

# Financial Results 1Q19

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April 24th 2019

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# Key Highlights

## Commercial activity

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- **Loan performing book** increased € 2.0bn, **+9.6% YoY**:
  - **Mortgages**: +4.9% YoY.
  - **Corporates**: +6.7% YoY.
  - **Consumer & others**: +8.0% YoY.
- **Customer funds growth** reflects franchise strength (+€ 1.7bn, **+5.9% YoY**).
- **Customer satisfaction**. Liberbank moves up two positions in the ranking during the 1Q19 and widens the gap over the average of the sector<sup>(1)</sup>.
- **Agreements with third parties, open banking**: Sony Playstation (credit cards and new customers), Leaseplan (renting), Fenie Energía (renewable energies), Alastria (blockchain).

## Operating profit

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- **NII improves +9% YoY**. NIM increases +4bp YoY, quarterly comparison affected by seasonality.
- **Recurrent fees** improve +2.3% YoY supported by mutual funds and insurance business.
- **Operating costs<sup>(2)</sup> down 1% YoY**. Commercial productivity stands as second best practice among Spanish banks. Room and ability to execute further (ie number of branches reduced 5% QoQ).
- **Recurrent cost of risk** stands at 25bp in 1Q19, in line with guidance.

(1) Equos index as of March2019

(2) Including amortization

# Key Highlights

## Asset quality

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- Once again, strong performance in a seasonal weaker quarter.
- NPAs down 5% QoQ and 31% YoY (€ 1.3bn). **NPA ratio** drops to 11.4%.
- **NPL ratio** at 4.5%, well below the sector and 2<sup>nd</sup> best among listed banks<sup>(1)</sup>. **NPL entries** down 18% YoY.
- **Gross real estate asset outflows** of € 137m in the quarter, through retail channel.
- **NPA coverage** remains flattish at 51%.
- **Texas ratio** drops to 66%.

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

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- The Board proposed a **cash dividend** payment of € 22m and the amortization of 26m of treasury shares to the AGM (30<sup>th</sup> April).
- **CET1 ratio fully-loaded improved to 12.5%** supported by NPAs reduction, organic generation and unrealized capital gains that more than offset the dividend payment and lending growth.
- CET1 phased-in ratio stands at 14.0% and total capital ratio at 15.6%.
- Process to migrate to IRB models keeps advancing.

## Others

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- Liberbank maintains a **strong liquidity position**, LCR ratio stands at 265%, NSFR at 123% and LtD at 95% as of Mar19.

(1) NPLs over gross loan book as of Dec18. SAN and BBVA refers to the Spanish business  
(2) CET1 FL incorporates the full impact of IFRS-9. The solvency ratios include the profit attributable and accrue a dividend payment payout of 20%.

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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

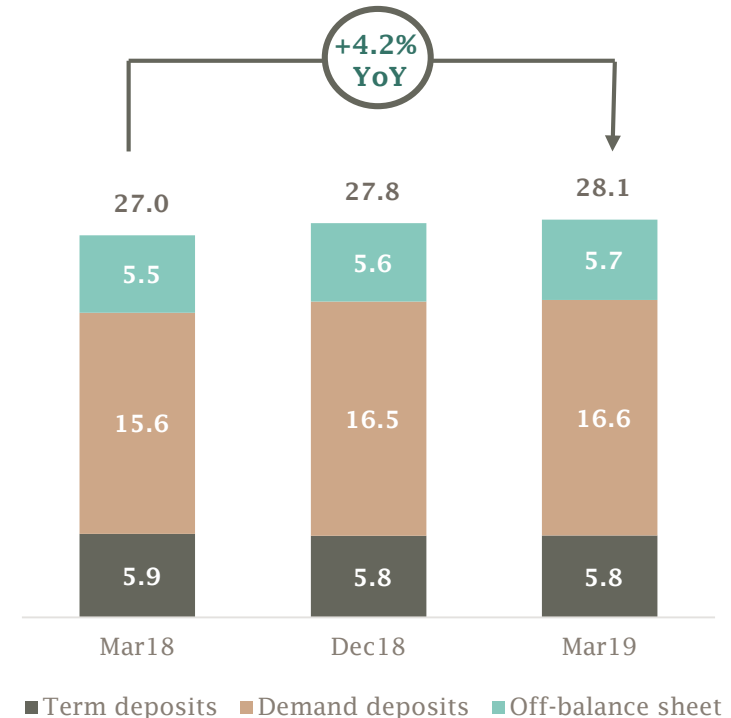
6. Appendix

# Customer funds

**Customer Funds.** Eur m

Eur m	1Q18	4Q18	1Q19	QoQ	YoY
<b>Customer Funds</b>	<b>28,324</b>	<b>29,628</b>	<b>29,988</b>	<b>1.2%</b>	<b>5.9%</b>
<b>Customer Funds on Balance Sheet</b>	<b>22,861</b>	<b>24,073</b>	<b>24,313</b>	<b>1.0%</b>	<b>6.4%</b>
Public Institutions	1,334	1,789	1,904	6.4%	42.8%
Retail Customer	21,527	22,285	22,409	0.6%	4.1%
Demand deposits	15,620	16,525	16,629	0.6%	<b>6.5%</b>
Term deposits	5,864	5,758	5,778	0.4%	-1.5%
Other	43	2	1	-34.9%	-97.0%
<b>Off-balance sheet</b>	<b>5,464</b>	<b>5,555</b>	<b>5,675</b>	<b>2.2%</b>	<b>3.9%</b>
Mutual funds	2,951	3,066	3,239	5.6%	<b>9.8%</b>
Pension Plans	1,486	1,461	1,460	0.0%	-1.7%
Insurance Funds	1,027	1,028	976	-5.1%	-5.0%
<b>Number of branches</b>	<b>752</b>	<b>679</b>	<b>644</b>	<b>-5.2%</b>	<b>-14.4%</b>
<b>Customer funds per branch (Eur m)</b>	<b>38</b>	<b>44</b>	<b>47</b>	<b>6.7%</b>	<b>23.6%</b>

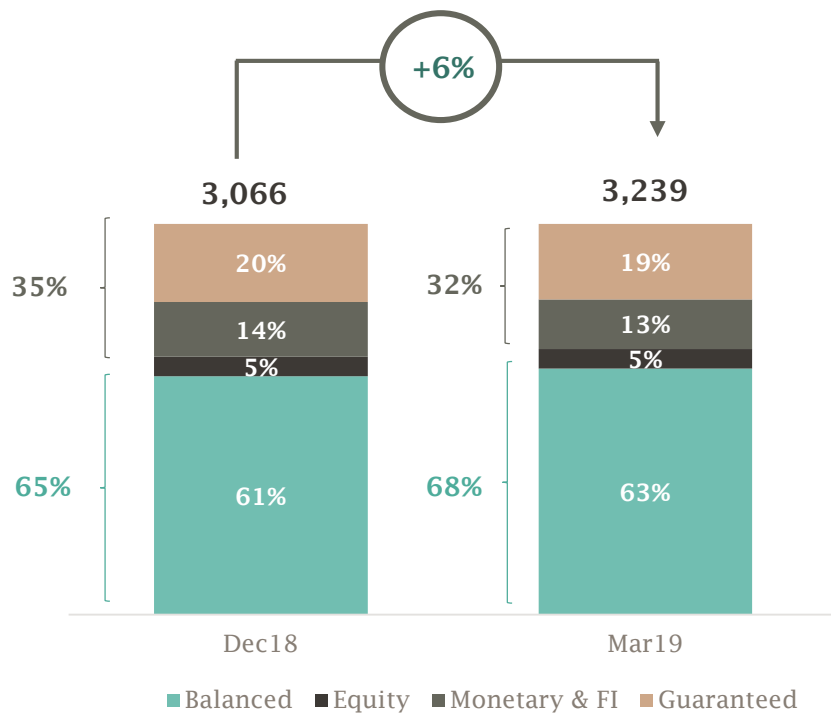
**Customer Funds** Eur bn  
(exc. Public Institutions).



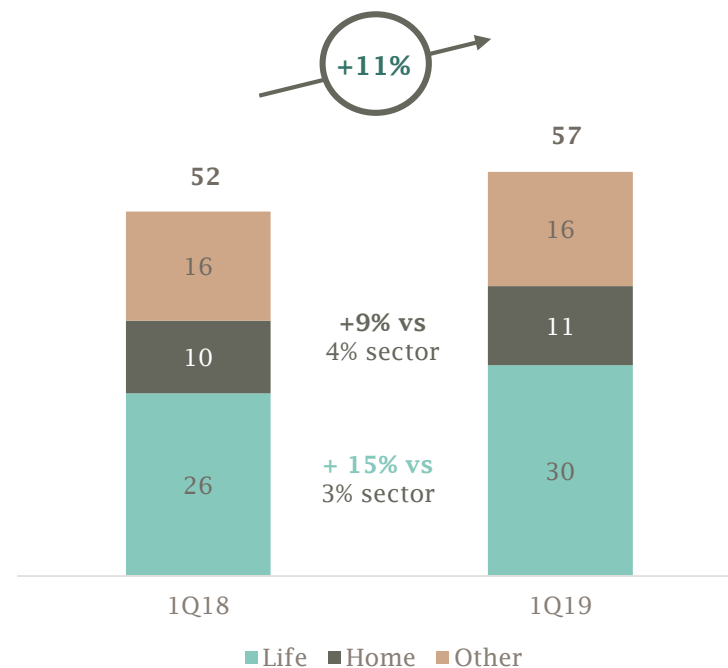
- Customer funds grew € 1.7bn, +5.9% YoY. Increasing market share in our core regions and Madrid (more than double during 2018).
- Steady mutual funds growth (+10% YoY) with a more profitable mix.
- Branch productivity reflects our network model. Customer funds per branch have increased c.68% during the last three years.

# Off balance sheet

Mutual funds mix Eur m.



Insurance premiums Eur m



Revenues contribution <sup>(1)</sup>	€ 12 m	€ 18 m	+12% LfL
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- **Mutual funds** increased +10% YoY and +6% QoQ. Net subscriptions amount to € 81m in the 1Q19 vs € 64m in the 4Q18.
- **Fee income** coming from mutual funds increased +15% YoY.
- **Insurance** premiums increase +11% YoY and recurrent revenue increases +12% YoY on a LfL basis.

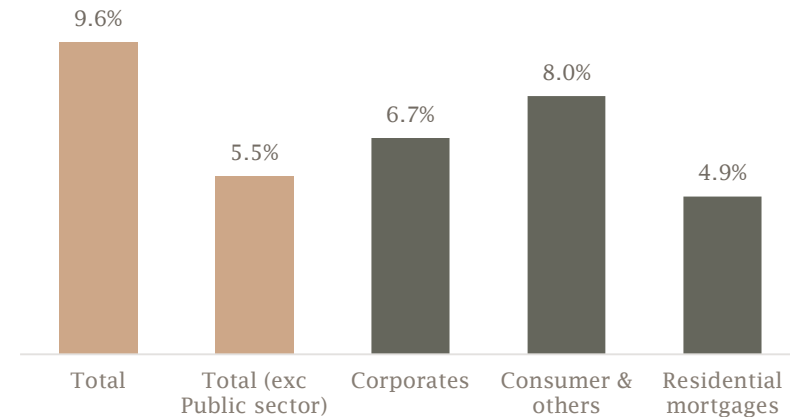
(1) Recurrent revenues from dividends, equity accounted income and fees

# Lending

## Performing Loan book breakdown. Gross. Eur m

Eur m	1Q18	4Q18	1Q19	QoQ	YoY
Public Sector	1,344	1,658	2,280	37.6%	69.6%
<b>Loans to businesses</b>	<b>5,386</b>	<b>5,683</b>	<b>5,745</b>	<b>1.2%</b>	<b>6.7%</b>
Real Estate Developers	184	309	321	4.0%	74.8%
Other corporates	5,202	5,374	5,424	0.9%	4.3%
<b>Loan to individuals</b>	<b>13,767</b>	<b>14,288</b>	<b>14,462</b>	<b>1.2%</b>	<b>5.0%</b>
Residential mortgages	13,006	13,485	13,640	1.1%	4.9%
Consumer and others	761	803	822	2.4%	8.0%
<b>Other loans</b>	<b>310</b>	<b>320</b>	<b>325</b>	<b>1.6%</b>	<b>4.9%</b>
<b>Total performing book</b>	<b>20,807</b>	<b>21,949</b>	<b>22,812</b>	<b>3.9%</b>	<b>9.6%</b>
<b>Total performing book (exc Public sector)</b>	<b>19,463</b>	<b>20,291</b>	<b>20,532</b>	<b>1.2%</b>	<b>5.5%</b>

## Performing loan book growth. YoY

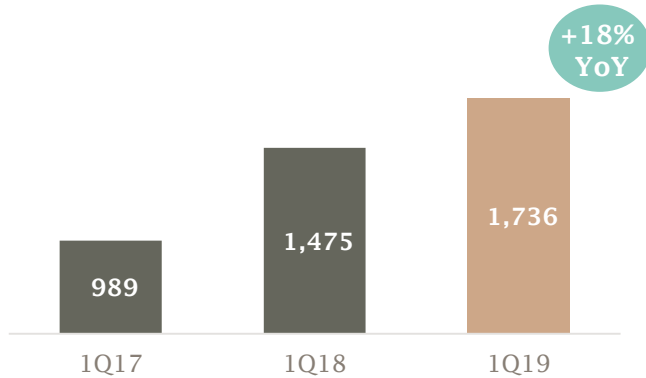


- **Sustained growth** (+9.6% YoY and +3.9% QoQ).
- **Mortgage book** maintains the good pace with +4.9% YoY growth while “consumer and others” grows at +8.0% YoY.
- **Corporate book** continues delivering a strong growth (+6.7% YoY).

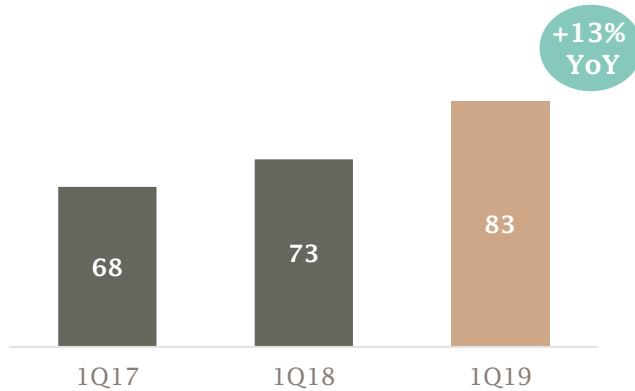


# Lending: new production

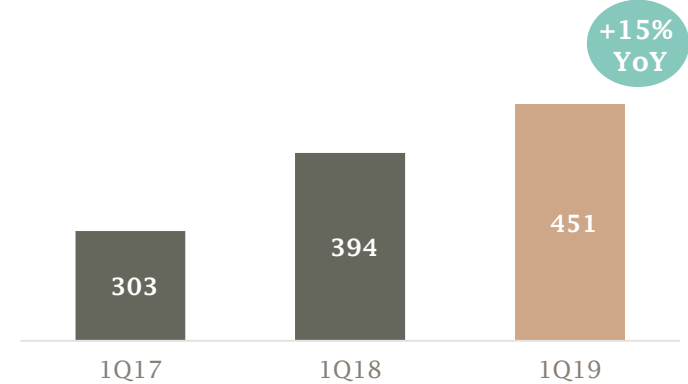
Total lending. Eur m



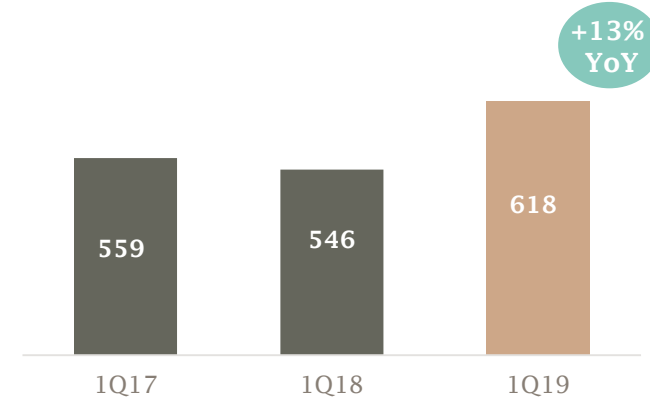
Consumer lending. Eur m



Residential mortgage. Eur m



Corporates. Eur m



- **Mortgage book** confirms improvement. Strong risk profile, use of internal models and low LtVs (< 70% on avg.).
- **Consumer lending.** New production is coming mostly from existing customers through pre-approved and top-up campaigns.
- **Corporate lending.** New production concentrated in existing customers.

# Commercial activity



## Working capital solutions

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

2018 € new production	<b>+55 % YoY</b>
1Q19 € new production	<b>+7 % YoY</b>



## Mobility solutions

**Leaseplan:** agreement and launch to market renting services to customers



## Payment solutions: Increasing transactional banking

### Credit & Debit Cards



€ Transactions	<b>+12% YoY</b>
# Cards	<b>+2% YoY</b>

Coming Soon

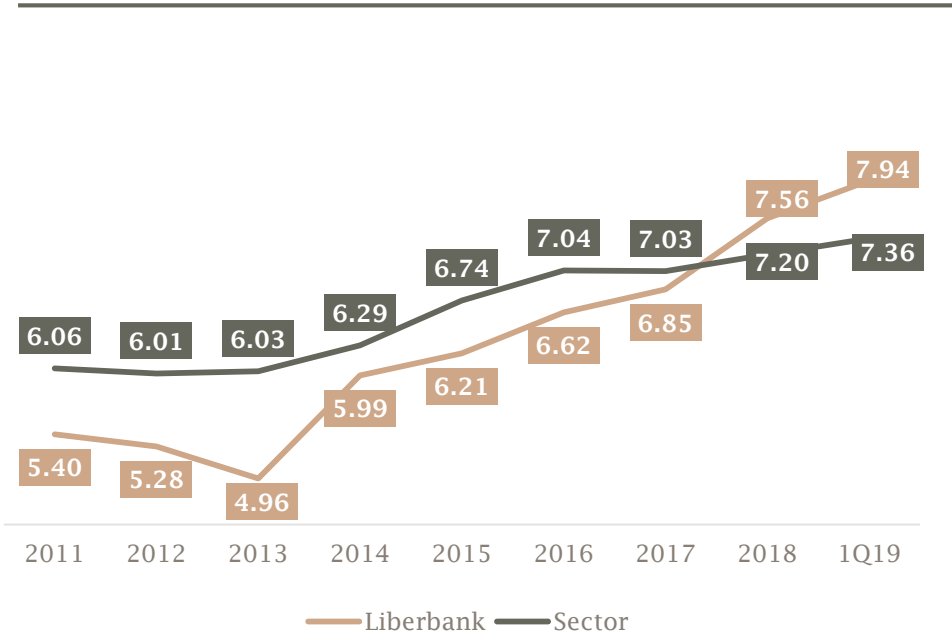
Liberbank con  
Apple Pay.

Liberbank | Apple Pay



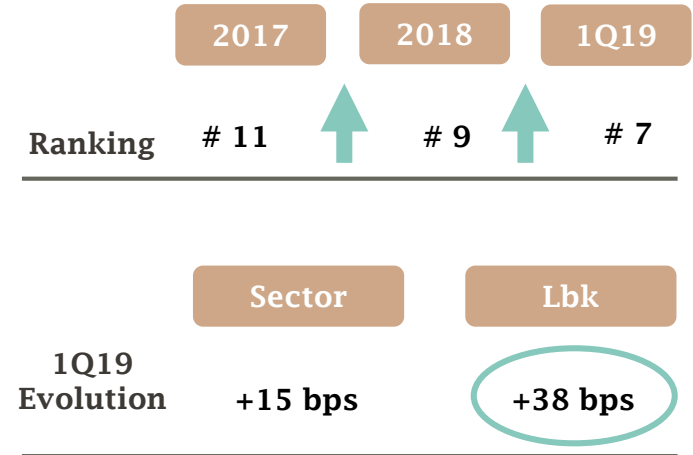
# Quality levels

## Service quality: Benchmark



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

## Liberbank: Evolution



- Liberbank shows another quarter with a strong performance above the sector, improving 38 bps QoQ.
- Liberbank stands as the benchmark in some of the items assessed by Equos related to commercial activity and service to customers.

# Digital transformation



## Digital Clients

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Active digital clients **+15% YoY**

Web visits **+45% YoY**

Access to digital banking **+49% YoY**



## Digital Sales and transactions

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Increasing digital consumer loans  
**+56% YoY**

New current accounts are digital  
**+118% YoY**



## Open banking & digital channels

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### Partnership with Sony Playstation

Specialized banking services for gamers' ecosystem



### Member of Alastria

National blockchain ecosystem



### JV agreement with Fenie Energía

Partnership to finance investments in energy facilities



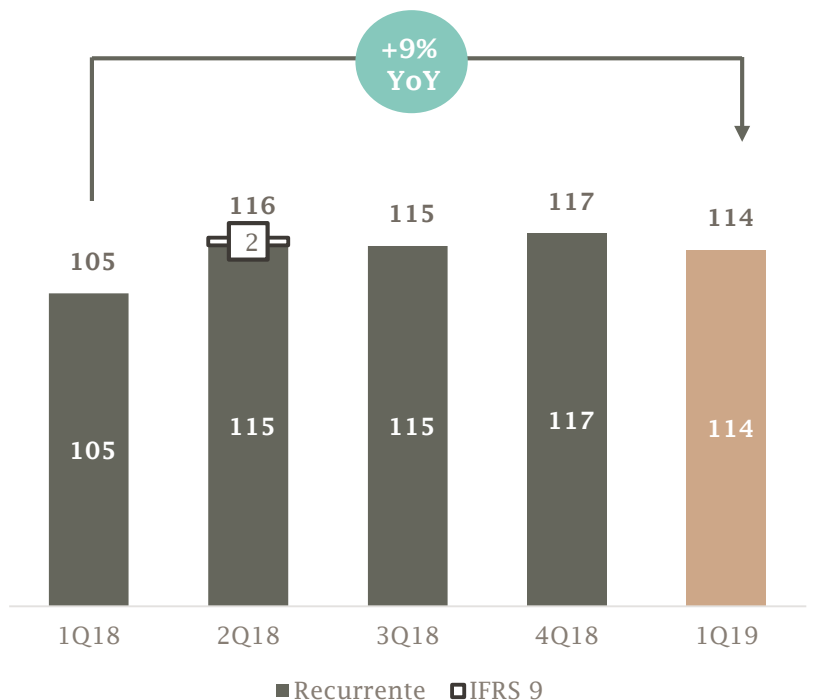
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# Agenda

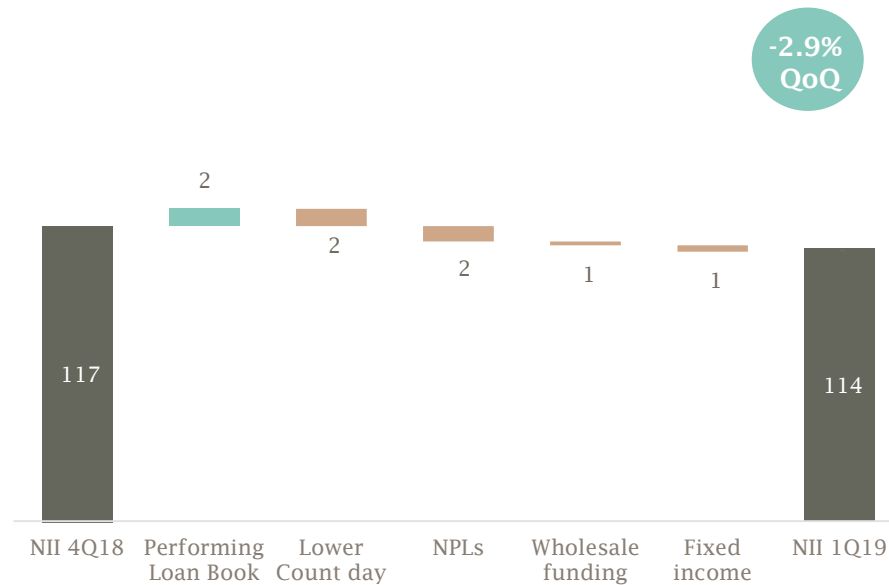
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  6. Closing remarks
  7. Appendix

# Net Interest Income

NII performance. Eur m



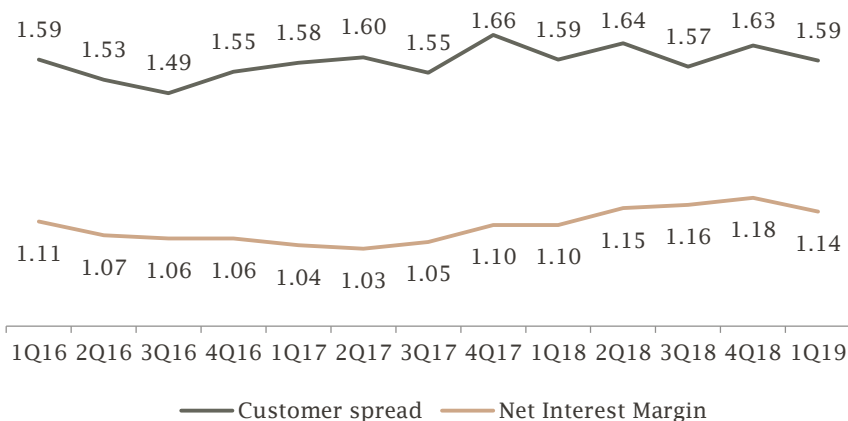
Recurrent NII breakdown. Eur m



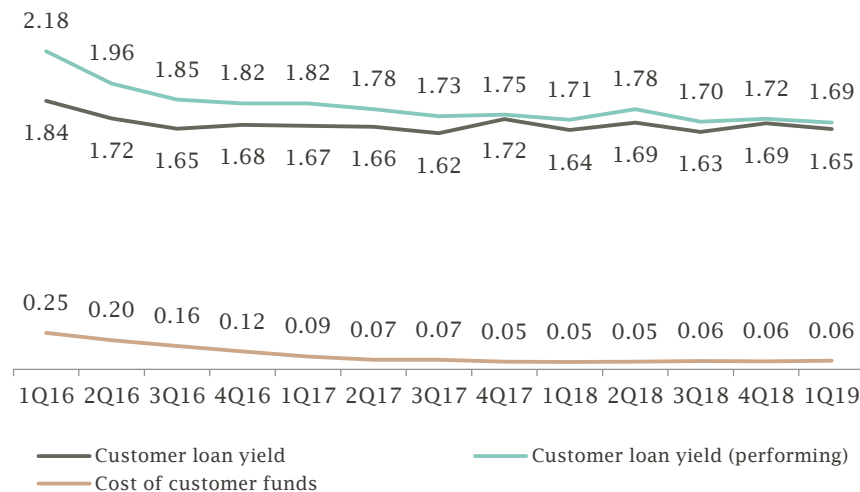
- NII grew +9% in 1Q19 vs 1Q18.
- Quarterly evolution affected by seasonality (lower day count and lower NPL contribution).
- On a more recurrent basis, the increasing contribution from the performing book more than offset lower contribution from the fixed income portfolio in the quarter.

# 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

- Net Interest Margin improves 4bp YoY.
- Customer spread quarterly comparison is affected by seasonality, lower day count (3bp) and lower NPL contribution (3bp).
- The seasonal impact is partially offset by higher pricing of the front book and slight positive impact from repricing due to higher reference rates.

# Net Interest Income: Asset yields

## Quarterly yields on lending. Basis points <sup>(1)(3)</sup>

	1Q18	2Q18	3Q18	4Q18	1Q19
<b>Total loan book (yield)</b>					
Back Book	171	175	170	172	169
Front Book	205	182	212	207	149
Front Book (Exc. Public sector)	237	212	229	227	234
<b>Mortgages (yield)</b>					
Back Book	120	121	124	126	128
Front Book <sup>(2)</sup>	193	192	191	190	195
<b>SMEs (yield)</b>					
Back Book	240	243	243	242	233
Front Book	282	270	251	256	260

(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

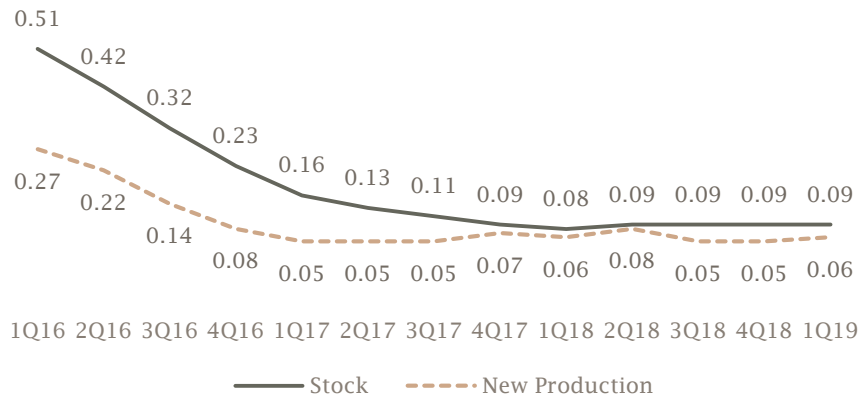
(3) 2Q18 exclude € 2m of extraordinary interest income

- Front book yields (exc. public sector) stand 65bp above back book.
- Mortgage and SMEs yields on new lending production continue to stay well above stock.



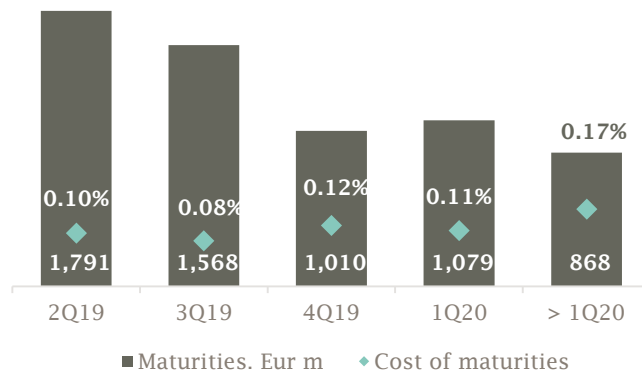
# Net Interest Income: Cost of funding

## Term deposit cost performance (%)

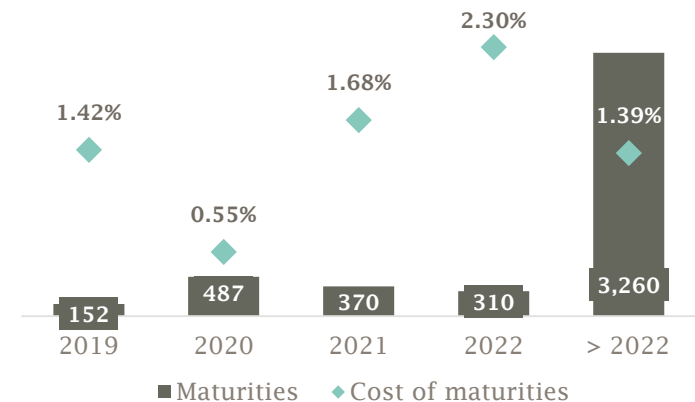


- New term deposits stand flattish while customer resources increase.
- Manageable wholesale funding maturities.

## Term Deposits. Maturity, cost and volume

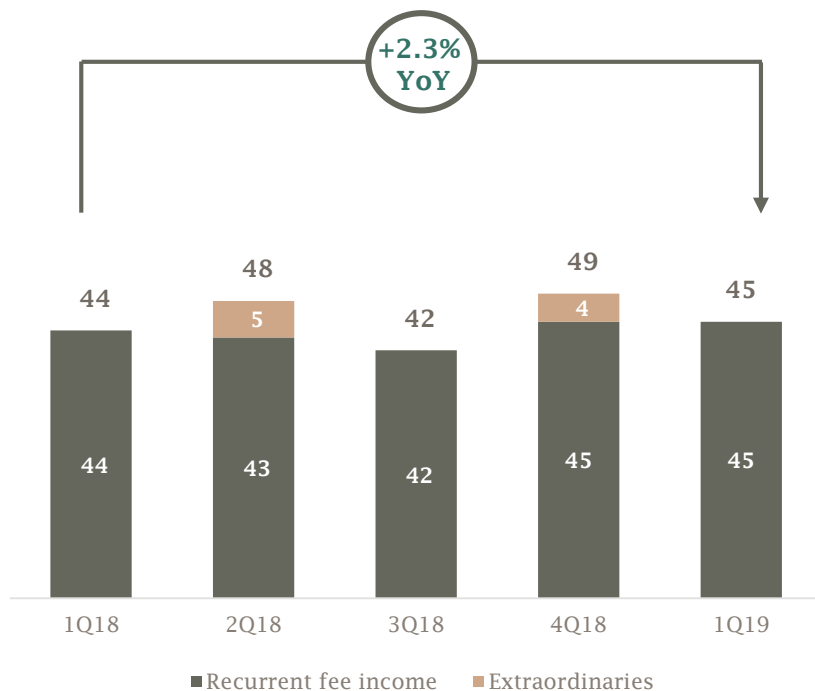


## Capital Markets Maturities (Eur m)



# Fee Income

## Fee income performance (Eur m)



## Fee income breakdown

Eur m	1Q18	4Q18	1Q19	YoY(%)
<b>TOTAL FEES</b>	45	49	46	2.3%
<b>Recurrent net fees</b>	45	45	46	2.3%
Banking fees	27	29	27	-3.4%
Non-banking fees	17	17	19	11.6%
Mutual Funds	6	7	7	14.9%
Insurance	9	10	10	13.4%
Others	2	1	2	-8.1%
<b>Non recurrent fees</b>	0	4	0	na

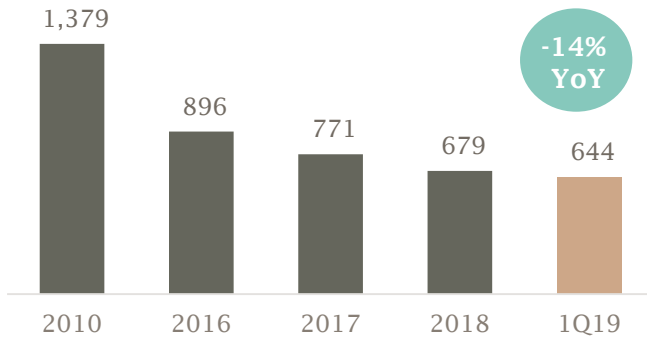
Note: Others include brokerage and pension funds among others

→ Recurrent fees increase +2.3% in 1Q19 vs 1Q18.

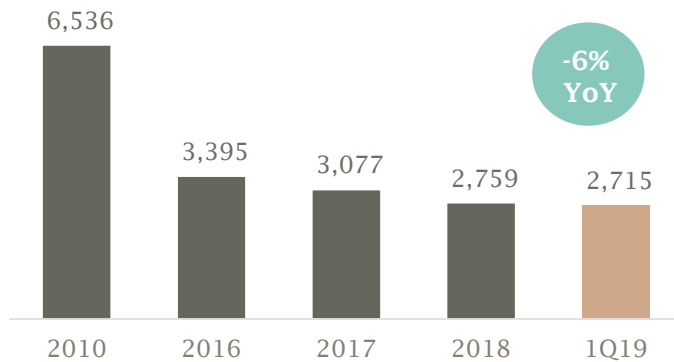
→ Non-banking fees increase +12% YoY supported by mutual funds +15% and insurance business +13%.

# Costs

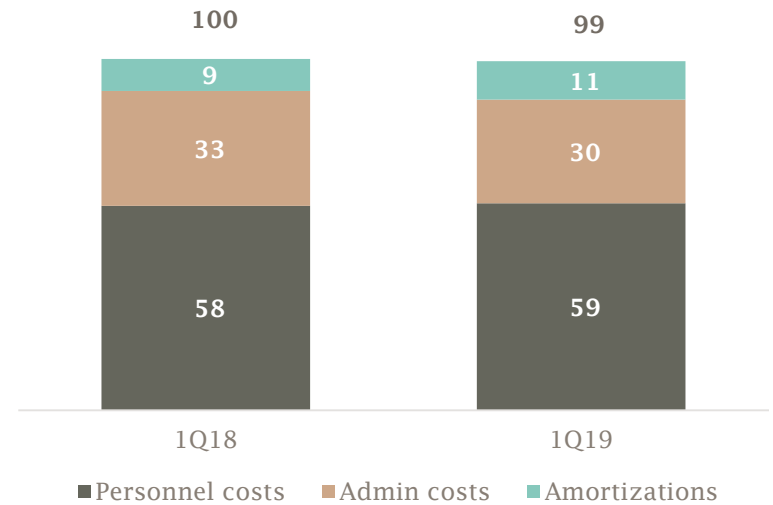
## Number of branches



## Number of FTEs



## Costs performance. Eur m



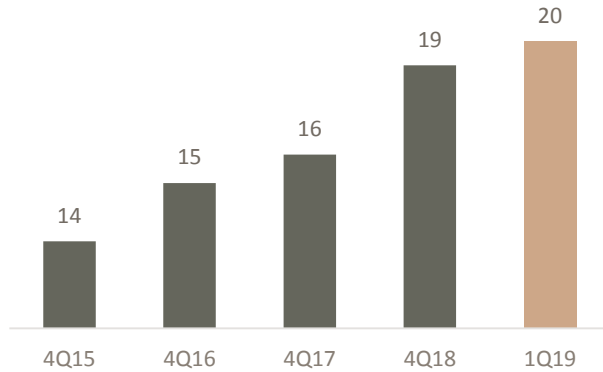
Last 12 months	1Q18	1Q19
Cost to Income	65%	63%
Cost to Income (exc. trading)	72%	65%

→ Operating expenses continue falling despite inflation and IT investments.

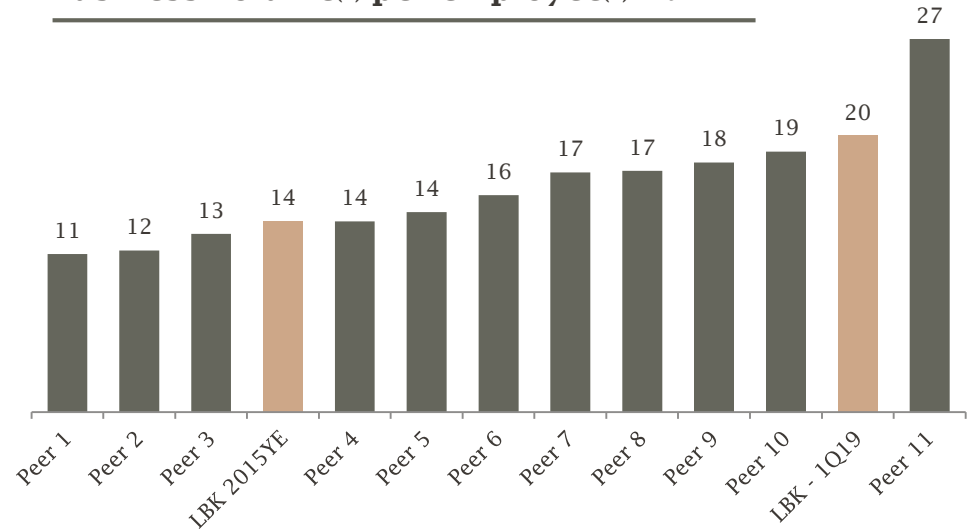
→ Liberbank closed 35 branches during the quarter. This reflects our focus towards a more productive and more specialized branch network.

# Commercial productivity

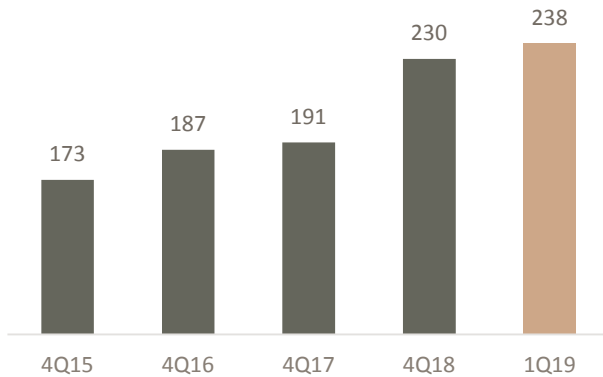
**LBK business volume<sup>(1)</sup> per employee<sup>(2)</sup>. Eur m**



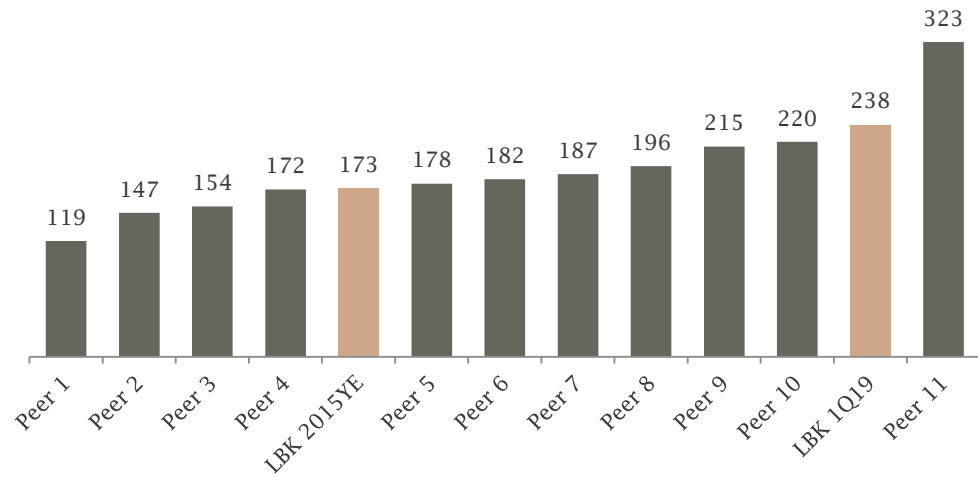
**Business volume<sup>(1)</sup> per employee<sup>(2)</sup>. Eur m**



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



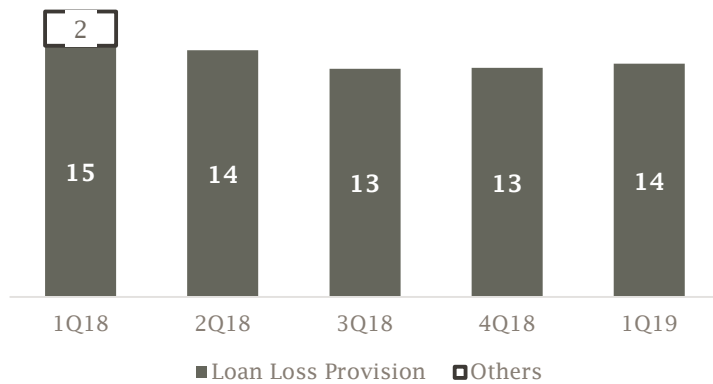
**NII + fees per employee<sup>(2)</sup>. Eur '000s**



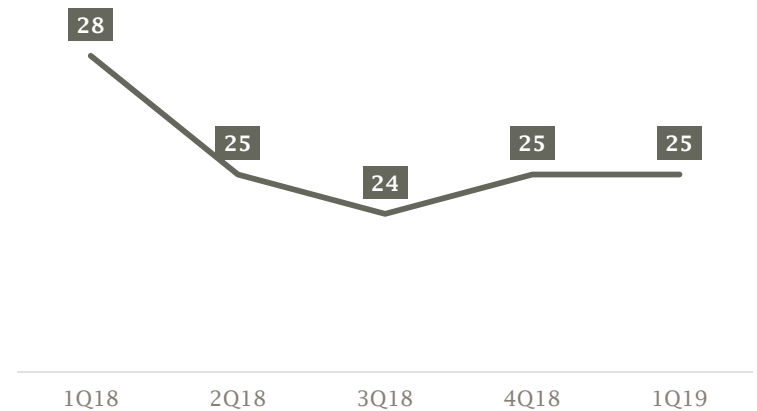
(1) Business volume = gross lending and customer funds.  
 (2) Data from peers as of December 2018. Spanish banking business when possible. FTEs for Liberbank

# Impairments

Impairments on financial assets. Eur m



Cost of risk (bps) <sup>(1)</sup>



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

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

# P&L

€m	1Q18	2Q18	3Q18	4Q18	1Q19	Var. 1Q19 vs 4Q18		Var. 1Q19 vs 1Q18	
						€m	%	€m	%
Interest Income	127	140	135	139	134	-5	-3%	7	5%
Interest Cost	-23	-24	-21	-22	-20	1	-7%	2	-10%
<b>NET INTEREST INCOME</b>	<b>105</b>	<b>116</b>	<b>115</b>	<b>117</b>	<b>114</b>	<b>-3</b>	<b>-3%</b>	<b>9</b>	<b>9%</b>
Dividends	0	4	0	1	5	5	563%	5	nm
Results from equity method stakes	2	22	2	3	2	-1	-38%	0	0%
Net fees	44	48	42	49	45	-3	-7%	1	2%
Gains on financial assets & others	26	3	6	-3	5	7	nm	-21	-81%
Other operating revenues/(expenses)	-7	-3	-5	-50	-21	29	-58%	-14	nm
<b>GROSS INCOME</b>	<b>171</b>	<b>191</b>	<b>160</b>	<b>117</b>	<b>150</b>	<b>33</b>	<b>28%</b>	<b>-21</b>	<b>-12%</b>
<b>Administrative expenses</b>	<b>-91</b>	<b>-93</b>	<b>-85</b>	<b>-87</b>	<b>-89</b>	<b>-1</b>	<b>1%</b>	<b>2</b>	<b>-3%</b>
Staff expenses	-58	-61	-57	-60	-59	1	-1%	-1	1%
General expenses	-33	-32	-28	-27	-30	-2	8%	3	-10%
Amortizations	-9	-9	-9	-10	-11	-1	12%	-2	19%
<b>PRE PROVISION PROFIT</b>	<b>71</b>	<b>89</b>	<b>66</b>	<b>20</b>	<b>51</b>	<b>31</b>	<b>152%</b>	<b>-20</b>	<b>-28%</b>
Provisions	-5	-9	-8	-5	-6	-1	26%	-1	23%
Impairment on financial assets	-17	-14	-13	-13	-14	0	2%	3	-18%
Impairment losses on other assets	-8	0	-1	0	0	0	nm	8	nm
Other profits or losses	-1	-4	-8	-3	-3	-1	21%	-2	124%
Discontinued operations (net)	0	0	-2	4	0	-4	nm	0	nm
<b>PROFIT BEFORE TAXES</b>	<b>41</b>	<b>62</b>	<b>34</b>	<b>4</b>	<b>28</b>	<b>24</b>	<b>nm</b>	<b>-12</b>	<b>-30%</b>
Taxes	-11	-7	-10	-2	-7	-6	nm	4	-34%
<b>NET INCOME ATTRIBUTABLE</b>	<b>29</b>	<b>55</b>	<b>24</b>	<b>2</b>	<b>21</b>	<b>19</b>	<b>nm</b>	<b>-8</b>	<b>-29%</b>

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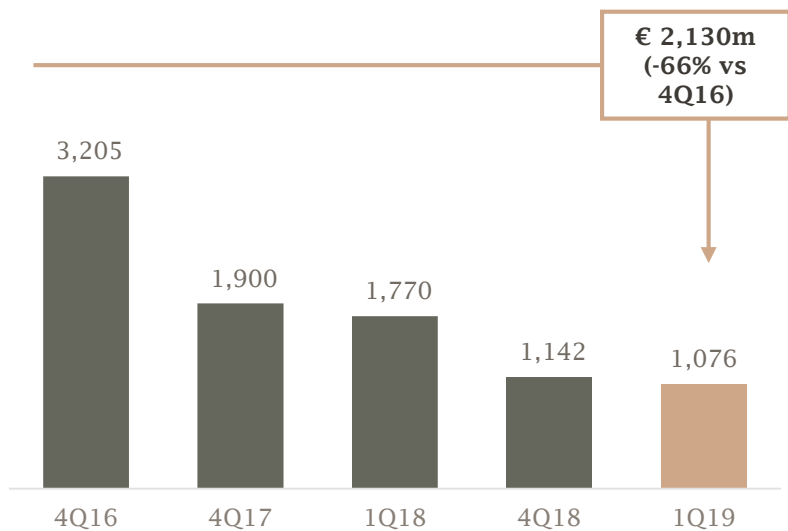
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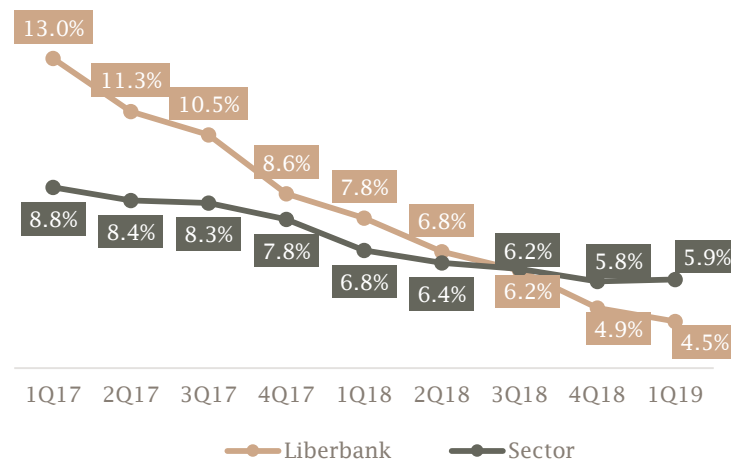
6. Appendix

# NPLs

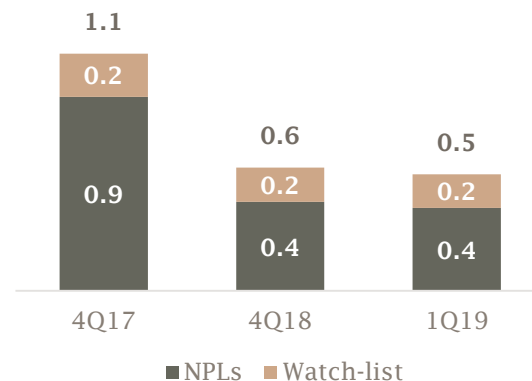
NPL evolution. Eur m



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



Refinanced loans. Eur bn



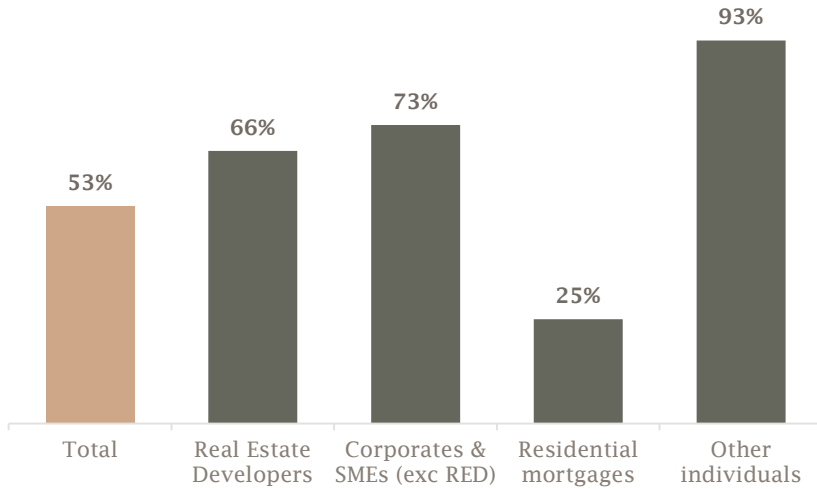
- NPLs and NPL ratio keeps improving. Second lowest NPL ratio among listed banks <sup>(2)</sup>.
- NPL entries down 18% vs 1Q18 and 55% down vs 1Q17 while outflows remain high.
- Refinanced loans are only 2.3% of the total loan book.

(1) NPLs over gross loan book (not including repos nor off-balance sheet assets). Source: Bank of Spain, January data  
 (2) NPLs over gross loan book as of Dec18. SAN and BBVA refers to the Spanish business

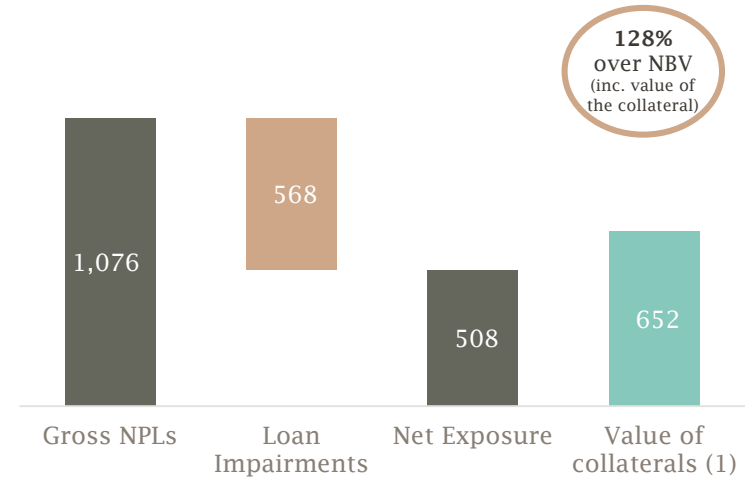


# NPLs

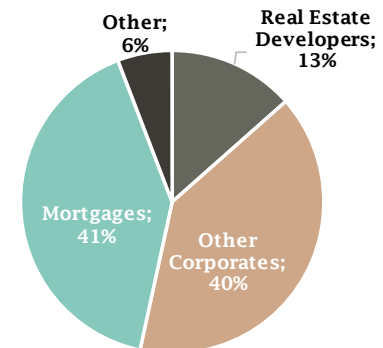
**NPLs coverage.** Segment breakdown



**NPLs Total coverage.** incl. collateral Eur m



**NPLs Mix**

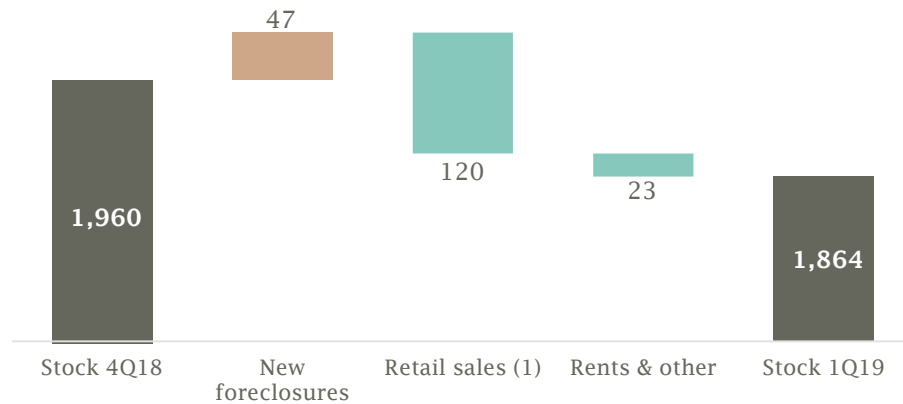


- NPLs coverage remain flattish at 53%. Including the value of collaterals<sup>(1)</sup> it increases to 128%.
- Highly collateralized NPLs imply lower coverage.
- NPLs mix improved from last year, real estate developers weight reduce by half (from 27% to 13%) and higher residential mortgage percentage

(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	Coverage inc write-offs (2)
<b>Residential</b>	526	298	32%	43%	48%
<b>Commercial RE</b>	235	150	16%	36%	41%
<b>Building under construction</b>	332	169	18%	49%	54%
<b>Land</b>	772	318	34%	59%	63%
<b>Total</b>	1,864	935	100%	50%	56%

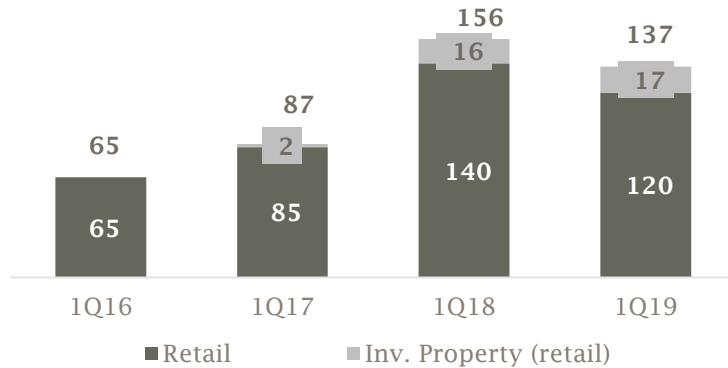
→ Foreclosed assets are down 5% QoQ and 24% YoY.

→ Coverage on foreclosed assets remain flattish at 50%.

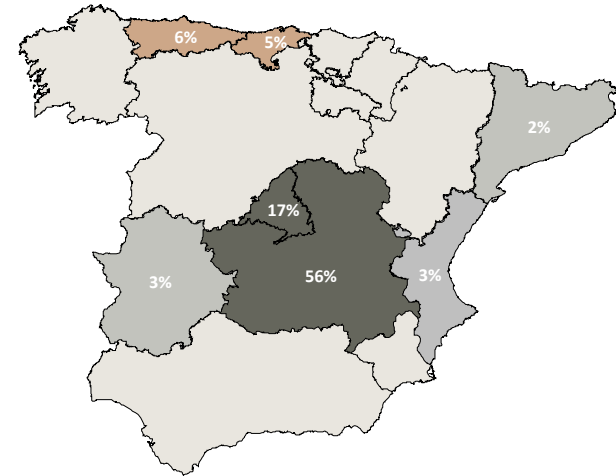
(1) Gross debt excluding investment properties  
 (2) Allocation of the write-offs coverage is proportional

# Foreclosed assets

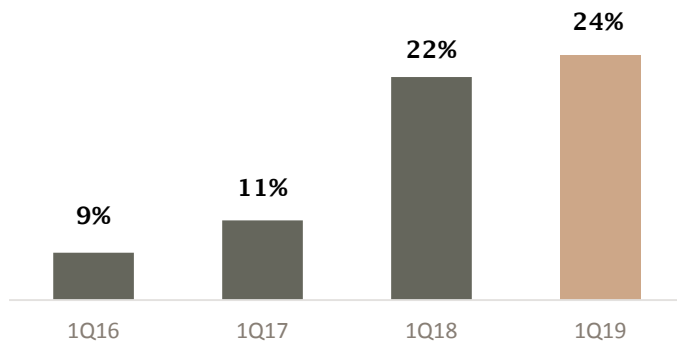
**Total sales.** Gross debt (Eur m)



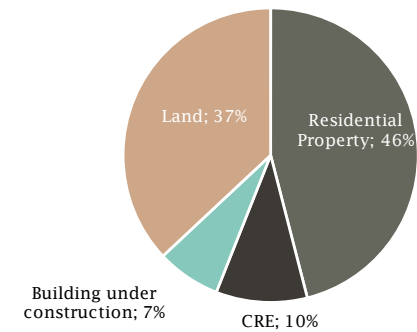
**Retail sales by region.** 1Q19 (2)



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



**Retail sales mix.** Last 12M (2)



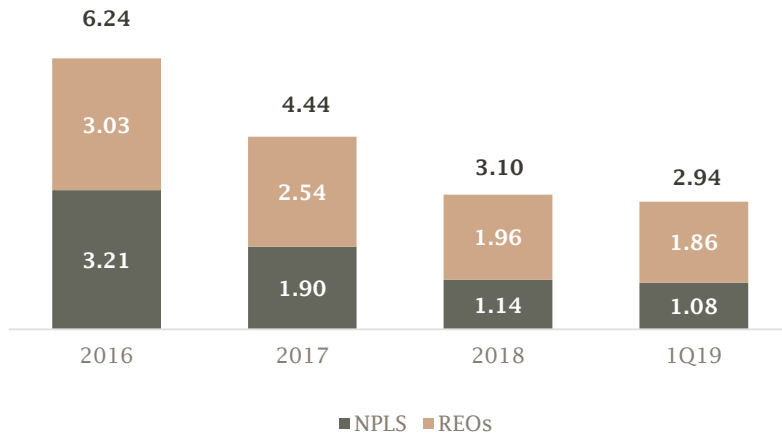
→ Sales over stock keep increasing after a strong 2018. Increasing contribution from branch network (33% of 1Q retail sales).

→ Sales mix represents the total stock breakdown in terms of both asset type and geography

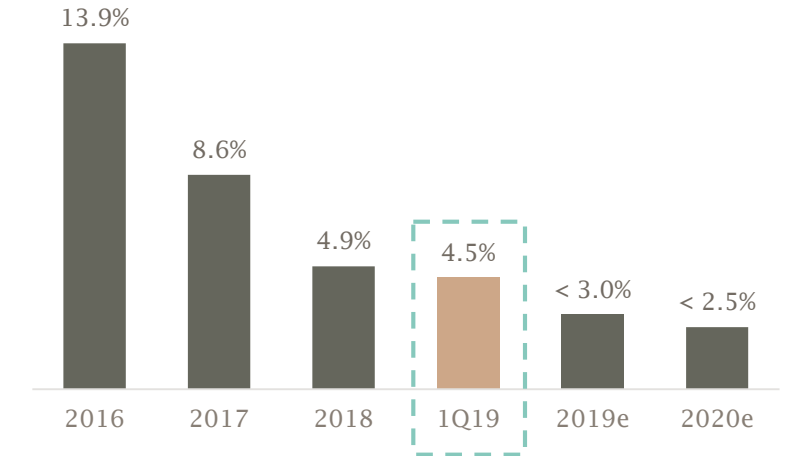
(1) Annualized and exc. investment property  
 (2) Gross debt excluding investment properties

# NPAs. Targets for 2019-20

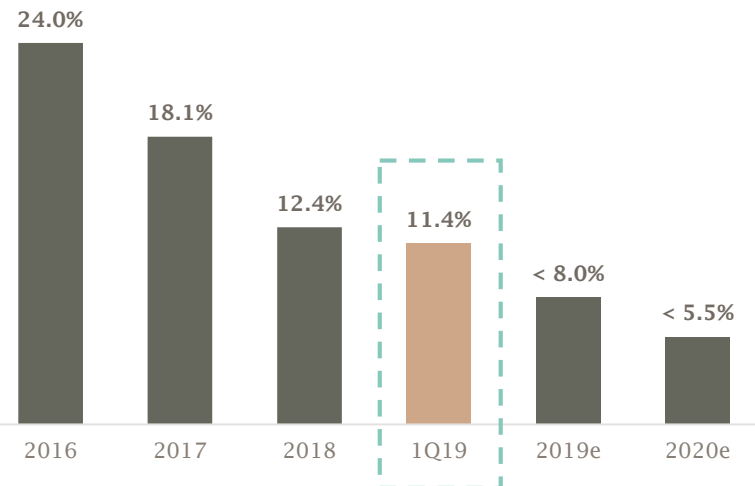
Gross NPA. Eur bn



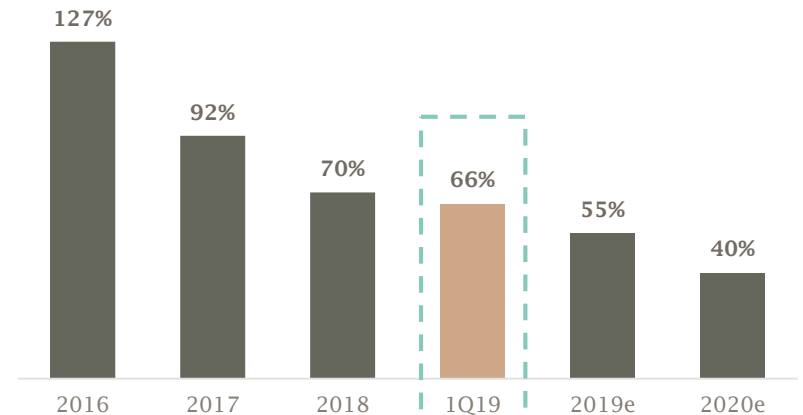
NPL ratio



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

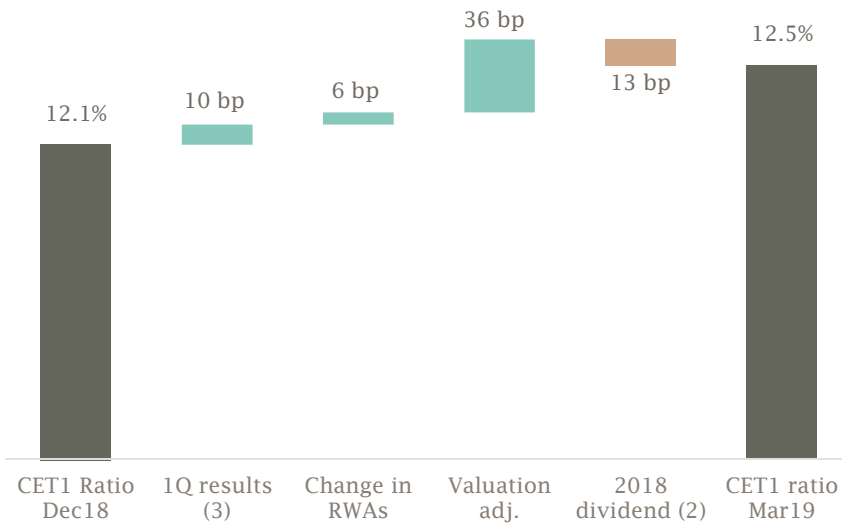
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# Agenda

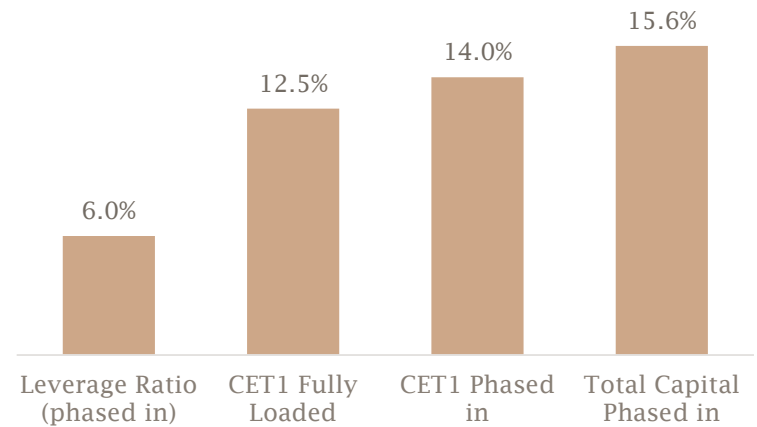
- 
1. Commercial Activity
  2. Results analysis
  3. Asset Quality
  4. Solvency
  5. Liquidity and Fixed Income portfolio
  6. Appendix

# Solvency position

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



## Capital ratios<sup>(1) (3)</sup>



- The Board proposed a cash dividend payment of € 22m and the amortization of 26m treasury shares to the AGM (30th April).
- CET1 fully-loaded ratio stands at 12.5% supported by organic generation, NPAs reduction and unrealized capital gains that more than offset the dividend payment and lending growth. Phased-in ratios stand well above regulatory requirements.
- Process to migrate to IRB models keeps advancing.

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

(2) € 22m dividend approved by the Board and proposed to the AGM

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

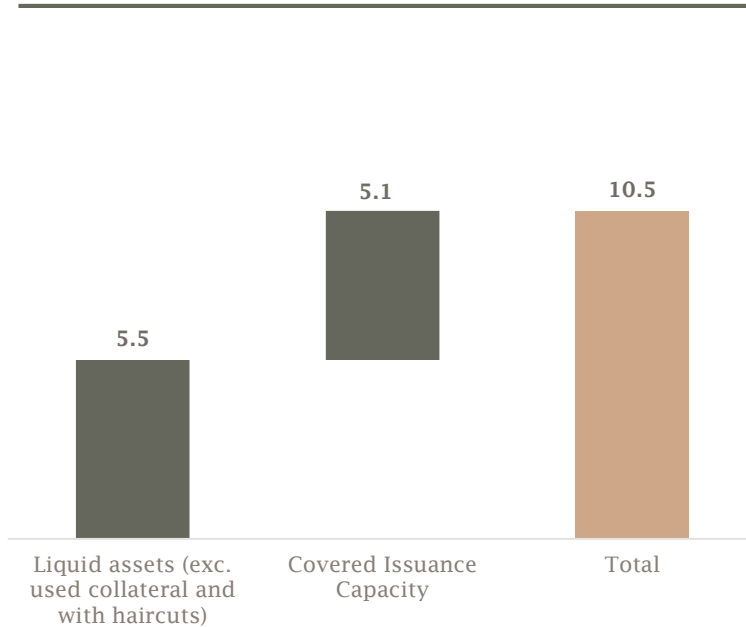
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# Agenda

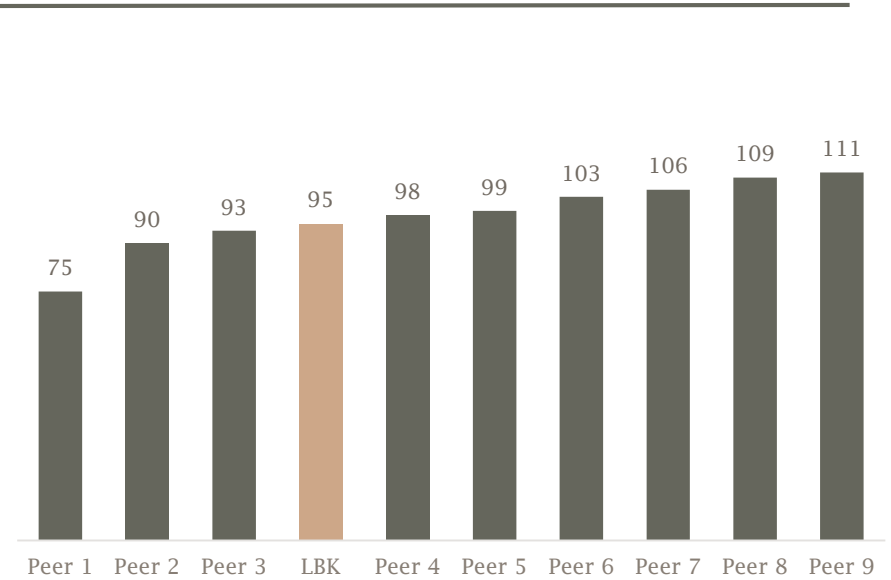
- 
1. Commercial Activity
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# Liquidity position

Liquidity position. Eur bn



Loan to deposit. Benchmark (1)



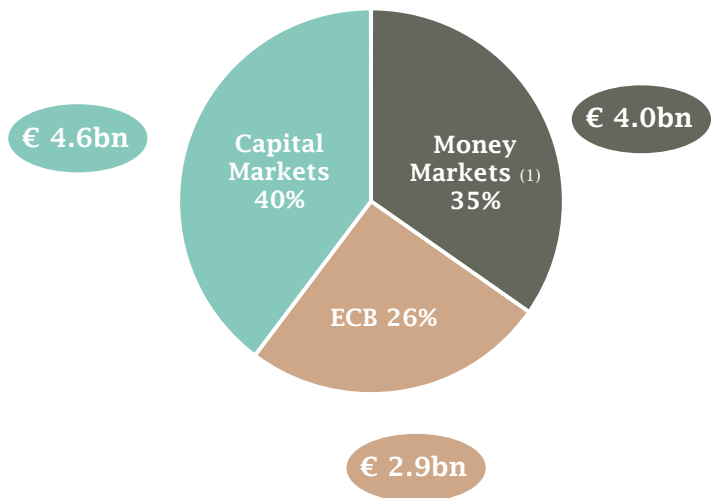
(1) Peers include Spanish domestic banks with available information as of December 18. BKT includes Portugal.

- Liberbank ends the quarter with a 95% LtD ratio while performing loan book grew +9.6% YoY.
- LCR and NSFR stand at 265% and 123% respectively as of 1Q19, well above requirements.

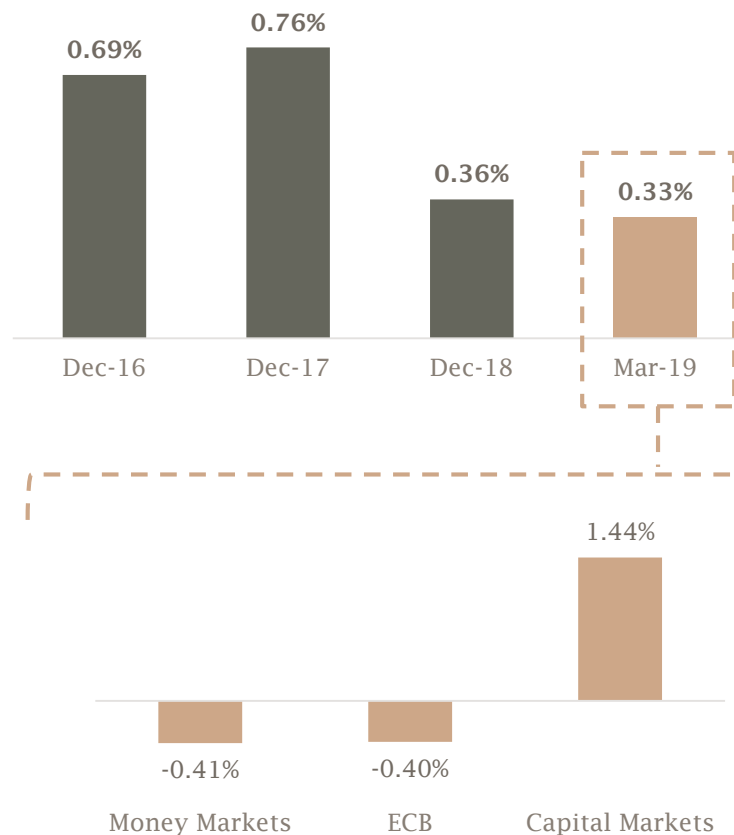


# Wholesale funding

Wholesale funding. Breakdown (Eur bn)



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



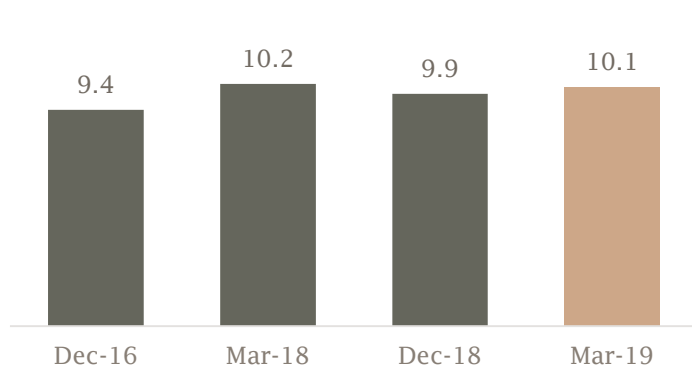
→ **Rating.** Fitch and Moody's upgraded Liberbank's rating one notch during the 1Q. Moody's also upgraded covered bond ratings two notches.

→ Capital markets securities are mainly covered bonds and long term funding with manageable maturities. ECB funding remains flattish, it is TLTRO2.

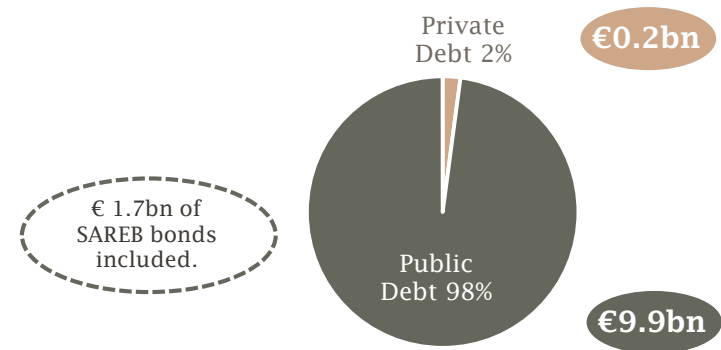
1. Net of reverse repos and excess cash position  
 2. Price at the end of the period  
 Source: Liberbank Treasury (inventarios)

# Fixed Income portfolio

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



**Fixed income portfolio. Issuer breakdown<sup>(1)</sup>**



**Fixed income portfolio. Breakdown <sup>(2)</sup>**

March 2019	Amount (Eur bn)	Yield	Duration
Fair Value through OCI	1.5	1.0%	0.7
Amortised Cost	8.6	1.3%	1.0
<b>TOTAL</b>	<b>10.1</b>	<b>1.3%</b>	<b>1.0</b>

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

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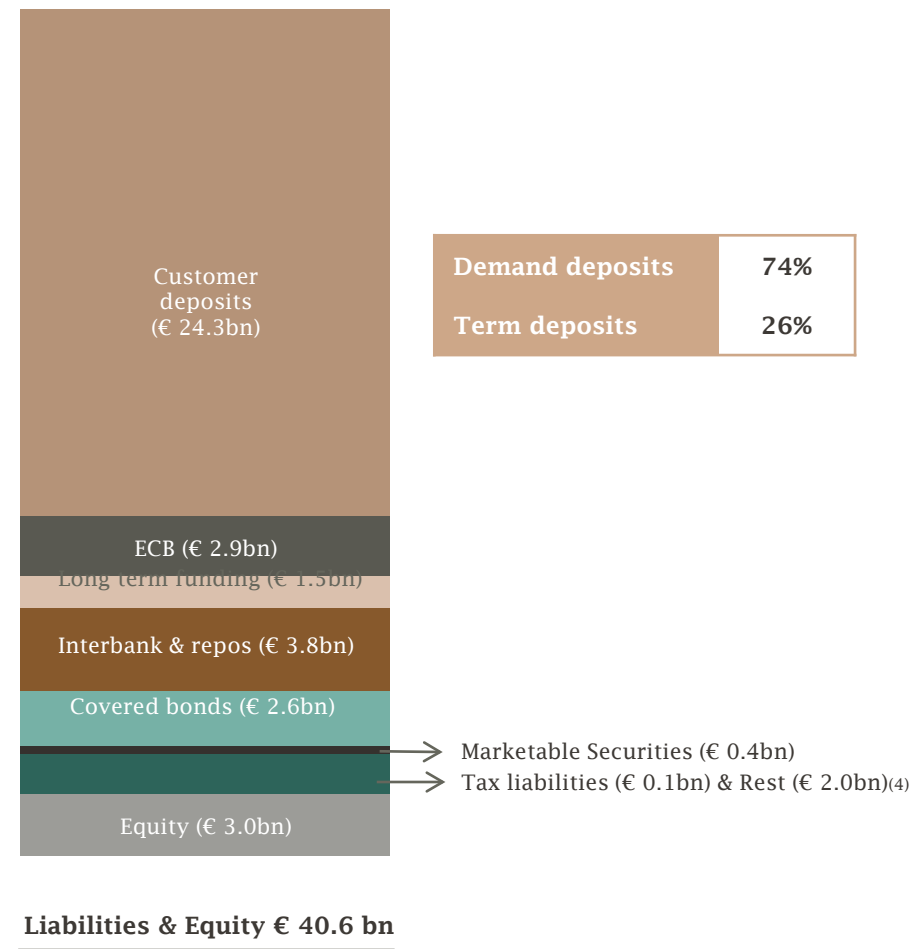
# Agenda

- 
1. Commercial Activity
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# Main targets

	2019YE target	1Q19	
NPL Ratio	< 3.0%	4.5%	On track
NPA Ratio	< 8.0%	11.4%	On track
Texas ratio	55%	66%	On track
CET1-FL	> 12.0%	12.5%	✓
Performing Loan Book	+ Mid single digit	+10% YoY	✓
NII	+ Mid single digit	+9% YoY	✓
Recurrent fee income	+ Mid single digit	+2% YoY	On track
Operating costs	< € 400m	-1% YoY	✓
Cost of risk	< 25bp	25bp	✓

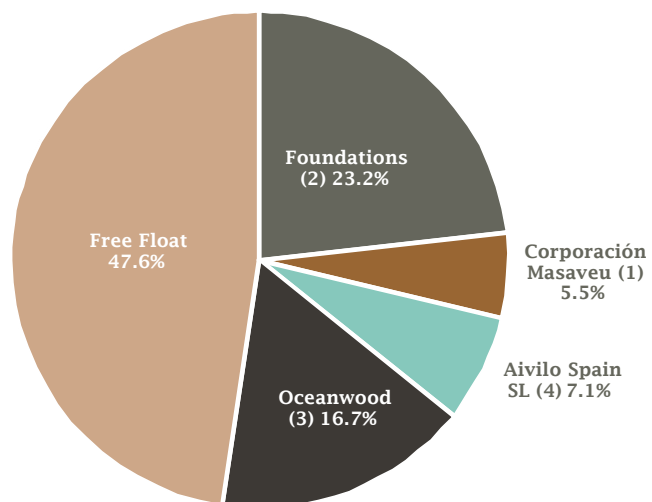
# Balance Sheet



(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 Oceanwood Capital Management and Oceanwood Opportunities Master Fund.  
 Includes stake through derivatives  
 (4) Includes Inmosan SA  
 Source: CNMV as of March 31st 2019

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

	4Q18	1Q19
<b>Share and liquidity</b>		
# O/S shares (m)	3,067	3,067
Last price (Eur)	0.44	0.38
Max price (Eur)	0.48	0.47
Min price (Eur)	0.37	0.38
Avg. daily traded volume (#shares m)	4.18	5.02
Avg. daily traded volume (Eur m)	1.87	2.15
Market Capitalization (Eur m)	1,349	1,165
<b>Book Value</b>		
BV (exc minorities). Eur m	2,831	2,956
TBV. Eur m <sup>(1)</sup>	2,692	2,816
<b>Ratios</b>		
BVps (Eur)	0.92	0.96
TBVps (Eur)	0.88	0.92
PBV	0.48x	0.39x
PTBV	0.50x	0.41x

(1) Intangible assets  
 (2) Last Price at the end of the quarter

# **Liberbank**

## **Institutional Investors & Analysts Contact**

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