



1Q 2014 Financial Results

Madrid, May 13rd 2014

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Latest trend. Key Highlights

Profitability keeps improving

- **Net Interest Income** confirms its positive trend and should keep benefitting from a lower cost of funding and from the loan book repricing.
- **Recurrent fee Income** in the 1Q14 above the 1Q13 in spite of lower activity levels.
- **Operating expenses** reflect the cost cutting measures of 2013.

Asset Quality Improvement

- **New NPL entries (only €37m) very similar to 2013 last quarter.**
- 1Q14 Cost of Risk **anticipates future loan loss impairments.**
- **Coverage ratio over loan book (ex APS)** reflects the provisioning effort (from 3.3% in Mar13 to 4.7% in Mar14).

Comfortable Liquidity position

- Deleveraging process of the economy is reflected in a **lower loan to deposits ratio (96%** as of Mar14).
- **Liberbank is ready to grow its loan book at a faster pace** if economic activity and demand for credit recovers.

Capital Reinforcement

- **Liberbank keeps generating capital organically.** Phased-in capital ratio has improved by +75bp vs 4Q13.
- **Announced capital increase** should place Liberbank in a strong competitive position to benefit from the recovery of the Spanish economy.

Agenda

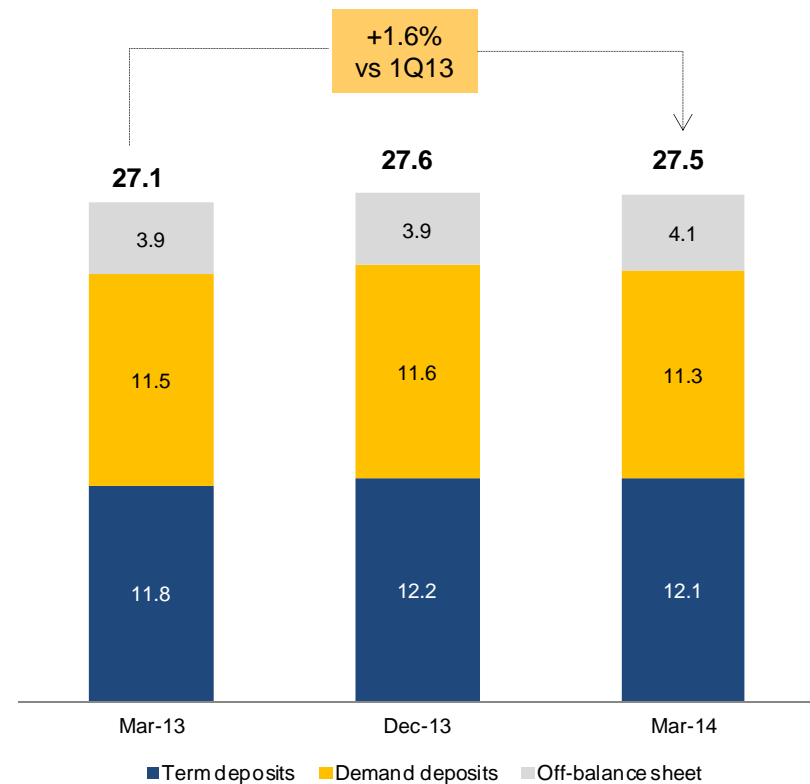
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Retail funds keep increasing

- Retail funds keep increasing in spite of the restructuring plan measures (lower number of branches and FTEs)
- Off-balance sheet funds have a very positive performance, especially Mutual Funds (+18,4% QoQ) reflecting the commercial efforts to increase cross selling.

Eur m	1Q13	4Q13	1Q14	QoQ	YoY
RETAIL CUSTOMER FUNDS	28,830	29,358	30,024	2.3%	4.1%
Retail Funds on Balance Sheet	24,961	25,452	25,899	1.8%	3.8%
Public Institutions	957	1,072	1,785	67%	87%
Retail Customer (resident)	23,590	24,031	23,764	-1%	1%
Demand deposits	11,469	11,558	11,304	-2%	-1%
Term deposits	11,768	12,162	12,102	0%	3%
Other	354	311	359	15%	1%
Non resident customers	413	350	349	0%	-15%
Off-balance sheet funds	3,870	3,905	4,125	5.6%	6.6%
Mutual funds	1,270	1,225	1,450	18%	14%
Pension Plans	1,547	1,560	1,590	2%	3%
Insurance Funds	1,052	1,121	1,084	-3%	3%

Retail Customer Funds (exc Public Institutions) quarterly performance. Eur bn (1)



(1) Resident customers, excluding Public Institutions, non-resident customers and other

Volumes. Deleveraging continues

Loan book keeps reducing as demand for new credit remains subdued although trend is slowing down (€ -368m in 1Q14 vs € -476m average in 2013)⁽¹⁾.

- Mortgage book will keep reducing while Corporates / SMEs should change its trend in the short term with positive growth in 2015.
- New SME transactions +37% QoQ.

Eur m	1Q13	4Q13	1Q14	QoQ	YoY
TOTAL GROSS LOANS	30,754	28,385	27,853	-2%	-9%
APS	4,341	3,932	3,848	-2%	-11%
EXC APS	26,413	24,452	24,004	-2%	-9.1%
Public Sector	1,699	1,339	1,360	2%	-20%
Loans to businesses	7,296	6,525	6,298	-3%	-14%
RED & Construction	971	859	831	-3%	-14%
Other corporates	6,326	5,666	5,467	-4%	-14%
Loan to individuals	17,080	16,272	16,010	-2%	-6%
Residential mortgages	16,214	15,519	15,304	-1%	-6%
Consumer and others	866	754	705	-6%	-19%
Other loans	337	316	336	6%	0%

(1) Excluding foreclosed assets and written-off loans

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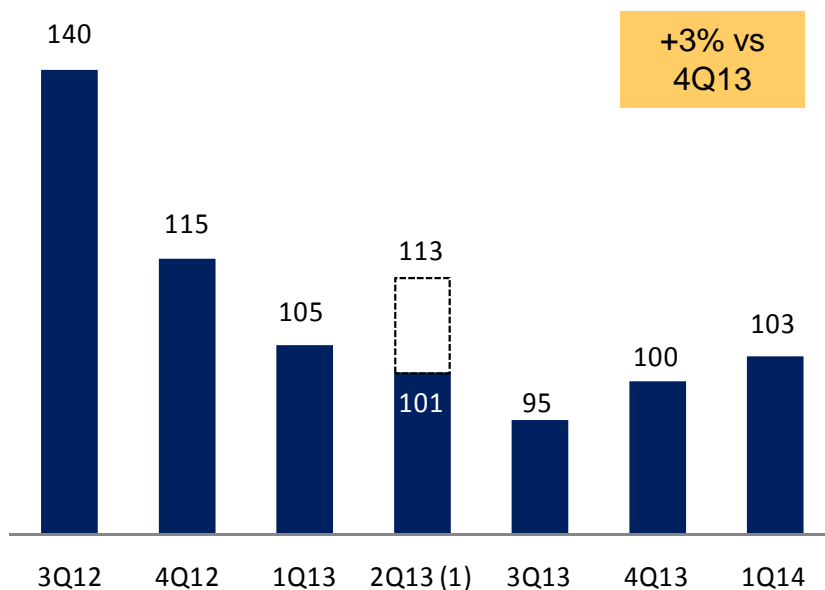
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Net Interest Income Recovery

Results

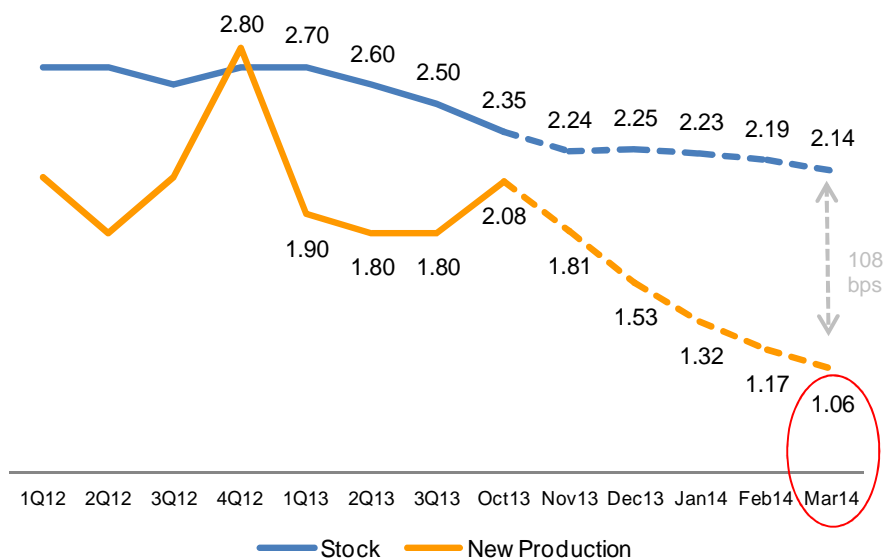
- **Net Interest Income performance** improves due to the lower cost of funding, in both retail and wholesale.
- **Cost of term deposits reduction is accelerating from the last months of 2013.** Together with the lower cost of wholesale funding should be the main driver in order to improve the NII in the short term.
- During the 1Q14 the weight of expensive term deposits amortisation was low, in forthcoming quarters the decrease of the effective cost rate should be much more significant
- In Feb-2014 547m of expensive GGB matured, thus, its effect in the NIM will be fully in place from the 2Q14 onwards

Net interest Income evolution (€ m)



(1) 2Q13 NII includes € 12m of extraordinary interest income

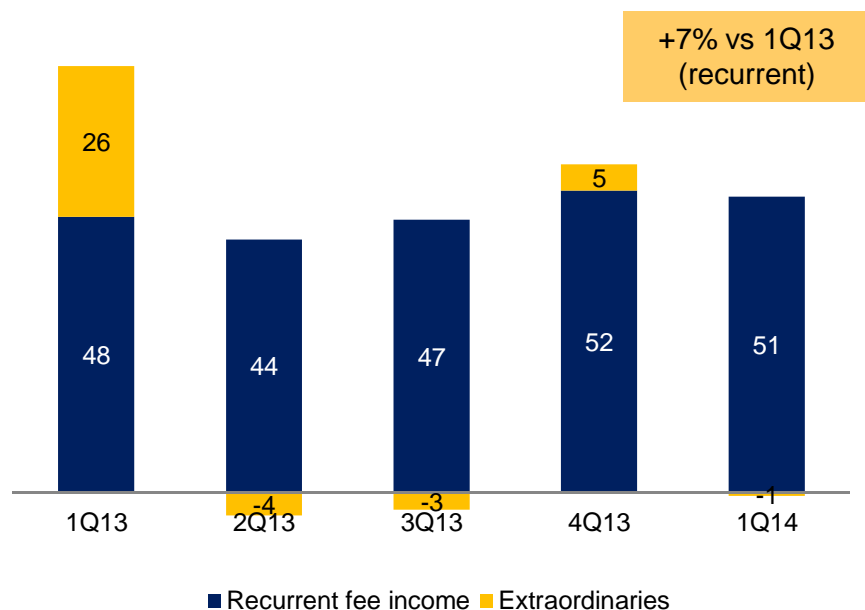
Term deposit cost^(a) evolution (%)



(a) Cost of deposits: effective cost

- Despite lower volumes, **fee income remains resilient, supported by off-balance sheet fees** (insurance, mutual funds...) and banking&others fees.
- Future growth is based in further development of bancassurance and asset management partnerships, increasing SMEs activity, higher cross-selling to individuals and roll out of best practices

Fee Income evolution (€ m)



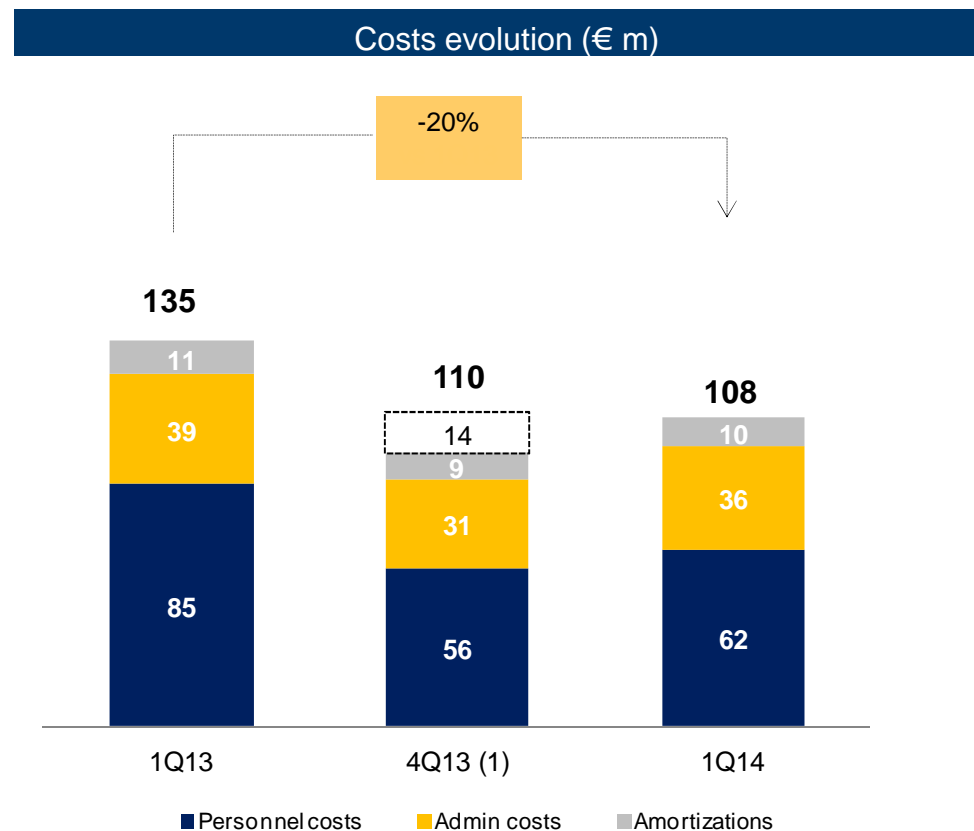
Breakdown of recurrent fee income (€ m)

	1Q13	1Q14	YoY (%)
Banking fees & others	37	39	6%
Bancassurance and Asset Management ⁽¹⁾	10	12	13%
TOTAL recurrent net fees	48	51	7%

(1) Fees mainly related to bancassurance and asset management (Mutual Funds, Pension Funds...)

Costs –reduction keeps going

- **Costs reduction** benefitting from the execution and delivery of the restructuring Plan.
- Full impact of recently approved cost cutting measures should be fully reflected during 2014.
- 4Q13 was positively impacted by the change in the accounting of affiliates



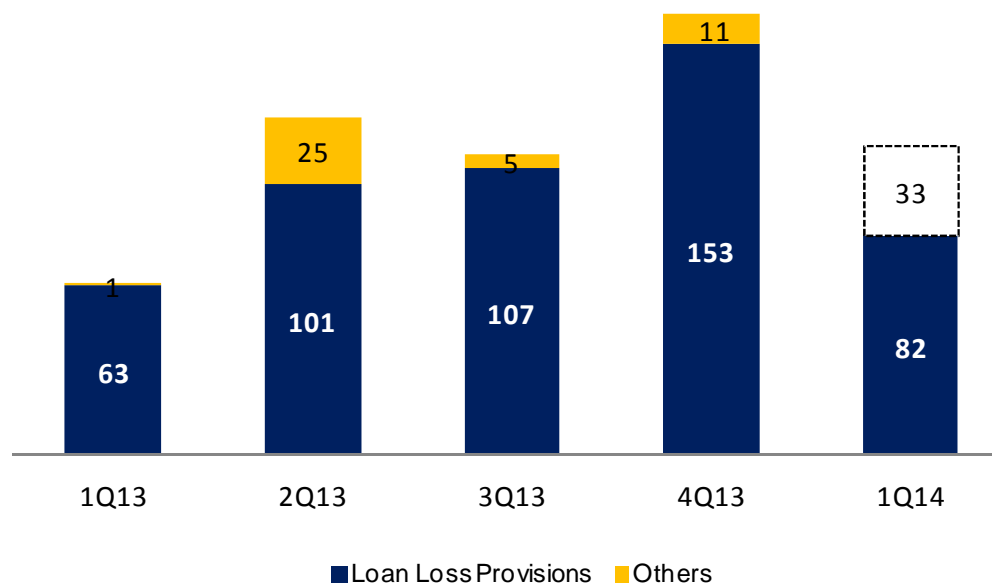
(1) 4Q13 was positively impacted mainly by the change in the accounting of affiliates (€ 110m was the underlying cost in 4Q13 comparable vs 1Q14)

Strong effort in provisioning

- **Loan impairments** remain high due to calendar effect of previous NPL entries as well as for the anticipation of future charges (€ 33m).
- **Progressive normalization from 2015 onwards is expected (c. 50bp cost of risk).**

Cost of Risk (1)	0.95%	1.55%	1.69%	2.48%	1.35%
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Impairment losses (€ millions).



(1) Annualized LLP over average gross loan portfolio (exc APS). 1Q14 excludes LLP of € 33m corresponding to future quarters

Quarterly P&L

Results

€m	1Q13	2Q13	3Q13	4Q13	1Q14	Var. 1Q vs 4Q		Var. 1Q vs 1Q
						€m	%	%
Interest Income	291	277	263	257	244	-13	-5%	-16%
Interest Cost	-184	-164	-168	-157	-141	16	-10%	-23%
NET INTEREST INCOME	107	113	95	100	103	3	3%	-4%
Dividends	4	2	3	0	0	0	nm	nm
Results from equity method stakes	1	15	6	16	5	-11	-69%	nm
Net fees	74	40	44	57	50	-7	-12%	-32%
Gains on financial assets & others	17	115	31	84	259	175	nm	nm
Other operating revenues	-3	-6	-5	-28	-17	11	-39%	nm
GROSS MARGIN	200	278	172	231	401	170	74%	100%
Administrative expenses	-124	-111	-100	-87	-98	-11	13%	-21%
Staff expenses	-85	-71	-61	-56	-62	-6	11%	-27%
General expenses	-39	-40	-39	-31	-36	-5	16%	-8%
Amortizations	-11	-11	-10	-9	-10	-1	11%	-9%
PRE PROVISION PROFIT	65	156	62	135	292	157	117%	350%
Provisions	0	-5	-10	40	-6	-46	nm	nm
Impairment on financial assets (net)	-64	-126	-112	-163	-114	49	-30%	79%
Impairment losses on other assets (net)	-16	16	-2	1	0	-1	nm	nm
Others	37	-28	-18	24	-7	-31	-129%	-119%
PROFIT BEFORE TAXES	21	12	-80	37	164	127	nm	nm
Taxes	10	10	34	-7	-47	-40	nm	nm
NET INCOME	31	22	-46	30	117	87	nm	277%
NET INCOME ATTRIBUTABLE	33	18	-37	34	113	79	232%	242%

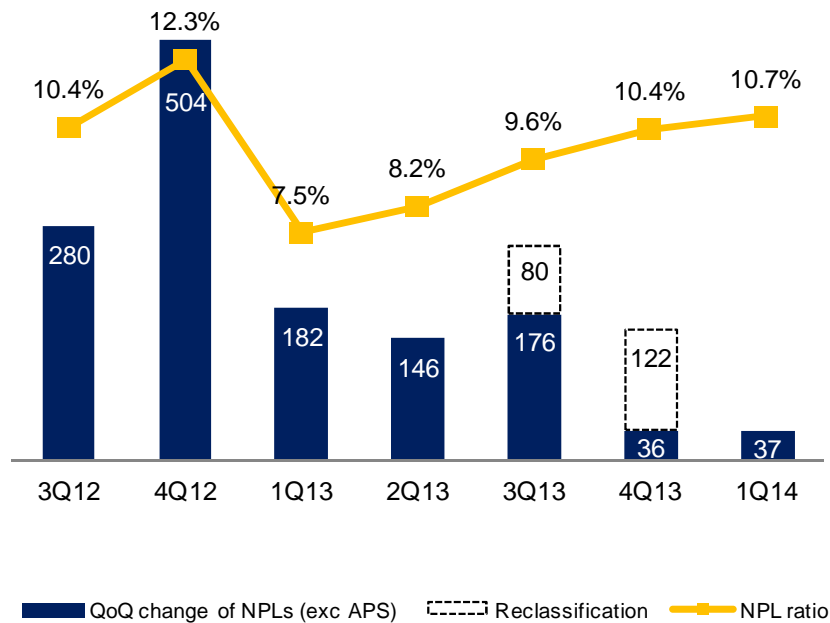
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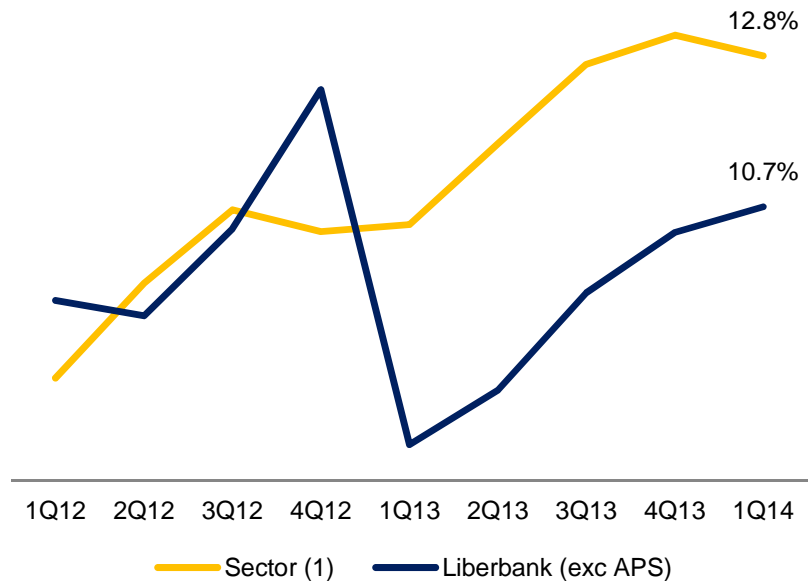
Net NPL trend remains at low level

- **NPLs entries.** 1Q14 confirms the deceleration in NPL net entries. NPL ratio influenced by the loan book deleverage.
- **Net foreclosed assets** (exc APS) remains at very low levels (€ 223m)

NPLs quarterly change (exc APS)



NPL ratio (exc APS) vs the sector

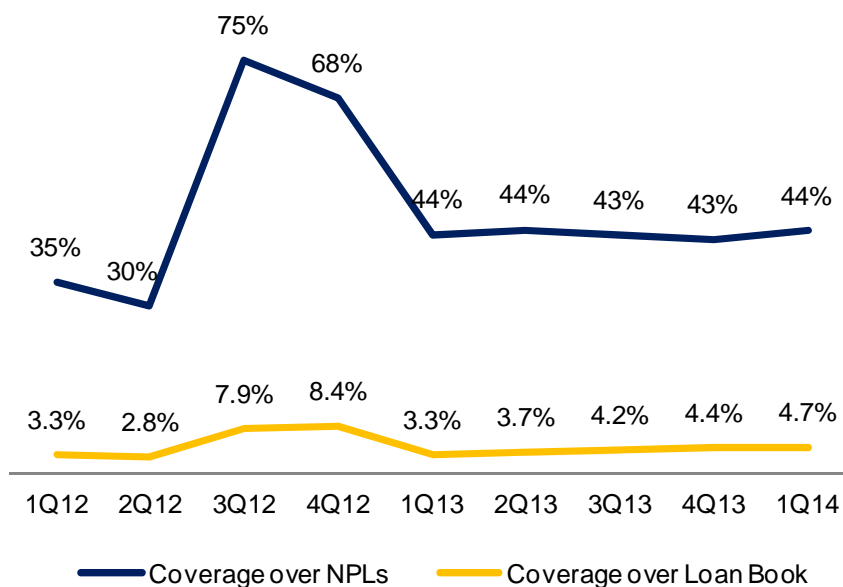


Source: Liberbank Banco de España.
 (1) Data for the sector as of Feb2014, positively impacted by change of methodology

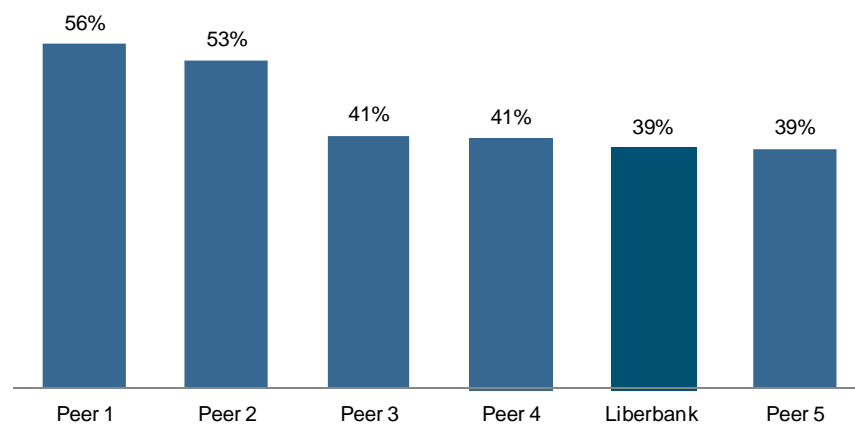
Coverage reflects strong provisioning effort

- Coverage over the total loan book reflects the strong provisioning effort (+147bp YoY and +31bp QoQ).
- Liberbank's loan book (exc APS) has negligible exposure to construction/RE and high exposure to mortgages with relatively low LTVs. Coverage (exc RE and APS) compares well with the sector.

Coverage evolution (exc APS)



Coverage (exc RE and exc APS) vs Peers. Mar14. (1)



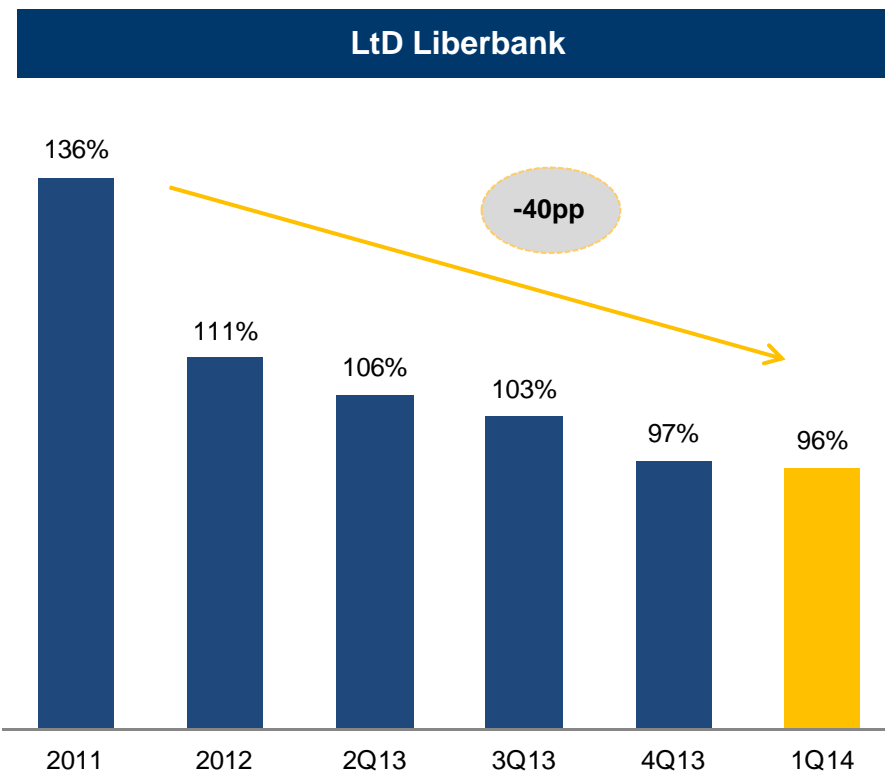
(1) Data for CABK, POP and Liberbank as of Mar14, rest of peers as of Dec13. Peers are CABK, BKIA, POP, SAB and BKT
Source: Quarterly reports

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Deleveraging. Lower LtD ratio & commercial gap

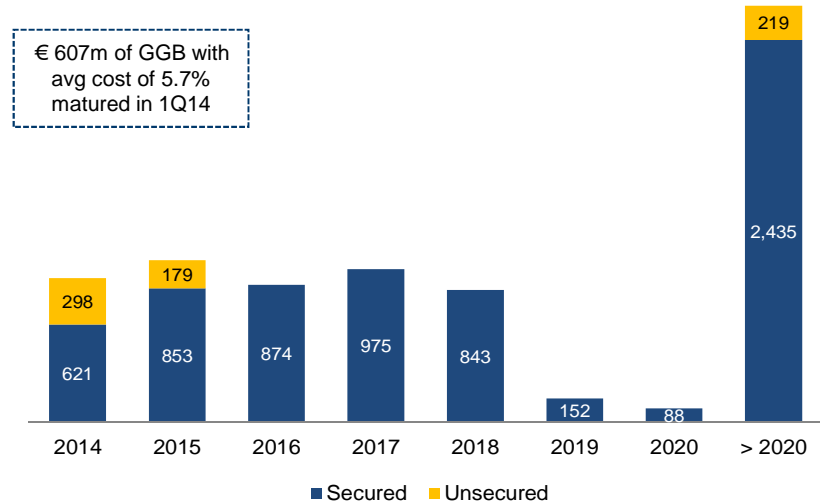
- LtD below 100% and very close to the 2016 target of 95% set in the Plan.
- This comfortable liquidity and funding position should be a driver for cheaper funding in the future.
- **Main driver for the deleveraging process is the fall in credit supported by a stable deposit base.**



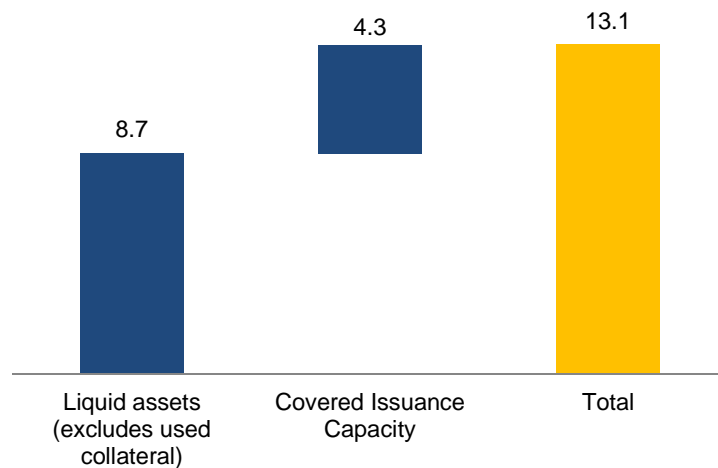
Comfortable wholesale funding and liquidity position

- **Wholesale funding being gradually reduced.** The most expensive funding (State Guaranteed Bonds) amortized recently (4Q13-1H14).
- **ECB funding reliance** stands at the same level as the sector while use of interbank, money market and Clearing Houses is below main listed peers.

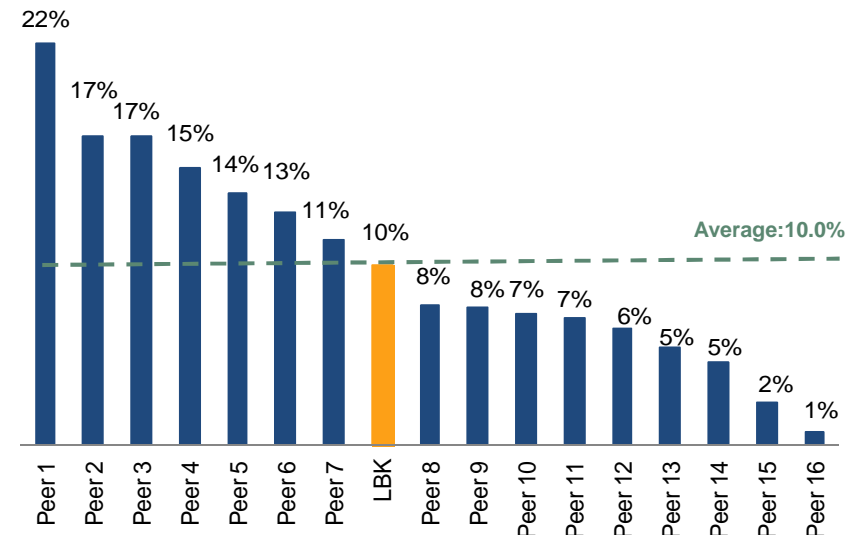
Capital Markets Maturities. Mar 14 (€ m)



Comfortable liquidity position (Mar 2014)



Peers ECB Financing Over Total Assets (Nov2013).



Source: Liberbank internal data, CECA and Quarterly reports

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Solvency – organic capital generation

Solvency

- **Organic capital generation** remain high (+75bp QoQ)
- **Announced capital increase** should place Liberbank in a strong competitive position to benefit from the recovery of the Spanish economy.
- Liberbank currently applies **standard models**, so it could reduce its RWAs density significantly under advanced methodologies.

Fully diluted number of shares. Mar14 ⁽²⁾

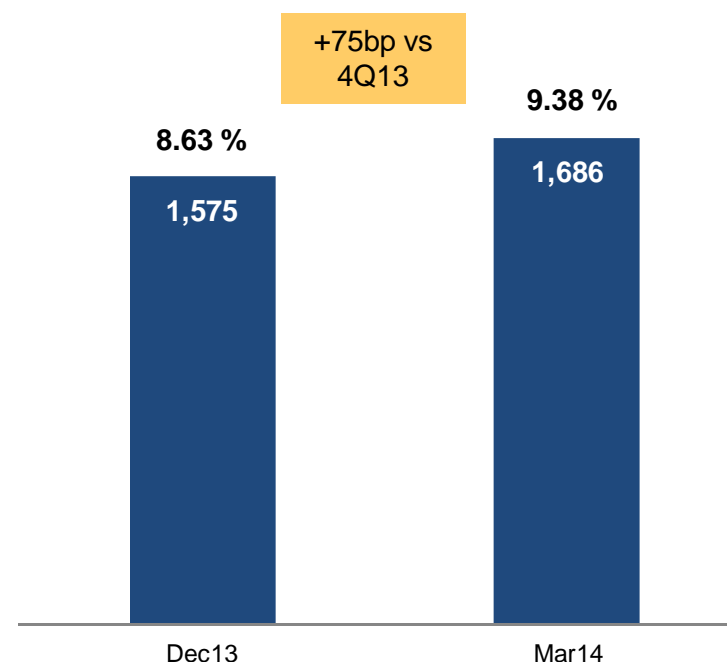
SLE CoCos ⁽²⁾	Outstanding Amount (Eur m)	Interest Rate	Min Strike	# shares (m) ⁽¹⁾
Serie A	62	5.0%	3.92	16
Serie B	13	5.0%	2.58	5
Serie C	174	7.0%	0.50	179
TOTAL	249			200
Outstanding shares (m) ⁽²⁾				1,516
Fully diluted shares (m) ⁽²⁾				1,716

Note: CoCos are accounted as subordinated debt

(1) Assuming a share price of € 0.97 as of 9th of May14

(2) Figures include the voluntary conversion of CoCos in Apr14

Phased In evolution (€ m)



Note: including FROB CoCos.

The new European legislation CRD IV entered into force on January 1, 2014. This involves a new criteria to calculate the capital base. Last April, 17th the EBA announced that the first capital ratio reporting should be released on the 30th June of 2014. The ratios shown above are Liberbank best understanding of the regulation.



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