

Financial Results

3Q 2016

3 November 2016

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

- **Further decrease of NPAs, € 371m in the quarter, 5% QoQ and 19% YoY.**
 - **The stock of NPLs falls 8% QoQ and 27% in the last 12 months.**
 - **Foreclosed assets also trending down, 1% QoQ and 6% in the last 12 months.**
- **Coverage of NPAs stands at 45% considering the unused amount of the APS.**
- **Loan impairments start to normalize** after a significant effort in the previous quarters.

Solvency

- **The CET1 ratio stands at 13.9% and 13.8%** under phased-in and fully loaded Basel III criteria.

Business trends

- **Continued positive trend in new production** (+35% vs 3Q15), focused on corporates and households.
- **Good trend in volumes.** Performing loan book (exc APS) and customer funds +1.5% and +2.4% YoY, respectively.

Operating profit

- **NII stabilizes** despite interest rates curve and lower contribution from the ALCO portfolio.
- **Cost savings initiatives** start to be reflected in the P&L.

Agenda

1. Asset Quality

2. Solvency

3. Commercial Activity

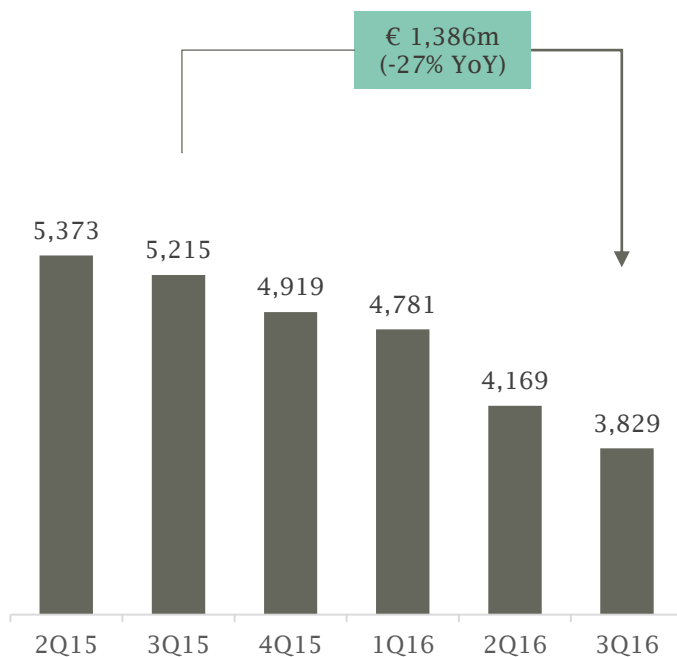
4. Results analysis

5. Liquidity and Fixed Income portfolio

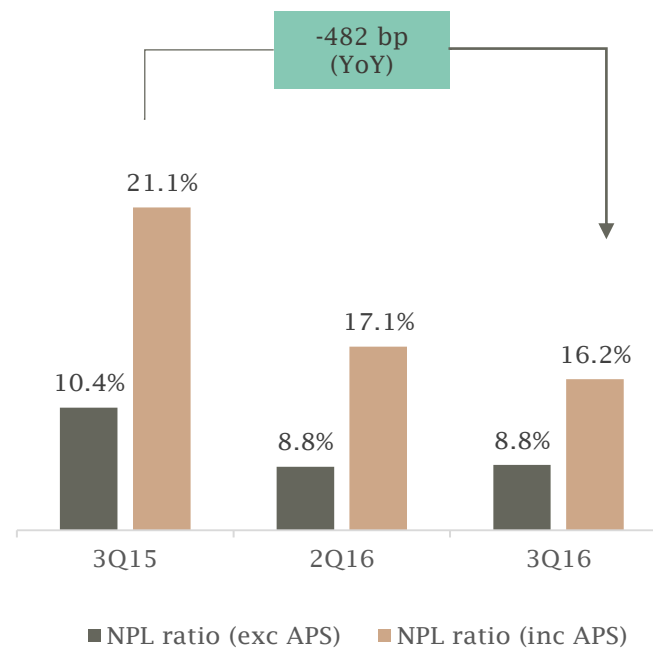
6. Appendix

NPL trend

NPL evolution (inc APS)



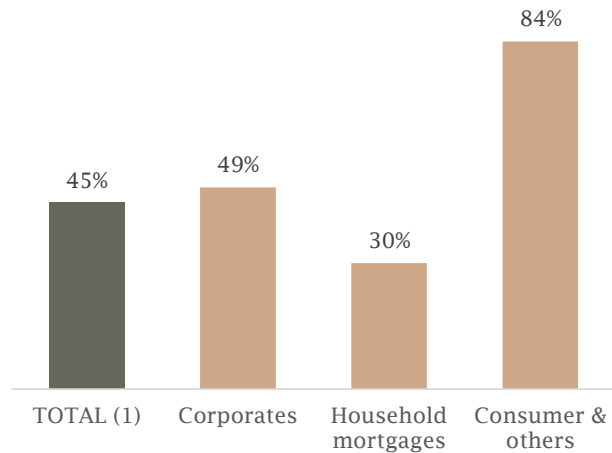
NPL ratio evolution



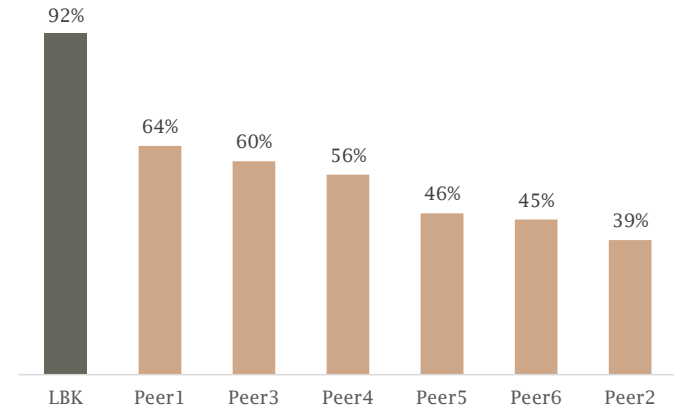
- Further decline of NPLs, € 340m in the quarter and € 1,386m in the last twelve months, 8% QoQ, and 27% YoY.
- Despite the fall of the loan book, the NPL ratio keeps falling, 91bp QoQ and 482bp YoY.
- The underlying trend of NPLs continue to be positive.

Coverage

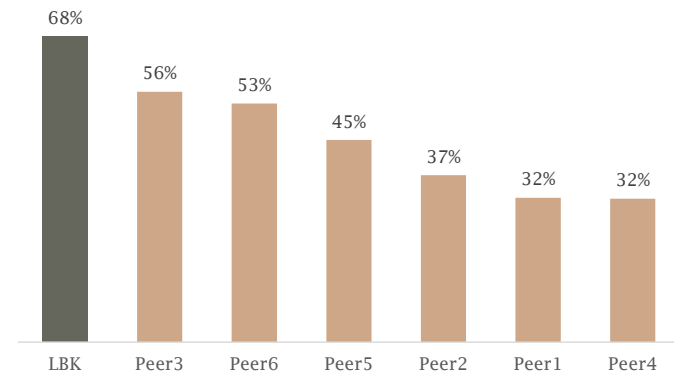
Coverage over NPLs by segment
(inc APS)⁽¹⁾



RED. NPL ratio. Jun16



Refinanced loans. NPL ratio. Jun16



Source: jun2016 semiannual report of Liberbank, Bankia, Caixabank, Popular, Sabadell, Unicaja and Ibercaja

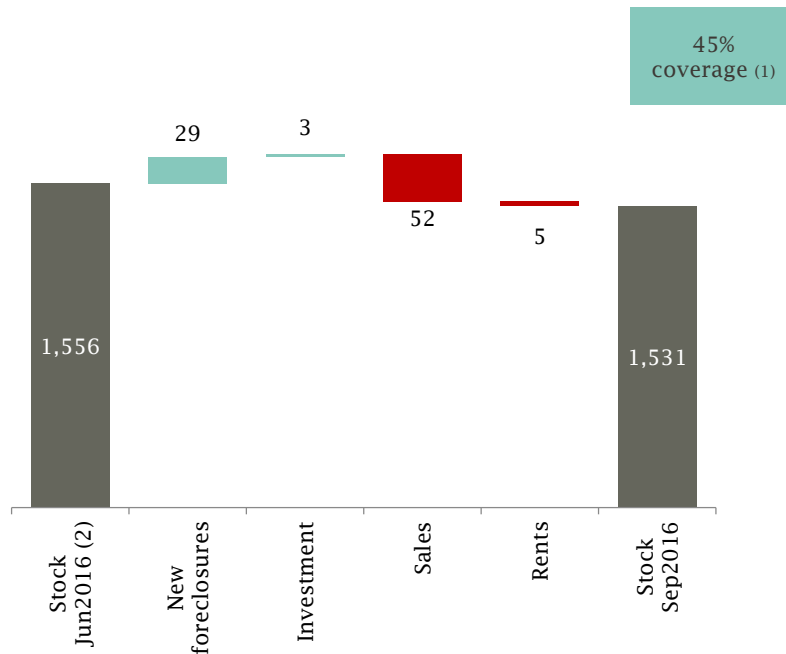
- Coverage stands at 45% with high collateralisation.
- Liberbank has recognized 92% of the loans to RED and 68% of the refinanced loans as non-performing, above its peers, reflecting a prudent approach.

(1) It includes APS not consumed allocated to loans (€ 346m)

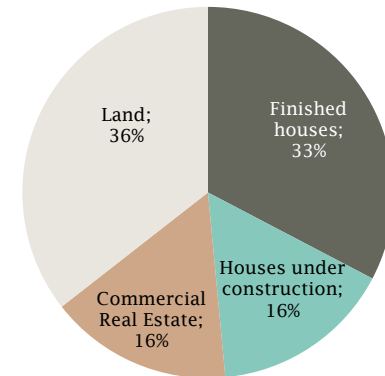
Foreclosed assets (inc APS)

Asset
Quality

Foreclosed assets evolution (net). Eur m⁽¹⁾



Foreclosed assets breakdown

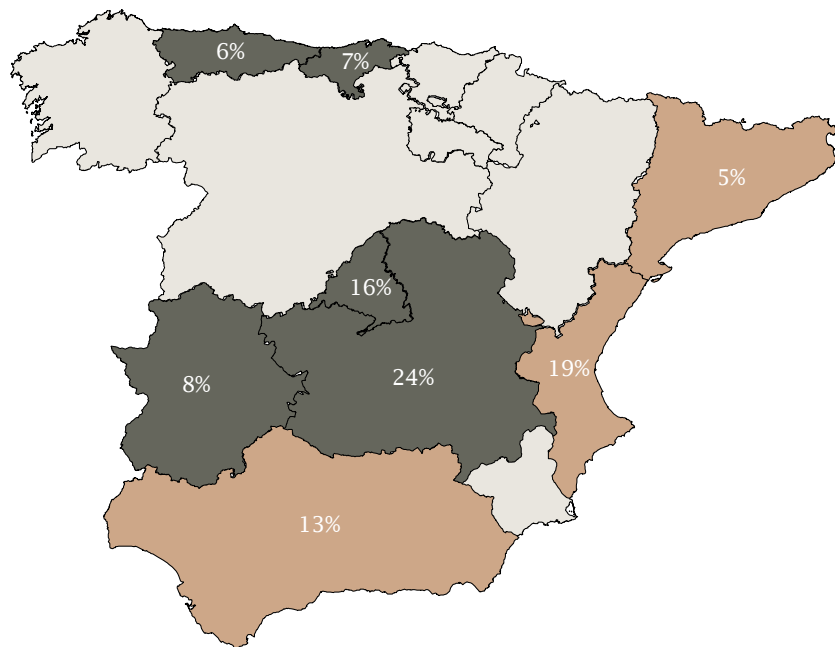


- (1) It includes APS not consumed allocated to foreclosed assets: € 74m in 3Q16.
 (2) For comparison purpose the NBV of the stock is calculated applying the same APS not consumed in june2016 and sep2016

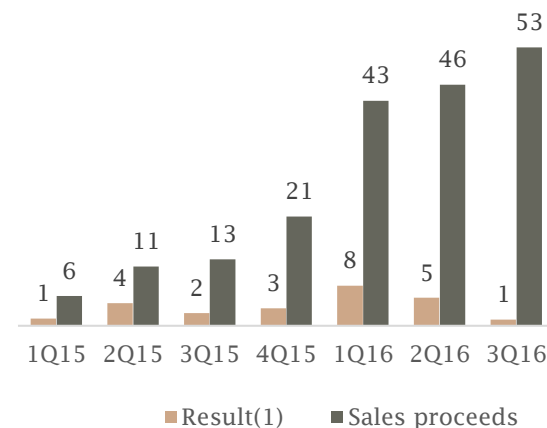
- Despite of new entries through the recovery process, the stock of foreclosed assets goes down by € 25m in the quarter.
- Coverage stands at 45%.

Foreclosed asset disposals

Sales by region (Eur). 9M16 (APS and non APS portfolio).



Latest sales (APS and non APS). Eur m



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

- Despite seasonality of the 3Q, sales amount to 53 million. In the first nine months sales amount to € 142m, getting close to the target for 2016 (€ 170m)
- Sales are accelerating based on different initiatives:
 - Reinforced teams, more employees allocated to real estate activities. New Brand.
 - Improved multichannel commercial model (branches, real estate brokers, web...).

Agenda

1. Asset Quality

2. Solvency

3. Commercial Activity

4. Results analysis

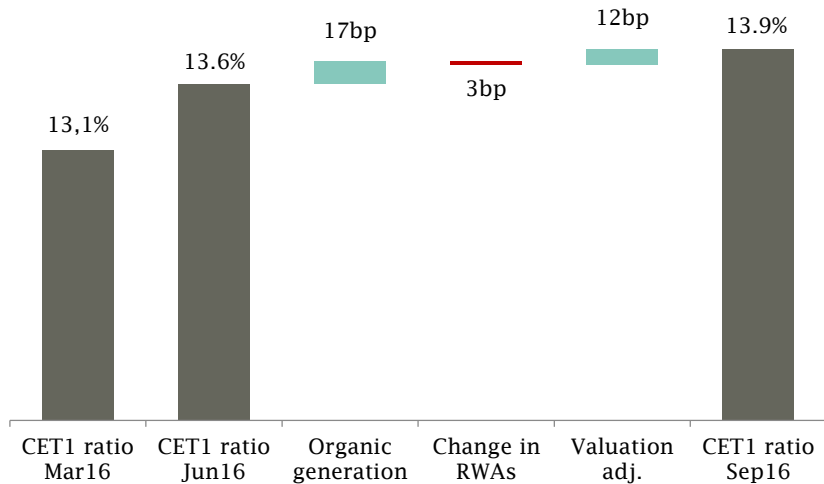
5. Liquidity and Fixed Income portfolio

6. Appendix

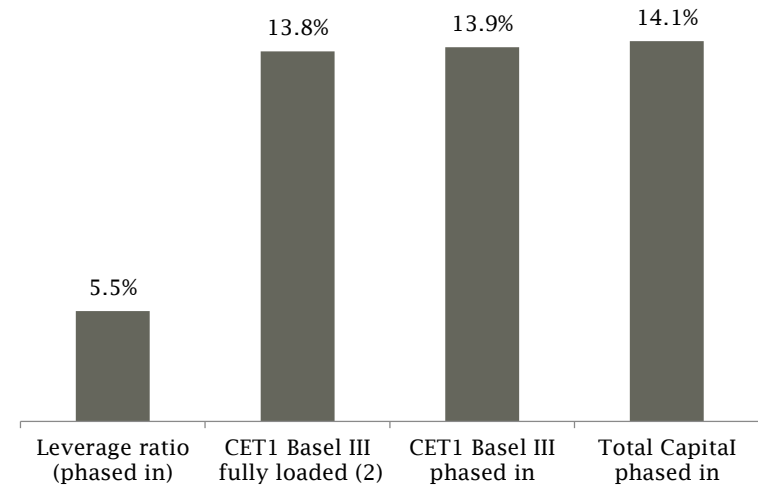
Solvency position

Solvency

CET1 phased-in performance⁽¹⁾



Capital ratios. Sep16⁽¹⁾



Fully loaded CET1 ratio includes the AT1 not absorbing deductions

Phased-in CET1 ratio does not include the AT1 not absorbing deductions (€ 29m)

- CET ratio (phased-in) improved c.30bp QoQ supported by organic capital generation and valuation adjustments. This ratio does not include the unrealized gains from the central government exposure classified as AFS. According to the regulation (EU) 2016/445 the CET1 ratio shall include these gains, at least 60% in 2016 and 80% in 2018. This regulation shall enter into force on 1 October 2016.
- In the mid term there is room to reduce RWAs migrating towards advanced models.
- RWAs will increase at the end of 2016, as the APS mature. The NBV of the portfolio is Eur 2.7bn at September 2016 (deducting the APS not consumed).

(1) Capital ratios include 9M16 retained earnings
 (2) CET1 FL includes unrealised capital gains of the AFS Sovereign portfolio

Agenda

1. Asset Quality

2. Solvency

3. Commercial Activity

4. Results analysis

5. Liquidity and Fixed Income portfolio

6. Appendix

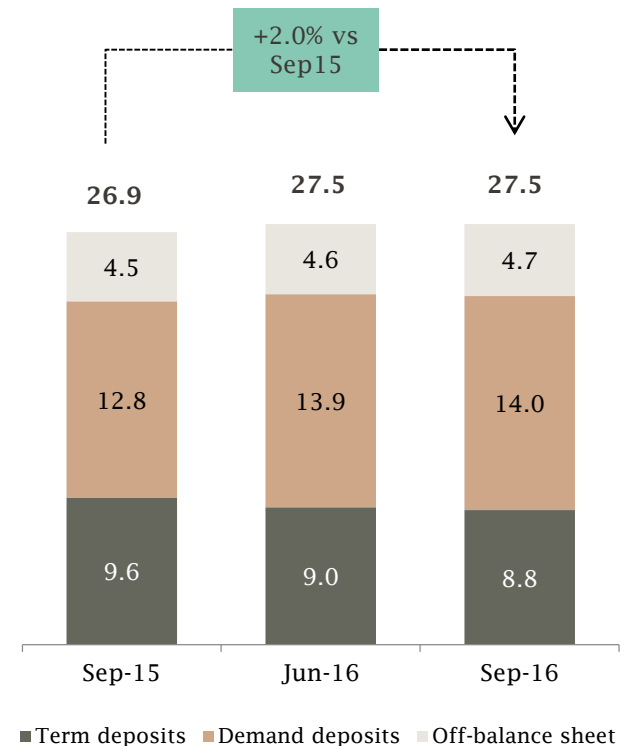
Customer funds

Commercial Activity

Customer Funds. Eur m

Eur m	3Q15	2Q16	3Q16	QoQ	YoY
CUSTOMER FUNDS	28,727	29,452	29,428	-0.1%	2.4%
Customer Funds on Balance Sheet	24,211	24,864	24,735	-0.5%	2.2%
Public Institutions	1,252	1,291	1,242	-3.8%	-0.8%
Retail Customer (resident)	22,625	23,269	23,202	-0.3%	2.5%
Demand deposits	12,841	13,923	13,986	0.5%	8.9%
Term deposits	9,578	8,961	8,789	-1.9%	-8.2%
Other	206	385	427	10.7%	107.0%
Non resident customers	334	304	291	-4.4%	-12.9%
Off-balance sheet funds	4,516	4,588	4,693	2.3%	3.9%
Mutual funds	1,863	1,986	2,062	3.8%	10.7%
Pension Plans	1,565	1,507	1,500	-0.5%	-4.1%
Insurance Funds	1,089	1,095	1,132	3.4%	3.9%

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



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

- Liberbank maintains its leadership in its core regions (25.5% market share in deposits as of Jun16).
- Increasing transfer from term deposits to demand deposits and off-balance sheet products.
- Customer funds quarterly evolution is affected by seasonality and volatility of public institutions funds.

Lending

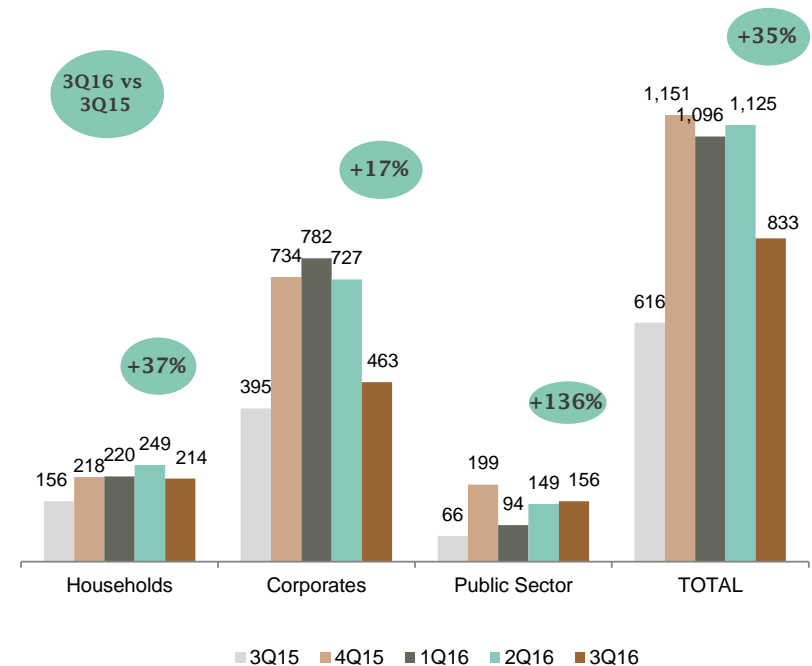
Commercial Activity

Loan book breakdown. Gross, Eur m

Eur m	3Q15	2Q16	3Q16	QoQ	YoY
TOTAL GROSS LOANS	24,769	24,313	23,587	-3.0%	-4.8%
Public Sector	1,235	1,352	1,256	-7.1%	1.7%
Loans to businesses	8,342	7,887	7,699	-2.4%	-7.7%
RED & Construction	3,013	2,095	2,057	-1.8%	-31.7%
Other corporates	5,329	5,792	5,642	-2.6%	5.9%
Loan to individuals	14,882	14,469	14,315	-1.1%	-3.8%
Residential mortgages	14,213	13,773	13,656	-0.9%	-3.9%
Consumer and others	669	696	659	-5.3%	-1.5%
Other loans⁽¹⁾	311	605	317	-47.6%	2.1%
Performing loan book (exc APS)	19,347	20,056	19,643	-2.1%	1.5%

(1) "Other loans" includes pension prepayments which are seasonally higher in June

New Production breakdown⁽²⁾. Eur m



- Performing loan book (ex. APS) grows +1.5% YoY.
- Loan book affected in the quarter by seasonality and pension prepayments in the 2Q.
- Accumulated new production⁽²⁾ during 9M16 amounts to Eur 3,053m, +53% YoY.

(2) Including credit lines and other contingent lending

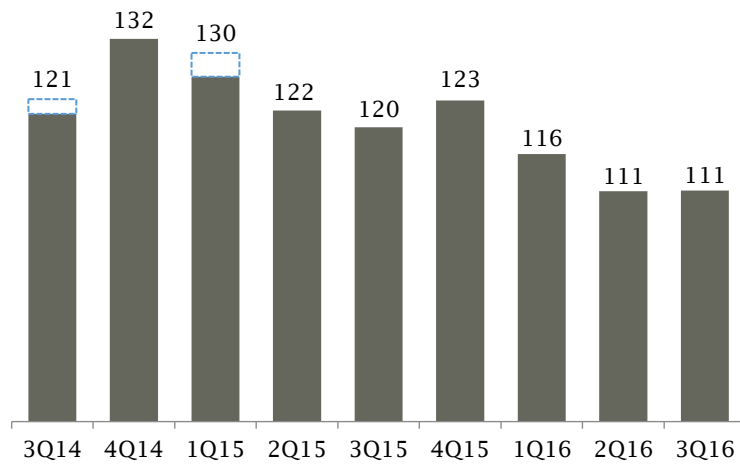
Agenda

-
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)

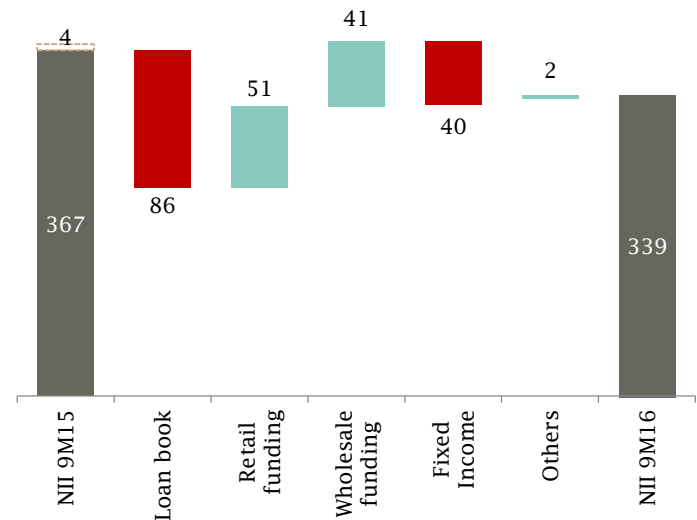
Flat vs 2Q16



(1) 3Q14 and 1Q15 NII includes € 2m and € 3m of extraordinary interest income, respectively

NII performance breakdown (Eur m)

-7.6% vs 9M15 (recurrent basis)

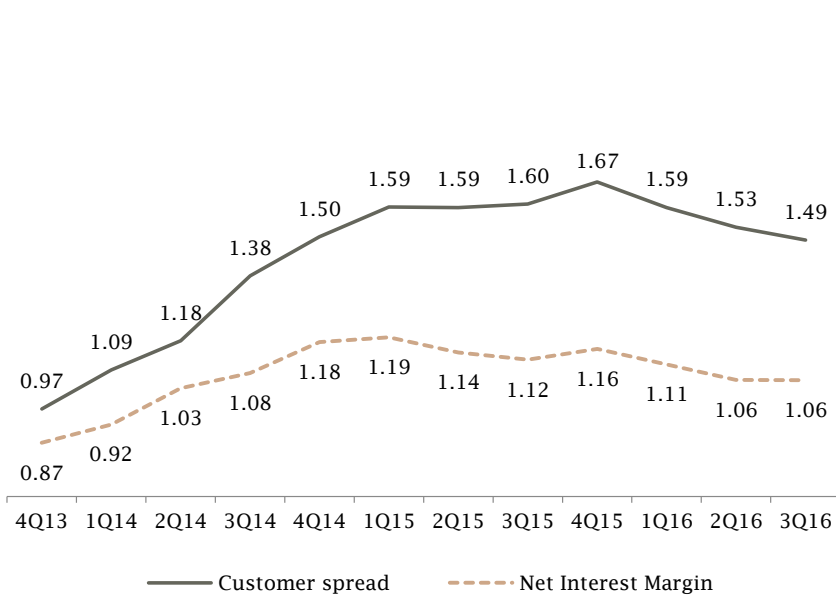


→ NII is performing as guided for.

→ Lower ALCO contribution and lower reference rates are offset by lower funding costs.

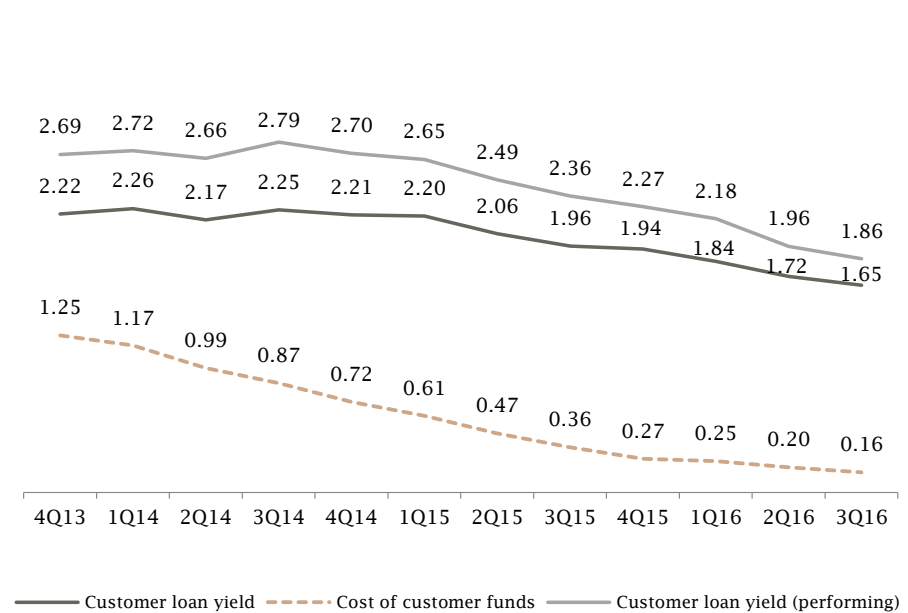
Net Interest Income: margins

Margin performance (%)⁽¹⁾



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

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

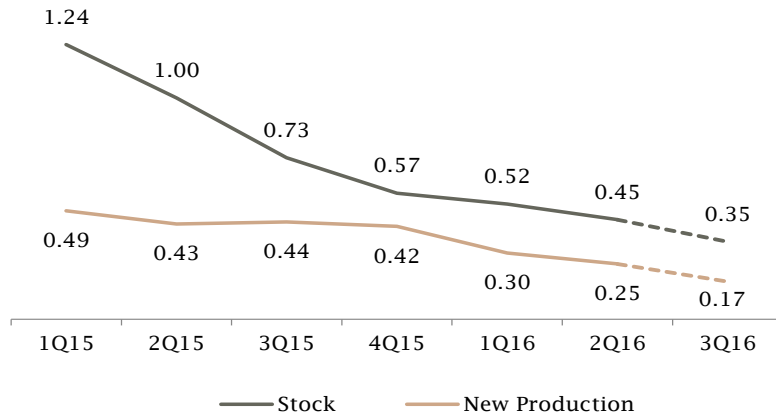


(1) 1Q15 loan yields exclude € 3m of extraordinary interest income

- ➔ Repricing of the loan book due to the lower reference rates close to be finished.
- ➔ Lower cost of customer funds partially offsets lower yields in the loan book, which are affected by Euribor repricing and high competition.

Net Interest Income: cost of funding

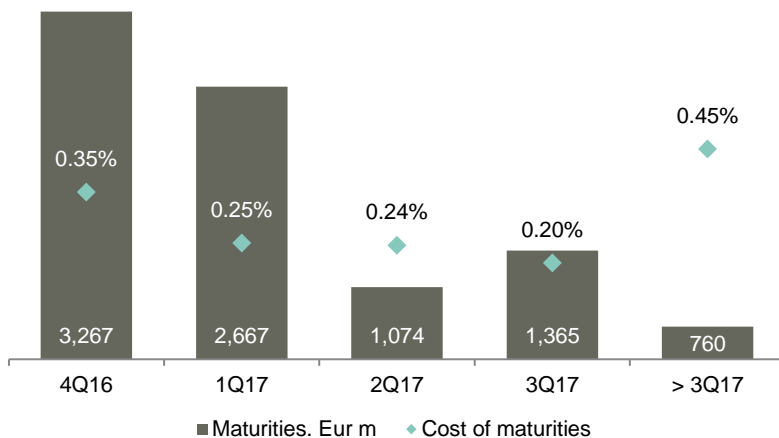
Term deposit cost₍₁₎ performance (%)



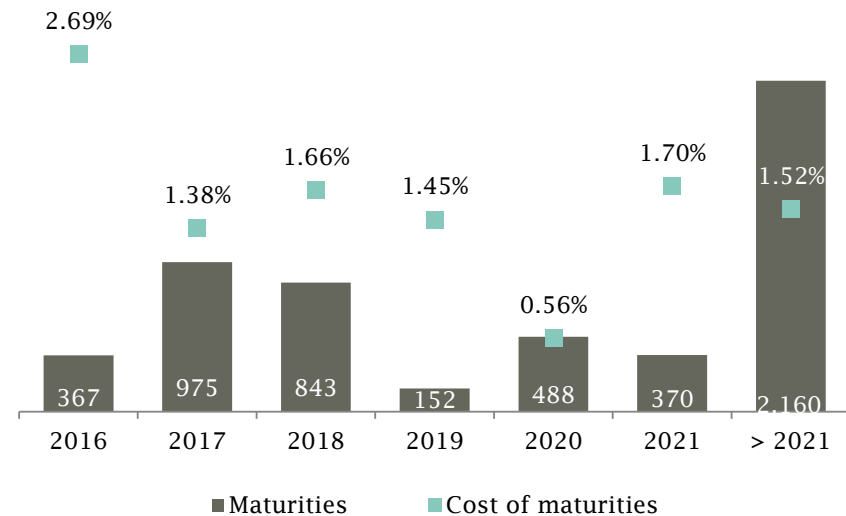
→ Cost of term deposits keeps reducing (11bp during September).
 → Maturity of expensive wholesale funding will continue to support the NII.

(1) The above rates refer to the average cost of the term deposits reflected in the NII. Historical series included in the past referred to the average price

New Term Deposits. Maturity, cost and volume



Capital Markets Maturities (Eur m)



Net Interest Income: asset yields

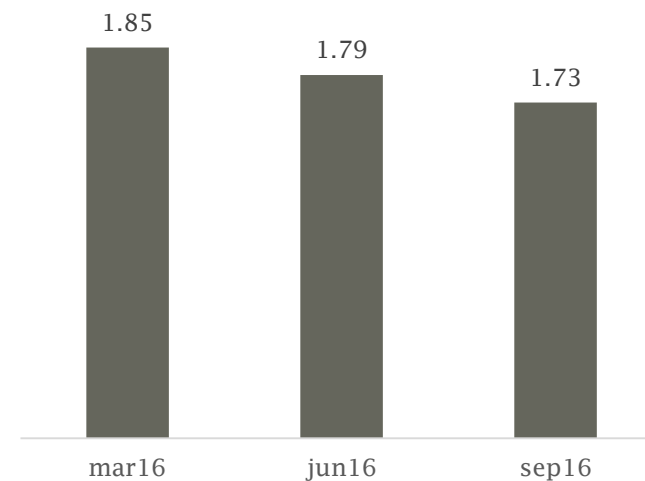
Results

Quarterly spreads and yields on lending (%)

Basis points ⁽¹⁾	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16
Mortgages (spread)						
Back Book	76	77	77	78	77	78
Front Book ⁽²⁾	129	124	123	121	117	117
SMEs (yield)						
Back Book	340	332	322	289	276	265
Front Book	370	357	287	257	256	270

(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 (1.90% at 9M16)

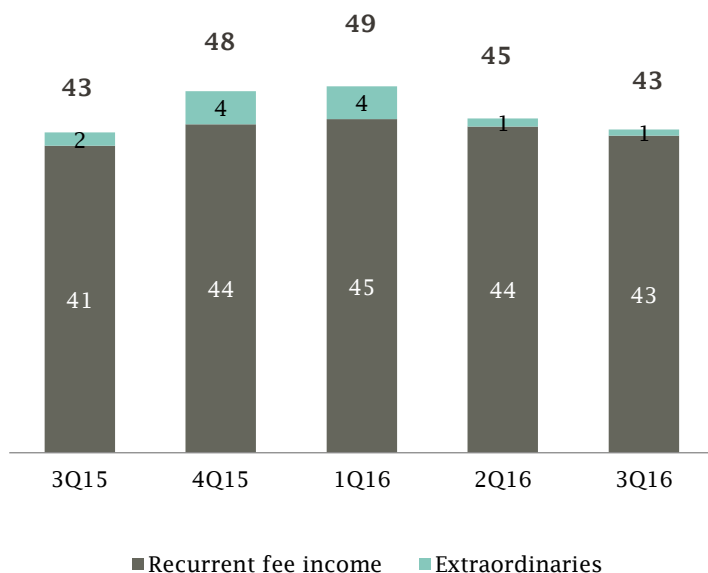
Fixed Income portfolio. Yield (exc Sareb) (%)



- Asset yields on new lending production stabilize this quarter and continue to be accretive. Spreads on new production stand above back book.
- Average yield of the fixed income portfolio goes down as a result of lower reinvestment yields under a prudent approach to credit and interest rate risk.

Fee Income

Fee income performance (Eur m)



Fee income breakdown

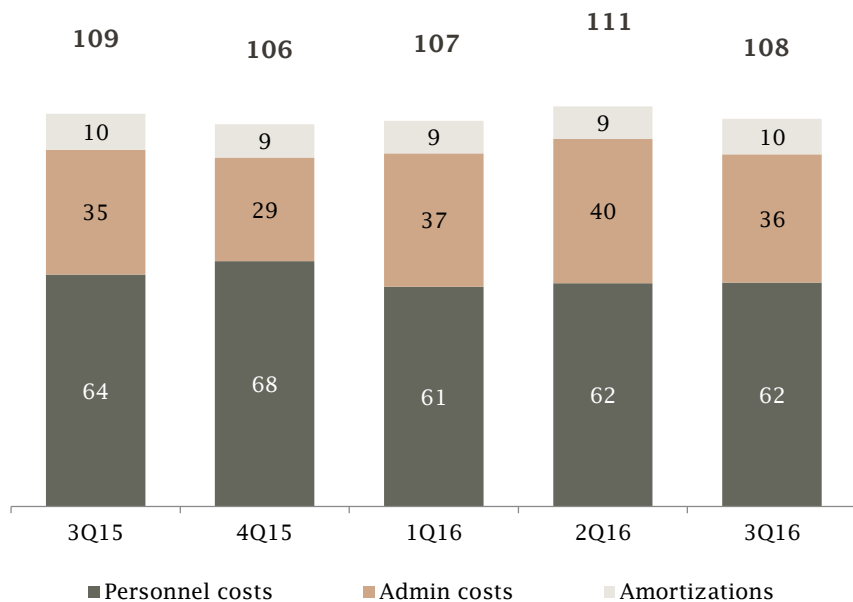
Eur m	9M15	9M16	YoY (%)
TOTAL FEES	134	137	2%
TOTAL recurrent net fees	126	130	4%
Banking fees	84	85	1%
Non-banking fees ⁽¹⁾	32	37	16%
Others	9	8	-15%
Non recurrent fees⁽²⁾	9	6	-25%

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

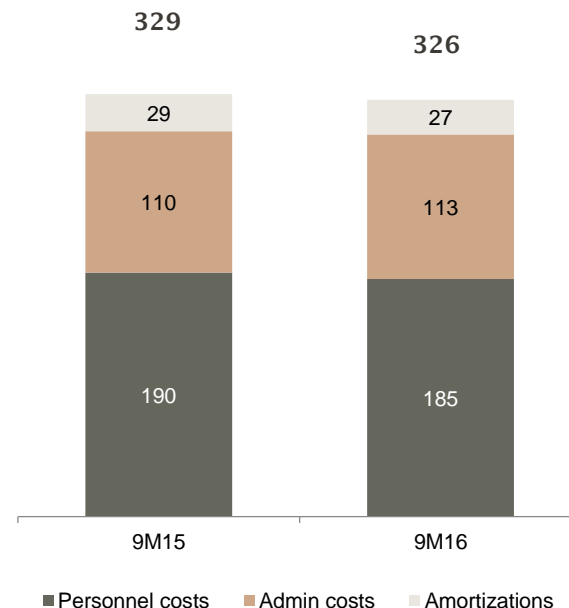
- **Recurrent fees increased by 4% vs 9M15** based on insurance and mutual funds. Liberbank started to fully operate the asset management business in March16.
- **Banking fees recovered** despite competition.

Costs

Costs performance (Eur m)



Costs performance (Eur m)

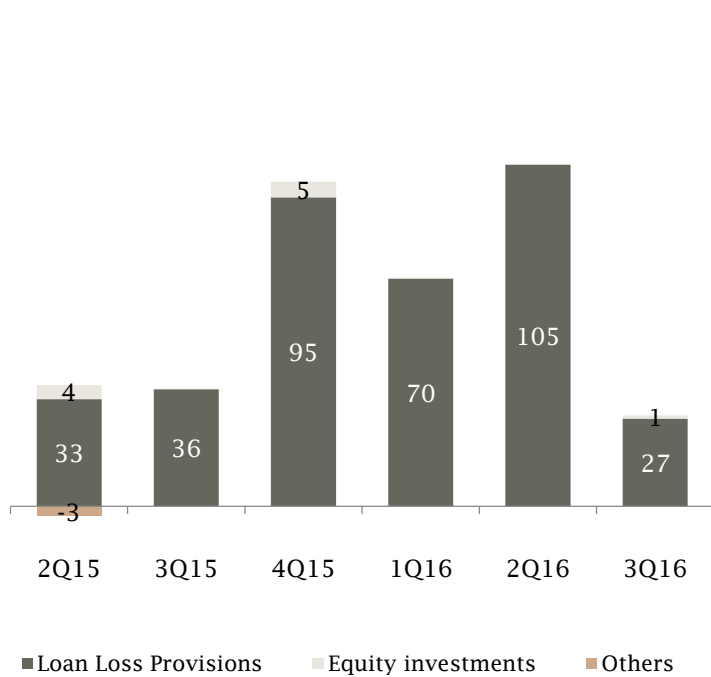


→ Personnel costs in the first nine months start to reflect lower number of FTEs.

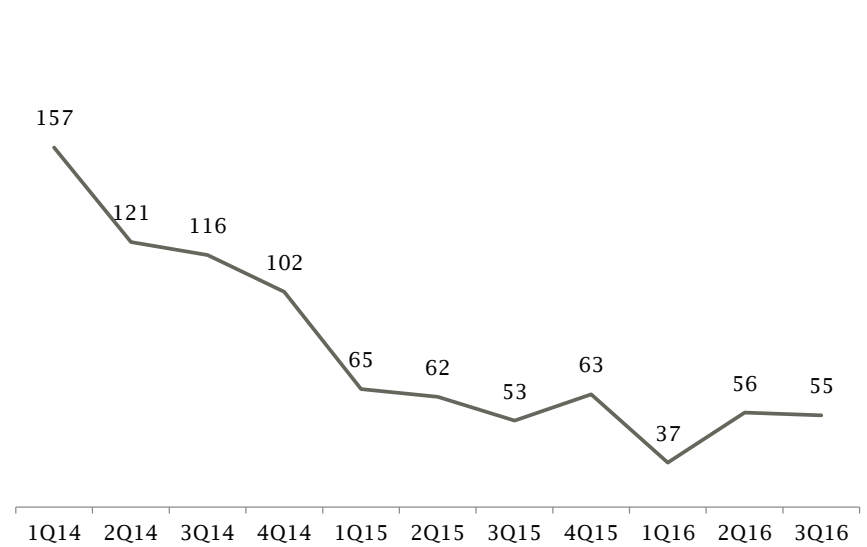
→ Liberbank continues to invest in strategic projects aimed to rationalize the branch network, to improve digital banking and the contact center and to develop the newly created subsidiary to centralize backoffice works.

Cost of risk (exc APS)

Impairment losses (Eur m)



Recurrent cost of risk (bp)⁽¹⁾



(1) Annualized accumulated recurrent LLP during the year over average gross loan portfolio (exc APS). (Bank of Spain calendar provision)

- Cost of risk continues to normalize towards our 50bp target.
- Recurrent cost of risk keeps going down as a result of lower NPL entries.

P&L

Results

€m	3Q15	4Q15	1Q16	2Q16	3Q16	Var. 3Q16 vs 2Q16		9M15 9M16		Var. 9M16 vs 9M15	
						€m	%	€m	%	€m	%
Interest Income	180	177	164	151	146	-5	-4%	581	461	-120	-21%
Interest Cost	-60	-54	-48	-40	-35	5	-14%	-209	-123	86	-41%
NET INTEREST INCOME	120	123	116	111	111	0	0%	371	339	-33	-9%
Dividends	0	5	0	1	2	1	65%	1	3	2	nm
Results from equity method stakes	2	4	-1	21	0	-21	nm	85	20	-65	-76%
Net fees	43	48	49	45	43	-2	-2%	134	137	3	2%
Gains on financial assets & others	35	-3	184	48	36	-12	-25%	196	267	71	36%
Other operating revenues/(expenses)	-3	-45	-17	-3	-2	1	-30%	-7	-22	-15	nm
GROSS INCOME	197	133	331	223	190	-33	-14%	781	744	-37	-5%
Administrative expenses	-99	-97	-98	-103	-98	5	-5%	-300	-299	1	-1%
Staff expenses	-64	-68	-61	-62	-62	0	0%	-190	-185	5	-2%
General expenses	-35	-29	-37	-40	-36	4	-12%	-110	-113	-3	3%
Amortizations	-10	-9	-9	-9	-10	-1	10%	-29	-27	2	-6%
PRE PROVISION PROFIT	88	27	224	111	83	-28	-26%	452	418	-34	-8%
Provisions	-4	-54	-102	91	-13	-104	nm	-129	-25	104	-81%
Impairment on financial assets (net)	-36	-99	-70	-105	-28	77	-73%	-120	-203	-83	69%
Others	-7	-9	-4	-65	-1	64	nm	-27	-70	-43	nm
PROFIT BEFORE TAXES	40	-135	48	32	41	9	26%	176	121	-55	-31%
Taxes	0	86	-14	-3	-13	-10	nm	-15	-30	-15	nm
NET INCOME	40	-49	33	30	27	-3	-7%	161	90	-71	-44%
NET INCOME ATTRIBUTABLE	42	-38	38	35	27	-8	-23%	167	100	-67	-40%

Note: The 9M15 income statement has been restated following the application of IFRIC 21

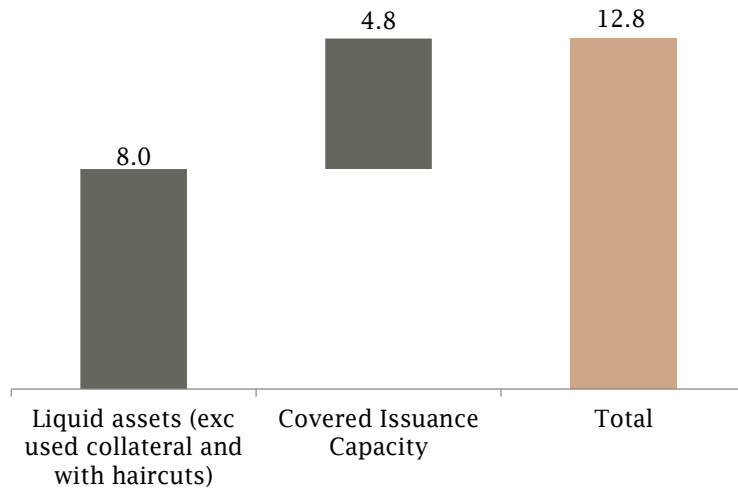
Agenda

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

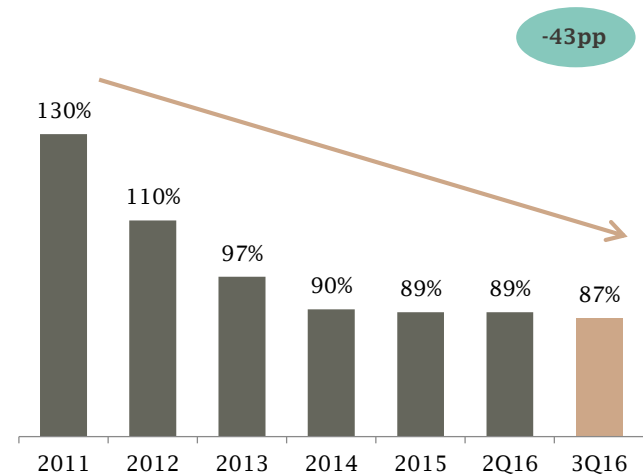
Liquidity position

Liquidity

Liquidity position. (€ bn)



LtD Liberbank



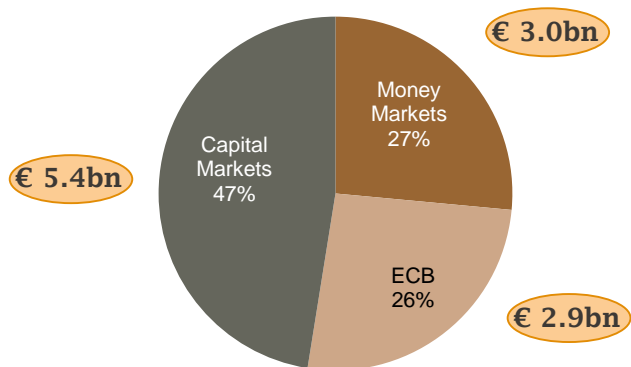
- Liberbank maintains a strong liquidity position.
- LCR stands at 396% as of Sep16, well above requirements.

Wholesale funding. Overview

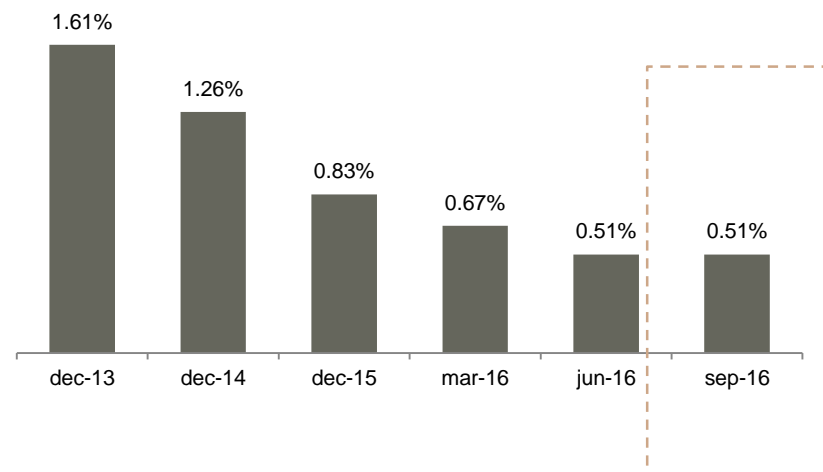
Wholesale funding

Wholesale Funding Breakdown

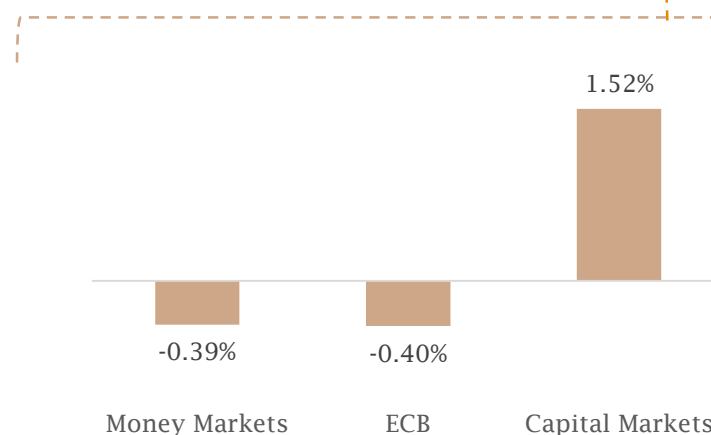
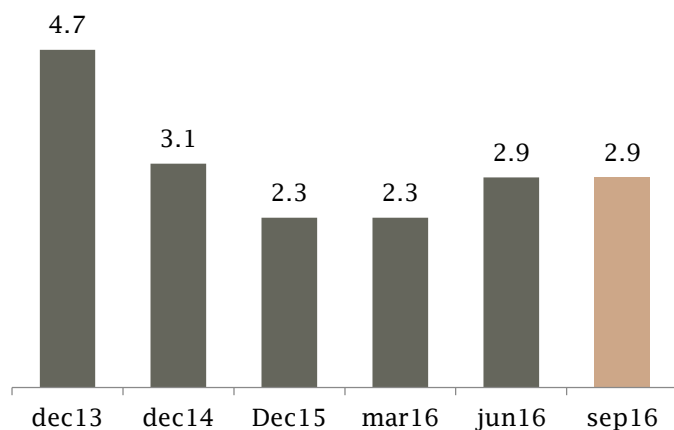
TOTAL - €11.3bn⁽¹⁾



Wholesale Funding Price Evolution (%)



ECB funding position (€ bn)



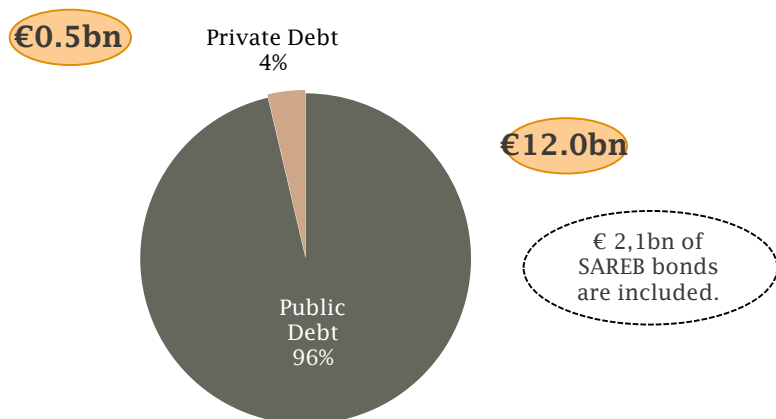
1. Excluding retained Covered Bonds. Not including AT1 CoCos
Source: Liberbank Treasury (inventarios)

Fixed Income portfolio

Fixed Income Portfolio

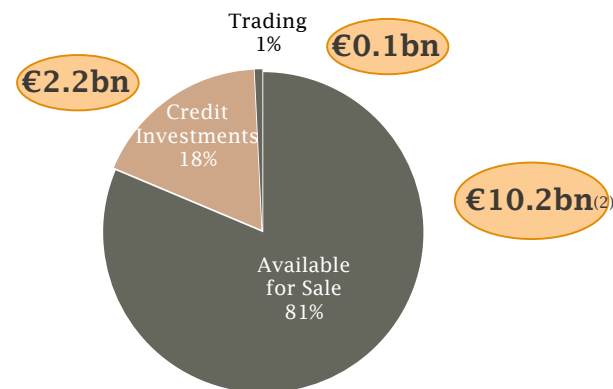
Fixed Income Portfolio by Issuer⁽¹⁾

TOTAL - €12.5bn



Fixed Income Portfolio breakdown⁽¹⁾

TOTAL - €12.5bn



Fixed Income Portfolio⁽³⁾

Breakdown	Yield	Duration	Unrealised gains
Available for Sale	1.73%	1.99	314
Credit Investments	0.16%	0.26	2
TOTAL	1.43%	1.67	316

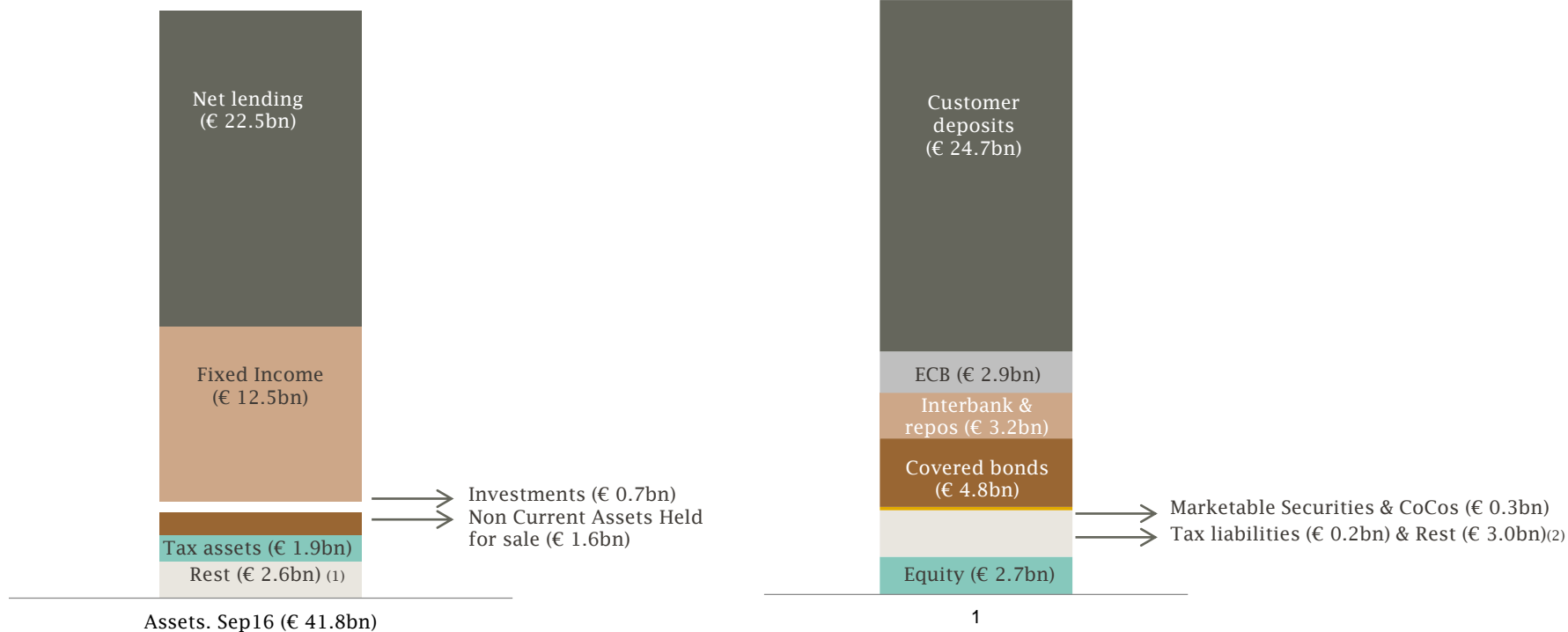
1. Accounting values. Including retained Covered Bonds. Including accrued coupon
 2. Including unrealised capital gains as of 30th of September 2016
 3. Weighted average duration in years. Not including trading portfolio

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



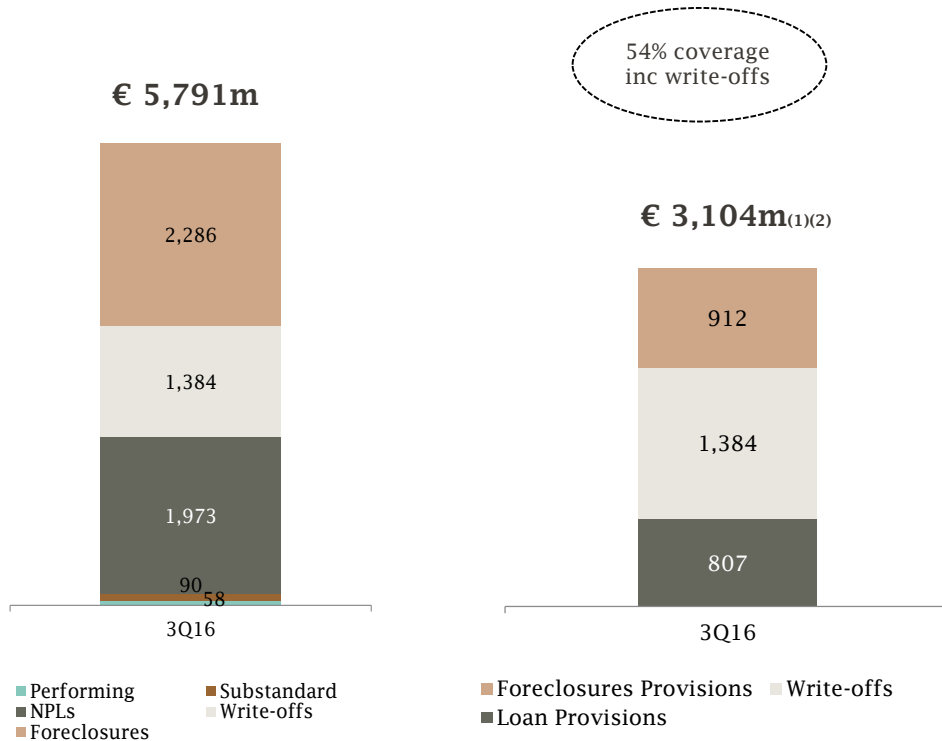
(1) Rest of assets include cash and interbank deposits, tangible and intangible assets and derivative hedging among others

(2) Rest of liabilities include APS non used, provisions, accrued interests and micro-hedging among others

Asset Protection Scheme

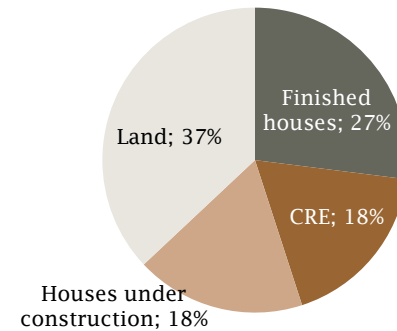
- Current provisions for the portfolio derive from an independent expert valuation which is reviewed every 6 months and based on an Expected Loss analysis (vs BoS provisioning calendar). At Sep2016 the amount of the APS which has not been used to build provisions is €420m.
- Assets covered by the APS have 0% weight in RWAs as long as the non used amount of the APS is higher than 12% of the APS portfolio book. The APS will mature at the end of December 2016, the latest, leading to an increase of RWAs. The net book value of the portfolio is Eur 2.7bn at September 2016 (deducting the APS not consumed).

APS portfolio

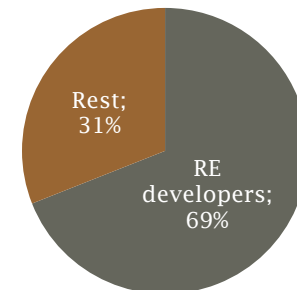


APS portfolio Breakdown

Foreclosures. € 2,286m



Loan book. € 2,122m

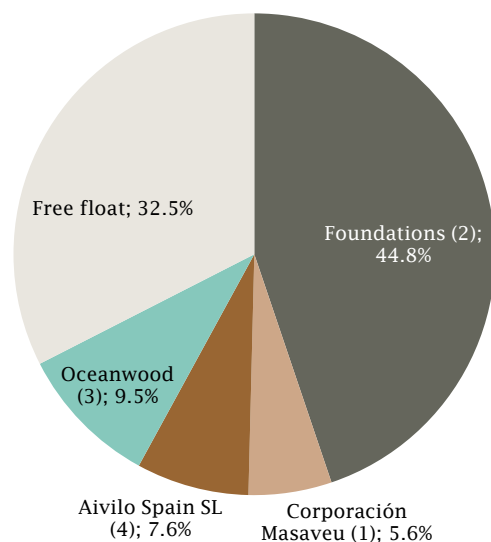


(1) It does not include the generic provision allocated to NPLs and foreclosures (€ 146m and € 84m respectively)
 (2) APS not consumed of € 420m is allocated to loans and foreclosures

Shareholders and Book Value

Appendix

Shareholder base



(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, latest data available as of 27th October 2016

Book value and Tangible Book Value

Sep-16		Fully Diluted
# New shares (m)		89
# O/S shares (m)	909	998
BV (exc minorities). Eur m	2,587	2,710
TBV. Eur m ⁽¹⁾	2,472	2,595
BVps (Eur)	2.85	2.72
TBVps (Eur)	2.72	2.60
Last price (Eur)	0.93	0.93
PBV	0.33x	0.34x
PTBV	0.34x	0.36x

(1) Intangibles deduction
 Note: last price for CoCos conversion purpose as of 27th of October (Eur 0.93sh)

Outstanding CoCos.

AT1 (CoCos)	Outstanding Amount (Eur m) ⁽¹⁾	Coupon	Min Strike	Maturity
Serie A	11	5.0%	9.72	17-Jul-2018
Serie B	3	5.0%	6.39	17-Jul-2018
Serie C	107	7.0%	1.23	17-Jul-2018
TOTAL	121			

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

Liberbank

Institutional Investors & Analysts Contact

Relacion.inversores@liberbank.es

+ 34 91 422 58 37