

Liberbank

Liberbank Corporate Presentation

June 2017

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Key Highlights

NPAs

- Largest reduction of NPAs among the listed banks: -24% since Dec2015.
- 84% of total foreclosed assets and 83% of real estate developer loans coming from the APS.
 - Preliminary reports issued by three independent experts proposed by the DGF just confirmed the current net book value of these assets.

NPLs

- NPLs down 38% YoY. Target to reduce NPL ratio c.10% in 2017 and below 7.0% in 2018 vs 13.0% as of Mar17.
- Liberbank has recognized 89% of the loans to real estate developers and 81% of refinanced loans as non-performing. This more conservative approach vs peers supports further reduction of NPLs.
- Residential mortgages represent 59% of the total loan book and 95% of them with LtV < 80%⁽¹⁾.
- Recurrent loan impairments to remain below 40bp target.

Foreclosures

- Increasing targets of foreclosed assets rents and disposals: € 410m in 2017, € 625m in 2018 and € 850m in 2019 vs current stock of € 3.1bn.
- YTD foreclosed asset disposals above guidance.
- Coverage of foreclosed assets stands at 40%, increasing to c.50% including all provisions from the original loan (as other banks report).

(1) Source: 2016 annual report

Key Highlights

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.
- Room to improve significantly through migration to advanced models (application to the ECB already submitted in March 2017).
- Mortgage floor retroactivity risk fully provisioned (€ 183m as of Dec16), well above peers.

Liquidity

- Liberbank maintains a strong liquidity position, LtD ratio stands at 87%.
- 96.5% of the deposits are retail deposits, granular, low average balance and sticky deposit base.

Commercial Strategy

- Room to grow in profitable retail businesses, through off-balance sheet, insurance and consumer finance products.
- Growth opportunities in Corporate & SMEs through optimisation of existing relationships and product cross-selling.

Operating Profit

- Bank well-positioned for interest rate recovery.
- Ability to improve profitability in the Fixed Income portfolio.
- Continued positive trend in new loan production (+29% 2016 vs 2015), focused on Corporates and Consumer.

Agenda

1. Asset Quality

2. Solvency

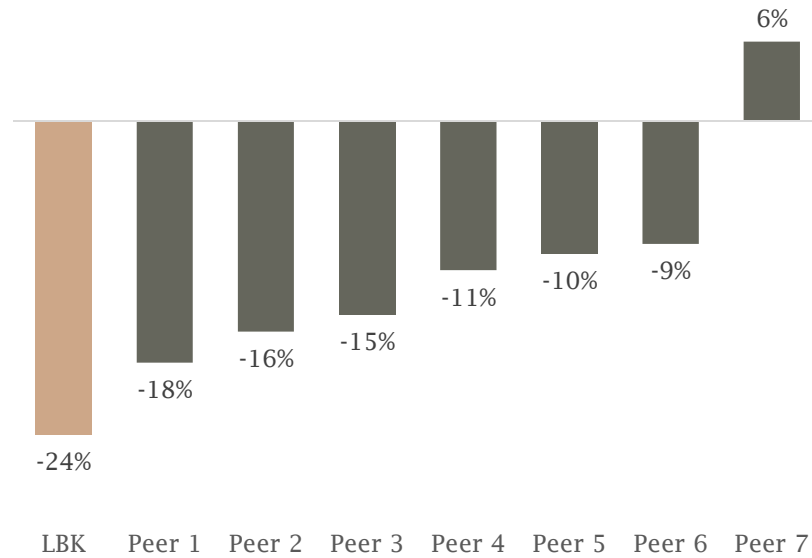
3. Liquidity

4. Investment opportunity

NPA trend

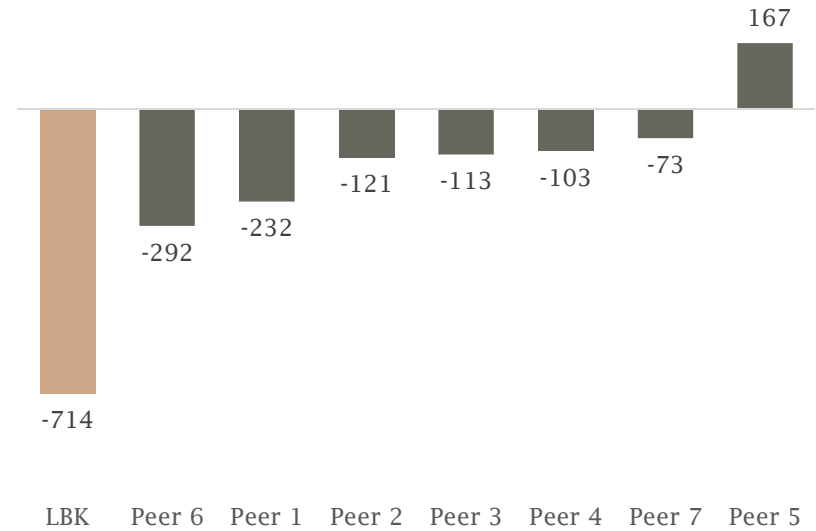
Asset Quality

NPAs reduction (gross). 1Q17 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. 1Q17 vs 2015 (bp)

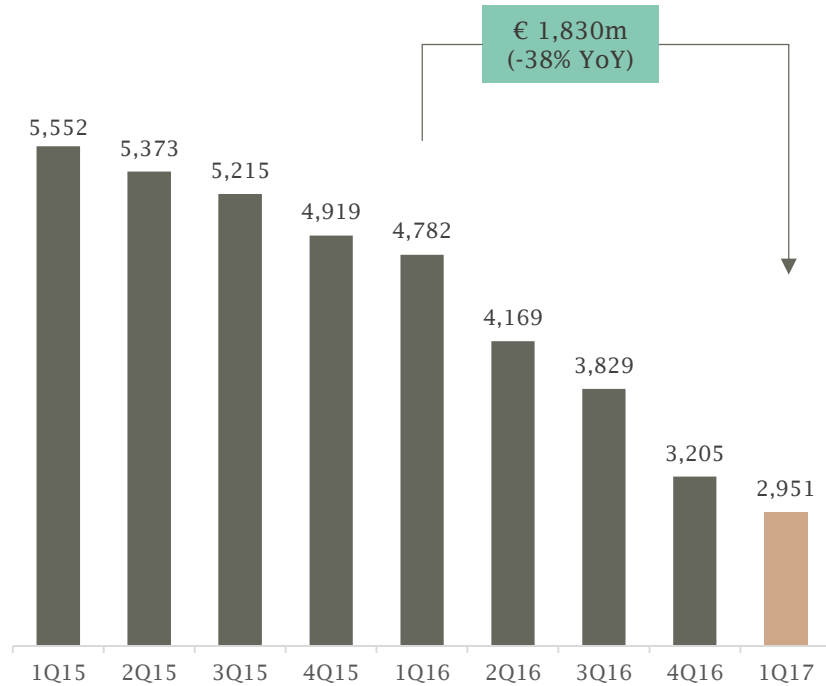


(1) NPL ratio calculated as NPLs over gross loans. Peer5 as of Dec16

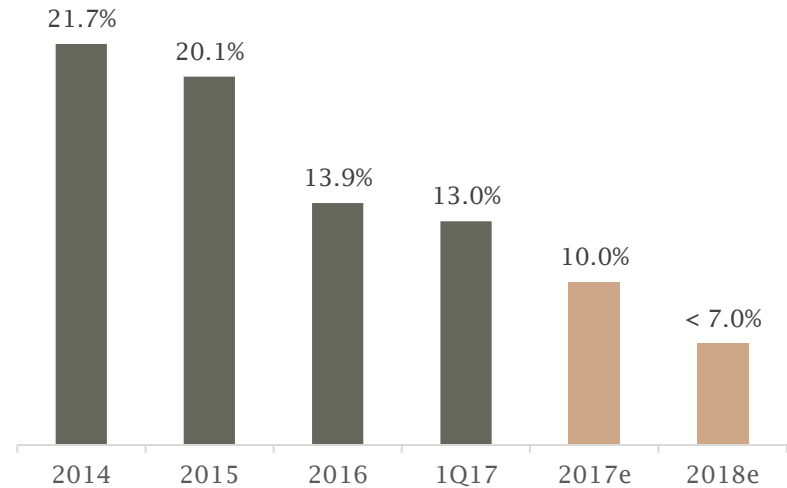
→ Liberbank continues to show the largest reduction of gross NPAs since Dec2015 among the listed banks.
 → Reduction that is reflected in the NPL ratio.

NPL trend

NPL evolution. Eur m



NPL ratio evolution

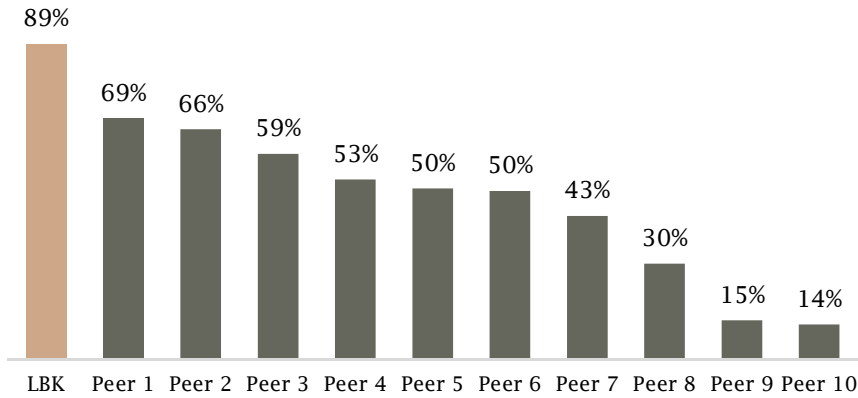


→ Strong decline of NPLs, € 1,830m in the last twelve months, 38% YoY. The NPL ratio keeps falling, 646bp YoY.
→ The target is to continue reducing NPLs and reach an NPL ratio below 7.0% in 2018.

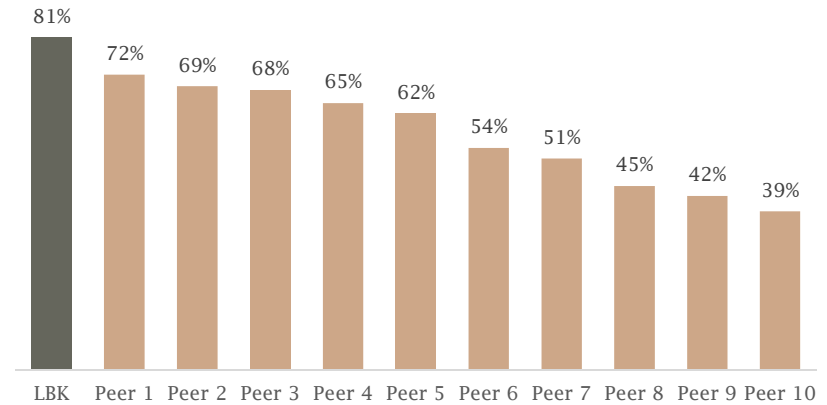
NPL recognition

Asset Quality

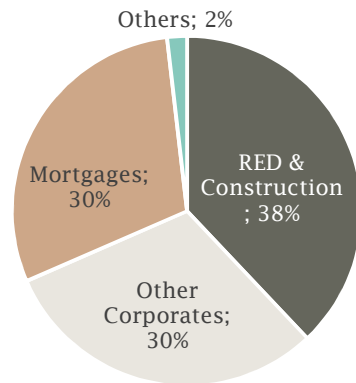
RED loans. NPL ratio⁽¹⁾



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.

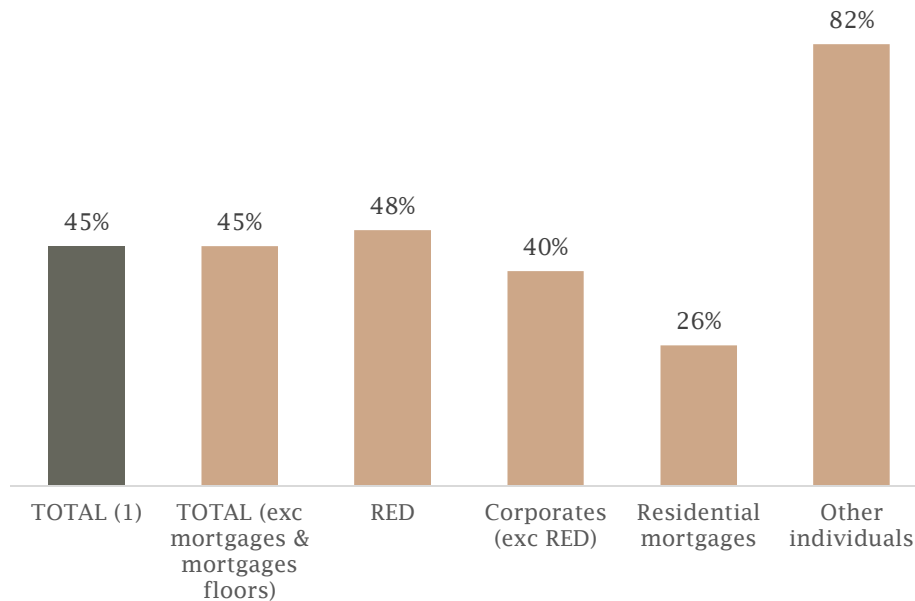
→ Higher collateral value on the corporate loan book than peers.

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

Coverage

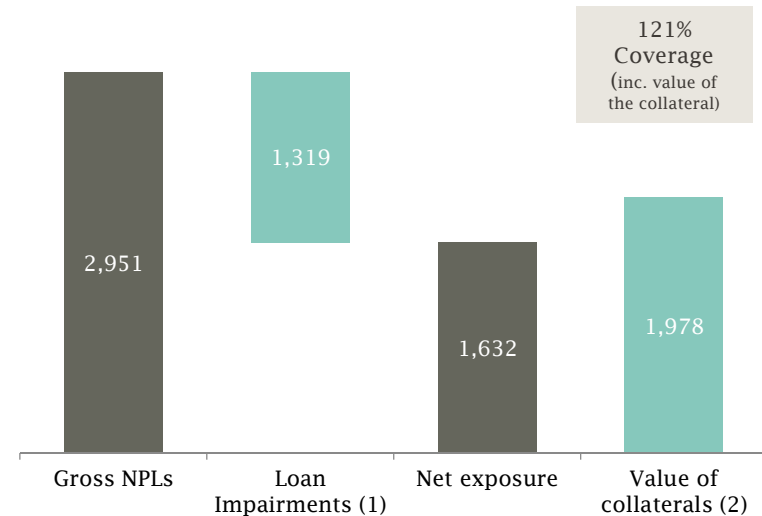
Asset Quality

Coverage over NPLs by segment



Coverage of NPLs including collateral.

Eur m

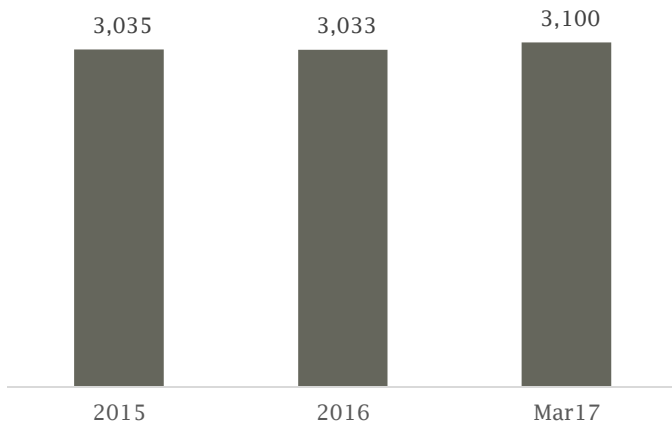


- Strong collateralization and high weight of residential mortgages should translate into lower coverage requirements.
- Coverage over NPLs⁽¹⁾ stand at 45%. If we include the value of the collaterals⁽²⁾ it increases to 121%.

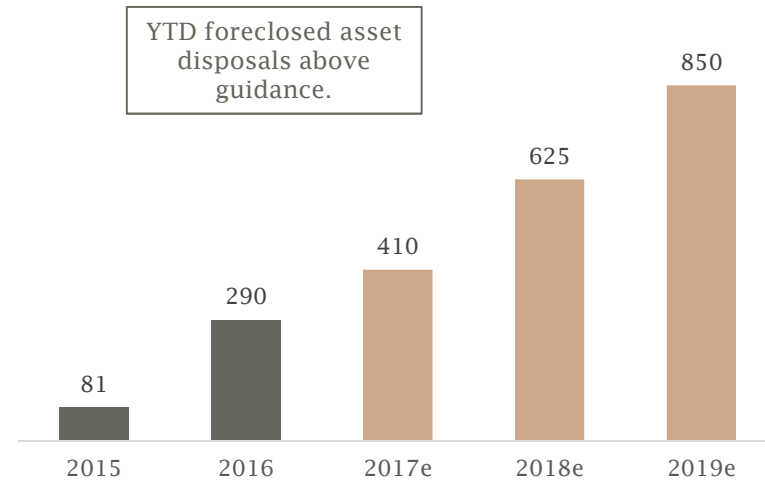
(1) It includes provisions related to mortgage floors
 (2) Maximum amount of the collateral or guarantee that can be considered, not considering excess value of collaterals

Foreclosed assets

Foreclosed assets evolution
(gross book value). Eur m



Gross sales and rents. Eur m

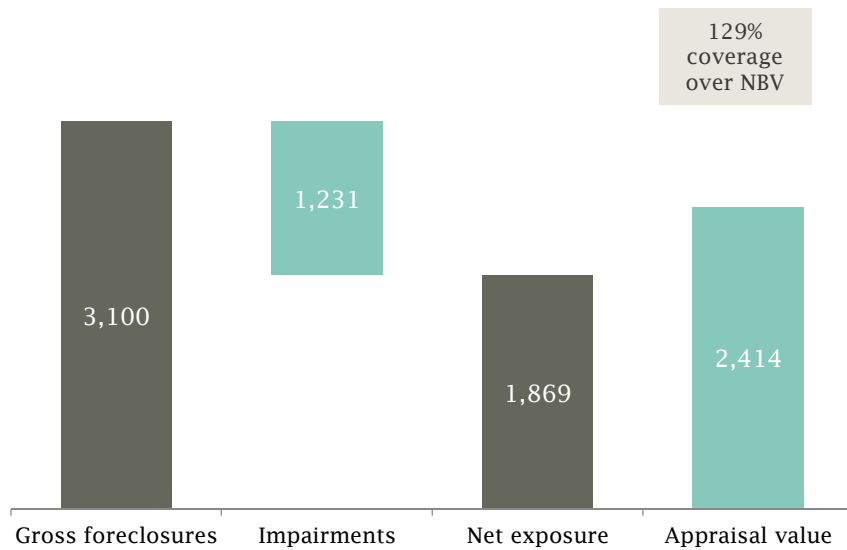


- Additional resources and pipeline preparation allows Liberbank to keep increasing sales.
- Room to improve further asset disposals with the support of an industrial partner (Real Estate Servicer).
- Liberbank is allocating resources to generate revenues through rents. Average gross yield on rented properties of c.4.6%.

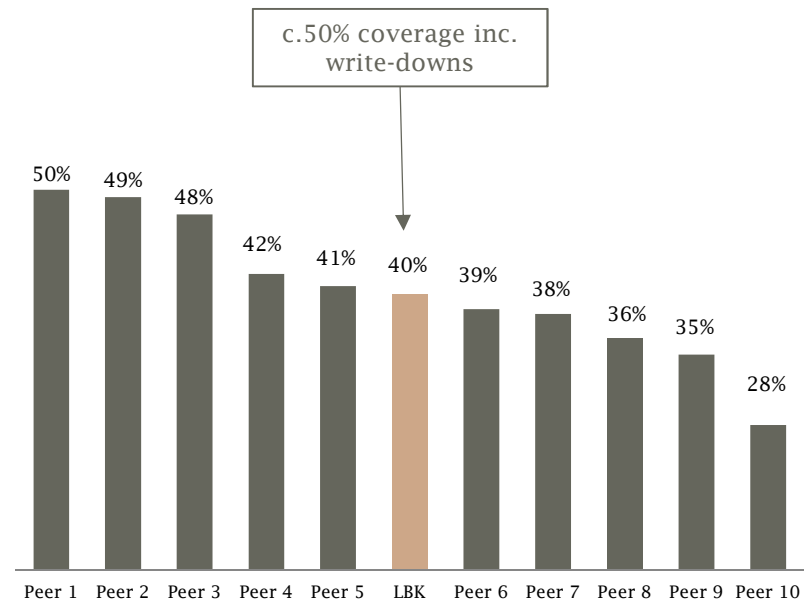
Foreclosed assets

Asset Quality

Net book value vs appraisal value



Comparable coverage of foreclosed assets⁽¹⁾

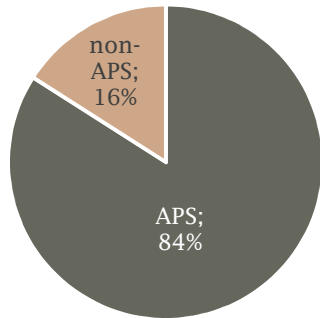


- Liberbank coverage stands in line with peers with more updated appraisals and less foreclosures classified as investment properties.
- Liberbank has significant room to reclassify foreclosures to investment properties.

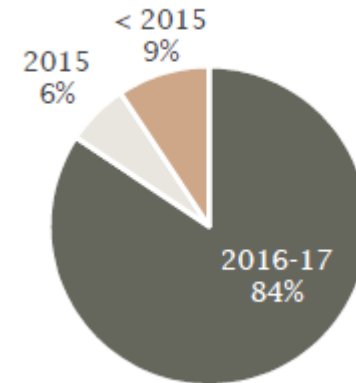
(1) Peers are Spanish domestic banks with available information to compare on a Like for Like basis. Kutxabank and Unicaja as of Dec2015.
 (2) Ratio calculated as Investment Properties divided by Foreclosures on the Transparency Information section.
 Peers are Spanish domestic Banks. Source: 2016 annual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

Foreclosed assets

Foreclosed assets breakdown



Date of appraisal



All APS assets have been appraised in 2016

- Foreclosed assets coming from the APS represent 84% of the total foreclosed assets.
- Preliminary reports issued by three independent valuation experts proposed by the Deposit Guarantee Fund (Ernst & Young, Price Waterhouse Cooper and Analistas Financieros Internacionales) confirmed the current net book value of the APS assets.

Agenda

1. Asset Quality

2. Solvency

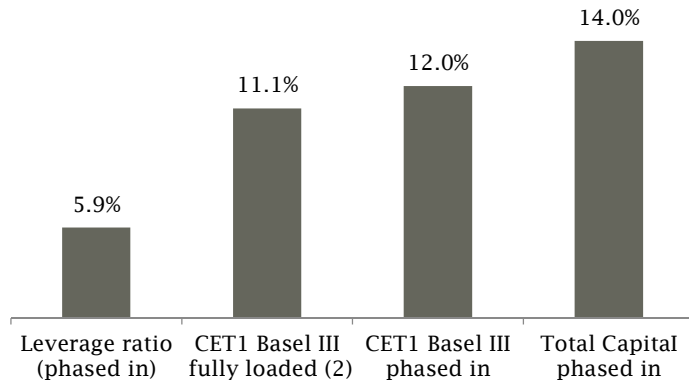
3. Liquidity

4. Investment opportunity

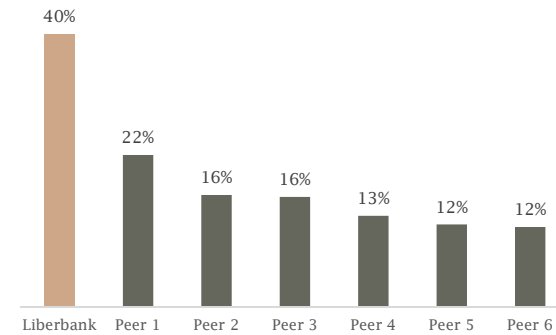
Solvency position

Solvency

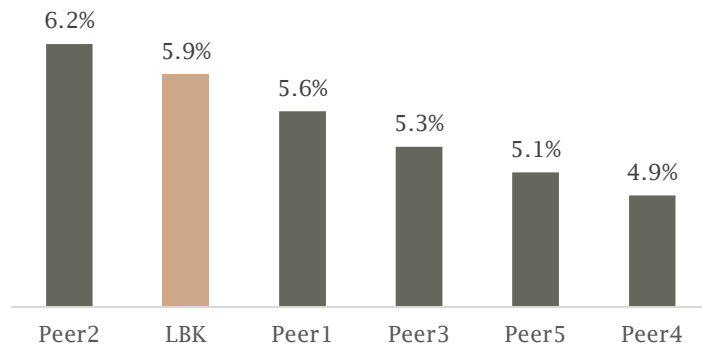
Capital ratios. Mar17⁽¹⁾



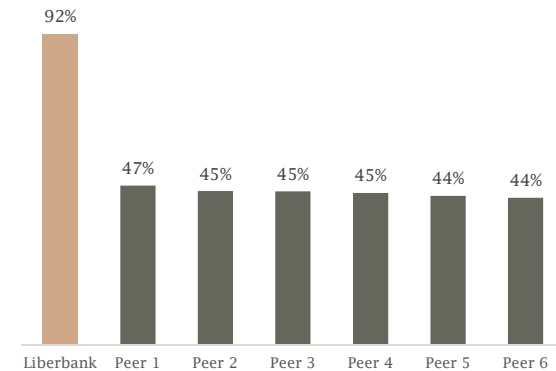
Density of RWAs on retail mortgages (Liberbank standard model vs IRB models). Jun16⁽⁴⁾



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



Density of RWAs on corporate loans (Liberbank standard model vs IRB models). Jun16⁽⁴⁾



- Liberbank CET1 fully loaded stands at 11.1% and total capital phased-in of 14.0%.
- 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.
 - Ability to generate capital through the sale of non core businesses or partnerships with specialized partners.
 - Minorities of BCLM could add c.21bp.

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

Agenda

1. Asset Quality

2. Solvency

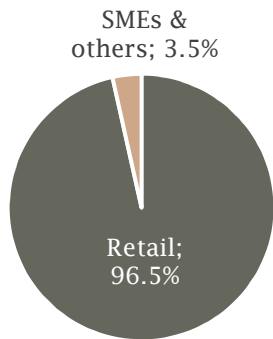
3. Liquidity

4. Investment opportunity

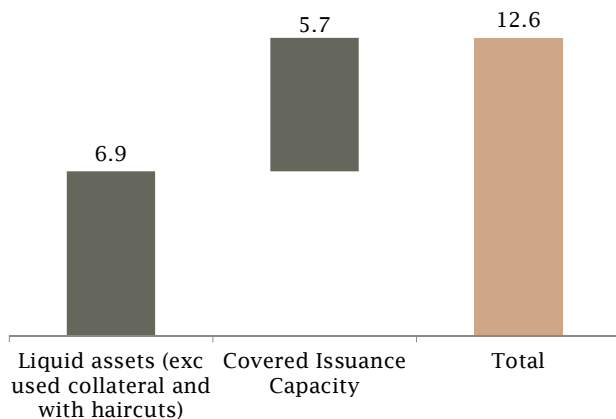
Strong and stable liquidity position

Liquidity

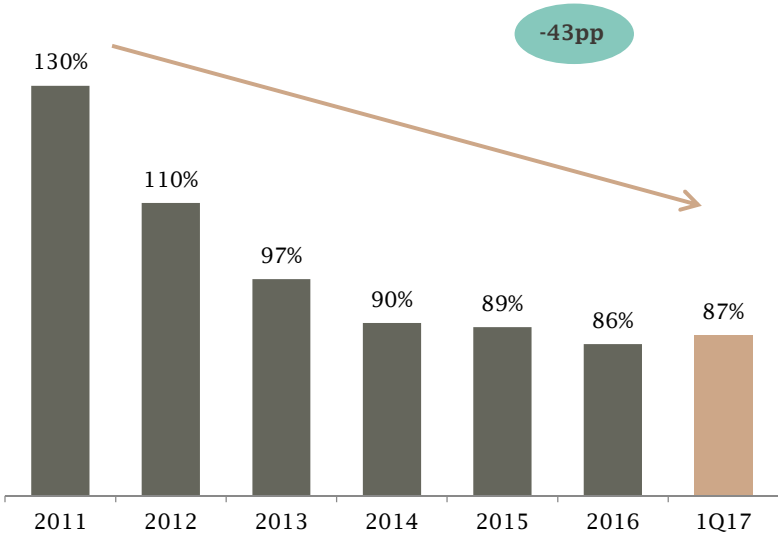
Deposit breakdown



Liquidity position. (€ bn)



LtD Liberbank



- 96.5% of the deposits are retail deposits, granular, low average balance and sticky deposit base.
- Liberbank maintains a strong liquidity position.
- LCR stands at 332% as of Mar17, well above requirements.

Agenda

1. Asset Quality

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Liberbank Today: a Strong Regional Bank

EUR 38bn-asset bank with leading footprint and proximity to c.1.8m clients

Retail-focused bank with EUR 23bn loans, of which 59% retail mortgages

Comfortable capital position: 12.0% CET1¹ ratio (phased-in) and 5.9% leverage ratio

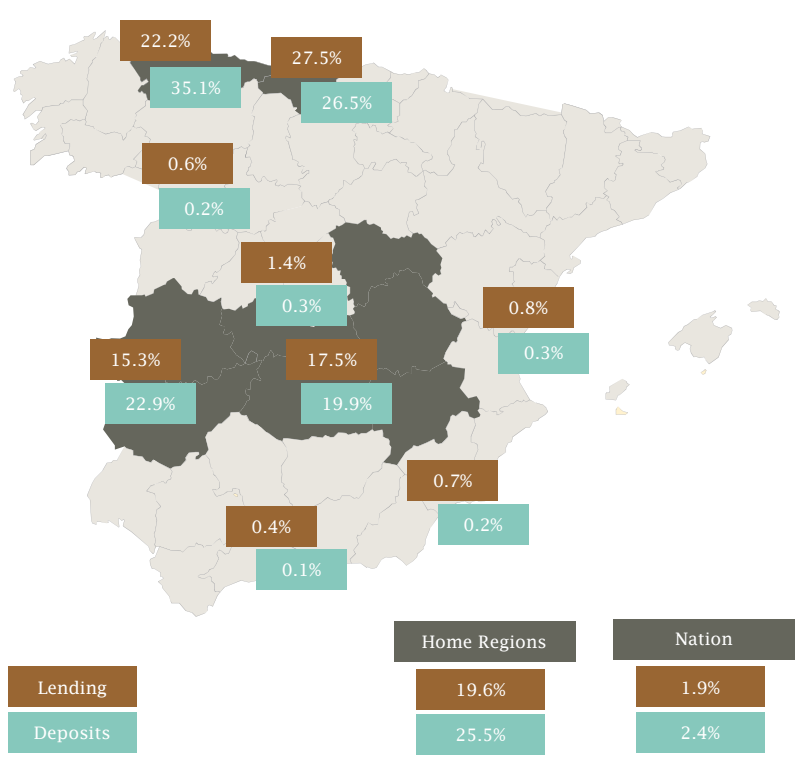
Strong liquidity position, with LCR >332% and LtD of 87%

EUR 29bn of customer resources, of which 83% are on balance sheet, mainly deposits

Diversified and stable shareholder base and corporate governance best-practice

1. Considering the part of the Group profits not distributed in 1Q17

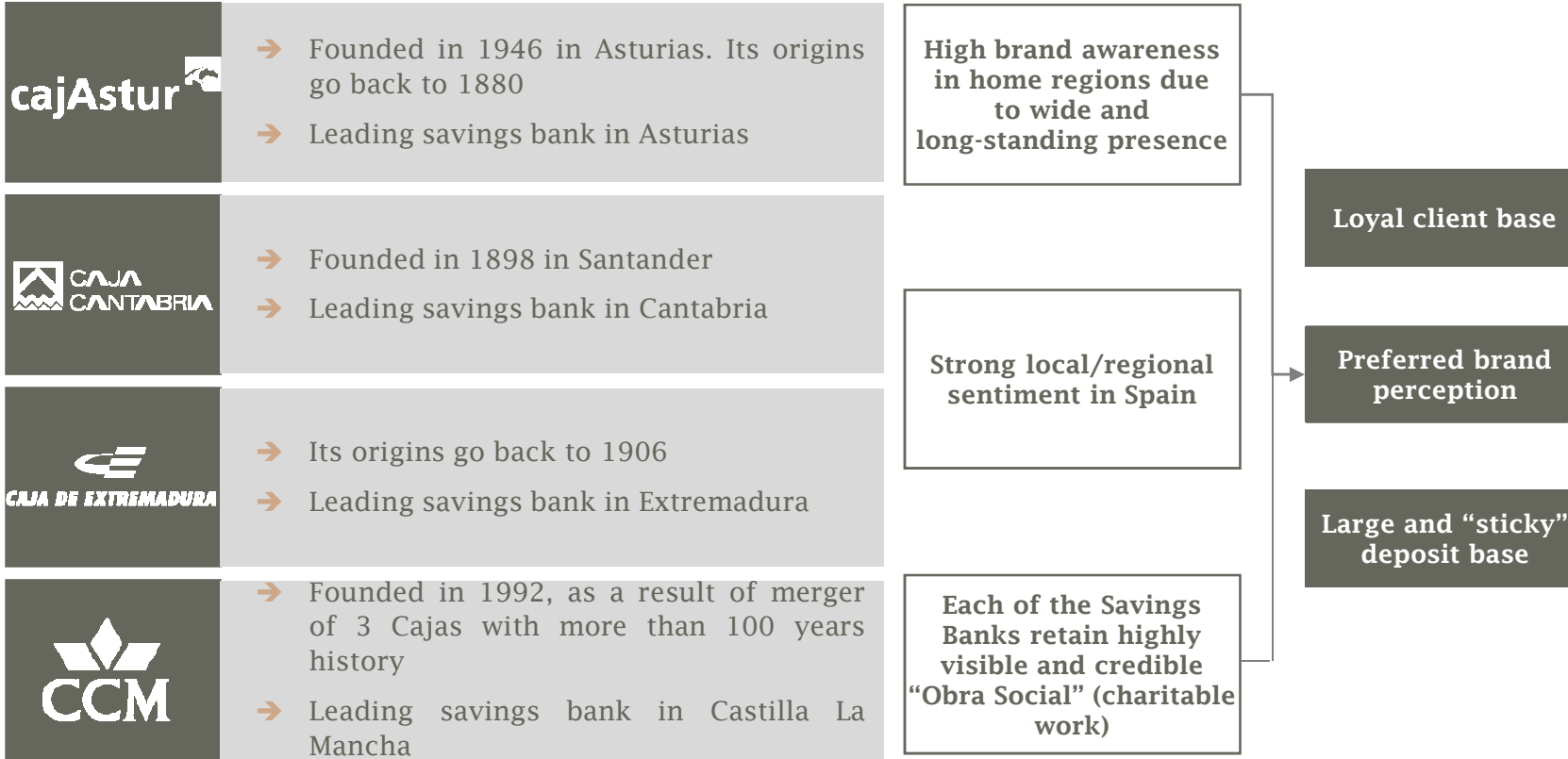
Market Shares (%)



Source: Bank of Spain, as at September 2016

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

Origins: Integration of 4 Savings Banks



1. Average market share in home regions of Asturias, Castilla La Mancha, Cantabria and Extremadura, based on Liberbank and Bank of Spain data

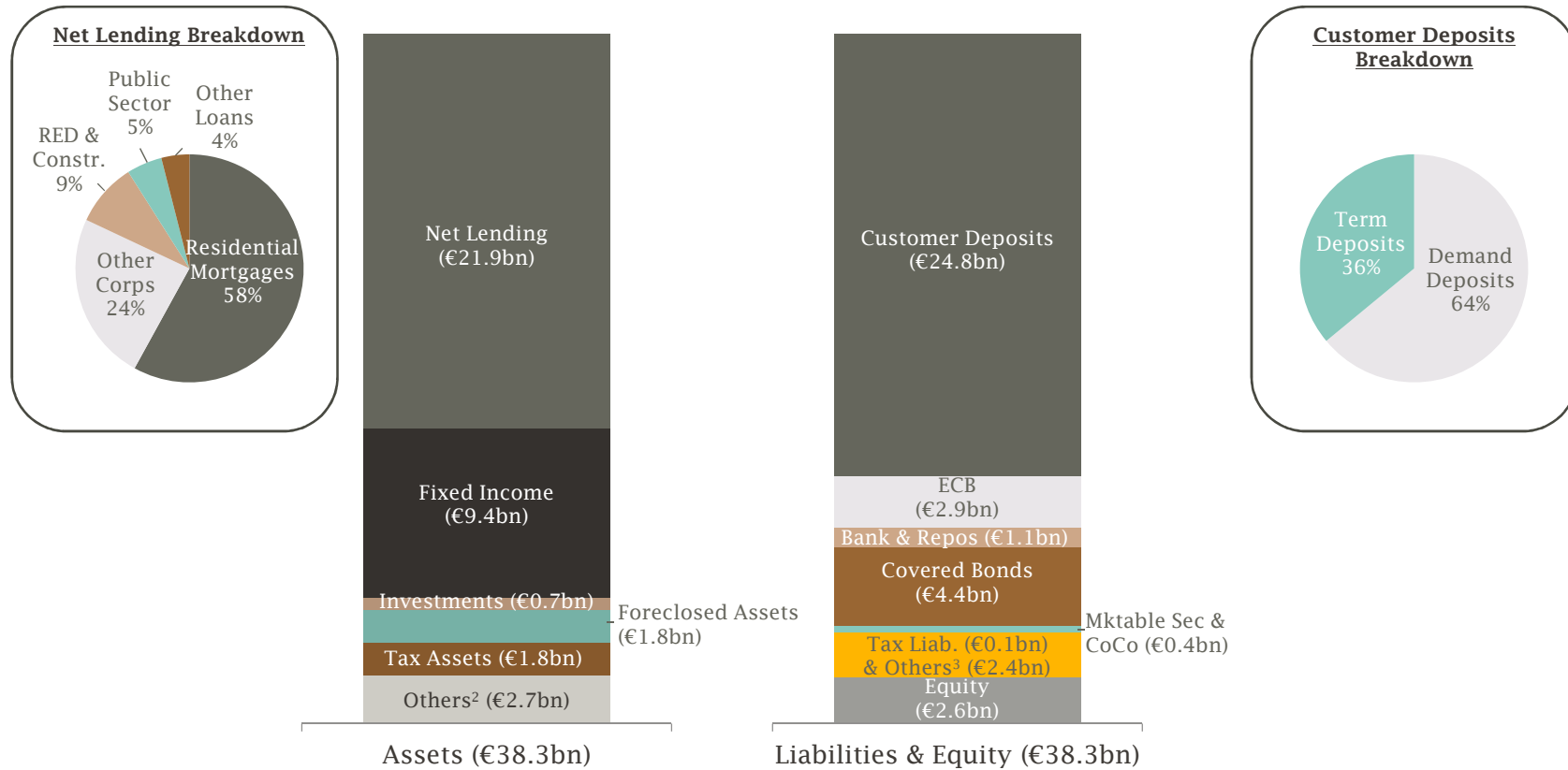
→ Merger of 4 savings banks, with more than 100 years of history.

→ Leading position in their home markets (No 1 in each with 25.5% combined market share in deposits¹).

Recent History

2009	→ Cajastur acquires Banco CLM (formerly CCM) including the first APS scheme in Spain
2011	→ Merger between Cajastur, Caja Extremadura and Caja Cantabria, one of the very few mergers without government support
2012	→ Restructuring and recapitalisation process carried out post-OW's stress test relying on marginal State Aid (EUR 124M in Cocos and asset transfer to SAREB)
2013	→ In May, successful listing on the Spanish Stock Exchanges
2014	→ Restructuring measures c.100% accomplished to date. Limitations on activity and balance sheet size remains
2014	→ Successful capital increase of EUR 575M (not considered in the Restructuring Plan) → Payback of State Aid (EUR 124M) before committed deadline
2015-16	→ Additional efficiency initiatives (further branches and employees reduction above Restructuring Plan requirements) → Commercial initiatives to increase volumes bear fruit, performing loan book (+1.5% in 2016 vs 2015) and customer funds (+1.7% in 2016 vs 2015)
2017	→ Successful Tier 2 issuance of EUR 300M

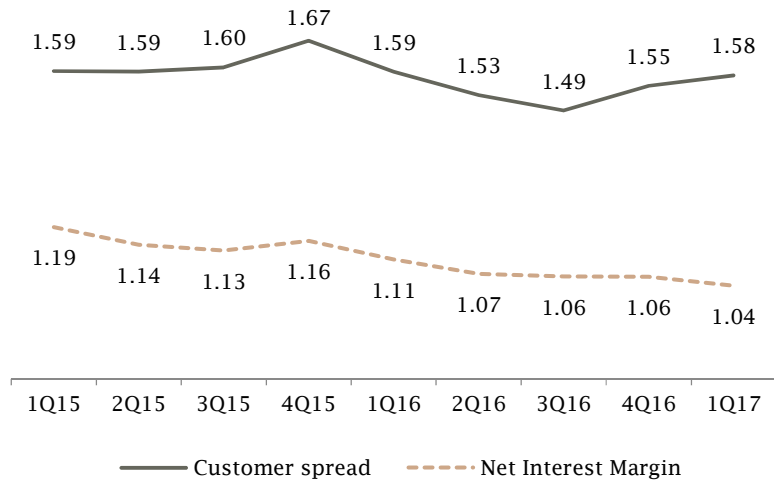
A Solid Balance Sheet¹



1. As of 31 December 2016
 2. Others include cash and interbank deposits, tangible and intangible assets and derivative hedging
 3. Others include provisions, accrued interests and micro-hedging
 4. Includes Fundación Caja Asturias, Fundación Caja Extremadura and Fundación Caja Cantabria
 5. Includes Flicka Forestal, Corporación Masaveu and Fundación Maria Cristina Masaveu
 6. Includes Inmosan SA
 7. Includes Oceanwood Capital Management and Oceanwood Opportunities Master Fund, including stake through derivatives

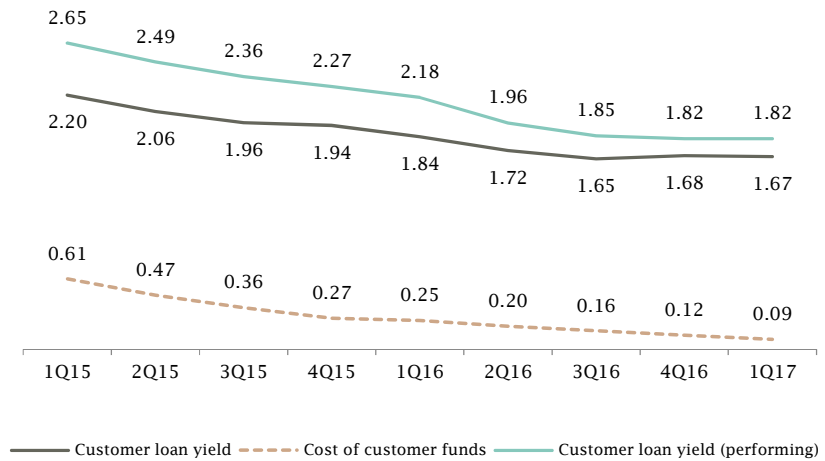
NII: Margins recovery

Margin Performance¹ (%)



(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 Funds² (%)



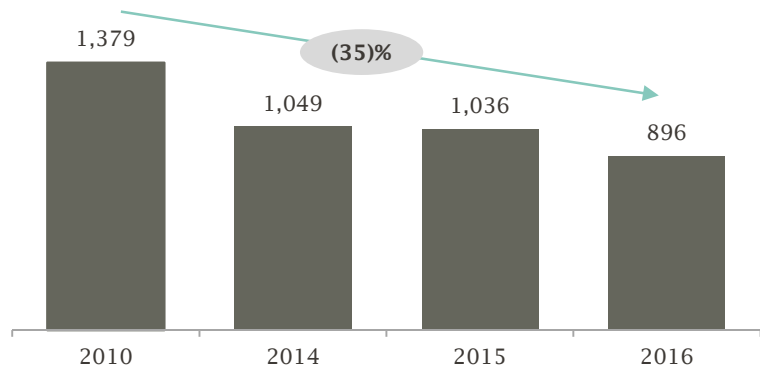
(1) 1Q15 loan yields exclude € 3m of extraordinary interest income

- Repricing of the loan book due to lower reference rates close to end.
- Further room to reduce the cost of term deposits.
- Ability to improve profitability in the Fixed Income portfolio.
- High sensitivity to interest rate recovery (a 100bps increase in rates generates a >16% NII growth in 24 months).

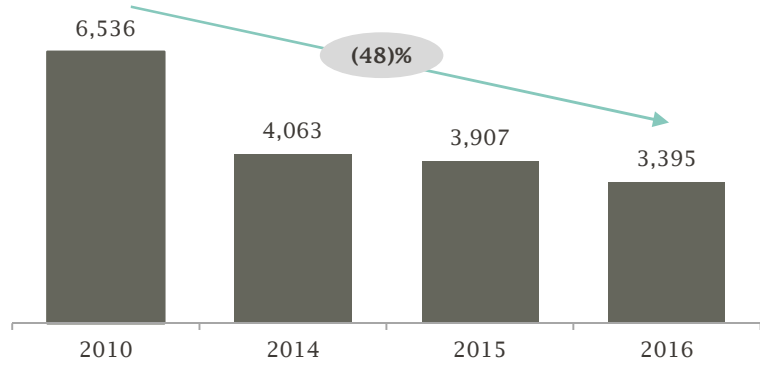
Delivering Cost Control Initiatives

Results

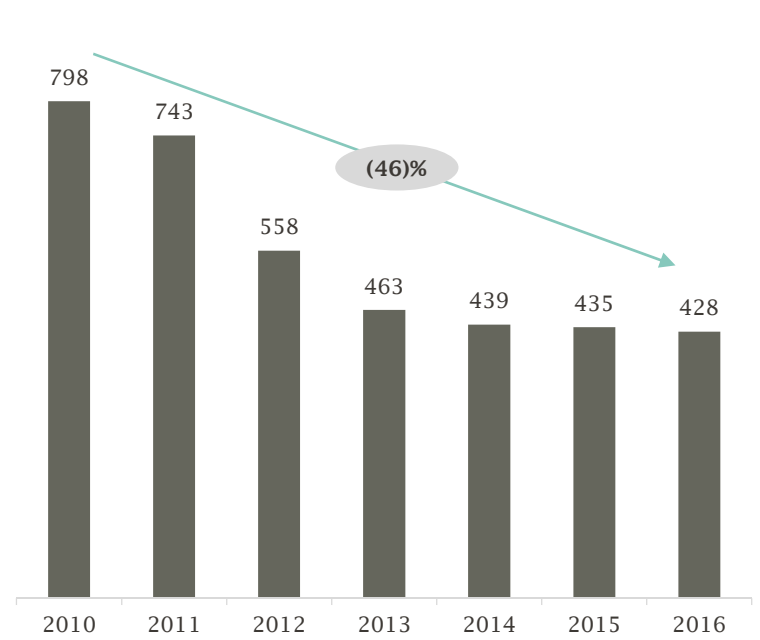
Number of Branches



Number of FTEs



Operating Costs Discipline (EUR m)

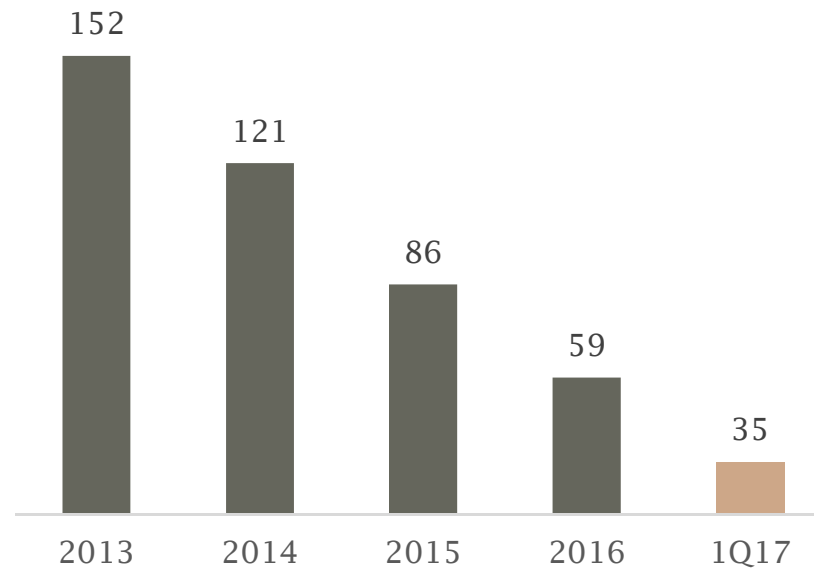


Source: Liberbank, pro-forma 2010

- Liberbank is continuously optimizing its branch network with limited impact on customer service and franchise.
- Liberbank continues to invest in strategic projects aimed to improve both efficiency and commercial capabilities: IT, Digital Banking, Contact Center, Back Office outsourcing, Branch Network reshaping, etc.

Cost of risk ⁽¹⁾

Results



(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.

Liberbank

Institutional Investors & Analysts Contact

desarrollo.corporativo.relación.inversores@liberbank.es

+ 34 91 422 58 37