Financial Results
4Q 2014

17th February 2014

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Latest trend. Key Highlights

Comfortable solvency position

- **After repaying the FROB CoCos and adjusting for the extraordinary payments to the DGF, the CET1 ratio stands (December, 31st 2014) at 13.3% and 11.1%** under phased-in and fully loaded Basel III criteria.

NII main driver for higher revenues

- **Net Interest Income.** Positive performance (+32% 4Q14 vs 4Q13 recurrent) being the fifth consecutive quarter with growth.
- **Net Interest Margin** increased from 82bp at the bottom, in the 3Q13, to 119bp in the 4Q14.

Normalizing asset quality

- **The stock of NPLs (exc APS) falls again** (-3.4% QoQ) confirming the change in trend.
- **Underlying cost of risk normalizing at 54bp in the 4Q14,** close to the 50bp target for 2015 onwards.
- **APS extended two additional years.**

Further improvement liquidity & funding position

- **Significant deleveraging during the year with the performing book falling by 7.7%, in line with the sector average (households and corporates). As new production is accelerating**, mainly in SMEs (+111% 2014 vs 2013) the trend should revert in the medium term.
- **ECB funding has been reduced from Eur 4.7bn (LTROS) to Eur 3.1bn.**

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1. Commercial Activity
2. Results analysis
3. Asset Quality
4. Liquidity and Fixed Income portfolio
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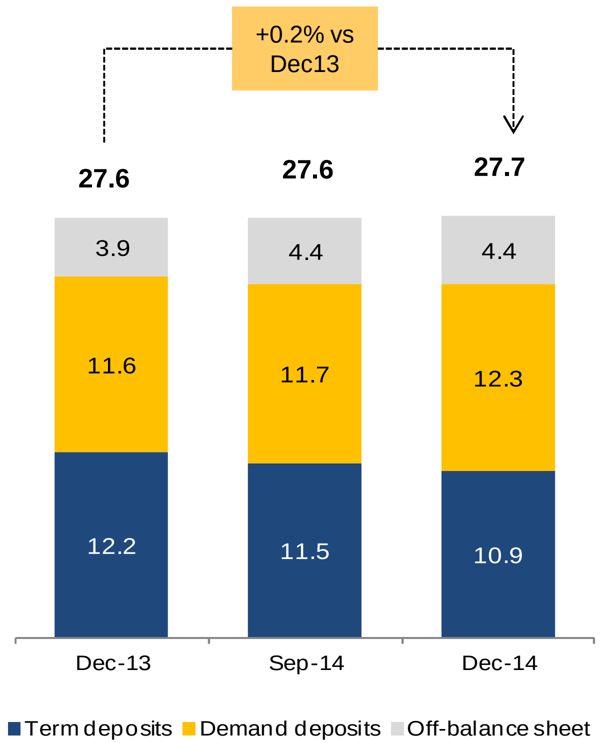
Customer funds growing in volume

- **Despite the low interest rate environment and consumption recovery, customer funds remain stable.**
- Switch from term deposits to demand deposits continues.
- **Off-balance sheet funds** have a very positive performance, especially Mutual Funds (+41% YoY) reflecting the commercial efforts to increase cross selling and shift of term deposits to off-balance sheet products.

Customer Funds . Eur m

Eur m	4Q13	3Q14	4Q14	QoQ	YoY
CUSTOMER FUNDS	**29,358**	**30,522**	**29,864**	**-2.2%**	**1.7%**
Customer Funds on Balance Sheet	**25,452**	**26,116**	**25,433**	**-2.6%**	**-0.1%**
Public Institutions	1,072	2,302	1,711	-25.7%	59.7%
Retail Customer (resident)	24,031	23,454	23,367	-0.4%	-2.8%
Demand deposits	11,558	11,715	12,320	5.2%	6.6%
Term deposits	12,162	11,513	10,939	-5.0%	-10.1%
Other	311	226	109	-51.8%	-65.1%
Non resident customers	350	360	355	-1.6%	1.3%
Off-balance sheet funds	**3,905**	**4,406**	**4,431**	**0.6%**	**13.5%**
Mutual funds	1,225	1,714	1,731	1.0%	41.3%
Pension Plans	1,560	1,606	1,616	0.6%	3.6%
Insurance Funds	1,121	1,086	1,085	-0.1%	-3.2%

Customer Funds (exc Public Institutions). Eur bn (1)



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

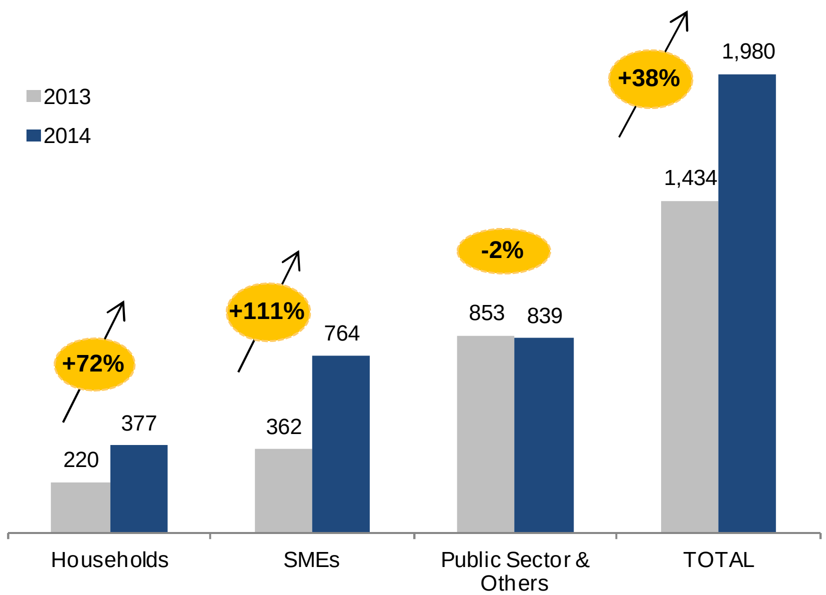
Lending. New production accelerates

- **Loan book deleveraging is slowing down** supported by the increasing new production.
- **Accumulated new production**(1) **during 2014** amounts to Eur 1,980m, +38% YoY.
- **Loans new production accelerates** during 2014, mainly in SMEs.

Loan book breakdown. Gross, Eur m

Eur m	4Q13	3Q14	4Q14	QoQ	YoY
TOTAL GROSS LOANS	**28,385**	**26,853**	**26,342**	**-1.9%**	**-7.2%**
APS	3,932	3,709	3,572	-3.7%	-9.2%
EXC APS	**24,452**	**23,144**	**22,771**	**-1.6%**	**-6.9%**
Public Sector	1,339	1,331	1,372	3.1%	2.5%
Loans to businesses	**6,525**	**5,910**	**5,720**	**-3.2%**	**-12.3%**
RED & Construction	859	775	675	-12.9%	-21.4%
Other corporates	5,666	5,135	5,045	-1.8%	-11.0%
ow Large Corporates	1,440	1,209	1,122	-7.2%	-22.1%
ow SMES	4,226	3,926	3,922	-0.1%	-7.2%
Loan to individuals	**16,272**	**15,605**	**15,376**	**-1.5%**	**-5.5%**
Residential mortgages	15,519	14,926	14,714	-1.4%	-5.2%
Consumer and others	754	680	662	-2.6%	-12.1%
Other loans	**316**	**298**	**302**	**1.3%**	**-4.6%**

New Production breakdown(1). Eur m



(1) Excluding refinanced loans

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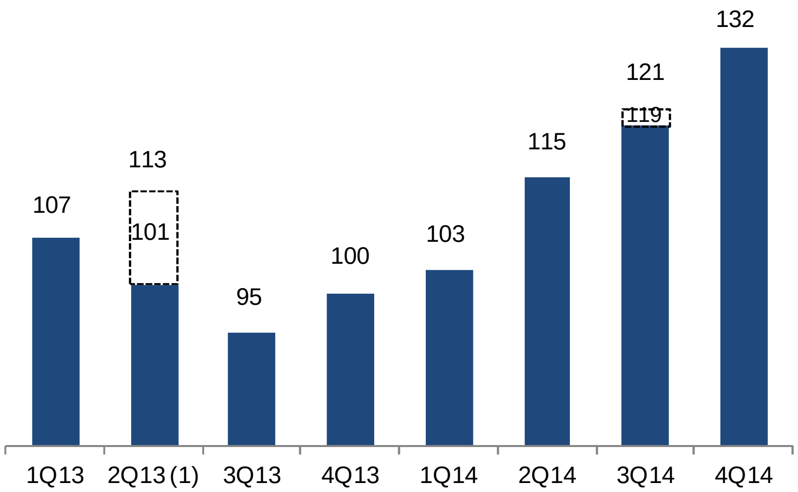
Net Interest Income recovery

Results

➔ **Progressive recovery of the net Interest Income. The improvement is driven by the lower cost of funding**, in both retail and wholesale, offsetting the lower contribution from both the loan book and the fixed income portfolio.

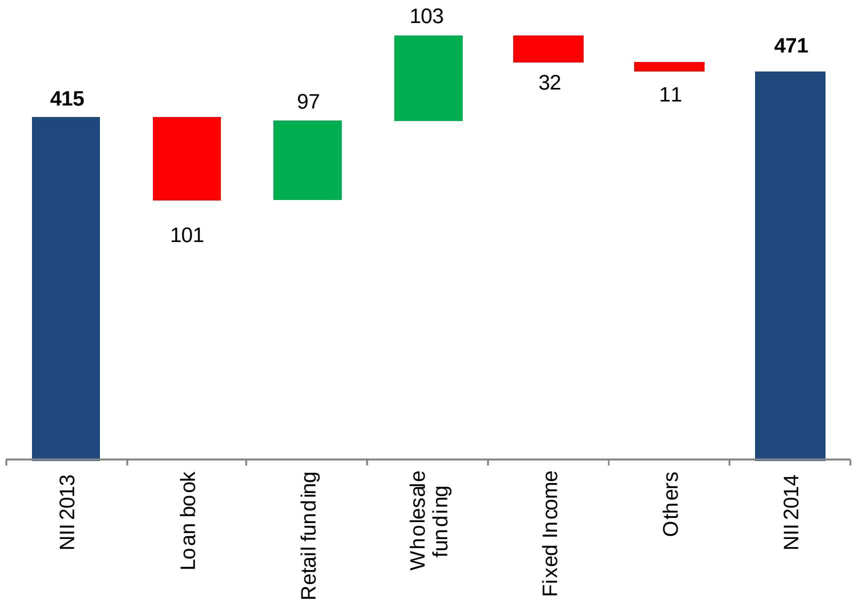
Net interest Income performance (€ m)

+32% vs 4Q13



NII performance breakdown (€ m)

+13% vs 2013



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

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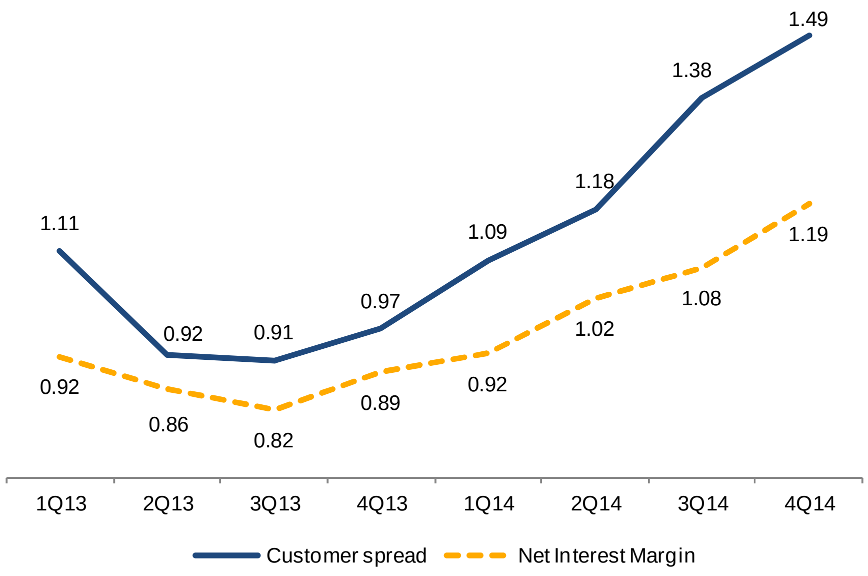
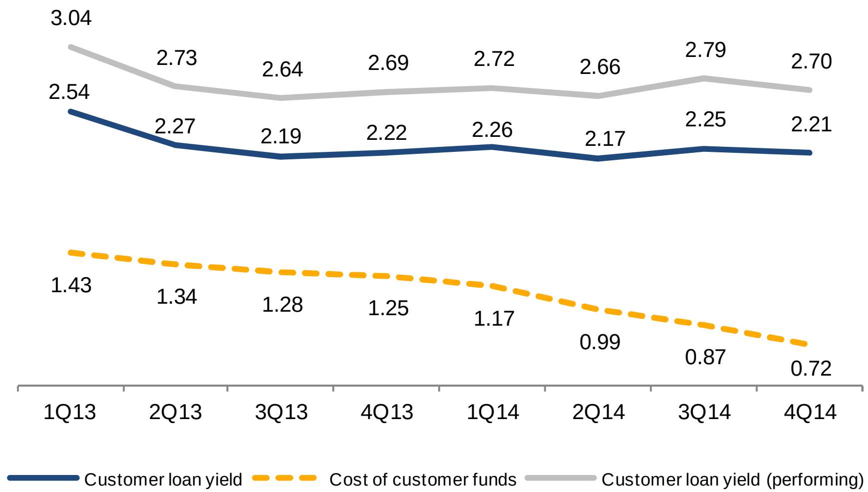
Net Interest Income recovery

- **Customer spreads and net interest margin** continue to improve, driven by lower funding costs.
- **Loan yields** in the 4Q affected by lower Euribor and positive one-off impact in the 3Q.
- **Net interest margin (exc. APS)** of 1.29% in the 4Q14.

Margin performance (%) (1)



Customer loan yield and cost of customer funds (%)



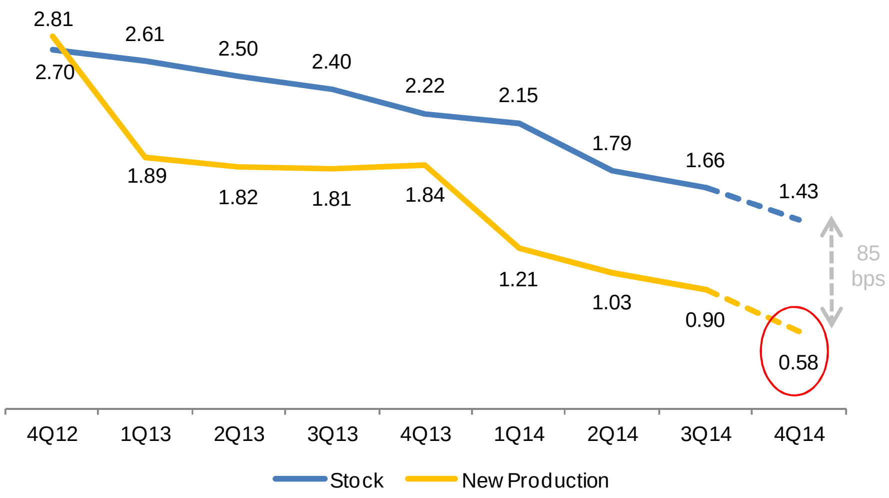
(1) 2Q13 NIM excludes € 12m of extraordinary interest income
Note: NIM = NII / ATAs

Net Interest Income recovery

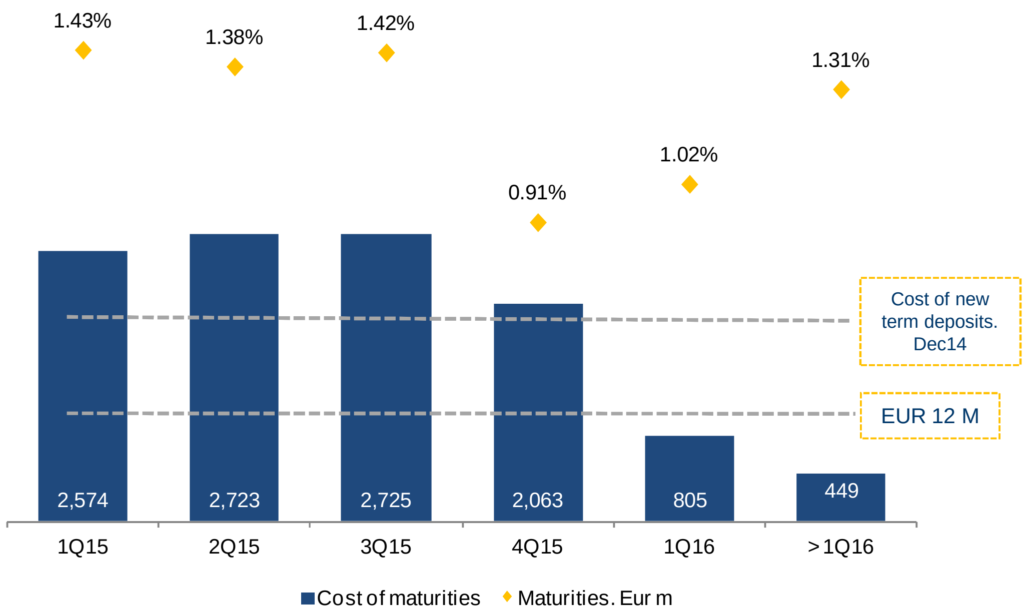
Results

➔ **Repricing of term deposit** will continue in forthcoming quarters.

Term deposit cost(a) performance (%)



New Term Deposits. Maturity, cost and volume (€ m).



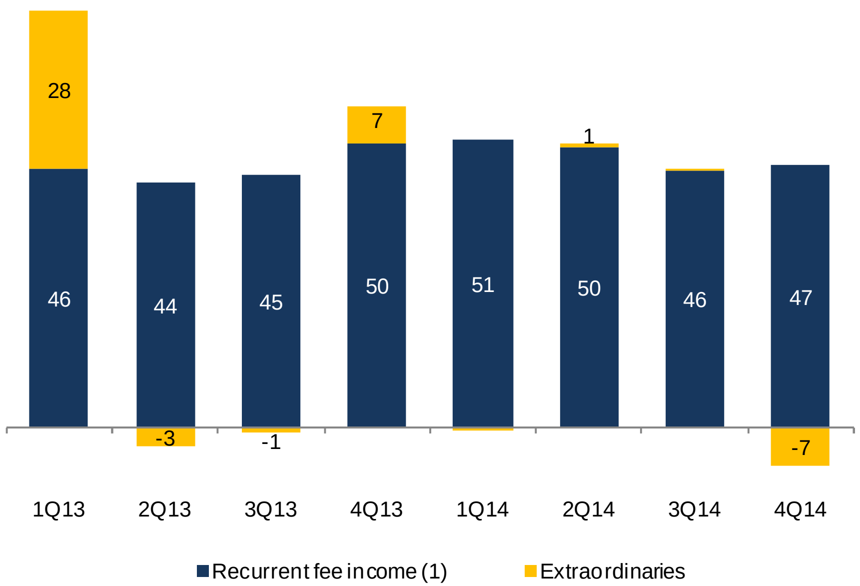
(a) Cost of deposits: effective cost

Fee Income

➔ **Recurrent fee income is affected by the new regulation on credit cards and pension plan fees limits and by the low activity levels.**

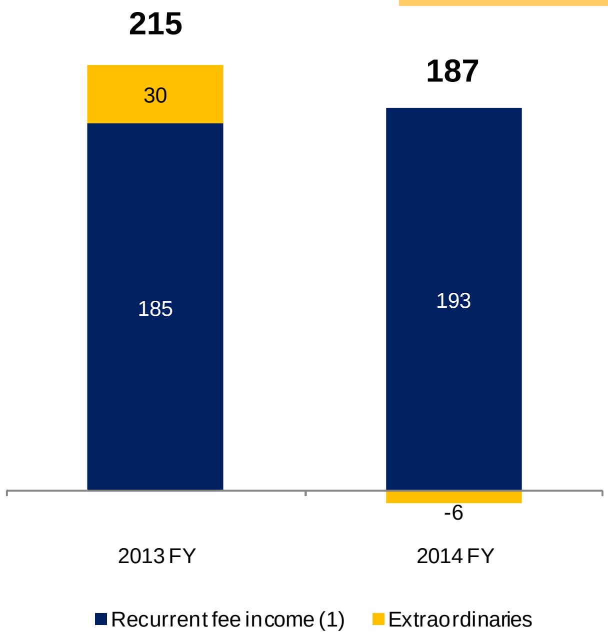
Fee Income performance (€ m)

-6.0% vs 4Q13 (recurrent)



Fee Income performance (€ m)

+4.4% vs 2013 (recurrent)



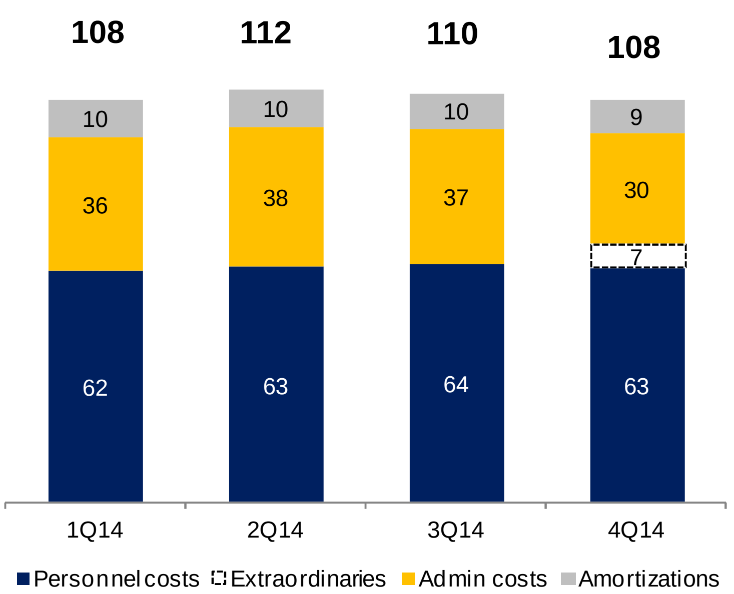
(1) Recurrent fee income includes fees from Sareb

Costs – focus on efficiency

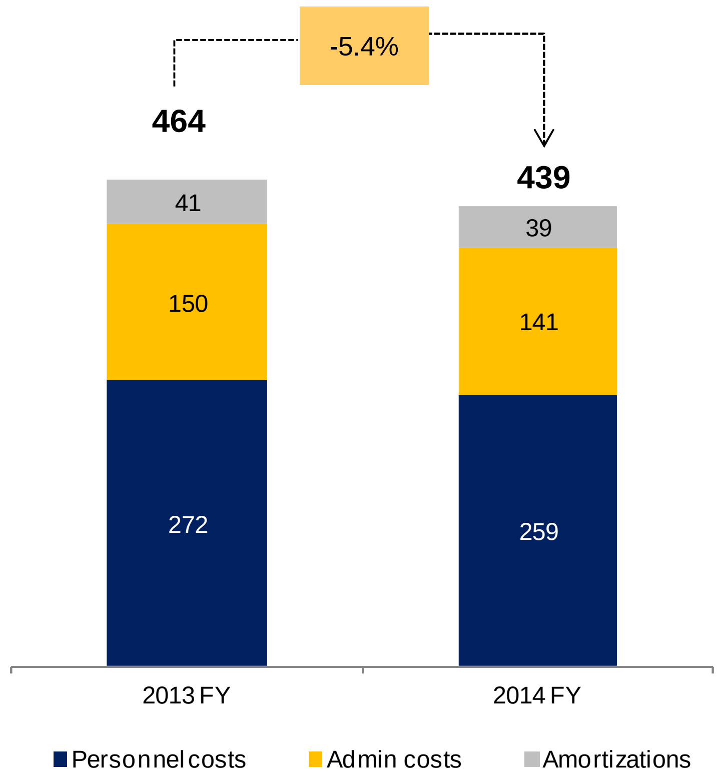
➔ **Personnel costs in the 4Q14** reflect the recognition of potential incentive payments to staff (Eur 6.6m).

➔ **Continue to streamline our efficient platform.** Further cost savings to be implemented.

Costs performance (€ m)



Costs performance (€ m)



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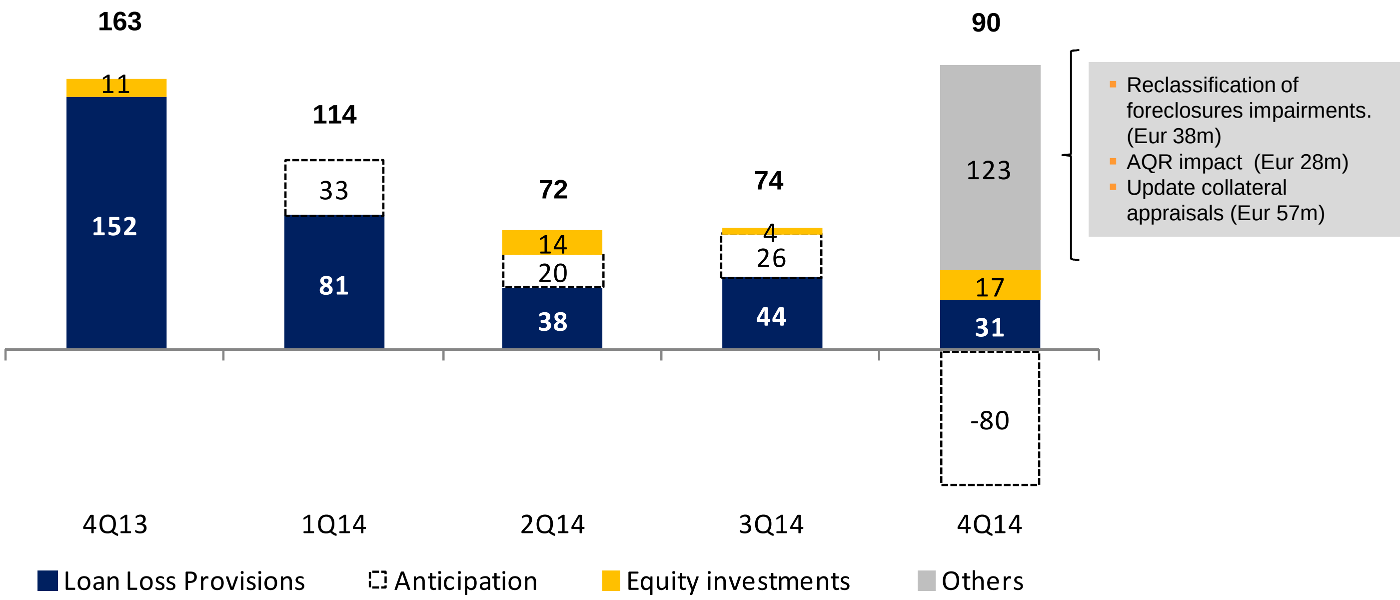
Strong effort in **provisioning**

- **Loan loss provisions were affected by a change in the accounting methodology of foreclosure impairments** that implied a negative impact of Eur 38m. This is offset by a positive impact of the same amount of the foreclosure impairments (booked as "others"). **Overall this accounting change is neutral.**
- **Eur 80m in anticipated to BoS calendar provisions booked during the 9M14 have been released** offsetting the following extraordinary items: i) update collaterals appraisal with a more conservative approach (Eur 57m) and ii) AQR impacts (Eur 28m). The Eur 28m AQR was more than covered by excess provisions following AQR's methodoloy, but on a conservative approach Liberbank has decided to increase gross provisions not taking advantage of potential compensations.
- **The target is to normalise the CoR** from 2015 onwards at circa 50bp.

Cost of Risk (bp) (1)	**248**	**190**	**97**	**121**	**54**

Impairment losses (€ millions).



(1) Annualized LLP over average gross loan portfolio (exc APS). 1Q14, 2Q14 and 3Q14 include LLP of € 33m, € 20m and € 26m respectively corresponding to future quarters

P&L

Results

€m	4Q13 (1)	1Q14	2Q14	3Q14	4Q14	Var. 4Q vs 3Q €m	Var. 4Q vs 3Q %	2013 restated (1)	2014	Var. 2014 vs 2013 restated €m	Var. 2014 vs 2013 restated %
Interest Income	257	244	237	235	228	-7	-3%	1,088	944	-145	-13%
Interest Cost	-157	-141	-122	-114	-96	17	-15%	-673	-473	200	-30%
NET INTEREST INCOME	**100**	**103**	**115**	**121**	**132**	**10**	**8%**	**415**	**471**	**56**	**13%**
Dividends	0	0	0	1	9	8	nm	8	10	2	27%
Results from equity method stakes	16	5	12	12	5	-7	-57%	38	34	-4	-10%
Net fees	57	50	50	46	40	-6	-14%	215	187	-28	-13%
Gains on financial assets & others	84	259	6	18	16	-2	-10%	247	300	53	21%
Other operating revenues/(expenses)	-28	-17	-13	-22	-12	10	-47%	-83	-63	20	-24%
GROSS INCOME	**231**	**401**	**171**	**177**	**190**	**13**	**8%**	**840**	**939**	**100**	**12%**
Administrative expenses	**-87**	**-98**	**-102**	**-101**	**-99**	**2**	**-1%**	**-423**	**-400**	**23**	**-5%**
Staff expenses	-56	-62	-63	-64	-69	-6	9%	-272	-259	13	-5%
General expenses	-31	-36	-38	-37	-30	7	-19%	-150	-141	10	-6%
Amortizations	-9	-10	-10	-10	-9	0	-2%	-41	-39	2	-5%
PRE PROVISION PROFIT	**135**	**292**	**60**	**66**	**82**	**16**	**24%**	**376**	**500**	**124**	**33%**
Provisions	40	-6	12	-6	-11	-5	76%	24	-11	-35	nm
Impairment on financial assets (net)	-163	-114	-72	-74	-90	-16	21%	-465	-351	114	-24%
Impairment losses on other assets (ne	1	0	8	0	-1	-1	nm	-1	7	7	nm
Others	24	-7	-33	-13	27	40	nm	16	-27	-43	nm
PROFIT BEFORE TAXES	**37**	**164**	**-27**	**-27**	**7**	**34**	**nm**	**-50**	**118**	**168**	**nm**
Taxes	-8	-47	14	16	7	-9	-57%	59	-10	-69	nm
NET INCOME	**29**	**117**	**-12**	**-11**	**14**	**25**	**nm**	**8**	**108**	**100**	**nm**
NET INCOME ATTRIBUTABLE	**34**	**113**	**-9**	**-6**	**18**	**24**	**nm**	**22**	**117**	**95**	**nm**

(1) Liberbank adopted IFRIC 21 on levy liabilities in the 4Q14 to account the change in the DGF contribution. For comparison purpose 2013 is restated. 4Q13 is not restated.

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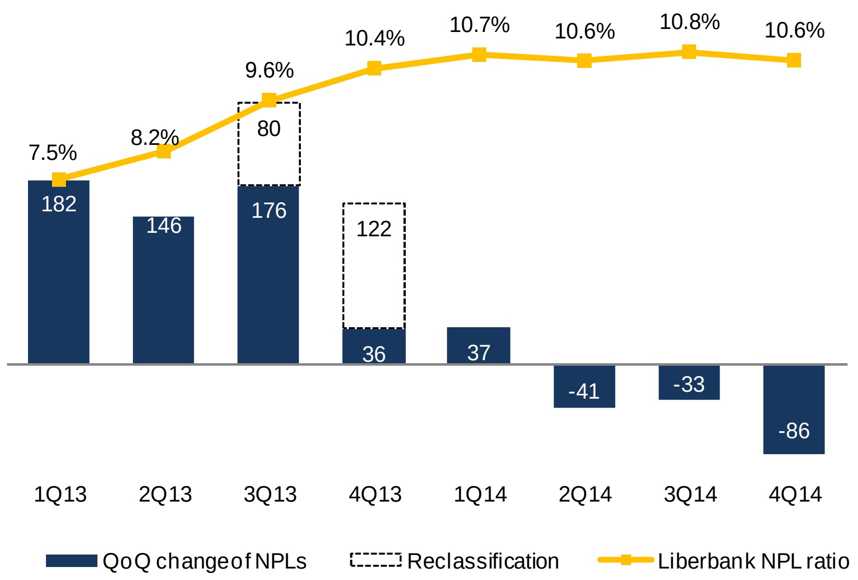
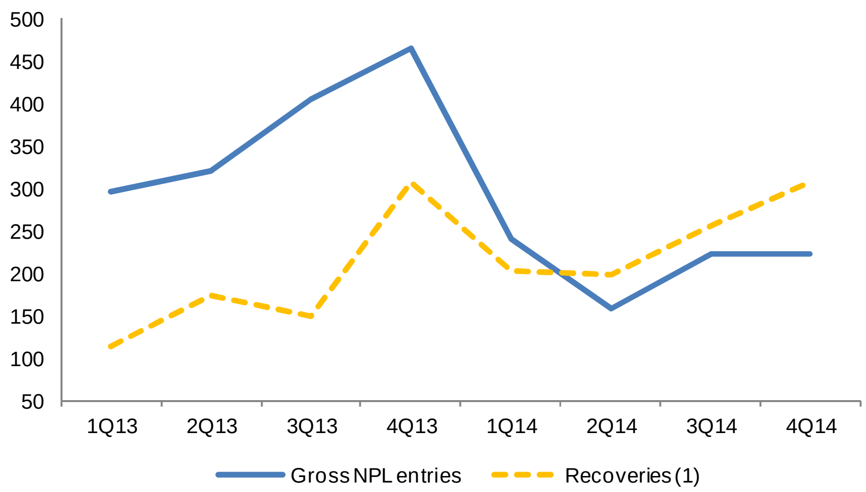
NPL trend improving (exc APS)

- **Stock of NPLs (exc APS) declines by 3.4% QoQ** confirming the change in trend.
- **Despite the deleveraging continues there is a slight decrease in the NPL ratio in the fourth quarter** .
- **Conservative recognition of NPLs in the quarter,** c.50% of the gross NPL entries are subjective NPLs.

NPLs quarterly change (exc APS)



Gross NPL entries & recoveries

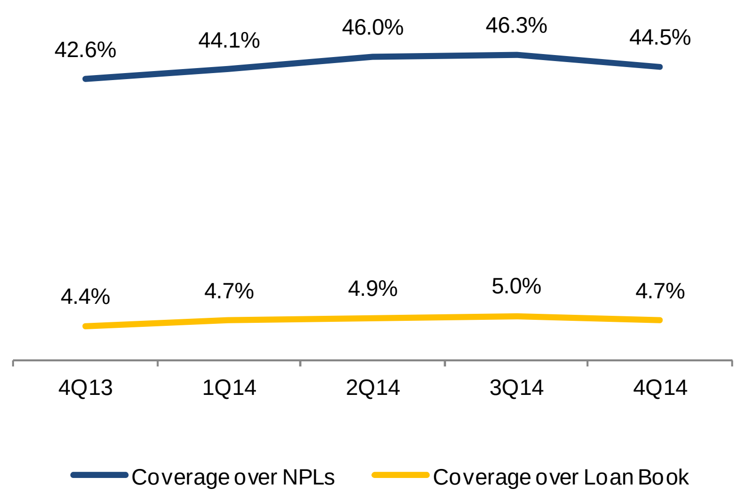


(1) Including write-offs

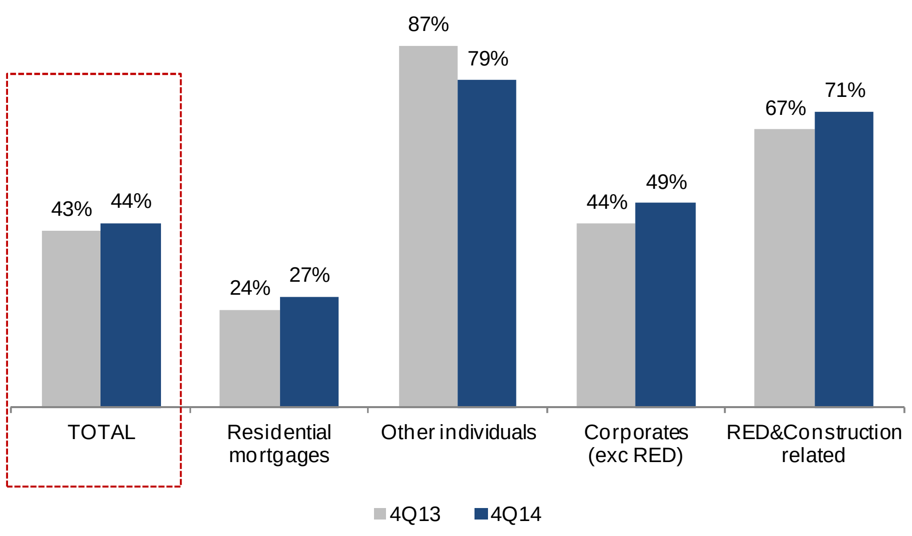
Coverage (exc APS)

- **Coverage reflects the strong provisioning effort**.
- **Coverage (exc RE and APS) of NPLs compares well with the sector.** Liberbank's loan book (exc APS) has low exposure to construction/RE and high exposure to mortgages with relatively low LTVs.
- **Coverage of NPL mortgages** increased by 3pp QoQ as a result of an update of collateral appraisals.

Coverage performance (exc APS)



Coverage over NPLs by segment (exc APS)



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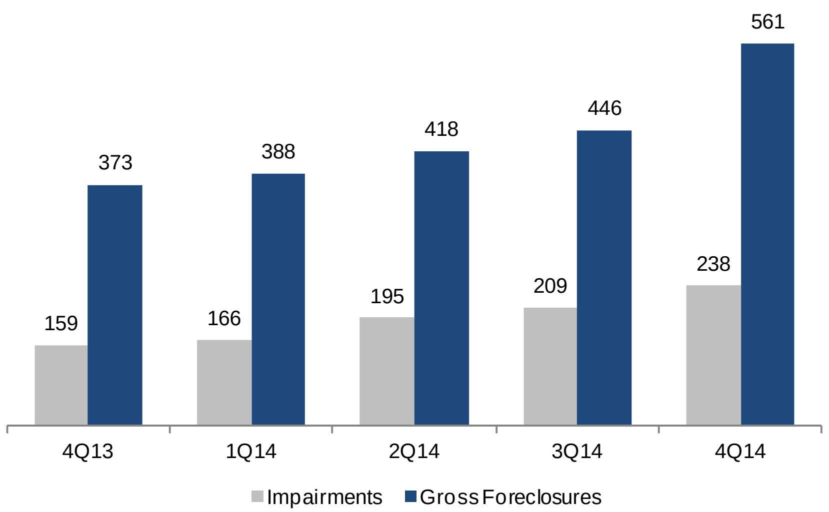
Foreclosed assets (exc APS)

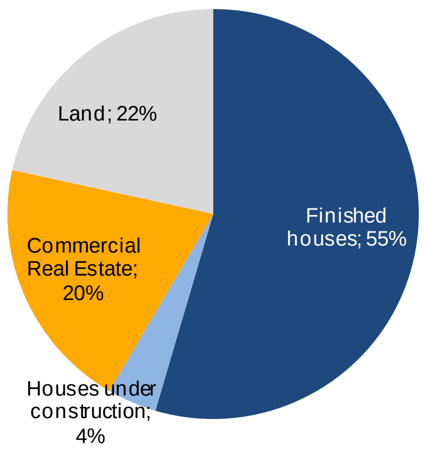
➔ **Low exposure to foreclosed assets (exc APS).** Fourth quarter affected by a one-off transaction.

Foreclosed assets (exc APS). Eur m

42% coverage



Foreclosed assets (exc APS) breakdown



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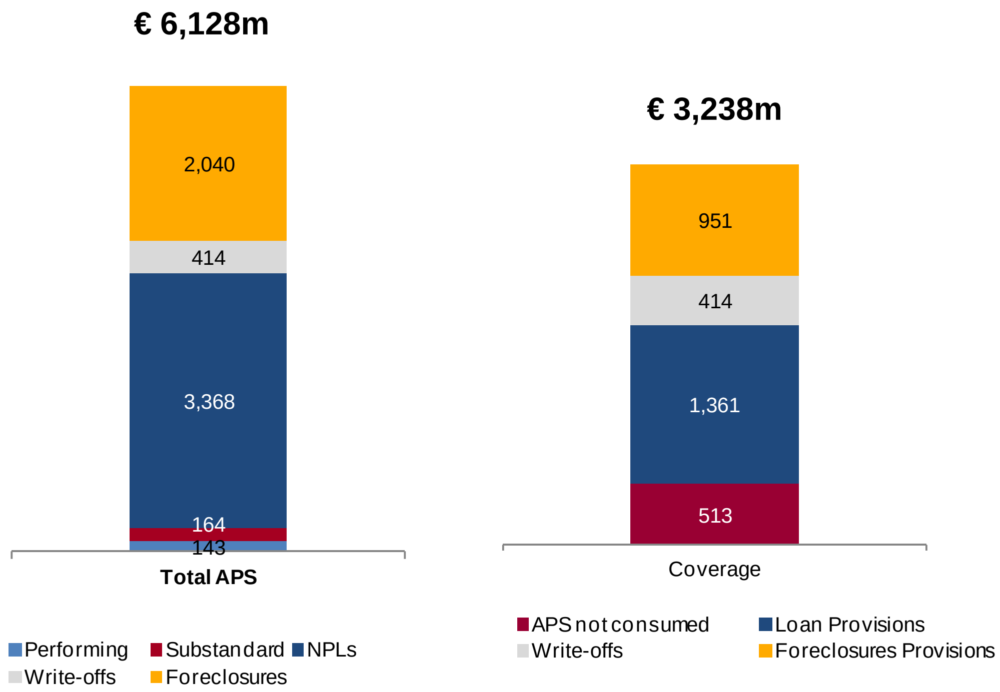
APS scheme

Asset Quality

- Current provisions for the portfolio derive from an independent expert valuation which is reviewed every 6 months and based on an Expected Loss analysis (vs BoS provisioning calendar). **At December 2014 the amount of the APS scheme which has not been used to build provisions is € 513m.**
- **APS has been extended two years** (until 31st December 2016).

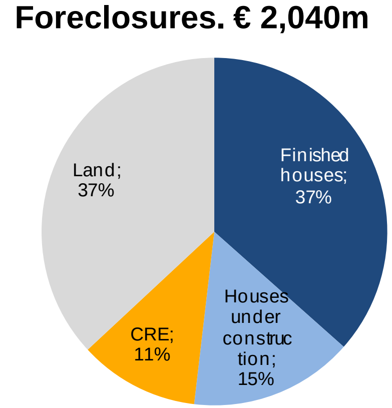
APS portfolio. Coverage (52.8%)

- Value of the collateral is €6.9bn as of Dec13

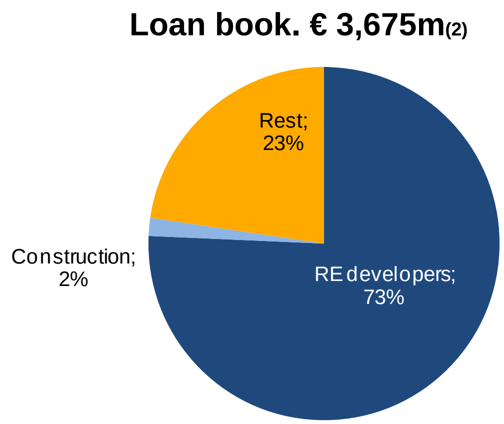


APS portfolio Breakdown

47% Coverage(1)



40% Coverage on NPLs(1) and 56% coverage inc. APS not consumed



1. Not including APS not consumed
2. It includes € 103m of contingent exposures and off-balance sheet commitments

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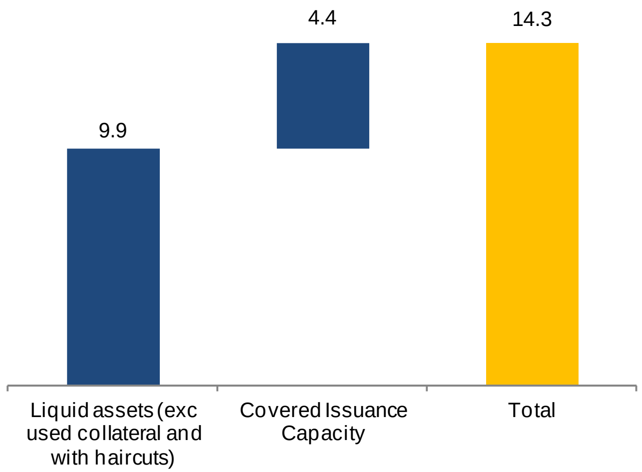
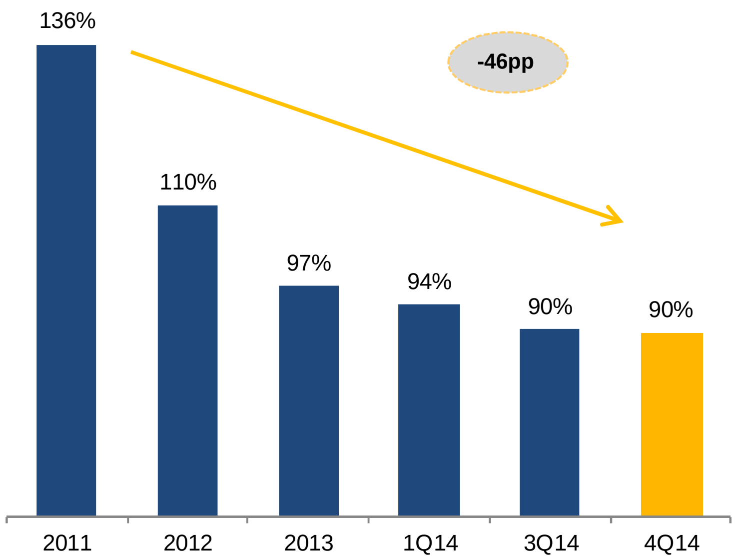
Liquidity. Liquidity position

➔ Comfortable liquidity and funding position to support **cheaper funding and growth in the future.**

Comfortable liquidity position - Dec2014 (€ bn)



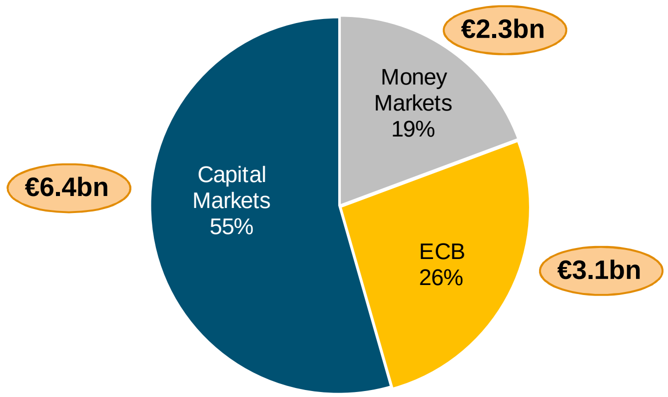
LtD Liberbank



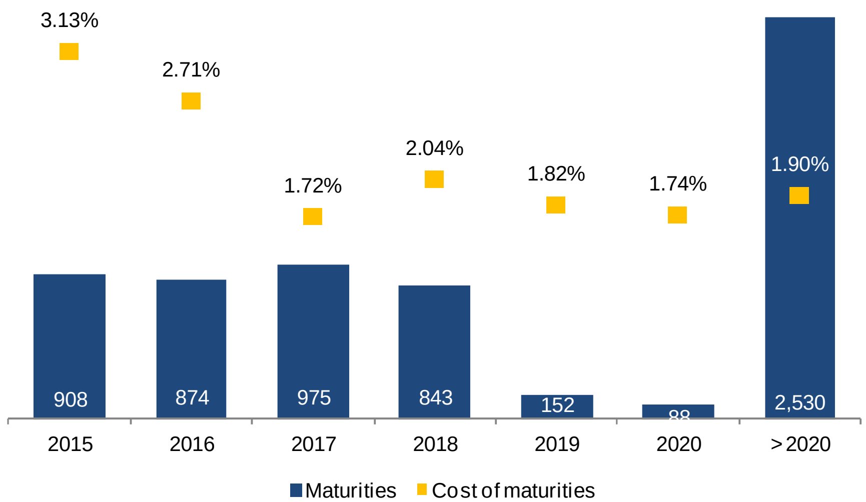
Wholesale Funding. Overview

Wholesale Funding Breakdown

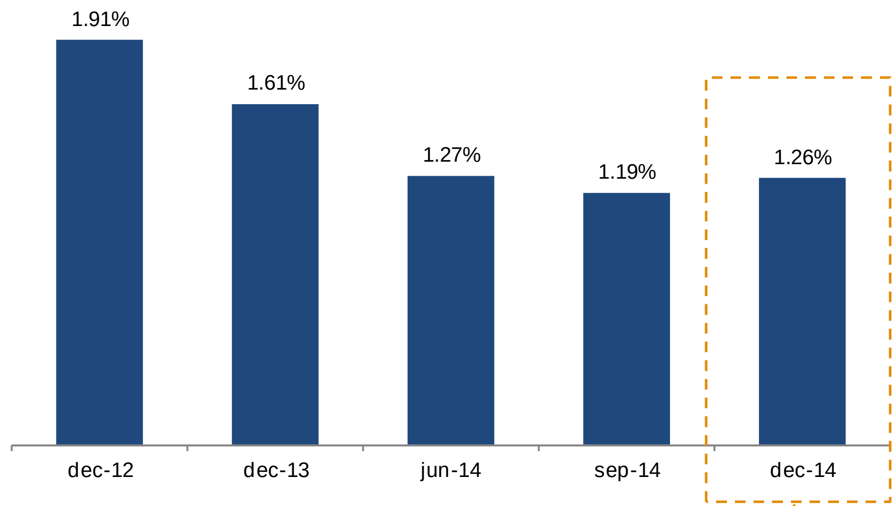
TOTAL – €11.7bn (1)

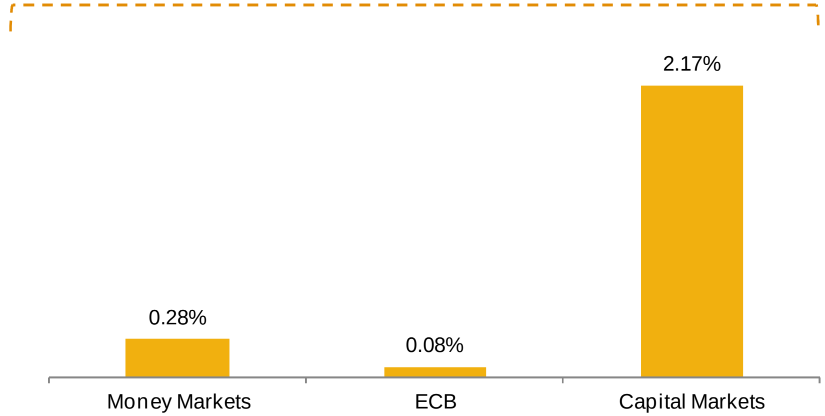


Capital Markets Maturities (€ m)



Average Wholesale Funding Cost Evolution (%)

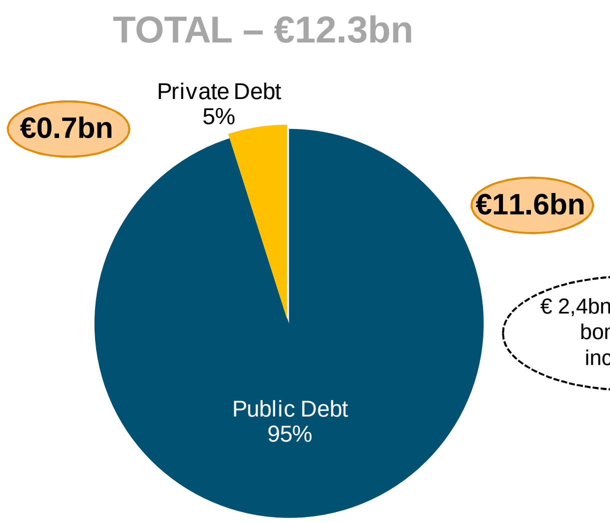




1. Excluding retained Covered Bonds. Not including AT1 CoCos
Source: Liberbank Treasury (inventarios)

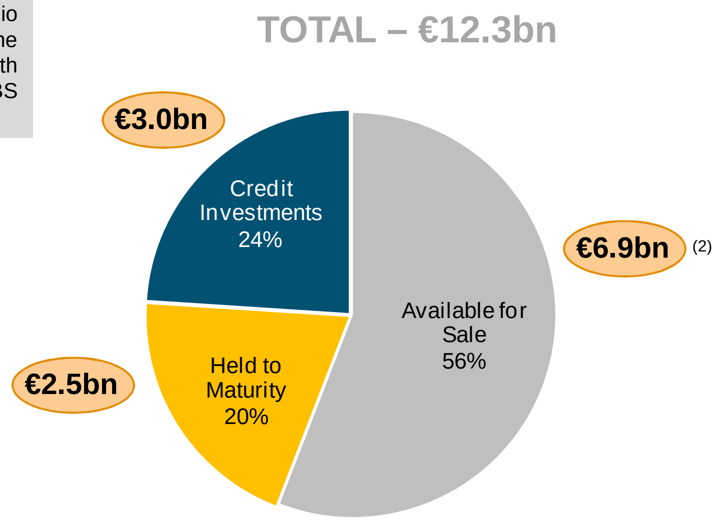
Fixed Income Portfolio

Fixed Income Portfolio by Issuer

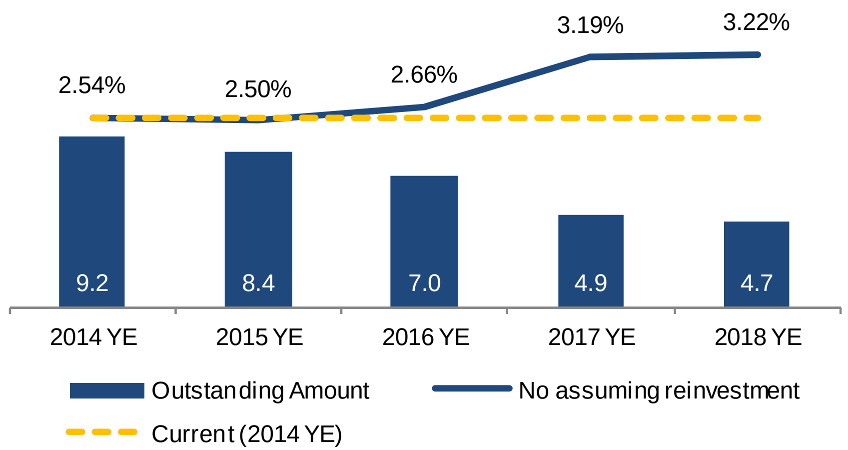


Fixed Income portfolio reduced by c.Eur 2bn in the 4Q14 in order to comply with the Restructuring Plan BS size limit, Eur 43.2bn.

Fixed Income Portfolio breakdown



Fixed Income (AfS and HtM). Expected Yield evolution on current portfolio



Fixed Income Portfolio (1)

Breakdown	Yield	Duration	Unrealised gains
Held to maturity	2.92%	3.21	160
Available for Sale	2.41%	4.98	570
TOTAL HtM y AfS	**2.52%**	**4.59**	**729**
Credit Investments	1.56%	0.25	4
TOTAL	**2.31%**	**3.49**	**733**

1. Weighted average duration in years
2. Not including unrealised capital gains including retained Covered Bonds.

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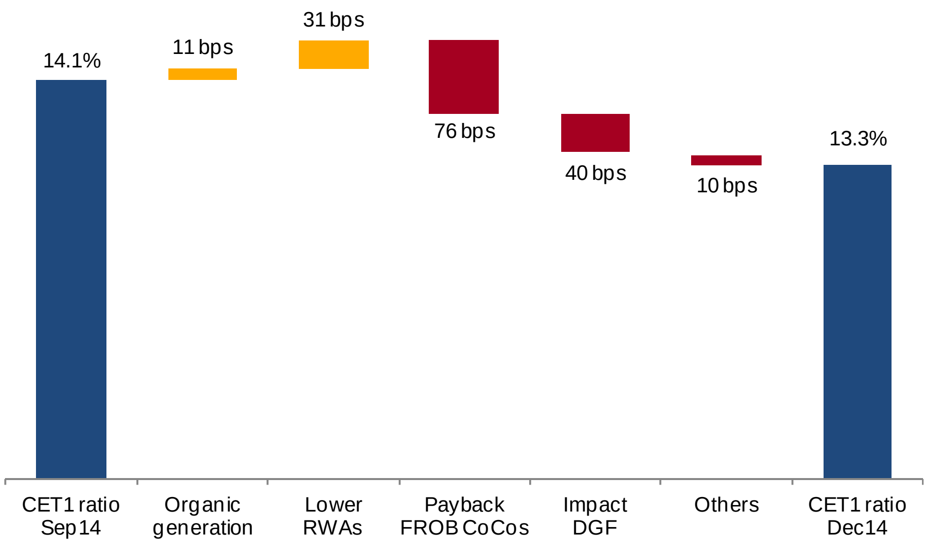
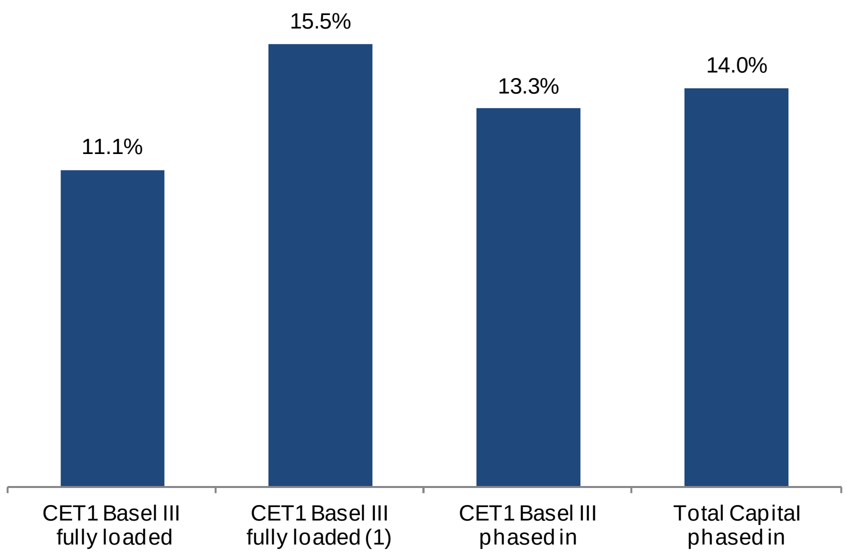
Solvency position. Capital generation

- Comfortable capital position after repaying the FROB CoCos, Liberbank's **CET1 ratio BIS 3 phased-in stands at 13.3% and fully loaded at 11.1%** (not including the unrealized capital gains of the Fixed Income portfolio).
- 40bps impact due to the change of the accounting treatment of Deposit Guarantee Fund (DGF) contributions.
- **Leverage ratio** (phased-in) stands at 5.5% after repaying the FROB CoCos.

CET1 phased In performance. BIS 3



Capital ratios. Dec14



Fully loaded CET1 ratio include the AT1 not absorbing deductions

Phased-in CET1 ratio does not include the AT1 not absorbing deductions (€ 120m)

(1) Including unrealized capital gains from the Available for Sale portfolio

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Agenda

1. Commercial Activity
2. Results analysis
3. Asset Quality
4. Liquidity and Fixed Income portfolio
5. Solvency
6. Appendix

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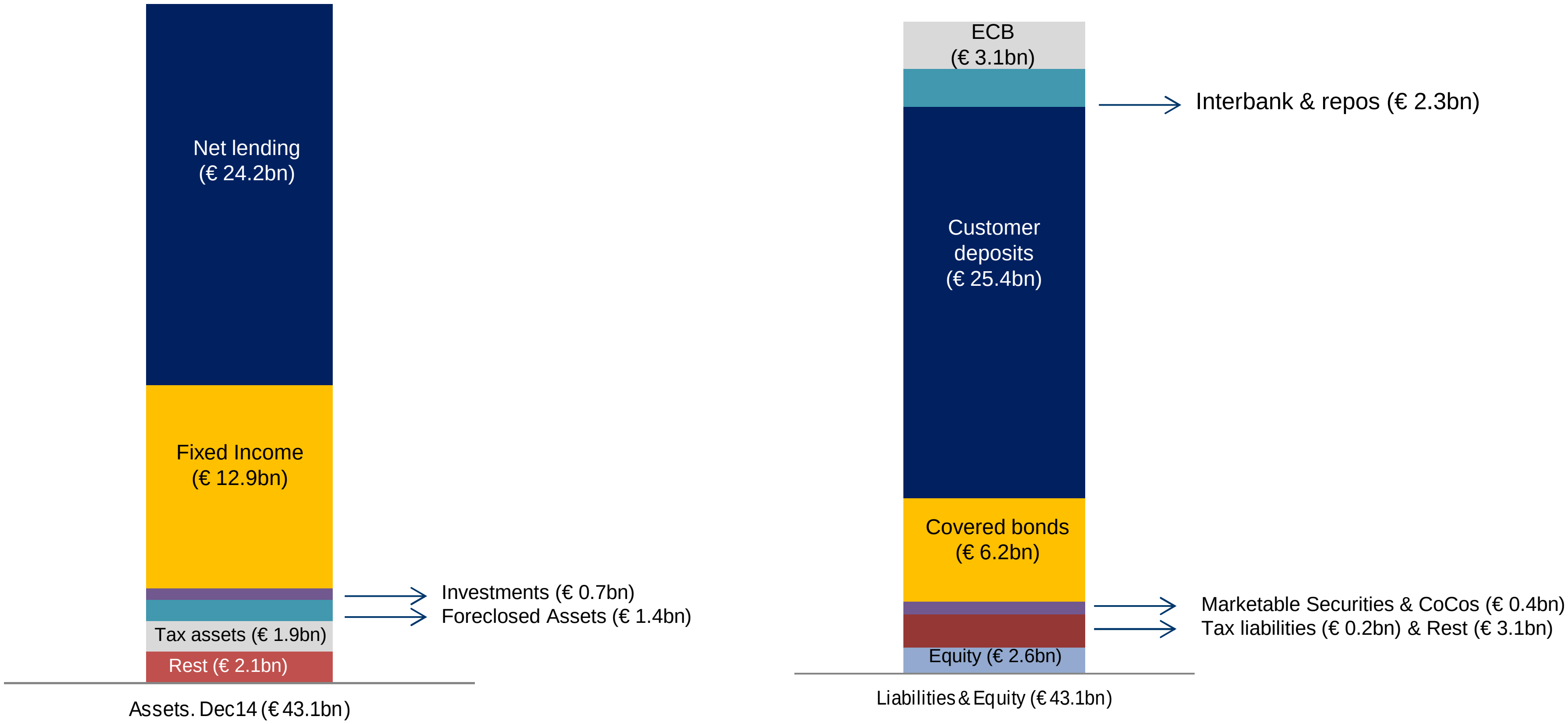
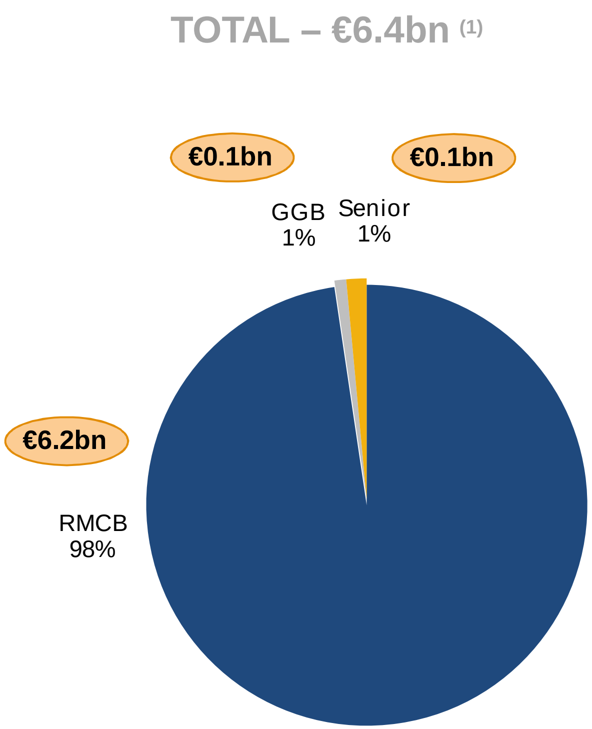
Balance Sheet. Retail banking



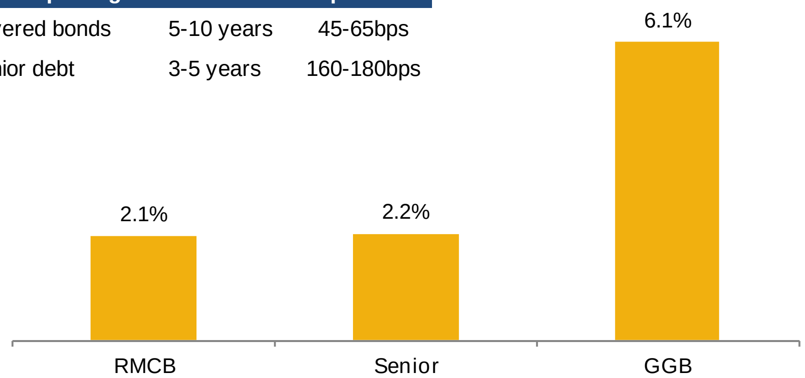
Wholesale Funding - Capital Markets

Capital markets breakdown – Dec14

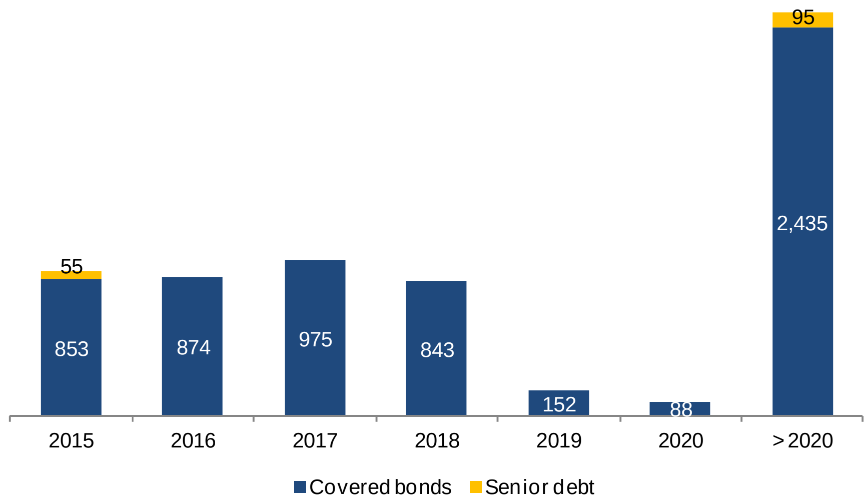


Average Capital Markets Cost (%) – Dec14

Potential new issues pricing	Maturity	Indicative spreads
Covered bonds	5-10 years	45-65bps
Senior debt	3-5 years	160-180bps



Capital markets maturities (€m) – Dec14

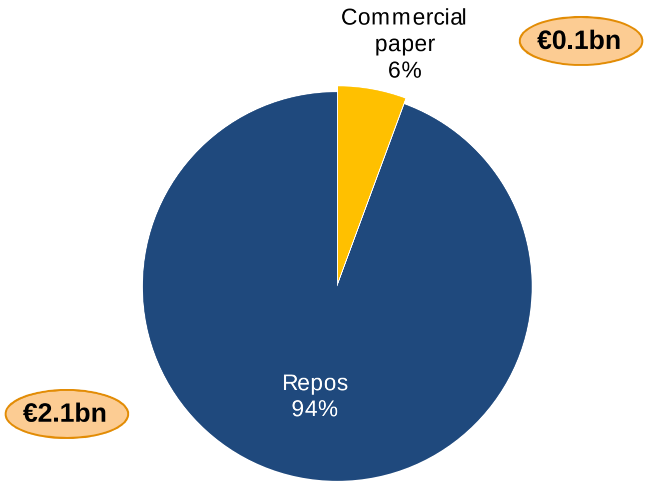


(1) *Excluding retained Covered Bonds . Not including AT1 CoCos*
(2) *Source: Liberbank Treasury (inventarios), Bloomberg*

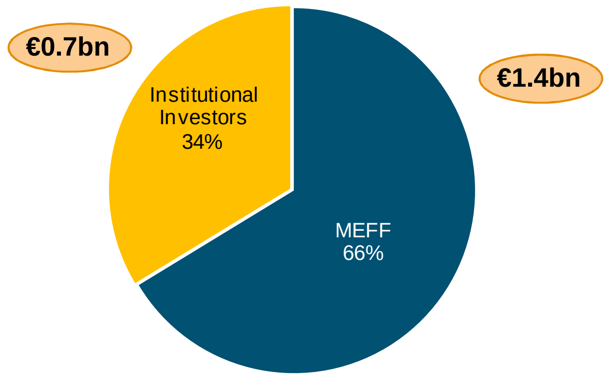
Wholesale Funding - Money Markets

Short Term Funding – Dec14

TOTAL – €2.3bn



REPO – Dec14



- Average cost: 0.23%
- Average maturity: 0.5 months

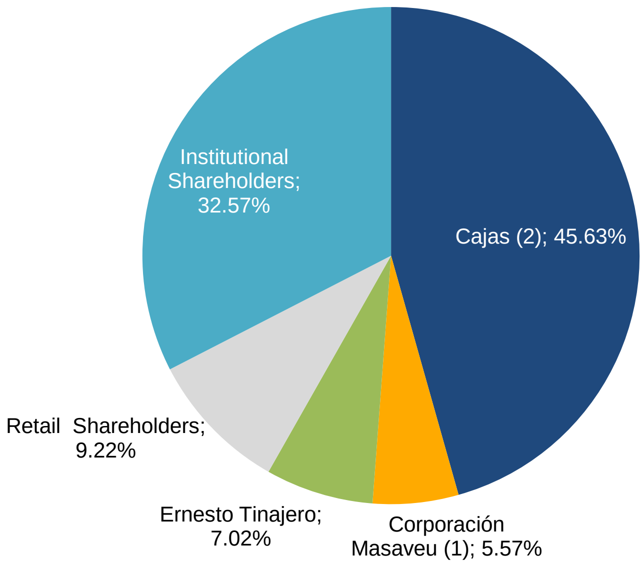
Commercial Paper – Dec14

- 100% Institutional Investors
- Average cost: 1.17%
- Average maturity: 3.9 months

(1) Money markets include c.€750m repos with the Spanish Treasury (Public Administration)
Source: Liberbank Treasury (inventarios)

Shareholders and Book Value

Shareholder base



(1) Incluye Flicka Forestal and Fundación María Cristina Masaveu
(2) Incluye Caja Asturias (30.1%), Caja Extremadura (9.13%) y Caja Cantabria (6.39%)
Source: Liberbank and CNMV

Book value and Tangible Book Value

	dec-14	Fully Diluted
# New shares (m)		282
# O/S shares (m)	2,613	2,895
BV (exc minorities). Eur m	2,513	2,762
TBV. Eur m (1)	2,429	2,678
BVps (Eur)	0.96	0.95
TBVps (Eur)	0.93	0.93
Last price	0.68	0.68
PBV	0.70x	0.71x
PTBV	0.73x	0.74x

(1) Intangibles deduction
Note: last price for CoCos conversion purpose as of 31st of December (Eur 0.676/acc)

Outstanding CoCos.

AT1 (CoCos)	Outstanding Amount (Eur m)	Coupon	Min Strike	Maturity
Serie A	62	5.0%	3.24	17-Jul-2018
Serie B	13	5.0%	2.13	17-Jul-2018
Serie C	174	7.0%	0.41	17-Jul-2018
TOTAL	**249**			

Source: Liberbank and Bloomberg

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Adoption of IFRIC 21

- Liberbank has early adopted the IFRIC 21(1) on levy liabilities in the 4Q14 with the following impacts:
  - Extraordinary DGF contribution in the year it was authorized (Royal Decree 6/2013)
  - Ordinary DGF contribution in the year which balances are used for the calculation (Royal Decree 16/2011).
  - Next table summarize the main impacts:

Eur m	2013 Reported	2013 Restated	Difference
Extraordinary contribution to the DGF	0.0	42.0	-42.0
Ordinary contribution to the DGF	46.7	46.0	0.8
Profit Before Tax Impact	46.7	88.0	-41.3
Tax impact			-12.4
Net Income impact			-53.7
Adjustment to 2013 reserves			-31.8
Adjustment to 2014 reserves			-29.9

(1) IFRIC stands for International Financial Reporting Issues Committee

Institutional Investors & Analysts Contact

Relacion.inversores@liberbank.es

+ 34 91 422 58 37