

# CREDIT UPDATE

Data as of 3Q 2018

8 November 2018

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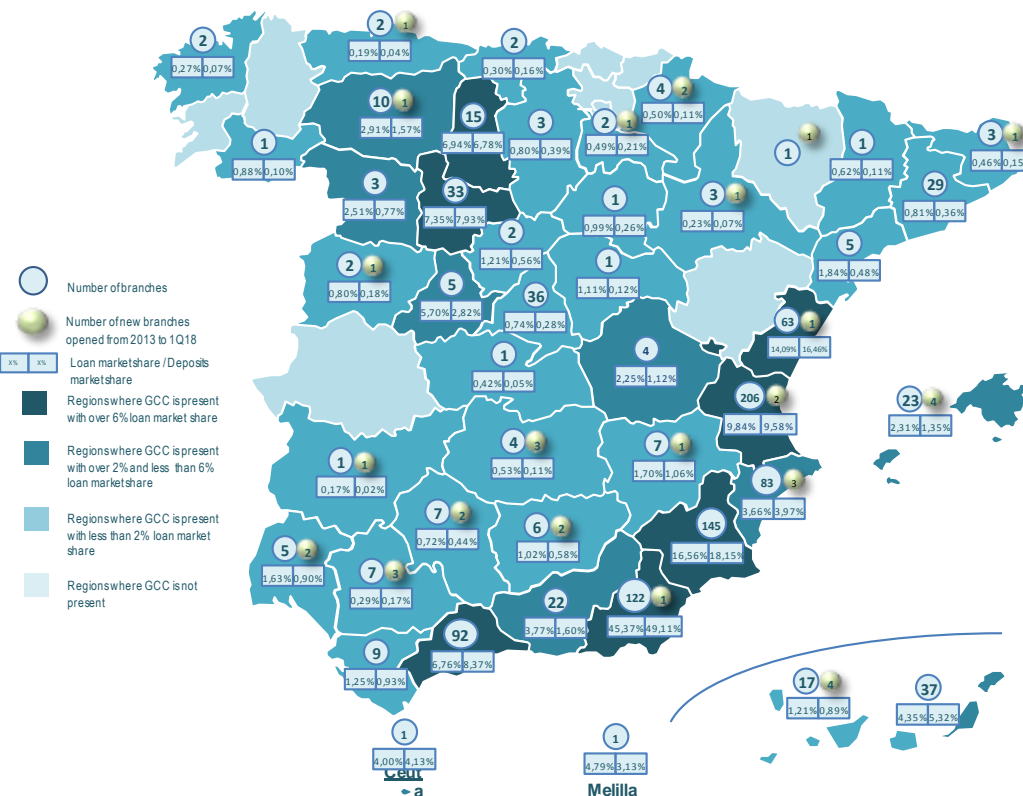
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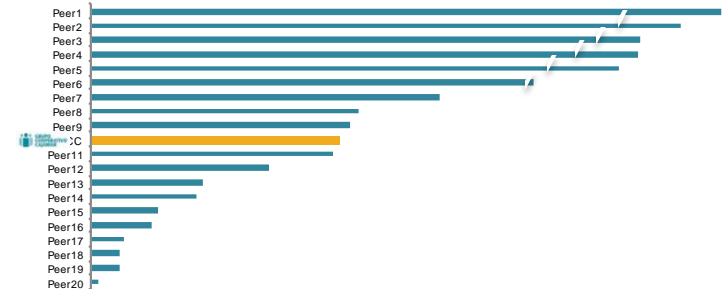
# Grupo Cooperativo Cajamar: A cooperative Group with nationwide presence

Grupo Cooperativo Cajamar ranks #10 by loans in Spain, and is the 11th entity by asset size (EUR43bn). It has 2.8% of the loan market share, and 14% of the agribusiness market share



**2018:** 1,029 branches (+3 openings, -31 closures)

Gross loans in Spain



➔ **Strong presence along mediterranean coast and also some areas in Castilla-León and the Islands...** As a result of a number of mergers of credit cooperatives over the last years

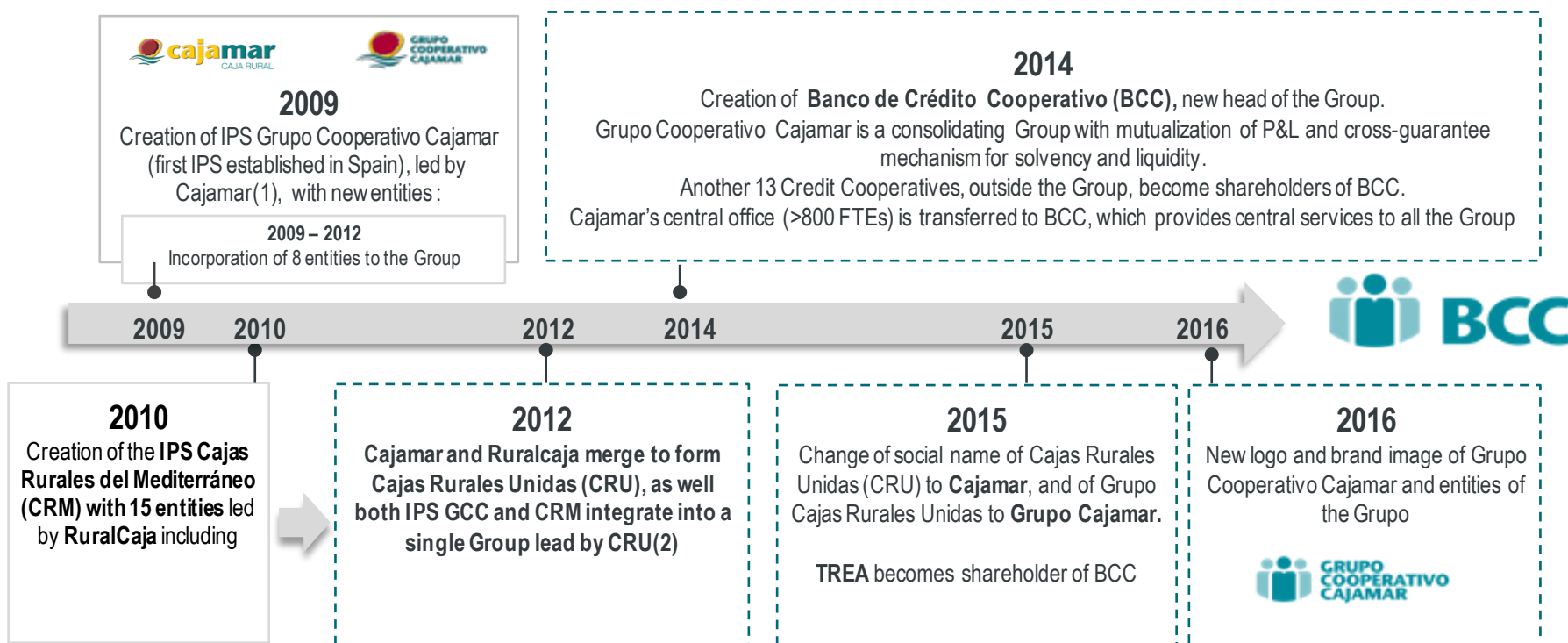
52%  
Of total loans  
from rural  
credit  
cooperatives

14%  
Agri  
business  
market  
share

#11  
entity  
by  
asset  
size

## Grupo Cooperativo Cajamar: A consolidation story

Cajamar has its origins in the 1960s. It has integrated a number of cooperatives over the years. Grupo Cooperativo Cajamar is supervised by ECB on a consolidated basis. It is an Institutional Protection Scheme and has BCC as head entity



Source: Companies Annual Reports and UNACC.

1) After the creation of GCC IPS there were additional mergers into Cajamar: C.R. Baleares (2010), Cajacampo (2011) and C.R.Castellón (2012).  
2) After the creation of CRU there have been additional mergers into CRU during 2013: Credit Valencia, C.R. Casinos and C.R. Canarias.  
3) Commercial name remained as Grupo Cooperativo Cajamar.  
4) As of June 2012.




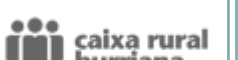















## GCC Corporate Structure

- 1 bank + 19 credit cooperatives, being BCC the parent company of the Group. Supervised by ECB as a Group, through BCC.
- Operating as an Institutional Protection Scheme with full P&L pooling and balance sheet consolidation, where control and management are sited at BCC, operating as one entity in terms strategy, solvency, risk mgmt., liquidity and profits.
- BCC will be the issuer of senior debt and hybrid capital. Covered bonds and ABS to be issued by Cajamar, where the collateral is booked

BCC is owned 92% by credit coops of GCC and 8% by external shareholders



% of shareholding in BCC as of 3Q18  
**92.3%**

 84.7%	 1.5%	 0.9%	 0.7%	 0.6%	 0.8%	 0.5%
 0.4%	 0.3%	 0.3%	 0.3%	 0.2%	 0.2%	 0.2%
	 0.1%	 0.1%	 0.1%	 0.1%	 0.1%	

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## Most significant figures (I)

(EUR Thousands)

	30/09/2018	30/06/2018	31/12/2017	30/09/2017	y-o-y		Annual		q-o-q	
					Abs.	%	Abs.	%	Abs.	%
<b>Profit and Loss Account</b>										
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	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%				
<b>Business</b>										
Total 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%)
<b>Risk management</b>										
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)	
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%)
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%)
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)	

## Most significant figures (II)

(EUR Thousands)

(EUR Thousands)	30/09/2018	30/06/2018	31/12/2017	30/09/2017	y- o -y		Annual		q-o-q	
					Abs.	%	Abs.	%	Abs.	%
Liquidity										
LTD (%)	104,11%	104,63%	110,08%	107,12%	(3,01)		(5,97)		(0,52)	
LCR (%) *	207,24%	198,64%	214,62%	218,59%	(11,35)		(7,38)		8,60	
NSFR (%)	116,69%	116,50%	112,30%	114,90%	1,79		4,39		0,19	
Commercial Gap position	(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	
Capital ratio (%)	14,13%	13,71%	13,37%	14,25%	(0,12)		1,39		0,42	
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	
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 variation from 01/01/2018



## Supervisory Banking Statistics Highlights

**Comparison of 109 banks' key indicators from the SSM Supervisory Banking Statistics for the 2Q18. Institutions are classified as follows:**

- 22 banks with significant domestic exposure (those with domestic exposure more than 95% of total debt securities and loans and advances)
- 45 banks with asset size between €30bn and €100bn
- 12 spanish banks

	GCC (3Q18)	Banks with significant domestic exposure(2Q18)	Banks with asset size between €30bn and €100 bn (2Q18)	Spain (2Q18)	SSM average (2Q18)
<b>Asset quality</b>					
NPL ratio	8,2%	11,1%	9,0%	4,2%	4,4%
<b>Solvency</b>					
CET1 (transitional)	12,4%	15,2%	16,8%	11,5%	14,1%
Leverage ratio (transitional)	6,6%	6,8%	7,4%	5,6%	5,4%
RWA density (RWA / total assets)	54,1%	45,2%	43,9%	44,5%	36,6%
<b>Liquidity</b>					
LCR	207,2%	158,8%	160,0%	159,6%	140,9%
<b>Performance</b>					
Cost-income ratio	59,0%	70,2%	59,7%	51,8%	65,9%
RoE	3,1%	4,2%	5,0%	9,0%	6,9%

## Our Evolution

### The past... 2014

#### *WHERE WE WERE*

NPLs	€5,852m
NPL Ratio	17.7%
CET1	11.1%
ROE	1.3%

### The present... 3Q2018

#### *WHERE WE ARE*

NPLs	€2,632m
NPL Ratio	8.24%
CET1	12.40%
ROE	3.13%

### The future... 2020

#### *WHERE WE WANT TO BE*

NPLs	< €1,500m
NPL Ratio	< 5%
CET1	> 12.5%
ROE	> 4%

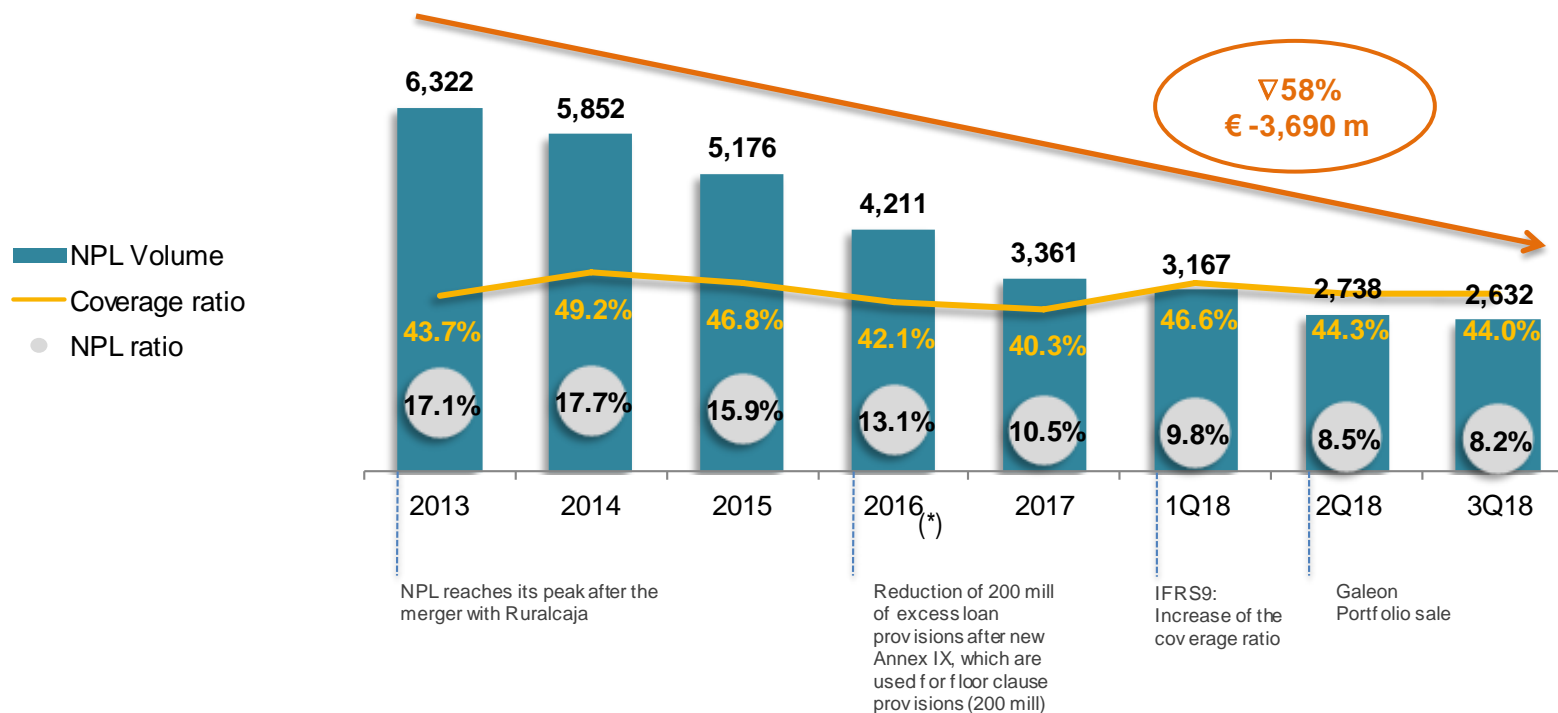
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## Asset quality (I)

A significant improvement in asset quality quarter on quarter, without any public aid

### Non Performing Loans

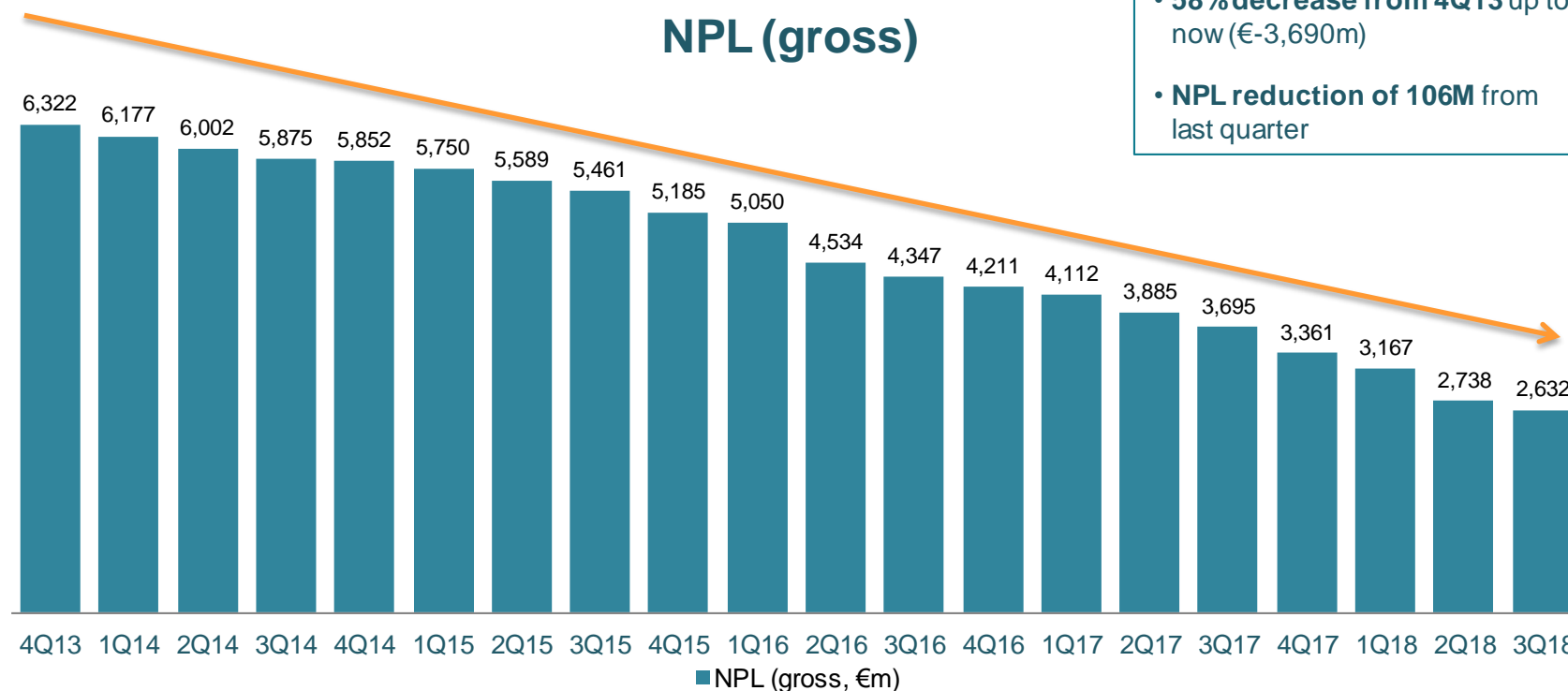


(\*) NPL ratio from 2016 onwards: (Non-performing loans + non-performing contingent risks) / (Gross loans + contingent risks)

## Asset quality (II)

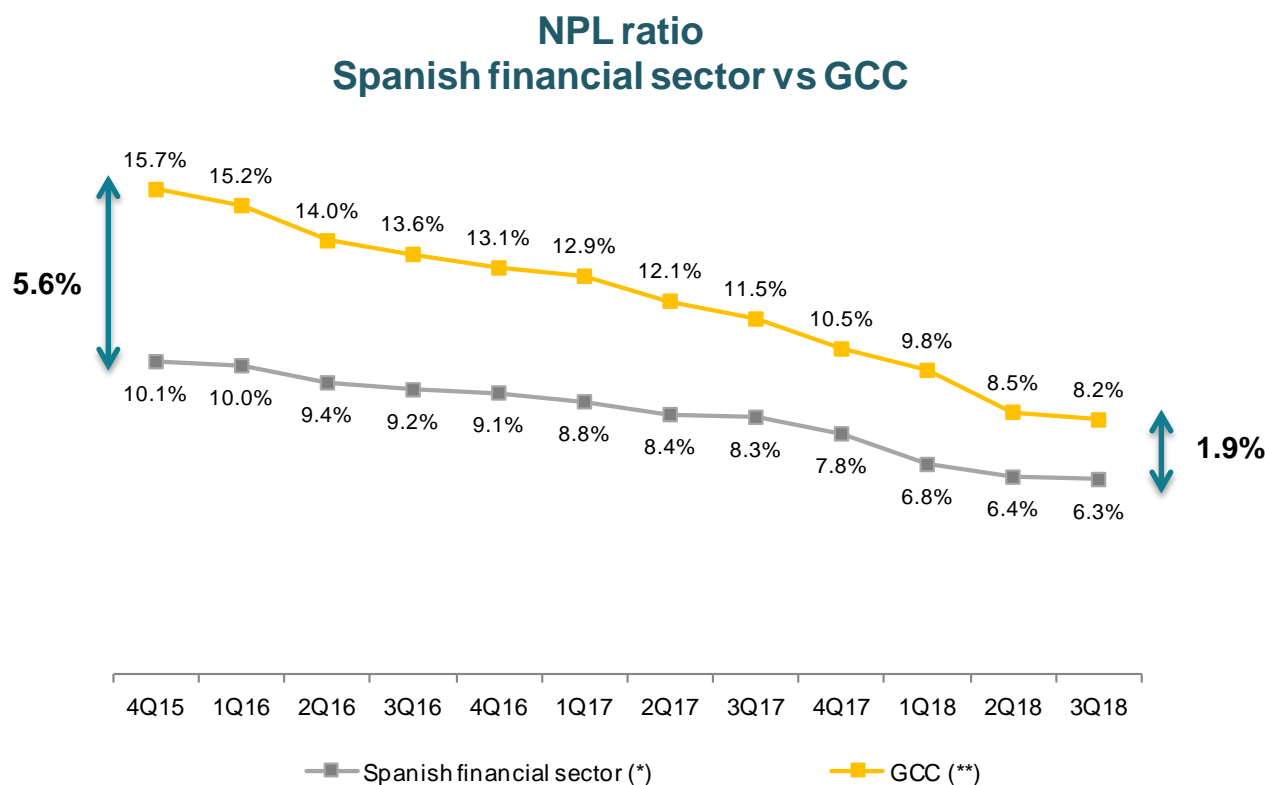
We have reduced NPLs for 19 consecutive quarters

- **Average reduction of 189M** for the 19 consecutive quarters
- **58% decrease from 4Q13 up to now** (€-3,690m)
- **NPL reduction of 106M** from last quarter



## Asset quality (III)

One of the banks in Spain with the strongest NPL reduction, narrowing the gap to the sector



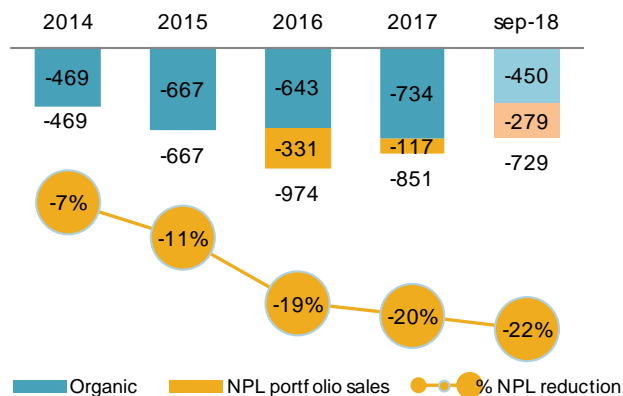
(\*) Source: Bank of Spain, NPL ratio of resident private sector. Data of 3Q18 as of Aug 2018

(\*\*) GCC NPL: (Non-performing loans + non-performing contingent risks) / (Gross loans + contingent risks)

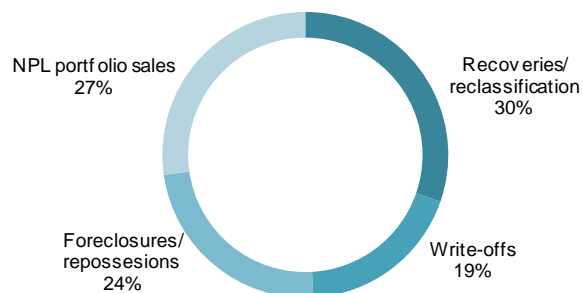
## Asset quality (V)

8.5% NPL ratio target for FY2018 already achieved, revised to 8%

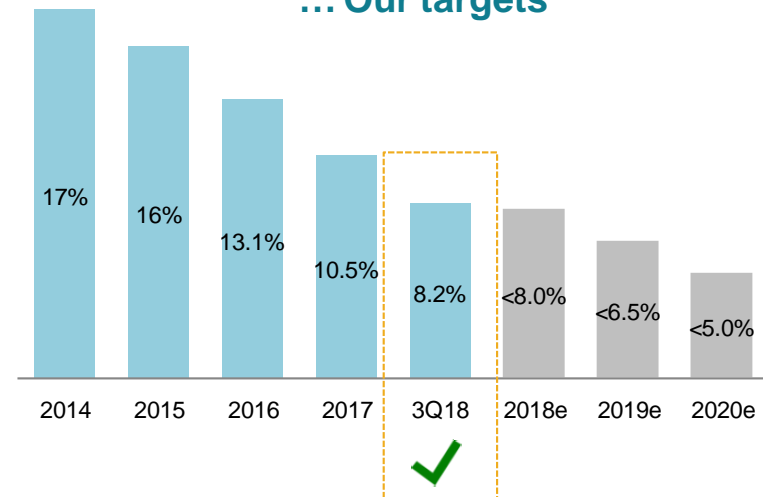
### Our track-record...



### Average NPL outflow 2018



### ... Our targets



Targets based on a c.650m organic NPL reduction

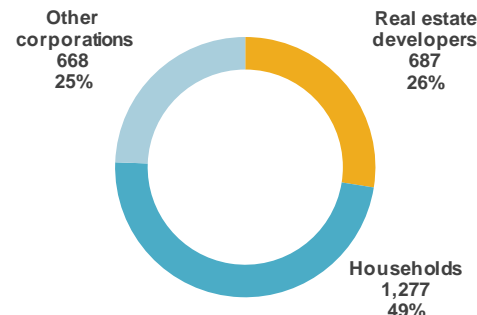
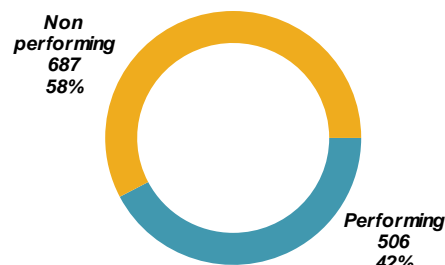
Levers to improve asset quality → **NPL portfolio sales**

## Asset quality (VII)

A conservative approach regarding recognition of NPLs

### Loans to real estate developers

- RED loans account for only 3.8% of gross loans
- 58% classified as NPLs<sup>1</sup> (aprox. 9% less than 2Q18)
- RED exposure is 1,2bn (aprox. 6% less than 2Q18)

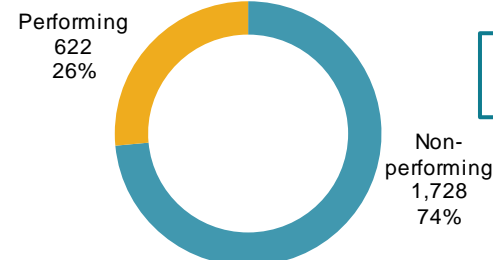
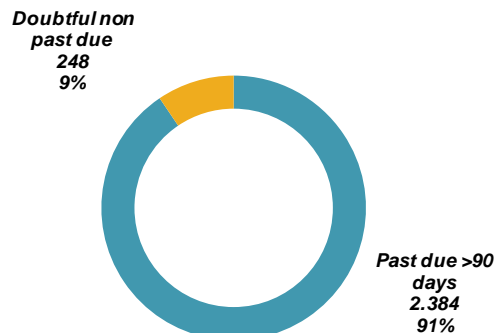


### NPL breakdown by segment

- 26% of all NPLs are loans to real estate developers
- NPL ratio exRED: 6.3%

### Origin of NPLs

9% of NPLs are non past due



### Forborne loans

74% already in the NPL figure

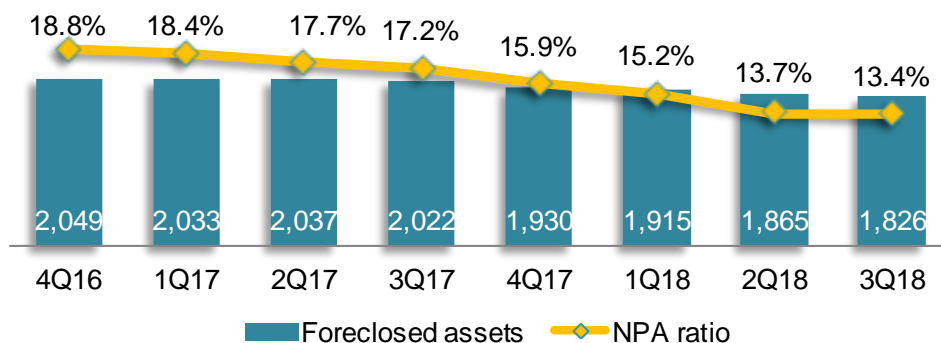


## Asset quality (VIII)

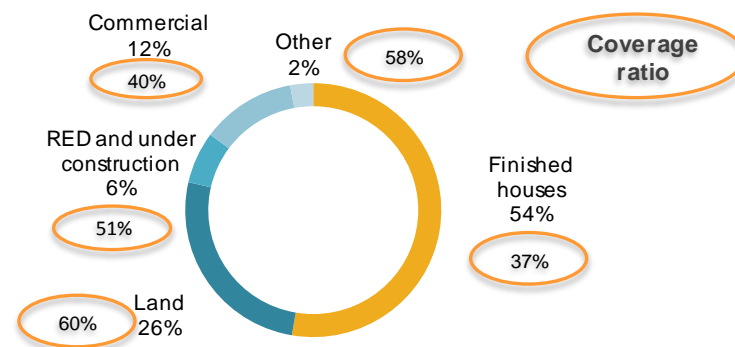
The stock of foreclosed assets continues the downward trend that started in 1Q17, on the back of lower entries (19% less y-o-y) and higher sales (37% more y-o-y) in spite of seasonal effect.

REOs coverage at 46.7% (equivalent to 51.3% if including write-offs of the original loan)

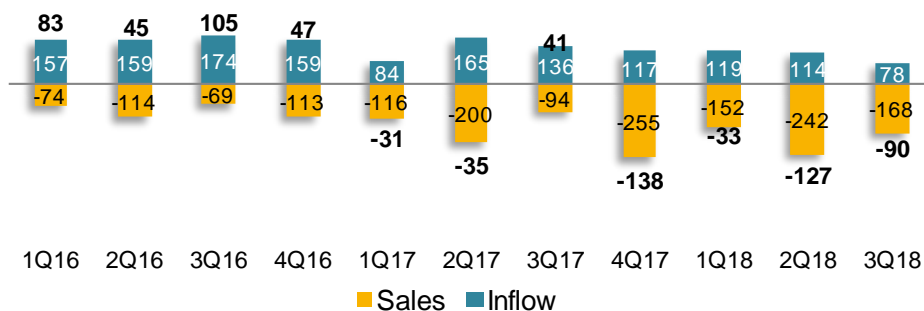
Net Foreclosed assets & NPA ratio



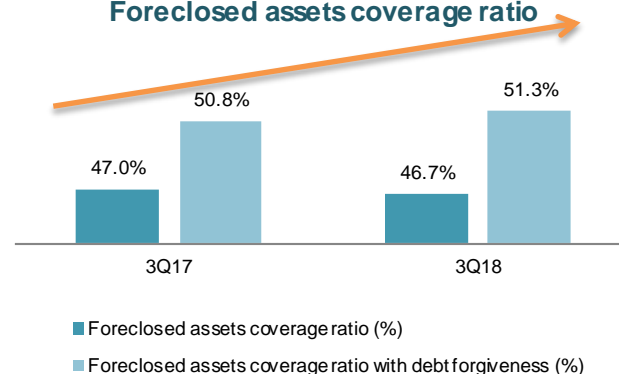
Land represents only 26% of the net stock



Quarterly evolution of foreclosed assets (gross)

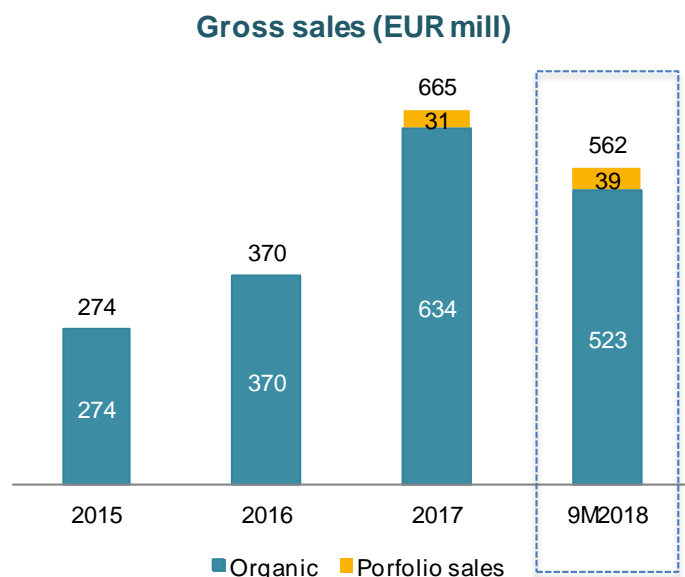


Foreclosed assets coverage ratio

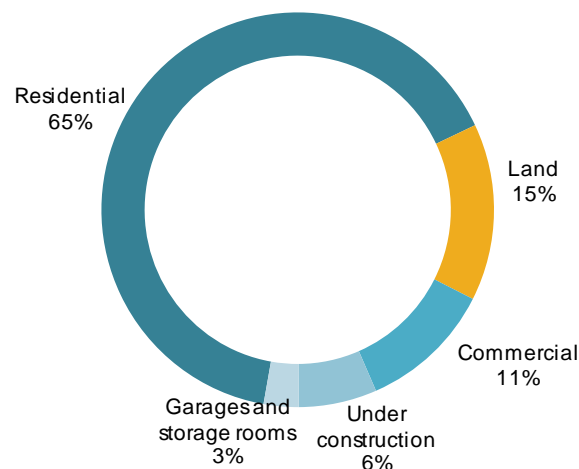


## Asset quality (IX)

A significant improvement in sales of foreclosed assets. No obstacles are foreseen for higher sales in the next quarters.



## Breakdown of sales by asset type

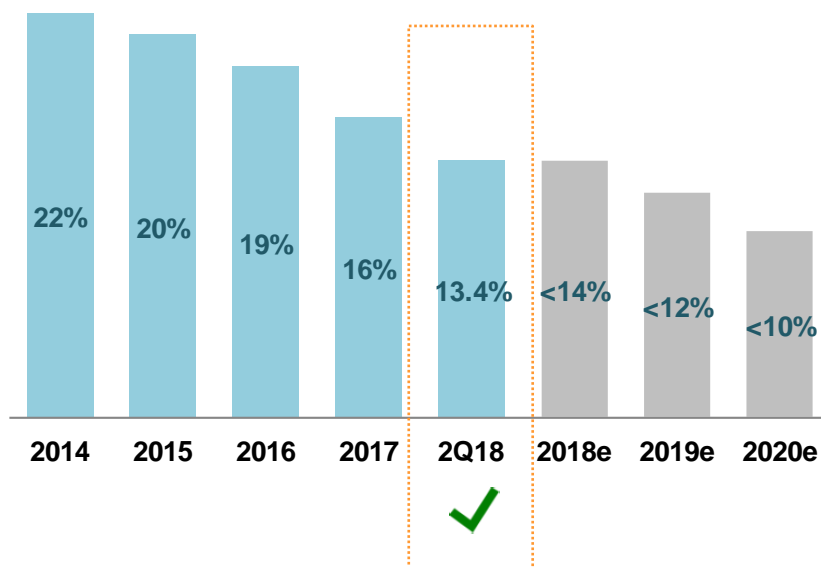


- Sales of foreclosed assets include the **Tango 1 portfolio** in 4Q17 (€47m gross of which 31 booked in 2017), accounting for 5% of total sales in 2017. Also, **Tango 2 portfolio** was sold in 1Q18 accounting for €23m in 2018 total sales
- Sales of foreclosed assets improve 37% y-o-y
- Good market environment and a well trained branch network allow for increased sales

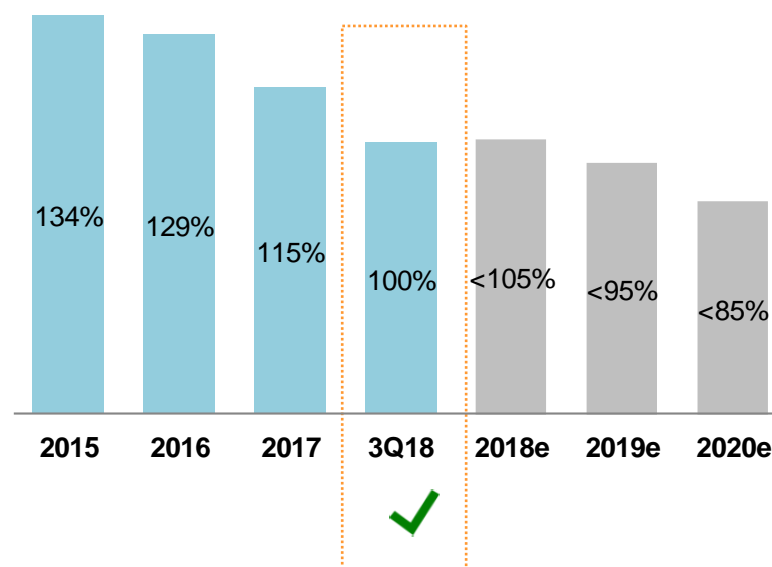
## Asset quality (XI)

A proven track-record in NPL reduction as a basis for ambitious yet attainable asset quality metrics targets

### NPA targets



### Our Texas ratio targets



NPA ratio = (Non-performing loans + Foreclosed assets (net)) / (Gross loans+ Foreclosed assets (net))

Texasratio = (Gross non-performing assets+ Doubtful contingent liabilities) / (NPA coverage + Total capital)

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## Solvency (I)

IFRS9 impact on CET1 on Jan1 has been absorbed in 2018, with a CET1 ratio higher than at FY17

### PHASED IN

	31/12/2017	01/01/2018	30/09/2018	Change from 01/01/2018
CET1	11.19%	11.06%	12.40%	+ 134 bp
T2	2.18%	1.67%	1.73%	+ 6 bp
Total Capital	13.37%	12.74%	14.13%	+139 bp

### FULLY LOADED

	31/12/2017	01/01/2018	30/09/2018	Change from 01/01/2018
CET1	10.90%	10.15%	11.45%	+ 130 bp
T2	2.18%	1.68%	1.74%	+ 6 bp
Total Capital	13.08%	11.83%	13.18%	+ 135 bp

#### Impact on CET1 absorbed:

← The full negative impact on CET1 following IFRS9 has been absorbed in 2018, both phased in (13 bp) and fully loaded (75 bp)

← From January 1st the generic provision stopped counting as Tier2 capital (51 bp impact on Tier2)

\*Proforma 2019 Fully Basel III + Phased IFRS9 ratios:

- 12.2% CET1 & 13.9% Total Capital

## Solvency (II)

We have been able to absorb the full impact of IFSR9 in the first nine months of 2018, with a 175 pbs buffer to total capital SREP requirements

Phased in	30/09/2018
Capital	2,732,751
Reserves	473,726
AFS Surplus	-8,417
Minority	-
Capital deductions	-335,261
<b>Ordinary Tier 1 Capital</b>	<b>2,862,799</b>
<b>CET 1 ratio (%)</b>	<b>12.40%</b>

CET1 deductions:

- Intangible €-138m
- DTAs€-172
- Other€-25m

<b>Tier2 Capital</b>	<b>400,000</b>
<b>Tier 2 ratio (%)</b>	<b>1.73%</b>

<b>Computable capital</b>	<b>3,262,799</b>
<b>Capital ratio (%)</b>	<b>14.13%</b>

<b>Total risk-weighted assets</b>	<b>23,092.813</b>
<b>RWA/total assets</b>	<b>54.06%</b>

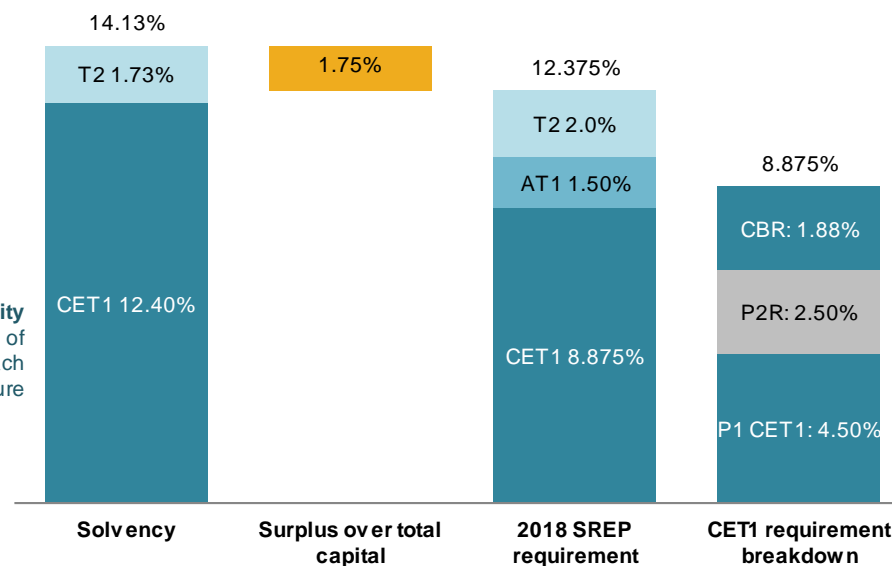
High RWA density from use of standard approach (working on future migration to IRB)

Max T2 bucket (2%)	461,856
Max AT1 bucket (1,5%)	346,392

→ P2R for 2018 stands at 2.50%

→ SREP requirements for 2018: 8,875% CET1 and 12,375% Total Capital

→ Assuming P2R remains unchanged, requirements for 2019 would be 9.5% CET1 and 13% total capital → enough distance to SREP (c. +90 bps)



## Solvency (III): Targets and Levers to increase capital

The baseline scenario is to keep solvency levels above requirements based on organic capital generation, but there are levers to increase the buffer to SREP

### Targets for 2020:

→ CET1 > 12% ✓ revised up to 12.50%

→ Total Capital > 14% ✓ revised up to 14.50% ↑

### Potential levers to increase capital ratios

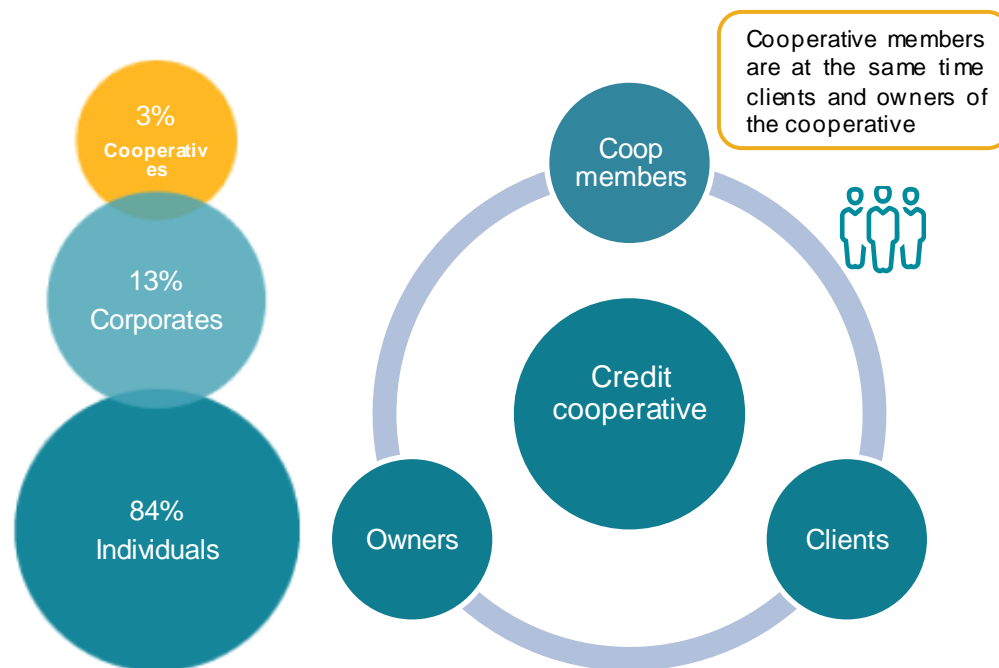
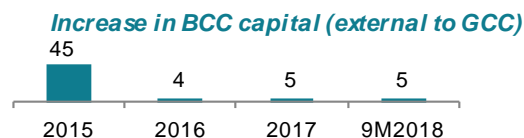
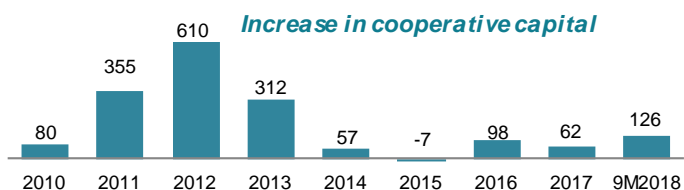
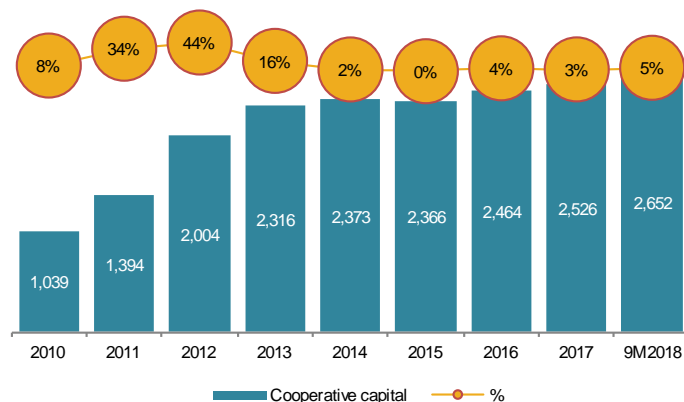
	Expected	Maximum expected impact	Comments
Further RWAs reduction	Ongoing	Reduce the gap to the average density of spanish banks (GCC 55%, Average spanish banks 47%)	<ul style="list-style-type: none"> <li>• GCC has started preparing the migration to IRB. Exact time and impact are still uncertain</li> <li>• CCF Recalibration</li> </ul>
Potential issuance up to 100M of T2	2019	c. 40 bps on CET1	<ul style="list-style-type: none"> <li>• Depending on market</li> <li>• Cost sensitive</li> <li>• Postponed subject to market conditions</li> </ul>
ABS for capital relief	4Q18-1Q19	c. 30 bps	Ongoing
Reducing APRs by delevering balance sheet	2018-2019	c. 5-20 bps	Ongoing
Management of capital deductions	2Q18	c. 25 bps	Reduction of intangibles ✓
Organic capital generation	↑ Ongoing	c. 40-80 bps per year	Cooperative capital + Retained earnings

## Solvency (IV): Cooperative Capital

→ More than 45 external shareholders outside GCC

→ More than 1,430,000 cooperative members

Cooperative capital can increase with new incoming members or existing ones increasing their share in the cooperative. Fully MIFID compliant





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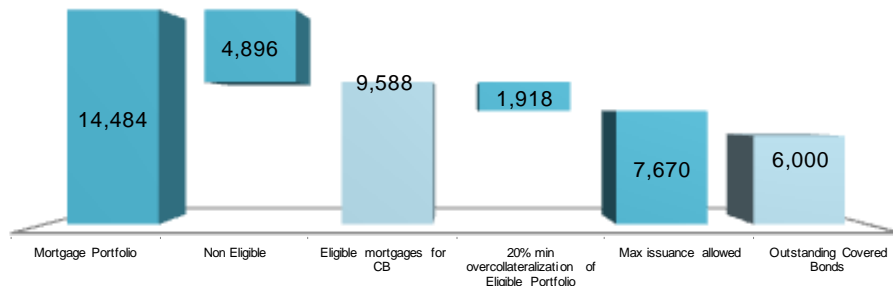
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## Liquidity and wholesale funding

- Wholesale funding mainly via covered bonds, ECB and MBS
- Prefunding of forecoming CB maturity (Nov18) with the issuance of a €500m 5y CB
- Sound liquidity position, with limited maturities in the following years
- LCR: 207.2%, NSFR: 116.7%, LTD: 104.1%
- Available Collateral: €5,1bn

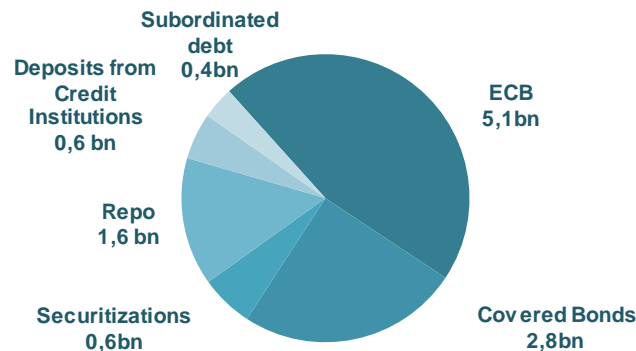
### Cajamar Eligible Mortgage Portfolio

Overcollateralization ratio: **141%**



(EUR Millions)

### Wholesale Funding



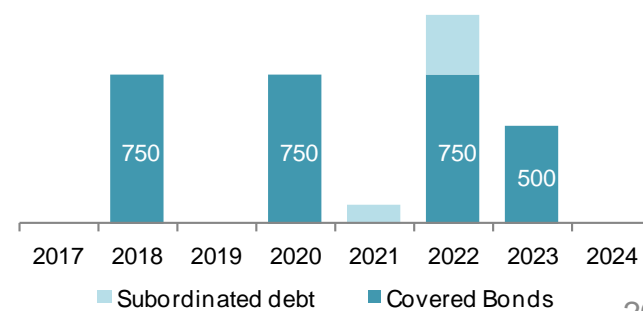
(EUR Millions)

### Average Wholesale Funding Cost

	Amount	Yield	%
ECB	5,087	-0,4%	57%
Covered Bonds	2,750	1,8%	31%
Securizations	660	0,0%	7%
Subordinated Debt	400	8,1%	5%
<b>TOTAL</b>	<b>8,897</b>	<b>0,7%</b>	<b>100%</b>

(EUR Millions)

### Wholesale Redemption Calendar <sup>(3)</sup>



Subordinated debt

Covered Bonds

(1)

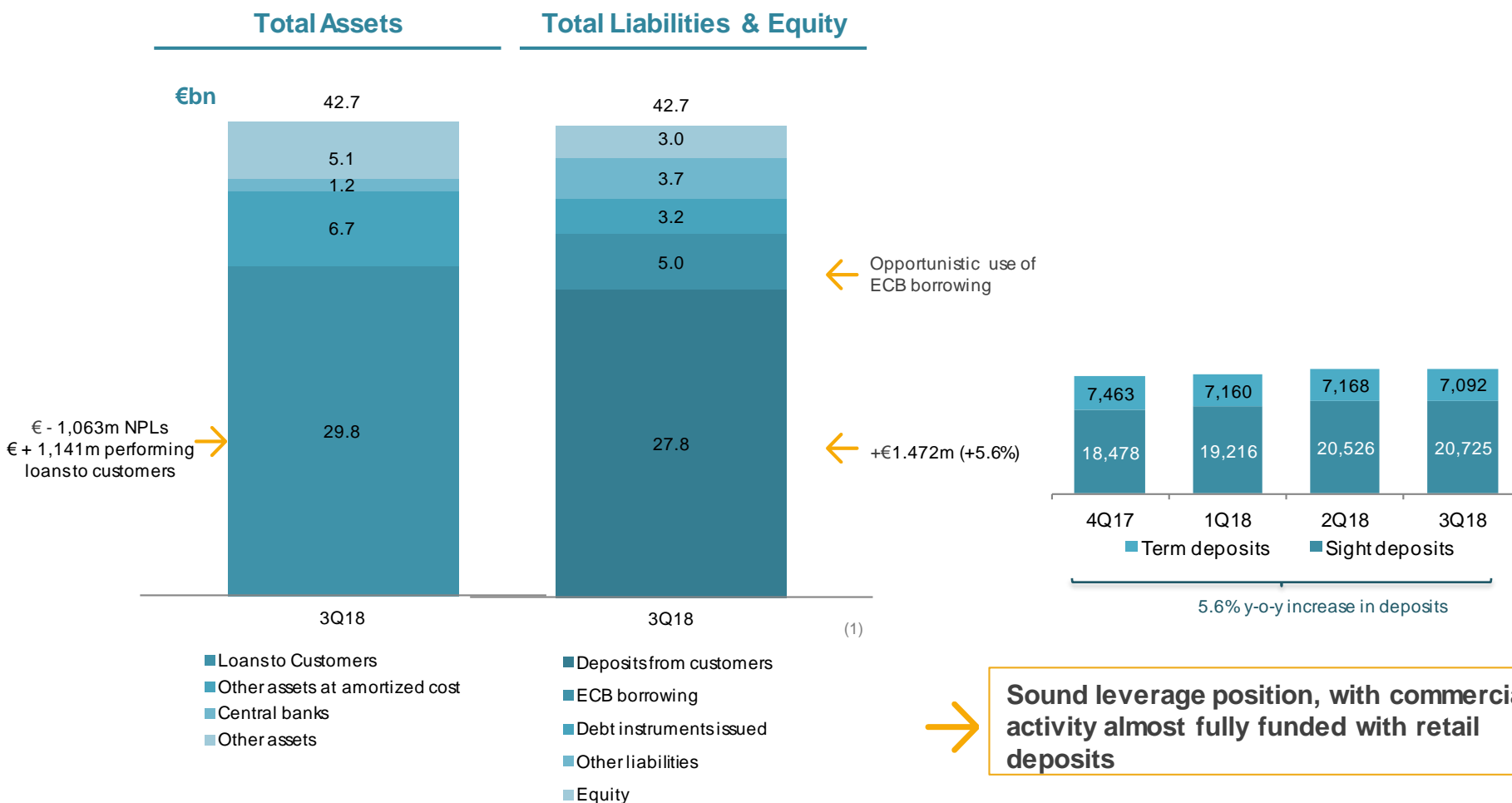
(2)

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## Business position

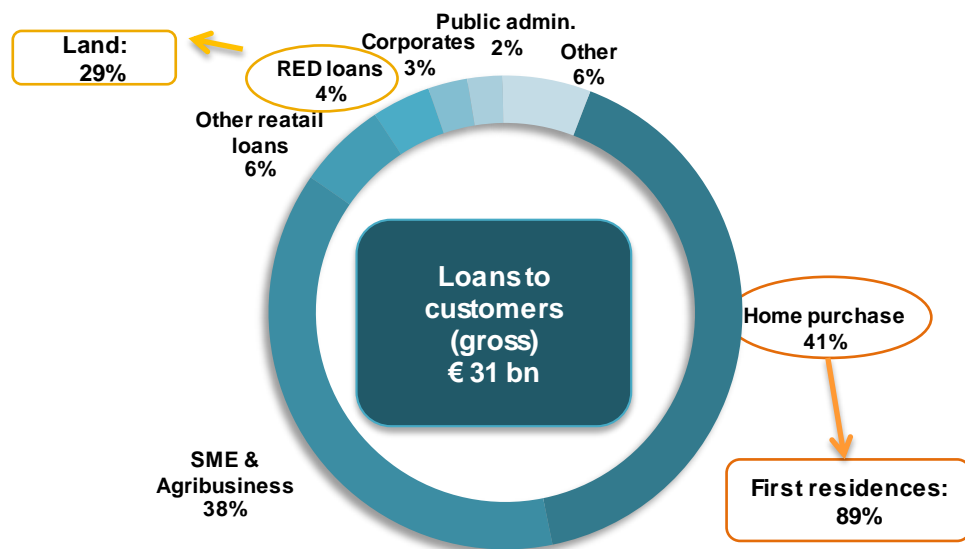
Growth in performing loans and deposits from customers, while reducing NPLs



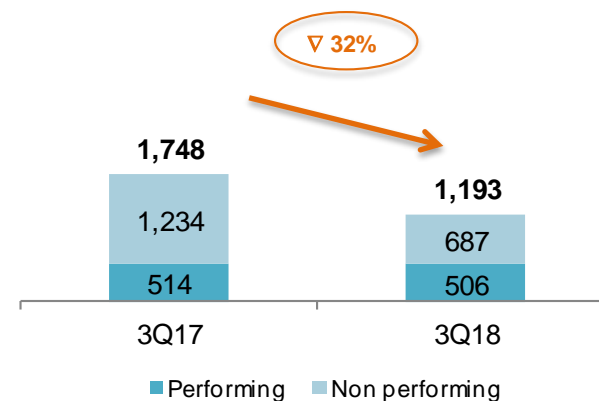
(1) Customer deposits data includes ABS securities.

## A retail and commercial bank with Agrifood DNA

A loan book that evolves by reducing REDs and increasing Agro and SMEs.



### Reduction of RED exposure

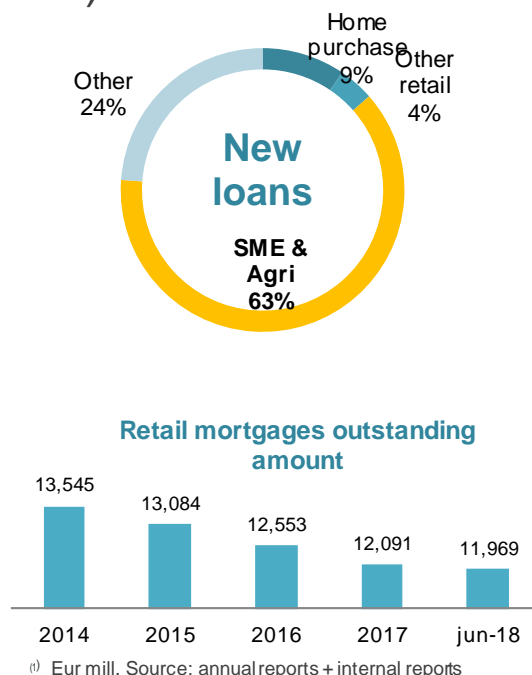


High level of collaterals (65% of loans is secured) and lower RED exposure (4% in GCC vs 11% of the sector in Spain <sup>(1)</sup>)

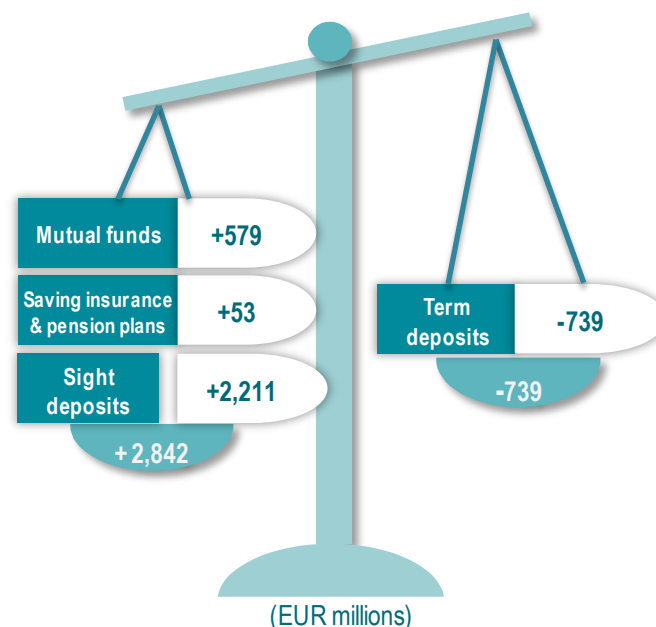
<sup>(1)</sup> Source: Boletín Estadístico de Banco de España (Data as of 2Q18)

## Evolution of the business mix

New loans focused on SME&Agri, lowering the weight of retail mortgages. Term deposits transfer to sight deposits and off balance sheet products (especially mutual funds)



## Change of customer funds (y-o-y)



Mutual Funds grow rapidly, at a speed faster than the sector average (29.3% vs 6.5% sector in Spain<sup>(1)</sup>), fostered by the alliance with Trea

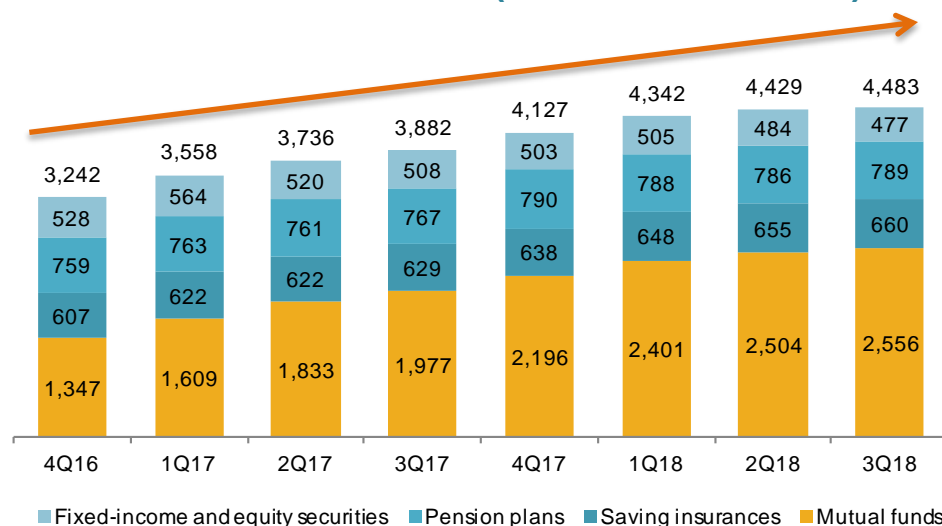
<sup>(1)</sup> Source: Inverco. Data as of 3Q18

## Acceleration of fee-generating products

Changing the mix towards higher value added services

Fees and commissions related to collection and payment services fall slightly (especially those related to sight deposits), and are replaced by commissions related insurance, investment and pension funds

### Off-balance business (AuM in EUR million)



Off balance sheet AuM increase by 16% y-o-y

Mutual funds increase by 29% y-o-y, at a faster speed than the sector<sup>(1)</sup>

### FEES AND COMMISSIONS BREAKDOWN

EUR million	2015	2016	2017	9M18
Collection and payment services	185	188	182	133
Non-banking fees	35	41	53	41
Contingent risk	10	11	10	21
Contingent commitments	11	13	13	8
FX trades	1	1	1	7
Securities	3	2	3	2
Other	32	22	28	1
Fees and commissions received	277	278	290	212
Fees and commissions paid	-15	-17	-23	-16
Net fees and commissions	262	261	267	196

<sup>(1)</sup> Source: Inverco.

## Consolidated Profit & Loss Account

(EUR Thousands)

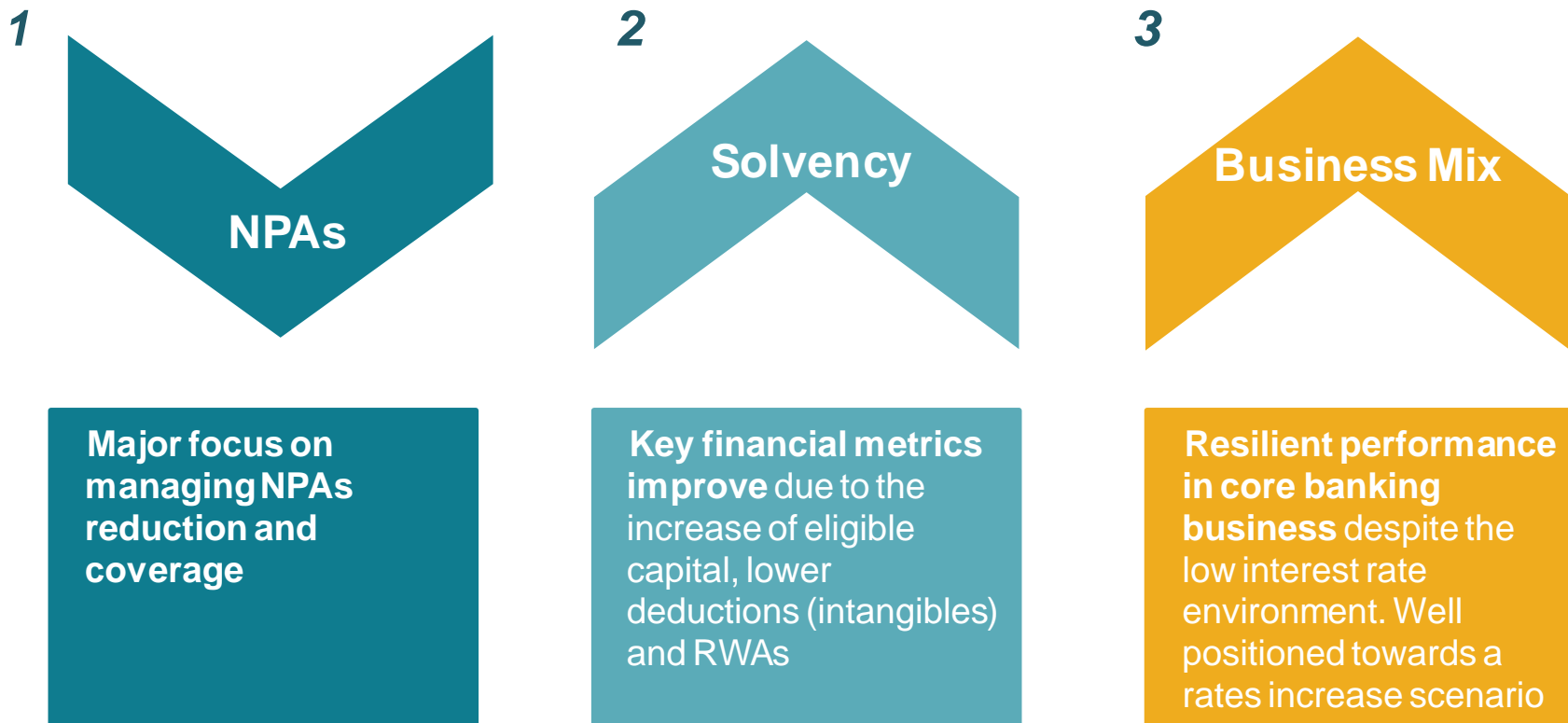
	30/09/2018	%ATA	30/09/2017	%ATA	y-o-y		31/12/2017	%ATA
					Abs.	%		
Interest income	530,258	1.69%	509,208	1.72%	21,050	4.1%	670,865	1.68%
Interest expenses	(98,914)	(0.32%)	(87,401)	(0.29%)	(11,513)	13.2%	(122,723)	(0.31%)
<b>NET INTEREST INCOME</b>	<b>431,344</b>	<b>1.37%</b>	<b>421,807</b>	<b>1.42%</b>	<b>9,537</b>	<b>2.3%</b>	<b>548,142</b>	<b>1.38%</b>
Dividend income	5,392	0.02%	5,720	0.02%	(328)	(5.7%)	7,919	0.02%
Income from equity-accounted method	21,469	0.07%	16,525	0.06%	4,945	29.9%	23,101	0.06%
Net fees and commissions	196,066	0.62%	195,226	0.66%	840	0.4%	267,093	0.67%
Gains (losses) on financial transactions	85,893	0.27%	100,988	0.34%	(15,095)	(14.9%)	153,768	0.39%
Exchange differences, net	1,302	-	1,752	0.01%	(450)	(25.7%)	2,124	0.01%
Other operating incomes/expenses	(27,114)	(0.09%)	(14,601)	(0.05%)	(12,513)	85.7%	(24,590)	(0.06%)
of which: Transfer to Education and Development Fund	(3,939)	(0.01%)	(2,577)	(0.01%)	(1,362)	52.8%	(2,372)	(0.01%)
<b>GROSS INCOME</b>	<b>714,352</b>	<b>2.28%</b>	<b>727,417</b>	<b>2.45%</b>	<b>(13,065)</b>	<b>(1.8%)</b>	<b>977,558</b>	<b>2.45%</b>
Administrative expenses	(378,520)	(1.21%)	(395,616)	(1.33%)	17,096	(4.3%)	(538,417)	(1.35%)
Personnel expenses	(235,823)	(0.75%)	(252,940)	(0.85%)	17,117	(6.8%)	(340,980)	(0.86%)
Other administrative expenses	(142,697)	(0.45%)	(142,677)	(0.48%)	(21)	0.0%	(197,437)	(0.50%)
Depreciation and amortisation	(42,884)	(0.14%)	(57,098)	(0.19%)	14,213	(24.9%)	(76,001)	(0.19%)
<b>NET INCOME BEFORE PROVISIONS</b>	<b>292,947</b>	<b>0.93%</b>	<b>274,703</b>	<b>0.93%</b>	<b>18,244</b>	<b>6.6%</b>	<b>363,139</b>	<b>0.91%</b>
Provisions	(21,298)	(0.07%)	82,650	0.28%	(103,948)	(125.8%)	41,988	0.11%
Impairment on financial assets	(88,655)	(0.28%)	(175,759)	(0.59%)	87,104	(49.6%)	(166,837)	(0.42%)
<b>OPERATING INCOME</b>	<b>182,994</b>	<b>0.58%</b>	<b>181,594</b>	<b>0.61%</b>	<b>1,400</b>	<b>0.8%</b>	<b>238,291</b>	<b>0.60%</b>
Impairment of investments in joint ventures or associates (net)	(22)	-	(2)	-	(20)	883.3%	(2)	-
Impairment losses on non financial assets	(7,180)	(0.02%)	(71,346)	(0.24%)	64,166	(89.9%)	(92,907)	(0.23%)
Gains or losses on derecognition of non financial assets, net	(89,493)	(0.29%)	(14,572)	(0.05%)	(74,920)	514.1%	(23,520)	(0.06%)
Profit or loss from non-current assets classified as held for sale	(6,306)	(0.02%)	(12,497)	(0.04%)	6,191	(49.5%)	(24,054)	(0.06%)
<b>PROFIT BEFORE TAX</b>	<b>79,994</b>	<b>0.25%</b>	<b>83,177</b>	<b>0.28%</b>	<b>(3,183)</b>	<b>(3.8%)</b>	<b>97,808</b>	<b>0.25%</b>
Tax	(9,976)	(0.03%)	(15,787)	(0.05%)	5,811	(36.8%)	(17,750)	(0.04%)
<b>CONSOLIDATED NET PROFIT</b>	<b>70,018</b>	<b>0.22%</b>	<b>67,390</b>	<b>0.23%</b>	<b>2,628</b>	<b>3.9%</b>	<b>80,058</b>	<b>0.20%</b>



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## Conclusions



## Our Strategic Priorities

**01**

### **Clean up**

the balance sheet,  
reducing non  
performing assets.

**02**

### **Consolidate**

the technological and  
operating  
transformation.

**03**

### **Evolve**

to grow in lending to  
corporates, and  
diversify segments  
and sectors,  
including SME and  
agribusiness.

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### Balance Sheet (I)

(EUR Thousands)

	30/09/2018	30/06/2018	31/12/2017	30/09/2017	y-o-y		Annual		q-o-q	
					Abs.	%	Abs.	%	Abs.	%
Cash, cash balances at central banks and other demand deposits	1.152.476	1.470.541	1.083.920	589.387	563.089	95,5%	68.556	6,3%	(318.065)	(21,6%)
Financial assets held for trading	2.775	2.221	2.142	1.379	1.396	101,2%	633	29,6%	554	24,9%
Financial assets designated at fair value through profit or loss	277.893	288.164	123.733	123.377	154.516	125,2%	154.160	124,6%	(10.271)	(3,6%)
<i>Of which:</i>									-	-
<i>Loans and advances to Customers</i>	155.607	155.148	123.733	123.377	32.230	26,1%	31.874	25,8%	459	0,3%
Financial assets at fair value through other comprehensive income	724.015	741.646	4.895.235	4.665.897	(3.941.882)	(84,5%)	(4.171.220)	(85,2%)	(17.631)	(2,4%)
Financial assets at amortised cost	36.455.602	36.178.178	30.011.204	30.025.523	6.430.079	21,4%	6.444.398	21,5%	277.424	0,8%
<i>Of which:</i>									-	-
<i>Loans and advances to Customers</i>	29.751.572	30.009.780	29.579.017	29.604.544	147.028	0,5%	172.555	0,6%	(258.208)	(0,9%)
Derivatives – Hedge accounting	-	-	-	9	(9)	(100,0%)	-	-	-	-
Investments in subsidiaries, joint ventures and associates	88.334	80.911	93.219	86.562	1.772	2,0%	(4.885)	(5,2%)	7.423	9,2%
Tangible assets	995.433	1.006.585	1.002.326	990.078	5.355	0,5%	(6.893)	(0,7%)	(11.152)	(1,1%)
Intangible assets	156.147	151.211	221.026	227.960	(71.813)	(31,5%)	(64.879)	(29,4%)	4.936	3,3%
Tax assets	1.122.592	1.115.792	1.052.749	1.047.222	75.370	7,2%	69.843	6,6%	6.800	0,6%
Other assets	1.303.845	1.322.512	1.539.894	1.638.996	(335.151)	(20,4%)	(236.049)	(15,3%)	(18.667)	(1,4%)
Non-current assets and disposal groups classified as held for sale	439.115	457.942	481.881	513.723	(74.608)	(14,5%)	(42.766)	(8,9%)	(18.827)	(4,1%)
<b>TOTAL ASSETS</b>	<b>42.718.227</b>	<b>42.815.704</b>	<b>40.507.329</b>	<b>39.910.114</b>	<b>2.808.113</b>	<b>7,0%</b>	<b>2.210.898</b>	<b>5,5%</b>	<b>(97.477)</b>	<b>(0,2%)</b>

### Balance Sheet (II)

(EUR Thousands)

	30/09/2018	30/06/2018	31/12/2017	30/09/2017	y- o -y		Annual		q-o-q	
					Abs.	%	Abs.	%	Abs.	%
Financial liabilities held for trading	1.176	636	532	528	648	122,7%	644	121,1%	540	84,9%
Financial liabilities measured at amortised cost	38.992.949	39.122.061	36.657.371	36.086.121	2.906.828	8,1%	2.335.578	6,4%	(129.112)	(0,3%)
Of which:										
Central Banks deposits	5.040.261	5.045.458	5.055.698	5.060.911	(20.650)	(0,4%)	(15.437)	(0,3%)	(5.197)	(0,1%)
Central counterparty deposits	711.243	808.902	998.148	-	711.243	100,0%	(286.905)	(28,7%)	(97.659)	(12,1%)
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%
Debt securities issued	3.192.226	3.170.754	2.666.045	2.690.475	501.751	18,6%	526.181	19,7%	21.472	0,7%
Derivatives – Hedge accounting	141.554	145.962	48	115	141.439	122990,4%	141.506	294804,2%	(4.408)	(3,0%)
Provisions	74.360	89.502	114.211	92.992	(18.632)	(20,0%)	(39.851)	(34,9%)	(15.142)	(16,9%)
Tax liabilities	84.948	104.051	108.998	111.233	(26.285)	(23,6%)	(24.050)	(22,1%)	(19.103)	(18,4%)
Other liabilities	412.549	390.302	572.342	547.735	(135.186)	(24,7%)	(159.793)	(27,9%)	22.247	5,7%
of which: Welfare funds	6.062	6.807	4.962	6.028	34	0,6%	1.100	22,2%	(745)	(10,9%)
<b>TOTAL LIABILITIES</b>	<b>39.707.536</b>	<b>39.852.514</b>	<b>37.453.501</b>	<b>36.838.722</b>	<b>2.868.814</b>	<b>7,8%</b>	<b>2.254.035</b>	<b>6,0%</b>	<b>(144.978)</b>	<b>(0,4%)</b>
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%
Of which:										
Capital / Equity instruments issued other than capital / Treasury shares	2.732.751	2.694.483	2.602.380	2.591.144	141.607	5,5%	130.371	5,0%	38.268	1,4%
Retained earnings / Revaluation reserves / Other reserves	234.419	223.870	387.604	396.036	(161.617)	(40,8%)	(153.185)	(39,5%)	10.549	4,7%
Profit or loss attributable to owners of the parent	70.018	45.178	80.058	67.390	2.628	3,9%	(10.040)	(12,5%)	24.840	55,0%
(-) Interim dividends	(18.080)	(817)	(17.779)	(17.158)	(922)	5,4%	(301)	1,7%	(17.263)	2113,0%
Accumulated other comprehensive income	(8.417)	476	1.565	33.981	(42.398)	(124,8%)	(9.982)	(637,8%)	(8.893)	-
Minority interests	-	-	-	-	-	100,0%	-	-	-	-
<b>TOTAL EQUITY</b>	<b>3.010.691</b>	<b>2.963.190</b>	<b>3.053.828</b>	<b>3.071.391</b>	<b>(60.700)</b>	<b>(2,0%)</b>	<b>(43.137)</b>	<b>(1,4%)</b>	<b>47.501</b>	<b>1,6%</b>

## Funds managed

(EUR Thousands)

	30/09/2018	30/06/2018	31/12/2017	30/09/2017	y-o-y		Annual		q-o-q	
					Abs.	%	Abs.	%	Abs.	%
Sight deposits	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%)
<b>Customer deposits</b>	<b>27.816.578</b>	<b>27.694.266</b>	<b>25.940.894</b>	<b>26.344.841</b>	<b>1.471.737</b>	<b>5,6%</b>	<b>1.875.684</b>	<b>7,2%</b>	<b>122.312</b>	<b>0,4%</b>
<b>On-balance sheet retail funds</b>	<b>27.816.578</b>	<b>27.694.266</b>	<b>25.940.894</b>	<b>26.344.841</b>	<b>1.471.737</b>	<b>5,6%</b>	<b>1.875.684</b>	<b>7,2%</b>	<b>122.312</b>	<b>0,4%</b>
Bonds and other securities *	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%	8.095	2,0%
Central counterparty deposits	711.243	808.902	998.148	-	711.243	100,0%	(286.905)	(28,7%)	(97.659)	(12,1%)
ECB	5.040.261	5.045.458	5.055.698	5.060.911	(20.650)	(0,4%)	(15.437)	(0,3%)	(5.197)	(0,1%)
<b>Wholesale funds</b>	<b>9.583.335</b>	<b>9.685.049</b>	<b>9.425.387</b>	<b>8.477.846</b>	<b>1.105.489</b>	<b>13,0%</b>	<b>157.948</b>	<b>1,7%</b>	<b>(101.714)</b>	<b>(1,1%)</b>
<b>Total balance sheet funds</b>	<b>37.399.913</b>	<b>37.379.315</b>	<b>35.366.281</b>	<b>34.822.687</b>	<b>2.577.226</b>	<b>7,4%</b>	<b>2.033.632</b>	<b>5,8%</b>	<b>20.598</b>	<b>0,1%</b>
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 insurances	659.596	654.662	637.625	629.492	30.104	4,8%	21.971	3,4%	4.934	0,8%
Fixed-equity income	477.438	484.130	502.502	507.578	(30.140)	(5,9%)	(25.064)	(5,0%)	(6.692)	(1,4%)
<b>Off-balance sheet funds</b>	<b>4.482.648</b>	<b>4.428.907</b>	<b>4.126.567</b>	<b>3.881.534</b>	<b>601.114</b>	<b>15,5%</b>	<b>356.081</b>	<b>8,6%</b>	<b>53.741</b>	<b>1,2%</b>
<b>Customer funds under management</b>	<b>32.299.226</b>	<b>32.123.173</b>	<b>30.067.461</b>	<b>30.226.375</b>	<b>2.072.851</b>	<b>6,9%</b>	<b>2.231.765</b>	<b>7,4%</b>	<b>176.053</b>	<b>0,5%</b>
<b>Funds under management</b>	<b>41.882.561</b>	<b>41.808.222</b>	<b>39.492.848</b>	<b>38.704.221</b>	<b>3.178.340</b>	<b>8,2%</b>	<b>2.389.713</b>	<b>6,1%</b>	<b>74.335</b>	<b>0,2%</b>

\* Covered bonds, territorial bonds and securitization.

### Loans and advances to Customers

(EUR Thousands)

	30/09/2018	30/06/2018	31/12/2017	30/09/2017	y - o - y		Annual		q-o-q	
					Abs.	%	Abs.	%	Abs.	%
General governments	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%)
<b>Loans to customers (gross)</b>	<b>31.064.001</b>	<b>31.170.169</b>	<b>31.054.234</b>	<b>30.984.903</b>	<b>79.098</b>	<b>0,3%</b>	<b>9.767</b>	<b>0,0%</b>	<b>(106.168)</b>	<b>(0,3%)</b>
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%)
<b>Other loans *</b>	<b>-</b>	<b>206.605</b>	<b>-</b>	<b>319.486</b>	<b>(319.486)</b>	<b>(100,0%)</b>	<b>-</b>	<b>-</b>	<b>(206.605)</b>	<b>(100,0%)</b>
<b>Debt securities from customers</b>	<b>278.331</b>	<b>269.807</b>	<b>274.783</b>	<b>248.920</b>	<b>29.411</b>	<b>11,8%</b>	<b>3.548</b>	<b>1,3%</b>	<b>8.524</b>	<b>3,2%</b>
<b>Gross Loans</b>	<b>31.342.332</b>	<b>31.646.581</b>	<b>31.329.017</b>	<b>31.553.309</b>	<b>(210.977)</b>	<b>(0,7%)</b>	<b>13.315</b>	<b>0,0%</b>	<b>(304.249)</b>	<b>(1,0%)</b>
<b>Performing Loans</b>	<b>28.710.305</b>	<b>28.908.999</b>	<b>27.968.427</b>	<b>27.858.610</b>	<b>851.695</b>	<b>3,1%</b>	<b>741.878</b>	<b>2,7%</b>	<b>(198.694)</b>	<b>(0,7%)</b>
Credit losses and impairment	(1.156.822)	(1.211.844)	(1.351.449)	(1.576.466)	419.644	(26,6%)	194.627	(14,4%)	55.022	(4,5%)
<b>Total lending</b>	<b>30.185.510</b>	<b>30.434.735</b>	<b>29.977.533</b>	<b>29.976.841</b>	<b>208.669</b>	<b>0,7%</b>	<b>207.977</b>	<b>0,7%</b>	<b>(249.225)</b>	<b>(0,8%)</b>
<b>Off-balance sheet risks</b>										
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%)
<b>Total risks</b>	<b>32.030.385</b>	<b>32.312.329</b>	<b>31.979.741</b>	<b>32.191.064</b>	<b>(160.679)</b>	<b>(0,5%)</b>	<b>50.644</b>	<b>0,2%</b>	<b>(281.944)</b>	<b>(0,9%)</b>
<b>Non-performing total risks</b>	<b>2.637.941</b>	<b>2.743.610</b>	<b>3.367.992</b>	<b>3.701.862</b>	<b>(1.063.921)</b>	<b>(28,7%)</b>	<b>(730.051)</b>	<b>(21,7%)</b>	<b>(105.669)</b>	<b>(3,9%)</b>

\* Mainly reverse repurchase agreements



## Risk management

(EUR Thousands)

### Defaulting debtors

	30/09/2018	30/06/2018	31/12/2017	30/09/2017	y-o-y		Annual		q-o-q	
					Abs.	%	Abs.	%	Abs.	%
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%)
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%)
<b>NPL ratio (%)</b>	<b>8,24%</b>	<b>8,49%</b>	<b>10,53%</b>	<b>11,50%</b>	<b>(3,26)</b>		<b>(2,29)</b>		<b>(0,25)</b>	
Gross loans 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%)
<b>NPL coverage ratio (%)</b>	<b>43,99%</b>	<b>44,31%</b>	<b>40,28%</b>	<b>42,73%</b>	<b>1,26</b>		<b>3,71</b>		<b>(0,32)</b>	
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%)
<b>Foreclosed assets coverage ratio (%)</b>	<b>46,72%</b>	<b>47,07%</b>	<b>47,53%</b>	<b>47,02%</b>	<b>(0,30)</b>		<b>(0,81)</b>		<b>(0,35)</b>	
Foreclosed assets coverage ratio with debt forgiveness (%)	51,32%	51,57%	51,57%	50,79%	0,53		(0,25)		(0,25)	
<b>NPA ratio (%)</b>	<b>13,44%</b>	<b>13,73%</b>	<b>15,91%</b>	<b>17,03%</b>	<b>(3,59)</b>		<b>(2,47)</b>		<b>(0,29)</b>	
<b>NPA coverage (%)</b>	<b>45,54%</b>	<b>45,86%</b>	<b>44,07%</b>	<b>44,91%</b>	<b>0,63</b>		<b>1,47</b>		<b>(0,32)</b>	
NPA coverage with debt forgiveness (%)	48,30%	48,55%	46,41%	46,97%	1,33		1,89		(0,25)	

### Coverage breakdown (loan impairments breakdown)

<b>Total coverage</b>	<b>1.174.379</b>	<b>1.229.668</b>	<b>1.370.065</b>	<b>1.610.001</b>	<b>(435.622)</b>	<b>(27,1%)</b>	<b>(195.686)</b>	<b>(14,3%)</b>	<b>(55.289)</b>	<b>(4,5%)</b>
Non-performing coverage	970.768	1.009.552	1.184.174	1.302.551	(331.783)	(25,5%)	(213.406)	(18,0%)	(38.784)	(3,8%)
Performing coverage	203.612	220.115	185.891	307.450	(103.838)	(33,8%)	17.721	9,5%	(16.503)	(7,5%)

### NPL breakdown

Past due >90 days	2.383.817	2.478.859	3.023.404	3.325.915	(942.098)	(28,3%)	(639.587)	(21,2%)	(95.042)	(3,8%)
Doubtful non past due	248.210	258.723	337.186	368.784	(120.574)	(32,7%)	(88.976)	(26,4%)	(10.513)	(4,1%)
<b>Total</b>	<b>2.632.027</b>	<b>2.737.582</b>	<b>3.360.590</b>	<b>3.694.699</b>	<b>(1.062.672)</b>	<b>(28,8%)</b>	<b>(728.563)</b>	<b>(21,7%)</b>	<b>(105.555)</b>	<b>(3,9%)</b>
Of which:										
Forborne loans	1.728.475	1.832.755	2.302.142	2.602.041	(873.566)	(33,6%)	(573.667)	(24,9%)	(104.280)	(5,7%)

### NPL breakdown by segment

General governments	250	251	2.105	2.632	(2.382)	(90,5%)	(1.855)	(88,1%)	(1)	(0,4%)
Other financial corporations	897	907	694	601	296	49,3%	203	29,3%	(10)	(1,1%)
Other corporations	1.354.223	1.420.389	1.927.318	2.177.003	(822.780)	(37,8%)	(573.095)	(29,7%)	(66.166)	(4,7%)
Households	1.276.657	1.316.035	1.430.473	1.514.463	(237.806)	(15,7%)	(153.816)	(10,8%)	(39.378)	(3,0%)
<b>Total</b>	<b>2.632.027</b>	<b>2.737.582</b>	<b>3.360.590</b>	<b>3.694.699</b>	<b>(1.062.672)</b>	<b>(28,8%)</b>	<b>(728.563)</b>	<b>(21,7%)</b>	<b>(105.555)</b>	<b>(3,9%)</b>
Of which:										
Real estate developers	687.258	752.566	1.081.191	1.233.751	(546.493)	(44,3%)	(393.933)	(36,4%)	(65.308)	(8,7%)

### Forborne loans

Non-performing	1.728.475	1.832.755	2.302.142	2.602.041	(873.566)	(33,6%)	(573.667)	(24,9%)	(104.280)	(5,7%)
Performing	621.731	666.276	760.905	815.321	(193.590)	(23,7%)	(139.174)	(18,3%)	(44.545)	(6,7%)
<b>Total Forborne loans</b>	<b>2.350.206</b>	<b>2.499.031</b>	<b>3.063.047</b>	<b>3.417.362</b>	<b>(1.067.156)</b>	<b>(31,2%)</b>	<b>(712.841)</b>	<b>(23,3%)</b>	<b>(148.825)</b>	<b>(6,0%)</b>

## Foreclosed assets

(EUR Thousands)

	30/09/2018	30/06/2018	31/12/2017	30/09/2017	y-o-y		Annual		q-o-q	
					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%)
Foreclosed assets 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)	

### Foreclosed assets according to the origin of the Loan

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%)
Developers	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%)
Finished buildings	884.164	930.505	1.021.140	1.086.667	(202.504)	(18,6%)	(136.977)	(13,4%)	(46.341)	(5,0%)
Under construction	178.889	177.232	196.376	209.794	(30.906)	(14,7%)	(17.487)	(8,9%)	1.657	0,9%
Homes	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%)

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%)
Developers	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%)
Finished buildings	542.584	568.134	615.497	653.324	(110.740)	(17,0%)	(72.913)	(11,8%)	(25.550)	(4,5%)
Under construction	83.622	79.165	89.016	97.061	(13.439)	(13,8%)	(5.394)	(6,1%)	4.457	5,6%
Homes	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)	
Developers	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	
Finished buildings	38,63%	38,94%	39,72%	39,88%	(1,25)		(1,09)		(0,31)	
Under construction	53,25%	55,33%	54,67%	53,74%	(0,48)		(1,42)		(2,08)	
Homes	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)	
Developers	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	
Finished buildings	45,49%	45,94%	45,84%	45,67%	(0,19)		(0,36)		(0,45)	
Under construction	55,06%	57,16%	56,00%	55,04%	0,02		(0,94)		(2,10)	
Homes	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)	

### Foreclosed assets

(EUR Thousands)

	30/09/2018	30/06/2018	31/12/2017	30/09/2017	y-o-y		Annual		q-o-q	
					Abs.	%	Abs.	%	Abs.	%
<b>Foreclosed assets by asset type</b>										
<b>Foreclosed assets (gross)</b>	<b>3.427.583</b>	<b>3.517.231</b>	<b>3.677.937</b>	<b>3.815.957</b>	<b>(388.375)</b>	<b>(10,2%)</b>	<b>(250.354)</b>	<b>(6,8%)</b>	<b>(89.649)</b>	<b>(2,5%)</b>
Finished houses	1.556.795	1.606.170	1.675.314	1.695.580	(138.785)	(8,2%)	(118.518)	(7,1%)	(49.374)	(3,1%)
Lands	1.177.042	1.189.783	1.218.675	1.242.685	(65.643)	(5,3%)	(41.634)	(3,4%)	(12.741)	(1,1%)
RED and under construction	234.784	254.766	268.433	282.910	(48.126)	(17,0%)	(33.650)	(12,5%)	(19.983)	(7,8%)
Commercial	365.069	375.855	394.147	411.026	(45.957)	(11,2%)	(29.078)	(7,4%)	(10.786)	(2,9%)
Other	93.893	90.658	121.367	183.757	(89.864)	(48,9%)	(27.474)	(22,6%)	3.235	3,6%
<b>Foreclosed assets (net)</b>	<b>1.826.061</b>	<b>1.861.840</b>	<b>1.929.686</b>	<b>2.021.733</b>	<b>(195.671)</b>	<b>(9,7%)</b>	<b>(103.625)</b>	<b>(5,4%)</b>	<b>(35.778)</b>	<b>(1,9%)</b>
Finished houses	978.031	1.004.226	1.014.193	1.026.667	(48.636)	(4,7%)	(36.162)	(3,6%)	(26.195)	(2,6%)
Lands	475.362	479.898	497.083	523.279	(47.917)	(9,2%)	(21.720)	(4,4%)	(4.536)	(0,9%)
RED and under construction	114.621	118.133	125.995	135.054	(20.433)	(15,1%)	(11.374)	(9,0%)	(3.512)	(3,0%)
Commercial	218.410	221.571	233.089	241.812	(23.402)	(9,7%)	(14.679)	(6,3%)	(3.161)	(1,4%)
Other	39.637	38.012	59.326	94.920	(55.284)	(58,2%)	(19.690)	(33,2%)	1.625	4,3%
<b>Coverage (%)</b>	<b>46,72%</b>	<b>47,07%</b>	<b>47,53%</b>	<b>47,02%</b>	<b>(0,29)</b>		<b>(0,81)</b>		<b>(0,34)</b>	
Finished houses	37,18%	37,48%	39,46%	39,45%	(2,27)		(2,29)		(0,30)	
Lands	59,61%	59,67%	59,21%	57,89%	1,72		0,40		(0,05)	
RED and under construction	51,18%	53,63%	53,06%	52,26%	(1,08)		(1,88)		(2,45)	
Commercial	40,17%	41,05%	40,86%	41,17%	(1,00)		(0,69)		(0,88)	
Other	57,79%	58,07%	51,12%	48,34%	9,44		6,67		(0,29)	
<b>Coverage with debt forgiveness (%)</b>	<b>51,32%</b>	<b>51,57%</b>	<b>51,57%</b>	<b>50,79%</b>	<b>0,53</b>		<b>(0,25)</b>		<b>(0,25)</b>	
Finished houses	43,33%	43,64%	44,72%	44,54%	(1,21)		(1,39)		(0,31)	
Lands	63,12%	62,98%	62,41%	60,85%	2,27		0,71		0,14	
RED and under construction	53,32%	55,68%	54,73%	53,82%	(0,50)		(1,41)		(2,36)	
Commercial	44,90%	45,80%	45,49%	45,42%	(0,52)		(0,59)		(0,90)	
Other	58,01%	58,31%	51,35%	48,75%	9,26		6,66		(0,31)	

## Solvency

(EUR Thousands)

Phased-in	30/09/2018	30/06/2018	01/01/2018	31/12/2017	30/09/2017	y-o-y		Annual (*)		q-o-q	
						Abs.	%	Abs.	%	Abs.	%
Capital	2.732.751	2.694.484	2.602.380	2.602.380	2.591.144	141.607	5,5%	130.371	5,0%	38.267	1,4%
Reserves	473.726	448.664	419.113	430.361	437.496	36.230	8,3%	54.613	13,0%	25.062	5,6%
AFS Surplus	(8.417)	476	20.215	1.252	27.184	(35.601)	(131,0%)	(28.632)	(141,6%)	(8.893)	(1868,3%)
Capital deductions	(335.261)	(330.527)	(395.753)	(356.284)	(335.525)	264	(0,1%)	60.492	(15,3%)	(4.734)	1,4%
<b>Ordinary Tier 1 Capital</b>	<b>2.862.799</b>	<b>2.813.097</b>	<b>2.645.956</b>	<b>2.677.709</b>	<b>2.720.299</b>	<b>142.500</b>	<b>5,2%</b>	<b>216.843</b>	<b>8,2%</b>	<b>49.702</b>	<b>1,8%</b>
<b>CET1 ratio (%)</b>	<b>12,40%</b>	<b>12,01%</b>	<b>11,06%</b>	<b>11,19%</b>	<b>11,44%</b>	<b>0,96</b>		<b>1,34</b>		<b>0,39</b>	
<b>Tier 2 Capital</b>	<b>400.000</b>	<b>400.000</b>	<b>400.000</b>	<b>522.396</b>	<b>668.886</b>	<b>(268.886)</b>	<b>(40,2%)</b>	<b>-</b>		<b>-</b>	
<b>Tier 2 ratio (%)</b>	<b>1,73%</b>	<b>1,71%</b>	<b>1,67%</b>	<b>2,18%</b>	<b>2,81%</b>	<b>(1,08)</b>		<b>0,06</b>		<b>0,02</b>	
<b>Eligible capital</b>	<b>3.262.799</b>	<b>3.213.097</b>	<b>3.045.956</b>	<b>3.200.106</b>	<b>3.389.185</b>	<b>(126.386)</b>	<b>(3,7%)</b>	<b>216.843</b>	<b>7,1%</b>	<b>49.702</b>	<b>1,5%</b>
<b>Capital ratio (%)</b>	<b>14,13%</b>	<b>13,72%</b>	<b>12,74%</b>	<b>13,37%</b>	<b>14,25%</b>	<b>(0,12)</b>		<b>1,39</b>		<b>0,41</b>	
<b>Total risk-weighted assets</b>	<b>23.092.813</b>	<b>23.424.252</b>	<b>23.915.106</b>	<b>23.935.148</b>	<b>23.778.280</b>	<b>(685.467)</b>	<b>(2,9%)</b>	<b>(822.293)</b>	<b>(3,4%)</b>	<b>(331.439)</b>	<b>(1,4%)</b>
Credit risk	21.604.909	21.935.024	22.418.503	22.438.544	22.292.288	(687.379)	(3,1%)	(813.594)	(3,6%)	(330.115)	(1,5%)
Operational risk	1.443.904	1.443.904	1.443.904	1.443.904	1.431.675	12.229	0,9%	0	0,0%	-	-
Other risk	44.000	45.324	52.700	52.700	54.317	(10.317)	(19,0%)	(8.700)	(16,5%)	(1.324)	(2,9%)

## Fully-loaded

Capital	2.732.751	2.694.484	2.602.380	2.602.380	2.591.144	141.607	5,5%	130.371	5,0%	38.267	1,4%
Reserves	278.041	252.943	223.392	430.361	437.496	(159.454)	(36,4%)	54.649	24,5%	25.098	9,9%
AFS Surplus	(8.417)	476	20.215	1.565	33.981	(42.398)	(124,8%)	(28.632)	(141,6%)	(8.893)	(1868,3%)
Capital deductions	(365.439)	(360.529)	(427.796)	(425.057)	(396.684)	31.245	(7,9%)	62.357	(14,6%)	(4.910)	1,4%
<b>Ordinary Tier 1 Capital</b>	<b>2.636.936</b>	<b>2.587.374</b>	<b>2.418.192</b>	<b>2.609.250</b>	<b>2.665.936</b>	<b>(29.000)</b>	<b>(1,1%)</b>	<b>218.744</b>	<b>9,0%</b>	<b>49.562</b>	<b>1,9%</b>
<b>CET1 ratio (%)</b>	<b>11,45%</b>	<b>11,07%</b>	<b>10,15%</b>	<b>10,90%</b>	<b>11,21%</b>	<b>0,24</b>		<b>1,30</b>		<b>0,38</b>	
<b>Tier 2 Capital</b>	<b>400.000</b>	<b>400.000</b>	<b>400.000</b>	<b>522.396</b>	<b>668.886</b>	<b>(268.886)</b>	<b>(40,2%)</b>	<b>-</b>		<b>-</b>	
<b>Tier 2 ratio (%)</b>	<b>1,74%</b>	<b>1,71%</b>	<b>1,68%</b>	<b>2,18%</b>	<b>2,81%</b>	<b>(1,07)</b>		<b>0,06</b>		<b>0,03</b>	
<b>Eligible capital</b>	<b>3.036.936</b>	<b>2.987.374</b>	<b>2.818.192</b>	<b>3.131.646</b>	<b>3.334.822</b>	<b>(297.886)</b>	<b>(8,9%)</b>	<b>218.744</b>	<b>7,8%</b>	<b>49.562</b>	<b>1,7%</b>
<b>Capital ratio (%)</b>	<b>13,18%</b>	<b>12,78%</b>	<b>11,83%</b>	<b>13,08%</b>	<b>14,02%</b>	<b>(0,84)</b>		<b>1,35</b>		<b>0,40</b>	
<b>Total risk-weighted assets</b>	<b>23.036.840</b>	<b>23.368.202</b>	<b>23.825.239</b>	<b>23.935.148</b>	<b>23.778.280</b>	<b>(741.440)</b>	<b>(3,1%)</b>	<b>(788.399)</b>	<b>(3,3%)</b>	<b>(331.362)</b>	<b>(1,4%)</b>
Credit risk	21.548.937	21.878.974	22.328.635	22.438.544	22.292.288	(743.351)	(3,3%)	(779.698)	(3,5%)	(330.037)	(1,5%)
Operational risk	1.443.904	1.443.904	1.443.904	1.443.904	1.431.675	12.229	0,9%	0	0,0%	-	-
Other risk	43.999	45.324	52.700	52.700	54.317	(10.318)	(19,0%)	(8.701)	(16,5%)	(1.325)	(2,9%)

\* Annual variation calculated with 01/01/18

## Consolidated Profit & Loss Account

(EUR Thousands)

	30/09/2018	o/ATA	30/09/2017	o/ATA	y- o -y		31/12/2017	o/ATA
					Abs.	%		
Interest income	530.258	1,69%	509.208	1,72%	21.050	4,1%	670.865	1,68%
Interest expenses	(98.914)	(0,32%)	(87.401)	(0,29%)	(11.513)	13,2%	(122.723)	(0,31%)
<b>NET INTEREST INCOME</b>	<b>431.344</b>	<b>1,37%</b>	<b>421.807</b>	<b>1,42%</b>	<b>9.537</b>	<b>2,3%</b>	<b>548.142</b>	<b>1,38%</b>
Dividend income	5.392	0,02%	5.720	0,02%	(328)	(5,7%)	7.919	0,02%
Income from equity-accounted method	21.469	0,07%	16.525	0,06%	4.945	29,9%	23.101	0,06%
Net fees and commissions	196.066	0,62%	195.226	0,66%	840	0,4%	267.093	0,67%
Gains (losses) on financial transactions	85.893	0,27%	100.988	0,34%	(15.095)	(14,9%)	153.768	0,39%
Exchange differences [gain or (-) loss], net	1.302	-	1.752	0,01%	(450)	(25,7%)	2.124	0,01%
Other operating incomes/expenses	(27.114)	(0,09%)	(14.601)	(0,05%)	(12.513)	85,7%	(24.590)	(0,06%)
of which: Mandatory transfer to Education and Development Fund	(3.939)	(0,01%)	(2.577)	(0,01%)	(1.362)	52,8%	(2.372)	(0,01%)
<b>GROSS INCOME</b>	<b>714.352</b>	<b>2,28%</b>	<b>727.417</b>	<b>2,45%</b>	<b>(13.065)</b>	<b>(1,8%)</b>	<b>977.558</b>	<b>2,45%</b>
Administrative expenses	(378.520)	(1,21%)	(395.616)	(1,33%)	17.096	(4,3%)	(538.417)	(1,35%)
Personnel expenses	(235.823)	(0,75%)	(252.940)	(0,85%)	17.117	(6,8%)	(340.980)	(0,86%)
Other administrative expenses	(142.697)	(0,45%)	(142.677)	(0,48%)	(21)	0,0%	(197.437)	(0,50%)
Depreciation and amortisation	(42.884)	(0,14%)	(57.098)	(0,19%)	14.213	(24,9%)	(76.001)	(0,19%)
<b>NET INCOME BEFORE PROVISIONS</b>	<b>292.947</b>	<b>0,93%</b>	<b>274.703</b>	<b>0,93%</b>	<b>18.244</b>	<b>6,6%</b>	<b>363.139</b>	<b>0,91%</b>
Provisions or (-) reversal of provisions	(21.298)	(0,07%)	82.650	0,28%	(103.948)	(125,8%)	41.988	0,11%
Impairment losses on financial assets	(88.655)	(0,28%)	(175.759)	(0,59%)	87.104	(49,6%)	(166.837)	(0,42%)
<b>OPERATING INCOME</b>	<b>182.994</b>	<b>0,58%</b>	<b>181.594</b>	<b>0,61%</b>	<b>1.400</b>	<b>0,8%</b>	<b>238.291</b>	<b>0,60%</b>
Impairment or reversal of impairment of investments in joint ventures or associates (net)	(22)	-	(2)	-	(20)	883,3%	(2)	-
Impairment losses on non financial assets	(7.180)	(0,02%)	(71.346)	(0,24%)	64.166	(89,9%)	(92.907)	(0,23%)
Gains or (-) losses on derecognition of non financial assets, net	(89.493)	(0,29%)	(14.572)	(0,05%)	(74.920)	514,1%	(23.520)	(0,06%)
Profit or (-) loss from non-current assets and disposal groups classified as held for sale	(6.306)	(0,02%)	(12.497)	(0,04%)	6.191	(49,5%)	(24.054)	(0,06%)
<b>PROFIT BEFORE TAX</b>	<b>79.994</b>	<b>0,25%</b>	<b>83.177</b>	<b>0,28%</b>	<b>(3.183)</b>	<b>(3,8%)</b>	<b>97.808</b>	<b>0,25%</b>
Tax	(9.976)	(0,03%)	(15.787)	(0,05%)	5.811	(36,8%)	(17.750)	(0,04%)
<b>CONSOLIDATED NET PROFIT</b>	<b>70.018</b>	<b>0,22%</b>	<b>67.390</b>	<b>0,23%</b>	<b>2.628</b>	<b>3,9%</b>	<b>80.058</b>	<b>0,20%</b>

## Quarterly P&L

(EUR thousand)

	3Q17	4Q17	1Q18	2Q18	3Q18	3Q18-2Q18	
						Abs.	%
Interest income	161.625	161.657	181.150	176.489	172.619	(3.869)	(2,2%)
Interest expenses	(32.610)	(35.322)	(30.890)	(32.573)	(35.450)	(2.877)	8,8%
<b>NET INTEREST INCOME</b>	<b>129.016</b>	<b>126.335</b>	<b>150.259</b>	<b>143.915</b>	<b>137.169</b>	<b>(6.746)</b>	<b>(4,7%)</b>
Dividend income	3.376	2.200	243	2.411	2.737	326	13,5%
Income from equity-accounted method	6.102	6.576	6.959	6.636	7.874	1.238	18,7%
Net fees and commissions	64.634	71.867	66.679	65.853	63.534	(2.319)	(3,5%)
Gains (losses) on financial transactions	34.794	52.780	38.352	47.675	(135)	(47.810)	(100,3%)
Exchange differences [gain or (-) loss], net	742	372	492	276	534	257	93,1%
Other operating incomes/expenses	(4.275)	(9.989)	(10.428)	(8.400)	(8.286)	114	(1,4%)
of which: Mandatory transfer to Education and Development Fund	(282)	205	(1.687)	(803)	(1.449)	(647)	80,6%
<b>GROSS INCOME</b>	<b>234.390</b>	<b>250.141</b>	<b>252.557</b>	<b>258.367</b>	<b>203.428</b>	<b>(54.939)</b>	<b>(21,3%)</b>
Administrative expenses	(135.741)	(142.800)	(130.725)	(131.746)	(116.049)	15.697	(11,9%)
Personnel expenses	(83.890)	(88.040)	(84.771)	(84.884)	(66.168)	18.717	(22,0%)
Other 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%)
<b>NET INCOME BEFORE PROVISIONS</b>	<b>79.367</b>	<b>88.436</b>	<b>101.269</b>	<b>115.455</b>	<b>76.223</b>	<b>(39.232)</b>	<b>(34,0%)</b>
Provisions or (-) reversal of provisions	20.152	(40.662)	(1.621)	(18.110)	(1.567)	16.543	(91,3%)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss	(28.814)	8.923	(33.125)	514	(56.044)	(56.558)	(11.001,1%)
<b>OPERATING INCOME</b>	<b>70.706</b>	<b>56.697</b>	<b>66.523</b>	<b>97.859</b>	<b>18.612</b>	<b>(79.248)</b>	<b>(81,0%)</b>
Impairment or reversal of impairment of investments in joint ventures or associates (net)	-	-	-	(22)	-	22	(100,0%)
Impairment or (-) reversal of impairment on non-financial assets	(19.702)	(21.561)	(21.662)	(608)	15.090	15.699	(2.581,5%)
Gains or (-) losses on derecognition of non financial assets, net	(10.227)	(8.947)	(7.842)	(73.394)	(8.256)	65.137	(88,8%)
Profit or (-) loss from non-current assets and disposal groups classified as held for sale	(8.370)	(11.558)	(5.488)	(1.250)	431	1.681	(134,5%)
<b>PROFIT BEFORE TAX</b>	<b>32.407</b>	<b>14.631</b>	<b>31.531</b>	<b>22.586</b>	<b>25.877</b>	<b>3.292</b>	<b>14,6%</b>
Tax	(9.314)	(1.962)	(55)	(8.883)	(1.038)	7.845	(88,3%)
<b>CONSOLIDATED NET PROFIT</b>	<b>23.093</b>	<b>12.668</b>	<b>31.476</b>	<b>13.702</b>	<b>24.839</b>	<b>11.137</b>	<b>81,3%</b>

## Quarterly Yields & Costs

(EUR Thousands and annualised rates)

	30/09/2018				30/09/2017			
	Average balance	Distribution (%)	Income or expense	Average rate (%)	Average balance	Distribution (%)	Income or expense	Average rate (%)
Financial system	1.489.816	3,55%	326	0,03%	1.191.852	3,01%	311	0,03%
Loans to customers (gross) <sup>(a)</sup>	31.148.031	74,21%	457.817	1,97%	31.144.717	78,54%	447.348	1,92%
Securities portfolio	6.130.581	14,61%	50.175	1,09%	4.407.791	11,12%	30.363	0,92%
Other assets	3.206.229	7,64%	21.940	0,91%	2.908.874	7,34%	31.187	1,43%
<b>Total earning assets <sup>(b)</sup></b>	<b>41.974.657</b>	<b>100,00%</b>	<b>530.258</b>	<b>1,69%</b>	<b>39.653.234</b>	<b>100,00%</b>	<b>509.208</b>	<b>1,72%</b>
Financial system	1.022.842	2,44%	4.062	0,53%	738.328	1,86%	6.616	1,20%
Customer deposits <sup>(c)</sup>	26.956.896	64,22%	18.607	0,09%	25.917.911	65,36%	21.491	0,11%
<i>Sight deposits</i>	19.736.163	47,02%	12.175	0,08%	17.512.327	44,16%	10.715	0,08%
<i>Term deposits</i>	7.220.733	17,20%	6.432	0,12%	8.405.584	21,20%	10.775	0,17%
Wholesale funds	9.844.333	23,45%	69.471	0,94%	8.697.105	21,93%	57.311	0,88%
Other funds	1.163.203	2,77%	6.775	0,78%	1.270.501	3,20%	1.982	0,21%
Equity	2.987.385	7,12%	0	-	3.029.389	7,64%	0	-
<b>Total funds <sup>(d)</sup></b>	<b>41.974.657</b>	<b>100,00%</b>	<b>98.914</b>	<b>0,32%</b>	<b>39.653.234</b>	<b>100,00%</b>	<b>87.401</b>	<b>0,29%</b>
Customers' spread <sup>(a)-(c)</sup>				1,87				1,81
NII o/ATA <sup>(b)-(d)</sup>			431.344	1,37			421.807	1,42

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