Liberbank

Financial Report

2019 Fourth Quarter

January 30th, 2020

Index:

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1. Macroeconomic Environment

1.1 International Economic Situation

According to the last IMF estimates, the global economy would have grown by 2.9% in 2019, being the lowest figure since 2008-2009. This slowdown has been compatible with a positive evolution amid financial markets, where the main stock market indices in Europe and the USA experienced double-digit increases, showing rises of over 20% and falls in risk premiums. This apparent contradiction is explained by both the accommodating and synchronized tone of monetary policy worldwide, and a decrease in uncertainty regarding some conflicts, such as the trade war between the US and China or the Brexit.

The IMF expects the GDP growth to bounce back up to 3.3% in 2020 and 3.4% in 2021, driven by improvements in several emergent markets and in Europe. However, this scenario is not risk-free, given the global geopolitical instability, as some conflicts could intensify, like the one recently observed between the US and Iran (whose impact on oil prices has been limited to date), the trade war or the Brexit.

On the long run, the world economy, and especially that of developed countries, faces a period of moderate economic growth, coupled with low inflation and low interest rates, which are the result of demographic and technological changes, stagnating productivity and a reduction in the natural rate of interest.

In the US, expectations remain weak in the manufacturing sector and trade tensions are still high. However, the rest of the economy remains buoyant, supported by strong labor market and private sector job creation. Thus, the Fed anticipates the GDP to gradually slow down from 2.2% in 2019 to 2.0%, 1.9% and 1.8% in 2020, 2021 and 2022, respectively. This growth, close to potential, will enable unemployment to remain below 4% (at historic lows) and inflation to converge with the 2% target.

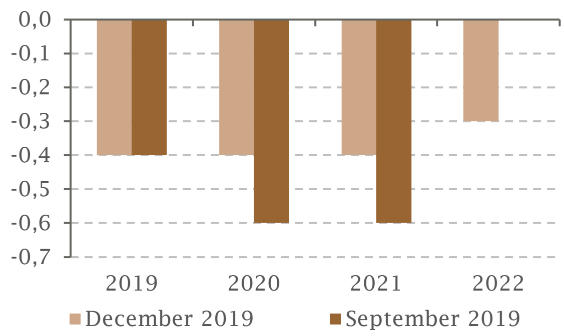
In this context, no short-term changes in interest rates are expected and, likewise, rises are ruled out, at least until 2021.

The economy in Europe, shows more modest growth rates, affected by tariff tensions, especially in the industrial and manufacturing sector. The latest known data reduce the likelihood of recession in the short-term, as the manufacturing sector tends to stabilize, and the service and construction sectors improve, helped by strong domestic demand. The ECB estimates that 2019 could have ended with GDP growth rates of 1.2%. Likewise, a 1.1% advance is expected for 2020 (the lowest growth rate since 2013) and 1.4% per year for the following two years, in a process of convergence with potential growth. These growth figures would make it possible to create jobs and reduce unemployment rate to 7.1% in 2022.

Inflation is likely to be slightly above 1.5%, still far from the 2% target. Consequently, the ECB has revised its interest rate expectations slightly upwards, although the 3-months Euribor is expected to remain negative over the whole forecast horizon.

Eurozone: three-month EURIBOR projections

Percentage per annum



Source: ECB

1.2. Spanish Economy

The Spanish economy maintained in 2019 a higher rate of growth than in the Eurozone as a whole, something that has been happening since the beginning of the current economic recovery in 2014. Specifically, the Bank of Spain (BdE) estimates a growth of 2.0% for the entire year.

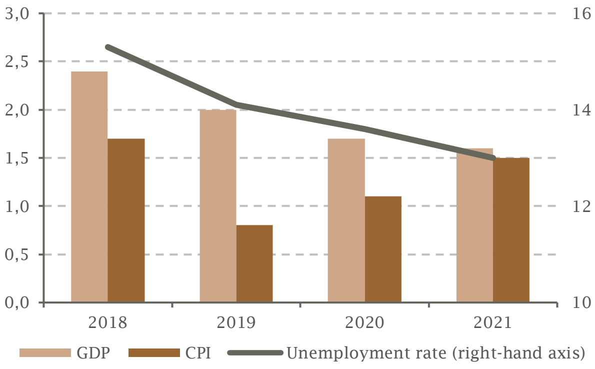
The BdE forecasts point to a continuation of this trend, following the dynamism of domestic demand, associated with the improvement of the wealth situation of households and companies. Nevertheless, GDO growth is expected to continue to show the gradual slowdown that began in mid-2017, reaching 1.7% in 2020 and 1.6% and 1.5% in the following two years. This slowdown, which would be consistent with a gradual convergence of growth towards its potential rate, would be explained by a lower contribution from both external and domestic demand.

Regarding domestic demand, most recent data from the National Accounts, the weakening of new credit flows, the increase in the savings rate and a higher uncertainty scenario, seem to point to the completion of the process of absorbing the dammed demand for durable goods accumulated during the crisis, thus limiting the contribution of private consumption to the GDP growth.

This economic outlook remains compatible with a decline in the unemployment rate to below 13% by 2022, with prices gradually increasing by about 1.5% per year.

Spain: macroeconomic projections

Annual rate, %



Source: BdE

1.3 Spanish Financial System

Downward revision of growth forecasts and subdued inflation, anticipate that the negative interest rates scenario is likely to persist longer than previously expected.

In this context, the main challenge facing credit institutions is the recovery of profitability levels more aligned with the cost of capital.

The recovery of banking profits is a vital issue, as it affects financial stability. The profits of banks not only determine the remuneration of their shareholders, but also constitute the main source of organic generation of own resources, which acts as a cushion for a country's economy, since they allow losses to be absorbed in crisis situations, softening the disruptions that this generates in real economy.

Hence the importance of financial institutions generating profits, something that is very complicated in the current environment, not only because the interest curves have flattened out, which limits the generation of results by "term transformation", by lending money in the long term and taking it in the short term.

In the first three quarters of 2019, Spanish credit institutions have seen their net attributable profit fall by 18%, due to lower net trading income (-23%) and higher operating expenses (+4%), largely due to labor agreements to reduce staff. In addition, impairment losses, which had been falling steadily since 2013, increased by +10.6%, despite the decline in the NPA ratio to 5.1% (with October data). Net interest income increased by slightly more than 3% and net fees rose 2.5%. As a result, ROE was 6.2% and the cost of capital slightly over 7% (according to the analysts' consensus).

Commercial activity up to November 2019 shows a decrease in the volume of credit (-1.2%), in both companies and households. Several factors may explain this evolution, including the decrease in consumption of durable goods and the increase in precautionary savings, as a result of an economic environment with greater uncertainty.

Regarding savings, data known up to November 2019, show a solid annual growth in the total volume of deposits (+6%), in both households and companies.

Other important challenges in the Spanish banking sector are undoubtedly the potential materialization of costs associated with legal risks, which continues to contribute to the increase of operational risk and the risk derived from the adoption of new technologies.

2. Highlights

01	LBK's position in the EQUOS National Bank Ranking: 1º	**The best national bank in service quality** (for the second consecutive quarter)
02	CET 1 Fully-loaded: 13.02%	**One of the Spanish banks with higher solvency ratio (+109 bps during 2019)**
03	YoY performing credit growth: 10%; YoY growth of resources: 6%; YoY growth in mutual Funds: 23%	**Commercial dynamism: both in credit and customer funds and especially in mutual funds**
04	Average LTV of new mortgage loans: 69%	**High standards of risk quality**
05	Net Interest income YoY variation: 3%; Recurrent fees YoY variation: 6%	**Growth in the profitability of the ordinary banking business**
06	Administration costs YoY variation: -5%; Number of branches YoY variation: -14%	**Reducing administration and branches costs**
07	NPL ratio: 3.3%; NPL entries/stock: 0.6%; Risk cost: 24bps	**Reduced NPA ratio, with decreasing NPL entries**
08	NPA ratio YoY decrease: -3.78pp	**Significant decrease in the NPA ratio**
09	YtD Tangible Book value per share variation: 11%	**Aimed at creating shareholder value**
10	Liquid assets (in € million): 5,989	**Excellent liquidity position**

3. Key indicators

Key Indicators

In € Million	31/12/2019	30/09/2019	31/12/2018	% QoQ change	% Annual change
BALANCE SHEET					
Total Assets	41,947	42,075	39,227	-0.3%	6.9%
Gross Performing Loans	24,186	23,786	21,949	1.7%	10.2%
Customer Funds	30,900	30,718	29,628	0.6%	4.3%
Total Equity	3,114	3,112	2,831	0.1%	10.0%
Loan to Deposits	99.7%	97.7%	93.0%	2.0%	6.7%
PROFIT AND LOSS ACCOUNT				4Q19 Contribution	
Net Interest Income	467	346	453	121	3.2%
Gross Margin	640	498	640	142	0.0%
Operating Income	257	204	247	53	4.0%
Profit before taxes	133	121	138	11	-3.8%
Profit attributable to the Group	111	96	110	15	0.6%
SOLVENCY					
Risk-weighted Assets	17,175	17,211	17,058	-0.2%	0.7%
Common equity Tier 1 /CET1 phased-in	14.6%	14.5%	13.8%	0.0%	0.8%
Tier 1 /Capital Level1 phased-in	14.6%	14.5%	13.8%	0.0%	0.8%
Solvency Ratio phased-in	16.1%	16.1%	15.3%	0.0%	0.8%
Common equity Tier 1 /CET1 fully-loaded	13.0%	13.0%	11.9%	0.0%	1.1%
RISK MANAGEMENT					
Non-performing Loans (NPL)	813	954	1,142	-14.8%	-28.8%
Gross Foreclosed Assets	1,462	1,644	1,960	-11.0%	-25.4%
Non-performing Loans Ratio	3.3%	3.9%	4.9%	-0.6%	-1.7%
NPL coverage Ratio	50%	51%	53%	-0.4%	-2.8%
Foreclosed Assets coverage Ratio	48%	49%	50%	-0.9%	-2.4%
BANKING BUSINESS AND RESOURCES (Units)					
Group employees	3,726	3,760	3,798	-0.9%	-1.9%
Employees (Liberbank, S.A.)	3,084	3,093	3,149	-0.3%	-2.1%
Branches	582	607	679	-4.1%	-14.3%
ATMs	1,263	1,267	1,282	-0.3%	-1.5%

Sources: Consolidated Public Finances, Bank of Spain's official statements and Other Internal Information Sources.

4. Financial Evolution

Consolidated balance sheet

In € Million	31/12/2019	30/09/2019	31/12/2018	% QoQ change	% Annual change
Cash, cash at central banks and other demand deposits	843	639	678	32.0%	24.2%
Financial assets (FA) held for trading	11	14	13	-18.5%	-14.7%
Non-trading FA mandatorily at fair value through P&L	149	162	172	-7.5%	-13.3%
FA at fair value (FV) through o/ comprehensive income	1,018	1,068	1,796	-4.6%	-43.3%
Financial Assets at amortized cost	34,622	34,639	31,380	0.0%	10.3%
Debt securities	9,102	9,296	8,465	-2.1%	7.5%
Loans and advances	25,520	25,343	22,916	0.7%	11.4%
of which: to customers	24,947	24,567	22,664	1.5%	10.1%
Derivatives – Hedge accounting	470	579	338	-18.8%	39.2%
FV changes of hedged items in portfolio hedge of IR risk	134	183	29	-26.5%	
Investments in subsidaries, joint ventures and associates	572	539	453	6.0%	26.2%
Tangible assets	1,230	1,244	1,142	-1.1%	7.7%
Intangible Assets	150	145	139	3.4%	7.7%
Tax assets and other Assets	1,959	1,971	2,050	-0.6%	-4.5%
Non current Assets held for sale	788	892	1,035	-11.7%	-23.8%
TOTAL ASSETS	**41,947**	**42,075**	**39,227**	**-0.3%**	**6.9%**
Financial liabilities (FL) held for trading	11	14	14	-18.7%	-18.0%
FL measured at amortized cost	37,664	37,425	35,815	0.6%	5.2%
Deposits	35,972	35,773	35,186	0.6%	2.2%
Debt securities issued	1,425	1,421	415	0.3%	
Other financial liabilities	267	231	215	15.7%	24.2%
Derivatives – Hedge accounting	843	1,168	211	-27.8%	
Liabilities under insurance and reinsurance contracts	7	8	8	-4.6%	-4.8%
Provisions	103	115	143	-10.5%	-28.5%
Tax liabilities and other liabilities	204	234	205	-12.7%	-0.6%
TOTAL LIABILITIES	**38,833**	**38,963**	**36,397**	**-0.3%**	**6.7%**
Minority Interest	0	0	0	0.0%	
Shareholder's Equity	2,885	2,873	2,777	0.4%	3.9%
Accumulated Other Comprehensive Income	229	239	53	-4.2%	
TOTAL EQUITY	**3,114**	**3,112**	**2,831**	**0.1%**	**10.0%**
TOTAL EQUITY AND LIABILITIES	**41,947**	**42,075**	**39,227**	**-0.3%**	**6.9%**

Source: Balance sheet consolidated account (FA: Financial Assets. FV: Fair Value. IR: Interest Rate).

The balance sheet of the Group decreases by -0.3% during the fourth quarter and increases by +6.9% YoY, reaching 41,947 million euros. This increase of the balance sheet mainly comes from wholesale business.

The two main asset headings are *Loans and Advances* and the securities portfolio.

The balance sheet heading *Loans and Advances* include gross performing credit, which increases by 1.5% during the fourth quarter, despite year-end early repayments of corporate and Public Administrations risks, coupled with a significant drop in non-performing loans of -14.8%. For the year as a whole, this item showed an equally significant growth of 10.1%, with a reduction of NPL of -28.8%.

The securities portfolio is mainly classified under the *Debt securities, Financial Assets at fair value through other comprehensive income* and *Investments in subsidiaries, joint ventures and* *associates.* 92% of the securities portfolio is comprised of fixed income, where 92% are sovereign bonds. The average yield is 1.3% and 92% is classified in the amortized cost portfolio.

Reduction of NPA continues to be a strategic priority for Liberbank. Proof of this is evidenced in the evolution of *Non-Current Assets Held for Sale*, 11.7% lower than September and 23.8% lower than December of 2018.

Customer funds registered under the *Deposits* heading of *Liabilities,* show a quarterly growth of +0.6% and a yearly growth of +2.2%. The trend observed in previous quarters of transferring term deposits to sight deposits and off-balance products, mainly mutual funds, continued (+7.6% in the fourth quarter and +23.0% YoY).

Resources

In € Million	31/12/2019	30/09/2019	31/12/2018	% QoQ change	% Annual change
CUSTOMER FUNDS	30,900	30,718	29,628	0.6%	4.3%
Customer Funds On Balance Sheet	24,675	24,760	24,073	-0.3%	2.5%
Public Administrations	1,826	2,192	1,789	-16.7%	2.1%
Creditors and promissory notes	22,849	22,568	22,285	1.2%	2.5%
Demand Deposits	18,066	17,380	16,525	3.9%	9.3%
Term Deposits	4,783	5,188	5,758	-7.8%	-16.9%
Others (promissory notes)	0	0	2		-100.0%
Off-Balance Sheet Customer Funds	6,225	5,959	5,555	4.5%	12.1%
Mutual Funds	3,772	3,504	3,066	7.6%	23.0%
Pension Funds	1,481	1,476	1,461	0.3%	1.4%
Saving Insurances	972	979	1,028	-0.7%	-5.5%
REPURCHASE AGREEMENTS	2,941	2,886	2,789	1.9%	5.4%
WHOLESALE FUNDING (capital markets)	3,574	3,725	2,729	-4.0%	31.0%
Covered Bonds (non-retained)	3,479	3,630	2,634	-4.1%	32.1%
Bonds and EMTNs	95	95	95	0.0%	0.0%
TOTAL FUNDS	37,415	37,329	35,147	0.2%	6.5%

Total customer funds amount to 37,415 million euros, growing +6.5% YoY (+0.2% during the fourth quarter).

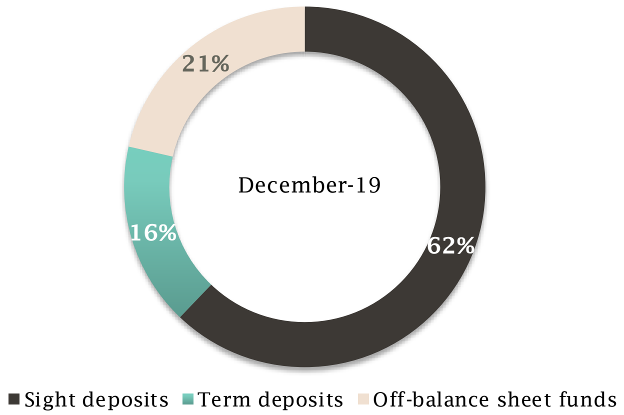
Customer funds total 30,900 million euros, increasing by +4.3% YoY (+0.6% during the fourth quarter).

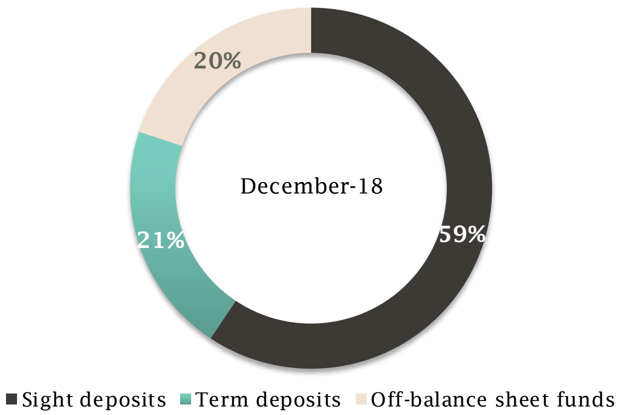
The growth is concentrated in sight deposits (+9.3% YoY, +3.9% QoQ) and mutual funds (+23.0% YoY, +7.6% QoQ). The latter recorded 528 million euros of net subscriptions in the year (242 million euros during the fourth quarter, the best quarterly figure in the last two years).

Household deposits (which include mutual funds) show a yearly increase significantly higher than the average for the sector in Spain (+5.7% vs. +4.1% as of November), thereby strengthening the Bank's market share in this segment. Households represent 88% of the total customer funds, thus giving the Bank a very stable deposit base.

With regard to wholesale funding, 150M of non-retained covered bonds with a high rate (1.42%), matured in the fourth quarter.

Retail resources





Gross performing loans

In € Million	31/12/2019	30/09/2019	31/12/2018	% QoQ change	% Annual change
Credit To Public Administrations	3,174	3,048	1,658	4.1%	91.5%
Credit To Private Sectors	21,013	20,738	20,291	1.3%	3.6%
Productive activities financing	5,690	5,775	5,683	-1.5%	0.1%
Real Estate	300	292	309	2.5%	-2.9%
Other companies	5,390	5,483	5,374	-1.7%	0.3%
Household financing	14,972	14,622	14,288	2.4%	4.8%
Consumer and other loans	881	860	803	2.4%	9.7%
Housing	14,091	13,762	13,485	2.4%	4.5%
Advances and unclassified risks	351	341	320	3.0%	9.7%
PERFORMING LOANS	24,186	23,786	21,949	1.7%	10.2%

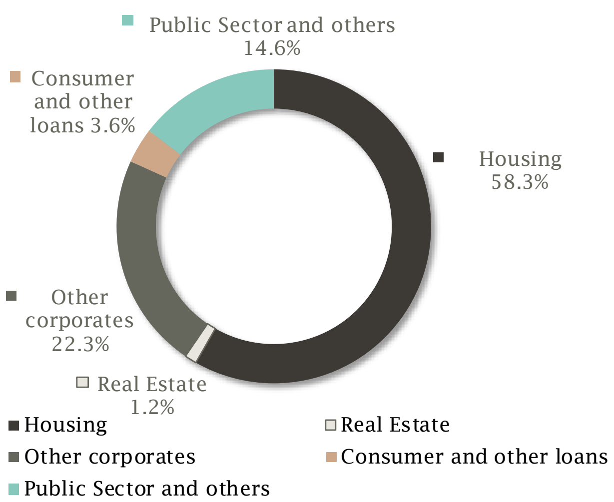
Performing loans amount to 24,186 million euros, growing by +10.2% YoY (+1.7% during the last quarter).

The increase in the fourth quarter (+400 million euros) is mainly concentrated in households mortgages (329 million euros), representing 58% of the whole portfolio. An additional 24% would be corporate loans and other 13%, credit to Public administrations, while Real Estate loans remain stableat 1%.

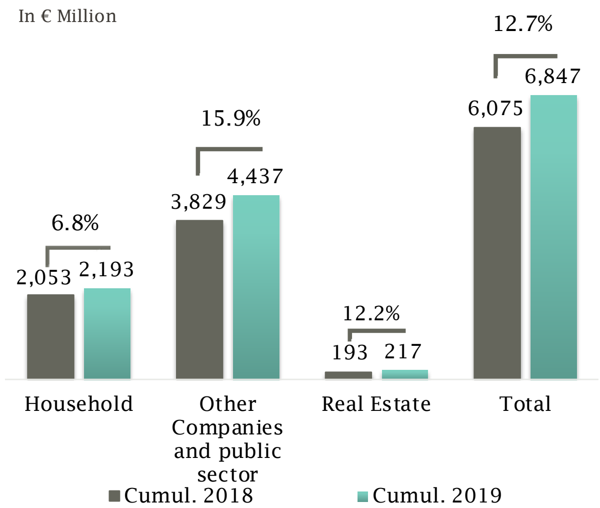
Liberbank's commercial strategy, focused on the granting of mortgages to households, maintaining high standards of risk quality, is bearing fruit, reaching market shares near 7% of the national total, enabling this portfolio to grow at a rate of +4.5% YoY (in contrast with the sector figure, -1.4% YoY as of November). 44% of these transactions are formalized in Madrid, where the real estate market is more dynamic. The average LTV of new transactions is 69%.

New lending amounts to 6,847 million euros of loans and credits and another 1,874 million euros of discount operations, confirming, leasing and guarantees, meaning increases of +12.7% and +9.1%, respectively over the same period last year.

Gross performing loans sector breakdown



Cumulative Lending Operations



Gross NPL Evolution

In € Million	NPL 31/12/2019	NPL QoQ ch.	NPL YoY ch.	NPL Ratio 31/12/2019	NPL Ratio QoQ ch.	NPL Ratio YoY ch.
Productive Activity Financing	401	-92	-213	6.6%	-1.3%	-3.2%
Real Estate	82	-22	-91	21.5%	-4.7%	-14.4%
Other companies	319	-71	-122	5.6%	-1.0%	-2.0%
Household Financing	393	-49	-118	2.6%	-0.4%	-0.9%
Consumer and other loans	51	2	7	5.5%	0.0%	0.3%
Housing	342	-50	-125	2.4%	-0.4%	-1.0%
Demand Debtors, Public Admin and Other	18	0	1	0.5%	0.0%	-0.3%
TOTAL GROSS NPL	813	-141	-329	3.3%	-0.6%	-1.7%

Sources: Bank of Spain's Official Statements and other Internal Information Sources.

Non-performing loans fell by 141 million euros during the fourth quarter, accumulating 329 million euros reduction during the year (-28.8%).

The NPL ratio decreases -60 bps in the quarter, and -1.69 p.p. in the last twelve months, standing at 3.25%, below the Spanish banking sector average (latest data available as of December).

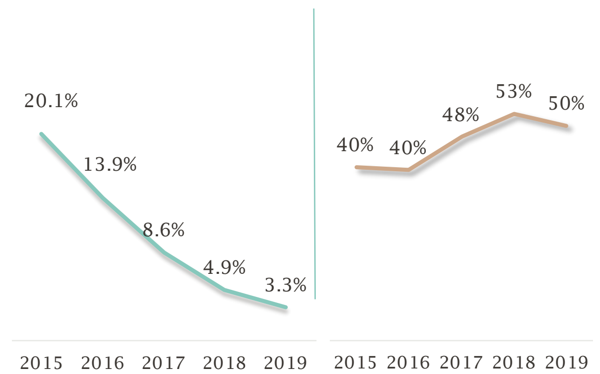
The coverage ratio stands at 50% at the end of December, the sector average. 42% of NPLs are household mortgages, with a high level of collateralization, therefore requiring lower coverages.

The annual volume of NPL entries declined by 6% compared to the same period of the previous year, staying below 50 million euros for the seventh consecutive quarter.

Refinanced loans decline to 396 million euros, and represents only 1.6% of the gross loans. 65% is classified as non-performing loan.

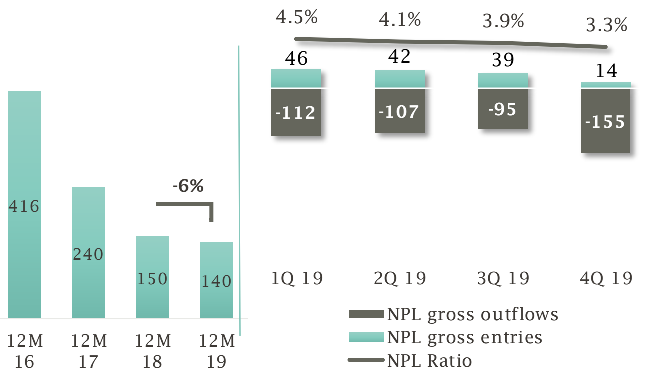
NPL ratio and Coverage

In € Million



Annual entries / NPL entries and outflows

In € Million



NPL Coverages

In € Million	NPL	Impairment losses	NPL minus Impairment losses	Coverage ratio	Guarantees*
Productive Activity Financing	401	275	126	68.6%	169
Real Estate	82	37	46	44.6%	57
Other companies	319	238	81	74.7%	112
Household Financing	393	123	269	31.4%	314
Consumer and other loans	51	46	5	89.8%	1
Housing	342	78	264	22.7%	314
Demand Debtors, Public Admin and Other Risks	18	9	9		1
TOTAL GROSS NPL	813	408	405	50%	484

** Guarantee= Limited appraisal value, calculated as the minimum value between the latest appraisal value and the outstanding debt.*

Gross Foreclosed Assets Evolution

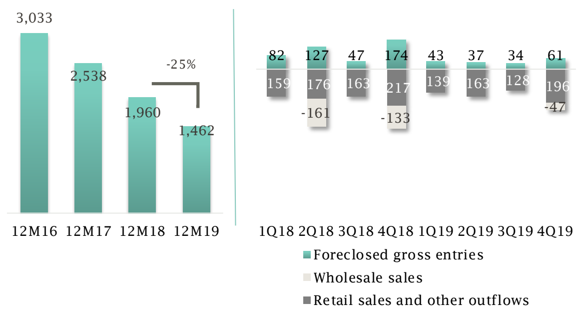
(excluding property investments)

In € Million	31/12/2019	30/09/2019	31/12/2018	% QoQ ch.	% YoY ch.
Houses under construction	270	277	329	-2.7%	-18.0%
Finished houses	393	472	604	-16.9%	-35.0%
Land	608	676	774	-10.1%	-21.4%
Offices, premises, warehouses and other buildings	192	218	254	-11.9%	-24.4%
TOTAL GROSS FORECLOSED ASSETS	**1,462**	**1,644**	**1,960**	**-11.0%**	**-25.4%**

Foreclosed assets outflows, classified as *Non Current Assets Held for Sale*, amount to 582 million euros through the year, 212 millions in the quarter, mostly retail sales. Around 45% of the quarter sales are Land and Houses under construction.

Gross Foreclosed assets / Incremental entries and outflows

In € Million



The foreclosed assets portfolio falls by -25.4% in in the last twelve months and -11.0% in the fourth quarter, with significant decreases among all types of assets.

The NPA's pool decreases by 825 million euros in the last twelve months (-26.6%), while its coverage level stays at 49% as of December 31st.

In addition, investment property sales amounted to 86 million euros of gross debt during the year and 28 million euros during the third quarter.

Impaired Assets Evolution (and their coverages)

In € Million	31/12/2019	30/09/2019	31/12/2018	QoQ variation	YoY variation
NPL	813	954	1,142	-141	-329
Foreclosed Assets	1,462	1,644	1,960	-181	-498
NON-PERFORMING ASSETS	**2,275**	**2,598**	**3,102**	**-322**	**-827**
NPA ratio	**8.6%**	**9.8%**	**12.4%**	**-1.2%**	**-3.8%**
NPL impairment losses	408	482	605	-75	-197
NPL coverage ratio	**50%**	**51%**	**53%**	**-0.4%**	**-2.8%**
Foreclosed assets impairment losses	696	797	980	-101	-285
Foreclosed assets coverage ratio	**48%**	**49%**	**50%**	**-0.9%**	**-2.4%**
NPA coverage ratio (NPL + foreclosed assets)	**49%**	**49%**	**51%**	**-0.8%**	**-2.6%**

Profit and loss account

In € Million	31/12/2019	31/12/2018	% Annual change
Financial income	548	541	1.3%
Financial expenses	81	89	-8.3%
NET INTEREST INCOME	467	453	3.2%
Dividends	8	6	35.2%
Results from equity method stakes	30	30	2.4%
Net fees	191	183	4.0%
Gains (losses) on Financial Assets and Liabilities and Ex.diff.	23	33	-31.4%
Other operating results (net)	-78	-64	21.8%
GROSS MARGIN	640	640	0.0%
Administrative costs	340	357	-4.7%
Staff costs	237	236	0.4%
Other general administrative costs	103	121	-14.7%
Amortizations	43	37	18.3%
PRE-IMPAIRMENT INCOME	257	247	4.0%
Provisions (net)	26	27	-3.7%
Impairment losses on financial assets (net)	60	58	4.7%
Impairment losses on other assets (net)	5	9	-37.4%
Other profits or losses	-32	-16	0.0%
PRE-TAX INCOME	133	138	-3.8%
Income tax	22	30	-25.5%
Profit from discontinued operations (net)	0	2	
CONSOLIDATED NET PROFIT	111	110	0.6%
Attributable Net Profit	111	110	0.6%

Source: Profit and loss account (CP1 Statement of the Bank of Spain).

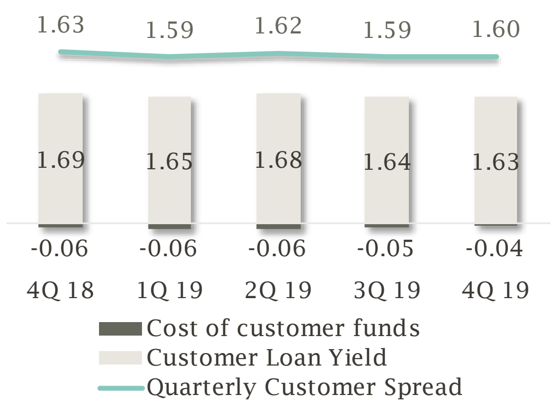
Income Statement Quarterly Evolution

In € Million	4Q 18	1Q 19	2Q 19	3Q 19	4Q 19
Financial income	139	134	138	137	140
Financial expenses	22	20	21	20	20
NET INTEREST INCOME	117	114	116	116	121
Dividends	1	5	0	0	2
Results from equity method stakes	3	2	21	3	4
Net fees	49	45	45	45	55
Gains (losses) on Financial Assets and Liab. and Ex. Diff.	-3	5	12	5	2
Other operating results (net)	-50	-21	-5	-11	-41
GROSS MARGIN	117	150	188	159	142
Administrative costs	87	89	85	88	79
Staff costs	60	59	59	60	58
Administrative costs	27	30	26	27	20
Amortizations	10	11	11	11	11
PRE-IMPAIRMENT INCOME	20	51	93	60	53
Provisions (Net)	5	6	7	5	7
Impairment losses on financial assets (net)	13	14	16	16	15
Impairment losses on other assets (net)	0	0	2	2	1
Other gains or losses	-3	-3	-6	-5	-18
PRE-TAX INCOME	-1	28	62	31	11
Income tax	2	7	10	8	-3
Profit from discontinued operations (net)	4	0	0	0	0
CONSOLIDATED NET PROFIT	2	21	52	24	15
ATTRIBUTABLE NET PROFIT	2	21	52	24	15

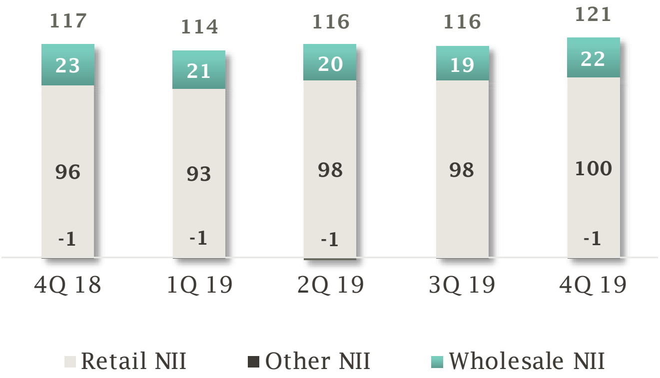
Quarterly contribution to the net interest income

In € Million	4Q 18	1Q 19	2Q 19	3Q 19	4Q 19
Financial income	139	134	138	137	140
Financial expenses	22	20	21	20	20
NET INTEREST INCOME	117	114	116	116	121

Customer Spread Evolution



Net interest income evolution by business lines



Net interest income grows by +3.2% YoY. The contribution from retail business shows an even higher growth, of 5.7%, coming from the increase in performing credit and an adequate price management. The combination of both factors has kept the customer spread at around 1.60% during the last four years, even in a context of continued drop in interest rates.

The Net interest income of the fourth quarter totals 121 million euros, 4.2 million euros above the previous quarter, driven by higher revenues from performing loans and reduced funding costs.

New credit contributes positively to this improvement in the customer spread, with an average yield of 2.2% (credit to private sector), above the average profitability of the performing portfolio.

Quarterly Net Interest Income Evolution

	4Q 2018			1Q 2019			2Q 2019			3Q 2019			4Q 2019		
	Aver.bal	Rate	FI/FE	Aver.bal	Rate	FI/FE	Aver.bal	Rate	FI/FE	Aver.bal	Rate	FI/FE	Aver.bal	Rate	FI/FE
Retail FI	23,466	1.7	99	23,569	1.6	97	24,099	1.7	101	24,678	1.6	101	24,987	1.6	102
of which: performing	22,125	1.7	95	22,451	1.7	95	23,040	1.7	98	23,683	1.7	99	24,073	1.7	100
Retail FE	23,910	0.1	3	24,198	0.1	4	24,410	0.1	4	24,904	0.1	3	24,894	0.0	2
Sight	16,032	0.0	1	16,514	0.0	1	16,777	0.0	1	17,308	0.0	1	17,613	0.0	1
Terms	5,783	0.1	2	5,798	0.1	2	5,707	0.1	2	5,421	0.1	2	5,003	0.1	1
Others	2,096	0.0	0	1,886	0.1	0	1,926	0.1	0	2,176	0.1	0	2,278	0.0	0
Wholesale FI	10,588	1.2	31	10,432	1.1	30	10,270	1.1	29	9,577	1.2	29	11,349	1.0	30
of which: fixed income	9,675	1.3	30	9,633	1.2	30	9,124	1.3	30	8,225	1.4	30	9,243	1.3	30
Wholesale FE	11,966	0.3	8	11,437	0.3	9	11,550	0.3	9	10,910	0.4	10	12,998	0.2	8
Financial Institutions	8,847	-0.3	-7	8,385	-0.3	-7	8,499	-0.3	-6	7,693	-0.3	-6	9,041	-0.3	-7
Repos PS and PA	51	0.0	0	38	0.0	0	27	0.0	0	38	0.0	0	23	0.0	0
Covered bonds	2,684	1.5	10	2,634	1.5	10	2,634	1.5	10	2,796	1.5	10	3,555	1.1	10
Bonds and others	384	5.6	5	380	5.6	5	390	5.6	5	382	5.7	5	379	5.5	5
Other FI & FE			-1			-1			-1			0			-1

PS: Private Sectors; PA: Public Administrations; FE: Financial Expenses; FI: Financial Income

Fees

In € Million	4Q 2018	1Q 2019	2Q 2019	3Q 2019	4Q 2019	% Cum. Annual Change
FEES RECEIVED	51	48	48	48	59	5.6%
Contingent liabilities	2	2	1	2	2	11.6%
Contingent commitments	0	0	0	0	0	27.6%
Collections and payments	19	19	21	22	23	4.3%
Securities services	1	1	1	1	1	-19.3%
Non banking financial products	20	18	16	16	25	15.8%
Others	9	8	8	8	8	-8.8%
FEES PAID	2	2	3	3	4	42.4%
NET FEES	49	45	45	45	55	4.0%
RECURRENT NET FEES	45	45	45	45	49	5.6%

Source: Profit and loss account and own preparation

Net fees amount to 191 million euros, showing a +4.0% YoY cumulated growth, +5.6% taking into account only its recurrent components. The main lines supporting this growth are insurance products (+6.3% YoY, net of non-recurrent revenue), and mutual funds (+22.5% YoY), due to a more profitable product mix and the growth in assets under management.

Gains (losses) on Financial Assets and Liabilities amount to 23 million euros through the year, mainly coming from fixed income sales and value adjustments of financial instruments at fair value.

Other operating income (net) amounts to -78 million euros. This heading registers a contribution to the Deposit Guarantee Fund of -39 million euros, the contribution to the Single Resolution Fund (-4 million euros), deposit tax (-8 million euros), the equity benefit for monetizable deferred tax assets (-10 million euros), as well as other income and expenses, both recurrent and non-recurrent.

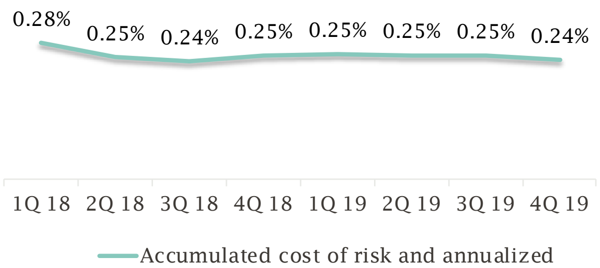
General administration costs decreased by 4.7% YoY. On the other hand, *amortizations* increase by 18.3% due to the entry into force of the IFR16 rule at the beginning of the year. The whole operating expenses amounts to 383 million euros, 17 million euros below the *guidance* provided by the entity (400 million euros).

Provisions (net) registers 26 million euros, mainly coming from the reorganization of the commercial network and contingencies.

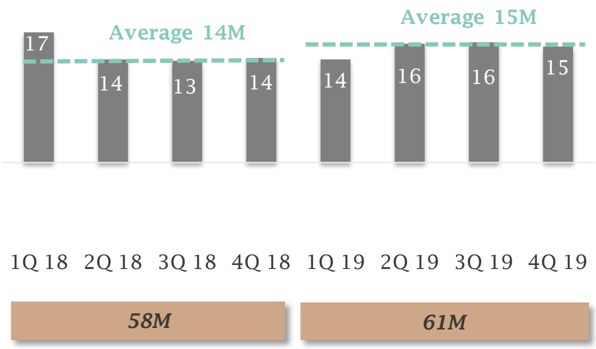
Impairment losses on financial assets (net) registers the credit impairments (61 million euros). The annualized cost of risk stands at 24 bps, in line with expected levels.

Finally, *Other gains or losses* registers -32 million euro, due to foreclosed sales results and the impairment of non-current assets held-for-sale.

Evolution of Cost of Risk



Loan Impairments



Solvency (Basel III phased-in)

In € Million	31/12/2019	30/09/2019	31/12/2018	Quarterly Change	Annual Change
CET 1 COMMON EQUITY TIER 1	2,499	2,496	2,346	3	154
Common equity Tier 1 (%)	14.6%	14.5%	13.8%	0.0%	0.8%
CAPITAL LEVEL 1/ TIER 1	2,499	2,496	2,346	3	154
Total TIER 1 (%)	14.6%	14.5%	13.8%	0.0%	0.8%
TOTAL CAPITAL	2,768	2,765	2,614	2	154
Solvency ratio (%)	16.1%	16.1%	15.3%	0.0%	0.8%
RISK WEIGHTED ASSETS	17,175	17,211	17,058	-37	116
LEVERAGE RATIO	6.2%	6.2%	6.1%	0.0%	0.1%

Solvency (Basel III Fully loaded)

In € Million	31/12/2019	30/09/2019	31/12/2018	Quarterly Change	Annual Change
CET 1 COMMON EQUITY TIER 1	2,237	2,241	2,035	-4	202
Common equity Tier 1 (%)	13.0%	13.0%	11.9%	0.0%	1.1%
CAPITAL LEVEL 1/ TIER 1	2,237	2,241	2,035	-4	202
Total TIER 1 (%)	13.0%	13.0%	11.9%	0.0%	1.1%
TOTAL CAPITAL	2,506	2,511	2,304	-5	202
Solvency ratio (%)	14.6%	14.6%	13.5%	0.0%	1.1%
RISK WEIGHTED ASSETS	17,182	17,218	17,070	-36	112
LEVERAGE RATIO	5.6%	5.6%	5.4%	0.0%	0.2%

2019 results included, calculated following the 26th article, 2nd section of the Regulation (EU) 575/2013 of the European Parliament and Council and the Decision (EU) 2015/656 of the European Central Bank (ECB/2015/4). At the date of preparation of these consolidated annual accounts, a request for the calculation of results as own resources to the European Central Bank is pending, including a dividend payment of 22.1 million euros. These solvency ratios discount the execution of the share buyback programme, communicated in the Significant Event dated 30th December, 2019, amounting 20 million euros, which the Entity plans to redeem (redeeming conditioned to the pertinent authorization).

As of December 31st, 2019, Liberbank's CET 1 Common Equity Tier 1 phased-in stands at 14.6% (+80 bps YoY), Capital Tier 1 stands at the same figure and Total Capital stands at 16.1% (+79 bps YoY), far exceeding the requirements to date: Common equity Tier 1 ratio of 9.5% and Total Capital ratio of 13.0%.

At the same date, Liberbank's CET 1 Common Equity Tier 1 fully loaded stands at 13.0% (+109 bps YoY), Capital Tier 1 stands at the same figure and Total Capital stands at 14.6% (+108 bps YoY).

The organic generation, the fall of NPAs and the increase of unrealized capital gains support the improvement of the capital ratios and offset the impact of new credit and fixed income investments.

The Share

Market Information	4Q2019
Number of shares outstanding *(millions)*	3,041
Average Daily Trading Volume *(#shares)*	4,413,343
Average Daily Trading Volume *(€)*	1,343,278
Maximum Share price *(€)*	0.34
Minimum Share price *(€)*	0.27
Closing Price *(€)*	0.34
Closing Market Capitalization *(k€)*	1,019

On December 30th, 2019, Liberbank received approval to launch a share buyback programme, which will be carried out under the provisions of Regulation (EU) 596/2014 of the European Parliament and of the Council and Delegated Regulation (EU) 2016/1052 of the Commission, with the following characteristics:

a) Maximum amount 20,000,000 euros.
b) Maximum number of shares 62,000,000, representing 2.04% of the share capital.

c) Liberbank shall not purchase, on any trading day more than 25% of the average daily volume of the shares at the trading venue where the purchase is made.
d) Shares shall be purchased at market price.
e) The Program shall start on December 30th, 2019 and end no later than June 30th, 2020.

As of December 31st, the share capital was represented by 3,040,745,993 registered shares of 0.02 par value each, all of them with identical political and economic rights, fully subscribed and paid up. The Bank's main shareholders are the former savings banks who hold 23.40% of the share capital of Liberbank, S.A. (Fundación Bancaria Caja de Ahorros de Asturias owns 15.54%, Fundación Bancaria Caja de Extremadura owns 4.63% and the Fundación Bancaria Caja Cantabria owns 3.24%), Oceanwood Capital Management LLP owns 17.69% (including financial instruments), Aivilo Spain, S.L.U. and Inmosan, S.A. own 7.15% and Corporación Masaveu (including Flicka Forestal and Fundación María Cristina Masaveu) owns 5.76%. The remaining 46% of share capital is owned by wholesale and retail investors.

Liquidity

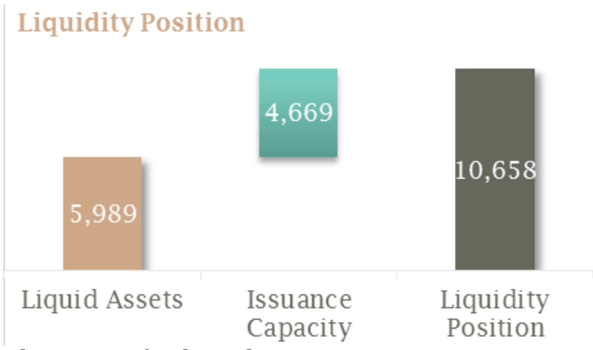
The Banking business grows in a balanced way, and Liberbank's liquidity position remains very solid.

The bank did not attend the September and December TLTROS III auctions, and the advisability of attending the next auction in March is being analyzed, considering all the alternative funding sources.

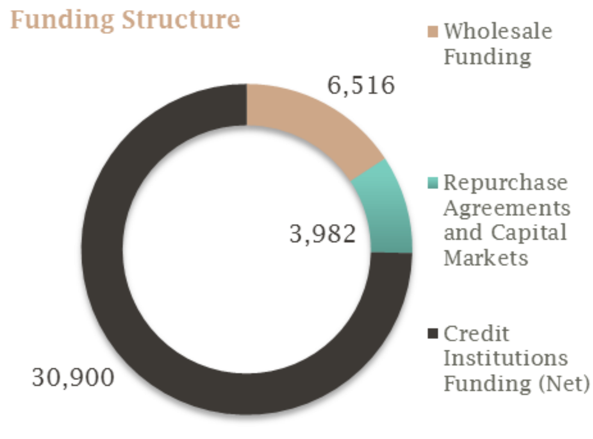
The LTD ratio, which represents the percentage of credits funded by Retail deposits stands at 99.7%.

The LCR ratio, that indicates the short term liquidity level, stands at 221%, well above the regulatory requirements (100%).

The NSFR ratio, which measures the ratio between available stable funds and the desirable available stable funds according to the type of investments made by the Group, stands at 113%.



The Group's liquid assets amount to 5,989 million euros, immediately available. In addition, Liberbank has an issuance capacity of 4,669 million euros.



Liberbank's funding structure is grounded on a wide base of stable funds, highly diversified and with no concentration of maturities in the short and medium term.

Debt Ratings

Fitch. On March 20th, 2019, the agency raised the long term rating up to BB+, with stable perspective and a Viability Rating (VR) of bb+.

DBRS. On June 14th, 2019, the agency confirmed the long term rating of Liberbank as BBB (low) and raised the perspective from negative to stable. The short term rating stands at R2 middle.

Moody's. On March 21st 2019, the agency revised upwards the long term credit rating of Liberbank from Ba3 to Ba2, with stable perspective. Moody's also improved the long-term counterparty risk rating (CR Assessment) from Ba1 to Baa3. In this way, the agency also revised upwards the covered bonds rating, from A1 to Aa2.

Liberbank sustainable

The Liberbank Group is committed to responsible management. The strategic lines that will define its corporate social responsibility plan (CSR 2020-2022), will seek to direct the Entity towards a new sustainable banking system.

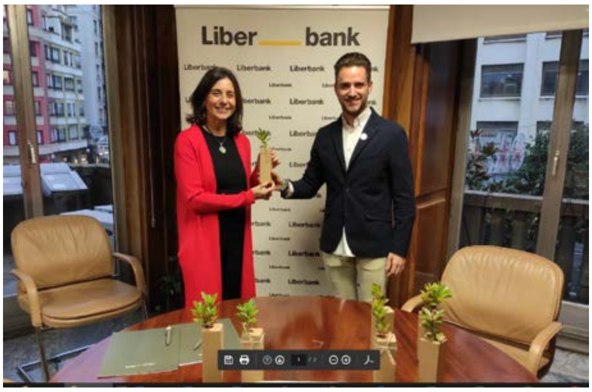
In 2019, several initiatives are already being developed along these lines, among which we can highlight:

The solidarity pedaling days that took place in December in various locations. Besides to promoting sport, have served to collaborate with different charities, thanks to the participation of customers, employees and sportsmen from Liberbank-sponsored teams, who wanted to join the initiative.

In addition, Liberbank and Bosquia (a startup specialized in reforestation) signed an agreement to create the "Liberbank forests", native tree plantations in the Bank's natural territories.

The first "Liberbank forest" will be create in Cáceres, in collaboration with the city council. In addition to this first "Liberbank forest", at least three others are planned, which will be located in Asturias, Cantabria and Castilla-La Mancha.

In the process, in which Liberbank employees can participate along with Bosquia monitors, almost 400 native trees (oaks, cork oaks, strawberry trees or holm oaks) will be planted, following the best professional practices.



5. Glossary

In addition to the financial information presented in this document, prepared in accordance with IFRS, certain Alternative Performance Measures (APM) are included, as defined by the guidelines on Alternative Performance Measures published by the European Securities and Markets Authority (ESMA) on June 30 2015 (ESMA/2015/1057) ("the ESMA guidelines").

ESMA guidelines define an APM as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

Liberbank uses some APMs, which have not been audited, aiming to contribute to a better understanding of the financial evolution of the Group. These measures should be considered additional information, and should by no means replace the financial information. Moreover, these measures might differ, both in their definition and calculation, from other similar measures calculated by other corporates, and therefore, may not be comparable.

Alternative Performance Measures (APM):

NPL (Non-performing Loans): Non-performing customer loans (gross) registered under the *"Financial Assets (FA) held for trading", "Non-trading FA mandatorily at fair value (FV) through P&L","FA at FV through other comprehensive income" and "Financial Assets at amortized cost"* heading, inside the "*Loan and receivables, to customers"* heading. As of December 31st, 2019, amount to 813 million euros (954 million euros as of September 30st, 2019 and 1,142 million euros as of December 30th, 2018), and is included in "Non-performing Loans", within the "Key indicators – Risk Management" section.

NCAHS (Non-current assets held for sale): Gross Foreclosed assets of real-estate nature registered under the "*Non-current assets held for sale"* heading. As of December 31th, 2019 amount to 1,462 million euros (1,644 million euros as of September 30st, 2019 and 1,960 million euros as of December 31th, 2018), and is included in "Gross foreclosed assets" within the "Key indicators – Risk Management" section.

NPL Ratio: Quotient between non-performing loans (gross) and total loans (gross). Numerator and denominator are registered under the *"Financial Assets (FA) held for trading", "Non-trading FA mandatorily at fair value (FV) through P&L","FA at FV through other comprehensive income" and "Financial Assets at amortized cost"* heading, inside the *"Loans and receivables"* heading of the public balance sheet. Neither numerator nor denominator, include repurchase agreements, value adjustments or debts accounted in the prudential balance sheet within the Other financial assets not related to Credit institutions heading. The NPL ratio stands at 3.3% as of December 31st, 2019 (3.9% as of September 30st, 2019 and 4.9% as of December 31st, 2018).

In € Million	31/12/2019	30/09/2019	31/12/2018	Report Section
NPL Ratio (1/2)	**3.3%**	**3.9%**	**4.9%**	**See "Key Indicators - Risk Management"**
(1) Gross NPL	**813**	**954**	**1,142**	**See "Key Indicators - Risk Management"**
(2) Total Gross Loans	**24,999**	**24,740**	**23,091**	
(+) Gross performing Loans	24,186	23,786	21,949	See "Key Indicators - Balance Sheet"
(+) NPL	813	954	1,142	See "Key Indicators - Risk Management"

RED NPL Ratio: Quotient between non-performing loans (gross) of the Real Estate Development sector, registered under the *"Financial Assets (FA) held for trading", "Non-trading FA mandatorily at fair value (FV) through P&L","FA at FV through other comprehensive income"* and *"Financial Assets at amortized cost"* heading, inside the "*Loan and receivables, to customers"* heading, and total loans (gross) of the Real Estate Development Sector, registered under the *"Financial Assets (FA) held for trading", "Non-trading FA mandatorily at fair value (FV) through P&L","FA at FV through other comprehensive income"* and *"Financial Assets at amortized cost"* heading, inside the "*Loan and receivables, to customers"* heading. As of December 31st, 2019 stands at 21.5% (26.2% as of September 30st, 2019 and 35.9% as of December 31st, 2018).

In € Million	31/12/2019	30/09/2019	31/12/2018	Report Section
Real Estate NPL Ratio (1/2)	**21.5%**	**26.2%**	**35.9%**	**See "Gross NPL Evolution - Productive Activity Financing - Real Estate"**
(1) Real Estate Gross NPL	**82**	**104**	**173**	See "Gross NPL Evolution - Productive Activity Financing - Real Estate"
(2) Real Estate Total Gross Loans	**382**	**396**	**482**	
(+) Performing Loans (under "Credit to Private Sectors - Productive activities financing - Real Estate")	300	292	309	See "Gross Performing Loans - Credit to Private Sectors - Productive activities financing - Real Estate"
(+) Gross NPL (under "Productive activities financing - Real Estate")	82	104	173	See "Gross NPL Evolution"

Loan to deposit: Quotient between customer loans (net) and Deposits. Loans are recorded under the *"Financial Assets (FA) held for trading", "Non-trading FA mandatorily at fair value (FV) through P&L","FA at FV through other comprehensive income"* and *"Financial Assets at amortized cost"* heading, inside the "*Loan and receivables, to customers"* heading of the public balance sheet, from which repurchase agreements are deducted. Deposits are registered under the *"Financial liabilities measured at amortized cost (Deposits)*" heading of the public balance sheet. For the purpose of this calculation covered bonds, repurchase agreements, central Banks and credit institutions deposits are deducted, and promissory notes and retail CoCos are added. As of December 31st, 2019 stands at 99.7% (97.7% as of September 30st, 2019 and 93.0% as of December 31st, 2018).

In € Million	31/12/2019	30/09/2019	31/12/2018	Report Section
Loan to deposits (1/2)	**99.7%**	**97.7%**	**93.0%**	**See "Key Indicators - Balance Sheet"**
(1) Loans (Net)	**25,096**	**24,729**	**22,834**	
(+) Loans and advances to customers	24,947	24,567	22,664	See "4. Financial Evolution - Consolidated Balance Sheet"
(+) Non-trading FA mandatorily at fair value through P&L	149	161	170	
(-) Repurchase agreements	0	0	0	
(2) Deposits	**25,168**	**25,308**	**24,554**	
(+) Customer Funds on Balance Sheet	24,675	24,760	24,073	See "Resources"
(+) Value adjustments	483	540	466	
(+) Debt securities issued	10	8	15	Internal Information
(+) Retail CoCos	0	0	0	

Liquidity Coverage Ratio (LCR): Quotient between high quality liquid assets and the Total net cash outflows (outflows minus inflows) expected during a 30 day stress scenario. As of December 31st, 2019 stands at 221%.

In € Million	31/12/2019
Liquidity Coverage Ratio (LCR) (1/2)	**221%**
(1) High quality liquid assets	**4,784**
(2) Total net cash outflows (outflows minus inflows) expected during a 30 day stress scenario	**2,167**

Net Stable Financial Ratio (NSFR): Quotient between the available stable funding and the required stable funding. This quotient must be at least, of 100% at every moment. The "available stable funding" is defined as the proportion of own and external resources expected to be reliable over the time horizon considered by the NSFR (1 year). The amount of stable funding required is a function of the liquidity characteristics and residual maturities of its various assets and off-balance sheet positions. As of December 31st, 2019 stands at 113%.

In € Million	31/12/2019
Net Stable Financial Ratio (NSFR) (1/2)	113%
(1) Available stable funding	29,993
(2) Required stable funding	26,576

Credit coverage Ratio: Defined as Credit impairment losses over NPL (gross). Numerator and denominator are registered under the *"Financial Assets (FA) held for trading"*, *"Non-trading FA mandatorily at fair value (FV) through P&L"*,*"FA at FV through other comprehensive income"* and *"FA at Amortized cost"* inside the "*Loan and receivables, to customers"* heading of the public balance sheet. As of December 31st, 2019 stands at 50% (51% as of as of September 30st, 2019 and 53% as of as of December 31st, 2018).

In € Million	31/12/2019	30/09/2019	31/12/2018	Report Section
Credit coverage ratio (1/2)	50%	51%	53%	See "Key Indicators - Risk Management"
(1) NPL impairment losses	408	482	605	See "Impaired Assets Evolution (and their coverages)"
(2) Non-Performing Loans (NPL)	813	954	1,142	See "Key Indicators - Risk Management"

Foreclosed assets coverage Ratio: Defined as foreclosed assets impairment losses over foreclosed assets (gross). Numerator and denominator are recorded under the *"Non-current assets held for sale heading"*. As of December 31st, 2019 stands at 48% (49% as of as of September 30st, 2019 and 50% as of December 31st, 2018).

In € Million	31/12/2019	30/09/2019	31/12/2018	Report Section
Foreclosed assets coverage ratio (1/2)	48%	49%	50%	See "Key Indicators - Risk Management"
(1) Foreclosed assets impairment losses	696	797	980	See "Gross Foreclosed Assets Evolution"
(2) Gross Foreclosed Assets	1,462	1,644	1,960	See "Key Indicators - Risk Management"

Impaired assets coverage Ratio: Defined as Credit impairment losses, registered under the *"Financial Assets (FA) held for trading"*, *"Non-trading FA mandatorily at fair value (FV) through P&L"*,*"FA at FV through other comprehensive income"* and *"Financial Assets at amortized cost"* heading, inside the "*Loan and receivables, to customers"* heading, plus foreclosed assets impairment losses registered under the "*Non-current assets held for sale"* heading, over NPL (gross), registered under the *"Financial Assets (FA) held for trading"*, *"Non-trading FA mandatorily at fair value (FV) through P&L"*,*"FA at FV through other comprehensive income"* and *"Financial Assets at amortized cost"* heading, inside the "*Loan and receivables, to customers"* heading, plus foreclosed assets (gross), registered under the "*Non-current assets held for sale"* heading. As of December 31st, 2019 stands at 49% (49% as of September 30st, 2019 and 51% as of December 31st, 2018).

In € Million	31/12/2019	30/09/2019	31/12/2018	Report Section
Impaired assets coverage ratio (1/2)	**49%**	**49%**	**51%**	**See "Key Indicators - Risk Management"**
(1) Non-productive assets impairment losses	**1,103**	**1,279**	**1,585**	
(+) NPL impairment losses	408	482	605	See "Impaired Assets Evolution (and their coverages)"
(+) Foreclosed assets impairment losses	696	797	980	
(2) Non-productive assets	**2,275**	**2,598**	**3,102**	
(+) Gross Non-performing Loans	813	954	1,142	
(+) Gross Foreclosed assets	1,462	1,644	1,960	

Risk Cost: Quotient between the *"financial assets impairment losses (Loans)"* heading of the consolidated public profit and loss account (annualized when not corresponding to a full financial year), over Loans (gross), registered under the *"Financial Assets (FA) held for trading", "Non-trading FA mandatorily at fair value (FV) through P&L","FA at FV through other comprehensive income"* and *"Financial Assets at amortized cost"* heading *"Financial Assets at amortized cost"* heading, inside the "*Loan and receivables, to customers"* heading. The recurrence of impairments is taken into account while annualizing them. As of December 31st, 2019 stands at 0.24% (0.25% as of September 30st, 2019 and 0.25% as of December 31st, 2018).

In € Million	31/12/2019	30/09/2019	31/12/2018	Report Section
Cost of Risk (1/2)	**0.24%**	**0.25%**	**0.25%**	**See "Evolution of Cost of Risk"**
(1) Impairment losses on financial assets (net) (of Loans)	**61**	**45**	**58**	**See "Loan Impairments"**
(2) Total Gross Loans	**24,999**	**24,740**	**23,091**	
(+) Gross Performing Loans	24,186	23,786	21,949	See "Key Indicators - Balance Sheet"
(+) Non-performing Loans	813	954	1,142	See "Key Indicators - Risk Management"
Non-recurrent impairments (not annualized)	*-5*	*-4*	*5*	Internal Information

Customer spread: Defined as the difference between financial income from retail business (annualized when not corresponding to a full financial year), registered under the *"Financial Income"* heading of the public profit and loss consolidated account, and expressed in relative terms, over gross loans average balances, registered under the *"Financial Assets (FA) held for trading", "Non-trading FA mandatorily at fair value (FV) through P&L","FA at FV through other comprehensive income"* and *"Financial Assets at amortized cost"* heading, inside the "*Loan and receivables, to customers"* heading, minus retail financial costs (annualized when not corresponding to a full financial year), registered under the *"Financial expenses"* heading of the public profit and loss consolidated account and expressed in relative terms (over customer deposits average balances), registered under the *"Financial Liabilities at amortized costs"* heading. As of December 31st, 2019 stands at 1.60% (1.59% as of September 30st, 2019 and 1.63% as of December 31st, 2018).

In € Million	31/12/2019	30/09/2019	31/12/2018	Report Section
Customer Spread (1-2)	**1.60%**	**1.59%**	**1.63%**	**See "Customer Spread Evolution"**
(1) Quarterly Financial Income Rate (a/b)	**1.63%**	**1.64%**	**1.69%**	See "Quarterly Net Interest Income Evolution"
(a) Quarterly Financial Income coming from retail business	102	101	99	
(b) Gross Loans Average Balance	24,987	24,678	23,466	
(2) Quarterly Financial costs Rate (c/d)	**0.04%**	**0.05%**	**0.06%**	
(c) Quarterly retail financial costs	2	3	3	
(d) Customers resources on balance sheet average balance	24,894	24,904	23,910	

Tangible Book value per share: Quotient between "*Total Equity*" reduced by "*Minority Interests*" and "*Intangible Assets*" of the Balance sheet, and the number of outstanding shares. As of December 31st, 2019 stays at 0.97 (0.98 as of September 30st 2019 and 0.88 as of December 31st 2018.

In € Millions	31/12/2019	30/09/2019	31/12/2018	Report Section
Tangible Book value per share (1/2)	**0.97**	**0.98**	**0.88**	
(1) Tangible assets (a-b-c)	**2,964**	**2,967**	**2,691**	
(a) Total Equity	**3,114**	**3,112**	**2,831**	See "Consolidated Balance Sheet"
(b) Minority interests	**0**	**0**	**0**	See "Consolidated Balance Sheet"
(c) Intangible assets	**150**	**145**	**139**	See "Consolidated Balance Sheet"
(2) Nº of shares outstanding (thousands)	**3,041**	**3,041**	**3,067**	See "The share" and "Significant subsequent events"

Management indicators and public financial statements reconciliation:

Net Fees: includes "*Fees income and Fees costs*" headings of the public statement.

Gains (losses) on financial assets and liabilities: matches with the *"Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net"," Gains or (-) losses on financial assets and liabilities held for trading, net", "Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net"* and *"Gains or (-) losses from hedge accounting, net"* headings from the public account.

Other operating results (net): includes *"other operating income"* and *"other operating costs"* headings of the public account.

Operating Margin: equals the spread between *"Gross Margin"* and *"Administrative costs"* plus *"Amortizations"* headings of the public account.

Provisions: matches with *"Provisions or reversal of provisions"* heading of the public account.

Financial assets impairment losses (net): matches with the "*Financial assets not measured at fair value through profit or loss impairment losses or reversal of impairment losses*" heading of the public account.

Other assets impairment losses (net): matches with the "*Non-financial assets impairment losses or reversal of impairment losses*" heading of the public account.

Other gains / losses: matches with the "*Gains or (-) losses on derecognition of non-financial assets, net*", "*Negative goodwill recognized in profit or loss"* and *"Gains or losses coming from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations"*, all of them from the public account.

Pre-tax Income: matches with the *"Profit or loss before tax from continuing operations"* heading of the public account.

Income Tax: matches with the *"Tax expense or income related to profit or loss from continuing operations"* heading of the public account.