

Liberbank

Reshaping Liberbank

Roadshow presentation

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Manuel Menéndez, CEO

Jesús Ruano, CFO

Juan Pablo López, Deputy CFO

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Index

1. Highlights

2. Strong track record of NPA reduction

3. Reinforcement of NPA coverage and acceleration of NPA reduction

4. Solvency

5. Liquidity and fixed income position

6. Financial targets

7. Appendix. 3Q results

Key terms of the offering

Size	→ €500m
Structure	→ Fully underwritten capital increase by way of a rights issue
Rationale	<ul style="list-style-type: none"> → Strengthen balance sheet, allowing reduction in risk profile and reinforcement of business plan and profitability targets → Raise NPA coverage level which will allow acceleration in the reduction of NPAs and to raise CET1 (fully loaded) ratio as of September 30, 2017 to 12.2%
Transaction terms	<ul style="list-style-type: none"> → Issue of 1,996 million new shares at €0.25, raising €499,022,726 with a 41:19 exchange ratio → Theoretical ex-rights price (TERP): €0.383 per share⁽¹⁾ and implied 34.7% discount to TERP⁽¹⁾
ABB	<ul style="list-style-type: none"> → Accelerated bookbuilding offering by the Banking Foundations, in order to at least tail-swallow → Accelerated Bookbuild Offering of €121m @ 0.67€ per share. Banking Foundations holding 24% post-ABB (43.7% pre-ABB)
Shareholders & management support	→ Pre-commitments from members of Liberbank Board of Directors ⁽²⁾ , Banking Foundations tail-swallow and other key shareholders without Board representation (~47%)
Syndicate	→ Syndicate is formed by Deutsche Bank and Citigroup as sole Global Coordinator and Co-Global Coordinator; Mediobanca as Joint Bookrunner; Société Générale and Jefferies as Co-Books; and Fidentiis and JB Capital Markets as Co-Leads.

(1) Based on placing price of the ABB of the Banking Foundations (€0.670 per share as of 25 October 2017) Oceanwood Capital Management LLP (7.7%), Aivilo Spain (7.4%), Corporacion Masaveu (5.0%) and Da Vinci (2.5%) have committed irrevocably to exercise all of their Preferential Subscription Rights. In addition, Oceanwood Capital Management LLP, who holds 46,257,239 shares through financial instruments, representative of 4.97% of our capital stock, has committed irrevocably to give instructions to increase the number of shares it owns through financial instruments

Calendar — summary expected key dates

Timetable—key dates

October 2017

M	T	W	T	F	S	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

November 2017

M	T	W	T	F	S	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

October 24th - 3Q Results presentation

October 25th - Pricing Cajas ABB
- Nota de Valores registered with CNMV

October 26th - Publication of RI on BORME

October 27th - ABB's settlement
- Beginning of the pre-emptive subscription period (1st Round)

October 30th - Record date

October 31th - Payment date (Rights are delivered to shareholders)

November 10th - End of the pre-emptive subscription period (1st round)

November 16th - Additional subscription period (2nd Round)
- Discretionary allotment period "Rump placement" (3rd Round), if applicable

November 17th - Disbursement of the Rights Issue

November 20th - Listing of the new shares

November 21st - Admission to trading of the new shares

Highlights

Balance sheet reshaping will allow to focus on growth and profitability

Strong capital position and sustainable cash dividend policy

- **CET1 FL pro-forma⁽²⁾ ratio of 12.2%** and CET1 phased-in pro-forma⁽²⁾ of 13.4%.
- Target to resume **cash dividend policy in 2018** (20% payout ratio) increasing thereafter to 40% in 2020.
- Liberbank plans to **distribute the excess capital above 12.0%** (CET1 FL) to improve profitability and support extraordinary remuneration to shareholders.
- **Migration to IRB models calendar well on track.** Liberbank estimates, subject to the ECB approval, the RWAs on the mortgage portfolio could fall by more than Eur 3.0bn.

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

- Liberbank has showed **best-in class track record reducing NPAs** (-39% since Dec15).
- **NPA ratio⁽¹⁾** stands at 19.7%. Target of c.18.0% by year end and < 12.5% in 2018.
- **Historical record sales of real estate assets during the year, € 1.04bn⁽¹⁾.**
 - Direct gross sales of € 442m in the 9M and
 - Liberbank has signed an agreement in October to transfer a € 602m portfolio of gross real estate assets, of which € 86m are investment properties.
 - Agreement with Haya real estate should support sales
- **Coverage ratio of NPAs (inc. portfolio transfer)⁽¹⁾ stands at 49%** as of Sep17.
- **Texas ratio pro-forma⁽²⁾ stands at 94%**, below our 98% target for year end.--

(1) Including the transfer of € 602m RE assets portfolio. Subject to closing, expected before year end.
(2) Including € 500m rights issue and transfer of RE assets portfolio (€ 602m).

Highlights

Commercial activity already delivering

- **Mortgages** performing loan book already growing (+0.2% YoY).
- **Consumer book and corporate book** (excl. RED & construction) maintain a strong growth (+10.5% and +5.5% YoY respectively).
- **Mutual funds continue to grow (+19.7% YoY)** and expect to accelerate further after reaching an agreement with JP Morgan in July.

Attractive profitability

- **NII.** Headwinds from lower euribor and mortgage floor renegotiation already absorbed while Liberbank is well-positioned to take advantage of the interest rate recovery and growth in lending.
- Ability to continue improving **fee income** revenues from insurance products and off-balance sheet products (supported by recent partnership with JP Morgan).
- Cost reduction plans continue well on track. **Target to reduce operating costs below € 400m.**
- Recurrent loan impairments to remain **below 25bps.**
- **Sustainable ROE with materially de-risked profile.** ROE target of c. 7.0% by 2019 and c. 8.0% by 2020.

Strong liquidity

- Liberbank maintains a **strong liquidity position**, LCR ratio stands at c.346% and LtD at 92% as of sep-17.
- 96.5% of the deposits are retail, granular, sticky and with low average balance.

Index

1. Highlights

2. Strong track record of NPA reduction

3. Reinforcement of NPA coverage and acceleration of NPA reduction

4. Solvency

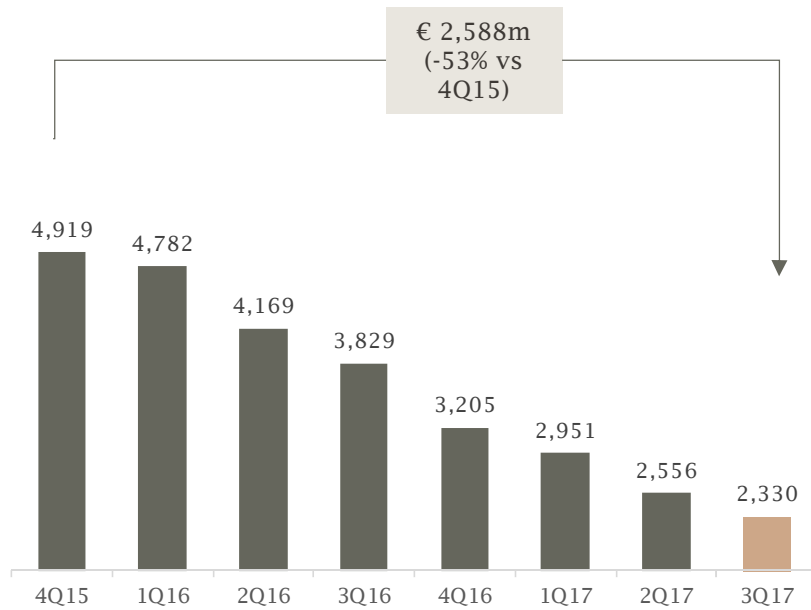
5. Liquidity and fixed income position

6. Financial targets

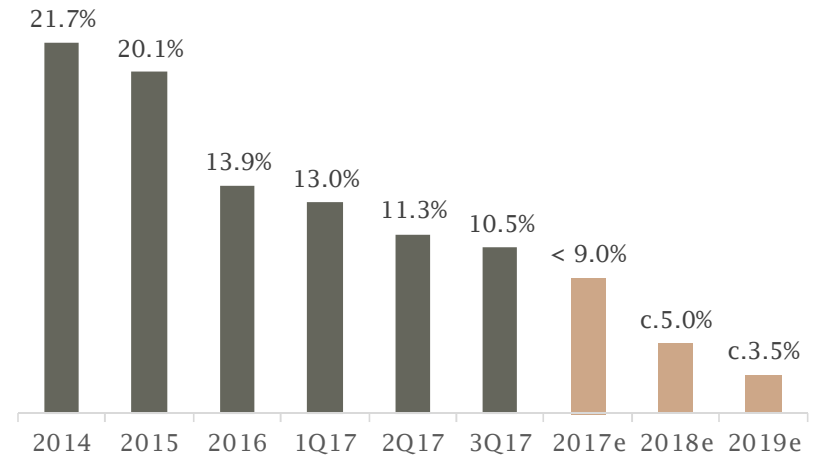
7. Appendix. 3Q results

NPL trend

NPL evolution. Eur m



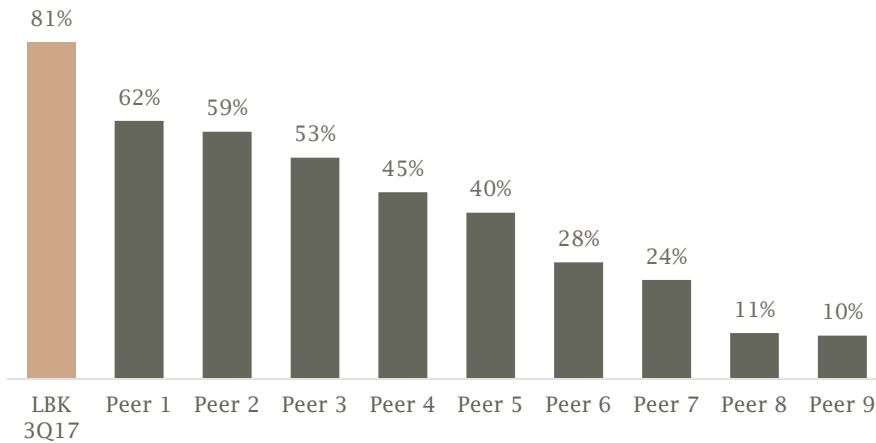
NPL ratio evolution



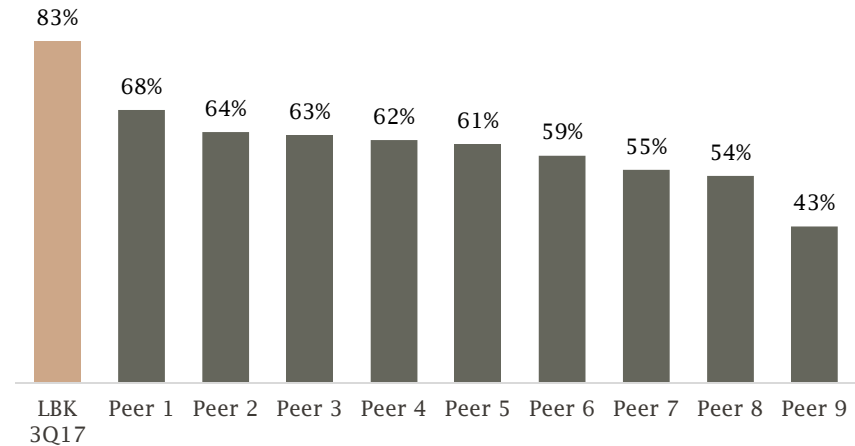
- Further decline of NPLs, € 225m in the quarter and € 2,588m since Dec15 (-53%).
- The NPL ratio keeps falling, 75bp QoQ and 571bp YoY.
- The target is to continue reducing NPLs and reach an NPL ratio of c.5.0% in 2018.

NPL recognition

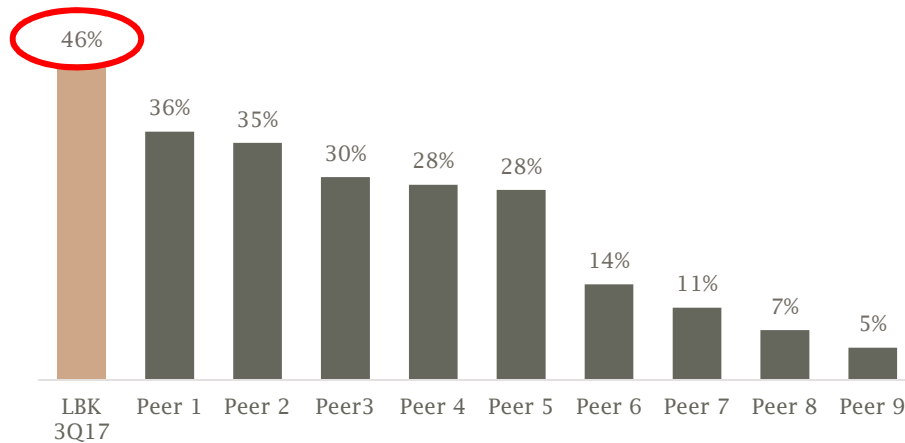
RE Developers loans. NPL ratio⁽¹⁾



Refinanced loans. NPL ratio⁽¹⁾



RE Developers coverage over total exposure⁽²⁾

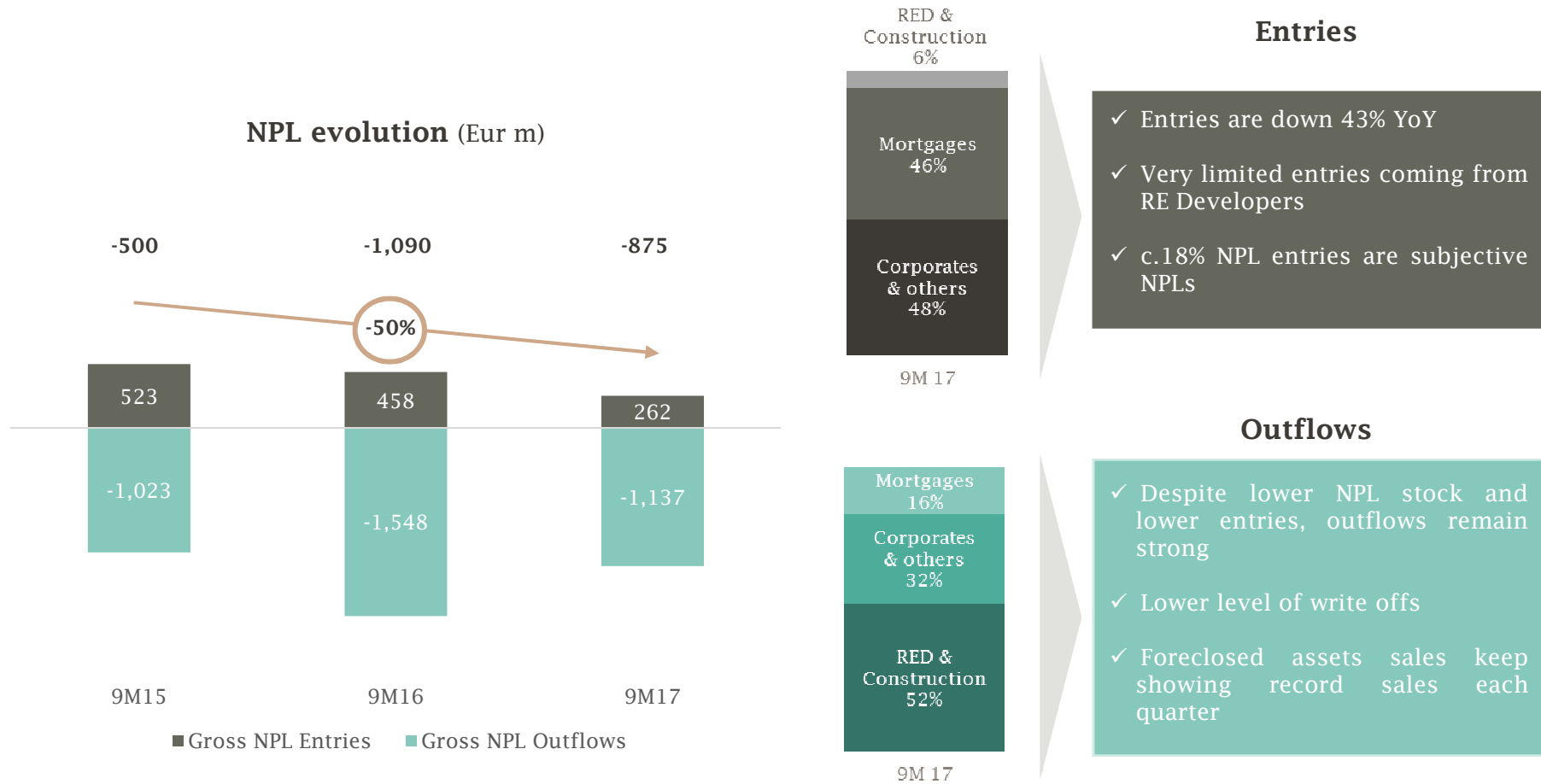


→ Liberbank's coverage over total exposure to real estate developers is the highest among peers thanks to the strong recognition of NPLs and the reinforcement of coverage.

→ Liberbank has recognized 81% of the loans to RE Developers and 83% of the refinanced loans as non-performing, reflecting a prudent approach.

(1) Source: jun17 financial report of Bankia, Caixabank, Sabadell, BKT, Unicaja, Kutxa, Ibercaja, Abanca and BBVA Spain when possible
 (2) Coverage over total real estate developer exposure, it includes performing, watch-list and NPLs. Source: June 2017 fin.report

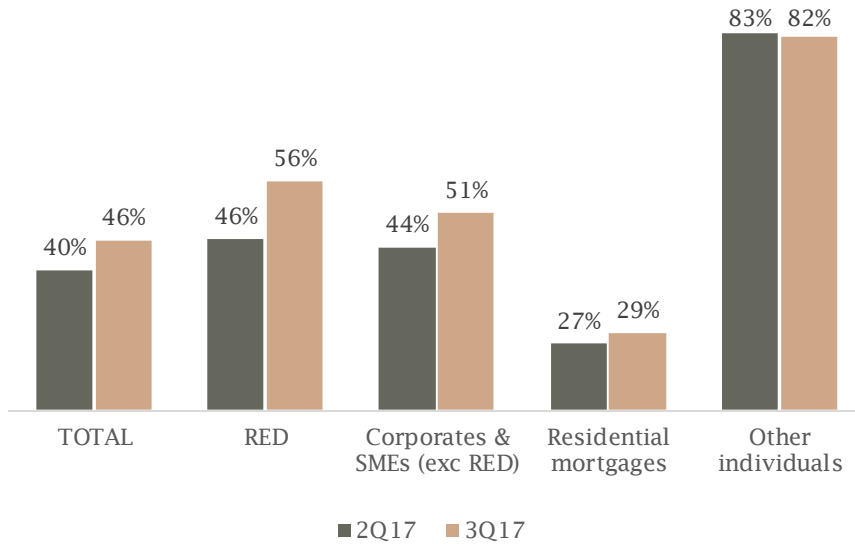
NPL decrease



- NPLs keep falling thanks to our discipline in risk management, which results in a systematic early recognition of troubled loans.
- NPL exits remain high on the back of new initiatives to recover faster and with lower cost (friendly repossession, rentals, early recoveries...).

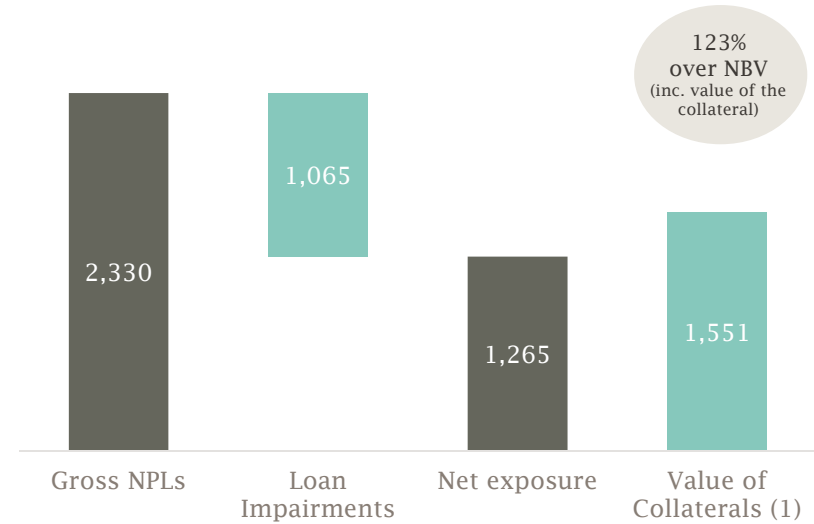
Coverage

Coverage over NPLs by segment

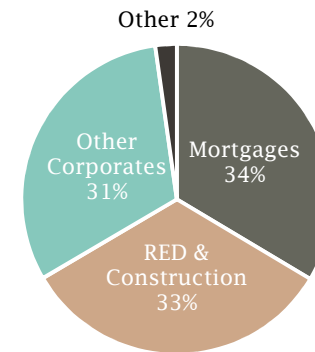


Coverage of NPLs including collateral.

Eur m



NPLs Mix Sep17



→ Coverage over NPLs improves from 40% to 46% after 3Q provisioning. Including the value of collaterals⁽¹⁾ it increases to 123%.

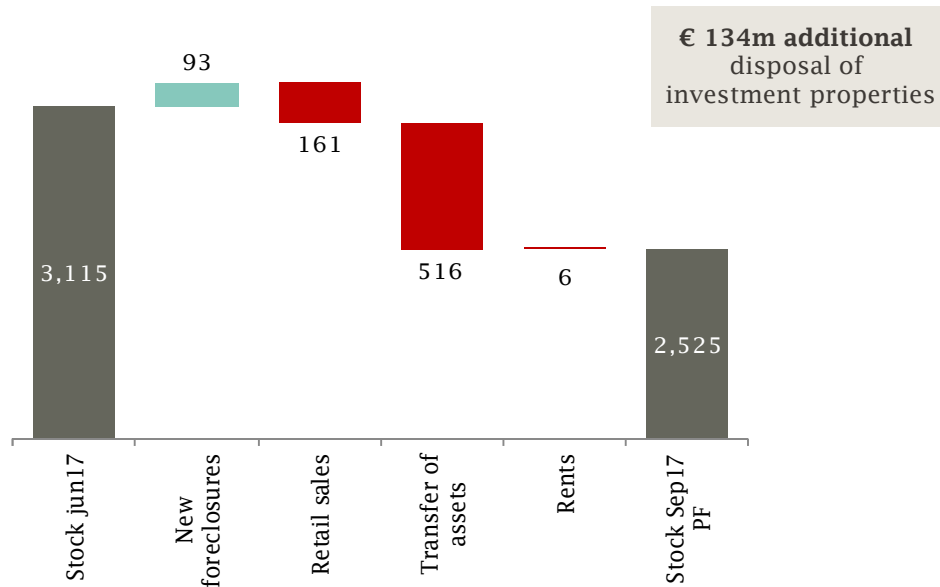
→ Strong collateralization and high weight of residential mortgages should translate into lower coverage requirements.

→ C.90% of the NPLs have a real collateral. Higher collateral value on the corporate loan book than peers.

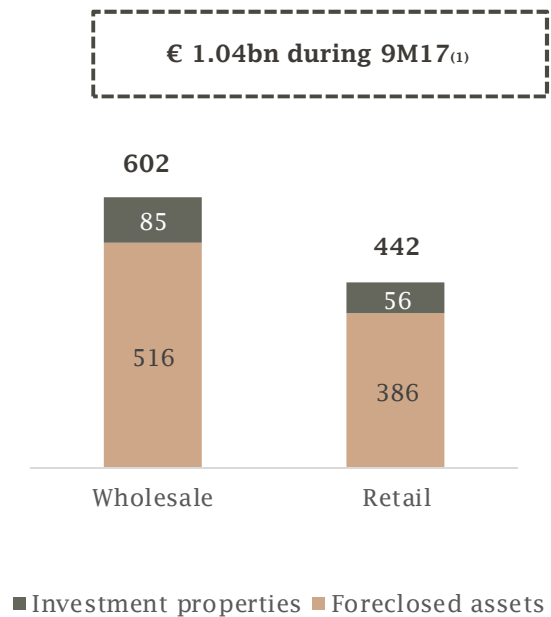
(1) Maximum amount of the collateral or guarantee that can be considered, not considering excess value of collaterals

Foreclosed assets

Foreclosed assets evolution⁽¹⁾. QoQ
(gross book value). Eur m



Gross Real Estate assets reduction. 9M17
Eur m



→ The 3Q is another quarter with historical record sales:

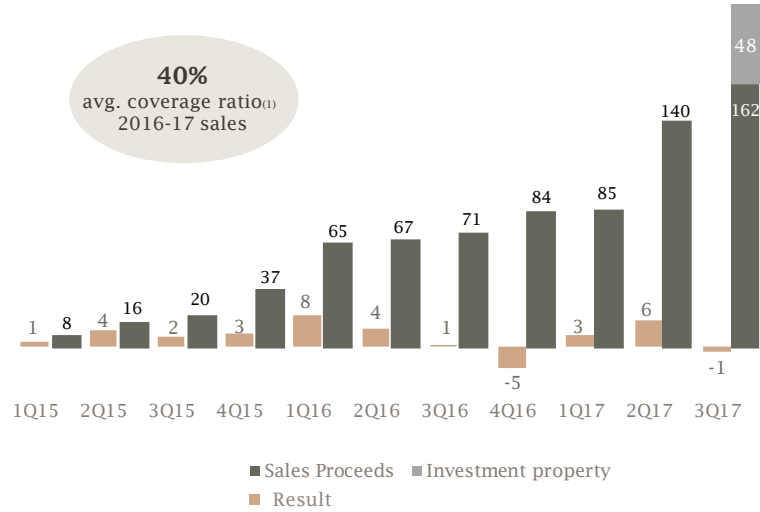
- **Direct/retail channel.** Liberbank sold € 209m gross value of which € 161m are foreclosed assets and € 48m investment properties.
- **Wholesale channel.** Liberbank has signed a binding agreement in October to set up a company with Bain Capital Credit and Oceanwood. Liberbank will transfer € 602m portfolio of gross RE assets to that company, of which € 85m are investment properties.

→ Total real estate assets reduction during the 9M17 amount to € 1.04bn⁽¹⁾.

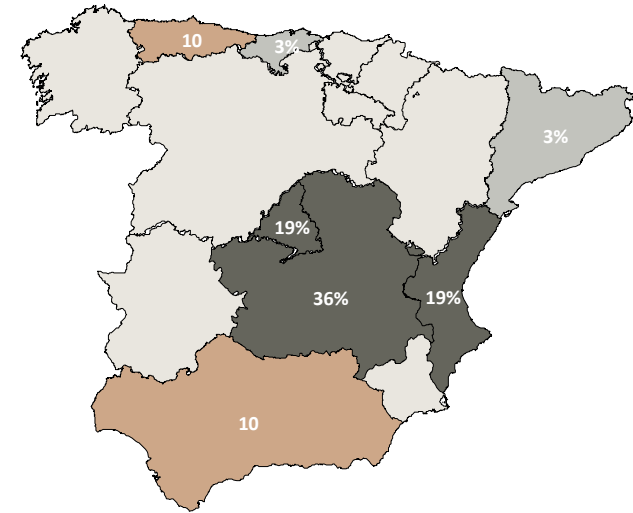
⁽¹⁾ Including the transfer of € 602m RE assets portfolio signed in October 2017. Subject to closing, expected before year end.

Retail sales

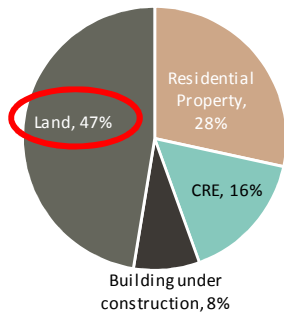
Latest gross sales. Eur m



Sales by region (Eur). 3Q17⁽¹⁾



Sales mix. 3Q17⁽¹⁾



1,059 Units sold



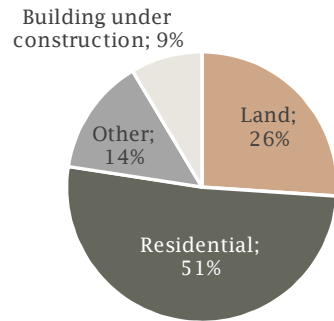
€153,000 / unit

- Another quarter with historical record sales (c.3x YoY): € 209m gross of which € 161m are foreclosed assets and € 48m investment properties.
- Good mix of sales, land accounts for c.47% of total sales (exc. Investment properties).
- Sales were still achieved by Liberbank's team as the integration with RE servicer is in progress

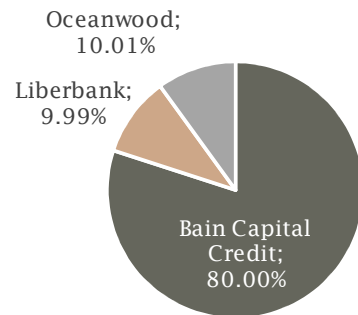
⁽¹⁾ Gross debt excluding investment properties

Wholesale transaction⁽¹⁾

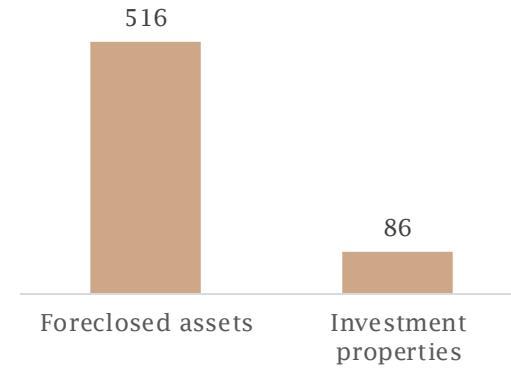
Assets transferred mix⁽²⁾



New Company Shareholders



Assets transferred (Eur)



5,916 Units transferred

- Liberbank has signed a binding agreement, following a competitive process, to set up a company with Bain Capital Credit and Oceanwood to manage, develop and dispose of a portfolio of real estate foreclosed assets of Liberbank, in which Liberbank will hold a 9.99% stake. Bain Capital Credit will hold 80.00% of the capital and Oceanwood will hold the remaining 10.01%.
- Impact already reflected in the 3Q results. Liberbank expects to close the agreement before year end.
- Strategic divestment of a c.20% of REOs Gross Book Value.

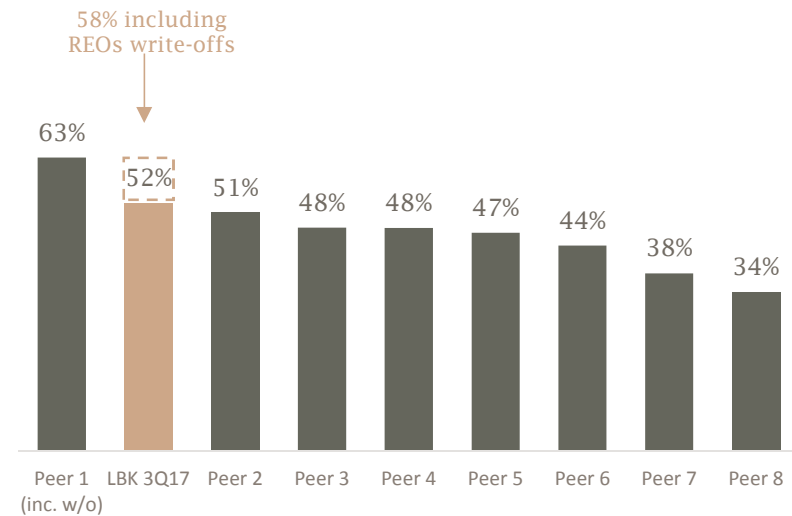
(1) Subject to closing, expected before year end.
 (2) Excluding investment properties

Foreclosed assets

Foreclosed assets breakdown
(post-portfolio transfer) ⁽¹⁾

Eur m	Gross value	NBV	NBV mix	Coverage	Coverage (inc write-offs) ⁽²⁾
Residential	801	414	34%	48%	51%
Commercial Real Estate (CRE)	320	176	14%	43%	48%
Buildings under construction	434	200	16%	52%	56%
Land	973	429	35%	58%	67%
TOTAL	2,525	1,219	100%	52%	58%

Coverage of foreclosures ⁽³⁾

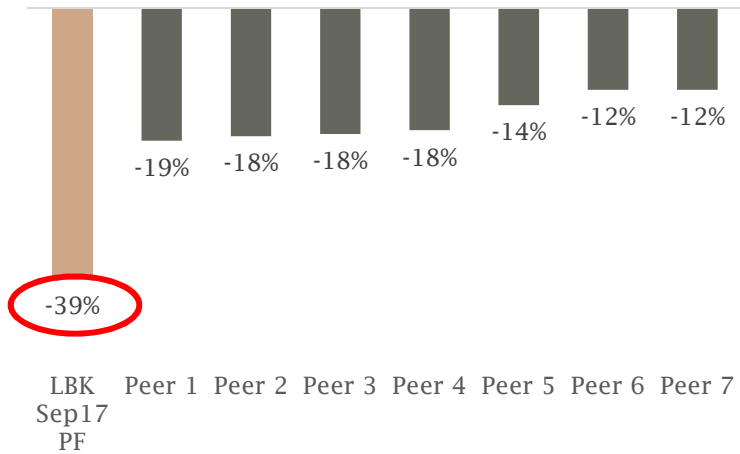


- After the transfer of the real estate assets, the remaining portfolio (exc investment properties) amounts to € 1.2bn of NBV with a coverage ratio of 52%. Writeoffs would increase coverage by c.6.5pp.
- Liberbank coverage stands above peers with more updated appraisals.

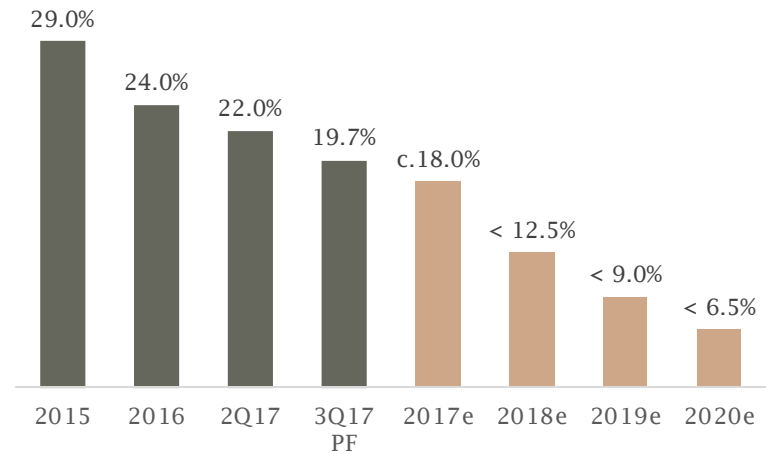
(1) Including the transfer of € 602m RE assets portfolio signed in October 2017. Subject to closing, expected before year end.
 (2) It only includes write-offs from the APS portfolio (c.80% of the total foreclosures). Allocation is the best estimate of the company.
 (3) Peers are Spanish domestic banks with available information to compare on a Like for Like basis. As of Jun17.

NPA evolution

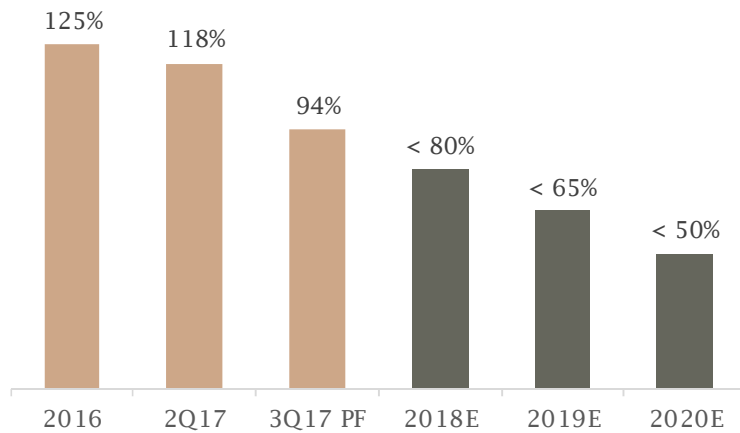
NPAs reduction (gross). 2Q17 vs 2015



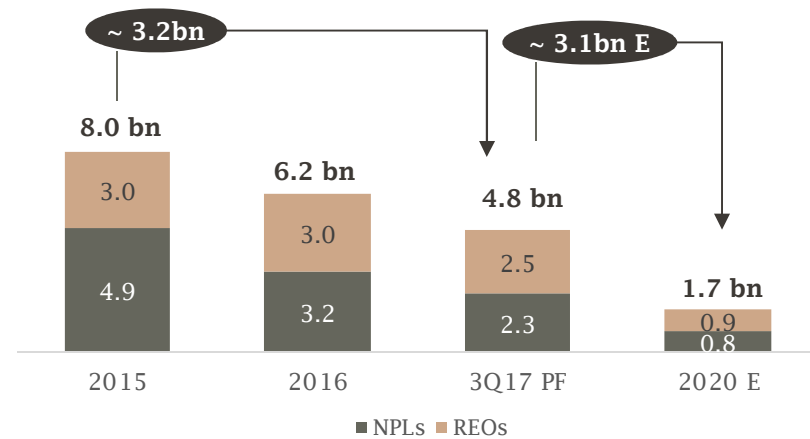
NPA ratio evolution (1)



Texas ratio evolution (2)



Gross NPAs evolution (€ bn)



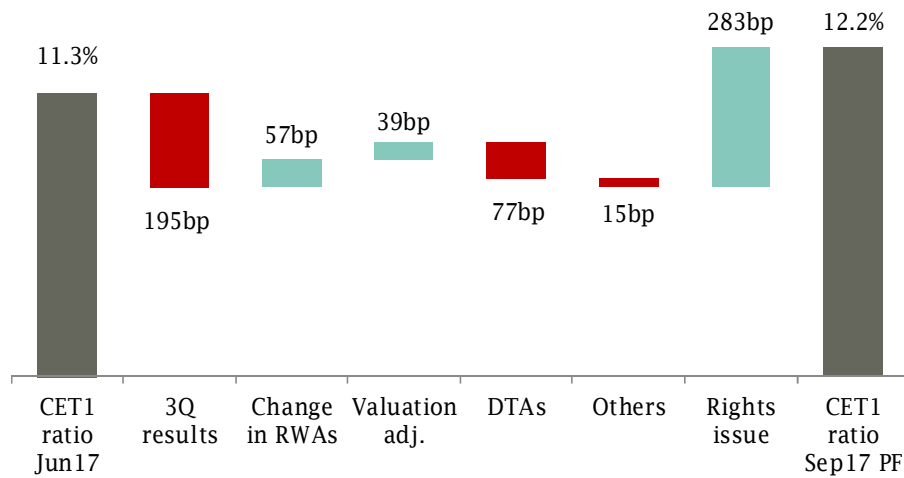
Note: PF = Pro Forma includes rights issue (€ 500m) and transfer of RE assets (€ 602m) signed in October 2017. Subject to closing, expected before year end.
 (1) NPA ratio calculated as NPLs & foreclosed assets over gross loans and foreclosed assets
 (2) Texas ratio calculated as gross NPLs & foreclosed assets over equity (excl. minority interests) and provisions related to NPLs & foreclosed assets
 Note: Peers include Spanish domestic banks with available information as of Jun17. BKT includes Portugal. Source: Half year report

Index

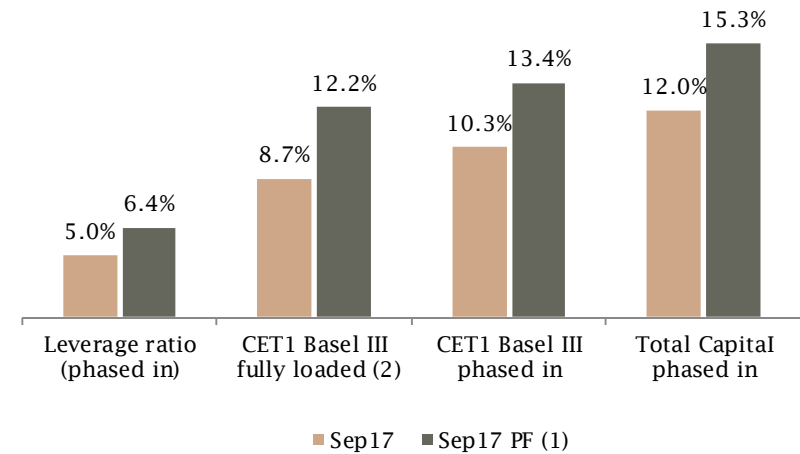
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1. Highlights
 2. Strong track record of NPA reduction
 3. Reinforcement of NPA coverage and acceleration of NPA reduction
 4. Solvency
 5. Liquidity and fixed income position
 6. Financial targets
 7. Appendix. 3Q results

Solvency position

CET1 fully-loaded performance
(inc. rights issue and sale of RE assets portfolio)⁽¹⁾



Capital ratios. Sep17⁽¹⁾



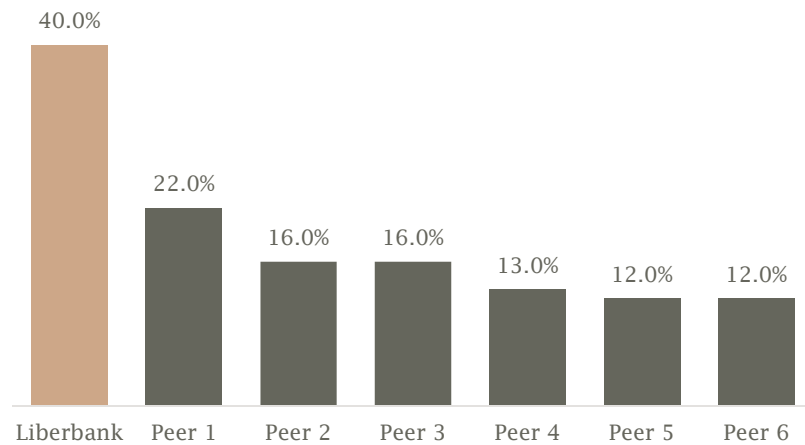
→ CET1 ratio (FL) improved from 11.3% in Jun17 to 12.2% pro-forma⁽¹⁾ in Sep17. Rights issue will more than offset the impact from the reinforcement of coverage in the 3Q.

→ CET1 phased-in pro-forma⁽¹⁾ ratio increase from 12.4% in Jun17 to 13.4% in Sep17.

(1) Capital ratios include the € 500m rights issue and sale of the RE assets (€ 602m) signed in October 2017. Subject to closing, expected before year end.
(2) CET1 FL includes unrealised capital gains of the AFS Sovereign portfolio and the AT1 not absorbing deductions

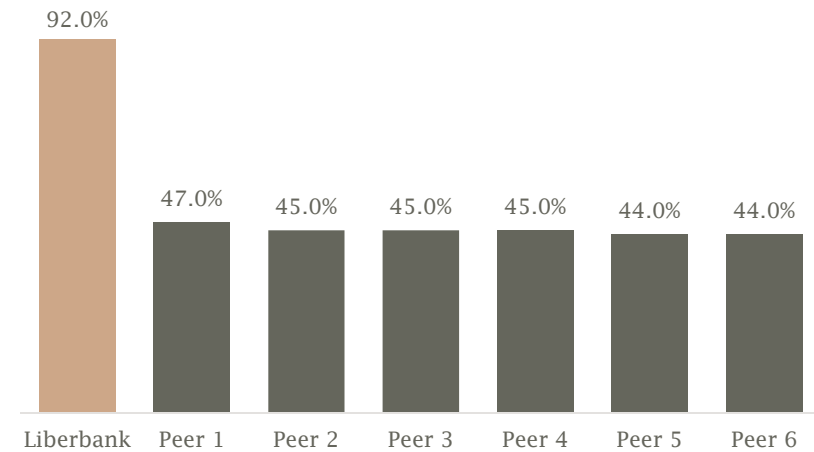
Solvency position

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)

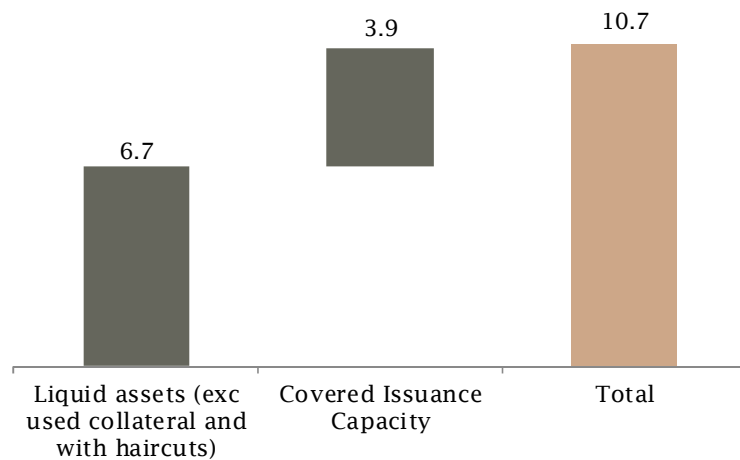
- Besides organic capital generation Liberbank holds different levers to continue improving its capital position in the future.
- The most important lever is the migration to IRB models. Calendar continues well on track. Liberbank estimates that, subject to the ECB approval, RWAs could fall by more than € 3.0bn only in the mortgage book.

Index

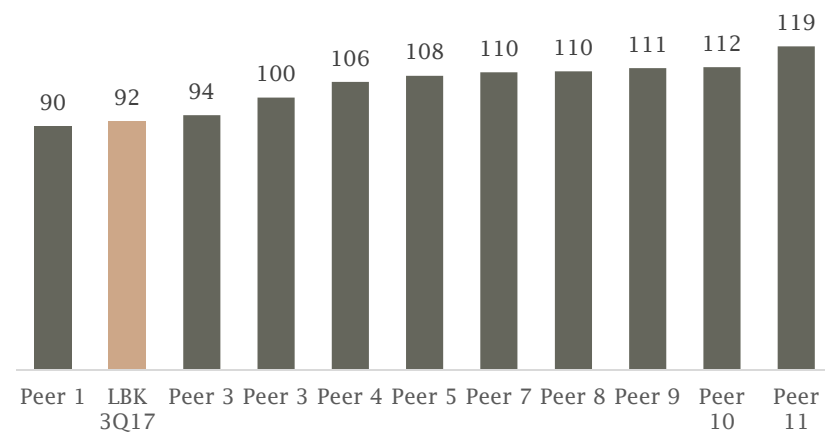
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1. Highlights
 2. Strong track record of NPA reduction
 3. Reinforcement of NPA coverage and acceleration of NPA reduction
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 5. Liquidity and fixed income position
 6. Financial targets
 7. Appendix. 3Q results

Liquidity position

Liquidity position. (€ bn)



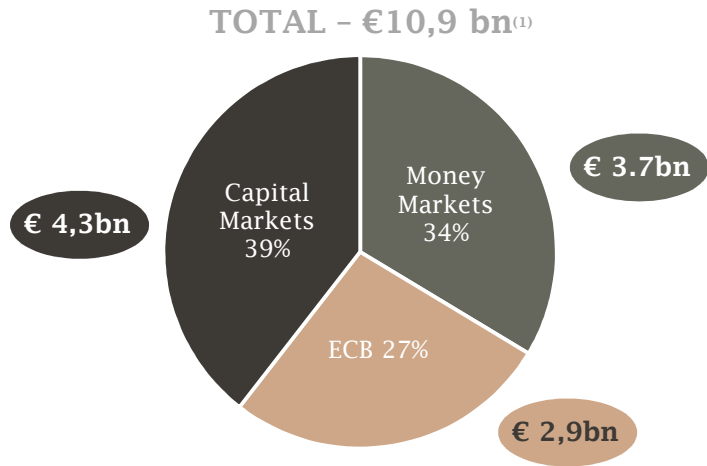
LtD. Jun17



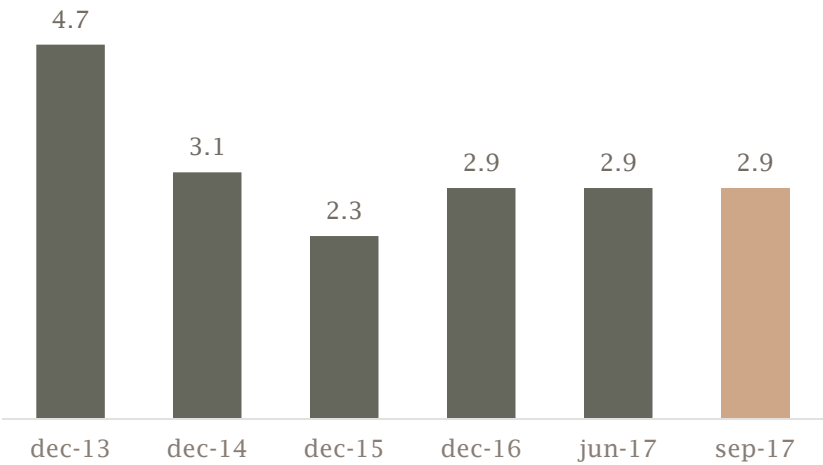
- Liberbank maintains a leading liquidity position in the market showing best in class liquidity ratios (LCR, NSFR and LTD)
- LCR stands at 346% as of 3Q17, well above requirements.

Wholesale funding

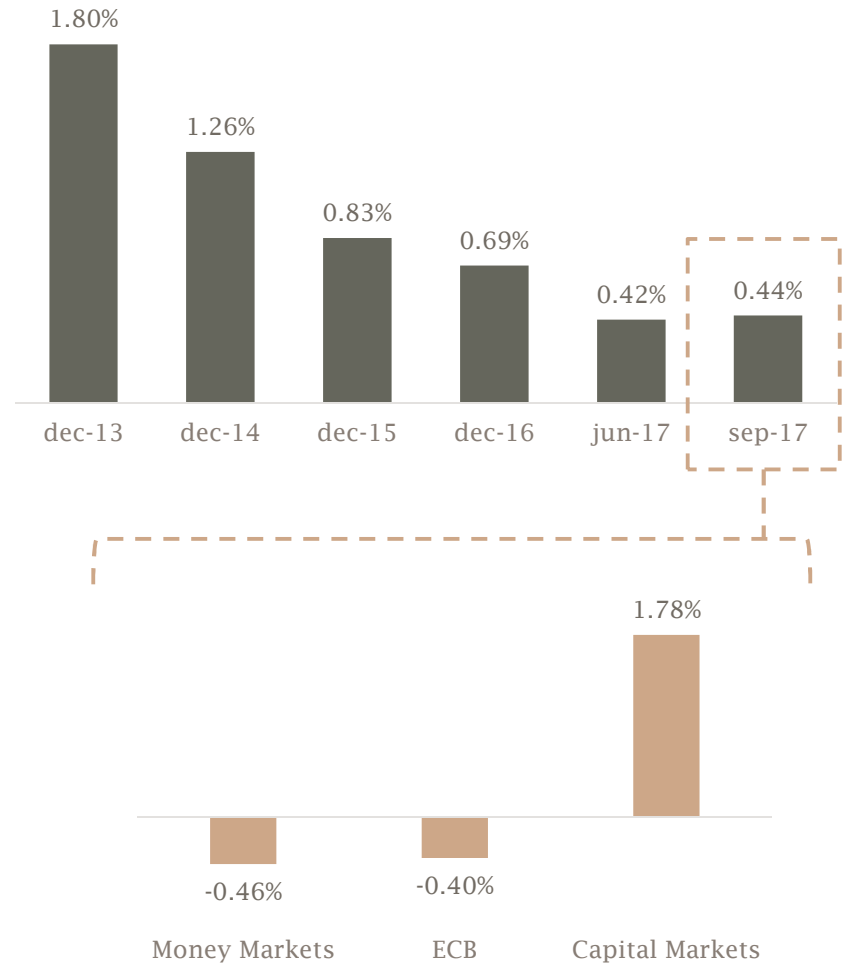
Wholesale Funding Breakdown



ECB funding position (€ bn)



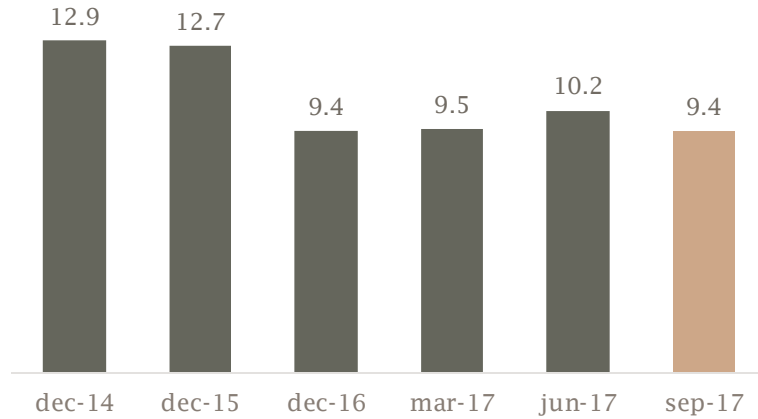
Wholesale Funding Price Evolution (%)⁽²⁾



1. Excluding retained Covered Bonds. Not including AT1 CoCos and T2
 2. Price at the end of the period
 Source: Liberbank Treasury (inventarios)

Fixed Income portfolio

Fixed Income Portfolio evolution

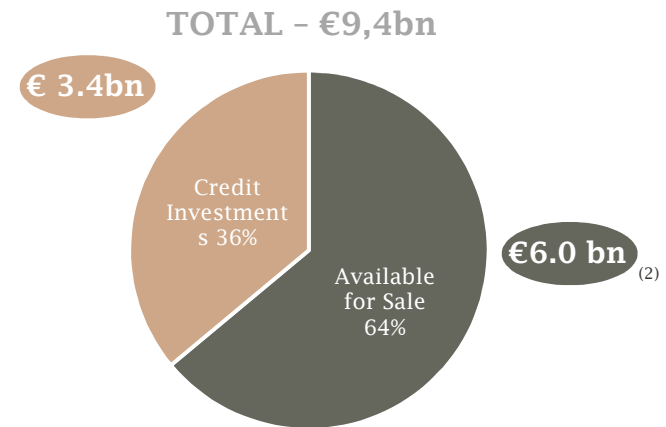


Fixed Income Portfolio⁽³⁾

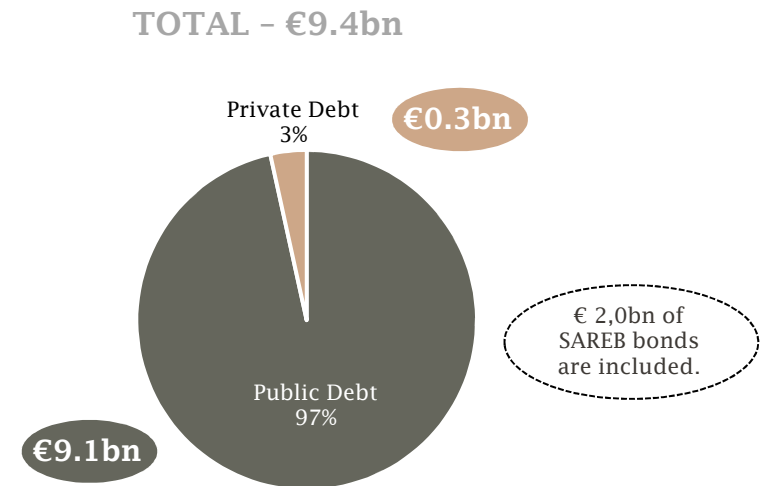
Breakdown	Yield	Duration	Unrealised gains
Available for Sale	1.10%	1.09	61
Credit Investments	0.94%	5.35	-5
TOTAL	1.04%	2.63	56

1. Accounting values. Including retained Covered Bonds. Including accrued coupon
 2. Including unrealised capital gains as of 30th of September 2017
 3. Weighted average duration in years.

Fixed Income Portfolio breakdown⁽¹⁾



Fixed Income Portfolio by Issuer⁽¹⁾



Index

1. Highlights
2. Strong track record of NPA reduction
3. Reinforcement of NPA coverage and acceleration of NPA reduction
4. Solvency
5. Liquidity and fixed income position
6. Financial targets
7. Appendix. 3Q results

Financial targets

	2019E	2020E
Customer spread	1.9%	2.1%
Recurrent fee income (CAGR from 2016)	3.0%	3.0%
Cost to income ratio (incl. Amortizations)	c. 55%	< 55%
Cost of risk (bps)	< 25bps	< 25bps
RoE	c. 7.0%	c. 8.0%

Financial targets

Net interest income	<ul style="list-style-type: none">→ Retail business:<ul style="list-style-type: none">▪ We expect to accelerate current growth of consumer and Corporates&SMEs lending stock (+10.5% and +5.5% YoY as of Sep17).▪ Higher new production yield. Current customer spread of the new production stands at 2.3%.→ ALCO portfolio: room to improve profitability, current yield is 1.04%, well below peers.
Fees and other income	<ul style="list-style-type: none">→ Fees. Growth based on off-balance sheet products among others, supported by recent agreement reached with JP Morgan.→ Other income. Higher contribution from insurance business through JVs and fees.→ Costs of foreclosed assets should come down as stock falls.
Operating costs	<ul style="list-style-type: none">→ Operating costs will continue to reduce with no impact on business.→ Early retirement of 317 employees in December 2017 (€ 17m expected savings and provision of 52 million already booked).→ Target to reduce operating costs (inc. amortizations) below € 400m.
Cost of risk	<ul style="list-style-type: none">→ Normalised CoR after heavy provisioning post strategic transactions already in 2018 (< 25 bps).
ROE	<ul style="list-style-type: none">→ ROE target of c.7.0% by 2019 and c.8.0% in 2020.
Dividend payout	<ul style="list-style-type: none">→ Target to resume cash dividend policy in 2018 (20% payout) increasing the payout ratio thereafter to 40% in 2020.→ Liberbank plans to allocate excess capital (CET1 FL above 12.0%) to improve profitability through cost reduction and support extraordinary remuneration to shareholders.

An attractive investment opportunity

→ Rights issue already underwritten and with the support of the main shareholders to:

- Accelerate NPAs reduction and
- Improve profitability and shareholder returns

→ Active de-risking of balance sheet resulting in:

- Conservative NPL recognition
- Comfortable NPA coverage ratio pro-forma⁽¹⁾ stands at 49%
- Strong track record of NPA reduction and historical record sales during the 3Q

→ Capital position keeps improving. CET1 (FL) pro-forma⁽¹⁾ stands at 12.2%. Room to improve further with the migration to IRB models.

→ Commercial activity remains strong: consumer (+10.5% YoY), corporates (exc RED&construction) (+5.5% YoY), mortgages (+0.2% YoY).

→ We expect revenues to start to recover, while costs can reduce further and cost of risk reduces below 25bp.

→ Attractive ROE in a pure retail business model based on low risk simple products and leadership position in core markets.

(1) Including € 500m rights issue and transfer of RE assets portfolio (€ 602m) and the transfer of € 602m RE assets portfolio. Subject to closing, expected before year end.

Index

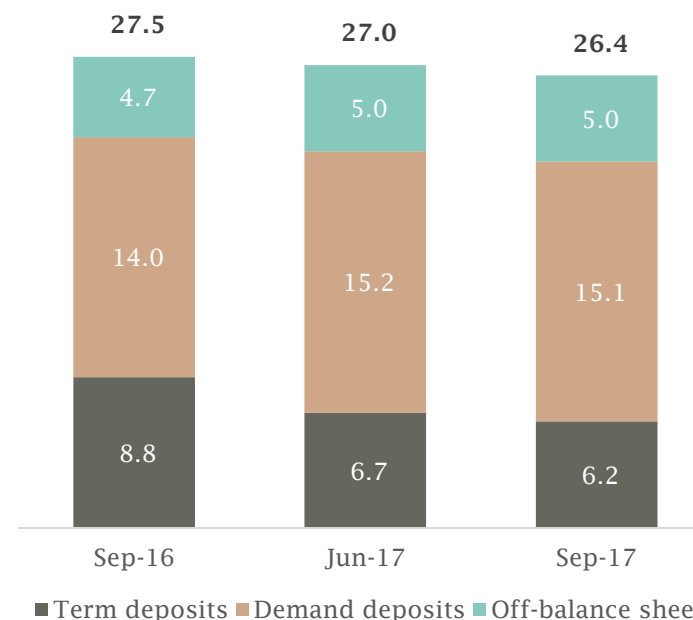
-
1. Highlights
 2. Strong track record of NPA reduction
 3. Reinforcement of NPA coverage and acceleration of NPA reduction
 4. Solvency
 5. Liquidity and fixed income position
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 7. Appendix. 3Q results

Customer funds

Customer Funds. Eur m

Eur m	3Q16	2Q17	3Q17	QoQ	YoY
CUSTOMER FUNDS	29,127	28,703	27,892	-2.8%	-4.2%
Customer Funds on Balance Sheet	24,434	23,678	22,874	-3.4%	-6.4%
Public Institutions	1,242	1,322	1,194	-9.6%	-3.8%
Retail Customer (resident)	22,901	22,089	21,431	-3.0%	-6.4%
Demand deposits	13,986	15,239	15,145	-0.6%	8.3%
Term deposits	8,789	6,717	6,222	-7.4%	-29.2%
Other	126	133	64	-52.2%	-49.4%
Non resident customers	291	267	249	-7.1%	-14.5%
Off-balance sheet	4,693	5,025	5,017	-0.1%	6.9%
Mutual funds	2,062	2,454	2,467	0.5%	19.7%
Pension Plans	1,500	1,503	1,500	-0.2%	0.0%
Insurance Funds	1,132	1,068	1,050	-1.7%	-7.2%
Number of branches	992	810	779	-3.8%	-21.5%
Customer funds per branch (Eur m)	29	35	36	1.0%	21.9%

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







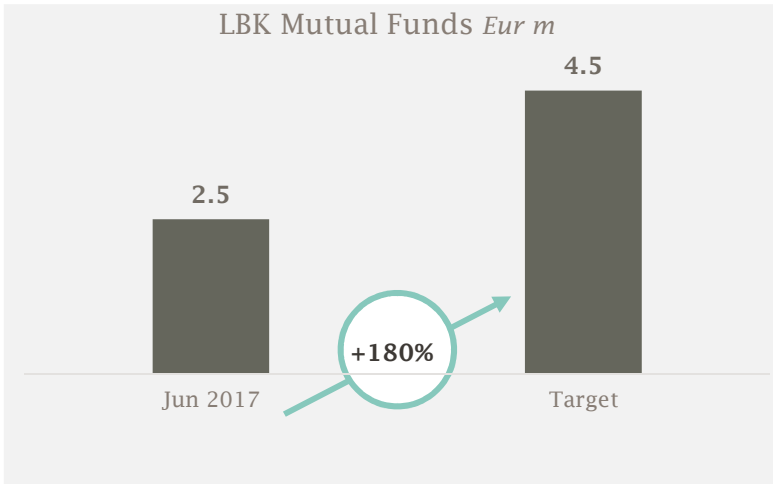
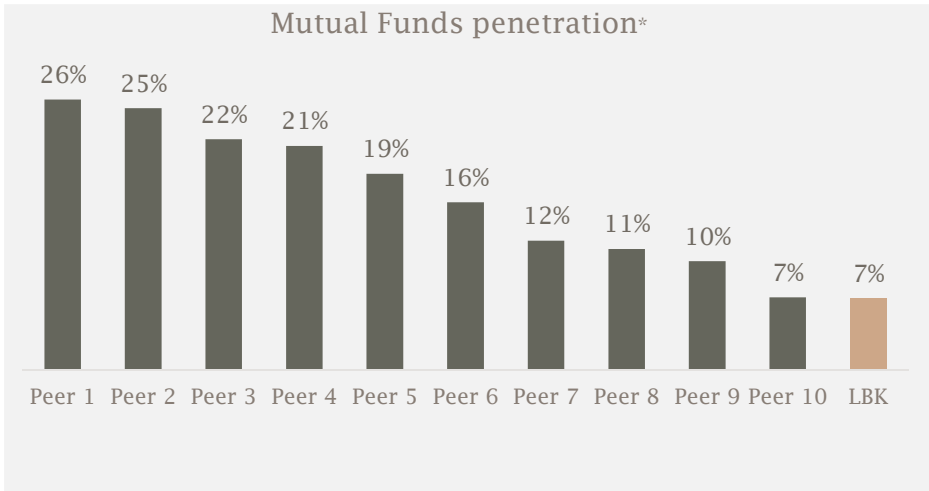
- We highlight the ability of Liberbank to retain customers and resources while reducing costs and closing branches (22% YoY). Customer funds in the 3Q were also affected by seasonality when compared vs 2Q.
- The switch from term deposits to demand deposits and off-balance sheet products continues. Mutual funds increases c. 20% YoY.
- Liberbank maintains its leadership in its core regions (25.1% market share in deposits as of Mar17), reaching 34% in some of them.

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

Mutual funds partnership



-  Increase fee generation capacity
-  Fund distribution agreement.
-  Extensive Branch network training, product marketing alliance and advising materials.
-  Active participation in the generation of proposals for Branch network and Private Banking.



- ➔ Liberbank has great potential to grow the weight of Mutual funds due to our current position and the partnership with JP Morgan will be a key milestone in the process
- ➔ Target 3 year

* Calculated as mutual funds / retail deposits + mutual funds
Peers included: Unicaja, Cajamar, Bankia, Popular, Caixabank, Sabadell, BBVA, Santander, Kutxa, Ibercaja

Lending

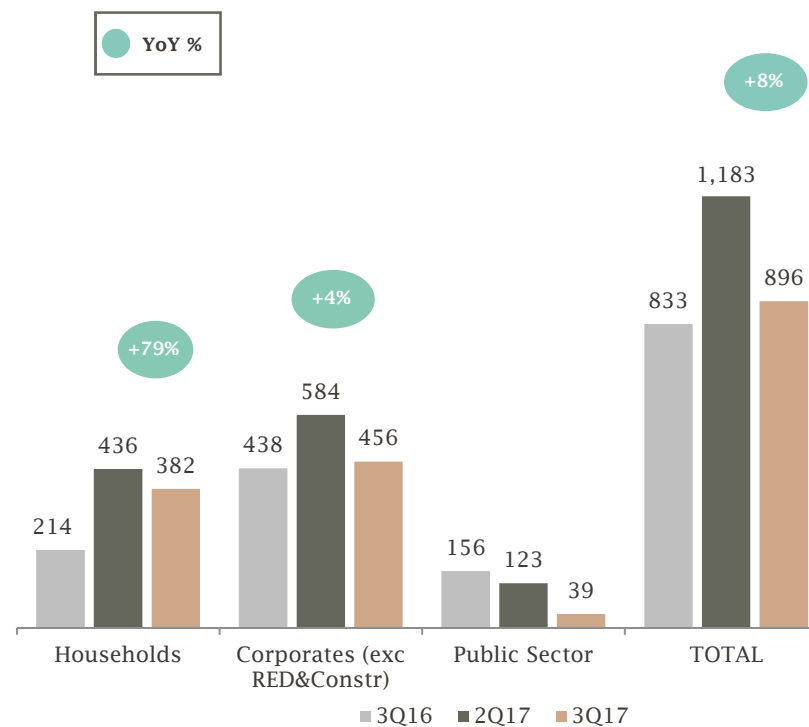
Performing Loan book breakdown. Gross, Eur m

Eur m	3Q16	2Q17	3Q17	QoQ	YoY
Public Sector	1,227	1,131	1,001	-11.5%	-18.5%
Loans to businesses	4,806	4,923	5,000	1.6%	4.0%
RED & Construction	340	279	289	3.4%	-15.0%
Other corporates	4,466	4,645	4,712	1.4%	5.5%
Loan to individuals	13,421	13,467	13,513	0.3%	0.7%
Residential mortgages	12,798	12,789	12,825	0.3%	0.2%
Consumer and others	623	678	688	1.5%	10.5%
Other loans⁽¹⁾	305	583	299	48.7%	-1.9%
Total performing book	19,758	20,104	19,812	-1.5%	0.3%
Total performing book (exc Public sector)	18,531	18,973	18,811	-0.9%	1.5%

Performing loan book growth. YoY



New Production breakdown⁽²⁾. Eur m

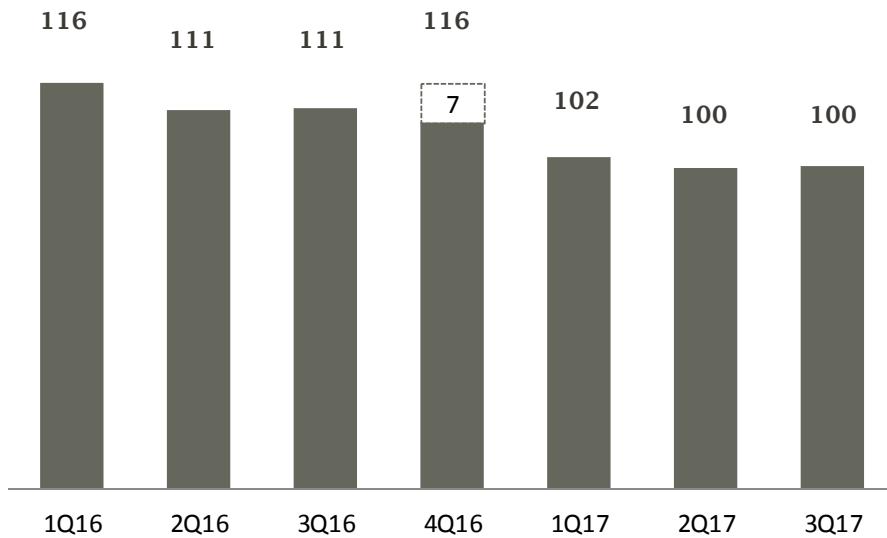


- Performing loan book (exc Public sector) increases +1.5% YoY. Quarterly evolution affected by “Other loans” that includes pension prepayments which are seasonally higher in June
- Mortgage book confirms the change in the trend and grows +0.3% YoY while consumer book increases +10.5% YoY.
- Corporate book (exc RED&construction) continue delivering strong increase (+5.5% YoY).

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

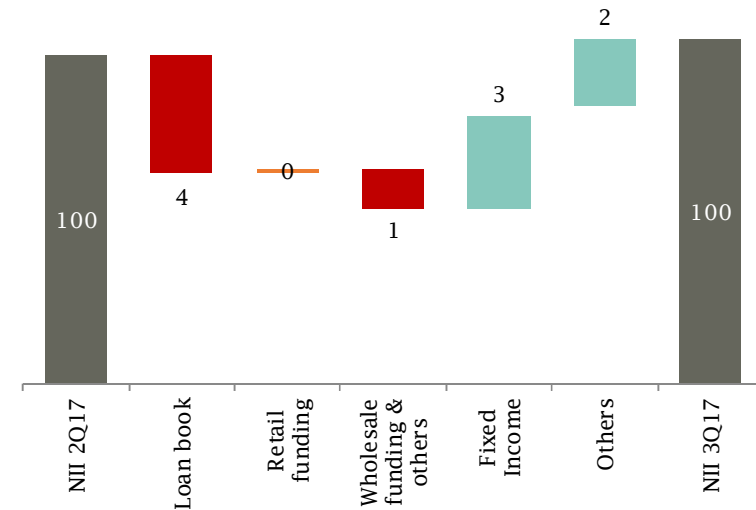
Net Interest Income

Net interest Income performance (Eur m)



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

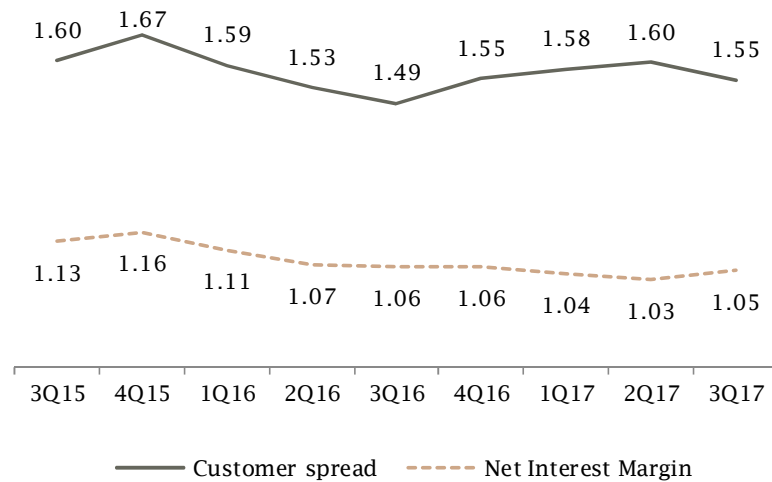
NII performance breakdown (Eur m)



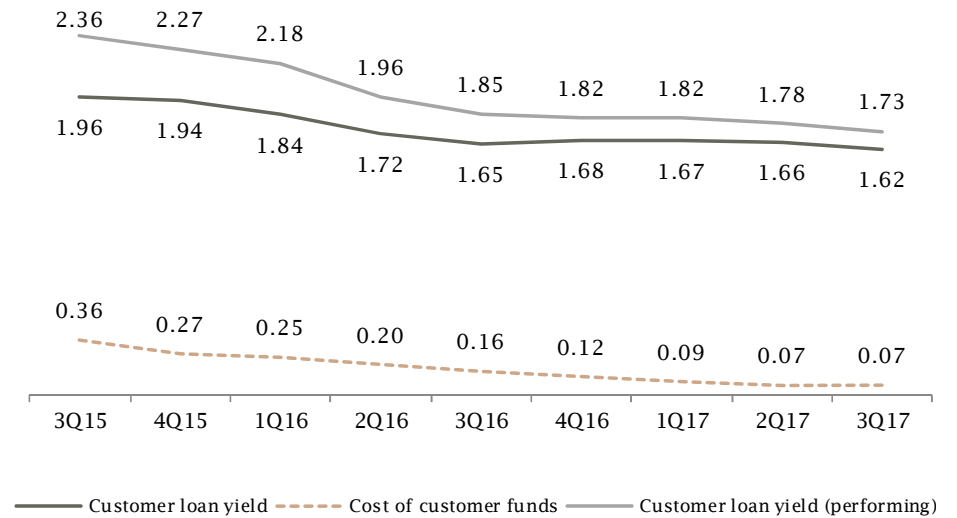
- Liberbank reiterates its NII guidance (+10% in 2018 vs 2017).
- Loan book revenues affected by renegotiation of mortgage floors, lower NPLs contribution and lower reference rates. We expect these headwinds to reduce significantly during the next quarters.
- Conservative approach on wholesale business during the 9M to reduce volatility and take advantage of future higher interest rates. Reinvestment of the Fixed income portfolio will have a higher positive impact on future NII.

Net Interest Income: margins

Margin performance (%)⁽¹⁾



Customer loan yield and cost of customer funds (%)

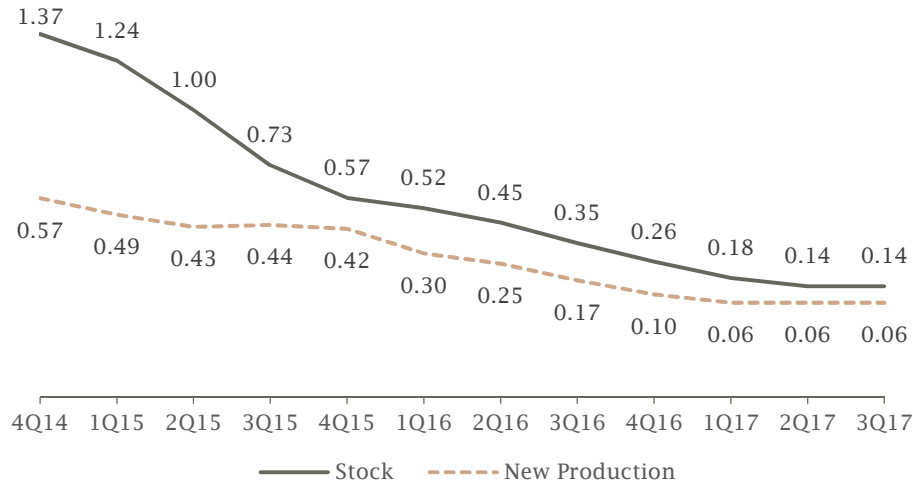


(1) 4Q16 NIM and customer spread exclude € 7m of extraordinary interest income
 Note: NIM = NII / ATAs

- Customer spread improves 6pb YoY and falls 5pb QoQ.
- Repricing of the loan book due to lower reference rates and renegotiation of mortgage floors close to finish.

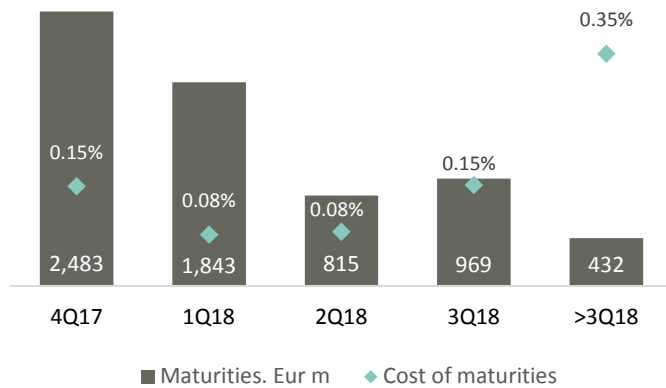
Net Interest Income: cost of funding

Term deposit cost performance (%)

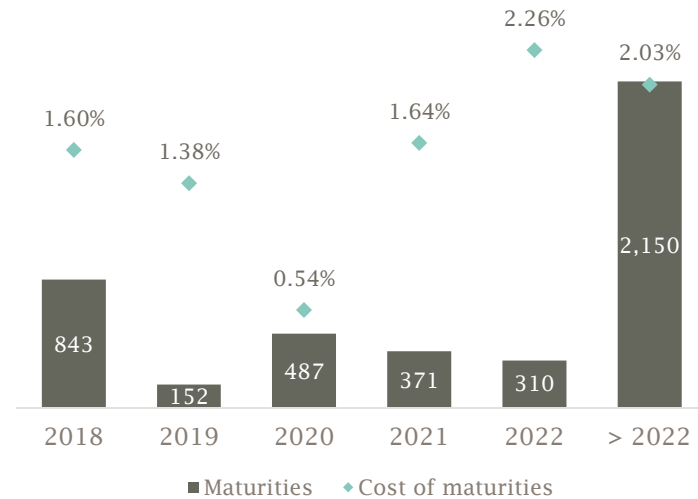


→ € 974m of covered bonds matured during the 1H17 (cost of 1.4%).
 → No more wholesale maturities during the year.

New Term Deposits. Maturity, cost and volume



Capital Markets Maturities (Eur m)



Net Interest Income: asset yields

Results

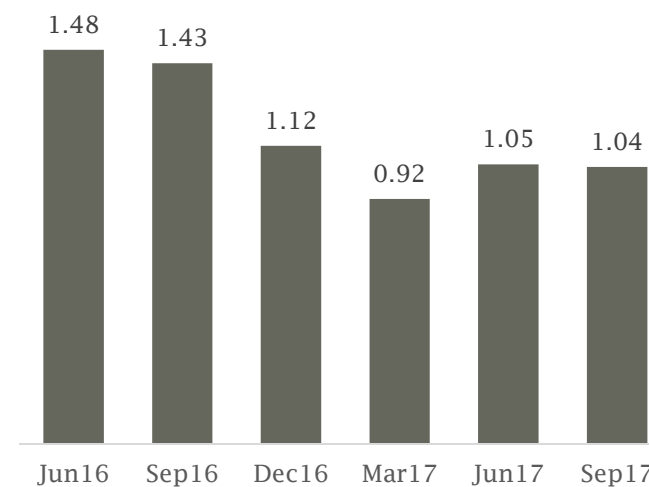
Quarterly yields on lending (%)

Basis points ⁽¹⁾	3Q16	4Q16	1Q17	2Q17	3Q17
Total loan book (yield)					
Back Book	185	182	182	178	173
Front Book	179	228	193	207	234
Mortgages (yield)					
Back Book	135	129	132	123	119
Front Book ⁽²⁾	173	178	179	189	191
SMEs (yield)					
Back Book	243	239	210	216	210
Front Book	203	233	240	227	228

⁽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 than the ones reflected above

Fixed Income portfolio Yield.

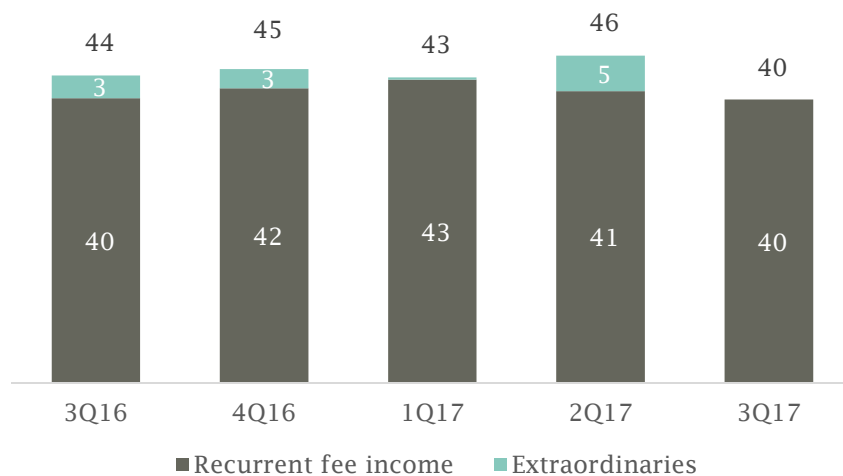
End of period (inc Sareb) (%)



- Asset yields on new lending production continue to stay well above stock during the 3Q17.
- SMEs and corporates production keeps driving up the total loan front book.
- 64% of the new production of residential mortgages YTD have been at fixed rate.

Fee Income

Fee income performance (Eur m)



Fee income breakdown

Eur m	9M16	9M17	YoY (%)
TOTAL FEES	137	130	-5%
TOTAL recurrent net fees	123	124	1%
Banking fees	85	83	-3%
Non-banking fees ⁽¹⁾	37	40	9%
Others	0	1	na
Non recurrent fees⁽²⁾	14	5	-62%

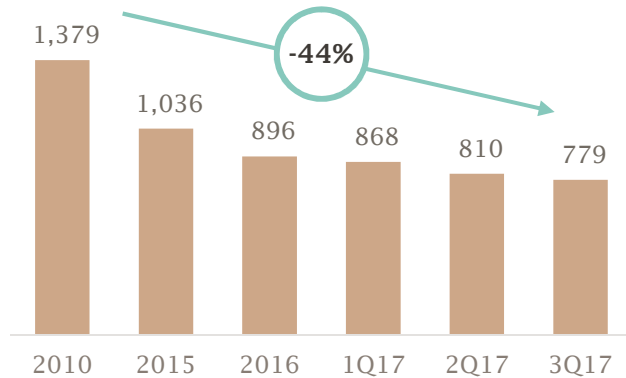
(1) Non-banking fees include fees from insurance, off-balance sheet business and brokerage
 (2) Non recurrent fees include fees from Sareb

→ **Recurrent fees increase +1.5% YoY.** Fees based on insurance and mutual funds increase +9% YoY while banking fees are mainly affected by the reduction of NPLs and the strong competition to capture and retain clients as well as.

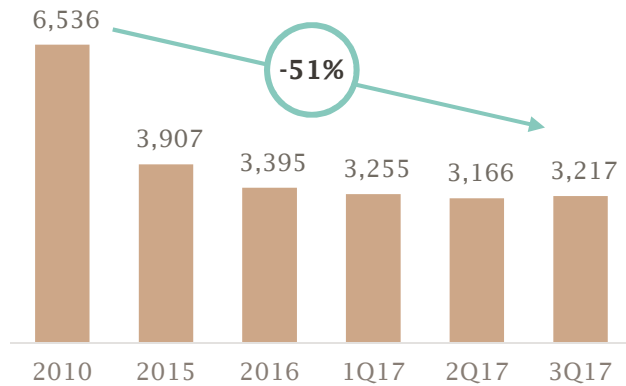
→ Recently signed agreement with JP Morgan will support further growth of mutual funds fees.

Costs

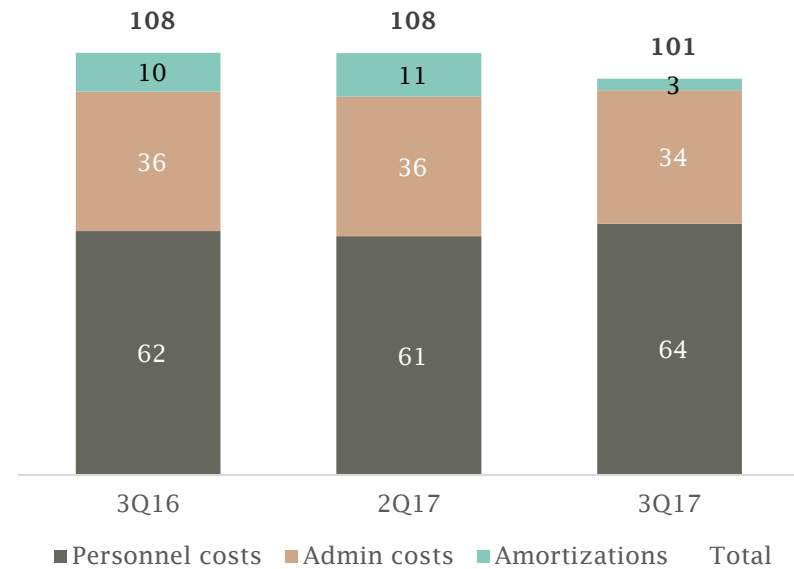
Number of branches



Number of FTEs



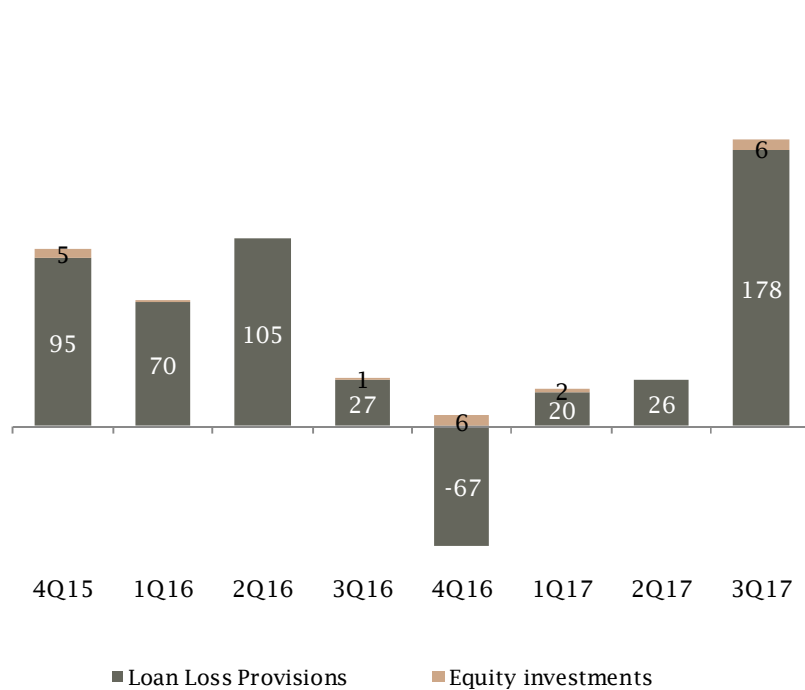
Costs performance (Eur m)



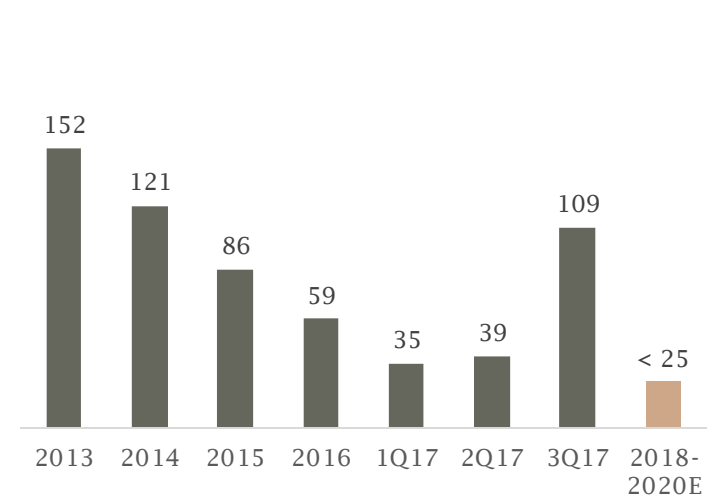
- Increase in personnel costs were offset by lower administrative costs. Amortization period of IT investments is extended in line with benchmark.
- Room to reduce costs further, target to reduce operating costs below € 400m. As part of those initiatives Liberbank booked a € 52m provision in the 2Q.

Cost of risk

Impairments (Eur m)



Cost of risk (bp)⁽¹⁾



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

→ Loan loss provision affected by the reinforcement of coverage.
 → Liberbank reiterates 2018-20 cost of risk target below 25bp.

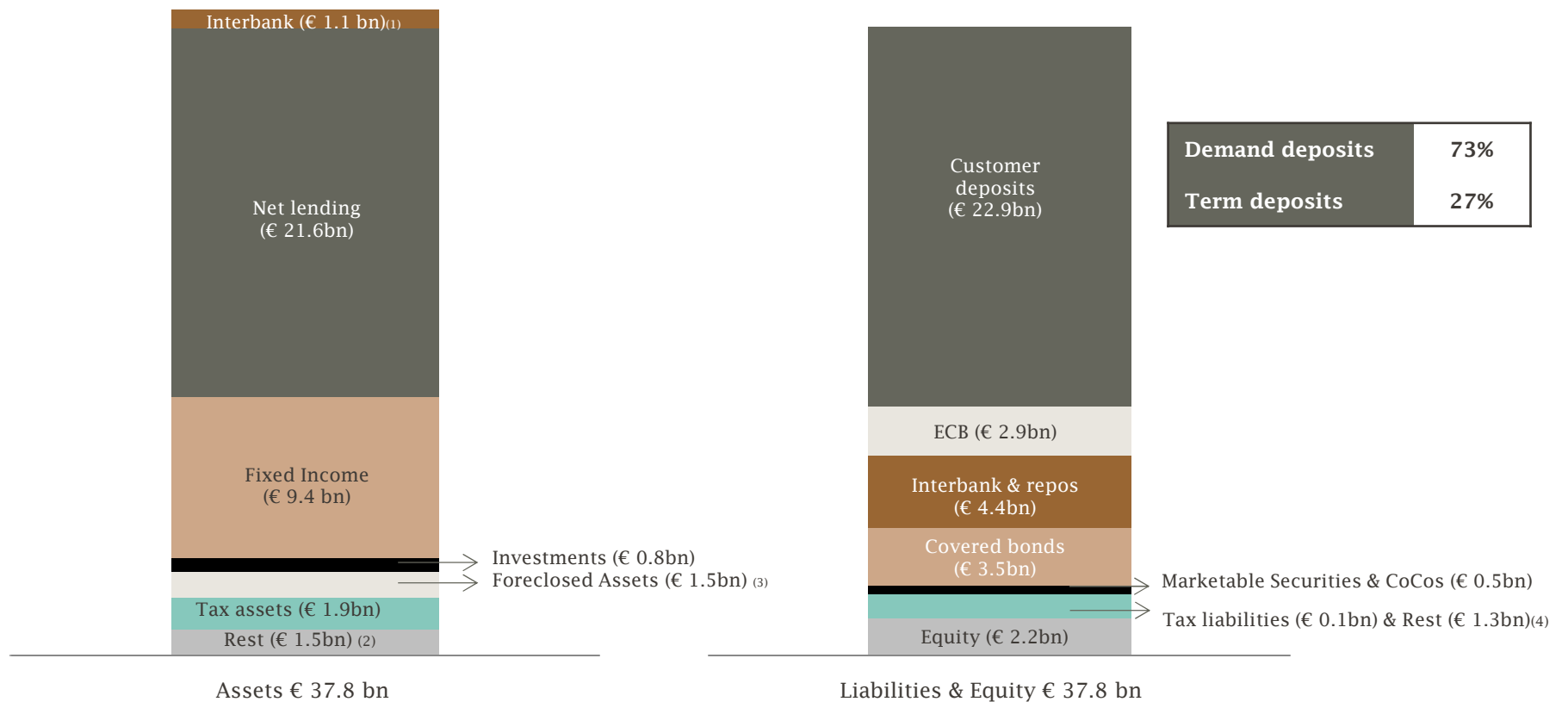
P&L

Results

€m	3Q16	4Q16	1Q17	2Q17	3Q17	Var. 3Q17 vs 2Q17		9M16	9M17	Var. 9M17 vs 9M16	
						€m	%			€m	%
Interest Income	146	144	130	124	124	0	0%	461	378	-83	-18%
Interest Cost	-35	-28	-28	-24	-23	1	-3%	-123	-76	47	-38%
NET INTEREST INCOME	111	116	102	100	100	1	1%	339	303	-36	-11%
Dividends	2	0	0	1	0	-1	nm	3	2	-1	-46%
Results from equity method stakes	0	3	2	23	4	-19	-83%	20	29	9	43%
Net fees	43	45	43	46	40	-6	-13%	137	130	-7	-5%
Gains on financial assets & others	36	78	50	5	5	0	9%	267	60	-208	-78%
Other operating revenues/(expenses)	-2	-47	-20	0	-3	-3	nm	-22	-23	-1	6%
GROSS INCOME	190	195	178	175	146	-29	-16%	744	500	-245	-33%
Administrative expenses	-98	-93	-98	-96	-98	-2	-2%	-299	-292	6	-2%
Staff expenses	-62	-62	-61	-61	-64	-4	-6%	-185	-186	-1	0%
General expenses	-36	-30	-37	-36	-34	2	-6%	-113	-106	7	-6%
Amortizations	-10	-9	-11	-11	-3	8	71%	-27	-25	2	-9%
PRE PROVISION PROFIT	83	93	69	68	45	-23	-34%	418	182	-236	-56%
Provisions	-13	-108	-1	27	-6	-33	nm	-25	20	44	nm
Impairment on financial assets (net)	-28	61	-22	-26	-184	-158	nm	-203	-232	-29	14%
Others	-1	-15	-9	-32	-393	-361	nm	-70	-434	-364	nm
PROFIT BEFORE TAXES	41	30	37	36	-537	-573	nm	121	-463	-583	nm
Taxes	-13	-18	-10	-3	-163	-160	nm	-30	-149	-119	nm
NET INCOME	27	12	27	33	-374	-407	nm	90	-314	-404	nm
NET INCOME ATTRIBUTABLE	27	29	32	35	-337	-372	nm	100	-270	-370	nm

Balance Sheet

Appendix

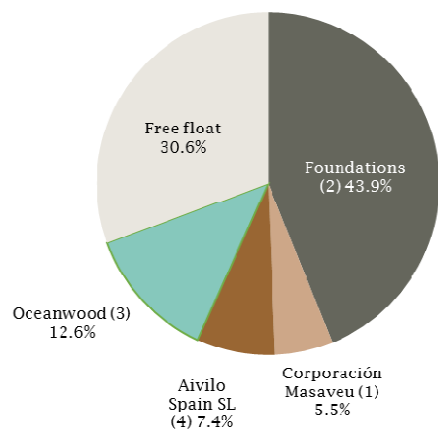


(1) Interbank include cash and interbank deposits
 (2) Rest of assets include tangible and intangible assets and derivative hedging among others
 (3) Assets currently held for sale
 (4) Rest of liabilities include provisions, accrued interests and micro-hedging among others

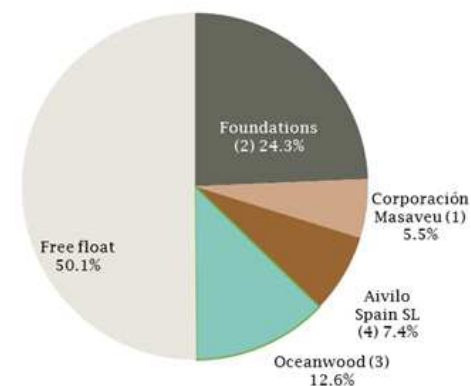
Shareholders and Book Value

Appendix

Shareholder base - pre ABB



Shareholder base - post ABB



- (1) Includes Flicka Forestal, Corporación Masaveu and Fundación María Cristina Masaveu
 (2) Includes Fundación Caja Asturias, Fundación Caja Extremadura and Fundación Caja Cantabria
 (3) Includes Oceanwood Capital Management and Oceanwood Opportunities Master Fund. Includes stake through derivatives
 (4) Includes Inmosan SA
 Source: CNMV as of 13th October 2017

Book value and Tangible Book Value

Sep-17		Fully Diluted
# New shares (m)		69
# O/S shares (m)	928	997
BV (exc minorities). Eur m	2,237	2,333
TBV. Eur m ⁽¹⁾	2,103	2,199
BVps (Eur)	2.41	2.34
TBVps (Eur)	2.27	2.20
Last price (Eur)	0.73	0.73
PBV	0.30x	0.31x
PTBV	0.32x	0.33x

(1) Intangibles deduction
 Note: last price for CoCos conversion purpose as of 16th of October (Eur 0.73/sh)

Outstanding CoCos. Sep17

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	83	7.0%	1.23	17-Jul-2018	17-Apr-2013
TOTAL	96				

(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