Liberbank Group

Summarised consolidated financial statements for the six-month period ended 30 June 2017 together with the limited review report

Translation of a report originally issued in Spanish and of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 17). In the event of a discrepancy, the Spanish-language version prevails.

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Translation of a report originally issued in Spanish and of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 17). In the event of a discrepancy, the Spanish-language version prevails.

REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Liberbank, S.A., at the request of the Board of Directors,

Report on the Interim Condensed Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of Liberbank, S.A. ("the Bank") and Subsidiaries ("the Group"), which comprise the condensed consolidated balance sheet as at 30 June 2017, and the condensed consolidated income statement, condensed consolidated statement of recognised income and expense, condensed consolidated statement of changes in total equity, condensed consolidated statement of cash flows and explanatory notes thereto for the six-month period then ended. The Bank's directors are responsible for preparing these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the audit regulations in force in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

Based on our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2017 are not prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial statements, pursuant to Article 12 of Royal Decree 1362/2007.

Emphasis of Matters

We draw attention to explanatory Note 1-b) to the accompanying interim financial statements, which indicates that the accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2016.
Also, we draw attention to explanatory Note 1-c) to the accompanying interim financial statements, which refers to the Recapitalisation and Restructuring Plan approved by the Bank's Board of Directors in 2012 and to the commitments assumed by the Kingdom of Spain vis-à-vis the European Commission for the restructuring of Liberbank, and also to the measures taken to generate capital and comply with the aforementioned commitments.

Our conclusion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2017 contains the explanations which the Bank's directors consider appropriate about the significant events that took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required under Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2017. Our work was confined to checking the interim consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Liberbank, S.A. and Subsidiaries.

Other Matters

This report was prepared at the request of the Board of Directors of Liberbank, S.A. in relation to the publication of the half-yearly financial report required by Article 119 of the Consolidated Spanish Securities Market Law, approved by Legislative Royal Decree 4/2015, of 23 October, and implemented by Royal Decree 1362/2007, of 19 October.

DELOITTE, S.L.

Miguel Ángel Bailón

27 July 2017

Translation of a report originally issued in Spanish and of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 17). In the event of a discrepancy, the Spanish-language version prevails

LIBERBANK GROUP

CONSOLIDATED SUMMARISED BALANCE SHEETS AT 30 JUNE 2017 AND 31 DECEMBER 2016

(Thousands of Euros)

ASSETS	30/06/2017	31/12/2016 (*)
Cash, cash balances in Central Banks and other deposits on demand	**797.346**	**916.380**
Financial assets held for trade (Note 6)	**25.556**	**30.264**
Memorandum item: lent or delivered as guarantee with a right of sale or pledged	-	-
Financial Assets at fair value with changes recognised in P&L	**-**	-
Memorandum item: lent or delivered as guarantee with a right of sale or pledged	-	-
Available-for-sale financial assets (note 6)	**7.208.082**	**7.591.542**
Memorandum item: lent or delivered as guarantee with a right of sale or pledged	*4.107.676*	*1.106.013*
Loans and receivables (Note 6)	**25.487.195**	**24.224.802**
Memorandum item: lent or delivered as guarantee with a right of sale or pledged	*838.296*	*814.015*
Held-to-maturity investments (Note 6)	**-**	**-**
Memorandum item: lent or delivered as guarantee with a right of sale or pledged	-	-
Derivatives- Hedge Accounting	**385.185**	**449.142**
Changes in fair value of the hedged items of a portfolio with hedged interest rate risk	**-**	**-**
Share for the investments in joint ventures and associates	**354.595**	**348.697**
Jointly controlled entities	35.024	41.788
Associates	319.571	306.909
Assets covered by insurance and reinsurance contracts	**-**	**-**
Tangible Assets (Note 8)	**1.022.243**	**905.614**
Property, plant and equipment	507.305	518.040
For own use	507.305	517.823
Leased out under an operating lease	-	217
Investment property	514.938	387.574
Of which: leased out under an operating lease	*329.586*	*354.125*
Memorandum item: acquired under a finance lease	-	-
Intangible assets (Note 9)	**126.794**	**123.393**
Goodwill	22.742	22.742
Other intangible assets	104.052	100.651
Tax assets	**1.779.036**	**1.826.603**
Current tax assets	16.176	63.334
Deferred tax assets	1.762.860	1.763.269
Other assets	**101.309**	**95.795**
Insurance contracts linked to pensions	499	499
Inventories	15.390	12.015
Remainder of other assets	85.420	83.281
Non-current assets and disposable groups of items classified as held for sale (Note 7)	**1.877.981**	**1.812.206**
TOTAL ASSETS	**39.165.322**	**38.324.438**

LIABILITIES AND EQUITY	30/06/2017	31/12/2016 (*)
Financial liabilities held for trade (Note 10)	**26.204**	**31.611**
Financial liabilities at fair value with changes recognised in P&L	**-**	**-**
Memorandum item: subordinated liabilities	-	-
Financial liabilities at amortised cost (note 10)	**36.003.542**	**35.021.575**
Memorandum item: subordinated liabilities	399.379	*126.258*
Derivatives- Hedge Accounting	**36.794**	**59.068**
Changes in fair value of the hedged items of a portfolio with hedged interest rate risk	**-**	**-**
Liabilities under insurance contracts	**7.252**	**8.182**
Provisions (Note 11)	**295.889**	**416.086**
Pensions and other obligations of post-employment defined benefits	93.582	108.806
Other long term employee benefits	3.444	3.570
Outstanding procedural issues and litigation for taxes	2.756	2.946
Commitments and guarantees granted	25.568	27.652
Other provisions	170.539	273.112
Tax liabilities	**106.819**	**123.176**
Current tax liabilities	3.252	8.359
Deferred tax liabilities	103.567	114.817
Share capital payable on demand	**-**	**-**
Other liabilities	**117.874**	**112.520**
TOTAL LIABILITIES	**36.594.374**	**35.772.218**
EQUITY		
Shareholders' Equity (Note 12)	**2.499.834**	**2.410.573**
Share capital	835.554	818.358
Share capital paid	835.554	818.358
Share capital payable	**-**	-
Memorandum item: Uncalled share capital no	**-**	-
Share premium	1.335.069	1.328.714
Equity instruments issued different than share capital	-	-
Other Equity items	-	-
Accumulated gains	299.898	172.120
Revaluation reserves	-	-
Other reserves	(26.703)	(25.556)
(Treasury shares)	(11.449)	(11.871)
Profit(loss) attributable to the Parent Company owners	67.465	128.808
Interim Dividends	-	-
Other accumulated comprehensive income	**35.449**	**97.180**
Items not to be transferred to profit and loss	7.212	7.212
Actuarial gains (losses) on defined benefits pension plans	7.212	7.212
Non-current assets and disposal groups classified as held for sale	-	-
Shareholding in other recognised income and expense of investments in joint ventures and associates	-	-
Other valuation adjustments	-	-
Items to be transferred to profit and loss	28.237	89.968
Hedge of net investments in foreign operations	-	-
Foreign currency translation	-	-
Hedge derivatives. Cash flow hedges	(21.312)	-
Available-for-sale financial assets	52.041	85.110
Debt instruments	47.328	74.082
Equity instruments	4.713	11.028
Non-current assets and disposal groups classified as held for sale	-	-
Shareholding in other recognised income and expense of investments in joint ventures and associates	(2.492)	4.858
Non-controlling interests	**35.665**	**44.467**
Other accumulated comprehensive income	6.466	8.380
Other items	29.199	36.087
TOTAL EQUITY	**2.570.948**	**2.552.220**
TOTAL LIABILITIES AND EQUITY	**39.165.322**	**38.324.438**
MEMORANDUM ITEM		
Guarantees granted	**579.046**	**596.447**
Contingent commitments granted	**4.099.451**	**3.983.898**

(*) Presented only for comparative purposes.

The accompanying Notes 1 to 16 are an integral part of the summarised consolidated balance sheet at 30 June 2017.

Translation of a report originally issued in Spanish and of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 17). In the event of a discrepancy, the Spanish-language version prevails

LIBERBANK GROUP

CONSOLIDATED SUMMARISED INCOME STATEMENTS FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2017 AND 2016

(Thousands of Euros)

	30/06/2017	30/06/2016 (*)
Interest income	**254.215**	**315.695**
Interest expense	**(52.127)**	**(88.154)**
Expenses on share capital payable on demand	**-**	**-**
INTEREST MARGIN	**202.088**	**227.541**
Dividend income	**1.533**	**1.168**
Profit (loss) of companies accounted for using the equity method (Note 15.1)	**25.343**	**20.162**
Commissions income (Note 15.3)	**92.915**	**96.787**
Commissions expenses	**(3.541)**	**(3.436)**
Gains or losses for derecognition of financial assets and liabilities not measured at fair value with changes in profit and loss (net) (Note 15.2)	**54.331**	**232.131**
Gains or losses on financial assets and liabilities held for trade (net) (Note 15.2)	**452**	**(994)**
Gains or losses on financial assets and liabilities measured at fair value with changes in profit and loss (net)	**-**	**-**
Gains or losses from the hedge accounting, net	**-**	**-**
Net exchange differences	**55**	**438**
Other operating income	**21.992**	**14.929**
Other operating expenses	**(42.132)**	**(35.251)**
Income from assets covered by insurance or reinsurance contracts	**-**	**360**
Expenses from liabilities covered by insurance or reinsurance contracts	**-**	**-**
GROSS MARGIN	**353.036**	**553.835**
Administrative expenses	**(194.333)**	**(200.952)**
Staff costs	(122.001)	(123.311)
Other administrative expenses	(72.332)	(77.641)
Depreciation	**(21.763)**	**(17.500)**
Provisions or provisions reversed (Note 11)	**25.385**	**(11.766)**
Impairment loss or reversal of impairment loss of financial assets not measured at fair value with changes in profit and loss (Note 6.4)	**(47.711)**	**(174.760)**
Financial assets valued at cost	-	-
Available-for-sale financial assets	(1.984)	(318)
Loans and accounts receivable	(45.727)	(174.442)
Held-to-maturity investments	-	-
OPERATING PROFIT/(LOSS)	**114.614**	**148.857**
Impairment loss or reversal of impairment loss of investments in joint ventures or associates	**-**	**-**
Impairment loss or reversal of impairment loss of non financial assets	**607**	**(4.186)**
Tangible assets	607	(141)
Intangible assets	-	-
Other	-	(4.045)
Gains or losses for derecognition of non-financial assets and shares (net)	**2.610**	**1.636**
Negative goodwill recognised in profit and loss	**-**	**-**
Gains or losses from non current assets and disposable groups classified as held for sale not allowed as discontinuing activities (Note 7 and 15.4)	**(43.923)**	**(66.245)**
GAINS OR LOSSES BEFORE TAXES FROM CONTINUING ACTIVITIES	**73.908**	**80.062**
Expenses or income on gains from continuing operations	**(13.355)**	**(17.163)**
GAINS OR LOSSES AFTER TAXES FROM CONTINUING ACTIVITIES	**60.553**	**62.899**
Gains or losses after taxes from discontinuing activities	**-**	**-**
PROFIT (LOSS) FOR THE PERIOD	**60.553**	**62.899**
Attributable to Non-controlling interests	**(6.912)**	**(10.247)**
Attributable to the Parent Company´s owners	**67.465**	**73.146**
Basic earnings per share in continuing operations (Note 3)	**0,074**	**0,081**
Diluted earnings per share in continuing operations (Note 3)	**0,069**	**0,077**
Basic earnings per share in discontinued operations	**-**	**-**
Diluted earnings per share in discontinued operations	**-**	**-**

(*) Presented only for comparative purposes.

The accompanying Notes 1 to 16 are an integral part of the consolidated income statement for the six month period ended 30 June 2017.

Translation of a report originally issued in Spanish and of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 17). In the event of a discrepancy, the Spanish-language version prevails

LIBERBANK GROUP

CONSOLIDATED SUMMARISED STATEMENTS OF RECOGNISED INCOME AND EXPENSES FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2017 AND 2016

(Thousands of Euros)

	30/06/2017	30/06/2016 (*)
PROFIT (LOSS) FOR THE PERIOD	**60.553**	**62.899**
OTHER COMPREHENSIVE INCOME	**(63.645)**	**(101.632)**
Items not to be transferred to profit and loss	**-**	**-**
Actuarial gains (losses) on defined benefits pension plans	-	-
Non-current assets and disposal groups classified as held for sale	-	-
Other valuation adjustments	-	-
Tax on gains related to the items that will not be reclassified		
Items that may be reclassified to profit and loss	**(63.645)**	**(101.632)**
Hedges of net investments in foreign operations	-	-
Value gains or losses accounted for in equity	-	-
Transferred to Profit(loss)	-	-
Other reclassifications	-	-
Foreign currency translation	-	-
Gains or losses for currency exchange accounted for in equity	-	-
Transferred to Profit(loss)	-	-
Other reclassifications	-	-
Cash flow hedges	(30.446)	-
Value gains or losses accounted for in equity	(30.446)	-
Transferred to Profit(loss)	-	-
Transferred to the original carrying amount accounted for in equity	-	-
Other reclassifications	-	-
Available-for-sale financial assets	(48.210)	(58.437)
Value gains or losses accounted for in equity	2.300	168.247
Transferred to Profit(loss)	(50.510)	(226.684)
Other reclassifications	-	-
Non-current assets and disposal groups classified as held for sale	-	-
Value gains or losses accounted for in equity	-	-
Transferred to Profit(loss)	-	-
Other reclassifications	-	-
Share in other income and expenses recognised through the investments in joint ventures and associates	(8.460)	(61.080)
Taxes on gains related to the items that may be reclassified to Profit/(Loss)	23.471	17.885
OVERALL TOTAL PROFIT (LOSS) FOR THE PERIOD	**(3.092)**	**(38.733)**
Attributable to Non-controlling interests	(8.826)	(3.438)
Attributable to the Parent Company´s owners	5.734	(35.294)

(*) Presented only for comparative purposes.

The accompanying Notes 1 to 16 in the Financial Statements are an integral part of the consolidated summarised statements of recognised income and expense for the six month period ended 30 June 2017.

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LIBERBANK GROUP

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2017 AND 2016

(Thousands of Euros)

												Non-controlling interests		
Statement for the six month period ended 30 June 2017	Share capital	Share Premium	Equity instruments issued different than share capital	Other Equity items	Accumulated gains	Revaluation reserves	Other reserves	(Treasury shares)	Profit(loss) attributable to the Parent Company owners	Less: Interim Dividends	Other accumulated comprehensive income	Other accumulated comprehensive income	Other items	Total
Opening balance (before restatement)	**818.358**	**1.328.714**	**-**	**-**	**172.120**	**-**	**(25.556)**	**(11.871)**	**128.808**	**-**	**97.180**	**8.380**	**36.087**	**2.552.220**
Effects from correction of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects from changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance	**818.358**	**1.328.714**	**-**	**-**	**172.120**	**-**	**(25.556)**	**(11.871)**	**128.808**	**-**	**97.180**	**8.380**	**36.087**	**2.552.220**
Overall total profit (loss) for the period	-	-	-	-	-	-	-	-	**67.465**	-	**(61.731)**	**(1.914)**	**(6.912)**	**(3.092)**
Other changes in equity	**17.196**	**6.355**	-	-	**127.778**	**-**	**(1.147)**	**422**	**(128.808)**	**-**	-	-	**24**	**21.820**
Issue of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	17.196	6.355	-	-	-	-	(8)	-	-	-	-	-	-	23.543
Capital decreases	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or shareholders compensation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury share purchase	-	-	-	-	-	-	-	(4.586)	-	-	-	-	-	(4.586)
Treasury share sale or cancellation	-	-	-	-	-	-	(466)	5.008	-	-	-	-	-	4.542
Reclassification of financial instruments from equity into liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities into equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity items	-	-	-	-	127.778	-	1.030	-	(128.808)		-	-	-	-
Equity increase or decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other equity increases or decreases	-	-	-	-	-	-	(1.703)	-	-	-	-	-	24	(1.679)
Of which: discretionary allocation to other and welfare funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance at 30 June 2017	**835.554**	**1.335.069**	**-**	**-**	**299.898**	**-**	**(26.703)**	**(11.449)**	**67.465**	**-**	**35.449**	**6.466**	**29.199**	**2.570.948**

												Non-controlling interests		
Statement for the six month period ended 30 June 2016	Share capital	Share Premium	Equity instruments issued different than share capital	Other Equity items	Accumulated gains	Revaluation reserves	Other reserves	(Treasury shares)	Profit(loss) attributable to the Parent Company owners	Less: Interim Dividends	Other accumulated comprehensive income	Other accumulated comprehensive income	Other items	Total
Opening balance (before restatement)	**814.687**	**1.327.292**	**-**	**-**	**140.296**	**-**	**-68.766**	**(8.742)**	**128.548**	**(40.341)**	**263.067**	**13.562**	**62.553**	**2.632.156**
Effects from correction of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects from changes in policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance	**814.687**	**1.327.292**	**-**	**-**	**140.296**	**-**	**(68.766)**	**(8.742)**	**128.548**	**(40.341)**	**263.067**	**13.562**	**62.553**	**2.632.156**
Overall total profit (loss) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**73.146**	**-**	**(108.440)**	**6.808**	**(10.247)**	**(38.733)**
Other changes in equity	**3.571**	**1.368**	**-**	**-**	**28.912**	**-**	**57.165**	**(4.290)**	**(128.548)**	**40.341**	**-**	**-**	**-**	**(1.481)**
Issue of ordinary shares	-	-	-	-	-	-	(9)							(9)
Issue of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	3.571	1.368	-	-	-	-	-	-	-	-	-	-	-	4.939
Capital decreases	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or shareholders compensation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury share purchase	-	-	-	-	-	-	-	(4.290)	-	-	-	-	-	(4.290)
Treasury share sale or cancellation	-	-	-	-	-	-	(2.116)		-	-	-	-	-	(2.116)
Reclassification of financial instruments from equity into liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities into equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity items	-	-	-	-	28.912	-	59.295	-	(128.548)	40.341	-	-	-	-
Equity increase or decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other equity increases or decreases	-	-	-	-	-	-	(5)	-	-	-	-	-	-	(5)
Of which: discretionary allocation to other and welfare funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance at 30 June 2016	**818.258**	**1.328.660**	**-**	**-**	**169.208**	**-**	**(11.601)**	**(13.032)**	**73.146**	**-**	**154.627**	**20.370**	**52.306**	**2.591.942**

(*) Presented only for comparative purposes.

The accompanying Notes 1 to 16 form an integral part of the integral statement of changes in total equity for the six months period ended 30 June 2017.

Translation of a report originally issued in Spanish and of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 17). In the event of a discrepancy, the Spanish-language version prevails

LIBERBANK GROUP

CONSOLIDATED SUMMARISED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2017 AND 2016

(Thousands of Euros)

	30/06/2017	30/06/2016(*)
1. CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated profit or loss for the year	60.553	62.899
Adjustments made to obtain the cash flow from operating activities:	37.907	212.675
Depreciation (+)	21.763	17.500
Other adjustments (+/-)	16.144	195.175
Net increase/(Decrease) in operating assets:	(927.785)	(281.277)
Financial assets held for negotiation (+/-)	4.708	(62.490)
Financial Assets at fair value with changes recognised in P&L (+/-)	-	-
Available-for-sale financial assets (+/-)	333.264	474.595
Loans and receivables (+/-)	(1.342.873)	(643.399)
Other operating assets (+/-)	77.116	(49.983)
Net increase/(Decrease) in operating liabilities:	661.526	290.450
Financial liabilities held for negotiation (+/-)	(5.407)	(5.383)
Financial liabilities at fair value with changes recognised in P&L (+/-)	-	-
Financial liabilities at amortised cost (+/-)	795.615	205.980
Other operating liabilities (+/-)	(128.682)	89.853
Income tax recovered (paid)	-	-
Total net cash flow from operating activities	**(167.799)**	**284.747**
2. CASH FLOWS FROM INVESTING ACTIVITIES		
Payments (-):		
Tangible assets	(30.551)	(8.721)
Intangible assets	(11.655)	(15.921)
Investments in joint ventures and associated	(144)	(175)
Subsidiaries and other business units	-	-
Non-current assets and liabilities classified as held for sale	-	-
Held-to-maturity investments	(209.246)	(405.249)
Other payments related to investing activities	-	-
	(251.596)	(430.066)
Proceeds (+):		
Tangible assets	2.966	63.898
Intangible assets	-	-
Investments in joint ventures and associated	7.554	1.989
Subsidiaries and other business units	-	-
Non-current assets and liabilities classified as held for sale	-	79.616
Held-to-maturity investments	-	133.547
Other proceeds related to investing activities	-	-
	10.520	279.050
Total net cash flow from investing activities	**(241.076)**	**(151.016)**
3. CASH FLOWS FROM FINANCING ACTIVITIES		
Payments (-):		
Dividends	-	-
Subordinated liabilities	(10.479)	(12.267)
Amortisation of treasury shares	-	-
Purchase of treasury shares	(4.586)	(20.285)
Other payments related to financing activities	(20)	(2.441)
	(15.085)	(34.993)
Proceeds (+):		
Subordinated liabilities	300.000	-
Proceeds from issue of treasury shares	-	-
Disposal of treasury shares	4.513	15.995
Other proceeds related to financing activities	-	-
	304.513	15.995
Total net cash flow from financing activities	**289.428**	**(18.998)**
4. EFFECT OF EXCHANGE RATE FLUCTUATIONS	**-**	**-**
5. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (1+2+3+4)	**(119.447)**	**114.733**
6. CASH AND CASH EQUIVALENTS AT BEGINNING OF THE REPORTING PERIOD	**906.755**	**528.690**
7. CASH AND CASH EQUIVALENTS AT END OF THE REPORTING PERIOD (5+6)	**787.308**	**643.423**
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF THE REPORTING PERIOD		
Cash (+)	290.623	239.491
Cash equivalents at central banks (+)	467.521	338.601
Other financial assets (+)	39.218	75.689
Less: Bank overdrafts refundable on demand (-)	(10.054)	(10.358)
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE REPORTING PERIOD	**787.308**	**643.423**
Of which: in hands of the Group companies but not available for the Group		

(*) Presented only for comparative purposes.

The accompanying Notes 1 to 16 are an integral part of the summarised consolidated statement of cash flows for the six month period ended 30 June 2017.

Translation of a report originally issued in Spanish and of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 17). In the event of a discrepancy, the Spanish-language version prevails.

Liberbank Group

Notes to the summarised consolidated interim Financial Statements for the first six months of 2017

1. Nature of the Parent Company and the Group, accounting policies and measurement bases applied in the preparation of the summarised consolidated interim financial statements and other information

a) Nature of the Parent Company and the Group

Liberbank, S.A. (the "Bank") is a financial institution incorporated on 23 May 2011 with the corporate name of Effibank, S.A. in a notarial instrument before the notary Manuel González-Meneses García-Valdecasas and filed at the Mercantile Registry of Madrid. On 3 August 2011, the Bank's Shareholders' Meeting resolved to change the aforementioned corporate name to Liberbank, S.A. registered with the Commercial Registry of Madrid.

The Bank was incorporated with the contribution from the spun-off financial businesses of Caja de Ahorros de Asturias, Caja de Ahorros y Monte de Piedad de Extremadura and Caja de Ahorros de Santander y Cantabria, which owned 43.87% of its share capital at 30 June 2017 (44.80% at 31 December 2016) (See Note 12).

The Bank's registered office is located at number 5, de Camino de Fuente de la Mora de Madrid. The Bank's bylaws and other relevant legal information can be viewed on the group's website (www.liberbank.es) and at the Bank's registered office.

The bylaws establish the business activities in which the Bank may engage, i.e. the typical activities of credit institutions. These business activities are in line with the Discipline and Intervention of Credit Institutions Law 26/1988, of 29 July.

On 16 May 2013, Liberbank, S.A. was admitted for trading on the Madrid, Bilbao, Barcelona and Valencia stock markets.

b) Financial reporting regulatory framework applicable to the Group

The Group's consolidated financial statements for the year 2016 were prepared by the Directors of the Bank, at the Board of Directors' Meeting held on 23 February 2017, pursuant to the regulatory framework applicable to the Group, set forth in the Spanish Code of Commerce and other mercantile legislation and in the International Financial Reporting Standards adopted by the European Union and taking into consideration Circular 4/2004, of 22 December, issued by the Bank of Spain (adjusted to the the last updates of banking regulation through the Bank of Spain Circular 4/2016 od 27 April), applying the principles of consolidation, accounting policies and measurement criteria set forth in Note 2 to those consolidated financial statements, so as to present a true and fair view of the Group's equity, financial position at 31 December 2016, as well as the consolidated results of its operations, changes in equity and cash flows for the year then ended. These financial statements were approved by the General Shareholders' Meeting held on 19 April 2017 and have been filed with the Commercial Registry of Madrid.

The Group's summarised consolidated financial statements (or summarised consolidated interim financial statements) related to the six -month period ended 30 June 2017 were prepared by its Directors, at the Board of Directors' Meeting held on 26 July 2017. These summarised consolidated financial statements for the six month period were prepared pursuant to the regulatory framework applicable to the Group, which is set forth in the Spanish Code of Commerce and other commercial legislation and in IAS 34 "Interim Financial Reporting", and taking into account the information disclosures required by Circular 5/2015, of 28 October, issued by the National Securities Market Commission (CNMV), therefore they don´t include all the information that would be required in the comprehensive complete financial statements, prepared according to the International Financial Reporting Standards adopted by the European Union These six-month financial statements shall be included in the biannual financial information for the first six-months of 2017 that the Group will present pursuant to the abovementioned Circular 5/2015.

Pursuant to IAS 34, the only purpose of interim financial reporting is to update the contents of the latest consolidated financial statements, placing emphasis on any new activity, event or circumstance occurred over the six-month period, but not repeating the information previously reported on the last consolidated financial statements. Therefore, to gain an adequate understanding of the information included in these six month financial statements, they are to be read jointly with the Group's consolidated financial statements for 2016.

The accounting policies and principles used in preparing these six month summarised consolidated financial statements are the same ones that were applied to the consolidated financial statements for 2016, taking into consideration the Standards and Interpretations that came into effect during the first six months of 2017, which are described below.

Main regulatory changes that have taken place in the period between 1 January 2017 and 30 June 2017

New accounting standards in force

Since 1 January 2017, the following Standards and Interpretations adopted by the European Union and the Group have come into force, and they have not had a significant impact on the summarised consolidated financial statements:

- Amendment to IAS 12 – "Income taxes". Recognition of deferred tax assets for unrealised losses"

  Modifications made to IAS 12 clarify the requirements for recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

  Following are the aspects to clarify:

  - An unrealised loss in a debt instrument measured at fair value will result in a deductible temporary difference, regardless of whether the holder expects to recover its carrying amount through sell or through maintenance until expiration.

  - The entity shall assess the use of a deductible temporary difference in combination with other deductible temporary differences. When tax laws restrict the use of tax losses, the entity shall assess its use in relation to other temporary differences of the appropriate type.

  - The estimate of future tax benefits may contemplate benefits derived from assets recovery to an amount higher than its carrying amount, provided there is sufficient evidence that it is likely to be the amount for which the asset will be recovered.

  - The estimate of future tax benefits excludes tax deductions from reversal of deductible temporary differences.

  Its implementation has not yet been approved by the European Union.

- IAS 7 - "Statement of cash flows". Initiative on Disclosures

  Amendments made to IAS 7 introduce the following new information disclosures related to changes in liabilities arising from financing activities, to the extent necessary to enable financial statement users to evaluate changes in such liabilities: changes in financing cash flows; changes arising from obtaining or losing control of subsidiaries or other businesses; the effect of changes in exchange rates; changes in fair value; and other changes.

  Liabilities arising from financing activities are liabilities for which cash flows were -or for which future cash flows will be- classified in the cash flow statement as cash flows from financing activities. Additionally, disclosures requirements also apply to changes in financial assets if the cash flows from financial assets were -or if future cash flows will be- included in cash flows from financing activities.

  Its implementation has not yet been approved by the European Union.

- IFRS Annual Improvements 2014-2016 Project

  The annual project for the improvement of IFRS 2014-2016 introduces minor amendments and clarifications to IFRS 12 - Disclosure of Interests in Other Entities. Its implementation has not yet been approved by the European Union, which is foreseen for the third quarter of 2017.

Standards and interpretations issued not in force

As of the date of preparation of the accompanying condensed consolidated financial statements, new International Financial Reporting Standards and the Interpretations thereof had been issued, which were not mandatory at 30 June 2017.

- IFRS 9 “Financial Instruments”

  On 24 July 2014 the International Accounting Standards Board issued the International Financial Reporting Standard (IFRS) 9, related to Financial instruments. It is intended to improve the financial instruments information, addressing issues arisen on this matter during the financial crisis.

  The implementation of IFRS 9 involves amendments of several International Accounting Standards (IAS), as well as different interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and of the Standards Interpretation Committee (SIC). In order to be consistent with the European Union Law, on 29 November 2016 the (EU) Regulations 2.016/2.067 of the European Commission was published, modifying the (EC) Regulations 1.126/2.008 in all related to the International Financial Reporting Standard.

  The Regulations has set 1 January 2018 as the mandatory application date for IFRS 9, with the possibility of early application.

  The purpose of this standard is setting forth rules on financial information related to the financial assets and liabilities, so as to provide relevant and useful information to the users of financial statements when assessing the amounts, schedules and uncertainty of the entities' future cash flows.

  Pursuant to this standard, the classification and valuation of the financial assets will be performed according to the business model considered by the entity for the management and the features of the contractual flows. As a result of this, the financial assets will be included for the purpose of valuation in some of the following headings: Financial assets at amortised cost, financial assets at fair value with changes in other comprehensive income or financial assets at fair value with changes in profit or loss. The combined effect of the business model application and the characteristics of contractual cash flows may result in differences in the population of financial assets measured at amortised cost or at fair value compared to IAS 39, although the Group does not expect significant changes in this regard.

Among the changes considered in IFRS 9 it is worth to mention the new impairment model of the financial assets, according to the expected loss instead of the incurred loss (IAS 39).In this line, the objective of the requisites on impairment is to recognise the credit losses expected over the whole life of the assets related to all financial instruments in which a significant increase of the credit risk since the initial recognition has arisen, taking into account the change in the non-compliance risk over the remaining life of the financial instrument, and to this end using all the reasonable and sound information, included prospections.

In the initial recognition of a transaction and until a significant increase of risk takes place, the valuation adjustment for losses will be calculated in an amount equal to the credit losses expected in the following 12 months ("losses expected in 12 months"). In case a significant increase of risk related to the instrument takes place, the valuation adjustment for losses will be increased until the credit losses expected over the whole life of the assets are covered. Lastly, regarding the transactions classified as doubtful, the expected credit losses will be estimated as the difference between the current amount of risk and the estimated future flows.

The new impairment requisites will be applied to those financial assets not measured at their fair value, recogonising the changes in value in the profit or loss account, and to the lease contracts and certain loans and financial guarantee commitment.

It is expected an increase in all the impairment provisions, as all the financial assets will be related to at least one provision for loss expected of 12 months (against the current approach of incurred loss).

As for financial liabilities, the classification categories put forward by IFRS 9 are similar to those already existing under IAS 39, thus there should be no significant differences, except for the requirement to register changes in fair value related to credit risk as a component of equity, in the case of the financial liabilities measured at fair value.

General hedge accounting shall also imply changes because the standard approach differs from that of the current IAS 39 upon trying to align accounting to risk economic management. In addition, IFRS 9 will allow applying hedge accounting to a wider range of risks and hedge instruments. The standard does not address the accounting of denominated macro-hedging strategies. In order to avoid any conflict between the current macrohedge accounting and the new general system of hedge accounting, IFRS 9 includes an accounting policy option to continue to apply hedge accounting according to IAS 39.

The Group has been analysing this new standard and the implications it will have in 2018, both in portfolios classification and in pricing models of financial instruments, in the accounting policies definitions, in presentation models of consolidated financial statements and, especially, in calculation models of financial assets impairment through expected loss models.

Regarding the new implementation of IFRIC 9 in the European Union, in November 2016 the EBA issued a second practise to identify, among other aspects, the estimated impact of this standard on a sample of 50 European entities. On 13 July 2017 the results of this approach were made public by the EBA, stating that the implementation of IFRS 9 will lead to a reduction in its highest ranked ordinary capital ("CET 1") between 33 and 77 basis points of the entities analysed (45 basis points on average).

In consideration of the obtained preliminary results, the Group believes that the implementation of IFRS 9 will lead to a reduction in its capital ratio ("CET 1"), below that of the range announced by the European Banking Authority in its above said report. To provide this information, the Group has performed assumptions and simplifications not necessarily used in its final methodology. In addition, the Group's portfolios are subject to change as well as the situation of the economy. For these reasons, the provisional result estimated by the Group on the impact of IFRIC 9 may differ with the first implementation of this standard.

In this regard, the quality of information on this impact to be submitted in the future will be more detailed, once the Group completes its processes, systems, models and data close to the application of the standard.

- Amendment to IFRS 7 “Financial instruments: Disclosure” - The IASB amended IFRS 7 in December 2011 in order to introduce new information disclosures on the financial instruments to be filed by entities during the fiscal year in which they apply IFRS 9 for the first time.

- IFRS 15 “Revenue from Contracts with Customers” -IFRS 15 sets the principles to be applied by an entity to book revenues and cash flows from contracts for the sale of goods or services to its customers.

  According to this new standard, entities shall recognise revenues from contracts with customers once they have fulfilled their obligations to transfer assets or render services to their customers, as contractually agreed upon, and a good or service is deemed transferred when the customer gains control thereof. As to the amount to be recognised, it shall be the one reflecting the payment at which it is expected to have rights in relation to the goods or services transferred.

  IFRS 15 replaces IAS 18 "Revenue", IAS 11 "Construction Contracts", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfers of Assets from Customers" and SIC 31 "Revenue-Changes in advertising services".

  This standard shall be applied to the fiscal years beginning on or after 1 January 2018, though earlier application is permitted.

- IFRS 15 - "Clarifications to IFRS 15 Revenue from contracts with customers"

  Amendments to IFRS 15 clarify how some of the principles of the new standard must be applied. Specifically, they clarify:

  - How to identify a performance obligation (promise to transfer a good or service to a customer) in a contract;

  - How to determine whether an entity acts as the primary (provider of a good or service) or as an agent (responsible for arranging the transfer of the good or service); and

  - How to determine whether revenue from granting a license must be recognised at a certain time or over time.

  Additionally, two amendments are included to reduce the cost and complexity of first applying the new Standard.

  These amendments shall be applied at the same time that the IFRS 15, that is, to the fiscal years beginning on or after 1 January 2018, though earlier application is permitted.

- Amendment to IFRS 10 – "Consolidated Financial Statements" and amendment to IAS 28 – "Investments in associates and joint ventures".

  Amendments to IFRS 10 and IAS 28 state that whenever an entity sold or contributed assets representing a business (including their consolidated subsidiaries) to an associated or joint venture, it shall fully recognise profit or loss from the transaction. However, whenever the assets sold or contributed did not represent a business, it shall recognise profit or loss only to the extent of interests in the associate or joint venture of other investors not related to the entity.

These amendments shall be applied to the fiscal years beginning as of their effective date, though earlier application is permitted.

- IFRS 16 – “Leases”

  On 13 January 2016, the IASB issued IFRS 16, which will replace IAS 17 "Leases". The new standard introduces a single accounting model for the lessee which is required to recognise the assets and liabilities of all leases within a period of more than 12 months, unless the underlying asset value is low. The lessee shall recognise in the asset a right of use representing their right to use the leased asset, and a lease liability representing their obligation to make lease payments.

  With regard to lessor accounting, IFRS 16 substantially maintains the accounting requirements of IAS 17. Therefore, the lessor shall continue to classify their leases as operating leases or finance leases, and shall record each of these two types of leases differently.

  This standard shall be applied to the fiscal years beginning on or after 1 January 2019, though earlier application is permitted as long as IFRS 15 is applied.

- IFRS 2 "Classification and Measurement of share based payments"

  Amendments made to IFRS 2 establish the requirements to be applied in three aspects:

  - In measuring the fair value of a share-based payment that is settled in cash, vesting conditions other than market conditions will only be taken into account to adjust the number of shares to be included in the transaction amount.

  - When, in a transaction that would be classified as share-based payment that is settled with equity instruments, an entity retains a number of equity instruments that equals the monetary value of withholding tax legal obligation, the whole transaction will be classified as a share-based payment that is settled with equity instruments.

  - When a share-based payment that is settled in cash is classified as share-based payment settled with equity instruments, the modification will be recorded by derecognising the original liability and recognising in equity the fair value of the equity instruments granted and those for which goods or services have been received on the modification date; differences will be recognised immediately in the income statement.

  These amendments shall be applied to the fiscal years beginning on or after 1 January 2018, though earlier application is permitted.

- Amended IFRS 4 - “Insurance Contracts”

  The amendments introduce two options to address the issues relating to the financial statements of insurance contract issuers, which may be difficult to understand when applying IFRS 9 before the forthcoming rules on insurance contracts:

  - Overlay Approach: allows any entity issuing insurance contracts to record, under equity, rather than the income statement, additional accounting volatility arising during the application of IFRS 9, when compared to IAS 39 prior to the application of the forthcoming standard on insurance contracts.

  - Deferral approach or temporary exemption: allows entities, whose main activities are related to insurance activities, to defer the application of the IFRS 9 and continue applying the IAS 39 until 2021.

  These amendments shall be applied to the fiscal years beginning on or after 1 January 2018, though earlier application is permitted.

- IFRS Annual Improvements 2014-2016 Project

  The IFRS Annual Improvements 2014-2016 Project introduces minor amendments and clarifications to IFRS 1 - First-Time Adoption of International Financial Reporting Standards and IAS 28 - Investments in Associates and Joint Ventures, which shall be applied to the fiscal years beginning on or after 1 January 2018, though earlier application is permitted for the amendments of IAS 28.

- IFRIC 22 “Foreign Currency Transactions and Advance Considerations”

  The Interpretation refers to the determination of the date of the transaction and, consequently, the exchange rate used to convert assets, expenditures or income related to the initial recognition, in circumstances where a non-monetary asset or non-monetary liability has been previously recorded for deferred income derived from a payment or prepayment for the consideration, and establishes that the transaction date is the date in which the entity initially recognises the non-monetary asset or non-monetary liability.

  If there are payments or prepayments, the entity shall determine a transaction date for each payment or prepayment for the consideration.

  If there are payments or prepayments, the entity shall determine a transaction date for each payment or prepayment for the consideration.

  The interpretation shall be applied to the fiscal years beginning on or after 1 January 2018, though earlier application is permitted.

- Amended IAS 40 – “Investment Property”

  These amendments establish that an entity shall transfer a property to, or from, investment properties only when there is a change in use of a property reflected with the evidence depicting that a change has occurred. It is considered that a change of use occurs when the property ceases complying with, or that no longer meets, the definition of investment property.

- IFRS 17 “Insurance Contracts”

  IFRS 17 sets the principles to be applied by an entity to recognise insurance contracts. This new standard replaces IFRS 4.

  The new standard introduces a single accounting model for all the insurance contracts and requires the entities to use updated assumptions on their estimates.

  An entity will split the contracts by groups and will recognise and measure the insurance contract groups for the total amount of:

  - The “fulfilment cash flows”, which include the estimates of the future cash flows, an adjustment to reflect the temporary value of money and the financial risk related to the future cash flows, as well as a risk adjustment for the non-financial risk; and

  - the spread of contractual service, representing the non-accrued profit.

  The amounts recognised in the profit or loss account will be broken down in income from the insurance activity, expenses from the provision of insurance services and income or expenses from the insurance financing. The income from the insurance activity and the expenses from the provision of insurance services will exclude any investment item. The income from the insurance activity will be recognised during the term in which the entity provides the insurance coverage, and will be allocated to the accounting terms in proportion to the value of the insurance coverage provided by the insurer during that term.

This standard shall be applied to the fiscal years beginning on or after 1 January 2021, though earlier application is permitted.

- IFRIC 23 – "Uncertainty on income tax treatments"

  The interpretation explains how to apply recognition and measurement requirements of IAS 12 in case of uncertainty on the income tax treatments.

  If, according to the entity, the Tax Authorities may accept an uncertain tax treatment, the Interpretation requires the entity to calculate the tax gain (tax loss), the tax bases, the unused tax losses, the unused tax credits or the tax rates consistently with the tax treatment used or intended to be used in its income tax return.

  If, according to the entity, the Tax Authorities will not accept an uncertain tax treatment, the Interpretation requires the entity to use the most probable amount or the expected value (sum of the possible amounts weighted by their probability) in order to determine the tax gain (tax loss), the tax bases, the unused tax losses, the unused tax credits or the tax rates. The method finally used will be able to provide the best forecasting of the uncertainty resolution.

  The interpretation shall be applied to the fiscal years beginning on or after 1 January 2019, though earlier application is permitted.

c) Recapitalisation and Restructuring Plan

The Bank's Board of Directors approved a Recapitalisation and Restructuring Plan on 17 December 2012 (the "Plan"), detailing the actions and measures needed to meet the additional equity requirements, amounting to €1,198 million, based on the Term Sheet of the Spanish Authorities Commitments for the Approval of the Restructuring Plan of Liberbank by the European Commission, which contains the commitments undertaken by the Kingdom of Spain for restructuring Liberbank, maturing on 31 December 2017. As part of this Plan, in 2012 the Group prepared a business plan whose financial forecasts were updated in 2015 and 2016 that envisages generating sufficient profit in order to fully recover the tax assets recorded at 30 June 2017.

This Recapitalisation and Restructuring Plan, which was approved by the Bank of Spain and by the European Commission on 19 and 20 December 2012, respectively, envisaged the following: subordinated debt and preference shares issued by the Group would be calculated for its core capital; measures would be adopted for deconsolidating problematic property assets to Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (SAREB); an application would be filed to list the Bank's shares; certain assets would be divested, and €124 million in capital would be needed. This additional capital was underwritten by the Fund for Orderly Bank Restructuring (FROB) in a subscription of contingent convertibles (CoCos) of the same amount. In the fiscal year 2014 they were fully amortised. Under the Plan, the Group would also continue the process of adjusting its production capacity to the expected reduction of its activity in both the corporate and property lines. As stated in section "j.a." of this Note, the Group has performed the abovementioned measure and, at 30 June 2017 and 31 December 2016, it meets minimum equity requirements.

d) Estimates

The consolidated profit or loss and the assessment of consolidated equity are sensitive to the accounting policies and principles, measurement criteria and estimates followed by the Bank's Directors to prepare the six month summarised consolidated financial statements. The main accounting policies and principles and measurement bases are indicated in Note 2 to the consolidated financial statements for 2016.

The Group's consolidated six month financial statements were prepared based on estimates made from time to time by the Group Directors to measure certain items of its assets, liabilities, income, expenses and commitments recorded therein. These estimates refer basically to the following:

- impairment losses on certain assets,
- the corporate tax expense, which under IAS 34 is recognised on interim periods according to the best estimate of weighted average tax rate calculated by the Group for the whole year,
- the assumptions used in the actuarial calculation of the post-employment benefit liabilities and commitments and other long-term commitments to employees,
- the useful life of the property, plant and equipment and intangible assets,
- the measurement of consolidation goodwill,
- the fair value of certain unlisted assets,
- the recoverability of the tax assets, and
- the contingencies for litigation and/or claims in progress.

These estimates are drawn up on the basis of the best information available at the date of calculation on the analysed events. However, it is possible that future events may require them to be significantly modified (upwards or downwards). Under the law in force, any changes in accounting estimates are accounted for prospectively, and the impact of the changes in estimates is recognised in the consolidated income statement in the period affected.

e) Changes in the Group's contingent assets, liabilities and provisions

Contingent assets

The Group does not have contingent assets as at 30 June 2017, nor did it have any as at 31 December 2016.

Contingent liabilities and provisions

Note 2-s to the Group's consolidated financial statements for the reporting period ended on 31 December 2016 contains information on the contingent liabilities and provisions as at that date.

Below are detailed the main contingent liabilities and provisions as at 30 June 2017:

Floor clauses

With regard to the effects arising from the invalidity of clauses limiting the interest rate on consumer mortgage loans (otherwise known as "floor clauses"), the legal situation is as described below:

The Supreme Court, on its decision of 9 May 2013, ruled against certain financial institutions (which did not include the Bank), unanimously resolving that these floor clauses are to be considered null and void if they do not meet certain transparency requirements set forth in such ruling. The Supreme Court stated that there was no repayment for the amounts provided for under such provisions prior to 9 May 2013.

On 21 December 2016, the European Court of Justice (ECJ) issued the ruling that resolved the preliminary ruling of the Provincial Court and other national courts, regarding whether the temporary limit for the repayment of the amounts established by the Supreme Court complied with the contents of Directive 93/13/EEC, eliminating such temporary limit after considering it opposed to such Directive.

On 21 January 2017, Royal Decree-Law 1/2017 of 20 January on urgent measures to protect consumers regarding floor clauses entered into force, whose purpose is to provide the measures to facilitate the reimbursement of amounts unduly settled by consumers to credit institutions through the application of certain floor clauses. The Rules establish the procedures that must be implemented by the credit institutions so as to create a claim system prior to the filing of claims, which shall be voluntary in nature for the consumer. Credit institutions must calculate and notify the consumer who has submitted a claim for the amounts to be reimbursed, which will include those corresponding to interest, by duly communicating the reasons substantiating the decision should it be deemed that a reimbursement is not applicable. In the case of ongoing judicial proceedings, the parties may mutually agree to submit themselves before foregoing claim process, whereby requesting the suspension of the proceedings. In the event that the consumer does not receive any notification; the application is rejected, does not agree with the calculations or rejects the offered amount, or, or, within a three-month period, has not been settled with the offered amount, may take the measures deemed appropriate.

Furthermore, following the judgment of the Supreme Court of 7 March 2017, the breadth of evidence that the judges have been taking into consideration to rule a clause as transparent had widened. This judgement observes that, in the case of individual invalidity actions, the hearing on the transparency of a clause does not have to exclusively concern the document where it is found or in related documents, such as the prior binding offer, but rather, other means may be considered through which the requirement of the clause in question could have been met and where it could not have been overlooked by the consumer and where the consumer had been in a position of being aware of the entailing economic and legal burden. The Supreme Court regarded that the clause, apart from not being cloaked behind a multitude of data, had been negotiated individually by the claimants, whereby reaching a floor lower than commonly established by such entity and it was highlighted by the notary at the time of the granting of the public document. On the basis of this judgment, others have also been ruled, allowing for the appreciation of greater success in the hearings for the floor clauses where there is clear evidence that such clause is transparent.

During the first half of 2017, the Group had set in motion the procedure established under aforementioned Royal Decree 1/2017, whereby addressing, during the first half of the year, a volume of claims founded on the basis of the provision recorded at 31 December 2016 (see Note 11). Moreover, the Group has also assessed the economic impact of the possible claims based on clauses, when taking into consideration the experiences of the first half of 2017, while following the procedure established in Royal Decree-Law 1/2017 of 20 January. In this line, at 30 June 2017 the Group has recorded a provision for an amount of €48,286 thousand under the heading "Provisions - Other provisions" of the accompanying summarised consolidated balance sheet (see Note 11) which, according to NIC 37, is the best of the estimates, with the information available at the date of the preparation of the current six month consolidated financial statements.

Deposit Guarantee Fund claim

On 30 December 2013, the Court of First Instance of Madrid issued a ruling dismissing the complaint filed by the Deposit Guarantee Fund (“DGF”), in which it claimed payment of approximately €40,000 thousand from Banco de Castilla – La Mancha S.A., on the basis of a discrepancy concerning the cost of the APS for 2010 and the payment of interest due to the late payment of the APS in 2011. The Deposit Guarantee Fund (“FGD”) filed an appeal against this ruling, against which the Bank filed an opposing brief. On 8 June 2015, the Provincial Court issued a resolution whereby the First Instance Ruling was revoked and Banco de Castilla – La Mancha, S.A. was liable to the payment of €37,125 thousand related to the Asset Protection Scheme (“APS”) accrued in fiscal year 2010, as well as €2,475 thousand for interests accrued for invoice delay. On 14 July 2015, the Bank’s legal counsel filed a cassation appeal against the Provincial Court’s resolution.

At 30 June 2017, the Group has recorded a provision on this concept for an amount of €20,142 thousand, under the heading "Provisions - remaining Provisions" of the summarised consolidated balance sheet (see Note 11).

Employment situation

At 30 June 2017 the Group has recorded a provision for the different labour agreements and commitments with the employees for an amount of €141,606 thousand (€99,472 thousand at 31 December 2016) under the headings "Provisions - Pensions and other obligations" and "Provisions - Remaining provisions" of the summarised consolidated balance sheet (see section j.c of this Note and Note 11).

f) Comparison of information

The information related to 30 June 2016 and 31 December 2016 contained in these six month summarised consolidated financial statements is present solely and exclusively for comparative purposes with the information related to the six-month period ended 30 June 2017.

g) Seasonal nature of the Group's transactions

Given the nature of the activities carried out by the Group Companies, the Group's transactions are not deemed to be cyclical or seasonal. Therefore, no specific disclosure is included in these notes to the summarised consolidated financial statements for the six-month period ended on 30 June 2017.

h) Relative importance

In order to prepare these interim summarised consolidated financial statements as at 30 June2017, the relative importance of the items and information presented has been assessed considering the figures shown in these interim consolidated financial statements and not in accordance with the amounts or balances corresponding to a yearly period.

i) Deposit Guarantee Fund and Single Resolution Fund

i. Deposit Guarantee Fund

The Group is part of the Deposit Guarantee Fund ("DGF"), as indicated in Note 1.k.i. to the consolidated financial statements for the fiscal year ended 31 December 2016. Pursuant to current regulations, the Group did not recognise any amount for this item in the accompanying summarised consolidated income statements at 30 June 2017 and 2016, as the related amount is accrued at the end of the fiscal years.

ii. Single Resolution Fund

The Group is part of the Single Resolution Fund, as indicated in Note 1.k.iii. to the consolidated financial statements for the fiscal year ended 31 December 2016.

The expenses incurred by the contribution made to the Single Resolution Fund in 2017 amounted to €10,460 thousand (€10,524 thousand in 2016) and is recorded under "Other Operating Expenses" in the accompanying consolidated summarised income statement. Such amount has been accrued once it has been required by such body.

j) Other aspects

a. Solvency and capital management

The strategic objectives, policies and management processes established by the Group's Management in relation to managing its own resources, are described in Note 1-h to the Group's notes to the consolidated financial statements for 2016.

Below is a breakdown of the main figures related to capital ratios applicable to the Group, as established in Regulation (EU) No. 575/2013:

	Thousands of Euros	
	30.06.2017 (*)	31.12.2016
Computable Common Equity Tier 1 (a)	2,249,374	2,252,576
Computable Additional Tier 1 Capital (b)	64,743	26,110
Computable Tier 2 Capital	269,900	-
Risks (c)	18,183,924	18,547,852
Common Equity Tier 1 Ratio (CET1) (A) = (a)/(d)	12.37%	12.14%
Additional Tier 1 Capital Ratio (AT 1) (B) = (b)/(d)	0.36%	0.14%
Tier 1 Capital Ratio (Tier 1) (A)+ (B)	12.73%	12.29%
Tier 2 Capital Ratio (Tier 2) (C) = (c)/(d)	1.48%	-
Total Capital Ratio (A) + (B) + (C)	14.21%	12.29%

(*)The results for the first six months of 2017 are included and calculated according to the Article 26, section 2 of the UE Regulations, number 575/2013 of the European Parliament and Council, and to the Decision (UE) 2015/656 of the European Central Bank (ECB/2015/4) and are pending to be approved by the European Central Bank at the date of preparation of these six-months summarised consolidated financial statements.

Below is a breakdown of the main figures on leverage ratios applicable to the Group:

	Thousands of Euros	
	30.06.2017	31.12.2016
Tier 1 Capital (a)	2,314,117	2,278,686
Exposure (b)	38,780,875	37,796,281
Leverage Ratio (a)/(b)	**5.97%**	**6.03%**

b. Asset Protection Scheme

The Group's consolidation scope includes the subsidiary Banco de Castilla - La Mancha, S.A., in which the financial business of de Caja de Ahorros de Castilla La Mancha ("CCM") was incorporated in 2010 after the intervention of the entity by the Bank of Spain. where the assets were segregated through a block transfer by universal succession. In exchange, Fundación Caja Castilla – La Mancha, which took on CCM's welfare project, received shares representing 25% of capital of Banco de Castilla – La Mancha, S.A. Simultaneously to the approval by the Bank of Spain's Executive Committee of the aforementioned integration of CCM's banking business into Banco de Castilla - La Mancha, S.A., The Deposit Guarantee Fund granted Banco de Castilla – La Mancha, S.A. an Asset Protection Scheme ("APS") in the amount of €2,475 million over certain risks within CCM's banking business, and with a maturity date of such scheme foreseen for 31 December 2016. The accounting policies and measurement bases used in accounting for the APS are summarised in Note 2-j to the consolidated financial statements for 2016.

On 31 December 2016, the APS expired, whereby initiating the settlement period provided for in the Regulations. According to these Regulations, in the first six months of the year 2017, the measurement of the assets and risk covered by the APS has been performed by three independent expert valuators proposed by the Deposit Guarantee Fund. The reports received on this matter state that the value of these assets is not very different from their carrying amount reflected in the consolidated financial statements of Liberbank Group for the year 2016.

After Banco de Castilla - La Mancha, S.A. has received the valuation, it shall draft, within a period of four months, a settlement proposal. Subsequently, the FGD shall review the settlement and convey its agreement or disagreement, whereby estimating the final settlement to be made before March 2019.

In the opinion of the Directors, the final amount for the valuation of the APS in accordance with the procedures described above, shall not differ significantly from the book value, at 2016 year-end, of the assets recorded in the accounts.

c. Employment situation

Unilateral measures

On 22 May 2013, the Liberbank Group announced the implementation of a set of unilateral and internal flexible arrangements. On 23 September 2016, the Employment Tribunal of the National Court issued a ruling that resolved the challenge of the proceeding for the aforementioned unilateral arrangements. This judgment of the National Court had been appealed by the Group before the Supreme Court, where the appeal was overruled in a judgment delivered on 21 June 2017 and notified on 10 July. Against this judgment, an Application of Amparo is to be filed before the Constitutional Court.

These unilateral measures, affected by the foregoing ruling of the Supreme Court, were made ineffective, definitively, as from 1 January 2014, under the provisions of the agreement of 27 December 2013, and approved by a final ruling of the Supreme Court of 18 November 2015 and whose expiration took place on 30 June 2017 (see Note 2.s of the consolidated financial statements for the fiscal year ended 31 December 2016).

At 30 June 2017, the Group has recorded a provision for an amount of €10,300 thousand, under the heading "Provisions - remaining Provisions" of the consolidated balance sheet (see Note 11) for the estimated risk related to the annulment of the unilateral measures.

Labour agreement under the framework for the Restructuring and Recapitalisation Plan

On 30 June 2017, the labour agreement that had been signed with the majority of trade unions had expired on 27 December 2013 (see explanation in Note 1.c.4.1 of the consolidated annual accounts for 2016).

Voluntary redundancy offer plan

On 30 June 2015, the Group informed the workforce about the implementation of a paid voluntary redundancy plan aimed at 615 employees born before 1 January 1959, reserving the Group's right to offer adherence to the employees born after that date, until the redundancy quota set by this plan is reached.

The termination dates under this plan would be as follows:31 December 2015 for those born before 31 December 1956; 31 December 2016 for those born in 1957 and 30 June 2017 for those born in 1958, and it would be possible to delay the termination upon agreement between the employee and the Group. At 30 June 2017, 482 employees had availed themselves of the plan, of which 342 have already been retired

Paid leave of absence and redundancies.

On 1 June 2016, a labour agreement was signed with the union majority, in order to establish the conditions for workers to be protected by the mutually agreed paid leave of absence modality or a voluntary redundancy plan:

i) Mutually agreed paid leave of absence modality: the group covered by this agreement are the employees of Liberbank, S.A. and Banco de Castilla - La Mancha, S.A., born between the years 1956-1964, the duration of this leave of absence is the time between the starting date and 31 December of the calendar year in which it applies, extensible by mutual agreement between the parties by calendar year an up to age 63, or earlier, if entitled to retirement benefits. If not, the employee will take voluntary redundancy pursuant to art. 49.1.a) of the Workers' Statute.

   At 31 December 2016 and in the first six months of 2017 a total of 563 employees of the Group have adhered to this plan, which has been extended for all the employees until 31 December 2017, according to the terms of the agreement.

ii) Voluntary redundancy: it is foreseen the possibility that, until 31 March 2018, employees may request termination of their labour contract, receiving severance of 30 days' salary per year worked, with a maximum of 20 monthly instalments, in a way that the amount may not exceed €120,000 thousand.

   At 30 June 2017, 31 employees had availed themselves to this option, 26 of which terminated at the date of the preparation of these consolidated summarised financial statements for the six-month period.

Labour agreement under the framework for the Organisational Restructuring Efficiency Process

On 21 June 2017, Liberbank and Banco de Castilla - La Mancha entered into a labour agreement with the majority of the trade unions with the purpose of addressing a restructuring process allowing for a smaller, more streamlined and efficient structure. The implementation period of the foregoing agreement will be between 1 July 2017 and 31 December 2019, except for the implementation of the collective dismissals, which shall expire on 31 December 2018, where the Bank shall determine the specific date for this measure.

The main agreed measures to be under such agreement, applicable to the Bank and its subsidiary, Banco de Castilla - La Mancha, S.A., are the following:

i) Compensated redundancies: the maximum number of workers affected by the collective dismissals will be 525. The selection criterion will be the voluntary adherence to the measure, where all employees of both entities may enter into, including those who at the time of signing the Agreement have been on a paid leave of absence agreement under the collective agreement of 1 June 2016. The collective of workers born between 1956 and 1959 will be given priority over the other employees to accept the contact termination measure. At the date of preparing of these financial statements, 132 employees had adhered to the measure.

ii) Reduction in working hours:

a) All workers of Liberbank, S.A. and Banco de Castilla - La Mancha, S.A. will have their working hours reduced, along with a proportional salary reduction, in the percentage based on the entity they work at and the yearly contractual working hours (between 10.04% and 13.56%).

Employees who have a total gross salary of less than €30,000 will receive compensation, which will be received as a single payment of €400 gross in 2017 and €800 gross in both 2018 and 2019.

b) A maximum number of 50 workers are to have their working hours reduced by between 18% and 30%, based on their annual working hours, along with a proportional reduction in salary.

At 30 June 2017 the Group has recorded a provision for the different labour agreements and commitments with the employees above mentioned for an amount of €141,606 thousand (€99,472 thousand at 31 December 2016) under the headings "Provisions - Pensions and other obligations" and "Provisions - Remaining provisions" of the summarised consolidated balance sheet (see Note 11).

k) Events after the reporting period

No relevant events that may significantly affect these consolidated financial statements took place between 30 June 2017 and preparation thereof.

2. Liberbank Group

Note 2 to the consolidated financial statements of Liberbank Group for the year ended 31 December 2016 provides a description of the methods applied by the Group to consider an entity a Group company, a jointly-controlled entity or an associate, along with a description of the consolidation and measurement methods applied to each one in order to prepare these consolidated financial statements. The abovementioned Note accompanying those consolidated financial statements and Annexes I, II and III included a list of the companies considered to be Group companies, jointly-controlled entities and associates, respectively, in order to prepare the abovementioned consolidated financial statements, along with certain relevant information on those financial statements, available as at the date on which they were prepared.

Furthermore, the Note 2-a to those consolidated financial statements describes the most significant acquisitions and sales of companies made by the Group during 2016.

In order to prepare these interim financial statements as at 30 June 2017, the methods applied to consider a company a Group company, a jointly-controlled entity or an associate, and the consolidation or measurement methods applied to each type of company, have not varied with respect to those applied as at 31 December 2016.

In this regard, the most significant changes in Liberbank Group's consolidation scope in the first six months of 2017 are those mentioned below:

- On 31 March 2017, the Annual General Meeting of "Liberbank Vida y Pensiones, Seguros y Reaseguros S.A." approved the capital decrease for an amount of €15,001 thousand by decreasing the par value of the shares in €5,665 in order to reimburse the contributions from the shareholders.

- On 3 April 2017, a publication was released in the BORME (Official Gazette of the Companies Registry) on the liquidation of Asturiana de Carnes S.A., upon the termination of the Company. As a consequence, the Group derecognised the investment in the summarised consolidated balance sheet with no impact in profit or loss.

- On 22 June 2017, the incorporation deed of the company "Desarrollos Las Peñicas, S.L. Unipersonal" was formalised with a share capital of €3 thousand, divided into 3,000 shares of €1 par value, fully subscribed and paid by Liberbank, S.A.

- At 31 December 2016, Banco de Castilla – La Mancha, S.A. recorded an equity that was less than two-thirds of its capital. As laid down by Article 327 of the revised text of the Spanish Capital Companies Act, its administrators have one business year to restore the equity balance or, failing this, Banco de Castilla – La Mancha, S.A. shall be forced to reduce its capital. In order to restore the equity balance, on 13 March 2017, the Board of Directors of Banco de Castilla – La Mancha, S.A. agreed to propose to the General Shareholders' Meeting the decrease of the share capital of the company by €144,772 thousand, through the reduction of the par value of each of the shares in its capital by €1.6 per share. This capital decrease was approved by the General Shareholders Meeting on 24 April 2017, with the European Central Bank's approval yet to be received for the filing at the Commercial Registry at the date of preparation of the summarised consolidated financial statements.

In addition, during the first six months of 2017 the relationship of control, joint control or significant influence held over the different investee companies has not changed, which is why there were no additional changes in their classifications as Group companies, jointly-controlled entities or associates or in the consolidation or measurement method applied to them to prepare the interim financial statements as at 30 June 2017 with regard to the situation as at 31 December 2016.

3. Distribution of profits and earnings per share

a) Dividends paid by the Bank

No dividends were paid by the Bank during the first six months of the years 2017 and 2016.

b) Earnings/ (Loss) per share

Basic earnings (loss) per share

Basic earnings (loss) per share are calculated by dividing net profit or loss attributable to the Parent Company in a given period by the weighted average number of shares outstanding during that period, excluding the average number of treasury shares held in the period.

Accordingly:

	30.06.2017	30.06.2016
Profit (loss) for the six month period attributable to the Parent Company (thousands of euros)	67,465	73,146
Weighted average number of shares outstanding (thousands of on shares)	907,344	900,034
Basic earnings per share (euros)	**0.074**	**0.081**

Diluted earnings / (loss) per share

The diluted earnings per share at 30 June 2017 and 30 June 2016 were calculated by dividing adjusted profit by the number of "diluted" shares, the definitions being as follows:

- The "adjusted result" is calculated by increasing the consolidated profit or loss for the year in the amount of the financial cost accrued from the contingently convertible bonds recognised in the summarised consolidated income statement.

- The "average number of diluted shares" is calculated as the average of the basic shares plus the weighted average of the ordinary shares issued should the contingent convertibles, amounting to €105,890 thousand (€122,121 thousand at 30 June 2016) as a result of the exchange of hybrid instruments, be converted into shares of the Bank.

By applying the above criteria, the earnings / (loss) per diluted share at 30 June 2017 and 2016 were as follows:

	Thousands of Euros	
	30.06.2017	30.06.2016
Consolidated Diluted Profit (Loss) for the six months attributable to the Parent Company (thousand of euros)	67,465	76,080
Average number of diluted shares (thousands of shares)	976,405	989,121
Diluted earnings / (loss) per share (euros)	**0.069**	**0.077**

4. Remuneration of the Board of Directors and Key Management Personnel

Note 6 to the Group's notes to the consolidated financial statements for the year ended 31 December 2016 lists the remuneration and other benefits to the members of the Board of Directors and Senior Management of the Bank during 2016.

Below is the aggregate total of remuneration accrued in favour of the Bank's Key Management Personnel and by the members of the Bank's Board of Directors in the six month periods ended 30 June 2017 and 2016:

a) Remuneration of directors

The breakdown of the remunerations accrued by the Directors in the semesters ended 30 June 2017 and 2016 is as follows:

	Thousands of Euros	
	30.06.2017	30.06.2016
Fixed remuneration	815	912
Variable remuneration	22	53
Per diems	-	-
Bylaw-stipulated directors' emoluments	-	-
Share-based transactions and/or other financial instruments	-	-
Other	34	6
	871	**971**

The amounts reflected in the previous tables correspond to the gross amount of remuneration accrued by the Board of Directors of the Bank, during their membership of this body. In the case of the executive directors, the amounts correspond to the executive functions performed.

At its meeting on 26 March 2012, the Bank's Board of Directors approved the Bank's Variable Compensation Model. Said model determines that:

- The Annual Variable Remuneration will be paid in equal parts of cash and shares. Once the fiscal year ends, the Annual Variable Remuneration was determined, by applying the conditions established by the Board and approved by the Annual General Meeting for that purpose. 60% of said remuneration is paid in the following year, except in the case of the Managing Director (CEO) who in the first year is paid 40%, and the remaining amount is deferred in three subsequent years by equal parts.
- All shares delivered according to the aforementioned rules will be unavailable for one year as of their delivery; this retention applies to the net value of the shares, net of the portion that is necessary for the payment of taxes over the received shares.

The variable compensation model aims to establish a relationship between the results obtained by the Group and the amount of variable compensation payable to its executives, to compensate the objective achievement level, to align its performance with the Group's long-term interests and discard excessive risk assumption, both present and future.

The accrued variable remuneration is calculated using the best estimation on the basis of the available information at the date of preparing these financial statements and is settled according to the Variable Remuneration System approved by the Board of Directors on 31 January of 2017, based on the Variable Remuneration Model approved by the same body on 26 March 2012. Furthermore, that settlement takes into account all specific requirements applicable to the Identified Group on remuneration matters, approved by the Board of Directors on 29 June 2015. The Variable Remuneration System and the specific requirements are governed by the mandatory standards and the recommended standards established by the regulatory framework currently in force for credit entities.

b) Other benefits – Key Staff and members of the Board of Directors in their capacity as Group executives

	Thousands of Euros	
	30.06.2017	30.06.2016
Advances	-	-
Loans granted	40	195
Pension funds and plans: Contributions	-	24
Pension funds and plans: Liabilities incurred	-	-
Life insurance premiums	-	-
Guarantees granted in favour of Directors	-	-

c) Key staff remuneration

Below is the remuneration accrued in the six-month period ended 30 June2017 and 2016 in favour of the Management, excluding the members of the Board of Directors acting as officers, as defined below:

	Thousands of Euros	
	30.06.2017	30.06.2016
Total Key Staff remuneration	1,386	1,426

For a correct interpretation and comparison of the above information, it should be taken into consideration that the whole Key Staff in at 30 June 2016 was comprised by 16 managers (10 Steering Committee members who in turn do not hold the membership of the Bank's Steering Committee and the 6 executives who report directly to the Chairman or Managing Director).

For its part, at 30 June 2017, the whole Key Staff referred to in the table above consists of 17 directors (10 Steering Committee members who in turn do not hold the membership of the Bank's Steering Committee and the 7 executives who report directly to the Chairman or Managing Director).

5. Segment reporting

General disclosures

The Group prepares its segment information for the first six months of 2017 in accordance with IFRS 8, which requires entities to report on the financial compliance of the business segments based on the information used by the Management to evaluate the performance of these segments.

The information is reported using these segments, in line with the definition of operating segments in IFRS 8, and because it is considered to be the most relevant information in terms of providing the information required under IFRS 8.

The following segments identified were used as the basis upon which to report the information required under IFRS 8:

- Banking business: which includes the banking businesses of the Liberbank, S.A. and its subsidiary Banco de Castilla - La Mancha, S.A. as well as other ancillary businesses carried on by the Group for non-material amounts, and central or general services that have not been allocated to a segment.

- Corporate activities: which include the activities performed by the subsidiaries that have not been included in the previous point.

Basis and methodology for segment reporting

The following principles and policies were used to report the following segment information:

- Inter-segment transactions reported in this Note were recognised by applying the same rates and costs applied to transactions with external segments.

- The items forming part of the pre-tax profit of each segment were calculated by applying the same accounting policies and measurement bases used to calculate the Group's profit before tax, as indicated in Note 2 of the consolidated financial statements for the year ended 31 December 2016.

Operating segment reporting

The operating segment information required under IFRS 8 for the first six month periods of 2017 and 2016 is reported in the following table:

At 30 June 2017:

	Thousands of Euros			
	Banking	Corporate activities	Adjustments to the banking segment	Total
Interest income	254,452	-	(237)	254,215
Interest expense	(52,127)	(237)	237	(52,127)
A) INTEREST MARGIN	**202,325**	**(237)**	**-**	**202,088**
Dividend income	1,533	-	-	1,533
Profit/Loss from companies accounted for using the equity method	25,284	-	59	25,343
Commissions income	93,020	-	(105)	92,915
Commissions expenses	(3,539)	(107)	105	(3,541)
Gains or losses on financial assets and liabilities not measured at fair value with changes in profit and loss	54,331	-	-	54,331
Gains or losses on on financial assets and liabilities held for trade	452	-	-	452
Exchange gains/(losses)	55	-	-	55
Other operating income	18,637	3,423	(68)	21,992
Other operating expenses	(42,114)	(48)	30	(42,132)
Income from assets covered by insurance or reinsurance contracts	-	-	-	-
B) GROSS MARGIN	**349,984**	**3,031**	**21**	**353,036**
Administrative expenses	(191,723)	(2,648)	38	(194,333)
Accumulated depreciation	(20,990)	(658)	(115)	(21,763)
Provisions or provisions reversed (net)	25,034	-	351	25,385
Impairments of financial assets not measured at fair value with changes in profit and loss (net)	(47,757)	-	46	(47,711)
C) PROFIT (LOSS) FROM OPERATIONS	**114,548**	**(275)**	**341**	**114,614**
Impairment on non financial assets (net)	607	-	-	607
Gains (Losses) on derecognition of non financial assets	2,610	-	-	2,610
Gains or (-) losses on non-current assets and disposal groups classified as held for sale not allowed as discontinued activities	(43,923)	-	-	(43,923)
D) INCOME BEFORE TAXES	**73,842**	**(275)**	**341**	**73,908**
Expenses or income on gains from continuing operations	(13,351)	82	(86)	(13,355)
E) CONSOLIDATED PROFIT (LOSS) FOR THE REPORTING PERIOD	**60,491**	**(193)**	**255**	**60,553**
Attributable to minority interests	(6,912)	-	-	(6,912)
Attributable to minority to the Parent Company´s owners	67,403	(193)	255	67,465

At 30 June 2016:

	Thousands of Euros			
	Banking	Corporate activities	Adjustments to the banking segment	Total
Interest income	315,811	-	(116)	315,695
Interest expense	(88,155)	(127)	128	(88,154)
F) NET MARGIN	**227,656**	**(127)**	**12**	**227,541**
Dividend income	1,168	-	-	1,168
Profit/Loss from companies accounted for using the equity method	19,797	-	365	20,162
Commissions income	96,807	-	(20)	96,787
Commissions expenses	(3,434)	(22)	20	(3,436)
Gains or losses on financial assets and liabilities not measured at fair value with changes in profit and loss	232,131	-	-	232,131
Gains or losses on financial assets and liabilities held for trade	(994)	-	-	(994)
Exchange gains/(losses)	438	-	-	438
Other operating income	12,760	2,203	(34)	14,929
Other operating expenses	(35,251)	-	-	(35,251)
Income from assets covered by insurance or reinsurance contracts	360	-	-	360
G) GROSS MARGIN	**551,438**	**2,054**	**343**	**553,835**
Administrative expenses	(198,317)	(2,271)	(364)	(200,952)
Accumulated depreciation	(17,164)	(262)	(74)	(17,500)
Provisions or provisions reversed (net)	(12,387)	25	596	(11,766)
Impairments of financial assets not measured at fair value with changes in profit and loss (net)	(175,316)	-	556	(174,760)
H) PROFIT (LOSS) FROM OPERATIONS	**148,254**	**(454)**	**1,057**	**148,857**
Impairment on non financial assets (net)	(4,044)	(10,918)	10,776	(4,186)
Gains (Losses) on derecognition of non financial assets	1,636	-	-	1,636
Gains or (-) losses on non-current assets and disposal groups classified as held for sale not allowed as discontinued activities	(66,245)	-	-	(66,245)
I) INCOME BEFORE TAXES	**79,601**	**(11,372)**	**11,833**	**80,062**
Expenses or income on gains from continuing operations	(16,918)	3,445	(3,690)	(17,163)
J) CONSOLIDATED PROFIT (LOSS) FOR THE REPORTING PERIOD	**62,683**	**(7,927)**	**8,143**	**62,899**
Attributable to minority interests	(10,234)	-	(13)	(10,247)
Attributable to minority to the Parent Company´s owners	72,917	(7,927)	8,156	73,146

The consolidated profit (loss) for the segment period of the firsts six months of 2017 and 2016 is as follows:

	Consolidated profit (loss) for the year	
	30.06.2017	30.06.2016
Banking	60,491	62,683
Other corporate activity of the Group	(193)	(7,927)
Adjustments to the banking segment	255	8,143
Total profit or loss for the reported segments	**60,553**	**62,899**
Unallocated profit or loss	-	-
Elimination of internal profit or loss (between segments)	-	-
Other profit(loss)	-	-
Income tax and/or Profit(loss) from discontinued operations	-	-
PROFIT (LOSS) FOR THE REPORTING PERIOD	**60,553**	**62,899**

6. Financial Assets

6.1 Breakdown of financial assets by nature and category

Below is a breakdown of the carrying amount of the financial assets belonging to the Bank and the Group as at 30 June 2017 and 31 December 2016, classified by nature and the category defined in the applicable standards into which they were classified as at those dates:

	Thousands of Euros				
	30.06.2017				
	Financial assets held for negotiation	Financial Assets at fair value with changes recognised in P&L	Available-for-sale financial assets	Loans and accounts receivable	Held-to-maturity investments
Data corresponding to the individual books of the Bank:					
Derivatives	16,200	-	-	-	-
Equity instruments	-	-	245,946	-	-
Debt securities	-	-	4,690,023	2,238,422	-
Loans and advances	-	-	-	17,177,723	-
Central banks	-	-	-	-	-
Credit institutions	-	-	-	*2,645,788*	-
Customers	-	-	-	*14,531,935*	-
Total individual	**16,200**	**-**	**4,935,969**	**19,416,145**	**-**
Data corresponding to the consolidated books of the Group:					
Derivatives	25,556	-	-	-	-
Equity instruments	-	-	367,281	-	-
Debt securities	-	-	6,840,801	3,372,097	-
Loans and advances	-	-	-	22,115,098	-
Central banks	-	-	-	-	-
Credit institutions	-	-	-	*116,839*	-
Customers	-	-	-	*21,998,259*	-
Total consolidated	**25,556**	**-**	**7,208,082**	**25,487,195**	**-**

	Thousands of Euros				
	31.12.2016				
	Financial assets held for negotiation	Financial Assets at fair value with changes recognised in P&L	Available-for-sale financial assets	Loans and accounts receivable	Held-to-maturity investments
Data corresponding to the individual books of the Bank:					
Derivatives	19,541	-	-	-	-
Equity instruments	-	-	253,074	-	-
Debt securities	-	-	5,417,312	1,905,796	-
Loans and advances	-	-	-	14,671,722	-
Central banks	-	-	-	-	-
Credit institutions	-	-	-	*327,828*	-
Customers	-	-	-	*14,343,894*	-
Total individual	**19,541**	**-**	**5,670,386**	**16,577,518**	**-**
Data corresponding to the consolidated books of the Group:					
Derivatives	30,263	-	-	-	-
Equity instruments	-	-	388,326	-	-
Debt securities	1	-	7,203,216	2,229,997	-
Loans and advances	-	-	-	21,994,805	-
Central banks	-	-	-	-	-
Credit institutions	-	-	-	*94,388*	-
Customers	-	-	-	*21,900,417*	-
Total consolidated	**30,264**	**-**	**7,591,542**	**24,224,802**	**-**

Available-for-sale financial assets

The most significant changes recorded in the first six months of 2017 in this portfolio were as follows:

- The Group made acquisitions of Spanish public debt for an effective amount of €1,560,169 thousand.
- The Group sold public debt securities for an effective amount of €603,024 thousand, with a gain of €48,845 thousand recorded under "Gains or losses for derecognition of financial assets and liabilities not measured at fair value with changes in profit and loss, net" of the summarised consolidated income statement (see Note 15.2).
- Amortisations of public debt securities amounting to €1,270,875 were made.

In addition, during the first six months of 2017 and 2016, the Group has recorded losses caused by impairment of capital instruments recorded in this portfolio amounting to €1,984 thousand and €318 thousand, respectively, recorded under "Value impairment or value impairment reversal of financial assets not measured at fair value with changes in results – Available-for-sale financial assets" in the condensed consolidated income statement.

Loans and accounts receivable

Debt securities

The most significant changes recorded in the first six months of 2017 in this portfolio were as follows:

- The Group made acquisitions of public debt from Spanish Regions for an effective amount of €1,079,796 thousand.

- Amortisations of bonds issued by the SAREB have been performed for a nominal amount of €113,800 thousand.

Loans and advances

The detail of the loans and Advances portfolio according to their credit rating at 30 June 2017 and 31 December 2016 is as follows:

30 June 2017:

	Thousands of Euros		
	Total, gross	Valuation adjustments for impairment	Book value (*)
Normal risk	19,936,624	(55,184)	19,881,440
Risk under special surveillance	643,215	(12,094)	631,121
Doubtful risk	2,555,580	(959,823)	1,595,757
Total	**23,135,419**	**(1,027,101)**	**22,108,318**

(*) Does not include other valuation adjustments

31 December 2016:

	Thousands of Euros		
	Total, gross	Valuation adjustments for impairment	Book value (*)
Normal risk	19,348,752	(112,798)	19,235,954
Risk under special surveillance	713,088	(29,272)	683,816
Doubtful risk	3,205,337	(1,133,407)	2,071,930
Total	**23,267,177**	**(1,275,477)**	**21,991,700**

(*) Does not include other valuation adjustments

At 30 June 2017, customer credit gross carrying amount assigned to the APS was €998,616 thousand from which €932,197 thousand are classified as doubtful (€1,477,771 thousand and €1,364,105 thousand respectively at 31 December 2016). At 30 June 2017, the impairment of the accumulated value of those assets was €373,424 thousand (€559,705 thousand at 31 December 2016). Those assets, as stated in Note 1.j.b), were valued by three independent experts, with no changes in their valuation from the amount recognised at 31 December 2016.

The detail of the guarantees received for the granting of Group´s operations at 30 June 2017 and 31 December 2016 is as follows:

	Thousands of Euros	
	30.06.2017	31.12.2016
Value of the security interests	**15,465,897**	**15,556,834**
Of which: guarantees risks in special monitoring substandard	322,560	387,865
Of which: guarantees doubtful risks	1,480,453	1,878,328
Value of other guarantees	**16,303**	**18,975**
Of which: guarantees risks in special monitoring	483	-
Of which: guarantees doubtful risks	253	-
Total value of guarantees received	**15,482,200**	**15,575,809**

The detail of the financial guarantees granted at 30 June 2017 and 31 December 2016 is as follows:

	Thousands of Euros	
	30.06.2017	31.12.2016
Commitments from loans granted	1,740,737	1,649,796
Of which the amount classified as doubtful	*53,014*	*50,051*
Amount recorded as a liability on the balance sheet	*1,318*	*1,838*
Financial guarantees granted	150,915	136,833
Of which the amount classified as doubtful	*36,561*	*41,986*
Amount recorded as a liability on the balance sheet	*5,640*	*10,235*
Other obligations granted	2,786,845	2,793,716
Of which the amount classified as doubtful	*105,776*	*117,882*
Amount recorded as a liability on the balance sheet	*18,610*	*15,579*

6.2 Past due assets but whose value has not impaired

Below is the detail of expired Loans and advances to customers not impaired at 30 June 2017 and at 31 December 2016, classified according to the time elapsed since their maturity.

30 June 2017:

	Thousands of Euros			
	Past due but whose value has not impaired (a)			
	≤ 30 days	> 30 days	> 60 days	> 90 days
Public administrations	10,349	773	4,121	71
Other financial corporations	17,897	2	105	14
Non-financial corporations	306,362	31,245	29,880	200,262
Households	443,314	123,190	99,610	212,861
TOTAL	**777,922**	**155,210**	**133,716**	**413,208**

(a) Collects the live risk of operations with amounts due. In the section of less than 30 days, includes €369,139 thousand for transactions with past-due balances in one day amounting to €6,412 thousand.

31 December 2016:

	Thousands of Euros			
	Past due but whose value has not impaired (a)			
	≤ 30 days	> 30 days	> 60 days	> 90 days
Public administrations	55,050	-	2,186	1,113
Other financial corporations	156	-	-	78
Non-financial corporations	207,605	32,907	73,348	269,258
Households	847,765	128,557	100,488	205,812
TOTAL	**1,110,576**	**161,464**	**176,022**	**476,261**

(a) Collects the live risk of operations with amounts due. In the section of less than 30 days, includes €600,550 thousand for transactions with past-due balances in one day amounting to €8,703 thousand.

6.3 Restructuring and refinancing balances in force

The principles in Liberbank Group's Corporate Restructuring Policy to provide for refinancing are described in Note 3.2.4 to the consolidated financial statements at 31 December 2016.

Following is the outstanding balance of the refinanced operations at 30 June 2017 and 31 December 2016 based on the customer bad debts risk classification:

At 30 June 2017:

	Thousands of Euros		
	Total, gross	Valuation adjustments for impairment	Book value
Risk under special surveillance	308,320	(7,169)	301,151
Doubtful risk	1,313,413	(528,241)	785,172
Total	**1,621,733**	**(535,410)**	**1,086,323**

At 31 December 2016:

	Thousands of Euros		
	Total, gross	Valuation adjustments for impairment	Book value
Risk under special surveillance	358,842	(16,083)	342,759
Doubtful risk	1,501,421	(551,746)	949,675
Total	**1,860,263**	**(567,829)**	**1,292,434**

Following is the detail of the guarantees received of the refinanced operations at 30 June 2017 and 31 December 2016 based on the customer bad debts risk classification:

	Thousands of Euros	
	30.06.2017	31.12.2016
Value of the security interests	**936,591**	**1,080,308**
Of which: guarantees risks in special monitoring	237,793	250,616
Of which: guarantees doubtful risks	698,798	829,692
Value of other guarantees	-	-
Of which: guarantees risks in special monitoring	-	-
Of which: guarantees doubtful risks	-	-
Total value of guarantees received	**936,591**	**1,080,308**

The breakdown of the refinancing by economic sectors at 30 June 2017 and 31 December 2016 is shown below:

	Thousands of Euros	
	30.06.2017	31.12.2016
Credit institutions	-	-
Public Sector	13,327	13,335
Other financial institutions and sole proprietors	470	10,956
Non-financial institutions and sole proprietors	790,731	983,758
Of which: financing for construction and property development	*282,205*	*369,714*
Rest of households	281,795	284,385
Total book value	**1,086,323**	**1,292,434**
Financing classified as non-current assets or disposal groups that have been classified as held for sale	-	-

The changes in the refinanced transactions during the first half of 2017 and 2016 are as follows:

	Thousands of Euros	
	30.06.2017	30.06.2016
Opening balance in the six-month period	**1,292,434**	**2,347,289**
Refinancing and restructuring for the period	130,943	185,411
Memorandum item: recorded impact on the consolidated summarised income statement for the period (net)	*888*	*8,479*
Debt repayments	(33,517)	(111,240)
Foreclosures	(176,587)	(77,555)
Derecognition on balance sheet (reclassification to non-performing)	(36,201)	(98,750)
Other changes	(90,749)	(15,435)
Closing balance in the six-month period	**1,086,323**	**2,229,720**

6.4 Change in impairment losses

Below are the changes in impairment losses recognised by the Group during the first six months of 2017 and 2016:

At 30 June 2017:

	Thousands of Euros							
	Opening balance at 31 December 2016	Increases over the period due to provisions for estimated credit losses	Decreases over the period due to reversal in estimated credit losses	Decreases due to amounts charged against value adjustments (Note 6.5)	Transfers between value adjustments and Other adjustments	Closing balance at 30 June 2017	Recoveries recorded directly in the income statement (Note 6.5)	Value adjustments recorded directly in the income statement (Note 6.5)
Specific value adjustments for individually assessed financial assets	**(650,778)**	**(58,453)**	**61,393**	**170,455**	**(34,596)**	**(511,979)**	**4,518**	**(11,526)**
Loans and advances	(650,778)	(58,453)	61,393	170,455	(34,596)	(511,979)	4,518	(11,526)
Specific value adjustments for collectively assessed financial assets	**(482,629)**	**(114,654)**	**66,670**	**80,665**	**2,104**	**(447,844)**	**25,871**	**(34,229)**
Debt securities	-							
Loans and advances	(482,629)	(114,654)	66,670	80,665	2,104	(447,844)	25,871	(34,229)
Collective value adjustments for losses on financial assets incurred but not reported	**(142,816)**	**(53,400)**	**68,071**	**-**	**60,111**	**(68,034)**	**-**	**-**
Debt securities (*)	(746)	(21)	11	-	-	(756)	-	-
Loans and advances	(142,070)	(53,379)	68,060	-	60,111	(67,278)	-	-
Total	**(1,276,223)**	**(226,507)**	**196,134**	**251,120**	**27,619**	**(1,027,857)**	**30,389**	**(45,755)**

(*) Of this amount, at 30 June 2017, €469 thousand correspond to impairment associated with the "Available-for-sale financial assets" portfolio and €287 thousand correspond to impairment associated with the “Loans and receivables” portfolio (€457 thousand and €289 thousand respectively at 31 December 2016).

In addition, during the first six months of 2017 the Group has provisioned an impairment for an amount of €1,972 thousand (€318 thousand in the first six months of 2016) related to equity instruments classified in the "Available-for-sale financial assets" portfolio.

At 30 June 2016:

	Thousands of Euros							
	Opening balance at 31 December 2015	Increases over the period due to provisions for estimated credit losses	Decreases over the period due to reversal in estimated credit losses	Decreases due to amounts charged against value adjustments (Note 6.5)	Transfers between value adjustments and Other adjustments (*)	Closing balance at 30 June 2016	Recorded directly in the income statement (Note 6.5)	Value adjustments recorded directly the income statement (Note 6.5)
Specific value adjustments for individually assessed financial assets	**(1,021,458)**	**(27)**	**-**	**-**	**437,682**	**(583,803)**	**-**	**-**
Loans and advances	(1,021,458)	(27)	-	-	437,682	(583,803)	-	-
Specific value adjustments for collectively assessed financial assets	**(848,208)**	**(176,290)**	**125,529**	**164,916**	**(9,610)**	**(743,663)**	**15,956**	**(21,966)**
Debt securities	-	-	-	-	-	-		
Loans and advances	(848,208)	(176,290)	125,529	164,916	(9,610)	(743,663)	15,956	(21,966)
Collective value adjustments for losses on financial assets incurred but not reported	**(121,154)**	**(139,650)**	**22,006**	**4,203**	**(30,602)**	**(265,197)**	**-**	**-**
Debt securities	-	-	-	-	-	-	-	-
Loans and advances	(121,154)	(139,650)	22,006	4,203	(30,602)	(265,197)	-	-
Total	**(1,990,820)**	**(315,967)**	**147,535**	**169,119**	**397,470**	**(1,592,663)**	**15,956**	**(21,966)**

(*) Including, among other items, the net reduction resulting from valuation adjustments for impairment of the loans and credits subject to the Asset Protection Scheme, mainly due to awards and reclassification to write-offs in the amount of €354,220 thousand.

6.5 Assets derecognised from the balance sheet as their recovery is considered to be unlikely

Following is a breakdown of the changes in the first six months of 2017 and 2016 of the Group's impaired financial assets that are not recognised in the consolidated balance sheet given that their recovery is considered to be unlikely, although the measures to recover the amounts owed have not been discontinued:

	Thousands of Euros	
	30.06.2017	30.06.2016
Balance of financial assets considered unlikely to be recovered at 31 December	2,784,728	1,616,880
Total Additions-		
Use of accumulated impairment balance	251,120	169,119
Direct restructuring in the income statement	45,755	21,966
Contractually enforceable interests	33,170	84,794
Total Deductions-		
Principal cash collection	(22,686)	(15,410)
Tangible assets assignment	(39,887)	(35,047)
Interest cash collection	(655)	(546)
Other changes-		
From the transfer of the written-off assets from the portfolio used in the Asset Protection Scheme	-	488,470
For the sale of assets derecognised	(172,167)	-
Reductions and other changes	(135,047)	(50,298)
Balance of financial assets considered unlikely to be recovered at 30 June	**2,744,331**	**2,279,928**

In April 2017 the Group sold to Lindorff Holding Spain S.L.U. a portfolio for an amount of €172,167 thousand at the transfer date (from which €90,461 thousand belong to the Bank) of SME and private assets, including contracts of Liberbank S.A. and its subsidiary Banco de Castilla – La Mancha, S.A. The portfolio includes unsecured credits and loans, discounted notes and credit card debt which are unlikely to be recovered. The price of the transaction was 5.1% of the nominal value (7,506 thousand) with a gain of €7,048 thousand (from which €3,984 thousand belong to the Bank) recorded under the heading "Impairment loss or reversal of impairment of financial assets not measured at fair value with changes in P&L" of the consolidated summarised income statement.

7. Non-current assets and disposable groups of items classified as held for sale

Below is the detail of this item in the summarised consolidated balance sheet at 30 June 2017 and 31 December 2016:

	Thousands of Euros	
	30.06.17	31.12.16
Assets from awards-		
Buildings and structures	1,231,707	1,185,366
Rural properties, plots and lots	748,724	676,178
Non-property assets	764	470
Other assets-		
Investment property	252	337
Non-property assets	5,983	-
Equity instruments	4,679	10,904
Total, gross (*)	**1,992,109**	**1,873,255**
Valuation adjustments for impairment	(114,128)	(61,049)
Net book value	**1,877,981**	**1,812,206**

(*) These amounts are reduced by the valuation adjustments for impairment of the gross debt of the loan at the time of the granting (€1,119,721 thousand y €1,160,445 thousand at 30 June 2017 and 31 December 2016, respectively).

At 30 June 2017, the carrying amount of the "Non-current assets and disposable groups of items classified as held for sale" subject to the APS is €1,473,885 thousand (€1,385,972 thousand at 31 December 2016). Those assets, as stated in Note 1.j.b), were valued by three independent experts, with no changes in their valuation from the amount recognised at 31 December 2016.

In the first six months of 2017 and 2016, assets from foreclosures were purchased for €263,433 thousand and €165,052 thousand, respectively. Likewise, in the first six months of said reporting periods, sales were recorded for amount of €127,704 thousand and €80,126 thousand respectively.

In the first six months of 2017, assets classified as “Non-current assets and disposal groups classified as held for sale” were transferred to “Tangible assets – Property investments” in the consolidated summarised balance sheet, at a net carrying amount of €16,875 thousand, (€211,825 thousand in the first six months of 2016) due to a change in the management of these assets, since they are expected to be leased out (see Note 8).

Valuation adjustments for impairment

Below is the change with an effect of the valuation adjustments for impairment recorded at the time of the classification of the asset under this heading of the summarised consolidated balance sheet during the first six months of 2017 and 2016:

	Thousands of Euros	
	30.06.2017	30.06.2016
Balance at 1 January	61,049	70,253
Net provision for impairment losses on the remaining non-current assets held for sale (Note 15.4)	43,949	94,670
Amounts reversed on impairment losses recognized in prior years (Note 15.4)	(4,303)	(2,427)
Other changes	13,433	(9,239)
Balance at 30 June	**114,128**	**153,257**

8. Tangible assets

The changes in this chapter of the summarised consolidated balance sheet at 30 June 2017 and 2016 were as follows:

	30.06.2017			
	Thousands of Euros			
	For own use	Other assets leased out under an operating lease	Investment property	Total
Cost:				
Balances at 1 January 2017	996,915	7,392	426,089	1,430,396
Additions	24,623	-	117,788	142,411
Derecognitions for disposals	(24,366)	-	(14,543)	(38,909)
Transfers (Note 7)	(27,673)	-	44,548	16,875
Balances at 30 June 2017	**969,499**	**7,392**	**573,882**	**1,550,773**
Accumulated depreciation:				
Balances at 1 January 2017	(455,711)	(7,175)	(23,760)	(486,646)
Charge for the year	(9,229)	(217)	(4,063)	(13,509)
Derecognitions for disposals	18,075	-	779	18,854
Transfers	6,407	-	(6,407)	-
Balances at 30 June 2017	**(440,458)**	**(7,392)**	**(33,451)**	**(481,301)**
Valuation adjustments for impairment at 1 January 2017	(23,381)	-	(14,755)	(38,136)
Valuation adjustments for impairment at 30 June 2017	(21,736)	-	(25,493)	(47,229)
Net tangible assets at 30 June 2017	**507,305**	-	**514,938**	**1,022,243**

	30.06.2016			
	Thousands of Euros			
	For own use	Other assets leased out under an operating lease	Investment property	Total
Cost:				
Balances at 1 January 2016	1,104,896	7,392	116,804	1,229,092
Additions	10,013	-	-	10,013
Derecognitions for disposals	(92,827)	-	(506)	(93,933)
Transfers	(2,701)	-	214,526	212,825
Balances at 30 June 2016	**1,019,381**	**7,392**	**330,824**	**1,357,597**
Accumulated depreciation:				
Balances at 1 January 2016	(475,296)	(7,175)	(14,884)	(497,355)
Charge for the year	(8,696)	-	(654)	(9,350)
Derecognitions for disposals	30,757	-	111	30,868
Transfers	446	-	(446)	-
Balances at 30 June 2016	**(452,789)**	**(7,175)**	**(15,873)**	**(475,837)**
Valuation adjustments for impairment at 1 January 2016	(23,970)	-	(14,755)	(38,725)
Valuation adjustments for impairment at 30 June 2016	(24,111)	-	(14,755)	(38,866)
Net tangible assets at 30 June 2016	**542,481**	**217**	**300,196**	**842,894**

During the first semester of 2017, the Group has transferred assets classified under “Tangible assets – Own Use” to “Tangible assets - Investment Property” in the consolidated summarised balance sheet, with a net book value of €21,266 thousand (€2,255 thousand in the first six months of 2016).

Likewise, assets classified as “Non-current assets and disposal groups classified as held for sale” were transferred to “Tangible assets – Property investments” in the consolidated summarised balance sheet, at a net carrying amount of €16,875 thousand, (€211,825 thousand in the first six months of 2016) according to the Group´s specific strategy to enhance the valorisation of certain assets foreclosed through their exploitation on a rental basis (see Note 7).

9. Intangible assets

Goodwill

The detail of this heading on the consolidated balance sheets at 30 June 2017 and 31 December 2016 is as follows:

	Thousands of Euros	
	30.06.2017	31.12.2016
Goodwill on consolidation-		
Banco de Castilla-La Mancha Mediación, Operador de Banca Seguros Vinculado, S.A.	22,221	22,221
CCM Brokers 2007 Correduría de Seguros, S.A.	26	26
CCM Finance, S.A.	463	463
Other	32	32
	22,742	**22,742**

Based on the estimates made and forecasts available to the Group's directors, the projected income of these companies on which the goodwill is related fully supports the carrying amounts of goodwill at 30 June 2017 and 31 December 2016.

10. Financial liabilities

10.1 Breakdown of financial liabilities by nature and category

Below is a breakdown of the carrying amount of the financial liabilities of the Bank and the Group as at 30 June 2017 and 31 December 2016, classified by nature and the category defined in the applicable standards:

	Thousands of Euros					
	30.06.2017			31.12.2016		
	Financial liabilities held for negotiation	Financial liabilities at fair value with changes recognised in P&L	Financial liabilities at amortised cost	Financial liabilities held for negotiation	Financial liabilities at fair value with changes recognised in P&L	Financial liabilities at amortised cost
Data corresponding to the individual books of the Bank:						
Derivatives (*)	16,523	-	-	20,180	-	-
Short positions	-	-	-	-	-	-
Deposits	-	-	24,041,130	-	-	22,193,765
Central banks	-	-	1,311,392	-	-	1,313,999
Credit institutions	-	-	2,625,413	-	-	1,726,222
Customers	-	-	20,104,325	-	-	19,153,544
Debt instruments issued	-	-	784,808	-	-	496,415
Other financial liabilities	-	-	159,855	-	-	164,137
Total individual	**16,523**	**-**	**24,985,793**	**20,180**	**-**	**22,854,317**
Data corresponding to the consolidated books of the Group:						
Derivatives (*)	26,204	-	-	31,611	-	-
Short positions	-	-	-	-	-	-
Deposits	-	-	35,085,255	-	-	34,377,975
Central banks	-	-	2,926,021	-	-	2,931,888
Credit institutions	-	-	2,134,367	-	-	1,511,409
Customers	-	-	30,024,867	-	-	29,934,678
Debt instruments issued (**)	-	-	712,237	-	-	424,110
Other financial liabilities	-	-	206,050	-	-	219,490
Total consolidated	**26,204**	**-**	**36,003,542**	**31,611**	**-**	**35,021,575**

(*) Not including hedging derivatives.

(**) It includes subordinated liabilities for an amount of €399,379 thousand and €126,258 thousand at 30 June 2017 and 31 December 2016, respectively.

10.2 Debt securities issued

The breakdown of these liabilities in the accompanying balance sheet at 30 June 2017 and 31 December 2016 is as follows:

	Thousands of Euros	
	30.06.2017	31.12.2016
Marketable debt securities-		
Discounted promissory notes	217,440	201,982
Mortgage bonds	1,000,000	1,000,000
Other non-convertible bonds	95,000	95,000
Treasury shares	(1,000,000)	(1,000,000)
Valuation adjustments	418	870
Subordinated liabilities-		
Marketable subordinated-debt securities	395,950	120,495
Valuation adjustments	3,429	5,763
	712,237	**424,110**

The main features of the "Debts represented by marketable securities - Other non-convertible securities" outstanding at 30 June 2017 and 31 December 2016 were as follows:

Issuance	Thousands of Euros		Interest Rate	Issue date	Maturity date
	30.06.2017	31.12.2016			
I Straight debentures, CCM	50,000	50,000	1.5%+ inflation at maturity	23/06/2006	23/06/2021
EMTN Programme, First Issuance of Obligations CCM FINANCE S.A.U.	45,000	45,000	4.25%	25/10/2006	25/10/2021
	95,000	**95,000**			

The main features of the "Debts represented by subordinated marketable securities" outstanding at 30 June 2017 and 31 December 2016 were as follows:

Issuance	Thousands of Euros		Interest rate	Issue date	Maturity date
	30.06.2017	31.12.2016			
Necessarily Convertible Subordinated Series A Debentures (*)	9,918	10,460	5.00%	17/04/2013	17/07/2018
Necessarily Convertible Subordinated Series B Debentures (*)	3,085	3,275	5.00%	17/04/2013	17/07/2018
Necessarily Convertible Subordinated Series C Debentures (*)	82,947	106,760	7.00%	17/04/2013	17/07/2018
Liberbank subordinated debentures	300,000	-	6.88%	14/03/2017	14/03/2027
Total debits represented by subordinated marketable securities	**395,950**	**120,495**			

(*) Issuances as a result of the management of hybrid bonds.

On 7 March 2017 the Banc issued subordinated debentures Tier 2 for a nominal value of €300 millions.

The changes in debentures belonging to Series A/2013, Series B/2013 and Series C/2013 during the first half of 2017 is due to the repurchases of subordinated debentures and to the voluntary conversion option available to the holders, described in Note 12.

10.3 Disclosures required pursuant to Mortgage Market Law2/1981, of 25 March, and to Royal Decree 716/2009, of 24 April, implementing certain provisions of the aforementioned Law

Mortgage-backed securities are securities, the principal and interest of which are specifically secured by all the mortgages (there being no need for registration in the Property Register and without prejudice to the Group's universal equity liability) registered in the Group's favour that are not subject to the issuance of the mortgage-backed bonds and, where appropriate, by the replacement assets stated in the sections subsequent to this Note and by the cash flows generated by the derivative financial instruments associated with each issuance.

The mortgage-backed securities include the holder's receivable right against the Group, secured as indicated in the preceding paragraph, and may be enforced to claim payment from the issuer after maturity. The holders of these securities have the status of special preferential creditors vis-à-vis all other creditors (as established by section 3 of Article 1,923 of the Spanish Civil Code) in relation to all the mortgage loans and credits registered in the issuer's favour and, where appropriate, in relation to the replacement assets and the cash flows generated by the derivative financial instruments associated with the issuances.

In the event of insolvency, the holders of mortgage-backed securities will enjoy the special privilege established in Article 90.1.1 of Insolvency Act 22/2003, of 9 July. Notwithstanding the above, pursuant to Article 84.2.7 of Insolvency Law 22/2003, of 9 July, during the insolvency proceedings, the payments relating to the repayment of the principal and interest of the bonds issued and outstanding at the date of the insolvency filing will be settled up to the amount of the income received by the insolvent party from the mortgage loans and credits and, where appropriate, from the replacement assets backing the securities and from the cash flows generated by the financial instruments associated with the issuances.

If, due to a timing mismatch, the income received by the insolvent party is insufficient to meet the payments described in the preceding paragraph, the receivers must settle them by realising the replacement assets identified to cover the issuance and, if this is not sufficient, they must obtain financing to meet the mandated payments to the backed bond holders, and the finance provider must be subrogated to the position of the holders.

In the event that the measure indicated in Article 155.3 of the aforementioned Law were to be adopted, the payments to all holders of the mortgage-backed securities issued would be made on a pro-rata basis, irrespective of the issue dates of the securities.

The members of the Board of Directors expressly indicate that it has in place policies and procedures guiding all activities carried out in respect of mortgage market issuances. These policies and procedures ensure strict compliance with prevailing applicable mortgage market regulations. These policies and procedures include the following aspects:

- Ratio between loans and receivables and the appraisal value of the mortgaged property.
- Ratio between the borrower's debt and income, as well as verification of the borrower's solvency and other information provided.
- Avoidance of imbalances between inflows from the hedging portfolio and payment outflows in respect of securities issued.

The "Loans and advances to customers" account includes mortgage-backed securities issued by the Group in the amount of €3,575,423 thousand at 30 June 2017 (€4,549,626 thousand at 31 December 2016) the main features of which are included below:

Transferee	Issue date	Thousands of Euros		Interest rate	Maturity
		30.06.2017	31.12.2016		
AyT Cédulas Cajas V "B"	02/12/2003	67,742	67,742	4.757%	02/12/2018
AyT Cédulas Cajas, VIII B	16/11/2004	26,829	26,829	4.257%	16/11/2019
Cédulas TDA, 5	29/11/2004	123,584	123,584	4.125%	27/11/2019
AyT Cédulas Cajas IX B	29/03/2005	87,500	87,500	4.003%	29/03/2020
Cédulas TDA 6	23/05/2005	589,453	589,453	3.875%	21/05/2025
Cédulas TDA 7	20/06/2005	-	174,289	3.500%	20/06/2017
AyT Cédulas Cajas Global, Series III	12/12/2005	110,185	110,185	3.754%	12/12/2022
Cédulas TDA 8, A4	08/04/2006	268,395	268,395	4.125%	08/04/2021
Cédulas TDA 8, A6	08/04/2006	534,638	534,638	4.250%	08/04/2031
AyT Cédulas Cajas Global Serie VII	26/05/2006	-	99,914	3-month euribor+0.086%	24/05/2017
AYT Cédulas Cajas Global, Series VIII	09/06/2006	675,000	675,000	4.255%	12/06/2018
Cédulas TDA 8, A3	21/10/2006	98,893	98,893	4.000%	21/10/2018
AyT Cédulas Cajas Global Serie X	23/10/2006	150,000	150,000	4.254%	23/10/2023
AyT Cédulas Cajas Global, Series XII	16/03/2007	-	700,000	4.004%	19/03/2017
Cédulas TDA 8 A5	26/03/2007	343,204	343,204	4.250%	26/03/2027
AyT Cédulas Cajas Global Serie XIII	23/05/2007	200,000	200,000	4.755%	23/05/2027
PITCH, Series I	17/07/2007	200,000	200,000	5.135%	18/07/2022
AyT Cédulas Cajas Global, Series XVI	26/12/2008	100,000	100,000	3-month euribor+0.192%	21/10/2017
		3,575,423	**4,549,626**		

Pursuant to Article 16 of Mortgage Market Law 2/1981, of 25 March, amended by Law 41/2007, of 7 December, the total volume of issued mortgage-backed securities payable may not exceed 80% of the unpaid principal of all the mortgage loans of an entity that could be used as the underlying. At 30 June 2017 and 31 December 2016, the total issued mortgage-backed securities payable represented 22.80% and 28.33% of the unamortised principal on all the Group's mortgage loans.

At 30 June 2017 and 31 December 2016, the Group did not own any mortgage-backed securities from among the issuances written by it.

Below is the nominal amount of the Group's total mortgage loans and receivables and the eligible mortgage loans and receivables pursuant to the applicable legislation to calculate the limit of issuances of mortgage bonds and mortgage-backed securities:

	Thousands of Euros	
	Nominal value	
	30.06.2017	31.12.2016
Balance receivable drawn down against mortgage-backed loans and receivables	16,708,553	17,142,628
Mortgage participation certificates issued	144,237	154,501
Of which: loans maintained on the balance sheet	*63,842*	*67,705*
Mortgage transfer certificates issued	885,727	928,862
Of which: loans maintained on the balance sheet	*860,890*	*902,211*
Mortgage loans pledged as security for financing received	-	-
Loans backing the issuance of mortgage bonds and mortgage-backed securities issued	15,678,589	16,059,265
Non-eligible loans	2,576,392	2,640,341
Meet the requirements to be eligible except for the limit established in Article 5.1 of Royal Decree 716/2009	2,576,392	2,640,341
Remainder	-	-
Eligible loans	13,102,197	13,418,924
Non-eligible amounts	382,044	643,435
Eligible amounts	12,720,153	12,775,489
- Loans backing mortgage bond issuances	-	-
- Loans eligible to back the issuance of mortgage-backed securities	12,720,153	12,775,489

The nominal value of the mortgage receivables and loans outstanding and the nominal value of the loans and receivables that were eligible pursuant to Royal Decree 716/2009, without taking into consideration the limits in their calculation established by Article 12 of Royal Decree 716/2009, are detailed below based on the origin thereof, currency in which they are denominated, their payment situation, average residual maturity period, interest rate and type of collateral, by calculating the ratio of the transaction amount to the appraisal values of the respective mortgaged properties:

	Thousands of Euros			
	30.06.2017		31.12.2016	
	Nominal value of the mortgage loans and receivables pending amortisation pursuant to Royal Decree 716/2009 (excluding securitised ones)	Nominal value of the eligible mortgage loans and receivables without applying the limits established in section 12 pursuant to Royal Decree 716/2009	Nominal value of the mortgage loans and receivables pending amortisation pursuant to Royal Decree 716/2009 (excluding securitised ones)	Nominal value of the eligible mortgage loans and receivables without applying the limits established in section 12 pursuant to Royal Decree 716/2009
By origin				
Arising from the Bank	10,347,362	8,658,462	10,147,721	8,546,167
Subrogations	4,544,795	4,155,906	4,809,466	4,411,494
Remainder	786,432	287,829	1,102,078	461,263
	15,678,589	**13,102,197**	**16,059,265**	**13,418,924**
Currency in which they are denominated				
Euros	15,637,211	13,090,359	16,021,370	13,412,395
Other currencies	41,378	11,838	37,895	6,529
	15,678,589	**13,102,197**	**16,059,265**	**13,418,924**
By payment situation				
Normal payment situation	13,197,753	11,967,735	12,955,427	11,828,478
Other	2,480,836	1,134,462	3,103,838	1,590,446
	15,678,589	**13,102,197**	**16,059,265**	**13,418,924**
By residual maturity term				
Within 10 years	3,666,046	2,461,260	4,039,798	2,743,028
10 to 20 years	5,820,992	5,249,218	5,771,754	5,200,377
20 to 30 years	5,215,054	4,680,931	5,171,661	4,634,540
More than 30 years	976,497	710,788	1,076,052	840,979
	15,678,589	**13,102,197**	**16,059,265**	**13,418,924**
By interest rate				
Fixed interest rate	1,504,608	1,298,240	1,097,527	921,746
Floating interest rate	12,218,914	10,202,122	13,132,950	10,972,778
Fixed and floating interest rate	1,955,067	1,601,835	1,828,788	1,524,400
	15,678,589	**13,102,197**	**16,059,265**	**13,418,924**
By type of borrower				
Legal entities and natural persons	4,485,097	2,946,774	4,873,979	3,178,366
Of which: property developments	*916,379*	*200,102*	*1,334,799*	*412,628*
Other natural persons and non-profit accommodation institutions (ISFLSH)	11,193,492	10,155,423	11,185,286	10,240,558
	15,678,589	**13,102,197**	**16,059,265**	**13,418,924**
By type of collateral				
Completed buildings – residential	13,166,102	11,648,057	13,330,207	11,863,047
Of which: government-subsidised housing units	*323,851*	*286,735*	*325,576*	*313,591*
Completed buildings – business	1,899,187	1,262,476	1,918,174	1,305,006
Completed buildings – other	36,713	21,055	37,362	17,210
Buildings under construction	78,080	4,933	107,649	25,672
Of which: government-subsidised housing units	-	-	-	-
Buildings under construction – business	82,515	69,907	67,570	62,232
Buildings under construction - other	34,361	31,443	36,724	33,649
Land – developed land	242,902	49,192	365,664	69,376
Land – other	138,729	15,134	195,915	42,732
	15,678,589	**13,102,197**	**16,059,265**	**13,418,924**

The following detail shows the nominal amounts, based on the LTV ratio from the last available mortgage market valuation, of the mortgage loans qualifying for the issuance of mortgage bonds and mortgage-backed securities:

At 30 June 2017:

Type of collateral	LTV ranges				
	LTV≤40%	40%<LTV≤60%	60%<LTV≤80%	80%<LTV≤100%	Total
On housing units	3,002,001	4,418,335	3,840,060	6,744	11,267,140
On other assets	835,978	757,227	241,852	-	1,835,057
	3,837,979	**5,175,562**	**4,081,913**	**6,744**	**13,102,197**

At 31 December 2016:

Type of collateral	LTV ranges				
	LTV≤40%	40%<LTV≤60%	60%<LTV≤80%	80%<LTV≤100%	Total
On housing units	2,952,059	4,371,834	3,961,333	200,132	11,485,358
On other assets	903,873	636,401	393,292	-	1,933,566
	3,855,932	**5,008,235**	**4,354,625**	**200,132**	**13,418,924**

The detail of the changes at 30 June 2017 and 31 December 2016 in the nominal amounts of the mortgage loans and receivables covering the mortgage bonds and mortgage-backed securities is as follows:

	Thousands of Euros	
	30.06.2017	31.12.2016
Total nominal value of mortgage loans and receivables backing the mortgage bonds and mortgage-backed securities issued	177,941	157,863
Of which:		
- potentially eligible transactions	139,368	116,070
- not eligible	38,573	41,793

11. Provisions

The change of the provisions recognised under "Provisions" on the consolidated summarised balance sheets at 30 June 2017 and 2016 is as follows:

At 30 June 2017:

	Thousands of Euros				
	Provisions for pensions and other obligations of post-employment defined benefits	Long term provisions and other employee benefits	Provisions for procedural issues and litigation	Provision for commitments and guarantees granted	Other provisions (*)
Balances at 1 January 2017	108,806	3,570	2,946	27,652	273,112
Allocation to Provisions (net)	(2,514)	-	(190)	(2,084)	(20,597)
Other expenses through profit or loss	101	121	-	-	-
Other changes	(12,811)	(247)	-	-	(81,976)
Balances at 30 June 2017	**93,582**	**3,444**	**2,756**	**25,568**	**170,539**

(*) In Other changes, it is included the application of provisions for floor clauses performed in the first six months of the year, for an amount of €68,930 thousand.

At 30 June 2016:

	Thousands of Euros				
	Provisions for pensions and other obligations of post-employment defined benefits	Long term provisions and other employee benefits	Provisions for procedural issues and litigation	Provision for commitments and guarantees granted	Other provisions
Balances at 1 January 2016	133,225	4,517	3,182	63,366	174,300
Allocation to Provisions (net)	-	-	(54)	(415)	12,235
Other expenses through profit or loss	417	148	-	-	-
Other changes	(9,900)	(508)	-	(3,646)	(16,972)
Balances at 30 June 2016	**123,742**	**4,157**	**3,128**	**59,305**	**169,563**

The breakdown of "Other provisions" at 30 June 2017 and 31 December 2016 is shown below:

	Thousands of Euros	
	30.06.2017	31.12.2016
Floor clauses (Note 1.e.)	48,286	183,450
Litigation unilateral measures (Note 1-s.)	10,300	10,300
Labour agreement under the framework for the Organisational Restructuring Efficiency Process (Note 1.e.)	52,300	-
Litigation with the "FGD" (APS) (Note 1.e.)	20,142	20,142
Other litigation and charges (*)	39,511	59,220
	170,539	**273,112**

(*) It relates mainly to the provisions created to cover different litigations against the Group and they are not significant on an individual basis.

12. Shareholders' equity

Share capital paid

At 30 June 2017, the Bank's share capital comprised 928,393,453 fully subscribed and paid shares with a nominal value of €0.9 each. All shares carry the same dividend and voting rights. The Bank's main shareholders are the old shareholder savings banks holding 43.87% of the capital share of Liberbank, S.A. (Fundación Bancaria Caja de Ahorros de Asturias in 29.09%, Fundación Bancaria Caja de Ahorros y Monte de Piedad de Extremadura in 8.66% and Fundación Bancaria Caja de Ahorros de Santander y Cantabria in 6.12%), Oceanwood Capital Management and Oceanwood Opportunities master Fund in 12.09%, Aivilo Spain, S.L.U. and Inmosan, S.A. in 7.41% and Corporación Masaveu (including Flicka Forestal and Fundación María Cristina Masaveu) in 5.47%. Both wholesale and retail investors hold the other 31.16%.

Conversion of non-convertible bonds

On 29 March 2017, the Group published a significant disclosure to the CNMV informing that it had opened the voluntary conversion period for debenture holders of Series A/2013, Series B/2013 and Series C/2013. Such conversion period ended on 13 April 2017. The result of such conversion is detailed below:

Issues (converted corporate bonds)	**8rd conversion (20 April 2017)**
Series A/2013	3,735
Series B/2013	2,072
Series C/2013	2,349,247
Total converted corporate bonds	2,355,054
Total issue of new shares	19,106,629
% newly-issued shares over the Bank's capital to date	2.101%
Impact on share capital (in thousands of euros)	17,196
Impact on issue premium (in thousands of euros)	6,355

Treasury shares

The consolidated balance sheet caption "Equity – Treasury shares" reflects the equity held by the Bank.

During the first six months of 2017 and 2016, Group companies performed the following transactions with shares issued by the Bank:

	30.06.2017		30.06.2016	
	No. of shares	Thousands of Euros	No. of shares	Thousands of Euros
Opening balance	**7,783,364**	**11,871**	**10,393,718**	**8,742**
+Purchases	3,891,893	4,586	12,559,790	20,285
-Sales and other Movements	(4,122,131)	(5,008)	(15,013,160)	(15,995)
Closing balance	**7,553,126**	**11,449**	**7,940,348**	**13,032**
Of which owned by Liberbank	5,964,336	6,912	6,417,946	8,684
Average purchase price (euros)	n/a	1.16	n/a	1.62
Average sale price (euros)	n/a	1.08	n/a	0.91
Net profit or loss from transactions (Shareholders Equity and Reserves)	n/a	(442)	n/a	(2,366)

The percentages of shares held in the Group's treasury shares during the first six months of 2017 and 2016 were as follows:

	30.06.2017		30.06.2016	
	Maximum	Minimum	Maximum	Minimum
% Treasury shares	0.87%	0.75%	0.87%	0.38%

Share premium

The Consolidated Spanish Limited Liability Companies Law expressly permits the use of the share premium to increase capital and establishes no specific restrictions as to its use.

At 30 June 2017, the balance in this heading of the summarised consolidated balance sheet totalled €1,335,069 thousand (€1,328,714 thousand at 31 December 2016).

Retained earnings and other reserves

The headings "Retained earnings" and "Other reserves" from the consolidated summarised balance sheet include reserves (losses) from companies accounted for using the equity method, with the following breakdown:

	Thousands of Euros	
	30.06.2017	31.12.2016
Oppidum Capital, S.L.	95,488	95,788
Liberbank Vida y Pensiones, Seguros y Reaseguros, S.A., (Sole-Shareholder Company)	4,377	1,962
CCM Vida y Pensiones de Seguros y Reaseguros, S.A.	756	757
Sedes, S.A.	(19,110)	(19,042)
Hostelería Asturiana, S.A.	(1,976)	(1,834)
Aquanex, Servicio domiciliario del Agua de Extremadura, S.A.	(1,140)	(288)
Other	(2,102)	(2,081)
	76,293	**75,262**

13. Transactions with related parties

The Group's "related parties", in addition to subsidiaries, associates and jointly-controlled entities, include the Bank's "key personnel" (members of the Board of Directors and the members of management, along with their close family members), as well as entities over which key personnel may exert significant influence or control.

Below are the transactions performed by the Group during the first six months of 2017 and 2016, with its related parties, distinguishing by significant shareholders, members of the Bank's Board of Directors and members of the Bank's management, Group entities and other related parties. The terms and conditions under which transactions with related parties are conducted are the same as those applied to transaction under arms' length conditions or the corresponding in-kind consideration has been allocated.

Expenses and income-

	Thousands of Euros						
	30.06.2017						
	Significant Shareholders	Directors and Executives	Individuals, Corporations or Group Companies (1)	Other Related Parties	Associates	Jointly-controlled	Total
Expenses:							
Finance costs	14	27	-	134	364	379	918
Management or collaboration agreements	-	-	-	-	-	-	-
Leases	-	-	-	-	-	-	-
Services received	-	-	-	-	-	-	-
Goods purchased (finished goods or work in progress)	-	-	-	-	-	-	-
Valuation adjustments for bad debts	-	-	-	-	-	-	-
Losses on derecognition or disposals of assets	-	-	-	-	-	-	-
Other expenses	109	-	-	3,901	72	3	4,085
	123	**27**	**-**	**4,035**	**436**	**382**	**5,003**
Net sales:							
Finance income	84	3	-	122	145	8	362
Management or collaboration agreements	-	-	-	-	-	-	-
Received dividends	-	-	-	-	-	-	-
Leases	6	-	-	-	1	21	28
Services rendered	30	-	-	-	-	-	30
Goods sold (finished goods or work in progress)	-	-	-	-	-	-	-
Profits from write-offs or disposals of assets	-	-	-	-	-	-	-
Other income	-	-	-	8	-	13	21
	120	**3**	**-**	**130**	**146**	**42**	**405**

(1) Not including transactions between Group companies or entities that have been eliminated in the consolidated financial information preparation process and will form part of the normal course of business of the companies or entities according to their purpose and conditions.

	Thousands of Euros						
	30.06.2016						
	Significant Shareholders	Directors and Executives	Individuals, Corporations or Group Companies (1)	Other Related Parties	Associates	Jointly-controlled	Total
Expenses:							
Finance costs	61	28	-	138	427	407	1,061
Management or collaboration agreements	-	-	-	-	-	-	-
Leases	-	-	-	-	-	-	-
Services received	-	-	-	-	-	-	-
Goods purchased (finished goods or work in progress)	-	-	-	-	-	-	-
Valuation adjustments for bad debts	-	-	-	-	-	-	-
Losses on derecognition or disposals of assets	-	-	-	-	-	-	-
Other expenses	-	-	-	2,522	74	3	2,599
	61	**28**	**-**	**2,660**	**501**	**410**	**3,660**
Net sales:							
Finance income	120	8	-	204	200	12	544
Management or collaboration agreements	-	-	-	-	-	-	-
Received dividends	-	-	-	-	-	-	-
Leases	8	-	-	-	24	32	64
Services rendered	30	-	-	-	-	13	43
Goods sold (finished goods or work in progress)	-	-	-	-	-	-	-
Profits from write-offs or disposals of assets	-	-	-	-	-	-	-
Other income	3	-	-	1	-	-	4
	161	**8**	**-**	**205**	**224**	**57**	**655**

(1) Not including transactions between Group companies or entities that have been eliminated in the consolidated financial information preparation process and will form part of the normal course of business of the companies or entities according to their purpose and conditions.

Other transactions-

	Thousands of Euros						
	30.06.2017						
	Significant Shareholders	Directors and Executives	Individuals, Corporations or Group Companies (1)	Other Related Parties	Associates	Jointly-controlled	Total
Purchase of tangible, intangible or other assets	-	-	-	-	-	-	-
Financing agreements: loans and capital contributions (lender)	-	-	-	-	-	-	-
Finance leases (lessor)	-	-	-	-	-	-	-
Amortisation or cancellation of loans and leases (lessor)	-	-	-	-	-	-	-
Sale of tangible, intangible or other assets	-	-	-	-	-	-	-
Financing agreements, loans and capital contributions (borrower)	12,798	-	-	-	-	-	12,798
Finance leases (lessee)	-	-	-	-	-	-	-
Repayment or cancellation of loans and lease contracts (lessee)	-	-	-	-	-	-	-
	12,798	-	-	-	-	-	**12,798**
Guarantees and sureties granted	-	-	-	-	-	-	-
Guarantees and sureties received	241	13	-	2,653	1,470	1,375	5,752
Commitments assumed	10	210	-	812	5,109	1,923	8,064
Cancelled commitments/guarantees	-	-	-	-	-	-	-
Dividends and other benefits distributed	-	-	-	-	-	-	-
Other transactions	-	-	-	-	-	-	-
	251	**223**	-	**3,465**	**6,579**	**3,298**	**13,816**

(1) Not including transactions between Group companies or entities that have been eliminated in the consolidated financial information preparation process and will form part of the normal course of business of the companies or entities according to their purpose and conditions.

	Thousands of Euros						
	30.06.2016						
	Significant Shareholders	Directors and Executives	Individuals, Corporations or Group Companies (1)	Other Related Parties	Associates	Jointly-controlled	Total
Purchase of tangible, intangible or other assets	-	-	-	-	-	-	-
Financing agreements: loans and capital contributions (lender)	-	-	-	-	-	-	-
Finance leases (lessor)	-	-	-	-	-	-	-
Amortisation or cancellation of loans and leases (lessor)	-	-	-	-	-	-	-
Sale of tangible, intangible or other assets	-	-	-	-	-	-	-
Financing agreements, loans and capital contributions (borrower)	12,400	-	-	-	-	-	12,400
Finance leases (lessee)	-	-	-	-	-	-	-
Amortisation or cancellation of loans and leases (lessee)	-	-	-	-	-	-	-
	12,400	**-**	**-**	**-**	**-**	**-**	**12,400**
Guarantees and sureties granted	-	-	-	-	-	-	-
Guarantees and sureties received	241	3	-	642	3,428	1,376	[illegible]
Commitments assumed	5	261	-	1,879	3,812	2008	[illegible]
Cancelled commitments/guarantees	-	-	-	-	-	-	-
Dividends and other benefits distributed	-	-	-	-	-	-	-
Other transactions	-	-	-	-	-	-	-
	246	**264**	**-**	**2,521**	**7,240**	**3,384**	**13,655**

(1) Not including transactions between Group companies or entities that have been eliminated in the consolidated financial information preparation process and will form part of the normal course of business of the companies or entities according to their purpose and conditions.

For purposes of the information presented in the above tables, all transactions entailing a transfer of resources, services or obligations between related parties were included, regardless of whether or not the transaction involved valuable consideration. The above breakdown does not indicate the transactions that, belonging to the ordinary course of business of the company, were performed under arms' length conditions and which are immaterial.

14. Staff and offices

Below is the breakdown of the Group's and Bank's staff in the first six months of 2017 and 2016 broken down by gender:

	Bank		Group	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Men	1,305	1,537	2,300	2,645
Women	1,287	1,438	2,412	2,554
	2,592	**2,975**	**4,712**	**5,199**

The number of branches owned by the Group at 30 June 2017 and 31 December 2016 is as follows:

	30.06.2017	31.12.2016
Spain	810	896
Abroad	-	-
Total of branches	**810**	**896**

15. Summarised consolidated interim Income statement

15.1 Share of profit (loss) of companies accounted for using the equity method

The breakdown of the balance of this heading in the summarised consolidated income statement for the six months periods ended 30 June 2017 and 2016 is as follows:

	Thousands of Euros	
	30.06.2017	30.06.2016
Oppidum Capital, S.L.	18,660	16,587
CCM Vida y Pensiones de Seguros y Reaseguros, S.A.	4,605	3,733
Liberbank Vida y Pensiones, Seguros y Reaseguros, S.A.	2,580	491
Sedes, S.A.	99	507
Aquanex Servicio Domiciliario del Agua de Extremadura, S.A.	(8)	(952)
Sociedad Regional de Promoción del Principado de Asturias,	(451)	9
Other	(142)	(213)
	25,343	**20,162**

15.2 Gains or losses on on financial assets and liabilities (net)

The breakdown of the Gains or losses on financial assets and liabilities for the six months periods ended 30 June 2017 and 2016 is as follows:

	Thousands of Euros	
	30.06.2017	30.06.2016
Gains or losses on financial assets and liabilities held for trade (net)-	452	(994)
Gains or losses for derecognition of financial assets and liabilities not measured at fair value with changes in profit and loss (net)-		
Available-for-sale financial assets	*54,256*	*225,834*
Held-to-maturity investments (Note 6)	*-*	*6,298*
Loans and accounts receivable	*75*	*(1)*
Gains or losses on financial assets and liabilities measured at fair value with changes in profit and loss (net)-	-	-
	54,783	**231,137**

The heading "Gains or losses for derecognition of financial assets and liabilities not measured at fair value with changes in profit and loss- Available-for-sale financial assets" of the accompanying summarised consolidated statement of income for the first six months of fiscal year 2017 includes profits for €49,334 thousand as a result of the sale of fixed-income securities (€224,559 thousand at 30 June 2016) of which €48,845 thousand relate to gains on the sale of government securities and €489 thousand for the sale of foreign private sector securities (see Note 6.1.), as well as profits for €4,922 thousand as a result of the sale of listed and unlisted shares (€1,275 thousand at 30 June 2016).

15.3 Commissions income

Below is the amount of the fees and commissions accrued, classified in line with the main items in relation to which they have arisen, in the six month periods ended 30 June 2017 and 2016:

	Thousands of Euros	
	30.06.2017	30.06.2016
Commissions income -		
Fees and commissions arising from contingent liabilities	2,780	3,029
Fees and commissions arising from contingent commitments	565	680
Fees and commissions from collection and payment services	38,152	38,753
Commissions from securities services	2,237	2,016
Fees and commissions from marketing services	30,927	24,492
Other	18,254	27,817
	92,915	**96,787**

15.4 Gains (losses) on non-current assets and disposal groups classified as held for sale not allowed as discontinued operations

Following is the detail by type of the balance recognised in this heading in the accompanying summarised consolidated income statements at 30 June 2017 and 2016:

	Thousands of Euros			
	30.06.2017		30.06.2016	
	Gains	Losses	Gains	Losses
Net gains /(losses) on the derecognition of non-current assets held for sale	12,431	(16,708)	28,961	(2,963)
Net provision for impairment losses on the remaining non-current assets held for sale (Note 7)	-	(39,646)	-	(92,243)

16. Reporting transparency requirements

The qualitative information related to reporting transparency (asset management policies and strategies vis-à-vis the sector and the financing needs on the markets, as well as of the short-, medium- and long-term strategies) are described in Note 3.2.9 to the consolidated financial statements of Liberbank Group for the year ended 31 December 2016.

Of the total loans and advances to customers, below are the balances at 30 June 2017 and 31 December 2016, excluding the positions held with the public sector:

	Thousands of Euros	
	30.06.2017	31.12.2016
Total loans and advances to customers excluding the public sector	20,795,849	20,509,595
Total consolidated assets	39,165,322	38,324,438
Value adjustments and collective provisions for losses incurred but not reported as standard risks	(67,278)	(142,070)

16.1 Real property credit risk exposure

Below is a detail of the financing intended for real estate construction or development in Spain at 30 June 2017 and 31 December 2016.

30 June 2017:

	Thousands of Euros		
	Total, gross	Valuation adjustments for impairment	Book value
Real property credit risk exposure	**812,254**	**(307,383)**	**504,871**
Of which in Special Surveillance	26,000	(665)	25,335
If which doubtful	716,214	(306,634)	409,580

31 December 2016:

	Thousands of Euros		
	Total, gross	Valuation adjustments for impairment	Book value
Real property credit risk exposure	**1,215,615**	**(430,417)**	**785,198**
Of which in Special Surveillance	65,791	(898)	64,893
If which doubtful	1,078,143	(429,519)	648,624

At 30 June 2017, the gross carrying amount of financing for the construction and property development impacted on the APS amounted to €680,891 thousand (€1,071,420 thousand at 31 December 2016), with an accumulated impairment loss of € 259,372 thousand (€412,174 thousand at 31 December 2016) Those assets, as stated in Note 1.j.b), were valued by three independent experts, with no changes in their valuation from the amount recognised at 31 December 2016.

The value of the guarantees received for the granting of Group´s real estate operations at 30 June 2017 and 31 December 2016 is as follows:

	Thousands of Euros	
	30.06.2017	31.12.2016
Value of the security interests	**507,868**	**747,000**
Of which: guarantees risks in special monitoring	24,098	63,055
Of which: guarantees doubtful risks	430,127	630,010
Value of other guarantees	100	-
Of which: guarantees risks in special monitoring	-	-
Of which: guarantees doubtful risks	-	-
Total value of guarantees received	**507,968**	**747,000**

The detail of the financial guarantees granted for the construction and real estate development operations, gathering the highest level of credit risk exposure is shown below, with the amount to be paid by the company in case of guarantee foreclosure at 30 June 2017 and 31 December 2016 being:

	Thousands of Euros	
	30.06.2017	31.12.2016
Financial guarantees secured for construction and property development	**28,267**	**25,852**
Amount recorded as a liability on the balance sheet	2,043	1,995

Below is a detail of the gross amount of financing intended for real estate construction or development by type of associated guarantees:

	30.06.2017	31.12.2016
Without a specific guarantee	8,586	20,392
Mortgage-secured	803,668	1,195,223
Completed buildings	*497,672*	*739,645*
Buildings under construction	*12,116*	*7,995*
Developed land	*8,534*	*8,569*
Land-remainder	*285,346*	*439,014*
	812,254	**1,215,615**

16.2. Retail mortgage portfolio risk

The quantitative information relating to the retail mortgage portfolio risk at 30 June 2017 and 31 December 2016 is as follows:

	Thousands of Euros	
	30.06.2017	31.12.2016
Credit for the acquisition of homes:	12,919,122	12,904,269
Non-mortgage-secured	*83,972*	*86,471*
Mortgage-secured	*12,835,150*	*12,817,798*

The "*loan* -to-value" (LTV) ranges of the retail mortgage portfolio on the last available appraisal at 30 June 2017 and 31 December 2016 are as follows:

30 June 2017

	LTV ranges (Thousands of Euros)					
	>=0%, <40%	>40%, <=60%	>60%,<=80%	>80%,<=100%	>100%	Total
Credit for the acquisition of homes	1,808,881	2,115,430	3,513,628	2,338,461	3,058,750	12,835,150
Of which: Doubtful	*49,429*	*63,725*	*97,914*	*105,031*	*371,535*	*687,634*

31 December 2016:

	LTV ranges (Thousands of Euros)					
	>=0%, <40%	>40%, <=60%	>60%,<=80%	>80%, <=100%	>100%	Total
Credit for the acquisition of homes	1,844,838	2,067,938	3,137,209	2,375,437	3,392,376	12,817,798
Of which: Doubtful	*59,047*	*66,081*	*104,770*	*120,908*	*403,863*	*754,669*

16.3. Origin of the assets acquired by the Group to pay debts.

The detail of the origin of the foreclosed assets acquired based on the destination of the loan or credit granted, relating to 30 June 2017 and 31 December 2016, is as follows (thousands of Euros):

30 June 2017:

	Thousands of Euros			
	Gross debt	Total hedges	Amortisation	Book value
Properties granted or received as debt payments	3,633,620	(1,372,899)	(5,392)	2,255,329
Of which: land	*1,175,924*	*(500,443)*	-	*675,481*
Investment in real estate companies	-	-	-	-
	3,633,620	**(1,372,899)**	**(5,392)**	**2,255,329**

31 December 2016:

	Thousands of Euros			
	Gross debt	Total hedges	Amortisation	Book value
Properties granted or received as debt payments	3,424,756	(1,345,314)	(1,878)	2,077,564
Of which: land	*1,073,609*	*(430,857)*	-	*642,752*
Investment in real estate companies	-	-	-	-
	3,424,756	**(1,345,314)**	**(1,878)**	**2,077,564**

Notes 3.2, 3.3 and 3.4 of the Group's notes to the financial statements for the year ended 31 December 2016 provide a detailed description of the financial instruments' liquidity risk management, credit risk management and market risk management respectively.

16.4. Sovereign risk

As a general rule, the Group considers sovereign risk to be that incurred by operations with the Central Bank, the issuer risk of the Treasury or the Republic, credit institutions and that arising from transactions with public entities with the following characteristics: their funds only arise from the State's budgetary income, they have the legal acknowledgement of entities directly integrated in the State sector and they perform activities of a non-commercial nature.

Below is the total exposure of certain countries, excluding other equity instruments, making a distinction according to the issuer between sovereign risk and risk with private sector:

30.06.2017											
Sovereign risk by country of the issuer/debtor											
Thousands of Euros											
		Debt securities					Derivatives				
	Deposits with credit institutions	Financial assets held for trade and other measured at fair value with changes recognised in Profit and Loss.	Available-for-sale financial assets	Investments held until maturity (*)	Loans and accounts receivable	Loans and accounts receivable	Direct risk	Indirect risk (CDS)	Total balance sheet exposure	Contingent guarantees and obligations granted	Total exposure
Portugal	-	-	26,125	-	-	-	-	-	26,125	-	26,125
Italy	-	-	-	-	-	-	-	-	-	-	-
Greece	-	-	8,675	-	-	-	-	-	8,675	-	8,675
Ireland	-	-	-	-	-	-	-	-	-	-	-
UK	-	-	-	-	-	-	-	-	-	-	-
	-	-	**34,800**	-	-	-	-	-	**34,800**	-	**34,800**

(*) Includes valuation adjustments.

31.12.2016											
Sovereign risk by country of the issuer/debtor											
Thousands of Euros											
		Debt securities					Derivatives				
	Deposits with credit institutions	Financial assets held for trade and other measured at fair value with changes recognised in Profit and Loss.	Available-for-sale financial assets	Investments held until maturity (*)	Loans and accounts receivable	Loans and accounts receivable	Direct risk	Indirect risk (CDS)	Total balance sheet exposure	Contingent guarantees and obligations granted	Total exposure
Portugal	-	-	23,911	-	-	-	-	-	23,911	-	23,911
Italy	-	-	-	-	-	-	-	-	-	-	-
Greece	-	-	7,585	-	-	-	-	-	7,585	-	7,585
Ireland	-	-	-	-	-	-	-	-	-	-	-
UK	-	-	-	-	-	-	-	-	-	-	-
	-	-	**31,496**	-	-	-	-	-	**31,496**	-	**31,496**

(*) Includes valuation adjustments.

30.06.2017 Private-sector risk by country of the issuer/debtor Thousands of Euros											
		Debt securities					Derivatives				
	Loans and advances to credit institutions	Financial assets held for trade and other measured at fair value with changes recognised in Profit and Loss.	Available-for-sale financial assets	Investments held until maturity (*)	Loans and accounts receivable	Loans and accounts receivable	Direct risk	Indirect risk (CDS)	Total balance sheet exposure	Contingent guarantees and obligations granted	Total exposure
Portugal	-	-	-	-	-	9,598	-	-	9,598	223	9,821
Italy	-	-	12,421	-	-	690	-	-	13,111	68	13,179
Greece	-	-	-	-	-	-	-	-	-	1	1
Ireland	-	-	-	-	-	276	-	-	276	6	282
UK	-	-	24,479	-	-	21,341	98,023	-	143,843	108	143,951
	-	**-**	**36,900**	**-**	**-**	**31,905**	**98,023**	**-**	**166,828**	**406**	**167,234**

(*) Includes valuation adjustments.

31.12.2016 Private-sector risk by country of the issuer/debtor Thousands of Euros											
		Debt securities					Derivatives				
	Loans and advances to credit institutions	Financial assets held for trade and other measured at fair value with changes recognised in Profit and Loss.	Available-for-sale financial assets	Investments held until maturity (*)	Loans and accounts receivable	Loans and accounts receivable	Direct risk	Indirect risk (CDS)	Total balance sheet exposure	Contingent guarantees and obligations granted	Total exposure
Portugal	-	-	-	-	-	11,993	-	-	11,993	34	12,027
Italy	-	-	4,396	-	-	708	-	-	5,104	67	5,171
Greece	-	-	-	-	-	-	-	-	-	1	1
Ireland	-	-	-	-	-	421	-	-	421	6	427
UK	-	-	15,106	-	-	17,497	65,926	-	98,529	104	98,633
	-	**-**	**19,502**	**-**	**-**	**30,619**	**65,926**	**-**	**116,047**	**212**	**116,259**

(*) Includes valuation adjustments.

17. Explanation added for translation to English

These interim condensed consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 1-b). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

LIBERBANK GROUP

Summarised Consolidated Interim Directors' Report for the six-month period ended 30 June 2017

1. Economic framework

1.1. International economic outlook

The partial climate indicators assume that world economic growth will remain solid. Confidence data remains at high levels, although positive signs are moving away from the US and China toward Europe and emerging economies, especially Latin America.

In the US, economic activity lost momentum during the first quarter of 2017 (0.7% year-on-year, the lowest rate in 3 years). However, this deceleration could be transitory in nature, to the extent that business investment remained high and second quarter data depicted improvements for consumption and industry. This outlook has been conveyed by the Federal Reserve (Fed), which has raised its GDP forecasts to 2.2% for the whole of 2017 and it has amended unemployment figures to levels below 4.5% in the 2017-2019 forecast. In this context, the Fed has raised benchmark interest rates by 25 basis points to a 1.00% -1.25% band and it expects an additional raise in 2017, three more during 2018 and another three in 2019.

For the Eurozone, data on first quarter activity for 2017 depicted a quarterly growth of 0.5% (1.7% year-on-year), allowing for the rate of expansion to continue as observed during the second half of 2016, but with a certain geographic diversity. Quarterly increases in GDP vary from between 0.8% and 0.2% (0.8% in Spain, 0.6% in Germany, 0.3% in France and 0.2% in Italy). During the second quarter of the year, household confidence had once again increased, in line with data on partial consumption indicators announced over recent months. This growth is supported by improvements in the labour market and the increase in disposable income stemming from the correction of oil prices.

Moreover, following the instability caused by various geopolitical events that took place last year, such as the "Brexit" and the electoral processes in the US, the Netherlands, France and the UK, it can be said that the financial markets have rebalanced, which has allowed for a generalised fall for risk premiums in Europe.

In this scenario, the ECB has upwardly revised its growth forecasts by a tenth of a percentage for the entire forecast horizon (up to 1.9%, 1.8% and 1.7% for 2017, 2018 and 2019, respectively), while, at the same time, a gradual rebound in core inflation is expected as wages rise. Nevertheless, the ECB has been maintaining its interest rates at 0%, where the deposit facility stood at -0.4%, which had increased the divergence between the Eurozone and the US monetary policies. Accordingly, by the end of June, the 12-month Euribor stood at -0.156%, in contrast to the 1.738% achieved by the 12-month Libor, which has registered the largest difference between the interbank rates of both economies since 2008.

1.2. Spanish economy

In Spain, the economy has continued to surprise with its positive trends. The forecasts of the Bank of Spain, at June 2017, have estimated a 3.1% growth for the year as a whole, which represents an upward revision by three tenths when compared to the previous estimates announced in March.

This review has been substantiated due to improvements in activity during the first half of the year. Between January and March, GDP experienced a quarterly jump of 0.8%, one tenth more than in the last quarter of 2016. Compared to the second quarter of 2017, after correcting for seasonal variations, Social Security affiliation records convey an acceleration in the rate of job creation, being slightly higher than 1%, quarter-on-quarter. Due to this, AIReF forecasts suggest a further acceleration of activity, close to 1%, quarter-on-quarter. Riding on this growth, Spanish GDP would recover and there would be a real level of production similar to that achieved prior to the crisis.

Based on aggregates, domestic demand will continue to lead growth, being favoured by lax financial conditions, the progressive deleveraging of households and companies and the freeing-up of resources due to declining oil prices. Accordingly, the Bank of Spain estimates that consumption and investment will contribute 2.5 percentage points to GDP growth during the whole of 2017, which would account for 80% of total economic growth. Despite this, the rate of consumption growth will be slightly lower than that for 2016, due to higher inflationary pressures and the finalisation of the expansionary fiscal policy observed during the 2015-2016 period. Furthermore, foreign demand will contribute 6 tenths to the total growth, which, unlike other expansionary cycles, will favour the balance of current payments.

This balance is also reflected in public accounts. In 2016, for the first time since the beginning of the crisis, Spain met its deficit target. The change in the tone of fiscal policy and the cyclical improvement for revenue can allow for the public deficit in 2018 to stand below the 3% target set by the Stability and Growth Pact.

1.3. Spanish financial system

The Spanish economy continues its deleveraging process that began back in 2009, although at a more moderate rate than in previous years. Data published up until May 2017 depicted a 2.2% reduction in business loan stock compared to the same period of the previous year. At the same time, household loan stock continued to fall, due to housing loans having decreased by 2.7% compared to May 2016. On the contrary, consumer lending increased by 2.9%, while experiencing 16 consecutive months of increasing volumes.

Despite the loan stock still contracting, new loan operations indicate a positive trend for 2017. This growth has contributed to business lending, with a growth of 2.6% from January to May, however, household lending is not faring the same, which has decreased by 0.7%, year-on-year.

The default rate has reduced, due to the improvement in financing conditions and a reduction in the unemployment rate. The volume of total non-performing loans fell in April to 8.9%, this being 106 basis points less than April 2016, and 4.8 percentage points lower than the heights observed in December 2013.

With regard to savings, the total volume of deposits in the system experienced a slight increase compared to the same period in 2016, with positive contributions coming from households (+0.9%) and businesses (11.3%). It is worth mentioning the growth in the weight of demand deposits, due to the low profitability offered by other savings instruments in the current low interest rate environment. In particular, the weight of demand deposits, when compared to the total, amounted to 70% in the case of households and 82% for businesses, which are the highest ratios for the historical series published since 2003.

2. Evolution of Liberbank Group

2.1. Company activity

The main corporate changes in the first half of 2017 are described in Note 2 to these financial statements.

2.2 Organisational structure

The Group's organisational structure, its decision-making bodies and procedural policies are described in the Corporate Governance Report of the consolidated financial statements for the fiscal year 2016.

2.3. Procedural objectives and strategies

The activity of the Liberbank Group in 2017 was led by the guidelines included in the business plan approved for 2012-2017, summarised as follows:

- Financial balance
- Efficiency
- Solvency
- Profitability

Financial balance is reflected in the "*Loan to Deposit*" ratio, amounting to 90.4%, which means that all the credits are funded with retail deposits. Thus, the level of dependency on wholesale markets to obtain financing is very limited.

The Group's efficiency level, seen through the efficiency ratio, is 55.0%.

Solvency levels of the Group have increased in the first six months of the year causing the *CET 1 "Common Equity* [1] Tier 1" to be placed at 12.4% and the solvency ratio at 14.2%.

The results attributed to the parent company amount to €67 million, with a ROE of 5.5%

2.4 Evolution and business results

The public consolidated balance reaches €39,165 million at first-semester end of 2017, with a growth for the year of €841 million, representing +2.2%.

Off balance financial liabilities for customers and savings instruments amounted to €28,703 million, with a different performance per type of product. Demand deposits of private sectors recorded an annual growth of +€1,317 million (+9.5%) and investment funds were up +€468 million (+23.6%). On the contrary, Term deposits decreased by €-2,281 million (-24.6%) with minimum remunerations. Wholesale resources, (which include non-retained bonds, repurchase agreements, bonds and wholesale promissory notes) also decreased to -€1,324 million, mainly due to expiration of non-retained mortgage-backed securities (€-1,341 million).

Gross loans to customers amounts to €22,660 million. Non-doubtful loans start a path of growth, with a positive change of €+304 million in the first six months. On the contrary, doubtful loans decrease significantly (€-650 million in the first six months) consolidating the trend of previous semesters. The new loans and borrowing transactions executed in the six month period amount to €2,172 million. The individuals financing keeps a significant growth, of +72.2% year over year, specially in mortgages (+94. 9%).The Group continues to have a clear retail risk profile: individual and SME risks account for 83.6% of the performing credit investment and, in particular, household lending for house purchases represent 63.6% of the performing credit investment.

Loans and retail deposits on the balance sheet follow a balanced evolution, where the loan to deposit ratio stands at an optimal level of 90.4%. This fact is also reflected in the LCR (Liquidity Coverage Ratio), which indicates the level of short-term liquidity, where it reached 297% (well above the regulatory threshold of 80%). Furthermore, the NSFR (Net Stable Financial Ratio), which measures the ratio between available stable resources and desirable resources, in accordance to the type of investment made by Liberbank, remains well above 100% (127%).

The Group's liquid assets amounted to €5,496 million, all of which is readily convertible to cash. Additionally, Liberbank has an issuance capacity of €5,818 million. The bank's financing structure has a broad base of stable resources, which is well diversified and it has no significant concentration in maturities.

Non-performing loans amounted to €2,556 million and fell by -20.4% during the first half of the year, continuing the downward trend of previous years. By the end of 2017, the Group aspires to reduce non-performing loans by -24%. During the first half of the year, 85% of this target has already been achieved.

The non-performing loans ratio fell to 11.3%, 265 basis points below the recorded level in December 2016. One of the Group's targets is to reduce the non-performing loans ratio below 7% in 2018, compared to the recorded 20.1% and 13.9% levels at the close of 2015 and 2016, respectively.

Value adjustments for the impairment of loans and receivables amounted to €1,027 million, where coverage levels for doubtful assets were situated at 40.2% (40 basis points higher than at December 2016).

The securities portfolio amounts to €10,935 million, from which €10,213 million are related to the fixed income portfolio. The portfolio’s profile is still conservative, with 96% of its composition consisting of government sovereign debt, with an average IRR of 1.0% and an average duration of 2.95 years. This portfolio accumulates gains of €77 million (excluding the tax effect). As for the equity portfolio, it closes the semester with a balance of €722 million, an annual change of €-15 million, and gains amounting to €5 million.

In the statement of income, the interest margin amounted to €202 million, accounting for 1.0% in relative terms over ATMs, with a -11.2% year-on-year decrease mainly due to lower contributions from the wholesale business.

Interests in different companies have added profit/loss — considering dividends and profit (loss) from companies accounted for using the equity method— for €27 million. Most of these results, 19 million, are provided for ownership interest in Oppidum Capital SL.

Net commission income amounted to €89 million, which experienced a year-on-year decrease of -4.3%, as they were affected by a reduction in non-recurring commissions derived mostly from the asset management of SAREB. Recurring commissions experienced a year-on-year increase of 1.7%, on the basis of insurance business and investment funds (+5.0% year-on-year and +18.5% year-on-year growth, respectively).

The results for gains or losses on financial assets and liabilities and differences in exchange rates added €55 million to the gross margin, for the most part being derived from the sale of fixed income.

The results recognised as "Other operating income and charges" entailed a loss of €-20 million in June. This section includes, among others, €11 million for contributions to the Single Bank Resolution Fund, €6 million for equity provisions for monetised deferred tax assets and €4 million for state taxes on deposits; other income and costs in this section have their origin in the provision of non-financial services by various companies in the consolidate Group. The accrued and deferred contribution to the Deposit Guarantee Fund, which should not be booked until December according to IFRIC 21, would have implied an expense of €17 million approximately to date.

All these factors gave rise to a gross margin of €353 million, with a year-on-year variation of -36.3%, being mostly due to a reduction in earnings from financial assets and liabilities.

Administrative expenses had decreased by -3.3%, where there were reductions in both staff costs (-1.1%) and general and administrative costs (-6.8%).

The result of the operating activities before provisions and impairments totalled €137 million, which represents a ROA of 0.7%.

On 21 June, an agreement was entered into with the employee representatives with the purpose of implementing a redundancy plan that would include a maximum of 525 employees, whose costs have been provisioned under the heading Allocations to Provisions. The same heading records the impact of the reviewed provisions associated with floor clauses, based on the ongoing experiences of the first half of the year for the resolution of claims filed on the basis of Royal Decree Law 1/2017. As of 30 June, and after the resolution of a substantial portion of the claims filed by customers, a fund of €48 million has been maintained, which, in accordance to the estimates made by the Bank and based on the opinion of its legal advisors, will allow for any risks arising from either any ongoing claims and those that are likely to arise in the future to be covered.

The impairment of financial assets amounted to €48 million, of which €46 million corresponded to impairment of loans, which decreased by -73.8% year over year, in line with the positive performance of the doubtful loans. The cost of recurrent risk is 0.39% of the loan investment.

Finally, the heading "Gains on non-current assets held for sale not classified as discontinued transactions", which amounts to negative €44 million is mainly composed by foreclosed assets write-downs (€40 million).

The consolidated profit attributed to the Parent amounted to €67 million.

2.5 Solvency

In the last fiscal years, Liberbank Group has considerably reinforced its solvency level, thanks to the generation of profits, risk control, the conversion of corporate bonds into shares and the capital increases performed. In addition, in March 2017 an issuance of subordinated debentures was performed with a maturity of 10 years, increasing as a result the Tier 2 capital.

According to the new Basel III ratios, Liberbank Group reached a CET 1 (Common Equity Tier 1) at 30 June of 12.4% (minimum statutory level of 4.5%), a Tier 1 capital ratio of 12.7% (minimum statutory level of 6%) and a total capital ratio of 14.2% (minimum statutory level of 8%). In addition, the leverage ratio is 6.0%.

As of 30 June 2017, common stock of level 1 and assets weighed by risk of the Group amounted to €2,314 and €18,184 million, respectively.

In consideration of the obtained preliminary results, the Group believes that the implementation of IFRS 9 will lead to a reduction in its highest ranked ordinary capital ("CET 1"), below that of the range announced by the European Banking Authority in its second performance report for the initial implementation of this standard (between 33 and 77 basis points) (see Note 1.b of the notes to the financial statements).

2.6 Stock performance and capital structure

The eight period for the voluntary conversion of debentures convertible into shares came to a close on 13 April. The Group received conversion requests for 2,355,054 debentures, which at a face value of €10/debenture were transformed into 23.6 million in shareholders' equity.

Given the average weighted changes of the Company's shares, and the minimum and maximum limits established in the issue, a total of 19,106,629 new shares were issued, representing 2.10% of the Company's share capital. The new shares were issued on 22 May 2017.

After the above said conversion of convertible bonds, the number of securities is 928,393,453.

On 19 April 2017 Liberbank held its Annual General Meeting.

On 12 June, the CNMV considered that it was appropriate to prohibit the short-term sale, and similar operations, of Liberbank shares for a period of one month. The rationale was based on the high volatility of the share price in a setting where there was no negative data announced or to be announced by the Entity. On 12 July, this prohibition was extended for a two-month period.

Regarding the shareholding structure, Fundación Bancaria Caja de Ahorros de Asturias together with Fundación Bancaria Caja de Extremadura and Fundación Bancaria Caja Cantabria hold 43.87%, Mr. Ernesto Luis Tinajero Flores holds 7.41% through Aivilo Spain SL e Inmosan SA, Corporación Masaveu (including Flicka Forestal and Fundación María Cristina Masaveu) holds 5.47% and Oceanwood Capital Management and Oceanwood Opportunities Master Fund reported a joint position of 12.09%.

2.7 Risk management

The main risks of Liberbank Group's business are described in the Note 3 of Liberbank Group's consolidated financial statements for the fiscal year ended 31 December 2016.

2.8 R&D&I activities

During the period between 1 January 2017 and 30 June 2017, the Group engaged in R&D&I activities regarding IT applications.

3. Events after the reporting period

No relevant events have occurred subsequent to the end of the reporting period with a significant impact on the financial statements.

4. Alternative performance measures

In addition to the financial information contained herein, prepared in accordance with the applicable International Financial Reporting Standards (IFRS), certain Alternative Performance Measures (APMs) have been included, as per the provisions laid down under the Guidelines on Alternative Performance Measures, published by the European Securities and Markets Authority on 30 June 2015 (ESMA/2015/1057) ("ESMA Guidelines").

The ESMA Guidelines define the APMs as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

Liberbank uses specific APMs, which have not been audited, for the purpose of contributing to a better understanding of the financial performance of the company. These measures must be considered as additional information and, under no circumstance, are they to replace the financial reporting. Furthermore, these measures may differ, either in their definitions and calculations, to similar measures calculated by other companies and, therefore, they may not be comparable.

The APMs used in this document are the following:

Loan to deposit: The ratio of Loans and advances to customers (net) to Deposits. Loans and advances to customers are recorded under Loans and receivables in the published balance sheet, from which the reverse repurchase agreements (reverse repos) are deducted. Deposits are recorded under Financial liabilities at amortised cost (Deposits) on the published balance sheet. For the purpose of this calculation, mortgage bonds, repurchase agreements (repos), deposits from credit institutions and central banks are removed and promissory notes and retail CoCos are included.

NPL ratio: The ratio of loans and advances to doubtful customers (net) to the total loans and deposits to customers (net). The numerator and denominator are recorded under Loans and receivables on the published balance sheet. Not included, either in the numerator or the denominator, are the reverse purchase agreements, valuation adjustments or debts recorded on the balance sheet reserved under Other financial assets not corresponding to credit institutions.

Loan coverage ratio: Defined as value adjustments due to impairment of loans and advances to customers over loans and advances to doubtful customers (net). The numerator and denominator are recorded under Loans and receivables on the published balance sheet.

Efficiency ratio: Ratio of administrative expenses to gross margin.

Cost of risk: Ratio of impairment of financial assets (loans and receivables) of the published consolidated income statement (annualised if they do not correspond to a full year) to loans and advances to customers (gross).

Average total assets (ATA): Calculated as the simple average of total assets from all monthly consolidated balances for the current year (including December from the previous year) with half-sum of extremes.

PREPARATION OF SUMMARISED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND CONSOLIDATED INTERIM DIRECTORS REPORT

At the Board Meeting of Liberbank, S.A. in Madrid on 26 July 2017, pursuant to the requirements established under the legislation in force, the directors prepare the summarised consolidated interim financial statements and the consolidated interim Directors Report at 30 June 2017, which are formed by the documents preceding this report, signed, for identification purposes, by the Secretary to the Board of Directors.

To the best of our knowledge, these summarised interim consolidated financial statements, prepared in accordance with the applicable accounting principles, present a fair view of the Group's consolidated equity, financial position and results and the interim consolidated Directors' Report includes a fair presentation of the required information.

Pedro Manuel Rivero Torre

Manuel Menéndez Menéndez

Víctor Manuel Bravo Cañadas

Jorge Delclaux Bravo

Felipe Fernández Fernández

María Garaña Corces

Davida Sara Marston

Luis Masaveu Herrero

María Encarnación Paredes Rodríguez

Víctor Roza Fresno

Ernesto Luis Tinajero Flores

Eduardo Zúñiga Pérez del Molino

Jesús María Alcalde Barrio

STATEMENT: To evidence that the summarised interim consolidated financial statements and the interim consolidated Directors' Report at 30 June 2017, prepared by the Board of Directors at its meeting on 26 July 2017 are those which are attached and signed by the Secretary to this Board. Additionally, this is to attest to the validity of the signatures of all Bank's Directors contained in this document.

Jesús María Alcalde Barrio
Secretary