

# Financial Results 2Q19

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August 1st 2019

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# Main targets

|                      | 2019YE target      | 2Q19      |          |
|----------------------|--------------------|-----------|----------|
| NPL Ratio            | < 3.0%             | 4.1%      | On track |
| NPA Ratio            | < 8.0%             | 10.46%    | On track |
| Texas ratio          | 55%                | 63%       | On track |
| CET1-FL              | > 12.0%            | 12.80%    | ✓        |
| Performing Loan Book | + Mid single digit | +8% YoY   | ✓        |
| NII                  | + Mid single digit | +4.1% YoY | ✓        |
| Recurrent fee income | + Mid single digit | +2.5% YoY | On track |
| Operating costs      | < € 400m           | -3.5% YoY | ✓        |
| Cost of risk         | < 25bp             | 25bp      | ✓        |

# Key Highlights

## Commercial activity

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- ➔ **Loan performing book** increased € 1.7bn, **+7.6% YoY (+8.1% LfL<sup>(1)</sup>)**:
  - **Mortgages:** +4.0% YoY (+4.9% LfL<sup>(1)</sup>).
    - 2H focus. Accelerate the 2019 new production target (+20% vs initially planned).
    - Core product with attractive profitability and low risk (NPL ratio 2.9%), RAROC at c.14% under standard models (+3.5pp return from cross-selling).
  - **Corporates:** +2.9% YoY. Focus in existing customers, increasing wallet share.
  - **Consumer & others:** +10.7% YoY. Growth based in pre-approved loans.
  
- ➔ **Customer funds growth** reflects franchise strength (+€ 1.5bn, **+4.9% YoY**).
  - **Mutual funds increased +10% YoY** vs -6% for the sector and fee income +20% vs 1H18 due to more profitable mix. Launch of innovative products should support future growth.
  - **Customer funds on balance sheet +5.0% YoY.**
  - **Customer funds per branch** have increased 71% during the last three years.
  
- ➔ **Customer service.** Liberbank stands as the best national bank in Spain<sup>(2)</sup>. This reflects a strong effort on commercial activity and quality customers service while restructuring the branch network.
  
- ➔ **Agreements with third parties, open banking:** Google Cloud and Atmira agreement and launch of Google pay and Samsung pay.

(1) LfL adjusting for the new mortgage law temporary slow down  
(2) Equos index as of Jun2019

# Key Highlights

## Profitability

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- **NII improves +4.1% YoY.**
  - Customer spread increases +4bp QoQ
  - Front book lending yields (exc. public sector) stand 75bp above the back book yields.
  - c.50% of the mortgage book is not affected by recent fall and potential further decline of Euribor.
  - Room to reduce customer funds cost further.
  - We reiterate our mid single digit growth guidance for 2019 based on volumes growth, higher front book yield, lower wholesale and retail funding costs and mild impact coming from Euribor falls.
  
- **Recurrent fees improve +2.5% YoY supported by:**
  - Mutual funds (+20%) and insurance business (+12%).
  - Mutual funds plus insurance net income<sup>(2)</sup> represent c.50% of the total net income (exc trading).
  
- **Operating costs<sup>(1)</sup> down 3.5% YoY.**
  - Commercial productivity stands as second best practice among Spanish banks.
  - Restructuring executed during the 1H19 (1.5x payback ratio) supports 2019 guidance and maintain costs under control going forward.
  - Agencies (currently 19% of the network) keep evolving and allow us to variabilize costs while maintaining our footprint in some regions and full risk control.
  
- **Recurrent cost of risk stands at 25bp in 2Q19. Lower NPL entries support guidance.**

(1) Including amortization

(2) Including fees, equity accounted income and dividends

# Key Highlights

## Asset quality

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- NPAs down 6% QoQ and 28% YoY (€ 1.1bn). **NPA ratio** drops to 10.46%.
- **NPL ratio at 4.1%**, well below the sector and 2<sup>nd</sup> best among listed banks<sup>(1)</sup>. **NPL entries** down 13% YoY.
- **Gross real estate asset outflows** of € 143m in the quarter of which 41% is land while coverage remains flattish at 50%.
- **Texas ratio** drops to 63%.

## Solvency<sup>(2)</sup>

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- **CET1 fully-loaded improved to 12.80%** (+35bp QoQ) supported by organic generation and NPAs reduction, that more than offset dividend accrual and lending growth.
- CET1 phased-in ratio stands at 14.3% and total capital ratio at 15.9%.
- **IRB models.** We are pleased to announce that after carrying out a comprehensive review, the ECB formally communicated in July 2019 that Liberbank was ready to move to the last stage of the process.

## Others

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- **Shareholders remuneration.**
  - **Cash dividend** payment of € 22m during the 2Q against 2018 results. Current payout accrual of 20% and plan to increase the payout to 40% in 2020.
  - **Cancellation** of treasury stock during July (26m shares, 0.84% of outstanding shares).
  - **TBVps<sup>(3)</sup>** increased to € 0.94/sh (+8.5% YtD inc. dividend payment).
- **Strong liquidity position.** LCR ratio stands at 249%, NSFR at 120% and LtD at 95%.

(1) NPLs over gross loan book as of Jun19. SAN and BBVA refers to the Spanish business

(2) The solvency ratios include the profit attributable and accrue a dividend payment payout of 20%.

(3) Including July cancellation of the Treasury stock (26m shares)

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# Agenda

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1. Commercial Activity

2. Results analysis

3. Asset Quality

4. Solvency

5. Liquidity and Fixed Income portfolio

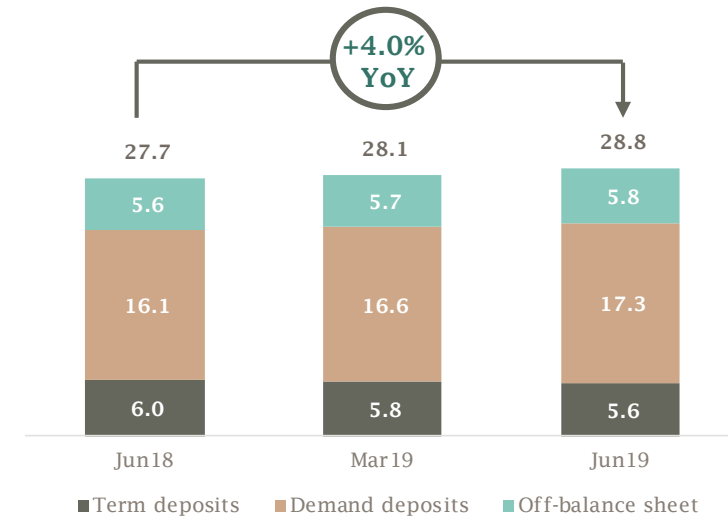
6. Appendix

# Customer funds

Customer Funds. Eur m

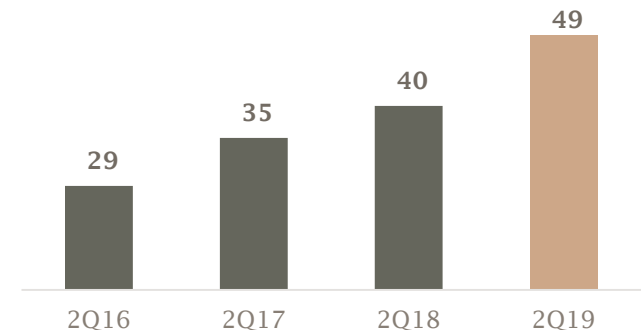
| Eur m                                  | 2Q18          | 1Q19          | 2Q19          | QoQ         | YoY         |
|--|---------------|---------------|---------------|-------------|-------------|
| <b>Customer Funds</b>                  | <b>29,517</b> | <b>29,988</b> | <b>30,971</b> | <b>3.3%</b> | <b>4.9%</b> |
| <b>Customer Funds on Balance Sheet</b> | <b>23,930</b> | <b>24,313</b> | <b>25,129</b> | <b>3.4%</b> | <b>5.0%</b> |
| Public Institutions                    | 1,800         | 1,904         | 2,193         | 15.2%       | 21.8%       |
| Retail Customer                        | 22,130        | 22,409        | 22,936        | 2.4%        | 3.6%        |
| Demand deposits                        | 16,112        | 16,629        | 17,337        | 4.3%        | 7.6%        |
| Term deposits                          | 5,977         | 5,778         | 5,599         | -3.1%       | -6.3%       |
| Other                                  | 40            | 1             | 0             | ns          | ns          |
| <b>Off-balance sheet</b>               | <b>5,587</b>  | <b>5,675</b>  | <b>5,842</b>  | <b>2.9%</b> | <b>4.6%</b> |
| Mutual funds                           | 3,074         | 3,239         | 3,394         | 4.8%        | 10.4%       |
| Pension Plans                          | 1,493         | 1,460         | 1,467         | 0.5%        | -1.7%       |
| Insurance Funds                        | 1,021         | 976           | 982           | 0.6%        | -3.9%       |

Customer Funds Eur bn  
(exc. Public Institutions).



- Customer funds (+€ 1.5bn YoY, +4.9% YoY). Increasing market share in our core regions and Madrid.
- In a challenging environment for the sector, mutual funds keep growing with a more profitable mix (+10% YoY).
- Branch productivity remains strong. Customer funds per branch have increased 71% during the last three years.

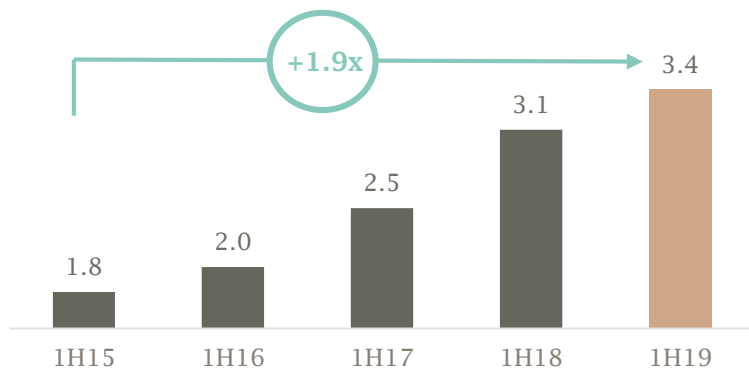
Customer Funds per branch. Eur m



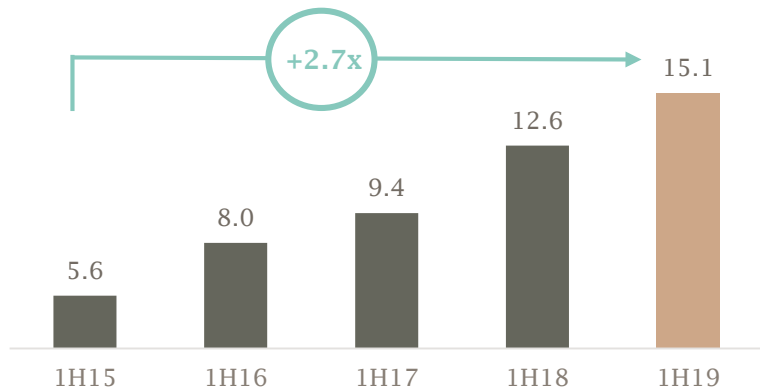


# Off balance sheet

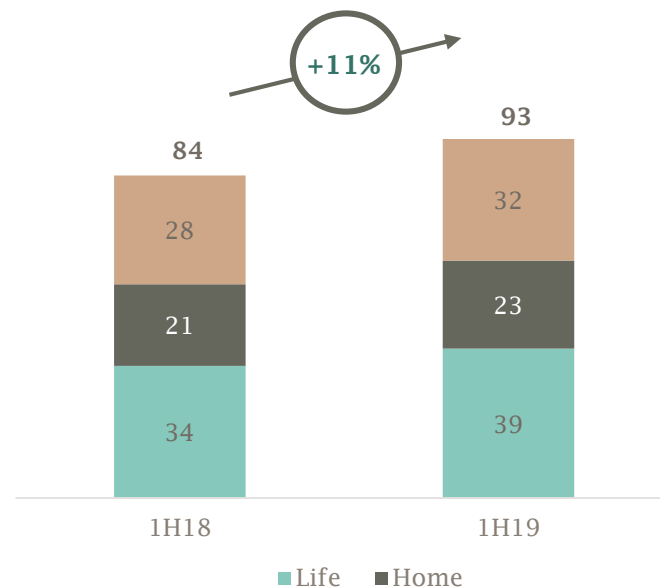
Mutual funds AuMs. Eur bn.



Mutual funds fees. Eur m



Insurance premiums Eur m



|                                      |        |        |     |
|--------------------------------------|--------|--------|-----|
| Revenues contribution <sup>(1)</sup> | € 27 m | € 28 m | +6% |
|--------------------------------------|--------|--------|-----|

- Mutual funds plus insurance net income represent c.50% of the total net income (exc trading).
- Mutual funds AuMs increased +10% YoY vs -6% for the sector. Net subscriptions and fee income accelerate even further.
- Insurance premiums increase +11% YoY and recurrent revenue increases +6% 1H19 vs 1H18.

(1) Recurrent revenues from dividends, equity accounted income and fees

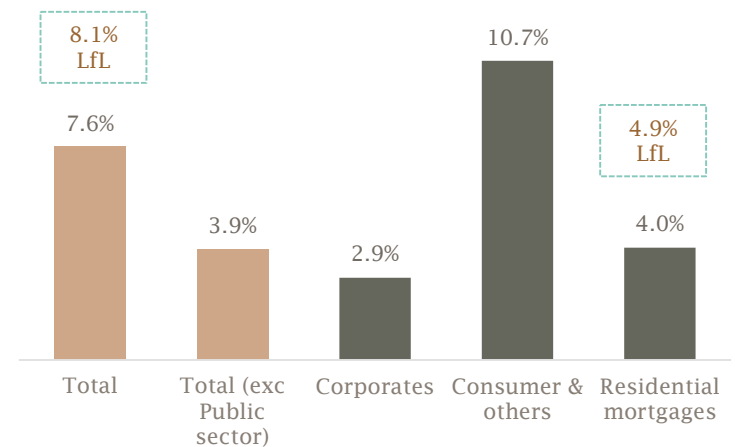
# Lending

## Performing Loan book breakdown. Gross. Eur m

| Eur m  | 2Q18          | 1Q19          | 2Q19          | QoQ          | YoY         |
|--|---------------|---------------|---------------|--------------|-------------|
| Public Sector                                    | 1,712         | 2,280         | 2,575         | 12.9%        | 50.4%       |
| <b>Loans to businesses</b>                       | <b>5,607</b>  | <b>5,745</b>  | <b>5,771</b>  | <b>0.5%</b>  | <b>2.9%</b> |
| Real Estate Developers                           | 217           | 321           | 281           | -12.3%       | 29.9%       |
| Other corporates                                 | 5,390         | 5,424         | 5,490         | 1.2%         | 1.8%        |
| <b>Loan to individuals</b>                       | <b>13,957</b> | <b>14,462</b> | <b>14,566</b> | <b>0.7%</b>  | <b>4.4%</b> |
| Residential mortgages                            | 13,187        | 13,640        | 13,714        | 0.5%         | 4.0%        |
| Consumer and others                              | 770           | 822           | 852           | 3.7%         | 10.7%       |
| <b>Other loans<sup>(1)</sup></b>                 | <b>591</b>    | <b>325</b>    | <b>614</b>    | <b>88.7%</b> | <b>3.8%</b> |
| <b>Total performing book</b>                     | <b>21,867</b> | <b>22,812</b> | <b>23,525</b> | <b>3.1%</b>  | <b>7.6%</b> |
| <b>Total performing book (exc Public sector)</b> | <b>20,155</b> | <b>20,532</b> | <b>20,951</b> | <b>2.0%</b>  | <b>3.9%</b> |

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

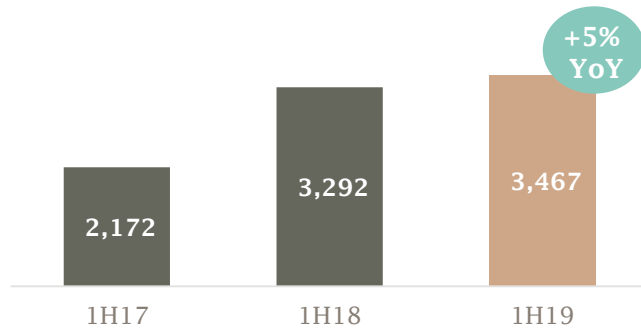
## Performing loan book growth. YoY



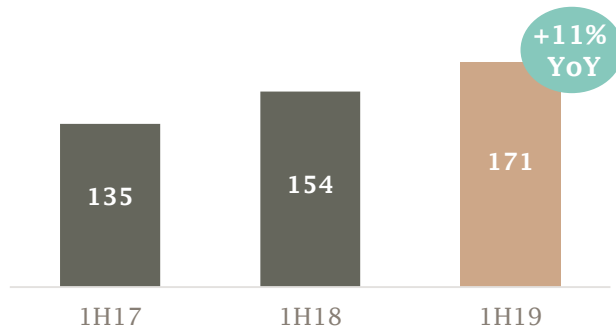
- **Sustained growth** (+7.6% YoY, +8.1% LfL), focus on residential mortgages due to more attractive risk/return reward.
- **Mortgage book** maintains the good pace with +4.0% YoY despite the new mortgage law that slowed down the production at the end of the quarter (+4.9% LfL).
- **Consumer book and corporate book** continue delivering a good growth (+10.7% YoY and +2.9% YoY respectively).

# Lending: new production

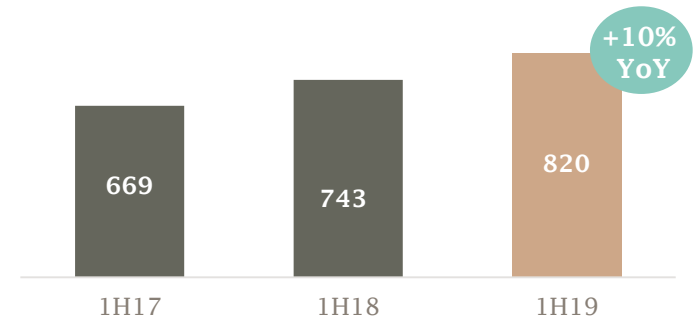
Total lending. Eur m



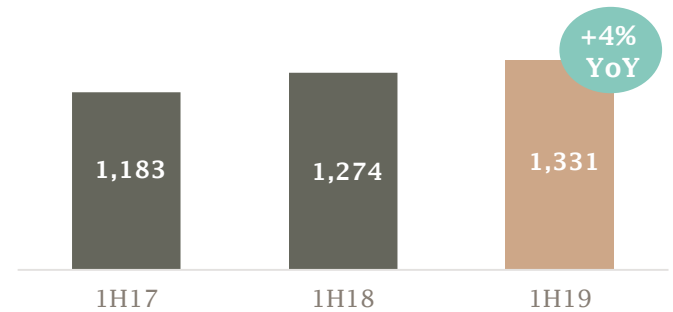
Consumer lending. Eur m



Residential mortgage<sup>(1)</sup>. Eur m



Corporates. Eur m



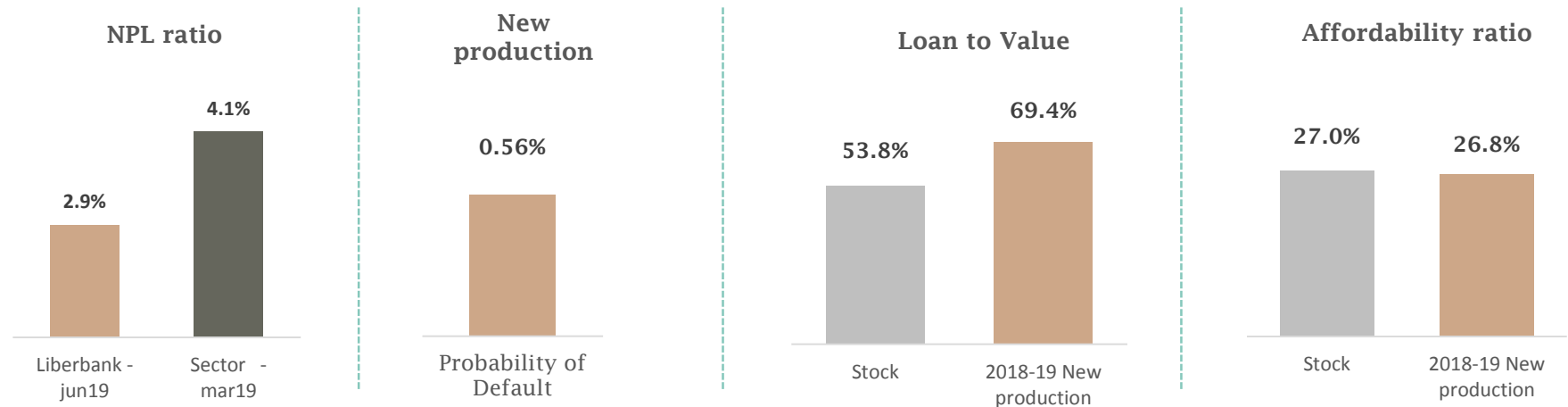
- **Mortgage book** affected by the new mortgage law. On a LfL basis new production grows +10% YoY. Strong risk profile, use of internal models and low LtVs (< 70% on avg.). We plan to increase 2019 new production in the 2H (+20% over the initial budget). July new production consistent with the new target.
- **Consumer lending.** New production is coming mostly from existing customers through pre-approved and top-up campaigns.
- **Corporate lending.** Focus in existing customers, increasing wallet share.

(1) Data for 2018 and 2019 as of 15<sup>th</sup> of June in order to compare on a LfL due to the temporary impact of the new mortgage Law

# Mortgage portfolio

- ✓ A profitable product with low risk.
- ✓ **RAROC** of new production under standard models stand at c.**14%** (+3.5pp return from cross-selling).
- ✓ **Front book yield** stand at **199bp vs 133bp** at back book (+50bp return from cross selling).
- ✓ c.60% of the new production at **fixed rate**. **50% of the stock not affected by lower euribor**.
- ✓ c.76% of the new production with new customers, more committed and sticky
- ✓ c.77% of the new production originated in home regions and Madrid and Valencia.

## Liberbank's core product **with low risk and low volatility**



# Commercial activity

## Payment solutions: Increasing transactional banking

### Credit & Debit Cards



|                |                 |
|----------------|-----------------|
| € Transactions | <b>+13% YoY</b> |
| # Cards        | <b>+2% YoY</b>  |

Liberbank con  
Apple Pay.

Liberbank | Apple Pay



## Working capital solutions

Increasing transactions, after a strong 2018  
Factoring, confirming, commercial discount and leasing

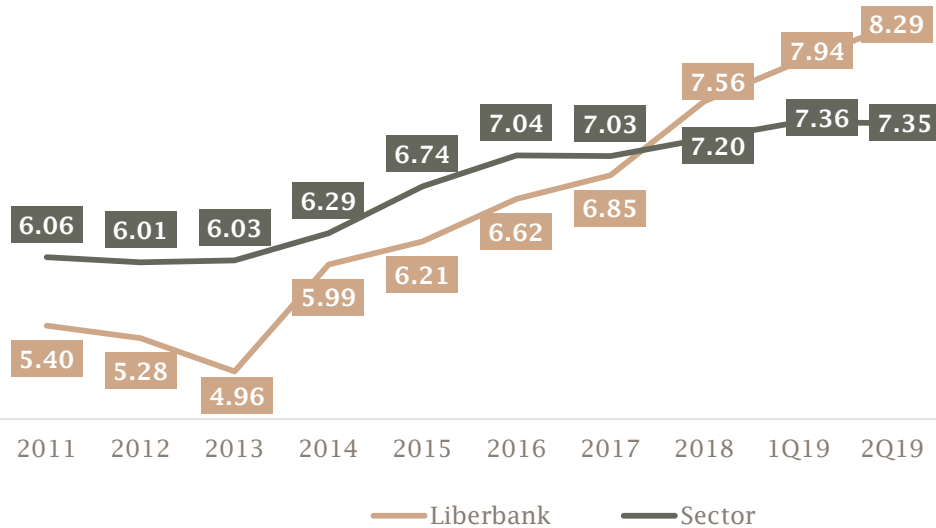
|                       |                  |
|-----------------------|------------------|
| 2018 € new production | <b>+54 % YoY</b> |
| 1H19 € new production | <b>+7 % YoY</b>  |

## Retail anchor products

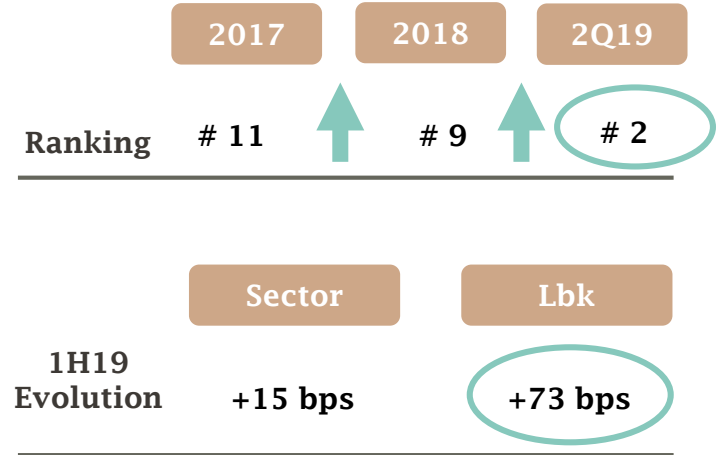
Payroll accounts **+4 % YoY**

# Quality levels

## Service quality: Benchmark



## Liberbank: Evolution



Source: STIGA, EQUOS (Estudio de Calidad Objetiva Sectorial)

- Liberbank stands as the best national bank and second best bank in Spain in terms of service quality. This reflects a strong effort on commercial activity and quality customers service while restructuring the branch network.
- The gap versus the sector keeps widening.

# Digital transformation



## Digital Clients

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Active digital clients over total clients **32.4%**

Active digital clients **+14.5% YoY**



## Digital Sales and transactions

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Consumer loans through digital channels **+75% YoY**

New customer accounts are digital **+5x YoY**



## Open banking & digital channels

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- ✓ Agreement with **Google Cloud** and **Atmira**  
Development of analytics solution based on cloud technology



- ✓ Launch of **Google Pay** and **Samsung Pay**



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# Agenda

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1. Commercial Activity

2. Results analysis

3. Asset Quality

4. Solvency

5. Liquidity and Fixed Income portfolio

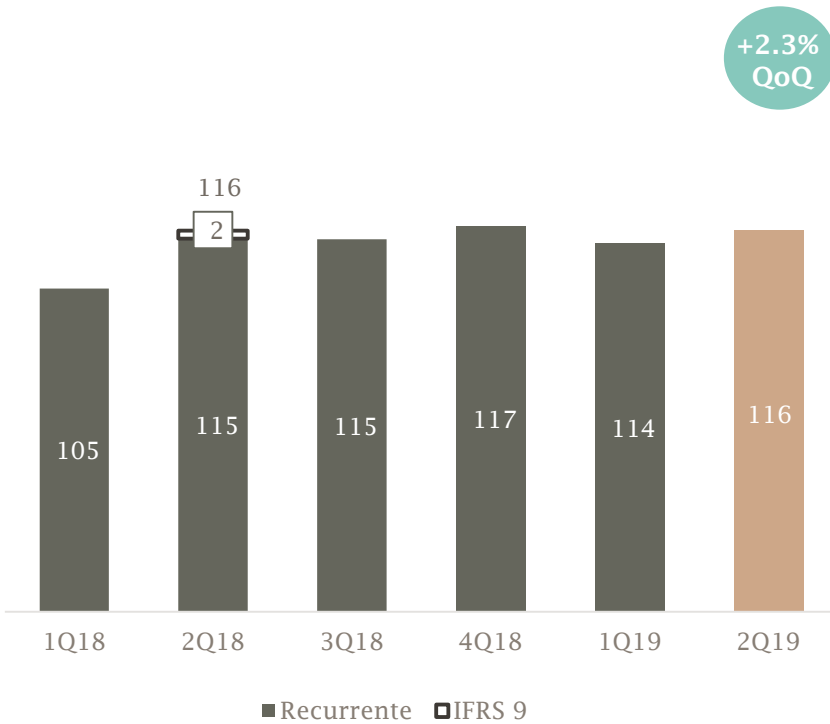
6. Closing remarks

7. Appendix

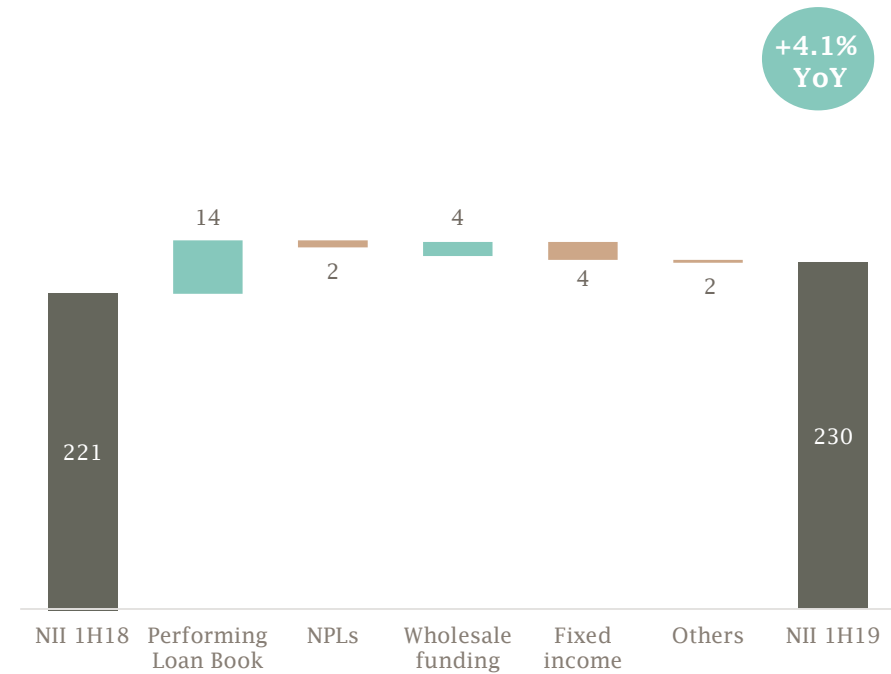


# Net Interest Income

NII performance. Eur m



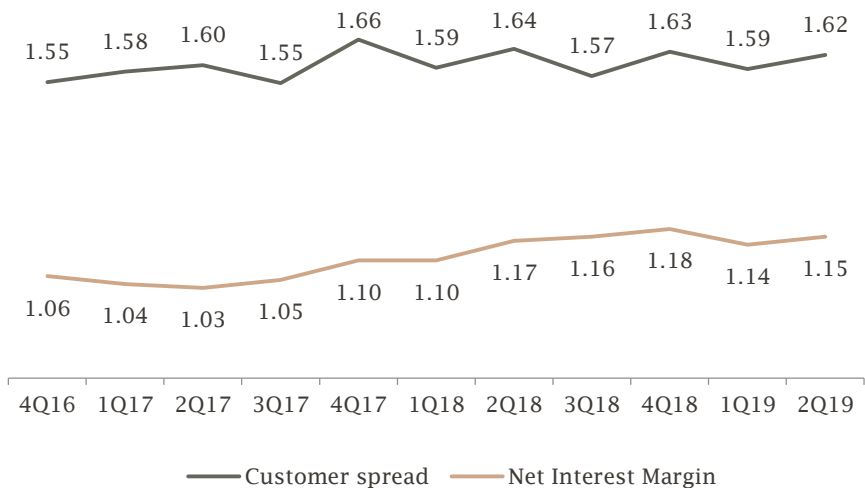
Recurrent NII breakdown. Eur m



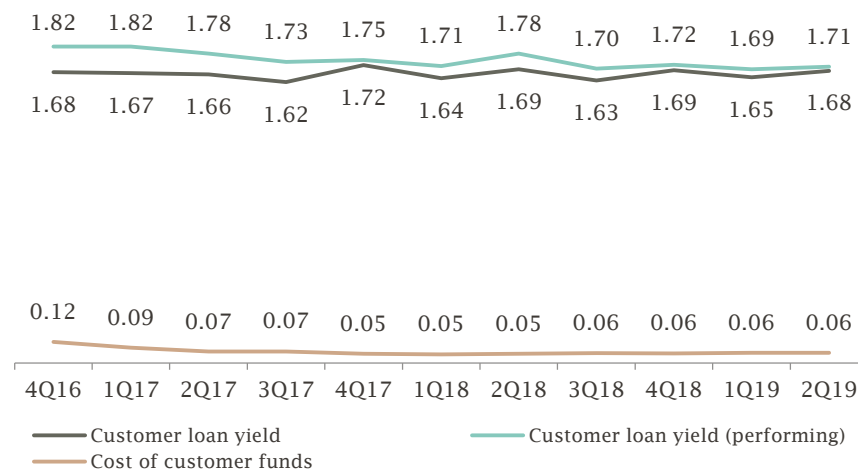
- NII increased by 4.1% in 1H19 vs 1H18, in line with our mid single digit target.
- Strong lending growth and lower cost of wholesale funding more than offset the lower contribution of the fixed income portfolio.

# Net Interest Income: Margins

## Margin performance (%)<sup>(1)</sup>



## Customer loan yield and cost funds (%)<sup>(1)</sup>



(1) 4Q16 and 2Q18 NIM and customer spread exclude € 7m and € 2m of extraordinary interest income  
 Note: NIM = NII / ATAs

- Customer spread improves +4pb QoQ. Annual comparison is affected by lower euribor that is partially offset by higher front book yields.
- NIM increases +1bp QoQ. Annual comparison also affected by lower euribor.

# Net Interest Income: Asset yields

## Quarterly yields on lending. Basis points <sup>(1)</sup>

|                                 | 2Q18 | 3Q18 | 4Q18 | 1Q19 | 2Q19 |
|---------------------------------|------|------|------|------|------|
| <b>Total loan book (yield)</b>  |      |      |      |      |      |
| Back Book                       | 175  | 170  | 172  | 169  | 171  |
| Front Book                      | 182  | 212  | 207  | 149  | 149  |
| Front Book (Exc. Public sector) | 212  | 229  | 227  | 234  | 246  |
| <b>Mortgages (yield)</b>        |      |      |      |      |      |
| Back Book                       | 121  | 124  | 126  | 128  | 133  |
| Front Book <sup>(2)</sup>       | 192  | 191  | 190  | 195  | 199  |
| <b>SMEs (yield)</b>             |      |      |      |      |      |
| Back Book                       | 243  | 243  | 242  | 233  | 238  |
| Front Book                      | 270  | 251  | 256  | 260  | 271  |

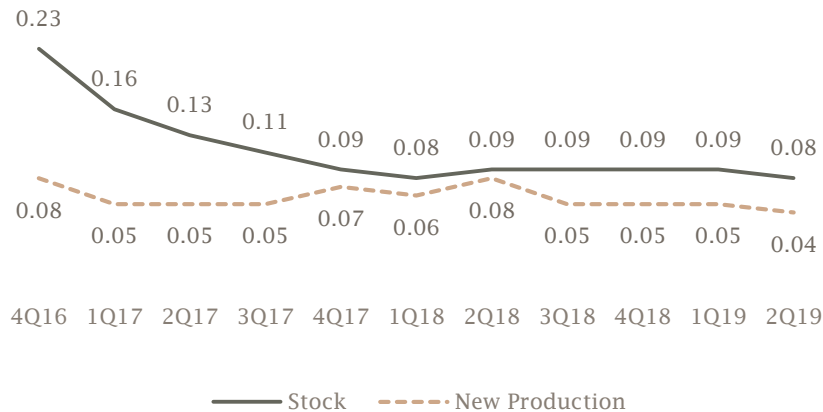
(1) The above rates refer to the drawn amounts and reflect actual contribution to NII

(2) Mortgages front book have higher yield during the first 18 months than the ones reflected above

- Front book yields (exc. public sector) stand 75bp above back book.
- Mortgage and SMEs yields on new lending production continue to stay well above stock.
- 60% of mortgages new production at fixed rate during the year.

# Net Interest Income: Cost of funding

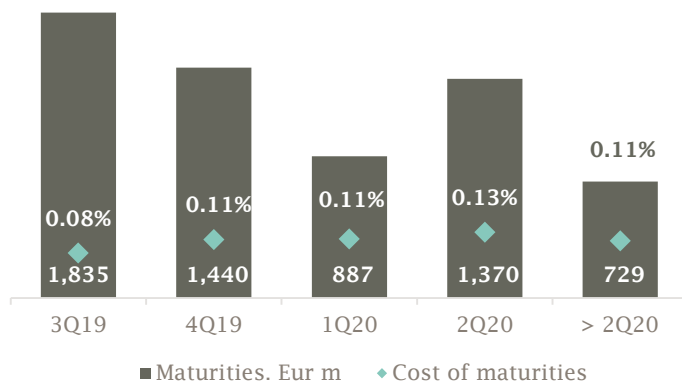
## Term deposit cost performance (%)



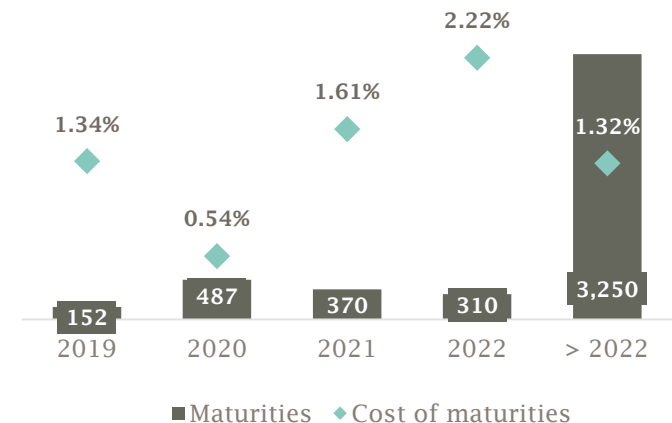
→ New term deposits slightly down while customer resources increase. Room to reduce cost further.

→ Manageable wholesale funding maturities.

## Term Deposits. Maturity, cost and volume<sup>(1)</sup>



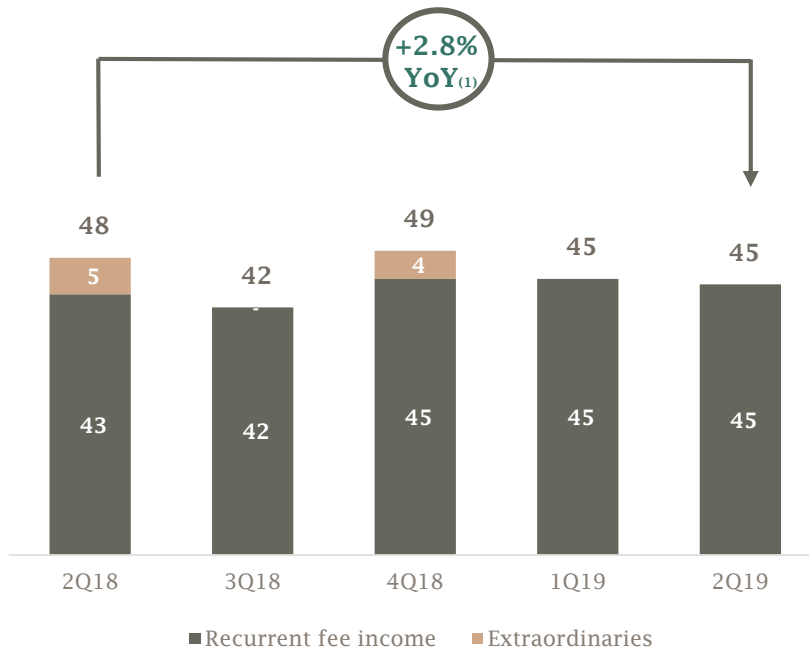
## Capital Markets Maturities (Eur m)



(1) It includes deposits in currencies different to euro

# Fee Income

## Fee income performance (Eur m)



## Fee income breakdown

| Eur m                     | 1Q18 | 2Q18 | 1Q19 | 2Q19 | 1H18 | 1H19 | YoY(%) |
|---------------------------|------|------|------|------|------|------|--------|
| <b>TOTAL FEES</b>         | 45   | 48   | 45   | 45   | 93   | 90   | -2.6%  |
| <b>Recurrent net fees</b> | 45   | 43   | 45   | 45   | 88   | 90   | 2.5%   |
| Banking fees              | 27   | 28   | 27   | 28   | 56   | 55   | -2.8%  |
| Non-banking fees (1)      | 17   | 15   | 19   | 17   | 32   | 36   | 12.1%  |
| Mutual Funds              | 6    | 6    | 7    | 8    | 13   | 15   | 19.8%  |
| Insurance                 | 9    | 6    | 10   | 7    | 15   | 17   | 11.6%  |
| Others                    | 2    | 2    | 2    | 2    | 4    | 3    | -11.2% |
| <b>Non recurrent fees</b> | 0    | 5    | 0    | 0    | 5    | 0    | na     |

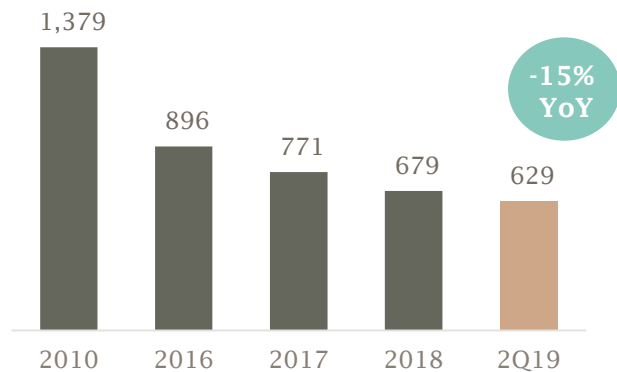
Note: Others include brokerage and pension funds among others

### → Recurrent fees increase +2.5% in 1H19 vs 1H18.

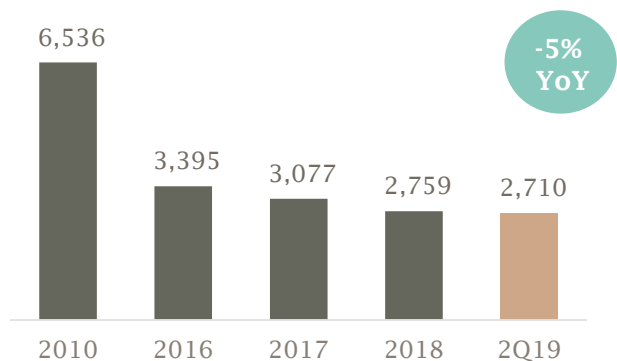
- Non-banking fees increase +12% supported by mutual funds and insurance business (+20% and +12% respectively). Quarterly comparison affected by life insurance seasonality.
- Banking fees remain resilient despite competition and lower NPL contribution reflecting strong commercial dynamics.

# Costs

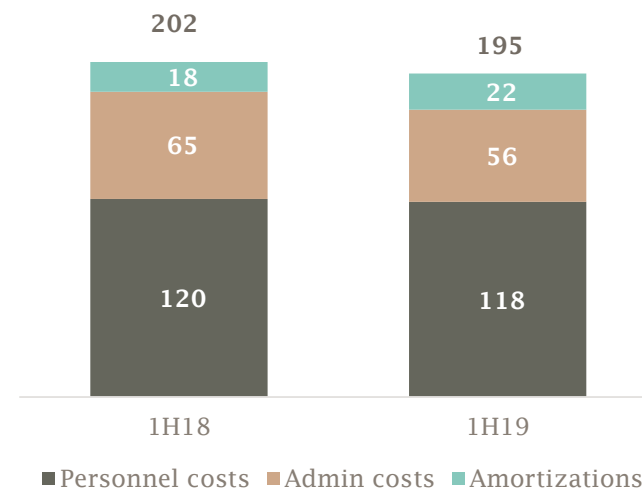
## Number of branches



## Number of FTEs



## Costs performance. Eur m



|                               | 1H18 | 1H19 |
|-------------------------------|------|------|
| Cost to Income                | 56%  | 58%  |
| Cost to Income (exc. trading) | 61%  | 61%  |

→ Operating expenses fall by 3.5% YoY supported by personnel and administrative costs (-1.4% and -14.1% respectively) that more than offset higher amortizations and digital investments.

→ Liberbank reduced the branch network by 15% and FTEs by 5% during the last 12 months. Restructuring costs booked during 2019 have a payback of 1.5yr that should support a low cost base going forward.

# Banking Agencies



149 Agents

## Weight of Agents' network over Liberbank's network

|                |     |
|----------------|-----|
| # Branches     | 19% |
| # Customers    | 8%  |
| Customer funds | 6%  |
| On B/S         | 6%  |
| Mutual Funds   | 4%  |
| Lending        | 4%  |



## Relationship model

- Banking model and KPIs aligned with commercial and corporate targets
- Cost-efficient model with variable distribution cost
- Enhances commercial productivity of the branch
- Ability to maintain bank footprint in smaller populations

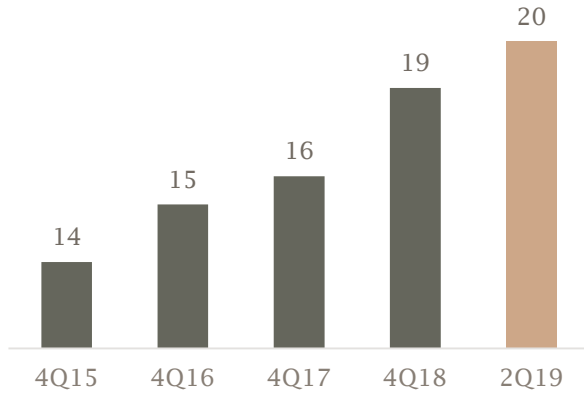


## Risk Management & commercial model

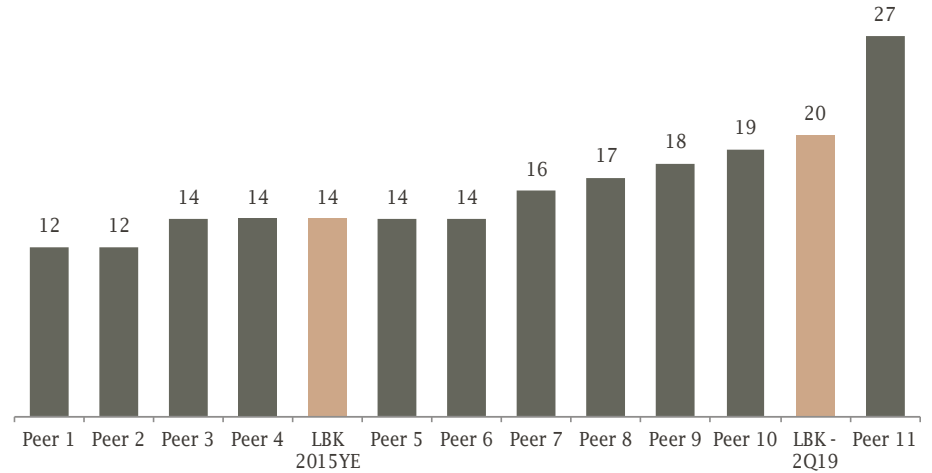
- Demand generators, no attributions to grant credit
- Risk management is fully operated by Liberbank

# Commercial productivity

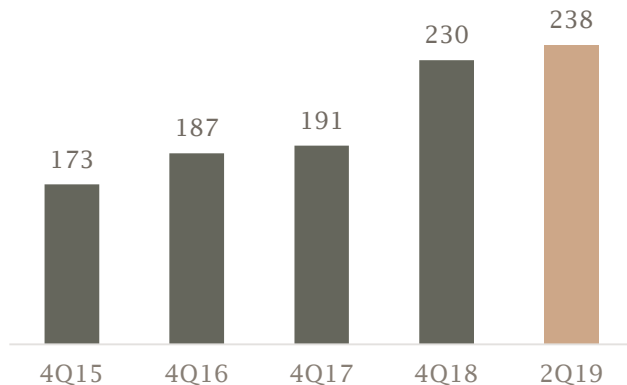
**LBK business volume<sup>(1)</sup> per employee<sup>(2)</sup>. Eur m**



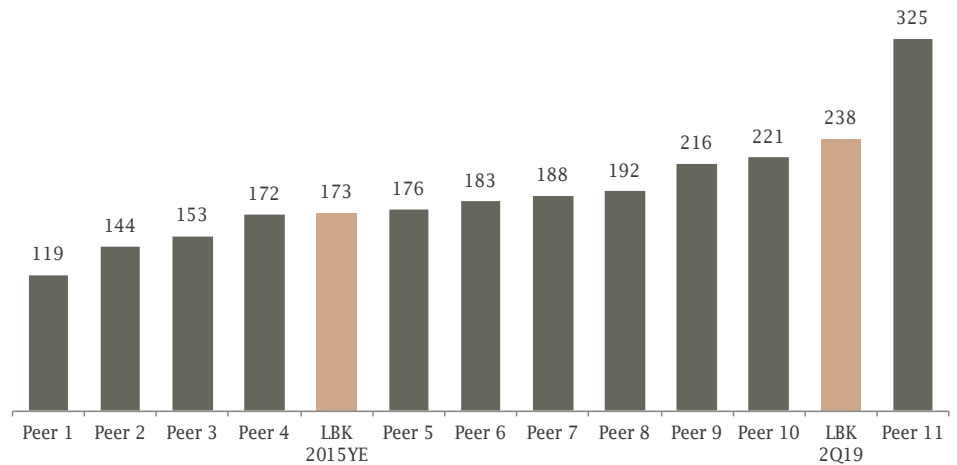
**Business volume<sup>(1)</sup> per employee<sup>(2)</sup>. Eur m**



**NII + fees per employee<sup>(2)</sup>. Eur '000s**



**NII + fees per employee<sup>(2)</sup>. Eur '000s**

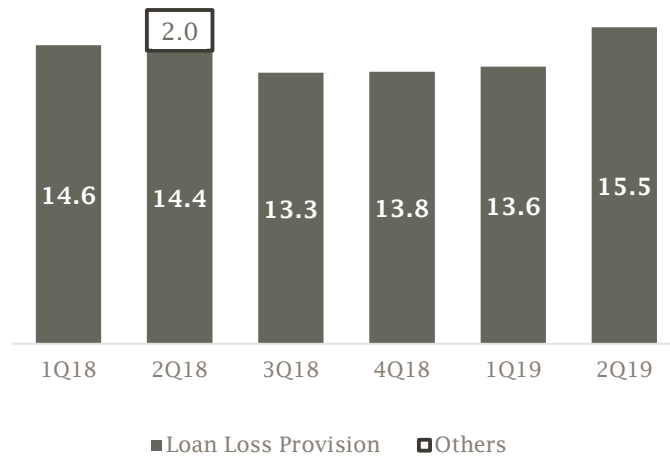


(1) Business volume = gross lending and customer funds.  
 (2) Data from peers as of December 2018. Spanish banking business when possible. FTEs for Liberbank

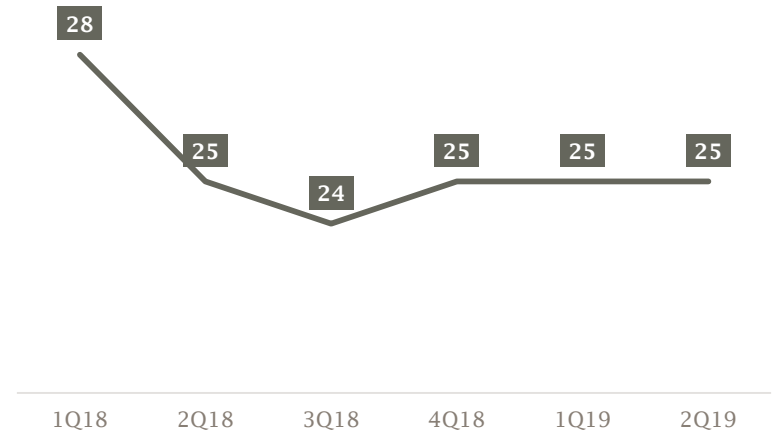


# Impairments

Impairments on financial assets. Eur m



Cost of risk (bps) (1)



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

→ New NPL entries keep falling while loan book increases.

→ Loan loss provisions similar to previous quarters, maintaining cost of risk in line with the 25bps target.

# P&L

| €m                                  | 1Q18       | 2Q18       | 3Q18       | 4Q18       | 1Q19       | 2Q19       | Var. 2Q19 vs 1Q19 |             | 1H18        |             | 1H19       |             | Var. 1H19 vs 1H18 |  |
|-------------------------------------|------------|------------|------------|------------|------------|------------|-------------------|-------------|-------------|-------------|------------|-------------|-------------------|--|
|                                     |            |            |            |            |            |            | €m                | %           | €m          | €m          | €m         | %           |                   |  |
| Interest Income                     | 127        | 140        | 135        | 139        | 134        | 138        | 4                 | 3%          | 268         | 272         | 4          | 1%          |                   |  |
| Interest Cost                       | -23        | -24        | -21        | -22        | -20        | -21        | -1                | 5%          | -47         | -42         | 5          | -11%        |                   |  |
| <b>NET INTEREST INCOME</b>          | <b>105</b> | <b>116</b> | <b>115</b> | <b>117</b> | <b>114</b> | <b>116</b> | <b>3</b>          | <b>2%</b>   | <b>221</b>  | <b>230</b>  | <b>9</b>   | <b>4%</b>   |                   |  |
| Dividends                           | 0          | 4          | 0          | 1          | 5          | 0          | -5                | nm          | 4           | 6           | 1          | 25%         |                   |  |
| Results from equity method stakes   | 2          | 22         | 2          | 3          | 2          | 21         | 19                | nm          | 24          | 23          | -1         | -4%         |                   |  |
| Net fees                            | 44         | 48         | 42         | 49         | 45         | 45         | -1                | -2%         | 93          | 90          | -2         | -3%         |                   |  |
| Gains on financial assets & others  | 26         | 3          | 6          | -3         | 5          | 12         | 7                 | nm          | 30          | 16          | -13        | -44%        |                   |  |
| Other operating revenues/(expenses) | -7         | -3         | -5         | -50        | -21        | -5         | 15                | nm          | -9          | -26         | -17        | nm          |                   |  |
| <b>GROSS INCOME</b>                 | <b>171</b> | <b>191</b> | <b>160</b> | <b>117</b> | <b>150</b> | <b>188</b> | <b>38</b>         | <b>25%</b>  | <b>363</b>  | <b>339</b>  | <b>-24</b> | <b>-7%</b>  |                   |  |
| <b>Administrative expenses</b>      | <b>-91</b> | <b>-93</b> | <b>-85</b> | <b>-87</b> | <b>-89</b> | <b>-85</b> | <b>3</b>          | <b>-4%</b>  | <b>-184</b> | <b>-174</b> | <b>11</b>  | <b>-6%</b>  |                   |  |
| Staff expenses                      | -58        | -61        | -57        | -60        | -59        | -59        | 0                 | 0%          | -120        | -118        | 2          | -1%         |                   |  |
| General expenses                    | -33        | -32        | -28        | -27        | -30        | -26        | 4                 | -12%        | -65         | -56         | 9          | -14%        |                   |  |
| Amortizations                       | -9         | -9         | -9         | -10        | -11        | -11        | 0                 | 0%          | -18         | -22         | -4         | 21%         |                   |  |
| <b>PRE PROVISION PROFIT</b>         | <b>71</b>  | <b>89</b>  | <b>66</b>  | <b>20</b>  | <b>51</b>  | <b>93</b>  | <b>42</b>         | <b>82%</b>  | <b>160</b>  | <b>144</b>  | <b>-17</b> | <b>-10%</b> |                   |  |
| Provisions                          | -5         | -9         | -8         | -5         | -6         | -7         | -1                | 21%         | -13         | -13         | 0          | -2%         |                   |  |
| Impairment on financial assets      | -17        | -14        | -13        | -13        | -14        | -16        | -2                | 14%         | -31         | -29         | 2          | -6%         |                   |  |
| Impairment losses on other assets   | -8         | 0          | -1         | 0          | 0          | -2         | -2                | nm          | -8          | -2          | 6          | -72%        |                   |  |
| Other profits or losses             | -1         | -4         | -8         | -3         | -3         | -6         | -3                | nm          | -5          | -9          | -4         | 74%         |                   |  |
| Discontinued operations (net)       | -          | 0          | -2         | 4          | 0          | 0          | 0                 | nm          | 0           | 0           | 0          | nm          |                   |  |
| <b>PROFIT BEFORE TAXES</b>          | <b>41</b>  | <b>62</b>  | <b>34</b>  | <b>4</b>   | <b>28</b>  | <b>62</b>  | <b>34</b>         | <b>116%</b> | <b>103</b>  | <b>90</b>   | <b>-13</b> | <b>-12%</b> |                   |  |
| Taxes                               | -11        | -7         | -10        | -2         | -7         | -10        | -3                | 34%         | -18         | -17         | 1          | -6%         |                   |  |
| <b>NET INCOME ATTRIBUTABLE</b>      | <b>29</b>  | <b>55</b>  | <b>24</b>  | <b>2</b>   | <b>21</b>  | <b>52</b>  | <b>31</b>         | <b>145%</b> | <b>84</b>   | <b>73</b>   | <b>-12</b> | <b>-14%</b> |                   |  |

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# Agenda

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1. Commercial Activity

2. Results analysis

3. Asset Quality

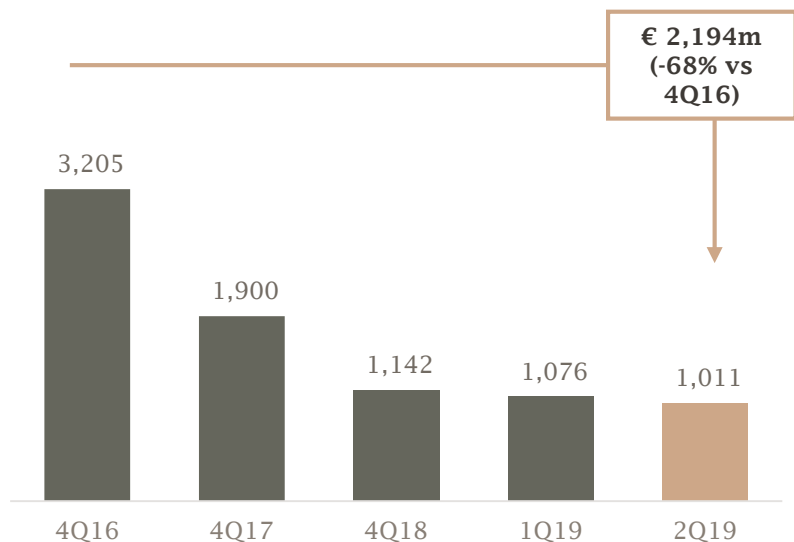
4. Solvency

5. Liquidity and Fixed Income portfolio

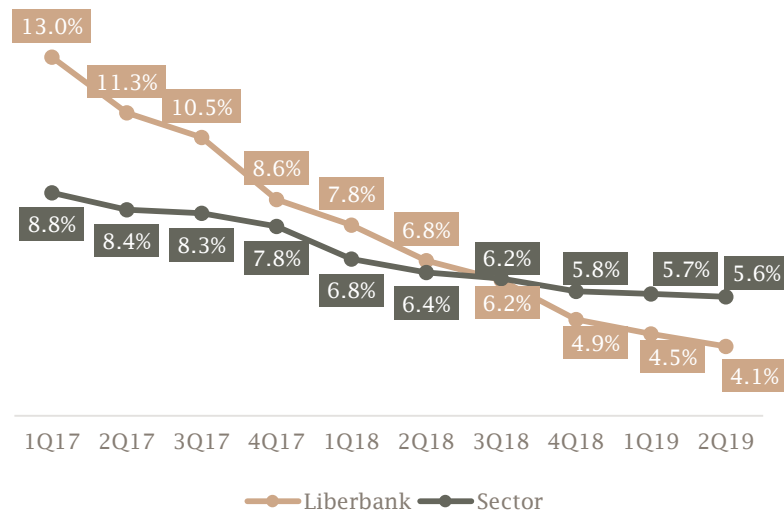
6. Appendix

# NPLs

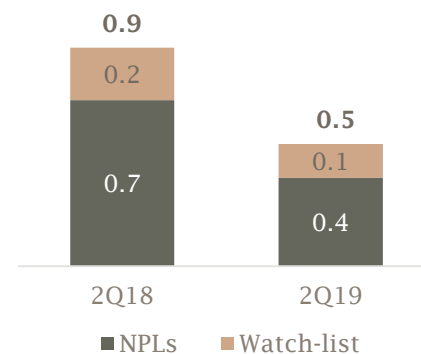
NPL evolution. Eur m



NPL ratio market evolution <sup>(1)</sup>



Refinanced loans. Eur bn

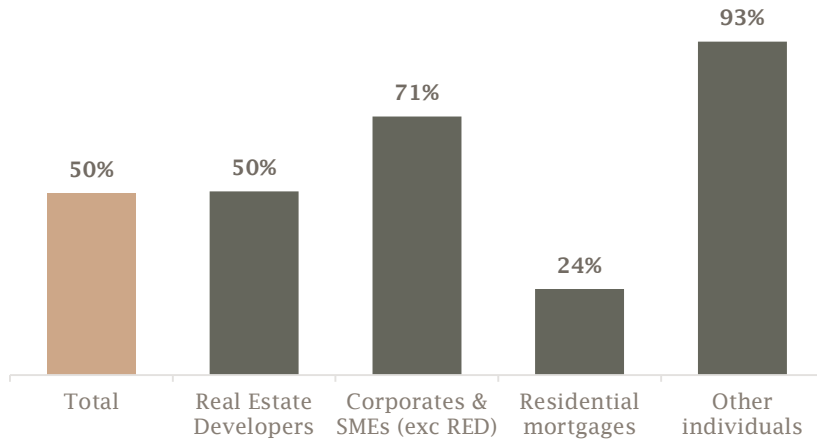


- Twelve months ago Liberbank's NPL ratio was 40bp above the sector, now it is 150bp below the sector.
- Second lowest NPL ratio among listed banks <sup>(2)</sup>.
- Although loan book is bigger the NPL entries keep falling (-13% YoY).
- Watch-list refinanced loans are only 0.6% of the loan book.

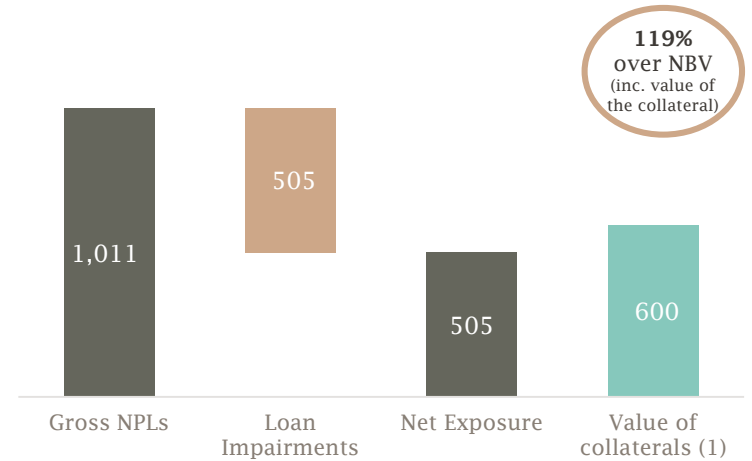
(1) NPLs over gross loan book (not including repos nor off-balance sheet assets). Source: Bank of Spain. May data  
 (2) NPLs over gross loan book as of Jun19. SAN and BBVA refers to the Spanish business

# NPLs

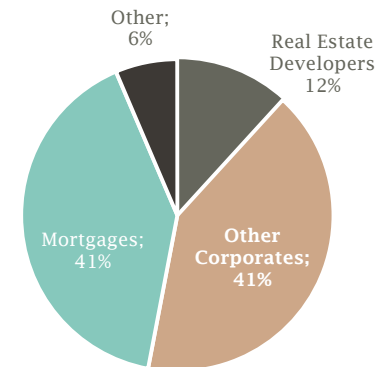
## NPLs coverage. Segment breakdown



## NPLs Total coverage. incl. collateral Eur m



## NPLs Mix

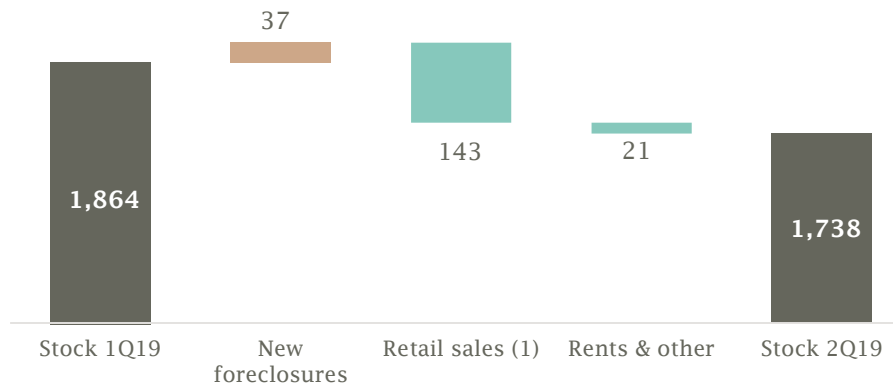


- Coverage over NPLs stands at 50%, including the value of collaterals<sup>(1)</sup> it increases to 119%.
- NPLs mix improved during the last twelve months; real estate developers weight reduce by half (from 24% to 12%) and higher residential mortgage weight.

(1) 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) (1)



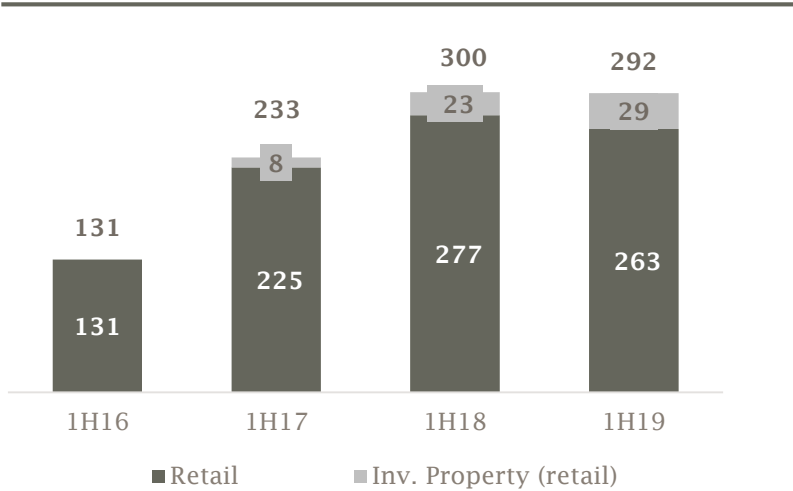
| Eur m                       | Gross Debt   | NBV        | NBV Mix     | Coverage   |
|-----------------------------|--------------|------------|-------------|------------|
| Residential                 | 494          | 283        | 32%         | 43%        |
| Commercial RE               | 230          | 147        | 17%         | 36%        |
| Building under construction | 294          | 156        | 18%         | 47%        |
| Land                        | 720          | 292        | 33%         | 60%        |
| <b>Total</b>                | <b>1,738</b> | <b>877</b> | <b>100%</b> | <b>50%</b> |

- Foreclosed assets are down 7% QoQ and 23% YoY.
- Coverage on foreclosed assets remain flattish at 50%.

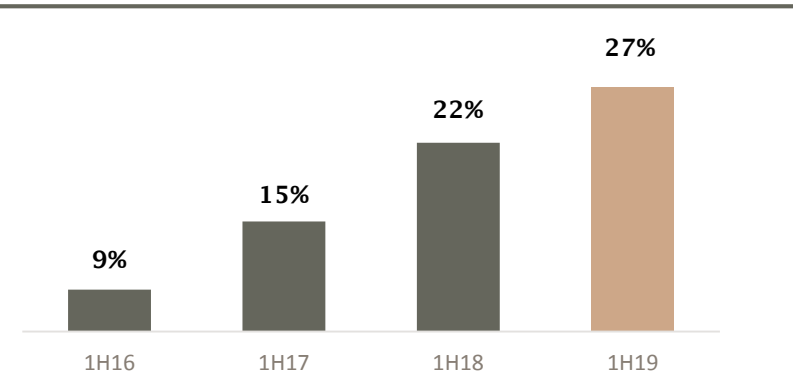
(1) Gross debt excluding investment properties

# Foreclosed assets

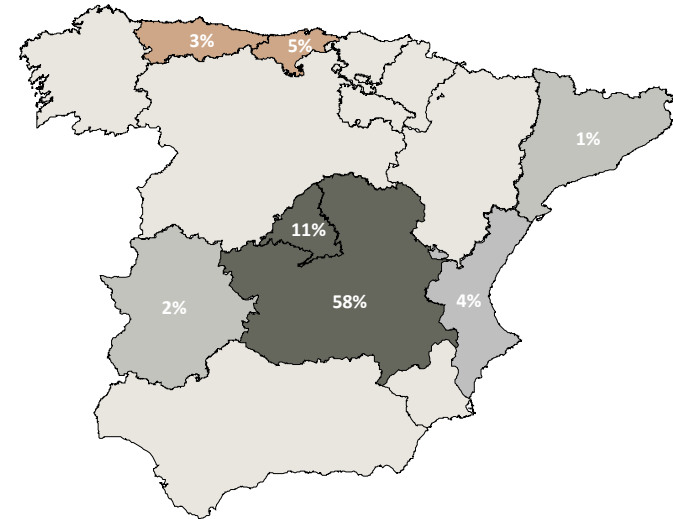
**Total sales.** Gross debt (Eur m)



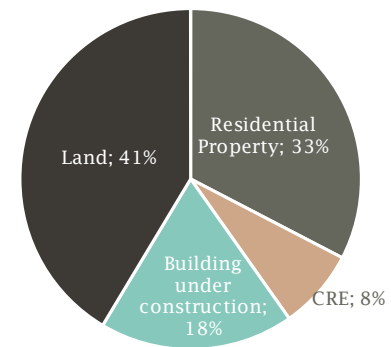
**Turnover.** Gross debt sales over beginning stock (1)



**Retail sales by region.** 1H19 (2)



**Retail sales mix.** 2Q19 (2)

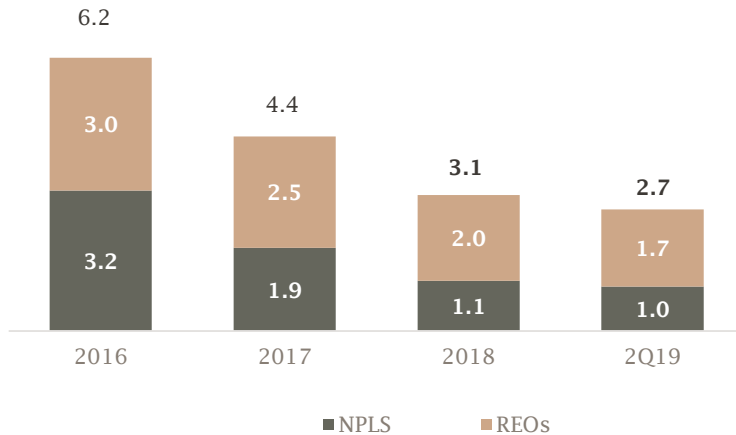


- Sales over stock keep improving after a strong 2018. Increasing contribution from branch network (c.45% of total sales).
- Sales mix represents the total stock breakdown in terms of both asset type and geography.

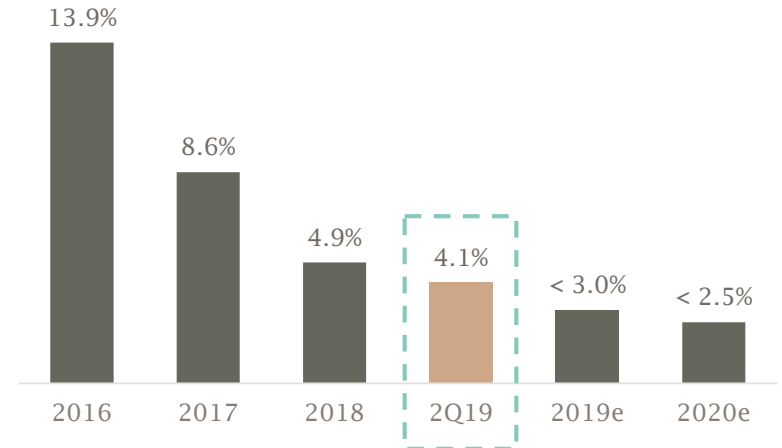
(1) Annualized and exc. investment property  
 (2) Gross debt excluding investment properties

# NPAs. Targets for 2019-20

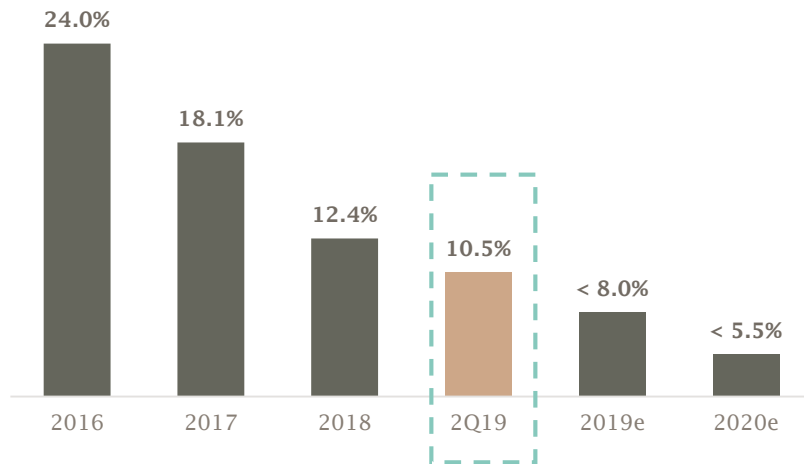
Gross NPA. Eur bn



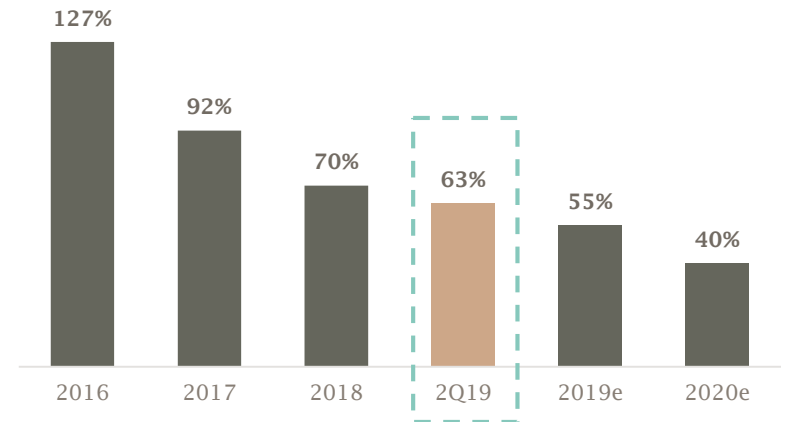
NPL ratio



NPA ratio<sup>(1)</sup>



Texas ratio<sup>(2)</sup>



(1) NPA ratio calculated as NPLs & foreclosed assets over gross loans and foreclosed assets (not including repos)  
 (2) Texas ratio calculated as gross NPLs & foreclosed assets over equity (excl. minority interests) and provisions related to NPLs & foreclosed assets



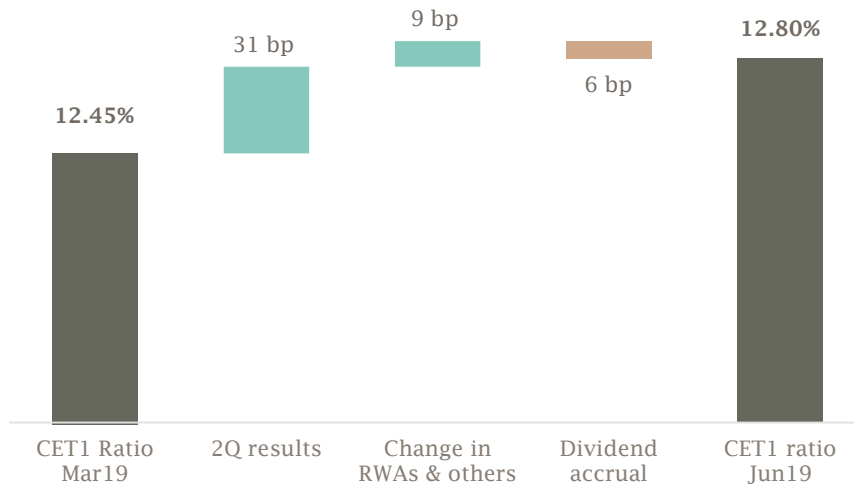
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# Agenda

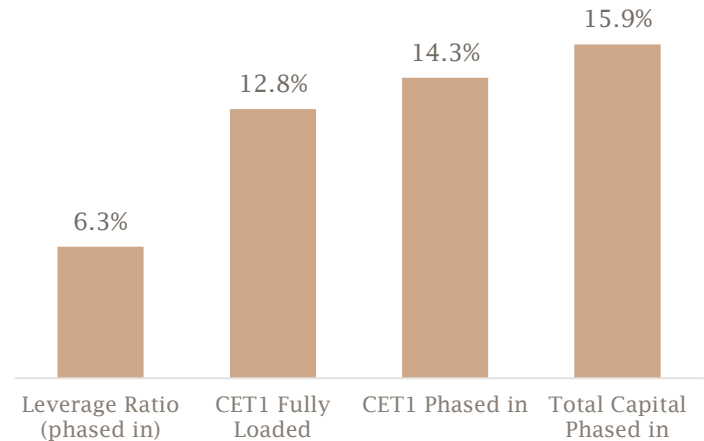
- 
1. Commercial Activity
  2. Results analysis
  3. Asset Quality
  4. Solvency
  5. Liquidity and Fixed Income portfolio
  6. Appendix

# Solvency position

## CET1 fully-loaded<sup>(1)</sup> performance



## Capital ratios<sup>(1) (2)</sup>



- CET1-FL ratio stands at 12.80% (+35bp QoQ and +72bp YtD) supported by organic generation, NPAs reduction and lower DTAs deductions that more than offset the dividend accrual and lending growth. Phased-in ratios stand well above regulatory requirements.
- Liberbank paid a cash dividend of € 22m against 2018 results during the 2Q19 and cancelled 26m treasury shares (0.84% outstanding shares) in July. Current payout accrual of 20% and plan to increase the payout to 40% in 2020.

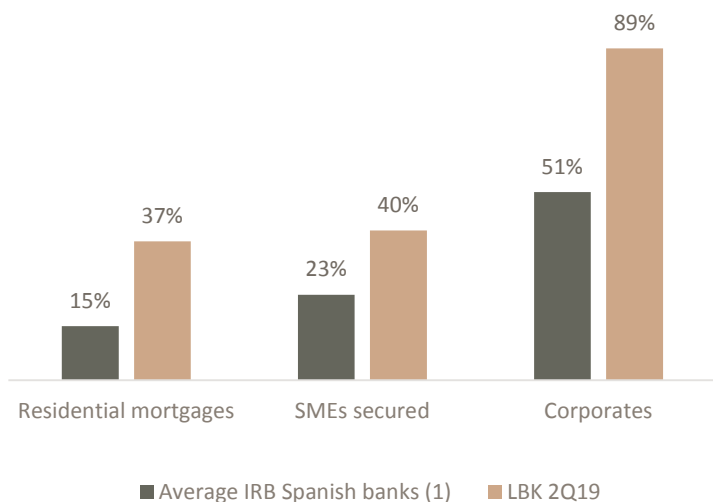
(1) CET1 FL incorporates the full impact of IFRS-9.

(2) The solvency ratios include the profit attributable and accrue a dividend payment payout of 20%.

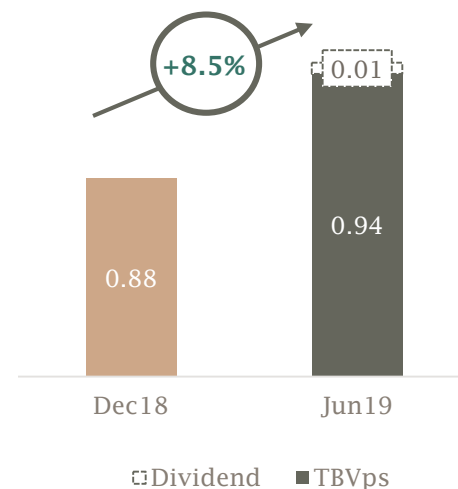
# Solvency position

## RWAs density.

Liberbank vs Spanish banks<sup>(1)</sup> under IRB models



## TBVps. Eur/sh



→ **IRB models.** We are pleased to announce that after carrying out a comprehensive review, the ECB formally communicated in July 2019 that Liberbank was ready to move to the last stage of the process.

→ TBVps increased from € 0.88/sh as of Dec18 to € 0.94/sh (+8.5% YtD inc. dividend payment).

(1) SAN, BBVA, CABK, BKIA, SAB, BKT data available as of 1Q19 and 2018

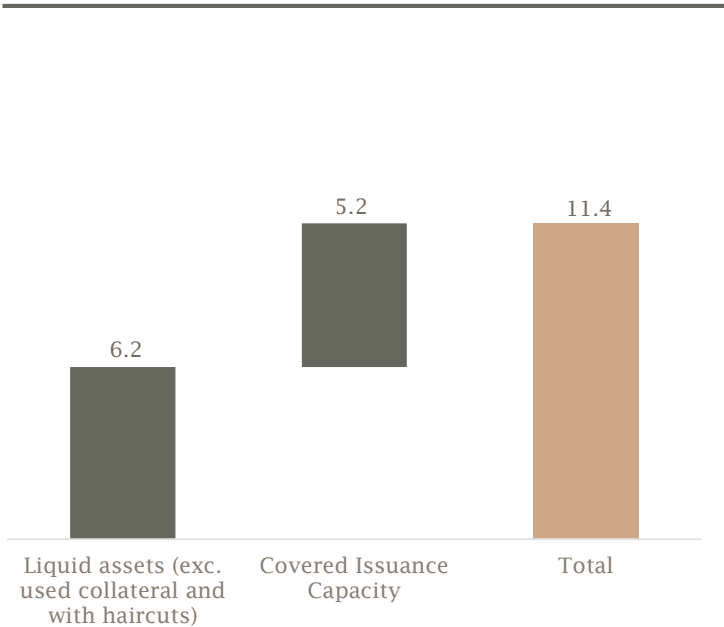
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# Agenda

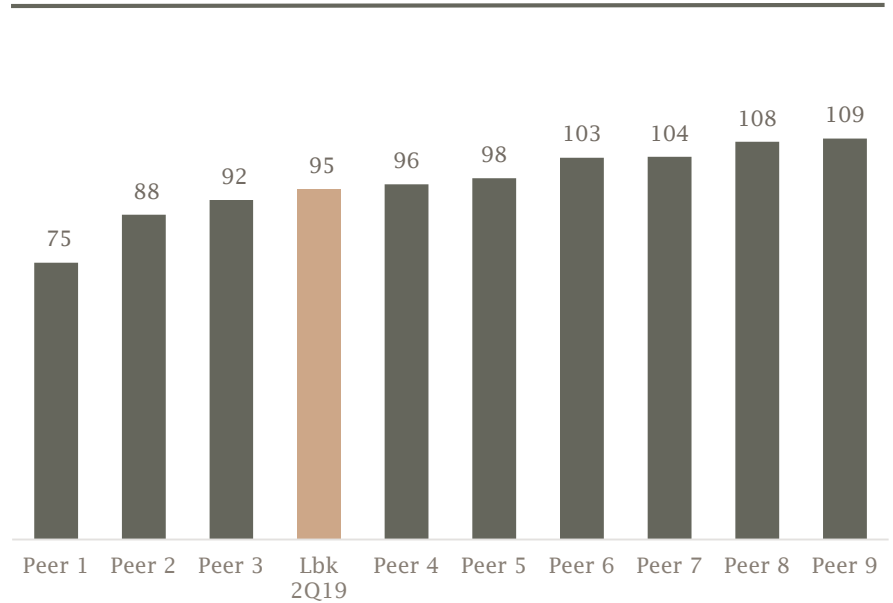
- 
1. Commercial Activity
  2. Results analysis
  3. Asset Quality
  4. Solvency
  5. Liquidity and Fixed Income portfolio
  6. Appendix

# Liquidity position

Liquidity position. Eur bn



Loan to deposit. Benchmark (1)

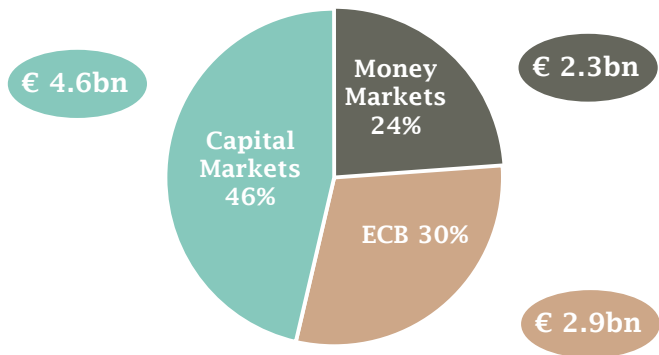


(1) Peers include Spanish domestic banks with available information as of Mar19. BKT includes Portugal.

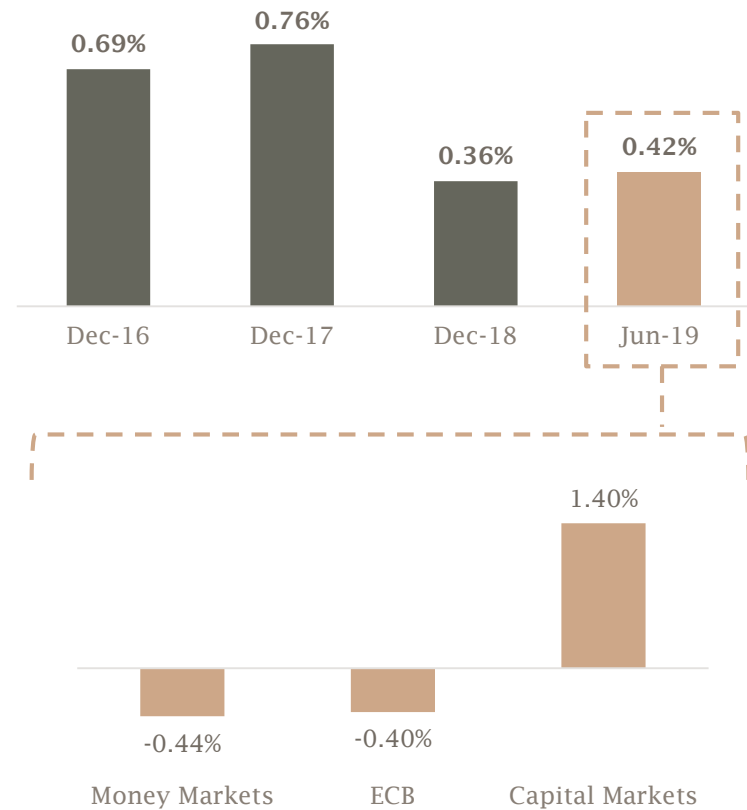
- Liberbank ends the quarter a 95% LtD ratio while performing loan book grew more than 7% YoY.
- LCR and NSFR stand at 249% and 120% respectively as of Jun19, well above requirements.

# Wholesale funding

Wholesale funding. Breakdown (Eur bn)



Wholesale Funding. Price Evolution (%)<sup>(2)</sup>



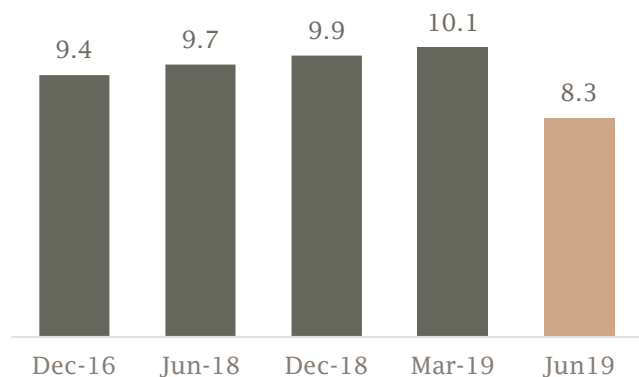
→ Capital markets securities are mainly covered bonds and long term funding with manageable maturities.

→ ECB funding remains flattish, it is TLTRO2.

1. Net of reverse repos and excess cash position  
 2. Price at the end of the period  
 Source: Liberbank Treasury (inventarios)

# Fixed Income portfolio

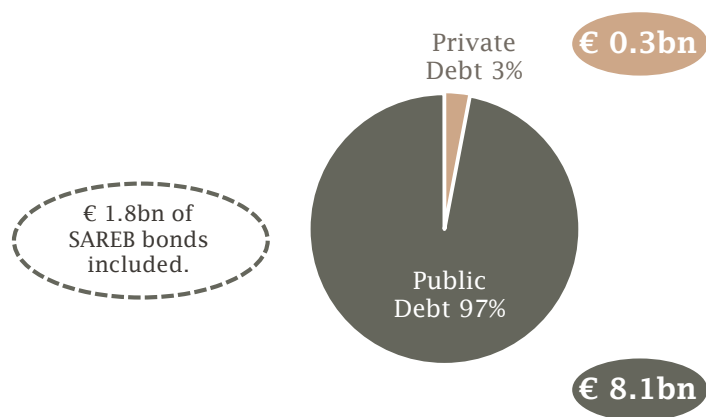
**Fixed income portfolio. Evolution (€ bn)**



**Fixed income portfolio. Breakdown (2)**

| June 2019              | Amount (Eur bn) | Yield        | Duration   |
|------------------------|-----------------|--------------|------------|
| Fair Value through OCI | 0.5             | 1.22%        | 2.1        |
| Amortised Cost         | 7.8             | 1.48%        | 2.7        |
| <b>TOTAL</b>           | <b>8.3</b>      | <b>1.46%</b> | <b>2.7</b> |

**Fixed income portfolio. Issuer breakdown(1)**



- Fixed income portfolio size fall during the quarter due to disposal of sovereign debt, of which € 1.1bn were BTPs.
- Low impact on NII from the disposal as a significant part of the bonds were short term duration and low yield.

1. Accounting values. Including accrued coupon  
2. Weighted average duration in years. Yields EOP.

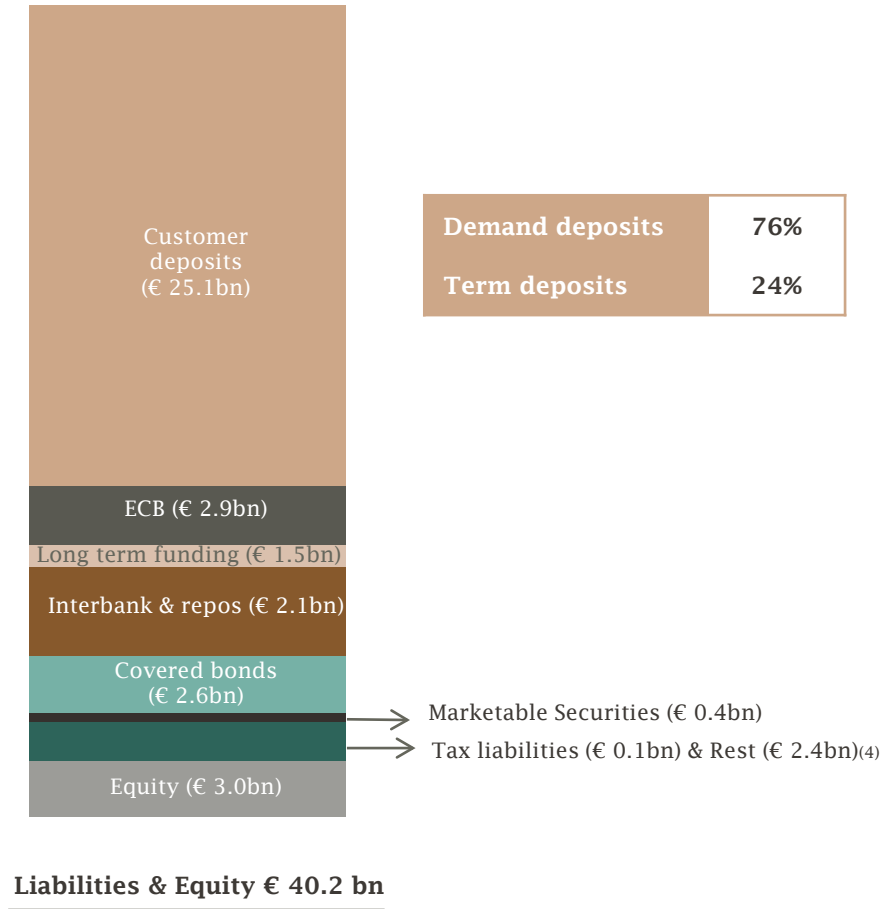
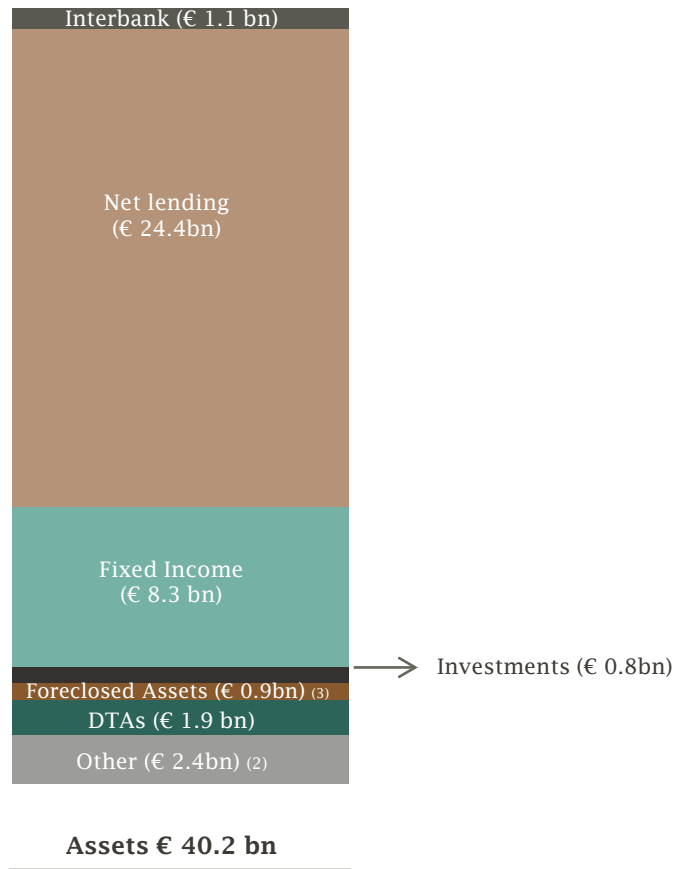
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# Agenda

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



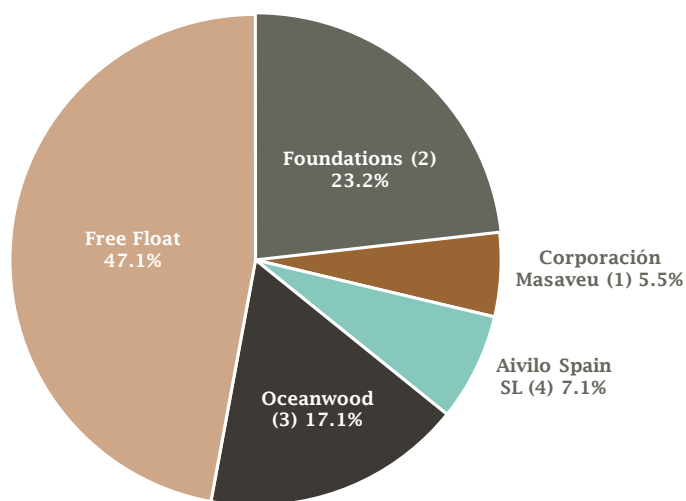
# Balance Sheet



(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

## 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 stake through derivatives  
 (4) Includes Inmosan SA  
 Source: CNMV as of June 30th 2019

## Share, Book value and Tangible Book Value<sup>(2) (3)</sup>

|                               | 1Q19  | 2Q19  |
|-------------------------------|-------|-------|
| <b>Share and liquidity</b>    |       |       |
| # O/S shares (m)              | 3,067 | 3,041 |
| Last price (Eur)              | 0.38  | 0.38  |
| Max price (Eur)               | 0.47  | 0.43  |
| Min price (Eur)               | 0.38  | 0.36  |
| Traded volume (#shares m)     | 5.00  | 6.12  |
| Traded volume (Eur m)         | 2.10  | 2.41  |
| Market Capitalization (Eur m) | 1,165 | 1,152 |
| <b>Book Value</b>             |       |       |
| BV (exc minorities). Eur m    | 2,956 | 3,016 |
| TBV. Eur m <sup>(1)</sup>     | 2,816 | 2,873 |
| <b>Ratios</b>                 |       |       |
| BVps (Eur)                    | 0.96  | 0.99  |
| TBVps (Eur)                   | 0.92  | 0.94  |

(1) Intangible assets  
 (2) Number of shares after July cancellation of the Treasury stock  
 (3) Last Price at the end of the quarter

# **Liberbank**

## **Institutional Investors & Analysts Contact**

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