Liberbank

Financial Report

2018 First Quarter

April 25th, 2018

Index:

Legal Notice

1. Macroeconomic Environment

1.1 International Economic Situation

According to the IMF, the world GDP grew 3.8% in 2017, half p.p. over the previous year, driven by a higher dynamism amongst the developed economies of Europe and Asia. This global growth has been the most synchronized since 2010, as 120 countries, contributing three quarters of the global GDP, registered economic activity increases.

A slight global world acceleration is expected for the 2018-2019 biennium, up to 3.9%, as a consequence of the strong inertia of economic activity and the expansive tax policies amongst some of the major world economies.

In the **U.S.**, the economy maintained a solid growth of 2.3% throughout the year, improving by almost one p.p. the 2016 register (1.5%). Regarding 2018, several factors support continued growth: i) the expansionary fiscal policy, favoring the recovery of business margins, ii) the continued employment growth, which has boosted household income and confidence, iii) the external and synchronized growth and iv) financial conditions, which despite the gradual upturn of the interest rates, remain more accommodative than in the historical average.

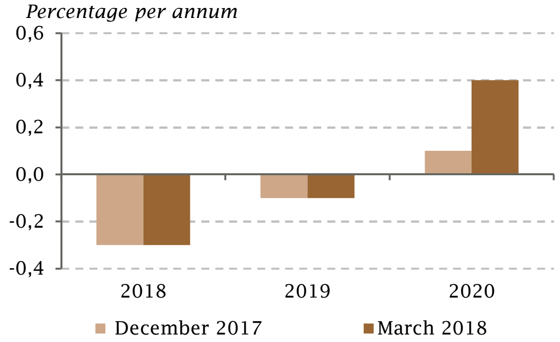
In this context, the FED has revised its growth forecast upwards to 2.7% for this year and 2.4% for 2019, two and three tenths over the estimates published three months earlier. In the same way, the unemployment rate is expected to end this year at 3.8% and continue its downward trend to around 3.6% in 2019 and 2020. This improvement within activity and employment will presumably translate into inflation, which will be aligned with the 2% target for 2018 and slightly above in 2019 and 2020.

Regarding interest rates, the FED raised in March the benchmark rates by 25 bps, up to the 1.50%-1.75% range. Two additional rises are expected during 2018 and three more in 2019. In addition, the forecast for long term rates were revised upwards from 2.75% to 2.88%. The main risks of the forecast not being met are located in the short term as, if the macroeconomic and financial conditions remain robust, a third additional increase could be taken in 2018, resulting in the greatest upward pace in the current cycle.

In Europe, the actual GDP increased by 0.6% quarterly during the fourth quarter of 2017, driven by a positive contribution from both domestic demand and net external demand. Thus, the annual growth reached 2.5%, the highest figure since 2007. This dynamism was compatible with an improvement of the labor market conditions, as the unemployment rate reached 8.6% in January 2018, its lower level since the end of 2008. The still expansive monetary policy, the lower needs of deleveraging of households and companies, and the recent growth of the investment items, will keep supporting the short term growth. In particular, the ECB expects the GDP to grow by 2.4% in 2018 (one tenth less than in 2017), and slows down slightly during the projection horizon (1.9% in 2019 and 1.7% in 2020), within a process of gradual convergence towards potential.

Regarding interest rates, the ECB forecasts published in March remain unaltered compared to those of December for the current biennium. Nevertheless, a higher acceleration of the rates is expected for 2020, when the 3 month Euribor could reach 0.4%. In this scenario the inflation will remain around half percentage point under the 2.0% target.

Eurozone: three-month EURIBOR projections
Percentage per annum



1.2. Spanish Economy

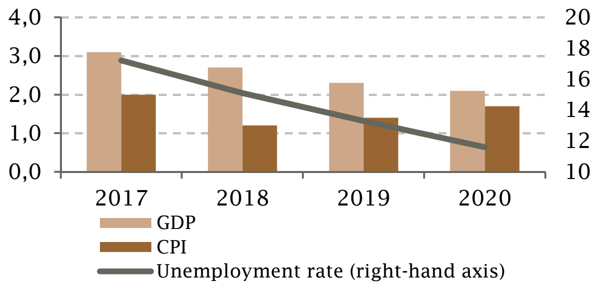
In Spain, the economy continues growing at a good pace. The GDP grew by 3.1% in 2017, chaining fourth consecutive years of expansion, the last three at rates over 3% per year. Furthermore, unlike previous expansionary cycles, growth has a balanced nature, with contributions from both external and domestic demand. Consumption and investment have been the main drivers of growth, accounting 2.8 percentage points of GDP increase.

Consumption keeps growing at a higher pace than the disposable income, favored by the raising expectations and low interest rates. This has significantly reduced the household savings rate, 2 percentage points in 2017 down to 5.7%, the lowest figure in the historical series starting in 1999. However, Spain generated funding capacity, thanks to the high operating surplus of companies and the public deficit correction, for a volume equal to 2.0% of the GDP, only one tenth below the historical maximum of 2016.

In this scenario, a gradual decline in unemployment is to be expected, which could reach around 11% by the end of 2020. Regarding prices, inflation is expected to rise gradually, from 1.2% in 2018 up to 1.9% in 2020.

Given the context described above, the BdE has raised the forecasts for economic growth in 2018 three tenths up to 2.7% per year. This upward revision extends to 2019 and 2020, when growths of 2.3% and 2.1% respectively are expected.

Spain: macroeconomic projections
Annual rate, %



Source: BdE

1.3 Spanish Financial System

The reduction of non-performing assets continues to be a priority for the Spanish financial system.

A significant novelty at the beginning of the year was the recent introduction of IFRS9, which seeks to harmonize the classification and valuation of financial assets and their coverage.

Trading activity levels are beginning to upswing but spreads remain burdened under the low interest rates scenario and the strong competitive pressure.

Data known until February shows a corporate credit stock shrink of 3.6% compared to the same period of the previous year. The household credit stock also declines, conditioned by the housing credit (-2.3% YoY). On the other hand, consumption credit increases by 6.5%, in line with the household financing needs aforementioned.

New operations continue the positive trend experienced in 2017. Both credit supply to companies and to households have contributed to this growth. In January and February, new household operations grew by 17.7% compared to the same period last year. New operations to non-financial companies increased by 15.1%, ten percentage points above the 2017 average.

This improvement contributes to the NPL ratio reduction, also favored by lower funding costs and the diminishment of unemployment. The volume of non-performing loans over the total credit volume declined in December 2017 down to 7.4%, the minimum level since December 2011, and 1.2 percentage points below the level reached the previous year.

Regarding savings, data known as of February 2018 show a slight increase of the total volume of deposits compared to the same period of 2017, with positive contributions from both, households (+0.4%) and particularly companies (+5.9%). We highlight the growth of sight deposits as a consequence of the low profitability of saving instruments. Concretely, the weight of sight deposits over total deposits stands over 75% amongst households and 86% amongst companies, meaning around 6 and 7 percentage points over their levels as of February 2017.

2. Highlights

01	Pre-tax Profit 41€m	**The pre-tax profit amounts 41 € millions, growing by 8.6% YoY.**
02	Interannual increase of mutual funds +24%	**The new delegated portfolio management service drives growth in mutual funds.**
03	Performing lending year-on-year growth +5% Corporates 10% Consumption 11%	**Performing lending grows steadily amongst corporates and household consumption.**
04	NPL ratio 7.8%	**NPL ratio keeps falling while real estate sales continue at a good rate (156 € millions throughout the year)**
05	NPL entries -46%	**NPL entries decline by 46% compared to the first quarter of 2017**
06	% NPAs coverage +51% NPLs +53% Foreclosed Assets +49%	**NPAs coverage levels increase 2 p.p. since December, up to 51%**
07	CET 1 Fully loaded 12.0%	**Solvency target reached. CET 1 fully loaded ratio of 12,0%**
08	LTD 94%	**Comfortable liquidity position: LTD ratio significantly above sector average**
09	EQUOS Quality Index 7.25	**Quality perceived by customers improves. The EQUOS quality index stands above the sector average (7.25 vs 7.19)**

3. Key indicators

In € Million	31/03/2018	31/12/2017	31/03/2017	% QoQ change	% Annual change
BALANCE SHEET					
Total Assets	39,263	35,462	39,163	10.7%	0.3%
Gross Loans	22,577	22,011	22,728	2.6%	-0.7%
Gross Performing Loans	20,807	20,111	19,777	3.5%	5.2%
Retail Funds	28,324	28,328	29,162	0.0%	-2.9%
Total Equity	2,700	2,683	2,547	0.6%	6.0%
Loan to Deposits	94.1%	90.7%	87.4%	3.4%	6.7%
PROFIT AND LOSS ACCOUNT				1T18 Contribution	
Net Interest Income	105	406	102	105	2.4%
Gross Margin	171	646	178	171	-3.7%
Pre-impairment Income	71	223	69	71	2.7%
Profit for the period	29	-302	27	29	
Profit attributable to the Group	29	-259	32	29	
SOLVENCY					
Risk-weighted Assets	16,951	16,827	18,450	0.7%	-8.1%
Common equity Tier 1	13.2%	13.4%	12.0%	-0.2%	1.2%
Tier 1	13.8%	13.8%	12.5%	0.0%	1.3%
Solvency Ratio	15.4%	15.4%	14.0%	0.0%	1.4%
RISK MANAGEMENT					
Non-performing Loans (NPL)	1,770	1,900	2,951	-6.8%	-40.0%
Gross Foreclosed Assets	2,461	2,538	3,100	-3.0%	-20.6%
Non-performing Loans Ratio	7.8%	8.6%	13.0%	-0.8%	-5.1%
Credit coverage Ratio	53%	48%	40%	5.6%	13.6%
Foreclosed Assets coverage Ratio	49%	50%	40%	-0.9%	8.9%
BANKING BUSINESS AND RESOURCES (Units)					
Group employees	4,007	4,139	4,702	-3.2%	-14.8%
FTEs (Liberbank + BCLM) (1)	2,888	3,077	3,255	-6.1%	-11.3%
Branches	752	771	868	-2.5%	-13.4%
ATMs	1,337	1,321	1,341	1.2%	-0.3%

Sources: Consolidated Public Finances, Bank of Spain's official statements and Other Internal Information Sources.

(1) *Full-Time Equivalent: calculated by dividing the hours actually worked through the year (considering the reduction in working hours arising from the current Temporary Collective Dismissal) by the hours scheduled in a full year.*

4. Financial Evolution

Consolidated balance sheet

In € Million	31/03/2018	31/12/2017	31/03/2017	% QoQ change	% Annual change
Cash, cash at central banks and other demand deposits	1,133	1,717	1,780	-34.0%	-36.3%
Financial assets (FA) held for trading	19	23	29	-13.5%	-32.0%
Non-trading FA mandatorily at fair value through P&L	285	0	0		
FA at fair value (FV) through o/ comprehensive income	2,503	4,800	7,714	-47.8%	-67.5%
Financial Assets at amortized cost	30,066	23,696	24,021	26.9%	25.2%
Debt securities	8,083	2,180	2,120		
Loans and advances	21,983	21,516	21,901	2.2%	0.4%
of which: to customers	21,844	21,433	21,796	1.9%	0.2%
Derivatives – Hedge accounting	341	357	424	-4.5%	-19.6%
FV changes of hedged items in portfolio hedge of IR risk	3	0	0		
Investments in subsidaries, joint ventures and associates	357	331	372	7.8%	-4.1%
Tangible assets	1,079	1,071	933	0.8%	15.6%
Intangible Assets	128	126	125	1.7%	2.3%
Tax assets and other Assets	2,063	2,061	1,872	0.1%	10.2%
Non current Assets held for sale	1,284	1,282	1,893	0.2%	-32.2%
TOTAL ASSETS	**39,263**	**35,462**	**39,163**	**10.7%**	**0.3%**
Financial liabilities (FL) held for trading	20	23	30	-12.2%	-32.4%
FL designated at fair value through profit or loss	0	0	0		
FL measured at amortized cost	36,005	32,239	35,989	11.7%	0.0%
Deposits	35,304	31,482	35,163	12.1%	0.4%
Debt securities issued	550	566	644	-2.9%	-14.6%
Other financial liabilities	151	191	181	-20.7%	-16.5%
Derivatives – Hedge accounting	123	28	12		
FV changes of hedged items in portfolio hedge of IR risk	0	0	0		
Liabilities under insurance and reinsurance contracts	8	7	8	3.6%	-4.4%
Provisions	186	238	372	-21.9%	-49.9%
Tax liabilities and other liabilities	221	244	206	-9.2%	7.4%
TOTAL LIABILITIES	**36,563**	**32,779**	**36,616**	**11.5%**	**-0.1%**
Minority Interest	0	0	38		
Shareholder's Equity	2,616	2,633	2,443	-0.7%	7.1%
Accumulated Other Comprehensive Income	84	50	66	69.5%	27.2%
TOTAL EQUITY	**2,700**	**2,683**	**2,547**	**0.6%**	**6.0%**
TOTAL EQUITY AND LIABILITIES	**39,263**	**35,462**	**39,163**	**10.7%**	**0.3%**

Source: Balance sheet consolidated account.

The balance sheet of the Group increases by 10.7% during the first quarter, due to fixed income investments and credit growth.

On January 1st 2018, a new International Financial Regulation Standard (IFRS 9) regarding capital instruments has entered into force, introducing substantial changes in the criteria for classification and valuation of financial instruments. This new regulation has led to a change in the structure of the fixed income investments portfolio, which increased by 3,606 million euros during the year, totaling 10,192 million euros, of which 2,107 million euros are securities available for sale, classified in a portfolio valued at fair value through equity, while the rest are part of an stable investments portfolio, valued at amortized cost and includes the SAREB bonds. Both are registered under the *Debt Securities Issued* and *Available-for-sale Financial Assets* headings. Despite the changes in volume and composition, the portfolio risk profile remains low as 98% of this portfolio are sovereign debt bonds. The average yield is 1.4%, with an average duration of 2.11 years.

Performing credit grows +3.5% during the first quarter, while the non-performing credit continue decreasing (-6.8% QoQ). Both type of credits are registered under the *Loans and advances* heading.

The *Deposits* heading increased by 12.1% during the first quarter, influenced by the increase in repo funding, thus allowing to finance the growth of fixed income investments (3.949 million euros).

Customer funding, also included under the *Deposits* heading, remain stable during the first quarter, a period that usually registers seasonal drops. The household savings growth is located in off-balance products, particularly mutual funds, which grew by +4.8% QoQ.

The Group's Total equity rises by 0.6%, as the profit generation (29 million euros) and the increase in capital gains on the equity portfolio (24 million euros net of taxes) made possible to offset the reduction in reserves resulting from the entry into force of IFRS 9 (46 million euros).

Another significant novelty introduced by the IFRS 9 standard is the change in the model for estimating provisions, which is no longer based on the "incurred loss" but on the concept of "expected loss". This change aims to achieve a better estimate of the risk coverage. The impact on Liberbank of this new regulation has been mild.

Resources

In € Million	31/03/2018	31/12/2017	31/03/2017	% QoQ change	% Annual change
CUSTOMER FUNDS	28,324	28,328	29,162	0.0%	-2.9%
Customer Funds On Balance Sheet	22,861	22,975	24,167	-0.5%	-5.4%
Public Administrations	1,334	1,352	1,261	-1.3%	5.8%
Creditors and promissory notes	21,527	21,623	22,907	-0.4%	-6.0%
Demand Deposits	15,620	15,588	14,984	0.2%	4.2%
Term Deposits	5,864	5,991	7,886	-2.1%	-25.6%
Others (promissory notes)	43	44	37	-2.2%	17.6%
Off-Balance Sheet Customer Funds	5,464	5,354	4,994	2.1%	9.4%
Mutual Funds	2,951	2,816	2,383	4.8%	23.8%
Pension Funds	1,486	1,497	1,516	-0.7%	-2.0%
Saving Insurances	1,027	1,041	1,095	-1.4%	-6.2%
REPURCHASE AGREEMENTS	1,660	732	1,459	126.8%	13.8%
WHOLESALE FUNDING (capital markets)	3,589	3,589	3,929	0.0%	-8.6%
Covered Bonds (non-retained)	3,475	3,475	3,750	0.0%	-7.3%
Bonds and EMTNs	95	95	95	0.0%	0.0%
Wholesale Promissory Notes	19	19	84	0.0%	-77.4%
TOTAL FUNDS	33,574	32,650	34,549	2.8%	-2.8%

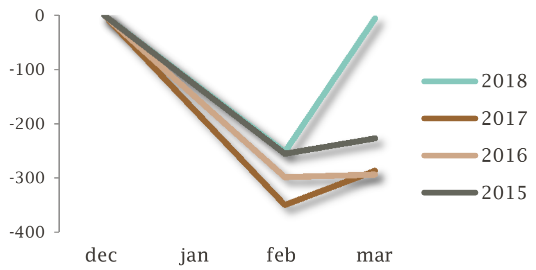
Total funds amount to 33.574 million euros, growing 2.8% from January to March.

The first quarter is a period where deposits fall due to seasonal factors, but this year, customer funds remain stable, resulting in the best behavior observed in the last four years.

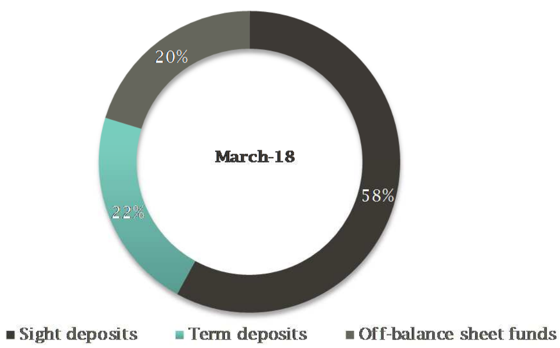
Demand deposits grow by 0.2% QoQ and 4.2% YoY. Mutual funds grow even more, 4.8% QoQ and 23.8% YoY. Term deposits decline by 2.1% QoQ and 25.6% YoY while rates remain low (0.8% as of March in households).

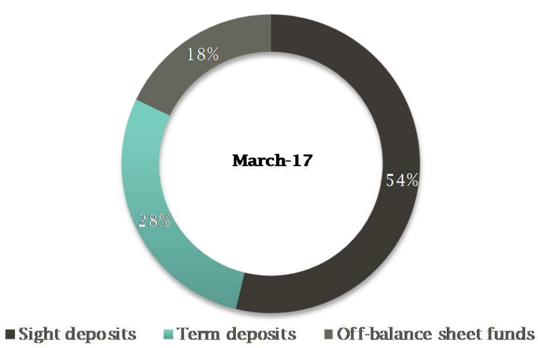
Mutual funds growth has been driven by the proactive commercialization of the new delegated portfolio management service, launched at the beginning of the year, which offers a professional and personalized savings management, with an extended range of products.

Retail Resources + Off-Balance (cum. YTD var. in € M)



Retail resources (Private residents)





Gross performing loans

In € Million	31/03/2018	31/12/2017	31/03/2017	% QoQ change	% Annual change
Credit To Public Administrations	1,344	909	1,190	47.9%	12.9%
Credit To Private Sectors	19,463	19,202	18,587	1.4%	4.7%
Productive activities financing	5,386	5,234	4,889	2.9%	10.2%
Real Estate	184	188	158	-2.3%	16.2%
Other companies	5,202	5,046	4,731	3.1%	10.0%
Household financing	13,767	13,664	13,386	0.8%	2.8%
Consumer and other loans	761	750	698	1.5%	9.0%
Housing	13,006	12,914	12,687	0.7%	2.5%
Advances and unclassified risks	310	305	312	1.8%	-0.7%
PERFORMING LOANS	20,807	20,111	19,777	3.5%	5.2%

Comparative information has been restated following the Internal Rating Based (IRB) segmentation, so its distribution by exposure category differs from that published in previous reports.

Performing credit grew 696 million euros in the first quarter (+3.5%) and 1,030 million euros in the last twelve months (+5.2%), amounting 20.807 million euros.

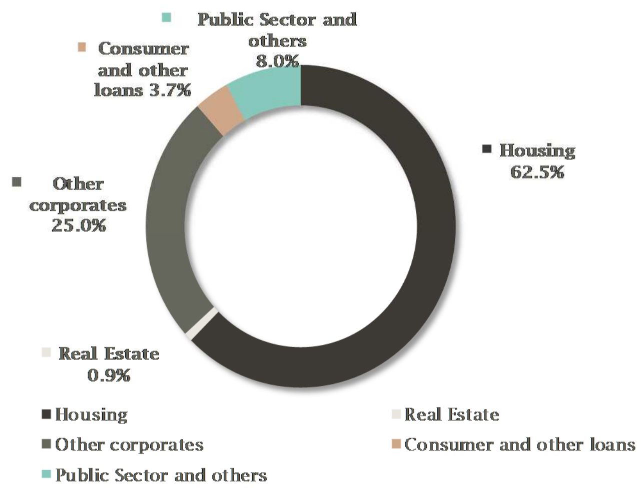
Every segment shows a positive evolution, both Public Administrations, growing 436 million euros during the quarter, and credit to private sectors, growing 260 million euros during the same period. Within the latter, both consumer finance and corporate loan portfolios show positive variations during the quarter (+2.9% and +0.8% respectively) and in annual terms (+10.3% and +2.8% respectively). It is particularly noticeable the growth of funding in the self-employed segment (+20.1%) and the household consumption credit (+10.9%), included in *Consumer and other loans.*

New credit amounts to 1,475 million euros, 486 million euros above last year's figure.

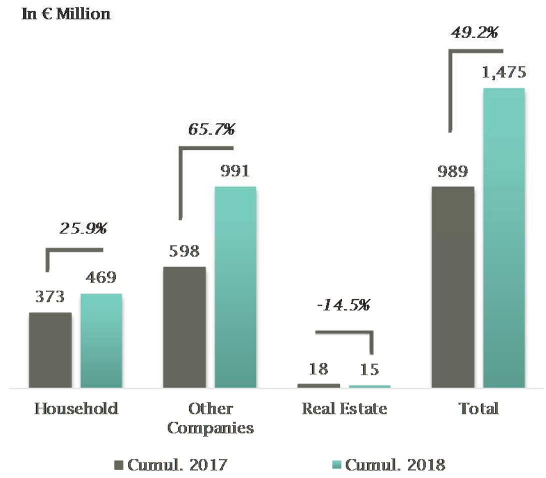
Household new loans reflect a remarkable increase of 25.9% YoY, particularly in the mortgage portfolio (+30.2%). The amount of mortgage operations at fixed rate is 69% of the total amount of new production mortgages. Consumer credit is also increasing (+7.1% YoY). In this case, the offering involves products at competitive rates, that require customer engagement, and which guarantee a low risk profile.

Regarding productive activities financing, the bank is providing customers with improved products to speed up and simplify the management of working capital. In this direction, a new confirming tool has been launched, providing new functionalities and speeding up the process.

Gross performing loans sector breakdown



Cumulative Lending Operations



Gross NPL Evolution

In € Million	NPL 31/03/2018	NPL QoQ ch.	NPL YoY ch.	NPL Ratio 31/03/2018	NPL Ratio QoQ ch.	NPL Ratio YoY ch.
Productive Activity Financing	1,046	-93	-967	16.3%	-1.6%	-13.0%
Real Estate	477	-54	-633	72.2%	-1.6%	-15.3%
Other companies	569	-39	-334	9.9%	-0.9%	-6.2%
Household Financing	708	-36	-202	4.9%	-0.3%	-1.5%
Consumer and other loans	56	2	4	6.8%	0.1%	0.0%
Housing	652	-38	-206	4.8%	-0.3%	-1.6%
Demand Debtors, Public Admin and Other Risks	16	-1	-12	1.0%	-0.4%	-0.9%
TOTAL GROSS NPL	1,770	-130	-1,181	7.8%	-0.8%	-5.1%

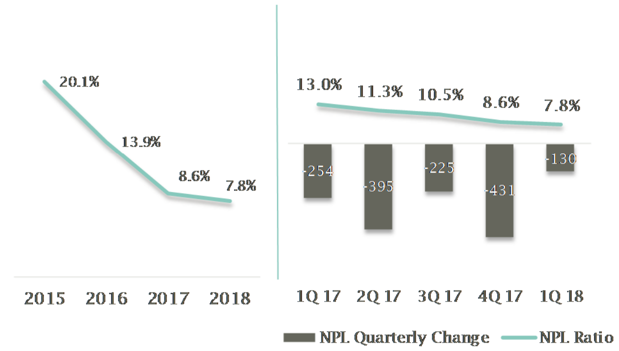
Sources: Bank of Spain's Official Statements and other Internal Information Sources.
Comparative information has been restated following the Internal Rating Based (IRB) segmentation, so its distribution by exposure category differs from that published in previous reports.

Non-performing loans drop by -130 million euros during the first quarter, accumulating -1.181 million euros in the last twelve months. The amount of NPL gross entries during the quarter has been significantly reduced, down to 56 million euros (46% less than the first quarter of 2017).

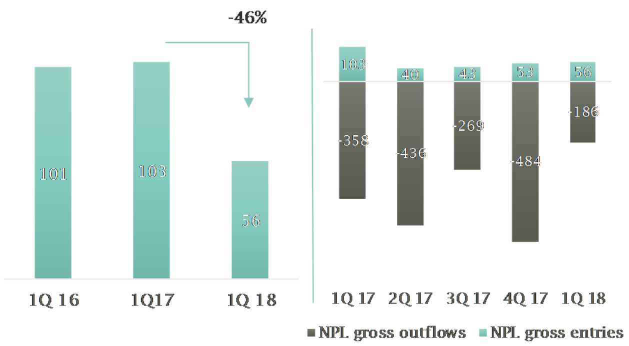
The NPL ratio falls -79 basis points in the first quarter and -514 basis points in the last twelve months, standing at 7.8%.

Refinancing declined by -100 million euros from January to March, -814 million euros in the last twelve months, and amounts to 1,014 million euros, of which 79.0% are classified as non-performing loans. The percentage of refinanced credit investments declines during the first quarter from 5.1% down to 4.5%.

NPL ratios and Quarterly NPL increase
In € Million



NPL incremental entries and outflows
In € Million



The coverage of non performing assets increased 561 b.p. this year, up to 53%, after the entry into force of the IFRS 9 standard. 37% of the NPL portfolio are household mortgages, requiring a lower coverage level since they are already secured by the housing units themselves.

The NPL portfolio has in adittion a high level of collateralization. The last appraisal of the guarantees portfolio (limited to the debt value of each operation), represents 135% of the NPL less value adjustments due to impairments (123% in the last quarter of the previous year).

NPL Coverages

	NPL	Impairment losses	NPL minus Impairment losses	Coverage ratio	Guarantees*
Productive Activity Financing	**1,046**	**686**	**361**	**66%**	**538**
Real Estate	477	279	198	59%	298
Other companies	569	406	163	71%	239
Household Financing	**708**	**241**	**467**	**34%**	**577**
Consumer and other loans	56	43	12	78%	12
Housing	652	197	455	30%	565
Demand Debtors, Public Admin and Other Risks	**16**	**14**	**2**	**0%**	**3**
TOTAL GROSS NPL	**1,770**	**941**	**830**	**53%**	**1,124**

** Guarantee= Limited appraisal value, calculated as the minimum value between the latest appraisal value and the outstanding debt.*

Comparative information has been restated following the Internal Rating Based (IRB) segmentation, so its distribution by exposure category differs from that published in previous reports.

The foreclosed assets portfolio declines by -3.0% in the first quarter and -20.6% in the last twelve months.

Real estate sales amounted to 156 million euros (gross debt including investment property), of which near 26% are land sales.

The new strategy of NPA's reduction adopted in September allowed the Group to shrink the impaired assets stock by 1,820 million euros in th elast year and 207 million euros in the first quarter of 2018.

Gross Foreclosed Assets Evolution

(excluding property investments)

Gross Value, In € Million	31/03/2018	31/12/2017	31/03/2017	% QoQ ch.	% YoY ch.
Finished houses	837	858	1,107	-2.5%	-24.4%
Houses under construction	383	419	348	-8.5%	10.2%
Offices, premises, warehouses and other buildings	278	284	497	-2.0%	-44.1%
Land	962	977	1,147	-1.5%	-16.1%
TOTAL GROSS FORECLOSED ASSETS	**2,461**	**2,538**	**3,100**	**-3.0%**	**-20.6%**
Impairment losses	1,196	1,257	1,231	-4.8%	-2.8%
TOTAL NET FORECLOSED ASSETS	**1,265**	**1,281**	**1,869**	**-1.3%**	**-32.3%**

Impaired Assets Evolution (and their coverages)

	31/03/2018	31/12/2017	31/03/2017	QoQ ch.	YtD ch.
NPL	1,770	1,900	2,951	-130	-1,181
Foreclosed Assets	2,461	2,538	3,100	-77	-639
NON-PRODUCTIVE ASSETS	**4,231**	**4,438**	**6,051**	**-207**	**-1,820**
NPA ratio	**17%**	**18%**	**23%**	**-1.2%**	**-6.5%**
NPL impairment losses	941	903	1,167	38	-226
NPL coverage ratio	**53%**	**48%**	**40%**	**5.6%**	**13.6%**
Foreclosed assets impairment losses	1,196	1,257	1,231	-61	-35
Foreclosed assets coverage ratio	**49%**	**50%**	**40%**	**-0.9%**	**8.9%**
Non-productive assets coverage ratio (NPL + foreclosed assets)	**51%**	**49%**	**40%**	**1.8%**	**10.9%**

Profit and loss account

In € Million	31/03/2018	31/03/2017	% Annual change
Financial income	127	130	-2.3%
Financial expenses	23	28	-19.5%
NET INTEREST INCOME	105	102	2.4%
Dividends	0	0	71.6%
Results from equity method stakes	2	2	-18.8%
Net fees	44	43	3.1%
Gains (losses) on Financial Assets and Liabilities	26	50	-47.8%
Other operating results	-7	-20	-67.7%
GROSS MARGIN	171	178	-3.7%
Administrative costs	91	98	-7.1%
Staff costs	58	61	-4.8%
Other general administrative costs	33	37	-10.9%
Amortizations	9	11	-14.5%
PRE-IMPAIRMENT INCOME	71	69	2.7%
Provisions	5	1	
Impairment losses on financial assets (net)	17	22	-23.2%
Impairment losses on other assets (net)	8	0	
Other profits or losses	-1	-9	-84.6%
PRE-TAX INCOME	41	37	8.6%
Income tax	11	10	10.5%
CONSOLIDATED NET PROFIT	29	27	7.9%
Attributable Net Profit	29	32	-9.0%

Source: Profit and loss account.

Income Statement Quarterly Evolution

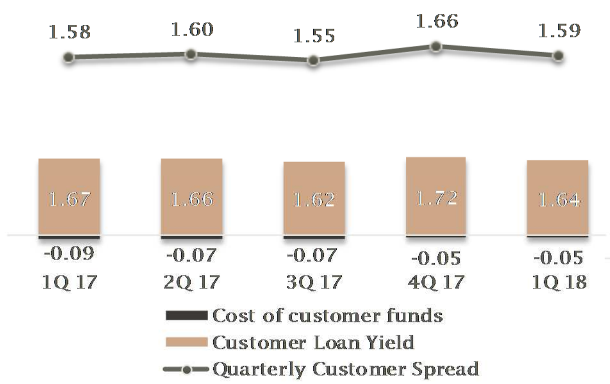
In € Million	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Financial income	130	124	124	127	127
Financial expenses	28	24	23	24	23
NET INTEREST INCOME	102	100	100	103	105
Dividends	0	1	0	1	0
Results from equity method stakes	2	23	4	15	2
Net fees	43	46	40	52	44
Gains (losses) on Financial Assets and Liabilities	50	5	5	30	26
Other operating results	-20	0	-3	-54	-7
GROSS MARGIN	178	175	146	146	171
Administrative costs	98	96	98	95	91
Staff costs	61	61	64	63	58
Administrative costs	37	36	34	32	33
Amortizations	11	11	3	11	9
PRE-IMPAIRMENT INCOME	69	68	45	41	71
Provisions	1	-27	6	26	5
Impairment losses on financial assets (net)	22	26	184	37	17
Impairment losses on other assets (net)	0	-1	0	1	8
Other gains or losses	-9	-33	-393	32	-1
PRE-TAX INCOME	37	36	-537	8	41
Income tax	10	3	-163	-3	11
CONSOLIDATED NET PROFIT	27	33	-374	11	29
ATTRIBUTABLE NET PROFIT	32	35	-337	11	29

Source: Profit and loss consolidated account.

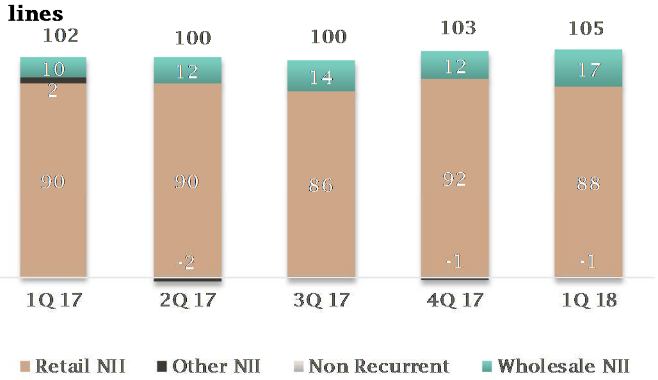
Quarterly contribution to the net interest income

In € Million	1Q 17	2Q 17	3Q 17	4Q 17	1Q 18
Financial income	130	124	124	127	127
Financial expenses	28	24	23	24	23
NET INTEREST INCOME	102	100	100	103	105

Customer Recurrent Spread Evolution



Net interest income evolution by business lines



The Net interest income grows up to 105 million euros, 2 million euros above the last quarter.

Customer spread stands at 1.59% declining -7 bp during the quarter, due to lower financial income from non-performing and normal credit, although the latter are reduced only by seasonal factors, as the first quarter has fewer days.

The average price of new term deposits continues at historic lows. New openings by individuals in March had an average rate of 0.08%.

New credit contributes positively to the customer spread, with an average yield of 2.05% in the first quarter, above the performing portfolio average profitability during the same period, 1.71%, despite the heavy weight of new public sector operations.

Quarterly Net Interest Income Evolution

	1Q 2017			2Q 2017			3Q 2017			4Q 2017			1Q 2018		
	Aver.bal	Rate	FI/FE	Aver.bal	Rate	FI/FE	Aver.bal	Rate	FI/FE	Aver.bal	Rate	FI/FE	Aver.bal	Rate	FI/FE
Retail FI	22,827	1.7	95	22,573	1.7	94	22,331	1.6	90	22,203	1.7	95	22,200	1.6	91
of which: performing	19,662	1.8	90	19,780	1.8	88	19,836	1.7	86	20,009	1.7	87	20,338	1.7	87
of which: NPL	3,165	0.7	6	2,793	0.8	6	2,495	0.7	4	2,194	1.4	8	1,862	0.9	4
Retail FE	24,281	0.1	5	23,913	0.1	4	23,080	0.1	4	22,938	0.1	3	22,757	0.1	3
Sight	14,788	0.0	2	15,096	0.0	1	15,112	0.0	1	15,293	0.0	1	15,509	0.0	1
Terms	8,234	0.2	4	7,582	0.1	3	6,736	0.2	3	6,227	0.1	2	5,946	0.1	1
Others	1,258	0.0	0	1,235	0.1	0	1,231	0.0	0	1,418	0.0	0	1,302	0.0	0
Wholesale FI	11,004	0.9	25	10,831	0.9	23	10,542	1.0	26	9,953	1.0	25	10,064	1.2	29
Entidades de crédito	1,244	-0.3	-1	796	-0.1	0	708	0.2	0	989	-0.1	0	995	0.0	0
of which: fixed income	9,760	1.1	26	10,036	0.9	23	9,834	1.1	26	8,964	1.1	25	9,069	1.3	29
Wholesale FE	10,690	0.6	15	11,050	0.4	11	11,622	0.4	12	10,963	0.5	13	11,081	0.4	12
Financial Institutions	5,629	-0.3	-5	6,424	-0.4	-7	7,381	-0.4	-7	6,876	-0.4	-6	6,993	-0.4	-6
Repos PS and PA	201	0.0	0	147	0.0	0	47	0.0	0	38	0.0	0	51	0.0	0
Covered bonds	4,429	1.5	17	3,771	1.5	14	3,575	1.5	14	3,492	1.5	13	3,475	1.5	13
Bonds and others	430	3.3	4	708	2.0	4	618	3.5	5	557	3.8	5	561	3.8	5
Other FI & FE			2			-2			0			-1			-1

PS: Private Sectors; PA: Public Administrations; FE: Financial Expenses; FI: Financial Income

Fees

In € Million	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018	% Cum. Annual Change
FEES RECEIVED	45	48	42	54	46	2.8%
Contingent liabilities	1	1	1	1	1	-3.5%
Contingent commitments	1	0	0	0	0	-23.9%
Collections and payments	19	19	19	19	18	-2.6%
Securities services	1	1	1	1	1	-36.3%
Non banking financial products	14	17	12	16	16	14.9%
Others	9	9	8	17	9	4.2%
FEES PAID	2	2	2	2	2	-4.3%
NET FEES	43	46	40	52	44	3.1%
RECURRENT NET FEES	43	41	40	43	44	3.8%

Source: Profit and loss account and own preparation

Net fees amount 44 million euros, resulting in a cumulated 3.1% YoY growth, 3.8% considering recurrent fee income. This growth is based on the commercialization of non-banking financial products (insurance, mutual funds, etc.), which grew by 14.9% in the last twelve months.

Gains (losses) on financial assets and liabilities reduce its contribution to results by half of what they contributed during the first quarter of the previous year. They total 26 million euros in the first quarter, mainly from fixed income sales.

Other operating results (net) amount to -7 million euros throughout the year. In this heading we account the contribution to the Single Resolution Fund (11 million euros).

General administration costs decreased by -7.1%, with significant drops both in staff costs (-4.8%) and general administrative expenses (-10.9%).

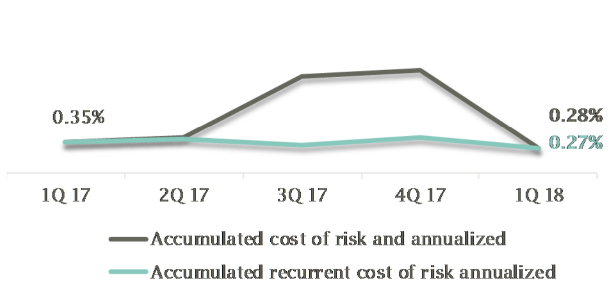
The *Provisions* heading registers 5 million euros related to litigation.

The *Impairment losses on financial assets (net)* heading registers a charge of 17 million euros, corresponding to credit impairments. The recurrent cost of risk stands at 0.27%.

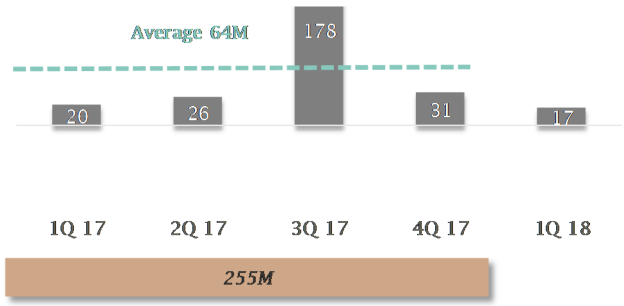
The *Impairment losses on other assets (net)* includes 8 million euros of property investments impairments derived from the regulatory changes due to the entry into force of the Circular 4/2017 of the BdE.

The pre-tax income amounts to 41 million euros, growing by 8.6% YoY.

Evolution of Cost of Risk



Loan Impairments



Solvency (Basel III phased-in)

In € Million	31/03/2018	31/12/2017	31/03/2017	Quarterly Change	Annual Change
CET 1 COMMON EQUITY TIER 1	2,246	2,261	2,219	-15	27
Common equity Tier 1 (%)	13.2%	13.4%	12.0%	-0.2%	1.2%
CAPITAL LEVEL 1/ TIER 1	2,338	2,320	2,308	18	31
Total TIER 1 (%)	13.8%	13.8%	12.5%	0.0%	1.3%
TOTAL CAPITAL	2,609	2,589	2,578	20	31
Solvency ratio (%)	15.4%	15.4%	14.0%	0.0%	1.4%
RISK WEIGHTED ASSETS	16,951	16,827	18,450	124	-1,499
LEVERAGE RATIO	6.0%	6.7%	5.9%	-0.7%	0.1%

Data as of March pro-forma, including interim financial results.

As of March 31, 2017, Liberbank's CET 1 Common Equity Tier 1 stands at 13.2%, Capital Tier 1 at 13.8% and Total Capital at 15.4%. CET 1 Fully loaded Ratio pro-forma, including the CoCos conversion of next July, reaches 12.0%, Capital Tier 1 12.0% and Total Capital 13.6%.

P2R capital requirements remain at 2.5%. The total capital required as of March, the same as of December 2017 plus the YtD increase of the Capital Conservation Buffer, stands at 12.375%. The Common equity Tier 1 ratio stands at 8.875%.

The transition period schedule slightly decreases the numerator of the solvency ratios during the first quarter of the year, while Risk Weighted Assets (RWAs) increase by 124 million euros during the first quarter, mainly as a result of fixed income investments, equity investments and hedging derivatives.

On January 31st an application was sent to the ECB, requesting to benefit from the transitional period of adaptation to IFRS 9. The impact on the CET 1 Fully loaded ratio by applying this regulation amounts to 17.7 bps.

Significant subsequent events

In February, 6th the joint plan for the merger between Liberbank S.A. as absorbing company, and Banco de Castilla-La Mancha S.A.U. as the absorbed company was approved.

In March, 28th a voluntary conversion period was announced, at the option of the bond holders. In this way the holders of bonds related to the A/2013 Series, B/2013 Series and C/2013 Series may opt for conversion from 2 April 2018 up to and including 16 April 2018.

The Share

Last April 17, 2017, the tenth period for voluntary conversion of CoCos into equity took place. Holders of 626,658 CoCos with a nominal value of 10€ per bond, requested to convert them into shares. This resulted in 6.26 million euros of shareholder's equity.

Regarding the average weighted prices of the shares, and the minimum and maximum limits provided, 9,145,399 new shares were issued, representing 0.31% of the outstanding shares.

Market Information	1Q2018
Number of shares outstanding	2,926,872,000
Daily average trading (shares number)	7,881,073
Daily average trading (euros)	3,612,820
Maximum Share price (euros)	0.48
Minimum Share price (euros)	0.42
Price at year end (euros)	0.45
Market capitalization at year end (euros)	1,302,458,040

Regarding the shareholding structure, the Fundación Bancaria Caja de Ahorros de Asturias, together with the Fundación Bancaria Caja de Extremadura and the Fundación Bancaria Caja Cantabria own 24.3%, Oceanwood Opportunities Master Fund owns 17.5%, Aivilo Spain SL owns 7.4%, Corporación Masaveu owns 5.8% and Norges owns 3.3%.

Finally, on March 23rd 2018, Liberbank held the Ordinary General Shareholder's Meeting

The Rating

Fitch. On March 27th, 2018, the agency confirmed a financial strength long term rating of BB, with stable perspective, a short term rating of B and a Viability Rating (VR) of bb.

DBRS. On June 16th, 2017, the agency placed the long term rating of Liberbank as BBB (low) with negative perspective, and a short term rating of

R2 middle. On May 11th, 2017, DBRS revised the covered bonds rating, keeping it at A high.

Moody's. On September 8th, 2017, it assigned Liberbank a Baseline Credit Assessment (BCA) rating of b1. The rating of long-term deposits and unsecured senior debt stays at B1, but on October 27th the outlook was changed to positive from stable. Covered bonds rating remains at A2 since June 2015.

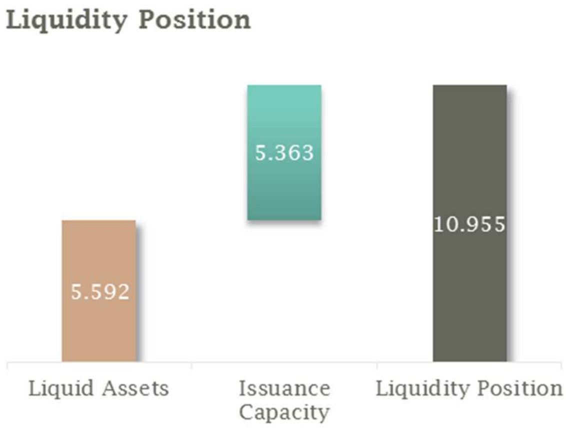
Liquidity

The Banking business grows in a balanced way, allowing Liberbank's liquidity position to be optimal.

The LTD ratio, which represents the percentage of credits funded by Retail deposits stands at 94%, a noticeable better record than the sector average as of December 2017 (102%).

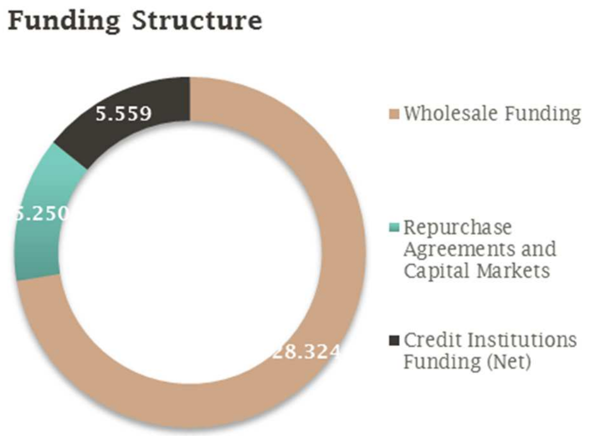
The LCR ratio, that indicates the short term liquidity level, stands at 341%, well above the regulation requirements (80%), and far beyond the sector average as of December 2017 (206%).

The NSFR ratio, which measures the ratio between available stable funds and the desirable available stable funds according to the type of investments made by the Group, stands at 125%.



The Group's liquid assets amount to 5,592 million euros, all of them immediately available. In addition, Liberbank has an issuance capacity of 5,363 million euros.

Liberbank's funding structure is grounded on a wide base of stable funds, highly diversified and low maturity concentration.



5. Glossary

In addition to the financial information presented in this document, prepared in accordance with IFRS, certain Alternative Performance Measures (APM) are included, as defined by the guidelines on Alternative Performance Measures published by the European Securities and Markets Authority (ESMA) on June 30 2015 (ESMA/2015/1057) ("the ESMA guidelines").

ESMA guidelines define an APM as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

Liberbank uses some APMs, which have not been audited, aiming to contribute to a better understanding of the financial evolution of the Group. These measures should be considered additional information, and should by no means replace the financial information. Moreover, these measures might differ, both in their definition and calculation, from other similar measures calculated by other corporates, and therefore, may not be comparable.

Alternative Performance Measures (APM):

NPL (Non-performing Loans): Non-performing customer loans (gross) registered under the "*Loan and receivables, to customers"* heading.

NPA (Non-performing assets): Gross Foreclosed assets of real-estate nature registered under the "*Non-current assets held for sale".*

NPL Ratio: Quotient between non-performing loans (gross) and total loans (gross). Numerator and denominator are registered in the Loans and receivables heading of the public balance sheet. Neither numerator nor denominator, include repurchase agreements, value adjustments or debts accounted in the prudential balance sheet within the Other financial assets not related to Credit institutions heading.

RED NPL Ratio: Quotient between non-performing loans (gross) of the Real Estate Development sector and total loans (gross) of the Real Estate Development Sector.

Loan to deposit: Quotient between customer loans (net) and Deposits. Loans are recorded under the Loans and receivables heading of the public balance sheet, from which repurchase agreements are deducted. Deposits are registered under the Financial liabilities measured at amortized cost (Deposits) heading of the public balance sheet. For the purpose of this calculation covered bonds, repurchase agreements, central Banks and credit institutions deposits are deducted, and promissory notes and retail CoCos are added.

Credit coverage Ratio: Defined as Credit impairment losses over NPL (gross). Numerator and denominator are registered under the Loans and receivables heading of the public balance sheet.

Credit coverage Ratio (including APS available): Defined as Credit impairment losses plus APS available funds allocated to the Credit over NPL (gross). APS available are registered on the liabilities side of the public balance, under the Financial liabilities measured at amortized cost heading.

Foreclosed assets coverage Ratio: Defined as foreclosed assets impairment losses over foreclosed assets (gross). Numerator and denominator are recorded under the Non-current assets held for sale heading.

Foreclosed assets coverage Ratio (including APS available): Defined as foreclosed assets impairment losses plus APS available funds allocated to foreclosed assets over foreclosed assets (gross). Numerator and denominator are recorded under the Non-current assets held for sale heading.

Impaired assets coverage Ratio: Defined as Credit impairment losses plus foreclosed assets impairment losses over NPL (gross) plus foreclosed assets (gross).

Impaired assets coverage Ratio (including APS available): Defined as Credit impairment losses plus foreclosed assets impairment losses plus APS available funds over NPL (gross) plus foreclosed assets (gross).

Risk Cost: Quotient between financial assets impairment losses (Loans) of the consolidated public profit and loss account (annualized when not corresponding to a full financial year), over Loans (gross).

Customer spread: Defined as the difference between financial income from retail business (annualized when not corresponding to a full financial year) and expressed in relative terms (over gross loans average balances), minus retail financial costs (annualized when not corresponding to a full financial year) and expressed in relative terms (over customer deposits average balances).

Management indicators and public financial statements reconciliation:

Profit and Loss account:

- **Net Fees**: includes Fees income and Fees costs headings of the public statement.
- **Gains (losses) on financial assets and liabilities**: matches with the net gains or losses heading from the public account, when Not measured at fair value assets and liabilities through profit or loss are derecognized.
- **Other operating results (net):** includes other operating income and other operating costs headings of the public account.
- **Operating Margin**: equals the spread between Gross Margin and Administrative plus Amortizations headings of the public account.
- **Provisions**: matches with Provisions or reversal of provision heading of the public account.
- **Financial assets impairment losses (net)**: matches with the Financial assets not measured at fair value through profit or loss impairment losses or reversal of impairment losses heading of the public account.
- **Other assets impairment losses (net)**: matches with the Non-financial assets impairment losses or reversal of impairment losses heading of the public account.
- **Other gains / losses**: matches the Gains or losses heading when net non-financial assets and shares, recognized negative goodwill, gains or losses coming from non-current assets and disposal groups held for sale not eligible as discontinued activities, all of them from the public account, are derecognized.
- **Pre-tax Income**: matches with the gains or losses before taxes heading, coming from the continuing operations of the public account.
- **Income Tax**: matches with the Income (expenses) Tax over gains from continuing operations of the public account.