



“Regional Leadership”

Investor and Analyst Presentation

Madrid, 22 April 2014

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Today's presenters



Mr. Manuel Menéndez

Chairman and CEO

25 years of experience in the financial sector



Mr. Jesús Ruano

CFO and Corporate Development Director

17 years of experience in the financial sector



Mr. Álvaro Vaca

Business Development and Marketing Director

14 years of experience in the financial sector



Mr. Jonathan de Joaquín

Risk Strategy and Policies Director (CRO)

14 years of experience in the financial sector



Mr. Juan Pablo López

Head of Investor Relations (IR)

10 years of experience in the financial sector

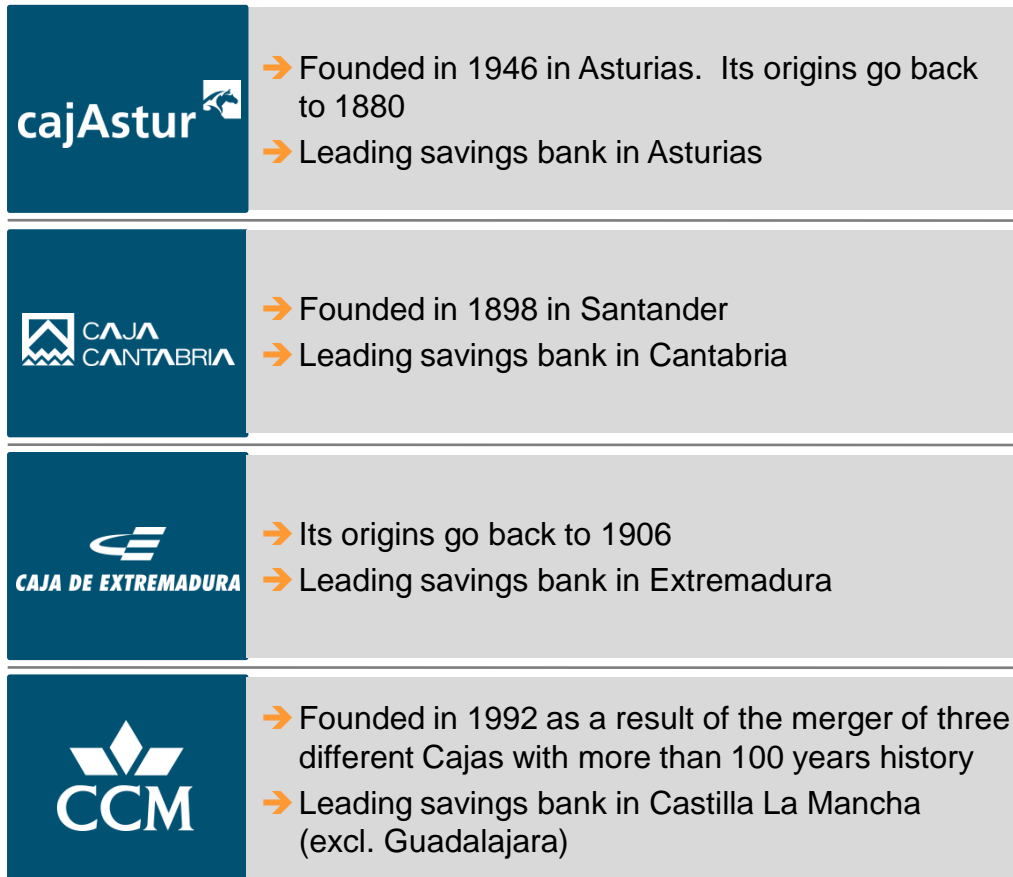
Today's agenda

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Introduction to Liberbank	15 min.	Mr. Manuel Menéndez, <i>Chairman and CEO</i>
Key investment highlights	15 min.	
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The origins of Liberbank



High brand awareness in home regions due to wide and long-standing presence

Strong local/regional sentiment in Spain

High visibility and credibility of the “Obra Social” (charitable work) in the cities/regions

Loyal client base

Preferred brand perception

Large and “sticky” deposit base

Merger of four savings banks, with more than 100 years of history, and with a leading position in their home markets (No 1 in all with 26% combined market share in deposits^(a))

(a) Average market share in home regions Asturias, Castilla La Mancha, Cantabria and Extremadura
 Source: Liberbank's figures as of December 2013. Branches market share Liberbank as of December 2013, rest of banks BoS June 2013 and annual report CECA (2011) and UNACC and AEB 2012. Business market share according to OSR BoS

Recent history

2009	→ Cajastur acquires Banco CLM (formerly CCM) including the first APS scheme in Spain
2011	→ Three-way merger between Cajastur, Caja Extremadura and Caja Cantabria, one of the very few mergers without public support
2012	→ Restructuring and recapitalisation processes carried out post-OW's stress test relying on marginal and flexible State Aid
May 2013	→ Successful listing
April 2014	→ Restructuring measures 100% accomplished to date. No limitations to pursue our strategic objectives and achieve expected growth

Transformation process 2011 – 2013

Cost rationalisation	(42)% since 2010	<ul style="list-style-type: none"> → From 1,379 branches and 6,536 FTEs in 2010 to 1,072 branches and 4,059 FTEs in 2013 → From €798m Opex in 2010 to €463m in 2013
Loan book restructuring	1.4% ^(a) RE/ total assets	<ul style="list-style-type: none"> → Transfer of €6.0bn of gross assets to SAREB in 2013 → Reclassification of loans => 8% restructured loans, of which only 3% normal → NPL coverage of 42.6% (excl. APS) in line with its peer group considering the low RE exposure
Industrial portfolio disposals	€457m capital generation ^(b)	<ul style="list-style-type: none"> → Sale of equity stakes during 2011-14 generated proceeds of c.€1.6bn
Operating integration	Unified IT platform	<ul style="list-style-type: none"> → One only IT platform (vs 3 before) → Unified risk management and commercial policy and procedures → Renewed partnerships in life and non-life insurance and asset management with strong partners
Deleveraging	L/D 97% ^(c)	<ul style="list-style-type: none"> → From 130% in 2011 to 97% L/D ratio^(c) as of December 13
Recapitalisation	607bps of CET1 created since 2012	<ul style="list-style-type: none"> → Capital generation €1.5bn (+0.3m in excess of OW needs) → Further circa €500m of new common equity expected in 2014
Listing	18% institutional holders ^(d)	<ul style="list-style-type: none"> → 69% owned by historic Cajas' shareholders with 31% theoretical free float (ex-MCNs) → Corporate governance aligned with best practices (i.e. 1/3 of Independent Directors)

Liberbank has successfully accomplished a transformational process since its creation in 2011 and is well equipped to start a new journey towards shareholder's value creation

(a) Net Real Estate loans and foreclosures over total assets, excluding APS

(b) Including RWAs reduction

(c) From Annual Reports figures. L/D ratio calculated as Net loans excluding repos over sum of customer deposits (excluding covered bonds and repos) and SLE CoCos and retail commercial paper

(d) As of 15th April 2014. Not including impact of announced capital increase and not including conversion of CoCos SLE (€311m)

Liberbank today

Pure retail bank with €45bn in assets

€25bn deposits, of which 49% sight deposits

€26bn loans, of which 63% retail mortgages (ex-APS)

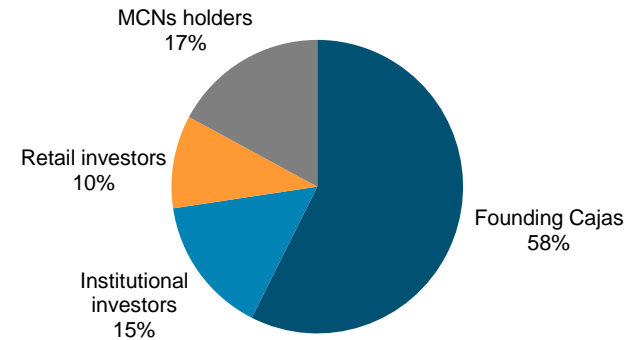
1,072 banking branches, 85% in home regions

Strong regional brands and client proximity

~2 million clients

Note: Figures as of 31 December 2013
Source: Liberbank

Shareholder base (fully diluted)



Note: New shares to attend conversion of MCNs calculated based on existing terms and share price of €0.85/share
Source: Liberbank

- Board of Directors composed of 12 members, 1/3 of independents and 10 non-executives
- All Board members appointed by former “Cajas” held top executive positions in corporate and banking entities in the past
- Commitment to increase number of independent Board members going forward, in line with free float

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Key investment highlights

1 Market leader in its four home regions

2 Strong credit quality

3 Sound funding and liquidity position

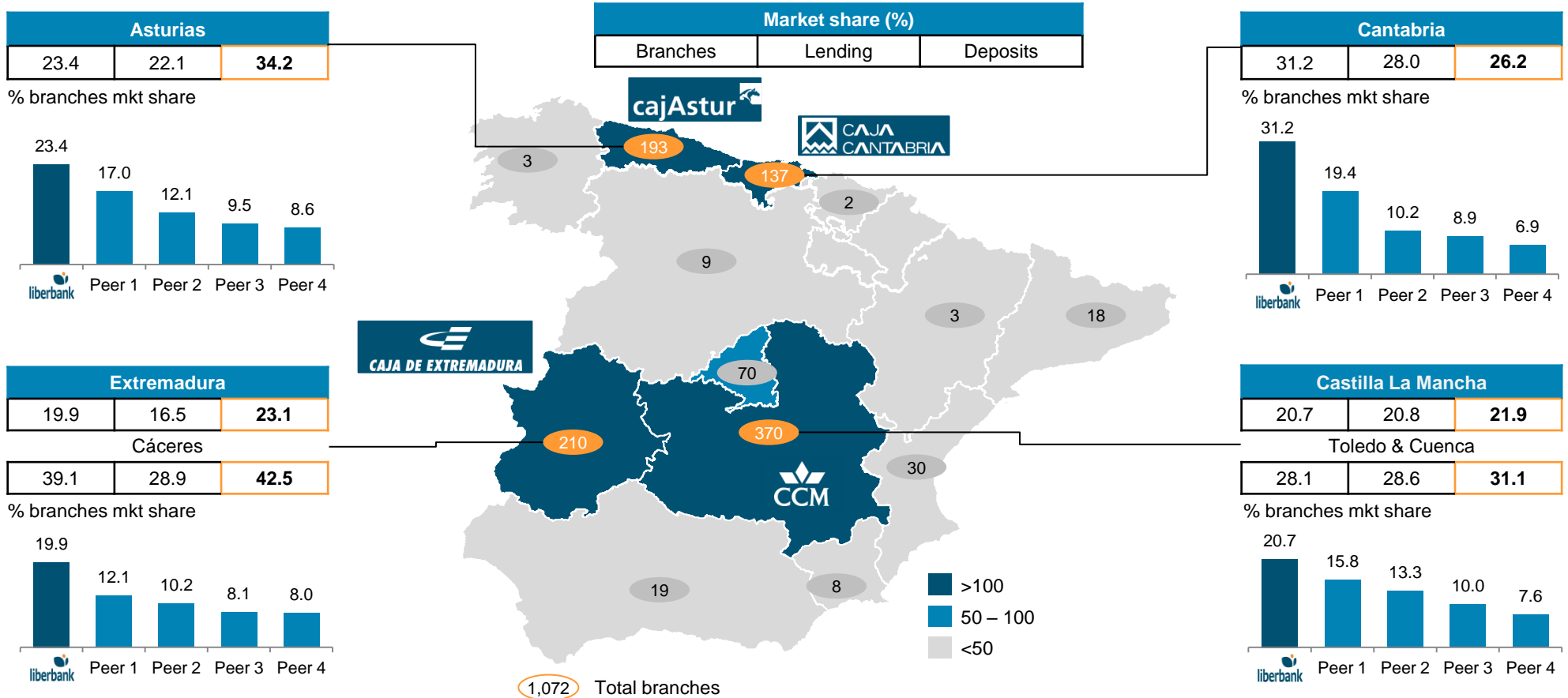
4 Integration successfully accomplished

5 Sustainable NIM recovery

6 Sound capital position

1 Market leader in its four home regions

- Efficient network and strong franchise (deposits market share > branches market share)
- Well-established network: over 80% branches are more than 20 years old and 95% more than 10 years in home regions
- Strong brand awareness client proximity allows for pricing power in home regions



Source: Liberkbank's figures as of December 2013. Branches market share Liberkbank as of December 2013, rest of banks BoS June 2013 and annual report CECA (2011) and UNACC and AEB 2012. Business market share according to OSR BoS

2 Strong credit quality

Clean and restructured balance sheet

→ One of the lowest exposure to real estate developers in **Spain: loans and foreclosed assets represent 1.4%^(a) over total assets in 2013**

→ **Refinanced** and restructured loans represent **only 8.4%^(b) of total gross loans (vs 13% average of peer group)**, of which 3% normal

→ **Retail mortgages represent almost 63%^(c) of the total gross loans with NPL ratio of 5.0%**

→ One of the **lowest NPA ratio amongst peer group^(c)**

→ Reasonably **well provisioned with 40%^(c) NPL coverage ratio (excl. RED)**, in line with peers

Note: Peer group includes Banco Popular, Banco Sabadell, Bankia, Bankinter and Caixabank

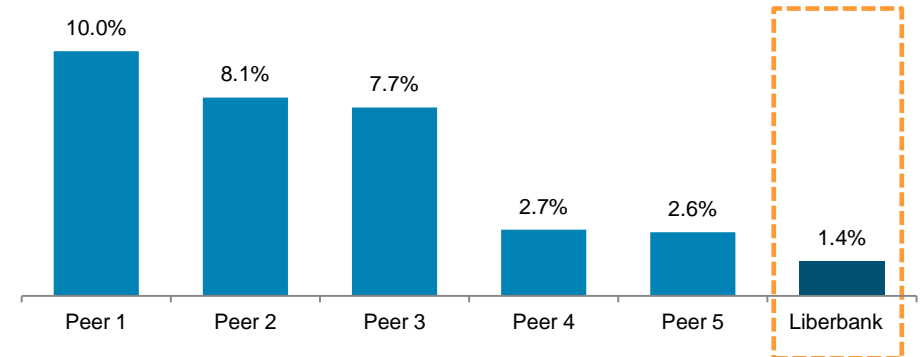
(a) Includes net loans to real estate developers and foreclosed assets, ex-APS

(b) Excluding APS and according to Bank of Spain methodology, as of December 2013

(c) Excluding APS

Source: Liberbank

Real estate assets over total assets - Dec-13 ^(a)

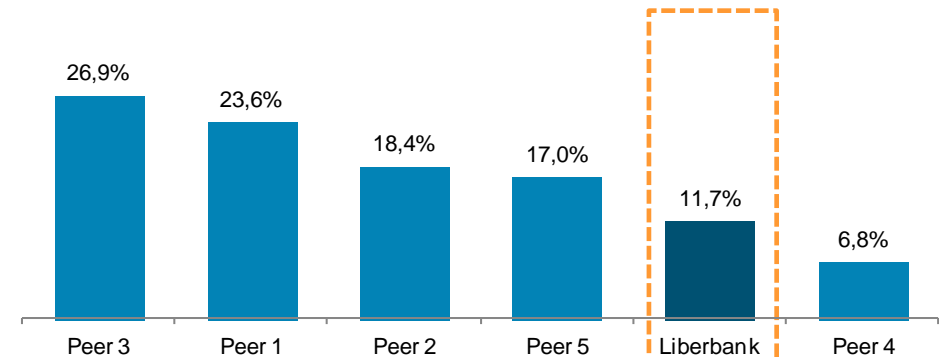


Note: Peer group includes Banco Popular, Banco Sabadell, Bankia, Bankinter and Caixabank

(a) Includes net loans to real estate developers and foreclosed, excluding APS for all entities

Source: Liberbank and Companies' annual accounts 2013

NPA^(a) ratio vs peers - Dec-13

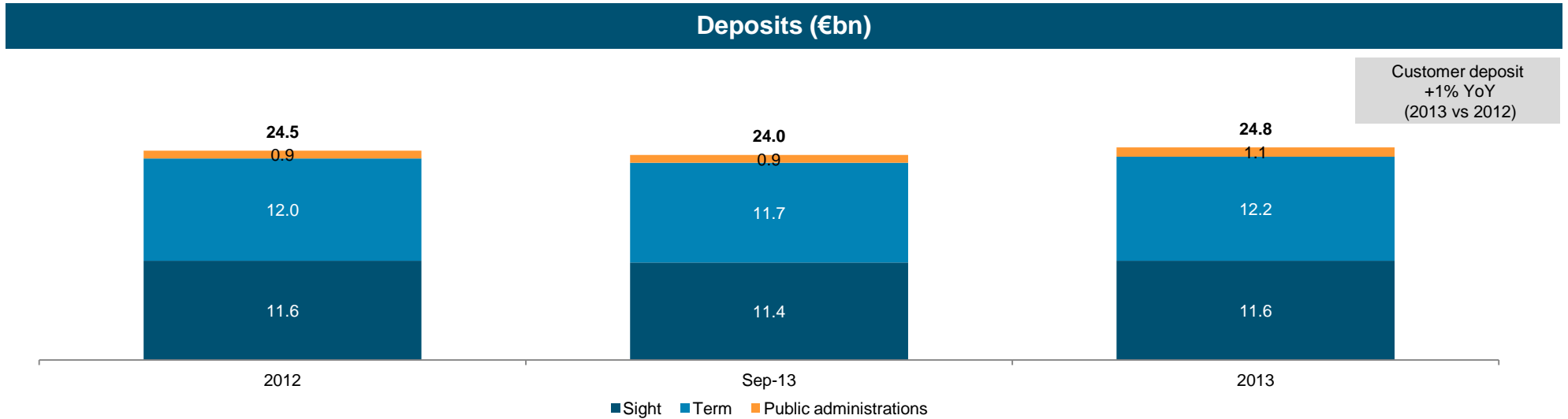
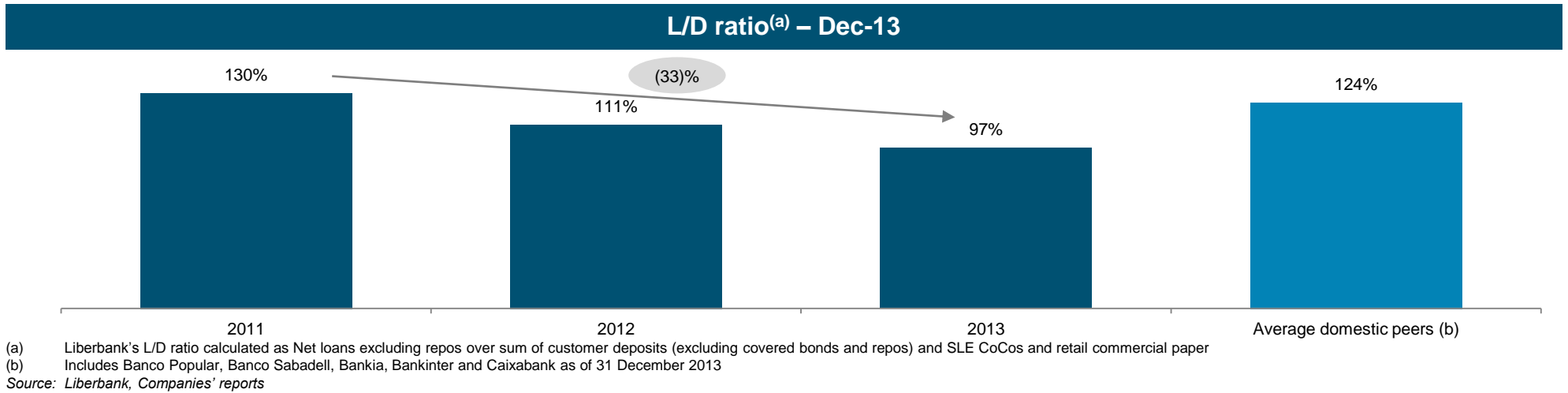


Note: Peer group includes Banco Popular, Banco Sabadell, Bankia, Bankinter and Caixabank

(a) NPLs and foreclosed assets over total gross loans and foreclosures, excluding APS for all entities

Source: Liberbank and Companies' annual accounts 2013

3 Sound funding and liquidity position



Note: Not including non-resident deposits nor repos
 Source: Liberbank

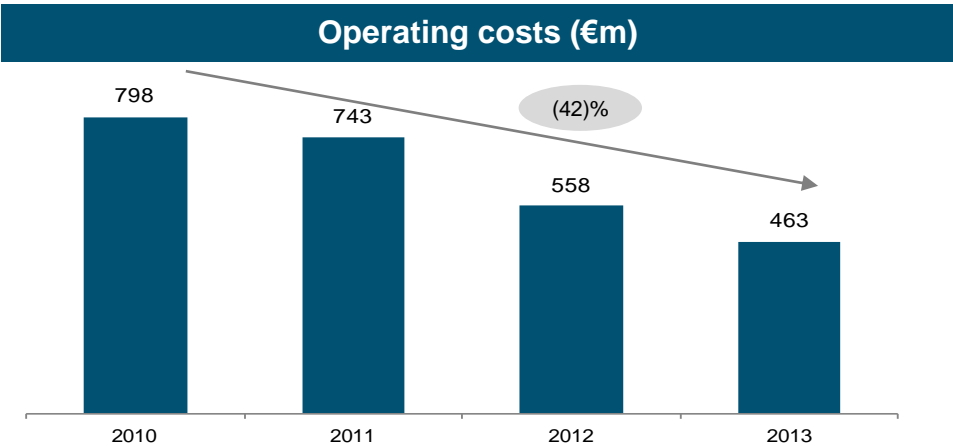
4 Integration successfully accomplished with marginal impact on franchise value

→ Operating costs reduction of €335m in four years

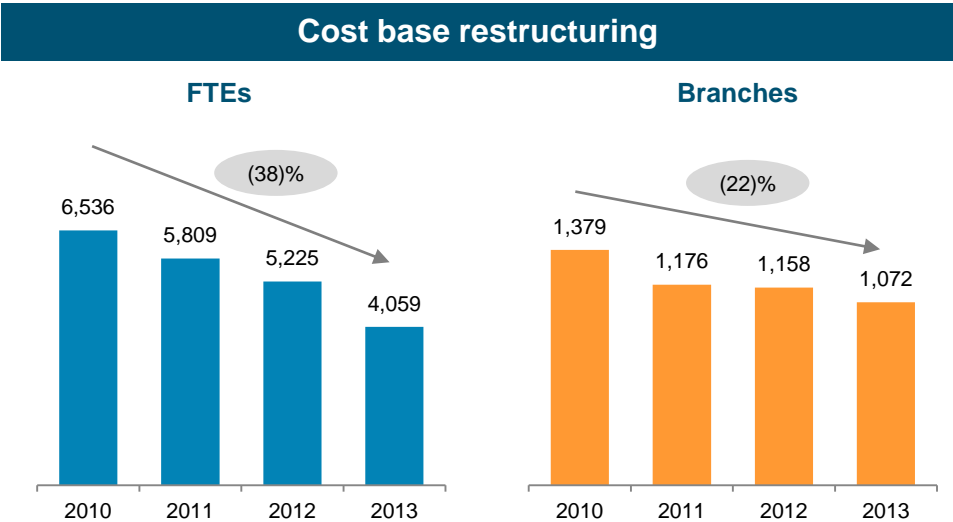
→ Full impact of announced cost savings by 2014 with all restructuring costs incurred already

→ Limited impact on deposits base and customer funds

→ Further value creation potential from implementation of best practices across the group's entities (cross-selling, risk management, etc)



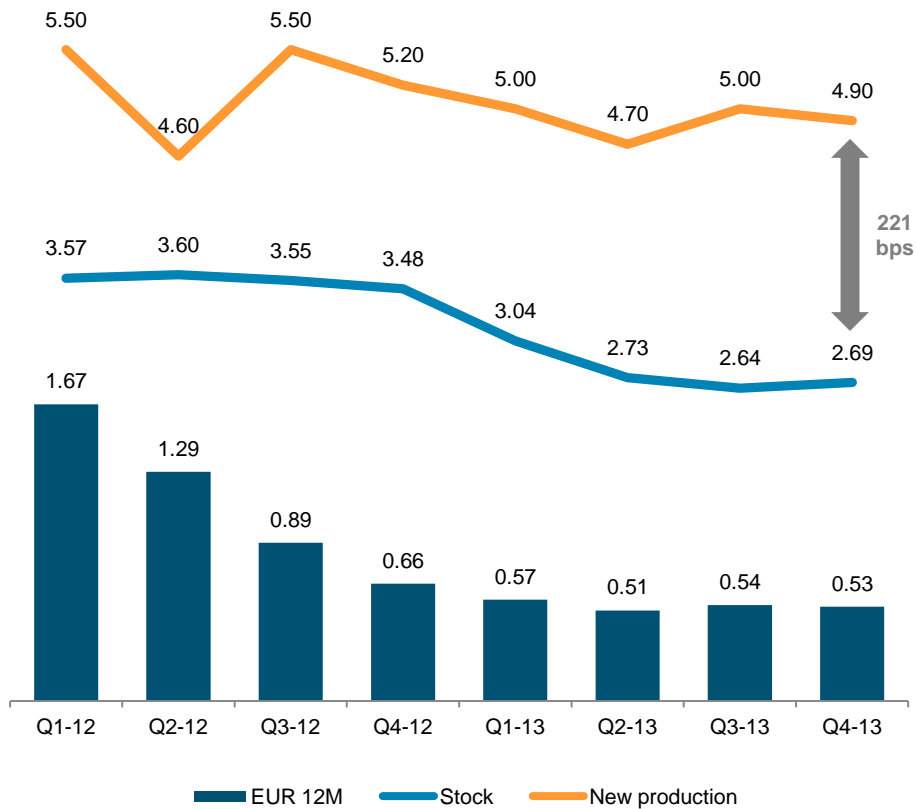
Source: Liberbank, pro-forma for 2010



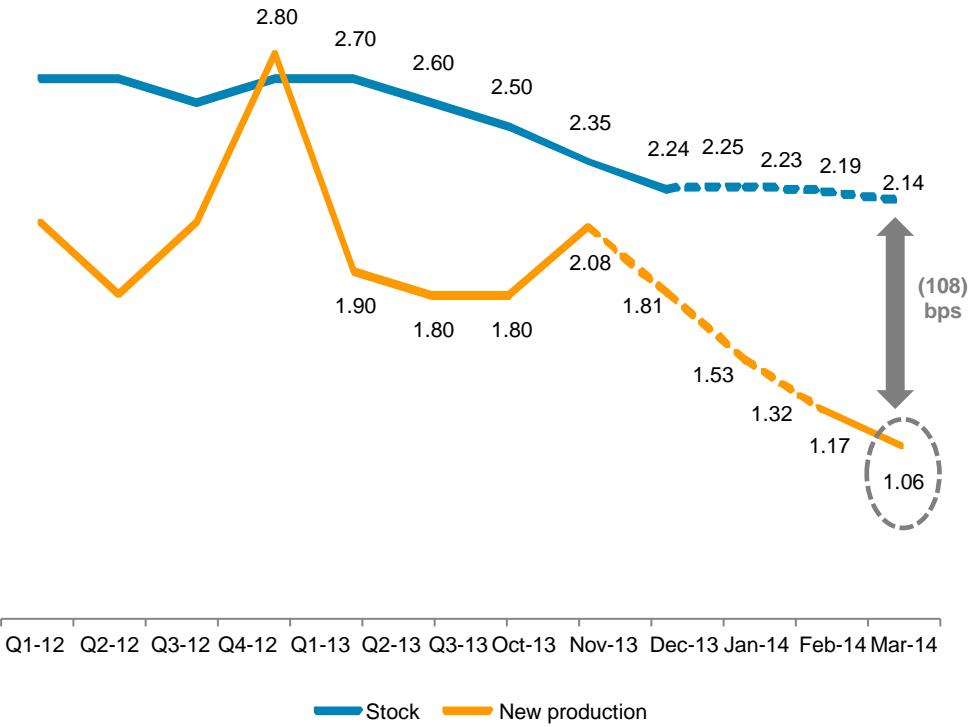
Source: Liberbank, pro-forma for 2010

5 Sustainable NIM recovery

Loan yield^(a) evolution (%)



Term deposit cost^(b) evolution (%)



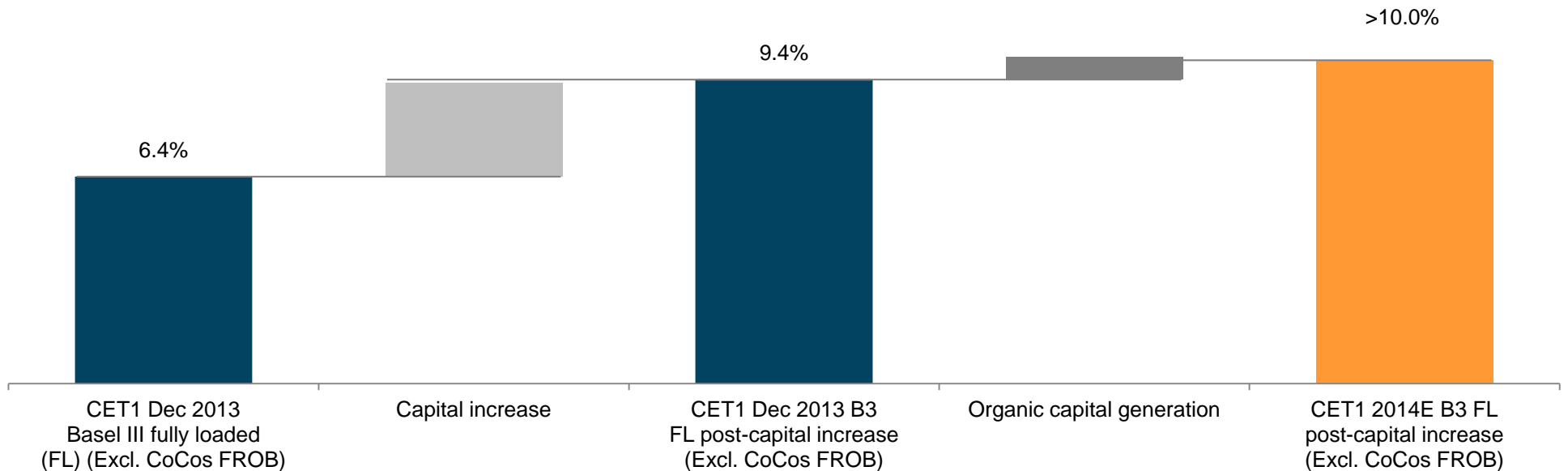
Note: Euribor 12-month, Official mortgage market reference rate
 (a) Loan yield definition. Stock: effective yield based on performing loans New: contractual yield
 Source: Liberbank and Bank of Spain

(b) Cost of deposits: effective cost
 Source: Liberbank

6 Sound capital position

Capital increase 2014: rationale

- Target to early repay FROB CoCos to resume cash dividend payment by 2015 to the extent legally possible
- Achieve a fully loaded Basel III CET1 ratio in line with domestic peers by 2014 (>10%)
- Capital impact coming from the repayment of FROB CoCos to be offset by generation of organic capital (2014 target)
- Places Liberbank in a strong competitive position to benefit from the recovery of the Spanish economy



2014 CET1 Fully loaded Basel III above 10% as capital generates organically

Source: Liberbank

Liberbank's long-term strategy

→ Pure retail domestic bank, focused on value creation for our shareholders

→ Concentrating in our four core regions, where we are clear market leader, fully exploiting our client proximity strategy

→ Mid-sized independent, efficient and profitable banking institution

→ A one-stop shop of traditional banking and other financial services to a well-diversified portfolio of SMEs and households

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Strong banking platform in its four home regions

	Asturias	Extremadura	Cantabria	Castilla La-Mancha	Total Home Regions
Branches (#) ^(a)	193	210	137	370	85%
Clients ('000) ^(a)	541	399	328	704	92%
Individuals (% of Total) ^(a)	28%	18%	15%	31%	93%
Penetration (% of Population) ^(b)	45%	29%	41%	25%	32%
Payrolls & Pensions MS (%) ^(c)	37%	26%	45%	24%	31%
Corporates&SMEs (% of Total) ^(a)	27%	16%	18%	31%	92%
Penetration (% of SMEs) ^(d)	50%	39%	62%	36%	41%
Average Tenure (years) ^(a)	22	20	20	18	20
Clients Funds (%) ^(a)	27%	17%	14%	30%	88%
Deposits MS (%) ^(e)	34%	23%	26%	22%	26%
Assets (%) ^(a)	16%	16%	13%	29%	74%

(a) DataWarehouse Corporativa

(b) Population figures as of 1st July 2013. Provisional results

(c) March statistics

(d) Annual turnover from €2m to €50m. *Estudio de "Wallet Sizing (2013)"*

(e) *Boletín Estadístico Banco de España: 4.29 and Estado contable T7 for own data*

Sources: INE, Ministerio de Empleo y Seguridad Social and internal data from Liberbank

Pillars of our commercial strategy 2014 – 2016

1

Households

2

SMEs

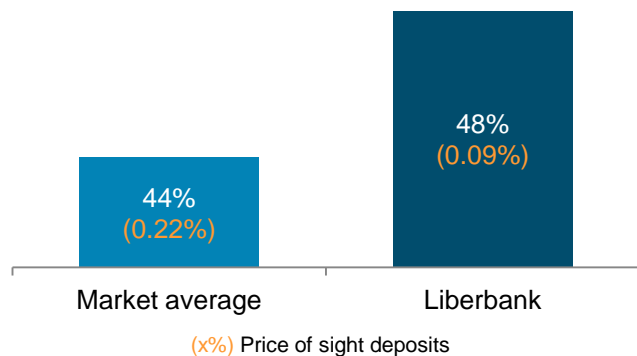
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Distribution Model

Liberbank keeps low retail financing costs

High proportion of low cost sight deposits thanks to a strategy based on market leadership and client transactionality

Individuals' sight deposits over total customer deposits (Dec-13)



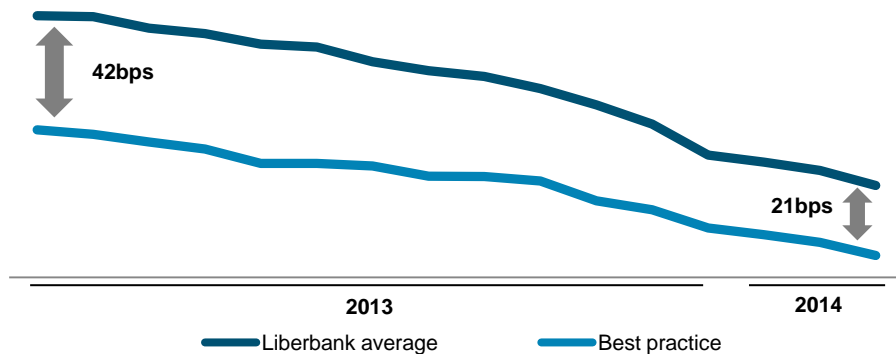
Source: Bank of Spain, Boletín Estadístico: Cuadros 19.15 y 19.30

- More than 750,000 customers with payrolls and pensions
 - More than 45% of active customers
 - €10,450m of annual liquidity inflows
- More than 1,000,000 customers with recurrent household bills (direct debit)
 - More than 50% of active customers
 - More than €4,500m of payments every year

Source: Internal data from Liberbank as of December 2013

Competitive pricing in term deposits below market average and with room towards improvement converging to the best practice

Cost of term deposits (%)



Source: Internal data from Liberbank as of December 2013

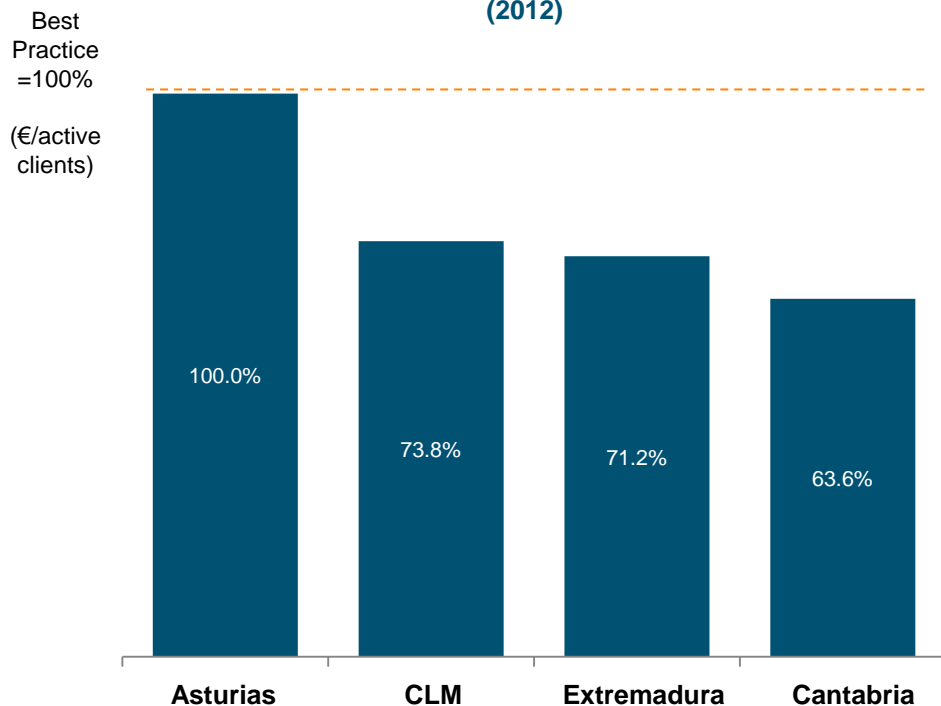
- All common pricing tools rolled over across all networks since 2011
- Progressive convergence on best practice offers additional room for improvement
- Reduced competitive pressure in the market could lower costs even further

Increase lending activity

Offering loans to selected customers and increasing multichannel capacities

Pre 2013: large existing gap in commercial efficiency amongst the 4 regional networks

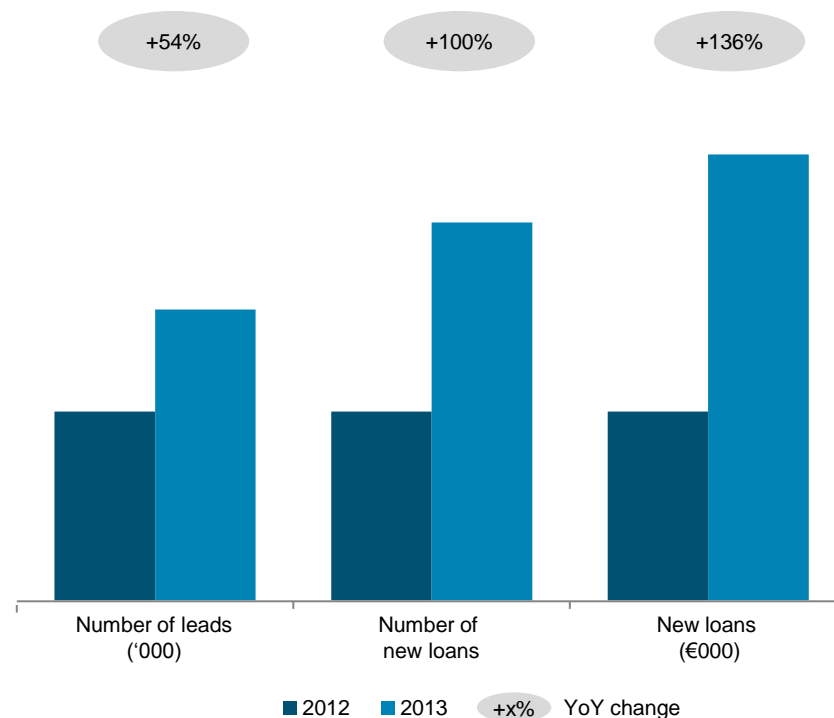
New loans based on pre-approved commercial practice (2012)



Source: Internal data from Liberbank

2013 performance: successful implementation of best practices






Pre-approved loans campaigns: Dec-12 vs Dec-13 outcome



Source: Internal data from Liberbank

+28% new consumer finance loans in 1Q 2014 vs 1Q 2013

Restructured JVs in off-balance products to capture growth potential

	Life & Pensions	Non-life	Asset management	
			Domestic	International
		50% JV with  50% JV with 	Exclusive agreement with 	BANCO MADRID GESTIÓN DE ACTIVOS Funds distribution through 
Policies	>348,000	>382,000	>52,000 holders	
Premiums/AuM	€242m	€87m	AuM 2013: €1,248m	
Income contribution 2013^(a)	€86m (of which €46m recurrent)		€14m	

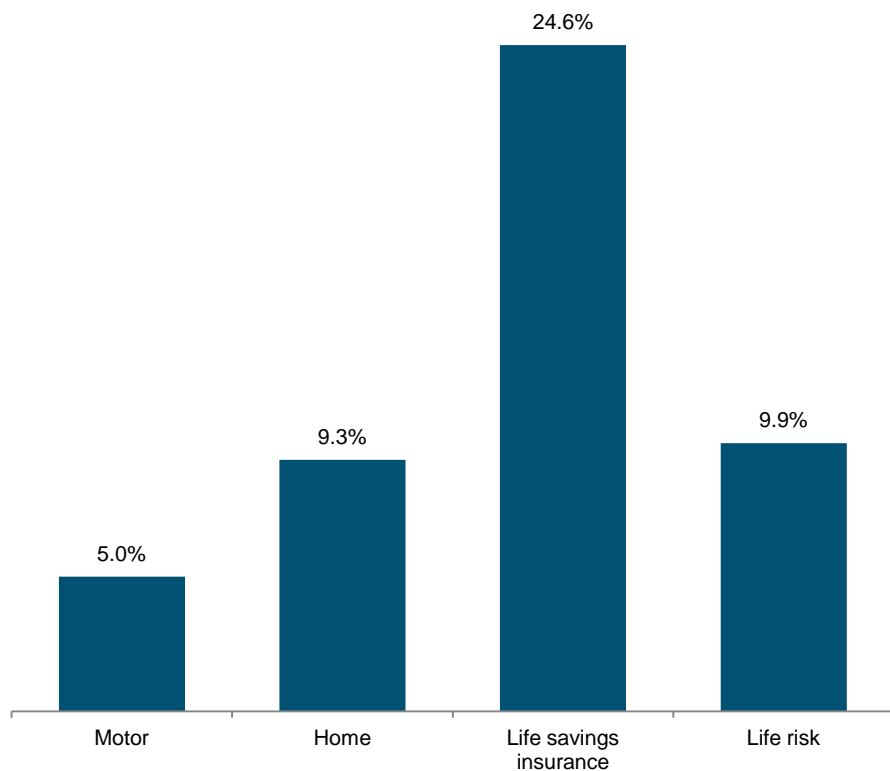
Important source of recurrent income

(a) Including distribution commissions and proportional results contribution from the JVs. Asset Management fees are fees charged to clients
 Source: Internal data from Liberbank, Figures as of 31 December 2013

Ongoing improvement to date in insurance cross-selling...

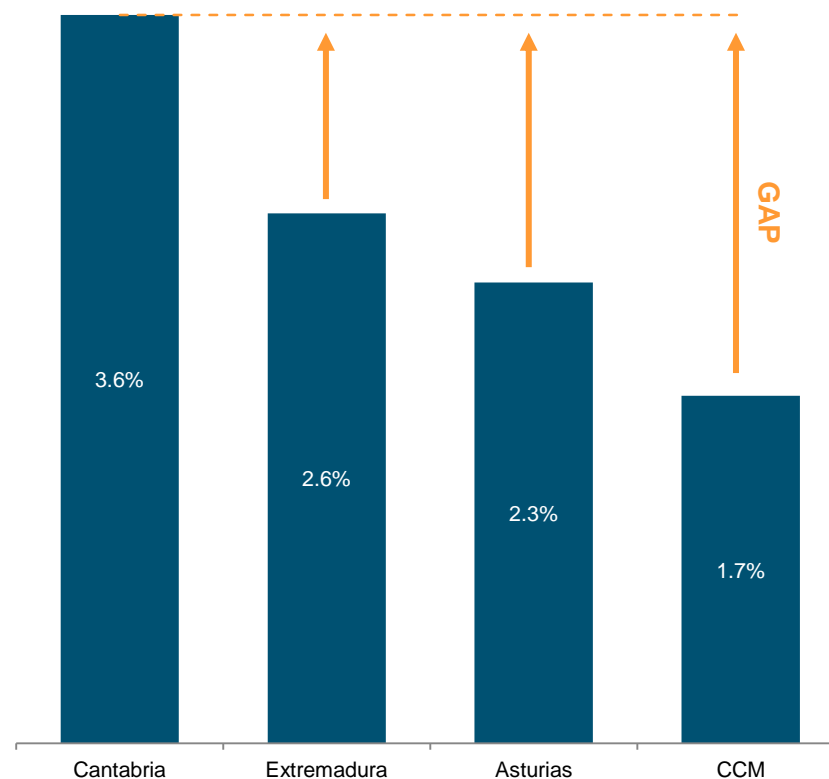
High productivity improvement since integration

Sale of non-linked insurance products 2011 vs 2013
(over number of insurance policies)



Source: Internal data from Liberbank

Motor insurance penetration rates (% of Liberbank customers with motor insurance)



Note: Penetration rates data as of December 2013
Source: Internal data from Liberbank

...and also in off-balance sheet investment products

High productivity improvement since integration

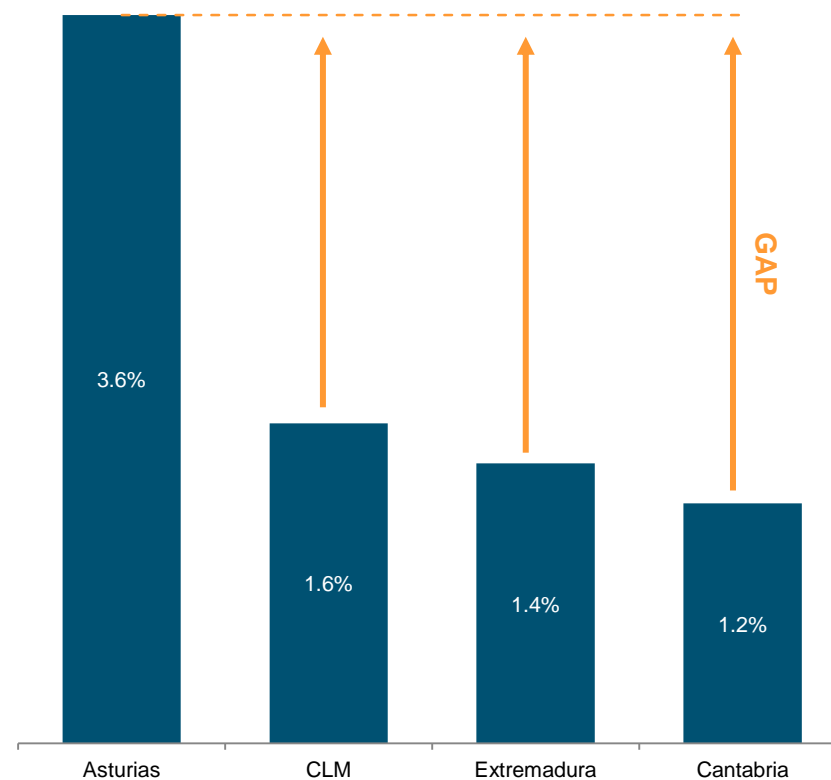
AuM 1Q 2014 growth (vs 4Q 2013): Liberbank vs. Spanish market

	Market	Liberbank
Quarterly AuM growth	+8.2%	+22.3%
ow net inflows	+6.7%	+20.7%
ow market effect	+1.5%	+1.6%
New clients ^(a)	+7.3%	+13.1%

(a) Holders

Source: Inverco, Ahorro Corporación AC Gestión "Informe mensual de Fondos", Liberbank

Mutual funds' penetration rates (% of Liberbank customers with mutual funds)

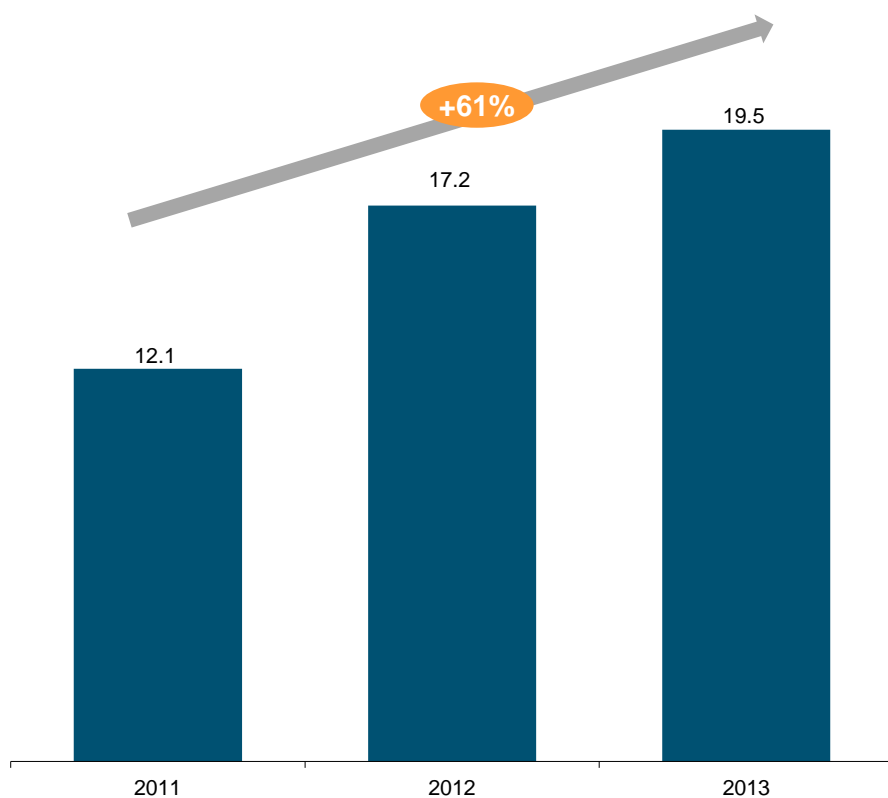


Note: Penetration rates data as of December 2013

Source: Internal data from Liberbank

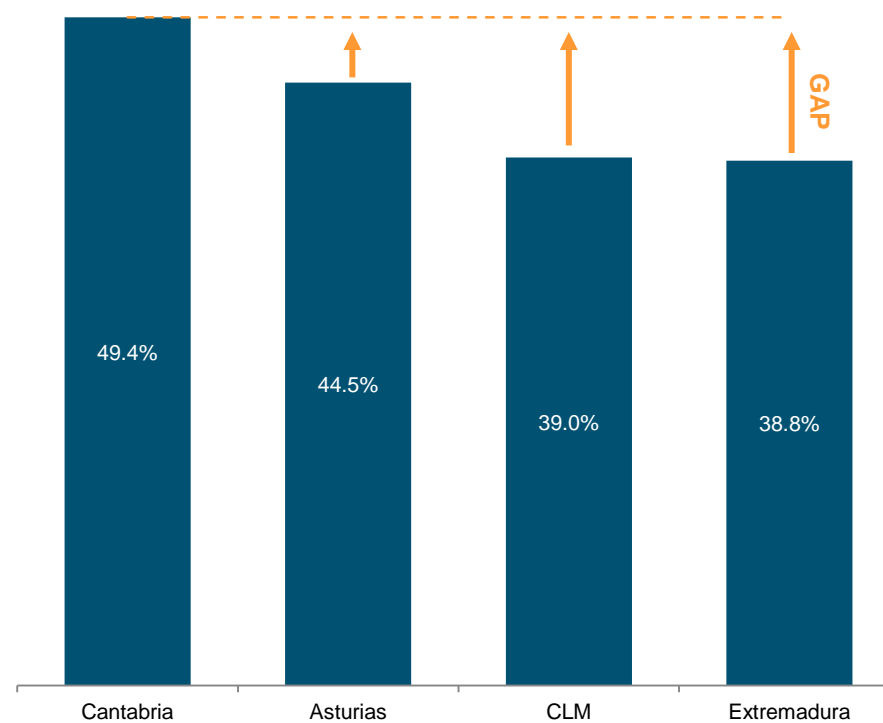
Debit and credit card fees with additional potential

Common pricing policy has allowed a 61% increase in cards maintenance fees from 2011 to 2013 (€m)



Source: Internal data from Liberbank

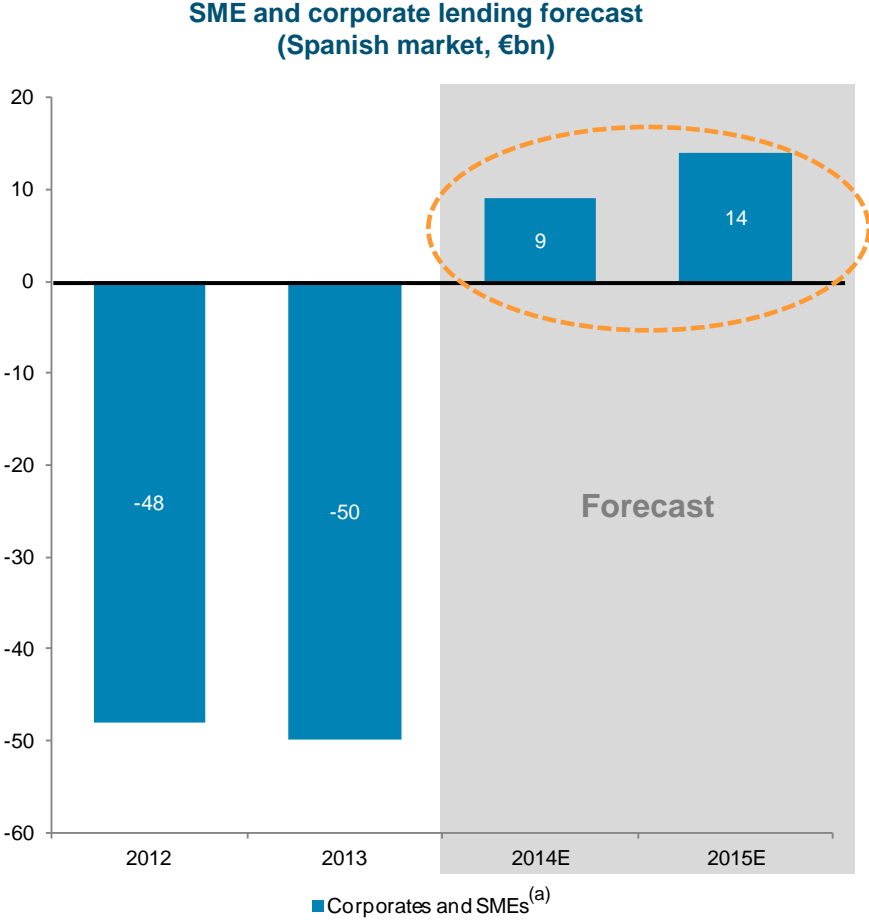
Penetration rates
(% of Liberbank customers with credit or debit card)



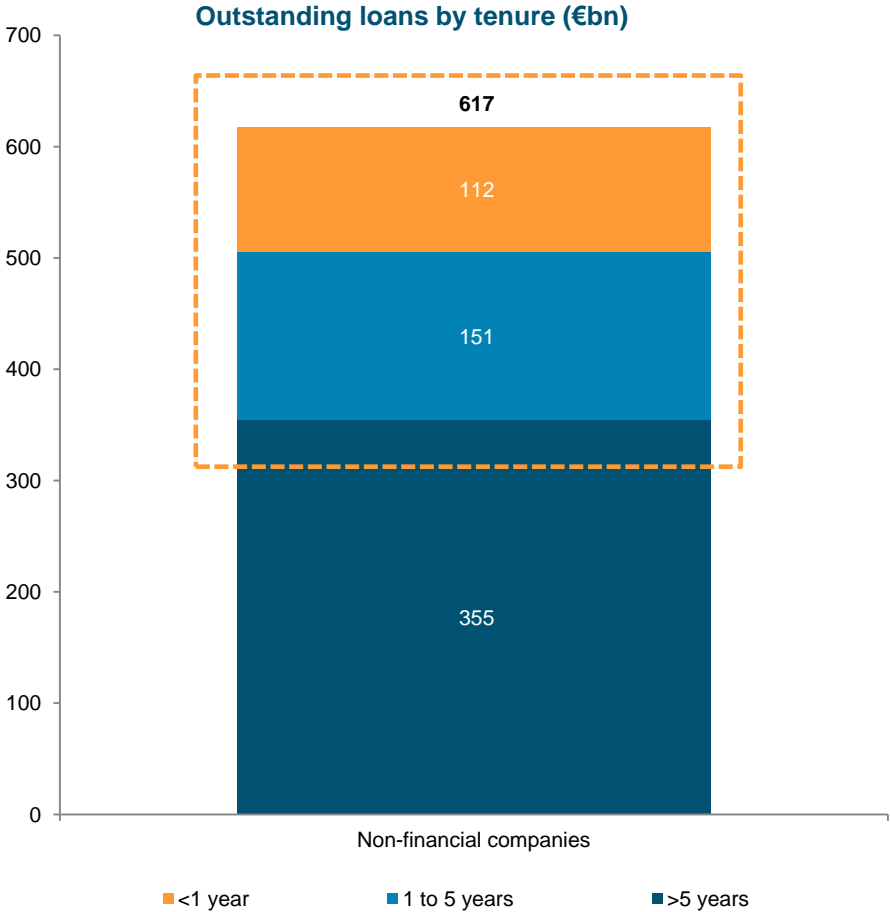
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SMEs, a segment with expected growth and high rotation

The only segment expected to grow



High rotation, allowing access to new entrants



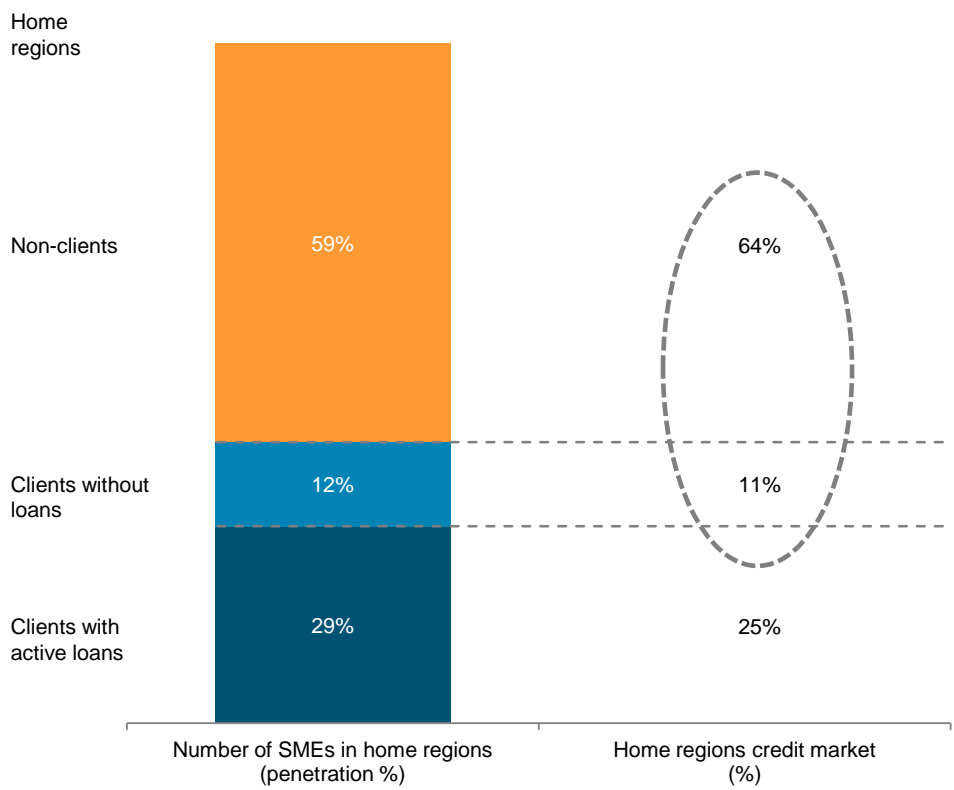
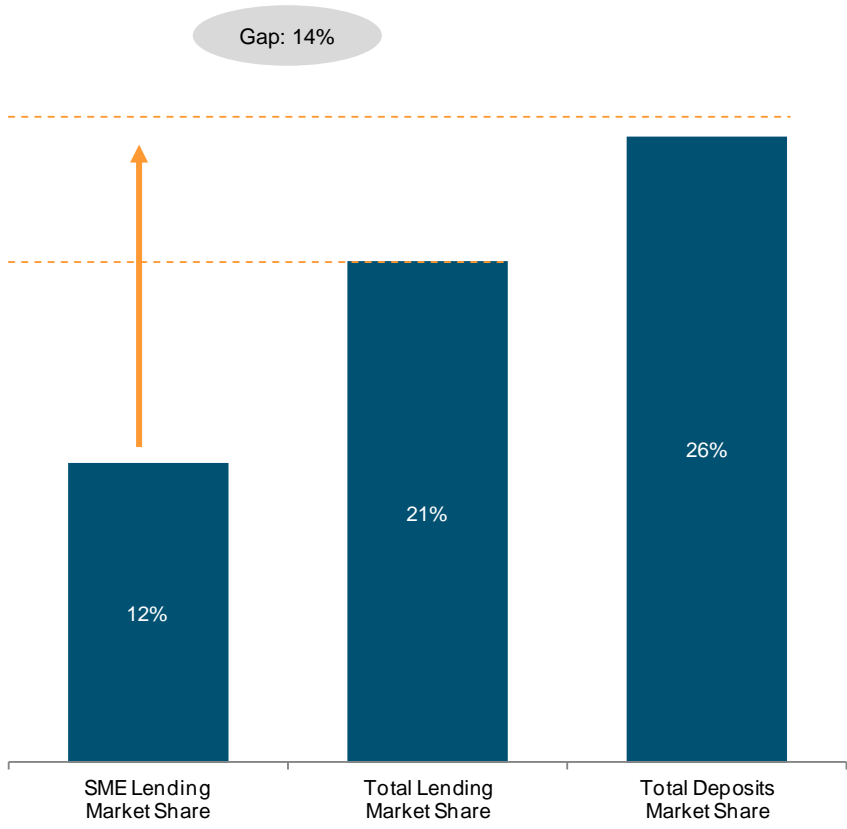
(a) Excluding Construction and RE developers
Source: BdE, AFI forecasts for 2014 and 2015

Source: Bank of Spain as of December 2013, Boletín Estadístico Cuadro 19.27

Liberbank to convert existing penetration into lending growth

Opportunity to leverage leadership position in SMEs to expand lending

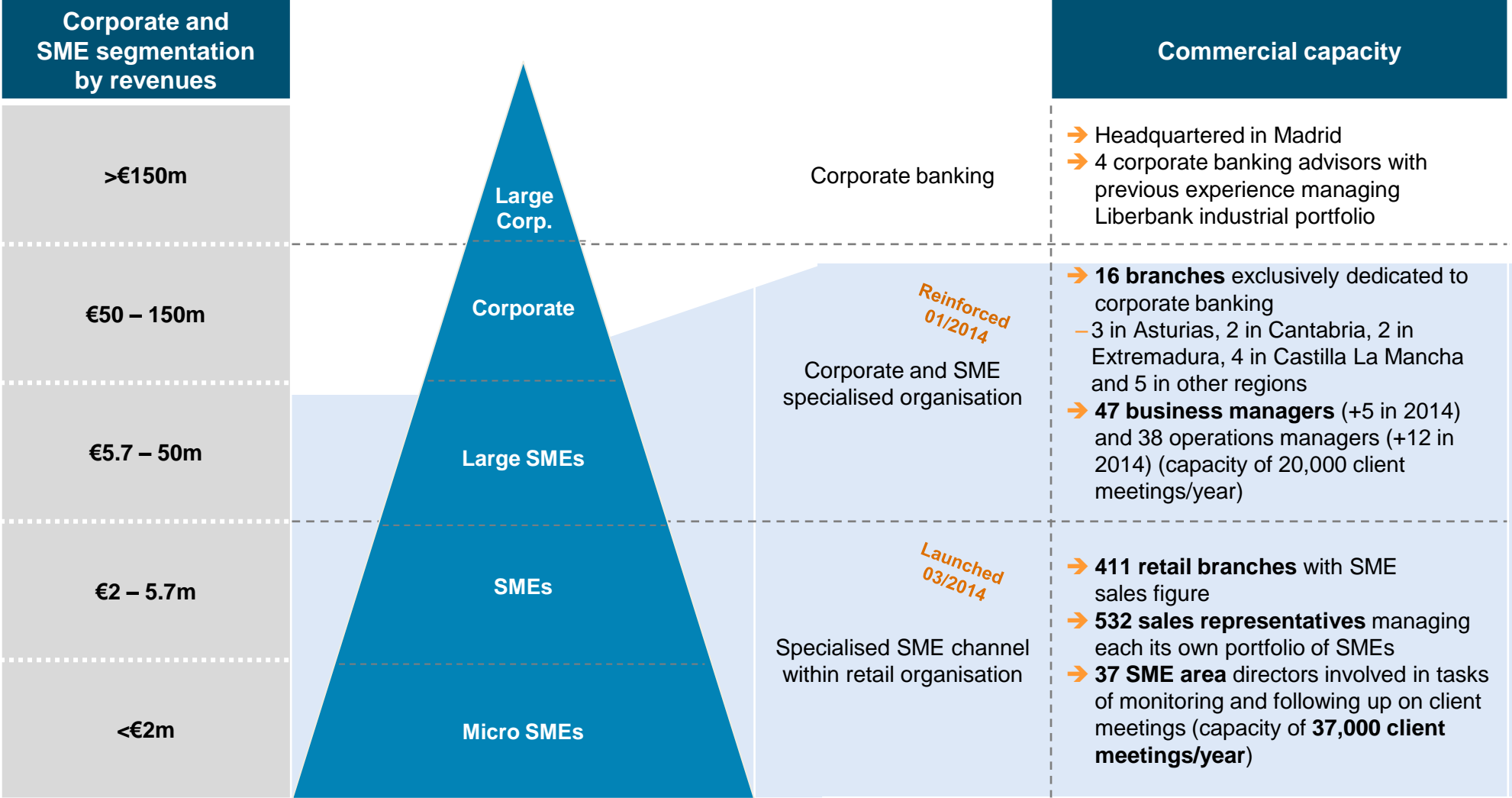
...based in existing penetration and knowledge of SMEs in home regions



Note: SMEs with annual turnover from €2m to €50m, as Of Dec13
 Source: Liberbank, Bank of Spain Boletín 4.29 and Estado contable T7 for own data

Source: "Wallet Sizing (2013)" study and internal data from Liberbank

Reinforcing specialised commercial figures in 2014



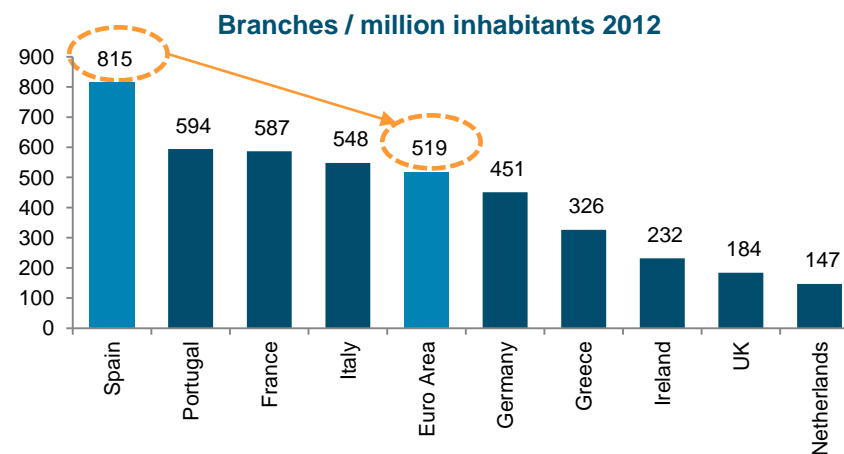
Expanding risk management and commercial tools already proved within the group

<p>Pricing based on RAROC</p>	<p>Risk adjusted pricing specific for each customer segment, ensuring on each and every transaction the minimum profitability required by the bank is achieved and the most competitive price is provided</p> <ul style="list-style-type: none"> → The segmentation has been adapted to REC 2003/361/CE recommendations in a way that ensure accuracy of effective capital used following the new regulatory framework
<p>Models to support risk analyses</p>	<p>Integration has allowed to share and improve predictive analysis models</p> <ul style="list-style-type: none"> → Companies' rating adjustment, adapting it to the best market practices → New scoring for self-employed and micro SMEs → New specific rating for Public Administrations
<p>Guidance on commercial targets</p>	<p>Centralised commercial process to focus efforts on priority targets</p> <ul style="list-style-type: none"> → Customer allocation based on algorithms that provide estimates on business volume → New model to pre-classify companies based on ratings providing: <ul style="list-style-type: none"> – Reduction of back office workload – Valid over 12 months; which provides additional flexibility – Guidance to relationship manager in its commercial activity → Commercial process evolution monitored end-to-end , from lead generation to conclusion
<p>Reinforced Compensation scheme</p>	<p>New compensation scheme to foster business origination</p> <ul style="list-style-type: none"> → Specific compensation contingent only upon individual sales targets → All specialised figures considered Executive Staff with flexible working schedule <p>...while maintaining risk analysis totally independent from the sales channel</p>

Continued improvement of efficiency in our physical network

2011 – 2013	Closure of low-efficiency branches	<ul style="list-style-type: none"> → 221 branches in 2012 → 86 branches in 2013 → Up to 34 branches in 2014E
	Personnel reduction on point of sale	<ul style="list-style-type: none"> → (21)% FTEs 2011-2012 → (7)% FTEs 2012-2013 → (7.5)% additional in 2013^(a)
	New organisational model	<ul style="list-style-type: none"> → Commercial management units (UGCs- <i>Unidad de Gestión Comercial</i>) <ul style="list-style-type: none"> – (39)% number of executives in branches
2014 – 2016	New commercial branch model	<ul style="list-style-type: none"> → Concentration of clients in urban areas in less number and larger branches, providing one-stop shopping → In the rest of the network maintain our proximity model
	Higher manager specialisation	<ul style="list-style-type: none"> → Specialised figures in higher value added activities <ul style="list-style-type: none"> – Insurance specialists – Originators of new SMEs businesses

Towards an European branch model



Main focus in high density markets

Starting with

- 268 branches
- 595,000 customers
- Less than 700 meters on average to the nearest Liberbank PoS

Expected PoS reduction of over 25%

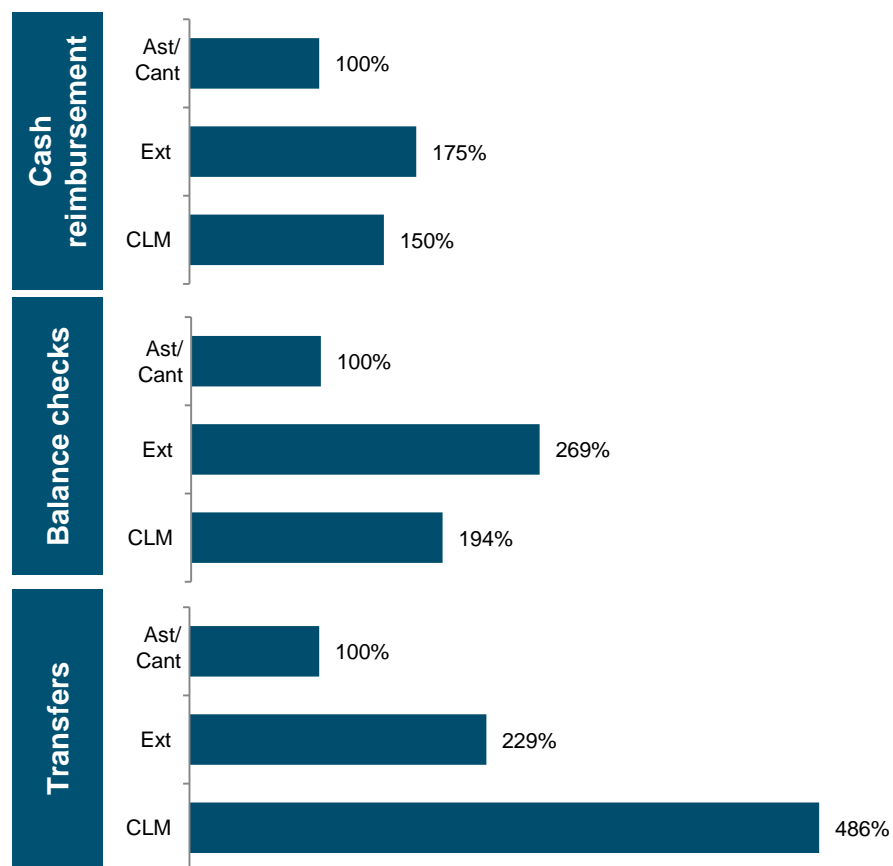
(a) Due to implementation of reduction of working-hour from ERTE

Source: AFI presentation based on data from ECB and Liberbank

Migration and reinforcement of automatic channels

Room to migrate to automatic channels

Branch operations / active customer (best practice = 100%)



Source: Internal data from Liberbank as of December 2013

New functionalities being developed

ATM	<ul style="list-style-type: none"> ➔ Product sales functionalities on ATMs ➔ Increase range of payment functionalities on ATMs (receipts, taxes ...)
Electronic banking	<ul style="list-style-type: none"> ➔ Increase product sales functionalities ➔ Fostering self service for customers ➔ Still +19% of potential improvement in relation to best practice
Mobile banking	<p>New tools launched</p> <ul style="list-style-type: none"> ➔ Apps for iOS and Android in 2013 ➔ Mobile POS Terminal in 2013 ➔ eWallet in 2014

Pillars of our commercial strategy 2014 – 2016

1 **Households:** Leverage strong brand awareness, market leadership and client proximity in order to

- Maintain reduced financing costs and competitive pricing in home regions
- Increase lending activity (active offer beyond macroeconomic evolution when possible)
- Improve cross selling transferring the best practices to all networks, leveraging capabilities from specialised partners in insurance and asset management

2 **SMEs:** Growth opportunity, converting existing penetration into profitable lending by reaching our “natural” market share in Home Regions

- Expanding risk management tools to all regions as well as the commercial channels and processes already proved within the Group

3 **Distribution model:** Continued improvement of efficiency in our physical network while reinforcing our multichannel strategy

- New commercial branch model in high density markets
- While maintaining proximity and penetration in Home Regions

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New risk management approach

→ High capabilities in terms of staff and IT solutions in order to implement the best risk policies

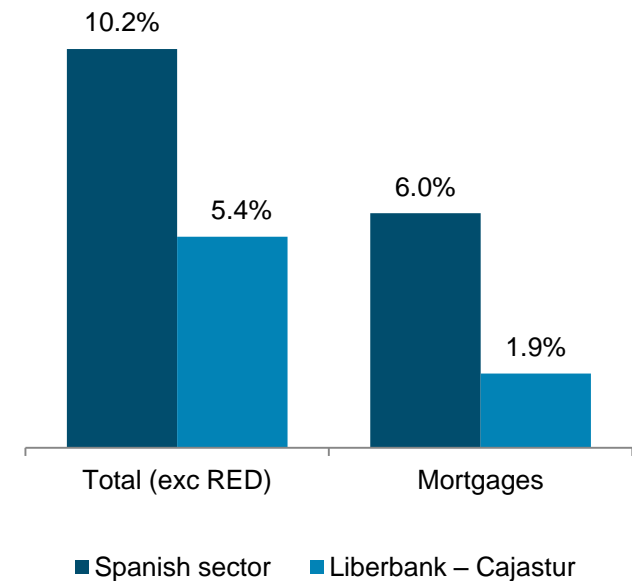
→ Stringent tailor-made criteria for each credit portfolio and client based on risk valuation methodologies (ratings, scorings, pricing)

→ Sound risk monitoring and control process based on different approaches: portfolios, geographies, sectors and counterparties

→ Strong independence of the risk management function

Best risk practices at Cajastur being rolled over to the rest of the network

2013 NPL ratios

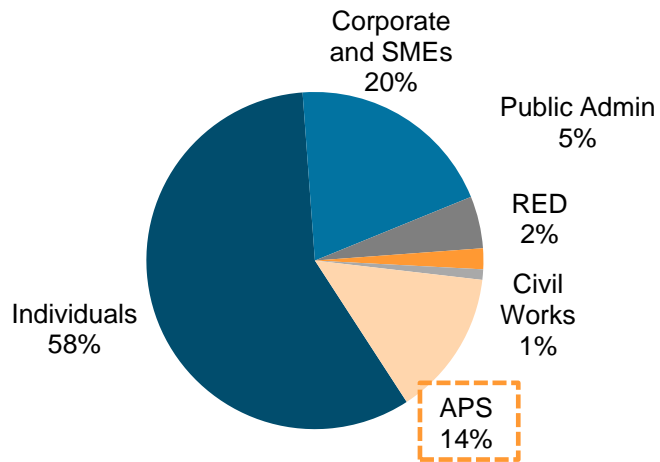


Note: NPL ratios on loans originated by Cajastur
"RED" stands for Real Estate Developers hereinafter
Source: Liberbank, Bank of Spain

Well diversified, pure retail loan portfolio

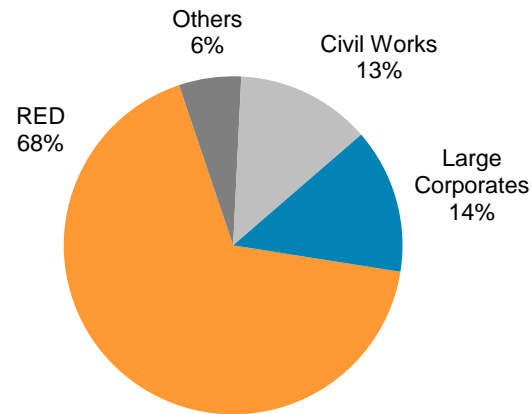
Gross credit exposure by segment

Dec-13 = €28.4bn



APS

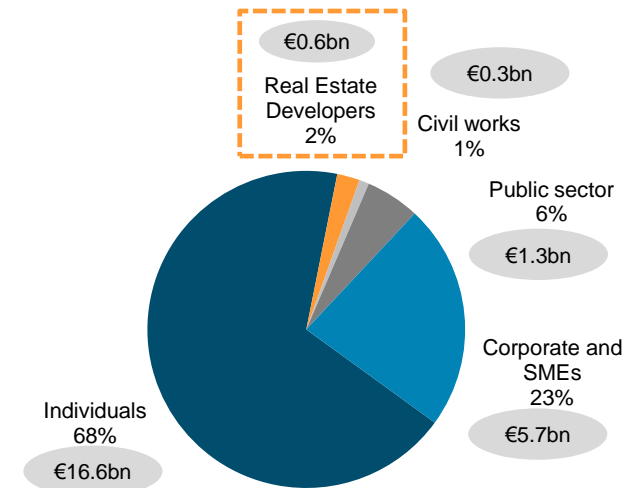
Gross credit exposure Dec-13 = €4.0bn



Gross foreclosed assets Dec-13 = €1.9bn

Gross credit exposure (excl. APS) by segment

Dec-13 = €24.5bn

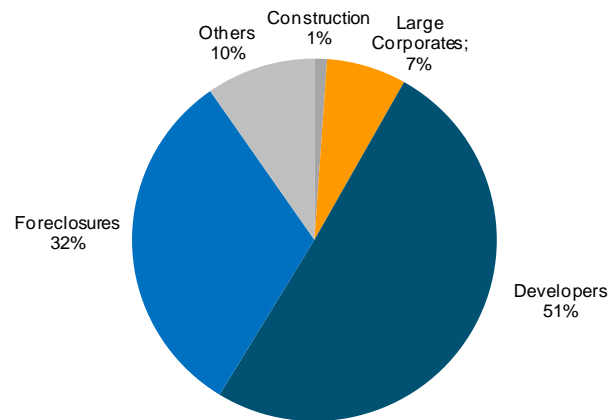


Fully funded APS scheme

APS

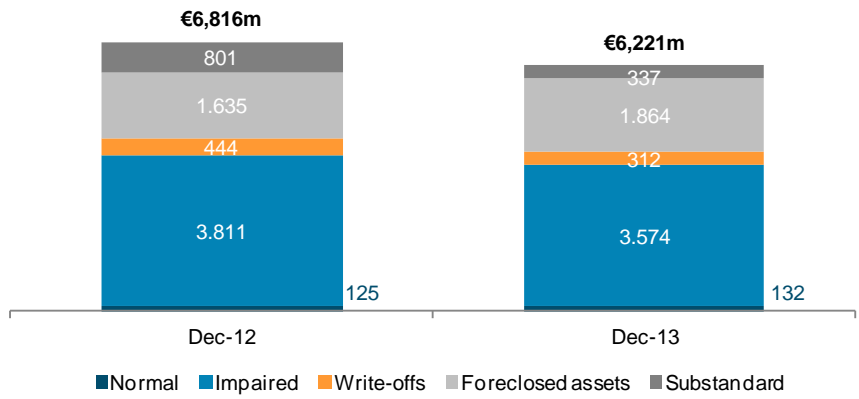
- APS of circa €2.5bn already funded by the Fondo de Garantía de Depósitos (FGD) to cover 100% of expected losses of the most problematic portfolio of CCM (now BCLM) above the circa €1.2bn in provisions at the beginning of the contract (1 January 2010)
- Current provisions for the portfolio derive from an independent expert valuation which is reviewed every 6 months and based on Expected Losses analysis (vs BoS provisioning calendar). At December 2013 the amount of the APS scheme which has not been used to build provisions is €0.6bn
- The APS contract term is December 2014, however the extension is negotiable under contract and Liberbank has already requested it
- The portfolio covered weights 0% in RWAs

APS Assets^(a) Dec-13 (€5.9bn)



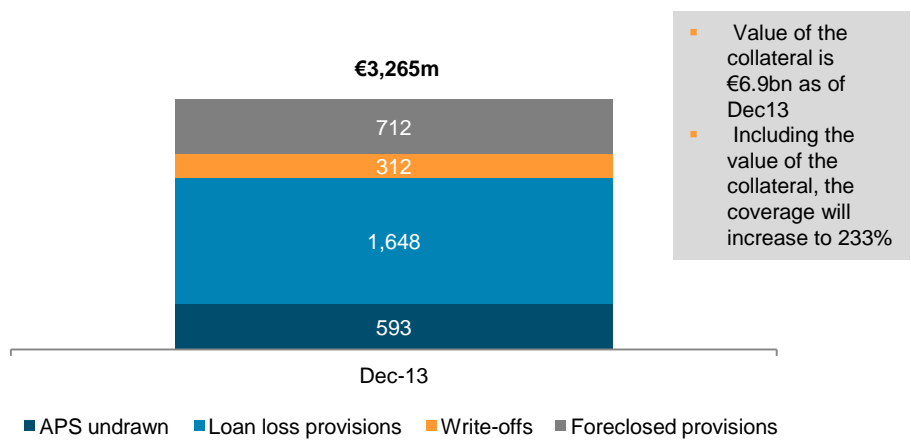
(a) Excluding write-offs (€312m)
Source: Liberbank

Total APS^(a) portfolio



(a) Including write-offs (€312m)
Source: Liberbank

Coverage (52.5%)



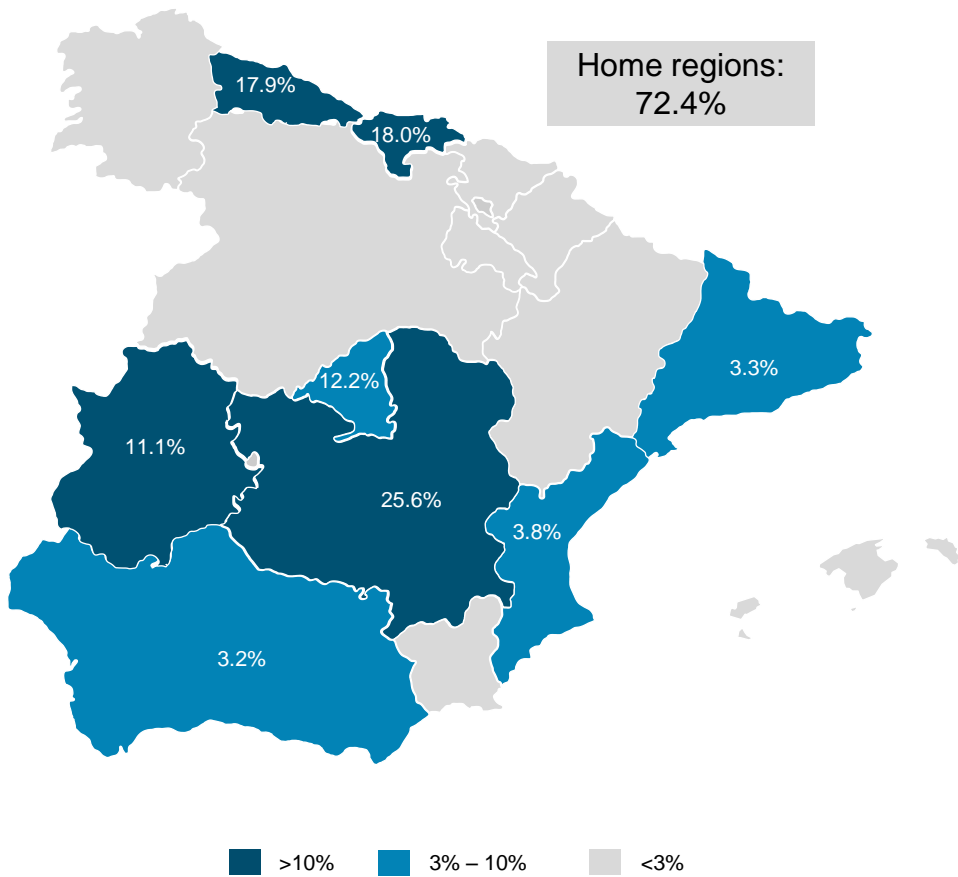
- Value of the collateral is €6.9bn as of Dec13
- Including the value of the collateral, the coverage will increase to 233%

Source: Liberbank

Low risk retail mortgage portfolio

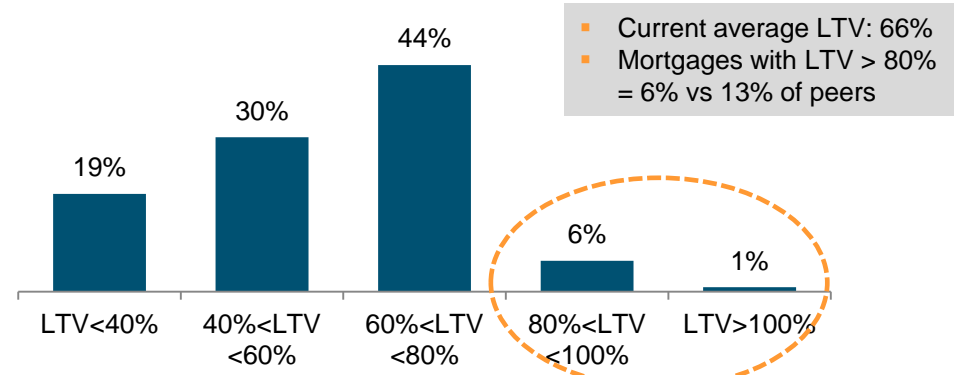
Non-APS
Mortgages

Geographical distribution of mortgages (%) – 2013



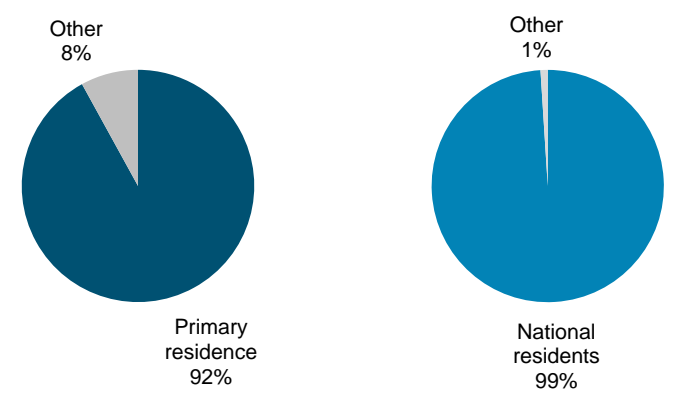
Source: Liberbank

Mortgage portfolio^(a) LTV – 2013



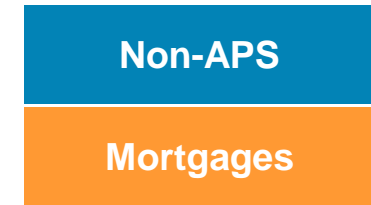
(a) LTV assessed over the last recent property appraisal
Source: Liberbank

Mortgage portfolio breakdown – 2013

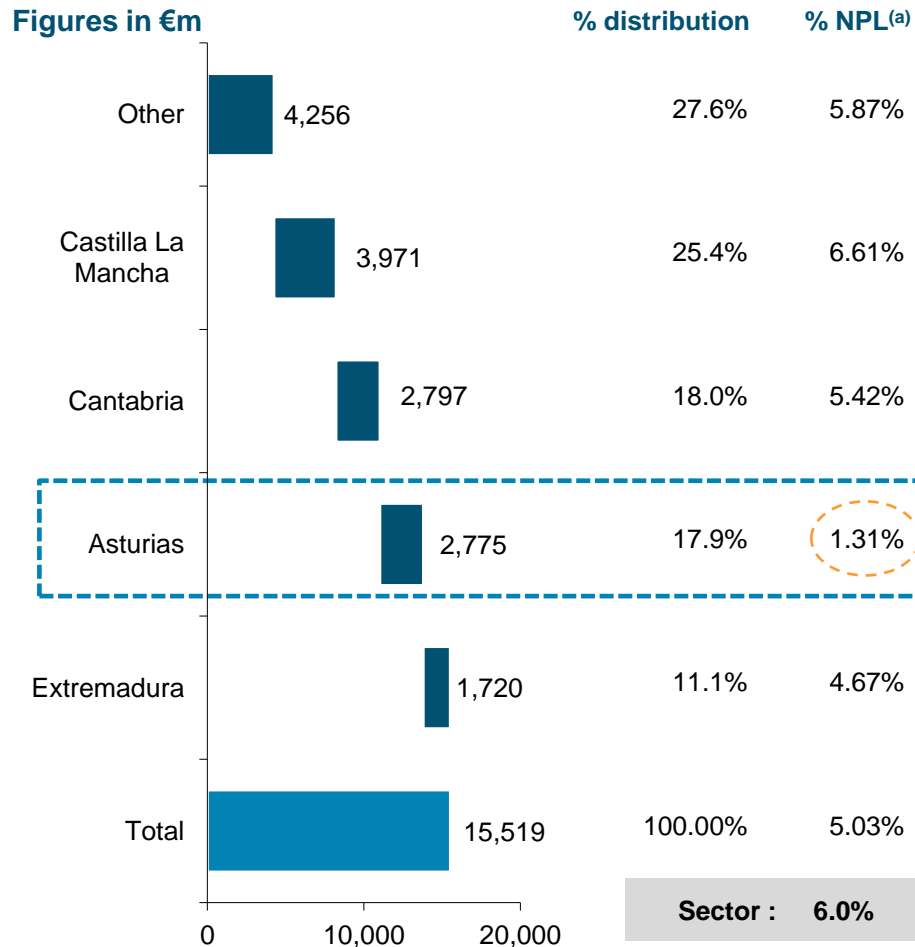


Source: Liberbank

Current NPL ratio below sector average with lower restructured loans

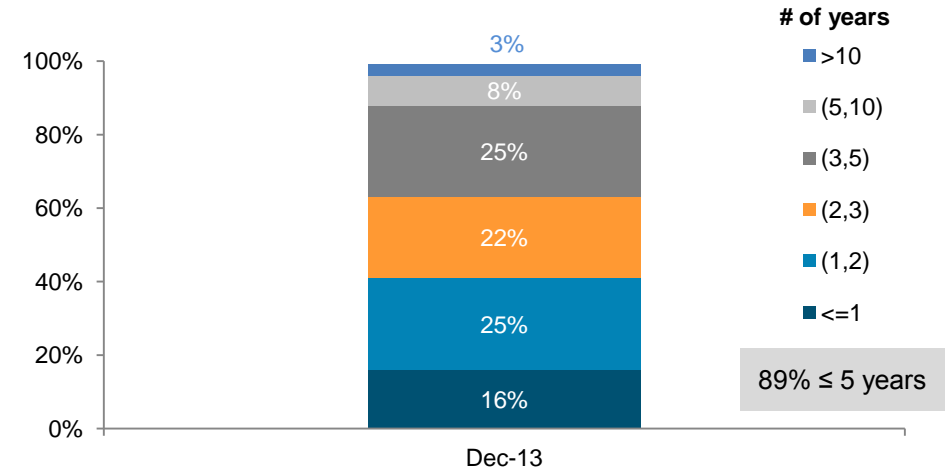


Geographical distribution of risk – 2013



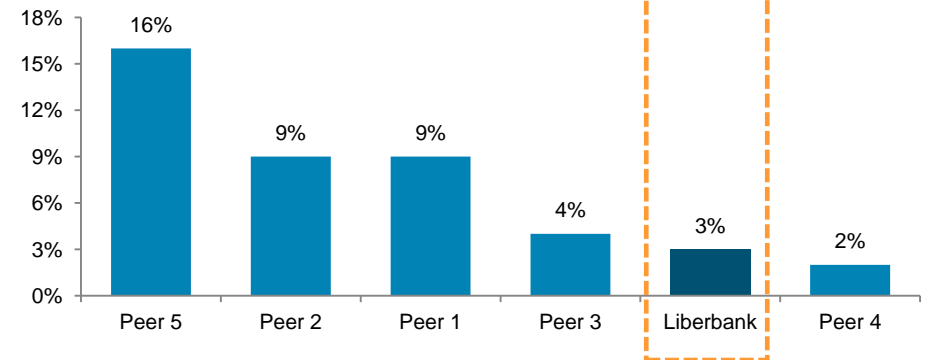
(a) Including restructured loans
Source: Liberbank and Bank of Spain as of December 2013

Loan to Income ratio – 2013



Source: Liberbank

Individual restructured loans vs peer group – 2013



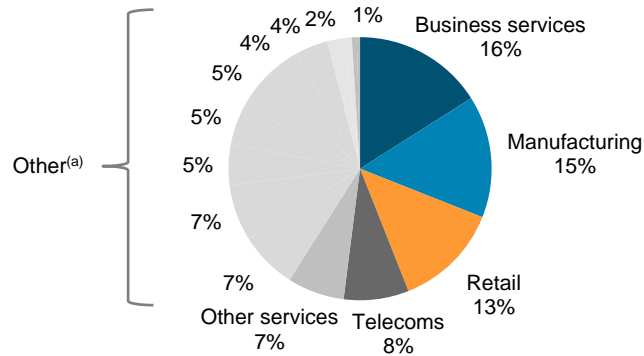
Note: Individual restructured loans over total individual loans
Source: Liberbank and Companies' Annual Reports

Well diversified Corporates&SMEs business, focused on small companies and entrepreneurs

Non-APS
Corporates and SMEs

Exposure by sector – 2013

Total: €5.7bn

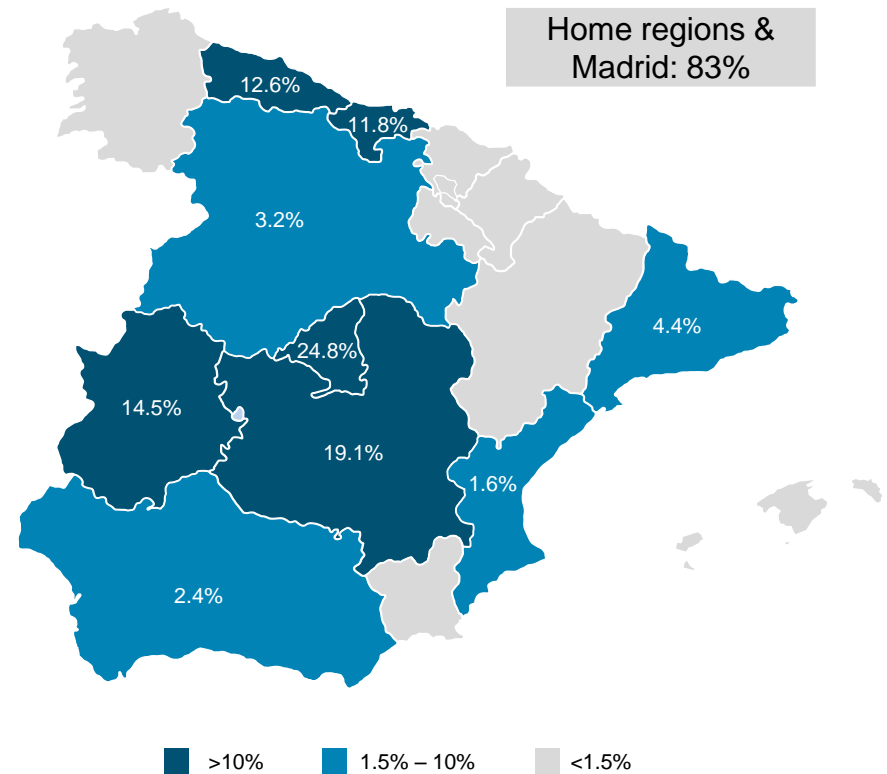


(a) Includes: Agricultural, Utilities, financial intermediation (excluding credit institutions), RE activities non developers, etc.

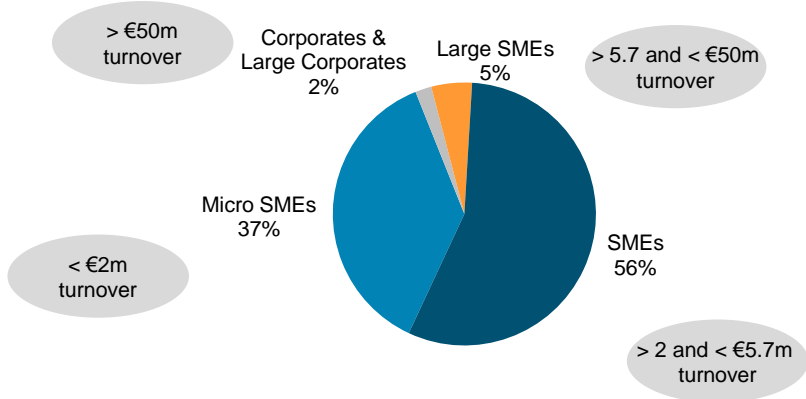
Source: Liberbank

Geographical distribution of outstanding loans (%) – 2013

Total: €5.7bn



Breakdown of clients by type of company – 2013



Note: based on number of clients

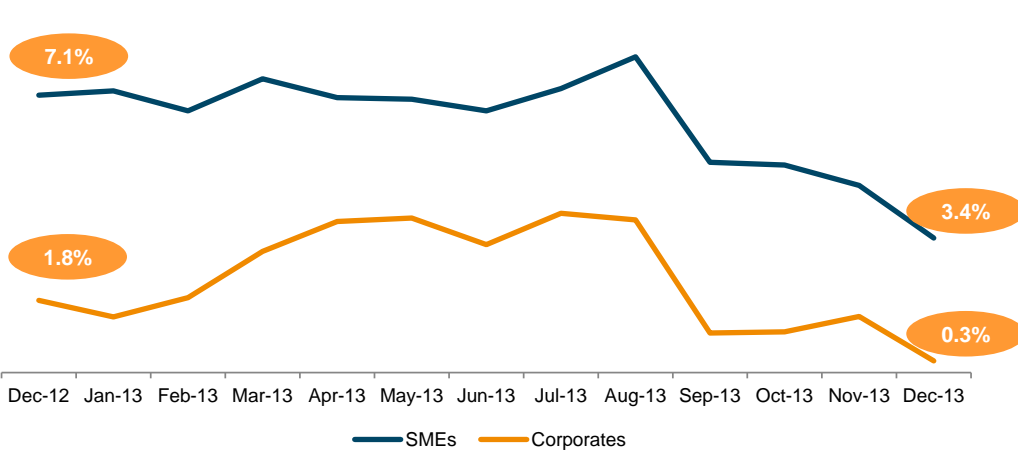
Source: Liberbank

Strong collateral and improvement in cost of risk perspectives

Non-APS
Corporates and SMEs

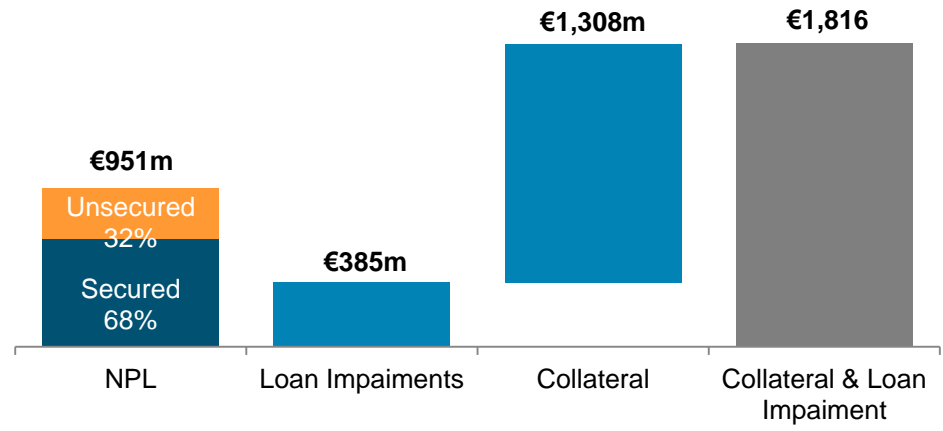
- ➔ Delinquency rates trend points out a normalisation and improvement in cost of risk perspectives
- ➔ c.30% of Corporates & SMEs NPL are subjective NPL
- ➔ Strong collateralization should translate into lower Loss Given Default (LGD) and lower coverage requirements
 - Coverage over SMEs NPL stand at 40%. Including the value of the collaterals, the coverage would increase to 253%
 - 84% of the SMEs loans have an LTV below 80%

Delinquency rates (< 90d) (a)



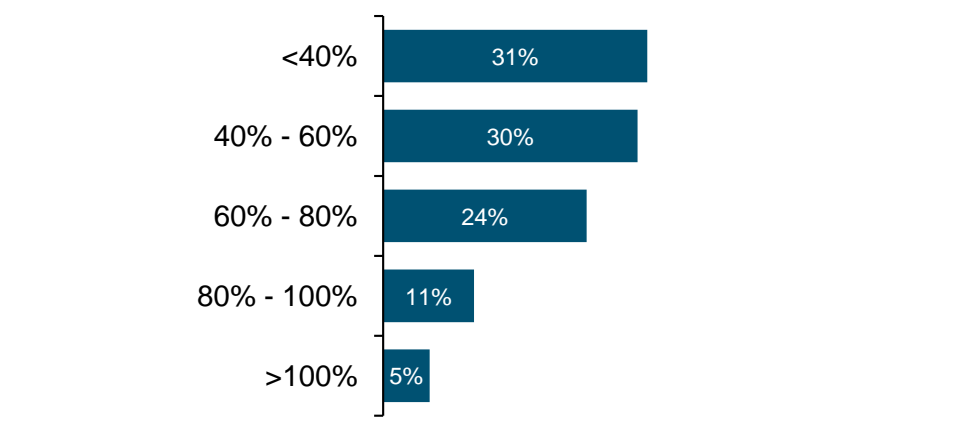
(a) 30 – 90 days delinquency rate (performing)/ total investment (%)
Source: Liberbank

SMEs: NPL Coverage and Collateral - 2013



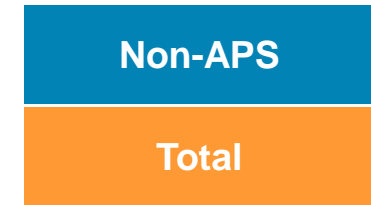
Source: Liberbank

SMEs: LTV distribution - 2013

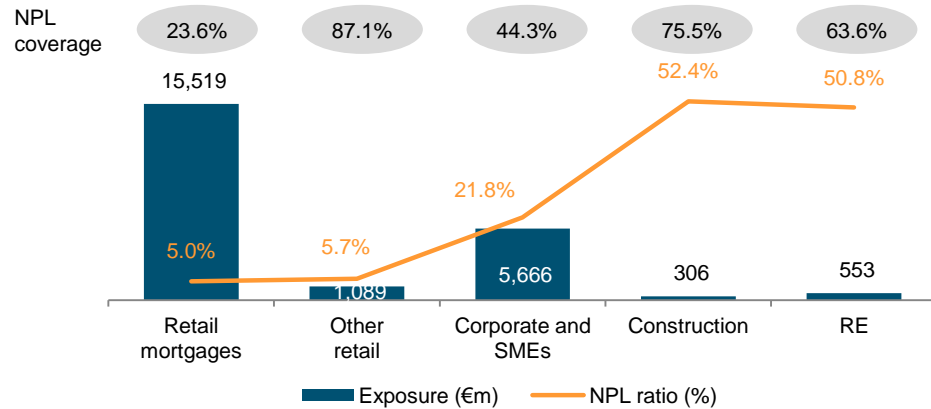


Source: Liberbank

Strong asset quality with adequate provisioning

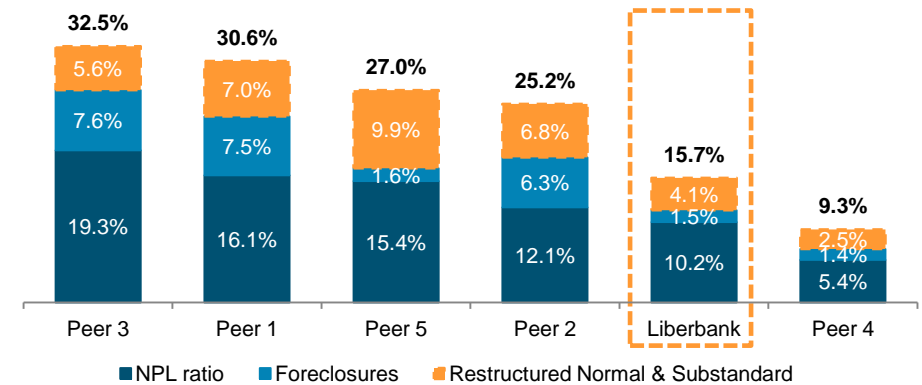


Breakdown of gross loans and NPL and coverage ratios - 2013



Source: Liberbank

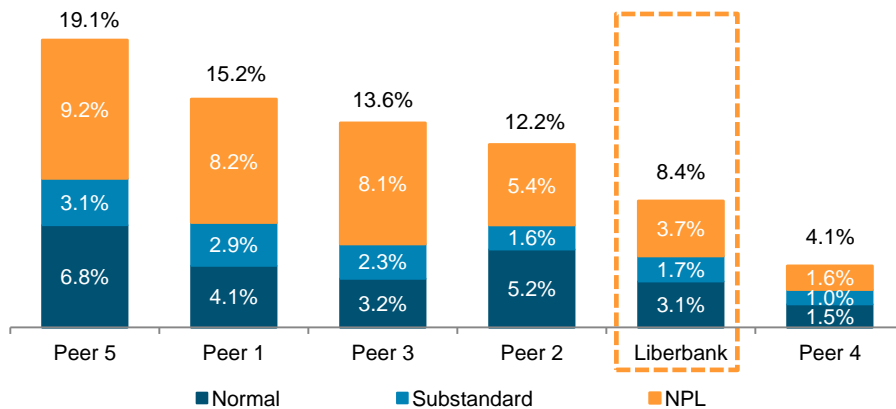
NPA & performing forbearance vs peer group - 2013



Note: Peer group includes Banco Popular, Banco Sabadell, Bankia, Bankinter and Caixabank, excl. APS for all entities

Source: Liberbank and Companies' annual accounts

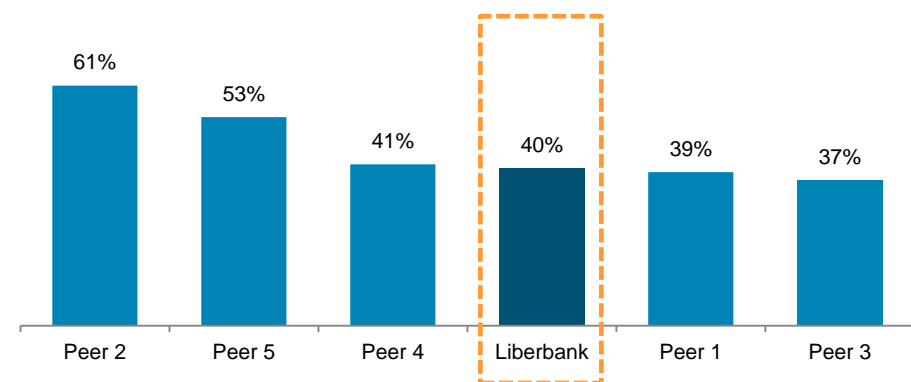
Restructured loans vs peer group - 2013



Note: Peer group includes Banco Popular, Banco Sabadell, Bankia, Bankinter and Caixabank, excl. APS for all entities

Source: Liberbank and Companies' annual accounts

NPL coverage (excl. RED) vs peer group - 2013



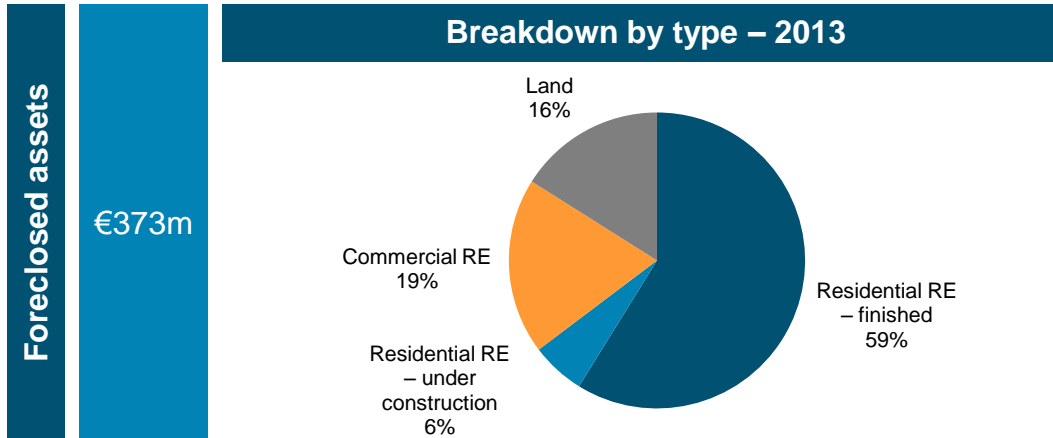
Note: Excluding Real Estate exposure and APS

Note: Peer group includes Banco Popular, Banco Sabadell, Bankia, Bankinter and Caixabank

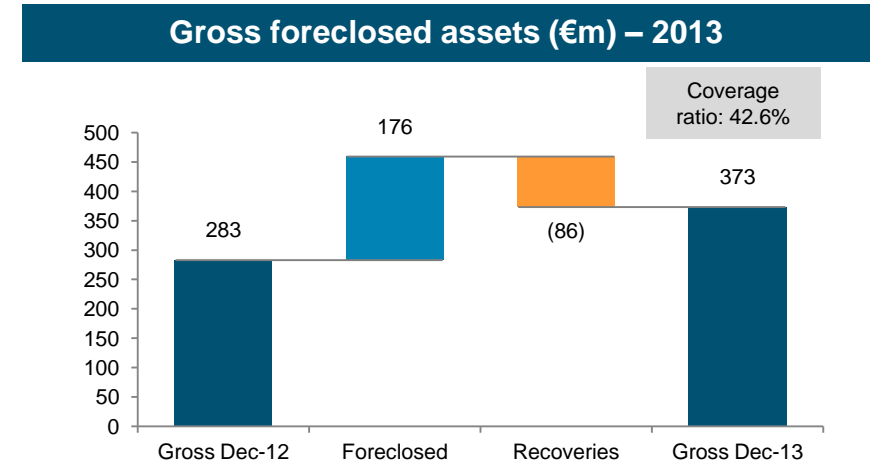
Source: Liberbank and Companies' annual accounts

Residual Real Estate exposure

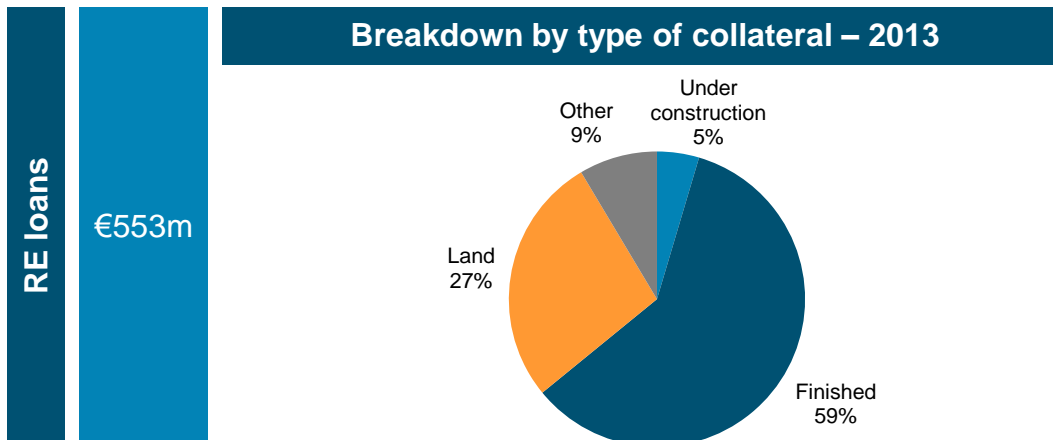
Non-APS
Real Estate



Source: Liberbank



Source: Liberbank



Source: Liberbank

% coverage – 2013

	Gross exposure	Coverage
NPLs	€281m	60.3%
Substandard	€19m	25.7%
normal	€253m	na

Source: Liberbank

In summary, our risk management

- **Integration stage is over (2011-13).** Best risk practice on NPLs recognition, recoveries and provisioning policies has been applied to the existing portfolio
- **Trend is improving.** Some indicators as delinquency ratio (< 90d) and latest NPL entries point to an improvement on the NPLs trend. The peak could be reached during 2014
- **New production.** The new lending production is done under strict risk policies and has been applied improving the best practice coming from Cajastur based on risk-adjusted return

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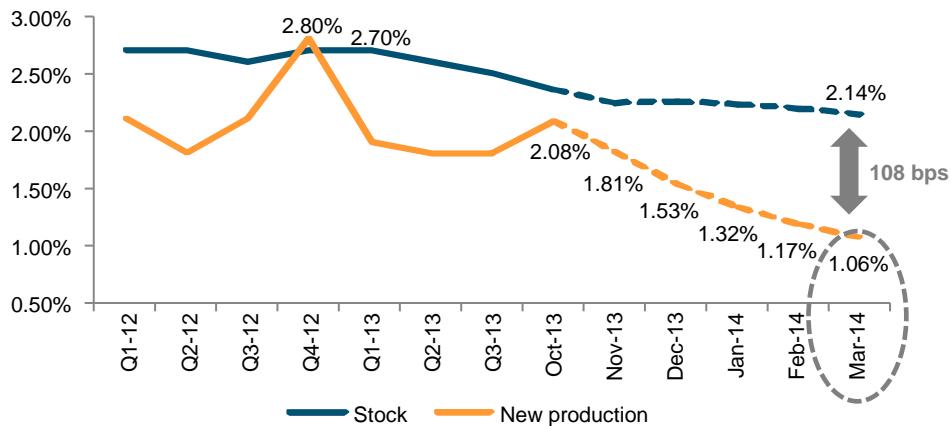
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Cheaper retail and wholesale funding

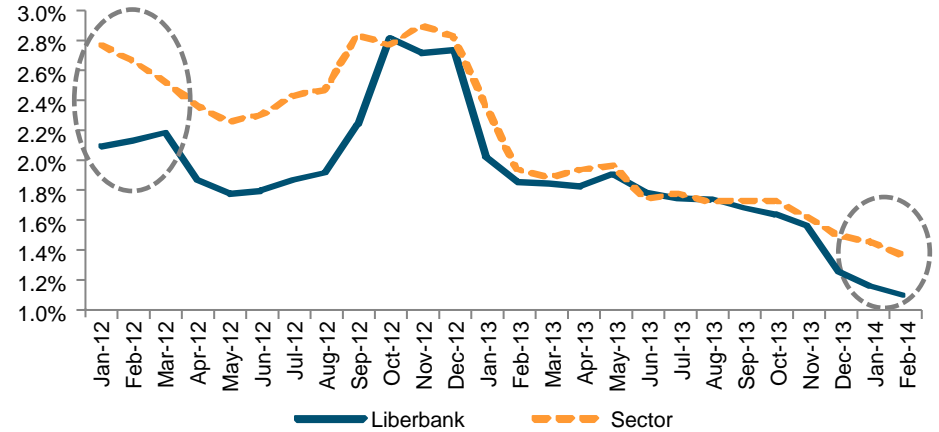
Net Interest Income

Cost of term deposits – New production and Stock



Source: Liberbank

Households – cost of new production of term deposits

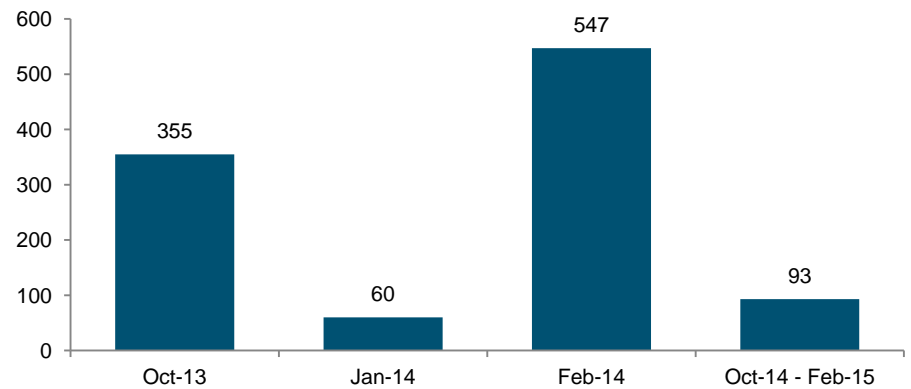


Source: Liberbank and Bank of Spain

- ➔ **Cost of term deposits** reduction continues. In the mid-term Liberbank's competitive advantages (liquidity, regional leadership, granular client base, etc) should be reflected in the stock of deposits
- ➔ Target: deposit base to grow at circa 2% CAGR 2013 – 2016
- ➔ **The maturity of the expensive wholesale funding** lines should be another driver to improve the NII:
 - Government Guaranteed Bonds (circa 5.5% avg cost)
 - Conversion of SLE CoCos (6.5% avg cost) and
 - Pay-back of FROB CoCos (8.75% cost)

Source: Liberbank

Government guaranteed bonds' maturity (€m)

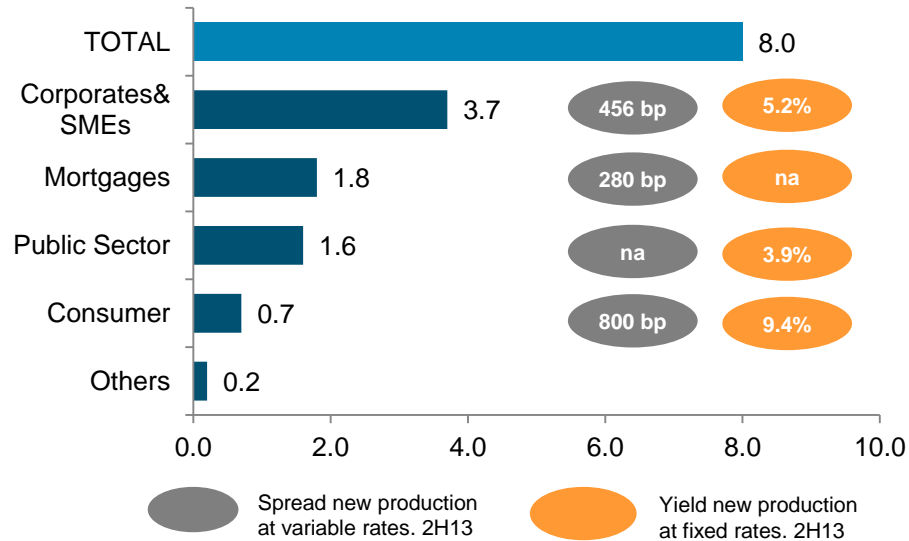


Source: Liberbank

New production yields well above stock

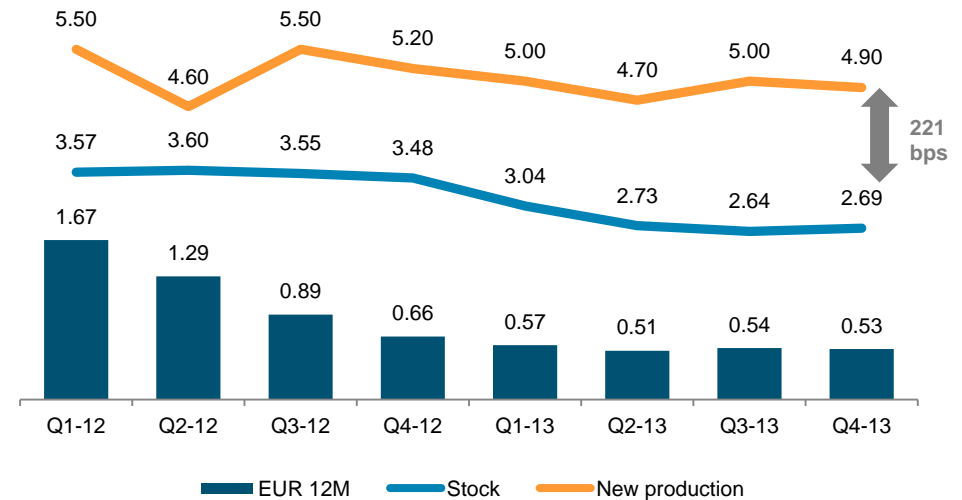
Net Interest Income

New lending production targets (€bn)



Source: Liberbank

Loan yields – stock^(a) and new production



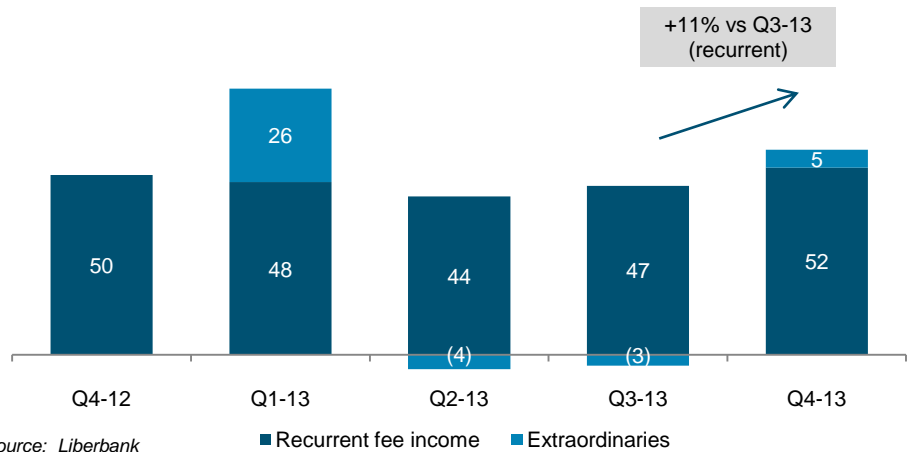
(a) Stock. Loan yields on performing loans
Source: Liberbank, Bank of Spain

- **Private sector deleveraging** remains as the main headwind in the short term for the new production
- **Liberbank is ready and keen to grow its loan book at a faster pace** if economic activity and demand for credit recover
- Back book still impacted by low interest rates environment. **Going forward the interest rates curve should benefit the net interest income (Euribor 12M average at 1.1% in 2016E and c.1.3% in 2016E YE vs. 0.6% current)**
- New growth is supported by:
 - New commercial strategy approach
 - New tools and best risk practice implemented
 - Comfortable liquidity and capital position post-capital raise

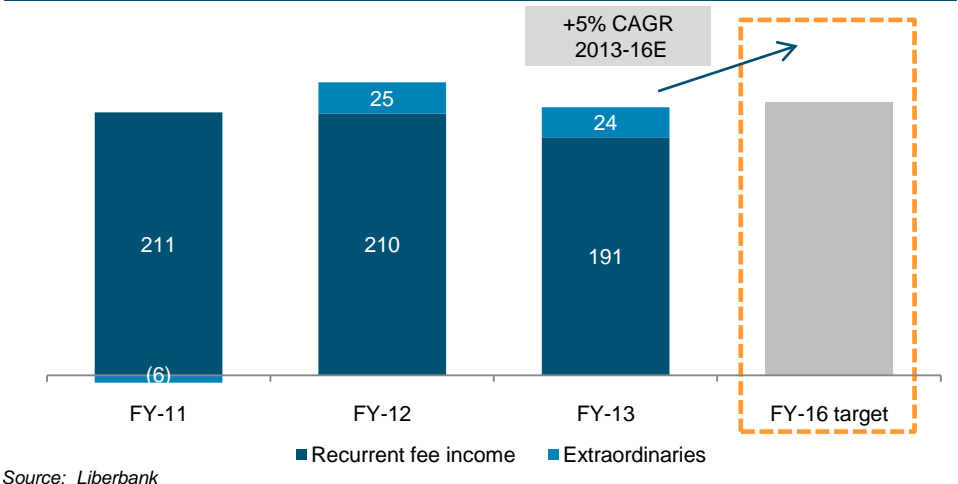
Source: Liberbank

Fee income – room to keep improving

Quarterly fee income (€m)

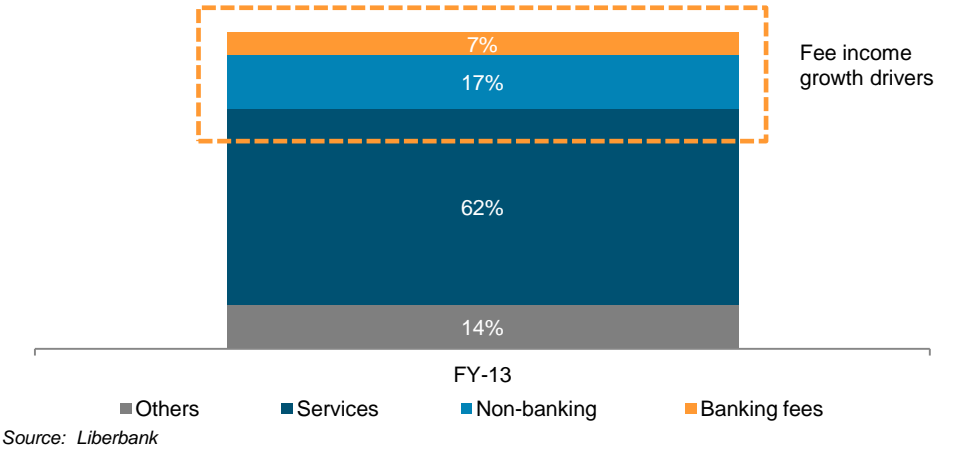


Annual fee income evolution



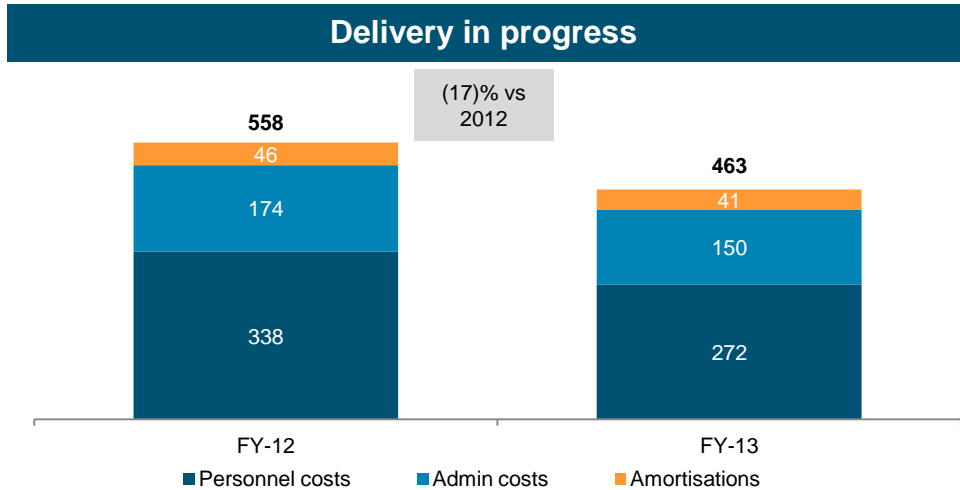
- **Guidance.** The 5% CAGR 2013 – 2016E target in recurrent fees is based on four pillars:
- Further development of bancassurance and asset management through strong partnerships
 - Increasing focus on SMEs
 - Higher cross selling to individual clients
 - Roll out of best internal practice across the bank

Recurrent fee income breakdown

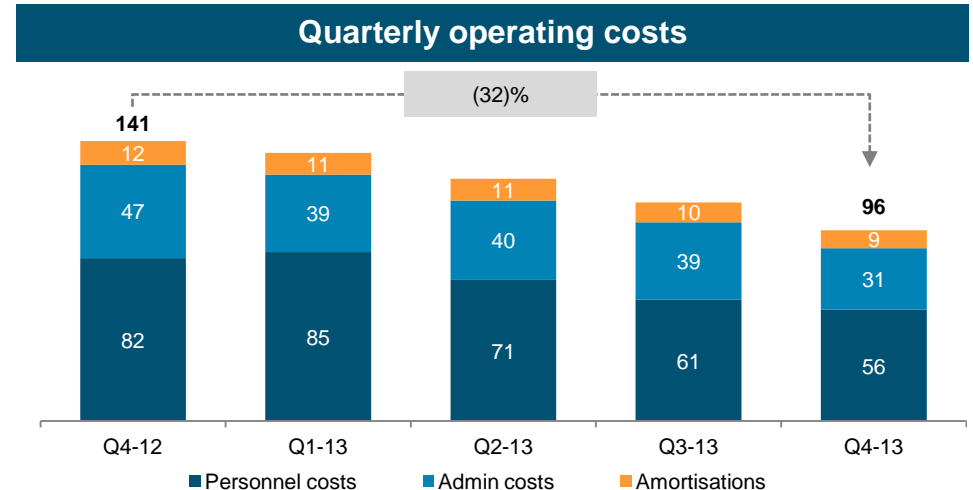


Continue to streamline our efficient platform

Costs



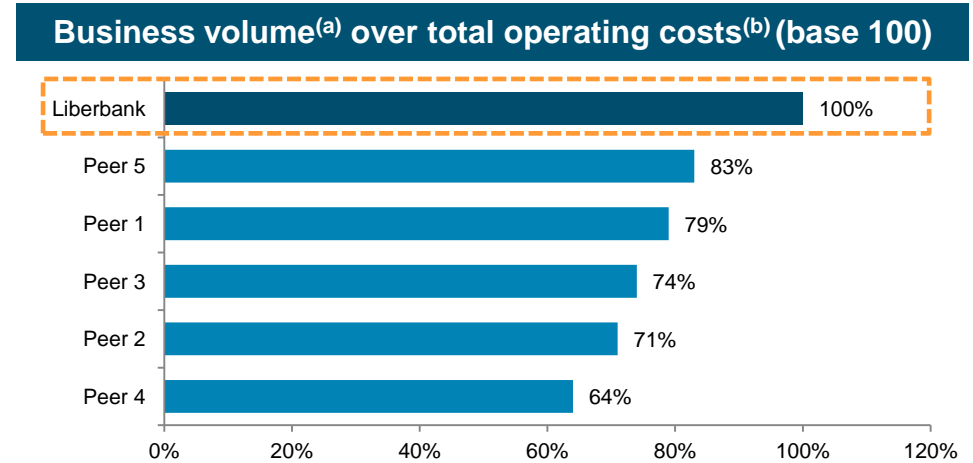
Source: Liberbank



Source: Liberbank

- Delivery is on track. Cost savings will be fully reflected in 2014
- Objective is to reduce cost base from FY 2013 by c.10%
- Internal management unit to monitor further improvements in efficiency
- **Going forward, Liberbank plans some additional cost savings vs 2014E cost base, although marginal**

Source: Liberbank



Note: Peers include Banco Popular, Banco Sabadell, Bankia, Bankinter and Caixabank

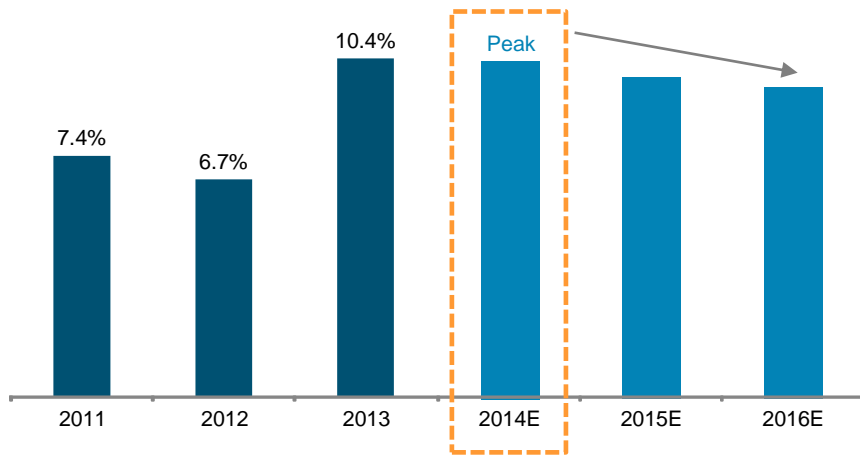
(a) Business volume equivalent to total lending and total deposits

(b) Operating expenses including amortisation costs

Source: Companies annual accounts 2013, Liberbank

Clear signs of normalisation of cost of risk

NPL ratio target (ex-APS)

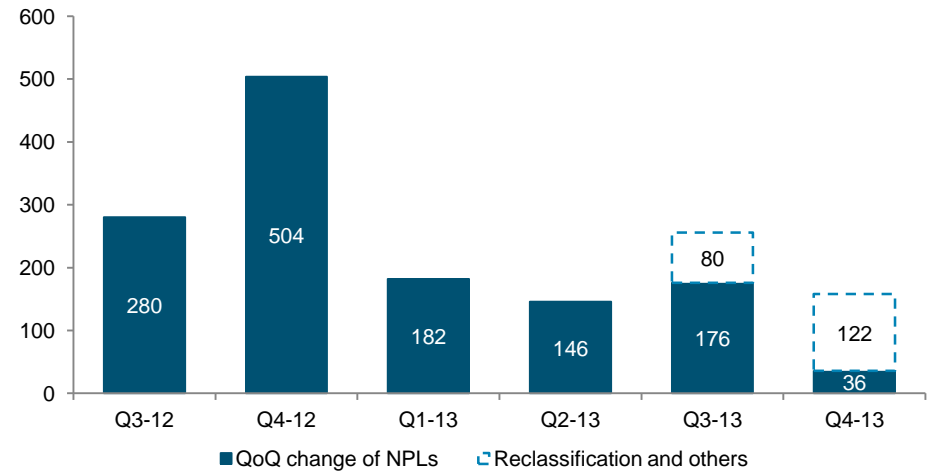


Note: 2012 figures are pre-SAREB asset transfers

- NPL ratio to peak in 2014
- Anticipated provisions will be booked in 2014 thanks to the capital gains realised during 1Q -14 (circa €250m)
- **Guidance.** CoR should normalise from 2015 onwards at circa 50bp
 - Potential write-backs of provisions, which are not considered, could improve Liberbank's targets

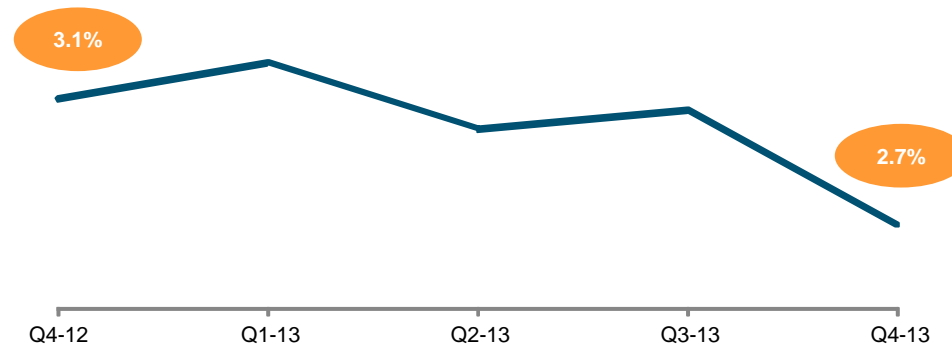
Source: Liberbank

NPL formation (net entries, €m) 2012 – 2013



Source: Liberbank

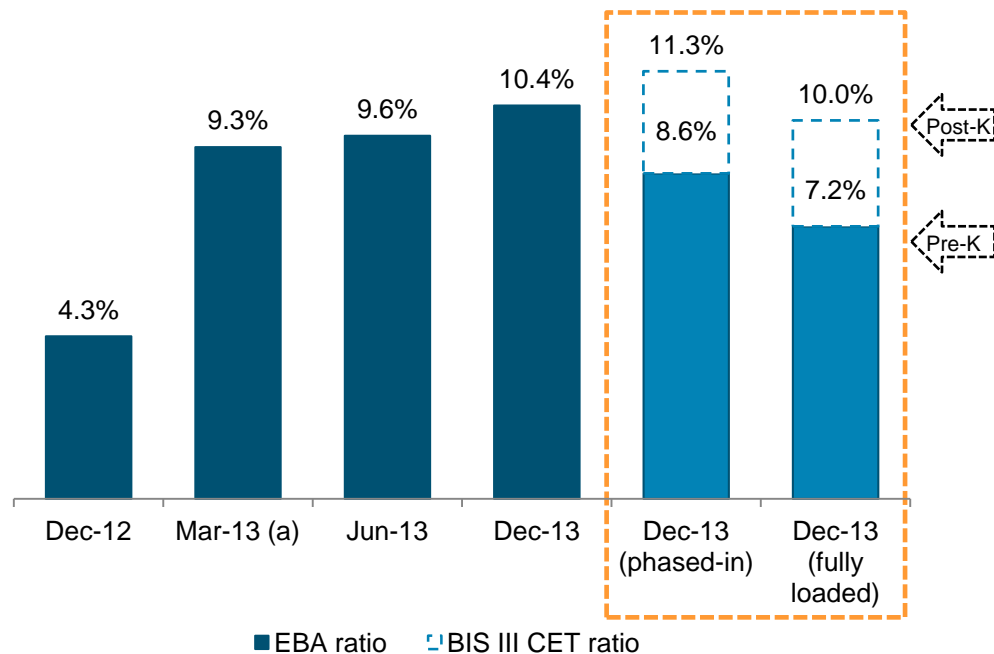
Delinquency rates^(a) (< 90d)



(a) 30 – 90 days delinquency rate (performing)/ total investment (%)
Source: Liberbank

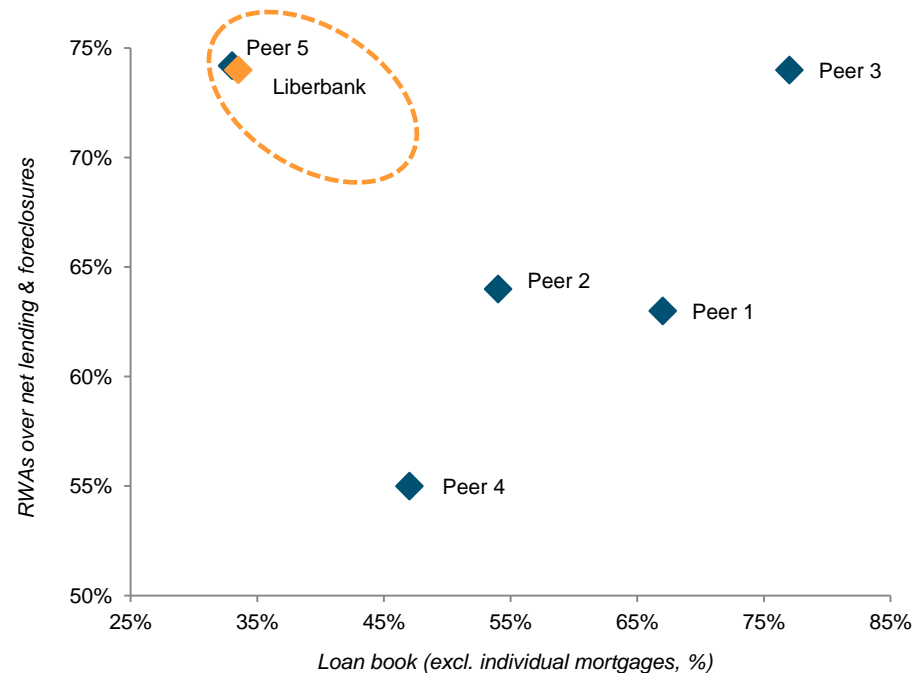
Improved capital position post transaction

Capital ratios evolution



Note: Including FROB CoCos
 (a) Pro forma after SLE
 Source: Liberbank

High density of RWAs to retail mortgages



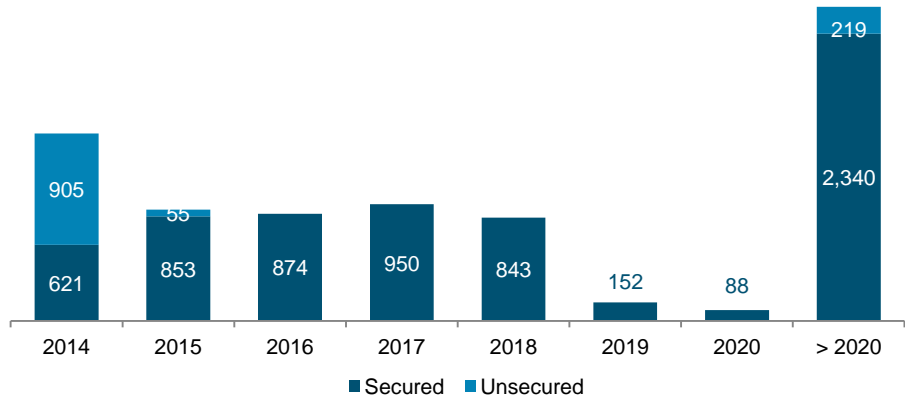
Note: Peers include Banco Popular, Banco Sabadell, Bankia, Bankinter and Caixabank
 Source: Liberbank and Companies annual accounts 2013

- ➔ Liberbank targets reaching a BIS III ratio/fully loaded post capital raise in line with its peers; circa 10.0% as of December 2013 (inc CoCos from the FROB). Capital impact coming from the repayment of FROB CoCos to be offset by generation of organic capital (2014 target)
- ➔ Capacity to reduce RWAs when advanced models to be in place
- ➔ Ability to generate BIS 3 fully loaded capital through progressive consumption of DTAs

Comfortable wholesale funding and liquidity position

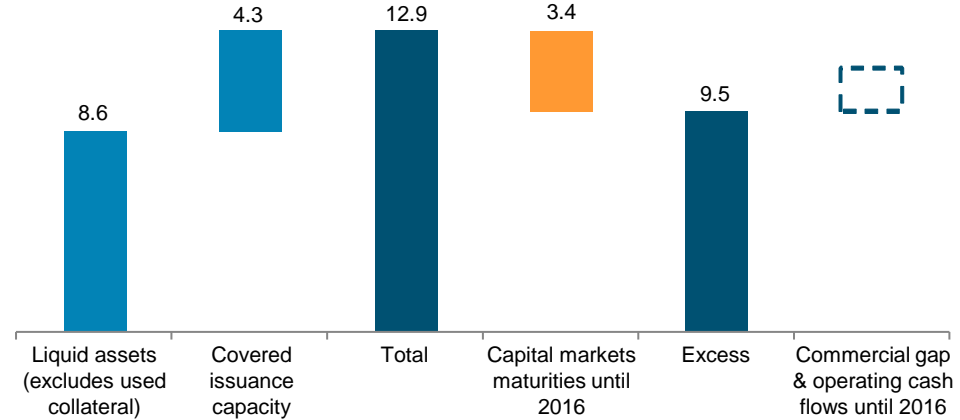
- Wholesale funding being gradually reduced. The most expensive funding (State Guaranteed Bonds) is being amortised shortly (4Q 13 – 1H 14)
- Capital markets maturities until 2015 fully covered with Fixed Income Portfolio amortisations
- ECB funding reliance stands at the same level as the sector while use of interbank, money market and Clearing Houses is below main listed peers

Capital markets maturities (€m) - Dec-13



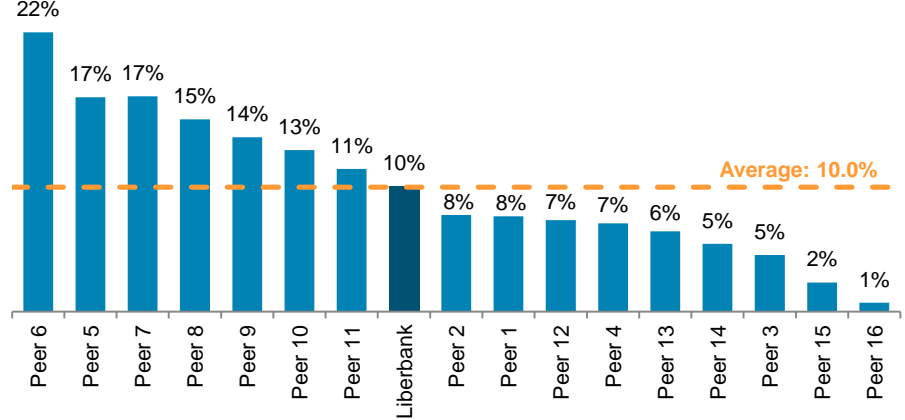
Source: Liberbank

Comfortable liquidity position - Dec-13



Source: Liberbank

Peers ECB financing over total assets - Nov-13

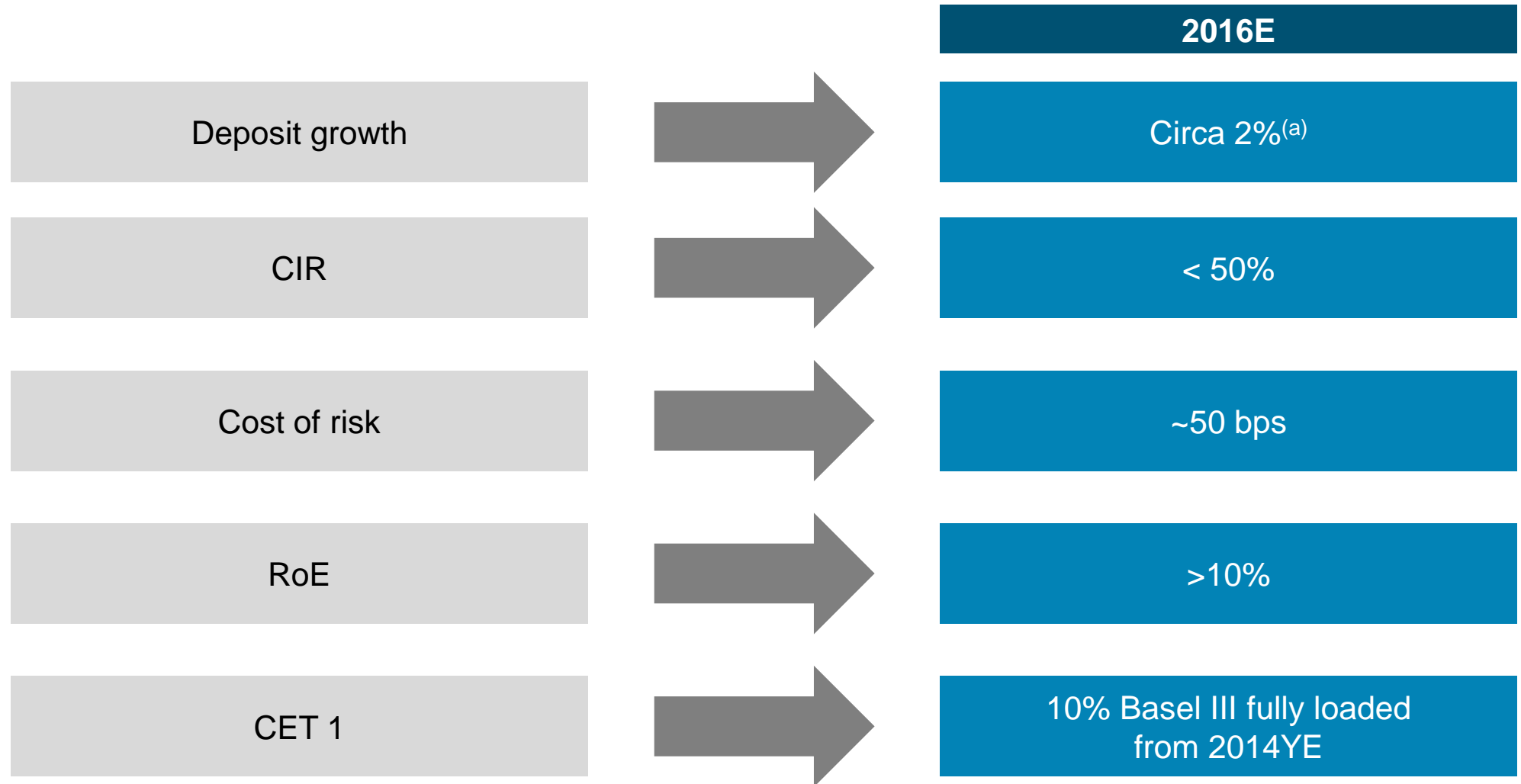


Source: Liberbank, CECA and AEB. Peers are the largest 16 Spanish banks

Today's agenda

Topic	Time	Presenter
Introduction to Liberbank	15 min.	Mr. Manuel Menéndez, <i>Chairman and CEO</i>
Key investment highlights	15 min.	
Commercial strategy	30 min.	Mr. Álvaro Vaca, <i>Business Development and Marketing Director</i>
Risk management	30 min.	Mr. Jonathan de Joaquín, <i>Risk Strategy and Policies Director (CRO)</i>
Coffee Break	10 min.	
Financial overview	25 min.	Mr. Jesús Ruano, <i>CFO and Corporate Development Director</i>
Mid-term targets	5 min.	
Closing remarks	5 min.	Mr. Manuel Menéndez, <i>Chairman and CEO</i>
Q&A	45 min.	Mr. Juan Pablo López, <i>Head of Investor Relations (IR)</i>

Key mid-term targets



(a) CAGR 2013 – 2016E

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In summary...

- 1 Market leader in its four home regions
- 2 Strong credit quality
- 3 Sound funding and liquidity position
- 4 Integration successfully accomplished
- 5 Sustainable NIM recovery
- 6 Sound capital position

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Financial supplement

Consolidated P&L

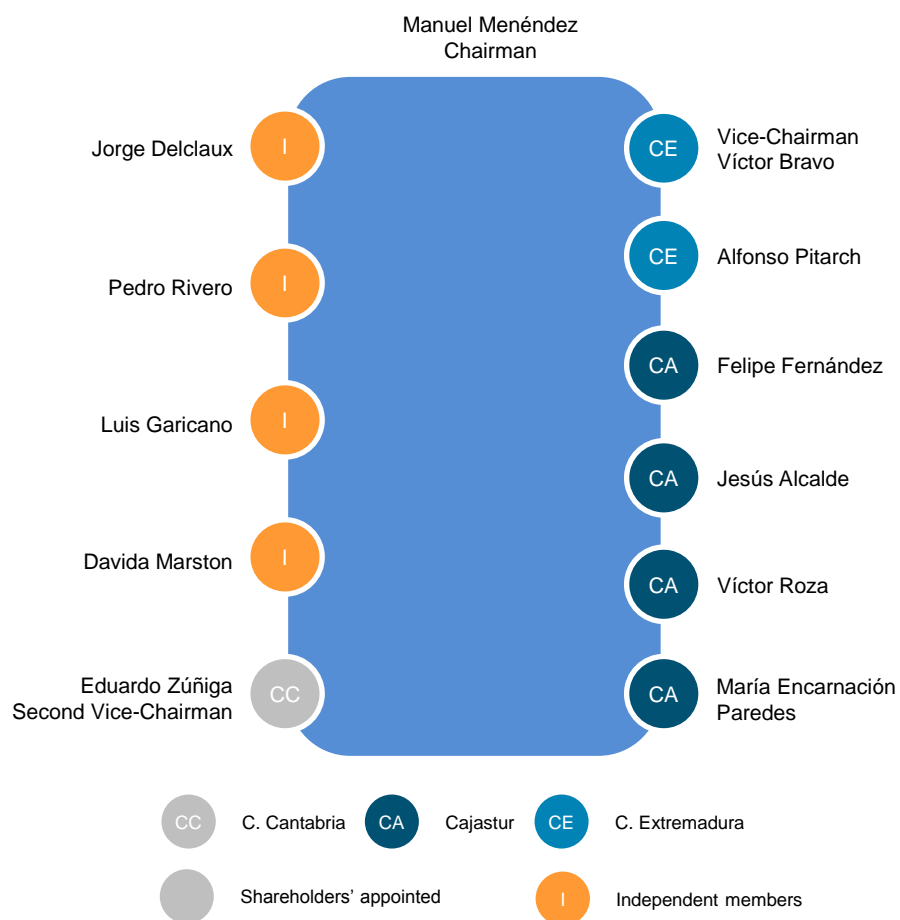
(€m)	2012	2013	Change vs 2012	
			(€m)	%
Interest Income	1,413	1,088	(325)	(23)%
Interest Cost	(879)	(673)	206	(23)%
NET INTEREST INCOME	534	415	(119)	(22)%
Dividends	64	8	(56)	(88)%
Results from equity method stakes	4	38	34	850%
Net fees	235	215	(20)	(9)%
Gains on financial assets & others	33	247	214	648%
Other operating revenues	(6)	(42)	(36)	600%
GROSS MARGIN	864	881	17	2%
Administrative expenses	(512)	(423)	89	(17)%
Staff expenses	(338)	(272)	66	(20)%
General expenses	(174)	(150)	24	(14)%
Amortisations	(46)	(41)	5	(11)%
PRE PROVISION PROFIT	307	418	111	36%
Provisions	(42)	24	66	nm
Impairment on financial assets (net)	(2,182)	(465)	1,717	nm
Impairment losses on other assets (net)	(47)	(1)	46	nm
Others	(833)	16	849	nm
PROFIT BEFORE TAXES	(2,797)	(9)	2,788	nm
Taxes	865	46	(819)	nm
NET INCOME	(1,933)	37	1,970	nm
NET INCOME ATTRIBUTABLE	(1,834)	48	1,882	nm

Consolidated balance sheet

(€m)	2012	2013	Change vs 2012	
			(€m)	(%)
Cash and balance with other financial institutions	742	692	(50)	(6.7%)
Loan to clients	29,052	26,380	(2,672)	(9.2%)
Fixed Income portfolio	8,081	12,433	4,352	53.9%
Investments	1,381	786	(791)	(62.6%)
Derivatives portfolio	168	108	(60)	(35.7%)
Non-Current assets Held for Sale	3,843	1,366	(2,477)	(64.5%)
Property, plant and equipment	786	747	(39)	(5.0%)
Deferred Tax Assets	1,941	1,802	(139)	(7.2%)
Other assets	261	232	(168)	(7.6%)
TOTAL ASSETS	46,255	44,546	(1,709)	(3.7%)
Central banks and credit institutions	5,351	5,408	57	1.1%
Customer deposits	35,371	34,941	(429)	(1.2%)
Bonds, subordinated debt and other financial liabilities at amortised costs	3,608	2,009	(1,599)	(44.3%)
Derivatives	66	85	19	28.8%
Deferred Tax Liabilities	241	144	(97)	(40.2%)
Other liabilities	519	375	(241)	(31.7%)
TOTAL LIABILITIES	45,156	42,962	(2,194)	(4.9%)
Shareholders' equity	2,831	1,463	(1,368)	(48.3%)
Attributable profit	(1,834)	48	1,882	(102.6%)
Valuation adjustments	(5)	(20)	(15)	300.0%
Minority interest	108	94	(14)	(13.0%)
EQUITY	1,099	1,585	485	44.2%
TOTAL LIABILITIES AND EQUITY	46,255	44,546	(1,709)	(3.7%)

Board of Directors

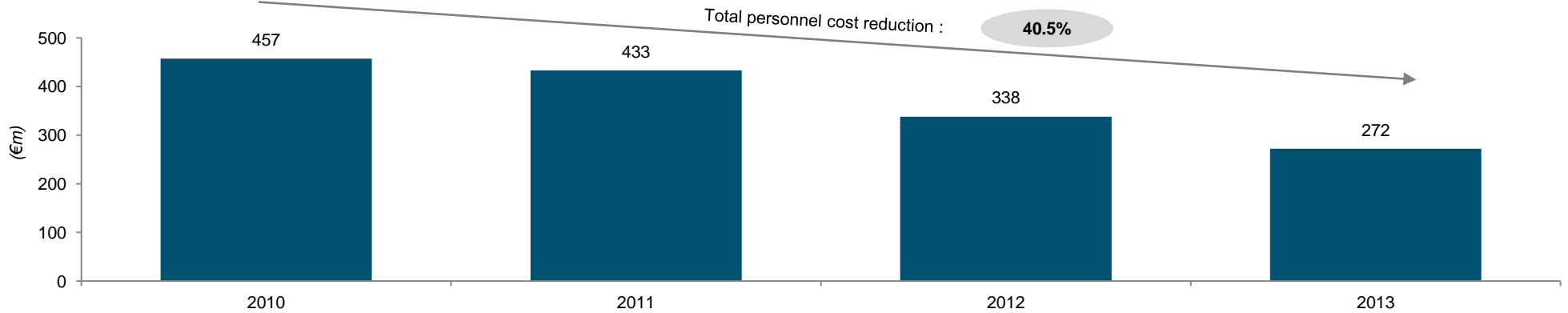
Composition of Board of Directors



Manuel Menéndez	→ Chairman and CEO of Liberbank and Chairman Cajastur → Former Chairman of Banco CCM
Víctor Bravo	→ Appointed in May 2011 → Head of audit services at Liberbank, Chairman of Caja de Extremadura since September 2009
Eduardo Zúñiga	→ Appointed in January 2013 → Chairman of Caja Cantabria since May 2012
Jesús Alcalde	→ Appointed in January 2013 → Previously responsible for the legal services of Liberbank, Secretary of Banco Castilla-La Mancha
Felipe Fernández	→ Appointed in May 2011 → Previously responsible for Liberbank's industrial portfolio, General Manager of Cajastur since 2004
Víctor Roza	→ Appointed in May 2011 → Executive of a large Spanish Corporation, Secretary of Cajastur since May 2012
María Encarnación Paredes	→ Appointed in January 2013 → Previously responsible for Corporate Services at Liberbank
Alfonso Pitarch	→ Appointed in January 2013 → Entrepreneur, Chairman of Asociación Extremeña de Empresa Familiar
Pedro Rivero	→ Appointed in December 2011 → Ex Chairman of UNESA, Academic, Professor of Commerce at School of Commerce in Santander
Jorge Delclaux	→ Appointed in December 2011 → Investment professional, Head of Roland Berger in Spain
Davida Marston	→ Appointed in January 2012 → Ex executive in different international financial institutions, currently board member of Bank of Ireland
Luis Garicano	→ Appointed in January 2012 → Academic, Professor at LSE

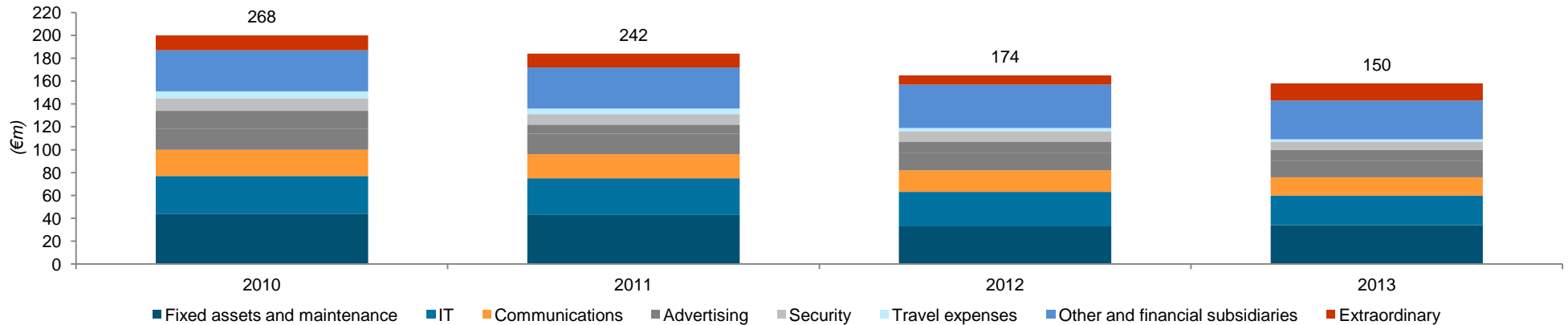
Source: Liberbank

Right-sizing FTE and overheads to deliver full savings in 2014



→ All restructuring costs have been already accounted for in P&L

Note: Figures for 2010 pro forma
Source: Reserved Consolidated Accounts



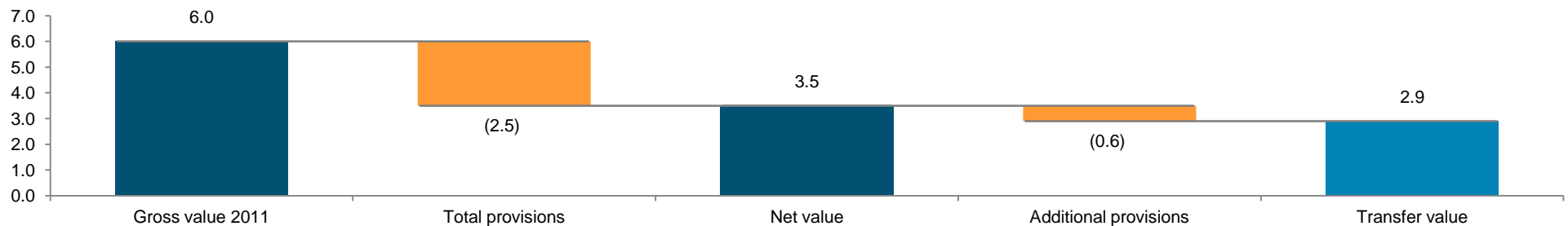
→ General expenses reduction of 44% in 4 years fully accomplished

Note: Figures for 2010 pro forma
Source: Reserved Consolidated Accounts, split by category based on internal information

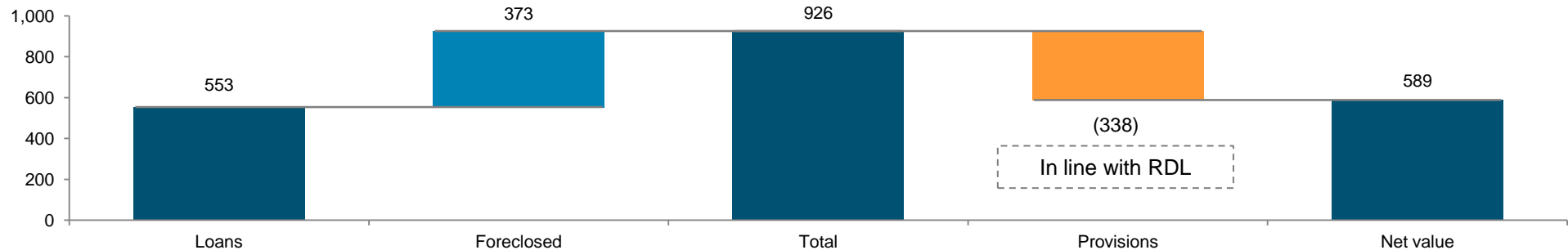
Asset transfer to SAREB

→ Liberbank transferred more than €6bn of gross RE assets to the SAREB. Currently, Liberbank's net RE exposure represents 1.4% of total assets (exc APS)

Assets transferred to SAREB (loans and foreclosed) (2012) (€bn)



RE exposure post SAREB transfer (ex APS portfolio) (2013) (€m)



Source: Liberbank, DRC as of 31 December 2013 and internal data

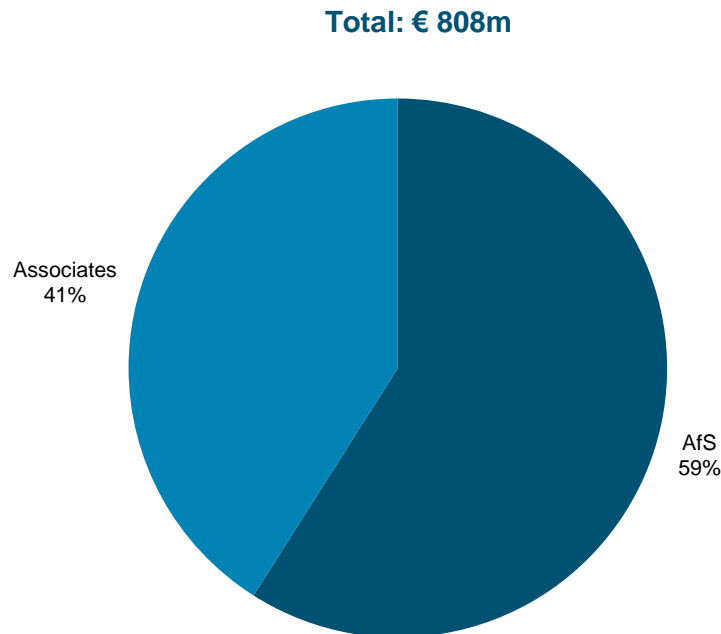
APS more in detail

Asset Protection Scheme in place

- The Asset Protection Scheme (APS) covers 100% of the expected losses of a gross portfolio of € 6.8bn at inception, 1 January 2010, with a limit of circa €2.5bn in funds already provided by the Fondo de Garantía de Depósitos (FGD). This amount was granted to cover the losses above on initial allowances (€1.2bn)
- The APS contract term is 1st of January 2015, however it may be extended under the agreement of both the FGD and BCLM in the case of adverse market conditions (i.e. low liquidity for collaterals). Liberbank has already requested an extension of the APS
- At settlement, Liberbank has to return to the FGD the non used amount of the APS funds under a financial formula that takes into account the time value of money of recoveries as well as conservative valuation methodologies for the residual (the non cashed in) assets of the portfolio at term
- The provisions for the portfolio derive from an independent expert valuation which is reviewed every quarter
- Assets covered by the APS have 0% weight in RWAs as long as the non used amount of the APS is higher than 12% of the APS portfolio book value
- At December 2013 the amount of the APS scheme which has not been used to build provisions amounts to €0.6bn, while the BV of the portfolio amounts to circa €3bn (12% of the BV amounts to €354m)

Equity stakes – overview

Breakdown by accounting consideration – Dec 13



Source: Liberbank reserved consolidated accounts

→ Liberbank's total equity portfolio amounted to €808m in December 2013. Relative well diversified portfolio by sector:

- **Utilities:** regulated sector, stable cash flows and dividend yield
- **Financial:** mainly insurance companies with a strong link to Liberbank's business
- **Marginal exposure to RE:** Book value circa €4m (0.5% of total portfolio)

→ The book value reflected the current value of the stakes:

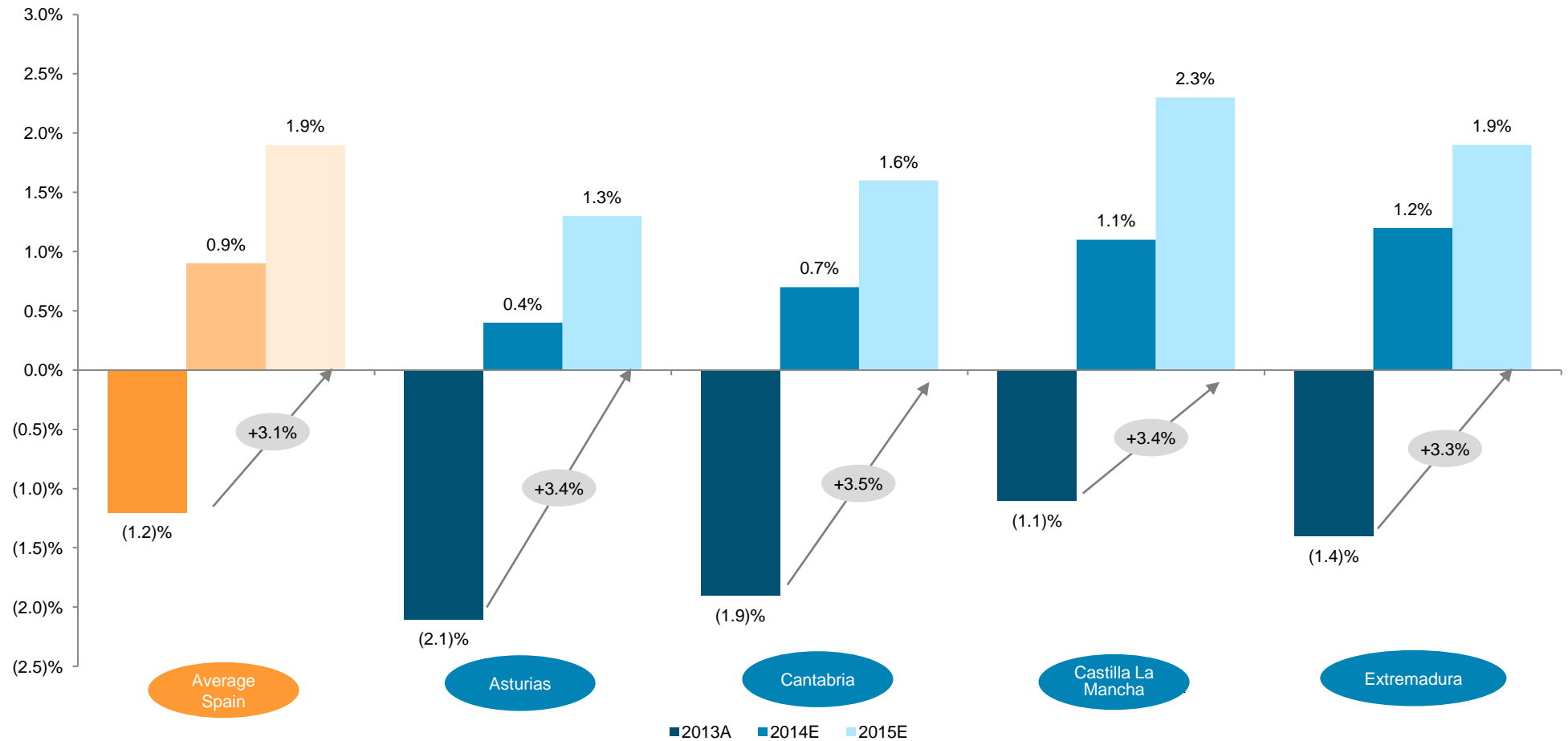
- **Available-for-Sale (AfS):** listed companies at market value. During Q1-14 the bank sold its stake in Ence that allowed the bank to generate capital gains of circa €8m
- **Associates:** at equity method. The 47% stake in Oppidum (€157m of book value) and CCM Vida y Pensiones (€72m) represented 68% of the associates

Successful unwinding of industrial portfolio to re-focus on core retail banking in record time

Major divestment	Stake %	Proceeds
EDP	5.0%	€304m
Telecable	76.9%	€275m
Enagás	5.0%	€182m
Vodafone Group Plc	0.13%	€154m
Iberdrola	0.5%	€119m
Hidroelectrica del Cantábico	3.0%	€106m
ENCE	7.1%	€50m
Indra Sistemas	5.0%	€90m
Amper	9.2%	€5m
Other industrial stakes	n.m.	€343m
TOTAL PROCEEDS		€1,628m
Total book value of pending divestments according to Term Sheet (April 2014)		€192m

Core regions to grow above average

Expected GDP growth in 2015 since 2013



Source: INE, BBVA Research as of February 2014