Financial Report

2014 Second Quarter

Legal Notice

1.

Macroeconomic Environment

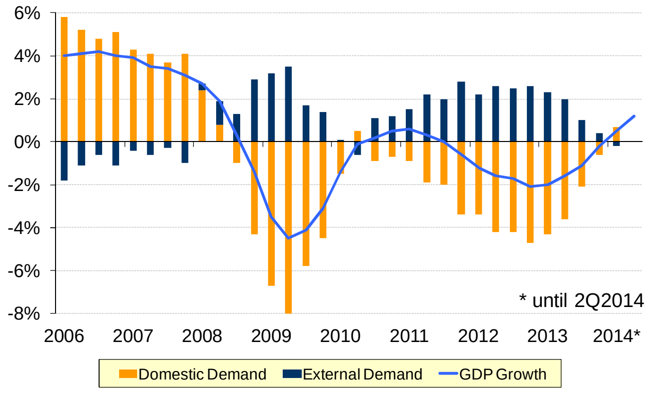
The global economy moderated its growth during the first half of 2014 more than expected (2.75% annual rate, source IMF). The economies of the developed countries were the main drivers, while the emerging markets showed a worse evolution. The current forecasts suggest that the global activity pace will tend to accelerate during the last two quarters of 2014, reaching a 3.4% growth at year end, its best data since 2011 (source: IMF, July 2014 Report).

The recovery in the **Eurozone** has been gradual, and the expected growth at the year-end is 1.1% (source: IMF, July 2014 Report). During the first quarter, the GDP rose by 0.9% YoY, driven by internal demand and investments in machinery and equipment. Most of the activity and confidence indicators showed a slight improvement during the second quarter of the year. A country analysis shows a divergent pace of economic performance: German GDP still increases (0.8% QoQ and 2.3% YoY in 1Q 2014), as in Spain (0.4% QoQ and 0.5% YoY), while other countries have returned to zero growth or even negative growth, such as France (0% QoQ and 0.7% YoY) or Italy (-0.1% QoQ and -0.5% YoY). Inflation remains low (0.5%), confirming the weakness of the price growth. This situation led the ECB to adopt a package of measures of expansive monetary policy and to improve the monetary transmission mechanisms.

In **Spain**, the economy rose by 1.2% YoY during the second quarter (source: INE), which could mean a 1.1% advance at the end of 2014, according to data given by the European Commission (1.5% according to the Government). The recovery gains intensity supported by internal demand, with special emphasis from private consumption and equipment investments; this caused an increase in imports, which has slowed down the correction of commercial deficit. Otherwise, exports declined, although robust growth rates are expected for the next months, helped by excellent results in the tourism sector.

GDP YoY variation and demand contribution

Source: INE



The figures for July reaffirm the improvement in the labor market. The number of affiliates to the Social Security increased in July for the eleventh consecutive month, reaching 16.7 million of affiliates. On the other hand, the unemployment decreased by 5.9% YoY, to 4,419,860 people. Unemployment amongst young people under 25 also declined (5.8% YoY).

The public accounts for the first quarter show a rise of the public debt to 96.8% of the GDP, an all-time high. The public deficit adjustment progresses slowly, reaching 2.5% of GDP in May, only one tenth below the total amount for 2013. This slight improvement is due to the rise of taxes, supported by significant progress in the economic activity. The autonomous communities' deficit is similar to 2013 (0.4% in April 2014 vs 0.3% in April 2013).

The inflation rate remains near zero (0.1% in June). The factors that are keeping these low inflation rates are food, non-alcoholic beverages and the electric energy.

Up to the end of May 2014, 141,128 homes were sold, according to data from the General Council of Notaries, which indicates an increase of 27% from the first five months of 2013.

The activity of Liberbank takes place mainly in the **Autonomous Communities of Principado de Asturias, Cantabria, Castilla La Mancha, Extremadura and Madrid**.

In **Asturias,** the main sectors are services and industry (36% and 19% respectively of the Gross Value Added (GVA), 2013 last available data according to INE), while construction has a lower prominence in this region when compared to the rest of the country. The job destruction pace has slowed down in 2014. With the data of the Labor Force Survey (EPA), the relative growth in the QoQ employment rate is 0.98% in June 2014. According to Hispalink estimates, 2014 will be a turning point, since a slight GDP recovery around 0.5% is expected.

The economy in **Cantabria** is mainly focused on the industry sector (20% of the regional GVA in 2013). Another regional economic driver of the region is external trade, thanks largely to the Port of Santander. As in other northern Autonomous Communities, the level of real estate development exposure was less extensive and the unemployment rate remains below the national average. According to the Labor Force Survey, the rate of inter-quarterly variation of employment level in June 2014 reaches 2.39% and also has the third highest annual variation of employment at national level, with 4.59%.

In **Castilla La Mancha** the primary sector has traditionally played an important role (6.8% vs. 2.4% in Spain). However, in the last few years, the service sector has gained ground as the new driving force of the region's economy. The relative weight of the construction sector still remains high (9.1% of the regional GVA in 2013). Most of the required adjustments in the number of unsold houses, and pricing, are completed. And the proximity to Madrid will foreseeingly reduce the still high amount of stock. According to the Labor Force Survey, the rate of inter-quarterly variation in June 2014 reaches 1.60%.

The activity of **Extremadura** is characterized by a significant weight of the primary sector (5.4% of the regional GVA in 2013) and the public sector (27.1% of the regional GVA in 2013). Construction and SMEs are the pillars of this economy, which is developing a nascent trade with Portugal. This economy still shows a high level of dependence on the tertiary sector. Extremadura is the community with the second highest inter-quarterly growth of the employment rate, 4.42%, source: second quarter of 2014 Labor Force Survey.

The Autonomous Community of **Madrid** has turned into the most dynamic region of Spain, with a cumulative growth above the national average, which has positioned it among the exclusive group of the 25 most prosperous regions in Europe. The region maintains its leadership in foreign investment, accounting for 55% of Spain's total. Construction adjustment seems more advanced than in other regions. The unemployment rate has constantly been lower than the Spanish one. There is a considerable reduction of the unemployment rate during the second quarter of 2014, down to 19%. According to the Labour Force Survey (EPA), Madrid is the Autonomous Community with the second highest employment rate, six points above the average.

The **Spanish banking sector** first half results are getting closer to normalization, with less extraordinary items, and two positive notes: the recovery of the net interest income, through reduction of financial costs, and the decline, still light, of the nonperforming ratio. Impairment losses still remain high.

Equally remarkable is the recovery of the credit activity, facilitated by the bank restructuring process. This new loans reactivation contributed to slow the pace of contraction of the outstanding credit volumes, getting down to 7.5% YoY in May (7.7% in April).

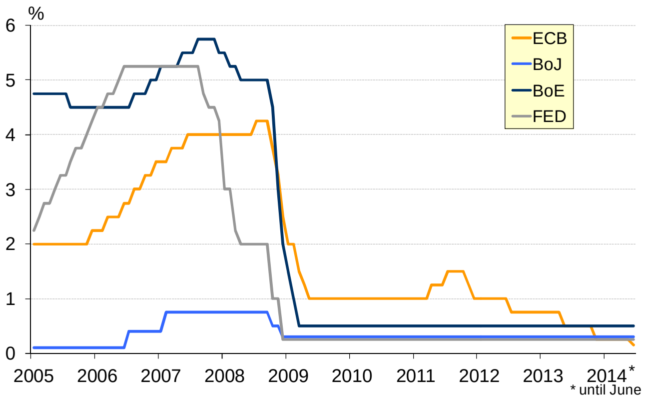
The NPL rate shows a little spike in April, reaching 12.70% for the whole system, just to fall again to 12.61% in May. It is noticeable the sharp increase in the non performing rate in households during the first quarter, which reaches 7,0%.

Regarding customer funds, there is a mild increase of the private sector deposits (2.8% in May), particularly in companies' deposits and in the sight deposits category. On the other hand, the fall in term deposits continues, but favouring a rise in investment funds.

During 2013, the banking sector strengthened its solvency, registering an aggregated core capital ratio of 11.5%.

Stability has returned to the interbank market rates in the euro zone. Since the ECB non conventional measure package has been known (TLTROs among others), and after the relaxation expectations of the monetary policy of the ECB in mid July were confirmed, Euribor 3m stands at 0.20% and Euribor 12m at 0.49%.

Key Interest Rates
Source: Central Banks



In the **capital markets**, during the first half of year the major European stock market indices continued to perform positively. The IBEX-35 index accumulated return over the first half of year stands at 6.2%, against 1.3% of Euro Stoxx 50 and 3% of Dow Jones.

The combination of economic growth coupled with the expansionary actions or messages of the central banks had a strong influence in the markets.

2.

Key indicators

Key Indicators

In € Million	30/06/2014	31/12/2013	30/06/2013	% HY change	% Annual change
BALANCE SHEET					
Total Assets	45,024	44,546	46,791	1.1%	-3.8%
Gross Loans	27,738	28,385	30,159	-2.3%	-8.0%
Retail Funds	30,273	29,358	28,971	3.1%	4.5%
Shareholder's Equity	2,215	1,511	1,488	46.6%	48.8%
Total Equity	2,510	1,585	1,580	58.4%	58.8%
Loan to Deposits	93%	97%	106%	-4.4%	-12.9%
PROFIT AND LOSS ACCOUNT					
Net Interest Income	218	415	220		-1.1%
Gross Margin	572	881	478		19.6%
Pre-impairment Income	352	418	221		59.5%
Profit for the period	105	37	53		98.0%
Profit attributable to the Group	104	48	52		101.2%
RISK MANAGEMENT					
Non-performing Loans (NPL)	2,537	2,541	2,127	-0.1%	19.3%
Non-performing Loans (NPL) *(including assets protected by the APS)*	5,977	6,043	5,832	-1.1%	2.5%
Credit Loss Allowances	1,167	1,082	945	7.9%	23.5%
Credit Loss Allowances *(including assets protected by the APS)*	2,724	2,693	2,647	1.2%	2.9%
Foreclosed Assets *(net, not including APS)*	223	214	173	4.4%	29.2%
Non-performing Ratio	10.6%	10.4%	8.2%	0.2%	2.3%
Non-performing Ratio *(including assets protected by the APS)*	21.5%	21.3%	19.3%	0.3%	2.2%
NPL coverage Ratio	45.6%	44.6%	45.4%	1.0%	0.2%
NPL coverage Ratio APS portfolio *(including foreclosed assets and write-*	52.5%	52.5%	54.6%	0.0%	-2.1%
BANKING BUSINESS AND RESOURCES (Units)					
Employees	5,402	5,456	5,778	-1.0%	-6.5%
FTEs (Liberbank + BCLM)	4,105	4,059	4,106	1.1%	0.0%
Branches	1,072	1,072	1,157	0.0%	-7.3%
ATMs	1,401	1,403	1,462	-0.1%	-4.2%

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

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

In accordance with the new account rules since fourth quarter 2013, consolidated information was prepared integrating participated companies using the equity method (instead of the proportional method used before). This affects neither consolidated profit, nor Group's consolidated Total Equity, but results in some not noteworthy differences between the present document information and the information presented in the quarterly accounts.

3.

Financial evolution

Consolidated balance sheet

In € Million	30/06/2014	31/12/2013	30/06/2013	% HY change	% Annual change
Cash and Financial Institutions	727	692	984	5.1%	-26.1%
Loans	25,229	26,380	27,643	-4.4%	-8.7%
Fixed Income portfolio	13,840	12,433	13,047	11.3%	6.1%
Equity Securities	447	474	798	-5.5%	-44.0%
Financial Derivatives	235	108	76	118.0%	208.8%
Non current Assets held for sale	1,484	1,366	1,028	8.7%	44.4%
of which: Foreclosed Assets	1,456	1,337	1,000	8.9%	45.7%
Investments	310	312	254	-0.8%	21.8%
Tangible and intangible fixed Assets	736	747	771	-1.4%	-4.5%
Other Assets	2,015	2,036	2,189	-1.0%	-7.9%
TOTAL ASSETS	**45,024**	**44,546**	**46,791**	**1.1%**	**-3.8%**
Deposits by Credit Institutions and Central Banks	5,354	5,408	5,504	-1.0%	-2.7%
Customer Deposits	35,390	34,941	35,980	1.3%	-1.6%
Bonds and Promissory Notes	458	1,345	1,951	-65.9%	-76.5%
Subordinated Debt Securities	371	450	458	-17.6%	-19.1%
Other Financial Liabilities	286	214	384	33.2%	-25.6%
Financial Derivatives	44	85	94	-47.7%	-52.8%
Other Liabilities	611	519	839	17.7%	-27.2%
TOTAL LIABILITIES	**42,514**	**42,962**	**45,210**	**-1.0%**	**-6.0%**
Capital and Reserves	2,111	1,463	1,436	44.3%	46.9%
Attributable Net Profit	104	48	52	116.6%	101.2%
Valuation Adjustments	189	-20	-14		
Minority Interest	106	94	107	13.2%	-0.3%
TOTAL EQUITY	**2,510**	**1,585**	**1,580**	**58.4%**	**58.8%**
TOTAL EQUITY AND LIABILITIES	**45,024**	**44,546**	**46,791**	**1.1%**	**-3.8%**

During the second quarter of 2014, the drop in credit has slowed its pace (YoY variation in June of 8.7% vs. 11.6% in March 2014). This slow down has been possible thanks to a rebound in demand, which has allowed to increase the new production of credit operations, mainly to households and SMEs.

The fixed-income securities portfolio remains at the same level of the last quarter. Since the beginning of the year, its cumulative growth is near 1,400 million euros, concentrated in public debt instruments classified in the "Available-for-sale" portfolio.

The equity investment also remains stable after the sales done in 2013. In 2014, the only highlight is the sale of 5% of *Ence,* during the first quarter.

The customer's deposits show a moderate growth (1.3% Half Yearly change), supported by the strong performance of retail and Public Administrations deposits that offset the maturity of covered bonds (-300 million euros).

The loan-to-deposits ratio keeps improving and stands at 92.9% (97.3% in December 2013).

We also note that the maturity of covered bonds during the first half of the year (865 million euros) has contributed to decrease the funding costs and the dependency on the capital markets.

The most noticeable change is the rise of total equity, 58.4% after the second voluntary conversion of CoCos, which generated 62 million euros of Shareholder's equity in April, and the 575 million euros capital Increase closed in June.

Resources

In € Million	30/06/2014	31/12/2013	30/06/2013	% HY change	% Annual change
RETAIL FUNDS	**30,273**	**29,358**	**28,971**	**3.1%**	**4.5%**
RETAIL FUNDS ON BALANCE SHEET	**25,972**	**25,452**	**25,142**	**2.0%**	**3.3%**
Public Administrations	1,902	1,072	1,151	77.4%	65.2%
Retail customer funds (residents)	23,720	24,031	23,612	-1.3%	0.5%
Demand Deposits	11,851	11,558	11,694	2.5%	1.3%
Term Deposits	11,643	12,162	11,604	-4.3%	0.3%
Others (promissory notes and repurchase agreements)	225	311	313	-27.6%	-28.0%
Retail customer funds (nonresidents)	351	350	379	0.2%	-7.4%
OFF-BALANCE SHEET RETAIL FUNDS	**4,302**	**3,905**	**3,829**	**10.1%**	**12.3%**
Mutual Funds	1,666	1,225	1,211	36.0%	37.6%
Pension Funds	1,600	1,560	1,517	2.6%	5.5%
Savings Insurance	1,036	1,121	1,102	-7.6%	-6.0%
WHOLESALE FUNDS (capital markets)	**6,926**	**7,942**	**8,817**	**-12.8%**	**-21.5%**
Covered Bonds (unretained)	6,526	6,706	7,039	-2.7%	-7.3%
Bonds and EMTNs	188	1,053	1,652	-82.2%	-88.6%
Wholesale Promissory Notes	212	182	127	16.2%	67.1%
TOTAL FUNDS	**37,199**	**37,299**	**37,788**	**-0.3%**	**-1.6%**

Sources: Bank of Spain's Official Statements and Other Internal Information Sources. On-balance covered bonds are not included.

As of 2Q14, the retail funds increased 4.5% YoY.

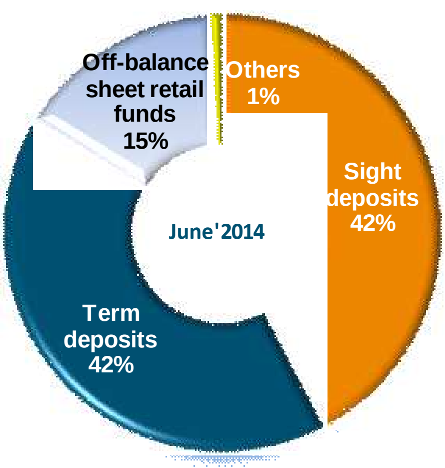
It is worth mentioning the strong increase in Public Administrations deposits (65.2% YoY) coupled with the increase of sight deposits (1.3% YoY).

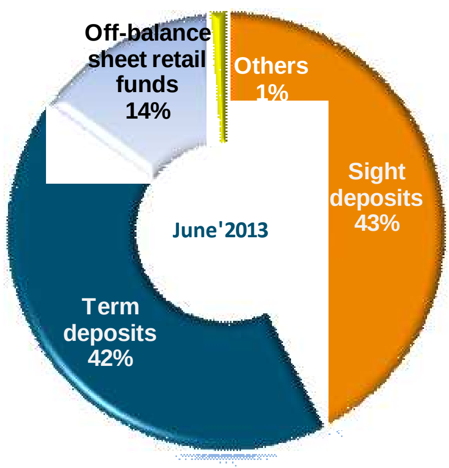
On the other hand, term deposits remain stable (0.3% YoY), despite the drop in the cost of the new production. Mutual funds show a significant growth (36% HY, 37.6% YoY).

In line with the Group's strategy, wholesale funding fell this year by 12.8%. A significant volume of marketable securities matured during the first half, thus reducing the financial costs.

The residual amount of bonds after these maturities is 188 million euros.

Retail resources (Private residents)





Gross loans

In € Million	30/06/2014	31/12/2013	30/06/2013	% HY change	% Annual change
LOANS	**27,738**	**28,385**	**30,159**	**-2.3%**	**-8.0%**
of which: APS Loans	3,760	3,932	4,329	-4.4%	-13.1%
NON APS LOANS	**23,978**	**24,452**	**25,830**	**-1.9%**	**-7.2%**

Non APS Gross loans

In € Million	30/06/2014	31/12/2013	30/06/2013	% HY change	% Annual change
CREDIT TO PUBLIC ADMINISTRATIONS	**1,379**	**1,339**	**1,438**	**3.0%**	**-4.0%**
CREDIT TO PRIVATE SECTORS	**22,599**	**23,113**	**24,386**	**-2.2%**	**-7.3%**
Productive activity financing	6,179	6,525	6,979	-5.3%	-11.5%
Developers	506	553	555	-8.5%	-8.9%
Civil works	306	306	351	0.1%	-12.8%
Other companies	5,368	5,666	6,073	-5.3%	-11.6%
Household financing	15,814	16,272	16,825	-2.8%	-6.0%
Housing purchases and rehabilitation	15,113	15,519	15,986	-2.6%	-5.5%
Consumer Financing and others	701	754	839	-6.9%	-16.4%
Demand debtors and others	605	316	582	91.4%	4.0%
LOANS	**23,978**	**24,452**	**25,824**	**-1.9%**	**-7.1%**
of which: Non Performing Loans	2,537	2,541	2,127	-0.1%	19.3%

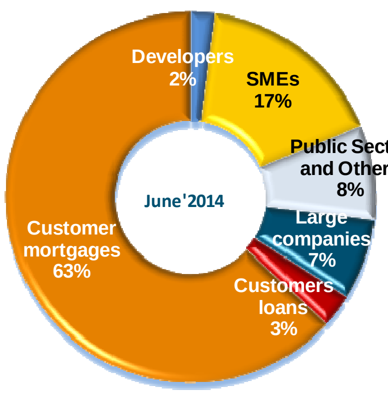
Sources: Bank of Spain's Official Statements and other Internal Information Sources.

The non-APS risk portfolio shows a high concentration in household financing (circa 66%), and low exposure to real estate developers (only 2% of the gross lending).

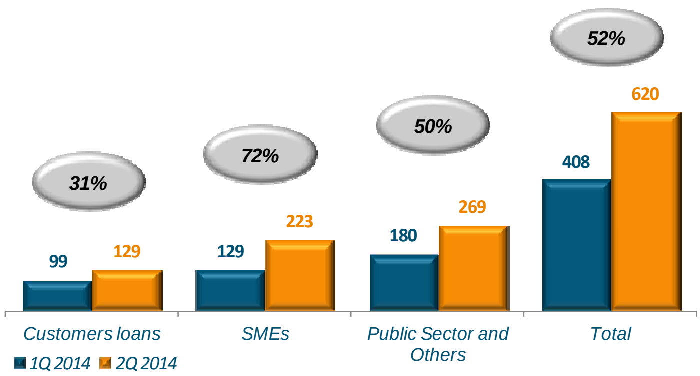
The deleveraging is slowing down (-8.0% vs. -9.4% at the end of the first quarter), as new production accelerates, showing a substantial growth during the second quarter (52% vs. first quarter). Since the beginning of the year, 18,765 lending operations were formalized, totaling 1,028 million euros.

The highest growth in lending operations is concentrated in the SMEs (72% QoQ).

Non APS gross loans private sector breakdown



Non APS gross loans private sector guarantee breakdown

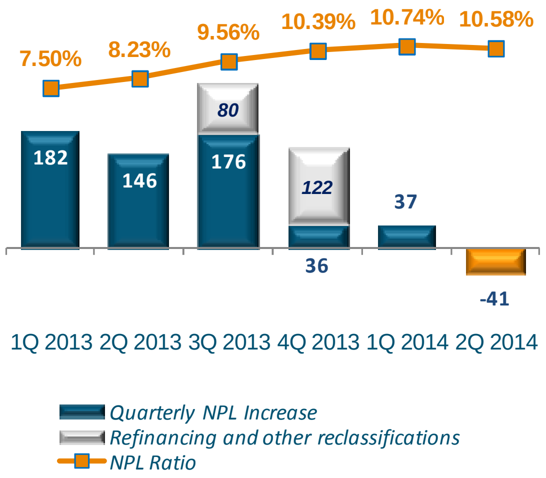


Credit Risk Analysis (excluding APS)

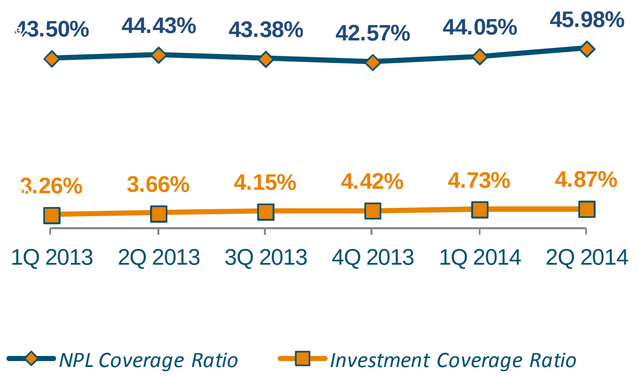
In € Million	NPL		NPL Ratio		Coverage Ratio	
	June'14	Annual ch.	June'14	Annual ch.	June'14	Annual ch.
PRODUCTIVE ACTIVITY FINANCING	**1,639**	**-40**	**26.5%**	**0.8%**	**56.1%**	**5.9%**
HOUSEHOLD FINANCING	**880**	**37**	**5.6%**	**0.5%**	**26.9%**	**-1.5%**
Housing purchase and rehabilitation	821	41	5.4%	0.4%	23.0%	-0.7%
Consumer Financing and others	59	-3	8.4%	2.7%	81.0%	-6.1%
DEMAND DEBTORS AND OTHER RISKS	**18**	**-1**	**0.9%**	**-0.6%**		
TOTAL CREDIT TO OTHER SECTORS	**2,537**	**-4**	**10.6%**	**0.2%**	**46.0%**	**3.4%**

Sources: Bank of Spain's Official Statements and other Internal Information Sources.

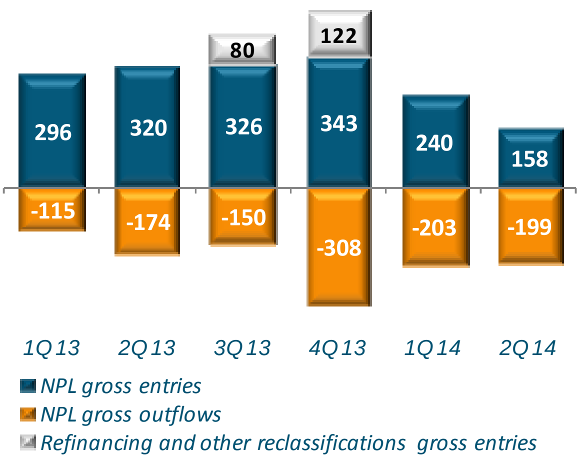
NPL ratios and Quarterly NPL increase (excluding APS).



Risk coverage ratio of NPL and gross loans (excluding APS)



NPL Entries and exits



In € Million	1Q 13	2Q 13	3Q 13	4Q 13	1Q 14	2Q 14
Non performing period start	**1799**	**1981**	**2127**	**2384**	**2541**	**2578**
NPL gross entries	296	320	326	343	240	158
NPL gross outflows	*-115*	*-174*	*-150*	*-308*	*-203*	*-199*
of which write-offs	*-19*	*-17*	*-10*	*-106*	*-11*	*-23*
of which foreclosures	**-20**	**-31**	**-66**	**-27**	**-15**	**-30**
Non performing period end	**1981**	**2127**	**2384**	**2541**	**2578**	**2537**

During the second quarter of 2014, the total amount of Non-performing loans decreased by 41 million euros, and for the first time, the NPL outflows exceed the NPL entries.

The NPL ratio (ex APS) is 10.58%, below the banking sector average (12.6% in May. Source: Bank of Spain (BDE)).

Household financing risks maintain an NPL ratio of 5.6%, well below the average ratio for banking sector (7.0% in March 2014; source: BDE).

The risk coverage level stands at 46%, and it is affected by the high weight of the mortgage portfolio, which considering guarantees, requires a lower level of provisioning.

The APS portfolio amount reaches 3,440 million euros (including loans and credits), and it has a total risk coverage of 45.3% (excluding the available APS).

Profit and loss account

In € Million	30/06/2014	30/06/2013	% Annual change
Financial income	481	568	-15,4%
Financial expenses	263	348	-24,4%
NET INTEREST INCOME	**218**	**220**	**-1,1%**
Dividends	0	5	-94,0%
Results from equity method stakes	17	16	9,9%
Net fees	101	114	-11,6%
Gains (losses) on Financial Assets and Liabilities	265	132	
Other operating results	-30	-9	233,1%
GROSS MARGIN	**572**	**478**	**19,6%**
Administrative costs	200	235	-15,0%
Staff costs*	126	156	-19,5%
Other general administrative costs	74	79	-6,2%
Amortizations	20	22	-10,8%
PRE-IMPAIRMENT INCOME	**352**	**221**	**59,5%**
Provisions *	-5	6	**-192,8%**
Impairment losses on financial assets (net)	187	190	-1,9%
Impairment losses on other assets (net)	-8	0	
Other profits or losses	-41	9	
PRE-TAX INCOME	**138**	**33**	**310,9%**
Income tax	33	-19	
CONSOLIDATED NET PROFIT	**105**	**53**	**98,0%**
ATTRIBUTABLE NET PROFIT	**104**	**52**	**101,2%**

Source: Public Profit and loss consolidated account.

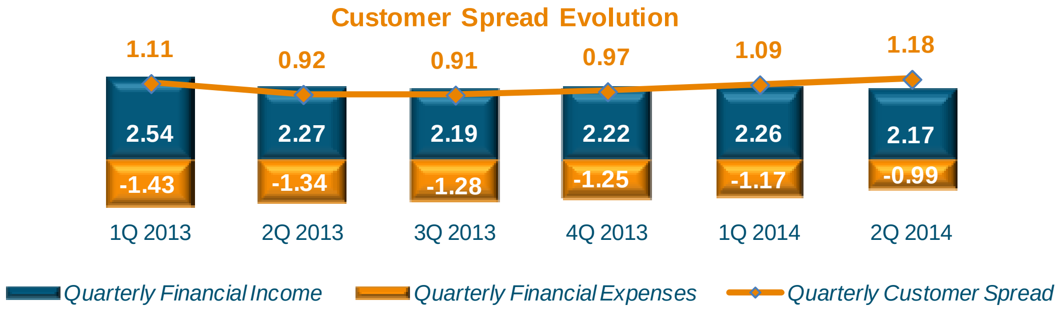
Income Statement Quarterly Evolution

In € Million	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014
Financial income	291	277	263	257	244	237
Financial expenses	184	164	168	157	141	122
NET INTEREST INCOME	**107**	**113**	**95**	**100**	**103**	**115**
Dividends	4	2	3	0	0	0
Results from equity method stakes	1	15	6	16	5	12
Net fees	74	40	44	57	50	50
Gains (losses) on Financial Assets and Liabilities	17	115	31	84	259	6
Other operating results	-3	-6	-5	-28	-17	-13
GROSS MARGIN	**200**	**278**	**172**	**231**	**401**	**171**
Administrative costs	124	111	100	87	98	102
Staff costs*	85	71	61	56	62	63
Administrative costs	39	40	39	31	36	38
Amortizations	11	11	10	9	10	10
PRE-IMPAIRMENT INCOME	**65**	**156**	**62**	**135**	**292**	**60**
Provisions*	0	5	10	-40	6	-12
Impairment losses on financial assets (net)	64	126	112	163	114	72
Impairment losses on other assets (net)	16	-16	2	-1	0	-8
Other gains or losses	37	-28	-18	24	-7	-33
PRE-TAX INCOME	**21**	**12**	**-80**	**37**	**164**	**-27**
Income tax	-10	-10	-34	7	47	-14
CONSOLIDATED NET PROFIT	**31**	**22**	**-46**	**30**	**117**	**-12**
ATTRIBUTABLE NET PROFIT	**33**	**18**	**-37**	**34**	**113**	**-9**

(*) A release of Early Retirement Funds and a charge related to a fund for voluntary redundancies accounted as lower personnel costs in the 1Q14 have been reclassified as lower "Provisions"

Quarterly contribution to the net interest income

In € Million	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014
Financial income	291	277	263	257	244	237
Financial expenses	184	164	168	157	141	122
NET INTEREST INCOME	**107**	**113** *	**95**	**100**	**103**	**115**



** Includes non-recurrent results*

The quarterly Net Interest Income is growing since the third quarter of 2013, thanks to the higher contribution of retail business and to the reduction of wholesale funding costs.

The customer spread (difference between loan average financial income and retail fund average financial costs) is growing, and stands at 1.18% in the second quarter of the year. The main driver for this growth is the cheaper funding coupled with slower loan repricing.

The wholesale business contribution to the net interest margin has been affected by fixed-income portfolio sales that generated a 255 million euros profit on trading.

Furthermore, wholesale expenses have been decreasing, due to the maturity of bonds and covered bonds, which are the most expensive funding instruments.

	1Q 2013			2Q 2013			3Q 2013			4Q 2013			1Q 2014			2Q 2014		
	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	Aver.bal	Rate	FI/FE
Retail FI	**33,132**	**2.54**	**210**	**31,507**	**2.27**	**178**	**30,509**	**2.19**	**167**	**29,645**	**2.22**	**165**	**28,119**	**2.26**	**159**	**28,176**	**2.17**	**153**
of which: performing	*26,562*	*3.04*	*202*	*25,359*	*2.73*	*173*	*24,294*	*2.64*	*160*	*23,426*	*2.69*	*158*	*22,076*	*2.72*	*150*	*22,110*	*2.66*	*147*
Retail FE	**24,649**	**1.43**	**88**	**25,151**	**1.34**	**85**	**25,130**	**1.28**	**81**	**25,603**	**1.25**	**80**	**25,065**	**1.17**	**73**	**24,984**	**0.99**	**62**
Sight	11,517	0.15	4	11,764	0.15	4	11,692	0.11	3	11,808	0.12	4	11,431	0.10	3	11,840	0.09	3
Terms	12,284	2.61	80	12,269	2.50	77	12,418	2.40	75	12,710	2.22	71	12,481	2.15	67	12,343	1.79	55
Others	848	1.62	3	1,118	1.21	3	1,020	1.10	3	1,085	2.20	6	1,153	1.30	4	801	2.07	4
Wholesale FI	**10,907**	**2.87**	**78**	**12,885**	**2.89**	**93**	**13,315**	**2.86**	**95**	**13,446**	**2.76**	**93**	**13,767**	**2.47**	**85**	**14,307**	**2.35**	**84**
of which: fixed income	*10,169*	*2.98*	*76*	*12,200*	*2.97*	*91*	*12,721*	*2.93*	*93*	*12,513*	*2.93*	*92*	*13,169*	*2.54*	*84*	*13,765*	*2.41*	*83*
Wholesale FE	**18,477**	**1.94**	**90**	**18,231**	**1.83**	**83**	**17,707**	**1.91**	**84**	**16,588**	**1.79**	**74**	**15,853**	**1.63**	**64**	**15,962**	**1.45**	**58**
Financial Institutions	6,366	0.81	13	6,969	0.51	9	6,698	0.62	10	6,594	0.46	8	6,497	0.34	5	6,544	0.35	6
Repos PS y PA	276	2.23	2	258	3.04	2	331	2.39	2	330	2.37	2	518	0.80	1	1,168	0.35	1
Covered bonds	8,615	2.28	49	8,394	2.21	46	8,402	2.20	46	7,770	2.26	44	7,384	2.25	42	7,215	2.26	41
Bonds and others	3,220	3.23	26	2,610	4.01	26	2,276	4.56	26	1,894	4.44	21	1,454	4.52	16	1,036	3.98	10
Other FI & FE			**-4**			**9**			**-3**			**-3**			**-3**			**-3**

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

FEES

In € Million	1Q-13	2Q-13	3Q-13	4Q-13	1Q-14	2Q-14	% Annual change
FEES RECEIVED	**82**	**47**	**51**	**70**	**53**	**53**	**-18.2%**
Contingent liabilities	3	2	2	2	2	2	-30.7%
Contingent commitments	1	1	1	1	1	1	3.3%
Foreign exchange	0	0	0	0	0	0	-21.0%
Collections and payments	23	23	24	23	22	22	-3.2%
Securities services	3	1	2	14	1	1	-42.0%
Non banking financial products	40	8	9	23	12	9	-57.6%
Others	13	12	12	8	15	18	36.6%
FEES PAID	**8**	**7**	**7**	**13**	**3**	**2**	**-68.2%**
NET FEES	**74**	**40**	**44**	**57**	**50**	**50**	**-11.6%**

Source: Profit and loss account and own preparation

Net **fees** amounted to 50 million euros in the second quarter, a decrease of -11.6% YoY, affected by non-recurrent items in the first quarter of 2013, arising under the agreement of exclusive distribution of general insurance products with CASER. Excluding the latter and other non-recurrent fees (of less significant amount), net fees income rose 1.9%.

The investments in various companies added a profit (both **dividends and results of entities accounted for using the equity method**) of 18 million euros, similar to the previous year (16 million euros).

Net **gains on financial assets** amounted to 265 million euro, arising from the sale of fixed income securities and equity stakes.

Staff and general costs absorb 35% of the Group's gross margin and decline 15.0%, as a result of labor adjustment measures, which will reduce labor costs by 25% (YoY base), and also thanks to an improve on Group's efficiency, which are helping to reduce overhead costs.

Impairments amount to 187 million euros and include 53 million euros of voluntary impairments of prudential nature, which will provide stability to future results (20 million euros were booked in the second quarter).

The **Attributable Net Profit** amounts to 104 million euros.

Solvency (Basilea III phased-in)

In € Million	30/06/2014	31/03/2014
CET 1 COMMON EQUITY TIER 1	2,370	1,749
Common equity Tier 1 (%)	13.9%	10.2%
CAPITAL LEVEL 1/ TIER 1	2,565	1,887
Total TIER 1 (%)	15.1%	11.0%
TOTAL CAPITAL	2,565	1,887
Solvency ratio (%)	15.1%	11.0%
RISK WEIGHTED ASSETS	17,030	17,131

Pro-forma Data, including first half results and the best information available of Risk Weighted Assets (June 30th).

New regulations on minimum capital requirements of financial institutions according to Basel III came into force on January 1st, 2014. On April 17, the European Banking Authority (EBA) announced the deferral of the first data transmission corresponding to the supervisory reporting, until June 30, to ensure that all reporting was based on the Implementing Technical Standards (ITS) that have entered into force.

Liberbank Group has reinforced remarkably its solvency level, thanks to the generation of earnings, risk control, voluntary conversion of bonds into shares and to the Capital Increase carried out during the second quarter of 2014. The latter two will be discussed later.

According to the new Basel III ratios (and including the earnings of 2014 and the Capital Increase), the Group reached a CET 1 Common Equity Tier 1 of 13.9% (minimum regulatory level of 4.5%), a Capital Tier 1 of 15.1% (minimum regulatory level of 6%), and a Total Capital of 15.1% (minimum regulatory level of 4.5%).

Second period for voluntary conversion open to CoCos holders

As scheduled, April 16 2014 was the last day of the second period for voluntary conversion of CoCos into equity. 6,185,739 CoCos with a nominal value of 10€ per bond, amounting to 62 million euros converted into shares.

71,954,049 new shares were issued, representing 4.98% of the outstanding shares.

Capital Increase

Liberbank carried out a 575 million euros capital increase during the second quarter, through a two-phased structure.

The first stage was a private placement of 373 million euros among qualified investors, using the Accelerated Bookbuilt Offering (ABB) process. Of this total amount, approximately 118 million shares were new issued shares, and 255 million shares were already outstanding and held by the Cajas.

The share price set in the ABB was 0.85 euros per share and increased the capital base by 100 million euros. The ABB execution allowed the entry of new strategic shareholders and generated a strong demand among institutional investors.

In the second stage, there was a capital increase with the recognition of preferential subscription rights for shareholders ("Capital Increase by Rights Issue"), which amounted to 475 million euros, 979 million new shares.

The subscription price was 0.485 euros per share, and 3 new shares for every 5 old shares ratio was set.

The total number of shares subscribed during the preferential subscription represented 796.9% of the total Capital Increase by Rights Issue.

The number of shares of Liberbank after the Capital Increase is 2,612,245,277, and the main shareholders are the following:

Main Shareholders	2Q2014
Cajastur	30.115%
Caja Extremadura	9.126%
Caja Cantabria	6.338%
Aivilo Spain	7.018%
Corporación Masaveu	5.568%

Liberbank share price closed the second quarter at EUR 0.699 per share. The average volume of daily trading is about 17 million shares. At the end of the second quarter, Liberbank's market cap amounted to 1,826 million Euros.

Market Information	2Q2014
Number of shares outstanding	2,612,245,277
Daily average trading (shares number)	17,492,594
Daily average trading (euros)	13,137,556
Maximum Share price (euros)	0.823
Minimum Share price (euros)	0.696
Price at year end (euros)	0.699
Market capitalization at year end (millions of €)	1,825,959,449