liberbank

Financial Report

2014 Third Quarter

Legal Notice

1.

Macroeconomic Environment

The financial perspectives of recent months regarding the global economy show a weaker than expected growth. The IMF predicts a variation for 2014 similar to that of 2013 (3.3% annual rate, source IMF's October 2014 report). They have also forecast a 3.8% growth in 2015. The main drivers of the world economy are U.S.A. and China, but the worsening trends in the evolution of the rest of the developed economies, and the economic slowdown experimented in some emerging economies (particularly, Latin America and Russia), are affecting the economic expectations for 2014.

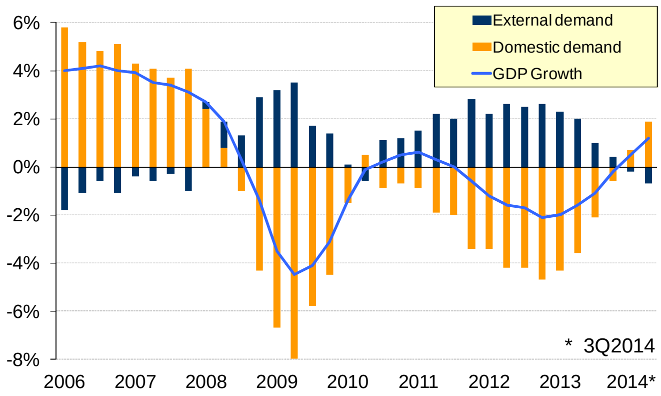
With regard to the **Eurozone,** the expected growth at year-end is 0.8% (source: IMF, October 2014 Report), and a growth not greater than 1.3% for 2015. For the last few months, the EU economy was almost stagnate, with some risk of deflation. Given this situation, the ECB has responded with new stimuli, cutting the interest rate down to 0.05% (a new historic low), penalizing the liquidity excess, making the banking sector pay for parking their funds at the ECB (a 0.20% fee). In addition, a new liquidity injection was approved relative to credit growth, together with a repurchase program for securitizations and covered bonds. With this strategy, the ECB takes a distance from other Central Banks, like the Bank of England, or the Federal Reserve, which have started an orderly withdrawal of the stimuli.

In **Spain**, the economy rose by 1.6% YoY during the third quarter (source: INE), which means four consecutive positive quarters. Forecasts for the rest of the year point to the continuity of this trend, but at a lower rate. A 2% GDP annual growth rate for the last quarter is expected (source: Banco de España), with a growth rate of 1.7% in 2015 (source: IMF).

The recovery of the Spanish Economy relies on internal demand. The growth of retail sales during August is the highest monthly growth since August 2012. On the other hand, there is a slight slowdown in the growth of external demand.

GDP YoY variation and demand contribution

Source: INE



In relation to the labor market, the number of affiliates to the Social Security increased in September by 0.07%, relative to the previous month, and by 2.18% on an annual rate (the higher annual rate since December 2007).

The advanced indicator of the GDP anticipates an annual rate of inflation of -0.2% by September, three tenths higher than the change registered in August. This improvement is due to the behavior of the price of food and non-alcoholic beverages, and the cost of electricity.

Finally, there are signs of stabilization in the housing market, with rates for house prices near zero or even slightly positive appearing for the first time in years. This nascent stabilization of house prices is accompanied by an increase in demand. House sales follow a path of growth, increasing during August by 13.9% annually.

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). Hispalink estimates a growth for both sectors in 2014 of 1.1%. The pace of job creation growths slightly with a YoY increase rate of 1.59% in September 2014 (source: Labor Force Survey (EPA)).

The economy in **Cantabria** is mainly focused on the industry sector (20% of the regional GVA in 2013) and the services sector (36% of the regional GVA in 2013). Hispalink foresees an annual growth of 1.1% in the industrial sector and 1.2% in the services sector for 2014. 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.

In **Castilla La Mancha**, agriculture and Livestock has traditionally played an important role (6.8%). However, in the last few years, the service sector has gained ground (28%). The relative weight of the construction sector still remains high (9.1% of the regional GVA in 2013). The forecasts of Hispalink assume positive annual rates for 2014 in the sectors of agriculture (0.9%) and services (0.8%), while construction decreases by 2.1%. According to the Labor Force Survey, the rate of inter-quarterly variation in June 2014 reaches 1.6%.

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), and services (29% of the regional GVA in 2013). Hispalink foresees a strong growth of agriculture for 2014 (5%), compared to 1.2% of the services sector. According to the Labor Force Survey, Extremadura is the community with the second highest inter-quarterly growth of the employment rate, 4.42%.

The economy of the Autonomous Community of **Madrid** is based on the services sector and has turned into the most dynamic region of Spain, with a cumulative growth above the national average. According to Hispalink data, the services sector will grow by 1.7% during 2014. According to the Labour Force Survey (EPA), Madrid is the Autonomous Community with the second highest employment rate, six points above the average, with an employment rate of 19%

The **Spanish banking sector** results for the third quarter keep the positive trend showed since the beginning of the year, through reduction of financial costs and the normalization of impairments. The banking bussiness remains weakened, but there are improvement signs with the growth of new loan production to SMEs.

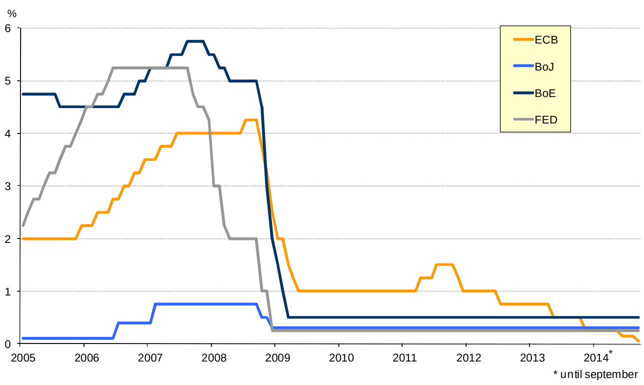
The volume of impaired assets is decreasing and the NPL ratio reaches 12.3% in July.

The banking sector keeps strengthening its solvency levels, in preparation for the new institutional framework imposed by the Single Supervisory Mechanism (SSM), which will enter into force the next 4 November.

An important landmark of the financial sector during the third quarter has been the first liquidity auction conditioned to the granting of credit (TLTRO), with a demand for funds of 82,600 million euros, below expectations. The second Auction will be held in December.

The improvement of the financial markets conditions and the low levels of systemic risk in Spain, have promoted a low interest rates scenario during the whole quarter.

Key Interest Rates
Source: Central Banks



2.

Key indicators

Key Indicators

In € Million	30/09/2014	31/12/2013	30/09/2013	% YTD change	% Annual change
BALANCE SHEET					
Total Assets	45,258	44,546	45,508	1.6%	-0.5%
Gross Loans	26,853	28,385	29,047	-5.4%	-7.6%
Retail Funds	30,522	29,358	28,520	4.0%	7.0%
Shareholder's Equity	2,205	1,511	1,451	46.0%	52.0%
Total Equity	2,603	1,585	1,587	64.3%	64.0%
Loan to Deposits	90%	97%	103%	-7.6%	-13.0%
PROFIT AND LOSS ACCOUNT					
Net Interest Income	339	415	315		7.7%
Gross Margin	749	881	651		15.1%
Pre-impairment Income	418	418	283		47.9%
Profit for the period	94	37	7		1186.1%
Profit attributable to the Group	98	48	14		580.4%
RISK MANAGEMENT					
Non-performing Loans (NPL)	2,503	2,541	2,384	-1.5%	5.0%
Non-performing Loans (NPL) *(including assets protected by the APS)*	5,916	6,043	5,995	-2.1%	-1.3%
Credit Loss Allowances	1,158	1,082	1,034	7.0%	12.0%
Credit Loss Allowances *(including assets protected by the APS)*	2,560	2,693	2,770	-4.9%	-7.6%
Foreclosed Assets *(net, not including APS)*	237	214	216	11.2%	10.1%
Non-performing Ratio	10.8%	10.4%	9.6%	0.4%	1.3%
Non-performing Ratio *(including assets protected by the APS)*	22.0%	21.3%	20.6%	0.7%	1.4%
NPL coverage Ratio	46.3%	42.6%	43.4%	3.7%	2.9%
NPL coverage Ratio APS portfolio *(including foreclosed assets and write-*	52.6%	52.5%	56.0%	0.1%	-3.4%
BANKING BUSINESS AND RESOURCES (Units)					
Employees	5,338	5,456	5,670	-2.2%	-5.9%
FTEs (Liberbank + BCLM)	4,078	4,059	4,060	0.5%	0.4%
Branches	1,072	1,072	1,072	0.0%	0.0%
ATMs	1,384	1,403	1,403	-1.4%	-1.4%

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	30/09/2014	31/12/2013	30/09/2013	% YTD change	% Annual change
Cash and Financial Institutions	496	692	761	-28.4%	-34.8%
Loans	24,610	26,380	26,538	-6.7%	-7.3%
Fixed Income portfolio	14,883	12,433	12,921	19.7%	15.2%
Equity Securities	434	474	674	-8.4%	-35.6%
Financial Derivatives	359	108	91	232.8%	296.3%
Non current Assets held for sale	1,383	1,366	1,347	1.3%	2.7%
of which: Foreclosed Assets	1,355	1,337	1,280	1.3%	5.9%
Investments	319	312	259	2.1%	23.1%
Tangible and intangible fixed Assets	733	747	737	-1.8%	-0.6%
Other Assets	2,042	2,036	2,181	0.3%	-6.4%
TOTAL ASSETS	**45,258**	**44,546**	**45,508**	**1.6%**	**-0.5%**
Deposits by Credit Institutions and Central Banks	5,627	5,408	5,491	4.1%	2.5%
Customer Deposits	35,137	34,941	35,057	0.6%	0.2%
Bonds and Promissory Notes	453	1,345	1,741	-66.3%	-74.0%
Subordinated Debt Securities	372	450	464	-17.4%	-19.9%
Other Financial Liabilities	324	214	231	50.9%	39.8%
Financial Derivatives	50	85	93	-41.6%	-46.6%
Other Liabilities	692	519	843	33.5%	-17.9%
TOTAL LIABILITIES	**42,655**	**42,962**	**43,921**	**-0.7%**	**-2.9%**
Capital and Reserves	2,107	1,463	1,436	44.0%	46.7%
Attributable Net Profit	98	48	14	104.4%	580.4%
Valuation Adjustments	289	-20	37		688.7%
Minority Interest	108	94	100	15.2%	8.5%
TOTAL EQUITY	**2,603**	**1,585**	**1,587**	**64.3%**	**64.0%**
TOTAL EQUITY AND LIABILITIES	**45,258**	**44,546**	**45,508**	**1.6%**	**-0.5%**

Credit decreases -6.7% for the year, despite the rise of new credit operations, which is still insufficient to compensate the amortizations in the asset portfolio.

The liquidity generated by the bussiness development is invested in fixed-income securities, in the absence of enough credit demand, resulting in a growth of the fixed-income portfolio of 19.7%.

The equity investment remains stable with no significant variations.

The customer’s deposits show a moderate growth (0.6% YTD), penalized by the maturing of covered bonds during the second quarter (-300 million euros), and by the downward trend in the deposits remuneration, which is diverting the savings to off-balance products.

The evolution of credit and deposits through the year is enabling an improvement of the liquidity indicators. The loan-to-deposits ratio keeps improving and stands at 89.7% (7.6 bps better than December 2013).

Furthermore, the liquid asset volume reaches 10,108 million euros, showing a rise of 17.7% throughout the year.

The wholesale funding is still declining, following the maturity of covered bonds already mentioned, with another 865 million euros of bonds which matured during the first half of 2014. All this has contributed to a decrease in the funding costs, and diminishes the dependency on the capital markets.

The most noticeable change is in the total equity, with a rise of 64.3%. Such growth is due to the capital Increase realized during the months of May and June, worth 575 million euros (561 million euros excluding the operation costs), as well as to the second voluntary conversion of CoCos, which generated 62 million euros of Shareholder’s equity in April, and to the revaluation of the fixed income portfolio available for sale (294 million euros net of taxes).

Resources

In € Million	30/09/2014	31/12/2013	30/09/2013	% YTD change	% Annual change
CUSTOMER FUNDS	**30,522**	**29,358**	**28,520**	**4.0%**	**7.0%**
CUSTOMER FUNDS ON BALANCE SHEET	**26,116**	**25,452**	**24,665**	**2.6%**	**5.9%**
Public Administrations	2,302	1,072	889	114.8%	158.9%
Retail customer funds (residents)	23,454	24,031	23,419	-2.4%	0.1%
Demand Deposits	11,715	11,558	11,389	1.4%	2.9%
Term Deposits	11,513	12,162	11,690	-5.3%	-1.5%
Others (promissory notes and repurchase agreements)	226	311	340	-27.5%	-33.6%
Retail customer funds (nonresidents)	360	350	357	2.9%	0.9%
OFF-BALANCE SHEET CUSTOMER FUNDS	**4,406**	**3,905**	**3,855**	**12.8%**	**14.3%**
Mutual Funds	1,714	1,225	1,212	39.9%	41.4%
Pension Funds	1,606	1,560	1,538	2.9%	4.4%
Savings Insurance	1,086	1,121	1,106	-3.1%	-1.8%
WHOLESALE FUNDING (capital markets)	**6,637**	**7,942**	**8,623**	**-16.4%**	**-23.0%**
Covered Bonds (unretained)	6,239	6,706	7,039	-7.0%	-11.4%
Bonds and EMTNs	188	1,053	1,405	-82.2%	-86.6%
Wholesale Promissory Notes	210	182	180	15.5%	17.2%
TOTAL FUNDS	**37,159**	**37,299**	**37,143**	**-0.4%**	**0.0%**

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

There is a consolidation in the trends this year, with retail funds showing an annual variation rate of 7.0% (2.2% in the case of individuals).

Given the current scenario of low interest rates, the term deposits mix is now off-balance oriented, due to its higher added value. Mutual funds show a significant growth (41.4% YoY) while term deposits decrease by -1.5% YoY.

The growth in sight deposits is favored by low interest rates (2.9% YoY).

Wholesale funding had a significant volume of marketable securities matured through the year, both on bonds and covered bonds, thus reducing this kind of funds to -23.1% YoY.

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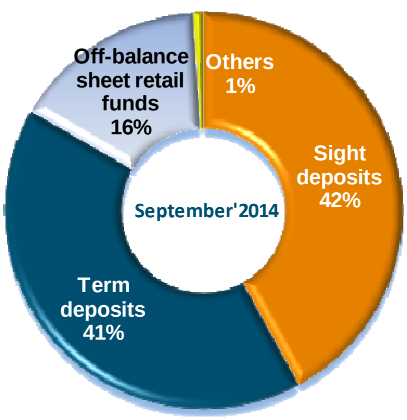
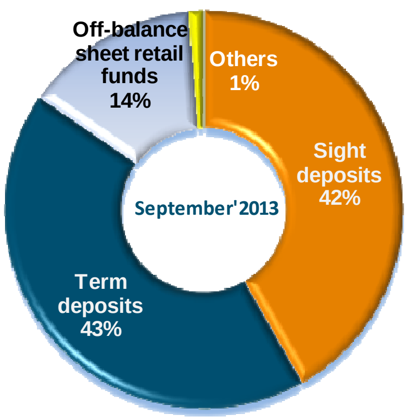
Retail resources (Private residents)





Gross loans

In € Million	30/09/2014	31/12/2013	30/09/2013	% YTD change	% Annual change
LOANS	**26,853**	**28,385**	**29,047**	**-5.4%**	**-7.6%**
of which: APS Loans	3,709	3,932	4,126	-5.7%	-10.1%
NON APS LOANS	**23,144**	**24,452**	**24,921**	**-5.3%**	**-7.1%**

Non APS Gross loans

In € Million	30/09/2014	31/12/2013	30/09/2013	% YTD change	% Annual change
CREDIT TO PUBLIC ADMINISTRATIONS	**1,331**	**1,339**	**1,302**	**-0.6%**	**2.2%**
CREDIT TO PRIVATE SECTORS	**21,813**	**23,113**	**23,619**	**-5.6%**	**-7.6%**
Productive activity financing	5,910	6,525	6,729	-9.4%	-12.2%
Developers	474	553	617	-14.2%	-23.1%
Civil works	301	306	328	-1.5%	-8.3%
Other companies	5,135	5,666	5,783	-9.4%	-11.2%
Household financing	15,605	16,272	16,573	-4.1%	-5.8%
Housing purchases and rehabilitation	14,926	15,519	15,772	-3.8%	-5.4%
Consumer Financing and others	680	754	801	-9.8%	-15.2%
Demand debtors and others	298	316	317	-5.9%	-6.1%
LOANS	**23,144**	**24,452**	**24,921**	**-5.3%**	**-7.1%**
of which: Non Performing Loans	2,503	2,541	2,384	-1.5%	5.0%

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

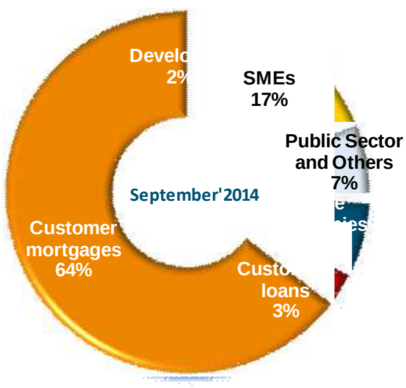
The non-APS risk portfolio shows a high concentration in household financing (circa 67.4%), and the exposure to real estate developers remains at a residual level (2% of the gross lending).

The decrease in loan production is slowing down (-7.6% YoY vs. -8.0% at the end of the second quarter of 2014), as new production accelerates.

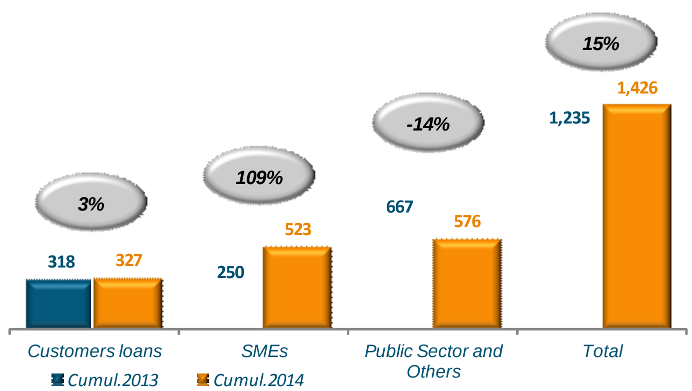
During the third quarter, the total amount of new operations is 55.6% higher than that of the same period in 2013, and there is a 15.5% increase in growth since the beginning of the year.

The lending operations are concentrated in the SMEs and the self-employed, showing a growth of 109.4%. It is also worth noting the decline in refinancing (-52.6% YoY).

Non APS gross loans private sector breakdown



Cumulative Lending Operations (*million euros*)
with homogeneous classiffication criteria

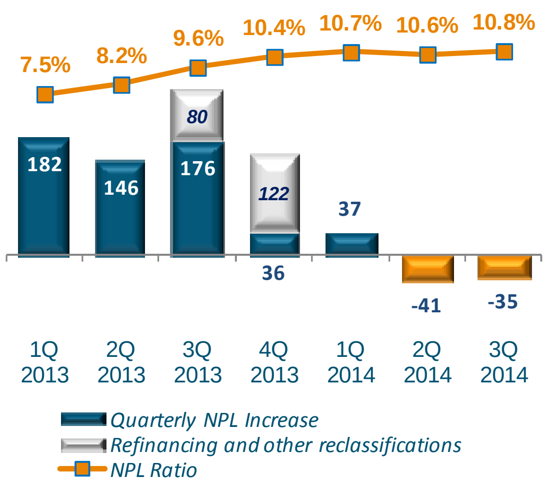


Credit Risk Analysis (excluding APS)

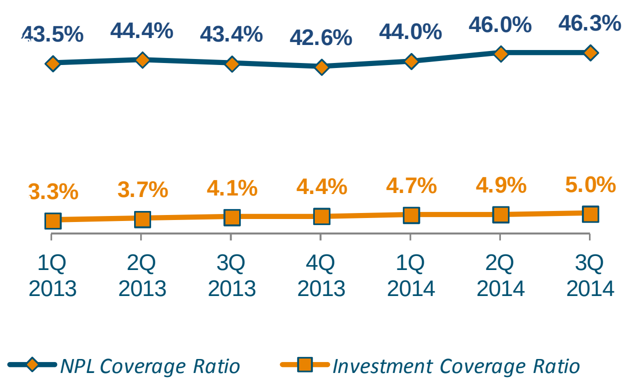
In € Million	NPL 30/09/2014	NPL YTD ch.	NPL Ratio 30/09/2014	NPL Ratio YTD ch.	Coverage Ratio 30/09/2014	Coverage Ratio YTD ch.
PRODUCTIVE ACTIVITY FINANCING	**1,557**	**-121**	**26.3%**	**0.6%**	**57.9%**	**7.7%**
Real Estate development	219	-62	46.2%	-4.6%	64.9%	2.9%
Civil works	138	-22	45.8%	-6.6%	87.7%	12.2%
Other companies	1,200	-37	23.4%	1.5%	53.2%	8.9%
HOUSEHOLD FINANCING	**923**	**81**	**5.9%**	**0.8%**	**28.7%**	**0.4%**
Housing purchase and rehabilitation	867	87	5.8%	0.8%	25.4%	1.8%
Consumer Financing and others	56	-6	8.2%	2.5%	80.3%	-6.8%
DEMAND DEBTORS AND OTHER RISKS	**23**	**3**	**1.4%**	**-0.1%**		
TOTAL CREDIT TO OTHER SECTORS	**2,503**	**-38**	**10.8%**	**0.4%**	**46.3%**	**3.7%**

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

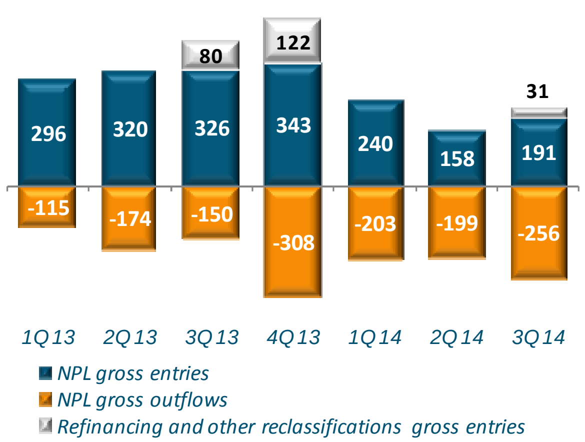
NPL ratios and Quarterly NPL increase (excluding APS).



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



NPL Entries and exits



For the second consecutive quarter, the total amount of Non-performing loans decreases (-35 million euros). However, the NPL ratio grows to 10.8% due to the decline in credit (causing a ratio annual increase of 58 bps).

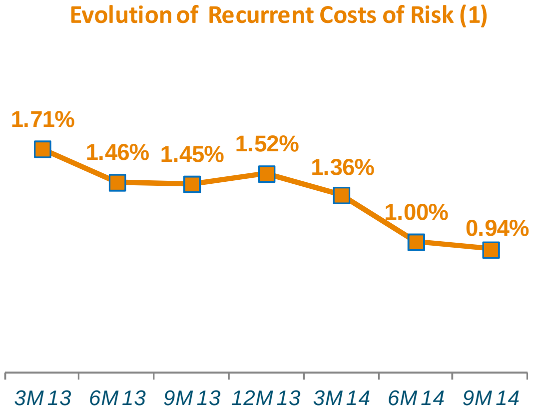
In spite of the above, the Non APS NPL ratio remains below the banking sector average (12.3% in July. Source: BDE).

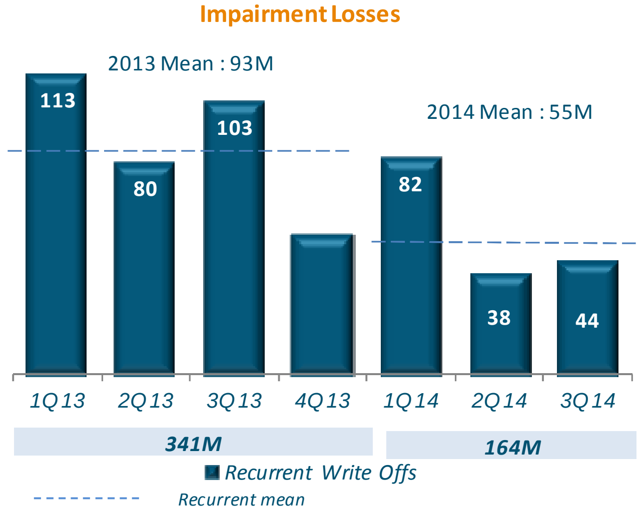
The risk coverage level stands at 46.3%, and it is affected by the high weight of the mortgage portfolio, which considering guarantees, requires a lower level of provisioning.

The credit loss allowances include 80 million euro of voluntary provisions (26 of which has been provisioned during the third quarter).

The APS portfolio amount reaches 3,709 million euros (including loans and credits), and it has a total risk coverage of 41.1% (excluding the available APS).

Evolution of Costs of Risk and Impairment Losses





1) Risk Cost is the quotient between the accumulated and annualized credit write offs to each date, and the Non APS gross loans at the end of each quarter.

The positive trend in risk costs continues despite the denominator's effect (decline of gross loans), showing a decrease of 50 bps (YoY) and getting normalized in a progressive way through the year.

The recurrent impairment losses mean for 2014 (55 million euros per quarter) is below the 2013 mean (93 million euros). This reduction responds to a more positive macro environment, to lower entries in NPLs and to the increase in recoveries.

Profit and loss account

In € Million	30/09/2014	30/09/2013	% Annual change
Financial income	716	831	-13.8%
Financial expenses	377	516	-27.0%
NET INTEREST INCOME	**339**	**315**	**7.7%**
Dividends	1	8	-82.9%
Results from equity method stakes	29	22	34.6%
Net fees	147	158	-6.8%
Gains (losses) on Financial Assets and Liabilities	284	163	74.5%
Other operating results	-52	-14	260.6%
GROSS MARGIN	**749**	**651**	**15.1%**
Administrative costs	301	336	-10.3%
Staff costs*	190	217	-12.4%
Other general administrative costs	111	119	-6.5%
Amortizations	29	32	-8.5%
PRE-IMPAIRMENT INCOME	**418**	**283**	**47.9%**
Provisions *	0	16	-98.6%
Impairment losses on financial assets (net)	261	302	-13.7%
Impairment losses on other assets (net)	-8	2	
Other profits or losses	-54	-9	508.7%
PRE-TAX INCOME	**111**	**-46**	
Income tax	16	-54	
CONSOLIDATED NET PROFIT	**94**	**7**	**1186.1%**
ATTRIBUTABLE NET PROFIT	**98**	**14**	**580.4%**

Source: Public Profit and loss consolidated account

Income Statement Quarterly Evolution

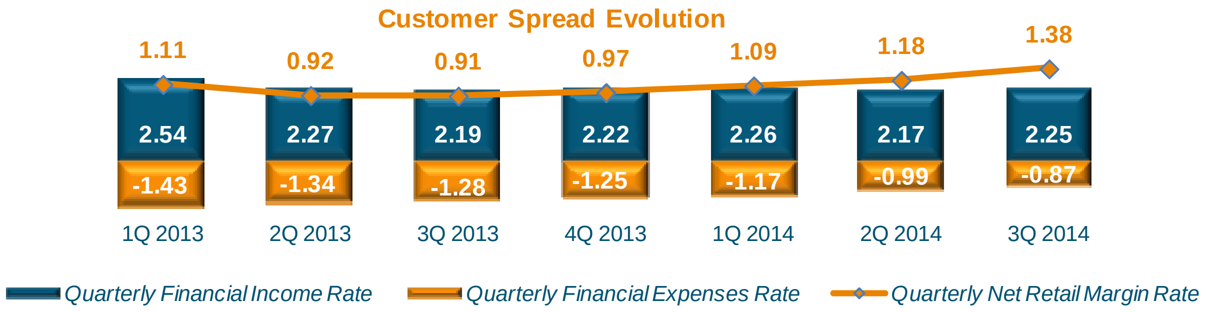
In € Million	1Q 2014	2Q 2014	3Q 2014
Financial income	244	237	235
Financial expenses	141	122	114
NET INTEREST INCOME	**103**	**115**	**121**
Dividends	0	0	1
Results from equity method stakes	5	12	12
Net fees	50	50	46
Gains (losses) on Financial Assets and Liabilities	259	6	18
Other operating results	-17	-13	-22
GROSS MARGIN	**401**	**171**	**177**
Administrative costs	98	102	101
Staff costs*	62	63	64
Administrative costs	36	38	37
Amortizations	10	10	10
PRE-IMPAIRMENT INCOME	**292**	**60**	**66**
Provisions*	6	-12	6
Impairment losses on financial assets (net)	114	72	74
Impairment losses on other assets (net)	0	-8	0
Other gains or losses	-7	-33	-13
PRE-TAX INCOME	**164**	**-27**	**-27**
Income tax	47	-14	-16
CONSOLIDATED NET PROFIT	**117**	**-12**	**-11**
ATTRIBUTABLE NET PROFIT	**113**	**-9**	**-6**

(*) Staff costs and provisions of the first quarter of 2014 shown in this chart, differ from those presented in the first quarter of 2014 report, where staff costs were adjusted to incorporate decommitments of Early Retirement funds, derived from the labor cost reduction measures, and provisions to cover voluntary redundancy offers, both accounted as "Provisions"

Quarterly contribution to the net interest income

In € Million	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014	3Q 2014
Financial income	291	277	263	257	244	237	235
Financial expenses	184	164	168	157	141	122	114
NET INTEREST INCOME	**107**	**113** *	**95**	**100**	**103**	**115**	**121** *

(*) Includes non-recurrent results (7 million euros in 2Q 2013 and 2 million euros in 3Q 2014)



The quarterly Net Interest Income maintains the growing trend, thanks to the accelerated improvement of funding costs.

The lower dependence on capital markets and an active policy focused on the reduction of retail funding costs, have made it possible to offset the deleveraging impact and the lower interest rates, which have a direct effect on financial incomes.

The new term deposits have been formalized at an average price of 0.89% during the third quarter, closing September at an average rate of 0.7%, and showing a quarterly decline of 38 bps.

The term deposits back book shows a quarterly average cost decline to 1.66% (13 bps below the second quarter average).

	1Q 2014			2Q 2014			3Q 2014		
	Aver.bal	Rate	FI/FE	Aver.bal	Rate	FI/FE	Aver.bal	Rate	FI/FE
Retail FI	**28,119**	**2.26**	**159**	**28,176**	**2.17**	**153**	**27,750**	**2.25**	**156**
of which: performing	*22,076*	*2.72*	*150*	*22,110*	*2.66*	*147*	*21,676*	*2.79*	*151*
Retail FE	**25,065**	**1.17**	**73**	**24,984**	**0.99**	**62**	**25,409**	**0.87**	**55**
Sight	11,431	0.10	3	11,840	0.09	3	11,937	0.08	2
Terms	12,481	2.15	67	12,343	1.79	55	12,298	1.66	51
Others	1,153	1.30	4	801	2.07	4	1,174	0.57	2
Wholesale FI	**13,767**	**2.47**	**85**	**14,307**	**2.35**	**84**	**15,168**	**2.07**	**78**
of which: fixed income	*13,169*	*2.54*	*84*	*13,765*	*2.41*	*83*	*14,820*	*2.09*	*78*
Wholesale FE	**15,853**	**1.63**	**64**	**15,962**	**1.45**	**58**	**15,789**	**1.38**	**54**
Financial Institutions	6,497	0.34	5	6,544	0.35	6	6,630	0.24	4
Repos PS y PA	518	0.80	1	1,168	0.35	1	1,242	0.44	1
Covered bonds	7,384	2.25	42	7,215	2.26	41	7,034	2.25	40
Bonds and others	1,454	4.52	16	1,036	3.98	10	883	4.24	9
Other FI & FE			**-3**			**-3**			**-3**

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

Net fees are affected by the exceptionality of those realized in 2013 (30 million euros due to agreement of exclusive distribution of general insurance products with CASER).

Excluding the latter and other non-recurrent fees, net fees income show a YoY change of 9.3% (including SAREB fees).

FEES

In € Million	1Q 2014	2Q 2014	3Q2014	Cumulative 30/09/2014	Cumulative 30/09/2013	% Annual change
FEES RECEIVED	**53**	**53**	**48**	**153**	**180**	**-14.6%**
Contingent liabilities	2	2	2	5	8	-28.6%
Contingent commitments	1	1	1	2	2	1.1%
Foreign exchange	0	0	0	0	0	-13.4%
Collections and payments	22	22	21	65	69	-6.3%
Securities services	1	1	1	3	5	-49.1%
Non banking financial products	12	9	9	30	58	-48.6%
Others	15	18	15	48	37	30.1%
FEES PAID	**3**	**2**	**2**	**7**	**22**	**-70.2%**
NET FEES	**50**	**50**	**46**	**147**	**158**	**-6.8%**

Source: Profit and loss account and own preparation

Net gains on financial assets amounted to 284 million euro, arising from the sale of fixed income securities.

The labor adjustment measures enforced last year, as well as the efficiency improvements, allowed a reduction of 10.3% (YoY) in the operational costs, thus reaching a recurrent costs level over 20% below those of 2012. In particular, the labor adjustment measures will reduce staff costs by 25% (YoY base), while the costs discipline imposed will allow further improvements in the efficiency levels.

Impairment losses include 244 million euros resulting from the credit portfolio. The specific allowances deficit determined by the Asset Quality Review (AQR) has been covered with the ordinary impairments of the year. In addition, 80 million euros have been voluntary provisioned (not individually assigned), of which 26 million euros fall under the third quarter.

Finally, the contribution to the earnings of the third quarter amounts to -6 million euros, due to the new tax on deposits (8 million euros) and following the above mentioned voluntary impairments (26 million euros). Excluding both of them, the quarter results would ascend to 28 million euros.

The **Attributable Net Profit** amounts to 98 million euros (84 million euros more than 2013).

Solvency (Basel III phased-in)

In € Million	30/09/2014	30/06/2014	QoQ change
CET 1 COMMON EQUITY TIER 1	**2,358**	**2,370**	**-12**
Common equity Tier 1 (%)	14.2%	13.9%	0.3%
CAPITAL LEVEL 1/ TIER 1	**2,488**	**2,505**	**-17**
Total TIER 1 (%)	15.0%	14.7%	0.3%
TOTAL CAPITAL	**2,488**	**2,505**	**-17**
Solvency ratio (%)	15.0%	14.7%	0.3%
RISK WEIGHTED ASSETS	**16,605**	**17,097**	**-492**
LEVERAGE RATIO	**5.6%**	**5.3%**	

Pro-forma Data, including year-end results

New regulations on minimum capital requirements for financial institutions according to Basel III came into force on January 1st, 2014

Liberbank Group has remarkably reinforced 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.

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 at 30 September of 14.2% (minimum regulatory level of 4.5%), a Capital Tier 1 of 15.0% (minimum regulatory level of 6%), and a Total Capital of 15.0% (minimum regulatory level of 8%). In addition, the leverage rate stands by 5.6%.

Liberbank Share

Liberbank share price closed the third quarter at EUR 0.767 per share. The average volume of daily trading is about 11 million shares. At the end of the third quarter, Liberbank's market cap amounted to 2,004 million Euros.

Market Information	3Q2014
Number of shares outstanding	2,612,245,277
Daily average trading (shares number)	10,844,584
Daily average trading (euros)	7,833,843
Maximum Share price (euros)	0.823
Minimum Share price (euros)	0.592
Price at year end (euros)	0.767
Market capitalization at year end (millions of €)	2,004

Relevant facts after closure

Third period for voluntary conversion open to CoCos holders

As scheduled, 16 October 2014 was the last day of the second period for voluntary conversion of CoCos into equity. Applications were received for the conversion of 31,898 CoCos with a nominal value of 10€ per bond, which were converted into 0.3 million euros of shareholder's equity.

Regarding the average weighted prices of the shares and the minimum and maximum limits provided, 384,889 new shares were issued, representing 0.0147% of the outstanding shares.

Comprehensive Assessment

The European Banking Authority (EBA) and the European Central Bank (ECB) published last 26 October the results of the Asset Quality Review (AQR), and the results of the banks stress tests (ST). These are the most comprehensive tests that have taken place up to date to measure the resistance of the European banking sector and represent the starting point of the Single Supervisory Mechanism.

The ST measure has represented a comprehensive assessment of the capacity of banks to withstand diverse macroeconomic scenarios. The solvency and strength of Liberbank in the baseline and adverse scenarios have been certified.

The results of the ST, incorporating the impacts coming from the AQR and the capital measures implemented during the first semester of 2014, show a maximum quality capital ratio for Liberbank. Common Equity Tier 1 (CET1) stands at 11.93% for the baseline scenario, which represents an excess capital of 708 million euros, which is 49% of the minimum required (8%). In the adverse scenario the CET1 ratio reaches 8.95%, representing an excess capital of 638 million euros, 62% over the minimum required (5.5%).

During the AQR, the assets of the bank balance sheet which are likely to show variations depending on the changing economic situation were analyzed (related to 31 December 2013).

With regard to Liberbank, 80% of the Large Corporate and Project Finance portfolio were reviewed, and those individual provisions identified during the sampling analysis are already provisioned at 30 September.

As a result of the AQR, with the incorporation of the capital measures of the first half year of 2014, the CET1 ratio reaches 11.22%, which shows an excess capital of 583 million euros, a 40% over the minimum amount required (8%).

Repurchase and advance repayment of the total amount of CoCos subscribed by the FROB

The Board of Directors of Liberbank, on 27 October, agreed to repurchase and repay in advance the entire issue of CoCos (124 million euros), subscribed by the Fondo de Reestructuración Ordenada Bancaria (FROB), according to its Steering Committee on 12 April 2013, issue conducted under the "Plan de Recapitalización de Liberbank" (recapitalization plan of Liberbank), approved in December 2012.

The implementation of this agreement is subject to prior approval by the competent authority.