



# FINANCIAL REPORT

## 2017 Fourth Quarter

February 15th, 2018

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## Most significant figures

Most significant figures (EUR Thousands)	31/12/2017	31/12/2016	31/12/2015	year-on-year	
				Abs.	%
<b>Profit and Loss Account</b>					
Net Interest Income	548,142	557,698	564,713	-9,555	-1.7%
Gross Income	977,557	1,013,367	950,235	-35,810	-3.5%
Net Income before provisions	363,139	383,371	326,351	-20,232	-5.3%
Recurring Net Income before provisions (PPI)	245,238	220,026	265,552	25,212	11.5%
Profit before tax	97,807	62,008	57,425	35,799	57.7%
Consolidated Net Profit	80,058	76,141	70,218	3,917	5.1%
<b>Business</b>					
Total Assets	40,507,329	39,166,082	40,461,437	1,341,247	3.4%
Equity	3,052,262	2,932,913	2,793,036	119,349	4.1%
On-balance sheet retail funds	25,940,869	25,353,410	25,338,671	587,459	2.3%
Off-balance sheet funds	4,126,567	3,241,508	2,607,367	885,059	27.3%
Loans to customers (gross)	31,054,234	31,000,143	32,211,631	54,091	0.2%
Performing loans to customers	27,693,644	26,788,929	27,406,929	904,715	3.4%
<b>Risk management</b>					
Gross non-performing assets	7,038,527	8,053,393	8,781,317	-1,014,866	-12.6%
Net non-performing assets	3,938,827	4,488,964	4,701,349	-550,137	-12.3%
NPA coverage (%)	44.07%	44.29%	46.46%	-0.22	
Non-performing loans	3,360,590	4,211,214	5,184,775	-850,624	-20.2%
NPL ratio (%)	10.82%	13.44%	15.91%	-2.62	
NPL coverage ratio (%)	40.28%	42.12%	46.72%	-1.84	
Foreclosed assets (gross)	3,677,937	3,842,179	3,596,542	-164,242	-4.3%
Foreclosed assets (net)	1,929,686	2,049,207	1,938,764	-119,521	-5.8%
Foreclosed assets coverage ratio (%)	47.53%	46.67%	46.09%	0.87	
Texas ratio	113.18%	127.39%	133.48%	-14.21	
Cost of risk	0.76%	0.17%			
<b>Liquidity</b>					
LTD (%)	110.08%	109.64%	110.87%	0.44	
LCR (%)	214.62%	283.00%	324.67%	-68.38	
NSFR (%)	112.30%	115.54%	112.24%	-3.24	
<b>Capital, phased-in</b>					
CET1 ratio (%)	11.19%	11.36%	11.33%	-0.17	
Tier 2 ratio (%)	2.18%	1.60%	0.23%	0.58	
Total Capital ratio (%)	13.37%	12.96%	11.55%	0.41	
Leverage ratio (%)	6.44%	6.52%	5.99%	-0.08	
<b>Profitability and efficiency</b>					
ROA (%)	0.20%	0.19%	0.18%	0.01	
RORWA (%)	0.34%	0.34%	0.32%	-	
ROE (%)	2.64%	2.65%	2.54%	-0.01	
Cost-income ratio (%)	62.85%	62.17%	65.66%	0.68	
Recurring cost-income ratio (%)	71.47%	74.12%	70.14%	-2.65	
<b>Other data</b>					
Cooperative members	1,433,980	1,428,900	1,417,051	5,080	0.4%
Employees	5,586	6,036	6,267	-450	-7.5%
Branches	1,057	1,191	1,257	-134	-11.3%

\* If the impact of IFRS 9 is included, the NPL coverage ratio would be 46.24% and NPA coverage would be 46.91%

## Key financials

Profit before tax for the year is €97.8 million (+57.7% year-on-year) and net profit, €80.1 million (+5.1%).

Non-performing loans (NPLs) are down 20.2% (€851 million) year-on-year, falling to €3,361 million at the end of 2017. The NPL ratio is 10.8% (13.4% in 2016). Surrendered and foreclosed real estate assets carried on the balance sheet are down 5.8% at €1,930 million on a net basis. NPA coverage stands at 44.1% (44.3% in 2016), which breaks down as 40.3% coverage of NPLs (42.1% in 2016) and 47.5% coverage of foreclosed assets (46.7% in 2016). GCC estimates that if the new IFRS 9 accounting standard were applied at 31 December, the NPL coverage ratio would rise to 46.24% and the NPA coverage ratio to 46.91%, with an estimated impact on CET1 of 11 bp on a phased-in basis (75 bp on a fully loaded basis). 89% of the NPLs are secured by mortgages. In the last quarter of the year, two portfolios were sold in the market, one of NPLs (“Escullos”) and one of foreclosed assets (“Tango”).

The capital ratios at year-end are CET1 11.19% and total capital 13.37% on a phased-in basis and CET1 10.90% and total capital 13.08% on a fully loaded basis. The Pillar 2 requirements for 2018 remain unchanged at 2.50%, which means a minimum required CET1 ratio of 8.875% and a minimum required total capital ratio of 12.375%.

The liquidity coverage ratio (LCR), net stable funding ratio (NSFR) and leverage ratio remain above the regulatory minimum levels, ending the year at 214.6%, 112.3% and 6.4%, respectively (218.6%, 114.9% and 6.6% at the close of the previous quarter).

GCC ends the year with a network of 1,057 branches, 134 fewer than in 2016, as a result of nine branch openings and 143 branch mergers. The workforce stands at 5,586 employees, a year-on-year decrease of 450.

## Financial performance

### Balance sheet

Total assets are up 3.4% year-on-year, at 40,507 million euros.

Gross loans to customers are up 0.2% year-on-year, reflecting a 3.4% increase in performing loans (905 million euros) and a 20.2% decrease in non-performing loans (-851 million euros). Compared to the previous quarter, performing loans to customers are up 1.5% (403 million euros), while non-performing loans are down 9% (-334 million euros).

Available-for-sale financial assets amount to 4,895 million euros, including 4,620 million of debt securities, mainly government debt, most of which consists of Spanish and, to a lesser extent, Italian and Portuguese Treasury bonds. From 1 January 2018, when IFRS 9 comes into effect, GCC has decided, based on its business model, to classify most of the bonds in the ALCO portfolio as at amortised cost.

Real estate developer (RED) loans fell by 22.4% year-on-year, to 1,606 million euros (67% of which are classified as non-performing) and account for a steadily diminishing proportion of gross loans and receivables (5.2% at year-end).

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

New lending (new loans and renewals, etc.) during the year reached a total of 7,206 million, shared between the agri-food and SME sectors (71.6%) and the retail sector (12.7%, made up of 8.1% of home loans and 4.6% of consumer finance). The average interest rate on the loan portfolio is 2.09% (unchanged from the previous quarter). GCC holds a market share of 13% in lending to the Spanish agri-food sector.

Customer funds under management grew by 1,473 million in the year, an increase of 5.1%, which breaks down as follows: +587 million in on-balance-sheet funds and the rest (+885 million or + 27.3%) in off-balance-sheet instruments (mainly mutual funds and pension plans).

The transfer of funds out of term deposits into sight accounts continues, as does the growth in sales of off-balance-sheet savings products. The average rate of interest on existing term deposits is 0.13% (0.14% the previous quarter), while the average rate on new deposits is 0.09%, unchanged from the end of the third quarter.

Assets under management in mutual funds stand at 2,196 million, having grown + 63% over the year (+11% in the quarter), comparing favourably with the industry average (+11.6% year-on-year or +2.7% quarter-on-quarter<sup>1</sup>).

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

Funding through CCPs (repo) is up 62.7% compared to December 2016, at 998 million. Debt securities in issue have also increased as a result of the 300 million euros of subordinated debt securities issued by BCC on 7 June 2017. GCC issued no other debt securities in the markets during the year.

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<sup>1</sup> Data from Inverco:  
[http://www.inverco.es/documentos/estadisticas/fondos\\_inversio n/1712\\_Diciembre -2017/1712\\_13-RkGruposEuros.pdf](http://www.inverco.es/documentos/estadisticas/fondos_inversio n/1712_Diciembre -2017/1712_13-RkGruposEuros.pdf)

## Funds under management

Funds managed (EUR Thousands)	31/12/2017	30/09/2017	30/06/2017	31/03/2017	31/12/2016	Year-on-year		Quarter-on-quarter	
						Abs.	%	Abs.	%
Sight deposits	18,477,861	18,513,575	18,190,111	17,131,410	16,214,090	2,263,771	14.00%	-35,714	-0.0%
Term deposits	7,463,008	7,831,186	8,168,300	8,518,858	9,103,991	-1,640,983	-18.00%	-368,178	-4.0%
<b>Customer deposits</b>	<b>25,940,869</b>	<b>26,344,761</b>	<b>26,358,411</b>	<b>25,650,268</b>	<b>25,318,081</b>	<b>622,788</b>	<b>2.50%</b>	<b>-403,892</b>	<b>-1.0%</b>
Other funds	-	-	-	-	35,329	-35,329	-100.00%	-	-
<b>On-balance-sheet retail funds (a)</b>	<b>25,940,869</b>	<b>26,344,761</b>	<b>26,358,411</b>	<b>25,650,268</b>	<b>25,353,410</b>	<b>587,459</b>	<b>2.30%</b>	<b>-403,892</b>	<b>-1.0%</b>
Mutual funds	2,196,249	1,977,426	1,832,525	1,609,116	1,347,364	848,885	63.00%	218,823	11.1%
Pension plans	790,191	767,038	761,243	763,232	759,349	30,842	4.10%	23,153	3.0%
Savings insurance	637,625	629,492	622,359	621,707	606,841	30,784	5.10%	8,133	1.3%
Fixed-income and equity	502,502	507,578	519,946	564,052	527,955	-25,453	-4.80%	-5,076	-1.0%
<b>Off-balance-sheet funds (d)</b>	<b>4,126,567</b>	<b>3,881,534</b>	<b>3,736,073</b>	<b>3,558,107</b>	<b>3,241,508</b>	<b>885,059</b>	<b>27.30%</b>	<b>245,033</b>	<b>6.3%</b>
<b>Customer funds under management (a) + (d)</b>	<b>30,067,436</b>	<b>30,226,295</b>	<b>30,094,484</b>	<b>29,208,375</b>	<b>28,594,918</b>	<b>1,472,518</b>	<b>5.10%</b>	<b>-158,859</b>	<b>-0.5%</b>
<b>LTD ratio</b>	<b>110.08%</b>	<b>107.12%</b>	<b>107.75%</b>	<b>109.47%</b>	<b>109.64%</b>	<b>0.44</b>		<b>2.96</b>	

## Loans and advances to customers

Loans and advances to customers (EUR Thousands)	31/12/2017	30/09/2017	30/06/2017	31/03/2017	31/12/2016	Year-on-year		Quarter-on-quarter	
						Abs.	%	Abs.	%
General government	783,290	888,860	1,004,678	936,220	900,139	-116,849	-13.0%	-105,570	-11.9%
Other financial corporations	646,487	639,207	692,907	599,076	587,909	58,578	10.0%	7,280	1.1%
Non-financial corporations	10,954,820	10,679,232	10,640,966	10,535,407	10,161,276	793,544	7.8%	275,588	2.6%
Households	18,669,637	18,777,604	19,051,514	19,133,053	19,350,819	-681,182	-3.5%	-107,967	-0.6%
<b>Loans to customers (gross) (a)</b>	<b>31,054,234</b>	<b>30,984,903</b>	<b>31,390,065</b>	<b>31,203,756</b>	<b>31,000,143</b>	<b>54,091</b>	<b>0.2%</b>	<b>69,331</b>	<b>0.2%</b>
<i>Of which:</i>									
<i>Real estate developers</i>	1,605,970	1,747,540	1,850,870	1,986,712	2,070,040	-464,070	-22.4%	-141,570	-8.1%
<i>Performing loans to customers</i>	27,693,644	27,290,204	27,504,766	27,091,503	26,788,929	904,715	3.4%	403,440	1.5%
<i>Non-performing loans (b)</i>	3,360,590	3,694,699	3,885,299	4,112,253	4,211,214	-850,624	-20.2%	-334,109	-9.0%
<b>Other loans (c)</b>	<b>-</b>	<b>319,486</b>	<b>-</b>	<b>-</b>	<b>339,640</b>	<b>-339,640</b>	<b>-100.0%</b>	<b>-319,486</b>	<b>-100.0%</b>
<b>Gross loans (d) = (a) + (c)</b>	<b>31,054,234</b>	<b>31,304,389</b>	<b>31,390,065</b>	<b>31,203,756</b>	<b>31,339,783</b>	<b>-285,549</b>	<b>-0.9%</b>	<b>-250,155</b>	<b>-0.8%</b>
<b>Performing loans (d) - (b)</b>	<b>27,693,644</b>	<b>27,609,690</b>	<b>27,504,766</b>	<b>27,091,503</b>	<b>27,128,569</b>	<b>565,075</b>	<b>2.1%</b>	<b>83,954</b>	<b>0.3%</b>
<i>Credit losses and impairment</i>	-1,351,449	-1,576,466	-1,722,108	-1,764,247	-1,771,457	420,008	-23.7%	225,017	-14.3%
<b>Total loans and advances to customers</b>	<b>29,702,750</b>	<b>29,727,921</b>	<b>29,667,958</b>	<b>29,439,473</b>	<b>29,568,327</b>	<b>134,423</b>	<b>0.5%</b>	<b>-25,171</b>	<b>-0.1%</b>



## Asset quality

Non-performing assets (NPAs), comprising gross non-performing loans (NPLs) and net foreclosed assets, amount to 5,290 million, down 7.5% in the quarter and 15.5% year-on-year. As a result, the NPA ratio has improved to 16.0% (17.2% in September 2017 and 18.8% in December 2016). Similarly, the Texas ratio has improved to 113.2% (114.7% in September 2017 and

127.4% in December 2016). NPA coverage stands at 44.1% (44.9% at the end of September), little changed from its year-end 2016 level of 44.3%. NPA coverage estimated under IFRS9 is 46.9%. NPL coverage is 40.3%, (an estimated 46.2% under IFRS 9). Foreclosed asset coverage is 47.5%.

### Risk management

(EUR Thousands)

	31/12/2017	30/09/2017	31/12/2016	Year-on-year		Quarter-on-quarter	
				Abs.	%	Abs.	%
<b>Defaulting debtors</b>							
Non-performing loans (gross)	3,360,590	3,694,699	4,211,214	-850,624	-20.2%	-334,109	-9.0%
Gross loans	31,054,234	31,304,389	31,339,783	-285,549	-0.9%	-250,155	-0.8%
Gross loans coverage	-1,353,603	-1,576,466	-1,771,457	417,854	-23.6%	222,863	-14.1%
<b>NPL ratio (%)</b>	<b>10.82%</b>	<b>11.80%</b>	<b>13.44%</b>	<b>-2.62</b>		<b>-0.98</b>	
<b>NPL coverage ratio (%) (*)</b>	<b>40.28%</b>	<b>42.67%</b>	<b>42.12%</b>	<b>-1.84</b>		<b>-2.39</b>	
<b>Foreclosed assets</b>							
Foreclosed assets (gross) (**)	3,677,937	3,815,957	3,842,179	-164,242	-4.3%	-138,020	-3.6%
Foreclosed assets (net)	1,929,686	2,021,733	2,049,207	-119,521	-5.8%	-92,047	-4.6%
<b>Foreclosed assets coverage ratio (%)</b>	<b>47.53%</b>	<b>47.02%</b>	<b>46.67%</b>	<b>0.86</b>		<b>0.51</b>	
<b>NPA ratio (%)</b>	<b>16.04%</b>	<b>17.15%</b>	<b>18.75%</b>	<b>-2.71</b>		<b>-1.11</b>	
<b>NPA coverage (%)</b>	<b>44.07%</b>	<b>44.88%</b>	<b>44.29%</b>	<b>-0.22</b>		<b>-0.81</b>	
<b>NPL breakdown</b>							
Past due >90 days	3,023,404	3,325,915	3,750,646	-727,242	-19.4%	-302,511	-9.1%
Doubtful non-past due	337,186	368,784	460,568	-123,382	-26.8%	-31,598	-8.6%
<b>Total</b>	<b>3,360,590</b>	<b>3,694,699</b>	<b>4,211,214</b>	<b>-850,624</b>	<b>-20.2%</b>	<b>-334,109</b>	<b>-9.0%</b>
<i>Of which:</i>							
<i>Forborne loans</i>	2,302,142	2,602,041	3,064,309	-762,167	-24.9%	-299,899	-11.5%
<b>NPLs by segment</b>							
General government	2,105	2,632	3,041	-936	-30.8%	-527	-20.0%
Other financial corporations	694	601	8,999	-8,305	-92.3%	93	15.5%
Other corporations	1,927,318	2,177,003	2,545,771	-618,453	-24.3%	-249,685	-11.5%
Households	1,430,473	1,514,463	1,653,403	-222,930	-13.5%	-83,990	-5.5%
<b>Total</b>	<b>3,360,590</b>	<b>3,694,699</b>	<b>4,211,214</b>	<b>-850,624</b>	<b>-20.2%</b>	<b>-334,109</b>	<b>-9.0%</b>
<i>Of which:</i>							
<i>Real estate developers</i>	1,081,190	1,233,750	1,540,910	-459,720	-29.8%	-152,560	-12.4%
<b>Forborne loans</b>							
Non-performing	2,302,142	2,602,041	3,064,309	-762,167	-24.9%	-299,899	-11.5%
Performing	760,905	815,321	1,359,360	-598,455	-44.0%	-54,416	-6.7%
<b>Total forborne loans</b>	<b>3,063,047</b>	<b>3,417,362</b>	<b>4,423,669</b>	<b>-1,360,622</b>	<b>-30.8%</b>	<b>-354,315</b>	<b>-10.4%</b>

(\*) Does not include provisions recorded on the balance sheet for floor clauses. Taking the impact of IFRS 9 into account, the NPL coverage ratio rises to 46.24%.

(\*\*) Stated at the amount of the loans that gave rise to the foreclosed assets. Includes a gross amount of €120m of financing to non-consolidated entities holding real estate assets that have been foreclosed or received as payment in lieu of debts, or €45m on a net basis.

(\*\*\*) Taking the impact of IFRS 9 into account, the NPA coverage ratio would be 46.91%.

Asset quality continues to improve, with a decrease of 334 million in NPLs in the fourth quarter (-9% vs. the previous quarter), bringing the cumulative decline over the year to 851 million (a year-on-year decrease of 20.2%). At year-end, NPLs stand at 3,361 million, beating the target of a reduction below 3,500 million. Of the non-performing loan portfolio, 89% is collateralised, with the collateral valued at 3,436 million. The NPL ratio has fallen to 10.8% (down -98 bp compared to the previous quarter and down -262 bp year-on-year). For 2018, GCC has set itself the goal of bringing the NPL ratio down below 8.50%, so as to continue to converge with the industry average. (See comparative chart below.)<sup>2</sup>

The drop in NPLs in the last quarter was assisted by the sale of a portfolio (the “Escullos” portfolio) of non-performing loans to SMEs, comprising more than 1,450 loans with a gross book value of 176 million, of which 66% were in arrears, 28% write-offs and 6% had already completed the collateral execution phase.

Loans to real estate developers are down 22.4% year-on-year (-8.1% in the third quarter).

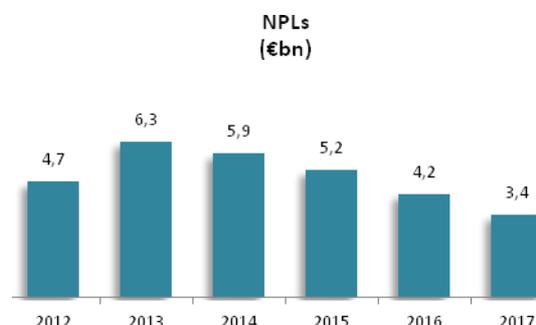
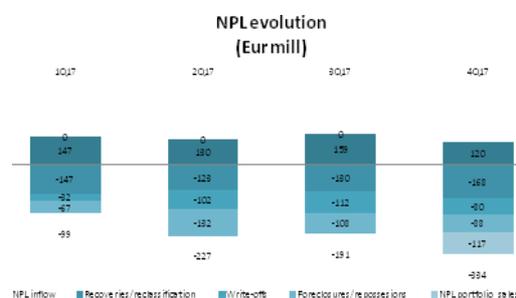
Restructured loans stand at 3,063 million, down 30.8% year-on-year (10.4% quarter-on-quarter), with 75% of the exposure recognised as non-performing.

The reduction in NPLs during the year breaks down as 40% of recoveries and returns to performing status, 28% of foreclosures and transfers of property in satisfaction of debt, 23% of write-offs and 8% of portfolio sales.

The balance of write-offs (principal) at 31 December is 610 million euros (+2.2% vs. September 2017 and +27.4% vs. December 2016).



NPL evolution	1Q17	2Q17	3Q17	4Q17	Total 2017
Inflow	147	130	159	120	556
Outflow	-246	-357	-350	-454	-1.407
<b>Change</b>	<b>-99</b>	<b>-227</b>	<b>-191</b>	<b>-334</b>	<b>-851</b>



<sup>2</sup> Data from BdE, non-performing loans of Other resident sectors, \* as of November 2017, <https://www.bde.es/webbde/es/estadis/infoest/a0403.pdf>

Foreclosed assets (EUR Thousands)	31/12/2017	30/09/2017	31/12/2016	Year-on-year		Quarter-on-quarter	
				Abs.	%	Abs.	%
Foreclosed assets (gross) <sup>(*)</sup>	3,677,937	3,815,957	3,842,179	-164,242	-4.3%	-138,021	-3.6%
Coverage <sup>(**)</sup>	-1,748,250	-1,794,225	-1,792,971	44,721	-2.5%	45,974	-2.6%
Foreclosed assets (net)	1,929,686	2,021,733	2,049,207	-119,521	-5.8%	-92,046	-4.6%
<b>Foreclosed assets coverage ratio (%)</b>	<b>47.53%</b>	<b>47.02%</b>	<b>46.67%</b>	<b>0.87</b>		<b>0.51</b>	

#### Foreclosed assets by origin of the loan

Foreclosed assets (gross) <sup>(*)</sup>	3,677,937	3,815,957	3,842,179	-164,242	-4.3%	-138,021	-3.6%
<b>Developers</b>	<b>2,208,827</b>	<b>2,315,342</b>	<b>2,404,535</b>	<b>-195,707</b>	<b>-8.1%</b>	<b>-106,514</b>	<b>-4.6%</b>
Land	1,004,558	1,032,127	1,046,184	-41,626	-4.0%	-27,569	-2.7%
Finished buildings	1,009,621	1,075,148	1,139,110	-129,489	-11.4%	-65,527	-6.1%
Under construction	194,648	208,067	219,240	-24,592	-11.2%	-13,419	-6.4%
<b>Homes</b>	<b>703,975</b>	<b>669,353</b>	<b>643,526</b>	<b>60,449</b>	<b>9.4%</b>	<b>34,621</b>	<b>5.2%</b>
<b>Other</b>	<b>645,247</b>	<b>711,284</b>	<b>672,855</b>	<b>-27,608</b>	<b>-4.1%</b>	<b>-66,037</b>	<b>-9.3%</b>
Financing to entities holding real estate assets that have been foreclosed or received in payment of debt	119,887	119,978	121,263	-1,376	-1.1%	-91	-0.1%

Foreclosed assets (net)	1,929,686	2,021,733	2,049,207	-119,521	-5.8%	-92,046	-4.6%
<b>Developers</b>	<b>1,100,639</b>	<b>1,172,162</b>	<b>1,225,101</b>	<b>-124,462</b>	<b>-10.2%</b>	<b>-71,523</b>	<b>-6.1%</b>
Land	403,328	429,115	437,016	-33,687	-7.7%	-25,786	-6.0%
Finished buildings	609,155	646,847	685,793	-76,638	-11.2%	-37,691	-5.8%
Under construction	88,156	96,200	102,292	-14,137	-13.8%	-8,045	-8.4%
<b>Homes</b>	<b>406,296</b>	<b>385,895</b>	<b>374,188</b>	<b>32,108</b>	<b>8.6%</b>	<b>20,401</b>	<b>5.3%</b>
<b>Other</b>	<b>377,637</b>	<b>416,269</b>	<b>400,914</b>	<b>-23,277</b>	<b>-5.8%</b>	<b>-38,632</b>	<b>-9.3%</b>
Financing to entities holding real estate assets that have been foreclosed or received in payment of debt	45,114	47,407	49,004	-3,890	-7.9%	-2,293	-4.8%

Coverage (%)	47.53%	47.02%	46.67%	0.87		0.51	
<b>Developers</b>	<b>50.17%</b>	<b>49.37%</b>	<b>49.05%</b>	<b>1.12</b>		<b>0.80</b>	
Land	59.85%	58.42%	58.23%	1.62		1.43	
Finished buildings	39.66%	39.84%	39.80%	-0.13		-0.17	
Under construction	54.71%	53.76%	53.34%	1.37		0.95	
<b>Homes</b>	<b>42.29%</b>	<b>42.35%</b>	<b>41.85%</b>	<b>0.43</b>		<b>-0.06</b>	
<b>Other</b>	<b>41.47%</b>	<b>41.48%</b>	<b>40.42%</b>	<b>1.06</b>		<b>0.00</b>	
Financing to entities holding real estate assets that have been foreclosed or received in payment of debt	62.37%	60.49%	59.59%	2.78		1.88	

The trend in real estate assets not for own use (REOs) continued to be positive, with the exposure falling by 164 million (-4.3%) in terms of gross book value, equivalent to 120 million (-5.8%) in terms of net value. Of this total reduction, a net amount of 92 million was achieved in the fourth quarter, absorbing the inflows from surrenders and foreclosures of problem loans.

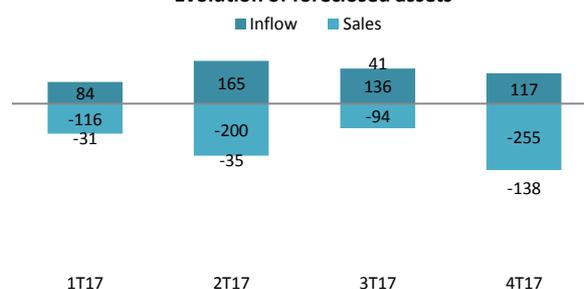
The improvement in problem loans has led to a 22.8% decline in the inflow of new real estate assets, compared to the previous year. Real estate asset sales during the year, mainly through GCC's branch network and real estate agents, total 665 million in terms of gross book value, 79.8% more than the previous year, with a positive margin of +3.4% above their net carrying amount, therefore entailing no additional losses, as has occurred in the last five years.

65% of the sales were of homes, 18% land, 14% commercial properties and industrial buildings, and the rest other assets.

In the last quarter, this decline was assisted by the sale of a property portfolio (the "Tango" portfolio) resulting from surrenders and foreclosures, comprising 365 assets with a gross book value of 47 million. The portfolio has been sold at a price equivalent to the net carrying value of the assets, in two phases: 31.2 million in December 2017 and the rest to be finalised in 2018.

This favourable trend in foreclosed assets is expected to continue in 2018. As regards the composition of the foreclosed properties portfolio, exposure to land from developers accounts for 27% of the gross exposure

(21% of net exposure), with a coverage ratio of 60%. The rest of the portfolio consists mainly of finished buildings from developers (27% of the gross total), buildings under construction (5%) and other assets, 18% of which are commercial properties and industrial buildings. 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 supported by valuations performed 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 supported by statistical valuations, all this in accordance with applicable laws and regulations.

**Evolution of foreclosed assets**


Foreclosed asset evolution	1Q17	2Q17	3Q17	4Q17	Total 2017
Inflow	84	165	136	117	502
Sales	-116	-200	-94	-255	-665
<b>Variation</b>	<b>-31</b>	<b>-35</b>	<b>41</b>	<b>-138</b>	<b>-163</b>

## Results

Consolidated annual results (Data in thousands of euros)	31/12/2017		31/12/2016		Year-on-year	
		%ATA		%ATA	Abs.	%
Interest income	670,865	1.68%	712,015	1.80%	-41,150	-5.8%
Interest expenses	-122,723	-0.31%	-154,317	-0.39%	31,595	-20.5%
<b>NET INTEREST INCOME</b>	<b>548,142</b>	<b>1.38%</b>	<b>557,698</b>	<b>1.41%</b>	<b>-9,556</b>	<b>-1.7%</b>
Dividend income	7,919	0.02%	4,909	0.01%	3,010	61.3%
Income from equity-accounted investments	23,101	0.06%	15,767	0.04%	7,334	46.5%
Net fees and commissions	267,093	0.67%	261,452	0.66%	5,641	2.2%
Gains (losses) on financial transactions	153,768	0.39%	186,149	0.47%	-32,381	-17.4%
Exchange differences [gain or (-) loss], net	2,124	0.01%	2,764	0.01%	-641	-23.2%
Other operating incomes/expenses of which: Mandatory transfer to Education and Development Fund	-24,590 -2,372	-0.06% -0.01%	-15,372 -1,949	-0.04% -	-9,218 -423	60.0% 21.7%
<b>GROSS INCOME</b>	<b>977,557</b>	<b>2.45%</b>	<b>1,013,367</b>	<b>2.56%</b>	<b>-35,810</b>	<b>-3.5%</b>
Administrative expenses	-538,417	-1.35%	-554,455	-1.40%	16,038	-2.9%
Personnel expenses	-340,980	-0.86%	-350,625	-0.89%	9,645	-2.8%
Other administrative expenses	-197,437	-0.50%	-203,830	-0.51%	6,393	-3.1%
Depreciation and amortisation	-76,001	-0.19%	-75,541	-0.19%	-460	0.6%
<b>NET INCOME BEFORE PROVISIONS</b>	<b>363,139</b>	<b>0.91%</b>	<b>383,371</b>	<b>0.97%</b>	<b>-20,232</b>	<b>-5.3%</b>
Provisions or (-) reversal of provisions	41,988	0.11%	-239,539	-0.60%	281,527	-117.5%
Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss	-166,837	-0.42%	22,253	0.06%	-189,090	-849.7%
<b>OPERATING INCOME</b>	<b>238,290</b>	<b>0.60%</b>	<b>166,085</b>	<b>0.42%</b>	<b>72,205</b>	<b>43.5%</b>
Impairment or reversal of impairment of investments in joint ventures or associates (net)	-2	-	-	-	-2	100.0%
Impairment or (-) reversal of impairment on non-financial assets	-92,907	-0.23%	-86,898	-0.22%	-6,009	6.9%
Gains or (-) losses on derecognition of non-financial assets, net	-23,520	-0.06%	6,630	0.02%	-30,150	-454.8%
Profit or (-) loss from non-current assets and disposal groups classified as held for sale	-24,054	-0.06%	-23,809	-0.06%	-245	1.0%
<b>PROFIT BEFORE TAX</b>	<b>97,807</b>	<b>0.25%</b>	<b>62,008</b>	<b>0.16%</b>	<b>35,799</b>	<b>57.7%</b>
Tax	-17,750	-0.04%	14,132	0.04%	-31,882	-225.6%
<b>CONSOLIDATED NET PROFIT</b>	<b>80,058</b>	<b>0.20%</b>	<b>76,141</b>	<b>0.19%</b>	<b>3,917</b>	<b>5.1%</b>

Quarterly consolidated results	31/12/2017	30/09/2017	30/06/2017	31/03/2017	31/12/2016
(Data in thousands of euros)					
Interest income	161,657	161,625	170,819	176,763	175,529
Interest expense	-35,322	-32,610	-27,408	-27,383	-38,009
<b>NET INTEREST INCOME</b>	<b>126,335</b>	<b>129,016</b>	<b>143,411</b>	<b>149,380</b>	<b>137,520</b>
Dividend income	2,200	3,376	1,982	361	742
Income from equity-accounted investments	6,576	6,102	6,007	4,416	4,207
Net fees and commissions	71,867	64,634	69,026	61,566	70,536
Gains (losses) on financial transactions	52,780	34,794	44,067	22,127	57,521
Exchange differences [gain or (-) loss], net	372	742	161	849	960
Other operating incomes/expenses of which: Mandatory transfer to Education and Development Fund	-9,989 205	-4,275 -282	-7,468 -1,234	-2,858 -1,062	-7,993 -1,761
<b>GROSS INCOME</b>	<b>250,140</b>	<b>234,390</b>	<b>257,186</b>	<b>235,841</b>	<b>263,493</b>
Administrative expenses	-142,800	-135,741	-130,255	-129,621	-146,039
Personnel expenses	-88,040	-83,890	-84,037	-85,013	-92,584
Other administrative expenses	-54,760	-51,851	-46,218	-44,608	-53,455
Depreciation and amortisation	-18,904	-19,282	-18,925	-18,891	-18,693
<b>NET INCOME BEFORE PROVISIONS</b>	<b>88,436</b>	<b>79,367</b>	<b>108,007</b>	<b>87,329</b>	<b>98,761</b>
Provisions or (-) reversal of provisions	-40,662	20,152	60,183	2,316	-227,999
Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss	8,923	-28,814	-108,310	-38,635	135,472
<b>OPERATING INCOME</b>	<b>56,696</b>	<b>70,706</b>	<b>59,879</b>	<b>51,009</b>	<b>6,234</b>
Impairment or (-) reversal of impairment on non-financial assets	-21,561	-19,702	-37,595	-14,049	16,256
Gains or (-) losses on derecognition of non-financial assets, net	-8,947	-10,227	-3,255	-1,090	1,304
Profit or (-) loss from non-current assets and disposal groups classified as held for sale	-11,558	-8,370	-3,207	-920	-2,053
<b>PROFIT BEFORE TAX</b>	<b>14,630</b>	<b>32,407</b>	<b>15,820</b>	<b>34,950</b>	<b>21,742</b>
Tax	-1,962	-9,314	3,810	-10,283	3,863
<b>CONSOLIDATED NET PROFIT</b>	<b>12,668</b>	<b>23,093</b>	<b>19,630</b>	<b>24,666</b>	<b>25,605</b>

Net interest income for the fourth quarter is 126 million, down 2.1% on the previous quarter. Cumulative net interest income for 2017 is 548 million euros, down 1.7% on 2016. The main factors contributing to this decline are the repricing of the loan portfolio and the cost of the two subordinated debt issues carried out in November 2016 and June 2017. These adverse impacts are mitigated by the increase in performing loans to customers, which are up 905 million during 2017 (403 million of that total in the

last quarter), the larger volume of sight deposits relative to term deposits (with the average interest rate on new deposits at 9 bp during the fourth quarter) and the impact of the -40 bp rate on the funding from the ECB (TLTRO II) from January 2017.

Net fee and commission income for the fourth quarter is 72 million, 11.2% more than the previous quarter, bringing the total for the year to 267 million, 2.2% more

than in 2016. This positive result is attributable mainly to the increase in fee and commission income from mutual funds managed by Trea, which is up 10 million year-on-year (+151%). In contrast, fees and commissions relating to claims for unpaid debts and the like are down 10 million year-on-year (-18%) as a result of the improved performance of the NPA portfolio and the policy of exempting the more loyal customers from fees and commissions on some services.

Strategic alliances in the insurance business with Generali continue to bear fruit. Premium volume for the year in the life business amounted to 89.3 million (+17.1%). Assets under management in personal pension plans, occupational pension plans and retirement insurance plans (PPAs) amount to 1,241 million (+12.5%). The growth in consumer finance balances, through GCC Consumo (a joint venture with Cetelem), is 324 million in the venture's second year of activity.

Net trading income (NTI) for 2017 is 154 million (53 million in the last quarter), 32.4 million (-17.4%) less than the previous year. This declining trend is expected to continue in 2018, as most of the ALCO portfolio has been reclassified to amortised cost. The contribution to the Deposit Guarantee Fund for the year amounts to 48 million (an increase of 7.3 million, or 18%, compared to 2016).

Administrative expenses are down 2.9% compared to the previous year, thanks to the containment of staff

costs (-2.8% vs. 2016) and administrative expenses (-3.1%). Compared to the third quarter, staff costs rose in the fourth quarter, partly due to the higher cost of contributions to employee pension plans in that period, while administrative expenses also rose due to the costs associated with the sales of NPA portfolios.

Provision expense in the fourth quarter is 41 million euros, the bulk of which is to cover the cost associated with the paid renewable year-long leave of absence plan, which has been accepted by a group of 403 employees and will be implemented over the period from April 2017 to December 2018. Of that group, 322 employees joined the plan in 2017 and the rest will join in 2018. The provisions recorded in 2017 to finance the plan amount to 25.4 million, of which 17.4 million in the last quarter.

Loan loss provisions totalling 9 million euros were recovered in the quarter and 33 million were set aside to increase the coverage of foreclosed assets. At year-end 2017, impairment losses on financial assets thus stand at 167 million and impairment losses on non-financial assets at 117 million (compared to 176 and 84 million, respectively, at the end of 2016), bringing the cost of risk to 0.76%, compared to 0.17% in 2016.

Lastly, profit before tax for 2017 is 98 million, up 57.7% on the previous year, with the last quarter contributing 15 million to that total.

## Solvency

### Solvency

(Thousands of euros)

	31/12/2017	30/09/2017	31/12/2016	year-on-year		Quarter-on-quarter	
				Abs.	%	Abs.	%
<b>Phased-in</b>							
Capital	2,602,380	2,591,144	2,535,546	66,834	2.6%	11,236	0.0%
Reserves	430,361	437,496	396,273	34,088	8.6%	-7,135	-1.6%
AFS surplus	1,252	27,184	12,436	-11,184	-89.9%	-25,932	-95.4%
Minority	-	-	-	-	-	-	-
Capital deductions	-356,284	-335,525	-323,586	-32,698	10.1%	-20,759	6.2%
<b>Common Equity Tier 1</b>	<b>2,677,601</b>	<b>2,720,299</b>	<b>2,620,669</b>	<b>56,932</b>	<b>2.0%</b>	<b>-42,698</b>	<b>-1.6%</b>
<b>CET1 ratio (%)</b>	<b>11.19%</b>	<b>11.44%</b>	<b>11.36%</b>	<b>-0.17</b>		<b>-0.25</b>	
<b>Tier 2 Capital</b>	<b>522,396</b>	<b>668,886</b>	<b>369,568</b>	<b>152,828</b>	<b>41.4%</b>	<b>-146,490</b>	<b>-21.9%</b>
<b>Tier 2 ratio (%)</b>	<b>2.18%</b>	<b>2.81%</b>	<b>1.60%</b>	<b>0.58</b>		<b>-0.63</b>	
<b>Eligible capital</b>	<b>3,200,106</b>	<b>3,389,185</b>	<b>2,990,237</b>	<b>209,869</b>	<b>7.0%</b>	<b>-189,079</b>	<b>-5.6%</b>
<b>Total Capital ratio (%)</b>	<b>13.37%</b>	<b>14.25%</b>	<b>12.96%</b>	<b>0.41</b>		<b>-0.88</b>	
<b>Total risk-weighted assets (a) + (b) + (c)</b>	<b>23,935,148</b>	<b>23,778,280</b>	<b>23,069,970</b>	<b>865,178</b>	<b>3.8%</b>	<b>156,868</b>	<b>0.7%</b>
Credit risk (a)	22,438,544	22,292,288	21,565,404	873,140	4.0%	146,256	0.7%
Operational risk (b)	1,443,904	1,431,675	1,431,675	12,229	0.9%	12,229	0.9%
Other risk (c)	52,700	54,317	72,891	-20,191	-27.7%	-1,617	-3.0%
<b>Fully-loaded</b>							
<b>Common Equity Tier 1</b>	<b>2,609,250</b>	<b>2,665,936</b>	<b>2,535,411</b>	<b>73,839</b>	<b>2.9%</b>	<b>-56,686</b>	<b>-2.1%</b>
<b>CET1 ratio (%)</b>	<b>10.90%</b>	<b>11.21%</b>	<b>10.99%</b>	<b>-0.09</b>		<b>-0.31</b>	
<b>Tier 2 Capital</b>	<b>522,396</b>	<b>668,886</b>	<b>369,568</b>	<b>152,828</b>	<b>41.4%</b>	<b>-146,490</b>	<b>-21.9%</b>
<b>Tier 2 ratio (%)</b>	<b>2.18%</b>	<b>2.81%</b>	<b>1.60%</b>	<b>0.58</b>		<b>-0.63</b>	
<b>Eligible capital</b>	<b>3,131,646</b>	<b>3,334,822</b>	<b>2,904,979</b>	<b>226,667</b>	<b>7.8%</b>	<b>-203,176</b>	<b>-6.1%</b>
<b>Total Capital ratio (%)</b>	<b>13.08%</b>	<b>14.02%</b>	<b>12.59%</b>	<b>0.49</b>		<b>-0.94</b>	

The capital requirements applicable to GCC from 1 January 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.

As of the end of 2017, GCC has a CET1 ratio of 11.19% and a total capital ratio of 13.37%, well above the prudential requirements. The leverage ratio is 6.4%, similar to the previous year.

The cooperative capital of the rural savings banks that make up GCC is subscribed by 1.4 million cooperative members and amounts to 2,526 million euros (+62 million in the year).

Eligible CET1 capital (including deductions) is up 57 million (+2.2%) compared to the end of the previous year but down 43 million compared to the third quarter, mainly due to the change in unrealised gains on the fixed-income and equity portfolios classified as available-for-sale (AFS) and the increase in deductions for deferred tax assets (DTAs).

The deductions from CET1 amount to 356 million euros (425 fully loaded), most of which is for intangible assets (196 million) and to a lesser extent DTAs (127 million, 196 on a fully loaded basis).

Tier 2 capital is up 41.4% year-on-year, thanks to the 300 million euro issue of subordinated debt on 7 June,

although 146 million euros of generic provisions were released in the fourth quarter – mainly in order to increase coverage elsewhere (specific coverage of loans and coverage of foreclosed assets) – and so ceased to qualify as Tier 2 capital, with an impact of 63 bp compared to the close of the previous quarter. From 1 January 2018 the generic provision will no longer qualify as Tier 2 regulatory capital, with an impact on total capital estimated at around 51 basis points. In total, regulatory capital is up 7% compared to the previous year.

Risk-weighted assets (RWAs) amount to 23,935 million euros at year-end, up 3.8%, mainly due to increased exposure to companies and reduced exposure to residential mortgages. Compared with September, RWAs are down 0.7%. RWA density is 59%. GCC uses the standardised approach for calculating RWAs in all its portfolios.

## Liquidity

Grupo Cooperativo Cajamar has sound liquidity ratios, with an LCR of 214.6% and a NSFR of 112.3%, well above regulatory requirements. The Group has 7,489 million euros of assets pledged at the ECB, of which 2,403 million are unencumbered. Additionally, as of December 2017 it has 619 million euros of liquid assets available outside the ECB programme and 3,038 million euros of mortgage covered bond issuance capacity. GCC finances its principal activity through customer funds. The ratio of loans to on-balance-sheet customer funds under management (LTD ratio of 110.1%) has been maintained without major changes.

GCC has a comfortable liquidity position and matches the growth of its loan book to the growth of retail funding from its customer base, maintaining a historically stable LTD ratio. Having accomplished 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 to fulfil its future regulatory requirements.

	31/12/2017	30/09/2017	31/12/2016	Year-on-year	Quarter-on-quarter
<b>Liquidity</b>					
LTD (%)	110.08%	107.12%	109.64%	0.44	2.96
LCR (%)	214.62%	218.59%	283.00%	-68.38	-3.97
NSFR (%)	112.30%	114.90%	115.54%	-3.24	-2.60

## Alternative performance measures glossary

In the presentations of quarterly results that it publishes on its website and in issue prospectuses, presentations to investors and internal reports for monitoring its performance in accordance with International Financial Reporting Standards (IFRS), alongside the measures commonly used in the banking industry, Grupo Cooperativo Cajamar (GCC) also uses unaudited Alternative Performance Measures (APMs) as indicators of the Group's business, economic and financial situation, so as to facilitate 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. The APMs used by GCC and their definitions 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 (%)	(Impairment losses on loans and advances to customers + Impairment losses on non-financial assets accumulated in the last year, excluding goodwill impairment) / Average of Gross loans and Net foreclosed assets of the last year
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 performing loans to customers and the Average cost of customer deposits (sight deposits and term deposits)
10 Employees	SIP's total employees, excluding temporary and pre-retired employees
11 Foreclosed assets (gross)	Amount of the loans that gave rise to the foreclosed asset + Financing to entities holding real estate assets that have been foreclosed or received in payment of debt
12 Foreclosed assets (net)	Foreclosed assets (gross) – Total foreclosed assets coverage
13 Foreclosed assets coverage ratio (%)	Total foreclosed assets coverage / Foreclosed assets (gross)
14 Funds under management	Total on-balance-sheet funds + Off-balance-sheet funds
15 Gross Loans	Loans to customers (gross) + Other loans (reverse repurchase agreements)
16 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
17 Loan to deposits ratio (%)	Net loans to customers / (Customer's deposits + Net issued securitisations +

## (IN ALPHABETICAL ORDER)

Measure	Definition and calculation
	Intermediated loans + other on-balance sheet retail funds)
18 Loans to customers (gross)	General government + Other financial corporations + Non-financial corporations + Households
19 Net Interest Income o/ATA (%)	Net interest income / Average total assets
20 Non-performing assets (NPA)	Non-performing loans + Foreclosed assets (net)
21 NPA coverage ratio (%)	(Gross loans coverage + Foreclosed assets coverage) / (Non-performing loans + Foreclosed assets (gross))
22 NPA ratio (%)	(Non-performing loans (gross) + Foreclosed assets (net)) / (Gross loans+ Foreclosed assets (net))
23 NPL coverage ratio (%)	Gross loans coverage / Non-performing loans
24 NPL ratio (%)	Non-performing loans / Gross loans
25 Off-balance sheet funds	Mutual funds + Pension plans + Saving insurance + Fixed-income and equity
26 Other non-performing assets	Non-performing loans to credit institutions + Non-performing debt securities
27 Performing Loans	Gross loans – Non-performing loans
28 Performing Loans to customers	Loans to customers (gross) – Non-performing loans
29 Recurring cost-income ratio (%)	(Administrative expenses + Depreciation and amortisation) / Recurring gross income
30 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
31 Recurring Net Income before provisions	Recurring gross income – Total expenses
32 RED Loans	Real estate development loans
33 ROA (%)	Annualisation of the following quotient: Consolidated net profit / Average total assets (average of the end-of-quarter figures since the previous December, inclusive)
34 ROE (%)	Annualisation of the following quotient: Consolidated net profit / Average total equity (average of the end-of-quarter figures since the previous December, inclusive)
35 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)
36 Texas ratio (%)	(Gross non-performing assets + Doubtful contingent liabilities) / (NPA coverage + Total capital - Generic provision included as Tier 2 capital)
37 Total balance sheet funds	Customers' retail funds + Wholesale funding
38 Total coverage	Performing asset coverage + Non-performing asset coverage (in both cases including coverage for credit risk, contingent risks and commitments, loans to credit institutions and debt securities)
39 Total expenses	Personnel expenses + Other administrative expenses + Depreciation and amortisation
40 Total Loans and advances to customers	Loans to customers (gross), excluding gross loans coverage
41 Total risks	Gross loans + Loans to credit institutions + Debt securities
42 Wholesale funds	Bonds and other securities + Subordinated liabilities + Central counterparty deposits + ECB

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