Liberbank

# Financial Report

## 2020 First Quarter

May 4th, 2020

# Index:



**Legal Notice**

# 1. Macroeconomic Environment

## 1.1 International Economic Situation

The coronavirus (Covid-19) global spread is a human tragedy whose economic consequences, hard to predict, threaten to inflict a severe blow to the world economy, already weakened by trade and political tensions.

The pandemic is changing the economic scenario, which is evident in the stock markets' collapse, which at the end of March accumulated losses near 30%, both in the U.S. and Europe.

In order to stop the pandemic widespread, strict containment measures have been implemented, paralyzing the economy and generating a significant short-term drop in GDP. According to the latest OECD projections (as of March 27th, 2020), many economies will enter recession in 2020 as a result of these measures. OECD estimates an annual loss in GDP of two percentage points for each month of economic slowdown. However, the expected impact could be uneven across the different countries, depending on which are their more significant productive sectors.

The final impact of this crisis will also depend on its duration, and the effectiveness of the measures put in place at international level.

Among them, the fastest and strongest have been the monetary policy measures implemented by the Central Banks, aimed at avoiding liquidity problems in the markets, enabling companies and households to have easy access to credit, and ensuring a low interest rate environment.

Thus, the Federal Reserve (FED) lowered interest rates twice, from 1.75%-1.50% to 0%-0.25%, and announced the largest monetary stimulus package since the Great Recession that included a program of asset purchases worth 700 billion euros.

The European Central Bank (ECB) has decided to keep interest rates unchanged at 0%, and the deposit facility rate at -0.5%. However, a battery of measures was launched, including a new round of long term operations (TLTRO III), an increase in the rate of monthly asset purchases to 33 billion euros, and a Pandemic Emergency Programme with a budget of 750 billion euros.

## 1.2. Spanish Economy

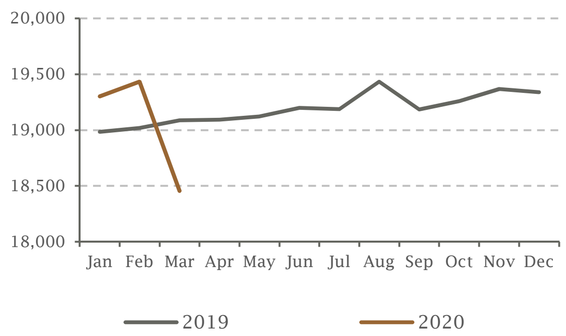
The Covid-19 pandemic is hitting Spain hard. The government declared the state of alarm on March 14th and decreed restrictions on movement, the closure of schools, and all non-essential activities.

Within this context, a sharp and concentrated in time drop in activity is expected. Once the most acute phase of the crisis is overcome, activity should begin to recover at a rate that will depend on the perception of health risk and on the capacity for the reactivation of the productive sectors most damaged by the lockdown.

The GDP drop in 2020 could reach 8% (according to the IMF) and in the Bank of Spain's most pessimistic scenario it could go down by 13.6%. The unemployment rate could reach 20% and the public deficit could also stay between 7% and 11% of the GDP. The uncertainty about these figures is very high.

The number of Social Security affiliates dropped by 900,000 (4.6% of the total) in the second fortnight of March, with a special impact on sectors such as hospitality and leisure. Unemployment rose by 302,000 people, and 620,000 were furloughed (ERTEs).

**Spain: Employed workers (thousands)**




*Source: Thomson Reuters*

The unemployment and GDP scenarios above mentioned are factoring in the set of measures approved by the Spanish government since March 12th, which aimed to reduce the impact of the crisis. These measures focus on three areas: 1) strengthening the health system, 2) protecting employment and supporting vulnerable households, and 3) providing liquidity to business. Specifically, these include: a direct aid package amounting to 21 billion euros (1.7% of GDP), guarantee lines of up to 100 billion euros, moratorium for mortgages of vulnerable households, non-mortgage and rental payment debtors, guarantees for utilities (electricity, water, gas and telecommunications) and a moratorium on tax debts for SMEs and the self-employed, among others.

**1.3 Financial System**

The role of banks in this scenario is essential, as they ensure that the monetary policy measures implemented by the Central Banks have an impact on the real economy. The speed of recovery from the crisis will depend largely on their success ensuring that temporary liquidity problems in companies does not turn into solvency problems.

The Spanish banks, through their main associations, have stated their support for the economic measures announced by the government, and have vowed to curb the impact of the crisis. All entities are promoting the offer of payment facilities, extending those contained in Royal Decrees Law 8 and 11 of 2020, and are dedicating 100% of their credit production capacity to making the financing lines guaranteed by the ICO (Instituto de Crédito Oficial or Official Credit Institute) available to SMEs, self-employed and corporates as soon as possible.

The Spanish banks face this scenario in a better shape than they were in 2008, when the financial crisis broke out, to face this situation. Banks, in general, are now more resilient than then, as they have capital and liquidity buffers that they did not have before.

In this context, regulation is key to prevent that the measures decreed by the government and the additional facilities offered by the banks, lead to an excessive deterioration of banks' balance sheets. In this regard, the European Central Bank (ECB) has already announced measures to ease prudential regulations, allowing banks under its supervision to operate below the solvency and liquidity levels required before. In addition, The Bank of Spain (BDE) and international bodies, in particular the European Banking Authority (EBA) and the Basel Committee on Banking Supervision, have clarified how the crisis impact should be reflected on the institution's financial information. Their aim is to avoid undesired pro-cyclical effects and promote the appropriate use of the flexibility of the regulatory accounting framework, in the treatment of payment facilities granted to companies and households, without undermining the proper identification of the impairment of operations and a reasonable estimate of their coverage for credit risk.

This regulatory easing, together with the monetary policy decisions, should ensure the necessary capacities to deal with the current pressure, mitigating the negative impact on the economy and fostering a fast recovery in employment and production. All of the above should minimize any potential damage to the P&L of the banking sector, in order to avoid an increase in financial tensions that would make it difficult to transmit monetary policies to households and businesses.

## 2. How is Liberbank dealing with the COVID-19 pandemic

| | | |
|---|---|---|
| 01 | Open branches % **81%** · Teleworking in Central Services **90%** | **Reorganizing** work to ensure the continuity of service with **Safety** for both customers and staff, while providing access to **liquidity** |
| 02 | CET 1 Fully-loaded **13.0%** | **High solvency levels**<br>The second highest within the listed Spanish banking sector |
| 03 | Liquid Assets (in € million) **5,665** · LCR **248%** | **Excellent liquidity position**<br>and comfortable buffers in the main ratios |
| 04 | NPL ratio **3.23%** | **Reduced NPA ratio**<br>Among the lowest within the Spanish banking sector |
| 05 | NPL coverage ratio **49%** | **Adequate coverage**<br>Considering the high NPL collateralization |
| 06 | Wight of the sectors most affected by the pandemic in the credit portfolio **1.4%** | **Diversified risk portfolio**<br>Reduced presence in the most affected sectors and territories |
| 07 | commercial Margin **1.6%** | **Resilient commercial margin**<br>Stable for the last 4 years despite declining rates |
| 08 | Recurrent NII YoY variation **8%** · Fees YoY variation **10%** · Admin. costs YoY variation **-4%** | **Growth in banking business profitability**<br>In the main lines of the income statement |
| 09 | Unallocated impairments related to macroeconomic deterioration **23M** | **Anticipating impairments**<br>In view of the macro scenario deterioration |
| 10 | Active customers in Digital Banking in % **43%** | **Revamped Digital Banking**<br>Able to offer all kinds of functionalities, from digital onboarding to personal loans granting |
| 11 | # Users of the service *Junto a ti* **ca.190,000** | **Remote management service, *Junto a ti*, at full capacity** |
| 12 | YoY performing credit growth **7%** · YoY growth of resources **3%** · YoY growth in mutual Funds **11%** | **Credit granting agility**<br>And strong commercial dynamics evidenced in the business performance figures |

## Main measures taken

### 1 Staff protection

- Generalization of Teleworking for HQ Services
- Reduction in branches' staff
- Personal protection equipment (PPE): masks, gloves, disinfectant gels and methacrylate shields at teller counters
- Reinforcement of cleaning services in workplaces
- Zero-trip policy, audio/video meetings and cancellation of presence training
- New PPE: facial protection masks
- Testing protocol in new infection cases
- Teleworking risk assessment

### 2 Customer care

- Temporary reduction of branches and closure of shifted counters
- Reduced opening hours
- Office care by appointment only
- Extraordinary cash load of ATMs.
- Planning of pensions and unemployment benefits payment (advance payment and appointment arrangements every 10 minutes
- Deadline extension for payment of receipts and taxes

### 3 Safety and operational adaptations

- Reinforcement of technological security measures
- Management of critical services with providers. Pandemic Continuity Plan
- Physical separation of critical equipment (e.g. Treasury)
- Staff personal contact data update
- Adaptations for the temporary closure of centers

### 4 Communication

- Communication with customers: preventive measures, pensions payment
- Communication with employees and the Legal Representation of Employees (LRE)
- Communication with media
- Weekly reporting to the BdE and the ECB
- Measuring the employees' perception of crisis management

The Coronavirus outbreak and the state of alarm enforced on 14th March have demonstrated Liberbank's ability to adapt and respond to exceptional circumstances.

On February 27th, Liberbank started taking preventive measures to stop the spread of the virus. Since then, a Crisis Management Committee has reorganized many activities to ensure that 100% of the services were provided, while guaranteeing the safety of employees and customers.

The commercial network has temporarily been reduced by 120 branches, minimizing risks and maintaining the necessary shifts in case of an eventual increase in sick leaves, which fortunately has not occurred. All agencies (200) were operational at the end of March, with only 2 agencies temporarily closed. 48% of the network's staff and 90% of the bank's subsidiaries and central services are teleworking.

Our service in remote channels has been reinforced, and extreme security measures have been taken in our branches, acquiring disinfectant gels, gloves, safety screens, and masks and intensifying the cleaning tasks.

The Bank's priority is supporting households and companies that are suffering liquidity issues, as a consequence of the pandemic, with a set of measures including the following:

- Public moratorium for mortgages and personal loans, following the Royal Decrees Law 8 and 11/2020.
- Private moratorium for mortgages up to 12 months and for personal loans up to 6 months.
- Granting loans guaranteed by the ICO for companies, SMEs and self-employed
- Advancing payment of pensions and unemployment benefits
- Advanced compensation for ERTEs
- Loans for investment fund holders
- Moratorium on rentals

By the end of April, ca.2% of the customers that have a mortgage had requested a moratorium, of which only ca.30% were compliant with the requirements of RDL 8/2020.

The Government has announced two tranches of loans guaranteed by the ICO amounting to 10 billion euros each, of which Liberbank estimates granting 667 million euros covered by the guarantee, of a total 900 million euros of loans.

The payment of pensions is brought forward to April 22nd and temporarily closed branches are reopened to strengthen the service.

The remaining measures involving personal loans moratorium, liquidity loans for investment fund holders and rent moratorium have no significant impact so far.

## 3. Key indicators

### Key Indicators

| In € Million | 31/03/2020 | 31/12/2019 | 31/03/2019 | % QoQ change | % Annual change |
|---|---|---|---|---|---|
| BALANCE SHEET | | | | | |
| Total Assets | 42,914 | 41,947 | 40,617 | 2.3% | 5.7% |
| Gross Performing Loans | 24,364 | 24,186 | 22,812 | 0.7% | 6.8% |
| Customer Funds | 30,990 | 30,900 | 29,988 | 0.3% | 3.3% |
| Total Equity | 3,098 | 3,114 | 2,956 | -0.5% | 4.8% |
| Loan to Deposits | 99.1% | 99.7% | 95.4% | -0.6% | 3.7% |
| PROFIT AND LOSS ACCOUNT | | | | 1Q20 Contribution | |
| Net Interest Income | 137 | 467 | 114 | 137 | 20.1% |
| Gross Margin | 177 | 640 | 150 | 177 | 17.8% |
| Operating Income | 82 | 257 | 51 | 82 | 61.1% |
| Profit before taxes | 28 | 133 | 28 | 28 | -3.4% |
| Profit attributable to the Group | 19 | 111 | 21 | 19 | -7.7% |
| SOLVENCY | | | | | |
| Risk-weighted Assets phased-in | 17,282 | 17,175 | 16,985 | 0.6% | 1.7% |
| Common equity Tier 1 /CET1 phased-in | 14.2% | 14.6% | 14.0% | -0.4% | 0.2% |
| Tier 1 /Capital Level1 phased-in | 14.2% | 14.6% | 14.0% | -0.4% | 0.2% |
| Solvency Ratio phased-in | 15.8% | 16.1% | 15.6% | -0.4% | 0.1% |
| Common equity Tier 1 /CET1 fully-loaded | 13.0% | 13.0% | 12.5% | 0.0% | 0.5% |
| RISK MANAGEMENT | | | | | |
| Non-performing Loans (NPL) | 812 | 813 | 1,076 | -0.1% | -24.5% |
| Gross Foreclosed Assets | 1,357 | 1,462 | 1,864 | -7.2% | -27.2% |
| Non-performing Loans Ratio | 3.2% | 3.3% | 4.5% | 0.0% | -1.3% |
| NPL coverage Ratio | 49% | 50% | 53% | -1.2% | -3.8% |
| Foreclosed Assets coverage Ratio | 47% | 48% | 50% | -0.5% | -2.8% |
| BANKING BUSINESS AND RESOURCES (Units) | | | | | |
| Group employees | 3,701 | 3,726 | 3,802 | -0.7% | -2.7% |
| Employees (Liberbank, S.A.) | 3,045 | 3,084 | 3,142 | -1.3% | -3.1% |
| Branches | 579 | 582 | 644 | -0.5% | -10.1% |
| ATMs | 1,254 | 1,263 | 1,274 | -0.7% | -1.6% |

*Solvency ratios as of March 31st, include 2020 interim results, 2019 full results (not discounting the potential dividend) and without deducting the non-executed part of the share buyback programme approved in 2019.*

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

# 4. Financial Evolution

## Consolidated balance sheet

| In € Million | 31/03/2020 | 31/12/2019 | 31/03/2019 | % QoQ change | % Annual change |
|---|---|---|---|---|---|
| Cash, cash at central banks and other demand deposits | 1,291 | 843 | 713 | 53.2% | 81.1% |
| Financial assets (FA) held for trading | 12 | 11 | 14 | 5.7% | -15.3% |
| Non-trading FA mandatorily at fair value through P&L | 123 | 149 | 207 | -17.5% | -40.3% |
| FA at fair value (FV) through o/ comprehensive income | 677 | 1,018 | 1,765 | -33.5% | -61.6% |
| Financial Assets at amortized cost | 35,684 | 34,622 | 32,529 | 3.1% | 9.7% |
| Debt securities | 9,622 | 9,102 | 8,620 | 5.7% | 11.6% |
| Loans and advances | 26,063 | 25,520 | 23,909 | 2.1% | 9.0% |
| of which: to customers | 25,195 | 24,947 | 23,487 | 1.0% | 7.3% |
| Derivatives – Hedge accounting | 350 | 470 | 417 | -25.5% | -15.9% |
| FV changes of hedged items in portfolio hedge of IR risk | 175 | 134 | 78 | 30.2% | |
| Investments in subsidaries, joint ventures and associates | 555 | 572 | 512 | -3.0% | 8.4% |
| Tangible assets | 1,243 | 1,230 | 1,233 | 1.0% | 0.8% |
| Intangible Assets | 152 | 150 | 140 | 1.3% | 8.4% |
| Tax assets and other Assets | 1,911 | 1,959 | 2,030 | -2.5% | -5.9% |
| Non current Assets held for sale | 741 | 788 | 980 | -6.0% | -24.4% |
| **TOTAL ASSETS** | **42,914** | **41,947** | **40,617** | **2.3%** | **5.7%** |
| Financial liabilities (FL) held for trading | 12 | 11 | 15 | 4.2% | -18.0% |
| FL measured at amortized cost | 38,345 | 37,664 | 36,784 | 1.8% | 4.2% |
| Deposits | 36,704 | 35,972 | 36,150 | 2.0% | 1.5% |
| Debt securities issued | 1,411 | 1,425 | 400 | -1.0% | |
| Other financial liabilities | 230 | 267 | 234 | -13.8% | -1.5% |
| Derivatives – Hedge accounting | 1,133 | 843 | 513 | 34.3% | |
| Liabilities under insurance and reinsurance contracts | 7 | 7 | 8 | -2.5% | -8.1% |
| Provisions | 96 | 103 | 135 | -6.8% | -29.3% |
| Tax liabilities and other liabilities | 223 | 204 | 208 | 9.5% | 7.4% |
| **TOTAL LIABILITIES** | **39,816** | **38,833** | **37,661** | **2.5%** | **5.7%** |
| Minority Interest | 0 | 0 | 0 | 0.2% | |
| Shareholder's Equity | 2,889 | 2,885 | 2,824 | 0.1% | 2.3% |
| Accumulated Other Comprehensive Income | 209 | 229 | 132 | -8.6% | 58.2% |
| **TOTAL EQUITY** | **3,098** | **3,114** | **2,956** | **-0.5%** | **4.8%** |
| **TOTAL EQUITY AND LIABILITIES** | **42,914** | **41,947** | **40,617** | **2.3%** | **5.7%** |

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

The balance sheet of the Group increases +2.3% during the first quarter and +5.7% YoY, reaching 42,914 million euros. This increase of the balance sheet comes both from retail and 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 +0.7% during the first quarter, despite repayments of significant amount. In the last twelve months this item shows a significant growth of 7.3%, including a reduction of NPL of -24.5%.

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 91% are sovereign bonds. The average yield is 1.3% and 96% is classified in the amortized cost portfolio.

Reduction of NPA continues to be a strategic priority for Liberbank, as demonstrate in the evolution of *Non-Current Assets Held for Sale*, 6.0% lower than December and 24.4% lower than March of 2019.

Customer funds registered under the *Deposits* heading of *Liabilities*, show a quarterly growth of +2.0% and a yearly growth of +1.5%. *Deposits* performance is conditioned by transfers to off-balance products, which grew by +11.0% YoY (in mutual funds) in spite of the pandemic impact at the end of March.

## Resources

| In € Million | 31/03/2020 | 31/12/2019 | 31/03/2019 | % QoQ change | % Annual change |
|---|---|---|---|---|---|
| CUSTOMER FUNDS | 30,990 | 30,900 | 29,988 | 0.3% | 3.3% |
| Customer Funds On Balance Sheet | 25,018 | 24,675 | 24,313 | 1.4% | 2.9% |
| Public Administrations | 2,096 | 1,826 | 1,904 | 14.8% | 10.1% |
| Creditors and promissory notes | 22,923 | 22,849 | 22,409 | 0.3% | 2.3% |
| Demand Deposits | 18,559 | 18,066 | 16,629 | 2.7% | 11.6% |
| Term Deposits | 4,363 | 4,783 | 5,778 | -8.8% | -24.5% |
| Others (promissory notes) | 0 | 0 | 1 | | -100.0% |
| Off-Balance Sheet Customer Funds | 5,972 | 6,225 | 5,675 | -4.1% | 5.2% |
| Mutual Funds | 3,597 | 3,772 | 3,239 | -4.6% | 11.0% |
| Pension Funds | 1,420 | 1,481 | 1,460 | -4.1% | -2.7% |
| Saving Insurances | 955 | 972 | 976 | -1.7% | -2.1% |
| REPURCHASE AGREEMENTS | 1,426 | 2,941 | 3,041 | -51.5% | -53.1% |
| WHOLESALE FUNDING (capital markets) | 3,490 | 3,574 | 2,729 | -2.4% | 27.9% |
| Covered Bonds (non-retained) | 3,395 | 3,479 | 2,634 | -2.4% | 28.9% |
| Bonds and EMTNs | 95 | 95 | 95 | 0.0% | 0.0% |
| TOTAL FUNDS | 35,907 | 37,415 | 35,758 | -4.0% | 0.4% |

*Sources: Bank of Spain's Official Statements and Other Internal Information Sources. On-balance covered bonds are not included*

Customer funds amount to 30,990 million euros, growing +3.3% YoY (+0.3% during the first quarter).

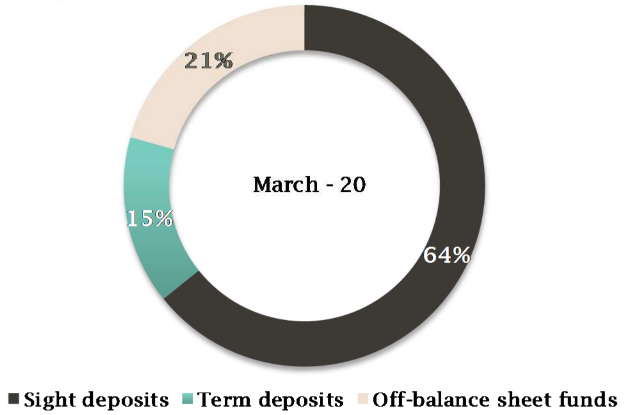
Commercial activity during the first quarter of the year has been intense until the state of alarm enforced on 14th March. Commercial activity reduction since that moment has not been able to offset the previous growth.

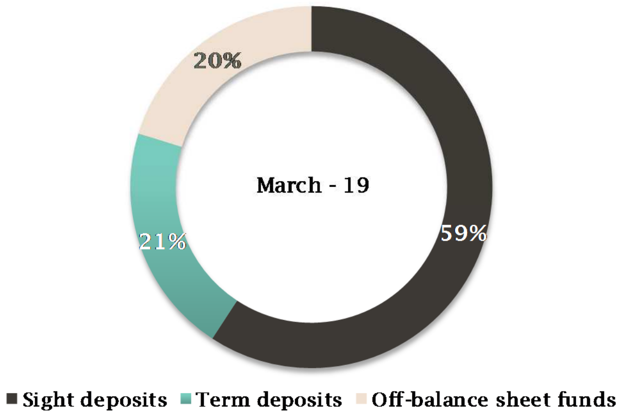
The best evolution is observed in sight deposits (+11.6% YoY, +2.7% QoQ) and mutual funds (+11.0% YoY, -4.6% QoQ). The latter recorded 126 million euros of net subscriptions in the year.

Household deposits (which include off-balance products) show a yearly increase of +3.1%, strengthening the Bank's market share within this segment. Households (in and off balance-sheet) represent 87% of the total customer funds, thus giving the Bank a very stable deposit base.

With regard to wholesale funding, the main highlight is the reduction of 1,515 million euros in repurchase agreements, which have been replaced by financing offered by the ECB.

**Retail resources**



## Gross performing loans

| In € Million | 31/03/2020 | 31/12/2019 | 31/03/2019 | % QoQ change | % Annual change |
|---|---|---|---|---|---|
| Credit To Public Administrations | 3,307 | 3,174 | 2,280 | 4.2% | 45,0% |
| Credit To Private Sectors | 21,056 | 21,013 | 20,532 | 0.2% | 2.6% |
| Productive activities financing | 5,581 | 5,690 | 5,745 | -1.9% | -2.9% |
| Real Estate | 341 | 300 | 321 | 13.8% | 6.3% |
| Other companies | 5,240 | 5,390 | 5,424 | -2.8% | -3.4% |
| Household financing | 15,130 | 14,972 | 14,462 | 1.1% | 4.6% |
| Consumer and other loans | 876 | 881 | 822 | -0.6% | 6.6% |
| Housing | 14,254 | 14,091 | 13,640 | 1.2% | 4.5% |
| Advances and unclassified risks | 346 | 351 | 325 | -1.6% | 6.3% |
| PERFORMING LOANS | 24,364 | 24,186 | 22,812 | 0.7% | 6.8% |

Performing loans amount to 24,364 million euros, growing by +6.8% YoY (+0.7% during the quarter).

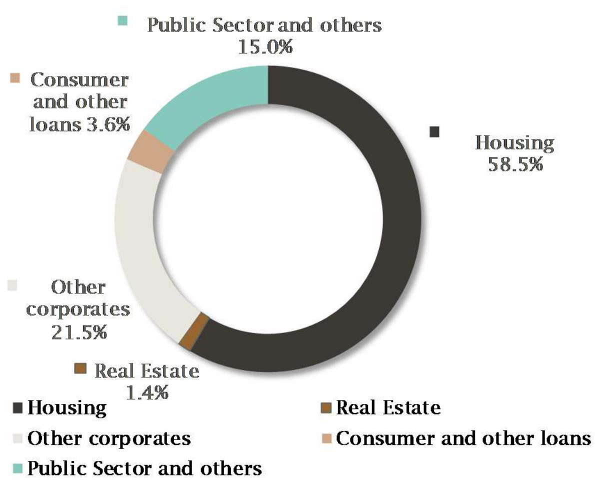
The increase in the first quarter (+178 million euros) is mainly concentrated in households mortgages (163 million euros), representing 59% of the whole portfolio. An additional 23% would be corporate loans and another 14%, credit to Public administrations. Real Estate loans represents just 1% of the gross loans.

The mortgage portfolio shows a YoY growth of +4.5%. The average LTV of new transactions is 70%.

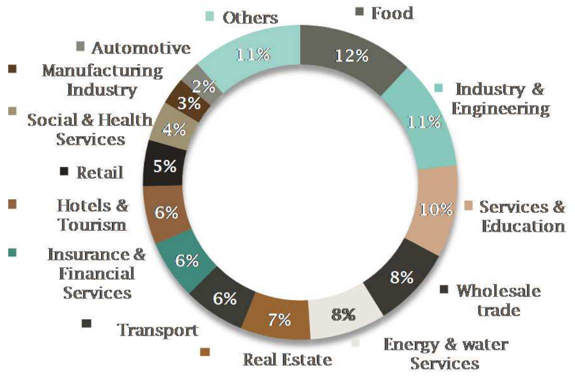
The corporate portfolio is very diversified by activity sectors, and has limited exposure (1.4% of the performing portfolio) to those sectors more affected by the crisis: tourism and catering services, air transport and oil and gas production and distribution.

New lending amounts to 1,396 million euros of loans and credits. Household operations increase by +9.8% (+13.2% in mortgages). Other operations, like discount operations, confirming, leasing and guarantees amount to 358 million euros (+1.8% increase over the same period last year).

**Gross performing loans sector breakdown**




**Credit by economic sector breakdown**

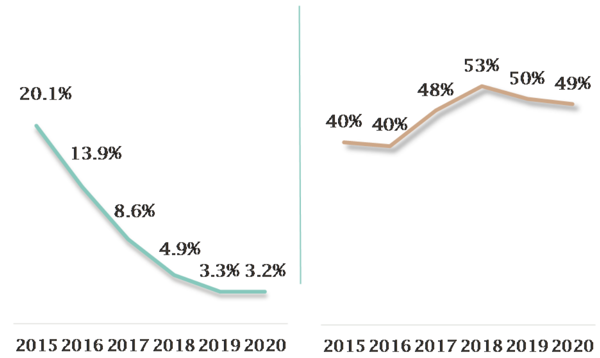


## Gross NPL Evolution

| In € Million | NPL 31/03/2020 | NPL QoQ ch. | NPL YoY ch. | NPL Ratio 31/03/2020 | NPL Ratio QoQ ch. | NPL Ratio YoY ch. |
|---|---|---|---|---|---|---|
| **Productive Activity Financ. & Pub. Admin.** | **401** | **-1** | **-175** | **4.3%** | **0.0%** | **-2.4%** |
| Real Estate | 76 | -6 | -69 | 18.3% | -3.3% | -12.8% |
| Other companies | 324 | 5 | -106 | 3.7% | 0.1% | -1.6% |
| **Household Financing** | **393** | **1** | **-90** | **2.5%** | **0.0%** | **-0.7%** |
| Consumer and other loans | 41 | -9 | -3 | 4.5% | -0.9% | -0.7% |
| Housing | 352 | 10 | -87 | 2.4% | 0.0% | -0.7% |
| **Demand Debtors, Public Admin and Other** | **18** | **0** | **2** | **4.3%** | **-0.5%** | **-0.5%** |
| **TOTAL GROSS NPL** | **812** | **-1** | **-263** | **3.2%** | **0.0%** | **-1.3%** |

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

**NPL ratio and Coverage**
*In € Million*




The NPL ratio decreases 2 bps in the quarter down to 3.23%, accumulating a 128 bps drop in the last twelve months, which in absolute terms meant a 263 million euros fall in NPLs (-24.5%)

The coverage ratio stands at 49% at the end of March. 43% of NPLs are household mortgages, with a high level of collateralization, therefore requiring lower coverages.

Refinanced loans decline to 381 million euros, and represents only 1.5% of the gross loans. 65% is classified as non-performing loan.

## NPL Coverages

| *In € Million* | NPL | Impairment losses | NPL minus Impairment losses | Coverage ratio | Guarantees* |
|---|---|---|---|---|---|
| **Productive Activity Financing and Public Admin.** | **401** | **271** | **130** | **67.6%** | **173** |
| Real Estate | 76 | 33 | 43 | 43.5% | 55 |
| Other companies and Public Admin. | 324 | 237 | 87 | 73.2% | 118 |
| **Household Financing** | **393** | **127** | **267** | **32.2%** | **326** |
| Consumer and other loans | 41 | 47 | -6 | 113.5% | 1 |
| Housing | 352 | 80 | 272 | 22.7% | 324 |
| **Demand Debtors and Other Risks** | **18** | **0** | **18** | | **0** |
| **TOTAL GROSS NPL** | **812** | **397** | **415** | **49%** | **498** |

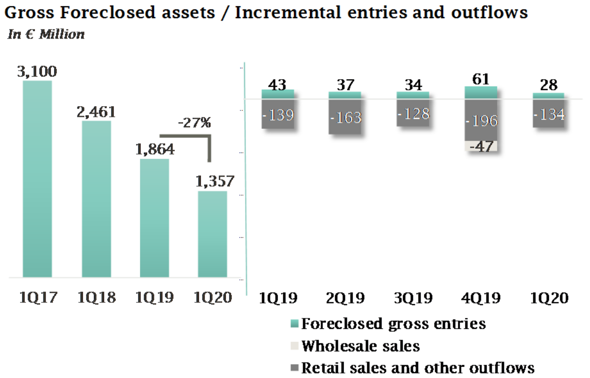
** Guarantee= Limited appraisal value, calculated as the minimum value between the latest appraisal value and the outstanding debt.*

## Gross Foreclosed Assets Evolution

*(excluding investment properties)*

| *In € Million* | 31/03/2020 | 31/12/2019 | 31/03/2019 | % QoQ ch. | % YoY ch. |
|---|---|---|---|---|---|
| Houses under construction | 254 | 270 | 332 | -5.8% | -23.5% |
| Finished houses | 373 | 393 | 526 | -5.0% | -29.0% |
| Land | 545 | 608 | 772 | -10.3% | -29.3% |
| Offices, premises, warehouses and other buildings | 185 | 192 | 235 | -3.9% | -21.4% |
| TOTAL GROSS FORECLOSED ASSETS | 1,357 | 1,462 | 1,864 | -7.2% | -27.2% |

Foreclosed assets outflows, classified as *Non Current Assets Held for Sale*, amount to 100 million euros in the first quarter, 562 millions in the last twelve months, mostly retail sales. Around 61% of the quarter sales were classified as land.




The foreclosed assets portfolio falls by 27.2% in in the last twelve months and 7.2% in the first quarter, with significant decreases among all types of assets and a decreasing volumen of entries.

The NPA's pool decreases by 106 million euros in the quarter and 771 million euros in the last twelve months (-26.2%), while its coverage level stays at 48% as of March 31st.

In addition, investment property sales amounted to 9 million euros of gross debt in the quarter and 78 million euros during the last twelve months.

## Impaired Assets Evolution (and their coverages)

| *In € Million* | 31/03/2020 | 31/03/2020 | 31/12/2019 | QoQ variation | YoY variation |
|---|---|---|---|---|---|
| NPL | 812 | 813 | 1,076 | -1 | -263 |
| Foreclosed Assets | 1,357 | 1,462 | 1,864 | -105 | -507 |
| NON-PERFORMING ASSETS | 2,169 | 2,275 | 2,940 | -106 | -771 |
| NPA ratio | 8.2% | 8.6% | 11.4% | -0.4% | -3.2% |
| NPL impairment losses | 397 | 408 | 568 | -10 | -170 |
| NPL coverage ratio | 49% | 50% | 53% | -1.2% | -3.8% |
| Foreclosed assets impairment losses | 639 | 696 | 930 | -57 | -291 |
| Foreclosed assets coverage ratio | 47% | 48% | 50% | -0.5% | -2.8% |
| NPA coverage ratio (NPL + foreclosed assets) | 48% | 49% | 51% | -0.7% | -3.2% |

# Profit and loss account

| In € Million | 31/03/2020 | 31/03/2019 | % Annual change |
|---|---|---|---|
| Financial income | 154 | 134 | 14.7% |
| Financial expenses | 17 | 20 | -15.5% |
| NET INTEREST INCOME | 137 | 114 | 20.1% |
| Dividends | 0 | 5 | -96.4% |
| Results from equity method stakes | 0 | 2 | -89.1% |
| Net fees | 50 | 45 | 9.6% |
| Gains (losses) on Financial Assets and Liabilities and Ex.diff. | 6 | 5 | 16.5% |
| Other operating results (net) | -15 | -21 | -26.9% |
| GROSS MARGIN | 177 | 150 | 17.8% |
| Administrative costs | 85 | 89 | -4.3% |
| Staff costs | 58 | 59 | -0.8% |
| Other general administrative costs | 26 | 30 | -11.2% |
| Amortizations | 10 | 11 | -5.9% |
| PRE-IMPAIRMENT INCOME | 82 | 51 | 61.1% |
| Provisions (net) | 4 | 6 | -30.3% |
| Impairment losses on financial assets (net) | 31 | 14 | 125.6% |
| Impairment losses on other assets (net) | 2 | 0 | |
| Other profits or losses | -17 | -3 | |
| PRE-TAX INCOME | 28 | 28 | -3.4% |
| Income tax | 8 | 7 | 7.1% |
| Profit from discontinued operations (net) | 0 | 0 | |
| CONSOLIDATED NET PROFIT | 19 | 21 | -7.7% |
| Attributable Net Profit | 19 | 21 | -7.7% |

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

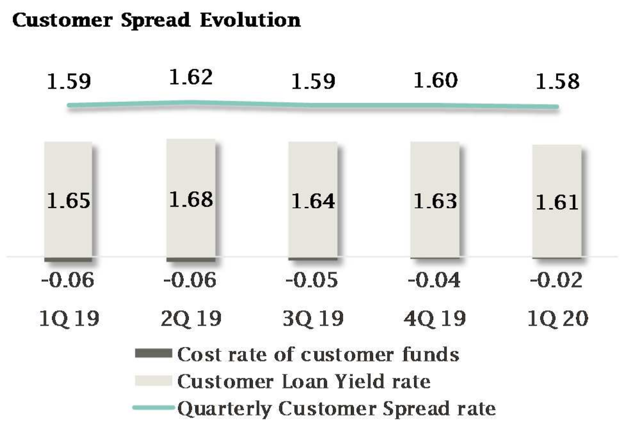
# Income Statement Quarterly Evolution

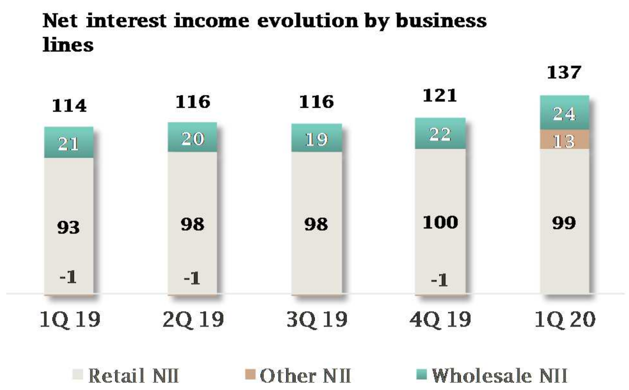
| In € Million | 1Q 19 | 2Q 19 | 3Q 19 | 4Q 19 | 1Q 20 |
|---|---|---|---|---|---|
| Financial income | 134 | 138 | 137 | 140 | 154 |
| Financial expenses | 20 | 21 | 20 | 20 | 17 |
| NET INTEREST INCOME | 114 | 116 | 116 | 121 | 137 |
| Dividends | 5 | 0 | 0 | 2 | 0 |
| Results from equity method stakes | 2 | 21 | 3 | 4 | 0 |
| Net fees | 45 | 45 | 45 | 55 | 50 |
| Gains (losses) on Financial Assets and Liab. and Ex. Diff. | 5 | 12 | 5 | 2 | 6 |
| Other operating results (net) | -21 | -5 | -11 | -41 | -15 |
| GROSS MARGIN | 150 | 188 | 159 | 142 | 177 |
| Administrative costs | 89 | 85 | 88 | 79 | 85 |
| Staff costs | 59 | 59 | 60 | 58 | 58 |
| Administrative costs | 30 | 26 | 27 | 20 | 26 |
| Amortizations | 11 | 11 | 11 | 11 | 10 |
| PRE-IMPAIRMENT INCOME | 51 | 93 | 60 | 53 | 82 |
| Provisions (Net) | 6 | 7 | 5 | 7 | 4 |
| Impairment losses on financial assets (net) | 14 | 16 | 16 | 15 | 31 |
| Impairment losses on other assets (net) | 0 | 2 | 2 | 1 | 2 |
| Other gains or losses | -3 | -6 | -5 | -18 | -17 |
| PRE-TAX INCOME | 28 | 62 | 31 | 11 | 28 |
| Income tax | 7 | 10 | 8 | -3 | 8 |
| Profit from discontinued operations (net) | 0 | 0 | 0 | 0 | 0 |
| CONSOLIDATED NET PROFIT | 21 | 52 | 24 | 15 | 19 |
| ATTRIBUTABLE NET PROFIT | 21 | 52 | 24 | 15 | 19 |

## Quarterly contribution to the net interest income

| In € Million | 1Q 19 | 2Q 19 | 3Q 19 | 4Q 19 | 1Q 20 |
|---|---|---|---|---|---|
| Financial income | 134 | 138 | 137 | 140 | 154 |
| Financial expenses | 20 | 21 | 20 | 20 | 17 |
| NET INTEREST INCOME | 114 | 116 | 116 | 121 | 137 |

** The 1Q20 includes €14 million of non recurrent interest income*




Net interest income amounts to 137 million euros and grows by +20.1% YoY, including an extraordinary revenue from default interest on litigation of 14 million euros. Excluding these non-recurrent items the NII evolution is equally positive. The contribution from retail business shows a growth of +6.2%, driven by the increase in performing credit and the reduction of funding costs. Wholesale contribution performs in the same way, growing +14.5% YoY, driven by the continued funding costs reduction.

The customer spread stays at 1.58%, cumulating four years around 1.6%, in spite of the continued fall in interest rates.

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

| | 1Q 2019 | | | 2Q 2019 | | | 3Q 2019 | | | 4Q 2019 | | | 1Q 2020 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 23,569 | 1.6 | 97 | 24,099 | 1.7 | 101 | 24,678 | 1.6 | 101 | 24,987 | 1.6 | 102 | 25,073 | 1.6 | 101 |
| of which: performing | 22,451 | 1.7 | 95 | 23,040 | 1.7 | 98 | 23,683 | 1.7 | 99 | 24,073 | 1.7 | 100 | 24,251 | 1.6 | 99 |
| Retail FE | 24,198 | 0.1 | 4 | 24,410 | 0.1 | 4 | 24,904 | 0.1 | 3 | 24,894 | 0.0 | 2 | 24,857 | 0.0 | 1 |
| Sight | 16,514 | 0.0 | 1 | 16,777 | 0.0 | 1 | 17,308 | 0.0 | 1 | 17,613 | 0.0 | 1 | 18,235 | 0.0 | 0 |
| Terms | 5,798 | 0.1 | 2 | 5,707 | 0.1 | 2 | 5,421 | 0.1 | 2 | 5,003 | 0.1 | 1 | 4,635 | 0.1 | 1 |
| Others | 1,886 | 0.1 | 0 | 1,926 | 0.1 | 0 | 2,176 | 0.1 | 0 | 2,278 | 0.0 | 0 | 1,987 | 0.0 | 0 |
| Wholesale FI | 10,432 | 1.1 | 30 | 10,270 | 1.1 | 29 | 9,577 | 1.2 | 29 | 11,349 | 1.0 | 30 | 11,159 | 1.0 | 29 |
| of which: fixed income | 9,633 | 1.2 | 30 | 9,124 | 1.3 | 30 | 8,225 | 1.4 | 30 | 9,243 | 1.3 | 30 | 9,136 | 1.3 | 30 |
| Wholesale FE | 11,437 | 0.3 | 9 | 11,550 | 0.3 | 9 | 10,910 | 0.4 | 10 | 12,998 | 0.2 | 8 | 12,838 | 0.2 | 5 |
| Financial Institutions | 8,385 | -0.3 | -7 | 8,499 | -0.3 | -6 | 7,693 | -0.3 | -6 | 9,041 | -0.3 | -7 | 9,072 | -0.4 | -9 |
| Repos PS and PA | 38 | 0.0 | 0 | 27 | 0.0 | 0 | 38 | 0.0 | 0 | 23 | 0.0 | 0 | 11 | 0.0 | 0 |
| Covered bonds | 2,634 | 1.5 | 10 | 2,634 | 1.5 | 10 | 2,796 | 1.5 | 10 | 3,555 | 1.1 | 10 | 3,378 | 1.1 | 9 |
| Bonds and others | 380 | 5.6 | 5 | 390 | 5.6 | 5 | 382 | 5.7 | 5 | 379 | 5.5 | 5 | 377 | 5.5 | 5 |
| Other FI & FE | | | -1 | | | -1 | | | 0 | | | -1 | | | 13 |

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

## Fees

| In € Million | 1Q 2019 | 2Q 2019 | 3Q 2019 | 4Q 2019 | 1Q 2020 | % Cum. Annual Change |
|---|---|---|---|---|---|---|
| FEES RECEIVED | 48 | 48 | 48 | 59 | 53 | 10.8% |
| Contingent liabilities | 2 | 1 | 2 | 2 | 1 | -6.1% |
| Contingent commitments | 0 | 0 | 0 | 0 | 0 | -14.1% |
| Collections and payments | 19 | 21 | 22 | 23 | 21 | 14.0% |
| Securities services | 1 | 1 | 1 | 1 | 2 | 88.4% |
| Non banking financial products | 18 | 16 | 16 | 25 | 20 | 9.6% |
| Others | 8 | 8 | 8 | 8 | 9 | 2.3% |
| FEES PAID | 2 | 3 | 3 | 4 | 3 | 35.2% |
| NET FEES | 45 | 45 | 45 | 55 | 50 | 9.6% |
| RECURRENT NET FEES | 45 | 45 | 45 | 49 | 50 | 9.6% |

*Source: Profit and loss account and own preparation*

*Net fees* amount to 50 million euros, showing a +9.6% YoY cumulated growth. The main lines supporting this growth are mutual funds (+25.9% YoY), due to a more profitable product mix and the growth in assets under management, as well as fees related to payment instruments.

*Gains (losses) on Financial Assets and Liabilities* amount to 6 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 -15 million euros. This heading registers deposit tax (-2.1 million euros), the monetizable deferred tax assets payment (-2.7 million euros), as well as other recurrent and non-recurrent items.

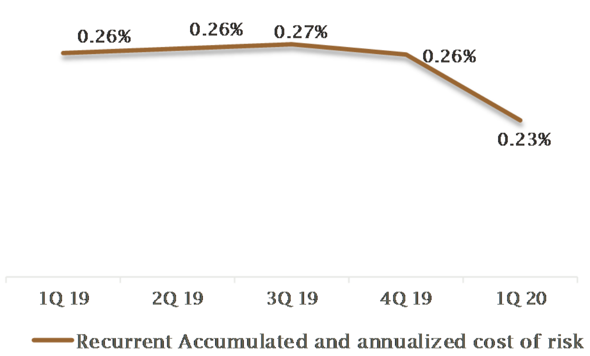
*General administration costs* decreased by 4.3% YoY, mainly due to the drop of the heading *Other general administration costs* (-11.2%).

*Provisions (net)* registers 4 million euros, related to contingencies, litigations and the reorganization of the commercial network.

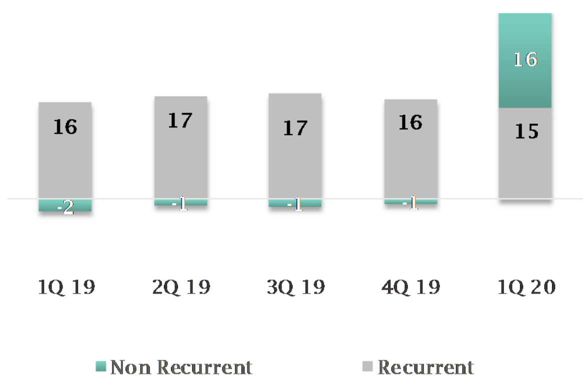
*Impairment losses on financial assets (net)* registers the credit impairments (-31 million euros), and the *Other gains or losses* registers -17 million euros, due to the impairment of non-current assets held-for-sale. Both headings include an extraordinary increase of provisions of 23 million euros, in anticipation of the macroeconomic deterioration due to the Covid-19 crisis.

The cost of recurrent risk is 23 bps (below the forecast) and the results coming from foreclosed assets sales are close to zero.

**Evolution of Cost of Risk**




**Loan Impairments**



## Solvency (Basel III phased-in)

| In € Million | 31/03/2020 | 31/12/2019 | 31/03/2019 | Quarterly Change | Annual Change |
|---|---|---|---|---|---|
| CET 1 COMMON EQUITY TIER 1 | 2,451 | 2,499 | 2,383 | -48 | 69 |
| Common equity Tier 1 (%) | 14.2% | 14.6% | 14.0% | -0.4% | 0.2% |
| CAPITAL LEVEL 1/ TIER 1 | 2,451 | 2,499 | 2,383 | -48 | 69 |
| Total TIER 1 (%) | 14.2% | 14.6% | 14.0% | -0.4% | 0.2% |
| TOTAL CAPITAL | 2,722 | 2,768 | 2,653 | -46 | 69 |
| Solvency ratio (%) | 15.8% | 16.1% | 15.6% | -0.4% | 0.1% |
| RISK WEIGHTED ASSETS | 17,282 | 17,175 | 16,985 | 107 | 296 |
| LEVERAGE RATIO | 5.9% | 6.2% | 6.0% | -0.3% | -0.1% |

## Solvency (Basel III Fully loaded)

| In € Million | 31/03/2020 | 31/12/2019 | 31/03/2019 | Quarterly Change | Annual Change |
|---|---|---|---|---|---|
| CET 1 COMMON EQUITY TIER 1 | 2,244 | 2,237 | 2,116 | 7 | 127 |
| Common equity Tier 1 (%) | 13.0% | 13.0% | 12.5% | 0.0% | 0.5% |
| CAPITAL LEVEL 1/ TIER 1 | 2,244 | 2,237 | 2,116 | 7 | 127 |
| Total TIER 1 (%) | 13.0% | 13.0% | 12.5% | 0.0% | 0.5% |
| TOTAL CAPITAL | 2,514 | 2,506 | 2,387 | 9 | 127 |
| Solvency ratio (%) | 14.5% | 14.6% | 14.0% | 0.0% | 0.5% |
| RISK WEIGHTED ASSETS | 17,287 | 17,182 | 16,993 | 105 | 295 |
| LEVERAGE RATIO | 5.4% | 5.6% | 5.4% | -0.1% | 0.0% |

*Pro-forma data as of March 31st, including interim financial results, 2019 full results (not discounting the potential dividend) and without deducting the own shares not acquired from the share buyback programme approved in 2019.*

As of March 31st, 2020, Liberbank's CET 1 Common Equity Tier 1 phased-in stands at 14.2% (+16 bps YoY), Capital Tier 1 stands at the same figure and Total Capital stands at 15.8% (+13 bps YoY).

At the same date, Liberbank's CET 1 Common Equity Tier 1 fully loaded stands at 13.0% (+52 bps YoY), Capital Tier 1 stands at the same figure and Total Capital stands at 14.5% (+50 bps YoY).

The organic generation, the fall of NPLs and foreclosed assets support the improvement of the fully loaded capital ratios and offset the growth of risk weighted assets coming from new lending and the reduction of unrealized capital gains on securities portfolios, resulting from market instability.

## The Share

| Market Information | 1Q2020 |
|---|---|
| Number of shares outstanding (*millions*) | 3,041 |
| Average Daily Trading Volume (*#shares*) | 6,166,868 |
| Average Daily Trading Volume (*€*) | 1,660,737 |
| Maximum Share price (*€*) | 0.35 |
| Minimum Share price (*€*) | 0.12 |
| Closing Price (*€*) | 0.14 |
| Closing Market Capitalization (*k€*) | 415 |

On December 30th, 2019, Liberbank received approval to launch a share buyback programme, 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, under which, as of the date of this report, 61,627,996 shares have been acquired for 16.3 million at an average price of 0.26€ per share.

As of March 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%, Corporación Masaveu (including Flicka Forestal and Fundación María Cristina Masaveu) owns 5.76%, DWS owns 3.19% and Norges Bank owns 3.13%. The remaining 40% 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 solid.

The bank did not attend the March TLTROS III auction, and the decision to attend the June auction has not yet been taken, considering all the alternative funding sources. Until that date, the bank has applied for the bridge funding offered by the ECB.

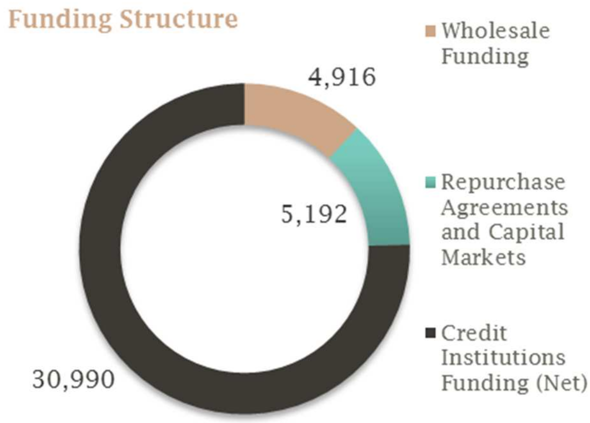
The LTD ratio, which represents the percentage of credits funded by Retail deposits stands at 99.1%.

The LCR ratio, that indicates the short term liquidity level, stands at 248%. Among the ECB's ease measures, banks have been allowed to temporarily operate with a LCR below 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 112%.


The Group's liquid assets amount to 5,665 million euros, immediately available. In addition, Liberbank has an issuance capacity of 5,067 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 28th, 2020, the agency confirmed the long term rating at BB+, changing the perspective from positive to negative due to the economic consequences from the health crisis and COVID-19 in the mid-term, and a Viability Rating (VR) of bb+.

**DBRS.** On April 15th, 2020, the agency confirmed the long term rating of Liberbank at BBB (low) and its "stable" perspective. The short term rating stands at R2 middle.

**Moody's**. On April 23rd 2020, the agency confirmed the long term credit rating of Liberbank at Ba2, changing perspective to negative, due to the Covid-19 crisis, which could have economic consequences in the short term. Previously, Moody's also had improved the long-term counterparty risk rating (CR Assessment) from Ba1 to Baa3, and revised upwards the covered bonds rating, from A1 to Aa2. These qualifications remain unchanged.

## Liberbank Digital

In recent years, Liberbank has developed its digital banking capabilities, by extending its functionalities and offering products that were traditionally only offered through the commercial network channel. As a result of this the digital channel has experienced a notable activity increase during 2020.

42.5% of customers are digitally active, and 78% of transfers are made through our app or via web, achieving a very significant growth in sales. 20.4% of personal loans, and 6.9% of mortgage loans were granted via Digital Banking.

The digital channel has been consolidated as a very important asset for attracting new customers. As a result of the latter, 37.8% of new customers are signed up through a 100% digital onboarding process.

To reach a higher efficiency, scalability and keep improving our customers' experience, new products were launched, as the Financial Aggregator.

In addition, Liberbank has a model of personalized attention through remote managers, called “Junto a **ti**”.

This channel merges the virtues of personal contact and new technologies to provide a differential, personalized and remote service, where the customers interact with their personal manager on a flexible schedule adapted to their needs.

## 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 March 31st, 2020, amount to 812 million euros (813 million euros as of December 31st, 2019 and 1,076 million euros as of March 31th, 2019), 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 March 31st, 2020 amount to 1,357 million euros (1,462 million euros as of December 31st 2019 and 1,864 million euros as of March 31th, 2019), 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 3.2% as of March 31st, 2020 (3.3% as of December 31st 2019 and 4.5% as of March 31th, 2019).

| *In € Million* | 31/03/2020 | 31/12/2019 | 31/03/2019 | Report Section |
|---|---|---|---|---|
| **NPL Ratio (1/2)** | **3.2%** | **3.3%** | **4.5%** | **See "Key Indicators - Risk Management"** |
| **(1) Gross NPL** | **812** | **813** | **1,076** | **See "Key Indicators - Risk Management"** |
| **(2) Total Gross Loans** | **25,176** | **24,999** | **23,888** | |
| (+) Gross performing Loans | 24,364 | 24,186 | 22,812 | See "Key Indicators - Balance Sheet" |
| (+) NPL | 812 | 813 | 1,076 | See "Key Indicators - Risk Management" |

**Loan to deposit (LTD):** 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 March 31st, 2020 stands at 99.1% (99.7% as of December 31st 2019 and 95.4% as of March 31th, 2019).

| *In € Million* | 31/03/2020 | 31/12/2019 | 31/03/2019 | Report Section |
|---|---|---|---|---|
| **Loan to deposits (1/2)** | **99.1%** | **99.7%** | **95.4%** | **See "Key Indicators - Balance Sheet"** |
| **(1) Loans (Net)** | **25,318** | **25,096** | **23,693** | |
| (+) Loans and advances to customers | 25,195 | 24,947 | 23,487 | See "4. Financial Evolution - Consolidated Balance Sheet" |
| (+) Non-trading FA mandatorily at fair value through P&L | 123 | 149 | 206 | |
| (-) Repurchase agreements | 0 | 0 | 0 | |
| **(2) Deposits** | **25,538** | **25,168** | **24,837** | |
| (+) Customer Funds on Balance Sheet | 25,018 | 24,675 | 24,313 | See "Resources" |
| (+) Value adjustments | 514 | 483 | 514 | |
| (+) Debt securities issued | 6 | 10 | 10 | 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 March 31st, 2020 stands at 248%.

| *In € Million* | 31/03/2020 |
|---|---|
| **Liquidity Coverage Ratio (LCR) (1/2)** | **248%** |
| **(1) High quality liquid assets** | **5,821** |
| **(2) Total net cash outflows (outflows minus inflows) expected during a 30 day stress scenario** | **2,350** |

**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 March 31st, 2020 stands at 112%.

| *In € Million* | 31/03/2020 |
|---|---|
| **Net Stable Financial Ratio (NSFR) (1/2)** | **112%** |
| **(1) Available stable funding** | **30,135** |
| **(2) Required stable funding** | **26,878** |

**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 March 31st, 2020 stands at 49% (50% as of as of December 31st 2019 and 53% as of as of March 31th, 2019).

| *In € Million* | 31/03/2020 | 31/12/2019 | 31/03/2019 | Report Section |
|---|---|---|---|---|
| **Credit coverage ratio (1/2)** | **49%** | **50%** | **53%** | **See "Key Indicators - Risk Management"** |
| **(1) NPL impairment losses** | **397** | **408** | **568** | **See "Impaired Assets Evolution (and their coverages)"** |
| **(2) Non-Performing Loans (NPL)** | **812** | **813** | **1,076** | **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 March 31st, 2020 stands at 47% (48% as of as of December 31st 2019 and 50% as of March 31th, 2019).

| *In € Million* | 31/03/2020 | 31/12/2019 | 31/03/2019 | Report Section |
|---|---|---|---|---|
| **Foreclosed assets coverage ratio (1/2)** | **47%** | **48%** | **50%** | **See "Key Indicators - Risk Management"** |
| **(1) Foreclosed assets impairment losses** | **639** | **696** | **930** | **See "Gross Foreclosed Assets Evolution"** |
| **(2) Gross Foreclosed Assets** | **1,357** | **1,462** | **1,864** | **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 March 31st, 2020 stands at 48% (49% as of December 31st 2019 and 51% as of March 31th, 2019).

| *In € Million* | 31/03/2020 | 31/12/2019 | 31/03/2019 | Report Section |
|---|---|---|---|---|
| **Impaired assets coverage ratio (1/2)** | **48%** | **49%** | **51%** | **See "Key Indicators - Risk Management"** |
| **(1) Non-productive assets impairment losses** | **1,036** | **1,103** | **1,497** | |
| (+) NPL impairment losses | 397 | 408 | 568 | See "Impaired Assets Evolution (and their coverages)" |
| (+) Foreclosed assets impairment losses | 639 | 696 | 930 | |
| **(2) Non-productive assets** | **2,169** | **2,275** | **2,940** | |
| (+) Gross Non-performing Loans | 812 | 813 | 1,076 | |
| (+) Gross Foreclosed assets | 1,357 | 1,462 | 1,864 | |

**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 and excluding impairments considered as non-recurrent), 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. As of March 31st, 2020 stands at 0.23% (0.26% as of December 31st 2019 and 0.26% as of March 31th, 2019).

| *In € Million* | 31/03/2020 | 31/12/2019 | 31/03/2019 | Report Section |
|---|---|---|---|---|
| **Recurrent Cost of Risk (1/2)** | **0.23%** | **0.26%** | **0.26%** | **See "Evolution of Cost of Risk"** |
| **(1) Impairment losses on financial assets (net) (of Loans)** | **15** | **66** | **16** | **See "Loan Impairments"** |
| Impairment losses on financial assets (net) (of Loans) | 31 | 61 | 14 | See "Loan Impairments" |
| Non recurrent impairment losses (non-annualized) | 16 | -5 | -2 | Internal Information |
| **(2) Total Gross Loans** | **25,176** | **24,999** | **23,888** | |
| (+) Gross Performing Loans | 24,364 | 24,186 | 22,812 | See "Key Indicators - Balance Sheet" |
| (+) Non-performing Loans | 812 | 813 | 1,076 | See "Key Indicators - Risk Management" |

**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 March 31st, 2020 stands at 1.58% (1.60% as of December 31st 2019 and 1.59% as of March 31th, 2019).

| *In € Million* | 31/03/2020 | 31/12/2019 | 31/03/2019 | Report Section |
|---|---|---|---|---|
| **Customer Spread (1-2)** | **1.58%** | **1.60%** | **1.59%** | **See "Customer Spread Evolution"** |
| **(1) Quarterly Financial Income Rate (a/b)** | **1.61%** | **1.63%** | **1.65%** | See "Quarterly Net Interest Income Evolution" |
| (a) Quarterly Financial Income coming from retail business | 101 | 102 | 97 | |
| (b) Gross Loans Average Balance | 25,073 | 24,987 | 23,569 | |
| **(2) Quarterly Financial costs Rate (c/d)** | **0.02%** | **0.04%** | **0.06%** | |
| (c) Quarterly retail financial costs | 1 | 2 | 4 | |
| (d) Customers resources on balance sheet average balance | 24,857 | 24,894 | 24,198 | |

### P&L account items:

**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.