

# Earnings Report

**January-June 2015**

**27 July 2015**

**Bankia**

**Bankia**

LET'S KEEP WORKING

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**Note:** As a result of the application of IFRIC 21 on accounting for levies and NIC 8, the distribution of the quarterly results for 2014 previously reported has been re-expressed, without any impact on the aggregate result for financial year 2014. The historical financial information for 2014 affected by said re-expression has therefore been re-estimated.

# HIGHLIGHTS OF THE PERIOD

**The Group increases its attributable profit by 11.5% compared to the first half of 2014, as a result of efficiency improvements and cost of risk control.**

- Gross income in the first half of the year stands at €2,029 million, slightly above the figure registered in the first half of 2014 (€2,027 million). Gross income improves by 4.6% quarter on quarter.
- Operating expenses are down 3.8% compared to 1H14, continuing the downward trend of recent quarters. The cost-to-income ratio stands at 41.5% at the end of the first half of 2015.
- Pre-provision profit in 1H15 increases 3.1% year-on-year, as a result of the stability of the core banking business and the good performance of expenses. The performance in the second quarter of 2015 compared to the first quarter (+8.6%) is also positive.
- The cost of risk falls to 53 bps in the semester, 13 bps less year-on-year. This improvement is a result of a 28.3% reduction in provisions and impairment charges during the previous twelve months, leading to €430 million in the semester.
- As a result of the increase in net operating income and the containment of provisions, attributable profit increases 11.5% compared to 1H 2014.

**Increase in new lending and new customer funds grow at a good rate**

- Bankia Group grants new loans totalling €8,021 million in 1H15, an increase of 49.0% compared to the first semester 2014 and 2.5% compared to the second semester 2014.
- Increase in customer funds under management during the first half of the year, highlighting an important increase in demand deposits and the positive performance of off-balance-sheet customer funds (+€1,179 million). The market share of securities mutual funds increases to 5.27% at the end of June (+29 bps vs. year-end 2014).
- The Group has continued to execute its divestment plan of non-strategic assets, having sold credit portfolios worth €684 million and completed around 60 divestment transactions in 1H15.

**Further reduction in NPLs, increase in NPL coverage and strong capital generation capacity.**

- NPLs decrease by €1,239 million in 1H15, and the NPL ratio stands at 12.2% at the end of June 2015. Over the same period the NPL coverage ratio increases to 60.6%, up 3.0 p.p. compared to the end of 2014.
- The commercial gap decreases by €1,243 million in the semester (-9.1%), driving the loan-to-deposit (LTD) ratio down to 104.9% (-0.6 p.p. vs. December 2014).
- The CET 1 BIS III Phase in ratio stands at 12.77% (+49 bps of capital generation in the semester) and the CET 1 BIS III Fully Loaded ratio, at 11.31% (+71 bps of capital generation in the semester).

## 1. RELEVANT DATA

	Jun-15	Dec-14	Change
<b>Balance sheet (€ million)</b>			
Total assets	219,493	233,649	(6.1%)
Loans and advances to customers (net)	112,117	112,691	(0.5%)
Loans and advances to customers (gross)	121,004	121,769	(0.6%)
Loans and advances to the resident private sector (gross)	95,708	96,550	(0.9%)
Secured loans and advances (gross)	71,714	74,075	(3.2%)
On-balance-sheet customer funds	130,094	131,200	(0.8%)
Customer deposits and clearing houses	105,940	106,807	(0.8%)
Borrowings, marketable securities	23,134	23,350	(0.9%)
Subordinated liabilities	1,019	1,043	(2.4%)
Total managed customer funds	152,315	152,242	0.0%
Equity	11,682	11,331	3.1%
Common Equity Tier I - BIS III Phase In	11,179	10,874	2.8%
<b>Capital adequacy (%)</b>			
Common Equity Tier I - BIS III Phase In	12.77%	12.28%	+49 p.b.
Total capital ratio - BIS III Phase In	14.33%	13.82%	+51 p.b.
CET 1 Fully Loaded	11.31%	10.60%	+71 p.b.
<b>Risk management (€ million and %)</b>			
Total risk	127,255	128,584	(1.0%)
Non performing loans	15,308	16,547	(7.5%)
NPL provisions	9,271	9,527	(2.7%)
NPL ratio <sup>(1)</sup>	12.2%	12.9%	(0.7) p.p.
NPL coverage ratio	60.6%	57.6%	+3.0 p.p.
<b>Results (€ million)</b>			
Net interest income	1,388	1,427	(2.8%)
Gross income <sup>(2)</sup>	2,029	2,027	0.1%
Operating income before provisions <sup>(2)</sup>	1,186	1,151	3.1%
Profit/(loss) attributable to the Group <sup>(2)</sup>	556	498	11.5%
<b>Key ratios (%)</b>			
Cost to Income ratio	41.5%	43.2%	(1.7) p.p.
R.O.A. (Profit after tax / Average total assets) <sup>(3)</sup>	0.5%	0.3%	+0.2 p.p.
R.O.E. (Profit attributable to the group / Equity) <sup>(4)</sup>	9.8%	7.9%	+1.9 p.p.
<b>Bankia share</b>			
Number of shareholders	453,635	457,377	(0.8%)
Number of shares in issue (million)	11,517	11,517	0.0%
Closing price (end of period)	1.138	1.238	(8.1%)
Market capitalisation (€ million)	13,107	14,258	(8.1%)
Earnings per share <sup>(5)</sup>	0.10	0.08	31.3%
<b>Additional information</b>			
Number of branches	1,978	1,978	0.0%
Number of employees <sup>(6)</sup>	14,099	14,382	(2.0%)

(1) Excludes the Repo transactions with BFA reclassified as loans to customers since January 2015 (1,300 million euro in Jun 15)

(2) Due to the application of IFRIC 21, in 2015 the recognition of the contribution to the Deposit Guarantee Fund (FGD) will be reflected in the profit and loss account as a single payment at the year end rather than being accrued during the accounting year.

(3) Annualized profit after tax / average total assets

(4) Annualized attributable profit / average equity.

(5) Annualized attributable profit / number of shares

(6) Number of employees involved in financial activities in Spain and abroad

## 2. ECONOMIC AND FINANCIAL ENVIRONMENT

The world economy lost some of its momentum in the first half of the year. The confluence of factors that generate asymmetric shocks – including the fall in the oil price, the sharp adjustments between the main currencies (appreciation of the dollar) and the monetary policies divergences (expansionary in EMU and Japan, as opposed to expectations of interest rate rises in the United States) – has not translated into increased global growth but has helped to reduce regional growth differentials. The acceleration in the EMU has been the main positive surprise, partly offsetting the disappointing performance of the United States – which suffered a bump in the first quarter, now already overcome – and most of the large emerging economies, more worrisome given its structural nature.

With regard to the main risks, the news is mixed. On the one hand, the stabilisation of crude oil prices has deactivated the threat of deflation. In most of the main economies, inflation is increasing, although it is still too low close to zero in the United States and the EMU. This change in inflation expectations has led to a sharp rise in the yields on government debt, which were showing clear signs of overvaluation. On the other hand, the financial crisis in Greece has taken a qualitative leap (to the point where it was feared Greece might leave the EMU), prompting an exit of investors from risk-bearing assets. The expiry of the second rescue programme without Greece having achieved an agreement with its creditors translated into a defaulted payment to the IMF, the imposition of capital controls and the closure of banks. In the end, the agreement with the EMU to negotiate a third financial assistance programme has reduced the likelihood of the most adverse scenario in the short and medium term.

In Spain, the expansionary trend was consolidated in the first half of 2015, so that in 2Q15 GDP grew at around 1%, the highest rate since 2007.

This growth dynamic was supported mainly by the vigour of domestic demand, both investment by companies - thanks to the improvement in expectations, financing conditions and profits - and household spending, driven by the improvement in disposable income, in a context of strong job creation (employment figures are at their highest level since the end of 2011). Meanwhile, the trade balance continues to improve, thanks to the strength of exports and the fall in energy prices.

In the banking system, the trends that began in 2014 have become stronger, assisted by the improved economic situation. The necessary reduction of the stock of loans continues, though more slowly, partly thanks to new lending, which has increased across all segments. Despite slight oscillations, deposits hold steady, resulting in the loan-to-deposit ratio falling to more sustainable levels, while mutual funds continue to increase. Despite the credit contraction, the decline in non-performing loans (NPLs) continues to help improve the NPL ratio, which has left behind its peak in 2013, while capital adequacy has strengthened. The profitability of the recurrent banking business continues to be one of the main challenges in today's competitive environment in the short term. Meanwhile, on 18 June the Spanish government passed Law 11/2015 on the recovery and resolution of credit institutions and investment firms, which transposes the EU Directive on bank restructuring and resolution into Spanish law, marking another crucial step towards banking union.

### 3. SUMMARY OF RESULTS

#### 3.1 Attributable profit increases 11.5% compared to 1H14, with a positive performance in costs and provisions

- In the first half of 2015 the Bankia Group has obtained **attributable profit** of €556 million, an **increase of 11.5%** compared to the same period of 2014.
- **One of the highlights of the semester is the positive performance shown by operating expenses and provisions.** Their reduction has contributed significantly to the growth of attributable profit in the first half of 2015. In the current low interest rate scenario, Bankia continues to regard cost management as one of the key aspects to protect its profitability.
- The Group's **net interest income** has totalled €1,388 million, mainly from lending to the resident private sector, a slight decrease of €39 million (-2.8%) year-on-year, but a good quarterly performance during 2015 (net interest income has increased 0.2% quarter-on-quarter).

In a market context in which the Euribor has again dropped to record low levels, the Group's net interest income has performed remarkably well. The reduction in the costs of liabilities has been the factor that has offset the lower revenues from loan portfolios and fixed-income securities, due to the abovementioned Euribor performance.

- The costs of liabilities have continued their downward trend during the first six months of the year. Thus, the average interest rate on new term deposits in the second quarter of 2015 has been an average 0.37%, 73 basis points less than at the end of the first half of 2014.

Meanwhile the deposits back book rate stands at 1.14%, compared to 1.58% in 4Q 2014. As a result, the customer margin at the end of the second quarter of 2015 stands at 1.44%, up 44 bps year-on-year and up 3 bps on 4Q 2014.

- **Net fee and commission income** contribute €481 million to the Group's income statement, representing an increase of €13 million (+2.9%) compared to the first half of 2014. It's worth noting the good performance of fees and commissions generated from the management and sale of insurance and mutual funds.
- The contribution of **net trading income (NTI)** to the consolidated income statement has increased, reaching a total of €151 million at the end of June 2015, compared to €74 million in the first half of the previous year. The Group has taken advantage of the volatility of the fixed-income market in the first six months of the year to rotate its portfolios, realising gains and seizing reinvestment opportunities.
- In the first half of 2015, **income from equity-accounted investments** has totalled €17 million, in line (-€1 million) with this item's contribution to results in the first half of 2015.
- The Bankia Group's **gross income** is €2,029 million, in line with the figure reported in the first half of 2014 (€2,027 million). It's worth noting that the largest contributor to gross income is the core banking business via net interest income and fee and commission income, which together account for slightly more than 92% of total gross income for the first half or the year.
- The continued decline in operating expenses, despite the fact that the Group's restructuring process has concluded, is one of the highlights of the income statement during the first half of the year. The Group's operating expenses totalled €843 million, 3.8% less than in 1H14. This cost containment has been achieved on all fronts. Staff costs, for instance, stand at €495 million, down 2.2% compared to the first half of 2014, while general expenses total €279 million, down 3.4% year-on-year. At the end of 1H15, depreciation and amortisation expense, meanwhile, is down €12 million (-14.6%) to a total of €69 million.

- As a result of the stability of the core banking business and the good cost performance, **pre-provision profit** is up 3.1% compared to 1H14.
- The **total amount of provisions and write-downs**, which includes impairment losses on financial assets, non-financial assets, foreclosed assets and other net provisions, shows **a very positive performance** during the first half of the year. The total amount at the end of the 1H15 has been €430 million, a **decrease** of 28.3% compared to 1H14, due to the improvement in the quality of the Group's assets and reinforced recovery management. At June 2015, the cost of risk is 0.51%, significantly better (-12 basis points) than at the end of 2014.
- During the first half of the year the Group has continued to divest non-strategic assets, most notably through the portfolio sales completed in May and June, which have allowed for a reduction of €317 million in the balance of non-performing loans.

In total, the Group has sold credit portfolios totalling €485 million, which are additional to €199 million of write-offs.

Additionally, the Group has completed the sale of around 60 equity holdings, generating total liquidity of €396 million.

### 3.2 Growth of consumer finance and lending to businesses, and increase in new retail customer funds

- Net loans and advances to customers stands at €112,117 million, compared to €112,691 million at 31 December 2014, a decrease of €575 million (-0.5%) in the first six months of the year. This decrease would have been €1,875 million if the balances with BFA would have been excluded.

The highlights of the semester are the growth in personal guarantee loans (+3.3%) and commercial loans (+12.8%), which include new loans to businesses, consumer finance and loans to the self-employed. In contrast, there is a decrease in

loans with collateral (-3.2%), which includes mainly home mortgage loans, and non-earning assets (non-performing loans are down 17.2%, driven by the sale of non-performing loan portfolios). This lending performance reflects the Bank's strategy, aimed at reducing the non-performing loans and boosting new lending to key segments such as consumer finance, SMEs and mid-sized corporates.

During the first six months of the year the Bankia Group has continued to intensify its commercial effort. Thus, new lending is up 49.0% compared to 1H14, reaching a total of €8,021 million euros in 1H15.

The performance is especially strong in the consumer finance segments, where new lending is up 38.4% in the last twelve months, and in new loans to businesses, which are up 56.8%.

This strong performance of new lending is reflected in these products' market share: consumer finance increases 45 basis points from 3.72% in June 2014 to 4.17% in May 2015, while lending to businesses stands at 5.80% in May 2015, up 7 bps with respect to June 2014.

- As regards **retail funds**, strict customer deposits show an increase of €120 million (+0.1%) with respect to the year ended December 2014, reaching a total of €95,045 million at the end of June 2015. In the first six months of the year there has been a transfer of funds from term deposits to demand deposits. At the same time, the Group's off-balance-sheet customer funds under management have increased by €1,179 million (+5.6%) compared to December 2014, particularly mutual funds, which have grown €1,776 million (+17.1%) since the start of the current year, continuing the upward trend seen last year.

### 3.3 Further improvement in credit quality, liquidity and solvency indicators

- At the end of June 2015, the **commercial gap** stands at €12,413 million, a decrease of 9.1% with respect to December 2014. At the end of the first

half of the year, the loan-to-deposit (LTD) ratio is 104.9%, 60 basis points lower than in December 2014.

- In the first half of 2015, **total non-performing loans** stands at €15,308 million, down €1,239 million on December 2014. This positive performance is a result of the efforts made in the management of NPL monitoring and recovery, and the selection process and sale of NPL portfolios that began in 2013. As a result of the decrease in the NPL portfolio, the **NPL ratio** has fallen to 12.2%, down 0.7 p.p. compared to December 2014.

Meanwhile, the **NPL coverage ratio**, stands at 60.6%, 3 basis points higher than in December 2014, as a result of the decrease in NPLs and the Group's prudent approach to provisioning.

- As regards solvency, the Bankia Group achieved a CET1 BIS III Phase In ratio of 12.77%, consolidating the positive trend of previous quarters and thereby evidencing the Group's strong solvency and its capacity to generate capital organically quarter after quarter.

In the first six months of the year the Bankia Group has managed to accumulate CET1 Phase In capital totalling €472 million (+49 bps), through organic income growth (+45 bps) and through balance sheet deleveraging and the improvement in the portfolios' credit quality (+15 bps). This increase has helped to absorb the adverse impact of the Basel III capital rules Phase In calendar (-11 bps). The Group's solvency ratios also discount a potential Group dividend, calculated on the basis of a payout ratio of 27% (€150 million), and considering the provisions of Decision (EU) 2015/656 of the European Central Bank of 4 February 2015.



## 4. INCOME STATEMENT

### INCOME STATEMENT FOR THE HALF-YEAR

(€ million)	1H 2015 <sup>(1)</sup>	1H 2014 <sup>(1)</sup>	Change	
			Amount	%
<b>Net interest income</b>	<b>1,388</b>	<b>1,427</b>	<b>(39)</b>	<b>(2.8%)</b>
Dividends	5	3	2	64.0%
Share of profit/(loss) of companies accounted for using the equity method	17	18	(1)	(3.5%)
Total net fees and commissions	481	468	13	2.9%
Gains/(losses) on financial assets and liabilities	151	74	77	103.2%
Exchange differences	11	21	(9)	(44.7%)
Other operating income/(expense)	(24)	16	(40)	(245.9%)
<b>Gross income</b>	<b>2,029</b>	<b>2,027</b>	<b>2</b>	<b>0.1%</b>
Administrative expenses	(774)	(795)	21	(2.7%)
Staff costs	(495)	(506)	11	(2.2%)
General expenses	(279)	(289)	10	(3.4%)
Depreciation and amortisation	(69)	(81)	12	(14.6%)
<b>Operating income before provisions</b>	<b>1,186</b>	<b>1,151</b>	<b>35</b>	<b>3.1%</b>
Provisions	(322)	(455)	133	(29.2%)
Provisions (net)	35	65	(30)	(46.4%)
Impairment losses on financial assets (net)	(357)	(520)	163	(31.4%)
<b>Operating profit/(loss)</b>	<b>864</b>	<b>696</b>	<b>168</b>	<b>24.2%</b>
Impairment losses on non-financial assets	(10)	(0)	(10)	-
Other gains and other losses	(102)	(45)	(57)	127.8%
<b>Profit/(loss) before tax</b>	<b>753</b>	<b>651</b>	<b>102</b>	<b>15.6%</b>
Corporate income tax	(191)	(183)	(8)	4.3%
<b>Profit/(loss) from continuing operations</b>	<b>562</b>	<b>468</b>	<b>94</b>	<b>20.0%</b>
Profit/(loss) from discontinued operations (net) <sup>(2)</sup>	0	29	(29)	(100.0%)
<b>Profit/(loss) after tax</b>	<b>562</b>	<b>497</b>	<b>65</b>	<b>13.0%</b>
Profit/(Loss) attributable to minority interests	6	(1)	7	-
<b>Profit/(loss) attributable to the Group</b>	<b>556</b>	<b>498</b>	<b>57</b>	<b>11.5%</b>
	<b>1H 2015 <sup>(1)</sup></b>	<b>1H 2014 <sup>(1)</sup></b>	<b>Change</b>	
<b>Cost to Income ratio <sup>(3)</sup></b>	<b>41.5%</b>	<b>43.2%</b>	<b>(1.7) p.p.</b>	<b>(3.9%)</b>
<b>Recurring Cost to Income ratio <sup>(4)</sup></b>	<b>45.1%</b>	<b>45.3%</b>	<b>(0.2) p.p.</b>	<b>(0.4%)</b>

(1) Due to the application of IFRIC 21, in 2015 the recognition of the contribution to the Deposit Guarantee Fund (FGD) will be reflected in the profit and loss account as a single payment at the year end rather than being accrued during the accounting year.

(2) 2014 figure includes the result of Aseval

(3) Operating expenses / Gross income

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

## CONSOLIDATED QUARTERLY EARNINGS PERFORMANCE

(€ million)	2Q 15 <sup>(1)</sup>	1Q 15 <sup>(1)</sup>	4Q 14 <sup>(1)</sup>	3Q 14 <sup>(1)</sup>	2Q 14 <sup>(1)</sup>	1Q 14 <sup>(1)</sup>
<b>Net interest income</b>	<b>695</b>	<b>693</b>	<b>765</b>	<b>735</b>	<b>730</b>	<b>698</b>
Dividends	3	1	1	2	2	1
Share of profit/(loss) of companies accounted for using the equity method	12	6	4	11	11	7
Total net fees and commissions	248	233	246	234	237	231
Gains/(losses) on financial assets and liabilities	78	73	68	75	53	21
Exchange differences	13	(1)	6	(19)	6	14
Other operating income/(expense)	(11)	(13)	(159)	14	16	(0)
<b>Gross income</b>	<b>1.037</b>	<b>992</b>	<b>930</b>	<b>1.052</b>	<b>1.055</b>	<b>972</b>
Administrative expenses	(384)	(390)	(402)	(389)	(392)	(403)
Staff costs	(244)	(250)	(240)	(242)	(250)	(256)
General expenses	(140)	(140)	(163)	(147)	(143)	(146)
Depreciation and amortisation	(36)	(33)	(34)	(42)	(42)	(39)
<b>Operating income before provisions</b>	<b>617</b>	<b>569</b>	<b>494</b>	<b>621</b>	<b>620</b>	<b>531</b>
Provisions	(147)	(175)	(189)	(202)	(226)	(229)
Provisions (net)	12	23	(7)	46	17	49
Impairment losses on financial assets (net)	(159)	(198)	(182)	(248)	(243)	(277)
<b>Operating profit/(loss)</b>	<b>470</b>	<b>394</b>	<b>305</b>	<b>419</b>	<b>394</b>	<b>302</b>
Impairment losses on non-financial assets	(9)	(2)	(3)	(3)	2	(3)
Other gains and other losses	(45)	(57)	(122)	(23)	(35)	(10)
<b>Profit/(loss) before tax</b>	<b>417</b>	<b>336</b>	<b>179</b>	<b>394</b>	<b>362</b>	<b>289</b>
Corporate income tax	(105)	(86)	(24)	(112)	(94)	(89)
<b>Profit/(loss) from continuing operations</b>	<b>312</b>	<b>250</b>	<b>155</b>	<b>281</b>	<b>268</b>	<b>200</b>
Profit/(loss) from discontinued operations (net) <sup>(2)</sup>	-	-	39	17	14	15
<b>Profit/(loss) after tax</b>	<b>312</b>	<b>250</b>	<b>194</b>	<b>298</b>	<b>282</b>	<b>215</b>
Profit/(loss) attributable to minority interests	1	5	26	(0)	0	(1)
<b>Profit/(loss) attributable to the Group</b>	<b>311</b>	<b>244</b>	<b>168</b>	<b>299</b>	<b>282</b>	<b>217</b>
Effect of IPO provision (net)			(218)			
<b>Reported profit attributable to the Group</b>	<b>311</b>	<b>244</b>	<b>(50)</b>	<b>299</b>	<b>282</b>	<b>217</b>
<b>Cost to Income ratio <sup>(3)</sup></b>	<b>40,5%</b>	<b>42,6%</b>	<b>46,9%</b>	<b>40,9%</b>	<b>41,2%</b>	<b>45,4%</b>
<b>Recurring Cost to Income ratio <sup>(4)</sup></b>	<b>44,3%</b>	<b>48,1%</b>	<b>53,6%</b>	<b>45,2%</b>	<b>45,6%</b>	<b>49,3%</b>

(1) Due to the application of IFRIC 21, in 2015 the recognition of the contribution to the Deposit Guarantee Fund (FGD) will be reflected in the profit and loss account as a single payment at the year end rather than being accrued during the accounting year.

(2) 2014 figure includes the result of Aseval

(3) Operating expenses / Gross income

(4) Operating expenses / Gross income (excluding gains/losses on financial assets and liabilities and exchange differences and including the contribution to the FGD)

## RETURNS AND COSTS

( <i>€ million &amp; %</i> )	2Q 2015				1Q 2015			
	Average Amount	Weight (%)	Revenues /Expenses	Yield	Average Amount	Weight (%)	Revenues /Expenses	Yield
Loans and advances to credit institutions	7,587	3.43%	2	0.12%	9,140	3.99%	0	0.02%
Net Loans and advances to customers (a)	111,016	50.24%	580	2.10%	112,444	49.06%	606	2.18%
Debt securities	60,645	27.45%	310	2.05%	62,501	27.27%	330	2.14%
Other interest earning assets <sup>(1)</sup>	372	0.17%	3	3.01%	380	0.17%	5	4.81%
Other non-interest earning assets	41,348	18.71%	-	-	44,730	19.52%	-	-
<b>Total Assets (b)</b>	<b>220,967</b>	<b>100.00%</b>	<b>895</b>	<b>1.62%</b>	<b>229,195</b>	<b>100.00%</b>	<b>940</b>	<b>1.66%</b>
Deposits from central banks and credit institutions	53,666	24.29%	29	0.22%	58,575	25.56%	31	0.22%
Customer deposits (c)	103,579	46.88%	170	0.66%	105,700	46.12%	205	0.79%
<i>Strict Customer Deposits</i>	93,289	42.22%	148	0.64%	94,346	41.16%	181	0.78%
<i>Repos</i>	2,941	1.33%	0	0.01%	3,678	1.60%	0	0.05%
<i>Single-certificate covered bonds</i>	7,348	3.33%	21	1.16%	7,676	3.35%	24	1.25%
Marketable securities	23,595	10.68%	30	0.51%	23,133	10.09%	33	0.59%
Subordinated liabilities	1,038	0.47%	9	3.35%	1,049	0.46%	9	3.41%
Other interest earning liabilities <sup>(1)</sup>	1,363	0.62%	0	0.06%	1,399	0.61%	2	0.59%
Other liabilities with no cost	24,974	11.30%	-	-	26,653	11.63%	-	-
Equity	12,754	5.77%	-	-	12,686	5.53%	-	-
<b>Total equity and liabilities (d)</b>	<b>220,967</b>	<b>100.00%</b>	<b>238</b>	<b>0.43%</b>	<b>229,195</b>	<b>100.00%</b>	<b>281</b>	<b>0.50%</b>
<b>Customer margin (a-c)</b>			<b>410</b>	<b>1.44%</b>			<b>400</b>	<b>1.40%</b>
<b>Net interest margin (b-d)</b>			<b>657</b>	<b>1.19%</b>			<b>659</b>	<b>1.17%</b>
<b>City National Bank contribution <sup>(2)</sup></b>	<b>5,311</b>	<b>100.00%</b>	<b>38</b>	<b>2.85%</b>	<b>4,783</b>	<b>100.00%</b>	<b>34</b>	<b>2.89%</b>
<b>Consolidated Net interest margin</b>	<b>226,278</b>		<b>695</b>	<b>1.23%</b>	<b>233,978</b>	<b>100.00%</b>	<b>693</b>	<b>1.20%</b>

( <i>€ million &amp; %</i> )	4Q 2014				3Q 2014			
	Average Amount	Weight (%)	Revenues /Expenses	Yield	Average Amount	Weight (%)	Revenues /Expenses	Yield
Loans and advances to credit institutions	14,999	6.36%	3	0.07%	18,581	7.59%	5	0.12%
Net Loans and advances to customers (a)	113,359	48.08%	676	2.36%	114,815	46.92%	676	2.34%
Debt securities	66,855	28.36%	412	2.44%	68,323	27.92%	439	2.55%
Other interest earning assets <sup>(1)</sup>	202	0.09%	1	2.33%	174	0.07%	1	2.71%
Other non-interest earning assets	40,337	17.11%	-	-	42,786	17.49%	-	-
<b>Total Assets (b)</b>	<b>235,752</b>	<b>100.00%</b>	<b>1,091</b>	<b>1.84%</b>	<b>244,679</b>	<b>100.00%</b>	<b>1,122</b>	<b>1.82%</b>
Deposits from central banks and credit institutions	66,721	28.30%	37	0.22%	71,149	29.08%	54	0.30%
Customer deposits (c)	105,608	44.80%	253	0.95%	105,752	43.22%	287	1.08%
<i>Strict Customer Deposits</i>	93,769	39.77%	226	0.96%	94,548	38.64%	259	1.09%
<i>Repos</i>	3,882	1.65%	1	0.11%	2,949	1.21%	0	0.06%
<i>Single-certificate covered bonds</i>	7,956	3.37%	26	1.28%	8,255	3.37%	28	1.34%
Marketable securities	24,424	10.36%	54	0.88%	26,455	10.81%	62	0.92%
Subordinated liabilities	1,036	0.44%	9	3.51%	1,018	0.42%	10	3.71%
Other interest earning liabilities <sup>(1)</sup>	1,211	0.51%	3	0.84%	1,309	0.54%	3	0.86%
Other liabilities with no cost	24,022	10.19%	-	-	26,374	10.78%	-	-
Equity	12,730	5.40%	-	-	12,622	5.16%	-	-
<b>Total equity and liabilities (d)</b>	<b>235,752</b>	<b>100.00%</b>	<b>357</b>	<b>0.60%</b>	<b>244,679</b>	<b>100.00%</b>	<b>416</b>	<b>0.67%</b>
<b>Customer margin (a-c)</b>			<b>423</b>	<b>1.41%</b>			<b>389</b>	<b>1.26%</b>
<b>Net interest margin (b-d)</b>			<b>735</b>	<b>1.24%</b>			<b>706</b>	<b>1.15%</b>
<b>City National Bank contribution <sup>(2)</sup></b>	<b>4,211</b>	<b>100.00%</b>	<b>30</b>	<b>2.85%</b>	<b>3,963</b>	<b>100.00%</b>	<b>29</b>	<b>2.89%</b>
<b>Consolidated Net interest margin</b>	<b>239,963</b>		<b>765</b>	<b>1.26%</b>	<b>248,642</b>	<b>100.00%</b>	<b>735</b>	<b>1.17%</b>

(1) Includes insurance contracts related to pensions, liabilities under insurance contracts and other financial liabilities

(2) City National Bank average amount includes interest and non-interest earning assets liabilities

## NET FEE AND COMMISSION INCOME

(€ million)	1H 2015	1H 2014	Change	
			Amount	%
Contingent liabilities and commitments	47	55	(8)	(13.8%)
Collection and payment services	174	214	(40)	(18.7%)
Cheques and Bills	21	27	(6)	(22.8%)
Cards	90	111	(21)	(19.2%)
Payment services	20	21	(2)	(8.5%)
Others	44	54	(10)	(19.4%)
Securities services	28	31	(4)	(11.3%)
Non-banking financial product sales	144	129	15	11.7%
Mutual funds	53	46	7	15.5%
Pension funds	30	45	(15)	(33.2%)
Insurances and others	61	38	23	60.7%
Other fee and commission	98	92	7	7.2%
<b>Fee and commission income</b>	<b>522</b>	<b>527</b>	<b>(4)</b>	<b>(0.8%)</b>
<b>Fee and commission expenses</b>	<b>41</b>	<b>59</b>	<b>(18)</b>	<b>(30.0%)</b>
<b>Total net fee and commission</b>	<b>481</b>	<b>468</b>	<b>13</b>	<b>2.9%</b>
<b>(*) City National Bank of Florida contribution</b>	<b>5</b>	<b>4</b>	<b>1</b>	<b>38.1%</b>

(€ million)	2Q 2015	1Q 2015	4Q 2014	3Q 2014	2Q 2014	1Q 2014
Contingent liabilities and commitments	23	24	26	25	28	27
Collection and payment services	89	85	97	97	107	107
Cheques and Bills	11	10	12	12	13	14
Cards	46	43	52	52	57	54
Payment services	10	9	9	9	11	11
Others	22	22	24	25	26	28
Securities services	14	14	11	10	18	13
Non-banking financial product sales	78	66	71	58	71	58
Mutual funds	27	25	24	24	23	22
Pension funds	15	15	15	16	30	16
Insurances and others	35	26	32	18	18	20
Other fee and commission	66	63	61	52	42	56
<b>Fee and commission income</b>	<b>271</b>	<b>251</b>	<b>266</b>	<b>243</b>	<b>266</b>	<b>260</b>
<b>Fee and commission expenses</b>	<b>22</b>	<b>19</b>	<b>20</b>	<b>9</b>	<b>29</b>	<b>30</b>
<b>Total net fee and commission</b>	<b>248</b>	<b>233</b>	<b>246</b>	<b>234</b>	<b>237</b>	<b>231</b>
<b>(*) City National Bank of Florida contribution</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>

## ADMINISTRATIVE EXPENSES

(€ million)	1H 2015	1H 2014	Change	
			Amount	%
<b>Staff cost</b>	<b>495</b>	<b>506</b>	<b>(11)</b>	<b>(2.2%)</b>
Wages and salaries	371	381	(10)	(2.6%)
Social security costs	90	91	(1)	(1.0%)
Pension plans	22	14	7	52.3%
Others	13	20	(8)	(38.3%)
<b>General expenses</b>	<b>279</b>	<b>289</b>	<b>(10)</b>	<b>(3.4%)</b>
From property, fixtures and supplies	85	69	16	22.7%
IT and communications	60	88	(28)	(31.5%)
Advertising and publicity	28	27	0.9	3.2%
Technical reports	19	19	(0)	(1.5%)
Surveillance and security courier services	7	7	0	0.0%
Levies and taxes	28	35	(7)	(20.3%)
Insurance and self-insurance premiums	3	3	0	0.0%
Other expenses	49	40	9	21.9%
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>774</b>	<b>795</b>	<b>(21)</b>	<b>(2.7%)</b>
<b>(* of which: City National Bank of Florida</b>	<b>38</b>	<b>28</b>	<b>9</b>	<b>33.3%</b>

(€ million)	2Q 2015	1Q 2015	4Q 2014	3Q 2014	2Q 2014	1Q 2014
<b>Staff cost</b>	<b>244</b>	<b>250</b>	<b>240</b>	<b>242</b>	<b>250</b>	<b>256</b>
Wages and salaries	185	185	184	182	189	192
Social security costs	44	46	43	45	45	46
Pension plans	12	10	7	7	7	7
Others	3	10	5	8	10	11
<b>General expenses</b>	<b>140</b>	<b>140</b>	<b>163</b>	<b>147</b>	<b>143</b>	<b>146</b>
From property, fixtures and supplies	54	31	37	34	34	35
IT and communications	18	42	43	43	46	42
Advertising and publicity	13	15	19	17	12	14
Technical reports	8	11	20	16	10	9
Surveillance and security courier services	4	4	4	4	4	4
Levies and taxes	14	14	14	10	17	18
Insurance and self-insurance premiums	1	1	2	3	1	1
Other expenses	27	22	24	20	18	22
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>384</b>	<b>390</b>	<b>402</b>	<b>389</b>	<b>392</b>	<b>403</b>
<b>(* of which: City National Bank of Florida</b>	<b>19</b>	<b>19</b>	<b>16</b>	<b>15</b>	<b>13</b>	<b>15</b>

## PROVISIONING

(€ million)	1H 2015	2H 2014	1H 2014	Change 1H 2015 / 1H 2014	
				Amount	%
Impairment losses on financial assets (net)	(357)	(430)	(520)	163	(31.4%)
Impairment losses on non-financial assets	(10)	(6)	(0)	(10)	-
Foreclosed assets	(98)	(146)	(109)	11	(10.1%)
Provisions (net)	35	38	65	(30)	(46.1%)
<b>TOTAL RECURRENT PROVISIONS</b>	<b>(430)</b>	<b>(544)</b>	<b>(564)</b>	<b>134</b>	<b>(23.8%)</b>
IPO contingency provision	-	(312)	-	-	-
<b>TOTAL PROVISIONS INCLUDING IPO CONTINGENCY</b>	<b>(430)</b>	<b>(856)</b>	<b>(564)</b>	<b>134</b>	<b>(23.8%)</b>

(€ million)	2Q 2015	1Q 2015	4Q 2014	3Q 2014	2Q 2014	1Q 2014
Impairment losses on financial assets (net)	(159)	(198)	(182)	(248)	(243)	(277)
Impairment losses on non-financial assets	(9)	(2)	(3)	(3)	2	(3)
Foreclosed assets	(55)	(43)	(99)	(48)	(38)	(71)
Provisions (net)	12	23	(7)	46	17	49
<b>TOTAL RECURRENT PROVISIONS</b>	<b>(211)</b>	<b>(219)</b>	<b>(291)</b>	<b>(253)</b>	<b>(262)</b>	<b>(303)</b>
IPO contingency provision	-	-	(312)	-	-	-
<b>TOTAL PROVISIONS INCLUDING IPO CONTINGENCY</b>	<b>(211)</b>	<b>(219)</b>	<b>(603)</b>	<b>(253)</b>	<b>(262)</b>	<b>(303)</b>

## 5. BALANCE SHEET

(€ million)	Jun-15	Dec-14	Change	
			Amount	%
Cash and balances with central banks	1.765	2.927	(1.161)	(39,7%)
Financial assets held for trading	15.286	18.606	(3.320)	(17,8%)
Of which: loans and advances to customers	-	-	-	-
Available-for-sale financial assets	33.576	34.772	(1.196)	(3,4%)
Debt securities	33.576	34.772	(1.196)	(3,4%)
Equity instruments	-	-	-	-
Loans and receivables	118.022	125.227	(7.205)	(5,8%)
Loans and advances to credit institutions	4.368	10.967	(6.600)	(60,2%)
Loans and advances to customers	112.117	112.691	(575)	(0,5%)
Rest	1.538	1.569	(30)	(1,9%)
Held-to-maturity investments	25.498	26.661	(1.164)	(4,4%)
Hedging derivatives	4.503	5.539	(1.036)	(18,7%)
Non-current assets held for sale	8.454	7.563	891	11,8%
Equity investments	274	298	(24)	(8,0%)
Tangible and intangible assets	2.254	2.058	195	9,5%
Other assets, prepayments & accrued income, and tax assets	9.862	9.997	(135)	(1,4%)
<b>TOTAL ASSETS</b>	<b>219.493</b>	<b>233.649</b>	<b>(14.155)</b>	<b>(6,1%)</b>
Financial liabilities held for trading	14.801	18.124	(3.323)	(18,3%)
Financial liabilities at amortised cost	182.525	193.082	(10.556)	(5,5%)
Deposits from central banks	26.670	36.500	(9.830)	(26,9%)
Deposits from credit institutions	24.114	23.965	149	0,6%
Customer deposits	105.940	106.807	(866)	(0,8%)
Marketable debt securities	23.134	23.350	(215)	(0,9%)
Subordinated liabilities	1.019	1.043	(25)	(2,4%)
Other financial liabilities	1.648	1.417	231	16,3%
Hedging derivatives	1.844	2.490	(646)	(25,9%)
Liabilities under insurance contracts	0	-	-	-
Provisions	1.516	1.706	(190)	(11,1%)
Other liabilities, accruals & deferred income, & tax liabilities	6.317	5.714	603	10,6%
<b>TOTAL LIABILITIES</b>	<b>207.003</b>	<b>221.115</b>	<b>(14.113)</b>	<b>(6,4%)</b>
Minority interests	3	(13)	16	(118,9%)
Valuation adjustments	806	1.216	(410)	(33,7%)
Equity	11.682	11.331	351	3,1%
<b>TOTAL EQUITY</b>	<b>12.491</b>	<b>12.533</b>	<b>(43)</b>	<b>(0,3%)</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>219.493</b>	<b>233.649</b>	<b>(14.155)</b>	<b>(6,1%)</b>

## LOANS AND ADVANCES TO CUSTOMERS

(€ million)	Jun-15 <sup>(1)</sup>	Dec-14 <sup>(1)</sup>	Change	
			Amount	%
Spanish public sector	5,717	5,786	(70)	(1.2%)
Other resident sectors	95,708	96,550	(841)	(0.9%)
Secured loans and advances	71,714	74,075	(2,361)	(3.2%)
Personal guarantee loans	14,748	14,277	471	3.3%
Business loans and other credit facilities	9,247	8,198	1,049	12.8%
Non-residents	3,087	3,254	(166)	(5.1%)
Repo transactions	1,302	27	1,275	-
<i>Of which: repo transactions with BFA <sup>(2)</sup></i>	<i>1,300</i>	<i>-</i>	<i>-</i>	<i>-</i>
Other financial assets	625	469	156	33.3%
Other valuation adjustments	(7)	(13)	6	(44.8%)
Non-performing loans	14,572	15,696	(1,124)	(7.2%)
<b>GROSS LOANS AND ADVANCES TO CUSTOMERS</b>	<b>121,004</b>	<b>121,769</b>	<b>(765)</b>	<b>(0.6%)</b>
Loan loss reserve	(8,887)	(9,077)	190	(2.1%)
<b>NET LOANS AND ADVANCES TO CUSTOMERS</b>	<b>112,117</b>	<b>112,691</b>	<b>(575)</b>	<b>(0.5%)</b>
<b>GROSS LOANS AND ADVANCES TO CUSTOMERS EX. BFA REPO</b>	<b>119,704</b>	<b>121,769</b>	<b>(2,065)</b>	<b>(1.7%)</b>
<b>NET LOANS AND ADVANCES TO CUSTOMERS EX. BFA REPO</b>	<b>110,817</b>	<b>112,691</b>	<b>(1,875)</b>	<b>(1.7%)</b>

(1) Net Loans include credit of financial assets held for trading

(2) The Repo transactions with BFA was reclassified as loans to customers since January 2015, due to the segmentation change of BFA after the removal of the banking license

## COMPOSITION OF FIXED-INCOME PORTFOLIOS

(€ million)	Jun-15 <sup>(1)</sup>	Dec-14 <sup>(1)</sup>	Change	
			Amount	%
ALCO Portfolio	29,809	29,745	64	0.2%
NO ALCO Portfolio	5,819	8,235	(2,416)	(29.3%)
SAREB Bonds	18,057	18,057	-	-
ESM Bonds	3,398	3,398	-	-
<b>Total Fixed Income Portfolio</b>	<b>57,083</b>	<b>59,435</b>		

(1) Nominal values of the "available for sale" and "held to maturity" portfolios



## CUSTOMER FUNDS

(€ million)	Jun-15	Dec-14	Change	
			Amount	%
Spanish public sector	6,644	6,299	345	5.5%
Repo transactions	502	2,003	(1,501)	(74.9%)
Other resident sectors	96,628	97,965	(1,337)	(1.4%)
Current accounts	15,088	13,276	1,812	13.6%
Savings accounts	25,506	24,178	1,329	5.5%
Term deposits and other	56,034	60,511	(4,477)	(7.4%)
Repo transactions	1,806	868	938	108.1%
Singular mortgage securities	7,192	7,736	(544)	(7.0%)
Rest	47,036	51,908	(4,872)	(9.4%)
Non-residents	2,668	2,543	126	4.9%
Repo transactions	1,395	1,275	120	9.4%
<b>Customer deposits</b>	<b>105,940</b>	<b>106,807</b>	<b>(866)</b>	<b>(0.8%)</b>
Debentures and other marketable securities	23,134	23,350	(215)	(0.9%)
Subordinated loans	1,019	1,043	(25)	(2.4%)
<b>TOTAL ON-BALANCE-SHEET CUSTOMER FUNDS</b>	<b>130,094</b>	<b>131,200</b>	<b>(1,106)</b>	<b>(0.8%)</b>
Mutual funds	12,168	10,392	1,776	17.1%
Pension funds	6,197	6,581	(384)	(5.8%)
Insurance	3,857	4,069	(212)	(5.2%)
<b>Off-balance-sheet customer funds</b>	<b>22,221</b>	<b>21,042</b>	<b>1,179</b>	<b>5.6%</b>
<b>TOTAL CUSTOMER FUNDS</b>	<b>152,315</b>	<b>152,242</b>	<b>73</b>	<b>0.0%</b>

## STRICT CUSTOMER DEPOSITS

(€ million)	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	Mar-14	Change
							Jun-15 / Dec-14
<b>Spanish public sector</b>	<b>6,142</b>	<b>5,229</b>	<b>4,297</b>	<b>5,232</b>	<b>3,931</b>	<b>2,800</b>	<b>42.9%</b>
<b>Other resident sectors</b>	<b>87,630</b>	<b>89,564</b>	<b>89,361</b>	<b>87,975</b>	<b>87,151</b>	<b>86,798</b>	<b>-1.9%</b>
Current accounts	15,088	15,645	13,276	12,655	12,104	11,881	13.6%
Savings accounts	25,506	24,056	24,178	23,602	23,993	23,037	5.5%
Term deposits	47,036	49,863	51,908	51,718	51,055	51,880	(9.4%)
<b>Non-residents</b>	<b>1,274</b>	<b>1,259</b>	<b>1,268</b>	<b>1,224</b>	<b>1,173</b>	<b>1,154</b>	<b>0.5%</b>
<b>Strict Customer Deposits</b>	<b>95,045</b>	<b>96,052</b>	<b>94,925</b>	<b>94,432</b>	<b>92,255</b>	<b>90,752</b>	<b>0.1%</b>

## 6. RISK MANAGEMENT

### GROSS EXPOSURE BY SECTOR AND COVERAGE RATIOS

(€ million)	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	Mar-14	Dec-13	Jun-15 / Dec-14	
								Amount	%
<b>Gross exposure</b>									
Individuals	76,352	76,491	77,583	78,884	80,775	81,055	82,223	(1,231)	(1.6%)
Businesses	34,714	35,324	35,176	35,070	35,848	36,784	37,815	(462)	(1.3%)
Developers	2,479	2,733	2,956	3,309	3,331	3,508	3,858	(477)	(16.1%)
Public sector & others	6,159	6,651	6,053	5,603	5,644	6,275	5,923	106	1.7%
<b>Gross Credit <sup>(1)</sup></b>	<b>119,704</b>	<b>121,200</b>	<b>121,769</b>	<b>122,866</b>	<b>125,598</b>	<b>127,621</b>	<b>129,818</b>	<b>(2,065)</b>	<b>(1.7%)</b>
<b>Gross credit ex developers <sup>(1)</sup></b>	<b>117,225</b>	<b>118,467</b>	<b>118,813</b>	<b>119,557</b>	<b>122,267</b>	<b>124,113</b>	<b>125,961</b>	<b>(1,588)</b>	<b>(1.3%)</b>
<b>Impairments</b>									
Individuals	2,724	2,728	2,693	2,733	2,849	2,852	2,907	31	1.1%
Businesses	4,842	4,974	4,939	5,578	6,064	6,030	6,144	(97)	(2.0%)
Developers	1,321	1,423	1,445	1,563	1,508	1,569	1,648	(124)	(8.6%)
<b>Total Impairments</b>	<b>8,887</b>	<b>9,125</b>	<b>9,078</b>	<b>9,874</b>	<b>10,421</b>	<b>10,452</b>	<b>10,699</b>	<b>(190)</b>	<b>(2.1%)</b>
<b>Coverage ex developers</b>	<b>7,566</b>	<b>7,702</b>	<b>7,633</b>	<b>8,311</b>	<b>8,913</b>	<b>8,882</b>	<b>9,051</b>	<b>(66)</b>	<b>(0.9%)</b>
<b>Coverage (%)</b>									
Individuals	3.6%	3.6%	3.5%	3.5%	3.5%	3.5%	3.5%		+0.1 p.p.
Businesses	13.9%	14.1%	14.0%	15.9%	16.9%	16.4%	16.2%		(0.1) p.p.
Developers	53.3%	52.1%	48.9%	47.2%	45.3%	44.7%	42.7%		+4.4 p.p.
<b>Total coverage</b>	<b>7.8%</b>	<b>7.5%</b>	<b>7.5%</b>	<b>8.0%</b>	<b>8.3%</b>	<b>8.2%</b>	<b>8.2%</b>		<b>+0.3 p.p.</b>
<b>Coverage ex developers</b>	<b>6.5%</b>	<b>6.5%</b>	<b>6.4%</b>	<b>7.0%</b>	<b>7.3%</b>	<b>7.2%</b>	<b>7.2%</b>		<b>+0.1 p.p.</b>

(1) Gross Credit excludes the Repo transactions with BFA

### NPL RATIO AND NPL COVERAGE

(€ million and %)	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	Jun-15 / Dec-14	
						Amount	%
Non-performing loans	15,308	16,084	16,547	17,666	18,576	(1,239)	(7.5%)
Total risk-bearing assets	127,255	127,366	128,584	129,580	132,347	(1,329)	(1.0%)
<b>Total NPL ratio <sup>(1)</sup></b>	<b>12.2%</b>	<b>12.6%</b>	<b>12.9%</b>	<b>13.6%</b>	<b>14.0%</b>		<b>(0.7) p.p.</b>
<b>Total provisions</b>	<b>9,271</b>	<b>9,554</b>	<b>9,527</b>	<b>10,352</b>	<b>10,946</b>	<b>(257)</b>	<b>(2.7%)</b>
Generic	153	153	153	153	153	0	0.1%
Specific	9,091	9,380	9,356	10,175	10,768	(264)	(2.8%)
Country risk	27	21	19	25	25	8	40.1%
<b>NPL coverage ratio</b>	<b>60.6%</b>	<b>59.4%</b>	<b>57.6%</b>	<b>58.6%</b>	<b>58.9%</b>		<b>+3.0 p.p.</b>

(2) NPL ratio: (non-performing loans and advances to customers and contingent liabilities) / (loans, advances and contingent risks)

Excludes the Repo transactions with BFA (1,300 million euro in Jun-15)

## TREND OF NON-PERFORMING LOANS

(€ million and %)	1H 2015	2Q 2015	1Q 2015	4Q 2014	3Q 2014	2Q 2014
<b>Non-performing loans at the beginning of the period</b>	<b>16,547</b>	<b>16,084</b>	<b>16,547</b>	<b>17,666</b>	<b>18,576</b>	<b>19,180</b>
+ Gross entries	1,718	857	861	1,297	921	901
- Recoveries	(2,492)	(1,273)	(1,219)	(1,524)	(1,320)	(1,432)
= Net entries	(774)	(416)	(358)	(227)	(399)	(531)
- Write offs	(149)	(44)	(104)	(50)	(50)	(73)
- Sales <sup>(1)</sup>	(316)	(316)	-	(842)	(462)	-
<b>Non-performing loans at the end of the period</b>	<b>15,308</b>	<b>15,308</b>	<b>16,084</b>	<b>16,547</b>	<b>17,666</b>	<b>18,576</b>

(1) Book-value of NPLs disposals. This figure does not include any additional rights related to the portfolio sold.

## BREAKDOWN OF FORECLOSED ASSETS

(€ million)	Gross value					
	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	Mar-14
Property assets from financing intended for construction and property development	551	553	550	584	590	650
Of which: finished buildings	329	329	326	333	339	341
Of which: buildings under construction	42	42	44	44	44	105
Of which: Land	180	182	180	207	206	204
Property acquired related to mortgage loans to homebuyers	3,038	3,074	3,114	3,156	3,150	3,091
Other foreclosed assets	599	587	561	518	500	464
<b>Total</b>	<b>4,188</b>	<b>4,213</b>	<b>4,225</b>	<b>4,258</b>	<b>4,240</b>	<b>4,206</b>

(€ million)	Impairments					
	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	Mar-14
Property assets from financing intended for construction and property development	236	237	235	251	252	287
Of which: finished buildings	88	86	84	83	84	84
Of which: buildings under construction	20	20	20	20	20	55
Of which: Land	128	131	130	147	148	148
Property acquired related to mortgage loans to homebuyers	916	912	960	1,028	1,033	1,036
Other foreclosed assets	161	159	154	148	145	141
<b>Total</b>	<b>1,313</b>	<b>1,308</b>	<b>1,348</b>	<b>1,427</b>	<b>1,431</b>	<b>1,464</b>

(€ million)	Net value					
	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	Mar-14
Property assets from financing intended for construction and property development	315	316	316	333	337	364
Of which: finished buildings	241	243	242	249	256	257
Of which: buildings under construction	22	22	24	24	24	51
Of which: Land	52	51	50	59	58	56
Property acquired related to mortgage loans to homebuyers	2,122	2,161	2,154	2,127	2,117	2,055
Other foreclosed assets	438	428	407	370	355	323
<b>Total</b>	<b>2,875</b>	<b>2,905</b>	<b>2,877</b>	<b>2,830</b>	<b>2,809</b>	<b>2,742</b>

## 7. FUNDING STRUCTURE AND LIQUIDITY

### COMMERCIAL GAP

(€ million)	Jun-15	Dec-14	Change	
			Amount	%
<b>Net Loans and advances to customers</b>	<b>112,117</b>	<b>112,691</b>	<b>(575)</b>	<b>(0.5%)</b>
Repo transactions SPR	-	27	(27)	-
Repo transactions NRE	2	-	2	-
Repo transactions with BFA	1,300	-	1,300	-
<b>Strict Net Loans and advances to customers</b>	<b>110,815</b>	<b>112,664</b>	<b>(1,849)</b>	<b>(1.6%)</b>
(-) Strict customer deposits and retail commercial paper	95,045	94,925	120	0.1%
(-) ICO/EIB deposits	3,356	4,083	(727)	(17.8%)
<b>Strict Comercial GAP</b>	<b>12,413</b>	<b>13,656</b>	<b>(1,243)</b>	<b>(9.1%)</b>

### LTD RATIO

(€ million)	Jun-15	Dec-14	Change	
			Amount	%
<b>Net Loans and advances to customers</b>	<b>112,117</b>	<b>112,691</b>	<b>(575)</b>	<b>(0.5%)</b>
Repo transactions SPR	-	27	(27)	-
Repo transactions NRE	2	-	2	-
Repo transactions with BFA	1,300	-	1,300	-
<b>a. Strict Net Loans and advances to customers</b>	<b>110,815</b>	<b>112,664</b>	<b>(1,849)</b>	<b>(1.6%)</b>
Strict customer deposits and retail commercial paper	95,045	94,925	120	0.1%
Single-certificate covered bonds	7,192	7,736	(544)	(7.0%)
ICO/EIB deposits	3,356	4,083	(727)	(17.8%)
<b>b. Total Deposits</b>	<b>105,594</b>	<b>106,744</b>	<b>(1,150)</b>	<b>(1.1%)</b>
<b>LTD ratio (a/b)</b>	<b>104.9%</b>	<b>105.5%</b>		<b>(0.6) p.p.</b>

## 8. SOLVENCY

### SOLVENCY AND LEVERAGE

#### RATIOS PHASE IN

(€ million and %)	Jun -15 (*) BIS III	Dec -14 (*) BIS III
Eligible capital	12,542	12,238
Common equity Tier I (CET 1)	11,179	10,874
Tier I	11,179	10,874
Tier II	1,363	1,363
Risk-weighted assets	87,511	88,565
Minimum requirements	7,001	7,085
Surplus capital	5,541	5,152
<b>Common equity Tier I Phase In (CET 1) (%)</b>	<b>12.8%</b>	<b>12.3%</b>
Tier I	12.8%	12.3%
Tier II	1.6%	1.5%
<b>Solvency ratio - Total capital ratio (%)</b>	<b>14.3%</b>	<b>13.8%</b>
<b>Leverage ratio (phase in)</b>	<b>5.2%</b>	<b>-</b>

(\*) The solvency ratios include the profit allocated to reserves for the period and discount a potential Group dividend, based on Decision (EU) 2015/656 of the European Central Bank of 4 February 2015 (assuming the 2014 payout ratio: 27%, which represents €150 million in the semester).

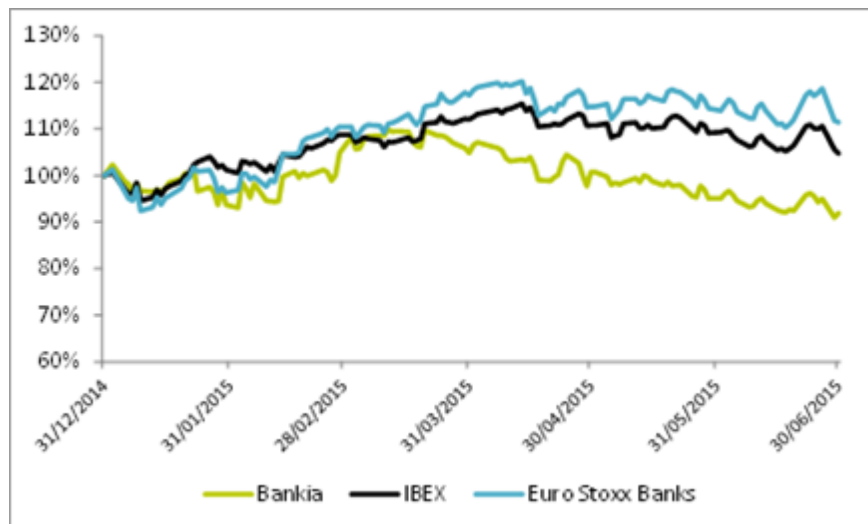
#### RATIOS FULLY LOADED

(€ million and %)	Jun -15 (*) BIS III	Dec -14 (*) BIS III
Eligible capital	11,262	10,755
Common equity Tier I (CET 1)	9,898	9,388
Tier I	9,898	9,388
Tier II	1,364	1,367
Risk-weighted assets	87,511	88,565
Minimum requirements	7,001	7,085
Surplus capital	4,261	3,670
<b>Common equity Tier I Phase In (CET 1) (%)</b>	<b>11.3%</b>	<b>10.6%</b>
Tier I	11.3%	10.6%
Tier II	1.6%	1.5%
<b>Solvency ratio - Total capital ratio (%)</b>	<b>12.9%</b>	<b>12.1%</b>
<b>Leverage ratio (fully loaded)</b>	<b>4.6%</b>	<b>-</b>

(\*) The solvency ratios include the profit allocated to reserves for the period and discount a potential Group dividend, based on Decision (EU) 2015/656 of the European Central Bank of 4 February 2015 (assuming the 2014 payout ratio: 27%, which represents €150 million in the semester).

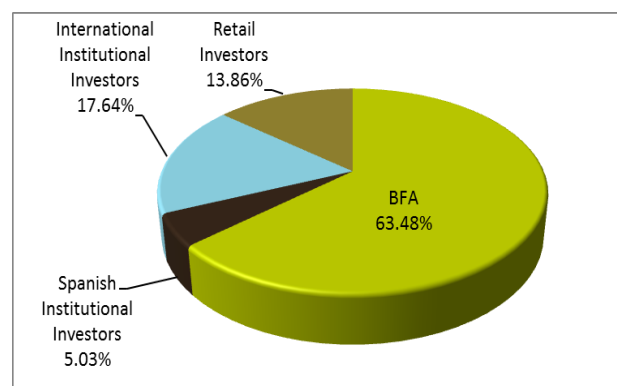
## 9. SHARE PERFORMANCE AND SHAREHOLDER STRUCTURE

### SHARE PERFORMANCE



### MAJOR SHAREHOLDERS AND STOCK MARKET DATA

BANKIA (stock data)	Jun-15
Number of shareholders	453,635
Daily average volume (num. shares)	35,581,944
Daily average turnover (euros)	43,524,909
Maximum closing price (€/share)	1.326 (2-abr)
Minimum closing price (€/share)	1.126 (29-jun)
Closing price (€/share)	1.138



## 10. RATING

Issuer Ratings	Standard & Poor's	Fitch Ratings
Long-term	BB	BB+
Short-term	B	B
Perspective	Stable	Positive
Date	22-Apr-15	19-May-15

Mortgage Covered Bonds Ratings	Standard & Poor's	Fitch Ratings	DBRS
Rating	A	A-	A (high)
Perspective	Stable	Stable	---
Date	27-Apr-15	27-May-15	26-May-15