

**Liberbank**

# **The Euromoney/ECBC Covered Bond Congress**

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10th September, 2015

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# Agenda

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1. Overview

2. Mortgage pool

3. Wholesale Funding. Covered Bonds

4. Appendix

# Liberbank today

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 25.5% combined market share in deposits)

1. Market leader in its home regions

2. Pure retail banking – low risk model

3. Strong liquidity position

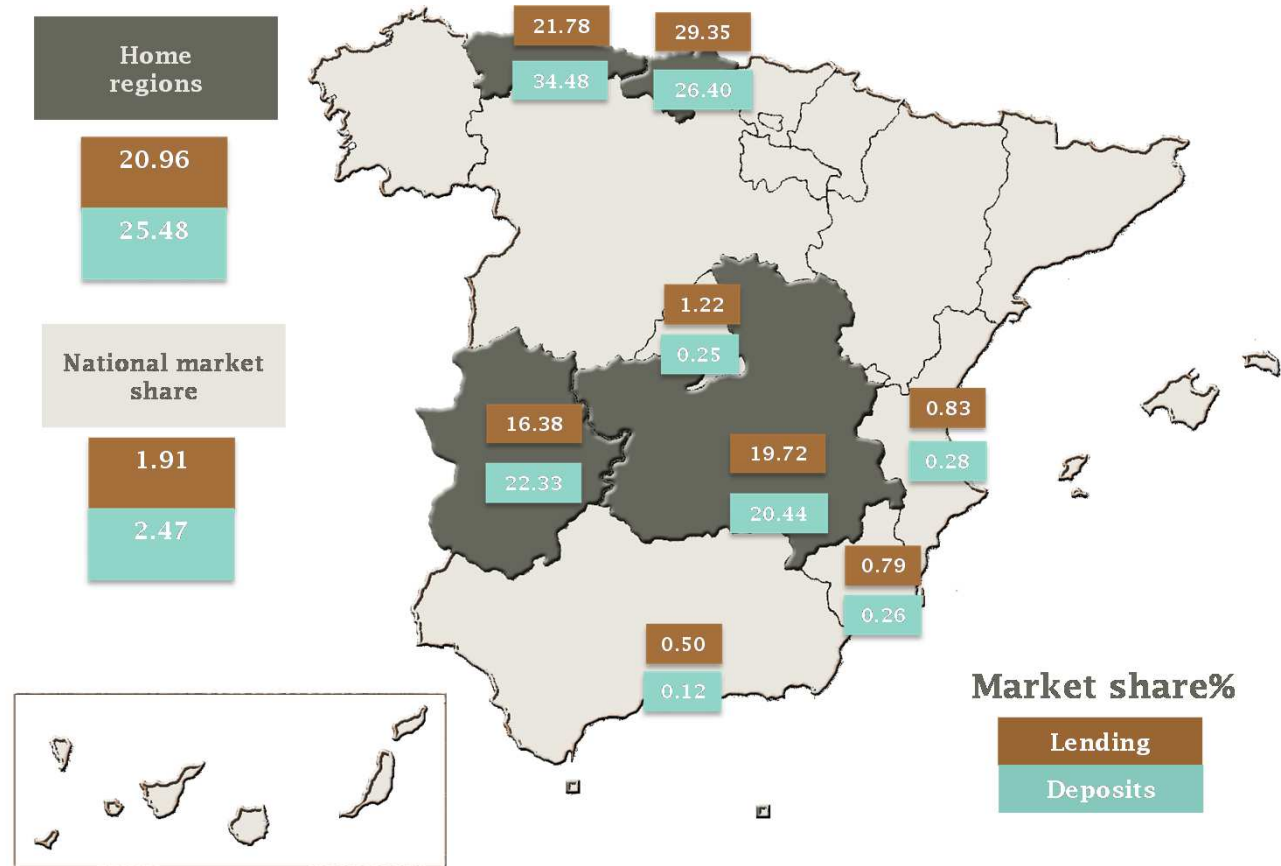
4. Improving profitability

5. Comfortable solvency

6. Diversified shareholder base and corporate governance best-practice

	June 2015
Total balance sheet (Eur bn)	42.8
Net customer loans (Eur bn)	23.7
Customer resources (Eur bn)	29.6
<hr/>	
2014 Attributable profit (Eur m)	117
1H15 Attributable profit (Eur m)	125
CET1 Fully loaded	11.7%
Market Cap (Eur m; 31.08.2015)	1,672
<hr/>	
Employees (#)	5,123
Branches (units)	1,049
Customers (#)	1,745,309

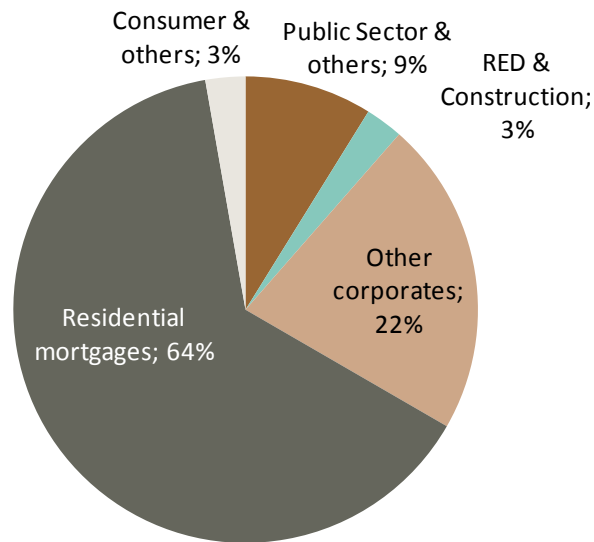
# 1 Market leader in its four home regions



- 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

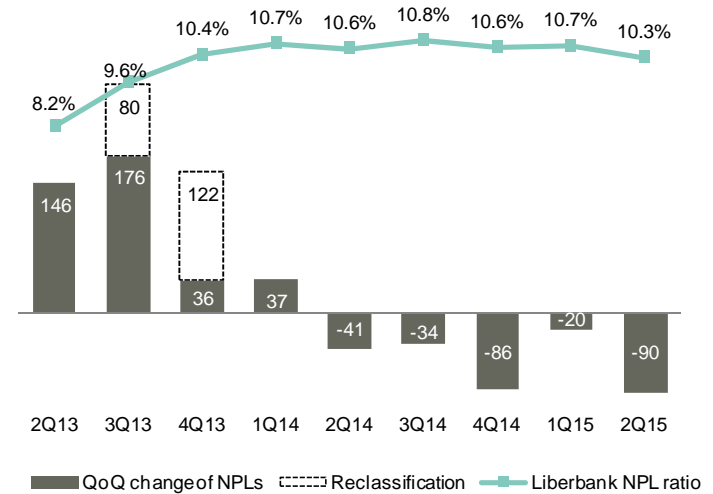
## 2 Retail banking. Sound asset quality

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

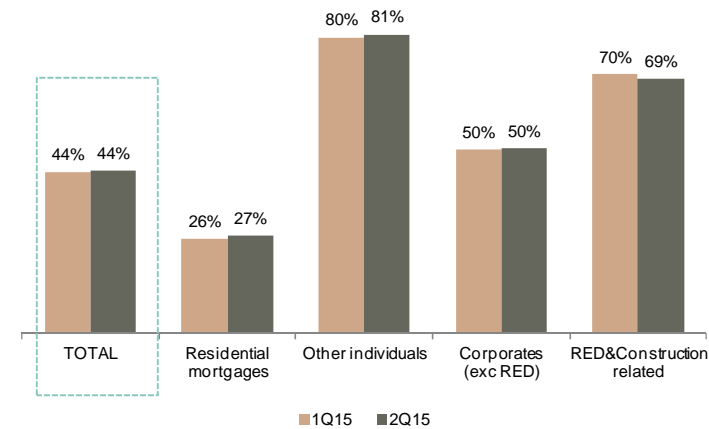


- Retail, granular and highly secured loan book.
- NPL ratio below the sector and well covered.

NPLs quarterly change (exc APS)

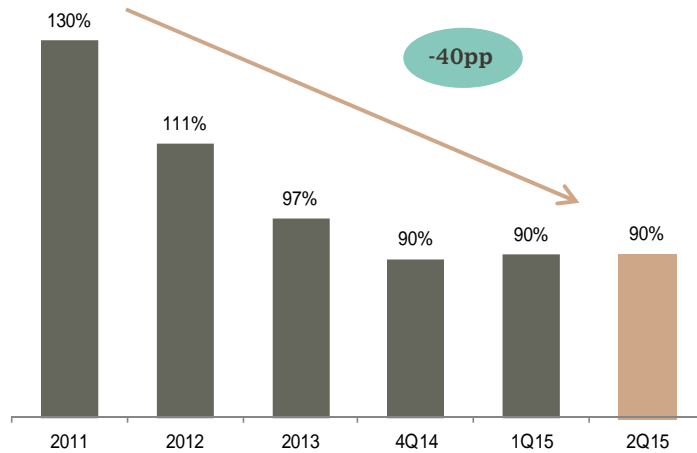


Coverage over NPLs by segment (exc APS)

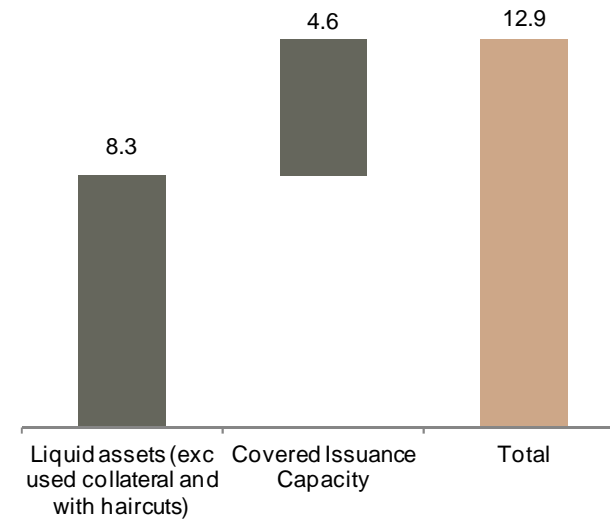


# 3 Strong funding and liquidity position

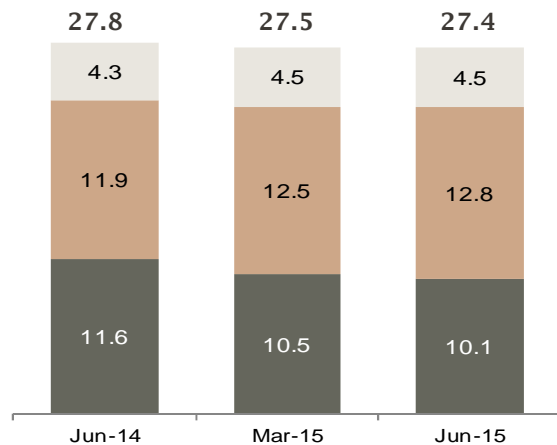
LtD Liberbank



Liquidity position. (€ bn)



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



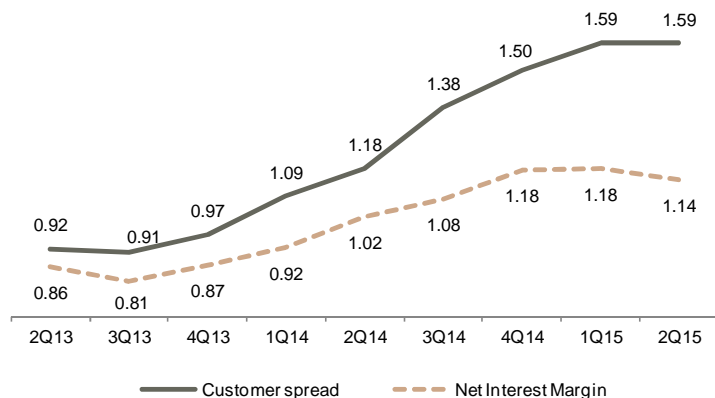
■ Term deposits ■ Demand deposits ■ Off-balance sheet

(1) Resident customers. Excluding Public Institutions, non-resident customers and other

- ➔ LCR and NSFR ratios well above future requirements
- ➔ Resilient retail customer funds on balance sheet.
- ➔ Off balance sheet funds should recover growth in the following quarters.

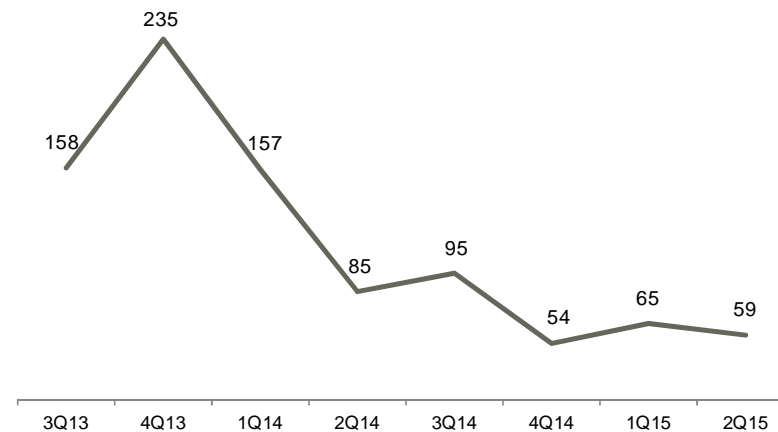
# 4 Improving profitability

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



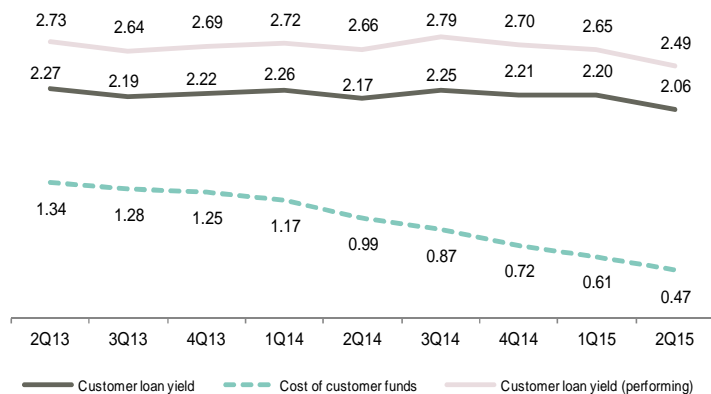
(1) 2Q13 and 1Q15 NIM and customer spread exclude € 12m and € 3m of extraordinary interest income  
Note: NIM = NII / ATAs

Recurrent cost of risk (bp)<sup>(1)</sup>



(1) Annualized recurrent LLP over average gross loan portfolio (exc APS).

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



(1) 2Q13 and 1Q15 loan yields exclude € 12m and € 3m of extraordinary interest income

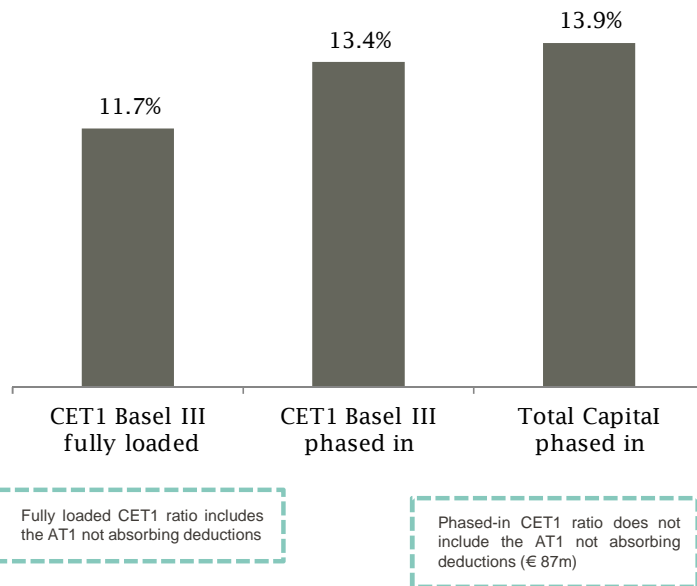
→ Customer spread<sup>(1)</sup> widens up 41bp YoY. The repricing of the loan book due to lower reference rate is offset by lower cost of customer funds.

→ Cost of risk keeps reducing, close to our 50bp target.

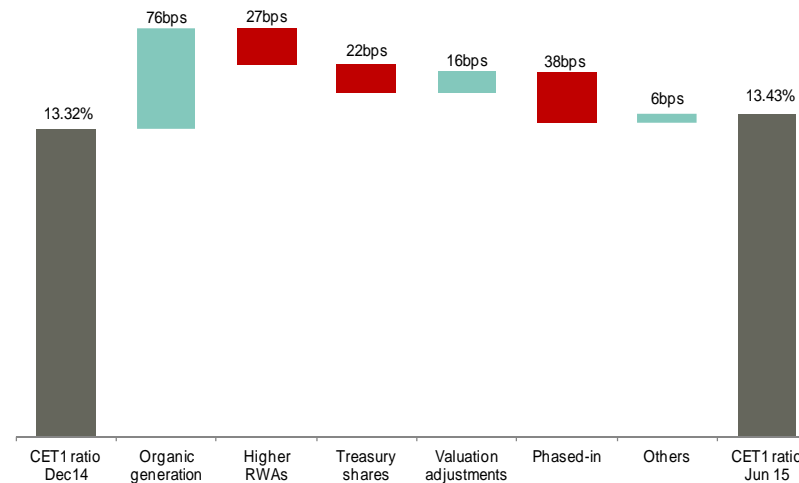


# 5 Comfortable solvency position

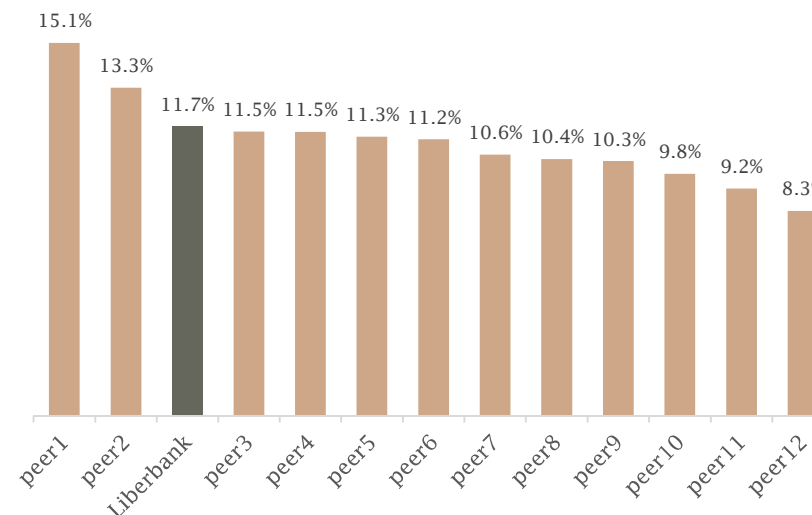
Capital ratios. Jun15



CET1 phased-in performance



CET1 BIS III (Fully Loaded). Jun15

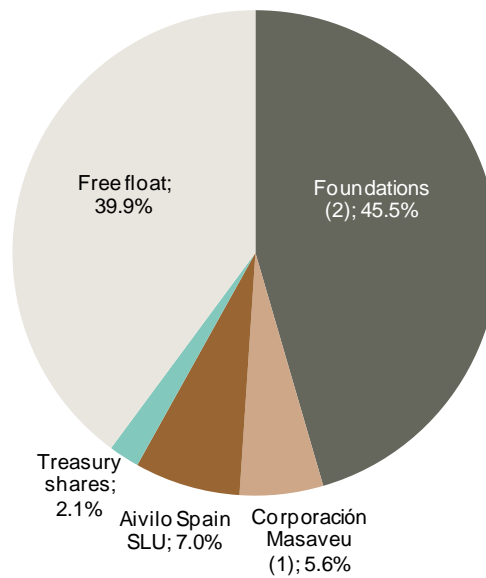


- Liberbank's CET1 ratio BIS 3 phased-in stands at 13.43% and fully loaded at 11.73% (not including the unrealized capital gains of the Sovereign Fixed Income portfolio).
- Liberbank stands under standard models.
- Leverage ratio (phased-in) stands at 5.5%.

Note: Capital ratios include 1H15 retained earnings

## 6 Corporate governance

### Shareholder base



(1) Includes Flicka Forestal, Corporación Masaveu and Fundación María Cristina Masaveu  
(2) Includes Fundación Caja Asturias (30.1%), Fundación Caja Extremadura (9.02%) and Fundación Caja Cantabria (6.38%)  
Source: Liberbank and CNMV

- Board of Directors composed of 15 members, 1/3 of independents and 13 non-executives
- All Board members appointed by former “Cajas” held top executive positions in corporate & banking entities in the past

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# Agenda

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1. Overview

2. Mortgage pool

3. Wholesale Funding. Covered Bonds

4. Appendix

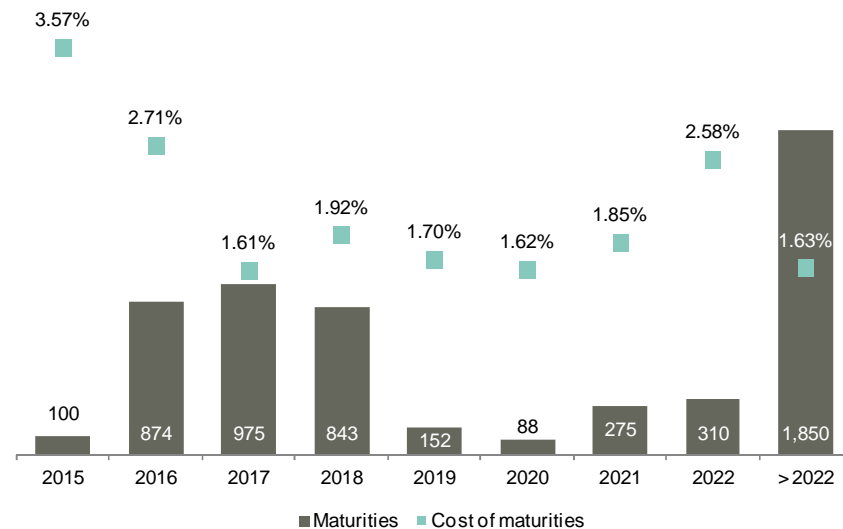
# Mortgage Covered Bond. Summary

Collateral description (inc APS). Jun15	
Cover pool size (€ million) <sup>(1)</sup>	17.978
Residential assets	74%
Commercial assets	13%
Developers assets	13%
Eligible mortgages (€ million) <sup>(1)</sup>	14.003
Number of loans (#)	223.702
Average loan size (€ thousand)	63
Loan seasoning (month)	90
Remaining loan maturity (months)	201
Average Loan to Value	56%
<b>Breakdown by rate:</b>	
Fix rate loans	4,7%
Variable rate loans linked to EUR 12M	95,3%
Weighted Avge. Interest rate fixed rate loans	3,8%
Weighted Avge. Interest rate variable rate loans	2,5%

(1) Excluding securitised assets

Mortgage Covered Bond description. Jun15	
Covered Bonds Outstanding (€ million)	7.025
Covered Bonds (retained) (€ million)	1.550
Over Collateralisation rate (total)	256%
Over Collateralisation rate (eligible)	199%
Avg weighted remaining maturity (months)	61

Covered Bonds. Maturity Profile (exc retained). Eur m



# Mortgage Covered Bond. Summary

	TOTAL	ow Liberbank	ow CCM
Cover pool size (€ million) <sup>(1)</sup>	<b>17,978</b>	10,523	7,455
Residential assets	<b>74%</b>	84%	59%
Commercial assets	<b>13%</b>	16%	10%
Developers assets	<b>13%</b>	0%	30%
Eligible mortgages (€ million) <sup>(1)</sup>	<b>14,003</b>	9,259	4,745
Number of loans (#)	<b>223,702</b>	152,405	71,297
Average loan size (€ thousand)	<b>63</b>	61	67
Loan seasoning (month)	<b>90</b>	90	90
Remaining loan maturity (months)	<b>201</b>	225	168
Average Loan to Value	<b>56%</b>	55%	56%
NPL ratio	<b>20.9%</b>	9.7%	42.9%
Covered Bonds Outstanding (€ million)	<b>7,025</b>	3,687	3,338
Issuance capacity	<b>4,178</b>	3,720	458
Over Collateralisation rate (total)	<b>256%</b>	285%	223%
Over Collateralisation rate (eligible)	<b>199%</b>	251%	142%

<sup>(1)</sup> 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.

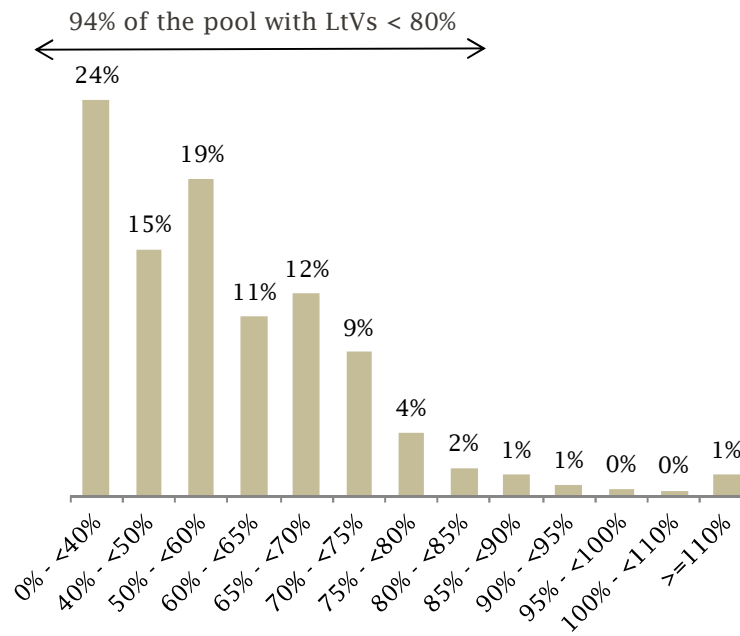
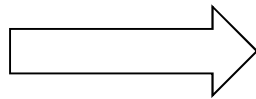
## Residential Assets – Main figures. June 2015

Total mortgages (€ million)	13,317	Average Loan to Value	55%
Number of loans	207,063	NPL ratio	6.30%
Average loan size (thousand)	64	First rank	93%
Number of borrowers	300,441	Mortgages originated outside Liberbank	4.7%
Loan seasoning (month)	92	Average DTI <sup>(1)</sup>	37.8%
Remaining loan maturity (months)	240	Floating rate loan Interest rate Type	97.5%

(1) DTI = Debt to Income. Monthly mortgage payment over the net income of the borrower using forward rate curve

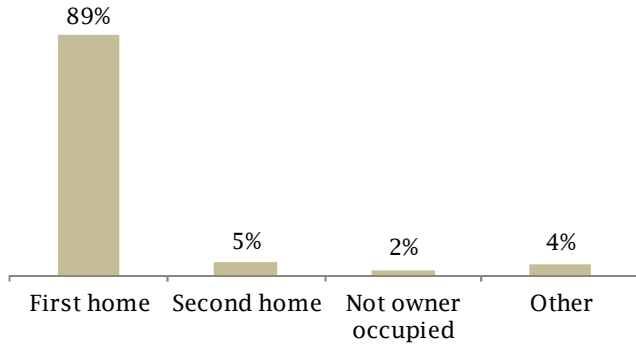
## Portfolio Breakdown

Unindexed LTV Breakdown. Jun 15	€ million	%
0% - <40%	3,209	24%
40% - <50%	1,997	15%
50% - <60%	2,568	19%
60% - <65%	1,449	11%
65% - <70%	1,638	12%
70% - <75%	1,163	9%
75% - <80%	517	4%
80% - <85%	233	2%
85% - <90%	170	1%
90% - <95%	95	1%
95% - <100%	60	0%
100% - <110%	48	0%
>=110%	169	1%
<b>TOTAL</b>	<b>13,317</b>	

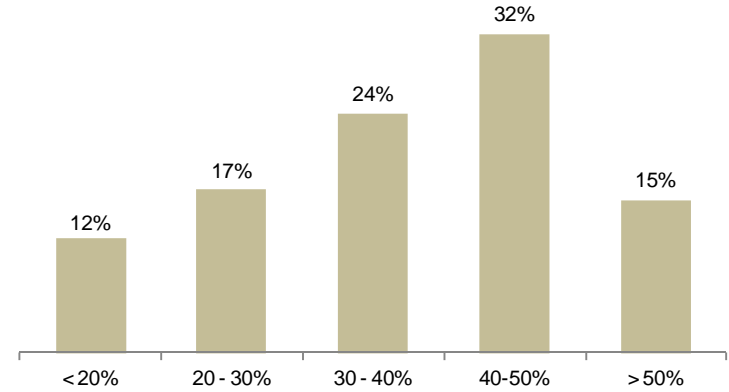


# Collateral. Residential assets.

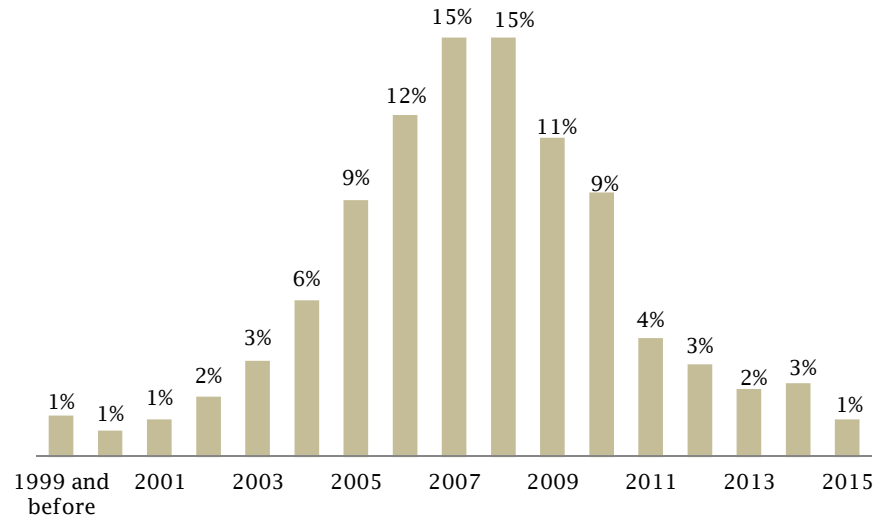
**Property Type**



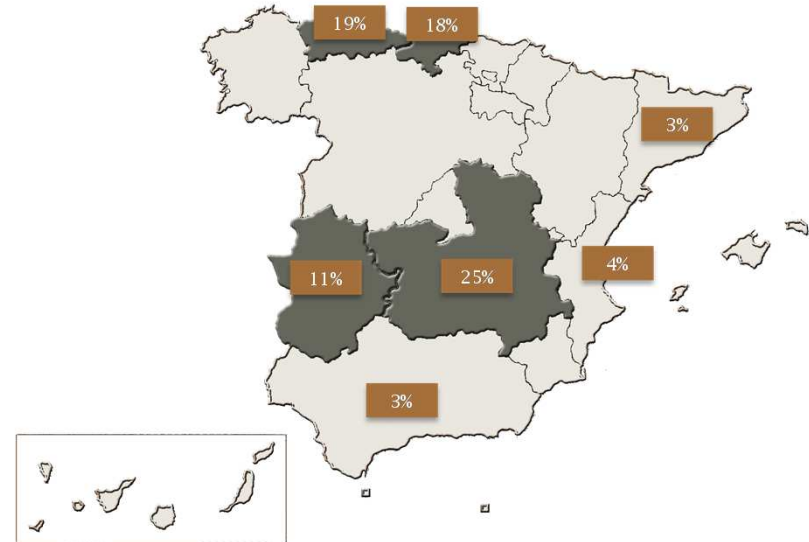
**DTI breakdown**



**Vintage**



**Geographical diversification**



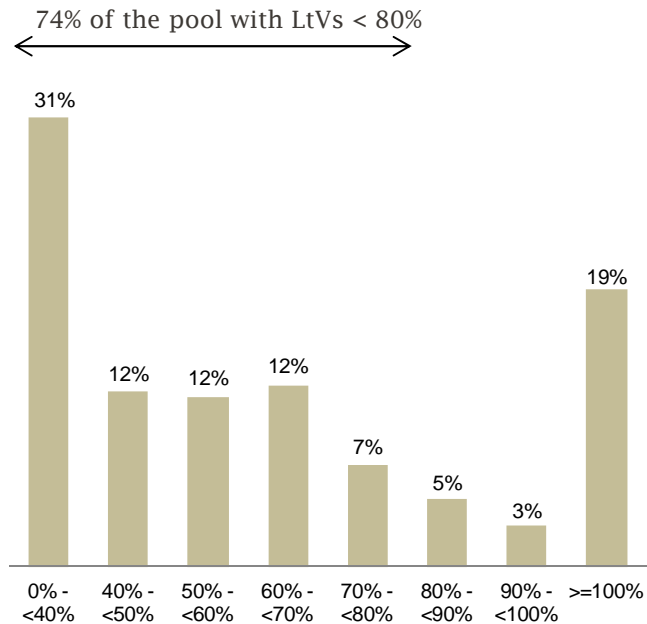
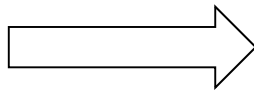
# Collateral. Commercial assets.

## CommercialAssets - Main figures. June 2015

Total mortgages (€ million)	2,400	Remaining loan maturity (months)	114
Number of loans	13,800	Average Loan to Value	61.1%
Average loan size (thousand)	174	NPL ratio	35.7%
Number of borrowers	12,987	First rank	69%

## Portfolio Breakdown

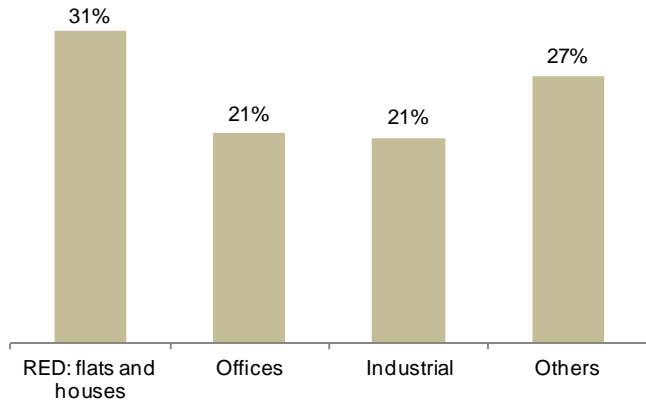
LTV Breakdown. Jun 15	€ million	%
0% - <40%	738	31%
40% - <50%	288	12%
50% - <60%	276	12%
60% - <70%	297	12%
70% - <80%	167	7%
80% - <90%	112	5%
90% - <100%	68	3%
>=100%	454	19%
<b>TOTAL</b>	<b>2,400</b>	





# Collateral. Commercial assets. Jun 2015

## Property type<sup>(1)</sup>

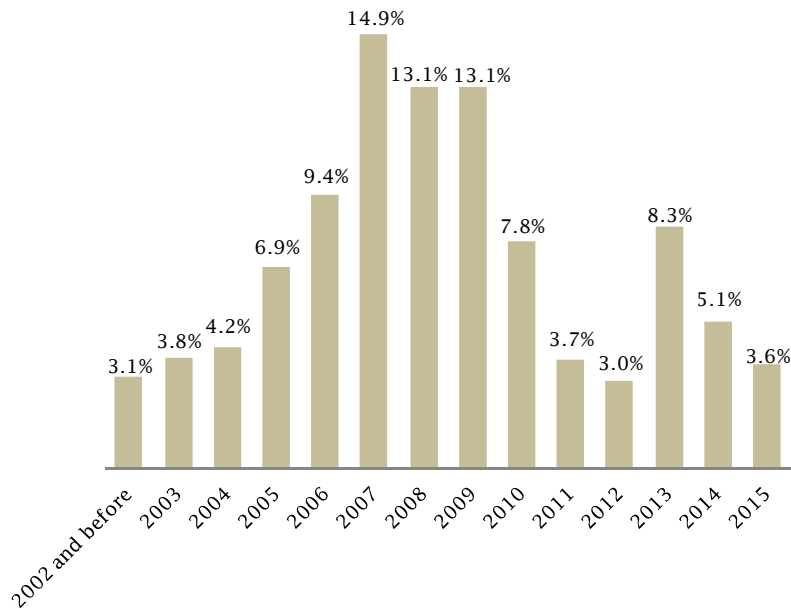


(1) Data as of 2014

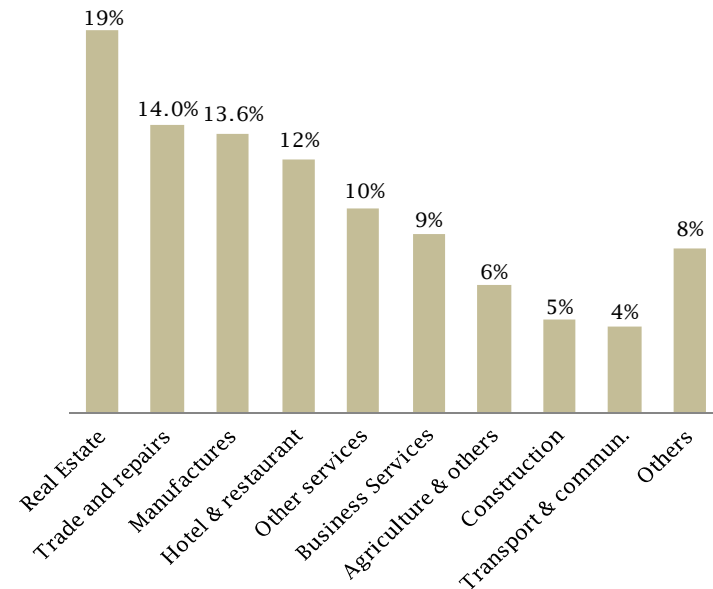
## Borrower concentration

Borrower Concentration	€ million	% over total
Top 1 borrower	75	3.1%
Top 5 borrower	212	8.8%
Top 10 borrower	288	12.0%
Top 20 borrower	394	16.4%

## Vintage



## Economic sector exposure



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# Agenda

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1. Overview

2. Mortgage pool

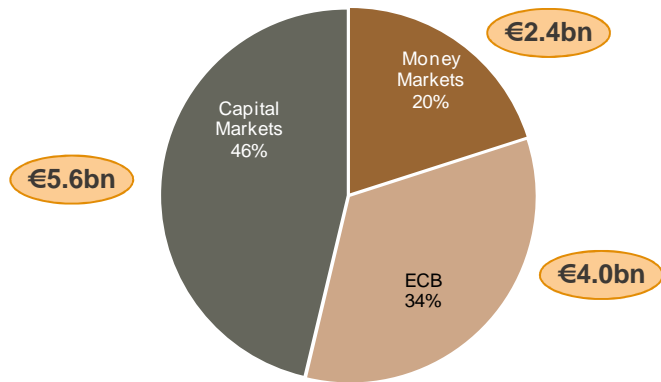
3. Wholesale Funding. Covered Bonds

4. Appendix

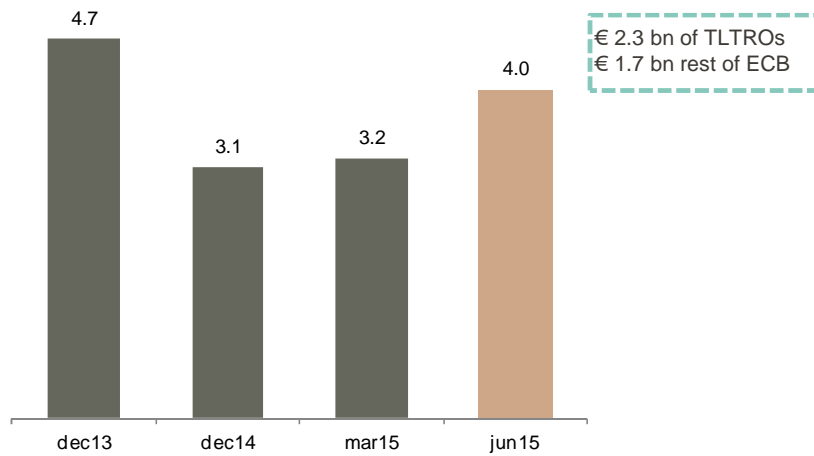
# Wholesale funding - Overview

## Wholesale Funding Breakdown

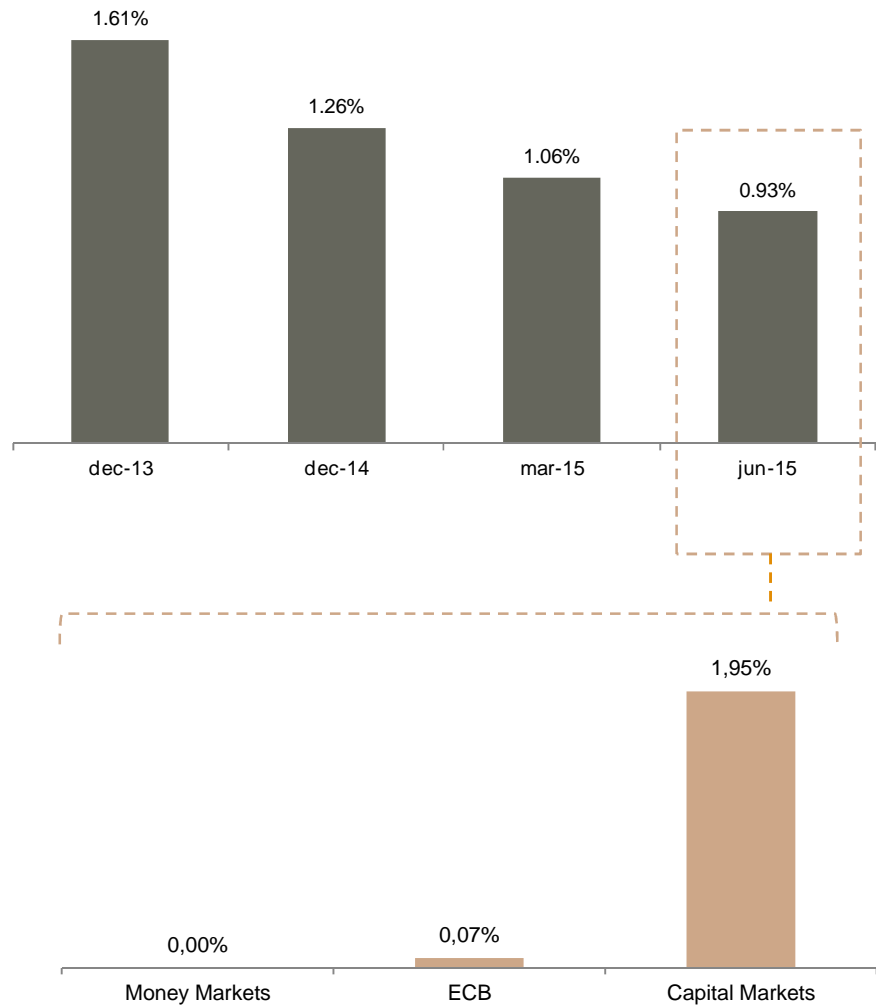
TOTAL - €12.0bn<sup>(1)</sup>



## ECB funding position (€ bn)



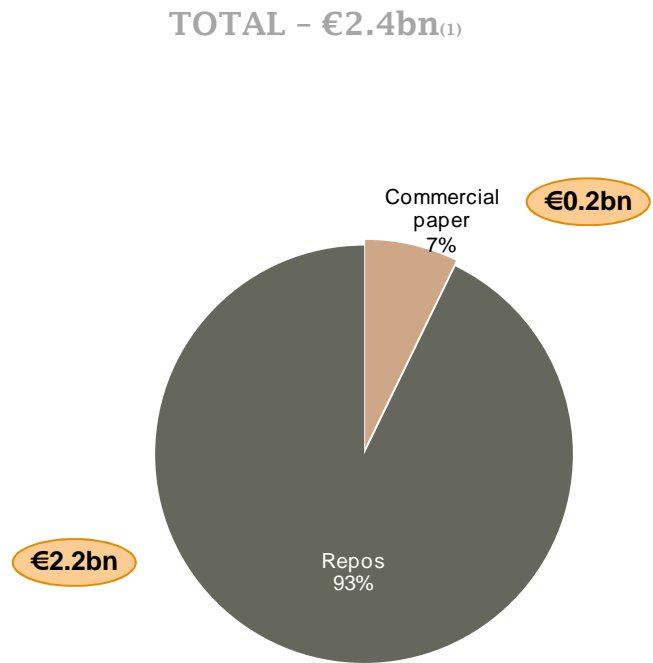
## Average Wholesale Funding Cost Evolution (%)



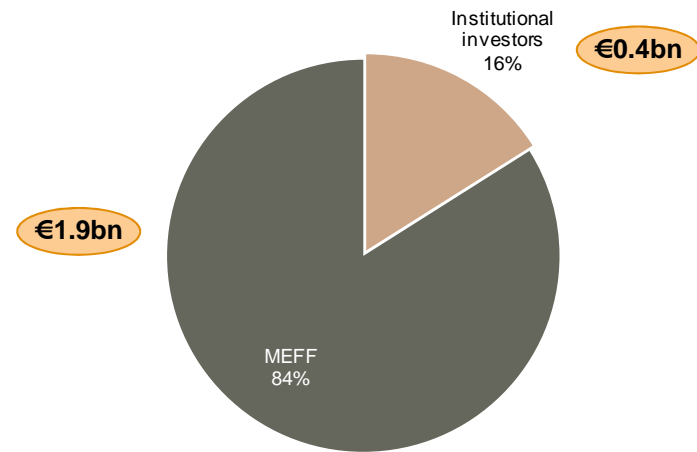
1. Excluding retained Covered Bonds. Not including AT1 CoCos  
Source: Liberbank Treasury (inventarios)

# Wholesale Funding - Money Markets

## Short Term Funding – Jun15



## REPO – Jun15



- Average cost: 0.03%
- Average maturity: 0.3 months

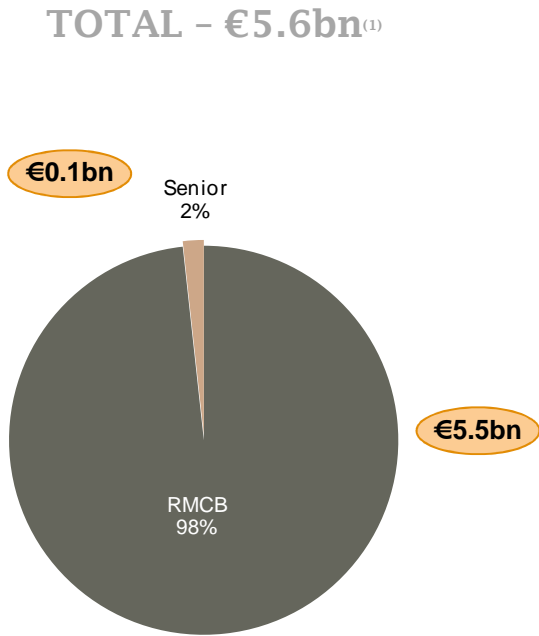
## Commercial Paper – Jun15

- 100% Institutional Investors
- Average cost: 0.43%
- Average maturity: 5.2 months

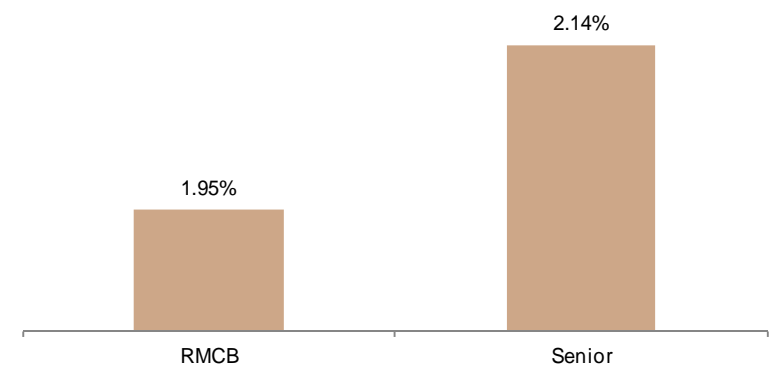
(1) Money markets include repos with the Spanish Treasury (Public Administration)  
Source: Liberbank Treasury (inventarios)

# Wholesale Funding - Capital Markets

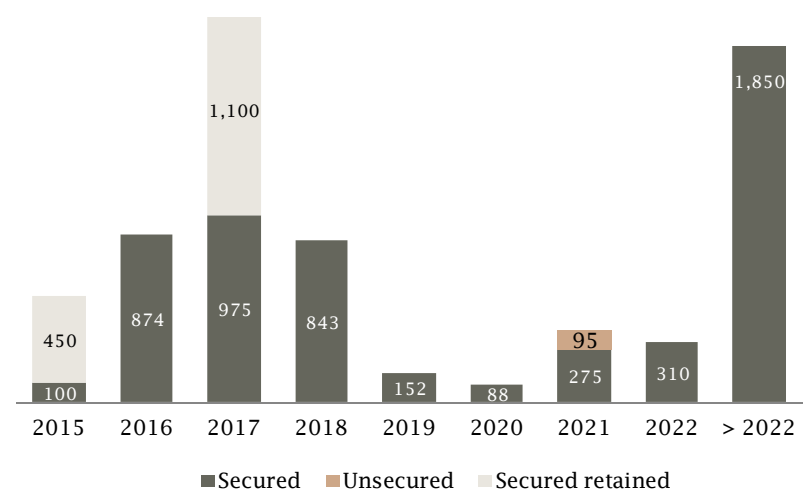
Capital markets breakdown – Jun15



Average Capital Markets Cost (%) – Jun15



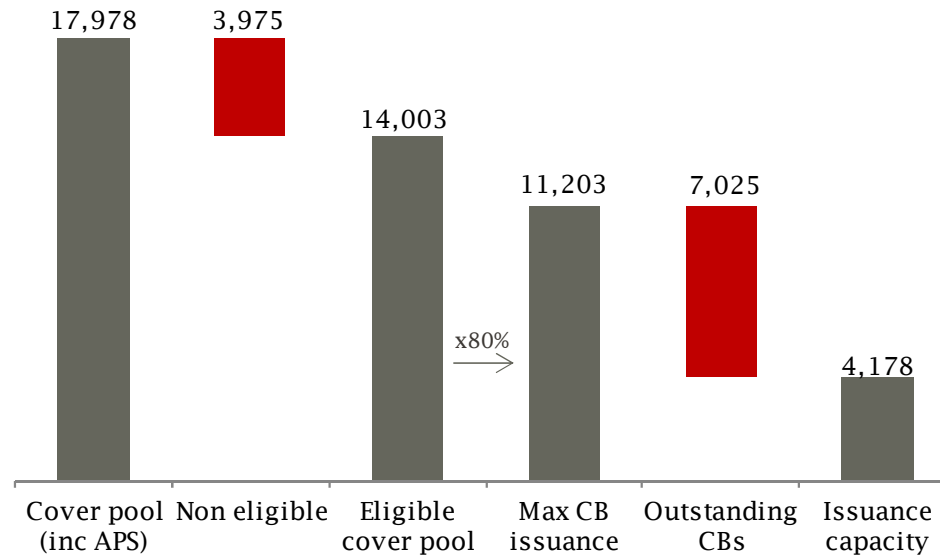
Capital markets maturities (€m) – Jun15



(1) Excluding retained Covered Bonds . Not including ATI  
 (2) Source: Liberbank Treasury (inventarios)

# Wholesale Funding - Covered Bonds

High Collateralisation levels (inc APS) - Jun15. € million



# Wholesale Funding - Covered Bonds

	ISIN	Maturity	Rating	Amount (€ million)
AyT Programa Global Serie XX	ES0312298195	22-nov-15	Baa1/AA-/BBB	450
IM MASTER CÉDULAS. IM Cédulas M1	ES0362859003	30-nov-15	Baa2/BBB	100
Cédulas TDA 3	ES0317043000	1-mar-16	A3/BBB-/A	300
AyT Cédulas Cajas Global Serie II	ES0312298013	12-mar-16	A3/BBB+/BBB+	157
IM CÉDULAS 9	ES0347785000	7-jun-16	A3//BB+	50
AyT Cédulas Cajas Global Serie XI	ES0312298104	18-dic-16	A3/A-/BBB	375
AyT Cédulas Cajas Global Serie XII	ES0312298112	19-mar-17	Baa1/BB-/BBB-	700
AYT Programa Global Serie VII	ES0312298062	24-may-17	A3/BBB/A-	100
Cédulas TDA 7	ES0317047001	20-jun-17	Baa3/BB/BB+	175
AyT Cédulas Cajas Global Serie XVI	ES0312298153	21-oct-17	Baa2/BB+/BBB+	100
Cédula Hipotecaria Liberbank	ES0468675006	19-dic-17	Baa3	1,000
AyT Cédulas Cajas Global Serie VIII	ES0312298070	12-jun-18	Baa1/BB/BB+	675
Cédulas TDA 8 A3	ES0371622038	21-oct-18	A3/A-/A	100
AyT Cédulas Cajas V "B"	ES0370148019	2-dic-18	A3/A/A-	68
AyT Cédulas Cajas VIII B	ES0312362017	16-nov-19	Baa1/BBB-/A	27
Cédulas TDA 5	ES0317045005	27-nov-19	Baa1/BBB-/BBB+	125
AyT Cédulas Cajas 9B	ES0312358015	29-mar-20	Baa1/BB+/BBB	88
Cédulas TDA 8 A4	ES0371622012	8-abr-21	Baa1/BB/BBB	275
PITCH Serie I	ES0334699008	18-jul-22	A3/BBB+	200
AyT Cédulas Cajas Global Serie III	ES0312298021	12-dic-22	A3/BB+/BBB	110
AyT Programa Global Serie X	ES0312298096	23-oct-23	A3/BBB-/BBB	150
Cédulas TDA 6 (1ª ampliacion)	ES0317046003	21-may-25	A3/BBB-/BBB	300
Cedulas TDA 6 (2ª ampliacion)	ES0317046003	21-may-25	A3/BBB-/BBB	300
Cédulas TDA 8 A5	ES0371622046	26-mar-27	A3/BBB-/BBB	350
AyT Cédulas Cajas Global Serie XIII	ES0312298120	23-may-27	A3/BB/BBB	200
Cédulas TDA 8 A6	ES0371622020	8-abr-31	Baa1/BB+/BBB	300
Cédulas TDA 8 A6 ( Ampliac. marz-07)	ES0371622020	8-abr-31	A3/BB+/BBB	250
<b>TOTAL</b>				<b>7,025</b>

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# Agenda

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1. Overview

2. Mortgage pool

3. Wholesale Funding. Covered Bonds

4. Appendix



# Consolidated P&L

Appendix

(€m)	2013	2014	Change vs 2013	
			(€m)	%
Interest Income	1,088	944	-144	-13%
Interest Cost	-673	-473	200	-30%
<b>NET INTEREST INCOME</b>	<b>415</b>	<b>471</b>	<b>56</b>	<b>13%</b>
Dividends	8	10	2	31%
Results from equity method stakes	38	34	-4	-10%
Net fees	215	187	-28	-13%
Gains on financial assets & others	247	300	53	21%
Other operating revenues	-83	-63	20	-24%
<b>GROSS INCOME</b>	<b>840</b>	<b>939</b>	<b>99</b>	<b>12%</b>
Administrative expenses	-422	-400	22	-5%
Staff expenses	-272	-259	13	-5%
General expenses	-150	-141	9	-6%
Amortisations	-41	-39	2	-5%
<b>PRE PROVISION PROFIT</b>	<b>377</b>	<b>500</b>	<b>123</b>	<b>33%</b>
Provisions	24	-11	-35	nm
Impairment on financial assets (net)	-465	-351	114	-24%
Impairment losses on other assets (net)	-1	7	8	nm
Others	16	-27	-42	nm
<b>PROFIT BEFORE TAXES</b>	<b>-50</b>	<b>118</b>	<b>168</b>	<b>nm</b>
Taxes	59	-10	-68	nm
<b>NET INCOME</b>	<b>9</b>	<b>108</b>	<b>99</b>	<b>nm</b>
<b>NET INCOME ATTRIBUTABLE</b>	<b>22</b>	<b>117</b>	<b>95</b>	<b>439%</b>

# Consolidated balance sheet

Appendix

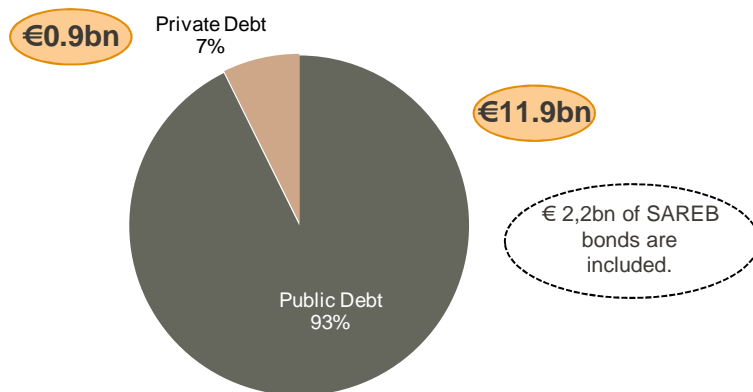
(€m)	2013	2014	Change vs 2013	
			(€m)	(%)
Cash & balance with other fin. institutions	692	563	-129	-19%
Loan to clients	26,380	24,164	-2,216	-8%
Fixed Income portfolio	12,433	12,914	481	4%
Investments	786	724	-62	-8%
Derivatives portfolio	108	486	378	350%
Non-Current assets Held for Sale	1,366	1,413	47	3%
Property, plant and equipment	747	772	25	3%
Deferred Tax Assets	1,802	1,808	6	0%
Other assets	232	293	61	26%
<b>TOTAL ASSETS</b>	<b>44,546</b>	<b>43,137</b>	<b>-1,409</b>	<b>-3.2%</b>
Central banks and credit institutions	5,408	4,015	-1,393	-26%
Customer deposits	34,941	34,916	-25	0%
Bonds, subordinated debt & other	2,009	827	-1,182	-59%
Derivatives	85	55	-30	-35%
Deferred Tax Liabilities	144	317	173	120%
Other liabilities	375	391	16	4%
<b>TOTAL LIABILITIES</b>	<b>42,962</b>	<b>40,521</b>	<b>-2,441</b>	<b>-5.7%</b>
Shareholders' equity	1,463	2,050	587	40%
Attributable profit	48	117	69	144%
Valuation adjustments	-20	360	380	nm
Minority interest	94	102	8	9%
<b>EQUITY</b>	<b>1,585</b>	<b>2,615</b>	<b>1,030</b>	<b>65.0%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>44,546</b>	<b>43,137</b>	<b>-1,409</b>	<b>-3.2%</b>

# Fixed Income portfolio

Appendix

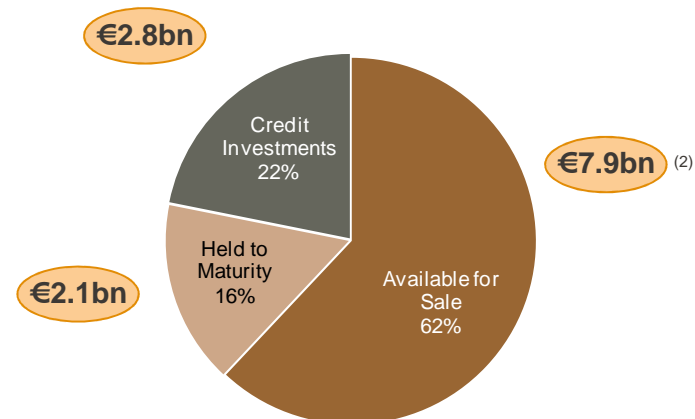
## Fixed Income Portfolio by Issuer<sup>(1)</sup>

TOTAL - €12.8bn



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

TOTAL - €12.8bn



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

Breakdown	Yield	Duration	Unrealised gains <sup>(4)</sup>
Held to maturity	2.74%	3.76	142
Available for Sale	1.99%	2.89	338
<b>TOTAL HtM y AfS</b>	<b>2.15%</b>	<b>3.07</b>	<b>479</b>
Credit Investments	0.50%	0.17	-19
<b>TOTAL</b>	<b>1.78%</b>	<b>2.45</b>	<b>460</b>

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

2. Including unrealised capital gains as of 30<sup>th</sup> of June 2015

3. Weighted average duration in years.

4. Unrealised gains as of 31<sup>st</sup> of July 2015. As of 30<sup>th</sup> June 2015 gains amounted to Eur 349m

# Book Value and CoCos

## Book value and Tangible Book Value

Jun-15		Fully Diluted
# New shares (m)		218
# O/S shares (m)	2,615	2,834
BV (exc minorities). Eur m	2,466	2,634
TBV. Eur m <sup>(1)</sup>	2,383	2,551
BVps (Eur)	0.94	0.93
TBVps (Eur)	0.91	0.90
Last price (Eur)	0.65	0.65
PBV	0.69x	0.70x
PTBV	0.71x	0.72x

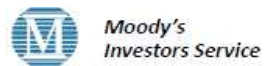
(1) Intangibles deduction  
 Note: last price for CoCos conversion purpose as of 30th of June (Eur 0.650sh)

## Outstanding CoCos.

AT1 (CoCos)	Outstanding Amount (Eur m) <sup>(1)</sup>	Coupon	Min Strike	Maturity
Serie A	21	5.0%	3.24	17-Jul-2018
Serie B	13	5.0%	2.13	17-Jul-2018
Serie C	134	7.0%	0.41	17-Jul-2018
<b>TOTAL</b>	<b>168</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	R2 (High)	Negative	A (high)

# **Liberbank**

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