FINANCIAL REPORT
Third quarter 2018

8 November 2018

Contents

Most significant figures

(EUR thousand)	30/09/2018	30/06/2018	31/12/2017	30/09/2017	Year-on-year Abs.	Year-on-year %	YTD Abs.	YTD %	Quarterly Abs.	Quarterly %
Results										
Net interest income	431,344	294,175	548,142	421,807	9,537	2.3%				
Gross income	714,352	510,924	977,558	727,417	(13,065)	(1.8%)				
Recurring gross income	664,421	459,159	859,657	659,802	4,619	0.7%				
Net income before provisions	292,947	216,724	363,139	274,703	18,244	6.6%				
Recurring net income before provisions	243,016	164,959	245,239	207,088	35,929	17.3%				
Profit before tax	79,994	54,117	97,808	83,177	(3,183)	(3.8%)				
Consolidated net profit for the period	70,018	45,178	80,058	67,390	2,628	3.9%				
Attributable Net profit	70,018	45,178	80,058	67,390	2,628	3.9%				
Business volume										
Total on-balance-sheet assets	42,718,227	42,815,704	40,507,329	39,910,114	2,808,113	7.0%	2,210,898	5.5%	(97,477)	(0.2%)
Equity	3,019,108	2,962,714	3,052,262	3,037,411	(18,303)	(0.6%)	(33,154)	(1.1%)	56,394	1.9%
On-balance sheet retail funds	27,816,578	27,694,266	25,940,894	26,344,841	1,471,737	5.6%	1,875,684	7.2%	122,312	0.4%
Off-balance sheet funds	4,482,648	4,428,907	4,126,567	3,881,534	601,114	15.5%	356,081	8.6%	53,741	1.2%
Performing loans	28,710,305	28,908,999	27,968,427	27,858,610	851,695	3.1%	741,878	2.7%	(198,694)	(0.7%)
Risk management										
Gross non-performing assets	6,059,610	6,254,813	7,038,527	7,510,656	(1,451,046)	(19.3%)	(978,917)	(13.9%)	(195,203)	(3.1%)
Net non-performing assets	3,301,266	3,387,578	3,938,827	4,139,966	(838,700)	(20.3%)	(637,561)	(16.2%)	(86,312)	(2.5%)
NPA coverage (%)	45.54%	45.86%	44.07%	44.91%	0.63		1.47		(0.32)	
Non-performing loans	2,632,027	2,737,582	3,360,590	3,694,699	(1,062,672)	(28.8%)	(728,563)	(21.7%)	(105,555)	(3.9%)
NPL ratio (%)	8.24%	8.49%	10.53%	11.50%	(3.26)		(2.29)		(0.25)	
NPL coverage ratio (%)	43.99%	44.31%	40.28%	42.73%	1.26		3.71		(0.32)	
Gross foreclosed assets	3,427,583	3,517,231	3,677,937	3,815,957	(388,375)	(10.2%)	(250,354)	(6.8%)	(89,649)	(2.5%)
Net foreclosed assets	1,826,061	1,861,840	1,929,686	2,021,733	(195,671)	(9.7%)	(103,625)	(5.4%)	(35,778)	(1.9%)
Foreclosed assets coverage ratio (%)	46.72%	47.07%	47.53%	47.02%	(0.29)		(0.81)		(0.34)	
Texas ratio	100.46%	102.69%	114.97%	116.39%	(15.93)		(14.51)		(2.23)	
Cost of risk	0.56%	0.65%	0.76%	0.96%	(0.40)		(0.20)		(0.09)	
Liquidity										
LTD (%)	104.1%	104.63%	110.08%	107.12%	(3.01)		(5.97)		(0.52)	
LCR (%)*	207.2%	198.64%	214.62%	218.59%	(11.35)		(7.38)		8.60	
NSFR (%)	116.7%	116.50%	112.30%	114.90%	1.79		4.39		0.19	
Commercial gap	(3,425,362)	(3,612,412)	(5,081,043)	(4,419,427)	994,065	(22.5%)	1,655,681	(32.6%)	187,050	(5.2%)
Solvency phased in (*)										
CET1 ratio (%)	12.40%	12.01%	11.19%	11.44%	0.96		1.34		0.39	
Tier 2 ratio (%)	1.73%	1.71%	2.18%	2.81%	(1.08)		0.06		0.02	
Total capital ratio (%)	14.13%	13.72%	13.37%	14.25%	(0.12)		1.39		0.41	
Leverage ratio (%)	6.57%	6.45%	6.44%	6.61%	(0.04)		0.13		0.12	
Solvency fully loaded (*)										
CET1 ratio (%)	11.45%	11.07%	10.90%	11.21%	0.24		1.30		0.38	
Tier 2 ratio (%)	1.74%	1.71%	2.18%	2.81%	(1.07)		0.06		0.03	
Total capital ratio (%)	13.18%	12.78%	13.08%	14.02%	(0.84)		1.35		0.40	
Leverage ratio (%)	6.08%	5.96%	6.29%	6.49%	(0.41)		(0.21)		0.12	
Profitability and efficiency										
ROA (%)	0.22%	0.22%	0.20%	0.23%	(0.00)		0.02		0.00	
RORWA (%)	0.40%	0.38%	0.34%	0.38%	0.02		0.06		0.02	
ROE (%)	3.13%	3.06%	2.64%	2.97%	0.16		0.49		0.07	
Cost-income ratio (%)	58.99%	57.58%	62.85%	62.24%	(3.25)		(3.86)		1.41	
Recurring cost-income ratio (%)	63.42%	64.07%	71.47%	68.61%	(5.19)		(8.05)		(0.65)	
Other data										
Cooperative members	1,434,679	1,434,092	1,433,980	1,432,822	1,857	0.1%	699	0.0%	587	0.0%
Employees	5,540	5,570	5,586	5,712	(172)	(3.0%)	(46)	(0.8%)	(30)	(0.5%)
Branches	1,029	1,036	1,057	1,077	(48)	(4.5%)	(28)	(2.6%)	(7)	(0.7%)

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

Highlights

The main notable points at quarter end are the continued improvements in capital and asset quality ratios and net income before provisions, with less reliance on gains on financial transactions.

Solvency

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%. Both requirements have easily been met. The Pillar 2 requirements (2.50%) remain unchanged from 2017.

At the end of September 2018, GCC has a phased in CET1 ratio of 12.40% (+39 bp in the quarter, +134 bp since 1 January 2018), having absorbed in the first half of the year the total 75 bp impact on CET1 arising from application of IFRS 9. The total capital ratio, phased in, stands at 14.13% (+41 bp in the quarter, +139 bp since 1 January 2018), down -12 bp year-on-year, mainly because from 1 January 2018 the generic provision ceased to be eligible as Tier 2 capital, which had an initial impact of 51 bp. This has also been absorbed.

The improvement in the capital ratios during the third quarter is primarily attributable to the share capital increase (38 million euros or 16 bp of CET1), the increase in reserves (25 million euros or 11 bp of CET1) and the decrease in RWAs (331 million euros or 18 bp of CET1).

If the full impact of IFRS 9 is taken into account, the CET1 ratio, fully loaded, is 11.45% and the total capital ratio, fully loaded, is 13.18%. GCC has elected to apply the five-year transition period, to 2023, for phasing in this impact.

Non-performing assets

The NPL ratio, which still remains above the industry average, dropped to 8.2% in the quarter, compared to 8.5% 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 -9.7% yoy (-1.9% qoq), at 1,826 million euros, offsetting the inflows from surrendered and foreclosed non-performing loans (around 24% of the decrease in NPAs during the year is attributable to this effect). Cumulative sales of REOs in the first nine months are up 37% compared to the same period of the previous year on a gross basis, which is sufficient to absorb the inflows that are down 19% compared to the first nine months of the previous year.

NPA coverage (i.e., including both NPLs and foreclosed assets) is 45.5% (45.9% in 2Q18 and 44.9% in 3Q17). Including debt forgiveness, NPA coverage ratio is 48.3%. More than 80% of the NPLs are secured by mortgages.

Results

Over the quarter, the annual accounting of transaction costs and arrangement fees as per the EIR (effective interest rate) was completed. The impact of this was two-fold: a negative effect on net interest income and a positive effect on operating expenses. These effects are offset over the term of the transaction. Cumulative net interest income until September 2018 amounts to 431 million euros, 2.3% more than in the same period of the previous year. Net fee and commission income in the first nine months of the year totalled 196 million euros, 0.4% higher than in the same period of the previous year.

Lastly, the net profit at the September 2018 close is 70 million euros (+3.9% yoy).

Other important developments

Banco Gaixa Geral: Regarding the sale process of Banco Caixa Geral, according to the information published in some media, the offer presented by Cajamar would not be the one selected.

Tier 2 subordinated debt issue: At the end of September, Banco de Crédito Cooperativo (BCC) announced a roadshow to prepare for a possible subordinated debt issue of up to 100 million euros, in order to cover the remaining part of the Tier 2 bucket. Due to a deterioration in market conditions, BCC has decided to postpone the issue until prospects brighten.

Regulatory ratios: The liquidity coverage ratio (LCR), net stable funding ratio (NSFR) and leverage ratio remain above the regulatory minimum levels, closing at 207.2%, 116.7% and 6.6%, respectively.

Streamlining: GCC ends the half-year with a network of 1,029 branches, 28 fewer than at year-end 2017. The workforce stands at 5,540 employees, a decrease of 46 in the first nine months of the year.

Financial performance

Balance sheet

Total assets are up 7.0% year-on-year, at 42,718 million euros (-0.2% in the quarter).

In the last 12 months, gross loans to customers are up 0.3%, which is the aggregate result of a 4.2% increase (+1,142 million euros) in performing loans to customers and a 28.8% decrease (-1,063 million euros) in non-performing loans. In the third quarter, performing loans to customers remained practically unchanged, while non-performing loans are down 3.9% (-106 million euros).

Real estate developer loans are down 31.7% year-on-year, at 1,193 million euros (58% of which is classified as non-performing), and continue to decrease as a proportion of total loans, accounting for 3.8% of gross loans.

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, renewals, etc.) in the first nine months of 2018 reached a total of 6,221 million euros, shared mainly between the agri-food and SME sectors (63%) and the retail sector (14%, of which 9% consists of home loans). The average interest rate on new loans and receivables is 1.80% (1.87% in June 2018; 1.77% in December 2017). GCC holds a market share of 14.0% in lending to the Spanish agri-food sector.

As a result of this strategy, retail mortgage loans have decreased as a percentage of the total loan book in recent years. Changes in this balance in particular are shown in the following table:

Year	Balance (EUR thousand)
2014	13,545,221
2015	13,083,941
2016	12,553,359
2017	12,090,553
June 18	11.969.362

Source: annual reports and information presented to BdE

Customer funds under management are up 176 million euros in the quarter (+0.5% qoq), an increase made up of +122 million euros of on-balance-sheet funds (+0.4% qoq) and the rest (+54 million euros or +1.2% qoq) made up of off-balance-sheet instruments (mainly mutual funds). The average remuneration of term deposits stands at 12 bp, the same level as in the previous quarter and 2 bp lower than in September 2017.

Assets under management in mutual funds amount to 2,556 million euros, up 29.3% in the last 12 months, which compares favourably with the industry average of 7% for the same period[1]).

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

Funds under management

(EUR thousand)	30/09/2018	30/06/2018	31/12/2017	30/09/2017	Year-on-year		YTD		Quarterly	
					Abs.	%	Abs.	%	Abs.	%
Sight accounts	20,724,778	20,526,395	18,477,886	18,513,655	2,211,123	11.9%	2,246,892	12.2%	198,383	1.0%
Term deposits	7,091,800	7,167,871	7,463,008	7,831,186	(739,386)	(9.4%)	(371,208)	(5.0%)	(76,071)	(1.1%)
Customer deposits	**27,816,578**	**27,694,266**	**25,940,894**	**26,344,841**	**1,471,737**	**5.6%**	**1,875,684**	**7.2%**	**122,312**	**0.4%**
On-balance sheet retail funds	**27,816,578**	**27,694,266**	**25,940,894**	**26,344,841**	**1,471,737**	**5.6%**	**1,875,684**	**7.2%**	**122,312**	**0.4%**
Equity units issued + covered bonds *	3,418,604	3,425,561	2,959,370	3,003,886	414,718	13.8%	459,234	15.5%	(6,957)	(0.2%)
Subordinated liabilities	413,227	405,128	412,171	413,049	178	0.0%	1,056	0.3%	8,099	2.0%
Deposits with central counterparties	711,243	808,902	998,148	-	711,243	100.0%	(286,905)	(28.7%)	(97,659)	(12.1%)
ECB auction	5,040,261	5,045,458	5,055,698	5,060,911	(20,650)	(0.4%)	(15,437)	(0.3%)	(5,197)	(0.1%)
Wholesale funds	**9,583,335**	**9,685,049**	**9,425,387**	**8,477,846**	**1,105,489**	**13.0%**	**157,948**	**1.7%**	**(101,714)**	**(1.1%)**
Total balance sheet funds	**37,399,913**	**37,379,315**	**35,366,281**	**34,822,687**	**2,577,226**	**7.4%**	**2,033,632**	**5.8%**	**20,598**	**0.1%**
Mutual funds	2,556,166	2,503,931	2,196,249	1,977,426	578,740	29.3%	359,917	16.4%	52,235	2.1%
Pension plans	789,448	786,184	790,191	767,038	22,410	2.9%	(743)	(0.1%)	3,264	0.4%
Savings insurance	659,596	654,662	637,625	629,492	30,104	4.8%	21,971	3.4%	4,934	0.8%
Fixed income and equities	477,438	484,130	502,502	507,578	(30,140)	(5.9%)	(25,064)	(5.0%)	(6,692)	(1.4%)
Off-balance sheet funds	**4,482,648**	**4,428,907**	**4,126,567**	**3,881,534**	**601,114**	**15.5%**	**356,081**	**8.6%**	**53,741**	**1.2%**
Customer funds under management	**32,299,226**	**32,123,173**	**30,067,461**	**30,226,375**	**2,072,851**	**6.9%**	**2,231,765**	**7.4%**	**176,053**	**0.5%**
Total funds under management	**41,882,561**	**41,808,222**	**39,492,848**	**38,704,221**	**3,178,340**	**8.2%**	**2,389,713**	**6.1%**	**74,339**	**0.2%**

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

Loans and advances to customers

Loans and receivables (EUR thousand)	30/09/2018	30/06/2018	31/12/2017	30/09/2017	Year-on-year		YTD		Quarterly	
					Abs.	%	Abs.	%	Abs.	%
General government	789,455	798,629	783,290	888,860	(99,405)	(11.2%)	6,165	0.8%	(9,174)	(1.1%)
Other financial corporations	916,606	893,967	646,487	639,207	277,399	43.4%	270,119	41.8%	22,639	2.5%
Non-financial corporations	11,089,257	10,995,000	10,954,820	10,679,232	410,025	3.8%	134,437	1.2%	94,257	0.9%
Households	18,268,683	18,482,573	18,669,637	18,777,604	(508,921)	(2.7%)	(400,954)	(2.1%)	(213,890)	(1.2%)
Loans to customers (gross)	**31,064,001**	**31,170,169**	**31,054,234**	**30,984,903**	**79,098**	**0.3%**	**9,767**	**0.0%**	**(106,168)**	**(0.3%)**
Of which:										
Real estate developers	**1,192,800**	**1,270,080**	**1,605,970**	**1,747,540**	(554,740)	(31.7%)	(413,170)	(25.7%)	(77,280)	(6.1%)
Performing loans to customers	**28,431,974**	**28,432,587**	**27,693,644**	**27,290,204**	1,141,770	4.2%	738,330	2.7%	(613)	(0.0%)
Non-performing loans	**2,632,027**	**2,737,582**	**3,360,590**	**3,694,699**	(1,062,672)	(28.8%)	(728,563)	(21.7%)	(105,555)	(3.9%)
Other loans *	**-**	**206,605**	**-**	**319,486**	**(319,486)**	**(100.0%)**	**-**	**-**	**(206,605)**	**(100.0%)**
Debt securities from customers	**278,331**	**269,807**	**274,783**	**248,920**	**29,411**	**11.8%**	**3,548**	**1.3%**	**8,524**	**3.2%**
Gross loans	**31,342,332**	**31,646,581**	**31,329,017**	**31,553,309**	**(210,977)**	**(0.7%)**	**13,315**	**0.0%**	**(304,249)**	**(1.0%)**
Performing loans	**28,710,305**	**28,908,999**	**27,968,427**	**27,858,610**	**851,695**	**3.1%**	**741,878**	**2.7%**	**(198,694)**	**(0.7%)**
Correction for customer credit risk	(1,156,822)	(1,211,844)	(1,351,449)	(1,576,466)	419,644	(26.6%)	194,627	(14.4%)	55,022	(4.5%)
Total loans and advances	**30,185,510**	**30,434,735**	**29,977,533**	**29,976,841**	**208,669**	**0.7%**	**207,977**	**0.7%**	**(249,225)**	**(0.8%)**
Off-balance-sheet exposures										
Contingent risks	**688,053**	**665,748**	**650,724**	**637,755**	50,298	7.9%	37,329	5.7%	22,305	3.4%
Of which: Non-performing contingent risks	**5,914**	**6,028**	**7,402**	**7,163**	(1,249)	(17.4%)	(1,488)	(20.1%)	(114)	(1.9%)
Total risks	**32,030,385**	**32,312,329**	**31,979,741**	**32,191,064**	**(160,679)**	**(0.5%)**	**50,644**	**0.2%**	**(281,944)**	**(0.9%)**
Non-performing total risks	**2,637,941**	**2,743,610**	**3,367,992**	**3,701,862**	**(1,063,921)**	**(28.7%)**	**(730,051)**	**(21.7%)**	**(105,669)**	**(3.9%)**

* Mainly reverse repurchase agreements.

Asset quality

Risk management (EUR thousand) Non-performing loans	30/09/2018	30/06/2018	31/12/2017	30/09/2017	Year-on-year		YTD		Quarterly	
					Abs.	%	Abs.	%	Abs.	%
Total non-performing exposures	2,637,941	2,743,610	3,367,992	3,701,862	(1,063,921)	(28.7%)	(730,051)	(21.7%)	(105,669)	(3.9%)
Total exposures	32,030,385	32,312,329	31,979,741	32,191,064	(160,679)	(0.5%)	50,644	0.2%	(281,944)	(0.9%)
NPL ratio (%)	8.24%	8.49%	10.53%	11.50%	(3.26)		(2.29)		(0.25)	
Loan coverage	(1,157,908)	(1,212,930)	(1,353,603)	(1,578,620)	420,712	(26.7%)	195,695	(14.5%)	55,022	(4.5%)
NPL coverage ratio (%)	43.99%	44.31%	40.28%	42.73%	1.26		3.71		(0.32)	
Foreclosed assets (gross)	3,427,583	3,517,231	3,677,937	3,815,957	(388,374)	(10.2%)	(250,354)	(6.8%)	(89,648)	(2.5%)
Foreclosed assets (net)	1,826,061	1,861,840	1,929,686	2,021,733	(195,672)	(9.7%)	(103,625)	(5.4%)	(35,779)	(1.9%)
Foreclosed assets coverage ratio (%)	46.72%	47.07%	47.53%	47.02%	(0.30)		(0.81)		(0.35)	
Foreclosed assets coverage ratio with debt forgiveness (%)	51.32%	51.57%	51.57%	50.79%	0.53		(0.25)		(0.25)	
NPA ratio (%)	13.44%	13.73%	15.91%	17.03%	(3.59)		(2.47)		(0.29)	
NPA coverage ratio (%)	45.54%	45.86%	44.07%	44.91%	0.63		1.47		(0.32)	
NPA coverage ratio with debt forgiveness (%)	48.30%	48.55%	46.41%	46.97%	1.33		1.89		(0.25)	

Non-performing assets (NPAs), made up of non-performing loans (NPLs) and net foreclosed assets, continue to decrease, reaching a total of 4,458 million euros, down -3.1% in the quarter and -22.0% in the last 12 months, with the result that the NPA ratio has fallen to 13.4% (13.7% the previous quarter and 17.0% in September 2017). Similarly, the Texas ratio has improved to 100% (103% the previous quarter and 116% in September 2017). The NPA coverage ratio at the end of September 2018 is 46% (48% if debt forgiveness is taken into account). GCC's objective is to end the year 2020 with an NPA ratio below 10%, compared to the current 13%.

Asset quality continues to improve, with a decrease of 106 million euros in total non-performing exposures in the third quarter (-3.9% compared to the previous quarter), bringing the cumulative decrease in the last 12 months to 1,064 million euros (down 28.7%). The quarter-end balance therefore stands at 2,638 million euros. More than 80% of the non-performing loan portfolio is collateralised. The NPL ratio has fallen to 8.2% (-25 bp compared to the previous quarter and -326 bp year-on-year) and the NPL coverage ratio stands at 44.0%, down slightly from 44.3% in June. GCC expects the NPL ratio to fall below 8% at year end and continue to converge with the industry average, having reduced the gap to less than 2 percentage points, down from more than 5 points in December 2015[2].

The stock of real estate developer loans continues to decrease, having fallen 31.7% year-on-year (-6.1% in the third quarter of 2018).

NPLs	4Q17	1Q18	2Q18	3Q18	Last 4 quarters
NPL inflow	120	104	98	92	413
NPL outflow	-454	-297	-527	-197	-1,476
Change	**-334**	**-193**	**-430**	**-106**	**-1,063**

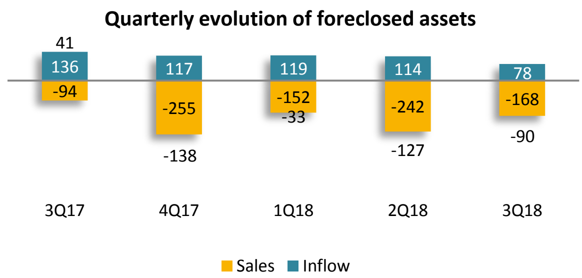
[2] Source: Bank of Spain, industry data at August 2018

Foreclosed assets (EUR thousand)	30/09/2018	30/06/2018	31/12/2017	30/09/2017	Year-on-year		YTD		Quarterly	
					Abs.	%	Abs.	%	Abs.	%
Foreclosed assets (gross)	3,427,583	3,517,231	3,677,937	3,815,957	(388,375)	(10.2%)	(250,354)	(6.8%)	(89,649)	(2.5%)
Coverage	(1,601,521)	(1,655,392)	(1,748,250)	(1,794,225)	192,703	(10.7%)	146,729	(8.4%)	53,870	(3.3%)
Foreclosed assets (net)	1,826,061	1,861,840	1,929,686	2,021,733	(195,671)	(9.7%)	(103,625)	(5.4%)	(35,778)	(1.9%)
NPA coverage ratio (%)	46.72%	47.07%	47.53%	47.02%	(0.29)		(0.81)		(0.34)	
Foreclosed assets coverage ratio with debt forgiveness (%)	51.32%	51.57%	51.57%	50.79%	0.53		(0.25)		(0.25)	
Breakdown of foreclosed assets by origin of the debt										
Foreclosed assets (gross)	3,427,583	3,517,231	3,677,937	3,815,957	(388,375)	(10.2%)	(250,354)	(6.8%)	(89,649)	(2.5%)
Real estate developments	2,118,725	2,177,112	2,321,201	2,427,715	(308,991)	(12.7%)	(202,477)	(8.7%)	(58,388)	(2.7%)
Land	1,055,672	1,069,375	1,103,685	1,131,254	(75,581)	(6.7%)	(48,012)	(4.4%)	(13,703)	(1.3%)
Completed buildings	884,164	930,505	1,021,140	1,086,667	(202,504)	(18.6%)	(136,977)	(13.4%)	(46,341)	(5.0%)
Buildings under construction	178,889	177,232	196,376	209,794	(30,906)	(14.7%)	(17,487)	(8.9%)	1,657	0.9%
Households	703,120	718,934	704,224	669,602	33,518	5.0%	(1,104)	(0.2%)	(15,814)	(2.2%)
Other	605,738	621,185	652,512	718,640	(112,901)	(15.7%)	(46,773)	(7.2%)	(15,446)	(2.5%)
Coverage	(1,601,521)	(1,655,392)	(1,748,250)	(1,794,225)	192,703	(10.7%)	146,729	(8.4%)	53,870	(3.3%)
Real estate developments	(1,081,563)	(1,112,972)	(1,179,468)	(1,212,288)	130,725	(10.8%)	97,905	(8.3%)	31,409	(2.8%)
Land	(644,717)	(652,534)	(666,465)	(666,212)	21,495	(3.2%)	21,749	(3.3%)	7,817	(1.2%)
Completed buildings	(341,580)	(362,371)	(405,643)	(433,343)	91,763	(21.2%)	64,064	(15.8%)	20,791	(5.7%)
Buildings under construction	(95,267)	(98,067)	(107,360)	(112,733)	17,467	(15.5%)	12,093	(11.3%)	2,801	(2.9%)
Households	(274,458)	(284,811)	(297,760)	(283,541)	9,083	(3.2%)	23,302	(7.8%)	10,353	(3.6%)
Other	(245,500)	(257,609)	(271,022)	(298,395)	52,895	(17.7%)	25,521	(9.4%)	12,108	(4.7%)
Foreclosed assets (net)	1,826,061	1,861,840	1,929,686	2,021,733	(195,671)	(9.7%)	(103,625)	(5.4%)	(35,778)	(1.9%)
Real estate developments	1,037,161	1,064,140	1,141,733	1,215,427	(178,266)	(14.7%)	(104,571)	(9.2%)	(26,979)	(2.5%)
Land	410,955	416,842	437,219	465,042	(54,086)	(11.6%)	(26,264)	(6.0%)	(5,886)	(1.4%)
Completed buildings	542,584	568,134	615,497	653,324	(110,740)	(17.0%)	(72,913)	(11.8%)	(25,550)	(4.5%)
Buildings under construction	83,622	79,165	89,016	97,061	(13,439)	(13.8%)	(5,394)	(6.1%)	4,457	5.6%
Households	428,662	434,124	406,464	386,062	42,601	11.0%	22,198	5.5%	(5,462)	(1.3%)
Other	360,238	363,576	381,490	420,244	(60,006)	(14.3%)	(21,252)	(5.6%)	(3,338)	(0.9%)
Coverage (%)	46.72%	47.07%	47.53%	47.02%	(0.29)		(0.81)		(0.34)	
Real estate developments	51.05%	51.12%	50.81%	49.94%	1.11		0.24		(0.07)	
Land	61.07%	61.02%	60.39%	58.89%	2.18		0.69		0.05	
Completed buildings	38.63%	38.94%	39.72%	39.88%	(1.25)		(1.09)		(0.31)	
Buildings under construction	53.25%	55.33%	54.67%	53.74%	(0.48)		(1.42)		(2.08)	
Households	39.03%	39.62%	42.28%	42.34%	(3.31)		(3.25)		(0.58)	
Other	40.53%	41.47%	41.54%	41.52%	(0.99)		(1.01)		(0.94)	
Coverage with debt forgiveness (%)	51.32%	51.57%	51.57%	50.79%	0.53		(0.25)		(0.25)	
Real estate developments	55.64%	55.68%	55.00%	53.88%	1.77		0.65		(0.04)	
Land	64.48%	64.23%	63.51%	61.79%	2.69		0.97		0.24	
Completed buildings	45.49%	45.94%	45.84%	45.67%	(0.19)		(0.36)		(0.45)	
Buildings under construction	55.06%	57.16%	56.00%	55.04%	0.02		(0.94)		(2.10)	
Households	43.56%	43.94%	45.82%	45.75%	(2.18)		(2.26)		(0.38)	
Other	44.84%	45.65%	45.31%	44.82%	0.02		(0.47)		(0.81)	

The stock of REOs is 3,428 million euros on a gross basis (1,826 million euros on a net basis), with a coverage ratio of 46.7%, which would rise to 51.3% if the original amount of the original debt (including debt forgiveness) were used in the calculation.

The cumulative decrease in the last 12 months is 388 million euros on a gross basis (-10.2%). This favourable trend in foreclosed assets is expected to continue for the rest of 2018. As regards the composition of the portfolio of foreclosed properties, 23% of the portfolio on a net basis (31% on a gross basis) originates from the financing of land for development, with a coverage ratio of 61%. The rest of the portfolio originates mainly from the financing of completed buildings from developers (30% 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 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 compliance with applicable laws and regulations.

Gross foreclosed assets	3Q17	4Q17	1Q18	2Q18	3T18	Last 4 quarters
Inflow	136	117	119	114	78	428
Sales	-94	-255	-152	-242	-168	-817
Change	**41**	**-138**	**-33**	**-127**	**-90**	**-388**



Results

Consolidated P&L at quarter end

Consolidated results and profitability (EUR thousand)	30/09/2018	%ATA	30/09/2017	%ATA	Year-on-year Abs.	Year-on-year %
Interest income	530,258	1.69%	509,208	1.72%	21,050	4.1%
Interest expense	(98,914)	(0.32%)	(87,401)	(0.29%)	(11,513)	13.2%
NET INTEREST INCOME	**431,344**	**1.37%**	**421,807**	**1.42%**	**9,537**	**2.3%**
Dividend income	5,392	0.02%	5,720	0.02%	(328)	(5.7%)
Income from equity-accounted entities	21,469	0.07%	16,525	0.06%	4,945	29.9%
Net fee and commission income	196,066	0.62%	195,226	0.66%	840	0.4%
Gains or (-) losses on financial assets and liabilities	85,893	0.27%	100,988	0.34%	(15,095)	(14.9%)
Exchange differences	1,302	-	1,752	0.01%	(450)	(25.7%)
Other operating income or (-) expenses	(27,114)	(0.09%)	(14,601)	(0.05%)	(12,513)	85.7%
Of which: Transfer to the Education and Development Fund	(3,939)	(0.01%)	(2,577)	(0.01%)	(1,362)	52.8%
GROSS INCOME	**714,352**	**2.28%**	**727,417**	**2.45%**	**(13,065)**	**(1.8%)**
Administrative expenses	(378,520)	(1.21%)	(395,616)	(1.33%)	17,096	(4.3%)
Staff expenses	(235,823)	(0.75%)	(252,940)	(0.85%)	17,117	(6.8%)
Other general administrative expenses	(142,697)	(0.45%)	(142,677)	(0.48%)	(21)	0.0%
Depreciation and amortisation	(42,884)	(0.14%)	(57,098)	(0.19%)	14,213	(24.9%)
NET INCOME BEFORE PROVISIONS	**292,947**	**0.93%**	**274,703**	**0.93%**	**18,244**	**6.6%**
Provisions or (-) reversals of provisions	(21,298)	(0.07%)	82,650	0.28%	(103,948)	(125.8%)
Impairment losses on financial assets	(88,655)	(0.28%)	(175,759)	(0.59%)	87,104	(49.6%)
OPERATING INCOME	**182,994**	**0.58%**	**181,594**	**0.61%**	**1,400**	**0.8%**
Impairment losses on investments in joint ventures and associates	(22)	-	(2)	-	(20)	883.3%
Impairment losses on other assets	(7,180)	(0.02%)	(71,346)	(0.24%)	64,166	(89.9%)
Gains or (-) losses on derecognition of non-financial assets and equity investments, net	(89,493)	(0.29%)	(14,572)	(0.05%)	(74,920)	514.1%
Gains or (-) losses on non-current assets	(6,306)	(0.02%)	(12,497)	(0.04%)	6,191	(49.5%)
PROFIT BEFORE TAX	**79,994**	**0.25%**	**83,177**	**0.28%**	**(3,183)**	**(3.8%)**
Tax	(9,976)	(0.03%)	(15,787)	(0.05%)	5,811	(36.8%)
CONSOLIDATED NET PROFIT FOR THE PERIOD	**70,018**	**0.22%**	**67,390**	**0.23%**	**2,628**	**3.9%**

Quarterly results

Quarterly results (EUR thousand)	3T17	4Q17	1Q18	2Q18	3T18	Quarterly	
						Abs.	%
Interest income	161,625	161,657	181,150	176,489	172,619	(3,869)	(2.2%)
Interest expense	(32,610)	(35,322)	(30,890)	(32,573)	(35,450)	(2,877)	8.8%
NET INTEREST INCOME	**129,016**	**126,335**	**150,259**	**143,915**	**137,169**	**(6,746)**	**(4.7%)**
Dividend income	3,376	2,200	243	2,411	2,737	326	13.5%
Income from equity-accounted entities	6,102	6,576	6,959	6,636	7,874	1,238	18.7%
Net fee and commission income	64,634	71,867	66,679	65,853	63,534	(2,319)	(3.5%)
Gains or (-) losses on financial assets and liabilities	34,794	52,780	38,352	47,675	(135)	(47,810)	(100.3%)
Exchange differences	742	372	492	276	534	257	93.1%
Other operating income or (-) expenses	(4,275)	(9,989)	(10,428)	(8,400)	(8,286)	114	(1.4%)
Of which: Transfer to the Education and Development Fund	(282)	205	(1,687)	(803)	(1,449)	(647)	80.6%
GROSS INCOME	**234,390**	**250,141**	**252,557**	**258,367**	**203,428**	**(54,939)**	**(21.3%)**
Administrative expenses	(135,741)	(142,800)	(130,725)	(131,746)	(116,049)	15,697	(11.9%)
Staff expenses	(83,890)	(88,040)	(84,771)	(84,884)	(66,168)	18,717	(22.0%)
Other general administrative expenses	(51,851)	(54,760)	(45,955)	(46,861)	(49,881)	(3,020)	6.4%
Depreciation and amortisation	(19,282)	(18,904)	(20,563)	(11,166)	(11,156)	10	(0.1%)
NET INCOME BEFORE PROVISIONS	**79,367**	**88,436**	**101,269**	**115,455**	**76,223**	**(39,232)**	**(34.0%)**
Provisions or (-) reversals of provisions	20,152	(40,662)	(1,621)	(18,110)	(1,567)	16,543	(91.3%)
Impairment losses on financial assets	(28,814)	8,923	(33,125)	514	(56,044)	(56,558)	(11,001.1%)
OPERATING INCOME	**70,706**	**56,697**	**66,523**	**97,859**	**18,612**	**(79,248)**	**(81.0%)**
Impairment losses on investments in joint ventures and associates	-	-	-	(22)	-	22	(100.0%)
Impairment losses on other assets	(19,702)	(21,561)	(21,662)	(608)	15,090	15,699	(2,581.5%)
Gains or (-) losses on derecognition of non-financial assets and equity investments, net	(10,227)	(8,947)	(7,842)	(73,394)	(8,256)	65,137	(88.8%)
Gains or (-) losses on non-current assets	(8,370)	(11,558)	(5,488)	(1,250)	431	1,681	(134.5%)
PROFIT BEFORE TAX	**32,407**	**14,631**	**31,531**	**22,586**	**25,877**	**3,292**	**14.6%**
Tax	(9,314)	(1,962)	(55)	(8,883)	(1,038)	7,845	(88.3%)
CONSOLIDATED NET PROFIT FOR THE PERIOD	**23,093**	**12,668**	**31,476**	**13,702**	**24,839**	**11,137**	**81.3%**

Solvency

(EUR thousand)

	30/09/2018	30/06/2018	01/01/2018	31/12/2017	30/09/2017	Year-on-year		Quarterly		YTD (from 1 January)	
Phased in						Abs.	%	Abs.	%	Abs.	%
Capital	2,732,751	2,694,484	2,602,380	2,602,380	2,591,144	141,607	5.5%	38,267	1.4%	130,371	5.0%
Reserves	473,726	448,664	419,113	430,361	437,496	36,230	8.3%	25,062	5.6%	54,613	13.0%
AFS surplus	(8,417)	476	20,215	1,252	27,184	(35,601)	(131.0%)	(8,893)	-	(28,632)	(141.6%)
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
Capital deductions	(335,261)	(330,527)	(395,753)	(356,284)	(335,525)	264	(0.1%)	(4,734)	1.4%	60,492	(15.3%)
Common Equity Tier 1 (CET1)	**2,862,799**	**2,813,097**	**2,645,956**	**2,677,709**	**2,720,299**	**142,500**	**5.2%**	**49,702**	**1.8%**	**216,843**	**8.2%**
CET1 ratio (%)	**12.40%**	**12.01%**	**11.06%**	**11.19%**	**11.44%**	**0.96**	**-**	**0.39**	**-**	**1.34**	**12.08**
Tier 2 capital	**400,000**	**400,000**	**400,000**	**522,396**	**668,886**	**-**	**-**	**-**	**-**	**-**	**-**
Tier 2 ratio (%)	**1.73%**	**1.71%**	**1.67%**	**2.18%**	**2.81%**	**(1.08)**	**-**	**0.02**	**-**	**0.06**	**3.43**
Eligible capital	**3,262,799**	**3,213,097**	**3,045,956**	**3,200,106**	**3,389,185**	**(126,386)**	**(3.7%)**	**49,702**	**1.5%**	**216,843**	**7.1%**
Total capital ratio (%)	**14.13%**	**13.72%**	**12.74%**	**13.37%**	**14.25%**	**(0.12)**	**-**	**0.41**	**-**	**1.39**	**10.94**
Risk-weighted assets (a)+(b)+(c)	**23,092,813**	**23,424,252**	**23,915,106**	**23,935,148**	**23,778,280**	**,(685,467)**	**(2.9%)**	**(331,439)**	**(1.4%)**	**(822,293)**	**(3.4%)**
Fully loaded											
Capital	2,732,751	2,694,484	2,602,380	2,602,380	2,591,144	141,607	5.5%	38,267	1.4%	130,371	5.0%
Reserves	278,041	252,943	223,392	430,361	437,495	(159,454)	(36.4%)	25,098	9.9%	54,649	24.5%
AFS surplus	(8,417)	476	20,215	1,565	33,981	(42,398)	(124.8%)	(8,893)	-	(28,632)	(141.6%)
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
Capital deductions	(365,439)	(360,529)	,427,796)	(425,057)	(396,684)	31,245	(7.9%)	(4,910)	1.4%	62,357	(14.6%)
Common Equity Tier 1 (CET1)	**2,636,936**	**2,587,374**	**2,418,192**	**2,609,250**	**2,665,936**	**(29,000)**	**(1.1%)**	**49,562**	**1.9%**	**218,744**	**9.0%**
CET1 ratio (%)	**11.45%**	**11.07%**	**10.15%**	**10.90%**	**11.21%**	**0.24**	**-**	**0.38**	**-**	**1.30**	**12.81**
Tier 2 capital	**400,000**	**400,000**	**400,000**	**522,396**	**668,886**	**-**	**-**	**-**	**-**	**-**	**-**
Tier 2 ratio (%)	**1.74%**	**1.71%**	**1.68%**	**2.18%**	**2.81%**	**(1.07)**	**-**	**0.03**	**-**	**0.06**	**3.64**
Eligible capital	**3,036,936**	**2,987,374**	**2,818,192**	**3,131,646**	**3,334,822**	**(297,886)**	**(8.9%)**	**49,562**	**1.7%**	**218,744**	**7.8%**
Total capital ratio (%)	**13.18%**	**12.78%**	**11.83%**	**13.08%**	**14.02%**	**(0.84)**	**-**	**0.40**	**-**	**1.35**	**11.42**
Risk-weighted assets (a)+(b)+(c)	**23,036,840**	**23,368,202**	**23,825,239**	**23,935,148**	**23,778,280**	**(741,440)**	**(3.1%)**	**(331,362)**	**(1.4%)**	**(788,399)**	**(3.3%)**

The cooperative capital of the rural savings banks that make up GCC is subscribed by 1.4 million cooperative members and amounts to 2,652 million euros (+126 million in the first nine months of 2018). During the first quarter of 2018, new shareholders joined BCC's shareholder base, with cash contributions of 5 million euros.

RWA density (measured as RWAs/ Total assets) is 54%, compared to 55% in June 2018. GCC uses the standardised approach for calculating RWAs in all its portfolios, although it has started preparations for 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.

Among the levers that can be used to improve capital levels are issues of Tier 2 subordinated debt (400 million euros currently in issue, which represents 1.73% of the available bucket of 2%), provided market conditions allow such issues on acceptable terms, as well as asset securitisations aimed at reducing risk-weighted assets.

The leverage ratio is 6.6%, 12 bp higher than the previous quarter and significantly above the regulatory minimum of 3%.

GCC’s capital targets for 2019 are 12.5% CET1 and 14.5% total capital (phased in).

Liquidity

Grupo Cooperativo Cajamar has sound liquidity ratios, with an LCR ratio of 207.2% and a NSFR of 116.7%, well above regulatory requirements. The Group has a limit of 7,344 million euros on the ECB facility, of which it has used 5,087 million euros 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 third quarter of the year stands at 2,393 million euros.

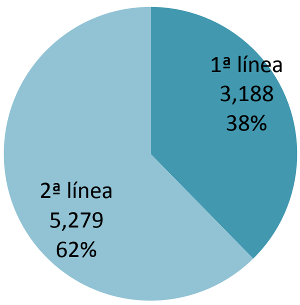
Furthermore, last April Cajamar securitised 1,000 million euros of SME loans with a view to holding the securities for discounting at the ECB.

Thus, total liquidity amounts to 8,467 million euros, consisting of 3,188 million euros in the first liquidity line (cash balance at central banks and assets discountable at central banks) and 5,279 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 104.1%). GCC has a comfortable liquidity position and matches the growth of its loan book to the growth of retail funding from its customer base.

Liquidity (EUR thousand)	30/09/2018	30/06/2018	31/12/2017	30/09/2017	qoq	yoy	YTD
LTD (%)	104.1%	104.6%	110.1%	107.1%	(0.52)	(3.01)	(5.97)
LCR(%)	207.2%	198.6%	214.6%	218.6%	8.60	(11.35)	(7.38)
NSFR(%)	116.7%	116.5%	112.3%	114.9%	0.19	1.79	4.39

Total liquidity
8,467 thousand euros



Glossary of terms on alternative performance measures

Grupo Cooperativo Cajamar (GCC) uses in its quarterly results presentations published on its website, issue prospectuses, presentations to investors and internally in its business monitoring reports, business indicators as per the applicable accounting standards (IFRS), although it also uses additional, unaudited measures commonly used in the banking sector (Alternative Performance Measures or APMs), as indicators about the business and the economic-financial position of GCC, which allows for comparison with other entities.

These measures (APMs) are calculated in accordance with the European Securities and Markets Authority Guidelines (ESMA/2015/1415es, of 5 October 2015), to facilitate the reporting transparency for the protection of investors in the European Union. The measures 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 (%)	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
23	NPA coverage ratio (%)	(Gross loans coverage + Foreclosed assets coverage) / (Non-performing loans + Foreclosed assets (gross))
24	NPA coverage with debt forgiveness (%)	(Gross loans coverage + Foreclosed assets coverage + debt forgiveness) / (Non-performing loans + Foreclosed assets (gross) + debt forgiveness)
25	NPA ratio (%)	(Non-performing loans + Foreclosed assets (net)) / (Gross loans+ Foreclosed assets (net))
26	NPL coverage ratio (%)	Gross loans coverage / Non-performing loans
27	NPL ratio (%)	(Non-performing loans +non-performing contingent risks) / (Gross loans + 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 (%)	(Administrative expenses + Depreciation and amortisation) / 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)

(IN ALPHABETICAL ORDER)

	Measure	Definition and calculation
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 (%)	(Gross non-performing assets + Doubtful contingent liabilities) / (NPA coverage + 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	Gross Loans - Credit losses and impairment
42	Total risks	Gross loans + Contingent risks
43	Wholesale funds	Bonds and other securities + Subordinated liabilities + Central counterparty deposits + ECB

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