

## The Euromoney/ECBC Covered Bond Congress

---

September 14th, 2017

# Disclaimer

---

This document was prepared by LIBERBANK, S.A., ("LIBERBANK") and is presented exclusively for informational purposes. It is not a prospectus and does not constitute an offer or recommendation to invest.

In making this presentation available, LIBERBANK gives no advice and makes no recommendation to buy, sell or otherwise deal in LIBERBANK shares, or any other securities or investment whatsoever.

This document does not constitute a commitment to subscribe, or an offer to finance, or an offer to sell, or a solicitation of offers to buy securities, nor does it aim to offer any kind of financial product, financial advice or other financial service. In particular, it is expressly remarked here that no information herein contained should be taken as a guarantee of future performance or results.

LIBERBANK does not guarantee the accuracy or completeness of the information contained in this document. LIBERBANK does not represent or warrant that the information contained herein is complete, exact or accurate, in particular with respect to data provided by third parties. This document may contain abridged or unaudited information and recipients are invited to consult the public documents and information submitted by LIBERBANK to the financial market supervisory authorities.

All opinions and estimates are given as of the date stated in the document and so may be subject to change. The value of any investment may fluctuate as a result of changes in the market. Neither LIBERBANK, nor any of its administrators, directors or employees, is obliged, either explicitly or implicitly, to keep these contents updated, nor to correct them in the case that any deficiency, error or omission were to be detected. Moreover, in reproducing these contents in any medium, LIBERBANK may introduce any changes it deems suitable, may omit partially or completely any of the elements of this document, and in case of any deviation between such a version and this one, assumes no liability for any discrepancy.

Distribution of this document in other jurisdictions may be prohibited or subject to specific legal requisites, and therefore recipients of this document or any persons who may eventually obtain a copy of it are responsible for being aware of and complying with said restrictions. By accepting this document you accept the foregoing restrictions and warnings.

---

# Agenda

---

1. Overview

2. Mortgage pool

3. Wholesale Funding. Covered Bonds

4. Rights issue

5. Appendix

# Liberbank Today

**EUR 39bn-asset bank with leading footprint and proximity to c.2.0m clients**

**Retail-focused bank with EUR 20bn total performing loan book, of which 63% retail mortgages**

**Comfortable capital position: 12.4% CET1 ratio (phased-in) and 6.0% leverage ratio**

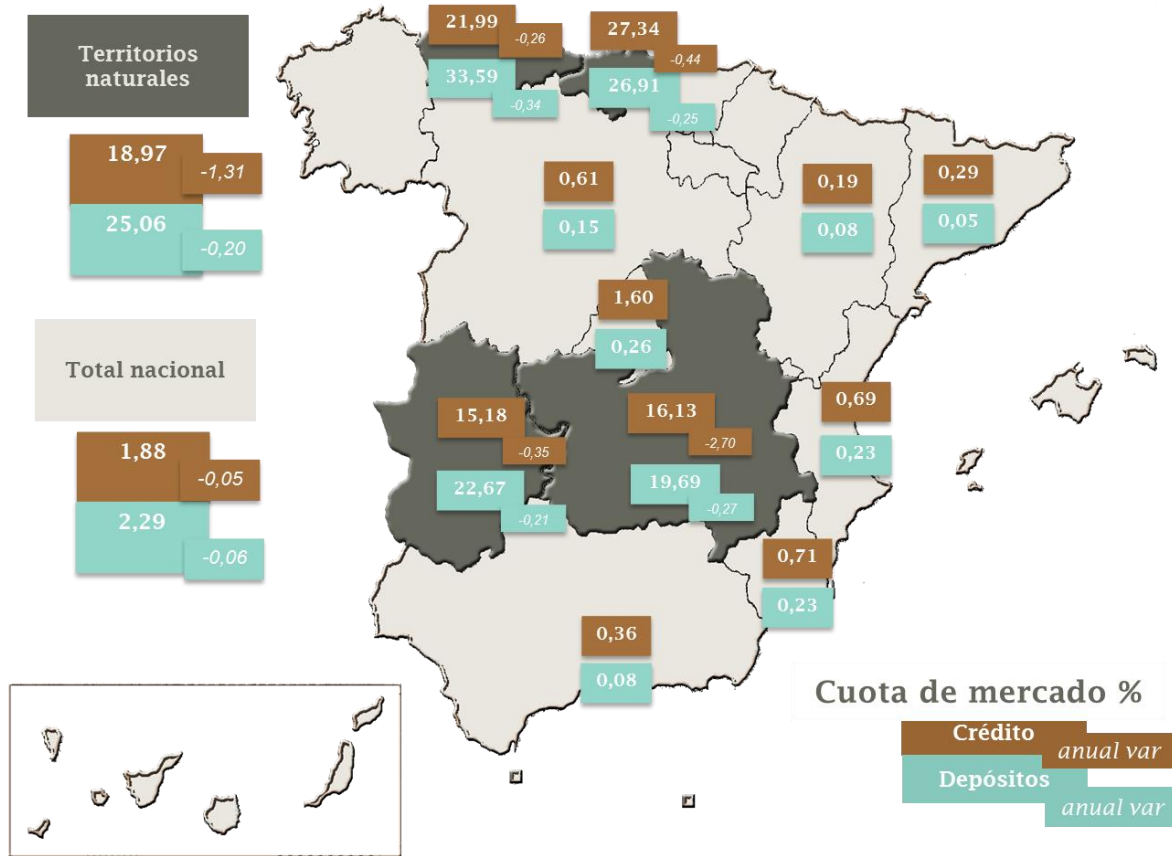
**Strong liquidity position, with LCR of 297% and LtD of 90%**

**EUR 29bn of customer resources, of which 82% are on balance sheet, mainly deposits**

**Diversified and stable shareholder base and corporate governance best-practice**

	June 2017
Total balance sheet (Eur bn)	39.2
Net customer loans (Eur bn)	22.1
Customer resources (Eur bn)	28.7
<hr/>	
1H 2017 Attributable profit (Eur m)	76
CET1 Fully loaded	11.3%
Market Cap (Eur m; 11.Sept.2017)	752
<hr/>	
Employees (#)	4,567
Branches (units)	810
Customers (#)	1,978,920

# 1 Market leader in its four home regions

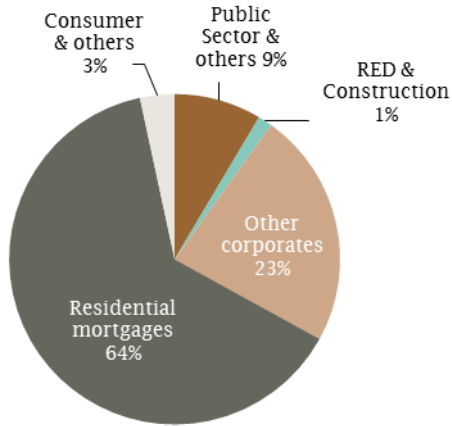


March 2017 data.

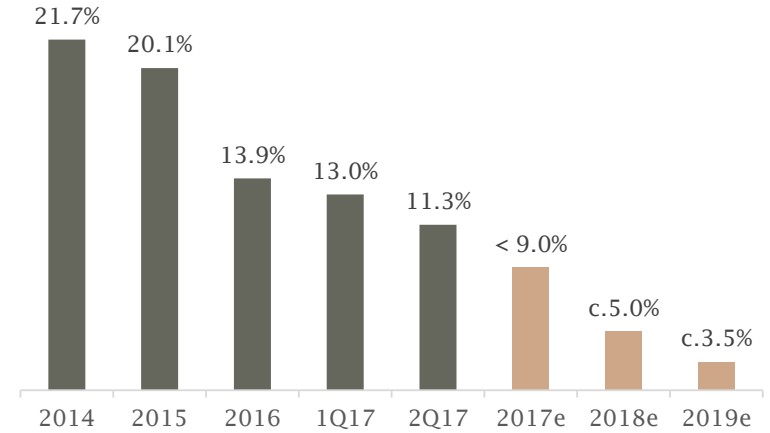
➔ Strong franchise and historically well-established network: 85% of branches are in Home Regions and over 80% branches are more than 20 years old

# 2 Retail banking. Asset quality

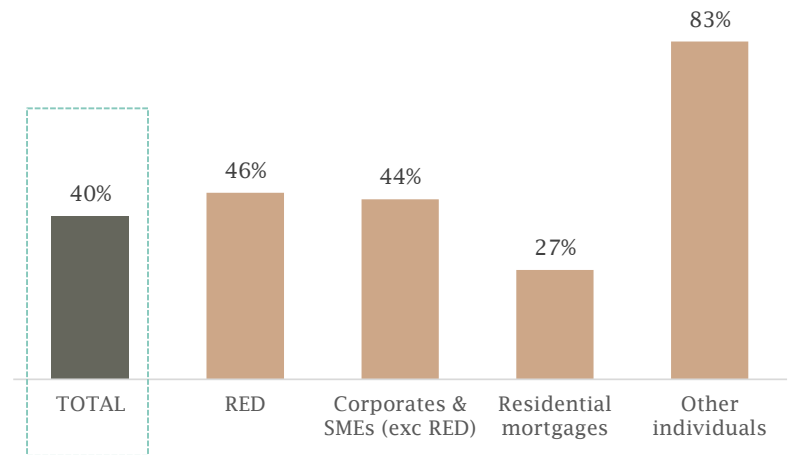
Performing Loan book breakdown (exc APS). Gross, Eur m



NPLs ratio evolution



Coverage over NPLs by segment



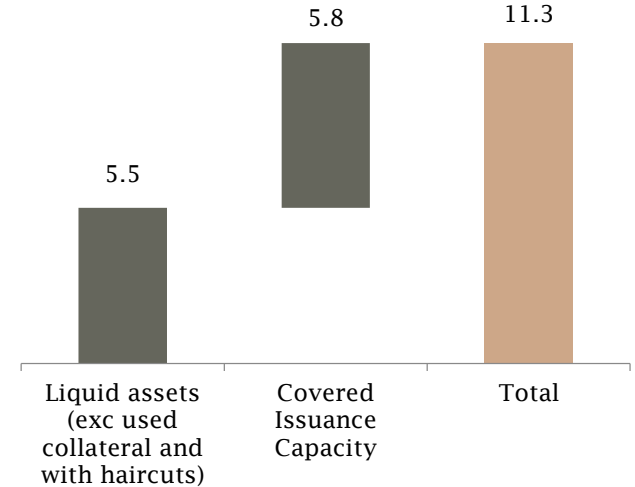
- NPLs down € 395m QoQ. NPL ratio drops to 11.3%, 171bp down QoQ. We review down our previous guidance and expect NPL ratio to stand at < 9.0% by year end, c.5% in 2018 and 3.5% in 2019.
- Sales of foreclosed assets of € 75m in the quarter, historical record, with capital gains of € 6m.
- Total NPAs down € 380m in the quarter, 6.3% QoQ and 19% YoY.
- NPA ratio target of c.20% in 2017, c.16% in 2018 and c.12.5% in 2019. Wholesale transactions would accelerate the plan further.

# 3 Strong funding and liquidity position

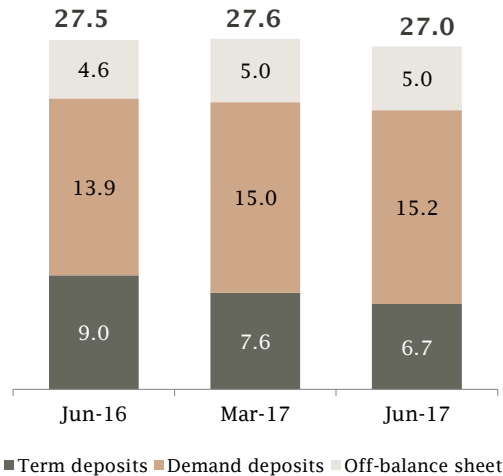
Performing loan book growth. YoY



Liquidity position. (€ bn)



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

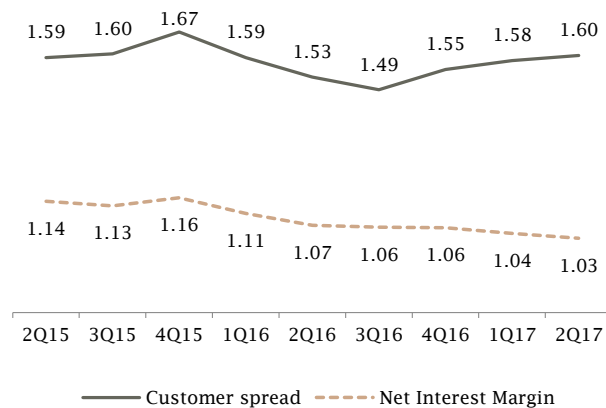


(1) Resident customers. Excluding Public Institutions, non-resident customers and other  
Note: customer funds do not include repos

- Liberbank maintains a strong liquidity position, LCR ratio stands at c.300%, well above requirements, and LtD at 90% as of jun-17.
- We highlight the ability of Liberbank to retain customers and customer resources while reducing costs and closing branches (20% YoY and 7% QoQ).
- Liberbank maintains its leadership in its core regions.
- Performing grew by near 2% QoQ, where the mortgage book experienced quarterly growth for the first time since financial crisis.

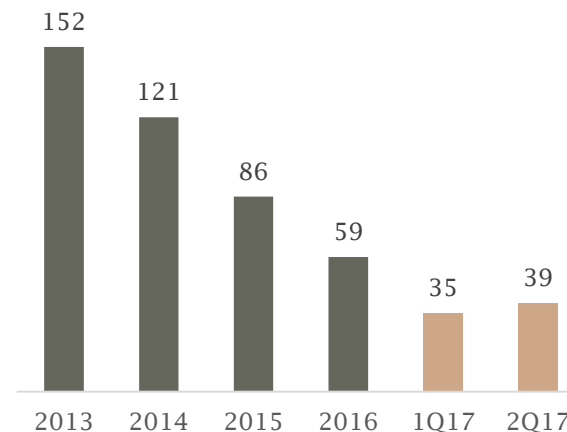
# 4 Improving profitability

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



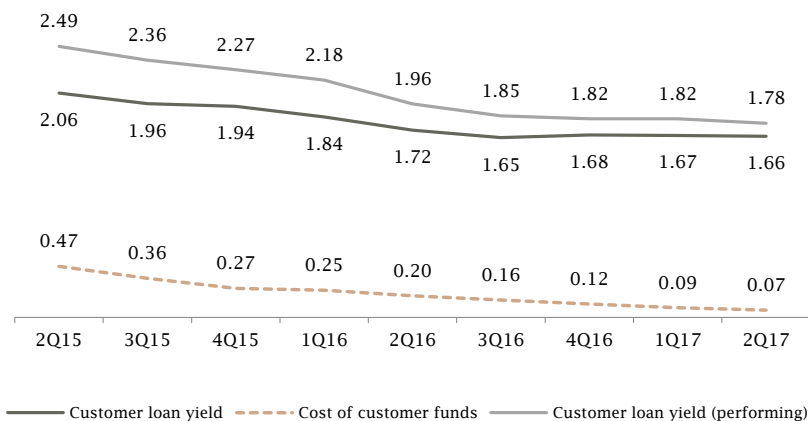
(1) 1Q15 NIM and customer spread exclude € 12m and € 3m of extraordinary interest income. 4Q16 NIM and customer spread exclude € 7m of extraordinary interest income  
Note: NIM = NII / ATAs

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



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

Customer loan yield and cost of customer funds (%)<sup>(1)</sup>

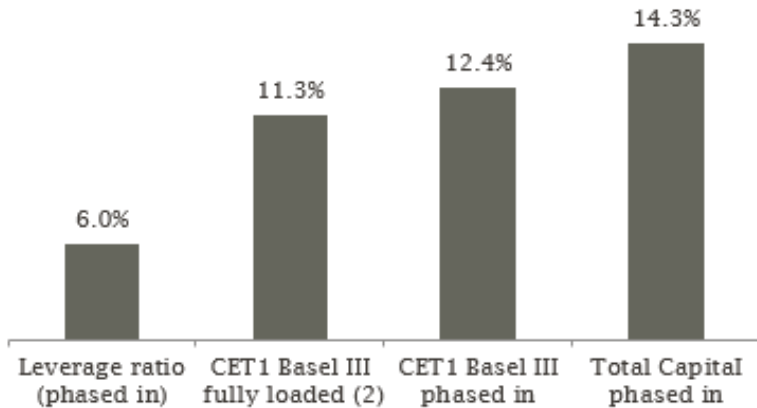


- ➔ Customer spread keeps improving, 2pb QoQ and 7pb YoY as loan yield remains flattish and cost of customer funds continues to decrease.
- ➔ Repricing of the loan book due to lower reference rates and renegotiation of mortgage floors close to finish.
- ➔ Recurrent cost of risk remains below the 40bp target for 2017.

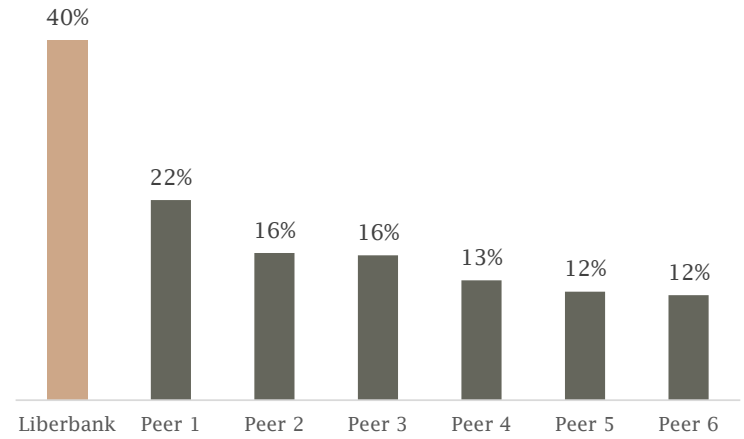


# 5 Comfortable solvency position

Capital ratios. Jun17 (1)

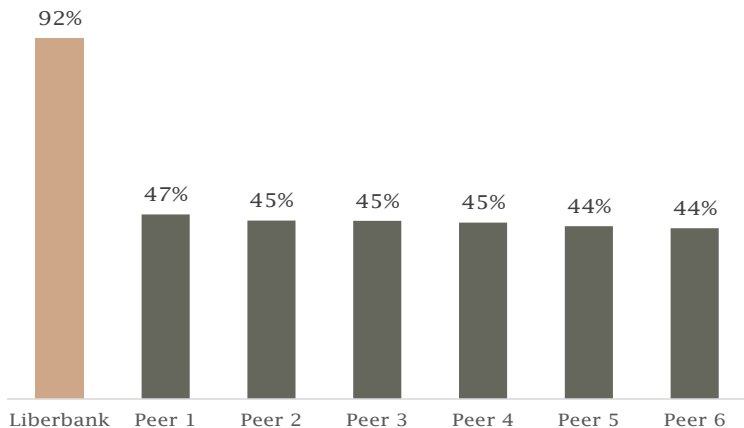


Density of RWAs on retail mortgages (Liberbank standard model vs IRB models). Jun16



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)

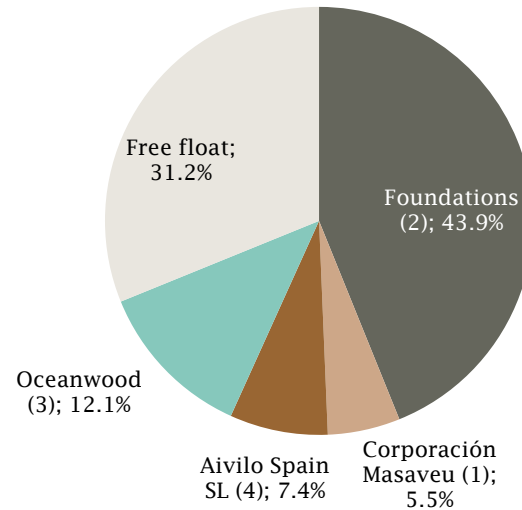
→ Excluding regulatory impact (phased-in calendar) and valuation adjustments the CET ratio (phased-in) improved 68bp YtD supported by organic capital generation and lower RWAs.

→ Migration to IRB models calendar remains on track. We estimate that subject to ECB approval RWAs could fall by more € 3.0 bn just from the mortgage book

(1) Capital ratios include retained earnings

## 6 Corporate governance

### Shareholder base



(1) Includes Flicka Forestal, Corporación Masaveu and Fundación María 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 3rd July 2017

- Board of Directors composed of 13 members, c. 1/3 of independents and 12 non-executives.
- All Board members appointed by former “Cajas” held top executive positions in corporate & banking entities in the past

---

# Agenda

---

---

1. Overview

2. Mortgage pool

3. Wholesale Funding. Covered Bonds

4. Rights issue

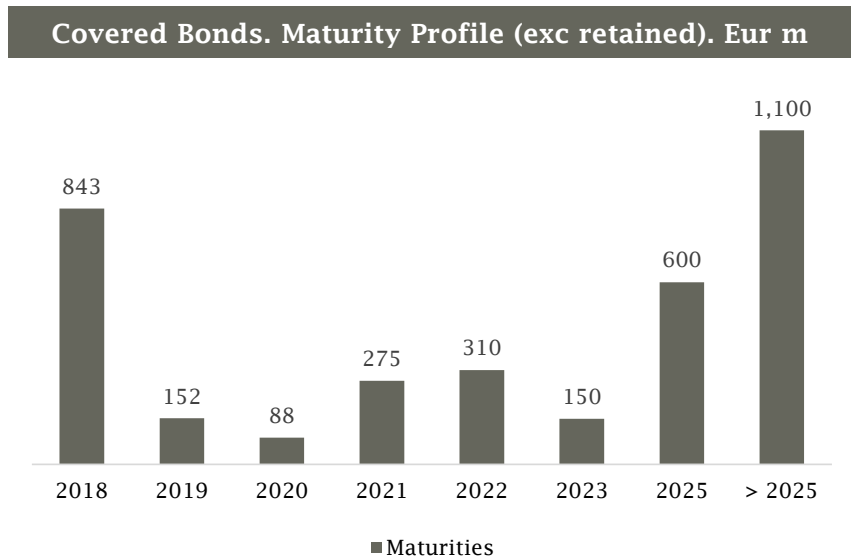
5. Appendix

# Mortgage Covered Bond. Summary

Collateral description (inc APS). Jun17	
Cover pool size (€ million) (1)	15,711
Residential assets	81%
Commercial assets	13%
Developers assets	6%
Eligible mortgages (€ million) (1)	12,720
Number of loans (#)	216,061
Average loan size (€ thousand)	59
Loan seasoning (month)	98
Remaining loan maturity (months)	206
Average Loan to Value	55%
<b>Breakdown by rate:</b>	
Fix rate loans	9.6%
Variable rate loans linked to EUR 12M	90.4%
Weighted Avge. Interest rate fixed rate loans	2.8%
Weighted Avge. Interest rate variable rate loans	1.7%

(1) Excluding securitised assets

Mortgage Covered Bond description. Jun17	
Covered Bonds Outstanding (€ million)	4,617
of Covered Bonds (retained) (€ million)	1,100
Over Collateralisation rate (total)	340%
Over Collateralisation rate (eligible)	275%
Avg weighted remaining maturity (months)	61



# Mortgage Covered Bond. Summary

	TOTAL	ow Liberbank	ow CCM
Cover pool size (€ million) (1)	<b>15,711</b>	9,755	5,956
Residential assets	<b>12,714</b>	8,391	4,323
Commercial assets	<b>2,037</b>	1,364	674
Developers assets	<b>959</b>	0	959
Residential assets	<b>81%</b>	86%	73%
Commercial assets	<b>13%</b>	14%	11%
Developers assets	<b>6%</b>	0%	16%
Eligible mortgages (€ million) (1)	<b>12,720</b>	8,463	4,258
Number of loans (#)	<b>216,061</b>	146,589	69,472
Average loan size (€ thousand)	<b>59</b>	58	61
Loan seasoning (month)	<b>98</b>	90	98
Remaining loan maturity (months)	<b>206</b>	217	187
Average Loan to Value	<b>55%</b>	49%	65%
Covered Bonds Outstanding (€ million)	<b>4,617</b>	2,155	2,463
Issuance capacity	<b>5,559</b>	4,615	944
Over Collateralisation rate (total)	<b>340%</b>	453%	242%
Over Collateralisation rate (eligible)	<b>275%</b>	393%	173%

(1) Excluding securitised assets

- ➔ Liberbank holds a 75% stake in CCM. The banks are fully integrated from a commercial, risk policy and management point of view.
- ➔ The total cover pool is split in two pools, although there is a guarantee from Liberbank to CCM and from CCM to Liberbank.

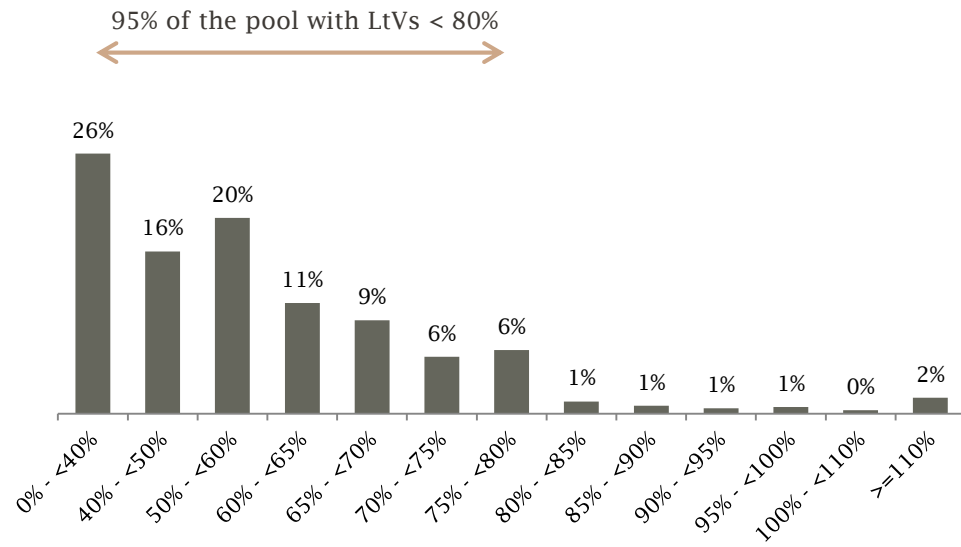
# Collateral. Residential assets

## Residential Assets - Main figures. Jun 2017

Total mortgages (€ million)	12,714	Average Loan to Value	54%
Number of loans	202,653	NPL ratio	5.93%
Average loan size (thousand)	63	First rank	91%
Number of borrowers	182,467	Mortgages originated outside Liberbank	4.5%
Loan seasoning (month)	101	Floating rate loan Interest rate Type	100.3%
Remaining loan maturity (months)	240		

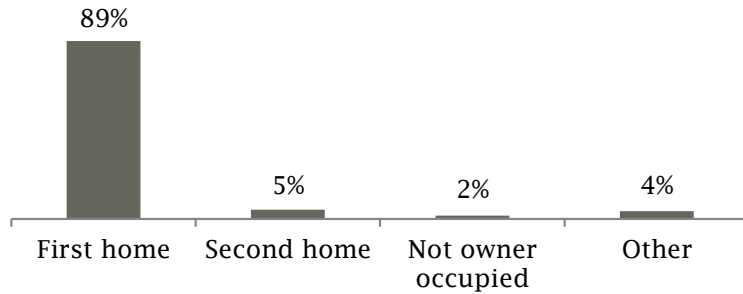
## Portfolio Breakdown

Unindexed LTV Breakdown. Jun 17	€ million	%
0% - <40%	3,319	26%
40% - <50%	2,070	16%
50% - <60%	2,502	20%
60% - <65%	1,414	11%
65% - <70%	1,194	9%
70% - <75%	727	6%
75% - <80%	815	6%
80% - <85%	158	1%
85% - <90%	104	1%
90% - <95%	70	1%
95% - <100%	89	1%
100% - <110%	46	0%
>=110%	205	2%
<b>TOTAL</b>	<b>12,714</b>	

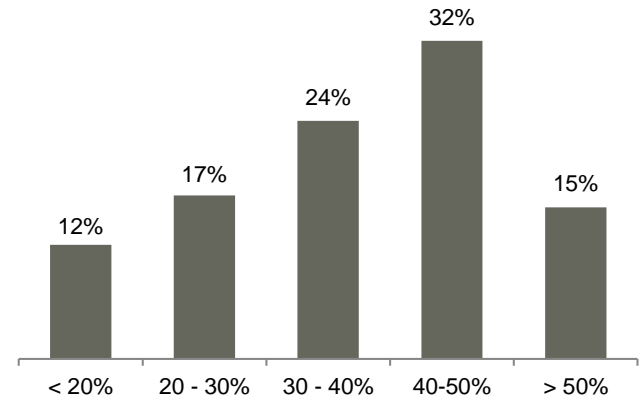


# Collateral. Residential assets

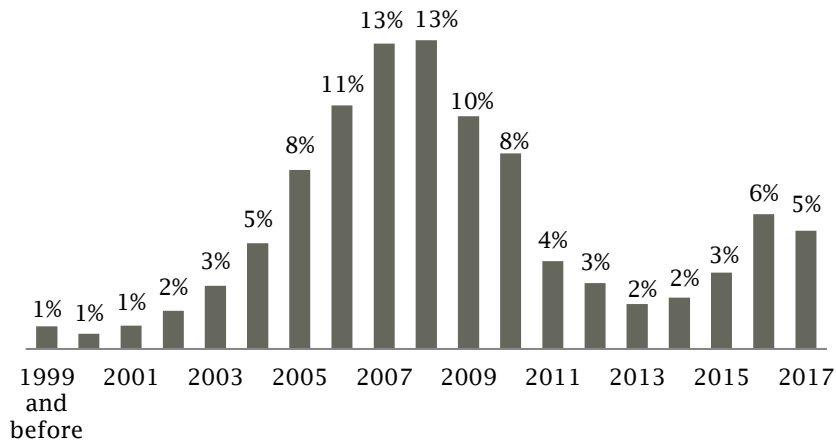
Property Type



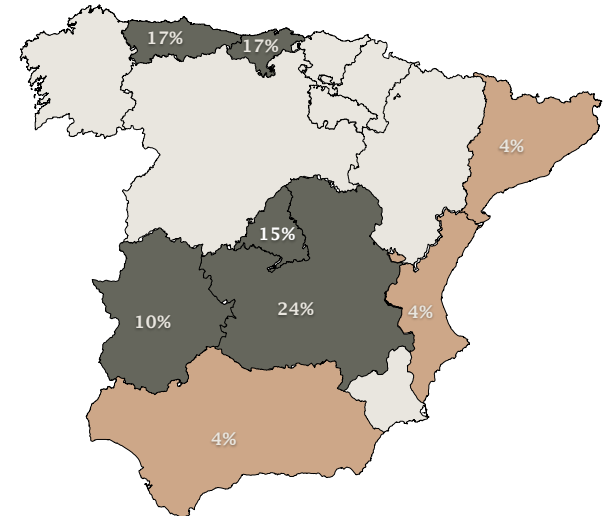
DTI breakdown



Vintage



Geographical diversification



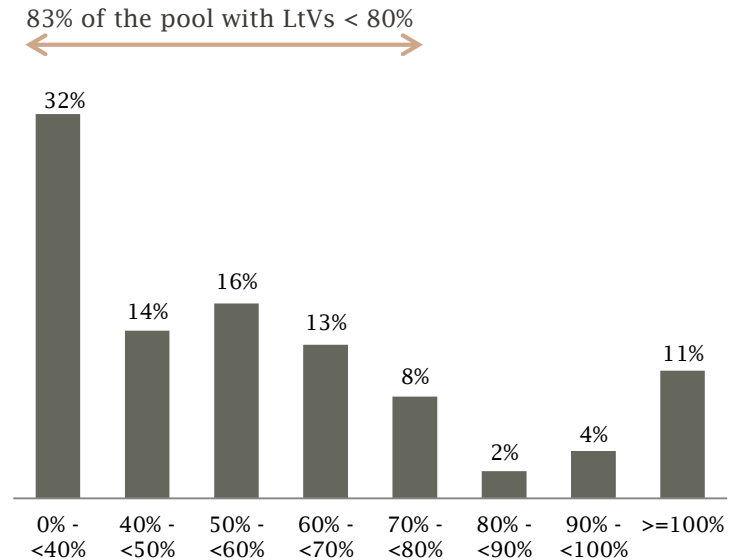
# Collateral. Commercial assets

## CommercialAssets - Main figures. Jun 2017

Total mortgages (€ million)	2,037	Remaining loan maturity (months)	117
Number of loans	11,506	Average Loan to Value	58.3%
Average loan size (thousand)	177	NPL ratio	23.6%
Number of borrowers	8,921	First rank	68%

## Portfolio Breakdown

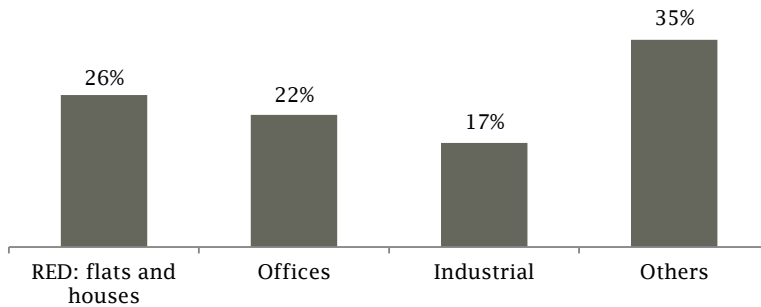
LTV Breakdown. Jun17	€ million	%
0% - <40%	650	32%
40% - <50%	284	14%
50% - <60%	330	16%
60% - <70%	260	13%
70% - <80%	172	8%
80% - <90%	46	2%
90% - <100%	80	4%
>=100%	216	11%
<b>TOTAL</b>	<b>2,037</b>	





# Collateral. Commercial assets. Jun 2017

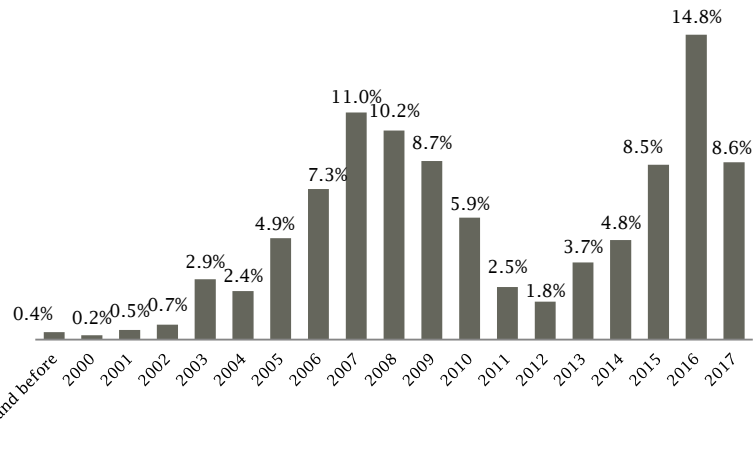
## Property type



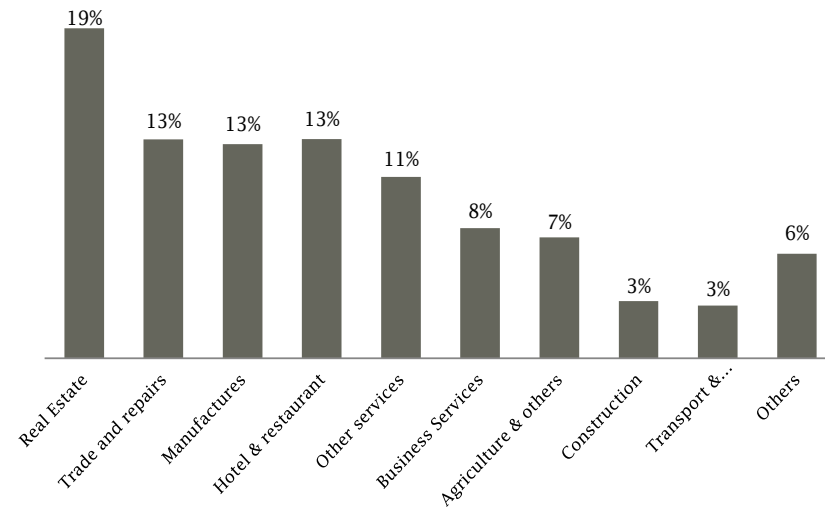
## Borrower concentration

Borrower Concentration	€ million	% over total
Top 1 borrower	36	1.8%
Top 5 borrower	146	7.2%
Top 10 borrower	220	10.8%
Top 20 borrower	314	15.4%
<b>TOTAL</b>	<b>2,037</b>	

## Vintage



## Economic sector exposure



---

# Agenda

---

---

1. Overview

2. Mortgage pool

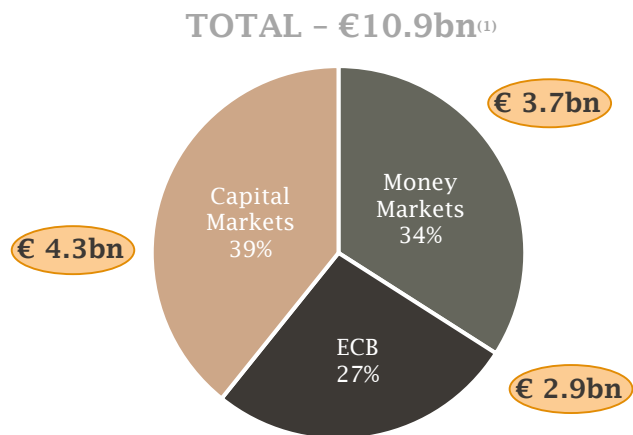
3. Wholesale Funding. Covered Bonds

4. Rights issue

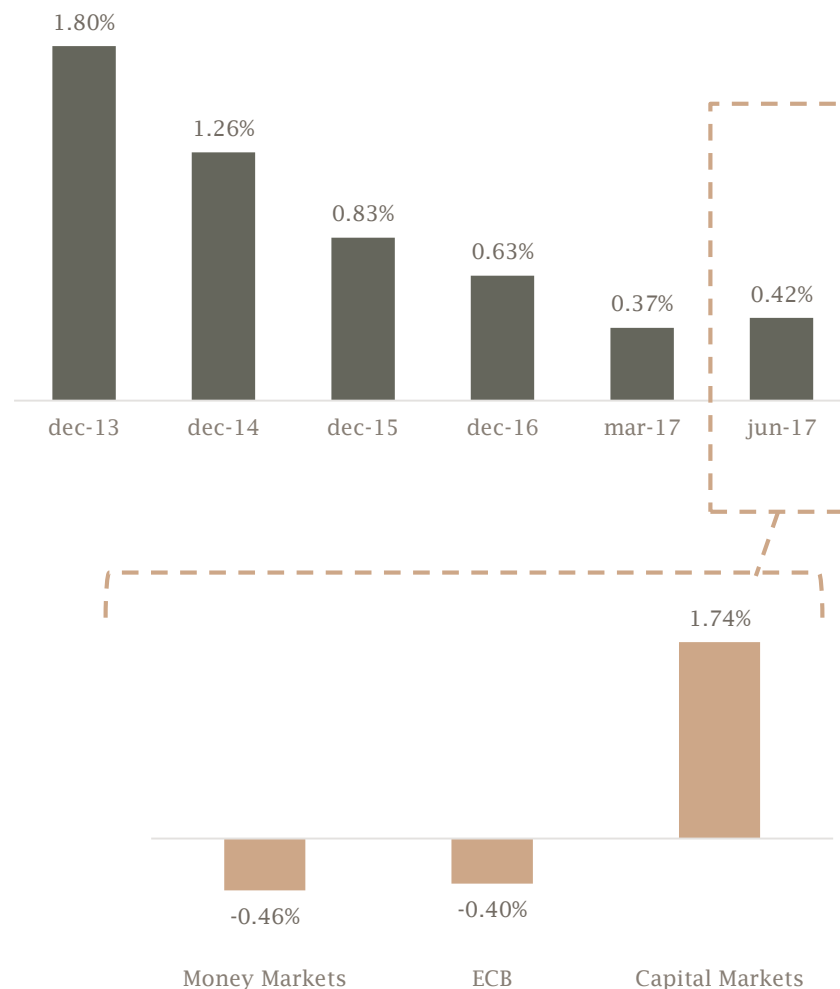
5. Appendix

# Wholesale Funding - Overview

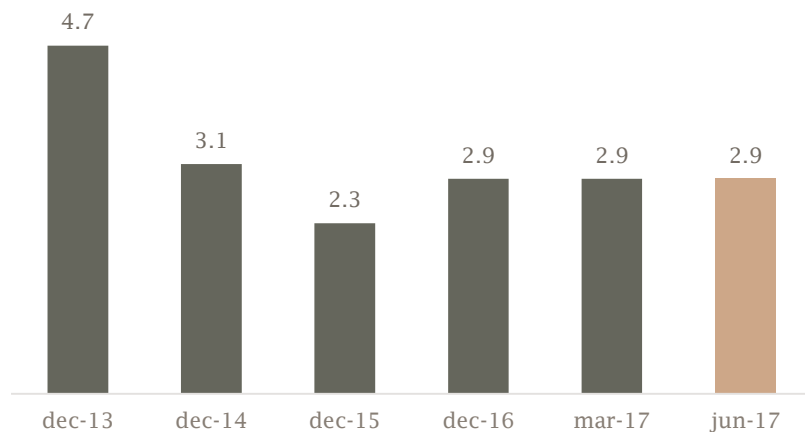
## Wholesale Funding Breakdown



## Wholesale Funding Price Evolution (%)



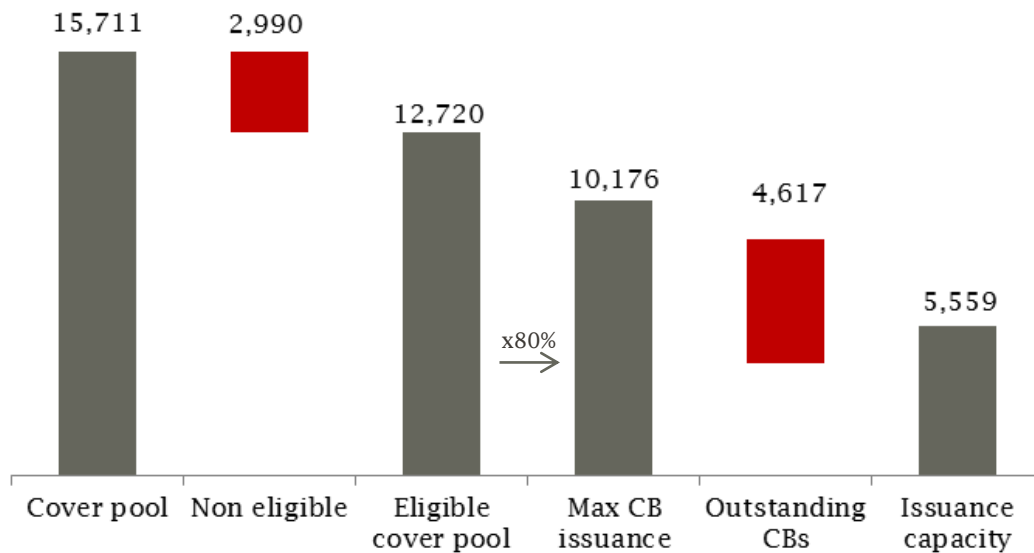
## ECB funding position (€ bn)



1. Excluding retained Covered Bonds. Not including AT1 CoCos and T2  
Source: Liberbank Treasury (inventarios)

# Wholesale Funding - Covered Bonds

High Collateralisation levels - Jun17. € million



# Wholesale Funding - Covered Bonds

	ISIN	Maturity	Rating	Amount (€ million)
AyT Cédulas Cajas Global Serie XVI <sup>(1)</sup>	ES0312298153	21-oct.-17	Aa2/BBB+/A	100
Ced.Hip.Liberbank Diciembre 2012 <sup>(1)</sup>	ES0468675006	19-dic.-17	Aa3/ BBB+/BBB+	1000
AyT Cédulas Cajas Global Serie VIII	ES0312298070	12-jun.-18	A2	675
Cédulas TDA 8 A3	ES0371622038	21-oct.-18	Aa3/ BBB+/A-	100
AyT Cédulas Cajas V "B"	ES0370148019	2-dic.-18	Aa2/ BBB+/A	68
AYT Cédulas Cajas VIII B	ES0312362017	16-nov.-19	A1/BBB+/A	27
Cédulas TDA 5	ES0317045005	27-nov.-19	A1/BBB+/A-	125
AyT Cédulas Cajas 9B	ES0312358015	29-mar.-20	Aa3/ BBB+/A	88
Cédulas TDA 8 A4	ES0371622012	8-abr.-21	A1/BBB+/A	275
PITCH Serie I	ES0334699008	18-jul.-22	Aa3/ BBB+/A	200
AyT Cédulas Cajas Global Serie III	ES0312298021	12-dic.-22	A2/BBB+/BBB+	110
AyT Cédulas Cajas Global Serie X	ES0312298096	23-oct.-23	A1/BBB+/BBB	150
Cédulas TDA 6 (1ª ampliacion)	ES0317046003	21-may.-25	A2/BBB+/BBB	300
Cedulas TDA 6 (2ª ampliacion)	ES0317046003	21-may.-25	Aa2/BBB+	300
Cédulas TDA 8 A5	ES0371622046	26-mar.-27	Aa3/ BBB+/BBB+	350
AyT Cédulas Cajas Global Serie XIII	ES0312298120	23-may.-27	Aa3/ BBB+/A	200
Cédulas TDA 8 A6	ES0371622020	8-abr.-31	A1/BBB+/A	300
Cédulas TDA 8 A6 ( Ampliac. marz-07)	ES0371622020	8-abr.-31	Aa3/ BBB+/BBB+	250
<b>TOTAL</b>				<b>4,617</b>

(1) Retained.

---

# Agenda

---

- 
1. Overview
  2. Mortgage pool
  3. Wholesale Funding. Covered Bonds
  4. Rights issue
  5. Appendix

# Rights issue - Highlights

## Rights issue to accelerate NPAs reduction and improve shareholders' returns

### Best-in-class NPAs coverage and further acceleration of NPAs reduction

- Liberbank will carry out a **€ 500m rights issue** already pre-underwritten<sup>(1)</sup> with pre-emptive rights in order to reinforce significantly the NPA coverage ratios and accelerate further NPAs reduction.
- **Support from the shareholders.** Oceanwood Capital Management LLP<sup>(2)</sup> (12.6%), Aivilo Spain (7.4%), and Corporacion Masaveu (5.0%) have declared their intention to take up their pro-rata share in full. Banking Foundations have declared their intention to at least tail-swallow.
- **Aligned interests.** All Board and Management Committee members commit to invest in the rights issue via their personal account.

### Strong capital position and sustainable cash dividend policy

- CET1 FL pro-forma ratio of 11.6%. **Target to reach 12.0% in the short term.**
- Room to improve solvency further if the bank obtains the approval to migrate 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.
- Target to resume **cash dividend policy in 2018** (20% payout ratio) increasing thereafter to 40% in 2020.
- Liberbank plans to **distribute the excess capital above 12.0%** (CET1 FL) to improve profitability and support extraordinary remuneration to shareholders.
- The liquidity of the stock will increase significantly as a result of the rights issue.

(1) Subject to certain conditions  
(2) Including financial derivatives

# Rights issue - Highlights

## Enhanced asset quality position

- Liberbank has showed **best-in class track record reducing NPAs** (-29% since Dec15). The bank will strengthen its asset quality position to accelerate NPAs reduction further.
- **Target to sell more than € 800m gross NPAs** before year end.
- **Coverage of NPAs will increase** from 40% in Jun17 to 50% pro-forma, 54% including write-offs on foreclosed assets. Reinforcement of the coverage will concentrate on RE developers and foreclosed assets.
- Further and faster NPA reduction targets, including portfolio disposals:

	Jun17	2018 E	2019 E	2020 E
NPL ratio	11.3%	c. 5.0%	c. 3.5%	n.a.
NPA ratio	22.0%	c.12.5%	< 9.0%	< 6.5%
Texas ratio	118%	< 80%	< 60%	< 50%

## Attractive profitability

- Well-positioned for interest rate recovery. Ability to improve profitability in the Fixed Income portfolio.
- Ability to continue improving fee income revenues from insurance products and off-balance sheet products (supported by recent partnership with JP Morgan).
- Cost reduction plans continue well on track. **Target to reduce operating costs below € 400m.**
- Recurrent loan impairments to remain **below 25bps.**
- **Sustainable ROE with materially de-risked profile.** ROE target of c. 7.0% by 2019 and c. 8.0% by 2020.



---

# Agenda

---

- 
1. Overview
  2. Mortgage pool
  3. Wholesale Funding. Covered Bonds
  4. Rights issue
  5. Appendix

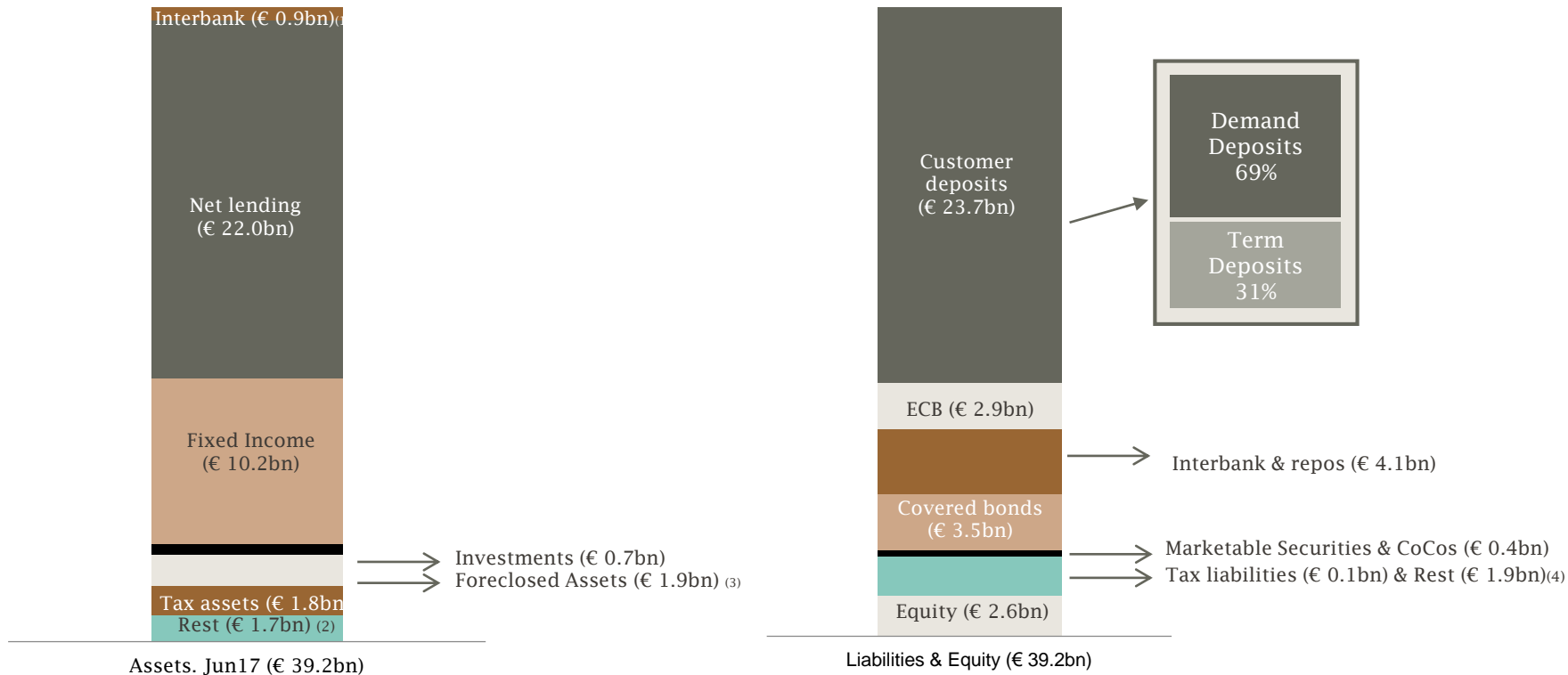
# Consolidated P&L

## Appendix

€m	2Q16	3Q16	4Q16	1Q17	2Q17	Var. 2Q17 vs 1Q17		1H16	1H17	Var. 1H17 vs 1H16	
						€m	%			€m	%
Interest Income	151	146	144	130	124	-6	-5%	316	254	-62	-19%
Interest Cost	-40	-35	-28	-28	-24	4	-14%	-88	-52	36	-41%
<b>NET INTEREST INCOME</b>	<b>111</b>	<b>111</b>	<b>116</b>	<b>102</b>	<b>100</b>	<b>-2</b>	<b>-2%</b>	<b>228</b>	<b>202</b>	<b>-26</b>	<b>-11%</b>
Dividends	1	2	0	0	1	1	nm	1	2	1	nm
Results from equity method stakes	21	0	3	2	23	20	nm	20	25	5	26%
Net fees	45	43	45	43	46	3	7%	93	89	-4	-4%
Gains on financial assets & others	48	36	78	50	5	-46	-91%	232	55	-177	-76%
Other operating revenues/(expenses)	-3	-2	-47	-20	0	20	nm	-20	-20	0	1%
<b>GROSS INCOME</b>	<b>223</b>	<b>190</b>	<b>195</b>	<b>178</b>	<b>175</b>	<b>-3</b>	<b>-2%</b>	<b>554</b>	<b>353</b>	<b>-201</b>	<b>-36%</b>
<b>Administrative expenses</b>	<b>-103</b>	<b>-98</b>	<b>-93</b>	<b>-98</b>	<b>-96</b>	<b>2</b>	<b>-2%</b>	<b>-201</b>	<b>-194</b>	<b>7</b>	<b>-3%</b>
Staff expenses	-62	-62	-62	-61	-61	0	-1%	-123	-122	1	-1%
General expenses	-40	-36	-30	-37	-36	1	-3%	-78	-72	6	-8%
Amortizations	-9	-10	-9	-11	-11	0	4%	-17	-22	-5	28%
<b>PRE PROVISION PROFIT</b>	<b>111</b>	<b>83</b>	<b>93</b>	<b>69</b>	<b>68</b>	<b>-1</b>	<b>-2%</b>	<b>335</b>	<b>137</b>	<b>-198</b>	<b>-59%</b>
Provisions	91	-13	-108	-1	27	28	nm	-12	25	37	nm
Impairment on financial assets (net)	-105	-28	61	-22	-26	-4	20%	-175	-48	127	-73%
Others	-65	-1	-15	-9	-32	-23	nm	-69	-41	28	-41%
<b>PROFIT BEFORE TAXES</b>	<b>32</b>	<b>41</b>	<b>30</b>	<b>37</b>	<b>36</b>	<b>-1</b>	<b>-3%</b>	<b>80</b>	<b>74</b>	<b>-6</b>	<b>-8%</b>
Taxes	-3	-13	-18	-10	-3	7	-69%	-17	-13	4	-22%
<b>NET INCOME</b>	<b>30</b>	<b>27</b>	<b>12</b>	<b>27</b>	<b>33</b>	<b>6</b>	<b>22%</b>	<b>63</b>	<b>61</b>	<b>-2</b>	<b>-4%</b>
<b>NET INCOME ATTRIBUTABLE</b>	<b>35</b>	<b>27</b>	<b>29</b>	<b>32</b>	<b>35</b>	<b>3</b>	<b>9%</b>	<b>73</b>	<b>67</b>	<b>-6</b>	<b>-8%</b>

# Consolidated balance sheet

Appendix



(1) Interbank include cash and interbank deposits

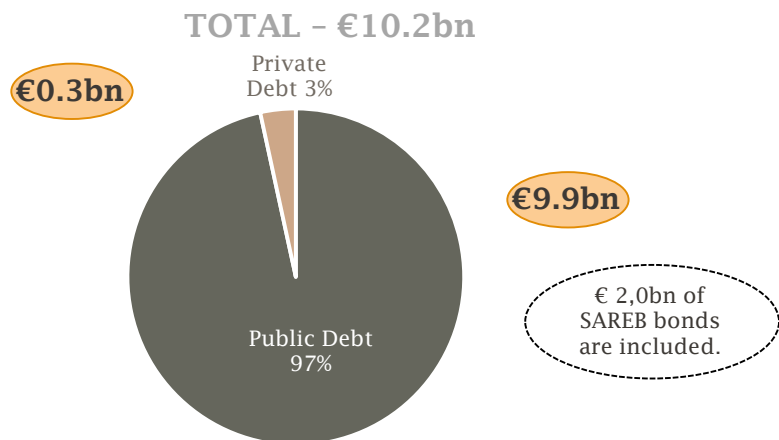
(2) Rest of assets include tangible and intangible assets and derivative hedging among others

(3) Assets currently held for sale

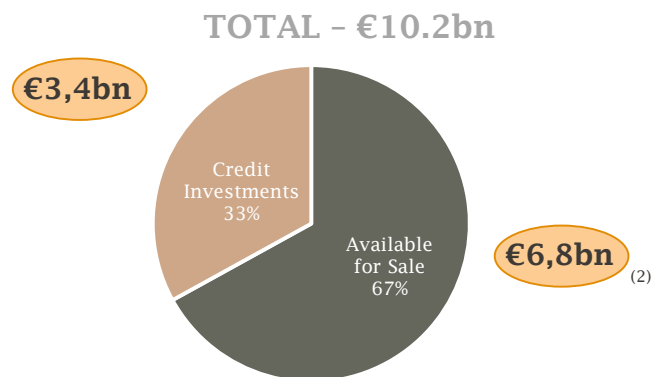
(4) Rest of liabilities include provisions, accrued interests and micro-hedging among others

# Fixed Income portfolio

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



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



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

Breakdown	Yield	Duration	Unrealised gains
Available for Sale	1.10%	1.71	74
Credit Investments	0.94%	5.45	3
<b>TOTAL</b>	<b>1.05%</b>	<b>2.95</b>	<b>77</b>

1. Accounting values. Including retained Covered Bonds. Including accrued coupon

2. Including unrealised capital gains as of 30<sup>th</sup> of June 2017

3. Weighted average duration in years.

# Book Value and CoCos

## Book value and Tangible Book Value

	Jun-17	Fully Diluted
# New shares (m)		69
# O/S shares (m)	928	997
BV (exc minorities). Eur m	2,535	2,631
TBV.Eur m <sup>(1)</sup>	2,408	2,504
BVps (Eur)	2.73	2.64
TBVps (Eur)	2.59	2.51
Last price (Eur)	1.01	1.01
PBV	0.37x	0.38x
PTBV	0.39x	0.40x

(1) Intangibles deduction  
 Note: last price for CoCos conversion purpose as of 21st of July (Eur 1.005sh)

## Outstanding CoCos. Jun17

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

# Rating



Credit Ratings			Mortgage Covered Bonds
Long Term	Short Term	Outlook	
B1	NP	Stable	A2
BB	B	Stable	na
BBB (L)	R2 (Middle)	Negative	A (high)

# **Liberbank**

## **Institutional Investors & Analysts Contact**

Relacion.inversores@liberbank.es

+ 34 91 422 58 37