

**Liberbank**

# Financial Results

## 3Q 2017

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24th October 2017

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# Latest trends. Key Highlights

## Asset quality

- NPAs (inc. portfolio transfer)<sup>(1)</sup> down € 813m in the quarter, -14% QoQ and -26% YoY.
- NPA ratio<sup>(1)</sup> stands at 19.7%. Target of c.18.0% by year end and < 12.5% in 2018.
- **Historical record sales** of foreclosed assets coupled with opportunistic sales of investment properties allow Liberbank to reach its real estate assets reduction target of over €800m in the second half of 2017:
  - Direct gross sales of € 209m in the 3Q17 of which € 48m are investment properties.
  - Liberbank has signed an agreement in October to transfer a € 602m portfolio of gross real estate assets, of which € 86m are investment properties.
- NPLs down € 225m QoQ. NPL ratio drops to 10.5%, 75bp down QoQ.
- **Coverage ratio of NPAs (inc. portfolio transfer)<sup>(1)</sup> stands at 49%** as of Sep17.
- **Texas ratio pro-forma<sup>(2)</sup> stands at 94%**, below our 98% target for year end.

## Solvency

- **CET1 ratio (FL) improves from 11.3% in Jun17 to 12.2% pro-forma<sup>(2)</sup> in Sep17.**
- CET1 phased-in raises from 12.4% in Jun17 to 13.4% pro-forma<sup>(2)</sup> in Sep17 and total capital<sup>(2)</sup> increases to 15.3%.
- **Migration to IRB models calendar well on track.** Liberbank estimates, subject to the ECB approval, the RWAs on the mortgage portfolio could fall by more than Eur 3.0bn.
- As commented during the Extraordinary Shareholders Meeting held on the 9<sup>th</sup> of October the Board plans to launch the rights issue after the 3Q results release.

(1) Including the transfer of € 602m RE assets portfolio. Subject to closing, expected before year end.  
(2) Including € 500m rights issue and transfer of RE assets portfolio (€ 602m).

# Latest trend. Key Highlights

## Commercial activity

- **Mortgages** performing loan book keeps growing (+0.3% QoQ and +0.2% YoY).
- **Consumer book and corporate book** (exc RED&construction) maintain a strong growth (+10.5% and +5.5% YoY respectively).
- **Mutual funds continue to grow (+19.7% YoY)** and expect to accelerate further after reaching an agreement with JP Morgan in July.

## Operating profit

- **Net interest income remains flattish QoQ** while recurrent fees improve slightly YoY.
- Bank well-positioned for interest rate recovery. Ability to improve profitability in the Fixed Income portfolio.
- Costs remain under control. Cost cutting initiatives still ongoing, target to reduce operating costs below € 400m.
- Impairments are extraordinarily high this quarter in order to reinforce coverage. CoR target below 25bps.

## Liquidity

- Liberbank maintains a strong liquidity position, LCR ratio stands at c.346% and LtD at 92% as of Sep17.
- 96.5% of the deposits are retail, granular, sticky and with low average balance.

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# Agenda

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1. Asset Quality

2. Solvency

3. Commercial Activity

4. Results analysis

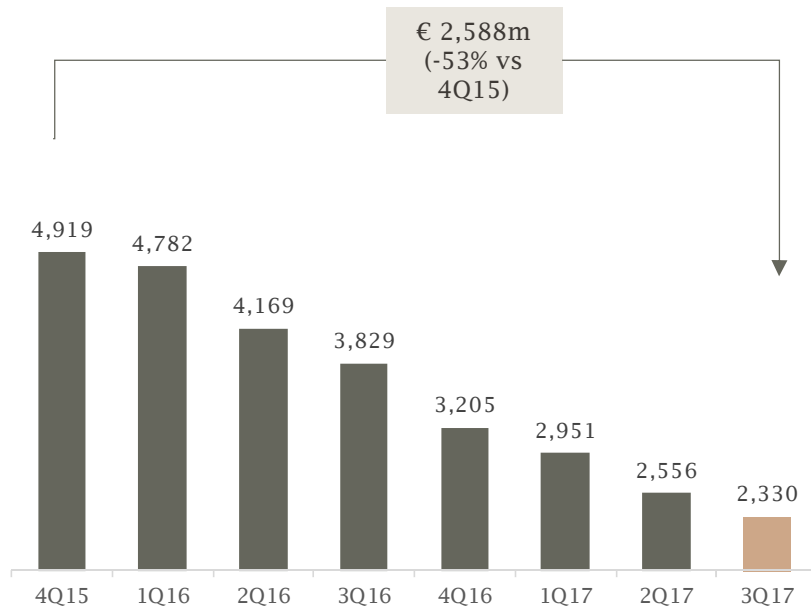
5. Liquidity and Fixed Income portfolio

6. Closing remarks

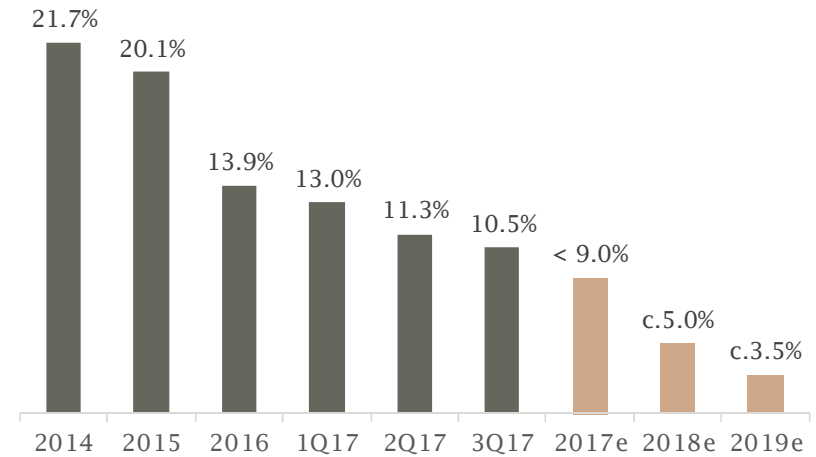
7. Appendix

# NPL trend

NPL evolution. Eur m



NPL ratio evolution

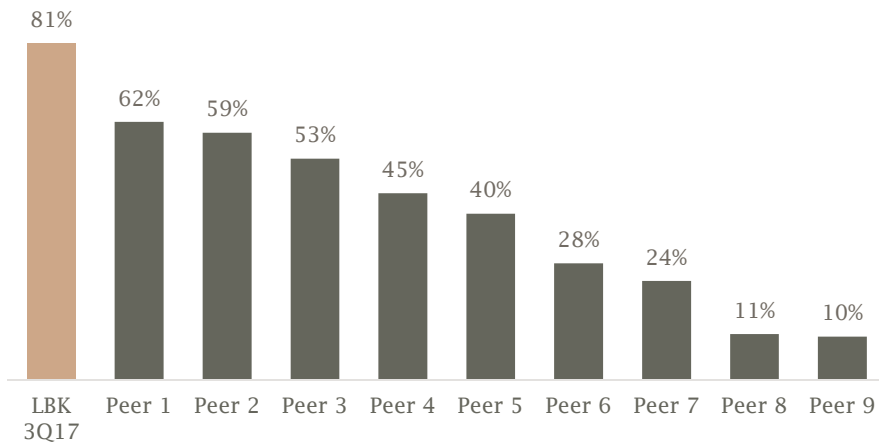


- Further decline of NPLs, € 225m in the quarter and € 2,588m since Dec15 (-53%).
- Despite the seasonality of the 3Q, the NPL ratio keeps falling, 75bp QoQ and 571bp YoY.
- The target is to continue reducing NPLs and reach an NPL ratio of c.5.0% in 2018.

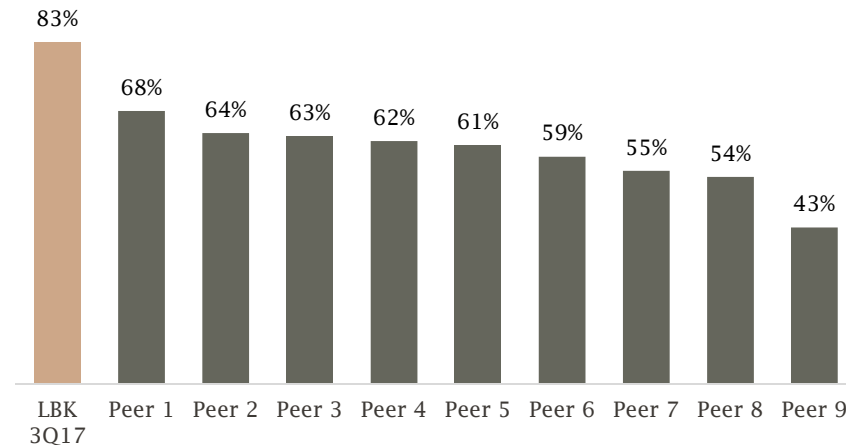
# NPL recognition

## Asset Quality

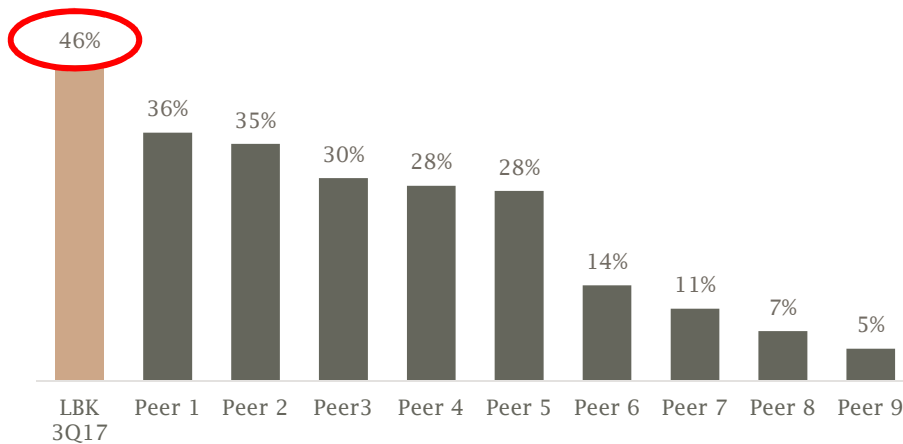
RE Developers loans. NPL ratio<sup>(1)</sup>



Refinanced loans. NPL ratio<sup>(1)</sup>



RE Developers coverage over total exposure<sup>(2)</sup>



→ Liberbank’s coverage over total exposure to real estate developers is the highest among peers thanks to the strong recognition of NPLs and the reinforcement of coverage.

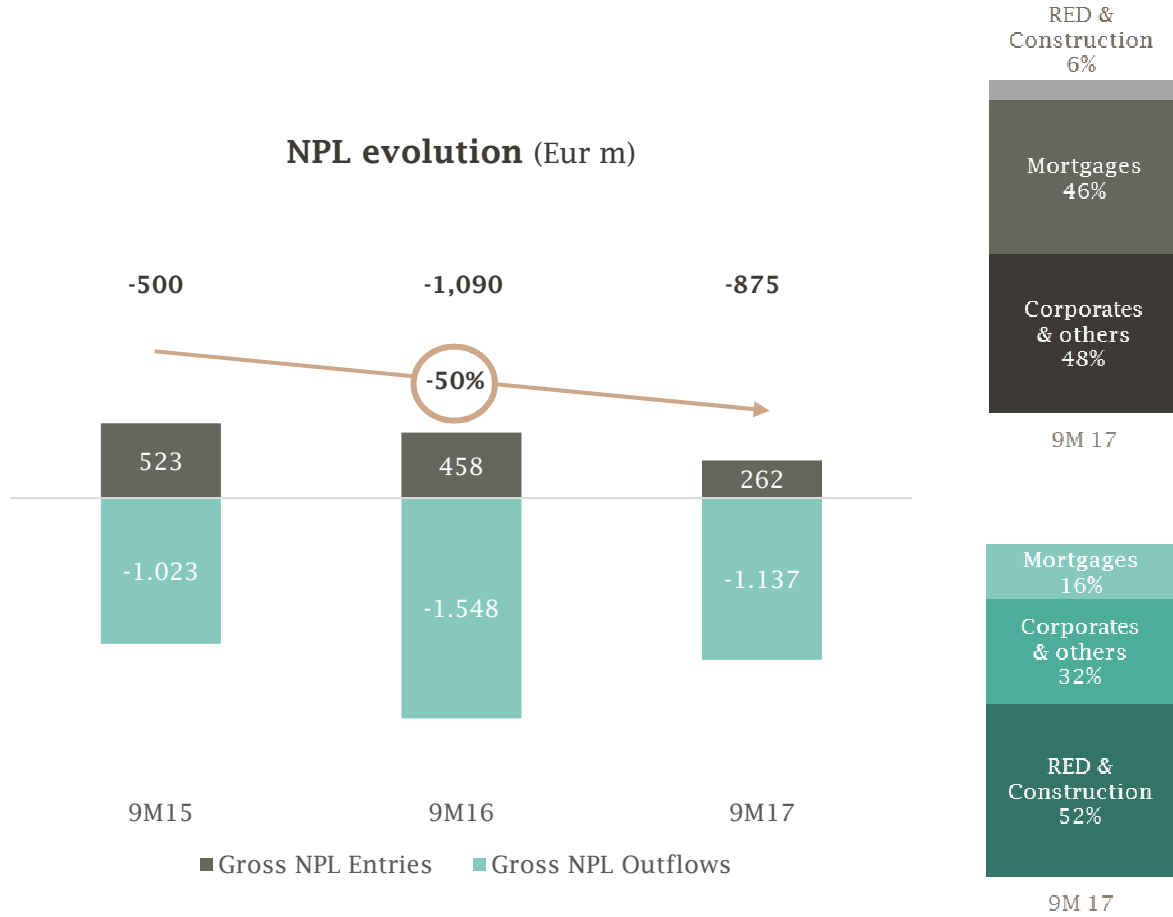
→ Liberbank has recognized 81% of the loans to RE Developers and 83% of the refinanced loans as non-performing, reflecting a prudent approach.

(1) Source: jun17 financial report of Bankia, Caixabank, Sabadell, BKT, Unicaja, Kutxa, Ibercaja, Abanca and BBVA Spain when possible  
 (2) Coverage over total real estate developer exposure, it includes performing, watch-list and NPLs. Source: June 2017 fin.report

# NPL decrease

## Asset Quality

NPL evolution (Eur m)



### Entries

- ✓ Entries are down 43% YoY
- ✓ Very limited entries coming from RE Developers
- ✓ c.18% NPL entries are subjective NPLs

### Outflows

- ✓ Despite lower NPL stock and lower entries, outflows remain strong
- ✓ Lower level of write offs
- ✓ Foreclosed assets sales keep showing record sales each quarter

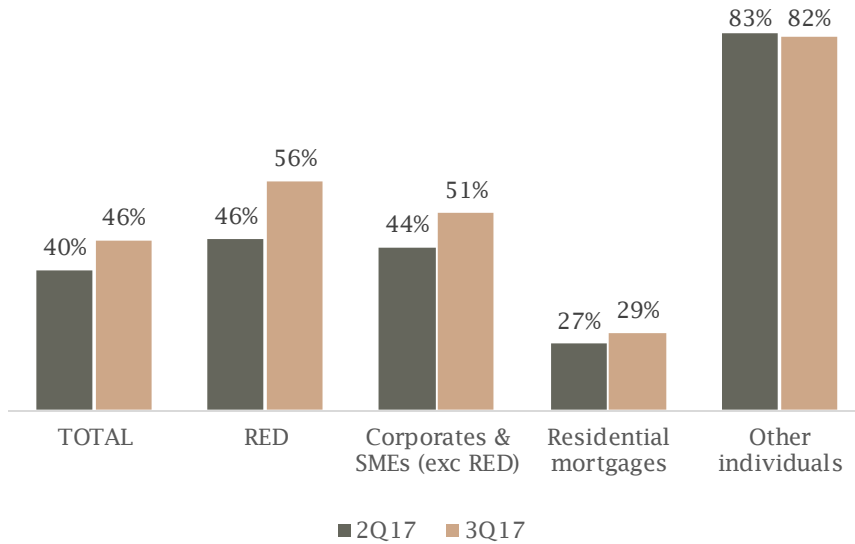
→ NPLs keep falling thanks to our discipline in risk management, which results in a systematic early recognition of troubled loans.  
 → NPL exits remain high on the back of new initiatives to recover faster and with lower cost (friendly repossession, rentals, early recoveries...).



# Coverage

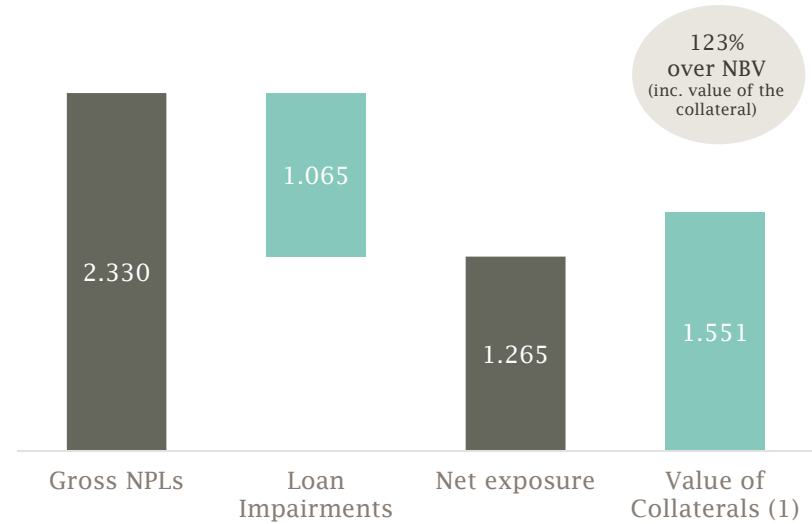
## Asset Quality

Coverage over NPLs by segment

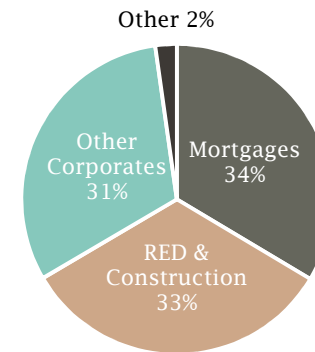


Coverage of NPLs including collateral.

Eur m



NPLs Mix Sep17



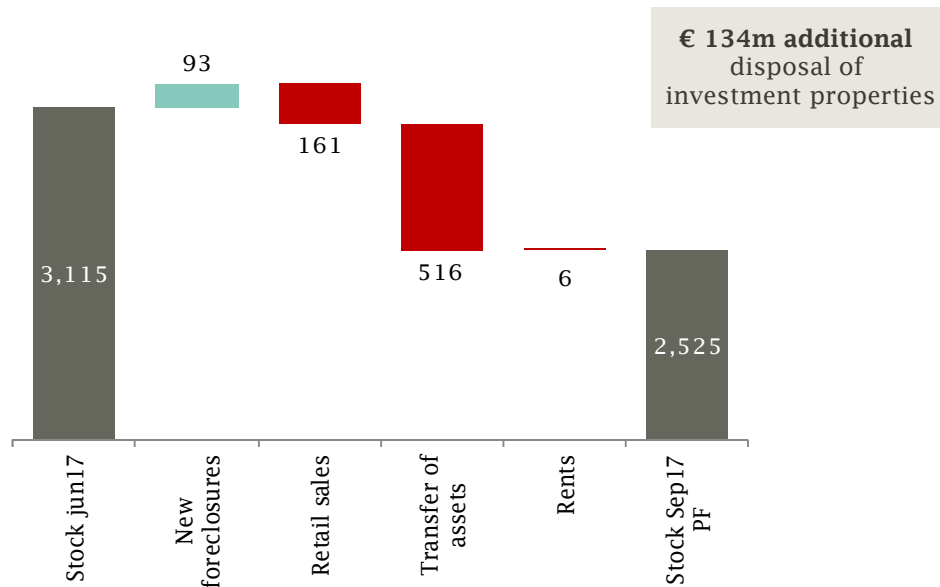
- Coverage over NPLs improves from 40% to 46% after 3Q provisioning. Including the value of collaterals(1) it increases to 123%.
- Strong collateralization and high weight of residential mortgages should translate into lower coverage requirements.
- C.90% of the NPLs have a real collateral. Higher collateral value on the corporate loan book than peers.

(1) Maximum amount of the collateral or guarantee that can be considered, not considering excess value of collaterals

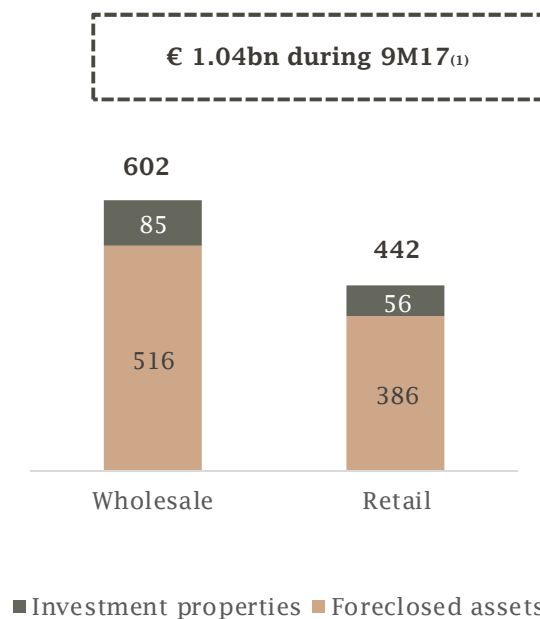
# Foreclosed assets

## Asset Quality

Foreclosed assets evolution<sup>(1)</sup>. QoQ  
(gross book value). Eur m



Gross Real Estate assets reduction. 9M17  
Eur m



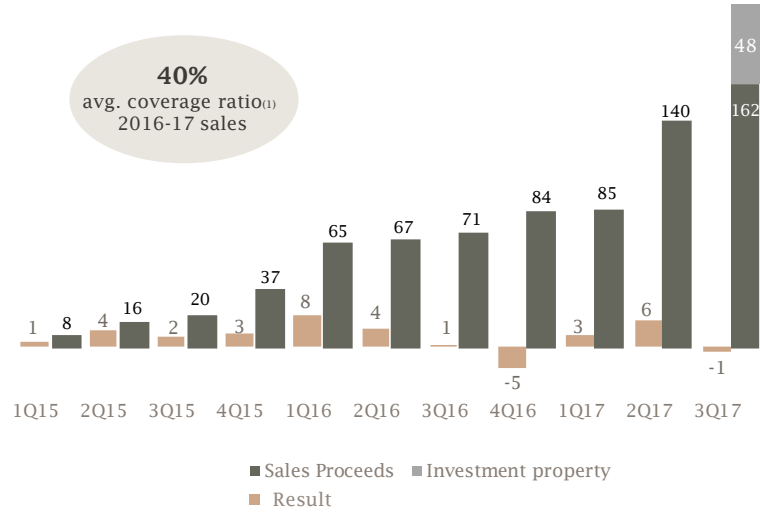
- The 3Q is another quarter with historical record sales:
  - **Direct/retail channel.** Liberbank sold € 209m gross value of which € 161m are foreclosed assets and € 48m investment properties.
  - **Wholesale channel.** Liberbank has signed a binding agreement in October to set up a company with Bain Capital Credit and Oceanwood. Liberbank will transfer € 602m portfolio of gross RE assets to that company, of which € 85m are investment properties.
- Total real estate assets reduction during the 9M17 amount to € 1.04bn<sup>(1)</sup>.

<sup>(1)</sup> Including the transfer of € 602m RE assets portfolio signed in October 2017. Subject to closing, expected before year end.

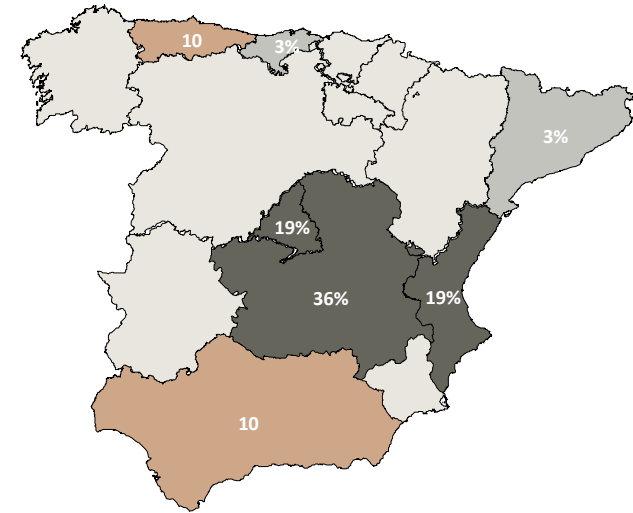
# Retail sales

## Asset Quality

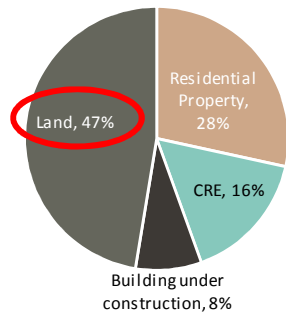
Latest gross sales. Eur m



Sales by region (Eur). 3Q17<sup>(1)</sup>



Sales mix. 3Q17<sup>(1)</sup>



1,059 Units sold



€153,000 / unit

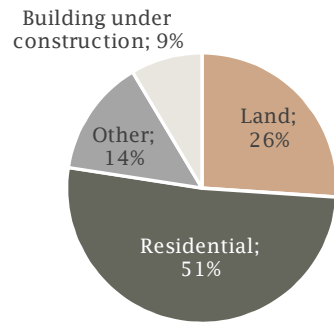
- Another quarter with historical record sales (c.3x YoY): € 209m gross of which € 161m are foreclosed assets and € 48m investment properties.
- Good mix of sales, land accounts for c.47% of total sales (exc. Investment properties).
- Sales were still achieved by Liberbank's team as the integration with RE servicer is in progress

<sup>(1)</sup> Gross debt excluding investment properties

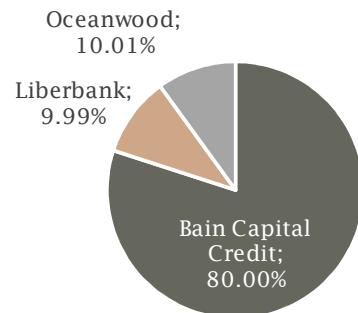
# Wholesale transaction<sup>(1)</sup>

## Asset Quality

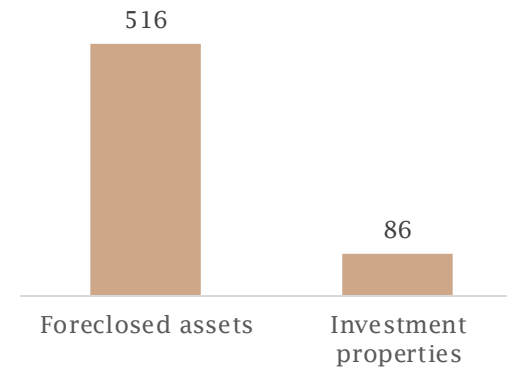
### Assets transferred mix<sup>(2)</sup>



### New Company Shareholders



### Assets transferred (Eur)



**5,916 Units transferred**

- Liberbank has signed a binding agreement, following a competitive process, to set up a company with Bain Capital Credit and Oceanwood to manage, develop and dispose of a portfolio of real estate foreclosed assets of Liberbank, in which Liberbank will hold a 9.99% stake. Bain Capital Credit will hold 80.00% of the capital and Oceanwood will hold the remaining 10.01%.
- Impact already reflected in the 3Q results. Liberbank expects to close the agreement before year end.
- Strategic divestment of a c.20% of REOs Gross Book Value.

(1) Subject to closing, expected before year end.  
 (2) Excluding investment properties

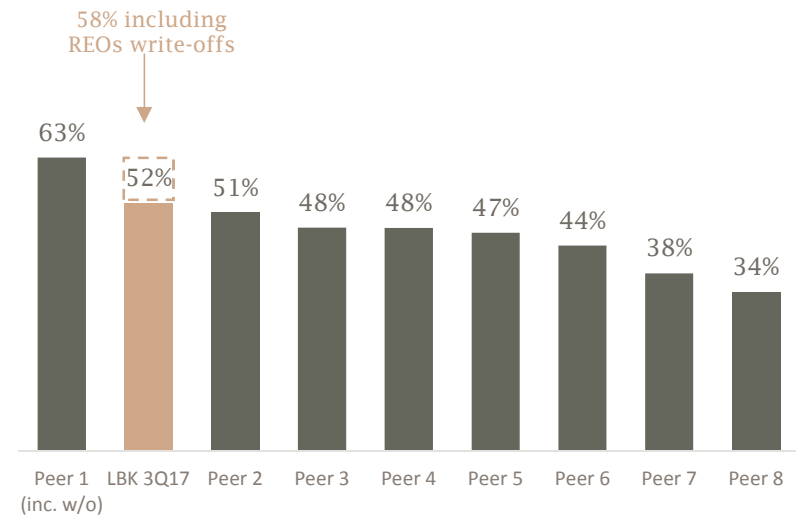
# Foreclosed assets

## Asset Quality

**Foreclosed assets breakdown**  
(post-portfolio transfer) <sup>(1)</sup>

Eur m	Gross value	NBV	NBV mix	Coverage	Coverage (inc write-offs) <sup>(2)</sup>
Residential	801	414	34%	48%	51%
Commercial Real Estate (CRE)	320	176	14%	43%	48%
Buildings under construction	434	200	16%	52%	56%
Land	973	429	35%	58%	67%
<b>TOTAL</b>	<b>2,525</b>	<b>1,219</b>	<b>100%</b>	<b>52%</b>	<b>58%</b>

**Coverage of foreclosures** <sup>(3)</sup>



→ After the transfer of the real estate assets, the remaining portfolio (exc investment properties) amounts to € 1.2bn of NBV with a coverage ratio of 52%. Writeoffs would increase coverage by c.6.5pp.

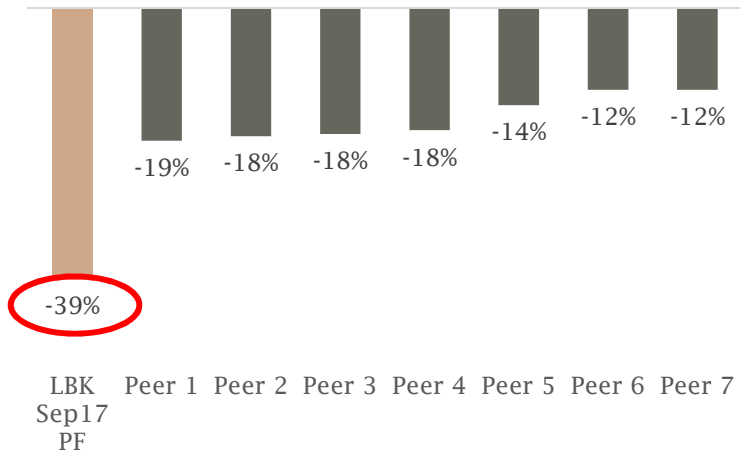
→ Liberbank coverage stands above peers with more updated appraisals.

(1) Including the transfer of € 602m RE assets portfolio signed in October 2017. Subject to closing, expected before year end.  
 (2) It only includes write-offs from the APS portfolio (c.80% of the total foreclosures). Allocation is the best estimate of the company.  
 (3) Peers are Spanish domestic banks with available information to compare on a Like for Like basis. As of Jun17.

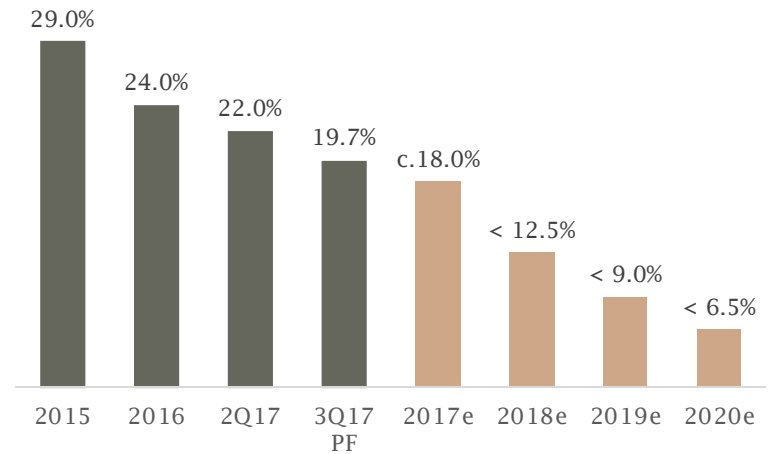
# NPA evolution

## Asset Quality

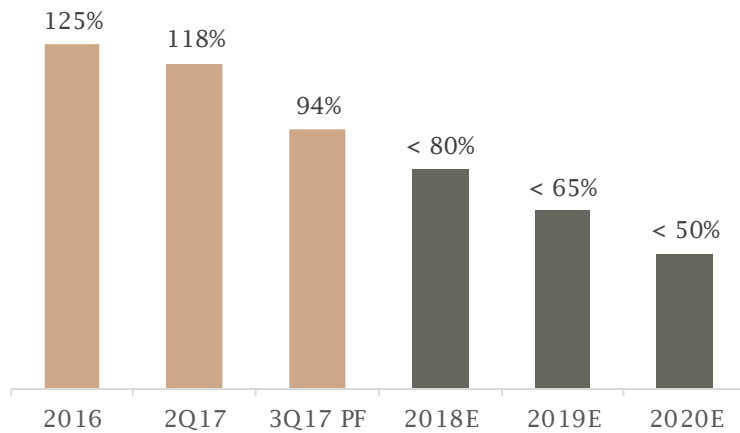
**NPAs reduction (gross). 2Q17 vs 2015**



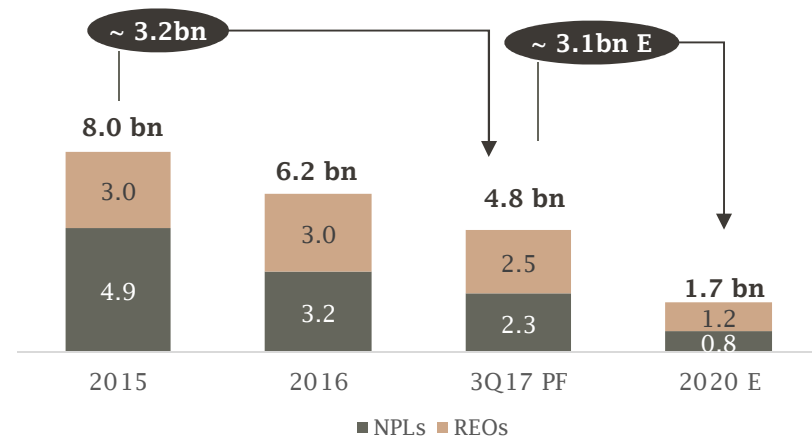
**NPA ratio evolution (1)**



**Texas ratio evolution (2)**



**Gross NPAs evolution (€ bn)**



Note: PF = Pro Forma includes rights issue (€ 500m) and transfer of RE assets (€ 602m) signed in October 2017. Subject to closing, expected before year end.  
 (1) NPA ratio calculated as NPLs & foreclosed assets over gross loans and foreclosed assets  
 (2) Texas ratio calculated as gross NPLs & foreclosed assets over equity (excl. minority interests) and provisions related to NPLs & foreclosed assets  
 Note: Peers include Spanish domestic banks with available information as of Jun17. BKT includes Portugal. Source: Half year report

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# Agenda

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1. Asset Quality

2. Solvency

3. Commercial Activity

4. Results analysis

5. Liquidity and Fixed Income portfolio

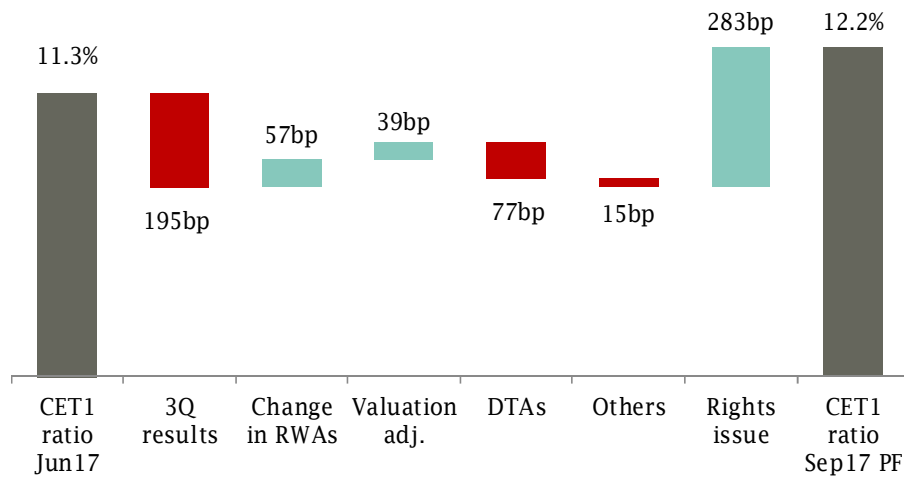
6. Closing remarks

7. Appendix

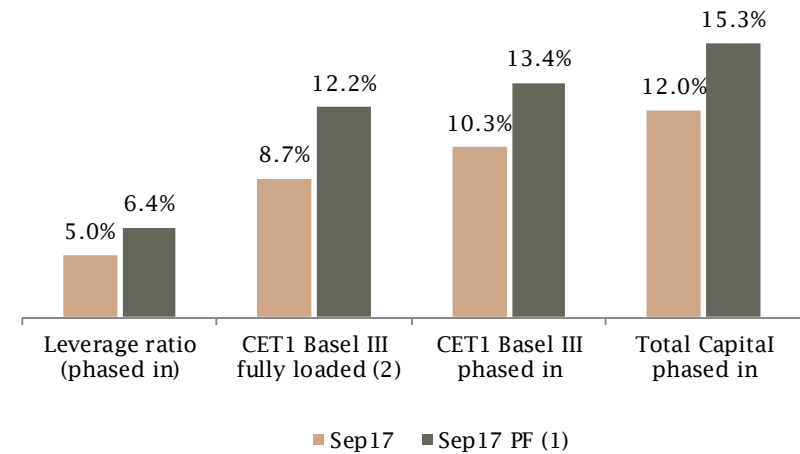
# Solvency position

## Solvency

**CET1 fully-loaded performance**  
(inc. rights issue and sale of RE assets portfolio)<sup>(1)</sup>



**Capital ratios. Sep17<sup>(1)</sup>**



- CET1 ratio (FL) improved from 11.3% in Jun17 to 12.2% pro-forma<sup>(1)</sup> in Sep17. Rights issue will more than offset the impact from the reinforcement of coverage in the 3Q.
- CET1 phased-in pro-forma<sup>(1)</sup> ratio increase from 12.4% in Jun17 to 13.4% in Sep17.

(1) Capital ratios include the € 500m rights issue and sale of the RE assets (€ 602m) signed in October2017. Subject to closing, expected before year end.

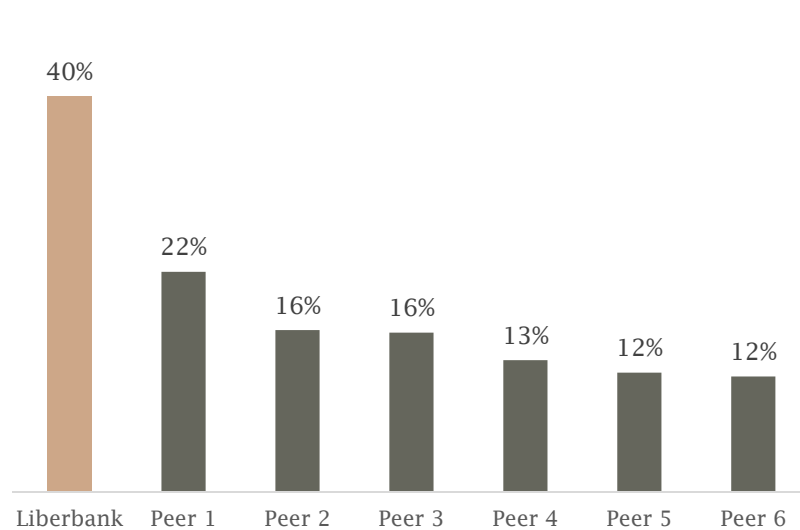
(2) CET1 FL includes unrealised capital gains of the AFS Sovereign portfolio and the AT1 not absorbing deductions



# Solvency position

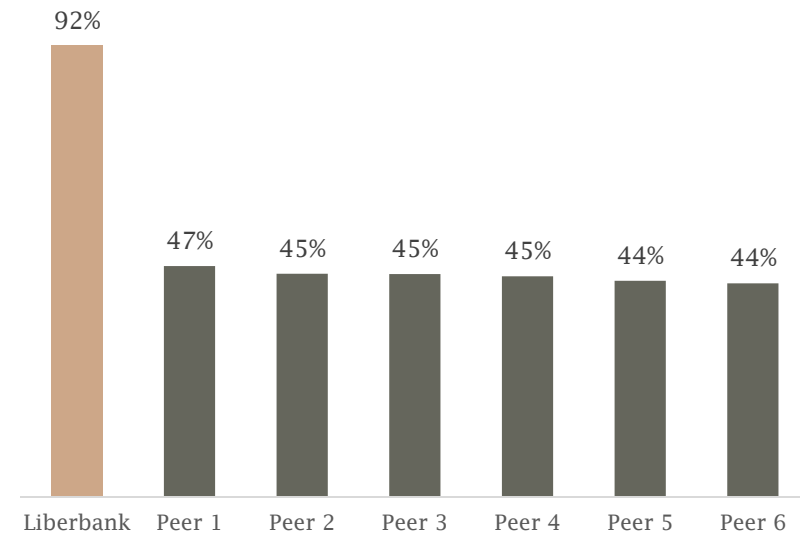
## Solvency

Density of RWAs on retail mortgages (Liberbank standard model vs IRB models). Jun16



Source. 2016 EBA Transparency Exercise (retail non-SME secured on real estate property).  
IRB banks: Santander, BBVA, Popular, Sabadell, Criteria (Caixabank), Bankinter

Density of RWAs on corporate loans (Liberbank standard model vs IRB models). Jun16



Source. 2016 EBA Transparency Exercise  
IRB banks: Santander, BBVA, Popular, Sabadell, Criteria (Caixabank), BFA (Bankia)

- ➔ Besides organic capital generation Liberbank holds different levers to continue improving its capital position in the future.
- ➔ One of the most important lever is the migration to IRB models. Calendar continues well on track. Liberbank estimates that, subject to the ECB approval, RWAs could fall by more than € 3.0bn only in the mortgage book.

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2. Solvency

3. Commercial Activity

4. Results analysis

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7. Appendix

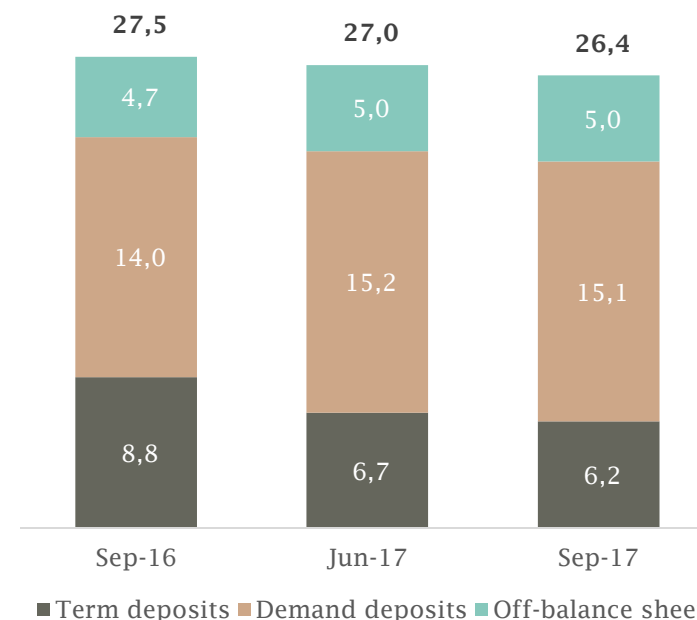
# Customer funds

## Commercial Activity

Customer Funds. Eur m

Eur m	3Q16	2Q17	3Q17	QoQ	YoY
<b>CUSTOMER FUNDS</b>	<b>29,127</b>	<b>28,703</b>	<b>27,892</b>	<b>-2.8%</b>	<b>-4.2%</b>
<b>Customer Funds on Balance Sheet</b>	<b>24,434</b>	<b>23,678</b>	<b>22,874</b>	<b>-3.4%</b>	<b>-6.4%</b>
Public Institutions	1,242	1,322	1,194	-9.6%	-3.8%
Retail Customer (resident)	22,901	22,089	21,431	-3.0%	-6.4%
Demand deposits	13,986	15,239	15,145	-0.6%	8.3%
Term deposits	8,789	6,717	6,222	-7.4%	-29.2%
Other	126	133	64	-52.2%	-49.4%
Non resident customers	291	267	249	-7.1%	-14.5%
<b>Off-balance sheet</b>	<b>4,693</b>	<b>5,025</b>	<b>5,017</b>	<b>-0.1%</b>	<b>6.9%</b>
Mutual funds	2,062	2,454	2,467	0.5%	19.7%
Pension Plans	1,500	1,503	1,500	-0.2%	0.0%
Insurance Funds	1,132	1,068	1,050	-1.7%	-7.2%
<b>Number of branches</b>	<b>992</b>	<b>810</b>	<b>779</b>	<b>-3.8%</b>	<b>-21.5%</b>
<b>Customer funds per branch (Eur m)</b>	<b>29</b>	<b>35</b>	<b>36</b>	<b>1.0%</b>	<b>21.9%</b>

Customer Funds (exc Public Institutions). Eur bn<sup>(1)</sup>



- We highlight the ability of Liberbank to retain customers and resources while reducing costs and closing branches (22% YoY). Customer funds in the 3Q were also affected by seasonality when compared vs 2Q.
- The switch from term deposits to demand deposits and off-balance sheet products continues. Mutual funds increases c. 20% YoY.
- Liberbank maintains its leadership in its core regions (25.1% market share in deposits as of Mar17), reaching 34% in some of them.

(1) Resident customers. Excluding Public Institutions, non-resident customers and other  
Note: customer funds do not include repos

# Lending

Performing Loan book breakdown. Gross, Eur m

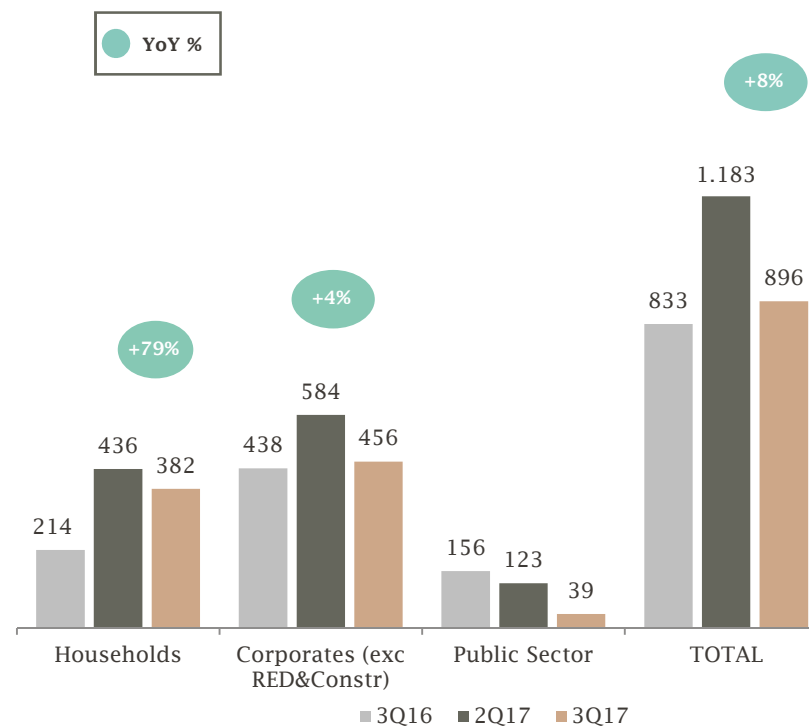
Eur m	3Q16	2Q17	3Q17	QoQ	YoY
Public Sector	1,227	1,131	1,001	-11.5%	-18.5%
<b>Loans to businesses</b>	<b>4,806</b>	<b>4,923</b>	<b>5,000</b>	<b>1.6%</b>	<b>4.0%</b>
RED & Construction	340	279	289	3.4%	-15.0%
Other corporates	4,466	4,645	4,712	1.4%	5.5%
<b>Loan to individuals</b>	<b>13,421</b>	<b>13,467</b>	<b>13,513</b>	<b>0.3%</b>	<b>0.7%</b>
Residential mortgages	12,798	12,789	12,825	0.3%	0.2%
Consumer and others	623	678	688	1.5%	10.5%
<b>Other loans<sup>(1)</sup></b>	<b>305</b>	<b>583</b>	<b>299</b>	<b>48.7%</b>	<b>-1.9%</b>
<b>Total performing book</b>	<b>19,758</b>	<b>20,104</b>	<b>19,812</b>	<b>-1.5%</b>	<b>0.3%</b>
<b>Total performing book (exc Public sector)</b>	<b>18,531</b>	<b>18,973</b>	<b>18,811</b>	<b>-0.9%</b>	<b>1.5%</b>

Performing loan book growth. YoY



# Commercial Activity

New Production breakdown<sup>(2)</sup>. Eur m



- Performing loan book (exc Public sector) increases +1.5% YoY. Quarterly evolution affected by “Other loans” that includes pension prepayments which are seasonally higher in June
- Mortgage book confirms the change in the trend and grows +0.3% YoY while consumer book increases +10.5% YoY.
- Corporate book (exc RED&construction) continue delivering strong increase (+5.5% YoY).

(1) “Other loans” includes pension prepayments which are seasonally higher in June  
 (2) Including credit lines and other contingent lending

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2. Solvency

3. Commercial Activity

4. Results analysis

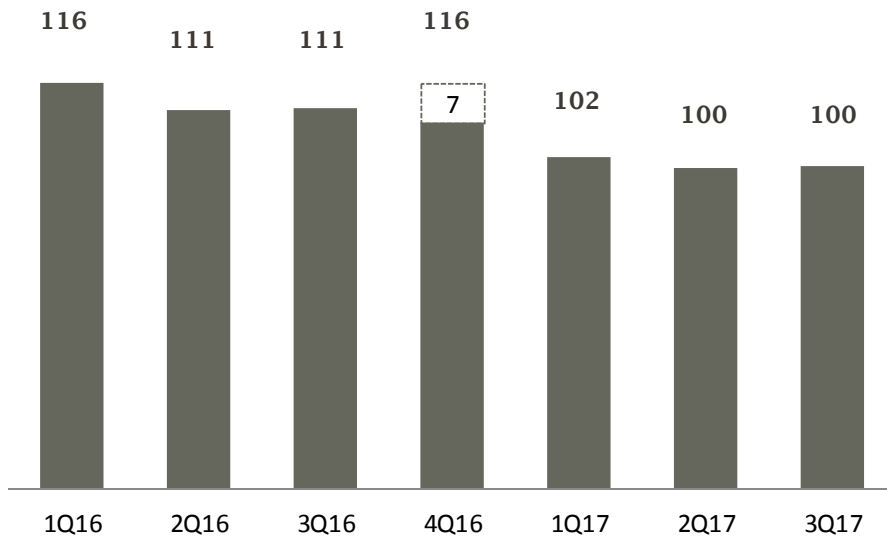
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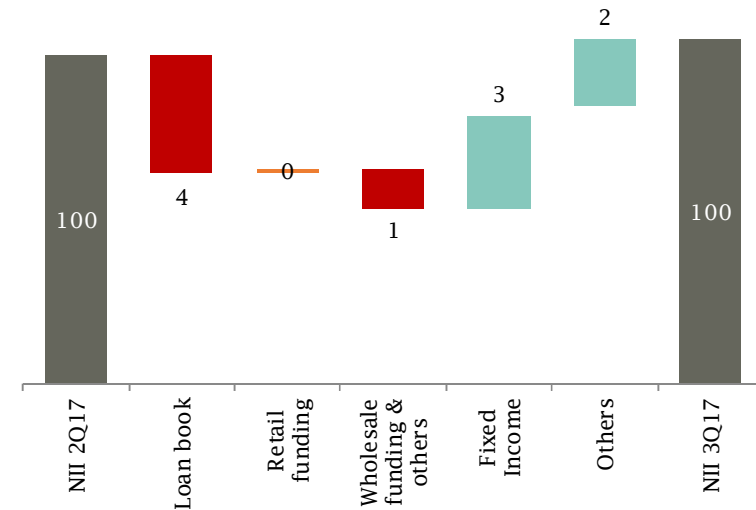
# Net Interest Income

Net interest Income performance (Eur m)



(1) 4Q16 NII includes € 7m of extraordinary net interest income

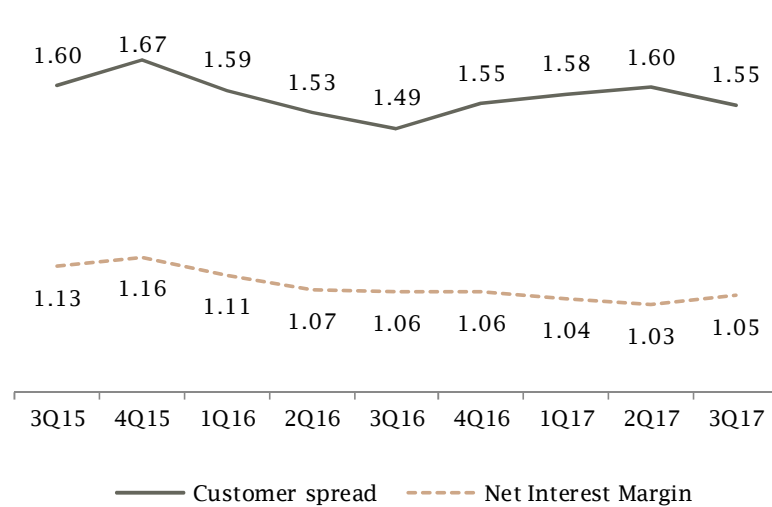
NII performance breakdown (Eur m)



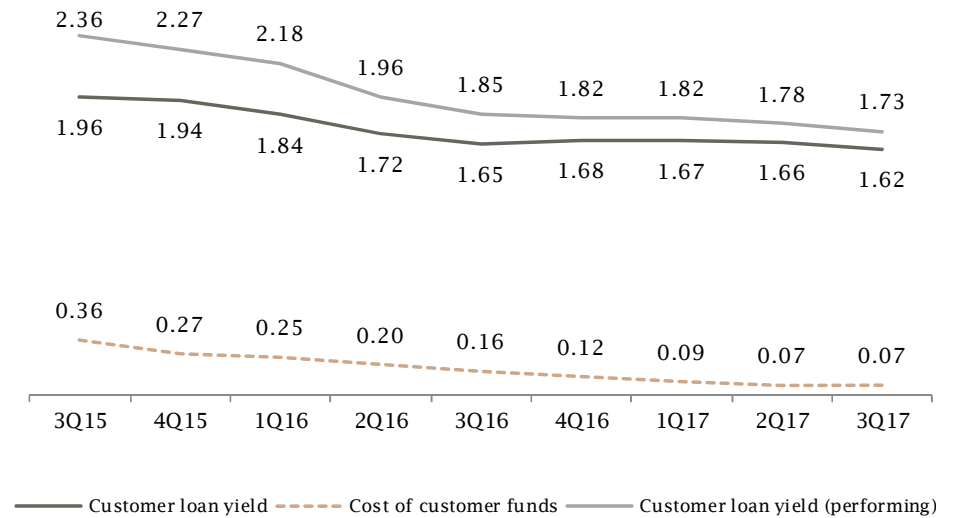
- Liberbank reiterates its NII guidance (+10% in 2018 vs 2017).
- Loan book revenues affected by renegotiation of mortgage floors, lower NPLs contribution and lower reference rates. We expect these headwinds to reduce significantly during the next quarters.
- Conservative approach on wholesale business during the 9M to reduce volatility and take advantage of future higher interest rates. Reinvestment of the Fixed income portfolio will have a higher positive impact on future NII.

# Net Interest Income: margins

Margin performance (%)<sup>(1)</sup>



Customer loan yield and cost of customer funds (%)

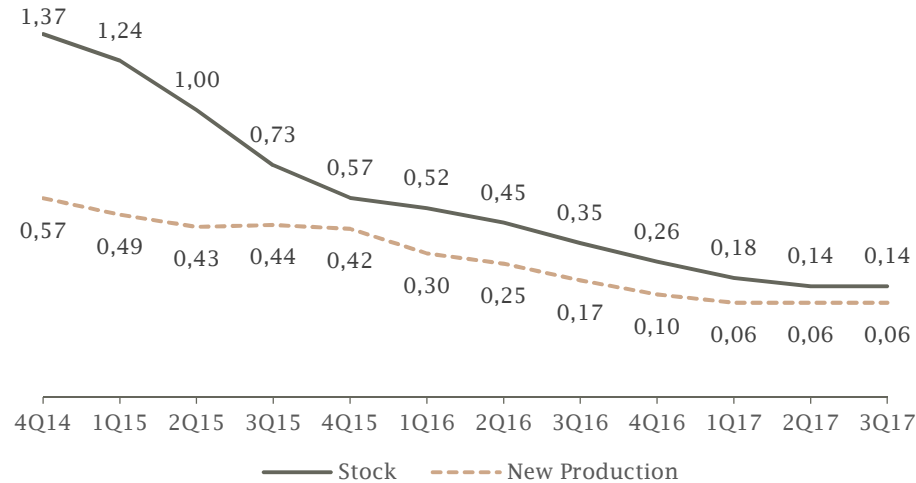


(1) 4Q16 NIM and customer spread exclude € 7m of extraordinary interest income  
 Note: NIM = NII / ATAs

→ Customer spread improves 6pb YoY and falls 5pb QoQ.  
 → Repricing of the loan book due to lower reference rates and renegotiation of mortgage floors close to finish.

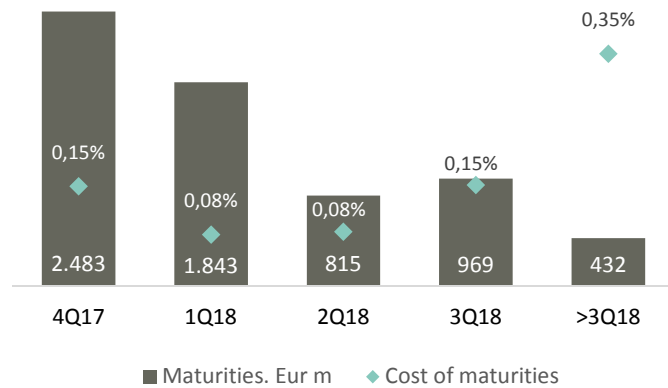
# Net Interest Income: cost of funding

Term deposit cost performance (%)

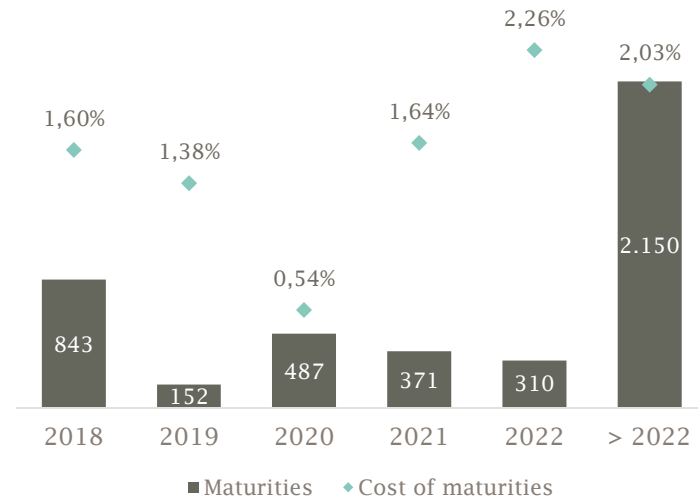


→ € 974m of covered bonds matured during the 1H17 (cost of 1.4%).  
 → No more wholesale maturities during the year.

New Term Deposits. Maturity, cost and volume



Capital Markets Maturities (Eur m)





# Net Interest Income: asset yields

Results

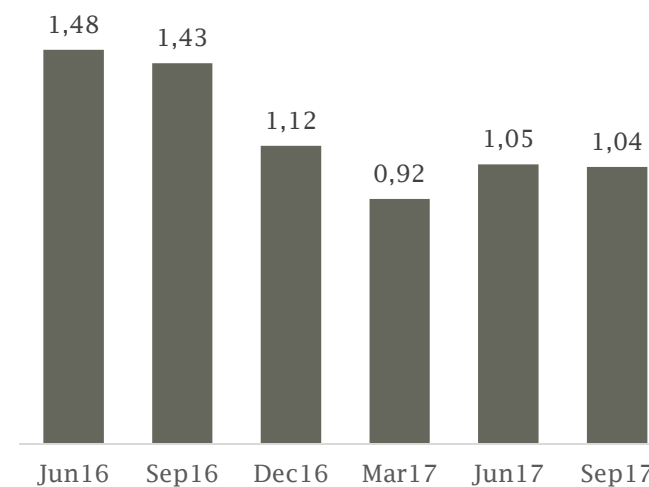
## Quarterly yields on lending (%)

Basis points <sup>(1)</sup>	3Q16	4Q16	1Q17	2Q17	3Q17
<b>Total loan book (yield)</b>					
Back Book	185	182	182	178	173
Front Book	179	228	193	207	234
<b>Mortgages (yield)</b>					
Back Book	135	129	132	123	119
Front Book <sup>(2)</sup>	173	178	179	189	191
<b>SMEs (yield)</b>					
Back Book	243	239	210	216	210
Front Book	203	233	240	227	228

<sup>(1)</sup> The above rates refer to the drawn amounts and reflect actual contribution to NII  
<sup>(2)</sup> Mortgages front book have higher yield during the first 18 months than the ones reflected above

## Fixed Income portfolio Yield.

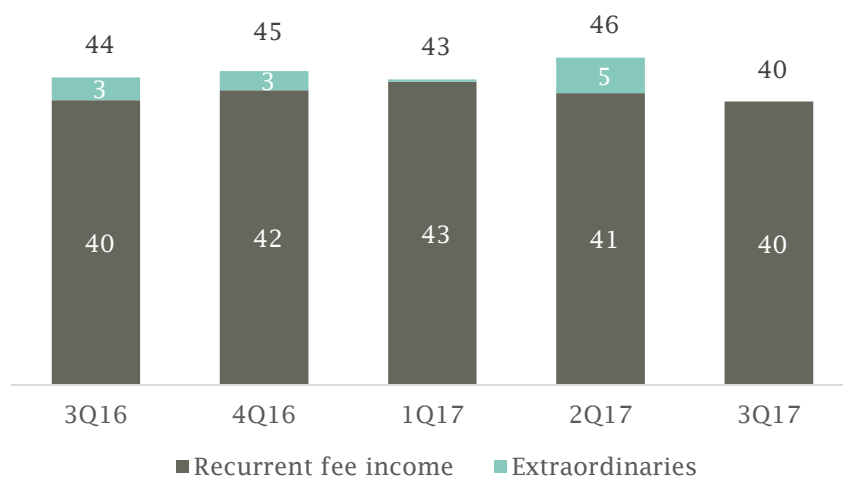
End of period (inc Sareb) (%)



- Asset yields on new lending production continue to stay well above stock during the 3Q17.
- SMEs and corporates production keeps driving up the total loan front book.
- 64% of the new production of residential mortgages YTD have been at fixed rate.

# Fee Income

Fee income performance (Eur m)



Fee income breakdown

Eur m	9M16	9M17	YoY (%)
<b>TOTAL FEES</b>	<b>137</b>	<b>130</b>	<b>-5%</b>
<b>TOTAL recurrent net fees</b>	<b>123</b>	<b>124</b>	<b>1%</b>
Banking fees	85	83	-3%
Non-banking fees <sup>(1)</sup>	37	40	9%
Others	0	1	na
<b>Non recurrent fees<sup>(2)</sup></b>	<b>14</b>	<b>5</b>	<b>-62%</b>

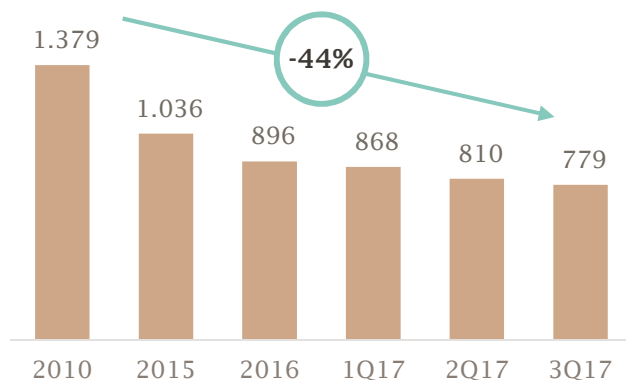
<sup>(1)</sup> Non-banking fees include fees from insurance, off-balance sheet business and brokerage  
<sup>(2)</sup> Non recurrent fees include fees from Sareb

→ **Recurrent fees increase +1.5% YoY.** Fees based on insurance and mutual funds increase +9% YoY while banking fees are mainly affected by the reduction of NPLs and the strong competition to capture and retain clients as well as.

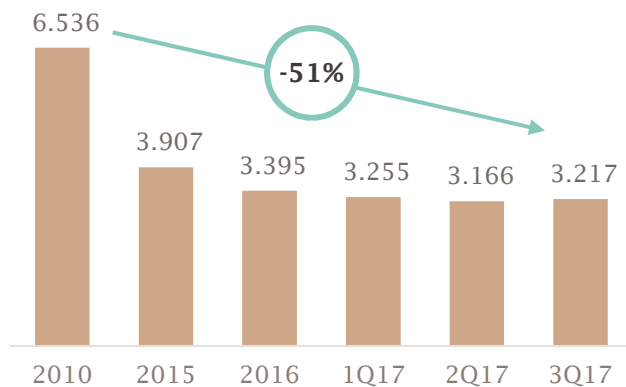
→ Recently signed agreement with JP Morgan will support further growth of mutual funds fees.

# Costs

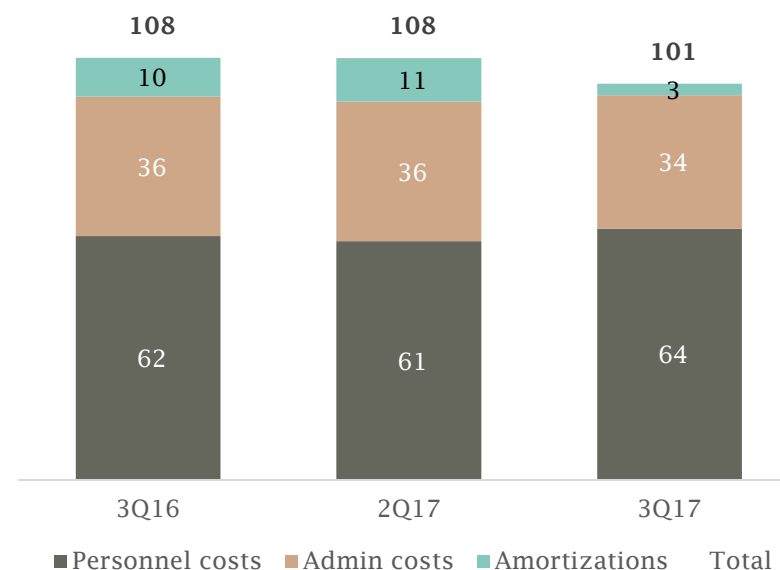
Number of branches



Number of FTEs



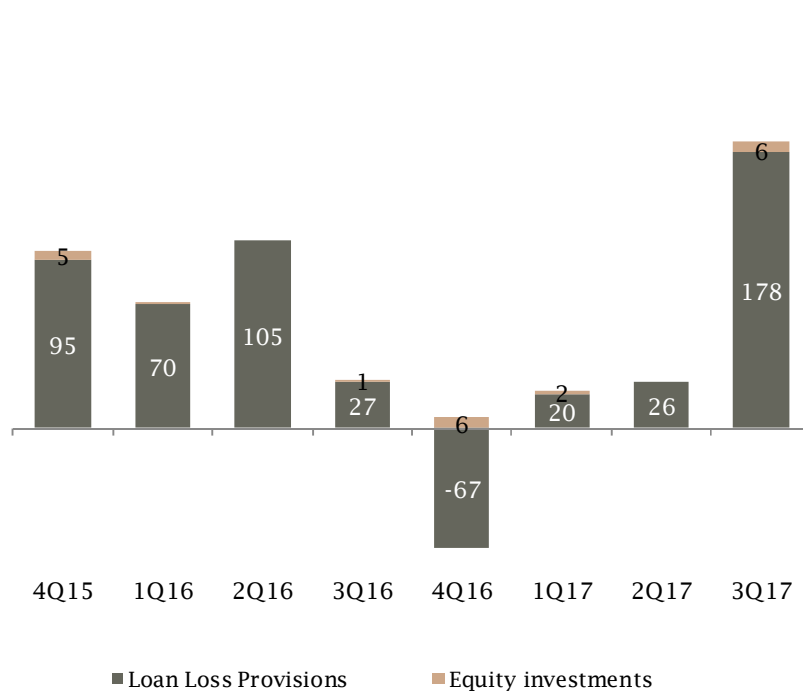
Costs performance (Eur m)



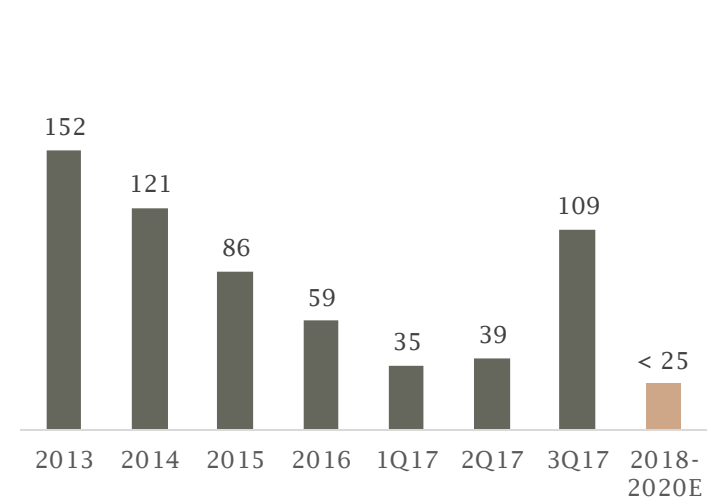
- Increase in personnel costs were offset by lower administrative costs. Amortization period of IT investments is extended in line with benchmark.
- Room to reduce costs further, target to reduce operating costs below € 400m. As part of those initiatives Liberbank booked a € 52m provision in the 2Q.

# Cost of risk

Impairment losses (Eur m)



Cost of risk (bp)<sup>(1)</sup>



(1) LLP during the year over average gross loan portfolio.

→ Loan loss provision affected by the reinforcement of coverage.  
 → Liberbank reiterates 2018-20 cost of risk target below 25bp.

# P&L

# Results

€m	3Q16	4Q16	1Q17	2Q17	3Q17	Var. 3Q17 vs 2Q17		9M16	9M17	Var. 9M17 vs 9M16	
						€m	%			€m	%
Interest Income	146	144	130	124	124	0	0%	461	378	-83	-18%
Interest Cost	-35	-28	-28	-24	-23	1	-3%	-123	-76	47	-38%
<b>NET INTEREST INCOME</b>	<b>111</b>	<b>116</b>	<b>102</b>	<b>100</b>	<b>100</b>	<b>1</b>	<b>1%</b>	<b>339</b>	<b>303</b>	<b>-36</b>	<b>-11%</b>
Dividends	2	0	0	1	0	-1	nm	3	2	-1	-46%
Results from equity method stakes	0	3	2	23	4	-19	-83%	20	29	9	43%
Net fees	43	45	43	46	40	-6	-13%	137	130	-7	-5%
Gains on financial assets & others	36	78	50	5	5	0	9%	267	60	-208	-78%
Other operating revenues/(expenses)	-2	-47	-20	0	-3	-3	nm	-22	-23	-1	6%
<b>GROSS INCOME</b>	<b>190</b>	<b>195</b>	<b>178</b>	<b>175</b>	<b>146</b>	<b>-29</b>	<b>-16%</b>	<b>744</b>	<b>500</b>	<b>-245</b>	<b>-33%</b>
<b>Administrative expenses</b>	<b>-98</b>	<b>-93</b>	<b>-98</b>	<b>-96</b>	<b>-98</b>	<b>-2</b>	<b>-2%</b>	<b>-299</b>	<b>-292</b>	<b>6</b>	<b>-2%</b>
Staff expenses	-62	-62	-61	-61	-64	-4	-6%	-185	-186	-1	0%
General expenses	-36	-30	-37	-36	-34	2	-6%	-113	-106	7	-6%
Amortizations	-10	-9	-11	-11	-3	8	71%	-27	-25	2	-9%
<b>PRE PROVISION PROFIT</b>	<b>83</b>	<b>93</b>	<b>69</b>	<b>68</b>	<b>45</b>	<b>-23</b>	<b>-34%</b>	<b>418</b>	<b>182</b>	<b>-236</b>	<b>-56%</b>
Provisions	-13	-108	-1	27	-6	-33	nm	-25	20	44	nm
Impairment on financial assets (net)	-28	61	-22	-26	-184	-158	nm	-203	-232	-29	14%
Others	-1	-15	-9	-32	-393	-361	nm	-70	-434	-364	nm
<b>PROFIT BEFORE TAXES</b>	<b>41</b>	<b>30</b>	<b>37</b>	<b>36</b>	<b>-537</b>	<b>-573</b>	<b>nm</b>	<b>121</b>	<b>-463</b>	<b>-583</b>	<b>nm</b>
Taxes	-13	-18	-10	-3	-163	-160	nm	-30	-149	-119	nm
<b>NET INCOME</b>	<b>27</b>	<b>12</b>	<b>27</b>	<b>33</b>	<b>-374</b>	<b>-407</b>	<b>nm</b>	<b>90</b>	<b>-314</b>	<b>-404</b>	<b>nm</b>
<b>NET INCOME ATTRIBUTABLE</b>	<b>27</b>	<b>29</b>	<b>32</b>	<b>35</b>	<b>-337</b>	<b>-372</b>	<b>nm</b>	<b>100</b>	<b>-270</b>	<b>-370</b>	<b>nm</b>

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# Agenda

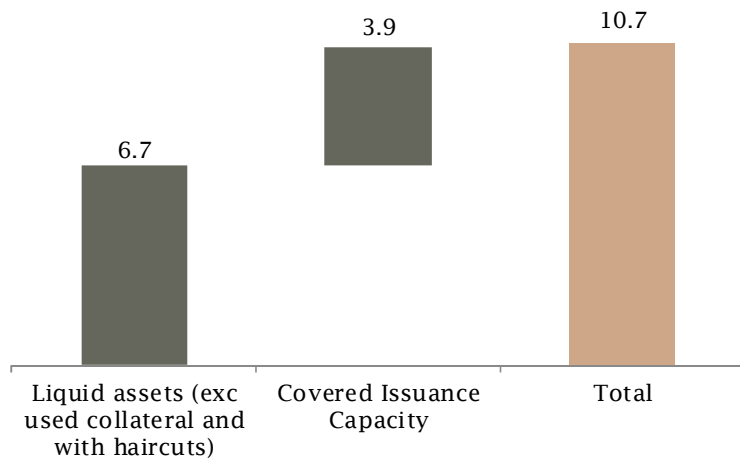
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1. Asset Quality
2. Solvency
3. Commercial Activity
4. Results analysis
5. Liquidity and Fixed Income portfolio
6. Closing remarks
7. Appendix

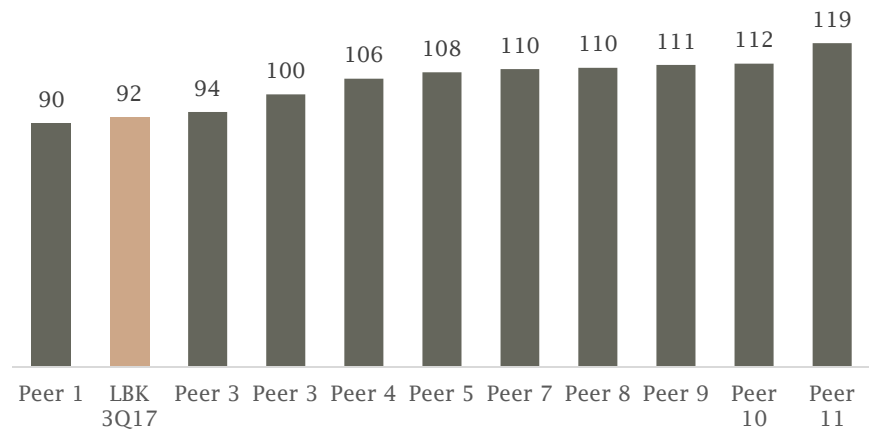
# Liquidity position

## Liquidity

Liquidity position. (€ bn)



LtD. Jun17

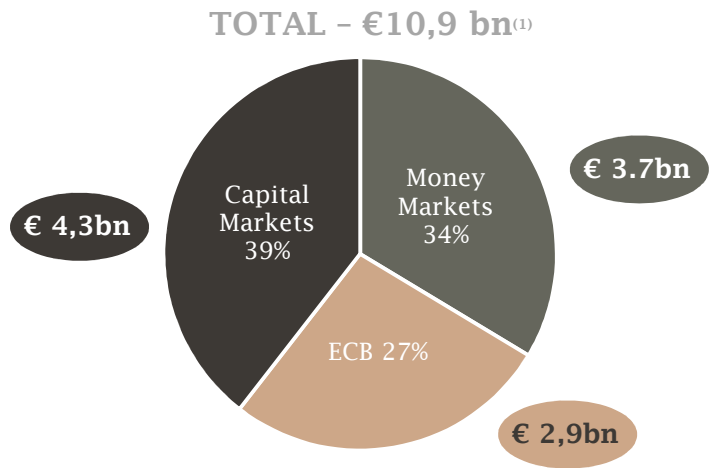


→ Liberbank maintains a leading liquidity position in the market showing best in class liquidity ratios (LCR, NSFR and LTD)  
 → LCR stands at 346% as of 3Q17, well above requirements.

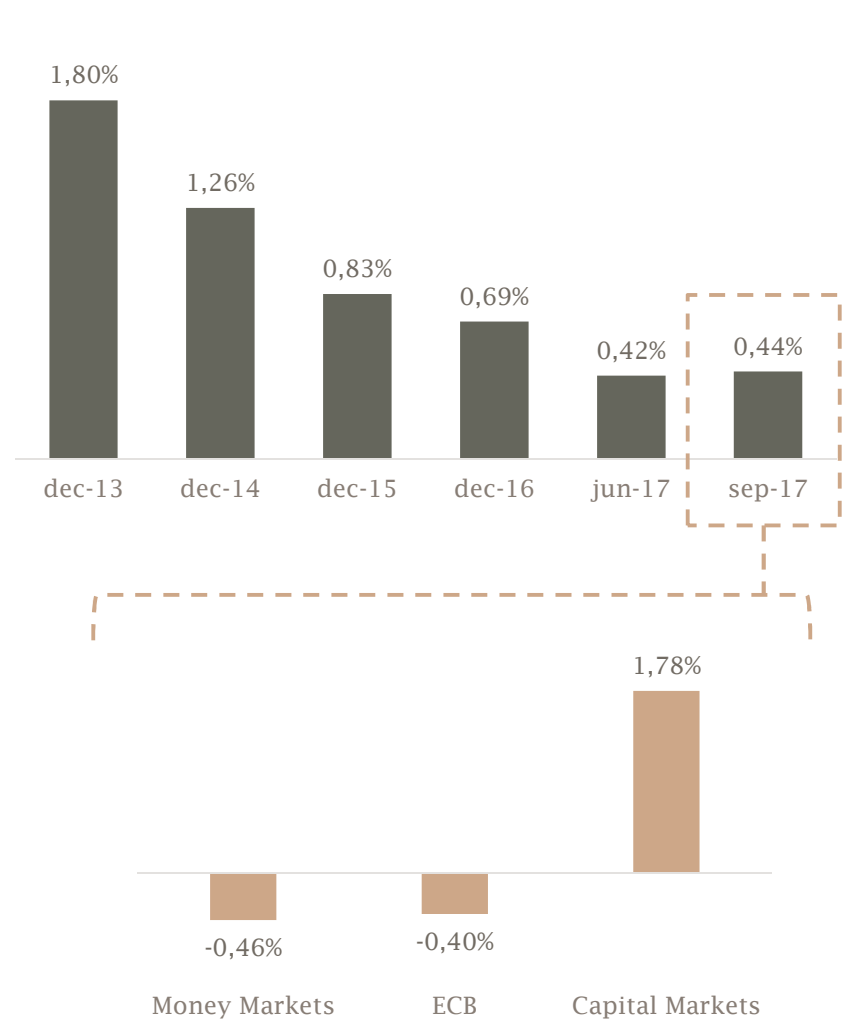
# Wholesale funding

## Wholesale funding

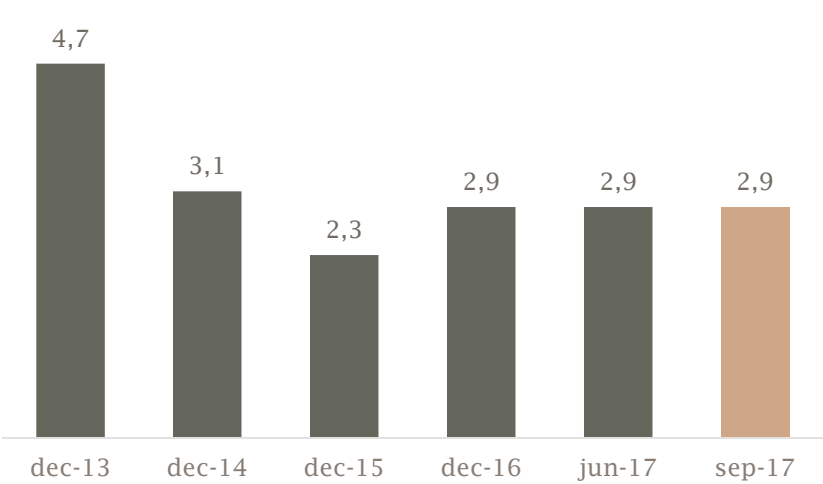
### Wholesale Funding Breakdown



### Wholesale Funding Price Evolution (%)<sup>(2)</sup>



### ECB funding position (€ bn)

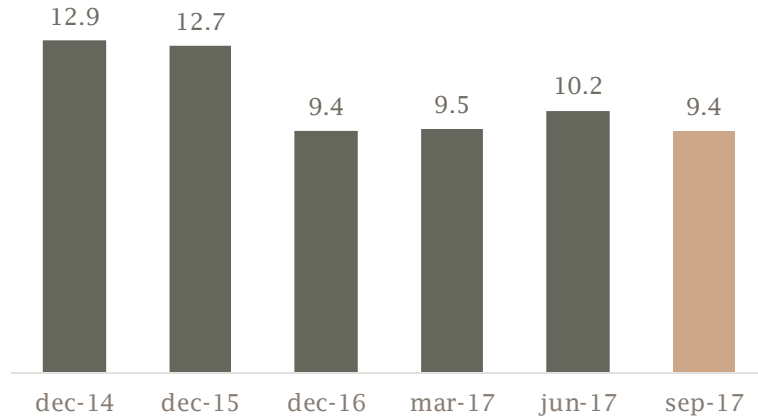


1. Excluding retained Covered Bonds. Not including AT1 CoCos and T2  
 2. Price at the end of the period  
 Source: Liberbank Treasury (inventarios)



# Fixed Income portfolio

## Fixed Income Portfolio evolution



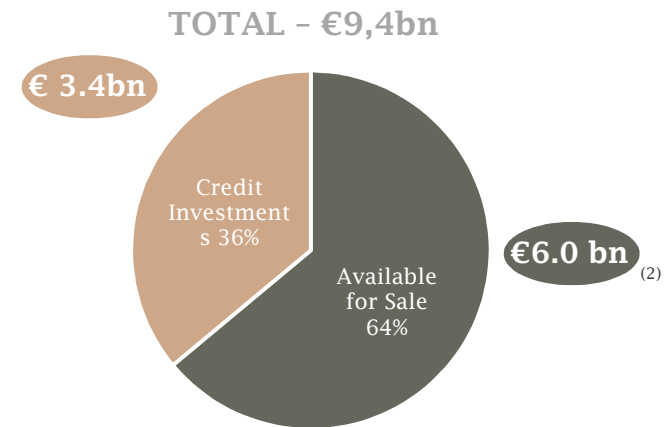
## Fixed Income Portfolio<sup>(3)</sup>

Breakdown	Yield	Duration	Unrealised gains
Available for Sale	1.10%	1.09	61
Credit Investments	0.94%	5.35	-5
<b>TOTAL</b>	<b>1.04%</b>	<b>2.63</b>	<b>56</b>

1. Accounting values. Including retained Covered Bonds. Including accrued coupon  
 2. Including unrealised capital gains as of 30<sup>th</sup> of September 2017  
 3. Weighted average duration in years.

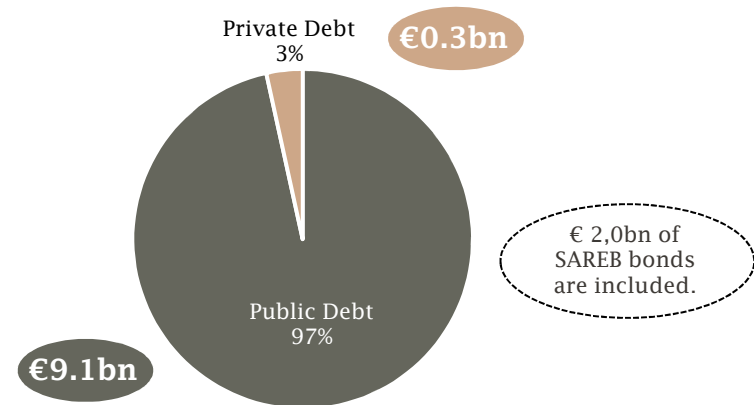
## Fixed Income Portfolio

## Fixed Income Portfolio breakdown<sup>(1)</sup>



## Fixed Income Portfolio by Issuer<sup>(1)</sup>

TOTAL - €9.4bn



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# Agenda

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# Closing remarks

- Liberbank continues to take decisive proactive actions on legacy assets combined with best-in class track record.
  - NPAs down € 813m in the quarter (-26% YoY).
  - Historical record sales of foreclosed assets (€ 1.04bn during the year).
  - Liberbank confirms its NPL and NPA ratio target of c.5.0% and < 12.5% in 2018.
- NPAs coverage ratio pro-forma<sup>(1)</sup> stands at 49%, with conservative NPL recognition, strong collateralization, good NPL mix and not including write-offs.
- Capital position keeps improving. CET1 (FL) pro-forma<sup>(1)</sup> stands at 12.2%. Room to improve further with the migration to IRB models.
- Commercial activity remains strong: consumer (+10.5% YoY), corporates (exc RED&construction) (+5.5% YoY), mortgages (+0.2% YoY).
- We expect revenues to start to recover, while costs can reduce further and cost of risk reduces below 25bp.

(1) Including € 500m rights issue and transfer of RE assets portfolio (€ 602m) and the transfer of € 602m RE assets portfolio. Subject to closing, expected before year end.

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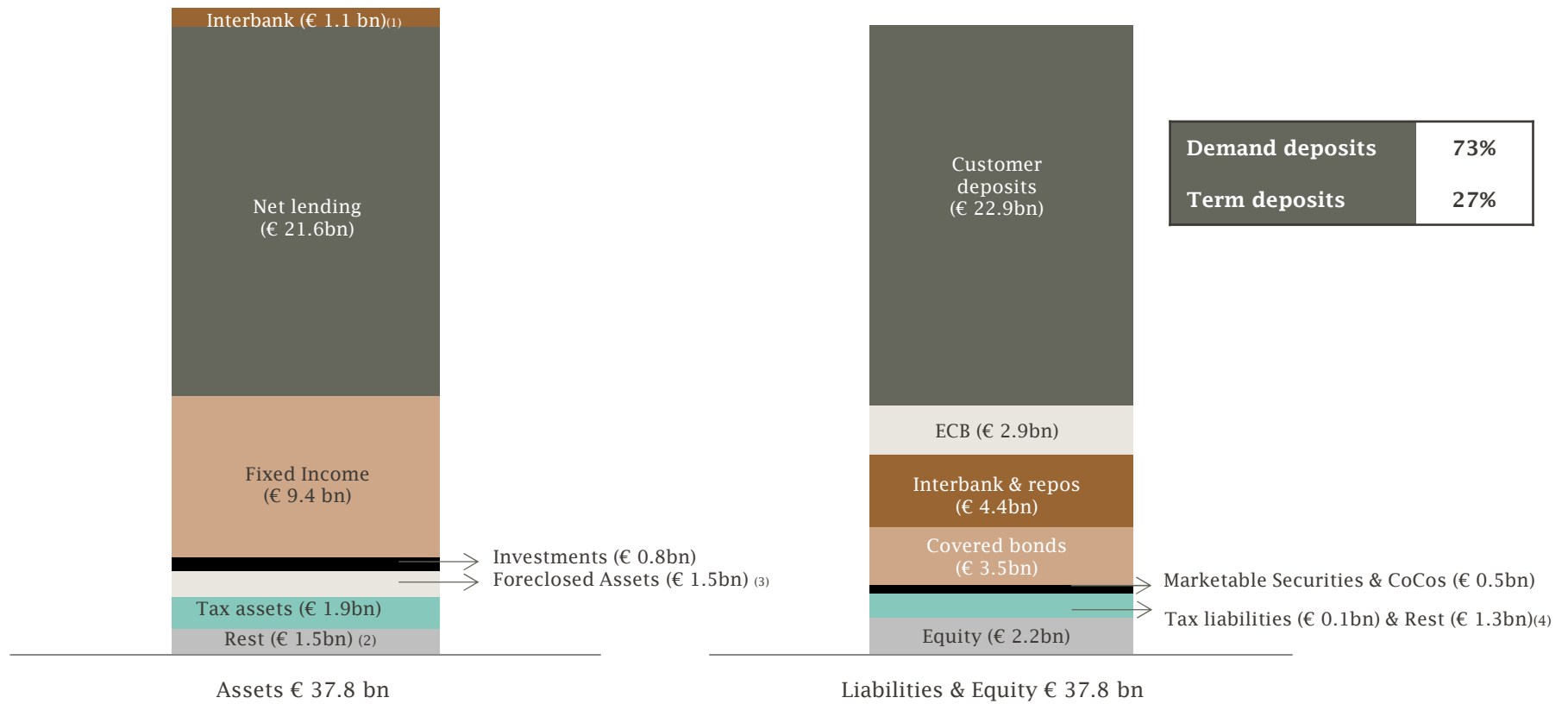
# Agenda

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2. Solvency
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7. Appendix

# Balance Sheet.

## Appendix

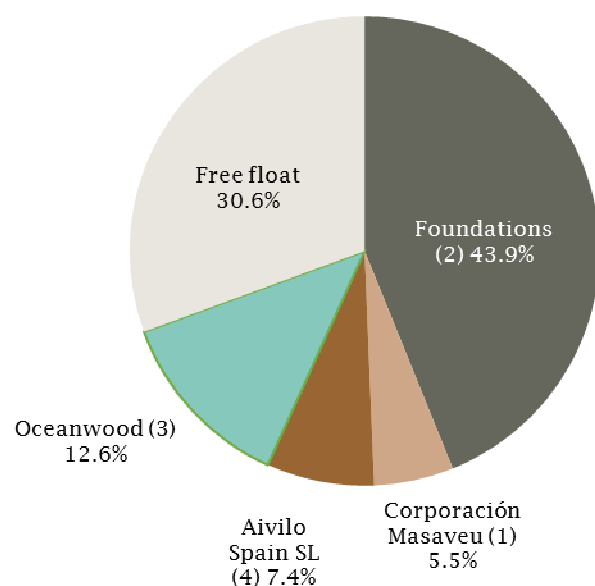


(1) Interbank include cash and interbank deposits  
 (2) Rest of assets include tangible and intangible assets and derivative hedging among others  
 (3) Assets currently held for sale  
 (4) Rest of liabilities include provisions, accrued interests and micro-hedging among others

# Shareholders and Book Value

## Appendix

### Shareholder base



(1) Includes Flicka Forestal, Corporación Masaveu and Fundación Maria Cristina Masaveu  
 (2) Includes Fundación Caja Asturias, Fundación Caja Extremadura and Fundación Caja Cantabria  
 (3) Includes Oceanwood Capital Management and Oceanwood Opportunities Master Fund. Includes stake through derivatives  
 (4) Includes Inmosan SA  
 Source: CNMV as of 13th October 2017

### Book value and Tangible Book Value

	Sep-17	Fully Diluted
# New shares (m)		69
# O/S shares (m)	928	997
BV (exc minorities). Eur m	2,237	2,333
TBV. Eur m <sup>(1)</sup>	2,103	2,199
BVps (Eur)	2.41	2.34
TBVps (Eur)	2.27	2.20
Last price (Eur)	0.73	0.73
PBV	0.30x	0.31x
PTBV	0.32x	0.33x

(1) Intangibles deduction  
 Note: last price for CoCos conversion purpose as of 16th of October (Eur 0.73/sh)

### Outstanding CoCos. Sep17

AT1 (CoCos)	Outstanding Amount (Eur m) <sup>(1)</sup>	Coupon	Min Strike	Maturity	Issuance date
Serie A	10	5.0%	9.72	17-Jul-2018	17-Apr-2013
Serie B	3	5.0%	6.39	17-Jul-2018	17-Apr-2013
Serie C	83	7.0%	1.23	17-Jul-2018	17-Apr-2013
<b>TOTAL</b>	<b>96</b>				

(1) Net of retained AT1s  
 Source: Liberbank and Bloomberg

# **Liberbank**

## **Institutional Investors & Analysts Contact**

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