

Liberbank

Financial Report 2016 Third Quarter

Oct 28th, 2016

Index:

1. Macroeconomic Environment	3
2. Key indicators	5
3. Financial Evolution.....	6

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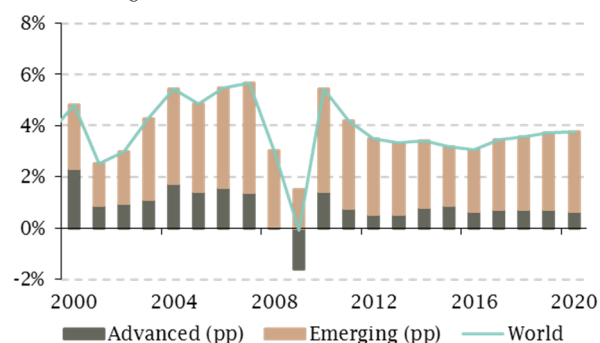
1. Macroeconomic Environment

1.1 International Economic Situation

According to the last forecasts of the IMF, the **Global economy** growth will be similar to that of 2015. It will reach 3.1%, one tenth below that predicted in April, due to a lower dynamism within the developed economies. During the next years, the IMF expects a growth acceleration, mainly driven by the emergent economies, while the developed ones will grow moderately. Among the risk factors that could impact growth downwards, are protectionism and social inequalities, as well as the high indebtedness of the Chinese companies and the lack of structural reforms.

Gross Domestic Product

Annual change and contributions



Source: IMF (WEO oct-16)

In the U.S.A., the economic indicators related to the third quarter point to an accelerating growth, after an average growth of 1% during the first half of the year, thereby the American economy will grow near 1.6% in 2016, the lowest figure since 2011.

The growth weakness shown during the first six months of the year, among other factors, led the Federal Reserve to postpone an interest rate increase, after the September meeting. However, the chances that such an increase taking place in December have grown significantly. The interest rate of the Federal funds is expected to reach 1.1% and 1.9% at the end of 2017 and 2018, respectively.

Within the Eurozone, the growth is sustained at a moderate pace. The forecast is to reach a growth of 1.5% in 2016 and 1.3% in 2017. Investments continued showing weakness, partially offset by the higher strength of exports and domestic consumption.

The current economic information suggests a slight slowdown during the third quarter of the year, being the private consumption the main

driver of GDP. Regarding prices, the inflation keeps growing thanks to a less negative contribution of energy supplies. In September, the YoY variation of the advanced CPI reached 0.4% and the forecast is that it will keep rising until the end of the year.

Regarding the monetary policy, the Government Council of the European Central Bank (ECB) kept its monetary policy unchanged after the September meeting. The expectation is that the quantitative easing program will be extended until the end of the year, including some adjustments to correct the shortage of eligible German bonds.

In the third quarter, the inter-bank rates of the Eurozone remained stable, with the twelve-month Euribor standing at -0.06% and the three-month Euribor standing at -0.3%.

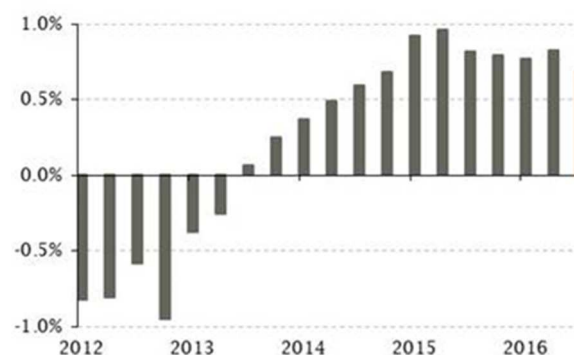
1.2. Spanish Economy

In Spain, the economy keeps growing at a good pace, 0.8% in the second quarter and 0.7% in the third quarter, according to the Bank of Spain (BoS) estimates. This growth is due to the good behavior of the household and companies' expenditure, within an employment growth background, and favorable financing conditions.

The data from the Social Security showed that the affiliation continued to grow at a steady rate, an average of 3% YoY from July to September, suggesting an employment growth similar to that of the previous quarter.

Spain: Gross Domestic Product and ESI

Quarterly change, BoS forecast Sept.16



Source: INE and BoS

Household finance improvement is contributing to a recovery of the real estate sector. Transactions in this sector evidenced a strong

rate of growth in August, after decelerating in July, according to the National Statistics Institute. The increase in sales is mainly focused on second-hand housing. A buoyant demand is driving prices up, which increased by 3.9% YoY.

At the same time, the inflation rate returned to positive values in September, after eight months in the negative. Thus, it reached 0.2%, three tenths more than in the previous month, following a lower decline of energy prices. Meanwhile the underlying inflation decreased one tenth, down to 0.8%.

Finally, the fiscal consolidation challenge is still pending. The deficit of Public Administrations, excluding support to financial sector, and local communities, reached 3.1% of GDP in July, which is similar to that of July 2015. That year, the deficit level closed at 5%. This suggests a foreseeable failure to reach the 2016 target, which was set at 4.6%.

1.3 Spanish Financial System

The Spanish Financial System¹ is facing three major challenges:

1. Profitability in a low interest rates scenario.
2. Digital transformation.
3. Adapting to the new regulations.

The low interest rates are pushing results down. Therefore, the net interest income declined by 10% YoY during the first half of 2016, and the pre-impairment income decreased by 9% YoY. In this context there is pressure on the financial sector to downsize and develop new business models, compatible with the low interest rates environment.

Pricing of bank loans to the private sector remains at low levels, in particular, in the case of large operations, impacted by the increasing corporate debt. In this low prices situation, the only way to increase profitability is boosting the credit volume. Accordingly, the new financing granted to households and businesses has continued to grow, but due to a high amount of amortizations the credit stock is still shrinking, but at a more moderate pace (-3.3% YoY in August 2016).

Retail deposits growth has accelerated in recent months, to almost 3% YoY in August. Likewise, Investment funds are growing, and reached a figure close to 380,000 million euro in August.

Non-performing assets are also restricting profitability, though they are evolving favorably.

The NPL ratio stood at 8.7% in August (165 bps below the September 2015 record).

On the other hand, the financial institutions are experiencing a technological revolution. Changes in consumer habits, new technologies, and new competitors (Fintech), have forced entities to face a digitalization process, which is crucial for maintaining competitiveness. Digitalization is an ongoing process that requires constant adaptation, in an environment of great disruption that can be a big threat but also a great opportunity.

In the next quarters, the financial sector will be conditioned again by two important regulatory changes:

1. The enforcement of the new accounting Circular (Circular 4/2016 BdE), which adapts the previous legislation to international accounting standards. The main changes relate to risk management, credit risk qualification, and estimating provisions by means of expected loss models. This new regulation will apply in the fourth quarter financial statements.
2. The new Basel III capital regulation, originally scheduled for the end of 2016, is expected now to be delayed until early 2017.

¹ Source: Bank of Spain's Statistic Bulletin. This same source is used for every data from the Spanish Financial sector, unless otherwise indicated.

2. Key indicators

In € Million	30/09/2016	30/06/2016	30/09/2015	% QoQ change	% Annual change
BALANCE SHEET					
Total Assets	41,823	42,149	42,463	-0.8%	-1.5%
Gross Loans	23,587	24,313	24,769	-3.0%	-4.8%
Retail Funds	29,428	29,452	28,727	-0.1%	2.4%
Shareholder's Equity	2,391	2,365	2,243	1.1%	6.6%
Total Equity	2,660	2,592	2,566	2.6%	3.7%
Loan to Deposits ⁽¹⁾	87.4%	88.6%	90.2%	-1.1%	-2.8%
PROFIT AND LOSS ACCOUNT					
Net Interest Income	339	228	371		-8.8%
Gross Margin	744	554	781		-4.7%
Pre-impairment Income	418	335	452		-7.5%
Profit for the period	90	63	161		-44.0%
Profit attributable to the Group	100	73	167		-40.0%
RISK MANAGEMENT					
Non-performing Loans (NPL)	1,902	1,931	2,255	-1.5%	-15.6%
Non-performing Loans (NPL) (incl. APS protected assets)	3,829	4,169	5,215	-8.2%	-26.6%
Gross Foreclosed Assets	741	732	699	1.3%	6.0%
Gross Foreclosed Assets (including APS)	2,780	2,810	2,950	-1.1%	-5.8%
Non-performing Loans Ratio	8.8%	8.8%	10.4%	0.0%	-1.6%
Non-performing Loans Ratio (incl. APS protected assets)	16.2%	17.1%	21.1%	-0.9%	-4.8%
Credit coverage Ratio (incl. APS protected assets)	45%	46%	49%	-1%	-4%
Foreclosed Assets coverage Ratio	45%	47%	48%	-2%	-3%
BANKING BUSINESS AND RESOURCES (Units)					
Group employees	5,096	5,256	5,287	-3.0%	-3.6%
FTEs (Liberbank + BCLM) ⁽²⁾	3,562	3,805	4,012	-6.4%	-11.2%
Branches	992	1,008	1,049	-1.6%	-5.4%
ATMs	1,343	1,362	1,373	-1.4%	-2.2%

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

APS Asset Protection Scheme, covering a 7,244 million euro risk portfolio from Banco de Castilla La Mancha.

- (1) Loan to Deposit: It is defined as the quotient between customer credit excluding temporary asset acquisitions and retail deposits (customer deposits excluding mortgage bonds and repos and adding promissory notes and retail CoCos).
- (2) Full-Time Equivalent: it is obtained 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.

3. Financial Evolution

Consolidated balance sheet

In € Million	30/09/2016	30/06/2016	30/09/2015	% QoQ change	% Annual change
Cash on hand, Central Banks and Other demand deposits	564	654	505	-13.7%	11.9%
Financial assets held for trading	128	96	35	34.3%	
Fin. assets designated at fair value through profit or loss	0	0	0		
Available-for-sale financial assets	10,549	10,500	8,633	0.5%	22.2%
Loans and receivables	24,974	25,334	25,851	-1.4%	-3.4%
Debt securities	2,238	2,238	2,787	0.0%	-19.7%
Loans and advances	22,736	23,096	23,064	-1.6%	-1.4%
of which: to customers	22,540	22,978	22,951	-1.9%	-1.8%
Held-to-maturity investments	0	0	2,061		
Derivatives - Hedge accounting	514	481	372	6.9%	38.2%
Investments in subsidiaries, joint ventures and associates	366	337	410	8.7%	-10.6%
Assets under insurance and reinsurance contracts	0	0	0		
Tangible assets	847	843	691	0.5%	22.6%
Intangible Assets	115	107	83	7.2%	38.5%
Tax assets and other Assets	2,159	2,152	2,096	0.3%	3.0%
Non current Assets held for sale	1,606	1,647	1,727	-2.5%	-7.0%
TOTAL ASSETS	41,823	42,149	42,463	-0.8%	-1.5%
Financial liabilities held for trading	36	36	44	-1.5%	-18.9%
Financial liabilities measured at amortised cost	38,147	38,599	39,105	-1.2%	-2.4%
Deposits	37,443	37,835	38,298	-1.0%	-2.2%
of which: to customers	32,918	32,858	33,790	0.2%	-2.6%
Debt securities issued	514	536	563	-4.0%	-8.6%
Other financial liabilities	189	229	244	-17.5%	-22.5%
Derivatives - Hedge accounting	217	155	18	40.2%	
Liabilities under insurance and reinsurance contracts	10	10	12	4.1%	-15.6%
Provisions	351	360	333	-2.4%	5.5%
Tax liabilities and other liabilities	402	397	385	1.1%	4.4%
TOTAL LIABILITIES	39,163	39,557	39,897	-1.0%	-1.8%
Minority Interest	73	73	85	0.3%	-14.2%
Shareholder's Equity	2,382	2,355	2,239	1.1%	6.4%
Accumulated Other Comprehensive Income	206	164	242	25.4%	-15.0%
TOTAL EQUITY	2,660	2,592	2,566	2.6%	3.7%
TOTAL EQUITY AND LIABILITIES	41,823	42,149	42,463	-0.8%	-1.5%

Source: Balance sheet consolidated account.

The size of the balance sheet decreases by -0.8% in the third quarter of 2016.

The asset item with higher variation is "Loans and advances to customers", with a QoQ decline of -1.9%, originated by seasonal factors, non-performing assets reduction and, the decrease of the credit drawn by the Public Administrations. The performing portfolio grows by 1.3% this year.

The fixed income portfolio, registered mainly in both "Available for sale financial assets" and "Debt securities" remains without noticeable change. 96% of the portfolio is composed of Public institutions sovereign debt, returning an average yield of 1.4% for an average duration of 1.7 years. The accumulated volume of capital gains from the fixed income portfolio amounts to

316 million euros, after materializing 29 million euro of gains on financial assets.

Another factor contributing to downsize the balance sheet is the increasing pace of the sales of foreclosed assets, and other assets booked as "Non-current assets held for sale".

Regarding the financing sources, the retail customer funds remain practically flat during the third quarter. The retail customer funds evolution over the quarter keeps showing a marked preference for demand deposits and mutual funds.

The liquidity indicators remain at optimum levels. The liquid assets amount to 8,031 million euro, all of them fully available. The loan-to-deposit (LTD) ratio, which measures the retail business funding balance, reaches 87.4%. The LCR² ratio, which measures the short term liquidity level, stands above 396% (the level of requirement is 60%).

² Calculated according to the Delegated Regulation of the Commission (UE) 2015/61, of 10th October 2014, which completes the European Parliament and Council

(UE) 575/2013, regarding the liquidity coverage requirement applicable to credit institutions.

Resources

In € Million	30/09/2016	30/06/2016	30/09/2015	% QoQ change	% Annual change
CUSTOMER FUNDS	29,428	29,452	28,727	-0.1%	2.4%
CUSTOMER FUNDS ON BALANCE SHEET	24,735	24,864	24,211	-0.5%	2.2%
Public Administrations	1,242	1,291	1,252	-3.8%	-0.8%
Retail customer funds (residents)	23,202	23,269	22,625	-0.3%	2.5%
Demand Deposits	13,986	13,923	12,841	0.5%	8.9%
Term Deposits	8,789	8,961	9,578	-1.9%	-8.2%
Others (promissory notes and repurchase agreements)	427	385	206	10.7%	107.0%
Retail customer funds (nonresidents)	291	304	334	-4.4%	-12.9%
OFF-BALANCE SHEET CUSTOMER FUNDS	4,693	4,588	4,516	2.3%	3.9%
Mutual Funds	2,062	1,986	1,863	3.8%	10.7%
Pension Funds	1,500	1,507	1,565	-0.5%	-4.1%
Saving Insurances	1,132	1,095	1,089	3.4%	3.9%
WHOLESALE FUNDING (capital markets)	5,079	5,098	5,747	-0.4%	-11.6%
Covered Bonds (non-retained)	4,817	4,817	5,421	0.0%	-11.1%
Bonds and EMTNs	95	95	95	0.0%	0.0%
Wholesale Promissory Notes	167	187	231	-10.6%	-27.8%
TOTAL FUNDS	34,506	34,550	34,474	-0.1%	0.1%

Customer funds total 29,428 million euro, and grow +2.4% in the last twelve months (-0.5% in June 2016).

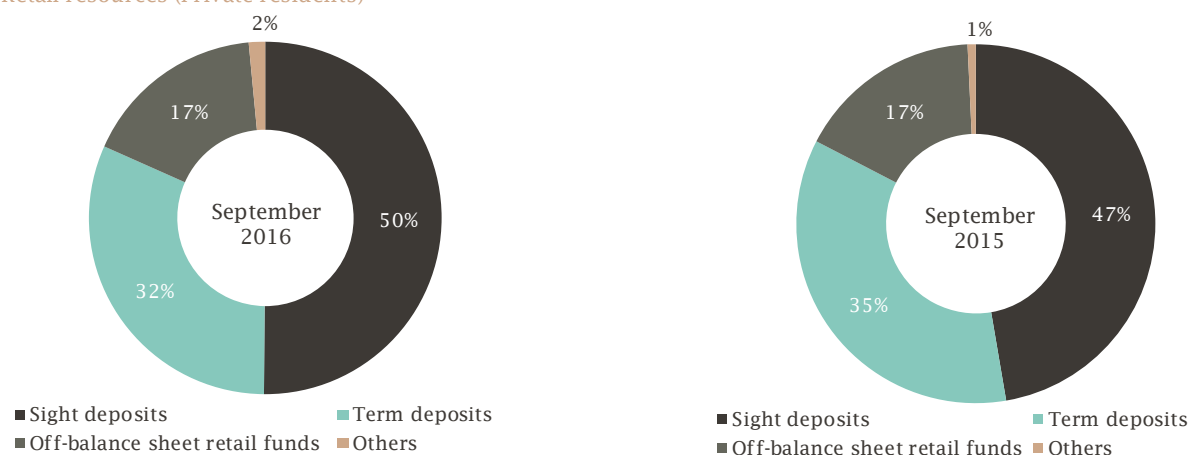
Demand deposits increase by 8.9% YoY, while term deposits decline -8.2% YoY.

Off-balance sheet customer funds keep growing (+3.9% YoY), particularly mutual funds (+10.7% YoY), and savings insurances (+3.9% YoY).

Liberbank Group is the deposit market leader within its natural regions, with market shares reaching 35% in some regions.

Regarding wholesale funding, the highlight is the maturity of 505 million euro covered bonds this year.

Retail resources (Private residents)



Retail resources: Sight deposits, Term deposits, promissory notes and repurchase agreements (private residents).

Gross loans

In € Million	30/09/2016	30/06/2016	30/09/2015	% QoQ change	% Annual change
CREDIT TO PUBLIC ADMINISTRATIONS	1,256	1,352	1,235	-7.1%	1.7%
CREDIT TO PRIVATE SECTORS	22,331	22,961	23,535	-2.7%	-5.1%
Productive activity financing	7,699	7,887	8,342	-2.4%	-7.7%
Developers	1,904	1,955	2,703	-2.6%	-29.6%
Civil works	153	140	310	9.0%	-50.8%
Other corporates	5,642	5,792	5,329	-2.6%	5.9%
Household financing	14,315	14,469	14,882	-1.1%	-3.8%
Housing purchases and rehabilitation	13,656	13,773	14,213	-0.9%	-3.9%
Consumer Financing and others	659	696	669	-5.3%	-1.5%
Demand debtors and others	317	605	311	-47.6%	2.1%
LOANS	23,587	24,313	24,769	-3.0%	-4.8%
of which: Non Performing Loans	3,829	4,169	5,215	-8.2%	-26.6%
of which: APS Loans	2,042	2,326	3,168	-12.2%	-35.5%
NON APS LOANS	19,758	20,144	19,554	-1.9%	1.0%

Gross credit decreases -3.0% QoQ, affected by seasonal factors (which have an impact on "Demand debtors and others", -47.6% QoQ), by non-performing assets (-8.2% QoQ), and by Public Administration (-7.1% QoQ).

The performing credit increase of +1.0% in the last twelve months was driven by new formalizations.

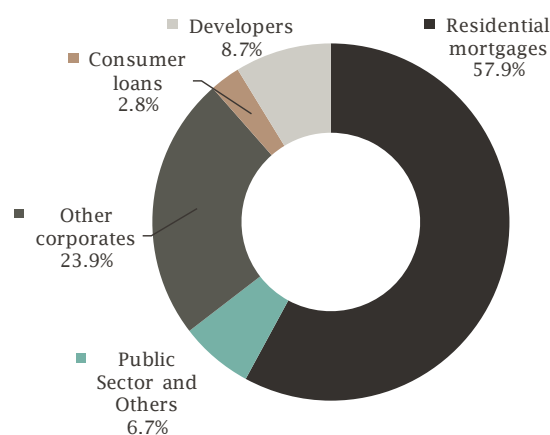
New credit amounted to 3,053 million euros (+53.0% YoY), with growth mostly concentrated in household loans (70.6% YoY), both in mortgages and in consumer financing.

Mortgages new production is growing 72.6% YoY, which means a significant national market share

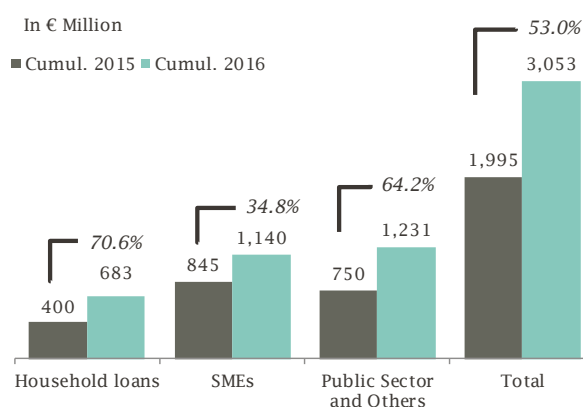
increase, close to 3% (source: General Council of Notaries, August figures). There is an increasing preference for fixed rate mortgages representing 33% of those granted in September. Consumer credit is also increasing significantly (65.0% YoY). In this case, the offer involves products with competitive rates, that require customer engagement, and which guarantee a low risk profile.

The credit portfolio has a retail approach with a high level of guarantees (80.0% of the whole portfolio). Household financing is the main portfolio (60.7% of the whole portfolio).

Non APS gross loans sector breakdown



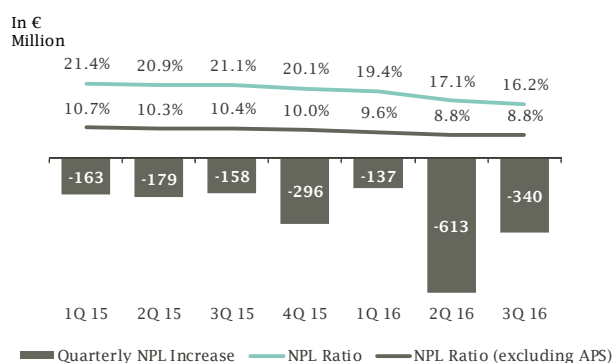
Cumulative Lending Operations



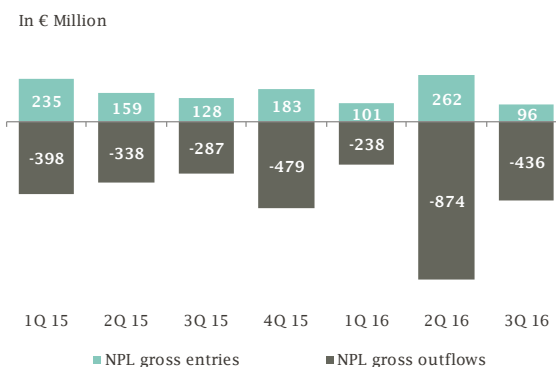
NPL Evolution

In € Million	NPL			NPL Ratio		
	30/09/2016	QoQ ch.	YTD ch.	30/09/2016	% QoQ ch.	% YTD ch.
PRODUCTIVE ACTIVITY FINANCING	2,893	-297	-998	37.4%	-2.9%	-9.9%
Real Estate development	1,707	-89	-607	89.6%	-2.2%	-3.2%
of which: APS	1,546	-75	-588	96.1%	-1.9%	-1.5%
Civil works	11	0	-159	7.2%	-0.8%	-48.9%
Other corporates	1,176	-208	-233	20.7%	-3.0%	-5.2%
HOUSEHOLD FINANCING	895	-43	-86	6.2%	-0.2%	-0.4%
Housing purchase and rehabilitation	858	-2	-31	6.3%	0.0%	0.0%
Consumer Financing and others	37	-41	-55	5.6%	-5.6%	-8.0%
DEMAND DEBTORS AND OTHER RISKS	41	0	-6	2.7%	0.5%	-0.5%
TOTAL CREDIT TO OTHER SECTORS	3,829	-340	-1,090	16.2%	-0.9%	-3.9%
of which: APS	1,927	-311	-844	94.4%	-1.9%	1.2%
TOTAL CREDIT TO OTHER SECTORS (excluding APS)	1,902	-29	-246	8.8%	0.0%	-1.2%

NPL ratios and Quarterly NPL increase



NPL entries and outflows



The non-performing loans amount to 3,829 million euros, of which 1,927 million euros are included in the portfolio covered by the Asset Protection Scheme (APS).

The reduction of impaired loans reaches -340 million euros during the third quarter. The NPL entries, 96 million euros, the lowest in the last seven months, have contributed significantly to such decrease.

Therefore, the non-APS NPL ratio³ stands at 8.83%, +5 bps over that of June. This slight increase is due to the fall of credit, which increases the NPL ratio (+18 bps), meanwhile the reduction of non-performing loans puts downward pressure on the NPL ratio (-13 bps).

³ Resulting from the quotient of no-APS impaired gross customer loans (excluding value adjustments and debts included in the reserved balance under the

"Other financial liabilities" heading), and non-APS gross customer loans.

Foreclosed Assets

(excluding Real Estate investments)

Gross Value, In € Million	30/09/2016	30/06/2016	30/09/2015	% QoQ ch.	% YTD ch.
Finished houses	909	937	1,158	-3.1%	-21.5%
Houses under construction	439	438	361	0.4%	21.6%
Offices, premises, warehouses and other buildings	443	442	449	0.3%	-1.3%
Land	988	993	981	-0.5%	0.7%
TOTAL	2,780	2,810	2,950	-1.1%	-5.8%
of which APS	2,039	2,079	2,251	-1.9%	-9.4%

NPL and Foreclosed Assets coverage

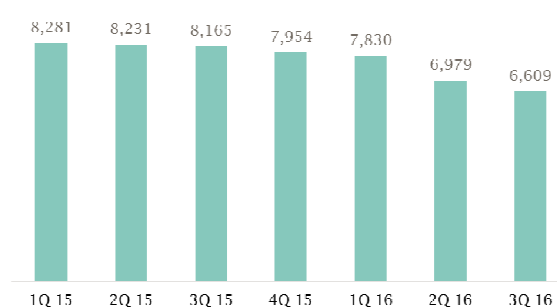
	30/09/2016	30/06/2016	30/09/2015	% QoQ ch.	% YTD ch.
NPL	3,829	4,169	5,215	-340	-1,386
Impairment losses	1,374	1,593	2,170	-219	-796
Available APS allocated to credit	346	318	375	29	-29
NPL coverage ratio	45%	46%	49%	-1%	-4%
Foreclosed Assets	2,780	2,810	2,950	-31	-170
Impairment losses	1,175	1,180	1,214	-5	-39
Available APS allocated to foreclosed assets	74	131	190	-57	-116
Foreclosed assets coverage ratio	45%	47%	48%	-2%	-3%
NPL and foreclosed assets	6,609	6,979	8,165	-371	-1,556
Impairment losses	2,549	2,773	3,384	-224	-835
Available APS	420	448	566	-28	-145
NPL and foreclosed assets (net)	3,639	3,758	4,216	-119	-576
Impaired assets coverage ratio	45%	46%	48%	-1%	-3%

The credit loss allowances amount to 1,374 million euros, to which 346 million euros of APS available funds are added, resulting in a NPL coverage ratio of 45%⁴. This ratio is conditioned by the high weight of the mortgage portfolio, which requires a lower level of coverage.

The foreclosed allowances amount to 1,175 million euros, to which 74 million euros of APS available funds are added, resulting in a NPL coverage ratio of 45%⁵.

Non-performing assets continue to shrink, and accumulated in the last twelve months a decrease of -1,556 million euros (-19.1%), -371 million in the last quarter (-5.3%).

NPL and foreclosed assets evolution



⁴ Defined as customer credit loss allowances plus APS available allocated to credit divided by the non-performing customer credit.

⁵ Defined as foreclosed assets loss allowances plus APS available allocated to foreclosed assets, divided by the gross foreclosed assets.

Profit and loss account

In € Million	30/09/2016	30/09/2015	% Annual change
Financial income	461	581	-20.6%
Financial expenses	123	209	-41.4%
NET INTEREST INCOME	339	371	-8.8%
Dividends	3	1	148.9%
Results from equity method stakes	20	85	-76.1%
Net fees	137	134	1.8%
Gains (losses) on Financial Assets and Liabilities	267	196	36.4%
Other operating results	-22	-7	219.0%
GROSS MARGIN	744	781	-4.7%
Administrative costs	299	300	-0.5%
Staff costs	185	190	-2.4%
Other general administrative costs	113	110	2.9%
Amortizations	27	29	-6.1%
PRE-IMPAIRMENT INCOME	418	452	-7.5%
Provisions	25	129	-80.9%
Impairment losses on financial assets (net)	203	120	68.6%
Impairment losses on other assets (net)	6	1	583.6%
Other profits or losses	-64	-26	147.4%
PRE-TAX INCOME	121	176	-31.5%
Income tax	30	15	105.5%
CONSOLIDATED NET PROFIT	90	161	-44.0%
ATTRIBUTABLE NET PROFIT	100	167	-40.0%

Source: Profit and loss consolidated account.

Income Statement Quarterly Evolution

In € Million	3Q 2015	4Q 2015	1Q 2016	2Q 2016	3Q 2016
Financial income	180	177	164	151	146
Financial expenses	60	54	48	40	35
NET INTEREST INCOME	120	123	116	111	111
Dividends	0	5	0	1	2
Results from equity method stakes	2	4	-1	21	0
Net fees	43	48	49	45	43
Gains (losses) on Financial Assets and Liabilities	35	-3	184	48	36
Other operating results	-3	-45	-17	-3	-2
GROSS MARGIN	197	133	331	223	190
Administrative costs	99	97	98	103	98
Staff costs	64	68	61	62	62
Administrative costs	35	29	37	40	36
Amortizations	10	9	9	9	10
PRE-IMPAIRMENT INCOME	88	27	224	111	83
Provisions	4	54	102	-91	13
Impairment losses on financial assets (net)	36	99	70	105	28
Impairment losses on other assets (net)	0	0	0	4	2
Other gains or losses	-7	-9	-4	-61	1
PRE-TAX INCOME	40	-135	48	32	41
Income tax	0	-86	14	3	13
CONSOLIDATED NET PROFIT	40	-49	33	30	27
ATTRIBUTABLE NET PROFIT	42	-38	38	35	27

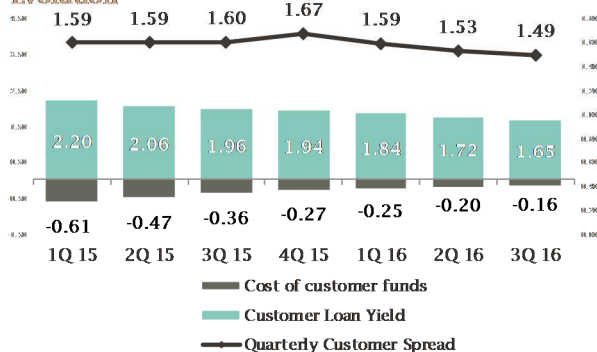
Source: Profit and loss account. 2015 accounts were restated in application of IFRIC 21 for comparative purposes.

Quarterly contribution to the net interest income

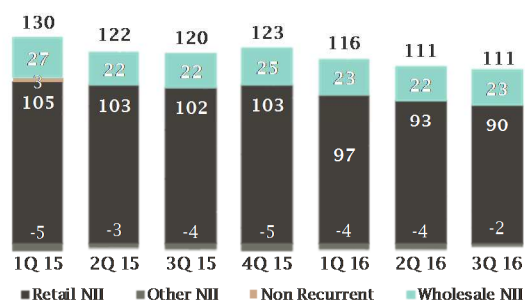
In € Million	1Q 15	2Q 15	3Q 15	4Q 15	1Q 16	2Q 16	3Q 16
Financial income	212	189	180	177	164	151	146
Financial expenses	82	67	60	54	48	40	35
NET INTEREST INCOME	130 *	122	120	123	116	111	111

* Includes 3 million € of non recurrent interest income

Customer Recurrent Spread Evolution



Net interest income evolution by business lines



The net interest income stands at 111 million euros, the same amount as in the previous quarter.

The customer spread narrowed slightly to 1.49%, -4 bps less than in the second quarter, as the reduction of the retail financial costs (-4 bps) cannot compensate for the decline in financial income (-7 bps), which is affected by the lower interest rates.

The average price of new term deposits for the last quarter declines, reaching 0.11% in September.

However, on the assets side financial income from new credits remains stable (1.82%) and coming closer to the performing portfolio (1.85%).

	3Q 2015			4Q 2015			1Q 2016			2Q 2016			3Q 2016		
	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	25,139	2.0	123	24,674	1.9	120	24,492	1.8	113	24,386	1.7	105	23,967	1.7	99
of which: performing	19,782	2.4	117	19,647	2.3	112	19,634	2.2	107	19,974	2.0	98	19,885	1.8	92
Retail FE	24,246	0.4	22	24,113	0.3	16	23,903	0.3	15	24,039	0.2	12	24,423	0.2	10
Sight	12,665	0.1	2	13,027	0.1	2	13,217	0.1	2	13,459	0.0	1	13,962	0.0	1
Terms	10,541	0.7	19	9,543	0.6	14	9,552	0.5	12	9,444	0.4	11	9,166	0.4	8
Others	1,040	0.4	1	1,544	0.2	1	1,134	0.3	1	1,136	-0.1	0	1,295	0.1	0
Wholesale FI	13,193	1.7	56	13,157	1.7	55	12,687	1.6	49	12,341	1.4	44	12,676	1.3	42
of which: fixed income	12,811	1.7	55	12,832	1.7	55	12,280	1.6	49	11,890	1.5	43	12,137	1.4	42
Wholesale FE	13,184	1.0	34	13,255	0.9	31	12,964	0.8	27	12,675	0.7	22	12,384	0.6	18
Financial Institutions	6,406	0.1	1	6,682	0.0	0	6,972	0.0	-1	6,996	-0.1	-2	6,665	-0.3	-5
Repos PS and PA	250	0.1	0	213	0.2	0	215	0.2	0	247	0.1	0	268	0.0	0
Covered bonds	5,982	1.9	29	5,708	1.9	28	5,255	1.9	24	4,966	1.7	21	4,925	1.7	21
Bonds and others	547	2.6	4	652	2.0	3	522	2.4	3	466	2.5	3	527	2.1	3
Other FI & FE			-4			-5			-4			-4			-2

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

Fees

In € Million	1Q 2015	2Q 2015	3Q 2015	4Q 2015	1Q 2016	2Q 2016	3Q 2016	% Annual change
FEES RECEIVED	50	44	45	50	51	46	46	2.7%
Contingent liabilities	2	2	2	2	2	1	1	-12.9%
Contingent commitments	1	0	0	0	0	0	0	-40.3%
Collections and payments	19	19	20	21	19	20	20	2.2%
Securities services	2	1	1	1	1	1	1	-25.8%
Non banking financial products	11	9	9	14	13	11	11	22.8%
Others	16	14	12	13	15	12	12	-4.5%
FEES PAID	1	2	1	2	2	2	2	28.6%
NET FEES	48	43	43	48	49	45	43	1.8%

Source: Profit and loss account and own preparation

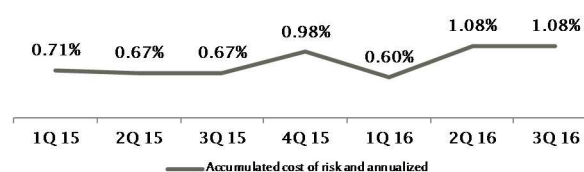
The contribution of fee income to the third quarter amounts to 43 million euros, similar to the third quarter 2015. The YoY variation stands at +1.8%, driven by non-banking financial products (+22.8%).

“Gains (losses) on financial assets and liabilities” reach 267 million euros in 2016, obtained from fixed income sales (259 million euros) and equities sales (8 million euros).

“Other operating results (net)” amount to -22 million euros. This item includes, amongst others, -11 million euros as the contribution to the Single Resolution Fund (SRF), -10 million euros as levy, related to the monetizable deferred tax assets (accrued in 2016 for the first time), and -7 million euros due to the deposits tax. The remaining costs and income are originated in non-financial services provided by other companies belonging to the Group. YoY variation (-15 million euros) is affected by the contribution to the SRF, which replaces the contribution to the National Resolution Fund (NRF) that was accounted for in the fourth quarter in 2015. And it is also affected by the levy related to monetizable deferred tax assets, which has been initially accounted for in 2016.

“General administration costs” and “Depreciation” show a decrease of -1.0%

Evolution of Cost of Risk



compared to the same period of 2015, mainly as a consequence of the staff costs reduction (-2.4%). “Administrative cost” includes strategic project costs (8 million euros, 7% of the total amount). The positive result in terms of efficiency and productivity improvement, will be reflected in the coming years.

“Provisions” amount to 25 million euros, and have been mainly allocated to cover legal contingencies. This provisions have been calculated according to the Bank estimates, based on its legal advisors’ opinion. A significant impact derived from these legal contingencies It is not expected.

Credit allowances dropped sharply in the third quarter (27 million euro), amounting to 202 million euro in the year. The annualized cost of risk⁶ stand at 1.08% of the loan book (0.55% excluding non-recurrent provisions). It should be recalled that credit allowances of first and second quarter included provisions of non-recurrent collective funds.

“Other gains or losses” has not registered significant variations in the third quarter.

The attributable net profit amounts to 100 million euro, meaning a quarterly contribution of 27 million euro.

Loan Impairments



⁶ Resulting from the quotient of Credit annualized impairment losses and Gross loans.

Solvency (Basel III phased-in*)

In € Million	30/09/2016	30/06/2016	30/09/2015	Quarterly Change	Annual Change
CET 1 COMMON EQUITY TIER 1	2,197	2,151	2,229	47	-31
Common equity Tier 1 (%)	13.9%	13.6%	13.7%	0.3%	0.2%
CAPITAL LEVEL 1/ TIER 1	2,227	2,182	2,304	45	-77
Total TIER 1 (%)	14.1%	13.8%	14.2%	0.3%	-0.1%
TOTAL CAPITAL	2,227	2,182	2,304	45	-77
Solvency ratio (%)	14.1%	13.8%	14.2%	0.3%	-0.1%
RISK WEIGHTED ASSETS	15,826	15,794	16,272	32	-446
LEVERAGE RATIO	5.5%	5.3%	5.5%	0.2%	0.1%

* Pro-forma including interim financial results

Including interim results, Liberbank's CET 1 Common Equity Tier 1 stands at 13.9% as of 30 September 2016, Capital Tier 1 at 14.1% and Total Capital at 14.1%. In addition, the leverage rate reaches 5.5%.

The Share

The fifth period for voluntary conversion of CoCos into equity ended on October 14th, 2016. Holders of 15,356 CoCos with a nominal value of 10€ per bond, requested to convert them into shares. This resulted in 1.5 million euros of shareholder's equity.

Regarding the average weighted prices of the shares, and the minimum and maximum limits provided, 110,981 new shares were issued, representing 0.012% of the outstanding shares.

Market Information

3Q2016

Number of shares outstanding	909,175,843
Daily average trading (shares number)	1,824,489
Daily average trading (euros)	1,268,005
Maximum Share price (euros)	0.81
Minimum Share price (euros)	0.53
Price at year end (euros)	0.75
Market capitalization at year end (euros)	680,063,531

The Rating

Fitch. On May 5th, 2016, 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 20th, 2016, the agency placed the long term rating of Liberbank as BBB (low), and a short term rating of R2 middle, both with stable perspective. On May 16th, 2016, DBRS revised the covered bonds rating, keeping it at A high.

Moody's. On 6th October, 2016, assigned Liberbank a Baseline Credit Assessment (BCA) rating of b1. The long term rating of deposits and unsecured senior debt stayed at B1. Covered bonds rating remains at A2 since June 2015.

New Commercial Plan

In the third quarter the implementation of the new Commercial Plan has continued. The transformation works have spread to the cities of Oviedo, Gijon and Caceres.

The new branches' activity is supported by several initiatives, aiming to show the renewed facilities and resources that Liberbank has made available for customers.

Among the activities to be highlighted are meetings with private banking customers, and with companies, where the economic situation and the developments in financial markets, especially that of mutual funds, were analyzed. Those attending the meetings were able to see the renovated facilities and the new self-service (ATMs and Liberfacil) and information devices (*video walls*).