Liberbank

Financial Report

2015 Second Quarter

August 5th, 2015

Index:

1. Macroeconomic Environment

The **Global economy** accelerated during the first quarter of 2015, but the second quarter points to a milder recovery. The interest rates upturn predicted by the FED could affect not only the American economy but also the emerging economies, which in the last years have borrowed US dollars.

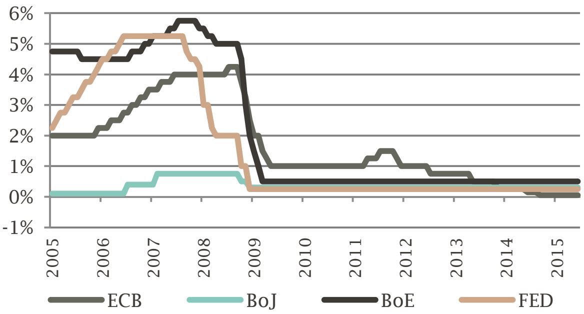
A GDP global growth of 3.5% is expected for 2015 (source: FMI June, 2015), driven by the OECD economies, particularly by the United States and Japan. The so called BRICS (Brazil, Russia, India, China and South Africa), which currently represent one fifth of the global economy, will lose momentum as four of these countries are facing difficulties (the only exception is India, with a projected growth above 7%).

The **Eurozone** economy is consolidating its recovery and it is likely to advance by 1.5% in 2015 (source: FMI April, 2015). Such recovery is widespread, both across sectors and countries, although the uncertainty about Greece is testing the strength of the European markets.

The third bailout program for Greece has been implemented amidst a sharp internal division amongst followers and detractors. The program requires the implementation of reforms approved by the Eurozone countries, the ratification by each country of the agreement reached between Greece and the Eurogroup, and the negotiation of the content of the new bailout. While all these pending issues are solved, the European Financial Stabilization Mechanism (EFSM) has granted a 7,000 euro million credit facility to meet the most immediate needs of the country.

The monetary policy maintains an expansionary stance, combining conventional measures (key ECB interest rates at a historical low of 5 bps), with other non conventional measures like the series of targeted longer-term refinancing operations (TLTRO), or the launching of an ambitious public and private assets purchase program, which will run until the inflation reaches the mid-term objective of 2%, established by the ECB.

Key ECB Interest Rates ***(Source: Central Banks)***

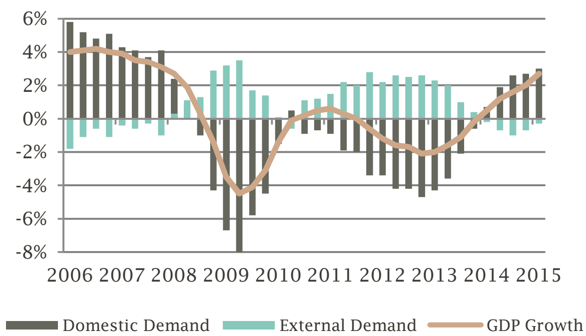


Furthermore, in 2015 the Single Resolution Mechanism (SRM) enters into force, establishing a common European frame for restructuration and resolution of credit institutions. Such frame will preserve the financial system stability, limiting the public support and protecting the depositors.

The **Spanish economy** strengthens its growth. According to the INE (National Statistic Institute), the economy grew by 0.9% quarterly during the first quarter and may reach 1% during the second quarter. Forecasts for 2015 point to the maintenance of this dynamic, higher than those of most of the European partners.

The Bank of Spain (BDE) expects a 3.1% growth for 2015, highly appraising the momentum given by the monetary expansion measures and the foreign trade growth. Nevertheless, the expansion pace could be moderated during the second half of 2015.

GDP and contribution to demand (Source: INE)



The decrease in prices is slowing down, in line with the growth expectations. The inflation grew three tenths in June, reaching 0.1%, due to the underlying component and the lower decline of electricity prices (Source: INE). The Spanish inflation is below that of the rest of the

European Union, contributing this way to increase our country's competitiveness.

The labor market shows the good progress of the economy. The unemployment rate stood at 22.4% at the end of the first quarter, decreasing by more than two percentage points since March 2014 (Source: INE). However, the number of affiliates to Social Security experienced a slight decline seasonally adjusted, thus reducing the YoY rate to 3.4% (Source: Ministerio de Empleo y Seguridad Social). Regarding the second half of 2015, the occupation improvement pace is expected to slow down, according to a slight deceleration of the economic growth.

The public sector closed 2014 with a 5.8% GDP deficit, slightly above the Government objective (5.5%). As for 2015, a reduction to 4.2% is committed, which will require a substantial effort from the public administrations.

As regards the housing market in Spain, first data of 2015 shows the beginning of the sector recovery, based on price stabilization, cheap credit and demand increase. House sales increased by 6% YoY in April, and mortgages granting grew by 11% in the same period (Source: INE).

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

The **economy of Asturias** ended 2014 with a slight GDP growth of 0.8% (Source: INE). The most dynamic sectors were services (particularly tourism) and industry (where employment grew by 9.7%). In 2015, the economy of Asturias is expected to secure its recovery (with a GDP growth near 2.1%), based again in the services and industry sectors. The construction sector could again show positive rates variations, while farming will keep losing weight, within the regional economy (Source: Hispalink, July 2015 forecasts)

The economy of **Cantabria** experienced a GDP growth of 1.0% in 2014 (Source: INE). The most dynamic sectors were farming (based on milk production and selling livestock) and services sector (transport and communications). Forecasts predict a GDP growth near 2.1%, following the construction recovery and the industry growth, which underwent a severe adjustment in the past few years (Source: Hispalink, July 2015 forecasts).

The GDP of **Castilla-La Mancha** grew by 1.2% in 2014 (Source: INE), driven by farming, which has experienced a notable impulse based on exports and the proper functioning of agri-food industry) and to a lesser extent, on services and industry. In 2015 it is expected to consolidate this evolution responding to the momentum of these same sectors, and to a better performance in construction, reaching a GDP growth of 2.3% at the end of 2015 (Source: Hispalink, July 2015 forecasts).

The economy of **Extremadura** experienced a GDP growth of 2.2% and is expected to reach 2.4% in 2015. Farming, one of the main pillars of the region economy, will grow below the national farming sector average, but in contrast, construction and manufacturing are expected to recover (Source: Hispalink, July 2015 forecasts).

The economy of the **Comunidad de Madrid** consolidates its growth and job creation in a sustained way. The regional GVA growth in 2014 was 1.0% (Source: INE) and is expected to reach 3.2% in 2015 (Source: AIREF). Madrid remains to be Spain's most dynamic Autonomous Community and its contribution to national GDP already exceeds that of Cataluña.

The results of the **Spanish Banking Sector**[1] in 2014 were 36.1% higher than those of 2013. The Net Interest Margin grew due to the reduction of funding costs and despite the credit deleveraging. Administrative costs declined and allowances moderated, but trading income had also decreased. The persistence of this low interest rates scenario, and the accounting of a still significant amount of non-performing assets, will continue exerting downward pressure on earnings.

Credit continues to decline, showing a YTD variation of -2.4% in May, even though the granting of new loans begins to grow significantly, and the BDE expects 2015 to end with zero or even positive credit growth for the first time since 2009.

With regard to liabilities, and in response to the low interest rates scenario, the total amount of deposits declines by 1.4%, due to the increase of both consumption and savings diverted to mutual funds. Mutual funds cumulate during the first five months of the year a growth of 13.4% (Source: Inverco), although their growth stalled in May.

Another positive aspect is the NPL ratio reduction, both in absolute terms, declining by 10,609 million euros in 2015, and in NPL rate terms, decreasing from 11.8% in December to 10.7% in May (Source: BDE).

[1] Source: Statistical bulletin of Banco de España. This same source is used for all the data of the financial sector, unless otherwise specified.

The CET1 ratio reached 11.8% in 2014, which goes up to 13.6% in the case of total capital, comfortably exceeding the regulatory required minimum. This situation is likely to continue in 2015.

Despite this positive evolution, the banking system should continue strengthening its equity in 2015 to face the new regulatory framework, more demanding and complex.

2. Key indicators

Key Indicators

In € Million	30/06/2015	31/03/2015	30/06/2014	% YTD change	% Annual change
BALANCE SHEET					
Total Assets	42,845	42,355	45,024	1.2%	-4.8%
Gross Loans	25,659	25,908	27,738	-1.0%	-7.5%
Retail Funds	29,596	29,316	30,273	1.0%	-2.2%
Shareholder's Equity	2,249	2,195	2,215	2.5%	1.6%
Total Equity	2,549	2,733	2,510	-6.7%	1.5%
Loan to Deposits	90.5%	90.3%	92.9%	0.2%	-2.4%
PROFIT AND LOSS ACCOUNT					
Net Interest Income	251	130	218		15.5%
Gross Margin	584	243	598		-2.3%
Pre-impairment Income (1)	364	135	378		-3.7%
Profit for the period (1)	121	59	123		-1.2%
Profit attributable to the Group (1)	125	57	121		3.5%
RISK MANAGEMENT					
Non-performing Loans (NPL)	2,308	2,398	2,537	-3.7%	-9.0%
Non-performing Loans (NPL) (incl. APS protected assets)	5,373	5,552	5,977	-3.2%	-10.1%
Credit Loss Allowances	1,016	1,048	1,167	-3.0%	-12.9%
Credit Loss Allowances (incl. APS protected assets)	2,255	2,316	2,724	-2.6%	-17.2%
Net Foreclosed Assets	374	349	223	7.2%	67.8%
Net Foreclosed Assets (including APS)	1,611	1,518	1,459	6.1%	10.4%
Non-performing Ratio	10.3%	10.7%	10.6%	-0.3%	-0.3%
Non-performing Ratio (incl. APS protected assets)	20.9%	21.4%	21.5%	-0.5%	-0.6%
NPL coverage Ratio	44.0%	43.7%	46.0%	0.3%	-2.0%
NPL coverage Ratio APS portfolio	48.6%	48.9%	49.6%	-0.3%	-1.0%
(including foreclosed assets and write-off)					
BANKING BUSINESS AND RESOURCES (Units)					
Employees	5,223	5,249	5,402	-0.5%	-3.3%
FTEs (Liberbank + BCLM)	4,014	4,035	4,105	-0.5%	-2.2%
Branches	1,049	1,049	1,072	0.0%	-2.1%
ATMs	1,373	1,373	1,401	0.0%	-2.0%

Sources: Consolidated Public Finances, Bank of Spain's official statements and Other Internal Information Sources.
2014 accounts were restated in application of IFRIC 21 for comparative purposes.
APS Asset Protection Scheme, covering a 7,244 million euros risk portfolio from Banco de Castilla La Mancha

(1) In 2015, following the IFRIC 21, the accounting of the contributions to the Deposit Guarantee Fund is registered in the P&L account as a one-time charge in December, instead of charging it throughout the year. Taking into account a linear accrual of these contributions, margin before provisions, at 30 June 2015, would amount to 341 million euros, compared to 352 million euros at 30 June 2014 (-3.1% YoY). The profit for the period would have been of 105 million euros at 30 June 2015, similar to that of 30 June 2014 (+0.7% YoY). Finally, the profit attributable to the Group would have been of 110 million euros at 30 June 2015, compared to 104 million euros at 30 June 2014 (5.4% YoY).

3. Financial Evolution

Consolidated balance sheet

In € Million	30/06/2015	31/03/2015	30/06/2014	% YTD change	% Annual change
Cash and Financial Institutions	667	586	727	13.9%	-8.3%
Loans	23,698	23,841	25,229	-0.6%	-6.1%
Fixed Income portfolio	12,751	12,236	13,840	4.2%	-7.9%
Trading book	0	0	0	-11.5%	-9.5%
Available for sale	7,907	7,489	7,737	5.6%	2.2%
Credit investments	2,787	2,786	2,973	0.0%	-6.2%
Held to maturity	2,057	1,961	3,131	4.9%	-34.3%
Equity Securities	451	456	447	-1.1%	0.8%
Financial Derivatives	384	564	235	-31.9%	63.4%
Non current Assets held for sale	1,603	1,520	1,484	5.5%	8.0%
of which: Foreclosed Assets	1,602	1,510	1,456	6.1%	10.0%
Investments	420	311	310	35.1%	35.8%
Tangible fixed Assets	690	683	655	1.0%	5.4%
Intangible fixed Assets	83	80	81	3.8%	2.0%
Other Assets	2,098	2,075	2,008	1.1%	4.5%
TOTAL ASSETS	**42,845**	**42,351**	**45,017**	**1.2%**	**-4.8%**
Deposits by Central Banks	4,046	3,246	4,770	24.7%	-15.2%
Deposits by Credit Institutions	668	910	584	-26.6%	14.4%
Customer Deposits	34,068	33,916	35,390	0.4%	-3.7%
Bonds and Promissory Notes	286	295	458	-2.7%	-37.5%
Subordinated Debt Securities	170	239	371	-28.8%	-54.0%
Other Financial Liabilities	277	207	260	34.1%	6.6%
Financial Derivatives	51	59	44	-14.6%	14.1%
Other Liabilities	729	738	611	-1.2%	19.4%
TOTAL LIABILITIES	**40,296**	**39,610**	**42,488**	**1.7%**	**-5.2%**
Capital and Reserves	2,124	2,145	2,054	-1.0%	3.4%
Attributable Net Profit	125	57	121	119.1%	3.5%
Valuation Adjustments	217	433	189	-49.9%	14.6%
Minority Interest	83	107	103	-22.1%	-18.8%
TOTAL EQUITY	**2,549**	**2,741**	**2,467**	**-7.0%**	**3.3%**
TOTAL EQUITY AND LIABILITIES	**42,845**	**42,351**	**44,955**	**1.2%**	**-4.7%**

The balance grows by 1.2% in the second quarter.

Loans decline slightly (-0.6% QoQ), despite the upturn in credit demand, observed in the quarterly increase of new operations (27.2%).

The fixed income portfolio was managed actively, materializing capital gains (101 million euros) while maintaining a conservative risk profile. This portfolio is mainly composed by Spanish public debt, with an average yield of 1.8%, an average duration of 2.5 years and accumulated capital gains of 350 million euros at the end of the first half of the year.

Regarding the investment portfolio, the main variation is attributable to the reclassification by Oppidum Capital SL, of its stake in EDP, since the former does no longer exercise significant influence over the latter, and now is accounted as an asset held for sale, which is valued at market price. Such reclassification meant an equity impact on the balance sheet of Liberbank in the amount of 114 million euros.

The evolution of customer deposits experienced a growth of 0.4% QoQ (+152 million euros).

The liquidity indicators remain at optimum levels. The LTD ratio, which shows the funding balance in the retail business, stays at 90.5%. The LCR ratio, which measures the short term liquidity level, stands above 400%. This ratio is not required until October 2015, when it must exceed 60%. Liquid assets amount to 8,345 million euros, and there are no relevant wholesale maturities this year (100 million euros in December).

Wholesale funding maintains a diversified structure. During the second quarter, 1,000 million euros of long-term funding have been obtained, conditioned to credit growth (TLTRO), reducing other short-term positions. The total funding from the ECB at the end of June amounts to 4,045 million euros (9.4% of the total balance sheet).

The accumulation of earnings allows an increase in total equity by 3.3% YoY. During the second quarter the total equity declines by 7.0%, due to the reduction of the fixed income gains, after the upturn of the risk premium caused by the Greek crisis.

Resources

In € Million	30/06/2015	31/03/2015	30/06/2014	% YTD change	% Annual change
CUSTOMER FUNDS	29,596	29,316	30,273	1.0%	-2.2%
CUSTOMER FUNDS ON BALANCE SHEET	25,128	24,855	25,972	1.1%	-3.2%
Public Administrations	1,702	1,439	1,902	18.3%	-10.5%
Retail customer funds (residents)	23,082	23,061	23,720	0.1%	-2.7%
Demand Deposits	12,837	12,499	11,851	2.7%	8.3%
Term Deposits	10,087	10,495	11,643	-3.9%	-13.4%
Others (promissory notes and repurchase agreements)	158	67	225	135.3%	-29.8%
Retail customer funds (nonresidents)	344	355	351	-3.1%	-1.9%
OFF-BALANCE SHEET CUSTOMER FUNDS	4,468	4,460	4,302	0.2%	3.9%
Mutual Funds	1,788	1,733	1,666	3.2%	7.4%
Pension Funds	1,595	1,630	1,600	-2.1%	-0.3%
Savings Insurance	1,085	1,098	1,036	-1.2%	4.8%
WHOLESALE FUNDING (capital markets)	5,689	5,694	6,926	-0.1%	-17.9%
Covered Bonds (unretained)	5,421	5,421	6,526	0.0%	-16.9%
Bonds and EMTNs	95	95	188	0.0%	-49.4%
Wholesale Promissory Notes	173	179	212	-2.9%	-18.0%
TOTAL FUNDS	35,285	35,010	37,199	0.8%	-5.1%

Customer funds total 29,596 million euros, which means a QoQ growth of 1.0% (+280 million euros). Regarding retail customers, their performance is even better, with a QoQ variation of 1.7% (+469 million euros).

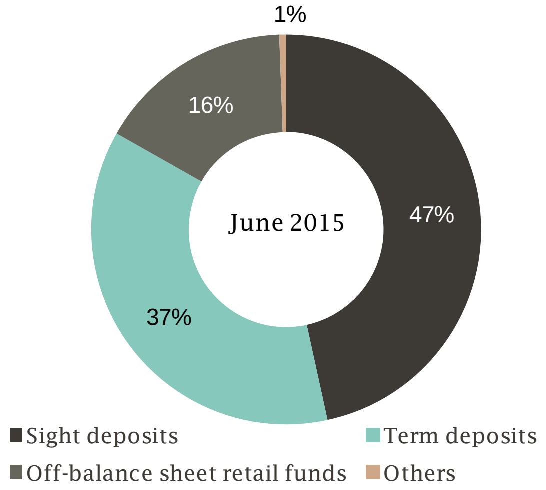
The persistence of near zero interest rates is prolonging the customers' trend to withdraw funds from term deposits (-3.9% QoQ), but with less intensity than the previous quarter (-4.1%).

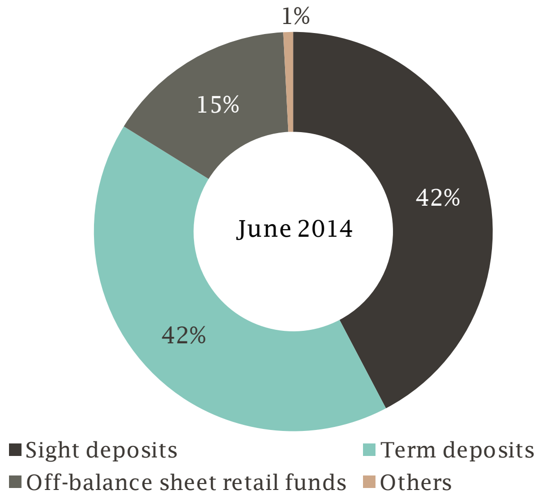
Part of these balances is shifting to sight deposits (+2.7% QoQ) and to mutual funds (+3.2% QoQ).

Therefore, the liabilities structure is experiencing a variation. Sight deposits represent 47% of private sector savings (in and off-balance), and the weight of off-balance products grows slightly (16%).

The maturity of covered bonds reduced the capital markets funding by 1,236 million euros during the last twelve months (-773 million euros since the beginning of the year).

Retail resources (Private residents)





Gross loans

In € Million	30/06/2015	31/03/2015	30/06/2014	% YTD change	% Annual change
LOANS	25,659	25,908	27,738	-1.0%	-7.5%
of which: APS Loans	3,284	3,412	3,760	-3.8%	-12.7%
NON APS LOANS	22,375	22,496	23,978	-0.5%	-6.7%

Non APS Gross loans

In € Million	30/06/2015	31/03/2015	30/06/2014	% YTD change	% Annual change
CREDIT TO PUBLIC ADMINISTRATIONS	1,404	1,502	1,379	-6.5%	1.8%
CREDIT TO PRIVATE SECTORS	20,971	20,994	22,599	-0.1%	-7.2%
Productive activity financing	5,486	5,589	6,179	-1.8%	-11.2%
Developers	347	354	506	-1.9%	-31.3%
Civil works	234	244	306	-4.2%	-23.5%
Other companies	4,905	4,990	5,368	-1.7%	-8.6%
Household financing	14,911	15,110	15,814	-1.3%	-5.7%
Housing purchases and rehabilitation	14,289	14,486	15,113	-1.4%	-5.5%
Consumer Financing and others	622	624	701	-0.3%	-11.3%
Demand debtors and others	574	296	605	94.2%	-5.2%
LOANS	22,375	22,496	23,978	-0.5%	-6.7%
of which: Non Performing Loans	2,308	2,398	2,537	-3.7%	-9.0%

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

The loan portfolio has a retail profile. Household risks represent 66.6% of the portfolio, and developers related risks account for a residual 1.6% of the total amount.

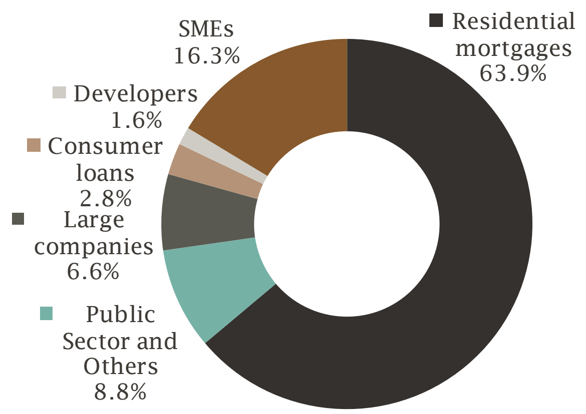
The fall of credit is moderating, almost reaching stability (-0.5% for the second quarter of 2015 vs. -1.2% for the first quarter).

During the second quarter 11,762 new credit and loans operations have been formalized, amounting to 772 million euros. The total amount reaches 1,379 million euros in 2015 (34.1% above 2014).

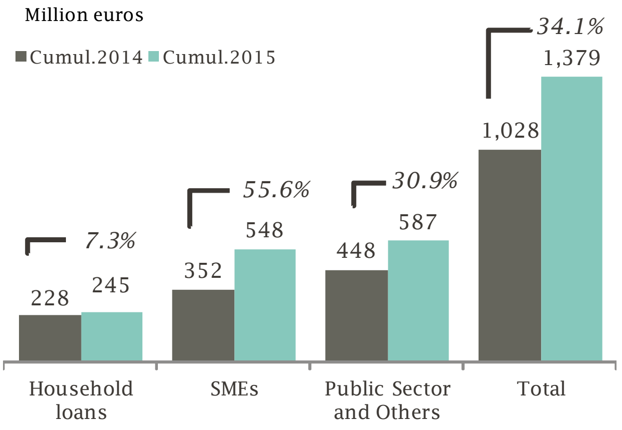
The commercial activity with SME and self-employed is more intense. They concentrate 40% of the lending formalized during the first half of 2015, with a YoY growth of 55.6%.

Regarding households, the growth of new operations was milder (+7.3% YoY), while the improvement of the conditions for the mortgage "Hipoteca Ahora SIN", is generating a growing demand of this product at the end of the first half of 2015.

Non APS gross loans private sector breakdown



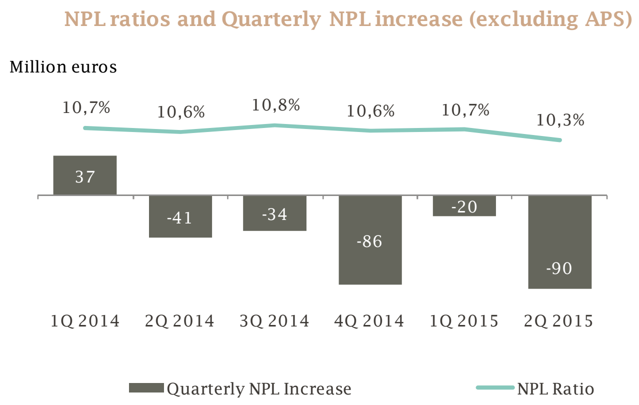
Cumulative Lending Operations

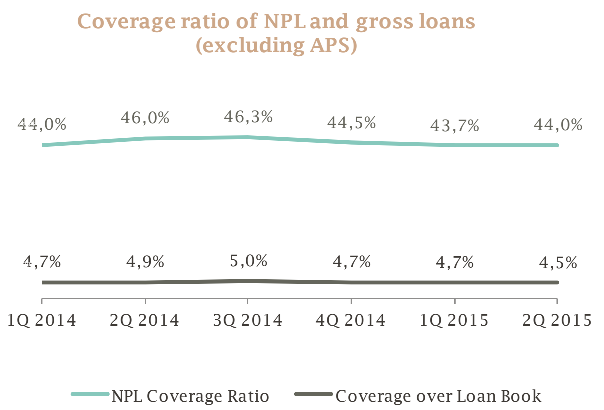


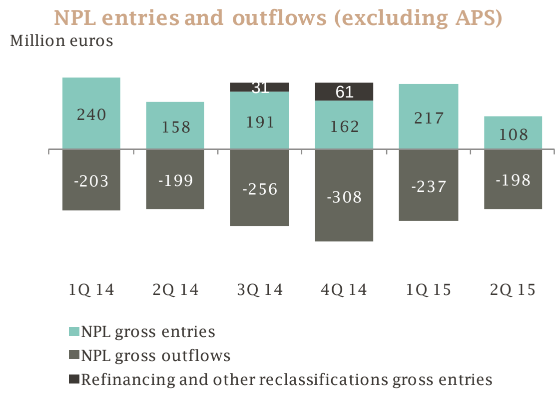
Credit Risk Analysis (excluding APS)

In € Million	NPL 30/06/2015	NPL Annual ch.	NPL Ratio 30/06/2015	NPL Ratio Annual ch.	Coverage Ratio 30/06/2015	Coverage Ratio Annual ch.
PRODUCTIVE ACTIVITY FINANCING	1,375	-117	25.1%	-1.0%	54.1%	0.2%
Real Estate development	187	-3	53.7%	3.3%	53.9%	-1.4%
Civil works	105	-29	45.1%	0.3%	96.0%	2.6%
Other corporates	1,083	-85	22.1%	-1.1%	50.0%	1.0%
HOUSEHOLD FINANCING	917	15	6.1%	0.3%	29.5%	-0.1%
Housing purchase and rehabilitation	867	15	6.1%	0.3%	26.5%	-0.2%
Consumer Financing and others	49	0	7.9%	0.5%	81.0%	2.3%
DEMAND DEBTORS AND OTHER RISKS	17	-8	0.8%	-0.6%		
TOTAL CREDIT TO OTHER SECTORS	2,308	-109	10.3%	-0.3%	44.0%	-0.5%

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







For the fifth consecutive quarter the NPL assets decline, additionally, the NPL ratio falls to 10.3%, despite the lower credit lending. The impact of credit decrease in the NPL ratio is 19 bps over the current year.

The NPL entries stand at 108 million euros which is the lowest figure for the last six quarters, and half the amount in relation to the last quarter.

The credit loss allowances amount to 1,016 million euros, with the NPL coverage ratio at 44.0%, conditioned by the high weight of the mortgage portfolio, which requires a lower level of coverage.

Profit and loss account

In € Million	30/06/2015	30/06/2014	% Annual change
Financial income	401	481	-16.6%
Financial expenses	149	263	-43.2%
NET INTEREST INCOME	251	218	15.5%
Dividends	1	0	262.8%
Results from equity method stakes	83	17	381.1%
Net fees	91	101	-9.5%
Gains (losses) on Financial Assets and Liabilities	161	265	-39.5%
Other operating results	-3	-4	-9.2%
GROSS MARGIN	584	598	-2.3%
Administrative costs	201	200	0.5%
Staff costs	126	126	0.0%
Other general administrative costs	75	74	1.3%
Amortizations	19	20	-3.3%
PRE-IMPAIRMENT INCOME	364	378	-3.7%
Provisions	124	-5	
Impairment losses on financial assets (net)	84	187	-55.0%
Impairment losses on other assets (net)	1	-8	
Other profits or losses	-18	-41	-54.8%
PRE-TAX INCOME	136	164	-16.6%
Income tax	15	41	-63.2%
CONSOLIDATED NET PROFIT	121	123	-1.2%
ATTRIBUTABLE NET PROFIT	125	121	3.5%

Source: Profit and loss account. 2014 accounts were restated in application of IFRIC 21 for comparative purposes.

Income Statement Quarterly Evolution

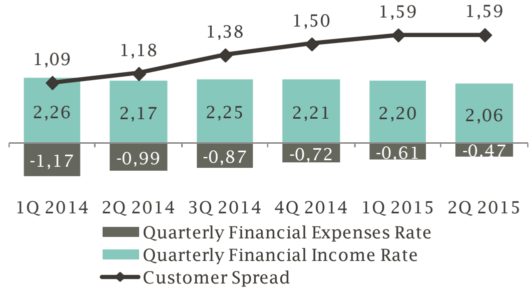
In € Million	1Q2014	2Q2014	3Q2014	4Q2014	1Q2015	2Q2015
Financial income	244	237	235	228	212	189
Financial expenses	141	122	114	96	82	67
NET INTEREST INCOME	103	115	121	132	130	122
Dividends	0	0	1	9	0	1
Results from equity method stakes	5	12	12	5	13	70
Net fees	50	50	46	40	48	43
Gains (losses) on Financial Assets and Liabilities	259	6	18	16	59	102
Other operating results	-4	1	-9	-51	-7	3
GROSS MARGIN	413	184	190	151	243	341
Administrative costs	98	102	101	99	99	102
Staff costs*	62	63	64	69	63	62
Administrative costs	36	38	37	30	36	40
Amortizations	10	10	10	9	10	9
PRE-IMPAIRMENT INCOME	305	73	79	43	135	229
Provisions*	6	-12	6	11	0	124
Impairment losses on financial assets (net)	114	72	74	90	50	34
Impairment losses on other assets (net)	0	-8	0	1	0	1
Other gains or losses	-7	-33	-13	27	-6	-13
PRE-TAX INCOME	177	-13	-14	-32	79	58
Income tax	51	-10	-13	-18	19	-4
CONSOLIDATED NET PROFIT	126	-3	-1	-13	59	62
ATTRIBUTABLE NET PROFIT	121	0	2	-6	57	68

Quarterly contribution to the net interest income

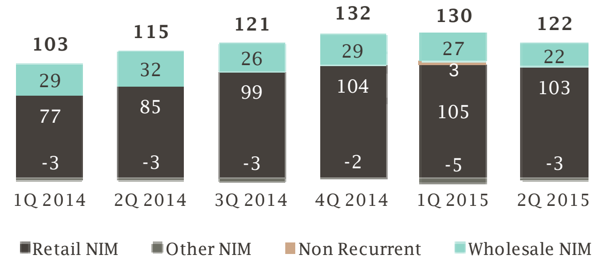
In € Million	1Q 2014	2Q 2014	3Q 2014	4Q 2014	1Q 2015	2Q 2015
Financial income	244	237	235	228	212	189
Financial expenses	141	122	114	96	82	67
NET INTEREST INCOME	103	115	121	132	130 *	122

** Includes 3 million € of non recurrent interest income in the 1Q 2015*

Customer Spread Evolution



Customer Spread Evolution by business lines



The net interest income reaches 251 million euros for the first half of 2015, which is a 15.5% YoY growth.

The retail bussiness contribution remains stable, with a slight decrease of 2 million euros compared to the previous quarter (excluding non recurrent results).

The retail financial expenses maintain a declining trend, thanks to an active price management within term deposits.

The cost of new production keeps improving, standing at the end of the quarter at an average of 0.4%, 6 bps below the last quarter average.

The term deposits portfolio reduces its quarterly average cost to 1.0% (24 bps lower, compared to the last quarter).

Regarding assets, the drop of interest rates, which began in the second half of 2014, is now impacting the portfolio. New production is being granted at similar prices to those of the portfolio (near 2.5%).

Results from equity method stakes, include those related to the above mentioned reclassification of the EDP portfolio owned by Oppidum Capital SL. This leads to an extraordinary income of 66 million euros in the second quarter.

	2Q 2014			3Q 2014			4Q 2014			1Q 2015			2Q 2015		
	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	28,176	2.2	153	27,750	2.3	156	27,216	2.2	151	26,125	2.3	147	25,722	2.1	133
of which: performing	22,110	2.7	147	21,676	2.8	151	21,314	2.7	144	20,491	2.7	139	20,271	2.5	126
Retail FE	24,984	1.0	62	25,409	0.9	55	25,476	0.7	46	23,898	0.6	37	24,440	0.5	29
Sight	11,840	0.1	3	11,937	0.1	2	12,443	0.1	2	12,409	0.1	2	12,767	0.1	2
Terms	12,343	1.8	55	12,298	1.7	51	11,789	1.4	42	10,832	1.2	33	10,495	1.0	26
Others	801	2.1	4	1,174	0.7	2	1,243	0.5	1	657	0.8	1	1,177	0.3	1
Wholesale FI	14,307	2.3	84	15,168	2.1	78	13,743	2.2	76	12,900	2.0	64	13,460	1.7	56
of which: fixed income	13,765	2.4	83	14,820	2.1	78	13,380	2.2	75	12,574	2.0	63	12,988	1.7	56
Wholesale FE	15,962	1.4	58	15,789	1.4	54	13,983	1.4	48	13,751	1.2	40	13,902	1.0	35
Financial Institutions	6,544	0.3	6	6,630	0.2	4	5,754	0.1	2	5,642	0.1	2	7,108	0.1	2
Repos PS and PA	1,168	0.3	1	1,242	0.4	1	568	0.5	1	939	0.0	0	217	0.0	0
Covered bonds	7,215	2.3	41	7,034	2.3	40	6,914	2.1	37	6,591	2.1	34	6,049	1.9	29
Bonds and others	1,036	4.0	10	883	4.2	9	746	4.6	9	579	3.3	5	528	3.1	4
Other FI & FE			-3			-3			-2			-5			-3

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

Fees decrease by -9.5% YoY (-9.6 million euros), impacted by the card pay interchange fees limitation, and lower fees from SAREB.

Seasonal factors affecting insurances and mutual fund fees, explain to a great extent, the lower contribution of fees during the second quarter.

Fees

In € Million	1Q-2014	2Q-2014	3Q-2014	4Q-2014	1Q-2015	2Q-2015	% Annual change
FEES RECEIVED	53	53	48	58	50	44	-10.8%
Contingent liabilities	2	2	2	2	2	2	-9.7%
Contingent commitments	1	1	1	1	1	0	-32.6%
Collections and payments	22	22	21	19	19	19	-15.4%
Securities services	1	1	1	1	2	1	36.5%
Non banking financial products	12	9	9	10	11	9	-2.2%
Others	15	18	15	25	16	14	-12.1%
FEES PAID	3	2	2	18	1	2	-38.6%
NET FEES	50	50	46	40	48	43	-9.5%

Source: Profit and loss account and own preparation

Trading income amounts to 161 million euros, following active management of the fixed-income portfolio.

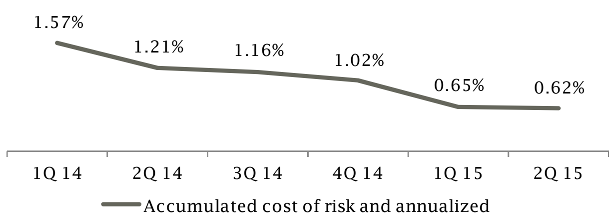
General costs have no significant changes (+0.5% YoY). Contribution to second quarter is 3 million euros above that of the first quarter, due to higher IT costs and technical reports, related to projects to improve efficiency and productivity in the mid-term.

Provisions to allowances reflect 111 million euros to fund a voluntary redundancy scheme, which will start at the end of 2015.

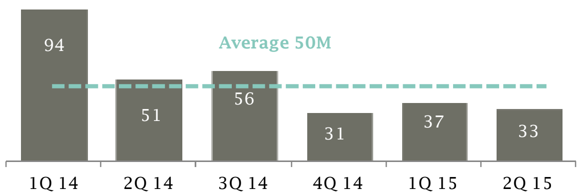
Losses from impairments include 4 million euros of equity and bond write-offs, plus 80 million of credit write-offs (33 million euros in the second quarter), confirming the moderation trend of risk cost.

Regarding credit investment, the cost of risk stands at 0.62% (0.59% in the second quarter).

Evolution of Recurrent Cost of Risk (1)



Recurrent Loan Impairments



1) Cost of risk is the quotient between the annualized recurrent loan impairments and the Non APS gross loans at the end of each quarter.

The attributable net profit for the first half of 2015 amounts to 125 million euros, of which 68 million euros were generated during the second quarter (increasing the quarterly contribution to 19.1%).

Considering the linear accrual of the contribution to the Deposit Guarantee Fund, the attributable net profit would have been 110 million euros, representing a 5.4% YoY growth (homogenously compared).

Solvency (Basel III phased-in)

In € Million	30/06/2015	31/03/2015	30/06/2014	% YTD change	% Annual change
CET 1 COMMON EQUITY TIER 1	2,231	2,188	2,370	42	-139
Common equity Tier 1 (%)	13.4%	13.5%	13.9%	0.0%	-0.4%
CAPITAL LEVEL 1/ TIER 1	2,318	2,334	2,505	-17	-188
Total TIER 1 (%)	13.9%	14.4%	14.7%	-0.4%	-0.7%
TOTAL CAPITAL	2,318	2,334	2,505	-17	-188
Solvency ratio (%)	13.9%	14.4%	14.7%	-0.4%	-0.7%
RISK WEIGHTED ASSETS	16,614	16,263	17,097	351	-483
LEVERAGE RATIO	5.5%	5.7%	5.5%	-0.3%	0.0%

Data including year-end results

According to Basel III ratios, Liberbank Group reaches a CET 1 Common Equity Tier 1 of 13.4% at 30 June 2015 (minimum regulatory level of 4.5%), a Capital Tier 1 of 13.9% (minimum regulatory level of 6%), and a Total Capital of 13.9% (minimum regulatory level of 8%). In addition, the leverage rate stands at 5.5%.

The Share

Liberbank share price closed the second quarter at EUR 0.650 per share. The average volume of daily trading is 6 million shares. Liberbank's market cap amounts to 1,700 million euros at June 30, 2015.

Market Information	2Q2015
Number of shares outstanding	2,615,280,709
Daily average trading (shares number)	6,120,084
Daily average trading (euros)	4,542,550
Maximum Share price (euros)	0.799
Minimum Share price (euros)	0.650
Price at year end (euros)	0.650
Market capitalization at year end (€ million)	1,700

The Rating

Fitch. Last May 19, Fitch removed the Support Rating Floor (SRF) for some banks. Regarding Liberbank, Fitch assigned it 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. Last May 20, the agency placed Liberbank, currently rated as BBB, under negative review as a consequence of the lower probability of systemic support in the future. These ratings reviews are expected to conclude in September.

Moody's. On June 17, the agency finished the review of Liberbank ratings, as a result of the implementation of the new methodology, and the government support review. The Baseline Credit Assessment (BCA) rating for Liberbank increased by one notch, from b2 to b1. The long term rating of deposits and unsecured senior debt stayed at B1. The positive impact of the BCA upgrade is offset by the government support withdrawal.

On June 18, Moody's also concluded the mortgage bonds review. Regarding Liberbank, their rating was increased 4 notches from Baa3 to A2. This rise follows Moody's review of the applied methodology.