



FINANCIAL REPORT

Second quarter 2019

8 August 2019

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Most significant figures

	2Q19	1Q19	2Q18	y-o-y		q-o-q	
				Abs.	%	Abs.	%
Profit and Loss Account							
Net interest income	293,917	148,118	294,174	(257)	(0.1%)		
Gross Income	663,469	236,894	510,921	152,548	29.9%		
Recurring Gross Income	447,541	235,795	459,157	(11,616)	(2.5%)		
Net Income before provisions	375,602	94,567	216,721	158,881	73.3%		
Recurring Net Income before provisions	159,674	93,468	164,957	(5,283)	(3.2%)		
Profit before tax	72,106	23,279	54,117	17,989	33.2%		
Consolidated Net profit	47,010	24,632	45,178	1,832	4.1%		
Attributable Net profit	47,010	24,632	45,178	1,832	4.1%		
Business							
Total Assets	45,334,985	44,358,209	42,815,704	2,519,281	5.9%	976,776	2.2%
Equity	3,200,803	3,138,457	2,962,714	238,089	8.0%	62,346	2.0%
On-balance sheet retail funds	29,799,437	29,183,829	27,694,266	2,105,171	7.6%	615,608	2.1%
Off-balance sheet funds	4,537,637	4,413,163	4,428,907	108,730	2.5%	124,474	2.8%
Performing Loans	29,436,858	29,362,305	28,908,999	527,859	1.8%	74,553	0.3%
Risk management							
Non-performing assets	5,038,430	5,225,065	5,843,310	(804,880)	(13.8%)	(186,635)	(3.6%)
Non-performing assets (net)	2,646,086	2,831,349	3,162,214	(516,128)	(16.3%)	(185,263)	(6.5%)
NPA coverage (%)	47.48%	45.81%	45.90%	1.58		1.67	
Non-performing loans	2,206,339	2,365,311	2,737,582	(531,243)	(19.4%)	(158,972)	(6.7%)
NPL ratio (%)	6.84%	7.31%	8.49%	(1.65)		(0.47)	
NPL coverage ratio (%)	46.91%	44.01%	44.31%	2.60		2.90	
Foreclosed assets (gross)	2,832,091	2,859,754	3,105,728	(273,637)	(8.8%)	(27,663)	(1.0%)
Foreclosed assets (net)	1,474,696	1,507,048	1,636,476	(161,780)	(9.9%)	(32,352)	(2.1%)
Foreclosed assets Coverage ratio (%)	47.93%	47.30%	47.31%	0.62		0.63	
Texas ratio	93.54%	98.28%	107.07%	(13.53)		(4.74)	
Cost of risk	1.25%	0.65%	0.65%	0.60		0.60	
Liquidity							
LTD (%)	96.96%	99.93%	104.63%	(7.67)		(2.97)	
LCR (%)	217.23%	211.06%	198.64%	18.59		6.17	
NSFR (%)	126.55%	120.64%	116.50%	10.05		5.91	
Business gap	941,894	19,971	(1,324,330)	2,266,224	(171.1%)	921,923	4616.3%
Solvency phased in							
CET1 ratio (%)	12.86%	12.60%	12.01%	0.85		0.26	
Tier 2 ratio (%)	1.68%	1.73%	1.71%	(0.03)		(0.05)	
Capital ratio (%)	14.54%	14.33%	13.71%	0.83		0.21	
Leverage ratio (%)	6.29%	6.44%	6.45%	(0.16)		(0.15)	
Solvency fully loaded							
CET1 ratio (%)	12.14%	11.88%	11.07%	1.07		0.26	
Tier 2 ratio (%)	1.69%	1.74%	1.71%	(0.02)		(0.05)	
Capital ratio (%)	13.83%	13.62%	12.78%	1.05		0.21	
Leverage ratio (%)	5.94%	6.08%	5.96%	(0.02)		(0.14)	
Profitability and efficiency							
ROA (%)	0.21%	0.23%	0.22%	(0.01)		(0.01)	
RORWA (%)	0.41%	0.43%	0.38%	0.03		(0.02)	
ROE (%)	3.02%	3.22%	3.06%	(0.04)		(0.20)	
Cost-income ratio (%)	43.39%	60.08%	57.58%	(14.19)		(16.69)	
Recurring cost-income ratio (%)	64.32%	60.36%	64.07%	0.25		3.96	
Other data							
Cooperative members	1,428,750	1,428,057	1,434,092	(5,342)	(0.4%)	693	0.05%
Employees	5,486	5,492	5,570	(84)	(1.5%)	(6)	(0.1%)
Branches	964	975	1,036	(72)	(6.9%)	(11)	(1.1%)

Highlights

The main notable points at quarter-end are: (i) the increase in coverage of non-performing assets while continued reducing of the stock; (ii) the ongoing improvement in capital and liquidity ratios; and (iii) the continuous progress in gross margin.

Asset Quality

The most relevant fact of the quarter has been the significant increase in non-performing loans (NPLs) coverage as a result of the improvement in gross margin, particularly in trading income, that has allowed to allocate the surplus generated to make additional provisions. Taking into account both non-performing loans and foreclosed assets, NPA coverage ratio stands at 47.5% (45.9% in 2Q18 and 45.8% in 1Q19), rising to 50.4% factoring in write-offs (48.6% at 2Q18 and 48.7% at 1Q19).

The NPL ratio dropped to 6.8% this quarter, compared to 7.3% in the previous quarter and 8.5% a year ago, reducing the gap to the sector. GCC still has the goal of bringing the NPL ratio below 5% by the end of 2020 and below 4% by the end of 2021. Non-performing risks are down to € 2,215 million, which means a decrease of -19.3% over the year (€-529 million) and -7% in the last quarter (€ -158 million). The NPL coverage ratio improves to 46.9% (44.0% at the end of the first quarter this year and 43.6% at the end of last year).

Gross foreclosed assets, excluding Real Estate investments (i.e. rented assets), decrease € 28 million q-o-q to € 2,832 million. Sales of REOs during the semester, accounting for € 528 million in gross terms and achieving € 657 million in the last 12 months allow the Group to compensate the inflows coming from foreclosures, Inflows of new foreclosed assets account for € 167 million in gross terms in the semester, which represents a decrease of 28% compared to the first semester of 2018. As a result, net foreclosed assets on the balance sheet are down -9.9% y-o-y (-2.1% q-o-q), at € 1,475 million. Around 30% of the decrease in NPLs is attributable to this effect. Coverage of foreclosed assets significantly improves from the first quarter 2019 up to 47.9% (52.9% factoring in write offs in the foreclosure procedure).

Solvency

At the end of the second quarter 2019, GCC improves its phased in CET1 ratio up to 12.86%(+26 bps q-o-q and +85 bps y-o-y) and its phased in total capital ratio up to 14.54% (+21 bp q-o-q and +83 bp y-o-y), mainly thanks to the increase in capital (+76 bps in CET1 y-o-y).

Factoring in the total impact of IFRS 9 (which will gradually be applied until 2023, since GCC opted for the transitional period of five years), the fully loaded CET1 ratio stands at 12.14% (+26 bp q-o-q and +107 bp y-o-y), while the fully loaded total

capital ratio is 13.83% (+21 bp q-o-q and +105 bp y-o-y).

The capital requirements applicable to GCC during 2019, as notified by the ECB, are 9.50% CET1 ratio and 13% total capital. Both requirements have easily been met with a buffer to SREP of 154 bps (133 bps in the first quarter). The Pillar 2 requirements for 2019 (2.50%) have remained unchanged from 2017 and 2018.

GCC is currently using the standard approach to calculate RWAs and it is working towards the migration to IRB (initially for the mortgage and SME portfolios), and expects to have these internal models approved during 2020.

Liquidity

Business gap continues improving, having reached € 942 million in the quarter (+€ 2,266 million in the last 12 months), primarily thanks to the increase in customer deposits (+7.6% y-o-y, +2.1% q-o-q). Loans to customers (gross) remain stable in the quarter as a result of the variation of performing loans to customers by €186 million (+1.8% y-o-y, -0.6% q-o-q) and a reduction of non-performing loans of € -159 (-19.4% y-o-y, 6.7% q-o-q). Therefore, the LTD ratio is below 100% (at 96.96% compared to 104.63% at the second quarter last year)

As a consequence of the good evolution of client funds, GCC maintains a sound liquidity position, with liquidity ratios well above requirements and having increased both q-o-q and y-o-y (LCR 217.2%, +18.59% y-o-y, NSFR 126.6%, +10 y-o-y).

In 2019 there are no maturities of financial instruments issued by GCC. The main maturity corresponds to the TLTRO2 ECB financing (€ 5,087 million maturing in June 2020). On the 6th of June of 2019, the ECB announced the conditions of the new TLTRO III. GCC expects to participate in this series of TLTROs according to its Treasury liquidity planning.

The Group has € 6,549 million eligible unencumbered assets, 95% of which are HQLAs, and € 3,099 million additional capacity of issuance of covered bonds.

On 3 June 2019, BCC released the final MREL requirements communicated by the resolution authority. The requirement is 12.89% of the total liabilities and own funds (TLOF) and 21.68% in terms of Risk Weighted Assets (RWAs), to be complied with by 1 January 2023. Compliance with this requirement has been already taken into account in GCC's financial projections.

GCC estimates that based on current figures the needs of issuance of MREL eligible instruments would be of c. € 1,600 million. Nevertheless, in accordance with the Group's financial projections and the improvement of its solvency ratios that is taking place, the final needs would be lower. Given that MREL debt must have a maturity of over a year, otherwise it ceases to be eligible, GCC does not foresee to issue MREL eligible debt in the following 12 months.

Profit for the semester

Net interest income for the semester amounts to € 294 million, remaining stable compared to the same period last year.

Net fee and commission income as at June 30 totaled €122 million, 7.8% lower y-o-y. This decrease is produced mainly as a consequence of the strategy of the Group of exempting engaged and digital customers from fees and commissions (i.e. 360 Account, Wefferent customers).

The most significant highlight in the quarter has been the increase in results on financial transactions reaching € 216 million (€ 243 million in the semester). As a consequence, gross margin as at June 30 is improved by € 153 million (+30% y-o-y), amounting to € 663 million.

Operating expenses (personnel expenses and other general administration expenses) are down 1.4% y-o-y, while amortization and depreciation reduce by 8.6% y-o-y, which allows cost income ratio to improve to 43.4% (64.4% in terms of recurrent cost-income ratio).

Pre-provision profit for the semester amounts to € 376 million (+73.3% y-o-y), which allows to allocate a higher amount to loan loss provisions.

Total loan loss and foreclosed asset provisioning in the semester totaled € 216 million (€ 186 million loan loss provisions and € 31 million provisions for foreclosed assets), compared to € 58 million in the first semester of the previous year, and contribute to a strengthening of NPA coverage. Also provisions have increased by €55 million for various risks. Cost of risk has stayed (and is expected to remain in the following quarters) around 60-65 bps, with the exception of the second quarter of 2019 in which trading income has been used to increase coverage ratios.

Net profit at the end of the semester totals € 47 million (+4.1% y-o-y).

Streamlining

GCC ends the quarter with a network of 964 branches, 11 less than at 1Q19. The workforce stands at 5,482 employees – a decrease of 6 during the quarter.

Financial performance

Funds under management

(EUR Thousands)	30/06/2019	31/03/2019	30/06/2018	y-o-y		q-o-q	
				Abs.	%	Abs.	%
				Sight deposits	22,757,467	21,980,451	20,526,395
Term deposits	7,041,970	7,203,378	7,167,871	(125,901)	(1.8%)	(161,408)	(2.2%)
Customer deposits	29,799,437	29,183,829	27,694,266	2,105,171	7.6%	615,608	2.1%
On-balance sheet retail funds	29,799,437	29,183,829	27,694,266	2,105,171	7.6%	615,608	2.1%
Bonds and other securities *	2,891,879	2,940,237	3,425,561	(533,682)	(15.6%)	(48,358)	(1.6%)
Subordinated liabilities	404,327	420,406	405,128	(801)	(0.2%)	(16,079)	(3.8%)
Central counterparty deposits	2,158,001	2,072,522	1,589,398	568,603	35.8%	85,479	4.1%
Financial institutions	571,623	537,178	579,053	(7,430)	(1.3%)	34,445	6.4%
ECB	5,024,871	5,029,995	5,045,458	(20,587)	(0.4%)	(5,124)	(0.1%)
Wholesale funds	11,050,701	11,000,338	11,044,598	6,103	0.1%	50,363	0.5%
Total balance sheet funds	40,850,138	40,184,167	38,738,864	2,111,274	5.5%	665,971	1.7%
Mutual funds	2,574,904	2,466,437	2,503,931	70,973	2.8%	108,467	4.4%
Pension plans	823,656	806,087	786,184	37,472	4.8%	17,569	2.2%
Savings insurances	671,110	674,134	654,662	16,448	2.5%	(3,024)	(0.4%)
Fixed-equity income	467,968	466,506	484,130	(16,162)	(3.3%)	1,462	0.3%
Off-balance sheet funds	4,537,637	4,413,163	4,428,907	108,730	2.5%	124,474	2.8%
Customer funds under mgmt	34,337,074	33,596,992	32,123,173	2,213,901	6.9%	740,082	2.2%
Funds under management	44,597,775	44,597,330	43,167,771	2,220,004	5.1%	790,445	1.8%

* Covered bonds, territorial bonds and securitization.

Loans and advances to customers

(EUR Thousands)	30/06/2019	31/03/2019	30/06/2018	y-o-y		q-o-q	
				Abs.	%	Abs.	%
				General governments	770,175	754,508	798,629
Other financial corporations	1,112,813	1,200,747	893,967	218,846	24.5%	(87,934)	(7.3%)
Non-financial corporations	11,293,154	11,536,683	10,995,000	298,154	2.7%	(243,529)	(2.1%)
Households	17,865,917	17,895,094	18,482,573	(616,656)	(3.3%)	(29,177)	(0.2%)
Loans to customers (gross)	31,042,059	31,387,032	31,170,169	(128,110)	(0.4%)	(344,973)	(1.1%)
<i>Of which:</i>							
<i>Real estate developers</i>	<i>990,570</i>	<i>1,043,440</i>	<i>1,270,080</i>	<i>(279,510)</i>	<i>(22.0%)</i>	<i>(52,870)</i>	<i>(5.1%)</i>
<i>Performing loans to customers</i>	<i>28,835,720</i>	<i>29,021,721</i>	<i>28,432,587</i>	<i>403,133</i>	<i>1.4%</i>	<i>(186,001)</i>	<i>(0.6%)</i>
<i>Non-performing loans</i>	<i>2,206,339</i>	<i>2,365,311</i>	<i>2,737,582</i>	<i>(531,243)</i>	<i>(19.4%)</i>	<i>(158,972)</i>	<i>(6.7%)</i>
Other loans *	204,655	-	206,605	(1,950)	(0.9%)	204,655	
Debt securities from customers	396,483	340,584	269,807	126,676	47.0%	55,899	16.4%
Gross Loans	31,643,197	31,727,616	31,646,581	(3,384)	(0.0%)	(84,419)	(0.3%)
Performing Loans	29,436,858	29,362,305	28,908,999	527,859	1.8%	74,553	0.3%
<i>Credit losses and impairment</i>	<i>(1,034,949)</i>	<i>(1,041,010)</i>	<i>(1,211,844)</i>	<i>176,895</i>	<i>(14.6%)</i>	<i>6,061</i>	<i>(0.6%)</i>
Total lending	30,608,247	30,686,605	30,434,735	173,512	0.6%	(78,358)	(0.3%)
Off-balance sheet risks							
<i>Contingent risks</i>	<i>732,415</i>	<i>734,122</i>	<i>665,748</i>	<i>66,667</i>	<i>10.0%</i>	<i>(1,707)</i>	<i>(0.2%)</i>
<i>of which: non-performing contingent risks</i>	<i>8,324</i>	<i>7,253</i>	<i>6,028</i>	<i>2,296</i>	<i>38.1%</i>	<i>1,071</i>	<i>14.8%</i>
Total risks	32,375,612	32,461,738	32,312,329	63,283	0.2%	(86,126)	(0.3%)
Non-performing total risks	2,214,663	2,372,564	2,743,610	(528,947)	(19.3%)	(157,901)	(6.7%)

* Mainly reverse repurchase agreements

Asset quality

Defaulting debtors (EUR Thousands)	30/06/2019	31/03/2019	30/06/2018	y-o-y		q-o-q	
				Abs.	%	Abs.	%
Non-performing total risks	2,214,663	2,372,564	2,743,610	(528,947)	(19.3%)	(157,901)	(6.7%)
Total risks	32,375,612	32,461,738	32,312,329	63,283	0.2%	(86,126)	(0.3%)
NPL ratio (%)	6.84%	7.31%	8.49%	(1.65)		(0.47)	
Gross loans coverage	(1,034,949)	(1,041,010)	(1,212,930)	177,981	(14.7%)	6,061	(0.6%)
NPL coverage ratio (%)	46.91%	44.01%	44.31%	2.60		2.90	
Foreclosed Assets (gross)	2,832,091	2,859,754	3,105,728	(273,637)	(8.8%)	(27,663)	(1.0%)
Foreclosed Assets Coverage	1,357,395	1,352,706	1,469,252	(111,857)	(7.6%)	4,689	0.3%
Foreclosed assets coverage ratio (%)	47.93%	47.30%	47.31%	0.62		0.63	
Foreclosed assets coverage ratio with w/o (%)	52.93%	52.14%	52.08%	0.85		0.79	
NPA ratio (%)	14.61%	15.11%	16.81%	(2.20)		(0.50)	
NPA coverage (%)	47.48%	45.81%	45.90%	1.58		1.67	
NPA coverage with w/o (%)	50.44%	48.65%	48.62%	1.82		1.79	

Foreclosed assets * (EUR Thousands)	30/06/2019	31/03/2019	30/06/2018	y-o-y		q-o-q	
				Abs.	%	Abs.	%
Foreclosed Assets (gross)	2,832,091	2,859,754	3,105,728	(273,637)	(8.8%)	(27,663)	(1.0%)
Foreclosed Assets Coverage	(1,357,395)	(1,352,706)	(1,469,252)	111,857	(7.6%)	(4,690)	0.3%
Foreclosed Assets (net)	1,474,696	1,507,048	1,636,476	(161,780)	(9.9%)	(32,352)	(2.1%)
Foreclosed assets coverage ratio (%)	47.93%	47.30%	47.31%	0.62		0.63	
Foreclosed assets coverage ratio with w/o (%)	52.93%	52.14%	52.08%	0.85		0.79	
Foreclosed assets (gross)	2,832,091	2,859,754	3,105,728	(273,637)	(8.8%)	(27,663)	(1.0%)
Developers	1,838,601	1,861,650	1,999,307	(160,706)	(8.0%)	(23,049)	(1.2%)
Land	991,358	999,968	1,030,071	(38,713)	(3.8%)	(8,610)	(0.9%)
Finished buildings	670,880	685,421	792,004	(121,124)	(15.3%)	(14,541)	(2.1%)
Under construction	176,363	176,261	177,232	(869)	(0.5%)	102	0.1%
Homes	520,561	546,396	624,588	(104,027)	(16.7%)	(25,834)	(4.7%)
Other	472,929	451,708	481,833	(8,905)	(1.8%)	21,221	4.7%
Foreclosed assets (net)	1,474,696	1,507,048	1,636,476	(161,780)	(9.9%)	(32,352)	(2.1%)
Developers	881,418	908,764	974,872	(93,454)	(9.6%)	(27,346)	(3.0%)
Land	387,892	401,653	401,305	(13,413)	(3.3%)	(13,760)	(3.4%)
Finished buildings	412,483	425,162	494,402	(81,919)	(16.6%)	(12,678)	(3.0%)
Under construction	81,042	81,949	79,165	1,878	2.4%	(907)	(1.1%)
Homes	308,900	326,980	376,048	(67,148)	(17.9%)	(18,081)	(5.5%)
Other	284,378	271,304	285,556	(1,178)	(0.4%)	13,074	4.8%
Coverage (%)	47.93%	47.30%	47.31%	0.62		0.63	
Developers	52.06%	51.19%	51.24%	0.82		0.88	
Land	60.87%	59.83%	61.04%	(0.17)		1.04	
Finished buildings	38.52%	37.97%	37.58%	0.94		0.55	
Under construction	54.05%	53.51%	55.33%	(1.28)		0.54	
Homes	40.66%	40.16%	39.79%	0.87		0.50	
Other	39.87%	39.94%	40.74%	(0.87)		(0.07)	
Coverage with w/o (%)	52.93%	52.14%	52.08%	0.85		0.79	
Developers	57.08%	56.06%	56.05%	1.03		1.02	
Land	64.64%	63.57%	64.36%	0.27		1.06	
Finished buildings	46.65%	45.66%	45.49%	1.16		0.99	
Under construction	55.80%	55.21%	57.16%	(1.36)		0.58	
Homes	45.25%	44.56%	44.09%	1.16		0.69	
Other	44.81%	44.76%	45.58%	(0.77)		0.05	

(*) RE investment assets are not included.

REOs breakdown	30/06/2019	31/12/2018	30/06/2018	y- o -y		Annual	
				Abs.	%	Abs.	%
REOs (gross)	3,196,584	3,287,923	3,496,214	(299,630)	(8.6%)	(91,339)	(2.8%)
Foreclosed assets	2,832,091	2,910,247	3,105,728	(273,637)	(8.8%)	(78,156)	(2.7%)
Non-current assets held for sale	602,107	643,362	735,680	(133,573)	(18.2%)	(41,255)	(6.4%)
Inventories	2,229,984	2,266,885	2,370,049	(140,065)	(5.9%)	(36,901)	(1.6%)
RE Investments	364,493	377,676	390,486	(25,993)	(6.7%)	(13,182)	(3.5%)
REOs (net)	1,677,721	1,749,775	1,854,218	(176,497)	(9.5%)	(72,054)	(4.1%)
Foreclosed assets	1,474,696	1,535,937	1,636,476	(161,780)	(9.9%)	(61,241)	(4.0%)
Non-current assets held for sale	336,160	357,583	409,544	(73,385)	(17.9%)	(21,423)	(6.0%)
Inventories	1,138,536	1,178,354	1,226,932	(88,396)	(7.2%)	(39,817)	(3.4%)
RE Investments	203,025	213,838	217,742	(14,717)	(6.8%)	(10,813)	(5.1%)
REOs (% coverage)	47.52%	46.78%	46.96%	0.55		0.73	
Foreclosed assets	47.93%	47.22%	47.31%	0.62		0.71	
Non-current assets held for sale	44.17%	44.42%	44.33%	(0.16)		(0.25)	
Inventories	48.94%	48.02%	48.23%	0.71		0.93	
RE Investments	44.30%	43.38%	44.24%	0.06		0.92	

REOs	2Q18	3Q18	4Q18	1Q19	2Q19	Last 4 quarters
Inflow	114	78	112	71	96	357
Sales	-242	-168	-231	-117	-141	-657
Variation	-127	-90	-119	-46	-45	-300

NPL evolution	2Q18	3Q18	4Q18	1Q19	2Q19	Last 4 quarters
NPL inflow	98	92	99	101	87	379
NPL outflow	-527	-197	-272	-195	-246	-910
NPL VARIATION	-430	-106	-173	-94	-159	-531

Results

Consolidated P&L at quarter end

(EUR Thousands)	30/06/2019	%ATM	30/06/2018	%ATM	y-o-y	
					Abs.	%
Interest income	350,557	1.59%	357,638	1.73%	(7,081)	(2.0%)
Interest expenses	(56,640)	(0.26%)	(63,464)	(0.31%)	6,824	(10.8%)
NET INTEREST INCOME	293,917	1.33%	294,174	1.42%	(257)	(0.1%)
Dividend income	3,139	0.01%	2,654	0.01%	485	18.3%
Income from equity-accounted method	17,366	0.08%	13,595	0.07%	3,771	27.7%
Net fees and commissions	122,148	0.55%	132,531	0.64%	(10,383)	(7.8%)
Gains (losses) on financial transactions	242,721	1.10%	86,027	0.42%	156,694	182.1%
Exchange differences [gain or (-) loss], net	1,144	0.01%	768	-	376	49.0%
Other operating incomes/expenses	(16,966)	(0.08%)	(18,828)	(0.09%)	1,862	(9.9%)
of which: Transfer to Education/Devpment Fund	(2,551)	(0.01%)	(2,490)	(0.01%)	(61)	2.4%
GROSS INCOME	663,469	3.00%	510,921	2.47%	152,548	29.9%
Administrative expenses	(258,875)	(1.17%)	(262,471)	(1.27%)	3,596	(1.4%)
Personnel expenses	(165,472)	(0.75%)	(169,655)	(0.82%)	4,183	(2.5%)
Other administrative expenses	(93,403)	(0.42%)	(92,816)	(0.45%)	(587)	0.6%
Depreciation and amortisation	(28,992)	(0.13%)	(31,729)	(0.15%)	2,737	(8.6%)
NET INCOME BEFORE PROVISIONS	375,602	1.70%	216,721	1.05%	158,881	73.3%
Provisions or (-) reversal of provisions	(61,372)	(0.28%)	(19,731)	(0.10%)	(41,641)	211.0%
Impairment losses on financial assets	(185,637)	(0.84%)	(32,611)	(0.16%)	(153,026)	469.2%
OPERATING INCOME	128,593	0.58%	164,379	0.79%	(35,786)	(21.8%)
Impairment or reversal of investments in associates (net)	-	-	(22)	-	22	(100.0%)
Impairment losses on non financial assets	(30,857)	(0.14%)	(22,270)	(0.11%)	(8,587)	38.6%
Gains or (-) losses on derecognition of non financial assets	(16,676)	(0.08%)	(81,236)	(0.39%)	64,560	(79.5%)
Profit or (-) loss from non-current assets	(8,955)	(0.04%)	(6,737)	(0.03%)	(2,218)	32.9%
PROFIT BEFORE TAX	72,106	0.33%	54,117	0.26%	17,989	33.2%
Tax	(25,096)	(0.11%)	(8,938)	(0.04%)	(16,158)	180.8%
CONSOLIDATED NET PROFIT	47,010	0.21%	45,178	0.22%	1,832	4.1%

Quarterly results

(EUR Thousands)	2Q18	3Q18	4Q18	1Q19	2Q19	q-o-q	
						Abs.	%
Interest income	176,489	172,619	178,433	176,289	174,268	(2,021)	(1.1%)
Interest expenses	(32,573)	(35,450)	(23,736)	(28,171)	(28,469)	(298)	1.1%
NET INTEREST INCOME	143,915	137,169	154,697	148,118	145,799	(2,319)	(1.6%)
Dividend income	2,411	2,737	1,230	500	2,639	2,139	427.8%
Income from equity-accounted method	6,636	7,874	9,513	8,804	8,562	(242)	(2.7%)
Net fees and commissions	65,853	63,534	65,625	61,051	61,097	46	0.1%
Gains (losses) on financial transactions	47,675	(135)	(6,908)	26,712	216,009	189,297	708.7%
Exchange differences [gain or (-) loss], net	276	534	233	959	185	(774)	(80.7%)
Other operating incomes/expenses	(8,400)	(8,286)	(4,667)	(9,250)	(7,716)	1,534	(16.6%)
of which: Mandatory transfer to Education and Devlp. Fund	(803)	(1,449)	(104)	(1,363)	(1,188)	175	(12.8%)
GROSS INCOME	258,367	203,428	219,724	236,894	426,575	189,681	80.1%
Administrative expenses	(131,746)	(116,049)	(132,514)	(127,572)	(131,303)	(3,731)	2.9%
Personnel expenses	(84,884)	(66,168)	(84,386)	(81,046)	(84,426)	(3,380)	4.2%
Other administrative expenses	(46,861)	(49,881)	(48,128)	(46,526)	(46,877)	(351)	0.8%
Depreciation and amortisation	(11,166)	(11,156)	(12,394)	(14,755)	(14,237)	518	(3.5%)
NET INCOME BEFORE PROVISIONS	115,455	76,223	74,816	94,567	281,035	186,468	197.2%
Provisions or (-) reversal of provisions	(18,110)	(1,567)	(17,257)	(6,174)	(55,198)	(49,024)	794.0%
Impairment losses on financial assets	514	(56,044)	(55,561)	(54,224)	(131,413)	(77,189)	142.4%
OPERATING INCOME	97,859	18,612	1,997	34,169	94,424	60,255	176.3%
Impairment or reversal of investments in or associates (net)	(22)	-	-	-	-	-	-
Impairment losses on non financial assets	(608)	15,090	1,223	(3,997)	(26,860)	(22,863)	572.0%
Gains or (-) losses on derecognition of non financial assets	(73,394)	(8,256)	(7,827)	(4,461)	(12,215)	(7,754)	173.8%
Profit or (-) loss from non-current assets	(1,250)	431	(6,282)	(2,431)	(6,524)	(4,093)	168.4%
PROFIT BEFORE TAX	22,586	25,877	(10,889)	23,279	48,827	25,548	109.7%
Tax	(8,883)	(1,038)	23,124	1,353	(26,449)	(27,802)	(2,054%)
CONSOLIDATED NET PROFIT	13,702	24,839	12,235	24,632	22,378	(2,254)	(9.2%)

Solvency

Phased in (EUR Thousands)	30/06/2019	31/03/2019	30/06/2018	y-o-y		q-o-q	
				Abs.	%	Abs.	%
Capital	2,873,040	2,830,809	2,694,484	178,556	6.6%	42,231	1.5%
Reserves	484,822	469,825	447,329	37,493	8.4%	14,997	3.2%
AFS Surplus	(5,397)	(6,952)	994	(6,391)	(643.0%)	1,555	(22.4%)
Capital deductions	(385,817)	(380,079)	(330,527)	(55,290)	16.7%	(5,738)	1.5%
Ordinary Tier 1 Capital	2,966,649	2,913,603	2,812,280	154,369	5.5%	53,046	1.8%
CET1 ratio (%)	12.86%	12.60%	12.01%	0.85		0.26	
Tier2 Capital	388,000	400,000	400,000	(12,000)	(3.0%)	(12,000)	(3.0%)
Tier 2 ratio (%)	1.68%	1.73%	1.71%	(0.03)		(0.05)	
Eligible capital	3,354,649	3,313,603	3,212,280	142,369	4.4%	41,046	1.2%
Capital ratio (%)	14.54%	14.33%	13.71%	0.83		0.21	
Total risk-weighted assets	23,068,389	23,116,849	23,424,252	(355,863)	(1.5%)	(48,460)	(0.2%)
Credit risk	21,482,321	21,543,740	21,935,024	(452,703)	(2.1%)	(61,419)	(0.3%)
Operational risk	1,445,750	1,445,750	1,443,904	1,846	0.1%	-	-
Other risk	140,318	127,359	45,324	94,994	209.6%	12,959	10.2%
Fully-loaded (EUR Thousands)							
Capital	2,873,040	2,830,809	2,694,484	178,556	6.6%	42,231	1.5%
Reserves	309,736	294,739	251,608	58,128	23.1%	14,997	5.1%
AFS Surplus	(5,397)	(6,952)	994	(6,391)	(643.0%)	1,555	(22.4%)
Capital deductions	(385,817)	(380,079)	(360,529)	(25,288)	7.0%	(5,738)	1.5%
Ordinary Tier 1 Capital	2,791,562	2,738,517	2,586,557	205,005	7.9%	53,045	1.9%
CET1 ratio (%)	12.14%	11.88%	11.07%	1.07		0.26	
Tier2 Capital	388,000	400,000	400,000	(12,000)	(3.0%)	(12,000)	(3.0%)
Tier 2 ratio (%)	1.69%	1.74%	1.71%	(0.02)		(0.05)	
Eligible capital	3,179,562	3,138,517	2,986,557	193,005	6.5%	41,045	1.3%
Capital ratio (%)	13.83%	13.62%	12.78%	1.05		0.21	
Total risk-weighted assets	22,996,628	23,046,347	23,368,202	(371,574)	(1.6%)	(49,719)	(0.2%)
Credit risk	21,410,560	21,473,238	21,878,974	(468,414)	(2.1%)	(62,678)	(0.3%)
Operational risk	1,445,750	1,445,750	1,443,904	1,846	0.1%	-	-
Other risk	140,318	127,359	45,324	94,994	209.6%	12,959	10.2%

Liquidity

	2Q19	1Q19	2Q18	y-o-y	q-o-q
LTD(%)	96.96%	99.93%	104.63%	(7.67)	(2.97)
LCR(%)	217.23%	211.06%	198.64%	18.59	6.17
NSFR(%)	126.55%	120.64%	116.50%	10.05	5.91

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 Business gap	Difference between the numerator and the denominator of the Loan To Deposits ratio.
4 Cooperative members	Owners of at least one contribution to the equity capital of the credit cooperatives (both companies and individuals).
5 Cost of Risk (%)	Annualised total impairment losses / Average Gross Loans and REOs.
6 Cost-income ratio (%)	(Administrative expenses + Depreciation and amortisation) / Gross income.
7 Customer funds under management	On-Balance sheet retail funds + Off-balance sheet funds
8 Customers' deposits	Sight deposits + Term deposits
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)	REOs excluding RE investments.
13 Foreclosed assets (net)	Foreclosed assets (gross) – Total foreclosed assets coverage
14 Foreclosed assets coverage ratio (%)	Foreclosed assets coverage / Foreclosed assets (gross)
15 Foreclosed assets coverage ratio with debt forgiveness (%)	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 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 (gross)
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)
26 NPL coverage ratio (%)	Gross loans coverage / Non-performing loans
25 NPA ratio (%)	(Non-performing loans + Foreclosed assets (gross)) / (Gross loans + Foreclosed assets (gross))
27 NPL ratio (%)	(Non-performing loans + non-performing contingent risks) / (Gross loans + contingent risks)

Measure	Definition and calculation
28 Off-balance sheet funds	Mutual funds + Pension plans + Saving insurance + Fixed-equity income
29 On-Balance sheet retail funds	Sight deposits + Term deposits + Other funds (repurchase agreements)
30 Operating expenses	Personnel expenses + Other administrative expenses + Depreciation and amortisation
31 Performing Loans	Gross loans – Non-performing loans
32 Performing Loans to customers	Loans to customers (gross) – Non-performing loans
33 Recurring cost-income ratio (%)	Operating expenses / Recurring gross income
34 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
35 Recurring Net Income before provisions	Recurring gross income – Operating expenses
36 RED Loans	Real estate development loans
37 ROA (%)	Annualisation of the following quotient: Consolidated net profit / Average total assets (average of the end-of-quarter figures since the previous December, inclusive)
38 ROE (%)	Annualisation of the following quotient: Consolidated net profit / Average total equity (average of the end-of-quarter figures since the previous December, inclusive)
39 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)
40 Texas ratio (%)	(Non performing total risks + gross REOs) / (Gross loans coverage + REOs coverage + Total equity)
41 Total balance sheet funds	Customers' retail funds + Wholesale funding
42 Total lending	Gross Loans - Credit losses and impairment
43 Total risks	Gross loans + Contingent risks
44 Wholesale funds	Bonds and other securities + Subordinated liabilities + Monetary market operations + Deposits from credit institutions + ECB

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