Annual Earnings Report 2020

28 January 2021

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Group ends 2020 having met the strategic targets for capital generation and asset quality.

In December, extraordinary general meetings of Bankia and CaixaBank approve common draft terms for merger between the two entities.

Common draft terms of merger between CaixaBank and Bankia

- On 17 September 2020, the Boards of Directors of Bankia and CaixaBank signed the common draft terms for the merger by absorption of Bankia, S.A. into CaixaBank, S.A.
- The merger was approved by the extraordinary general meetings of shareholders of Bankia, S.A. and CaixaBank, S.A. held in December 2020.
- Closing under the merger plan will be conditional on obtaining the requisite regulatory approvals, with execution of the merger agreement projected for the first quarter of 2021 and the technological integration to be completed in the last quarter of that year.

Core earnings up 3.8% in 2020. Bank allocates 505 million euros to extraordinary COVID-19 provisions

- Strong fee and commission income (+12.2%) and reduced operating expenses (–2%) bring core earnings for full-year 2020 to 1,336 million euros (+3.8%). Quarter-on-quarter, the trend is equally positive, with core earnings up 10.4% compared to the third quarter and 10.8% compared to the fourth quarter of 2019.
- During the year, the Group set aside extraordinary provisions of 505 million euros in anticipation of future impacts resulting from the deteriorating macroeconomic conditions caused by COVID-19. Of this total, 40 million euros were recognised in the fourth quarter of the year.
- Excluding extraordinary COVID-19 provisions, profit before tax for 2020 comes to 816 million euros, up 8% compared to 2019. After COVID-19 provisions, profit before tax is 311 million euros and attributable profit, 230 million euros.
- The Group’s fourth-quarter profit before tax is 94 million euros and attributable profit, 50 million euros.

Strong growth in lending to companies, while retail business picks up

- In the businesses segment, the lending stock is up 17% year-on-year, driven by new ICO-backed loans, which totalled 10,941 million euros (26.1% of total loans to businesses at the end of December), lifting the bank’s market share of business loans to 8.11% as of November 2020 (+37 basis points year-on-year).
- Mortgage lending saw another record increase, with growth of 35.6% compared to the previous quarter and 28.1% compared to the fourth quarter of 2019, boosting new mortgage production by 14.3% over the year as a whole.
- In consumer finance, new loans continue their gradual recovery, after the initial impact of COVID-19, rising 43.5% in the quarter.
- Net flows into mutual funds continue the upward trend seen in the previous two quarters, with the volume of funds managed and sold up 7.3% in the year, bringing the market share to 7.51% (+46 basis points in the year). In pension plans, the full-year growth is 1.7% and the monthly average figures for new insurance production confirm the upward trend, with growth of 83.8% in the quarter.
- The digital preference of the bank’s customers continues to grow. As of year-end 2020, digital sales accounted for 46.9% of the Group’s total sales (+10.9 percentage points in the year), with 60.5% of customers transacting through digital channels (+7.2 percentage points in the year).

Group meets targets for NPAs and capital generation set in Strategic Plan

- The non-performing loans ratio is down 0.3 percentage points in the year at 4.7%. Extraordinary COVID-19 provisioning has boosted coverage to 58.2%, an increase of 4.2 percentage points compared to December 2019.
- Gross non-performing assets (non-performing loans plus foreclosed assets) stand at 8,293 million euros (–0.7% compared to December of the previous year), while coverage has climbed to 51.7% (+3 percentage points in the year), bringing the net NPA ratio (2.98%) to the target level set for December 2020 in the Strategic Plan (NPA ratio below 3%).
- As of year-end, the Group's liquid assets cover debt maturities 1.6 times and the bank has drawn 22,919 million euros under the ECB's TLTRO III facility.
- Turning to capital ratios, Bankia has a CET1 ratio, before applying any flexibility measures, of 16.66% on a phase-in basis and 15.48% on a fully loaded basis. These levels provide a CET1 buffer, above the regulatory minimum for 2020, equal to +828 basis points on a phase-in basis and +710 basis points on a fully loaded basis. After applying the flexibility measures announced by the supervisory bodies in response to the COVID-19 crisis (IFRS 9 "Quick Fix" measures), the fully loaded CET1 ratio rises to 16.17%.

Completion of 2018-2020 Strategic Plan

- Despite having to implement its Strategic Plan in a more adverse than expected macroeconomic environment, the Group has met or exceeded many of the targets it set itself.
- The synergies from the BMN merger have been harvested faster than expected.
- Sales targets, in terms of business lending, mutual funds and cards, have been exceeded.
- The growth targets for net fee and commission income and cost reduction have been met.
- In asset quality, the Group has met the main targets set in the Plan as regards reducing non-performing assets and improving provision coverage.
- On the capital front, at year-end 2020 the Group has a buffer of 2,228 million euros over and above the required 12% CET1 ratio on a fully loaded basis (excluding gains on sovereign holdings), which combined with dividend distributions (706 million euros), allows the Group to exceed the target of 2.5 billion euros set in the Strategic Plan.

1. RELEVANT DATA

	Dec-20	Dec-19	Change
Balance sheet (€ million)			
Total assets	209,842	208,468	0.7%
Loans and advances to customers (net)	121,005	117,444	3.0%
Loans and advances to customers (gross)	124,328	120,623	3.1%
On-balance-sheet customer funds	146,896	143,464	2.4%
Customer deposits and clearing houses	128,460	124,785	2.9%
Borrowings, marketable securities	15,462	15,697	(1.5%)
Subordinated liabilities	2,975	2,983	(0.3%)
Total customer funds	179,479	174,267	3.0%
Equity	12,932	13,142	(1.6%)
Common Equity Tier I - BIS III Phase In	11,244	11,120	1.1%
Solvency (%)			
Ratio CET1 BIS III Fully Loaded (1)	15.48%	13.02%	+2.46 p.p.
Common Equity Tier I - BIS III Phase In (1)	16.66%	14.32%	+2.34 p.p.
Total capital ratio - BIS III Phase In (1)	21.35%	18.09%	+3.26 p.p.
MREL Ratio - Phase In (1)	25.21%	21.92%	+3.29 p.p.
Risk management (€ million and %)			
Total risk	132,221	128,156	3.2%
Non performing loans	6,213	6,465	(3.9%)
NPL provisions	3,613	3,491	3.5%
NPL ratio	4.7%	5.0%	-0.3 p.p.
NPL coverage ratio	58.2%	54.0%	+4.2 p.p.

	Dec-20	Dec-19	Change
Results (€ million)			
Net interest income	1,904	2,023	(5.9%)
Gross income	3,088	3,245	(4.8%)
"Core" result (Net interest income + Net fees and commissions - Operating Expenses)	1,336	1,287	3.8%
Pre-provision profit	1,308	1,428	(8.4%)
Profit before taxes pre-COVID-19 provision	816	756	8.0%
COVID-19 provision	(505)	-	-
Profit before taxes post COVID-19 provision	311	756	(58.8%)
Profit/(loss) attributable to the Group	230	541	(57.6%)
Key ratios (%)			
Cost to Income ratio (Operating expenses / Gross income)	57.7%	56.0%	+1.7 p.p.
R.O.A. (Profit after tax / Average total assets) (2)	0.1%	0.3%	-0.2 p.p.
RORWA (Profit after tax / RWA) (3)	0.3%	0.7%	-0.4 p.p.
ROE (Profit attributable to the group / Equity) (4)	1.8%	4.2%	-2.4 p.p.
ROTE (Profit attributable to the group / Average tangible equity) (5)	1.9%	4.3%	-2.4 p.p.
ROE (Profit attributable to the group / Equity) pre COVID-19	4.5%	4.2%	+0.3 p.p.
ROTE (Profit attributable to the group / Average tangible equity) pre COVID-19	4.7%	4.3%	+0.4 p.p.

	Dec-20	Dec-19	Change
Bankia share			
Number of shareholders	162,870	173,949	(6.4%)
Number of shares in issue (million)	3,070	3,070	0.0%
Closing price (end of period, €)(6)	1.45	1.90	(23.8%)
Market capitalisation (€ million)	4,448	5,840	(23.8%)
Earnings per share(7) (€)	0.07	0.18	(57.6%)
Tangible book value per share(8) (€)	4.10	4.21	(2.8%)
PER (Last price (6) / Earnings per share(7))	19.35x	10.79x	79.4%
PTBV (Last price (6) / Tangible book value per share)	0.35x	0.45x	(21.7%)
Cash dividend per share (cents) (9)	-	11.576	-
Additional information			
Number of branches	2,127	2,275	(6.5%)
Number of employees	15,950	16,035	(0.5%)

(1) "Quick Fix" measures impact (IFRS 9) as of Dec-20: +69bps in CET1, +70bps in Total Capital ratio and +72bps in MREL ratio.
(2) Profit after tax divided by average total assets for the period
(3) Profit after tax divided by risk weighted assets at period end
(4) Attributable profit divided by the previous 12 months average equity. In Dec-20 is not deducted any dividend payment against 2020 result.
(5) Attributable profit divided by the previous 12 months average tangible equity. In Dec-20 is not deducted any dividend payment against 2020 result.
(6) Using the last price as of 31 December 2020 and 31 December 2019.
(7) Annualised attributable profit divided by the number of shares in issue.
(8) Total Equity less intangible assets divided by the number of shares in issue
(9) Distribution against the annual result.

2. ECONOMIC AND FINANCIAL ENVIRONMENT

At the global level, the rapid spread of the COVID-19 virus in March and April of 2020 sparked the deepest global recession since the Second World War, due to the lockdown measures taken to stem the pandemic. From May onwards the restrictions on mobility and gatherings were gradually relaxed and activity picked up rapidly, supported by unprecedented fiscal and monetary stimuli. However, the resurgence of severe outbreaks of infection at the end of the summer, persisting throughout the fourth quarter, triggered renewed lockdowns across large parts of the services sector in the major developed countries, leading to further contraction in activity. Growth was also hampered by the high level of political uncertainty associated with the US elections in November and the long-drawn-out Brexit negotiations. In the short term, the health and economic situation will remain difficult, but the launch of vaccination campaigns in December has generated great confidence that the pandemic will finally begin to subside from spring 2021.

On balance, 2020 was an exceptionally bad year for the world economy. Apart from China, which was highly successful in controlling the pandemic and ended the year with positive GDP growth, the other major economies suffered severe contractions, though of uneven intensity, depending on their economic structure, the scale of public aid and the effectiveness of their health management efforts. Specifically, the GDP contraction in the euro area in 2020 may have exceeded 7%, but with wide disparity among the different countries, reaching as high as 10% in the southern countries most dependent on the tourism and leisure sectors, compared to an estimated 5.5% for Germany. These uneven effects pose a new threat of fragmentation and prompted the EU to sign a landmark agreement approving a 750 billion euro Recovery Fund, which, together with the SURE employment protection programme and soft credit lines made available to governments under the EFSM and to businesses by the EIB, will increase the EU stimuli package to 1.3 trillion euros.

The impact of the COVID-19 epidemic on the economy and businesses triggered severe sell-offs of risky assets, as reflected in a cumulative one-month fall of 35% in the S&P 500, 38% in the Euro Stoxx 600 and 42% in the Ibex, leading several countries to ban short selling. The decline in investor sentiment, coupled with liquidity strains in, among others, the commercial paper, interbank and government bond markets, drove central banks to act with unprecedented speed and firmness. The Fed cut its benchmark rates by 150 basis points, set the cash reserve ratio at 0%, launched a new QE programme for an unlimited amount and time and activated various facilities that have allowed it to intervene in practically all segments of the market. It also improved the terms of dollar swap facilities with other central banks and engaged in repo transactions with them, exchanging Treasury bills for dollars. The ECB expanded its asset purchase programme (APP) by 120 billion euros until the end of 2020 and launched a new programme (PEPP) for 750 billion, subsequently increased to 1.85 trillion, in which it included Greek debt and non-financial commercial paper and eliminated the 33% limit on its purchases of public debt. It also approved new long-term liquidity injections with relaxed requirements.

Thanks to the central banks' commitment to maintaining favourable financial conditions, the abundant liquidity and the measures taken to first control the pandemic and then develop treatments and vaccines, risky assets experienced a steady recovery, to the point where the US indices hit new all-time highs, while the European indices made up 75% of the ground lost between February and March. In addition, the 12-month Euribor dropped sharply, from a peak of –0.05% to record low levels, below –0.50%, and risk premiums for peripheral bonds fell, bringing the yield on the Spanish 10-year bond very close to 0%.

In Spain, the performance of the economy in 2020 was entirely determined by the COVID-19 crisis, destroying all initial forecasts, which had pointed to continued expansion. The extraordinary measures taken to contain the pandemic limited the movement of people and paralysed whole swathes of the productive sectors, leading to a record contraction in GDP in the first half of the year. Although the gradual lifting of restrictions subsequently allowed a slow reopening of the economy, the reopening was incomplete and asymmetrical across regions, sectors and actors. Moreover, since the summer the recovery has slowly lost momentum in the face of a resurgence of infections and the consequent reintroduction of lockdown measures.

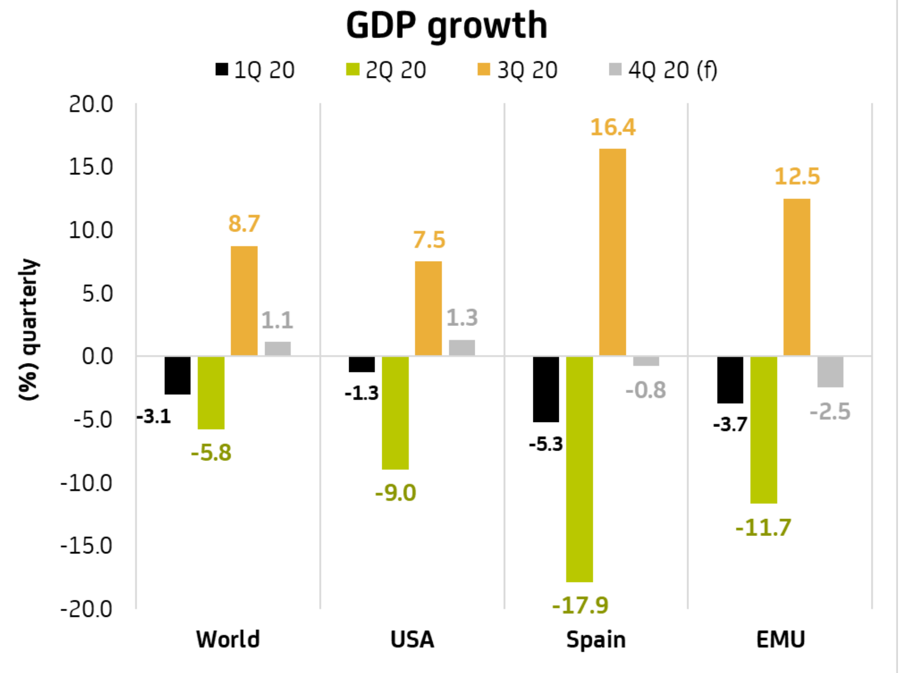
As a result, by the end of 2020 GDP had fallen by around 11.2%, a rate of decline unseen since at least the Civil War. Spain was harder hit by the crisis than other neighbouring countries for several reasons. On the one hand, the spread of the pandemic in our country was relatively more adverse, after enduring a stricter lockdown at the beginning of the crisis. On the other hand, the relative importance of employment-intensive tertiary activities requiring close social interaction, most notably activities linked to tourism (hospitality, catering, leisure and transport), coupled with certain features of our productive industry such as the high rate of temporary employment and the small firm size, made the Spanish economy particularly sensitive to this pandemic, while at the same time impeding a rapid exit from the crisis.

The economic policy response has been decisive in mitigating the impact of the crisis. The measures put in place include temporary employment adjustment programmes (ERTEs) and public guarantees for loans to businesses (ICO facilities).

The risks to financial stability have increased since the outbreak of the pandemic but have been mitigated by monetary, fiscal and prudential measures. **The banking sector** has played, and continues to play, a key role in mitigating the economic impact of the crisis by providing households and businesses with the financing they need. It is now in a much stronger position to do so than it was in the 2008 financial crisis, thanks to improved balance sheet quality, good liquidity and significant capital strengthening.

In 2020, bank lending to the private sector grew for the first time since 2008, driven by support measures that stimulated the flow of credit to productive activities, so as to meet the vital liquidity needs of the businesses most affected by the pandemic. Lending to households, however, continued on a negative trend, despite the recovery in new lending for house purchase, which contrasts with the decline in consumer lending. The stock of NPLs has been contained, partly thanks to the support measures and the expansion of credit. Meanwhile, deposit growth accelerated as household saving climbed to historically high levels and companies hoarded cash. The increase in impairment provisions in anticipation of the potential negative impact of the pandemic is the main reason for the sharp drop in earnings during the year.

Given the growing constraints on revenue growth, strategies have shifted towards reducing operating costs, thus opening the way for further consolidation in the European banking system—a process which until now has been primarily domestic and led by Spanish banks. Lastly, the broad regulatory and supervisory response to the impact of the crisis has produced a solid set of measures which have brought an improvement in the capital levels of Spanish banks, whose loss-absorbing capacity, according to the latest stress tests conducted by the Banco de España, is overall high.



Source: Refinitiv and Bankia Research . (f) forecast

3. SUMMARY OF RESULTS

Core earnings up 3.8% in 2020. Bankia allocated 505 million euros to extraordinary COVID-19 provisions during the year

At year-end 2020, the Bankia Group posted attributable profit of 230 million euros, which is 57.6% less than in 2019 on account of lower net trading income (NTI) and **extraordinary provisions** of 505 million euros to cover the deteriorating macroeconomic situation resulting from **COVID-19**. Even so, **core earnings were very positive, growing 3.8%** in the year to 1,336 million euros as a result of strong fee and commission income and cost reductions. "Other gains and losses" in the income statement for 2020 (60 million euros) includes extraordinary income from the sale of businesses and shareholdings during the year (Caser and the depository business), net of provisions for foreclosed assets and other impairment provisions.

In the fourth quarter of the year, the growth of net interest income and net fee and commission income **brought the Group's core earnings to 378 million euros, an increase of 10.4% compared to the previous quarter and 10.8% compared to the fourth quarter of 2019**. Attributable profit came to 50 million euros, which is 33.4% more than in the third quarter after recognition of the profit on the sale of the depository business.

INCOME STATEMENT

(€ million)	2020	2019	Change Amount	Change %
Net interest income	**1,904**	**2,023**	**(119)**	**(5.9%)**
Dividends	2	17	(16)	(89.4%)
Share of profit/(loss) of companies accounted for using the equity method	60	60	(0)	(0.5%)
Total net fees and commissions	1,213	1,081	132	12.2%
Gains/(losses) on financial assets and liabilities	147	298	(151)	(50.7%)
Exchange differences	13	15	(2)	(13.7%)
Other operating income/(expense)	(250)	(249)	(1)	0.3%
Gross income	**3,088**	**3,245**	**(157)**	**(4.8%)**
Administrative expenses	(1,585)	(1,616)	31	(1.9%)
Staff costs	(1,070)	(1,119)	50	(4.4%)
General expenses	(515)	(496)	(19)	3.9%
Depreciation and amortisation	(195)	(201)	6	(2.8%)
Pre-provision profit	**1,308**	**1,428**	**(120)**	**(8.4%)**
Provisions	(529)	(477)	(52)	10.9%
Provisions (net)	24	(15)	39	-
Impairment losses on financial assets (net)	(554)	(463)	(91)	19.6%
Operating profit/(loss) pre COVID-19 provision	**778**	**951**	**(172)**	**(18.1%)**
Impairment losses on non-financial assets	(22)	(19)	(2)	12.7%
Other gains and other losses	60	(176)	236	-
Profit/(loss) before tax pre COVID-19 provision	**816**	**756**	**61**	**8.0%**
Extraordinary COVID-19 provision	(505)	-	(505)	-
Profit/(loss) before tax post COVID-19 provision	**311**	**756**	**(444)**	**(58.8%)**
Corporate income tax	(81)	(213)	132	(61.8%)
Profit/(loss) in the period	**230**	**542**	**(312)**	**(57.6%)**
Profit/(Loss) attributable to minority interests	0.2	0.9	(0.6)	(74.3%)
Profit/(loss) attributable to the Group	**230**	**541**	**(312)**	**(57.6%)**
Cost to Income ratio (1)	**57.7%**	**56.0%**	**+1.7 p.p.**	**1.7%**
Recurring Cost to Income ratio (2)	**60.8%**	**62.0%**	**(1.2) p.p.**	**(1.2%)**
PRO-MEMORY				
"Core" Result (3)	**1,336**	**1,287**	**49**	**3.8%**

(1) Operating expenses / Gross income.

(2) Operating expenses / Gross income (excluding gains/losses on financial assets and liabilities and exchange differences).

(3) Net interest income + total net fees and commissions - administrative expenses - depreciation and amortization

QUARTERLY RESULTS

(€ million)	4Q 20	3Q 20	2Q 20	1Q 20	4Q 19	3Q 19	2Q 19	1Q 19
Net interest income	**493**	**489**	**464**	**458**	**503**	**502**	**516**	**502**
Dividends	1	1	0	0	3	1	14	1
Share of profit/(loss) of companies accounted for using the equity method	27	9	12	12	18	13	15	14
Total net fees and commissions	333	296	300	284	284	263	273	260
Gains/(losses) on financial assets and liabilities	14	3	66	64	62	97	102	37
Exchange differences	2	(2)	4	9	3	5	4	3
Other operating income/(expense)	(176)	(7)	(63)	(4)	(174)	(5)	(66)	(4)
Gross income	**693**	**788**	**784**	**823**	**699**	**875**	**858**	**813**
Administrative expenses	(396)	(393)	(381)	(415)	(394)	(409)	(407)	(407)
Staff costs	(270)	(260)	(255)	(285)	(267)	(282)	(286)	(285)
General expenses	(126)	(133)	(126)	(130)	(127)	(127)	(121)	(122)
Depreciation and amortisation	(52)	(49)	(48)	(47)	(53)	(49)	(49)	(50)
Pre-provision profit	**245**	**346**	**355**	**361**	**252**	**417**	**402**	**357**
Provisions	(216)	(104)	(111)	(99)	(173)	(119)	(121)	(65)
Provisions (net)	(24)	73	(11)	(14)	17	14	(35)	(10)
Impairment losses on financial assets (net)	(192)	(176)	(100)	(85)	(189)	(132)	(86)	(55)
Operating profit/(loss) pre COVID-19 provision	**30**	**242**	**245**	**262**	**80**	**299**	**281**	**292**
Impairment losses on non-financial assets	(12)	(2)	(5)	(3)	(5)	(5)	(6)	(4)
Other gains and other losses	116	(37)	(7)	(12)	(110)	(42)	(4)	(19)
Profit/(loss) before tax pre COVID-19 provision	**134**	**203**	**233**	**247**	**(36)**	**252**	**271**	**269**
Extraordinary COVID-19 provision	(40)	(155)	(185)	(125)	-	-	-	-
Profit/(loss) before tax post COVID-19 provision	**94**	**48**	**48**	**122**	**(36)**	**252**	**271**	**269**
Corporate income tax	(44)	(10)	0	(27)	2	(76)	(76)	(64)
Profit/(loss) in the period	**50**	**38**	**48**	**94**	**(34)**	**176**	**196**	**205**
Profit/(Loss) attributable to minority interests	0.1	0.1	0.1	0.1	0.1	0.0	0.8	(0.0)
Profit/(loss) attributable to the Group	**50**	**37**	**48**	**94**	**(34)**	**176**	**195**	**205**
Cost to Income ratio (1)	**64.6%**	**56.1%**	**54.7%**	**56.1%**	**63.9%**	**52.3%**	**53.2%**	**56.1%**
Recurring Cost to Income ratio (2)	**66.1%**	**56.2%**	**60.1%**	**61.5%**	**70.4%**	**59.2%**	**60.7%**	**59.0%**
PRO-MEMORY								
"Core" Result (3)	**378**	**342**	**335**	**280**	**341**	**307**	**333**	**306**

(1) Total costs / Gross income.
(2) Total costs / Gross income (excluding trading income and exchange differences).
(3) Net interest income + fees and comissions - administrative expenses - depreciation and amortisation

- **Net interest income for 2020 came to 1,904 million euros**, a decrease of 5.9% compared to 2019, due to the decline in the yield curve (12-month Euribor), the change in the mix of the loan portfolio (with a shift towards the businesses segment and away from consumer lending) and lower interest income from fixed-income securities. Part of the decrease is offset by the lower cost of deposits and the positive effect of the funding obtained from the ECB on more favourable terms after the support measures adopted in response to the COVID-19 pandemic.

  In the fourth quarter, net interest income rose 1% to 493 million euros, driven by an increase in customer margin, which offset the lower return on fixed-income securities. The cost of customer deposits includes the expenses of ICO-backed loans in relation to COVID-19. Stripping out the cost of the ICO guarantees, the average cost of customer deposits would be 0.05% in the third and fourth quarters of 2020 and 0.06% in the second quarter.

REVENUES AND EXPENSES

	4Q 2020			3Q 2020			2Q 2020			1Q 2020		
(€ million & %)	Avg. Amount (1)	Revenues / Expenses	Yield	Avg. Amount (1)	Revenues / Expenses	Yield	Avg. Amount (1)	Revenues / Expenses	Yield	Avg. Amount (1)	Revenues / Expenses	Yield
Loans and advances to credit institutions (2)	20,181	69	1.36%	19,887	68	1.36%	17,143	43	1.00%	17,604	29	0.67%
Net loans and advances to customers (a)	121,288	475	1.56%	120,764	465	1.53%	120,324	457	1.53%	117,092	464	1.59%
Debt securities	46,343	49	0.42%	46,859	53	0.45%	48,836	57	0.47%	45,148	56	0.50%
Other interest earning assets (3)	672	1	0.66%	785	1	0.40%	989	1	0.42%	1,049	1	0.39%
Other non-interest earning assets	25,640	-	-	25,824	-	-	26,210	-	-	26,480	-	-
Total Assets (b)	**214,124**	**594**	**1.10%**	**214,118**	**587**	**1.09%**	**213,503**	**557**	**1.05%**	**207,372**	**551**	**1.07%**
Deposits from central banks and credit (2)	44,052	18	0.16%	44,809	18	0.16%	44,370	16	0.14%	40,342	18	0.18%
Customer deposits (c)	127,232	25	0.08%	126,551	25	0.08%	126,222	22	0.07%	123,121	21	0.07%
Strict Customer Deposits	*122,379*	*14*	*0.04%*	*121,698*	*13*	*0.04%*	*121,106*	*10*	*0.03%*	*117,857*	*8*	*0.03%*
Repos	*36*	*1*	*7.09%*	*36*	*1*	*7.00%*	*215*	*1*	*1.15%*	*81*	*1*	*3.02%*
Single-certificate covered bonds	*4,817*	*10*	*0.85%*	*4,817*	*12*	*0.96%*	*4,900*	*12*	*0.97%*	*5,182*	*13*	*1.00%*
Marketable securities	15,534	38	0.97%	15,599	35	0.90%	15,597	35	0.91%	15,761	37	0.94%
Subordinated liabilities	2,975	16	2.10%	2,967	16	2.10%	2,952	15	2.09%	2,969	15	2.10%
Other interest earning liabilities (3)	1,600	4	1.09%	1,482	4	1.08%	1,371	4	1.22%	1,569	1	0.33%
Other liabilities with no cost	9,733	-	-	9,663	-	-	10,055	-	-	10,327	-	-
Equity	12,997	-	-	13,047	-	-	12,937	-	-	13,284	-	-
Total equity and liabilities (d)	**214,124**	**101**	**0.19%**	**214,118**	**98**	**0.18%**	**213,503**	**93**	**0.18%**	**207,372**	**93**	**0.18%**
Customer margin (a-c)			**1.48%**			**1.45%**			**1.46%**			**1.52%**
Net interest margin (b-d)		**493**	**0.91%**		**489**	**0.91%**		**464**	**0.87%**		**458**	**0.89%**

(1) Calculated over monthly balances at each closing date.
(2) Loans and advances to credit institutions include revenues arising from the negative interest rates applicable on "Deposits from central banks and credit institutions" (mainly income from TLTRO and repo transactions) as according to accounting standards, income arising from the application of negative interest rates are accounted for according to its nature. On the liabilities side, the contrary occurs with regards to "Deposits from central banks and credit institutions"
(3) Insurance contracts related to pensions, liabilities under insurance contracts and other financial liabilities, including those associated with IFRS 16 ("Financial Leasing") starting January 2019.

	4Q 2019			3Q 2019			2Q 2019			1Q 2019		
(€ million & %)	Avg. Amount (1)	Revenues / Expenses	Yield	Avg. Amount (1)	Revenues / Expenses	Yield	Avg. Amount (1)	Revenues / Expenses	Yield	Avg. Amount (1)	Revenues / Expenses	Yield
Loans and advances to credit institutions (2)	17,066	26	0.61%	14,714	23	0.61%	16,477	27	0.66%	7,536	23	1.24%
Net Loans and advances to customers (a)	118,553	513	1.72%	118,670	516	1.72%	118,299	517	1.75%	117,970	496	1.70%
Debt securities	45,399	69	0.61%	46,583	72	0.62%	49,070	80	0.65%	51,775	83	0.65%
Other interest earning assets (3)	1,014	3	1.31%	1,023	3	1.30%	1,022	3	1.31%	1,026	3	1.32%
Other non-interest earning assets	26,798	-	-	27,431	-	-	27,401	-	-	27,580	-	-
Total Assets (b)	**208,830**	**612**	**1.16%**	**208,420**	**614**	**1.17%**	**212,269**	**628**	**1.19%**	**205,888**	**605**	**1.19%**
Deposits from central banks and credit (2)	38,220	20	0.21%	35,922	23	0.26%	41,033	25	0.24%	36,024	17	0.19%
Customer deposits (c)	127,064	27	0.08%	129,014	31	0.09%	128,328	31	0.10%	126,550	33	0.10%
Strict Customer Deposits	*120,958*	*9*	*0.03%*	*122,572*	*10*	*0.03%*	*121,449*	*10*	*0.03%*	*120,266*	*11*	*0.04%*
Repos	*390*	*1*	*0.62%*	*244*	*1*	*0.97%*	*655*	*1*	*0.37%*	*36*	*1*	*6.20%*
Single-certificate covered bonds	*5,716*	*17*	*1.20%*	*6,198*	*21*	*1.32%*	*6,223*	*21*	*1.33%*	*6,248*	*21*	*1.36%*
Marketable securities	15,343	37	0.96%	14,870	36	0.95%	14,646	29	0.80%	14,560	30	0.84%
Subordinated liabilities	2,983	16	2.10%	2,975	16	2.09%	3,478	20	2.28%	3,493	18	2.12%
Other interest earning liabilities (3)	1,425	9	2.50%	1,503	7	1.74%	1,552	7	1.79%	1,834	6	1.34%
Other liabilities with no cost	10,474	-	-	10,782	-	-	10,023	-	-	10,181	-	-
Equity	13,321	-	-	13,354	-	-	13,209	-	-	13,246	-	-
Total equity and liabilities (d)	**208,830**	**109**	**0.21%**	**208,420**	**112**	**0.21%**	**212,269**	**112**	**0.21%**	**205,888**	**103**	**0.20%**
Customer margin (a-c)			**1.64%**			**1.63%**			**1.65%**			**1.60%**
Net interest margin (b-d)		**503**	**0.95%**		**502**	**0.96%**		**516**	**0.98%**		**502**	**0.99%**

(1) Calculated over monthly balances at each closing date.
(2) Loans and advances to credit institutions include revenues arising from the negative interest rates applicable on "Deposits from central banks and credit institutions" (mainly income from TLTRO and repo transactions) as according to accounting standards, income arising from the application of negative interest rates are accounted for according to its nature. On the liabilities side, the contrary occurs with regards to "Deposits from central banks and credit institutions"
(3) Insurance contracts related to pensions, liabilities under insurance contracts and other financial liabilities, including those associated with IFRS 16 ("Financial Leasing") starting January 2019.

- **Net fee and commission income performed well, reaching a total of 1,213 million euros, with cumulative year-on-year growth of 12.2%**, concentrated in fees and commissions on banking business with customers and fees and commissions generated by the assets under management and origination businesses. Enlarging the set of customers eligible for the no-fees policy (the "Just for being you" programme) pulled fees from payment services down 11.5%, as customers enrolled in that programme stop paying card fees.

  The lively performance is also apparent in the fourth quarter, when net fee and commission income rose 12.3% compared to the previous quarter (+17% compared to the fourth quarter of 2019), reaching a total of 333 million euros. The growth is spread across all business lines, with standout results in assets under management (mutual funds, insurance, securities brokerage), deal structuring and servicing fees.

NET FEE AND COMMISSION INCOME

			Change	
(€ million)	2020	2019	Amount	%
Assets under management	**425**	**412**	**13**	**3.1%**
Securities brokerage service	54	48	6	12.6%
Mutual funds, Pension funds and insurances	371	364	7	1.9%
Payments services	**299**	**338**	**(39)**	**(11.5%)**
Bills of exchange	17	21	(5)	(22.2%)
Debit and credit cards	223	258	(35)	(13.5%)
Payments services	59	59	0	0.8%
Origination	**224**	**209**	**14**	**6.9%**
Contingent risks and commitments	109	99	10	10.0%
Forex	29	40	(11)	(27.0%)
Structuring and design of transactions and others	85	70	15	22.1%
Management of NPLs, write offs and others	**109**	**132**	**(23)**	**(17.3%)**
Management of NPLs and write offs	2	4	(2)	(58.7%)
Claims on Past due	108	128	(21)	(16.1%)
Accounts administration (sight deposits)	**225**	**77**	**148**	**193.4%**
Fees and commissions received	**1,281**	**1,168**	**114**	**9.7%**
Fees and commissions paid	**69**	**87**	**(18)**	**(21.2%)**
TOTAL NET FEE AND COMMISSION INCOME	**1,213**	**1,081**	**132**	**12.2%**

									Change on	
(€ million)	4Q 20	3Q 20	2Q 20	1Q 20	4T 19	3Q 19	2Q 19	1Q 19	4Q 19	3Q 20
Assets under management	**116**	**101**	**103**	**105**	**104**	**101**	**106**	**100**	**11.1%**	**15.1%**
Securities brokerage service	14	12	14	14	12	12	12	13	16.3%	10.9%
Mutual funds, Pension funds and insurances	102	89	89	90	93	89	94	88	10.4%	15.7%
Payments services	**78**	**75**	**65**	**81**	**90**	**83**	**86**	**79**	**(13.7%)**	**3.8%**
Bills of exchange	4	3	4	6	6	5	5	5	(40.2%)	8.4%
Debit and credit cards	58	57	47	60	69	64	66	59	(15.9%)	2.0%
Payments services	16	15	13	16	15	14	15	15	7.1%	9.6%
Origination	**66**	**54**	**55**	**48**	**57**	**54**	**50**	**49**	**16.7%**	**22.5%**
Contingent risks and commitments	30	28	25	25	26	25	24	24	15.7%	6.4%
Forex	7	7	7	9	10	11	10	9	(34.2%)	(7.7%)
Structuring and design of transactions and others	30	19	23	14	21	18	16	15	43.0%	58.9%
Management of NPLs, write offs and others	**27**	**24**	**26**	**32**	**35**	**30**	**33**	**33**	**(23.7%)**	**11.1%**
Management of NPLs and write offs	1	1	0	0	2	1	1	0	(58.4%)	88.7%
Claims on Past due	26	24	26	32	33	30	33	33	(21.3%)	9.5%
Accounts manteinance (Sight deposits)	**63**	**59**	**67**	**36**	**19**	**18**	**20**	**19**	**224.0%**	**5.8%**
Fees and commissions received	**350**	**314**	**316**	**302**	**306**	**286**	**295**	**281**	**14.3%**	**11.6%**
Fees and commissions paid	**17**	**17**	**16**	**18**	**22**	**23**	**22**	**20**	**(20.7%)**	**(0.2%)**
TOTAL NET FEE AND COMMISSION INCOME	**333**	**296**	**300**	**284**	**284**	**263**	**273**	**260**	**17.0%**	**12.3%**

- **Operating expenses are down 2% compared to 2019, with a year-end total of 1,781 million euros**. The decrease is concentrated in staff costs (–4.4%), partly due to temporary lay-offs because of COVID-19 and the recalculation of variable pay for the year.

  As a result of the decrease in expenses, the ratio of operating expenses to RWAs stands at 2.64%, 65 basis points below the industry average.

OPERATING EXPENSES

			Change	
(€ million)	2020	2019	Amount	%
Staff costs	**1,070**	**1,119**	**(50)**	**(4.4%)**
General expenses	**515**	**496**	**19**	**3.9%**
From property, fixtures and supplies	56	59	(3)	(5.1%)
IT and communications	219	207	12	5.9%
Advertising and publicity	48	54	(6)	(11.9%)
Technical reports	37	37	(0)	(0.4%)
Surveillance and security courier services	17	18	(1)	(7.4%)
Levies and taxes	29	32	(3)	(8.6%)
Insurance and self-insurance premiums	3	4	(0)	(4.2%)
Other expenses	106	85	21	24.5%
ADMINISTRATIVE EXPENSES	**1,585**	**1,616**	**(31)**	**(1.9%)**
AMORTISATIONS	**195**	**201**	**(6)**	**(2.8%)**
TOTAL OPERATING EXPENSES	**1,781**	**1,817**	**(36)**	**(2.0%)**

									Change on	
(€ million)	4Q 20	3Q 20	2Q 20	1Q 20	4Q 19	3Q 19	2Q 19	1Q 19	4Q 19	3Q 20
Staff costs	**270**	**260**	**255**	**285**	**267**	**282**	**286**	**285**	**1.3%**	**4.0%**
General expenses	**126**	**133**	**126**	**130**	**127**	**127**	**121**	**122**	**(0.7%)**	**(5.4%)**
From property, fixtures and supplies	15	15	12	14	12	16	16	15	20.5%	0.2%
IT and communications	54	56	54	55	52	53	51	52	5.0%	(2.9%)
Advertising and publicity	9	13	13	14	13	14	14	14	(27.5%)	(27.2%)
Technical reports	7	12	10	8	9	10	11	6	(28.3%)	(41.7%)
Surveillance and security courier services	4	4	4	4	5	5	4	4	(4.1%)	9.2%
Levies and taxes	7	8	7	7	8	10	8	7	(13.3%)	(11.6%)
Insurance and self-insurance premiums	1	1	1	1	1	1	1	1	(2.8%)	(11.0%)
Other expenses	29	26	25	26	27	20	16	22	5.3%	12.6%
ADMINISTRATIVE EXPENSES	**396**	**393**	**381**	**415**	**394**	**409**	**407**	**407**	**0.6%**	**0.8%**
AMORTISATIONS	**52**	**49**	**48**	**47**	**53**	**49**	**49**	**50**	**(1.7%)**	**5.2%**
TOTAL OPERATING EXPENSES	**448**	**442**	**429**	**461**	**447**	**458**	**456**	**456**	**0.4%**	**1.3%**

- Thanks to the strong fee and commission income and cost reductions, core earnings (net interest income plus net fee and commission income less operating expenses) for full-year 2020 come to 1,336 million euros, or 378 million euros for the fourth quarter. These figures represent growth of 3.8% compared to full-year 2019 and 10.4% compared to the third quarter of 2020 (+10.8% compared to the fourth quarter of 2019).

- **Excluding the 505 million euros of extraordinary COVID-19 provisions**, the Group's provision expense and other income and expense total 491 million euros in 2020, which is 26.7% less than in 2019.

  If the COVID-19 provisions are included, provision expense and other income and expense reaches **997 million euros for the year,** which is 48.5% more than the previous year.

  Without the extraordinary COVID-19 provisions, provision expense and other income and expense for the fourth quarter of the year comes to 111 million euros (–22.1% vs. previous quarter), climbing to 151 million euros if those provisions are included.

  "Other income and expense" includes gains and losses on the sale of real estate assets and equity interests. The cumulative amount of this item at the end of 2020 (183 million euros) includes the proceeds from the sale of Caser and the transfer of the depository business to Cecabank. The latter sale was completed in the fourth quarter and brought a gain of 155 million euros for the Group.

- At year-end 2020, **the Group's ordinary cost of risk**, excluding the COVID-19 provisions, **stands at 0.40%**, which is 10 basis points higher than at year-end 2019 but in line with expectations, given the pandemic. If the COVID-19 provisions are included, the cost of risk rises to 0.77%.

PROVISION EXPENSE AND OTHER INCOME AND EXPENSE

			Change	
(€ million)	2020	2019	Amount	%
Impairment losses on:	**(576)**	**(482)**	**(93)**	**19.3%**
Financial assets	(554)	(463)	(91)	19.6%
Non-financial assets	(22)	(19)	(2)	12.7%
Other provisions	**(99)**	**(215)**	**116**	**(53.8%)**
Impairment losses on Real Estate Assets	(124)	(201)	77	(38.3%)
Rest	24	(15)	39	-
TOTAL ORDINARY PROVISIONS	**(675)**	**(697)**	**22**	**(3.2%)**
OTHER RESULTS	**183**	**26**	**157**	**-**
Provision expense and other results pre COVID-19 provision	**(492)**	**(672)**	**179**	**(26.7%)**
Extraordinary provision COVID-19 (1)	**(505)**	**-**	**(505)**	**-**
Provision expense and other results	**(997)**	**(672)**	**(326)**	**48.5%**

(1) Includes impairment losses on financial assets of €490mn and on Real Estate assets of €15mn.

									Change on	
(€ million)	4Q 20	3Q 20	2Q 20	1Q 20	4Q 19	3Q 19	2Q 19	1Q 19	4Q 19	3Q 20
Impairment losses on:	**(204)**	**(179)**	**(105)**	**(88)**	**(195)**	**(137)**	**(92)**	**(59)**	**4.7%**	**14.1%**
Financial assets	(192)	(176)	(100)	(85)	(189)	(132)	(86)	(55)	1.5%	9.0%
Non-financial assets	(12)	(2)	(5)	(3)	(5)	(5)	(6)	(4)	114.5%	385.3%
Other provisions	**(74)**	**38**	**(34)**	**(29)**	**(40)**	**(58)**	**(76)**	**(41)**	**86.8%**	**-**
Impairment losses on Real Estate Assets	(51)	(35)	(23)	(15)	(56)	(72)	(41)	(31)	(9.8%)	46.5%
Rest	(24)	73	(11)	(14)	17	14	(35)	(10)	-	-
TOTAL ORDINARY PROVISIONS	**(278)**	**(141)**	**(139)**	**(117)**	**(235)**	**(195)**	**(168)**	**(100)**	**18.7%**	**97.8%**
OTHER RESULTS	167	(2)	16	3	(54)	29	38	12	-	-
Provision expense and other results pre COVID	**(111)**	**(143)**	**(123)**	**(114)**	**(288)**	**(166)**	**(131)**	**(88)**	**(61.4%)**	**(22.1%)**
Extraordinary provision COVID-19 (1)	**(40)**	**(155)**	**(185)**	**(125)**	**-**	**-**	**-**	**-**	**-**	**(74.2%)**
Provision expense and other results	**(151)**	**(298)**	**(308)**	**(239)**	**(288)**	**(166)**	**(131)**	**(88)**	**(47.5%)**	**(49.2%)**

(1) In 4Q 20, 3Q 20 and 2Q 20 correspond to impairment losses on financial assets. In 1Q 20 includes €110mn of impairment losses on financial assets and €15mn of impairment losses on Real Estate assets.

4. BALANCE SHEET PERFORMANCE

Increase in lending to businesses as a result of new ICO facilities, increase in new mortgage production, and gradual recovery in consumer lending after initial impact of COVID-19. Off-balance-sheet products exceed pre-crisis levels

			Change	
(€ million)	Dec-20	Dec-19	Amount	%
Cash and balances at central banks	11,808	13,203	(1,395)	(10.6%)
Financial assets held for trading	6,768	6,691	77	1.2%
Trading derivatives	6,687	6,519	168	2.6%
Debt securities	81	171	(90)	(52.8%)
Equity instruments	0.7	1.4	(0.7)	(50.5%)
Financial assets designated at fair value through profit or loss	11	35	(23)	(67.2%)
Debt securities	0.2	0.2	(0.0)	(18.6%)
Loans and advances to credit institutions	-	23	(23)	(100.0%)
Loans and advances to customers	11	11	(0)	(0.6%)
Financial assets designated at fair value through equity	8,624	11,982	(3,358)	(28.0%)
Debt securities	8,564	11,906	(3,342)	(28.1%)
Equity instruments	60	76	(16)	(21.5%)
Financial assets at amortised cost	163,405	155,968	7,437	4.8%
Debt securities	37,495	33,068	4,427	13.4%
Loans and advances to credit institutions	4,916	5,467	(552)	(10.1%)
Loans and advances to customers	120,994	117,433	3,561	3.0%
Hedging derivatives	2,451	2,499	(48)	(1.9%)
Investments in subsidaries, joint ventures and associates	469	455	14	3.0%
Tangible and intangible assets	3,023	3,019	5	0.15%
Non-current assets held for sale	1,661	2,152	(491)	(22.8%)
Other assets	11,622	12,465	(843)	(6.8%)
TOTAL ASSETS	**209,842**	**208,468**	**1,374**	**0.7%**
Financial liabilities held for trading	6,876	6,750	126	1.9%
Trading derivatives	6,687	6,479	208	3.2%
Short positions	189	271	(82)	(30.2%)
Financial liabilities at amortised cost	187,070	185,176	1,894	1.0%
Deposits from central banks	22,900	13,809	9,091	65.8%
Deposits from credit institutions	14,834	26,460	(11,626)	(43.9%)
Customer deposits and funding via clearing houses	128,460	124,785	3,675	2.9%
Debt securities	18,437	18,680	(243)	(1.3%)
Other financial liabilities	2,440	1,443	997	69.1%
Hedging derivatives	153	87	66	75.2%
Provisions	1,285	1,754	(469)	(26.7%)
Other liabilitiess	1,377	1,365	12	0.9%
TOTAL LIABILITIES	**196,762**	**195,133**	**1,629**	**0.8%**
Minority interests	3	13	(11)	(80.9%)
Other accumulated results	145	180	(35)	(19.3%)
Equity	12,932	13,142	(209)	(1.6%)
TOTAL EQUITY	**13,080**	**13,335**	**(255)**	**(1.9%)**
TOTAL EQUITY AND LIABILITIES	**209,842**	**208,468**	**1,374**	**0.7%**

- **Gross loans and advances to customers** amount to **124,328** million euros at year-end 2020, up 3.1% compared to December 2019 due to new ICO-guaranteed loans to businesses, increasing the stock of performing loans to businesses by 17% in the year. Non-performing loans are down 2.5% after the sales carried out at year-end (see section 5, Risk Management).

  In the fourth quarter, mortgage lending hits a new all-time high for the second consecutive quarter, resulting in a 14.3% increase in new mortgage production in full-year 2020. Even so, the stock of outstanding mortgage loans is down 4.1% due to scheduled maturities in the portfolio. In consumer finance, the recovery in new lending seen in the previous quarter has continued, with growth of 43.5% in the fourth quarter, although the impact of COVID-19 has reduced the stock by 13.4% since December 2019. According to the latest data available at the end of November 2020, the share of new mortgage lending is 7.89% (+108 basis points year-on-year). In loans to businesses the bank's market share is 8.11% (+37 basis points year-on-year), whereas in consumer loans the share is down 26 basis points at 5.74% due to the impact of the pandemic on new lending during the year.

LOANS AND ADVANCES TO CUSTOMERS

			Change	
(€ million)	Dec-20	Dec-19	Amount	%
Spanish public sector	5,514	4,702	812	17.3%
Other resident sectors	106,715	104,932	1,783	1.7%
Secured loans	67,300	70,049	(2,749)	(3.9%)
Other term loans	32,239	26,993	5,246	19.4%
Commercial credit	4,713	5,326	(613)	(11.5%)
Receivable on demand and other	2,463	2,565	(102)	(4.0%)
Non-residents	4,895	3,940	956	24.3%
Repo transactions	180	15	164	-
Other financial assets	1,030	950	80	8.4%
Other valuation adjustments	286	232	54	23.3%
Non-performing loans	5,709	5,853	(143)	(2.5%)
TOTAL GROSS LOANS AND ADVANCES TO CUSTOMERS	**124,328**	**120,623**	**3,705**	**3.1%**
Loan loss reserve	(3,323)	(3,179)	(144)	4.5%
NET LOANS AND ADVANCES TO CUSTOMERS	**121,005**	**117,444**	**3,561**	**3.0%**
GROSS LOANS AND ADVANCES TO CUSTOMERS EX NPLs & I	**118,440**	**114,755**	**3,685**	**3.2%**

- **Retail customer funds stand at 156,189 million euros, up 3.9% in the year**, due to the higher rate of saving by households and the cash deposited by businesses since the start of the pandemic. The rate of growth in off-balance-sheet products has exceeded pre-crisis levels, reaching 7.3% in mutual funds and 1.7% in pension funds. As of year-end 2020, the Group's market share in mutual funds is 7.51% (+46 basis points in the year).

RETAIL CUSTOMER FUNDS

						Change on Dec-19	
(€ million)	Dec-20	Sep-20	Jun-20	Mar-20	Dec-19	Amount	%
Spanish public sector	**5,444**	**5,328**	**5,762**	**4,980**	**4,778**	**666**	**13.9%**
Other resident sectors	**116,097**	**114,453**	**115,541**	**111,163**	**112,509**	**3,588**	**3.2%**
Current accounts	84,310	81,651	81,121	62,205	40,712	43,597	107.1%
Savings accounts	9,933	9,662	9,596	22,394	41,897	(31,964)	(76.3%)
Term deposits	21,855	23,141	24,824	26,564	29,900	(8,045)	(26.9%)
Non-residents	**2,065**	**2,087**	**2,161**	**2,271**	**2,226**	**(161)**	**(7.2%)**
Strict Customer Deposits	**123,606**	**121,867**	**123,465**	**118,415**	**119,514**	**4,093**	**3.4%**
Mutual funds	23,967	22,827	22,124	20,640	22,329	1,638	7.3%
Pension funds	8,616	8,262	8,198	7,840	8,474	142	1.7%
Total customer off-balance funds (1)	**32,583**	**31,088**	**30,322**	**28,480**	**30,803**	**1,780**	**5.8%**
TOTAL	**156,189**	**152,956**	**153,787**	**146,894**	**150,316**	**5,873**	**3.9%**

(1) Off-balance sheet products managed and marketed without SICAVS. Pension funds inlude mathematical provisions

TOTAL CUSTOMER FUNDS

(€ million)	Dec-20	Dec-19	Change	
			Amount	%
Spanish public sector	5,444	4,778	666	13.9%
Other resident sectors	120,950	117,780	3,170	2.7%
Current accounts	84,310	40,712	43,597	107.1%
Savings accounts	9,933	41,897	(31,964)	(76.3%)
Term deposits	21,855	29,900	(8,045)	(26.9%)
Repo transactions	36	36	0	0.0%
Singular mortgage securities	4,817	5,235	(418)	(8.0%)
Non-residents	2,065	2,226	(161)	(7.2%)
Funding via clearing houses and customer deposits	**128,460**	**124,785**	**3,675**	**2.9%**
Debentures and other marketable securities	15,462	15,697	(235)	(1.5%)
Subordinated loans	2,975	2,983	(8)	(0.3%)
TOTAL ON-BALANCE-SHEET CUSTOMER FUNDS	**146,896**	**143,464**	**3,432**	**2.4%**
Mutual funds	23,967	22,329	1,638	7.3%
Pension funds	8,616	8,474	142	1.7%
Off-balance-sheet customer funds (1)	**32,583**	**30,803**	**1,780**	**5.8%**
TOTAL CUSTOMER FUNDS	**179,479**	**174,267**	**5,212**	**3.0%**

(1) Off-balance sheet products managed and marketed without SICAVS. Pension funds inlude mathematical provisions

- **Customer deposits** amount to 128,460 million euros at year-end, an increase of 3,675 million euros (+2.9%) during the year, driven by the aforementioned growth in strict deposits (+4,093 million euros), net of the single-certificate mortgage covered bonds that matured during the year (–418 million euros).

- **Wholesale funding** (debentures and other marketable securities and subordinated debt) stands at 18,437 million euros at year-end 2020, substantially unchanged since December the previous year.

5. RISK MANAGEMENT

Non-performing assets (NPAs) remain stable at year-end, boosting coverage

- **As of the end of 2020, the NPL ratio is 4.7%**, down from 5% in December 2019, due to credit growth, effective risk management and sales of portfolios and individually assessed loans in the fourth quarter. **The additions to provisions lift the NPL coverage ratio 4.2 percentage points during the year to 58.2**%.

- **The Group has brought its net NPA ratio below 3% (2.98%)**, thus meeting the target set in the Strategic Plan (net NPA ratio below 3%).

- At year-end 2020, foreclosed assets include real estate portfolios originally stated for sale but now no longer expected to be sold (190 million euros), which has increased the amount of foreclosed assets by 10.3% in the year.

NPL RATIO AND COVERAGE RATIO

(€ million and %)	Dec-20	Sep-20	Jun-20	Mar-20	Dec-19	Change on Dec-19 Importe	Change on Dec-19 % / p.p.
Non-performing loans	6,213	6,458	6,464	6,363	6,465	(252)	(3.9%)
Total risk-bearing assets	132,221	131,900	133,076	128,676	128,156	4,064	3.2%
Total NPL ratio [1]	**4.7%**	**4.9%**	**4.9%**	**4.9%**	**5.0%**		**-0.3 p.p.**
Total provisions	3,613	3,755	3,591	3,516	3,491	122	3.5%
NPL coverage ratio	**58.2%**	**58.2%**	**55.6%**	**55.3%**	**54.0%**		**+4.2 p.p.**

(1) NPL ratio: (Doubtful risks of loans and advances to customers and contingent risks) / (Total risks of loans and advances to customers and contigent risks)

NPLs

(€ million and %)	**4Q 20**	**3Q 20**	**2Q 20**	**1Q 20**	**4Q 19**	**3Q 19**	**2Q 19**	**1Q 19**
Non-performing loans at the begining of the period	**6,458**	**6,464**	**6,363**	**6,465**	**7,117**	**7,514**	**7,969**	**8,416**
Net inflows / (outflows)[1]	4	61	7	(13)	(119)	(90)	(144)	(92)
Write offs	(160)	(67)	(194)	(89)	(245)	(306)	(72)	(69)
Disposals related to NPLs sale of portfolios	(89)	-	-	-	(288)	-	(239)	(286)
Transfer from "Non-current assets held for sale" [2]	-	-	288	-	-	-	-	-
Dudosos cierre del periodo	**6,213**	**6,458**	**6,464**	**6,363**	**6,465**	**7,117**	**7,514**	**7,969**

(1) Includes disposals due to foreclosing and in the process of being sold
(2) Includes NPLs that were in the process of being sold and whose disposal is no longer expected to take place.

FORECLOSED ASSETS

(€ million)	Gross Amount [1] Dec-20 [2][4]	Sep-20 [2]	Jun-20 [2]	Mar-20 [2]	Dec-19 [2]
Total	**2,513**	**2,285**	**2,328**	**2,329**	**2,347**
(-) Assets assigned to the Social Housing Fund and rented [3]	(433)	(449)	(477)	(458)	(463)
Total gross foreclosed assets	**2,079**	**1,836**	**1,851**	**1,871**	**1,884**

(€ million)	Impairments [1] Dec-20 [2][4]	Sep-20 [2]	Jun-20 [2]	Mar-20 [2]	Dec-19 [2]
Total	**772**	**671**	**667**	**667**	**672**
(-) Assets assigned to the Social Housing Fund and rented [3]	(98)	(100)	(101)	(95)	(95)
Total foreclosed assets impairments	**675**	**571**	**566**	**572**	**577**

(€ million)	Net Amount [1] Dec-20 [2][4]	Sep-20 [2]	Jun-20 [2]	Mar-20 [2]	Dec-19 [2]
Total	**1,740**	**1,614**	**1,661**	**1,662**	**1,675**
(-) Assets assigned to the Social Housing Fund and rented [3]	(336)	(349)	(377)	(363)	(367)
Total net foreclosed assets	**1,404**	**1,265**	**1,284**	**1,299**	**1,308**

(1) Includes all assets acquired by the Group in payment of debt, regardless if they are clasified as non-current assets held for sale, investment properties and inventories
(2) Since Dec-19 data is calculated assuming the disposals of assets signed and peding formalization
(3) Includes assets assigned to the Social Housing Fund, assets with special rental terms to vulnerable collectives and rented assets yielding >3%
(4) Dec-20 includes real estate portfolios that were in the process of being sold and whose disposal is no longer expected to take place (€190mn)

NON-PERFORMING ASSETS (NPAs)

(€ million and %)	Dec-20 (1) (2)	Sep-20 (1)	Jun-20 (1)	Mar-20 (1)	Dec-19 (1)	Change on Dec-19 Amount	Change on Dec-19 % / p.p.
Gross Non-performing loans	6,213	6,458	6,464	6,363	6,465	(252)	(3.9%)
Gross foreclosed assets	2,079	1,836	1,851	1,871	1,884	195	10.3%
Gross NPAs	**8,293**	**8,294**	**8,315**	**8,234**	**8,350**	**(57)**	**(0.7%)**
NPL provisions	3,613	3,755	3,591	3,516	3,491	122	3.5%
Impairments on foreclosed assets	675	571	566	572	577	98	17.0%
NPAs provisions	**4,288**	**4,327**	**4,157**	**4,088**	**4,068**	**220**	**5.4%**
Net NPL	2,600	2,703	2,873	2,847	2,974	(374)	(12.6%)
Net foreclosed assets	1,404	1,265	1,284	1,299	1,308	97	7.4%
Net NPAs	**4,004**	**3,968**	**4,157**	**4,146**	**4,282**	**(277)**	**(6.5%)**
Total risk	**134,300**	**133,737**	**134,926**	**130,547**	**130,041**	**4,259**	**3.3%**
Gross NPAs ratio	**6.2%**	**6.2%**	**6.2%**	**6.3%**	**6.4%**		**-0.2 p.p.**
Net NPAs ratio	**3.0%**	**3.0%**	**3.1%**	**3.2%**	**3.3%**		**-0.3 p.p.**
NPAs Coverage	**51.7%**	**52.2%**	**50.0%**	**49.7%**	**48.7%**		**+3.0 p.p.**

(1) Since Dec-19 data is calculated assuming the disposals of assets signed in 2019 and pending formalization

(1) Dec-20 gross foreclosed asstes include real estate portfolios that were in the process of being sold and whose disposal is no longer expected to take place (€190mn)

RESTRUCTURED LOANS

(millones de euros)	Dec-20	Sep-20	Jun-20	Mar-20	Dec-19	Change on Dec-19 Amount	Change on Dec-19 % / p.p.
Gross refinanced loans:							
Non-performing loans	2,893	3,014	3,145	3,147	3,287	(395)	(12.0%)
Performing loans	2,484	2,647	2,894	3,098	3,448	(963)	(27.9%)
Total refinanced	**5,377**	**5,661**	**6,039**	**6,245**	**6,735**	**(1,358)**	**(20.2%)**
Impairments							
Non-performing loans	966	1,015	1,037	1,145	1,217	(251)	(20.6%)
Performing loans	126	110	110	114	127	(1)	(0.6%)
Total Impairments	**1,092**	**1,125**	**1,147**	**1,258**	**1,344**	**(252)**	**(18.7%)**
Coverage ratio							
Non-performing loans	33.4%	33.7%	33.0%	36.4%	37.0%		-3.6 p.p.
Performing loans	5.1%	4.2%	3.8%	3.7%	3.7%		+1.4 p.p.
Total coverage	**20.3%**	**19.9%**	**19.0%**	**20.2%**	**20.0%**		**+0.3 p.p.**

6. FUNDING STRUCTURE AND LIQUIDITY

- At the end of December 2020, the Group has total liquid assets of 35,048 million euros, covering its debt maturities 1.6 times.
- The liquidity coverage ratio (LCR) is 195%, far above the regulatory minimum of 100%, and the net stable funding ratio (NSFR) stands at 129% at year-end (above the 100% required from June 2021).
- At the end of the 2020 financial year, after the drawdown in the second quarter within the framework of the measures implemented by the ECB to mitigate the effects of the COVID-19 crisis, the amount borrowed under the ECB's TLTRO III facility is 22,919 million euros.
- The Group's loan-to-deposit (LTD) ratio is 91.3%, which represents an increase of 0.3 percentage points compared to December 2019, reflecting the growth in ICO-backed loans to businesses.

LTD RATIO AND COMMERCIAL GAP

			Change	
(€ million)	Dec-20	Dec-19	Importe	%
Net Loans and advances to customers	**121,005**	**117,444**	**3,561**	**3.0%**
o/w Repo transactions (1)	180	15	164	-
a. Strict Net Loans and advances to customers	**120,826**	**117,429**	**3,397**	**2.9%**
Strict customer deposits and retail commercial paper	123,606	119,514	4,093	3.4%
Single-certificate covered bonds	4,817	5,235	(418)	(8.0%)
ICO/EIB deposits (2)	3,942	4,287	(346)	(8.1%)
b. Total Deposits	**132,365**	**129,036**	**3,329**	**2.6%**
LTD ratio (a/b)	**91.3%**	**91.0%**		**+0.3 p.p.**

(1) Reverse repurchase agreements
(2) Dec-20 includes the total funds received from EIB to provide mediation loans. Same criteria used in Dec-19 to make it comparable.

			Change	
(€ million)	Dec-20	Dec-19	Amount	%
Net Loans and advances to customers	**121,005**	**117,444**	**3,561**	**3.0%**
o/w Repo transactions (1)	180	15	164	-
Strict Net Loans and advances to customers	**120,826**	**117,429**	**3,397**	**2.9%**
(-) Strict customer deposits and retail commercial paper	123,606	119,514	4,093	3.4%
(-) ICO/EIB deposits (2)	3,942	4,287	(346)	(8.1%)
Strict Comercial GAP	**(6,722)**	**(6,372)**	**(350)**	**5.5%**

(1) Reverse repurchase agreements
(2) Dec-20 includes the total funds received from EIB to provide mediation loans. Same criteria used in Dec-19 to make it comparable.

DEBT MATURITIES

(€ million) (1)	2021	2022	2023	>2023	TOTAL
Covered bonds	2,025	3,235	1,825	8,426	15,511
Senior debt	35	30	0	2,570	2,635
Subordinated debt	175	1,250	500	1,000	2,925
Securitisation	-	-	-	1,049	1,049
Total issuance maturities	**2,235**	**4,515**	**2,325**	**13,045**	**22,120**

(1) Maturities of Bankia group in nominal values net of treasury shares and retained issuances

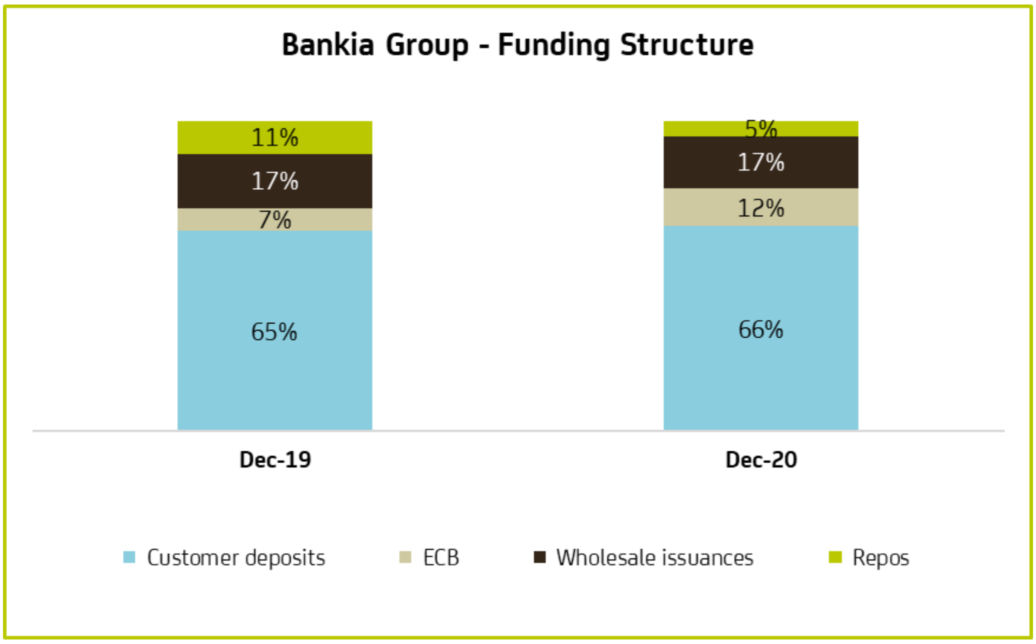
LIQUID ASSETS

(€ million)	Dec-20	Dec-19	Change Amount	Change %
Treasury account and deposit facility (1)	10,115	11,418	(1,303)	(11.4%)
Undrawn amount on the facility	5,883	6,161	(278)	(4.5%)
Available high liquidity assets (2)	19,050	15,538	3,512	22.6%
Total	**35,048**	**33,117**	**1,931**	**5.8%**

(1) Cash and Central Banks accounts reduced by minimal reserves

(2) Market value considering ECB haircut

FUNDING STRUCTURE



7. EQUITY

- **At year-end 2020, the Group's equity** stands at 13,080 million euros, not including the dividend paid out of profit for 2019, which was recognised in the accounts in March.

EQUITY

(€ million)	Dec-20	Sep-20	Jun-20	Mar-20 (1)	Dec-19
Equity at the beginning of the period	**12,896**	**12,883**	**12,863**	**13,142**	**13,191**
+ Result from the period	50	37	48	94	(34)
+/- Movements in reserves:	(14)	(24)	(28)	(373)	(15)
- Dividend paid (1)	-	-	-	(352)	-
- AT1 coupon (2)	(19)	(19)	(25)	(13)	(14)
+/- Other movements	6	(5)	(3)	(8)	(2)
Equity at the closing of the period	**12,932**	**12,896**	**12,883**	**12,863**	**13,142**
Global other accumulated result	145	139	114	78	180
Minority interests	3	2	13	14	13
Total Equity	**13,080**	**13,038**	**13,011**	**12,954**	**13,335**

(1) At the end of March 2020 the total equity amount discounts the dividend which the General Shareholders Meeting approved to pay against 2019 (€352mn excluding the treasury stocks which don´t receive divedend) and paid in April

(2) Since April 2020 includes the impact including the tax payment of the coupon according to the IFRS 12

8. SOLVENCY

- **At December 2020, on a fully loaded basis, the Bankia Group had a CET1 ratio of 15.48% and a Total Capital ratio of 20.17%.** On a phase-in basis, the CET1 ratio was 16.66% and the Total Capital ratio, 21.35%. These ratios imply a CET1 surplus, above the SREP minimum capital requirements for 2020, of +710 basis points fully loaded and +828 basis points on a phase-in basis. This is after applying the early implementation of CRD V Article 104(a) authorised by the supervisor on 12 March 2020, which allows banks to use AT1 and Tier 2 instruments to cover part of their Pillar 2 requirements (P2R) (2% for the Bankia Group). In Total Capital, the buffers over and above the regulatory minimums are +742 basis points fully loaded and +860 basis points on a phase-in basis.

- On a fully loaded basis, the capital ratios include +72 basis points of capital generated organically during the year, +17 basis points due to regulatory impacts (factors supporting SMEs and infrastructure projects), +129 basis points due to the approval of internal models for calculating RWAs in Bankia's mortgage portfolio and +28 basis points due to the entry into force in December of the prudential treatment of software assets provided for in Regulation (EU) 2020/873 of 24 June (CRR II).

- After applying the flexibility measures announced by the competent bodies and authorities in response to the COVID-19 crisis ("Quick Fix" measures), the fully loaded CET1 ratio rises to 16.17%, reflecting a positive impact of +69 basis points on capital due to the new transitional arrangements for IFRS 9 authorised by the supervisor. The discretion under the Quick Fix to exclude certain central bank exposures from the total exposure measure adds +30 basis points to the leverage ratio.

	Dec-20 (1)	
(€ million and %)	Phase In	Fully Loaded
Common equity Tier I - CET1 (%)	16.66%	15.48%
Total capital ratio (%)	21.35%	20.17%
CET1 2020 SREP requirement (incl. additional buffers)	8.38%	8.38%
Total solvency 2020 SREP requirement (incl. additional buffers)	12.75%	12.75%
CET1 surplus over SREP requirement	**8.28%**	**7.10%**
Total Solvency surplus over SREP requirement	**8.60%**	**7.42%**

(1) Solvency ratios include the result attributable to the Group in the period and do not contemplate any dividend payment in 2020

CAPITAL AND LEVERAGE RATIOS

RATIOS FULLY LOADED

(€ million and %)	Dec -20 (1)	dic -19 (1)
Eligible capital	13,610	13,027
Common equity Tier I (CET 1)	10,445	10,105
Capital	3,689	3,689
Reserves (as per reserve perimeter)	9,063	8,962
Result attributable net of dividend accrual	230	186
Deductions	(2,598)	(2,824)
Others (treasury stocks, Non-controlling interests and unrealised gains on FV portfolio)	61	91
Tier I Capital	11,695	11,355
Instruments	1,250	1,250
Tier II Capital	1,915	1,672
Instruments	1,672	1,672
Others	243	0
Risk-weighted assets	67,478	77,635
Common equity Tier I (CET 1) (%)	**15.48%**	**13.02%**
Tier I Capital	17.33%	14.63%
Tier II Capital	2.84%	2.15%
Solvency ratio - Total capital ratio (%)	**20.17%**	**16.78%**
Leverage ratio (Fully Loaded)	**5.47%**	**5.43%**
Leverage ratio total exposure	**213,946**	**209,083**

(1) Solvency ratios include the result attributable to the Group in the period and do not deduct dividend payment in 2020

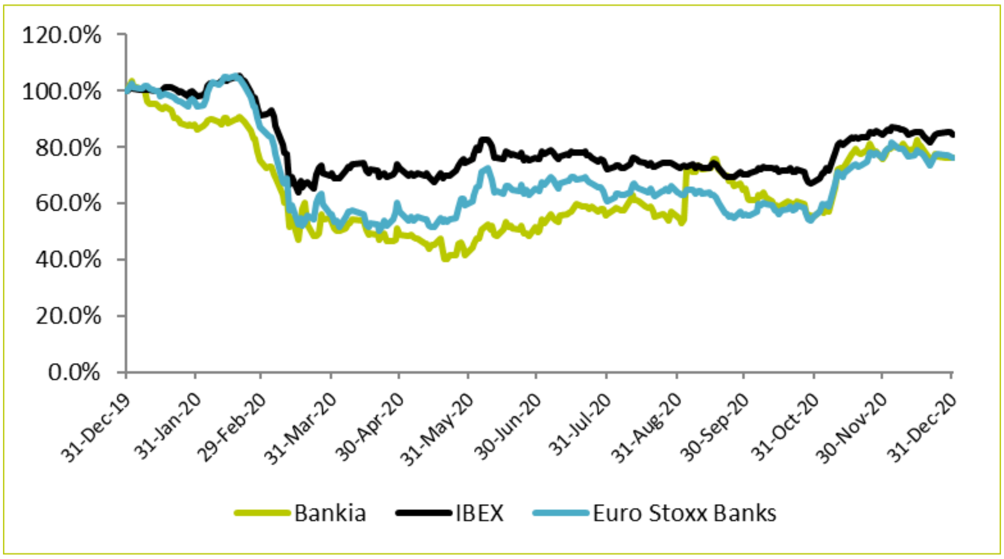
RATIOS PHASE IN

(€ million and %)	Dec -20 (1)	Dec -19 (1)
Eligible capital	14,409	14,042
Common equity Tier I (CET 1)	11,244	11,120
Capital	3,689	3,689
Reserves (as per reserve perimeter)	9,063	8,962
Result attributable net of dividend accrual	230	186
Deductions	(1,799)	(1,808)
Others (treasury stocks, Non-controlling interests and unrealised gains on FV portfolio)	61	91
Tier I Capital	12,494	12,370
Instruments	1,250	1,250
Tier II Capital	1,915	1,672
Instruments	1,672	1,672
Others	243	0
Risk-weighted assets	67,478	77,635
Common equity Tier I (CET 1) (%)	**16.66%**	**14.32%**
Tier I Capital	18.52%	15.93%
Tier II Capital	2.84%	2.15%
Solvency ratio - Total capital ratio (%)	**21.35%**	**18.09%**
MREL eligible issuances	2,599	2,976
MREL ratio on RWAs (%)	**25.21%**	**21.92%**
Leverage ratio (Phase In)	**5.82%**	**5.89%**
Leverage ratio total exposure	**214,745**	**210,098**

(1) Solvency ratios include the result attributable to the Group in the period and do not deduct dividend payment in 2020

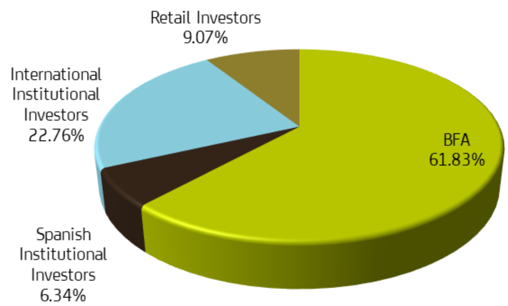
9. SHARE PERFORMANCE

SHARE PRICE



MAJOR SHAREHOLDERS AND STOCK MARKET DATA

BANKIA (stock data)	Dec-2020 (12 months)
Number of shareholders	162,870
Daily average volume (num. shares)	9,471,160
Daily average turnover (euros)	10,993,747
Maximum closing price (€/share)	1,970 (2-Jan)
Minimum closing price (€/share)	0,764 (21-May)
Closing price (€/share)	1,449 (31-Dec)



10. RATING

The main rating actions in relation to Bankia during 2020 were as follows:

- On 27 March, Fitch Ratings (Fitch) placed the long-term outlook for Bankia on Rating Watch Negative (RWN). Additionally, as a result of a change in methodology, Fitch downgraded the SNP debt to “BBB-” from “BBB” and the subordinated debt to “BB+” from “BBB-”.
- On 8 April, reflecting the action taken on banks on 27 March, Fitch placed the rating of Bankia’s mortgage covered bonds on Rating Watch Negative (RWN).
- On 15 April, DBRS Morningstar (DBRS) confirmed Bankia’s rating at BBB (high) and lowered the outlook from Positive to Stable.
- On 29 April, after its annual review, S&P Global Ratings (S&P) confirmed Bankia’s long-term rating at BBB with a Stable outlook.
- On 2 July, DBRS confirmed Bankia’s long-term rating at BBB (high) with a Stable outlook.
- On 10 July, Scope Ratings (Scope) confirmed the rating of Bankia’s mortgage covered bonds at AAA with a Stable outlook.
- On 31 July, Scope confirmed Bankia’s long-term rating at BBB+ (high) with a Stable outlook.
- On 16 September, Fitch changed Bankia’s long-term rating outlook to negative from Rating Watch Negative.
- On 18 September, DBRS confirmed the rating of Bankia’s mortgage covered bonds at AAA.

From 18 September the changes in ratings reflect the positive impact of the merger agreement with Caixabank:

- On 21 September, Scope placed Bankia’s long-term rating outlook on Under Review for Upgrade (UR Upgrade).
- On 23 September, S&P placed Bankia’s long-term rating outlook on CreditWatch Positive (CW Positive).
- On 24 September, DBRS placed Bankia’s long-term rating outlook on Under Review Positive (UR Positive).
- On 28 September, S&P confirmed the rating of Bankia’s mortgage covered bonds at AA and lowered the outlook from Stable to Negative.
- On 29 September, Fitch placed Bankia’s long-term rating outlook on Rating Watch Positive (RW Positive).
- On 5 October, Fitch placed Bankia’s mortgage covered bonds outlook on Rating Watch Positive (RW Positive).
- On 18 November, Fitch confirmed the rating of Bankia’s mortgage covered bonds at A+ Rating Watch Positive (RW Positive).

CREDIT AGENCY RATINGS

Issuer Ratings	S&P Global Ratings	Fitch Ratings	DBRS	Scope
Long-term	BBB	BBB	BBB (high)	BBB+
Short-term	A-2	F2	R-1 (low)	S-2
Outlook	CW Positive	RW Positive	UR Positive	UR Upgrade
Date	23-Sep-20	29-Sep-20	24-Sep-20	21-Sep-20
Mortgage Covered Bonds Ratin	**S&P Global Ratings**	**Fitch Ratings**	**DBRS**	**Scope**
Rating	AA	A+	AAA	AAA
Outlook	Negative	RW Positive	---	Stable
Date	28-Sep-20	18-Nov-20	18-Sep-20	10-Jul-20

11. MANAGEMENT OF THE IMPACT OF THE COVID-19 CRISIS

The following paragraphs set out the measures taken by Bankia within the framework of the public and private sector efforts to deliver financial support to households and businesses, the action taken to enable Bankia to continue to operate as normal, the impact of the pandemic on Bankia's results and financial position, and the steps taken by the Group to manage that impact.

- **Financing granted to customers under public and private sector financial support measures**

At 31 December 2020, the support measures implemented are as follows:

- **Mortgage moratoriums to individuals**: the gross amount outstanding at year-end is 4,261 million euros, representing 7% of the Bankia Group's performing mortgage credit at 31 December 2020.

- **Consumer loan moratoriums to individuals:** at year-end, loans with an aggregate value of 79 million euros remain outstanding, representing 2% of Bankia's performing consumer credit at 31 December 2020.

- **Corporate moratoriums to legal entities (tourism and transport sector moratoriums)**: at year-end, loans with an aggregate value of 300 million euros remain outstanding.

- **ICO-guaranteed loans to companies:** at 31 December 2020, the amount of new loans with a government guarantee (ICO guarantee) stands at 10,941 million euros. Some 61% of this figure (6,706 million euros) consists of loans to SMEs and self-employed individuals and 39% (4,235 million euros), of loans to corporates. The share of these loans that is guaranteed is 79% in the case of loans to SMEs and self-employed individuals and 67% in the case of corporates. ICO-backed loans account for 26.1% of Bankia's loans to businesses at year-end 2020.

- **Measures taken by Bankia to mitigate the effects of COVID-19 on its operations**

Bankia has taken numerous steps since the onset of the crisis to protect its ability to operate normally, including the following:

- As soon as the crisis started, the Group's contingency plans were put into effect to ensure that the bank remained fully operational and continued its activities throughout the state of alarm. A Contingency Committee made up of executives and senior managers was set up to monitor the situation on a daily basis, coordinating the action taken in different areas during the most critical months of the pandemic. Contingency plans ensured that the vast majority of branches stayed open during the state of alarm and almost all the bank's ATMs remained operational.

- The various areas of the organisation identified their critical functions, segregated IT equipment and infrastructure, and introduced a shift system for critical staff members and their substitutes.

- Protocols were put in place to prevent and protect against coronavirus infection and were updated regularly in coordination with the health authorities. Bankia has been in constant contact with the health authorities and has held numerous meetings with the State Health and Safety Committee so as to keep the committee informed at all times of the measures taken in the context of the pandemic.

- Depending on the characteristics of each work centre, different employee safety and work-life measures were put in place, ranging from rotating shifts to teleworking for a significant number of Bankia professionals.

- The IT area expanded system and transmission capacity and made equipment available to enable the organisation to adapt to remote working.

- A working group was set up to ensure the safe, gradual return of Bankia staff to their workplace, implementing a health questionnaire, COVID-19 testing, a new job sharing scheme that facilitates job rotation, and flexible working. The aim is to combine off-site and on-site working so as to minimise risks.

- **Impact of the crisis on the Group's results, business and financial position**

  - **In 2020, the Group recorded provisions of 505 million euros to cover COVID-19 risks**. Recognising these provisions has had a material impact on attributable profit for the year, which is down 57.6% compared to 2019.

  - In **risk management**, the Group is monitoring the main indicators continuously to anticipate possible impacts of the crisis. The risk control measures adopted, together with the growth of loans and the sales of NPLs in the fourth quarter of the year, have helped contain any deterioration of loan book credit quality, so that at year-end 2020 the Group's NPLs total 6,213 million euros, slightly lower than in December of the previous year (6,465 million euros), and the NPL ratio is 4.7%, compared to 5% at the end of 2019.

  - In **solvency**, despite the economic scenario resulting from the crisis, the Group has maintained its capacity to generate capital organically, reaching a fully loaded CET1 ratio of 15.48% and a fully loaded Total Capital ratio of 20.17%, without taking into account the capital flexibility measures introduced to combat the COVID-19 crisis, thus providing ample buffers above the regulatory minimums for 2020.

  - The Group's **liquidity** position has remained strong throughout the pandemic, with an LCR of 195% at year-end 2020 and available liquid assets of 35,048 million euros, sufficient to cover its debt maturities 1.6 times. Additionally, the amount borrowed under the ECB's TLTRO III facility at year-end is 22,919 million euros, after the drawing in the second quarter within the framework of the measures implemented by the ECB to mitigate the effects of the COVID-19 crisis.

  - The main impact on **business performance** in 2020 is seen in new consumer lending (–53.6% compared to 2019), due to the slowdown in economic activity since the onset of the pandemic. In mortgages, by contrast, after the initial impact of COVID-19, new lending has recovered, reaching record volumes in the third and fourth quarters, resulting in a 14.3% increase in mortgage lending compared to 2019. In the businesses segment, new loans with an ICO guarantee have pushed the stock of performing business loans up 17% compared to December 2019, thus increasing the amount of loans and advances to customers on the balance sheet by 3% in 2020.

    On the liabilities side, strict customer deposits have grown by 4,093 million euros (+3.4%). A growth in deposits has been seen both in businesses, which have deposited part of the cash drawn to cope with the effects of the pandemic, and in households, as the slowdown in economic activity and the uncertainty resulting from the crisis have encouraged saving. Off-balance-sheet products, meanwhile, have grown by 5.8% overall, supported by strong mutual fund performance once the impact of the strong market volatility resulting from COVID-19 in the first quarter had been overcome.

  - In relation to the Group's **strategic orientation and objectives**, on 27 March 2020, following the ECB's recommendations, Bankia's Board of Directors decided that, given the potential impact of the situation resulting from COVID-19, the bank should be exceptionally prudent in setting shareholder remuneration. Accordingly, the Board revised the capital distribution target set in the Group's 2018-2020 Strategic Plan, forgoing any extraordinary distribution for 2020.

- **Future impact of COVID-19**

Although the specific impact the ongoing health crisis and the government and financial institution support measures will have in future periods is difficult to foresee, the Group faces a number of risks relating to the future development of the pandemic that affect the banking sector as a whole. They include the possibility of a significant increase in non-performing loans, of a decrease in lending to individuals (mainly consumer loans), of increased fluctuation in the value of bank assets (including financial instruments measured at fair value and securities held for liquidity purposes), of an adverse impact on the cost of funding (especially in the event of credit rating downgrades) and of a decline in earnings as a result of the fall in production and consumption caused by the pandemic.

The Group is therefore monitoring its credit portfolios and the main risk indicators continuously to anticipate any impact the crisis may have on the quality of its assets, while pursuing efficiency and cost control as important management levers to mitigate the effects of the pandemic.

12. SIGNIFICANT EVENTS DURING 2020

Common draft terms of merger between CaixaBank and Bankia

On 18 September 2020, it was publicly announced by means of a report of Inside Information submitted to the CNMV that the Boards of Directors of Bankia, S.A. and CaixaBank, S.A. had drawn up and signed common draft terms for the merger by absorption of Bankia, S.A. into CaixaBank, S.A. (the "Draft Merger Terms").

The share exchange ratio proposed in the Draft Merger Terms, set based on the real value of the net assets of the two banks and after the pertinent reviews and valuations, is 0.6845 newly issued ordinary shares of CaixaBank, S.A. with a par value of one euro per share for each ordinary share of Bankia, S.A. with a par value of one euro per share, with no additional cash consideration whatsoever.

CaixaBank will issue new ordinary shares to be exchanged for the Bankia shares. Given the total number of outstanding shares of Bankia at the date of the Draft Merger Terms that could be tendered in the exchange (3,069,522,105 shares with a par value of one euro per share, less 31,963,300 own shares, which will continue to be held as treasury stock until the merger has been completed and so will not be exchanged), the maximum number of CaixaBank shares to be issued to execute the merger share swap is 2,079,209,002 ordinary shares of CaixaBank with a par value of one euro per share, which represents a total maximum nominal capital increase of 2,079,209,002 euros. The amount of the capital increase may decrease depending on Bankia's treasury stock and any Bankia shares held by CaixaBank at the time of the merger.

Given the agreed exchange ratio, CaixaBank shareholders will initially hold 74.2% of the new entity's shares and Bankia shareholders, 25.8%. CriteriaCaixa, an entity 100% controlled by Fundación Bancaria "la Caixa", will continue to be CaixaBank's reference shareholder, with approximately 30% of the shares, while the FROB will have a 16.1% interest.

José Ignacio Goirigolzarri will be the executive chairman of the new entity and Gonzalo Gortázar, its chief executive officer. The Board of Directors will be made up of 15 members, of which 60% will be independent. 33% of the directors will be women.

As a result of the merger:

- Annual cost synergies are expected to reach €770 million and additional annual revenue of approximately €290 million is expected to be generated.

- The target CET1 ratio for the combined bank will be set at between 11.0% and 11.5%, without taking the IFRS9 transitional adjustments into account, with a buffer of between 250 and 300 basis points over the SREP regulatory requirement.

- Earnings per share for Bankia shareholders are expected to increase by around 70% compared to the market estimates for 2022.

Once the requisite formalities were completed, the merger was approved by the Bankia, S.A. and CaixaBank, S.A. shareholders in their respective extraordinary general meetings held in December 2020.

The merger will be effective once the necessary regulatory approvals have been obtained and is expected to be completed in the first quarter of 2021.

Transfer of the depository business to Cecabank

On 29 May 2020, Bankia, S.A. reached an agreement with Cecabank, S.A. for the transfer of its depository business for collective investment schemes and pension funds. The fixed amount of the consideration to be received on the transaction date was set at 170 million euros, not including further amounts subject to meeting certain business targets. The effectiveness of the agreement was subject to compliance with certain conditions, such as obtaining the necessary regulatory approvals. Once the approvals were obtained, the sale was completed on 15 December 2020, generating a gain of 155 million euros.

Sale of the stake in Caser

On 23 January 2020, Bankia, S.A. entered into an agreement with Helvetia Schweizerische Versicherungsgesellschaft AG for the sale of Bankia's interest in Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. ("Caser"), which at 31 December 2019 was included in "Non-current assets and disposal groups classified as held for sale".

Once the necessary regulatory approvals had been obtained, the sale was completed on 25 June 2020. The sale generated a gain of 53 million euros, which is recorded in the consolidated income statement under "Gains or (-) losses on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations".

Shareholder remuneration

On 2 April 2020, pursuant to the resolutions passed by the shareholders at the general meeting held on 27 March 2020, Bankia paid a dividend out of 2019 profit in a total gross amount of 352 million euros (0.11576 euros per share), after deducting own shares, which do not earn dividends.

13. APPENDIX

COMPOSITION OF FIXED-INCOME PORTFOLIOS

(€ million and %)	Dec-20 (1)	Dec-19 (1)	Change Amount	Change %
ALCO Portfolio	24,643	23,441	1,202	5.1%
NON ALCO Portfolio	411	648	(237)	(36.6%)
SAREB Bonds	18,487	18,639	(152)	(0.8%)
Total Fixed Income Portfolio	**43,541**	**42,728**	**813**	**1.9%**

(1) Nominal values of the "fair value" and "amortised cost" portfolios

ALTERNATIVE PERFORMANCE MEASURES (APMs)

In addition to the financial information prepared in accordance with generally accepted accounting principles (IFRS), the Bankia Group uses certain alternative performance measures ("APMs") that are normally employed in the banking sector as indicators for monitoring the management of the Group's assets and liabilities and its financial and economic position. In compliance with the ESMA guidelines on transparency and investor protection in the European Union published in October 2015, the following tables give details of all the APMs used in this document, including their definition, their use and a reconciliation with the balance sheet and income statement line items used in their calculation.

1.- Activity and business

- **<u>Total customer funds on and off-balance-sheet</u>**

Definition: sum of customer deposits, senior and subordinated wholesale issues and resources managed off-balance-sheet.

Use: figure used as indicator of performance of the total volume of funds captured by the Group in the market.

Calculation: sum of the following items:

- Customer deposits on balance sheet
- Marketable debt securities included on balance sheet
- Mutual funds and pension funds managed and marketed by the Group without including SICAVS.

(€ million)			Dec-20	Dec-19
Sum	+	Customer Deposits	128,460	124,785
	+	Debt securities in issue	18,437	18,680
	+	Mutual funds without SICAVS	23,967	22,329
	+	Pension funds	8,616	8,474
=		**Total Customer Funds**	**179,479**	**174,267**

2.- Profitability and efficiency

- **<u>Net trading income (NTI)</u>**

Definition: sum of the gains or losses obtained from management of portfolios of financial assets and liabilities and accounting hedges, as they are recorded on the income statement.

Use: figure routinely used in the banking sector to monitor revenue performance in activities outside the standard banking business.

Calculation: sum of the gains or losses from the following income statement items:

- Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net.
- Gains or losses on financial assets and liabilities held for trading, net.
- Gains or losses on financial assets not held for trading that are mandatorily measured at fair value through profit or loss, net.
- Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net.
- Gains or losses from hedge accounting, net.

(€ million)			Dec-20	Dec-19
Sum	+	Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net.	154	289
	+	Gains or losses on financial assets and liabilities held for trading, net.	16	20
	+	Gains or losses on financial assets not held for trading that are mandatorily measured at fair value through profit or loss, net.	(0.5)	0.9
	+	Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net.	0	0
	+	Gains or losses from hedge accounting, net	(23)	(12)
=		**Net trading income (NTI)**	**147**	**298**

- **Pre-provision profit**

Definition: gross income on income statement less administrative expenses and depreciation and amortisation charges.

Use: parameter commonly used in banking sector to track the bank's operating performance without taking provisions for contingencies, credit risk and impairment of real estate assets and equity investments into account.

Calculation: aggregate amount of the following items on the income statement:

- Gross income
- Administrative expenses
- Depreciation and amortisation

(€ million)			Dec-20	Dec-19
	+	Gross income	3,088	3,245
Sum	+	Administrative Expenses	(1,585)	(1,616)
	+	Amortisations	(195)	(201)
=		**Pre-provision profit**	**1,308**	**1,428**

- **Core result**

Definition: profit or loss obtained by the Group from its core activity (net interest income plus fee and commission income), after deducting operating expenses (administrative expenses and depreciation and amortisation charges).

Use: used to relate operating costs to the generation of revenue from the bank's recurring business.

Calculation: aggregate amount of the following items on the income statement:

- Net interest income
- Net fee and commission income (fees and commissions received less fees and commissions paid)
- Administrative expenses
- Depreciation and amortisation

(€ million)			Dec-20	Dec-19
Sum	+	Net interest income	1,904	2,023
	+	Total net fees and commissions	1,213	1,081
	+	Administrative expenses	(1,585)	(1,616)
	+	Amortisations	(195)	(201)
=		**"Core" Result**	**1,336**	**1,287**

- **<u>Customer margin</u>**

Definition: difference between the average interest rate charged on loans and advances to customers and the average interest rate paid on customer deposits.

Use: metric routinely used in the banking business to measure the return earned by banks on standard operations with customers.

Calculation: the average interest rate on loans and advances to customers is the interest income from loans and advances to customers recognised in the period divided by the average month-end balance of loans and advances to customers in the period. The average interest rate paid on customer deposits is interest expenses on customer deposits recognised in the period divided by the average month-end balance of customer deposits in the period. If this metric is presented prior to year-end, the numerator of both quotients (interest income and expense) is annualised.

(€ million & %)			4Q 2020	3Q 2020
%	**A**	**Average interest rate on loans and advances to customers (b)/(c)**	**1.56%**	**1.53%**
	(a)	Interest income on loans and advances to customers	475	465
Numerator	(b)	Annualised interest income on loans and advances to customers	1,889	1,848
Denominator	(c)	Average month-end balance of loans and advances to customers	121,288	120,764
%	**B**	**Average interest rate paid on customer deposits (e)/(f)**	**0.08%**	**0.08%**
	(d)	Interest expenses on customer deposits	25	25
Numerator	(e)	Annualised interest expenses on customer deposits	98	99
Denominator	(f)	Average month-end balance of customer deposits	127,232	126,551
A-B =		**Customer margin (%)**	**1.48%**	**1.45%**

- **<u>Net interest income</u>**

Definition: difference between the Group's average return on assets and the average cost of liabilities and equity.

Use: metric commonly used by financial institutions to measure the return obtained on all their asset investments.

Calculation: the average interest rate on assets is the total interest income reported in the income statement divided by the average of the closing balance of total assets for each month of the reference period.

The average interest rate on liabilities and equity is the total interest expense reported in the income statement divided by the average of the closing balance of equity and liabilities for each month of the reference period. If this metric is presented prior to year-end, the numerator of both quotients (interest income and expense) is annualised.

(€ million & %)			4Q 2020	3Q 2020
%	**A**	**Average return on assets (b)/(c)**	**1.10%**	**1.09%**
	(a)	Total interest income	594	587
Numerator	(b)	Total annualised interest income	2,364	2,334
Denominator	(c)	Average month-end balances of assets	214,124	214,118
%	**B**	**Average cost of liabilities and equity (e)/(f)**	**0.19%**	**0.18%**
	(d)	Total interest expenses	101	98
Numerator	(e)	Total annualised interest expenses	400	391
Denominator	(f)	Average month-end balances of total equity and liabilities	214,124	214,118
A-B	**=**	**Interest margin (%)**	**0.91%**	**0.91%**

- <u>**ROA**</u>

Definition: measures the return on the bank's assets.

Use: metric routinely used, not just in the banking sector but in other sectors as well, to measure a bank's capacity to generate returns on the assets in which it has invested.

Calculation: the profit or loss for the period as reported in the income statement (numerator), divided by the average month-end balance of assets for each month in the reference period. If this metric is presented prior to year-end, the numerator is annualised.

(€ million & %)			Dec-20	Dec-19
Numerator	(a)	Profit/(loss) in the period	230	542
Denominator	(b)	Average month-end balance of assets	212,279	208,852
(a)/(b)	**=**	**ROA (%)**	**0.1%**	**0.3%**

(€ million & %)			Dec-20	Dec-19
		Profit/(loss) in the period	230	542
	+	COVID-19 provision net of taxes	354	-
	=	Attributable profit/(loss) pre COVID-19 provision	584	542
Numerator	(a)	Annualised attributable profit/(loss) pre COVID-19 provision	584	542
Denominator	(b)	Average month-end balance of assets	212,279	208,852
(a)/(b)	**=**	**ROA pre COVID-19 provision (%)**	**0.3%**	**0.3%**

- <u>**RORWA**</u>

Definition: measures the return obtained by the bank on its average risk-weighted assets.

Use: metric routinely used in the financial sector to measure the return obtained by the bank on its risk-weighted assets, which already embody a corrective factor as a function of the risk assumed by the bank in the different types of assets in which it invests.

Calculation: the profit or loss for the period divided by regulatory risk-weighted assets at the end of the period. If this metric is calculated prior to year-end, the numerator is annualised.

(€ million & %)			Dec-20	Dec-19
Numerator	(a)	Profit/(loss) in the period	230	542
Denominator	(b)	Regulatory risk-weighted assets	67,478	77,635
(a)/(b)	**=**	**RORWA (%)**	**0.3%**	**0.7%**

(€ million & %)			Dec-20	Dec-19
		Profit/(loss) in the period	230	542
	+	COVID-19 provision net of taxes	354	-
	=	Attributable profit/(loss) pre COVID-19 provision	584	542
Numerator	(a)	Annualised attributable profit/(loss) pre COVID-19 provision	584	542
Denominator	(b)	Regulatory risk-weighted assets	67,478	77,635
(a)/(b)	**=**	**RORWA pre COVID-19 provision (%)**	**0.9%**	**0.7%**

- **<u>ROE</u>**

Definition: measures the return on equity obtained by the bank.

Use: profit metric routinely used by banks and other businesses to measure the return obtained by a bank on its shareholders' funds.

Calculation: the attributable profit or loss of the controlling company divided by the average month-end equity of the 12 months preceding the period-end, adjusted for expected dividends for the period. If this metric is calculated prior to year-end, the numerator is annualised.

(€ million & %)			Dec-20 [1]	Dec-19
Numerator	(a)	Profit/(loss) in the period attributable to the parent entity	230	541
Denominator	(b)	Average equity	12,861	12,807
(a)/(b)	**=**	**ROE (%)**	**1.8%**	**4.2%**

(1) Dec-20 equity does not deduct any expected dividend payment against 2020 result

(€ million & %)			Dec-20 [1]	Dec-19
		Profit/(loss) in the period attributable to the parent entity	230	541
	+	COVID-19 provision net of taxes	354	-
	=	Attributable profit/(loss) pre COVID-19 provision	583	541
Numerator	(a)	Annualised attributable profit/(loss) pre COVID-19 provision	583	541
Denominator	(b)	Average equity pre COVID-19 provision	12,890	12,807
(a)/(b)	**=**	**ROE pre COVID-19 provision (%)**	**4.5%**	**4.2%**

(1) Dec-20 equity does not deduct any expected dividend payment against 2020 result

- **<u>ROTE</u>**

Definition: measures the return on equity obtained by the bank, excluding intangible assets.

Use: indicator used to measure the rate of return on a bank's tangible common equity.

Calculation: the attributable profit of the controlling company divided by the average value of equity less intangible assets for the 12 months preceding the period-end, adjusted for expected dividends. If this metric is calculated prior to year-end, the numerator is annualised.

(€ million & %)			Dec-20 (1)	Dec-19
Numerador	(a)	Profit/(loss) in the period attributable to the parent entity	230	541
Denominator	(b)	Average tangible equity	12,395	12,454
(a)/(b)	**=**	**ROTE (%)**	**1.9%**	**4.3%**

(1) Dec-20 equity does not deduct any expected dividend payment against 2020 result

(€ million & %)			Dec-20 (1)	Dec-19
		Profit/(loss) in the period attributable to the parent entity	230	541
	+	COVID-19 provision net of taxes	354	-
	=	Attributable profit/(loss) pre COVID-19 provision	583	541
Numerator	(a)	Annualised attributable profit/(loss) pre COVID-19 provision	583	541
Denominator	(b)	Average tangible equity pre COVID-19 provision	12,424	12,454
(a)/(b)	**=**	**ROTE pre COVID-19 provision (%)**	**4.7%**	**4.3%**

(1) Dec-20 equity does not deduct any expected dividend payment against 2020 result

- **Efficiency ratio**

Definition: measures the operating expenses incurred by the bank as a percentage of its gross income.

Use: a metric commonly used in the banking sector to relate costs to revenue.

Calculation: operating expenses (administrative expenses + depreciation and amortisation charges) divided by gross income for the period, both as recognised in the income statement.

(€ million & %)			Dec-20	Dec-19
Numerator	(a)	Operating expenses	1,781	1,817
		Administrative expenses	1,585	1,616
		Amortisation	195	201
Denominator	(b)	Gross Income	3,088	3,245
(a)/(b)	**=**	**Cost to income (%)**	**57.7%**	**56.0%**

3.- Risk management

- **Cost of risk**

Definition: measures the bank's provisions for non-performing loans as a percentage of total credit and contingent risks.

Use: metric used to monitor the cost of loan loss provisions in relation to the bank's loan portfolio as a whole.

Calculation: sum of impairment losses on financial assets and provisions for contingent risks included under "Provisions (net)" on the income statement, divided by average gross loans and advances to customers (before provisions) and contingent risks in the period. Impairment losses on financial assets are measured net of movements in impairment losses on fixed-income instruments. If this metric is calculated prior to year-end, the numerator is annualised. When calculating the ordinary cost of risk, total impairment losses are calculated net of non-recurring extraordinary provisions.

(€ million & %)			Dec-20	Dec-19
Numerator	**A**	**Total impairment for calculation of cost of risk (a)+(b)+(c)+(d)**	**519**	**389**
	(a)	Impairment losses on financial assets (net)	1,044	463
	(b)	(-) Impairment of fixed-income instruments	(9)	(2)
	(c)	(+) Provisions/release of provisions for contingent risks	(26)	(72)
	(d)	(-) COVID-19 extraordinary provisions	(490)	-
Denominator	**B**	**Total average credit and contingent risk in the period (e) + (f)**	**130,835**	**129,267**
	(e)	Average gross value of loans and advances to customers in the period	121,940	120,719
	(f)	Average gross value of contingent risks in the period	8,895	8,547
A/B	**=**	**Ordinary Cost of risk (%)**	**0.40%**	**0.30%**

(€ million & %)			Dec-20	Dec-19
Numerator	**A**	**Total impairment for calculation of cost of risk (a)+(b)+(c)**	**1,009**	**389**
	(a)	Impairment losses on financial assets (net)	1,044	463
	(b)	(-) Impairment of fixed-income instruments	(9)	(2)
	(c)	(+) Provisions/release of provisions for contingent risks	(26)	(72)
Denominator	**B**	**Total average credit and contingent risk in the period (e) + (f)**	**130,835**	**129,267**
	(e)	Average gross value of loans and advances to customers in the period	121,940	120,719
	(f)	Average gross value of contingent risks in the period	8,895	8,547
A/B	**=**	**Total Cost of risk (%)**	**0.77%**	**0.30%**

- **Total impairments as a percentage of total NPAs**

Definition: loan loss provisions and impairment losses on foreclosed assets as a percentage of the bank's total loans, contingent risks and foreclosed assets.

Use: metric used to monitor the cost of provisions for non-performing loans and foreclosed assets as a percentage of the bank's total loans and foreclosed assets.

Calculation: Sum of impairment losses on financial assets, provisions for contingent liabilities and impairment losses on foreclosed assets, divided by average loans and advances to customers (before provisions), contingent liabilities and foreclosed assets for the period. Impairment losses are calculated net of any changes in impairment losses on fixed-income instruments. If this metric is calculated prior to year-end, the numerator is annualised. To calculate the ratio of total write-offs to ordinary NPAs, total impairment losses are calculated net of non-recurring extraordinary provisions.

(€ million & %)			Dec-20	Dec-19
Numerator	**A**	**Total impairments (a)+(b)+(c)+(d)+(e)+(f)**	**642**	**590**
	(a)	Impairment losses on financial assets (net)	1,044	463
	(b)	(-) COVID-19 extraordinary provisions on financial assets	(490)	-
	(c)	(-) Impairment of fixed-income instruments	(9)	(2)
	(d)	(+) Provisions/release of provisions for contingent risks	(26)	(72)
	(e)	(+) Impairments on foreclosed assets	139	201
	(f)	(-) COVID-19 extraordinary provisions on foreclosed assets	(15)	-
Denominator	**B**	**Total Average of credit, contingent risk and foreclosed asset (g)+(h)+(i)**	**132,742**	**131,635**
	(g)	Average of Loans and advances to customers	121,940	120,719
	(h)	Average Contingent risks	8,895	8,547
	(i)	Average of foreclosed assets in the period [1]	1,907	2,368
A/B	**=**	**Total ordinary impairments on NPAs (%)**	**0.48%**	**0.45%**

(1) Data is calculated assuming the disposals of assets signed pending formalitation in each period

(€ million & %)			Dec-20	Dec-19
Numerator	**A**	**Total impairment for calculation of cost of risk (a)+(b)+(c)+(d)**	**1,147**	**590**
	(a)	Impairment losses on financial assets (net)	1,044	463
	(b)	(-) Impairment of fixed-income instruments	(9)	(2)
	(c)	(+) Provisions/release of provisions for contingent risks	(26)	(72)
	(d)	(+) Impairments on foreclosed assets	139	201
Denominator	**B**	**Total Average of credit, contingent risk and foreclosed asset (f)+(g)+(h)**	**132,742**	**131,635**
	(e)	Average of Loans and advances to customers	121,940	120,719
	(f)	Average Contingent risks	8,895	8,547
	(g)	Average of foreclosed assets in the period (1)	1,907	2,368
A/B	**=**	**Total impairments on NPAs (%)**	**0.86%**	**0.45%**

(1) Data is calculated assuming the disposals of assets signed pending formalitation in each period

- **NPL ratio**

Definition: relationship between the Group's risks classified as non-performing and the total balance of customer credit risk and contingent risks. The balance of this metric includes amounts of minor significance with credit institutions and fixed-income positions.

Use: one of the main indicators used by banks to track the state and evolution of their credit risk.

Calculation: the Group's non-performing loans divided by total risk-bearing assets, the greater part of which are concentrated in loans and advances to customers.

(€ million & %)			Dec-20	Dec-19
Numerator	**A**	**Non-performing loans and contingent liabilities (NPEs) (a)+(b)+(c)**	**6,213**	**6,465**
	(a)	Non-performing Loans and advances to customers	5,709	5,853
	(b)	Contingent risks	492	600
	(c)	Credit institutions and fixed income	12	13
Denominator	**B**	**Total credit and contingent risk (d)+(e)+(f)**	**132,221**	**128,156**
	(d)	Total Loans and advances to customers	123,012	119,440
	(e)	Total Contingent risks	9,197	8,703
	(f)	Credit institutions and fixed income	12	13
A/B	**=**	**Total NPL ratio (%)**	**4.7%**	**5.0%**

- **NPL coverage ratio**

Definition: reflects the degree to which the impairment of doubtful loans is covered, for accounting purposes, by loan loss provisions.

Use: indicator routinely used in the banking industry to monitor provision coverage of non-performing loans.

Calculation: the Group's allowances for loan losses divided by non-performing loans. Allowances for loan losses include the provisions set aside by the Group to cover non-performing loans. Non-performing loans include both non-performing loans and advances to customers and non-performing contingent risks, receivables from credit institutions and receivables from fixed-income securities.

(€ million & %)			Dec-20	Dec-19
Numerator	(a)	Impairments of loans and contingent liabilities	3,613	3,491
Denominator	(b)	Non-performing loans and contingent liabilities (NPEs)	6,213	6,465
(a)/(b)	**=**	**NPL coverage ratio (%)**	**58.2%**	**54.0%**

- **Gross NPA ratio**

Definition: the sum of the Group's gross non-performing loans and foreclosed assets as a percentage of its total loans and advances to customers, contingent liabilities and foreclosed assets.

Use: an indicator used by banks to track the state and evolution of the risks associated with their non-performing assets.

Calculation: gross book amount (before provisions) of non-performing loans and advances to customers, contingent liabilities (NPEs) and foreclosed assets (gross NPAs) as a percentage of total gross loans and advances to customers (before provisions), contingent liabilities (before provisions) and gross foreclosed assets (before impairment losses).

(€ million & %)			Dec-20	Dec-19
Numerator	**A**	**Gross NPAs (a)+(b)**	**8,293**	**8,350**
	(a)	Non-performing loans and contingent liabilities (NPEs)	6,213	6,465
	(b)	Gross foreclosed assets (1)(2)	2,079	1,884
Denominator	**B**	**Total credit and contingent risk and foreclosed assets (c)+(d)**	**134,300**	**130,041**
	(c)	Total credit and contingent risk	132,221	128,156
	(d)	Gross foreclosed assets (1)(2)	2,079	1,884
A/B	**=**	**Gross NPA ratio (%)**	**6.2%**	**6.4%**

(1) Data is calculated assuming the disposals of assets signed in 2019 pending formalitation in each period

(2) Dec-20 includes real estate assets that were in the process of being sold and whose disposal is no longer expected to take place.

- **Net NPA ratio**

Definition: the sum of the Group's non-performing loans and foreclosed assets net of provisions as a percentage of its total loans and advances to customers, contingent liabilities and foreclosed assets.

Use: an indicator used by banks to track the state and evolution of the risks associated with their non-performing assets.

Calculation: net book amount (after provisions and impairment losses) of non-performing loans and advances to customers, contingent liabilities and foreclosed assets (net NPAs) as a percentage of total gross loans and advances to customers (before provisions), contingent liabilities (before provisions) and gross foreclosed assets (before impairment losses).

(€ million & %)			Dec-20	Dec-19
Numerator	**A**	**Net NPAs (a)+(b)+(c)+(d)**	**4,004**	**4,282**
	(a)	Non-performing loans and contingent liabilities (NPEs)	6,213	6,465
	(b)	Gross foreclosed assets (1)(2)	2,079	1,884
	(c)	Impairments of loans and contingent liabilities	(3,613)	(3,491)
	(d)	Impairments of foreclosed assets	(675)	(577)
Denominator	**B**	**Total credit and contingent risk and foreclosed assets (e)+(f)**	**134,300**	**130,041**
	(e)	Total credit and contingent risk	132,221	128,156
	(f)	Gross foreclosed assets (1)(2)	2,079	1,884
A/B	**=**	**Net NPAs ratio (%)**	**2.98%**	**3.29%**

(1) Data is calculated assuming the disposals of assets signed in 2019 pending formalitation in each period

(2) Dec-20 includes real estate assets that were in the process of being sold and whose disposal is no longer expected to take place.

- **NPA coverage ratio**

Definition: measures the extent to which impairment losses on non-performing assets and foreclosed assets are covered by provisions.

Use: indicator routinely used by banks to monitor the provision coverage of their non-performing assets.

Calculation: book amount of impairment allowances for loans and advances to customers, contingent liabilities and foreclosed assets as a percentage of the gross book amount of non-performing loans and advances to customers, contingent liabilities (NPEs) and foreclosed assets.

(€ million & %)				Dec-20	Dec-19
Numerator	**A**		**Impairments of NPAs (a)+(b)**	**4,288**	**4,068**
	(a)		Impairments of loans and contingent liabilities	3,613	3,491
	(b)		Impairments of foreclosed assets	675	577
Denominator	**B**		**Gross NPAs (c)+(d)**	**8,293**	**8,350**
	(c)		Non-performing loans and contingent liabilities (NPEs)	6,213	6,465
	(d)		Gross foreclosed assets [(1)(2)]	2,079	1,884
A/B	**=**		**NPAs´ coverage (%)**	**51.7%**	**48.7%**

(1) Data is calculated assuming the disposals of assets signed in 2019 pending formalitation in each period

(2) Dec-20 includes real estate assets that were in the process of being sold and whose disposal is no longer expected to take place.

4.- Liquidity

- **Loan-to-deposit (LTD) ratio**

Definition: metric that reflects the relationship between loans granted to customers and deposits taken from customers.

Use: indicator routinely used by financial institutions to show the degree to which customer deposits are funded by loans to customers.

Calculation: net loans and advances to customers on the balance sheet, divided by customer deposits on the balance sheet plus funds raised through second-floor loans received from the EIB and ICO. Loans and advances to customers on the balance sheet are calculated net of reverse repos and customer deposits on balance sheet are calculated net of repos.

(€ million & %)			Dec-20	Dec-19
Numerator	**A**	**Net Loans and advances to customers (a)+(b)+(c)**	**120,826**	**117,429**
	(a)	Net Loans and advances to customers (non held for trading)	11	11
	(b)	Net Loans and advances to customers (Financial assets at amortised cost)	120,994	117,433
	(c)	Reverse repo transactions	(180)	(15)
Denominator	**B**	**Total deposits (d)+(e)+(f)**	**132,365**	**129,036**
	(d)	Customer deposits	128,460	124,785
	(e)	Repo transactions	(36)	(36)
	(f)	ICO/EIB deposits	3,942	4,287
A/B	**=**	**LTD ratio (%)**	**91.3%**	**91.0%**

5.- Share information

- **Market capitalisation**

Definition: economic metric that indicates the total value of all shares of a publicly traded company or financial institution.

Use: indicator that reflects the bank's equity value in the market and that, unlike the bank's book value, fluctuates with the supply and demand for the bank's shares in the market.

Calculation: the number of shares multiplied by the share price at period-end.

(€ million)			Dec-20	Dec-19
		(a) Shares outstanding at period-end (million)	3,070	3,070
		(b) Share price at period-end (euros)	1.45	1.90
(a)*(b)	**=**	**Market capitalisation (€ million)**	**4,448**	**5,840**

- **Earnings per share**

Definition: the part of profit attributable to each of a company or financial institution's shares.

Use: earnings per share is one of the metrics mostly commonly used in the financial and business sector to measure the return obtained by the shareholders of a company or financial institution.

Calculation: profit or loss attributable to the parent company, divided by the number of shares outstanding at period-end. If this metric is calculated prior to year-end, the numerator is annualised.

			Dec-20	Dec-19
Numerator		(a) Profit/(loss) attributable to the Group (€ million)	230	541
Denominator		(b) Shares outstanding at period-end (million)	3,070	3,070
(a)/(b)	**=**	**Earnings per share (€)**	**0.07**	**0.18**

- **Tangible book value per share**

Definition: the book value of the company per share issued, minus intangible assets.

Use: indicator used to measure the book value of a company per share issued, after discounting the company's intangible assets. This ratio is commonly used not only in the banking sector but in other industries as well.

Calculation: the Group's equity, after deducting intangible assets, divided by the number of shares outstanding at period-end.

			Dec-20	Dec-19
Numerator		**A Total Equity less intangible assets(€ million) (a)+(b)**	**12,575**	**12,934**
		(a) Total Equity (€ million)	13,080	13,335
		(b) Intangible assets (€ million)	(505)	(401)
Denominator		**B Shares outstanding at period-end (million)**	**3,070**	**3,070**
(A)/(B)	**=**	**Tangible book value per share (€)**	**4.10**	**4.21**

- **P/E ratio**

Definition: measures the price per share as a multiple of the earnings per share.

Use: indicator used to measure the relationship between the market price of a listed company and its total profits.

Calculation: share price at period-end divided by earnings per share in the period.

			Dec-20	Dec-19
Numerator		(a) Closing price at the end of period (€)	1.45	1.90
Denominator		(b) Earnings per share (€)	0.07	0.18
(a)/(b)	**=**	**P/E ratio**	**19.35x**	**10.79x**

- **Price to tangible book value**

Definition: ratio comparing the bank's share price to its tangible book value.

Use: measures the relationship between the market price of a listed company and its book value.

Calculation: share price at period-end divided by tangible book value per share in the period.

			Dec-20	Dec-19
		(a) Closing price at the end of period (€)	1.45	1.90
		(b) Tangible book value per share (€)	4.10	4.21
(a)/(b)	**=**	**PTBV (x)**	**0.35x**	**0.45x**

INFORMATION RELATING TO THE ISSUE OF CONTINGENT CONVERTIBLE BONDS (AT1)

(%)	**Bankia (1)** **31-Dec-2020**
Common equity Tier I (CET1) (Group) BIS III Phase In (incl. FV unrealised gains) (2)	16.66%
Common equity Tier I (CET1) (Group) BIS III Fully Loaded (incl. FV unrealised gains) (2)	15.48%
Common equity Tier I (CET1) (Individual) BIS III Phase In (incl. FV unrealised gains) (2)	15.85%
Common equity Tier I (CET1) (Individual) BIS III Fully Loaded (incl. FV unrealised gains) (2)	14.67%
Total capital ratio (Group) BIS III Phase In (incl. FV unrealised gains) (2)	21.35%
Total capital ratio (Group) BIS III Fully Loaded (incl. FV unrealised gains) (2)	20.17%
Solvency	
(€mn)	
Available distributable items (Individual) (3)	8,879

(1) Solvency ratios include the result that is expected to be allocated to reserves
(2) Unrealised gains on the fair value sovereign (FV) portfolio
(3) Solvency ratios include the result attributable to the Group in the period and do not contemplate any dividend payment in 2020

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