,418	4,176,426	2,037,632	481,102	4,281,079
Construction and property development	2,636,759	1,891,071	53,789	835,180	538,582	321,998	47,769	201,331
Civil engineering construction	4,072,295	3,461,914	86,154	1,562,527	1,312,227	334,932	35,063	303,319
Other	27,869,215	7,087,713	3,649,016	2,855,711	2,325,617	1,380,702	398,270	3,776,429
Large enterprises	15,274,858	671,144	3,095,565	296,201	291,984	358,765	167,084	2,652,675
SMEs and sole proprietors	12,594,357	6,416,569	553,451	2,559,510	2,033,633	1,021,937	231,186	1,123,754
Other households and NPISH	84,407,177	79,812,955	273,350	13,195,457	23,287,315	31,285,846	9,767,907	2,549,780
Housing	77,210,259	76,581,221	5,345	12,364,654	22,173,840	30,435,243	9,537,448	2,075,381
Consumer	3,484,412	109,285	190,042	28,613	14,217	20,301	86,832	149,364
Other	3,712,506	3,122,449	77,963	802,190	1,099,258	830,302	143,627	325,035
Subtotal	134,651,095	92,392,422	4,065,276	18,483,196	27,494,199	33,390,384	10,250,199	6,839,720
Less: Valuation adjustments due to impairment of assets not attributable to specific transactions	(474,089)							
TOTAL	134,177,006							
MEMORANDUM ITEM								
Refinancing, refinanced and restructured operations	14,476,128	11,403,347	1,122,160	1,875,427	3,271,975	3,152,707	2,256,201	1,969,197

Appendix XI - Detail of agents and disclosures required by Article 22 of Royal Decree 1245/1995 of 14 July

Information at 31 December 2013

Bankia, S.A. agents authorised to enter into and/or negotiate transactions on behalf of the entity (under Bank of Spain Circular 4/2010, rule 1, section 1)

Name or corporate name of	Registered address
Mapfre Familiar, Compañía de Seguros y Reaseguros S.A.	Crta. Pozuelo a Majadahonda, 52 – 28220 (Majadahonda -Madrid)
Asesoramiento Empresarial Especializado	C/Camino de Santiago, 20 - 24400 (Ponferrada - León)
Asesoría Santana González, SL.	Av. Unión, 36 - 35110 (Santa Lucía - Las Palmas)
Citricultores Gestión, SLU.	Ctra. Nacional 431, 111 - 21450 (Cartaya - Huelva)
David Martín Matesanz	C/ Gloria Fuertes, 18 – 19200 (Azuqueca de Henares - Guadalajara)
Diego Morán López	C/Almendralejo, 45 - 06800 (Mérida - Badajoz)
Fabra i Verge, SLL.	Av. Nostra Senyora L'Assumpci, 170 - 43580 (Deltebre - Tarragona)
Maf Global, XXI.SL.	C/Camilo José Cela, 18 - 45230 (Numancia de la Sagra - Toledo)
Neofín Gestión, SL.	Av. Marineros de Villajoyosa, 16 - 03570 (Villajoyosa - Alicante)
Nova Inizia CS 2006, SL.	C/Pelayo, 6 - 12006 (Castellón de la Plana - Castellón)
Saturno Javier Rodríguez Tarno	C/Casimiro Sanz, 4 - 39059 (Reinosa - Cantabria)
Vimajoca, SL.	C/Huertas de los Olivos, 55 - 35018 (Las Palmas de Gran Canaria)

Bankia, S.A. agents authorised only to market products and services; not authorised to enter into and/or negotiate transactions on behalf of the entity (under Bank of Spain Circular 4/2010, rule 1, section 2)

Name or corporate name of	Registered address
Angel Rodriguez Rodríguez	C/ San Francisco, 22 – 14900 (Lucena – Córdoba)
Antonio Flores Benítez	C/ Marcel Menéndez y Pelayo, 27 – 08940 (Cornellá – Barcelona)
Begoña Barbero Valverde	C/ Maestranza, 8 – 29016 (Málaga)
Carles Xavier Planas Pons	C/ Gloria, 121 – 07300 (Inca – Baleares)
Elena Montes Descalzo	C/ Pilar, 11 – 12410 (Altura – Castellón)
Fernando Linares Toribio	C/ Grazia Deleda, 9 – 28909 (Perales del Río – Madrid)
Francisco de Borja Rodriguez Martin	C/ Francisco Díaz Cardona, 2 – 18600 (Motril – Granada)
Francisco Gambero Bernal	C/ Loma de los Riscos, 32 – 29620 (Málaga)

Name or corporate name of	Registered address
Guillermo Alonso Puig	C/ Mariano Benlliure, 16 – 46980 (Paterna – Valencia)
Jesús Ricardo Serrano Tasende	C/ Carballo Calero, 17 – 15100 (Carballo – A Coruña)
Jorge Iglesias Pastor	C/ Industria, 38 – 08570 (Torrelló – Barcelona)
José Antonio Dianez García	C/ Pstg. Serra D´Ancosa, 30 – 08720 (Vilafranca del Penedés – Barcelona)
Juan Carlos Castro	C/ Sant Felip Neri, 1 – 08740 (Sant Andreu de la Barca – Barcelona)
Juan José Gonzaga Hernández	Av. Orihuela, 3 – 03006 (Alicante)
Juan José Martínez Romero	C/ Acera del Darro, 78 - 18005 (Granada)
Juan Pedro León Mateos	C/ Sant Felip Neri, 1 – 08740 (Sant Andreu de la Barca – Barcelona)
Lucas John Mayo	C/ Málaga, 8 – 04638 (Mojacar – Almería)
Magalie Ortiz Recio	Pº Marítimo, 166 – 17250 (Platja de Haro – Girona)
Maria del Carmen Manzana Mondragón	Av. País Valencia, 7 – 12528 (Eslida – Castellón)
María Dolores Valverde Leon	C/ Maestro Barbieri, 22 – 04720 (Aguadulce – Almería)
Maria José Carne Sales	C/ Godofredo Buenos Aires, 6 – 12005 (Castellón)
Maria Josefa de la Cruz Rodriguez	C/ Publio Galerio, 6 – 23710 (Bailén – Jaén)
Miguel Ángel Cespón Fandiño	Plaza Curro Enrique, 1 – 36002 (Pontevedra)
Miguel Illueca Ribes	C/ Maestro Aguilar, 5 – 46006 (Valencia)
Miguel Ruiz Castillo	C/ Burgos, 76 – 08100 (Mollet – Barcelona)
Moisés Espi Belda	C/ Parque de la Cruz, 1 – 46890 (Agullent – Valencia)
Moisés Sánchez Expósito	Av. Pais Valencia, 40 – 12500 (Vinarós – Castellón)
Mónica Garrido Perez	C/ Mallorca, 74 – 04738 (Vicar – Almería)
Ramón Martínez Rus	C/ Felipe Oya Rodríguez, 2 – 23009 (Jaén)
Raquel Sempere Pau	Plaza del Carbón, 7 – 46600 (Alzira – Valencia)
Santiago García Pérez	C/ Rua do Vilar, 65 – 15950 (Palmeira – A Coruña)
Sergio Muñoz Giménez	C/ Dalies, 7 – 08338 (Premiá de Dalt – Barcelona)
Sergio Vicente Copete Raga	C/ Naturalista Arévalo Bava, 17 – 46010 (Valencia)
Vicente Rios Ripolles	C/ María Teresa de Calcuta, 18 – 12530 (Burriana – Castellón)
Víctor Javier Escors Medina	C/ Divina Pastora, 38 – 41700 (Dos Hermanas – Sevilla)

Appendix XII – Outstanding payments

The detail of the number and par values of, and payments yet to be made on, shares issued by Group entities and held by the Bank at 31 December 2013, by share class (where applicable) is as follows:

COMPANY	Number of shares held by Bankia, S.A.	Par value of each share (EUR)	Capital payments payable
LAIETANA GENERALES COMPAÑIA DE SEGUROS DE LA CAJA DE AHORROS LAIETANA, S.A.	1,000	9,020.00	4,510.00
LAIETANA VIDA COMPANIA DE SEGUROS DE LA CAJA DE AHORROS LAIETANA, S.A.	1,000	27,000.00	13,980.00

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

MANAGEMENTS' REPORT

DECEMBER 2013

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

MANAGEMENTS' REPORT FOR 2013

1.- HIGHLIGHTS OF 2013

The Bankia Group continued to deliver the commitments assumed in the Restructuring Plan and the Strategic Plan for 2015, during 2013, having carried out in 2012 the balance sheet repairs envisaged in the Plan authorised by the European Commission in November last year The key points summing up the Group's activity and financial performance are as follows:

(i) Completion of the recapitalisation and exchange of h ybrid instruments, one of the key pillars of the Restructuring Plan

(ii) Realignment of the business mix: disposals of non-strategic assets and higher volume of new loans in the more profitable SMEs and companies segments

(iii) Improvement in efficiency: the Group completed the branch network restructuring and the IT integration, making significant progress in reducing labour costs

(iv) Management of balance-sheet risk: doubtful assets levelled off, the Group's funding structure improved and liquidity and solvency were reinforced

(v) Return to profit generation in 2013, despite the adverse economic climate, thanks to the above and the write-downs made in 2012

(i) Recapitalisation of the Group and exchange of hybrid instruments

The Bankia Group's recapitalisation, the main cornerstones of which were agreed with the FROB on 16 April 2013, was completed in May 2013. Two simultaneous capital increases were executed on 23 May, for a total amount of EUR 15,552 million.

The first, for EUR 10,700 million, was 99.26% subscribed by Bankia's parent, Banco Financiero y de Ahorros, S.A.U. (BFA), with the remaining 0.74% subscribed by other investors. The funds raised were used to redeem the contingent convertible bonds (CoCos) issued by Bankia in December 2012 for the same amount and fully subscribed by BFA.

The second, for EUR 4,852 million, was used to exchange the BFA-Bankia Group's hybrid instruments and subordinated debt in accordance with the terms and conditions agreed with the FROB, which envisaged discounts on the initial investment to be borne by the holders of these instruments. These discounts averaged 38% in the case of preference shares or preferred participating securities, 36% for perpetual subordinated debt and 13% for subordinated debt with maturity

On 17 April 2013, as a preliminary step prior to the recapitalisations, Bankia reduced its capital by EUR 3,968 million by lowering the par value of existing shares from EUR 2 to EUR 0.01, thereby increasing the reserves set aside by the Group to absorb losses. The first capital increase complied with the legal requirement that shareholders, as owners of the Bank, be the first to absorb losses with substantially all their shares. Once the capital reduction was carried out, on 17 April 2003 Bankia executed a reverse split in the proportion of 100 old shares for every new share with a view to reducing the number of shares outstanding and, more importantly, to achieve a fair share price. This move brought the par value back to EUR 1 per share.

After these two capital increases, BFA held shares representing 68.39% of Bankia's share capital. The Group's capital ratios post-increases were above the minimum legal requirements, making it one of the most solvent financial institutions in Spain.

In addition, on 23 May, after obtaining authorisation from the FROB, Bankia repaid the EUR 4,500 million subordinated loan granted to it by its parent BFA in September 2012 as part of the process to strengthen the Group's regulatory capital.

Regarding the exchange of hybrid instruments and subordinated debt indicated above, BFA had recognised virtually all the securities on its balance sheet. Specifically, through the buyback, 44 BFA issues (16 of preference shares, 11 of perpetual subordinated bonds and 17 of subordinated bonds with maturity) and 1 Bankia issue of perpetual subordinated bonds were fully redeemed.

Independently of the mandatory nature of the buyback of hybrid instruments and subordinated debt, on 17 April 2013 the FROB notified BFA of the terms established by the Monitoring Committee for Hybrid Capital Instruments and Subordinated debt under which retail customers and holders of these instruments issued by BFA-Bankia Group may apply to be included in an arbitration process to determine whether the customer is entitled to reimbursement of the investment in these products and the amount of such reimbursement. Bankia received around 183,000 applications to take part in the arbitration process, which ended in July.

(ii) Realignment of the business mix: disposal of non-strategic assets and new loans to companies and SMEs

According to the commitments assumed in the Restructuring Plan, the Group must focus on its retail banking business. Therefore, it must sell or wind up any subsidiaries and investees considered non-strategic for the Bank. Bankia made significant strides on 2013, entering into a number of agreements to sell equity investments. The main agreements were:

- On 24 May 2013, Bankia signed an agreement to sell 100% of the shares of City National Bank of Florida to Banco de Crédito e Inversiones of Chile. The sale was approved by Bankia's Board of Directors on the same date and will take place once approval is given by the regulators in Chile, the US and Spain.

- On 27 June 2013, Bankia sold its entire (12.09%) shareholding in International Consolidated Airlines Group, S.A. in a private placement, with the shares placed among qualified investors through an accelerated bookbuilding process. The gain generated on the sale of this investment, approximately 238 million of euros, was recognised in the first half of 2013

- In early September, Bankia sold 100% of Finanmadrid E.F.C., S.A.U. to private equity firm Apollo European Principal Finance II, and on 5 November 2013, its 38.48% stake in Banco Inversis, S.A. to Banca March through its Bankia Inversiones Financieras, S.A.U. subsidiary. The latter sale generated a gross gain of approximately EUR 69 million.

- On 23 December 2013, Bankia reached an agreement to sell the Group's holdings in a portfolio of venture capital firms to a European investor specialised in mid-market operations. The agreement came after a competitive procedure initiated in July, in which more than 40 institutional investors were contacted. The final scope of the disinvestment and its impact on the results and capital will be determined when the deal is closed in the early months of 2014, once each of the venture capital firms involved in the transaction completes the formalities and meets the regulatory requirements.

- Lastly, on 30 December 2013, Bankia, through its Bankia Inversiones Financieras, S.A.U. and CM Invest 1702 Corporación Internacional ETVE, S.L. subsidiaries, sold all of the shares it held in Bankia Bolsa, Sociedad de Valores, S.A. to General de Valores y Cambios, S.A. (GVC). The Bankia Group took in approximately EUR 37 million in revenue from the sale.

- Though not a disposal of a non-strategic asset, on 3 September 2013, the Bank signed an agreement for sale to Promontoria Plataforma, S.L.U. ("Plataforma"), a member of the Cerberus Capital Management, LP investor group, of its property management and sale and developer loan business. The deal also included the transfer of the Bankia Group's investments in Gesnova Gestión Inmobiliaria Integral, S.L. and Reser Subastas y Servicios Inmobiliarios, S.A., operation that was formalized in December. The sale formed part of the transfer of the assets and liabilities associated with the real estate asset management business (but not ownership of the real estate and of the developer loans managed), as well as the transfer of their employees associated with this activity.

  The price of the sale will depend on the degree of fulfilment of the business plan of the transferred activity and is expected to be between EUR 40 million and EUR 90 million.

Regarding the realignment of the loan portfolio mix towards more profitable segments and products, the Strategic Plan calls for nearly EUR 52,000 million of new loans over the next three years, with a dual objective: 1) to help jump-start the Spanish economy by lending to businesses and individuals, and 2) to boost the Group's profitability by lending more to SMEs and companies, for which the Plan has earmarked EUR 43,500 million. The Bankia Group extended approximately EUR 15,000 million of new loans in 2013, of which 80% went to finance businesses, in line with the Plan's target for new loans.

(iii) Restructuring, cost cutting and improvement in efficiency

Among the requirements of the Restructuring Plan approved by the European Commission, one of the Bankia Group's challenges was to make the Bank's organisational structure more efficient. This entailed a significant downsizing of the branch network and headcount, which will enable Group to achieve an efficiency ratio below 50%.

One of Bankia's targets was to reduce the branch network by 38%, to around 1,900 offices, between 2013 and 2015. However, in a bid to achieve a stable franchise as quickly as possible, the Entity decided to speed up the closures. It concluded the branch closure process in November, nine months after it began and two years ahead of the schedule in the Restructuring Plan. But first, in March, it completed the IT integration of the seven savings banks that gave rise to the Group. As a result, all customers are now operating on the same platform.

On 8 February 2013, Bankia reached an agreement with the majority of its union representatives regarding a series of measures on redundancies and changes to employees' working conditions -in a collective redundancy procedure- enabling the restructuring to go smoothly. Since the Restructuring Plan began until 31 December 2013, total staff of the BFA-Bankia Group was cut by 4,973 people, including employees in the collective redundancy and departures through outsourcing, disposals of investments and other reasons.

The significant progress made in the branch and workforce restructuring resulted in a 16.9% decrease in operating expenses in the year and a 4.7 percentage-point (pp) improvement in the efficiency ratio, to 52.5% at 31 December 2013. This improvement marks a big step forward in the objective of boosting profitability and reducing the efficiency ratio to below 40-45%, as set out in the Strategic Plan.

The commitments assumed with the authorities under the scope of the Restructuring Plan also included, for BFA, Bankia's parent, either a merger to create a single company -Bankia, S.A.- or its conversion into a holding company without a banking license. Pursuant to the resolution adopted by the FROB's Governing Committee on 19 December 2013, BFA's Board of Directors resolved to submit an application to surrender its license to operate as a credit institution. A response to the application is still pending. In any event, this decision will not have any impact on the Bankia Group's or the BFA Group's equity.

By achieving the main milestones in the restructuring process, the Bankia Group can now focus on managing the business in 2014 to become more competitive and on gearing the portfolio towards the more profitable segments and products.

(iv) Stabilisation of doubtful assets, improved funding structure and strong liquidity position and solvency

Another key focus of the Restructuring Plan and the Strategic Plan was the need to limit the cost of the Group's risk. The transfer of assets to the SAREB and hefty provisioning by the Bankia Group in 2012, as a preliminary step in its recapitalisation, left the Entity with a cleaned up and well capitalised balance sheet in 2013. Against this backdrop, the Group focused its management on the road map marked out in the Restructuring Plan, moving forward with the deleveraging process, stabilising the balance of doubtful risks and strengthening its solvency and liquidity position.

The Bankia Group ended 2013 with total doubtful risks of EUR 20,022 million, slightly above the 2012 figure (EUR 19,819 million). However, during the year it reclassified approximately EUR 1,400 million of refinanced loans as doubtful risks in accordance with the recommendations of various European bodies on the accounting treatment for this type of loan. These loans were reclassified as doubtful for subjective reasons, as they involved customers that were up to date on their payment obligations. Stripping out the impact of the reclassification, total doubtful assets would have fallen by around EUR 1,200 million in the year; a good performance considering the continued increase in NPL ratios in 2013 across the sector.

The Bankia Group also improved the funding structure of its balance sheet in 2013. The proportion of own funds has risen since the recapitalisation in May, alongside that of customer deposits, which by the end of the year represented 53% of the funding mix. The steady balance-sheet deleveraging and stabilisation of retail customer deposits helped bring down the commercial GAP, thereby improving the Group's liquidity ratios. All this enabled the Bankia Group to reduce its reliance on the ECB for financing.

Turning to solvency, the recapitalisation plan concluded in May guarantees the Bankia Group's resilience, making it a solvent bank, with a strong and well-capitalised balance sheet. Organic capital generation through profits, coupled with the decrease in risk-weighted assets (RWAs) thanks to the balance sheet deleveraging, led to an improvement in the main solvency indicators in 2013. The solvency ratio at 31 December 2013 stood at 12%, with a EUR 3,531 million surplus above the 8% Core Capital BIS II required by regulations.

(v) Return to profit generation

On the back of the improvement in the key management indicators for the business described above and the write-downs made in 2012, the Bankia Group returned to profit in 2013 in an economic climate that was still characterised by limited banking activity and the lowest level of interest rates in years, which specifically affected the mortgage portfolio.

Despite the adverse backdrop, the Bankia Group managed to gradually boost revenue from the core banking business, achieving a combined 18% increase in net interest income and fees and commissions in the second half of the year compared to the first. This performance confirmed a trend reversal in the Group's most recurring revenue in 2013.

This, coupled with ongoing cost-cutting efforts, a lower provisioning requirement after the balance sheet clean-up carried out in 2012 and the gains obtained on disposals of equity investments, enabled the Group to post attributable profit of EUR 512 million in 2013.

By the end of 2013, the lending portfolio had priced in the sharp falls in interest rates in 2012. In addition, the Group's funding costs fell, due mainly to the cancellation of subordinated debt, the business mix took a gradual shift towards higher-margin products and there was a growth in fees and commissions. All this should help drive the generation of recurring revenue from the core banking business in 2014.

2.- ECONOMIC BACKDROP

The global economy suffered fewer financial upheavals in 2013 after two years of intense financial turbulence. The most adverse scenarios became less likely and, from the second quarter, world economic growth picked up, reaching rates close to the long-term average thanks to a recovery in the developed countries. By the end of 2013, the economic outlook was the brightest of the last three years. Highlights included the acceleration of the US economy and recovery in the EMU, which overcame recession and is starting to leave the sovereign debt crisis behind. The ECB helped by easing its monetary policy, with two additional 0.25 p.p. cuts in its key intervention rate (the latest in November) to 0.25%. Moreover, the markets became less fragmented and risk premiums on peripheral bonds fell substantially (-1.75 p.p. for the 10-year Spanish bond), with this trend gathering momentum in early 2014.

In fact, unlike in 2011 and 2012, the EMU was not the main cause of global instability in 2013, but rather the US. This was due to increased uncertainty over economic policy: on the fiscal front due to the temporary government shutdown and the blocking of the increase in the debt ceiling; and on the monetary front, by the Fed's announcement that it might start to taper economic stimulus (a decision taken at its December meeting). These two negative shocks barely had any impact on the US economy, let alone the other main developed economies. However, the emerging economies did suffer as a result, from capital flight, substantial currency and asset depreciation and downward revisions to growth forecasts.

In Spain, economic prospects improved over the course of 2013 thanks to both external and internal factors. On the one hand, the recovery was aided by financial market normalisation and the improved international climate. On the other, significant progress was made in cleaning up the banking system, correcting imbalances, improving competitiveness and implementing structural reforms. All this shored up confidence among economic agents. The labour market calmed down and there was even some job creation in the latter part of the year (+0.5% qoq in 4Q13) for the first time since the economic crisis began. GDP grew in the second half of the year after nine straight months of contraction, but for 2013 as a whole it was down 1.2%, a slightly smaller drop than in 2012 (-1.6%).

For the Spanish banking sector, the year ended with the successful completion of the European financial sector assistance programme, as confirmed by the conclusions of the latest assessment by the EC, the ECB and the IMF. All the financial institutions were recapitalised, requiring less government aid than initially estimated, and sector restructuring is now at a very advanced stage. The clean-up process strengthened banks' balance sheets further. Milestones achieved during the year included the transfer of the remaining distressed assets to the SAREB and the increase in provisioning for refinanced loans. As a result, the banking sector ended the year strong and showing signs of improvement and renewed confidence, leaving it well placed ahead of the next comprehensive assessment by the ECB. In Europe, further steps were taken towards an effective banking union, with the creation of a single supervisory mechanism, which will begin operating in the third quarter of 2014, and agreements on the single resolution mechanism and a harmonised deposit guarantee framework.

3.-BUSINESS PERFORMANCE IN 2013

3.1.- Notes on comparative information

The following must be taken into account to understand the Bankia Group financial performance in the year 2013.

1. As explained in section 1 of this report, Bankia carried out two simultaneous capital increases in May for a combined amount of EUR 15,552 million. The funds raised from the first, for EUR 10,700 million, were used to redeem the CoCos issued by Bankia in December 2012 for the same amount. The funds raised from the second, for EUR 4,852 million, were used to exchange the BFA-Bankia Group's hybrid instruments and subordinated debt. As a result of these two deals, the Group's own funds at 31 December 2013 were a positive EUR 10,883 million, compared to a negative EUR 5,204 million at the end of December 2012, caused by cumulative losses after the strong provisioning efforts made to repair its balance sheet during the year. Total equity at the end of 2013 was a positive EUR 11,585 million, compared to a negative EUR 6,056 million at the end of last year.

   After the capital injection, Bankia repaid the EUR 4,500 subordinated loan extended to it by its parent BFA in September 2012. After redeeming the CoCos and repaying the subordinated loan, the Group had no subordinated liabilities on its balance sheet at the end of 2013.

2. The aforementioned exchange of hybrid instruments generated a gain for the Bankia Group on the redemption of subordinated debt at a discount to the nominal value of approximately EUR 99 million, recognised under "Gains and losses on financial assets and liabilities (net)".

3. On 2013 April, Bankia acquired 100% control of Aseguradora Valenciana S.A. de Seguros y Reaseguros (Aseval) after acquiring shares held by Aviva representing the 50% of Aseval's share capital it did not already own. The Group's Restructuring Plan, approved by the FROB and the European Union, calls for the sale of this stake or a significant part thereof. Therefore, the investment is classified as a "Discontinued operation" and all its assets and liabilities under "Non-current assets held for sale" and "Liabilities associated with non-current assets held for sale" in the Group's consolidated balance sheet at 31 December 2013. At 31 December 2012, Bankia's (50%) stake in Aseval was accounted for under "Investments" in the consolidated balance sheet. Bankia's share of the profit and loss of Aseval were recognised at the end of 2013 under "Profit/(loss) from discontinued operations (net)", whereas at the end of 2012 they were included under "Share of profit/(loss) of companies accounted for using the equity method.

In the same context, Bankia sold Finanmadrid in September and Bankia Bolsa in December. Therefore, the consolidated balance sheet at 31 December 2013 did not include any assets or liabilities of either company. However, the Bankia Group's consolidated income statement included the share of the profit and loss of these companies up to their sale.

Also during 2013, the Bank sold its (12.09%) equity interest in International Consolidated Airlines Group, S.A., which had been recognised under "Non-current assets held for sale" since December 2012. The sale generated a gross gain of approximately EUR 238 million, recognised under "Gains/(losses) on non-current assets held for sale not classified as discontinued operations" in the consolidated income statement.

4. Finally, 2013 featured the merger by absorption by Bankia, S.A. (absorbing company) of Bancaja Gestión de Activos, S.L.U., Bankia Banca Privada, S.A. and Madrid Leasing Corporación, S.A.U., E.F.C. (absorbed companies). All three were already wholly-owned subsidiaries of Bankia, S.A., so the merger had no impact on the Bankia Group's consolidated financial statements.

3.2.- Highlights of the balance sheet

CONSOLIDATED BALANCE SHEET - BANKIA GROUP				
			Change on Dec 2012	
(Millions of euros)	**Dec-13**	**Dec-12**	**Amount**	**%**
Cash and balances with central banks	3,449	4,570	(1,121)	(24.5%)
Financial assets held for trading	22,244	35,772	(13,528)	(37.8%)
Of which: Loans and advances to customers	*3*	*40*	*(37)*	*(93.2%)*
Of which: Debt securities	*166*	*324*	*(158)*	*(48.8%)*
Available-for-sale financial assets	40,704	39,686	1,018	2.6%
Debt securities	40,704	39,686	1,018	2.6%
Equity instruments	-	-	-	-
Loans and receivables	129,918	144,341	(14,423)	(10.0%)
Loans and advances to credit institutions	9,219	7,988	1,231	15.4%
Loans and advances to customers	119,116	134,137	(15,022)	(11.2%)
Other	1,584	2,215	(632)	(28.5%)
Held-to-maturity investments	26,980	29,159	(2,180)	(7.5%)
Hedging derivatives	4,260	6,174	(1,915)	(31.0%)
Non-current assets held for sale	12,000	9,506	2,494	26.2%
Investments	150	300	(150)	(50.0%)
Tangible and Intangible assets	2,006	1,920	87	4.5%
Other assets, prepayments and accrued income and tax assets	9,761	10,882	(1,121)	(10.3%)
TOTAL ASSETS	**251,472**	**282,310**	**(30,838)**	**(10.9%)**
Financial liabilities held for trading	20,218	33,655	(13,437)	(39.9%)
Financial liabilities at amortised cost	207,877	243,723	(35,846)	(14.7%)
Deposits from central banks	43,406	51,955	(8,549)	(16.5%)
Deposits from credit institutions	26,218	26,081	137	0.5%
Customer deposits	108,543	110,904	(2,361)	(2.1%)
Marketable debt securities	28,139	37,335	(9,196)	(24.6%)
Subordinated liabilities	-	15,641	(15,641)	(100.0%)
Other financial liabilities	1,571	1,808	(237)	(13.1%)
Hedging derivatives	1,897	2,790	(893)	(32.0%)
Liabilities under insurance contracts	238	262	(25)	(9.4%)
Provisions	1,706	2,869	(1,163)	(40.5%)
Other liabilities, accrued expenses and tax liabilities	7,951	5,067	2,885	56.9%
TOTAL LIABILITIES	**239,887**	**288,366**	**(48,479)**	**(16.8%)**
Non-controlling interests	(40)	(48)	8	(17.3%)
Valuation adjustments	742	(804)	1,545	-
Own funds	10,883	(5,204)	16,087	-
TOTAL EQUITY	**11,585**	**(6,056)**	**17,641**	**-**
TOTAL LIABILITIES AND EQUITY	**251,472**	**282,310**	**(30,838)**	**(10.9%)**

(*) Financial Statements amounts rounded to millions of euros

- **Summary of Group Activities**

The environment in which the Group carried out its activities in 2013 remained challenging for banks, with low volumes, scant demand for credit and a struggling economy. In this setting, the Bankia Group focused its management on the road map marked out in the Restructuring Plan, moving forward with the deleveraging process and strengthening its solvency and liquidity position. The highlight of 2013 was the completion of the recapitalisation process, with two capital increases in May, enabling the Bankia Group to end the year with own funds of EUR 10,883 million.

The Group had **total assets** of EUR 251,472 million at 31 December 2013, down 10.9% from the year before. Business volume (net loans and advances to customers, customer deposits, marketable debt securities, subordinated liabilities and off-balance sheet managed funds, including investment funds, pension funds and savings insurance) was 11.5% lower, at EUR 276,631 million, due to the decline in lending, the cancellation of the Group's subordinated liabilities following the May capital increase and wholesale debt maturities. Part of the decline in asset volume in the year was the result of the mark-to-market of trading derivatives for interest-rate sensitivity due to the sharp uptick in the long ends of yield curves in 2013, the various netting agreements entered into and the squeeze on positions in the trading derivatives included in this portfolio.

Off-balance sheet funds performed well. The increase in the year (EUR 6,239 million, excluding discretionally managed customer portfolio) made up for the decline in retail customer deposits caused mainly by the acceleration of branch closures.

Movements in the main balance sheet items in 2013 are discussed below.

- **Loans and advances to customers (Net)**

Under "Loans and receivables", "Loans and advances to customers", the main component of assets, amounted to EUR 119,116 million net (EUR 129,816 million gross; i.e. before impairment losses and including valuation adjustments) compared to EUR 134,137 million at 31 December 2012, a decrease of EUR 15,022 million or -11.2% since December 2012. This decline is attributable mainly to the deleveraging trend among businesses and households in Spain, which continued in 2013, and the strategy adopted by the Group to improve the composition of the risk of its balance sheet. All these factors have shaped the performance of the net amounts since 2012. Meanwhile, of this decrease, approximately EUR 550 million gross (EUR 470 million net) is related to the reclassification of Finanmadrid's assets to "Non-current assets held for sale", performed in June and approximately EUR 2,800 million to the conversion into a bond of a loan to the Fund for Financial Payments to Suppliers which was guaranteed by the Spanish Government.

By sector, lending to the resident private sector in Spain showed the sharpest decline in 2013, of 7.4% to EUR 118,761 million. Most of the decline was in loans with collateral, which include the great majority of loans to households for home purchases. Non-resident loans at 31 December 2013 amounted to EUR 5,048 million, EUR 1,661 million or 24.8% less than at 31 December 2012. Lastly, loans to the Spanish public sector fell by EUR 3,597 million to EUR 5,430 million at the end of 2013, mainly as a result of the conversion of the loan to the Fund for Financing Payments to Suppliers into a bond above mentioned.

Although lending volume decreased, the Group extended new loans totalling nearly EUR 15,000 million in 2013, 80% of which went to finance businesses, raising the Bankia Group's market share in lending to companies by 42bp to 5.97% at the year-end (source: Bank of Spain figures at November 2013).

The following tables show year-on-year trends in gross loans and advances to customers of the Bankia Group by counterparty and loan type:

LOANS AND RECEIVABLES BY COUNTERPARTY

			Change on Dec 2012	
(Millions of euros)	Dec-13	Dec-12	Amount	%
Resident public sector	5,430	9,027	(3,597)	(39.8%)
Non-resident public sector	5	52	(46)	(89.9%)
Other resident sectors	118,761	128,256	(9,494)	(7.4%)
Other non-resident sectors	5,048	6,709	(1,661)	(24.8%)
Other financial assets	577	1,654	(1,077)	(65.1%)
Other valuation adjustments	(6)	46	(52)	(112.7%)
Loans and advances to customers -Gross	**129,816**	**145,744**	**(15,928)**	**(10.9%)**
Impairment losses	(10,700)	(11,607)	907	(7.8%)
Loans and advances to customers -Net	**119,116**	**134,137**	**(15,022)**	**(11.2%)**

(*) Financial Statements amounts rounded to millions of euros

LOANS AND RECEIVABLES BY LOAN TYPE AND STATUS

			Change on Dec 2012	
(Millions of euros)	Dec-13	Dec-12	Amount	%
Commercial credit	2,591	2,762	(170)	(6.2%)
Secured loans	79,877	86,401	(6,524)	(7.6%)
Reverse repurchase agreements	0	10	(10)	(100.0%)
Other term loans	25,091	33,240	(8,149)	(24.5%)
Receivable on demand and other	2,690	2,827	(137)	(4.8%)
Other financial assets	577	1,654	(1,077)	(65.1%)
Doubtful assets	18,995	18,803	191	1.0%
Other valuation adjustments	(6)	46	-	-
Loans and advances to customers -Gross	**129,816**	**145,744**	**(15,928)**	**(10.9%)**
Impairment losses	(10,700)	(11,607)	907	(7.8%)
Loans and advances to customers -Net	**119,116**	**134,137**	**(15,022)**	**(11.2%)**

(*) Financial Statements amounts rounded to millions of euros

- **Debt securities**

Debt securities at 31 December 2013, recognised under "Non-current assets held for sale", "Financial assets held for trading", "Loans and receivables" and "Held-to-maturity investments" amounted to EUR 69,433 million, a decrease of EUR 1,952 million from 31 December 2012.

The Group uses part of the debt securities on the balance sheet, mainly sovereign bonds issued by the Spanish treasury and other European countries, to manage interest rate risk through ALCO portfolios. These portfolios are designed to help hedge structural balance sheet interest rate risk, providing recurring income which is included in net interest income. Moreover, as the assets are highly liquid, they help maintain the Entity's liquidity reserves. For this reason, most of the Group's debt securities on the balance sheet are government debt securities, mainly Spanish bonds and treasury bills, in addition to securities of other private issuers and ESMand SAREB bonds received by Bankia as a result of the recapitalisation carried out in 2013 and the transfer of assets to the SAREB in 2012.

The debt securities on the Bankia Group's balance sheet, by type of instrument, at 31 December 2013 and 2012 are as follows:

DEBT SECURITIES

(Millions of euros)	Financial assets held for trading	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments	TOTAL
Spanish government debt securities	155	21,765		4,258	26,177
Foreign government debt securities		1		1,898	1,899
Issued by financial institutions	1	7,308		966	8,274
Other fixed-income securities (**)	11	11,652	1,548	19,943	33,154
Impairment losses and other fair value adjustments		(21)	36	(86)	(71)
Total at 31 December 2013	**166**	**40,704**	**1,584**	**26,980**	**69,433**
Spanish government debt securities	276	18,017		5,131	23,424
Foreign government debt securities		138		2,103	2,241
Issued by financial institutions	21	8,022	1	958	9,001
Other fixed-income securities (**)	27	13,612	2,190	21,058	36,887
Impairment losses and other fair value adjustments		(103)	25	(90)	(168)
Total at 31 December 2012	**324**	**39,686**	**2,215**	**29,159**	**71,385**

(*) Financial Statements amounts rounded to millions of euros

(**) Available-for-sale financial assets" include, inter alia, the securities issued by the ESM received in the May 2013 capital increase.

"Held-to-maturity investments" include debt securities received as consideration for asets transferred to the SAREB in December 2012.

The main movements in the year were in available-for-sale financial assets and held-to-maturity investments. The balance of **available-for-sale financial assets** at 31 December 2013 was EUR 40,704 million, up EUR 1,018 million or 2.6% from the year before. The increase was due to the inclusion of a loan to the Fund for Financial Payments to Suppliers (Fondo para la Financiación del Pago a Proveedores), which was converted into a bond in May, as explained previously. Excluding this impact, the balance would have decreased by around EUR 1,782 million due to the maturity and unwinding of positions in private and public issuers.

Held-to-maturity investments stood at EUR 26,980 million at 31 December 2013, down EUR 2,180 million, due mainly to the redemption of treasury bonds, mortgage covered bonds and SAREB bonds in the fourth quarter.

- **Non-current assets held for sale**

“Non-current assets held for sale" at 31 December 2013 stood at EUR 12,000 million, up from EUR 9,506 million at 31 December 2012. The increase reflects mainly the reclassification to this item of all the assets of Aseval, with a balancing entry in “Liabilities associated with non-current assets held for sale – Other liabilities” in the condensed balance sheet provided at the beginning of this report. The disposal of Aseval was one of the commitments assumed in the BFA-Bankia Group’s Restructuring Plan.

- **Managed customer funds**

Managed customer funds, which comprise customer deposits, marketable debt securities, subordinated liabilities and off-balance-sheet managed funds (i.e. investment funds, pension funds and savings insurance) totalled EUR 157,513 million at 31 December 2013, compared to EUR 178,471 million at 31 December 2012. The fall was due primarily to the redemption of the Group’s subordinated debt and the decrease in wholesale issuance, mostly because of maturities and the buyback of mortgage covered bonds (*cédulas hipotecarias*), securitisation bonds and promissory notes in the year.

Customer deposits ended 2013 at EUR 108,543 million, down EUR 2,361 million or 2.1% from the year before. Spanish public sector deposits sustained the sharpest drop, due mainly to the declined in repo activity, falling by EUR 2.502 million in the year. The decline in public sector repo activity was largely the result of the liquidity auctions held by the Treasury in which Bankia participated during the year. Resident and non-resident deposits increased by EUR 552 million and EUR 251 million, respectively, due to the higher volume of repos with Spanish and international clearing houses.

Including the retail tranche of promissory notes issued by Bankia –fully redeemed in 2013, but with a balance of EUR 1,569 million at 31 December 2012- and excluding the one-off non-marketable mortgage-backed securities, and public (EUR 1,617 million in 2013 and EUR 4,002 million in 2002) and private resident and non-resident sector repurchase agreements, **strict retail customer deposits** after valuation adjustments amounted to EUR 89,908 million at 31 December 2013, compared to EUR 95,334 million at 31 December 2012. The decrease was due mainly to the acceleration of the branch network restructuring compared to the initial pace included in the Restructuring Plan, the decline in lending volumes and, accordingly, the reduced need for funding of the credit portfolios, not to mention the channelling of savings by customers towards higher-yielding products, mainly investment and pension plans.

As for **debt and other marketable securities**, the disposal of non-strategic assets and the gradual reduction in lending reduced the need for wholesale funding through issues. With Bankia finding it difficult to tap international markets for wholesale funding, the balance of this item at 31 December 2013 was EUR 28,139 million, down EUR 9,196 million from 31 December 2012, reflecting mainly the redemption of promissory notes and the maturity and repurchases of several wholesale issues, above all mortgage covered and securitisation bonds, during the year.

In addition, after the two capital increases for a combined EUR 15,552 million were carried out in May, the Group repaid the entire amount of subordinated liabilities on its balance sheet at 31 December 2012. Specifically, it repaid the EUR 4,500 million subordinated loan granted by BFA in September 2012 and redeemed the issue of CoCos carried out by the Bank in December 2012 for EUR 10,700 million, as well as an issue of perpetual subordinated bonds that had a nominal outstanding balance at 31 December 2012 of EUR 298 million.

Lastly, **off-balance sheet retail funds managed** (investment funds, pension funds and savings insurance) soared by 42.8% or EUR 6,239 million in 2013, in part due to the full consolidation of Aseval and in part to organic growth, especially in investment and pension funds. This growth offset the decline in strict customer deposits mentioned above.

- **Own funds and equity**

After the capital increases carried out in 2013 , the Group had own funds and equity of EUR 10,883 million and EUR 11,585 million, respectively, at 31 December 2013, compared to negative balances at 31 December 2012 caused by the losses arising from the write-down of assets carried out by the Group. “Equity” at 31 December 2013 also includes positive valuation adjustments of EUR 742 million arising from unrealised gains on assets classified as available for sale, mainly Spanish public debt, following the decline in Spain’s risk premium since December 2012

- **Other balance sheet items**

The **held-for-trading portfolio**, composed mainly of trading derivatives, included EUR 22,244 million of assets and EUR 20,218 million of liabilities, with both showing similar decreases (EUR 13,528 million and EUR 13,437 million, respectively) in the year. The decreases were due to the lower mark-to-market valuation of trading derivatives for interest-rate sensitivity, as the long ends of yield curves recorded significant increases in 2013, to the various netting agreements entered into and to the squeeze on the trading derivatives included in this portfolio.

In December 2011, the ECB adopted a series of extraordinary monetary policy measures, which included holding three-year liquidity auctions and extending the range of collateral it would accept to provide liquidity to the market. The Bankia Group participated in both the short- and long-term ECB auctions, with the balance reflected in liabilities under "**Deposits from central banks."** However, with the markets opening back up in 2013, which enabled the Bankia Group to resume its repo activity with other banks and through clearing houses, alongside the liquidity generated from the improvement in the commercial GAP and disposals of non-strategic assets, the Group was able to reduce its financing with the ECB in 2013 by EUR 8,549 million to EUR 43,406 million at 31 December 2012.

3.3.- Highlights of the income statement

BANKIA GROUP CONSOLIDATED INCOME STATEMENT

(Millions of euros)	Dec-13	Dec-12	Change on Dec 2012 Amount	%
Net interest income	**2,425**	**3,089**	**(664)**	**(21.5%)**
Dividends	9	38	(30)	(77.7%)
Share of profit/(loss) of companies accounted for using the equity method	29	(32)	-	-
Total net fees and commission	935	992	(57)	(5.8%)
Gains and losses on financial assets and liabilities (net)	415	348	68	19.4%
Exchange differences	20	39	(19)	(49.6%)
Other operating income and expenses	(202)	(464)	262	(56.4%)
Gross income	**3,630**	**4,010**	**(379)**	**(9.5%)**
Operating expenses	(1,905)	(2,293)	388	(16.9%)
Administrative expenses	(1,729)	(2,017)	288	(14.3%)
Staff cost	(1,117)	(1,353)	237	(17.5%)
Other general administrative expenses	(613)	(664)	51	(7.7%)
Depreciation and amortisation charge	(175)	(276)	100	(36.3%)
Pre-impairment income	**1,725**	**1,717**	**8**	**0.5%**
Provisions (net)	(180)	(1,832)	-	-
Impairment losses on financial assets (net)	(1,249)	(18,932)	-	-
Net operating income/(expenses)	**296**	**(19,047)**	**-**	**-**
Impairment losses on other assets (net)	(18)	(782)	-	-
Other gains or losses	2	(2,361)	-	-
Profit/(loss) before taxes	**280**	**(22,189)**	**-**	**-**
Income tax	112	2,997	-	-
Profit/(loss) for the year from continuing operations	**392**	**(19,193)**	**-**	**-**
Profit/(loss) from discontinued operations (net)	117	-	-	-
Profit/(loss) after tax	**509**	**(19,193)**	**-**	**-**
Profit/(loss) attributable to non-controlling interests	(3)	(136)	-	-
Profit/(loss) attributable to the Group	**512**	**(19,056)**	**-**	**-**

Main ratios				
Efficiency ratio (1)	52.5%	57.2%	(4,7) p.p.	(8.2%)
ROA (2)	0.19%	n/a	-	-
ROE (3)	4.70%	n/a	-	-

(*) Financial Statements Amounts rounded to millions of euros

(1) (Administrative expenses + Depreciation and amortisation charge) / Gross income

(2) Profit/(loss) after tax / Average total assets
Not included in the calculation in 2012, as the result after tax was a loss.

(3) Profit/(loss) attributable to the Group / Own funds at the end of the period. Not included in the calculation in 2012, as the result attributable to the group was a loss.

BANKIA GROUP CONSOLIDATED INCOME STATEMENT - HIGHLIGHTS

(Millions of euros)	December 2013			December 2012		
	Amount	% of gross income	% of average total assets	Amount	% of gross income	% of average total assets
Net interest income	**2,425**	**66.8%**	**0.9%**	**3,089**	**77.0%**	**1.0%**
Gross income	**3,630**	**-**	**1.4%**	**4,010**	**-**	**1.3%**
Operating expenses	(1,905)	(52.5%)	(0.7%)	(2,293)	(57.2%)	(0.8%)
Administrative expenses	(1,729)	(47.6%)	(0.6%)	(2,017)	(50.3%)	(0.7%)
Depreciation and amortisation charge	(175)	(4.8%)	(0.1%)	(276)	(6.9%)	(0.1%)
Provisions (net)	(180)	(5.0%)	(0.1%)	(1,832)	-	-
Impairment losses on financial assets (net)	(1,249)	(34.4%)	(0.5%)	(18,932)	-	-
Net operating income/(expenses)	**296**	**8.2%**	**0.1%**	**(19,047)**	**-**	**-**
Impairment losses on other assets (net)	(18)	(0.5%)	(0.0%)	(782)	-	-
Other gains or losses	2	0.1%	0.0%	(2,361)	-	-
Profit/(loss) before taxes	**280**	**7.7%**	**0.1%**	**(22,189)**	**-**	**-**
Income tax	112	3.1%	0.0%	2,997	-	-
Profit/(loss) for the year from continuing operations	**392**	**10.8%**	**0.1%**	**(19,193)**	**-**	**-**
Profit/(loss) from discontinued operations (net)	117	3.2%	0.0%	(0)	-	-
Profit/(loss) after tax	**509**	**14.0%**	**0.2%**	**(19,193)**	**-**	**-**
Profit/(loss) attributable to non-controlling interests	(3)	(0.1%)	(0.0%)	(136)	-	-
Profit/(loss) attributable to the Group	**512**	**14.1%**	**0.2%**	**(19,056)**	**-**	**-**

(*) Financial Statements amounts rounded to millions of euros

BANKIA GROUP CONSOLIDATED INCOME STATEMENT - QUARTERLY TREND								
(Millions of euros)	**4Q 2013**	**3Q 2013**	**2Q 2013**	**1Q 2013**	**4Q 2012**	**3Q 2012**	**2Q 2012**	**1Q 2012**
Net interest income	**690**	**643**	**580**	**512**	**640**	**744**	**861**	**844**
Dividends	2	1	5	1	1	2	34	1
Share of profit/(loss) of companies accounted for using the equity method	9	7	(2)	15	4	3	(29)	(11)
Total net fees and commission	249	237	225	225	242	226	263	261
Gains and losses on financial assets and liabilities (net)	34	84	132	166	17	(27)	14	344
Exchange differences	4	6	15	(5)	14	9	11	5
Other operating income and expenses	(77)	(31)	(49)	(45)	(105)	(92)	(134)	(133)
Gross income	**912**	**945**	**905**	**868**	**813**	**866**	**1,020**	**1,311**
Operating expenses	(459)	(464)	(488)	(494)	(553)	(560)	(592)	(588)
Administrative expenses	(418)	(423)	(442)	(446)	(480)	(491)	(526)	(520)
Staff cost	(253)	(268)	(288)	(308)	(294)	(338)	(366)	(356)
Other general administrative expenses	(166)	(155)	(154)	(139)	(186)	(153)	(160)	(165)
Depreciation and amortisation charge	(41)	(41)	(46)	(48)	(73)	(69)	(66)	(67)
Pre-impairment income	**453**	**481**	**417**	**374**	**260**	**306**	**428**	**723**
Provisions (net)	(227)	17	12	18	(1,428)	(353)	(42)	(8)
Impairment losses on financial assets (net)	(235)	(269)	(509)	(235)	(8,834)	(3,470)	(6,123)	(505)
Net operating income/(expenses)	**(9)**	**228**	**(80)**	**157**	**(10,001)**	**(3,517)**	**(5,738)**	**210**
Impairment losses on other assets (net)	(7)	2	(10)	(3)	(719)	(26)	(17)	(21)
Other gains or losses	(61)	(23)	137	(51)	(1,386)	(180)	(614)	(181)
Profit/(loss) before taxes	**(76)**	**208**	**46**	**102**	**(12,106)**	**(3,723)**	**(6,368)**	**8**
Income tax	216	(61)	(13)	(30)	(28)	1,118	1,909	(3)
Profit/(loss) for the year from continuing operations	**139**	**147**	**34**	**72**	**(12,134)**	**(2,604)**	**(4,459)**	**5**
Profit/(loss) from discontinued operations (net)	17	14	86	(0)	2	(2)	(0)	(0)
Profit/(loss) after tax	**156**	**161**	**120**	**72**	**(12,132)**	**(2,606)**	**(4,459)**	**5**
Profit/(loss) attributable to non-controlling interests	6	(1)	(6)	(2)	(129)	(1)	(4)	(2)
Profit/(loss) attributable to the Group	**150**	**161**	**126**	**74**	**(12,003)**	**(2,605)**	**(4,455)**	**7**

Main ratios								
Efficiency ratio (1)	50.3%	49.1%	53.9%	56.9%	68.0%	64.7%	58.1%	44.8%
ROA (2)	0.24%	0.24%	0.17%	0.10%	n/a	n/a	n/a	n/a
ROE (3)	5.52%	6.01%	4.75%	n/a	n/a	n/a	n/a	n/a

(*) Financial Statements Amounts rounded to millions of euros

(1) (Administrative expenses + Depreciation and amortisation charge) / Gross income

(2) Annualised Profit/(loss) after tax / Average total assets. Not included in the calculation in 2012, as the result after tax was a loss.

(3) Annualised profit/(loss) attributable to the Group / Own funds at the end of the period. Not included in the calculation in 2012, as the result attributable to the group was a loss. ROE was negative in the first quarter of 2013 due to cumulative own funds, which were negative in the balance sheet at 31 March 2013.

- **Overview of Group earnings**

The Bankia Group posted a profit again in 2013 after repairing the balance sheet in 2012 as part of the Restructuring Plan, which required hefty provisioning and write-downs. And it managed to do so despite the adverse economic climate, characterised by historically low interest rates and scant business volumes, which affected the Bankia Group's core banking business compared to the year before.

The Group reduced the cost of its funding sources considerably in 2013. This, combined with the stabilisation of fee and commission income, helped consolidate a positive change of trend in the business' most recurring revenue. After the series of falls recorded since June 2012 due to the interest rate environment and the low level of market activity, net interest income and fee and commission income started to grow again from the second quarter of the year. Meanwhile, trading income made a strong contribution, supplementing revenue from the core business in an economic scenario that remained challenging, as indicated above.

Against this backdrop, the Bankia Group focused its efforts in 2013 on accelerating the reduction of operation expenses. This drove a significant improvement in the efficiency ratio and helped maintain pre-provisioning operating profit broadly unchanged from 2012 despite the complicated macroeconomic environment.

Thanks to the improvements in management indicators described above, the Bankia Group posted attributable profit of EUR 512 million in 2013 compared to a loss in 2012, leaving it on track to begin generating value, as envisaged in both the Restructuring Plan and the Strategic Plan.

Movements in the Group's main income statement items in 2013 are discussed below.

- **Net interest income**

Net interest income for the Group totalled EUR 2,425 million in 2013, drawing mainly from loans to the resident private sector. This marked a decrease of EUR 664 million or 21.5% from 2012, reflecting the decline in lending caused by strong private sector deleveraging (households and businesses) and the downward repricing of indexed loans, mainly mortgages, due to the fall in interest rates in 2012, which has not yet been offset by the decline in the cost of retail funding. Interest-rate cuts began in the first quarter of 2012, but did not feed through to the mortgage portfolio until the third quarter last year due to the normal lag (between six and nine months) in mortgage repricing. As a result, the low interest rate environment had a sharper impact in 2013, with the cumulative return on loans falling by 71bp in the year.

However, returns began stabilising in the second quarter of 2013, as the impact of the fall in interest rates had been passed through to the mortgage portfolio entirely. This trend, combined with more profitable management of the Group's funding sources, offset the impact of lower lending volumes and current interest rates on margins, enabling the Bankia Group's net interest income to begin recovering from the sector quarter. This recovery continued into the third and fourth quarters.

As indicated, the trend in the cost of funding was crucial to maintain the growth in net interest income from March 2013, leading to a 17bp improvement in the cost of customer deposits compared to 2012, due mainly to the sharp reduction in the cost of retail time deposits. Further, the improved funding structure and better liability management enabled the Bankia Group to slash wholesale funding costs (-117bp in the year), mostly through the cancellation of subordinated debt in May and the maturity and repurchase of higher-cost issues. The decline in wholesale and retail funding costs eased the pressure on customer spreads during the year caused by mortgage repricing.

Judging by the structure and the maturities schedule of customer funds, retail funding costs could well fall further in 2014 which, together with management of the spreads on new loans, would boost net interest income further and counterbalance any additional decline in returns on loans, mainly due to lower volumes.

STRUCTURE OF INCOME AND EXPENSES - BANKIA GROUP

	December 2013			December 2012		
(Millions of euros and %)	Average balances (1)	Income/ Expenses	%	Average balances (1)	Income/ Expenses	%
Finance Income						
Cash and balances with central banks	2,993	5	0.16%	4,707	13	0.28%
Loans and advances to credit institutions	10,079	20	0.20%	14,368	56	0.39%
Net loans and advances to customers (a)	129,934	3,397	2.61%	174,183	5,782	3.32%
Securities portfolio	72,903	1,944	2.67%	45,001	1,627	3.61%
Other interest-bearing assets	361	12	3.26%	238	24	9.91%
Total interest-bearing assets (b)	**216,270**	**5,377**	**2.49%**	**238,497**	**7,501**	**3.15%**
Other non-interest-bearing assets	**52,386**			**59,724**		
Total Assets	**268,666**			**298,222**		
Finance Expenses						
ECB and interbank	74,630	469	0.63%	70,037	727	1.04%
Customer deposits (c)	116,317	1,969	1.69%	135,230	2,515	1.86%
Debt and subordinated liabilities	37,056	494	1.33%	45,548	1,140	2.50%
Other interest-bearing liabilities	2,004	21	1.02%	2,121	29	1.39%
Total interest-bearing liabilities(d)	**230,006**	**2,952**	**1.28%**	**252,936**	**4,412**	**1.74%**
Other non-interest-bearing liabilities	**33,784**			**36,297**		
Total Liabilities	**263,790**			**289,233**		
Equity	**4,876**			**8,988**		
Total Liabilities and Equity	**268,666**			**298,222**		
Customers margin (a-c)			**0.92%**			**1.46%**
Interest margin (b-d)			**1.20%**			**1.40%**

(1) In 2013, average balances included interest-bearing assets and interest-bearing liabilities of City National Bank of Florida and Bancofar

- **Gross income**

Gross income for the Bankia Group in 2013 amounted to EUR 3,630 million, EUR 379 million or 9.5% less than in 2012. The economic slowdown and low level of interest rates played a large part in this performance, although the core banking business began improving in the second quarter thanks to the stabilisation of net interest, and fee and commission income.

Total net fees and commissions added EUR 935 million to the consolidated income statement in 2013, down 5.8% from EUR 992 million in the same period last year. The fall was due to the overall slowdown in banking activity and lower market business volumes, initiated in the second half of 2012. Both factors affected fee and commission income in the recurring banking business (e.g.payment services and fees from contingent risks and commitments), as well as other less recurring fees and commissions, mainly securities underwriting, placement and purchases. The decrease in the latter was closely related to the decline in the volume of corporate deals in capital markets. However, this decline was partly offset by the growth in fees and commission on sales of non-banking financial products, mainly investment funds and insurance.

Similar to the trend seen in net interest income, net fee and commission income fell in the second half of 2012 and first quarter of 2013, before levelling off and then staging a recovery in the third quarter, which gathered momentum in the fourth. By the end of 2013, the Group had posted two consecutive quarters of net fee and commission income growth. Particularly noteworthy was the good performance of fees arising from collection and payment services , fees and commissions generated on the commercialisation of investment and pension funds and on the management of portfolios of defaulted loans, especially in the third quarter.

Dividends contributed a mere EUR 9 million to the Bankia Group’s earnings in 2013, compared to EUR 38 million in 2012, mainly from the held-for-trading portfolio. Meanwhile, companies accounted for **using the equity method**, which mainly includes the investment in Mapfre Caja Madrid Vida, S.A., contributed EUR 29 million, compared to a loss of EUR 32 million in 2012. This improvement was the result of the reclassification of equity investments in jointly-controlled entities and associates, which mostly contributed losses in 2012, to non-current assets held for sale.

Gains and losses on financial assets and liabilities made a strong contribution again in 2013, of EUR 415 million. This was EUR 68 million or 19.4% higher than the EUR 348 million of trading income generated in 2012, and was the result of active asset-liability management by the Group aimed at leveraging market opportunities. Of the EUR 415 million obtained in 2013, approximately EUR 220 million were gains on repurchases of own securities (mainly mortgage covered and securitisation bonds), designed to bolster capital and reduce the more costly wholesale funding in the low interest-rate environment. The exchange of hybrid instruments in May generated a gain of EUR 99 million, while sales of fixed-income instruments and trading in hedging derivatives with customers produced gains of EUR 82 million and EUR 49 million, respectively.

Other operating income and expenses showed a net expense of EUR 202 million in 2013, EUR 262 million less than in 2012. This decrease was mostly the result of the lower contribution to the Deposit Guarantee Fund pursuant to the new regulations introduced in 2012, especially RDL 24/2012, which eliminated the extra rates on the highest-yielding deposits.

- **Pre-provision operating income**

Efforts by the Bankia Group in 2013 to trim its cost base, coupled with steadier core banking revenue, were key to maintaining pre-provision operating income broadly unchanged from 2012 despite the sluggish economy and the squeeze on margins caused by the low level of interest rates.

An important factor here was the completion of the branch restructuring in November of 2013, nine months after it began and two years earlier than envisaged in the Restructuring Plan. As a preliminary step, the IT integration of the seven savings banks that gave rise to Bankia was completed in March. These milestones, together with the gradual implementation of the workforce restructuring measures included in the collective redundancy agreed with the workers' representatives in February, drove a 16.9% decrease in **operating expenses** for the Group. The sharpest reductions were in **staff costs** and **depreciation and amortisation charge**, which fell 17.5% and 36.3%, respectively.

All of this had a positive impact on the consolidated income statement in 2013 and will be a key focus of management to make the Bankia Group more profitable and efficient in the short and medium term. Thus, as a result of the reduction in operating expenses, the efficiency ratio (operating expenses/gross income) at 31 December 2013 stood at 52.5%, down 4.7 pp from the year before.

Having met the branch restructuring targets ahead of schedule and made great progress in the workforce restructuring, the Bankia Group can now steer its efforts in 2014 on becoming more profitable and competitive.

- **Provisions and write-downs**

The stabilisation of the core banking revenue and faster progress in cost cutting enabled the Bankia Group to further strengthen its balance sheet by making additional write-downs to cover the impairment of its loans and real estate assets.

As the Group already made the provisions set out in the Restructuring Plan to repair its loans portfolios and mark-to-market of its portfolio of industrial and financial holdings in 2012, **provisions and write-downs** in 2013 were back to normal levels. Total provisions for the Group in 2013, including provisions for the impairment of financial assets, non-financial assets, non-current assets held for sale (included in “Other gains and losses”) and other net provision charges, were slightly over EUR 1,800 million, compared to approximately EUR 23,800 million in 2012. This amount included the recognition of a EUR 230 million provision for legal contingencies to cover the costs of legal claims regarding the subscription or acquisition of preferred participating securities or other subordinated bonds issued previously by the Cajas. The amount of this provision was based on the information available regarding lawsuits filed and taking into account the resolution of the FROB’s Governing Committee, backed by a number of legal opinions, and the signing of an agreement between Bankia and BFA whereby Bankia assumes a maximum loss derived from the costs related to the enforcement of rulings against it in the proceedings against the Bank related to the aforementioned issues.

- **Other gains and losses**

The Bankia Group obtained significant gains from the sale of equity investments in 2013, most of which were within the framework of the Group’s non-strategic asset disposal plan. The Bankia Group generated gains on these disposals of nearly EUR 300 million in the year, having carried out around 120 transactions by December. One of the most notable disposals was the sale of 12.09% of IAG in June, which generated a gain for the Group of EUR 238 million. These gains and other extraordinary income are recognised in “**Other gains and losses**” in the income statement presented in this report. This item also includes impairment losses on real estate and foreclosed assets in the year.

Meanwhile, as indicated above, the Group reclassified Aseval as a “Discontinued operation” in 2013. Accordingly, Aseval’s results were recognised under **“Profit/(loss) from discontinued operations (net)”** (EUR 117 million in 2013) in the consolidated income statement. In 2012, they were included under “Share of profit/(loss) of companies accounted for using the equity method”.

4.- CREDIT RISK MANAGEMENT

- **Asset quality**

Write-downs in 2012 improved the Bankia Group's risk profile significantly, with real estate development and construction loans falling to 3% of total gross loans by the end of December 2013. The improvement in the loan mix has enabled the Group to focus its business on the retail and companies segments.

Moreover, coverage of the credit portfolios at the end of the year was high, with provision coverage of the portfolio as a whole at 8.2%. By segment, coverage of developer loans still on the balance sheet was 42.7%, and of companies and retail customers portfolios was 16.2% and 3.5%, respectively. The 3.5% coverage for the retail portfolios is less than for the rest of the portfolios due to the weight of mortgage loans and credits, which have a lower provisioning requirement in the balance sheet due to the mortgage collateral. Approximately 47% of secured loans (i.e. with collateral) had an LTV equal to or lower than 60%. 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 limit the cost of risk in future financial years.

A key development in 2013 regarding loan quality management was the implementation of the recommendations by various European supervisory bodies on the reclassification of refinanced loans. Applying the Bank of Spain's recommendation, in 2013 the Group reclassified approximately EUR 1,400 million of refinanced loans to doubtful risks, in the subjective reasons category. By the end of December 2013, the Bankia Group had a portfolio of EUR 24,879 million, gross, of refinanced loans, with provision coverage of 22.4%. Of these loans, 48% had already been classified as doubtful at year-end.

- **Doubtful balances and NPL coverage**

The Group pro-actively manages and anticipates credit risk with a view to containing the inflow of non-performing loans (NPLs) and raising NPL coverage. Doubtful assets (including loans and advances to customers and contingent liabilities) at 31 December 2013 stood at EUR 20,022 million. This was close to the 2012 figure (EUR 202 million higher) despite following the recommendations of European supervisors regarding refinancing operations, which affected retail mortgages most and triggered an increase of approximately EUR 1,400 million in the balance of doubtful assets. Stripping out the impact of reclassifications, the Group's total doubtful assets would have fallen by around EUR 1,200 million in the year, a good performance considering the continued growth of doubtful balances and NPL ratios across the sector.

The Bankia Group's NPL ratio at the end of 2013, including loans and advances to customers and contingent liabilities, was 14.65%, 1.7 pp higher than the year before. The increase was driven by the decline in loans and the increase in doubtful assets due to the reclassification of refinanced loans. To cover these doubtful exposures, the total allowance for insolvency at the end of 2013 amounted to EUR 11,312 million, leaving a coverage ratio of 56.5%, compared to 61.8% at the end of 2012.

The increase in doubtful risks caused by the aforementioned reclassification of refinanced loans pushed up the NPL ratio by more than 1 pp in 2013, while causing NPL coverage to fall by nearly 3 pp from the year before.

ASSETS QUALITY - LOANS AND ADVANCES TO CUSTOMERS

	Dec -2013			
(Millions of euros) (*)	TOTAL	Normal	Substandard	Doubtful
Companies	**41,673**	**24,490**	**5,162**	**12,021**
Real estate development and construction	3,858	1,148	545	2,164
Construction not related to real estate development (civil engineering)	5,048	2,629	657	1,762
Other	32,767	20,713	3,959	8,095
Large enterprises	17,589	12,008	2,701	2,880
SMEs and self-employed	15,178	8,705	1,258	5,215
Individuals	**77,721**	**68,390**	**2,541**	**6,790**
First mortgage	77,626	68,308	2,540	6,778
Collateral	95	82	1	12
Spanish public sector	**5,430**	**5,400**	**0**	**30**
Others	**4,995**	**4,709**	**10**	**276**
Gross loans and advances to customers	**129,818**	**102,989**	**7,713**	**19,117**

(*) Amounts rounded to millions of euros, including loans and advances to customers of Financial Assets Held for Trading

	Dec - 2012			
(Millions of euros) (*)	TOTAL	Normal	Substandard	Doubtful
Companies	**47,805**	**28,694**	**6,836**	**12,276**
Real estate development and construction	4,804	1,406	1,202	2,196
Construction not related to real estate development (civil engineering)	5,005	2,632	741	1,632
Other	37,997	24,656	4,894	8,447
Large enterprises	18,608	14,033	2,425	2,150
SMEs and self-employed	19,388	10,623	2,468	6,297
Individuals	**82,167**	**73,811**	**2,157**	**6,199**
First mortgage	82,035	73,692	2,152	6,191
Collateral	132	119	5	8
Spanish public sector	**9,027**	**8,978**	**0**	**49**
Others	**6,784**	**6,276**	**189**	**319**
Gross loans and advances to customers	**145,784**	**117,759**	**9,182**	**18,843**

(*) Amounts rounded to millions of euros, including loans and advances to customers of Financial Assets Held for Trading

5.- FORECLOSED REAL ESTATE ASSETS

Since the transfer of properties to the SAREB in December 2012, the balance of property assets foreclosed or received in payment of debts has declined considerably. Transactions in Spain amounted to EUR 2,656 million at 31 December 2013, representing just 1.1% of the Bankia Group's assets. Most (82%) of the foreclosed properties are liquid assets, mainly existing and newly built homes, which makes the disposal easier.

In this respect, the 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. Accordingly, the 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 the end of 2013 for foreclosed assets from the Bankia Group's business in Spain amounted to EUR 1,442 million, implying coverage of 35.2%.

The real estate market continued to struggle in 2013, but showed the first positive signs in sales and prices in Spain. During the year, the Bankia Group sold 2,371 properties and kept 773 for rent, of which 715 were homes.

FORECLOSED AND ACQUIRED ASSETS – BUSINESSES IN SPAIN

	Dec-13			
(Millions of euros) (*)	**Carrying amount**	**Impairment allowance**	**Gross amount**	**Coverage (%)**
Real estate assets from construction and development	361	288	649	44.4%
Of which: Finished buildings	253	81	334	24.2%
Of which: Buildings under construction	51	55	105	51.8%
Of which: Land	57	152	209	72.8%
Property acquired from loans for home purchases	1,999	1,019	3,018	33.8%
Other real estate assets	296	136	432	31.5%
Total foreclosed assets	**2,656**	**1,442**	**4,098**	**35.2%**

(*) Amounts rounded to millions of euros.

6.- FUNDING STRUCTURE AND LIQUIDITY

Liquidity and liability management were among the Bankia Group's main priorities in 2013. Its overriding goal is 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.

In this respect, most Spanish issuers were unable to tap the primary debt market in 2012 and much of 2013. For the Bankia Group in particular, this led to a sharp increase in ECB financing as it was unable to rollover wholesale issues at maturity and had limited access to the repo market in 2012.

Even so, the Bankia Group improved its funding structure significantly in 2013. The CoCos and BFA subordinated loan were converted into capital in May, increasing the Bankia Group's own funds in place of wholesale funds. Moreover, the commercial GAP improved considerably and the Group gained access to the private repo market. This enabled it rely far less on the ECB for funding; the volume of ECB financing operations in 2013 was around EUR 8,700 million lower than in 2012.

Steady balance sheet deleveraging and stable customer deposits helped improve the commercial GAP (the difference between net loans excluding reverse repos and strict retail customer deposits;, i.e. excluding repurchase agreements and one-off non-marketable mortgage-backed securities and including retail promissory notes and intermediary loans) by nearly EUR 8,200 million compared to December 2012, to EUR 25,070 million at 31 December 2013. The good performance by the commercial GAP brought an improvement in the Group's main liquidity ratios. Specifically, the "Loan to deposits" or LTD ratio (net loans/strict customer deposits plus one-off non-marketable mortgage-backed securities) ended 2013 at 115.4%, 5 pp lower than at 31 December 2012.

Meanwhile, the Group increased its bilateral repo activity with other banks and through clearing houses. Sales of securities under repurchase agreements with banking institutions, as well as with clearing houses and the public sector, increased by slightly over EUR 9,000 million compared to 2012.

As a result of the above, customer deposits accounted for a greater share of the balance sheet funding mix, representing 53% of the Group's liability structure (net position in central banks and credit institutions plus customer deposits and borrowings and excluding subordinated liabilities, which were converted into capital in May 2013) compared to 49% in December 2012, i.e. a 4 pp increase in the year. At the same time, financing with the ECB decreased by approximately 2 pp.

In 2014, the Bankia Group will see nearly EUR 8,500 million of wholesale issues mature, of which just over EUR 7,200 million are mortgage covered and territorial bonds (*cédulas territoriales*). The remainder are senior debt and commercial paper. To meet these maturities and scheduled redemptions in the coming years, the Group had EUR 24,673 million of liquid assets at 31 December 2013, all of which are eligible for ECB Financing operations and EUR 9,177 million of which are included in the ECB facility. In addition, the liquidity surplus (marginal deposit facility and treasury account less minimum reserve requirement) in the Eurosystem at 31 December 2013 stood at EUR 2,044 million.

The volume of liquid assets was broadly unchanged from 2012, as the liquidity generated from management of the commercial GAP and disposals enabled the Group to meet its debt maturities and the rest of the payments last year arising in the ordinary course of its business.

LIQUIDITY RESERVE - BANKIA GROUP

(Millions of euros) (*)	31/12/2013	31/12/2012
Highly liquid available assets (**)	15,496	24,111
Undrawn amount on the facility	9,177	3,980
Liquidity surplus	2,044	2,896
TOTAL	**26,717**	**30,987**

(*) Amounts rounded to millions of euros

(**) Market value considering the ECB haircut

European wholesale funding markets were largely stable in the second half of 2013 on the back of positive trends in sovereign risk premiums and improved expectations for growth in the eurozone. In this more propitious environment, recent trends in Bankia's secondary market spreads show renewed investor confidence over its ability to create value, suggesting that the wholesale financing markets will gradually open back up for the Group and provide it with alternative sources of funding. Moreover, the Group should continue to generate liquidity in coming months through sustained improvement in the commercial GAP and further disposals of non-strategic assets under the framework of the Restructuring Plan.

7.- SOLVENCY AND CAPITAL MANAGEMENT

The Bankia Group ended the first half of 2013 with a solvency ratio of 12% according to Bank of Spain Circular 3/2008, implying a cushion over the minimum regulatory requirement (8%) of EUR 3,531 million (EUR 1,887 million at 31 December 2012).

Bank of Spain Circular 7/2012, which amends both the minimum capital requirement, raising it to 9% from the 8% required under RD-Law 2/2011, and its definition, bringing it into line with the definition of Core Tier I used by the European Banking Authority (EBA). The Bankia Group's principal capital under this new definition amounted to EUR 10,414 million at 31 December 2013, implying a cushion of EUR 2,413 million over the minimum regulatory requirement of 9%.

On 29 November 2013, Royal Decree-Law 14/2013 on urgent measures to adapt Spanish law to European legislation on the supervision and solvency of financial institutions was published, repealing the principal capital requirement indicated in the previous section from 1 January 2014. However, during the transition in 2014, the Bank of Spain may prevent or restrict any distribution of Tier 1 capital components that were eligible for compliance with the principal capital requirements when the absolute level of such distributions through 2014 exceeds the legal minimum requirement at 31 December 2013.

The trend in capital in 2013 was positive, with net principal capital generation of 671bp (like for like) mainly from the exchange of BFA hybrid instruments for Bankia shares, organic capital generation through profits, and the decrease in risk-weighted assets (RWAs) thanks to balance sheet deleveraging, disposals and risk-management measures adopted by the Group in line with the commitments included in the Recapitalisation Plan approved by the European Commission in November 2012.

The improvement in the Group's solvency position compared to 2012 underscores the gradual consolidation of a self-sustaining capital generation model, underpinned by the following:

- The accumulation of the highest quality or core capital, given its characteristics of permanence, availability and higher loss absorption capacity and in line with the new BIS III capital requirements. The Group's core capital at 31 December 2013 stood at EUR 10,556 million (EUR 5,382 million at 31 December 2012), representing 99.2% of total eligible capital in accordance with Circular 3/2008 (52.6% at 31 December 2012).

- The reduction in capital requirements, related to balance sheet deleveraging through the disposal of non-strategic assets and the resizing of the Entity under the framework of the Recapitalisation Plan, and to management of the loan mix and the improvement in asset quality in new business. The total capital requirement at 31 December 2013 was EUR 7,111 million (implying EUR 88,892 million of RWAs), a decrease of EUR 1,234 million (EUR 15,426 million of RWAs) compared to the year before.

The minimum capital requirements cover the Group's credit, foreign currency, market and operational risks. The requirements for credit risk, including equity price risk, amounted to EUR 6,401 million at 31 December 2013 (EUR 7,396 million at 31 December 2012), of which 62.2% was calculated using an internal-based ratings (IRB) approach. Since June 2008 (when it obtained authorisation from the Bank of Spain), the Group has been using advanced (IRB) approaches to measure its credit risk by type of exposure, to institutions, companies and retail customers from the Caja Madrid portfolios, and for new business, and the standardized approach for these exposures from other Group entities and for the rest of its balance-sheet exposures.

Currency and market risk exposures were calculated using internal models, and at 31 December 2013 amounted to EUR 127 million (EUR 220 million at 31 December 2012).

Lastly, the capital requirement for operational risk exposure at 31 December 2013 amounted to EUR 584 million (EUR 729 million at 31 December 2012). The Bankia Group used the standardized approach to measure its operational risk in 2013, and the basic indicator approach in 2012. This marked a step forward in the move towards the application of advanced approaches.

On the regulatory front, on 26 June 2013, Regulation 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR), and Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV) were approved. The entry into effect of these regulations will result in the substitution of all of the Bank of Spain's current capital regulations (Circular 3/2008 and 7/2012) that are not compatible and will imply implementation of the Basel III Accord (BIS III), which will be phased-in gradually.

The CRR takes effect on 1 January 2014 and is directly and immediately applicable to European financial institutions, although certain regulatory options must be established by the national supervisors. In this respect, the Bank of Spain issued Circular 2/2014, of 31 January, to set out the options and scope which Spanish credit institutions will have regarding the alternatives attributed to the Bank of Spain, above all regarding application of the phase-in implementation schedule.

At 31 December 2013, the Bankia Group complied with the minimum capital requirements of Regulation No. 575/2013 and Bank of Spain Circular 2/2014, of 31 January, for 2014.

The Bankia 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 various applicable regulations. The main highlights of 2013 were the restoration of the Group's solvency position to comply with the various Spanish and European regulations applicable, and the subsequent increase in capital to ensure compliance with the new BIS III rules, which are more restrictive than regulations until now regarding capital levels and definition, going forward.

The economic capital target is set internally by management 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. Moreover, the capital objective aims to guarantee that sufficient capital is generated to repay the public assistance provided temporarily by the sole shareholder of the Group's parent, the FROB, within the scope of the restructuring and recapitalisation of the Spanish financial system. In 2013, the

Group's capital management policy focused on fully complying with the new CRR/CRDIV capital requirements in accordance with the demands of the market, analysts and investors. This objective will guide the capital management policy again in 2014.

8.- KEY RISK FACTORS FACING THE BUSINESS

Information concerning the Bankia Group's risk factors is disclosed in detail in Note 3 to the 2013 consolidated financial statements.

9.- TREASURY SHARES

At 31 December 2013, the Group held slightly over EUR 11.8 million in treasury shares.

10.- EVENTS AFTER THE REPORTING PERIOD

- On 9 January 2014, Bankia launched a EUR 1,000 million issue of five-year senior debt. The issue was priced at midswap (the market reference rate) plus 235 basis points. The senior debt is backed exclusively by the Bank's own creditworthiness.

- On 17 January 2014, the Group announced the sale of its entire (direct and indirect) stake in NH Hoteles, S.A., consisting of 24,878,359 shares, representing 8.07% of share capital. The deal was worth a total of EUR 122.9 million, equivalent to a selling price of EUR 4.94 per share, and generated net gains of approximately EUR 41 million.

- On 31 January 2014, Bankia and Mapfre reached an agreement whereby Mapfre will become the exclusive provider of life and non-life insurance for Bankia and Bankia will distribute Mapfre's products throughout its sales network. The agreement involves restructuring the bancassurance business through new distribution agreements for life and non-life insurance with the bancassurance operator, Bankia Mediación, as well as incorporating Aseval and Laietana Vida's business into Bankia's and Mapfre's existing life insurance joint venture. The price for Mapfre's acquisition of 51% of Aseval y Laietana Vida and 100% of Laietana Seguros Generales from Bankia was EUR 151.7 million, once the financial conditions of the agreement have been taken into account, including spinning off Aseval's pensions business and adjusting each company's capital to ensure compliance with insurance regulations. The transaction is not expected to have a significant impact on the Group's income statement for 2014. The definitive closing of the deal is subject to the approval of the competent supervisory and regulatory authorities.

No significant events occurred between 31 December 2013 and the date the Bankia Group's consolidated annual financial statements were authorised for issue other than those disclosed above.

11.- RESEARCH, DEVELOPMENT AND TECHNOLOGY

Immersed in a far-reaching transformation process under the guidelines of the 2013-2015 Strategic Plan, the Group embarked on a large number of projects in 2013 to accompany the outsourcing operations undertaken in line with this plan. The main activities outsourced were: invoicing and management of recoveries; preparation of tenders, litigation and auctions; procurement; training; operations; and operation with Promontoria Plataforma. The latter entails outsourcing the management of developer loan recovery and the sale of foreclosed assets owned by both Bankia and the SAREB. A Master Security Plan for 2013-2016 was also drawn up to adapt information control and security to the bank's new situation.

On the IT front, a Strategic Plan was begun in 2013 implying a sweeping transformation of the IT Department's functions. This plan is aligned with the Strategic Plan in terms of efficiency improvements (mainly through cost savings) and increased competitiveness (offering greater functionality and improved business process). Noteworthy is the IT infrastructure outsourcing through agreements with IBM, for central infrastructure, and Telefónica, for local branch office and communications infrastructure. The agreements are designed to increase flexibility, raise operational efficiency and enhance the quality of service provided to the business. Another development was the ATM Plan. In addition to machine renewal, this plan calls for a complete change in the commercial strategy and customer relationship model.

Having carried out the operational and technological integration of the seven savings banks that comprised the IPS in March 2013, efforts in the year focused on other integration and business segregation operations in line with the measures recommended by Spanish and European authorities. These included the integration of Bankia Banca Privada and Madrid Leasing and the spin-off of Finanmadrid, all of which were completed in the year. In the bancassurance business, a multi-year project started to unify the contracting of life and non-life insurance in a single platform, integrating the three existing platforms and adapting them to Bankia's operating system. This platform will concentrate distribution capacity in a single broker after the integration of the seven original bancassurance operators (which came from the savings banks).

Raising commercial capabilities, increasing operational efficiency and managing NPLs are still the main cornerstones of Bankia's technology projects plan. This year, development has continued on projects such as the digital signature system or the new commercial model, in which Bankia already made investments in 2012.

Technology has provided active support to the Group's business plans, for personal and business banking alike. The SMEs Plan includes initiatives aimed at driving the management model and expanding this customer segment. Meanwhile, the development of the COMEX product portfolio and the related trading and management process, which began in 2012, continued in 2013. Examples of advances include the addition of the International Confirming, Forfaiting for Financial Institutions, Risk Bankia and Import/Export products, and the introduction of new fees and process improvements in international guarantees, documentary letters of credit and foreign trade facilities.

Bankia has also embarked on a number of initiatives aimed at promoting remote channels as a key driver of improving the customer’s experience with the Bank and streamlining the transactional operations of the branches. The remote channel and the low commercial value transaction migration plans, both of which entail a multi-channel element, involve the implementation of improvements in the Internet correspondence services and in transactions involving transfers, and the payment of bills and taxes through self-service terminals.

Another notable remote banking project was the OIE (Oficina Internet de Empresas) online correspondence for businesses, a multi-year project started in 2013 that required a complete revamping of the IT infrastructure and functional capabilities offered through this service.

Elsewhere, the requirements arising from the implementation of the SEPA (Single Euro Payments Area), which will come into effect in February 2014, led to an overhaul of the Entity’s payment systems, providing them with greater capabilities for the development of a commercial payment product and service portfolio.

Turning to risk management, the corporate guarantee system has been completed and is up and running. Information on guarantees and foreign trade financing operations was added in 2013. Initiatives were also undertaken to roll out a new Recoveries and Monitoring Model, which will enable offices to manage the entire default life cycle and RAR calculations based on expected loss in asset processing for the SMEs and large enterprises segments.

The MUREX migration from version 2.6. to 3.0 was completed in 2013, designed to improve management processes in derivatives, the related collateral and associated risk measurement alongside the Collateral Desk and CVA (Credit Value Adjustment) projects, which also began during the year.

12.- HUMAN RESOURCES

Information concerning the Bankia Group's personnel is disclosed in Notes 2.13 and 41 to the 2013 consolidated financial statements.

13.- ENVIRONMENTAL IMPACT

In view of the business activities carried on by Bankia, the Group does not have any environmental responsibilities, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position and results.

14.- BUSINESS OUTLOOK

The macroeconomic outlook is brighter for 2014 than for the past two years. The main drivers are acceleration in the US to above-potential growth and recovery in the EMU, helping developed economies nearly double their growth in 2014 from 2013; i.e. 2.0% (estimated) vs. 1.1%.

Inflation should remain benign and below the targets of the leading central banks, allowing them to maintain extremely expansive monetary policies: key interest rates close to zero in the main developed economies, the Fed's strategy to gradually wind down its asset purchases and ECB moves to prevent pressure on the Euribor. Meanwhile, the pick-up in activity in the public debt market and the improvement in the EMU's system of economic governance leave scope for risk premiums in EU peripheral countries to narrow further (potentially to 170-130 bp for Spain).

The Spanish economy began expanding toward the end of 2013 and this trend should gather momentum in 2014 thanks to a better international backdrop, the absence of pressure in financial markets and a steady recovery in domestic demand which, for the first time in seven years, should not pose a drag on economic growth. Nevertheless, economic drivers remain weak and the pace of growth looks set to be moderate over the medium term.

In 2013, the Bankia Group geared its strategy towards making significant inroads in the restructuring process, with some major achievements in the Group's recapitalisation, the branch restructuring, the IT integration, reductions in labour costs and disposals of non-strategic assets. With 2014 possibly ushering in economic recovery and job creation in Spain, these achievements could enable the Bankia Group to focus on managing the business so it can become more competitive and more profitable, and expand the more recurring business so it can generate capital organically.

Whether profit and margin growth can be sustained in 2014 will depend on the low interest rate environment and the economy, which remains weak but began showing signs of improvement at the end of 2013. In this setting, the Bankia Group will concentrate efforts on the recurring business (net interest income, and fees and commissions). Reining in the interest cost on borrowings and clamping down on operating expenses further will remain crucial. Expanding the recurring business means bolstering the Bankia Group's competitive position, raising its market share and increasing revenue while maintain the quality of the assets and reinforcing the recovery activity. For this, the Group must gear the portfolio towards the more profitable segments and products and enhance the distribution capacity of high value-added products among its customers.

In this respect, the changes adopted within the framework of the Restructuring Plan in 2013 should leave the Group in a strong starting position to achieve its targets in 2014, with a well-capitalised balance sheet, and high levels of provisioning and liquid assets.

15.- CORPORATE GOVERNANCE REPORT

Attached hereto as an appendix.

APPENDIX 1

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

ISSUER' S PARTICULARS

YEAR ENDED 31/12/2013

COMPANY TAX ID NO. (CIF): A-14010342

Corporate Name: BANKIA, S.A.

Registered office: PINTOR SOROLLA Nº 8, VALENCIA (46002)

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's stock capital:

Date of Last Modification	Stock capital (€)	Number of shares	Number of voting rights
24/05/2013	11,517,328,544	11,517,328,544	11,517,328,544

Indicate whether different types of shares exist with different rights associated:

Yes ☐ **No X**

A.2 List the direct and indirect holders of significant ownership interests in the company at the end of the financial year, excluding board members

Personal or Corporate Name of shareholder	Number of direct voting rights	Indirect voting rights	% of total voting rights
Banco Financiero y de Ahorros, S.A.U.	7,877,272,186	0	68.40%
Fondo de Reestructuración Ordenada Bancaria (FROB)	0	7,877,272,186	68.40%

Name or corporate name of indirect owner of the investment	Through: Name or corporate name of direct owner of the investment	Number of direct voting rights
Fondo de Reestructuración Ordenada Bancaria (FROB)	Banco Financiero y de Ahorros, S.A.U.	7,877,272,186

Indicate the most significant movements in the shareholding structure of the company during the year:

Name or corporate name of shareholder	Transaction date	Description of transaction
Banco Financiero y de Ahorros, S.A.U.	24/05/2013	Surpassed 60% of share capital

A.3 Complete the following tables on company board members that hold voting rights through company shares:

Personal or Corporate Name of Board member	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHE	848,930	0	0.01%
MR. JOSÉ SEVILLA ÁLVAREZ	200,050	0	0.00%
MR. JOAQUÍN AYUSO GARCÍA	170,060	0	0.00%
MR. FRANCISCO JAVIER CAMPO GARCÍA	151,260	0	0.00%
MRS. EVA CASTILLO SANZ	58,027	0	0.00%
MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO	86	84,175	0.00%
MR. JOSÉ LUIS FEITO HIGUERUELA	166,050	0	0.00%
MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	25,434	0	0.00%
MR. ALFREDO LAFITA PARDO	167,060	0	0.00%
MR. ÁLVARO RENGIFO ABBAD	52,650	0	0.00%

Name or corporate name of indirect owner of the investment	Through: Name or corporate name of direct owner of the investment	Number of direct voting rights
MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO	QUINTOJORGE, S.L.	84,175

% total of voting rights held by board of directors	0.01%

Complete the following tables on members of the company's Board of Directors that hold rights over company shares

A.4 Indicate, as the case may be, any family, business, contractual or corporate relationship between owners of significant shares, insofar as it is known to the company, unless if such bears little relevance to or arises from the ordinary trading or course of business:

A.5 Indicate, as the case may be, any commercial, contractual or corporate relationship between owners of significant shares on the one hand, and the company and/or its group on the other, unless such bears little relevance to or arises from the ordinary trading or course of business:

Personal or Corporate Name of related	Type of relationship	Brief description
BANCO FINANCIERO Y DE AHORROS, S.A.U.	CONTRACTUAL	Framework agreement that governs the relations between Banco Financiero y de Ahorros, S.A.U. (BFA) and Bankia, setting out the mechanisms necessary to, within the legal limits, ensure at all times an appropriate level of coordination between Bankia and BFA and group companies, and to manage and minimise any situations that may give risk to potential conflicts of interest between the two entities, while ensuring due observance and protection of the rest of the shareholders in an atmosphere of transparency in relations between the two entities. Addendum to the framework agreement to include the task assumed by Bankia of managing the investees of the BFA-Bankia Group.
BANCO FINANCIERO Y DE AHORROS, S.A.U.	CONTRACTUAL	Service level agreement, development of the framework agreement, enabling BFA to manage its activity adequately using Bankia's human and material resources to prevent duplications.
BANCO FINANCIERO Y DE AHORROS, S.A.U.	CONTRACTUAL	A guarantee line in favour of Bankia amounting to EUR 135 million to back guarantees issued of unlimited duration in respect of liabilities from procedures requiring the guarantee of a financial institution, in addition to other types of claims.
BANCO FINANCIERO Y DE AHORROS, S.A.U.	CONTRACTUAL	A guarantee line in favour of BFA amounting to EUR 14 million to back the limits on guarantee lines and guarantees issued of unlimited duration in respect of liabilities from lawsuits requiring the guarantee of a financial institution, in addition to other types of claims.

A.6 Indicate whether the company was informed of any shareholders' agreements affecting the company in accordance with Article 530 and 531 of the Spanish Corporations Act. If so, provide a brief description and list the shareholders bound by such agreement:

Yes ☐ **No X**

Indicate whether the company is aware of the existence of any concerted actions among its shareholders'. Give a brief description if applicable:

Yes ☐ **No X**

Expressly indicate any amendments to or termination of such agreements or concerted actions during the year

A.7 Indicate whether any individual or corporate body currently exercises, or could exercise control over the company pursuant to Article 4 of the Spanish Securities Market Act. If so, please identify

Yes X **No**

Personal or Corporate Name
BANCO FINANCIERO Y DE AHORROS, S.A.U.

Comments
At 31 December 2013, Banco Financiero y de Ahorros, S.A.U. holds shares representing 68.395% of Bankia´s share capital.

A.8 Complete the following tables on the company's treasury stock:

At year end:

Number of direct shares	Number of indirect shares (*)	% Total of Capital Stock
12,300,000	5,066	0.11%

(*) Held through:

Name or corporate name of indirect holder of shares	Number of direct shares
Bankia Mediación, Operador de Banca Seguros Vinculado, S.A.U.	4,705
Calvatour, Agencia de Viajes, S.A.	361
Total:	5,066

Provide details of any significant changes during the year, in accordance with Royal Decree 1362/2007:

Communication Date	Total nº of direct shares acquired	Total nº of indirect shares acquired	% Total of Capital Stock
25/01/2013	0	0	0.00%
25/04/2013	0	0	0.00%
30/05/2013	6,387,398	17,183,547	0.21%
29/11/2013	21,510,528	5,066	0.19%

A.9 Provide details of the conditions set forth and the current periods given by the General Shareholders' Meeting for the Board of Directors to issue, repurchase or transfer treasury stock.

On 25 June 2013, a resolution was adopted at the General Shareholders' Meeting of Bankia, S.A. to grant authorisation to the board of directors for the derivative acquisition of treasury stock in accordance with the limits and requirements established in the Spanish Corporations Act, authorising it to, if applicable, reduce share capital on one or more occasions in order to proceed with the cancellation of own shares acquired and delegation of authority to implement this resolution:

Authorisation for the Board of Directors, in the broadest terms possible, to carry out the derivative acquisition of BANKIA treasury stock, directly or through companies of its Group, subject to the following limits and requirements:

a) Types of acquisition: acquisition in the form of an outright purchase, through any other "inter vivos" act for consideration or any other manner permitted by Law, including charging the acquisition to profit for the year and/or unrestricted reserves.

b) Maximum number of shares to be acquired: acquisitions may be carried out at any given time, on one or several occasions, up to the maximum amount permitted by Law.

c) The price or equivalent will fluctuate between a minimum, equal to the lower of its nominal value or 75% of its market value at the date of acquisition, and a maximum, equal to the closing price of the Company's shares on the Spanish Stock Market at the time of acquisition.

d) Duration of the authorisation: five (5) years from the date of this resolution.

In carrying out these transactions, the provisions contained in BANKIA's Rules of Conduct must also be met in this connection.

Authorisation for the Board of Directors to be able to dispose of or retire the shares acquired or appropriate, in full or in part, the treasury stock acquired to carry out any remuneration programmes, the purpose of which is the delivery of shares or share options in accordance with article 146.1.a) of the Spanish Corporations Act.

This delegation of authority to the Board of Directors replaces the delegation granted by the general meeting of shareholders held on 29 June 2012, which therefore will cease to be effective.

The Board of Directors is empowered in the broadest terms to use the authorisation forming the subject-matter of this resolution, and to implement and perform it to the full, being able to delegate these powers to the executive committee, executive chairman, chief executive officer, or any other individual authorised by the board expressly for this purpose, with the scope it deems necessary.

A.10 Indicate whether there are any restrictions on the transferability of stocks and/or any restrictions on the voting rights. In particular, state whether there are any kinds of restrictions that could impede the complete takeover of the company through the acquisition of its shares on the market.

Yes X **No □**

Description of legal restrictions
Pursuant to articles 56 and thereafter of Law 26/1988 of 29 July 1988 on the Discipline and Intervention of Credit Institutions, amended by Law 5/2009 of 29 June 2009, any natural person or body corporate which, acting alone or in collaboration with others, decides to directly or indirectly acquire a significant share in a Spanish credit institution (as defined in article 56 of said Law 26/1988) or directly or indirectly increase its interest therein whereby the percentage of voting rights or capital held therein equals or exceeds 20, 30 or 50%, or where control of the credit institution is gained through the acquisition, must first notify the Bank of Spain. The Bank of Spain has 60 days from the date on which it acknowledges receipt of the notification to assess the transaction and, where applicable, oppose the proposed acquisition on stipulated legal grounds. There are no legal or bylaw restrictions on the exercise of voting rights.

A.11 Indicate whether the General Shareholders' Meeting has agreed to take neutralization measures to prevent public takeovers pursuant to the provisions of Act 6/2007.

Yes ☐ **No X**

If applicable, explain the measures adopted and the terms under which these restrictions may be lifted

A.12 Indicate whether the company has issued securities not negotiated on the community regulated market.

Yes ☐ **No X**

If applicable, indicate the different types of shares, and the rights and obligations they confer.

B GENERAL SHAREHOLDERS' MEETING

B.1 Indicate and detail the differences, if any, between the required quorum and that set forth in the Spanish Corporations Act (LSC) for convening the General Shareholders' Meeting.

Yes ☐ **No X**

B.2 Indicate and detail the differences, if any, with regards to the system contemplated in the Spanish Corporations Act (LSC) for signing corporate agreements:

Yes ☐ **No X**

Detail differences with regards to the system contemplated in the LSC.

B.3 Indicate the rules applicable to the amendment of the company's bylaws. In particular, the majority required in order for the bylaws to be amended and, as the case may be, stipulate the legal provisions for the protection of the rights of the partners in the amendment of the bylaws.

The rules governing amendments to the Company's bylaws are those set forth in the Spanish Corporations Act. Any amendment to the bylaws is the responsibility of the general meeting of shareholders and will require, at first call, shareholders holding at least fifty percent of the share capital conferring voting rights to be present in person or by proxy. At second call, shareholders representing twenty-five percent of the share capital shall be sufficient.

B.4 Indicate the attendance figures for General Shareholders' Meetings held during the financial year to which this report refers and during previous financial years:

	Attendance Data				
Date of General Shareholders' Meeting	% of physical presence	% in representation	% of absentee voting		Total
			Electronic voting	Other	
25/05/2013	69.25%	3.58%	0.00%	0.15%	72.98%
29/06/2012	0.31%	58.97%	0.01%	0.34%	59.63%

B.5 Indicate whether there are any restrictions in the Bylaws establishing a minimum number of shares needed to attend the General Shareholders' Meetings:

Yes ☐ **No X**

B.6 Indicate whether it was agreed that certain decisions entailing a structural modification of the company ("subsidiarization", purchase-sale of essential operational assets, operations equivalent to liquidation of the company...) shall be subject to the approval of the General Shareholders' Meeting, even if not specifically required under Commercial Laws.

Yes X **No** ☐

B.7 Indicate the address of and how to access the company's website to obtain corporate governance and General Shareholders' Meeting information that should be made available to the shareholders through the Company's website

In accordance with article 52 of the Bylaws of Bankia, S.A., the Company will have a website (www.bankia.com) through which its shareholders, investors and the market will be generally advised of material and significant matters related to the Company, and the notices legally required to be published. The website will constitute the Company's electronic headquarters.

On the web www.bankia.com website, upon call of general meetings, there must be an electronic shareholder forum, to which both individual shareholders and such voluntary associations as they may establish on the terms contemplated by law may have appropriately secure access, to facilitate their communication prior to the holding of general meetings.

In this respect, the www.bankia.com home page includes a menu entitled "Shareholders and Investors" with a "Corporate governance" section containing information on the entity's corporate governance. This section contains a specific sub-section providing access to the entity's annual corporate governance reports, and one providing access to documentation regarding the general meeting of shareholders.

The content of the corporate website is arranged in specific sections for Shareholders and Investors and is available in Spanish and English.

C STRUCTURE OF THE COMPANY´S GOVERNING BODY

C.1 Board of Directors

C.1.1 Indicate the maximum and minimum number of board members stipulated in the company Bylaws:

Maximum number of board members	15
Minimum number of board members	5

C.1.2 Complete the following table with the Board members:

Personal or Corporate Name of board member	Representative	Seat on the Board	Date of 1st appt	Date of last appt.	Election procedure
MR. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHE		Executive Chairman	09/05/2012	09/05/2012	CO-OPTION
MR. JOSÉ SEVILLA ÁLVAREZ		Director	25/05/2012	25/05/2012	CO-OPTION
MR. JOAQUÍN AYUSO GARCÍA		Director	25/05/2012	25/05/2012	CO-OPTION
MR. FRANCISCO JAVIER CAMPO GARCÍA		Director	25/05/2012	25/05/2012	CO-OPTION
MRS. EVA CASTILLO SANZ		Director	25/05/2012	25/05/2012	CO-OPTION
MR.JORGE COSMEN MENÉNDEZ-CASTAÑEDO		Director	25/05/2012	25/05/2012	CO-OPTION
MR. JOSÉ LUIS FEITO HIGUERUELA		Director	25/05/2012	25/05/2012	CO-OPTION
MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS		Director	25/05/2012	25/05/2012	CO-OPTION
MR. ALFREDO LAFITA PARDO		Director	08/06/2012	08/06/2012	CO-OPTION
MR. ÁLVARO RENGIFO ABBAD		Director	08/06/2012	08/06/2012	CO-OPTION

Total number of Board members	10

Indicate the terminations that occurred on the board of directors during the period being reported.

C.1.3 Complete the following tables on the board members and their different conditions:

EXECUTIVE BOARD MEMBERS

Personal or corporate name of board member	Committee that proposed the Appointment	Position within the company structure
MR. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHE	Appointments and Remunerations Committee	Executive Chairman
MR. JOSÉ SEVILLA ÁLVAREZ	Appointments and Remunerations Committee	Executive Director, General Manager of the chairman's office

Total number of executive Board members	2
Total % of Board	20.00%

EXTERNAL PROPRIETARY DIRECTORS

EXTERNAL INDEPENDENT DIRECTORS

Name or corporate name of director	Profile
MR. JOAQUÍN AYUSO GARCÍA	He holds a degree in Road, Canal and Port Engineering from the Universidad Politécnica de Madrid. He has been a member of Bankia's board of directors and the appointments and remuneration committee since May 2012 and of the audit and compliance committee since July 2013. He is also the deputy chairman of Ferrovial, where he has built his professional career, and is a member of its executive committee. He also belongs to the board of directors of National Express Group PLC and is president of Ausol He is an active member of the executive board of Círculo de Empresarios and sits on the advisory board of the Benjamin Franklin Institute at the Universidad de Alcalá de Henares of Madrid. In addition, he is a member of the AT Kearney Advisory Council and, Jota Rnc´s Board of Directors.
MR. FRANCISCO JAVIER CAMPO GARCÍA	He holds a degree in industrial engineering from the Universidad Politécnica de Madrid. He has been a member of Bankia's board of directors, the appointments and remuneration committee and the Board of Risk Committee since June 2012. He is chairman of the Zena Group (Fosters Hollywood, Domino's Pizza, La Vaca Argentina, Cañas&Tapas and Burger King), chairman of AECOC, the Spanish Association of Major Retail Operators, and a director of the Alimentación Palacios Group and of Meliá Hotels International. He is also a member of the advisory board of AT Kearney. He began his professional career at Arthur Andersen, was worldwide chairman of the Día Group and a member of the worldwide executive committee of the Carrefour Group. In addition, he is a member of Trubia 15, S.L., Tarna 21, S.L. and Tuera 16, S.C.R.R.S. Boards of Directors.
MRS. EVA CASTILLO SANZ	She holds a degree in Law and Business Studies from the Universidad Pontificia de Comillas (E-3) of Madrid. She has been a member of Bankia's board of directors since June 2012. She is the chairman of Telefónica Europa and a director of Telefónica, S.A., first vice chairman of the supervisory board of Telefónica Czech Republic, a.s., director at Old Mutual, Plc. (a company listed on the London and Johannesburg stock exchanges), and is a member of the board of trustees of the Comillas-ICAI Foundation She previously worked at Merrill Lynch, where she chaired its Spanish subsidiary.
MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO	He holds a degree in Business Administration and an MBAI Master from the Instituto de Empresa. He has been a member of Bankia's board of directors and the audit and compliance committee since June 2012. He is the chairman of ALSA, co-chairman of National Express Group, plc., and is a member of the Spain China Council Foundation and of Fundación Integra.. He has previously worked in companies in the tourism, banking and international trade sectors in Spain, Switzerland, Hong Kong and China. In addition, he is a member of Autoreisen Limmat, Brunolivia, S.L., Cofinex Benelux, S.A., Estudios de Política Exterior, S.A., Lusocofinex, S.L., General Técnica Industrial, S.L.U. and Quintojorge, S.L. Boards of Direcctors.

MR. JOSÉ LUIS FEITO HIGUERUELA	He holds a degree in Economics and Business Studies from the Complutense University of Madrid. He has been a member of Bankia's board of directors and the audit and compliance committee since June 2012. Qualified as a State Trade Expert and Economist for former ambassador of the Kingdom of Spain, at present he is chairman of the board of trustees of ASETA (the Spanish Association of tolled motorways, tunnels, bridges and other toll road concessionaire companies), the economic and financial policy committee of the CEOE and is chairman of the Instituto de Estudios Económicos (IEE). He previously worked at the Ministry of Economy, the International Monetary Fund, OCDE, the Bank of Spain and AB Asesores Bursátiles.
MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	He holds a Doctorate in Economics. He has been a member of Bankia's board of directors and the board risk committee since October 2012. He is member of Banco Financiero y de Ahorro's board of directors and chairman of it´s Audit and Compliance Committee. In addition, he is a professor in Economics at the IE Business School, specialising in macroeconomics, international economics and financial stability, and is a director of Red Eléctrica. He has been the IMF's main economist and the chief economist and head of economic research at Banco Central Hispano and Banco Santander. Similarly, he is manager of Pividal Consultores, S.L.U.
MR. ALFREDO LAFITA PARDO	A state attorney, he has been a member of Bankia's board of directors being recently designed as Independent Coordinating Director on October 2013. President of the Audit and Compliance Committee since June 2012. In addition, he is member of the Appointments and remunerations Committee since May 2013. He has also being Director at Banco Financiero y de Ahorros and a member of its audit and compliance committee. He is also a director-secretary of the Juan March Foundation and sits on the board of trustees of the Foundation for Aid against Drug Addition. He was formerly the executive vice chairman of Banca March, chairman of Banco de Asturias and Banco NatWest España, vice chairman of Banco Guipuzcoano, and held directorships at Signet Bank of Virginia, Corporación Financiera Alba, Philip Morris España, FG de Inversiones Bursátiles, Larios and the Zeltia Group, as well as being a director and founder of the Cambio 16 Group. .
MR. ÁLVARO RENGIFO ABBAD	He holds a degree in Economics and Business Studies from CUNEF. He has been a member of Bankia's board of directors and the Appointments and Remuneration Committee since June 2012. He is a member of the State Corps of Trade Experts and Economists and is the chairman of the Bombardier Group in Spain. He was formerly the general manager of international trade at the Isolux Corsán Group, general manager for international operations at the Leche Pascual Group and executive director and director of the Inter-American Development Bank.

Total number of independent directors	8
% of the board	80.00%

Indicate whether any director classified as independent receives any amount or benefit from the company or from his/her own group, in any concept other than the remuneration as a board member, or whether he/she maintains or has maintained a business relation with the company or with any company within its group during the last financial year, in his/her own name or as significant shareholder, board member or top executive of a company that maintains or has maintained such relationship.

Yes

As the case may be, the board shall include a statement outlining the reasons why it deems that said board member can perform his/her duties in the capacity as independent board member.

Personal or Corporate Name of board member	Relationship Description	Reasons
MR. JOAQUÍN AYUSO GARCÍA	Financing agreements between Bankia and the Ferrovial Group	The Board of Directors of Bankia, S.A., based on report by the Appointments and Remuneration Committee considers that MR. Joaquín Ayuso García, member of the Board of Directors of Ferrovial, S.A, can continue to be classified as an independent director of Bankia, S.A. despite the commercial relations between Bankia, S.A. and Ferrovial S.A. or group companies, given (i) the ordinary nature of the relations, with business conducted under general market terms; (ii) Bankia, S.A.'s generally rigorous procedures for engaging construction and services, which were applied in this case; (iii) the non-intervention by this director in the negotiations and decision-making processes of either party; and (iv) the express intervention of the Board of Directors and the Audit and Compliance Committee given the related-party nature of the relationship.
MR. FRANCISCO JAVIER CAMPO GARCÍA	Financing agreements between Bankia and the group Food Service Project, Grupo Empresarial Palacios Alimentación and Meliá Hotels International.	The Board of Directors of Bankia, S.A., based on report by the Appointments and Remuneration Committee considers that MR. Francisco Javier Campo García, member of the Board of Directors of Food Service Project, Grupo Empresarial Palacios Alimentación and Meliá Hotels International, can continue to be classified as an independent director of Bankia, S.A. despite the commercial relations between Bankia despite the commercial relations between Bankia, S.A. and Food Service Project, Grupo Empresarial Palacios Alimentación and Meliá Hotels International or group companies, given (i) the ordinary nature of the relations, with business conducted under general market terms; (ii) Bankia, S.A.'s generally rigorous procedures for engaging construction and services, which were applied in this case; (iii) the non-intervention by this director in the negotiations and decision-making processes of either party.
MRS. EVA CASTILLO SANZ	Financing Agreements between Bankia and Telefonica, S.A.	The Board of Directors of Bankia, S.A., based on report by the Appointments and Remuneration Committee considers that MRS. Eva Castillo Sanz, member of the Board of

		Directors of Telefónica, S.A., can continue to be classified as an independent director of Bankia, S.A. despite the commercial relations between Bankia despite the commercial relations between Bankia, S.A. and Telefónica, S.A or group companies, given (i) the ordinary nature of the relations, with business conducted under general market terms; (ii) Bankia, S.A.'s generally rigorous procedures for engaging construction and services, which were applied in this case; (iii) the non-intervention by this director in the negotiations and decision-making processes of either party; and (iv) the express intervention of the Board of Directors and the Audit and Compliance Committee given the related-party nature of the relationship.
MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO	Financing agreements between Bankia and the ALSA Group.	The Board of Directors of Bankia, S.A., based on report by the Appointments and Remuneration Committee, considers that Jorge Cosmen Menéndez-Castañedo, a member of the Board of Directors of the ALSA Group, can continue to be classified as an independent director of Bankia, S.A. despite the commercial relations between Bankia, S.A. and the ALSA Group or group companies, given (i) the ordinary nature of the relations, with business conducted under general market terms; (ii) Bankia, S.A.'s generally rigorous procedures for engaging construction and services, which were applied in this case; (iii) the non-intervention by this director in the negotiations and decision-making processes of either party; and (iv) the express intervention of the Board of Directors and the Audit and Compliance Committee given the related-party nature of the relationship
MR. JOSÉ LUIS FEITO HIGUERUELA	Financing Agreement between Bankia and Mundigestión.	The Board of Directors of Bankia, S.A., based on report by the Appointments and Remuneration Committee considers that MR. José Luis Feito Higueruela, significant sharehlolder of Mundigestión, can continue to be classified as an independent director of Bankia, S.A. despite the commercial relations between Bankia, S.A. and Mundigestión, given (i) the ordinary nature of the relations, with business conducted under general market terms; (ii) Bankia, S.A.'s generally rigorous procedures for engaging construction and services, which were applied in this case; (iii) the non-intervention by this director in the negotiations and decision-making processes of either party.

OTHER EXTERNAL BOARD MEMBERS

Explain the reasons why these cannot be considered independent or proprietary, and detail their connections with the company, its executives or shareholders.

Indicate the variations, if applicable, that occurred during the period in the typology of each board member:

C.1.4 Complete the following table with the information on the number of female board members for the last four financial years, including the capacity of such board members:

	Number of Female Board Members				% of total of board members in each typology			
	Year 2013	Year 2012	Year 2011	Year 2010	Year 2013	Year 2012	Year 2011	Year 2010
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Propietary Director	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	1	1	2	0	12.50%	12.50%	40.00%	0.00%
Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	1	1	2	0	10.00%	10.00%	11.00%	0.00%

C.1.5 Explain, as the case may be, the measures taken by the company to ensure the inclusion of females onto the Board of Directors in an amount that may ensure the male/female equilibrium.

Explanation of the measures
To ensure a sufficient number of female directors on the Board of Directors to guarantee an even balance between men and women, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, approved at its meeting of 29 August 2012, an amendment to article 15 of the Regulations of the Board of Directors, as explained in the following section (C.1.6.).

C.1.6 Explain the measures, as the case may be, that the Appointments Committee may have agreed upon to ensure that selection procedures refrain from implicit bias that would otherwise impede the selection of female members, and that the company purposefully seeks to include and includes female candidates that meet the professional profile sought:

Explanation of the measures
Article 15 of the Regulations of the Board of Directors stipulates that the Appointments and Remuneration Committee shall be responsible for submitting to the Board of Directors proposals to appoint independent directors by co-option or, where applicable, submitting the proposal to the vote at the General Shareholders' Meeting, along with any proposals to re-elect or dismiss these directors by the General Shareholders' Meeting. The Appointments and Remuneration Committee shall also submit non-binding proposals of the Board of Directors to appoint the remaining directors by co-option or, where applicable, submitting the proposal to the vote at the General Shareholders' Meeting, along with any proposals to re-elect or dismiss these directors by the General Shareholders' Meeting. The Committee will ensure, in cases where there are few or no female directors, that the selection procedures are not subject to implicit bias that could obstruct the selection of female directors should any new vacancies arise, and make a conscious effort to search for female candidates who have the required profile.

If albeit the measures implemented, as the case may be, the number of female board members is still scarce or non-existent, explain the reasons to justify such scarcity:

Explanation of Reasons
Bankia is line with the average for companies listed on the Ibex of 10% representation of women. Therefore, it does not have few women directors. In any event, article 15 of the Regulation of the Board of Directors states that the Appointments and Remuneration Committee is responsible for ensuring that, in cases where there are very few or no female directors, when new vacancies arise there is no implicit bias in the selection procedures which could obstruct the selection of female directors, endeavouring to have women who meet the required professional profile included in the potential candidates.

C.1.7 Explain the manner in which shareholders with significant shares are represented on the board.

There are no proprietary directors on Bankia S.A.'s Board of Directors. Of the 10 directors making up the board, 2 are executive and 8 are independent.

At 31 December 2013, Banco Financiero y de Ahorros, S.A.U. (BFA) is the only shareholder of Bankia, S.A., that has the consideration of significant shareholder. At this date, the ownership At 31 December 2013, Banco Financiero y de Ahorros, S.A.U. holds 7,877,272,186 shares representing 68.395% of Bankia´s share capital (48.045% at 31 December 2012).

Since 27 June 2012, BFA is wholly owned by the Fund for Orderly Bank Restructuring (FROB), an institution under public law with its own legal personality and full public and private capacity to pursue its objectives, which is to manage credit institution restructuring and resolution processes.

At any rate, at the general meeting of shareholders of Bankia, S.A. held on 29 June 2012, on item 3 of the Agenda, the proposed appointments and ratification of directors were approved with 95% votes in favour of all valid votes and abstentions, equivalent to 57% of Bankia, S.A.'s share capital at the date of the meeting.

C.1.8 Explain, as the case may be, the reasons why proprietary members were appointed at the request of shareholders with stakes amounting to less than 5 % of the stock capital:

Detail any failure to address formal requests for board representation made by shareholders with stakes equal to or exceeding that of others at whose request proprietary members were appointed. If so, explain the reasons why the request was not entertained.

Yes ☐ **No X**

C.1.9 Indicate whether any board member has resigned his/her post before the end of his/her term of office, whether reasons were given to the Board and how, and, if in writing to the entire Board, at least explain the reasons given by the board member:

C.1.10 Indicate, if any, the powers delegated by any Chief Executive Officers:

Personal or corporate name of board member	Brief description
MR. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHE	The chairman of the Board of Directors has broad powers of representation and administration in accordance with the characteristics and requirements of the position of executive chairman of the entity, with all power vested in him except for those that cannot be delegated by law or the Bylaws.

C.1.11 Identify, if any, the board members that hold administrator or directive positions in other companies making up the group of companies listed on the stock market:

C.1.12 Provide details, if any, of company Board members who also sit on the boards of other entities not belonging to the same business unit and are listed on the Spanish Stock Exchange, of which the company is aware:

Name of the Board member	Corporate name of the listed company	Post or duties
MR. JOAQUÍN AYUSO GARCÍA	FERROVIAL, S.A.	DEPUTY CHAIRMAN
MR. JOAQUÍN AYUSO GARCÍA	NATIONAL EXPRESS GROUP, PLC.	DIRECTOR
MR. FRANCISCO JAVIER CAMPO GARCÍA	MELIÁ HOTELS INTERNATIONAL, S.A.	DIRECTOR
MRS. EVA CASTILLO SANZ	TELEFÓNICA, S.A.	DIRECTOR
MR. JORGE COSMEN MENÉNDEZ- CASTAÑEDO	NATIONAL EXPRESS GROUP, PLC.	DEPUTY CHAIRMAN
MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	RED ELÉCTRICA DE ESPAÑA, S.A.	DIRECTOR

C.1.13 Indicate and, where appropriate, explain whether the company has established rules about the number of boards on which its Directors may sit.

Yes X **No**

Explanation of rules
The limitations set forth in Law 31/1968 of 27 July on incompatibilities of private banking senior officers are of particular importance, establishing the maximum number of boards of directors to which a director of a credit institution can belong. In accordance with article 31.1 of the Regulations of the Board of Directors of Bankia, S.A., directors may not, for themselves or on behalf of another, engage in a business that is the same as or comparable or complementary to the business constituting the corporate purpose of the Company. In these cases, the Corporate Enterprises Act is applicable, whereby this prohibition is rendered without effect if explicit authorisation by the Company is obtained through a resolution adopted at the general meeting. Directors must disclose this to the Board of Directors. Article 31 of the Regulations of the Board of Directors also states that before accepting any executive position with another company or entity, the director must consult with the Appointments and Remuneration Committee. Furthermore, article 32 of the Regulations states that directors may not directly or indirectly engage in professional or commercial transactions with the Company unless they provide advance notice of the conflict of interest and the board approves the transaction on the basis of a report of the Appointments and Remuneration Committee.

C.1.14 State the company's general policies and strategies that the board has reserved the powers to approve in plenary session:

	YES	**NO**
Investment and financing policy	X	
Definition of the structure of the group of companies	X	
Corporate governance policy	X	
Corporate social responsibility policy	X	
The strategic or business plan, management targets and annual budgets	X	
Senior staff performance remuneration and evaluation policy	X	
Risk control and management policy, and the regular monitoring of internal information and control systems	X	
Dividend and treasury stock policies and especially their limits	X	

C.1.15 Indicate the total remuneration of the Board of Directors

Comprehensive remuneration of the Board of Directors (in thousands of Euros)	1,800
Amount of the comprehensive remuneration for the concept of accumulated pension entitlements (in thousands of Euros)	0
Total remuneration of the Board of Directors (in thousands of Euros)	1,800

C.1.16 Identify any senior management staff that is not also an executive board member, and indicate the total remunerations paid to them staff during the financial year:

Personal or Corporate Name	Post
MR. ANTONIO ORTEGA PARRA	GENERAL MANAGER OF PERSONNEL, RESOURCES AND TECHNOLOGY
MRS. AMALIA BLANCO LUCAS	ASSISTANT GENERAL MANAGER OF COMMUNICATION AND EXTERNAL RELATIONS
MR. MIGUEL CRESPO RODRÍGUEZ	GENERAL SECRETARY
MR. IÑAKI AZAOLA ONAINDIA	INTERNAL AUDIT DIRECTOR

Total of remunerations for senior executives (in thousands of Euros)	1,471

C.1.17 Identify, if any, the members of the Board of Directors who are also members of the Board of Directors of companies that hold significant shares and/or group entities:

Personal or Corporate Name of board member	Corporate name of significant shareholder	Post
MR. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHE	BANCO FINANCIERO Y DE AHORROS, S.A.U.	CHAIRMAN
MR. JOSÉ SEVILLA ÁLVAREZ	BANCO FINANCIERO Y DE AHORROS, S.A.U.	DIRECTOR
MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	BANCO FINANCIERO Y DE AHORROS, S.A.U.	DIRECTOR

Provide details of any relevant relations, as the case may be, other than those contemplated in the previous section, between members of the Board of Directors and significant shareholders and/or group entities:

C.1.18 Indicate whether any of the rules and regulations of the board were amended during the financial year:

Yes X **No**

Description of amendments
The Board of Directors, based on report of the Audit and Compliance Committee, agreed on 20 March 2013 to amend the following articles of the Regulations of the Board of Directors: sections 1, 2 and 3 of article 9 (“The Chairman of the Board”), sections 1 and 2 of article 10 (“Vice Chairman”), section 1 of article 14 (“Executive Committee”), sections 1 and 2 of article 15 (“Audit and Compliance Committee”), sections 1 and 2 of article 16 (“The Appointments and Remuneration Committee”), section 1 of article 18 (“Meetings of the Board of Directors”), and sections 4 and 7 of article 22 (“Appointment, Re-election and Ratification of Directors. Appointment of Members of Board Committees. Appointment to Positions on the Board and its Committees"), section 1 of article 23 (“Term of Office”), section 3.a) of article 24 (“Removal of Directors”), article 25 (“Procedure for Removal or Replacement of Members of the Board or its Committees and Positions on those Bodies”, section 4 of article 28 (“Remuneration of Directors”), article 30 (“General Obligations of a Director”), article 32 (“Non-Competition Obligation”) and 5 of article 37 (“Related Party Transactions”); and renumbering of the articles of the Regulations as a result of the elimination of article 10 (“The Vice Chairman”). In addition, based on a favourable report by the Audit and Compliance Committee, the Board of Directors, at its meeting of 24 April 2013, agreed to add two new paragraphs to section 1 of article 9 of the Regulations of the Board of Directors regarding the coordinating independent director. The purpose was to introduce certain amendments of a technical nature and amendments to adapt to the Code of Good Corporate Governance. (See Section H for the texts of the amended articles).

C.1.19 Indicate the procedures for the selection, appointment, reelection, appraisal and removal of Board members. Provide details of the competent bodies, the processes to be followed and the criteria employed in each of the procedures.

Directors shall be appointed, re-elected and ratified by the General Shareholders' Meeting or by the Board of Directors in conformity with the provisions set forth in prevailing legislation and in article 40 of the Company's Bylaws and article 21 of the Regulations of the Board of Directors.

In particular, the Board of Directors may appoint shareholders as directors by co-option to cover vacancies arising during the term of office of the directors. Directors appointed by co-option shall provisionally hold the post until the date of the first General Shareholders' Meeting after being appointed by co-option, inclusive, which may resolve to ratify their appointment, whereby the appointment as director shall become outright. In any event, from the date of appointment, directors appointed by co-option shall have the same rights and obligations as directors appointed directly by the General Shareholders' Meeting.

Directors appointed by co-option shall immediately stand down if their appointment is not ratified in the first General Shareholders' Meeting after they are appointed.

Proposals for the appointment, re-election and ratification of directors which the Board of Directors submits to the General Shareholders' Meeting, as well as appointments adopted by the board by virtue of its legal powers of co-option are, in turn, subject to a report from the Appointments and Remuneration Committee.

With the exception of appointment by co-option, in order to be appointed as a member of the Board of Directors, it is not necessary to be a shareholder. The members of the Board of Directors must satisfy the requirements of banking regulation to be considered to be honourable persons suitable for exercise of that function. Supervening failure to satisfy those requirements will be grounds for removal of the director.

If a legal person is appointed as member of the Board of Directors, it must designate a single individual to exercise the functions of a director. in this case, both the individual and the legal person are required to fulfil the requirements of banking regulation established in the preceding paragraph. Supervening failure of the individual representative to satisfy these requirements will not be grounds for removal of the legal person that is the director, provided that the individual representing it is replaced within a term of ten days.

Candidates for the post of director must be individuals that are renowned for their honourablility, competence, standing and experience in the finance sector.

Persons appointed as directors must fulfil the requirements stipulated by Law and in the Bylaws, and on accepting the position, formally undertake to comply with the obligations and duties set out in the foregoing and in these Regulations.

The Chairman will organise and coordinate the periodic evaluation of the board with the chairmen of the Audit and Compliance Committee and the Appointments and Remuneration Committee. In addition, based on the report prepared by the Appointments and Remuneration Committee, the board will evaluate the chairman's performance on a yearly basis. Evaluation of the chairman is overseen by the chairman of the Appointments and Remuneration Committee.

Directors shall tender their resignation when their term of office has expired, when the General Shareholders' Meeting so decides or when circumstances require them to stand down.

Any proposal by the Board of Directors to dismiss an external director before the period of appointment stipulated in the Bylaws has elapsed should be based on and supported by a corresponding report from the Appointments and Remuneration Committee.

Without prejudice to the above, directors must place their directorships at the Board of Directors' disposal and, if the board deems it appropriate, tender their resignation in the cases stated in the article 23 of the Company´s Bylaws

C.1.20 Indicate whether the Board of Directors has evaluated its activities during the financial year:

Yes X **No** ☐

If so, explain to what extent the self-assessment has given rise to significant changes in its internal organization and regarding the procedures followed in its activities:

Description of significant changes
As a result of the evaluation of the performance of the Board of Directors, the Board of Directors submitted a proposal to amend the Bylaws with respect to the evaluation process in order to introduce the figure of coordinating independent director.

C.1.21 Indicate the cases in which Board members are obliged to resign.

In addition to the scenarios set forth in legislation applicable to credit institutions and corporations, article 23 of the Regulations of the Board of Directors stipulates that directors shall tender their resignation when their term of office has expired, when the General Shareholders' Meeting so decides or when circumstances require them to stand down.

Any proposal by the Board of Directors to dismiss an external director before the period of appointment stipulated in the Bylaws has elapsed should be based on and supported by a corresponding report from the Appointments and Remuneration Committee.

Without prejudice to the above, directors must place their directorships at the Board of Directors' disposal and, if the board deems it appropriate, tender their resignation in the following cases:

- When they are subject to any of the cases of incompatibility or prohibition provided by Law;

- When they have been indicted for an alleged crime or are subject to disciplinary proceedings for a serious or very serious infractions imposed by the supervisory authorities.

For these purposes, any director of the Company must advise the Board of Directors of the existence of circumstances that could be detrimental to the credit and reputation of the Company, in particular of criminal actions in which the director is an accused, as well as subsequent procedural developments.

If a director is indicted or tried for any of the crimes specified in section 213 of the Corporate Enterprises Act, the board shall examine the matter as promptly as possible and, in view of the particular circumstances, decide where or not the director should be called on to resign.

- When they have been seriously admonished by the Audit and Compliance Committee for violating their obligations as directors.

- When their remaining as directors could present a reputation risk to the interests of the Company.

C.1.22 Indicate whether it is the chairman of the Board of Directors who also serves as the company's chief executive. If so, outline the measures taken to limit the risks entailed in concentrating powers in a single person

Yes X **No ☐**

Measures to limit risks
As set forth in article 9 of the Regulations of the Board of Directors and in article 44 of the Company´s Bylaws, the chairman of the Board of Directors will be the chief executive of the Company and will have the maximum authority necessary for exercise of that position, without prejudice to the authority, if any, given to the chief executive officer. The Board of Directors of Bankia, S.A. comprises 10 directors, of which 8 are external independent and 2 are executive directors; i.e. independent directors make up 80% of the Board of Directors. In addition, pursuant to the amendments to the Bylaws and to the Regulations of the Board of Directors approved by the general meeting of shareholders of Bankia, S.A., certain measures have been taken to limit the risk of powers being concentrated in a single person, including the following: - The figure of coordinating independent director has been included in and is regulated by the Bylaws (article 44). The coordinating independent director will gather all questions and concerns communicated thereto by the non-executive directors, and may request call of the Board of Directors and inclusion of items on the agenda, in addition to other powers as explained in the following section.

- The requirement to have four directors to call a meeting of the board has been removed. The board may not meet at the request of one of the independent directors, which may request inclusion of matters on the Agenda (article 41 of the Bylaws).
- The composition of the Audit and Compliance Committee has been amended. Whereas previously it was formed by a majority of external or non-executive directors, with a maximum of 7 and a minimum of 3, it is now formed exclusive by non-executive directors, the majority independent, with a minimum of 3 and a maximum of 5 (article 46 of the Bylaws).
- The composition of the Appointments and Remuneration Committee has been amended. Whereas previously it was formed by a majority of external or non-executive directors, with a maximum of 7 and a minimum of 3, it is now formed by a majority of independent directors, with a minimum of 3 and a maximum of 5 (article 47 of the Bylaws). In addition, the Committee will now be chaired by an independent director (article 15 of the Regulations of the Board of Directors).
- The Regulations of the Board of Directors (article 9) now authorise any director to request additional information and advice they may require for the performance of their functions, and ask the Board of Directors to seek help from independent experts on matters within its purview that are of particular complexity or importance.
- A rule has been established whereby as required by the Audit and Compliance Committee or the Appointments and Remuneration Committee, their meetings should be attended by other directors, including executive directors, senior managers and any employee (articles 14 and 15 of the Regulations of the Board of Directors).

Indicate and, if so, explain whether rules have been established to empower any independent board member to request the convening of a board meeting, or to include new items on the agenda, in order to coordinate and echo the concerns of external board members and to oversee the assessment by the Board of Directors:

Yes X **No □**

Explanation of the rules
As indicated previously, in accordance with article 44 of the Bylaws, when the chairman of the board is the first executive of the Company, the Board of Directors may appoint, from among the independent directors, on proposal of the Appointments and Remuneration Committee, a coordinating independent director who will gather all questions and concerns communicated thereto by the non-executive directors, and may request call of the Board of Directors and inclusions of points on the agenda. In particular, the coordinating independent director will assume the task of organising the possible common positions of the independent directors and will serve as an intermediary or spokesman for such common positions. The term of service as the coordinating independent director will be three years, with no successive re-election. Status as the coordinating independent director will cease by expiration of the term for which the coordinator was appointed, and when the coordinator ceases to be a director, when being a director the coordinator loses status as an independent director, or when so resolved by the Board of Directors upon proposal of the Appointments and Remuneration Committee. In addition, in accordance with article 41 of the Bylaws of Bankia, S.A., the Board of Directors will meet on request of one of the independent directors, which may request inclusion of matters on the Agenda. In this case, the chairman will call the extraordinary meeting within a maximum term of three business days after receipt of the request, to be held within the three following business days, including the agenda items to be considered at the meeting.

C.1.23 Does the company require supermajorities other than the legal majorities for any type of resolution? If so, provide a description of the differences

Yes □ **No X**

C.1.24 Explain whether there are specific requirements other than those relating to Board members for being appointed Chairman of the Board of Directors.

Yes ☐ **No X**

C.1.25 Indicate whether the Chairman has a deciding vote:

Yes X **No** ☐

Matters in which there is a deciding vote
The final point of article 42.1 of the Bylaws states that in the event of a tie, the chairman will have the casting vote.

C.1.26 Indicate whether the Bylaws or board regulations establish any age limit on board members:

Yes ☐ **No X**

C.1.27 Indicate whether the Bylaws or board regulations establish a limited mandate for independent board members, other than established in the law:

Yes ☐ **No X**

C.1.28 Indicate whether the Bylaws or the Board of Directors' regulations establish specific regulations for delegating voting rights on the Board of Directors, how it is done and, in particular, the maximum number of delegations that may be conferred on a board member, as well as whether it has been made compulsory to delegate in a board member of similar class. If so, provide brief details of said regulations.

According to article 18.1 of the Regulations of the Board of Directors, the directors will do everything possible to attend meetings of the board. When they cannot do so in person, they will arrange to grant voting proxies to another member of the board. Proxies will be granted on a special basis for the meeting of the Board of Directors in question, when possible with instructions. Notice thereof may be given in any of the ways contemplated in the section 2 of article 17 of the Regulations of the Board of Directors.

Similarly, article 29.b of the Regulations of the Board of Directors states that a director is required to attend the meetings of the bodies of which he is a member and actively participate in the deliberations so that his judgment effectively contributes to decision-making. If, for a justified reason, a director is unable to attend meetings to which he has been called, he to the extent possible must instruct the director who will represent him.

C.1.29 Indicate the number of board meetings held during the financial year. Likewise indicate, if any, the number of times the Board met without the chairman in attendance. Proxies granted with specific instructions for the meeting shall be counted as attendances:

Number of board meetings	18
Number of board meetings without the attendance of the Chairman	0

Indicate the number of meetings held by the different board Committees during the financial year

Committee	Number of meetings
Audit Committee	18
Appointments and Remunerations Committee	14
Board of Risk Committee	37

C.1.30 Indicate the number of board meetings held during the year with the attendance of all its members. Proxies granted with specific instructions for the meeting shall be counted as attendances:

Attendance of Board Members	12
% of attendances of the total votes cast during the year	96.11%

C.1.31 Indicate whether the individual and consolidated financial statements submitted for approval to the Board of Directors are previously certified:

Yes X **No**

Identify, as the case may be, the person or persons who certified the company's individual and consolidated financial statements, for their approval by the Board:

Name	Post
MR. SERGIO DURÁ MAÑAS	GENERAL CONTROL MANAGER

C.1.32 Explain, if any, the mechanisms put in place by the Board of Directors to ensure that board-prepared individual and consolidated financial statements are not presented at shareholders' general meetings if the audits report contains reservations.

Article 53.3 of the Bylaws establishes that the Board of Directors shall endeavour to prepare the financial statements in such a way that will not result in qualifications by the statutory auditor. Nevertheless, when the Board believes it must maintain its position, it will, through the Chairman of the Audit and Compliance Committee, publicly explain the substance and scope of the difference and, also, will arrange for the statutory auditor also to state its comments in this regard.

Through the Audit and Compliance Committee, the Board of Directors oversees the entire process of preparing and issuing the financial statements of the Bank and its Group, and any quarterly and interim financial reports that are prepared. One of the aims of this control and on-going contact with the auditor is to avoid qualifications in the Audit Report.

Bankia's Audit and Compliance Committee consists solely of independent directors, and shall perform all the duties set forth in applicable legislation (especially banking regulations). In particular but not exclusively, its basic responsibilities include the following:

- Monitoring the effectiveness of the internal control of the Company, the internal audit, if any, and the risk management systems, and discussing significant weaknesses in the internal control system detected in the course of the audit with the auditors or audit firms

- Overseeing the process for preparing and submitting regulated financial information, in particular:
  - Reviewing the Company's financial statements, monitoring compliance with legal requirements and the proper application of generally accepted accounting principles, and reporting on the proposals for amendments to the accounting principles and standards suggested by management;

- Reviewing the issue prospectuses and the periodic financial information which, if any, the board must provide to the markets and the market supervisory authorities.
- Proposing to the Board of Directors for submission to the General Shareholders' Meeting, the appointment of external auditors, referring proposals for selection, appointment, re-appointment and replacement thereof to the board, and the terms of engagement thereof.

- Establishing the appropriate relationships with the auditors to receive information regarding such questions as may compromise their independence, for review by the Committee, and any other issues related to the process of the audit, as well as receiving and disclosing information from and to the auditor as provided for in applicable audit legislation and standards. In particular:
  - Acting as a communications channel between the board and the auditors, assessing the results of each audit and the response of the management team to its recommendations, and mediating in the event of disputes between the board and the auditor regarding the principles and standards to be applied in the preparation of the financial statements.
  - Receiving regular information from the external auditor on the progress and findings of the audit plan and verifying that senior management are acting on its recommendations;
  - Supervising compliance with the audit contract, endeavouring to ensure that the opinion on the annual financial statements and the main content of the auditors' report are drafted clearly and accurately;
  - Assuring the independence of the auditor as set forth in section C.1.35 of this report.

- Annually, prior to the issue of the audit report, the Committee shall issue a report stating an opinion regarding the independence of the auditors or audit firms. This report must address the provision of any additional services referred to in the preceding section.

C.1.33 Is the Board Secretary also a board member?

Yes ☐ **No** X

C.1.34 Explain the procedures for the appointment and removal of the Secretary to the Board, indicating whether they are proposed by the Appointments Committee and approved by plenary session of the Board

Appointment and Removal Procedure
According to article 44.6 of the Bylaws of Bankia, S.A., the Board of Directors will appoint a Secretary and, optionally, an assistant Secretary, capable of performing the duties inherent in those positions. The respective appointments may be of persons who are not directors, in which cay they will act with voice but not vote. The Assistant Secretary will replace the Secretary in cases of absence, unavailability, incapacity or vacancy. According to the article 15.7 of the Board of Directors Regulation, the Appointments and Remuneration Committee will have general authority to propose and report on remuneration and nominating matters and removal of directors and senior managers. In particular, without prejudice to other tasks assigned to it by the Board, the following duties will correspond to the Appointments and Remunerations Committee: h) Ensuring the independence, impartiality and professionalism of the Secretary and deputy Secretary to the Board of Directors, and reporting on their appointment and removal to be approved by board plenary sessions.

	Yes	**No**
Does the Appointments Committee report on appointments?	X	
Does the Appointments Committee report on removals?	X	
Does the plenary session of the Board approve appointments?	X	
Does the plenary session of the Board approve removals?	X	

Is the Secretary to the Board entrusted with the duty of ensuring compliance with the recommendations on good governance?

Yes X **No □**

Comments
Pursuant to article 11 of the Regulations, the Secretary in any event will see to the formal and substantive legality of the actions of the board, and will ensure that they are in accordance with the letter and spirit of the laws and the regulations thereof, including those approved by regulatory agencies, and that they are in accordance with the Company's Bylaws and the Regulations of the Company's Board and other regulations.

C.1.35 Indicate, as the case may be, the mechanisms established by the company to preserve the independence of the external auditors, financial analysts, investment banks and rating agencies.

As stipulated in article 46 of the Company´s Bylaws and 14 of the Regulations of the Board of Directors, the Audit and Compliance Committee is responsible, inter alia, for ensuring the independence of the external auditor and therefore:

- maintaining relationships with the statutory auditor in order to gather information on matters that may call its independence into question, as well as any other matters relating to the audit process, and engaging in such other communications with the statutory auditor as are contemplated in the audit legislation and technical standards for audits.

- ensuring that the Company and the auditor comply with current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence; and

- in the event of resignation of the external auditor, reviewing the underlying reasons.

The functions of the Audit and Compliance Committee of Bankia, S.A. include, among others, assuring the independence of the external auditor, and to that end:In any event, annually it must receive written confirmation from the auditors of their independence as regards the entity or directly or indirectly related entities, and information on additional services of any kind provided to these entities by the aforesaid auditors, or by the persons or entities related thereto in accordance with the provisions of the Audit Act. In addition, the Audit and Compliance Committee must annually, prior to the issue of the audit report, issue a report stating an opinion regarding the independence of the statutory auditors. This report in any event must address the provision of the additional services referred to previously.

No express provision is made regarding analysts and investment banks with the following clause of the Regulations of the Board of Directors applying in a general sense. Article 39 of the Regulations stipulates that the board shall establish mechanisms for exchanging information on a regular basis with institutional investors that are company shareholders, and that relations between the board and institutional investors may not result in delivery to such shareholders of information that could put them in a privileged of advantageous situation over other shareholders.

C.1.36 Indicate whether the company has changed its external auditor during the financial year. If so, identify the incoming and outgoing auditors

Yes X **No □**

Outgoing auditor	Incoming auditor
DELOITTE, S.L.	ERNST & YOUNG, S.L.

In the event of disagreements with the outgoing auditor, please provide details:

Yes □ **No X**

C.1.37 Indicate whether the audit firm performs other non-audit work for the company and/or its business group and, If so, state the total fees paid for such work and the percentage this represents of the fees billed to the company and/or its business group:

Yes X **No**

	Company	Group	Total
Fees for non-audit work (in thousands of Euros)	674	0	674
Fees for non-audit work/total amount invoiced by the audit firm (in %)	29.65%	0.00%	24.97%

C.1.38 Indicate whether the audit report on the financial statement for the previous financial year contains reservations or qualifications. If so, detail the reasons given by the Chairman of the Audit Committee to explain the content and scope of such reservations or qualifications.

Yes **No X**

C.1.39 State the number of consecutive years during which the current audit firm has been auditing the financial statement of the company and/or its business group. Also indicate the percentage of years the current audit firm has been auditing the accounts over the total number of years the financial statement have been audited:

	Company	Group
Number of consecutive years	1	1
Number of years audited by the current auditing company / number of years the company has been audited	5.55%	33.33%

C.1.40 Indicate and, if applicable, provide detail of the procedure by which directors may seek external consultancy:

Yes X **No**

Details of the procedure
Article 26 of the Regulations of the Board of Directors stipulates that directors are vested with the broadest powers necessary to obtain information on any aspect of the Company, to examine its ledgers, accounting records, documents and other information on corporate operations, and to inspect all its facilities. In order not to disrupt the day-to-day management of the Company, powers of information shall be exercised through the Chairman or the Secretary to the Board of Directors, who shall respond to the requests made by the director by directly providing them with the information, offering them the appropriate parties with whom to interact at such level of the organisation as may be fit, or taking any steps that may be appropriate so that the director may carry out an on-site examination or inspection as requested by them. The Chairman or Secretary may refuse access to the information if they consider that: (i) it is not necessary for the director to correctly perform their duties; or (ii) the importance of the issue does not warrant the cost of obtaining the information given the value of the Company's assets and revenue.

Moreover, according to article 9.3 of the Regulations of the Board of Directors, the chairman, as the person responsible for the efficient functioning of the Board of Directors, will see to it that the directors receive sufficient information for performance of their duties; that the directors are able to obtain any additional information and advice they may require for the performance of their functions; and that the Board of Directors is able to seek help from independent experts on matters within its purview that are of particular complexity or importance. To give new directors a knowledge of the Bank and its corporate governance rules, article 21.7 of the Regulations of the Board of Directors provided for an orientation and support programme. In addition, where circumstances so advice, the company may establish professional update programmes for directors. In line with the inclusion in the Bylaws of Bankia, S.A. of the figure of the coordinating independent directors, independent directors may channel through the coordinating director all the matters and concerns they raise. Its mission is to coordinate and convey the opinions and positions of the independent directors. It also has the authority to request that a meeting of the Board of Directors be convened and add items of business to the agenda. Regarding board Committees, both the Audit and Compliance Committee and the Appointments and Remuneration Committee, for better performance of their duties, may seek the advice of outside professionals on matters within their competence (articles 14.8 and 15.8, respectively, of the Regulations of the Board of Directors).

C.1.41 Indicate and, as the case may be, provide detail of the procedure by which board members can obtain the necessary information in advance to prepare for meetings of the governing bodies

Yes X **No**

Details of the procedure
Article 17.2 of the Regulations of the Board of Directors establishes that meetings of the Board of Directors shall be convened through notices sent to each director setting out in sufficient detail the agenda for the meeting. This notice shall be sent by fax, email or letter to each director at least five days in advance of the meeting, unless the chairman decides that the issues to be discussed are so important that an urgent meeting has to be convened. This can be called by telephone, fax, email or any other remote means with sufficient notice for the directors to fulfil their obligation to attend. Any information the chairman deems is required for the meeting shall also be attached to the notice. Directors may request any additional information that they deem necessary on the areas for which the board is responsible. Information requests should be made to the chairman or the Secretary to the board. Any calls to attend board meetings or any other communiqués to directors shall be sent to the email address the director provided to the Company when they were appointed. The director is responsible for notifying the Company of any change to this address.

C.1.42 Indicate and, as the case may be, provide detail of whether the company established rules that oblige directors to report and, where appropriate, resign in cases where the image and reputation of the company may be at stake

Yes X **No**

Details of the procedure
According to article 40 of the Bylaws, the members of the Board of Directors of Bankia, S.A. must satisfy the requirements of banking regulation to be considered to be honourable persons suitable for exercise of that function. Supervening failure to satisfy those requirements will be grounds for removal of the director. As per article 23 of the Regulations of the Board of Directors, directors must place their directorships at the Board of Directors' disposal, and, if the board deems it appropriate, tender their resignation in the following cases: a) When they are subject to any of the cases of incompatibility or prohibition provided by Law;

b) When they have been indicted for an alleged crime or are subject to disciplinary proceedings for a serious or very serious infractions imposed by the supervisory authorities.

For these purposes, any director of the Company must advise the Board of Directors of the existence of circumstances that could be detrimental to the credit and reputation of the Company, in particular of criminal actions in which the director is an accused, as well as subsequent procedural developments.

If a director is indicted or tried for any of the crimes specified in section 213 of the Corporate Enterprises Act, the board shall examine the matter as promptly as possible and, in view of the particular circumstances, decide where or not the director should be called on to resign.

c) When they have been seriously admonished by the Audit and Compliance Committee for violating their obligations as directors.

d) When their remaining as directors could present a reputation risk to the interests of the Company.

Following the entry into force of Royal Decree 256/2013, of 12 April, which included, in legislation governing credit institutions, the guidelines of the European Banking Authority of 22 November 2012 on the assessment of the suitability of members of the management body and key function holders, the Appointments and Remuneration Committee, at its meeting of 19 June 2013, issued a favourable report on the Procedures Manual for the Assessment of the Suitability of Directors, General Managers or Similar and Key Personnel, which was approved by the Board of Directors on 25 June 2013.

C.1.43 Indicate whether any member of the Board of Directors has informed the company that he/she was tried or formally accused of any of the offences stipulated in Article 213 of the Spanish Corporations Act:

Yes ☐ **No X**

Indicate whether the Board of Directors has analysed the case. If the answer is yes, explain the reasons for the decision taken on whether or not the board member should continue to hold its post or, as the case may be, state the actions that the Board of Directors have taken up to the date of this report or the report intended to be issued later.

Yes ☐ **No X**

C.1.44 List the still valid significant agreements signed by the company, whether modified or terminated in the event of a change in the company's control through a hostile takeover bid, and its effects.

Not applicable

C.1.45 Identify in sum and provide detail of the agreements signed between the company and its administrative, management or employee posts with compensations, guarantees or protection clauses, in the event of resignation or unlawful dismissal or if contractual relationship is abruptly halted because of a hostile takeover bid or other kinds of transactions.

Number of beneficiaries	5

Type of beneficiary	Agreement Description
DIRECTORS AND MEMBERS OF THE BOARD OF DIRECTORS	EXECUTIVE DIRECTORS: The contracts of the two executive directors contain a termination benefit of one year of fixed remuneration if the Company decides to terminate their employment unilaterally or in the event of a change of control of the Company. The contracts also contain a post-contractual non-compete clause equal to one year of fixed remuneration. Pursuant to prevailing legislation, Bankia has amended these contracts, establishing that any compensation and/or amounts received by the executive directors shall comply with Royal Decree-Law 2/2012 and Law 3/2012 MANAGEMENT COMMITEE: The contracts of three senior executives included clauses that set compensation for all items if they are dismissed for legal reasons, except for disciplinary reasons considered legally valid, equivalent to two years' fixed compensation. Pursuant to prevailing legislation, Bankia has amended these contracts, establishing that any compensation and/or amounts received by senior executives must comply with Royal Decree-Law 2/2012 and Law 3/2012.

Indicate whether the governing bodies of the company or its group must be informed of and/or must approve such contracts:

	Board of Directors	General Meeting
Governing Body	Yes	No

	Yes	No
Is the General Meeting informed about the clauses?	X	

C.2 **Committees of the Board of Directors**

C.2.1 Give details of all Committees of the Board of Directors, their members and the proportion of proprietary and independent board members on such Committees

AUDIT AND COMPLIANCE COMMITTEE

Name	Post	Typology
MR. ALFREDO LAFITA PARDO	Chairperson	INDEPENDENT
MR. JOAQUÍN AYUSO GARCÍA	Member	INDEPENDENT
MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO	Member	INDEPENDENT
MR. JOSÉ LUIS FEITO HIGUERUELA	Member	INDEPENDENT

% of executive board members	0.00%
% of proprietary board members	0.00%
% of independent board members	100.00%
% de other external	0.00%

APPOINTMENTS AND REMUNERATIONS COMMITTEE

Name	Post	Typology
MR. JOAQUÍN AYUSO GARCÍA	Chairperson	INDEPENDENT
MR. FRANCISCO JAVIER CAMPO GARCÍA	Member	INDEPENDENT
MR. ALFREDO LAFITA PARDO	Member	INDEPENDENT
MR. ÁLVARO RENGIFO ABBAD	Member	INDEPENDENT

% of executive board members	0.00%
% of proprietary board members	0.00%
% of independent board members	100.00%
% de other external	0.00%

BOARD RISK COMMITTEE

Name	Post	Typology
MR. JOSÉ SEVILLA ÁLVAREZ	Chairperson	EXECUTIVE
MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	Member	INDEPENDENT
MR. FRANCISCO JAVIER CAMPO GARCÍA	Member	INDEPENDENT

% of executive board members	33.33%
% of proprietary board members	0.00%
% of independent board members	66.67%
% de other external	0.00%

C.2.2 Complete the following table using the information relating to the number of female board members who have served on the Board of Directors Committees over the past four financial years:

	Number of Female Board Members							
	Year 2013		**Year 2012**		**Year 2011**		**Year 2010**	
	Number	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**
Audit Committee	0	0.00%	0	0.00%	2	66.66%	0	0.00%
Appointments and Remunerations Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Board Risk Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 Indicate whether the following functions are vested in the Audit Committee

	Yes	No
Monitoring the preparation process and the integrity of the financial report with regards to the company and, as the case may be, the group, verifying compliance with legal requirements and the correct application of accounting criteria, and appropriately specifying the scope of consolidation.	X	
Frequently assessing the internal risks monitoring and management systems so that the main risks are adequately identified, managed and revealed.	X	
Monitoring the independence and efficacy of internal auditing; proposing the selection, appointment, re-election and removal of the head of internal audit; proposing the department's budget; receiving regular feedbacks on its activities; and verifying whether senior management is acting on the findings and recommendations of the reports.	X	
Establishing and supervising mechanisms by which employees may secretly and, if necessary, anonymously report potentially significant, Especially, financial and accounting irregularities, with potentially serious implications for the company	X	
Presenting proposals to the Board of Directors for the selection, appointment, re-selection and substitution of the external auditor, and the contracting conditions.	X	
Regularly receiving information on the audit plan and on the implementation results from the external auditor, and ensuring that the senior management takes the recommendations into account	X	
Ensuring the independence of the external auditor	X	

C.2.4 Describe the rules of organization and function, as well as the responsibilities attributed to each of the Committees of the Board of Directors.

EXECUTIVE COMMITTEE:

The Bylaws and Regulations of the Board of Directors provide the possibility of creating an Executive Committee that will be made up of a minimum of 5 and a maximum of 7 directors.

This Committee has not yet been formed and its members have not yet been appointed due to the low number of directors on the current Board of Directors. In accordance with article 45 of the Company´s Bylaws, the powers of this Committee correspond to the Board of Directors.

AUDIT AND COMPLIANCE COMMITTEE:

The Audit and Compliance Committee will comprise from 3 to 5 external directors (the majority of whom will be independent), without prejudice of the attendance, when agreed by its members, other directors including executive directors, senior management and any employee. The members of the Audit and Compliance Committee will be appointed by the Board of Directors, taking account of knowledge, aptitude and experience in accounting, auditing or risk management.

- The Committee will be chaired by an independent director, who will have the required knowledge in accounting, audit or risk management. The chairman of the Committee must be replaced every four years, and may be re-elected after the term of one year elapses since he left office.
- The Committee will have a Secretary and, optionally, an Assistant Secretary, who need not be directors and may be other than the Secretary and assistant Secretary of the Board of Directors, respectively.
- The Committee will meet as often as called by resolution of the Committee itself or its Chairman, at least four times per year. Any member of the management team or employee of the company that is required to do so must attend its meetings, to cooperate with it and provide access to any information it may have. The Committee also may require the attendance of the statutory auditor. One of its meetings will be used to evaluate the efficiency of and compliance with the Company's governance rules and procedures, and prepare the information the board must approve and include in the annual public documentation.
- There will be a quorum for the Audit and Compliance Committee with the attendance, in person or by proxy, of at least half of its members. It will adopt its resolutions by majority of those in attendance at the meeting, in person or by proxy. In the event of a tie, the chairman shall have the casting vote. The members of the Committee may extend proxies to other members. The resolutions of the Audit and Compliance Committee will be maintained in a minutes book, each entry in which will be signed by the Chairman and the Secretary.
- Without prejudice to other tasks assigned to it by the board, the Audit and Compliance Committee will have all functions given to it by applicable legislation (in particular banking regulations).

(See Basic responsibilities in section H).

APPOINTMENTS AND REMUNERATION COMMITTEE

- The Appointments and Remunerations Committee will comprise from 3 to 5 external directors (the majority of whom will be independent), when it is agreed by the members of the Committee, other Directors, Senior Managers or other employees.
- The members of the Appointments and Remuneration Committee shall be appointed by the Board of Directors, taking into account the directors' knowledge, skills and experience and the remit of the Committee. The Committee shall be chaired by an external director appointed by the Board of Directors. The chairman of the Committee shall be replaced every four years, and may be re-elected once or more times for equal terms.
- The Committee shall have a Secretary and, optionally, a Deputy Assistant Secretary, who need not be Directors and may be persons other than the Secretary and Deputy Assistant Secretary to the Board of Directors, respectively.
- The Committee shall meet as often as it is convened by the Committee itself or its chairman, and at least four times a year. It shall also meet whenever the Board of Directors or its chairman requests a report or the adoption of proposals.
- There will be a quorum when one half plus one of the directors that are members of the Committee are present in person or by proxy.
- The Committee shall adopt resolutions by majority vote of those attending the meeting in person or by proxy. In the event of a tie, the chairman shall have the casting vote.

(See Basic responsibilities in section H).

BOARD RISK COMMITTEE:

- The Board Risk Committee comprise from 3 to 7 directors. The chairman of the Committee will be a director appointed by the Company's Board of Directors.
- Resolutions of the Board Risk Committee will be adopted by majority of the directors comprising the Committee, present at the meeting in person or by proxy. In the event of a tie, the chairman will have a casting vote.
- The Board Risk Committee will have operational authority and, therefore, may adopt the corresponding decisions within the scope of authority delegated by the board.
- The Board Risk Committee will have the specific delegated authority contemplated in the delegation resolution.
- The Board Risk Committee, as the body responsible for overall risk management, will evaluate reputation risk within the scope of its activities and decision-making authority.
- It will be the body responsible for approving the most significant transactions and establishing the overall limits in order for lower-ranking bodies to approve the others, all without prejudice to the supervisory authority legally corresponding to the Audit and Compliance Committee.

(See basic responsibilities in section H).

C.2.5 Indicate, as the case may be, the existence of regulations of Committees of the Board, where they can be reached for consultations and any amendments that may have been made during the financial year. Also state whether annual reports were voluntarily prepared on the activities of each Committee.

AUDIT AND COMPLIANCE COMMITTEE:

The regulations of the Committees are set forth in the Regulations of the Board of Directors(articles 12 and 14) and the Bylaws (articles 44 and 46), which are available on the Company's corporate website www.bankia.com

In 2013, amendments were made to articles 44 and 46 of the Bylaws pursuant to a resolution adopted at the general meeting of shareholders held on 25 June 2013, and to 14 of the Regulations of the Board of Directors pursuant to a resolution adopted by the board on 20 March de 2013, regarding the number and status of the members of the Committee, as indicated in section C.1.18 of this report.

In addition, the chairman of the Appointments and Remuneration Committee furnished the Board of Directors with a report on this Committee's activities during 2012. This report was also delivered to the shareholders at the General Meeting.

APPOINTMENTS AND REMUNERATION COMMITTEE:

The regulations of the Committees are set forth in the Regulations of the Board of Directors (articles 12 and 15) and the Bylaws (articles 44 and 47), which are available on the Company's corporate website www.bankia.com.

In 2013, amendments were made to articles 44 and 47 of the Bylaws pursuant to a resolution adopted at the general meeting of shareholders held on 25 June 2013, and to article 15 of the Regulations of the Board of Directors pursuant to a resolution adopted by the board on 20 March de 2013, regarding the number and status of the members of the Committee and the independent status of its chairman, as indicated in section C.1.18 of this report.

In addition, a report on the activities of the Appointments and Remuneration Committee was presented to the Board of Directors, highlighting the tasks performed by this Committee in relation to its own duties for 2012. This report was made available to all shareholders for the General Meeting of Shareholders held on 25 June 2013.

BOARD RISK COMMITTEE:

The regulations of the Committees are set forth in the Regulations of the Board of Directors (articles 12 and 16) and the Bylaws (articles 44 and 48). Both documents, as well as the components of the Committee are available on the Company's corporate website www.bankia.com

There were no amendments in 2013 affect the composition, responsibilities and functioning of the Board Risk Committee.

C.2.6 Indicate whether the composition of the Executive Committee reflects the participation of the different categories based on their condition on the board:

Yes ☐ **No X**

If the answer is no, explain the composition of the Executive Committee.
Both the Bylaws (article 45) and Regulations of the Board of Directors (article 13) provide the possibility of creating an Executive Committee that will be made up of a minimum of 5 and a maximum of 7 directors. This Committee has not yet been formed and its members have not yet been appointed due to the low number of directors on the current Board of Directors. In accordance with the Bylaws (article 45.1). the powers of this Committee correspond to the Board of Directors.

D CONNECTED TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 Identify the competent organ and explain, as the case may be, the procedure for approving associate and intra-group transactions.

Competent organ for approving associate transactions
Board of Directors

Procedures for approving associate transactions
In accordance with article 36 of the Regulations of the Board of Directors of Bankia, S.A., the board will review transactions the company engages in, directly or indirectly, with directors, with shareholders or with persons related thereto. Engaging in such transactions will require authorisation of the board, after a favourable report from the Audit and Compliance Committee. The aforesaid transactions will be evaluated from the point of view of equal treatment and market terms, and will be included in the periodic public reporting on the terms contemplated in applicable regulations. There will be no obligation to advise the Board, or seek the authorisation contemplated in the preceding section, in the case of transactions with shareholders that simultaneously satisfy the following three conditions: a) They are governed by standard form contracts applied on an across-the-board basis to a large number of clients; b) They go through at market rates, generally set by the person supplying the goods or services, or when the transactions relate to good or services of which there are not established rates; in an arm´s-length basis, similar to those business relations held with similar clients. c) Their amount is no more than 1% of the Company's annual revenues. Transactions with directors in any event will be subject to the authorisation referred to in this article, except in the case of credit, loan or guarantee transactions the amount of which is not more than the amount determined by the Board of Directors, simultaneously satisfying conditions a) and b) as set forth in the preceding section. A director violates his duty of loyalty to the Company if, with prior knowledge, he allows or does not disclose the existence of transactions related thereto, undertaken by the persons indicated in article 32.1 of the Regulations of the Board of Directors, that have not been submitted to the conditions and controls contemplated in this article.

Explain whether the approval of transactions between associate parties was assigned. If so, state the organ to which or persons to whom it was assigned.

No

D.2 Give details of transactions deemed significant due to the amount or relevant due to the aspect between the company and companies of its group, and the significant shareholders in the company:

Personal or Corporate name of significant shareholder	Name of company or entity in the group	Nature of relationship	Type of transaction	Amount (in thousands of Euros)
BANCO FINANCIERO Y DE AHORROS, S.A.U.	BANKIA, S.A.	Contractual	Finance arrangements	3,699,352
BANCO FINANCIERO Y DE AHORROS, S.A.U.	BANKIA, S.A.	Contractual	Finance arrangements	514,131
BANCO FINANCIERO Y DE AHORROS, S.A.U.	BANKIA, S.A.	Contractual	Finance arrangements	377,630
BANCO FINANCIERO Y DE AHORROS, S.A.U.	BANKIA, S.A.	Contractual	Finance arrangements	524,250

D.3 Give details of transactions that are significant due to amount or that are relevant due to the nature between the company and companies of its group, and the managers and directors of the company:

D.4 Report on the significant transactions between the company and other entities in the same group provided they are not eliminated in the process of preparing the consolidated financial statements, and are not part of the normal company transactions with regards to purpose and conditions.

At any rate, report shall be issued on any intra-group transaction with entities in countries or territories classified as tax havens:

D.5 Indicate the amount of the transactions with other connected parties.

D.6 Provide details of any mechanisms in place to detect, determine and resolve possible conflicts of interest between the company and/or its group and its Board members, executives or significant shareholders.

Article 32 of the Regulations of the Board of Directors regulates conflicts of interest that could involve the Bank's directors. This article establishes that directors shall: disclose to the Board of Directors any conflict they may have with the interests of the Company and notify the board immediately should there be a change in the declared circumstances or the conflict of interests no longer exists or new conflicts arise; and refrain from attending meetings and participating in deliberations affecting matters in which the director or person related thereto, is personally interested.

On the other hand, regarding the Regulations for Internal Conduct, RIC, mechanisms used to detect conflicts of interest are essentially based on the obligation of Bankia's directors to declare any such conflict of interest in accordance with the aforementioned article 32 of the Regulations of the Board of Directors. These rules of conduct are available on the Group's corporate website (www.bankia.com).

Article 32 of the RIC directors regulates conflicts of interest and determines that those affected shall inform to the Regulatory Compliance Department and the responsible of the corresponding department of such conflicts of interest. Directors or persons will refrain from attending meetings and participating in deliberations affecting matters in which are related thereto, or give their votes, and will notice it to those persons that will take the decision. General rules to resolve conflicts are included in the article 33 and establishes that where there is a conflict between the Covered Group Entities and a client, the interest of the client shall be protected, and where there is a conflict between clients, care shall be taken not to give preference to either; no account shall details of transactions carried out by one client be disclosed to another; no client shall be induced to carry out a transaction with the aim of benefiting another client.

In addition, the Bankia Group has a Code of Ethics, approved by the Board of Directors on 28 August 2013, which contains professional standards and criteria that are applicable to all of the Company's employees and directors and in all activities and businesses of the Bankia Group. The purpose of the Code of Ethics is to establish ethical principles and general rules that shall shape the Group's activities and the individuals subject to the Code, both within the Group and in relations with clients, partners, suppliers and any individuals and public and private companies with which the Group has direct or indirect relations.

A whistle-blowing channel was created to provide those persons subject to the Code of Ethics with an accessible tool for reporting in a unique tool, communications to the Administrators, employees or suppliers of the entity reporting breaches of the Code of Ethics. Conflicts of interests will be resolved by Ethics Committee.

Bankia's Board of Directors has rolled out best corporate governance practices with regard to relations between Banco Financiero y de Ahorros, S.A.U. and Bankia, S.A. as a listed company. It therefore entered into a Framework Agreement with Banco Financiero y de Ahorros on 2011 and a subsequent Addendum on 2012, the purpose of which is (i) to establish relations between both entities and between their respective group companies and ensure an adequate level of coordination, thereby minimising and regulating each company's areas of activity - at arm's length - and potential conflicts of interest that could arise in the future. (ii) The Framework Agreement entered into by Banco Financiero y de Ahorros and Bankia also regulates the procedure to be followed should the members of Bankia's Board of Directors find themselves in a situation that conflicts directly or indirectly with the interests of Banco Financiero y de Ahorros, establishing the obligation to declare this situation of conflict and refrain from taking part in the deliberation and discussion of issues at the heart of the conflict. (iii) The Framework Agreement also regulates information flows between Bankia and Banco Financiero y de Ahorros to ensure both parties comply with their statutory accounting, tax and reporting obligations. In the event that a director is a member of the boards of both Banco Financiero y de Ahorros and Bankia, they shall refrain from being involved in the matters set forth in the Framework Agreement

The Framework Agreement establishes that related-party transactions, i.e. current relations between Bankia and Banco Financiero y de Ahorros, as well as any relations and services or operations which may arise in future, shall be governed by principles of transparency, be provided in reasonable and equitable market conditions, under terms of preferential treatment, and following diligence and confidentiality criteria. Once current transactions between related parties and their groups have been identified and, where applicable, once they have been reviewed by reason of the signature of the Framework Agreement, Bankia's audit and compliance committee shall formally issue its opinion, by means of a report to the Company's board of directors, on whether the related-party transactions are at arm's length. Following a favourable report from the audit and compliance committee, the board of directors shall ratify all related-party transactions. Secion 6.7 of the aforementioned Framework Agreement establish the requisites to be met in case Bankia provides financing to BFA.

D.7 Is more than one company of the group listed in Spain?

Yes ☐ **No X**

Identify the subsidiaries listed in Spain:

E RISKS MANAGEMENT AND MONITORING SYSTEMS

E.1 Explain the scope of the company's Risks Management System

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 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.

Given the importance of risk management for the Entity, a process began in 2013 to transform the risk functions and align them with best practices to achieve excellence is risk management.

There were three main cornerstones to this process:

1. General principles governing the risk function: the first step in the transformation was to set the basic principles guiding risk management 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. Also required was comprehensive management of risk throughout the life of the risk based on economic capital and risk-adjusted return measures, guaranteeing the Group's stability, prioritising diversification and adapting behaviour to the highest ethical standards, with strict compliance with laws and regulations.
2. A new organisational model: the risk function has been restructured to take a comprehensive vision of risk throughout its life cycle. Management is divided up between two units, Wholesale Risks and Retail Risks, with each overseeing all the functions of authorisation, monitoring and recoveries within their domain.
3. A transformation plan: the change in the risk management model culminated with the definition and design of a set of initiatives to improve performance within the general principles.Thus, at 31 December 2013 there already exists a well-defined activity plan.

These are the basic principles guiding risk management and its scope :

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

E.2 Identify the section of the company in charge of elaborating and executing the Risks Management System.

On 26 June 2013, the European Council approved a regulation which, from 1 January 2014, will make application of the capital agreements known as BASEL III effective for the entire European Union. This regulation is articulated in a capital requirements directive and a capital requirements regulation, known as CRD IV and CRR, respectively.

One of the main features of the new regulation compared to previous regulations is the introduction of corporate governance as a core element of risk management. The regulation establishes the need for entities to have sound corporate governance procedures, including a clear organisational structure, effective risk identification, management, control and communication procedures, and remuneration policies and procedures that are compatible with appropriate and effective risk management.

In this respect, Bankia responds fully to the spirit of the new regulation, as its governing bodies assume responsibility for the oversight and control of risks:

- The Board of Directors is the highest governing body. It determines and approves the general internal control strategies and procedures, as well as the policies for the assumption, management, control and reduction of risks to which the group is exposed. It has several internal Committees, attributed different risk control and monitoring responsibilities.

- The Audit and Compliance Committee's basic duties include verifying that the internal control model, internal audit and risk management systems are effective. In particular, it is responsible for regularly reviewing internal control and risk management systems to ensure the main risks are correctly identified, managed and declared.

- The Board Risk Committee, which is an Executive Committee, is the body responsible for global risk management. It makes decisions within the scope of the powers delegated by the board and is responsible for establishing and overseeing compliance with the control mechanisms for the different types of risk (credit risk, market risk, operational risk, structural balance sheet interest rate risk, structural balance sheet liquidity risk, reputational risk and regulatory compliance risk).

The Board Risk Committee also authorises the most significant transactions and establishes global risk thresholds. All these duties are performed without prejudice to the statutory supervisory powers of the Audit and Compliance Committee. The structure for authorising credit risks and any risks that must be authorised by the Board Risk Committee because of their value shall be classified by the risk segments prevailing at any given time, and by the levels of risk classified by their credit rating or scoring, based on models approved by the supervisory authority.

The Credit Risk Policy document sets out the flow of information on risks to the governing bodies and establishes the reports to be issued to the corresponding Committee and their frequency.

Lastly, Bankia has a risk department that operates independently. In addition to managing risks, it is required to issue timely reports to the governing bodies. The risk department, which reports directly to the office of the chairman, shares responsibilities with the following six departments:

1. Global Risk Management:
- Construction and management of credit risk measurement and control tools: authorisation and behaviour, economic capital, rating, scoring, RAR models.
- Monitoring of regulatory capital and solvency requirements.
- Comprehensive generation of data on the Bank’s internal and external risks.
- Monitoring of the global risk profile.

2. Retail Risks:
- Management of the complete Retail Banking risk life cycle: authorisation, monitoring and recovery.

3. Wholesale Risks
- Management of the complete Business Banking, Corporate Banking and Real Estate Developer risk life cycle: authorisation, monitoring and recovery.

4. Market, structural and other risks
- Measurement and control of market and counterparty risk.
- Management and control of structural interest rate and liquidity risk.
- Identification, assessment, monitoring, control and mitigation of operational risk.
- Measurement and control of other risks (insurance, fiduciary and pension risk).

5. Technical Secretariat and Projects:
- Manage special transactions
- Monitor project execution.
- Organise and coordinate the various risk Committees.

6. Internal control and validation
- Assure the internal control of internal management processes and productivity.
- Perform internal validations of risks models and accounting of invoices related to risks and cost control

E.3 Specify the main risks that could affect the attainment of business objectives.

Credit Risk:

Understood as the risk of loss arising from the failure of a counterparty to meet its contractual obligations. This is the entity's main risk.
The breakdown of loans and advances to customers is 31%-69% wholesale segment including the public sector and retail. The real estate development portfolio represents 2% of the total and is heavily provisioned, with coverage of 55%. Personal mortgages account for 61% of gross lending.
As a result of the public assistance received at the end of 2012 and the transfer of assets to the SAREB, the entity has a large portfolio of fixed-income instruments which, in addition, provide it with a strong liquidity position.
Exposure to counterparty party risk and loans to credit institutions has decreased considerably, by 58% as a whole.

Market Risk:

Market risk is the risk of loss caused by adverse fluctuations in prices of the financial instruments in which Bankia operates. Other risks related to market risk are liquidity risk, model risk and counterparty credit risk.
Risk of the 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.
Activity in financial markets also exposes the entity to market liquidity risk, which arises from excessive concentration in a specific asset in Bankia's books that can cause the price to be negatively affected in the case of sale.

Structural balance sheet interest rate risk:

Structural balance sheet interest rate risk relates to potential losses in the event of adverse trends in market interest rates. Interest rate fluctuations affect both net interest income and equity. The intensity of the impact depends to a large extent on the different schedule of maturities and repricing of assets, liabilities and off-balance sheet transactions.

Structural liquidity risk:

Structural liquidity risk consists of the uncertainty, in adverse conditions, of the availability of funds at reasonable prices, to enable an entity to meet the obligations undertaken and finance the growth of its investment business.
As a supplement to the various metrics, the entity has a well defined Contingency Plan, which identifies alert mechanisms and sets out the procedures to follow if the plan needs to be activated.

Operational risk:

Operational risks consisto of the possible losses arising failure or shortcomings in processes, personnel or internal systems, or from external events. This definition includes legal risk, but not reputation risk. Reputational or brand risk is taken into account by qualitatively evaluating the impact on end customers of any identified operational risks.

Reputational risk:

This arises from the entity's activity that could cause adverse publicity regarding its business and practices, resulting in a loss of confidence in the institution.

E.4 Indicate whether the company has a risk tolerance level.

Bankia's governing bodies perform procedures regularly to confirm its appetite and tolerance of risk. These include the following:

1. The Board of Directors approves the Internal Capital Adequacy Assessment Report. These documents provide clear definitions of the following:
a. Preparation of a risk matrix to assess each risk, the risk control and management functions, and internal governance related to risk.
b. Simulation of scenarios (baseline and adverse) to estimate the risk profile over a three-year time horizon.
c. Determination of a target capital level above the minimum regulatory requirement to cope with adverse scenarios.
d. The internal capital adequacy assessment performed using the economic capital model, which carries implicit in its calibration a target rating for the entity of A-.

2. The Board of Directors approves the risk authority levels and policies. These documents provide clear definitions of the following:

a. Principles governing the risk function:
b. Policies, criteria and tools for assuming, measuring, managing and monitoring the various risks. These policies include setting minimum rating levels as cut-off points for loans in accordance with the value of the guarantees or collateral provided.
c. System of authority levels and delegation among the various management bodies, Committees and centres.

3. The Board of Directors approves the entity's medium-strategic plans and annual budget. In this process, it is involved in the allocation of resources and available capital to the businesses that generate the greatest value for the entity by maximising the risk-return ratio.

4. The Board of Directors approves the overall market risk limits (OMRL), which set the maximum exposure to market risk measured by sensitivity and VaR that the entity is willing to assume. It also approves the overall limits with financial institutions and public treasuries, and limits on positions in fixed-income.

5. The Board Risk Committee plays an active role in the powers delegated by the Board of Directors in terms of monitoring the entity's risk profile. The Board Risk Committee is presented with and discusses, inter alia, the following reports on recent trends in the risk profile:
a. Global risks
b. Major risks and risk concentration
c. Follow-up on risks in the loan portfolio
d. Risk-adjusted return (RAR) of the portfolios
e. Control of compliance with policies

E.5 Identify the risks that materialized during the financial year.

Credit Risk:

Trends in non-performing loans were shaped by the application of the criteria contained in the Circular sent to banks by the Bank of Spain on 30 April regarding the accounting treatment for loan refinancing and restructuring operations. To a large extent, these criteria pre-empt the European Banking Authority's focus on increased prudence in its proposed classifications of refinanced loans, which implies recognising loans that are up to date on payment obligations or have yet to become non-performing as doubtful assets. Applying these criteria, Bankia recognised an additional EUR 1,389 million of doubtful assets in October 2013, of which EUR 997 million related to refinanced personal mortgage loans.
This, coupled with deleveraging, was the main reason for the increase in the non-performing loan ratio from 13.0% in December 2012 to 14.7% at the end of 2013. Doubtful assets in the year increased by EUR 202 million. Stripping out the impact of loan refinancing operations, the balance of doubtful assets would have fallen by EUR 1,187 million, leaving an adjusted NPL ratio of 13.7%. This underscores the comprehensiveness of the write-downs made in 2012.
Also worth noting is the breakdown of doubtful assets. At 31 December 2013, 40% of assets were classified in the doubtful category for subjective criteria or are in the "curing" period. Accordingly, no loans in this portfolio are past-due that imply subjective arrears, or refinancing agreements have been reached with the customers and, therefore, there is an apparent willingness to pay. This must be verified over a period of at least six months, but can be extended to the entire grace period where applicable.

Market Risk:

BFA-Bankia's average VaR in 2013 was EUR 4.13 million, with a maximum of EUR 6.99 million and a minimum of EUR 2.77 million. Credit VaR (EUR 1.16 million) accounted for the largest share of average VaR, followed by interest rate VaR (EUR 0.91 million).

Credit Risk of trading in derivatives:

To mitigate the risk of trading in derivatives with financial institution counterparties, BFA-Bankia has entered into CMOF or ISDA framework contracts (which allow negative and positive positions of the same item to be netted). At 31 December 2013, there were 292 netting and 187 guarantee agreements (127 collateral, 51 repos and 9 securities loans). These netting and guarantee agreements reduced the credit risk of the derivatives activity by 91.51%.

Structural Balance Sheet Interest Risk:

The sensitivity of a loss in economic value as a percentage of equity is well below the regulatory limit. The other sensitivity measures calculated during the year were within the regulatory limits, with risk levels commensurate with prudent management.

Liquidity and financing risk:

The high level of available liquid assets, coupled with the decline in the commercial gap (loans minus customer deposits), is enabling the entity to cover its liquidity requirement without having to tap the wholesale market.

Operational risk:

Operational risks in 2013 amounted to EUR 33.7 million. The main ones related to "client practices" (EUR 12.5 million) and "execution, delivery and process managements" (EUR 11.4 million). These figures do not include the extraordinary costs related to ongoing arbitration processes over preference shares.

E.6 Explain the response and supervision plan for the most threatening risks of the entity.

Credit Risk:

Risk management is carried out within limits and according to the guidelines set out in the policies. It is supported by the following processes and systems.

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.

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.

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 loss, 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; i.e. economic capital.

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. The tests may determine not only the unexpected loss (or required solvency), but also the impact on profit and loss.

Recovery management:

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

Market risk:

Market risk is measured using the Value at Risk (VaR) model and other metrics that allow for greater control of market risk, especially the risk associated with the trading desks: sensitivity, maximum loss, and the size of the position. These limits are established according to maximum exposure approved annually by Senior Management.

The main tools for market risk measurement and control are:

-The VaR quantifies the maximum expected loss that could be borne on the economic value of positions exposed to market risk over a given time horizon and confidence level. Bankia uses as general parameters, a 1 day horizon and a 99% confidence level.

-Sensitivity quantifies changes in the economic value of a portfolio due to given movements and determinates of the variables affecting this value. The main movements in market factors used in sensitivity analysis are interest rates, equity prices, exchange rates, volatility and credit spreads.

Structural balance sheet interest rate risk:

In accordance with Bank of Spain regulations, the entity controls the sensitivity of net interest income and equity to parallel changes in interest rates. In addition, various sensitivity scenarios are prepared based on implicit market rates, comparing the non-parallel changes of the interest rate curves that alter the rise of the various references of the balance sheet aggregates.

During 2013, the entity has approved a new framework for the Structural risk management. This new framework will be used to monitor new internal limits as of 2014.

The new measurement scheme will cover on one hand the balance sheet and on the other hand the portfolio of financial assets held to maturity.

Financing and liquidity risk:

To monitor this risk, the entity has designed a new Liquidity Risk Management and Funding Framework, which includes three types of risk assessment with different approaches: liquidity gap by maturity; funding structure, including the current/non-current ratio; and calculation of various liquidity ratios, underpinned by the regulatory liquidity ratio, based on different assumptions.

As a supplement to the various metrics, the entity has a well defined Contingency Plan, which identifies alert mechanisms and sets out the procedures to follow if the plan needs to be activated.

Operational risk:

In 2013, the entity chose the standardized approach for calculating its capital requirements, making improvements in management of this risk in various respects.

Bankia's operational risk management objectives are as follows:
- Foster a culture of operational risk management, especially with regard to risk awareness, assuming responsibility and commitments, and service quality

- Ensure operational risks are identified and measured in order to prevent possible damages that could affect results.
- Reduce losses from operational risks by applying systems to continuously improve processes, control structures and mitigation plans.
- Encourage the use of risk transfer mechanisms that limit operational risk exposure.
- Verify the existence of contingency and business continuity plans.

F INTERNAL RISKS MONITORING AND MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS OF FINANCIAL REPORTING INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms entailed in the risks monitoring and management system in relation to the company's financial reporting (System of Internal Control over Financial Reporting) process.

F.1 The Company's control environment

Report, pointing out the main characteristics of at least:

F.1.1. The bodies and/or functions in charge of: (i) the existence and maintenance of an appropriate and effective System of Internal Control over Financial Reporting (ICFR); (ii) its introduction; and (iii) its supervision.

Article 4 of the Company's Regulations of the Board of Directors expressly states the Board of Directors shall provide the markets with prompt, accurate and reliable information ("particularly on ownership structure, substantial amendments to governance rules, trading in treasury shares and particularly significant related-party transactions"), and approve financial reporting the Company must regularly publish.

Article 37.2 of the Regulations also stipulates that "the board will adopt the measures necessary to guarantee that quarterly, semiannual and any other financial information that is disclosed to the markets is prepared in accordance with the professional practices, principles and policies as the annual financial statements and is equally reliable. In this regard, such information will be reviewed by the Audit and Compliance Committee before being disclosed".

The Board of Directors therefore delegates the power to oversee the correct functioning of the ICFR to the Audit and Compliance Committee.

Lastly, senior management is responsible for designing and implementing the ICFR through the Financial Controller's Department, which shall perform any activities required to ensure the ICFR operates correctly.

F.1.2. The following elements, if existing, especially in relation to the process of elaborating the financial report

- Departments and/or mechanisms in charge of: (i) designing and revising the organizational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of duties and tasks; and (iii) ensuring the existence of sufficient procedures for its correct announcement throughout the entity.

The Transformation and Organisation Department is responsible for the design e implementation, according to Group policies, strategic directives and compliance requirements, of the organizational structure, size and functions of the different organizational groupings, and the procedures and processes throughout the entity for its correct, in order to achieve the most efficient distribution of functions and resources possible.

It is also responsible for ensuring this structure is up-to-date, making any changes necessary and performing regular inspections to ensure the effectiveness of the system. Such updates should be duly approved by the pertinent authorised party in accordance with the prevailing system of authorities and delegated powers in place for Human Resources and Organisation, and duly communicated throughout the organisation.

The Group's Duties and Structures Manual sets forth its organizational structure. It defines the main departments and units and those in charge thereof, preserving the functional segregation and organizational efficiency principles.

- Code of conduct, body of approval, degree of publication and instruction, principles and values including (indicating whether there is specific mention of the recording of transactions and the elaboration of the financial report), body in charge of analysing breaches and of proposing the correct actions and sanctions.

The Bankia group has a Code of Ethics and Conduct, approved by the Board of Directors on 28 August 2013, which sets forth the rules and guidelines of professional conduct applicable to all employees and directors of the entity and all the Bankia Group's businesses and activities. Compliance with the code is mandatory for all persons who have a professional relationship of any kind with the Bankia Group, i.e. directors, managers and employees.

The purpose of the Code of Ethics is to establish ethical principles and general rules that shall shape the Group's activities and the individuals subject to the Code, both within the Group and in relations with clients, partners, suppliers and any individuals and public and private companies with which the Group has direct or indirect relations. The demands of ethical standards on behaviour and corporate integrity are an essential requirement to obtain and maintain confidence and respect in the institutions. The exigency of ethical standards is mandatory for every employee of the Group.

Bankia's Board of Directors and governing bodies are responsible for ensuring all activities focus on this goal, dealing with potential breaches and, if needed, taking corrective measures as and when required.

Bankia's Regulatory Compliance Committee is responsible for ensuring compliance with this code, which acts on the instructions of the Audit and Compliance Committee.

-Principles and ethical values of the Bankia Group. These are: Commitment, integrity, professionalism, nearness and outcome orientation.
- Business ethics. The Code sets out the values that should guide the Bankia Group's relations with its professionals, customers, suppliers and society as a whole. In particular, the Bankia Group prevents institutional conflicts of interest by setting up Chinese Walls, so that non-public information on investment decisions and other activities obtained through dealings with customers, suppliers or privileged institutional relations cannot be used wrongly or illegally.
- Ethics and integrity in markets. To enforce this ethical commitment, a series of policies, procedures and controls have been designed to ensure that international standards are upheld. Specifically, policies are in place to prevent manipulation of the market and the use of inside information, and to encourage free competition and transparency in information supplied to the market.
- Rules of conduct to ensure customers are the centre of the Bankia Group's activity. The group endeavours to forge lasting relationship built on mutual trust, assuming commitments with them regarding confidentiality and transparency.

Persons covered by the Code of Ethics and Conduct must know, comply with and help enforce it. This entails reporting any indication or certainty of breaches.

All Bankia employees have received the Code of Ethics and Conduct electronically, along with a hard copy. In addition, a specific training programme for all professionals at the entity has been designed and rolled out so that, among others objectives, they can learn more about each of the concepts in the Code of Ethics and Conducts.

- Whistleblowing channel, which enables reporting of irregularities of financial and accounting nature to the Audit and Compliance Committee, in addition to possible breaches of the code of conduct and irregular activities in the organization. The reports may be filed in secrecy or anonymity.

In this respect, the Audit and Compliance Committee approved the creation of the confidential whistle-blowing channel for reporting breaches of the Code of Ethics and Conduct, as set out in the Regulations of the Board of Directors of Bankia and the recommendations of the CNMV's Unified Good Governance Code. On 22 July 2013, the Audit and Compliance Committee agreed to outsource management of the confidential whistle-blowing channel to an independent expert outside the Group. The confidential whistle-blowing channel is available, individually, for directors, employees and suppliers of Group companies with reasonable interest.

This Channel has its own Regulations, approved by the Audit and Compliance Committee on 19 July 2012, with a new version approved by the same Committee on 27 August 2013. The Regulations set out the mechanisms for receiving, filtering, classifying and handling reports submitted, all in accordance with the criteria issued by the Spanish data protection agency (Agencia Española de Protección de Datos) in this respect.

This channel is managed by a third party (independent expert) under the supervision of the Ethics and Conduct Committee, which guarantees that all concerns raised are evaluated independently, notifying only the people that are strictly necessary in the investigation and resolution process.

Both the Code of Ethics and Conduct and the confidential whistle-blowing channel are core elements of the crime prevention and detection model.

Reports can be submitted via:
a.- Directors and employees:
-Space provided in the Entity's intranet for directors and employees, with reports routed to the Channel manager's web application.

-Email to canal.denuncias.bankia@es.pwc.com.
-Post office box 61057 Madrid (C.P.28036)
b.- Suppliers: link (URL) in the corporate portal for Bankia suppliers.

The Ethics and Conduct Committee, in charge of overseeing the proper functioning of the confidential whistle-blowing channel, has the following responsibilities:
-Oversee compliance with the Code of Ethics and Conduct
-Promote ethical behaviour throughout the organisation
-Adopt the measures necessary to handle ethically questionable conduct
-Process reports received
-Process situations of conflicts of interest
-Communicate circumstances that could lead to significant risks
-Handle queries, concerns and suggestions regarding compliance
-Draft and disseminate interpretive notes on the Code
-Perform annual assessments of the degree of compliance with the Code and submit reports to senior management
-Propose amendments to the content of the Code so that it is aligned with the business performance

The Ethics and Conduct Committee reports directly to the Audit and Compliance Committee.

- Training programs and regular updates for the personnel involved in the preparation and revision of the financial report, as well as in the evaluation of the System of Internal Control over Financial Reporting, which should at least cover accounting regulations, auditing, internal risks monitoring and management.

Bankia has established mechanisms to ensure individuals involved directly in collating financial information and preparing and reviewing financial reporting have the professional skills and competence to perform such duties. In this respect, these individuals are continuously updated on prevailing legal requirements and are sufficiently able to efficiently perform their tasks and duties.

The entire Group's training programmes and activities are centralised in Bankia's Training Department, which keeps an up-to-date record of all the training courses provided and the content thereof: whether the course is external or internal, attendees, the duration thereof, the results of performance assessments, etc.
Specifically, regular training and refresher courses are provided to personnel involved in the ICFR and overseeing this system.

As well as induction training, during the year further training may be provided to attend to specific training needs not envisaged at the offset, such as training in response to regulatory changes or in response to specific requests from departments for certain courses.

F.2 Financial Reporting Risks Assessment

At least reporting the following:

F.2.1. What are the main characteristics of the process of identifying risks, including those of error or fraud, with regards to:

- Whether the process does exist and is documented.

Bankia has developed a procedure for identifying material areas and relevant processes, which takes into account the risk of errors and fraud that could significantly affect the Group's financial reporting.

- Whether the process covers the entire objectives of the financial reporting, (existence and occurrence; integrity; evaluation; presentation, breakdown and comparability; and rights and obligations), if updated and at what frequency

This procedure has been designed taking into account all financial reporting objectives (existence, completeness, valuation, presentation and disclosures, and rights and obligations). The procedure is documented, establishing the frequency, methodology, types of risks as well as other guidelines, and the Financial Controller's Department is responsible for implementing and updating this procedure.

The procedure to identify relevant processes and areas is performed once a year using the latest financial information. However, this assessment will also be carried out whenever circumstances not previously identified arise that result in possible errors in the financial information or when substantial changes in transactions could lead to new risks.

- The existence of a process for identifying the consolidation perimeter, considering, among other things, the possible existence of complex corporate structures, instrumental or special purpose entities

The Company therefore avails of a monthly procedure for updating and verifying the scope of consolidation performed by the Investees and Consolidation Unit reporting to the Financial Controller's Department. This procedure is based on the Group's consolidation tool and enables Bankia to ensure any variations in the scope of consolidation in the different reporting periods are correctly included in the Group's consolidated financial statements.

The Regulations of the Board of Directors also authorise the board to approve resolutions concerning the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the Company.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputation, environmental, etc.) in the manner in which they affect the financial statements

The risk identification process takes account of the impact of other types of risks (e.g. operational, technological, financial, legal, reputational, environmental) to the extent that these could affect the Bank's financial reporting.

- Which corporate governance body supervises the process?

Lastly, the Audit and Compliance Committee's duties include regularly reviewing the risk management and internal control systems to identify, manage and appropriately report key risks.

F.3 Control Activities

Report pointing out the main characteristics of the following, if any, is at least include:

F.3.1. Procedures for reviewing and authorizing the financial reporting and the description of the ICFR, to be published at the stock market, indicating responsibilities, as well as the descriptive documents of cash flows and monitoring (even in connection with fraud risks) of the various types of transactions that could materially affect the financial statements, including the accounting closure proceedings and the specific revision of the judgements, estimates, evaluations and relevant projections.

As stated in section F.1.1, the Board of Directors therefore delegates the power to oversee the correct functioning of the ICFR to the Audit and Compliance Committee.

The main duties of the aforementioned Committee are:

1) Monitoring the effectiveness of the internal control of the Company, the internal audit, if any, and the risk management systems, and discussing significant weaknesses in the internal control system detected in the course of the audit with the auditors or audit firms. In particular, regarding internal reporting and control systems:
   - verifying the appropriateness and integrity of internal control systems and reviewing the appointment and replacement of those responsible thereof;
   - reviewing and supervising the preparation and the integrity of the financial information regarding the Company and, where appropriate, the Group, reviewing compliance with regulatory requirements and the proper application of accounting principles;
   - periodically reviewing the internal control and risk management systems, so that the principal risks are identified, managed and appropriately disclosed;
   - establishing and supervising a mechanism whereby staff can confidentially report any irregularities with potentially serious implications they detect within the Company, in particular financial or accounting irregularities.

2) Overseeing the process for preparing and submitting regulated financial information, in particular:

- reviewing the Company's accounts, to see to compliance with legal requirements and proper application of generally accepted accounting principles, and reporting on proposed changes of accounting standards and principles suggested by management;

- reviewing the issue prospectuses and the periodic financial information, if any, that the board is required to provide to the markets and market supervisory bodies.

3) Monitoring the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

In particular, internal audit services will handle the reporting requirements issued by the Audit and Compliance Committee in fulfilling its duties.

The general control division's responsibilities include, *inter alia,* overseeing the preparation of the Group's period financial statements, and monitoring the performance of each of its sub-divisions.

Bankia has a process for reviewing and approving financial information that is disclosed to the markets as and when required by prevailing legislation. Several levels of responsibility have been defined including various departments within the organisation depending on the nature of this financial information and the frequency with which it has to be published:

- Half-yearly and year-end financial information furnished to the markets is the responsibility of the Financial Controller's Department, which reports to the chairman.

- Quarterly or other interim financial information is the responsibility of the Finance Department, which reports to the chairman.

When preparing this information, the Financial Controller's Department and the Finance Department call on the support of the departments and/or units responsible for collating certain supporting information that has to be disclosed in the periodic financial reports. In addition, once the information has been prepared, these departments and units are also required to review and give final approval of the information under their responsibility before it is published.

Within the process of preparing half-yearly and year-end financial information, Financial Controller's Department, is responsible for the accounting records arising from the various transactions that took place in the Bank and the main control activities identified in the accounting close process based on the materiality thresholds defined.

For preparation of the information, control procedures have been defined and implemented to ensure the quality and reasonableness of the information for its presentation to management.

In this respect, the internal audit department is in charge of the proper functioning of the internal control and risk management system, as well as compliance with regulations and procedures, issuing any recommendations for improvement it deems appropriate.

Simultaneously, the Internal Audit Department's audit plans include a review of financial information prior to publication.

The Audit and Compliance Committee is also involved in this review, notifying the Board of Directors of its conclusions on the financial information provided.

Ultimately, the Board of Directors approves the financial information that the Company must periodically disclose. These duties are set forth in the Regulations of the Board of Directors, as described in point F.1.1 above. This review is documented in the minutes of the meetings of the board and its Committees.

The description of the ICFR is reviewed by the Financial Controller's Department and the Internal Audit Department.

Lastly, it should be noted that the Regulations of the Board of Directors stipulate that the board shall employ the measures necessary to ensure that quarterly, half-yearly and any other financial reporting provided to the markets is prepared in accordance with generally accepted principles, criteria and practices applicable to preparing the financial statements, and that this reporting should be equally as reliable as the financial statements. In this regard, such information will be reviewed by the Audit and Compliance Committee before being disclosed.

Within the framework of the specific controls and activities regarding transactions that may significantly affect the financial statements, the Bankia Group has identified material areas and specific risks, as well as significant processes in these areas, differentiating between business processes and transversal processes, and has documented in detail each of the processes, flows of activities, existing risks, controls performed, the frequency thereof, and those responsible for carrying out these activities.

In order to identify the critical areas and significant processes, the Group has used the materiality thresholds defined for the main financial figures in its financial statements, and has taken into account both qualitative and quantitative matters.

The business processes identified affect the following critical areas:

- Loans and receivables.
- Financial liabilities at amortised cost.
- Debt securities.
- Derivatives.
- Non-current assets held for sale.
- Investments.
- Tax assets and liabilities.
- Provisions.
- Fees and commissions for service transactions.

The transversal processes identified are as follows:

- Accounting close.
- Consolidation.
- Opinions and estimates.
- General IT controls.

Accordingly, the accounting close process includes the following phases:

- Accounting close process, including revision, analysis and control tasks to ensure that the monthly financial information offers a true and fair view of the Company.
- Preparation of internal statements and individual reports.
- Preparation of Bank of Spain statements.
- Preparation of public information

Accordingly, the purpose of the opinions and estimates process is to validate and confirm the estimates made that could have a material impact on the financial information, basically referring to:

- The fair value of certain financial and non-financial assets and liabilities
- -Impairment losses on certain financial assets, considering the value of the guarantees or collateral received, and non-financial assets (mainly real estate)
- The assumptions used in the actuarial calculation of post-employment benefit liabilities and obligations
- -The estimate of costs to sell and the recoverable amount of non-current assets held for sale, investment properties and inventories acquired by the Group in payment of debt, by nature, condition and purpose
- The useful life of tangible and intangible assets.
- -The recoverability of recognised tax assets.

The individual in charge of each affected area is responsible for approving these estimates. The Financial Controller's Department also analyses these estimates to compare their consistency and reasonableness when preparing the financial information. These estimates are finally approved by the Board of Directors.

A Certification Model is currently being developed and implemented in accordance with the recommendations of the framework document of the CNMV's Internal Control Working Group.

F.3.2. Policies and procedures of internal control of information systems (especially on safety and security of access, monitoring of changes, operating them, operational continuity and separation of functions) that back the entity’s relevant processes with regards to the elaboration and publication of the financial report.

The Financial Controller's Department prepares specifications for the policies and procedures concerning IT systems that are used to prepare and publish financial information.

The information security standards rolled out across the Company's IT systems are also applied across the financial reporting systems.

The Personnel, Resources and Technology Department is responsible for the Bank's IT and telecommunication systems. Its duties include defining and monitoring the security policies and standards for applications and infrastructures, including the IT internal control model.

The key tasks assumed by this department in relation to IT systems are as follows:

- Data access and physical security systems.
- Data access and logical security systems.
- Back-up management.
- Management of scheduled tasks.
- Incident management.

Bankia Group has an Information Security General Policy and Regulations approved by the Company's executive chairman on 28 November 2011. These documents are available to all employees on the corporate intranet.

The policy covers: the main principles; user and third-party responsibilities; security policies, standards and guidelines; and technical manuals and procedures. The regulations implement the governance of IT security, ensuring secure access, segregation of duties, definition of responsibilities and functions, training, and issues relating to the confidentiality, completeness and availability of information and assets.

The Company's development process, which broadly encompasses the development of new applications or modification of existing applications and appropriate management of these projects, is based on maturity models that guarantee software quality and, especially, the appropriate processing of transactions and the reliability of information.

The Company has back-up architecture in its main processing centres and disaster recovery plans in place that are tested annually, which guarantee the continuity of operations in the event of an interruption in one of these systems. Back-up policies and procedures also ensure information is available and can be recovered in the event of a loss.

Back-up procedures and recovery plans are evaluated by independent units to ensure they are effective and that transactions involving financial information are appropriately processed and registered.

F.3.3. Policies and procedures of internal control aimed at supervising the management of activities sourced out to third parties, including the aspects of valuation, calculation or assessment entrusted to independent experts, which could materially affect the financial statements.

Bankia has a policy for outsourcing essential services, which makes a distinction for financial services, approved by the Audit and Compliance Committee and the Board of Directors on 23 October 2013, which sets out the main criteria and guidelines to be evaluated by the entity for outsourcing essential services or functions. In this respect, a structure has been defined that meets the requirements in prevailing legislation.

In particular, these policies establish the guidelines for identifying, measuring, controlling and managing the risks inherent in outsourcing, as well as for adopting appropriate measures to prevent or mitigate exposure to operational risks that may arise.

Before outsourcing essential functions and services, the entity conducts a feasibility study of the outsourcing, and selects and evaluates providers.

The feasibility study of the service or functions to be outsourced takes into consideration, inter alia, the following factors: regulatory issues that affect the outsourcing; the impact of the outsourcing on the entity’s business and the operational, reputational and concentration risks it could entail; the entity’s ability to supervise the outsourced functions effectively and manage the risks associated with the outsourcing adequately; and the existence of an emergency data recovery plan in the event of catastrophes and regular verification of IT security mechanisms as necessary in light of the outsourced function or service.

Providers are selected and evaluated in accordance with a number of factors to ensure: that they have the necessary authorisations and permits to provide the outsourced essential service or function reliably and professionally; that quality service is provided and that the personnel have the appropriate training and experience; and that the provider has the appropriate resources to manage the outsourcing risk (e.g. it has measures to safeguard confidential information, performs regular data back-ups and security checks, and has an emergency and contingency plan to enable it to continue its activity and limit losses in the event of serious incidents in the business).

The organisational unit that outsources each essential service or function is responsible for permanent control and monitoring of the services or functions performed by the provider. At least every six months, it must prepare a report on the monitoring and control of the provider and furnish this to the organisational groups that are assigned the internal control function of the Group.

In any event, no functions that are relevant or could materially affect the Group's financial information are currently outsourced by Bankia.

The Company contracts independent experts to obtain certain evaluations, calculations and estimates used to prepare the individual and consolidated financial statements published on the securities markets. In general, the main areas contracting such services are related to actuarial calculations, real estate appraisals, and financial instrument valuations. In this regard, the individual in charge of each affected area manages relations with the independent expert and monitors the results of the reports produced to determine their consistency and reasonableness. The Financial Controller's Department also receives these reports, analyses them and compares the conclusions with the information disclosed in the financial statements.

F.4 Information and Reporting

Report pointing out the main characteristics of at least:

F.4.1. A specific function entrusted with defining, maintaining accounting policies updated (area or department of accounting policies) and resolving doubts and conflicts derived from their interpretation, maintaining constant communication with those in charge of the transactions in the organization, keeping the accounting policies manual updated and reporting to the units through which the entity operates.

The Financial Controller's Department is responsible for defining and updating the Bankia Group's accounting policies. Its duties include the following:

- Analysing the accounting standards issued by the various pertinent authorities that could have an impact on the Group's financial statements.
- Maintaining and updating existing accounting manuals and plans.
- Analysing and calculating the accounting impacts on the Group's new products, businesses and operations.
- Referring to and interpreting accounting standards in order to draft basic announcements, policies, judgements and estimates for subsequent practical application.
- Coordinating communication with the supervisory accounting authorities.
- Coordinating work schedules and liaising with external auditors.
- Preparing reports on and developing specific rules.

Bankia's Regulator Relations and Accounting Standards Department is also responsible for receiving and resolving any doubts or disputes over interpretation of the accounting treatment of specific transactions in the Group, including both the parent company and the subsidiaries included in the scope of consolidation.

The Accounting Policies Manual is updated at least annually. Changes in new regulations and recommendations issued by the various bodies are included therein and communicated to all areas affected.

F.4.2. Mechanisms for gathering and preparation of financial information in standard format, application and use by all units of the entity or the group, supporting key financial statements and notes, as well as detailed information about the SCII.

The Bankia Group boasts IT systems and applications that enable it to aggregate and standardise the individual accounting records of the Group's business areas and subsidiaries to the required level of detail, in order to prepare the individual and consolidated financial statements disclosed to the markets.

Accordingly, the Financial Controller's Department has developed a manual disseminated to all Group companies compiling and listing Bankia's reporting obligations. It also regulates the minimum content of the reporting to be provided by Group companies and the deadlines for submitting such information.

The Investees and Consolidation Unit, which reports to the Financial Controller's Sub-department, has established a procedure for centralising the collection of information from Group companies, including the criteria and models that have to be followed to ensure the information is received in a standardised manner. There are also a series of controls implemented that allow the reliability and accuracy of the information received from the subsidiaries to be ensured.

Public information to be sent to the markets is prepared by the Management Information and Analytical Accounting Unit.

F.5 System Operation Supervision

Report, pointing out the main characteristics of at least:

F.5.1. The activities of supervising the ICFR performed by the Audit and Compliance Committee, and of whether the entity has an internal audits system that is empowered to support the Committee in supervising the internal monitoring system, including the ICFR. Also provide information on the scope of the assessment of the ICFR performed during the financial year and on the process by which the head of the assessment reports the results, whether the entity has an action plan that outlines the possible corrective measures, and whether its impact on the financial reporting has been considered.

Bankia's Regulations of the Board of Directors establishes that the internal audit function is monitored by the Audit and Compliance Committee and that this function shall fulfil the information requirements of the Committee needed to perform its duties

Bankia's internal audit unit, which reports to the office of the chairman, reviews all of the Bank's business areas, its branches and the Group's subsidiaries. At 31 December 2013, the internal audit unit had 97 employees.

The functions of Bankia's Internal Audit Department include supporting the Audit and Compliance Committee in ensuring the internal control system operates correctly, by performing regular reviews of reporting procedures.

The Bankia Group's Internal Audit Department has annual audit plans in place that have been submitted to and approved by the Audit and Compliance Committee. The reports issued refer, inter alia, to the assessment of risk management, internal control, corporate governance and IT systems processes, including an analysis of assets and their appropriate accounting classification.

The 2013 audit plan includes evaluation activities carried out by the internal audit function in 2013 that covered certain issues related to preparing financial reporting. In addition, as part of the rotation plan established for ICFR oversight, three of the ICFR processes were reviewed in 2013. These reviews entailed:

Identification of the risks associated with the reviewed process that could have an impact on the preparation of financial information

-Mapping of existing controls to mitigate these risks

-Tests on existing controls to ensure their correct operation

Procedures are in place in Bankia regarding the roll-out of action plans to correct and mitigate any weaknesses detected in the internal control system. An action plan is proposed and approved by the areas involved to resolve any weakness detected, which defines responsibilities and deadlines for implementing the action.

The Internal Audit Department regularly provides the Audit and Compliance Committee with outcomes of the verification and validation procedures performed by the internal audit team and the external auditors, which also includes the action plans designed to correct the most significant weaknesses detected.

The minutes of the meetings of the Audit and Compliance Committee set out the activities performed in relation to supervision, planning (approval of the annual operations plan, allocation of responsibilities to implement the plan, etc.) and the review of the results obtained

F.5.2. Whether there is a discussion procedure by which the accounts auditor (pursuant to the stipulations of the NTA), the function of the internal audits and other experts may report the significant weaknesses identified in the internal monitoring during the revision of the financial statements or all the others entrusted to them to the top management and to the audits Committee or to the directors of the entity. Also report whether there is an action plan for correcting or mitigating the weaknesses uncovered.

Bankia's Regulations of the Board of Directors establish the following responsibilities of the Audit and Compliance Committee:

- In relation to the internal auditor: "receiving periodic reports on their activities; and verifying that senior management is acting on the findings and recommendations in its reports".

- In relation to the external auditor: "Establishing the appropriate relationships with the auditors to receive information regarding such questions as may compromise their independence, for review by the Committee, and any others related to the process of auditing accounts, and such other communications as may be contemplated in the legislation regarding auditing of accounts and audit standards. In particular:

a. acting as a communications channel between the Board of Directors and the auditors, evaluating the results of each audit and the responses of the management team to its recommendations and mediating in the event of disputes between the former and the latter regarding the principles and criteria applicable to the preparation of the financial statements;

b. receiving regular information from the outside auditor on the progress and findings of the audit programme, and verifying that senior management is acting on its recommendations".

The audit Committee meets as often as it is convened by the Committee itself or its chairman, and at least four times a year. One of its meetings is devoted to evaluating the efficiency of and compliance with the rules and procedures for governance of the Company and preparing the information that the board is required to approve and include in the annual public documents.

Bankia's Internal Audit Department keeps senior management and the Audit and Compliance Committee continually updated about significant internal control weaknesses identified in the audits and the reviews performed during the year on Bankia's financial information, as well as the status of the action plans to mitigate such weaknesses.

Bankia's auditor has direct access to Bankia's senior management, holding regular meetings to obtain the information needed for it to conduct its work and to notify management of the control weaknesses detected during the audit.

The auditor also regularly notifies the Audit and Compliance Committee of the conclusions of its audits or reviews of Bankia's financial information, including any relevant issues, and assists this Committee when financial information is reported.

F.6 Other Information of Interest

Not applicable.

F.7 Report from the External Auditor

Report:

F.7.1. Whether the external auditor revised the ICFR information issued to the markets and, if so, the entity must include the corresponding report as annex. Otherwise, if that is not the case, the entity must provide its reasons.

In 2013, Bankia's external auditor reviewed the information contained in section F of the annual corporate governance report regarding ICFR in accordance with generally accepted professional standards in Spain regarding the engagement of the agreed procedures and, in particular, as provided for in the guidance document on the audit report on information provided by listed companies on their ICFR issued by professional bodies and auditors, and published by the CNMV on its website.

The external auditors' report is included as an appendix to the annual corporate governance report.

G DEGREE TO WHICH CORPORATE GOVERNANCE RECOMMENDATIONS ARE FOLLOWED

Indicate the degree to which the company follows the recommendations of the Unified Good Governance Code.

In the event that a recommendation is not or is only partially followed, the entity should include detailed explanation of its reasons such that the shareholders, investors and the market in general, are provided with sufficient information to assess the performance of the company. Explanations of general nature shall not be acceptable.

1. **The Bylaws of listed companies should not limit the votes that can be cast by a single shareholder, or impose other obstacles to impede the takeover of the company by means of share purchases on the market.**

   See section: A.10, B.1, B.2, C.1.23 y C.1.24.

   Compliant **X** Explanation

2. **When a parent and a subsidiary company are listed, both should provide detailed disclosure on:**

   a) Their respective types of activities, and any business dealings between them, including between the listed subsidiary and other companies in the group;

   b) The mechanisms in place to resolve possible conflicts of interest.

   See section: D.4 and D.7

   Compliant Partially compliant Explanation Not applicable **X**

3. **That even when not expressly required under Commercial Law, all decisions involving a fundamental corporate restructuring, especially the following, is submitted to the Shareholders for approval or ratification:**

   a) The transformation of listed companies into holding companies through the process of subsidiarization, i.e. reallocating previous core activities of such company to subsidiaries, even if the latter retains full control of the former;

   b) Any acquisition or transfer of key operating assets that would effectively alter the company's corporate purpose;

   c) Operations that effectively amount to the company's liquidation.

   See sections: B.6

   Compliant **X** Partially compliant Explanation

4. **Detailed proposals of the resolutions to be adopted at the General Meeting of Shareholders, including the information stated in recommendation 27, should be made available at the same time the meeting is convened.**

   Compliant **X** Explanation

5. **Substantially independent issues should be voted separately at the General Meeting of Shareholders, in order for shareholders to be able to exercise their voting preferences separately. And that said rule applies, particularly:**

   a) To the appointment or ratification of directors, with separate voting on each candidate;

   b) En el caso de modificaciones de Estatutos, a cada artículo o grupo de artículos que sean sustancialmente independientes.

   Compliant **X** Partially compliant Explanation

6. **Companies should allow split votes, so that financial intermediaries acting as nominees on behalf of various clients can issue their votes according to instructions.**

Compliant **X** Explanation

7. **The Board of Directors should perform its duties with unity of purpose and criteria independence, giving all the shareholders the same treatment, allowing itself to be guided only by the company's interests, which means striving to maximise its economic value in a sustainable manner.**

   It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; performing its obligations and contracts in good faith; respecting the customs and good practices of the sectors and territories in which it operates; and upholding any additional social responsibility principles to which it may have voluntarily subscribed.

Compliant **X** Partially compliant Explanation

8. **The core components of the board's mission should be to approve the company's strategy and the organization required for its execution, and to ensure that management attains the objectives while pursuing the company's interests and corporate purpose. As such, the board fully reserves the right to approve:**

   a) **The company's general policies and strategies, and in particular:**

      i) **The strategic or business plan, management targets and annual budgets;**

      ii) **Investment and financing policy;**

      iii) **Design of the structure of the corporate group;**

      iv) **Corporate governance policy;**

      v) **Corporate social responsibility policy;**

      vi) **Senior staff performance remuneration and evaluation policy.**

      vii) **Risk control and management policy, and the regular monitoring of internal information and monitoring systems.**

      viii) **Dividend and treasury stock policies and especially limits**

      See sections: C.1.14, C.1.16 and E.2

b) **The following decisions:**

   i) **On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses.**

   ii) **Remuneration of board members, including, in the case of executive members, the additional considerations for their executive duties and other contract conditions.**

iii) The financial information that all listed companies must periodically disclose.

iv) All kinds of investments or operations deemed strategic due to their huge amount or special characteristics, except if they require the approval of the General Meeting of Shareholders;

v) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other comparable transactions or operations with complexities that might impair the transparency of the group.

c) Transactions which the company conducts with board members, significant shareholders, shareholders with board representation or with other associated persons ("associated transactions").

However, board authorization need not be required for associated transactions that simultaneously meet the following three conditions:

1ª. However, board authorization need not be required for associated transactions that simultaneously meet the following three conditions;

2ª. They go through at market rates, generally set by the person supplying the goods or services;

3ª. Their amount is no more than 1 % of the company's annual revenues.

It is advisable that the Board approves associated transactions only if the audits Committee issues a favourable report or, as the case may be, any other Committee assigned to that function; and that the board members involved may neither exercise nor delegate their voting rights, and should be excused from the meeting while the board deliberates and votes.

Ideally, with the exception of the powers outlined in b) and c), which may be delegated to the Executive Committee in emergencies and later ratified by the plenary session of the Board of Directors, the above powers should not be delegated.

See sections: D.1 and D.6

Compliant **X** Partially compliant Explanation

9. In the interests of maximum effectiveness and participation, the Board of Directors should consist of no fewer then five and no more than fifteen members.

See sections: C.1.2

Compliant **X** Explanation

10. External proprietary and independent board members should occupy an ample majority of board sits, while the number of executive board members should be cut down to the minimum necessary bearing in mind the complexity of the corporate group and the percentage of ownership the executive board members hold in the equity.

See sections: A.3 and C.1.3.

Compliant **X** Partially compliant Explanation

11. That among the external board members, the relation between proprietary and independents members should match the proportion between the capital represented on the board by proprietary board members and the rest of the company's capital.

This strict proportional criterion can be relaxed so that the weight of proprietary board members is greater than would correspond to the total percentage of capital represented:

1º In companies with very large capitals in which fewer or no equity stakes exceed the legal threshold of significant shareholdings, but where there may be shareholders with considerable sums actually invested.

2º In companies with plurality of shareholders represented on the board but not otherwise related.

See sections: A.2, A.3 and C.1.3

Compliant **X** Explanation

12. The number of independent members should represent at least one third of all board members.

See sections: C.1.3

Compliant **X** Explanation

13. The condition of each board member should be explained at the general meeting of shareholders, which shall appoint or ratify its appointment, with confirmation or, as the case may be, review in the Annual Corporate Governance Report, before verification by the appointments Committee, and that said report should also disclose the reasons for appointing proprietary members at the urging of shareholders with less than 5 % of the capital, explaining any rejections of formal requests for a place on the Board of Directors issued by shareholders with capital equal to or greater than that of others whose requests for proprietary members may have been accepted.

See sections: C.1.3 and C.1.8

Compliant **X** Partially compliant Explanation

14. In the event that female board members are few or non existent, the Board should state the reasons for this situation and the correction measures implemented; in particular, the Appointments Committee should take steps to ensure that:

a) the process of filling board vacancies has no implicit bias against female candidates;

b) **the company makes a conscious effort to include females in the target profile among the candidates for board places.**

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4.

Compliant **X** Partially compliant ☐ Explanation ☐ Not applicable ☐

15. **The Chairman, as the person responsible for the proper operation of the board, should ensure that members are supplied with sufficient information in advance of board meetings, and should encourage debates and the active involvement of all members, safeguarding their rights to freely express opinions and take stands; he should organise and coordinate regular assessments of the board and, if appropriate, the company.**

See sections: C.1.19 and C.1 41

Compliant **X** Partially compliant ☐ Explanation ☐

16. **In the event that the board chairman is also the company's chief executive, an independent board member should be empowered to convene board meetings or to include new items on the agenda; to coordinate and voice the concerns of external board members; and to lead the board's evaluation of its chairman.**

See sections: C.1.22

Compliant **X** Partially compliant ☐ Explanation ☐ Not applicable ☐

17. **That the board Secretary should take care to ensure that the board's actions:**

    a) **Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;**

    b) **Are in conformity with the company Bylaws and the Regulations of shareholder Meetings, the Board of Directors and any others in the company;**

    c) **Complies with the recommendations on good governance set forth in the Unified Code that the company may have accepted.**

    And that in order to safeguard the independence, impartiality and professionalism of the Secretary, its appointment and termination should be proposed by the appointments Committee and approved by the plenary session of the Board of Directors; and that said appointment and termination procedure be included in the Regulations of the Board of Directors.

See sections: C.1.34

Compliant **X** Partially compliant ☐ Explanation ☐

18. The board should meet with the necessary frequency to properly perform its functions, following a calendar and a program scheduled at the beginning of the year, to which each board member may propose the addition of other items.

See sections: C.1.29

Compliant **X** Partially compliant Explanation

19. The absences of board members should be reduced to the bare minimum and quantified in the Annual Corporate Governance Report. If board members have no choice but to delegate their votes, such delegation should be with instructions.

See sections: C.1.28, C.1.29 and C.1.30

Compliant **X** Partially compliant Explanation

20. If board members or the Secretary express concerns about a proposal or, in the case of board members, about the company's performance, and such concerns are not resolved at the board meeting, the person expressing the concerns may request that the concerns be recorded in the minute book.

Compliant **X** Partially compliant Explanation Not applicable

21. The plenary session of the board should evaluate the following once a year:

a) The quality and efficiency of the board's operation;

b) The level of performance of the company's chairman and chief executive based on the report that may be submitted by the appointments Committee;

c) The performance of Committees based on reports that they provide.

See sections: C.1.19 and C.1.20

Compliant **X** Partially compliant Explanation

22. All Directors should be able to exercise their right to receive any additional information they require on matters within the board's competence. Unless the Bylaws or board regulations indicate otherwise, such requests should be addressed to the Chairman or Secretary.

See sections: C.1.41

Compliant **X** Explanation

23. **All board members should be entitled to call on the company for the required advice and guidance necessary for the performance of their duties and the company should provide the appropriate channels for the exercise of such right, which, in special circumstances, shall include external assistance at the company's expense.**

See sections: C.1.40

Compliant **X** Explanation

24. **Companies should set up orientation programmes that may provide new board members with quick and sufficient knowledge of the company and its corporate governance rules and regulations and should also offer knowledge updating programs to board members whenever deemed advisable by the circumstances.**

Compliant **X** Partially compliant Explanation

25. **Companies should insist that board members devote sufficient time and effort to the performance of their duties effectively, and, as such:**

a) board members should apprise the appointments Committee of any other professional obligations that could possible interfere with the dedication required from them;

b) and companies should establish rules about the number of boards on which their board members can sit.

See sections: C.1.12, C.1.13 and C.1.17

Compliant **X** Partially compliant Explanation

26. **The board should first approve any proposal submitted to the shareholders' general meeting for the appointment or renewal of board members, including provisional appointments by co-optation:**

   a) On the proposal of the appointments Committee, in the case of independent board members.

   b) Subject to report from the appointments Committee in all other cases.

See sections: C.1.3

Compliant **X** Partially compliant Explanation

27. Companies should post the following information about the board members on their websites, and keep them permanently updated:

a) Professional experience and background;

b) Other boards on which board member sits, whether listed company or not;

c) Indicate the category of the board member, pointing out, in the case of proprietary members, which shareholder they represent or to whom they are linked.

d) The date of their first and subsequent appointments as members of company's Board of Directors, and;

e) Shares held in the company and whether said shares are subject to any options

Compliant **X** Partially compliant □ Explanation □

28. Proprietary board members should resign if the shareholders they represent entirely dispose of such shares. They should also resign if such shareholders reduce their stakes, thus losing the corresponding entitlement to proprietary board membership.

See sections: A.2, A.3 and C.1.2

Compliant **X** Partially compliant □ Explanation □

29. The Board of Directors should not propose the removal of independent board members before their tenure expires as mandated by the Bylaws, except in the event of just cause, deemed by the board, after the Appointments Committee issues a report. Specifically, just cause shall be understood as board member acting in breach of his/her fiduciary duties or incurring in any of the circumstances that may lead to his/her losing the condition of independent, pursuant to the stipulations of Order ECC/461/2013.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate transaction produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 11.

See sections: C.1.2, C.1.9, C.1.19 and C.1.27

Compliant **X** Explanation □

30. Companies should establish rules obliging board members to report of and, as the case may be, to resign in any circumstance that might damage the company's name or reputation and, in particular, obliging them to inform the Board of Directors of all criminal cases in which they may be named as accused and the progress of any subsequent trials.

Upon the indictment or trial of any director for any of the crimes outlined in Article 124 of the Spanish Corporations Act, the board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the Annual Corporate Governance Report.

See sections: C.1.42, C.1.43

Compliant **X** Partially compliant Explanation

31. **All board members should express clear opposition against any proposals submitted for the board's approval which, they deem, might damage the corporate interest. Particularly, independent and other board members, unaffected by the possible conflicts of interest, should challenge any decision that could go against the interests of shareholders not represented on the board.**

    In the event that the board takes significant or reiterated decisions against which a board member may have expressed serious reservations, said board member set out the pertinent conclusions and, if he/she decides to resign, he/she should explain the reasons in the letter referred to in the next recommendation.

    The terms of this recommendation also applies to the board Secretary although not officially a board member.

Compliant **X** Partially Compliant Explanation Not applicable

32. **Board members who give up their position before their tenure expires, by resignation or otherwise, should state the reasons in a letter remitted to all board members. Regardless of whether such resignation is filed as a significant event, the reason must be explained in the Annual Corporate Governance Report.**

    See sections: C.1.9

Compliant Partially compliant Explanation Not applicable **X**

33. **Executive board members should be remunerated in portions of the shares of the company or of companies of the group, share options or other share-based instruments, variable remunerations linked to the company's performance or forecast systems.**

    This recommendation shall not include the allocation of shares if board members are obliged to retain them until the end of their tenure.

Compliant Partially compliant Explanation Not applicable **X**

34. The remuneration of external board members should sufficiently compensate for the dedication, abilities and responsibilities that the post entails, but not to the extent of compromising their independence.

Compliant **X** Explanation Not applicable

35. Remuneration linked to company earnings should consider the possible deductions reflected in the external auditor's report and should reduce said results.

Compliant **X** Explanation Not applicable

36. In the case of variable compensations, remuneration policies should include the technical safeguards necessary to ensure that such remunerations reflect the professional performance of the beneficiaries and not simply the general progress of the markets or of the company's sector, or of similar circumstances.

Compliant **X** Explanation Not applicable

37. In the event that the company has an Executive Committee, the structure of shares of the different categories of members should be similar to that of the Board itself, and its Secretary should be like that of the board.

See sections: C.2.1 and C.2.6

Compliant Partially compliant Explanation Not applicable X

38. The board should always be granted first-hand knowledge of issues dealt with and decisions taken by the Executive Committee and each board member should receive a copy of the minutes of the Executive Committee.

Compliant Explanation Not applicable **X**

39. In addition to the Audit Committee required by the Securities Market Act, the Board of Directors should also create a Committee, or two separate Committees, for appointments and remunerations.

The rules governing the composition and operation of the audits Committee and the Appointments and Remunerations Committee or Committees should be set forth in the Board Regulations, and should include:

a) The Board of Directors should appoint the members of such Committees considering the knowledge, aptitudes and experience of the directors and the duties of each Committee; decide on their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first plenary board following each meeting;

b) **These Committees should consist exclusively of external board members, with a minimum of three. That notwithstanding, executive board members or senior officers may also attend meetings, for information purposes, at the Committees' invitation.**

c) **Committees should be chaired by independent board members.**

d) **External consultants may be engaged if deemed necessary for the performance of their duties.**

e) **Minutes should be recorded of their meetings and copies of such sent to all board members.**

See sections: C.2.1 y C.2.4

Compliant **X** Partially compliant Explanation

40. **The supervision of compliance with the internal codes of conduct and corporate governance regulations should be entrusted to the Audits Committee, Appointments Committee or, if separately existing, Compliance or Corporate Governance Committees.**

See sections: C.2.3 y C.2.4

Compliant **X** Explanation

41. **All members of the audits Committee, particularly its chairman, should be appointed bearing in mind their knowledge and background in Accounting, Auditing and Risk Management.**

Compliant **X** Explanation

42. **Listed companies should have an internal audits function, under the supervision of the audits Committee, to ensure the proper operation of internal reporting and monitoring systems.**

See sections: C.2.3

Compliant **X** Explanation

43. **The head of internal audits should submit an annual work plan to the Audits Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.**

Compliant **X** Partially compliant Explanation

44. Risk monitoring and management policy should at least specify

a) **The different types of risk(operational, technological, financial, legal, reputation-oriented…) to which the company may be exposed, including those of financial or economic, contingent liabilities and other off balance-sheet risks;**

b) **The determination of the level of risk deemed acceptable to the company;**

c) **Measures in place to mitigate the impact of risk events should they occur**

d) **The internal reporting and monitoring systems to be used to monitor and manage the aforementioned risks, including contingent liabilities and off-balance sheet risks.**

See sections: E

Compliant **X** Partially compliant Explanation

45. The audits Committee's role should be:

1. Regarding internal monitoring and reporting systems:

a) **The main risks identified as consequence of the supervision of the efficacy of the company's internal monitoring and internal audits, as the case may be, should be managed and appropriately disclosed.**

b) **Monitor the independence and efficacy of the internal auditing; propose the selection, appointment, re-election and removal of the head of internal audits; propose the department's budget; receive regular feedbacks on its activities; and verify that senior management is acting on the findings and recommendations of the reports.**

c) **Establish and supervise a mechanism whereby staff can confidentially and, if necessary, anonymously report any irregularities detected in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the company.**

2. With regards to the external auditor:

a) **To be regularly informed by the external auditor on the progress and findings of the auditing plan and to ensure that senior management act on its recommendations.**

b) **To make sure the external auditor remains independent and, for that purpose:**

i) **The company should notify the CNMV of any change of auditor as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.**

ii) **The Committee should investigate the issues giving rise to the resignation of any external auditor.**

See sections: C.1.36, C.2.3, C.2.4 and E.2

Compliant **X** Partially compliant Explanation

46. The audits Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant **X** Explanation

47. The audits Committee should inform the board on the following points from Recommendation 8 before the board takes any of the relevant decisions:

a) The financial information that all listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same Accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.

b) The creation or acquisition of shares in special purpose entities or entities resident in countries or territories considered tax havens, and any other analogous transactions or operations which, due to their complexity, might impair the transparency of the group.

c) Transactions that are linked, except where their scrutiny is entrusted to some other supervision and monitoring Committee..

See sections: C.2.3 and C.2.4

Compliant X Partially compliant Explanation

48. The Board of Directors should seek to present the financial statement to the Shareholders during the General Meeting without reservations or qualifications in the audits report. Should such reservations or qualifications exist, both the Chairman of the Audits Committee and the auditors should clearly inform the shareholders on said reservations or qualifications.

See sections: C.1.38

Cumple **X** Cumple parcialmente Explique

49. The majority of the members of the Appointments –or Appointments and Remunerations Committee if only one exists– should be independent board members.

See sections: C.2.1

Compliant **X** Explanation Not applicable

50. In addition to the functions listed in the preceding recommendations, the Appointments Committee should be responsible for the following:

a) Evaluating the necessary abilities, knowledge and experience on the Board, consequently defining the roles and capabilities required of the candidates to fill each vacancy, and deciding on the time and dedication necessary for them to properly perform their duties.

b) Appropriately examining or organizing the succession of the chairman and chief executive and, where necessary, making recommendations to the Board for said succession to proceed in a planned and orderly manner.

c) Reporting on the appointments and removals of senior staff that the chief executive may propose to the board.

d) Reporting to the board on the gender diversity issues discussed in recommendation 14 of this code.

See sections: C.2.4

Compliant **X** Partially compliant Explanation Not applicable

51. The appointments Committee should consult the company's chairman and chief executive on especially matters relating to executive board members.

Any board member may suggest possible candidates to the Appointments Committee if it deems fit, for filling out vacancies on the Board of Directors.

Compliant **X** Partially compliant Explanation Not applicable

52. In addition to the functions listed in the preceding recommendations, the Remunerations Committee should be responsible for the following:

a) Making the following proposals to the Board of Directors:

i) The remuneration policy for board members and senior management;

ii) The remuneration and other contractual conditions of individuals of the executive board members.

iii) The standard conditions for senior officer employment contracts.

b) Oversee compliance with the remuneration policy set by the company.

See sections: C.2.4

Compliant **X** Partially compliant Explanation Not applicable

53. The remunerations Committee should consult the company's chairman and chief executive on especially matters relating to executive board members and senior management.

Compliant **X** Explanation Not applicable

H OTHER INFORMATION OF INTEREST

1. Provide a brief detail, if any, on all other relevant aspects in the matter of the corporate governance of the company or entities of the group that have not been included in the other sections of this report, but that the inclusion of which is necessary for the compiling of a more comprehensive and reasonable information on the structure and practices of governance in the entity or group.

2. In this section, you may also include any other information, clarification or detail related to the sections set forth above in the report, to the extent that these are deemed relevant and not reiterative.

   Specifically, indicate whether the company is subject to non-Spanish legislation with regards to corporate governance and, if so, include the information it is obliged to provide and which is different from that required in this report.

3. The company may also indicate whether it voluntarily adhered to other codes of the principles of ethics or other good practices, international, sector-wise or of other scope. As the case may be, the company shall identify the code in question and the date of adherence thereto.

1.- OTHER INFORMATION OF INTEREST (I)

SECTION A.2

Fundación Mapfre's stake in Bankia, S.A. decreased to 3% on 11 February 2013.

SECTION A.5

- The subordinated loan between Banco Financiero y de Ahorros, S.A.U. and Bankia, S.A. was repaid in full on 23 May 2013 pursuant to authorisation by the FROB.
- In 2013, Fundación Mapfre was no longer considered a significant shareholder of the entity. However, at 31 December 2013, the business alliance entered into between Bankia and Mapfre remained valid.

SECTION A.8

- In accordance with Royal Decree 1362/2007, on 25 April 2013 a notification was sent voluntarily to the CNMV to disclose to the market the updated position of treasury shares following the reduction in Bankia, S.A.'s share capital and the subsequent grouping of shares and increase in par value (reverse split), as the acquisitions had not reached the 1% threshold since the previous notification.
- In accordance with Royal Decree 1362/2007, on 30 May 2013 a notification was sent voluntarily to the CNMV to disclose to the market the updated position of treasury shares following the capital increase with preferential subscription rights of Bankia, S.A. and the capital increase of Bankia, S.A. to carry out the obligatory buyback of hybrid instruments and subordinated debt of the BFA-Bankia Group pursuant to the resolutions adopted by the FROB's governing Committee on 16 April 2013.

SECTION B.4

The change in attendance in person at Bankia's general meeting of shareholders is the result of the following:
-The increase in Banco Financiero y de Ahorros SAU's stake following the corporate transactions agreed via the resolution of the FROB's Governing Committee on 16 April 2013.
-The attendance in person to Bankia's 2013 general meeting of shareholders by Banco Financiero y de Ahorros SAU, whereas it attended the 2012 general meeting of shareholders by proxy.

SECTION C.1.2

The appointments of the directors listed in this section were ratified at the general meeting of shareholders held 29 June 2012.

SECTION C.1.15

- Clarification of “Board remuneration (thousands of euros)”: In 2012, Francisco Verdú Pons tendered his resignation, without Bankia paying any termination benefit. However, in 2013, it agreed to pay Mr. Verdú an amount of EUR 462 thousand for termination of the commercial contract.
- Clarification of “Amount of total remuneration corresponding to accumulated pension rights (thousands of euros)”: Total remuneration paid to current directors corresponding to accumulated pension rights amounts to EUR 0. However, remuneration corresponding to accumulated pension rights paid to directors who were members of, or appointed to, the Board of Directors prior to 25 May 2012, which was the date of renewal, amounted to EUR 2,049 thousand.

SECTION C.1.16

- Clarification of “members of senior management”: Iñaki Azaola Onaindia, director of internal audit, is not a member of senior management. However, the internal auditor is included in this group pursuant to the instructions for filling out this document.
- Clarification of “Total remuneration received by senior management (thousands of euros)”: Does not include the termination benefit paid in 2013 for the termination of Ildefonso Sánchez Barcoj on 16 May 2012, amounting to EUR 300 thousand, which, as a result, was not included in the 2012 annual corporate governance report.

SECTION C.1.17

José Ignacio Goirigolzarri Tellaeche is the natural person representative of the Fund for Orderly Bank Restructuring (FROB), and chairman of Banco Financiero y de Ahorros S.A.U.

SECTION C.1.18

A) At its meeting of 20 March 2013, the Board of Directors agreed the following amendments:

- Amendment of sections 1, 2 and 3 of article 9 of the Regulations of the Board of Directors, which was subsequently amended by the Board of Directors on 24 April 2013 (see final text at the end of this note).

-The elimination of article 10 (“The Vice Chairman”) from the Regulations of the Board of Directors and, accordingly, the renumbering of the articles of the Regulations

- Section 1 of article 14 (new article 13) now reads as follows:
14.1. An Executive Committee may be formed and shall be made up of no less than 5 and no more than 7 directors. If no Executive Committee is formed, the functions of said Committee will be assumed by the Board of Directors, which shall nevertheless have authority to delegate said functions.

- Sections 1 of 2 of article 15 (new article 14) now read as follows:
15.1. The Audit and Compliance Committee will be comprised exclusively of non-executive directors, with a minimum of 3 and a maximum of 5 directors In any event, where the members of the Committee expressly so agree, meetings of the Committee may be attended by other directors, including executive directors. The members of the Audit and Compliance Committee will be appointed by the Board of Directors taking account of knowledge, aptitude and experience in accounting, auditing or risk management, and in the tasks of the Committee.
15.2. The Committee will be chaired by a non-executive director that, in addition, has knowledge, aptitudes and experience in accounting, auditing or risk management. The chairman of the Committee must be replaced every four years, and may be re-elected after the term of one year elapses since he left office.

- Sections 1 of 2 of article 16 (new article 15) now read as follows:
16.1. The Appointments and Remuneration Committee will be comprised of a majority of independent directors, with a minimum of 3 and a maximum of 5 directors. In any event, where the members of the Committee expressly so agree, meetings of the Committee may be attended by other directors, including executive directors, senior managers and any employee.

16.2. The members of the Appointments and Remuneration Committee shall be appointed by the Board of Directors, taking into account the directors’ knowledge, skills and experience and the remit of the Committee. The Committee shall be chaired by an external director appointed by the Board of Directors. The chairman of the Committee shall be replaced every four years, and may be re-elected once or more times for equal terms.

- Section 1 of article 18 (new article 17) now reads as follows:
18.1. The Board of Directors generally will meet once per month and, in addition, as often as called by the chairman, on his own initiative or on request of one independent director. In the latter case the chairman will call the extraordinary meeting within a maximum term of three business days after receipt of the request, to be held within the three following business days, including the agenda items to be considered at the meeting.

- Sections 4 and 7 of article 22 (new article 21) now read as follows:
22.4. In the selection of one who is to be proposed for a director position it will be ensured that it is a person of high honour, competence, standing and experience in the financial sector, in accordance with applicable law.

22.7. To give new directors a knowledge of the Bank and its corporate governance rules, an orientation and support programme shall be provided. In addition, where circumstances so advise, the company shall establish professional update programmes for directors.

- Section 1 of article 23 (new article 22) now reads as follows:
23.1. The directors will serve for a term of 6 years, for so long as the general meeting does not resolve to dismiss or remove them and they do not resign their positions. The foregoing is understood to be without prejudice to the provisions of article 21 regarding directors appointed by co-option.

- section 3.a) of article 24 (new article 23) now read as follows:
24.3. Without prejudice to the above, directors must place their directorships at the Board of Directors' disposal and, if the board deems it appropriate, tender their resignation in the following cases: a. when they are subject to any of the cases of incompatibility or prohibition provided by Law;

- Article 25 (new article 24) now reads as follows:
Article 25. Procedure for the removal or replacement of members of the Board of its Committees and from positions on those bodies.
In the event of removal, notice of resignation, incapacity or death of members of the board or its Committees or removal or notice of resignation of the chairman of the Board of Directors or the chief executive officer or officers and those in other positions on those bodies, on request of the chairman of the board or, in the absence thereof, on request of one director, the Appointments and Remuneration Committee will be called to review and organise the process for succession or replacement on a planned basis and the corresponding proposal to the Board of Directors. This proposal will be sent to the Executive Committee and thereafter to the next meeting of the Board of Directors.

- Section 4 of article 28 (new article 27) now reads as follows:
28.4 Non-executive directors of the Company who receive any remuneration by reason of membership on any management body of the financial institution that is the majority shareholder of Bankia [specifically Banco Financiero y de Ahorros] or the lending institutions that are shareholders of that majority shareholder, or have an employment or senior management contract with those entities, will not be entitled to receive any remuneration by reason of their positions as directors of the Company, except for reimbursement of their expenses. In addition, executive directors of the Company who receive any remuneration by reason of performance of executive functions for the entity exercising effective control over the financial institution that is the majority shareholder of Bankia or the lending institutions that are shareholders of that majority shareholder will not be entitled to receive any remuneration for their executive functions within the Company, except for reimbursement of their expenses. The executive directors of the Company, if any, will not be entitled to receive any remuneration in the form of per diems or periodic payments by reason of their membership on any management body of the financial institution that is the majority shareholder of Bankia or the lending institutions that are shareholders of that majority shareholder.

- The article 30 (new article 29) now reads as follows:
Article 30.General obligations of a director.
In the performance of his duties a director will act with the diligence of an orderly businessmen and loyal representative. In particular a director is required: (a) To review and prepare appropriately for the meetings of the board and board Committees to which the director belongs; (b) To attend the meetings of the bodies of which he is a member and actively participate in the deliberations so that his judgment effectively contributes to decision-making.
If, for a justified reason, a director is unable to attend meetings to which he has been called, he to the extent possible must instruct the director who will represent him; (c) To perform any specific task assigned to him by the Board of Directors that is reasonably within his time commitment; (d) To investigate any irregularity in the management of the Company of which he has learned and monitor any risk situation; (e) To report to the Appointments and Remuneration Committee on his other obligations in order to guarantee that they do not interfere with the required dedication.

- Article 32 (new article 31) now reads as follows:
Article 32. Noncompetition obligation.

1. Directors may not, for themselves or on behalf of another, engage in a business that is the same as or comparable or complementary to the business constituting the corporate purpose of the Company. This does not apply to such positions as may be held in entities of the Group to which the Company belongs.

2. Before accepting any executive position with another company or entity, a director must consult with the Appointments and Remuneration Committee.
3. The Board shall, at the proposal of the Appointments and Remuneration Committee, establish rules on the number of boards on which its directors may sit.

- Section 5 of article 37 (new article 36) now reads as follows:
37.5. A director violates his duty of loyalty to the Company if, with prior knowledge, he allows or does not disclose the existence of transactions related thereto, undertaken by the persons indicated in Article 32.1 of these regulations, that have not been submitted to the conditions and controls contemplated in this article.

B) Finally, as a result of the amendments agreed at the Board of Directors meetings held 20 March 2013 and 24 April 2013, article 9 of the Regulations ("The Chairman of the Board") reads as follows:

Article 9. The Chairman of The Board
1. The Board of Directors will appoint its chairman, the term of office of which will be indefinite, as long as the chairman remains a director, with no limits on re-election.

The chairman of the Board of Directors, in addition to the power of representation referred to in article 36 of the Bylaws, will be the executive chairman of the Company, with the maximum authority given thereto for that purpose by the Board of Directors.

The authority delegated to the chairman may be granted by it by way of power of attorney, in particular the authority to propose appointment of members of the Company's senior executives, and to authorise any other appointments within the Company.

The chairman of the Board of Directors will be the chief executive of the Company and will have the maximum authority necessary for exercise of that position, without prejudice to the authority, if any, given to the chief executive officer, having the following authority, in addition to the other authority granted in the Bylaws and these regulations:

a. to see to overall compliance with the Bylaws and implementation of the resolutions of the general meeting and the Board of Directors;
b. to exercise top-level oversight of the Company and all of its departments;
c. to head the Company's management team, always in accordance with the decisions and criteria set by the general meeting and Board of Directors within the scope of their respective authorities;
d. together with the chief executive officer, to handle matters related to ordinary management of the Company; and
e. to propose to the Board of Directors the appointment and removal of the chief executive officer, after a report from the Appointments and Remuneration Committee.
f. As well as any other functions that may be delegated to him.

In the event that the chairman is absent, unable to attend or indisposed, the chairman's role will be filled temporarily by the director appointed for that purpose by the Board of Directors or, failing that, by the most senior director in age. In any event, if the vacancy or absence is for extended extraordinary reasons, or the result of physical incapacity, the chairman may be replaced by such other director to which authority may be extended by way of the appropriate power of attorney
Independently of the provisions of the preceding paragraph, when the chairman of the board is the first executive of the Company, the Board of Directors may appoint, from among the independent directors, on proposal of the Appointments and Remuneration Committee, a coordinating independent director who will gather all questions and concerns communicated thereto by the non-executive directors, and may request call of the Board of Directors and inclusion of points on the agenda. In particular, this director will assume the task of organising the possible common positions of the independent directors and will serve as an intermediary or spokesman for such common positions. The term of service as the coordinating independent director will be three years, with no successive re-election. Status as the coordinating independent director will cease by expiration of the term for which the coordinator was appointed, and when the coordinator ceases to be a director, when being a director the coordinator loses status as an independent director, or when so resolved by the Board of Directors upon proposal of the Appointments and Remuneration Committee.

2. The chairman is vested with the ordinary authority to call meetings of the Board of Directors, to set the agenda for such meetings and to lead the debate. The chairman, nonetheless, must call the board and place the matters in question on the agenda when so requested by one of the independent directors. In the event of a tie, the chairman will have a casting vote.

3. The chairman, as the person responsible for the efficient functioning of the Board of Directors, will see to it that the directors receive sufficient information for performance of their duties, that the directors are able to obtain any additional information and advice they may require for the performance of their functions, and that the Board of Directors is able to seek help from independent experts on matters within its purview that are of particular complexity or importance. The chairman will also encourage debate and active participation of the directors during board meetings, protecting their free adoption of positions and expression of opinions.

4. On the terms contemplated in the Bylaws, the chairman also will have the powers and authority of the Board of Directors except for those that by law or the Bylaws cannot be delegated.

5. The chairman will organise and coordinate the periodic evaluation of the board with the chairmen of the audit and compliance and Appointments and Remuneration Committees.

6. Based on the report prepared by the Appointments and Remuneration Committee, the board will evaluate the chairman's performance on a yearly basis. The evaluation of the chairman will be directed by the chairman of the Appointments and Remuneration Committee.

SECTION C.1.22

Appointment of the coordinating independent director: At its meeting of 23 October 2013, the Board of Directors of the entity agreed, based on a proposal by the Appointments and Remuneration Committee, to appoint Alfredo Lafita Pardo as the coordinating independent director.

SECTION C.1.39

Bankia is considered to be a company formed under the Spanish Commercial Code, whose corporate name since 1995 was Altae Banco, S.A. In addition, it should be indicated that the company auditing the Bank has formed part of the Andersen firm since 2001. Banco Altae is not considered to have come from the former Banco de Crédito y Ahorro.

SECTION C.2.1

Appointments to the Appointments and Remuneration Committee: On 22 May 2013, the Board of Directors agreed to appoint Alfredo Lafita Pardo as a member of the Appointments and Remuneration Committee to replace Fernando Fernández Méndez de Andés, who is still a member of the Board of Directors of Bankia, S.A. As a result, the Appointments and Remuneration Committee comprised the following members: Joaquín Ayuso García (Chairman), Francisco Javier Campo García (Director), Álvaro Rengifo Abbad (Director) and Alfredo Lafita Pardo (Director).

SECTION C.2.2

The information regarding the number of female directors that comprise the Committees of the Board of Directors , is given as of 31 December of each financial year.

SECTION C.2.4

AUDIT AND COMPLIANCE COMMITTEE

Basic responsibilities: (a) Reporting through its chairman and/or Secretary to the general meeting of shareholders regarding such matters within its competence as may be posed to it by the shareholders (b)Monitoring the effectiveness of the internal control of the Company, the internal audit, if any, and the risk management systems, and discussing significant weaknesses in the internal control system detected in the course of the audit with the auditors or audit firms, (c) Overseeing the process for preparing and submitting regulated financial information. (d) Proposing to the Board of Directors for submission to the General Shareholders' Meeting, the appointment of external auditors, referring proposals for selection, appointment, re-appointment and replacement thereof to the board, and the terms of engagement thereof; (e) Establishing the appropriate relationships with the auditors to receive information regarding such questions as may compromise their independence, for review by the Committee, and any other issues related to the process of the audit, as well as receiving and disclosing information from and to the auditor as provided for in applicable audit legislation and standards; (f) Annually, prior to the issue of the audit report, the Committee shall issue a report stating an opinion regarding the independence of the auditors or audit firms. This report must address the provision of any additional services referred to in the preceding section; (g) Reviewing compliance with these regulations, the manuals and procedures for prevention of money laundering and, in general, the Company's governance and compliance rules, and making the necessary proposals for improvement thereof. In particular the Audit and Compliance Committee is to receive information and, if applicable, issue reports regarding measures disciplining members of the Board of Directors or senior management of the Company; (h) Supervising compliance with the Company's internal code of conduct for the securities markets, the manuals and procedures for prevention of money laundering and, in general, the Company's governance and compliance rules, and making the necessary proposals for improvement thereof. In particular, it is the Committee's responsibility to receive information and, if applicable, issue reports regarding measures disciplining members of senior management (i) Informing the board of the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered to be tax havens, and any other transactions or operations of a comparable nature the complexity of which could impair the transparency of the group; (j) In addition, the Audit and Compliance Committee will report to the board, prior to the adoption by it of the corresponding decisions, on related party transactions, unless that prior reporting function has been given to another supervision and control Committee

APPOINTMENTS AND REMUNERATIONS COMMITTEE

The Appointments and Remuneration Committee will have general authority to propose and report on remuneration and nominating matters and removal of directors and senior managers. In particular, without prejudice to other tasks assigned to it by the board, the Appointments and Remuneration Committee will be responsible for:

(a) making proposals to the Board of Directors of independent directors to be appointed by co-option or, if applicable, for submission to decision by the general meeting of shareholders, and proposals for re-election or removal of those directors by the general meeting; (b) reporting, on a non-binding basis, on proposals of the Board of Directors for appointment of other directors to be appointed by co-option or, if applicable, for submission to decision by the general meeting of shareholders, and proposals for re-election and dismissal of those directors by the general meeting; (c) reporting, on a non-binding basis, on board resolutions related to appointment or removal of senior managers of the Group proposed to the board by the chairman; (d) proposing to the Board of Directors: i. the remuneration policy for directors and senior officers; ii. the individual remuneration and other contractual conditions of executive directors; and; iii. the standard terms for senior officer contracts; (e) periodically reviewing remuneration programmes, considering their appropriateness and utility; (f) ensuring the transparency of remuneration and inclusion in the annual report on director remuneration and the annual corporate governance report of information regarding remuneration of directors and, to that end, submitting such information as may be appropriate to the board; (g) overseeing compliance with the remuneration policy set by the Company; (h) ensuring the independence, impartiality and professionalism of the Secretary and assistant Secretary of the Board of Directors, reporting on their appointment and removal for approval of the full board.; (i) ensuring that, in cases where there are very few or no female directors, when new vacancies arise there is no implicit bias in the selection procedures which could obstruct the selection of female directors, endeavouring to have women who meet the required professional profile included in the potential candidates.; (j) Reporting to the Board of Directors on the discharge of the functions of the chairman of the board.

BOARD RISK COMMITTEE

Specifically, the basic functions of the Board Risk Committee will be, inter alia, as follows:

(a) Presenting risk policies to the Board of Directors.; (b) Proposing the risk control and management policy of the Company and the Group to the Board of Directors by way of the Capital Self-Evaluation Report (c) Referral to the Board of Directors of proposals for:: i. Approval of policies for assumption, management, control and reduction of risks to which the Company is or may be exposed, including those deriving from the macroeconomic environment as related to the status of the economic cycle; ii. Approval of the general internal control strategies and procedures, on the status of which it periodically will be advised.; iii. Periodic reports on the results of verification and control functions undertaken by the Company's units; (d) Within the context of the risk policies approved by the Board of Directors, establishing the risk level the Company considers to be acceptable from time to time, and seeing to the credit quality of the risk portfolio, compatible with the agility and flexibility required by the competitive market; (e) Undertaking periodic monitoring of the loan portfolio of the Company and the Group, to control the adaptation of the risk assumed to the established risk profile, with particular attention to the principal clients of the Company and the Group and the distribution of risk by business sector, geographical area and type of risk; (f) Periodically verifying evaluation systems, processes and methodologies and criteria for approval of transactions.; (g)) Evaluating, following and implementing the instructions and recommendations of supervisory entities in the exercise of their authority and, if applicable, referring the actions to be taken to the Board of Directors, without prejudice to following the instructions received; (h) Establishing the Company's risk reporting processes.; (i) Reporting to the Board of Directors and the Executive Committee of those transactions that may imply risks to solvency, an impact profits or operations or the reputation of the Company; (j)) Delegating authority to assume risks to other lower-ranking bodies or officers of the Company; (k) The Board Risk Committee may adopt the corresponding decisions within the scope of the authority delegated by the Board of Directors regarding risks specifically contemplated in the delegation resolution of the Board of Directors, in effect from time to time. In the credit risk area, the structure for approval of risks and the risks that, by reason of their amount, are reserved to the Board Risk Committee itself will be determined by the risk segments in effect from time to time and the risk levels characterised by their credit rating or scoring based on the models approved by the supervisory authority; (l) Defining, within its competence, the overall limits of prequalifications in favour of individuals or groups regarding exposure by class of risk.; (m) The Board Risk Committee may, pursuant to the authority delegated by the Board of Directors, approve transactions in respect of which the cumulative risk of the borrower or, if applicable, its group, is in an amount greater than 100 million euros for the worst rating level, up to 500 million euros, above which in all cases the Board of Directors will have jurisdiction. Regardless of that limit, the Board Risk Committee will not consider transactions in an amount equal to or less than EUR 30 million. The amounts of cumulative risk and the amount per transaction are applicable for all segments including exclusive segments; (n) The Board Risk Committee will not have competencies in relation to any divestment transaction, in particular, those affecting the following areas:; (o) In the area of approval of risks of kinds other than credit risk, the authority of the Board Risk Committee will be as delegated by the Board of Directors from time to time

SECTION D.1

In 2013, the Audit and Compliance Committee reported, prior to approval by the Board of Directors, on the transactions that, in accordance with article 36 of the Regulations of the Board of Directors, are considered related party transactions.

SECTION D.2

With the exception of the transactions reported in section D.2, no significant shareholder, or parties related thereto, carried out any transactions that were outside the Company's ordinary course of business, not performed on an arm's length basis or relevant to the Bank, pursuant to Ministerial Order EHA/3050/2004, of 15 September, on information regarding related-party transactions that must be supplied on a weekly basis by the issuers of securities listed on secondary markets.

SECTION D.3

See note 44 of the consolidated financial statements and note 49 of the consolidated financial statements for 2013 of Bankia, S.A. as a supplement to this section and notwithstanding that they are not related-party transactions for the purposes of the provisions of Ministerial Order EHA/3050/2004, of 15 September, on information regarding related-party transactions that must be supplied on a weekly basis by the issuers of securities listed on secondary markets.

None of the members of the Board of Directors or other member of the Bank's senior management, or company in which these individuals are directors, members of senior management, significant shareholders, or any related parties thereto have carried out any transactions that were outside the Company's ordinary course of business, not performed on an arm's length basis or relevant to the Bank, as far as the Bank is aware, pursuant to Ministerial Order EHA/3050/2004, of 15 September, on information regarding related-party transactions that must be supplied by the issuers of securities listed on secondary markets.

SECTIONS D.4 y D.5

There have been no transactions with such characteristics.

SECTIONS G.20 y G.31

Although the Company's internal rules and regulations do not expressly reflect the recommendations 20 and 31, the Company effectively complies with both recommendations in keeping with best business and corporate governance practices.

SECTIONS G.33, G.35 y G.36

Royal Decree-Law 2/2012 and Law 3/2012 places restrictions on remuneration at institutions that received assistance from the FROB. In compliance with this legislation, no variable remuneration in cash or shares was paid to executive or non-executive directors in 2013.

SECTIONS G.51

Although the Company's internal rules and regulation do not expressly reflect the recommendations 51, the Company effectively complies with the recommendation in keeping with best business and corporate governance practices.

During 2013, the Company has not been involved in any process to cover directors vacancies.

SECTIONS G.53

Although the Company's internal rules and regulation do not expressly reflect the recommendations 53, the Company effectively complies with the recommendation in keeping with best business and corporate governance practices.

2.- OTHER INTEREST INFORMATION (II)

In terms of Corporate Governance, the Company is not subject to other than the Spanish Legislation.

3.- OTHER INTEREST INFORMATION (III)

The company voluntarily joined the United Nations Global Compact (membership date: 15 November 2013), Spainsif Plataforma de Inversión Socialmente Responsable (ISR) (socially responsible investment platform) in Spain (membership date: 30 December 2011) and Autocontrol (commercial communication self-regulation association) (membership date: 3 June 2011).

This Annual Corporate Governance Report was approved by the company's Board of Directors at its meeting held on: February 17, 2014

Indicate whether Board Members voted against or abstained from voting for or against the approval of this Report.

Yes ☐ No **X**

BANKIA, S.A.

Report for 2013 on the Information Relating to the System of Internal Control over Financial Reporting (ICFR)

(Free translation from the original in Spanish)

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

AUDITOR'S REPORT FOR 2013 ON THE INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) OF BANKIA, S.A.

To the Shareholders of Bankia, S.A.:

As requested by the Board of Directors of Bankia, S.A. ("the Company") and in accordance with our proposal-letter dated September 11, 2013, we have applied certain procedures to the "Information relating to the system of ICFR" contained in the Section F to the Company's 2013 Annual Corporate Governance Report, which summarises the internal control procedures of the Company in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying information relating to the system of ICFR.

It should be noted in this regard, irrespective of the quality of the design and operativity of the internal control system adopted by the Company in relation to its annual financial reporting, the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Auditing Standards generally accepted in Spain, the sole purpose of our assessment of the internal control of the Company was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Company's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditors' report relating to information on the Internal Control over Financial Reporting on Listed Companies, published by the Spanish National Securities Market Commission (CNMV). Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Company's annual financial reporting for 2013 described in the accompanying information relating to the system of ICFR. Therefore, had procedures additional to those provided for in the engagement letter been applied or an audit or a review of the system of internal control over the regulated annual financial reporting been performed, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the Consolidated Spanish Audit Law, approved by Legislative Royal Decree 1/2011, of 1 July, we do not express an audit opinion in the terms provided for in that Law.

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The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Company in relation to the system of ICFR - disclosure information included in the managements' report- and assessment of whether this information addresses all the information required in section F, relating to the description of the system of ICFR, of the Annual Corporate Governance Report model established in CNMV Circular 5/2103, of 12 June 2013.

2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of achieving: (i) familiarisation with the preparation process; (ii) obtainment of the information required in order to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) obtainment of information on whether the aforementioned control procedures have been implemented and are in use at the Company.

3. Review of the explanatory supporting documentation for the information detailed in point 1 above, including the documentation furnished directly to the personnel in charge of preparing the ICFR descriptive information. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit and Control Committee.

4. Comparison of the information detailed in point 1 above with the Company's knowledge of the system of ICFR obtained as a result of the application of the procedures carried out as part of the audit of its financial statements.

5. Perusal of minutes of meetings of the Board of Directors, the Audit and Control Committee and of other Company committees in order to assess the consistency between the ICFR issues addressed therein and the information detailed in point 1 above.

6. Obtainment of the representation letter concerning the work performed, duly signed by the personnel in charge of the preparation of the information detailed in point 1 above.

The procedures applied to the Information relating to the system of ICFR did not disclose any inconsistencies or incidents that might affect the Information.

This report has been prepared exclusively in the framework of the requirements of Spanish Securities Market Law 24/1988, of 28 July, amended by Sustainable Economy Law 2/2011, of 4 March, and by Spanish National Securities Market Commission (CNMV) Circular 5/2103, of 12 June 2013, for the purposes of the description of the system of ICFR in Annual Corporate Governance Reports.

ERNST & YOUNG, S.L.

February 18, 2014

José Carlos Hernández Barrasús

APPENDIX 1

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

ISSUER' S PARTICULARS

YEAR ENDED 31/12/2013

COMPANY TAX ID NO. (CIF): A-14010342

Corporate Name: BANKIA, S.A.

Registered office: PINTOR SOROLLA Nº 8, VALENCIA (46002)

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's stock capital:

Date of Last Modification	Stock capital (€)	Number of shares	Number of voting rights
24/05/2013	11,517,328,544	11,517,328,544	11,517,328,544

Indicate whether different types of shares exist with different rights associated:

Yes ☐ **No X**

A.2 List the direct and indirect holders of significant ownership interests in the company at the end of the financial year, excluding board members

Personal or Corporate Name of shareholder	Number of direct voting rights	Indirect voting rights	% of total voting rights
Banco Financiero y de Ahorros, S.A.U.	7,877,272,186	0	68.40%
Fondo de Reestructuración Ordenada Bancaria (FROB)	0	7,877,272,186	68.40%

Name or corporate name of indirect owner of the investment	Through: Name or corporate name of direct owner of the investment	Number of direct voting rights
Fondo de Reestructuración Ordenada Bancaria (FROB)	Banco Financiero y de Ahorros, S.A.U.	7,877,272,186

Indicate the most significant movements in the shareholding structure of the company during the year:

Name or corporate name of shareholder	Transaction date	Description of transaction
Banco Financiero y de Ahorros, S.A.U.	24/05/2013	Surpassed 60% of share capital

A.3 Complete the following tables on company board members that hold voting rights through company shares:

Personal or Corporate Name of Board member	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHE	848,930	0	0.01%
MR. JOSÉ SEVILLA ÁLVAREZ	200,050	0	0.00%
MR. JOAQUÍN AYUSO GARCÍA	170,060	0	0.00%
MR. FRANCISCO JAVIER CAMPO GARCÍA	151,260	0	0.00%
MRS. EVA CASTILLO SANZ	58,027	0	0.00%
MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO	86	84,175	0.00%
MR. JOSÉ LUIS FEITO HIGUERUELA	166,050	0	0.00%
MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	25,434	0	0.00%
MR. ALFREDO LAFITA PARDO	167,060	0	0.00%
MR. ÁLVARO RENGIFO ABBAD	52,650	0	0.00%

Name or corporate name of indirect owner of the investment	Through: Name or corporate name of direct owner of the investment	Number of direct voting rights
MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO	QUINTOJORGE, S.L.	84,175

% total of voting rights held by board of directors	0.01%

Complete the following tables on members of the company's Board of Directors that hold rights over company shares

A.4 Indicate, as the case may be, any family, business, contractual or corporate relationship between owners of significant shares, insofar as it is known to the company, unless if such bears little relevance to or arises from the ordinary trading or course of business:

A.5 Indicate, as the case may be, any commercial, contractual or corporate relationship between owners of significant shares on the one hand, and the company and/or its group on the other, unless such bears little relevance to or arises from the ordinary trading or course of business:

Personal or Corporate Name of related	Type of relationship	Brief description
BANCO FINANCIERO Y DE AHORROS, S.A.U.	CONTRACTUAL	Framework agreement that governs the relations between Banco Financiero y de Ahorros, S.A.U. (BFA) and Bankia, setting out the mechanisms necessary to, within the legal limits, ensure at all times an appropriate level of coordination between Bankia and BFA and group companies, and to manage and minimise any situations that may give risk to potential conflicts of interest between the two entities, while ensuring due observance and protection of the rest of the shareholders in an atmosphere of transparency in relations between the two entities. Addendum to the framework agreement to include the task assumed by Bankia of managing the investees of the BFA-Bankia Group.
BANCO FINANCIERO Y DE AHORROS, S.A.U.	CONTRACTUAL	Service level agreement, development of the framework agreement, enabling BFA to manage its activity adequately using Bankia's human and material resources to prevent duplications.
BANCO FINANCIERO Y DE AHORROS, S.A.U.	CONTRACTUAL	A guarantee line in favour of Bankia amounting to EUR 135 million to back guarantees issued of unlimited duration in respect of liabilities from procedures requiring the guarantee of a financial institution, in addition to other types of claims.
BANCO FINANCIERO Y DE AHORROS, S.A.U.	CONTRACTUAL	A guarantee line in favour of BFA amounting to EUR 14 million to back the limits on guarantee lines and guarantees issued of unlimited duration in respect of liabilities from lawsuits requiring the guarantee of a financial institution, in addition to other types of claims.

A.6 Indicate whether the company was informed of any shareholders' agreements affecting the company in accordance with Article 530 and 531 of the Spanish Corporations Act. If so, provide a brief description and list the shareholders bound by such agreement:

Yes ☐ **No X**

Indicate whether the company is aware of the existence of any concerted actions among its shareholders'. Give a brief description if applicable:

Yes ☐ **No X**

Expressly indicate any amendments to or termination of such agreements or concerted actions during the year

A.7 Indicate whether any individual or corporate body currently exercises, or could exercise control over the company pursuant to Article 4 of the Spanish Securities Market Act. If so, please identify

Yes X **No**

Personal or Corporate Name
BANCO FINANCIERO Y DE AHORROS, S.A.U.

Comments
At 31 December 2013, Banco Financiero y de Ahorros, S.A.U. holds shares representing 68.395% of Bankia´s share capital.

A.8 Complete the following tables on the company's treasury stock:

At year end:

Number of direct shares	Number of indirect shares (*)	% Total of Capital Stock
12,300,000	5,066	0.11%

(*) Held through:

Name or corporate name of indirect holder of shares	Number of direct shares
Bankia Mediación, Operador de Banca Seguros Vinculado, S.A.U.	4,705
Calvatour, Agencia de Viajes, S.A.	361
Total:	5,066

Provide details of any significant changes during the year, in accordance with Royal Decree 1362/2007:

Communication Date	Total nº of direct shares acquired	Total nº of indirect shares acquired	% Total of Capital Stock
25/01/2013	0	0	0.00%
25/04/2013	0	0	0.00%
30/05/2013	6,387,398	17,183,547	0.21%
29/11/2013	21,510,528	5,066	0.19%

A.9 Provide details of the conditions set forth and the current periods given by the General Shareholders' Meeting for the Board of Directors to issue, repurchase or transfer treasury stock.

On 25 June 2013, a resolution was adopted at the General Shareholders' Meeting of Bankia, S.A. to grant authorisation to the board of directors for the derivative acquisition of treasury stock in accordance with the limits and requirements established in the Spanish Corporations Act, authorising it to, if applicable, reduce share capital on one or more occasions in order to proceed with the cancellation of own shares acquired and delegation of authority to implement this resolution:

Authorisation for the Board of Directors, in the broadest terms possible, to carry out the derivative acquisition of BANKIA treasury stock, directly or through companies of its Group, subject to the following limits and requirements:

a) Types of acquisition: acquisition in the form of an outright purchase, through any other "inter vivos" act for consideration or any other manner permitted by Law, including charging the acquisition to profit for the year and/or unrestricted reserves.

b) Maximum number of shares to be acquired: acquisitions may be carried out at any given time, on one or several occasions, up to the maximum amount permitted by Law.

c) The price or equivalent will fluctuate between a minimum, equal to the lower of its nominal value or 75% of its market value at the date of acquisition, and a maximum, equal to the closing price of the Company's shares on the Spanish Stock Market at the time of acquisition.

d) Duration of the authorisation: five (5) years from the date of this resolution.

In carrying out these transactions, the provisions contained in BANKIA's Rules of Conduct must also be met in this connection.

Authorisation for the Board of Directors to be able to dispose of or retire the shares acquired or appropriate, in full or in part, the treasury stock acquired to carry out any remuneration programmes, the purpose of which is the delivery of shares or share options in accordance with article 146.1.a) of the Spanish Corporations Act.

This delegation of authority to the Board of Directors replaces the delegation granted by the general meeting of shareholders held on 29 June 2012, which therefore will cease to be effective.

The Board of Directors is empowered in the broadest terms to use the authorisation forming the subject-matter of this resolution, and to implement and perform it to the full, being able to delegate these powers to the executive committee, executive chairman, chief executive officer, or any other individual authorised by the board expressly for this purpose, with the scope it deems necessary.

A.10 Indicate whether there are any restrictions on the transferability of stocks and/or any restrictions on the voting rights. In particular, state whether there are any kinds of restrictions that could impede the complete takeover of the company through the acquisition of its shares on the market.

Yes X **No** ☐

Description of legal restrictions
Pursuant to articles 56 and thereafter of Law 26/1988 of 29 July 1988 on the Discipline and Intervention of Credit Institutions, amended by Law 5/2009 of 29 June 2009, any natural person or body corporate which, acting alone or in collaboration with others, decides to directly or indirectly acquire a significant share in a Spanish credit institution (as defined in article 56 of said Law 26/1988) or directly or indirectly increase its interest therein whereby the percentage of voting rights or capital held therein equals or exceeds 20, 30 or 50%, or where control of the credit institution is gained through the acquisition, must first notify the Bank of Spain. The Bank of Spain has 60 days from the date on which it acknowledges receipt of the notification to assess the transaction and, where applicable, oppose the proposed acquisition on stipulated legal grounds. There are no legal or bylaw restrictions on the exercise of voting rights.

A.11 Indicate whether the General Shareholders' Meeting has agreed to take neutralization measures to prevent public takeovers pursuant to the provisions of Act 6/2007.

Yes ☐ **No X**

If applicable, explain the measures adopted and the terms under which these restrictions may be lifted

A.12 Indicate whether the company has issued securities not negotiated on the community regulated market.

Yes ☐ **No X**

If applicable, indicate the different types of shares, and the rights and obligations they confer.

B GENERAL SHAREHOLDERS' MEETING

B.1 Indicate and detail the differences, if any, between the required quorum and that set forth in the Spanish Corporations Act (LSC) for convening the General Shareholders' Meeting.

Yes ☐ **No X**

B.2 Indicate and detail the differences, if any, with regards to the system contemplated in the Spanish Corporations Act (LSC) for signing corporate agreements:

Yes ☐ **No X**

Detail differences with regards to the system contemplated in the LSC.

B.3 Indicate the rules applicable to the amendment of the company's bylaws. In particular, the majority required in order for the bylaws to be amended and, as the case may be, stipulate the legal provisions for the protection of the rights of the partners in the amendment of the bylaws.

The rules governing amendments to the Company's bylaws are those set forth in the Spanish Corporations Act. Any amendment to the bylaws is the responsibility of the general meeting of shareholders and will require, at first call, shareholders holding at least fifty percent of the share capital conferring voting rights to be present in person or by proxy. At second call, shareholders representing twenty-five percent of the share capital shall be sufficient.

B.4 Indicate the attendance figures for General Shareholders' Meetings held during the financial year to which this report refers and during previous financial years:

	Attendance Data				
Date of General Shareholders' Meeting	**% of physical presence**	**% in representation**	**% of absentee voting**		**Total**
			Electronic voting	**Other**	
25/05/2013	69.25%	3.58%	0.00%	0.15%	72.98%
29/06/2012	0.31%	58.97%	0.01%	0.34%	59.63%

B.5 Indicate whether there are any restrictions in the Bylaws establishing a minimum number of shares needed to attend the General Shareholders' Meetings:

Yes ☐ **No X**

B.6 Indicate whether it was agreed that certain decisions entailing a structural modification of the company ("subsidiarization", purchase-sale of essential operational assets, operations equivalent to liquidation of the company...) shall be subject to the approval of the General Shareholders' Meeting, even if not specifically required under Commercial Laws.

Yes X **No** ☐

B.7 Indicate the address of and how to access the company's website to obtain corporate governance and General Shareholders' Meeting information that should be made available to the shareholders through the Company's website

In accordance with article 52 of the Bylaws of Bankia, S.A., the Company will have a website (www.bankia.com) through which its shareholders, investors and the market will be generally advised of material and significant matters related to the Company, and the notices legally required to be published. The website will constitute the Company's electronic headquarters.

On the web www.bankia.com website, upon call of general meetings, there must be an electronic shareholder forum, to which both individual shareholders and such voluntary associations as they may establish on the terms contemplated by law may have appropriately secure access, to facilitate their communication prior to the holding of general meetings.

In this respect, the www.bankia.com home page includes a menu entitled "Shareholders and Investors" with a "Corporate governance" section containing information on the entity's corporate governance. This section contains a specific sub-section providing access to the entity's annual corporate governance reports, and one providing access to documentation regarding the general meeting of shareholders.

The content of the corporate website is arranged in specific sections for Shareholders and Investors and is available in Spanish and English.

C STRUCTURE OF THE COMPANY´S GOVERNING BODY

C.1 Board of Directors

C.1.1 Indicate the maximum and minimum number of board members stipulated in the company Bylaws:

Maximum number of board members	15
Minimum number of board members	5

C.1.2 Complete the following table with the Board members:

Personal or Corporate Name of board member	Representative	Seat on the Board	Date of 1st appt	Date of last appt.	Election procedure
MR. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHE		Executive Chairman	09/05/2012	09/05/2012	CO-OPTION
MR. JOSÉ SEVILLA ÁLVAREZ		Director	25/05/2012	25/05/2012	CO-OPTION
MR. JOAQUÍN AYUSO GARCÍA		Director	25/05/2012	25/05/2012	CO-OPTION
MR. FRANCISCO JAVIER CAMPO GARCÍA		Director	25/05/2012	25/05/2012	CO-OPTION
MRS. EVA CASTILLO SANZ		Director	25/05/2012	25/05/2012	CO-OPTION
MR.JORGE COSMEN MENÉNDEZ-CASTAÑEDO		Director	25/05/2012	25/05/2012	CO-OPTION
MR. JOSÉ LUIS FEITO HIGUERUELA		Director	25/05/2012	25/05/2012	CO-OPTION
MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS		Director	25/05/2012	25/05/2012	CO-OPTION
MR. ALFREDO LAFITA PARDO		Director	08/06/2012	08/06/2012	CO-OPTION
MR. ÁLVARO RENGIFO ABBAD		Director	08/06/2012	08/06/2012	CO-OPTION

Total number of Board members	10

Indicate the terminations that occurred on the board of directors during the period being reported.

C.1.3 Complete the following tables on the board members and their different conditions:

EXECUTIVE BOARD MEMBERS

Personal or corporate name of board member	Committee that proposed the Appointment	Position within the company structure
MR. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHE	Appointments and Remunerations Committee	Executive Chairman
MR. JOSÉ SEVILLA ÁLVAREZ	Appointments and Remunerations Committee	Executive Director, General Manager of the chairman's office

Total number of executive Board members	2
Total % of Board	20.00%

EXTERNAL PROPRIETARY DIRECTORS

EXTERNAL INDEPENDENT DIRECTORS

Name or corporate name of director	Profile
MR. JOAQUÍN AYUSO GARCÍA	He holds a degree in Road, Canal and Port Engineering from the Universidad Politécnica de Madrid. He has been a member of Bankia's board of directors and the appointments and remuneration committee since May 2012 and of the audit and compliance committee since July 2013. He is also the deputy chairman of Ferrovial, where he has built his professional career, and is a member of its executive committee. He also belongs to the board of directors of National Express Group PLC and is president of Ausol He is an active member of the executive board of Círculo de Empresarios and sits on the advisory board of the Benjamin Franklin Institute at the Universidad de Alcalá de Henares of Madrid. In addition, he is a member of the AT Kearney Advisory Council and, Jota Rnc´s Board of Directors.
MR. FRANCISCO JAVIER CAMPO GARCÍA	He holds a degree in industrial engineering from the Universidad Politécnica de Madrid. He has been a member of Bankia's board of directors, the appointments and remuneration committee and the Board of Risk Committee since June 2012. He is chairman of the Zena Group (Fosters Hollywood, Domino's Pizza, La Vaca Argentina, Cañas&Tapas and Burger King), chairman of AECOC, the Spanish Association of Major Retail Operators, and a director of the Alimentación Palacios Group and of Meliá Hotels International. He is also a member of the advisory board of AT Kearney. He began his professional career at Arthur Andersen, was worldwide chairman of the Día Group and a member of the worldwide executive committee of the Carrefour Group. In addition, he is a member of Trubia 15, S.L., Tarna 21, S.L. and Tuera 16, S.C.R.R.S. Boards of Directors.
MRS. EVA CASTILLO SANZ	She holds a degree in Law and Business Studies from the Universidad Pontificia de Comillas (E-3) of Madrid. She has been a member of Bankia's board of directors since June 2012. She is the chairman of Telefónica Europa and a director of Telefónica, S.A., first vice chairman of the supervisory board of Telefónica Czech Republic, a.s., director at Old Mutual, Plc. (a company listed on the London and Johannesburg stock exchanges), and is a member of the board of trustees of the Comillas-ICAI Foundation She previously worked at Merrill Lynch, where she chaired its Spanish subsidiary.
MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO	He holds a degree in Business Administration and an MBAI Master from the Instituto de Empresa. He has been a member of Bankia's board of directors and the audit and compliance committee since June 2012. He is the chairman of ALSA, co-chairman of National Express Group, plc., and is a member of the Spain China Council Foundation and of Fundación Integra.. He has previously worked in companies in the tourism, banking and international trade sectors in Spain, Switzerland, Hong Kong and China. In addition, he is a member of Autoreisen Limmat, Brunolivia, S.L., Cofinex Benelux, S.A., Estudios de Política Exterior, S.A., Lusocofinex, S.L., General Técnica Industrial, S.L.U. and Quintojorge, S.L. Boards of Direcctors.

MR. JOSÉ LUIS FEITO HIGUERUELA	He holds a degree in Economics and Business Studies from the Complutense University of Madrid. He has been a member of Bankia's board of directors and the audit and compliance committee since June 2012. Qualified as a State Trade Expert and Economist for former ambassador of the Kingdom of Spain, at present he is chairman of the board of trustees of ASETA (the Spanish Association of tolled motorways, tunnels, bridges and other toll road concessionaire companies), the economic and financial policy committee of the CEOE and is chairman of the Instituto de Estudios Económicos (IEE). He previously worked at the Ministry of Economy, the International Monetary Fund, OCDE, the Bank of Spain and AB Asesores Bursátiles.
MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	He holds a Doctorate in Economics. He has been a member of Bankia's board of directors and the board risk committee since October 2012. He is member of Banco Financiero y de Ahorro's board of directors and chairman of it´s Audit and Compliance Committee. In addition, he is a professor in Economics at the IE Business School, specialising in macroeconomics, international economics and financial stability, and is a director of Red Eléctrica. He has been the IMF's main economist and the chief economist and head of economic research at Banco Central Hispano and Banco Santander. Similarly, he is manager of Pividal Consultores, S.L.U.
MR. ALFREDO LAFITA PARDO	A state attorney, he has been a member of Bankia's board of directors being recently designed as Independent Coordinating Director on October 2013. President of the Audit and Compliance Committee since June 2012. In addition, he is member of the Appointments and remunerations Committee since May 2013. He has also being Director at Banco Financiero y de Ahorros and a member of its audit and compliance committee. He is also a director-secretary of the Juan March Foundation and sits on the board of trustees of the Foundation for Aid against Drug Addition. He was formerly the executive vice chairman of Banca March, chairman of Banco de Asturias and Banco NatWest España, vice chairman of Banco Guipuzcoano, and held directorships at Signet Bank of Virginia, Corporación Financiera Alba, Philip Morris España, FG de Inversiones Bursátiles, Larios and the Zeltia Group, as well as being a director and founder of the Cambio 16 Group. .
MR. ÁLVARO RENGIFO ABBAD	He holds a degree in Economics and Business Studies from CUNEF. He has been a member of Bankia's board of directors and the Appointments and Remuneration Committee since June 2012. He is a member of the State Corps of Trade Experts and Economists and is the chairman of the Bombardier Group in Spain. He was formerly the general manager of international trade at the Isolux Corsán Group, general manager for international operations at the Leche Pascual Group and executive director and director of the Inter-American Development Bank.

Total number of independent directors	8
% of the board	80.00%

Indicate whether any director classified as independent receives any amount or benefit from the company or from his/her own group, in any concept other than the remuneration as a board member, or whether he/she maintains or has maintained a business relation with the company or with any company within its group during the last financial year, in his/her own name or as significant shareholder, board member or top executive of a company that maintains or has maintained such relationship.

Yes

As the case may be, the board shall include a statement outlining the reasons why it deems that said board member can perform his/her duties in the capacity as independent board member.

Personal or Corporate Name of board member	Relationship Description	Reasons
MR. JOAQUÍN AYUSO GARCÍA	Financing agreements between Bankia and the Ferrovial Group	The Board of Directors of Bankia, S.A., based on report by the Appointments and Remuneration Committee considers that MR. Joaquín Ayuso García, member of the Board of Directors of Ferrovial, S.A, can continue to be classified as an independent director of Bankia, S.A. despite the commercial relations between Bankia, S.A. and Ferrovial S.A. or group companies, given (i) the ordinary nature of the relations, with business conducted under general market terms; (ii) Bankia, S.A.'s generally rigorous procedures for engaging construction and services, which were applied in this case; (iii) the non-intervention by this director in the negotiations and decision-making processes of either party; and (iv) the express intervention of the Board of Directors and the Audit and Compliance Committee given the related-party nature of the relationship.
MR. FRANCISCO JAVIER CAMPO GARCÍA	Financing agreements between Bankia and the group Food Service Project, Grupo Empresarial Palacios Alimentación and Meliá Hotels International.	The Board of Directors of Bankia, S.A., based on report by the Appointments and Remuneration Committee considers that MR. Francisco Javier Campo García, member of the Board of Directors of Food Service Project, Grupo Empresarial Palacios Alimentación and Meliá Hotels International, can continue to be classified as an independent director of Bankia, S.A. despite the commercial relations between Bankia despite the commercial relations between Bankia, S.A. and Food Service Project, Grupo Empresarial Palacios Alimentación and Meliá Hotels International or group companies, given (i) the ordinary nature of the relations, with business conducted under general market terms; (ii) Bankia, S.A.'s generally rigorous procedures for engaging construction and services, which were applied in this case; (iii) the non-intervention by this director in the negotiations and decision-making processes of either party.
MRS. EVA CASTILLO SANZ	Financing Agreements between Bankia and Telefonica, S.A.	The Board of Directors of Bankia, S.A., based on report by the Appointments and Remuneration Committee considers that MRS. Eva Castillo Sanz, member of the Board of

		Directors of Telefónica, S.A., can continue to be classified as an independent director of Bankia, S.A. despite the commercial relations between Bankia despite the commercial relations between Bankia, S.A. and Telefónica, S.A or group companies, given (i) the ordinary nature of the relations, with business conducted under general market terms; (ii) Bankia, S.A.'s generally rigorous procedures for engaging construction and services, which were applied in this case; (iii) the non-intervention by this director in the negotiations and decision-making processes of either party; and (iv) the express intervention of the Board of Directors and the Audit and Compliance Committee given the related-party nature of the relationship.
MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO	Financing agreements between Bankia and the ALSA Group.	The Board of Directors of Bankia, S.A., based on report by the Appointments and Remuneration Committee, considers that Jorge Cosmen Menéndez-Castañedo, a member of the Board of Directors of the ALSA Group, can continue to be classified as an independent director of Bankia, S.A. despite the commercial relations between Bankia, S.A. and the ALSA Group or group companies, given (i) the ordinary nature of the relations, with business conducted under general market terms; (ii) Bankia, S.A.'s generally rigorous procedures for engaging construction and services, which were applied in this case; (iii) the non-intervention by this director in the negotiations and decision-making processes of either party; and (iv) the express intervention of the Board of Directors and the Audit and Compliance Committee given the related-party nature of the relationship
MR. JOSÉ LUIS FEITO HIGUERUELA	Financing Agreement between Bankia and Mundigestión.	The Board of Directors of Bankia, S.A., based on report by the Appointments and Remuneration Committee considers that MR. José Luis Feito Higueruela, significant sharehlolder of Mundigestión, can continue to be classified as an independent director of Bankia, S.A. despite the commercial relations between Bankia, S.A. and Mundigestión, given (i) the ordinary nature of the relations, with business conducted under general market terms; (ii) Bankia, S.A.'s generally rigorous procedures for engaging construction and services, which were applied in this case; (iii) the non-intervention by this director in the negotiations and decision-making processes of either party.

OTHER EXTERNAL BOARD MEMBERS

Explain the reasons why these cannot be considered independent or proprietary, and detail their connections with the company, its executives or shareholders.

Indicate the variations, if applicable, that occurred during the period in the typology of each board member:

C.1.4 Complete the following table with the information on the number of female board members for the last four financial years, including the capacity of such board members:

	Number of Female Board Members				% of total of board members in each typology			
	Year 2013	Year 2012	Year 2011	Year 2010	Year 2013	Year 2012	Year 2011	Year 2010
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Propietary Director	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	1	1	2	0	12.50%	12.50%	40.00%	0.00%
Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	1	1	2	0	10.00%	10.00%	11.00%	0.00%

C.1.5 Explain, as the case may be, the measures taken by the company to ensure the inclusion of females onto the Board of Directors in an amount that may ensure the male/female equilibrium.

Explanation of the measures
To ensure a sufficient number of female directors on the Board of Directors to guarantee an even balance between men and women, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, approved at its meeting of 29 August 2012, an amendment to article 15 of the Regulations of the Board of Directors, as explained in the following section (C.1.6.).

C.1.6 Explain the measures, as the case may be, that the Appointments Committee may have agreed upon to ensure that selection procedures refrain from implicit bias that would otherwise impede the selection of female members, and that the company purposefully seeks to include and includes female candidates that meet the professional profile sought:

Explanation of the measures
Article 15 of the Regulations of the Board of Directors stipulates that the Appointments and Remuneration Committee shall be responsible for submitting to the Board of Directors proposals to appoint independent directors by co-option or, where applicable, submitting the proposal to the vote at the General Shareholders' Meeting, along with any proposals to re-elect or dismiss these directors by the General Shareholders' Meeting. The Appointments and Remuneration Committee shall also submit non-binding proposals of the Board of Directors to appoint the remaining directors by co-option or, where applicable, submitting the proposal to the vote at the General Shareholders' Meeting, along with any proposals to re-elect or dismiss these directors by the General Shareholders' Meeting. The Committee will ensure, in cases where there are few or no female directors, that the selection procedures are not subject to implicit bias that could obstruct the selection of female directors should any new vacancies arise, and make a conscious effort to search for female candidates who have the required profile.

If albeit the measures implemented, as the case may be, the number of female board members is still scarce or non-existent, explain the reasons to justify such scarcity:

Explanation of Reasons
Bankia is line with the average for companies listed on the Ibex of 10% representation of women. Therefore, it does not have few women directors. In any event, article 15 of the Regulation of the Board of Directors states that the Appointments and Remuneration Committee is responsible for ensuring that, in cases where there are very few or no female directors, when new vacancies arise there is no implicit bias in the selection procedures which could obstruct the selection of female directors, endeavouring to have women who meet the required professional profile included in the potential candidates.

C.1.7 Explain the manner in which shareholders with significant shares are represented on the board.

There are no proprietary directors on Bankia S.A.'s Board of Directors. Of the 10 directors making up the board, 2 are executive and 8 are independent.

At 31 December 2013, Banco Financiero y de Ahorros, S.A.U. (BFA) is the only shareholder of Bankia, S.A., that has the consideration of significant shareholder. At this date, the ownership At 31 December 2013, Banco Financiero y de Ahorros, S.A.U. holds 7,877,272,186 shares representing 68.395% of Bankia´s share capital (48.045% at 31 December 2012).

Since 27 June 2012, BFA is wholly owned by the Fund for Orderly Bank Restructuring (FROB), an institution under public law with its own legal personality and full public and private capacity to pursue its objectives, which is to manage credit institution restructuring and resolution processes.

At any rate, at the general meeting of shareholders of Bankia, S.A. held on 29 June 2012, on item 3 of the Agenda, the proposed appointments and ratification of directors were approved with 95% votes in favour of all valid votes and abstentions, equivalent to 57% of Bankia, S.A.'s share capital at the date of the meeting.

C.1.8 Explain, as the case may be, the reasons why proprietary members were appointed at the request of shareholders with stakes amounting to less than 5 % of the stock capital:

Detail any failure to address formal requests for board representation made by shareholders with stakes equal to or exceeding that of others at whose request proprietary members were appointed. If so, explain the reasons why the request was not entertained.

Yes ☐ **No X**

C.1.9 Indicate whether any board member has resigned his/her post before the end of his/her term of office, whether reasons were given to the Board and how, and, if in writing to the entire Board, at least explain the reasons given by the board member:

C.1.10 Indicate, if any, the powers delegated by any Chief Executive Officers:

Personal or corporate name of board member	Brief description
MR. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHE	The chairman of the Board of Directors has broad powers of representation and administration in accordance with the characteristics and requirements of the position of executive chairman of the entity, with all power vested in him except for those that cannot be delegated by law or the Bylaws.

C.1.11 Identify, if any, the board members that hold administrator or directive positions in other companies making up the group of companies listed on the stock market:

C.1.12 Provide details, if any, of company Board members who also sit on the boards of other entities not belonging to the same business unit and are listed on the Spanish Stock Exchange, of which the company is aware:

Name of the Board member	Corporate name of the listed company	Post or duties
MR. JOAQUÍN AYUSO GARCÍA	FERROVIAL, S.A.	DEPUTY CHAIRMAN
MR. JOAQUÍN AYUSO GARCÍA	NATIONAL EXPRESS GROUP, PLC.	DIRECTOR
MR. FRANCISCO JAVIER CAMPO GARCÍA	MELIÁ HOTELS INTERNATIONAL, S.A.	DIRECTOR
MRS. EVA CASTILLO SANZ	TELEFÓNICA, S.A.	DIRECTOR
MR. JORGE COSMEN MENÉNDEZ- CASTAÑEDO	NATIONAL EXPRESS GROUP, PLC.	DEPUTY CHAIRMAN
MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	RED ELÉCTRICA DE ESPAÑA, S.A.	DIRECTOR

C.1.13 Indicate and, where appropriate, explain whether the company has established rules about the number of boards on which its Directors may sit.

Yes x **No**

Explanation of rules
The limitations set forth in Law 31/1968 of 27 July on incompatibilities of private banking senior officers are of particular importance, establishing the maximum number of boards of directors to which a director of a credit institution can belong. In accordance with article 31.1 of the Regulations of the Board of Directors of Bankia, S.A., directors may not, for themselves or on behalf of another, engage in a business that is the same as or comparable or complementary to the business constituting the corporate purpose of the Company. In these cases, the Corporate Enterprises Act is applicable, whereby this prohibition is rendered without effect if explicit authorisation by the Company is obtained through a resolution adopted at the general meeting. Directors must disclose this to the Board of Directors. Article 31 of the Regulations of the Board of Directors also states that before accepting any executive position with another company or entity, the director must consult with the Appointments and Remuneration Committee. Furthermore, article 32 of the Regulations states that directors may not directly or indirectly engage in professional or commercial transactions with the Company unless they provide advance notice of the conflict of interest and the board approves the transaction on the basis of a report of the Appointments and Remuneration Committee.

C.1.14 State the company's general policies and strategies that the board has reserved the powers to approve in plenary session:

	YES	NO
Investment and financing policy	X	
Definition of the structure of the group of companies	X	
Corporate governance policy	X	
Corporate social responsibility policy	X	
The strategic or business plan, management targets and annual budgets	X	
Senior staff performance remuneration and evaluation policy	X	
Risk control and management policy, and the regular monitoring of internal information and control systems	X	
Dividend and treasury stock policies and especially their limits	X	

C.1.15 Indicate the total remuneration of the Board of Directors

Comprehensive remuneration of the Board of Directors (in thousands of Euros)	1,800
Amount of the comprehensive remuneration for the concept of accumulated pension entitlements (in thousands of Euros)	0
Total remuneration of the Board of Directors (in thousands of Euros)	1,800

C.1.16 Identify any senior management staff that is not also an executive board member, and indicate the total remunerations paid to them staff during the financial year:

Personal or Corporate Name	Post
MR. ANTONIO ORTEGA PARRA	GENERAL MANAGER OF PERSONNEL, RESOURCES AND TECHNOLOGY
MRS. AMALIA BLANCO LUCAS	ASSISTANT GENERAL MANAGER OF COMMUNICATION AND EXTERNAL RELATIONS
MR. MIGUEL CRESPO RODRÍGUEZ	GENERAL SECRETARY
MR. IÑAKI AZAOLA ONAINDIA	INTERNAL AUDIT DIRECTOR

Total of remunerations for senior executives (in thousands of Euros)	1,471

C.1.17 Identify, if any, the members of the Board of Directors who are also members of the Board of Directors of companies that hold significant shares and/or group entities:

Personal or Corporate Name of board member	Corporate name of significant shareholder	Post
MR. JOSÉ IGNACIO GOIRIGOLZARRI TELLAECHE	BANCO FINANCIERO Y DE AHORROS, S.A.U.	CHAIRMAN
MR. JOSÉ SEVILLA ÁLVAREZ	BANCO FINANCIERO Y DE AHORROS, S.A.U.	DIRECTOR
MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	BANCO FINANCIERO Y DE AHORROS, S.A.U.	DIRECTOR

Provide details of any relevant relations, as the case may be, other than those contemplated in the previous section, between members of the Board of Directors and significant shareholders and/or group entities:

C.1.18 Indicate whether any of the rules and regulations of the board were amended during the financial year:

Yes X **No** ☐

Description of amendments
The Board of Directors, based on report of the Audit and Compliance Committee, agreed on 20 March 2013 to amend the following articles of the Regulations of the Board of Directors: sections 1, 2 and 3 of article 9 (“The Chairman of the Board”), sections 1 and 2 of article 10 (“Vice Chairman”), section 1 of article 14 (“Executive Committee”), sections 1 and 2 of article 15 (“Audit and Compliance Committee”), sections 1 and 2 of article 16 (“The Appointments and Remuneration Committee”), section 1 of article 18 (“Meetings of the Board of Directors”), and sections 4 and 7 of article 22 (“Appointment, Re-election and Ratification of Directors. Appointment of Members of Board Committees. Appointment to Positions on the Board and its Committees"), section 1 of article 23 (“Term of Office”), section 3.a) of article 24 (“Removal of Directors”), article 25 (“Procedure for Removal or Replacement of Members of the Board or its Committees and Positions on those Bodies”, section 4 of article 28 (“Remuneration of Directors”), article 30 (“General Obligations of a Director”), article 32 (“Non-Competition Obligation”) and 5 of article 37 (“Related Party Transactions”); and renumbering of the articles of the Regulations as a result of the elimination of article 10 (“The Vice Chairman”). In addition, based on a favourable report by the Audit and Compliance Committee, the Board of Directors, at its meeting of 24 April 2013, agreed to add two new paragraphs to section 1 of article 9 of the Regulations of the Board of Directors regarding the coordinating independent director. The purpose was to introduce certain amendments of a technical nature and amendments to adapt to the Code of Good Corporate Governance. (See Section H for the texts of the amended articles).

C.1.19 Indicate the procedures for the selection, appointment, reelection, appraisal and removal of Board members. Provide details of the competent bodies, the processes to be followed and the criteria employed in each of the procedures.

Directors shall be appointed, re-elected and ratified by the General Shareholders' Meeting or by the Board of Directors in conformity with the provisions set forth in prevailing legislation and in article 40 of the Company's Bylaws and article 21 of the Regulations of the Board of Directors.

In particular, the Board of Directors may appoint shareholders as directors by co-option to cover vacancies arising during the term of office of the directors. Directors appointed by co-option shall provisionally hold the post until the date of the first General Shareholders' Meeting after being appointed by co-option, inclusive, which may resolve to ratify their appointment, whereby the appointment as director shall become outright. In any event, from the date of appointment, directors appointed by co-option shall have the same rights and obligations as directors appointed directly by the General Shareholders' Meeting.

Directors appointed by co-option shall immediately stand down if their appointment is not ratified in the first General Shareholders' Meeting after they are appointed.

Proposals for the appointment, re-election and ratification of directors which the Board of Directors submits to the General Shareholders' Meeting, as well as appointments adopted by the board by virtue of its legal powers of co-option are, in turn, subject to a report from the Appointments and Remuneration Committee.

With the exception of appointment by co-option, in order to be appointed as a member of the Board of Directors, it is not necessary to be a shareholder. The members of the Board of Directors must satisfy the requirements of banking regulation to be considered to be honourable persons suitable for exercise of that function. Supervening failure to satisfy those requirements will be grounds for removal of the director.

If a legal person is appointed as member of the Board of Directors, it must designate a single individual to exercise the functions of a director. in this case, both the individual and the legal person are required to fulfil the requirements of banking regulation established in the preceding paragraph. Supervening failure of the individual representative to satisfy these requirements will not be grounds for removal of the legal person that is the director, provided that the individual representing it is replaced within a term of ten days.

Candidates for the post of director must be individuals that are renowned for their honourablility, competence, standing and experience in the finance sector.

Persons appointed as directors must fulfil the requirements stipulated by Law and in the Bylaws, and on accepting the position, formally undertake to comply with the obligations and duties set out in the foregoing and in these Regulations.

The Chairman will organise and coordinate the periodic evaluation of the board with the chairmen of the Audit and Compliance Committee and the Appointments and Remuneration Committee. In addition, based on the report prepared by the Appointments and Remuneration Committee, the board will evaluate the chairman's performance on a yearly basis. Evaluation of the chairman is overseen by the chairman of the Appointments and Remuneration Committee.

Directors shall tender their resignation when their term of office has expired, when the General Shareholders' Meeting so decides or when circumstances require them to stand down.

Any proposal by the Board of Directors to dismiss an external director before the period of appointment stipulated in the Bylaws has elapsed should be based on and supported by a corresponding report from the Appointments and Remuneration Committee.

Without prejudice to the above, directors must place their directorships at the Board of Directors' disposal and, if the board deems it appropriate, tender their resignation in the cases stated in the article 23 of the Company´s Bylaws

C.1.20 Indicate whether the Board of Directors has evaluated its activities during the financial year:

Yes X **No**

If so, explain to what extent the self-assessment has given rise to significant changes in its internal organization and regarding the procedures followed in its activities:

Description of significant changes
As a result of the evaluation of the performance of the Board of Directors, the Board of Directors submitted a proposal to amend the Bylaws with respect to the evaluation process in order to introduce the figure of coordinating independent director.

C.1.21 Indicate the cases in which Board members are obliged to resign.

In addition to the scenarios set forth in legislation applicable to credit institutions and corporations, article 23 of the Regulations of the Board of Directors stipulates that directors shall tender their resignation when their term of office has expired, when the General Shareholders' Meeting so decides or when circumstances require them to stand down.

Any proposal by the Board of Directors to dismiss an external director before the period of appointment stipulated in the Bylaws has elapsed should be based on and supported by a corresponding report from the Appointments and Remuneration Committee.

Without prejudice to the above, directors must place their directorships at the Board of Directors' disposal and, if the board deems it appropriate, tender their resignation in the following cases:

- When they are subject to any of the cases of incompatibility or prohibition provided by Law;

- When they have been indicted for an alleged crime or are subject to disciplinary proceedings for a serious or very serious infractions imposed by the supervisory authorities.

For these purposes, any director of the Company must advise the Board of Directors of the existence of circumstances that could be detrimental to the credit and reputation of the Company, in particular of criminal actions in which the director is an accused, as well as subsequent procedural developments.

If a director is indicted or tried for any of the crimes specified in section 213 of the Corporate Enterprises Act, the board shall examine the matter as promptly as possible and, in view of the particular circumstances, decide where or not the director should be called on to resign.

- When they have been seriously admonished by the Audit and Compliance Committee for violating their obligations as directors.

- When their remaining as directors could present a reputation risk to the interests of the Company.

C.1.22 Indicate whether it is the chairman of the Board of Directors who also serves as the company's chief executive. If so, outline the measures taken to limit the risks entailed in concentrating powers in a single person

Yes X **No**

Measures to limit risks
As set forth in article 9 of the Regulations of the Board of Directors and in article 44 of the Company´s Bylaws, the chairman of the Board of Directors will be the chief executive of the Company and will have the maximum authority necessary for exercise of that position, without prejudice to the authority, if any, given to the chief executive officer. The Board of Directors of Bankia, S.A. comprises 10 directors, of which 8 are external independent and 2 are executive directors; i.e. independent directors make up 80% of the Board of Directors. In addition, pursuant to the amendments to the Bylaws and to the Regulations of the Board of Directors approved by the general meeting of shareholders of Bankia, S.A., certain measures have been taken to limit the risk of powers being concentrated in a single person, including the following: - The figure of coordinating independent director has been included in and is regulated by the Bylaws (article 44). The coordinating independent director will gather all questions and concerns communicated thereto by the non-executive directors, and may request call of the Board of Directors and inclusion of items on the agenda, in addition to other powers as explained in the following section.

- The requirement to have four directors to call a meeting of the board has been removed. The board may not meet at the request of one of the independent directors, which may request inclusion of matters on the Agenda (article 41 of the Bylaws). - The composition of the Audit and Compliance Committee has been amended. Whereas previously it was formed by a majority of external or non-executive directors, with a maximum of 7 and a minimum of 3, it is now formed exclusive by non-executive directors, the majority independent, with a minimum of 3 and a maximum of 5 (article 46 of the Bylaws). - The composition of the Appointments and Remuneration Committee has been amended. Whereas previously it was formed by a majority of external or non-executive directors, with a maximum of 7 and a minimum of 3, it is now formed by a majority of independent directors, with a minimum of 3 and a maximum of 5 (article 47 of the Bylaws). In addition, the Committee will now be chaired by an independent director (article 15 of the Regulations of the Board of Directors). - The Regulations of the Board of Directors (article 9) now authorise any director to request additional information and advice they may require for the performance of their functions, and ask the Board of Directors to seek help from independent experts on matters within its purview that are of particular complexity or importance. - A rule has been established whereby as required by the Audit and Compliance Committee or the Appointments and Remuneration Committee, their meetings should be attended by other directors, including executive directors, senior managers and any employee (articles 14 and 15 of the Regulations of the Board of Directors).

Indicate and, if so, explain whether rules have been established to empower any independent board member to request the convening of a board meeting, or to include new items on the agenda, in order to coordinate and echo the concerns of external board members and to oversee the assessment by the Board of Directors:

Yes X **No **

Explanation of the rules
As indicated previously, in accordance with article 44 of the Bylaws, when the chairman of the board is the first executive of the Company, the Board of Directors may appoint, from among the independent directors, on proposal of the Appointments and Remuneration Committee, a coordinating independent director who will gather all questions and concerns communicated thereto by the non-executive directors, and may request call of the Board of Directors and inclusions of points on the agenda. In particular, the coordinating independent director will assume the task of organising the possible common positions of the independent directors and will serve as an intermediary or spokesman for such common positions. The term of service as the coordinating independent director will be three years, with no successive re-election. Status as the coordinating independent director will cease by expiration of the term for which the coordinator was appointed, and when the coordinator ceases to be a director, when being a director the coordinator loses status as an independent director, or when so resolved by the Board of Directors upon proposal of the Appointments and Remuneration Committee. In addition, in accordance with article 41 of the Bylaws of Bankia, S.A., the Board of Directors will meet on request of one of the independent directors, which may request inclusion of matters on the Agenda. In this case, the chairman will call the extraordinary meeting within a maximum term of three business days after receipt of the request, to be held within the three following business days, including the agenda items to be considered at the meeting.

C.1.23 Does the company require supermajorities other than the legal majorities for any type of resolution? If so, provide a description of the differences

Yes ** **No X

C.1.24 Explain whether there are specific requirements other than those relating to Board members for being appointed Chairman of the Board of Directors.

Yes ☐ **No X**

C.1.25 Indicate whether the Chairman has a deciding vote:

Yes X **No ☐**

Matters in which there is a deciding vote
The final point of article 42.1 of the Bylaws states that in the event of a tie, the chairman will have the casting vote.

C.1.26 Indicate whether the Bylaws or board regulations establish any age limit on board members:

Yes ☐ **No X**

C.1.27 Indicate whether the Bylaws or board regulations establish a limited mandate for independent board members, other than established in the law:

Yes ☐ **No X**

C.1.28 Indicate whether the Bylaws or the Board of Directors' regulations establish specific regulations for delegating voting rights on the Board of Directors, how it is done and, in particular, the maximum number of delegations that may be conferred on a board member, as well as whether it has been made compulsory to delegate in a board member of similar class. If so, provide brief details of said regulations.

According to article 18.1 of the Regulations of the Board of Directors, the directors will do everything possible to attend meetings of the board. When they cannot do so in person, they will arrange to grant voting proxies to another member of the board. Proxies will be granted on a special basis for the meeting of the Board of Directors in question, when possible with instructions. Notice thereof may be given in any of the ways contemplated in the section 2 of article 17 of the Regulations of the Board of Directors.

Similarly, article 29.b of the Regulations of the Board of Directors states that a director is required to attend the meetings of the bodies of which he is a member and actively participate in the deliberations so that his judgment effectively contributes to decision-making. If, for a justified reason, a director is unable to attend meetings to which he has been called, he to the extent possible must instruct the director who will represent him.

C.1.29 Indicate the number of board meetings held during the financial year. Likewise indicate, if any, the number of times the Board met without the chairman in attendance. Proxies granted with specific instructions for the meeting shall be counted as attendances:

Number of board meetings	18
Number of board meetings without the attendance of the Chairman	0

Indicate the number of meetings held by the different board Committees during the financial year

Committee	Number of meetings
Audit Committee	18
Appointments and Remunerations Committee	14
Board of Risk Committee	37

C.1.30 Indicate the number of board meetings held during the year with the attendance of all its members. Proxies granted with specific instructions for the meeting shall be counted as attendances:

Attendance of Board Members	12
% of attendances of the total votes cast during the year	96.11%

C.1.31 Indicate whether the individual and consolidated financial statements submitted for approval to the Board of Directors are previously certified:

Yes X **No** □

Identify, as the case may be, the person or persons who certified the company's individual and consolidated financial statements, for their approval by the Board:

Name	Post
MR. SERGIO DURÁ MAÑAS	GENERAL CONTROL MANAGER

C.1.32 Explain, if any, the mechanisms put in place by the Board of Directors to ensure that board-prepared individual and consolidated financial statements are not presented at shareholders' general meetings if the audits report contains reservations.

Article 53.3 of the Bylaws establishes that the Board of Directors shall endeavour to prepare the financial statements in such a way that will not result in qualifications by the statutory auditor. Nevertheless, when the Board believes it must maintain its position, it will, through the Chairman of the Audit and Compliance Committee, publicly explain the substance and scope of the difference and, also, will arrange for the statutory auditor also to state its comments in this regard.

Through the Audit and Compliance Committee, the Board of Directors oversees the entire process of preparing and issuing the financial statements of the Bank and its Group, and any quarterly and interim financial reports that are prepared. One of the aims of this control and on-going contact with the auditor is to avoid qualifications in the Audit Report.

Bankia's Audit and Compliance Committee consists solely of independent directors, and shall perform all the duties set forth in applicable legislation (especially banking regulations). In particular but not exclusively, its basic responsibilities include the following:

- Monitoring the effectiveness of the internal control of the Company, the internal audit, if any, and the risk management systems, and discussing significant weaknesses in the internal control system detected in the course of the audit with the auditors or audit firms

- Overseeing the process for preparing and submitting regulated financial information, in particular:
  - Reviewing the Company's financial statements, monitoring compliance with legal requirements and the proper application of generally accepted accounting principles, and reporting on the proposals for amendments to the accounting principles and standards suggested by management;

- Reviewing the issue prospectuses and the periodic financial information which, if any, the board must provide to the markets and the market supervisory authorities.
- Proposing to the Board of Directors for submission to the General Shareholders' Meeting, the appointment of external auditors, referring proposals for selection, appointment, re-appointment and replacement thereof to the board, and the terms of engagement thereof.

- Establishing the appropriate relationships with the auditors to receive information regarding such questions as may compromise their independence, for review by the Committee, and any other issues related to the process of the audit, as well as receiving and disclosing information from and to the auditor as provided for in applicable audit legislation and standards. In particular:
  - Acting as a communications channel between the board and the auditors, assessing the results of each audit and the response of the management team to its recommendations, and mediating in the event of disputes between the board and the auditor regarding the principles and standards to be applied in the preparation of the financial statements.
  - Receiving regular information from the external auditor on the progress and findings of the audit plan and verifying that senior management are acting on its recommendations;
  - Supervising compliance with the audit contract, endeavouring to ensure that the opinion on the annual financial statements and the main content of the auditors' report are drafted clearly and accurately;
  - Assuring the independence of the auditor as set forth in section C.1.35 of this report.

- Annually, prior to the issue of the audit report, the Committee shall issue a report stating an opinion regarding the independence of the auditors or audit firms. This report must address the provision of any additional services referred to in the preceding section.

C.1.33 Is the Board Secretary also a board member?

Yes ☐ **No X**

C.1.34 Explain the procedures for the appointment and removal of the Secretary to the Board, indicating whether they are proposed by the Appointments Committee and approved by plenary session of the Board

Appointment and Removal Procedure
According to article 44.6 of the Bylaws of Bankia, S.A., the Board of Directors will appoint a Secretary and, optionally, an assistant Secretary, capable of performing the duties inherent in those positions. The respective appointments may be of persons who are not directors, in which cay they will act with voice but not vote. The Assistant Secretary will replace the Secretary in cases of absence, unavailability, incapacity or vacancy. According to the article 15.7 of the Board of Directors Regulation, the Appointments and Remuneration Committee will have general authority to propose and report on remuneration and nominating matters and removal of directors and senior managers. In particular, without prejudice to other tasks assigned to it by the Board, the following duties will correspond to the Appointments and Remunerations Committee: h) Ensuring the independence, impartiality and professionalism of the Secretary and deputy Secretary to the Board of Directors, and reporting on their appointment and removal to be approved by board plenary sessions.

	Yes	No
Does the Appointments Committee report on appointments?	X	
Does the Appointments Committee report on removals?	X	
Does the plenary session of the Board approve appointments?	X	
Does the plenary session of the Board approve removals?	X	

Is the Secretary to the Board entrusted with the duty of ensuring compliance with the recommendations on good governance?

Yes X **No ☐**

Comments
Pursuant to article 11 of the Regulations, the Secretary in any event will see to the formal and substantive legality of the actions of the board, and will ensure that they are in accordance with the letter and spirit of the laws and the regulations thereof, including those approved by regulatory agencies, and that they are in accordance with the Company's Bylaws and the Regulations of the Company's Board and other regulations.

C.1.35 Indicate, as the case may be, the mechanisms established by the company to preserve the independence of the external auditors, financial analysts, investment banks and rating agencies.

As stipulated in article 46 of the Company´s Bylaws and 14 of the Regulations of the Board of Directors, the Audit and Compliance Committee is responsible, inter alia, for ensuring the independence of the external auditor and therefore:

- maintaining relationships with the statutory auditor in order to gather information on matters that may call its independence into question, as well as any other matters relating to the audit process, and engaging in such other communications with the statutory auditor as are contemplated in the audit legislation and technical standards for audits.

- ensuring that the Company and the auditor comply with current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence; and

- in the event of resignation of the external auditor, reviewing the underlying reasons.

The functions of the Audit and Compliance Committee of Bankia, S.A. include, among others, assuring the independence of the external auditor, and to that end:In any event, annually it must receive written confirmation from the auditors of their independence as regards the entity or directly or indirectly related entities, and information on additional services of any kind provided to these entities by the aforesaid auditors, or by the persons or entities related thereto in accordance with the provisions of the Audit Act. In addition, the Audit and Compliance Committee must annually, prior to the issue of the audit report, issue a report stating an opinion regarding the independence of the statutory auditors. This report in any event must address the provision of the additional services referred to previously.

No express provision is made regarding analysts and investment banks with the following clause of the Regulations of the Board of Directors applying in a general sense. Article 39 of the Regulations stipulates that the board shall establish mechanisms for exchanging information on a regular basis with institutional investors that are company shareholders, and that relations between the board and institutional investors may not result in delivery to such shareholders of information that could put them in a privileged of advantageous situation over other shareholders.

C.1.36 Indicate whether the company has changed its external auditor during the financial year. If so, identify the incoming and outgoing auditors

Yes X **No ☐**

Outgoing auditor	Incoming auditor
DELOITTE, S.L.	ERNST & YOUNG, S.L.

In the event of disagreements with the outgoing auditor, please provide details:

Yes ☐ **No X**

C.1.37 Indicate whether the audit firm performs other non-audit work for the company and/or its business group and, If so, state the total fees paid for such work and the percentage this represents of the fees billed to the company and/or its business group:

Yes X **No**

	Company	Group	Total
Fees for non-audit work (in thousands of Euros)	674	0	674
Fees for non-audit work/total amount invoiced by the audit firm (in %)	29.65%	0.00%	24.97%

C.1.38 Indicate whether the audit report on the financial statement for the previous financial year contains reservations or qualifications. If so, detail the reasons given by the Chairman of the Audit Committee to explain the content and scope of such reservations or qualifications.

Yes **No X**

C.1.39 State the number of consecutive years during which the current audit firm has been auditing the financial statement of the company and/or its business group. Also indicate the percentage of years the current audit firm has been auditing the accounts over the total number of years the financial statement have been audited:

	Company	Group
Number of consecutive years	1	1
Number of years audited by the current auditing company / number of years the company has been audited	5.55%	33.33%

C.1.40 Indicate and, if applicable, provide detail of the procedure by which directors may seek external consultancy:

Yes X **No**

Details of the procedure
Article 26 of the Regulations of the Board of Directors stipulates that directors are vested with the broadest powers necessary to obtain information on any aspect of the Company, to examine its ledgers, accounting records, documents and other information on corporate operations, and to inspect all its facilities. In order not to disrupt the day-to-day management of the Company, powers of information shall be exercised through the Chairman or the Secretary to the Board of Directors, who shall respond to the requests made by the director by directly providing them with the information, offering them the appropriate parties with whom to interact at such level of the organisation as may be fit, or taking any steps that may be appropriate so that the director may carry out an on-site examination or inspection as requested by them. The Chairman or Secretary may refuse access to the information if they consider that: (i) it is not necessary for the director to correctly perform their duties; or (ii) the importance of the issue does not warrant the cost of obtaining the information given the value of the Company's assets and revenue.

Moreover, according to article 9.3 of the Regulations of the Board of Directors, the chairman, as the person responsible for the efficient functioning of the Board of Directors, will see to it that the directors receive sufficient information for performance of their duties; that the directors are able to obtain any additional information and advice they may require for the performance of their functions; and that the Board of Directors is able to seek help from independent experts on matters within its purview that are of particular complexity or importance.

To give new directors a knowledge of the Bank and its corporate governance rules, article 21.7 of the Regulations of the Board of Directors provided for an orientation and support programme. In addition, where circumstances so advice, the company may establish professional update programmes for directors.

In line with the inclusion in the Bylaws of Bankia, S.A. of the figure of the coordinating independent directors, independent directors may channel through the coordinating director all the matters and concerns they raise. Its mission is to coordinate and convey the opinions and positions of the independent directors. It also has the authority to request that a meeting of the Board of Directors be convened and add items of business to the agenda.

Regarding board Committees, both the Audit and Compliance Committee and the Appointments and Remuneration Committee, for better performance of their duties, may seek the advice of outside professionals on matters within their competence (articles 14.8 and 15.8, respectively, of the Regulations of the Board of Directors).

C.1.41 Indicate and, as the case may be, provide detail of the procedure by which board members can obtain the necessary information in advance to prepare for meetings of the governing bodies

Yes X **No**

Details of the procedure
Article 17.2 of the Regulations of the Board of Directors establishes that meetings of the Board of Directors shall be convened through notices sent to each director setting out in sufficient detail the agenda for the meeting. This notice shall be sent by fax, email or letter to each director at least five days in advance of the meeting, unless the chairman decides that the issues to be discussed are so important that an urgent meeting has to be convened. This can be called by telephone, fax, email or any other remote means with sufficient notice for the directors to fulfil their obligation to attend. Any information the chairman deems is required for the meeting shall also be attached to the notice. Directors may request any additional information that they deem necessary on the areas for which the board is responsible. Information requests should be made to the chairman or the Secretary to the board. Any calls to attend board meetings or any other communiqués to directors shall be sent to the email address the director provided to the Company when they were appointed. The director is responsible for notifying the Company of any change to this address.

C.1.42 Indicate and, as the case may be, provide detail of whether the company established rules that oblige directors to report and, where appropriate, resign in cases where the image and reputation of the company may be at stake

Yes X **No**

Details of the procedure
According to article 40 of the Bylaws, the members of the Board of Directors of Bankia, S.A. must satisfy the requirements of banking regulation to be considered to be honourable persons suitable for exercise of that function. Supervening failure to satisfy those requirements will be grounds for removal of the director. As per article 23 of the Regulations of the Board of Directors, directors must place their directorships at the Board of Directors' disposal, and, if the board deems it appropriate, tender their resignation in the following cases: a) When they are subject to any of the cases of incompatibility or prohibition provided by Law;

b) When they have been indicted for an alleged crime or are subject to disciplinary proceedings for a serious or very serious infractions imposed by the supervisory authorities. For these purposes, any director of the Company must advise the Board of Directors of the existence of circumstances that could be detrimental to the credit and reputation of the Company, in particular of criminal actions in which the director is an accused, as well as subsequent procedural developments. If a director is indicted or tried for any of the crimes specified in section 213 of the Corporate Enterprises Act, the board shall examine the matter as promptly as possible and, in view of the particular circumstances, decide where or not the director should be called on to resign. c) When they have been seriously admonished by the Audit and Compliance Committee for violating their obligations as directors. d) When their remaining as directors could present a reputation risk to the interests of the Company. Following the entry into force of Royal Decree 256/2013, of 12 April, which included, in legislation governing credit institutions, the guidelines of the European Banking Authority of 22 November 2012 on the assessment of the suitability of members of the management body and key function holders, the Appointments and Remuneration Committee, at its meeting of 19 June 2013, issued a favourable report on the Procedures Manual for the Assessment of the Suitability of Directors, General Managers or Similar and Key Personnel, which was approved by the Board of Directors on 25 June 2013.

C.1.43 Indicate whether any member of the Board of Directors has informed the company that he/she was tried or formally accused of any of the offences stipulated in Article 213 of the Spanish Corporations Act:

Yes ☐ **No X**

Indicate whether the Board of Directors has analysed the case. If the answer is yes, explain the reasons for the decision taken on whether or not the board member should continue to hold its post or, as the case may be, state the actions that the Board of Directors have taken up to the date of this report or the report intended to be issued later.

Yes ☐ **No X**

C.1.44 List the still valid significant agreements signed by the company, whether modified or terminated in the event of a change in the company's control through a hostile takeover bid, and its effects.

Not applicable

C.1.45 Identify in sum and provide detail of the agreements signed between the company and its administrative, management or employee posts with compensations, guarantees or protection clauses, in the event of resignation or unlawful dismissal or if contractual relationship is abruptly halted because of a hostile takeover bid or other kinds of transactions.

Number of beneficiaries	5

Type of beneficiary	Agreement Description
DRECTORS AND MEMBERS OF THE BOARD OF DIRECTORS	EXECUTIVE DIRECTORS: The contracts of the two executive directors contain a termination benefit of one year of fixed remuneration if the Company decides to terminate their employment unilaterally or in the event of a change of control of the Company. The contracts also contain a post-contractual non-compete clause equal to one year of fixed remuneration. Pursuant to prevailing legislation, Bankia has amended these contracts, establishing that any compensation and/or amounts received by the executive directors shall comply with Royal Decree-Law 2/2012 and Law 3/2012 MANAGEMENT COMMITEE: The contracts of three senior executives included clauses that set compensation for all items if they are dismissed for legal reasons, except for disciplinary reasons considered legally valid, equivalent to two years' fixed compensation. Pursuant to prevailing legislation, Bankia has amended these contracts, establishing that any compensation and/or amounts received by senior executives must comply with Royal Decree-Law 2/2012 and Law 3/2012.

Indicate whether the governing bodies of the company or its group must be informed of and/or must approve such contracts:

	Board of Directors	General Meeting
Governing Body	Yes	No

	Yes	No
Is the General Meeting informed about the clauses?	X	

C.2 Committees of the Board of Directors

C.2.1 Give details of all Committees of the Board of Directors, their members and the proportion of proprietary and independent board members on such Committees

AUDIT AND COMPLIANCE COMMITTEE

Name	Post	Typology
MR. ALFREDO LAFITA PARDO	Chairperson	INDEPENDENT
MR. JOAQUÍN AYUSO GARCÍA	Member	INDEPENDENT
MR. JORGE COSMEN MENÉNDEZ-CASTAÑEDO	Member	INDEPENDENT
MR. JOSÉ LUIS FEITO HIGUERUELA	Member	INDEPENDENT

% of executive board members	0.00%
% of proprietary board members	0.00%
% of independent board members	100.00%
% de other external	0.00%

APPOINTMENTS AND REMUNERATIONS COMMITTEE

Name	Post	Typology
MR. JOAQUÍN AYUSO GARCÍA	Chairperson	INDEPENDENT
MR. FRANCISCO JAVIER CAMPO GARCÍA	Member	INDEPENDENT
MR. ALFREDO LAFITA PARDO	Member	INDEPENDENT
MR. ÁLVARO RENGIFO ABBAD	Member	INDEPENDENT

% of executive board members	0.00%
% of proprietary board members	0.00%
% of independent board members	100.00%
% de other external	0.00%

BOARD RISK COMMITTEE

Name	Post	Typology
MR. JOSÉ SEVILLA ÁLVAREZ	Chairperson	EXECUTIVE
MR. FERNANDO FERNÁNDEZ MÉNDEZ DE ANDÉS	Member	INDEPENDENT
MR. FRANCISCO JAVIER CAMPO GARCÍA	Member	INDEPENDENT

% of executive board members	33.33%
% of proprietary board members	0.00%
% of independent board members	66.67%
% de other external	0.00%

C.2.2 Complete the following table using the information relating to the number of female board members who have served on the Board of Directors Committees over the past four financial years:

	Number of Female Board Members							
	Year 2013		Year 2012		Year 2011		Year 2010	
	Number	%	Number	%	Number	%	Number	%
Audit Committee	0	0.00%	0	0.00%	2	66.66%	0	0.00%
Appointments and Remunerations Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Board Risk Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 Indicate whether the following functions are vested in the Audit Committee

	Yes	No
Monitoring the preparation process and the integrity of the financial report with regards to the company and, as the case may be, the group, verifying compliance with legal requirements and the correct application of accounting criteria, and appropriately specifying the scope of consolidation.	X	
Frequently assessing the internal risks monitoring and management systems so that the main risks are adequately identified, managed and revealed.	X	
Monitoring the independence and efficacy of internal auditing; proposing the selection, appointment, re-election and removal of the head of internal audit; proposing the department's budget; receiving regular feedbacks on its activities; and verifying whether senior management is acting on the findings and recommendations of the reports.	X	
Establishing and supervising mechanisms by which employees may secretly and, if necessary, anonymously report potentially significant, Especially, financial and accounting irregularities, with potentially serious implications for the company	X	
Presenting proposals to the Board of Directors for the selection, appointment, re-selection and substitution of the external auditor, and the contracting conditions.	X	
Regularly receiving information on the audit plan and on the implementation results from the external auditor, and ensuring that the senior management takes the recommendations into account	X	
Ensuring the independence of the external auditor	X	

C.2.4 Describe the rules of organization and function, as well as the responsibilities attributed to each of the Committees of the Board of Directors.

EXECUTIVE COMMITTEE:

The Bylaws and Regulations of the Board of Directors provide the possibility of creating an Executive Committee that will be made up of a minimum of 5 and a maximum of 7 directors.

This Committee has not yet been formed and its members have not yet been appointed due to the low number of directors on the current Board of Directors. In accordance with article 45 of the Company´s Bylaws, the powers of this Committee correspond to the Board of Directors.

AUDIT AND COMPLIANCE COMMITTEE:

The Audit and Compliance Committee will comprise from 3 to 5 external directors (the majority of whom will be independent), without prejudice of the attendance, when agreed by its members, other directors including executive directors, senior management and any employee. The members of the Audit and Compliance Committee will be appointed by the Board of Directors, taking account of knowledge, aptitude and experience in accounting, auditing or risk management.

- The Committee will be chaired by an independent director, who will have the required knowledge in accounting, audit or risk management. The chairman of the Committee must be replaced every four years, and may be re-elected after the term of one year elapses since he left office.
- The Committee will have a Secretary and, optionally, an Assistant Secretary, who need not be directors and may be other than the Secretary and assistant Secretary of the Board of Directors, respectively.
- The Committee will meet as often as called by resolution of the Committee itself or its Chairman, at least four times per year. Any member of the management team or employee of the company that is required to do so must attend its meetings, to cooperate with it and provide access to any information it may have. The Committee also may require the attendance of the statutory auditor. One of its meetings will be used to evaluate the efficiency of and compliance with the Company's governance rules and procedures, and prepare the information the board must approve and include in the annual public documentation.
- There will be a quorum for the Audit and Compliance Committee with the attendance, in person or by proxy, of at least half of its members. It will adopt its resolutions by majority of those in attendance at the meeting, in person or by proxy. In the event of a tie, the chairman shall have the casting vote. The members of the Committee may extend proxies to other members. The resolutions of the Audit and Compliance Committee will be maintained in a minutes book, each entry in which will be signed by the Chairman and the Secretary.
- Without prejudice to other tasks assigned to it by the board, the Audit and Compliance Committee will have all functions given to it by applicable legislation (in particular banking regulations).

(See Basic responsibilities in section H).

APPOINTMENTS AND REMUNERATION COMMITTEE

- The Appointments and Remunerations Committee will comprise from 3 to 5 external directors (the majority of whom will be independent), when it is agreed by the members of the Committee, other Directors, Senior Managers or other employees.
- The members of the Appointments and Remuneration Committee shall be appointed by the Board of Directors, taking into account the directors' knowledge, skills and experience and the remit of the Committee. The Committee shall be chaired by an external director appointed by the Board of Directors. The chairman of the Committee shall be replaced every four years, and may be re-elected once or more times for equal terms.
- The Committee shall have a Secretary and, optionally, a Deputy Assistant Secretary, who need not be Directors and may be persons other than the Secretary and Deputy Assistant Secretary to the Board of Directors, respectively.
- The Committee shall meet as often as it is convened by the Committee itself or its chairman, and at least four times a year. It shall also meet whenever the Board of Directors or its chairman requests a report or the adoption of proposals.
- There will be a quorum when one half plus one of the directors that are members of the Committee are present in person or by proxy.
- The Committee shall adopt resolutions by majority vote of those attending the meeting in person or by proxy. In the event of a tie, the chairman shall have the casting vote.

(See Basic responsibilities in section H).

BOARD RISK COMMITTEE:

- The Board Risk Committee comprise from 3 to 7 directors. The chairman of the Committee will be a director appointed by the Company's Board of Directors.
- Resolutions of the Board Risk Committee will be adopted by majority of the directors comprising the Committee, present at the meeting in person or by proxy. In the event of a tie, the chairman will have a casting vote.
- The Board Risk Committee will have operational authority and, therefore, may adopt the corresponding decisions within the scope of authority delegated by the board.
- The Board Risk Committee will have the specific delegated authority contemplated in the delegation resolution.
- The Board Risk Committee, as the body responsible for overall risk management, will evaluate reputation risk within the scope of its activities and decision-making authority.
- It will be the body responsible for approving the most significant transactions and establishing the overall limits in order for lower-ranking bodies to approve the others, all without prejudice to the supervisory authority legally corresponding to the Audit and Compliance Committee.

(See basic responsibilities in section H).

C.2.5 Indicate, as the case may be, the existence of regulations of Committees of the Board, where they can be reached for consultations and any amendments that may have been made during the financial year. Also state whether annual reports were voluntarily prepared on the activities of each Committee.

AUDIT AND COMPLIANCE COMMITTEE:

The regulations of the Committees are set forth in the Regulations of the Board of Directors(articles 12 and 14) and the Bylaws (articles 44 and 46), which are available on the Company's corporate website www.bankia.com

In 2013, amendments were made to articles 44 and 46 of the Bylaws pursuant to a resolution adopted at the general meeting of shareholders held on 25 June 2013, and to 14 of the Regulations of the Board of Directors pursuant to a resolution adopted by the board on 20 March de 2013, regarding the number and status of the members of the Committee, as indicated in section C.1.18 of this report.

In addition, the chairman of the Appointments and Remuneration Committee furnished the Board of Directors with a report on this Committee's activities during 2012. This report was also delivered to the shareholders at the General Meeting.

APPOINTMENTS AND REMUNERATION COMMITTEE:

The regulations of the Committees are set forth in the Regulations of the Board of Directors (articles 12 and 15) and the Bylaws (articles 44 and 47), which are available on the Company's corporate website www.bankia.com.

In 2013, amendments were made to articles 44 and 47 of the Bylaws pursuant to a resolution adopted at the general meeting of shareholders held on 25 June 2013, and to article 15 of the Regulations of the Board of Directors pursuant to a resolution adopted by the board on 20 March de 2013, regarding the number and status of the members of the Committee and the independent status of its chairman, as indicated in section C.1.18 of this report.

In addition, a report on the activities of the Appointments and Remuneration Committee was presented to the Board of Directors, highlighting the tasks performed by this Committee in relation to its own duties for 2012. This report was made available to all shareholders for the General Meeting of Shareholders held on 25 June 2013.

BOARD RISK COMMITTEE:

The regulations of the Committees are set forth in the Regulations of the Board of Directors (articles 12 and 16) and the Bylaws (articles 44 and 48). Both documents, as well as the components of the Committee are available on the Company's corporate website www.bankia.com

There were no amendments in 2013 affect the composition, responsibilities and functioning of the Board Risk Committee.

C.2.6 Indicate whether the composition of the Executive Committee reflects the participation of the different categories based on their condition on the board:

Yes ☐ **No X**

If the answer is no, explain the composition of the Executive Committee.
Both the Bylaws (article 45) and Regulations of the Board of Directors (article 13) provide the possibility of creating an Executive Committee that will be made up of a minimum of 5 and a maximum of 7 directors. This Committee has not yet been formed and its members have not yet been appointed due to the low number of directors on the current Board of Directors. In accordance with the Bylaws (article 45.1). the powers of this Committee correspond to the Board of Directors.

D CONNECTED TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 Identify the competent organ and explain, as the case may be, the procedure for approving associate and intra-group transactions.

Competent organ for approving associate transactions
Board of Directors

Procedures for approving associate transactions

In accordance with article 36 of the Regulations of the Board of Directors of Bankia, S.A., the board will review transactions the company engages in, directly or indirectly, with directors, with shareholders or with persons related thereto.

Engaging in such transactions will require authorisation of the board, after a favourable report from the Audit and Compliance Committee. The aforesaid transactions will be evaluated from the point of view of equal treatment and market terms, and will be included in the periodic public reporting on the terms contemplated in applicable regulations.

There will be no obligation to advise the Board, or seek the authorisation contemplated in the preceding section, in the case of transactions with shareholders that simultaneously satisfy the following three conditions:

a) They are governed by standard form contracts applied on an across-the-board basis to a large number of clients;
b) They go through at market rates, generally set by the person supplying the goods or services, or when the transactions relate to good or services of which there are not established rates; in an arm´s-length basis, similar to those business relations held with similar clients.
c) Their amount is no more than 1% of the Company's annual revenues.

Transactions with directors in any event will be subject to the authorisation referred to in this article, except in the case of credit, loan or guarantee transactions the amount of which is not more than the amount determined by the Board of Directors, simultaneously satisfying conditions a) and b) as set forth in the preceding section.

A director violates his duty of loyalty to the Company if, with prior knowledge, he allows or does not disclose the existence of transactions related thereto, undertaken by the persons indicated in article 32.1 of the Regulations of the Board of Directors, that have not been submitted to the conditions and controls contemplated in this article.

Explain whether the approval of transactions between associate parties was assigned. If so, state the organ to which or persons to whom it was assigned.

No

D.2 Give details of transactions deemed significant due to the amount or relevant due to the aspect between the company and companies of its group, and the significant shareholders in the company:

Personal or Corporate name of significant shareholder	Name of company or entity in the group	Nature of relationship	Type of transaction	Amount (in thousands of Euros)
BANCO FINANCIERO Y DE AHORROS, S.A.U.	BANKIA, S.A.	Contractual	Finance arrangements	3,699,352
BANCO FINANCIERO Y DE AHORROS, S.A.U.	BANKIA, S.A.	Contractual	Finance arrangements	514,131
BANCO FINANCIERO Y DE AHORROS, S.A.U.	BANKIA, S.A.	Contractual	Finance arrangements	377,630
BANCO FINANCIERO Y DE AHORROS, S.A.U.	BANKIA, S.A.	Contractual	Finance arrangements	524,250

D.3 Give details of transactions that are significant due to amount or that are relevant due to the nature between the company and companies of its group, and the managers and directors of the company:

D.4 Report on the significant transactions between the company and other entities in the same group provided they are not eliminated in the process of preparing the consolidated financial statements, and are not part of the normal company transactions with regards to purpose and conditions.

At any rate, report shall be issued on any intra-group transaction with entities in countries or territories classified as tax havens:

D.5 Indicate the amount of the transactions with other connected parties.

D.6 Provide details of any mechanisms in place to detect, determine and resolve possible conflicts of interest between the company and/or its group and its Board members, executives or significant shareholders.

Article 32 of the Regulations of the Board of Directors regulates conflicts of interest that could involve the Bank's directors. This article establishes that directors shall: disclose to the Board of Directors any conflict they may have with the interests of the Company and notify the board immediately should there be a change in the declared circumstances or the conflict of interests no longer exists or new conflicts arise; and refrain from attending meetings and participating in deliberations affecting matters in which the director or person related thereto, is personally interested.

On the other hand, regarding the Regulations for Internal Conduct, RIC, mechanisms used to detect conflicts of interest are essentially based on the obligation of Bankia's directors to declare any such conflict of interest in accordance with the aforementioned article 32 of the Regulations of the Board of Directors. These rules of conduct are available on the Group's corporate website (www.bankia.com).

Article 32 of the RIC directors regulates conflicts of interest and determines that those affected shall inform to the Regulatory Compliance Department and the responsible of the corresponding department of such conflicts of interest. Directors or persons will refrain from attending meetings and participating in deliberations affecting matters in which are related thereto, or give their votes, and will notice it to those persons that will take the decision. General rules to resolve conflicts are included in the article 33 and establishes that where there is a conflict between the Covered Group Entities and a client, the interest of the client shall be protected, and where there is a conflict between clients, care shall be taken not to give preference to either; no account shall details of transactions carried out by one client be disclosed to another; no client shall be induced to carry out a transaction with the aim of benefiting another client.

In addition, the Bankia Group has a Code of Ethics, approved by the Board of Directors on 28 August 2013, which contains professional standards and criteria that are applicable to all of the Company's employees and directors and in all activities and businesses of the Bankia Group. The purpose of the Code of Ethics is to establish ethical principles and general rules that shall shape the Group's activities and the individuals subject to the Code, both within the Group and in relations with clients, partners, suppliers and any individuals and public and private companies with which the Group has direct or indirect relations.

A whistle-blowing channel was created to provide those persons subject to the Code of Ethics with an accessible tool for reporting in a unique tool, communications to the Administrators, employees or suppliers of the entity reporting breaches of the Code of Ethics. Conflicts of interests will be resolved by Ethics Committee.

Bankia's Board of Directors has rolled out best corporate governance practices with regard to relations between Banco Financiero y de Ahorros, S.A.U. and Bankia, S.A. as a listed company. It therefore entered into a Framework Agreement with Banco Financiero y de Ahorros on 2011 and a subsequent Addendum on 2012, the purpose of which is (i) to establish relations between both entities and between their respective group companies and ensure an adequate level of coordination, thereby minimising and regulating each company's areas of activity - at arm's length - and potential conflicts of interest that could arise in the future. (ii) The Framework Agreement entered into by Banco Financiero y de Ahorros and Bankia also regulates the procedure to be followed should the members of Bankia's Board of Directors find themselves in a situation that conflicts directly or indirectly with the interests of Banco Financiero y de Ahorros, establishing the obligation to declare this situation of conflict and refrain from taking part in the deliberation and discussion of issues at the heart of the conflict. (iii) The Framework Agreement also regulates information flows between Bankia and Banco Financiero y de Ahorros to ensure both parties comply with their statutory accounting, tax and reporting obligations. In the event that a director is a member of the boards of both Banco Financiero y de Ahorros and Bankia, they shall refrain from being involved in the matters set forth in the Framework Agreement

The Framework Agreement establishes that related-party transactions, i.e. current relations between Bankia and Banco Financiero y de Ahorros, as well as any relations and services or operations which may arise in future, shall be governed by principles of transparency, be provided in reasonable and equitable market conditions, under terms of preferential treatment, and following diligence and confidentiality criteria. Once current transactions between related parties and their groups have been identified and, where applicable, once they have been reviewed by reason of the signature of the Framework Agreement, Bankia's audit and compliance committee shall formally issue its opinion, by means of a report to the Company's board of directors, on whether the related-party transactions are at arm's length. Following a favourable report from the audit and compliance committee, the board of directors shall ratify all related-party transactions. Secion 6.7 of the aforementioned Framework Agreement establish the requisites to be met in case Bankia provides financing to BFA.

D.7 Is more than one company of the group listed in Spain?

Yes ☐ **No X**

Identify the subsidiaries listed in Spain:

E RISKS MANAGEMENT AND MONITORING SYSTEMS

E.1 Explain the scope of the company's Risks Management System

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 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.

Given the importance of risk management for the Entity, a process began in 2013 to transform the risk functions and align them with best practices to achieve excellence is risk management.

There were three main cornerstones to this process:

1. General principles governing the risk function: the first step in the transformation was to set the basic principles guiding risk management 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. Also required was comprehensive management of risk throughout the life of the risk based on economic capital and risk-adjusted return measures, guaranteeing the Group's stability, prioritising diversification and adapting behaviour to the highest ethical standards, with strict compliance with laws and regulations.
2. A new organisational model: the risk function has been restructured to take a comprehensive vision of risk throughout its life cycle. Management is divided up between two units, Wholesale Risks and Retail Risks, with each overseeing all the functions of authorisation, monitoring and recoveries within their domain.
3. A transformation plan: the change in the risk management model culminated with the definition and design of a set of initiatives to improve performance within the general principles.Thus, at 31 December 2013 there already exists a well-defined activity plan.

These are the basic principles guiding risk management and its scope :

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

E.2 Identify the section of the company in charge of elaborating and executing the Risks Management System.

On 26 June 2013, the European Council approved a regulation which, from 1 January 2014, will make application of the capital agreements known as BASEL III effective for the entire European Union. This regulation is articulated in a capital requirements directive and a capital requirements regulation, known as CRD IV and CRR, respectively.

One of the main features of the new regulation compared to previous regulations is the introduction of corporate governance as a core element of risk management. The regulation establishes the need for entities to have sound corporate governance procedures, including a clear organisational structure, effective risk identification, management, control and communication procedures, and remuneration policies and procedures that are compatible with appropriate and effective risk management.

In this respect, Bankia responds fully to the spirit of the new regulation, as its governing bodies assume responsibility for the oversight and control of risks:

- The Board of Directors is the highest governing body. It determines and approves the general internal control strategies and procedures, as well as the policies for the assumption, management, control and reduction of risks to which the group is exposed. It has several internal Committees, attributed different risk control and monitoring responsibilities.

- The Audit and Compliance Committee's basic duties include verifying that the internal control model, internal audit and risk management systems are effective. In particular, it is responsible for regularly reviewing internal control and risk management systems to ensure the main risks are correctly identified, managed and declared.

- The Board Risk Committee, which is an Executive Committee, is the body responsible for global risk management. It makes decisions within the scope of the powers delegated by the board and is responsible for establishing and overseeing compliance with the control mechanisms for the different types of risk (credit risk, market risk, operational risk, structural balance sheet interest rate risk, structural balance sheet liquidity risk, reputational risk and regulatory compliance risk).

The Board Risk Committee also authorises the most significant transactions and establishes global risk thresholds. All these duties are performed without prejudice to the statutory supervisory powers of the Audit and Compliance Committee. The structure for authorising credit risks and any risks that must be authorised by the Board Risk Committee because of their value shall be classified by the risk segments prevailing at any given time, and by the levels of risk classified by their credit rating or scoring, based on models approved by the supervisory authority.

The Credit Risk Policy document sets out the flow of information on risks to the governing bodies and establishes the reports to be issued to the corresponding Committee and their frequency.

Lastly, Bankia has a risk department that operates independently. In addition to managing risks, it is required to issue timely reports to the governing bodies. The risk department, which reports directly to the office of the chairman, shares responsibilities with the following six departments:

1. Global Risk Management:
- Construction and management of credit risk measurement and control tools: authorisation and behaviour, economic capital, rating, scoring, RAR models.
- Monitoring of regulatory capital and solvency requirements.
- Comprehensive generation of data on the Bank's internal and external risks.
- Monitoring of the global risk profile.

2. Retail Risks:
- Management of the complete Retail Banking risk life cycle: authorisation, monitoring and recovery.

3. Wholesale Risks
- Management of the complete Business Banking, Corporate Banking and Real Estate Developer risk life cycle: authorisation, monitoring and recovery.

4. Market, structural and other risks
- Measurement and control of market and counterparty risk.
- Management and control of structural interest rate and liquidity risk.
- Identification, assessment, monitoring, control and mitigation of operational risk.
- Measurement and control of other risks (insurance, fiduciary and pension risk).

5. Technical Secretariat and Projects:
- Manage special transactions
- Monitor project execution.
- Organise and coordinate the various risk Committees.

6. Internal control and validation
- Assure the internal control of internal management processes and productivity.
- Perform internal validations of risks models and accounting of invoices related to risks and cost control

E.3 Specify the main risks that could affect the attainment of business objectives.

Credit Risk:

Understood as the risk of loss arising from the failure of a counterparty to meet its contractual obligations. This is the entity's main risk.
The breakdown of loans and advances to customers is 31%-69% wholesale segment including the public sector and retail. The real estate development portfolio represents 2% of the total and is heavily provisioned, with coverage of 55%. Personal mortgages account for 61% of gross lending.
As a result of the public assistance received at the end of 2012 and the transfer of assets to the SAREB, the entity has a large portfolio of fixed-income instruments which, in addition, provide it with a strong liquidity position.
Exposure to counterparty party risk and loans to credit institutions has decreased considerably, by 58% as a whole.

Market Risk:

Market risk is the risk of loss caused by adverse fluctuations in prices of the financial instruments in which Bankia operates. Other risks related to market risk are liquidity risk, model risk and counterparty credit risk.
Risk of the 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.
Activity in financial markets also exposes the entity to market liquidity risk, which arises from excessive concentration in a specific asset in Bankia's books that can cause the price to be negatively affected in the case of sale.

Structural balance sheet interest rate risk:

Structural balance sheet interest rate risk relates to potential losses in the event of adverse trends in market interest rates. Interest rate fluctuations affect both net interest income and equity. The intensity of the impact depends to a large extent on the different schedule of maturities and repricing of assets, liabilities and off-balance sheet transactions.

Structural liquidity risk:

Structural liquidity risk consists of the uncertainty, in adverse conditions, of the availability of funds at reasonable prices, to enable an entity to meet the obligations undertaken and finance the growth of its investment business.
As a supplement to the various metrics, the entity has a well defined Contingency Plan, which identifies alert mechanisms and sets out the procedures to follow if the plan needs to be activated.

Operational risk:

Operational risks consisto of the possible losses arising failure or shortcomings in processes, personnel or internal systems, or from external events. This definition includes legal risk, but not reputation risk. Reputational or brand risk is taken into account by qualitatively evaluating the impact on end customers of any identified operational risks.

Reputational risk:

This arises from the entity's activity that could cause adverse publicity regarding its business and practices, resulting in a loss of confidence in the institution.

E.4 Indicate whether the company has a risk tolerance level.

Bankia's governing bodies perform procedures regularly to confirm its appetite and tolerance of risk. These include the following:

1. The Board of Directors approves the Internal Capital Adequacy Assessment Report. These documents provide clear definitions of the following:
a. Preparation of a risk matrix to assess each risk, the risk control and management functions, and internal governance related to risk.
b. Simulation of scenarios (baseline and adverse) to estimate the risk profile over a three-year time horizon.
c. Determination of a target capital level above the minimum regulatory requirement to cope with adverse scenarios.
d. The internal capital adequacy assessment performed using the economic capital model, which carries implicit in its calibration a target rating for the entity of A-.

2. The Board of Directors approves the risk authority levels and policies. These documents provide clear definitions of the following:

a. Principles governing the risk function:
b. Policies, criteria and tools for assuming, measuring, managing and monitoring the various risks. These policies include setting minimum rating levels as cut-off points for loans in accordance with the value of the guarantees or collateral provided.
c. System of authority levels and delegation among the various management bodies, Committees and centres.

3. The Board of Directors approves the entity's medium-strategic plans and annual budget. In this process, it is involved in the allocation of resources and available capital to the businesses that generate the greatest value for the entity by maximising the risk-return ratio.

4. The Board of Directors approves the overall market risk limits (OMRL), which set the maximum exposure to market risk measured by sensitivity and VaR that the entity is willing to assume. It also approves the overall limits with financial institutions and public treasuries, and limits on positions in fixed-income.

5. The Board Risk Committee plays an active role in the powers delegated by the Board of Directors in terms of monitoring the entity's risk profile. The Board Risk Committee is presented with and discusses, inter alia, the following reports on recent trends in the risk profile:
a. Global risks
b. Major risks and risk concentration
c. Follow-up on risks in the loan portfolio
d. Risk-adjusted return (RAR) of the portfolios
e. Control of compliance with policies

E.5 Identify the risks that materialized during the financial year.

Credit Risk:

Trends in non-performing loans were shaped by the application of the criteria contained in the Circular sent to banks by the Bank of Spain on 30 April regarding the accounting treatment for loan refinancing and restructuring operations. To a large extent, these criteria pre-empt the European Banking Authority's focus on increased prudence in its proposed classifications of refinanced loans, which implies recognising loans that are up to date on payment obligations or have yet to become non-performing as doubtful assets. Applying these criteria, Bankia recognised an additional EUR 1,389 million of doubtful assets in October 2013, of which EUR 997 million related to refinanced personal mortgage loans.
This, coupled with deleveraging, was the main reason for the increase in the non-performing loan ratio from 13.0% in December 2012 to 14.7% at the end of 2013. Doubtful assets in the year increased by EUR 202 million. Stripping out the impact of loan refinancing operations, the balance of doubtful assets would have fallen by EUR 1,187 million, leaving an adjusted NPL ratio of 13.7%. This underscores the comprehensiveness of the write-downs made in 2012.
Also worth noting is the breakdown of doubtful assets. At 31 December 2013, 40% of assets were classified in the doubtful category for subjective criteria or are in the "curing" period. Accordingly, no loans in this portfolio are past-due that imply subjective arrears, or refinancing agreements have been reached with the customers and, therefore, there is an apparent willingness to pay. This must be verified over a period of at least six months, but can be extended to the entire grace period where applicable.

Market Risk:

BFA-Bankia's average VaR in 2013 was EUR 4.13 million, with a maximum of EUR 6.99 million and a minimum of EUR 2.77 million. Credit VaR (EUR 1.16 million) accounted for the largest share of average VaR, followed by interest rate VaR (EUR 0.91 million).

Credit Risk of trading in derivatives:

To mitigate the risk of trading in derivatives with financial institution counterparties, BFA-Bankia has entered into CMOF or ISDA framework contracts (which allow negative and positive positions of the same item to be netted). At 31 December 2013, there were 292 netting and 187 guarantee agreements (127 collateral, 51 repos and 9 securities loans). These netting and guarantee agreements reduced the credit risk of the derivatives activity by 91.51%.

Structural Balance Sheet Interest Risk:

The sensitivity of a loss in economic value as a percentage of equity is well below the regulatory limit. The other sensitivity measures calculated during the year were within the regulatory limits, with risk levels commensurate with prudent management.

Liquidity and financing risk:

The high level of available liquid assets, coupled with the decline in the commercial gap (loans minus customer deposits), is enabling the entity to cover its liquidity requirement without having to tap the wholesale market.

Operational risk:

Operational risks in 2013 amounted to EUR 33.7 million. The main ones related to "client practices" (EUR 12.5 million) and "execution, delivery and process managements" (EUR 11.4 million). These figures do not include the extraordinary costs related to ongoing arbitration processes over preference shares.

E.6 Explain the response and supervision plan for the most threatening risks of the entity.

Credit Risk:

Risk management is carried out within limits and according to the guidelines set out in the policies. It is supported by the following processes and systems.

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.

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.

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 loss, 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; i.e. economic capital.

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. The tests may determine not only the unexpected loss (or required solvency), but also the impact on profit and loss.

Recovery management:

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

Market risk:

Market risk is measured using the Value at Risk (VaR) model and other metrics that allow for greater control of market risk, especially the risk associated with the trading desks: sensitivity, maximum loss, and the size of the position. These limits are established according to maximum exposure approved annually by Senior Management.

The main tools for market risk measurement and control are:

-The VaR quantifies the maximum expected loss that could be borne on the economic value of positions exposed to market risk over a given time horizon and confidence level. Bankia uses as general parameters, a 1 day horizon and a 99% confidence level.

-Sensitivity quantifies changes in the economic value of a portfolio due to given movements and determinates of the variables affecting this value. The main movements in market factors used in sensitivity analysis are interest rates, equity prices, exchange rates, volatility and credit spreads.

Structural balance sheet interest rate risk:

In accordance with Bank of Spain regulations, the entity controls the sensitivity of net interest income and equity to parallel changes in interest rates. In addition, various sensitivity scenarios are prepared based on implicit market rates, comparing the non-parallel changes of the interest rate curves that alter the rise of the various references of the balance sheet aggregates.

During 2013, the entity has approved a new framework for the Structural risk management. This new framework will be used to monitor new internal limits as of 2014.

The new measurement scheme will cover on one hand the balance sheet and on the other hand the portfolio of financial assets held to maturity.

Financing and liquidity risk:

To monitor this risk, the entity has designed a new Liquidity Risk Management and Funding Framework, which includes three types of risk assessment with different approaches: liquidity gap by maturity; funding structure, including the current/non-current ratio; and calculation of various liquidity ratios, underpinned by the regulatory liquidity ratio, based on different assumptions.

As a supplement to the various metrics, the entity has a well defined Contingency Plan, which identifies alert mechanisms and sets out the procedures to follow if the plan needs to be activated.

Operational risk:

In 2013, the entity chose the standardized approach for calculating its capital requirements, making improvements in management of this risk in various respects.

Bankia's operational risk management objectives are as follows:
- Foster a culture of operational risk management, especially with regard to risk awareness, assuming responsibility and commitments, and service quality

- Ensure operational risks are identified and measured in order to prevent possible damages that could affect results.
- Reduce losses from operational risks by applying systems to continuously improve processes, control structures and mitigation plans.
- Encourage the use of risk transfer mechanisms that limit operational risk exposure.
- Verify the existence of contingency and business continuity plans.

F INTERNAL RISKS MONITORING AND MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS OF FINANCIAL REPORTING INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms entailed in the risks monitoring and management system in relation to the company's financial reporting (System of Internal Control over Financial Reporting) process.

F.1 The Company's control environment

Report, pointing out the main characteristics of at least:

F.1.1. The bodies and/or functions in charge of: (i) the existence and maintenance of an appropriate and effective System of Internal Control over Financial Reporting (ICFR); (ii) its introduction; and (iii) its supervision.

Article 4 of the Company's Regulations of the Board of Directors expressly states the Board of Directors shall provide the markets with prompt, accurate and reliable information ("particularly on ownership structure, substantial amendments to governance rules, trading in treasury shares and particularly significant related-party transactions"), and approve financial reporting the Company must regularly publish.

Article 37.2 of the Regulations also stipulates that "the board will adopt the measures necessary to guarantee that quarterly, semiannual and any other financial information that is disclosed to the markets is prepared in accordance with the professional practices, principles and policies as the annual financial statements and is equally reliable. In this regard, such information will be reviewed by the Audit and Compliance Committee before being disclosed".

The Board of Directors therefore delegates the power to oversee the correct functioning of the ICFR to the Audit and Compliance Committee.

Lastly, senior management is responsible for designing and implementing the ICFR through the Financial Controller's Department, which shall perform any activities required to ensure the ICFR operates correctly.

F.1.2. The following elements, if existing, especially in relation to the process of elaborating the financial report

- Departments and/or mechanisms in charge of: (i) designing and revising the organizational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of duties and tasks; and (iii) ensuring the existence of sufficient procedures for its correct announcement throughout the entity.

The Transformation and Organisation Department is responsible for the design e implementation, according to Group policies, strategic directives and compliance requirements, of the organizational structure, size and functions of the different organizational groupings, and the procedures and processes throughout the entity for its correct, in order to achieve the most efficient distribution of functions and resources possible.

It is also responsible for ensuring this structure is up-to-date, making any changes necessary and performing regular inspections to ensure the effectiveness of the system. Such updates should be duly approved by the pertinent authorised party in accordance with the prevailing system of authorities and delegated powers in place for Human Resources and Organisation, and duly communicated throughout the organisation.

The Group's Duties and Structures Manual sets forth its organizational structure. It defines the main departments and units and those in charge thereof, preserving the functional segregation and organizational efficiency principles.

- Code of conduct, body of approval, degree of publication and instruction, principles and values including (indicating whether there is specific mention of the recording of transactions and the elaboration of the financial report), body in charge of analysing breaches and of proposing the correct actions and sanctions.

The Bankia group has a Code of Ethics and Conduct, approved by the Board of Directors on 28 August 2013, which sets forth the rules and guidelines of professional conduct applicable to all employees and directors of the entity and all the Bankia Group's businesses and activities. Compliance with the code is mandatory for all persons who have a professional relationship of any kind with the Bankia Group, i.e. directors, managers and employees.

The purpose of the Code of Ethics is to establish ethical principles and general rules that shall shape the Group's activities and the individuals subject to the Code, both within the Group and in relations with clients, partners, suppliers and any individuals and public and private companies with which the Group has direct or indirect relations. The demands of ethical standards on behaviour and corporate integrity are an essential requirement to obtain and maintain confidence and respect in the institutions. The exigency of ethical standards is mandatory for every employee of the Group.

Bankia's Board of Directors and governing bodies are responsible for ensuring all activities focus on this goal, dealing with potential breaches and, if needed, taking corrective measures as and when required.

Bankia's Regulatory Compliance Committee is responsible for ensuring compliance with this code, which acts on the instructions of the Audit and Compliance Committee.

-Principles and ethical values of the Bankia Group. These are: Commitment, integrity, professionalism, nearness and outcome orientation.
- Business ethics. The Code sets out the values that should guide the Bankia Group's relations with its professionals, customers, suppliers and society as a whole. In particular, the Bankia Group prevents institutional conflicts of interest by setting up Chinese Walls, so that non-public information on investment decisions and other activities obtained through dealings with customers, suppliers or privileged institutional relations cannot be used wrongly or illegally.
- Ethics and integrity in markets. To enforce this ethical commitment, a series of policies, procedures and controls have been designed to ensure that international standards are upheld. Specifically, policies are in place to prevent manipulation of the market and the use of inside information, and to encourage free competition and transparency in information supplied to the market.
- Rules of conduct to ensure customers are the centre of the Bankia Group's activity. The group endeavours to forge lasting relationship built on mutual trust, assuming commitments with them regarding confidentiality and transparency.

Persons covered by the Code of Ethics and Conduct must know, comply with and help enforce it. This entails reporting any indication or certainty of breaches.

All Bankia employees have received the Code of Ethics and Conduct electronically, along with a hard copy. In addition, a specific training programme for all professionals at the entity has been designed and rolled out so that, among others objectives, they can learn more about each of the concepts in the Code of Ethics and Conducts.

- Whistleblowing channel, which enables reporting of irregularities of financial and accounting nature to the Audit and Compliance Committee, in addition to possible breaches of the code of conduct and irregular activities in the organization. The reports may be filed in secrecy or anonymity.

In this respect, the Audit and Compliance Committee approved the creation of the confidential whistle-blowing channel for reporting breaches of the Code of Ethics and Conduct, as set out in the Regulations of the Board of Directors of Bankia and the recommendations of the CNMV's Unified Good Governance Code. On 22 July 2013, the Audit and Compliance Committee agreed to outsource management of the confidential whistle-blowing channel to an independent expert outside the Group. The confidential whistle-blowing channel is available, individually, for directors, employees and suppliers of Group companies with reasonable interest.

This Channel has its own Regulations, approved by the Audit and Compliance Committee on 19 July 2012, with a new version approved by the same Committee on 27 August 2013. The Regulations set out the mechanisms for receiving, filtering, classifying and handling reports submitted, all in accordance with the criteria issued by the Spanish data protection agency (Agencia Española de Protección de Datos) in this respect.

This channel is managed by a third party (independent expert) under the supervision of the Ethics and Conduct Committee, which guarantees that all concerns raised are evaluated independently, notifying only the people that are strictly necessary in the investigation and resolution process.

Both the Code of Ethics and Conduct and the confidential whistle-blowing channel are core elements of the crime prevention and detection model.

Reports can be submitted via:
a.- Directors and employees:
-Space provided in the Entity's intranet for directors and employees, with reports routed to the Channel manager's web application.

-Email to canal.denuncias.bankia@es.pwc.com.
-Post office box 61057 Madrid (C.P.28036)
b.- Suppliers: link (URL) in the corporate portal for Bankia suppliers.

The Ethics and Conduct Committee, in charge of overseeing the proper functioning of the confidential whistle-blowing channel, has the following responsibilities:
-Oversee compliance with the Code of Ethics and Conduct
-Promote ethical behaviour throughout the organisation
-Adopt the measures necessary to handle ethically questionable conduct
-Process reports received
-Process situations of conflicts of interest
-Communicate circumstances that could lead to significant risks
-Handle queries, concerns and suggestions regarding compliance
-Draft and disseminate interpretive notes on the Code
-Perform annual assessments of the degree of compliance with the Code and submit reports to senior management
-Propose amendments to the content of the Code so that it is aligned with the business performance

The Ethics and Conduct Committee reports directly to the Audit and Compliance Committee.

- Training programs and regular updates for the personnel involved in the preparation and revision of the financial report, as well as in the evaluation of the System of Internal Control over Financial Reporting, which should at least cover accounting regulations, auditing, internal risks monitoring and management.

Bankia has established mechanisms to ensure individuals involved directly in collating financial information and preparing and reviewing financial reporting have the professional skills and competence to perform such duties. In this respect, these individuals are continuously updated on prevailing legal requirements and are sufficiently able to efficiently perform their tasks and duties.

The entire Group's training programmes and activities are centralised in Bankia's Training Department, which keeps an up-to-date record of all the training courses provided and the content thereof: whether the course is external or internal, attendees, the duration thereof, the results of performance assessments, etc.
Specifically, regular training and refresher courses are provided to personnel involved in the ICFR and overseeing this system.

As well as induction training, during the year further training may be provided to attend to specific training needs not envisaged at the offset, such as training in response to regulatory changes or in response to specific requests from departments for certain courses.

F.2 Financial Reporting Risks Assessment

At least reporting the following:

F.2.1. What are the main characteristics of the process of identifying risks, including those of error or fraud, with regards to:

- Whether the process does exist and is documented.

Bankia has developed a procedure for identifying material areas and relevant processes, which takes into account the risk of errors and fraud that could significantly affect the Group's financial reporting.

- Whether the process covers the entire objectives of the financial reporting, (existence and occurrence; integrity; evaluation; presentation, breakdown and comparability; and rights and obligations), if updated and at what frequency

This procedure has been designed taking into account all financial reporting objectives (existence, completeness, valuation, presentation and disclosures, and rights and obligations). The procedure is documented, establishing the frequency, methodology, types of risks as well as other guidelines, and the Financial Controller's Department is responsible for implementing and updating this procedure.

The procedure to identify relevant processes and areas is performed once a year using the latest financial information. However, this assessment will also be carried out whenever circumstances not previously identified arise that result in possible errors in the financial information or when substantial changes in transactions could lead to new risks.

- The existence of a process for identifying the consolidation perimeter, considering, among other things, the possible existence of complex corporate structures, instrumental or special purpose entities

The Company therefore avails of a monthly procedure for updating and verifying the scope of consolidation performed by the Investees and Consolidation Unit reporting to the Financial Controller's Department. This procedure is based on the Group's consolidation tool and enables Bankia to ensure any variations in the scope of consolidation in the different reporting periods are correctly included in the Group's consolidated financial statements.

The Regulations of the Board of Directors also authorise the board to approve resolutions concerning the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the Company.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputation, environmental, etc.) in the manner in which they affect the financial statements

The risk identification process takes account of the impact of other types of risks (e.g. operational, technological, financial, legal, reputational, environmental) to the extent that these could affect the Bank’s financial reporting.

- Which corporate governance body supervises the process?

Lastly, the Audit and Compliance Committee's duties include regularly reviewing the risk management and internal control systems to identify, manage and appropriately report key risks.

F.3 Control Activities

Report pointing out the main characteristics of the following, if any, is at least include:

F.3.1. Procedures for reviewing and authorizing the financial reporting and the description of the ICFR, to be published at the stock market, indicating responsibilities, as well as the descriptive documents of cash flows and monitoring (even in connection with fraud risks) of the various types of transactions that could materially affect the financial statements, including the accounting closure proceedings and the specific revision of the judgements, estimates, evaluations and relevant projections.

As stated in section F.1.1, the Board of Directors therefore delegates the power to oversee the correct functioning of the ICFR to the Audit and Compliance Committee.

The main duties of the aforementioned Committee are:

1) Monitoring the effectiveness of the internal control of the Company, the internal audit, if any, and the risk management systems, and discussing significant weaknesses in the internal control system detected in the course of the audit with the auditors or audit firms. In particular, regarding internal reporting and control systems:
    - verifying the appropriateness and integrity of internal control systems and reviewing the appointment and replacement of those responsible thereof;
    - reviewing and supervising the preparation and the integrity of the financial information regarding the Company and, where appropriate, the Group, reviewing compliance with regulatory requirements and the proper application of accounting principles;
    - periodically reviewing the internal control and risk management systems, so that the principal risks are identified, managed and appropriately disclosed;
    - establishing and supervising a mechanism whereby staff can confidentially report any irregularities with potentially serious implications they detect within the Company, in particular financial or accounting irregularities.

2) Overseeing the process for preparing and submitting regulated financial information, in particular:

   - reviewing the Company's accounts, to see to compliance with legal requirements and proper application of generally accepted accounting principles, and reporting on proposed changes of accounting standards and principles suggested by management;

   - reviewing the issue prospectuses and the periodic financial information, if any, that the board is required to provide to the markets and market supervisory bodies.

3) Monitoring the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

In particular, internal audit services will handle the reporting requirements issued by the Audit and Compliance Committee in fulfilling its duties.

The general control division's responsibilities include, *inter alia,* overseeing the preparation of the Group's period financial statements, and monitoring the performance of each of its sub-divisions.

Bankia has a process for reviewing and approving financial information that is disclosed to the markets as and when required by prevailing legislation. Several levels of responsibility have been defined including various departments within the organisation depending on the nature of this financial information and the frequency with which it has to be published:

- Half-yearly and year-end financial information furnished to the markets is the responsibility of the Financial Controller's Department, which reports to the chairman.

- Quarterly or other interim financial information is the responsibility of the Finance Department, which reports to the chairman.

When preparing this information, the Financial Controller's Department and the Finance Department call on the support of the departments and/or units responsible for collating certain supporting information that has to be disclosed in the periodic financial reports. In addition, once the information has been prepared, these departments and units are also required to review and give final approval of the information under their responsibility before it is published.

Within the process of preparing half-yearly and year-end financial information, Financial Controller's Department, is responsible for the accounting records arising from the various transactions that took place in the Bank and the main control activities identified in the accounting close process based on the materiality thresholds defined.

For preparation of the information, control procedures have been defined and implemented to ensure the quality and reasonableness of the information for its presentation to management.

In this respect, the internal audit department is in charge of the proper functioning of the internal control and risk management system, as well as compliance with regulations and procedures, issuing any recommendations for improvement it deems appropriate.

Simultaneously, the Internal Audit Department's audit plans include a review of financial information prior to publication.

The Audit and Compliance Committee is also involved in this review, notifying the Board of Directors of its conclusions on the financial information provided.

Ultimately, the Board of Directors approves the financial information that the Company must periodically disclose. These duties are set forth in the Regulations of the Board of Directors, as described in point F.1.1 above. This review is documented in the minutes of the meetings of the board and its Committees.

The description of the ICFR is reviewed by the Financial Controller's Department and the Internal Audit Department.

Lastly, it should be noted that the Regulations of the Board of Directors stipulate that the board shall employ the measures necessary to ensure that quarterly, half-yearly and any other financial reporting provided to the markets is prepared in accordance with generally accepted principles, criteria and practices applicable to preparing the financial statements, and that this reporting should be equally as reliable as the financial statements. In this regard, such information will be reviewed by the Audit and Compliance Committee before being disclosed.

Within the framework of the specific controls and activities regarding transactions that may significantly affect the financial statements, the Bankia Group has identified material areas and specific risks, as well as significant processes in these areas, differentiating between business processes and transversal processes, and has documented in detail each of the processes, flows of activities, existing risks, controls performed, the frequency thereof, and those responsible for carrying out these activities.

In order to identify the critical areas and significant processes, the Group has used the materiality thresholds defined for the main financial figures in its financial statements, and has taken into account both qualitative and quantitative matters.

The business processes identified affect the following critical areas:

- Loans and receivables.
- Financial liabilities at amortised cost.
- Debt securities.
- Derivatives.
- Non-current assets held for sale.
- Investments.
- Tax assets and liabilities.
- Provisions.
- Fees and commissions for service transactions.

The transversal processes identified are as follows:

- Accounting close.
- Consolidation.
- Opinions and estimates.
- General IT controls.

Accordingly, the accounting close process includes the following phases:

- Accounting close process, including revision, analysis and control tasks to ensure that the monthly financial information offers a true and fair view of the Company.
- Preparation of internal statements and individual reports.
- Preparation of Bank of Spain statements.
- Preparation of public information

Accordingly, the purpose of the opinions and estimates process is to validate and confirm the estimates made that could have a material impact on the financial information, basically referring to:

- The fair value of certain financial and non-financial assets and liabilities
- -Impairment losses on certain financial assets, considering the value of the guarantees or collateral received, and non-financial assets (mainly real estate)
- The assumptions used in the actuarial calculation of post-employment benefit liabilities and obligations
- -The estimate of costs to sell and the recoverable amount of non-current assets held for sale, investment properties and inventories acquired by the Group in payment of debt, by nature, condition and purpose
- The useful life of tangible and intangible assets.
- -The recoverability of recognised tax assets.

The individual in charge of each affected area is responsible for approving these estimates. The Financial Controller's Department also analyses these estimates to compare their consistency and reasonableness when preparing the financial information. These estimates are finally approved by the Board of Directors.

A Certification Model is currently being developed and implemented in accordance with the recommendations of the framework document of the CNMV's Internal Control Working Group.

F.3.2. Policies and procedures of internal control of information systems (especially on safety and security of access, monitoring of changes, operating them, operational continuity and separation of functions) that back the entity’s relevant processes with regards to the elaboration and publication of the financial report.

The Financial Controller's Department prepares specifications for the policies and procedures concerning IT systems that are used to prepare and publish financial information.

The information security standards rolled out across the Company's IT systems are also applied across the financial reporting systems.

The Personnel, Resources and Technology Department is responsible for the Bank's IT and telecommunication systems. Its duties include defining and monitoring the security policies and standards for applications and infrastructures, including the IT internal control model.

The key tasks assumed by this department in relation to IT systems are as follows:

- Data access and physical security systems.
- Data access and logical security systems.
- Back-up management.
- Management of scheduled tasks.
- Incident management.

Bankia Group has an Information Security General Policy and Regulations approved by the Company's executive chairman on 28 November 2011. These documents are available to all employees on the corporate intranet.

The policy covers: the main principles; user and third-party responsibilities; security policies, standards and guidelines; and technical manuals and procedures. The regulations implement the governance of IT security, ensuring secure access, segregation of duties, definition of responsibilities and functions, training, and issues relating to the confidentiality, completeness and availability of information and assets.

The Company's development process, which broadly encompasses the development of new applications or modification of existing applications and appropriate management of these projects, is based on maturity models that guarantee software quality and, especially, the appropriate processing of transactions and the reliability of information.

The Company has back-up architecture in its main processing centres and disaster recovery plans in place that are tested annually, which guarantee the continuity of operations in the event of an interruption in one of these systems. Back-up policies and procedures also ensure information is available and can be recovered in the event of a loss.

Back-up procedures and recovery plans are evaluated by independent units to ensure they are effective and that transactions involving financial information are appropriately processed and registered.

F.3.3. Policies and procedures of internal control aimed at supervising the management of activities sourced out to third parties, including the aspects of valuation, calculation or assessment entrusted to independent experts, which could materially affect the financial statements.

Bankia has a policy for outsourcing essential services, which makes a distinction for financial services, approved by the Audit and Compliance Committee and the Board of Directors on 23 October 2013, which sets out the main criteria and guidelines to be evaluated by the entity for outsourcing essential services or functions. In this respect, a structure has been defined that meets the requirements in prevailing legislation.

In particular, these policies establish the guidelines for identifying, measuring, controlling and managing the risks inherent in outsourcing, as well as for adopting appropriate measures to prevent or mitigate exposure to operational risks that may arise.

Before outsourcing essential functions and services, the entity conducts a feasibility study of the outsourcing, and selects and evaluates providers.

The feasibility study of the service or functions to be outsourced takes into consideration, inter alia, the following factors: regulatory issues that affect the outsourcing; the impact of the outsourcing on the entity’s business and the operational, reputational and concentration risks it could entail; the entity’s ability to supervise the outsourced functions effectively and manage the risks associated with the outsourcing adequately; and the existence of an emergency data recovery plan in the event of catastrophes and regular verification of IT security mechanisms as necessary in light of the outsourced function or service.

Providers are selected and evaluated in accordance with a number of factors to ensure: that they have the necessary authorisations and permits to provide the outsourced essential service or function reliably and professionally; that quality service is provided and that the personnel have the appropriate training and experience; and that the provider has the appropriate resources to manage the outsourcing risk (e.g. it has measures to safeguard confidential information, performs regular data back-ups and security checks, and has an emergency and contingency plan to enable it to continue its activity and limit losses in the event of serious incidents in the business).

The organisational unit that outsources each essential service or function is responsible for permanent control and monitoring of the services or functions performed by the provider. At least every six months, it must prepare a report on the monitoring and control of the provider and furnish this to the organisational groups that are assigned the internal control function of the Group.

In any event, no functions that are relevant or could materially affect the Group's financial information are currently outsourced by Bankia.

The Company contracts independent experts to obtain certain evaluations, calculations and estimates used to prepare the individual and consolidated financial statements published on the securities markets. In general, the main areas contracting such services are related to actuarial calculations, real estate appraisals, and financial instrument valuations. In this regard, the individual in charge of each affected area manages relations with the independent expert and monitors the results of the reports produced to determine their consistency and reasonableness. The Financial Controller's Department also receives these reports, analyses them and compares the conclusions with the information disclosed in the financial statements.

F.4 Information and Reporting

Report pointing out the main characteristics of at least:

F.4.1. A specific function entrusted with defining, maintaining accounting policies updated (area or department of accounting policies) and resolving doubts and conflicts derived from their interpretation, maintaining constant communication with those in charge of the transactions in the organization, keeping the accounting policies manual updated and reporting to the units through which the entity operates.

The Financial Controller's Department is responsible for defining and updating the Bankia Group's accounting policies. Its duties include the following:

- Analysing the accounting standards issued by the various pertinent authorities that could have an impact on the Group's financial statements.
- Maintaining and updating existing accounting manuals and plans.
- Analysing and calculating the accounting impacts on the Group's new products, businesses and operations.
- Referring to and interpreting accounting standards in order to draft basic announcements, policies, judgements and estimates for subsequent practical application.
- Coordinating communication with the supervisory accounting authorities.
- Coordinating work schedules and liaising with external auditors.
- Preparing reports on and developing specific rules.

Bankia's Regulator Relations and Accounting Standards Department is also responsible for receiving and resolving any doubts or disputes over interpretation of the accounting treatment of specific transactions in the Group, including both the parent company and the subsidiaries included in the scope of consolidation.

The Accounting Policies Manual is updated at least annually. Changes in new regulations and recommendations issued by the various bodies are included therein and communicated to all areas affected.

F.4.2. Mechanisms for gathering and preparation of financial information in standard format, application and use by all units of the entity or the group, supporting key financial statements and notes, as well as detailed information about the SCII.

The Bankia Group boasts IT systems and applications that enable it to aggregate and standardise the individual accounting records of the Group's business areas and subsidiaries to the required level of detail, in order to prepare the individual and consolidated financial statements disclosed to the markets.

Accordingly, the Financial Controller's Department has developed a manual disseminated to all Group companies compiling and listing Bankia's reporting obligations. It also regulates the minimum content of the reporting to be provided by Group companies and the deadlines for submitting such information.

The Investees and Consolidation Unit, which reports to the Financial Controller's Sub-department, has established a procedure for centralising the collection of information from Group companies, including the criteria and models that have to be followed to ensure the information is received in a standardised manner. There are also a series of controls implemented that allow the reliability and accuracy of the information received from the subsidiaries to be ensured.

Public information to be sent to the markets is prepared by the Management Information and Analytical Accounting Unit.

F.5 System Operation Supervision

Report, pointing out the main characteristics of at least:

F.5.1. The activities of supervising the ICFR performed by the Audit and Compliance Committee, and of whether the entity has an internal audits system that is empowered to support the Committee in supervising the internal monitoring system, including the ICFR. Also provide information on the scope of the assessment of the ICFR performed during the financial year and on the process by which the head of the assessment reports the results, whether the entity has an action plan that outlines the possible corrective measures, and whether its impact on the financial reporting has been considered.

Bankia's Regulations of the Board of Directors establishes that the internal audit function is monitored by the Audit and Compliance Committee and that this function shall fulfil the information requirements of the Committee needed to perform its duties

Bankia's internal audit unit, which reports to the office of the chairman, reviews all of the Bank's business areas, its branches and the Group's subsidiaries. At 31 December 2013, the internal audit unit had 97 employees.

The functions of Bankia's Internal Audit Department include supporting the Audit and Compliance Committee in ensuring the internal control system operates correctly, by performing regular reviews of reporting procedures.

The Bankia Group's Internal Audit Department has annual audit plans in place that have been submitted to and approved by the Audit and Compliance Committee. The reports issued refer, inter alia, to the assessment of risk management, internal control, corporate governance and IT systems processes, including an analysis of assets and their appropriate accounting classification.

The 2013 audit plan includes evaluation activities carried out by the internal audit function in 2013 that covered certain issues related to preparing financial reporting. In addition, as part of the rotation plan established for ICFR oversight, three of the ICFR processes were reviewed in 2013. These reviews entailed:

Identification of the risks associated with the reviewed process that could have an impact on the preparation of financial information

-Mapping of existing controls to mitigate these risks

-Tests on existing controls to ensure their correct operation

Procedures are in place in Bankia regarding the roll-out of action plans to correct and mitigate any weaknesses detected in the internal control system. An action plan is proposed and approved by the areas involved to resolve any weakness detected, which defines responsibilities and deadlines for implementing the action.

The Internal Audit Department regularly provides the Audit and Compliance Committee with outcomes of the verification and validation procedures performed by the internal audit team and the external auditors, which also includes the action plans designed to correct the most significant weaknesses detected.

The minutes of the meetings of the Audit and Compliance Committee set out the activities performed in relation to supervision, planning (approval of the annual operations plan, allocation of responsibilities to implement the plan, etc.) and the review of the results obtained

F.5.2. Whether there is a discussion procedure by which the accounts auditor (pursuant to the stipulations of the NTA), the function of the internal audits and other experts may report the significant weaknesses identified in the internal monitoring during the revision of the financial statements or all the others entrusted to them to the top management and to the audits Committee or to the directors of the entity. Also report whether there is an action plan for correcting or mitigating the weaknesses uncovered.

Bankia's Regulations of the Board of Directors establish the following responsibilities of the Audit and Compliance Committee:

- In relation to the internal auditor: "receiving periodic reports on their activities; and verifying that senior management is acting on the findings and recommendations in its reports".

- In relation to the external auditor: "Establishing the appropriate relationships with the auditors to receive information regarding such questions as may compromise their independence, for review by the Committee, and any others related to the process of auditing accounts, and such other communications as may be contemplated in the legislation regarding auditing of accounts and audit standards. In particular:

a. acting as a communications channel between the Board of Directors and the auditors, evaluating the results of each audit and the responses of the management team to its recommendations and mediating in the event of disputes between the former and the latter regarding the principles and criteria applicable to the preparation of the financial statements;

b. receiving regular information from the outside auditor on the progress and findings of the audit programme, and verifying that senior management is acting on its recommendations".

The audit Committee meets as often as it is convened by the Committee itself or its chairman, and at least four times a year. One of its meetings is devoted to evaluating the efficiency of and compliance with the rules and procedures for governance of the Company and preparing the information that the board is required to approve and include in the annual public documents.

Bankia's Internal Audit Department keeps senior management and the Audit and Compliance Committee continually updated about significant internal control weaknesses identified in the audits and the reviews performed during the year on Bankia's financial information, as well as the status of the action plans to mitigate such weaknesses.

Bankia's auditor has direct access to Bankia's senior management, holding regular meetings to obtain the information needed for it to conduct its work and to notify management of the control weaknesses detected during the audit.

The auditor also regularly notifies the Audit and Compliance Committee of the conclusions of its audits or reviews of Bankia's financial information, including any relevant issues, and assists this Committee when financial information is reported.

F.6 Other Information of Interest

Not applicable.

F.7 Report from the External Auditor

Report:

F.7.1. Whether the external auditor revised the ICFR information issued to the markets and, if so, the entity must include the corresponding report as annex. Otherwise, if that is not the case, the entity must provide its reasons.

In 2013, Bankia's external auditor reviewed the information contained in section F of the annual corporate governance report regarding ICFR in accordance with generally accepted professional standards in Spain regarding the engagement of the agreed procedures and, in particular, as provided for in the guidance document on the audit report on information provided by listed companies on their ICFR issued by professional bodies and auditors, and published by the CNMV on its website.

The external auditors' report is included as an appendix to the annual corporate governance report.

G DEGREE TO WHICH CORPORATE GOVERNANCE RECOMMENDATIONS ARE FOLLOWED

Indicate the degree to which the company follows the recommendations of the Unified Good Governance Code.

In the event that a recommendation is not or is only partially followed, the entity should include detailed explanation of its reasons such that the shareholders, investors and the market in general, are provided with sufficient information to assess the performance of the company. Explanations of general nature shall not be acceptable.

1. **The Bylaws of listed companies should not limit the votes that can be cast by a single shareholder, or impose other obstacles to impede the takeover of the company by means of share purchases on the market.**

   See section: A.10, B.1, B.2, C.1.23 y C.1.24.

   Compliant **X** Explanation ☐

2. **When a parent and a subsidiary company are listed, both should provide detailed disclosure on:**

   a) Their respective types of activities, and any business dealings between them, including between the listed subsidiary and other companies in the group;

   b) The mechanisms in place to resolve possible conflicts of interest.

   See section: D.4 and D.7

   Compliant ☐ Partially compliant ☐ Explanation ☐ Not applicable **X**

3. **That even when not expressly required under Commercial Law, all decisions involving a fundamental corporate restructuring, especially the following, is submitted to the Shareholders for approval or ratification:**

   a) The transformation of listed companies into holding companies through the process of subsidiarization, i.e. reallocating previous core activities of such company to subsidiaries, even if the latter retains full control of the former;

   b) Any acquisition or transfer of key operating assets that would effectively alter the company's corporate purpose;

   c) Operations that effectively amount to the company's liquidation.

   See sections: B.6

   Compliant **X** Partially compliant ☐ Explanation ☐

4. **Detailed proposals of the resolutions to be adopted at the General Meeting of Shareholders, including the information stated in recommendation 27, should be made available at the same time the meeting is convened.**

   Compliant **X** Explanation ☐

5. **Substantially independent issues should be voted separately at the General Meeting of Shareholders, in order for shareholders to be able to exercise their voting preferences separately. And that said rule applies, particularly:**

   a) To the appointment or ratification of directors, with separate voting on each candidate;

   b) En el caso de modificaciones de Estatutos, a cada artículo o grupo de artículos que sean sustancialmente independientes.

   Compliant **X** Partially compliant ☐ Explanation ☐

6. **Companies should allow split votes, so that financial intermediaries acting as nominees on behalf of various clients can issue their votes according to instructions.**

Compliant **X** Explanation

7. **The Board of Directors should perform its duties with unity of purpose and criteria independence, giving all the shareholders the same treatment, allowing itself to be guided only by the company's interests, which means striving to maximise its economic value in a sustainable manner.**

   It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; performing its obligations and contracts in good faith; respecting the customs and good practices of the sectors and territories in which it operates; and upholding any additional social responsibility principles to which it may have voluntarily subscribed.

Compliant **X** Partially compliant Explanation

8. **The core components of the board's mission should be to approve the company's strategy and the organization required for its execution, and to ensure that management attains the objectives while pursuing the company's interests and corporate purpose. As such, the board fully reserves the right to approve:**

   a) **The company's general policies and strategies, and in particular:**

      i) **The strategic or business plan, management targets and annual budgets;**

      ii) **Investment and financing policy;**

      iii) **Design of the structure of the corporate group;**

      iv) **Corporate governance policy;**

      v) **Corporate social responsibility policy;**

      vi) **Senior staff performance remuneration and evaluation policy.**

      vii) **Risk control and management policy, and the regular monitoring of internal information and monitoring systems.**

      viii) **Dividend and treasury stock policies and especially limits**

      See sections: C.1.14, C.1.16 and E.2

b) **The following decisions:**

   i) **On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses.**

   ii) **Remuneration of board members, including, in the case of executive members, the additional considerations for their executive duties and other contract conditions.**

iii) The financial information that all listed companies must periodically disclose.

iv) All kinds of investments or operations deemed strategic due to their huge amount or special characteristics, except if they require the approval of the General Meeting of Shareholders;

v) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other comparable transactions or operations with complexities that might impair the transparency of the group.

c) Transactions which the company conducts with board members, significant shareholders, shareholders with board representation or with other associated persons ("associated transactions").

However, board authorization need not be required for associated transactions that simultaneously meet the following three conditions:

1ª. However, board authorization need not be required for associated transactions that simultaneously meet the following three conditions;

2ª. They go through at market rates, generally set by the person supplying the goods or services;

3ª. Their amount is no more than 1 % of the company's annual revenues.

It is advisable that the Board approves associated transactions only if the audits Committee issues a favourable report or, as the case may be, any other Committee assigned to that function; and that the board members involved may neither exercise nor delegate their voting rights, and should be excused from the meeting while the board deliberates and votes.

Ideally, with the exception of the powers outlined in b) and c), which may be delegated to the Executive Committee in emergencies and later ratified by the plenary session of the Board of Directors, the above powers should not be delegated.

See sections: D.1 and D.6

Compliant **X** Partially compliant ☐ Explanation ☐

9. In the interests of maximum effectiveness and participation, the Board of Directors should consist of no fewer then five and no more than fifteen members.

See sections: C.1.2

Compliant **X** Explanation ☐

10. External proprietary and independent board members should occupy an ample majority of board sits, while the number of executive board members should be cut down to the minimum necessary bearing in mind the complexity of the corporate group and the percentage of ownership the executive board members hold in the equity.

See sections: A.3 and C.1.3.

Compliant **X** Partially compliant ☐ Explanation ☐

11. That among the external board members, the relation between proprietary and independents members should match the proportion between the capital represented on the board by proprietary board members and the rest of the company's capital.

This strict proportional criterion can be relaxed so that the weight of proprietary board members is greater than would correspond to the total percentage of capital represented:

1º In companies with very large capitals in which fewer or no equity stakes exceed the legal threshold of significant shareholdings, but where there may be shareholders with considerable sums actually invested.

2º In companies with plurality of shareholders represented on the board but not otherwise related.

See sections: A.2, A.3 and C.1.3

Compliant **X** Explanation ☐

12. The number of independent members should represent at least one third of all board members.

See sections: C.1.3

Compliant **X** Explanation ☐

13. The condition of each board member should be explained at the general meeting of shareholders, which shall appoint or ratify its appointment, with confirmation or, as the case may be, review in the Annual Corporate Governance Report, before verification by the appointments Committee, and that said report should also disclose the reasons for appointing proprietary members at the urging of shareholders with less than 5 % of the capital, explaining any rejections of formal requests for a place on the Board of Directors issued by shareholders with capital equal to or greater than that of others whose requests for proprietary members may have been accepted.

See sections: C.1.3 and C.1.8

Compliant **X** Partially compliant ☐ Explanation ☐

14. In the event that female board members are few or non existent, the Board should state the reasons for this situation and the correction measures implemented; in particular, the Appointments Committee should take steps to ensure that:

a) the process of filling board vacancies has no implicit bias against female candidates;

b) **the company makes a conscious effort to include females in the target profile among the candidates for board places.**

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4.

Compliant **X** Partially compliant ☐ Explanation ☐ Not applicable ☐

15. **The Chairman, as the person responsible for the proper operation of the board, should ensure that members are supplied with sufficient information in advance of board meetings, and should encourage debates and the active involvement of all members, safeguarding their rights to freely express opinions and take stands; he should organise and coordinate regular assessments of the board and, if appropriate, the company.**

See sections: C.1.19 and C.1 41

Compliant **X** Partially compliant ☐ Explanation ☐

16. **In the event that the board chairman is also the company's chief executive, an independent board member should be empowered to convene board meetings or to include new items on the agenda; to coordinate and voice the concerns of external board members; and to lead the board's evaluation of its chairman.**

See sections: C.1.22

Compliant **X** Partially compliant ☐ Explanation ☐ Not applicable ☐

17. **That the board Secretary should take care to ensure that the board's actions:**

    a) **Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;**

    b) **Are in conformity with the company Bylaws and the Regulations of shareholder Meetings, the Board of Directors and any others in the company;**

    c) **Complies with the recommendations on good governance set forth in the Unified Code that the company may have accepted.**

    And that in order to safeguard the independence, impartiality and professionalism of the Secretary, its appointment and termination should be proposed by the appointments Committee and approved by the plenary session of the Board of Directors; and that said appointment and termination procedure be included in the Regulations of the Board of Directors.

See sections: C.1.34

Compliant **X** Partially compliant ☐ Explanation ☐

18. **The board should meet with the necessary frequency to properly perform its functions, following a calendar and a program scheduled at the beginning of the year, to which each board member may propose the addition of other items.**

See sections: C.1.29

Compliant **X** Partially compliant ☐ Explanation ☐

19. **The absences of board members should be reduced to the bare minimum and quantified in the Annual Corporate Governance Report. If board members have no choice but to delegate their votes, such delegation should be with instructions.**

See sections: C.1.28, C.1.29 and C.1.30

Compliant **X** Partially compliant ☐ Explanation ☐

20. **If board members or the Secretary express concerns about a proposal or, in the case of board members, about the company's performance, and such concerns are not resolved at the board meeting, the person expressing the concerns may request that the concerns be recorded in the minute book.**

Compliant **X** Partially compliant ☐ Explanation ☐ Not applicable ☐

21. **The plenary session of the board should evaluate the following once a year:**

a) The quality and efficiency of the board's operation;

b) The level of performance of the company's chairman and chief executive based on the report that may be submitted by the appointments Committee;

c) The performance of Committees based on reports that they provide.

See sections: C.1.19 and C.1.20

Compliant **X** Partially compliant ☐ Explanation ☐

22. **All Directors should be able to exercise their right to receive any additional information they require on matters within the board's competence. Unless the Bylaws or board regulations indicate otherwise, such requests should be addressed to the Chairman or Secretary.**

See sections: C.1.41

Compliant **X** Explanation ☐

23. All board members should be entitled to call on the company for the required advice and guidance necessary for the performance of their duties and the company should provide the appropriate channels for the exercise of such right, which, in special circumstances, shall include external assistance at the company's expense.

See sections: C.1.40

Compliant **X** Explanation

24. Companies should set up orientation programmes that may provide new board members with quick and sufficient knowledge of the company and its corporate governance rules and regulations and should also offer knowledge updating programs to board members whenever deemed advisable by the circumstances.

Compliant **X** Partially compliant Explanation

25. Companies should insist that board members devote sufficient time and effort to the performance of their duties effectively, and, as such:

a) board members should apprise the appointments Committee of any other professional obligations that could possible interfere with the dedication required from them;

b) and companies should establish rules about the number of boards on which their board members can sit.

See sections: C.1.12, C.1.13 and C.1.17

Compliant **X** Partially compliant Explanation

26. The board should first approve any proposal submitted to the shareholders' general meeting for the appointment or renewal of board members, including provisional appointments by co-optation:

a) On the proposal of the appointments Committee, in the case of independent board members.

b) Subject to report from the appointments Committee in all other cases.

See sections: C.1.3

Compliant **X** Partially compliant Explanation

27. **Companies should post the following information about the board members on their websites, and keep them permanently updated:**

    a) **Professional experience and background;**

    b) **Other boards on which board member sits, whether listed company or not;**

    c) **Indicate the category of the board member, pointing out, in the case of proprietary members, which shareholder they represent or to whom they are linked.**

    d) **The date of their first and subsequent appointments as members of company's Board of Directors, and;**

    e) **Shares held in the company and whether said shares are subject to any options**

Compliant **X** Partially compliant ☐ Explanation ☐

28. **Proprietary board members should resign if the shareholders they represent entirely dispose of such shares. They should also resign if such shareholders reduce their stakes, thus losing the corresponding entitlement to proprietary board membership.**

See sections: A.2, A.3 and C.1.2

Compliant **X** Partially compliant ☐ Explanation ☐

29. **The Board of Directors should not propose the removal of independent board members before their tenure expires as mandated by the Bylaws, except in the event of just cause, deemed by the board, after the Appointments Committee issues a report. Specifically, just cause shall be understood as board member acting in breach of his/her fiduciary duties or incurring in any of the circumstances that may lead to his/her losing the condition of independent, pursuant to the stipulations of Order ECC/461/2013.**

    The removal of independents may also be proposed when a takeover bid, merger or similar corporate transaction produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 11.

See sections: C.1.2, C.1.9, C.1.19 and C.1.27

Compliant **X** Explanation ☐

30. **Companies should establish rules obliging board members to report of and, as the case may be, to resign in any circumstance that might damage the company's name or reputation and, in particular, obliging them to inform the Board of Directors of all criminal cases in which they may be named as accused and the progress of any subsequent trials.**

Upon the indictment or trial of any director for any of the crimes outlined in Article 124 of the Spanish Corporations Act, the board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the Annual Corporate Governance Report.

See sections: C.1.42, C.1.43

Compliant **X** Partially compliant ☐ Explanation ☐

31. All board members should express clear opposition against any proposals submitted for the board's approval which, they deem, might damage the corporate interest. Particularly, independent and other board members, unaffected by the possible conflicts of interest, should challenge any decision that could go against the interests of shareholders not represented on the board.

In the event that the board takes significant or reiterated decisions against which a board member may have expressed serious reservations, said board member set out the pertinent conclusions and, if he/she decides to resign, he/she should explain the reasons in the letter referred to in the next recommendation.

The terms of this recommendation also applies to the board Secretary although not officially a board member.

Compliant **X** Partially Compliant ☐ Explanation ☐ Not applicable ☐

32. Board members who give up their position before their tenure expires, by resignation or otherwise, should state the reasons in a letter remitted to all board members. Regardless of whether such resignation is filed as a significant event, the reason must be explained in the Annual Corporate Governance Report.

See sections: C.1.9

Compliant ☐ Partially compliant ☐ Explanation ☐ Not applicable **X**

33. Executive board members should be remunerated in portions of the shares of the company or of companies of the group, share options or other share-based instruments, variable remunerations linked to the company's performance or forecast systems.

This recommendation shall not include the allocation of shares if board members are obliged to retain them until the end of their tenure.

Compliant ☐ Partially compliant ☐ Explanation ☐ Not applicable **X**

34. **The remuneration of external board members should sufficiently compensate for the dedication, abilities and responsibilities that the post entails, but not to the extent of compromising their independence.**

Compliant **X** Explanation ☐ Not applicable ☐

35. **Remuneration linked to company earnings should consider the possible deductions reflected in the external auditor's report and should reduce said results.**

Compliant **X** Explanation ☐ Not applicable ☐

36. **In the case of variable compensations, remuneration policies should include the technical safeguards necessary to ensure that such remunerations reflect the professional performance of the beneficiaries and not simply the general progress of the markets or of the company's sector, or of similar circumstances.**

Compliant **X** Explanation ☐ Not applicable ☐

37. **In the event that the company has an Executive Committee, the structure of shares of the different categories of members should be similar to that of the Board itself, and its Secretary should be like that of the board.**

See sections: C.2.1 and C.2.6

Compliant ☐ Partially compliant ☐ Explanation ☐ Not applicable X

38. **The board should always be granted first-hand knowledge of issues dealt with and decisions taken by the Executive Committee and each board member should receive a copy of the minutes of the Executive Committee.**

Compliant ☐ Explanation ☐ Not applicable **X**

39. **In addition to the Audit Committee required by the Securities Market Act, the Board of Directors should also create a Committee, or two separate Committees, for appointments and remunerations.**

The rules governing the composition and operation of the audits Committee and the Appointments and Remunerations Committee or Committees should be set forth in the Board Regulations, and should include:

a) **The Board of Directors should appoint the members of such Committees considering the knowledge, aptitudes and experience of the directors and the duties of each Committee; decide on their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first plenary board following each meeting;**

b) **These Committees should consist exclusively of external board members, with a minimum of three. That notwithstanding, executive board members or senior officers may also attend meetings, for information purposes, at the Committees' invitation.**

c) **Committees should be chaired by independent board members.**

d) **External consultants may be engaged if deemed necessary for the performance of their duties.**

e) **Minutes should be recorded of their meetings and copies of such sent to all board members.**

See sections: C.2.1 y C.2.4

Compliant **X** Partially compliant Explanation

40. The supervision of compliance with the internal codes of conduct and corporate governance regulations should be entrusted to the Audits Committee, Appointments Committee or, if separately existing, Compliance or Corporate Governance Committees.

See sections: C.2.3 y C.2.4

Compliant **X** Explanation

41. All members of the audits Committee, particularly its chairman, should be appointed bearing in mind their knowledge and background in Accounting, Auditing and Risk Management.

Compliant **X** Explanation

42. Listed companies should have an internal audits function, under the supervision of the audits Committee, to ensure the proper operation of internal reporting and monitoring systems.

See sections: C.2.3

Compliant **X** Explanation

43. The head of internal audits should submit an annual work plan to the Audits Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Compliant **X** Partially compliant Explanation

44. Risk monitoring and management policy should at least specify

- **a) The different types of risk(operational, technological, financial, legal, reputation-oriented…) to which the company may be exposed, including those of financial or economic, contingent liabilities and other off balance-sheet risks;**
- **b) The determination of the level of risk deemed acceptable to the company;**
- **c) Measures in place to mitigate the impact of risk events should they occur**
- **d) The internal reporting and monitoring systems to be used to monitor and manage the aforementioned risks, including contingent liabilities and off-balance sheet risks.**

See sections: E

Compliant **X** Partially compliant ☐ Explanation ☐

45. The audits Committee's role should be:

1. Regarding internal monitoring and reporting systems:

- **a) The main risks identified as consequence of the supervision of the efficacy of the company's internal monitoring and internal audits, as the case may be, should be managed and appropriately disclosed.**
- **b) Monitor the independence and efficacy of the internal auditing; propose the selection, appointment, re-election and removal of the head of internal audits; propose the department's budget; receive regular feedbacks on its activities; and verify that senior management is acting on the findings and recommendations of the reports.**
- **c) Establish and supervise a mechanism whereby staff can confidentially and, if necessary, anonymously report any irregularities detected in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the company.**

2. With regards to the external auditor:

- **a) To be regularly informed by the external auditor on the progress and findings of the auditing plan and to ensure that senior management act on its recommendations.**
- **b) To make sure the external auditor remains independent and, for that purpose:**
  - **i) The company should notify the CNMV of any change of auditor as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.**
  - **ii) The Committee should investigate the issues giving rise to the resignation of any external auditor.**

See sections: C.1.36, C.2.3, C.2.4 and E.2

Compliant **X** Partially compliant ☐ Explanation ☐

46. The audits Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant **X** Explanation ☐

47. The audits Committee should inform the board on the following points from Recommendation 8 before the board takes any of the relevant decisions:

a) The financial information that all listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same Accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.

b) The creation or acquisition of shares in special purpose entities or entities resident in countries or territories considered tax havens, and any other analogous transactions or operations which, due to their complexity, might impair the transparency of the group.

c) Transactions that are linked, except where their scrutiny is entrusted to some other supervision and monitoring Committee..

See sections: C.2.3 and C.2.4

Compliant X Partially compliant ☐ Explanation ☐

48. The Board of Directors should seek to present the financial statement to the Shareholders during the General Meeting without reservations or qualifications in the audits report. Should such reservations or qualifications exist, both the Chairman of the Audits Committee and the auditors should clearly inform the shareholders on said reservations or qualifications.

See sections: C.1.38

Cumple **X** Cumple parcialmente ☐ Explique ☐

49. The majority of the members of the Appointments –or Appointments and Remunerations Committee if only one exists– should be independent board members.

See sections: C.2.1

Compliant **X** Explanation ☐ Not applicable ☐

50. In addition to the functions listed in the preceding recommendations, the Appointments Committee should be responsible for the following:

a) Evaluating the necessary abilities, knowledge and experience on the Board, consequently defining the roles and capabilities required of the candidates to fill each vacancy, and deciding on the time and dedication necessary for them to properly perform their duties.

b) Appropriately examining or organizing the succession of the chairman and chief executive and, where necessary, making recommendations to the Board for said succession to proceed in a planned and orderly manner.

c) Reporting on the appointments and removals of senior staff that the chief executive may propose to the board.

d) Reporting to the board on the gender diversity issues discussed in recommendation 14 of this code.

See sections: C.2.4

Compliant **X** Partially compliant ☐ Explanation ☐ Not applicable ☐

51. The appointments Committee should consult the company's chairman and chief executive on especially matters relating to executive board members.

Any board member may suggest possible candidates to the Appointments Committee if it deems fit, for filling out vacancies on the Board of Directors.

Compliant **X** Partially compliant ☐ Explanation ☐ Not applicable ☐

52. In addition to the functions listed in the preceding recommendations, the Remunerations Committee should be responsible for the following:

a) Making the following proposals to the Board of Directors:

i) The remuneration policy for board members and senior management;

ii) The remuneration and other contractual conditions of individuals of the executive board members.

iii) The standard conditions for senior officer employment contracts.

b) Oversee compliance with the remuneration policy set by the company.

See sections: C.2.4

Compliant **X** Partially compliant ☐ Explanation ☐ Not applicable ☐

53. The remunerations Committee should consult the company's chairman and chief executive on especially matters relating to executive board members and senior management.

Compliant **X** Explanation ☐ Not applicable ☐

H OTHER INFORMATION OF INTEREST

1. Provide a brief detail, if any, on all other relevant aspects in the matter of the corporate governance of the company or entities of the group that have not been included in the other sections of this report, but that the inclusion of which is necessary for the compiling of a more comprehensive and reasonable information on the structure and practices of governance in the entity or group.

2. In this section, you may also include any other information, clarification or detail related to the sections set forth above in the report, to the extent that these are deemed relevant and not reiterative.

   Specifically, indicate whether the company is subject to non-Spanish legislation with regards to corporate governance and, if so, include the information it is obliged to provide and which is different from that required in this report.

3. The company may also indicate whether it voluntarily adhered to other codes of the principles of ethics or other good practices, international, sector-wise or of other scope. As the case may be, the company shall identify the code in question and the date of adherence thereto.

1.- OTHER INFORMATION OF INTEREST (I)

SECTION A.2

Fundación Mapfre's stake in Bankia, S.A. decreased to 3% on 11 February 2013.

SECTION A.5

- The subordinated loan between Banco Financiero y de Ahorros, S.A.U. and Bankia, S.A. was repaid in full on 23 May 2013 pursuant to authorisation by the FROB.
- In 2013, Fundación Mapfre was no longer considered a significant shareholder of the entity. However, at 31 December 2013, the business alliance entered into between Bankia and Mapfre remained valid.

SECTION A.8

- In accordance with Royal Decree 1362/2007, on 25 April 2013 a notification was sent voluntarily to the CNMV to disclose to the market the updated position of treasury shares following the reduction in Bankia, S.A.'s share capital and the subsequent grouping of shares and increase in par value (reverse split), as the acquisitions had not reached the 1% threshold since the previous notification.
- In accordance with Royal Decree 1362/2007, on 30 May 2013 a notification was sent voluntarily to the CNMV to disclose to the market the updated position of treasury shares following the capital increase with preferential subscription rights of Bankia, S.A. and the capital increase of Bankia, S.A. to carry out the obligatory buyback of hybrid instruments and subordinated debt of the BFA-Bankia Group pursuant to the resolutions adopted by the FROB's governing Committee on 16 April 2013.

SECTION B.4

The change in attendance in person at Bankia's general meeting of shareholders is the result of the following:
-The increase in Banco Financiero y de Ahorros SAU's stake following the corporate transactions agreed via the resolution of the FROB's Governing Committee on 16 April 2013.
-The attendance in person to Bankia's 2013 general meeting of shareholders by Banco Financiero y de Ahorros SAU, whereas it attended the 2012 general meeting of shareholders by proxy.

SECTION C.1.2

The appointments of the directors listed in this section were ratified at the general meeting of shareholders held 29 June 2012.

SECTION C.1.15

- Clarification of "Board remuneration (thousands of euros)": In 2012, Francisco Verdú Pons tendered his resignation, without Bankia paying any termination benefit. However, in 2013, it agreed to pay Mr. Verdú an amount of EUR 462 thousand for termination of the commercial contract.
- Clarification of "Amount of total remuneration corresponding to accumulated pension rights (thousands of euros)": Total remuneration paid to current directors corresponding to accumulated pension rights amounts to EUR 0. However, remuneration corresponding to accumulated pension rights paid to directors who were members of, or appointed to, the Board of Directors prior to 25 May 2012, which was the date of renewal, amounted to EUR 2,049 thousand.

SECTION C.1.16

- Clarification of "members of senior management": Iñaki Azaola Onaindia, director of internal audit, is not a member of senior management. However, the internal auditor is included in this group pursuant to the instructions for filling out this document.
- Clarification of "Total remuneration received by senior management (thousands of euros)": Does not include the termination benefit paid in 2013 for the termination of Ildefonso Sánchez Barcoj on 16 May 2012, amounting to EUR 300 thousand, which, as a result, was not included in the 2012 annual corporate governance report.

SECTION C.1.17

José Ignacio Goirigolzarri Tellaeche is the natural person representative of the Fund for Orderly Bank Restructuring (FROB), and chairman of Banco Financiero y de Ahorros S.A.U.

SECTION C.1.18

A) At its meeting of 20 March 2013, the Board of Directors agreed the following amendments:

- Amendment of sections 1, 2 and 3 of article 9 of the Regulations of the Board of Directors, which was subsequently amended by the Board of Directors on 24 April 2013 (see final text at the end of this note).

-The elimination of article 10 ("The Vice Chairman") from the Regulations of the Board of Directors and, accordingly, the renumbering of the articles of the Regulations

- Section 1 of article 14 (new article 13) now reads as follows:
14.1. An Executive Committee may be formed and shall be made up of no less than 5 and no more than 7 directors. If no Executive Committee is formed, the functions of said Committee will be assumed by the Board of Directors, which shall nevertheless have authority to delegate said functions.

- Sections 1 of 2 of article 15 (new article 14) now read as follows:
15.1. The Audit and Compliance Committee will be comprised exclusively of non-executive directors, with a minimum of 3 and a maximum of 5 directors In any event, where the members of the Committee expressly so agree, meetings of the Committee may be attended by other directors, including executive directors. The members of the Audit and Compliance Committee will be appointed by the Board of Directors taking account of knowledge, aptitude and experience in accounting, auditing or risk management, and in the tasks of the Committee.
15.2. The Committee will be chaired by a non-executive director that, in addition, has knowledge, aptitudes and experience in accounting, auditing or risk management. The chairman of the Committee must be replaced every four years, and may be re-elected after the term of one year elapses since he left office.

- Sections 1 of 2 of article 16 (new article 15) now read as follows:
16.1. The Appointments and Remuneration Committee will be comprised of a majority of independent directors, with a minimum of 3 and a maximum of 5 directors. In any event, where the members of the Committee expressly so agree, meetings of the Committee may be attended by other directors, including executive directors, senior managers and any employee.

16.2. The members of the Appointments and Remuneration Committee shall be appointed by the Board of Directors, taking into account the directors' knowledge, skills and experience and the remit of the Committee. The Committee shall be chaired by an external director appointed by the Board of Directors. The chairman of the Committee shall be replaced every four years, and may be re-elected once or more times for equal terms.

- Section 1 of article 18 (new article 17) now reads as follows:
18.1. The Board of Directors generally will meet once per month and, in addition, as often as called by the chairman, on his own initiative or on request of one independent director. In the latter case the chairman will call the extraordinary meeting within a maximum term of three business days after receipt of the request, to be held within the three following business days, including the agenda items to be considered at the meeting.

- Sections 4 and 7 of article 22 (new article 21) now read as follows:
22.4. In the selection of one who is to be proposed for a director position it will be ensured that it is a person of high honour, competence, standing and experience in the financial sector, in accordance with applicable law.

22.7. To give new directors a knowledge of the Bank and its corporate governance rules, an orientation and support programme shall be provided. In addition, where circumstances so advise, the company shall establish professional update programmes for directors.

- Section 1 of article 23 (new article 22) now reads as follows:
23.1. The directors will serve for a term of 6 years, for so long as the general meeting does not resolve to dismiss or remove them and they do not resign their positions. The foregoing is understood to be without prejudice to the provisions of article 21 regarding directors appointed by co-option.

- section 3.a) of article 24 (new article 23) now read as follows:
24.3. Without prejudice to the above, directors must place their directorships at the Board of Directors' disposal and, if the board deems it appropriate, tender their resignation in the following cases: a. when they are subject to any of the cases of incompatibility or prohibition provided by Law;

- Article 25 (new article 24) now reads as follows:
Article 25. Procedure for the removal or replacement of members of the Board of its Committees and from positions on those bodies.
In the event of removal, notice of resignation, incapacity or death of members of the board or its Committees or removal or notice of resignation of the chairman of the Board of Directors or the chief executive officer or officers and those in other positions on those bodies, on request of the chairman of the board or, in the absence thereof, on request of one director, the Appointments and Remuneration Committee will be called to review and organise the process for succession or replacement on a planned basis and the corresponding proposal to the Board of Directors. This proposal will be sent to the Executive Committee and thereafter to the next meeting of the Board of Directors.

- Section 4 of article 28 (new article 27) now reads as follows:
28.4 Non-executive directors of the Company who receive any remuneration by reason of membership on any management body of the financial institution that is the majority shareholder of Bankia [specifically Banco Financiero y de Ahorros] or the lending institutions that are shareholders of that majority shareholder, or have an employment or senior management contract with those entities, will not be entitled to receive any remuneration by reason of their positions as directors of the Company, except for reimbursement of their expenses. In addition, executive directors of the Company who receive any remuneration by reason of performance of executive functions for the entity exercising effective control over the financial institution that is the majority shareholder of Bankia or the lending institutions that are shareholders of that majority shareholder will not be entitled to receive any remuneration for their executive functions within the Company, except for reimbursement of their expenses. The executive directors of the Company, if any, will not be entitled to receive any remuneration in the form of per diems or periodic payments by reason of their membership on any management body of the financial institution that is the majority shareholder of Bankia or the lending institutions that are shareholders of that majority shareholder.

- The article 30 (new article 29) now reads as follows:
Article 30.General obligations of a director.
In the performance of his duties a director will act with the diligence of an orderly businessmen and loyal representative. In particular a director is required: (a) To review and prepare appropriately for the meetings of the board and board Committees to which the director belongs; (b) To attend the meetings of the bodies of which he is a member and actively participate in the deliberations so that his judgment effectively contributes to decision-making.
If, for a justified reason, a director is unable to attend meetings to which he has been called, he to the extent possible must instruct the director who will represent him; (c) To perform any specific task assigned to him by the Board of Directors that is reasonably within his time commitment; (d) To investigate any irregularity in the management of the Company of which he has learned and monitor any risk situation; (e) To report to the Appointments and Remuneration Committee on his other obligations in order to guarantee that they do not interfere with the required dedication.

- Article 32 (new article 31) now reads as follows:
Article 32. Noncompetition obligation.

1. Directors may not, for themselves or on behalf of another, engage in a business that is the same as or comparable or complementary to the business constituting the corporate purpose of the Company. This does not apply to such positions as may be held in entities of the Group to which the Company belongs.

2. Before accepting any executive position with another company or entity, a director must consult with the Appointments and Remuneration Committee.
3. The Board shall, at the proposal of the Appointments and Remuneration Committee, establish rules on the number of boards on which its directors may sit.

- Section 5 of article 37 (new article 36) now reads as follows:
37.5. A director violates his duty of loyalty to the Company if, with prior knowledge, he allows or does not disclose the existence of transactions related thereto, undertaken by the persons indicated in Article 32.1 of these regulations, that have not been submitted to the conditions and controls contemplated in this article.

B) Finally, as a result of the amendments agreed at the Board of Directors meetings held 20 March 2013 and 24 April 2013, article 9 of the Regulations ("The Chairman of the Board") reads as follows:

Article 9. The Chairman of The Board
1. The Board of Directors will appoint its chairman, the term of office of which will be indefinite, as long as the chairman remains a director, with no limits on re-election.

The chairman of the Board of Directors, in addition to the power of representation referred to in article 36 of the Bylaws, will be the executive chairman of the Company, with the maximum authority given thereto for that purpose by the Board of Directors.

The authority delegated to the chairman may be granted by it by way of power of attorney, in particular the authority to propose appointment of members of the Company's senior executives, and to authorise any other appointments within the Company.

The chairman of the Board of Directors will be the chief executive of the Company and will have the maximum authority necessary for exercise of that position, without prejudice to the authority, if any, given to the chief executive officer, having the following authority, in addition to the other authority granted in the Bylaws and these regulations:

a. to see to overall compliance with the Bylaws and implementation of the resolutions of the general meeting and the Board of Directors;
b. to exercise top-level oversight of the Company and all of its departments;
c. to head the Company's management team, always in accordance with the decisions and criteria set by the general meeting and Board of Directors within the scope of their respective authorities;
d. together with the chief executive officer, to handle matters related to ordinary management of the Company; and
e. to propose to the Board of Directors the appointment and removal of the chief executive officer, after a report from the Appointments and Remuneration Committee.
f. As well as any other functions that may be delegated to him.

In the event that the chairman is absent, unable to attend or indisposed, the chairman's role will be filled temporarily by the director appointed for that purpose by the Board of Directors or, failing that, by the most senior director in age. In any event, if the vacancy or absence is for extended extraordinary reasons, or the result of physical incapacity, the chairman may be replaced by such other director to which authority may be extended by way of the appropriate power of attorney
Independently of the provisions of the preceding paragraph, when the chairman of the board is the first executive of the Company, the Board of Directors may appoint, from among the independent directors, on proposal of the Appointments and Remuneration Committee, a coordinating independent director who will gather all questions and concerns communicated thereto by the non-executive directors, and may request call of the Board of Directors and inclusion of points on the agenda. In particular, this director will assume the task of organising the possible common positions of the independent directors and will serve as an intermediary or spokesman for such common positions. The term of service as the coordinating independent director will be three years, with no successive re-election. Status as the coordinating independent director will cease by expiration of the term for which the coordinator was appointed, and when the coordinator ceases to be a director, when being a director the coordinator loses status as an independent director, or when so resolved by the Board of Directors upon proposal of the Appointments and Remuneration Committee.

2. The chairman is vested with the ordinary authority to call meetings of the Board of Directors, to set the agenda for such meetings and to lead the debate. The chairman, nonetheless, must call the board and place the matters in question on the agenda when so requested by one of the independent directors. In the event of a tie, the chairman will have a casting vote.

3. The chairman, as the person responsible for the efficient functioning of the Board of Directors, will see to it that the directors receive sufficient information for performance of their duties, that the directors are able to obtain any additional information and advice they may require for the performance of their functions, and that the Board of Directors is able to seek help from independent experts on matters within its purview that are of particular complexity or importance. The chairman will also encourage debate and active participation of the directors during board meetings, protecting their free adoption of positions and expression of opinions.

4. On the terms contemplated in the Bylaws, the chairman also will have the powers and authority of the Board of Directors except for those that by law or the Bylaws cannot be delegated.

5. The chairman will organise and coordinate the periodic evaluation of the board with the chairmen of the audit and compliance and Appointments and Remuneration Committees.

6. Based on the report prepared by the Appointments and Remuneration Committee, the board will evaluate the chairman's performance on a yearly basis. The evaluation of the chairman will be directed by the chairman of the Appointments and Remuneration Committee.

SECTION C.1.22

Appointment of the coordinating independent director: At its meeting of 23 October 2013, the Board of Directors of the entity agreed, based on a proposal by the Appointments and Remuneration Committee, to appoint Alfredo Lafita Pardo as the coordinating independent director.

SECTION C.1.39

Bankia is considered to be a company formed under the Spanish Commercial Code, whose corporate name since 1995 was Altae Banco, S.A. In addition, it should be indicated that the company auditing the Bank has formed part of the Andersen firm since 2001. Banco Altae is not considered to have come from the former Banco de Crédito y Ahorro.

SECTION C.2.1

Appointments to the Appointments and Remuneration Committee: On 22 May 2013, the Board of Directors agreed to appoint Alfredo Lafita Pardo as a member of the Appointments and Remuneration Committee to replace Fernando Fernández Méndez de Andés, who is still a member of the Board of Directors of Bankia, S.A. As a result, the Appointments and Remuneration Committee comprised the following members: Joaquín Ayuso García (Chairman), Francisco Javier Campo García (Director), Álvaro Rengifo Abbad (Director) and Alfredo Lafita Pardo (Director).

SECTION C.2.2

The information regarding the number of female directors that comprise the Committees of the Board of Directors , is given as of 31 December of each financial year.

SECTION C.2.4

AUDIT AND COMPLIANCE COMMITTEE

Basic responsibilities: (a) Reporting through its chairman and/or Secretary to the general meeting of shareholders regarding such matters within its competence as may be posed to it by the shareholders (b)Monitoring the effectiveness of the internal control of the Company, the internal audit, if any, and the risk management systems, and discussing significant weaknesses in the internal control system detected in the course of the audit with the auditors or audit firms, (c) Overseeing the process for preparing and submitting regulated financial information. (d) Proposing to the Board of Directors for submission to the General Shareholders' Meeting, the appointment of external auditors, referring proposals for selection, appointment, re-appointment and replacement thereof to the board, and the terms of engagement thereof; (e) Establishing the appropriate relationships with the auditors to receive information regarding such questions as may compromise their independence, for review by the Committee, and any other issues related to the process of the audit, as well as receiving and disclosing information from and to the auditor as provided for in applicable audit legislation and standards; (f) Annually, prior to the issue of the audit report, the Committee shall issue a report stating an opinion regarding the independence of the auditors or audit firms. This report must address the provision of any additional services referred to in the preceding section; (g) Reviewing compliance with these regulations, the manuals and procedures for prevention of money laundering and, in general, the Company's governance and compliance rules, and making the necessary proposals for improvement thereof. In particular the Audit and Compliance Committee is to receive information and, if applicable, issue reports regarding measures disciplining members of the Board of Directors or senior management of the Company; (h) Supervising compliance with the Company's internal code of conduct for the securities markets, the manuals and procedures for prevention of money laundering and, in general, the Company's governance and compliance rules, and making the necessary proposals for improvement thereof. In particular, it is the Committee's responsibility to receive information and, if applicable, issue reports regarding measures disciplining members of senior management (i) Informing the board of the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered to be tax havens, and any other transactions or operations of a comparable nature the complexity of which could impair the transparency of the group; (j) In addition, the Audit and Compliance Committee will report to the board, prior to the adoption by it of the corresponding decisions, on related party transactions, unless that prior reporting function has been given to another supervision and control Committee

APPOINTMENTS AND REMUNERATIONS COMMITTEE

The Appointments and Remuneration Committee will have general authority to propose and report on remuneration and nominating matters and removal of directors and senior managers. In particular, without prejudice to other tasks assigned to it by the board, the Appointments and Remuneration Committee will be responsible for:

(a) making proposals to the Board of Directors of independent directors to be appointed by co-option or, if applicable, for submission to decision by the general meeting of shareholders, and proposals for re-election or removal of those directors by the general meeting; (b) reporting, on a non-binding basis, on proposals of the Board of Directors for appointment of other directors to be appointed by co-option or, if applicable, for submission to decision by the general meeting of shareholders, and proposals for re-election and dismissal of those directors by the general meeting; (c) reporting, on a non-binding basis, on board resolutions related to appointment or removal of senior managers of the Group proposed to the board by the chairman; (d) proposing to the Board of Directors: i. the remuneration policy for directors and senior officers; ii. the individual remuneration and other contractual conditions of executive directors; and; iii. the standard terms for senior officer contracts; (e) periodically reviewing remuneration programmes, considering their appropriateness and utility; (f) ensuring the transparency of remuneration and inclusion in the annual report on director remuneration and the annual corporate governance report of information regarding remuneration of directors and, to that end, submitting such information as may be appropriate to the board; (g) overseeing compliance with the remuneration policy set by the Company; (h) ensuring the independence, impartiality and professionalism of the Secretary and assistant Secretary of the Board of Directors, reporting on their appointment and removal for approval of the full board.; (i) ensuring that, in cases where there are very few or no female directors, when new vacancies arise there is no implicit bias in the selection procedures which could obstruct the selection of female directors, endeavouring to have women who meet the required professional profile included in the potential candidates.; (j) Reporting to the Board of Directors on the discharge of the functions of the chairman of the board.

BOARD RISK COMMITTEE

Specifically, the basic functions of the Board Risk Committee will be, inter alia, as follows:

(a) Presenting risk policies to the Board of Directors.; (b) Proposing the risk control and management policy of the Company and the Group to the Board of Directors by way of the Capital Self-Evaluation Report (c) Referral to the Board of Directors of proposals for:: i. Approval of policies for assumption, management, control and reduction of risks to which the Company is or may be exposed, including those deriving from the macroeconomic environment as related to the status of the economic cycle; ii. Approval of the general internal control strategies and procedures, on the status of which it periodically will be advised.; iii. Periodic reports on the results of verification and control functions undertaken by the Company's units; (d) Within the context of the risk policies approved by the Board of Directors, establishing the risk level the Company considers to be acceptable from time to time, and seeing to the credit quality of the risk portfolio, compatible with the agility and flexibility required by the competitive market; (e) Undertaking periodic monitoring of the loan portfolio of the Company and the Group, to control the adaptation of the risk assumed to the established risk profile, with particular attention to the principal clients of the Company and the Group and the distribution of risk by business sector, geographical area and type of risk; (f) Periodically verifying evaluation systems, processes and methodologies and criteria for approval of transactions.; (g)) Evaluating, following and implementing the instructions and recommendations of supervisory entities in the exercise of their authority and, if applicable, referring the actions to be taken to the Board of Directors, without prejudice to following the instructions received; (h) Establishing the Company's risk reporting processes.; (i) Reporting to the Board of Directors and the Executive Committee of those transactions that may imply risks to solvency, an impact profits or operations or the reputation of the Company; (j)) Delegating authority to assume risks to other lower-ranking bodies or officers of the Company; (k) The Board Risk Committee may adopt the corresponding decisions within the scope of the authority delegated by the Board of Directors regarding risks specifically contemplated in the delegation resolution of the Board of Directors, in effect from time to time. In the credit risk area, the structure for approval of risks and the risks that, by reason of their amount, are reserved to the Board Risk Committee itself will be determined by the risk segments in effect from time to time and the risk levels characterised by their credit rating or scoring based on the models approved by the supervisory authority; (l) Defining, within its competence, the overall limits of prequalifications in favour of individuals or groups regarding exposure by class of risk.; (m) The Board Risk Committee may, pursuant to the authority delegated by the Board of Directors, approve transactions in respect of which the cumulative risk of the borrower or, if applicable, its group, is in an amount greater than 100 million euros for the worst rating level, up to 500 million euros, above which in all cases the Board of Directors will have jurisdiction. Regardless of that limit, the Board Risk Committee will not consider transactions in an amount equal to or less than EUR 30 million. The amounts of cumulative risk and the amount per transaction are applicable for all segments including exclusive segments; (n) The Board Risk Committee will not have competencies in relation to any divestment transaction, in particular, those affecting the following areas:; (o) In the area of approval of risks of kinds other than credit risk, the authority of the Board Risk Committee will be as delegated by the Board of Directors from time to time

SECTION D.1

In 2013, the Audit and Compliance Committee reported, prior to approval by the Board of Directors, on the transactions that, in accordance with article 36 of the Regulations of the Board of Directors, are considered related party transactions.

SECTION D.2

With the exception of the transactions reported in section D.2, no significant shareholder, or parties related thereto, carried out any transactions that were outside the Company's ordinary course of business, not performed on an arm's length basis or relevant to the Bank, pursuant to Ministerial Order EHA/3050/2004, of 15 September, on information regarding related-party transactions that must be supplied on a weekly basis by the issuers of securities listed on secondary markets.

SECTION D.3

See note 44 of the consolidated financial statements and note 49 of the consolidated financial statements for 2013 of Bankia, S.A. as a supplement to this section and notwithstanding that they are not related-party transactions for the purposes of the provisions of Ministerial Order EHA/3050/2004, of 15 September, on information regarding related-party transactions that must be supplied on a weekly basis by the issuers of securities listed on secondary markets.

None of the members of the Board of Directors or other member of the Bank's senior management, or company in which these individuals are directors, members of senior management, significant shareholders, or any related parties thereto have carried out any transactions that were outside the Company's ordinary course of business, not performed on an arm's length basis or relevant to the Bank, as far as the Bank is aware, pursuant to Ministerial Order EHA/3050/2004, of 15 September, on information regarding related-party transactions that must be supplied by the issuers of securities listed on secondary markets.

SECTIONS D.4 y D.5

There have been no transactions with such characteristics.

SECTIONS G.20 y G.31

Although the Company’s internal rules and regulations do not expressly reflect the recommendations 20 and 31, the Company effectively complies with both recommendations in keeping with best business and corporate governance practices.

SECTIONS G.33, G.35 y G.36

Royal Decree-Law 2/2012 and Law 3/2012 places restrictions on remuneration at institutions that received assistance from the FROB. In compliance with this legislation, no variable remuneration in cash or shares was paid to executive or non-executive directors in 2013.

SECTIONS G.51

Although the Company’s internal rules and regulation do not expressly reflect the recommendations 51, the Company effectively complies with the recommendation in keeping with best business and corporate governance practices.

During 2013, the Company has not been involved in any process to cover directors vacancies.

SECTIONS G.53

Although the Company's internal rules and regulation do not expressly reflect the recommendations 53, the Company effectively complies with the recommendation in keeping with best business and corporate governance practices.

2.- OTHER INTEREST INFORMATION (II)

In terms of Corporate Governance, the Company is not subject to other than the Spanish Legislation.

3.- OTHER INTEREST INFORMATION (III)

The company voluntarily joined the United Nations Global Compact (membership date: 15 November 2013), Spainsif Plataforma de Inversión Socialmente Responsable (ISR) (socially responsible investment platform) in Spain (membership date: 30 December 2011) and Autocontrol (commercial communication self-regulation association) (membership date: 3 June 2011).

This Annual Corporate Governance Report was approved by the company's Board of Directors at its meeting held on: February 17, 2014

Indicate whether Board Members voted against or abstained from voting for or against the approval of this Report.

Yes ☐ No **X**

BANKIA, S.A.

Report for 2013 on the Information Relating to the System of Internal Control over Financial Reporting (ICFR)

(Free translation from the original in Spanish)

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

AUDITOR'S REPORT FOR 2013 ON THE INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) OF BANKIA, S.A.

To the Shareholders of Bankia, S.A.:

As requested by the Board of Directors of Bankia, S.A. ("the Company") and in accordance with our proposal-letter dated September 11, 2013, we have applied certain procedures to the "Information relating to the system of ICFR" contained in the Section F to the Company's 2013 Annual Corporate Governance Report, which summarises the internal control procedures of the Company in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying information relating to the system of ICFR.

It should be noted in this regard, irrespective of the quality of the design and operativity of the internal control system adopted by the Company in relation to its annual financial reporting, the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Auditing Standards generally accepted in Spain, the sole purpose of our assessment of the internal control of the Company was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Company's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditors' report relating to information on the Internal Control over Financial Reporting on Listed Companies, published by the Spanish National Securities Market Commission (CNMV). Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Company's annual financial reporting for 2013 described in the accompanying information relating to the system of ICFR. Therefore, had procedures additional to those provided for in the engagement letter been applied or an audit or a review of the system of internal control over the regulated annual financial reporting been performed, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the Consolidated Spanish Audit Law, approved by Legislative Royal Decree 1/2011, of 1 July, we do not express an audit opinion in the terms provided for in that Law.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Company in relation to the system of ICFR - disclosure information included in the managements' report- and assessment of whether this information addresses all the information required in section F, relating to the description of the system of ICFR, of the Annual Corporate Governance Report model established in CNMV Circular 5/2103, of 12 June 2013.

2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of achieving: (i) familiarisation with the preparation process; (ii) obtainment of the information required in order to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) obtainment of information on whether the aforementioned control procedures have been implemented and are in use at the Company.

3. Review of the explanatory supporting documentation for the information detailed in point 1 above, including the documentation furnished directly to the personnel in charge of preparing the ICFR descriptive information. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit and Control Committee.

4. Comparison of the information detailed in point 1 above with the Company's knowledge of the system of ICFR obtained as a result of the application of the procedures carried out as part of the audit of its financial statements.

5. Perusal of minutes of meetings of the Board of Directors, the Audit and Control Committee and of other Company committees in order to assess the consistency between the ICFR issues addressed therein and the information detailed in point 1 above.

6. Obtainment of the representation letter concerning the work performed, duly signed by the personnel in charge of the preparation of the information detailed in point 1 above.

The procedures applied to the Information relating to the system of ICFR did not disclose any inconsistencies or incidents that might affect the Information.

This report has been prepared exclusively in the framework of the requirements of Spanish Securities Market Law 24/1988, of 28 July, amended by Sustainable Economy Law 2/2011, of 4 March, and by Spanish National Securities Market Commission (CNMV) Circular 5/2103, of 12 June 2013, for the purposes of the description of the system of ICFR in Annual Corporate Governance Reports.

ERNST & YOUNG, S.L.

February 18, 2014

José Carlos Hernández Barrasús