

FINANCIAL REPORT

Second quarter of 2018

8 August 2018

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Most significant figures

Key financials (EUR Thousands)	30/06/2018	31/03/2018	31/12/2017	30/06/2017	Quarter-on-quarter		Year-on-year		YTD	
					Abs.	%	Abs.	%	Abs.	%
Profit and Loss Account										
Net interest income	294,175	150,259	548,142	292,791			1,384	0.5%		
Gross income	510,924	252,557	977,558	493,027			17,897	3.6%		
Recurring gross income	459,159	247,119	859,657	458,480			679	0.1%		
Net income before provisions	216,724	101,269	363,139	195,335			21,389	10.9%		
Recurring net income before provisions	164,959	95,831	245,239	160,789			4,170	2.6%		
Profit before tax	54,117	31,531	97,808	50,770			3,347	6.6%		
Consolidated net profit for the period	45,178	31,476	80,058	44,296			882	2.0%		
Profit attributable to the parent	45,178	31,476	80,058	44,296			882	2.0%		
Business volume										
Total on-balance-sheet assets	42,815,704	41,857,368	40,507,329	39,943,077	958,336	2.3%	2,872,627	7.2%	2,308,375	5.7%
Equity	2,962,714	2,916,797	3,052,262	3,022,189	45,917	1.6%	(59,475)	(2.0%)	(89,548)	(2.9%)
Customers' retail funds	27,694,266	26,375,844	25,940,894	26,358,453	1,318,422	5.0%	1,335,813	5.1%	1,753,372	6.8%
Off-balance sheet funds	4,428,907	4,341,743	4,126,567	3,736,073	87,164	2.0%	692,834	18.5%	302,340	7.3%
Performing loans and receivables	28,908,999	28,412,853	27,968,427	27,740,977	496,146	1.7%	1,168,022	4.2%	940,572	3.4%
Risk management										
Gross non-performing assets	6,254,813	6,811,851	7,038,527	7,660,833	(557,038)	(8.2%)	(1,406,020)	(18.4%)	(783,714)	(11.1%)
Net non-performing assets	3,387,578	3,607,190	3,938,827	4,200,489	(219,612)	(6.1%)	(812,911)	(19.4%)	(551,249)	(14.0%)
NPA coverage (%)	45.86%	47.06%	44.07%	45.20%	(1.20)		0.66		1.79	
Non-performing loans	2,737,582	3,167,197	3,360,590	3,885,299	(429,615)	(13.6%)	(1,147,717)	(29.5%)	(623,008)	(18.5%)
NPL ratio (%)	8.49%	9.84%	10.53%	12.08%	(1.35)		(3.59)		(2.04)	
NPL coverage ratio (%)	44.31%	46.60%	40.28%	44.38%	(2.29)		(0.07)		4.03	
Gross foreclosed assets	3,517,231	3,644,654	3,677,937	3,775,534	(127,423)	(3.5%)	(258,303)	(6.8%)	(160,706)	(4.4%)
Net foreclosed assets	1,861,840	1,914,853	1,929,686	2,037,298	(53,013)	(2.8%)	(175,458)	(8.6%)	(67,846)	(3.5%)
Foreclosed assets coverage ratio (%)	47.07%	47.46%	47.53%	46.04%	(0.39)		1.03		(0.46)	
Texas ratio	102.69%	107.44%	114.97%	116.63%	(4.75)		(13.94)		(12.28)	
Cost of risk	0.65%	0.62%	0.76%	1.07%	0.03		(0.42)		(0.11)	
Liquidity										
LTD (%)	104.63%	108.99%	110.08%	107.75%	(4.36)		(3.12)		(5.45)	
LCR (%)*	198.64%	192.04%	214.62%	248.90%	6.60		(50.26)		(15.98)	
NSFR (%)	116.50%	112.14%	112.30%	116.47%	4.36		0.03		4.20	
Commercial gap	(3,612,412)	(4,842,233)	(5,081,043)	(4,648,159)	1,229,821	(25.4%)	1,035,747	(22.3%)	1,468,631	(28.9%)
Solvency phased in (**)										
CET1 ratio (%)	12.01%	11.32%	11.19%	11.59%	0.69		0.42		0.95	
Tier 2 ratio (%)	1.71%	1.66%	2.18%	2.87%	0.05		(1.16)		0.04	
Total capital ratio (%)	13.72%	12.99%	13.37%	14.46%	0.73		(0.74)		0.98	
Leverage ratio (%)	6.45%	5.87%	6.44%	6.65%	0.58		(0.20)		0.01	
Solvency fully loaded (**)										
CET1 ratio (%)	11.07%	10.38%	10.90%	11.38%	0.69		(0.31)		0.92	
Tier 2 ratio (%)	1.71%	1.67%	2.18%	2.87%	0.04		(1.16)		0.03	
Total capital ratio (%)	12.78%	12.05%	13.08%	14.25%	0.73		(1.47)		0.95	
Leverage ratio (%)	5.96%	5.81%	6.29%	6.53%	0.15		(0.57)		(0.33)	
Profitability and efficiency										
ROA (%)	0.22%	0.31%	0.20%	0.23%	(0.09)		(0.01)		0.02	
RORWA (%)	0.38%	0.53%	0.34%	0.38%	(0.15)		-		0.04	
ROE (%)	3.06%	4.27%	2.64%	2.96%	(1.21)		0.10		0.42	
Cost-income ratio (%)	57.58%	59.90%	62.85%	60.38%	(2.32)		(2.80)		(5.27)	
Recurring cost-income ratio (%)	64.07%	61.22%	71.47%	64.93%	2.85		(0.86)		(7.40)	
Other data										
Cooperative members	1,434,092	1,433,250	1,433,980	1,432,886	842	0.1%	1,206	0.1%	112	0.0%
Employees	5,570	5,584	5,586	5,743	(14)	(0.3%)	(173)	(3.0%)	(16)	(0.3%)
Branches	1,036	1,046	1,057	1,090	(10)	(1.0%)	(54)	(5.0%)	(21)	(2.0%)

* LCR data recalculated for all the dates excluding the contribution of the funds available under the asset-based credit facility with Banco de España.

** Annual change in relation to 01/01/2018

Highlights

The three highlights of the quarter are the improvement in capital ratios, the decrease in non-performing assets, driven by the sale of the Galeón portfolio, and the beginning of the second phase of the competitive bidding for the acquisition of Banco Caixa Geral.

The phased in CET1 ratio at the end of the quarter stands at 12.01% (+95 bp compared to January 1st, which is the effective date of IFRS 9 introduction, and +69 bp quarter-on-quarter), while the total capital ratio is 13.72% (+98 bp compared to 1 January, +73 bp quarter-on-quarter), thanks to the favourable behaviour of capital (+15 bp of CET1 in the quarter), lower deductions (+25 bp of CET1 in the quarter) and lower risk-weighted assets (+31 bp of CET1 in the quarter). Thus, in six months GCC has succeeded in absorbing the total impact of the application of IFRS 9 on CET1, which amounted to 75 bp, although the Group has opted for the five-year transition period for recognising that impact. The decrease in deductions from CET1 capital is due to the write-off of 63 million euros of intangible assets recognised by Cajamar as a result of the merger with Ruralcaja, thanks to extraordinary income generated from the fixed income sale.

On January 1st 2018 the generic provision ceased to qualify as Tier 2 capital, taking 51 bp off the total capital ratio.

The Pillar 2 requirements (P2R) for 2018 are maintained at 2.50%, the same level as in 2017, which implies meeting a CET1 ratio of 8.875% and a total capital ratio of 12.375%, phased in, both of which are met comfortably.

The CET1 ratio, fully loaded, including the total impact of IFRS 9, stands at 11.07% at the end of June (+92 bp compared to 1 January, +69 bp in the quarter). The total capital ratio, fully loaded, stands at 12.78% (+95 bp compared to 1 January, +73 bp in the quarter).

The pro forma capital ratios at January 1st 2019, when the effect of the Basel III adjustments and the transitional effect relating to IFRS 9 will be fully taken into account, are estimated at 11.80% CET1 and 13.50% total capital at the end of the semester, compared to a total capital requirement of 13% from January 1st 2019 (assuming P2R remains unchanged at 2.50%).

Given the improvement of capital ratios, GCC has raised its capital targets for 2019 to 12.5% CET1 and 14.5% Total Capital (phased in).

Regarding asset quality, a portfolio of non-performing assets, called Galeón, was sold during the quarter. The portfolio was made up primarily of non-performing loans to SMEs, mainly real estate developers, in a gross amount of around 300 million euros (of which 279 million were non-performing loans, 11 million write-offs and 10 million foreclosed assets). Apart from selling expenses, this sale has had no material impact on capital, although it has had an impact on overall coverage, as these assets were highly provisioned. Thus, the portfolio of non-performing assets, which includes non-performing credit facilities, loans and contingent liabilities, is down 429 million euros in the quarter, at 2,744 million euros, which represents a decrease of -14% q-o-q (-30% y-o-y), continuing the steady quarter-by-quarter reduction of NPLs observed over the last five financial years. The NPL ratio, which remains above the industry average, dropped to 8.5% in the quarter, compared to 9.8% the previous quarter. The goal is to bring the NPL ratio down below 8% by year-end 2018.

Net surrendered and foreclosed real estate assets carried on the balance sheet are down -3% q-o-q (-6% y-o-y), at 1,862 million euros, offsetting the inflows from surrendered and foreclosed non-performing loans (around 26% of the decrease in NPAs since 2017 is attributable to this effect).

NPA coverage (i.e., including both NPLs and foreclosed assets) is 45.9% (47.1% in 1Q18 and 45.2% in 2Q2017). 86% of the NPLs are secured by mortgages.

In relation to the sale of **Banco Caixa Geral**, as announced in the Resolution of the Portuguese Council of Ministers published in the *Gaceta Oficial* on 15 June 2018, Banco de Crédito Social Cooperativo has been selected, along with two other potential investors, to continue to the second phase of the sale process, which includes a due diligence process and could be followed by the submission of a binding offer during September. At December 31st 2017, Banco Caixa Geral had total assets of 5,210 million euros, an NPL ratio of 3.1%, net profit of 26 million euros, 524 employees and 110 branches.

The main business, solvency and asset quality indicators have improved during the quarter.

Performing loans to customers are up 296 million euros in the quarter, reaching a total of 28,433 million euros, while non-performing loans are down 430 million euros. As regards customer funds, on-balance sheet deposits (sight and term deposits) are up 5% in the quarter, thus improving the commercial gap. Off-balance sheet customer funds are also up 2% in the quarter, mainly

thanks to the 103 million euros increase in funds held in mutual funds.

Net profit for the first six months of the year is 45 million euros, similar to the 44 million euros recorded in the first half of 2017 (+2% y-o-y), improving the cost-income ratio to 57.6% (62.9% at the end of last year). Cumulative net interest income has slightly improved compared to the previous year, although in the second quarter it slipped 4% compared to the first quarter (+0.5% y-o-y), mainly due to the repricing of the loan portfolio. Net income before provisions is up 14% compared to the previous quarter (+10.9% y-o-y), mainly due to net trading income.

The liquidity coverage ratio (LCR), net stable funding ratio (NSFR) and leverage ratio remain above the regulatory minimum levels, closing at 198.6%, 116.5% and 6.5%, respectively.

GCC ends the semester with a network of 1,036 branches, 21 fewer than at year-end 2017, as a result of two branch openings and 23 branch mergers. The workforce stands at 5,570 employees, a decrease of 16 in the first six months of the year.

Financial performance

Balance sheet

Total assets are up 7.2% year-on-year, at 42,816 million euros (+2.3% in the quarter).

In the last 12 months, gross loans to customers are down 0.7%, which is the aggregate result of a 3.4% increase (+928 million euros) in performing loans to customers and a 29.5% decrease (–1,148 million euros) in non-performing loans. In the second quarter, performing loans to customers are up 1.1% (296 million euros), while non-performing loans are down 13.6% (–430 million euros).

Real estate developer loans are down 31.4% year-on-year, at 1,270 million euros (59% of which is classified as non-performing), and continue to decrease as a proportion of total loans, accounting for 4% of gross loans and receivables.

The Group's strategy continues to be focused on lending to the strategic SME and agri-food sectors and on reducing non-performing assets.

New lending (new loans, renewals, etc.) reached a total of 4,283 million euros in the first half of 2018, shared mainly between the agri-food and SME sectors (63%) and the retail sector (13%, of which 9% consists of home loans). The average interest rate on performing loans is 1.99% (2.07% at 31 March 2018). GCC holds a market share of 13.7% in lending to the Spanish agri-food sector.

Customer funds under management are up 1,406 million euros in the quarter (+4.6% q-o-q), an increase made up of +1,318 million of on-balance-sheet funds (+5% q-o-q) and the rest (+87 million or +2% q-o-q) made up of off-balance-sheet instruments (mainly mutual funds). During the last 12 months there has been a significant transfer of funds out of term deposits into sight accounts and an

increase in sales of off-balance-sheet savings products. The average remuneration of term deposits stands at 12 bp, the same level as in the previous quarter and 4 bp lower than in June 2017.

Assets under management in mutual funds amount to 2,504 million euros, up 36.6% in the last 12 months, which compares favourably with the industry average of 8% for the same period¹.

Funding from the ECB remains stable at a nominal 5,087 million euros, channelled through TLTRO II at a rate of –0.40%.

¹ Source: Inverco

Managed funds

Funds under management (EUR Thousands)	30/06/2018	31/03/2018	31/12/2017	30/06/2017	Quarter-on-quarter		Year-on-year		YTD	
					Abs.	%	Abs.	%	Abs.	%
Sight accounts	20,526,395	19,215,593	18,477,886	18,190,153	1,310,802	6.8%	2,336,242	12.8%	2,048,509	11.1%
Term deposits	7,167,871	7,160,251	7,463,008	8,168,300	7,620	0.1%	(1,000,429)	(12.2%)	(295,137)	(4.0%)
Customer deposits	27,694,266	26,375,844	25,940,894	26,358,453	1,318,422	5.0%	1,335,813	5.1%	1,753,372	6.8%
Customers' retail funds	27,694,266	26,375,844	25,940,894	26,358,453	1,318,422	5.0%	1,335,813	5.1%	1,753,372	6.8%
Equity units issued + covered bonds *	3,425,561	2,940,949	2,959,370	3,033,220	484,612	16.5%	392,341	12.9%	466,191	15.8%
Subordinated liabilities	405,128	420,205	412,171	405,285	(15,077)	(3.6%)	(157)	(0.0%)	(7,043)	(1.7%)
Deposits with central counterparties	808,902	2,271,801	998,148	-	(1,462,899)	(64.4%)	808,902	100.0%	(189,246)	(19.0%)
ECB auction	5,045,458	5,050,604	5,055,698	5,066,130	(5,146)	(0.1%)	(20,672)	(0.4%)	(10,240)	(0.2%)
Wholesale funds	9,685,049	10,683,559	9,425,387	8,504,635	(998,510)	(9.3%)	1,180,414	13.9%	259,662	2.8%
Total on-balance-sheet funds	37,379,315	37,059,403	35,366,281	34,863,088	319,912	0.9%	2,516,227	7.2%	2,013,034	5.7%
Mutual funds	2,503,931	2,401,143	2,196,249	1,832,525	102,788	4.3%	671,406	36.6%	307,682	14.0%
Pension plans	786,184	787,833	790,191	761,243	(1,649)	(0.2%)	24,941	3.3%	(4,007)	(0.5%)
Savings insurance	654,662	648,154	637,625	622,359	6,508	1.0%	32,303	5.2%	17,037	2.7%
Fixed income and equity	484,130	504,612	502,502	519,946	(20,482)	(4.1%)	(35,816)	(6.9%)	(18,372)	(3.7%)
Off-balance-sheet funds	4,428,907	4,341,743	4,126,567	3,736,073	87,164	2.0%	692,834	18.5%	302,340	7.3%
Customer funds under management	32,123,173	30,717,587	30,067,461	30,094,526	1,405,586	4.6%	2,028,647	6.7%	2,055,712	6.8%
Total funds under management	41,808,222	41,401,146	39,492,848	38,599,161	407,076	1.0%	3,209,061	8.3%	2,315,374	5.9%

* Covered bonds = mortgage covered bonds + public sector covered bonds

Loans and advances to customers

Loans and receivables (EUR Thousands)	30/06/2018	31/03/2018	31/12/2017	30/06/2017	Quarter-on-quarter		Year-on-year		For the year	
					Abs.	%	Abs.	%	Abs.	%
General government	798,629	831,504	783,290	1,004,678	(32,875)	(4.0%)	(206,049)	(20.5%)	15,339	2.0%
Other financial corporations	893,967	938,240	646,487	692,907	(44,273)	(4.7%)	201,060	29.0%	247,480	38.3%
Non-financial corporations	10,995,000	11,068,290	10,954,820	10,640,966	(73,290)	(0.7%)	354,034	3.3%	40,180	0.4%
Households	18,482,573	18,465,685	18,669,637	19,051,514	16,888	0.1%	(568,941)	(3.0%)	(187,064)	(1.0%)
Loans to customers (gross)	31,170,169	31,303,719	31,054,234	31,390,065	(133,550)	(0.4%)	(219,896)	(0.7%)	115,935	0.4%
<i>Of which:</i>										
<i>Real estate developers</i>	<i>1,270,080</i>	<i>1,519,360</i>	<i>1,605,970</i>	<i>1,850,870</i>	<i>(249,280)</i>	<i>(16.4%)</i>	<i>(580,790)</i>	<i>(31.4%)</i>	<i>(335,890)</i>	<i>(20.9%)</i>
<i>Performing loans to customers</i>	<i>28,432,587</i>	<i>28,136,522</i>	<i>27,693,644</i>	<i>27,504,766</i>	<i>296,065</i>	<i>1.1%</i>	<i>927,821</i>	<i>3.4%</i>	<i>738,943</i>	<i>2.7%</i>
<i>Non-performing loans</i>	<i>2,737,582</i>	<i>3,167,197</i>	<i>3,360,590</i>	<i>3,885,299</i>	<i>(429,615)</i>	<i>(13.6%)</i>	<i>(1,147,717)</i>	<i>(29.5%)</i>	<i>(623,008)</i>	<i>(18.5%)</i>
Other loans *	206,605	-	-	-	206,605	-	206,605	100.0%	206,605	100.0%
Debt securities from customers	269,807	276,331	274,783	236,211	(6,524)	(2.4%)	33,596	14.2%	(4,976)	(1.8%)
Gross loans and advances	31,646,581	31,580,050	31,329,017	31,626,276	66,531	0.2%	20,305	0.1%	317,564	1.0%
Performing loans and receivables	28,908,999	28,412,853	27,968,427	27,740,977	496,146	1.7%	1,168,022	4.2%	940,572	3.4%
Correction for customer credit risk	(1,211,844)	(1,474,860)	(1,351,449)	(1,722,108)	263,016	(17.8%)	510,264	(29.6%)	139,605	(10.3%)
Total loans and advances	30,434,735	30,105,189	29,977,533	29,904,169	329,546	1.1%	530,566	1.8%	457,202	1.5%
Off-balance-sheet exposures										
Contingent exposures	665,748	661,198	650,724	614,043	4,550	0.7%	51,705	8.4%	15,024	2.3%
<i>of which: Non-performing contingent exposures</i>	<i>6,028</i>	<i>5,800</i>	<i>7,402</i>	<i>7,892</i>	<i>228</i>	<i>3.9%</i>	<i>(1,864)</i>	<i>(23.6%)</i>	<i>(1,374)</i>	<i>(18.6%)</i>
Total exposures	32,312,329	32,241,248	31,979,741	32,240,319	71,081	0.2%	72,010	0.2%	332,588	1.0%
Total non-performing exposures	2,743,610	3,172,997	3,367,992	3,893,191	(429,387)	(13.5%)	(1,149,581)	(29.5%)	(624,382)	(18.5%)

* Mainly reverse repurchase agreements.

Business review

Grupo Cooperativo Cajamar continues to expand its commercial network in the regions in which it has less presence and in which the agri-food and services sectors are well represented. During the first half of the year it opened a new branch in Carmona (Seville) and another in Mutxamel (Alicante) and closed 23 branches, leaving it with a network of 1,036 branches (3 of which are mobile branches) and 5,570 employees.

It also continues to invest in digitalisation, with the development of Wefferent, the mobile banking application launched in 2017. Wefferent already has more than 147,000 customers and accounts for more than 565 million euros of business.

Grupo Cooperativo Cajamar maintains its commitment to the agri-food sector, carrying out research projects in which it works closely with public institutions and research centres, technology companies and agri-food companies. During the first half of 2018, its experimental centres were visited by 2,304 professionals; and 60 knowledge transfer activities were organised, with 5,928 participants. During this period, Grupo Cooperativo Cajamar issued 10 publications.

GCC has also recently started the following initiatives:

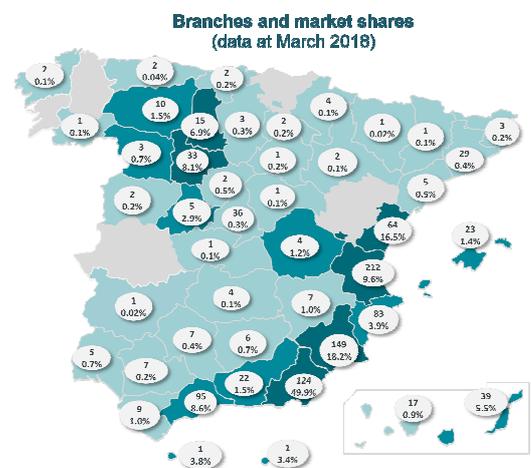
- High impact conferences on the future of agri-food sustainability, with six events held in the first six months of 2018, with 1,130 participants:
 - Experts Forum on Healthy Eating. Madrid. 16 – 19 April.
 - Industry Forum “Outlook for Spanish Agriculture in 2050”. Madrid. 25 April.
 - Symposium on Organic Farming. Almería. 16 and 17 May.
 - Industry Forum “The CAP after 2020”. Madrid. 18 May.
 - II International Conference on Bioeconomics. Barcelona. 14 June.
 - Report on the Spanish Agri-food Sector. Madrid. 4 July.
- Startup of Cajamar Agri-food School, with six training programmes, featuring diversity of content, flexible solutions and scalability:
 - **Futuro** (“*Future*”) Programme for young agri-food entrepreneurs, aimed at training young agri-food entrepreneurs in business management techniques that will enhance their competitive capabilities and growth potential.
 - **Lidera** (“*Lead*”) Programme for senior managers of agri-food companies, aimed at strengthening the leadership capacity of Spanish agri-food companies to meet the challenges of a changing, globalized and digital world.
 - **Supera** (“*Exceed*”) Programme for executive managers of agri-food companies, aimed at updating their management knowledge to include the most innovative management trends.
 - **Oportunidad** (“*Opportunity*”) Programme for Governing Boards of agri-food cooperatives, aimed at giving the members of the Governing Boards of agri-food cooperatives management insights that will help them improve the competitiveness of their cooperatives.
 - **Innova** (“*Innovate*”) Programme, aimed at fostering business innovation through the sharing of innovative agri-food-related experiences in the rural environment among professionals, business owners and entrepreneurs, so as to help reinforce the sector’s productive capacity, giving innovation a vital role in meeting the present and future challenges facing the rural economy.
 - **Continúa** (“*Continue*”) Programme, aimed at updating innovative knowledge in the business community, so as to foster

creative management of business challenges, promoting team work in applying innovation in decision making and the performance of important tasks.

- Creation of a High-Tech Company Incubator for the sustainable use and management of water resources: Since it was first created, Cajamar has been committed to innovation in the agri-food sector. Since 1975 it has focused its ongoing support through its Experimental Stations, paying special attention to sustainability and efficiency in the use of natural resources, especially water. For that reason Cajamar is promoting the creation of a High-Tech Incubator to help convert innovative water-related ideas into products and services that will generate knowledge, wealth and employment. This project receives economic support from the ERDF Funds and will be carried out over a five-year period.



Las Palmerillas Research Centre



Asset quality

Risk management

(EUR Thousands)

Non-performing loans

	30/06/2018	31/03/2018	31/12/2017	30/06/2017	Quarter-on-quarter		Year-on-year		YTD	
					Abs.	%	Abs.	%	Abs.	%
Total non-performing exposures	2,743,610	3,172,997	3,367,992	3,893,191	(429,387)	(13.5%)	(1,149,581)	(29.5%)	(624,382)	(18.5%)
Total exposures	32,312,329	32,241,248	31,979,741	32,240,319	71,081	0.2%	72,010	0.2%	332,588	1.0%
NPL ratio (%)	8.49%	9.84%	10.53%	12.08%	(1.35)		(3.59)		(2.04)	
Loan coverage	(1,212,930)	(1,475,946)	(1,353,603)	(1,724,262)	263,016	(17.8%)	511,332	(29.7%)	140,673	(10.4%)
NPL coverage ratio (%)	44.31%	46.60%	40.28%	44.38%	(2.29)		(0.07)		4.03	
Foreclosed assets (gross)	3,517,231	3,644,654	3,677,937	3,775,534	(127,423)	(3.5%)	(258,303)	(6.8%)	(160,706)	(4.4%)
Foreclosed assets (net)	1,861,840	1,914,853	1,929,686	2,037,298	(53,013)	(2.8%)	(175,458)	(8.6%)	(67,846)	(3.5%)
Foreclosed asset coverage ratio (%)	47.07%	47.46%	47.53%	46.04%	(0.39)		1.03		(0.47)	
Foreclosed assets coverage ratio with debt forgiveness (%)	51.57%	51.63%	51.57%	49.74%	(0.06)		1.83		-	
NPA ratio (%)	13.73%	15.17%	15.91%	17.59%	(1.44)		(3.86)		(2.18)	
NPA coverage ratio (%)	45.86%	47.06%	44.07%	45.20%	(1.20)		0.66		1.79	
NPA coverage ratio with debt forgiveness (%)	48.55%	49.39%	46.41%	47.12%	(0.84)		1.43		2.14	

Non-performing assets (NPAs), made up of non-performing loans (NPLs) and net foreclosed assets, continue to decrease, reaching a total of 4,599 million euros, down -9.5% in the quarter and -22.3% in the last 12 months, with the result that the NPA ratio has fallen to 13.7% (15.2% the previous quarter and 17.6% in June 2017). Similarly, the Texas ratio has improved to 103% (107% the previous quarter and 117% in June 2017). The NPA coverage ratio at the end of the first half of the year is 46% (49% if debt forgiveness is taken into account). As a result of the application of IFRS 9, the NPA coverage ratio went from 44.1% at year-end 2017 to 47.1% in March 2018. GCC's objective is to end the year 2020 with an NPA ratio below 10%, compared to the current 14%.

Asset quality continues to improve, with a decrease of 429 million euros in NPLs in the second quarter (-13.5% compared to the previous quarter), bringing the cumulative decrease in the last 12 months to 1,150 million (down 29.5%). At the end of the quarter, NPLs stand at 2,744 million. Of the non-performing loan

portfolio, 86% is collateralised, with the collateral valued at 3,001 million. The NPL ratio has fallen to 8.5% (-135 bp compared to the previous quarter and -359 bp year-on-year) and the NPL coverage ratio stands at 44.3%, down from 46.6% in March, mainly due to the sale of the Galeón portfolio, made up of NPAs (SMEs and developers) and with higher coverage ratios than other types of assets. The Galeón portfolio included 279 million euros of NPLs, 11 million euros of defaulted loans and 10 million euros of foreclosed assets (all figures gross). This follows the sale of the Escullos portfolio of non-performing assets, which included 117 million euros of NPLs, in the fourth quarter of 2017. With the sale of the Galeón portfolio GCC has already met the initial target for the NPL ratio for 2018 (8.5%) and expects to exceed it by a large margin, bringing the ratio down below 8% by the end of the year. GCC also expects continuing to converge with the industry average, having

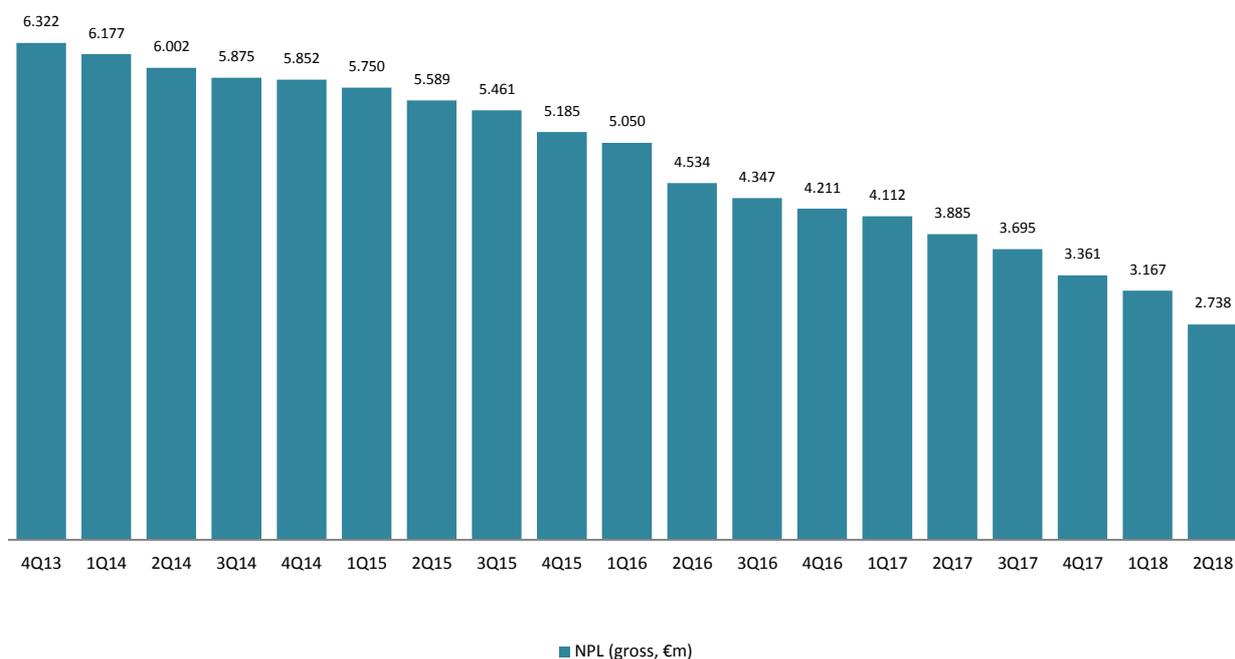
reduced the gap to less than 2 percentage points, down from more than 5 points in December 2015².

The stock of real estate developer loans continues to decrease, having fallen 31.4% year-on-year (-16.4% in the second quarter of 2018).

NPLs	3Q17	4Q17	1Q18	2Q18	Last 4 quarters
NPL inflow	159	120	104	98	480
NPL outflow	-350	-454	-297	-527	-1,628
Change in NPLs	-191	-334	-193	-430	-1,148

Write offs are up 95 million euros in the first half of the year, compared to an increase of 47 million euros during the first half of 2017.

NPL (gross)



² Source: Banco de España, industry data at May 2018

Foreclosed assets

(EUR Thousands)

	30/06/2018	31/03/2018	31/12/2017	30/06/2017	Quarter-on-quarter		Year-on-year		YTD	
					Abs.	%	Abs.	%	Abs.	%
Foreclosed assets (gross)	3,517,231	3,644,654	3,677,937	3,775,534	(127,422)	(3.5%)	(258,303)	(6.8%)	(160,705)	(4.4%)
Coverage	(1,655,392)	(1,729,801)	(1,748,250)	(1,738,236)	74,409	(4.3%)	82,844	(4.8%)	92,859	(5.3%)
Foreclosed assets (net)	1,861,840	1,914,853	1,929,686	2,037,298	(53,013)	(2.8%)	(175,458)	(8.6%)	(67,846)	(3.5%)
Foreclosed assets coverage ratio (%)	47.07%	47.46%	47.53%	46.04%	(0.40)		1.03		(0.47)	
Foreclosed assets coverage ratio with debt forgiveness (%)	51.57%	51.63%	51.57%	49.74%	(0.06)		1.83		-	

Breakdown of foreclosed assets by origin of the debt

Foreclosed assets (gross)	3,517,231	3,644,654	3,677,937	3,775,534	(127,422)	(3.5%)	(258,303)	(6.8%)	(160,705)	(4.4%)
Real estate developments	2,177,112	2,265,693	2,321,201	2,408,759	(88,581)	(3.9%)	(231,647)	(9.6%)	(144,089)	(6.2%)
Land	1,069,375	1,103,868	1,103,685	1,100,450	(34,493)	(3.1%)	(31,075)	(2.8%)	(34,309)	(3.1%)
Completed buildings	930,505	968,953	1,021,140	1,095,570	(38,448)	(4.0%)	(165,065)	(15.1%)	(90,636)	(8.9%)
Buildings under construction	177,232	192,872	196,376	212,739	(15,640)	(8.1%)	(35,507)	(16.7%)	(19,144)	(9.7%)
Households	718,934	728,683	704,224	648,163	(9,748)	(1.3%)	70,771	10.9%	14,710	2.1%
Other	621,185	650,278	652,512	718,612	(29,093)	(4.5%)	(97,427)	(13.6%)	(31,327)	(4.8%)
Coverage	(1,655,392)	(1,729,801)	(1,748,250)	(1,738,236)	74,409	(4.3%)	82,844	(4.8%)	92,859	(5.3%)
Real estate developments	(1,112,972)	(1,162,112)	(1,179,468)	(1,193,863)	49,139	(4.2%)	80,891	(6.8%)	66,496	(5.6%)
Land	(652,534)	(673,115)	(666,465)	(647,526)	20,581	(3.1%)	(5,008)	0.8%	13,932	(2.1%)
Completed buildings	(362,371)	(382,121)	(405,643)	(431,159)	19,750	(5.2%)	68,788	(16.0%)	43,272	(10.7%)
Buildings under construction	(98,067)	(106,876)	(107,360)	(115,178)	8,809	(8.2%)	17,111	(14.9%)	9,292	(8.7%)
Households	(284,811)	(300,106)	(297,760)	(266,974)	15,295	(5.1%)	(17,837)	6.7%	12,950	(4.3%)
Other	(257,609)	(267,583)	(271,022)	(277,399)	9,974	(3.7%)	19,790	(7.1%)	13,413	(4.9%)
Foreclosed assets (net)	1,861,840	1,914,853	1,929,686	2,037,298	(53,013)	(2.8%)	(175,458)	(8.6%)	(67,846)	(3.5%)
Real estate developments	1,064,140	1,103,582	1,141,733	1,214,896	(39,442)	(3.6%)	(150,756)	(12.4%)	(77,593)	(6.8%)
Land	416,842	430,754	437,219	452,924	(13,912)	(3.2%)	(36,082)	(8.0%)	(20,378)	(4.7%)
Completed buildings	568,134	586,832	615,497	664,411	(18,698)	(3.2%)	(96,277)	(14.5%)	(47,363)	(7.7%)
Buildings under construction	79,165	85,996	89,016	97,561	(6,832)	(7.9%)	(18,396)	(18.9%)	(9,851)	(11.1%)
Households	434,124	428,576	406,464	381,189	5,547	1.3%	52,934	13.9%	27,660	6.8%
Other	363,576	382,695	381,490	441,213	(19,119)	(5.0%)	(77,637)	(17.6%)	(17,914)	(4.7%)
Coverage (%)	47.07%	47.46%	47.53%	46.04%	(0.40)		1.03		(0.47)	
Real estate developments	51.12%	51.29%	50.81%	49.56%	(0.17)		1.56		0.31	
Land	61.02%	60.98%	60.39%	58.84%	0.04		2.18		0.63	
Completed buildings	38.94%	39.44%	39.72%	39.35%	(0.49)		(0.41)		(0.78)	
Buildings under construction	55.33%	55.41%	54.67%	54.14%	(0.08)		1.19		0.66	
Households	39.62%	41.18%	42.28%	41.19%	(1.57)		(1.57)		(2.67)	
Other	41.47%	41.15%	41.54%	38.60%	0.32		2.87		(0.06)	
Coverage with debt forgiveness (%)	51.57%	51.63%	51.57%	49.74%	(0.05)		1.83		-	
Real estate developments	55.68%	55.53%	55.00%	53.42%	0.15		2.26		0.69	
Land	64.23%	64.17%	63.51%	61.53%	0.07		2.70		0.73	
Completed buildings	45.94%	45.69%	45.84%	45.18%	0.25		0.76		0.10	
Buildings under construction	57.16%	56.79%	56.00%	55.44%	0.36		1.72		1.16	
Households	43.94%	45.08%	45.82%	44.44%	(1.15)		(0.50)		(1.88)	
Other	45.65%	45.03%	45.31%	41.90%	0.62		3.75		0.34	

Real Estate Owned (REOs) continued on a positive trend, with the exposure down 127 million euros (-3.5%) in terms of gross book value, equivalent to 53 million (-2.8%) in net value. Cumulative sales of REOs in the first six months are up 25% compared to the same period of the previous year on a gross basis, which is sufficient to absorb the inflows from surrenders and foreclosures of problem loans, which are down 6% compared to the first half of the previous year. The stock

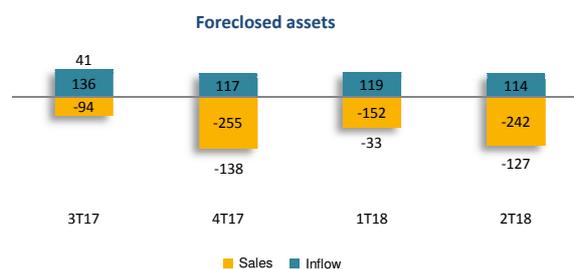
of REOs is 3,517 million euros on a gross basis (1,862 million euros on a net basis), with a coverage ratio of 47.1%, which would rise to 51.6% if the amount of the original debt (including debt forgiveness) was used in the calculation.

The cumulative decrease in the last 12 months is 258 million euros on a gross basis (-6.8%). Sales of two portfolios of surrendered and foreclosed properties (the

Tango I and Tango II portfolios), with a gross value of 47 and 23 million respectively, in the last quarter of 2017 and the first quarter of 2018 have contributed to this decrease. This favourable trend in foreclosed assets is expected to continue for the rest of 2018. Regarding the foreclosed properties portfolio composition, 22% on a net basis (30% on a gross basis) is originated from the financing of land for development, with a coverage ratio of 61%. The rest of the portfolio is originated mainly to from the financing of developers' completed buildings (31% of the net amount), financing to households (23% of the net amount) and other financing (20% of the net amount, including industrial buildings and retail units). Approximately 12% of the total portfolio of foreclosed assets is rented. The value and provision coverage of assets with a fair value of more than 300 thousand euros is determined by independent valuers. The reported amount of the great majority of the assets below that threshold that have been on the balance sheet for less

than three years is determined by statistical valuations, all of them in compliance with applicable laws and regulations.

Gross foreclosed assets	3Q17	4Q17	1Q18	2Q18	Last 4 quarters
NPL inflow	136	117	119	114	486
NPL outflow	-94	-255	-152	-242	-743
Change in NPLs	41	-138	-33	-127	-257



Results

Consolidated P&L at quarter end

Consolidated results and profitability (EUR Thousands)	30/06/2018	%ATA	30/06/2017	%ATA	Year-on-year	
					Abs.	%
Interest income	357,638	1.73%	347,582	1.77%	10,056	2.9%
Interest expense	(63,464)	(0.31%)	(54,791)	(0.28%)	(8,672)	15.8%
NET INTEREST INCOME	294,175	1.42%	292,791	1.49%	1,384	0.5%
Dividend income	2,654	0.01%	2,344	0.01%	311	13.3%
Income from equity-accounted entities	13,595	0.07%	10,423	0.05%	3,172	30.4%
Net fee and commission income	132,532	0.64%	130,592	0.67%	1,940	1.5%
Gains or (-) losses on financial assets and liabilities	86,028	0.42%	66,194	0.34%	19,834	30.0%
Exchange differences	768	-	1,009	0.01%	(241)	(23.9%)
Other operating income or (-) expenses	(18,828)	(0.09%)	(10,326)	(0.05%)	(8,502)	82.3%
Of which: Transfer to the Education and Development Fund	(2,490)	(0.01%)	(2,296)	(0.01%)	(194)	8.5%
GROSS INCOME	510,924	2.47%	493,027	2.51%	17,897	3.6%
Administrative expenses	(262,471)	(1.27%)	(259,876)	(1.32%)	(2,595)	1.0%
Staff expenses	(169,655)	(0.82%)	(169,050)	(0.86%)	(605)	0.4%
Other general administrative expenses	(92,816)	(0.45%)	(90,826)	(0.46%)	(1,990)	2.2%
Depreciation and amortisation	(31,729)	(0.15%)	(37,816)	(0.19%)	6,087	(16.1%)
NET INCOME BEFORE PROVISIONS	216,724	1.05%	195,335	1.00%	21,389	10.9%
Provisions or (-) reversals of provisions	(19,731)	(0.10%)	62,498	0.32%	(82,229)	(131.6%)
Impairment losses on financial assets	(32,611)	(0.16%)	(146,946)	(0.75%)	114,335	(77.8%)
OPERATING INCOME	164,382	0.79%	110,888	0.57%	53,494	48.2%
Impairment losses on investments in joint ventures and associates	(22)	-	(2)	-	(20)	883.3%
Impairment losses on other assets	(22,270)	(0.11%)	(51,644)	(0.26%)	29,374	(56.9%)
Gains or (-) losses on derecognition of non-financial assets and equity investments, net	(81,236)	(0.39%)	(4,345)	(0.02%)	(76,891)	1769.6%
Gains or (-) losses on non-current assets	(6,737)	(0.03%)	(4,127)	(0.02%)	(2,611)	63.3%
PROFIT BEFORE TAX	54,117	0.26%	50,770	0.26%	3,347	6.6%
Tax	(8,938)	(0.04%)	(6,473)	(0.03%)	(2,465)	38.1%
CONSOLIDATED NET PROFIT FOR THE PERIOD	45,178	0.22%	44,296	0.23%	882	2.0%

Quarterly results

(EUR Thousands)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	q-o-q	
							Abs.	%
Interest income	176,763	170,819	161,625	161,657	181,150	176,489	(4,661)	(2.6%)
Interest expense	(27,383)	(27,408)	(32,610)	(35,322)	(30,890)	(32,573)	(1,683)	5.4%
NET INTEREST INCOME	149,380	143,411	129,016	126,335	150,259	143,915	(6,344)	(4.2%)
Dividend income	361	1,982	3,376	2,200	243	2,411	2,169	893.3%
Income from equity-accounted entities	4,416	6,007	6,102	6,576	6,959	6,636	(323)	(4.6%)
Net fee and commission income	61,566	69,026	64,634	71,867	66,679	65,853	(826)	(1.2%)
Gains or (-) losses on financial assets and liabilities	22,127	44,067	34,794	52,780	38,352	47,675	9,323	24.3%
Exchange differences	849	161	742	372	492	276	(215)	(43.8%)
Other operating income or (-) expenses	(2,858)	(7,468)	(4,275)	(9,989)	(10,428)	(8,400)	2,028	(19.4%)
Of which: Transfer to the Education and Development Fund	(1,062)	(1,234)	(282)	205	(1,687)	(803)	885	(52.4%)
GROSS INCOME	235,841	257,186	234,390	250,141	252,557	258,367	5,810	2.3%
Administrative expenses	(129,621)	(130,255)	(135,741)	(142,800)	(130,725)	(131,746)	(1,020)	0.8%
Staff expenses	(85,013)	(84,037)	(83,890)	(88,040)	(84,771)	(84,884)	(114)	0.1%
Other general administrative expenses	(44,608)	(46,218)	(51,851)	(54,760)	(45,955)	(46,861)	(906)	2.0%
Depreciation and amortisation	(18,891)	(18,925)	(19,282)	(18,904)	(20,563)	(11,166)	9,397	(45.7%)
NET INCOME BEFORE PROVISIONS	87,329	108,007	79,367	88,436	101,269	115,455	14,187	14.0%
Provisions or (-) reversals of provisions	2,316	60,183	20,152	(40,662)	(1,621)	(18,110)	(16,489)	1,017.5%
Impairment losses on financial assets	(38,635)	(108,310)	(28,814)	8,923	(33,125)	514	33,639	(101.6%)
OPERATING INCOME	51,009	59,879	70,706	56,697	66,523	97,859	31,336	47.1%
Impairment losses on investments in joint ventures and associates	-	(2)	-	-	-	(22)	(22)	-
Impairment losses on other assets	(14,049)	(37,595)	(19,702)	(21,561)	(21,662)	(608)	21,054	(97.2%)
Gains or (-) losses on derecognition of non-financial assets and equity investments, net	(1,090)	(3,255)	(10,227)	(8,947)	(7,842)	(73,394)	(65,552)	835.9%
Gains or (-) losses on non-current assets	(920)	(3,207)	(8,370)	(11,558)	(5,488)	(1,250)	4,238	(77.2%)
PROFIT BEFORE TAX	34,950	15,820	32,407	14,631	31,531	22,586	(8,946)	(28.4%)
Tax	(10,283)	3,810	(9,314)	(1,962)	(55)	(8,883)	(8,828)	-
CONSOLIDATED NET PROFIT FOR THE PERIOD	24,666	19,630	23,093	12,668	31,476	13,702	(17,774)	(56.5%)

Cumulative net interest income for the first half amounts to 294 million euros, 0.5% more than in the same period of the previous year. Net interest income for the second quarter is 144 million euros, down 4.2% compared to the first quarter, mainly due to the repricing of the loan portfolio.

Net fee and commission income for the first half is 133 million euros, 1.5% more than in the first half of 2017, thanks mainly to the increase in fee income from the marketing of non-banking products, which offsets the reduction in management and service fees that has benefited many cooperative members.

Customer funds managed through mutual funds stand at 2,504 million euros at the end of the quarter (+4.3%

q-o-q, +36.6% y-o-y). Strategic alliances in the insurance business with Generali continue to bear fruit, with year-on-year growth of 11.4% in life insurance premiums and 17.2 % in non-life insurance premiums, and 3.3% year-on-year growth in the volume of pension funds. The cost of risk (total annualised provisions and write-downs/ average gross loans and receivables + gross foreclosed assets) is 0.65% (1.07% in the first half of 2017), tending to normalise below 0.50% in the future as a result of the decrease in non-performing assets.

Lastly, profit before taxes for the first half of 2018 is 54m (+6.6 y-o-y) and net profit is 45 million euros (+2% y-o-y).

Solvency

(EUR Thousands)

Phased in	30/06/2018	31/03/2018	01/01/2018	31/12/2017	30/06/2017	Quarter-on-quarter		Year-on-year		YTD (from 1 January 2018)	
						Abs.	%	Abs.	%	Abs.	%
Capital	2,694,484	2,659,605	2,602,380	2,602,380	2,598,965	34,879	1.3%	95,519	3.7%	92,104	3.5%
Reserves	448,664	448,631	419,113	430,361	423,218	33	0.0%	25,446	6.0%	29,551	7.1%
AFS surplus	476	5,032	20,215	1,252	35,774	(4,556)	(90.5%)	(35,298)	(98.7%)	(19,739)	(97.6%)
Capital deductions	(330,527)	(390,526)	(395,753)	(356,284)	(329,790)	59,999	(15.4%)	(737)	0.2%	65,226	(16.5%)
Common Equity Tier 1 (CET1)	2,813,097	2,722,742	2,645,956	2,677,709	2,728,167	90,355	3.3%	84,930	3.1%	167,141	6.3%
CET1 ratio (%)	12.01%	11.32%	11.06%	11.19%	11.59%	0.69		0.42		0.95	
Tier 2 capital	400,000	400,000	400,000	522,396	675,637	-	-	(275,637)	(40.8%)	-	-
Tier 2 ratio (%)	1.71%	1.66%	1.67%	2.18%	2.87%	0.05		(1.16)		0.04	
Eligible capital	3,213,097	3,122,742	3,045,956	3,200,106	3,403,803	90,355	2.9%	(190,706)	(5.6%)	167,141	5.5%
Total capital ratio (%)	13.72%	12.99%	12.74%	13.37%	14.46%	0.73		(0.74)		0.98	
Risk-weighted assets	23,424,252	24,048,425	23,915,106	23,935,148	23,540,165	(624,173)	(2.6%)	(115,913)	(0.5%)	(490,854)	(2.1%)
Fully loaded											
Capital	2,694,484	2,659,605	2,602,380	2,602,380	2,598,965	34,879	1.3%	95,519	3.7%	92,104	3.5%
Reserves	252,943	243,210	223,392	430,361	423,218	9,733	4.0%	(170,275)	(40.2%)	29,551	13.2%
AFS surplus	476	5,032	20,215	1,565	44,718	(4,556)	(90.5%)	(44,242)	(98.9%)	(19,739)	(97.6%)
Capital deductions	(360,529)	(420,027)	(427,796)	(425,057)	(388,681)	59,498	(14.2%)	28,152	(7.2%)	67,267	(15.7%)
Common Equity Tier 1 (CET1)	2,587,374	2,487,819	2,418,192	2,609,250	2,678,220	99,555	4.0%	(90,846)	(3.4%)	169,182	7.0%
CET1 ratio (%)	11.07%	10.38%	10.15%	10.90%	11.38%	0.69		(0.31)		0.92	
Tier 2 capital	400,000	400,000	400,000	522,396	675,637	-	-	(275,637)	(40.8%)	-	-
Tier 2 ratio (%)	1.71%	1.67%	1.68%	2.18%	2.87%	0.04		(1.16)		0.03	
Eligible capital	2,987,374	2,887,819	2,818,192	3,131,646	3,353,856	99,555	3.4%	(366,482)	(10.9%)	169,182	6.0%
Total capital ratio (%)	12.78%	12.05%	11.83%	13.08%	14.25%	0.73		(1.47)		0.95	
Risk-weighted assets	23,368,202	23,967,759	23,825,239	23,935,148	23,540,165	(599,557)	(2.5%)	(171,963)	(0.7%)	(457,037)	(1.9%)

The capital requirements applicable to GCC from January 1st 2018, as notified by the ECB, are a CET1 ratio of 8.875% and a total capital ratio of 12.375%. The Pillar 2 requirements (2.50%) remain unchanged from 2017.

At the end of June 2018, GCC has a phased in CET1 ratio of 12.01% (+69 bp in the quarter, +95 bp since January 1st 2018), having absorbed in the first half the total 75 bp impact on CET1 arising from application of IFRS 9. The total capital ratio, phased in, stands at 13.72% (+73 bp in the quarter, +98 bp since January 1st 2018), down -74 bp year-on-year, mainly because from January 1st 2018 the generic provision ceased to be eligible as Tier 2 capital, which had an initial impact of 51 bp. Both the CET1 ratio and the total capital ratio are above the regulatory requirements.

The improvement in the capital ratios during the second quarter is attributable to the capital increase (35 million euros or 15 bp of CET1), the decrease in capital deductions (60 million euros or 25 bp of CET1) and the decrease in RWAs (624 million euros or 31 bp of CET1). The decrease in deductions is due to the write-down of the intangible assets recognised by Cajamar as a result of the merger with Ruralcaja, which was one of the measures. Grupo Cooperativo Cajamar Management envisaged as a way of improving the Group's capital ratios. The write-down totalled 63 million euros and was carried out thanks to the extraordinary income generated from the fixed income assets sale. At the same time, the decrease in RWAs was supported, among other things, by the sale of the Galeón portfolio.

If the full impact of IFRS 9 is taken into account, the CET1 ratio, fully loaded, is 11.07% and the total capital

ratio, fully loaded, is 12.78%. GCC has decided to apply the five-year transition period, to 2023, for phasing in this impact.

Among other levers that can be used to improve capital levels are the issuance of Tier 2 subordinated debt (400 million euros currently issued, which represents 1.71% of the available bucket of 2%) or hybrid Additional Tier 1 capital (none issued to date), provided market conditions allow such issuances on acceptable terms, as well as asset securitisations aimed at reducing risk-weighted assets.

The cooperative capital of the rural saving banks that are part GCC is subscribed by 1.4 million cooperative members and amounts to 2,613 million euros (+88 million in the first half of 2018). During the first half of 2018, new shareholders joined BCC's shareholder base, with cash contributions of 5 million euros.

RWA density (measured as RWAs/ Total assets) is 55%, compared to 57% in March 2018. GCC uses the standardised approach for calculating RWAs in all its portfolios, although it has started preparing the migration to the IRB approach and is expecting to start the internal model validation phase in part of its portfolios (mortgage and SME portfolios) in the next few months. The completion date of this process is uncertain but is not expected to be before the last quarter of 2019.

The leverage ratio is 6.5%, 58 bp higher than the previous quarter and significantly above the regulatory minimum of 3%.

Due to the improvement in capital ratios, GCC has raised its capital targets for 2019 to 12.5% CET1 and 14.5% total capital (phased in).

Liquidity

Grupo Cooperativo Cajamar has sound liquidity ratios, with an LCR ratio of 198.6% and a NSFR of 116.5%, well above regulatory requirements. The Group has a limit of 7,515 million euros on the ECB facility, 5,087 million euros of which was used in a single borrowing in June 2016, maturing in June 2020 (TLTRO II).

In June 2018, Cajamar issued 500 million euros of five-year mortgage covered bonds at a rate of 0.88%, in advance of the upcoming maturity of a 750 million euro issue in November. With this latest issue, GCC's mortgage covered bond issuance capacity at the end of the second quarter of the year stands at 2,412 million euros.

Furthermore, last April Cajamar securitised 1,000 million euros of SME loans with a view to holding the securities for discounting at the ECB.

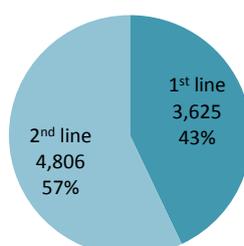
Thus, total liquidity amounts to 8,431 million euros, consisting of 3,625 million euros in the first liquidity line

(cash balance at central banks and assets discountable at central banks) and 4,806 million euros in the second liquidity line (discountable assets that have not been pledged and covered bond issuance capacity up to the limit of 80%).

GCC finances its principal activity through customer funds. The ratio of loans to on-balance sheet customer funds under management has been maintained without major changes (LTD ratio of 104.6 %). GCC has a comfortable liquidity position and matches the growth of its loan book to the growth of retail funding from its customer base. After its inaugural T2 issuance on 3 November 2016 and the subsequent T2 issuance on 7 June 2017 under its EMTN programme, BCC will continue to monitor its opportunities to access the debt capital markets in order to meet future regulatory requirements.

Liquidity (Thousands of euros)	30/06/2018	31/03/2018	31/12/2017	30/06/2017	q-o-q	y-o-y	YTD
LTD (%)	104.6%	109.0%	110.1%	107.8%	(4.36)	(3.12)	(5.45)
LCR(%)	198.6%	192.0%	214.6%	248.9%	6.60	(50.26)	(15.98)
NSFR(%)	116.5%	112.1%	112.3%	116.5%	4.36	0.03	4.20

Total liquidity
8,431 thousand euros



Alternative performance measures glossary

In the quarterly results presentations it publishes on its website, in issue prospectuses and presentations to investors and internally in its performance monitoring reports, Grupo Cooperativo Cajamar (GCC) uses measures based on International Financial Reporting Standards (IFRS), together with other, unaudited measures commonly used in the banking industry (Alternative Performance Measures or APMs), as indicators of the Group's business, economic and financial performance, for comparison with other entities.

These APMs are calculated in accordance with the European Securities and Markets Authority Guidelines (ESMA/2015/1415es 5 October 2015), aimed at promoting information transparency and investor protection in the European Union. Definitions of the APMs used by GCC are given below:

(IN ALPHABETICAL ORDER)

Measure	Definition and calculation
1 Average Total Assets (ATA)	Average of the end-of-quarter figures since the previous December, inclusive
2 Branches	Total branches reported to Bank of Spain (includes part-time branches, or "ventanillas", and excludes financial agencies)
3 Cooperative members	Owners of at least one contribution to the equity capital of the credit cooperatives (both companies and individuals)
4 Cost of Risk (%)	Annualised total impairment losses/ Average Gross Loans and Gross foreclosure assets.
5 Cost-income ratio (%)	(Administrative expenses + Depreciation and amortisation) / Gross income
6 Customer funds under management	Customers' retail funds + Off-balance sheet funds
7 Customers' deposits	Sight deposits + Term deposits
8 Customers' retail funds	Sight deposits + Term deposits + Other funds (repurchase agreements)
9 Customers' spread (%)	Calculated as the difference between the Average revenue of loans to customers gross and the Average cost of customer deposits (sight deposits and term deposits)
10 Debt securities from customers	Portfolio of Senior debt securities of big enterprises.
11 Employees	SIP's total employees, excluding temporary and pre-retired employees
12 Foreclosed assets (gross)	Amount of the loans that gave rise to the foreclosed asset.
13 Foreclosed assets (net)	Foreclosed assets (gross) – Total foreclosed assets coverage
14 Foreclosed assets coverage ratio (%)	Total foreclosed assets coverage / Foreclosed assets (gross)
15 Foreclosed assets coverage ratio with debt forgiveness (%)	Total foreclosed assets coverage (including debt forgiveness in the foreclosure procedure)/ Foreclosed assets (gross) (including debt forgiveness in the foreclosure procedure)
16 Funds under management	Total on-balance-sheet funds + Off-balance-sheet funds
17 Gross Loans	Loans to customers (gross) + Other loans (reverse repurchase agreements) + Debt securities from customers
18 Impairment losses	Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss + Impairment or (-) reversal of impairment on non-financial assets + Impairment or reversal of impairment of investments in joint ventures or associates (net)
19 Loan to deposits ratio (%)	Net loans to customers / (Customer's deposits + Net issued securitisations + Brokered loans)
20 Net Interest Income o/ATA (%)	Net interest income / Average total assets
21 Non-performing assets (NPA)	Non-performing loans + Foreclosed assets (net)
22 Non-performing Total risks	Non-performing loans + non-performing contingent risks

(IN ALPHABETICAL ORDER)

Measure	Definition and calculation
23 NPA coverage ratio (%)	$(\text{Gross loans coverage} + \text{Foreclosed assets coverage}) / (\text{Non-performing loans} + \text{Foreclosed assets (gross)})$
24 NPA coverage with debt forgiveness (%)	$(\text{Gross loans coverage} + \text{Foreclosed assets coverage} + \text{debt forgiveness}) / (\text{Non-performing loans} + \text{Foreclosed assets (gross)} + \text{debt forgiveness})$
25 NPA ratio (%)	$(\text{Non-performing loans} + \text{Foreclosed assets (net)}) / (\text{Gross loans} + \text{Foreclosed assets (net)})$
26 NPL coverage ratio (%)	Gross loans coverage / Non-performing loans
27 NPL ratio (%)	$(\text{Non-performing loans} + \text{non-performing contingent risks}) / (\text{Gross loans} + \text{contingent risks})$
28 Off-balance sheet funds	Mutual funds + Pension plans + Saving insurance + Fixed-income and equity
29 Performing Loans	Gross loans – Non-performing loans
30 Performing Loans to customers	Loans to customers (gross) – Non-performing loans
31 Recurring cost-income ratio (%)	$(\text{Administrative expenses} + \text{Depreciation and amortisation}) / \text{Recurring gross income}$
32 Recurring Gross Income	Gross income without extraordinary results included in Gains (losses) on financial transactions and without mandatory transfers to the Education and Development Fund included in Other operating income/expenses
33 Recurring Net Income before provisions	Recurring gross income – Total expenses
34 RED Loans	Real estate development loans
35 ROA (%)	Annualisation of the following quotient: Consolidated net profit / Average total assets (average of the end-of-quarter figures since the previous December, inclusive)
36 ROE (%)	Annualisation of the following quotient: Consolidated net profit / Average total equity (average of the end-of-quarter figures since the previous December, inclusive)
37 RORWA (%)	Annualisation of the following quotient: Consolidated net profit / Average risk-weighted assets (average of the end-of-quarter figures since the previous December, inclusive)
38 Texas ratio (%)	$(\text{Gross non-performing assets} + \text{Doubtful contingent liabilities}) / (\text{NPA coverage} + \text{Total capital})$
39 Total balance sheet funds	Customers' retail funds + Wholesale funding
40 Total expenses	Personnel expenses + Other administrative expenses + Depreciation and amortisation
41 Total lending	Loans to customers (gross) - gross loans coverage
42 Total risks	Gross loans + Contingent risks
43 Wholesale funds	Bonds and other securities + Subordinated liabilities + Central counterparty deposits + ECB

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