

Liberbank

Financial Results 1Q 2017

4 May 2017

Disclaimer

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

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

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

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

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

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

Latest trend. Key Highlights

Asset quality

- **Total NPAs down € 187m** in the quarter, 3% QoQ and **23% YoY**.
- **NPLs down 38% YoY** and 8% QoQ.
- **Sales of foreclosed assets** stand at € 56m in line with the guidance.
- **Recurrent loan impairments** below 40bp target.

Solvency

- **The CET1 ratio stands at 12.0% and 11.1%** under phased-in and fully loaded Basel III criteria. Total capital ratio (phased-in) stands at 14.0%, well above regulatory requirements.
- **Liberbank issued a € 300m Tier2 bond** that reinforced its capital ratios.

Business trends

- **Mortgages and consumer new production** performs well during the 1Q17 +69% YoY. Corporates (exc RED) performing loan book grows +7.2% YoY.
- Proven ability to retain customers and resources while reducing costs and closing branches. Customer funds +2.5% YoY.

Operating profit

- **Customer spread keeps improving, +3bp QoQ** and recurrent fees improve 3.4% YoY. Costs remain under control.
- Liberbank booked the full contribution to the Resolution Fund and real estate assets property tax (aggregated € 21m impact) during this 1Q.

Agenda

1. Asset Quality

2. Solvency

3. Commercial Activity

4. Results analysis

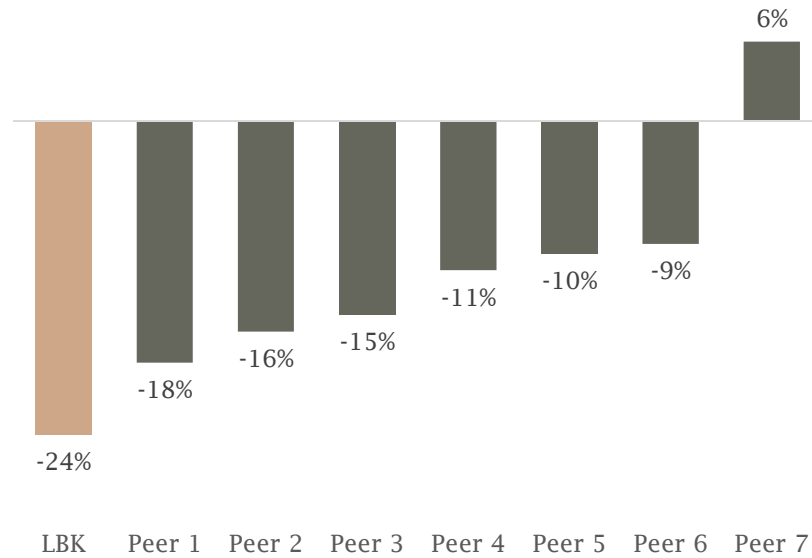
5. Liquidity and Fixed Income portfolio

6. Appendix

NPA trend

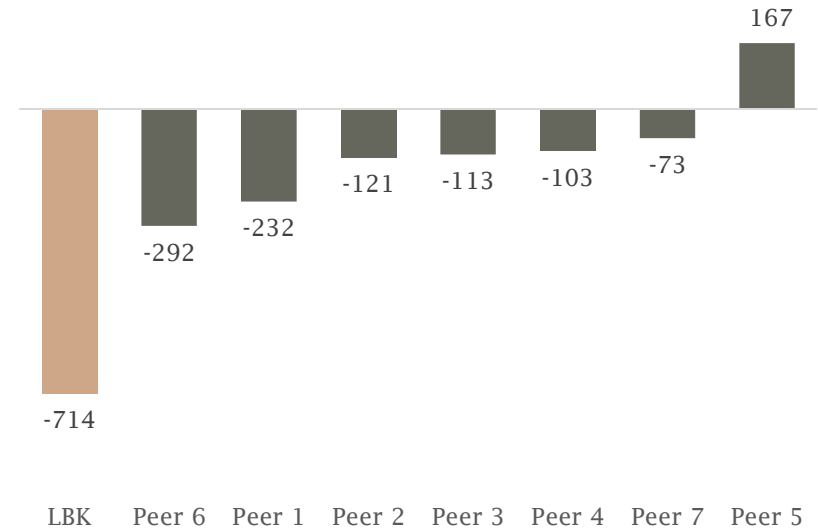
Asset Quality

NPAs reduction (gross). 1T17 vs 2015



Note: Peers are Spanish listed Banks. For international banks it only includes Spanish business. Peer 7 last data as of Dec16

NPL ratio⁽¹⁾ reduction. 1T17 vs 2015 (bp)

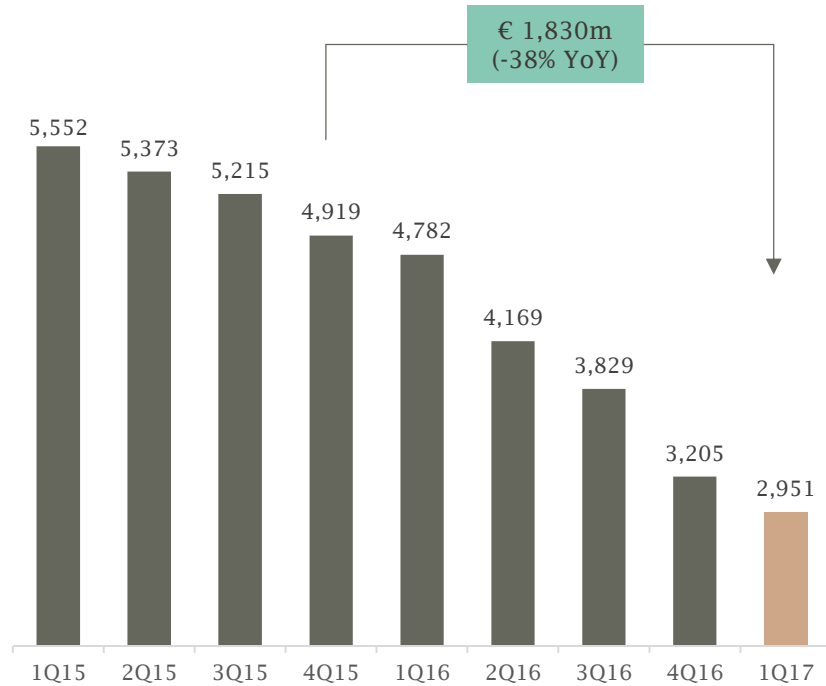


(1) NPL ratio calculated as NPLs over gross loans. Peer5 as of Dec16

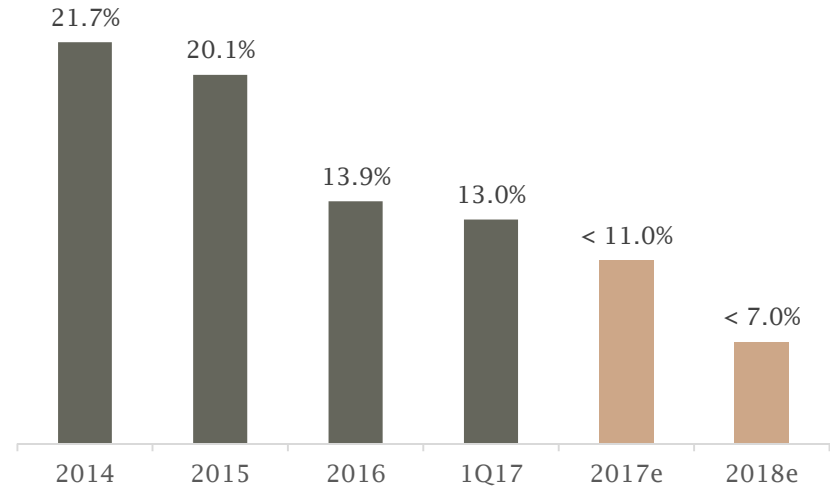
→ Liberbank continues to show the largest reduction of gross NPAs since Dec2015 among the listed banks.
 → Reduction that is reflected in the NPL ratio.

NPL trend

NPL evolution. Eur m



NPL ratio evolution

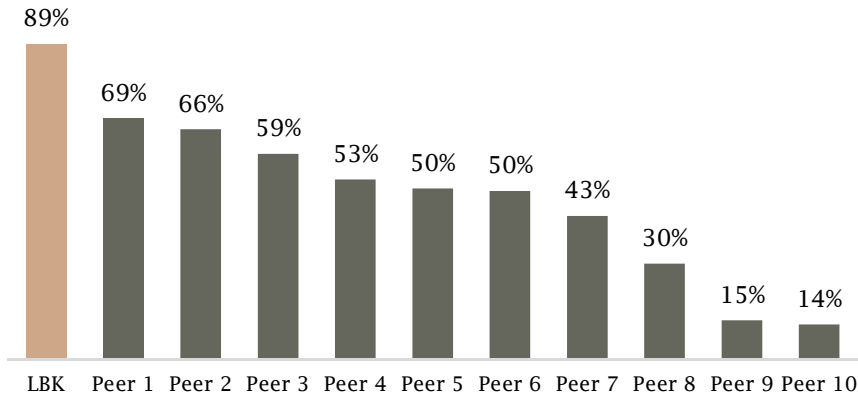


- Further decline of NPLs, € 254m in the quarter and € 1,830m in the last twelve months, 38% YoY.
- The NPL ratio keeps falling, 95bp QoQ and 646bp YoY.
- The target is to continue reducing NPLs and reach an NPL ratio below 7.0% in 2018.

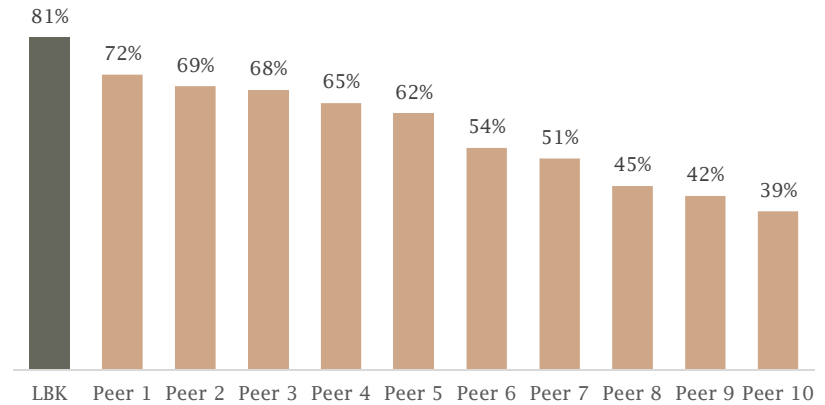
NPL recognition

Asset Quality

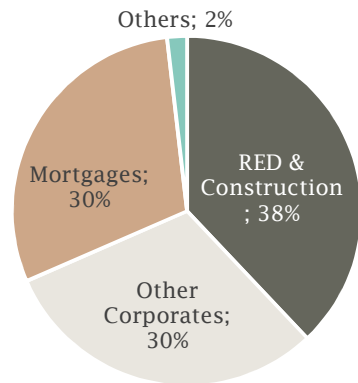
RED loans. NPL ratio⁽¹⁾



Refinanced loans. NPL ratio⁽¹⁾



NPL breakdown. Mar2017



→ Liberbank has recognized 89% of the loans to RED as non-performing and 81% of refinanced loans, reflecting a prudent approach.

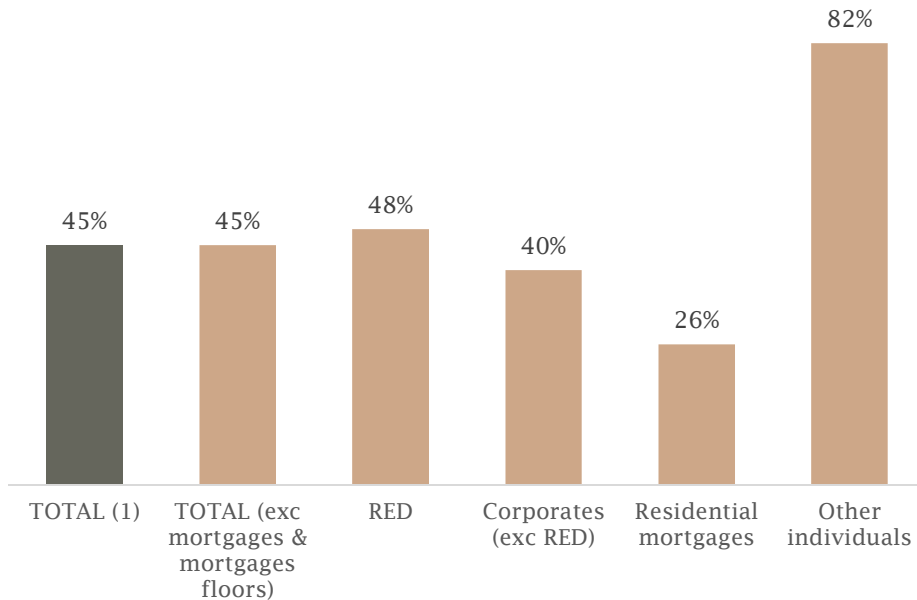
→ Higher collateral value on the corporate loan book than peers.

⁽¹⁾ Source: 2016 annual report of Liberbank, Bankia, Caixabank, Popular, Sabadell, BKT, Unicaja, Kutxa, Ibercaja, Abanca and BMN

Coverage

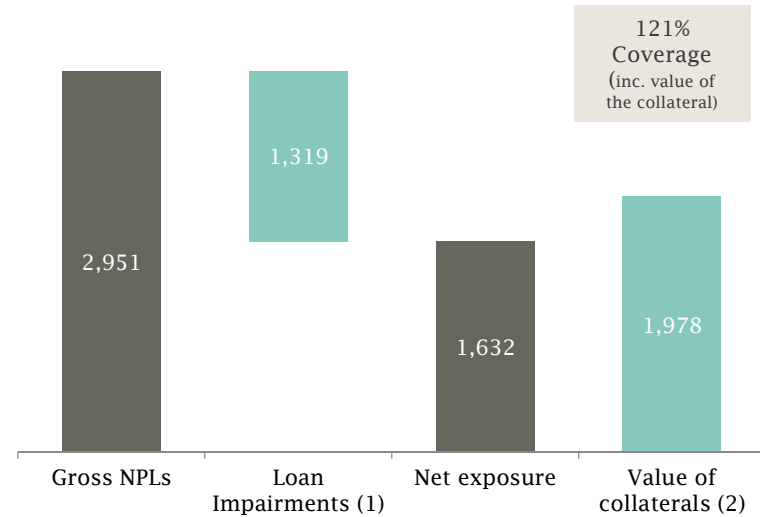
Asset Quality

Coverage over NPLs by segment



Coverage of NPLs including collateral.

Eur m



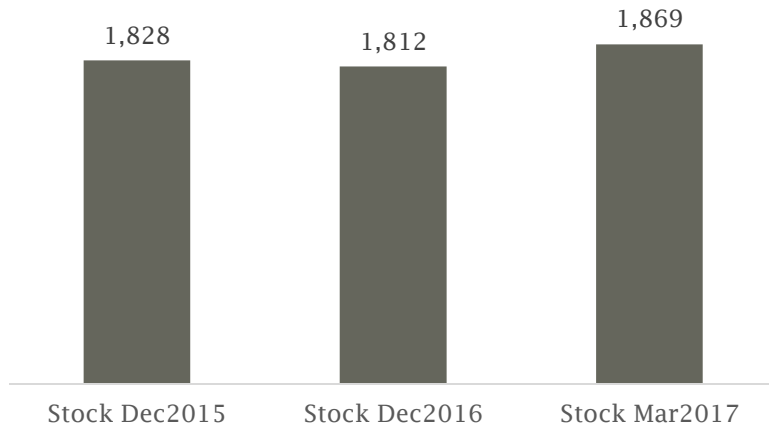
- Strong collateralization and high weight of residential mortgages should translate into lower coverage requirements.
- Coverage over NPLs⁽¹⁾ stand at 45%. If we include the value of the collaterals⁽²⁾ it increases to 121%.

(1) It includes provisions related to mortgage floors
 (2) Maximum amount of the collateral or guarantee that can be considered, not considering excess value of collaterals

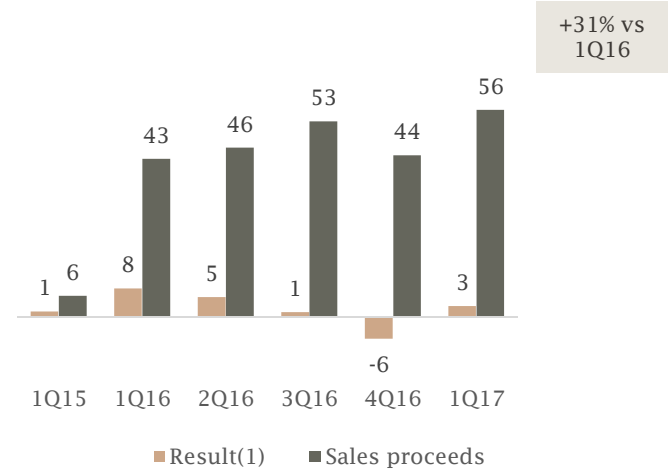
Foreclosed assets

Asset Quality

Foreclosed assets evolution
(net book value). Eur m



Latest sales. Eur m



Sales by region (Eur). 1Q17.



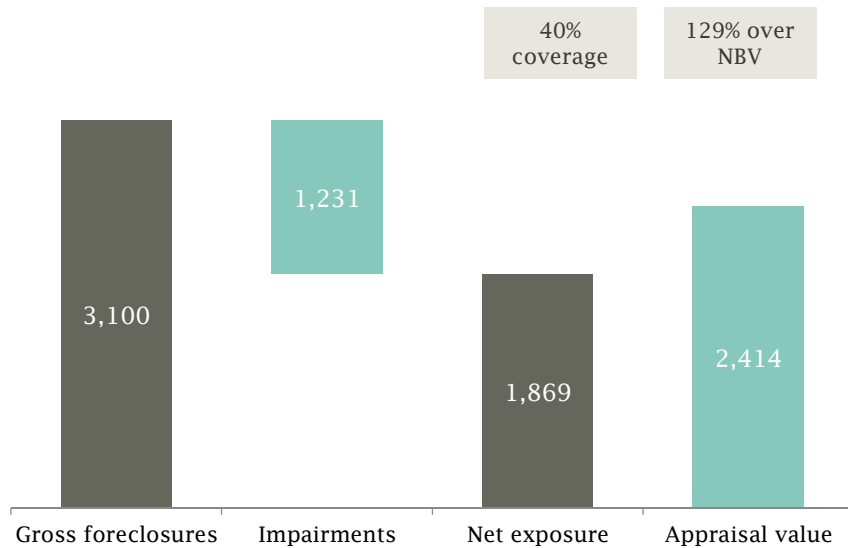
- ➔ Another quarter with historical record sales (+31% YoY).
- ➔ Stock increased slightly as NPLs recovery process accelerate.
- ➔ Liberbank is allocating resources to generate revenues through rents. Average gross yield on rented properties of c.4.6%.

(1) Difference between sale price and net book value. In the case of the APS, profits imply the recovery of APS funds.

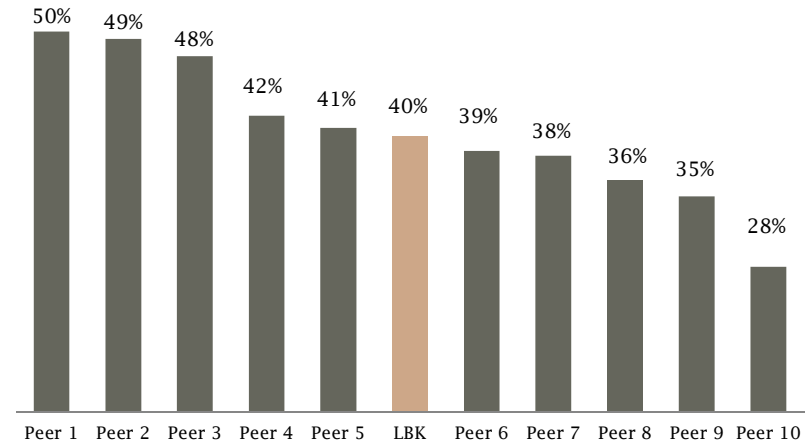
Foreclosed assets

Asset Quality

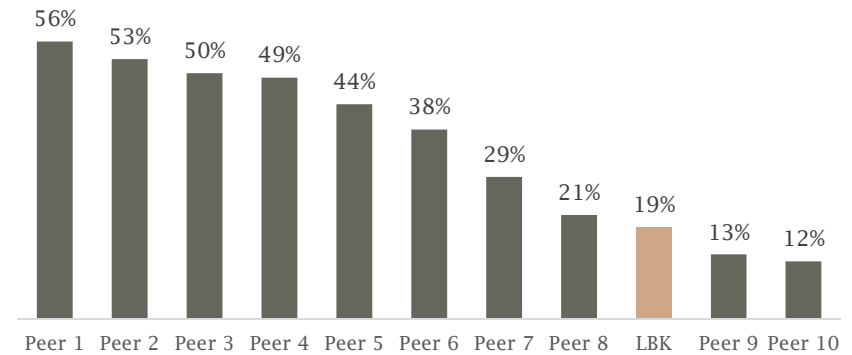
Net book value vs appraisal value



Coverage of foreclosures⁽¹⁾



Investment property over foreclosures⁽²⁾



- Liberbank coverage stands in line with peers with more updated appraisals and less foreclosures classified as investment properties.
- Appraisal value stands at € 2.4bn above the € 1.9bn net book value, 81% of the assets were updated in 2016-17 and 93% of the appraisals are individual, non-statistic.
- Liberbank has significant room to reclassify foreclosures to investment properties.

(1) Peers are Spanish domestic banks with available information to compare on a Like for Like basis. Kutxabank and Unicaja as of Dec2015.
 (2) Ratio calculated as Investment Properties divided by Foreclosures on the Transparency Information section.
 Peers are Spanish domestic Banks. Source: 2016 annual reports.

Agenda

1. Asset Quality

2. Solvency

3. Commercial Activity

4. Results analysis

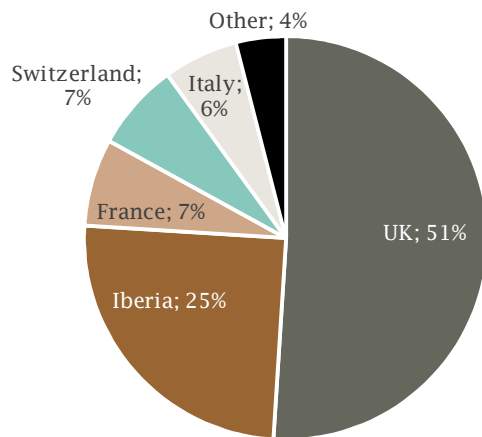
5. Liquidity and Fixed Income portfolio

6. Appendix

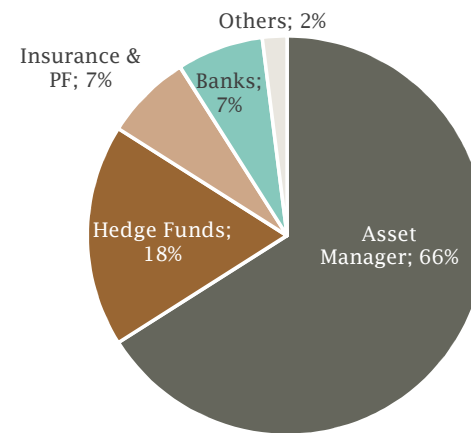
Tier 2 issuance

Solvency

Breakdown by country



Breakdown by investor type

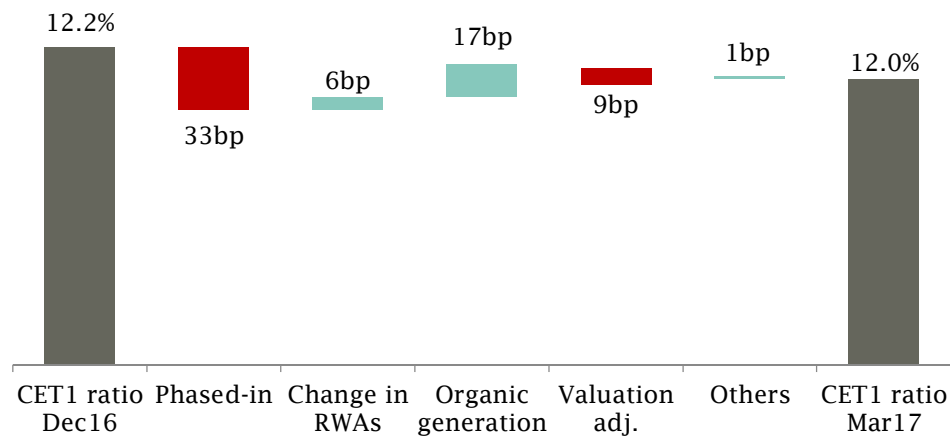


- Liberbank successfully launched an inaugural public CRD IV-compliant EUR-denominated 10NC5 Tier 2 (€300Mn size and 6.875% coupon).
- Demand exceeded €1bn with more than 140 accounts involved.
- The rationale for the transaction was to i) strengthen Total Capital position and free-up CET1 to boost buffer to MDA, ii) build loss absorbing capacity in anticipation of MREL requirements and iii) diversify capital components, funding sources and investor base.

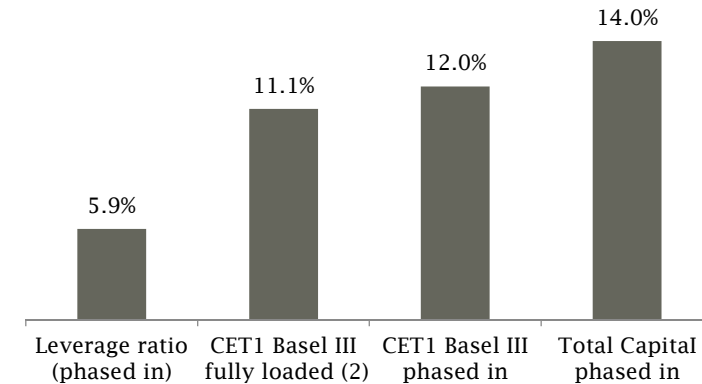
Solvency position

Solvency

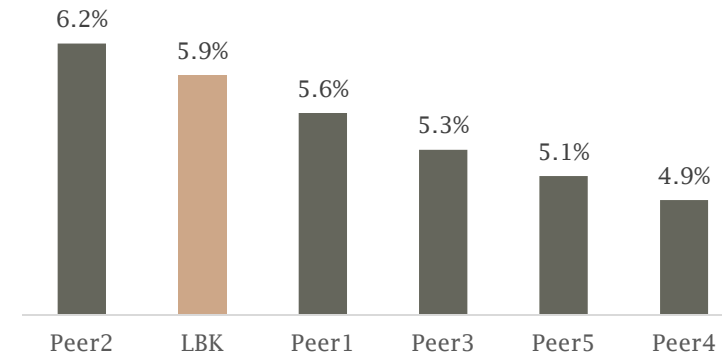
CET1 phased-in performance⁽¹⁾



Capital ratios. Mar17⁽¹⁾



Capital Leverage ratio (phased-in). Mar17⁽³⁾



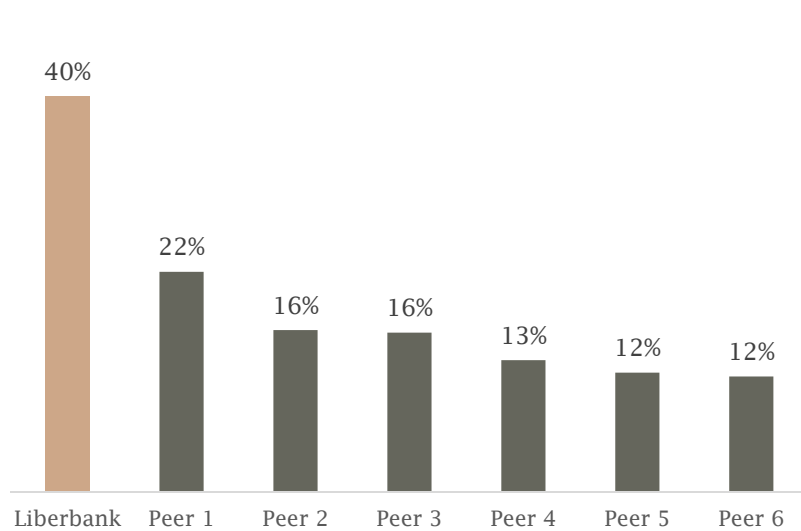
- Excluding regulatory impact (phased-in calendar) and valuation adjustments the CET ratio (phased-in) improved 22bp QoQ supported by organic capital generation.
- Liberbank issued a € 300m Tier2 bond that reinforced its capital ratios.
- Leverage ratio stands at 5.9% as of Mar17.

(1) Capital ratios include retained earnings
 (2) CET1 FL includes unrealised capital gains of the AFS Sovereign portfolio and the AT1 not absorbing deductions
 (3) Peers include listed Banks, excluding SAN & BBVA. Popular as of Dec16

Solvency position

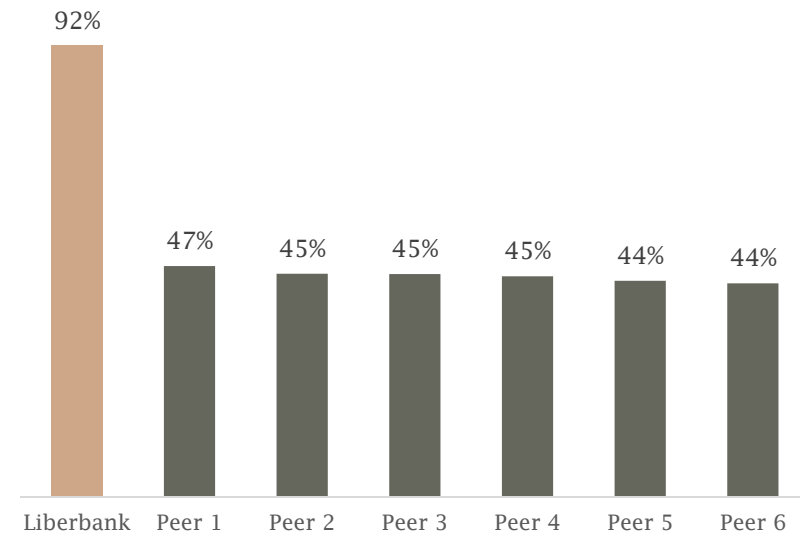
Solvency

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



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

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



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

→ Besides organic capital generation Liberbank holds different levers to continue improving its capital position in the future:

- In the mid term there is room to reduce RWAs as Liberbank transitions towards advanced models.
- Consumption of DTAs will imply lower deductions and lower RWAs.
- Reduction of NPAs should also reduce RWAs and capital requirements.
- Minorities of BCLM could add c.21bp.
- Ability to generate capital through the sale of non core businesses or partnerships with specialized partners.

Agenda

1. Asset Quality

2. Solvency

3. Commercial Activity

4. Results analysis

5. Liquidity and Fixed Income portfolio

6. Appendix

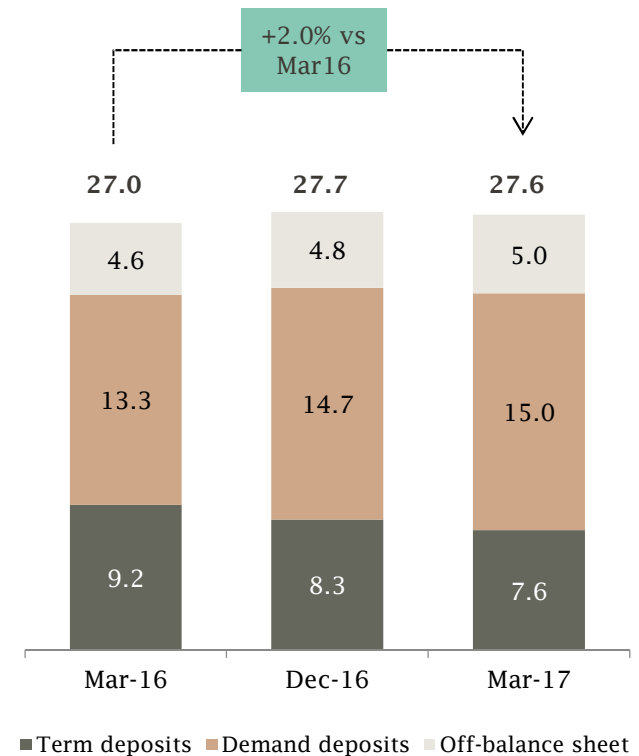
Customer funds

Commercial Activity

Customer Funds. Eur m

Eur m	1Q16	4Q16	1Q17	QoQ	YoY
CUSTOMER FUNDS	28,725	29,558	29,448	-0.4%	2.5%
Customer Funds on Balance Sheet	24,168	24,754	24,454	-1.2%	1.2%
Public Institutions	1,151	1,319	1,261	-4.4%	9.5%
Retail Customer (resident)	22,703	23,151	22,910	-1.0%	0.9%
Demand deposits	13,280	14,674	14,984	2.1%	12.8%
Term deposits	9,209	8,267	7,602	-8.0%	-17.4%
Other	215	209	324	54.9%	50.9%
Non resident customers	313	284	283	-0.3%	-9.6%
Off-balance sheet funds	4,558	4,804	4,994	4.0%	9.6%
Mutual funds	1,941	2,172	2,383	9.7%	22.8%
Pension Plans	1,518	1,511	1,516	0.4%	-0.1%
Insurance Funds	1,099	1,121	1,095	-2.4%	-0.4%

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



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

- We highlight the ability of Liberbank to retain customers and resources while reducing costs and closing branches.
- The switch from term deposits to demand deposits and off-balance sheet products continues. Another strong quarter of growth of mutual funds, 9.7% QoQ and 22.8% YoY.
- Liberbank maintains its leadership in its core regions (25.2% market share in deposits as of Dec16), reaching 34% in some of them.

Lending

Performing Loan book breakdown. Gross, Eur m

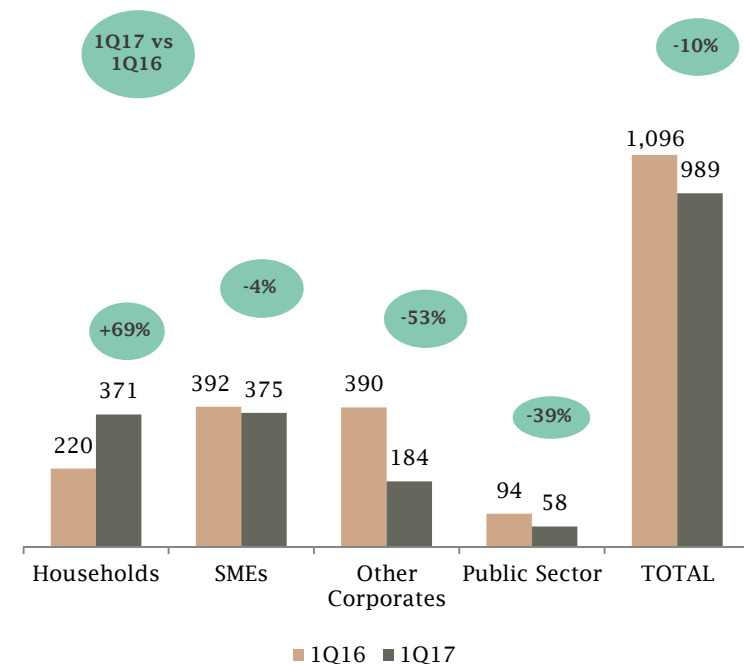
Eur m	1Q16	4Q16	1Q17	QoQ	YoY
Public Sector	1,326	1,321	1,262	-4.5%	-4.8%
Loans to businesses	4,570	4,822	4,868	0.9%	6.5%
RED & Construction	293	297	283	-4.7%	-3.4%
Other corporates	4,277	4,525	4,585	1.3%	7.2%
Loan to individuals	13,602	13,353	13,346	-0.1%	-1.9%
Residential mortgages	13,010	12,713	12,693	-0.2%	-2.4%
Consumer and others	592	640	653	2.0%	10.2%
Other loans⁽¹⁾	306	304	302	-0.7%	-1.5%
Total performing loan book	19,805	19,800	19,777	-0.1%	-0.1%

Performing loan book growth. YoY



Commercial Activity

New Production breakdown⁽²⁾. Eur m



→ Performing loan book remains flattish. Corporates and consumer lending continue to perform positively, while mortgage book is slowly turning around (-0.2% QoQ in the 1Q).

→ Mortgages and consumer new production performs well during the 1Q17 +69% YoY.

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

Agenda

1. Asset Quality

2. Solvency

3. Commercial Activity

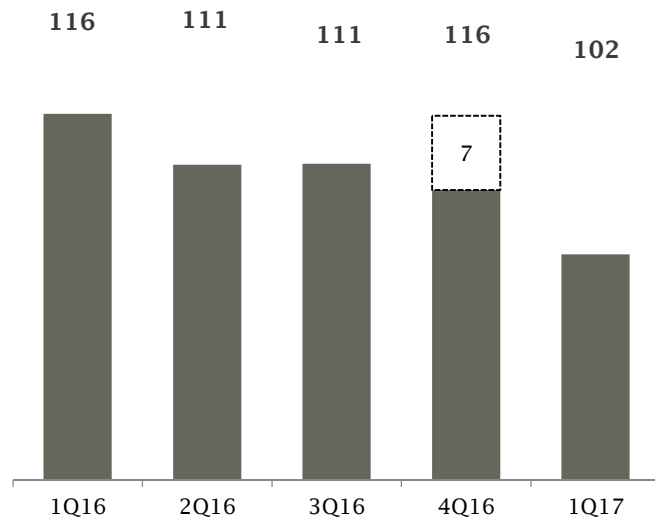
4. Results analysis

5. Liquidity and Fixed Income portfolio

6. Appendix

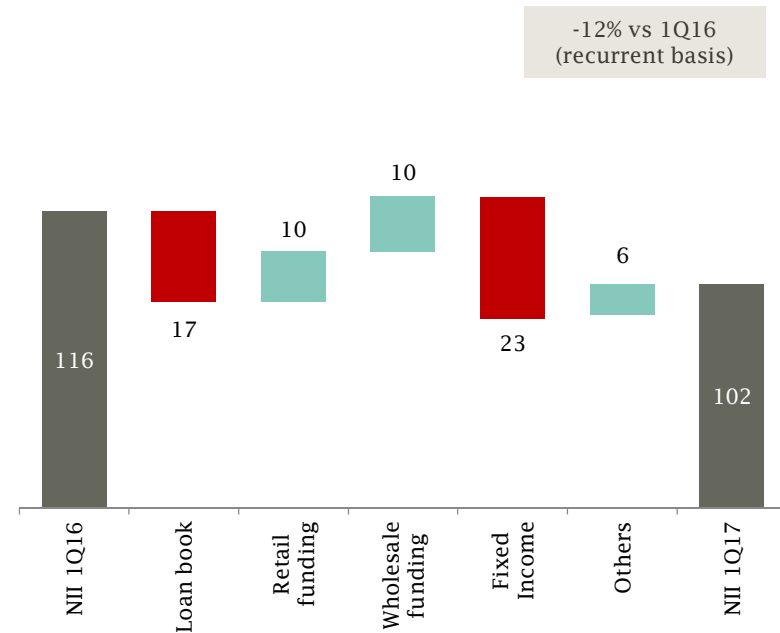
Net Interest Income

Net interest Income performance (Eur m)



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

NII performance breakdown (Eur m)



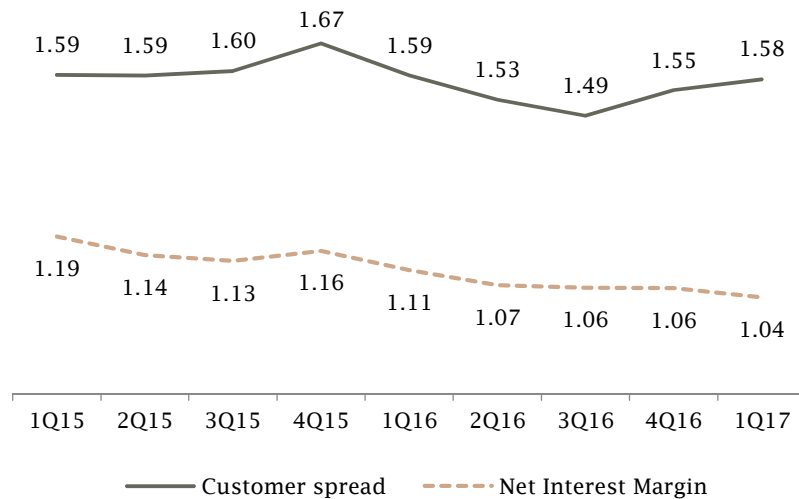
→ Retail business NII improves supported by lower cost of funding and flattish yield on performing book despite lower reference rates.

→ Conservative approach on wholesale business during the 1Q to reduce volatility and take advantage of future higher interest rates. Reinvestment of the Fixed income portfolio will recover during the next quarters.

Net Interest Income: margins

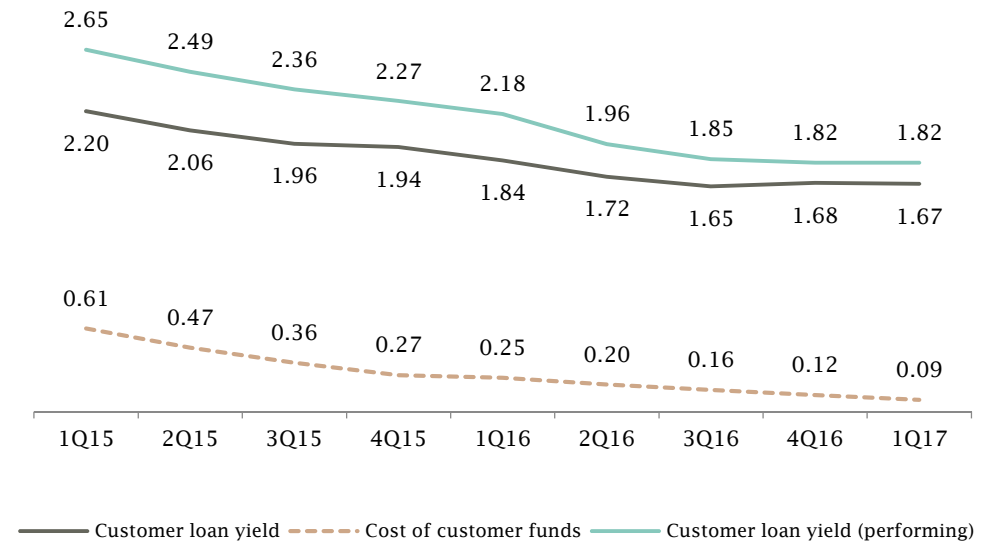
Results

Margin performance (%)⁽¹⁾



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

Customer loan yield and cost of customer funds (%)⁽¹⁾



(1) 1Q15 loan yields exclude € 3m of extraordinary interest income

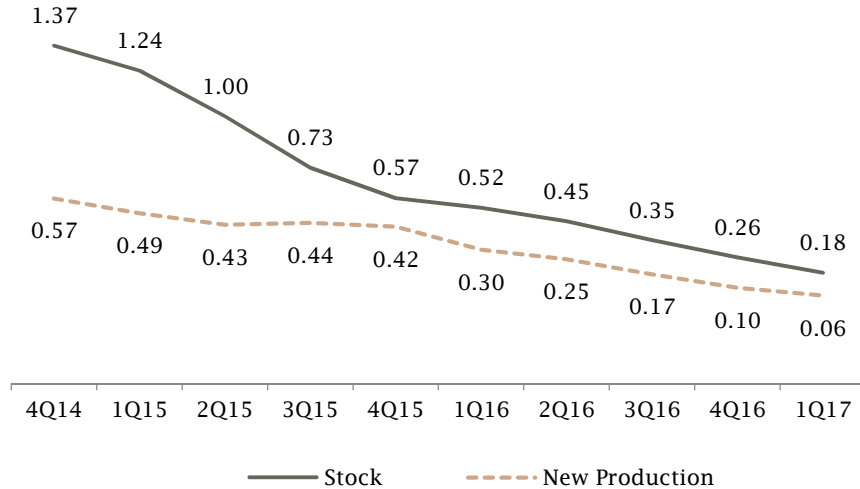
→ Customer spread keeps improving, 3pb QoQ as loan yield remains flattish and cost of customer funds continues to decrease.

→ Repricing of the loan book due to lower reference rates close to finish.

Net Interest Income: cost of funding

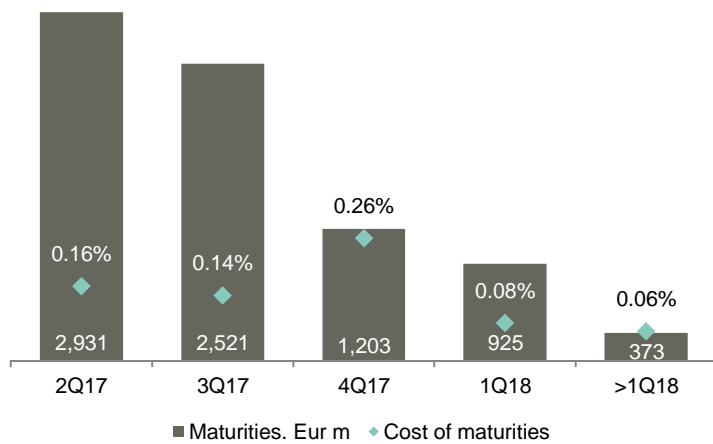
Results

Term deposit cost performance (%)

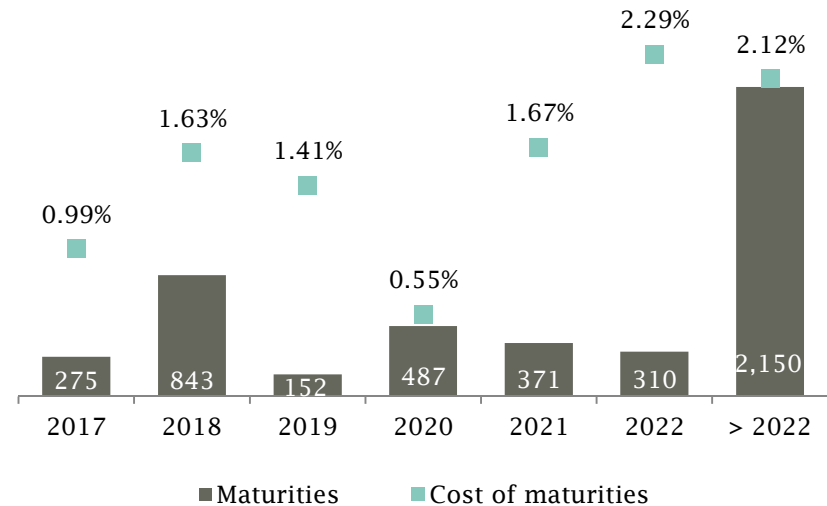


→ The cost of the new term deposits keeps reducing (5bp during March).
 → € 700m of covered bonds matured on the 19th of March (cost of 1.6%).

New Term Deposits. Maturity, cost and volume



Capital Markets Maturities (Eur m)



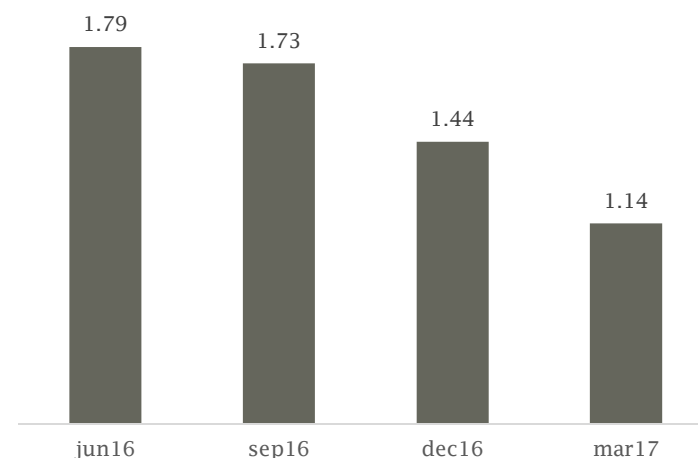
Net Interest Income: asset yields

Quarterly yields on lending (%)

Basis points ⁽¹⁾	3Q16	4Q16	1Q17
Total loan book (yield)			
Back Book	185	182	182
Front Book	182	221	194
Mortgages (yield)			
Back Book	135	129	132
Front Book ⁽²⁾	173	178	179
SMEs (yield)			
Back Book	265	263	245
Front Book	270	258	257

(1) The above rates refer to the drawn amounts and reflect actual contribution to NII
 (2) Mortgages front book have higher yield during the first 18 months

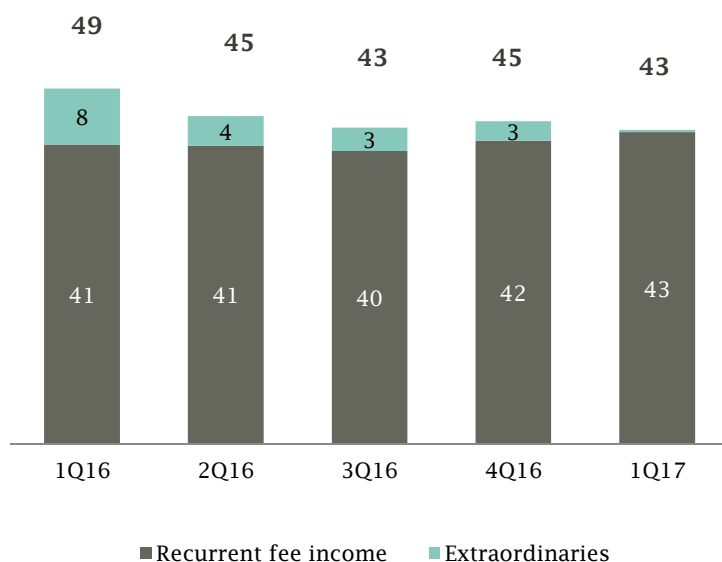
Fixed Income portfolio. Yield (exc Sareb) (%)



→ Asset yields on new lending production continue to stay above stock during the 1Q17.
 → 62% of the new production of residential mortgages during the quarter was at fixed rate.

Fee Income

Fee income performance (Eur m)



Fee income breakdown

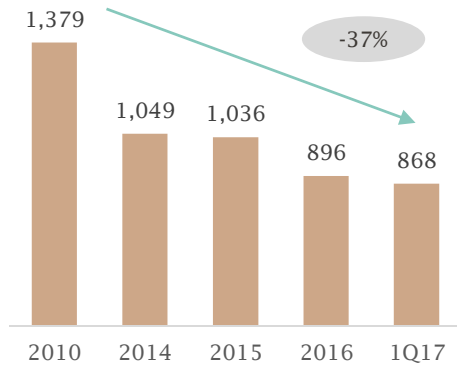
Eur m	1Q16	1Q17	YoY (%)
TOTAL FEES	49	43	-12%
TOTAL recurrent net fees	41	43	3%
Banking fees	28	27	-1%
Non-banking fees ⁽¹⁾	13	15	16%
Others	0	1	-17%
Non recurrent fees⁽²⁾	8	0	-38%

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

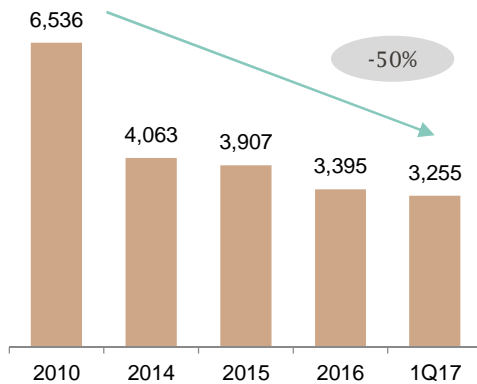
→ Recurrent fees increased by 3.4% vs 1Q16 based on insurance and mutual funds.
 → Banking fees remain resilient despite competition for clients.

Costs

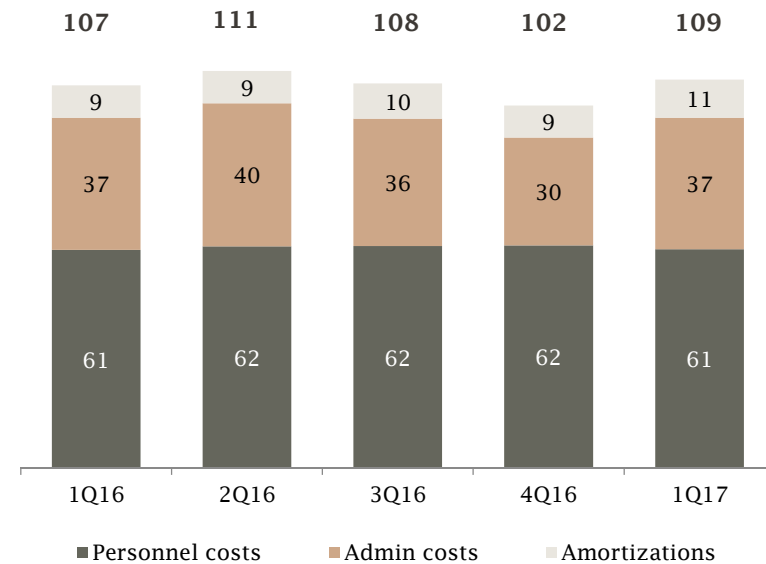
Number of branches



Number of FTEs



Costs performance (Eur m)

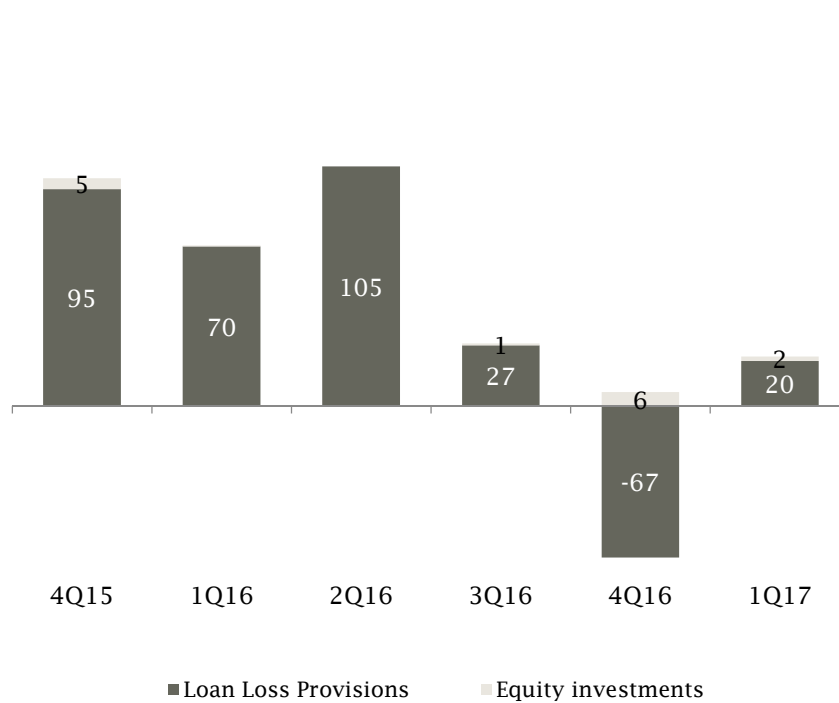


→ Personnel and administrative costs remain flattish YoY.

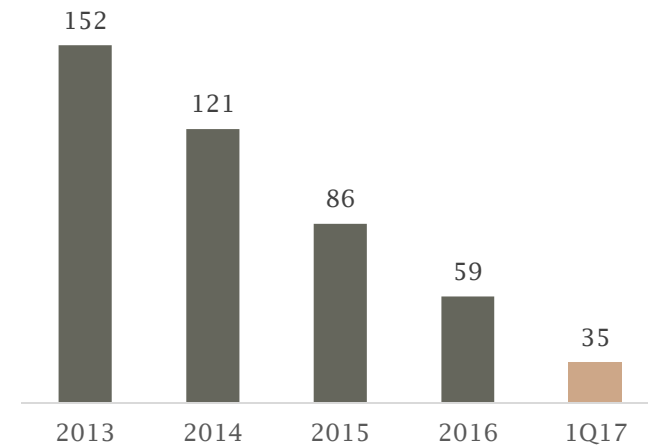
→ Liberbank is continuously optimizing its branch network with limited impact on customer service and franchise. This is reflected on customer resources.

Cost of risk

Impairment losses (Eur m)



Cost of risk (bp)⁽¹⁾



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

→ Loan loss provision continue to normalize.
 → Recurrent cost of risk keeps going down below the 40bp target for 2017.

P&L

Results

€m						Var. 1Q17 vs 4Q16		Var. 1Q17 vs 1Q16	
	1Q16	2Q16	3Q16	4Q16	1Q17	€m	%	€m	%
Interest Income	164	151	146	144	130	-13	-9%	-34	-21%
Interest Cost	-48	-40	-35	-28	-28	0	1%	20	-41%
NET INTEREST INCOME	116	111	111	116	102	-14	-12%	-14	-12%
Dividends	0	1	2	0	0	0	nm	0	nm
Results from equity method stakes	-1	21	0	3	2	0	-6%	3	nm
Net fees	49	45	43	45	43	-2	-5%	-6	-11%
Gains on financial assets & others	184	48	36	78	50	-28	-36%	-134	-73%
Other operating revenues/(expenses)	-17	-3	-2	-47	-20	27	-57%	-3	19%
GROSS INCOME	331	223	190	195	178	-17	-9%	-153	-46%
Administrative expenses	-98	-103	-98	-93	-98	-5	5%	0	0%
Staff expenses	-61	-62	-62	-62	-61	1	-2%	0	0%
General expenses	-37	-40	-36	-30	-37	-7	22%	0	-2%
Amortizations	-9	-9	-10	-9	-11	-2	19%	-2	23%
PRE PROVISION PROFIT	224	111	83	93	69	-24	-26%	-155	-69%
Provisions	-102	91	-13	-108	-1	107	-99%	101	nm
Impairment on financial assets (net)	-70	-105	-28	61	-22	-82	nm	49	-69%
Others	-4	-65	-1	-15	-9	6	-40%	-5	nm
PROFIT BEFORE TAXES	48	32	41	30	37	7	23%	-11	-22%
Taxes	-14	-3	-13	-18	-10	8	-44%	4	-30%
NET INCOME	33	30	27	12	27	15	nm	-6	-18%
NET INCOME ATTRIBUTABLE	38	35	27	29	32	3	10%	-6	-15%

Note: The 2015 income statement has been restated following the application of IFRIC 21

Agenda

1. Asset Quality

2. Solvency

3. Commercial Activity

4. Results analysis

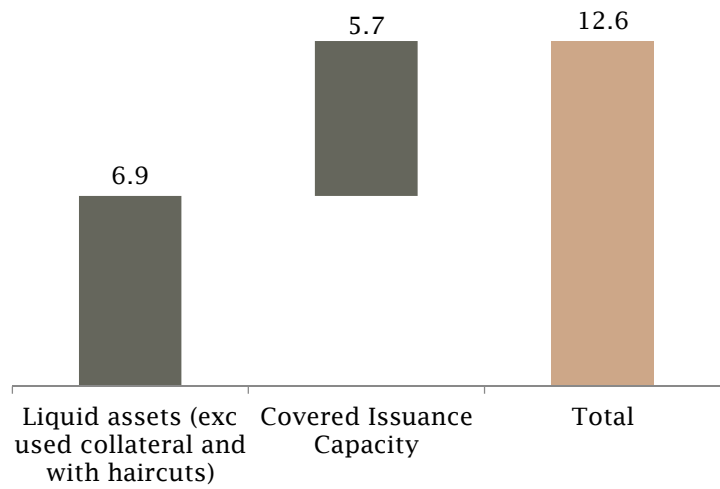
5. Liquidity and Fixed Income portfolio

6. Appendix

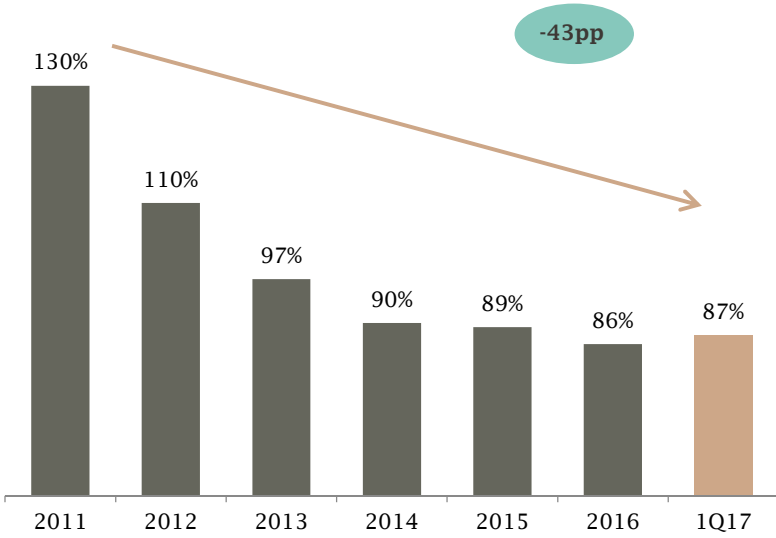
Liquidity position

Liquidity

Liquidity position. (€ bn)



LtD Liberbank



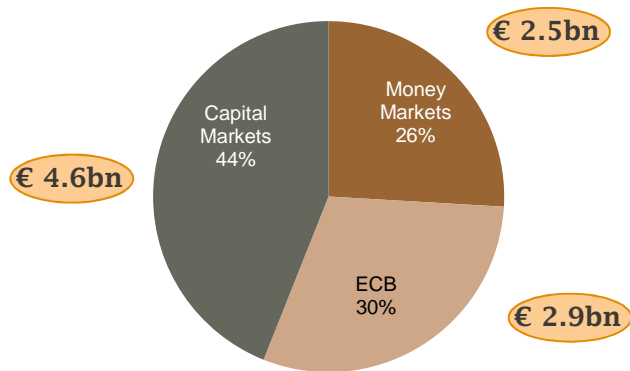
- Liberbank maintains a strong liquidity position.
- LCR stands at 332% as of Mar17, well above requirements.

Wholesale funding

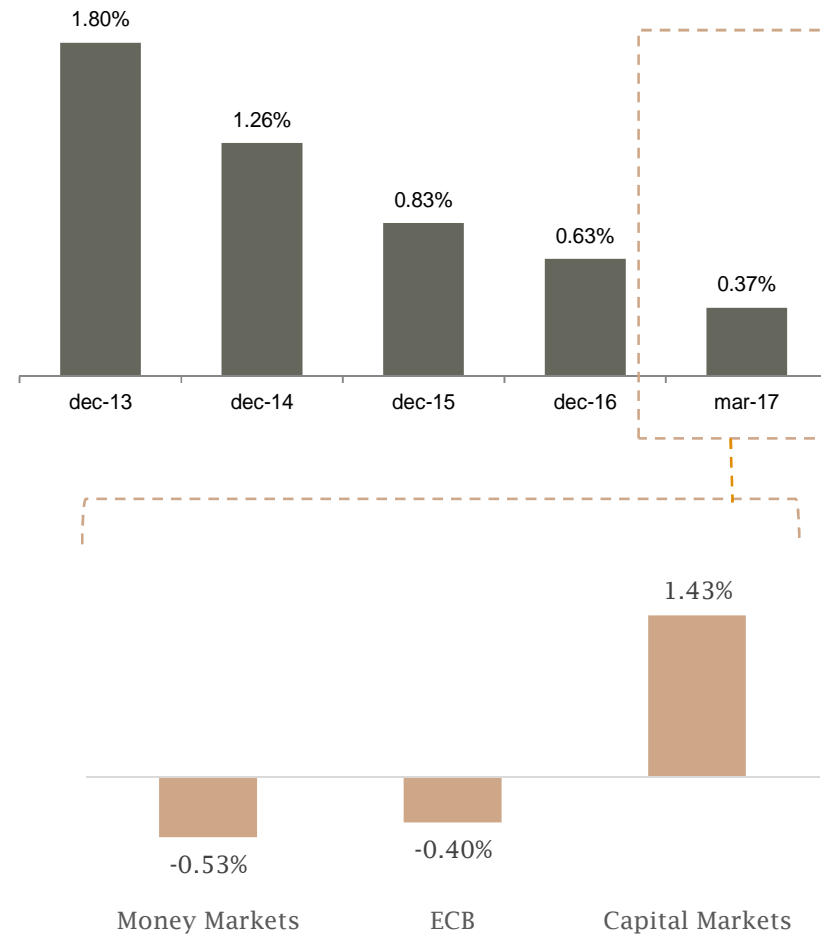
Wholesale funding

Wholesale Funding Breakdown

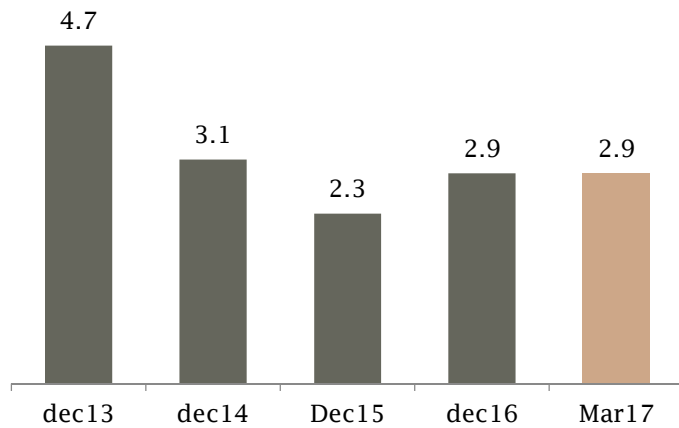
TOTAL - €9.8bn⁽¹⁾



Wholesale Funding Price Evolution (%)



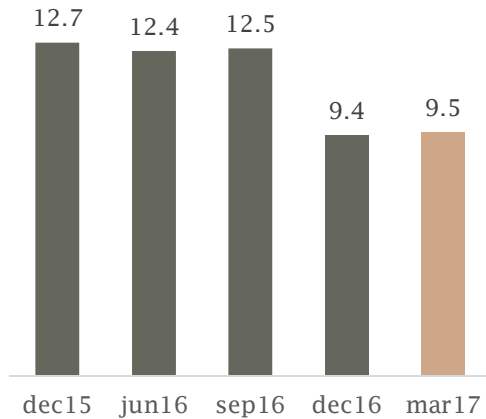
ECB funding position (€ bn)



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

Fixed Income portfolio

Fixed Income Portfolio evolution



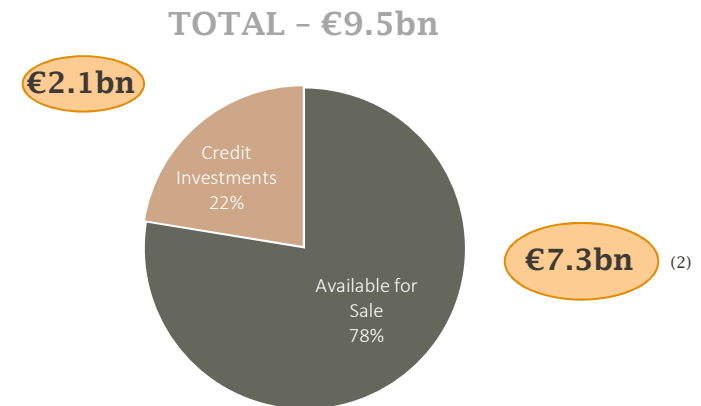
Fixed Income Portfolio⁽³⁾

Breakdown	Yield	Duration	Unrealised gains
Available for Sale	1.14%	1.59	33
Credit Investments	0.14%	0.26	1
TOTAL	0.92%	1.28	34

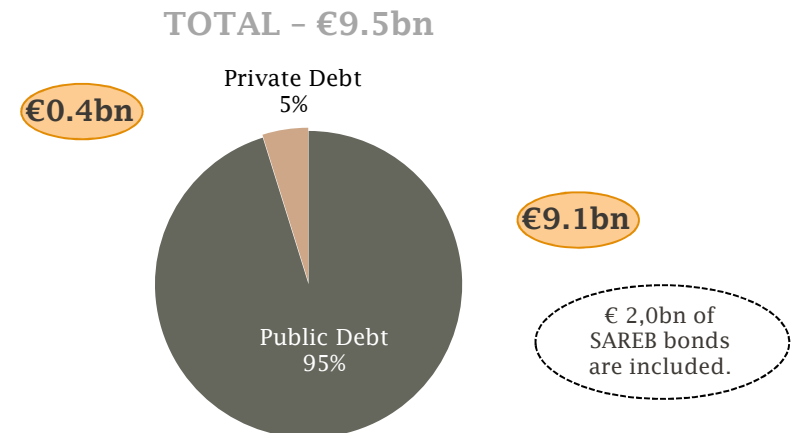
1. Accounting values. Including retained Covered Bonds. Including accrued coupon
 2. Including unrealised capital gains as of 31st of March 2017
 3. Weighted average duration in years.

Fixed Income Portfolio

Fixed Income Portfolio breakdown⁽¹⁾



Fixed Income Portfolio by Issuer⁽¹⁾

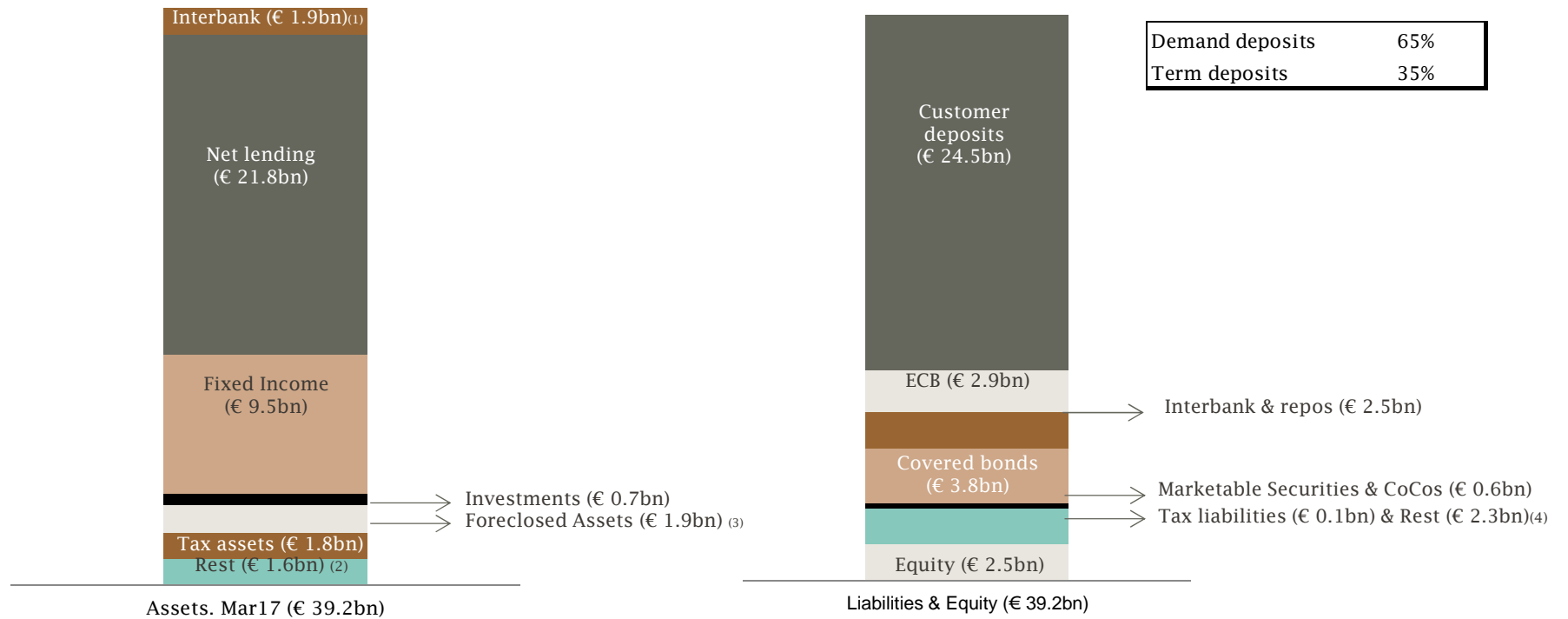


Agenda

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

Balance Sheet. Retail banking

Appendix



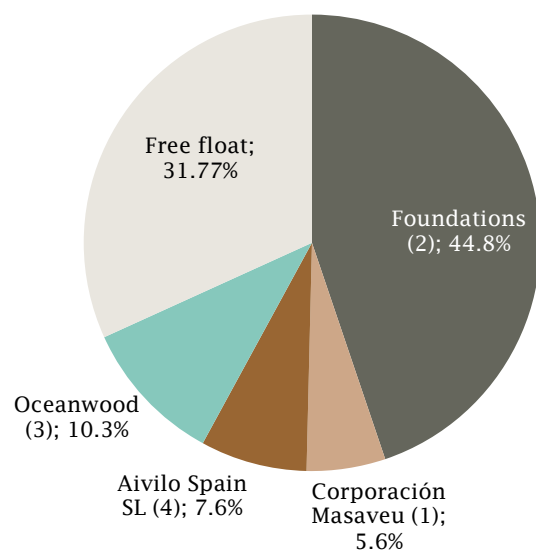
Demand deposits	65%
Term deposits	35%

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

Shareholders and Book Value

Appendix

Shareholder base



(1) Includes Flicka Forestal, Corporación Masaveu and Fundación Maria Cristina Masaveu
 (2) Includes Fundación Caja Asturias, Fundación Caja Extremadura and Fundación Caja Cantabria
 (3) Includes Oceanwood Capital Management and Oceanwood Opportunities Master Fund. Includes stake through derivatives
 (4) Includes Inmosan SA
 Source: CNMV, latest data available as of 27th April 2017

Book value and Tangible Book Value

	Mar17	Fully Diluted
# New shares (m)		88
# O/S shares (m)	909	998
BV (exc minorities).	2,509	2,629
TBV. Eur m ⁽¹⁾	2,384	2,504
BVps (Eur)	2.76	2.64
TBVps (Eur)	2.62	2.51
Last price (Eur)	1.23	1.23
PBV	0.45x	0.47x
PTBV	0.47x	0.49x

(1) Intangibles deduction
 Note: last price for CoCos conversion purpose as of 26th of April (Eur 1.228sh)

Outstanding CoCos. Mar17

AT1 (CoCos)	Outstanding Amount (Eur m) ⁽¹⁾	Coupon	Min Strike	Maturity	Issuance date
Serie A	10	5.0%	9.72	17-Jul-2018	17-Apr-2013
Serie B	3	5.0%	6.39	17-Jul-2018	17-Apr-2013
Serie C	107	7.0%	1.23	17-Jul-2018	17-Apr-2013
TOTAL	120				

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

Liberbank

Institutional Investors & Analysts Contact

desarrollo.corporativo.relación.inversores@liberbank.es

+ 34 91 422 58 37