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

INTERIM MANAGEMENT REPORT JUNE 2015

CONTENTS

This report was prepared following the recommendations of the "Guidelines for the preparation of management reports of listed companies" issued by the CNMV in July 2013.

1.- HIGHLIGHTS OF THE FIRST HALF OF 2015

The Bankia Group delivered a positive performance in the first half of 2015. The key highlights are as follows:

1.1.- Solid earnings

Profit attributable to the parent through June totalled EUR 556 million, up 11.5% on the first half of 2014. Earnings were highly satisfactory, driven by the resilience of the Group's income statement to declines in market interest rates and positive performances in operating expenses and provisioning. Decreases in the latter offset the impacts of other factors such as the fall in the Euribor rate -to new all-time lows in the first half of 2015- and the smaller contribution by the fixed-income portfolio.

The drop in operating expenses fed through to an improvement in the efficiency ratio, to 41.5% at the end of the first half of 2015, 2 percentage points (pp) lower than the year-ago figure. Meanwhile, the adjustment of provisions to more normal levels drove a considerable improvement in the cost of the Group's credit risk, which ended June 2015 at 0.52%, 14 points lower than in June 2014.

1.2.- Growth in activity

On the investment front, the period featured further growth in the Group's new lending to strategic segments, such as business, SMEs and consumer lending. This, coupled with faster private sector deleveraging in Spain, resulted in a smaller decrease in Group lending than in previous halves. Moreover, the sharpest decreases were in non-performing loans (NPLs) and less strategic segments for Bankia (mortgage loans).

In customer funds, meanwhile, noteworthy in the first half of 2015 was the positive trend of strict customer deposits and off-balance sheet funds (mainly investment funds), extending the trend of 2014. Combined, these increased by EUR 1,301 million from 31 December 2014.

1.3.- Improvement in the Group's credit quality

The main risk indicators fared extremely well in the first half of 2015, in line with last year's performance. The Group made further progress is reducing doubtful balances, by containing inflows of NPLs and by stepping up recovery efforts and selling doubtful loan portfolios. All this drove the NPL ratio down by 84 basis points (bp) from December 2014 to 12.03% at 30 June 2015, and the NPL coverage ratio up by 298 bp to 60.56%.

1.4.- Sound funding and liquidity structure

In the wake of the improvement in the commercial gap achieved over the past two years, the Bankia Group's LTD ratio at end-June 2015 stood at 104.9%, bearing out the good balance between loans and deposits. The Group's management and solvency continued to garner the market's support. Thus, in the first half of 2015, the Group successfully placed a EUR 1,000 million issue of 10.5-year mortgage covered bonds (*cédulas hipotecarias*). This marked its first issue of these instruments since February 2012.

Elsewhere, the Group raised EUR 8,689 million in the new auctions under the European Central Bank's TLTRO programme held in March and June 2015, which it is passing on to customers in the form of new loans.

1.5.- Capital strength

The Bankia Group continued to strengthen its solvency levels in the first half of 2015, achieving a CET1 phase-in level of 12.8%, a 0.5pp improvement from December 2014. This further improvement was underpinned mainly by organic capital generation through earnings and, to a lesser extent, by the positive impact of balance-sheet deleveraging and the better quality of the loan portfolio. This enabled the Group to maintain a healthy surplus of capital above the minimum regulatory requirement.

1.6.- First payment of dividends by the Group

Solid earnings in 2014, alongside favourable trends in the balance sheet and key solvency indicators, enabled the Group to pay its first ever dividend. At the General Meeting of Shareholders of Bankia held 22 April 2015, approval was given to pay shareholders a EUR 201.6 million cash dividend out of 2014 profit. This was one of the main milestones in Bankia's transformation process and one of the main achievements since it embarked on the 2012-2015 Strategic Plan.

1.7. - Disposals of non-strategic assets

In the first half of 2015, the Group continued to make progress of the commitments assumed in the Restructuring Plan and the Strategic Plan; one of the cornerstones was the disposal of equity investments and assets considered non-strategic for the Company's business. The main disposals in this respect in the first half of 2015 were as follows:

- **Realia**: on 4 March 2015, Corporación Industrial Bankia, a wholly owned subsidiary of Bankia, S.A., signed an agreement with Inmobiliaria Carso, S.A. de C.V. to sell its entire stake in Realia Business, S.A., representing 24.953% of Realia's share capital. The sale was carried out on 3 June 2015. The total amount was EUR 44.5 million, equivalent to a selling price of EUR 0.58 per share, and generated a gross gain of EUR 13.7 million.

- **Disposal of loan portfolios**: on 7 May 2015, Bankia sold a portfolio of non-performing developer loans amounting to EUR 310 million, some of which were secured by real estate collateral. Similarly, on 3 June 2015, the Entity signed an agreement to sell a EUR 373 million portfolio of loans to the hotel sector, of which 56% were classified as doubtful. These sales had a positive impact on the Bankia Group's capital (fully loaded) of EUR 16 million and EUR 19 million, respectively. Both transactions were carried out through competitive tenders among leading institutional investors and financial institutions.

- **Globalvia Infraestructuras**: on 30 June 2015, Bankia and Fomento de Construcciones y Contratas, S.A. (FCC) signed a purchase and sale agreement with the government of Malaysia's strategic investment fund Malasia Khazanah Nasional Berhad for the sale of 100% of the shares of Globalvia Infraestructuras, S.A., a company in which Bankia and FCC each own 50%**.** The deal will be carried out after the conditions precedent set out in the purchase and sale agreement are met. The selling price entails an upfront payment of EUR 166 million, to be made when the transfer of the shares is completed, and a deferred payment, to be made in the first half of 2017, which would reach as high as EUR 254 million depending on the company's valuation once the conditions precedent are met.

- In addition, on 24 May 2013, the Board of Directors of Bankia authorised the sale of City National Bank of Florida via the transfer from investee Bankia Inversiones Financieras, S.A.U of 100% of the shares of CM Florida Holdings Inc to Banco de Crédito e Inversiones of Chile. The sale will be carried out via payment of the agreed price (US dollars 882.8 million) and it is currently pending of the shares transfer improvement. At the end of June 2015, the required clearance by the FROB, the Superintendent of Banks and Financial Institutions of Chile and the Central Bank of Chile had been obtained to carry out the sale. All that is left for the transfer of shares is approval by the US Federal Reserve (the FED). Therefore, it is likely to be completed in 2015.

2.- ORGANISATIONAL STRUCTURE

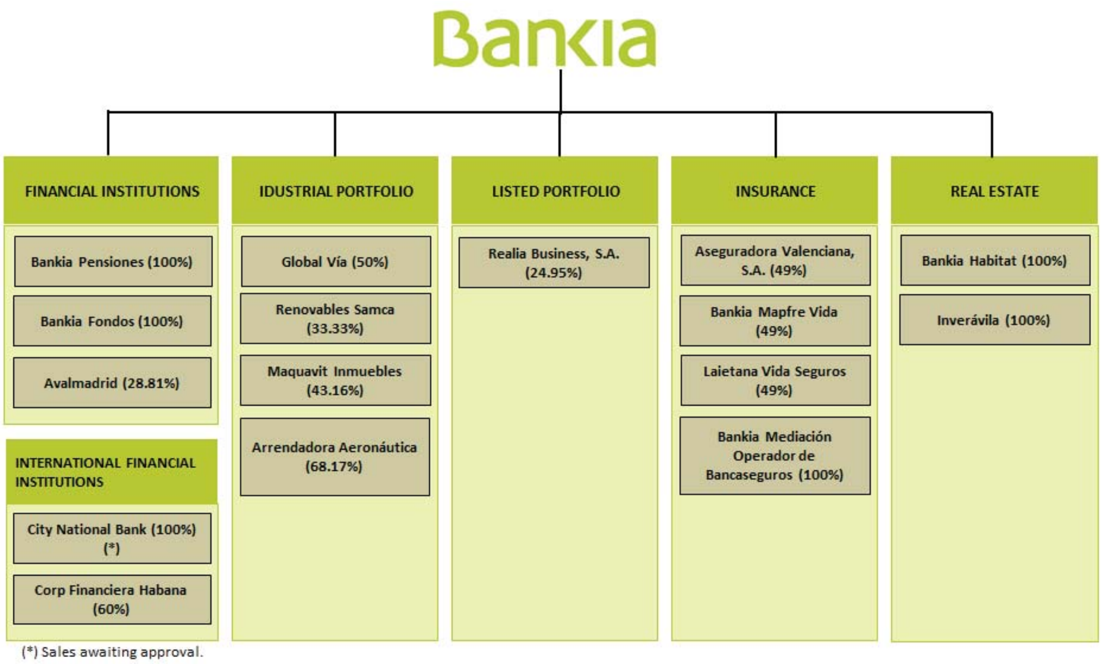
2.1.- Overview of the Bankia Group and its organisational structure

Bankia is a financial group with operations throughout Spain, focusing mainly on the traditional retail banking business, wholesale banking, asset management and private banking. Its corporate objects include all manner of activities, operations, acts, contracts and services related to the banking sector in general or directly or indirectly related thereto, permitted to it by current legislation, including the provision of investment services and ancillary services and performance of the activities of an insurance agency.

Bankia mainly does business in Spain. The Bankia Group had total assets at 30 June 2015 of EUR 219,493 million, of which Bankia, S.A. held EUR 215,621 million. The distribution of its branch network by region is detailed in section 2.3 below.

Organisationally, Bankia is the Group's parent. At 30 June 2015, the consolidation scope comprised 132 companies between subsidiaries, associates and jointly-controlled entities engaging in a range of activities, including the provision of finance, insurance, asset management, services, and real estate development and management. Of these, 73 are group companies, 7 are jointly-controlled entities and 52 are associates. Moreover, following the start of the approved disposal plan, 59 of the 132 companies in the Group's consolidation scope are classified as non-current assets held for sale.

Investments in companies included in the scope of consolidation are held directly in Bankia's portfolio, or indirectly through different holding companies. The main ones are as follows:



2.2.- Corporate governance

Bankia's governing bodies are the General Meeting of Shareholders and the Board of Directors. Board committees include the Audit and Compliance Committee, the Appointments Committee, the Remuneration Committee, the Risk Advisory Committee and the Board Risk Committee.

- **Consolidation of best corporate governance practices**

Bankia is aligned with best international corporate governance practices.

In this respect, resolutions were passed at the Bank's General Meeting of Shareholders held on 22 April 2015 to amend certain articles of the Bylaws to introduce technical improvements and to adapt to Law 10/2014, as well as the amendments of the Corporations Law introduced by Law 31/2014, of 3 December, amending the Corporations Law to improve corporate governance. For the same reasons, shareholders also agreed to amend the Regulations of the Board of Directors and were informed of the amendment to the Regulations of the Board of Directors agreed by this body on 23 February 2015.

Regarding the recommendations contained in the Code of Good Governance in 2015, Bankia complied with 48 out of 53, while the remaining five were not applicable.

The Bank is well aware of the changes introduced in the area of corporate governance with the new Code of Good Governance for Listed Companies approved by the CNMV in February 2015. The Bank has also implemented a significant number of the changes and is currently reviewing its internal rules and regulations to adapt them to the new Code.

- **Board of Directors and its Committees**

Bankia’s Board of Directors has 11 members, 3 Executive Directors and 8 independent directors, in line with the best practices set out in the new Code of Good Governance for listed companies.

The Chairman is the Executive Chairman. To counterbalance these responsibilities, the figure of Lead Independent Director was established at the 2013 General Meeting of Shareholders and regulated in the Bylaws, reinforcing the power of Independent Directors within the Board of Directors. Independent Director Alfredo Lafita Pardo was appointed to this position. The creation of the Lead Director is one of the recommendations of good governance practices at firms whose chairman is also the chief executive added recently to the Corporations Law as part of the December 2014 reforms.

The term of appointment of Lead Director is three years, and the same person may not be re-elected to the post. Appointment of the Lead Director is subject to a proposal by the Appointments Committee.

In addition, in 2014, at the proposal of the now defunct Appointments and Remuneration Committee, it was decided to appoint executive director José Sevilla Álvarez as Chief Executive Officer.

Board of Directors

The Board of Directors held 10 meetings between 1 january and 30 june 2015

(8 independent directors and 3 executive directors)

- José Ignacio Goirigolzarri Tellaeche. Executive Chairman
- José Sevilla Álvarez. Chief Executive Officer
- Alfredo Lafita Pardo. Lead Independent Director
- Antonio Ortega Parra. Executive Director
- Joaquín Ayuso García. Independent Director
- Francisco Javier Campo García. Independent Director
- Eva Castillo Sanz. Independent Director
- Jorge Cosmen Menéndez-Castañedo. Independent Director
- José Luis Feito Higueruela. Independent Director
- Fernando Fernández Méndez de Andés. Independent Director
- Álvaro Rengifo Abbad. Independent Director

Audit and Compliance Committee	
The Audit and Compliance Committee monitors the effectiveness of internal control, the internal audit and the risk management systems, and the preparation of regulated financial information. Its responsibilities also include, among others, proposing the appointment of, and establishing the appropriate relationships with, the statutory auditors, and reviewing compliance with the Company's governance and compliance rules.	**Four external independent directors:** - Alfredo Lafita Pardo (Chairman) - Joaquín Ayuso García - Jorge Cosmen Menéndez-Castañedo - José Luis Feito Higueruela The committee held 8 meetings between 1 January and 30 June 2015.
Appointments Committee	
The Appointments Committee has general authority to propose and report on appointments and removals of directors and senior managers. It is also responsible for assessing the ability, diversity and experience required for the Board of Directors, and the necessary time and dedication to carry out their duties in an effective manner. It defines the necessary functions and abilities for candidates wishing to cover vacancies. It examines and organises the succession plan for governance bodies.	**Four external independent directors:** - Joaquín Ayuso García (Chairman) - Francisco Javier Campo García - Alfredo Lafita Pardo - Álvaro Rengifo Abbad The committee held 6 meetings between 1 January and 30 June 2015.
Remuneration Committee	
The Remuneration Committee has general authority to propose and report on remuneration and other contractual terms and conditions of directors and senior managers, and must periodically review the remuneration programmes, considering their appropriateness and utility, and ensuring transparency of remuneration and compliance with the remuneration policy set by the Company.	**Four external independent directors** - Eva Castillo Sanz (Chairwoman) - Joaquín Ayuso García - Jorge Cosmen Menéndez-Castañedo - Alfredo Lafita Pardo The committee held 6 meetings between 1 January and 30 June 2015.

Risk Advisory Committee	
The Risk Advisory Committee advises on the overall propensity of risk and the risk strategy, overseeing the pricing policy, presenting risk policies and proposing to the Board the company's and group's risk control and management policy through the Internal Capital Adequacy Assessment Report (ICAAR).	**Three external independent directors** - Francisco Javier Campo García (Chairman) - Fernando Fernández Méndez de Andés - Eva Castillo Sanz The committee held 17 meetings between 1 January and 30 June 2015.
Board Risk Committee	
The Board Risk Committee is responsible for establishing and overseeing compliance with the Bank's risk control mechanisms, approving the most important operations and establishing overall limits.	**Four directors:** - José Sevilla Álvarez (Chairman) - Fernando Fernández Méndez de Andés - Francisco Javier Campo García - Eva Castillo Sanz The Board Risk Committee held 16 meetings between 1 January and 30 June 2015.

The Chairman of the Board of Directors will organise and coordinate the periodic evaluation of the Board with the chairmen of the Audit and Compliance Committee and the Appointments Committee, to be performed annually by an independent expert appointed among leading firms in the market

In addition, the Chairman's performance will be evaluated on a yearly basis. The evaluation of the Chairman's performance is coordinated by the Lead Independent Director based on the report prepared by the Appointments Committee.

Bankia evaluates the suitability of the members of its Board of Directors each year. Members must be of high commercial and profession integrity, have knowledge and experience appropriate to the performance of their duties and be willing to exercise good governance of the Bank, without prejudice to the fact that director suitability shall be evaluated as a whole. Failure to satisfy those requirements is grounds for removal of the director.

With respect to remuneration, while the Entity continues to receive public financial assistance, the limits to remuneration set out in RDL 2/2012 of 3 February, Order ECC/1762/2012, of 3 August, and Law 10/2014, of 26 June will be applicable.

Remuneration for all items of directors who do not perform executive duties is capped at EUR 100,000 per year. In addition, there are no payments for attendance to meetings of the Board or its committees.

For executive directors, fixed remuneration may not exceed EUR 500,000 per year for all items, including remuneration received within the Group. Their variable remuneration may not exceed 60% of this amount.

In any event, the General Meeting of Shareholders approves the director remuneration policy and decides on the application of remuneration schemes involving the delivery of shares or rights to shares, as well as any other share-based scheme, irrespective of the beneficiary.

The Board draws up and publishes an annual director remuneration report, and distributes it to shareholders with the call notice of the Ordinary General Meeting for a consultative vote.

In addition, the General Meeting of Shareholders approves the directors' remuneration policy at least every three years, as a separate item on the agenda. The proposal for the remuneration policy is accompanied by a report from the Remuneration Committee.

In respect of **conflicts of interest**, the mechanisms established in the Entity to detect and manage them feature the following:

- Directors must disclose to the Board of Directors any direct or indirect conflict as either they or related people may have with the interest of Bankia and must refrain from attending meetings and participating in deliberations affecting matters in which the director, or a person related thereto, is personally interested.

- Directors must adopt the necessary measures to avoid situations in which their interests, on their own behalf or on behalf of another, can be in conflict with the Company's interests and their duties to it. In addition, directors must refrain from engaging in activities on their own behalf or on behalf of others that involve effective competition, whether actual or potential, with the Company or that in any other way place it in permanent conflict with the interests of the Company.

- All directors make a first declaration of potential conflicts at the time of taking office. This declaration must be updated in the event of a change in any of the circumstances declared or if any such circumstances cease to exist or others appear.

- **Compliance and control systems**

Bankia has numerous internal controls in place, set up to mitigate specific risks related to the business and/or to comply with various financial and internal control regulations (Crime Prevention and Detection Model, Policies and Procedures regarding Anti-money Laundering, Market Abuse, MiFID, personal data protection, IT security, etc.).

Bankia also has an Internal Audit unit, whose activity is overseen by the Audit and Compliance Committee. Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Group's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, corporate governance and information systems. It also works together with external auditors in audit service engagements and with supervisory bodies to ensure compliance with regulations.

In addition, Bankia Group has a Code of Ethics and Conduct, approved by the Board of Directors in August 2013, which sets forth the rules and guidelines of conduct all Bankia employees must assume and guides their behaviour and professional conduct. The Code of Ethics and Conduct is mandatory for anyone with a professional relationship with Bankia Group.

The Ethics and Conduct Committee oversees compliance with the Code and promotes ethical conduct throughout the organisation. It is in charge of operating the measures necessary to handle ethically questionable conduct, processing situations of conflicts of interest, and performing annual assessments of the degree of compliance with the Code so that it is aligned with the business performance.

All Bankia employees, as well as suppliers, can use the confidential whistleblowing channel to report, confidentially and securely, any behaviour they believe breaches the content and principles of the Code of Ethics and Conduct. In line with the latest best practices, Bankia has outsourced management of this channel to a specialist external firm outside the Group, guaranteeing that all concerns, queries or suggestions are evaluated independently and then referred to the Ethics and Conduct Committee for processing. This channel began operating towards the end of September 2013. It received 7 communications during the first half of 2015, of which 1 was a consultation and 6 were grievances. All had been processed.

The Code of Ethics and Conduct and the Confidential Whistleblowing Channel not only set high standards of ethical conduct by employees and directors, but they also allow for the detection and management of situations that infringe on the rules and criteria of professional conduct and help prevent criminal activity.

2.3.- Business model

Bankia Group is a national company, with a stronger presence in its natural markets, focused on customers and businesses that can afford the bank the greatest returns and enable it to better leverage its competitive advantages.

Bankia Group's business lines are as follows:

- Retail Banking
- Business Banking
- Corporate Centre

Retail Banking

Retail Banking includes retail banking with legal and natural persons with annual income of less than EUR 6 million, distributed through a large multi-channel network in Spain and operating a customer- satisfaction and asset management profitability business model.

Especial customers are a strategic business for Bankia, as one of Spain's largest financial institutions in this area. The Entity focuses on traditional banking products such as salary direct deposit, mortgages, term deposits, credit cards, insurance, investment and pension funds, and other asset management services, which it offers to high net-worth customers who need specialised financial and tax advice.

Regarding the **business model**, this area focuses on **retail activity** following a universal banking model. Its objective is to forge relationships with and retain customers, providing them with added value in products and services, and in advisory, and service quality. To achieve this, it segments customers in accordance with the need for specialised service and the needs of each customer type. This segmentation, which classifies customers into four major categories (Personal Banking, Private Banking, SMEs and microenterprises and Rest of Individuals) allows Bankia to assign specific customers to specialist managers, who are in charge of the customer's relationship with the Bank. This approach yields greater customer satisfaction and generates new sources of business.

Bankia's distribution network is composed of a finely meshed branch network, a complementary agency network (spearheaded by Mapfre) that gives the bank a valuable competitive advantage, and a low-cost multi-channel distribution network (e.g. self-service stations, Internet, mobile and telephone banking). Regarding the latter, the bank has a complete array of technological channels (Internet Office, Mobil Office and Telephone Office) that allows customers to carry out their transactions, contract and manage products and use the online broker service.

At 30 June 2015, the Retail Banking network comprised 1,914 offices located across Spain. The following map shows the distribution of the branch network and the number of offices per region at the end of the year.

In addition, at 30 June 2015 Retail Banking had 17 Recovery Centres specialised in NPL management, 20 Recovery and Liquidation Centres whose responsibilities include managing NPLs and liquidating the business to be wound up in areas where Bankia is ceasing operations in line with the commitment to reduce capacity and branch offices assumed in the Restructuring Plan, and three offices with exclusive dedication to managing real estate developers.

With the aim of strengthening its competitive positioning, grounded in its relationship with customers, since 2013 Bankia has been driving a new commercial model based on a segmented **branch network** in which universal branches, business branches, private banking centres and the new ‘**agile**’ **branches** coexist. Agile branches are a new type of branch launched by Bankia in a pioneering move in the Spanish financial system that allow it to deliver quality, fast service to the customers who execute the most transactions. The offices have longer hours and are equipped with a large number of ATMs and quick service cashier positions, covering the areas with the largest concentration of transaction-intensive customers.

In addition, Oficinas Plus+ offices are being set up. These are offices located around the agile branches which, due to their size in terms of customers and business, require greater commercial specialisation. All Oficinas Plus+ customers are segmented and managed by financial advisors. The rollout of the Oficinas Plus+ offices started in Madrid and Valencia, where new regional divisions have been created with a view to unifying the divisional and management model of these offices

Within Retail Banking, the ***private banking*** business is geared towards high-wealth or high-income individual customers, investment companies or foundations. Bankia offers these customers a comprehensive range of products and services with highly personalised, professional and reliable treatment, providing them with solutions that are tailored to their financial or tax needs. The main private banking business lines are wealth management and advisory, the sale of third-party financial products, intermediation in the trading of securities and advisory regarding the securities market.

Within Retail Banking, the **Bancassurance** area is responsible for distributing life and general insurance in all of the Group companies. This business line was established in the Bank's Strategic Plan to provide specialised support for the network, offering a wide range of products for individuals, businesses and professionals. The key highlight was the agreement reached with Mapfre in 2014 making the insurance company the exclusive provider of bancassurance in Bankia's network and enabling the Bank to distribute insurance products throughout its sales network. The agreement resulted in the restructuring of the bancassurance business through new distribution agreements for life and non-life insurance with the bancassurance operator Bankia Mediación, as well as the acquisition by Mapfre of Bankia's 51% stakes in Aseguradora Valenciana and Laietana Vida, and 100% of Laietana Seguros Generales. Another milestone in 2014 was the technological integration of the various bancassurance operators. This culminated the reorganisation of this business, guaranteeing a single integrated insurance distribution model for the entire network that is more efficient, of higher quality and with a broader catalogue of products. At 31 May 2015, net premiums written reached EUR 228.6 million, while Life Savings mathematical provisions amounted to EUR 6,004 million.

The ***asset management*** business entails management, administration and support for the marketing of Collective Investment Schemes (CIS), SICAVs and pension plans. The Group operates this business through Bankia Fondos and Bankia Pensiones, which supply investment products to the network.

Bankia owns 100% of Bankia Fondos SGIIC, and has marketing agreements with international fund managers for certain niche products. At 30 June 2015, Bankia Fondos managed EUR 11,501 thousand in mutual funds and REITs (EUR 9,700 million at 31 December 2014), representing an 18.57% increase in equity and a 5.25% market share in Spain according to Inverco. This market share makes Bankia the seventh largest in this industry in Spain by volume of assets under management.

In **pension plans**, significant efforts were made to encourage long-term saving, highlighting the need to address the situation of savings to supplement future pensions sufficiently in advance. Pension fund advisory services and simulation tools are the main marketing tools for these retirement saving products. Bankia Pensiones, a wholly owned subsidiary of Bankia, is the Group's pension fund management company. It is engaged in the management of all types of pension plans (individual, employment and related), focusing on meeting unitholders' needs and offering products that are suitable for their investment profile and the time horizon established by the retirement age. As at 30 June 2015, Bankia's pension funds had a total value of EUR 6,766 million.

The main short- and medium-term **objectives and strategies** for Bankia Group to continue driving activity with individuals include improving margins and profitability, increasing lending -especially to SMEs- managing non-performing loans and raising funds.

Business Banking

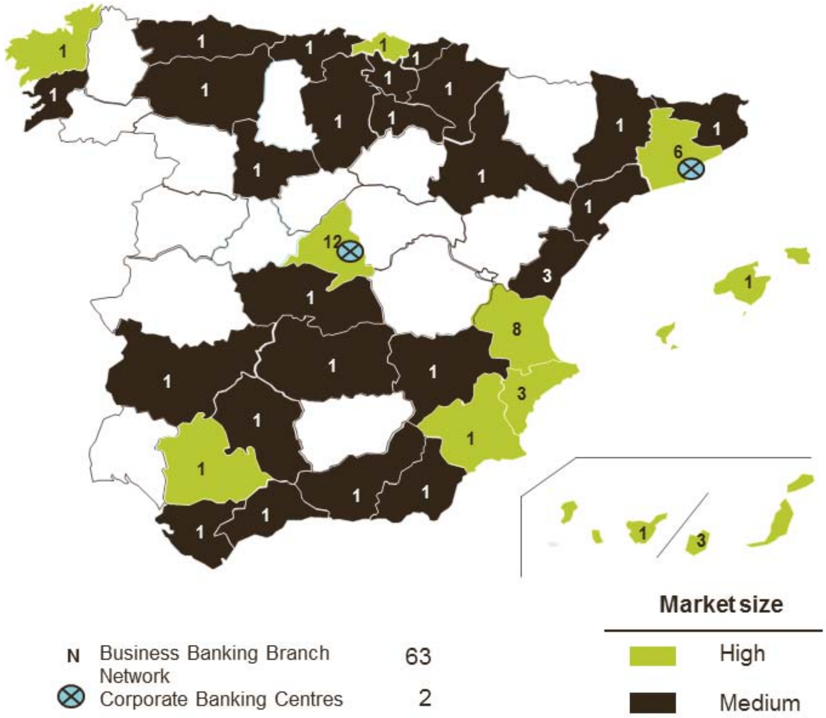
Business Banking targets legal entities with annual income in excess of EUR 6 million. Other customers, legal entities or self-employed professionals with income below this figure fall into the Retail Banking category. Currently, more than 20,000 such companies have financial dealings with Bankia, placing it among the leaders in Spain in this business segment.

In this business segment, Bankia has a diversified customer base, spanning different economic sectors, led by services, construction and manufacturing (industry), and followed by commerce and utilities. The Entity has traditionally had a large number of customers in the medium and large company segment in two of the three biggest business markets: Madrid and Valencia. Bankia also has good penetration among companies in other regions where it is a strong player, like La Rioja, the Canary Islands and Castilla La Mancha.

Bankia Group has a highly specialised **business model** for its Business Banking area, geared towards creating value added products and risk management based on a strict KyC (know your customer) strategy. The model distinguishes between different segments and distribution channels. The main channels are Business Centres, with presence in most provinces and concentrated in the regions with the most activity, and Corporate Banking Centres, located in Madrid and Barcelona, for larger clients and corporate groups with greater complexity and sophistication in the financial services they demand.

These segments and distribution channels come in addition to a powerful online banking service, which allows client companies to carry out practically all their transactional operations, and the business of different areas specialised in Capital Markets, which offer bespoke products demanded mainly by Business Banking and Corporate Banking clients.

The following map shows the distribution by region of the Business Centres and Corporate Banking Centres at 30 June 2015:



The commercial **strategy** is predicated on active management of total returns for clients, combining a price discipline that sets floor prices based on the cost of funds, client's risk (assessed using Bank of Spain-approved internal models), their relationship with the Entity and the active search for cross-selling opportunities. To control and manage risk, there are Business Banking teams that report hierarchically and functionally to the Wholesale Risks Department, whose objective is to analyse risks, admit them as appropriate, and monitor them as needed. Meanwhile, centralised teams provide support to transactions with large corporations and institutions.

One of the Bankia Group's core strategic objectives is to financially support businesses by providing them with credit to help the Spanish economy to growth and to increase the Entity's business volume and, consequently, its revenues. As part of this objective SMEs play a major role within the Business Banking **business model**. In 2013, the Group put a specific plan in action ("SMEs Plan") to boost its market share in this segment. The strategy pivots on offering financing and supporting SMEs in the development of their business projects, designating managers specialised in small and medium businesses who are qualified to provide individualised advising and tailor-made responses in all areas of SME business: investment projects and financing, both short and long term, treasury management, tax advising, internationalisation processes, and more.

In 2014, Bankia launched a new line of loans ("Préstamos Dinamización") for self-employed and professionals, SMEs and corporates, which passes on to customers all of the saving resulting from the cheaper financing obtained by Bankia from the ECB, resulting in an average 30% reduction in the rate applied to the rest of the loans offered by the Bank. Demand for the new loans has been strong since they were first marketed in September 2014. The main objectives are to attract new customers, and increase the loyalty of and retain existing customers. In just over three months of marketing this product in 2014, the Bank arranged some 2,941 transactions for a combined amount of EUR 940 million. In the first half of 2015, a total of EUR 1,956 million worth of these new loans had been extended.

Other initiatives designed to support Spanish businesses, both domestically and internationally, are ICO facilities (EUR 294 million arranged in the first half of 2015), foreign trade credits and guarantees (3,999 drawdowns in the first six months of 2015) and loans to SMEs supported by European Investment Bank (EIB) lines (EURS 284 granted in the first half of 2015).

Corporate Centre

The Corporate Centre includes the rest of the businesses and activities other than Retail Banking and Business Banking, including, Investees and portfolios and assets covered by the Restructuring Plan, most of which are classified as "Non-current assets held for sale".

Bankia also has a large and diverse portfolio of investees, including subsidiaries, as well as associates and jointly-controlled entities. It is currently divesting itself of the holdings in accordance with the Restructuring Plan and the Strategic Plan. Disposals are being carried out in an orderly fashion, taking into consideration business and profitability criteria.

3.- ACTIVITY AND RESULTS

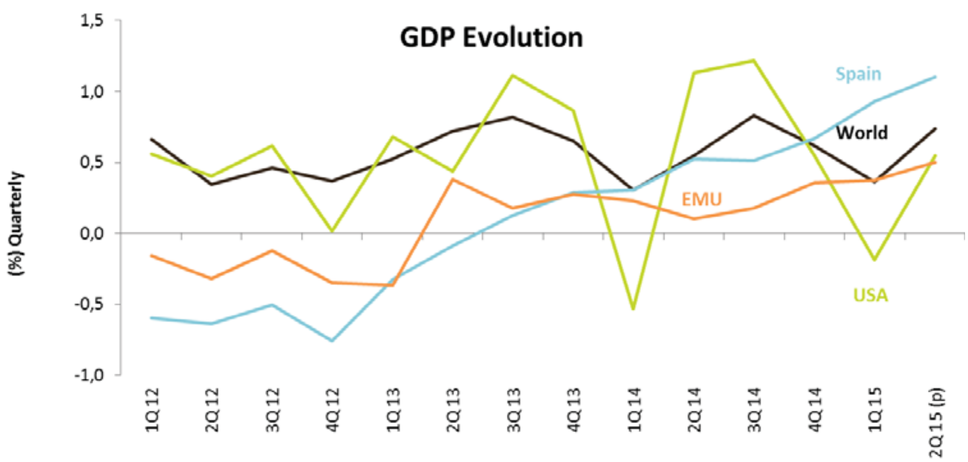
3.1.- Economic and financial backdrop

The global economy lost some steam in the first half of 2015. A combination of factors that caused asymmetric shocks, such as the drop in oil prices, sharp adjustments to currencies (e.g. US dollar appreciation) and divergences in monetary policies (e.g. expansive in EMU and Japan vs. expectations of interest-rate hikes in the US) did little to spur economic growth around the world, although they did help to reduce regional growth differentials. Faster growth in the EMU was the main positive surprise. This partially made up for the disappointing performances by the US -which suffered a temporary setback in the first quarter, which it has since overcome- and most of the larger emerging economies. The latter are greater cause for concern given the structural nature.

As regards the main risks, developments were mixed. On the one hand, the stabilisation of crude price has thwarted the threat of deflation. Inflation is ticking up in most of the main economies, but it still too low and close to zero in the US and EMU This shift in inflation expectations has triggered a sharp rise in government debt yields, which were showing clear signals of overvaluation. On the other hand, Greece's financial crisis took a qualitative jump (to the point where a Greek exit from the EMU was feared), causing investors to flee from risky assets. The deadline for the second bailout came without Greece having reached an agreement with its creditors, causing a default on its payment to the IMF, the imposition of capital controls and bank closures. In the end, a deal with the EMU was reached over a third financial aid package, limiting the probability of the most adverse scenario in the short and medium term.

In Spain, the expansionary trend was consolidated in the first half of 2015; GDP rose by around 1% QoQ in 2Q15, its highest rate since 2007. This trend was underpinned mainly by buoyant domestic demand, both investment by companies -thanks to improved expectations, funding conditions and earnings- and household spending -driven by higher disposable income- in a context of strong job creation (highest Social Security affiliation since the end of 2011). Meanwhile, robust exports, coupled with lower energy prices, fed through to further improvement in the trade balance.

In the banking system, the trends that began in 2014 have taken hold, aided by the improving economy. The necessary reduction in the stock of loans continued, though more slowly, partly thanks to new lending, which has increased across all segments. In spite of slight fluctuations, deposits have held steady, bringing down the loan-to-deposit (LTD) ratio to more sustainable levels, while mutual fund assets have continued to rise. Although lending has contracted, the decline in NPLs has helped bring down the NPL ratio from its 2013 peak and strengthen solvency. The profitability of the typical banking business is still one of the main challenges in the short term in today's competitive environment. Meanwhile, on 18 June, Law 11/2015 on the recovery and resolution of credit institutions and investment firms was enacted, transposing into Spanish legislation the EU Directive on bank restructuring and resolution, marking another crucial step towards the banking union.



Source: Thomson Reuters and Bankia's Reserch Department. (p) Outlook

3.2.- Business performance in the first half of 2015

The Bankia Group reported net attributable profit of EUR 556 million in the first half of 2015, an increase of 11.5% from the same period of 2014. The drivers of the improvement in earnings were the resistance of net income to declines in market interest rates and lower operating expenses and provisions, offsetting the impacts of other factors, such as the fall in the Euribor rate and the smaller contribution by the fixed-income portfolio.

Profit growth enabled the Group to raise ROE to 9.8% at 30 June 2015, up 0.5 pp from December 2014. At the same time, prudent balance sheet management led to a further reduction in NPLs and improvements in both solvency and liquidity.

Sections 3.3, 3.4 and 3.5 below include a summary of basic data and comments on trends in the Bankia Group's main balance sheet and income statement items in first half of 2015.

We note that since 1 January 2015, application of IFRIC 21 "Levies" is mandatory for the financial sector. This interpretation modifies the accounting treatment used for the ordinary contributions to the Deposit Guarantee Fund. As explained in Note 1.5 to the condensed consolidated interim financial statements for the six months ended 30 June 2015, solely for purposes of comparison the figures in the Bankia Group's condensed consolidated interim financial statements for the first half of 2014 have been restated to retrospectively reflect the impacts of the application of this interpretation on that period.

In accordance with IAS 8, the adjustments were made to facilitate comparison of the Bankia Group's financial information at 30 June 2015 and 30 June 2014. The adjustments made are explained in Note 1.5 to the interim financial statements for the six months ended 30 June 2015. The following table provides a summary of the changes made to achieve the restated income statement at June 2014, as included in this management report for comparative purposes:

RESTATED FINANCIAL STATEMENT - BANKIA GROUP

EFFECT ON INCOME STATEMENT

(Millions of euros) (*)	jun-14 current	Restatement amount	jun-14 restated
Other operating income	110	0	110
Other operating expenses	(188)	95	(93)
Other operating income and expenses	**(78)**	**95**	**16**
Gross income	**1,932**	**95**	**2,027**
Pre-impairment income	**1,056**	**95**	**1,151**
Net operating income	**602**	**95**	**696**
Profit/(loss) before tax	**557**	**95**	**651**
Income tax	(155)	(28)	(183)
Profit/(losses) for the year from continuing operations	**402**	**66**	**468**
Profit/(loss) after tax	**431**	**66**	**497**
Profit/(loss) attributable to the Group	**432**	**66**	**498**

(*) Financial Statements amounts rounded to millions of euros

3.3.- Key figures

KEY FIGURES DATA - BANKIA GROUP

Balance (Millions of euros)	**jun-15**	**Dec-14**	**Variation**
Total assets	219.493	233.649	(6,1%)
Net loans and advances to customers	112.117	112.691	(0,5%)
Gross loans and advances to customers	121.004	121.769	(0,6%)
Balance-sheet customer funds	130.094	131.200	(0,8%)
Customer deposits	105.940	106.807	(0,8%)
Marketable debt securities	23.134	23.350	(0,9%)
Subordinated liabilities	1.019	1.043	(2,4%)
Total customer managed funds (2)	152.315	152.242	0,05%
Total turnover (3)	264.432	264.933	(0,2%)
Equity	12.491	12.533	(0,3%)

Solvency (%)	**jun-15**	**Dec-14**	**Variation**
Common Equity Tier I (CET-1) BIS III Phase In ratio	12,8%	12,3%	+0,5 p.p.
Total capital ratio BIS III Phase In	14,3%	13,8%	+0,5 p.p.
Risk-weighted assets BIS III	87.511	88.565	(1,2%)
Leverage ratio Phase In (Delegated regulation 62/2015)	5,2%	-	-

Risk management (Millions of euros and %)	**jun-15**	**Dec-14**	**Variation**
Total risk	127.255	128.584	(1,0%)
Non-performing-loans	15.308	16.547	(7,5%)
Provisions for credit losses	9.271	9.527	(2,7%)
NPL ratio	12,03%	12,87%	(0,84) p.p.
NPL coverage	60,56%	57,58%	+2,98 p.p.

Profit/(loss) (Millions of euros)	**jun-15**	**jun-14 (1)**	**Variation**
Net interest income	1.388	1.427	(2,8%)
Gross income	2.029	2.027	0,1%
Operating income/(expenses) before provisions	1.186	1.151	3,1%
Operating income/(expenses)	864	696	24,2%
Profit/(loss) before tax	753	651	15,6%
Profit/(loss) after tax	562	497	13,0%
Profit/(loss) attributed to group	556	498	11,5%

Key ratio (%)	**jun-15**	**jun-14 (1)**	**Variation**
Efficiency	41,5%	43,2%	(1,7) p.p.
ROA (Profit/(loss) after tax / ATAs) (4)	0,5%	0,4%	+0,1 p.p.
ROE (Profit/(loss) attributed / Own funds) (5)	9,8%	9,3%	+0,5 p.p.

Bankia's share	**jun-15**	**Dec-14**	**Variation**
Weighted average number of shares (millions)	11.471	11.481	(0,1%)
Market price at close	1,14	1,24	(8,1%)

Aditional Information	**jun-15**	**Dec-14**	**Variation**
Number of employees	14.131	14.413	(2,0%)

(*) Financial Statements amounts rounded to millions of euros
(1) Data for June 2014 restated as explained in Note 1.5 to the 2015 consolidated financial statements
(2) Comprises customer deposits, marketable debt securities, subordinated liabilities and off-balance sheet funds managed
(3) Comprises net loans and advances to customers, on- and off-balance sheet managed customer funds
(4) Annualised profit after tax/average total assets. On june 14 calculated as restated amounts
(5) Annualised profit attributable /average own funds. On june 14 calculated as restated amounts

3.4.- Highlights of the balance sheet

CONSOLIDATE BALANCE SHEET - BANKIA GROUP

(Millions of euros)	jun-15	Dec-14	Change on Dec 2014 Amount	%
Cash and balances with central banks	1,765	2,927	(1,161)	(39.7%)
Financial assets and liabilities held for trading	15,286	18,606	(3,320)	(17.8%)
Of which: Loans and advances to customers	-	-	-	-
Of which: Debt securities	*21*	*84*	*(63)*	*(75.2%)*
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%)
Others	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%
Investments	274	298	(24)	(8.0%)
Tangible and intangible assets	2,254	2,058	195	9.5%
Other assets, accruals and tax assets	9,862	9,997	(135)	(1.4%)
TOTAL ASSETS	**219,493**	**233,649**	**(14,155)**	**(6.1%)**
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	-	-	-	-
Provisions	1,516	1,706	(190)	(11.1%)
Other liabilities, accruals and tax liabilities	6,317	5,714	603	10.6%
TOTAL LIABILITIES	**207,003**	**221,115**	**(14,113)**	**(6.4%)**
Non-controlling interests	3	(13)	16	-
Valuation adjustments	806	1,216	(410)	(33.7%)
Own funds	11,682	11,331	351	3.1%
TOTAL EQUITY	**12,491**	**12,533**	**(43)**	**(0.3%)**
TOTAL LIABILITIES AND EQUITY	**219,493**	**233,649**	**(14,155)**	**(6.1%)**

(*) Financial Statements amounts rounded to millions of euros

- **Overview of Group activity**

The Group's activity in the first half of 2015 reflected the ongoing deleveraging of the private sector in Spain, albeit less so than the year before, and the Bank's strategy of divesting from segments considered non-strategic for the Group (mortgages), the growth in consumer lending and business with SMEs, the decline in NPLs and further strengthening of solvency and liquidity.

In terms of retail funds, the positive trend in strict customer deposits and off-balance sheet funds continued. Growth since December (EUR 1,301 million combined) was fuelled by efforts to attract deposits and organic growth in assets managed, mainly in investment funds.

Movements in the main balance sheet items in the first half of 2015 are discussed below.

- **Loans and receivables**

Loans and receivables ended June at EUR 118,022 million, down EUR 7,205 million or (-5.8%) from December 2014, with the decline mostly in loans and advances to customers.

In loans and receivables, **deposits at credit institutions** decreased by EUR 6,600 million from the same period last year owing to the outflow of balances held by Bankia with its parent, BFA (mainly assets held under reverse repurchase agreements), now included under loans to customers due to the segmentation change of BFA.

Under loans and receivables, loans and advances to customers, the main component of assets, amounted to EUR 112,117 million net (EUR 121,004 million gross; i.e. before provisions) compared to EUR 112,691 million at 31 December 2014, a decrease of EUR 575 million or 0.5%. Stripping out the balances with BFA transferred due to its segmentation change, as indicated above, the decrease would have been EUR 1,875 million. This is smaller than the decline in lending in the previous halves, with a high percentage of the amount (60%) concentrated in NPLs owing to the smaller amount of NPLs.

The slowdown in the pace of decline in lending reflects, on the one hand, the market context, with an ease in household and business deleveraging and increased appetite for finance, and on the other, the renewed flow of new lending by the Group, mainly to SMEs and consumer loans. However, these factors were not enough to offset the maturities in the Group's stock of loans, mostly mortgages.

By sector classification, secured loans to the resident private sector, which make up the bulk of household financing for home purchases, sustained the sharpest absolute decline, of EUR 2,361 million, gross, or -3.2% from December 2014. This bears out the Bank's strategy to drive a shift in the lending mix to include a greater weight of business, SME and consumer lending; these are the segments in which Bankia continued to increase the volume of new loans in the first half of 2015. Against this backdrop, Bankia took EUR 8,689 million in the ECB's new TLTRO auctions held in March and June 2015, which it is transferring entirely to customers in the form of new loans. To do so, in 2014 it launched a new line of loans (“Préstamos Dinamización”) for self-employed and professionals, SMEs and businesses, which passes on to customers all of the saving resulting from the cheaper financing obtained by Bankia from the ECB, resulting in an average 30% reduction in the rate applied to the rest of the loans offered by the Bank.

Also noteworthy was the fresh decrease in NPLs (of EUR -1,124 million, gross), due to both the decrease in inflows of NPLs and the reinforcement of recovery activity, as well as to the sale of doubtful loan portfolios, which amounted to slightly over EUR 300 million. As a result, the NPL ratio fell by 84bp to 12.03%.

The following table shows the trend in loans and advances to customers of the Bankia Group by counterparty in the first half of 2015:

LOANS AND ADVANCES TO COSTUMERS BANKIA GROUP BY COUNTERPARTY

			Change on Dec 2014	
(Millions of euros)	jun-15	Dec-14	Amount	%
Resident public sector	5,806	5,877	(71)	(1.2%)
Non-resident public sector	31	12	18	149.7%
Other resident sectors	110,459	111,236	(777)	(0.7%)
Non-residents	4,091	4,188	(97)	(2.3%)
Other financial assets	625	469	156	33.3%
Other valuation adjustments	(7)	(13)	6	(44.8%)
Gross loans and advances to customers	**121,004**	**121,769**	**(765)**	**(0.6%)**
Credit loss allowance	(8,887)	(9,077)	190	(2.1%)
Net loans and advances to customers	**112,117**	**112,691**	**(575)**	**(0.5%)**

(*) Financial Statements amounts rounded to millions of euros

- **Debt securities**

The Group’s management of the securities portfolio is based on prudence and profitability regarding the type of bonds included, their liquidity, credit quality and investment horizon. Debt securities at 30 June 2015, recognised under available-for-sale financial assets, financial assets held for trading, loans and receivables and held-to-maturity investments amounted to EUR 60,633 million, a decrease of EUR 2.452 million from 31 December 2014. ESM and SAREB bonds received make up a large portion of this amount, coming from the recapitalisation carried out in May 2013 and the asset transfers by the Bank to the SAREB in 2012. The remainder comprises sovereign debt, mainly Spanish, and debt from other private issuers.

The Group uses part of the debt securities on the balance sheet, mainly sovereign bonds issued by the Spanish treasury, to manage interest rate risk through ALCO portfolios. These portfolios, which amount to approximately EUR 29,000 million, are designed to help hedge structural balance sheet interest rate risk, providing recurring income which is included in net interest income. Moreover, as the assets are highly liquid, they help maintain the Entity's liquidity reserves.

The debt securities held by Bankia Group in the "Available-for-sale financial assets", "Loans and receivables" and "Held to maturity investments portfolios", by type of instrument, at June 2015 and December 2014 are as follows:

BANKIA GROUP - DEBT SECURITIES

(Millions of euros) (*)	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments
Spanish government debt securities	20.234		4.199
Foreign government debt securities	2.935		2.270
Financial institutions	4.929		22
Other straight fixed income securities (**)	5.482	1.479	19.042
Impairment losses and other fair value adjustments	(5)	59	(36)
Total portfolio at 30 june 2015	**33.576**	**1.538**	**25.498**
Spanish government debt securities	20.024		4.711
Foreign government debt securities	2.976		2.289
Financial institutions	6.412		565
Other straight fixed income securities (**)	5.372	1.499	19.167
Impairment losses and other fair value adjustments	(11)	69	(69)
Total portfolio at 31 december 2014	**34.772**	**1.569**	**26.661**

(*) Financial Statements amounts rounded to millions of euros

(**) Available-for-sale financial assets include, inter alia, securities issued by the EMS. Held-to-maturity investments include securities received as consideration for assets transferred to the SAREB in December 2012.

Movements in the first half were mainly in the available-for-sale financial assets (AFS) portfolio and held-to-maturity investments. The balance of the AFS portfolio at 30 June 2015 stood at EUR 33,576 million, down EUR 1,196 million or 3.4% from December 2014. The decrease was caused by the redemption and maturity of Spanish Treasury bonds and private fixed-income bonds (mainly mortgage covered bonds and issues backed by the Spanish government) in the first half of the year. Meanwhile, the held-to-maturity portfolio amounted to EUR 25,498 million at the end of the period, EUR 1,164 million lower than at the end of last year due to various movements in public and private debt maturities.

- **Non-current assets held for sale**

Non-current assets held for sale at 30 June 2015 included mainly the assets of disposal groups (above all City National Bank of Florida), the equity holdings the Group has earmarked for disposal under the Restructuring Plan and foreclosed assets in payment of debts.

The balance of this item at the end of June 2015 was EUR 8,454 million, compared to EUR 7,563 million in December 2014; i.e. a EUR 891 million increase. The increase reflects mainly the higher volume of assets included under this item by City National Bank of Florida, net of sales of equity investments by the Group in the first half of 2015 as part of the disposal commitments assumed under the Restructuring Plan, including 24.953% of Realia Business. The increase in non-current assets held for sale from the larger contribution by City National Bank had a balancing entry on the liability side of the balance sheet in "Liabilities associated with non-current assets held for sale" under "Other liabilities, accruals and deferred income, and tax liabilities" in the summarised consolidated balance sheet included in this report.

- **Financial liabilities at amortised cost**

Financial liabilities at amortised cost stood at EUR 182,525 million at the end of the period, down EUR 10,556 million (-5.5%) from December 2014. The movement was the result of the decline in deposits from central banks, which in the first half of 2015 were replaced by alternate funding sources, mainly from the reduction in the commercial gap, the liquidity obtained by sales of fixed-income securities and investees, the decrease in funding granted to BFA and the increase in market activity in short-term funding via repos.

FINANCIAL LIABILITIES AT AMORTISED COST - BANKIA GROUP

			Change on Dec 2014	
(Millions of euros)	jun-15	Dec-14	Amount	%
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%)**
Public sector	6,641	6,294	347	5.5%
Other resident sectors	95,223	96,255	(1,032)	(1.1%)
Current accounts	15,088	13,276	1,812	13.6%
Savings accounts	25,506	24,178	1,329	5.5%
Fixed-term deposits	52,823	57,934	(5,110)	(8.8%)
Repos and other accounts	1,806	868	938	108.1%
Non-residents	2,632	2,502	130	5.2%
Valuation adjustments	1,444	1,756	(312)	(17.7%)
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%**
Total liabilities at amortised cost	**182,525**	**193,082**	**(10,556)**	**(5.5%)**

(*) Financial Statements amounts rounded to millions of euros

Turning to retail funds, noteworthy once again in the first half of 2015 was the performance of off-balance sheet customer funds under management, which increased by 5.6% from December 2014. Growth was driven by the good performance of mutual funds and strict customer deposits, which stood at EUR 94,923 million at the end of June 2015, slightly above the December 2014 balance of EUR 94,801 million despite the shift in savings by customers to off-balance sheet products.

Deposits from central banks and deposits from credit institutions

ECB financing decreased throughout 2014 to EUR 26,670 million at year-end, causing a drop in **deposits from central banks** of EUR 9,830 million or (-26.9%) in the first half of the year. This decrease came on the back of maturities and early redemptions of the ECB's LTRO auctions by the Group in 2015. At the end of the first half of 2015, 43% of ECB financing (EUR 11,466 million) related to amounts taken in TLTRO auctions, extending the maturity of the ECB exposure.

Meanwhile, **deposits from credit institutions** barely changed from the end of last year (EUR +149 million). Until December 2014, this line item included all of BFA's deposits and repo activity with Bankia. However, in June 2015, these balances were transferred to customer deposits, as BFA surrendered its banking license in January this year. Nevertheless, this transfer was counterbalanced by the increased volume in repos with other entities during the first half this year. The net result was an immaterial change.

Customer deposits

Customer deposits ended the first half of 2015 at EUR 105,940 million, down EUR 866 million (-1.6%) from the year-ago figure. This was mostly the result of the decrease in repo activity with the public sector this year (EUR -1,501 million) and, to a lesser extent, the redemption of one-off non-marketable mortgage-backed securities (EUR -546 million).

CUSTOMER DEPOSITS - BANKIA GROUP

(Millions of euros)	jun-15	Dec-14	Change on Dec 2014 Amount	%
Strict customer deposits	**94.923**	**94.801**	**122**	**0,1%**
Public sector	6.142	4.297	1.845	42,9%
Other resident sectors	87.507	89.236	(1.729)	(1,9%)
Current accounts	15.088	13.276	1.812	13,6%
Saving accounts	25.506	24.178	1.329	5,5%
Fixed-term deposits	46.913	51.783	(4.870)	(9,4%)
Non-residents	1.274	1.268	6	0,5%
One-off non-marketable mortgage-backed securities	**7.315**	**7.861**	**(546)**	**(6,9%)**
Repos	**3.703**	**4.145**	**(443)**	**(10,7%)**
Private sector resident and non-resident	3.201	2.143	1.058	49,4%
Public sector	502	2.003	(1.501)	(74,9%)
Total customer deposits	**105.940**	**106.807**	**(866)**	**(0,8%)**

(*) Financial Statements amounts rounded to millions of euros

Within customer deposits, **strict customer deposits** (i.e. excluding private resident and non-resident sector repurchase agreements, and one-off non-marketable mortgage-backed securities) increased slightly, by EUR 122 million (+0.1%) from year-end 2014 to EUR 94,923 million at end-June 2015. Growth was mainly in balances with the public sector (+42.9%), current accounts (+13.6%) and savings accounts (+5.5%). This made up for the fall in term deposits (-9.4%) caused by the falling interest rates on these deposits, which is prompting savers to seek other, higher-yielding off-balance sheet investments.

In this respect, off-balance sheet retail funds managed by the Group increased by EUR 1,179 million (+5.6%) from December last year, led by mutual funds; since the start of this year, the volume of these has jumped by EUR 1,776 million (+17.1%), extending the growth trend seen last year. As a result, the total balance of strict customer deposits and off-balance sheet funds managed grew EUR 1,301 million in the first half of 2015.

Marketable debt securities and subordinated liabilities

The total balance of debt and subordinated liabilities at end-June 2015 stood at EUR 24,153 million, down a slight EUR 240 million from December last year. This item includes the EUR 1,000 million issue of mortgage covered bonds held in March, less senior debt maturities in the first half of the year.

- **Equity**

The Group's equity at 30 June 2015 amounted to EUR 12,491 million, in line with the December 2014 figure after including retained earnings. This item included valuation adjustments of EUR 806 million (EUR 410 million less than at 31 December 2014) arising from unrealised losses on assets classified as available for sale, which decreased following the increase in the Spanish Treasury's risk premium since December 2014.

- **Other balance sheet items**

Cash and balances with central banks decreased by EUR 1,161 million or (-39.7%) on the back of the drop in funds deposited at the ECB; since the European monetary set negative rates on its deposit facility, the Group's strategy has been to place cash surpluses in the interbank market.

For their part, the **held-for-trading** portfolio, composed mainly of trading derivatives, included EUR 15,286 million of assets and EUR 14,801 million of liabilities at 30 June 2015, with decreases of EUR 3,320 million and EUR 3,323 million, respectively, in the year 2014. The decrease was due to changes in the measurement of positions during the period caused by movements in long-term interest rates.

Provisions recognised in the Group's balance sheet amounted to EUR 1,516 million at the end of the first half of 2015, a decrease of EUR 190 million from December 2014 owing to the release of provisions for risks and contingent exposures and the use of other provisions set aside to execute the measures contained in the Restructuring Plan, and cover taxes, legal contingencies and other losses related to real estate assets and investees. The balance includes a charge of EUR 312 million in 2014 to cover the contingency that could arise in future from the various legal proceedings in which the Group is involved in relation to Bankia's IPO.

3.5.- Highlights of the income statement

BANKIA GROUP CONSOLIDATED INCOME STATEMENT

(Millions of euros)	jun-15	Jun-14 [1]	Change on Jun 2014 Amount	%
Net interest income	**1.388**	**1.427**	**(39)**	**(2,8%)**
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 and losses on financial assets and liabilities	151	74	77	103,2%
Exchange differences	11	21	(9)	(44,7%)
Other operating income and other operating expenses	(24)	16	(40)	-
Gross income	**2.029**	**2.027**	**2**	**0,1%**
Operating expenses	(843)	(876)	33	(3,8%)
Administrative expenses	(774)	(795)	21	(2,7%)
Staff costs	(495)	(506)	11	(2,2%)
Other general administrative costs	(279)	(289)	10	(3,4%)
Depreciation and amortisation charge	(69)	(81)	12	(14,6%)
Pre-impairment income	**1.186**	**1.151**	**35**	**3,1%**
Provisions (net)	35	65	(30)	(46,4%)
Impairment losses on financial assets (net)	(357)	(520)	163	(31,4%)
Net operating income/(expense)	**864**	**696**	**168**	**24,2%**
Impairment losses on other assets (net)	(10)	-	(10)	-
Other gains or losses	(102)	(45)	(57)	127,8%
Profit/(loss) before tax	**753**	**651**	**102**	**15,6%**
Income tax	(191)	(183)	(8)	4,3%
Profit/(losses) for the year from continuing operations	**562**	**468**	**94**	**20,0%**
Profit/(loss) from discontinued operations (net)	-	29	(29)	(100,0%)
Profit/(losses) after tax	**562**	**497**	**65**	**13,0%**
Profit/(loss) attributable to non-comtrolling interests	6	(1)	7	-
Profit/(loss) attributable to the Group	**556**	**498**	**57**	**11,5%**
Main ratios				
Efficiency ratio [2]	41,5%	43,2%	(1,7) p.p.	(3,9%)
ROA [3]	0,5%	0,4%	+0,1 p.p.	25,2%
ROE [4]	9,8%	9,3%	+0,5 p.p.	5,3%

(*) Financial Statements amounts rounded to millions of euros
(1) Data for June 2014 restated as explained in Note 1.5 to the June 2015 interim consolidated financial statements
(2) (Administration expenses + Depreciation and Amortisation) / Gross income
(3) Annualised profit after tax / Average total net assets
(4) Annualised profit attributable to the Group/average own funds.

BANKIA GROUP CONSOLIDATED INCOME STATEMENT - QUARTERLY TREND

(Millions of euros)	2Q 2015	1Q 2015	4Q 2014 (1)	3Q 2014 (1)	2Q 2014 (1)	1Q 2014 (1)
Net interest income	**695**	**693**	**765**	**735**	**730**	**698**
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 and losses on financial assets and liabilities	78	73	68	75	53	21
Exchange differences	13	(1)	6	(19)	6	14
Other operating income and other operating expenses	(11)	(13)	(159)	14	16	(0)
Gross income	**1.037**	**992**	**930**	**1.052**	**1.055**	**972**
Operating expenses	(420)	(423)	(436)	(430)	(435)	(441)
Administrative expenses	(384)	(390)	(402)	(389)	(392)	(403)
Staff costs	(244)	(250)	(240)	(242)	(250)	(256)
Other general administrative costs	(140)	(140)	(163)	(147)	(143)	(146)
Depreciation and amortisation charge	(36)	(33)	(34)	(42)	(42)	(39)
Pre-impairment income	**617**	**569**	**494**	**621**	**620**	**531**
Provisions (net)	12	23	(319)	46	17	49
Impairment losses on financial assets (net)	(159)	(198)	(182)	(248)	(243)	(277)
Net operating income/(expense)	**470**	**394**	**(7)**	**419**	**394**	**302**
Impairment losses on other assets (net)	(9)	(2)	(3)	(3)	2	(3)
Other gains or losses	(45)	(57)	(122)	(23)	(35)	(10)
Profit/(loss) before tax	**417**	**336**	**(133)**	**394**	**362**	**289**
Income tax	(105)	(86)	70	(112)	(94)	(89)
Profit/(losses) for the year from continuing operations	**312**	**250**	**(63)**	**281**	**268**	**200**
Profit/(loss) from discontinued operations (net)	0	0	39	17	14	15
Profit/(losses) after tax	**312**	**250**	**(24)**	**298**	**282**	**215**
Profit/(loss) attributable to non-comtrolling interests	1	5	26	(0)	0	(1)
Profit/(loss) attributable to the Group	**311**	**244**	**(50)**	**299**	**282**	**217**

(*) Financial Statements amounts rounded to millions of euros

(1) Data for June 2014 restated as explained in Note 1.5 to the June 2015 interim consolidated financial statements

BANKIA GROUP CONSOLIDATED INCOME STATEMENT - HIGHLIGHTS

(Millions of euros)	June 2015			June 2014 (1)		
	Amount	% of gross income	% of average total assets	Amount	% of gross income	% of average total assets
Net interest income	**1.388**	**68,4%**	**1,2%**	**1.427**	**70,4%**	**1,1%**
Gross income	**2.029**	**100,0%**	**1,8%**	**2.027**	**100,0%**	**1,6%**
Operating expenses	(843)	(41,5%)	(0,7%)	(876)	(43,2%)	(0,7%)
Administrative expenses	(774)	(38,1%)	(0,7%)	(795)	(39,2%)	(0,6%)
Depreciation and amortisation charge	(69)	(3,4%)	(0,1%)	(81)	(4,0%)	(0,1%)
Provisions (net)	35	1,7%	0,0%	65	3,2%	0,1%
Impairment losses on financial assets (net)	(357)	(17,6%)	(0,3%)	(520)	(25,7%)	(0,4%)
Net operating income/(expense)	**864**	**42,6%**	**0,8%**	**696**	**34,4%**	**0,6%**
Impairment losses on other assets (net)	(10)	(0,5%)	(0,0%)	(0)	(0,0%)	(0,0%)
Other gains or losses	(102)	(5,0%)	(0,1%)	(45)	(2,2%)	(0,0%)
Profit/(loss) before tax	**753**	**37,1%**	**0,7%**	**651**	**32,1%**	**0,5%**
Income tax	(191)	(9,4%)	(0,2%)	(183)	(9,0%)	(0,1%)
Profit/(loss) for the year from continuing operations	**562**	**27,7%**	**0,5%**	**468**	**23,1%**	**0,4%**
Profit/(loss) from discontinued operations (net)	-	-	-	29	1,4%	0,0%
Profit/(loss) after tax	**562**	**27,7%**	**0,5%**	**497**	**24,5%**	**0,4%**
Profit/(loss) attributable to non-controlling interests	6	0,3%	0,0%	(1)	(0,1%)	(0,0%)
Profit/(loss) attributable to the Group	**556**	**27,4%**	**0,5%**	**498**	**24,6%**	**0,4%**

(*) Financial Statements amounts rounded to millions of euros

(1) Data for June 2014 restated as explained in Note 1.5 to the June 2015 interim consolidated financial statements

- **Overview of Group earnings**

The Bankia Group reported net attributable profit of EUR 556 million in the first half of 2015, an increase of 11.5% from the same period of 2014.

The period showcased the resilience of net interest income in the low interest-rate environment and good performances in operating expenses, as well as in terms of provisioning and write-downs; the decreases in the latter made a considerable contribution to the growth of profit attributable to the Group. In this respect, in the current scenario of all-time low interest rates, Bankia still believes that control over spending is crucial if it wants to improve profitability going forward.

The drop in overheads fed through to improvement in the efficiency ratio, to 41.5% at the end of the first half of 2015, 1.7 percentage points (pp) lower than the year-ago figure.

Movements in the Group's main income statement items in 2014 are discussed below.

- **Net interest income**

Net interest income for the Group totalled EUR 1,388 million, drawing mainly from loans to the resident private sector, a slight decrease of EUR 39 million (-2.8%) from the first half of 2014. With the Euribor having set new all-time lows, the resistance shown by the Group's net interest income was noteworthy, with lower deposit costs making up for the lower income from lending and fixed-income portfolios.

The following table shows trends in net interest income in the first half of 2015 and 2014, with average balances of income and expenses for the various items comprising total investment and funds, and the impact of changes in volumes and prices on the overall trend in net interest income in the first half of 2015.

STRUCTURE OF INCOME AND EXPENSES - BANKIA GROUP

	June 2015			June 2014			Variation		Effect	
(Millions of euros and %)	Average Balance [1]	Income/ Expense	Rate	Average Balance [1]	Income/ Expense	Rate	Average Balance [1]	Income/ Expense	Rate	Volume
Finance income										
Loans and advances to credit institutions [2]	8.524	3	0,06%	17.140	22	0,26%	(8.617)	(19)	(16)	(3)
Net loans and advances to costumers(a)	117.726	1.251	2,14%	120.528	1.481	2,48%	(2.803)	(229)	(200)	(30)
Debt securities	62.787	653	2,10%	70.848	906	2,58%	(8.061)	(253)	(170)	(84)
Other interest-bearing assets	376	4	2,08%	192	2	2,49%	184	2	(0)	2
Other non interest-bearing assets	39.817	-	-	45.258	-	-	(5.441)	-	-	-
Total assets (b)	**229.229**	**1.911**	**1,68%**	**253.967**	**2.411**	**1,91%**	**(24.738)**	**(500)**	**(294)**	**(206)**
Finance expense										
CEB and interbank [2]	56.259	61	0,22%	73.570	149	0,41%	(17.311)	(89)	(70)	(19)
Customer deposits (c)	110.199	379	0,69%	111.665	693	1,25%	(1.465)	(314)	(309)	(5)
Strict customer deposits	99.378	334	0,68%	93.680	624	1,34%	5.698	(290)	(310)	19
Repos	3.310	1	0,03%	9.062	12	0,27%	(5.752)	(11)	(10)	(1)
One-off non-marketable mortgage-backed securities	7.512	45	1,21%	8.923	57	1,29%	(1.411)	(12)	(4)	(8)
Marketable debt securities	23.364	64	0,55%	27.120	131	0,97%	(3.756)	(67)	(57)	(10)
Subordinated liabilities	1.044	17	3,38%	251	5	3,99%	793	13	(1)	13
Other interest-bearing liabilities	1.385	2	0,32%	1.668	6	0,70%	(283)	(4)	(3)	(0)
Other non interest-bearing liabilities	24.255	-	-	27.802	-	-	(3.547)	-	-	-
Equity	12.724	-	-	11.893	-	-	832	-	-	-
Total Liabilities and Equity (d)	**229.229**	**523**	**0,46%**	**253.967**	**984**	**0,78%**	**(24.738)**	**(461)**	**(405)**	**(56)**
Customers margin (a-c)		**872**	**1,45%**		**788**	**1,23%**		**85**	**109**	**(25)**
Interest margin (b-d)		**1.388**	**1,22%**		**1.427**	**1,13%**		**(39)**	**110**	**(150)**

(*) Financial Statements amounts rounded to millions of euros
(1) Average balances include interest-earning assets and interest-bearing liabilities of City National Bank of Florida and Bancofar, in the latter case until the date of its sale on july 2014 (See Note 9.5 of the consolidated financial statements of Bankia Group). Average balances of total assets total liabilities and equity are calculated as restated amounts for the recognition of the application of IFRIC 21.
(2) Includes central banks and credit institutions

Interest on loans and advances to customers fell by EUR 229 million to EUR 1,251 million at 30 June 2015. The reason behind this was the continued downward repricing of the mortgage portfolio on the back of further declines in Euribor rates in the first half of 2015. All this fed through to the average interest rate on lending portfolios, which was 2.14%, down 34bp from the first half of 2014. Nevertheless, as discussed later, the Group was able to counterbalance this lower return on loans by reducing funding costs. In this respect, the decline in deposit costs left the customer spread at 1.45%, 22bp higher than at end-June 2014.

Also contributing to lower net interest income was the EUR 253 million year-on-year decline in finance income from fixed-income portfolios in the first half of 2015. This was mostly because of the downward repricing of SAREB bonds and, to a lesser extent, the reduction in average balances of the portfolios.

As a result of all these factors, the Group's average return on assets in the first half of 2015 was 1.68%, 23bp lower than in the first half of 2014.

The lower cost of funding was what enabled the Group to make up for the fall in returns on assets and lend stability to net interest income. Finance costs in the first half of 2015 fell sharply, by 47% (EUR 461 million) compared to the same period last year. Most of the reduction was in the cost of customer deposits (EUR 314 million), the average rate of which was 56bp lower than in June 2014 thanks to the sharp reduction in the interest paid on new term deposits, in line with the overall situation of financial markets.

Meanwhile, the Group's greater financial wherewithal, coupled with improved access to funding and liability management ability enabled the Bankia Group to slash finance charges on wholesale funds (marketable debt securities and subordinated liabilities) by 40% (EUR 54 million) from the first half of 2014, basically through lower interest rates. In addition, the interest-rate cut carried out by the European Central Bank in the second half of 2014, on top of increased activity and the lower cost of financing in repo markets, helped reduce the cost of the Bankia Group's cash deposits in the first half of 2015, resulting in a EUR 89 million (-19bp) fall in ECB and interbank financial expenses.

As a result of all these factors, the average cost of the Group's liabilities decreased by 32bp year-on-year to 0.46% at 30 June 2015.

In sum, positive trends in funding costs in the first six months of 2015 helped mitigate the pressure caused by low interest rates on returns from loans and lower income from the fixed-income portfolios, resulting in a 9bp increase in net interest margin to 1.22% at 30 June 2015.

- **Gross income**

Gross income for the Bankia Group amounted to EUR 2,029 million, in line with the figure for the same period last year (EUR 2,027 million). The breakdown highlighted the weight of the core banking business, i.e. net interest income, and fee and commission income, which combined represented more than 92% of the Group's gross income in the first half of 2015.

Net fees and commissions contributed EUR 481 million to the Group's income statement, EUR 13 million (+2.9%) more than in the first half last year. By type, fees and commissions from the administration and marketing of investment funds and insurance fared well. In the case of insurance, this was due to the integration of fees and commissions ceded to Bankia by Laietana Vida and Mapfre to Bankia for marketing its products. NPL portfolio management fees also increased significantly. The good performance of these items, coupled with the decrease in fees and commissions paid compared to the first half of 2014, enabled the Group to offset the decline in fees and commissions that are more closely related to the core banking business (collection and payment services, and contingent liabilities and commitments).

NET FEES AND COMMISSIONS - BANKIA GROUP

(Millions of euros)	jun-15	jun-14	Change on Jun 2014 Amount	%
Traditional banking	221	269	(47)	(17,7%)
Contingent liabilities and commitments	47	55	(8)	(13,8%)
Collection and payment services	174	214	(40)	(18,7%)
Non banking financial producto sales	144	129	15	11,7%
Investment funds	53	46	7	15,5%
Pension funds	30	45	(15)	(33,2%)
Insurance and others	61	38	23	60,7%
Total fees and commissions and non banking financial product sales	**365**	**398**	**(32)**	**(8,1%)**
Other fees and commissions	**157**	**129**	**28**	**21,8%**
Securities service	28	31	(4)	(11,3%)
Operations design and framing	19	16	3	15,2%
Recovered written-off assets	31	6	25	421,9%
Others	79	75	4	5,4%
Fees and commissions income	**522**	**527**	**(4)**	**(0,8%)**
Fees and commissions expense	**41**	**59**	**(18)**	**(30,0%)**
Total net commissions	**481**	**468**	**13**	**2,9%**

(*) Interim financial statement amounts rounded to millions of euros

Fee and commission income from the marketing of pension funds was EUR 15 million lower due to the inclusion last year of all the fees and commissions from Aseval's pension business (both those obtained in 2013 and those generated in 2014), which was transferred to Bankia Pensiones in March 2014.

Dividends contributed a mere EUR 5 million to Bankia Group’s earnings, compared to EUR 3 million in the first half of 2014. Meanwhile, the share of profit and loss of companies accounted for using the **equity method** amounted to EUR 17 million**,** EUR 1 million less than in the same period last year due to the lower contribution from the interest in Bankia Mapfre Vida, S.A.

Gains and losses on financial assets and liabilities (ROF) contributed EUR 151 million to the Group’s consolidated income statement in June 2015, compared to EUR 74 million through June of 2014. Accordingly, trading income in 2015 accounted for just 7.4% of Bankia Group's gross income in 2014, compared to 3.6% in the first half of 2014, with most of the income generated through the rotation of debt portfolios.

Exchange differences produced a gain of EUR 11 million compared to EUR 21 million the year before, a EUR 9 million decrease, which reflected the impact of the change in the EUR/USD exchange rate on the currency hedge related to the sale of City National Bank.

Other operating income and expenses showed a net expense of EUR 24 million in the first half of 2015, compared to net income of EUR 16 million through June 2014. This was mainly the result of the higher volume of expenses related to the management of the Group's real estate assets this year. As explained in Note 3.2 of this report and Note 1.5 of the notes to the consolidated interim financial statements, this item includes the Group's contributions to the Deposit Guarantee Fund. Following the application of IFRIC 21 "Levies", in 2015 the Deposit Guarantee Fund instalments will be recognised in the income statement as a single payment at the end of the year, rather than on an accrual basis throughout the year.

- **Pre-provision operating income**

Pre-provision operating income in the first half of 2015 rose 3.1% year-on-year to EUR 1,186 million.

The increase was underpinned by the positive performance of **operating expenses** (administrative expenses, and depreciation and amortisation), which amounted to EUR 843 million in the period. Operating expenses continued to fall even through the Group's restructuring process is now complete. Of the total, EUR 495 million related to staff costs, which were 2.2% lower than in the first half of 2014. Other general administrative expenses amounted to EUR 279 million, down 3.4% year-on-year. The depreciation and amortisation charge was EUR 12 million lower (-14.6%) at EUR 69 million.

This positive performance by overheads improved the Bankia Group's efficiency ratio (operating expenses/gross income) by nearly 2pp from last year to 41.5% at 30 June 2015.

ADMINISTRATIVE EXPENSES - BANKIA GROUP

(Millions of euros)	jun-15	jun-14	Change on Jun 2014 Amount	%
Staff costs	**495**	**506**	**(11)**	**(2,2%)**
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%)
General administrative expenses	**279**	**289**	**(10)**	**(3,4%)**
From property, fixtures and supplies	60	69	(9)	(12,7%)
IT and communications	85	88	(3)	(3,8%)
Advertising and publicity	28	27	1	3,2%
Technical reports	19	19	(0)	(1,5%)
Surveillance and security courier services	7	8	(1)	(11,8%)
Levies and taxes	28	35	(7)	(20,3%)
Insurance and self-insurance premiums	3	2	1	47,1%
Other expenses	49	40	9	22,4%
Total administrative expenses	**774**	**795**	**(21)**	**(2,7%)**
Efficiency ratio	**41,5%**	**43,2%**	**(1,7) p.p.**	**(3,9%)**

(*) Financial statements amounts rounded to millions of euros

- **Provisions and write-downs**

As with operating expenses, total provisions and write-downs, which include impairment losses on financial assets, non-financial assets, non-current assets held for sale (the latter included in "Other gains and losses") and other charges to net provisions, fared particularly well in the first half of 2015, totalling EUR 430 million. This marked a 28.3% decrease from the figure reported for the first half of 2014 and was the result of the positive trend in the quality of the Group's assets and the reinforcement of the recovery activity.

Of this amount, impairment losses on financial assets, mainly provisions for credit losses, decreased by EUR 163 million (-31.4%), reflecting lower provisions according to calendar and the reduction in inflows of NPLs compared to the first half of 2014. As a result, the Bankia Group's cost of risk (measured as impairment losses on loans and contingent risks in the last 12 months divided by the average balance of loans and advances to customers and contingent liabilities) stood at 0.52% at 30 June 2014, marking a significant improvement (-14bp) from the year-earlier figure.

Impairment losses on non-current assets held for sale amounted to EUR 98 million, which was lower than in the first half last year by EUR 47 million due to the reduction in impairment losses on the Group's foreclosed real estate assets and equity investments.

Impairment losses on non-financial assets, mainly property and equipment, and inventories, increased by EUR 10 million owing to the impairment of the Group real estate companies’ inventories recognised in the first half of 2015.

Lastly, “Provisions (net)” in the income statement, which includes mainly provisions for contingent liabilities and commitments, taxes and other legal contingencies, showed a positive balance of EUR 35 million at 30 June 2015, compared to a positive balance of EUR 65 million the year before. The positive balance arose mainly from the reversal of provisions for contingent exposures recognised by the Group due to the cancellation or maturity of third-party debts guaranteed by Bankia.

- **Other gains and losses**

The Bankia Group obtained EUR 27 million of gains in the first half of 2015 on the sale of shareholdings as part of the non-strategic asset disposal plan, mostly on the sale of the stake in Realia Business, S.A. (24.953%), which generated a gross gain for the Group of EUR 13.8 million. Proceeds from the sales of equity investments are recognised in "Other gains and losses" in the income statement included herein. The balance shown is a negative EUR 102 million because the item also includes impairment losses on non-current assets held for sale recognised in the period (EUR 98 million), as explained in the preceding section, and losses on the disposal of foreclosed real estate assets. In the first half of 2014, the negative balance of "Other gains and losses" was EUR 45 million, EUR 57 million lower than this year, as it included higher gains from the sales of shareholdings (mainly NH Hoteles, which generated a gain of EUR 58 million).

Elsewhere "Profit/(loss) from discontinued operations" at 30 June 2015 had no balance due to the sale of 51% of Aseval in October 2014, after which the Group ceased to fully consolidate its share of the profit and loss of this company and began accounting for Bankia's 49% stake in Aseval under "Share of profit/(loss) of companies accounted for using the equity method". Meanwhile, the profit from discontinued operations through June last year amounted to EUR 29 million, as it included the profit of Aseval for the first six months of the year.

- **Profit before tax and profit attributable to the parent**

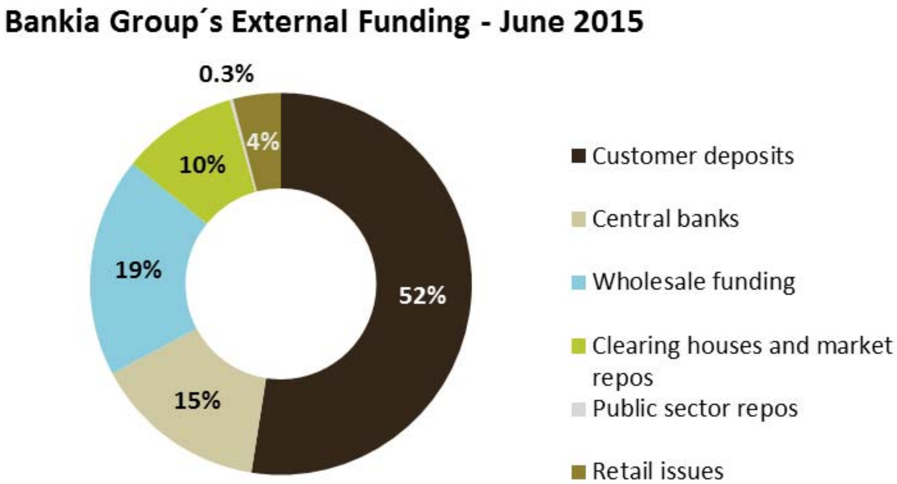
The resistance shown by net interest income to the decline in market interest rates, alongside the reduction in expenses and the normalisation of provisions and impairments of assets, enabled Bankia Group to post profit before tax of EUR 753 million in the first half of 2015, an increase of 15.6% on the figure for the same period last year. After income tax and profit attributable to non-controlling interests, profit attributable to the Group was EUR 556 million, an increase of 11.5% on the figure for the same period last year.

Profit attributable to non-controlling interests amounted to EUR 24 million in 2014, compared to a loss of EUR 3 million in 2013. The increase was the result of higher profit from certain companies that are fully consolidated by the Group.

4.- <u>FUNDING STRUCTURE AND LIQUIDITY</u>

The overriding goal is to maintain a long-term financing structure that is in line with the liquidity of assets and whose maturity profile is compatible with the generation of stable, recurring cash flows to enable the Group to manage its balance sheet without short-term liquidity pressures. In line with this goal, in the first half of 2015 the Group achieved improvement in both its liquidity metrics and liability structure.

Note 3.2 to the condensed consolidated interim financial statements for the six months ended 30 June 2015 describe Bankia Group’s liquidity management policies and provide details on maturities of financial assets and financial liabilities used to project its liquidity balance at different maturities. Accordingly, this section deals with trends in the Group’s main liquidity indicators and funding sources in the first half of 2015.



Regarding borrowings, the Bankia Group’s main funding source includes customer deposits, mostly term deposits and savings accounts. The Group also taps the market for finance through repos with clearing houses and the interbank market, issues made on capital markets and distributed through the network and balances with the ECB.

Customer funds raised continued to perform strongly in the first half of 2015, with an absolute increase of EUR 122 million and a higher weight in the balance sheet funding mix (52% of the Group’s borrowings through June 2015 compared to 49% in December 2014).

Wholesale funding, which comprises mainly mortgage covered bonds and deposits from credit entities, decreased by EUR 3,559 million in 2015 due to maturities during the year and represented 19% of borrowings. Meanwhile, funds raised through retail issues (one-off non-marketable mortgage-backed securities) decreased by EUR 546 million, while market repo activity (repos through clearing houses and bilateral repos with other banks) increased by EUR 4,526 million, representing 4% and 10%, respectively, of Bankia Group's borrowings at 30 June 2015. Repos with the public sector through the Treasury's liquidity auctions registered a decrease of EUR 1,501 million, accounting for a negligible proportion (0.3%) of the Group's external funding sources at the end of June 2015.

FUNDING SOURCES - BANKIA GROUP

(Millions of euros)	jun-15	Dec-14	Change on Dec 2014		Percentage	
			Amount	%	jun-15	Dec-14
Strict customer deposits	**94.923**	**94.801**	**122**	**0,1%**	**52,5%**	**49,5%**
Public sector	6.142	4.297	1.845	42,9%	3,4%	2,2%
Other resident sectors	87.507	89.236	(1.729)	(1,9%)	48,4%	46,6%
Current accounts	15.088	13.276	1.812	13,6%	8,3%	6,9%
Saving accounts	25.506	24.178	1.329	5,5%	14,1%	12,6%
Fixed-term deposits	46.913	51.783	(4.870)	(9,4%)	25,9%	27,0%
Non-residents	1.274	1.268	6	0,5%	0,7%	0,7%
Wholesale funding	**33.709**	**37.268**	**(3.559)**	**(9,5%)**	**18,6%**	**19,4%**
Deposits of credit institutions (1)	9.556	12.875	(3.319)	(25,8%)	5,3%	6,7%
Marketable debt securities	23.134	23.350	(215)	(0,9%)	12,8%	12,2%
Subordinated liabilities	1.019	1.043	(25)	(2,4%)	0,6%	0,5%
Retail issues	**7.315**	**7.861**	**(546)**	**(6,9%)**	**4,0%**	**4,1%**
Clearing houses and market repos	**17.759**	**13.233**	**4.526**	**34,2%**	**9,8%**	**6,9%**
Public sector repos	**502**	**2.003**	**(1.501)**	**(74,9%)**	**0,3%**	**1,0%**
Central banks	**26.670**	**36.500**	**(9.830)**	**(26,9%)**	**14,7%**	**19,0%**
Total external funding sources	**180.878**	**191.665**	**(10.787)**	**(5,6%)**	**100,0%**	**100,0%**

(*) Financial Statements amounts rounded to millions of euros

(1) Includes interbank deposits, collateral posted and other deposits from credit institutions

Central bank finance decreased by EUR 9,830 million from December 2014, due to the maturities and early redemptions of the ECB's LTRO auctions by the Group in the first half of 2015, causing its share of the Group's funding mix to fall considerably (to 15% of borrowings at end-June 2015 from 19% at end-December 2014). Total funding from central banks at the end of June 2015 stood at EUR 26,670 million. This includes the liquidity obtained by the bank in the two new auctions held by the ECB as part of its TLTRO programme, in March and June 2015 (EUR 8,689 million), as well as the EUR 2,777 million obtained by the Bankia Group in the September and December 2014 auctions. Total liquidity taken by the Group in the ECB's TLTRO auctions at the end of the first half of 2015 stood at EUR 11,466 million, enabling it to extend the maturities of its ECB exposure.

The net result of all these changes was a EUR 10,787 million reduction in the level of external funding sources in the first half of 2015. In line with this reduction, the Bankia Group's liquidity metrics and liability structure improved. On the one hand, the gradual balance sheet deleveraging continued. On the other, retail funding sources stabilised. Both factors helped reduce the commercial gap, i.e. the difference between loans (excluding reverse repos) and strict customer deposits, plus funds received from the EIB and ICO for the grant of second-floor loans. The improvement in the commercial gap generated total liquidity in the first half of 2015 of EUR 1,245 million, mainly due to the reductions in NPLs and the stock of mortgage loans. As a result, the commercial gap at 30 June 2015 stood at EUR 12,536 million, down 9% from the end of 2014. The good performance by the commercial gap also bolstered the Group's main liquidity ratios. Specifically, the “Loan to deposits” or LTD ratio (net loans/strict customer deposits plus funds raised through second-floor loans and one-off non-marketable mortgage-backed securities) at 30 June 2015 stood at 104.9%, a 0.6pp reduction from 31 December 2014.

The reduction in the commercial gap, in addition to the liquidity obtained from disposals of fixed-income securities and investees, the decrease in financing granted to BFA and the increase in activity in short-term funding markets through repos, all helped reduce the Group's reliance on the ECB by 27%, to EUR 26,670 million at 30 June 2015.

Regarding long-term liquidity raised in wholesale funding markets, in the first half of 2015 the Group continued to enjoy access to primary capital markets, launching and placing among third parties a EUR 1,000 million issue of 10.5-year mortgage covered bonds.

The Group has a comfortable maturity schedule, with EUR 2,837 million of wholesale issues falling due in 2015 and EUR 5,634 million in 2016, of which slightly over EUR 7,000 million are bonds and mortgage covered bonds. To meet these maturities and scheduled redemptions in the coming years, the Group had EUR 31,091 million of liquid assets at 30 June 2015.

Therefore, with scant concentration of significant maturities and a more favourable general market environment, Bankia Group has a great deal of flexibility to meet its short or medium term funding needs.

LIQUIDITY RESERVE - BANKIA GROUP

(Millions of euros) (1)	jun-15	dec-14
Highly liquid available assets (2)	16,315	28,104
Undrawn amount on the facility	13,906	5,613
Treasury account and deposit facility (3)	870	2,120
TOTAL	**31,091**	**35,837**

(1) Financial Statements amounts rounded to millions of euros

(2) Market value considering the ECB haircut

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

5.- CAPITAL MANAGEMENT, SOLVENCY AND LEVERAGE RATIO

Capital management geared at all times to complying with minimum regulatory requirements and with the risk appetite target or level established by the Group is a key pillar of the Group's Corporate Risk Appetite and Tolerance Framework.

Since the regulations known as BIS III became effective on 1 January 2014, which then marked a change and entailed tougher quality and minimum capital requirements, a raft of regulatory changes have taken place impacting the solvency of financial institutions. By adequately managing its capital, the Bankia Group has been able to bolster its solvency and minimise the impact of these regulatory changes.

Capital management pivots on capital planning, understood as the process designed to assess the adequacy of current and future capital -even in adverse economic scenarios- with respect to the minimum regulatory requirements (Pillar I and Pillar II) and the target capital and optimum capital structure established by the governing bodies.

The capital planning process is a holistic process involving all levels of the Entity. Senior management and the Board of Directors play a key role in designing and monitoring capital planning. In this respect, the regulatory indicators and risk appetite metrics determined are monitored regularly. Moreover, capital contingency plans have been drawn up that include the measures necessary to address the situation where needed. The Capital Committee is mainly in charge of controlling the evolution of real and projected solvency ratios, allowing the Entity to perform an active and agile capital management. It also monitors the solvency framework to ensure that the Group continuously adapts to any changes that may occur.

Capital planning is aligned and coherent with the Entity's strategic planning. It also includes hypothetically adverse scenarios, quantifying potential impacts on results and solvency according to an economic crises scenario. The Group has mitigation plans in place to offset impacts in adverse economic scenarios.

In the first half of 2015, in response to the recommendations issued by the various consultative bodies in the industry and the regulatory changes made with respect to the European Banking Union, the Bankia Group strengthened its capital planning and management framework, formally documenting or updating existing documentation on these process in a series of reports approved by the Entity's Board of Directors. These documents are:

- The Corporate Risk Appetite and Tolerance Framework, which defines the level of risk appetite (internal capital target) and tolerance with respect to capital

- The Corporate Capital Planning Framework, which sets out a clear governance framework to reinforce the capital planning process function and ensure that the involvement of the various divisions is geared towards achieving a common objective and that this objective fits in the Group's Risk Appetite and Tolerance Framework

- Capital Planning Policies, which include Management's guidelines regarding capital preservation and correct risk measurement, as well as the corrective measures for potential deviations included in the Capital Contingency Plan

- Recovery Plan, which sets out the solvency indicator levels below the Entity's tolerance level which, prior to potential non-compliance with regulations, would trigger the corrective measures in crises situations, as well as the range of measures and execution of each

Solvency levels

The Bankia Group's CET1 at 30 June 2015 stood at 12.8%, including net profit for the period less the regulatory deduction of dividends, up from 12.3% at 31 December 2014 (including the net profit for the year it intends to allocate to reserves), implying a surplus of EUR 7,241 million (4.5%) above the regulatory minimum. The total capital ratio (BIS III) at the end of the first half of 2015 stood at 14.3% (13.8% at 31 December 2014 including the net profit for the year it intends to allocate to reserves), implying a surplus of EUR 5,541 million above the 8% regulatory minimum requirement under BIS III.

The following table provides a detail of capital levels as well as risk-weighted assets calculated in accordance with the CRR and CRD IV in June 2015 and December 2014 applying the phase-in schedule for each period:

BANKIA GROUP Solvency Basel III

(Millions of € and %)

Eligible capital	Jun. 2015 (*)		Dec. 2014 (**)	
Common Equity Tier I	11.179	12,8%	10.874	12,3%
Tier I	11.179	12,8%	10.874	12,3%
Tier II	1.363	1,5%	1.364	1,5%
Total Capital BIS III	**12.542**	**14,3%**	**12.238**	**13,8%**

Risk-weighted assets BIS III	Jun 2015	Dec. 2014
Credit risk	79.043	80.232
Operational risk	7.128	7.128
Market risk and CVA	1.340	1.205
Total Risk-weighted assets BIS III	**87.511**	**88.565**

Excess / (Shortfall on minimum regulatory requirements)	Jun. 2015 (*)		Dec. 2014 (**)	
		minimum		*minimum*
Common Equity Tier I	7.241	4,5%	6.889	4,5%
Equity Tier I	5.928	6,0%	5.560	6,0%
Total Equity BIS III	**5.541**	**8,0%**	**5.152**	**8,0%**

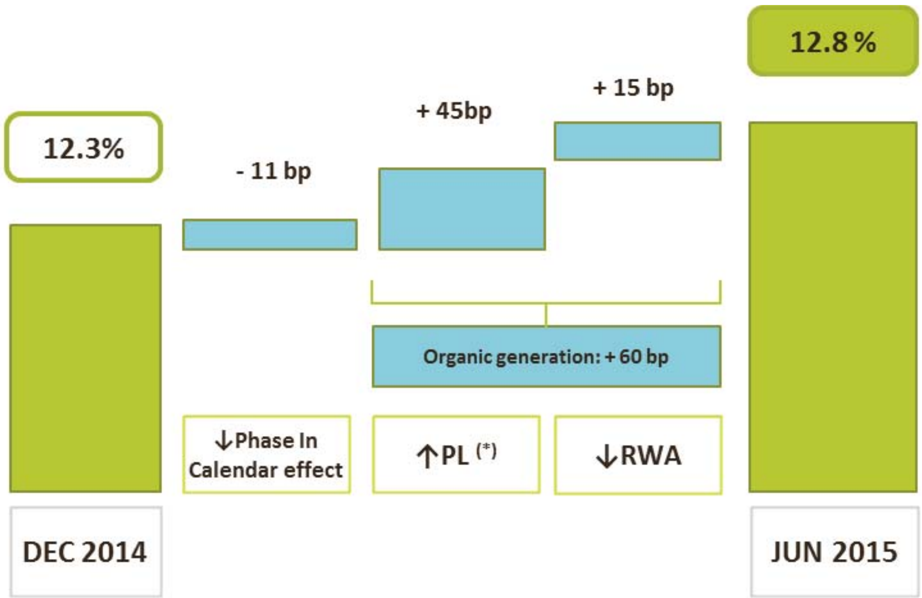
(*) Includes net 1H 2015 profit of EUR 558 million. The solvency ratios include the profit allocated to reserves for the period and discount the potential Group dividend, according to regulatory criteria.
(**) Includes net profit of EUR 772 million for the year 2014 less EUR 202 million earmarked for dividends. Stripping out this amount, the Common Equity Tier I and Equity Tier I would be 11,6%, whilst Total Equity BIS III would stand at 13,2%.

Bankia Group strengthened its capital base by more than 51bps during the first half of 2015, of which 49bps came from CET1. This shows the gradual consolidation of a self-sustainable model of higher quality capital generation. The positive trend in capital in this period was due mainly to the following:

- Increase of EUR 305 million of profit, which improved the total capital base by 34bps, in line with the Group's objective of reinforcing CET 1 given its permanence, availability and greater loss-absorption capacity in accordance with new Basel III requirements. The Bankia Group's total CET1 at 30 June 2015 represented 89.1% of total own funds. The increase in CET1 reflects mainly the net profit earmarked for reserves, which has helped to absorb the adverse impact of the Basel III capital rules Phase In calendar, applying higher percentage deductions to common equity in 2015 than in 2014. , The calendar effect had an impact on both CET1 and total capital of -11bps.

- Decrease in risk-weighted assets (RWA) of EUR 1,054 million, mainly credit risk related to balance sheet deleveraging and non-strategic asset disposals under the commitments assumed in the Recapitalisation Plan of the BFA Group (parent) approved by the European Commission in November 2012, and active management of the composition and improvement in quality of the Group's loan portfolio. The fall in RWAs drove a 15bps increase in CET1 (17bps in terms of total solvency ratio).

The trend in CET1 is as follows:



(*) The solvency ratios include the profit allocated to reserves for the period and discount a potential Group dividend.

BANKIA GROUP. Reconciliation of equity in the balance sheet to regulatory capital BIS III

(Millions of € and %)

Eligible capital components	Jun 2015 (*)	Dec. 2014 (**)	Variation	% Variation
Own funds	11.682	11.331	351	3%
Valuation adjustments	806	1.216	(410)	(34%)
Non-controlling interests	3	(13)	16	(119%)
Total Equity (Public balance)	**12.491**	**12.534**	**(43)**	**(0%)**
Adjustment between public and regulatory balance	(1)	5	(6)	(125%)
Total Equity (Regulatory balance)	**12.490**	**12.539**	**(49)**	**(0%)**
Non-eligible capital components	**(698)**	**(1.165)**	**467**	**(40%)**
Valuation adjustments non-elegible as CET-1	(699)	(1.166)	467	(40%)
Non-controlling interests	1	1	0	0%
Deductions from capital	**(613)**	**(500)**	**(113)**	**22%**
Goodwill and other intangible assets (regulatory balance)	(301)	(283)	(18)	6%
Other deductions	(162)	(15)	(147)	959%
Dividend	(150)	(202)	52	(26%)
Common Equity Tier I	**11.179**	**10.874**	**304**	**3%**
Tier I additional capital	**0**	**0**	**0**	**0%**
Tier II capital	**1.363**	**1.364**	**(1)**	**(0%)**
TOTAL REGULATORY CAPITAL	**12.542**	**12.238**	**304**	**2%**

(*) Includes net 1H 2015 profit of EUR 558 million. The solvency ratios include the profit allocated to reserves for the period and discount a potential Group dividend.
(**) Includes net profit of EUR 772 million for the year less EUR 202 million earmarked for dividends.

The reconciliation of equity in the balance sheet to regulatory capital, including net profit for the period, is shown below. Pro-forma data at 31 December 2014 are included for comparison purposes.

The minimum capital requirements cover credit, foreign currency, market and operational risks.

The requirements for credit risk, including equity price risk, amounted to EUR 6,324 million at 30 June 2015 (EUR 6,419 million at 31 December 2014). This requirement is calculated using both the standardised approach (37% of the portfolio) and the internal rating-based (IRB) approach (63% of the portfolio). In 2014, following authorisation by the Bank of Spain, the Entity applied the IRB approach to all its exposures to corporates. Both calculation methods still coexist for institutions and retail exposures. The remaining on-balance-sheet exposures are calculated using the standardised method.

Currency and market risk exposures, and CVA were calculated using internal models, and at 30 June 2015 amounted to EUR 107 million (EUR 96 million at 31 December 2014).

Lastly, the Bankia Group used the standardised approach to calculate the capital requirements for operational risk, which at 30 June 2015, as well as at 31 December 2014, amounted to EUR 570 million, as they are recalculated annually in the fourth quarter of the year.

Leverage ratio

The leverage ratio arose in the December 2010 Capital Framework of the Basel Committee on Banking Supervision (BCBS), which introduced this new metric as a supplementary ratio to solvency requirements but unrelated to risk measurement. The aim is to include the leverage ratio as a binding Pillar I requirement from 1 January 2008, after the conclusion of the review and calibration period that started on 1 January 2013.

At 30 June 2015, the Bankia Group's (phase-in) leverage ratio was 5.2%, above the 3% minimum reference level set by the BCBS. The Bankia Group improved its leverage ratio by 25bp in the first quarter of 2015 by strengthening its Tier 1 capital and gradually reducing exposure, mostly by decreasing total accounting assets.

The following table provides a breakdown of the leverage ratio at 2015, along with a reconciliation of total assets on the balance sheet and leverage exposure measure:

BANKIA GROUP Leverage ratio

Items (EUR million and %)	**June 2015 (*)**
Tier 1 capital	11.179
Exposure	215.746
Leverage ratio	**5,2%**
Reconciliation between balance sheet and leverage exposure measure	
Total public balance sheet assets	**219.493**
(+/-) Adjustment for differences between the public and the regulatory balance sheet	53
(-) Items already deducted from Tier 1 Capital	(462)
(-) Derivatives and other items excluded from the exposure measure	(21.035)
(+) Exposure to derivatives	2.405
(+) Additions for counterparty risk in securities financing transactions (SFTs)	648
(+) Exposure to off-balance sheet items (includes application of CCFs)	14.644
Total leverage ratio exposure	**215.746**

(*) Estimates calculated according to Delegated Regulation (EU) 62/ 2015

In the first half of 2015, the BCBS, in conjunction with the European Banking Authority (EBA), carried out a QIS (Quantitative Impact Study). The BFA Group, to which the Bankia Group belongs, was one of the financial institutions invited to participate actively in the leverage ratio monitoring process.

6.- RISK MANAGEMENT

Risk management is a strategic pillar in the Bankia Group. The primary objective of risk management is to safeguard the Group’s financial stability and asset base, while creating value and developing the business in accordance with the risk tolerance levels set by the governing bodies. It involves the use of tools for measuring, controlling and monitoring the requested and authorised levels of risk, managing non-performing loans and recovering unpaid risks.

The Bankia Group's risk function has undergone a transformation process over the past two years to achieve management excellence by adopting best practices. Guidelines needed to be established to provide a foundation for the risk function, which must be independent and comprehensive, considering all relevant factors objectively, but also aligned with the business in order to achieve the Entity's objectives, maximising value creation. At the same time, the organisational structure was adapted, with the creation of two new departments, Retail Risks and Wholesale Risks, to support the business structure. A policy framework was designed consistent with the risk propensity and tolerance levels defined by the Entity's governing bodies.

The transformation process is still ongoing, involving a number of initiatives, such as the industrialisation and specialisation of the recoveries model, the extension of the use of risk-adjusted return (RAR), the improvement in the representation of guarantees and collateral and the review of levels and rating schemes. Moreover, risk training initiatives will be strengthened. The overall aim is to aid the development of the business with controlled risks, which is crucial to providing stability and sustainability to value creation.

One of the key features of European regulations implementing the capital agreements known as BIS III is the introduction of corporate governance as a core element of risk management. This regulation establishes the need for entities to have sound corporate governance procedures, including a clear organisational structure, effective risk identification, management, control and communication procedures, and remuneration policies and procedures that are compatible with appropriate and effective risk management.

Illustrating its willingness to strengthen the importance of corporate governance in risk management and following the recommendations issued by the main international regulatory bodies, at its meeting in September 2014 the Board of Directors of BFA and Bankia approved the Risk Appetite Framework (RAF) for the Group. The RAF is the set of elements that allow the governing bodies to define risk appetite and tolerance levels, and compares these with the Entity's risk profile at any given time.

Note 3 to the Bankia Group's interim financial statements for the six months ended 2015 provides details on the governing bodies responsible for supervising and controlling the Group's risks, as well as the general principles, organisational model, policies and methods to control and measure the risks to which the Group is exposed through its business. Accordingly, this section provides an overview of the performance and main indicators used to assess the trends in risks in the first half of 2015.

6.1.- Credit risk

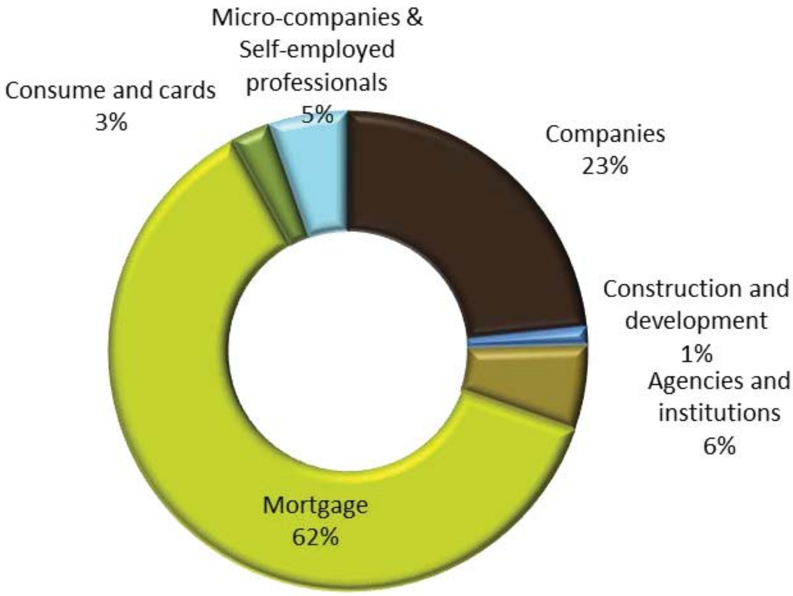
Credit risk is defined as the risk of loss assumed by the Bankia Group in the regular course of its banking business if its customers or counterparties fail to comply with their contractual payment obligations.

Credit risk management is an end-to-end process, running from loan or credit approval to elimination of exposure, either at maturity or through recovery and sale of assets in the event of foreclosure upon default. It involves identifying, analysing, measuring, monitoring, integrating and valuing credit risk-bearing transactions on a differentiated basis for each segment of the Bank's customers.

The variables the Bank uses to measure credit risk are derived from internal models: probability of default, exposure at default and loss given default (severity). These variables allow ex-ante analysis of the credit portfolio's risk profile by calculating the expected loss and economic capital required.

- **Risk profile and composition of assets**

Given its activity and business model, Bankia's risk profile shows far greater exposure to credit risk than the other risks to which its business is inherently exposed, as shown in the following chart:



The following table shows the distribution by portfolio of regulatory capital requirements, economic capital and expected losses of exposure for credit risk at 30 June 2015:

Sector	Regulatroy Equity	Economic Equity	Expected Loss
Agencies and institutions	191,30	277,41	160,09
Banks	382,15	291,85	67,36
Companies	1.791,02	1.917,56	3.325,14
Construction and development	113,89	178,48	844,75
Retail:	2.337,69	1.470,55	3.378,87
Mortgage	*1.924,05*	*1.168,49*	*2.576,04*
Consume	*114,76*	*89,94*	*104,30*
Cards	*64,62*	*57,25*	*44,38*
Self-employed professionals	*83,80*	*36,72*	*161,35*
Micro-Companies	*150,47*	*118,16*	*492,80*
Equity	48,72	31,02	3,66
TOTAL	**4.864,78**	**4.166,87**	**7.779,86**

In millions of euros

The main characteristics of the Group's credit risk profile and its trends in the first half of 2015 according to data from the audited portfolio (does not include positions in financial investees) are as follows:

- The breakdown of loans and advances to customers is 30%-70% wholesale segment, including public sector, and retail.
- The weight of the real estate development portfolio over total loans and receivables has fallen to 1% of total assets and is heavily provisioned.
- Noteworthy is that the mortgage portfolio accounts for 62% of total loans and receivables. The second largest portfolio comprises business loans, representing 23% of the total, following by loans to public institutions and bodies, with 6%.
- The breakdown of NPLs by segment at 30 June 2015 was similar to that at 31 December 2014. 39% of assets were classified in the doubtful category for subjective criteria or are in the "curing" period. Accordingly, no loans in this portfolio are past-due that imply subjective arrears, or refinancing agreements have been reached with the customers and, therefore, there is an apparent willingness to pay. This must be verified over a period of at least six months, but can be extended to the entire grace period where applicable.

The maturity profile of credit exposure is detailed in Note 3.2 to the interim consolidated financial statements for the six months ended 30 June 2015 (liquidity gap table). A significant portion of loans and advances to customers (66%) mature beyond five years, given the large volume of mortgage loans to homebuyers, which are generally for long periods.

- **Asset quality**

The Bankia Group's main credit quality indicators have continued performing well in the first half of 2015.

The Group follows a prudent provisioning policy, allowed it to increase coverage ratios in the different loan segments. Total loan portfolio coverage stood at 7.3% at 30 June 2015. By segment, coverage of developer loans still on the balance sheet balance (EUR 2,479 million, representing only 1% of the Group's assets) was 53.3% (48.9% in December 2015), while coverage of corporate and retail portfolios was 13.4% and 3.6%, respectively. The 3.6% coverage for the retail portfolios is less than for the rest of the portfolios due to the weight of mortgage loans and credits, which have a lower provisioning requirement in the balance sheet due to the mortgage collateral. Approximately 52% of secured loans for home purchases (i.e. with collateral) had an LTV equal to or lower than 60%.

The improvement in the portfolio risk profile and satisfactory levels of provision coverage leave the Group in a good position to achieve one of the main objectives in the Strategic Plan: grow in profitability delimiting the cost of risk in future financial years.

- **Doubtful balances and NPL coverage**

The Group pro-actively manages and anticipates credit risk with a view to containing the inflow of non-performing loans (NPLs) and raising NPL coverage.

In the first half of 2015, the Group had total doubtful assets (including loans and advances to customers and contingent liabilities) of EUR 15,308 million, down EUR 1,239 million from 31 December 2014. This improvement was the result of stronger efforts in monitoring and recovery management, and in the selection and sale of portfolios of doubtful assets, which began in 2013 and continued in the first half of 2015, with five sales of portfolios of doubtful assets for a combined amount of EUR 300 million. The reduction in the doubtful loan portfolio left the NPL ratio at 12.0%, nearly 1pp less than at 31 December 2014.

DEFAULT AND COVERAGE - BANKIA GROUP

			Change on Dec 2014	
(Millions of euros and %)	jun-15	Dec-14	Amount	%
Doubtful balances	15.308	16.547	(1.239)	(7,5%)
Total risk	127.255	128.584	(1.329)	(1,0%)
Total NPL ratio (1)	**12,0%**	**12,9%**	**(0,8) p.p.**	**(6,5%)**
Total provisions	**9.271**	**9.527**	**(257)**	**(2,7%)**
Generic	153	153	0	0,1%
Specific	9.091	9.356	(264)	(2,8%)
Country risk	27	19	8	40,1%
Coverage ratio	**60,6%**	**57,6%**	**+3,0 p.p.**	**5,2%**

(*) Financial Statements amounts rounded to million of euros

(1) NPL ratio: non-performing loans and advances to customers and contingent liabilities/risk assets consisting of loans and advances to customers and contingent liabilities

The decline in NPLs in the first half of 2015 extended the positive trend in the Group's NPL ratio begun last year. In this respect, one of the Bankia Group’s key management objectives over the next few years is to continue reducing the NPL ratio.

By business, the NPL ratio for Business Banking was 20.2%, marking a 380bp reduction from December 2014. The NPL ratio for Retail Banking ended the period at 7.3%, 40bp lower than at the end of last year, while the NPL ratio for the real estate development and construction business, which has an insignificant weight on the balance sheet, was 66.7%, up from the 63.0% registered in December 2014.

To cover these doubtful exposures, the total credit loss allowance at the end of the first half of 2015 amounted to EUR 9,271 million, leaving a coverage ratio of 60.6%, up 3 pp from 31 December 2014.

- **Credit risk of trading in derivatives**

The Entity is exposed to credit risk through its activity in financial markets, specifically its exposure to OTC (over the counter) derivatives. This exposure is called counterparty risk.

The method used to estimate counterparty risk entails calculating EAD ("exposure at default") as the sum of the current market exposure and the potential future exposure. This method aims to obtain the maximum expected loss for each transaction.

However, in order to migrate most of these risks, the Entity has, *inter alia*, tools that mitigate risk, such as early redemption agreements (break clause), netting of credit and debit positions (netting), collateralisation for the market value of the derivatives or offsetting of derivatives.

At 30 June 2015, there were 716 netting and 215 guarantee agreements (139 derivatives, 67 repos and 9 securities loans). The main figures regarding quantification of the derivatives activity are as follows:

- Original or maximum exposure: EUR 26,088 million.
- Exposure applying mitigation techniques through netting: EUR 7,926 million.
- Net exposure after applying all mitigation techniques: EUR 1,916 million.

As shown, counterparty risk in derivatives trading is reduced by 92.66% by applying derivatives netting and guarantee agreements.

6.2.- Liquidity risk

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

In the active management of liquidity risk , the Bankia Group is based on three main areas:

- The first is the liquidity gap, classifying asset and liability transactions by term to maturity. The liquidity gap is calculated for the recurring retail business, as well as for the funding needs of the Entity's structural portfolios.

- The second is the funding structure, identifying both the relationship between short- and long-term funding, and the diversification of the funding mix by asset type, counterparty and other categorisations.

- Third, in line with the future regulatory focus on stressed ratios, the Entity is establishing metrics that afford anticipation and vision of the aforementioned regulatory ratios with a broader time horizon.

As a supplement to the various metrics, the Entity has a well defined Contingency Plan, which identifies alert mechanisms and sets out the procedures to be followed if the plan needs to be activated.

Note 3.2 to the Bankia Group's 2015 interim financial statements for the six months ended 30 June 2015 provides information on remaining term to maturity of the Bank's issues by funding instrument, along with a breakdown of financial assets and liabilities by contractual residual maturity at 30 June 2015 and 31 December 2014.

Alongside the monitoring of liquidity risk in normal market conditions, action guidelines have been designed to prevent and manage situations of liquidity stress. This pivots around the Liquidity Contingency Plan (LCP), which sets out the committees in charge of monitoring and activating the LCP and the protocol for determining responsibilities, internal and external communication flows, and potential action plans to redirect the risk profile within the Bank's tolerance limits.

The LCP is backed by specific metrics, in the form of LCP monitoring alerts, and by complementary metrics to liquidity risk and regulatory funding indicators, LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio). These ratios have built-in stress scenarios for the ability to maintain available liquidity and funding sources (wholesale and retail deposits, funding on capital markets) and allocate them (loan renewal, unprogrammed activation of contingent liquidity lines, etc). For the LCR, the scenario relates to a survival period of 30 days, and the regulatory assumptions underlying the construction of the ratio are valid exclusively for this period.

As for regulatory requirements, the Group continues to implement a plan for orderly adaptation to the regulatory LCR, allowing it to be able to report this ratio with more rigorous criteria and in line with industry from 1 October 2015. As for the NSFR, the Basel framework is in the midst of a review process and this status is likely to continue until at least mid 2016. The net stable funding ratio (NSFR) is currently undergoing a review by the European Union and, once the definition is complete, this ratio will form part of the minimum standards on 1 January 2008, with a requirement of at least 100%.

6.3.- Market risks

Market risks arise from the possibility of incurring losses on positions in financial assets caused by changes in market risk factors (interest rates, equity prices, foreign exchange rates or credit spreads). It stems from treasury and capital markets positions and can be managed by arranging financial instruments.

Limits are established in accordance with a number of metrics: value at risk (VaR) calculated using the historical simulation method, sensitivity, maximum loss (stop-loss limit) and the size of the position.

- **Interest rate risk**

Structural balance sheet interest rate risk (positions not included in the trading portfolio) is determined by the probability of incurring losses as a result of changes in the interest rates to which the asset and liability positions (or certain off-balance sheet items) are indexed that could have an impact on the stability of the Group's results. Rate fluctuations affect both the Group's net interest income in the short and medium term, and its economic value in the long term. The intensity of the impact depends largely on different schedules of maturities and repricing of assets, liabilities and off-balance sheet transactions. Management of this risk is designed to lend stability to interest margins, maintaining levels of solvency that are appropriate for the Company's level of risk tolerance.

Interest rates remained at historically low levels in the first half of 2015. Long-term rates eased, in line with the unorthodox monetary policies adopted, which seek, *inter alia*, to stimulate growth in the euro zone and overcome the economic slowdown of the past few years. The market scenario was managed by the Assets and Liabilities Committee (ALCO), which aims to maximise the economic value of the banking book and support net interest income, thereby ensuring recurring profit generation for the Entity.

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

- **Other market risks**

Arises from the possibility of incurring losses on positions in financial assets caused by changes in market risk factors (interest rates, equity prices, foreign exchange rates or credit spreads).

- **Market risk measurement and monitoring**

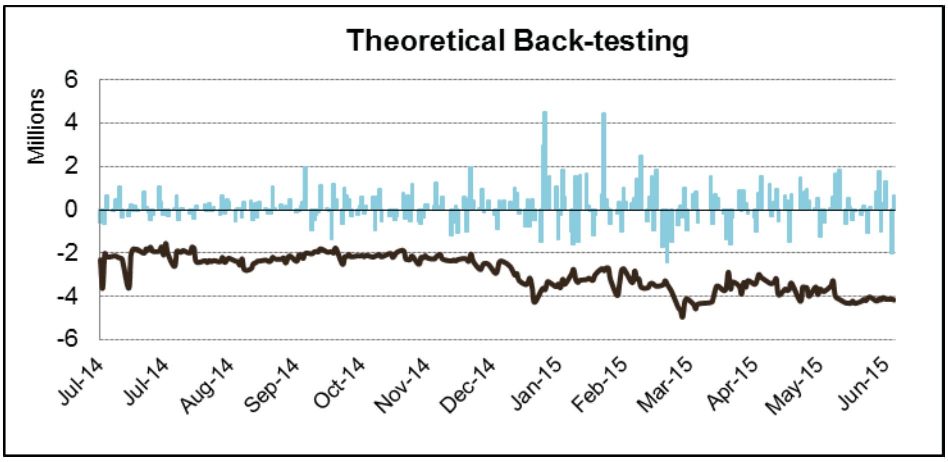
To measure exposure to market risk, two main metrics are used: VaR (Value at Risk), which provides an estimate of the maximum loss that can be sustained over a given time horizon for a given confidence level, and sensitivity, which expresses the impact on the measurement of financial instruments of changes in the various risk factors. These metrics are complemented by an analysis of scenarios, which consists of evaluation the economic impact of extreme movements in market factors on trade activity.

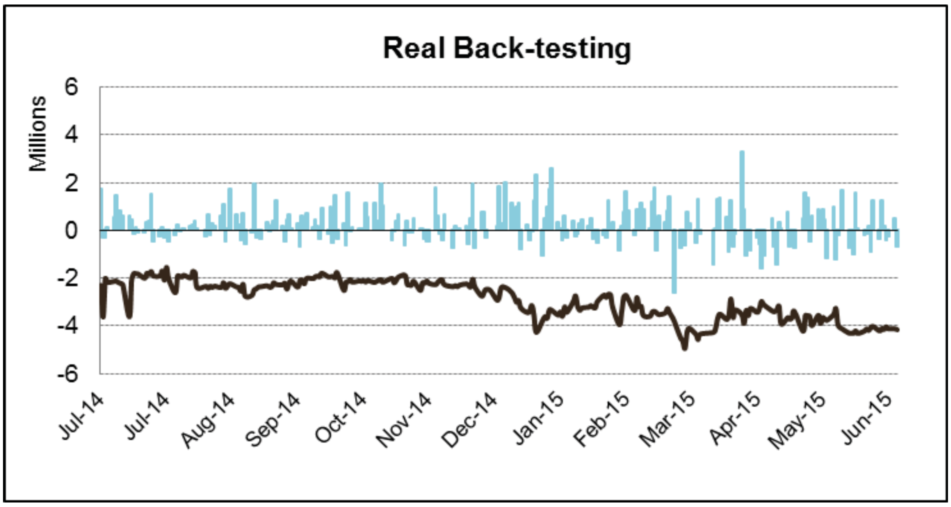
a) Value at Risk (VaR) Back-testing

VaR is measured by the historical simulation method using a 1-day time horizon and a 99% confidence level. It takes at least one year of observations of market data.

The accuracy of the model is verified daily through subsequent controls (backtesting), which compare actual losses with the estimated loss measured using VaR. As required by regulations, two tests are conducted, one applying hypothetical changes in the value of the portfolio by comparing the daily VaR with the results obtained, without considering changes in the positions of the portfolio, and one applying actual changes comparing daily VaR with net daily results excluding commissions.

The backtest of this regulatory metric did not show any occurrences in the first half of 2015 (i.e. actual losses did not exceed the losses estimated by the model), which means that the model consistently and prudently predicted the losses. This also means that own funds calculated using regulatory criteria based on internal models are sufficient to cover any extraordinary losses that may arise.





b) Sensitivity

Sensitivity quantifies changes in the economic value of a portfolio due to given movements and determinants of the variables affecting this value.

In the case of non-linear movements, such as derivatives activities, sensitivity analysis is supported by an evaluation of other risk parameters, such as sensitivity to movements in the price of the underlying (delta and gamma), volatility (vega), time (theta) and interest rate (rho). For share or index options, elasticity to changes in dividend yield is calculated. Sensitivity analysis by tranche is also used to measure the impact of non-parallel movements in the term structures of interest rates or volatilities, and to obtain the distribution of risk in each tranche.

c) Stress-testing

Periodically, stress-testing is performed to quantify the economic impact of extreme movements in market factors on the portfolio.

Sensitivity, VaR and IRC measures are supported by stress-testing applying different types of scenarios:

- Historical scenario: scenarios built based on movements observed in previous crises (e.g. Asian crisis of 1998, the tech bubble of 2000/2001, the financial crisis of 2007/2008). These scenarios are reviewed annually to reflect the key events occurring in the year.
- Crisis scenario: applies extreme movements in risk factors that may not necessarily have been observed.
- Last-year scenario: maximum expected daily loss over a 1-year observation period with a 100% confidence level.
- Sensitivity analysis: designed to measure the impact on the metric of slight changes in the parameters used to calculate the IRC, the estimate of the metric excluding transitions to default and the impact on the metric of parallel movements in loss rates in the event of default.
- Credit crisis scenario: devised by two separate analysis; 1) based on a matrix of credit margins built using variations observed, and 2) based on a transition matrix related to credit risk stress scenarios.
- Worst case: default by all issuers in the portfolio.

- **Trends and distribution of market risk in the first half of 2015**

During the first half of 2015 Bankia Group has maintained an average VaR of EUR 1.67 million, with a maximum of EUR 3.87 million and a minimum of EUR 1.11 million.

VaR	Financial assets and liabilities held for trading (*Millions of euros*)
Average	1.67
Maximum	3.87
Minimum	1.11

Distribution of VaR by risk category *(Millions of euros)*				
Risk category	**30/06/2015**	**Average**	**Maximum**	**Minimum**
Interest rate	0.69	0.65	1.70	0.25
Equity	0.06	0.07	0.20	0.01
Currency	0.03	0.06	0.29	0.01
Credit	0.01	0.14	0.49	0.01
Other	0.95	0.76	2.44	0.23

- **Trading in derivatives**

Bankia's trading in derivatives arising mainly from the management of market and interest rate risks, and from market making and distribution activities.

Risk of the derivatives trading activity measured in terms of VaR remains extremely low, as this activity is based on transactions with customers carried out in the market under the same terms as opposite transactions.

VaR of trading in derivatives *(Millions of euros)*	**Fixed-income**	**Equity**	**Currency**	**Total**
Average	1.40	0.15	0.09	1.64
Maximum	3.56	0.33	0.33	3.82
Minimum	0.60	0.06	0.01	0.82

- **Country risk**

Country risk is defined as the risk of incurring losses on exposures with sovereigns or residents of a country due to reasons inherent to the country's sovereignty or economic situation; i.e. reasons other than normal commercial risk, including sovereign risk, transfer risk and other risks related to international financial activity (war, expropriation, nationalisation, etc.).

The Bankia Group's exposure to country risk at 30 June 2015 was marginal, recognising a provision in this connection of EUR 27 million.

6.4.-Operational risks

- **Customer concentration risk**

Bankia is subject to Bank of Spain concentration limits, such that the exposure to any single non-consolidated economic group or borrower must not exceed 25% of eligible capital. At 30 June 2015 there were no exposures in excess of this limit.

- **Operational risk**

Operational risk is the risk of loss due to inadequate or failed internal processes, people and systems of the Bank or from external events, including legal risks but excluding strategic and reputational risks.

Bankia Group has the following operational risk management objectives:

- To foster an operational risk management culture, geared particularly to awareness raising, assuming responsibility, commitment and quality of service.
- To ensure operational risks are identified and measured in order to prevent potential losses affecting results.
- To reduce losses caused by operational risks by implementing continuous improvement systems for processes, a control structure and mitigation plans.
- To encourage the use of risk transfer mechanisms that limit exposure to operational risk.
- To verify that contingency and business continuity plans are in place.

Operational Risk Control is overseen by the Market and Operational Risks Division in the Corporate Risks Department. The Operational Risk Committee, whose responsibilities include approving policies and methods, is the natural channel for senior management participation in operational risk management. This committee held two meetings in the first half of 2015, at which it reported on actual and expected loss data and operational risk management actions carried out, in addition to pertinent regulatory changes, in particular the new procedure proposed for institutions with respect to the basic indicator or standardised approaches for calculating capital requirements and emerging regulations on conduct risks.

The capital requirement to cover operational risk is rooted in the Basel II Accord. Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) regulates the treatment of this type of risk at credit institutions.

In the first half of 2015, Bankia and its Group assessed the capital requirements for operational risk applying the Standardised Approach, as it did in 2013 and 2014. This approach requires the disaggregation of the relevant revenues of the past three reporting periods by business line and the application of a percentage to each, as set out in the regulations, based on the related risk. The Bankia Group's capital requirement for operational risk at 30 June 2015 amounted to EUR 570 million.

- **Changes in regulatory frameworks and regulatory risk**

The financial services industry is tightly regulated. Bank operations are subject to specific regulation and the Bankia Group's operations are exposed to risks that could arise from changes in the regulatory framework.

Regulatory development has been much more profuse in the sector since the entry into force in January 2014 the new prudential regulations known as BIS III, which crystallized in Europe into the Directive 2013/36/EU, on June 26, 2013 ('CRD IV') and the Regulation (EU) 575/2013, June 26, 2013 ("CRR"). This framework continues to expand through new regulatory developments (ITS and RTS).

Additionally the configuration of the European Banking Union is based on two key pillars: the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM). Both have brought with them additional regulatory developments, such as the Bank Recovery and Resolution Directive (BRRD) and the Directive on Deposit Guarantee Schemes.

The Regulatory Monitoring Committee, composed or senior executives, identifies the potential impact and influence of regulatory changes on the Entity, anticipating any adverse effect. It pays particular attention to certain areas, such as business, accounting, risk management, solvency, liquidity, compliance and internal audit. Meanwhile, it establishes appropriate criteria for adapting the business model to the new regulatory paradigm, subsequently performing periodic and exhaustive monitoring of each adaptation project.

- **Reputational risk**

Reputational risk is defined as the risk arising from the Entity's activity that could cause adverse publicity regarding its business and practices, resulting in a loss of confidence in the Entity. In this respect, Bankia takes action with each of its stakeholders to prevent, mitigate and offset each source of reputational risk identified. Reputational risk is managed mainly by the Deputy General Director of Communication and External Relations, which reports directly to the Chairman.

The stakeholders targeted by the Bankia Group with respect to reputational risk are mainly the following:

- Board of Directors and senior management
- Customers
- Employees
- Suppliers
- Society
- Media and social networks
- Counterparties in financing transactions

In addition to measures designed to mitigate and prevent a potential negative impact on reputation, the Bankia Group has a Code of Ethics and Conduct, approved by the Board of Directors in 2013, establishing the guidelines of conduct by the Entity with all the aforementioned stakeholders. The Code of Ethics and Conduct is mandatory for anyone with a professional relationship with the Bankia Group based on its corporate values of commitment, integrity, professionalism, closeness and achievement orientation. Since September 2013, a Confidential Whistleblowing Channel is available to our employees and suppliers, through which they can report any behaviour that infringes on the Code of Ethics and Conduct. In line with the latest best practices, Bankia has outsourced management of this channel to a specialist firm outside the Group, guaranteeing that all concerns, queries or suggestions are evaluated independently and confidentially, and then referred to the Ethics and Conduct Committee. This Committee oversees the proper functioning of the channel.

Moreover, the Entity has a Crime Detection and Prevention Manual, approved by the Audit and Compliance Committee, which describes the criminal risk organisation, prevention, management and control model in relation to criminal law establishing the criminal liability of legal persons. The content of this manual systematises Bankia's existing controls to achieve the objective of preventing and mitigating criminal acts in the various business areas, with the overriding aim of accrediting that Bankia exercises due control over its business activity.

7.- FORECLOSED REAL ESTATE ASSETS

The net balance of the Group's property assets foreclosed or received in payment of debts has increased to a net EUR 2,875 million at 30 June 2014 (EUR 4.188 million in gross terms), representing just 1.3% of the Bankia Group's assets. Most (83%) of the foreclosed properties are liquid assets, mainly existing and newly built homes, which makes the disposal easier.

The Entity's policy it to help borrowers meet their obligations, so that foreclosure is always the last solution. It has several initiatives in place to ease the impact: adapting debts and renegotiations, offering to extend maturities or grace periods, among others. Only when it believes there are no real chances of recovering the amount financed does it acquire the mortgaged asset.

In this respect, the Bankia Group's objective regarding this type of asset is to dispose of it with the smallest possible impact on the income statement through sale or rental, with or without a purchase option. With this in mind, it engaged HAYA R.E. to manage, administer and market the Group's foreclosed assets under the supervision of Bankia's Real Estate Assets areas. With the same objective, the Bankia Group has an active provisioning policy for these assets based on appraisal updates and the outlook for the real estate market. Provisions recognised at the end of the first half of 2015 for foreclosed assets from the Bankia Group's business in Spain amounted to EUR 1,313 million, implying coverage of 31.4%.

The real estate market shows the first positive signs in sales and prices in Spain. The Bankia Group sold foreclosed properties worth EUR 255 million in the first half of 2015.

FORECLOSED AND ACQUIRED ASSETS OF BANKIA GROUP - SPAIN BUSINESS

	jun-15			
(Millions of euros)	Carrying amount	Valuation adjustments	Gross Amount	Coverage (%)
Real estate assets from constrution and development	315	236	551	42,8%
Of which finished buildings	241	88	329	26,8%
Of which buildings under construction	22	20	42	47,4%
Of which land	52	128	180	71,0%
Property assets from mortgage-secured financing granted for home purchases	2.122	916	3.038	30,2%
Other real estate assets	438	161	599	26,9%
Total foreclosed assets	**2.875**	**1.313**	**4.188**	**31,4%**

(*) Financial Statements amounts rounded to milliones of euros

8.- INFORMATION ON CREDIT RATINGS

The Bankia Group's ratings by the main ratings agencies at 30 June 2015 were as follows:

Ratings Bankia		
	Standard & Poor's	Fitch Ratings
Long-term	BB	BB+
Short-term	B	B
Perspective	Stable	Stable
Date	04/22/2015	05/19/2015

Ratings Mortgage-Backed securities			
	Standard & Poor's	Fitch Ratings	DBRS
Rating	A	A-	A (high)
Perspective	Stable	Stable	---
Date	04/27/2015	05/27/2015	05/26/2015

NB: Regarding ratings by Moody's, in October 2013, Bankia announced that it had decided to conclude its contractual relationship with this agency. Accordingly, ratings still published on Bankia by Moody's have the status of "Unsolicited" and "Non-participating Ratings"; i.e. Bankia does not solicit or participate in the agency's rating review, with the agency basing its decisions strictly on public information about the Entity. It is up to the agency itself to decide when it wishes to stop publishing ratings on Bankia.

Key issues regarding credit ratings in the first half of 2015 include the following:

- Standard & Poor's Ratings Services ("S&P"), Fitch Ratings ("Fitch") and DBRS Ratings Limited ("DBRS") affirmed their sovereign ratings for Spain of "BBB", "BBB+" and "A low", respectively, all with stable outlooks. This came after S&P and Fitch upgraded their ratings in 2014 by one notch and DBRS raised its outlook from negative to stable. The three agencies considered the improved macroeconomic outlook for Spain, which bodes well for the operating environment of banks in Spain. In the wake of the positive trends send last year, the agencies believe 2015 will be a year of consolidation, in which banks will improve gradually as the economy gathers steam and the real estate market stabilises.

- The enactment in 2014 of the BRRD marks a before and after as to how government and regulators will rescue financial institutions undergoing difficulties. The impetus of the BRRD is to minimise the cost to taxpayers. And in this respect, it sets out a framework for acting under which shareholders and creditors of financial institutions share the burden of the rescue from the outset. As a result, the agencies fell that in future governments will have less manoeuvrability to provide extraordinary support to a struggling bank and, therefore, they modified their approaches to reflect these expectations of reduced extraordinary government assistance in the ratings of financial institutions. At the same time, the BRRD excludes certain debt instruments, such as mortgage covered bonds, from absorbing losses. The agencies also announced modifications to methodologies in this respect.

- Progress in execution of the Entity's Strategic Plan, well ahead of schedule, coupled with the positive performance of the banking business, the reduction in NPLs and the improvement in capitalisation, have had a positive impact on the Entity's ratings of late.

Highlights regarding S&P's rating for Bankia include:

- On 2 March, the agency said that the gross EUR 312 million extraordinary provision to cover the potential costs of lawsuits related to Bankia's IPO would not affect the bank's ratings or outlook. Although the charge reduced profit in 2014, the agency said its vision was the same regarding capital and revenues. S&P believes the Group has sufficient financial flexibility to offset the impact on capital.

- On 22 April, it affirmed Bankia's "BB" long-term rating and revised the outlook to stable from negative. The rating action came after the agency affirmed its "BBB" sovereign rating for Spain and reflected the prospects for a more favourable economic environment in Spain, which the agency viewed as positive for the trend of economic risk in the banking industry. This, coupled with the progress made by Bankia in cleaning up its exposures to problematic assets and the likely benefits that revamping the risk management model will have on future credit performance, prompted the agency to assign Bankia's rating a stable outlook.

- As for mortgage covered bonds, after applying the new methodology, on 5 February S&P affirmed its "A" issue rating, with a negative outlook, as it did in March following Bankia's EUR 1,000 million mortgage covered bond issue. Later, on 27 April, as a result of the stable outlook for the long-term rating, S&P revised the outlook on Bankia's mortgage covered bonds to stable from negative.

Meanwhile, Fitch took the following rating actions on Bankia in the first half of 2015:

- On 1 April, as part of its annual rating review process, Fitch upgraded Bankia's Viability Rating (VR) by two notches, from "bb-" to "bb+". However, it affirmed its long-term rating at "BBB-/negative", as it expected reduced sovereign support of all the EU banks it rates in the first half of 2015, which in Bankia's case could be one notch, bringing down the long-term rating to the VR rating of "BB+". Subsequently, on 19 May, under the scope of the general review of sovereign support in banks' ratings, Fitch downgraded Bankia's long-term rating from "BBB-" to "BB+", but moved the outlook from negative to positive, reflecting upside rating potential over the next 12 months as Bankia continues to reduce the stock of problem assets and further strengthen capital.

- Regarding its mortgage covered bonds, Fitch raised its rating in the half from “BBB+” to “A-“, leaving the stable outlook unchanged. First, on 6 April, it upgraded its rating of Bankia's mortgage covered bonds to “A-“ citing i) improved collateralisation and higher cut-off point for the rating level, and ii) the methodology benefitted greater convergence between the VR and long-term rating. Subsequently, on 27 May, the agency affirmed its “A-/Stable” rating of Bankia's mortgage covered bonds, considering that due to the level of overcollateralisatoin of the mortgage portfolio, its positive recent performance and active management of retained issues, it can estimate a sustained level of overcollateralisation, providing a cushion with the minimum level required for its rating.

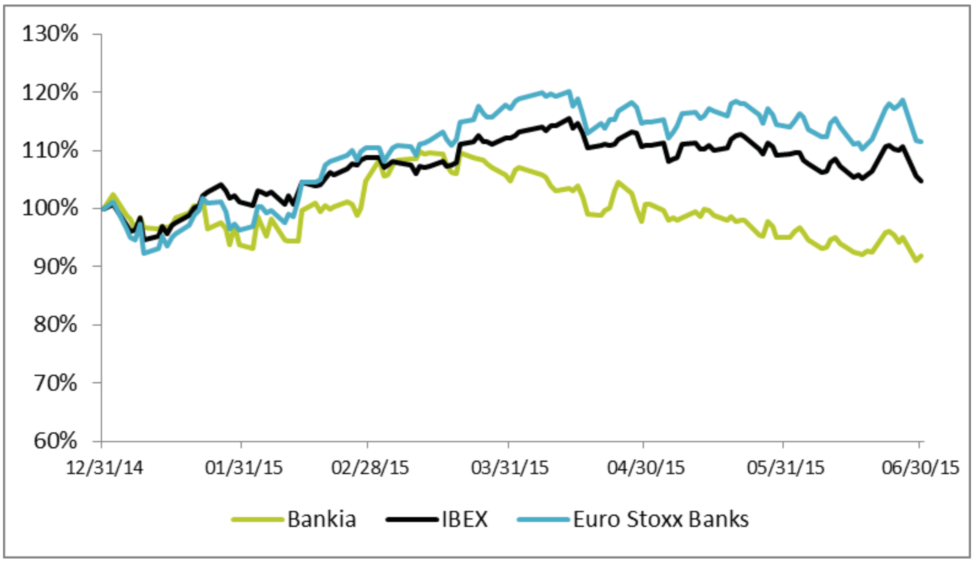
DBRS initiated coverage of Bankia's mortgage covered bonds in 2014. In 2015, on 26 March, following the EUR 1,000 million issue of mortgage covered bonds, the agency affirmed its “A (high)” rating of these securities. Subsequently, on 26 May, following the announced review of its methodology for rating mortgage covered bonds, DBRS placed the issuance programmes of the European issuers it rates under review. This included Bankia. The updated methodology for mortgage covered bonds aims to adapt to the framework for bank resolution, under which these securities are exempt from absorbing losses. In this respect, all the agencies afford beneficial treatment, in terms of rating, to these relative to senior long-term debt.

9.- SHARE PRICE PERFORMANCE AND SHAREHOLDER STRUCTURE

- **Bankia share price performance**

Equity markets were bullish in the first half of 2015. The Euro Stoxx Banks gained 11.45%, while the Ibex rose 4.77%.

Bankia's share price ended the period at EUR 1.138, down 8.08% from last year's closing price. Average daily trading volume was 41.5 million shares, equivalent to an average cash amount of EUR 51.6 million per share.



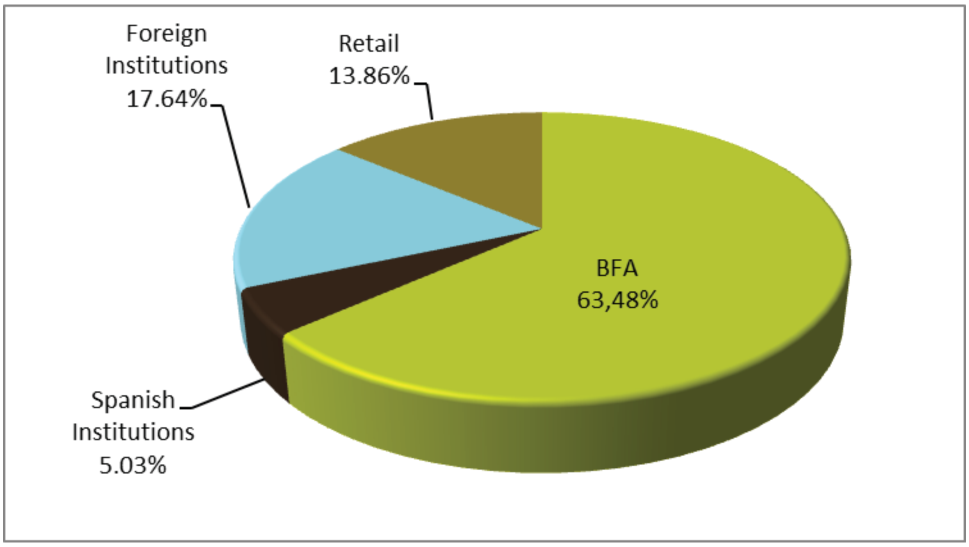
The main highlights regarding Bankia's share price in the first half of the year were:

- Approval at the General Meeting of Shareholders held 22 April 2015 for a cash dividend of EUR 1.75 cents per share out of 2014 profit. This resulted in a total payment of EUR 202 million on 7 July 2015.

- At the end of the first half, Bankia's consensus target price of analysts covering the stock was EUR 1.32 per share, implying 16% upside from the market price.

- **Capital and shareholder structure**

Bankia had 453,635 shareholders at 30 June 2015. BFA was still its majority shareholder, with a 63.48% stake.



10.- INFORMATION ABOUT TREASURY SHARES

At 30 June 2015, the Group held slightly over EUR 68.5 million in treasury shares

Bankia held 47,778,744 treasury shares at 31 December 2014 worth EUR 67.6 million. In the first half of 2015, it bought 24,911,501 shares, for EUR 30.4 million, and sold 21,402,873 shares, for EUR 29.6 million, leaving it with a balance at 30 June 2015 of EUR 68.5 million, as indicated above.

11.- DIVIDEND POLICY

Bankia did not pay shareholders any dividends in 2011, 2012 or 2013. For 2014, at the Ordinary General Meeting of Shareholders of Bankia held on 22 April 2015, a resolution was adopted to distribute a gross dividend of EUR 201,553,249.52 charged to the Company's 2014 profit. This dividend was paid on 7 July 2015.

Underpinned by stable earnings, the reinforcement of the more traditional banking business and an increasingly stronger balance sheet, the Bankia Group's goal in the coming years is to maintain shareholder remuneration as another step towards getting the business back to normal and repaying the public assistance received.

12.- ORGANISATION AND PEOPLE

The Bankia Group had a workforce of 14,131 professionals, of which 13,410 work at Bankia S.A. Note 16 to the interim consolidated financial statements for the six months ended 30 June 2015 provides a breakdown of Group employees by gender and professional category.

The first half of 2015 was a busy period in terms of personnel management, due to: sign-ups to the Voluntary Redundancy programme initiated in May 2015, which led to a reduction of 245 employees; the consolidation and implementation of new commercial customer relationship and distribution models, which gave rise to new openings of 'Agile Branches', Advisory Branches, new Multi-channel Branches, new Recovery Centres, reduced activity of Recovery and Liquidation Centres; etc. All this led to more than 2,000 professional changes within the Entity, in all cases endeavouring to match job profiles with a particular focus on management positions.

Bankia’s development as a bank is dependent on fostering a new corporate culture and implementing a policy on talent development and equal opportunities for all.

One of the pillars of the Entity’s human resources policy is to **identify and manage talent** across the entire organisation. Furthering the trend begun in 2014 towards promoting the professional and career development of employees, a total of 131 appointments were made in the first half of 2015 in both the commercial network and central services: nine senior managers, including four regional managers; 76 branch mangers, 20 central services managers, 24 assistant branch managers and 2 team coordinators.

In addition, as part of the talent management framework, the process for identifying talent in the commercial network and central services was completed in the first half of 2015, not only among management, but also sales and technicians.

A number initiatives targetting professional development were also designed and implemented in the period, led by:

- Management Skills Development Programme
- Career Development Plans
- Advances in the Mentoring Programme
- Implementation of "Talent pool" plans for staff with pre-management functions
- Advances in the Bank Programme identifying candidates to receive training and be matched to positions in the organisation requiring a greater degree of specialisation and which, given their nature, are difficult to fill internally.

As for **training,** during the first half of 2015, the training plan was focused on developing technical skills related to the job map, synchronising training actions with priorities on the Bank and relating processes for measuring the transfer to results and training certification.

In this respect, of particular importance was the launch, in Retail Banking, of initiatives to raise the knowledge and skills of sales managers, new branch office managers, managers of branches with specialist managers and Oficina Plus+ branch managers, to instil and consolidate the skills required to generate better business results, strengthen the commercial system, and the management of income versus expenses, and personnel. With these same objectives tailored to customers and specific businesses, other training actions were launched at the same time for business centre managers and business managers, private banking managers and wealth managers.

Additionally, Bankia worked on increasing employees' knowledge and skills through a series of training projects on risks for financial advisors and managers of SMEs, rounded off with a range of training projects on strategic aspects for the bank, e.g. managing income and expenses, foreign trade, decision-making in risks, advised sales, operations management, and other cover requirements of regulators, e.g. regulations on insurance

During the first half of 2015, 33.6% of the training hours in the plan went to senior managers, devoting the rest to middle management and mostly technical and commercial staff.

In respect of **occupational health and safety**, Bankia promotes a working environment based on the health and safety of its staff, implementing a consistent and coordinated health and safety policy. Health and Safety Management System encompasses all measures taken to prevent, eliminate or minimise occupational risks. These measures are carried out through an Annual Programme of Preventive Measures, approved by the State Health and Safety Committee. On this front, a voluntary external audit of the Health and Safety Management System was carried out in the first half of 2015 with a view to making preventive actions more efficient and effective, under the framework of the integration of the various departments involved in the Preventive Management System.

On the other hand, several agreements have been signed by the Bank and workers' representatives to improve working conditions. Action protocols in Situations of external violence and robbery are executed in a coordinated way to provide immediate support and assistance to its employees. In addition, preventive campaigns continue to promote good health, along with collaborative actions with the Spanish Cancer Association, which seek to raise awareness and inform all members of the organisation. Blood drives were also carried out in collaboration with different public organisations.

Main indicators [(1)]	1H 2015	2014	2013
Absenteeism (%) [(2)]	5.96	5.64	5.96
Work hours lost due to absenteeism	685,990	1,312,578	1,687,023
Injury rate (%) [(3)]	0.15	0.23	0.23
Working hours lost due to work-related injuries	2,227	2,918	4,314
Number of work-related fatalities	0	0	0
Number of employees taking maternity leave	380	863	835
Number of employees taking sick leave	2,120	3,042	3,797

(1) Data for Bankia, S.A.

(2) Percentage of lost days/total day in the related period (work day for average employee).

(3) Percentage of work-related injuries (excluding travel to and from work)/average workforce in the related period.

13.- INFORMATION ABOUT ENVIRONMENT

Bankia mainstreams environmental management in the organisation's decision-making, aligning it with the business strategies and including environmental governance in its overall management. Stemming from this commitment, in May 2015, the Management Committee approved the Environmental Policy. Its main objective is to ensure that business is carried out in an environmentally-friendly way. The Environmental Policy is underpinned by Bankia's principles and values, the new requirements of the ISO 14001 standard, and the environmental commitments embraced by the Bank in recent years.

The Entity sees measuring the environmental impact of its activity as fundamental, and works proactively to mitigate any such effect. It focuses efforts on the environmental management of its work centres, boosting eco-efficiency vis-à-vis the use of natural resources, helping to tackle climate change, and fostering environmentally-responsible attitudes among its staff, suppliers and customers.

In this respect, to more actively involve staff, in the first half of 2014 the Bank continued to disseminate environmental best practices on the intranet, while it also offered online courses analysing the larger environmental problems and describing the initiatives undertaken by Bankia to minimise them. This online environmental awareness is complete with corporate model of ethics around the main buildings to remind staff about taken personal responsibility for using natural resources and managing waste sensibly.

Among customers it has continued to promote the use of new, more efficient ways of dealing with the Bank through channels such as Internet Banking and Mobile Banking, which have helped to reduce the number of journeys they make and cut atmospheric emissions. Moreover, customers are given the choice of receiving all correspondence from Bankia electronically through Internet Banking, thereby decrease paper consumption. At 30 June 2015, the number of customers using this service has reached the figure of 2,914,262.

Regarding suppliers, in 2015, the Supplier Portal was consolidated. This is the online communication channel through which the certification process is managed. In the first half this year, 423 suppliers registered in the Supplier Portal, taking the total of certified suppliers through this channel to 477. The supplier certification process entails a specific evaluation of their environmental management and performance. They are also informed of the environmental principles that should guide their relations with Bankia and of environmental best practices. To foster collaboration with suppliers, the Group offers them the possibility of participating in environmental awareness and training days, at which it provides basic information on environmental management and environmental best practices. These workshops also provide a forum for open dialogue that helps contribute to continuous improvement, generating an improvement circle that makes our organisation more sustainable and committed each day.

Regarding **environmental management**, Bankia has a management model for its work centres based on the international ISO 14001:2004 standard. Bankia's head offices in Valencia and its centre of operations in Madrid and the building of Las Rozas, where is the Data Processing Centre, also boast a certified environmental management system which it was renewed in May of this year.

Regarding the **eco-efficiency of activities**, in 2013, Bankia deeply analysed the energy performance of its branch network and buildings. The analysis culminated in 2014 with one of the Entity's most important projects, the 2015-2019 Energy Efficiency Plan, which will affect the vast majority of its work centres. With the roll-out of Plan, the Group set a target of reducing its electricity and fuel consumption (natural gas and diesel) by 19% from 2013, the base year. To ensure it achieves this goal, more than EUR 10 million has been earmarked for investment over the 5-year period covered by the Plan. Investment will go, among others, to the start-up of remote management at headquarters and office equipment, the upgrade of HVAC equipment or internal awareness-raising campaigns, implying integrated facility management focused on energy and economic savings.

With regard to water efficiency, Bankia continued to implement actions to rationalise its use of water. For example, water saving systems were installed in the taps in all of the Bank's branches and buildings, which will save between 40% and 60% in consumptions. In addition, the processes to change and modify cooling installations in large building were undertaken following criteria of reducing water consumption.

CONSUMPTION OF MATERIALS [1]	1H 2015 [2]	2014	Units
Total paper consumption (DIN A4)	360.06	658.9	Tonnes
Consumption of paper produced using virgin pulp with a low environmental impact (DIN A4) [3]	0.81	1.3	Tonnes
Consumption of paper produced using ECF virgin pulp (DIN A4)	100.0	100.0	Percentage
Consumption of printer cartridges	6,972	13,328	Printer cartridges
Percentage of printer cartridges recycled	99.8	99.7	Percentage
Recycled paper consumption (DIN A4)	359.25	657.6	Tonnes

1 Data on Bankia, S.A.
2. Consolidated data to 31 May 2015, including an estimate of consumption for June
3 Paper supplied by manufacturers with FSC and PEFC certification, which guarantee materials used come from sustainably-managed forests.

ENERGY CONSUMPTION [1]	1H 2015	2014	Units
Electricity consumption [2]	176,790	369,051	GJ

1 Data on Bankia, S.A.
2 Consolidated data to 31 May 2015, including an estimate of consumption for June. 100% of electric energy acquired comes from renewable energy sources (green power).

In the area of **waste management**, the strategy aims to prevent waste and promote recycling. In line with these objectives, in the first half of 2015 Bankia continued with its major campaign to donate furniture and electrical and electronic, making more than 14 donations to various non-profit organisations supporting social work and educational centres. This initiative, which began in 2013, is making a valuable contribution to the social work of these organisations, while also avoiding these items being thrown away.

Climate change is one of the greatest challenges faced in the field of environmental management. As part of the strategy to combat climate change, a key highlight of 2014 was the approval of the 2015-2019 Energy Efficiency Plan. The Plan is an extension of the Group's staunch commitment to clean energies; it remains committed to acquiring 100% of its electricity from clean and renewable energy sources (green energy). Through this initiative, the Company has eliminated all indirect emissions related to electricity usage at all its buildings and the branch market since 2013.

With regard to renewable energies, Bankia has six solar photovoltaic arrays installed on its head offices in calle Pintor Sorolla (Valencia) and five in the Canary Islands, with a total capacity of 2,586.60 kW. In addition, efforts to promote the use of video conferencing rather than making trips for meetings remained very active during the first half of 2015, allowing Bankia to minimise fuel consumption and reduce the emissions of air pollutants associated with transport.

In the field of renewable energy, Bankia has six photovoltaic solar energy capture systems, of which one is installed on the Pintor Sorolla building in Valencia (the bank's headquarters) and five are in the Canary Islands, with a total capacity of 2,586.60 kW. In addition, the use of audio-conferencing and multi-videoconferencing facilities as an alternative to business travel continued to be promoted heavily in the first half of 2015. This minimises fuel consumption and reduces the polluting emission associated with transport. Through June, these services received 2,422 requests and were used by 41,897 people.

Geared towards continuous improvement and to have a holistic view, the protocol to measure the carbon footprint was strengthened and a complete inventory of emission sources was taken, expanding the scope of the information considered.

Bankia made the “A” list in the CDP Climate Performance Leadership Index 2014 (CPLI). It was also recognised for making the biggest improvement in its score (97) over the past year. This improvement was mainly the result of progress on the protocol and the calculation of its carbon footprint, and on the assessment of the portfolio companies in respect of environmental risks.

In June 2015, Bankia completed the participation process by filling out the CDP analysis questionnaire. It expects to achieve a highly satisfactory result.

14.- RESEARCH, DEVELOPMENT AND TECHNOLOGY

Value generation for the business, boosting commercial and operational management capabilities at offices and increasing efficiency are the cornerstones of the Systems Development Projects Plan In the first half of 2015.

Nearly two thirds of investment on new development projects went to two of the Bank's major transformation projects: the transformation of branch operating processes and the Bank's digital transformation.

- **The Redesign of Operating Process**, which began in 2014 and will continue in the coming years, included the first process implementations in the first half of 2015. The main guidelines of the transformation of operating processes are: operational rationalisation, aimed at making the branches more flexible and decreasing administrative red tape; document management, which should help steer compliance with regulatory requirements regarding pre-contract documentation and ensure the quality of the documentation that must be kept in the digital archive; and multi-channelling, making it easier for branches to interact with customers through the Oficina Internet (Internet Office) and enabling both the sharing of documentation and remote signing by customers of contracts and other documents related to transactions initiated in the branch office.

- The **digital transformation** started in 2014 with the launch of the Multi-channelling project. The objective of the project is to lend support to Bankia's multi-channel marketing strategy. To do so, digital customers (i.e. those who carry out their banking transactions through unmanned channels outside branch offices) must first be identified and classified. Digital services must be offered the same services as branch customers. Under the scope of this project, different iterations were profiled and undertaken in the first half of 2015 to define the Corporate Multi-channel Department. Remote managers made the necessary adaptations to contracting and customer service operations and the customers and the channels were completed and signed by the customers. In June, a Strategic Plan was drawn up in with the help of Everis and presented to Management of the Bank setting out the road map, the guidelines, the portfolio of initiatives and budget scenarios for what will be Bankia's digital transformation strategy over the medium term. Most likely, the project will expand in the second half of the year and new, far-reaching and high-impact programmes will be undertaken in the near future.

Beyond these projects, the rest of investment in the first half of 2015 was spread out among projects on a number of fronts: business with individuals and companies, risks and recoveries, finance, regulations and technology

- **On the Business with Individuals and Companies front**, the main projects focused on insurance, marketing and foreign trade. Noteworthy were the inroads made on the joint-development with Mapfre of improvements to the product catalogue, operating model and marketing systems; advances in the project to implement a unified insurance sales model; approval of the Payment Methods Plan to bolster Bankia's positioning in this business; and the process in projects to roll out advisory offices, Oficinal Internet de Empresas (Internet Office for Businesses) and new foreign trade and currency operating capabilities.

- **On the Risks and Recoveries front**, highlights include the projects under way at the Group designed to implement a new, revamped system for covering and strengthening the bank's recovery strategies, controlling the level of risk Bankia is willing to take with a company or its group in respect of the overall operations managed and maximising risk mitigation in order to reduce the regulatory capital charge for credit risk. Steps were also taken in the first half of 2015 in the implementation of a computer platform to enhance the integrated management of market and counterparty risks.

- **On the Regulatory Reporting and Compliance front**, the Group worked on a variety of projects, led by technological developments for the implementation of new regulations on the security of internet payments. These will be operational when the new regulations become effective on 1 August 2015.

- **On the Restructuring front,** more projects were carried out as part of the Bank's reorganisation, as set out in the 2013-2015 Strategic Plan. Particularly noteworthy was the Balanced Scorecard for Outsourcing which the Efficiency Department can use for financial and governance tracking of the main service outsourcing process indicators of the past two years. The focus in 2015 is on information for the management of the property development loans (REDs) and real estate assets (REOs) agreement with Haya Real State and the continuation of the Operations Outsourcing project (more than 500 processes).

- **On the technological front,** progress was made in the first half of 2015 on a series of projects aimed at revamping systems and enhancing their evolution and maintenance capabilities.

- **On the IT infrastructure management front,** initiatives to regulate the supplier relationship model and the services management and governance model were consolidated. Moreover, as part of the Infrastructure and ATM Upgrade project, virtually all the objectives set out with the benchmark supplier for 2014 and the first half of 2015 (deployment of 150 offices with fibre optic, 15,000 23" screens in branches, distribution of 6,500 mobile phones, allocation of 3,000 direct phone numbers, upgrade of speeds to 10Mbps throughout the entire network, upgrade of laptops at branches, deployment of scanners at branches, etc.) have been met.

- **Lastly, on the control and security front,** milestones in the first half of 2015 included progress on the "Security Services Industrialisation" Project, designed to migrate towards securities services models managed in outsourced services and the continuation of the strategic lines in areas such as the implementation of the Risk Management project or the review of the Security Regulations Body. Also on this front, a Response to Cybersecurity Incidents Committee was set up, along with an IT Fraud Management Committee, to respond to a series of internal and external requirements.

15.- FORECASTS AND BUSINESS OUTLOOK

The outlook for economic growth for the second half of 2015 is positive, pointing to moderate, but widespread improvement in both emerging and developed economies. For the EMU, forecasts are for a slight increase in growth after summer (0.5%-0.6%), driven by a larger contribution from the external sector. However, the stimulus provided for the area by the drop in crude prices and euro depreciation is temporary and could reverse. What's more, Greece's plight, despite striking a deal with the EMU regarding a third financial aid package, adds a great deal of uncertainty and poses significant downside risks.

Inflation should tick up gradually, and approach the Fed's target in the US by year-end, but remain extremely low in the EMU. Against this backdrop, the Fed is likely to begin raising interest rates in autumn, while the ECB continues with its ongoing public debt purchase programme. Once tension over the Greek crisis subsides, German and US government bond yields should resume their upward trend. For Spain, they could rise further on the back of the heightened political uncertainty expected for the end of the year.

Overall GDP growth in Spain for 2015 should be its highest of the past eight years (+3.2% vs +1.4% in 2014). That said, as the impact of certain economic drivers begins to wane, the pace of GDP growth will slow, from 1% qoq in the first half of this year to close to potential growth (+0.6%).

Despite these expectations of economic growth in Spain, in this economic scenario, the Group’s business margins are likely to remain under pressure the rest of 2014 due to the low level of interest rates, the still moderate pick-up in economic activity and ongoing deleveraging by Spanish households and businesses. However, the growth path for the Spanish economy that has taken hold in the first half of the year should spur lending, which in the first half of 2015 already began increasing, especially loans to households and SMEs.

In the second half of 2015, the Bankia Group will continue to work hard so that this will be a year of improvement and consolidation of the business, with the overriding aim of becoming more competitive and profitable, and expanding the more recurring business so it can generate capital organically. To do so, its targets focus on the following:

- Increase consumer and business lending as a means to boosting revenue and improving margins, mainly in the SMEs and micro-enterprises segments, where the objective is to gain market share while controlling the cost of risk.
- Continue reducing doubtful balances organically and through the sale of loan portfolios.
- Continue making improvements in profitability and efficiency
- Focus on the customer and improving service quality, a key strategy to compete in the current economic scenario. In this respect, one of the Bankia Group's top priorities in 2015 will be to strengthen the loyalty of existing customers and lay foundations for the Entity to win back those customers who left during the restructuring and the exchange of hybrid instruments.

16.- EVENTS AFTER THE END OF THE FIRST HALF OF 2015

No significant events occurred between 30 June 2015 and the date the condensed consolidated interim financial statements were authorised for issue other than those disclosed above.