

CAJA MADRID S.D. FINANCE B.V.

Half yearly Financial Statements
for the period ended June 30, 2010

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CAJA MADRID S.D. FINANCE B.V.

BALANCE SHEET AS OF JUNE 30, 2010
 (after appropriation of net result)
 (expressed in thousands of Euros)

	June 30, 2010	December 31, 2009
ASSETS:		
Non-Current Assets:		
Loans to parent company (Note 3)	-	214,500
Deferred interest income (Note 7)	-	82,787
Total Non-Current Assets	-	297,287
Current Assets:		
Interest receivable on parent company	-	17
Cash and cash equivalents	2,679	2,422
Total Current Assets	2,679	2,439
TOTAL ASSETS	2,679	299,726
SHAREHOLDER'S EQUITY (Note 4):		
Ordinary Shares	18	18
Retained Earnings	2,588	2,384
Total Shareholder's equity	2,606	2,402
Non-current Liabilities:		
Subordinated Bonds (Note 5)	-	201,630
Accrual accounts and others (Note 8)	-	95,668
Total Non-Current Liabilities	-	297,298
Current Liabilities:		
Tax liabilities	60	-
Other current liabilities	13	26
Total Current Liabilities	73	26
Total Liabilities	73	297,324
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	2,679	299,726

The accompanying notes 1 to 8 are an integral part of these financial statements.

CAJA MADRID S.D. FINANCE B.V.

STATEMENT OF INCOME FOR SIX MONTH PERIOD ENDED

JUNE 30, 2010 AND 2009

(expressed in thousands of Euros)

	30/06/2010	30/06/2009
Income:		
Interest income from parent company	723	1,883
Derivatives income from parent company	10,437	6,441
Net interest and other income	11,160	8,324
Expenses:		
Interest expense	(10,892)	(8,055)
Other operating expense	(4)	(5)
Total expenses	(10,896)	(8,060)
Income before taxes	264	264
Corporate tax income	(60)	(56)
Net income for the year	204	208

The accompanying notes 1 to 8 are an integral part of these financial statements.

CAJA MADRID S.D. FINANCE B.V.

STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED

JUNE 30, 2010

drawn up by the indirect method

(expressed in thousands of Euros)

	30/06/2010	30/06/2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	204	208
Adjustments to reconcile net income to net cash provided by operating activities:		
Interest receivable on parent company	17	40
Deferred interest income	(4,333)	(4,726)
Accrual accounts and others	4,319	4,685
Taxation and other current liabilities	47	52
Net cash provided by (used in) operating activities	254	259
Net cash provided by (used in) investment activities	291,541	-
Net cash provided by (used in) financing activities	(291,538)	-
Net decrease in cash and cash equivalents	257	259
Cash and cash equivalents, beginning of year	2,422	2,058
CASH AND CASH EQUIVALENTS, END OF YEAR	2,679	2,317

The accompanying notes 1 to 8 are an integral part of these financial statements.

CAJA MADRID S.D. FINANCE B.V.

Notes to the Financial Statements for the half year period ended June 30, 2010

(1) GENERAL

Caja Madrid S.D. Finance B.V. (the "Company"), is a wholly owned subsidiary directly of Caja de Ahorros y Monte de Piedad de Madrid (a Spanish saving institution, the "Parent" and part of the Caja Madrid Group). The company was established on March 16, 1999 as a private company with limited liability for an indefinite period of time under the laws of The Netherlands.

The principal executive office of the company is Naritaweg 165 Telestone 8, 1043 BW Amsterdam, The Netherlands.

The Company's principal activity is to act as a financing entity. The objectives for which the Company is established are to issue subordinated bonds guaranteed by the Parent; to enter into other financial transactions; and to lend the proceeds received to its Parent.

On June 30, 2010, as a result of the evolution presented by the debt market conditions in the last months, the Company decided to cancel in advance the subordinated bonds issue which was to mature on year 2041 and which until that date was listed in the Luxemburg Stock Exchange and duly communicated this to all the relevant authorities. As a result of this, the Company also cancelled in advance both the long term loans to the Parent and the Interest Rate Swap (IRS) that the Company had entered with the Parent to secure the issue.

Despite the cancelled issue was the only outstanding issue of the Company, at the date of these half yearly accounts, the Parent has taken no decision to liquidate the Company in the short-term. For that reason, the half yearly financial statements for the period ending June 30, 2010 have been prepared as a going concern.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) *General*

The Company's financial statements are prepared in accordance with generally accepted accounting principles in Netherlands and comply with the financial requirements introduced in Part 9 of Book 2 of the Netherlands Civil Code. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The financial statements are prepared under the historical cost convention. Assets and liabilities are stated at nominal value, unless indicated otherwise. If deemed necessary, a provision is deducted from the nominal amount of accounts receivable.

Considering the nature of the Company's activities, the model of the profit and loss account deviates from the models prescribed in Book 2 of the Dutch Civil Code.

b) *Interest Income and Expense*

Interest income and expense are recorded on an accrual basis.

Interest income and expense are calculated using the effective interest rate. Effective interest rate is the interest rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. The

calculation of the effective interest rate includes all fees and points received or paid between the parts of the contract, transactions costs and all other premiums or discounts.

c) Cash and Cash Equivalents

Cash and Cash Equivalents include cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value. Cash is held in a current account at the parent company.

d) Corporate income tax

The expense for corporate income tax of each year is calculated on the basis of income before taxes, increased or decreased, as appropriate, by the permanent differences from taxable income, net of tax relief and tax credits, excluding tax withholdings and prepayments.

In accordance with the Netherlands regulation, corporate tax income is levied at a rate of 20% on the first EUR 200,000 of the total taxable profit, and 25,5% on the surplus.

e) Investments and Liabilities

Investments with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity are classified as loans to parent company.

Loans to parent company are included in non-current assets unless they mature within 12 months of the balance sheet date.

Subordinated bonds issues are included in non-current liabilities unless they mature within 12 months of the balance sheet date. They are disclosed on these financial statements (see Note 5) at their amortized cost.

f) Derivatives

According with Generally Accepted Accounting Principles in the Netherlands, the Swap agreement is carried off balance. Gains or losses arising from changes in interest rates are recognised in the statement of operations for the period in which they arise and to the extent that they hedge an asset or liability that has been recognised on the balance sheet. Gains and losses relating to derivative financial instruments entered into as hedges or firm commitments are deferred until the hedged transactions have been reflected in the balance sheet. No fair value adjustments on derivative instruments are accounted for under Dutch generally accepted accounting principles.

(3) LOANS TO PARENT COMPANY

As explained in note 1 above, in order to be able to cancel the Subordinated Bonds issued by the Company, on June 30, 2010, the Company withdrew from the Parent in advance the long term outstanding balance of "Loans to parent company" which included the proceeds from issuance of Subordinated Bonds.

The interest related to the loans to the parent company accrued in the income statement during the half year period ending June 30, 2010, amounted to 723 thousands Euros.

The original characteristics of the 'Loans to parent company' were as follows:

	Interest Rate	Maturity	Thousands of Euros
Deposits at Caja de Ahorros y Monte de Piedad de Madrid relating to Guaranteed Interest - Bearing Subordinated Bonds	1m Euribor + 0,25	12/27/41	214,500

(4) SHAREHOLDER'S EQUITY

As of June 30, 2010, the Company's sole shareholder was Caja de Ahorros y Monte de Piedad de Madrid. The authorized capital amounts to EUR 90,756 and consist of 200 shares with a par value of EUR 453.78 (NLG 1,000). The Company issued 40 shares with a total value of EUR 18,151. All issued shares were fully paid-in.

The equity movement for the half year period ended June 2010 and 2009 is as follows:

	Thousands of Euros		
	Ordinary Shares	Retained earnings	Total Equity
Balance as of December 31, 2008	18	2,012	2,030
Net income for the six months period ending June 30, 2009	-	208	208
Balance as of June 30, 2009	18	2,220	2,238
Balance as of December 31, 2009	18	2,384	2,402
Net income for the six months period ending June 30, 2010	-	204	204
Balance as of June 30, 2010	18	2,588	2,606

(5) SUBORDINATED BONDS

As explained in note 1 above, on June 30, 2010, the Company repaid in advance by an amount of 291,538 thousands of Euros the Subordinated Bonds issue, unconditionally guaranteed by Caja de Ahorros y Monte de Piedad de Madrid, which was accounted for at amortized cost. The detail of this caption of the balance sheet as of December 31, 2009 was as follows:

Non-current liabilities

	Thousands of Euros	
	2009	
Subordinated bonds:		
Subordinated bonds face value		214,500
Direct costs (see Note 2-b) (*)		(12,870)
		201,630
Accrual accounts and others		
Interest of Subordinated bonds		82,798
Amounts of Swap agreements		12,870
		95,668
		297,298

(*) Subscription commissions paid by the Company in the issuance of the subordinated bonds. Direct costs are accounted in the statement of income of the year using the effective interest rate.

The main characteristics of the Subordinated Bonds as of December 31, 2009 were as follows:

Currency of Issue	Date of Issue	Date of Maturity	Interest Payments	Thousands of Euros
Euros	01/28/02	12/27/41	Fixed interest payments	214,500

The balance "Accrual accounts and others – Interest of Subordinated bonds" includes accrued interest and not due of subordinated bonds issued by the Company as of December 31, 2009.

Interest on the subordinated bonds is paid on a monthly basis in accordance with the payment schedule as is included in the bond subordinated bond offering circular. The monthly interest payments increase over the interest period ending May 27, 2035. Starting May 27, 2035 the principle amount of the subordinated bonds will be repaid in monthly terms based on the payment schedule included in the subordinated bond offering circular. The final payment will be made on December 27, 2041.

Interest expense

The detail of the amounts registered as interest expense as of June 30, 2010 and 2009 is as follows:

	Thousands of Euros	
	June 2010	June 2009
Subordinated bonds early cancellation losses	2,597	-
Interest expense accrued	8,295	8,055
	10,892	8,055

As a result of the aforementioned early cancellation of the outstanding subordinated bonds, the Company recorded a negative result of EUR 2,597 thousands in the caption "Expenses- Interest expense" of the June 2010 income statement.

Swap agreement

In order to hedge the monthly interest payments, the Company entered into a swap agreement (hereinafter, the "Swap agreement") with the Parent. Based on the Swap agreement the Company would pay a floating interest of 1- month Euribor to the parent company and receive a fixed rate equal to the fixed rate to be paid under the bond agreement. The payments dates as included in the Swap agreement were the same to the payment dates as included in the bond agreement. The Swap agreement was considered a hedge transaction.

Derivatives income from parent company

The detail of the amounts registered as interest income as of June 30, 2010 and 2009 is as follows:

	Thousands of Euros	
	June 2010	June 2009
Profit from early cancelation of Swap agreement	2.597	-
Interest expense accrued	7.840	6.441
	10,437	6,441

As a result of the early repayment of the subordinated bonds issue explained herein, the Company cancelled the Swap agreement, receiving from the Parent an amount of EUR 93,470 thousands and subsequently recorded a profit by the amount of the difference between the cash received from the Parent and the deferred interest income on the balance sheet at the date of cancellation.

The caption of the December 31, 2009 balance sheet "Non-current liabilities- Accrual accounts and others – Amounts of Swap agreements" of the schedule above included amounts received and not accrued of the Swap agreement entered by the Company with the Parent. The amount was related to a payment received based on the Swap agreement which is included in the interest income as part of the effective interest income over the term of the subordinated bonds.

The "Deferred interest income" caption of the balance sheet as of December 31, 2009 included interest accrued and not due of the Swap agreement entered by the Company with the Parent (see Note 2-f).

(6) TAXATION

Corporate income tax for the year is calculated on the basis of the income per books determined by application of generally accepted accounting principles as described in Note 2 - d.

The breakdown of the corporate tax income caption of the statement of income as of December 31, 2010 and 2009 are as follows:

	Thousands of Euros	
	2010	2009
Current year	60	121
Adjustment in respect of prior years	-	(4)
	60	117

(7) PERSONNEL

The Company did not employ any personnel during the half year period ending June 30, 2010 (2009: nil).

(8) REMUNERATION OF DIRECTORS

As of June 30, 2010 the remuneration of the statutory directors amounts to nil (2009: nil).

Report pursuant to Article 5:25c of the Financial Markets Supervision Act in the Netherlands

In the opinion of the Board of Managing Directors, the Semi Annual Accounts as per June 30, 2010, of Caja Madrid S.D. Finance B.V. give a true and fair view of the assets, liabilities, the financial position, and the profit or loss of Caja Madrid S.D. Finance B.V. and give a true and fair view of the financial position as per June 30, 2010, and the course of events during 2010 of Caja Madrid S.D. Finance B.V., whose details are included in the Annual Accounts. The significant risks Caja Madrid S.D. Finance B.V. faces are described in this annual report.

Amsterdam, February 7, 2011

Manager Director

A handwritten signature in black ink, appearing to be 'S.C. Martina', written over a large, light-colored oval shape.

S.C. Martina