FY 2013 Financial Results

Madrid, February 25th 2014

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Latest trend. Key Highlights

Profitability Paving the way

- **Net Interest Income** changed its trend to positive growth in the 4Q13 and should keep benefitting from a lower cost of funding during the next quarters.
- **Administrative costs keep reducing**. The impact of recently approved cost cutting measures should be fully reflected during 2014.

Asset Quality

- **Strong effort in provisioning,** € 424m during 2013. Cost of Risk of 165bp, well above normalized levels.
- NPL ratio (exc APS) stands at 10.4%, well below the average of the sector.
- Underlying **new NPL entries** (exc restructured loans) reduced during the fourth quarter.

Liquidity position keeps improving

- **Loan to deposits ratio keeps improving to 97% as of December13,** reflecting the deleverage process and the growth of the deposits base.
- **Liquid assets** cover c.3.8x wholesale funding maturities (exc ECB) until 2016.

Capital Reinforcement

- In a challenging environment, **Liberbank is able to generate capital organically**. The EBA capital ratio has improved by +114pb vs 1Q13.

Agenda

Challenges and opportunities

2013 – paving the way

- Franchise value enhancement
- Transfer of problematic asssets to the Sareb
- Agreement with major trade Unions to adjust workforce cost base
- Branch network restructuring completed
- Listing and CoCos issuance
- Reclassification of refinanced loans
- Non-strategic divestments
- Improved Liquidity Position

2014 – focus on profitability…

- Focus on profitability through the leading position in the core regions with c.2 million clients
  - Time to reduce cost of funding
- Better performance of recoveries
- Selective lending growth
- Take advantage of significant unrealized gains (i.e 235 million capital gains generated during 2014 first quarter in the Fixed Income Portfolio).
- Reinforcement of the capital base

…in a still challenging environment

- Low interest rates
- Households and Corporates deleveraging
- CoR still above normalized levels

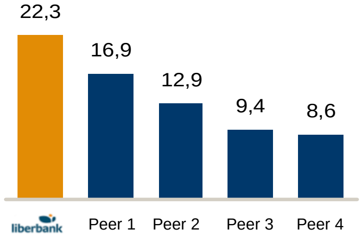
Market leader, efficient network

Market leader in its four home regions with significant market share premium vs. competitors
Efficient network (loans and 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

Market share (%)		
Branches	Lending	Deposits

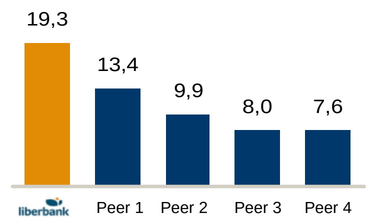
Asturias		
22.3	23.6	33.1

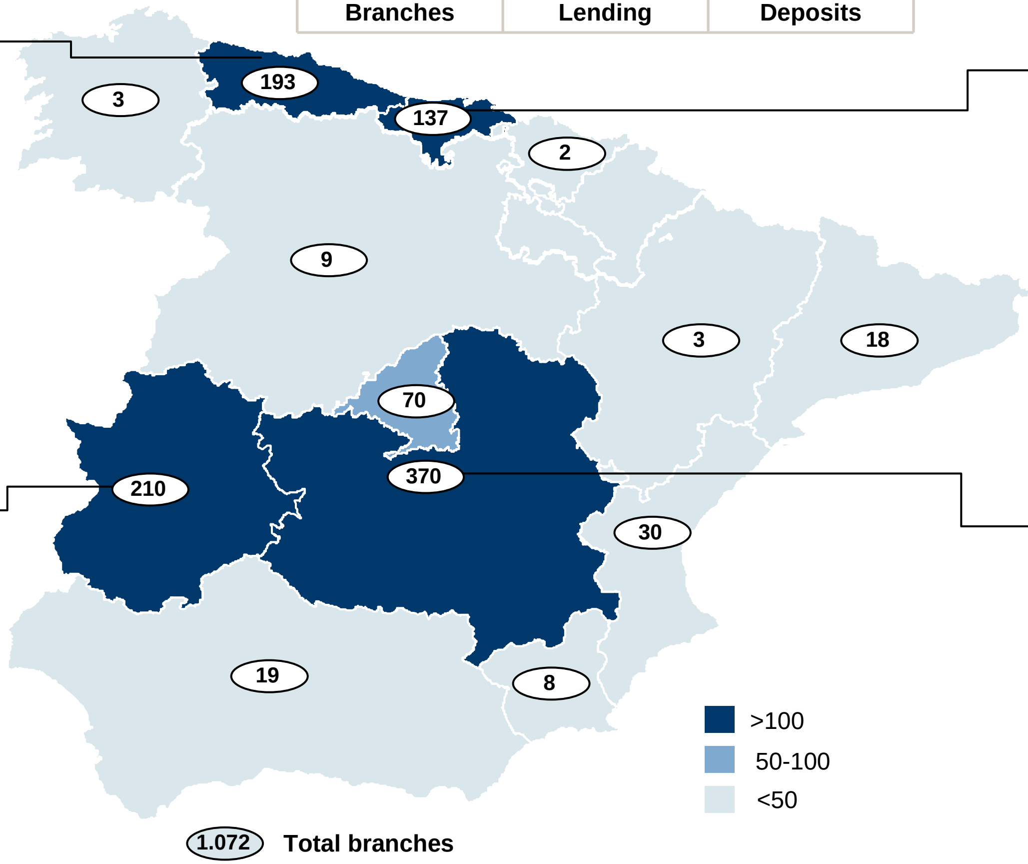
% branches mkt share



Extremadura		
19.3	16.7	23.2
Cáceres		
37.9	30.3	44.1

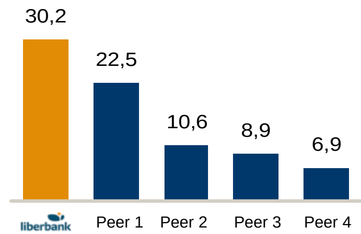
% branches mkt share





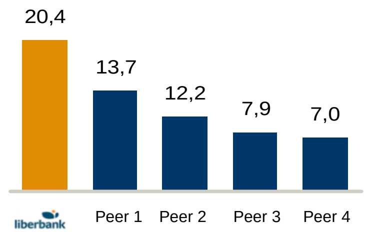
Cantabria		
30.2	28.8	28.0

% branches mkt share



Castilla La-Mancha		
20.4	21.2	22.07
Toledo & Cuenca		
27.4	29.6	31.5

% branches mkt share



1. *Liberbank's figures as of August 2013. Branches market share LBK as of June 2013, rest of banks BoS June 2013 and annual report CECA (2011) and UNACC and AEB 2012. Business market share according to OSR BoS and Liberbank June 2013*

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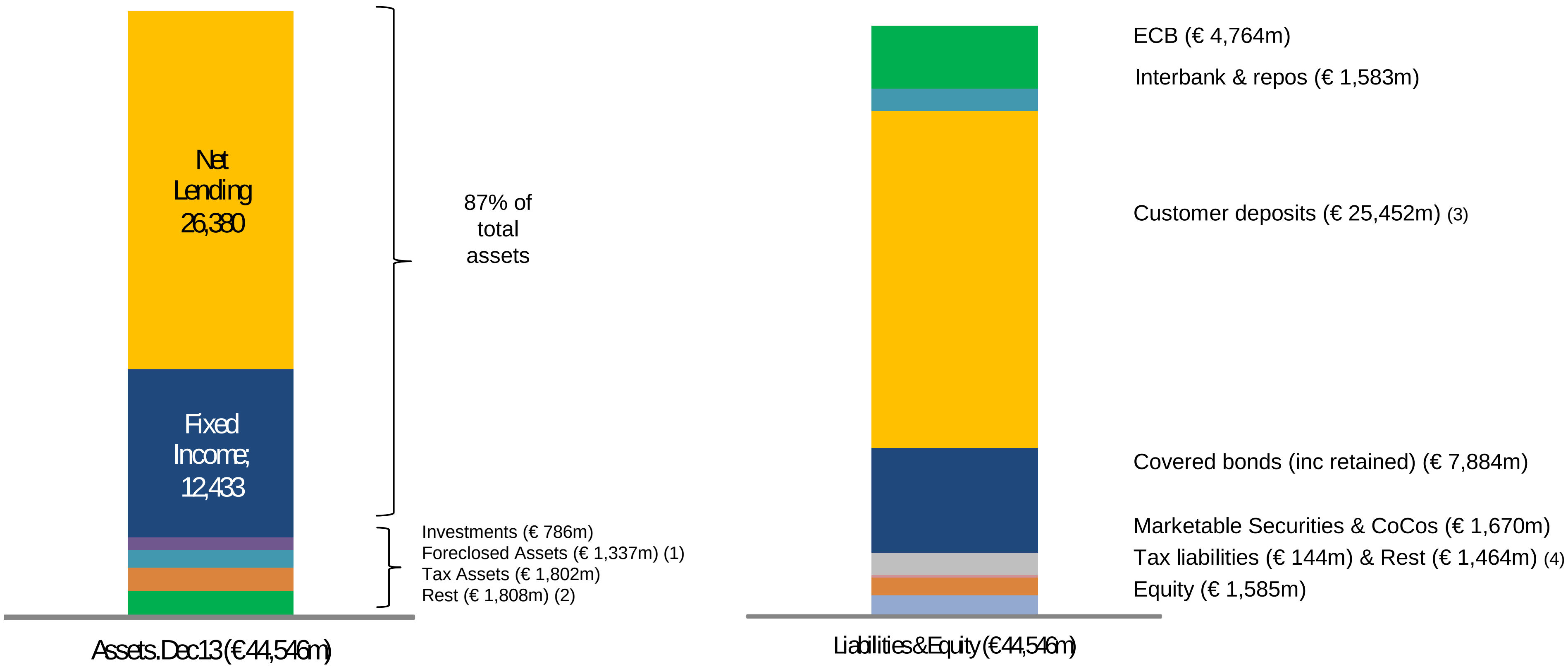
Balance Sheet. Pure retail banking



- After the transfer to Sareb, net lending has been reduced significantly in exchange of a larger Fixed Income portfolio.
- Equity of € 1,585m does not include the CoCos of €435m (€ 124m hold by FROB)

(1) Including APS foreclosed assets (€ 1,152m) (2) Rest of assets includes Cash and interbank deposits (€ 692m), property&equipment (€ 634m) and intangible assets (€ 75m) among others (3) Customer deposits includes commercial paper and other marketable securities placed to retail investors (4) Rest of liabilities includes provisions (€ 239m), valuation adjustments (€ 512m) and APS unusued funds.

Retail funds going back to normal growth

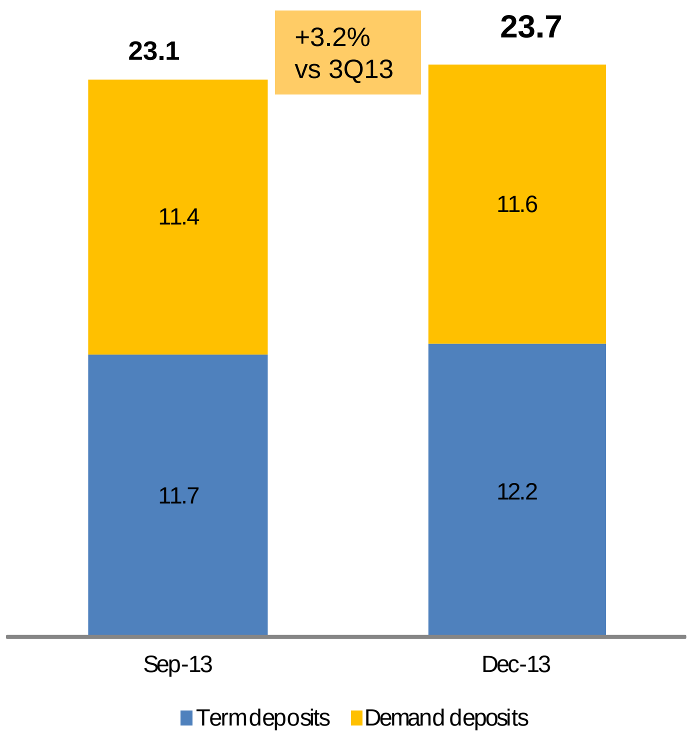
Commercial Activity

In a challenging and restructuring environment the retail funds on balance sheet have increased by +0.7% YoY.

- **On top of an already comfortable liquidity position (LtD ratio < 100%)** the retail Funds have increased during the 4Q by more than 3%. **Best Quarter in Liberbank's short history**

Eur m	4Q12	3Q13	4Q13	QoQ	YoY
RETAIL CUSTOMER FUNDS	**29,102**	**28,521**	**29,357**	**2.9%**	**0.9%**
Retail Funds on Balance Sheet	**25,268**	**24,665**	**25,452**	**3.2%**	**0.7%**
Public Institutions	895	889	1,072	21%	20%
Retail Customer (resident)	23,955	23,419	24,030	3%	0%
Demand deposits	11,566	11,389	11,558	1%	0%
Term deposits	12,006	11,690	12,162	4%	1%
Other	383	340	310	-9%	-19%
Non resident customers	418	357	350	-2%	-16%
Off-balance sheet funds	**3,834**	**3,856**	**3,906**	**1.3%**	**1.9%**
Mutual funds	1,300	1,212	1,225	1%	-6%
Pension Plans	1,524	1,538	1,560	1%	2%
Insurance Funds	1,010	1,106	1,121	1%	11%

Retail Customer Funds quarterly performance. Eur bn (1)



(1) Resident customers, excludin Public Institutions

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Volumes. Selective deleveraging continues

Loan book size is decreasing as the Spanish economy continues its deleveraging process, although the pace is slowing down.

- In forthcoming quarters SMEs book should change its trend growing towards Liberbank's "natural market share".
- Negligible exposure to developers (exc APS).

Eur m	4Q12	3Q13	4Q13	QoQ	YoY	NPL ratio
TOTAL GROSS LOANS	**31,509**	**29,046**	**28,385**	**-2%**	**-10%**	**21.3%**
APS	4,623	4,126	3,932	-5%	-15%	88.4%
EXC APS	**26,886**	**24,920**	**24,453**	**-2%**	**-9.0%**	**10.4%**
Public Sector	1,887	1,302	1,339	3%	-29%	0.0%
Loans to businesses	**7,405**	**6,728**	**6,525**	**-3%**	**-12%**	**25.7%**
RED & Construction	920	945	859	-9%	-7%	51.4%
Other corporates	6,485	5,783	5,666	-2%	-13%	21.8%
Loan to individuals	**17,325**	**16,573**	**16,272**	**-2%**	**-6%**	**5.1%**
Residential mortgages	16,397	15,772	15,519	-2%	-5%	5.0%
Consumer and others	928	801	753	-6%	-19%	5.7%
Other loans	**269**	**317**	**317**	**0%**	**18%**	**1.5%**

Commercial Focus for 2014

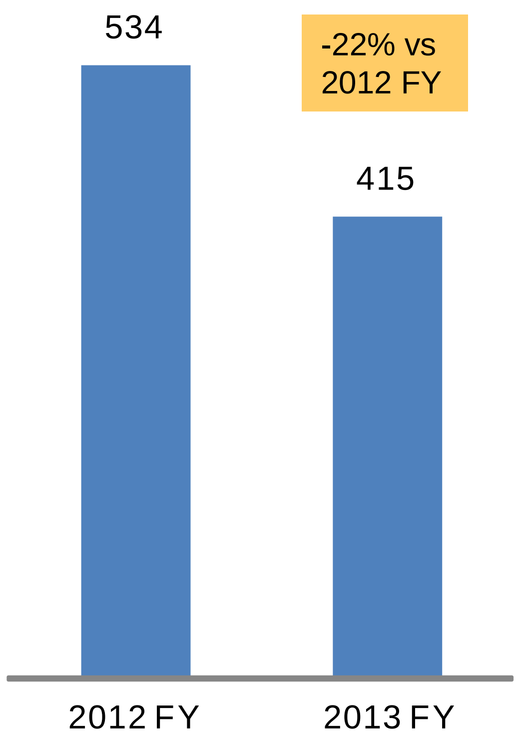
- **Defend low deposits cost base** and, where possible, amplify pricing advantage vs. market average. Increase sight deposits continuing to promote transactional banking
- **Strengthen market position with SMEs** by increasing working capital financing, as well as cross selling specialized lending products. Deploying new specialized commercial managers to centre attention on this segment
- **Foster commercial activity in off-balance sheet products (insurance and funds)** as a source of recurring fees and extraordinary capital generation meeting exclusive agreements earn-outs
- **Continue to seek efficiency** through further consolidation of the branches' network, as well as migration to less expensive channels and more flexible work models (UGGs, part-time schedules, employee rotation,…)
- **Improve customer experience and satisfaction** in presence and remote channels investing in new features and services
- **Reinforce market leadership in Home Regions,** regaining original social reputation and brand awareness and enlarging customer base

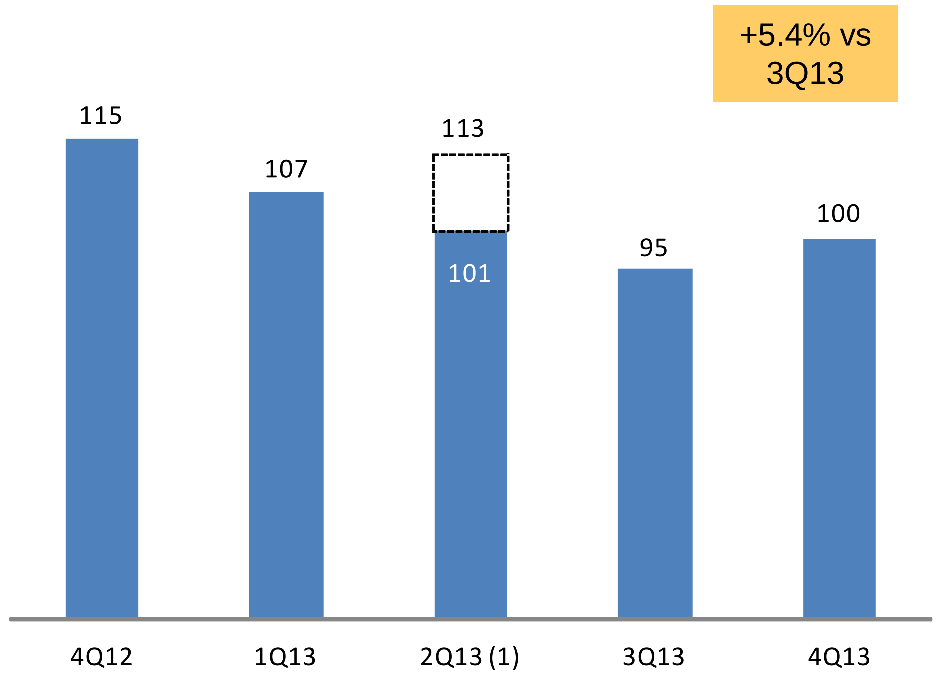
Agenda

1. Commercial Activity
2. **Results analysis**
3. Asset Quality
4. Funding and Liquidity
5. Solvency

Net Interest Income Recovery

Net Interest Income performance (€ million). Net Interest Income should continue benefitting from a lower cost of funding, in both retail and wholesale in the following quarters.





(1) 2Q13 NII includes € 11m of extraordinary interest income

NII. Cost of term deposits

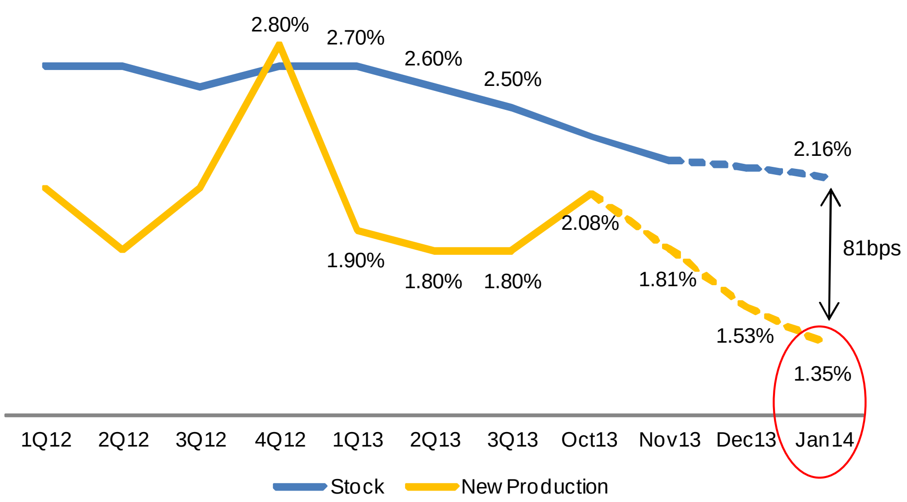
Results

➢ **Cost of term deposits reduction is accelerating from the last months of 2013.** Together with the lower cost of wholesale funding should be the main driver in order to improve the NII in the short term.

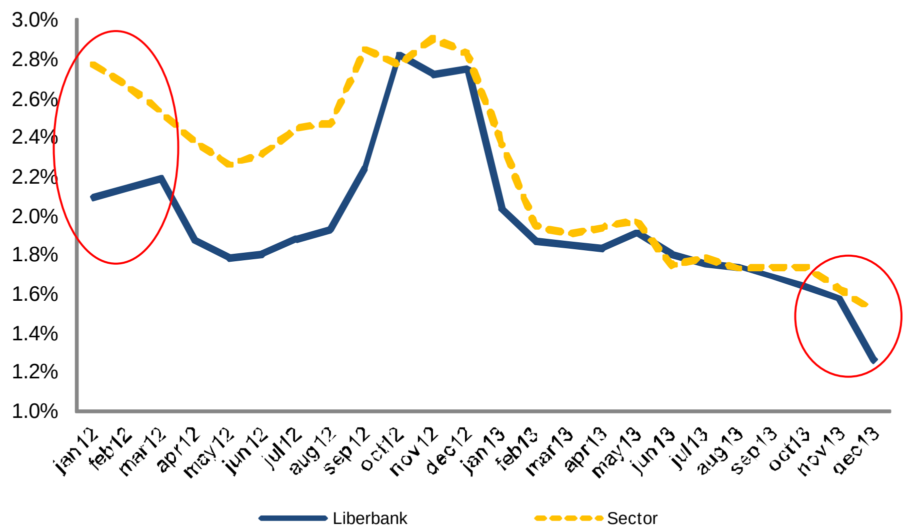
➢ **Average duration** of term deposits is reducing and stands now at 9.4 months, allowing a faster repricing in forthcoming months, provided the better pricing environment remains.

➢ Normalization should bring back the competitive gap Liberbank used to have in the past.

Cost of term deposits. New and Stock



Households. Cost of term deposits (NEW)



Source: Liberbank and Bank of Spain

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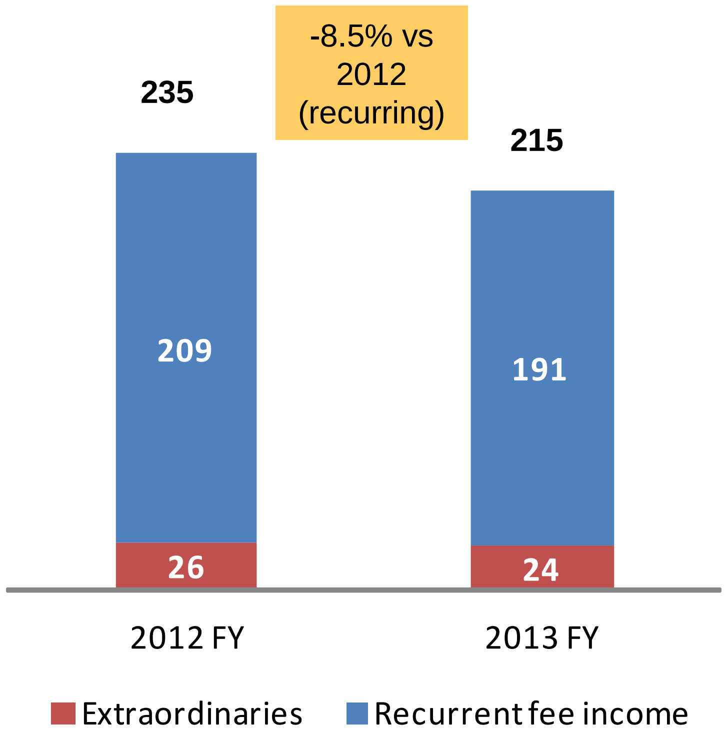
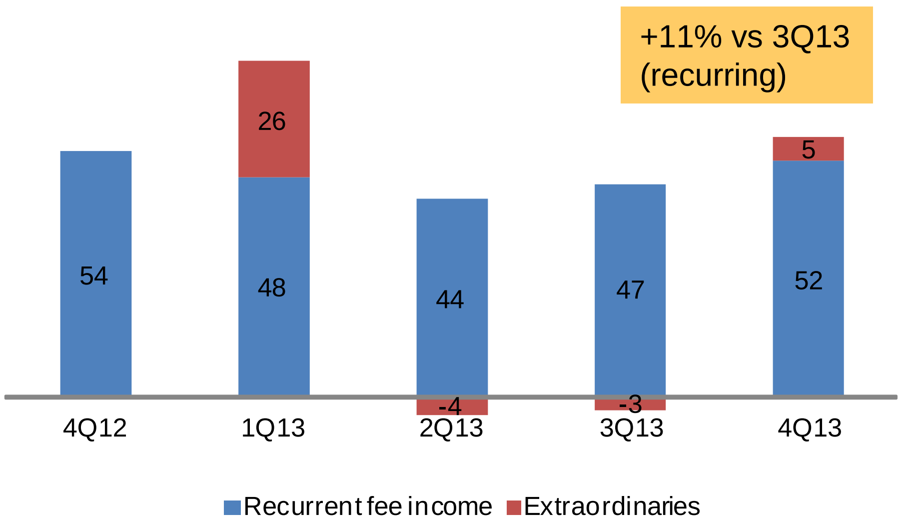
Fee Income

Fee Income (€ million). Strong performance of fees during the 4Q13. New initiatives to improve fee revenues through credit/debit card business and off-balance sheet products among others.





Costs - Restructuring Process is closed

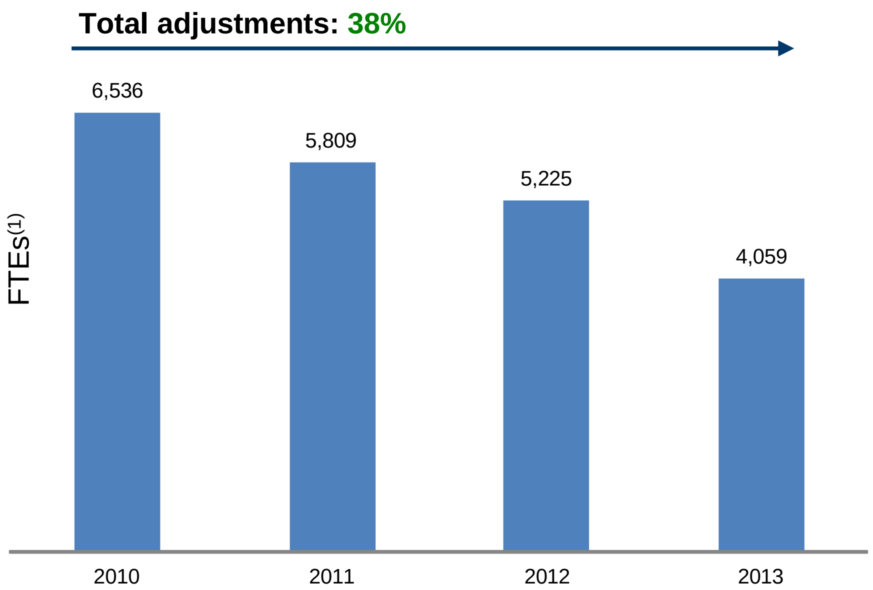
Results

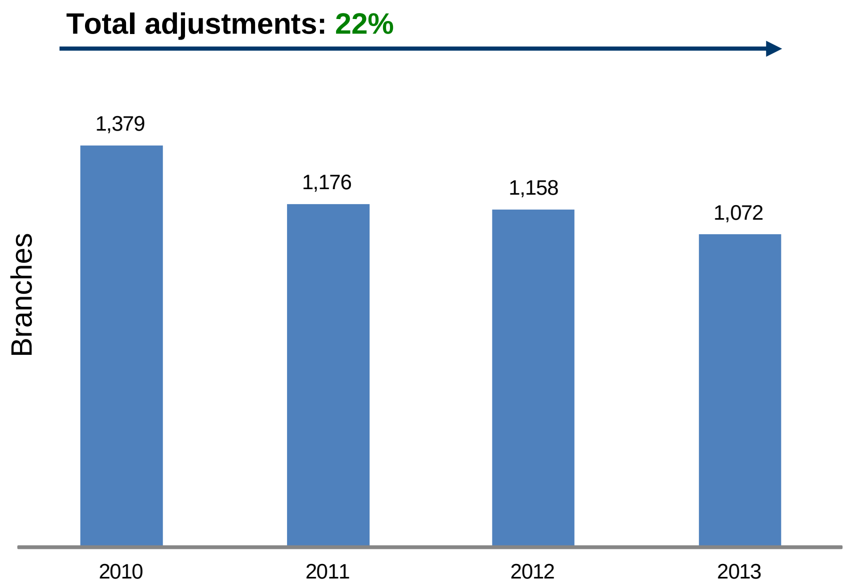
➢ **FTEs. New measures to right-size FTEs capacity have been implemented.**

- Liberbank has achieved a 38% reduction in total FTEs since 2010 (prior to the integration) through the implementation of different measures as early retirements, temporary lay-offs, reduction of working hours and of employees in subsidiaries
- Suspension of pension plan contributions and of social benefits and reduction of fixed remuneration have also been implemented to reduce costs.

➢ **Branches**: 307 closures already done (20% of 2010YE)

- Very limited deposits outflow expected based on experience
- Branches with cost to income > 100% (< €4m of business volume)
- **Grouping though new branches classification (UGCs)** in order to reduce the number of Directors and the related costs.





1. FTEs for Liberbank (individual accounts + CCM Banco). FTEs from subsidiaries not included.
Source: Liberbank internal figures

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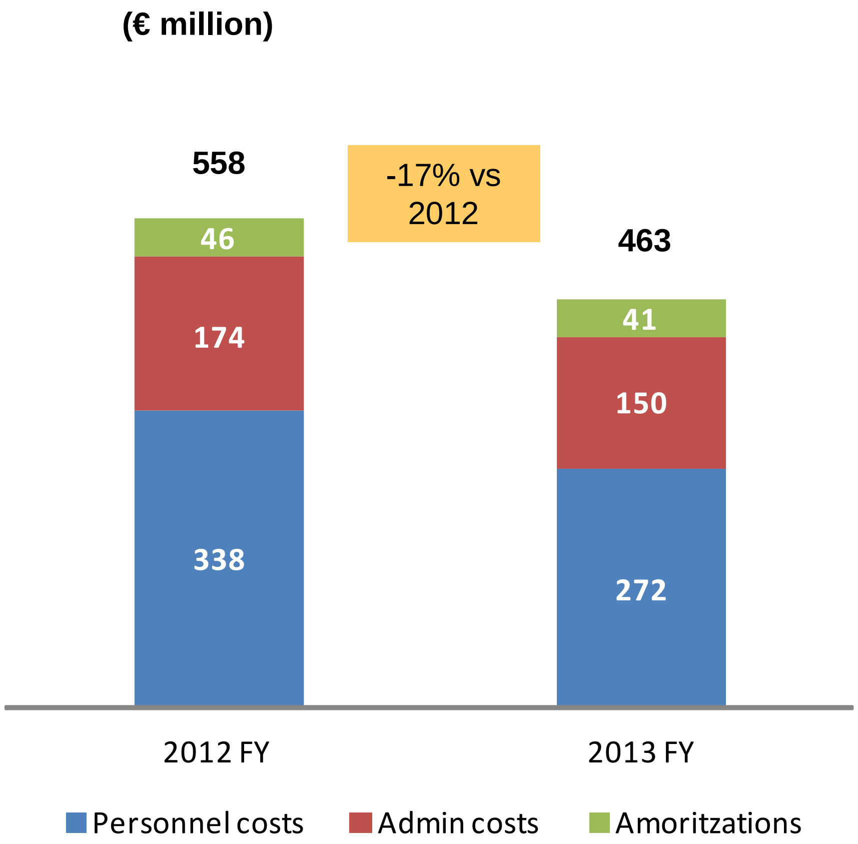
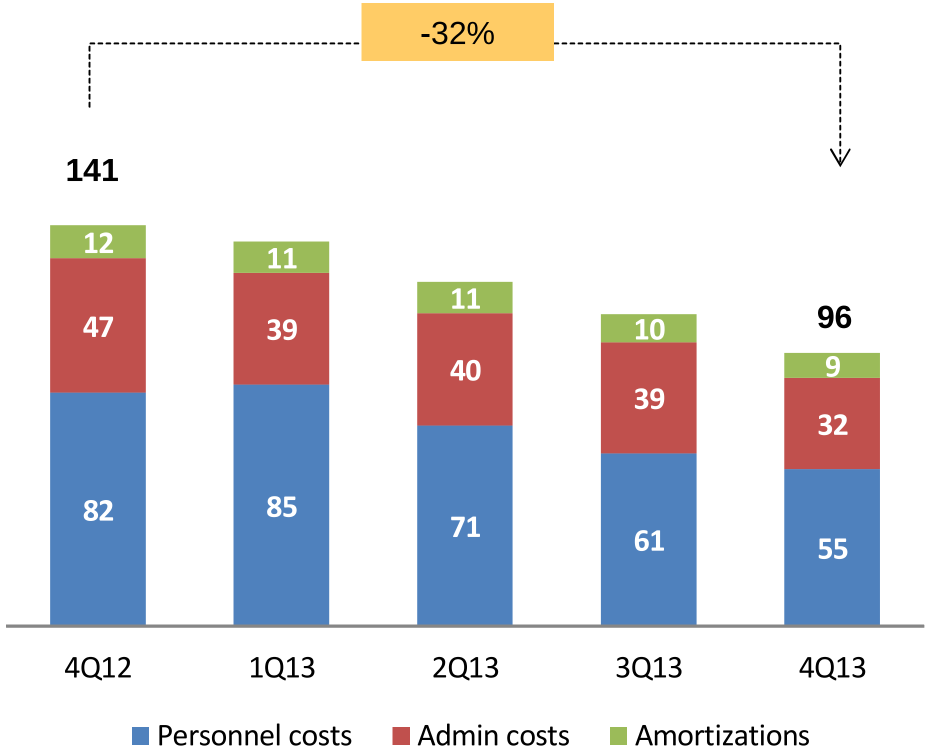
Costs – delivery on track

Costs reduction benefitting from the execution and delivery of the restructuring Plan. Full impact of recently approved cost cutting measures should be fully reflected during 2014.





Strong effort in **provisioning**

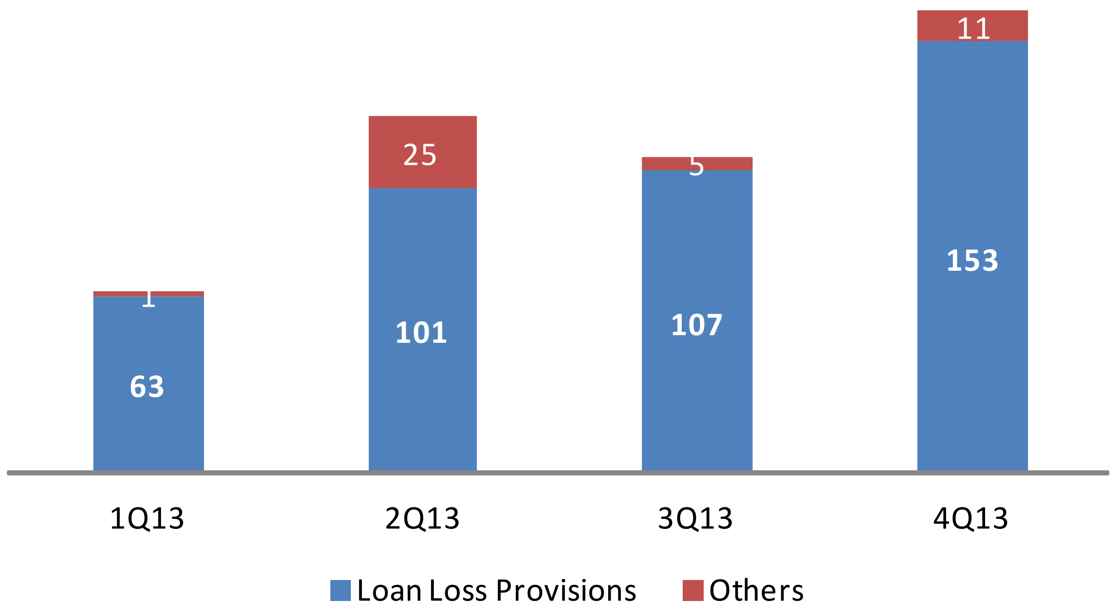
➢ **Despite the big effort in provisions,** the bank has been able to reach a positive net attributable income of € 48m during 2013.

➢ The higher impairments during the fourth quarter are due to **reclassification of the restructured loans.** This charge is partially offset by the release of "Generic provisions".

➢ **Cost of Risk unusually high. Progressive normalization from 2014 onwards.**

Cost of Risk (1)	**0.95%**	**1.55%**	**1.69%**	**2.48%**

Impairment losses (€ millions).



(1) LLP over average gross loan portfolio (exc APS)

Quarterly P&L

Results

€m	1Q13	2Q13	3Q13	4Q13	Var. 4Q vs 3Q €m	Var. 4Q vs 3Q %
Interest Income	291	277	263	257	-6	-2%
Interest Cost	-184	-164	-168	-157	11	-6%
NET INTEREST INCOME	**107**	**113**	**95**	**100**	**5**	**5%**
Dividends	5	0	3	0	-2	-85%
Results from equity method stakes	0	16	6	17	11	196%
Net fees	74	40	44	57	13	30%
Gains on financial assets & others	14	118	31	84	54	176%
Other operating revenues	0	-9	-5	-28	-23	460%
GROSS MARGIN	**200**	**278**	**173**	**230**	**58**	**33%**
Administrative expenses	**-125**	**-111**	**-100**	**-88**	**12**	**-12%**
Staff expenses	-85	-71	-61	-55	6	-9%
General expenses	-39	-40	-39	-32	7	-18%
Amortizations	-11	-11	-10	-9	1	-12%
PRE PROVISION PROFIT	**65**	**156**	**62**	**135**	**73**	**118%**
Provisions	0	-5	-10	39	49	-494%
Impairment on financial assets (net)	-64	-126	-112	-164	-52	46%
Impairment losses on other assets (net)	-16	16	-2	1	3	-150%
Others	37	-28	-18	25	43	nm
PROFIT BEFORE TAXES	**21**	**12**	**-80**	**37**	**117**	**nm**
Taxes	10	9	34	-7	-41	nm
NET INCOME	**31**	**22**	**-46**	**30**	**76**	**nm**
NET INCOME ATTRIBUTABLE	**33**	**18**	**-37**	**34**	**71**	**nm**

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2013 P&L

Results

€m	2012	2013	Var. €m	Var. %
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	-87%
Results from equity method stakes	4	38	34	940%
Net fees	235	215	-20	-8%
Gains on financial assets & others	33	247	214	638%
Other operating revenues	-6	-42	-36	599%
GROSS MARGIN	**864**	**881**	**17**	**2%**
Administrative expenses	**-512**	**-423**	**90**	**-18%**
Staff expenses	-338	-272	65	-19%
General expenses	-174	-150	24	-14%
Amortizations	-46	-41	5	-11%
PRE PROVISION PROFIT	**307**	**418**	**111**	**36%**
Provisions	-42	24	66	nm
Impairment on financial assets (net)	-2,182	-466	1,716	nm
Impairment losses on other assets (net)	-47	1	47	nm
Others	-836	15	851	nm
PROFIT BEFORE TAXES	**-2,797**	**-9**	**2,788**	**nm**
Taxes	865	46	-818	nm
NET INCOME	**-1,933**	**37**	**1,970**	**nm**
NET INCOME ATTRIBUTABLE	**-1,834**	**48**	**1,882**	**nm**

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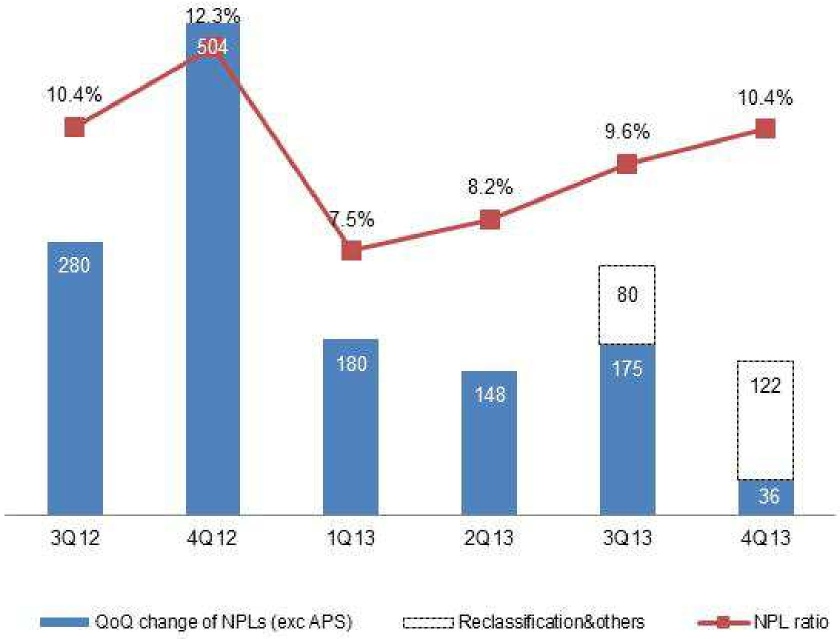
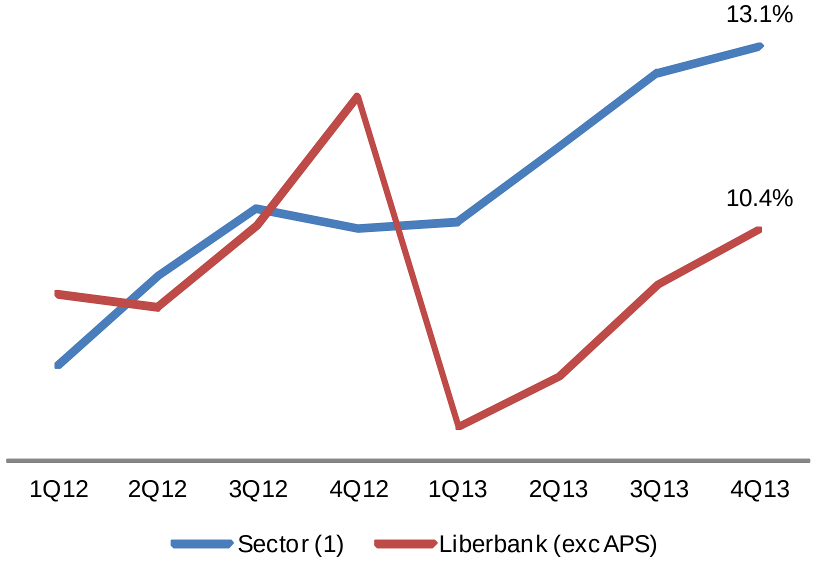
NPL ratio compares well vs the Sector

NPLs quarterly change (exc APS). Good news from the underlying trend supported by improving macro trends (€ m)



NPL ratio (exc APS) is 270 bp below the average of the sector



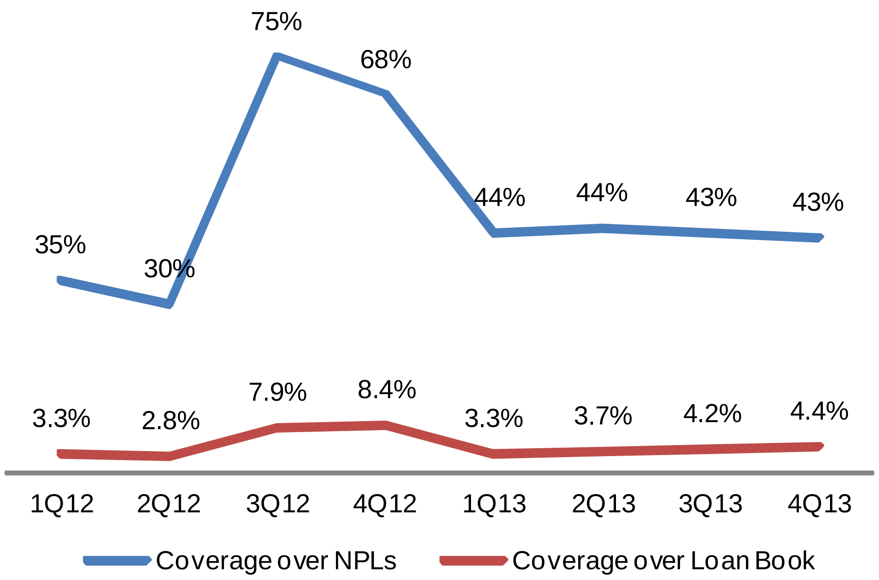
Source: Liberbank Banco de España,.
(1) Data for the sector as of Nov2013

Coverage

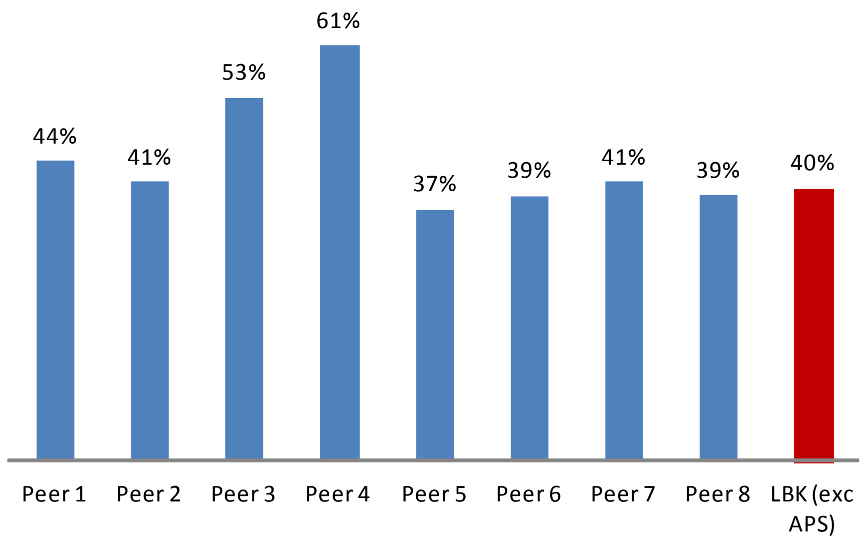
➢ **Despite the increase of NPLs, the coverage ratio remains stable. Coverage over the total loan book improves 27bp QoQ.**

➢ Liberbank's loan book (exc APS) has negligible exposure to construction and high exposure to mortgages with relatively low LTVs. **Coverage (exc RE and APS) compares well with the sector.**

Coverage evolution (exc APS).



Coverage (exc RE and exc APS) vs Peers. Dec13



Peers are SAN Spain, BBVA Spain, CABK, BKIA, POP, SAB, BKT and Kutxabank. Kutxabank as of Jun13
Source: Quarterly reports

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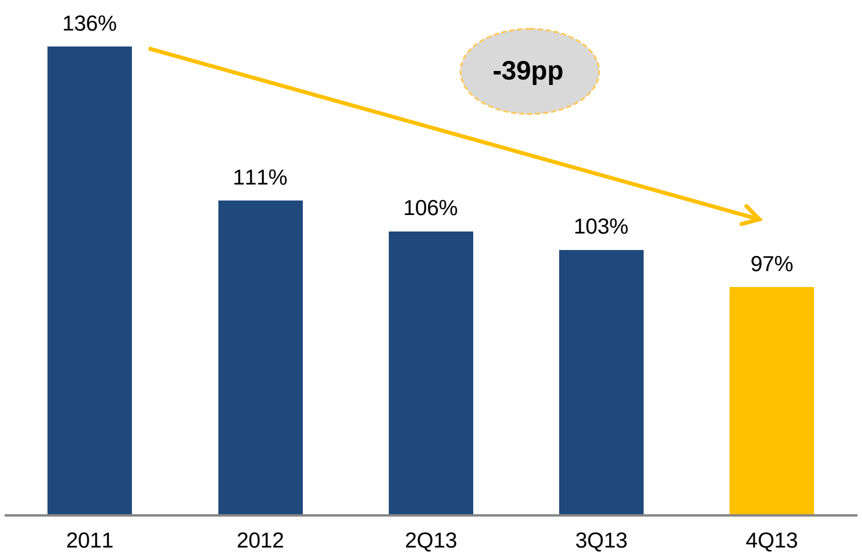
Deleveraging. Lower LtD ratio & commercial gap

- LtD below 100% and very close to the 2016 target of 95% set in the Plan.
- This comfortable liquidity and funding position should be a driver for cheaper funding in the future.
- **Main driver for the deleveraging process is the fall in credit supported by a stable deposit base.**

LtD Liberbank



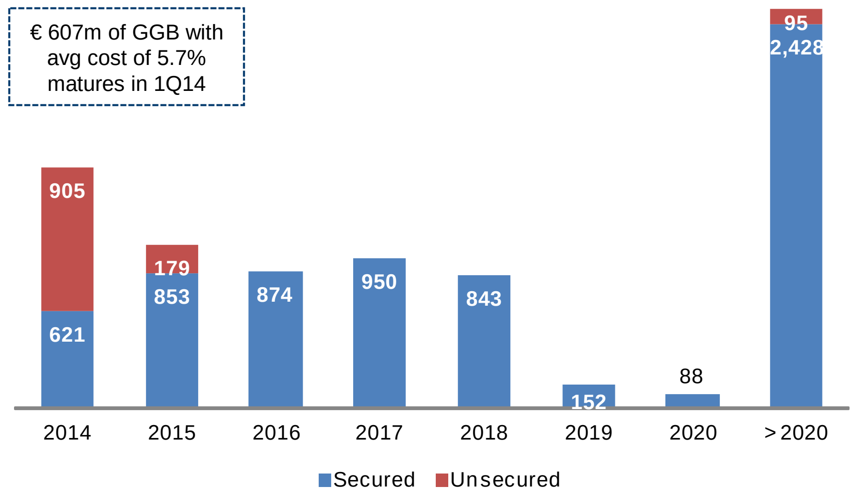
Comfortable wholesale funding and liquidity position

➢ Wholesale funding being gradually reduced. The most expensive funding (State Guaranteed Bonds) is being amortized shortly (4Q13-1H14).

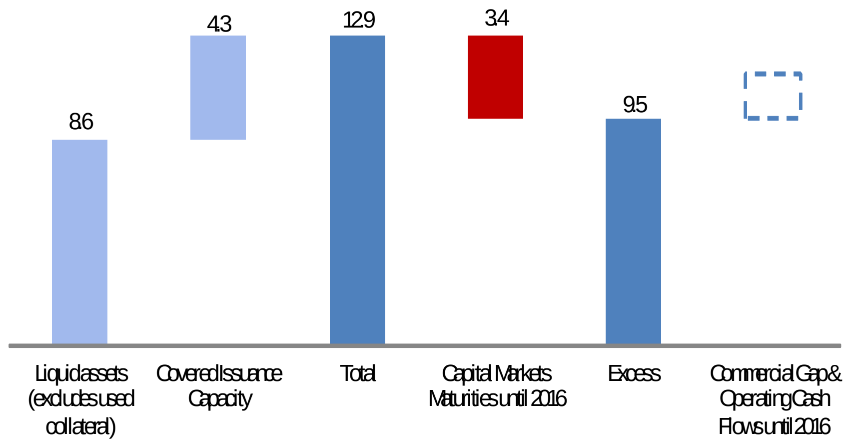
➢ Capital markets maturities until 2015 fully covered with Fixed Income Portfolio amortizations

➢ 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.

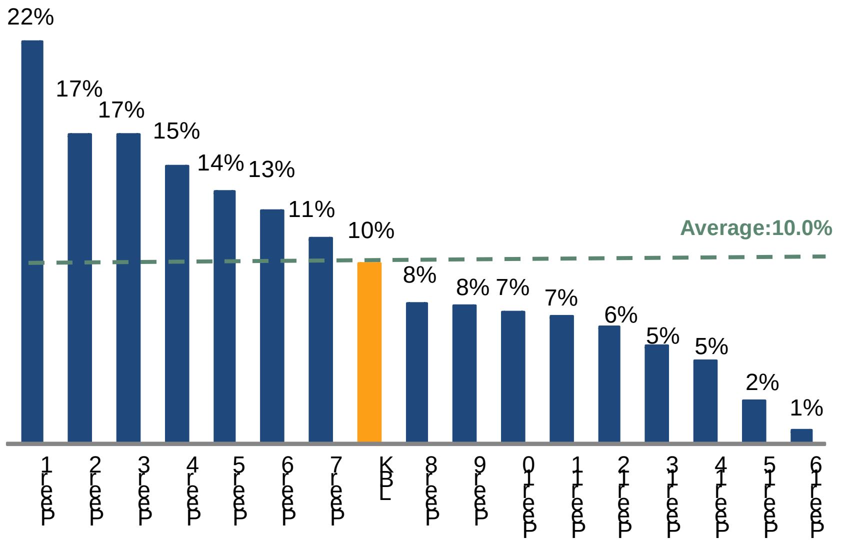
Capital Markets Maturities. Dec13 (€ m)



Comfortable liquidity position (Dec. 2013)



Peers ECB Financing Over Total Assets (Nov2013)



Source: Liberbank internal data, CECA and Quarterly reports

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Solvency

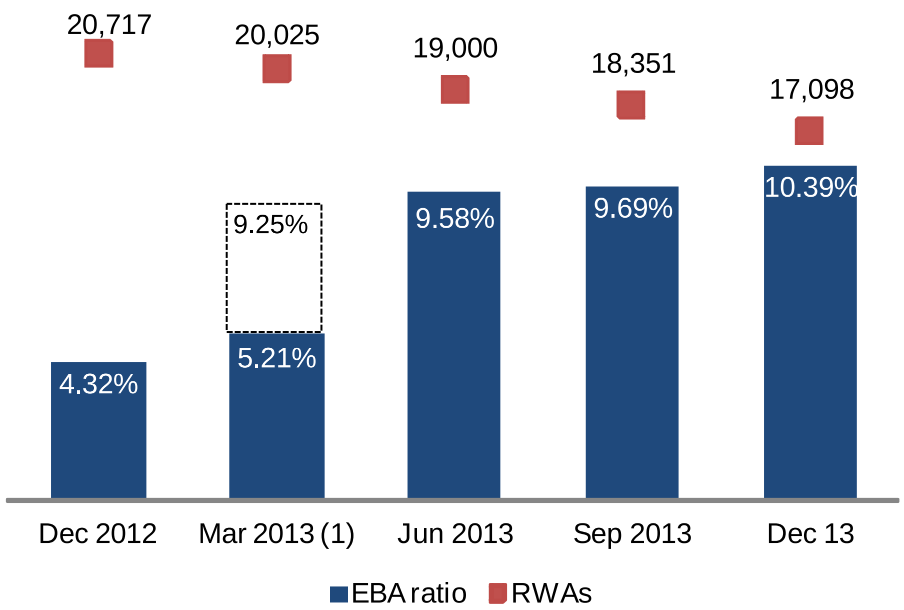
- Solid capital position post implementation of the measures included in the Plan
- Liberbank currently applies standard models, so it could reduce its RWAs density significantly under advanced methodologies.

A more comprehensive view on Capital

BIS 3 (phased in)
8.7%

Adequate provisioning for risk profile
43% NPLs (exc APS)

Capital ratios and RWAs (€ m)



(1) Pro-forma: Including the SLE exercise

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