# Earnings Report

## January-September 2014

**24th October 2014**

Bankia

“Trabajamos desde los principios para poner la mejor banca a tu servicio”

# CONTENTS

# MORE PROFITABLE, BETTER CAPITALIZED

## Good earnings performance. Accumulated profit after tax up 53.9% on the same period of 2013

- In 3Q 2014 the Bankia Group posts profit after tax of €265 million, 8.4% more than in 2Q 2014. In cumulative terms, profit after tax at the end of September 2014 is €696 million, up 53.9% compared to the same period of 2013 on a pro forma basis.
- The core banking business (net interest income plus fee and commission income) remains stable in 3Q 2014 despite reduced activity in the third quarter.
- Operating expenses continue the downward trend of recent quarters, posting a further fall in 3Q 2014 resulting in a YTD decline of 9.6% compared to the first nine months of 2013.
- Stable core banking income and steady cost reduction lead to further improvement in the cost to income ratio, which at the close of 3Q 2014 stands at 42.8%.

## Growth in lending to SMEs, increased retail customer funds and further non-strategic asset disposals

- In September the Bankia Group drew funds of €2,700 million under the ECB's TLTRO facility, the full amount of which will be channelled to SMEs, businesses, self employed and professionals in the form of new loans. To that end the "Préstamo Dinamización" was launched in September, which offers advantageous terms by passing the savings of the TLTRO on to customers. During the first month, there have been loan applications amounting to €1,375 million, 50.9% of the total program, of which €474.4 million have been already granted.
- Substantial YTD growth (Dec13-Aug14) in market shares of new lending to SMEs (+231 bps) and businesses (+431 bps).
- Strict deposits and off-balance-sheet funds increase by an aggregate €2,700 million in the quarter, and €6,440 million YTD.
- In the first nine months of 2014 the Bankia Group completed 117 disposals of non-strategic equity investments, generating proceeds of €541 million.
- Sales of portfolios of non-performing loans totalled €480 million in Q3 and €1,758 million in the year to date, including sales completed in October (€880 million). In addition, the Bank has sold write-offs totalling €379 million in the year to date**.**

## Credit quality, liquidity and solvency indicators continue to improve

- Non-performing loans are down €910 million in the quarter (€2,356 million since December 2013) and the NPL ratio stands at 13.6%, compared to 14.7% in December 2013.
- 3Q 2014 sees an improvement in the cost of credit risk, which reaches 0.59%, down 4 bps on the previous quarter and down 10 bps on 3Q 2013.
- The commercial gap improves by more than €4,400 million in the quarter and the LTD ratio hits a new low of 105.8%.
- The Basel III phase-in CET 1 ratio reaches 12.44% and the fully loaded ratio, 10.51%, generating 62 basis points of capital in the quarter (phase-in).

## 1. RELEVANT DATA

| | Sep-14 | Dec-13 | Change |
|---|---|---|---|
| **Balance sheet (€ million)** | | | |
| Total assets | 247,072 | 251,472 | (1.7%) |
| Loans and advances to customers (net) | 112,993 | 119,118 | (5.1%) |
| Loans and advances to customers (gross) | 122,866 | 129,818 | (5.4%) |
| Loans and advances to the resident private sector (gross) | 96,937 | 100,833 | (3.9%) |
| Secured loans and advances (gross) | 75,563 | 78,330 | (3.5%) |
| On-balance-sheet customer funds | 133,317 | 136,682 | (2.5%) |
| Customer deposits | 105,854 | 108,543 | (2.5%) |
| Marketable securities | 26,433 | 28,139 | (6.1%) |
| Subordinated liabilities | 1,030 | - | n.a. |
| Total managed customer funds | 156,144 | 157,513 | (0.9%) |
| Equity | 11,540 | 10,883 | 6.0% |
| Common Equity Tier I - BIS III Phase In (1) | 11,172 | 10,509 | 6.3% |
| **Capital adequacy (%)** | | | |
| Common Equity Tier I - BIS III Phase In (1) | 12.44% | 10.69% | +1.75 p.p. |
| Total capital ratio - BIS III Phase In (1) | 13.89% | 11.06% | +2.83 p.p. |
| CET 1 Fully Loaded | 10.51% | 8.60% | +1.91 p.p. |
| **Risk management (€ million and %)** | | | |
| Total risk | 129,580 | 136,660 | (5.2%) |
| Non performing loans | 17,666 | 20,022 | (11.8%) |
| NPL provisions | 10,352 | 11,312 | (8.5%) |
| NPL ratio | 13.6% | 14.7% | (1.1) p.p. |
| NPL coverage ratio | 58.6% | 56.5% | +2.1 p.p. |

| | Sep-14 | Sep-13 (2) | Change |
|---|---|---|---|
| **Results (€ million)** | | | |
| Net interest income | 2,163 | 1,876 | 15.2% |
| Gross income | 2,937 | 2,860 | 2.7% |
| Operating income before provisions | 1,631 | 1,414 | 15.3% |
| Profit/(loss) after tax | 696 | 452 | 53.9% |
| **Key ratios (%)** | | | |
| Cost to Income ratio (3) | 44.5% | 50.6% | (6.1) p.p. |
| R.O.A. (Profit after tax / Average total assets) (4) | 0.4% | 0.2% | +0.1 p.p. |
| R.O.E. (Profit attributable to the group / Equity) (5) | 8.4% | 5.9% | +2.5 p.p. |

| | Sep-14 | Dec-13 | Change |
|---|---|---|---|
| **Bankia share** | | | |
| Number of shareholders | 459,631 | 477,683 | (3.8%) |
| Number of shares in issue (million) | 11,517 | 11,517 | - |
| Closing price (end of period) | 1.48 | 1.23 | 19.8% |
| Market capitalisation (€ million) | 17,023 | 14,212 | 19.8% |
| Earnings per share (euros) (6) | 0.08 | 0.04 | 82.4% |
| **Additional information** | | | |
| Number of branches | 2,009 | 2,009 | - |
| Number of employees (7) | 14,482 | 15,392 | (5.9%) |

(1) For comparison purposes, in December 2013 the ratio is calculated based on phase in 2014
(2) September 2013 figures calculated excluding the financial cost attributable to the subordinated loan granted by BFA to Bankia (€ 142 million) cancelled on 23th May 2013
(3) Cost to Income ratio accumulated for the 9 months period.
(4) Calculated using annualized profit after tax.
(5) Calculated using annualized attributable profit and divided by the average equity of the period.
(6) Calculated using the number of shares at the end of the period. Sep-14 calculated using annualized attributable profit.
(7) Number of employees involved in financial activities in Spain and abroad

## 2. ECONOMIC AND FINANCIAL ENVIRONMENT

The global scenario improved during the third quarter, but less than expected: world growth remained modest and very unequal. The soundness shown during the summer by the economies of the United States, the United Kingdom and Emerging Asia (the latter, including China, has slackened its pace but nevertheless maintains good growth momentum) contrasts with the fragility of the euro area, which remains in a situation close to stagnation and on deflation alert. The structural weakness of France and Italy, the economic downturn in the German foreign sector and the effects of the tensions between Ukraine and Russia have contributed to the relative disadvantage of the euro area in recent months.

In this context of growing risks the ECB has taken a proactive stance: i) it has cut the policy rate to a new record low of 0.05%; ii) it has decided to penalise excess liquidity held by banks at the central bank with an interest rate of -0.2%; iii) it has started a new long-term liquidity injection programme conditional upon increased lending to the real economy; and iv) it has approved a programme to purchase ABS and covered bonds held by banks that meet certain conditions. These measures, combined with the weakness of the economy, have resulted in increased demand for sovereign bonds in the euro area: yields have reached new record lows and at the shorter end of the curve the bonds of euro area core countries offer negative yields. In contrast to the latest expansionary measures of the ECB, the Fed is signalling that the time to start withdrawal of monetary stimuli is approaching, although everything indicates that the US monetary authority will act with great caution. It is precisely this difference in monetary policy orientation that explains, in part, the overall strengthening of the dollar, which gained almost 8% in the quarter against a basket of major currencies (the dollar appreciated 5.7% against the euro).

In Spain, the vigorous growth of activity seen in the first half of the year eased slightly in 3Q14 in a context of greater sluggishness of both internal and external demand. Thus, although in terms of seasonally adjusted employment the labour market regained momentum in September, posting its best monthly increase in five months, its performance over the quarter as a whole was worse than in the previous quarter (+0.3% quarterly vs +0.8% in September), indicating quarterly GDP growth in the region of 0.4%-0.5% (+0.6% in 2Q14). On the domestic demand side there was a slight weakening of consumption and capital investment, partly offset by the less contractionary tendency of fiscal policy, while investment in construction moved closer to a turning point. Meanwhile, the foreign deficit continued to deteriorate, although now, unlike in the first part of the year, the deterioration was due more to the slowdown in exports than to the strength of imports.

The Spanish banking industry has continued the positive trends seen since the start of the year. The quality of balance sheets continues to show signs of stabilisation, backed by the decrease in non-performing assets, while solvency has been strengthened in preparation for the new institutional framework of the European single supervisory mechanism (SSM), which will be headed by the ECB. Lending, though still weak, has shown signs of improvement, with increases in new lending in the household and SME segments. Bank profits continue their recovery, assisted by cost containment and reduced provisioning, although profitability will continue to be the main challenge for the sector. The results of the ECB's comprehensive assessment, published on 26 October, will increase the transparency of the European financial sector and so contribute to building trust in institutions under the supervision of the SSM as from 4 November.

## 3. HIGHLIGHTS OF THE PERIOD

In the third quarter of 2014 the Bankia Group continued to focus on the factors considered a priority in the short and medium term: increasing the levels of profitability and solvency, improving risk management and encouraging new lending to SMEs and corporates.

### 3.1 Good earnings performance and further improvements in cost to income and cost of risk

*(Note: to make the information more homogeneous, the cumulative results to September 2014 and September 2013 are compared on a like-for-like basis, i.e., increasing net interest income for 2013 by excluding the financial cost of the subordinated loan granted by BFA to Bankia, which was repaid in May 2013, and reclassifying the results of Aseval as a continuing operation in both years. The Group's income statement before these adjustments is included in the Annexes.)*

- In the first nine months of the year the Bankia Group obtained an **accumulated profit after tax** of €696 million, which represents **growth of 53.9%** compared to the same period of 2013. This increase is founded on recurring customer business (net interest income and fee and commission income), the reduction of operating expenses and the lower volume of provisions and write-downs as a result of the steady improvement in the quality of the Group's assets.

- As regards quarterly earnings performance, in 3Q 2014 **profit after tax grew 8.4%** compared to the previous quarter, reaching €265 million, maintaining net interest income and gross income at the same level as in 2Q despite the seasonal effect of 3Q, and reducing costs and provisions.

- **Net interest income** totalled €735 million in the quarter, slightly up on 2Q (+0.7%), which means that the Group has now had six consecutive quarters of growth in this line item. As in previous quarters, the fall in the costs of liabilities is the factor that has most influenced this positive trend, counterbalancing the impact of factors such as the current low interest rate environment, portfolio sales, as well as the lower demand and reduced volume of lending in the summer season.

  The cost of term deposits continued to fall in the quarter, so that new deposits were made at rates of around 0.85%, 25 basis points less than in the previous quarter, while the stock of deposits is at an average rate of 1.83%. Thus, the return on average total assets in 3Q 2014 was 1.17%, compared to 1.15% the previous quarter.

- **Net fee and commission income** totalled €234 million in the quarter, down slightly on 2Q (-1.1%). This result is affected by the seasonal behaviour of certain activities in the summer months, especially corporate transactions involving underwriting and placing of securities, which usually decline in the third quarter of the year.

- **Net trading income (NTI)** for the quarter was €75 million, up €22 million on the previous quarter. This result is attributable mainly to the gains made through portfolio turnover, as well as derivatives activity with customers and hedge valuation. At the same time, the income statement for 3Q 2014 includes **foreign exchange losses** totalling €19 million, mainly reflecting the impact of the change in the euro/dollar exchange rate compared to the previous quarter on the currency hedge associated with the sale of City National Bank. This change has an equal but positive impact on the Bank's equity which will be materialized in the profit and loss account on the date the company is effectively sold, so the real foreigh exchange risk associated with the divestment is nil.

- As a result of all the above, **gross income** for 3Q 2014 was €1,005 million, very similar to the previous quarter. As regards the composition of gross income, the main item is revenue from the core customer banking business, which overall accounts for just over 93% of the total, in line with the previous quarter.

- **Operating expenses** continued the downward trend of previous quarters, mainly in terms of staff costs, which fell 3.1% compared to 2Q. As a result, the third quarter of 2014 saw further improvement in the cost to income ratio, which reached 42.8%, 60 basis points less than in 2Q

2014 and 6.3 percentage points less than one year ago. The cost to income ratio for the first nine months of 2014 was 44.5%, that is, 6.1 percentage points less than in the same period of 2013.

- As a result of the good revenue and expense performance, **pre-provision profit** rose 1.2% in the quarter, posting cumulative growth of 15.3% in the nine months up to September 2014.

- **Provisions and write-downs**, which include impairment losses on financial and non-financial assets, foreclosed assets and other net provisions, totalled €253 million in the third quarter, down €9 million from the previous quarter, accumulating a total of €817 million for the nine months up to the end of September 2014. This represents a year-on-year decline of 28.9%, which is the result of the improvement in asset quality and the extreme prudence the Bank continues to exercise in credit and real estate risk hedging. Thus, in 3Q 2014 the **cost of credit risk** improved to 0.59%, 4 basis points less than in the previous quarter and 10 basis points below 3Q 2013.

- The **sale of portfolios of non-performing and defaulted loans** has contributed to the decrease in the Group's non-performing loans. In the third quarter of the year the Group sold portfolios of non-performing loans in the amount of €462 million, while in the nine months up to the end of September sales of non-performing loans totalled €765 million.

- The Group generated €31 million of profit in the quarter from the sale of equity investments, which is recognised under **Other gains and other losses**, bringing the profit after tax for 3Q 2014 to €265 million, up 8.4% on 2Q. In cumulative terms, the profit after tax for the nine months up to September was €696 million, up 53.9% year-on-year.

## 3.2 Growth of lending to SMEs, increased retail customer funds and disposals

- At the end of September 2014 **gross loans and advances to customers** stood at €122,866 million, down €6,952 million on December 2013 (-5.4%). This decrease in lending, of which €765 million relates to portfolio sales, is concentrated in secured lending, which consists mainly of home mortgage lending (-€2,767 million) and NPLs (-€2,151 million).

  This reflects the Bank's strategy aimed at reducing the NPL ratio and shifting the mix of its portfolios towards a greater proportion of corporate and SME lending. In fact, in 3Q the Group achieved slight increases in consumer lending, while the volume of lending to companies stabilised, following declines in the previous two quarters.

  **Bankia drew €2,700 million under the ECB's TLTRO facility, the full amount of which will be transferred to customers in the form of new credit**. For this purpose a new line of loans for SMEs, businesses, self-employed and professionals ("Préstamo Dinamización"), has been launched which passes on to customers the savings resulting from the cheaper financing obtained from the ECB, which has an average interest rate 30% below that of the rest of the loans offered by Bankia.

  The demand for this new line of loans reached €1,375.1 million in the first month of it being launched, the main objectives being to acquire new customers, improve cross-selling and retain existing customers.

- As regards **retail funds**, the highlight once again in this quarter is the performance of strict customer deposits and off-balance-sheet customer funds, which quarter-on-quarter were up 2.4% and 2.3%, respectively, bringing the increase to 5.8% in the year to date, or 6.5% year-on-year, thus already exceeding pre-restructuring levels.

  The growth was particularly strong in current accounts and term deposits, government deposits, and assets managed in mutual and pension funds.

- Regarding the **non-strategic asset disposal plan**, since the start of the year the Bankia Group has completed a total of 117 sales of equity investments and other assets, with proceeds of €541 million, of which €171 million correspond to the third quarter.

Sales completed since the start of 2013 have generated nearly €1,813 million of liquidity for the Bankia Group. Sales awaiting completion will yield a further €778 million.

### 3.3 Continued improvements in credit quality, liquidity and solvency indicators

- The Bankia Group continues to improve the quality of its assets each quarter, so that at the end of September 2013 **the stock of non-performing loans** reached €17,666 million, down €910 million over the quarter and down €2,356 million compared to December 2013. This improvement is due to a decrease in NPL additions, a strengthening of recovery activity and the sale of portfolios of non-performing loans, which in the year to September totalled €765 million.

  All this, together with the current levels of lending, has brought the **NPL ratio down** 40 basis points in the last three months and 110 basis points in the year to date, standing at 13.6% at the end of September 2014. The cost of credit risk, as already mentioned, shed 4 basis points in the quarter, reaching 0.59%.

  The **coverage ratio**, meanwhile, is 58.6%, 210 basis points higher than in December, as a result of the decrease in NPLs and the Group's prudent approach to provisioning.

- The Group's **liquidity** shows further improvement, driven by the reduction of the commercial gap, which decreased by more than €4,400 million in the quarter. The loan-to-deposit ratio falls 3.9 percentage points at 105.8%. The Group can now look back on six consecutive quarters of improvement in the LTD ratio, which has improved by 10.9 percentage points since 3Q 2013.

- As regards **solvency**, the Group has achieved a Basel III phase-in CET1 ratio of 12.44%, confirming the positive trend seen in previous quarters. In 3Q 2014 the Bankia Group generated €458 million (+62 basis points) of CET1 capital. This increase has been driven by organic earnings growth and the trend in RWAs as a result of balance sheet deleveraging (which includes the sale of some credit portfolios) and the improvement in portfolio credit quality.

  The Basel III fully loaded CET1 ratio stands at 10.51% at the end of September 2014.

# 4. INCOME STATEMENT

## YEAR-TO-DATE PRO FORMA INCOME STATEMENT

| (€ million) | 9M 2014 (1) | 9M 2013 (1) | Change Amount | Change % |
|---|---|---|---|---|
| **Net interest income** | **2,163** | **1,876** | **286** | **15.2%** |
| Dividends | 4 | 7 | (3) | (37.4%) |
| Share of profit/(loss) of companies accounted for using the equity method | 29 | 20 | 9 | 43.0% |
| Total net fee and commission | 702 | 686 | 16 | 2.3% |
| Gains/(losses) on financial assets and liabilities | 149 | 381 | (232) | (60.8%) |
| Exchange differences | 2 | 15 | (14) | (88.9%) |
| Other operating income/(expense) | (111) | (125) | 14 | (11.2%) |
| **Gross income** | **2,937** | **2,860** | **77** | **2.7%** |
| Administrative expenses | (1,184) | (1,311) | 128 | (9.7%) |
| Staff costs | (748) | (864) | 116 | (13.5%) |
| General expenses | (436) | (447) | 11 | (2.5%) |
| Depreciation and amortisation charge | (123) | (135) | 12 | (8.8%) |
| **Operating income before provisions** | **1,631** | **1,414** | **216** | **15.3%** |
| Provisions | (657) | (967) | 310 | (32.1%) |
| Provisions (net) | 111 | 47 | 64 | 137.2% |
| Impairment losses on financial assets (net) | (768) | (1,014) | 246 | (24.3%) |
| **Operating profit/(loss)** | **974** | **447** | **527** | **117.9%** |
| Impairment losses on non-financial assets | (3) | (11) | 8 | (73.4%) |
| Other gains and other losses | (9) | 197 | (206) | - |
| **Profit/(loss) before tax** | **961** | **633** | **329** | **52.0%** |
| Corporate income tax | (265) | (181) | (84) | 46.4% |
| **Profit/(loss) after tax** | **696** | **452** | **244** | **53.9%** |
| Profit/(loss) attributable to minority interests | (2) | (9) | 7 | (79.0%) |
| **Profit/(loss) attributable to the Group** | **698** | **461** | **237** | **51.4%** |
| **Cost to Income ratio (2)** | **44.5%** | **50.6%** | **(6.1) p.p.** | **(12.0%)** |
| **Recurring Cost to Income ratio (2) (3)** | **46.9%** | **58.7%** | **(11.8) p.p.** | **(20.1%)** |

(1) Excluding the financial cost attributable to the subordinated loan granted by BFA in 1Q13 (€89mn) and 2Q13 (€53mn) and reclassifying results of Aseval as continuing operations since 2Q13

(2) Cost to Income ratio for the 9 months accumulated period.

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

## CONSOLIDATED QUARTERLY PRO FORMA RESULTS

| (€ million) | 3Q 14 (1) | 2Q 14 (1) | 1Q 14 (1) | 4Q 13 (1) | 3Q 13 (1) | 2Q 13 (1) | 1Q 13 (1) |
|---|---|---|---|---|---|---|---|
| **Net interest income** | **735** | **730** | **698** | **690** | **643** | **633** | **601** |
| Dividends | 2 | 2 | 1 | 2 | 1 | 5 | 1 |
| Share of profit/(loss) of companies accounted for using the equity method | 11 | 11 | 7 | 9 | 7 | (2) | 15 |
| Total net fee and commission | 234 | 237 | 231 | 249 | 237 | 225 | 225 |
| Gains/(losses) on financial assets and liabilities | 75 | 53 | 21 | 34 | 84 | 132 | 166 |
| Exchange differences | (19) | 6 | 14 | 4 | 6 | 15 | (5) |
| Other operating income/(expense) | (33) | (36) | (42) | (77) | (31) | (49) | (45) |
| **Gross income** | **1,005** | **1,002** | **930** | **912** | **945** | **958** | **957** |
| Administrative expenses | (389) | (392) | (403) | (418) | (423) | (442) | (446) |
| Staff costs | (242) | (250) | (256) | (253) | (268) | (288) | (308) |
| General expenses | (147) | (143) | (146) | (166) | (155) | (154) | (139) |
| Depreciation and amortisation charge | (42) | (42) | (39) | (41) | (41) | (46) | (48) |
| **Operating income before provisions** | **574** | **567** | **489** | **453** | **481** | **470** | **463** |
| Provisions | (202) | (226) | (229) | (462) | (253) | (497) | (217) |
| Provisions (net) | 46 | 17 | 49 | (227) | 17 | 12 | 18 |
| Impairment losses on financial assets (net) | (248) | (243) | (277) | (235) | (269) | (509) | (235) |
| **Operating profit/(loss)** | **372** | **341** | **260** | **(9)** | **228** | **(27)** | **246** |
| Impairment losses on non-financial assets | (3) | 2 | (3) | (7) | 2 | (10) | (3) |
| Other gains and other losses | (2) | (18) | 11 | (37) | (1) | 250 | (51) |
| **Profit/(loss) before tax** | **367** | **326** | **268** | **(52)** | **229** | **213** | **191** |
| Corporate income tax | (102) | (81) | (82) | 208 | (68) | (56) | (57) |
| **Profit/(loss) after tax** | **265** | **245** | **186** | **156** | **161** | **157** | **134** |
| Profit/(loss) attributable to minority interests | (0) | 0 | (1) | 6 | 0 | (6) | (2) |
| **Profit/(loss) attributable to the Group** | **266** | **245** | **187** | **150** | **161** | **163** | **136** |
| | | | | | | | |
| **Cost to Income ratio** | **42.8%** | **43.4%** | **47.4%** | **50.3%** | **49.1%** | **50.9%** | **51.6%** |
| **Recurring Cost to Income ratio (2)** | **45.4%** | **46.1%** | **49.3%** | **52.6%** | **54.2%** | **60.1%** | **62.1%** |

(1) Excluding the financial cost attributable to the subordinated loan granted by BFA in 1Q13 (€89mn) and 2Q13 (€53mn) and reclassifying results of Aseval as continuing operations since 2Q13

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

## REVENUES AND EXPENSES

| (€ million & %) | 3 Q 2014 Average Amount | 3 Q 2014 Weight (%) | 3 Q 2014 Revenues /Expenses | 3 Q 2014 Yield | 2 Q 2014 Average Amount | 2 Q 2014 Weight (%) | 2 Q 2014 Revenues /Expenses | 2 Q 2014 Yield |
|---|---|---|---|---|---|---|---|---|
| Loans and advances to credit institutions [1] | 18,581 | 7.6% | 5 | 0.12% | 20,421 | 8.1% | 15 | 0.29% |
| Net Loans and advances to customers (a) | 114,815 | 46.9% | 676 | 2.34% | 116,938 | 46.5% | 713 | 2.45% |
| Debt securities | 68,323 | 27.9% | 439 | 2.55% | 69,924 | 27.8% | 448 | 2.57% |
| Other interest earning assets [2] | 174 | 0.1% | 1 | 2.71% | 187 | 0.1% | 1 | 2.54% |
| Other non-interest earning assets | 42,786 | 17.5% | - | - | 43,938 | 17.5% | - | - |
| **Total Assets (b)** | **244,679** | **100.0%** | **1,122** | **1.82%** | **251,409** | **100.0%** | **1,177** | **1.88%** |
| Deposits from central banks and credit institutions | 71,149 | 29.1% | 54 | 0.30% | 77,879 | 32.1% | 76 | 0.39% |
| Customer deposits (c) | 105,752 | 43.2% | 287 | 1.08% | 106,774 | 42.5% | 327 | 1.23% |
| *Strict Customer Deposits* | *94,548* | 38.6% | *259* | *1.09%* | *90,898* | 36.2% | *293* | *1.29%* |
| *Repos* | *2,949* | 1.2% | *0.4* | *0.06%* | *7,220* | 2.9% | *5* | *0.28%* |
| *Single-certificate covered bonds* | *8,255* | 3.4% | *28* | *1.34%* | *8,656* | 3.4% | *29* | *1.34%* |
| Marketable securities | 26,455 | 10.8% | 62 | 0.92% | 26,190 | 10.4% | 63 | 0.97% |
| Subordinated liabilities | 1,018 | 0.4% | 10 | 3.71% | 502 | 0.2% | 4 | 3.58% |
| Other interest earning liabilities [2] | 1,309 | 0.5% | 3 | 0.86% | 1,568 | 0.6% | 3 | 0.73% |
| Other liabilities with no cost | 26,374 | 10.8% | - | - | 26,521 | 10.5% | - | - |
| Equity | 12,622 | 5.2% | - | - | 11,977 | 4.8% | - | - |
| **TOTAL EQUITY AND LIABILITIES (d)** | **244,679** | **100.0%** | **416** | **0.67%** | **251,409** | **100.0%** | **474** | **0.76%** |
| **Customer margin (a-c)** | | | **389** | **1.26%** | | | | **1.22%** |
| **Net interest margin (b-d)** | | | **706** | **1.15%** | | | **703** | **1.12%** |
| ***City National Bank Contribution*** [3] | ***3,963*** | | ***29*** | | ***3,222*** | | ***28*** | |
| **Consolidated Net interest margin** | **248,642** | | **735** | **1.17%** | **254,631** | | **730** | **1.15%** |

(1) Includes repo transaction with BFA since March 2014
(2) Includes insurance contracts related to pensions, liabilities under insurance contracts and other financial liabilities
(3) In 3Q 2014 the average amount of City National Bank includes interest and non-interest earning assets and liabilities

Bankia

## NET FEE AND COMMISSION INCOME

| (€ million) | 9M 2014 | 9M 2013 | Change Amount | Change % |
|---|---|---|---|---|
| Contingent liabilities and commitments | 80 | 88 | (8) | (9.0%) |
| Collection and payment services | 311 | 323 | (12) | (3.6%) |
| Cheques and Bills | 39 | 51 | (12) | (23.4%) |
| Cards | 163 | 170 | (6) | (3.8%) |
| Payment services | 30 | 36 | (6) | (15.4%) |
| Others | 79 | 67 | 12 | 18.1% |
| Securities services | 41 | 38 | 3 | 8.5% |
| Non-banking financial product sales | 187 | 155 | 33 | 21.1% |
| Mutual funds | 69 | 60 | 9 | 15.2% |
| Pension funds | 62 | 33 | 28 | 84.9% |
| Insurances and others | 57 | 61 | (5) | (7.7%) |
| Other fee and commission | 149 | 188 | (39) | (20.6%) |
| **Fee and commission income** | **769** | **792** | **(23)** | **(2.8%)** |
| **Fee and commission expenses** | **68** | **106** | **(39)** | **(36.3%)** |
| **Total net fee and commission** | **702** | **686** | **16** | **2.3%** |
| **(*) City National Bank of Florida contribution** | **6** | **6** | **-** | **-** |

| (€ million) | 3Q 2014 | 2Q 2014 | 1Q 2014 | 4Q 2013 | 3Q 2013 | 2Q 2013 | 1Q 2013 |
|---|---|---|---|---|---|---|---|
| Contingent liabilities and commitments | 25 | 28 | 27 | 26 | 30 | 29 | 28 |
| Collection and payment services | 97 | 107 | 107 | 129 | 111 | 108 | 105 |
| Cheques and Bills | 12 | 13 | 14 | 16 | 17 | 17 | 17 |
| Cards | 52 | 57 | 54 | 68 | 55 | 59 | 55 |
| Payment services | 9 | 11 | 11 | 15 | 12 | 12 | 12 |
| Others | 25 | 26 | 28 | 30 | 26 | 21 | 20 |
| Securities services | 10 | 18 | 13 | 13 | 13 | 14 | 11 |
| Non-banking financial product sales | 58 | 71 | 58 | 49 | 52 | 52 | 51 |
| Mutual funds | 24 | 23 | 22 | 22 | 23 | 19 | 18 |
| Pension funds | 16 | 30 | 16 | 12 | 11 | 11 | 11 |
| Insurances and others | 18 | 18 | 20 | 14 | 18 | 23 | 21 |
| Other fee and commission | 52 | 42 | 56 | 61 | 66 | 56 | 66 |
| **Fee and commission income** | **243** | **266** | **260** | **279** | **272** | **260** | **260** |
| **Fee and commission expenses** | **9** | **29** | **30** | **29** | **36** | **35** | **36** |
| **Total net fee and commission** | **234** | **237** | **231** | **249** | **237** | **225** | **225** |
| **(*) City National Bank of Florida contribution** | **2** | **2** | **2** | **2** | **2** | **2** | **3** |

## ADMINISTRATIVE EXPENSES

| (€ million) | 9M 2014 | 9M 2013 | Change Amount | Change % |
|---|---|---|---|---|
| **Staff cost** | **748** | **864** | **(116)** | **(13.5%)** |
| Wages and salaries | 562 | 666 | (104) | (15.6%) |
| Social security costs | 136 | 164 | (28) | (17.0%) |
| Pension plans | 21 | 2 | 19 | 844.8% |
| Others | 29 | 32 | (3) | (10.2%) |
| **General expenses** | **436** | **447** | **(11)** | **(2.5%)** |
| From property, fixtures and supplies | 103 | 124 | (21) | (17.1%) |
| IT and communications | 131 | 137 | (5) | (3.7%) |
| Advertising and publicity | 44 | 35 | 10 | 28.4% |
| Technical reports | 35 | 32 | 3 | 8.2% |
| Surveillance and security courier services | 12 | 17 | (5) | (26.9%) |
| Levies and taxes | 46 | 47 | (1) | (2.0%) |
| Insurance and self-insurance premiums | 4 | 3 | 1 | 34.0% |
| Other expenses | 60 | 53 | 7 | 13.1% |
| **TOTAL ADMINISTRATIVE EXPENSES** | **1,184** | **1,311** | **(128)** | **(9.7%)** |
| **(*) of which: City National Bank of Florida** | **44** | **42** | **2** | **4.0%** |

| (€ million) | 3Q 2014 | 2Q 2014 | 1Q 2014 | 4Q 2013 | 3Q 2013 | 2Q 2013 | 1Q 2013 |
|---|---|---|---|---|---|---|---|
| **Staff cost** | **242** | **250** | **256** | **253** | **268** | **288** | **308** |
| Wages and salaries | 182 | 189 | 192 | 193 | 208 | 222 | 237 |
| Social security costs | 45 | 45 | 46 | 47 | 52 | 54 | 58 |
| Pension plans | 7 | 7 | 7 | 1 | 0 | 1 | 1 |
| Others | 8 | 10 | 11 | 12 | 8 | 11 | 13 |
| **General expenses** | **147** | **143** | **146** | **166** | **155** | **154** | **139** |
| From property, fixtures and supplies | 34 | 34 | 35 | 46 | 40 | 40 | 44 |
| IT and communications | 43 | 46 | 42 | 42 | 43 | 48 | 45 |
| Advertising and publicity | 17 | 12 | 14 | 10 | 10 | 12 | 13 |
| Technical reports | 16 | 10 | 9 | 30 | 13 | 12 | 7 |
| Surveillance and security courier services | 4 | 4 | 4 | 5 | 6 | 6 | 5 |
| Levies and taxes | 10 | 17 | 18 | 7 | 18 | 21 | 7 |
| Insurance and self-insurance premiums | 3 | 1 | 1 | 1 | 1 | 1 | 1 |
| Other expenses | 20 | 18 | 22 | 23 | 24 | 14 | 15 |
| **TOTAL ADMINISTRATIVE EXPENSES** | **389** | **392** | **403** | **418** | **423** | **442** | **446** |
| **(*) of which: City National Bank of Florida** | **15** | **13** | **15** | **14** | **14** | **14** | **14** |

## 5. BALANCE SHEET

| (€ million) | Sep-14 | Dec-13 | Change Amount | Change % |
|---|---|---|---|---|
| Cash and balances with central banks | 2,146 | 3,449 | (1,303) | (37.8%) |
| Financial assets held for trading | 18,608 | 22,244 | (3,636) | (16.3%) |
| Of which: loans and advances to customers | - | 3 | (3) | (100.0%) |
| Available-for-sale financial assets | 40,032 | 40,704 | (673) | (1.7%) |
| Debt securities | 40,032 | 40,704 | (673) | (1.7%) |
| Equity instruments | - | - | - | - |
| Loans and receivables | 131,720 | 129,918 | 1,801 | 1.4% |
| Loans and advances to credit institutions | 17,156 | 9,219 | 7,937 | 86.1% |
| Loans and advances to customers | 112,993 | 119,116 | (6,123) | (5.1%) |
| Rest | 1,571 | 1,584 | (12) | (0.8%) |
| Held-to-maturity investments | 26,843 | 26,980 | (137) | (0.5%) |
| Hedging derivatives | 5,262 | 4,260 | 1,002 | 23.5% |
| Non-current assets held for sale | 10,755 | 12,000 | (1,245) | (10.4%) |
| Equity investments | 146 | 150 | (4) | (2.4%) |
| Tangible and intangible assets | 2,104 | 2,006 | 97 | 4.9% |
| Other assets, prepayments and accrued income, and tax assets | 9,458 | 9,761 | (304) | (3.1%) |
| **TOTAL ASSETS** | **247,072** | **251,472** | **(4,400)** | **(1.7%)** |
| Financial liabilities held for trading | 18,046 | 20,218 | (2,171) | (10.7%) |
| Financial liabilities at amortised cost | 204,350 | 207,877 | (3,527) | (1.7%) |
| Deposits from central banks | 43,677 | 43,406 | 271 | 0.6% |
| Deposits from credit institutions | 26,466 | 26,218 | 248 | 0.9% |
| Customer deposits | 105,854 | 108,543 | (2,689) | (2.5%) |
| Marketable debt securities | 26,433 | 28,139 | (1,706) | (6.1%) |
| Subordinated liabilities | 1,030 | - | 1,030 | - |
| Other financial liabilities | 891 | 1,571 | (680) | (43.3%) |
| Hedging derivatives | 2,317 | 1,897 | 420 | 22.1% |
| Liabilities under insurance contracts | 226 | 238 | (11) | (4.8%) |
| Provisions | 1,405 | 1,706 | (301) | (17.6%) |
| Other liabilities, accruals and deferred income, and tax liabilities | 7,938 | 7,951 | (14) | (0.2%) |
| **TOTAL LIABILITIES** | **234,282** | **239,887** | **(5,605)** | **(2.3%)** |
| Minority interests | (68) | (40) | (29) | 72.6% |
| Valuation adjustments | 1,318 | 742 | 576 | 77.7% |
| Equity | 11,540 | 10,883 | 657 | 6.0% |
| **TOTAL EQUITY** | **12,790** | **11,585** | **1,205** | **10.4%** |
| **TOTAL EQUITY AND LIABILITIES** | **247,072** | **251,472** | **(4,400)** | **(1.7%)** |

## CUSTOMER LOANS

| (€ million) | Sep-14(*) | Dec-13(*) | Change Amount | Change % |
|---|---|---|---|---|
| Spanish public sector | 5,469 | 5,400 | 70 | 1.3% |
| Other resident sectors | 96,937 | 100,833 | (3,896) | (3.9%) |
| Secured loans and advances | 75,563 | 78,330 | (2,767) | (3.5%) |
| Personal guarantee loans | 13,302 | 13,445 | (143) | (1.1%) |
| Business loans and other credit facilities | 8,072 | 9,058 | (986) | (10.9%) |
| Non-residents | 3,150 | 3,993 | (843) | (21.1%) |
| Repo transactions | - | 26 | (26) | (100.0%) |
| Other financial assets | 463 | 577 | (114) | (19.8%) |
| Other valuation adjustments | 2 | (6) | 8 | n.a. |
| Non-performing loans(**) | 16,844 | 18,995 | (2,151) | (11.3%) |
| **GROSS LOANS AND ADVANCES TO CUSTOMERS** | **122,866** | **129,818** | **(6,952)** | **(5.4%)** |
| Loan loss reserve | (9,874) | (10,700) | 826 | (7.7%) |
| **NET LOANS AND ADVANCES TO CUSTOMERS*** | **112,993** | **119,118** | **(6,126)** | **(5.1%)** |

*Net Loans include credit of financial assets held for trading

(**) The figure does not include the non performing contingent liabilities

## COMPOSITION OF FIXED-INCOME PORTFOLIOS

| (€ million) | Sep-14(*) | Dec-13(*) | Change Amount | Change % |
|---|---|---|---|---|
| ALCO Portfolio | 29,744 | 29,003 | 741 | 2.6% |
| NO ALCO Portfolio | 8,974 | 9,908 | (934) | (9.4%) |
| SAREB Bonds | 18,520 | 18,585 | (65) | (0.3%) |
| ESM Bonds | 7,665 | 9,665 | (2,000) | (20.7%) |
| **Total Fixed Income Portfolio** | **64,903** | **67,161** | **(2,258)** | **(3.4%)** |

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

## CUSTOMER FUNDS

| (€ million) | Sep-14 | Dec-13 | Change Amount | Change % |
|---|---|---|---|---|
| Spanish public sector | 5,232 | 4,305 | 927 | 21.5% |
| Repo transactions | - | 1,617 | (1,617) | (100.0%) |
| Other resident sectors | 97,772 | 101,561 | (3,789) | (3.7%) |
| Current accounts | 12,655 | 11,541 | 1,114 | 9.7% |
| Savings accounts | 23,602 | 23,646 | (44) | (0.2%) |
| Term deposits and other | 61,515 | 66,374 | (4,859) | (7.3%) |
| Repo transactions | 1,620 | 6,225 | (4,605) | (74.0%) |
| Singular mortgage securities | 8,177 | 9,190 | (1,012) | (11.0%) |
| Rest | 51,718 | 50,959 | 759 | 1.5% |
| Non-residents | 2,850 | 2,677 | 173 | 6.5% |
| Repo transactions | 1,625 | 1,477 | 148 | 10.0% |
| **Customer deposits** | **105,854** | **108,543** | **(2,689)** | **(2.5%)** |
| Debentures and other marketable securities | 26,433 | 28,139 | (1,706) | (6.1%) |
| Subordinated loans | 1,030 | - | 1,030 | - |
| **TOTAL ON-BALANCE-SHEET CUSTOMER FUNDS** | **133,317** | **136,682** | **(3,365)** | **(2.5%)** |
| Mutual funds | 10,286 | 8,216 | 2,070 | 25.2% |
| Pension funds | 6,390 | 6,269 | 121 | 1.9% |
| Insurance | 6,151 | 6,346 | (195) | (3.1%) |
| **Off-balance-sheet customer funds** | **22,827** | **20,831** | **1,996** | **9.6%** |
| **TOTAL CUSTOMER FUNDS** | **156,144** | **157,513** | **(1,370)** | **(0.9%)** |

## STRICT CUSTOMER DEPOSITS

| (€ million) | Sep-14 | Jun-14 | Mar-14 | Dec-13 | Sep-13 |
|---|---|---|---|---|---|
| **Spanish public sector** | **5,232** | **3,931** | **2,800** | **2,688** | **3,093** |
| **Other resident sectors** | **87,975** | **87,151** | **86,798** | **86,147** | **86,065** |
| Current accounts | 12,655 | 12,104 | 11,881 | 11,541 | 11,518 |
| Savings accounts | 23,602 | 23,993 | 23,037 | 23,646 | 23,104 |
| Term deposits | 51,718 | 51,055 | 51,880 | 50,959 | 51,443 |
| **Retail commercial paper** | - | - | - | - | - |
| **Non-residents** | **1,224** | **1,173** | **1,154** | **1,200** | **1,234** |
| **Strict Customer Deposits** | **94,432** | **92,255** | **90,752** | **90,034** | **90,392** |

# 6. RISK MANAGEMENT

## GROSS EXPOSURE BY SECTOR AND COVERAGE RATIOS

| | | | | | Sep-14 / Dec-13 | |
|---|---|---|---|---|---|---|
| (€ million and %) | Sep-14 | Jun-14 | Mar-14 | Dec-13 | Amount | % |
| **Gross exposure** | | | | | | |
| Individuals | 78,884 | 80,775 | 81,055 | 82,223 | (3,339) | (4.1%) |
| Businesses | 35,070 | 35,848 | 36,784 | 37,815 | (2,745) | (7.3%) |
| Developers | 3,309 | 3,331 | 3,508 | 3,858 | (548) | (14.2%) |
| Public sector & others | 5,603 | 5,644 | 6,275 | 5,923 | (320) | (5.4%) |
| **Gross Credit** | **122,866** | **125,598** | **127,621** | **129,818** | **(6,952)** | **(5.4%)** |
| Gross credit ex developers | 119,557 | 122,267 | 124,113 | 125,961 | (6,404) | (5.1%) |
| **Impairments** | | | | | | |
| Individuals | 2,733 | 2,849 | 2,852 | 2,907 | (174) | (6.0%) |
| Businesses | 5,578 | 6,064 | 6,030 | 6,144 | (566) | (9.2%) |
| Developers | 1,563 | 1,508 | 1,569 | 1,648 | (86) | (5.2%) |
| **Total Impairments** | **9,874** | **10,421** | **10,452** | **10,699** | **(826)** | **(7.7%)** |
| Coverage ex developers | 8,311 | 8,913 | 8,882 | 9,051 | (740) | (8.2%) |
| **Coverage (%)** | | | | | | |
| Individuals | 3.5% | 3.5% | 3.5% | 3.5% | | 0 b.p. |
| Businesses | 15.9% | 16.9% | 16.4% | 16.2% | | (30) b.p. |
| Developers | 47.2% | 45.3% | 44.7% | 42.7% | | +450 b.p. |
| **Total coverage** | **8.0%** | **8.3%** | **8.2%** | **8.2%** | | **(20) b.p.** |
| Coverage ex developers | 7.0% | 7.3% | 7.2% | 7.2% | | (20) b.p. |

## NPL RATIO AND NPL COVERAGE RATIO

| | | | | | Sep-14 / Dec-13 | |
|---|---|---|---|---|---|---|
| (€ million and %) | Sep-14 | Jun-14 | Mar-14 | Dec-13 | Amount | % |
| Non-performing loans | 17,666 | 18,576 | 19,180 | 20,022 | (2,356) | (11.8%) |
| Total risk-bearing assets | 129,580 | 132,347 | 134,000 | 136,660 | (7,080) | (5.2%) |
| **Total NPL ratio (*)** | **13.6%** | **14.0%** | **14.3%** | **14.7%** | | **(110) b.p.** |
| **Total provisions** | 10,352 | 10,946 | 11,012 | 11,312 | (960) | (8.5%) |
| Generic | 153 | 153 | 153 | 153 | - | - |
| Specific | 10,175 | 10,768 | 10,834 | 11,135 | (961) | (8.6%) |
| Country risk | 25 | 25 | 25 | 24 | 1 | 4.4% |
| **NPL coverage ratio** | **58.6%** | **58.9%** | **57.4%** | **56.5%** | | **+210 b.p.** |

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

## NON-PERFORMING LOANS

| (€ million and %) | Sep-14 / Dec-13 | Sep-14 / Jun-14 | Jun-14 /Mar-14 | Mar-14 /Dec-13 |
|---|---|---|---|---|
| **Non-performing loans at the begining** | **20,022** | **18,576** | **19,180** | **20,022** |
| + Gross entries | 2,744 | 921 | 901 | 922 |
| - Recoveries | (4,149) | (1,319) | (1,432) | (1,398) |
| = Net entries | (1,405) | (398) | (531) | (476) |
| - Write offs | (186) | (50) | (73) | (63) |
| - Sales (*) | (765) | (462) | 0 | (303) |
| **Non-performing loans at the end of the period** | **17,666** | **17,666** | **18,576** | **19,180** |

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

## BREAKDOWN OF FORECLOSED ASSETS

| | Gross value | | | |
|---|---|---|---|---|
| (€ million) | Sep-14 | Jun-14 | Mar-14 | Dec-13 |
| Property assets from financing intended for construction and property development | 584 | 590 | 650 | 649 |
| Finished buildings | 333 | 339 | 341 | 334 |
| Buildings under construction | 44 | 44 | 105 | 105 |
| Land | 207 | 206 | 204 | 209 |
| Property acquired related to mortgage loans to homebuyers | 3,156 | 3,150 | 3,091 | 3,018 |
| Other foreclosed assets | 518 | 500 | 464 | 432 |
| **Total** | **4,258** | **4,240** | **4,206** | **4,098** |

| | Impairments | | | |
|---|---|---|---|---|
| (€ million) | Sep-14 | Jun-14 | Mar-14 | Dec-13 |
| Property assets from financing intended for construction and property development | 251 | 252 | 287 | 288 |
| Finished buildings | 83 | 84 | 84 | 81 |
| Buildings under construction | 20 | 20 | 55 | 55 |
| Land | 147 | 148 | 148 | 152 |
| Property acquired related to mortgage loans to homebuyers | 1,028 | 1,033 | 1,036 | 1,019 |
| Other foreclosed assets | 148 | 145 | 141 | 136 |
| **Total** | **1,427** | **1,431** | **1,464** | **1,442** |

| | Net value | | | |
|---|---|---|---|---|
| (€ million) | Sep-14 | Jun-14 | Mar-14 | Dec-13 |
| Property assets from financing intended for construction and property development | 333 | 337 | 364 | 361 |
| Finished buildings | 249 | 256 | 257 | 253 |
| Buildings under construction | 24 | 24 | 51 | 51 |
| Land | 59 | 58 | 56 | 57 |
| Property acquired related to mortgage loans to homebuyers | 2,127 | 2,117 | 2,055 | 1,999 |
| Other foreclosed assets | 370 | 355 | 323 | 296 |
| **Total** | **2,830** | **2,809** | **2,742** | **2,656** |

# 7. FUNDING STRUCTURE AND LIQUIDITY

## COMMERCIAL GAP

| (€ million) | Sep-14 | Dec-13 | Change Amount | Change % |
|---|---|---|---|---|
| **Net Loans and advances to customers** | **112,993** | **119,118** | **(6,126)** | **(5.1%)** |
| Repo transactions SPR | - | 26 | (26) | (100.0%) |
| Repo transactions NRE | - | - | - | - |
| **Strict Net Loans and advances to customers** | **112,993** | **119,092** | **(6,099)** | **(5.1%)** |
| (-) Strict customer deposits and retail commercial paper | 94,432 | 90,034 | 4,398 | 4.9% |
| (-) ICO/EIB Deposits | 4,237 | 3,988 | 249 | 6.2% |
| **Strict Comercial GAP** | **14,324** | **25,070** | **(10,746)** | **(42.9%)** |

## LTD RATIO

| (€ million) | Sep-14 | Dec-13 | Change Amount | Change % |
|---|---|---|---|---|
| **Net Loans and advances to customers** | **112,993** | **119,118** | **(6,126)** | **(5.1%)** |
| Repo transactions SPR | - | 26 | (26) | (100.0%) |
| Repo transactions NRE | - | - | - | - |
| **a. Strict Net Loans and advances to customers** | **112,993** | **119,092** | **(6,099)** | **(5.1%)** |
| Strict customer deposits and retail commercial paper | 94,432 | 90,034 | 4,398 | 4.9% |
| Single-certificate covered bonds | 8,177 | 9,190 | (1,013) | (11.0%) |
| ICO/EIB deposits | 4,237 | 3,988 | 249 | 6.2% |
| **b. Total Deposits** | **106,846** | **103,211** | **3,635** | **3.5%** |
| **LTD ratio (a/b)** | **105.8%** | **115.4%** | | **(9,6) p.p.** |

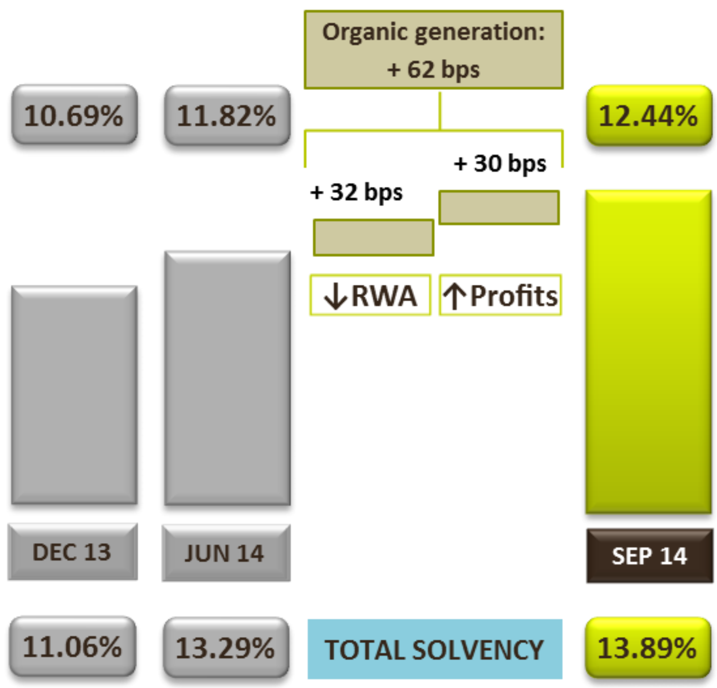
# 8. SOLVENCY

## BASEL III PHASE-IN SOLVENCY DATA

| (€ million and %) | Sep-14 | Dec-13 pro forma (*) |
|---|---|---|
| Eligible capital | 12,473 | 10,875 |
| Common equity Tier I (CET 1) | 11,172 | 10,509 |
| Tier I | 11,172 | 10,509 |
| Tier II | 1,300 | 366 |
| Risk-weighted assets | 89,820 | 98,352 |
| Minimum requirements | 7,186 | 7,868 |
| Surplus capital | 5,287 | 3,007 |
| **Common equity Tier I Phase In (CET 1) (%)** | **12.44%** | **10.69%** |
| Tier I | 12.44% | 10.69% |
| Tier II | 1.45% | 0.37% |
| **Solvency ratio - Total capital ratio (%)** | **13.89%** | **11.06%** |
| **CET 1 Fully Loaded (%)** | **10.51%** | **8.60%** |

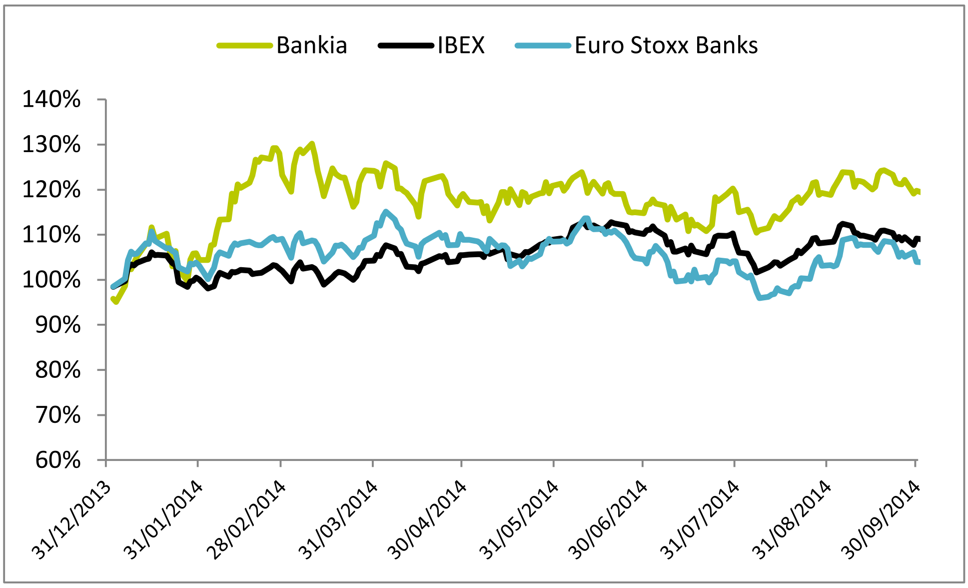
(*) For comparison purposes December 2013 pro forma is calculated using BIS III Phase In

## CET1 PHASE-IN RATIO

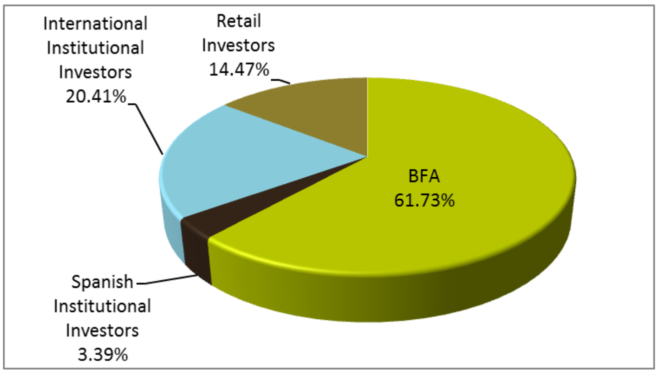


# 9. SHARE PERFORMANCE AND SHAREHOLDER STRUCTURE

## SHARE PERFORMANCE




## MAJOR SHAREHOLDERS AND STOCK MARKET DATA




| BANKIA (stock data) | 3Q 2014 |
|---|---|
| Number of shareholders | 459,631 |
| Daily average volume (num. shares) | 28,784,900 |
| Daily average turnover (euros) | 41,849,721 |
| Maximum closing price (€/share) | 1.534 (19-Sep) |
| Minimum closing price (€/share) | 1.363 (7-Aug) |
| Closing price (€/share) | 1.478 (30-Sep) |

# 10. RATING

| Issuer Ratings | Standard & Poor's | Fitch Ratings |
|---|---|---|
| Long-term | BB- | BBB- |
| Short-term | B | F3 |
| Perspective | Positive | Negative |
| Date | 4-Jun-14 | 15-Apr-14 |

| Mortgage Covered Bonds Ratings | Standard & Poor's | Fitch Ratings | DBRS |
|---|---|---|---|
| Rating | A- | BBB+ | A (low) |
| Perspective | Positive | Stable | --- |
| Date | 14-Oct-14 | 25-Sep-14 | 24-Sep-14 |

# 11. ANNEXES

## YEAR-TO-DATE PUBLIC INCOME STATEMENT

| (€ million) | 9M 2014 | 9M 2013 | Change Amount | Change % |
|---|---|---|---|---|
| **Net interest income** | **2,163** | **1,734** | **428** | **24.7%** |
| Dividends | 4 | 7 | (3) | (37.4%) |
| Share of profit/(loss) of companies accounted for using the equity method | 29 | 20 | 9 | 43.0% |
| Total net fee and commission | 702 | 686 | 16 | 2.3% |
| Gains/(losses) on financial assets and liabilities | 149 | 381 | (232) | (60.8%) |
| Exchange differences | 2 | 15 | (14) | (88.9%) |
| Other operating income/(expense) | (111) | (125) | 14 | (11.2%) |
| **Gross income** | **2,937** | **2,718** | **219** | **8.1%** |
| Administrative expenses | (1,184) | (1,311) | 128 | (9.7%) |
| Staff costs | (748) | (864) | 116 | (13.5%) |
| General expenses | (436) | (447) | 11 | (2.5%) |
| Depreciation and amortisation charge | (123) | (135) | 12 | (8.8%) |
| **Operating income before provisions** | **1,631** | **1,272** | **358** | **28.2%** |
| Provisions | (657) | (967) | 310 | (32.1%) |
| Provisions (net) | 111 | 47 | 64 | 137.2% |
| Impairment losses on financial assets (net) | (768) | (1,014) | 246 | (24.3%) |
| **Operating profit/(loss)** | **974** | **305** | **669** | **219.4%** |
| Impairment losses on non-financial assets | (3) | (11) | 8 | (73.4%) |
| Other gains and other losses | (67) | 63 | (130) | - |
| **Profit/(loss) before tax** | **903** | **357** | **547** | **153.3%** |
| Corporate income tax | (253) | (104) | (150) | 144.4% |
| **Profit/(loss) from continuing operations** | **650** | **253** | **397** | **156.9%** |
| Profit/(loss) from discontinued operations (net) | 46 | 100 | (54) | (53.8%) |
| **Profit/(loss) after tax** | **696** | **353** | **343** | **97.3%** |
| Profit/(Loss) attributable to minority interests | (2) | (9) | 7 | (79.0%) |
| **Profit/(loss) attributable to the Group** | **698** | **362** | **336** | **93.0%** |
| **Cost to Income ratio (1)** | **44.5%** | **53.2%** | **(8.7) p.p.** | **(16.4%)** |
| **Recurring Cost to Income ratio (1) (2)** | **46.9%** | **62.3%** | **(15.4) p.p.** | **(24.7%)** |

(1) Cost to Income ratio accumulated for the nine months period

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

## QUARTERLY PUBLIC INCOME STATEMENT

| (€ million) | 3Q 14 | 2Q 14 | 1Q 14 | 4Q 13 | 3Q 13 | 2Q 13 | 1Q 13 |
|---|---|---|---|---|---|---|---|
| **Net interest income** | **735** | **730** | **698** | **690** | **643** | **580** | **512** |
| Dividends | 2 | 2 | 1 | 2 | 1 | 5 | 1 |
| Share of profit/(loss) of companies accounted for using the e | 11 | 11 | 7 | 9 | 7 | (2) | 15 |
| Total net fee and commission | 234 | 237 | 231 | 249 | 237 | 225 | 225 |
| Gains/(losses) on financial assets and liabilities | 75 | 53 | 21 | 34 | 84 | 132 | 166 |
| Exchange differences | (19) | 6 | 14 | 4 | 6 | 15 | (5) |
| Other operating income/(expense) | (33) | (36) | (42) | (77) | (31) | (49) | (45) |
| **Gross income** | **1,005** | **1,002** | **930** | **912** | **945** | **905** | **868** |
| Administrative expenses | (389) | (392) | (403) | (418) | (423) | (442) | (446) |
| Staff costs | (242) | (250) | (256) | (253) | (268) | (288) | (308) |
| General expenses | (147) | (143) | (146) | (166) | (155) | (154) | (139) |
| Depreciation and amortisation charge | (42) | (42) | (39) | (41) | (41) | (46) | (48) |
| **Operating income before provisions** | **574** | **567** | **489** | **453** | **481** | **417** | **374** |
| Provisions | (202) | (226) | (229) | (462) | (253) | (497) | (217) |
| Provisions (net) | 46 | 17 | 49 | (227) | 17 | 12 | 18 |
| Impairment losses on financial assets (net) | (248) | (243) | (277) | (235) | (269) | (509) | (235) |
| **Operating profit/(loss)** | **372** | **341** | **260** | **(9)** | **228** | **(80)** | **157** |
| Impairment losses on non-financial assets | (3) | 2 | (3) | (7) | 2 | (10) | (3) |
| Other gains and other losses | (23) | (35) | (10) | (61) | (23) | 137 | (51) |
| **Profit/(loss) before tax** | **347** | **309** | **248** | **(76)** | **208** | **46** | **102** |
| Corporate income tax | (98) | (78) | (77) | 216 | (61) | (13) | (30) |
| **Profit/(loss) from continuing operations** | **248** | **231** | **171** | **139** | **147** | **34** | **72** |
| Profit/(loss) from discontinued operations (net) | 17 | 14 | 15 | 17 | 14 | 86 | (0) |
| **Profit/(loss) after tax** | **265** | **245** | **186** | **156** | **161** | **120** | **72** |
| Profit/(Loss) attributable to minority interests | (0) | 0 | (1) | 6 | (1) | (6) | (2) |
| **Profit/(loss) attributable to the Group** | **266** | **245** | **187** | **150** | **161** | **126** | **74** |
| | | | | | | | |
| **Cost to Income ratio** | **42.8%** | **43.4%** | **47.4%** | **50.3%** | **49.1%** | **53.9%** | **56.9%** |
| **Recurring Cost to Income ratio[1]** | **45.4%** | **46.1%** | **49.3%** | **52.6%** | **54.2%** | **64.3%** | **69.9%** |

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