IMPORTANT NOTICE

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the document following this section and you are therefore advised to read this carefully before reading, accessing or making any other use of the document. In accessing the document, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Company or the Managers (both as defined in the document) as a result of such access. You acknowledge that this electronic transmission and the delivery of the document is confidential and intended only for you and **you agree you will not forward, reproduce, copy, download or publish this electronic transmission or the document (electronically or otherwise) to any other person**.

The document and the Offering (as defined in the document) when made are only addressed to, and directed at, persons in member states of the European Economic Area ("**EEA**") who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU) and any implementing measure in each relevant Member State of the EEA (the "**Prospectus Directive**") ("**Qualified Investors**"). In addition, in the United Kingdom ("**UK**"), this document is being distributed only to, and is directed only at, Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**") and Qualified Investors falling within Article 49(2)(a) to (d) of the Order, and (ii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). Moreover, in Spain this document is being distributed only to, and is directed only at, professional investors within the meaning of Article 205.2 of Royal Legislative Decree 4/2015, of October 23, approving the consolidated text of the Spanish Securities Market Law (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el Texto Refundido de la Ley del Mercado de Valores*) (the "**LMV**"). The document must not be acted on or relied on (i) in the UK, by persons who are not relevant persons, (ii) in Spain, by persons who are not professional investors within the meaning of Article 205.2 of the LMV and (iii) in any member state of the EEA other than the UK or Spain, by persons who are not Qualified Investors. Any investment or investment activity to which the document relates is available only to (i) in the UK, relevant persons, (ii) in Spain, professional investors within the meaning of Article 205.2 of the LMV, and (iii) in any member state of the EEA other than the UK or Spain, Qualified Investors, and will be engaged in only with such persons.

THE SECURITIES REFERENCED IN THE DOCUMENT MAY ONLY BE OFFERED IN "OFFSHORE TRANSACTIONS" AS DEFINED IN, AND IN ACCORDANCE WITH, REGULATION S UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITHIN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS ("**QIBs**") AS DEFINED IN, AND IN ACCORDANCE WITH, RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**"). ANY FORWARDING, REDISTRIBUTION OR REPRODUCTION OF THE DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES OR IN ANY OTHER JURISDICTION OTHER THAN SPAIN AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES EXCEPT (1) IN ACCORDANCE WITH RULE 144A TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QIB OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Confirmation of your Representation: By accepting the e-mail or accessing this document, you are deemed to have represented to the Company and the Managers that (i) you are acting on behalf of, or you are either (a) an institutional investor outside the United States (as defined in Regulation S under the Securities Act), or (b) in the United States, a QIB that is acquiring securities for your own account or for the account of another QIB; (ii) if you are in the UK, you are a relevant person; (iii) if you are in Spain, you are a professional investor within the meaning of Article 205.2 of the LMV; (iv) if you are in any member state of the EEA other than the UK or Spain, you are a Qualified Investor; (v) the securities acquired by you in the Offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, any person in circumstances which may give rise to an offer of any securities to the public other than their offer or resale in any member state of the EEA which has implemented the Prospectus Directive to Qualified Investors; and (vi) if you are outside the US, UK, Spain and EEA (and the electronic mail addresses that you gave the Company or the Managers and to which this document has been delivered are not located in such jurisdictions), you are a person into whose possession the document may lawfully be delivered in accordance with the laws of the jurisdiction in which you are located.

This document has been sent to you or accessed by you in an electronic form. By accessing this document, you consent to receiving it in electronic form. A hard copy of the document will be made available to you only upon request and if permitted by applicable law. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of the Company nor the Managers nor any person who controls any of them nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version available to you on request from the Managers. Please ensure that your copy is complete. You are reminded that the document has been made available to you solely on the basis that you are a person into whose possession the document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the document, electronically or otherwise, to any other person.

Restriction: Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer of securities for sale to persons other than the specified categories of institutional buyers described above and to whom it is directed and access has been limited so that it shall not constitute a general solicitation. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

None of the Managers, or any of their respective affiliates, or any of their respective directors, officers, employees or agents accepts any responsibility whatsoever for the contents of the document or for any statement made or purported to be made by it, or on its behalf, in connection with the Company or the Offering. The Managers and any of their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of the document or any such statement. No representation or warranty, express or implied, is made by any of the Managers or any of their respective affiliates as to the accuracy, completeness, reasonableness, verification or sufficiency of the information set out in the document.

The Managers are acting exclusively for the Company and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of the document) as their client in relation to the Offering and will not be responsible to anyone other than the Company for providing the protections afforded to their clients nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

The materials relating to the Offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the Offering be made by a licensed broker or dealer and any of the Managers or any affiliate thereof is a licensed broker or dealer in that jurisdiction, the Offering shall be deemed to be made by the Managers or such affiliate on behalf of the Company in such jurisdiction.

You are responsible for protecting against viruses and other destructive items. Your use of this document is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

UNICAJA BANCO, S.A.

(A *sociedad anónima* incorporated under the laws of Spain)

Offering of 625,000,000 ordinary shares of Unicaja Banco, S.A.
Offer Price Range of €1.10 to €1.40 per Share

This is an initial offering (the "**Offering**") of 625,000,000 new ordinary shares with a nominal value of €1 each (the "**New Shares**") of Unicaja Banco, S.A. ("**Unicaja Banco**" or the "**Company**"), a *sociedad anónima* organized under the laws of Spain, by the Company to institutional investors inside and outside of the Kingdom of Spain ("**Spain**"), including a placement in the United States to persons who are reasonably believed to be "qualified institutional buyers" ("**QIBs**") (as defined in Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**")), in reliance on Rule 144A. The Offering outside the United States will be made in compliance with Regulation S ("**Regulation S**") under the Securities Act. The Offering in Spain will only be addressed to professional investors within the meaning of Article 205.2 of Royal Legislative Decree 4/2015, of October 23, approving the consolidated text of the Spanish Securities Market Law (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el Texto Refundido de la Ley del Mercado de Valores*) ("**LMV**").

In addition, the Company will grant an option to the Stabilizing Manager (as defined below), acting on behalf of the Managers (as defined below), to subscribe for up to 62,500,000 additional shares of the Company (representing 10% of the New Shares) (the "**Over-allotment Shares**", and together with the New Shares, the "**Shares**") at the Offer Price (as defined below) to cover over-allotments in the Offering, if any, and short positions resulting from stabilization transactions (the "**Over-allotment Option**"). The Over-allotment Option is exercisable, in whole or in part, by Morgan Stanley & Co. International plc as the stabilizing manager (the "**Stabilizing Manager**") for a period of 30 calendar days from the date on which the Company's ordinary shares commence trading on the Spanish Stock Exchanges (as defined below). Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with all of the Company's ordinary shares, including with respect to all dividends and other distributions declared, made or paid on the Company's ordinary shares, will be subscribed for on the same terms and conditions as the New Shares being offered in the Offering and will form a single class for all purposes with all of the Company's ordinary shares.

An investment in the Shares involves a high degree of risk. See "Risk Factors" beginning on page 53 for a discussion of certain matters that investors should consider prior to making an investment in the Shares.

Prior to this Offering, there has been no public market for the Company's ordinary shares. The Company will apply to list its ordinary shares on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges (the "**Spanish Stock Exchanges**") and to have the ordinary shares quoted on the Spanish Automated Quotation System (*Sistema de Interconexión Bursátil Español* or *Mercado Continuo*) ("**AQS**"). We expect the ordinary shares (including the Shares offered hereby) to be listed on the Spanish Stock Exchanges and quoted on the AQS on or about June 30, 2017 ("**Admission**") under the symbol "UNI".

The indicative offer price range at which Shares will be offered in the Offering is between €1.10 and €1.40 per Share (the "**Offer Price Range**"). The Offer Price Range, which is indicative and not binding, and has been determined by the Company, after consultation with the Joint Global Coordinators without reliance on any third-party expert to assess the value of the Shares or determine the Offer Price Range. The final price of the Shares offered in the Offering (the "**Offer Price**") will also be determined by the Company after consultation with the Joint Global Coordinators upon finalization of the book-building period, which is expected to occur on or about June 28, 2017, and will be announced through publication of a relevant fact disclosure (*hecho relevante*) and, other than as described in "*General Information—Authorizations of the Offering*", no independent experts will be consulted in determining the Offer Price.

Delivery of the Shares is expected to take place in book-entry form against payment therefor in immediately available funds on or about July 3, 2017 to investors' securities accounts via the Spanish securities registration, clearance and settlement system (*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.Unipersonal*) ("**Iberclear**") and its participating entities.

This document (the "**Prospectus**") constitutes a prospectus for the purposes of Directive 2003/71/EC of the European Parliament and of the Council of the European Union (as amended, including by Directive 2010/73/EU (the "**2010 PD Amending Directive**")) (the "**Prospectus Directive**") and has been prepared in accordance with, and includes the information required by, Annexes I, III and XXII of Regulation (EC) No. 809/2004 and the amendments thereto, including Commission Delegated Regulation (EU) 486/2012, Commission Delegated Regulation (EU) 862/2012 and Commission Delegated Regulation (EU) 2016/301 (the "**Prospectus Rules**"). This Prospectus has been approved as a prospectus by the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) ("**CNMV**") in its capacity as competent authority under the LMV and relevant implementing measures in Spain. This document does not constitute a prospectus within the meaning of Section 10 of the Securities Act.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any of the Shares in any jurisdiction or to any person in which or to whom such offer or solicitation is unlawful.

The Shares have not been and will not be registered under the Securities Act or the applicable securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of certain restrictions about eligible offerees and on transfer of the Shares, see "*Selling and Transfer Restrictions*".

Joint Global Coordinators and Joint Bookrunners

Morgan Stanley **UBS Investment Bank**

Joint Bookrunners

Citigroup **Credit Suisse**

Co-Lead Managers

Alantra **Fidentiis** **Keefe, Bruyette & Woods, a Stifel Company**

Financial Advisor to the Company

Rothschild

Prospectus dated June 15, 2017.

IMPORTANT INFORMATION

YOU SHOULD READ THE ENTIRE PROSPECTUS AND, IN PARTICULAR, "RISK FACTORS" BEGINNING ON PAGE 53 OF THIS PROSPECTUS WHEN CONSIDERING AN INVESTMENT IN THE SHARES.

In this Prospectus, "**Group**", "**we**", "**us**", and "**our**" refers to the Company together with its consolidated subsidiaries, unless the context otherwise requires, "**EspañaDuero**" refers to Banco de Caja España de Inversiones, Salamanca y Soria, S.A., unless the context otherwise requires and "**Unicaja Banco**" or the "**Company**" refers to Unicaja Banco, S.A. as a standalone entity, unless the context otherwise requires.

None of Morgan Stanley & Co. International plc ("**Morgan Stanley**") or UBS Limited ("**UBS**") (together, the "**Joint Global Coordinators**"), Citigroup Global Markets Limited and Credit Suisse Securities (Europe) Limited (together with the Joint Global Coordinators, the "**Joint Bookrunners**") or Alantra Capital Markets, S.V. S.A.U., Fidentiis Equities, S.V., S.A. and Stifel Nicolaus Europe Limited (trading as Keefe, Bruyette & Woods) (the "**Co-Lead Managers**" and together with the Joint Bookrunners, the "**Managers**") or Rothschild, S.A. ("**Rothschild**") (acting as financial advisor to the Company) or any of their respective affiliates makes any representation or warranty, express or implied, nor accepts any responsibility whatsoever, with respect to the content of this document, including the accuracy or completeness or verification of any of the information in it.

Apart from the responsibility and liabilities, if any, which may be mandatorily imposed on them by the regulatory regime in Spain, neither the Managers nor Rothschild accept any responsibility whatsoever for the contents of this Prospectus nor for any other statement made or purported to be made by any of them or on their behalf in connection with us or the Shares. The Managers accordingly disclaim all and any liability whether arising in tort or contract or that they might otherwise have in respect of this Prospectus or any such statement.

The information contained in this Prospectus is accurate only as at the date of this Prospectus, regardless of the date of delivery of this Prospectus or any sale of the Shares. Every significant new factor or material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the Company's ordinary shares and which arises or is noted between the time when this Prospectus is approved and the time when trading on the Spanish Stock Exchanges of the Company's ordinary shares begins, shall be mentioned in a supplement to this Prospectus to be approved and published in the same manner as this Prospectus but no obligation is assumed to publish additional information other than general rules for issuance of supplements to this Prospectus or relevant fact disclosures (*hechos relevantes*).

No person has been authorized to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied on as having been authorized by us, Rothschild or the Managers and none of them or us accept liability with respect to such information or representation.

The contents of this Prospectus are not to be construed as investment, legal, financial or tax advice. You should consult your own legal advisor, independent financial advisor, tax advisor or other advisors for legal, financial, tax or related advice regarding an investment in the Shares. Therefore, this Prospectus is not intended to provide the basis of any credit or other valuation and shall not be considered as a recommendation by any of us, the Managers, or their advisors, that any recipient of this Prospectus should invest in, purchase or subscribe the Shares. Each investor or purchaser of the Shares should determine for itself the relevance of the information contained in this document and its investment or purchase of the Shares shall be based upon such investigation, as it deems necessary, including the assessment of risks involved and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors that may be relevant to such investor in connection with the purchase of the Shares.

The Offer Price Range is indicative and not binding, and the Offer Price may be set within, above or below the Offer Price Range. The Offer Price of the Shares will be determined upon the finalization of the book-building period (expected to be determined on or about June 28, 2017) and will be announced through the publication of a relevant fact disclosure (*hecho relevante*). Other than as described in "*General Information—Authorizations of the Offering*", no independent experts will be consulted in determining the Offer Price.

The contents of our websites do not form any part of this document. The distribution of this Prospectus and the offer or sale of the Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions, including those set out in the section "*Selling and Transfer Restrictions*". Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. No action has been or will be taken in any jurisdiction by us, the Managers or Rothschild that would permit a public offering of the Shares or possession or distribution of a prospectus in any jurisdiction where action for that purpose would be required. This Prospectus may not be used for, or in connection with, and does not constitute an offer to, or solicitation by, anyone in any jurisdiction in which it is unlawful to make such an offer or solicitation. Persons into whose possession this Prospectus may come are required by us, Rothschild and the Managers to inform themselves about and to observe these restrictions. Neither we, nor any of the Managers or Rothschild accept any responsibility for any violation by any person, whether or not such a person is a prospective purchaser of our Shares, of any of these restrictions.

In connection with the Offering, each of the Managers and any of their respective affiliates acting as an investor for its own account, may purchase Shares and in that capacity may retain, purchase, sell, offer or otherwise deal with for its own account such Shares, any other ordinary shares or any securities of the Company or related investments and may offer or sell such Shares, ordinary shares, securities or other investments otherwise than in connection with the Offering. Accordingly, references in this document to the Shares being offered, placed or otherwise dealt with should be read as including any offering, placement or dealing with of such securities to the Managers and any relevant affiliate acting in such capacity. In addition, certain of the Managers or their affiliates may enter into financing arrangements (including swaps) with investors in connection with which such Managers or their respective affiliates may from time to time acquire, hold or dispose of Shares or other ordinary shares. The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Managers are acting exclusively for the Company and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this document) as their respective customers in relation to the Offering and will not be responsible to anyone other than the Company for providing the protections afforded to their respective customers nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

NOTICE TO INVESTORS IN THE UNITED STATES

THE SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION IN THE UNITED STATES FOR OFFER OR SALE AS PART OF THEIR DISTRIBUTION AND, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED OR SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS. THE SHARES OFFERED HEREBY ARE BEING OFFERED AND SOLD IN THE UNITED STATES ONLY TO QIBS IN RELIANCE ON RULE 144A AND OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS AS DEFINED IN, AND IN RELIANCE ON, REGULATION S. PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT ANY SELLER OF THE SHARES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. THE SHARES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN. SEE "*SELLING AND TRANSFER RESTRICTIONS*".

THE SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER UNITED STATES REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OR THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL

OFFENSE IN THE UNITED STATES. THIS DOCUMENT DOES NOT CONSTITUTE A PROSPECTUS WITHIN THE MEANING OF SECTION 10 OF THE SECURITIES ACT.

NOTICE TO INVESTORS IN THE EEA

This Prospectus has been prepared on the basis that all offers of the Shares will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the European Economic Area ("**EEA**"), from the requirement to produce a prospectus for offers of the Shares. Accordingly, any person making or intending to make any offer of the Shares within the EEA should only do so in circumstances in which no obligation arises for the Company, the Managers or any other person to produce a prospectus for such offer. The Company and the Managers have not authorized, nor do they authorize, the making of any offer of the Shares through any financial intermediary other than offers made by the Managers, which constitute the final placement of the Shares contemplated in this Prospectus.

In relation to each member state of the EEA that has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, the offer of any Shares which are the subject of the Offering contemplated by this Prospectus is not being made and will not be made to the public in that Relevant Member State, other than: (a) to any legal entity which is a "qualified investor" as defined in Article 2(1)(e) of the Prospectus Directive; (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in any Relevant Member State; or (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer or sale of the Shares shall require the Company to publish a prospectus pursuant to the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this notice to investors in the EEA, the expression an "**offer of the Shares**" in relation to the Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Shares to be offered so as to enable an investor to decide to purchase the Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Each purchaser of Shares in the Offering located within a member state of the EEA will be deemed to have represented, acknowledged and agreed that it is a qualified investor. The Company, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgment and agreement.

Exceptionally, in the case of Spain, the Offering will only be addressed to professional investors within the meaning of Article 205.2 of the LMV.

For the purposes of this Prospectus, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in each Relevant Member State), and includes any relevant implementing measure in each Relevant Member State of the EEA and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This Prospectus is for distribution only to, and is directed only at, qualified investors who: (i) are persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**FSMA Order**"); (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FSMA Order; or (iii) are other persons to whom they may otherwise lawfully be communicated (all such persons, including qualified investors, together being referred to as "**relevant persons**").

In the United Kingdom, this Prospectus is directed only at relevant persons and must not be acted on or relied on by anyone who is not a relevant person. In the United Kingdom, any investment or investment activity to which this Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

NOTICE TO PROSPECTIVE INVESTORS IN CERTAIN OTHER COUNTRIES

For information to investors in certain other countries, see "*Selling and Transfer Restrictions*".

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. These forward-looking statements include matters that are not historical facts, including the statements under the headings "*Summary*", "*Risk Factors*", "*Business*", "*Operating and Financial Review,* "*Selected Financial and Operating Information in relation to the Three Months Ended March 31, 2017*" and elsewhere regarding future events or prospects or our Strategy. Statements containing the words "target", "aim", "ambition", "goal", "objective", "believe", "expect", "intend", "anticipate", "will", "positioned", "project", "risk", "plan", "may", "estimate" or, in each case, their negative and words of similar meaning are forward-looking statements.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual financial condition, results of operations and cash flows, and the development of the industry in which we operate, may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus. In addition, even if our financial condition, results of operations and cash flows, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

The various factors and uncertainties described under "*Risk Factors*" could impact our ability to perform our obligations or to realize revenue in accordance with our expectations. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from those projected. Any forward-looking statements in this Prospectus reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. You should specifically consider the risks and other factors identified in this Prospectus, which could cause actual results to differ, before making an investment decision. Additional risks that we may currently deem immaterial or that are not presently known could also cause the forward-looking events discussed in this Prospectus not to occur. Readers should not place undue reliance on any forward-looking statements.

These forward-looking statements speak only as at the date of this Prospectus. Subject to any continuing obligations under Spanish, U.S. federal and other applicable securities laws and regulations and by applicable stock exchange regulations, we undertake no obligation to publicly update or review any forward-looking statement contained in this Prospectus, whether as a result of new information, future developments or otherwise.

This Prospectus does not include profit forecasts or profit estimates as defined in section 13 of Annex I of Regulation (EC) No. 809/2004 for any period. No statement contained herein should be interpreted to mean that earnings per share after Admission will necessarily be greater or less than the historical earnings or earnings per share of the Company.

AVAILABLE INFORMATION

For so long as any Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which the Company is neither subject to Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be delivered to such person pursuant to Rule 144A(d)(4) under the Securities Act.

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SUMMARY

*Summaries are made up of disclosure requirements known as "**Elements**". These Elements are numbered in Sections A—E (A.1—E.7).*

This summary contains all the Elements to be included in a summary for this type of securities and company. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and company, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the notation of "not applicable".

Terms in capital letters and acronyms used in this summary are defined in section "Definitions and Glossary of Selected Terms".

Section A—Introduction and warnings		
A.1	Warning to investors:	**THIS SUMMARY SHOULD BE READ AS AN INTRODUCTION TO THIS PROSPECTUS. ANY DECISION TO INVEST IN THE SHARES OF UNICAJA BANCO, S.A. (THE "COMPANY") SHOULD BE BASED ON CONSIDERATION OF THIS PROSPECTUS AS A WHOLE BY THE INVESTOR, INCLUDING IN PARTICULAR THE RISK FACTORS.** **Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Union, have to bear the costs of translating this Prospectus before the legal proceedings are initiated.** Under Spanish law, civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with other parts of this Prospectus, key information in order to aid investors when considering whether or not to invest in the Shares.
A.2	Subsequent resale of securities or final placement of securities through financial intermediaries:	Not applicable. The Company is not engaging any financial intermediaries for any resale of securities or final placement of securities requiring a prospectus after publication of this document and has not given its consent for any such resale or placement.

Section B – Issuer		
B.1	Legal and commercial name:	The legal name of the issuer is Unicaja Banco, S.A. The commercial name of the issuer is "Unicaja Banco". We operate through a series of registered commercial brands. In particular, Unicaja Banco has registered on its behalf 281 brands and operates mainly through the brand Unicaja Banco, whereas EspañaDuero has 267 registered brands and primarily operates through EspañaDuero, CajaDuero and CajaEspaña.

<table>
<tr><td>B.2</td><td>Domicile and legal form:</td><td>The Company is incorporated as a public limited company (a sociedad anónima or S.A.) in Spain under the Spanish Companies Act. It has its registered office at Avenida de Andalucía 10-12, 29007 Málaga, Andalucía, Spain. The Company is incorporated for an unlimited term.</td></tr>
<tr><td>B.3</td><td>Key factors relating to the nature of the issuer’s current operations and its principal activities:</td><td>
We are a Spanish retail bank based in Málaga that was founded on December 1, 2011, as a result of the segregation and transfer of the banking business of the former savings bank Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén which in turn was established in 1991 through the merger of several savings banks, most of which had over 100 years of banking experience.
As at December 31, 2016, we had €57.2 billion total assets (€60.3 billion and €68.0 as at December 31, 2015 and 2014, respectively) and stood as the eighth largest Spanish bank (as per Spanish Confederation of Savings Banks and Asociación Española de Banca reported figures). We are characterized by a retail-based business model with a prudent commercial and risk-taking approach, customer-oriented business model, moderate risk profile, conservative balance sheet and strong capital and liquidity positions.
As at December 31, 2016, we served around 2.7 million individuals and 442 thousand SMEs, corporate customers and self-employed persons with a primary focus on Andalucía and Castilla y León where we are a leading player with market shares of 10% by loans and 13% by deposits in Andalucía, and 15% by loans and 22% by deposits in Castilla y León as at December 31, 2016 (source: Bank of Spain and Company estimates). As at December 31, 2016, we had a loyal customer base with 88% of our deposit-holding clients having a deposit tenure of more than five years.
Through our 1,279-branch network in Spain across 38 provinces and two Autonomous Cities at December 31, 2016, of which 997 branches are located in our Core Regions, and our online and telephone banking platforms, we offer a comprehensive range of retail banking products and services, with a special focus on primary residence mortgages, current accounts, term deposits and low-risk off-balance sheet products (mutual funds and life savings). As at December 31, 2016, we had 7,365 employees (7,947 and 8,354 as at December 31, 2015 and 2014, respectively).
Our retail focus is reflected by our simple balance sheet structure with our retail business accounting for 69% of our loan portfolio and 88% of our deposit base as at December 31, 2016. Core Customer Deposits made up 62.9% (this percentage is calculated using the Core Customer Deposits APM) of our total assets as at December 31, 2016. The following sets forth a summary of certain key performance measures and APMs as at or for the periods indicated, as restated pursuant to Circular 5/2014:
<table>
<tr><th></th><th colspan="3">As at/for the year ended December 31,</th></tr>
<tr><th></th><th>2016</th><th>2015</th><th>2014</th></tr>
<tr><td>Total assets</td><td>€57.2 billion</td><td>€60.3 billion</td><td>€68.0 billion</td></tr>
<tr><td>Core Customer Deposits</td><td>€36.0 billion</td><td>€37.5 billion</td><td>€35.8 billion</td></tr>
<tr><td>Customer loans</td><td>€30.7 billion</td><td>€33.1 billion</td><td>€35.1 billion</td></tr>
<tr><td>LTD ratio</td><td>83%</td><td>82%</td><td>91%</td></tr>
<tr><td>Net profit</td><td>€135.1 million</td><td>€183.8 million</td><td>€447.5 million</td></tr>
<tr><td>CIR</td><td>56.1%</td><td>40.3%</td><td>43.4%</td></tr>
<tr><td>RoE</td><td>4.9%</td><td>6.7%</td><td>17.1%</td></tr>
</table>
</td></tr>
</table>

CET1 fully-loaded	11.8%	11.1%	10.3%
CET1 phased-in	13.8%	12.8%	11.0%
Leverage ratio fully-loaded	5.2%	5.1%	4.8%

Key Strengths

A purely domestic retail bank in Spain with clear leadership in its Home Regions

We are a Spanish domestic bank focused on retail customers. As at December 31, 2016, we provided services to a total of 3.1 million customers with 82% of our branches located in our Home Regions. We have a straightforward commercial approach, offering simple, customer-driven and low-risk products with a special focus on primary residence mortgages, current accounts, term deposits and low-risk off-balance sheet products.

Prudent and conservative balance sheet management

We believe we have a comparatively low risk profile, which is reflected by what we regard as our (i) solid capitalization levels; (ii) conservative balance sheet position; (iii) relatively high coverage ratios (among the highest in the Spanish banking sector); (iv) lower-than-average real estate exposure when compared to our Peers (2.6% of our net portfolios accounted for loans to real estate developers and the construction sector as at December 31, 2016, which was the second lowest among our Peers); (v) sound liquidity position; and (vi) prudent growth strategy. Unicaja Banco has comfortably passed all the stress tests held since 2010 without any recourse to State Aid. Our Texas Ratio, which is a measure of credit strength, was 94.1% for the year ended December 31, 2016, which compares favorably to that of our Peers, who had an average of 107% for the year ended December 31, 2016, and shows a steady improvement from 94.9% and 99.9% for the years ended December 31, 2015 and 2014, respectively (source: Company data). Following the Offering, we expect our Texas Ratio to be approximately 82% (based on March 31, 2017 data and assuming full subscription of the Offering and that the Over-allotment Option is exerzised in full).

Further earnings normalization potential

We believe that (i) a new lending business growth; (ii) fall in the average cost of term deposits and other levers from specific liabilities; (iii) the potential of net fees and commissions; (iv) the recovery of commercial dynamism by EspañaDuero; and (v) strong asset quality and coverage levels, should enable us to gradually improve our profitability in the coming years

Synergies' extraction from EspañaDuero integration

We believe that the restructuring can be carried out in a manner that has little impact on our revenues, primarily because there is very limited customer overlap between Unicaja Banco and EspañaDuero and also because we have targeted plans for customer migration and retention.

Our Strategy

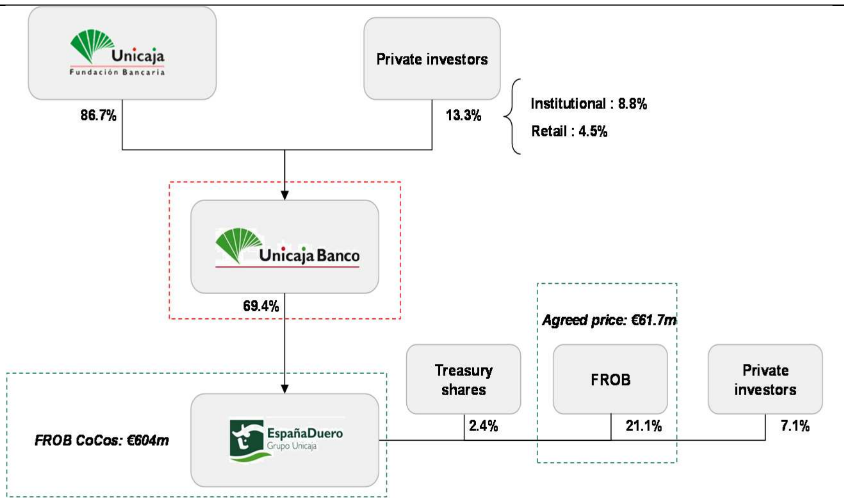
We believe that we have come out of the financial crisis as a healthier and stronger institution. Our successful trajectory has strengthened our conviction with regard to our business model and the five business principles on which it relies: **Rooted, Retail, Risk-averse, Responsibility and Return**.

Key Financial Targets

We aim to achieve sustainable profitability and have targeted an RoE of over 8% by December 31, 2020 (it was 4.9% as at December 31, 2016). As at the date of this Prospectus, our other key targets include achieving: (i) CIR below 50% by December 31, 2020 (56.1% as at December 31, 2016); (ii) CoR below 30 bps by December 31, 2020 (25 bps as at December 31, 2016); (iii) NPA coverage over 62% by December 31, 2020 (55% as at December 31,

		2016); (iv) NPL ratio of approximately 4% by December 31, 2020 (9.8% as at December 31, 2016); (v) CET1 ratio on a fully-loaded Basel III basis over 12% by 2020 (11.8% as at December 31, 2016); and (vi) cash dividend payout ratio of approximately 40% by 2020 (12.6% for the year ended December 31, 2016). ***Strategic Pillars & Key Levers*** Our aim is to accelerate our business growth by leveraging the strength of our business model in a still challenging interest rate environment. In order to do so, we have developed a strategic plan with six pillars, namely: i) targeted business growth; ii) prudent risk management; iii) efficiency, innovation and quality; iv) reduction and restructuring of non-core assets and businesses; v) full integration of EspañaDuero; and vi) prudent financial and capital management. These six pillars have been translated into the following levers to achieve our financial and operating targets: ▪ credit growth in more profitable segments; ▪ increasing fees and commissions revenues; ▪ realization of synergies arising from the full integration of EspañaDuero while maintaining strict cost control; ▪ maintaining a low cost of risk on the back of our high provisioning levels and reduced NPL formation supported by a positive macroeconomic outlook; ▪ efforts to reduce our NPL portfolio and proactive management and disposal of foreclosed assets; and ▪ derive benefits from ancillary businesses which are expected to provide revenues diversification and benefits from scope (i.e., insurance and card payments). ***Credit growth in more profitable segments*** We aim to increase credit volumes by capturing our credit "natural market share" (i.e., bringing our average loans market share more in line with our average branches market share) mainly in our targeted segments: corporates and SMEs and households (mainly via consumer lending). ***Increasing fees and commissions revenues*** We intend to increase our fees and commissions revenues on the back of our strong penetration potential in non-banking products. Our customer base has traditionally been conservative and has had limited appetite for sophisticated asset-gathering products (53% of our asset-gathering products were allocated to monetary and guaranteed products as at December 31, 2016) which, combined with our prudent commercial approach, has translated into limited development of our asset-gathering business. Our nationwide market share in mutual funds and life insurance (1.4% and 1.8%, respectively, as at December 31, 2016 (source: Inverco and ICEA)), was well below our nationwide deposit market share of 3.6% as at December 31, 2016 (source: Company estimates), which suggests potential for growth if we can achieve our "natural market share" in mutual funds and life insurance similar to our market share in deposits. ***Realization of synergies arising from the full integration of EspañaDuero*** We believe we have demonstrated our ability to reduce our operating capacity in recent years: from 2008 to 2016 we reduced our number of branches and employees by 40% and 37%, respectively. However, we believe there is room to deliver additional efficiency and productivity gains through the overall re-sizing of the Group and the integration of EspañaDuero into our platform.

		Maintaining a low cost of risk on the back of our high provisioning levels and reduced NPL formation supported by a positive macroeconomic outlook We have achieved a marked decrease in CoR, following the significant provisioning effort undertaken in recent years, and we expect to maintain low levels of CoR (below 30 bps) over the period 2017 to 2020 on the back of our high provisioning levels, our highly secured NPL loan book (84% of which is secured) and our efforts to reduce NPAs. ***Efforts to reduce our NPL portfolio and proactive management and disposal of foreclosed assets*** Our Strategy also focuses on reinforcing active management of our non-core businesses and assets to allow us to focus on the most strategic/core areas. Our main initiatives include: (i) the reduction of our NPL portfolio and (ii) the active management and disposal of foreclosed assets. ***Benefit from ancillary businesses which are expected to provide revenue diversification and benefits from scope (i.e., insurance and card payments)*** Regarding our insurance business and as a result of the integration process of EspañaDuero, our intention is to operate under a multibrand approach with a single partner for each of the life and non-life segments and, as at the date of this Prospectus, we are currently restructuring our insurance agreements. To that end, we have recently announced the termination of our bancassurance agreement with Aviva (Unicorp and Caja España Vida) and simultaneously a new agreement with Santa Lucía. Moreover, further to the terms of the Duero Vida and Duero Pensiones Agreement, EspañaDuero entered on June 8, 2017 into a sale and purchase agreement for the acquisition of Mapfre's stake in Unión Duero Vida and Unión Duero Pensiones at 110% of the valuation set by an independent expert chosen by both parties, Willis Tower Watson España, S.A. (i.e., €141.7 million of which €128.8 million corresponded to 100% of the valuation with the remainder €12.9 million being a penalty). Upon such payment, the Duero Vida and Duero Pensiones Agreement shall also terminate.
B.4a	A description of the most significant recent trends affecting the issuer and the industries in which it operates:	The Company is not aware of any significant new trend influencing the Group and the industry in which it operates, notwithstanding the risk factors described elsewhere in this summary.
B.5	Group description:	As of December 31, 2016, the Group has 40 subsidiaries, the most significant being EspañaDuero. The following table shows the Company and its material subsidiaries prior to the Offering:



Notes:
(1) The FROB is entitled to 21.1% share in EspañaDuero, of which 12.57% is directly held as at the date of this Prospectus and 8.57% is pending settlement under the Compensation Mechanism.

B.6 Major shareholders:

At the date of this Prospectus, the issued share capital of the Company consists of €922,802,121 divided into a single series of 922,802,121 ordinary shares in book-entry form, with a nominal value of €1.00 each. All of these shares are fully paid.

As at the date of this Prospectus, the Foundation (*Fundación Bancaria Unicaja*) holds 86.7% of the Company's share capital and voting rights and therefore controls the Company.

The following table sets forth certain information with respect to the Company's ordinary shares and its shareholders, prior to and after the Offering.

	Prior to the Offering		After the Offering			
Owner	**Number of shares owned**	**Percent**	**Number of shares owned (assuming no exercise of the Over-allotment Option)**	**Per cent**	**Number of shares owned (assuming full exercise of the Over-allotment Option)**	**Percent**
Fundación Bancaria Unicaja....	800,000,000	86.7 %	800,000,000	51.7 %	800,000,000	49.7%
Minority shareholders[(1)] [(2)]/free float	122,802,121	13.3 %	747,802,121	48.3 %	810,302,121	50.3%
Total............	**922,802,121**	**100.0%**	**1,547,802,121**	**100.0%**	**1,610,302,121**	**100.0 %**

Notes:
(1) As at March 31, 2017, there were 17,791 minority shareholders in Unicaja Banco.
(2) The Company is not aware of any minority shareholder owning 3% or more of the share capital of the Company.

B.7 Historical key financial information:

The selected financial information as of and for the years ended December 31, 2016, 2015, 2014 and as of and for the three months ended March 31, 2017 presented below has been prepared in accordance with IFRS-EU.

1. Consolidated income statement for the three month period ended March 31, 2017 and 2016

€ million unless otherwise stated	**Three months ended March 31,**	
	2017	**2016**

Consolidated income statement data		
Net interest income	145.0	134.8
Gross income	280.6	346.6
Net operating income	94.7	115.4
Operating profit before tax	74.2	103.2
Profit/(Loss) from continuing operations	50.7	73.5
Profit	50.8	73.5

2. Consolidated income statement for the year ended December 31, 2016 and 2015

	For the year ended December 31,	
	2016	2015(1)
Consolidated income statement data	€ million	
Net interest income	619.8	687.5
Gross income	1,089.1	1,574.9
Net operating income	290.7	323.8
Operating profit before tax	191.0	217.0
Profit/(Loss) from continuing operations	*124.9*	159.8
Profit	135.1	183.8

Note:

(1) This unaudited information is taken from our 2016 Annual Accounts.

3. Consolidated income statement for the year ended December 31, 2015 and 2014

	For the year ended December 31,	
	2015(1)	2014(2)
Consolidated income statement data	€ million	
Net interest income	687.5	718.7
Gross operating income	1,574.9	1,346.3
Profit/(Loss) from operating activities	323.8	214.3
Profit/(Loss) before tax	217.0	474.4
Profit/(Loss) from continuing operations	*159.8*	*426.9*
Net profit for the year	183.8	447.5

Notes:

(1) This audited information is taken from our 2015 Annual Accounts.

(2) On March 28, 2014, the Company completed the acquisition of a controlling stake in EspañaDuero.

4. Consolidated balance sheet as at March 31, 2017 and December 31, 2016

€ million unless otherwise stated	At March 31, 2017	At December 31, 2016
Assets		
Cash and balances at central banks and other demand	1,703.6	861.7
Financial assets held for trading	59.5	78.3
Available-for-sale financial assets	3,576.1	5,403.3
Loans and receivables	33,369.4	31,643
Held-to-maturity investments	11,119.5	12,907.6
Hedging derivatives	545.8	606.4
Investments in subsidiaries, joint ventures and associates	284.0	294.1
Tangible assets	1,422.4	1,437.8
Intangible assets	0.8	0.8
Tax assets	2,539.5	2,585.7
Other assets	627.3	659.9

Non-current assets and disposal groups held for sale	**741.4**	**762.3**
Total assets	**55,989.3**	**57,240.8**
Memorandum items		
Financial guarantees given	1,043.1	1,065.8
Contingent commitments	3,592.8	2,901.8

€ million unless otherwise stated	**At March 31, 2017**	**At December 31, 2016**
Liabilities		
Financial liabilities held for trading	**31.6**	**50.8**
Financial liabilities measured at amortized cost	**51,610.6**	**52,729.3**
Hedging derivatives	**34.1**	**49.9**
Liabilities under insurance contracts	**4.0**	**4.0**
Provisions	**677.6**	**707.0**
Tax liabilities	**226.9**	**239.1**
Other liabilities	**255.0**	**277.4**
Total Liabilities	**52,839.8**	**54,057.7**
Shareholders' funds	2,922.0	2,918.4
Accumulated other comprehensive income	24.3	34.6
Minority interests (non-controlling interest)	203.2	230.0
Total equity	**3,149.5**	**3,183.1**
Total liabilities and equity	**55,989.3**	**57,240.8**

5. Consolidated balance sheet as at December 31, 2016 and 2015

Consolidated balance sheet data	**At December 31, 2016**	**2015[(1)]**
	€ million	
Assets		
Cash, cash balances at central banks and other demand deposits	**862**	**1,991**
Financial assets held for trading	**78**	**94**
Available-for-sale financial assets	**5,403**	**9,810**
Loans and receivables	**31,643**	**34,300**
Held-to-maturity investments	**12,908**	**7,240**
Hedging derivatives	**606**	**738**
Investments in subsidiaries, joint ventures and	**294**	**359**
Insurance or reinsurance assets	**-**	**8**
Tangible assets	**1,438**	**1,491**
Intangible assets	**1**	**1**
Tax assets	**2,586**	**2,591**
Other assets	**660**	**836**
Non-current assets and disposal groups held for sale	**762**	**853**
Total assets	**57,241**	**60,312**
Memorandum items		
Financial guarantees given	1,066	1,096
Contingent commitments	2,902	3,232

Notes:

(1) This unaudited information is taken from our 2016 Annual Accounts.

Consolidated balance sheet data	**At December 31, 2016**	**2015[(1)]**
	€ million	
Liabilities		
Financial liabilities held for trading	**51**	**125**

Financial liabilities measured at amortized cost	**52,729**	**55,577**
Hedging derivatives	**50**	**108**
Liabilities under insurance contracts	**4**	**31**
Provisions	**707**	**748**
Tax liabilities	**239**	**295**
Other liabilities	**277**	**171**
Total liabilities	**54,058**	**57,056**
Total equity	***3,183***	***3,256***
Total equity and total liabilities	**57,241**	**60,312**

Note:
(1) This unaudited information is taken from our 2016 Annual Accounts.

6. Consolidated balance sheet as at December 31, 2015 and 2014

	At December 31,	
	2015[(1)]	**2014[(2)]**
Consolidated balance sheet data	**€ million**	
Assets		
Cash and balances at central banks	**1,578**	**612**
Financial assets held for trading	**94**	**229**
Available-for-sale financial assets	**9,810**	**12,503**
Loans and receivables	**34,712**	**37,671**
Held-to-maturity investments	**7,240**	**9,640**
Hedging derivatives	**738**	**922**
Non-current assets held for sale	**853**	**931**
Investments	**359**	**424**
Insurance contracts linked to pensions	**142**	**148**
Reinsurance assets	**8**	**7**
Tangible assets	**1,491**	**1,386**
Intangible assets	**1**	**2**
Tax assets	**2,591**	**2,748**
Other assets	**694**	**729**
Total assets	**60,312**	**67,950**
Memorandum items		
Contingent exposures	1,096	1,358
Contingent commitments	3,232	3,402

Notes:
(1) This audited information is taken from our 2015 Annual Accounts.
(2) On March 28, 2014, the Company completed the acquisition of a controlling stake in EspañaDuero.

	At December 31,	
	2015[(1)]	**2014[(2)]**
Consolidated balance sheet data	**€ million**	
Liabilities		
Financial liabilities held for trading	**125**	**65**
Financial liabilities at amortized cost	**55,577**	**63,008**
Hedging derivatives	**108**	**57**
Liabilities associated with non-current assets held for sale	**-**	**13**
Insurance contracts liabilities	**31**	**30**
Provisions	**748**	**724**
Tax liabilities	**295**	**534**
Other liabilities	**171**	**228**
Total liabilities	**57,056**	**64,658**
Total equity	***3,256***	***3,292***
Total equity and total liabilities	**60,312**	**67,950**

Notes:

		(1) This audited information is taken from our 2015 Annual Accounts. *(2) On March 28, 2014, the Company completed the acquisition of a controlling stake in EspañaDuero.*
B.8	Selected key pro forma financial information:	Not applicable. This Prospectus does not contain pro forma financial information.
B.9	Profit forecast:	Not applicable. This Prospectus does not contain profit forecasts or estimates.
B.10	A description of the nature of any qualifications in the audit report on the historical financial information:	The audit reports corresponding to the 2016 Annual Accounts, the 2015 Annual Accounts and the 2014 Annual Accounts, all issued by PricewaterhouseCoopers Auditores, S.L., are unqualified. The report corresponding to the Consolidated Interim Financial Statements cannot be considered as an audit exercise and, therefore, no qualifications are required.
B.11	Qualified working capital:	Not applicable. In the opinion of the Company, the working capital available to the Company is sufficient for the Company's present requirements and, in particular, is sufficient for at least the next twelve months from the date of this Prospectus.

Section C- Securities		
C.1	Type and class of security:	The Company's ordinary shares have the ISIN code ES0180907000 allocated by the Spanish National Agency for the Codification of Securities (*Agencia Nacional de Codificación de Valores Mobiliarios*), an entity dependent upon the CNMV. It is expected that the ordinary shares will be traded on the Spanish Stock Exchanges and quoted on the AQS under the ticker symbol "UNI".
C.2	Currency of the securities issue:	The Company's ordinary shares are denominated in euro.
C.3	The number of shares issued:	At the date of this Prospectus, our issued share capital consists of €922,802,121, divided into a single series of 922,802,121 ordinary shares, with a nominal value of €1.00 each. Each ordinary share entitles its holder to one vote. All of our ordinary shares are fully subscribed and paid-up.
C.4	A description of the rights attached to the securities:	The ordinary shares rank *pari passu* in all respects with each other, including for voting purposes and for all distributions of our profits and proceeds from a liquidation. The ordinary shares grant their owners the rights set forth in the bylaws and under Spanish corporate law, such as, among others, (i) the right to attend general shareholders' meetings of the Company with the right to speak, limited to holders of record of at least 1,000 ordinary shares, (ii) the right to vote in the shareholders' meeting of the Company, (iii) the right to dividends proportional to their paid-up shareholding in the Company, (iv) the pre-emptive right to subscribe for newly-issued ordinary shares in capital increases with cash contributions, and (v) the right to any remaining assets in proportion to their respective shareholdings upon liquidation of the Company.
C.5	Restrictions on the free transferability of	There are no restrictions on the free transferability of the Company's ordinary shares.

	the securities:	
C.6	Admission:	The Company will request admission to listing and trading of the Shares on the Spanish Stock Exchanges and on the AQS as soon as possible. Admission to listing and trading is expected to take place, in accordance with the envisaged timetable, on June 30, 2017. If there is any delay in the admission to listing and trading of the Shares on the Spanish Stock Exchanges, the Company will publicly announce, via a relevant fact disclosure (*hecho relevante*), such delay and a revised expected date of Admission.
C.7	Dividend policy:	As at the date of this Prospectus no dividend policy has been approved for the Company, however, it is our intention to distribute cash dividends in the short term and to increase the distribution of cash dividends progressively from the 12.6% cash dividend payout ratio achieved for the year ended December 31, 2016 until a cash dividend payout ratio of approximately 40% is reached in 2020. However, there is no guarantee that we will pay dividends in the future or regarding the level of any such dividends. Holders of ordinary shares will be entitled to receive future dividends which are declared on the basis set out in the bylaws. For the years ended December 31, 2016, 2015 and 2014 we paid cash dividends in the amounts of €17 million, €19 million and €25 million, respectively, representing €0.018, €0.022 and €0.028 per ordinary share, respectively, and resulting in a cash dividend payout ratio of 12.6%, 10.3% and 5.6%, respectively. Earnings per ordinary share were €0.154, €0.202 and €0.532 for the years ended December 31, 2016, 2015 and 2014, respectively. Our future dividend policy and the amount of future dividends we decide to pay will depend upon a number of factors, including, but not limited to, our earnings, financial condition, regulatory restrictions our ability to distribute dividends from our subsidiaries, and such other factors as we may deem relevant at the time. In addition, our ability to pay dividends in the future will depend on the continued satisfaction of capital requirements. Any ordinary dividend payments that we may declare must be approved by the general shareholders' meeting upon proposal from the Board of Directors once the relevant year's results are made public.

Section D- Risks		
D.1	Key information on the key risks that are specific to the issuer or its industry:	Investing in the Company's Shares involves a degree of risk. You should carefully consider the risks and uncertainties described below, together with the other information contained in this Prospectus, before making any investment decision. Any of the following risks and uncertainties could have a material adverse effect on the Company's business, financial condition and results of operations. The market price of the Shares could decline due to any of these risks and uncertainties and you could lose all or a part of your investment. **Specific Risks related to EspañaDuero and the Restructuring Plan** ▪ We face certain business combination risks related to the acquisition of EspañaDuero. ▪ If we are unable to repay the CoCos FROB in full, the FROB or any subsequent holder of the CoCos FROB may convert the CoCos FROB into ordinary shares in EspañaDuero and become the majority shareholder of EspañaDuero. ▪ Our failure to repay the CoCos FROB may limit our ability to

distribute dividends.

- We may be subject to liability related to litigations of former EspañaDuero hybrid securities holders.
- The business and growth limitations set by the Term Sheet of EspañaDuero or failure to comply with such Term Sheet could have a material adverse effect on our business.
- EspañaDuero is subject to regulatory scrutiny and as an individual entity must comply with regulatory capital and liquidity standards.

Specific Risks relating to the Group

- We are exposed to the risk that the current Spanish tax assets regime is challenged or modified in the future. Furthermore, in relation to tax assets not guaranteed by the Spanish state, we are exposed to the risk that we may fail to recover certain tax assets or have overstated their value.
- Decisions relating to the removal of clauses which set minimum interest rates for mortgages in Spain may have a significant impact on our business.
- The restructuring of joint ventures and distribution agreements for our distribution of insurance products may result in contractual claims or penalties and breaches of contracts.
- We are subject to significant credit risk exposure in Spain, in particular with certain counterparties and business sectors, especially in the Spanish real estate market.
- We face risks relating to disruptions, dislocations, structural challenges and volatility in financial markets and are exposed to counterparty risk with the Spanish and foreign governments.
- We face the risks that we may be unable to successfully implement our Strategy, or achieve our business and financial targets.

Sector Risks

- We face risks relating to conditions in the Spanish, European and global economies.
- The current low interest rate environment has put pressure on our revenues as our business is particularly sensitive to changes in interest rates.
- Solvency risk is inherent to our business.
- Liquidity risk is inherent in our operations.
- Operational risk is inherent to our business and, in particular, we face risks from failures of our information technology systems or internal management systems or processes.
- We face increased competition from traditional and non-traditional providers of banking services.
- We are exposed to risks relating to the weakness or the perceived weakness of other financial institutions.
- We are exposed to risks associated with cybercrime and fraud.
- We rely on third-party service providers and third-party financial products.
- We may be unable to retain key members of our management team and employee base or to attract new qualified employees.
- We are subject to conduct and reputational risks that could result in

		fines, sanctions and reputational damage. **Legal and Compliance Risks** ▪ Our business is highly regulated and is subject to stress tests and changes in laws and regulations and interpretation of such laws and regulations. ▪ We are subject to risks related to banking sectorial regulations. ▪ We are subject to legal proceedings. ▪ We face risks relating to the implementation of IFRS 9. ▪ We are subject to data protection laws. **Other Risks** ▪ Our financial statements in conformity with EU-IFRS require the exercise of judgments and use of assumptions and estimates which may be incorrect.
D.3	Key information on the key risks that are specific to the securities:	▪ The Company's share price could be volatile and subject to sudden and significant decline. ▪ Sales of ordinary shares after the Offering may cause a decline in the market price of the Company's ordinary shares. ▪ Risk of overhang due to the Savings Banks Foundation law. ▪ We may not pay dividends on the Company's ordinary shares and, as a result, investors' only opportunity to achieve a return on their investment could be if the price of the shares appreciates. ▪ If the PeCoCos are converted in the future, investors may suffer losses due to dilution. ▪ We may in the future issue new shares or equity-linked securities, which may dilute investors' interests. ▪ There is no established trading market for the Company's ordinary shares. There is no guarantee that a liquid market for the Company's ordinary shares will develop. ▪ The Company's major shareholder will be able to exercise significant influence over us and we face certain risks relating to conflicts of interest between such major shareholder and the Group and other minority shareholders. ▪ It may be difficult for shareholders outside Spain to serve process on, or enforce foreign judgments against us or our directors. ▪ Shareholders in certain jurisdictions other than Spain or other EU countries, including the United States, may not be able to exercise their pre-emptive rights to acquire further shares or participate in buy-backs. ▪ The Shares will not be freely transferable in the United States. ▪ An investor whose currency is not the euro is exposed to exchange rate fluctuations.

Section E- Offer		
E.1	The total net proceeds and an estimate of the total expenses of	The Company will issue 625,000,000 New Shares in the Offering in exchange for cash contributions and would raise net proceeds of between approximately €659.6 million and approximately €841.5 million using the Offer Price Range, assuming (i) full subscription of the New Shares, and (ii) no exercise

	the issue:	of the Over-allotment Option, and after deducting underwriting commissions and other expenses in connection with the Offer. If the Over-allotment Option is exercised in full, the Company will issue the Over-allotment Shares in exchange for cash contributions and would raise additional net proceeds of between approximately €66.0 million and approximately €84.1 million using the Offer Price Range. The commissions, fees and expenses that will be payable by the Company in connection with the Offering are expected to be approximately €33.1 million. Set forth below is a breakdown of the estimate of such costs for illustrative purposes only, in each case excluding VAT where applicable: **Expenses** — **€ million** Underwriting commissions[(1)] ..... 25.8 Base commission ..... 15.0 Discretionary commission ..... 10.7 Legal expenses and others (notary public, registration with the Commercial Registry, legal publishing, legal and financial advice, audit and others) [(2)] ..... 7.0 Iberclear fee, Spanish Stock Exchange fee, CNMV fee[(2)] ..... 0.28 **Total** ..... 33.1 *Notes:* *(1) Assuming that (i) the Offer Price is the mid-point of the Offer Price Range, €1.25 per New Share, (ii) all the New Shares have been underwritten by each of the Managers and the Over-allotment Option has been exercised in full; and (iii) the discretionary commission is paid in full.* *(2) Assuming that the Offer Price is in the mid-point of the Offer Price Range.* The expenses (including commissions) payable by the Company would total approximately €33.1 million, which accounts for approximately 3.85% (assuming that the Offer Price is the mid-point price of the Offer Price Range and that the Over-allotment Option is exercised in full) and approximately 3.93% (assuming that the Offer Price is the mid-point price of the Offer Price Range and that no Over-allotment Option is exercised) of the total amount of the Offering. See E.7 of this Summary for details about expenses charged to investors by the Company.
E.2	Reasons for the Offering, use of proceeds:	The Company expects to use the net proceeds from the sale of the Shares in the Offering as follows: ▪ to reinforce the capital position following full repayment of the CoCos FROB in an amount of €604 million; ▪ with any remaining funds, to fund the acquisition of the FROB stake in EspañaDuero for €62 million; and ▪ with any remaining funds, for general corporate purposes. In addition, the Offering is expected to provide the Company with improved access to public capital markets (including for debt instruments) that could make it easier for the Company to obtain financing at lower costs. The Admission of the Company's ordinary shares pursuant to the Offering will also provide liquidity to the minority shareholders in the Company and enable the Foundation to reduce its stake in the Company as required under the Banking Foundations Law. As at the date of this Prospectus, no decision has been made as to the manner

		in which the Group will repay the CoCos FROB or acquire the FROB's stake in EspañaDuero, both of which may be done by Unicaja Banco itself or through EspañaDuero (in which case the Company would provide EspañaDuero with the necessary funds).
E.3	A description of the terms and conditions of the Offering:	The Offering consists in the offer of 625,000,000 New Shares, representing 40.4% of the Company's post-Offering share capital (assuming no exercise of the Over-allotment Option), of €1 nominal value each, to qualified investors (as defined in Article 2(1)(e) of the Prospectus Directive) at the Offer Price. In the case of Spain, the Offering will only be addressed to professional investors within the meaning of Article 205.2 of the LMV. The New Shares will rank *pari passu* in all respects with the rest of the existing 922,802,121 ordinary shares of the Company. In addition, the Offering may be increased by up to 62,500,000 Over-allotment Shares. The Company acts in its own name and on its behalf in respect of the New Shares. In connection with the Offering, the Company will grant an option to the Stabilizing Manager, on behalf of the Managers, to purchase the Over-allotment Shares, that is, up to 62,500,000 Shares, representing 10% of the New Shares, at the Offer Price. The Over-allotment Option is exercisable by the Stabilizing Manager, on behalf of the Managers, on one occasion in whole or in part, only for the purpose of covering over-allotments (if any), at any time on or before the 30th calendar day following the date of Admission. This period is expected to commence on June 30, 2017 and end on July 29, 2017. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the Shares, including for all dividends and other distributions declared, made or paid on the Shares, will be purchased on the same terms and conditions as the Shares being sold in the Offering and will form a single class for all purposes with the Shares. The Offering will be conducted through a book-building process. During the book-building period, which is expected to start on June 15, 2017 (after registration of the Prospectus with the CNMV) and end on June 28, 2017 (both inclusive), the Managers will market the New Shares among institutional investors in accordance with, and subject to, the selling and transfer restrictions set forth in this Prospectus. In particular, in the case of Spain. the Shares will only be offered to professional investors within the meaning of Article 205.2 of the LMV. Investors may submit their purchase proposals during this period, indicating the total amount in euros that they would be prepared to invest through purchases of New Shares and, if applicable, the maximum purchase price at which they would be interested in acquiring them. The indicative non-binding Offer Price Range within which subscription or purchase orders may be placed is €1.10 to €1.40 per Share and the Company would raise net proceeds of between approximately €659.6 million and approximately €841.5 million assuming (i) full subscription of the New Shares, and (ii) no exercise of the Over-allotment Option, and after deducting underwriting commissions and other expenses in connection with the Offering. If the Over-allotment Option is exercised in full, the Company will issue the Over-allotment Shares in exchange for cash contributions and would raise additional net proceeds of between approximately €66.0 million and approximately €84.1 million using the Offer Price Range. The Offer Price will be determined by the Company and the Joint Global Coordinators, upon the finalization of the book-building period (expected to occur on or about June 28, 2017) and will be announced by the Company through the publication of a relevant fact disclosure (*hecho relevante*) reported to the CNMV no later than 11.59 p.m. CET on the date the Underwriting Agreement is executed (or any prior date or subsequent date if

it is previously reported to the CNMV).

Morgan Stanley & Co. International plc and UBS Limited are acting as Joint Global Coordinators and Joint Bookrunners in the Offering. Citigroup Global Markets Limited and Credit Suisse Securities (Europe) Limited are acting as additional Joint Bookrunners. Alantra Capital Markets, S.V. S.A.U., Fidentiis Equities, S.V., S.A. and Stifel Nicolaus Europe Limited (trading as Keefe, Bruyette & Woods) are acting as Co-Lead Managers (all of them, jointly referred to as the Managers).

Upon finalization of the book-building period (which is expected to occur on or about June 28, 2017) the Company and the Managers expect to enter into the Underwriting Agreement, pursuant to which the Managers will agree, severally but not jointly, to subscribe for or procure investors for or, failing which, to acquire, the Shares, and, if applicable, the Over-allotment Shares, on the basis set out below, subject to the satisfaction of certain conditions set out in the Underwriting Agreement and the Underwriting Agreement not being terminated in accordance with its terms. The percentage of Shares which is expected to be underwritten by each Manager is set forth opposite its name in the following table:

Name	**Percentage of Shares**
Morgan Stanley & Co. International plc........................	34%
UBS Limited..	34%
Citigroup Global Markets Limited................................	10%
Credit Suisse Securities (Europe) Limited.....................	10%
Alantra Capital Markets, S.V. S.A.U.	4%
Fidentiis Equities, S.V., S.A.	4%
Stifel Nicolaus Europe Limited (trading as Keefe, Bruyette & Woods)..	4%
Total	**100%**

Additionally, it is expected that Banco Santander S.A. will act as Agent Bank of the Offering.

The Closing Date of the Offering or "*fecha de operación bursátil especial*" is expected to be on or about June 29, 2017. The Company will make public the result of the Offering through a relevant fact disclosure (*hecho relevante*) reported to the CNMV on the Closing Date or the following business day. Under Spanish law, on the Closing Date, investors become unconditionally bound to pay for, and entitled to receive, the Shares allocated to them in the Offering.

In order to expedite the registration and listing of the Shares, it is expected that the Joint Global Coordinators, in their capacity as prefunding banks, shall each pay for 50% of the New Shares at the Offer Price, without deduction of any commissions and expenses, on June 29, 2017, the Subscription Date, acting in the name and on behalf of the Managers, and each Manager acting on behalf of the final investors. Payment for the New Shares by the prefunding banks is expected to be made to the Company by 9:00 a.m. CET on the Subscription Date in its account opened with the Agent Bank.

Following receipt of the subscription funds due, the Company shall declare the share capital increase corresponding to the New Shares complete and proceed to the granting of the corresponding capital increase deed before a Spanish Notary Public, for its subsequent registration with the Commercial Registry of Málaga. Granting of the capital increase is, in accordance with the envisaged

		timetable, expected to take place on June 29, 2017, and its registration with the Commercial Registry on June 29, 2017. Following registration, a notarial testimony of the capital increase deed, duly registered, will be delivered to the CNMV, Iberclear and the Madrid Stock Exchange, as the lead stock exchange for the listing of the Shares. Following delivery of the registered capital increase notarial testimony to Iberclear, Iberclear will inform the Joint Global Coordinators through the relevant Iberclear members of the relevant registration details relating to the New Shares temporarily allocated to them in accordance with its pre-funding obligations. The Company will request admission to listing and trading of the Shares on the Spanish Stock Exchanges and on the AQS as soon as possible. Admission to listing and trading is expected to take place, in accordance with the envisaged timetable, on June 30, 2017. If there is any delay in the admission to listing and trading of the Shares on the Spanish Stock Exchanges, the Company will publicly announce, via a relevant fact disclosure (*hecho relevante*), such delay and a revised expected date of Admission. Payment by the final investors for the Shares, including for the New Shares subscribed and paid for on the Closing Date by the prefunding banks, will be made no later than 9:30 a.m. CET on the second Madrid business day after the Closing Date against delivery of the relevant Shares to final investors, which is expected to take place on or about July 3, 2017, the Settlement Date. In connection with the Offering, Morgan Stanley & Co. International plc, or any of its agents, as Stabilizing Manager, acting also on behalf of the Managers, may (but will be under no obligation to), to the extent permitted by applicable law, engage in transactions that stabilize, support, maintain or otherwise affect the price of the Company's ordinary shares (including the Shares), as well as over-allot Shares or effect other transactions, all with a view to supporting the market price of the Company's ordinary shares at a level higher than that which might otherwise prevail in an open market. The stabilization transactions shall be carried out for a maximum period of 30 calendar days from the date of the commencement of trading of the Company's ordinary shares on the Spanish Stock Exchanges, provided that such trading is carried out in compliance with the applicable rules, including any rules concerning public disclosure and trade reporting. The stabilization period is expected to commence on June 30, 2017 and end on July 29, 2017, the Stabilization Period.
E.4	A description of any interest that is material to the issue/offer including conflicting interests:	Certain of the Managers or their affiliates from time to time have provided in the past, and may provide in the future, investment banking, financial advisory, broker dealer and commercial banking services to us and our affiliates in the ordinary course of business for which they have received, or may receive, customary fees and commissions. Moreover, in the ordinary course of their various business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our and/or our affiliates' securities and instruments. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. In connection with the Offering, the Managers are not acting for anyone other than us and will not be responsible to anyone other than us for providing the protections afforded to their clients, nor for

<table>
<tr><td></td><td></td><td>providing advice in relation to the Offering.</td></tr>
<tr><td>E.5</td><td>Name of the person or entity offering to sell the securities and details of any lock-up agreements:</td><td>A) Entities offering the Shares

The Company is the entity offering the Shares. The Shares are being placed by the Managers.

B) Lock-up arrangements

Pursuant to the Underwriting Agreement, the following parties will be subject to lock-up arrangements for the periods set out below after the Settlement Date:

The Company 180 days

The Foundation 180 days

The lock-up agreements are subject to customary exceptions including the sale of Shares pursuant to the Offering, or in the case of the Company, does not apply for the purpose of executing any strategic acquisitions or transactions by the Company provided that, in the event of any such strategic acquisitions or transactions, each recipient of such shares shall agree in favor of any of the Joint Global Coordinators to be bound by customary restrictions for the remainder of the 180-day period.</td></tr>
<tr><td>E.6</td><td>Dilution:</td><td>The offer and sale of the Shares represents an immediate decrease in tangible book value to existing shareholders of approximately €0.83 per ordinary share given that the Offering is primary. Dilution is determined by subtracting the adjusted tangible book value per ordinary share immediately after the Offering from the tangible book value per ordinary share as at March 31, 2017.

The following table[(1)] illustrates the approximate dilution on a per ordinary share basis.

<table>
<tr><th></th><th>Low-point</th><th>Mid-point</th><th>High-point</th></tr>
<tr><td></td><td colspan="3">Per ordinary share</td></tr>
<tr><td></td><td colspan="3">(in €)</td></tr>
<tr><td>Tangible book value at March 31, 2017</td><td>3.14</td><td>3.14</td><td>3.14</td></tr>
<tr><td>Offer Price</td><td>1.10</td><td>1.25</td><td>1.40</td></tr>
<tr><td>Decrease in tangible book value as a result of the Offering</td><td>0.89</td><td>0.83</td><td>0.76</td></tr>
<tr><td>Adjusted tangible book value immediately after the Offering</td><td>2.25</td><td>2.31</td><td>2.37</td></tr>
</table>
Note:
(1) Assuming that (i) the Offer Price is the mid-point of the Offer Price Range, €1.25 per New Share, (ii) all the New Shares have been underwritten by each of the Managers and the Over-Allotment Option has been exercised in full; and (iii) the discretionary commission is paid in full.</td></tr>
<tr><td>E.7</td><td>Estimated expenses charged to the investor by the Issuer:</td><td>For the purpose of the transfer of the Shares, the Company will not charge investors any expense in addition to the Offer Price.

Purchasers of the Shares may be required to pay stamp taxes and other charges in accordance with the practices of the country of purchase in addition to the Offer Price. In addition, purchasers will have to bear the commissions payable to the financial intermediaries through which they will hold the Shares.</td></tr>
</table>

GENERAL INFORMATION

Neither the delivery of this Prospectus nor any subscription or sale of Shares made pursuant to this Prospectus shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to the date of this Prospectus. Notwithstanding the foregoing, the Company is required to publish a prospectus supplement in respect of any significant new factor, material mistake or inaccuracy relating to the information included in this document which is capable of affecting the assessment of the Shares and which arises or is noted between the date hereof and the Admission, in accordance with Article 22 of Royal Decree 1310/2005.

Declaration of Responsibility

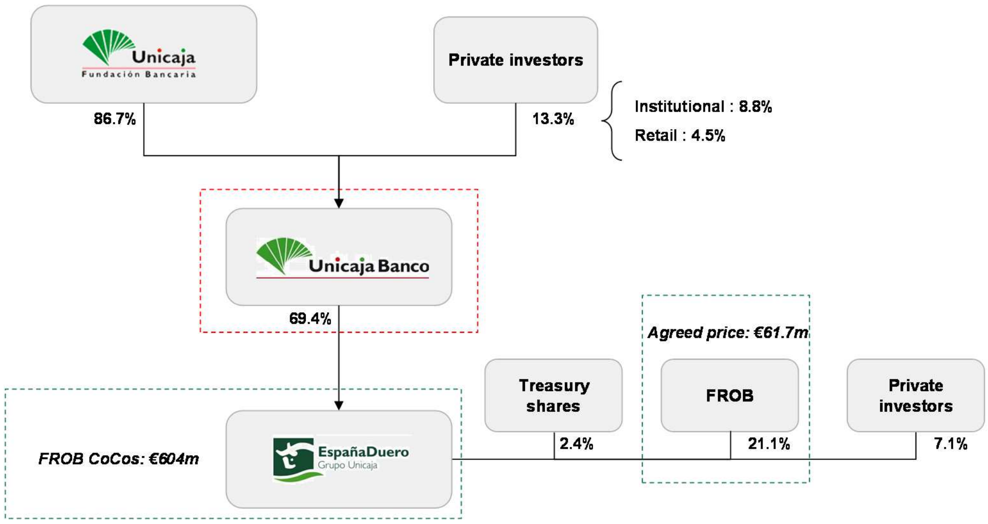
Mr. Enrique Sánchez del Villar Boceta and Mr. Pablo González Martín, acting in the name and on behalf of the Company, in their capacity as authorized representatives of the Company, accept responsibility for the information contained in this document. Having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of their knowledge, in accordance with the facts and contains no omissions likely to affect its import.

Authorizations of the Offering

The Company's general shareholders' meeting held on April 26, 2017 authorized the increase of the Company's share capital by way of monetary contributions and with the exclusion of pre-emptive subscription rights in an amount of 625,000,000 New Shares, representing 40.4% of the Company's post-Offering share capital (assuming no exercise of the Over-allotment option). In connection with such exclusion of pre-emptive subscription rights and pursuant to Article 308 of Royal Decree-Law 1/2010, of July 2, which approves the consolidated text of the Spanish Companies Act (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*) (the "**Spanish Companies Act**"), KPMG Auditores, S.L., in its capacity as independent expert, issued a report dated March 24, 2017 on the reasonableness of the information contained in the mandatory report from the board of directors of Unicaja Banco (the "**Board of Directors**"). Moreover, given that at the time of convening the abovementioned shareholders' meeting, the Offer Price had not been determined, KPMG Auditores, S.L. shall issue a complementary report once the Offer Price has been fixed (expected to occur on or about June 28, 2017) on (i) the fair value of the Company's ordinary shares, and (ii) the notional value (*valor teórico*) of the pre-emptive subscription rights that have been excluded. Both reports will be attached to the notarized public deed (*escritura pública*) of capital increase in relation to the New Shares and, as the case may be, the Over-allotment Shares, which will be registered with the Málaga Commercial Registry.

Corporate Structure

The Company is a Spanish *sociedad anónima* incorporated on December 1, 2011 and registered with the Málaga Commercial Registry and as a credit institution in the Special Registry at the Bank of Spain under number 2103. The Company's registered office is at Avenida de Andalucía 10-12, Málaga, Spain and its corporate structure as at the date of this Prospectus is as follows:



Note: The FROB is entitled to 21.1% share in EspañaDuero, of which 12.57% is directly held as at the date of this Prospectus and 8.57% is pending settlement under the Compensation Mechanism.

The Company is currently neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder. For so long as this remains the case, the Company will furnish, upon written request, to any shareholder, any owner of any beneficial interest in any of the Shares or any prospective purchaser designated by such a shareholder or such an owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act, if at the time of such request any of the Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act.

Please see Note 1.1, as well as Appendices I, II and III, of the 2016 Annual Accounts (as defined in "*Presentation of Financial and Other Information*") for lists of the Company's subsidiaries, joint ventures and associates ("*entidades del grupo, multigrupo y asociadas*") as at December 31, 2016 as well as the resulting consolidation impact.

Working capital

In the opinion of the Company, the working capital available to the Company is sufficient for the Company's present requirements and, in particular, is sufficient for at least the next twelve months from the date of this Prospectus.

Documents on display

Copies of the following documents will be available in Spanish language (unless otherwise stated) for inspection in physical form until Admission during business hours on weekdays at the Company's offices at Avenida de Andalucía 10-12, Málaga, Spain:

(a) deed of incorporation of the Company and the deed of transformation of the Company's ordinary shares into book-entry form;

(b) the bylaws of the Company (which, following Admission, will also be available on the Company's website at www.unicajabanco.es);

(c) the regulations that govern the Board of Directors (the "**Board of Directors Regulations**"), general shareholders' meeting regulations, Internal Securities Market Code of Conduct (*Reglamento Interno de Conducta*) (the "**Internal Code of Conduct**") (which, following Admission, will also be available on the CNMV's website at www.cnmv.es and on the Company's website at www.unicajabanco.es);

(d) the 2014 Annual Accounts, the 2015 Annual Accounts and the 2016 Annual Accounts (as defined in "*Presentation of Financial and Other Information*") (which are also available on the CNMV's website at www.cnmv.es and on the Company's website at www.unicajabanco.es);

(e) the Consolidated Interim Financial Statements (which are also available on the Company's website at www.unicajabanco.es);

(f) this Prospectus (which, as soon as it has been registered with the CNMV, will also be available, in English language only, on the CNMV's website at www.cnmv.es and on the Company's website at www.unicajabanco.es); and

(g) certificate of the resolutions approved by the general shareholders' meeting and Board of Directors in connection with the Offering.

The documents referred to in (b) to (g) above will also be available for inspection in physical form at the CNMV's premises at: Edison 4, 28006 Madrid, Spain, and Passeig the Gràcia 19, 08007 Barcelona, Spain.

On May 31, 2017, the Board of Directors approved the transfer of the Company's website from www.unicajabanco.es to www.unicajabanco.com. Therefore, the new Company's website will be www.unicajabanco.com, which is, as at the date of this Prospectus, pending registration with the Commercial Registry.

The website is not a part of this Prospectus and nothing is incorporated by reference from the website.

Enforcement of civil liabilities

Unicaja Banco is a Spanish company, and its assets are located within Spain (with residual assets located in Portugal). In addition, all of the Company's directors, as well as its principal shareholders, reside or are located outside the United States, mainly in Spain. As a result, investors may not be able to effect service of process upon the Company or these persons or to enforce judgments obtained against the Company or these persons in foreign courts predicated solely upon the civil liability provisions of U.S. securities laws.

The Company has been advised by Freshfields Bruckhaus Deringer LLP, the Company's Spanish counsel, that there is doubt that a lawsuit based upon U.S. federal or state securities laws could be brought in an original action in Spain and that a foreign judgment based upon U.S. securities laws would be enforced in Spain.

DEFINITIONS AND GLOSSARY OF SELECTED TERMS

"**2010 PD Amending Directive**" ...	Directive 2010/73/EU;
"**2014 Annual Accounts**"	the Company's audited consolidated annual accounts, prepared under EU-IFRS, as of and for the year ended December 31, 2014;
"**2015 Annual Accounts**"	the Company's audited consolidated annual accounts, prepared under EU-IFRS, as of and for the year ended December 31, 2015;
"**2016 Annual Accounts**"	the Company's audited consolidated annual accounts, prepared under EU-IFRS, as of and for the year ended December 31, 2016;
"**Accepting Holders**"…………..	purchasers of EspañaDuero's preference shares and subordinated debt who accepted the exchange offer of Unicaja Banco for the acquisition of EspañaDuero;
"**ADICAE**"	the Association of Customers of Banks, Savings Banks and Insurance of Spain (*Asociación de Usuarios de Bancos, Cajas y Seguros*);
"**Admission**".................................	the date our ordinary shares are listed on the Spanish Stock Exchanges and quoted on the AQS, expected to be on or about June 30, 2017;
"**AEB**"...	Asociación Española de Banca;
"**Agent Bank**"	Banco Santander, S.A.;
"**Ahorro Corporación Gestión**"....	Ahorro Corporación Gestión, S.G.I.I.C., S.A.;
"**ALCO**"...	the Company's asset, liability and budget committee;
"**Annual Accounts**".......................	the 2016 Annual Accounts, the 2015 Annual Accounts and the 2014 Annual Accounts collectively;
"**APMs**"………………………..	alternative performance measures;
"**Appointments Commission**".......	commission under the Board of Directors Regulations responsible for reporting and proposing on the appointment and removal of the directors and senior managers;
"**AQR**"	Asset Quality Review;
"**AQS**"...	the Spanish Automated Quotation System (*Sistema de Interconexión Bursátil Español* or *Mercado Continuo*);
"**ASIC**"..	Australian Securities and Investments Commission;
"**ATA**"...	average total assets;
"**ATM**"...	automated cash machine;
"**Audit and Compliance Commission**"............................	commission under the Board of Directors Regulations responsible for assisting the Board of Directors on the observation of its monitoring task by reviewing periodically the process of drawing up of the financial documentation, the internal audit role and the independent nature of the external auditor;
"**AUSBANC**"	the Association of Users of Banking Services (*Asociación de Usuarios de Servicios Bancarios*);
"**Australian Corporations Act**"	Corporations Act 2001 of the Commonwealth of Australia;
"**Aviva**"	Aviva Europe SE;
"**Aviva Agreement**"	agreement between EspañaDuero, Unicaja Banco and Aviva to terminate their strategic alliance in relation to the development, commercialization and distribution of life insurance products and pension plans in Spain;
"**Aviva Stake**"	Aviva's 50% stake in Unicorp Vida and Caja España Vida;
"**Banking Foundations Law**"........	Law 26/2013, of December 27, on savings banks and banking foundations;
"**Basel Committee**"	the Basel Committee on Banking Supervision;
"**Basel III Framework**" or "**Basel III**"	the measures released on December 16, 2010 (revised in June 2011) referred to as Basel III: a global regulatory framework for more resilient banks and banking systems;
"**Basel IV**".....................................	review of Basel III Framework;
"**Bail-in Power**".............................	any write-down, conversion, transfer, modification, or suspension power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in Spain, relating to the transposition of the BRRD, as amended from time to time;

"**Board of Directors**"	the board of directors of Unicaja Banco, unless the context indicates otherwise;
"**Board of Directors Regulations**"	existing regulations that govern the Board of Directors;
"**bps**"	basis points;
"**BRRD**"	as part of Directive 2014/59/EU of the European Parliament and of the Council of May 15, 2014 a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No. 1093/2010 and (EU) No. 648/2012;
"**CAGR**"	compound anual growth rate;
"**Caja España Vida**"	Caja España Vida Compañía de Seguros y Reaseguros, S.A.;
"**Caser**"	Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A.;
"**Cash dividend payout ratio**"	cash dividend payout ratio is calculated as the cash dividends declared by the Group divided by the consolidated profit/loss attributable to the Group (see section "*Alternative Performance Measures*");
"**CCP**"	central clearing counterparty;
"**CECA**"	Spanish Confederation of Savings Banks;
"**CET1**"	common equity tier 1;
"**Caja Granada Vida Carve-Out**"	carve-out of Caja Granada Vida, Compañía de Seguros y Reaseguros, S.A.;
"**CIR**"	cost to income ratio is calculated as administration costs divided by gross income (see section "*Alternative Performance Measures*");
"**Circular 4/2016**"	Circular 4/2016, of April 27, of the Bank of Spain, amending Circular 4/2004, of December 22, on public and confidential financial reporting rules, and Circular 1/2013, of May 24, on the Risk Information Centre;
"**CIT**"	Corporate Income Tax (*Impuesto sobre Sociedades*);
"**CIT Law**"	the CIT Law (*Ley 27/2014, de 27 de noviembre, del Impuesto sobre Sociedades*);
"**CISA**"	the Swiss Federal Act on Collective Investment Schemes;
"**Clearstream**"	Clearstream Banking, *société anonyme*;
"**Closing Date**"	the closing date of the Offering or "*fecha de operación bursátil especial*";
"**CNMV**"	the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*);
"**Co-Lead Managers**"	Alantra Capital Markets, S.V. S.A.U., Fidentiis Equities, S.V., S.A. and Stifel Nicolaus Europe Limited (trading as Keefe, Bruyette & Woods);
"**CoCos FROB**"	contingent convertible bonds amounting to €604 million issued by EspañaDuero and solely subscribed by the FROB;
"**Commission's Proposal**"	the proposal published by the European Commission on February 14, 2013 for a Directive for a common financial transaction tax;
"**Company**" or "**Unicaja Banco**"	Unicaja Banco, S.A., a *sociedad anónima* organized under the laws of Spain, as a standalone entity, unless the context otherwise requires;
"**Company's Registered Address**"	Avenida de Andalucía 10-12, Málaga;
"**Compensation Mechanism**"	agreement entered into by EspañaDuero and the FROB whereby the FROB would receive, in consideration for assuming a proportion of the litigation costs (as described in section "*Risks Related to EspañaDuero and the Restructuring Plan*") a corresponding proportion of the EspañaDuero shareholding based on a valuation exercise carried out by Oliver Wyman on August 1, 2013, which concluded that 100% of EspañaDuero had an equity value of €334 million;

"**Consolidated Interim Financial Statements**"...............................	our consolidated condensed interim financial statements as of March 31, 2017 and for the three-month period ended March 31, 2017, which were subject to a limited review;
"**CoR**"	cost of risk is calculated as impairment or reversal of impairment on financial assets not measured at fair value through profit or loss from loans and receivables divided by average gross loans during the relevant period (see section "*Alternative Performance Measures*");
"**Core Regions**".............................	provinces/areas where our market share in terms of branches is above 10%, namely Málaga, Almería, Cádiz, León, Valladolid, Salamanca, Jaén, Ciudad Real, Palencia, Zamora, Cáceres, Soria, Melilla and Ceuta;
"**Corporate Governance Code**"....	Corporate Governance Code (*Código de Buen Gobierno*), approved by the CNMV in February 2015;
"**Cost over core revenues ratio**" ...	the ratio resulting from dividing the sum of administrative cost by the sum of net interest income and net commissions;
"**CRD IV**"	the Capital Requirements Directive, Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC;
"**CRO**"	the Group's Chief Risk Officer;
"**CRR**"..	Capital Requirements Regulation, Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012;
"**Core Customer Deposits**"	current and savings accounts, term deposits (excluding covered bonds included within term deposits) and other deposits classified as financial liabilities measured at amortized cost (see section "*Alternative Performance Measures*");
"**Customer spread**".......................	customer spread is calculated as the difference between the yield from performing loans (excluding assets acquired under repurchase agreements) and the cost of retail deposits (excluding assets sold under repurchase agreements) (see section "*Alternative Performance Measures*");
"**Defaulted Shares**"	the shares that one or more of the Managers fail to procure purchasers for or to subscribe or purchase under the terms of the Underwriting Agreement;
"**Delegated Regulation (EU) 2016/1052**"	Commission Delegated Regulation (EU) 2016/1052 of March 8, 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programs and stabilization measures;
"**Deposit Guarantee Schemes Directive**"..................................	the recast Directive 2014/49/EU, dated April 16, 2014, of the European Parliament and of the Council on deposit guarantee schemes;
"**Draft MREL Technical Standards**"…………………..	the EBA final draft technical standards on the criteria for determining MREL published on July 3, 2015.
"**DTAs**"	deferred tax assets;
"**DTC**"..	convention for the avoidance of double taxation;
"**EBA**"..	the European Banking Authority;
"**EBA SREP Guidelines**"……...	EBA guidelines published on December 19, 2014 for common procedures and methodologies in respect of the SREP;
"**ECB**"..	the European Central Bank;
"**ECL**"…………………………..	expected credit losses;
"**EEA**"..	the European Economic Area;
"**Elements**"....................................	disclosure requirements numbered in Sections A—E (A.1—E.7);
"**EMU**"..	European Monetary Unit;
"**ESCB**"..	European System of Central Banks;
"**ESM**"..	European Stability Mechanism;
"**ESMA**".......................................	European Securities and Markets Authority;

"**ESMA Guidelines**"	European Securities and Markets Authority Guidelines introduced in July 2016;
"**ESRB**"	European Systemic Risk Board;
"**EspañaDuero**"	Banco de Caja de España de Inversiones, Salamanca y Soria, S.A. together with its consolidated subsidiaries, unless the context otherwise requires;
"**EU**"	the European Union;
"**EU-IFRS**"	the International Financial Reporting Standards, as adopted by the EU;
"**Euribor**"	Euro Interbank Offered Rate;
"**€**", **"euro"** or **"EUR"**	the single currency of each member state of the EU, including Spain, which participated or participates at the relevant time in the Economic and Monetary Union;
"**Euroclear**"	Euroclear Bank, S.A./N.V., as operator of the Euroclear System;
"**Eurozone**"	the economic region formed by those member countries of the EU that have adopted the euro;
"**Exchange Act**"	the Securities Exchange Act of 1934, as amended;
"**Exempt Investors**"	select investors in Australia who are able to demonstrate that they: (i) fall within one or more of the categories of investors under section 708 of the Australian Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Australian Corporations Act; and (ii) are "wholesale customers" for the purpose of section 761G of the Australian Corporations Act;
"**FGD**"	the Deposit Guarantee Fund on Credit Institutions (*Fondo de Garantía de Depósitos de Entidades de Crédito*);
"**FIEL**"	the Financial Instruments and Exchange Law of Japan, Act No. 25 of 1948, as amended;
"**Financial Advisor**"	Rothschild;
"**Financial Instruments**"	the package of improvements coming into effect on January 1, 2018, including a logical model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting;
"**FSB**"	Financial Stability Board;
"**FSMA Order**"	the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended;
"**Fitch**"	Fitch Ratings España, S.A.U.;
"**foreclosed assets**"	foreclosed assets include foreclosed property assets or under debt pay and foreclosed equity instruments or under debt pay;
"**Foreclosed assets coverage ratio**"	foreclosed assets coverage ratio is calculated as the accumulated impairment losses of foreclosed assets (excluding equity stakes) divided by the gross foreclosed assets (excluding equity stakes);
"**Foundation**"	the Unicaja Banking Foundation (*Fundación Bancaria Unicaja*);
"**Foundation's Protocol**"	the management protocol of the Foundation's financial stake in the Company;
"**Framework Agreement**"	framework agreement entered into between Unicaja Banco and Santa Lucía in the context of the Santa Lucía Acquisition;
"**FROB**"	the Spanish Fund for the Orderly Restructuring of the Banking Sector (*Fondo de Reestructuración Ordenada Bancaria*);
"**FROB Guarantee**"	a guarantee from the Spanish authorities through the FROB to partially cover the risk of legal proceedings related to the misselling of EspañaDuero preference shares and subordinated debt who were subject to the burden sharing exercise;
"**FSMA**"	UK Financial Services and Markets Act 2000, as amended;
"**FTT**"	financial transaction tax;
"**gross loans**"	our average loans and receivables excluding provisions for credit risk;
"**GDP**"	gross domestic product;
"**General Data Protection Regulation**"	regulation proposed by the European Commission on the protection of individuals with regard to the processing of personal data and on the free movement of such data;
"**G-SIIs**"	global systematically important institution;

"**Group**", "**we**", "**us**", and "**our**"	Unicaja Banco together with its consolidated subsidiaries, unless the context indicates otherwise;
"**GRV**"	the group results variable. The GRV ties the potential payments under the management incentive plan to the results obtained by the Group in the relevant year;
"**High quality liquid assets**" and "**HQLAs**"	high quality liquid assets is calculated as High Quality Liquid Assets within the meaning of Commission Delegated Regulation of 10 October 2014 minus the available balance under the facility with the ECB (non-HQLA);
"**Home Regions**"	Andalucía and Castilla y León;
"**IAS**"	International Accounting Standard;
"**Iberclear**"....................................	the Spanish securities registration, clearance and settlement system (*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal*);
"**IBM**"	International Business Machines, S.A.;
"**ICAAP**".......................................	Internal Capital Adequacy Assessment Process;
"**ICEA**"	Investigación Cooperativa entre Entidades Aseguradoras y Fondos de Pensiones;
"**IDD**"..	Insurance Distribution Directive, formerly known as the Insurance Mediation Directive II;
"**IDEA**"	Agencia de Innovación y Desarrollo de Andalucía;
"**IGT**"..	Spanish Inheritance and Gift Tax (*"Impuesto sobre Sucesiones y Donaciones"*);
"**IGT Law**"...................................	Spanish Inheritance and Gift Tax Law (*Ley 29/1987, de 18 de diciembre, del Impuesto sobre Sucesiones y Donaciones)*;
"**IIT**"	the Spanish Income Tax on Individuals (*Impuesto sobre la Renta de las Personas Físicas*);
"**IIT Law**"	the Spanish IIT Law (*Ley 35/2006, de 28 de noviembre, del Impuesto sobre la Renta de las Personas Físicas y de modificación parcial de las leyes de los Impuestos sobre Sociedades, sobre la Renta de no Residentes y sobre el Patrimonio*);
"**ILAAP**"	Internal Liquidity Adequacy Assessment Process;
"**INE**"	Spanish National Statistics Institute (*Instituto Nacional de Estadística*);
"**Insurance Mediation Directive**" .	Directive 2002/92/EC;
"**Internal Code of Conduct**"	Code of Conduct regulating among other things, the Company's directors' and managers' conduct with regard to the treatment, use and disclosure of the Company's material non-public information;
"**Inverco**"	*Asociación de Instituciones de Inversión Colectiva y Fondos de Pensiones;*
"**Investors**"....................................	persons on whose behalf accounts at Euroclear or Clearstream are maintained and to which shares have been credited;
"**IRB**"…………………………...	Advanced internal rating-based models;
"**Joint Bookrunners**"	Morgan Stanley, UBS, Citigroup Global Markets Limited and Credit Suisse Securities (Europe) Limited;
"**Joint Global Coordinators**"	Morgan Stanley and UBS;
"**JSTs**"..	Joint Supervisory Team on which the ECB and NCAs supervise significant banks within the SSM;
"**Law 10/2014**"………………….	Law 10/2014, dated June 26, on regulation, supervision and solvency of credit entities;
"**Law 11/2015**"………………….	Law 11/2015 of June 18, on Credit Institutions and Investment Firms' recovery and resolution;
"**Law 19/2003**"	Law 19/2003, of July 4, on the establishment of a regulatory regime relating to capital flows to and from legal or natural persons abroad and the prevention of money laundering;
"**Law 3/2009**"	Law 3/2009, of April 3, on Structural Amendments of Private Companies (*Ley 3/2009, de 3 de abril, sobre modificaciones estructurales de las sociedades mercantiles*);
"**LCIT**"…………………………...	Law 27/2014, on Corporate Income Tax of November 27;

"**LCR**"	liquidity coverage ratio as defined in CRR and settled by the Basel Committee;
"**Leverage ratio**"	leverage ratio as defined in CRR and settled by the Basel Committee;
"**LMV**"	Royal Legislative Decree 4/2015, of October 23, approving the consolidated text of the Spanish Securities Market Law (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto Refundido de la Ley del Mercado de Valores*);
"**LTD ratio**"	loan to deposit ratio is calculated as net loans divided by retail funding (demand and term deposits) (see section "*Alternative Performance Measures*");
"**LTV ratio**"	loan to value ratio for loans with real guarantee is calculated by dividing the loan's carrying amount by the amount of the latest appraised value of the collateral;
"**Management**"	refers to the management of Unicaja Banco, unless the context indicates otherwise;
"**Managers**"	Co-Lead Managers together with the Joint Bookrunners;
"**Mapfre**"	Mapfre, S.A.;
"**MDA**"	a maximum distributable amount calculated in accordance with Article 73 of the Royal Decree 84/2015, of February 13, 2015, which builds on Law 10/2014;
"**MiFID I**"	Markets in Financial Instruments Directive (2004/39/EC);
"**MiFID II**"	Markets in Financial Instruments Directive 2014/65/EU;
"**MiFIR**"	Regulation (EU) No. 600/2014 of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments and amending Regulation (EU) No. 648/2012;
"**Minimum Reserves Ratio**"	a specific percentage of "Qualifying Liabilities", within the meaning of the SSM framework, that credit institutions in member states part of the European Monetary Union are required to place with the respective central banks in the form of interest bearing deposits;
"**Moody's**"	Moody's Investors Service España, S.A.;
"**Monitoring Trustee**"	the monitoring trustee designated by the European Commission;
"**Morgan Stanley**"	Morgan Stanley & Co. International plc;
"**MREL**"	minimum requirements for own funds and eligible liabilities set by national resolution authorities to ensure that banks have sufficient loss-absorbing capacity and are ready for the potential implementation of bail-in tools;
"**National Resolution Funds**"	national resolution funds provided for by the BRRD;
"**Natural Expansion Regions**"	provinces/areas in our Home Regions where our market share in terms of branches is below 10%, namely Sevilla, Cordoba, Granada, Burgos and Huelva;
"**NeCoCos**"	necessarily convertible bonds issued by Unicaja Banco within the acquisition of EspañaDuero;
"**Net loans**"	loans and receivables (after provisions for credit risk, excluding extraordinary provisions related to clauses which set a minimum interest rate for mortgages);
"**New Shares**"	new ordinary shares of the Offering;
"**NIM**"	net interest margin is calculated as net interest income divided by average quarterly total assets during the relevant period (see section "*Alternative Performance Measures*");
"**Non-Accepting Holders**"	purchasers of EspañaDuero's preference shares and subordinated debt who did not accept the exchange offer of Unicaja Banco for the acquisition of EspañaDuero;
"**Non-Spanish Holders**"	a beneficial owner of the Shares: (i) who is an individual or corporation resident for tax purposes in any country other than Spain; and (ii) whose ownership of Shares is not effectively connected with a permanent establishment in Spain through which such holder carries on or has carried on business or with a fixed base in Spain from which such holder performs or has performed independent personal services;

"**Non-Viability Loss Absorption**" .	resolution authorities provided by the BRRD and Law 11/2015 to have the further power to permanently write-down or convert into equity capital instruments, at the point of non-viability of an institution or group;
"**NPAs**"	non-performing assets;
"**NPA ratio**"	non-performing assets ratio is calculated as gross non-performing assets (non-performing loans plus gross foreclosed assets) divided by gross loans plus gross foreclosed assets (see section "*Alternative Performance Measures*");
"**NPA coverage ratio**"	non-performing assets coverage ratio is calculated as accumulated losses of foreclosed assets plus impairment losses on loans and advances to customers (excluding provisions related to clauses which set a minimum interest rate for mortgages) divided by gross non-performing assets (non-performing loans plus gross foreclosed assets) (see section "*Alternative Performance Measures*");
"**NPL coverage ratio**"	non-performing loans coverage ratio is calculated as impairment losses on loans and advances to customers (excluding extraordinary provisions related to clauses which set a minimum interest rate for mortgages) divided by non-performing loans (see section "*Alternative Performance Measures*");
"**NPL ratio**"	non-performing loans ratio is calculated as non-performing loans divided by gross loans (see section "*Alternative Performance Measures*");
"**NPLs**"...	non-performing loans;
"**NRIT**"	Non-Residents Income Tax (*Impuesto sobre la Renta de No Residentes*);
"**NRIT Law**"	the NRIT Law (*Texto refundido de la Ley del Impuesto sobre la Renta de no Residentes aprobado por el Real Decreto Legislativo 5/2004, de 5 de marzo*);
"**NSFR**"...	net stable funding ratio as defined in CRR and settled by the Basel Committee;
"**Offer of the Shares**"....................	communication in any form and by any means of sufficient information on the terms of the offer and the Shares to be offered so as to enable an investor to decide to purchase the Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State;
"**Off-balance sheet funds marketed over customer funds (retail)**"	off-balance sheet funds marketed over customer funds (retail) ratio is a measure of off-balance sheet products penetration across the customer base, calculated as off-balance sheet funds marketed divided by retail customer funds (i.e. Core Customer Deposits plus off-balance sheet funds marketed) (see section "*Alternative Performance Measures*");
"**Offer Price**"................................	the final price of the Shares offered in the Offering, determined based on negotiations between the Company and the Joint Global Coordinators upon the finalization of the book-building period;
"**Offer Price Range**"	the indicative offer price range at which Shares will be offered in the Offering, between €1.10 and €1.40 per Share, determined based on negotiations between the Company and the Joint Global Coordinators;
"**Offering**"....................................	the offer of the Shares by way of a rights offering as described in this Prospectus;
"**Over-allotment Option**"….	option granted by the Company to the Joint Global Coordinators at the Offer Price to cover over-allotments in the Offering, if any, and short positions resulting from stabilization transactions;
"**Over-allotment Shares**".............	up to 62,500,000 additional shares of the Company granted as an option to the Joint Global Coordinators;
"**O-SII**"	Other systemically important institution;
"**Participating Member States**"	Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia;

"**PAT**"	the percentage of achievement of targets;
"**PIC**"	Increasing interest rate liabilities ("*Pasivos de Interés Creciente*");
"**P&L**"	profit and loss;
"**PeCoCos**"	perpetual contingent convertible bonds issued by Unicaja Banco within the acquisition of EspañaDuero;
"**Peers**"	CaixaBank, SA, Bankia, S.A., Banco de Sabadell, S.A., Banco Popular Español, S.A. and Liberbank, S.A., selected on the basis that they are Spanish listed domestic retail banks with similar business and distribution models;
"**PEPs**"	politically exposed persons;
"**POS**"	Point of Sale Terminals;
"**PFIC**"	passive foreign investment company;
"**Prospectus**"	this document, a prospectus for the purposes of the Prospectus Directive prepared in accordance with, and including the information required by, the Prospectus Rules;
"**Prospectus Directive**"	Directive 2003/71/EC of the European Parliament and of the Council of the EU (as amended, including by Directive 2010/73/EU);
"**Prospectus Rules**"	Annexes I, III and XXII of Regulation (EC) No. 809/2004 and the amendments thereto, including Commission Delegated Regulation (EU) 486/2012 and Commission Delegated Regulation (EU) 862/2012;
"**PSD II**"	Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No. 1093/2010, and repealing Directive 2007/64/EC;
"**QIB**"	qualified institutional buyers as defined in Rule 144A under the Securities Act;
"**RAF**"	the Group's Risk Appetite Framework;
"**RDL 11/2010**"	Royal Decree-Law 11/2010, of July 9, on governing bodies and other aspects of the legal regime for savings banks;
"**RDL 1/2017**"	Royal Decree-Law 1/2017, of January 20, on urgent measures to protect consumers related to floor clauses;
"**RDL 2/2012**"	Royal Decree-Law 2/2012, of February 3, on the consolidation of the financial sector;
"**RDL 1588/1999**"	Royal Decree-Law 1588/1999, of October 15, which ratifies the regulations of company commitments with employees and beneficiaries in respect of pensions;
"**Recovery Plan**"	Recovery plan the Group prepares in compliance with Law 11/2015;
"**Regulations**"	the LMV and Royal Decree 1066/2007, of July 27 implementing Directive 2004/25/EC of the European Parliament and of the European Council of April 21, 2004;
"**Regulation S**"	Regulation S of the Securities Act;
"**Regulation (EU) No 537/2014**"	Regulation (EU) No 537/2014 of the European Parliament and of the Council of April 16, 2014 on specific requirements regarding statutory audit of public-interest entities;
"**Regulation (EU) 596/2014**"	Commission Regulation (EU) No. 596/2014 of April 16, 2014 of the European Parliament and of the Council of April 16, 2014 on market abuse;
"**Relevant Member State**"	each member state of the EEA that has implemented the Prospectus Directive;
"**Relevant persons**"	other persons to whom they may otherwise lawfully be communicated (all such persons, including qualified investors);
"**Relevant Resolution Authority**"	tools and powers granted by Law 11/2015 to the Bank of Spain or the Spanish Securities Market Commission or any other entity with the authority to exercise any tools and powers from time to time;
"**Remuneration Commission**"	commission under the Board of Directors Regulations responsible for reporting on remuneration policy;

"**Restructuring Plan**"...................	the restructuring plan of EspañaDuero communicated by the Spanish government on December 12, 2012, as amended and supplemented from time to time in writing;
"**Risk Commission**"	commission under the Board of Directors Regulations, which advises the Board of Directors on risk management matters;
"RoA"	return on average assets is calculated as the net profit divided by average quarterly total assets during the relevant period (see section "*Alternative Performance Measures*");
"**RoE**"...	return on average equity is calculated as the profit/loss attributable to the parent entity divided by average quarterly shareholders' funds during the relevant period (see section "*Alternative Performance Measures*");
"**RoRWA**".....................................	return on risk-weighted assets is calculated as the net profit divided by risk-weighted assets as at the end of the relevant period (see section "*Alternative Performance Measures*");
"**RoTE**"	return on tangible equity is calculated as the profit/loss attributable to the parent entity divided by the difference of average quarterly shareholders' funds (excluding valuation adjustments) less average quarterly intangible assets during the relevant period (see section "*Alternative Performance Measures*");
"**Rothschild**"	Rothschild, S.A.;
"**Rule 144A**"..................................	Rule 144A under the Securities Act;
"**RWA**"	risk-weighted assets;
"**RWA density ratio**"	risk-weighted assets density ratio is calculated as risk-weighted assets calculated in accordance with the Basel III Framework over total assets (see section "*Alternative Performance Measures*");;
"**Santa Lucía**"	Santa Lucía, S.A.;
"**Santa Lucía Acquisition**"............	agreement to buy Aviva's life insurance business in Spain, which includes the Aviva Stake;
"**SAREB**"	the Spanish Company for the Management of Assets proceeding from Restructuring of the Banking System (*Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A.*);
"**SCIIF**"..	the internal management of financial information (*Sistema de Control Interno de Información Financiera*);
"**SEC**"	the U.S. Securities and Exchange Commission;
"**Securities Act**"	the U.S. Securities Act of 1933, as amended;
"**Settlement Date**".........................	date on which delivery of the relevant Shares to final investors is expected to take place;
"**SFA**"...	the Securities and Futures Act, Chapter 289 of Singapore;
"**Shareholders' Agreement**"	shareholders' agreement entered into by Santa Lucía and Unicaja Banco on May 9, 2017;
"**Shares**"..	the New Shares and Over-allotment Shares;
"**SICAVs**"	investment companies with variable capital (*société d'investissement à capital variable*);
"**SIFI**"	systemically important financial institutions required to keep between 1% and 3.5% of RWA as additional CET1 because the failure of any one of these institutions could lead to a financial crisis;
"**Single Resolution Fund**"	single resolution fund provided by the SRM Regulation;
"**SIX**"	the SIX Swiss Exchange;
"**SMEs**".................................	small and medium-sized enterprises;
"**Sociedad de Bolsas**"	Sociedad de Bolsas, S.A., the operators and regulators of the AQS;
"**Spanish Companies Act**"	Royal Legislative Decree 1/2010 approving the restated text of the Spanish Companies Act (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*);
"**Spanish Foreign Investment Law**"	Royal Decree 664/1999, of April 23 (*Real Decreto 664/1999, de 23 de abril*), which was approved in conjunction with Law 18/1992, of July 1;

"**Spanish Holders**"	a beneficial owner of the Shares who is an individual resident for tax purposes in Spain, and who does not acquire the Shares by reason of his/her employment, or a corporation resident in Spain for tax purposes;
"**Spanish Stock Exchanges**"..........	the Madrid, Barcelona, Valencia and Bilbao stock exchanges;
"**Spain**"	the Kingdom of Spain;
"**Special Tax Charge**"…………	the special tax charge of 1.5% on the positive difference (if any) between the (i) DTAs guaranteed by the Spanish state generated from January 1, 2008 to December 31, 2015, and (ii) the aggregate CIT liability (*cuota líquida*) for tax periods between years 2008 and 2015;
"**SPPI**"...	solely payments of principal and interest;
"**SREP**"	the ECB's supervisory review and evaluation process, which is an assessment of the overall viability of a credit institution and includes the imposition of capital requirements determined in accordance with such assessment;
"**SRB**"	Single Resolution Board provided by the SRM Regulation;
"**SRM**"	Single Resolution Mechanism providing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms;
"**SRM Regulation**"........................	Regulation (EU) No. 806/2014 of July 15, 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No. 1093/2010;
"**SSM**"...	Single Supervisory Mechanism making the ECB the single supervisor for the prudential supervision of credit institutions that qualify as a significant credit institution;
"**SSM Framework Regulation**"	Regulation (EU) No. 468/2014 of the ECB of April 16, 2014 establishing the framework for cooperation within the SSM between the ECB and national competent authorities and with national designated authorities;
"**SSM Regulation**"	Article 127(6) of the Treaty on the Functioning of the EU and Council Regulation (EC) No. 1023/2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions;
"**Stabilizing Manager**"..................	Morgan Stanley & Co. International plc, or any of its agents;
"**Stabilization Period**"...................	the period, expected to commence on June 30, 2017 and end on July 29, 2017, in which stabilization transactions shall be carried out for a maximum period of 30 days from the date of the commencement of trading of the Company's ordinary shares on the Spanish Stock Exchanges, provided that such trading is carried out in compliance with the applicable rules, including any rules concerning public disclosure and trade reporting;
"**Stand-Alone Annual Accounts**"..	the Company's audited individual annual accounts as of and for each of the years ended December 31, 2014, 2015 and 2016 collectively, prepared in accordance with IFRS, Circular 4/2004 and Circular 5/2004 of Bank of Spain and subsequent amendments;
"**Strategy**"	the Group's strategy for the years 2017 to 2020;
"**Strategy Committee**"	the strategy committee of Unicaja Banco, an internal body without corporate faculties which was created by the Board of Directors on December 29, 2016, in order to assess strategic matters. The strategy committee meets twice a month and is formed by the executive chairman, the executive vice-chairman, the chief executive officer and the general directors of Unicaja Banco;
"**Subscription Date**"......................	June 29, 2017, the date on which the Joint Global Coordinators are expected to subscribe and pay for the New Shares in their capacity as prefunding banks;
"**Support Commissions**"	the Appointments Commission, Remuneration Commission, Risk Commission, and Audit and Compliance Commission;

"**Term Sheet**"	the term sheet of the Restructuring Plan as amended from time to time in writing, including, among others, obligations for EspañaDuero refocus its business activities in its core regions, transfer assets to the SAREB, reduce its balance sheet, and reduce the numbers of its branches and staff;
"**Texas Ratio**"	the Texas Ratio is a measure to assess asset quality calculated as gross non-performing assets (i.e. non-performing loans plus gross foreclosed assets) divided by (i) tangible shareholders equity (including valuation adjustments less intangible assets) plus (ii) impairment allowances on loans and advances to customers (excluding extraordinary provisions related to clauses which set a minimum interest rate for mortgages) and (iii) allowances for the impairment of foreclosed assets. The higher the Texas Ratio, the lower a bank's ability to absorb potential losses from non-performing assets (especially if it exceeds 100%) (see section "*Alternative Performance Measures*");
"**TLAC**"	Total Loss-Absorbing Capacity;
"**TLTRO**"	Targeted Longer-Term Refinancing Operations, a monetary policy tool of the ECB;
"**U.K.**" or "**United Kingdom**"	the United Kingdom of Great Britain and Northern Ireland;
"**Unimediación**"	Unimediacion, S.L. Operador de Banca-Seguros Vinculado;
"**Unimediación Agreement**"	form of insurance distribution agreement included in the Shareholders' Agreement;
"**Unión Duero Seguros**"	Unión del Duero, Compañía de Seguros Generales, S.A.U.;
"**Unión Duero Vida**"	Unión del Duero, Compañía de Seguros de Vida, S.A.;
"**Unión Duero Vida and Unión Duero Pensiones Agreement**"	the bancassurance agreement entered into by Mapfre and Unión Duero Vida and Unión Duero Pensiones, Entidad Gestora de Fondos de Pensiones, S.A.;
"**U.S.**" or "**United States**"	the United States of America, its territories and possessions, any state of the United States of America or the District of Columbia;
"**U.S. dollars**", "**dollars**", "**USD**""**U.S.$**" or "**$**"	the currency of the United States;
"**U.S. Holder**"	a beneficial owner of Shares that is for U.S. federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation, or other business entity treated as a corporation, created or organized under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of one or more U.S. persons and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. federal income tax without regard to its source;
"**U.S.-Spain Treaty**"	income tax treaty between the United States and Spain;
"**UBO**"	ultimate beneficial owner;
"**UBS**"	UBS Limited;
"**Underwriting Agreement**"	underwriting agreement to be entered into on or about June 28, 2017 among Unicaja Banco and the Managers with respect to the offer sale of the Shares;
"**Unicaja**"	Monte de Piedad y Caja de Ahorro de Ronda, Cádiz, Málaga, Almería, Antequera y Jaén (currently converted into a Foundation);
"**Unicaja Banco**"	Unicaja Banco, S.A., a *sociedad anónima* organized under the laws of Spain, as a standalone entity, unless the context otherwise requires;
"**Unicorp Vida**"	Unicorp Vida Compañía de Seguros y Reaseguros, S.A.;
"**Unigest**"	Unigest, S.G.I.I.C., S.A.;
"**VAT**"	value added tax;
"**Working capital**"	our current assets minus our current liabilities.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

Consolidated Annual Accounts

Our consolidated annual accounts as of and for each of the years ended December 31, 2014, 2015 and 2016 (which include audited comparative information for the prior years, the "**2014 Annual Accounts**", the "**2015 Annual Accounts**", the "**2016 Annual Accounts**", respectively, and collectively the "**Annual Accounts**") are prepared and filed, according to applicable Spanish law, in accordance with the International Financial Reporting Standards, as adopted by the European Union ("**EU-IFRS**").

The Annual Accounts have been audited by PricewaterhouseCoopers Auditores, S.L. as stated in its unqualified reports, which, together with the Annual Accounts and the Company's response to the information request received from the CNMV in relation to our 2016 Annual Accounts, are included as an annex to this Prospectus.

Consolidated Interim Financial Statements

Our unaudited consolidated condensed interim financial statements as of March 31, 2017 and for the three-month period ended March 31, 2017 (the "**Consolidated Interim Financial Statements**") are prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Consolidated Financial Statements" and with Circular 5/2015 of the CNMV.

The Consolidated Interim Financial Statements have been reviewed by PricewaterhouseCoopers Auditores, S.L. as stated in its limited review report under International Standard on Review Engagements (ISRE) 2410, which, together with the Consolidated Interim Financial Statements, are included as an annex to this Prospectus.

Circular 5/2014

The 2016 Annual Accounts have been prepared in accordance with EU-IFRS, considering the financial statements format established by Bank of Spain Circular 5/2014 and subsequent amendments, which modify the format previously established by Bank of Spain Circular 4/2004 which was used in the 2015 Annual Accounts and the 2014 Annual Accounts. Unaudited comparative information as of and for the year ended December 31, 2015 included in the 2016 Annual Accounts has been presented under the new format established by Bank of Spain Circular 5/2014 and subsequent amendments. Where financial information in this Prospectus as of or for the year ended December 31, 2016 is compared to information as of or for the year ended December 31, 2015, as applicable, the information as of or for the year ended December 31, 2015 has not been audited and has been presented in the format used in the 2016 Annual Accounts. Where information as of or for the year ended December 31, 2015 is compared to information as of or for the year ended December 31, 2014, as applicable, the information as of or for the year ended December 31, 2015 has been audited and has been presented in the format used in the 2015 Annual Accounts. Please see Appendix V of the 2016 Annual Accounts for further information on this presentation and a reconciliation of the information as of and for the year ended December 31, 2015 included in the 2016 Annual Accounts with the information as of and for the year ended December 31, 2015 included in the 2015 Annual Accounts.

Circular 4/2016

Additionally, Bank of Spain Circular 4/2016 of April 27, amending Circular 4/2004, of December 22, on public and confidential financial reporting rules, and Circular 1/2013, of May 24, on the Risk Information Center ("**Circular 4/2016**") was published in the Spanish Official Gazette on May 6, 2016. *Inter alia*, Circular 4/2016 amends Annex IX of Circular 4/2004 on credit risk management in the context of accounting matters, including lending policies, monitoring of transactions and the provisioning regime for credit risk. Amongst other reasons, Circular 4/2004 has been amended in order to incorporate the accounting guidelines of the Basel Committee on Banking Supervision (the "**Basel Committee**") on credit risk management, maintaining its compatibility with the accounting framework set out in EU-IFRS.

In compliance with IFRS-EU, and taking into consideration the matters set out under Note 1.4 of the 2016 Annual Accounts, during 2016 we reviewed the accounting estimates relating to the identification and calculation of the impairment of debt instruments measured at amortized cost (specifically those recognized as loans and receivables from customers) and the assets originating from the foreclosure or acquisition through other debt recovery means (mainly recognized in the headings “Non-current assets available for sale” and “Inventories”), as a result of the application of internal methods to estimate total coverage of insolvencies and coverage of foreclosed assets.

The change in the percentage relating to credit risk is due to the application of internal methods based on past experience regarding specifically observed losses in the Group, adjusted to the financial conditions and other known circumstances at the time of the estimate. In accordance with those principles:

- Past loss experience is adjusted, based on observable databases, to reflect the effect of the current conditions that did not affect the historic period used as a reference and to suppress the effect of past conditions that are not currently present, as well as to include any possible differences in the composition and quality of our current portfolio compared with the historic period used as a reference; and

- An estimate of incurred losses not yet realized on transactions classified as being of normal risk has been performed, using the losses associated with items classified as doubtful over a twelve month time horizon as a reference, based on the moment within the financial cycle and our current operations. An estimate of incurred losses on transactions classified as doubtful is performed and such losses are understood to be the difference between the present amount of the risk and the estimated future cash flows.

The internal methods for insolvencies have been applied to all customer credit portfolios, except for the real estate development and large corporates segments, in which alternative solutions are used based on industry parameters that have been obtained based on experience and the information held by the Bank of Spain regarding the Spanish banking sector. Those segments had a gross exposure of €2,610 million at December 31, 2016 from a total gross credit figure of €33,687 million, and therefore they represent 7.7% of the total portfolio.

These internal methods are used to estimate the coverage of insolvencies deriving from all risks that are not individually material. In order to analyse the risk relating to borrowers with significant exposures on an individual basis, we have established a threshold of €3 million for doubtful risks and €5 million for those that are not doubtful.

In the cases of doubtful risks due to non-payment that are individually material, as well as transactions that are doubtful for reasons other than non-payment that are not exclusively affected by automatic classification factors, we estimate the coverage for insolvency on an individual basis, calculating it as the difference between the gross carrying amount of the transaction and the restated value of the estimated cash flows that are expected to be received. The original effective interest rate applied to the transaction is used as the discount rate.

In past years, we considered coverage calculated on an individual basis to be that relating to all of the risks that were doubtful due to reasons other than non-payment, while in 2016 the application of internal methods to estimate coverage included only those relating to the risks exceeding the aforementioned threshold as doubtful. This is why the volume of coverage calculated individually fell from €898,636 thousand at December 31, 2015 to €317,570 thousand at December 31, 2016, and the coverage calculated collectively increased from €1,445,934 thousand to €1,681,790 thousand between the same dates.

We have also defined specific methods to estimate fair value and the cost to sell foreclosed assets or those received in lieu of payment. These internal methods have the objective of determining the discounts to the value of reference (deriving from updated appraisals) and the cost to sell the assets, and take into consideration experience involving the sale of similar assets in terms of periods, prices and volume, the value trend for these assets and the time needed for their sale.

The internal methods for foreclosed assets, or those received in lieu of payment, have been applied to all property portfolios with this classification, except for land, since there is insufficient rotation of those items to apply those methods. Alternative solutions based on industry parameters are used for land, which are obtained based on experience and the information held by the Bank of Spain regarding the Spanish banking sector.

These internal methods are in line with the requirements established by IAS 39 and the main difference compared with the coverage estimation methods applied in prior years arises due to the use of our past experience instead of applying industry references for those losses.

The change in accounting estimates deriving from the application of these internal methods for credit risk and foreclosed assets was recognized on October 1, 2016 and did not have a significant effect on consolidated profit/(loss) for the year or on our equity situation (positive impact totalling €26 million after taxes).

This impact included a gross recovery effect of €117 million, which is specifically due to the adoption of the internal methods for covering insolvencies in the credit portfolio and which explained part of the movement totalling €681 million in recoveries credited to profit/(loss) for the year, as is indicated in Note 10.3 of the 2016 Annual Accounts. The rest of the balance consists of the recoveries of doubtful assets and the rotation of those assets as a result of the progressive recovery of the economic situation and they must be taken into consideration together with the allocations charged against profit/(loss) for the year in the amount of €789 million, which results in a net impact on profit/(loss) of €108 million. The amount recognized under the heading "Impairment or reversal of financial assets not measured at fair value through changes in profit or loss-Loans and receivables" in the consolidated income statement totals €84 million since it includes the movements described in Note 27 of the notes to the 2016 Annual Accounts regarding assets considered to be of unlikely recovery.

Integration of EspañaDuero and comparability of information

In May 2013, the Bank of Spain and the European Commission approved EspañaDuero's restructuring plan (the "**Restructuring Plan**") in the context of the acquisition of EspañaDuero by Unicaja Banco, and on March 28, 2014, Unicaja Banco completed the acquisition of EspañaDuero. As a result of the integration of EspañaDuero, the financial information for the year ended December 31, 2014 included in "*Operating and Financial Review*" and elsewhere in this Prospectus is not presented on a consistent basis and may not present a like-for-like comparison of our results of operations, financial position, changes in equity or cash flows at the relevant period end or for the period presented. In particular, the consolidated profit and loss ("**P&L**") account in our 2014 Annual Accounts includes the results generated by EspañaDuero from March 28, 2014 to December 31, 2014, while the consolidated P&L for 2015 and 2016 include full year results generated by EspañaDuero. Consequently, the financial information presented herein may not illustrate all trends relevant to a complete evaluation of our results of operations, business and future prospects. Investors should carefully consider the limitations of the presentation of our financial information in this discussion and analysis and elsewhere in this Prospectus before deciding whether to make an investment in the Shares.

In addition, due to the integration of EspañaDuero on March 28, 2014, we applied certain adjustments to the fair value of assets and liabilities of EspañaDuero based on updated assumptions concerning, among other things, securities portfolio, corrections to the asset impairment value, investments in jointly-controlled companies and associates, deferred tax assets ("**DTAs**") and liabilities and covered bonds recognized as customer deposits. Such adjustments are reflected in our consolidated balance sheets as at December 31, 2014, 2015 and 2016 and a negative goodwill of €372.5 million had a significant impact on the P&L account for year ended December 31, 2014. See "*Operating and Financial Review—Results of operations—Comparison of consolidated income statement movements for the years ended December 31, 2015 and 2014—Negative goodwill*" for additional detail on business combination movements in the year ended December 31, 2014.

Individual Non-consolidated Annual Accounts

The Company's audited individual non-consolidated annual accounts as of and for each of the years ended December 31, 2014, 2015 and 2016 (which include unaudited comparative information for the prior year, together, the "**Stand-Alone Annual Accounts**") have been prepared in accordance with Circular 4/2004 of Bank of Spain and subsequent amendments. The Stand-Alone Annual Accounts have been audited by PricewaterhouseCoopers Auditores, S.L., as stated in its unqualified reports, which reports together with the Stand-Alone Annual Accounts are incorporated by reference herein and are available on the Company's website (www.unicajabanco.es) and on the CNMV's website (www.cnmv.es).

Other information

Pursuant to Spanish regulatory requirements, the management reports (*informes de gestión*) are required to accompany each of our Annual Accounts and are included in this Prospectus only in order to comply with such regulatory requirements. Investors are strongly cautioned that the management reports contain information as of various historical dates and do not contain a description of our current business, affairs or results. The information contained in the management reports has been neither audited nor prepared for the Offering. Accordingly, the management reports should be read together with the other portions of this Prospectus, and in particular the sections "*Risk Factors*" and "*Operating and Financial Review*". Any information contained in the management reports shall be deemed to be modified or superseded by any information elsewhere in the Prospectus that is subsequent to or inconsistent with it. Furthermore, the management reports may include certain forward-looking statements that are subject to inherent uncertainty. Accordingly, investors are cautioned not to rely upon the information contained in such management reports.

Peers

Unless otherwise indicated or otherwise required by the context, all references in this Prospectus to peers correspond to CaixaBank, S.A., Bankia, S.A., Banco de Sabadell, S.A., Banco Popular Español, S.A. and Liberbank, S.A. (collectively, the "**Peers**"). The sample has been selected on the basis that they are Spanish listed domestic banks with similar business and distribution models.

All the Peers' financial data included in this Prospectus is based on their consolidated annual accounts as of and for each of the years ended December 31, 2014, 2015 and 2016, which are prepared and filed, according to applicable Spanish law, in accordance with EU-IFRS. In addition, and in order to ensure consistency and comparability, all the alternative performance measures ("**APMs**") given for our Peers' in this Prospectus (either on a stand-alone basis or as averages) have been calculated by us on the basis of our Peers' consolidated annual accounts as of and for each of the years ended December 31, 2014, 2015 and 2016 and following the methodology explained in "*Alternative Performance Measures*" for the calculation of our own APMs. The average figures of Peers have been calculated as simple averages.

The table below sets out the key financial figures of the selected Peers as of and for the year ended December 31, 2016:

	Caixabank	Bankia	Sabadell	Popular	Liberbank	Unicaja
Total assets	€347.9 billion	€190.2 billion	€212.5 billion	€147.7 billion	€38.3 billion	€57.2 billion
Net customer loans	€200.3 billion	€104.7 billion	€145.2 billion	€94.0 billion	€23.0 billion	€30.7 billion
Core Customer Deposits	€187.2 billion	€98.7 billion	€132.3 billion	€78.5 billion	€29.1 billion	€36.0 billion
Total equity	€23.6 billion	€12.8 billion	€13.1 billion	€10.8 billion	€2.6 billion	€3.2 billion
Net profit	€1,055 million	€802 million	€716 million	(€3,611 million)	€103 million	€135 million
Number of branches in Spain	5,027	1,866	2,119	1,604	896	1,279

Currency References

Unless otherwise indicated or otherwise required by the context, all references in this Prospectus to "euro," "€," or "EUR" are to the lawful currency of the participating Member States, as defined below, including Spain, in the third stage of European Economic and Monetary Union of the Treaty establishing the European Community, as amended from time to time, and all references to "U.S. dollars", "dollars", "U.S.$", "USD" or "$" are to the lawful currency of the United States of America.

Rounding

Certain numerical figures included in this Prospectus, including financial data presented in millions or thousands and certain percentages, may have been subject to rounding adjustments. Accordingly, amounts shown as totals in columns or rows of tables in this Prospectus may not be an arithmetic aggregation of the related numbers. In addition, certain percentages presented in the tables in this Prospectus reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform to the percentages that would be derived if the relevant calculation were based upon the rounded numbers. As used in this Prospectus, the term “billion” means one thousand million (1,000,000,000).

Market and Industry Data

Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness and certain of this information, including market studies, are frequently based on information and assumptions which may not be exact or appropriate, and their methodology is by nature forward-looking and speculative.

Where information contained in this Prospectus has been sourced from a third party, the Company and the directors confirm that such information has been accurately reproduced and, so far as they are aware and have been able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where information in this Prospectus has been sourced from third parties, the source of such information has been clearly stated adjacent to the reproduced information.

Exchange Rates

The table below sets forth, for the period indicated, the high, low, average and period end Bloomberg Composite Rate for the euro as expressed in U.S. dollars (which, after the euro, is the principal currency referred to herein). The Bloomberg Composite Rate is a “best market” calculation in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate.

We do not represent that the U.S. dollar amounts referred to below could have been converted into euro at any particular rate indicated or at any other rate. The rates below may differ from the rates used in our Annual Accounts and other financial information appearing in this Prospectus. The average annual amounts set forth below under “Average” are calculated as the average of the Bloomberg Composite Rates for euro on the last New York City business day of each month of the corresponding year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates during that month, or shorter period, as the case may be.

	Low	**High**	**Average**	**End of Period**
		(*U.S. dollars per euro*)		
2012	1.2061	1.3458	1.2860	1.3192
2013	1.2772	1.3804	1.3283	1.3789
2014	1.2100	1.3925	1.3285	1.2100
2015	1.0492	1.2002	1.1039	1.0926
2016	1.0375	1.1516	1.1073	1.0552
2017 (through June 9, 2017)	1.0405	1.1279	1.0893	1.1195

The euro versus U.S. dollar exchange rate on June 9, 2017 was U.S. $ 1.1195 per €1.00.

Trademarks

We own or have rights to certain trademarks, trade names or service marks which we use in connection with the operation of our business. We assert to the fullest extent under applicable law, our rights to our trademarks, trade names and service marks. Solely for convenience, the trademarks, trade names or service marks appearing in this Prospectus are listed without the applicable ®, © or ™ symbols.

Legislation

This Prospectus refers to various statutes, directives and other legislation and regulations. Unless specified to the contrary, all such references are to the laws of Spain, except for directives, where all such references shall be deemed to be made to EU directives.

ALTERNATIVE PERFORMANCE MEASURES

The following discussion sets out information related to certain non-GAAP financial measures of the Group, which we regard as APMs for the purposes of Commission Delegated Regulation (EU) 2016/301 and as defined in the European Securities and Markets Authority ("**ESMA**") Guidelines introduced in July 2016 (the "**ESMA Guidelines**").

We use APMs, financial measures derived from (or based on) our accounting records, to evaluate period to period changes that are not required by, or presented in accordance with, EU-IFRS. These APMs are not measures of our financial performance under EU-IFRS, are not audited or reviewed and should not be considered as an alternative to any balance sheet, income statement or cash flow statement item.

We have included these APMs because they are used by management to evaluate our performance and because we believe these APMs will assist securities analysts, investors and other interested parties in having a better understanding of our financial condition and results of operations. These APMs are commonly reported by financial institutions, as they capture information that is not immediately apparent from the EU-IFRS framework. Further, they may be helpful for the in-depth analysis of the performance of the highly regulated and specialized sector in which we operate, and should allow securities analysts, investors and other interested parties to compare our performance with that of our Peers more effectively.

These APMs have limitations as analytical tools and should not be considered in isolation from, or as a substitute for analysis of, our financial condition or results of operations as reported under EU-IFRS. Accordingly, investors are cautioned not to place undue reliance on these APMs. Other companies in our industry may calculate similarly titled measures differently than we do, such that disclosure of similarly titled measures by other companies may not be comparable with ours. Investors are advised to review these APMs in conjunction with our Annual Accounts and their respective accompanying notes included in this Prospectus and the related discussion thereof set forth in this Prospectus.

We consider that the APMs contained in this Prospectus comply with the ESMA Guidelines.

The following list includes explanations of the definitions of certain key APMs based on our Consolidated Annual Accounts or our Stand-Alone Annual Accounts, as well as information regarding such APMs' relevance:

	Definition	**Relevance of its use**
CIR (cost to income ratio)	Administration costs divided by gross income	This ratio is generally used in the banking sector to measure the cost efficiency level of the entity
CoR (cost of risk)	Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss from loans and receivables divided by average gross loans during the relevant period	One of the main indicators used in the banking industry to monitor the status and evolution of the quality of credit risk incurred with customers and to assess the management of that risk
NIM (net interest margin)	Net interest income divided by average quarterly total assets during the relevant period	One of the main indicators used in the banking industry to monitor the profitability of the lending activity
NPA coverage ratio (non-performing assets coverage ratio)	Accumulated impairment of foreclosed assets plus impairment losses on loans and advances to customers (excluding provisions related to clauses which set a minimum interest rate for mortgages) divided by gross non-performing assets (non-performing loans plus gross foreclosed assets)	This ratio is generally used in the banking sector to measure the coverage ratio of non-performing assets (foreclosed assets + non-performing loans) and it is also an indication of asset quality
NPA ratio (non-performing assets ratio)	Gross non-performing assets (non-performing loans plus gross foreclosed assets) divided by gross loans plus gross foreclosed assets	This ratio is commonly used in the banking sector to evaluate the size of the non-productive assets portfolio (foreclosed assets + non-performing loans) and it is also an indication of asset quality

NPL ratio (non-performing loans ratio)	Non-performing loans divided by gross loans	This is one of the main indicators used in the banking sector to monitor the current situation and changes in credit risk quality, and specifically the relationship between risks classified in the accounts as non-performing loans and the total balance of credit risk
NPL coverage ratio (non-performing loans coverage ratio)	Impairment losses on loans and advances to customers (excluding extraordinary provisions related to clauses which set a minimum interest rate for mortgages) divided by non-performing loans	This is one of the main indicators used in the banking sector to monitor the situation and changes in the quality of credit risk, reflecting the degree to which the impairment of non-performing loans has been covered in the accounts via loan-loss provisions
RoA (return on average assets)	Net profit divided by average quarterly total assets during the relevant period	This ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets
RoE (return on average equity)	Profit/Loss attributable to the parent entity divided by average quarterly shareholders' funds	This ratio is very commonly used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds
RoRWA (return on risk weighted assets)	Net profit divided by risk weighted assets as at the end of the relevant period	This ratio is generally used in the banking sector to measure the return obtained on risk weighted assets
RoTE (return on tangible equity)	Profit/Loss attributable to the parent entity divided by average quarterly tangible shareholders' funds	This ratio is very commonly used not only in the banking sector but also in other sectors to measure the return obtained on tangible shareholders' funds
RWA Density ratio (risk-weighted assests density ratio)	Risk-weighted assets calculated in accordance with the Basel III Framework over total assets	This ratio is generally used in the banking sector to measures the risk profile of a bank's balance sheet
Texas Ratio	Gross non-performing assets (i.e. non-performing loans plus gross foreclosed assets) divided by (i) tangible shareholders equity (including valuation adjustments less intangible assets) plus (ii) impairment allowances on loans and advances to customers (excluding extraordinary provisions related to clauses which set a minimum interest rate for mortgages) and (iii) allowances for the impairment of foreclosed assets	Measure to assess asset quality of a bank. The higher the Texas Ratio, the lower a bank's ability to absorb potential losses from non-performing assets (especially if it exceeds 100%)

The table below sets forth those of our APMs that are based on our Annual Accounts or our Stand-Alone Annual Accounts as of or for the years ended December 31, 2016, 2015 and 2014.

APM	Components from Annual Accounts or Stand-Alone Annual Accounts		As of or for the year ended December 31,			Unit
			2016	2015	2014	
Average funding cost	Numerator	Interest expense	391	592	756	€ million
	Denominator	Average quarterly total assets[(1)]	58,831	65,472	68,336	€ million
	Ratio		0.66	0.90	1.11	%
Average loan book yield	Numerator	Interest income from loans	735	885	936	€ million
	Denominator	Average gross loans[(2)]	34,081	36,749	30,621	€ million
	Ratio		2.16	2.41	3.06	%

APM	Components from Annual Accounts or Stand-Alone Annual Accounts		As of or for the year ended December 31, 2016	2015	2014	Unit
Average yield on debt securities	Numerator	Interest income from debt securities	251	385	519	€ million
	Denominator	Average quarterly debt securities[3]	18,869	22,278	22,771	€ million
	Ratio		1.33	1.73	2.28	%
Cash dividend payout ratio	Numerator	Cash dividends	17	19	25	€ million
	Denominator	Consolidated net profit	135	184	448	€ million
	Ratio		12.6	10.3	5.6	%
CIR	Numerator	Administration costs	611	634	584	€ million
	Denominator	Gross income	1,089	1,575	1,346	€ million
	Ratio		56.1	40.3	43.4	%
CoR	Numerator	Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss from loans and receivables	83.8	427.4	324.7	€ million
	Denominator	Average gross loans[2]	34,081	36,749	30,621	€ million
	Ratio		0.25	1.16	1.06	%
Core Customer Deposits	Current accounts + Savings accounts + (Fixed-term deposits - Covered bonds measured at effective value) + Other		8,167 + 14,191 + (19,995 – 6,370) + 39	9,451 + 12,403 + (22,878 – 7,407) + 196	7,697 + 10,961 + (25,651 – 8,539) + 42	€ million
	Total		36,022	37,522	35,812	€ million
Cost over core revenues ratio (EspañaDuero)	Numerator	Administration costs	254	256	277	€ million
	Denominator	Net interest income + (Fee and commission income - Fee and commission expense)	132 + (92 – 10)	200 + (119 – 8)	264 + (138 – 10)	€ million
	Ratio		118.5	82.3	70.9	%
Cost over core revenues ratio (Unicaja Banco)	Numerator	Administration costs	327	345	347	€ million
	Denominator	Net interest income + (Fee and commission income - Fee and commission expense)	495 + (120 – 11)	497 + (125 – 11)	561 + (134 – 16)	€ million
	Ratio		54.2	56.5	51.1	%
Coverage ratio of foreclosed buildings completed	Numerator	Allowances for the impairment of foreclosed buildings completed	213	285	178 + 70	€ million
	Denominator	Gross foreclosed buildings completed	419	556	536	€ million
	Ratio		50.8	51.2	46.3	%
Coverage ratio of foreclosed buildings under	Numerator	Allowances for the impairment of foreclosed buildings under construction	106	74	51 + 35	€ million

APM	Components from Annual Accounts or Stand-Alone Annual Accounts		As of or for the year ended December 31, 2016	2015	2014	Unit
construction	Denominator	Gross foreclosed buildings under construction	183	122	160	€ million
	Ratio		57.8	60.7	53.5	%
Coverage ratio of foreclosed land	Numerator	Allowances for the impairment of foreclosed land	702	706	390 + 374	€ million
	Denominator	Gross foreclosed land	920	1,029	1,145	€ million
	Ratio		76.3	68.6	66.8	%
Coverage ratio of total refinanced and restructured loans	Numerator	Refinanced and restructured loans provisions	1,037	1,191	1,746	€ million
	Denominator	Gross refinanced and restructured loans	2,949	4,381	2,702 + 1,530 + 1,488	€ million
	Ratio		35.2	27.2	30.5	%
Fees from payment services over sight deposits ratio	Numerator	Fees from payment services	115	123	126	€ million
	Denominator	Average sight deposits[(4)]	22,106	20,256	13,461	€ million
	Ratio		0.52	0.61	0.93	%
Foreclosed assets coverage ratio	Numerator	Accumulated impairment losses of foreclosed assets	1,609	1,586	873 + 639	€ million
	Denominator	Gross foreclosed assets	2,588	2,699	2,635	€ million
	Ratio		62.2	58.8	57.4	%
High quality liquid assets	High Quality Liquid Assets within the meaning of Commission Delegated Regulation of 10 October 2014 - the available balance under the facility with the ECB		21,861- 7,317	23,932 - 7,980	27,040 - 13,306	€ million
	Total		14,544	15,952	13,734	€ million
Net banking fees and commissions	Fee and commission income - Fees relating to marketing of non-bank financial products - Fee and commission expense		226 - 63 - 18	275 - 84 - 36	250 - 65 - 23	€ million
	Total		144	154	162	€ million
Net commissions over average quarterly total assets ratio	Numerator	Fee and commission income - Fee and commission expense	226 - 18	275 - 36	250 - 23	€ million
	Denominator	Average quarterly total assets[(1)]	58,831	65,472	68,336	€ million
	Ratio		0.35	0.36	0.33	%
Net interest income (% gross income)	Numerator	Net interest income	620	688	719	€ million
	Denominator	Gross income	1,089	1,575	1,346	€ million
	Ratio		56.9	43.7	53.4	%

APM	Components from Annual Accounts or Stand-Alone Annual Accounts		As of or for the year ended December 31, 2016	2015	2014	Unit
Net NPAs over total assets	Numerator	Net non-performing assets = (Non-performing loans + Gross foreclosed assets) – (Impairment allowances on loans and advances to customers (excl. extraordinary provisions related to clauses which set a minimum interest rate for mortgages) + Allowances for the impairment of foreclosed assets)	(3,215 + 2,588) – (1,607 + 1,609)	(3,556 + 2,699) – (2,033 + 1,586)	(4,814 + 2,635) – (2,978 + 1,512)	€ million
	Denominator	Total assets	57,241	60,312	67,950	€ million
	Ratio		4.5	4.4	4.4	%
NIM	Numerator	Net interest income	620	688	719	€ million
	Denominator	Average quarterly total assets(1)	58,831	65,472	68,336	€ million
	Ratio		1.05	1.05	1.05	%
NIM over ATA (EspañaDuero)	Numerator	Net interest income	132	200	264	€ million
	Denominator	Average total assets(5)	26,436	29,932	34,044	€ million
	Ratio		0.50	0.67	0.77	%
NIM over ATA (Unicaja Banco)	Numerator	Net interest income	495	497	561	€ million
	Denominator	Average total assets(6)	34,075	35,943	39,289	€ million
	Ratio		1.45	1.38	1.43	%
NPA coverage ratio	Numerator	Impairment losses on loans and advances to customers (excluding provisions related to clauses which set a minimum interest rate for mortgages) + accumulated impairment losses foreclosed assets	1,607 + 1,609	2,033 + 1,586	2,978 + 1,512	€ million
	Denominator	Non-performing loans + Gross foreclosed assets	3,215 + 2,588	3,556 + 2,699	4,814 + 2,635	€ million
	Ratio		55.4	57.9	60.3	%
NPA ratio	Numerator	Non-performing loans + Gross foreclosed assets	3,215 + 2,588	3,556 + 2,699	4,814 + 2,635	€ million
	Denominator	Gross loans + gross foreclosed assets	32,730 + 2,588	35,433 + 2,699	38,065 + 2,635	€ million
	Ratio		16.4	16.4	18.3	%
NPL coverage ratio	Numerator	Impairment losses on loans and advances to customers (excluding extraordinary provisions related to clauses which set a minimum interest rate for mortgages)	1,607 = 1,999 - 392	2,033 = 2,345 - 312	2,978 = 2,978 - 0	€ million
	Denominator	Non-performing loans	3,215	3,556	4,814	€ million
	Ratio		50.0	57.2	61.9	%

APM	Components from Annual Accounts or Stand-Alone Annual Accounts		As of or for the year ended December 31, 2016	2015	2014	Unit
NPL ratio	Numerator	Non-performing loans	3,215	3,556	4,814	€ million
	Denominator	Gross loans	32,730	35,433	38,065	€ million
	Ratio		9.8	10.0	12.6	%
Off-balance sheet funds marketed over customer funds (retail)	Numerator	Off-balance sheet funds marketed	11,635	11,072	10,938	€ million
	Denominator	Customer funds (retail) = Core Customer Deposits + Off-balance sheet funds marketed	47,657 = 36,022+ 11,635	48,594 = 37,522 + 11,072	46,751 = 35,812 + 10,938	€ million
	Ratio		24.4	22.8	23.4	%
Refinanced and restructured loans over gross loans	Numerator	Gross refinanced and restructured loans	2,949	4,381	2,702 + 1,530 + 1,488	€ million
	Denominator	Gross loans	32,730	35,433	38,065	€ million
	Ratio		9.0	12.4	15.0	%
RoA	Numerator	Net profit	135	184	448	€ million
	Denominator	Average quarterly total assets(1)	58,831	65,472	68,336	€ million
	Ratio		0.2	0.3	0.7	%
RoE	Numerator	Profit/loss attributable to the parent entity	142	187	475	€ million
	Denominator	Average quarterly shareholders' funds (7)	2,919	2,789	2,767	€ million
	Ratio		4.9	6.7	17.1	%
RoRWA	Numerator	Net profit	135	184	448	€ million
	Denominator	Risk-weighted assets	25,188	27,108	30,308	€ million
	Ratio		0.5	0.7	1.5	%
RoTE	Numerator	Profit/loss attributable to the parent entity	142	187	475	€ million
	Denominator	Average quarterly shareholders' funds (excluding valuation adjustments) - Average intangible assets(8)	2,918	2,788	2,765	€ million
	Ratio		4.9	6.7	17.2	%
RWA density ratio	Numerator	Risk-weighted assets calculated in accordance with the Basel III Framework	25,188	27,108	30,308	€ million
	Denominator	Total assets	57,241	60,312	67,950	€ million
	Ratio		44.0	44.9	44.6	%

APM	Components from Annual Accounts or Stand-Alone Annual Accounts		As of or for the year ended December 31, 2016	2015	2014	Unit
Texas Ratio	Numerator	Non-performing loans + Gross foreclosed assets	3,215 + 2,588	3,556 + 2,699	4,814 + 2,635	€ million
	Denominator	Tangible shareholders equity (including valuation adjustments less intangible assets) + Impairment allowances on loans and advances to customers (excluding extraordinary provisions related to clauses which set a minimum interest rate for mortgages) + Allowances for the impairment of foreclosed assets	2,952 + 1,607 + 1,609	3,103 + 2,033 + 1,586	4,814 + 2,635	€ million
	Ratio		94.1	94.9	99.9	%

Notes:

(1) *Calculated as the arithmetic mean of: i) the end-of-quarter figure for the first, second and third quarter of the corresponding period and ii) the arithmetic mean of the end-of-quarter figure for the fourth quarter of the corresponding and previous periods. For illustrative purposes, the 2016 figure of €58,831 million is calculated as the arithmetic mean of: i) €59,804 million, €58,703 million and €58,040 million and ii) arithmetic mean of €57,241 million and €60,312 million. The 2015 figure of €65,472 million is calculated as the arithmetic mean of: i) €67,183 million, €66,955 million and €63,618 million and ii) arithmetic mean of €60,312 million and €67,950 million. The 2014 figure of €68,336 million is calculated as the arithmetic mean of: i) €74,611 million, €71,892 million and €72,237 million and ii) arithmetic mean of €67,950 million and €41,258 million.*

(2) *Calculated as the arithmetic mean of the end-of-period figure for the corresponding and previous periods. For illustrative purposes, the 2016 figure of €34,081 million is calculated as the arithmetic mean of €32,730 million and €35,433 million, the 2015 figure of €36,749 million is calculated as the arithmetic mean of €35,433 million and €38,065 million, and the 2014 figure of €30,621 million is calculated as the arithmetic mean of €38,065 million and €23,177 million.*

(3) *Calculated as the arithmetic mean of: i) the end-of-quarter figure for the first, second and third quarter of the corresponding period and ii) the arithmetic mean of the end-of-quarter figure for the fourth quarter of the corresponding and previous periods. Note that the term "debt securities" includes both debt securities and held-to-maturity investments. For illustrative purposes, the 2016 figure of €18,869 million is calculated as the arithmetic mean of: i) €19,669 million, €18,711 million and €19,327 million and ii) arithmetic mean of €18,486 million and €17,053 million. The 2015 figure of €22,278 million is calculated as the arithmetic mean of: i) €23,677 million, €23,377 million and €21,924 million and ii) arithmetic mean of €17,053 million and €23,213 million. The 2014 figure of €22,771 million is calculated as the arithmetic mean of: i) €25,041 million, €25,163 million and €25,486 million and ii) arithmetic mean of €23,213 million and €7,580 million.*

(4) *Calculated as the arithmetic mean of the end-of-period figure for the corresponding and previous periods. Note that the term "sight deposits" includes both current accounts and savings accounts. For illustrative purposes, the 2016 figure of €22,106 million is calculated as the arithmetic mean of €22,358 million and €21,855 million, the 2015 figure of €20,256 million is calculated as the arithmetic mean of €21,855 million and €18,658 million, and the 2014 figure of €13,461 million is calculated as the arithmetic mean of €18,658 million and €8,264 million.*

(5) *Calculated as the arithmetic mean of the end-of-period figure for the corresponding and previous periods. For illustrative purposes, the 2016 figure of €26,436 million is calculated as the arithmetic mean of €25,392 million and €27,480 million, the 2015 figure of €29,932 million is calculated as the arithmetic mean of €27,480 million and €32,385 million, and the 2014 figure of €34,044 million is calculated as the arithmetic mean of €32,385 million and €35,703 million.*

(6) *Calculated as the arithmetic mean of the end-of-period figure for the corresponding and previous periods. For illustrative purposes, the 2016 figure of €34,075 million is calculated as the arithmetic mean of €33,031 million and €35,118 million, the 2015 figure of €35,943 million is calculated as the arithmetic mean of €35,118 million and €36,767 million, and the 2014 figure of €39,289 million is calculated as the arithmetic mean of €36,767 million and €41,811 million.*

(7) *Calculated as the arithmetic mean of: i) the end-of-quarter figure for the first, second and third quarter of the corresponding period and ii) the arithmetic mean of the end-of-quarter figure for the fourth quarter of the corresponding and previous periods. For illustrative purposes, the 2016 figure of €2,919 million is calculated as the arithmetic mean of: i) €2,896 million, €2,930 million and €2,972 million and ii) arithmetic mean of €2,918 million and €2,834 million. The 2015 figure of €2,789 million is calculated as the arithmetic mean of: i) €2,790 million, €2,792 million and €2,819 million and ii) arithmetic mean of €2,834 million and €2,674 million. The 2014 figure of €2,767 million is calculated as the arithmetic mean of: i) €3,140 million, €2,793 million and €2,783 million and ii) arithmetic mean of €2,674 million and €2,031 million.*

(8) *Calculated as the arithmetic mean of: i) the end-of-quarter figure for the first, second and third quarter of the corresponding period and ii) the arithmetic mean of the end-of-quarter figure for the fourth quarter of the corresponding and previous periods. For illustrative purposes, the 2016 figure of €2,918 million is calculated as the arithmetic mean of: i) €2,895 million, €2,930 million and €2,971 million and ii) arithmetic mean of €2,918 million and €2,832 million. The 2015 figure of €2,788 million is calculated as the arithmetic mean of: i) €2,789 million, €2,791 million and €2,818 million and ii) arithmetic mean of €2,832 million and €2,672 million. The 2014 figure of €2,765 million is calculated as the*

arithmetic mean of: i) €3,137 million, €2,791 million and €2,781 million and ii) arithmetic mean of €2,672 million and €2,028 million.

Source: Company data

In addition to the above, the following list includes explanations of the definitions of certain key APMs that are based on internal non-GAAP measures, as well as information regarding such APMs' relevance:

	Definition	**Relevance of its use**
Average interest rate on average performing loans and receivables	Interest income from performing loans and receivables through counterparties divided by average total performing loans and receivables (non-GAAP) for the relevant period.	This ratio is generally used to measure the average yield of the loan book of the bank
Average interest rate on average total assets	Interest income divided by average total assets (non-GAAP) for the relevant period	This ratio is generally used to measure the average yield of the total assets of the bank
Average interest rates on customer deposits	Calculated as interest expense from customer deposits (as stated in the annual accounts) divided by average customer deposits (individuals related to term deposits) (non-GAAP) for the relevant period	This ratio is generally used to measure the average cost of the customer deposits base of the bank
Average interest rate on total liabilities	Interest income divided by average total liabilities (non-GAAP) for the relevant period	This ratio is commonly used in the banking sector to measure the average cost of the total liabilities of the bank
Average loan to value ratio	Sum of each type of loan's loan to value (or LTV, which refers to the ratio obtained by dividing the loan's carrying amount by the amount of the latest appraised value of the collateral) multiplied by its corresponding carrying amount divided by total loans carrying amount	This ratio is commonly used in the banking sector to assess the level of collateral coverage that a bank has against its secured loans
LTD ratio (loan to deposit ratio)	Net loans and advances to customers less brokered loans divided by customer funds (which include current accounts, savings accounts and term deposits excluding covered bonds accounted within term deposits)	This is one of the main indicators used in the banking sector to monitor the level of leverage and wholesale funding dependence of a banking franchise

The table below sets forth those of our APMs that that are calculated on the basis of internal non-GAAP measures as of or for the years ended December 31, 2016, 2015 and 2014.

APM	**Components (internal non-GAAP measures)**	**As of or for the year ended December 31,**			**Unit**
		2016	**2015**	**2014**	
Average interest rate on average balances at central banks	Average interest rate on average balances at central banks is calculated as interest income from balances at central banks divided by average total balances at central banks (non-GAAP) for the relevant period.	0.00	0.01	0.20	%
Average interest rate on average financial intermediaries	Average interest rate on average financial intermediaries is calculated as interest income from financial intermediaries divided by average total financial intermediaries assets (non-GAAP) for the relevant period.	(0.06)	0.06	0.36	%

APM	Components (internal non-GAAP measures)	As of or for the year ended December 31, 2016	2015	2014	Unit
Average interest rate on average fixed income portfolio	Average interest rate on average fixed income portfolio through counterparties is calculated as interest income from fixed income portfolio through counterparties divided by average total fixed income portfolio (non-GAAP) for the relevant period.	1.36	1.78	2.47	%
Average interest rate on average loans and advances to credit institutions	Average interest rate on average loans and advances to credit institutions is calculated as interest income from loans and advances to credit institutions divided by average total loans and advances to credit institutions (non-GAAP) for the relevant period.	0.78	0.25	0.57	%
Average interest rate on average money market operations through counterparties	Average interest rate on average money market operations through counterparties is calculated as interest income from money market operations through counterparties divided by average total money market operations through counterparties (non-GAAP) for the relevant period.	(0.23)	0.02	0.23	%
Average interest rate on average other assets	Average interest rate on other assets is calculated as interest income from other assets corresponding to securities under repurchase agreements divided by average total other assets (non-GAAP) for the relevant period.	0.64	0.31	0.23	%
Average interest rate on average performing loans and receivables	Average interest rate on average performing loans and receivables through counterparties is calculated as interest income from performing loans and receivables through counterparties divided by average total performing loans and receivables (non-GAAP) for the relevant period.	2.51	2.94	3.31	%
Average interest rate on average performing loans and receivables from public administrations	Average interest rate on average performing loans and receivables from public administrations is calculated as interest income from performing loans and receivables from public administrations divided by average total performing loans and receivables from public administrations (non-GAAP) for the relevant period.	1.04	1.65	2.17	%
Average interest rate on average performing loans and receivables from the private sector	Average interest rate on average performing loans and receivables from the private sector is calculated as interest income from performing loans and receivables from the private sector divided by average total performing loans and receivables from the private sector (non-GAAP) for the relevant period.	2.64	3.04	3.38	%
Average interest rate on average performing loans and receivables from the private sector corresponding to securities under	Average interest rate on average performing loans and receivables from the private sector corresponding to securities under repurchase agreements is calculated as interest income from performing loans and receivables from the private sector corresponding to	0.00	n.m.	2.71	%

APM	Components (internal non-GAAP measures)	As of or for the year ended December 31,			Unit
		2016	2015	2014	
repurchase agreements	securities under repurchase agreements divided by average total performing loans and receivables from the private sector corresponding to securities under repurchase agreements (non-GAAP) for the relevant period.				
Average interest rate on average total assets (non-GAAP)	Average interest rate on average total assets is calculated as interest income divided by average total assets (non-GAAP) for the relevant period.	1.72	1.97	2.35	%
Average interest rate on average total liabilities (non-GAAP)	Average interest rate on average total liabilities is calculated as interest expense divided by average total liabilities (non-GAAP) for the relevant period.	0.67	0.91	1.20	%
Average interest rate on customer deposits (individuals related to current and savings accounts)	Average interest rate on customer deposits (individuals related to current and savings accounts) is calculated as interest expense from customer deposits (individuals related to current and savings accounts) divided by average customer deposits (individuals related to current and savings accounts) (non-GAAP) for the relevant period.	0.07	0.05	n.a.	%
Average interest rate on customer deposits (individuals)	Average interest rate on customer deposits (individuals) is calculated as interest expense from customer deposits (individuals) divided by average customer deposits (individuals) (non-GAAP) for the relevant period.	0.50	0.91	n.a.	%
Average interest rate on customer deposits (other legal entities related to current and savings account)	Average interest rate on customer deposits (other legal entities related to current and savings account) is calculated as interest expense from customer deposits (other legal entities related to current and savings account) divided by average customer deposits (other legal entities related to current and savings account) (non-GAAP) for the relevant period.	0.10	0.14	n.a.	%
Average interest rate on customer deposits (other legal entities related to term deposits)	Average interest rate on customer deposits (other legal entities related to term deposits) is calculated as interest expense from customer deposits (other legal entities related to term deposits) divided by average customer deposits (other legal entities related to term deposits) (non-GAAP) for the relevant period.	0.56	0.87	n.a.	%
Average interest rate on customer deposits (other legal entities)	Average interest rate on customer deposits (other legal entities) is calculated as interest expense from customer deposits (other legal entities) divided by average customer deposits (other legal entities) (non-GAAP) for the relevant period.	0.33	0.52	n.a.	%
Average interest rate on customer deposits (state and public organizations)	Average interest rate on customer deposits (state and public organizations) is calculated as interest expense from customer deposits (state and public organizations) divided by	0.11	0.24	n.a.	%

APM	Components (internal non-GAAP measures)	As of or for the year ended December 31,			Unit
		2016	2015	2014	
	average customer deposits (state and public organizations) (non-GAAP) for the relevant period.				
Average interest rate on customer deposits (state and public organizations related to current and savings accounts)	Average interest rate on customer deposits (state and public organizations related to current and savings accounts) is calculated as interest expense from customer deposits (state and public organizations related to current and savings accounts) divided by average customer deposits (state and public organizations related to current and savings accounts) (non-GAAP) for the relevant period.	0.08	0.17	n.a.	%
Average interest rate on customer deposits (state and public organizations related to term deposits)	Average interest rate on customer deposits (state and public organizations related to term deposits) is calculated as interest expense from customer deposits (state and public organizations related to term deposits) divided by average customer deposits (state and public organizations related to term deposits) (non-GAAP) for the relevant period.	0.34	0.55	n.a.	%
Average interest rate on total liabilities (debt securities issued)	Average interest rate on total liabilities (debt securities issued) is calculated as interest expense (debt securities issued) divided by the average total liabilities (debt securities issued) (non-GAAP) for the relevant period.	1.86	1.90	2.17	%
Average interest rate on total liabilities (deposits from public administrations)	Average interest rate on total liabilities (deposits from public administrations) is calculated as interest expense (deposits from public administrations) divided by the average total liabilities (deposits from public administrations) (non-GAAP) for the relevant period.	0.11	0.24	0.65	%
Average interest rate on total liabilities (deposits from the private sector)	Average interest rate on total liabilities (deposits from the private sector) is calculated as interest expense (deposits from the private sector) divided by the average total liabilities (deposits from the private sector) (non-GAAP) for the relevant period.	0.46	0.83	1.09	%
Average interest rate on total liabilities (deposits from the private sector corresponding to assets sold under repurchase agreements)	Average interest rate on total liabilities (deposits from the private sector corresponding to assets sold under repurchase agreements) is calculated as interest expense (deposits from the private sector corresponding to assets sold under repurchase agreements) divided by the average total liabilities (deposits from the private sector corresponding to assets sold under repurchase agreements) (non-GAAP) for the relevant period.	1.46	2.60	3.08	%
Average interest rate on total liabilities (deposits)	Average interest rate on total liabilities (deposits) is calculated as interest expense (deposits) divided by the average total liabilities (deposits) (non-GAAP) for the relevant period.	0.47	0.87	1.19	%

APM	Components (internal non-GAAP measures)	As of or for the year ended December 31, 2016	2015	2014	Unit
Average interest rate on total liabilities (financial intermediaries)	Average interest rate on total liabilities (financial intermediaries) is calculated as interest expense (financial intermediaries) divided by the average total liabilities (financial intermediaries) (non-GAAP) for the relevant period.	(0.15)	0.13	0.45	%
Average interest rate on total liabilities (financial intermediaries related to deposits by central banks)	Average interest rate on total liabilities (financial intermediaries related to deposits by central banks) is calculated as interest expense (financial intermediaries related to deposits by central banks) divided by the average total liabilities (financial intermediaries related to deposits by central banks) (non-GAAP) for the relevant period.	0.12	0.13	0.41	%
Average interest rate on total liabilities (financial intermediaries related to deposits by credit institutions)	Average interest rate on total liabilities (financial intermediaries related to deposits by credit institutions) is calculated as interest expense (financial intermediaries related to deposits by credit institutions) divided by the average total liabilities (financial intermediaries related to deposits by credit institutions) (non-GAAP) for the relevant period.	(0.07)	0.41	1.32	%
Average interest rate on total liabilities (financial intermediaries related to money market operations through counterparties)	Average interest rate on total liabilities (financial intermediaries related to money market operations through counterparties) is calculated as interest expense (financial intermediaries related to money market operations through counterparties) divided by the average total liabilities (financial intermediaries related to money market operations through counterparties) (non-GAAP) for the relevant period.	(0.28)	(0.01)	0.18	%
Average interest rate on total liabilities (other liabilities)	Average interest rate on total liabilities (other liabilities) is calculated as interest expense (other liabilities) divided by the average total liabilities (other liabilities) (non-GAAP) for the relevant period.	0.48	0.24	1.45	%
Average interest rate on total liabilities (subordinated liabilities)	Average interest rate on total liabilities (subordinated liabilities) is calculated as interest expense (subordinated liabilities) divided by the average total liabilities (subordinated liabilities) (non-GAAP) for the relevant period.	9.51	8.77	7.82	%
Average interest rates on customer deposits (individuals related to term deposits)	Average interest rate on customer deposits (individuals related to term deposits) is calculated as interest expense from customer deposits (individuals related to term deposits) divided by average customer deposits (individuals related to term deposits) (non-GAAP) for the relevant period.	1.30	1.99	n.a.	%

APM	Components (internal non-GAAP measures)	As of or for the year ended December 31,			Unit
		2016	2015	2014	
Average loan to value ratio	Average loan to value ratio is calculated as the sum of each type of loan's loan to value (or LTV, which refers to the ratio obtained by dividing the loan's carrying amount by the amount of the latest appraised value of the collateral) multiplied by its corresponding carrying amount divided by total loans carrying amount.	52	54	55	%
Average loan yield for gross new loans	Refers to the monthly weighted average yield generated by total new loans granted by the Group during a certain period of time (month, quarter or year). It is calculated as the sum of monthly interest income from new loans multiplied by the corresponding monthly new loans balance divided by total new loans balance over the relevant period (month, quarter or year).	2.41	2.79	n.a.	%
Average loan yield for new loans to consumer finance	Refers to the monthly weighted average yield generated by new loans to consumer finance granted by the Group during a certain period of time (monthly, quarterly or yearly). It is calculated as the sum of monthly interest income from new loans to consumer finance multiplied by the corresponding monthly balance of new loans to consumer finance divided by total new loans to consumer finance over the relevant period (month, quarter or year).	5.29	5.57	n.a.	%
Average loan yield for new loans to corporates	Refers to the monthly weighted average yield generated by total loans to corporates granted by the Group during a certain period of time (monthly, quarterly or yearly). It is calculated as the sum of monthly interest income from new loans to corporates multiplied by the corresponding monthly balance of new loans to corporates divided by total new loans to corporates over the period (month, quarter or year).	1.54	1.82	n.a.	%
Average loan yield for new loans to SMEs	Refers to the monthly weighted average yield generated by total loans to SMEs granted by the Group during a certain period of time (monthly, quarterly or yearly). It is calculated as the sum of monthly interest income from new loans to SMEs multiplied by the corresponding monthly balance of new loans to SMEs divided by total new loans to SMEs over the period (month, quarter or year).	2.43	3.37	n.a.	%
Average yield for new mortgages	Refers to the monthly weighted average yield generated by total mortgages granted by the Group during a certain period of time (monthly, quarterly or yearly). It is calculated as the sum of monthly interest income from new mortgages multiplied by the corresponding monthly balance of new mortgages divided by total new	2.05	2.24	n.a.	%

APM	Components (internal non-GAAP measures)		As of or for the year ended December 31, 2016	2015	2014	Unit
	mortgages over the period (month, quarter or year).					
Cost rate from customer deposits (excl. assets sold under repurchase agreements)	Numerator	Cost from customer deposits (excl. assets sold under repurchase agreements)	164	293	n.a.	€ million
	Denominator	Quarterly average balance of customer deposits (excl. assets sold under repurchase agreements)	37,216	36,462	n.a.	€ million
	Ratio		0.44	0.80	n.a.	%
Customer spread (excl. assets acquired under repurchase agreements and assets sold under repurchase agreements)	Yield from performing loans (excl. assets acquired under repurchase agreements) - Cost rate from customer deposits (excl. assets sold under repurchase agreements)		2.51 - 0.44	2.94 - 0.80	n.a. - n.a.	%
	Spread		2.07	2.14	n.a.	%
Gross NPL entries net of cash recoveries	Gross NPL entries - Cash recoveries		729 - 600	812 - 639	n.a.- n.a.	€ million
	Total		130	173	n.a.	%
High quality liquid assets over total assets	Numerator	High quality liquid assets	14,544	15,952	13,734	€ million
	Denominator	Total assets	57,241	60,312	67,950	€ million
	Ratio		25.4	26.4	20.2	%
LTD ratio	Numerator	Net commercial loans	30,266	31,643	34,824	€ million
	Denominator	Retail funding (incl. debt securities marketed to customers)	36,547	38,571	38,077	€ million
	Ratio		83	82	91	%
Net commercial loans	Gross commercial loans - valuation adjustments		28,230 - (2,036)	29,214 - (2,429)	31,749 - (3,075)	€ million
	Total		30,266	31,643	34,824	€ million
Real estate developers Coverage ratio	Numerator	Provisions associated to loans to real estate developers	364	453	771	€ million
	Denominator	Real estate developers NPLs	503	648	1,058	€ million
	Ratio		72.4	69.9	72.9	%
Retail funding (incl. debt securities marketed to customers)	Customer deposits - valuation adjustments - covered bonds + debt		43,740 - 823 - 6,370 + 0	46,875 - 904 - 7,400 + 0	47,535 - 1,088 - 8,539 + 169	€ million

APM	Components (internal non-GAAP measures)		As of or for the year ended December 31, 2016	2015	2014	Unit
	securities marketed to customers					
	Total		36,547	38,571	38,077	€ million
Term deposits' back book average cost for the three months ended December 31	Refers to the monthly weighted average cost generated by Unicaja's stock of existing term deposits (i.e. total term deposits excluding front book term deposits) during a certain period of time (month, quarter or year). It is calculated as the sum of monthly interest expense from the stock of existing term deposits multiplied by the corresponding monthly stock of existing term deposits divided by total stock of existing term deposits over the period (month, quarter or year).		0.39	1.19	n.a.	%
Yield from performing loans (excl. assets acquired under repurchase agreements)	Numerator	Income from performing loans (excl. assets acquired under repurchase agreements)	699	858	n.a.	€ million
	Denominator	Quarterly average balance of performing loans (excl. assets acquired under repurchase agreements)	27,827	29,136	n.a.	€ million
	Ratio		2.51	2.94	n.a.	%

Source: Company data

RISK FACTORS

An investment in the Shares involves a high degree of risk. You should carefully consider the following risks and uncertainties, together with other information provided to you in this Prospectus, before deciding whether or not to invest in the Shares. If any of the following risks and uncertainties actually occurs our business, financial condition, results of operations or prospects could be materially affected. The trading price of the Company's ordinary shares could decline due to any of these risks and uncertainties, and investors may lose all or part of their investment. The risks described below are not the only ones we are exposed to. There may also be other risks and uncertainties of which we are currently unaware or that we do not currently believe are material that could harm our business, financial condition, results of operations or prospects and which, if they occur, could cause the value of the Company's ordinary shares to decline and you may lose all or part of your investment.

This Prospectus contains "forward-looking" statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences are discussed below and elsewhere in this Prospectus. See "Forward-looking Statements". Investors should carefully review the entire Prospectus and should reach their own views and decisions on the merits and risks of investing in the Shares. Furthermore, investors shall consult their financial, legal, and tax advisors to carefully review the risks associated with an investment in the Shares.

The Company declares that the information contained in this Prospectus takes into account those instructions and recommendations of the European Central Bank and the Bank of Spain which might have a negative impact on our financial statements and the following risks.

RISKS RELATING TO THE GROUP AND ITS BUSINESS

SPECIFIC RISKS RELATED TO ESPAÑADUERO AND THE RESTRUCTURING PLAN

We face certain business combination risks related to the acquisition of EspañaDuero

On March 28, 2014, the Company completed the acquisition of a controlling stake in EspañaDuero. EspañaDuero was created in 2011 as a result of the segregation and transfer of the banking business of Caja de España de Inversiones Salamanca y Soria, Caja de Ahorros y Monte de Piedad (the resulting entity of the merger between Caja España and Caja Duero) to a newly established banking institution incorporated as a public limited company (*sociedad anónima*). As at December 31, 2016, we had a 69.4% stake in EspañaDuero. In addition, as at December 31, 2016, and according to our internal accounting records, EspañaDuero had assets amounting to €25,403.9 million (representing 44.4% of our total assets) and a gross operating income of €249.4 million (representing 22.9% of our gross operating income). Furthermore, and according to our internal accounting records, EspañaDuero made a negative contribution to our net profit of €8.9 million (representing a negative contribution of 6.6%), mainly as a result of the continuing attempts to restrengthen its balance sheet and comply with the term sheet (dated December 20, 2012 and as amended on May 13, 2013, March 13, 2014 and January 27, 2017, the "**Term Sheet**") annexed to EspañaDuero's restructuring plan (the "**Restructuring Plan**") approved by the Spanish Fund for the Orderly Restructuring of the Banking Sector (*Fondo de Reestructuración Ordenada Bancaria*) ("**FROB**") and the European Commission in the context of the acquisition of EspañaDuero by the Company. As at December 31, 2016, EspañaDuero's standalone Common Equity Tier 1 ("**CET1**") phased-in capital ratio was 10.5% and its non-performing loan ("**NPL**") ratio was 10.6%.

The acquisition of EspañaDuero represented a significant investment for the Company and, as in any acquisition, it involved certain business combination risks, including the possible overvaluation of potential synergies and benefits from the acquisition. For example, as at the date of this Prospectus and by reference to year 2014, we aim to deliver a total of €188 million of annual pre-tax cost synergies by December 31, 2020 (of which we aim to achieve €118 million by December 31, 2017, €145 million by December 31, 2018 and €187 million by December 31, 2019). These synergy estimates were initially assessed in 2014, upon the acquisition of EspañaDuero and later reviewed and updated by the Board of Directors on February 24, 2017. For further detail on our synergies and targets, please see section "*Business—Our Strategy—Key Financial Targets*".

Our capacity to reach our strategic goals for entering into the acquisition will depend on our ability to integrate teams, processes, and procedures, as well as to maintain our relationships with customers and partners. We hope to benefit from a large amount of synergies resulting from the acquisition of

EspañaDuero, but if these synergies fail to materialize in the amounts that we expect, this may materially and adversely affect our business, financial condition, results of operations and cash flows.

If we are unable to repay the CoCos FROB in full, the FROB or any subsequent holder of the CoCos FROB may convert the CoCos FROB into ordinary shares in EspañaDuero and become the majority shareholder of EspañaDuero

On April 30, 2013, FROB subscribed for €604 million of contingent convertible bonds issued by EspañaDuero ("**CoCos FROB**") which, as at the date of this Prospectus, are still held by the FROB. Pursuant to the Term Sheet, EspañaDuero, in the first instance, and, to the extent that EspañaDuero is not able to do so, ultimately the Group, shall aim to repurchase the CoCos FROB in full by the end of April 2018. For additional information, see "*Material Contracts—EspañaDuero Term Sheet*".

Such repurchase is due to occur according to a repurchase schedule and is calculated with reference to that part of EspañaDuero's capital that is or was in excess of certain thresholds for each fiscal year between 2014 and 2017. Since there was no capital in excess of these thresholds for fiscal years 2014, 2015 and 2016, no repurchase has been made as at the date of the Prospectus. The Term Sheet further specifies that if Unicaja Banco raises capital during the year ended December 31, 2017 (such as through the Offering), it must repay the CoCos FROB in an amount equal to 50% of the new capital raised within a maximum of three months from the date of the capital raise and in amount equal to the remaining 50% of the new capital raised no later than December 31, 2017. We expect to use €604 million of the net proceeds from the sale of the Shares in the Offering to repurchase the CoCos FROB in full. See "*Reasons for the Offering and Use of Proceeds*". The early repayment of the CoCos FROB is in any case conditional upon (i) obtaining the corresponding authorizations, in particular from the European Central Bank ("**ECB**") and the Bank of Spain and (ii) the capital ratios of the Group not being lower than the ECB capital requirements plus a buffer of 50 basis points ("**bps**").

If the CoCos FROB are not repurchased in full by the end of April 2018, the FROB (which as at the date of this Prospectus is entitled to 21.1% of EspañaDuero's ordinary shares) could convert them into ordinary shares of EspañaDuero. In addition, pursuant to the Term Sheet, the FROB has the right to automatically convert the CoCos FROB prior to the end of April 2018 if (i) EspañaDuero's standalone predominant capital ratio falls below 5.125%, (ii) the CoCos FROB cease to qualify, as a result of a regulatory change, at least as additional Tier 1 capital, or (iii) EspañaDuero agrees dissolution or liquidation proceedings. Because the CoCos FROB are freely transferrable, another entity or a competitor may purchase them from the FROB and, in case of conversion and depending on the amount of CoCos FROB actually purchased and the conversion ratio determined by an expert as provided in the terms and conditions of the CoCos FROB, could become the controlling shareholder in EspañaDuero.

Any such conversion of the CoCos FROB would probably cause the FROB (or any subsequent holder of the CoCos FROB) to become the controlling shareholder in EspañaDuero, diluting the Company's stake in EspañaDuero to the point where the Company loses control and is not able to fully consolidate EspañaDuero. In addition, if such conversion were to take place, the interests of the FROB (or any such subsequent holder) as shareholder of EspañaDuero may not be aligned with the Company's interests.

Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our failure to repay the CoCos FROB may limit our ability to distribute dividends

The Term Sheet contains a prohibition on the distribution of dividends by EspañaDuero for as long as the CoCos FROB are outstanding. This could, in turn, indirectly limit our ability to distribute dividends to the Company's shareholders. In addition, the Term Sheet imposes dividend payment restrictions on Unicaja Banco. In order to comply with the Term Sheet, Unicaja Banco may not distribute dividends that exceed 30% of its annual distributable profit until after the Admission. Once the Company's ordinary shares have been admitted to trading, that limit will be increased to 40% of Unicaja Banco's annual distributable profit until all CoCos FROB have been repaid, after which such limitation will cease.

We may be subject to liability related to litigations of former EspañaDuero hybrid securities holders

The purchasers of EspañaDuero's preference shares and subordinated debt who did not accept the exchange offer of Unicaja Banco for the acquisition of EspañaDuero ("**Non-Accepting Holders**") were forced to become shareholders in EspañaDuero. See "*Business—History*" for further information on the exchange offer and the burden sharing exercise. Most of these Non-Accepting Holders have initiated legal proceedings against EspañaDuero to force EspañaDuero to reimburse their original investment in preference shares or subordinated debt and repurchase their stakes in EspañaDuero. See "*Business—Legal Proceedings—EspañaDuero Offer*" for more details.

In particular, as at December 31, 2016, approximately 92% of Non-Accepting Holders (in terms of the overall value of the EspañaDuero shares that the Non-Accepting Holders received) had initiated claims against EspañaDuero. Accordingly, EspañaDuero has been required by court orders to repurchase EspañaDuero shares in legal actions won by Non-Accepting Holders, adding them to treasury stock, and will be forced to repurchase shares for any future successful claims, which could increase EspañaDuero's treasury stock levels and thereby affect EspañaDuero's stand-alone and Unicaja Banco's solvency ratios.

EspañaDuero had already provisioned in its individual annual accounts the impact related to all pending litigations from Non-Accepting Holders for the year ended December 31, 2016 in an amount of €45 million. These provisions were created based on EspañaDuero's best estimates, taking into consideration available information regarding the legal claims that had been received and the judgments that had taken place up until that time. However, there can be no assurance that the actual cost will not exceed the amounts so provisioned as this will depend on the final outcomes of existing claims, future claims received and their outcomes, the nature of their resolution and the associated court costs. In addition, as at the date of this Prospectus, we estimate that the maximum potential additional impact from claims that may be initiated by the remaining 8% of the Non-Accepting Holders (in terms of the overall value of the EspañaDuero shares that the Non-Accepting Holders received) amounts to €17 million, which has not been provisioned.

If a significant number of new claims were filed or if EspañaDuero's existing provisions prove to be inadequate, this could have a material adverse effect on our business, financial condition, results of operations and prospects. See "*Business—Legal Proceedings—EspañaDuero Offer*" for more details.

The business and growth limitations set by the Term Sheet of EspañaDuero or failure to comply with such Term Sheet could have a material adverse effect on our business

The Term Sheet includes, among other measures, the restructuring of the business of EspañaDuero as follows: (i) the transfer of real estate development loans, equity interests in real estate companies and the majority of its real estate assets to the Spanish Company for the Management of Assets proceeding from Restructuring of the Banking System (*Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A.*) ("**SAREB**"), which was completed in 2013; (ii) a limitation on the amount in the loan book of EspañaDuero, which had to be no higher than €16.92 billion in Castilla y León and the province of Cáceres by December 31, 2016 (it was €7.53 billion as at December 31, 2016); (iii) a limitation of the size of EspañaDuero's balance sheet, which had to be no higher than €27.71 billion in Castilla y León and the province of Cáceres by December 31, 2016 (it was €12.79 billion as at December 31, 2016); (iv) a loan-to-deposit ratio in its core region (i.e., Salamanca, León, Zamora, Soria, Segovia, Palencia, Valladolid, Burgos, Ávila, Cáceres) of no greater than 100% by December 31, 2016 (it was 53% as at December 31, 2016); (v) a prohibition on the distribution of dividends by EspañaDuero for as long as the CoCos FROB are outstanding; (vi) the divestment in subsidiaries and equity holdings set out in Appendix I and II of the Term Sheet (see "*Business—Operations and activities—Treasury, Markets and Real Estate—Real estate*" for details on EspañaDuero's completion of this obligation) (by December 31, 2016, the commitment regarding the investment portfolio had been met); and (vii) the commitment to reduce its branch network and its workforce as explained below.

EspañaDuero committed in the Term Sheet to reduce its branch network to 465 branches (measured as branches with accounting autonomy) and its workforce to 2,532 employees (measured as number of full-time-equivalent employees) by December 31, 2017 (EspañaDuero had 472 branches with accounting autonomy and 2,911 full-time-equivalent employees as at December 31, 2016). The Term Sheet also sets out that EspañaDuero shall operate as a commercial retail bank, primarily focused on the regions in which it is already present, which are referred to in the Term Sheet as the "core regions".

Consequently, EspañaDuero cannot engage in any new business activity in investment or corporate banking until the end of April 2018, when the CoCos FROB must be repaid, including, among other things, specialized lending related to residential real estate, commercial real estate and commodities, M&A advisory, equity underwriting, equity and debt trading, speculative derivatives, volatility book or positions in currencies (other than customers' and EspañaDuero's balance hedges) and new lending related to these business segments generally. This inability to enter new markets means that EspañaDuero will be unable to take advantage of any potential opportunities that may arise in these various markets during such time, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

The Monitoring Trustee designated by the European Commission (the "**Monitoring Trustee**") has been monitoring EspañaDuero's compliance with the Term Sheet. If the Monitoring Trustee were to consider that EspañaDuero is making insufficient progress towards meeting any of these commitments, it could inform the European Commission, which might in turn impose additional measures to ensure that EspañaDuero satisfies such commitments on time. The only obligations of EspañaDuero under the Term Sheet that remained outstanding as at December 31, 2016 were to reduce its number of branches and employees and to repay the CoCos FROB. Please see *"—If we are unable to repay the CoCos FROB in full, the FROB or any subsequent holder of the CoCos FROB may convert the CoCos FROB into ordinary shares in EspañaDuero and become the majority shareholder of EspañaDuero*" for details of the impact of a failure to comply with the last of these requirements.

EspañaDuero is subject to regulatory scrutiny and as an individual entity must comply with regulatory capital and liquidity standards

EspañaDuero, which is subject to the supervision of the ECB, is subject to regulatory scrutiny and must comply with regulatory capital and liquidity standards on an individual basis. EspañaDuero may be forced to raise additional capital unless Unicaja Banco requests a waiver which would allow the Group to comply with regulatory capital and liquidity standards on a consolidated basis. We have not yet requested such a waiver. Therefore, as at the date of this Prospectus, EspañaDuero remains an individual entity for these purposes and no Group entity is obliged to provide financial support to EspañaDuero. This notwithstanding, pursuant to a resolution of our Board of Directors passed on April 26, 2017, we granted EspañaDuero a subordinated debt facility for a maximum amount of €150 million for a yearly interest rate of 9.75%, which is due and payable on a quarterly basis. Such subordinated debt facility, which as of the date of this Prospectus has not yet been used, qualifies as level 2 equity instruments for EspañaDuero and it can be used up to its maximum amount during one year from its execution date.

EspañaDuero's CET1 phased-in capital ratio as at December 31, 2016 was 10.5%, in excess of the regulatory requirement of 8.625% (it was 10.6% and 10.2% as at December 31, 2015 and 2014, respectively). As at December 31, 2016, EspañaDuero had a LTD ratio of 67%, a net stable funding ratio ("**NSFR**") of 136% and a liquidity coverage ratio ("**LCR**") of 489%. However, if EspañaDuero fails to comply with regulatory capital and liquidity standards it could be forced to change its capital structure, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

SPECIFIC RISKS RELATING TO THE GROUP

We are exposed to the risk that the current Spanish tax assets regime is challenged or modified in the future. Furthermore, in relation to tax assets not guaranteed by the Spanish state, we are exposed to the risk that we may fail to recover certain tax assets or have overstated their value

At December 31, 2016, we had DTAs in a gross amount of €2.5 billion (4.4% of total assets) recorded under the caption "Tax assets" on our consolidated balance sheet. Out of our total tax assets as at such date, approximately €1.5 billion derive from temporary differences relating to the provisioning of the loan portfolio, foreclosed and "received in payment" assets and pensions obligations. These tax assets are guaranteed by the Spanish state and they can be converted by us into a current asset against the Spanish Tax Administration if we are unable to reverse the relevant differences or in the event of liquidation or judicial insolvency. The ability to convert those DTAs into a current asset enables us not to deduct them from our capital), and, instead, add them to our Risk Weighted Assets ("**RWA**"), with a risk weighting of 100%. As at December 31, 2016, DTAs represented an adjustment of €139 million and €626 million to our phased-in and fully-loaded CET1 positions, respectively (due to the remaining €1.1 billion not guaranteed by the Spanish state). In April 2015, the European Commission initiated a preliminary State Aid investigation in relation to the Spanish DTAs regime. Such investigation is now resolved to the extent that the new reading of the law (that requires an annual payment of a 1.5% charge on the difference, if any, between such tax assets and the corporate income tax ("**CIT**") liability for fiscal years 2008 to 2015 in order for the conversion of the tax assets into a current asset to be enforceable) has been agreed by the European Commission, the Bank of Spain and the Spanish Ministries of Treasury and Economy. For tax periods starting on or after January 1, 2016, the amount of qualifying tax assets that will be convertible into current tax assets (i.e., guaranteed by the Spanish state) will be equal to the tax liability of the year (*cuota líquida positiva*) in which such qualifying tax assets were generated and subject to the payment of the special tax charge (the "**Special Tax Charge**") of 1.5% on the positive difference (if any) between the DTAs (i.e., qualifying tax assets registered as at December 31, 2015) and the aggregate CIT liability *(cuota líquida*) for tax periods between years 2008 and 2015 on that amount. This 1.5% charge (calculated over €1,473 million of guaranteed tax assets less €290 million DTAs generated before December 31, 2007, and less €196 million aggregate CIT liability) was registered for the first time in the profit and loss account of fiscal year 2016 and amounted to €15 million.

However, the European Commission may challenge the new reading of the law in the future. In addition, there is a risk that the Spanish Company Tax Act that currently provides that such DTAs are guaranteed by the Spanish state will be modified in the future, and any changes to the DTAs regime could have a material adverse effect on our business, financial condition, results of operations and prospects. The remaining €1.1 billion of tax assets on our balance sheet as at December 31, 2016 mainly originate from: (i) certain types of expenses that are not tax deductible in the year of accounting, but may be in the future (e.g., prepaid taxes); (ii) negative tax bases derived from corporate tax due to losses corresponding to such financial year; and (iii) certain deductions on corporate tax that cannot be applied in such financial year if the tax base is negative. The future application of such DTAs (which are deducted from our capital) is not subject to any time limitations for items (i), (ii) or some of the deductions provided under (iii) above; or subject to a maximum time limit of 15 to 18 years (for some of the deductions provided under item (iii) above). However, there is a risk that we may have overstated our DTAs or that we will be unable to recover all such DTAs if (a) we do not generate profits (or our profits are insufficient), (b) the corporate tax rate is reduced, (c) as a consequence of investigations carried out by the Spanish Tax Administration, there are errors or discrepancies in the settlement of such tax, or (d) there are changes in the current legislation or in the form in which it is applied or interpreted, the possibility of recovery of the amount of such DTAs may be partially or totally reduced. For instance, Royal Decree-Law 3/2016, of December 2, adopting tax-related measures aimed at consolidating public finances and other urgent measures on social matters, effective as of December 3, 2016, has introduced an amendment to the Spanish Company Tax Act which triggers a reduction on the annual limit of DTAs' recoverability. In particular, according to the former reading of the law, DTAs could be recovered with an annual limit of 70% of the positive tax base of the company whilst according to the new reading of the law, this limit has been reduced to 25% of the tax base in those cases where the entity's net turnover for the twelve months immediately prior to beginning of the tax year had exceeded €60 million. If we are unable to use these losses in the future, for whatever reason, we may be forced to write down our DTAs, which may have an adverse effect on our income statement and balance sheet and on our future tax position.

Decisions relating to the removal of clauses which set minimum interest rates for mortgages in Spain may have a significant impact on our business

We have included clauses which set minimum interest rates in certain agreements with our customers, including in mortgage agreements with customers purchasing their primary residence. Under these clauses, a borrower accepts a minimum loan interest rate, which is determined without regard to the prevailing market Euro Interbank Offered Rate ("**Euribor**") or any other market rate. As such, mortgage borrowers with these clauses may pay interest rates higher than floating rate mortgage borrowers without these type of clauses when interest rates' main references (mainly Euribor) are low.

Borrowers have challenged the validity of such clauses in recent years on various grounds and courts have rendered various judgments, directed both at specific financial institutions (including us) and the financial sector in general, declaring certain of these clauses that set minimum interest rates to be null, void or invalid (see "*Business—Legal Proceedings*" for the background of the various judgments handed down by the Spanish Supreme Court and others, including the European Court of Justice). However, in the particular case of the Company, even though there are some unfavorable court resolutions, there are no final court resolutions generally declaring the nullity of the clauses setting minimum interest rates for mortgages included in certain agreements with our customers (even though there are resolutions in relation to the Company's mortgage contracts referring to the lack of transparency in the marketing thereof).

Although the Group understands that the clauses signed with its clients are lawful and were correctly marketed under conditions of transparency and full information, we have followed a conservative approach and decided to book provisions with respect to these clauses in an amount of €370 million as of March 31, 2017 (€392 million as of December 31, 2016). Moreover, Unicaja Banco hired an external specialist (Ernst & Young, S.L.) to perform an independent analysis to examine whether the provisions booked by the Company are sufficient to cover any reasonably expected payouts as of March 31, 2017. In this regard, the analysis performed by Ernst & Young, S.L. leads to a mid-point which is in line with the existing €370 million provisions as at March 31, 2017, with favorable and adverse scenarios representing a 16% decrease and increase, respectively, from the provisioned amount as at March 31, 2017.

As at March 31, 2017, and although we ceased using such clauses in new mortgages from June 26, 2013 for retail customers, we still apply clauses which set minimum interest rates for mortgages in some existing mortgage contracts (all of them in force, with currently applicable clauses, not renegotiated, not doubtful and not affected by any court ruling) that amount to approximately €3.3 billion of outstanding gross loans granted to customers. These existing mortgage contracts represent 10.3% of our total outstanding gross loans with a total potential maximum risk exposure, considering full retroactivity, of €365 million as at March 31, 2017. Furthermore, there were €1.0 billion of subrogated mortgages (the terms of these loans were agreed with a third party) with these clauses, generating a maximum risk exposure, considering full retroactivity, of €115 million as at March 31, 2017. We estimate that the removal of all these active clauses (although we believe this will not be the final outcome) would have had an impact of €8 million on our consolidated net interest income for the month ended March 31, 2017 (assuming the removal of 100% of the currently active clauses without taking into account the natural run-off of the portfolio or any prepayments, the Euribor evolution and assuming 100% of the loans are fully replaced by floating loans) and would negatively affect our future interest income, results of operations and prospects (see also "*—Sector risks—The current low interest rate environment has put pressure on our revenues as our business is particularly sensitive to changes in interest rates*").

In addition to the above, there are a number of categories that include mortgages with these clauses where we expect very limited impact. These categories include (i) NPLs, where in most cases the relevant clause was not activated and that even when the clause is active, we assume that the amount to be refunded to a borrower with a successful claim would be applied to pay part of the loan itself (as at March 31, 2017, there were €1.3 billion of NPLs with these clauses, generating a maximum risk exposure, considering full retroactivity, of €55 million); (ii) loans written off or cancelled, where we also expect a limited impact given the high density of loans close to their amortization or with very low amount for claim, which may discourage potential claimants (as at March 31, 2017, loans written off or cancelled with these clauses represented a maximum impact, considering full retroactivity, of €73 million); (iii) loans renegotiated with the borrower to delete or adjust the clause, in which we understand that the risk would be low given that negotiations have been carried out with full knowledge of the client regarding the content of the floor clause, with the client's express agreement, in simple and clear terms, and in a context of widespread litigation on this subject, where the client cannot argue ignorance (as at March 31, 2017, there were €3.8 billion of renegotiated loans with these clauses, generating a maximum risk exposure, considering full retroactivity, of €270 million); and (iv) loans that have already been the subject of a binding judgment of a Spanish court, where we also consider that the potential impact should be limited owing to the '*res judicata*' principle of Spanish law and the April 2017 decision of the Spanish Supreme Court that affirms this principle in the context of claims relating to such clauses (as at March 31, 2017, there were €1.0 billion of loans with these clauses that have already been the subject of a binding judgment, generating a maximum risk exposure, considering full retroactivity, of €44 million).

In relation to clauses which set minimum interest rates for mortgages in Spain, on January 20, 2017, the Spanish Government approved Royal Decree-Law 1/2017, on urgent measures to protect consumers related to floor clauses ("**RDL 1/2017**"). RDL 1/2017 was appealed before the Spanish Constitutional Court (*Tribunal Constitucional*). The appeal was upheld on May 9, 2017 and remains pending resolution as at the date of this Prospectus.

RDL 1/2017 encourages out-of-court settlements between financial institutions and those borrowers affected by such clauses, and aims to avoid overloading the Spanish courts with these claims by establishing measures that incentivize a negotiation with the borrower without going to court. However, although financial institutions are obliged to contact affected customers, letting them know of the existence of the relevant clauses in their documentation, there is no obligation for the parties to reach an agreement, and in the absence of such an agreement the borrowers are still able to file claims against the financial institutions. We have implemented the procedures set out in the RDL 1/2017 by creating a specific unit to inform affected borrowers of the existence of these procedures, address any claims that may be brought by them and, if appropriate, negotiate with them on a case-by-case basis.

As of May 31, 2017 we have received from the borrowers subject to RDL 1/2017 a total of 65,688 claims which represent approximately 30.6% of total borrowers subject to RDL 1/2017 and have 14,120 pending rulings of which 2,386 have also filed a claim and are already accounted within the abovementioned 65,688 claims. The number of new claims per week has been declining significantly since the initiation of the procedure (February 21, 2017).

From the 65,688 existing claims, 48,473 or 73.8% have already been resolved, of which: (i) we have reached an agreement with 9.1% of the clients (47.62% of the agreements include a reduction in the future interest rate and 52.4% include a retroactive adjustment); (ii) 59.1% of the claims have been deemed as unfavourable to the client by the Company, which could result in these clients bringing legal actions, and; (iii) 31.8% of the claims have required the opinion of our external advisor for this procedure and 28.1% of them have been deemed as favourable for the client (which represent 8.9% of total resolved claims).

Therefore, in light of the above and based on this three-month experience since the initiation of the procedure under RDL 1/2017 and having analyzed a large number of claims (65,688 of which 48,473 have been resolved), we believe that the total contingency should be below our current provisioning levels. However, although we expect the €370 million of provisions booked as at March 31, 2017 in respect of these clauses to cover the potential risks, we cannot make any guarantee as to the hypotheses, assumptions and premises used in making these provisions and cannot anticipate the final impact that the potential nullity of such clauses may have on the financial position of the Group. If the final impact of all litigations related to such clauses is greater than what we have provisioned, this could have a material adverse effect on our business, financial condition, interest income, results of operations and prospects.

The restructuring of joint ventures and distribution agreements for our distribution of insurance products may result in contractual claims or penalties and breaches of contracts

The insurance business operates through two channels:

- Insurance companies: the Group has a relevant stake in four life insurance and pension funds companies (Unicorp Vida, Caja España Vida, Unión del Duero Vida and Duero Pensiones), which are subject to Solvency II regulations, and generated on an individual basis a net profit of €80.1 million, €85.6 million and €86.0 million in the years ended December 31, 2014, 2015 and 2016, respectively; and

- Insurance distribution: we have reached a volume of €220.4 million in premiums in 2016 (€86.3 million of which correspond to the life insurance companies mentioned above) compared to €230.3 million in 2015. The commission income generated by this business amounted to €48.2 million for the year ended December 31, 2016 (or approximately 21% of total fee and commission income).

We had €3.0 billion in insurance products-related funds in the year ended December 31, 2016 (€2.8 billion in the year ended December 31, 2015). The insurance business (profit from companies in which we hold stakes plus distribution commissions) generated 9.4% of our total revenues for the year ended December 31, 2016 (approximately €85 million, representing 65% of our net income for the year ended December 31, 2016).

Following the formation of EspañaDuero and its subsequent acquisition by Unicaja Banco, we have different partners for our bancassurance business. In order to optimize this particular business and operate with a single partner for each of the life and non-life insurance segments, we are in the process of restructuring our joint ventures and distribution agreements for our distribution of insurance products.

In the particular case of the non-life insurance segment, the Group signed in January 2016 a ten-year exclusive distribution agreement for certain non-life insurance products with Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A ("**Caser**") pursuant to which the Group agreed not to enter into other agreements for the intermediation or distribution of such non-life insurance products within the Spanish territory with other insurance companies, nor to distribute or market, either directly or indirectly, such non-life insurance products from other insurance companies. In addition, EspañaDuero signed an agreement to sell its 100% stake in Unión del Duero, Compañía de Seguros Generales, S.A.U. ("**Unión Duero Seguros**") to Caser on February 11, 2016 (and Caser later absorbed Unión Duero Seguros in May 2017). The impact of the exclusive distribution agreement referred to above was recorded within "other operating income" and amounted to €98.1 million in 2016 (see "*Operating and Financial Review—Results of operations—Comparison of consolidated income statement movements for the years ended December 31, 2016 and 2015—Other operating income*"), whereas the sale of 100% of Unión Duero Seguros amounted to €23,2 million.

Concerning the life insurance segment, each of EspañaDuero and Unicaja Banco reached an agreement in May 2017 with Aviva Europe SE ("**Aviva**") to terminate their strategic alliance in relation to the development, commercialization and distribution of life insurance products and pension funds in Spain (the "**Aviva Agreement**"). Pursuant to the Aviva Agreement, Aviva also agreed to negotiate in good faith with Santa Lucía, S.A. ("**Santa Lucía**") the sale of Aviva's 50% stake in Unicorp Vida, Compañía de Seguros y Reaseguros, S.A. ("**Unicorp Vida**") and Caja España Vida, Compañía de Seguros y Reaseguros, S.A. ("**Caja España Vida**") (the "**Aviva Stakes**"). At the same time, Santa Lucía agreed to buy Aviva's life insurance business in Spain, which includes the Aviva Stakes (the "**Santa Lucía Acquisition**") and reached an agreement with EspañaDuero and Unicaja Banco for the exclusive distribution of life insurance products and pension funds through the Group's branch network (excluding the network corresponding to the former CajaDuero). The sale of the Aviva Stakes is subject to obtaining the relevant regulatory approvals, which have already been requested.

In addition to the above, Unicaja Banco and EspañaDuero agreed to cover the difference between the valuation assigned to the Aviva Agreement and the Santa Lucía Acquisition (that had an agreed purchase price of €321 million) which amounts to €29 million. Additionally, once the carve-out of Caja Granada Vida, Compañía de Seguros y Reaseguros, S.A. (as described in "*Material Contracts—Bancassurance reorganization*") is completed, or following two years from the execution of the Aviva Agreement, Unicaja Banco will pay Aviva an additional amount of €5 million. All these payments were agreed by Unicaja Banco and EspañaDuero in full and final settlement of any claims and amounts owed between them and Aviva, and which will be recorded as losses in our P&L once such payments are effected. Also, pursuant to the Aviva Agreement, and in the event that the Santa Lucía Acquisition is not completed by October 31, 2017, EspañaDuero and Unicaja Banco have agreed to purchase the Aviva Stakes from Aviva by December 31, 2017 for €350 million (which would include the €29 million payment referred to above) and a 2.5% interest over the €321 million agreed as purchase price between Aviva and Santa Lucía for the period between January 1, 2017 and the date immediately prior to that in which Unicaja and EspañaDuero purchase the Aviva Stakes. In the event that we purchase the Aviva Stakes, we will fully consolidate Unicorp Vida and Cada España Vida, thus having a positive impact on our P&L driven by such consolidation and a negative impact in our solvency ratios derived from a higher deduction from insurance subsidiaries. Moreover, if the Group subsequently sells the Aviva Stakes for an amount exceeding €350 million, EspañaDuero and Unicaja Banco have agreed to compensate Aviva by paying to Aviva the relevant excess between the two prices. Finally Unicaja Banco undertook to pay to Aviva a €20 million penalty in case the Santa Lucía Acquisition is not completed due to reasons attributable to the Group.

Furthermore, under a framework agreement entered into between Unicaja Banco and Santa Lucía in the context of the Santa Lucía Acquisition (the "**Framework Agreement**"), Unicaja Banco granted certain customary representations and warranties to Santa Lucía in respect of Unicorp Vida and its business. The total liability assumed by Unicaja Banco under the Framework Agreement for any damages that Santa Lucía may suffer due to any breach of such representations and warranties amounts to €50 million (which have not been provisioned as we believe there is no risk of loss).

Therefore, in the event that the Santa Lucía Acquisition (which is beyond our control) is not executed and we have to purchase the Aviva Stakes, or in the event that any of the representations and warranties given under the Framework Agreement were to be found to have been breached, this could materially and adversely affect our business, financial condition, results of operations and prospects.

Finally, and as part of the reorganization of our bancassurance business across the Group, EspañaDuero has also recently executed its call option regarding the 50% of its stake in Unión del Duero, Compañía de Seguros de Vida, S.A. ("**Unión Duero Vida**") and Duero Pensiones, Entidad Gestora de Fondos de Pensiones, S.A. ("**Unión Duero Pensiones**"), acquired from Mapfre, S.A. ("**Mapfre**"), according to the terms and conditions of the bancassurance agreement entered into by EspañaDuero and Mapfre on January 17, 2008 (the "**Duero Vida and Duero Pensiones Agreement**"). Further to the terms of the Duero Vida and Duero Pensiones Agreement, EspañaDuero entered on June 8, 2017 into a sale and purchase agreement for the acquisition of Mapfre's stake in Unión Duero Vida and Unión Duero Pensiones at 110% of the valuation set by an independent expert chosen by both parties, Willis Tower

Watson España, S.A. (i.e., €141.7 million of which €128.8 million corresponded to 100% of the valuation with the remainder €12.9 million being a penalty). The transfer of Mapfre's stake in Unión Duero Vida and Unión Duero Pensiones will take place once the relevant regulatory approvals are obtained and will result in a payment to Mapfre, after netting certain amounts owed between the parties, of €133 million (which we estimate would result in a maximum capital impact on the Group in the range of around 30 bps and approximately €30 million of net negative impact on our P&L). Upon such payment, the Duero Vida and Duero Pensiones Agreement shall also terminate. EspañaDuero, however, disagrees with the valuation given to Mapfre's stake in Unión Duero Vida and Unión Duero Pensiones.

If the Santa Lucía Acquisition is executed or, absent which, if we decide to transfer the Aviva Stakes bought from Aviva to a third party, and/or to transfer Mapfre's former stake in Unión Duero Vida and Unión Duero Pensiones to a third party, we may hold less than a 100% stake in Unicorp Vida and CajaEspaña Vida and/or in Unión Duero Vida and Unión Duero Pensiones. Corporate structures in which the Company acquires less than a 100% interest in an entity, with the remaining ownership interest being held by one or more third parties, may entail risks associated with multiple owners and decision makers. Such risks include, among others, investment partners becoming insolvent or bankrupt, investment partners having economic or other interests that are inconsistent with the Company's interests and disputes between the Company and investment partners resulting in the Company incurring litigation or arbitration costs. Any of the foregoing may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The abovementioned arrangements with Santa Lucia and Mapfre in the context of the reorganization of our bancassurance business will have a combined negative one-off extraordinary net impact of approximately €50 million that is expected to be recorded in our P&L for the six-month period ended June 30, 2017. However, the Company has a number of levers that could offset such impact through extraordinary gains and still produce a positive result in the six-month period ended June 30, 2017.

See "*Business—Operations and activities—Disintermediation products— Insurance products and Pension funds*" for more information on our insurance products and "*Material Contracts—Bancassurance reorganization*" for further information on our arrangements with Aviva, Santa Lucía and Mapfre.

We are subject to significant credit risk exposure in Spain, in particular with certain counterparties and business sectors, especially in the Spanish real estate market

In the past few years, we have seen changes in the credit quality of our borrowers and counterparties, for example, as a result of their inability to refinance their indebtedness. Although our levels of NPLs, which we calculate in accordance with the definition provided by the Bank of Spain, at the date of this Prospectus are not at their peak (which came in 2014), we experienced a significant increase in NPLs across a range of counterparties (such as individuals, small and medium-sized enterprises ("**SMEs**"), commercial real estate, construction companies and other large enterprises) during the financial crisis that began in 2008.

Set out below is a breakdown of financial assets classified as loans and receivables that are not considered to be impaired but include amounts that are past due at that date, classified by counterparty and by age at December 31, 2016, 2015 and 2014:

Past-due balances not deemed to be impaired at December 31, 2016

	Thousands of euros			
	Less than one month	**Between 1 and 2 months**	**Between 2 months and 90 days**	**Total**
By counterparty type				
Credit institutions	37	-	-	37
Resident, public administrations	703	53	4,865	5,621
Resident, other sectors	39,562	8,150	27,115	74,827
Non-resident, public administrations				
Non-resident, other sectors	49	49	46	144
	40,351	**8,252**	**32,026**	**80,629**

Past-due balances not deemed to be impaired at December 31, 2015

	Thousands of euros			
	Less than one month	**Between 1 and 2 months**	**Between 2 and 3 months**	**Total**
By counterparty type				
Credit institutions	34	-	-	34
Resident, public administrations	1,388	16	2,476	3,880
Resident, other sectors	58,052	20,825	22,842	101,719
Non-resident, public administrations	-	-	-	-
Non-resident, other sectors	102	101	47	250
	59,576	**20,942**	**25,365**	**105,883**

Past-due balances not deemed to be impaired at December 31, 2014:

	Thousands of euros			
	Less than one month	**Between 1 and 2 months**	**Between 2 and 3 months**	**Total**
By counterparty type				
Credit institutions	35	-	-	35
Resident, public administrations	10,041	54	2,233	12,328
Resident, other sectors	57,762	36,006	28,912	122,680
Non-resident, public administrations	-	-	-	-
Non-resident, other sectors	180	201	88	469
	68,018	**36,261**	**31,233**	**135,512**

As at December 31, 2016, the total balance (outstanding loan amount) corresponding to transactions that have an overdue amount with more than 30 days from that date amounts to €649 million (€999 million and €1,282 million as at December 31, 2015 and 2014, respectively), 76% of which are classified as "normal but under special surveillance" ("*normal en vigilancia especial*").

As at December 31, 2016 our NPL ratio was 9.8% (10.0% and 12.6% as at December 31, 2015 and 2014, respectively) and our NPL coverage ratio was 50.0% (57.2% and 61.9% as at December 31, 2015 and 2014, respectively) (see "*Selected Statistical and Other Information on Assets and Liabilities—Loans and receivables—Non-performing customer loans and coverage levels*" for further details). In addition, we had €2.9 billion of refinanced and restructured loans (of which 64.8% corresponded to NPLs) as at December 31, 2016 (€4.4 billion (of which 49.2% corresponded to NPLs) and €5.7 billion (of which 47.8% corresponded to NPLs) as at December 31, 2015 and 2014, respectively) (see "*Selected Statistical and Other Information on Assets and Liabilities—Loans and receivables—Refinancing operations, refinanced and restructured*" for further details).

At December 31, 2016, the gross amount of our NPLs related to real estate development was €503 million or 0.9% of our total assets (€648 million and €1,058 million as at December 31, 2015 and 2014, respectively). The proportion of our NPLs relating to real estate development has been significantly higher than those in other sectors: 42.8% of our loans relating to real estate development were NPLs as at December 31, 2016 (48.0% and 55.0% as at December 31, 2015 and 2014, respectively) and to the overall average in our loan portfolio of 9.8% at December 31, 2016 (10.0% and 12.6% as at December 31, 2015 and 2014, respectively). The fall in our NPL ratio in real estate development from 55.0% as at December 31, 2014 to 48.0% as at December 31, 2015 and 42.8% as at December 31, 2016 is due to a higher reclassification of real estate development NPLs to write-offs to align EspañaDuero to Unicaja Banco's accounting and provisioning standards. These real estate development NPLs were fully provisioned prior to their reclassification to write-offs but were held on EspañaDuero's balance sheet. As a result, the implementation of Unicaja Banco's accounting and provisioning standards led to a reclassification that did not have an impact on P&L.

The following table sets forth below our credit exposure as at December 31, 2016:

(*€ millions unless otherwise stated*)	Gross amount	Provisions	Net amount	Of which NPLs	NPL ratio[(1)]	NPL Coverage ratio[(2)]
Public administrations	**2,160**	**0**	**2,160**	**10**	**0%**	**0%**
Companies	**7,263**	**883**	**6,380**	**1,498**	**21%**	**59%**
Real estate development and/or construction purposes	1,175	364	811	503	43%	72%
Construction purposes not related to real estate development	363	56	307	69	19%	81%
Other purposes	5,725	463	5,261	926	16%	50%
Large corporates	1,435	56	1,380	94	7%	60%
SME, small retailers and entrepreneurs	4,289	408	3,882	832	19%	49%
Individuals	**20,844**	**724**	**20,119**	**1,707**	**8%**	**42%**
Mortgages	18,127	527[(3)]	17,600	1,382	8%	38%
Other loans with collateral	15	0	15	0	1%	81%
Other loans	2,701	198	2,504	325	12%	61%
Other	**2,463**	**-**	**2,463**	**-**	**-**	**-**
Securities acquired under repurchase agreements	2,078	-	2,078	-	-	-
Other financial assets	385	-	385	-	-	-
Total	**32,730**	**1,607[(3)]**	**30,686**	**3,215**	**10%**	**50%**

Notes:

(1) *As defined in "Alternative Performance Measures"*

(2) *As defined in "Alternative Performance Measures". Does not include provisions for clauses that set a minimum interest rate in mortgage agreements.*

(3) *Excludes €392 million of provisions for clauses which set minimum interest rates for mortgages in Spain and €45 million of valuation adjustments*

Moreover, we had foreclosed assets in a total net amount of €979 million as at December 31, 2016, which represented 1.7% of our total assets at such date. In addition, our non-performing asset ("**NPA**") ratio was 16.4% as at December 31, 2016 (16.4% and 18.3% as at December 31, 2015 and 2014, respectively) and our NPA coverage ratio was 55.4% as at December 31, 2016 (57.9% and 60.3% as at December 31, 2015 and 2014, respectively).

The table below sets out our real estate exposure as at the dates indicated:

	As at December 31,		
	2016	**2015**	**2014**
Consolidated balance sheet data	**€ million unless otherwise indicated**		
Gross loans to real estate developers	1,175	1,350	1,922
Real estate developers NPLs	503	648	1,058
Provisions associated to loans to real estate developers	364	453	771
Real estate developers Coverage ratio	**72.4%**	**69.9%**	**72.9%**
Gross value of foreclosed assets	2,588	2,699	2,635
Provisions associated to foreclosed assets	1,609	1,586	1,512
Foreclosed assets coverage ratio	**62.2%**	**58.8%**	**57.4%**

Our loan portfolio primarily consists of loans to individuals (63.7% of our total loan portfolio as at December 31, 2016 compared to 61.4% and 60.6% as at December 31, 2015 and 2014, respectively), mostly in the form of mortgages for the purchase of the customer's primary residence (see "*Selected Statistical and Other Information on Assets and Liabilities—Loans and receivables—Gross customer loans by sector*" for further details). In terms of exposure by autonomous regions, excluding exposures to public administrations, as at December 31, 2016, the majority of our loans and advances to customers were in Andalucía (€15.4 billion), Castilla y León (€6.4 billion) and Madrid (€3.5 billion). We comply with the Code of Good Practices for the viable restructuring of mortgage debts on primary residences (see "*Regulation*" for further details about mortgage legislation). Additionally, the majority of the remainder of our loan portfolio (i.e., excluding loans for primary residences) is also collateralized to some extent.

Mortgage loans are one of our main assets and represented 30.7% of our total assets as at December 31, 2016 (32.1% and 30.3% as at December 31, 2015 and 2014, respectively). In addition, as at December 31, 2016, net loans to property developers comprised 1.4% of our total assets (1.5% and 1.7% as at December 31, 2015 and 2014, respectively) and other secured loans to SMEs comprised 6.9% of our total assets (6.5% and 6.7% as at December 31, 2015 and 2014, respectively). Our average loan to value ratio ("**LTV ratio**") based on the latest appraised value of the collateral as at December 31, 2016 was 52% (54% and 55% as at December 31, 2015 and 2014, respectively).

However, the collateral posted may prove insufficient or inadequate or we may not be able to enforce on such collateral due to factors such as inadequate documentation, legal uncertainty, unfavorable judgments or customer fraud. In addition, pursuant to Royal Decree-Law 1/2015, of February 27 (*Real Decreto-ley 1/2015, de 27 de febrero, de mecanismo de segunda oportunidad, reducción de carga financiera y otras medidas de orden social*) and Law 1/2013, of May 14 (*Ley 1/2013, de 14 de mayo, de medidas para reforzar la protección a los deudores hipotecarios, reestructuración de deuda y alquiler social*), in the event that such credit risk materializes and a borrower defaults, we may be unable to sell or lease foreclosed assets if these are occupied by borrowers in socially vulnerable situations. Many of our primary residence mortgage borrowers are individuals who live in areas affected directly by unemployment rates, which have been and remain high in Spain and, particularly, in Andalucía. In addition, and depending on the year in which the loan was generated, it is possible that the value of such collateral may have decreased to below the original appraised value (particularly as there has been volatility in the prices of real estate assets in Spain in the past few years) and, in the event of default, the amount of losses could be higher than we currently expect.

Likewise, there is a part of our credit risk exposure, an important part of it being retail mortgages, which, although it is not classified as doubtful, does involve certain payment defaults but in periods below those needed for the debt to be classified as doubtful. The majority of such exposure is classified as "normal but under special surveillance" ("*normal en vigilancia especial*"). The worsening of the economic situation in our Home Regions may negatively affect the evolution of this exposure.

Taking into account that our Strategy includes increasing the amount of credit granted to our customers, focusing particularly on growth in the SME and consumer sectors, whose risk profile is higher than that of retail mortgages, along with the fact that the economic recovery has led the majority of Spanish financial entities to focus on increasing credit in these sectors, thereby creating more competition, it might prove difficult for us to choose suitable customers to whom we can lend.

A significant portion of our business (mortgages and real estate developer loans together with foreclosed assets, which represented 33.9%, 35.5% and 33.7% of our total assets as at December 31, 2016, 2015 and 2014, respectively) is connected to the Spanish real estate market. For further details of our real estate operations, see "*Business—Operations and activities—Treasury, Markets and Real Estate*". Over the early parts of the past decade, the Spanish real estate market grew due to various factors, including general economic growth in Spain, low interest rates, the lengthening of mortgage loan repayment terms, decreases in unemployment and increases in disposable income among Spanish households, among other factors. During late 2007, prices in the housing market began to adjust downwards in Spain as a result of excess supply and higher interest rates. From 2008 to 2013, Spanish real estate prices continued to decline due to deteriorating economic conditions and various regulatory initiatives, including the increase in the value added tax ("**VAT**") rate imposed on real estate transactions, the elimination of certain personal income tax credits related to investment in residential real estate (primary residences) and the increase in property tax rates, among other reasons. Spanish real estate prices continued to decline in 2014. However they started to gradually recover from the third quarter of 2015 and housing data for 2016 has been positive (sources: Spanish National Statistics Institute (*Instituto Nacional de Estadística*) ("**INE**") and the Spanish Association of Valuations (*Asociación Española de Tasación*)).

Any decline in prices of real estate assets in Spain reduces the value of our real estate assets portfolio and the underlying collateral for our mortgage and other real estate-related loans and, consequently, in the event of default, the amount of expected losses increases. Despite the upturn in the Spanish real estate market, its recovery is in its early stages. As a consequence, any deterioration in economic conditions could have a material adverse impact on our mortgage default rates, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

In general, our ability to mitigate credit risk depends in large part on our ability to assess the credit worthiness of our counterparties. However, the availability of precise, complete financial information as well as general credit information on which to base decisions related to credit is more limited with regard to SMEs than it is for households and large corporates, and thus errors are more likely when it comes to precise assessment of the credit risk posed by these borrowers.

Our efforts to diversify or limit our portfolio's exposure to certain risk concentration, including exposure to the Spanish real estate market, may not be successful and any concentration of risk could increase potential for significant losses in our loan portfolio.

If any of the credit and concentration risks described above were to materialize, this could have a material adverse effect on our business, financial condition, results of operations and prospects.

We face risks relating to disruptions, dislocations, structural challenges and volatility in financial markets and are exposed to counterparty risk with the Spanish and foreign governments

Financial markets (in particular equity, debt and commodities markets) can experience sometimes sustained periods of unpredictable movements, severe dislocations, liquidity disruptions and economic shocks, some or all of which may not be linked to changes in the broader economic situation. Any unpredictable or extreme market conditions could lead to volatility in our profitability and solvency and in the carrying value of certain assets in our balance sheet, caused by price changes and changes in the demand for some of our banking services and products. This could result in, among other things, a delay in raising funding or capital, the issuance of capital and funding of different types or under different terms than otherwise would have been issued or realized, or the incurrence of additional or increased funding and capital costs compared to the costs borne in a more stable market environment. Furthermore, our hedging and other risk management strategies, such as balance sheet steering and interest rate management, may not be as effective at mitigating risks as such strategies would be under more stable market conditions.

Financial markets are susceptible to severe events characterized by rapid depreciation in asset values accompanied by a reduction in liquidity. Under such conditions, market participants are particularly exposed to the market behavior of other market participants simultaneously unwinding or adjusting positions, which may even further exacerbate rapid decreases in values of some of our assets or collateral held in our favor and which could cause liquidity tensions and disruptions.

The Spanish economy, in which we are mainly active, may continue to face structural challenges, which could contribute to renewed high volatility in both the debt and the equity markets. Any deterioration of the sovereign debt market in Spain, the Eurozone or elsewhere, or other economic shocks, could materially and adversely affect our business, financial condition, results of operations and prospects, as well as our funding and capital transactions and hedging and other risk management strategies.

The table below sets out the information on our debt securities portfolio:

	Year ended December 31, 2016		Year ended December 31, 2015		Year ended December 31, 2014	
	(€ million)	(%)	(€ million)	(%)	(€ million)	(%)
Financial assets and liabilities held for trading	38	0.2	38	0.2	176	0.8
Available-for-sale financial assets	4,754	25.7	8,812	51.7	11,576	49.9
Held-to-maturity investments	12,908	69.8	7,240	42.5	9,640	41.5
Loans and receivables	786	4.3	964	5.7	1,821	7.8
Total debt securities portfolio	***18,486***	***100***	***17,053***	***100***	***23,213***	***100***
% total assets	***32.3%***	***n.a.***	***28.3%***	***n.a.***	***34.2%***	***n.a.***

There can be no assurance that market volatility will not result in a prolonged market decline, or that market declines for other reasons will not occur in the future. Severe market declines have historically proven to be difficult or impossible to predict, and could lead to the Group realizing significant losses, especially if they were to persist for an extended period of time. Therefore, market volatility, liquidity disruptions, or market dislocations could materially and adversely affect our banking, capital and funding activities and could have a material adverse effect on our liquidity, business, financial condition, results of operations and prospects.

As at December 31, 2016, the debt securities issued by central governments and related public entities were carried on our balance sheet at €13.5 billion, representing 23.7% of our total assets (€11.0 billion (18.2% of our total assets) and €14.6 billion (21.5% of our total assets) as at December 31, 2015 and 2014, respectively). These debt securities are mainly issued by: (i) the Spanish and foreign (mainly Italian) governments (85% and 10% of total assets, respectively) and (ii) Autonomous Community governments, municipal councils, government agencies in Spain and SAREB (5% of total assets), which is a real estate management company 45% owned by the FROB and which manages real estate assets (including loans) transferred to it by, among others, financial institutions which were classified as Group 1 and Group 2 after the stress tests performed in 2012. SAREB bonds are guaranteed by the Spanish State General Administration.

There is a risk that any of these entities could default on or otherwise fail to comply with their obligations under such securities. In the year ended December 31, 2016, we had €251 million of interest income from such debt securities (€385.1 million and €519.1 million in the years ended December 31, 2015 and 2014, respectively) which represented 24.8% of our total interest income in such year (30.1% and 35.2% for the years ended December 31, 2015 and 2014, respectively). In addition, in the year ended December 31, 2016, we recorded €82.7 million of capital gains from such debt securities (€455.5 million and €363.7 million in the years ended December 31, 2015 and 2014, respectively).

As at December 31, 2016, debt securities issued by the Spanish government represented 21.0% of our total assets (17.0% and 20.0% as at December 31, 2015 and 2014, respectively), debt securities issued by Spanish Autonomous Community governments, municipal councils and government agencies represented 1% of our total assets (1% and 1% as at December 31, 2015 and 2014, respectively) and debt securities issued by SAREB represented 4.9% of our total assets (4.8% and 4.7% as at December 31, 2015 and 2014, respectively) (see "*Selected Statistical and Other Information on Assets and Liabilities—Available-for-sale financial assets*" and "*Selected Statistical and Other Information on Assets and Liabilities—Held-to-maturity investments*" for further details).

Any decline in Spain's credit ratings could adversely affect the value of Spain's, Spanish Autonomous Communities' and other Spanish government issuers' respective securities held by us in our various portfolios. Any such decline would also likely increase the cost of financing the Spanish public debt, which could result in increased taxation or lower government spending and, consequently, could have an adverse effect on Spanish economic conditions and lead to an increase in sovereign default risk. Given our exposure, any decline in the price of Spanish government bonds could adversely affect our capital position and could adversely affect our ability to access liquidity, raise capital and meet minimum regulatory capital requirements. A downgrade could also adversely affect the extent to which we can use the Spanish government bonds we hold as collateral for ECB refinancing and, indirectly, for refinancing with other securities. In addition, from October 1, 2016 we have been obliged to reflect in our regulatory capital ratios the mark-to-market values of the sovereign debt portfolio classified in the available-for-sale portfolio (as we currently do under the fully-loaded approach to capital). This could add volatility to our capital ratios going forward and by way of example this method as applied as at December 31, 2016 caused a decrease of 0.13% to our CET1 phased-in ratio.

Moreover, regulators are discussing options to reduce bank exposure to sovereign debt, including limits on maximum exposure to any single sovereign issuer, introducing non-zero risk weights for sovereign exposures (which as at the date of this Prospectus seems to be one of the options of the regulator), imposing caps and higher costs to hold sovereign bonds and offering lenders incentives to diversify asset portfolios, which could have a negative impact on our solvency levels. Given our exposure, if any of the governments and related public entities to which we have exposure fails to comply with its obligations under debt or other obligations or suffer any credit rating downgrade, this could have a material adverse effect on our business, financial condition, results of operations and prospects.

We face the risks that we may be unable to successfully implement our Strategy, or achieve our business and financial targets

Our strategy and targets are based on assumptions and expectations, including, but not limited to, macroeconomic developments, interest rates, revenues, expenses and CoR, which have not been independently verified or audited and that may not prove to be valid. Also, the benefits and impact of our strategy and targets could fall short of what we envisage, meaning that we are unable to follow our strategy for the years 2017 to 2020 (the "**Strategy**", based on six strategic pillars as set out in "*Business—Our Strategy*"). This Strategy relies, among other things, on growing our consumer finance and SMEs loan books as well as increasing efficiency and the income generated from fees and commissions which are currently subject to strong competition. We may not succeed in achieving any of our targets (set out in "*Business—Our Strategy—Key Financial Targets*") because of insufficient management attention, incorrect decisions or choices, inefficiencies, competition or because forecasted events and actions may not take place or may take place at a different time or to a different extent than anticipated or because certain events and actions could not be predicted or quantified at the time these targets were established. Consequently, our ability to achieve these targets cannot be assured.

The targets expressed as part of our Strategy are targets only and not a profit forecast. There can be no assurance that any of these targets can or will be met and such targets should not be seen as an indication of our expected or actual results or returns. Accordingly, investors should not place any reliance on the targets in deciding whether to invest in the Shares. These targets are not a fact and should not be relied upon as being necessarily indicative of future results.

In addition, we intend to continue to explore and pursue opportunities to strengthen and grow our business generally. In doing so, we may launch new products or increase our presence in existing markets and in doing so we may incur material risks, including that we may spend substantial time, particularly management's time, money and other resources which could be put to better use. If new products, services or improved offerings are not successful or not as innovative as envisaged, we may miss a potential market opportunity and not be able to offset the costs of such initiatives, which may have a material adverse effect on our income, revenues and/or cost base. Furthermore, we may develop new products and services that are not in, or are not sold in, compliance with applicable rules or regulations or we may become subject to new or stricter regulatory requirements. We may also incur losses, fines, claims, regulatory action and reputational damage as a result thereof.

Additionally, we may in the future undertake acquisitions and/or divestments of businesses, operations, assets and/or entities. Acquisitions and divestment transactions may involve complexities and time delays, for example in terms of integrating and/or merging businesses, operations and entities, and targeted benefits may, therefore, not be achieved or be delayed. Furthermore, we may incur unforeseen liabilities from former and future acquisitions and divestments.

If our Strategy is not implemented successfully or does not yield the anticipated benefits, this could have a material adverse effect on our business, financial condition, results of operations and prospects.

SECTOR RISKS

We face risks relating to conditions in the Spanish, European and global economies

Almost 100% of our revenues are derived from products and services sold in Spain. Our business and performance therefore depend significantly on economic conditions and market trends in Spain, particularly in the Autonomous Communities in which we have developed a significant portion of our banking business (i.e., Andalucía and Castilla y León, together, our "**Home Regions**"), and, to a lesser extent, on economic conditions in the EEA and globally. We believe that there are various factors which could negatively affect the Spanish economy, including a potential slowdown or delay of the macroeconomic recovery, elevated unemployment levels, in particular in the provinces of Málaga, Cádiz, Jaén, Almería, Salamanca, León, Zamora, Soria, Palencia, Valladolid, Ciudad Real, Cáceres, Ávila and the Autonomous Cities of Ceuta and Melilla (our "**Core Regions**"), the continued process of deleveraging affecting the Spanish economy or the historically low level of interest rates to continue into the longer term, which could have an adverse effect on our activity.

Any deterioration in Spain's macroeconomic outlook should see increased levels of defaults and a lower demand for credit. After rapid economic growth until 2007, Spanish gross domestic product ("**GDP**") contracted by 3.7% and 0.3% in 2009 and 2010, respectively, grew by 0.4% in 2011, contracted by 1.6% and 1.2% in 2012 and 2013, respectively, and grew by 1.4%, 3.2% and 3.2% in 2014, 2015 and 2016, respectively. The economic recovery of the Spanish economy remains positive to date, and estimates of the growth of the Spanish GDP in the IMF's January 2017 World Economic Outlook Update were set 2.3% and 2.1% for 2017 and 2018, respectively.

According to the INE, the unemployment rate for Spain was 18.6% as at December 31, 2016. As a Spanish bank primarily focused on servicing individuals and SMEs, our business performance is impacted by the economic health and employment status of our customers, the majority of whom are in Andalucía and Castilla y León, a key driver of which is overall employment levels. As at December 31, 2016, the unemployment rate in Castilla y León was 14.81%, less than the national average, but in Andalucía, where we have a significant proportion of our customers and mortgage portfolio, it was 28.25%, the highest of any Spanish Autonomous Community (source: INE). Higher levels of unemployment have historically resulted, for example, in a decrease in new mortgage borrowing, lower deposit levels and reduced or deferred levels of consumer spending, which adversely impact our revenue generation capability. In addition, higher unemployment rates can also have a negative impact on our results through an increase in customer loan arrears, forbearance, impairment provisions and defaults.

Other economic factors have in the past also affected and may continue to affect us. These factors include consumer and government spending levels, public deficits, public debt levels, government fiscal policies, inflation, credit spreads, the availability and cost of capital, market indices, investor sentiment and confidence in the financial markets, consumer confidence, the liquidity in financial markets, the level and volatility of equity prices, commodity prices and interest rates, real estate prices and changes in customer behavior. On June 23, 2016, the UK held a remain-or-leave referendum on the UK's membership within the EU, the result of which favored the exit of the UK from the EU. A process of negotiation will determine the future terms of the UK's relationship with the EU, as well as whether the UK will be able to continue to benefit from the EU's free trade and similar agreements. The UK's referendum vote in favor of leaving the EU and the subsequent use of Article 50 of the Treaty of Lisbon have marked the first time that a member state has taken steps to leave the EU. In the short term, this referendum vote creates uncertainty about potential referendums in other EU member states to leave the EU. In addition, uncertainty regarding the timing and ultimate terms of the UK's exit from the EU has translated into volatility in the capital markets, including equities, commodities and foreign exchange markets, particularly in Europe. In the long term, the possibility that other member states could also leave the EU threatens economic stability and the existence of the common currency. Further details about the next steps following the UK's vote to leave the EU are needed to better assess the impact on the real economy.

Furthermore, other factors or events may affect the Spanish, European and global economic conditions, such as a macroeconomic slowdown in China, a negative market reaction to monetary policy decisions by the United States Federal Reserve or the ECB (see "*—The current low interest rate environment has put pressure on our revenues as our business is particularly sensitive to changes in interest rates*" for information about the current low interest rate environment), oil price turmoil, heightened geopolitical tensions, war, acts of terrorism, natural disasters or other similar events outside our control. A market downturn or a worsening of the Spanish, European or global economies may materially and adversely affect our banking, capital and funding activities and could have a material adverse effect on our business, financial condition, results of operations and prospects.

The current low interest rate environment has put pressure on our revenues as our business is particularly sensitive to changes in interest rates

Our business is inherently subject to interest rate risk and any failure to manage changes in interest rate levels, yield curves and spreads may affect our business due to (i) the reduction of the spread between the average yield on interest-earning assets and the average cost of interest-bearing liabilities, (ii) the repricing value of our assets and liabilities and (iii) lower profitability. The results of our banking operations are affected by our management of interest rate risk, by which we manage the relationship between changes in market interest rates on our assets and liabilities and changes in our current and future cash flows and net interest income as a result therefrom.

A rise or decline in interest rates would cause a progressive repricing of our variable rate assets (for the year ended December 31, 2016, €29.8 billion or 52% of our assets have floating or variable rates) and liabilities (for the year ended December 31, 2016, €25.2 billion or 44% of our liabilities have floating or variable rates). In this regard, and under the assumptions of: (i) constant balance (except for fixed income portfolio, as the redemptions and forward sales are only replaced with €2 billion of new purchases and €3.3 billion repo money market liabilities replaced by the TLTRO2); (ii) term deposits/Euribor correlation of 100%; and (iii) removal of the minimum interest rates set by mortgage clauses, we estimate that a parallel and instantaneous increase of 50 bps in interest rate curves would have a positive impact of over 6.5% on our net interest income (once the balance sheet is fully repriced). Conversely, we estimate that a parallel decrease of 50 bps in interest rates curves would have a negative impact of around 9.1% on our net interest income (once the balance sheet is fully repriced). This scenario is also based on the aforementioned assumptions plus the fact that retail funds from clients and covered bonds (not including swaps) have a 0% cost floor.

If the yield on our interest-earning assets does not increase at the same time or to the same extent as our cost of funds, or if our cost of funds does not decline at the same time or to the same extent as the decrease in yield on our interest-earning assets, our market value, current and future cash flows, net interest income and NIM (as defined below) may be materially and adversely affected. Changes in absolute interest rate levels are difficult to predict and are influenced by numerous factors beyond our control, such as the financial sector regulation in the markets in which we operate, the monetary policies developed by the ECB and other central banks and the Spanish and international political and economic climate.

Our net interest margin was 1.05%, 1.05% and 1.05% for the years ended December 31, 2016, 2015 and 2014, respectively. The following table sets forth information related to our financial margin:

	For the year ended December 31,		
	2016	**2015**	**2014**
Consolidated income statement data	**€ million**		
Interest income	1,011.0	1,279.9	1,474.1
Interest expense	(391.2)	(592.4)	(755.4)
Net interest income	**619.8**	**687.5**	**718.7**
NIM (% ATA)	1.05%	1.05%	1.05%
As % of operating income	56.9%	43.7%	53.4%

Our business and performance have been adversely affected by the current interest rate environment. As at the date of this Prospectus, the base rate set by the ECB is 0% and has been at this historical low since March 10, 2016. The base rate has fallen steadily since July 7, 2011, and there is a risk that the ECB could reduce the base rate even further, creating a negative interest rate environment. In general, quantitative easing has exerted downward pressure on interest rates and yield curves. In April 2017, the ECB started to scale back its monthly asset purchases from €80 billion to €60 billion until December 2017. A prolonged period of flatter than usual interest rate yield curves and low interest rates could, in particular, have a material adverse effect on our net interest income given the current low yields of our loan and our debt securities portfolios. Our NIM has suffered as a result of the historical low interest rate levels, our continued deleveraging process, the rotation of assets in our debt portfolio and the repricing of debt securities issued by SAREB (see "*Selected Statistical and Other Information on Assets and Liabilities—Average balances and rates*" for further details on our margins).

In addition, changes in the yield of our assets might not be mirrored by changes in the cost of our liabilities. Our loan book is mostly linked to Euribor reference rates whereas our retail term deposit base cost is not and therefore further falls in Euribor might not be offset by a similar fall in the cost of retail term deposits, negatively impacting our net interest income. At December 31, 2016, the sensitivity of our balance sheet to an unfavorable parallel and instantaneous movement in the interest rate curve totaling 200 bps and a scenario of maintaining the balance sheet in respect of our net interest income expected in twelve months was around €38 million lower (€30 million lower and €50 million lower as at December 31, 2015 and 2014, respectively) and in respect of our economic value (the present value of our net cash flows, i.e., cash flows on assets minus cash flows on liabilities) was around €275 million higher (€289 million lower and €590 million lower as at December 31, 2015 and 2014, respectively).

Although our loan portfolio benefitted from the triggering of minimum interest rates in certain loans in our portfolio, these have been legally challenged. See "*—Specific Risks Relating to the Group—Decisions relating to the removal of clauses which set minimum interest rates for mortgages in Spain may have a significant impact on our business*".

A low interest rate environment, such as that experienced as at the date of this Prospectus, puts pressure on our margins, and a continued low rates environment could materially and adversely affect our business, financial condition, results of operations and prospects. Although we seek to manage our banking book with interest rate risk hedging instruments or by promoting different financial products and strategies (i.e decrease term deposits for non-related customers or loans with fixed rates (for the year ended December 31, 2016, 19.4% of loans granted were granted with fixed rates, compared to 14.6% for the year ended December 31, 2015), we are unable to completely eliminate our interest rate risk, and mismatches in funding costs and interest income may have a material adverse effect on our business. Unfavorable market movements in interest rates could materially and adversely affect our business performance, and even a stronger than expected rise in interest rates could be very damaging to our business through an increase in loan impairment charges as well as by significantly increasing defaults on customers' loans if borrowers cannot refinance in a higher interest rate environment or if they are unable to meet their greater interest expense obligations.

Solvency risk is inherent to our business

Solvency risk is the risk related to the failure to maintain sufficient resources to absorb losses through a full economic cycle, meet solvency regulatory and prudential requirements or maintain sufficient resources to maintain the confidence of current and prospective investors. Against a background of increasing regulatory demands, we need to comply (both Unicaja Banco and EspañaDuero as stand-alone entities plus the Group on a consolidated basis) with several solvency-related regulatory requirements calculated in accordance with the Basel Committee for a global regulatory framework for more resilient banks and banking systems (the "**Basel III Framework**" or "**Basel III**"), as implemented in the European Union and Spain, in particular:

- Phased-in (including transitional arrangements) capital ratios: the minimum regulatory CET1 phased-in capital ratio according to (i) Basel III was 5.125% at December 31, 2016 and 7% on a fully-loaded basis, (ii) the overall capital requirement set forth in the Capital Requirements Regulation (Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012) ("**CRR**") is 8%, of which a minimum of 4.5% must be CET1 and (iii) several buffers, some implemented and others in course of implementation, also measured in terms of CET1 and total capital.

- Supervisory Review and Evaluation Process ("**SREP**"): as a result of the SREP carried out by the ECB in 2016, as of January 1, 2017, we are required to maintain a CET1 phased-in ratio of 7.25% and a total capital phased-in ratio of 10.75% that include (i) the Pillar 1 regulatory minimum of 4.50% in CET1 and 8% in total capital, (ii) the Pillar 2 requirement (1.5%), and (iii) the capital "buffers" applicable for 2017 (in our case, the 1.25% capital conservation buffer only), as explained in "*Regulation*".

Our CET1 phased-in capital ratio stood at 13.8% as at December 31, 2016 (12.8% and 11.0% as at December 31, 2015 and 2014, respectively). Unicaja Banco and EspañaDuero on an individual basis had CET1 phased-in capital ratios of 17.6% and 10.5%, respectively, as at December 31, 2016. In accordance with Article 127(6) of the Treaty on the Functioning of the EU and Council Regulation (EC) No. 1023/2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions (the "**SSM Regulation**"), the ECB fully assumed the supervisory responsibilities of the Group both on an individual (i.e., Unicaja and EspañaDuero as stand-alone entities) and consolidated basis (see "*Regulation*" for further details about supervision).

In addition, we also need to fulfil current and prospective investors' solvency expectations for a bank of our profile. See "*Regulation—I. EU Regulations—b. Capital Requirements—CRR and CRD IV*" for a detailed breakdown of our capital requirements as they are expected to develop over the coming years. As at December 31, 2016, our fully-loaded (excluding transitional arrangements) CET1 ratio calculated in accordance with the Basel III Framework was 11.8% (including CoCos FROB, which qualify as CET1) (compared with a minimum fully-loaded requirement of 7.0%) (11.1% and 10.3% as at December 31, 2015 and 2014, respectively) and our leverage ratio calculated in accordance with the Basel III Framework ("**leverage ratio**") was 6.1% (compared with a minimum requirement of 3.0%) (5.7% and 5.0% as at December 31, 2015 and 2014, respectively). Although we currently have a CET1 ratio in excess of the ratio required by SREP, our regulatory capital requirements could be increased or the distribution of dividends could be limited and there can be no assurance that the total capital requirements imposed on us from time to time may not be higher than the levels of capital available at such point in time, especially after the CoCos FROB have been repurchased (see "*Reasons for the Offering and Use of Proceeds*" for our current intention in this regard).

The implementation of the above capital requirements as well as any final restrictive interpretation thereof or changes in the current law may adversely affect our ability to make discretionary payments (including dividends) or result in the cancellation of such payments (in whole or in part), or require us to issue additional securities that qualify as regulatory capital, to liquidate assets, to curtail business or to take other actions, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects. See "*Regulation—II. Local Regulations— b. Local restructuring and resolution framework—Restructuring and Resolution Framework in Spain*" and "*Legal and Compliance Risks—We are subject to risks deriving from banking sectorial regulations*". Furthermore, increased capital requirements may negatively affect our RoE and other financial performance indicators upon repayment of the CoCos FROB or if our profits fall in the future for any reason.

Liquidity risk is inherent in our operations

Liquidity risk entails uncertainties relating to our ability, under adverse conditions, to access funding necessary to cover our obligations to customers, meet our liabilities as they come due and satisfy capital requirements. It includes the risk of mismanagement of our liquidity position which can negatively result in unexpected increases in the cost of funding, the risk of misaligned maturities between assets and liabilities, as well as the risk of inability to meet our payment obligations on time at a reasonable price due to liquidity pressures. We are subject to the risk that we cannot meet our payments and collateral obligations when due without significant losses or at all. We are also subject to the risk of not being able to meet expected or unexpected current or future cash outflows or collateral needs without affecting either daily operations or our financial condition. Additionally, because we are a Spanish financial institution, increasing fears surrounding a Spanish sovereign debt crisis or the Spanish financial system could negatively impact our credit ratings and increase our costs of financing (see also "*—Specific Risks Relating to the Group—We face risks relating to disruptions, dislocations, structural challenges and volatility in financial markets and are exposed to counterparty risk with the Spanish and foreign governments*" above).

With regard to funding risk, we rely on customer deposits from retail, private and corporate banking customers to meet the majority of our funding needs. Such deposits may be subject to fluctuation as a result of several factors, some of which are outside our control. These factors include a loss of confidence in banks generally or us in particular, resulting in customers taking out their deposits or increasing competitive pressures, which could result in a significant outflow of deposits within a short period of time. As at December 31, 2016, the total amount of current and savings accounts and term deposits (excluding covered bonds included within term deposits as per their accounting treatment) classified as financial liabilities measured at amortized cost ("**Core Customer Deposits**") amounted to €36.0 billion, or 62.9% of our total assets as at such date (€37.5 billion (62.2% of our total assets) and €35.8 billion (52.7% of our total assets) as at December 31, 2015 and 2014, respectively). An inability to maintain or to grow, or any material decrease in, our Core Customer Deposits could, particularly if accompanied by one of the other factors described above, have a material adverse effect on our ability to satisfy our liquidity needs. The short-term nature of part of this source of financing could cause liquidity problems in the future if deposits do not reach the expected volumes or are not renewed. If a significant number of depositors withdraw their deposits or do not reinvest after their termination, our liquidity could suffer.

Financing from wholesale markets amounted to €16.7 billion, or 29.3% of our total assets as at December 31, 2016 (€18.3 billion (30.3% of our total assets) and €26.0 billion (38.3% of our total assets) as at December 31, 2015 and 2014, respectively). In the event such funding were to be no longer available or too expensive, we could be forced to raise interest rates paid on deposits to attract more customers and/or sell assets, possibly at reduced prices. The persistence or worsening of adverse market conditions or the rising of interest rates could have a material adverse effect on our ability to access liquidity and negatively impact upon our financing costs (either directly or indirectly). In this regard, our financing capacity depends largely on the credit rating of Spain, which acts as a "roof" on the credit rating of Spanish companies. A potential downgrade in the credit rating of Spain could negatively affect the way financial institutions (including us) fund their balance sheets, increasing their effective cost and worsening their financial results.

The following tables set forth information related to our wholesale funding:

	At December 31,			
	2016		**2015(1)**	
	€ million	%	**€ million**	%
Deposits by central banks	-	-	2,417	13.2
Deposits by credit institutions	2,464	14.7	1,340	7.3
Covered bonds	6,370	38.0	7,407	40.6
Other financial liabilities................	919	5.5	989	5.4
Other funds(2)	6,993	41.8	6,099	33.4
Total wholesale funding...............	**16,746**	**100.0**	**18,252**	**100.0**

Notes:

(1) This information is taken from our 2016 Annual Accounts. See "Presentation of Financial and Other Information" for further details.

(2) Includes assets sold under repurchase agreements, debt securities issued, other financial liabilities and measurement adjustments.

	At December 31,			
	2015(1)		**2014**	
	€ million	%	**€ million**	%
Deposits from central banks	2,417	13.7	8,722	33.5
Deposits from credit institutions.....	1,340	7.6	1,397	5.4
Covered bonds	7,399	42.0	8,539	32.8
Subordinated liabilities...................	622	3.5	648	2.5
Other funds(2)	5,845	33.2	6,739	25.9
Total wholesale funding...............	**17,623**	**100.0**	**26,045**	**100.0**

Notes:

(1) This information is taken from our 2015 Annual Accounts. See "Presentation of Financial and Other Information" for further details.

(2) Includes assets sold under repurchase agreements, debt securities issued, other financial liabilities and measurement adjustments.

Rating agencies assign us a rating and rate certain of the financial instruments we have issued for funding and capital management purposes. Our long-term debt is qualified as Ba3 with positive outlook since May 10, 2017 by Moody's Investors Service España, S.A. ("**Moody's**"), and BBB- with stable outlook since August 7, 2014 by Fitch Ratings España, S.A.U. ("**Fitch**"). Moody's also assigns Unicaja Banco's mortgage covered bonds an A1 rating.

A rating agency assessment is based on various factors, including factors specific to the Group, as well as general economic conditions and other circumstances outside our control, such as changes in the macroeconomic environment, sovereign credit rating of Spain and prospective level of systemic support a government can provide. There can be no assurance that a credit rating agency will not revise downward a credit rating or change the outlook on any such credit rating. In addition, rating agencies have and may in the future change their methodology from time to time, which may also result in a downgrade or a change in the outlook on any of our credit ratings or the relevant financial instruments we issue.

Any downgrade or potential downgrade in our ratings may limit our access to the capital markets and certain types of instruments, reduce our prospective investor base, increase our borrowing costs or require us to replace funding lost due to the downgrade or potential downgrade, limit our access to capital, funding and money markets and trigger requirements to post additional collateral in derivatives contracts and other secured funding arrangements. In addition, a rating downgrade or potential downgrade of the Group could, among other things, limit our opportunities to operate in certain business lines and materially and adversely affect certain other business activities. In periods of liquidity stress, especially if severe or prolonged, or as a result of more stringent regulatory requirements or other events, we may need to seek funds from alternative sources, potentially at higher costs than has previously been the case. The risk exists that market circumstances may limit the funding options available to us.

As a matter of prudency and in order to face possible liquidity tensions or crises in the markets, we have deposited a series of guarantees with the ECB which allow us to immediately obtain high liquidity. The amount of assets included and valued in line with ECB policy by us at December 31, 2016 amounted to €21.9 billion, of which €14.5 billion were available (€23.9 billion (of which €16.0 billion were available) and €27 billion (of which €14 billion were available) as at December 31, 2015 and 2014, respectively).

In addition, most of our long-term funding is formalized through mortgage covered bonds. Any reduction in eligible collateral through Spanish or EU regulation could result in us having a lower issuance capacity, as this is affected by the eligible collateral. As at December 31, 2016, our total eligible cover pool (including mortgages and public sector covered bonds) was €20.0 billion and we had an additional issuance capacity of €7.4 billion (whereas, as at December 31, 2015, we had a total eligible cover pool of €21.5 billion (with an additional issuance capacity of €7.1 billion) and, as at December 31, 2014, a total eligible cover pool of €22.7 billion (with an additional issuance capacity of €5.7 billion)). A potential reduction of the eligible covered pool due to the outcome of future internal reviews or changes to the Spanish covered bonds regulation could potentially reduce our eligible portfolio and covered bond issuance capacity, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Although as at December 31, 2016 our LTD ratio was 83% and our LCR and NSFR ratios were in excess of regulatory requirements (as was the case for both Unicaja Banco and EspañaDuero as individual entities), there can be no assurance that this will be the case in the future. Should we fail to manage our liquidity effectively, this may result in us not being able to meet our obligations when they fall due, including capital and regulatory requirements, which may materially and adversely affect our funding ability, business, financial condition, results of operations and prospects. As at December 31, 2016, our average funding cost was 0.66% (0.90% and 1.11% as at December 31, 2015 and 2014, respectively). See "*Operating and Financial Review—Liquidity and capital resources—Liquidity*" for additional detail on the liquidity gap and a more detailed quantification of our liquidity risk.

Operational risk is inherent to our business and, in particular, we face risks from failures of our information technology systems or internal management systems or processes

We are exposed to operational risks arising from the uncertainty inherent in our business undertakings and decisions. Examples of operational risks include: (i) internal fraud (i.e., malicious damages intentionally caused by internal parties); (ii) external fraud; (iii) compliance risk (i.e., violation of applicable laws, rules or internal procedures); (iv) employment malpractices and lack of workplace safety; (v) failure to meet obligations in relation to customers, products and business practices; (vi) natural disasters and terrorism/vandalism events; (vii) disruption of infrastructure or system failures; (viii) IT security breaches; (ix) inadequate monitoring of internal compliance with regulations; and (x) reputational issues (i.e., negative publicity).

Our technological infrastructure is critical to the operations of our business and delivery of products and services to customers. Even with the back-up recovery systems and contingency plans that we have in place, we cannot assure that interruptions, failures or breaches in capacity or security of these processes and systems will not occur or, if they do occur, that they will be adequately addressed. This includes disruptions of our operating or information systems arising from events that are wholly or partially beyond our control, including computer viruses or electrical or telecommunication outages, breakdowns in processes, controls or procedures, and operational errors, including administrative or record-keeping errors or errors resulting from system failures, faulty computer or telecommunications systems.

Any disruption in a customers' access to their account information or delays in making payments or carrying out instructions may have a significant impact on our reputation and may also lead to potentially large costs to both rectify the issue and, to the extent our terms and conditions are not effective in excluding this risk, an obligation to reimburse losses incurred by customers. Current and future laws and regulations may lead to penalties and other sanctions for us, and they may also force us to pay compensation to affected customers.

Our business depends on our ability to process a large number of transactions efficiently and accurately and on the reliable use of information technology, computing services, e-mails, software and network services, on the safe access to the processing, storage and transmission of information (including confidential information) through computers and networks, and on the maintenance of precise documentation, record-keeping and archiving. For this reason we have a monitoring system in place which helps us in our daily business as monitoring a large number of different products is complex. This monitoring could become more difficult or even impossible if we should fail to properly document transactions or archive documentation. Incomplete documentation, documentation not properly executed by counterparties, inadequate record-keeping or archiving, including the ability to promptly reproduce the information stored in a demonstrable authentic, unchanged, unmodified or unaltered fashion, and the loss of documentation, both physical and electronic, could materially and adversely affect our business operations in a number of ways. The proper functioning of the financial control, accounting and other compiling and processing systems is crucial for our business and for our ability to compete efficiently in the market. Due to the nature of systems and models, and the banking business relying on large numbers of similar contracts, a single mistake or error may have far-reaching consequences and affect a potentially large number of customer transactions.

Although we have implemented technological processes, risk controls and loss mitigation measures, as well as dedicated substantial resources to mitigate operational risks, it cannot be assured that such actions have been and will be effective in controlling operational risks. Any materialization of operational risks could lead to losses, fines, claims, regulatory actions and reputational damage among other possible effects, any of which could have a material adverse effect on our business, reputation, financial condition, results of operations and prospects.

We face increased competition from traditional and non-traditional providers of banking services

We face substantial competition in all parts of our business, including in originating loans and in attracting deposits. In addition, there has been a trend towards consolidation in the banking industry, which has created larger and stronger banks with which we must now compete. There can be no assurance that this increased competition will not adversely affect our growth prospects and, therefore, our operations. We also face competition from non-bank competitors, such as brokerage companies, department stores (for some credit products), leasing and factoring companies, mutual fund and pension fund management companies and insurance companies. Additionally, some of our competitors may be better able to respond to the changing demands of our target consumers. In particular, we face increased pressure to meet rising customer demands to provide more tailor-made and simple banking products.

In addition, we face competition from shadow banking entities that operate outside the regulated banking system. "Crowdfunding" and other financial technology developments in finance are expected to become more popular as technology further continues to permeate the banking sector. We cannot be certain that this competition will not adversely affect our competitive position. Non-traditional providers of banking services, such as internet-based e-commerce providers, mobile telephone companies and internet search engines may start to offer or increase their existing offerings of financial products and services directly to customers and may be able to innovate more quickly than we can due to having lower fixed costs than us. Several of these competitors may have long operating histories, large customer bases, strong brand recognition and significant financial, marketing and other resources. They may adopt more aggressive pricing and rates and devote more resources to technology, infrastructure and marketing. New competitors may enter the market or existing competitors may adjust their services with unique product or service offerings or approaches to providing banking services. If we are unable to successfully compete with current and new competitors, or if we are unable to anticipate and adapt our offerings to changing banking industry trends, including technological changes, our business may be adversely affected.

One trend that we have noticed in recent years is that the number of banking transactions conducted over the internet in the markets in which we operate has grown and is expected to grow further, and we may be unable in the future to compete with other banks that also offer online services to their customers. For more information about our current digital offering see "*Business—Distribution channels—Internet banking*". Any failure to effectively anticipate or adapt to emerging technologies or changes in customer behavior, including among younger customers, could delay or prevent our access to new digital-based markets which would in turn have an adverse effect on our competitive position and business. In addition, any further reliance on technology will increase the threat of cyberattacks to our business (see "*—We are exposed to risks associated with cybercrime and fraud*") and we must be aware of the requirements of PSD II, as defined below, which could force us to share information with our competitors (see"*—Legal and Compliance Risks—We are subject to risks deriving from banking sectorial regulations—Conduct and regulations applicable to the services rendered—PSD II*").

Increasing competition could also require that we increase the rates we offer on deposits or lower the rates we charge on loans, which could also have a material adverse effect on us. If we are not successful in retaining and strengthening customer relationships, we may lose market share, incur losses on some or all of our activities or fail to attract new deposits or retain existing deposits, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are exposed to risks relating to the weakness or the perceived weakness of other financial institutions

We usually operate with other financial entities, including brokers, dealers, commercial banks, investment banks, fund managers and other institutional investors or counterparties. Financial institutions tend to have many close financial ties among themselves as a result of credit, trading, clearing and other relationships. As a result, a default or threatened default or concerns about a default or threatened default by one institution could affect other institutions and lead to significant market-wide liquidity problems and financial losses for many financial institutions. It may even lead to defaults of other financial institutions, which is referred to as "systemic risk". A systemic risk event may also materially and adversely affect financial intermediaries, such as other banks, to which we are exposed.

High sovereign indebtedness, low capital levels at many banks and the high interconnectivity among the largest banks and certain economies are important factors that contribute to this systemic risk. Throughout the financial crisis, during which the lack of liquidity and high costs of funding relative to official rates in the interbank lending market reached unprecedented levels, we were subject to the risk of deterioration or perceived deterioration in the commercial position of other financial institutions within and outside of Spain. There can be no assurances that such circumstances will not come about again at some point in the future. A default by, or even concerns about a default by, one or more financial services institutions could lead to significant systemic liquidity problems, or losses or defaults by other financial institutions, which could have a material adverse effect on our liquidity, business, financial condition, results of operations and prospects.

We are exposed to risks associated with cybercrime and fraud

We are subject to the risk of actual or attempted IT security breaches from parties with criminal or malicious intent. Should our intrusion detection and anti-penetration software not anticipate, prevent or mitigate a network failure or disruption, or should an incident occur in a system for which there is no duplication, there may be a material adverse effect on our business, financial condition, results of operations and prospects. We continue to invest in our information security controls in response to emerging threats and to seek to ensure that controls for known threats are robust.

The risks associated with cyber-attacks, where an individual or group seeks to exploit vulnerabilities in IT systems for financial gain or to disrupt services, are a material risk to us and the Spanish financial system as a whole, which has a high degree of interconnectedness between market participants, centralized market infrastructure and in some cases complex legacy IT systems. We cannot be certain that our infrastructure and controls will prove effective in all circumstances and any failure of the controls could result in significant financial losses and a material adverse effect on our operational performance and reputation. Any breach in security of our systems could disrupt our business, result in the disclosure of confidential information, create significant financial and/or legal exposure and damage our reputation and/or brands.

We rely on third-party service providers and third-party financial products

We rely on third-party services for our operations. For example, we rely on third parties in connection with our IT and market infrastructure. Key third-party service providers for market infrastructure are, amongst others, SNCE Iberpay, Target 2, MEFF, Iberclear, the EBA Clearing, , Euroclear, and SWIFT exchanges. Failure of any of these third-party service providers could lead to interruptions in our business operations and of services offered or information provided to customers. Such failures could also prevent us from serving customers' needs in a timely manner. There can be no guarantee that the suppliers selected by us will be able to provide the functions for which they have been contracted, either as a result of them ceasing to exist, failing to have the relevant capabilities, products or services, or due to changed regulatory requirements, inadequate service levels set by or ineffective monitoring by us. Furthermore, we are at a risk of these third parties operating below adequate or acceptable levels, which could result in reputational damage, claims, losses and damages and could have a material adverse effect on our business, financial condition, results of operations and prospects.

We have acquired the majority of our IT environment from IBM ("**IBM**"), which is responsible for the maintenance of the hardware and software on which our business relies. Our back-up systems are also outsourced to IBM. As such, IBM is our most important supplier. If IBM fails to perform its services effectively or not in accordance with the terms of the relevant agreements, this may have a material adverse effect on the availability of our banking services, including our online services such as internet banking and also on the productivity of our employees. Considering that this party is our sole supplier of these activities and even though there are various back-up, business continuity and disaster recovery systems in place to ensure our operations can continue, there is a certain risk associated with our dependence on this supplier. Other key suppliers are Computer Associates, Iecisa, Oracle and Indra.

We invest, as part of our portfolio management services, customer assets in third-party investment funds which we do not control, and we may advise customers to invest in such funds. We also distribute third-party financial products, such as insurance or unit-linked products. If third-party investment funds in which customer assets are invested do not deliver expected results or are the subject of fraud, or if financial products distributed by us do not achieve the intended results, customers may move their money to another financial institution or seek to be compensated by us and our reputation may be negatively affected.

We may be unable to retain key members of our management team and employee base or to attract new qualified employees

The success of our operations and the implementation and execution of our Strategy depends in part on having a capable management team and other key employees. Losing the services of one or more members of the management team or other key employees with critical knowledge or skills could materially and adversely affect us. In addition, employees in general are one of our most important resources and competition for key employees in certain specialized areas is intense.

If we fail to have capital in excess of our MDA requirements, the amount of dividend and bonus payments we can make to our management team and key employees will be limited. This has been designed to prevent such payments from eroding our capital. See "*Regulation*" for further details. Also, under Spanish and European law, remuneration of employees active in the financial sector is subject to certain remuneration restrictions, including caps on bonuses and clawback of bonuses applicable to members of the management team and all employees (see "*Management, Board Of Directors and Employees*"), and these restrictions may have an adverse effect on our ability to recruit and retain the most qualified employees. Any inability to attract and retain key employees could have a material adverse effect on our business, financial condition, results of operations and prospects and no assurance can be given that we will be successful in the future in attracting and retaining such personnel.

We are subject to conduct and reputational risks that could result in fines, sanctions and reputational damage

Reputational risk is a particular concern for companies operating in the financial sector, where participants need to maintain the confidence of customers, investors, regulators, creditors and financial markets generally. We are subject to the risk that inappropriate execution of our business activities causes detriment to our customers or counterparties or to us and our employees, third-party service providers and external staff. In addition, we are subject to reputational risk from damage caused to our brands arising from any inappropriate actions by us or our employees, customers or counterparties (including breaches of laws, regulations and internal policies), or by any association, action or inaction which is perceived by stakeholders to be inappropriate, unethical or not sustainable. Moreover, we are subject to reputational risk from damage caused to us arising from inappropriate actions by our customers or counterparties (including money laundering, terrorism financing and tax evasion by these customers and counterparties).

Any delays or errors in implementing regulatory compliance could lead to substantial monetary damages and fines, loss of significant assets, public reprimands, a material adverse effect on our reputation, regulatory measures in the form of cease and desist orders, increased regulatory compliance requirements or other potential regulatory restrictions on our business, enforced suspension of operations and in extreme cases, withdrawal of licenses or authorizations to operate particular businesses, or criminal prosecution in certain circumstances. We must constantly make great efforts to update our compliance framework in line with new and changing existing requirements. Regulators may impose additional measures that require changes to our systems and the incurrence of additional costs.

Failure to appropriately manage conduct and reputation risks may reduce the attractiveness of the Group to stakeholders, including customers, and may lead to negative publicity, loss of revenue, litigation (including class actions), increased regulatory scrutiny and sanctions, reduced workforce morale, and difficulties in recruiting and retaining talent. Any resulting damage arising from conduct or reputation risks could cause damage to our business, regardless of whether the negative publicity is factually accurate. Our reputation may also suffer by association from fraudulent or criminal acts committed by customers or by employees for activities unrelated to their position with us. While we intend to pursue a policy of recruitment based on the honesty, rigor and talent of our employees, our reputation would suffer if it were to be associated with any improper action carried out by any of our employees.

The occurrence of any of these factors may cause customers, investors, creditors and financial markets generally to lose confidence in us which may materially and adversely affect our business, financial condition, results of operations and prospects.

LEGAL AND COMPLIANCE RISKS

Our business is highly regulated and is subject to stress tests and changes in laws and regulations and interpretation of such laws and regulations

We conduct our business in an environment that is highly regulated under financial services laws and regulations and corporate governance and administrative requirements and policies. Furthermore, the banking sector is subject to periodic stress testing and other regulatory enquiries in respect of the resilience of banks to adverse market developments. Such stress tests and reviews are initiated and coordinated by the European Banking Authority ("**EBA**") and ECB. Stress tests and the announcements of their results by supervisory authorities can destabilize the banking or financial services sector and lead to a loss of trust with regard to individual banks or the financial services sector as a whole. The outcome of stress tests could materially and adversely affect our reputation and financing costs and trigger enforcement action by supervisory authorities. The outcome of stress tests could also result in our having to meet higher capital and liquidity requirements.

In particular, if the results of the stress tests as applied to the Group are not viewed as satisfactory, the cost and availability of funding to us could be adversely affected, the price of our shares could decline or we could otherwise be adversely affected. In addition, stress tests could divulge certain information that would not otherwise have been made public or which until then, we had not considered to be material and worthy of taking remedial action on. We are also subject to the risk that the criteria of such tests and reviews could change in the future, meaning that measures that were not necessary under previous tests become so. This could lead to certain measures or capital and funding requirements by supervisory authorities being imposed or taken, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be materially and adversely affected by changes in interpretation of existing rules, for example as a result of court judgments, or developing or changing views of regulators, tax authorities and other authorities on the application of rules, which could give rise to significant legal and financial compliance costs and management time, which could have a material adverse effect on our business, financial condition, results of operations and prospects. For further information on the regulation to which we are subject, see "*Regulation*".

We are subject to risks related to banking sectorial regulations

We, like any other credit entity, are subject to sectorial regulations and to the supervision of public authorities, both local and international. Banking regulations are broad and may be subject to swift and unpredictable amendments. Listed below are the key compliance areas to which we are particularly sensitive and which have been recently amended or are expected to be amended in the near future. See "*Regulation*" for additional detail. These regulations can be divided into the following main categories and subcategories:

I. Capital and provisioning requirements

a.- Basel III Framework

The Basel III Framework is under review with a new proposed revision to the current so-called standardized approach for the calculation of capital requirements (i.e., the methodology set forth in regulations for the calculation of capital requirements, applicable by default by any credit institution that has not been authorised to apply more advanced capital requirements calculation models) relating to credit risk (the review project having become known as "**Basel IV**") which attempts to increase the risk-sensitivity of the standardized approach and improve the comparability of outputs from the Basel III advanced models. Regulators are discussing options to reduce banks' exposure to sovereign debt, including limits on maximum exposure to any single sovereign issuer, introducing non-zero risk weights for sovereign exposures (which as at the date of this Prospectus seems to be one of the options of the regulator), imposing caps and higher costs to hold sovereign bonds and offering lenders incentives to diversify asset portfolios, which could have a negative impact on our solvency levels. While, based on our preliminary estimates given the information that we have as at the date of this Prospectus, and taking into account that this regulation has not yet been approved, we do not believe that Basel IV will significantly prejudice our capital position due to higher capital requirements related to sovereign, operational, market and/or credit risks, we cannot assure that this will be the case.

On November 23, 2016, the European Commission published a proposal for a Regulation of the European Parliament and of the Council amending CRR which includes new provisions and proposes to amend several articles in the CRR in order to introduce a binding leverage ratio requirement (or a minimum level of capital as a percentage of gross assets, depending on how the ratio is viewed) of 3% of Tier 1 capital for credit institutions, which must be met in addition to the currently applicable risk-based requirements. Notwithstanding the above, the European Commission notes that, since a 3% leverage ratio would constrain certain business models and lines of business more than others, further adjustments are warranted. For further information on solvency requirements to which we are subject to avoid early intervention measures or resolution, see "*—Sector Risks—Solvency risk is inherent to our business*" and the capital requirements section of "*Regulation*".

b.- SREP

The key purpose of SREP is to ensure that institutions have adequate arrangements, strategies, processes and mechanisms as well as capital and liquidity to ensure a sound management and coverage of their risks, to which they are or might be exposed, including those revealed by stress testing and risks the relevant financial institution may pose to the financial system as a whole. As part of the SREP, local supervisory authorities, in our case the Bank of Spain, may perform an analysis of our business model and strategy, and form a view on our viability and sustainability. If necessary, they may take measures to address any problems and concerns including, among other things, by requiring additional capital and/or liquidity buffers through "Pillar 2" to cover additional risk taken by us, which will be added to the minimum regulatory capital and/or liquidity requirements applicable to all credit entities.

In addition to the above, the EBA published on December 19, 2014 its final guidelines for common procedures and methodologies in respect of the SREP (the "**EBA SREP Guidelines**"), included in which were the EBA's proposed guidelines for a common approach to determining the amount and composition of additional "Pillar 2" own funds requirements to be implemented by January 1, 2016. Under these guidelines and as a result of the most recent SREP carried out by the ECB in 2016, disclosed to the market through a relevant fact disclosure (*hecho relevante*) filed with the CNMV on November 30, 2016, we were informed by the ECB that we are required to maintain a CET1 phased-in capital ratio of 7.25% (on a consolidated basis) for 2017. This CET1 capital ratio of 7.25% includes the minimum CET1 capital ratio required under "Pillar 1" (4.5%) and the additional own funds requirement under Pillar 2 (1.5%) and the capital conservation buffer (1.25%, or 2.5% fully-loaded).

There can be no assurance as to the result of any future SREP carried out by the ECB and whether this will impose any further Pillar 2 additional own funds requirements on us. Furthermore, for the year 2016 the SREP methodology was refined on certain aspects such as liquidity and funding risk assessment and the internal liquidity adequacy assessment process (the "**ILAAP**"), which are also analyzed together with the internal capital adequacy assessment process (the "**ICAAP**").

c.- Minimum requirements for own funds and eligible liabilities ("MREL")

Law 11/2015 of June 18, on Credit Institutions and Investment Firms' recovery and resolution ("**Law 11/2015**") prescribes that banks shall hold a minimum level of capital and eligible liabilities in relation to total liabilities (known as "**MREL**"), which works as an internal bail-out (often referred to as bail-in) tool with which European authorities ensure that banks have enough liabilities to absorb losses in case of failure and that, therefore, shareholders and certain creditors shoulder much of the burden of any recapitalisation instead of tax-payers. For further information on the calculation of the MREL and the applicable technical standards, see the capital requirements section of "*Regulation*".

The MREL requirement came into force on January 1, 2016. However, the EBA has recognized the impact which this requirement may have on banks' funding structures and costs. Therefore, it has proposed a long phase-in period of up to 48 months (four years) until 2020, subject to the resolution authority's discretion.

The draft MREL technical standards published by the EBA do not provide details on the implications of a failure by an institution to comply with its MREL requirement. However, on November 23, 2016 the European Commission published a proposal for a Directive of the European Parliament and of the Council amending the Capital Requirements Directive, Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (the "**CRD IV**") in which a new Article 141a is inserted to clarify, for the purposes of restrictions on distributions, the relation between the additional own funds requirements, the minimum own funds requirements, the own funds and eligible liabilities requirement, the MREL and the combined buffers requirements (so called "stacking order"). Likewise, Article 141 is also proposed to be amended to reflect the stacking order in the calculation of the maximum distributable amount. Therefore, a failure by an institution to comply with MREL could be treated in the same manner as a failure to meet minimum regulatory capital requirements.

Accordingly, any failure by us to comply with any applicable MREL requirement may have a material adverse effect on our business, financial condition and results of operations and could result in the imposition of restrictions or prohibitions on discretionary payments by us, including the payment of dividends. Likewise, for us to comply with the MREL requirements we may need to issue eligible liabilities the costs of which could have a negative impact on our profitability. There can also be no certainty as to the relationship between the "Pillar 2" additional own funds requirements, the "combined buffer requirement", the MREL requirement once implemented in Spain and the restrictions or prohibitions on discretionary payments.

d.- Maximum Distributable Amount ("MDA")

We may be subject to restrictions on the distributions of dividends if we do not comply with the applicable capital buffers and additional requirements set out in CRD IV and set by the corresponding SREP. According to Article 48.2 of Law 10/2014 and Article 73 of Royal Decree 84/2015, transposing into Spanish Law Article 141 of CRD IV, banks that fail to meet the combined buffer requirements and, where applicable, the higher capital requirements imposed by the SREP are required to calculate the MDA and to inform the supervisor regarding such MDA. In particular, we may be prohibited from: (a) making a distribution in connection with CET1 capital, (b) creating an obligation to pay variable remuneration or discretionary pension benefits or to pay variable remuneration if the obligation to pay was created at a time when we failed to meet the combined buffer requirements, and (c) making payments on Additional Tier 1 instruments. The MDA operates as a limit of between 0% and 60% of profits not included in CET1 depending on how great a shortfall there has been in meeting the combined buffer requirements. As at December 31, 2016, our CET1 phased-in capital ratio stood at 13.8% and Unicaja Banco was in a position to distribute dividends up to the limit established in the Term Sheet. However, there can be no assurance that we will be able to distribute dividends in the future if we were found not to be in compliance with applicable capital buffers and additional requirements set out in CRD IV and set by the corresponding SREP.

In addition, the recommendation of the ECB of December 13, 2016 on dividend distribution policies (ECB/2016/44) provides that credit institutions need to establish dividend policies using conservative and prudent assumptions in order to satisfy, after any distribution, the applicable capital requirements and the outcome of the SREP for the financial year before any such distribution.

Likewise, the Term Sheet imposes additional dividend payment restrictions on Unicaja Banco. In order to comply with the Term Sheet, Unicaja Banco may not distribute dividends that exceed 30% of its annual distributable profit until after Admission. Once the Company's ordinary shares have been admitted to trading, that limit will be increased to 40% of Unicaja Banco's annual distributable profit until all CoCos FROB have been repaid, after which such limitation will cease. See "*—Risks relating to the Shares and the Offering—We may not pay dividends on the Company's ordinary shares and, as a result, investors' only opportunity to achieve a return on their investment could be if the price of the shares appreciates*".

For further information on the calculation of the MDA and the capital buffers and requirements to which we are subject, see the capital requirements section of "*Regulation*".

II. Conduct and regulations applicable to the services rendered

a.- MiFID II

The Markets in Financial Instruments Directive (2004/39/EC) ("**MiFID I**") has been superseded by the Markets in Financial Instruments Directive 2014/65/EU ("**MiFID II**") and Regulation (EU) No. 600/2014 of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments and amending Regulation (EU) No. 648/2012 ("**MiFIR**"), which will replace, extend and improve existing European rules on markets in financial instruments, will give more extensive powers to supervisory authorities and will introduce the possibility to impose higher fines in case of infringement.

On April 14, 2015 the CNMV published a draft circular which develops the provisions that were included in the Spanish Securities Markets Law through Law 9/2012 regarding specific warnings to be made to retail investors prior to the sale of certain complex financial instruments. The draft circular sets forth which financial instruments are, as a general rule, inadequate for retail investors due to their complexity and includes the content of the warning that should be made by the entity to retail investors in case they acquire such complex financial products with or without professional advice. Moreover, it establishes a series of financial instruments for which the entity will need to inform the retail investors (in the documentation provided prior to the sale of the product) of the different between the effective amount to which the operation will be made and the entity's estimation of the fair value.

As MiFID II and MiFIR will significantly extend not only the scope but also the detail of existing regulations, we will have to review existing activities and, where necessary, may need to adjust the manner in which we operate.

b.- PSD II

Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No. 1093/2010, and repealing Directive 2007/64/EC ("**PSD II**") imposes additional requirements on us with respect to payment services in the EEA. PSD II supports the emergence of new players and the development of innovative mobile and internet payments in Europe by opening the EU payment market for companies offering consumer or business-oriented payment services based on the access to the information from the payment account – so called "payment initiation services providers" and "account information services providers". Payment initiation services providers typically help consumers to make online credit transfers and inform the merchant immediately of the payment initiation, allowing for the immediate dispatch of goods or immediate access to services purchased online. For online payments, they constitute an alternative to credit card payments as they offer an accessible payment service, as the consumer only needs to possess an online payment account. Account information services allow consumers and businesses to have a global view on their financial situation, for instance, by enabling consumers to consolidate the different current accounts they may have with one or more banks and to categorize their spending according to different typologies and helping them with budgeting and financial planning.

Banks will be obliged to allow access to the accounts of their customers for so these third-party payment services providers offering payment initiation services or account information services. However, they will not have full access to the account of the payer, as they will only be able to receive information from the payer's bank on the availability of funds (a yes/no answer) on the account before initiating the payment (with the explicit consent of the payer). Likewise, account information service providers will receive the information explicitly consented by the payer and only to the extent they are necessary for the service provided to the payer.

These changes may expose us to more or intensified competition, as these third-party payment services provider may not be regulated entities and may not be subject to capital requirements or other burdensome compliance requirements allowing them to have more cost-efficient structures, and an increased risk of fraudulent transactions. PSD II was published in the Official Journal of the EU on December 23, 2015. By January 13, 2018, Member States are required to adopt and publish the measures necessary to comply with PSD II.

III. Other regulation

a.- Bail-in and write down powers under the BRRD

Law 11/2015 implementing Directive 2014/59/EU of the European Parliament and of the Council of May 15, 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No. 1093/2010 and (EU) No. 648/2012 (the "**BRRD**") is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in unsound or failing credit institutions or investment firms (each an institution) so as to ensure the continuity of the institution's critical financial and economic functions, while minimizing the impact of an institution's failure on the economy and financial system.

The powers set out in the BRRD as implemented through Law 11/2015 and RD 1012/2015 impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Pursuant to Law 11/2015, holders of unsecured debt securities, subordinated obligations and shares issued by the Company may be subject to, among other things, a write-down and/or conversion into equity or other securities or obligations on any application of the Bail-in Power and in the case of capital instruments may also be subject to any Non-Viability Loss Absorption, as defined below. The exercise of any such powers (or any of the other resolution powers and tools) may result in holders of such securities losing some or all of their investment or otherwise having their rights under such securities adversely affected, including by becoming holders of further subordinated instruments. Moreover, the exercise of the Bail-in Power with respect to such securities or the taking by an authority of any other action, or any suggestion that the exercise or taking of any such action may happen, could materially adversely affect the rights of holders of such securities, the market price or value or trading behavior of our securities and/or our ability to satisfy our obligations under any such securities.

The price and trading behavior of the Company's ordinary shares may be affected by the threat of a possible exercise of any power under Law 11/2015 (including any early intervention measure before any resolution) or any suggestion of such exercise, even if the likelihood of such exercise is remote. In addition, the Single Resolution Board ("**SRB**") provided by the SRM Regulation, as defined below, may exercise any such powers without providing any advance notice to the holders of affected shares. If we are subject to the bail-in mechanism, we may suffer reputational damage and it could trigger a sudden increase in withdrawal of deposits or shortage of funds in the banking systems or money markets in which we operate. Moreover, in accordance with Article 54 of CRR, prior to entering into a resolution scenario, if an entity's CET1 capital falls below 5.125%, the principal amount of the Additional Tier 1 instruments of the entity (if any) could be automatically written down on a permanent or temporary basis or be converted to CET1 instruments. Should our Additional Tier 1 instruments be converted into shares, there would be a dilution in our shareholding structure and there could be a substantial increase in selling positions, causing the value of the Company's ordinary shares to decrease.

b.- Contributions to resolution funds and guarantee funds

In addition to the ordinary contributions (see "*Regulation*"), we may also be forced to make extraordinary contributions to the National Resolution Fund (as defined below) upon the bankruptcy of financial institutions in accordance with the BRRD. The Single Resolution Fund entered into force on January 1, 2016, and for the year 2016 we made contributions to the Single Resolution Fund amounting to approximately €18.3 million.

Similarly, we could also be forced to be make extraordinary contributions to the Spanish Deposit Guarantee Fund (*Fondo de Garantía de Depósitos de Entidades de Crédito*) ("**FGD**") if it requires additional funds to protect the deposits of other financial entities with solvency issues. Likewise, the calculation of the contributions to the FGD might be modified from time to time by the Bank of Spain and impact the amount of funds to be paid to the FGD. The applicable method for the calculation of the 2016 contributions is set out in Circular 5/2016, of May 27, of the Bank of Spain on the calculation method for the contributions to be made by the participating entities to the FGD in proportion to their risk profile and volume of guaranteed deposits. For the year 2016 we made contributions to the FGD amounting to approximately €43.2 million but there is a risk that these contributions will be higher in the coming years than those in previous years.

c.- Laws against money laundering, bribery and corruption, and tax laws

Combating money laundering, terrorist financing, bribery, tax evasion and corruption, and the enforcement of compliance with economic sanctions is a major focus of government policy relating to financial institutions. These laws and regulations impose obligations on us to maintain appropriate policies, procedures and controls to detect and prevent money laundering, tax evasion and terrorist financing, report unusual transactions and suspicions of money laundering and terrorist financing, comply with economic sanctions and combat bribery and corruption. Compliance with such laws and regulations is time-consuming and costly and failure by us to implement and maintain adequate procedures could lead to fines or harm our reputation and could disrupt our business and have a material adverse effect on our business, financial condition, results of operations and prospects.

Despite our compliance programs, staff training, an internal security unit, and internal control policies and procedures, we depend on sufficient awareness and compliance by our staff of these relevant laws and regulations and the risk remains that our customers, officers, directors, employees or agents commit reckless or negligent acts, or that they violate laws, regulations or policies. Regardless of our various procedures and efforts to prevent breaches from materializing, there remains a risk of breaches of laws against money laundering, bribery and corruption, and tax laws or international sanctions, in the event we were unable to detect non-compliant behavior.

The legislation, rules and regulations which establish sanctions regimes are often broad in scope and complex, and, in recent years, governments have increased and strengthened such regimes. As a consequence, we may be forced to restrict certain business operations or unwind certain ongoing transactions or services, which may cause material losses. In addition, the extra-territorial reach of US regulations in respect of economic sanctions requires us to establish effective controls and procedures in order to prevent violations of US sanctions against designated foreign countries, nationals, entities and others. Likewise, we might also be subject to FATCA and Common Reporting Standard provisions. Our operations and the products and services we offer bring us within the scope of this sanctions regime.

d.- Taxation and other burdens imposed on the financial sector

On February 14, 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transaction tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate. The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in securities issued by us or other issuers (including secondary market transactions) and derivative contracts in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (i) by transacting with a person established in a participating Member State or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State. However, the FTT proposal remains subject to negotiation among the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and participating Member States may decide not to participate. Royal Decree-Law 8/2014, of July 4, introduced a 0.03% tax on bank deposits in Spain. This tax is payable annually by Spanish banks and in 2016 we paid €13.9 million in respect of this tax. There can be no assurance that additional national or transnational bank levies or financial transaction taxes will not be adopted by the Spanish authorities, which could, in turn, have a material adverse effect on our business, financial condition, results of operations and prospects.

We are subject to legal proceedings

Similar to other financial institutions, we have come under greater scrutiny in recent years and expect heightened levels of regulatory supervision to continue in the foreseeable future. This particularly relates to compliance with consumer protection, corporate governance, employee compensation and conduct of business regimes as well as with anti-money laundering, tax evasion and antiterrorism laws and regulations. The severity and frequency of complaints against us and other financial institutions in Spain have increased in recent times, partly attributable to increased regulatory and media attention surrounding the Spanish banking sector. If we or other financial institutions should lose one or more relevant lawsuits, this could create a negative precedent that may lead to increased complaints, as well as to more class actions and other litigation, or regulatory attention, and, ultimately, to reduced profits for us and a worsening of our financial condition. These events could also lead to customer outflows.

In this climate of increasing litigation against financial institutions, we have been involved in a number of legal proceedings, regulatory and governmental actions and investigations that are common among financial institutions in Spain including:

- *Clauses which set a minimum interest rate for mortgages.* Spanish courts have rendered various judgments declaring certain clauses that set minimum interest rates to be invalid on the basis of a lack of transparency at the time such mortgages were sold to customers or other reasons, which may materially affect us. See "*—Specific Risks Relating to the Group—Decisions relating to the removal of clauses which set minimum interest rates for mortgages in Spain may have a significant impact on our business*" for further information.

- *Interest calculation formula used in mortgage transactions*. The validity of one of the formulae used by Unicaja Banco for calculating interest in mortgage agreements has been challenged and is currently before the judicial court.

- *Early termination of mortgages.* In January 2017 a judgment of the European Court of Justice generated uncertainty regarding early termination clauses contained in mortgage loans to consumers by stating that clauses declared null and void for being abusive will be deemed not to have been included in the contract, hindering the right of the bank to accelerate the loan and to enforce the security. The Spanish Supreme Court raised two issues in this regard with the European Court of Justice, both of which have not yet been resolved as at the date of this Prospectus.

- *Complaints and claims in relation to the mortgage issuance expenses.* Clauses that attribute to borrowers expenses and taxes arising from the granting of mortgages could be declared abusive to the extent that they allocate to the borrower all expenses and taxes whereas such expenses and taxes might correspond by law to the lender. The direction of this dispute is still unclear given the disparity of jurisprudential criteria at the date of this Prospectus.

- *Law 57/1968, of July 27, on the collection of advance amounts in the construction and sale of housing.* This law is still applicable to all purchases of housing made while it was still in force, and it has led to some claims against credit institutions for the amounts delivered by individuals to developers on account of the purchase of housing, when said payments had been channeled through a credit institution.

See "*Business—Legal Proceedings*" for further information on the legal proceedings referred to above.

Such claims generally allege a lack of transparency in our marketing practices. If a lack of transparency is found with respect to our other products, we may be subject to additional legal claims, and our business is generally subject to the risk of litigation by customers, employees, shareholders or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation.

We are also involved in legal proceedings that affect us due to our individual circumstances. For instance, in addition to the claims from Non-Accepting Holders (see "*—Risks relating to the Group and its business—Specific Risks Relating to EspañaDuero and the Restructuring Plan—We may be subject to liability related to litigations of former EspañaDuero hybrid securities holders*"), 270 purchasers of EspañaDuero's preference shares and subordinated debt who accepted the exchange offer of Unicaja Banco for the acquisition of EspañaDuero ("**Accepting Holders**") (out of a total of approximately 17 thousand) also initiated legal proceedings against EspañaDuero, with claims that could have a maximum estimated impact of approximately €5.5 million as at March 31, 2017, but which have been provisioned for their full nominal amount of €10.8 million.

While we have included provisions in our annual accounts to cover a potential adverse outcome of these and other legal proceedings, such provisions may prove inadequate or insufficient (see "*Business—Legal Proceedings*"). In addition, defending current and future actions is time-consuming and may result in the diversion of resources including management time. Accordingly, any existing and significant future claims could have a material adverse effect on our business, financial condition, results of operations and prospects.

We face risks relating to the implementation of IFRS 9

Revised accounting standard IFRS 9 (see "*Regulation*" for more detail) provides for a new classification of financial assets, a new model for the recognition of impairment losses, and a "three stage" approach based on the change in credit quality of financial assets since initial recognition. In addition, Circular 4/2016 is expected to be amended again to change the current criteria for the coverage of incurred losses for the new model for the recognition of impairment losses (that takes into account expected losses) to be introduced by IFRS 9, which may mean that credit losses will be recognized at an earlier stage which may lead to a substantially higher loan loss allowance, and corresponding lower capital. Moreover, IFRS 9 is expected to lead to more volatility in our profit and loss and capital, because changes in counterparty credit quality could lead to shifts from a 12-month expected loss to a lifetime expected loss and vice versa. In addition, more financial instruments may be classified as at fair value through profit or loss. An increase in credit loss provisions could have impact on our lending activities and IFRS 9 generates the potential for greater pro-cyclicality on lending and provisioning.

So far, we have performed benchmarking exercises following sector best practices, without exhaustively factoring in internal information. To do so, we relied on the results of the EBA's Quantitative Impact Study of November 10, 2016 on the impact of IFRS 9, compiled with the participation of 58 European institutions. The impact implied by this Quantitative Impact Study is considered conservative given that the prior adaptation of internal provisioning estimation methodologies and the current loan-loss provisioning regime in Spain had the effect of largely reflecting the impact of IFRS 9 in the entities' 2016 financial statements. It is also worth noting that our business model and portfolio segmentation are significantly different from the risk structure, segmentation and business model of the entities that participated in the EBA's Quantitative Impact Study.

As far as Stage 1 (performing or "normal") exposures are concerned, no major changes are anticipated. This is also the case for Stage 3 (impaired or "doubtful") exposures, as these have already been assigned a probability of default of 100%. With regard to Stage 2 exposures, although the required developments remain in progress, and the process of identifying the affected perimeter is not complete, we have undertaken preliminary verifications based on the average contractual terms for transitioning from 12-month to lifetime expected credit losses (i.e., from "normal risk under monitoring" to Stage 2), using sensitivity analyses and without layering in internal parameters. This exercise suggests that the probability of default will increase by around 200% from current levels of "normal risk under monitoring".

Based on these provisional exercises and as at the date of this Prospectus, we estimate that implementation of IFRS 9 will not have a significant impact on us (potentially between 5 bps and 10 bps of CET1).

Further changes in financial reporting standards or policies, and the way in which we choose to implement them, could have a material adverse effect on our reported results of operations and financial condition and may have a corresponding material adverse effect on our capital ratios.

We are subject to data protection laws

We are subject to certain regulations, including privacy laws, and contractual obligations regarding the flow of information including price sensitive information. The privacy and data protection laws to which we are subject have been amended to impose greater obligations on data controllers. On April 27, 2016, the Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the "**General Data Protection Regulation**") was issued. Such Regulation would be applicable from May 25, 2018 and directly enforceable in Spain. The General Data Protection Regulation replaces EU Data Protection Directive 95/46/EC and imposes a substantially higher compliance burden on us. The new regulation provides for harsh penalties for non-compliance, imposing fines of up to €10,000,000 or, in the case of an undertaking, of up to 2% of the total worldwide annual turnover of the preceding financial year, whichever is higher. For certain serious infringements, the regulation contemplates fines of up to €20,000,000, or, in the case of an undertaking, of up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher. Failure to comply with such or future data protection laws could result in reputational damage and sanctions and could have a material adverse effect on our business, financial condition, results of operations and prospects.

The corporate interest mandates careful handling of competitively sensitive information. As a result, information about us, our customers or our employees that is made intentionally, unintentionally (contrary to regulations and contractual obligations) or unlawfully public by employees, contractors or personnel seconded to us, including employees of third-party suppliers, could lead to regulatory sanctions, breaches of privacy rules, confidentiality undertakings and other legal and contractual obligations, possibly resulting in claims against us and a loss of trust in us. In addition, leaked information may be used against our interests, our customers or our employees, including in litigation and arbitration proceedings. We manage and use confidential information from customers when processing banking transactions. Although we have procedures and controls to safeguard the data we hold about us, our customers and our employees, any unauthorized disclosure may trigger legal actions and administrative fines together with damages and could result in reputational damage, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

OTHER RISKS

Our financial statements in conformity with EU-IFRS require the exercise of judgments and use of assumptions and estimates which may be incorrect

The preparation of financial statements in conformity with EU-IFRS requires management to exercise judgment and use estimates and assumptions that affect the reported amounts of assets, liabilities, equity, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based on amounts which differ from those estimates. The accounting policies deemed critical to our results and financial condition, based upon materiality and significant judgments and estimates, include the following areas, as further described in our 2016 Annual Accounts: initial recognition, disposal, fair value and amortized cost of financial instruments, classification and valuation of financial assets and liabilities, hedging and mitigation of risks, foreign currency transactions, income tax, recognition of income and expense and impairment of financial assets, tangible and intangible assets, and goodwill.

Updates in assumptions and risk processes could affect our operations, financial performance, financial condition, liquidity and capital positions. Updates may in the future lead to our incurring significant losses. In addition, this has led and may in the future lead to our reviewing and possibly changing our product pricing. We use various pricing policies for product pricing. These policies may not be fully effective, which could lead to mispricing of products and services. In addition, we could incur losses as a consequence of decisions that are principally based on the output of processes or due to errors in the development, implementation or use of such processes. This can be caused by insufficient quality or quantity of data, flawed expert opinion, inadequate conception of the model, incorrect implementation or application of the processes, unverified assumptions, uncaptured behavior, lack of sound mathematical foundations, faulty algorithms and computations or any other technical weaknesses. Uncaptured behavior, which is behavior that a process does not take into account, could relate to customer behavior or market behavior or our behavior as a bank.

Also, the value of certain financial instruments is determined using financial models incorporating assumptions, judgments and estimates that may change over time or that may not turn out to be accurate. Generally, to establish the fair value of these instruments, we rely on quoted market prices or, where the market for a financial instrument is not sufficiently active or absent, internal valuation models that utilize observable market data, if any. If the value of certain of our financial instruments is inaccurate, this could have a material adverse effect on our business, results of operations, financial condition and prospects.

RISKS RELATING TO THE SHARES AND THE OFFERING

The Company's share price could be volatile and subject to sudden and significant decline

The market price of the Company's ordinary shares may be volatile. The price of shares sold in an offering is frequently subject to volatility for a period of time following the offering. Factors, including those outside our control, such as stock market analyst recommendations, negative publicity or developments affecting our industry (including the persistence of the current low interest rate environment) and changes in conditions in financial markets as well as changes in the legal and regulatory framework, may have a significant effect on the market price of the Company's ordinary shares. In addition, during the past few years, securities markets in Spain and worldwide have experienced significant volatility in prices and trading volumes. This volatility could have a negative impact on the market price of the ordinary shares, irrespective of our financial condition and results of operations. Investors may not be able to resell their Shares at or above the Offer Price.

Sales of ordinary shares after the Offering may cause a decline in the market price of the Company's ordinary shares

Sales of a substantial number of the Company's ordinary shares in the public markets following the Offering, or the perception that such sales could occur, could adversely affect the market price for the Company's ordinary shares or our ability to raise capital through future offerings of debt or equity securities. As at the date of this Prospectus, the Foundation owns 86.7% of the Company's ordinary shares. Following completion of the Offering and assuming the Over-allotment Option is exercised in full, the Foundation will own 49.7% of the Company's ordinary shares. While the Foundation has agreed not to transfer their ordinary shares from the date of signing the Underwriting Agreement until 180 days after the Settlement Date without the prior consent of the Joint Global Coordinators, such lock-up is subject to certain exceptions. Please see "*The Offering—Lock-ups—Foundation Lock-up*" for further information.

In addition, as at the date of this Prospectus, 13.3% (7.6% following completion of the Offering and assuming the Over-allotment Option is exercised in full) of Unicaja Banco's ordinary shares correspond to minority shareholders who received shares as a result of the exchange offer that Unicaja Banco launched at the time of the acquisition of EspañaDuero or from the conversion of our necessarily convertible bonds ("**NeCoCos**") on June 30, 2016 or both, as the case may be (see "*Business—History*"). There is no lock-up over any of the ordinary shares held by such minority shareholders.

Accordingly, any sales of ordinary shares by such minority shareholders, new shareholders or, after the expiry of the lock-up period referred to above, the Foundation, or the perception that any such sales may occur, could put downward pressure on the market price of the Company's ordinary shares.

Risk of overhang due to the Savings Banks Foundation law

As at the date of this Prospectus, the Foundation owns 86.7% of the Company's ordinary shares. Following completion of the Offering and assuming the Over-allotment Option is exercised in full, the Foundation will own 49.7% of the Company's ordinary shares. In accordance with Law 26/2013 of savings banks and banking foundations (*Ley 26/2013, de cajas de ahorros y fundaciones bancarias*) (see "*Regulation—II. Local Regulations— c. Other relevant regulations—Banking Foundations Law Overview*" for further details), the Foundation has so far chosen to give up control of the Company during a five-year period ending in 2020, which could place downward pressure on the market price of the Company's ordinary shares, particularly if the Over-allotment Option is not exercised. See also "*Regulation—II. Local Regulations— c. Other relevant regulations—Banking Foundations Law Overview*" for further information on the eight year legal period to give-up control. The future sales of these ordinary shares could adversely affect the trading price of the Company's ordinary shares and our ability to raise additional capital by issuing equity securities. See also "*—Sales of ordinary shares after the Offering may cause a decline in the market price of the Company's ordinary shares*".

We may not pay dividends on the Company's ordinary shares and, as a result, investors' only opportunity to achieve a return on their investment could be if the price of the shares appreciates

As at the date of this Prospectus no dividend policy has been approved for the Company. Any determination to pay dividends or buy back ordinary shares in the future must be proposed by the Board of Directors and then approved by its shareholders. The actual payment of future dividends and the amounts thereof, will depend on a number of factors, including (but not limited to) the amount of distributable profits and solvency requirements, earnings, level of profitability, cash flow generation, credit ratings, applicable restrictions on the payment of dividends under applicable laws, compliance with covenants in the Company's debt instruments (further details of which are set out in "*Dividends and Dividend Policy*"), the level of dividends paid or shares repurchased by other comparable listed companies doing business in Spain and such other factors as the Board of Directors may deem relevant from time to time. As a result, the Company's ability to pay dividends or buy back ordinary shares in the future may change. If dividends are not paid in the future, capital appreciation, if any, of the Shares would be investors' sole source of gains. The market price of the Company's ordinary shares might never exceed, and may fall below, the Offer Price.

In addition, the Term Sheet imposes additional dividend payment restrictions on Unicaja Banco. In order to comply with the Term Sheet, Unicaja Banco may not distribute dividends that exceed 30% of its annual distributable profit until after Admission. Once the Company's ordinary shares have been admitted to trading, that limit will be increased to 40% of Unicaja Banco's annual distributable profit until all CoCos FROB have been repaid, after which such limitation will cease. See "*Reasons for the Offering and Use of Proceeds*".

If the PeCoCos are converted in the future, investors may suffer losses due to dilution

If the Company's perpetual contingent convertible bonds ("**PeCoCos**") which were issued as part of the Company's offer for EspañaDuero (see "*Business—History*") for an amount of €49 million that were outstanding as at December 31, 2016, are converted in the future, investors will be diluted. The PeCoCos will be mandatorily converted into newly-issued ordinary shares of the Company under various circumstances, including the following, none of which apply as at the date of this Prospectus:

- *Early conversion*: (i) if Unicaja Banco adopts any action aimed at its dissolution and liquidation, irrespective of whether such dissolution or liquidation is voluntary or whether it is declared insolvent; or (ii) if Unicaja Banco adopts any action as a result of which any share capital reduction is approved in accordance with Article 320 et seq. of the Spanish Companies Act, or Article 343 by reference of Article 418.3 of the Spanish Companies Act.

- *Contingency events*: (i) if we present Core Tier 1 capital below 7%, calculated in accordance with the definition used in Recommendation EBA/REC/2011 that was applied in the stress test of the EBA, or any other percentage of equity below to the minimum required by the Spanish or European applicable regulations, provided that such Recommendation is still in force; (ii) if Unicaja Banco or the Group presents a CET1 below 5.125%, calculated in accordance with Circular 2/2016 (as amended or supplemented from time to time) and, in particular, with CRD IV/CRR; or (iii) if Unicaja Banco or the Group has significant accounting losses and presents a Tier 1 capital ratio below 6%, calculated in accordance with Circular 2/2016 (as amended or supplemented from time to time) and, in particular, with the CRD IV/CRR or any other applicable Spanish regulation.

- *Viability events*: (i) if the Bank of Spain or the ECB decides that, without the conversion, the Company would no longer be viable; or (ii) if state funds or any other kind of financial aid is injected into the Company, without which the Company would not be viable.

- *Regulatory events*: (i) if, under Basel III, PeCoCos cease to be eligible as Additional Tier 1 Capital; or (ii) if, as calculated in accordance with the definition used in Recommendation EBA/REC/2011 that was applied in the stress test of the EBA, PeCoCos cease to be eligible as Core Tier 1.

Under no circumstances will the repayment of PeCoCos be made in cash. In such case, holders of the PeCoCos would receive ordinary shares of the Company with a nominal value of €1 each according to a fixed conversion ratio calculated as the amount resulting from dividing the unit nominal value of the relevant PeCoCo by the value attributable to the ordinary shares, which is set at €1.18827 per ordinary share. Therefore, each €1 nominal value of PeCoCos will be convertible into 0.84 ordinary shares of the Company. For illustrative purposes, if the PeCoCos were to be converted as at the date of this Prospectus, they would result in 41,467,897 new shares of the Company (representing approximately 4.3% of the total number of ordinary shares prior to the Offering). The difference between the nominal value of the converted bonds and the nominal value of the Company's ordinary shares received in exchange will be considered as the share premium. Any such conversion of the PeCoCos would result in the dilution of existing shareholders.

We may in the future issue new shares or equity-linked securities, which may dilute investors' interests

In the future, we may seek to raise additional capital through further offerings of equity securities or equity-linked securities (if made on a non-pre-emptive basis or, if made on a pre-emptive basis, where shareholders elect not to take up their preferential subscription rights) that could dilute the interests of the Company's shareholders (including upon the conversion of any convertible securities we may issue or as a result of the application of the Bail-in Power with respect to any securities) and could have an adverse effect on the market price of the Company's ordinary shares as a whole.

However, as described further in "*The Offering*", the Company has agreed not to issue further ordinary shares or equity-linked securities from the date of signing the Underwriting Agreement until the date which is 180 days after the Settlement Date. However, such lock up is subject to certain customary exceptions and does not apply for the purpose of executing any strategic acquisitions or transactions by the Company provided that, in the event of any such strategic acquisitions or transactions, each recipient of such shares shall agree in favor of any of the Joint Global Coordinators to be bound by customary restrictions for the remainder of the 180-day period. See also "*—Sales of ordinary shares after the Offering may cause a decline in the market price of the Company's ordinary shares*" and "*The Offering—Lock-ups*".

There is no established trading market for the Company's ordinary shares. There is no guarantee that a liquid market for the Company's ordinary shares will develop

This Offering constitutes the Company's initial offering of ordinary shares, and no public market for the Company's ordinary shares currently exists. Unicaja Banco will apply to list its ordinary shares on the Spanish Stock Exchanges and we expect Admission to occur on or about June 30, 2017, subject to completion of customary procedures in Spain. Any delay in the commencement of trading of the ordinary shares on the Spanish Stock Exchanges would impair the liquidity of the market for the Company's ordinary shares and make it more difficult for holders to sell the Company's ordinary shares.

Even if the ordinary shares are listed on the Spanish Stock Exchanges and quoted on the AQS, there can be no assurance that an active and liquid trading market will develop or be sustained after the Offering is completed or that analysts will maintain research coverage of us. The Offer Price is being determined by way of a book building process. The Offer Price for the Shares may bear no relationship to the price at which the ordinary shares will trade upon completion of the Offering. Therefore, it cannot be assured that the Offer Price Range and the Offer Price will match the future price of the Shares following the Offering. If an active and liquid trading market does not develop or is not maintained, the liquidity and trading price of the ordinary shares could be seriously harmed. As a result, investors could lose all or part of their investment in the Shares.

The Company's major shareholder will be able to exercise significant influence over us and we face certain risks relating to conflicts of interest between such major shareholder and the Group and other minority shareholders

As at the date of this Prospectus, the Foundation owns 86.7% of the Company's ordinary shares. Following completion of the Offering and assuming the Over-allotment Option is exercised in full, the Foundation will own 49.7% of the Company's ordinary shares and, accordingly, despite having so far chosen to give up control of the Company during a five-year period ending in 2020, see "*Regulation—II. Local Regulations— c. Other relevant regulations—Banking Foundations Law Overview*" for further information on the eight year legal period to give-up control, the Foundation will continue to be able to exercise a significant influence over matters requiring shareholders' approval, including the distribution of dividends, appointment of directors, changes in the Company's issued share capital and adoption of amendments to the Company's bylaws. Although we are independently managed and the Foundation does not manage our day-to-day operations, its interests and those of its affiliates could conflict with our interests and the interests of the other shareholders of the Company.

The Foundation may also have an interest in pursuing divestitures, financings or other transactions that in its judgment could enhance its equity investment which might result in a conflict of interest with the Group and any other minority shareholders. In that sense and in accordance with Law 26/2013 on Savings Banks and Banking Foundations, the management of the Foundation's stake in Unicaja Banco is regulated by a management protocol (*Protocolo de gestión de la participación financiera de la Fundación Bancaria Unicaja en Unicaja Banco*) (the "**Foundation's Protocol**"), elaborated by the governing body (*Patronato*) of the Foundation in January 2015, which was approved by the Bank of Spain and then amended on February 18, 2016, which mainly addresses general ends and guidelines, brand utilization, the appointment of the Board of Directors, conflict of interests and intra-group services (see "*Related Party Transactions—Transactions with the Foundation, Foundation's Protocol*").

It may be difficult for shareholders outside Spain to serve process on, or enforce foreign judgments against us or our directors

The Company is incorporated under the laws of Spain. The rights of the shareholders are governed by Spanish law and by the Company's bylaws. These rights may differ from the rights of shareholders in non-Spanish corporations. All of the Company's current directors are resident in Spain and all of our assets are currently located in Spain. As a result, it may be difficult for shareholders outside Spain to serve process on, or enforce foreign judgments against the Company or its directors, and shareholders may not be able to effect service of process or enforce judgments in their country of residence.

Our corporate governance regime is principally determined by Spanish corporate law, the bylaws and the Company's internal rules governing the meetings of the Board of Directors and the shareholders as further described in "*Management, Board of Directors and Employees*". Shareholders' rights and the fiduciary responsibilities of directors, officers and controlling shareholders are different under Spanish law when compared with the statutes and judicial precedents of other jurisdictions, including most states in the United States. As a result, shareholders may have more difficulty in protecting their interests with regard to any acts or any failure to act by the Company's directors, officers or shareholders than would shareholders of a corporation incorporated in another jurisdiction or a state in the United States. In addition, Spanish or other courts may not impose civil liability on the Company, the directors or officers, in any action based solely on foreign securities laws brought in a court of competent jurisdiction in another country.

Shareholders in certain jurisdictions other than Spain or other EU countries, including the United States, may not be able to exercise their pre-emptive rights to acquire further shares or participate in buy-backs

Pursuant to the Spanish Companies Act, holders of shares generally have the right to subscribe and pay for a sufficient number of shares to maintain their relative ownership percentages prior to the issuance of any new shares against monetary contributions or the issue of convertible securities, unless such right is expressly excluded under special circumstances by a resolution passed at the general shareholders' or board of directors' meeting. Even if the right is not excluded and therefore exercisable, it is possible that holders of ordinary shares located in jurisdictions other than Spain, depending on the regulations applicable in such jurisdictions, may not be able to exercise pre-emptive subscription rights unless certain legal requirements (for example, a requirement to register the rights offering with the securities market regulator of the relevant jurisdiction) are fulfilled or an exemption from such requirements applies. The Company may determine that it is not in its best interests to comply with these formalities and there can be no assurance that such exemptions will be available. Accordingly, the pre-emptive subscription rights of any such affected shareholders may lapse and their proportionate interests be reduced. In particular, holders of ordinary shares resident in the United States may not be able to exercise any future pre-emptive subscription rights in respect of the ordinary shares they hold unless a registration statement under the Securities Act is effective or an exemption from the registration requirements under the Securities Act is available, nor may they be able to participate in any buyback program. No assurance can be given that the Company would file or has declared any such registration statement as effective or that any exemption from such registration requirements would be available or that the Company would make use of an exemption, if available.

We intend to evaluate at the time of any pre-emptive rights offering or buyback program the costs and potential liabilities associated with the granting of pre-emptive rights or extending the buyback program to U.S. holders of ordinary shares, as well as the benefits to the Company of enabling the exercise by such holders of pre-emptive rights for the ordinary shares or participation in the buyback, as the case may be. In doing so, we will also evaluate any other factors we may consider appropriate at the time. It is possible that we may opt not to extend pre-emptive rights or any buyback offer to U.S. holders.

The Shares will not be freely transferable in the United States

Any Shares offered and sold to investors located in the United States will be "restricted securities" (as defined in Rule 144 of the Securities Act) and such Shares may not be reoffered, resold, pledged or otherwise transferred, except: (i) outside the United States in accordance with Rule 903 or Rule 904 under Regulation S; (ii) to a QIB in a transaction that is exempt from registration under the Securities Act and that meets the requirements of Rule 144A; (iii) pursuant to an effective registration statement under the Securities Act; (iv) in accordance with Rule 144 of the Securities Act; or (v) in another transaction not requiring registration under the Securities Act; and, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

An investor whose currency is not the euro is exposed to exchange rate fluctuations

The Shares will be priced in euro and any future payments of dividends, if any, on the ordinary shares will be denominated in euro. Any investment in Shares by an investor whose principal currency is not the euro exposes the investor to foreign currency exchange risk. The U.S. dollar or other currency equivalent of any dividends paid on the Shares or any distributions made on an investment made in the Shares could be adversely affected by the appreciation of the euro against other currencies, or its depreciation in the sale of the shares.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS AND OFFERING STATISTICS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Event	Date
Registration of the Prospectus with the CNMV	June 15, 2017
Commencement of book-building period	June 15, 2017
Finalization of book-building period	June 28, 2017
Publication of pricing statement and execution of Underwriting Agreement	June 28, 2017
Selection of offers to subscribe for Shares	June 28, 2017
Confirmation of offers to subscribe for Shares	June 29, 2017
Registration with the Commercial Registry of the public deed relating to the capital increase	June 29, 2017
Admission	June 30, 2017
Settlement Date	July 3, 2017
End of the Stabilization Period	July 29, 2017

Each of the dates in the above timetable is subject to change without prior notice, in which case we will file a relevant fact disclosure (*hecho relevante*) with the CNMV.

OFFERING STATISTICS

Offer Price Range (per Share)	€1.10-€1.40
Number of New Shares in the Offering to be issued by the Company	625,000,000 (40.4% of post-Offering share capital assuming no exercise of the Over-allotment option)
Over-allotment Shares	Up to 62,500,000
Estimated gross proceeds of the New Shares receivable by the Company(1)	€781,250,000
Estimated gross proceeds of the Over-allotment Shares receivable by the Company(1)(2)	€78,125,000
Estimated fees and expenses of the Offering(1)(2)(3)	(€33,061,250)
Estimated net proceeds of the Offering receivable by the Company in relation to the New Shares(1)(3)	€750,532,500
Estimated net proceeds of the Offering receivable by the Company in relation to the Over-allotment Shares(1) (2) (3)	€75,781,250
Expected market capitalization of the Company following the Offering(1)(2)	€2,012,877,651

Notes:

(1) *Assuming the Offer Price is the mid-point of the Offer Price Range.*

(2) *Assuming the Over-allotment Option is exercised in full.*

(3) *Assuming payment of the maximum amount of the Managers' discretionary commission excluding VAT.*

BUSINESS

Overview of the business

We are a Spanish retail bank based in Málaga that was founded on December 1, 2011, as a result of the segregation and transfer of the banking business of the former savings bank Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén which in turn was established in 1991 through the merger of several savings banks, most of which had over 100 years of banking experience.

As at December 31, 2016, we had €57.2 billion total assets (€60.3 billion and €68.0 as at December 31, 2015 and 2014, respectively) and stood as the eighth largest Spanish bank (as per Spanish Confederation of Savings Banks ("**CECA**") and Asociación Española de Banca ("**AEB**") reported figures). We are characterized by a retail-based business model with a prudent commercial and risk-taking approach, customer-oriented business model, moderate risk profile, conservative balance sheet and strong capital and liquidity positions.

As at December 31, 2016, we served around 2.7 million individuals and 442 thousand SMEs, corporate customers and self-employed persons with a primary focus on Andalucía and Castilla y León where we are a leading player with market shares of 10% by loans and 13% by deposits in Andalucía, and 15% by loans and 22% by deposits in Castilla y León as at December 31, 2016 (source: Bank of Spain and Company estimates). As at December 31, 2016, we had a loyal customer base with 88% of our deposit-holding clients having a deposit tenure of more than five years.

Through our 1,279-branch network in Spain across 38 provinces and two Autonomous Cities at December 31, 2016, of which 997 branches are located in our Core Regions, and our online and telephone banking platforms, we offer a comprehensive range of retail banking products and services, with a special focus on primary residence mortgages, current accounts, term deposits and low-risk off-balance sheet products (mutual funds and life savings). As at December 31, 2016, we had 7,365 employees (7,947 and 8,354 as at December 31, 2015 and 2014, respectively).

Our retail focus is reflected by our simple balance sheet structure with our retail business accounting for 69% of our loan portfolio and 88% of our deposit base as at December 31, 2016. Core Customer Deposits made up 62.9% (this percentage is calculated using the Core Customer Deposits APM) of our total assets as at December 31, 2016. The following sets forth a summary of certain key performance measures and APMs (see "*Alternative Performance Measures*" for definitions) as at or for the periods indicated, as restated pursuant to Circular 5/2014:

	As at/for the year ended December 31,		
	2016	**2015**	**2014**
Total assets	€57.2 billion	€60.3 billion	€68.0 billion
Core Customer Deposits	€36.0 billion	€37.5 billion	€35.8 billion
Customer loans	€30.7 billion	€33.1 billion	€35.1 billion
LTD ratio	83%	82%	91%
Net profit	€135.1 million	€183.8 million	€447.5 million
CIR	56.1%	40.3%	43.4%
RoE	4.9%	6.7%	17.1%
CET1 fully-loaded	11.8%	11.1%	10.3%
CET1 phased-in	13.8%	12.8%	11.0%
Leverage ratio fully-loaded	5.2%	5.1%	4.8%

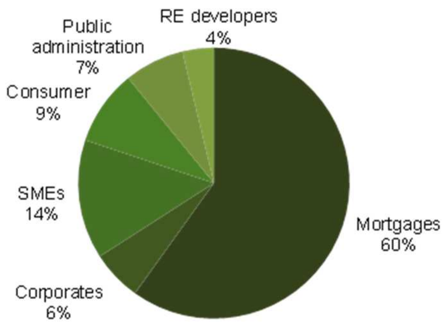
Key Strengths

We believe we benefit from the following competitive strengths which will help to execute our Strategy for the years 2017-2020 and to achieve our goals:

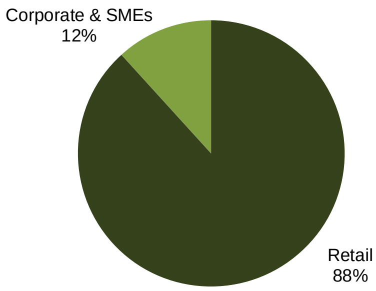
A purely domestic retail bank in Spain with clear leadership in its Home Regions

We are a Spanish domestic bank focused on retail customers. As at December 31, 2016, we provided services to a total of 3.1 million customers with 82% of our branches located in our Home Regions. We have a straightforward commercial approach, offering simple, customer-driven and low-risk products with a special focus on primary residence mortgages, current accounts, term deposits and low-risk off-balance sheet products (primarily mutual funds and life savings) as shown in the following charts.

Gross loans breakdown as at December 31, 2016



Core Customer Deposits breakdown as at December 31, 2016



We segment our geographical footprint into the following four categories:

- **Core Regions**: provinces/areas where our market share in terms of branches is above 10%, namely Málaga, Almería, Cádiz, León, Valladolid, Salamanca, Jaén, Ciudad Real, Palencia, Zamora, Cáceres, Soria, Melilla and Ceuta;
- **Natural Expansion Regions**: provinces/areas in our Home Regions where our market share in terms of branches is below 10%, namely Sevilla, Cordoba, Granada, Burgos and Huelva (the "**Natural Expansion Regions**");
- **Madrid**: where we have a specific strategic growth plan for the 2017-2020 period; and
- **Other areas:** other provinces where we are present.

The following table sets out information related to our market shares in deposits, loans and branches as at December 31, 2016 in our Core Regions, Natural Expansion Regions and Madrid.

Geographical footprint

			Market Share		
Market	**Province/Autonomous City**	**Autonomous Community/city**	**Deposits**	**Loans**	**Branches**
Core Regions	Málaga	Andalucía	33.7%	22.9 %	25.1%
	Cádiz		18.3%	11.5%	15.4%
	Jaén		17.4%	15.4%	16.9%
	Almería		16.5%	11.9%	23.3%
	Salamanca	Castilla y León	34.6%	22.1%	30.6%
	León		33.3%	23.9%	25.3%
	Zamora		32.3%	22.3%	32.3%
	Soria		28.5%	13.9%	27.8%
	Palencia		30.0%	20.8%	30.3%

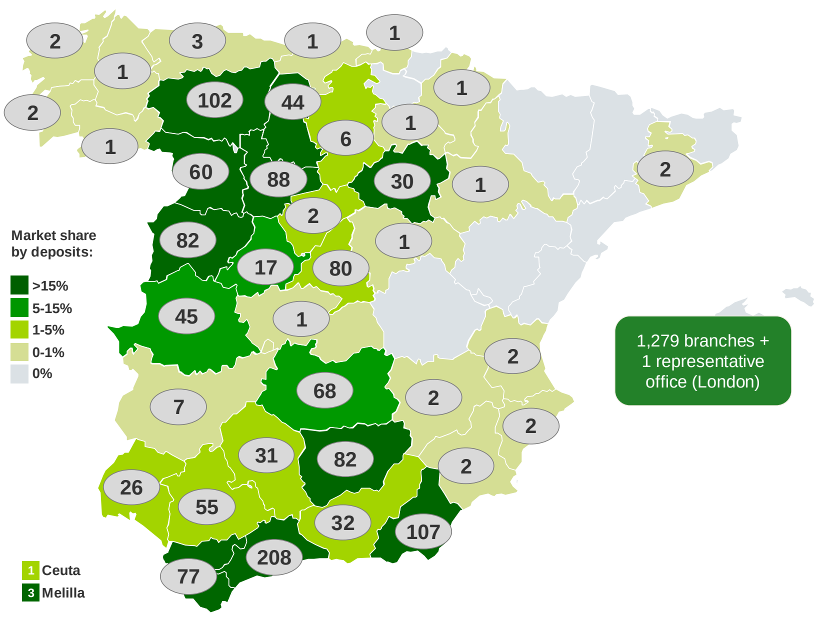
	Valladolid........................		24.0%	14.9%	23.7%
	Melilla..............................	**Melilla**	24.9%	17.0%	14.3%
	Ceuta................................	**Ceuta**	4.5%	6.6%	5.9%
	Ciudad Real......................	**Castilla-La Mancha**	11.8%	9.8%	17.0%
	Cáceres.............................	**Extremadura**	9.5%	9.2%	13.0%
	Arithmetic mean		**22.8%**	**15.9%**	**21.5%**
Natural Expansion Regions	Burgos..............................	**Castilla y León**	1.3%	3.1%	1.7%
	Córdoba............................	**Andalucía**	3.0%	4.3%	6.2%
	Huelva..............................		3.2%	5.5%	9.0%
	Sevilla		2.4%	3.1%	5.9%
	Granada............................		1.8%	2.8%	5.4%
	Arithmetic mean		**2.3%**	**3.8%**	**5.6%**
Madrid	Madrid		1.0%	1.0%	2.2%

(Source: Company estimates and Bank of Spain)

Our footprint is mainly located in certain provinces of the Autonomous Communities of Andalucía and Castilla y León, as well as Melilla, which together accounted for 18.4% of Spanish GDP for the year ended December 31, 2015 and had a population of 11 million people, which represented 23% of the total Spanish population as at such date (source: INE). Our deposit market share in our Core Regions has been stable and resilient since 2010, which we believe is a result of our clear and longstanding focus on these regions, strengthened by the various activities carried out by Unicaja Banco in the community.

As at December 31, 2016, we had a 1,279 branch network in Spain (1,353 and 1,420 as at December 31, 2015 and 2014, respectively) of which 997 branches were concentrated in our Core Regions (78% of total). In our Core Regions, our average branch market share stood at 21.5% as at December 31, 2016 and we have either the first or second highest branch market share in twelve Spanish provinces, which compares favorably with our Peers. Our branch network has a wide reach in our Core Regions, with 7% of the branches located in municipalities where we were the only banking entity physically present as at December 31, 2016. This reach, together with our overall market position, brand recognition and customer proximity, provides relative pricing flexibility. Our Strategy envisions the closure of 88 branches and the opening of nine strategic new branches in selected locations during the period 2017 to 2020, with the aim of reducing the total number of branches to 1,201 as at December 31, 2020.

Geographical footprint as at December 31, 2016



Prudent and conservative balance sheet management

We believe we have a comparatively low risk profile, which is reflected by what we regard as our (i) solid capitalization levels; (ii) conservative balance sheet position; (iii) relatively high coverage ratios (among the highest in the Spanish banking sector); (iv) lower-than-average real estate exposure when compared to our Peers (2.6% of our net portfolios accounted for loans to real estate developers and the construction sector as at December 31, 2016, which was the second lowest among our Peers); (v) sound liquidity position; and (vi) prudent growth strategy. Unicaja Banco has comfortably passed all the stress tests held since 2010 without any recourse to State Aid. Our Texas Ratio (as defined in "*Alternative Performance Measures*"), which is a measure of credit strength, was 94.1% for the year ended December 31, 2016, which compares favorably to that of our Peers, who had an average of 107% for the year ended December 31, 2016, and shows a steady improvement from 94.9% and 99.9% for the years ended December 31, 2015 and 2014, respectively (source: Company data). Following the Offering, we expect our Texas Ratio to be approximately 82% (based on March 31, 2017 data and assuming full subscription of the Offering and that the Over-allotment Option is exerzised in full).

The following table sets forth below our credit exposure as at December 31, 2016:

(*€ millions unless otherwise stated*)	**Gross amount**	**Provisions**	**Net amount**	**Of which NPLs**	**NPL ratio(1)**	**NPL Coverage ratio(2)**
Public administrations	**2,160**	**0**	**2,160**	**10**	**0%**	**0%**
Companies	**7,263**	**883**	**6,380**	**1,498**	**21%**	**59%**
Real estate development and/or construction purposes	1,175	364	811	503	43%	72%
Construction purposes not related to real estate development	363	56	307	69	19%	81%
Other Purposes	5,725	463	5,261	926	16%	50%
Large Corporates	1,435	56	1,380	94	7%	59%
SME, small retailers and entrepreneurs	4,289	408	3,882	832	19%	49%
Individuals	**20,844**	**724**	**20,119**	**1,707**	**8%**	**42%**
Mortgages	18,127	527(3)	17,600	1,382	8%	38%
Other loans with collateral	15	0	15	0	1%	81%
Other loans	2,701	198	2,504	325	12%	61%
Other	**2,463**	**-**	**2,463**	**-**	**-**	**-**
Securities acquired under repurchase agreements	2,078	-	2,078	-	-	-
Other financial assets	385	-	385	-	-	-
Total	**32,730**	**1,607(3)**	**30,686**	**3,215**	**9.8%**	**50%**

Notes:

(1) *As defined in "Alternative Performance Measures"*

(2) *As defined in "Alternative Performance Measures". Does not include provisions for clauses that set a minimum interest rate in mortgage agreements.*

(3) *Excludes €392 million of provisions for clauses which set minimum interest rates for mortgages in Spain and €45 million of valuation adjustments*

Solid capital position

We believe we have a solid capital position, well in excess of minimum regulatory requirements, and one that we have improved significantly in 2015 and 2016. As at December 31, 2016, our CET1 ratio was 11.8% (including CoCos FROB) (11.1% and 10.3% as at December 31, 2015 and 2014, respectively) and 13.8% (12.8% and 11.0% as at December 31, 2015 and 2014, respectively) on a fully-loaded and phased-in basis. This means that as at December 31, 2016, we had a CET1 ratio that was 655 bps in excess of the 7.25% SREP requirement for 2017 (which was the lowest SREP requirement among our Peers), as well as a total capital ratio (fully-loaded) of 12.4%, which was 165 bps over the 10.75% total capital ratio (fully-loaded) required by SREP. In addition, our leverage ratio (fully-loaded) stood at 5.2% as at December 31, 2016 (compared to a 3.0% minimum requirement).

Moreover, given we have a standardized approach to credit risk (without any advanced models in any portfolio), we hold relatively high RWA density ratios in retail mortgages, corporate loans and SMEs loans (35%, 99% and 77%, respectively) which compares unfavorably with our Peers' average (25%, 66% and 46%, respectively) (source: EBA Transparency Exercise 2016). By way of example, the risk weighting applied to our largest loan book exposure (i.e., retail mortgages) was 35% as at December 31, 2016, which is in line with the standardized approach to credit risk. We have room to reduce RWAs by migrating towards advanced models in the medium term.

Elevated NPA coverage ratios

Our NPA coverage ratio was 55.4% as at December 31, 2016 (57.9% and 60.3% as at December 31, 2015 and 2014, respectively), which compares favorably to our Peers' average of 44.3%. We have reduced our NPAs from €7.4 billion at December 31, 2014 to €5.8 billion at December 31, 2016 (representing 4.5% on a net basis of our total assets at such date), which we believe is a demonstration of our ability to manage our NPAs and has left us with one of the lowest ratios of NPAs over total assets among our Peers. Moreover, our high coverage of NPAs is reinforced by the high collateralization of our NPLs (84% of which is secured as at December 31, 2016).

Low real estate exposure

We have a comparatively low exposure to the real estate market (comprising net foreclosed assets and net real estate developer loans), which as at December 31, 2016, was €1.7 billion, representing 3% of our total assets (below our Peers' average of 6% (source: companies' annual accounts) as at such date).

Sound liquidity position

We believe we have a solid liquidity position and we are already compliant with all Basel III liquidity requirements. High quality liquid assets made up 25.4% of our total assets as at December 31, 2016, demonstrating our comfortable liquidity position and we have managed our wholesale funding maturities so they are spread fairly evenly over the coming years with no large amounts maturing in any particular year. Our liquidity position and related ratios as at December 31, 2016 are summarized below:

- LTD: 83% (81.9% and 91.4% as at December 31, 2015 and 2014, respectively);
- NSFR: 125% (126% and 119% as at December 31, 2015 and 2014, respectively);
- LCR: 410% (410% and 287% as at December 31, 2015 and 2014, respectively);
- Eligible portfolio that could be pledged with the ECB: €14.5 billion;
- Additional capacity to issue covered bonds: €7.4 billion; and
- ECB funding: as at December 31, 2016, we did not have any ECB funding. However, we have taken €3.3 billion of funding in the recent TLTRO provided by the ECB, which we believe could further lower our funding costs.

Further earnings normalization potential alongside synergies' extraction from EspañaDuero integration

The profitability of the Spanish banking sector has been affected in recent years by a number of factors, such as high levels of NPLs, low interest rates, the potential elimination of clauses which set a minimum interest rate for mortgages, continued deleveraging and, although improving as at the date of this Prospectus, a still limited demand for credit.

However, set forth below are a number of relevant factors that we believe should enable us to mitigate these challenges and gradually improve our profitability in the coming years.

New lending business growth

Although we grant fixed-rate loans, the majority of our lending continues to be at variable rates, despite the low interest rate environment. New loans granted (note that new loans with a term of less than a year are weighted pro rata to their term (i.e., by applying the proportion that results from dividing the actual term of the loan over a one year period)) amounted to €2.1 billion in the year ended December 31, 2016 (compared to €1.7 billion in the year ended December 31, 2015) with new lending to SMEs and consumer finance accounting for €1.1 billion or 45% of the new loan production during such period, which represented a year-on-year change of 48% compared to the year ended December 31, 2015, when these sectors accounted for €0.6 billion. However, there is still significant potential to rebalance our loan mix towards profitable SMEs and consumer segments. Regarding net loans, the total loan book fell 7% as at December 31, 2016 compared to December 31, 2015 and total net loans in SMEs decreased by 1.5% but increased by 45.3% in consumer finance over such period.

In the year ended December 31, 2016, we granted €2.1 billion of new loans and as at December 31, 2016, the average loan yield for new loans to SMEs (2.43%) and consumer finance (5.29%) was higher than our average yield on our total gross new loans (2.41%) given that the average yield for new mortgages was 2.05% and for new loans to corporates was 1.54% as at such date. This is encouraging as these new loans had higher average yields than the loans in our back book to corporates and SMEs, mortgages and consumers, which for the year ended December 31, 2016 had average yields of 2.13%, 1.88% and 4.99%, respectively. As such it is part of our Strategy to increase our lending to these segments as a percentage of our total gross loans.

Additionally, we believe there is room to narrow the gap between our loan and deposit market share percentages in our Core Regions by increasing our loan market share (17% average loan market share and 24% average deposits market share as at December 31, 2016) by leveraging on an expected increase in loan demand that will drive new business growth in the coming years.

We therefore intend to grow our loan book at a compound annual growth rate ("**CAGR**") of around 6% from 2016 to 2020, leveraging mainly on the growth of the corporates/SMEs (excluding self-employed) and consumer segments (around 12% and 19% CAGR for the same period, respectively).

*Fall in the average cost of term deposit*s

We expect to see normalization driven by the pricing gap between our back book and new book term deposits (average cost of approximately 0.39% and of approximately 0.13% for the last three months of the year ended December 31, 2016, respectively) taking into account that around 75% of our term deposits will mature by December 31, 2017 with an average cost of 0.37% and in the medium term the comparatively expensive EspañaDuero term deposits will also mature, increasing the potential benefits in this respect (see "*—Long-term improvement of EspañaDuero's current net interest income levels*" below). The pricing levels of new deposits is expected to drive a reduction in our average cost of term deposits as our average monthly cost of new term deposits has fallen sharply from 39 bps in the month of December 2015 to 18 bps in the month of June 2016 and 10 bps in the month of December 2016.

For the last three months of the year ended December 31, 2016, we had a wider quarterly gap between our front and back books than our Peers. In addition, our monthly term deposits' back book average cost has over recent months started to decrease and approach the level of our Peers' average (our Peers' term deposits' back book average cost was 33 bps and 75 bps for the last three months of the year ended December 31, 2016 and December 31, 2015, respectively, whereas ours was 39 bps and 119 bps for such periods, respectively).

We are positively leveraged to interest rate increases given that as at December 31, 2016, we had €22.4 billion of current accounts and term deposits non-sensitive to interest rates movements (considering that 15% of the total current accounts amounts are sensitive). As a result, in the event of a potential rise in the interest rate curves, the increase in the cost of funding would be lower than the increase of the interest-earning assets' yields, that would move in line with the interest rate curves, thereby improving our Customer Spread, which has remained resilient for the years ended December 31, 2016, 2015 and 2014 at 2.07%, 2.13% and 2.08%, respectively. By way of example, if interest rates were to rise by 50 bps we estimate that our net interest income would improve by over 6.5% (once the balance sheet is fully repriced), under the assumptions of (i) constant balance (except for fixed income portfolio, as the redemptions and forward sales are only replaced with €2 billion of new purchases and €3.3 billion repo money market liabilities replaced by the recent TLTRO; (ii) term deposits/Euribor correlation of 100%; and (iii) removal of the minimum interest rates of the mortgage clauses.

In addition, we have taken €3.3 billion of funding in the recent TLTRO provided by the ECB, which we believe could further lower our funding costs.

Net fees and commissions potential

As a result of our conservative commercial approach, our fee income levels currently compare unfavorably with our Peers. However, we have identified several opportunities to potentially increase our commission income in the future, including boosting off-balance sheet asset gathering and our credit card business and increasing cross-selling initiatives and we believe that our net fee income has already started to improve, increasing from €50.8 million in the three months ended June 30, 2016 to €51.7 million in the three months ended September 30, 2016 and further increasing to €51.8 million in the three months ended December 31, 2016.

The following table sets forth below our commissions income breakdown as at December 31, 2016, December 31, 2015 and December 31, 2014.

Commissions income breakdown

	Year ended December 31, 2016		Year ended December 31, 2015		Year ended December 31, 2014	
	(€ millions)	(%)	(€ millions)	(%)	(€ millions)	(%)
Fees relating to collection and payment services	115.1	51.0	123.3	44.8	125.6	50.1
Fees relating to marketing of non-bank financial products(1)	63.5	28.1	84.3	30.6	65.5	26.1
Fees relating to investments and complementary activities	26.3	11.6	48.3	17.6	30.8	12.3
Fees relating to contingent risks & commitments	10.3	4.6	14.1	5.1	13.6	5.5
Fees relating to foreign currency and note exchange	0.4	0.2	0.4	0.1	0.4	0.2
Other	10.2	4.5	4.7	1.7	14.6	5.8
Total commissions income	***225.8***	***100***	***275.1***	***100***	***250.5***	***100***
Debit and credit operations	(0.5)	(2.7)	(0.5)	1.3	(0.5)	2.5
Commissions ceded to other banks and correspondent banks	(10.4)	(56.5)	(10.8)	29.7	(16.4)	70.1
Commission expense on securities transactions	(2.6)	(14.1)	(1.2)	3.3	(1.3)	5.6
Other commissions	(4.9)	(26.6)	(23.9)	65.7	(5.1)	21.8
Total commissions expense	***(18.4)***	***100***	***(36.3)***	***100***	***(23.2)***	***100***
Net commissions	***207.4***	***n.a.***	***238.8***	***n.a.***	***227.2***	***n.a.***
Net commissions (% ATA)	***0.35%***	***n.a.***	***0.36%***	***n.a.***	***0.33%***	***n.a.***
Peers' net commissions (% ATA)(2)	***0.47%***	***n.a.***	***0.48%***	***n.a.***	***0.46%***	***n.a.***

Notes:

(1) Comprises disintermediation products such as investment funds, insurance products, pension funds and other transactional services

(2) Calculated as net commissions divided by average quarterly total assets (source: companies' annual accounts and quarterly reports).

We had €11.6 billion of off balance sheet customer funds marketed by the Group as at December 31, 2016, of which €5.6 billion were investment and mutual funds, €2.2 billion were pension funds, €3.0 billion were insurance products related funds and €0.9 billion were assets under management in discretionary portfolio. We believe that we have significant room to increase such balances given the significant gap existing between our 2.4% market share in the asset gathering business and our 3.6% nationwide deposit market share as at December 31, 2016 (source: Inverco and ICEA). Our non-banking fees were €63 million, or 0.55% of our off-balance sheet customer funds in the year ended December 31, 2016. In addition, our net banking fees and commissions in the year ended December 31, 2016 represented 0.22% of our customer loans and deposits compared to our Peers' average of 0.29% (source: companies' annual accounts, Inverco and ICEA).

Moreover, and with regard to our insurance business, our intention is to operate under a multibrand approach, as at the date of this Prospectus, we are currently restructuring our insurance agreements:

- In January 2016, we signed an exclusive distribution agreement for non-life insurance with Caser. In addition, on February 11, 2016, EspañaDuero signed an agreement to sell its wholly-owned subsidiary Unión Duero Seguros to Caser. Caser later absorbed Unión Duero Seguros in May 2017. The impact of the exclusive distribution agreement referred to above was recorded within "other operating income" and amounted to €98.1 million in 2016 (see "*Operating and Financial Review—Results of operations—Comparison of consolidated income statement movements for the years ended December 31, 2016 and 2015—Other operating income*"), whereas the sale of 100% of Unión Duero Seguros amounted to €23.2 million.

- In addition, in May 2017, each of EspañaDuero and Unicaja Banco reached an agreement with Aviva to terminate their strategic alliance in relation to the development, commercialization and distribution of life insurance products and pension plans in Spain. At the same time, Santa Lucía agreed to buy Aviva's life insurance business in Spain, which includes Aviva's 50% stake in Unicorp Vida and Caja España Vida and reached an agreement with EspañaDuero and Unicaja Banco for the exclusive distribution of life insurance products and pension plans through the Group's branch network (excluding the network corresponding to the former CajaDuero). These transactions are subject to obtaining the relevant regulatory approvals, which have already been requested. Moreover, EspañaDuero has recently agreed with Mapfre the termination of its bancassurance agreement in Unión Duero Vida and Unión Duero Pensiones and is expected to acquire Mapfre's stake in such companies. However, EspañaDuero disagrees with the valuation of such stake and has reserved its right to claim against Mapfre. See "*Risk Factors—Risks relating to the Group and its business—Specific risks relating to the Group—The restructuring of joint ventures and distribution agreements for our distribution of insurance products may result in contractual claims or penalties and breaches of contracts*" and "*Material Contracts—Bancassurance reorganization* for further information.

In addition, in order to grow our off-balance sheet business, we have developed several plans aiming to:

- increase our cross-selling metrics by developing focused and segmented marketing campaigns, as 43% of our customers had over three products with us as at December 31, 2016 (35% had only one product with us); and

- grow the number of credit cards to increase the current low proportion of credit cards within our total cards (comprised of both credit and debit cards) issued (38% as at December 31, 2016 compared to the 65% system average as at December 31, 2016 according to Bank of Spain data) which suggests there is room to enhance this business.

Long-term improvement of EspañaDuero's current net interest income levels

Although EspañaDuero's current revenue levels are negatively affected by certain factors, we expect that many of these have the potential to improve significantly over the long term, thereby potentially improving its current depressed net interest income levels, driven by:

- the maturity of €1.3 billion long-term retail deposits at an average cost of 4.3% in 2020-2021 (of which €860 million mature in 2020 and €468 million in 2021);

- the repayment by EspañaDuero no later than April 30, 2018 of €604 million of CoCos FROB (which have a coupon of 10.25% for 2017 plus yearly increases of 50 bps), which we aim to achieve with part of the proceeds from the Offering; and

- the maturity of €1,241 million covered bonds at an average cost of 2.30% and maturing by 2021.

As at the date of the Prospectus, we estimate that the above three drivers could generate potential annual cost savings of up to €135 million. In addition, the acceptance of new TLTRO funding could generate further annual cost savings of up to €30 million (partly already factored in).

Recovery of EspañaDuero's commercial dynamism

EspañaDuero has been less active commercially in the last couple of years, hampered by the requirements imposed by the Term Sheet, which we believe leaves significant room to narrow the existing productivity gap between EspañaDuero and Unicaja Banco in the future. For the year ended December 31, 2016, EspañaDuero had €83 thousand of revenue per employee and €465 thousand of revenue per branch, whereas Unicaja Banco had €194 thousand and €1,194 thousand, respectively. In addition, for the year ended December 31, 2016, EspañaDuero had 0.50% of NIM over ATA and a cost over core revenues ratio of 118.5%, whereas Unicaja Banco had 1.45% and 54.2%, respectively. However, and despite the restrictions imposed on EspañaDuero by the Term Sheet, EspañaDuero's deposit base has remained stable at around €18.5 billion since 2012, with a leading market share in terms of deposits (22.1%) in Castilla y León as at December 31, 2016 (source: Company estimates) and its asset quality metrics are already approaching the levels of Unicaja Banco.

We expect EspañaDuero to gradually converge towards Unicaja Banco's best practices through the implementation of standards that are now applicable to the whole Group regarding our commercial policies, multi-channel approach and risk management, including scoring systems, recoveries and management of non-core assets.

Further cost rationalization and extraction of synergies from the integration of EspañaDuero

Despite the operating capacity adjustment implemented both at Unicaja Banco and EspañaDuero between 2007 and 2016, amounting to 36% employee rationalization and 40% branch reduction, we believe that there is room to further reduce our cost base. For example, on May 19, 2016, EspañaDuero reached an agreement with the unions to launch a redundancy process (*expediente regulador de empleo* or "*ERE*") that will lead to a workforce reduction in EspañaDuero of 850 employees by the end of 2018 (with 258 of such employees joining Unicaja Banco). We managed to reduce our operating expenses and personnel expenses by 3.8% and 4.2%, respectively between the years ended December 31, 2015 and 2016, and following the acquisition of EspañaDuero and additional cost cutting measures, as at the date of this Prospectus, we aim to deliver a total of €188 million of annual costs savings by 2020, of which €86 million were already achieved during 2016. In order to implement such savings, we expect to incur approximately €409 million of restructuring costs, of which 84% or €344 million had already been provisioned as at December 31, 2016 to implement such restructuring. We estimate that 88% of the total restructuring costs and 58% of the synergies will relate to personnel.

We believe that the restructuring can be carried out in a manner that has little impact on our revenues, primarily because there is very limited customer overlap between Unicaja Banco and EspañaDuero and also because we have targeted plans for customer migration and retention.

For detailed information on the evolution of operating expenses see "*Operating and Financial Review—Explanation of key income statement items—Other operating results—Administration costs*" and "*Operating and Financial Review—Explanation of key income statement items—other administration costs—Amortization*".

CoR Sustainability

We believe that our prudent and low-risk commercial approach, together with a conservative provisioning policy, has translated into strong asset quality and coverage levels, which we expect will allow us to maintain a reduced CoR going forward.

We have relatively limited exposure to real estate developers, which represented 4% of our loan book (i.e., less than €1.2 billion exposure) as at December 31, 2016.

Our NPL ratio stood at 9.8% as at December 31, 2016 and we have one of the highest NPL coverage ratios compared to our Peers (50.0% as at December 31, 2016, excluding provisions for clauses which set a minimum interest rate for mortgages).

Furthermore, we have relatively limited foreclosed assets, which represented 1.7% of our total assets (on a net basis) as at December 31, 2016. Our coverage of foreclosed assets (i.e. coverage as a percentage of gross book value) stood at 62% as at December 31, 2016 and is also one of the highest compared to our Peers, whose average stood at 40% as at that date. In addition, our refinanced and restructured loans continue to decrease, representing 9% of our gross loans as at December 31, 2016 (compared to 12% and 15% as at December 31, 2015 and 2014, respectively). The decrease in the year ended December 31, 2016 is mainly explained by the €815 million loans that met the cure requirements and were no longer classified as refinanced or restructured loans (the impact on P&L was negligible since most of these loans were classified as normal risk). As at December 31, 2016 we also had a higher coverage ratio of total refinanced and restructured loans (i.e. specific coverage as a percentage of gross amount), which stood at 35.2%, than our Peers, whose average stood at 27.9% as at that date.

Moreover, we have a specific team focused on recoveries and management of NPLs and we are currently implementing Unicaja Banco's recovery and NPL management policies in EspañaDuero, which should help us to continue to reduce our NPAs. We have an additional potential strategy in this respect, as we could also choose to sell our stock of written off loans (€2.1 billion as at December 31, 2016) or part of it.

We aim to keep our CoR below 30 bps by December 31, 2020 (it was 25 bps as at December 31, 2016), taking into consideration future potential changes in methodology regarding loan loss provisions and recognition.

Our Strategy

We believe that we have come out of the financial crisis as a healthier and stronger institution. Our successful trajectory has strengthened our conviction with regard to our business model and the five business principles on which it relies: **Rooted, Retail, Risk-averse, Responsibility and Return**.

Maintaining these five principles at the core of our model, we have developed a new strategic plan in order to achieve our strategic goals and execute our Strategy. This plan, which was prepared by our strategy committee (the "**Strategy Committee**"), and approved by the Board of Directors on February 24, 2017, envisions several pillars and key levers (see "*—Strategic Pillars & Key Levers*" below) that have allowed us to establish a series of financial and operating targets (see "*—Key Financial Targets*" below).

Key Financial Targets

We aim to achieve sustainable profitability and have targeted an RoE of over 8% by December 31, 2020 (it was 4.9% as at December 31, 2016). As at the date of this Prospectus, our other key targets include achieving: (i) CIR below 50% by December 31, 2020 (56.1% as at December 31, 2016); (ii) CoR below 30 bps by December 31, 2020 (25 bps as at December 31, 2016); (iii) NPA coverage over 62% by December 31, 2020 (55% as at December 31, 2016); (iv) NPL ratio of approximately 4% by December 31, 2020 (9.8% as at December 31, 2016); (v) CET1 ratio on a fully-loaded Basel III basis over 12% by 2020 (11.8% as at December 31, 2016); and (vi) cash dividend payout ratio of approximately 40% by 2020 (12.6% for the year ended December 31, 2016).

Such targets expressed as part of our Strategy, which are set forth under "*—Strategic Pillars & Key Levers*" below and elsewhere in this Prospectus, are targets only and not a profit forecast. There can be no assurance that any of these targets can or will be met and such targets should not be seen as an indication of our expected or actual results or returns. Accordingly, investors should not rely on the targets to decide whether to invest in the Shares. These targets are not a fact and should not be relied upon as being necessarily indicative of future results.

Neither the Company's independent auditors nor any other independent accountants, nor the Joint Global Coordinators or other Managers or Rothschild compiled, examined or performed any procedures with respect to these targets, nor have they expressed any opinion or any other form of assurance on these targets or their achievability, and such parties assume no responsibility for, and disclaim any association with, these targets. The ultimate achievability of these targets is also subject to numerous risks and uncertainties including, but not limited to, the risks and uncertainties described in this Prospectus.

These targets, while presented with numerical specificity, necessarily reflect numerous estimates and assumptions made by the Company with respect to industry performance, general business, economic, regulatory, market and financial conditions, and other future events, as well as matters specific to the Group's businesses, all of which are difficult or impossible to predict and many of which are beyond the Company's control. These targets reflect subjective judgments in many respects and, thus, are susceptible to multiple interpretations and periodic revisions based on actual experience and business, economic, regulatory, financial and other developments.

As such, these targets constitute forward-looking information (see "*Forward-Looking Statements*") and are subject to risks and uncertainties that could cause actual results to differ materially from those targets, including, but not limited to, the Group's performance, industry performance, general business and economic conditions, competition, adverse changes in applicable laws, regulations or rules, and the various risks set forth in this Prospectus. None of the Company, the Board of Directors, the Joint Global Coordinators, the other Managers or Rothschild or any of their respective affiliates, advisers, officers, directors or representatives can give any assurance that these targets will be realized or that actual results will not vary significantly from these targets. See also "*Risk Factors—Risks relating to the Group and its business—Specific risks relating to the Group—We face the risks that we may be unable to successfully implement our strategy, or achieve our business and financial targets*".

Strategic Pillars & Key Levers

Our aim is to accelerate our business growth by leveraging the strength of our business model in a still challenging interest rate environment. In order to do so, we have developed a strategic plan with six pillars, namely: i) targeted business growth; ii) prudent risk management; iii) efficiency, innovation and quality; iv) reduction and restructuring of non-core assets and businesses; v) full integration of EspañaDuero; and vi) prudent financial and capital management.

These six pillars have been translated into the following levers to achieve our financial and operating targets:

- credit growth in more profitable segments;
- increasing fees and commissions revenues;
- realization of synergies arising from the full integration of EspañaDuero while maintaining strict cost control;
- maintaining a low cost of risk on the back of our high provisioning levels and reduced NPL formation supported by a positive macroeconomic outlook;
- efforts to reduce our NPL portfolio and proactive management and disposal of foreclosed assets; and
- derive benefits from ancillary businesses which are expected to provide revenues diversification and benefits from scope (i.e., insurance and card payments).

Our Strategy has been prepared taking into account our competitive and market positioning, as well as the expected macroeconomic and financial sector trends in our key markets.

Our Strategy and its objectives involve known and unknown risks, uncertainties, assumptions and other important factors that could cause our actual future results and performance or achievements to be materially different from those set forth herein. See "*Risk Factors—Risks relating to the Group and its business— Specific risks relating to the Group—We face the risks that we may be unable to successfully implement our strategy, or achieve our business and financial targets*".

Credit growth in more profitable segments

We aim to increase credit volumes by capturing our credit "natural market share" (i.e., bringing our average loans market share more in line with our average branches market share) mainly in our targeted segments: corporates and SMEs and households (mainly via consumer lending).

We believe our Core Regions provide us with strong potential to capture our "natural demand" for lending products such as mortgage loans and other credit products for individual customers and corporates given our top position by branches in these markets. We aim to increase our market share of corporates and SMEs and consumer lending in our Core Regions from 14% and 7%, respectively, as at December 31, 2016, to approximately 16% and 10%, respectively, by 2020, which are levels that are still below our leading presence measured as our average deposits and branches market shares in our Core Regions as at December 31, 2016 (24.7% and 22.2%, respectively). In addition, we target to maintain our market share of mortgage lending in our Core Regions at approximately 15% by 2020 (our average market share was 15% as at December 31, 2016).

With regards to our Natural Expansion Regions, we aim to gain market share in consumer and corporate credit (including corporates and SMEs), and we aim to deploy specific efforts to develop our most profitable business segments. To this end, we intend to grow our market share of corporates and SMEs and consumer lending in our Natural Expansion Regions from 2% and 2%, respectively, as at December 31, 2016, to approximately 4% and 5%, respectively, by 2020, looking to close the gap with our average market share in terms of branches in those markets (approximately 6.5% as at December 31, 2016, whereas our average deposits market share in our National Expansion Regions was 2.5% as at such date). Regarding mortgage lending, we also aim to grow our market share in our Natural Expansion Regions slightly from 4%, as at December 31, 2016, to approximately 5% by 2020.

We have also developed a specific plan for the Madrid region given its importance within the Spanish economy. In this regard, we have launched the so-called "Plan Madrid" to reinforce our position leveraging on our current presence (average deposits market share of approximately 1% as at December 31, 2016 and 80 branches as at December 31, 2016, equivalent to a market share by number of branches of 2.2% as at such date) in order to increase our market share of corporates and SMEs and consumer lending in Madrid from slightly below 1% and approximately 1%, respectively, as at December 31, 2016 to over 1% and approximately 2%, respectively, by 2020.

Overall, we intend to achieve CAGR for the period 2016 to 2020 of approximately 4%, 12%, 19% and 1% in the public administrations, corporates and SMEs, consumer and mortgages segments, respectively, which would result in an implied CAGR of our total loan book of approximately 6% for the same period.

Apart from the geographic expansion plan outline above, we have the following plans designed to support our credit growth: (i) EspañaDuero plan; (ii) Youth plan; (iii) SME and self-employed plan; and (iv) Cards plan, each of which is detailed below.

EspañaDuero plan

The acquisition of EspañaDuero provided us with a position of leadership in certain provinces of Castilla y León. We believe the culture shared by EspañaDuero and Unicaja Banco and their similar and complementary business models translate into low execution risk for the implementation of our integration plan.

As an initial step, we plan to adjust EspañaDuero's pricing system to that of Unicaja Banco, with an aim to allowing EspañaDuero to capture additional volumes and bring product penetration levels closer to that of Unicaja Banco. We believe that the recent adoption and integration of our systems into EspañaDuero, including our proprietary CRM (customer relationship management) tool, together with the implementation of our IT processes into EspañaDuero, will help to achieve this target in the medium term.

We intend to increase the commercial activity of EspañaDuero and, in particular, we aim to reactivate its lending activity, which, following directives from the FROB and the European Commission's Directorate-General for Competition after receiving State Aid, has contracted in recent years, with EspañaDuero's loan book decreasing by 10% between 2014 and 2015. However, the requirements of the Term Sheet will fall away once the CoCos FROB have been repaid and in order to achieve this growth, the credit plan for EspañaDuero contemplates (i) assigning specialized managers with particular portfolios; (ii) new training and development plans; (iii) the implementation of specific risk management practices; and (iv) a pre-segmentation of corporates.

Youth plan

This segment targets individual customers aged 28 and younger. We believe there is significant potential in this segment through the reinforcement of current relationships and the acquisition of new customers. In order to do so, we intend to strengthen our segmentation tools and further develop a tailored and differentiated product offering for young people.

SME and self-employed plan

Our SME and self-employed plan relies on several initiatives to improve product distribution and commercialization, our product and service suite, customer and market segmentation techniques and risk-based pricing tools. One of the key objectives of our SME and self-employed plan is to increase significantly our agility in the loan approval process, mainly through automation to reduce significantly the processing period for credit approvals. In order to do so, we are developing risk-based pricing models and SME and self-employed market segmentation tools to identify the most appropriate customers to target.

In addition, part of our current salesforce will be further trained in SME banking commercial and risk dynamics, enhancing their focus on the Natural Expansion Regions. With regards to the self-employed segment, given our current leading market share in our Core Regions, we will focus on increasing the strength of our relationships and offering new value-added services in order to maintain our current market position.

Cards plan

We intend to increase the current number of credit cards issued to our customers and to increase the current low proportion of credit cards to total cards (including both credit and debit cards) issued (38% as at December 31, 2016 compared to 65% for the Spanish banking sector as at December 31, 2016, according to Bank of Spain data) which suggests there is room to enhance this business.

Internal processes

In addition, we aim to place a strong focus on the development of advanced internal rating-based ("**IRB**") models in order to maximize the efficiency and agility of our commercial and risk management processes, particularly given our new strategic focus on consumer and SME lending. Our advanced IRB models are expected to (i) reduce time to market, application time, "time to yes" and credit approval processes and (ii) provide more information about existing and prospective clients, improving campaign targeting and other commercial levers. In addition, there is a transformational digitalization plan currently underway that we also expect to help to meet our targets.

Increasing fees and commissions revenues

We intend to increase our fees and commissions revenues on the back of our strong penetration potential in non-banking products. Our customer base has traditionally been conservative and has had limited appetite for sophisticated asset-gathering products (53% of our asset-gathering products were allocated to monetary and guaranteed products as at December 31, 2016) which, combined with our prudent commercial approach, has translated into limited development of our asset-gathering business. Our nationwide market share in mutual funds and life insurance (1.4% and 1.8%, respectively, as at December 31, 2016 (source: Inverco and ICEA)), was well below our nationwide deposit market share of 3.6% as at December 31, 2016 (source: Company estimates), which suggests potential for growth if we can achieve our "natural market share" in mutual funds and life insurance similar to our market share in deposits.

Given the current low interest rate environment, monetary and guaranteed products offer limited attractiveness, which we believe gives us an opportunity to improve our mutual funds offering and, therefore, increase our commissions revenue stream. Furthermore, we intend to focus on improving our savings insurance product offering and portfolio management services. All in all, we aim to achieve a CAGR for the period 2016 to 2020 of approximately 10% in off-balance sheet customer funds, which in turn is expected to result in an increase of the weighting of our off-balance sheet funds among total client resources from 24% as at December 31, 2016 to 29% by December 31, 2020.

In addition, fees from payment services are also expected to stay at around our current level through December 31, 2020 (0.52% as of December 31, 2016), benefiting from: i) EspañaDuero's convergence to Unicaja Banco's levels (our fees from payment services over sight deposits ratio at the Group level stood at 0.52% as at December 31, 2016, compared to EspañaDuero's ratio of 0.34%); and ii) growing business volumes as set out in "*—Credit growth in more profitable segments*"), which are expected to offset the pressure from the market in the amount of fees charged related to collection and payment services.

As a result of the expected evolution of fees from commercialization of non-banking financial products and those from collection and payment services, we aim to increase the ratio of net commissions over average total assets from 0.35% as at December 31, 2016 (which compares with an average of 0.47% of our Peers as at such date) to approximately 0.40% by 2020.

Realization of synergies arising from the full integration of EspañaDuero

We believe we have demonstrated our ability to reduce our operating capacity in recent years: from 2008 to 2016 we reduced our number of branches and employees by 40% and 37%, respectively. However, we believe there is room to deliver additional efficiency and productivity gains through the overall re-sizing of the Group and the integration of EspañaDuero into our platform.

In particular, the IT integration ended in January 2016. From that moment, both Unicaja Banco and EspañaDuero, had ecosystems which are functionally equivalent (although independent) and use the same IT system and applications. Since data bases for both Unicaja Banco and EspañaDuero are independent, this model enables the data confidentiality fencing between the two entities, even though they are part of the same Group. The fact that they have the same IT system, with identical data structure, running on different ecosystems, will enormously enable the integration of both ecosystems if and when necessary. In addition, Unicaja Banco has a security information system which keeps separated the main server from the central servers in Ronda and a back-up centre located in Madrid and run by IBM, which makes the appropriate copies to guarantee the Group's operations.

The operating integration between Unicaja Banco and EspañaDuero is currently an ongoing process. However, taking into account their current IT infrastructures, given the similarity of their ecosystem, applications and hardware, the migration from one entity to the other's IT system would be seamless. At the moment, the operations between the two entities are carried out through Cecabank, which settles operation undertaken by clients of each entity when operating through the other (e.g. if a client of EspañaDuero carries a transaction from a branch of Unicaja Banco, Cecabank would settle the transaction ordered, being the amount taken from the client's account at EspañaDuero).

Concerning the number of employees and branches of the Group, the reduction in their overall numbers derives from the need to reduce installed commercial capacity and the restructuring of overlapping central services. This exercise is driven by a new market environment with lower demand and higher penetration of digital channels, strong pressure on revenues driven by a low interest rate environment and, in the case of EspañaDuero, compliance with the requirements of the Term Sheet.

With regards to the restructuring of the branch network, we have considered the geographical overlap and profitability of branches, commercial activity dynamics by market and efficiency and productivity best practices. Based on this, our Strategy envisions the closure of 88 branches (the majority of which will be EspañaDuero branches) and the opening of nine strategic new branches in selected locations during the period 2017 to 2020, with the aim of reducing the number of branches from 1,280 as at December 31, 2016 to 1,201 as at December 31, 2020.

Moreover, in January 2016, we launched a restructuring plan that, as at the date of this Prospectus, envisions the reduction of a further 644 employees before December 31, 2020 (with the aim of reducing the total number of employees from 7,365 as at December 31, 2016 to 6,721 as at December 31, 2020) through early retirement and voluntary redundancy schemes in Unicaja Banco and a redundancy process (*expediente regulador de empleo* or "*ERE*") in EspañaDuero. As at December 31, 2016, 499 employees had agreed their exit from Unicaja. This employee restructuring plan does not include the potential additional reduction in the workforce due to the full integration of EspañaDuero.

As at the date of this Prospectus, and by reference to the costs incurred during the year ended December 31, 2014, we aim to achieve annual cost savings of approximately €188 million by December 31, 2020 (of which €86 million had been realized as at December 31, 2016), with personnel expense savings expected to account for most of these savings (approximately 58% of the total savings). We target cumulative restructuring costs to amount to approximately €409 million by December 31, 2018 (of which €344 million had been provisioned as at December 31, 2016) recorded under item "Provisions" of the 2016 Annual Accounts) and of which 88% are costs relating to reducing the number of employees.

Maintaining a low cost of risk on the back of our high provisioning levels and reduced NPL formation supported by a positive macroeconomic outlook

We have achieved a marked decrease in CoR, following the significant provisioning effort undertaken in recent years, and we expect to maintain low levels of CoR (below 30 bps) over the period 2017 to 2020 on the back of our high provisioning levels, our highly secured NPL loan book (84% of which is secured) and our efforts to reduce NPAs.

Efforts to reduce our NPL portfolio and proactive management and disposal of foreclosed assets

Our Strategy also focuses on reinforcing active management of our non-core businesses and assets to allow us to focus on the most strategic/core areas. Our main initiatives include: (i) the reduction of our NPL portfolio and (ii) the active management and disposal of foreclosed assets.

Reduction of our NPL portfolio

Our NPL ratio peaked at 12.6% as at December 31, 2014, following the acquisition of EspañaDuero, but decreased to 10.0% as at December 31, 2015 and to 9.8% as at December 31, 2016 which were impacted by the accelerated reclassification of certain NPLs to write-offs, mainly in 2015. As at December 31, 2016, 84% of our NPLs were secured. In addition, we have one of the highest NPL coverage ratios compared to our Peers (50.0% as at December 31, 2016, excluding provisions for clauses which set a minimum interest rate for mortgages), compared to 60%, 49%, 47%, 47% and 40% (all excluding provisions for clauses which set a minimum interest rate for mortgages), respectively, of each of our Peers as at December 31, 2016.

We are experiencing a positive trend in NPLs entries as reflected by our gross NPL entries net of cash recoveries which for the year ended December 31, 2016 amounted to €131 million (excluding the impact resulting from the use of internal methodologies, which amounted to €123 million), compared to €173 million for the year ended December 31, 2015. Please see section "*Presentation of Financial and Other Information—Financial Information—Circular 4/2016*" for information on Circular 4/2016.

Our Strategy envisions a continuation in the active reduction of NPLs driven in part by: (i) an expected improvement in macroeconomic conditions (the IMF's April 2017 World Economic Outlook predicted the Spanish real GDP would grow by 2.6% and 2.1% in 2017 and 2018, respectively), (ii) the creation of a specific team focused on the recovery and management of NPLs, and (iii) the implementation of Unicaja Banco's recovery and NPL management policies (including the accelerated reclassification of certain NPLs to write-offs) in EspañaDuero.

We currently aim to achieve an NPL ratio of approximately 4% by 2020. We could also choose to sell our stock of written-off loans or part of it. For instance, in the year ended December 31, 2016, we sold three portfolios of written off loans (with personal guarantees) totaling €450 million for a total consideration of €31 million. As at that date we had €2.1 billion in stock of written-off loans.

Active management and disposal of foreclosed assets

We have a relatively small foreclosed assets portfolio net of provisions (€1.0 billion, representing 56% of the appraisal value as at December 31, 2016), which represented 2% of our total assets as at December 31, 2016. Our coverage of foreclosed assets stood at 62.2% as at December 31, 2016 and is also the highest compared to our Peers, whose average stood at 40% as at that date. The coverage ratio by foreclosed real estate asset category stood at 50.8% for finished buildings, 57.8% for buildings under construction and 76.3% for land (compared to our Peers' average of 34.9%, 42.6% and 51.9%, respectively) as at December 31, 2016. Regarding our stock of land, over 75% is devoted to first residence developments and with regards to land plots over €500,000, 65% has an expected period for building of two years at most (of which almost half is fully permitted land) as at December 31, 2016.

In the year ended December 31, 2016 we sold gross foreclosed assets totaling €295.1 million (€270.2 million and €212.5 million during the years ended December 31, 2015 and 2014, respectively) generating gains (after releasing provisions attached to these assets) of €52.3 million (€40.7 million and €13.8 million during the years ended December 31, 2015 and 2014, respectively). Our disposals in 2015 and 2016 were done at discounts to appraisal value of 25% and 15%, respectively. We expect that our disposals continue in line with those made in 2015 and 2016

The table below sets forth certain information with regard to our real estate commercial activity for the years ended December 31, 2016, 2015 and 2014.

	For the year ended December 31,		
(€ in millions)	**2016**	**2015**	**2014**
Gross sales	**295.1**	**270.2**	**212.5**

Sales margin	**(88.7)**	**(91.3)**	**(79.6)**
Allocated provisions	**141.0**	**132.0**	**93.3**
Gain / (Loss)	**52.3**	**40.7**	**13.8**
% Gain / Gross sales	17.7%	15.1%	6.5%
% Gain / Allocated provisions	37.1%	30.8%	14.8%

We currently contemplate the following four main lines of action to support the execution of this plan:

- *Commercialization*: sale of residential units that are under development through retail channels, specific campaigns for problematic asset sales and wholesale disposals of foreclosed assets.

- *Real Estate Development*: development of selected prime land assets on our own or by partnering with third-party real estate developers, targeting the delivery of approximately 1,800 residential units by 2020.

- *Cost Management*: integration of EspañaDuero's processes and systems, increasing cost efficiency by implementing centralized management of all real estate activities and sale of selected real estate assets.

- *Servicing*: several different alternatives are currently under analysis to improve the management and marketing of real estate assets.

We expect that our disposals will continue to benefit from the growing level of activity and increasing prices in the Spanish residential market, with sale prices generally above net book value, as a result of our high level of provisions.

As a result, we aim to reduce our net NPAs from €2.6 billion as at December 31, 2016 to approximately €1.3 billion by 2020 (our gross NPAs amounted to €5.8 billion, €6.2 billion and €7.4 billion, as at December 31, 2016, 2015 and 2014, respectively) and at the same time we intend to increase our NPA coverage from 55% as at December 31, 2016 to over 62% by 2020.

Benefit from ancillary businesses which are expected to provide revenue diversification and benefits from scope (i.e., insurance and card payments)

Regarding our insurance business and as a result of the integration process of EspañaDuero, our intention is to operate under a multibrand approach with a single partner for each of the life and non-life segments and, as at the date of this Prospectus, we are currently restructuring our insurance agreements. To that end, we have recently announced the termination of our bancassurance agreement with Aviva (Unicorp and Caja España Vida) and simultaneously a new agreement with Santa Lucía. Moreover, EspañaDuero has recently agreed with Mapfre the termination of its bancassurance agreement in Unión Duero Vida and Unión Duero Pensiones and is due to acquire Mapfre's stake in such companies. However, the valuation of such stake is currently under dispute between EspañaDuero and Mapfre. See "*Business—Key Strenghts—Further earnings normalization potential alongside synergies' extraction from EspañaDuero integration—Net fees and commissions potential*".

We believe our client base shows a strong penetration potential in insurance products (79% of our clients did not have any insurance products with us as at December 31, 2016) and pension plans (94% of our clients did not have any pension plan with us as at December 31, 2016).

In addition, we plan to set up a specialized business unit for credit cards to focus on the development of this segment as we intend to shift our current mix of credit and debit cards for the Spanish banking sector mix as set out in "*—Credit growth in more profitable segments—Cards plan*" above.

History

Unicaja Banco's history spans over more than 130 years, with the foundation of Caja de Ahorros y Monte de Piedad de Cádiz in 1884 as a starting point. Subsequently, Monte de Piedad y Caja de Ahorros de Almería, Caja de Ahorros y Préstamos de Antequera, Monte de Piedad y Caja de Ahorros de Ronda and Caja de Ahorros Provincial de Málaga were created between 1900 and 1949. Those savings banks were founded with the aim of stimulating the economies of their regions, with a special focus on the agricultural, fishing and tourist sectors as well as retail mortgages. Additionally, they were committed to pursuing social welfare projects aimed at developing their regions. In 1991, Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga y Antequera ("**Unicaja**") was founded as a result of a five-way merger of these Spanish local savings banks.

In the 1990s, while the largest Spanish commercial banks focused on their international expansion, savings banks significantly expanded across the country pursuant to Royal Decree 1582/1988, which allowed savings banks to open branches beyond their historical home territories. In this context, Unicaja maintained a prudent and focused growth strategy avoiding aggressively entering new markets. In 2010, Caja de Jaén, the leading entity in its province, merged into Unicaja.

In March 2011, Unicaja initiated conversations with EspañaDuero (then Caja España de Inversiones, Salamanca y Soria, Caja de Ahorros y Monte de Piedad, completing a similar segregation process to Unicaja Banco in December 2011) about a potential integration of the entities. This transaction was delayed as a result of increasing regulatory requirements, deteriorating macroeconomic conditions and a series of restructuring events taking place at EspañaDuero.

In December 2011, pursuant to the enactment of Royal Decree-Law 11/2010, of July 9, on governing bodies and other aspects of the legal regime for savings banks ("**RDL 11/2010**"), which allowed Spanish savings banks to indirectly conduct financial activities through commercial banks, Unicaja segregated and transferred all of its banking activities to a newly-created public limited company *(sociedad anónima)* named Unicaja Banco, S.A.U. We have remained true to Unicaja's values following such transfer and the Foundation has continued to support our regions' social welfare through the management of the budget of the Social Welfare Fund *(Obra Social)*.

In 2012, despite the turmoil in the Spanish banking sector, Unicaja Banco managed to comply with the new capital requirements without needing to resort to State Aid and was classified as a Group 0 entity (banks in which no capital shortfall was identified in the stress test exercise) following the bottom-up stress test conducted by Oliver Wyman in September 2012. Two months later, the enactment of Circular 7/2012, of November 30, on minimum capital requirements, unified capital requirements to a minimum core capital ratio of 9%. Unicaja Banco was fully compliant with the newly-established requirement as its core capital stood at 12.9%. In addition, Unicaja Banco provisioned a total of €984 million to fulfil the requirements set by Royal Decree-Law 2/2012, of February 3, on the consolidation of the financial sector ("**RDL 2/2012**") and Royal Decree-Law 18/2012, of May 11, on the consolidation and sales of the financial sector's real estate assets of increasing provisions on non-performing and performing real estate developer loans, respectively.

By decision of May 13, 2013, the European Commission approved the Restructuring Plan in the context of EspañaDuero's potential acquisition by Unicaja Banco. At that moment, a burden sharing exercise was imposed by the European Commission pursuant to which:

- institutional investors who had purchased preference shares or subordinated debt issued by EspañaDuero were converted into shareholders of EspañaDuero; and
- retail investors who had purchased preference shares or subordinated debt issued by EspañaDuero were converted into contingent convertible bond holders of EspañaDuero.

In this context, Unicaja Banco launched an exchange offer for the shares and contingent convertible bonds of EspañaDuero which was initially conditional upon reaching a minimum acceptance threshold of 75%. Such offer was executed with the following exchange ratios:

- 4.1241 EspañaDuero shares were exchanged for 1 ordinary share of the Company; and
- 6.9412 EspañaDuero convertible bonds were exchanged for 1 Unicaja PeCoCo and 1 Unicaja NeCoCo.

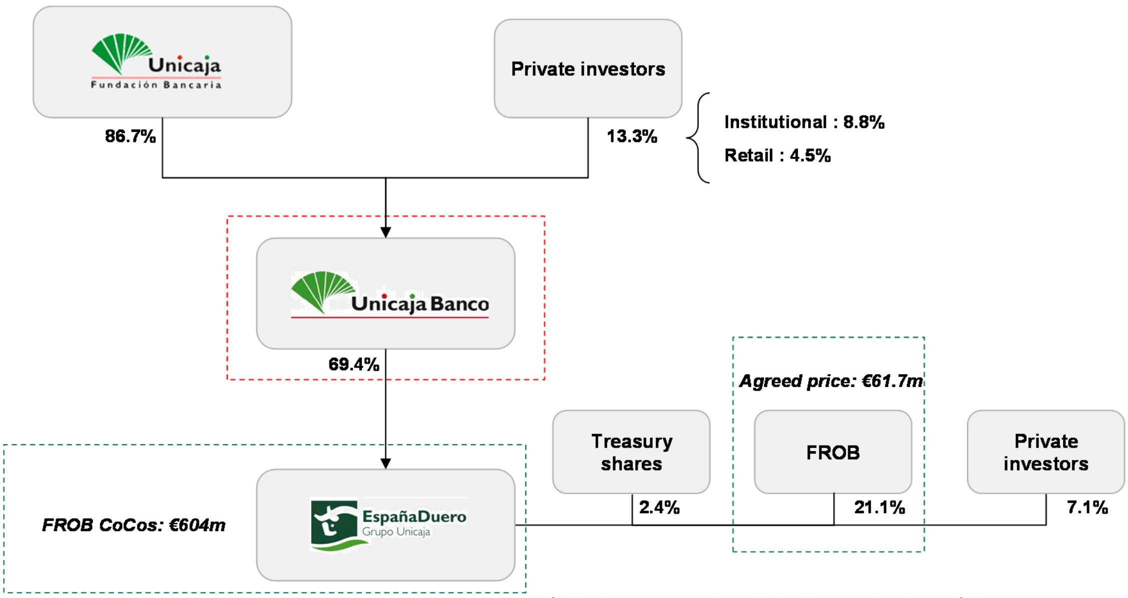
The offer was accepted by 60.70% of the holders of EspañaDuero's shares and contingent convertible (the Accepting Holders). As at the date of this Prospectus, 13.3% of Unicaja Banco's ordinary shares correspond to minority shareholders who received shares as a result of this exchange offer or from the conversion of NeCoCos on June 30, 2016 or both, as the case may be.

On the other hand, the Non-Accepting Holders, representing approximately 17 thousand investors and holding capital instruments that had an initial face value of €585 million (€464 million following the burden sharing exercise), were forced to become shareholders in EspañaDuero and accept a 39.3% stake in this entity.

As part of the transaction, and in order to waive the minimum acceptance threshold of 75%, on March 10, 2014, Unicaja Banco received a guarantee from the FROB (the "**FROB Guarantee**") to partially cover the risk of legal proceedings related to the claims brought by the Non-Accepting Holders. The FROB Guarantee required EspañaDuero to assume 29% of the legal costs and outcome of the litigations and shares surrendered in resolutions while the FROB would assume the remaining 71% up to a maximum amount of €241 million.

In addition, on March 21, 2014, EspañaDuero and the FROB entered into an agreement whereby the FROB would receive, in consideration for the assumption of this proportion of the litigation costs, a corresponding proportion of the EspañaDuero shares to be bought back from the successful litigants (the "**Compensation Mechanism**"). As a result, the FROB shall hold a 21.1% stake in EspañaDuero once the Compensation Mechanism is fully implemented (8.57% of which is still pending settlement). Under the Compensation Mechanism the FROB has the right to sell, and EspañaDuero the obligation to buy, the EspañaDuero shares (i) once the payments made by the FROB under the FROB Guarantee exceed €241 million (this condition has been met prior to the date of this Prospectus) and (ii) in any case, from December 31, 2017. Similarly, EspañaDuero has the right at any time to buy, and the FROB the obligation to sell, the EspañaDuero shares at the valuation fixed by the consultancy Oliver Wyman on August 1, 2013, which concluded that 100% of EspañaDuero had an equity value equivalent to €334 million, which implies that the amount to be received by the FROB for its stake in EspañaDuero would be €62 million as at December 31, 2016. In addition, EspañaDuero has the right to transfer its purchase right to a third party.

The acquisition of EspañaDuero by Unicaja Banco was completed on March 28, 2014. Since then, FROB has been purchasing EspañaDuero shares from private investors in accordance with the FROB Guarantee, resulting in the following shareholding structure of the Group as at December 31, 2016:



Note: The FROB is entitled to 21.1% share in EspañaDuero, of which 12.57% is directly held as at the date of this Prospectus and 8.57% is pending settlement under the Compensation Mechanism.

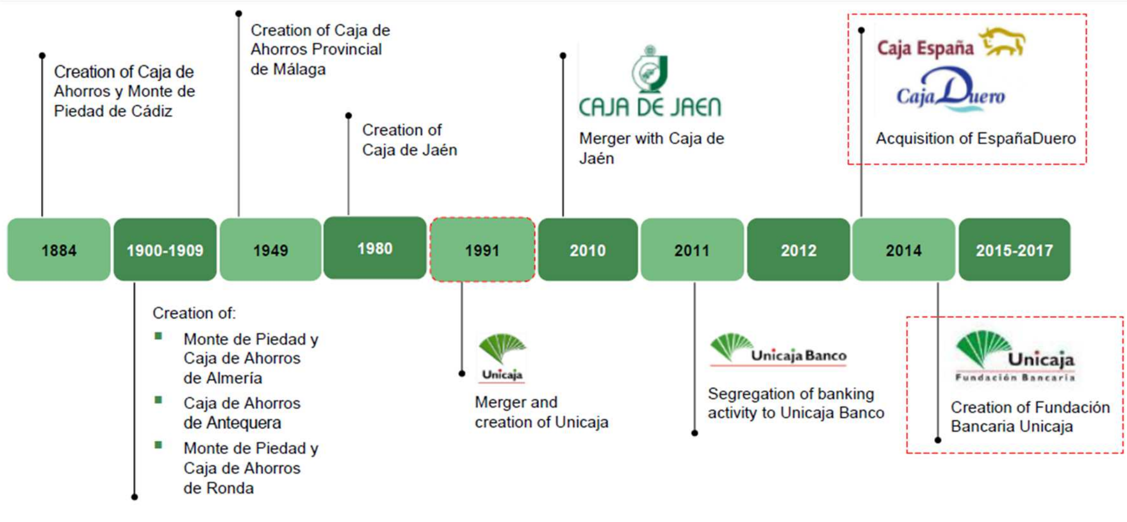
Given that the FROB Guarantee has already been fully utilized, as pending litigations from private investors are resolved, EspañaDuero may be required to repurchase such EspañaDuero shares pursuant to court orders as a result of legal actions, adding them to treasury stock. EspañaDuero had treasury stock of €24.6 million as at December 31, 2016. On December 29, 2016, EspañaDuero reduced its capital by 145 million shares following an extraordinary shareholders meeting on September 6, 2016. The capital reduction was formalized with its treasury stock and resulted in the shareholder structure of EspañaDuero described above.

As at the date of this Prospectus, the FROB has already exercised its right to sell the EspañaDuero shares resulting from the Compensation Mechanism. As a result, and subject to prior approval from the ECB (which has already been requested), EspañaDuero shall repurchase such shares, the future use of which has not been decided as at the date of this Prospectus. A decision regarding the 7.1% stake in EspañaDuero currently held by minority investors will only be taken after the Company has purchased the FROB's stake in EspañaDuero.

Since the acquisition of EspañaDuero, we have maintained a strong financial position, as reflected by the results of the Asset Quality Review ("**AQR**") and the EU-wide stress test conducted in October 2014 by the ECB and the EBA, respectively. The AQR outcome implementation had a negligible impact on our CET1 capital (22 bps) while the stress test showed our strong solvency with CET1 at 11.9% in the base scenario (compared to the minimum requirement of 8.0%) and 8.9% in the adverse scenario (compared to the minimum requirement of 5.5%). Unicaja Banco has remained fully compliant with all the capital requirements imposed by the authorities as a result of the financial crisis and has done so without receiving any State Aid.

In October 2014, Unicaja was transformed into a banking foundation pursuant to Law 26/2013 on Savings Banks and Banking Foundations. Since then, the Foundation has been and continues to be the controlling shareholder of the Company, with a 86.7% shareholding as at the date of this Prospectus. The Foundation manages the budget of the Social Welfare Fund *(Obra Social)* activities in Andalucía and the province of Ciudad Real. The management of the Foundation's stake in Unicaja Banco is regulated by the Foundation's Protocol (*Protocolo de gestión de la participación financiera de la Fundación Bancaria Unicaja en Unicaja Banco*), prepared by the governing body (*Patronato*) of the Foundation and approved by the Bank of Spain, which mainly addresses general aims and guidelines, brand utilization, the appointment of the members of the Board of Directors, conflicts of interests and intra-group services (see "*Related Party Transactions—Transactions with the Foundation, Foundation's Protocol*").

The main corporate events in our history are detailed below and please see Appendices I, II and III of the 2016 Annual Accounts for lists of the Company's subsidiaries, joint ventures and associates ("*entidades del grupo, multigrupo y asociadas*") as at December 31, 2016:



Management Team

Unicaja Banco's experienced senior management team, with an average of over 20 years' experience in the Group, leads a 7,365-employee base (as at December 31, 2016) that we believe has been integral to the successful development of our recent history. See "*Management, Board of Directors and Employees*" for further details about our senior management.

We have a branch manager for each branch and in general our branch-based employees (as at December 31, 2016) are highly trained, experienced and familiar with the specific needs of the customers in the communities which they serve. In addition, we strive to embed our prudent risk culture in our staff.

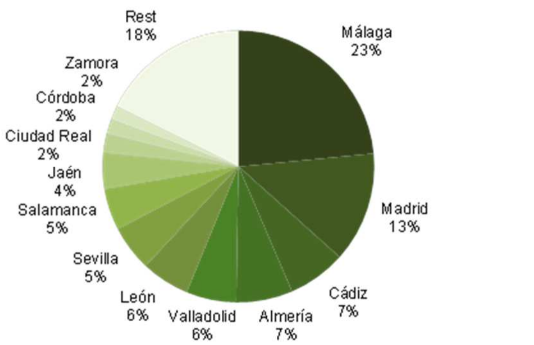
Markets

We carry out our business exclusively in Spain (with the exception of one representative office in London) and mainly in the Autonomous Communities of Andalucía and Castilla y León. Other areas where we are present include the Autonomous Communities of Madrid and Murcia, the provinces of Albacete, Alicante, Badajoz, Barcelona, Ciudad Real, Toledo, Valencia and the Autonomous Cities of Ceuta and Melilla.

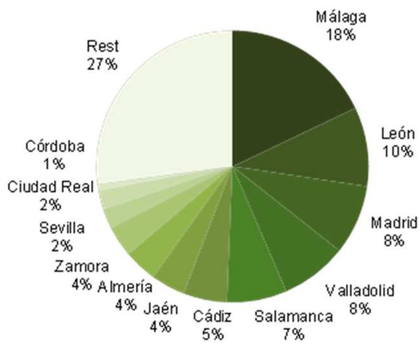
We operate through a series of registered commercial brands. In particular, Unicaja Banco has registered on its behalf 281 brands and operates mainly through the brand Unicaja Banco, whereas EspañaDuero has 267 registered brands and primarily operates through EspañaDuero, CajaDuero and CajaEspaña.

We had 1,279 branches in Spain and one representative office in London as at December 31, 2016. 82.0% of our branches were located in Andalucía and Castilla y León as at such date, with Málaga (16.3% of total branches), Madrid (6.3%), León (8.0%) and Valladolid (6.9%) being the provinces with the highest share of loans and customer deposits as shown in the table below:

Loans and receivables in Spain (incl. public administration and other resident sectors) geographical breakdown (December 31, 2016)



Borrowed funds in Spain (incl. public administration and other resident sectors) geographical breakdown (December 31, 2016)



Note: The figures included in the graphs below are taken from ongoing reporting documentation presented to the Bank of Spain and correspond to sub-consolidated information of Unicaja Banco and EspañaDuero, this is, without consolidation adjustments. Therefore, the figures above are slightly different from the amounts that would result from consolidated figures.

We had a 13% and a 20% market share by branches in Andalucía and Castilla y León, respectively, as at December 31, 2016 (source: Company estimates). Our branch network shows a strong coverage in our Core Regions with 7% of Unicaja Banco branches located in municipalities where, as at December 31, 2016, it was the sole banking entity physically present. We believe this coverage together with our overall market position, strong brand recognition and customer proximity help ensure relative pricing flexibility.

Andalucía

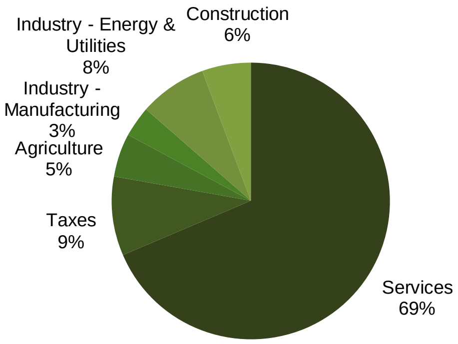
Andalucía, located in southern Spain, is the second largest Autonomous Community in Spain in terms of area with a population of around 8.4 million (which represented 18% of the population of Spain as at July 1, 2016 (source: INE)). The territory is divided into eight provinces: Almería, Cádiz, Córdoba, Granada, Huelva, Jaén, Málaga and Sevilla.

With its favorable climate, the economy of Andalucía has been traditionally based on the exploitation of large agricultural domains particularly citrus, olive oil and fresh vegetables for which it is a major supplier to the European market. Apart from the development of petrochemicals, the secondary sector is mostly based on agro-industry and consumer goods. Today, services predominate, with tourism representing a large share of the economy. In fact, all services sub-sectors have experienced some growth in 2016. In 2015, the construction sector resumed growth in the region for the first time since 2007 and in 2016 this trend continued.

The GDP generated by the Andalucía's economy in 2016 reached €148.5 billion, representing 13% of Spain's GDP. GDP per capita in Andalucía as at December 31, 2016 was €17.7 thousand, lower than the Spanish average of €24.0 thousand (source: INE).

As regards the financial sector, Andalucía is one of the top four regions in Spain, accounting for 12%, 9% and 16% of total Spanish loans (€151 billion), deposits (€107 billion) and branches (4,605), respectively, as at December 31, 2016 (source: Bank of Spain).

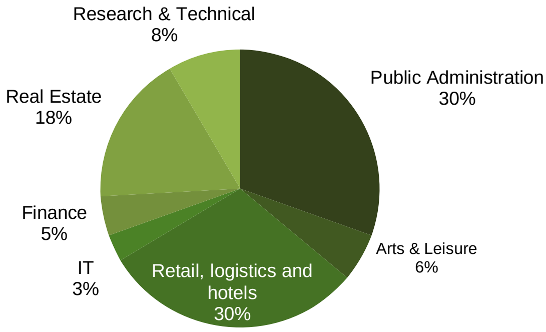
Andalucía GDP Structure
2016 (%)



2016 GDP: €148.5 billion

Source: INE

Andalucía GDP Structure – Services detail
2016 (%)



2016 GDP: €101.9 billion

Source: INE

Castilla y León

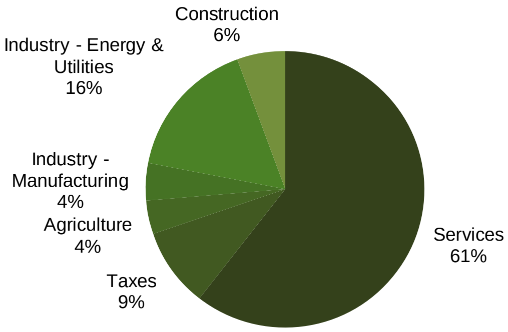
Castilla y León, located in north-western Spain, is the largest Autonomous Community in Spain in terms of area and has a population of around 2.4 million (which represented 5.3% of the population of Spain as at July 1, 2016 (source: INE)). The territory is divided into nine provinces: Ávila, Burgos, León, Palencia, Salamanca, Segovia, Soria, Valladolid and Zamora.

Until recently, agriculture was one of Castilla y León's major economic sectors (accounting for around 15% of Spain's primary sector) although the region is expanding the development of a skilled labor-based economy. This is being done by promoting the aerospace industry, renewable energy and information and communication technologies and by the modernization or introduction of an innovation culture in the food industry, metal machining industries and services sectors, among others. Furthermore, the regional production sector is widely scattered, with small family firms dominating the market.

The GDP generated by Castilla y León's economy in 2016 reached €55.4 billion, representing 5% of Spain's GDP. GDP per capita in Castilla y León as at December 31, 2016 was €22.6 thousand, slightly lower than the Spanish average of €24.0 thousand (source: INE).

As regards the financial sector, Castilla y León accounted for 4%, 6% and 7% of total Spanish loans (€43 billion), deposits (€63 billion) and branches (2,113), respectively, as at December 31, 2016.

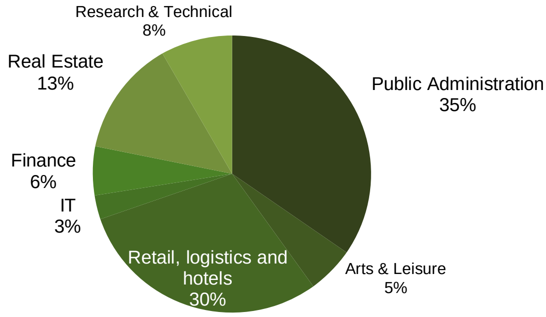
Castilla y León GDP Structure
2016 (%)



2016 GDP: €55.4 billion

Source: INE

Castilla y León GDP Structure – Services detail
2016 (%)



2016 GDP: €33.5 billion

Source: INE

Operations and activities

The Group is organized into two business areas: (i) Commercial banking and (ii) Treasury, Markets and Real Estate.

Commercial Banking

Our commercial banking business provides banking and related financial services to retail customers and corporates. Commercial banking remains our principal line of business, generating the predominant portion of our gross income.

Customers

As at December 31, 2016, we had a total of 3.1 million customers, of which 2.7 million (87.1% of total customers) were retail customers (individuals) and 0.4 million (12.9% of total customers) were corporate and business customers. Our commercial strategy is based on a segmentation of different types of customers, to whom we offer products and services through different distribution channels, with a tailored customer service and value proposal in line with the financial needs that we have identified for each customer type.

Our customer segmentation is primarily based on the different financial needs of individuals throughout their life cycle as well as their occupation. The following table sets forth certain information in relation to our customer segmentation as at December 31, 2016.

Customer segmentation of the Group	Number of customers (in thousands)	Weight (%)
Retail customers		
Private banking customers	5.8	0.2
Personal banking customers	258	9.7
Mass retail customers	2,400	90.1
Corporate and business customers		
Large corporates and public administration(1)	5.9	1.3
SMEs(2)	65.0	14.7
Self-employed, small businesses and others(3)	370.7	83.9

Notes:

(1) Refers to customers with annual revenues exceeding €60 million (€150 million for Madrid-based customers).
(2) Refers to customers with annual revenues between €6 million and €60 million (€150 million for Madrid-based customers).
(3) Refers to customers with annual revenues up to €6 million.
Source: Company data and Bank of Spain

We take particular pride in the loyalty exhibited by our customer base and our continuing cross-selling efforts. As at December 31, 2016, 88% of our customers had been with us for more than five years and 43% of our customers had contracted three or more of our products. The following tables set forth certain information in relation to our customer loyalty and cross-selling efforts.

Customer loyalty of the Group

	As at December 31, 2016
Current accounts tenure	**% of number of current accounts**
Less than 1 year..........................	4
Between 1 and 5 years................	8
Between 5 and 10 years	10
Between 10 and 15 years	12
Between 15 and 20 years	11
More than 20 years.....................	55

Cross selling of the Group

	As at December 31, 2016
Number of products contracted per customer	**%**
1 product...................................	36
2 products..................................	21
3 products..................................	13
4 products..................................	9
5 products..................................	6
More than 5 products.................	15

Our commercial banking business is customer-centered. Our objective is to attract and retain customers, offer increased value and enhanced customer care, bolstered by the segmentation of our customer base and broad distribution network. Within our commercial banking business, we have developed a specialized offering for each targeted customer segment.

Professional associations

We offer banking and related financial services to a number of selected professional associations. In addition, due to the agreements with such associations, we are able to offer products and services to their members that are adapted to their specific needs, thereby attracting new private and personal banking customers.

As at December 31, 2016, we had agreements with 34 professional associations with more than 110,000 members, including the Business Association of Andalucía *(Confederación de Empresarios de Andalucía).*

Private banking

Our private banking unit targets individuals with funds under management in excess of €300,000 who have more sophisticated banking needs and investor profiles. We aim to offer personalized and highly sophisticated banking advice for each account. Unicaja Banco managed private banking assets amounting to €2,138.0 million as at December 31, 2016.

Personal banking

Our personal banking unit targets individuals who are in a position to fund an account with between €60,000 and €300,000, who are not private banking customers. We offer personalized banking advice for each account, specialist support and a wide range of value-added financial products. We pride ourselves on close relationships based on trust and our goal is to make our services accessible, trustworthy and of good quality.

As at December 31, 2016, we had 258,000 personal banking customers and we held approximately €12,086.7 million in deposits and €542.9 million of loans outstanding in connection with our personal banking unit.

Corporate banking

We have implemented a service model for corporations and large and medium-sized companies adapted to each segment's financial needs and performance. The key elements of this service model are commercial proactiveness, reliability and operational quality, with the aim of offering comprehensive solutions to such corporate customers. In the interest of fostering greater knowledge of our customers' characteristics, needs and potential, our specialized managers advise customers in accordance with both their size (corporate or large or medium-sized enterprise) and their sector of activity.

The corporate banking unit had 10 account managers as at December 31, 2016. The account managers are responsible for homogeneous segments of the unit's customers, so as to offer customer-specific management and business analysis solutions.

As at December 31, 2016, we had 1,221 corporate banking customers and we held approximately €3,911.8 million in deposits and €1,728.0 million of loans outstanding in connection with our corporate banking unit.

Enterprise banking

Our enterprise banking unit offers services comparable to those of the personal banking unit to SMEs, public sector and non-profit institutions, as well as self-employed persons. We adapt the services on offer to each type of customer within this category through specialized directors, managers and bankers in order to develop long-term relationships and to provide the customer with more in-depth, specialist knowledge.

As at December 31, 2016, we had 435.7 thousand enterprise banking customers and we held approximately €11,153 million in deposits and €8,533 million of loans outstanding in connection with our enterprise banking unit.

Self-employed banking

We had 282,084 customers in our self-employed banking segment as at December 31, 2016, where we serve customers based on specific financial needs in two distinct categories: (i) individuals as part of a family and its economic circumstances, or (ii) self-employed individuals who develop a professional or business activity. We offer certain of the customers within this specific customer segment personal banking services and/or enterprise banking services, according to their specific profile and financial needs.

Agricultural banking

Our agricultural banking unit targets individual farmers and small legal entities that focus on agricultural and agro-food activities, as well as members of agrarian cooperatives and other agrarian associations. This category of customer generally has significant income-generating potential and good credit quality. Additionally, agriculture is an important sector in both Andalucía and Castilla y León, where the majority of our Core Regions are located. As such, agricultural banking is a strategically important part of our business.

Furthermore, as at December 31, 2016, we managed more than 60,000 agricultural grants received from the EU, which is equivalent to about 12% of the market share in Andalucía and 25% in Castilla y León, according to the Spanish Agricultural Guarantee Fund (*Fondo Español de Garantía Agraria*), a department of the Ministry of Agriculture, Food and the Environment. These grants represent a significant portion of income for our agricultural banking customers.

In order to provide customers with specialized solutions to support and develop their business in rural areas, our specialist managers develop relationships and work closely with these customers. As at December 31, 2016, the agricultural banking unit had 81,879 customers and held approximately €1,663 million in deposits and €994 million of outstanding loans.

International banking

Our international banking unit specializes in customers that have cross-border needs. Our managers and bankers are qualified in international business and seek to help Spanish businesses expand their businesses abroad. Working in this capacity, we provide management and advisory services.

As at December 31, 2016, we had one representative office in London to help service our international banking customers.

Banking products

We offer a broad range of banking financial products and services, including mortgage loans, personal loans and deposits. Our net banking fees were €162 million in the year ended December 31, 2016 and €239 million and €227 million in the years ended December 31, 2015 and 2014, respectively.

Mortgage loans

We offer a variety of solutions to customers who wish to finance the purchase of property with a secured mortgage. We offer mortgage products that are tailored to our individual customers' circumstances and requirements, including fixed rate, floating rate and mixed rate mortgage loans. We differentiate between mortgage loans based on the maturity period as well as the type of property being mortgaged. The mortgage loans we offer are subject to specific conditions, including the condition that the sum of the age of the customer and the maturity period of the loan cannot be higher than 70 years.

The number of mortgage loans to acquire housing outstanding as at December 31, 2016 was 305,610, amounting to an outstanding balance of €18 billion (of which 95% corresponded to primary residences). We also offer mortgage loans for other types of property, including land, offices and yachts. Our portfolio included 27,869 of such mortgages, amounting to €2,555 million as at December 31, 2016. The 2,823 mortgage loans for the agriculture sector amounted to an outstanding balance of €289 million as at December 31, 2016.

The average yield on our new loans to retail mortgage customers for the year ended December 31, 2016 was 2.05%.

Personal loans

We offer personal loan products to qualifying customers that are typically for an amount (for retail customers) of €42,000 or less with a term of 8 or fewer years. The terms and interest provisions of our personal loan products are specifically tailored to each individual customer's circumstances and the specific need that the loan addresses, including whether it is a household need or the personal financing of a business.

As at December 31, 2016, we had 126,692 personal loans outstanding to individual customers and households with an outstanding balance of €1,055.8 million. Of these, 101,853 were for household needs, amounting to €705.1 million and 23,383 of these were loans to be used in financing of businesses, amounting to €3,092.5 million.

Secured loans

Secured loans are based on a security interest, whereby the loan is guaranteed by cash, valuables or assets other than real property. The terms and interest provisions of secured loans depend on the type of the security interest, the amount of the loan and the term of the loan. The typical term for these operations is up to three years.

As at December 31, 2016, we had 1,804 secured loans (excluding mortgages) with a total outstanding balance of €148.8 million, which accounted for approximately 0.58% of our gross loans.

Credit facilities

We provide credit facility products to companies who wish to have access to short-term liquidity and pay interest on the basis of available capital. We tailor our credit facility products to our customers' business needs, which vary based on the customers' particular industry. The typical term for these transactions is up to one year, with the possibility of renewal in certain cases.

As at December 31, 2016, we had 75,244 credit facility products with an outstanding balance of €1,014.6 million.

Other specialized corporate products

We offer other corporate products such as discounting facilities and certificates (i.e., short-term financing operations that allow a business with a credit right against a customer, as agreed through a letter of exchange or other documentation, to access the amount equivalent to the receivable for a charge) with a total balance of €53.2 million outstanding as at December 31, 2016. In addition, we offer confirming, leasing, renting and factoring services (these last two are provided by third-party companies with which we have agreements).

Current and savings accounts

We offer a broad range of current account products to our customers that feature, among other things, automated cash machine ("**ATM**") access, cheques, connected debit and credit card transactions, cash transfer and direct debit options. The deposits, in euro or other currencies, are flexible and immediately available.

As at December 31, 2016, we had a total of 667,486 current accounts and a total of 1,833,115 savings accounts with a total balance of approximately €8,167 million and €14,191 million, respectively.

The following tables set out information relating to our Core Customer Deposits at the dates indicated:

	At December 31,			
	2016		**2015**(1)	
	€ million	%	**€ million**	%
Core Customer Deposits	36,022	68.3	37,522	67.5
Term deposits	*13,664*	*25.9*	*15,667*	*28.2*
Current and savings accounts	*22,358*	*42.4*	*21,855*	*39.3*

Note:

(1) This information is taken from our 2016 Annual Accounts. See "Presentation of Financial and Other Information" for further details.

	At December 31,			
	2015(1)		**2014**	
	€ million	%	**€ million**	%
Core Customer Deposits	37,522	67.5	35,812	56.8
Term deposits	*15,667*	*28.2*	*17,155*	*27.2*
Current and savings accounts	*21,855*	*39.3*	*18,658*	*29.6*

Note:

(1) This information is taken from our 2015 Annual Accounts. See "Presentation of Financial and Other Information" for further details.

Please see section "*Alternative Performance Measures*" for further detail on Core Customer Deposits.

Term deposits

These deposits, in euro or other currencies and made for a determined term, offer an interest-based income that varies depending on the term. The amount of the deposit together with the term, which can be from one day to five years or longer, affects the amount of interest received by the customer on the deposit. The income can be constituted in different ways, including at a growing interest rate, early interest, payment at the end of the term or connected to certain market indices. The customer can choose whether to manage the transaction in one of our branches or over the internet.

As at December 31, 2016, we had a total of 248,492 term deposits with a total balance of approximately €13,625 million, of which 75% had a maturity of less than one year.

Distribution channels

Our branch network provides the foundation for our commercial banking business, and we have also developed a range of alternate distribution channels to improve our customer service and increase efficiency.

Branch network

Our branch network is the core of our commercial banking business. We offer our full range of services through our branch network. As at December 31, 2016, we had 1,279 offices in 38 Spanish provinces, most importantly in the eight provinces of Andalucía, as well as in Albacete, Alicante, Badajoz, Barcelona, Ciudad Real, Madrid, Murcia, Toledo, Valencia, and Valladolid, in two Autonomous Cities (Ceuta and Melilla) and a representative office in London. There is a heavier concentration in the regions historically served by Unicaja Banco and EspañaDuero. See "*—Key Strengths—A purely domestic retail bank in Spain with clear leadership in its Home Regions*" above for an illustration of the geographic distribution of our branch offices as at December 31, 2016.

Internet banking

We offer a wide range of online services to our customers through our online and smartphone platforms. Through our internet banking platform, customers can, among other things, access balance information, pay bills and transfer funds. The platform also allows our customers to contact us online through a paperless medium, in accordance with our commitment to corporate and social responsibility and protection of the environment. We believe the permanent commitment to developing our accessibility over the internet constitutes one of our most remarkable achievements, internally and externally. As at December 31, 2016, we had 728 thousand active internet banking customers (customers who carried out internet banking operations during the previous three months), which represented 23.2% of our total customers at such date, representing a 8.1% increase compared to the December 31, 2015 figure (703 thousand internet banking customers, representing 19.8% of our total customers at such date). During the year ended December 31, 2016, Unicaja's customers carried out a total of 254.1 million internet banking transactions compared to 231.8 million transactions during the year ended December 31, 2015, which represents an increase of 9.6%. Internet banking transactions represented 53.7% of our total transactions during the year ended December 31, 2016 (with transactions carried out in our branch offices and via ATMs representing 33.5% and 12.8% of total internet banking transactions respectively).

We have specially-developed Apple and Android applications that allow our customers to carry out internet banking operations via their mobile devices. As at December 31, 2016, our Unicaja Banco app ("Unicaja Mobile") had been downloaded 570 thousand times, while our EspañaDuero app ("EspañaDuero Mobile") had been downloaded 116 thousand times since their respective launches on March 2011 and January 2016. During the year ended December 31, 2016, 47.4% of the connections to our internet banking platform were made via our mobile apps and 13.7% of our total number of customers as at December 31, 2016 had used our apps during the three months ended December 31, 2016, representing an increase of 10.3% when compared to the year ended December 31, 2015.

We have an information management and security system in place certified by AENOR for both internet banking and mobile banking, compliant with regulations UNE 71502 and ISO/IEC 27001:2007 regulating the security of private information. The measures we take are designed to ensure that our customers have the highest level of security in their transactions.

Telephone banking

We also offer our customers the choice to carry out banking transactions over the phone. This includes transferring balances, checking balances and paying bills, all without having to go to a branch. For the year ended December 31, 2016, 715,120 customers were attended to and 12,509,953 transactions were carried out through our telephone banking service, representing a 103.1% increase compared to the year ended December 31, 2015 figure (952,092 telephone banking customers served and 6,158,260 transactions), which in turn was 11.75% higher compared to the year ended December 31, 2014 (426,193 customers attended to and 6,413,455 transactions).

ATMs

As at December 31, 2016 we had 1,525 ATMs in Spain, all of which are part of the "Euro 6000" ATM network, of which 92 were situated independently of one of our branches. During the year ended December 31, 2016, our customers carried out a total of 50.4 million transactions over ATMs (compared to 34.03 million and 34.64 million transactions carried out by Unicaja Banco's customers during the years ended December 31, 2015 and 2014, respectively). In addition to the normal functions available at ATMs, certain of our ATMs allow customers to buy tickets for shows, pay taxes, transfer money, and recharge pay-as-you-go mobile phone cards amongst other capabilities. As at December 31, 2016, approximately 20% of our ATMs were equipped with "contactless" capabilities. During the year ended December 31, 2016, our ATM network processed approximately 56.3 million transactions.

In recent years, the traditional model of multilateral agreements between ATM networks has led to an increase in the fees charged to bank customers as they had to pay a fee to the card issuer and an additional fee to the owner of the ATM network when withdrawing cash.

The replacement of Law 16/2009 with Royal Decree-Law 11/2015 (in force since January 1, 2016), which regulates fees for cash withdrawals at ATMs, introduced a new model of charging fees for cash withdrawals at ATMs that intends to avoid the double charging of fees to bank customers.

Pursuant to Royal Decree-Law 11/2015, owners of ATMs may no longer charge ATM users or pass on such charges to card issuers. However, they may demand a fee from the card issuer. This fee to the card issuer may be passed on to the ATM user but never for an amount exceeding the fee that the card issuer is charged by the ATM owner. No surcharge may be added on for any other item, except when cash withdrawals are made on credit, in which case the card issuer may apply an additional amount, which may not exceed the amount that is applied for cash withdrawals on credit from its own ATMs.

Owners of ATMs and card issuers may reach agreements to establish maximum chargeable fees. Where there is no such agreement, the fee determined by the ATM owner will be the same for all the entities within the Spanish territory, and may be reviewed on an annual basis. Owners of ATMs and card issuers must notify the Bank of Spain of their fees for ATM cash withdrawals.

Regarding the Group, the application of Royal Decree-Law 11/2015 has resulted in the following:

- The establishment of a €2 fee for entities that use our ATMs with the following exceptions: (i) if the card is issued by an entity within the Euro 6000 network, the applicable fee to the issuer of the card is €0.45; and (ii) if the card is issued by Bankia or Sabadell, the applicable fee is €0.65.

- Customers of the Group are granted free withdrawal of cash up to four times a month at any ATM of the Euro 6000 network or the Bankia or Sabadell networks, except in the provinces of León, Zamora, Palencia, Valladolid, Salamanca, Soria, Cáceres and Málaga. From the fifth withdrawal onwards, the chargeable fee is €0.45 for withdrawals within the Euro 6000 network and €0.65 for withdrawals within the Bankia and Sabadell networks.

In the case of cash withdrawals by Group customers from ATMs of any other entity, we pass on 100% of the fee charged by the ATM owner to the relevant customer.

Disintermediation products

We offer a variety of disintermediation products such as investment funds, insurance products, pension funds and other transactional services, with the aim of diversifying our business and expanding our customer base. These products are managed mostly by our subsidiaries and, in certain cases, by third parties.

As at December 31, 2016, we had €11.6 billion of off-balance sheet customer funds marketed by the Group (€5.6 billion in investment and mutual funds, €2.2 billion in pension funds, €3.0 billion in insurance products-related funds and €0.9 billion in assets under management in our discretionary portfolio), an increase of 5.1% when compared to our off-balance sheet customer funds as at December 31, 2015. Since the acquisition of EspañaDuero on March 28, 2014, our off-balance sheet customer funds including EspañaDuero has increased from €10.9 billion as at December 31, 2014 to €11.6 billion as at December 31, 2016.

Investment funds

We offer investment fund products of Unigest, S.G.I.I.C., S.A., ("**Unigest**"), our subsidiary, and we commercialize third-party products of Ahorro Corporación Gestión, S.G.I.I.C., S.A. ("**Ahorro Corporación Gestión**"). Unigest mainly manages the investment funds and the investment variable capital companies *(sociedades de inversión de capital variable)* ("**SICAVs**") that are under our control.

As at December 31, 2016, we had €5.6 billion in investment and mutual funds (€5.2 billion and €4.7 billion as at December 31, 2015 and 2014, respectively). For the year ended December 31, 2016, investment fund products generated 2.1% of our total revenues.

Due to the options available through Unigest and Ahorro Corporación Gestión, we offer a wide range of investments which we can adapt to the requirements of each customer. We offer these services from our bank branches, but the complementary, recurrent activities such as consulting investment funds and other operations can be carried out through our internet and telephone banking platforms.

Our mutual funds market share by off-balance sheet customer funds was 2.4% as at December 31, 2016 (source: Inverco).

The following table sets forth an overview of the distribution of our off-balance sheet customer funds in the investment funds as at December 31, 2016.

Distribution of off-balance sheet customer funds by investment fund (€ thousand)

Type of fund	**Total**
Fixed rate short-term	316,392
Fixed rate......................	443,617
Mixed..................................	118,743
Variable rate – absolute return................................	1,777,324
Guaranteed	2,771,074
Personal banking....................	38,496
Private banking.....................	110,954
***Total*....................................**	**5,576,599**(1)

Note:

(1) The division of the €5,576 thousand correspond to the €5,456.6 thousand of the table in note 31.4 of the 2016 Annual Accounts relating to the securities investment funds portfolios including the €110 thousand relating to the SICAV. Likewise, the total figure does not include €16,701 thousand relating to funds commercialized by, but not under the management of, Unicaja Banco.

Insurance products and Pension funds

We offer insurance products that are adjusted to the particular conditions of each customer, with a range of alternative possibilities to cover various circumstances that may affect them personally, their property or their employment.

The insurance business operates through two channels:

- Insurance companies: the Group has a relevant stake in four life insurance and pension funds companies (Unicorp Vida, Caja España Vida, Unión del Duero Vida and Duero Pensiones), which are subject to Solvency II regulations, and generated on an individual basis a net profit of €80.1 million, €85.6 million and €86.0 million in the years ended December 31, 2014, 2015 and 2016, respectively; and

- Insurance distribution: we have reached a volume of €220.4 million in premiums in 2016 (€86.3 million of which correspond to the life insurance companies mentioned above) compared to €230.3 million in 2015. The commission income generated by this business amounted to €48.2 million for the year ended December 31, 2016 (or approximately 21% of total fee and commission income).

We had €3.0 billion in insurance products-related funds in the year ended December 31, 2016 (€2.8 billion in the year ended December 31, 2015). The insurance business (profit from companies in which we hold stakes plus distribution commissions) generated 9.4% of our total revenues for the year ended December 31, 2016 (approximately €85 million, representing 65% of our net income for the year ended December 31, 2016).

Our intention is to operate under a multibrand approach with a single partner for each of the life and non-life segments and, as at the date of this Prospectus, we are currently restructuring our insurance agreements:

- In January 2016, we signed an exclusive distribution agreement for non-life insurance with Caser. In addition, on February 11, 2016, EspañaDuero signed an agreement to sell its wholly-owned subsidiary Unión Duero Seguros to Caser. Caser later absorbed Unión Duero Seguros on May 2017. The impact of the exclusive distribution agreement referred to above was recorded within "other operating income" and amounted to €98.1 million in 2016 (see "*Operating and Financial Review—Results of operations—Comparison of consolidated income statement movements for the years ended December 31, 2016 and 2015—Other operating income*"), whereas the sale of 100% of Unión Duero Seguros amounted to €23,2 million.

- In addition, in May 2017, each of EspañaDuero and Unicaja Banco reached an agreement with Aviva to terminate their strategic alliance in relation to the development, commercialization and distribution of life insurance products and pension plans in Spain. At the same time, Santa Lucía agreed to buy Aviva's life insurance business in Spain, which includes Aviva's 50% stake in Unicorp Vida and Caja España Vida and reached an agreement with EspañaDuero and Unicaja Banco for the exclusive distribution of life insurance products and pension plans through the Group's branch network (excluding the network corresponding to the former CajaDuero). These transactions are subject to obtaining the relevant regulatory approvals, which have already been requested. Moreover, Moreover, EspañaDuero has recently agreed with Mapfre the termination of its bancassurance agreement in Unión Duero Vida and Unión Duero.

In addition, we market pension funds of Unicorp Vida Compañía de Seguros y Reaseguros, S.A., Duero Pensiones and Caja España Vida. As at December 31, 2016, our stakes in these companies had a combined book value of €315 million. We had €2.2 billion in pension funds as at December 31, 2016 (€2.193 billion and €2.133 billion as at December 31, 2015 and 2014, respectively), which represented a 2.4% market share as at December 31, 2016 (source: Inverco). In the year ended December 31, 2016, our pensions businesses generated €13.2 million profit before tax, which represented 10.6% of our total profit before tax for such period.

Services

We offer a range of additional transactional services including:

- *Cards*: the number of cards issued by us was 1.8 million (of which 62% debit cards and 38% credit cards) as at December 31, 2016 (1.8 million and 1.8 million as at December 31, 2015 and 2014, respectively). We also create virtual cards, through "Univía" and our mobile application "Unicaja Móvil", and in EspañaDuero, "Cybercompra" virtual cards through "Líne@España". Additionally, since January 2015, we have issued contactless cards, the latest payment technology, which enables and facilitates card payments of smaller amounts by making them simpler and faster.

    - The total volume of card payments in the year ended December 31, 2016 was approximately €3,250 million (€3,192 million and €3,045 million in the years ended December 31, 2015 and 2014, respectively).

    - Our card business is fully compatible with the industry standard EMV (Europay, MasterCard and Visa). This, together with the developments in our SMS notification system when transactions take place that are outside the cardholder's normal spending patterns, double channel authentication for online electronic transactions and a dynamic marks system to limit the use of cards in fraudulent environments, has allowed us to reduce credit card fraud in the past two years.

- *Point of Sale Terminals* ("**POS**"): our current offering in POS, with both fixed (ADSL) and wireless (with Bluetooth technology and GPRS) units, adapts to the different needs of shops and businesses. Advances in technology have enabled us to integrate new functionalities in POS, such as contactless payment or the option for foreign customers using our POS to pay in their home currency. Furthermore, we have our own virtual POS which offers solutions to those of our customers who offer products and services online. As at December 31, 2016, we had 40,832 POS (35,566 and 41,555 as at December 31, 2015 and 2014, respectively). The accumulated business volume processed through this channel during the year ended December 31, 2016, including traditional shops as well as merchant activity with large retail chains was approximately €2,272 million (€2,367 million and €2,773 million for the years ended December 31, 2015 and 2014, respectively).

- *Securities*: this mainly includes sale and purchase transactions of listed securities by customers both in domestic and international markets and across different fixed and variable income products. During the year ended December 31, 2016, the number of securities transactions executed through the Group was 67,165 (more than 200,000 and 176,231 for the years ended December 31, 2015 and 2014, respectively), for a total value of approximately €563.6 million (€2,670 million and €2,654 million for the years ended December 31, 2015 and 2014, respectively).

- *Payrolls, pensions and benefits*: those of our customers with payrolls and pensions directly credited to their savings account enjoy several financial and non-financial benefits in products and services, which are included in our "*Servicio Nómina*" and "*Privilegios Clubseis*" programs. The "*Plan Cero Comisiones*" allows customers to avoid standard banking fees (account maintenance, transfers and cheques) under certain conditions, and to benefit from premium conditions in financial products (loans and deposits with preferential interest rates, salary and pension advances at 0% interest rate, overdraft of €300 for directly-credited payrolls and advances at ATMs for the withdrawal of pensions). During the year ended December 31, 2016, the total of direct credits executed by the Group was 1,071,114 (1,105,017 and 1,131,819 for the year ended December 31, 2015 and 2014, respectively), of which 52.78% corresponded to payrolls and unemployment benefits and the remaining 47.22% to pensions and post-employment benefits.

Treasury, Markets and Real Estate

Equity investments

The main focus of this division is the control, management and administration of the relationships between the Company and its subsidiaries, with the aim of obtaining the maximum level of contribution from those subsidiaries to our financial results. Furthermore, the corporate development team also analyses, manages and proposes investments in other businesses to help the Group grow.

We have, individually or jointly with other investors, invested in relevant Spanish businesses that work in high-growth areas that we believe to have potential for growth and profitability. Our portfolio includes investments in businesses that develop new technology, real estate companies, logistics specialists and energy and infrastructure companies, among others.

With regard to new technologies, we focus on Spanish communication and information technology specialists, like Ingenia, S.L. and others of a similar nature. We also have invested in the aeronautics sector, nanotechnology and biomechanics, as well as in the company Parque Tecnológico de Andalucía, S.A.

We also understand the strategic importance of the energy sector in the development of the Andalucía region. For example, we hold a 0.51% stake in Iberdrola, S.A. (following the sale of a 0.51% stake on December 15, 2016), which is an important player on both a regional and national scale. We are also committed to investing in clean and renewable energy, as we have shown through our stakes in Sociedad Gestora de Parques Eólicos de Andalucía, S.A. and Uniwindet, S.L.

Our commitment to the development of infrastructure can be seen in our investment in the main highway projects in Andalucía and the Spanish national transportation network. We have invested in Arco Mediterráneo, S.L. (which manages the Autopista del Sol and Autopista del Guadalmedina motorways) and in companies providing integrated services such as Hidralia, Gestión Integral de Aguas de Andalucía, S.A., among others.

We are also contributing to the strengthening of the agro-food industry by investing in large groups that have cross-border capacity such as Deoleo, S.A. and other businesses that contribute to the development of the industry.

Finally, we also support the development of the financial services industry through Alteria Corporación Unicaja, S.L.U. (its main function is to provide financial services to the Group itself) and supporting the Andalucía tourist sector. As part of our commitment to the development of the Andalucía and national business sectors, as at December 31, 2016, we had invested in more than 50 companies that help with the consolidation and creation of businesses, as well as real estate companies to execute particular projects, mainly through the Acinipo, S.L. group, and productive units that provide important services.

With regard to the equity stakes held by EspañaDuero, the original objective had been for such investments to contribute to the growth and profitability of EspañaDuero, mainly through investments in unlisted companies with strong management teams, with the aim of diversifying its revenue streams while contributing to the economic development of the regions in which it operates.

However, following the approval of the Restructuring Plan and the Term Sheet, EspañaDuero's activity has focused on restructuring measures, ceasing to carry out certain activities and the orderly divestment of its portfolio, as required by the Term Sheet. Furthermore, no additional investments by EspañaDuero are allowed, unless otherwise provided in the Term Sheet. As a result of the commitments imposed by the Term Sheet, our efforts regarding EspañaDuero's investment portfolio have focused on:

- the orderly divestment of EspañaDuero's portfolio in accordance with the requirements determined in the Term Sheet (these requirements have been satisfied as at the date of this Prospectus), whilst trying to maximize the value of such shareholdings; and

- the reduction of EspañaDuero's financial exposure to the minimum possible through financing and/or guarantees from the invested entities.

The Term Sheet imposes no obligation on Unicaja Banco as a standalone entity to dispose of its investments, whereas, at the date of the Prospectus, EspañaDuero has already complied with its disposal commitment, having disposed of all the equity stakes required by its Restructuring Plan.

For the year ended December 31, 2016, our equity investments, including return on equity investments and profit from companies valued at equity method, generated 5.8% of our total revenues (3.7% and 3.5% for the years ended December 31, 2015 and 2014, respectively) and as at the date of this Prospectus. One part of these equity stakes, mainly the ones included in the available for sale portfolio, are managed actively and decisions on acquisitions and disposals are regularly taken depending on market circumstances.

The Term Sheet required EspañaDuero to sell its listed and unlisted equity stakes in 188 listed and unlisted companies, representing €739 million of book value of such equity stakes as at the start date of the Restructuring Plan. EspañaDuero started the divestment process in 2014 and as at the date of this Prospectus the commitment has been met following the disposal and divestments of all the required stakes for a total divestment value of €639 million (book value of the equity stakes as at the disposal date).

Whilst EspañaDuero is the Company's only significant subsidiary, the main equity stakes held by the Group in listed and unlisted companies, which are all incorporated in Spain, as at December 31, 2016 were as follows:

	Unicaja Banco	**España-Duero**	**Total stake**	**Gross value (€ million)**	**Carrying value[(1)] (€ million)**	**Associated goodwill (€ million)**	**Listed / Non-listed**	**Consolidation method**	**Industry**
Iberdrola, S.A.	0.51%	0.0%	0.51%	193.2	204.0	0.0	Listed	Available for sale	Energy
Lazora, S.A.	12.51%	0.0%	12.51 %	62.1	61.3	0.0	Non-listed	Available for sale	Real estate
Grupo Isolux Corsan	0.47%	8.6%	9.08%	36.1	0.0	0.0	Non-listed	Available for sale	Energy
Gas Natural Castilla y León, S.A.	9.9%	0.0%	9.9%	47.8	47.8	0.0	Non-listed	Available for sale	Energy
Cajas Españolas de Ahorro, SICAV	0.01%	0.0%	0.01%	50.0	50.9	0.0	Non-listed	Available for sale	SICAV
Deoleo	10.05%	0.0%	10.05 %	144.5	37.7	0.0	Listed	Equity-accounting	Agro-food
Caser, S.A.	4.76%	5.0%	9.76%	42.1	42.1	0.0	Non-listed	Available for sale	Insurance
Hidralia Gestión Integral de Aguas de Andalucía, S.A.	35.0%	0.0%	35.0%	52.0	48.3	7.8	Non-listed	Equity-accounting	Water cycle
Globalia Corporación Empresarial	7.00%	0.0%	7.00%	35.5	28.5	0.0	Non-listed	Available for sale	Tourism
Autopista del Guadalmedina Concesionaria Española, S.A.	30.0%	0.0%	30.0%	33.4	14.2	0.0	Non-listed	Available for sale	Motorway
Trackers II IBOXX Hight Bonds UCITS ETF	0.01%	0.0%	0.01%	15.0	15.5	0.0	Listed	Available for sale	ETF
SAREB	1.27%	0.0%	1.27%	43.3	31.5	0.0	Non-listed	Available for sale	Real estate
Ingenieria de Suelos y Explotación Recursos, S.A.	30.0%	0.0%	30.0%	6.7	6.8	0.0	Non-listed	Equity-accounting	New technologies
Total	**n.a.**	**n.a.**	**n.a.**	**761.6**	**588.6**	**7.8**	**n.a.**		

Note:

(1) Amount at which.each stake is recorded in the 2016 Annual Accounts.

See Appendices I, II and III of the 2016 Annual Accounts for lists of the Company's subsidiaries, joint ventures and associates ("*entidades del grupo, multigrupo y asociadas*") as at December 31, 2016. In addition, for further information on the disposal of equity stakes by the Company refer to Notes 9.1 "Available-for-sale financial assets – Breakdown of the balance and maximum credit risk" and 12.2 "Investments – Notification of shareholdings acquired and disposal" of the 2016 Annual Accounts.

Real estate

Our management team is responsible for the management of the real estate of the Group and provides support for our other entities in the administration of real estate assets. For the year ended December 31, 2016, our foreclosed assets generated sales amounting to €295.1 million (€270.2 million in the year ended December 31, 2015).

Law 8/2012, of October 30, required that credit institutions establish a company for the management of assets (*sociedad de gestión de activos*) and transfer the assets referred to in Article 1 of RDL 2/2012, namely those related with property development companies and property construction or sales companies, to such company before December 26, 2012. We established Unicaja Gestión de Activos Inmobiliarios, S.A.U., our real estate asset management company, on December 26, 2012, and transferred the relevant assets to it as required by such regulations. Unicaja Gestión de Activos Inmobiliarios, S.A.U. has the following corporate purpose: (i) it manages and divests the assets transferred to it as required by law; (ii) it acquires, disposes of, manages and operates an array of real estate assets, including estates, buildings, housing and real estate in general, no matter its use; (iii) it has activities related to urbanization, demolition and construction of buildings, whether directly or through a contracted third party, and any other kind of involvement in the real estate market, through providing services or managing real estate assets, belonging to the Group or third parties; and (iv) it carries out the study, development and comprehensive development of all types of property and projects. Unicaja Gestión de Activos Inmobiliarios, S.A.U. owns 100% of the shares in Gestión de Inmuebles Adquiridos, S.L.U. and all subsidiaries that hold our real estate assets as required by law. It is our aim to reduce our NPAs by €2.3 billion (excluding write-offs) by 2020.

Set out below is certain information regarding our foreclosed assets at December 31, 2016, 2015 and 2014:

	At December 31,				**At December 31,**			
	2016				**2015**			
(*€ millions except for number of units*)	**Gross book value**	**Net book value of assets**	**Accumulated impairment losses**	**Coverage ratio (%)**	**Gross book value**	**Net book value of assets**	**Accumulated impairment losses**	**Coverage ratio (%)**
Property assets arising from financing provided to construction and property development companies....................	1,522	502	1,020	67.0	1,707	642	1,065	62.4
Buildings completed....	*419*	*206*	*213*	*50.8*	*556*	*271*	*285*	*51.2*
Buildings under construction.................	*183*	*77*	*106*	*57.8*	*122*	*48*	*74*	*60.7*
Land.............................	*920*	*218*	*702*	*76.3*	*1,029*	*323*	*706*	*68.6*
Property assets from home purchase mortgage loans to households...................	661	325	336	50.9	672	340	332	49.4
Other foreclosed property assets............	385	147	237	61.7	302	131	171	56.7
Foreclosed equity instruments or under dept pay	20	5	15	74.5	18	-	18	100
Investment in entities holding real estate assets............................	-	-	-	-	-	-	-	-
Total	**2,588**	**979**	**1,609**	**62.2**	**2,699**	**1,113**	**1,586**	**58.8**

	At December 31,			
	2014			
(*€ millions unless otherwise stated*)	**Gross cost of acquisition**	**Net book value of assets**	**Coverage**	**Coverage ratio (%)**
Real estate assets from fund intended to ..	1,841	742	1,099	59.7
Buildings completed...................................	*536*	*288*	*248*	46.3

Buildings under construction	*160*	*75*	*86*	53.5
Land	*1,145*	*380*	*765*	66.8
Real Estate mortgage financing from	637	330	307	48.2
Other Real estate assets	89	42	47	53.0
Equity instruments, shares in and financing granted to entities holding real estate assets	68	9	59	87.4
Total	**2,635**	**1,123**	**1,512**	**57.4**

The fall in the value of both gross and net foreclosed assets from December 31, 2014 to December 31, 2015 can be partly attributed to higher sales of such assets by us. In the year ended December 31, 2016 we sold foreclosed assets amounting to €295.1 million (€270.2 million in the year ended December 31, 2015).

Competition

Historically, there has been significant competition in the Spanish retail banking sector. Since the start of the global financial crisis in 2007, the Spanish banking sector has undergone unprecedented consolidation and a large number of banks and savings banks have merged, resulting in a decrease in the number of active banks. Greater capital levels, stricter regulatory provisioning requirements, and strong pressure on profitability, amongst other factors, have continued to underpin the consolidation process with Spanish banks merging with other domestic institutions with the aim of gaining critical mass and scale, maximizing efficiency and reinforcing their balance sheets. In the current low interest rate environment, Spanish banks are still facing significant pressure on profitability along with subdued loan growth, which has resulted in increased competition for credit origination and fee and commission income.

We are the market leader in our Core Regions holding a significant market share premium over our direct competitors, CaixaBank, Banco Sabadell, Bankia and Popular, all of which are Spanish retail banks with a nationwide footprint (source: Company estimates and Bank of Spain). Other nationwide banking entities such as Banco Santander and BBVA also compete with us in both our Core Regions and the rest of Spain. Foreign banks, such as Deutsche Bank, also have a presence in the Spanish banking system as a result of liberalization measures adopted by the Bank of Spain in 1978, although foreign banks' combined market share is small today in core banking products. The entry of online banks into the Spanish banking system (e.g., ING Direct) has further increased competition, mainly in deposit-taking and off-balance sheet products. Insurance companies and other financial services firms also compete for customer funds.

In addition, other competitors include shadow banks, non-traditional providers of banking services, such as Internet based e-commerce providers, mobile telephone companies and internet search engines. See "*Risk Factors—Risks relating to the Group and its business—Sector risks—We face increased competition from traditional and non-traditional providers of banking services*".

Property, Plant and Equipment

Real estate

As at December 31, 2016 we owned 1,067 branches, including our headquarters, out of the total 1,280 branches (1,279 in Spain plus a representative office in London) and rent the remaining 213 branches. As at December 31, 2016, there were no liens or encumbrances on any of our assets classified as property and equipment.

As we continue to streamline our sales network as part of our integration plan with EspañaDuero, we expect to continue to reduce the overall number of our branch offices. The following table illustrates the reduction of our branch offices in 2014, 2015 and 2016.

Number of branches of the Group

	At December 31,		
	2016	**2015**	**2014**
Category			
Unicaja Banco	721	752	750
EspañaDuero	559	601	670
Total	**1,280**	**1,353**	**1,420**

Technology

We are committed to maintaining high standards of data protection, customer information and information security and aim to ensure that up-to-date security software and technologies are utilized.

Our in-house information technology department manages our information technology infrastructure and its corresponding information systems. As part of its day-to-day work, the technology department relies upon specialist, market-leading third-party suppliers who provide hardware, software and technical support solutions. These third-party suppliers also provide the communications services and support (including voice, data and internet) that we need to run our business.

In connection with the integration of EspañaDuero, in early 2016 we completed the integration and migration of all of EspañaDuero's banking technology to a single technology platform developed by Unicaja Banco. The technological integration process began in April 2014 and as at December 31, 2016, a total of €31.68 million had been invested in the migration and integration of the technological systems of EspañaDuero, of which €6.20 million was invested in hardware and the remaining €25.65 million in software licenses and services. If this amount had not been paid in advance, it would not have been an integration cost but would have been included in the annual budget as a recurring cost throughout those years. As at the date of this Prospectus, the integrated technology system is completely operational and offers all of our customers the same level of service.

We have also invested in disaster recovery systems and processes in relation to our information technology systems which are regularly monitored and tested. Our primary systems are backed up to a disaster recovery center in near-real time, where the copies are kept for safekeeping and can be retrieved when needed.

We rely on a number of third parties to provide IT services and software licenses. In particular:

- IBM provides the vast majority of the hardware and software that is used in our data processing center. IBM is also responsible for the maintenance of such hardware and software, is the provider of almost all of the computer workstations that are used in our service centers and offices and is responsible for their maintenance. We have also purchased our larger printers from IBM, which is responsible for their maintenance. The disaster recovery center is also serviced by IBM.

- Most of our ATMs have been purchased from NCR and Fujitsu. These are also maintained by IBM.

- Telefónica (Movistar) is responsible for voice communications (both landline and mobile) and data on a national, provincial, city and local level. Telefónica is also responsible for the maintenance of the communications systems in all our premises and branches. Furthermore, it is responsible for the maintenance of the computer workstations in EspañaDuero's service centers and offices. Telefónica provides corporate access to internet and is responsible for managing our internet security, as well as providing solutions to combat phishing and cybercrime.

- Microsoft is the provider of the operating system software and the database software of our Intel technology central servers. It also provides software for the computer workstations of our service centers and offices.

- Other major providers with whom we have agreements are Computer Associates, Iecisa, Oracle and Indra.

For a description of certain of the risks relating to our IT arrangements, see "*Risk Factors—Risks relating to the Group and its business—Sector risks—Operational risk is inherent to our business and, in particular, we face risks from failures of our information technology systems or internal management systems or processes*" and for more information on our tangible and intangible assets see Notes 13 and 14 of our Annual Accounts.

Corporate Social Responsibility

Our corporate social responsibility policy is based on the following principles:

- complying with applicable legislation and regulations;
- promoting the best practices in all areas of activity for continuing improvement;
- developing good governance policies that promote a framework of relationships based on transparency and confidence whilst respecting the rules of free competition;
- respecting human rights and employees' rights;
- developing a positive framework for employee relationships based on equal opportunities, respect for diversity, anti-discrimination and the right to union representation, thereby increasing constructive communication with our employees;
- encouraging professional development through training and career planning, as well as encouraging a healthy work-life balance and applying the necessary measures to reach the highest level of health and safety for all our employees;
- giving customers and investors access to clear and truthful information about our products and services and establishing transparent, clear and impartial processes with our suppliers;
- contributing to the economic, social, and environmental development in our sphere of activity, focusing especially on our Core Regions and strategically important sectors, creating synergies with the relevant organizations and businesses;
- promoting socially responsible actions in our subsidiaries and other partners and suppliers through selective contracting, making sure of their alignment with our corporate social responsibility policy, the improvement of the processes and the satisfaction of the customers;
- maintaining a constant flow of communication with all interest groups that allow an integration of society's expectations into our corporate values; and
- improving sustainable development and respect for the environment, minimizing the direct impact of our activity on the environment, as well as increasing awareness of this issue.

The Board of Directors is responsible for our corporate and social responsibility policy, including for setting the guidelines for the management of the policy. As part of the commitment to managing a flow of communications with interest groups, we are involved in open, continuous and organized dialogue with such groups, both to identify their needs and, subsequently, to communicate the actions that have been taken in response to such needs. Identifying the needs of these interest groups offers opportunities to strengthen our current and future relationships. By responding to these needs in an efficient and systematic manner, we ensure both balanced management and the introduction and establishment of a sustainable social and business development model. These processes take place through various channels and forums, both internal and external. Often they transcend the dialogue we have with the interest groups to contribute to corporate social responsibility policies at other organizations, both public and private, as society's needs are made known. Our main corporate social responsibility areas are: (i) individuals (including customers, investors, employees and service providers); (ii) the economic development of our Home Regions; and (iii) society, including the preservation of the environment and the obligations we have to future generations.

Consumers and Customers

Our proposal to current and potential customers is based on quality personalized services, adjusted to the preferences and the requirements of the particular customer, carried out through a wide array of products, services and channels, in order to create added-value long-term relationships based on trust.

Service Quality

Customer satisfaction levels are measured through a global quality check of our services. This model evaluates the full range of services that the customer considers relevant, is expressed in qualitative and quantitative data and is regularly reviewed. Its application allows us to identify the expectations the customers have with respect to our services and their relative importance and contribution to the satisfaction levels of each of the analyzed factors. This then facilitates the development of plans for improvement.

Customer Service

Our customer service department is not merely a legally required part of our organizational structure, but rather an instrument that allows us to establish and consolidate relationships of trust with customers, as well as to gather their opinions on our service. In the year ended December 31, 2016, this department managed 23,352 complaints, which were resolved in favor of the customer in 20.1% of the cases and in our favor in 50.2% of the cases. The remaining 29.7% were requests for further information which were resolved. In the year ended December 31, 2015, this department managed 9,759 complaints, which were resolved in favor of the customer in 20.7% of the cases and in our favor in 60.7% of the cases. The remaining 18.6% were requests for further information which were resolved. In the year ended December 31, 2014, this department managed 11,380 complaints, which were resolved in favor of the customer in 23.9% of the cases and in favor of Unicaja Banco in 53.4% of the cases. The remaining 22.7% were requests for further information which were resolved.

Employees

Profile of workforce

The following table sets forth the number of employees of the Group as at December 31, 2016, 2015 and 2014, respectively.

Number of employees

	At December 31,		
	2016	**2015**	**2014**
Category			
Unicaja Banco standalone	3,953	4,105	4,323
Subsidiaries Unicaja Banco.....	398	416	416
EspañaDuero standalone	2,978	3,352	3,444
Subsidiaries EspañaDuero.......	36	74	171
Total.......................	**7,365**	**7,947**	**8,354**

The following table sets forth certain information in relation to the distribution of employees by geographical location of both Unicaja Banco and EspañaDuero as standalone entities (i.e., excluding their respective subsidiaries).

Number of employees by geographical location

	At December 31,		
	2016	**2015**	**2014**
Category			
Unicaja Banco standalone	3,953	4,105	4,323
Andalucía	3,589	3,717	3,921
Rest	364	388	402
EspañaDuero standalone	2,978	3,352	3,444
Castilla y León	2,260	2,572	2,568
Rest	718	780	876
Total......................	**6,931**	**7,457**	**7,767**

Compensation Policy

Our current compensation policy is aligned with the standards set by the Financial Stability Board and the regulations of the EU, according to the requirements set by the Bank of Spain. The general compensation policy also complies with the conditions set by the agreement with our workers union, our Strategy and the internal employment agreements we have with labor union representatives. This policy is based on the responsibility held by the employee and the professional evolution of each person, and attempts to avoid discrimination of any kind.

Our compensation practices have the goal of talent attraction and retention, and, in general, adequate compensation for the work of each employee, both from the point of view of the results achieved and the behavior of the employee and methods used in attaining those results.

Prevention of Non-ethical Practices

We try to make sure that behavioral standards related to the prevention of non-ethical practices and money laundering are rigorously observed. These standards can be found in our codes of conduct, our internal code of conduct in the securities market and the regulations preventing money laundering. Compliance with these rules is periodically reported to the Board of Directors. To assure compliance with these standards, an annual supervision plan has been established, covering the actions taken in our commercial network, centralized business units, business support units and businesses. The Audit Commission is responsible for the elaboration and supervision of the plan.

Environmental and Land Use Matters

As at the date of the Prospectus, we consider that we have adopted the necessary measures with respect to the protection and improvement of the environment and the minimization of environmental impact, where applicable, in accordance with environmental laws. In 2016, 2015 and 2014 we did not make any significant environmental investments and did not identify any need to make provision for environmental risks and charges or any significant contingencies in connection with environmental protection and improvement.

Legal Proceedings

We have been and are involved in disputes and litigation related to our business. In particular, we are currently the subject of the following legal proceedings, among others:

Clauses which set a minimum interest rate for mortgages

We have included clauses in our mortgage agreements which set minimum interest rates payable by borrowers. Borrowers have challenged the validity of such clauses in recent years on various grounds. Spanish courts have rendered various judgments, directed both at specific financial institutions (including us) and the financial sector in general, declaring certain clauses that set minimum interest rates to be invalid on the basis of a lack of transparency at the time such mortgages were sold to customers or other reasons, which may materially affect us:

- The judgment of the Spanish Supreme Court on May 9, 2013 was the first judgment of the Spanish Supreme Court on the validity of such clauses. No Group entity was party to this legal action, and as such this judgment did not directly apply to us. Nonetheless, the judgment cast doubt over the validity of clauses setting minimum interest rates that had been widely used by financial institutions in Spain and raised uncertainty regarding how or when the principles of this judgment would be applied against financial institutions not party to the original action, including us. The judgment established the criteria on which the unfairness of such clauses was to be determined and declared the clauses that were the subject of such judgment to be null and void. In addition, the Supreme Court held that there should be no retroactive effect of the declaration of nullity of these clauses, meaning that pursuant to such decision borrowers would be unable to reclaim amounts paid under these clauses that set minimum interest rates before the date of publication of this judgment. However, the criteria established by this judgment have been further revised by recent rulings such as the judgment of the Spanish Supreme Court on March 9, 2017, which declared lawful a clause which set minimum interest rate in a mortgage agreement for meeting the transparency requirements.

- More recently, although other courts have questioned the lack of retroactive effect, the Spanish Supreme Court, in judgments on March 25, 2015 and April 29, 2015, found that if a clause setting minimum interest rates for mortgages is declared null and void by a valid court order, for lack of transparency or any other reason, the difference between the interest paid under the clause including such a limitation and the interest that would have otherwise been payable without such clause, must be reimbursed by the relevant financial institution to the borrower for the period beginning on the date of publication of the Spanish Supreme Court judgment dated May 9, 2013. Again, no Group entity was party to either of these legal actions, and as such these judgments did not directly apply to us.

- On November 11, 2010, the Association of Customers of Banks, Savings Banks and Insurance of Spain (*Asociación de Usuarios de Bancos, Cajas y Seguros* or "**ADICAE**") and a large number of additional individual claimants, filed a claim against 40 Spanish banks (including us) which used clauses setting minimum interest rates in their mortgage documentation. On April 7, 2016 the Commercial Court number 11 in Madrid found that clauses setting minimum interest rates that were included by such banks in their mortgage documentation are null and void because of their lack of transparency, and ordered the financial institutions to reimburse the difference between the interest paid under clauses including such limitations and the interest that would have otherwise been payable without such clauses, from the date of publication of the Spanish Supreme Court judgment dated May 9, 2013 onwards. Unicaja Banco, EspañaDuero and other financial institutions have requested that the Court provide clarification on the judgment and their intention is to appeal the judgment.

- On April 13, 2016, the Appeal Court of León, in relation to the clauses setting minimum interest rates included in mortgages granted by Caja España, whose business was transferred to EspañaDuero, declared such clauses included in retail (*con consumidores*) mortgages null and void, which obliges Caja España to remove such clauses from its mortgages and to stop using them in the future. However, the decision does not require Caja España to reimburse affected borrowers. The judgment only affects the mortgages granted by Caja España and we have appealed the decision before the Spanish Supreme Court. This claim was filed by AUSBANC.

The position in Spain regarding the inability of affected borrowers to claim for periods before the date of publication of the Spanish Supreme Court judgment dated May 9, 2013 seemed clear given the consistency of the judgments handed down by the Spanish Supreme Court. However, on December 21, 2016, the European Court of Justice declared that the temporal limitation placed on the effects of the invalidity by the Spanish Supreme Court judgment is incompatible with the Council Directive 93/13/EEC of April 5, 1993 on unfair terms in consumer contracts, to the extent that such temporal limitation is an incomplete and insufficient protection to consumers. There remains significant uncertainty regarding how this decision by the European Court of Justice could affect us or future court decisions regarding this matter and how any such decision will be implemented in Spain.

On January 20, 2017, the Spanish Government approved RDL 1/2017, which encourages out-of court settlements between financial institutions and those borrowers affected by such clauses, and aims to avoid overloading the Spanish Courts with these claims by establishing measures that incentivize a negotiation with the borrowers without going to court. However, although financial institutions are obliged to contact affected customers, letting them know of the existence of the relevant clauses in their documentation, there is no obligation for the parties to reach an agreement, in which case the borrowers are still able to file claims against the financial institutions. We have implemented the procedures set out in the RDL 1/2017 by creating a specific unit to inform affected borrowers of the existence of these procedures, address any claims that may be brought by them and, if appropriate, negotiate with them on a case by case basis. In relation to such procedures, we have already reached a number of settlements in which we agreed to compensate the due amounts to the affected borrowers as follows: (i) 28.7% via interest rates; (ii) 1.2% by cash; and (iii) 68.4% through capital cancellations. We consider that the amounts paid in cash are not material.

The Spanish Supreme Court, in judgment dated April 4, 2017, has ruled that final judgments on clauses setting minimum interest rates prior to December 2016 shall not be further reviewed.

See "*Risk Factors— Risks relating to the Group and its business—Specifics risks relating to the Group—Decisions relating to the removal of clauses which set minimum interest rates for mortgages in Spain may have a significant impact on our business*" for details on the amounts that have been provisioned in respect of these claims and our total potential exposure.

EspañaDuero Offer

Following the approval of the Restructuring Plan in May 2013, a burden sharing exercise was imposed by the European Commission pursuant to which institutional investors who had purchased preference shares or subordinated debt issued by EspañaDuero were converted into shareholders of EspañaDuero; and retail investors who had purchased preference shares or subordinated debt issued by EspañaDuero were converted into contingent convertible bonds holders of EspañaDuero (see "*—History*" and "*Material Contracts—EspañaDuero Term Sheet*").

In the context of Unicaja Banco's acquisition of EspañaDuero, Unicaja Banco launched an exchange offer for the shares and contingent convertible bonds of EspañaDuero which was initially conditional upon a minimum acceptance threshold of 75% and the acceptance of which required the waiver of any claim in relation to the initial sale of the hybrid instruments and the resolutions executed by the FROB. The offer was accepted by 61.30% of the holders of EspañaDuero's shares and contingent convertible bonds (see "*—History*").

The Non-Accepting Holders initiated legal proceedings against EspañaDuero, claiming that there was an error or mistake on their consent when purchasing the preference shares or subordinated debt, due to the lack of sufficient information. Accordingly, EspañaDuero has been required by court orders to repurchase such EspañaDuero shares in legal actions, adding them to treasury stock. See "*Risk Factors—Risks relating to the Group and its business—Specific risks related to EspañaDuero and the Restructuring Plan—We may be subject to liability related to litigations of former EspañaDuero hybrid securities holders*" and "*—History*" for more information about claims brought by Non-Accepting Holders and the background of the FROB Guarantee and Compensation Mechanism. As the FROB has paid the maximum amount of €241 million pursuant to the Compensation Mechanism, all further costs from claims will be assumed by EspañaDuero. Although we do not expect a significant increase in the number of litigations given that the number of claims has stabilized in recent months (for example, in the second half of the year ended December 31, 2016, EspañaDuero received new claims amounting to €16.5 million or 2.8% of the outstanding value of EspañaDuero's capital instruments subject to the burden sharing exercise), EspañaDuero has already provisioned the impact related to all current litigations in its individual annual accounts for the years ended December 31, 2016, 2015 and 2014 in an amount of €45 million, €83 million and €93 million, respectively, and estimates that the maximum potential additional impact from claims that may be initiated by the remaining Non-Accepting Holders amounts to €17 million, which has not been provisioned.

In addition, as at March 31, 2017, 270 Accepting Holders (out of approximately 17 thousand), all of them retail investors, have also initiated legal proceedings against EspañaDuero on the same grounds. We estimate that these claims could have a maximum impact of approximately €5.5 million as at March 31, 2017, all of which have been provisioned in their full amount of €10.8 million. As such we do not expect such claims to have a material impact on our business, regardless of the outcome of the legal proceedings, although no assurance can be provided.

Most of the legal proceedings filed by the Accepting Holders are still in an early stage. The Spanish courts have rendered various judgments, some of them favorable to the Accepting Holders and others to EspañaDuero. In the last few months, we have obtained two relevant judgments from Courts of Appeal:

- On April 13, 2016, the Appeal Court of Valladolid declared that the waiver of claims made by an Accepting Holder in relation to the initial sale of subordinated debt and the resolutions executed by the FROB was valid, and declared the validity of the initial acquisition of subordinated debt of EspañaDuero. The judgment has been appealed by such Accepting Holder before the Spanish Supreme Court.

- On June 27, 2016, the Appeal Court of León declared that the waiver of claims made by an Accepting Holder in relation to the initial sale of the hybrid instruments and the resolutions executed by the FROB was not valid, and declared the initial acquisition of preference shares and subordinated debt of EspañaDuero null and void (and consequently, the contingent convertible bonds of EspañaDuero and the convertible bonds of Unicaja Banco into which they were converted). The judgment orders EspañaDuero to reimburse the Accepting Holder the money invested, plus the legal interest, and orders the customer to return the hybrid instruments, shares of Unicaja Banco and the earnings obtained. The judgment has been appealed by EspañaDuero before the Spanish Supreme Court.

The judgment of the Appeal Court of León had an appreciable impact in the local media, and as a consequence of this impact we saw an increase in the number of lawsuits filed by Accepting Holders during the second half of 2016. Certain other Appeal Courts in Spain, including Palencia, Zamora and Madrid have followed the June 2016 opinion of the Appeal Court of León. Almost all of these judgments have been appealed by EspañaDuero before the Spanish Supreme Court.

Interest calculation formula used in mortgage transactions

The validity of one of the formulas used by Unicaja Banco for calculating interest in mortgage agreements has been challenged by a lawsuit brought by a group of 41 customers, under which a corresponding judicial proceeding has followed (ordinary proceeding No. 164/2016, Court of First Instance No. 15 of Málaga).

The lawsuit claims that the formula used by Unicaja Banco employs a different time frame when determining the accrual days compared to that expected by the claimants. The numerator of the fraction where time represented is calculated in natural days, and the denominator of the fraction is calculated in business days (generating a figure of 36,000 (360 x 100) rather than 36,500 (365 x 1000), which was the figure expected by the claimants).

We do not expect that the proceeding, which was initiated in May 2016, will have a material impact on our business. One of the first actions of the court has been the refusal to aggregate the actions of the claimants on the grounds that this aggregation is not in accordance with the law when the claim is based on defect of consent (*vicio del consentimiento*) of the contracting parties at the time of accepting the formula in question and, therefore, claims corresponding to each of the claimants must be resolved individually. The court’s decision rejecting the aggregation of the claims is under appeal.

AUSBANC

On April 18, 2016, the Central Examining Court (*Juzgado Central de Instrucción*) number 1 of the High Court of Spain (*Audencia Nacional*) gave the main leaders of the Association of Users of Banking Services (*Asociación de Usuarios de Servicios Bancarios* or “**AUSBANC**”), a trade association for banking services, and Manos Limpias, an association representing public workers, a provisional prison sentence for extortion, fraud and participation in a criminal organization, among other crimes.

Parts of certain conversations which are alleged to have been held between the former President of AUSBANC and a former senior officer of the Company (who resigned from the Company in August 2016 and was granted early retirement, as was within his rights), are quoted in such sentence. The supposed aim of such conversations, which took place in 2016, was that, in exchange for the payment by the Company of certain amounts, Manos Limpias would request the dismissal of the investigation into the so-called "Caso ERE" carried out by the Examining Court (*Juzgado de Instrucción*) number 6 of Seville (relating to the suspected fraudulent granting of pre-retirement assignments, subventions and fees paid from public funds), which involved the former President of the Company, who is the current President of the Foundation (the Company's majority shareholder), in relation to his membership of the managing body of IDEA, the Andalusian government's development agency, through which the aforementioned pre-retirement assignments, subventions and fees from public funds were alleged to have been paid. The former President of the Company requested that the Examining Court (*Juzgado de Instrucción*) number 6 of Seville dismiss him from the investigation and expressly requested that only his court submissions be considered in connection with his request. Through a writ dated March 1, 2016, Manos Limpias also requested that the Examining Court (*Juzgado de Instrucción*) number 6 of Seville dismiss the investigation involving the former President of the Company. The judge rejected the request of Manos Limpias but accepted the request of the former President, issuing in May 2016 a court order (*auto*) provisionally dismissing him from the so-called "Caso ERE". Such court ourder (*auto*) is firm as of the date of this Prospectus, although the process in relation to the so-called "Caso ERE" is still ongoing with respect to other defendants.

In April 2016, the senior officer of the Company mentioned above was investigated for alleged unfair administration and, afterwards, in November 2016, a trustee of the Foundation (but not the President of the Foundation) was investigated for allegedly warning AUSBANC about the ongoing secret investigation that was being carried out in relation to AUSBANC.

We undertook an internal investigation in relation to the payments made by the Company to AUSBANC and its related entities in 2016, from which it resulted that such payments amounted to €616,127.04 (€510,022.35 plus €107,104.69 VAT) and that, after reviewing the documentary evidence (approximately 40%), and from the statements of the people responsible for making the payments (partly in relation to radio and online media publicity), these payments corresponded to publicity services actually provided by AUSBANC to the Company (except for two advance payments in relation to advertising and sponsoring services that had not been provided at the time of payment and which we claimed back immediately upon becoming aware of them).

In addition, the Company checked that the following payments (excluding VAT) were made to AUSBANC and its related entities for its services: €433,036 in 2015, €141,757 in 2014 and €105,112 in 2013. The Company also checked that no payments were made to Manos Limpias.

Neither the Company nor any of its directors or employees is a party to the aforementioned proceedings. As such, we do not expect that any of the aforementioned proceedings will generate any liability to the Company.

Early termination of mortgages

Early terminations clauses are mortgage clauses that give a bank the right to accelerate the loan in the event of a default by the debtor and allow the bank to enforce the mortgage. A judgment of the European Court of Justice dated January 26, 2017 has generated uncertainty regarding early termination clauses contained in mortgage loans to consumers by stating, under Directive 93/13, that if the clause is declared null and void for being abusive, it will be deemed not to have been included in the contract, which means that the bank would not be able to accelerate the loan and would also lose its right to apply for the enforcement of the security.

This situation has generated a risk of the inadmissibility or dismissal of asset recovery procedures, namely those relating to loans formalized prior to May 15, 2013. In view of the above, the Spanish Supreme Court, in a ruling dated February 8, 2017, raised two issues in this regard with the European Court of Justice, both of which have not been resolved as at the date of this Prospectus. Courts that hear cases involving the foreclosure of debts have tended to suspend the cases brought before them pending the European Court of Justice's response to those issues raised by the Spanish Supreme Court. However, a small proportion of these cases have also been dismissed by such courts. As at the date of this Prospectus, the future impact of this judgment cannot be assessed, given that such questions remain pending before the European Court of Justice but we do not expect these judgments to have a material impact on our business, although no assurance can be provided.

Complaints and claims in relation to the mortgage issuance expenses

Following the ruling of the Spanish Supreme Court dated December 23, 2015, an issue has arisen regarding mortgage loans with consumers regarding the clause that attributes to the borrower the expenses and taxes arising from the formalization of the transaction, which could be declared abusive to the extent that it allocates to the borrower all relevant expenses and taxes whereas such expenses and taxes might correspond by law to the creditor.

The scope of this dispute is unclear as at the date of this Prospectus because (i) a large number of judicial rulings, despite assessing the nullity of the clause, have not automatically obliged the defendant entity to return what had been paid by the borrower, on the basis that the borrower must in any case pay those expenses that by law correspond to it, and (ii) with respect to the more recent loans (i.e., those made after 2011) the dispute arises in a very different regulatory environment, in which compulsory pre-contractual information, provided in predefined forms set out by law, already incorporates detailed references to the payment of expenses by the borrower.

However, we have received a number of extrajudicial complaints, which have been channeled through our customer services department, as well as, to a lesser extent, legal claims, which are still pending. As at the date of this Prospectus, the future impact of this litigation cannot be assessed given the disparity of jurisprudential criteria. We do not expect these claims to have a material impact on our business, but no assurance can be provided because, although the most significant part of the mortgage issuance expenses is the stamp duty tax, for which the taxable person is the borrower, on May 29, 2017 the courts of first instance of Seville decided, for the first time, that such tax shall be borne by the lender and not by the retail customer that filed the lawsuit.

Law 57/1968, of July 27, on the collection of advance amounts in the construction and sale of housing

Law 57/1968, despite being repealed by the Building Construction Law (in force since January 1, 2016) is still applicable to all purchases of housing made under it. This law set forth the express obligation for property developers to pay the amounts received from home buyers into a special account, as well as to grant in favor of such buyers a guarantee for the repayment of such amounts. The judgment of the Spanish Supreme Court dated December 21, 2015 extended the responsibility for repayment of such amounts to the financing credit institutions, and for the amounts paid by the home buyers, irrespective of whether or not it had issued a guarantee that such amounts would be repaid.

This law has led to some claims against credit institutions for the amounts delivered by individuals to developers on account of the purchase of housing, when said payments had been channeled through a credit institution. As at December 31, 2016, the estimate of the maximum amount claimed was €20.2 million, and the Company evaluated that the risk amount of such claims was €9.6 million which was fully provisioned as at the year ended December 31, 2016. As for the first quarter of 2017, the estimate of the maximum amount claimed is €20.7 million, and the Company evaluates that the risk amount of such claims is €9.8 million and it is fully provisioned as at March 31, 2017.

Insurance

We maintain the types and amounts of insurance that are customary for businesses in the sectors in which we operate. We believe that our insurance policies are sufficient to protect us against potential damage and liabilities incurred in the ordinary course of business although we can provide no assurance that our insurance coverage will adequately protect us from all the risks that may arise or in amounts sufficient to prevent material loss.

RISK MANAGEMENT

As a financial institution, we are exposed to several kinds of risks stemming from our business, which arise from our day-to-day operations. The accurate and efficient management and monitoring of risk are key to maximizing shareholder value, ensuring a suitable level of resilience and financial strength.

We believe we have a prudent attitude towards risk management. As a retail bank, our risk policy aims to maintain a moderate risk profile through prudent management, diversification by areas, types of assets, portfolios and customers while seeking sustainable, profitable growth.

Our governing bodies, such as the Board of Directors, are responsible for establishing our main risk policies, which are then developed and implemented throughout the organization by senior management and the Chief Risk Officer ("**CRO**"), who forms part of our control, strategy and supervisor relations division, which is responsible for the day-to-day risk management of our activities and which works independently from our business areas.

Driven by our business model, the main risks to which we are exposed are credit and liquidity risks.

The Board of Directors defines our general strategy, including our target risk profile. The Board of Directors has established a Risk Commission, which is responsible for the following:

- determining, together with the Board of Directors, the nature, quantity, format and frequency of the risk information to be received by the Risk Commission and the Board of Directors;
- advising the Board of Directors with regards to the current and future risk appetite of the Group, its risk strategy as well as assisting the Board of Directors in the monitoring of the implementation of such strategy;
- assessing if the prices of the products offered to customers are aligned with our business model and risk strategy. If the Risk Commission determines that this is not the case, it will present a plan to the Board of Directors to rectify such deficiencies; and
- assisting with the establishment of reasonable remuneration policies and practices. For such purposes, the Risk Commission assesses, without prejudice to the functions of the Remuneration Commission, if the incentives policy envisaged takes into consideration our risk, capital and liquidity positions as well as the likelihood and prospects of benefits.

Our policies require all of our business areas and subsidiaries to implement comprehensive risk management and suitable risk monitoring. These policies are set out in the RAF, which is approved by the Board of Directors.

The different risk management functions are described in the RAF, and are then monitored by the CRO and his team, made up of 15 professionals as at the date of this Prospectus. One of the main functions of the CRO's team is to ensure that we are in constant compliance with the limitations described in the RAF. The CRO's team is responsible for reporting to senior management and the Risk Commission at least on a quarterly basis. It also reports as soon as practicable on deviations or relevant variations as well as on any other circumstances which it considers should be addressed to restore the level of risk to acceptable levels.

The basic principles of our risk management policies are set forth below:

- rigorous attention to maintaining a permanent prudent and well-balanced risk profile, with a particular focus on our solvency, profitability and liquidity positions;
- senior management supervision and active participation, developing our business strategy as well as the implementation of the risk management policies;
- internal control environment;
- segregation of functions, as our risk assessment and control functions are entirely independent from our commercial functions;

- minimizing NPL balances through prudent risk management and avoiding risky projects with uncertain viability and insufficient guarantees; and

- selection of adequate methodologies for the assessment of risks assumed. We continue to work towards meeting regulatory requirements, developing tools and historical databases amongst other measures to implement advanced models in the medium term.

Risk Appetite Framework

- The RAF is our general risk policy, explaining the range of acceptable global risk. Management must take into account the RAF when taking specific strategic, commercial or business (including planning) decisions or evaluating inorganic growth. The RAF is revised at least once per year and is a fundamental instrument to enforce our risk management policy. It also forms a significant part of our annual control and risk management activities and ensures that they are carried out in accordance with a pre-defined risk objective. In particular, the RAF includes policies, procedures, controls and systems through which our risk appetite is identified, monitored, controlled and communicated in all aspects. The RAF is taken into account for the elaboration of the ICAAP (see below) and will be reviewed following its approval. In addition, the RAF includes all of Unicaja Banco's subsidiaries, in particular EspañaDuero given its relevance to the Group's solvency.

The key elements of the RAF are as follows:

- Risk limits: the maximum risk levels that we consider acceptable and therefore, do not want to surpass, in line with our strategy and business model. The RAF currently sets some of the following limits of: (i) a minimum total capital ratio on a phased-in basis of 11.9%; (ii) a minimum CET1 ratio on a fully-loaded basis of 9.8%; (iii) a minimum CET1 ratio on a phased-in basis of 11.9%; (iv) a minimum leverage ratio on a phased-in basis of 5.2%; (v) a minimum LCR of 251%; (vi) a minimum NSFR of 115%; (vii) a maximum loan to deposit ratio of 88%; (viii) a minimum available liquid assets over 24-month funding needs ratio of 208%; (ix) a maximum CoR of 1.1%; (x) a maximum ratio of 12 months NPL entries over performing loans of 5%; (xi) a maximum NPL ratio of 12.1%; (xii) a maximum fully loaded capital sensitivity to sovereign risk (68 bps shock) of 100 bps; (xii) a maximum EV sensitivity (200 bps shock) over total capital of 20%; and (xiii) a maximum limit for individual exposures of 1% of our total capital.

- Early warnings indicators: identification at an early stage if our risk profile is deteriorating and approaching pre-set limits;

- Objectives/Risk appetite and declaration of risk appetite: levels and types of risk that we are willing to take to achieve our strategic and business goals; and

- Risk profile: assessment, at a particular time, of the risk to which we are exposed. This is presented individually for each risk category and is quantified through the relevant monitoring metrics selected for each risk.

The RAF monitors certain indicators to measure risk related to the following material risks:

- Credit risk (including individual concentration risk);

- Operational risk (including reputational risk);

- Conduct risk;

- Interest rate risk in the banking book;

- Solvency risk;

- Market risk;

- Macroeconomic risk;

- Equity investments risk;

- Sovereign spread risk;
- Business model and strategy risk;
- Real estate risk; and
- Liquidity risk.

While the RAF is reviewed at least annually, control and evaluations are carried out constantly and the control and assessment of indicators is monitored on at least a quarterly basis.

We have historically been characterized by the assumption of a prudent risk management culture through a number of actions, namely:

- Establishment of specific reporting lines for monitoring and decision-making related to the indicators of the RAF (in line with the governance established in the recovery plan we prepare in compliance with Law 11/2015 (the "**Recovery Plan**"));
- Identification of the coherence among all processes, all of them together serving as a reference for decision making (ICAAP, ILAAP, Recovery Plan, business plan, RAF);
- Designing a risk management governance based on the "three lines of defense" with clear separation between business, risk and internal audit. The internal audit department, made up of 40 professionals as at the date of this Prospectus, acts as our third line of defense, as it reviews the quality and efficiency of our internal control systems and risk management framework, it supervises and controls our procedures to comply with all external and internal regulations, as well as managing our relationship with our external auditors;
- Training courses on the RAF to the members of the Board of Directors;
- Establishing a committee for adapting the Group to the regulatory framework, which allows us to set strategies and to adapt to new regulatory requirements; and
- Communication of internal risk policies. The first channel of communication is through the preparation of documents such as the RAF, the Recovery Plan, ICAAP or ILAAP, which involve a great part of the organization and are analyzed, reviewed and discussed in the committees (Risk Commission, steering committee, treasury committee, committee for adapting to the regulatory framework, etc.). Additionally, we have several mechanisms for transmitting internal risk policies to the entire Group (intranet platform, email, etc.).

Recovery Plan

We also prepare the Recovery Plan in compliance with Law 11/2015. The main objective of the Recovery Plan is to identify the main measures at our disposal to be used in a crisis situation or whenever it is deemed appropriate, as well as the design of an adequate governance framework, allowing for fast and effective action in crisis situations. Another main goal is the identification of those economic indicators which provide us with early warnings of a possible future deterioration of the situation. As part of this process, the Recovery Plan also identifies the core business lines, legal entities and critical economic functions in order to preserve the future viability of the Group while limiting any adverse impact on society and the economy as a whole. The Recovery Plan is updated at least annually or following the occurrence of a material event.

The principles followed for the Recovery Plan intend to offer a faithful image of the Group and our business model and to achieve a high degree of alignment and coherence between the Recovery Plan and other confidential and supervisory-aimed documents, such as the ICAAP, the ILAAP, our business plan and the RAF. At the same time, attempts have been made so that the Recovery Plan transcends mere regulatory compliance and becomes a real lever for organizational change. The involvement of a wide range of departments in the process of the design of the Recovery Plan has served to advance awareness of the strategic implications associated with the recovery and resolution framework. This internal reflection exercise has implied, among other things, a strict quantification analysis both under normal and diverse stress scenarios designed to test the adequacy of the identified recovery options.

Internal Capital Adequacy Assessment Process

The ICAAP comprises a comprehensive review of the processes of internal assessment of capital adequacy and is required under the SREP conducted by the SSM. The main goal of the ICAAP is to develop strategies and processes which permit us to identify and quantify the economic capital necessary to cover the risks to which we are exposed.

For the purposes of preparing the ICAAP, the focus has been on business strategy, risk appetite and capital planning (consistent with our internal assessment of capital needs), performed through the identification and quantification of all risks to which we are exposed. In accordance with regulatory requirements, Unicaja Banco has prepared a policy on material risks, which has been approved by the Board of Directors and is integrated into our business. Firstly, we identify and define the risks to which we are potentially exposed, through expert criteria, best practices and the regulatory framework. Subsequently, a list is prepared with the types and sub-types of risks identified. Such risks have one or various drivers embedded, which are highly correlated with such risk and serve to explain its behavior. For each of them, a threshold of materiality is set, whose breach will activate the classification of the risk as material. Such threshold establishes an impact on CET1 of 15 bps (10 bps in the case of conduct risk). After verifying the probability of occurrence of the risks and their potential impact, it is established that if either the likelihood or the magnitude are high or very high, the risk will be considered material, whereas if the likelihood of occurrence or quantification is low or zero, the risk will not be considered material.

The ICAAP is a continuous process which includes a series of tasks which allows for its integration in our continuous risk management. A discussion of consistency between the ICAAP and our most relevant risk management processes is set forth below:

- *RAF***.** The ICAAP's starting point is the identification of material risks performed by us on a recurrent basis, as it is fundamental for the allocation of internal capital. The ICAAP describes the risks to which we are exposed, leading to the definition of metrics with which to value the risk profile, and which is included within the RAF. This is why each of the identified material risks is documented and stated in the RAF, where objective warning and limit thresholds are established. In addition, the RAF identifies the metrics and indicators utilized for risk monitoring, to assess compliance with established thresholds and their inclusion in ICAAP scenarios. Regarding the warning and limit thresholds of identified risks, the RAF was updated in June 2016 and calibrated using the stress test results of this capital self-assessment process for the purposes of consistency between the ICAAP and the RAF.

- *Business plan*. The starting point of the ICAAP's base scenario is our business plan, hence demonstrating consistency between capital planning and the business plan. Additionally, the ICAAP's corrective measures for any limit breaches are consistent with, and feasible under, our business plan to ensure that their implementation in the event of a breach of thresholds will redirect the risk profile to the desired level.

- *Recovery Plan*. The assumptions employed in the ICAAP stress scenarios are used in the Recovery Plan to check their severity in order to ensure adequate levels of capital. In addition, the ICAAP's corrective measures are analyzed in the Recovery Plan, assessing their impact on the solvency ratios scenarios in more severe scenarios.

Internal Liquidity Adequacy Assessment Process

Additionally, under the ILAAP we are required to identify and measure the liquidity risks that we have or may be exposed to. This regulatory requirement implies the application of mitigation techniques that may help to reduce liquidity requirements. The assessment includes stress testing techniques and defines the functions of the Board of Directors and senior management. As a bank, we must also consider in these assessments any other internal risks that we may face that may result in liquidity difficulties. This process also requires forward planning to identify the adequate level of liquidity potentially needed. Under the ILAAP, we are also required to set up an assessment to evaluate our liquidity management function which focuses primarily on liquidity buffers, RAF metrics and monitoring tools.

Types of risks

We have developed internal policies, tools and processes to manage the traditional risks described below. As requested by the ECB, we will also develop such tools and polices for new types of risks, such as reputational and conduct-related risks.

Credit risk

Credit risk is the main risk to which we are exposed. Credit risk arises from the possibility that we may incur losses (i) as a result of the failure of our borrowers to meet their payment obligations or (ii) through losses in value arising from deterioration in the credit quality of our borrowers.

Credit risk is the risk that a counterparty to a financial contract with us will fail to act in accordance with the terms and conditions of the contract and cause us to suffer a loss. The objective of credit risk management is to identify credit risk, to evaluate or measure it and to monitor and control it.

We have implemented an organizational risk management structure for the review, monitoring and control of our lending activities. This structure requires the direct involvement of the Board of Directors while establishing a model for admitting credit transactions based on authority level. The Board of Directors actively participates in the approval of credit transactions which represent an amount above 3% of the equity of the Group: this forms part of our first line of defence, where a team of 85 professionals analyses and evaluates risk before decisions on credit are made and proposals are put before various committees. The business areas that take risks are independent from their management and there is also a risk control review (carried out by the CRO), which acts as a second line of defense. The CRO monitors and regularly reports on its application and evolution, making proposals deemed adequate for efficient risk management processes.

In order to monitor and control credit risk, we have adopted a number of measures:

- we are developing new scoring and classification models to increase the current spectrum of portfolios for which we can use automatic approval tools and tools to support our decisions regarding credit risk approval;

- regularly preparing monitoring reports regarding real estate development and other risks, such as risks in an irregular situation, portfolio of syndicated loans, refinanced and restructured transactions, loans and credit facilities for real estate and/or land developers, loans and credit facilities for members of the main economic groups, loans and credit facilities for SMEs and businesses;

- using credit risk policies regarding the approval of new transactions, including new real estate development transactions, appraisal of properties and the classification of risks;

- maintaining a system of comprehensive risk control governance through the CRO, which operates independently of our business areas, thereby guaranteeing the segregation of duties;

- using a system of limits and indicators, such as those included in the RAF, counterparty limits that are more stringent than those required by our regulators, limits by transaction, amount and term, maximum percentage of funding limits as well as general limits; and

- the department responsible for credit risk approval has been separated from the department that manages defaulting loans.

Approval, Monitoring and Recoveries

We have a credit risk policies, functions and processes manual. In this manual we define the mandatory credit risk policies and processes, including tasks and responsibilities for the approval and monitoring of credit risk operations. The manual complies with the requirements of the Bank of Spain, such as (i) approval by the Board of Directors of credit risk operations, (ii) such operations to be justified and documented, (iii) underwriting criteria based on the counterparty's financial capacity to meet its obligations, (iv) based on a realistic repayment plan, (v) limitations on the credit operations for real estate projects, (vi) a restructuring and refinancing policy, (vii) prudent appraisal values, (viii) periodic collateral reviews, (ix) market terms for related parties, (x) specific underwriting criteria, (xi) in-depth information for each of the counterparties, (xii) a pricing policy which covers financing costs among other things, (xiii) details of internal underwriting responsibilities, (xiv) clear definitions for each type of risk, and (xv) details for circumstances or situations where, in exceptional cases, terms apply which do not meet the general limitations.

Relevant measures are in place to mitigate our credit risk exposure in each of the following phases of the credit risk management cycle:

Manual relating to credit risk with customers (*Manual de Riesgo de Crédito a la Clientela*) (Credit Risk Directorate)

- *Approval*: our criteria are based on objective indicators of present and future payment capacity, including, but not limited to, the provision of guarantees. The main factors used in the calculation of credit risk of a borrower are the expected loss measures, level of concentration and capital consumption.

- *Monitoring*: our monitoring activities comprise early detection alerts and a systematic review of certain customers or counterparties who, given the level of our credit risk exposure to them and their potential impact on us, are continually monitored. The process involves various stages, including classifying customers by a watch list category, drawing up specific action plans and establishing review calendars. In addition, we constantly monitor the level of concentration and performance of our credit risk portfolios in various key areas, such as certain economic sectors, product and customer groups. During 2016, our monitoring activity mostly focused on customer groups involved in refinancing transactions.

Manual relating to asset management risk (*Manual de Riesgo de Gestión de Activos*) (General Recovery Directorate)

- *Recovery*: we have in place procedures aimed at maximizing loan recoveries given the significant impact defaults have on our solvency. These recovery processes are performed internally and adapted by our specialist units to cater for changing circumstances and economic trends that may affect the success of the recovery process.

The following table shows the maximum level of exposure to credit risk assumed by us at December 31, 2016, 2015 and 2014 for each class of financial instruments, without deducting the amount of collaterals or other credit enhancements, such as guarantees, received to ensure compliance of the debtors.

€ million	**At December 31, 2016**	**At December 31, 2015**	**Change**	**Change (%)**
Debt instruments[1]	18,486	17,053	1,433	8.4
Loans and advances to credit institutions......	170	248	(78)	(31.5)
Securities	649	998	(349)	(35.0)
Loans and advances to customers................	30,686	33,088	(2,402)	(7.3)
Derivatives..................	865	794	71	8.9
Contingent commitments[2]	2,902	3,232	(330)	(10.2)
Contingent liabilities[3] .	1,066	1,096	(30)	(2.7)
Maximum level of exposure to the credit risk	**54,824**	**56,510**	**(1,685)**	**(3.0)**
Of which unsecured[4]	**30,286**	**31,273**	**(987)**	**(3.2)**

Notes:

(1) The data relating to "Debt instruments" recognized on the asset side of the consolidated balance sheet are measured at their carrying amount, net of the impairment losses recognized thereon.

(2) The "Contingent commitments" row includes the amount of the balances available without any conditions from the debtors.

(3) Contingent liabilities are presented at the maximum amount guaranteed by us. Generally, it is considered that most of these balances will mature without involving a real financing need on the part of the entity.

(4) These figures have been obtained from the Company's internal accounting.

€ million	**At December 31, 2015**	**At December 31, 2014**	**Change**	**Change (%)**
Debt instruments[(1)]	17,053	23,213	(6,160)	(26.5)
Loans and advances to credit institutions......	248	763	(515)	(67.5)
Securities	998	928	70	7.5
Loans and advances to customers................	33,088	35,086	(1,998)	(5.7)
Derivatives..................	794	974	(180)	(18.5)
Contingent commitments[(2)]	3,232	3,402	(170)	(5.0)
Contingent liabilities[(3)] .	1,096	1,358	(262)	(19.3)
Maximum level of exposure to the credit risk	**56,509**	**65,723**	**(9,214)**	**(14.0)**
Of which unsecured[(4)]	**31,273**	**29,411**	**1,862**	**6.3**

Notes:

(1) The data relating to "Debt instruments" recognized on the asset side of the consolidated balance sheet are measured at their carrying amount, net of the impairment losses recognized thereon.

(2) The "Contingent commitments" row includes the amount of the balances available without any conditions from the debtors.

(3) Contingent liabilities are presented at the maximum amount guaranteed by us. Generally, it is considered that most of these balances will mature without involving a real financing need on the part of the entity.

(4) These figures have been obtained from the Company's internal accounting.

The following table sets out an analysis of our gross loans, by type of loan, at the dates indicated:

	At December 31, 2016		**At December 31, 2015**		**Change**	
	€ million	%	**€ million**	%	**€ million**	%
Corporate loans.................................	**7,263**	**22.2**	**7,730**	**21.8**	**(467)**	**(6.0)**
Real estate	1,175	3.6	1,350	3.8	(175)	(13.0)
Large corporate	1,435	4.4	1,145	3.2	290	25.3
SMEs...	4,289	13.1	4,762	13.4	(473)	(9.9)
Civil engineering............................	363	1.1	473	1.4	(110)	(23.3)
Retail loans	**20,844**	**63.7**	**21,747**	**61.4**	**(903)**	**(4.2)**
Mortgage loans..............................	18,127	55.4	19,864	56.1	(1,737)	(8.7)
Consumer loans	2,701	8.3	1,868	5.3	833	44.6
Other retail.....................................	15	0.0	15	0.0	0	0.0
Public administration.......................	**2,160**	**6.6**	**2,010**	**5.7**	**150**	**7.5**
Others[(1)]	**2,463**	**7.5**	**3,947**	**11.5**	**(1,484)**	**(37.6)**
Gross loans...	**32,730**	**100.0**	**35,433**	**100.0**	**(2,703)**	**(7.6)**
Provisions..	(1,607)[(2)]	-	(2,033)[(3)]	-	426	(21.0)
Net loans...	**30,686**	**-**	**33,088**	**-**	**(2,402)**	**(7.3)**

Source: Company data

Notes:

(1) Includes temporary purchase of assets and loans to financial sector institutions.

(2) Excludes €392 million of provisions for clauses which set minimum interest rates for mortgages in Spain and €45 million of valuation adjustments.

(3) *Excludes €312 million of provisions for clauses which set minimum interest rates for mortgages in Spain.*

	At December 31, 2015		At December 31, 2014		Change	
	€ million	%	**€ million**	%	**€ million**	%
Corporate loans	**7,730**	**21.8**	**9,572**	**25.1**	**(1,842)**	**(19.2)**
Real estate	1,350	3.8	1,922	5.0	(572)	(29.8)
Large corporate	1,145	3.2	1,224	3.2	(79)	(6.5)
SMEs	4,762	13.4	5,888	15.5	(1,126)	(19.1)
Civil engineering	473	1.3	538	1.4	(65)	(12.1)
Retail loans	**21,747**	**61.4**	**23,067**	**60.6**	**(1,320)**	**(5.7)**
Mortgage loans	19,864	56.1	20,990	55.1	(1,126)	(5.4)
Consumer loans	1,868	5.3	2,057	5.4	(189)	(9.2)
Other retail	15	0.0	20	0.1	(5)	(25.0)
Public administration	**2,010**	**5.7**	**2,035**	**5.3**	**(25)**	**(1.2)**
Others[1]	**3,947**	**11.1**	**3,391**	**8.9**	**556**	**16.4**
Gross loans	**35,433**	**100.0**	**38,065**	**100.0**	**(2,632)**	**(6.9)**
Provisions	(2,033)[2]	-	(2,978)		945	(31.7)
Net loans	**33,088**	**-**	**35,087**		**(1,999)**	**(5.7)**

Source: Company data

Notes:

(1) *Includes temporary purchase of assets and loans to financial sector institutions.*

(2) *Excludes €312 million of provisions for clauses which set minimum interest rates for mortgages in Spain.*

See "*Selected Statistical and Other Information on Assets and Liabilities—Loans and receivables—Non-performing customer loans and coverage levels*" for an analysis of our total NPLs and coverage levels.

The table below sets out the information on refinancing operations, refinanced and restructured loans, which represented 9.0%, 12.4% and 15.0% of our gross loans as at December 31, 2016, 2015 and 2014, respectively (compared to our Peers with an average of 8.6%, 13.3% and 14.6%, respectively), with coverage ratios of 35.2%, 27.2% and 30.5%, respectively (compared to our Peers with 27.9%, 21.1% and 22.8%, respectively):

	At December 31, 2016		At December 31, 2015		At December 31, 2014	
€ million	**Gross amount**	**Coverage**	**Gross amount**	**Coverage**	**Gross amount**	**Specific coverage**
Total	2,949	(1,037)	4,381	(1,191)	5,720	(1,746)
of which doubtful	*1,912*	*(817)*	*2,157*	*(996)*	*2,732*	*(1,531)*

The table below sets out the information on financing for construction and property development, operations:

	At December 31, 2016			At December 31, 2015			At December 31, 2014		
€ million	**Gross**	**Excess over the value of the collateral**	**Coverage**	**Gross**	**Excess over the value of the collateral**	**Coverage**	**Gross**	**Excess over the value of the collateral**	**Coverage**
Registered credit	**1,175**	**226**	**364**	**1,374**	**212**	**451**	**1,962**	**342**	**757**
of which non-performing	506	161	282	631	175	363	1,029	303	657

	At December 31, 2016			At December 31, 2015			At December 31, 2014		
€ million	**Gross**	**Total coverage**	**Coverage ratio (%)**	**Gross**	**Total coverage**	**Coverage ratio (%)**	**Gross**	**Total coverage**	**Coverage ratio (%)**
Unsecured	**584**	**274**	**47**	**173**	**81**	**47**	**695**	**429**	**62**

Secured	**592**	**91**	**15**	**1,201**	**370**	**31**	**1,267**	**328**	**26**
Completed buildings	526	67	13	713	105	15	838	170	**20**
Buildings under construction	62	21	34	88	29	33	63	13	**20**
Land	5	3	57	400	236	59	366	145	**40**
Total	**1,175**	**364**	**31**	**1,374**	**451**	**33**	**1,962**	**757**	**39**

The following table illustrates our asset impairment through P&L:

€ million	**At December 31, 2016**	**At December 31, 2015**	**Change**	**Change (%)**
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(38.5)	(424.7)	386.2	90.9
Financial assets measured at cost value	(4.2)	-	(4.2)	(100.0)
Held-for-sale financial assets	49.5	2.7	46.8	1,733.3
Loans and receivables	(83.8)	(427.4)	343.6	80.4
Held-to-maturity investments	-	-	-	-
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	(27.3)	(15.2)	(12.1)	(79.6)
Impairment or reversal of impairment on non-financial assets	(96.9)	(54.2)	(42.7)	(78.8)
Tangible assets	(3.4)	(4.5)	1.1	24.4
Intangible assets	(0.0)	-	(0.0)	(100.0)
Other	(93.5)	(49.7)	(43.8)	(88.1)
Total	**(162.8)**	**(494.1)**	**331.3**	**67.1**

€ million	**At December 31, 2015**	**At December 31, 2014**	**Change**	**Change (%)**
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(424.7)	(355.8)	(68.9)	19.4
Financial assets measured at cost value	-	-	-	-
Held-for-sale financial assets	2.7	(31.1)	33.8	(108.7)
Loans and receivables	(427.4)	(324.7)	(102.7)	31.6
Held-to-maturity investments	-	-	-	-
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	(15.2)	(17.2)	2.0	(11.6)
Impairment or reversal of impairment on non-financial assets	(54.2)	(60.9)	6.7	(11.0)
Tangible assets	(4.5)	(2.9)	(1.6)	55.2
Intangible assets	-	-	-	-
Other	(49.7)	(57.9)	8.2	(14.2)

Total....................................	**(494.1)**	**(433.9)**	**(60.2)**	**13.9**

The table below summarizes our movements on impairment losses for the years 2016 and 2015:

€ million	**At December 31, 2016**	**At December 31, 2015**	**Change**	**Change (%)**
Beginning of period...........	2,345	2,978	(633)	(21.3)
Additions	*789*	*655*	*134*	*20.5*
Recoveries.......................	*(681)*	*(250)*	*(431)*	*172.4*
Other[(1)]............................	*(453)*	*(1,039)*	*586*	*(56.4)*
End of period.....................	**1,999**	**2,345**	**(346)**	**(14.8)**

€ million	**At December 31, 2015**	**At December 31, 2014**	**Change**	**Change (%)**
Beginning of period...........	2,978	1,377	1,601	116.3
Additions	*655*	885	(230)	(26.0)
Recoveries.......................	*(250)*	(581)	331	(57.0)
Other[(1)]............................	*(1,039)*	1,297	(2,336)	(180.1)
End of period.....................	**2,345**	**2,978**	**(633)**	**(21.3)**

Note:

(1) Includes utilization due to reclassification to non-performing charged to asset impairment adjustments, utilization due to repossession of tangible and other assets and business combination.

See also "*Risk Factors—Risks relating to the Group and its business—Specific risks relating to Group—We are subject to significant credit risk exposure in Spain, in particular with certain counterparties and business sectors, especially in the Spanish real estate market*", "*Business—Operations and activities—Treasury, Markets and Real Estate—Real estate", "Selected Statistical and Other Information on Assets and Liabilities—Loans and receivables—Non-performing customer loans and coverage levels"* and Note 26 in our 2016 Annual Accounts.

Real estate risk

This is the risk of loss of value of foreclosed assets. As a result of the increase in the exposure to real estate risk during the crisis, we have applied adequate human and technical resources to the management and control of irregular assets (acquired and foreclosed), as well as to the sale of those assets. In the year ended December 31, 2016 we sold foreclosed assets totaling €295 million (€270 million and €213 million during the years ended December 31, 2015 and 2014, respectively) generating gains of €52 million (€41 million and €14 million during the years ended December 31, 2015 and 2014, respectively).

Also see "*Business—Operations and activities—Treasury, Markets and Real Estate—Real estate*" for further information regarding our foreclosed assets.

Concentration risk

Concentration risk can be defined as any single (direct or indirect) exposure or group of exposures with the potential to produce losses large enough to threaten an institution's health or its ability to maintain its core business (we have defined a 1% of solvency capital as maximum single name concentration). As at December 31, 2016, our largest borrower accounted for 0.9% of total gross loans and our ten largest borrowers accounted for 5.0% of total gross loans and we had no significant exposure to any particular sector. See "*Regulation—I. EU Regulations— b. Capital requirements—Large exposures*" for more information about our largest borrowers.

We have clear policies and key procedures approved by the Board of Directors in relation to exposure to concentration risk. We also have internal processes designed to identify, manage, monitor and report concentration risk which we believe to be suitable for the nature, scale and complexity of our business. As at the date of this Prospectus, we are not aware of the existence of any single (direct and/or indirect) exposure or group of exposures with the potential to produce losses large enough to threaten our health or our ability to maintain our core business.

Interest rate risk

Our interest rate risk is mainly managed through the use of derivatives and the fixed income portfolio. The interest rate risk of our fixed income portfolio is also partially hedged with swaps and forwards positions.

Structural balance sheet risk consists of risks arising from variations in interest rates on our balance sheet, on the exchange rates of the currencies in which our on- and off-balance sheet aggregates are denominated and on the market prices of marketable financial instruments.

The term structure of banking book instruments can cause structural interest rate risk where rate resets occur at different tenors and sensitive assets and liabilities presents asymmetry in their maturity profiles.

The Company's asset, liability and budget committee ("**ALCO**") is responsible, among other functions, for analyzing and controlling interest rate risk. It also evaluates the sensitivity of our interest income to variations in balance sheet aggregates and the structure of new arrangements, setting short- and medium-term policies designed to manage this.

Our interest rate risk is mainly managed through the use of derivatives. Our policy is to try to arrange the most effective hedges possible, and as such we prefer to arrange individual hedges. As a result, most of our hedges are concentrated in wholesale market funding operations. The global risk of our fixed income portfolio is also partially hedged with swaps.

In addition, as at December 31, 2016, we had an average assets and liabilities duration of 2.29 and 2.57, respectively (compared to 2.63 and 2.09 as at December 31, 2015 and 2.28 and 0.84 as at December 31, 2014). The following table sets forth the aggregate value of our assets and liabilities by maturity or interest rate pricing dates, whichever comes first, as at December 31, 2016, December 31, 2015 and December 31, 2014:

At December 31, 2016

€ million	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Assets								
Financial assets	10,683	9,009	15,138	1,619	765	767	3,038	6,969
After adjustments for coverage	10,433	9,165	15,388	1,619	765	767	3,038	6,813
Liabilities								
Financial liabilities	9,586	3,425	7,161	1,661	619	1,238	1,241	2,771
After adjustments for coverage	9,687	3,636	9,364	1,074	501	1,179	741	1,520
Repricing gap								
Total	1,096	5,583	7,977	(43)	146	(470)	1,797	4,198
Total after adjustments for coverage	746	5,529	6,024	545	264	(412)	2,297	5,292

At December 31, 2015

€ million	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Assets								
Financial assets	10,817	9,770	16,904	1,024	2,358	1,548	464	9,208
After adjustments for coverage	10,717	10,787	16,986	1,274	2,869	1,648	464	7,349
Liabilities								
Financial liabilities	7,123	5,711	10,572	3,152	2,757	648	1,367	4,003
After adjustments for coverage	7,123	6,185	13,245	2,797	2,173	534	1,101	2,175

Repricing gap								
Total	3,695	4,060	6,332	(2,128)	(339)	899	(903)	5,205
Total after adjustments for coverage	3,594	4,602	3,741	(1,523)	697	1,113	(636)	5,174

At December 31, 2014

€ million	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 and 12 months**	**Between 1 and 2 years**	**Between 2 and 3 years**	**Between 3 and 4 years**	**Between 4 and 5 years**	**Over 5 years**
Assets								
Financial assets	9,314	10,024	23,153	2,728	436	1,558	1,671	7,778
After adjustments for coverage	8,914	12,736	23,528	2,728	686	1,558	635	5,877
Liabilities								
Financial liabilities	16,426	4,438	9,188	6,407	1,654	9,403	670	5,230
After adjustments for coverage	14,426	7,760	12,161	5,260	1,299	8,818	556	3,135
Repricing gap								
Total	(7,112)	5,586	13,966	(3,679)	(1,218)	(7,844)	1,001	2,548
Total after adjustments for coverage	(5,512)	4,976	11,367	(2,532)	(613)	(7,260)	79	2,742

The above tables do not include customer demand deposits, which amounted to €25,645 million as at December 31, 2016 (€24,176 million and €19,654 million as at December 31, 2015 and 2014, respectively).

At December 31, 2016, the sensitivity of our balance sheet to an unfavorable horizontal movement in the interest rate curve totaling 200 bps and a scenario of maintaining the balance sheet in respect of our financial income expected in twelve months was lower than -7.2% (-5.0% and -9% as at December 31, 2015 and 2014, respectively) and in respect of our economic value, it was +5.5% (-5.0% and -9% as at December 31, 2015 and 2014, respectively).

At December 31, 2016, our investment portfolio amounted to €19,097 million. The portfolio is distributed between available-for-sale investments, 28.3%, held-to-maturity investments, 67.6% and loans, 4.1%. Compared with December 31, 2015, the total volume of the investment portfolio increased by 6.0%, which in turn decreased by 24.8% compared with December 31, 2014. In the year ended December 31, 2016, we received €251.0 million of interest income from debt securities (€385.1 million and €519.1 million in the years ended December 31, 2015 and 2014, respectively) which represented 24.8% of total interest income (30.1% and 35.2% in the years ended December 31, 2015 and 2014, respectively). In addition, in the year ended December 31, 2016, we recorded €82.7 million of capital gains from debt securities (€455.5 million and €363.7 million in the years ended December 31, 2015 and 2014, respectively).

	At December 31, 2016		**At December 31, 2015**		**At December 31, 2014**	
€ million	**Nominal**	**Relative weight (%)**	**Nominal**	**Relative weight (%)**	**Nominal**	**Relative weight (%)**
Available-for-sale[(1)]	5,403	28.3	9,810	54.5	12,503	52.2
Held-to-maturity	12,908	67.6	7,240	40.2	9,640	40.2
Loan	786	4.1	964	5.4	1,821	7.6
Total	**19,097**	**100.0**	**18,013**	**100.0**	**23,964**	**100**

Note:

(1) See "Business —Operations and activities— Treasury, Markets and Real Estate— Equity investments" for further detail on the main equity stakes held by the Group.

€ million	At December 31, 2016				At December 31, 2015				At December 31, 2014			
	Available-for-sale		Held-to-maturity		Available-for-sale		Held-to-maturity		Available-for-sale		Held-to-maturity	
	Nominal	Relative weight (%)	Nominal	Relative weight (%)	Nominal	Relative weight (%)	Nominal	Relative weight (%)	Nominal	Relative weight (%)	Nominal	Relative weight (%)
Spanish Government .	3,865	71.5	7,578	58.7	7,019	71.5	3,259	45.0	7,920	63.3	5,347	55.5
Other Spanish public administrati on..................	226	4.2	417	3.2	223	2.3	138	1.9	484	3.9	122	1.3
Foreign Government .	150	2.8	1,268	9.8	265	2.7	0	0.0	567	4.5	-	-
Financial institutions ...	131	2.4	181	1.4	108	1.1	265	3.7	331	2.6	484	5.0
Other fixed income..........	381	7.1	3,463	26.8	1,197	12.2	3,578	49.4	2,275	18.2	3,687	38.2
Equities	649	12.0	0	0.0	998	10.2	0	0.0	928	7.4	-	-
Total	**5,403**	**100**	**12,908**	**100**	**9,810**	**100**	**7,240**	**100**	**12,503**	**100**	**9,640**	**100**

Market risk

Market risk consists of the risks arising from possible adverse variations in the market prices of the marketable financial instruments managed marked to market as a result of adverse variations in interest rates, credit spreads, exchange rates, share or commodity prices, or the volatility thereof.

The indicator used to measure market risk is VaR, defined as the estimated maximum potential loss based on historical data on the evolution of the risk factors, calculated with a given level of confidence and over a given period of time. To standardize our overall risk measurement, the parameters used under our VaR methodology is to include the use of a 99% confidence level, based on past 250-day variations, giving greater weight to more recent observations and taking a time period of one day to measure the possible losses, since all open positions are highly liquid. The reliability of the VaR methodology is validated by back testing techniques, which are used to verify that VaR estimates are consistent with the specified confidence level. However, using the VaR methodology does not rule out the possibility that losses will be above the set limits, as significant market movements may occur that exceed the confidence levels being applied.

As at December 31, 2016, we had a negligible trading book of €78 million and most of our market risk as at such date was related to our available-for-sale portfolio (€5,403 million). We have set a maximum of 15% of our share capital for equity exposures for market risks.

The average one-day VaR for the year ended December 31, 2016 was as follows, representing a maximum average one-day loss of €81 million with a 99% confidence level:

€ million	Fixed income portfolio	Equities portfolio	Trading portfolio	Aggregate VaR
Average VaR	72	6	0	81

To verify the adequacy of our risk estimates and the consistency of the VaR model, daily results are compared against the loss estimated by the VaR, which is called backtesting. Two types of backtesting are undertaken to validate the estimation model: (i) clean backtesting, whereby the daily result of transactions outstanding at the close of the previous session is compared to the one-day estimated VaR calculated using the outstanding positions at the close of the preceding session; and (ii) complementary or “dirty” backtesting, whereby the result obtained during the day (including intra-day trades) is evaluated with the VaR amount over a horizon of one day calculated on live transactions at the close of the previous session in order to evaluate the importance of intra-day trading in the generation of earnings and in the estimation of the total portfolio risk. Furthermore, in addition to the VaR and backtesting analyses, stress tests are performed on the value of our positions in order to estimate the possible losses of the portfolio in extraordinary crisis situations.

Liquidity risk

Liquidity risk reflects the possible difficulties for a bank to have available, or to have access to, liquid funds of sufficient amount and at appropriate cost for meeting its payment obligations at all times. Liquidity risk may be caused by external factors such as a financial market downturn, systemic crisis or reputational issues, or by internal factors such as an excessive concentration of maturing liabilities.

We supervise liquidity risk through the ALCO by using formal procedures for analyzing and monitoring our liquidity, including contingency plans for possible deviations in liquidity due to internal causes or to market behavior.

In order to maintain a balanced and prudent balance sheet funding structure, we have a funding plan that is revised at least once a year and whenever systemic or internal circumstances make revision advisable. The plan is updated and analyzed on a monthly basis in terms of expected maturities, costs and market opportunities. In addition, a liquidity contingency plan is in place, which sets out a range of standardized procedures to be followed by us in situations that could entail an impediment to the continuation of our activities or, in extreme cases, place our survival at risk.

The table below sets forth our funding as at December 31, 2016 and 2015, as adapted in accordance with Circular 5/2014:

€ million	**At December 31,**		**Change**	**Change (%)**
	2016	**2015**		
Deposits by central banks	-	**2,417**	**(2,417)**	**(100)**
Deposits by credit institutions	**2,464**	**1,340**	**1,124**	**83.9**
Customer deposits	**48,532**	**49,537**	**(1,005)**	**2.0**
Current accounts	8,167	9,451	(1,284)	(13.6)
Savings accounts	14,191	12,403	1,788	14.4
Term deposits	13,625	15,471	(1,846)	(11.9)
Covered bonds	6,370	7,407	(1,037)	(14.0)
Assets sold under repurchase agreements	5,318	3,698	1,620	43.8
Others	39	196	(157)	(80.1)
Valuation adjustments	822	909	(87)	(9.6)
Debt securities issued	**814**	**1,295**	**(481)**	**(37.1)**
Mortgages securities	1,200	1,691	(491)	(29.0)
Subordinated convertible debt	604	614	(10)	1.6
Other non-convertible securities	700	700	0	0.0
Own securities	(1,700)	(1,731)	31	1.8
Valuation adjustments accrued interests	10	22	(12)	(54.5)
Other financial liabilities	**919**	**989**	**(70)**	**(7.1)**
Subordinated liabilities	614	622	(8)	(1.3)
Financial liabilities measured at amortized cost	**52,729**	**55,577**	**(2,848)**	**(5.1)**

The table below sets forth our funding as at December 31, 2015 and 2014, prior to adaptation in accordance with Circular 5/2014:

€ million	**At December 31,**		**Change**	**Change (%)**
	2015	**2014**		
Deposits by central banks	**2,417**	**8,722**	**(6,305)**	**(72.3)**
Deposits bycredit institutions	**1,340**	**1,397**	**(57)**	**(4.1)**
Customer deposits	**49,529**	**49,171**	**358**	**0.7**
Current accounts	9,451	7,697	1,754	22.8
Savings accounts	12,403	10,961	1,442	13.2
Term deposits	15,471	17,112	(1,641)	(9.6)
Covered bonds	7,399	8,539	(1,140)	(13.4)
Assets sold under repurchase agreements	3,698	3,731	(33)	(0.9)
Others	196	42	154	366.7
Valuation adjustments	909	1,088	(179)	(16.5)
Debt securities issued	**1,303**	**2,526**	**(1,223)**	**(48.4)**

Covered bonds	1,691	2,859	(1,168)	(40.9)
Subordinated liabilities	622	648	(26)	(4.0)
Other non-convertible securities	700	912	(212)	(23.2)
Own securities	(1,731)	(1,947)	216	(11.1)
Valuation adjustments	22	54	(32)	(59.3)
Other financial liabilities	**989**	**1,192**	**(203)**	**(17.0)**
Financial liabilities measured at amortized cost	**55,577**	**63,008**	**(7,431)**	**(11.8)**

See "*Operating and Financial Review—Liquidity and capital resources—Liquidity*" and Note 25 of our 2016 Annual Accounts (included as an annex to this Prospectus) for the liquidity gap in our consolidated balance sheet as at December 31, 2016, 2015 and 2014.

We believe that our gap structure is typical for a bank engaged principally in retail banking, with negative gaps across all maturity categories, caused by demand deposits and continually maturing short-term liabilities which tend to have a higher turnover than assets, but which are continually rolled over.

The LCR was developed to promote short-term resilience of the liquidity risk profile for banks. Credit institutions must maintain a minimum of 100% compliance with this metric, which will be staggered from an initial level of 60% applicable from October 1, 2015 and increasing to 100% by 2018 (see "—*Regulatory risk*"). The Group's consolidated LCR as at December 31, 2016 was 410%.

Operational risk

We are exposed to a number of operational risks including those resulting from process error, system failure, under-performance of our staff, inadequate customer services, natural disasters or the failure of external systems including clerical or record-keeping errors, or errors resulting from faulty computer, telecommunications or information systems. Our overall management of this risk includes the design of procedures to identify, monitor and control it, in order to mitigate its impact on the organization.

The CRO is responsible for informing the Board of Directors and senior management of action focusing on the management and promotion of the implementation of the operational risk control framework. The personnel responsible for the various areas promote and put into practice operational risk management.

Our operational risk management policy with respect to the establishment of limits covers all departments in which operational loss events are automatically recorded and there are no minimum thresholds for recognizing events.

We also identify those processes that we consider to be critical for the normal operation of our business and have action plans in place that guarantee the recovery of our services in the event of contingencies, such as a business continuity plan and a disaster recovery plan.

We also employ certain management tools to deal with operational risk, such as operational risk profile qualitative evaluation tools, a loss database and RAF monitoring.

Reputational risk

Reputational risk is the risk that an action, situation, transaction or investment may lead to a negative perception of the Group, which may reduce faith in our integrity and competence on the part of our customers, shareholders, creditors, suppliers, employees and the public in general. This type of risk can adversely affect our capital, earnings and development.

We must consider our capacity to confront the adverse effects on our image that controversial circumstances might have, in such a way that our business and our relationship with public opinion, customers, markets and suppliers is affected as little as possible by negative comments and confidence is maintained. We try to ensure that, in controversial circumstances, there would be insufficient grounds to dissuade existing or potential customers from working with us, shareholders would maintain their investment in the Group and the media would adopt a position of permanent interest and rapprochement towards our activities. Legal, economic-financial, operational, ethical, social and environmental factors may influence this type of risk and could cause a loss of confidence in us. Mitigating this risk as far as possible is the universal responsibility of the entire organization.

Compliance risk

Compliance risk is defined as the risk of legal or administrative sanctions, significant financial loss whether material or reputational due to failures to comply with laws, regulations, self-regulation, codes of conduct or internal regulations applicable to its banking activities.

We exhaustively monitor new legislation and regulatory changes in order to be aware of the main repercussions as early as possible. We also have coordination structures that ensure the adaptation of our processes and systems before any legislation enters into force.

Regulatory compliance is a responsibility that falls to our whole organization and our staff, not only to a particular area or department.

Regulatory risk

We are subject to the legislation and regulations governing banking institutions in Spain, as set out in "*Regulation*" of this Prospectus and are regulated in accordance with the capital adequacy and liquidity requirements by the ECB.

Since the onset of the financial crisis in 2008, the global financial system has been undergoing an unprecedented process of regulatory reform. We actively manage the regulatory risks in the environment in which we operate and have adapted to new requirements. The reform is multidimensional and has several objectives, including the following initiatives which have already been defined:

- Basel III strengthens banks' solvency. In Europe, it has been transposed through CRD IV and the CRR. The main changes are:

- Increased quality of capital; improved capturing of the risks of certain exposures; increased level of capital requirements; setting up of capital buffers; improved risk management, supervisory process and market discipline. Transitional arrangements have been introduced to implement the new standards that help ensure that the banking sector can meet the higher capital standards through reasonable earnings retention and capital raising, while still supporting lending to the economy. For instance, certain 100% deductions from CET1 (such as certain intangible assets, DTAs or goodwill) are being gradually phased in between 2014 and 2018 (i.e., the fully-loaded capital requirements will be applicable as of January 1, 2018). The provisions must be fully implemented by 2019.

    - Introduction of a leverage ratio. The leverage ratio is a non-risk based leverage ratio designed to act as a credible supplementary measure to the risk-based capital requirements. It ensures broad and adequate capture of both the on- and off-balance sheet sources of banks' leverage.

    - Introduction of a liquidity standard. This includes two ratios:

a) The LCR. The objective of the LCR is to promote the short-term resilience of the liquidity risk profile of banks. It does this by ensuring that banks have an adequate stock of unencumbered high-quality liquid assets that can be converted easily and immediately in private markets into cash to meet their liquidity needs for a 30 calendar day liquidity stress scenario. The LCR must be fully implemented by January 2019.

b) In addition, in order to promote their resilience, banks should comply with the NSFR. The NSFR will require banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. The NSFR is expressed as a percentage and indicates whether a credit institution holds sufficient stable funding to meet its funding needs during a one-year period under both normal and stressed conditions. The NSFR is calculated based on the NSFR standards released by the Basel Committee on October 31, 2014. However, on November 23, 2016 the European Commission published a proposal of a Regulation amending CRR in which the NSFR is proposed to be calculated with certain adjustments to these standards and according to which, two years after such proposed Regulation has come into force, the NSFR will be set at a minimum level of 100% for credit institutions.

- The additional layers of regulation for systemic banks minimizes the probability of bankruptcy and mitigates their impact on the system. The global systemically important institutions buffer applies to those institutions included in the list of global systemically important institutions ("**G-SIIs**"), which is updated annually by the Financial Stability Board (the "**FSB**"). We have not been classified as G-SII by the FSB nor by the Bank of Spain so, unless otherwise indicated by the FSB or by the Bank of Spain in the future, we will not be required to maintain this G-SII buffer. The same applies for the other systemically important institution ("**O-SII**") buffer.

- SREP (Pillar 2). The aim of the Pillar 2 processes is to enhance the link between an institution's risk profile, its risk management and risk mitigation systems, and its capital planning. Pillar 2 can be divided into two major components: (i) ICAAP, as well as robust governance and internal control arrangements, and (ii) SREP. The key purpose of SREP is to ensure that institutions have adequate arrangements, strategies, processes and mechanisms as well as capital and liquidity to ensure a sound management and coverage of the risks to which they are or might be exposed, including those revealed by stress testing, and the risks an institution may pose to the financial system. The outcome of the overall SREP assessment should be the basis for taking any necessary supervisory measures to address concerns.

- The new resolution framework defines harmonized and predictable rules which favor an orderly resolution of bankrupt banks. This has been reflected Europe-wide in the BRRD. In this sense, in addition to the capital requirements under CRD IV, BRRD introduces requirements for banks to maintain at all times a sufficient aggregate amount of own funds and "eligible liabilities" to ensure that banks have sufficient funds and eligible liabilities to absorb losses in case of failure, so shareholders and creditors should shoulder much of the recapitalization burden instead of taxpayers. This requirement is known as the MREL, which should be proportionate and adapted for each category of bank on the basis of their risk or the composition of their sources of funding. The MREL may have a negative impact on banks' funding structures and costs.

- The European framework will also strengthen customer protection with the technical development of MiFID II which, among other measures, increases the amount and quality of the information that must be provided to retail customers. MiFID II is due to come into force on January 3, 2018. In Europe, the reform of the financial derivatives market, which increases transparency and security of the global markets mainly by encouraging the settlement of financial derivative contracts by central clearing houses and increasing reporting requirements, has also been transposed through MiFID II. Finally, following the revision of the Principles for Financial Market Infrastructures, infrastructure supporting global markets will be subject to stricter supervision. In that sense, market infrastructures should be more robust and more prepared to face financial shocks.

We will be subject to other significant regulatory pressure in 2017 and onward, including but not limited to the evolution of capital requirements, bail-in requirements and making progress in the adoption of changes to provisioning regulations.

REASONS FOR THE OFFERING AND USE OF PROCEEDS

The Company will issue 625,000,000 New Shares in the Offering in exchange for cash contributions and would raise net proceeds of between approximately €659.6 million and €841.5 million using the Offer Price Range, assuming (i) full subscription of the New Shares, and (ii) no exercise of the Over-allotment Option, and after deducting underwriting commissions and other expenses in connection with the Offering.

If the Over-allotment Option is exercised in full, the Company will issue the Over-allotment Shares in exchange for cash contributions and would raise additional net proceeds of between approximately €66.0 million and approximately €84.1 million using the Offer Price Range.

We expect to use the net proceeds from the sale of the Shares in the Offering: (i) to reinforce our capital position following full repayment of the CoCos FROB in an amount of €604 million, (ii) with any remaining funds, to fund the acquisition of the FROB stake in EspañaDuero for €62 million, and (iii) with any remaining funds, for general corporate purposes. In addition, the Offering is expected to provide the Company with improved access to public capital markets (including for debt instruments) that could make it easier for us to obtain financing at lower costs. The Admission of the Company's ordinary shares pursuant to the Offering will also provide liquidity to the minority shareholders in the Company and enable the Foundation to reduce its stake in the Company as required under the Banking Foundations Law.

As at the date of this Prospectus, no decision has been made as to the manner in which the Group will repay the CoCos FROB or acquire the FROB's stake in EspañaDuero, both of which may be done by Unicaja Banco itself or through EspañaDuero (in which case Unicaja Banco would provide EspañaDuero with the necessary funds).

See "*Capitalization and Indebtedness*" for further details on our solvency position upon the Offering.

DIVIDENDS AND DIVIDEND POLICY

Dividends and Dividend Policy

Any ordinary dividend payments that we may declare must be approved by the general shareholders' meeting upon proposal from the Board of Directors once the relevant year's results are made public.

For the years ended December 31, 2016, 2015 and 2014 we paid cash dividends in the amounts of €17 million, €19 million and €25 million, respectively, representing €0.018, €0.022 and €0.028 per ordinary share, respectively, and resulting in a cash dividend payout ratio of 12.6%, 10.3% and 5.6%, respectively. Earnings per ordinary share were €0.154, €0.202 and €0.532 for the years ended December 31, 2016, 2015 and 2014, respectively. As at the date of this Prospectus no dividend policy has been approved for the Company, however, it is our intention to distribute cash dividends in the short term and to increase the distribution of cash dividends progressively from the 12.6% cash dividend payout ratio achieved for the year ended December 31, 2016 until a cash dividend payout ratio of approximately 40% is reached in 2020. However, there is no guarantee that we will pay dividends in the future or regarding the level of any such dividends.

Our future dividend policy and the amount of future dividends we decide to pay will depend upon a number of factors, including, but not limited to, our earnings, financial condition, regulatory restrictions (see "*Risk Factors—Legal and Compliance Risks—We are subject to risks deriving from banking sectorial regulations—Capital and provisioning requirements—d. Maximum Distributable Amount (*"*MDA*")" and "*Regulation—I. EU Regulations—b. Capital Requirements—CRR and CRD IV*" for examples of such regulatory restrictions), our ability to distribute dividends from our subsidiaries, and such other factors as we may deem relevant at the time. In addition, our ability to pay dividends in the future will depend on the continued satisfaction of capital requirements.

Limitations on Dividends and other Distributions

Although there are no internal restrictions imposed on the Board of Directors with regard to proposing dividends, the Company's capacity to distribute dividends is restricted under general Spanish corporate laws and other regulations applicable to us. See "*Risk Factors—Legal and Compliance Risks—We are subject to risks deriving from banking sectorial regulations—Capital and provisioning requirements—d. Maximum Distributable Amount (*"*MDA*")" and "*Regulation—I. EU Regulations—b. Capital Requirements—CRR and CRD IV*".

Our ability to pay dividends or repurchase our shares will depend on the availability of distributable reserves which in turn will depend on our results and other factors such as our profitability and cash flow generation. The conditions under which we may declare and distribute dividends under Spanish law and its bylaws are described under "*Description of Share Capital—Dividend and Liquidation Rights*".

In addition, the Term Sheet imposes additional restrictions on the payment of cash dividends by the Company. Once the Company's ordinary shares have been admitted to trading, the applicable limit under the Term Sheet will be 40% of our annual distributable profit until all CoCos FROB have been repurchased, and thereafter such limit will cease.

Other Information Relating to Dividends

Any dividends will be paid in euros. According to the Spanish Companies Act, dividends are declared and paid *pro rata* according to the number of ordinary shares held by each shareholder in the Company. Dividends declared but not yet accrued do not bear interest. Under current tax legislation, any dividends paid are subject to Spanish withholding tax. See "*Taxation*" for a discussion of certain aspects of taxation of dividends.

DILUTION

Our tangible book value at March 31, 2017 was €2,896 million, or €3.14 per ordinary share of the Company. Tangible book value per ordinary share is determined by dividing our tangible book value at March 31, 2017 by 922,802,121 ordinary shares of the Company, which is the number of shares outstanding on such date and immediately prior to the Offering. See "*Description of Share Capital—General*" Tangible book value, which represents total assets minus intangible assets (including goodwill) and minus total liabilities, the PeCoCos and minority interests, has been calculated based upon our balance sheet as at March 31, 2017, included in the Consolidated Interim Financial Statements, which are included elsewhere in this Prospectus.

After:

- giving effect to our issuance of 625,000,000 New Shares in the Offering assuming an Offer Price of €1.25 per Share (mid-point of the Offer Price Range) and full exercise of the Over-allotment Option; and
- deducting fixed Managers' discounts and commissions and other estimated expenses in an amount of approximately €33.1 million payable by us in connection with the Offering,

our adjusted tangible book value at March 31, 2017 would have been approximately €3,722.6 million, or €2.31 per ordinary share of the Company. The offer and sale of the Shares represents an immediate decrease in tangible book value to existing shareholders of approximately €0.83 per ordinary share. Dilution is determined by subtracting the adjusted tangible book value per ordinary share immediately after the Offering from the tangible book value per ordinary share as at March 31, 2017.

The following table[(1)] illustrates the approximate dilution on a per ordinary share basis.

	Low-point	**Mid-point**	**High-point**
		Per ordinary share	
		(in €)	
Tangible book value at March 31, 2017	3.14	3.14	3.14
Offer Price	1.10	1.25	1.40
Decrease in tangible book value as a result of the Offering	0.89	0.83	0.76
Adjusted tangible book value immediately after the Offering	2.25	2.31	2.37

Note:

(1) ......Assuming that (i) the Offer Price is the mid-point of the Offer Price Range, €1.25 per New Share, (ii) all the New Shares have been underwritten by each of the Managers and the Over-Allotment Option has been exercised in full; and (iii) the discretionary commission is paid in full.

CAPITALIZATION AND INDEBTEDNESS

The tables below set out our capitalization as at March 31, 2017 as adjusted for the Offering. The tables below have been prepared using the Company's audited consolidated statement of financial position as at March 31, 2017 and should be read in conjunction with "*Selected financial and operating information in relation to the three months ended March 31, 2017*" and the Consolidated Interim Financial Statements included elsewhere in this Prospectus.

Capitalization

€ million	At March 31, 2017	
	Actual	**As adjusted for the Offering(1)**
Share capital	**922.8**	**1,547.8**
Share premium	**1,140.7**	**1,296.9**
Other reserves	**774.3**	**743.6**
Equity instruments issued other than capital	**49.3**	**49.3**
Profit or loss attributable to parent	**52.0**	**52.0**
Interim dividend	**(17.0)**	**(17.0)**
Shareholders' funds	**2,922.0**	**3,672.6**
Accumulated other comprehensive income	**24.3**	**24.3**
Minority interests (non-controlling interest)	**203.2**	**203.2**
Total equity	**3,149.5**	**3,900.1**

Note:

(1) The Offering is underwritten (please see section "*The Offering*" for further details). The table assumes no exercise of the Over-allotment Option.

As at March 31, 2017, we had a CET1 phased-in capital ratio according to Basel III of 13.7% (compared to a 7.25% minimum level as required by the SREP for 2017), a Tier 1 phased-in ratio of 13.9% (minimum regulatory level of 6%) and a total phased-in capital ratio of 14.2% (minimum regulatory level of 8% and a 10.75% minimum level as required by the SREP for 2017). Based on our best available information, we have calculated on a preliminary basis that our adjusted CET1 fully-loaded ratio as at March 31, 2017 would have been 12.86%, taking into account the repayment of the €604 million CoCos FROB and adjusted to reflect the expected proceeds of the Offering at the mid-point of the Offer Price Range. These estimated ratios are provided for information purposes only and the ratios we publish may differ once final implementing measures are applied.

Our CET1 ratios on a phased-in and fully-loaded basis (13.7% and 12.0%, respectively, as at March 31, 2017) are comfortably above the 7.25% minimum CET1 ratio required by the SREP for 2017.

Indebtedness

The table below sets forth the financing sources in our consolidated balance sheet as at March 31, 2017:

€ million	**As at March 31, 2017**
Financial liabilities held for trading	32
Other financial liabilities at fair value through profit or loss	-
Financial liabilities at amortized cost	51,611
Deposits from credit institutions	4,584
Of which interbank deposits	1,243
Deposits from other creditors	45,332
Debt securities issued	814
Other financial liabilities	881
Hedging derivatives	34
Insurance contracts liabilities	4
Provisions	678
Tax liabilities	227
Other liabilities	255
Total liabilities	**52,840**

From March 31, 2017 until the date of this Prospectus, there has been no significant change in relation to the figures shown in this section.

SELECTED FINANCIAL INFORMATION

The selected financial information as of and for the periods indicated below has been derived from, and should be read together with, our Annual Accounts, included elsewhere in this Prospectus. The selected financial information set out below is a summary only. It may not contain all the information that is important to prospective investors and is not necessarily indicative of our future results and, accordingly, should be read in conjunction with "*Presentation of Financial and Other Information*", "*Capitalization and Indebtedness*", "*Selected Statistical and Other Information on Assets and Liabilities*", "*Operating and Financial Review*", "*Risk Factors*" and the Annual Accounts included elsewhere in this Prospectus. Please see "*Presentation of Financial and Other Information—Financial Information—Circular 5/2014*" for the approach taken in this Prospectus to Bank of Spain Circular 5/2014. Where financial information in this section as of or for the year ended December 31, 2016 is compared to information as of or for the year ended December 31, 2015, as applicable, the information as of or for the year ended December 31, 2015 has not been audited and has been presented in the format used in the 2016 Annual Accounts. Where information as of or for the year ended December 31, 2015 is compared to information as of or for the year ended December 31, 2014, as applicable, the information as of or for the year ended December 31, 2015 has been audited and has been presented in the format used in the 2015 Annual Accounts. Please see section "*Selected Financial and Operating Information in Relation to the Three Months Ended March 31, 2017*", for our selected financial information as of and for the three-month period ended in March 31, 2017 is shown.

The following tables set forth information related to our financial performance:

	For the year ended December 31,	
	2016	**2015**[(1)]
Consolidated income statement data	**€ million**	
Interest income	1,011.0	1,279.9
Interest expense	(391.2)	(592.4)
Share capital expense	-	-
Net interest income	**619.8**	**687.5**
Dividend income	27.4	34.9
Share of profit or loss of entities accounted for using the equity method	35.2	23.9
Fee and commission income	225.8	275.1
Fee and commission expenses	(18.4)	(36.3)
Gains/(Losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss. Net	84.1	595.7
Gains/(Losses) on financial assets and liabilities held for trading. Net	(7.1)	(34.2)
Gains/(Losses) on financial assets and liabilities designated at fair value through profit or loss. Net	-	-
Gains/(Losses) resulting from hedge accounting. Net	0.3	0.1
Exchange differences (Losses). Net	1.0	2.7
Other operating income	232.0	129.6
Other operating expenses	(115.9)	(116.6)
Income on insurance and reinsurance contracts	17.4	41.7
Expenses on insurance and reinsurance contracts	(12.5)	(29.2)
Gross income	**1,089.1**	**1,574.9**
Administration costs	(610.6)	(633.9)
Staff costs	(426.5)	(445.4)
Other administration costs	(184.1)	(188.5)

Amortization	(45.2)	(47.4)
Provisions or reversal of provisions	(104.0)	(145.1)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(38.5)	(424.7)
Financial assets measured at cost	(4.2)	-
Held-for-sale financial assets	49.5	2.7
Loans and receivables	(83.8)	(427.4)
Held-to-maturity investments	-	-
Net operating income	**290.7**	**323.8**
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	(27.3)	(15.2)
Impairment or reversal of impairment on non-financial assets	(96.9)	(54.2)
Tangible assets	(3.4)	(4.5)
Intangible assets	0.0	-
Other	(93.5)	(49.7)
Gains/(Losses) on derecognized of non-financial assets and subsidiaries. Net	25.0	(3.0)
Of which: Investments in subsidiaries, joint ventures and associates	*19.5*	*4.1*
Negative goodwill recognized in profit or loss	-	-
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(0.5)	(34.3)
Operating profit before tax	**191.0**	**217.0**
Tax expense or income related to profit or loss from continuing operations	(66.1)	(57.2)
Profit/(Loss) from continuing operations	***124.9***	**159.8**
Profit/(Loss) from discontinued operations	*10.2*	*24.0*
Profit	**135.1**	**183.8**
Attributable to minority interest (non-controlling interests)	*(7.1)*	*(2.8)*
Attributable to owners of the parent	*142.1*	*186.7*

Note:

(1) This unaudited information is taken from our 2016 Annual Accounts. See “Presentation of Financial and Other Information” for further details.

	For the year ended December 31,	
	2015[(1)]	**2014[(2)]**
Consolidated income statement data	**€ million**	
Interest and similar income	1,279.9	1,474.1
Interest expense and similar charges	(592.4)	(755.4)
Net interest income	**687.5**	**718.7**
Return on equity instruments	34.9	36.3
Loss/Profit of companies valued at equity method	23.9	11.1
Fee and commission income	275.1	250.5
Fee and commission expense	(36.3)	(23.2)
Gains/(Losses) on financial assets and liabilities (net)	561.6	390.1
Exchange differences (net)	2.7	2.7
Other operating income	171.3	94.4

Other operating expense	(145.8)	(134.2)
Gross operating income	**1,574.9**	**1,346.3**
Administrative expense	(633.9)	(584.2)
Depreciation and amortization	(47.4)	(43.9)
Provisions (net)	(145.1)	(148.1)
Impairment losses on financial assets (net)	**(424.7)**	**(355.8)**
Of which:		
Loans and receivables	(427.4)	(324.7)
Other financial instruments not measured at fair value through profit or loss	2.7	(31.1)
Profit/(Loss) from operating activities	**323.8**	**214.3**
Impairment losses on other assets (net)	(69.4)	(80.0)
Gains/(Losses) on disposal of assets not classified as non-current assets held for sale	(3.0)	(1.4)
Negative goodwill on business combinations	-	372.5
Gains/(Losses) on disposal of non-current assets held for sale not classified as discontinued operations	(34.3)	(30.9)
Profit/(Loss) before tax	**217.0**	**474.4**
Income tax	(57.2)	(47.5)
Profit/(Loss) from continuing operations	**159.8**	**426.9**
Income from discontinued operations(net)	*24.0*	*20.6*
Net profit for the year	**183.8**	**447.5**
Profit/Loss attributable to parent entity	*186.7*	*474.5*
Profit/Loss attributable to minority interests	*(2.8)*	*(27.0)*

Notes:

(1) This audited information is taken from our 2015 Annual Accounts. See "Presentation of Financial and Other Information" for further details.

(2) On March 28, 2014, the Company completed the acquisition of a controlling stake in EspañaDuero.

The tables below set forth information related to our total assets and total equity and total liabilities:

	At December 31,	
	2016	**2015[(1)]**
Consolidated balance sheet data	**€ million**	
Assets		
Cash, cash balances at central banks and other demand deposits	**862**	**1,991**
Financial assets held for trading	**78**	**94**
Of which:		
Derivatives	41	56
Other equity instruments	-	-
Debt securities	38	38
Loans and advances	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Available-for-sale financial assets	**5,403**	**9,810**
Of which:		
Other equity instruments	649	998

Debt securities	4,754	8,812
Loans and receivables	**31,643**	**34,300**
Of which:		
Debt securities	786	964
Deposits	30,856	33,336
Central banks	-	-
Credit institutions	170	248
Customers	30,686	33,088
Held-to-maturity investments	**12,908**	**7,240**
Hedging derivatives	**606**	**738**
Investments in subsidiaries, joint ventures and associates	**294**	**359**
Of which:		
Jointly-controlled entities	75	125
Associates	219	234
Insurance or reinsurance assets	**-**	**8**
Tangible assets	**1,438**	**1,491**
Of which:		
Property, plant and equipment for own use	1,010	1,057
Investment properties	427	434
Intangible assets	**1**	**1**
Of which:		
Goodwill	0	0
Other intangible assets	1	1
Tax assets	**2,586**	**2,591**
Of which:		
Current tax assets	51	64
Deferred tax assets	2,535	2,527
Other assets	**660**	**836**
Of which:		
Insurance contracts linked to pensions	138	142
Inventory	480	542
Other assets	41	152
Non-current assets and disposal groups held for sale	762	853
Total assets	**57,241**	**60,312**
Memorandum items		
Financial guarantees given	1,066	1,096
Contingent commitments	2,902	3,232

Note:

(1) This unaudited information is taken from our 2016 Annual Accounts. See "Presentation of Financial and Other Information" for further details.

	At December 31,	
	2016	**2015(1)**
Consolidated balance sheet data	**€ million**	
Liabilities		
Financial liabilities held for trading	**51**	**125**
Of which:		
Derivatives	51	125
Deposits	-	-

Central banks	-	-
Credit institutions	-	-
Customers	-	-
Debt securities issued	-	-
Other financial liabilities	-	-
Financial liabilities measured at amortized cost	**52,729**	**55,577**
Of which:		
Deposits	50,996	53,294
Central banks	-	2,417
Credit institutions	2,464	1,340
Customers	48,532	49,537
Debt securities issued	814	1,295
Other financial liabilities	919	989
Pro memoria: Subordinated liabilities	*614*	*622*
Hedging derivatives	**50**	**108**
Liabilities under insurance contracts	**4**	**31**
Provisions	**707**	**748**
Of which:		
Pensions and other post-employment commitments	174	179
Other long-term staff retributions	152	133
Provisions for taxes and other legal contingencies	-	-
Contingent liabilities and commitments	116	106
Other provisions	265	330
Tax liabilities	**239**	**295**
Of which:		
Current tax liabilities	14	12
Deferred tax liabilities	226	283
Other liabilities	**277**	**171**
Of which: social work fund	-	-
Total liabilities	**54,058**	**57,056**
Shareholders' equity	**2,918**	**2,834**
Accumulated other comprehensive income	**35**	**142**
Minority interests (non-controlling interest)	**230**	**280**
Total equity	***3,183***	***3,256***
Total equity and total liabilities	**57,241**	**60,312**

Note:

(1) This unaudited information is taken from our 2016 Annual Accounts. See "Presentation of Financial and Other Information" for further details.

	At December 31,	
	2015[1]	**2014[2]**
Consolidated balance sheet data	**€ million**	
Assets		
Cash and balances at central banks	**1,578**	**612**
Financial assets held for trading	**94**	**229**
Of which:		
Debt securities	38	176
Equity instruments	-	-

Trading derivatives	56	52
Available-for-sale financial assets	**9,810**	**12,503**
Of which:		
Debt securities	8,812	11,576
Equity instruments	998	928
Loans and receivables	**34,712**	**37,671**
Of which:		
Loans and advances to credit institutions	661	763
Loans and advances to other debtors	33,088	35,086
Debt securities	964	1,821
Held-to-maturity investments	**7,240**	**9,640**
Hedging derivatives	**738**	**922**
Non-current assets held for sale	**853**	**931**
Investments	**359**	**424**
Insurance contracts linked to pensions	**142**	**148**
Reinsurance assets	**8**	**7**
Tangible assets	**1,491**	**1,386**
Of which:		
Property, plant and equipment for own use	1,057	1,031
Investment property	434	355
Intangible assets	**1**	**2**
Tax assets	**2,591**	**2,748**
Other assets	**694**	**729**
Of which:		
Inventory	542	594
Other assets	152	135
Total assets	**60,312**	**67,950**
Memorandum items		
Contingent exposures	1,096	1,358
Contingent commitments	3,232	3,402

Notes:

(1) This audited information is taken from our 2015 Annual Accounts. See "Presentation of Financial and Other Information" for further details.

(2) On March 28, 2014, the Company completed the acquisition of a controlling stake in EspañaDuero.

	At December 31,	
	2015[(1)]	**2014**[(2)]
Consolidated balance sheet data	**€ million**	
Liabilities		
Financial liabilities held for trading	**125**	**65**
Of which:		
Trading derivatives	125	65
Financial liabilities at amortized cost	**55,577**	**63,008**
Of which:		
Deposits from central banks	2,417	8,722
Deposits from credit institutions	1,340	1,397
Deposits from other creditors	49,529	49,171
Debt securities issued	681	1,878
Subordinated liabilities	622	648
Other financial liabilities	989	1,192

Hedging derivatives	**108**	**57**
Liabilities associated with non-current assets held for sale	**-**	**13**
Insurance contracts liabilities	**31**	**30**
Provisions	**748**	**724**
Tax liabilities	**295**	**534**
Other liabilities	**171**	**228**
Total liabilities	**57,056**	**64,658**
Shareholders' equity	**2,834**	**2,674**
Valuation adjustments	**142**	**292**
Minority interests	**280**	**326**
Total equity	***3,256***	***3,292***
Total liabilities and equity	**60,312**	**67,950**

Notes:

(1) This audited information is taken from our 2015 Annual Accounts. See "Presentation of Financial and Other Information" for further details.

(2) On March 28, 2014, the Company completed the acquisition of a controlling stake in EspañaDuero.

The table below sets out details of our off-balance sheet funds as at the dates indicated:

	At December 31,		
	2016	**2015**	**2014**
		€ million	
Investment and mutual funds	5,593	5,194	4,731
Pension funds	2,211	2,193	2,133
Insurance products	2,966	2,835	3,203
Assets under management in discretionary portfolio	864	850	872
Total off-balance sheet funds	**11,635**	**11,072**	**10,938**

The table below sets forth information related to our key financial ratios and APMs:

	As at and for the year ended December 31,		
Ratios and APM (%)(1)	**2016**	**2015**	**2014**
LTD	83%	82%	91%
NIM (% ATA)	1.05%	1.05%	1.05%
Net interest income (% gross income)	56.9%	43.7%	53.4%
RoA	0.2%	0.3%	0.7%(2)
RoE	4.9%	6.7%	17.1%(2)
RoTE	4.9%	6.7%	17.2%(2)
CIR	56.1%	40.3%	43.4%
CET1 ratio (phased-in)	13.8%	12.8%	11.0%
Tier 1 ratio (phased-in)	13.9%	12.9%	11.0%
Total capital ratio (phased-in)	14.2%	12.9%	11.0%
CET1 ratio (fully-loaded)	11.8%	11.1%	10.3%
Tier 1 ratio (fully-loaded)	12.0%	11.5%	10.7%
Total capital ratio (fully-loaded)	12.4%	11.5%	10.7%
CoR	0.25%	1.16%	1.06%
NPL ratio	9.8%	10.0%	12.6%
NPL coverage ratio	50.0%	57.2%	61.9%

NPA ratio	16.4%	16.4%	18.3%
NPA coverage ratio	55.4%	57.9%	60.3%

Notes:

(1) See section "Alternative Performance Measures" for definitions and calculations of APMs.

(2) The increase in RoA, RoE and RoTE in 2014 is mainly due to the €372.5 million negative goodwill on business combinations that arose from the integration of EspañaDuero.

As at December 31, 2016, our Peers had an average NIM of 1.31%, RoE of 5.6% (excluding Banco Popular), RoA of 0.3% (excluding Banco Popular), CIR of 49.8%, CET1 (fully-loaded) of 11.3%, NPL of 10.9%, NPL coverage of 48.4%, NPA ratio of 18.3% and NPA coverage ratio of 45.3%.

SELECTED STATISTICAL AND OTHER INFORMATION ON ASSETS AND LIABILITIES

The following discussion sets out information with respect to the assets, liabilities and equity of the Group, together with certain selected statistical information, ratios and other data that have been derived from our Annual Accounts, included elsewhere in this Prospectus, and from our unaudited consolidated management accounts. The discussions and selected statistical information and other data set forth below should be read in conjunction with our Annual Accounts as well as the information set forth in "Operating and Financial Review", all included elsewhere in this Prospectus. Please see "Presentation of Financial and Other Information—Financial Information—Circular 5/2014" for the approach taken in this Prospectus to Bank of Spain Circular 5/2014.

Total assets

Our total assets decreased by €3,071 million, or 5.1%, to €57,241 million at December 31, 2016 from €60,312 million at December 31, 2015. Our total assets decreased by €7,639 million, or 11.2%, to €60,312 million at December 31, 2015 from €67,950 million at December 31, 2014.

The decrease at December 31, 2016, compared to at December 31, 2015, was mainly attributable to €4.4 billion and €2.4 billion decreases in the available-for-sale portfolio and customer loans portfolios, respectively, partially offset by a €5.7 billion increase in the held-to-maturity portfolio. The decrease at December 31, 2015, compared to at December 31, 2014, was mainly attributable to the steady decline of our loan portfolio, in line with the deleveraging process of the Spanish economy. As at December 31, 2016, , loans and receivables (after provisions for credit risk, excluding extraordinary provisions related to clauses which set a minimum interest rate for mortgages) ("**net loans**") comprised 54.4% of our total assets, compared to 55.4% and 51.6% as at December 31, 2015 and 2014, respectively. See "*—Loans and receivables*".

Total liabilities

Our total liabilities decreased by €2,998 million, or 5.3%, to €54,058 million at December 31, 2016 from €57,056 million at December 31, 2015. Our total liabilities decreased by €7,602 million, or 11.8%, to €57,056 million at December 31, 2015 from €64,658 million at December 31, 2014.

The decrease at December 31, 2016, compared to at December 31, 2015, was mainly attributable to the full cancellation of the existing €2.4 billion ECB funding and the maturity of around €1.5 billion of covered bonds, partially compensated by a €1.2 billion increase in interbank funding. The decrease at December 31, 2015, compared to at December 31, 2014, was mainly attributable to the decrease in deposits from central banks and the maturities of debt securities issued.

Average balances and rates

Average balances included in this Prospectus are calculated as the average of the relevant quarterly balances as at December 31 (of the previous year), March 31, June 30, September 30 and December 31 during the years ended December 31, 2016, 2015 and 2014. EspañaDuero figures have been included in the average balances since March 31, 2014.

Balances at December 31, 2016, 2015 and 2014 have been derived from our Annual Accounts. Balances at the remaining quarter ends, in each case, have been derived from our unaudited consolidated management reports prepared from our accounting records and used by management for monitoring and control purposes. Calculation of average balances using different methods of calculation could result in material differences from the figures set forth below and elsewhere in this Prospectus.

The following table sets out the average balances of our interest-earning assets, the related interest income and average rates for the periods indicated.

	For the year ended December 31,								
	2016			2015			2014		
	Average balance	Interest income	Average rate (%)	Average balance	Interest income	Average rate (%)	Average balance	Interest income	Average rate (%)
Interest-earning assets[1]	€ million, except percentages								
Financial intermediaries	2,964	(1.7)	(0.06)	3,579	2.1	*0.06*	4,696	17.1	*0.36*
Balances at central banks	543	0.0	0.00	503	0.1	*0.01*	191	0.4	*0.20*
Loans and advances to credit institutions	392	3.0	0.78	644	1.6	*0.25*	1,833	10.5	*0.57*
Money market operations through counterparties	2,029	(4.7)	(0.23)	2,432	0.4	*0.02*	2,672	6.2	*0.23*
Fixed income portfolio	18,605	253.8	1.36	21,733	386.9	*1.78*	21,173	522.4	*2.47*
Performing loans and receivables	27,827	699.5	2.51	29,141	857.9	*2.94*	27,593	913.0	*3.31*
Public administrations	2,140	22.2	1.04	2,057	34.0	*1.65*	1,641	35.6	*2.17*
Private sector	25,688	677.2	2.64	27,079	823.8	*3.04*	25,929	876.7	*3.38*
Securities acquired under repurchase agreements	0	0.0	0.00	5	0.1	*n.m.*	23	0.6	*2.71*
Other assets	9,331	59.4	0.64	10,586	33.0	*0.31*	9,352	21.6	*0.23*
Average total assets	**58,727**	**1,011.0**	**1.72**	**65,040**	**1,279.9**	***1.97***	**62,814**	**1,474.1**	***2.35***

Note:

(1) The figures in this table have been obtained from the Company's internal accounting.

The average interest rate on average total assets ("**ATA**") decreased to 1.72% for the year ended December 31, 2016 from 1.97% for the year ended December 31, 2015, which in turn decreased from 2.35% for the year ended December 31, 2014 mainly due to various factors, such as the historically low level of interest rates, the rotation of the fixed income portfolio or the reduction in rates of the SAREB securities held by EspañaDuero.

At December 31, 2016, interest-rate sensitive assets totaled €29.8 billion (€29.7 billion and €23.7 billion as at December 31, 2015 and 2014, respectively), compared to €25.1 million of interest-rate sensitive liabilities (€27.5 million and €35.8 million as at December 31, 2015 and 2014, respectively). At December 31, 2016, fixed-rate assets totaled €17.2 billion (€20.5 billion and €25.3 billion as at December 31, 2015 and 2014, respectively) compared to €25.3 million of fixed-rate liabilities (€25.0 million and €20.8 million as at December 31, 2015 and 2014, respectively).

The following table sets out the average balances of our interest-bearing liabilities, the related interest expense and average rates for the periods indicated:

	For the year ended December 31,								
	2016			2015			2014		
	Average balance	Interest expense	Average rate (%)	Average balance	Interest expense	Average rate (%)	Average balance	Interest expense	Average rate (%)
Interest-bearing liabilities[1]	€ million, except percentages								
Financial intermediaries	6,219	(9.3)	(0.15)	10,203	13.8	*0.13*	11,821	52.8	*0.45*
Deposits by central banks	966	1.1	0.12	4,900	6.4	*0.13*	8,378	34.5	*0.41*
Deposits by credit institutions	1,982	(1.4)	(0.07)	1,892	7.7	*0.41*	1,065	14.0	*1.32*
Money market operations through counterparties	3,271	(9.1)	(0.28)	3,411	(0.4)	*(0.01)*	2,378	4.3	*0.18*
Deposits[2]	38,212	178.7	0.47	37,878	329.6	*0.87*	31,677	375.8	*1.19*
Public administrations	2,024	2.2	0.11	1,880	4.5	*0.24*	1,515	9.8	*0.65*
Private sector	35,191	161.9	0.46	34,581	288.3	*0.83*	28,236	306.5	*1.09*
Assets sold under repurchase agreements	996	14.6	1.46	1,416	36.8	*2.60*	1,926	59.4	*3.08*
Debt securities issued	7,119	132.3	1.86	9,290	176.8	*1.90*	12,132	262.7	*2.17*
Subordinated	610	58.1	9.51	628	55.1	*8.77*	513	40.1	*7.82*

liabilities..................									
Other liabilities and equity......................	6,568	31.4	0.48	7,041	17.1	*0.24*	6,673	24.1	*1.45*
Average total liabilities	**58,727**	**391.2**	**0.67**	**65,040**	**592.4**	***0.91***	**62,814**	**755.4**	***1.20***

Notes:

(1) *The figures in this table have been obtained from the Company's internal accounting.*

(2) *Excludes covered bonds included within term deposits.*

The average rate on average total liabilities decreased to 0.67% for the year ended December 31, 2016 from 0.91% for the year ended December 31, 2015, which in turn decreased from 1.20% for the year ended December 31, 2014, broadly in line with the general market trend of decreasing deposit rates following the low level of interest rates.

Our NIM remained stable at 1.05% for the years ended December 31, 2016, 2015 and 2014 despite the historically low level of interest rates, the rotation of the fixed income portfolio or the reduction in rates of the SAREB securities from EspañaDuero.

Changes in net interest income – Volume and rate analysis

The following two tables allocate, by type of assets, changes in our net interest income attributable to changes in the average volume of interest-earning assets and interest-bearing liabilities, and to changes in their respective average interest rate for the year ended December 31, 2016 compared to the year ended December 31, 2015 and for the year ended December 31, 2015 compared to the year ended December 31, 2014. Changes to interest income due to changes in volume have been calculated by multiplying the changes in volume during the current year by the average interest rate for the preceding year. Changes to interest income due to changes in rates have been calculated by multiplying the change in the current year average rate times the average volume of the current year. The changes caused by variances in both volume and rate have been allocated to changes in rates. The changes are calculated on the basis of the average balance sheets set forth in the preceding tables. Loan fees are included in the computation of interest income. In the following table, tax-exempt income has not been calculated on tax equivalent basis because the effect of such calculations would not be significant.

	2016/2015			**2015/2014**		
	Increase/(Decrease) Due to change in			**Increase/(Decrease) Due to change in**		
	Volume	**Rate**	**Net**	**Volume**	**Rate**	**Net**
Interest-earning assets	**€ million**					
Financial intermediaries..................	(0)	(3)	(4)	(4)	(11)	(15)
Balances at central banks	0	(0)	(0)	1	(1)	(0)
Loans and advances to credit institutions	(1)	2	1	(7)	(2)	(9)
Money market operations through counterparties	(0)	(5)	(5)	(1)	(5)	(6)
Available-for-sale financial assets and held-to-maturity investments...	(56)	(77)	(133)	14	(149)	(136)
Performing loans and receivables...	(39)	(120)	(158)	51	(106)	(55)
Public administrations	1	(13)	(12)	9	(11)	(2)
Private sector	(42)	(104)	(147)	39	(92)	(53)
Securities acquired under repurchase agreements	(0)	0	(0)	(0)	(0)	(1)
Other assets.....................................	(4)	30	26	3	9	11
Average total assets	**(124)**	**(145)**	**(269)**	**52**	**(246)**	**(194)**

	2016/2015			**2015/2014**		
	Increase/(Decrease) Due to change in			**Increase/(Decrease) Due to change in**		
	Volume	**Rate**	**Net**	**Volume**	**Rate**	**Net**
Interest-bearing liabilities	**€ million**					
Financial intermediaries..................	(5)	(18)	(23)	(7)	(32)	(39)

Deposits by central banks	(5)	0	(5)	(14)	(14)	(28)
Deposits by credit institutions	0	(9)	(9)	11	(17)	(6)
Money market operations through counterparties	0	(9)	(9)	2	(7)	(5)
Deposits	3	(154)	(151)	74	(120)	(46)
Public administrations	0	(3)	(2)	2	(8)	(5)
Private sector	5	(132)	(126)	69	(87)	(18)
Assets sold under repurchase agreements	(11)	(11)	(22)	(16)	(7)	(23)
Debt securities issued	(41)	(3)	(44)	(62)	(24)	(86)
Subordinated liabilities	(2)	5	3	9	6	15
Other liabilities	(1)	15	14	1	(8)	(7)
Average total liabilities	**(57)**	**(144)**	**(201)**	**27**	**(190)**	**(163)**

Loans and receivables

Net loans comprised 54.4% of our total assets at December 31, 2016, compared to 55.4% at December 31, 2015 and 51.6% at December 31, 2014 and substantially all of our loan portfolio is Euro-denominated.

Gross customer loans by sector

The following table sets out an analysis of our gross loans, by type of loan, at the dates indicated:

	At December 31,					
	2016		**2015**		**2014**	
	€ million	%	**€ million**	%	**€ million**	%
Corporate loans	**7,263**	**22.2**	**7,730**	**21.8**	**9,572**	**25.1**
Real estate	1,175	3.6	1,350	3.8	1,922	5.0
Large corporate	1,435	4.4	1,145	3.2	1,224	3.2
SMEs	4,289	13.1	4,762	13.4	5,888	15.5
Civil engineering	363	1.1	473	1.4	538	1.4
Retail loans	**20,844**	**63.7**	**21,747**	**61.4**	**23,067**	**60.6**
Mortgage loans	18,127	55.4	19,864	56.1	20,990	55.1
Consumer loans	2,701	8.3	1,868	5.3	2,057	5.4
Other retail	15	0.0	15	0.0	20	0.1
Public administration	**2,160**	**6.6**	**2,010**	**5.7**	**2,035**	**5.3**
Others(1)	**2,463**	**7.5**	**3,947**	**11.5**	**3,391**	**8.9**
Gross loans	**32,730**	**100.0**	**35,433**	**100.0**	**38,065**	**100.0**
Provisions	(1,607) (2)	-	(2,033) (3)	-	(2,978)	
Net loans	**30,686**	-	**33,088**	-	**35,087**	

Notes:

(1) Includes temporary purchase of assets and loans to financial sector institutions.

(2) Excludes €392 million of provisions for clauses which set minimum interest rates for mortgages in Spain and €45 million of valuation adjustments

(3) Excludes €312 million of provisions for clauses which set minimum interest rates for mortgages in Spain

Corporate loans decreased by a further €466 million, or 6.0% to €7,263 million at December 31, 2016, having in turn decreased by €1,842 million, or 19.2% to €7,730 million at December 31, 2015 from €9,572 million at December 31, 2014. The decreases in 2015 and 2016 were primarily due to the maturities of our loans being greater than our new loan production, despite the significant increase in new loan production.

Retail loans accounted for the largest portion of gross loans, representing 63.7% of the total at December 31, 2016, compared to 61.4% and 60.6% at December 31, 2015 and 2014, respectively. Retail loans decreased in absolute terms by a further €903 million, or 4.2% to €20,844 million at December 31, 2016, having in turn decreased by €1,321 million, or 5.7%, to €21,747 million at December 31, 2015, from €23,067 million at December 31, 2014. The decreases at December 31, 2016 compared to December 31, 2015 and December 31, 2015 compared to December 31, 2014 were primarily due to the continued deleveraging process of the mortgage book in line with the rest of the sector.

Public administration loans remained broadly stable, increasing by €150 million, or 7.5% to €2,160 million at December 31, 2016, having in turn decreased by €25 million, or 1.2% to €2,010 million at December 31, 2015 from €2,035 million at December 31, 2014.

For the year ended December 31, 2016, the average yield on our performing loan book was 2.51%, whilst the average yield on our mortgages was 2.02%, the yield on our loans to corporates and SMEs was 2.30% and our other retail loans generated a yield of 5.30%.

At December 31, 2016, our well diversified loan book is reflected in the largest borrower accounting for 0.9% of total gross loans and our ten largest borrowers accounting for 5.5% of total gross loans. Please see "*Regulation—I. EU Regulations— b. Capital requirements—Large exposures*" for more information about our largest borrowers.

Net customer loans by maturity

The following table sets out an analysis of our net loans by maturity, at the dates indicated:

	At December 31,					
	2016		**2015**		**2014**	
	€ million	%	**€ million**	%	**€ million**	%
Less than three months	3,409	10.42	5,177	14.61	6,787	17.83
Between three months and one year	2,737	8.36	3,073	8.67	2,241	5.89
Between one and two years	2,139	6.54	2,034	5.74	1,613	4.24
Between two and five years	5,414	16.54	4,779	13.48	5,200	13.66
Over five years	19,301	58.14	20,392	57.52	22,224	58.38
Gross loans	**32,730**	**100.0**	**35,433**	**100.0**	**38,065**	**100.0**
Provisions	**(1,607)** (1)	-	**(2,033)** (2)	-	**(2,978)**	-
Net loans	**30,686**	-	**33,088**	-	**35,087**	-

Notes:

(1) *Excludes €392 million of provisions for clauses which set minimum interest rates for mortgages in Spain and €45 million of valuation adjustments*

(2) *Excludes €312 million of provisions for clauses which set minimum interest rates for mortgages in Spain*

The maturity profile of our gross loans has been relatively stable in recent years. The largest single category gross loans granted by us have maturities of over five years. Gross loans with maturities over one year accounted for 81.22% of total gross loans at December 31, 2016 and 76.73% of total gross loans at December 31, 2015, compared to 76.28% at December 31, 2014. The strong weight of gross loans with maturities of over one year is based on the relevance of our residential mortgage portfolio with an average life of around 15 years as at December 31, 2016. Gross loans with maturities for less than one year accounted for 18.78% of total gross loans at December 31, 2016 and 23.27% of total gross loans at December 31, 2015, compared to 23.72% at December 31, 2014.

Net customer loans by geographic location

As at December 31, 2016, 91.7% of our gross loans were to residents of Spain, compared to 92.6% as at December 31, 2015 and 91.4% as at December 31, 2014.

Non-performing customer loans and coverage levels

The following tables set out an analysis of our total NPLs and coverage levels at the dates indicated:

	At December 31, 2016	**At December 31, 2015**

	€ million							
	NPL	NPL ratio (%)	Provisions	Coverage (%)	NPL	NPL ratio (%)	Provisions	Coverage (%)
Corporate loans	**1,498**	**20.6**	**883**	**59.0**	**1,928**	**24.9**	**1,404**	**72.8**
Real estate	503	42.8	364	72.4	648	48.0	453	69.9
Large corporate	94	6.6	56	59.3	105	9.2	81	77.0
SMEs	832	19.4	408	49.0	1,104	23.2	822	74.5
Civil engineering	69	19.0	56	81.2	71	14.9	48	67.8
Retail loans	**1,707**	**8.2**	**724**	**42.4**	**1,622**	**7.5**	**629**	**38.8**
Mortgage loans	1,382	7.6	527	38.1	1,428	7.2	480	33.6
Consumer loans	325	12.0	198	81.0	194	10.4	149	76.8
Other retail	0	0.5	0	60.8	0	0.7	0	93.3
Public administration	**10**	**0.4**	**0**	**0.0**	**6**	**0.3**	**0**	**0.6**
Total	**3,215**	**9.8**	**1,607**	**50.0**	**3,556**	**10.0**	**2,033**	**57.2**

	At December 31,			
	2014			
	€ million			
	NPL	NPL ratio (%)	Provisions	Coverage (%)
Corporate loans	**3,103**	**32.4**	**2,374**	**76.5**
Real estate	1,058	55.0	771	72.9
Large corporate	239	19.6	207	86.4
SMEs	1,726	29.3	1,333	77.2
Civil engineering	80	15.0	64	79.3
Retail loans	**1,705**	**7.4**	**604**	**35.4**
Mortgage loans	1,468	7.0	382	26.0
Consumer loans	237	11.5	221	93.6
Other retail	0	1.7	0	52.4
Public administration	**6**	**0.3**	**0**	**0.6**
Total	**4,814**	**12.6**	**2,978**	**61.9**

Foreclosed assets

Set out below is certain information regarding our foreclosed assets at the dates indicated:

	At December 31,				At December 31,			
	2016				2015			
(*€ millions except for number of units*)	Gross book value	Net book value of assets	Coverage	Coverage ratio (%)	Gross book value	Net book value of assets	Coverage	Coverage ratio (%)
Real Estate assets from fund intended to	1,522	502	1,020	67.0	1,707	642	1,065	62.4
Buildings completed	*419*	*206*	*213*	*50.8*	*556*	*271*	*285*	*51.2*
Buildings under construction	*183*	*77*	*106*	*57.8*	*122*	*48*	*74*	*60.7*
Land	*920*	*218*	*702*	*76.3*	*1,029*	*323*	*706*	*68.6*
Real Estate from mortgage financing	661	325	336	50.9	672	340	332	49.4
Other Real Estate assets	385	147	237	61.7	302	131	171	56.7
Equity instruments in payment of debts	20	5	15	74.5	18	-	18	100
Investment in entities holding real estate assets	-	-	-	-	-	-	-	-

Total	**2,588**	**979**	**1,609**	**62.2**	**2,699**	**1,113**	**1,586**	**58.8**

	At December 31,			
	2014			
(€ millions unless otherwise stated)	**Gross cost of acquisition**	**Net book value of assets**	**Coverage**	**Coverage ratio (%)**
Real Estate assets from fund intended to .	1,841	742	1,098	59.7
Buildings completed....	*536*	*288*	*248*	46.3
Buildings under construction.................	*160*	*75*	*86*	53.5
Land	*1,145*	*380*	*764*	66.8
Real Estate from mortgage financing	637	330	307	48.2
Other Real Estate assets	89	42	47	53.0
Equity instruments, shares in and financing granted to entities holding real estate assets.................	68	9	59	87.4
Total	**2,635**	**1,123**	**1,512**	**57.4**

The fall in the value of both gross and net foreclosed assets from December 31, 2014 to December 31, 2015 can be attributed to higher sales of such assets by us. In the year ended December 31, 2016 we sold foreclosed assets totaling €295 million (€270 million and €213 million during the years ended December 31, 2015 and 2014, respectively) generating gains of €52 million (€41 million and €14 million during the years ended December 31, 2015 and 2014, respectively).

In addition, our NPA coverage ratio was 55.4% as at December 31, 2016 (57.9% and 60.3% as at December 31, 2015 and 2014, respectively). It is our aim to reduce our NPAs by €2.3 billion (excluding write-offs) by 2020.

See "*Business—Operations and activities—Treasury, Markets and Real Estate—Real estate*" for further information regarding our foreclosed assets.

Refinancing operations, refinanced and restructured

The table below sets out the information on refinancing operations, refinanced and restructured for the periods indicated.

	At December 31,					
	2016		**2015**		**2014**	
	€ million					
	Gross amount	**Coverage**	**Gross amount**	**Coverage**	**Gross amount**	**Coverage**
Normal risk.	1,037	(220)	2,224	(195)	2,989	(216)
NPLs.......................	1,912	(817)	2,157	(996)	2,732	(1,531)
Total	**2,949**	**(1,037)**	**4,381**	**(1,191)**	**5,720**	**(1,746)**

The aggregate of net NPLs, foreclosed assets and refinanced and restructured loans as at December 31, 2016 was €3.6 billion (€4.9 billion and €5.9 billion as at December 31, 2015 and 2014, respectively).

During 2016 the Group revised its accounting estimates with respect to the identification and calculation of the impairment of debt instruments carried at amortised cost and assets acquired through repossession or debt settlement, due to the adoption of internal methods for estimating collective provisions under IAS 39. This change in accounting estimates has not had a significant impact on consolidated results for the year or the Group's financial situation. Please see section "*Presentation of Financial and Other Information—Financial Information—Circular 4/2016*" for information on Circular 4/2016.

Provisions for credit risk

The table below sets out the provisions for credit risk as at the dates indicated. This is a cumulative balance sheet item included within loans and advances to customers and new provisions accounted during the year and a profit a loss account included within impairment or reversal of impairment on financial assets not measured at fair value through profit or loss (net).

	Total
	€ million
Balance as at December 31, 2013	**1,377**
Charged to income for the year	885
Recovered and credited to the surplus for the year	(581)
Other movements	1,297
Balance as at December 31, 2014	**2,978**
Charged to income for the year	655
Recovered and credited to the surplus for the year	(250)
Other movements	(1,039)
Balance as at December 31, 2015	**2,345**
Charged to income for the year	789
Recovered and credited to the surplus for the year	(681)
Other movements	(453)
Balance as at December 31, 2016	**1,999**

Total provisions for credit risk decreased by €345 million, or 14.7% to €1,999 million for the year ended December 31, 2016, having in turn decreased by 21.3% to €2,345 million for the year ended December 31, 2015, as compared to €2,978 million for the year ended December 31, 2014. This decrease was primarily due to the reclassification of €800 million of NPLs to write-offs (compared to €250 million for the years ended December 31, 2015 and 2014, respectively) and lower net NPL entries. This item includes extraordinary provisions related to clauses which set minimum interest rates for mortgages in the amount of €312 million and €392 million as at December 31, 2015 and 2016, respectively.

The following table sets out a breakdown of the other movements balance included within provisions for credit risk at the dates indicated:

	At December 31,		
	2016	**2015**	**2014**
		€ million	
Utilization due to reclassification of NPLs to write-offs charged to asset impairment adjustments.	(344)	(851)	(249)
Utilization due to foreclosed assets	(118)	(187)	(76)
Business combination	8	-	1,623
Total other movements	**(453)**	**(1,039)**	**1,297**

See "*Operating and Financial Review—Results of operations—Comparison of consolidated income statement movements for the years ended December 31, 2015 and 2014—Negative goodwill*" for additional detail on business combination movements in the year ended December 31, 2014.

Cash, cash balances at central banks and other demand deposits and loans and advances to credit institutions

Cash, cash balances at central banks and other demand deposits and loans and advances to credit institutions together represented 1.5% of our total assets at December 31, 2016, compared to 3.3% at

December 31, 2015 and 0.9% at December 31, 2014. Deposits placed with other banks are typically used for liquidity management purposes.

The following table sets out a breakdown of cash, cash balances at central banks and other demand deposits and loans and advances to credit institutions at the dates indicated:

	At December 31,		
	2016	**2015**	**2014**
		€ million	
Cash, cash balances at central banks and other demand deposits.	862	1,991	612
Loans and advances to credit institutions	170	248	763

Cash, cash balances at central banks and other demand deposits decreased by €1,129 million, or 56.7%, to €862 million at December 31, 2016 from €1,991 million at December 31, 2015, primarily due to reduction of the excess cash existing at December 31, 2015 due to the sale of part of the fixed income portfolio in order to adequately manage the Group's liquidity. Cash, cash balances at central banks and other demand deposits increased by €1,378 million to €1,991 million at December 31, 2015 from €612 million at December 31, 2014, primarily due to the sale of part of the fixed income portfolio.

Loans and advances to credit institutions decreased by €78 million, or 31.5%, to €170 million at December 31, 2016 from €248 million at December 31, 2015 and by €515 million, or 67.5%, to €248 million at December 31, 2015 from €763 million at December 31, 2014 primarily due to maturities.

Available-for-sale financial assets

This category includes debt securities not classified as held-to-maturity, as loans and receivables, or as financial assets designated at fair value through profit or loss, and equity instruments owned by us relating to entities which are not subsidiaries, joint ventures or associates, and which have not been classified at fair value through profit or loss.

All instruments included in this category are initially measured at fair value, adjusted for transaction costs, which are recognized until maturity in the income statement using the effective interest method. If the financial assets have no fixed maturities, they are accounted to the income statement when they become impaired or written off the balance sheet. Following acquisition, the financial assets included in this category are carried at fair value.

Nonetheless, equity instruments, the fair value of which cannot be determined in a sufficiently objective manner, are carried at cost in these annual accounts, net of impairment.

The following table sets out a breakdown of our portfolio of available-for-sale financial assets, by type of security, at the dates indicated:

	At December 31,		
	2016	**2015**	**2014**
		€ million	
Spanish government securities	3,865	7,019	7,920
Other Spanish public administration	226	223	484
Foreign government securities	150	265	567
Issued by financial institutions	131	108	331
Other fixed income securities	398	1,126	2,059
Other measurement adjustments	(16)	71	216
Debt securities	**4,754**	**8,812**	**11,576**
Shares in listed Spanish companies	217	541	559
Shares in unlisted Spanish companies	258	271	220
Shares in listed foreign companies	93	37	71
Shares in unlisted foreign companies	-	59	0
Shares in investment funds	80	90	77
Equity instruments[(1)]	**649**	**998**	**928**

Available-for-sale financial assets	**5,403**	**9,810**	**12,503**
Associated valuation adjustments in total equity of the available-for-sale financial assets	***33***	***115***	***289***

Note:

(1) See "Business—Operations and activities—Treasury, Markets and Real Estate—Equity investments" for further detail on the main equity stakes held by the Group.

Our available-for-sale financial assets decreased by €4,407 million, or 44.9%, to €5,403 million at December 31, 2016 compared to €9,810 million at December 31, 2015, primarily due to the partial disposal of the portfolio to generate capital gains of €84.1 million. Our available-for-sale financial assets decreased by €2,693 million, or 21.5%, to €9,810 million at December 31, 2015 compared to €12,503 million at December 31, 2014 as a result of the reclassification to held-to-maturity investments of €3,597 million classified as available-for-sale financial assets.

The following table sets out the maturity profile of the debt securities within our portfolio of available-for-sale financial assets at December 31, 2016:

	At December 31, 2016				
	Demand and undetermined	**Less than one year**	**From one year to five years**	**More than five years**	**Total**
			€ million		
Debt securities – available-for-sale financial assets	630	210	665	3,898	5,403

The following table sets out the main nominal interest rates and maturities of the debt securities included within our portfolio of available-for-sale financial assets at the dates indicated:

	At December 31,					
	2016		**2015**		**2014**	
	%	**Maturity (years)**	**%**	**Maturity (years)**	**%**	**Maturity (years)**
Covered bonds	0.77	1.18	1.91	5.61	2.46	6.45
Corporate securities	1.37	4.91	1.53	4.86	0.97	0.89
Spanish government securities	1.10	4.60	1.44	7.15	1.47	5.41
Foreign government securities	1.79	6.98	1.87	4.28	2.81	4.65
Issued by financial institutions	2.92	4.39	3.17	13.91	2.68	2.33
Debt securities	1.33	4.26	1.55	7.05	1.32	3.00

The following table sets out information on the largest debt securities held by us as available-for-sale financial assets (i.e., those securities held which exceeded 10% of the shareholders' equity of the Group as at December 31, 2016):

	Aggregate value
	€ million
Spanish Government Bond (ES00000123U9)	673
Spanish Government Bond (ES00000126Z1)	484
Spanish Government Bond (ES00000126B2)	458
Spanish Government Bond (ES00000124W3)	427
Spanish Government Bond (ES0000011868)	379

Held-to-maturity investments

Held-to-maturity investments include debt securities with fixed maturities and identified or identifiable cash flows that are classified at an initial date and subsequently, with the intention and financial capacity to hold them until maturity. Debt securities included in this category are initially carried at fair value, as adjusted for transaction costs directly attributable to the acquisition of the financial asset. They are subsequently carried at amortized cost, based on the effective interest rate principle or approach.

The following table sets out a breakdown of our portfolio of held-to-maturity investments, by type of security and by counterparty, at the dates indicated:

	At December 31,		
	2016	2015	2014
	€ million		
By type of security			
Spanish government securities	7,578	3,259	5,347
Issued by financial institutions	417	138	122
Foreign government securities	1,268	-	-
Other fixed-income securities	181	265	484
Other Spanish government securities	3,463	3,578	3,687
Held-to-maturity investments	**12,908**	**7,240**	**9,640**
By counterparty			
Credit institutions	181	265	484
Resident, public administrations	7,995	3,396	5,469
Non-resident, public administrations	1,268	-	-
Resident, other sectors	3,443	3,563	3,670
Non-resident, other sectors	20	16	16
Held-to-maturity investments	**12,908**	**7,240**	**9,640**

Our held-to-maturity investments increased by €5,668 million, or 78.3%, to €12,908 million at December 31, 2016 compared to €7,240 million at December 31, 2015 as a result of the purchase of new fixed income securities with the aim of offsetting the low interest rates environment by generating higher yields.

Our held-to-maturity investments decreased by €2,400 million, or 24.9%, to €7,240 million at December 31, 2015 compared to €9,640 million at December 31, 2014 as a result of the sale of part of the fixed income portfolio in order to cover €312 million of extraordinary provisions related to clauses which set minimum interest rates for mortgages (see "*Risk Factors— Risks relating to the Group and its business—Specific risks relating to the Group—Decisions relating to the removal of clauses which set minimum interest rates for mortgages in Spain may have a significant impact on our business*") recorded in 2015. This sale of part of the held-to-maturity investments was carried out in accordance with accounting regulations, and considering the provisions of GA22 paragraph of IAS 39 "Financial Instruments: Recognition and Measurement", which sets out the situations in which the disposal of held-to-maturity financial assets can be made without raising doubts about our intention to hold the rest of the portfolio to maturity. It should also be noted that these sales are attributable to non-recurring events that could not have been reasonably anticipated. For the reasons described above, it is considered that the operations comply with the requirements of the GA22 paragraph of IAS 39, so that it is not appropriate to reclassify the rest of the debt securities of the investment portfolio from held-to-maturity to available-for-sale.

The following table sets out the maturity profile of our held-to-maturity investments at December 31, 2016:

	At December 31, 2016			
	Less than one year	From one to five years	More than five years	Total
	€ million			
Held-to-maturity investments	2,569	3,991	6,347	12,908

Financial liabilities measured at amortized cost

The following table sets out information relating to our financial liabilities measured at amortized cost at the dates indicated:

	At December 31,			
	2016		2015(1)	
	€ million	%	€ million	%

Core Customer Deposits(2)	36,022	68.3	37,522	67.5
Term deposits	*13,664*	*25.9*	*15,667*	*28.2*
Current and savings accounts	*22,358*	*42.4*	*21,855*	*39.3*
Deposits by central banks	-	0.0	2,417	4.3
Deposits by credit institutions	2,464	4.7	1,340	2.4
Covered bonds	6,370	12.1	7,407	13.3
Subordinated liabilities	614	1.2	622	1.1
Other funds(3)	7,259	13.8	6,269	11.3
Financial liabilities measured at amortized cost	**52,729**	**100.0**	**55,577**	**100.0**

Notes:

(1) *This information is taken from our 2016 Annual Accounts. See "Presentation of Financial and Other Information" for further details.*

(2) *These figures are calculated using the Core Customer Deposits APM. See "Alternative Performance Measures" for further detail.*

(3) *Includes assets sold under repurchase agreements, debt securities issued, other financial liabilities and measurement adjustments.*

Our financial liabilities measured at amortized cost decreased by €2,848 million, or 5.1%, to €52,729 million at December 31, 2016, compared to €55,577 million at December 31, 2015, mainly due to a €1.9 billion decrease in term deposits due to the higher focus on off balance sheet products (mainly mutual funds), a €0.6 billion increase in current accounts, the maturity of around €1.5 billion of covered bonds and debt securities and the redemption of funding from central banks partially compensated by a €1.12 billion increase in interbank funding.

See "*Operating and Financial Review—Results of operations—Comparison of consolidated balance sheet movements at December 31, 2016 and December 31, 2015—Financial liabilities measured at amortized cost*" for further detail on the average effective interest rate on the principal components of our financial liabilities at amortized cost.

Core Customer Deposits represent the largest part of our financial liabilities measured at amortized cost. Historically, we have had a stable Core Customer Deposits base, primarily comprised of individual deposits. At December 31, 2016, Core Customer Deposits totaled €36,022 million, of which 37.9% were term deposits and 62.1% current and savings accounts.

	At December 31,			
	2015(1)		**2014**	
	€ million	%	**€ million**	%
Core Customer Deposits(2)	37,522	67.5	35,812	56.8
Term deposits	*15,667*	*28.2*	*17,155*	*27.2*
Current and savings accounts	*21,855*	*39.3*	*18,658*	*29.6*
Deposits from central banks	2,417	4.3	8,722	13.8
Deposits from credit institutions	1,340	2.4	1,397	2.2
Covered bonds	7,399	13.3	8,539	13.6
Subordinated liabilities	622	1.1	648	1.0
Other funds(3)	6,277	11.3	7,890	12.5
Financial liabilities at amortized cost	**55,577**	**100.0**	**63,008**	**100.0**

Notes:

(1) *This information is taken from our 2015 Annual Accounts. See "Presentation of Financial and Other Information" for further details.*

(2) *These figures are calculated using the Core Customer Deposits APM. See "Alternative Performance Measures" for further detail.*

(3) *Includes assets sold under repurchase agreements, debt securities issued, other financial liabilities and measurement adjustments.*

Our financial liabilities at amortized cost decreased by €7,431 million, or 11.8%, to €55,577 million at December 31, 2015 compared to €63,008 million at December 31, 2014 mainly due to the fall in deposits by central banks and maturities of covered bonds issued.

See "*Operating and Financial Review—Results of operations—Comparison of consolidated balance sheet movements at December 31, 2015 and December 31, 2014—Financial liabilities measured at amortized cost*" for further detail on the average effective interest rate on the principal components of our financial liabilities at amortized cost.

The following table sets forth an analysis of short-term and long-term financial liabilities measured at amortized cost (i) in Euro equivalents and (ii) as a percentage of their total at the dates indicated.

	At December 31,					
	2016		2015		2014	
	€ million	%	€ million	%	€ million	%
Short-term(1)	42,175	80.0	41,732	74.9	45,416	71.9
Long-term(2)	10,554	20.0	14,001	25.1	17,791	28.1
Financial liabilities measured at amortized cost	**52,729**	**100.0**	**55,734**	**100.0**	**63,207**	**100.0**

Notes:

(1) "Short-term" includes funding sources which are due within one year of the relevant date and includes current and savings accounts, deposits by central banks, deposits by credit institutions, assets sold under repurchase agreements, hedging derivatives and any other sources of funding which are due in less than one year from the relevant date.

(2) "Long-term" includes funding sources which are due after more than one year from the relevant date.

Core Customer Deposits

Core Customer Deposits represented 66.6% of our total liabilities at December 31, 2016 and 65.8% at December 31, 2015 compared to 55.4% at December 31, 2014. Almost all of our Core Customer Deposits are Euro-denominated and the following table sets out a breakdown of our Core Customer Deposits, by type of account and customer, at the dates indicated:

	At December 31,			
	2016		2015	
	€ million	%	€ million	%
State and public organizations	**2,311**	**6.4**	**1,907**	**5.1**
Current and savings accounts	2,125	5.9	1,733	4.6
Term deposits	186	0.5	174	0.5
Other legal entities	**6,050**	**16.8**	**7,518**	**20.0**
Current and savings accounts	3,444	9.6	3,713	9.9
Term deposits	2,606	7.2	3,805	10.1
Individuals	**27,661**	**76.8**	**28,097**	**74.9**
Current and savings accounts	18,953	52.6	16,526	44.0
Term deposits	8,708	24.2	11,571	30.8
Core Customer Deposits (1)	**36,022**	**100.0**	**37,522**	**100.0**

Note:

(1) These figures are calculated using the Core Customer Deposits APM. See "Alternative Performance Measures" for further detail.

At December 31, 2016, individuals' term deposits and current and savings accounts represented 16.1% and 35.1% of our total liabilities, respectively.

	At December 31,			
	2015		2014	
	€ million	%	€ million	%
State and public organizations	**1,907**	**5.1**	**1,689**	**4.7**
Current and savings accounts	1,733	4.6	1,493	4.2
Term deposits	174	0.5	196	0.5
Other legal entities	**7,518**	**20.0**	**6,510**	**18.2**
Current and savings accounts	3,713	9.9	2,958	8.3
Term deposits	3,805	10.1	3,552	9.9

Individuals	**28,097**	**74.9**	**27,615**	**77.1**
Current and savings accounts	16,526	44.0	14,262	39.8
Term deposits...	11,571	30.8	13,353	37.3
Core Customer Deposits......................	**37,522**	**100.0**	**35,812**	**100.0**

At December 31, 2015, Core Customer Deposits increased by €1,710 million, or 4.8%, to €37,522 million from €35,812 million at December 31, 2014, primarily due to the growth in current and savings accounts.

Historically, the largest portion of our Core Customer Deposits have been individual current and savings accounts and term deposits, which accounted for an aggregate of 52.5% of total financial liabilities measured at amortized costs at December 31, 2016, 50.6% of total financial liabilities measured at amortized costs at December 31, 2015 and 43.1% of financial liabilities measured at amortized costs at December 31, 2014.

The following table sets out the average balances of, and the average interest rates on, our Core Customer Deposits, by type of account and customer, at the dates indicated (the 2014 figures have not been included as the data is not comparable due to the integration of EspañaDuero on March 28, 2014):

	At December 31,			
	2016		**2015**	
	Average balance(1)	**Average rate (%)(2)**	**Average balance(1)**	**Average rate (%)(2)**
State and public organizations	**2,053**	**0.11**	**1,928**	**0.24**
Current and savings accounts	1,865	0.08	1,587	0.17
Term deposits...............................	188	0.34	340	0.55
Other legal entities	**7,414**	**0.33**	**7,028**	**0.52**
Current and savings accounts	3,806	0.10	3,354	0.14
Term deposits...............................	3,608	0.56	3,674	0.87
Individuals	**27,793**	**0.50**	**27,665**	**0.91**
Current and savings accounts	18,133	0.07	15,412	0.05
Term deposits...............................	9,660	1.30	12,253	1.99
Core Customer Deposits...........	**37,260**	**0.44**	**36,621**	**0.80**

Notes:

(1) *The average balance is calculated as the average of the quarterly balances in the period.*

(2) *The average rate is calculated as the interest expense divided by the quarterly average of respective balances and annualized (where applicable).*

The following tables set out information on the maturity profile of Core Customer Deposits held by us at the dates indicated based on their contractual maturity:

	At December 31,					
	2016		**2015**		**2014**	
	€ million	%	**€ million**	%	**€ million**	%
On demand and less than one month............................	26,181	73	22,570	60	19,211	54
Between one and three months.....................................	1,895	5	2,870	8	3,030	8
Between three months and one year.............................	5,482	15	8,306	22	7,457	21
Between one and two years...	978	3	1,898	5	2,323	6
Between two and five years	1,484	4	1,371	4	959	3
Over five years.................	3	0	506	1	2,834	8
Core Customer Deposits...	**36,022**	**100**	**37,522**	**100**	**35,812**	**100**

Core Customer Deposits of less than one month represent the largest portion of the Core Customer Deposits held by us and increased by €3,611 million, or 16.0%, to €26,181 million at December 31, 2016, and by €3,359 million, or 17.5%, to €22,570 million at December 31, 2015 from €19,211 million at December 31, 2014. These increases were mainly due to the low prices offered for longer term deposits.

Core Customer Deposits with maturities of between one and five years decreased by €807 million, or 24.7%, to €2,462 million at December 31, 2016, and by €13 million, or 0%, to €3,269 million, at December 31, 2015 from €3,282 million at December 31, 2014. These decreases were mainly due to the increase in Core Customer Deposits of less than one month.

Other sources of funding

Deposits by credit institutions represented 4.7% of our total liabilities at December 31, 2016 and 2.3% at December 31, 2015, compared to 2.2% at December 31, 2014. Deposits by credit institutions increased, in absolute terms, by a further €1,124 million, or 83.9%, to €2,464 million at December 31, 2016, having decreased by €57 million, or 4.1%, to €1,340 million at December 31, 2015 from €1,397 million at December 31, 2014.

The following table sets out the composition of our deposits from credit institutions by type of account as at the dates indicated:

	At December 31,					
	2016		2015		2014	
	€ million	%	€ million	%	€ million	%
Term deposits	359	14.6	281	21.0	322	23.1
Investments	-	-	-	-	150	10.7
Assets sold under repurchase agreements	1,882	76.4	592	44.2	616	44.1
Other accounts	226	9.2	460	34.4	298	21.3
Measurement adjustments	(3)	0	7	0.5	10	0.7
Deposits by credit institutions	**2,464**	**100.0**	**1,340**	**100.0**	**1,397**	**100.0**

The decrease since December 31, 2014 in deposits by credit institutions was primarily due to maturities.

The following table sets out a breakdown of our additional borrowed funds by lender at the dates indicated:

	At December 31,			
	2016		2015(3)	
	€ million	%	€ million	%
Deposits by central banks	-	-	2,417	13.4
Deposits by credit institutions	2,464	14.7	1,340	7.4
Covered bonds(1)	6,370	38.1	7,407	41.0
Subordinated liabilities	614	3.7	622	3.4
Other funds(2)	7,259	43.4	6,269	34.7
Total additional borrowed funds	**16,707**	**100.0**	**18,055**	**100.0**

Notes:

(1) Covered bonds reported at effective value.

(2) Includes assets sold under repurchase agreements, debt securities issued, other financial liabilities and measurement adjustments.

(3) This information is taken from our 2016 Annual Accounts. See "Presentation of Financial and Other Information" for further details.

	At December 31,			
	2015(3)		2014	
	€ million	%	€ million	%
Deposits from central banks	2,417	13.4	8,722	32.1
Deposits from credit institutions	1,340	7.4	1,397	5.1
Covered bonds(1)	7,399	41.0	8,539	31.4
Subordinated liabilities	622	3.4	648	2.4
Other funds(2)	6,277	34.8	7,890	29.0
Total additional borrowed	**18,055**	**100.0**	**27,196**	**100.0**

funds ....

Notes:

(1) Covered bonds reported at effective value.

(2) Includes assets sold under repurchase agreements, debt securities issued, other financial liabilities and measurement adjustments.

(3) This information is taken from our 2015 Annual Accounts. See "Presentation of Financial and Other Information" for further details.

For the years ended December 31, 2016, 2015 and 2014, subordinated liabilities included €604 million CoCos FROB (at a 9.25% nominal interest rate) and other funds include €700 million regional covered bonds (*cédulas territoriales*) (at a 4.203% nominal interest rate) issued by Unicaja Banco.

At December 31, 2016, total additional borrowed funds represented approximately 31% of our total liabilities.

See "*Operating and Financial Review—Results of operations—Comparison of consolidated balance sheet movements at December 31, 2016 and December 31, 2015—Financial liabilities measured at amortized cost*" and "*Operating and Financial Review—Results of operations—Comparison of consolidated balance sheet movements at December 31, 2015 and December 31, 2014—Financial liabilities measured at amortized cost*" for further detail on the balances and average effective interest rate of the principal components of our total additional borrowed funds.

Deposits by central banks represented 0.0% of additional borrowed funds at December 31, 2016, compared to 13.7% at December 31, 2015 and 33.5% at December 31, 2014. Deposits by central banks decreased, in absolute terms by a further €2,417 million, or 100%, to €0 million at December 31, 2016, having decreased by €6,305 million, or 72.3%, to €2,417 million at December 31, 2015, having registered €8,722 million at December 31, 2014. The decrease in 2015 was due to the maturities of the TLTRO funds and in 2016 due to the full redemption of the funding provided by the ECB.

Deposits by credit institutions represented 7.3% of additional borrowed funds at December 31, 2016, compared to 7.6% at December 31, 2015 and 5.4% at December 31, 2014. Deposits by credit institutions increased, in absolute terms by a further €1,124 million, or 83.9%, to €2,464 million at December 31, 2016, having decreased by €57 million, or 4.1%, to €1,340 million at December 31, 2015, having registered €1,397 million at December 31, 2014.

Covered bonds represented 38.8% of additional borrowed funds at December 31, 2016, compared to 42.0% at December 31, 2015 and 32.8% at December 31, 2014. Covered bonds decreased, in absolute terms by a further €1,037 million, or 13.5%, to €6,370 million at December 31, 2016, having decreased by €1,140 million, or 13.4%, to €7,399 million at December 31, 2015, having registered €8,539 million at December 31, 2014. The decrease in 2016 and in 2015 was due to maturities.

Other funds represented 41.3% of additional borrowed funds at December 31, 2016, compared to 33.2% at December 31, 2015 and 25.9% at December 31, 2014. Other funds increased, in absolute terms by €894 million, or 12.8%, to €6,993 million at December 31, 2016, having decreased by €1,458 million, or 18.4%, to €6,474 million at December 31, 2015, having registered €7,932 million at December 31, 2014. The decrease both in 2016 and 2015 was due to maturities.

Off-balance sheet funds

We commercialize off-balance sheet products in the normal course of our business in order to meet the business needs of our customers. These instruments, which include investment funds, mutual funds, pension funds and savings insurance, are not reflected in our consolidated balance sheet. The table below sets out details of our off-balance sheet funds as at the dates indicated:

	At December 31,		
	2016	**2015**	**2014**
		€ million	
Investment and mutual funds	5,593	5,194	4,731
Pension funds	2,211	2,193	2,133

Insurance products	2,966	2,835	3,203
Assets under management in discretionary portfolio	864	850	872
Total off-balance sheet funds	**11,635**	**11,072**	**10,938**

At December 31, 2016, investment and mutual funds increased by a further €399 million, or 7.7%, to €5,593 million, having increased €463 million, or 9.8%, to €5,194 million at December 31, 2015 from €4,731 million at December 31, 2014, primarily due to higher inflows from increased commercial activity.

At December 31, 2016, pension funds increased by a further €18 million, or 0.8%, to €2,211 million, having increased €60 million, or 2.8%, to €2,193 million at December 31, 2015 from €2,133 million at December 31, 2014.

At December 31, 2016, insurance products-related funds increased by a further €131 million, or 4.6%, to €2,966 million, having decreased by €368 million, or 11.5%, to €2,835 million at December 31, 2015 from €3,203 million at December 31, 2014, primarily due to the current historical low interest rate environment.

At December 31, 2016, discretionary portfolios increased by a further €14 million, or 1.6%, to €864 million, having decreased by €22 million, or 2.5%, to €850 million at December 31, 2015 from €872 million at December 31, 2014.

Fees from off-balance sheet funds contributed €63.5 million or 5.8% of gross income to our profit and loss account during the year ended December 31, 2016 (€84.3 million or 5.4% and €65.5 million or 4.9% in the years ended December 31, 2015 and 2014, respectively).

Return on Assets and Equity

The following table sets out certain of our selected financial ratios and APMs for the periods indicated:

	For the years ended December 31,		
	2016	2015	2014
	€ million except ratios[(1)] in percentages		
Profit	135	184	448
RoA	0.2%	0.3%	0.7%[(2)]
RoE	4.9%	6.7%	17.1%[(2)]
RoTE	4.9%	6.7%	17.2%[(2)]
RoRWA	0.5%	0.7%	1.5%
Cash dividend payout ratio	12.6%	10.3%	5.6%
Profit/Loss attributable to owners of the parent	142	187	475

Notes:

(1) *See section "Alternative Performance Measures" for definitions and calculations of ratios*

(2) *The increase in RoA, RoE and RoTE in 2014 is mainly due to the €372.5 million negative goodwill on business combinations that arose from the integration of EspañaDuero.*

RoA decreased to 0.2% for the year ended December 31, 2016, from 0.3% for the year ended December 31, 2015, primarily due to lower gains on financial assets and liabilities. RoA decreased to 0.3% for the year ended December 31, 2015, from 0.7% for the year ended December 31, 2014, primarily due to the registration of a negative goodwill of €372 million following the acquisition of EspañaDuero in 2014.

RoE for the year ended December 31, 2016 decreased to 4.9%, from 6.7% for the year ended December 31, 2015, primarily due to lower gains on financial assets and liabilities. RoE decreased to 6.7% for the year ended December 31, 2015, from 17.1% for the year ended December 31, 2014, primarily due to the registration of a negative goodwill of €372 million following the acquisition of EspañaDuero in 2014.

OPERATING AND FINANCIAL REVIEW

The following discussion should be read together with our Annual Accounts, which have been prepared under EU-IFRS. Our Annual Accounts (including the independent auditors' reports thereon) are included elsewhere in this Prospectus.

You should also read the following commentary together with the sections entitled "Forward-Looking Statements", "Risk Factors", "Presentation of Financial and Other Information", "Business", "Selected Financial Information" and "Selected Statistical and Other Information on Assets and Liabilities".

Certain of the information in the discussion and analysis set forth below and elsewhere in this document includes forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in or implied by these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this document, including under "Risk Factors".

Overview

See "*Business—Overview*" for an overview of our business.

Key Factors and Trends Affecting Results of Operations

Our financial condition and results of operations are affected by a number of factors. We believe that the factors listed below are of particular importance to us.

Economic and market conditions

Our business activities are carried out principally in Spain with 100% of our revenues accounting for activities carried out in Spain for the year ended December 31, 2016. Accordingly, the revenue we derive from most of our products and services depends significantly on economic conditions and market trends in Spain, particularly in our Core Regions, and, to a lesser extent, on global economic conditions, particularly in the EEA more generally. During the last few years, our business has been materially impacted by the prevailing adverse economic conditions in Spain and Europe and a significant increase in regulatory pressure and compliance requirements. In particular, our gross loan book has decreased significantly (14.0% between December 31, 2014 and December 31, 2016) due to the deleveraging exercise the country is going through, driven by the real estate market crisis and the over-leverage existing in the Spanish private sector at the outset of the crisis.

As a result of the global economic and financial crisis between 2008 and 2014 (which marked an improvement in wholesale market conditions), we, along with other banks in the region, faced higher marginal funding costs in terms of higher spreads over reference rates and limited access to liquidity in wholesale funding. As a result, we focused on increasing our deposit base and decreasing our reliance on wholesale funding. In fact as at December 31, 2016, we had no central bank funding. In this regard, our LTD ratio was 83% as at December 31, 2016, 82% as at December 31, 2015 and 91% as at December 31, 2014, and our wholesale funding represented 29.6%, 30.6% and 38.3% of total assets, respectively as at such dates. Other banks, however, pursued similar funding strategies, which generated significant competition for deposits with rates peaking in mid-2013, with such higher interest rates on deposits adversely impacting our interest margin. However, since the middle of 2013, deposit rates have steadily declined following, among other things, actions taken by the Bank of Spain to contain rates. These are expected to continue to remain low in 2017 and for the foreseeable future in the context of expansive monetary policy of the ECB.

In addition, these market conditions prompted us to slow down our new lending activities and to take a number of remedial actions, including actively managing pricing of our assets and liabilities in order to minimize the impact on our NIM and actively manage our capital base. Further, we had to take provisions and impairments as our NPLs increased given the prevailing economic conditions and we sought to bolster our capital base. During the five years through 2013, the value of real estate assets and real estate securities in Spain were also adversely affected mainly because of the lack of liquidity, oversupply and the lower volume of transactions in the Spanish real estate sector. The crisis experienced by the real estate sector had an impact on the estimates of the losses related to credit backed by property and buildings and real estate assets recorded in the consolidated balance sheet. As a result of the weak real estate market, the Spanish government took various actions to address market disruptions, including implementing regulations aimed at strengthening the Spanish banking system by requiring banks to increase provisions and capital requirements in respect of certain real estate-related assets on their balance sheets as at December 31, 2011. See "*Regulation*".

Moreover, the prolongation of the general weakness of the overall Spanish economy resulted, in certain cases, in financial problems experienced by companies and private individuals that were thought to be temporary to become structural. Because refinancing and debt restructuring transactions are of special importance in managing risk during periods of weakness in the business cycle, we established common policies and procedures for approval, follow-up and monitoring of possible refinancing or debt restructuring operations, and constantly monitor fulfilment of the conditions set and compliance with these policies.

In 2014, Spain posted its first full year of economic expansion since the economic crisis, boosted in part by a record fall in consumer prices. The Spanish economy has now recorded 13 consecutive positive quarters of growth beginning with the third quarter of 2013 and grew by 3.2% in both 2015 (source: INE), and the housing price index rose by 4.5% in 2016 (source: INE). In addition, there was a fall of more than 1.7 million registered unemployed people from December 2013 to December 2016, a decrease of 28.6%, according to government figures (source: INE). In 2016, Spain's economy grew by 3.2% (source: INE), thereby continuing the trend set in 2014 and 2015. Economic growth is supported by both external and internal elements, including low oil prices, the gradual improvement of European demand and the monetary policy of the ECB, which favors the current euro exchange rate, low interest rates and ample liquidity. Nevertheless, there are elements of uncertainty, both internal and external, which could decrease the expected economic growth.

In 2014 we began to see an improvement in credit quality, commensurate with the improvement in the Spanish economy, as reflected in the €1,599 million decrease in our NPLs from €4,814 million at December 31, 2014 to €3,215 million at December 31, 2016.

Regulatory developments

We conduct our business in an environment that is highly regulated by financial services laws and regulations, corporate governance and administrative requirements and policies. The ECB is our primary supervisory authority, although for certain matters, we will remain subject to supervision by local supervisory authorities.

The changing regulatory environment has affected, and will continue to affect, our results of operations in a number of ways. For further information on our regulatory environment and a number of specific regulatory initiatives and frameworks that can have a significant impact on our business, financial condition, results of operations and prospects, see "*Risk Factors—Legal and compliance risks*" and "*Regulation*".

Changes in interest rates

Our earnings are significantly dependent on our net interest income, which is determined by primarily by the volume of our interest-earning assets and interest-bearing liabilities, together with the difference between interest earned from interest-earning assets, such as loans and investment securities, and interest paid on interest-bearing liabilities, such as deposits and borrowings, and is affected by a number of factors, including, in particular, changes in interest rates. Interest-earning assets consist principally of mortgages and loans to SMEs, together with consumer loans, corporate loans and real estate loans. Our interest-earning loans are almost all variable-rate (92.6% as at December 31, 2016, compared to 93.3% and 93.0% as at December 31, 2015 and 2014, respectively), of which the largest portion (in particular, mortgages) are primarily set based on reference to 12-month Euribor rates. Interest-bearing liabilities consist principally of deposits from customers and credit institutions, debt and capital instruments issued by us, and borrowings from credit institutions. Our deposits from customers are also primarily fixed rate (with 28% up to three months, 54% more than three months and up to twelve months, 6% more than twelve months and up to 24 months and 12% more than 24 months as at December 31, 2016). Covered bonds are also a significant source of funding, and are generally swapped to variable-rate, based on Euribor rates.

Interest rates are highly sensitive to many factors beyond our control, including monetary policies and domestic and international economic and political conditions. We are currently being adversely affected by the sustained low level of interest rates which puts downward pressure on our assets yields and net interest income. See "*Risk Factors—Risks relating to the Group and its business—Sector risks—The current low interest rate environment has put pressure on our revenues as our business is particularly sensitive to changes in interest rates*".

In addition, we may be affected by legal proceedings in relation to clauses which set a minimum interest rate for mortgages (see "*Risk Factors— Risks relating to the Group and its business—Specific risks relating to the Group—Decisions relating to the removal of clauses which set minimum interest rates for mortgages in Spain may have a significant impact on our business*" and "*Business—Legal Proceedings*"). We estimate that such clauses contribute around €8 million per month to our net interest income and we have ceased to use in new mortgages as from June 26, 2013 for retail customers. Furthermore, changes in market interest rates may lead to temporary repricing gaps between our interest-earning assets and our interest-bearing liabilities, which can affect our net interest income. Generally, our interest-bearing liabilities adjust more rapidly than our interest-earning assets such as mortgage loans, which generally have their interest rates reset only once or twice a year.

Net interest income is the largest component of our gross income, accounting for 56.9% of our gross income for the year ended December 31, 2016 and 43.7% and 53.4% of our gross income for the years ended December 31, 2015 and 2014, respectively. We have historically generated most of our interest income from loans and advances to customers. These accounted for 69.9% of our total interest income for the year ended December 31, 2016 and 66.9% and 61.9% of our total interest income for the years ended December 31, 2015 and 2014, respectively. Core Customer Deposits totaled €36,022 million as at December 31, 2016 and €37,522 million and €35,812 million as at December 31, 2015 and 2014, respectively, which represented 68.3%, 67.5% and 56.8% of our financial liabilities measured at amortized cost as at those dates.

Net interest margin

NIM is an important indicator of a bank's profit margin. During a period of high marginal funding costs, our ability to maintain a significant NIM depends on the extent to which we are able to re-price our assets, the magnitude of the effect of high funding costs, which in turn depends on the remaining interest fixing period of our fixed-rate assets, liabilities and derivatives, and the extent to which we are able to match the interest rates on floating rate deposits and lending.

Our NIM (1.05% for the year ended December 31, 2016 and 1.05% and 1.05% for the years ended December 31, 2015 and 2014, respectively) has shown a decline in recent years, mainly due to the historically low level of interest rates since 2013 as well as the current low economic activity and high unemployment rates.

In addition, we seek to use derivatives as a hedging instrument to limit the impact of changes in interest rates on our NIMs particularly given that our asset portfolio tends to adjust slower to interest changes than our liability portfolio, although there can be no assurance that such strategy will be successful or that we are not exposed to risk in such transactions (including counterparty risk).

Non-performing loans and impairment allowances for financial assets

In general, loan impairments and other impairment allowances result in charges to our consolidated income statement, which reduce our profits. Recoveries of any previously recorded losses are also recognized on the consolidated income statement for the year in which the impairment ceases to exist or is reduced.

Although we prepare consolidated financial statements under EU-IFRS, the Spanish loan provisioning accounting framework has been historically regulated by the Bank of Spain, aiming to strike a balance between the protection of depositors and the financial stability of credit institutions. This objective has led over the years to setting minimum requirements in impairment allowances based on the debtor's likelihood of default. The Spanish loan provisioning accounting framework, like IAS 39 (Financial Instruments: Recognition and Measurement), is built on specific and incurred but not reported losses provisions for bad debts. The rationale behind the framework is to identify the incurred losses on specific transactions but also to estimate the amounts incurred on a collective basis that cannot be identified at the specific operation's level.

We have policies, methods and procedures to estimate losses that may be incurred as a result of credit risk with regard both to the insolvency attributable to counterparties and to country risk. These policies, methods and procedures are applied in the granting, analysis and formal documentation of debt instruments and off-balance sheet exposures, and in the identification of possible impairment and, if appropriate, in the calculation of the amounts required to cover estimated losses. For additional information, see "*—Critical Accounting Policies*" below and "*Selected Statistical and Other Information on Assets and Liabilities—Loans and receivables*" and "*Selected Statistical and Other Information on Assets and Liabilities—Loans and receivables—Provisions for credit risk*".

On May 6, 2016, the Bank of Spain issued Circular 4/2016, which amended Annex IX of Circular 4/2004 as of October 1, 2016 and will have an impact on the approval, amendment, evaluation, monitoring and control of our operations and policies. The changes to Annex IX have not had a significant impact on our provisions for credit risk. See "*Risk Factors—Legal and compliance risks*" for further information.

Key Factors Affecting Comparability of Results of Operations

Integration of EspañaDuero and comparability of information

On March 28, 2014, we completed the integration of EspañaDuero. As at December 31, 2016, according to our internal accounting records, EspañaDuero accounted for 44.4% of our total assets and was responsible for 22.9% of our gross operating income, while having a negative contribution on our net profit of €8.9 million (representing a negative contribution of 6.6%). As a result of the integration of EspañaDuero, the financial information included in this "*Operating and Financial Review*" and elsewhere in this Prospectus is not presented on a consistent basis and may not present a like-for-like comparison of our results of operations, financial position, changes in equity or cash flows at the period ends or for the periods presented. Consequently, the financial information presented herein may not illustrate all trends relevant to a complete evaluation of our results of operations, business and future prospects. Investors should carefully consider the limitations of the presentation of our financial information in this discussion and analysis and elsewhere in this Prospectus before deciding whether to make an investment in the Shares. See "*Presentation of Financial and Other Information—Financial Information—Integration of EspañaDuero and comparability of information*".

Circular 5/2014

The 2016 Annual Accounts have been prepared in accordance with EU-IFRS, considering the financial statements format established by Bank of Spain Circular 5/2014 and subsequent amendments, which modify the format previously established by Bank of Spain Circular 4/2004, which was used in the 2015 Annual Accounts and the 2014 Annual Accounts. Comparative information as of and for the year ended December 31, 2015 included in the 2016 Annual Accounts has been presented under the new format established by Bank of Spain Circular 5/2014 and subsequent amendments. Where financial information in this Prospectus as of or for the year ended December 31, 2016 is compared to information as of or for the year ended December 31, 2015, as applicable, the information as of or for the year ended December 31, 2015 has not been audited and has been presented in the format used in the 2016 Annual Accounts. Where information as of or for the year ended December 31, 2015 is compared to information as of or for the year ended December 31, 2014, as applicable, the information as of or for the year ended December 31, 2015 has been audited and has been presented in the format used in the 2015 Annual Accounts. Please see Appendix V of the 2016 Annual Accounts for further information on this presentation and a reconciliation of the information as of and for the year ended December 31, 2015 included in the 2016 Annual Accounts with the information as of and for the year ended December 31, 2015 included in the 2015 Annual Accounts.

Circular 4/2016

Additionally, Bank of Spain Circular 4/2016, of 27 April was published in the Spanish Official Gazette on May 6, 2016. *Inter alia*, Circular 4/2016 amends Annex IX of Circular 4/2004 on credit risk management in the context of accounting matters, including lending policies, monitoring of transactions and the provisioning regime for credit risk. Amongst other reasons, Circular 4/2004 has been amended in order to incorporate the accounting guidelines of the Basel Committee on credit risk management, maintaining its compatibility with the accounting framework set out in EU-IFRS.

The amendments to Annex IX are aimed at improving the applicable accounting framework by reviewing the criteria relating to (i) the risk management policies and procedures, including those relating to guarantees; (ii) the accounting classification of the operations based on the credit risk; and (iii) the individual and collective hedge estimates. Likewise, criteria for the estimation of country risk and recoverable amounts from assets foreclosed or received in lieu of payment have been introduced.

During 2016, we have reviewed our accounting estimates relating to the identification and calculation of the deterioration of debt instruments valued at their amortized cost (in particular for those registered as loans and receivables with customers) and relating to the assets foreclosed or received in lieu of payment (chiefly registered as non-current assets held for sale and as inventories), due to the setting up of internal procedures for the estimation of collective hedge in accordance with the hedge accounting provisions in IAS 39, and also taking into account the provisions set out in the referred amended Annex IX. This change in the accounting estimation has been registered prospectively since the entry into force of Circular 4/2016 on October 1, 2016 and has not had any significant effect on the consolidated results of the year nor in our equity situation.

Explanation of key income statement items

Net interest income

Net interest income includes net interest income less interest expense. Our net interest income is affected by a number of factors. It is determined primarily by the volume of our interest-earning assets and interest-bearing liabilities, together with the difference between the rates earned on interest-earning assets and the rates paid on interest-bearing liabilities. Interest-earning assets consist principally of loans and advances to customers (principally mortgages and SMEs), together, to a significantly lesser extent, with loans and advances to credit institutions and other debt securities (mainly Spanish government securities). Interest-bearing liabilities consist principally of customer deposits, deposits by credit institutions, deposits by central banks and debt securities issued by us.

In general, net interest income items are accounted on an accruals basis, applying the effective interest method defined in IAS 39 taking into account the effective yield of the asset or liability or an applicable floating rate. Interest income and expense include the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. Under IFRS-EU, loan origination and other related fees, net of associated direct costs, are recognized in interest income, and accrued, over the expected average life of the loan.

Fee and commission income and fee and commission expense

Fee and commission income includes fees and commissions received by us for a variety of activities, including mainly fees relating to collection and payment services, fees relating to marketing of non-bank financial products (investment funds, insurance products and pension funds) and commissions and fees relating to the buying and selling of securities by our customers. Fee and commission income depends in large part on the volume and value of services we provide to customers, which in turn depends on conditions in the markets in which we operate as well as other factors such as competition from other banks.

Fee and commission expense mainly includes commissions ceded to other banks and correspondent banks, commission expense on securities transactions. Fee and commission expense also depends significantly upon the volume of services we provide to customers, which in turn depends on market conditions in the markets in which we operate.

Income and expense relating to commissions and similar fees, which are not included in the calculation of the effective interest rate of transactions and/or do not form part of the acquisition cost of financial assets or liabilities, except for those carried at fair value through the income statement, are recognized in the income statement using different methods depending on their nature. The most significant methods used are explained below:

1. Amounts associated with the acquisition of financial assets and liabilities carried at fair value through the income statement are recognized in the consolidated income statement at the payment date.

2. Amounts arising from long-term transactions or services are recognized in the consolidated income statement over the term of the transactions or services.
3. Amounts relating to one-off events are recorded in the consolidated income statement when the relevant event takes place.

Other operating results

These amounts are accounted on an accruals basis. Other operating results mainly comprises “Dividend income”, “Loss/Profit of companies valued at equity method”, “Gains/(Losses) on financial assets and liabilities (net)”, “Exchange differences (net)”, “Other operating income” and “Other operating expense”. Other operating income and other operating expense are relatively volatile and impacted by changes in market circumstances.

Other operating results includes all other banking activities such as currency exchange and provision of non-financial services (mainly asset management and insurance) and results on the disposal of securities of the investment portfolio. In addition, it includes gains and losses from the sale of non-trading financial assets and liabilities, dividends, ineffectiveness of hedging structures, fair value changes relating to assets and liabilities designated at fair value through profit or loss and changes in the value of any related derivatives.

Administration cost

Administration costs includes staff costs and other administration costs.

Staff costs

Staff costs mainly include wages and salaries, social security costs, appropriations to defined contribution pension plans. Wages and salaries, social security costs and other salary-related costs are recognized over the period in which the employees provide the services to which the payments relate. Expenses related to individuals not on our payroll, such as external consultants, are included in other administration costs.

Other administration costs

Other administration costs include, among other items, information technologies, building and facilities, rent, security services and advertising.

Amortization

Amortization includes depreciation on tangible assets, amortization of intangible assets and impairment losses on tangible assets.

Provisions or reversal of provisions

A number of legal proceedings and claims have been instigated against us, arising in the ordinary course of business. We estimate that these proceedings and claims will not have a significant financial impact on us.

Provisions deemed necessary as stated above are charged or credited to the consolidated income statement caption “Provisions or reversal of provisions”.

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss (net)

The carrying value of financial assets is generally adjusted against the consolidated income statement when there is objective evidence that there are impairment losses. This is the case where:

- for debt instruments, when there is an event which has a negative impact on the relevant future cash flows to be received; and

- for equity instruments, when there is an event that evidences it is impossible to recover their carrying volume.

Net operating income

Net operating income, is defined as the gross income less administration costs, amortization and impairment or reversal of impairment on financial assets not measured at fair value through profit or loss (net).

Impairment losses on other assets (net)

Impairment losses on other assets comprise impairment losses on: (i) tangible assets including tangible assets for own use, investment property and inventory; and (ii) intangible assets including goodwill and other intangible assets.

Gains/(Losses) on derecognized of non-financial assets and subsidiaries (net)

Gains/(Losses) on derecognized of non-financial assets and subsidiaries (net) comprise the result obtained through the disposal of: (i) tangible assets including foreclosed assets which are classified as inventory; and (ii) equity stakes.

Negative goodwill recognized in profit or loss

Negative goodwill recognized in profit or loss represents the difference between: (i) the consideration paid for the shares of EspañaDuero and the amount of the non-controlling interest in EspañaDuero; and (ii) the net of the acquisition-date (March 2014) amounts of the identifiable net assets acquired measured in accordance with IFRS 3.

Profit or loss from non-current assets and disposals groups classified as held for sale not qualifying as discontinued operations

Profit or loss from non-current assets and disposals groups classified as held for sale not qualifying as discontinued operations comprises the result of the disposal of non-current assets, including tangible assets classified as non-current assets held for sale and equity stakes.

Operating profit before tax

Operating profit before tax is defined as the net operating income less impairment losses on other assets (net), gains/(Losses) on derecognized of non-financial assets and subsidiaries (net), negative goodwill recognized in profit or loss and gains/(losses) on profit or loss from non-current assets and disposals groups classified as held for sale not qualifying as discontinued operations.

Tax expense or income related to profit or loss from continuing operations

Tax expense or income related to profit or loss from continuing operations is recognized in the consolidated income statement. Income tax for the year is calculated as tax payable on taxable income for the year, as adjusted for variations during the year in asset and liability balances arising from temporary differences, tax deductions and allowances, and any tax loss.

We consider that there is a temporary difference when there is a difference between the carrying amount and the taxable amount of an asset or liability. The amount attributed to an asset or liability for tax purposes is treated as the tax base. A taxable temporary difference is a difference that will generate a future obligation for us to make a payment to the relevant authority. A deductible temporary difference is a difference that will generate a refund right or a reduction in a payment to be made to the relevant authority in the future.

Tax credits for deductions and allowances and tax credits for tax-loss carry forwards are amounts that, though generated on the completion of an activity or obtainment of a result, are not applied for tax purposes in the relevant tax return until the conditions stipulated in tax legislation are fulfilled, and provided we consider that application in future years is probable.

Profit/(Loss) from continuing operations

Profit/(Loss) from continuing operations is defined as the operating profit before tax less income tax.

Profit from discontinued operations (net)

Profit from discontinued operations (net) is defined as income and expense, regardless of their nature, including those relating to impairment adjustments that arise during the year from a component of our operations that has been classified as discontinued. Even if those results are generated before that classification, these are presented net of the tax effect in the consolidated income statement as a single amount under this heading, both if the component remains in the consolidated balance sheet and if eliminated. This heading also includes the results from the sale or other disposal of those operations.

Profit

Profit is defined as the consolidated profit/(loss) from continuing operations less profit from discontinued operations.

Profit/Loss attributable to owners of the parent

Profit/Loss attributable to owners of the parent is defined as the profit less profit/(loss) attributable to minority interests (non-controlling interest).

Explanation of key balance sheet items

Available-for-sale financial assets

Available-for-sale financial assets include debt securities not classified as held-to-maturity, as loans and receivables or financial assets held for trading, and equity instruments owned by us relating to entities which are not subsidiaries, joint ventures or associates, and which have not been classified at fair value through profit or loss.

The debt instruments included in this category are initially measured at fair value, adjusted for transaction costs, which are recognized until maturity in the income statement using the effective interest method. In the case in which the financial assets have no fixed maturity, they are recognized in the income statement when they become impaired or written off the balance sheet. Following acquisition, the financial assets included in this category are carried at fair value.

Nonetheless, equity instruments, the fair value of which cannot be determined in a sufficiently objective manner, are carried at cost net of impairments.

Balancing entries are registered in “Interest income” (calculated using the effective interest method) and in “Dividend income” in the income statement, with respect to interest or dividends accrued, respectively.

A balancing entry is made in “Valuation adjustments”, in our equity, with respect to the changes to the fair value from the acquisition date of available-for-sale financial assets until the financial asset is written off, when the balance is taken to “Profit or loss from non-current assets and disposals groups classified as held for sale not qualifying as discontinued operations” in the income statement.

Loans and receivables

Loans and receivables include unlisted debt securities and financing provided to third parties arising from our ordinary credit and loan activities. It also includes finance lease transactions where we act as lessor.

The financial assets included in this category are initially carried at fair value, as adjusted for commissions and transaction costs directly attributable to the acquisition of the financial asset and which, under EU-IFRS must be recognized in the income statement using the effective interest method, to maturity. Following acquisition, the assets are carried at amortized cost.

Assets acquired at a discount are recorded at the cash amount paid, and the difference between the repayment value and that cash amount is recognized as financial income applying the effective interest method during the period to maturity.

In general terms it is our intention to hold to maturity the loans and credits granted and therefore they are presented in the consolidated balance sheet at amortized cost.

The interest accrued on these assets, calculated using the effective interest method, is recognized in the caption “Interest income” in the income statement.

Held-to-maturity investments

Held-to-maturity investments include debt securities with fixed maturities and identified or identifiable cash flows that are classified at an initial date and subsequently, with the intention and financial capacity to hold them until maturity.

The debt securities included in this category are initially carried at fair value, adjusted for transaction costs directly attributable to the acquisition of the financial asset, which are recognized on the income statement using the effective interest method as defined in IAS 39. They are subsequently carried at amortized cost, calculated based on the effective interest rate.

Non-current assets held for sale

Non-current assets held for sale on the consolidated balance sheet record the carrying amount of assets, including holdings in associates or joint ventures, that are highly likely to be sold, in their present condition, within one year as from the date of the relevant consolidated annual accounts.

Specifically, investment property or other non-current assets received by the consolidated entities from their debtors in full or partial settlement of obligations are treated as non-current assets held for sale unless the consolidated entities have decided to use these assets on a continuing basis.

Non-current assets held for sale are generally measured at the lower of their carrying amount when they are recognized as such and their fair value net of estimated costs of sales.

In the event that the carrying amount were to exceed the fair value of the assets, net of costs of sales, we would adjust the carrying amount of the assets by the amount of the excess and makes a balancing entry in the caption “Profit or loss from non-current assets and disposals groups classified as held for sale not qualifying as discontinued operations” in the consolidated income statement. In the event that the fair value of the assets were to increase at a subsequent date, we would reverse the losses previously recorded in the accounts, increasing the carrying amount subject to the limit of the amount prior to their impairment, against “Profit or loss from non-current assets and disposals groups classified as held for sale not qualifying as discontinued operations” in the consolidated income statement.

Profits arising from the sale of non-current assets for sale are presented under the heading “Profit or loss from non-current assets and disposals groups classified as held for sale not qualifying as discontinued operations” in the consolidated P&L account.

Tangible assets

Tangible assets consists of property, plant and equipment for own use, investment property and other assets leased out under operating leases.

<u>Property, plant and equipment for own use</u>

Property, plant and equipment for own use comprise assets owned or being acquired under finance leases that we hold for current or future use and which are expected to be used for more than one financial year.

Property, plant and equipment for own use is carried at acquisition cost in the consolidated balance sheet, which is the fair value of any consideration provided plus the total amount of cash payments made or committed, less accumulated depreciation and any estimated losses determined by comparing the carrying amount of each item with its recoverable amount. The acquisition cost of the material assets elements for own use and freely available includes the valuation of these that was made on January 1, 2004 at fair value. This fair value at January 1, 2004 was obtained on the basis of valuations performed by independent experts, pursuant to Circular 4/2004 and the first application of IAS-IFRS in Spain.

Depreciation is calculated using the straight-line method based on the acquisition cost of the assets less their residual value. The land on which the buildings and other structures stand is understood to have an indefinite life and is therefore not depreciated.

A balancing entry for annual depreciation charges for property, plant and equipment is recognized in depreciation of property, plant and equipment in the consolidated income statement. Depreciation is charged at the following rates, based on average estimated useful lives:

Annual rate	**Year ended December 31, 2016**
Buildings	1% to 3%
Furniture and installations	8% to 13%
Machinery and electronic equipment	13% to 27%

At each accounting close, we check for internal or external indications that the carrying amount of property, plant and equipment exceeds the recoverable amount, in which case the carrying amount of the asset in question is written down to its recoverable amount and future depreciation charges are adjusted in proportion to the adjusted carrying amount and the new residual useful life, if a new estimate is necessary. If applicable, this write-down of property, plant and equipment is charged to the consolidated income statement caption "Impairment losses on other assets (net)".

Investment property

Investment property includes the carrying amounts of land, buildings as well as other real estate assets held for rental or to obtain a gain on the sale of the property as a result of future market price increases.

The same methods applied to property, plant and equipment for own use are used to recognize the acquisition cost, depreciation, estimated useful life and impairment losses on investment property.

Tax assets

Tax assets consist of current and DTAs. Current tax assets are amounts that we expect to recover from the corresponding tax authority within twelve months as from the date on which they are recognized. DTAs are amounts that we expect to recover from the corresponding tax authority in future years.

We only record DTAs arising from deductible temporary differences, tax credits for deductions or allowances or for tax losses when the following conditions are fulfilled:

- DTAs are only recognized in the event that we will probably record sufficient tax gains in the future to offset the relevant amounts; and

- DTAs deriving from tax losses have arisen due to causes identified as unlikely to arise again.

DTAs are not recognized when it does not affect reported results or taxable income.

At each accounting close, DTAs are analyzed to ensure that they remain valid and any necessary adjustments are made accordingly.

Other assets

Inventory

This category is the main component of the caption "other assets" and records non-financial assets that we:

- hold for sale in the ordinary course of business;
- are currently producing, building or developing for this purpose; or
- plan to consume in the production process or in the provision of services.

Therefore, "Inventory" includes land and other properties we maintain for sale or for our real estate activities.

Inventory is measured at the lowest cost, which incorporates all the outlays made for their acquisition and subsequent transformation; the direct and indirect costs incurred to obtain their current condition and location; the financial costs directly attributable to them, provided they need a period of time longer than one year for their sale (taking into account the previously-mentioned criteria for the capitalization of financial costs of tangible assets for own use); and their "realizable net value". The realizable net value is understood to be the estimated price of their disposal during the ordinary course of business, less the estimated costs for finishing their production and the necessary costs for carrying out their sale.

Both the reductions as well as, if applicable, the subsequent recoveries in the realizable net value below their net book value are recorded in the income statement for the year in which they take place under the caption "Impairment losses on other assets (net)".

The carrying value of sold inventory is written off and recorded as an expense under the caption "Other operating expense" on the consolidated income statement.

The assets allocated by us, considering these as those assets that we receive from our borrowers or other debtors to satisfy, totally or partially, financial assets that represent collection rights against these, independently of the manner in which the property rights are acquired, and that, in line with their nature and the end to which they are applied, are classified as inventory by us, are booked initially at their acquisition cost, understanding this to be the net book value of the debts from which they originated, calculating this net value in line with applicable regulation. Afterwards the allocated assets are subject to the estimation of the corresponding impairments that, as may be the case, arise on these, calculated in line with the general determination criteria for the inventory indicated earlier.

Financial liabilities measured at amortized cost

Financial liabilities included in this category include deposits by central banks, deposits by credit institutions, customer deposits, debt securities issued and other financial liabilities.

Financial liabilities included in this category are initially carried at fair value adjusted for transaction costs that may be directly attributable to the issue of the financial liability, which will be allocated to the consolidated income statement to maturity, using the effective interest rate method defined in IAS 39. They are subsequently valued at amortized cost, calculated using the effective interest rate method defined in IAS 39.

Accrued interest on these securities, calculated through the effective interest rate method is reflected under "Interest expense" in the consolidated income statement.

Results of operations

Comparison of consolidated income statement movements for the years ended December 31, 2016 and 2015

The following table sets out our consolidated income statement for the years ended December 31, 2016 and 2015.

€ million unless otherwise stated	**Years ended December 31,**		**Change**	
	2016	**2015**		**%**
Consolidated income statement data		**€ million**		
Interest income	1,011.0	1,279.9	(268.9)	(21.0)
Interest expense	(391.2)	(592.4)	201.2	(34.0)
Expense on capital repayable on demand	-	-	-	-
Net interest income	**619.8**	**687.5**	**(67.7)**	**(9.8)**
Dividend income	27.4	34.9	(7.5)	(21.5)
Share of Profit or Loss of entities accounted for using the equity method	35.2	23.9	11.3	47.3
Fee and commission income	225.8	275.1	(49.3)	(17.9)
Fee and commission expenses	(18.4)	(36.3)	17.9	49.3
Gains/(Losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss. Net	84.1	595.7	(511.6)	(85.9)
Gains/(Losses) on financial assets and liabilities held for trading. Net	(7.1)	(34.2)	27.1	79.2

Gains/(Losses) on financial assets and liabilities designated at fair value through profit or loss. Net	-	-	-	-
Gains/(Losses) on financial assets and liabilities from hedge accounting. Net	0.3	0.1	0.2	200.0
Exchange differences (Losses). Net	1.0	2.7	(1.7)	(63.0)
Other operating income	232.0	129.6	102.4	79.0
Other operating expenses	(115.9)	(116.6)	0.7	0.6
Income on insurance and reinsurance contracts	17.4	41.7	(24.3)	(58.3)
Expenses on insurance and reinsurance contracts	(12.5)	(29.2)	16.7	57.2
Gross income	**1,089.1**	**1,574.9**	**(485.8)**	**(30.8)**
Administration costs	(610.6)	(633.9)	23.3	3.7
Staff costs	(426.5)	(445.4)	18.9	4.2
Other administration costs	(184.1)	(188.5)	4.4	2.3
Amortization	(45.2)	(47.4)	2.2	4.6
Provisions or reversal of provisions	(104.0)	(145.1)	41.1	28.3
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(38.5)	(424.7)	386.2	90.9
Financial assets measured at cost	(4.2)	-	(4.2)	(100.0)
Held-for-sale financial assets	49.5	2.7	46.8	1733.3
Loans and receivables	(83.8)	(427.4)	343.6	80.4
Held-to-maturity investments	-	-	-	-
Net operating income	**290.7**	**323.8**	**(33.1)**	**(10.2)**
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	(27.3)	(15.2)	(12.1)	(79.6)
Impairment or reversal of impairment of non-financial assets	(96.9)	(54.2)	(42.7)	(78.8)
Tangible assets	(3.4)	(4.5)	1.1	24.4
Intangible assets	0.0	-	-	-
Other	(93.5)	(49.7)	(43.8)	(88.1)
Gains/(Losses) on derecognized of non-financial assets and subsidiaries. Net	25.0	(3.0)	28.0	933.3
Of which: Investments in related parties	*19.5*	*4.1*	*15.4*	*375.6*
Negative goodwill recognized in profit or loss	-	-	-	-
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(0.5)	(34.3)	33.8	98.5
Operating profit before tax	**191.0**	**217.0**	**(26.0)**	**(12.0)**
Tax expense or income related to profit or loss from continuing operations	(66.1)	(57.2)	(8.9)	(15.6)
Profit/(Loss) from continuing operations	***124.9***	**159.8**	**(34.9)**	**(21.8)**
Profit from discontinued operations. Net	*10.2*	*24.0*	*(13.8)*	*(57.5)*
Profit	**135.1**	**183.8**	**(48.7)**	**(26.5)**
Attributable to minority interests (non-controlling interest)	*(7.1)*	*(2.8)*	*(4.3)*	*(153.6)*
Attributable to owners of the parent	*142.1*	*186.7*	*(44.6)*	*(23.9)*

Interest income

Interest income decreased by €268.9 million, or 21.0%, from €1,279.9 million for the year ended December 31, 2015 to €1,011.0 million for the year ended December 31, 2016. This decrease was primarily due to the downward trend in average interest rates and the decrease in income from debt securities.

The following table sets out the principal components of our interest income for the periods indicated:

€ million unless otherwise stated	Years ended December 31,		Change	
	2016	**2015**		**(%)**
Cash, cash balances at central banks and other demand deposits	0.0	0.1	(0.1)	(100.0)
Deposits with credit institutions	4.5	1.6	2.9	181.3
Money market operations through counterparties	-	0.4	(0.4)	(100.0)
Loans and advances to customers	707.0	856.7	(149.7)	(17.5)
Debt securities	251.0	385.1	(134.1)	(34.8)
Non-performing assets	28.2	27.5	0.7	2.5
Rectification of revenues arising from accounting hedges	2.4	1.6	0.8	50.0
Insurance contracts related to pensions and similar obligations	2.2	1.9	0.3	15.8
Other revenues	15.7	5.0	10.7	214.0
Total interest income	**1,011.0**	**1,279.9**	**(268.9)**	**(21.0)**

Interest income from deposits with credit institutions increased by €2.9 million, or 181.3%, from €1.6 million for the year ended December 31, 2015 to €4.5 million for the year ended December 31, 2016 due to the higher yield of deposits with credit institutions that has increased from 0.25% for the year ended December 31, 2015 to 0.78% for the year ended December 31, 2016.

Interest income from loans and advances to customers decreased by €149.7 million, or 17.5%, from €856.7 million for the year ended December 31, 2015 to €707.0 million for the year ended December 31, 2016. This decrease was primarily due to the €2.5 billion decrease in customer loans and the repricing at lower yields of the variable interest loans driven by the decline in the reference interest rate curves. In addition, interest income from loans accounted for 69.9% of total interest income million for the year ended December 31, 2016 compared to 66.9% for the year ended December 31, 2015.

Interest income from debt securities decreased by €134.1 million, or 34.8%, from €385.1 million for the year ended December 31, 2015 to €251.0 million for the year ended December 31, 2016. This decrease was primarily due to the sale of €3.0 billion of the available-for-sale portfolio to generate capital gains partially offset by the acquisition of €5.6 billion of held-to-maturity securities at lower yields. In addition, interest income from debt securities accounted for 24.8% of total interest income million for the year ended December 31, 2016 compared to 30.1% for the year ended December 31, 2015.

Interest expense

Interest expense decreased by €201.2 million, or 34.0%, from €592.4 million for the year ended December 31, 2015 to €391.2 million for the year ended December 31, 2016. This decrease was primarily due the downward trend in average interest rates.

The following table sets out the principal components of our interest expense for the periods indicated:

€ million unless otherwise stated	Years ended December 31,		Change	
	2016	**2015**		**(%)**
Deposits from central banks	1.1	3.0	(1.9)	(63.3)
Deposits from credit institutions	7.4	14.0	(6.6)	(47.1)
Money market operations through counterparties	-	-	-	-
Deposits from customers	436.5	603.9	(167.4)	(27.7)
Debt securities issued	6.6	56.1	(49.5)	(88.2)
Subordinated liabilities	58.1	55.1	3.0	5.4
Rectification of costs arising from accounting hedges	(129.9)	(148.7)	18.8	(12.6)
Costs attributable to pension funds arranged	3.2	3.3	(0.1)	(3.0)
Other interests	8.2	5.5	2.7	49.1
Total interest expense	**391.2**	**592.4**	**(201.2)**	**(34.0)**

Interest expense from deposits from central banks decreased by €1.9 million, or 63.3%, from €3.0 million for the year ended December 31, 2015 to €1.1 million for the year ended December 31, 2016. This decrease was primarily due to full redemption of the existing funding with central banks.

Interest expense from deposits from credit institutions decreased by €6.6 million, or 47.1%, from €14.0 million for the year ended December 31, 2015 to €7.4 million for the year ended December 31, 2016. This decrease despite a €1.1 billion increase in deposits from credit institutions was primarily due to the decrease in average funding cost.

Interest expense from deposits from customers, which represented 112% of our interest expense for the period, decreased by €167.4 million, or 27.7%, from €603.9 million for the year ended December 31, 2015 to €436.5 million for the year ended December 31, 2016. This decrease was primarily due to the a €1.9 billion decrease in term deposits and the repricing of the remaining stock at lower cost due to the sustained fall in interest rate curves partially offset by a €0.6 billion increase in current accounts.

Interest expense from debt securities issued decreased by €49.5 million, or 88.2%, from €56.1 million for the year ended December 31, 2015 to €6.6 million for the year ended December 31, 2016. This decrease was primarily due to the maturity of €1.5 billion of covered bonds.

Interest expense from subordinated liabilities increased by €3.0 million, or 5.4%, from €55.1 million for the year ended December 31, 2015 to €58.1 million for the year ended December 31, 2016. This increase was primarily due to a 0.5% increase in interest cost of the CoCos FROB.

Dividend income

Dividend income decreased by €7.5 million, or 21.5%, from €34.9 million for the year ended December 31, 2015 to €27.4 million for the year ended December 31, 2016. This decrease was primarily due to the sale through an accelerated book-building process of a 0.5% stake in Iberdrola, S.A.

Loss/Profit of companies valued at equity method

The result of companies valued at equity method income increased by €11.3 million, or 47.3%, from €23.9 million for the year ended December 31, 2015 to €35.2 million for the year ended December 31, 2016. This increase was primarily due to the contribution of Inversiones Alaris, S.L. In the year ended December 31, 2016, Unicorp Vida, Compañía de Seguros y Reaseguros, S.A. accounted for approximately 64% of total profit of companies valued at equity method (approximately 95% in the year ended December 31, 2015).

The following table sets out the principal components of our loss/profit of companies valued at equity method for the periods indicated:

€ million unless otherwise stated	**Years ended December 31,**		**Change**	
	2016	**2015**		***(%)***
Autopista del Sol, Concesionaria Española, S.A.	(1.0)	(1.5)	0.5	33.3
Inversiones Alaris, S.L.	12.7	-	12.7	100.0
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.	22.5	22.7	(0.2)	(0.9)
Hidralia, Gestión Integral de Aguas de Andalucía, S.A.	4.5	4.5	0.0	0.0
Deoleo, S.A.	(3.2)	(3.7)	0.5	13.5
Autopista del Guadalmedina, Concesionaria Española, S.A.	(1.4)	(1.2)	(0.2)	(16.7)
Aciturri Aeronáutica, S.L.	-	3.5	(3.5)	(100.0)
Results from other companies	1.1	(0.3)	1.4	466.7
Loss/Profit of companies valued at equity method[(1)]	**35.2**	**23.9**	**11.3**	**47.3**

Note:

(2) Includes the share of net income of the results of equity-consolidated entities that corresponds to the Group.

Fee and commission income

Fee and commission income decreased by €49.3 million, or 17.9%, from €275.1 million for the year ended December 31, 2015 to €225.8 million for the year ended December 31, 2016. This decrease was primarily due to lower client transactional and brokerage activity due to the high volatility of the financial markets and partially offset by the signing of an exclusive distribution agreement for certain types of non-life insurance with Caser.

The following table sets out the principal components of our fee and commission income for the periods indicated:

€ million unless otherwise stated	Years ended December 31,		Change	
	2016	2015		(%)
Fees relating to contingent risks	7.7	10.1	(2.4)	(23.8)
Fees relating to contingent commitments	2.6	4.0	(1.4)	(35.0)
Fees relating to collection and payment services	115.1	123.3	(8.2)	(6.7)
Fees relating to investment and complementary activities	26.3	48.3	(22.0)	(45.5)
Fees relating to foreign currency and note exchange	0.4	0.4	0.0	0.0
Fees relating to marketing of non-bank financial products	63.5	84.3	(20.8)	(24.7)
Other commissions	10.2	4.7	5.5	117.0
Total fee and commission income	**225.8**	**275.1**	**(49.3)**	**(17.9)**

Fees relating to collection and payment services decreased by €8.2 million, or 6.7%, from €123.3 million for the year ended December 31, 2015 to €115.1 million for the year ended December 31, 2016. This decrease was primarily due to lower client activity that has translated into lower transactional volume.

Fees relating to investment and complementary activities (commissions and fees relating to the buying and selling of securities by our customers) decreased by €22.0 million, or 45.5%, from €48.3 million for the year ended December 31, 2015 to €26.3 million for the year ended December 31, 2016. This decrease was primarily due to lower brokerage activity due to the high volatility of the financial markets, which discouraged this type of transaction.

Fees relating to marketing of non-bank financial products (investment funds, insurance products and pension funds) decreased by €20.8 million, or 24.7%, from €84.3 million for the year ended December 31, 2015 to €63.5 million for the year ended December 31, 2016. This decrease was primarily due to the signing of an exclusive distribution agreement for certain types of non-life insurance with Caser partially offset by higher fees generated from the off balance sheet business.

Fee and commission expense

Fee and commission expense decreased by €17.9 million, or 49.3%, from €36.3 million for the year ended December 31, 2015 to €18.4 million for the year ended December 31, 2016. This decrease was primarily due to a change in their accounting treatment from 2015.

The following table sets out the principal components of our fee and commission expense for the periods indicated:

€ million unless otherwise stated	Years ended December 31,		Change	
	2016	2015		(%)
Debit and credit operations	0.5	0.5	0.0	0.0
Commissions ceded to other banks and correspondent banks	10.4	10.8	(0.4)	(3.7)
Commission expense on securities transactions	2.6	1.2	1.4	116.7
Other commissions	4.9	23.9	(19.0)	(79.5)
Total fee and commission expense	**18.4**	**36.3**	**(17.9)**	**(49.3)**

Other commissions decreased by €19 million, or 79.5%, from €23.9 million for the year ended December 31, 2015 to €4.9 million for the year ended December 31, 2016. This decrease was primarily due to a change in their accounting treatment from 2015.

Gains/(Losses) on financial assets and liabilities (net)

Gains/(Losses) on financial assets and liabilities (net) decreased by €484.3 million, or 86.2%, from €561.6 million for the year ended December 31, 2015 to €77.3 million for the year ended December 31, 2016. This decrease was primarily due to lower capital gains generated from the debt securities portfolios.

The following table sets out the principal components of our results on financial assets and liabilities for the periods indicated:

€ million unless otherwise stated	Years ended December 31, 2016	2015	Change	(%)
Financial assets held for trading	(7.1)	(34.2)	27.1	79.2
Available-for-sale financial assets	84.1	128.8	(44.7)	(34.7)
Equity instruments	1.4	0.3	1.1	366.7
Debt	82.7	128.5	(45.8)	(35.6)
Loans and receivables	-	139.9	(139.9)	(100.0)
Held-to-maturity investments	-	327.0	(327.0)	(100.0)
Financial liabilities measured at amortized cost	-	-	0.0	0.0
Hedging derivatives	0.3	0.1	0.2	200.0
Gain or losses on financial assets and liabilities held for trading (net) [(1)]	**77.3**	**561.6**	**(484.3)**	**(86.2)**

Note:

(1) Gain or losses on financial assets and liabilities held for trading (net) mainly comprises disposal operations of the above-mentioned categories.

Results from gain or losses on financial assets and liabilities held for trading (net) increased by €27.1 million, or 79.2%, from negative €34.2 million for the year ended December 31, 2015 to negative €7.1 million for the year ended December 31, 2016. This increase was primarily due to an increase in the mark-to-market values of the assets held for trading portfolio.

Results from available-for-sale financial assets decreased by €44.7 million, or 34.7%, from €128.8 million for the year ended December 31, 2015 to €84.1 million for the year ended December 31, 2016. This decrease was primarily due to lower capital gains generated from the available-for-sale portfolio.

Results from loans and receivables decreased from €139.9 million for the year ended December 31, 2015 to €0 million for the year ended December 31, 2016. This decrease was primarily due to the lack of capital gains generated from these portfolios.

Other operating income

Other operating income increased by €102.4 million, or 79.0%, from €129.6 million for the year ended December 31, 2015 to €232.0 million for the year ended December 31, 2016. This increase was primarily due to the signing of an exclusive distribution agreement for certain types of non-life insurance with Caser and positive results from real estate assets sales.

The following table sets out the principal components of our other operating income for the periods indicated:

€ million unless otherwise stated	Years ended December 31, 2016	2015	Change	(%)
Income from property investments	15.1	13.9	1.2	8.6
Commissions offsetting direct costs	3.0	3.0	0.0	0.0
Sales and income from non-financial services[(1)]	32.4	26.4	6.0	22.7
Other	181.5	86.3	95.2	110.3
Other operating income	**232.0**	**129.6**	**102.4**	**79.0**

Note:

(1) Non-financial services includes insurance and asset management.

See Note 40 of the 2016 Annual Accounts for an explanation of changes in the accounting treatment of "Income on insurance and reinsurance", whereby the income and expenses related to insurance and reinsurance are presented in specific P&L line items instead of within "Other operating income" and "Other operating expenses".

Sales and income from the provision of non-financial services increased by €6.0 million, or 22.7%, from €26.4 million for the year ended December 31, 2015 to €32.4 million for the year ended December 31, 2016. This increase was primarily due to higher off balance sheet business activity (especially bancassurance).

The table below sets out the breakdown of the amount corresponding to the item "Other" in the table above for the periods indicated:

€ million unless otherwise stated	Years ended December 31,	
	2016	**2015**
Depositary agreement of pension plans and investment funds	-	36.0
Exclusive insurance distribution agreement	98.1	-
Real estate asset disposals and urban development rights	46.8	-
Energy billing Uniwindet subgroup	36.5	50.3
Other	**181.5**	**86.3**

Other components of other operating income increased by €95.2 million, or 110.3%, from €86.3 million for the year ended December 31, 2015 to €181.5 million for the year ended December 31, 2016. This increase was primarily due to the signing of an exclusive distribution agreement for certain types of non-life insurance with Caser and around €40 million from real estate assets disposals.

Likewise, the item "*Exclusive insurance distribution agreement*" includes amounts corresponding to the agreement entered into with Caser on January 2016 for the exclusive distribution of certain kind of insurance products by Caser. The Group undertakes not to enter into agency agreements for the brokerage or sale of such products with other insurance entities, as well as not to carry out (directly or indirectly) any distribution or marketing activities of products from other insurance entities nationwide. The proceeds from the agreement are not subject to the fulfillment of any target nor any kind of milestone, consequently, the collection of proceeds is not conditioned and there is no possibility of claw-back. Likewise, Unicaja Banco has not financed the counterparty.

Other operating expense

The following table sets out the principal components of our other operating expense for the periods indicated:

€ million unless otherwise stated	Years ended December 31,		Change	
	2016	**2015**		**(%)**
Expenses from property investments	1.4	2.4	(1.0)	(41.7)
Contribution to the Guarantee Deposit Fund	43.2	43.3	(0.1)	(0.2)
Contribution to the Single Resolution Fund	18.3	19.2	(0.9)	(4.7)
Other(1)	52.9	51.6	1.3	2.5
Other operating expense	**115.9**	**116.6**	**(0.7)**	**(0.6)**

Note:

(1) *Other includes cost of sales for the provision of services that constitute the common activity of consolidated non-financial companies integrated in the Group.*

See Note 40 of the 2016 Annual Accounts for an explanation of changes in the accounting treatment of "Insurance and re-insurance contracts charges", whereby the income and expenses related to insurance and reinsurance are presented in specific P&L line items instead of within "Other operating income" and "Other operating expenses".

Administration costs

Administration costs decreased by €23.3 million, or 3.7%, from €633.9 million for the year ended December 31, 2015 to €610.6 million for the year ended December 31, 2016. This decrease was primarily due to the ongoing integration of EspañaDuero and the decrease of the number of employees from 7,947 for the year ended December 31, 2015 to 7,365 for the year ended December 31, 2016.

The following table sets out the principal components of our administration costs for the periods indicated:

€ million unless otherwise stated	Years ended December 31,		Change	
	2016	2015		(%)
Staff costs	426.5	445.4	(18.9)	(4.2)
Other administration costs	184.1	188.5	(4.4)	(2.3)
Administration costs	**610.6**	**633.9**	**(23.3)**	**(3.7)**

The following table sets out the principal components of our staff costs for the periods indicated:

€ million unless otherwise stated	Years ended December 31,		Change	
	2016	2015		(%)
Wages and salaries	313.5	330.6	(17.1)	(5.2)
Social security costs	87.3	91.3	(4.0)	(4.4)
Appropriations to defined benefit pension plans	0.2	0.3	(0.1)	(33.3)
Appropriations to defined contribution pension plans	11.4	10.3	1.1	10.7
Compensations	1.8	1.8	0.0	0.0
Staff training expenses	0.9	1.1	(0.2)	(18.2)
Other staff costs	11.5	10.1	1.4	13.9
Staff costs	**426.5**	**445.4**	**(18.9)**	**(4.2)**

The following table sets out the principal components of our other administration costs for the periods indicated:

€ million unless otherwise stated	Years ended December 31,		Change	
	2016	2015		(%)
Buildings and facilities	26.4	27.4	(1.0)	(3.6)
Rent	8.6	9.7	(1.1)	(11.3)
Information technologies	36.1	35.8	0.3	0.8
Communications	20.8	21.0	(0.2)	(1.0)
Advertising	10.8	12.1	(1.3)	(10.7)
Legal costs	4.8	10.6	(5.8)	(54.7)
Technical reports	10.0	9.7	0.3	3.1
Security services	8.5	8.4	0.1	1.2
Insurance premiums	1.5	1.4	0.1	7.1
Governing bodies	3.1	2.7	0.4	14.8
Representation costs	3.7	3.8	(0.1)	(2.6)
Association charges	5.0	2.8	2.2	78.6
Outsourcing	0.0	4.6	(4.6)	(100.0)
Taxes	35.8	30.3	5.5	18.2
Other items	9.0	8.6	0.4	4.7
Other administration costs	**184.1**	**188.5**	**(4.4)**	**(2.3)**

Provisions or reversal of provisions

Provisions or reversal of provisions in the income statements decreased by €41.1 million, from €141.5 million for the year ended December 31, 2015 to €104.0 million for the year ended December 31, 2016. The decrease was mainly due to lower provisions related to legal proceedings arising from EspañaDuero's hybrids (€18.8 million in 2016, compared to €61.5 million in 2015), the recovery of existing provisions for an amount of €121.6 million, which compensated the provisioning of EspañaDuero's restructuring plan for €140 million.

In addition, total provisions used in the year ended December 31, 2016 represented 9.8% and 15.6% of gross income and net income, respectively, as at December 31, 2016 and total provisions used in the year ended December 31, 2015 represented 13.6% and 24.0% of gross income and net income as at December 31, 2015.

The following table sets out the principal components of our provisions for the periods indicated:

€ million	Pensions and similar obligations	Other long-term staff retributions	Contingent liabilities and commitments	Other provisions	Total
Balance at December 31, 2014	**189.6**	**164.0**	**119.3**	**251.6**	**724.5**
Provision charged to income	4.4	3.0	2.2	200.5	210.0
Recovery against income	-	(2.1)	(16. 5)	(43.0)	(61.6)
Provisions used	(11.8)	(31.8)	-	(76.5)	(120.1)
Other movements	(3.2)	0.0	1.3	(2.9)	(4.9)
Balance at December 31, 2015	**179.0**	**133.1**	**106.3**	**329.6**	**748.0**
Provision charged to income	3.1	8.7	45.2	199.6	256.5
Recovery against income	-	(28.0)	(39.2)	(82.0)	(149.3)
Provisions used	(22.6)	(19.7)	-	(118.8)	(161.1)
Other movements	14.8	58.0	3.8	(63.7)	12.9
Balance at December 31, 2016	**174.3**	**152.1**	**116.0**	**264.7**	**707.0**

Impairment or reversal of impairment on financial assets

Impairment or reversal of impairment of financial assets decreased by €386.2 million, from €424.7 million for the year ended December 31, 2015 to €38.5 million for the year ended December 31, 2016. This decrease was primarily due to the following movements: sale of a stake at Iberdrola, S.A. (recovery of €48.9 million), lower provisioning for legal proceedings about clauses which sets out a minimum interest rate for retail mortgages in Spain (€164.7 million), the impact resulting from the use of internal methodologies (recovery of €117 million) and the sale of NPLs (recovery of €31 million).

The following table sets out the principal components of our impairment or reversal of impairment on financial assets not measured at fair value through profit or loss for the periods indicated:

€ millions unless otherwise stated	**Years ended December 31,**		**Change**	
	2016	**2015**		**(%)**
Loans and receivables	83.8	427.4	(343.6)	(80.4)
Financial assets measured at cost	4.2	-	4.2	100.0
Held-for-sale financial assets	(49.5)	(2.7)	(46.8)	(1,733.3)
Held-to-maturity investments	-	-	-	-
Impairment losses or reversal of impairment on financial assets	**38.5**	**424.7**	**(386.2)**	**(90.9)**

Impairment or reversal of impairment on loans and receivables decreased by €343.6 million, or 80.4%, from €427.4 million for the year ended December 31, 2015 to €83.8 million for the year ended December 31, 2016. This decrease was primarily due to lower provisioning for proceedings about clauses which set minimum interest rates for retail mortgages in Spain (€164.7 million), the impact resulting from the use of internal methodologies (recovery of €117 million) and the sale of NPLs (recovery of €31 million). The provisioning for legal proceedings related to clauses which set minimum interest rates includes €130 million, which corresponds to the effect of ruling from the European Court of Justice dated December 21, 2016 on the temporal limitation placed on the effects of the invalidity of such clauses.

The recoveries from impairment of held-for-sale financial assets increased by €46.8 million, from €2.7 million for the year ended December 31, 2015 to €49.5 million for the year ended December 31, 2016, due to the sale of a stake in Iberdrola, S.A. (recovery of €48.9 million).

Impairment or reversal of impairment on non-financial assets

Impairment or reversal of impairment of non-financial assets increased by €42.7 million, or 78.8%, from €54.2 million for the year ended December 31, 2015 to €96.9 million for the year ended December 31, 2016. The increase was primarily due to better results in the sale of foreclosed assets and to the effect of Circular 4/2016, which lead to a provisioning of €60 million for these assets.

Income tax

Income tax increased by €8.9 million, or 15.6%, from €57.2 million for the year ended December 31, 2015 to €66.1 million for the year ended December 31, 2016. This increase was primarily due to the impairment of certain deferred tax assets (€31 million), as a result of Royal Decree-Law 3/2016.

The following table sets out the reconciliation of the accounting and tax results for the periods indicated:

€ million unless otherwise stated	**Years ended December 31,**		**Change**	
	2016	**2015**		**(%)**
Profit before tax	191.0	217.0	(26.0)	(12.0)
Income tax (tax rate of 30%)	57.3	65.1	(7.8)	(12.0)
Due to eliminations in the consolidation process	-	-	-	-
Positive permanent differences	5.4	10.4	(5.0)	(48.1)
Negative permanent differences	(27.5)	(18.2)	(9.3)	(51.1)
Deductions and allowances				
Effect of Royal Decree-Law 3/2016	31.0	-	31.0	100
Deduction for reinvestment of extraordinary gains	(0.1)	(0.1)	0.0	0.0
Income tax expense	**66.1**	**57.2**	**8.9**	**15.6**

The total amount for the main components of income tax expense/(income) in our consolidated income statement relates to the current expense/(income) for the year. No adjustments were made for current or deferred taxes or for any other circumstances established by tax legislation.

Comparison of consolidated income statement movements for the years ended December 31, 2015 and 2014

The following table sets out our consolidated income statement for the years ended December 31, 2015 and 2014.

€ million unless otherwise stated	**Years ended December 31,**		**Change**	
	2015	**2014**		***(%)***
Interest and similar income	1,279.9	1,474.1	(194.2)	(13.2)
Interest expense and similar charges	(592.4)	(755.4)	163.0	21.6
Net interest income	**687.5**	**718.7**	**(31.2)**	**(4.3)**
Return on equity instruments	34.9	36.3	(1.4)	(3.9)
Loss/Profit of companies valued at equity method	23.9	11.1	12.8	115.3
Fee and commission income	275.1	250.5	24.6	9.8
Fee and commission expense	(36.3)	(23.2)	(13.1)	(56.5)
Gains/(Losses) on financial assets and liabilities (net)	561.6	390.1	171.5	44.0
Exchange differences (net)	2.7	2.7	0.0	0.0
Other operating income	171.3	94.4	76.9	81.5
Other operating expense	(145.8)	(134.2)	(11.6)	(8.6)
Gross income	**1,574.9**	**1,346.3**	**228.7**	**17.0**
Administrative expense	(633.9)	(584.2)	(49.7)	(8.5)
Depreciation and amortization	(47.4)	(43.9)	(3.5)	8.0
Provisions (net)	(145.1)	(148.1)	3.0	2.0
Impairment losses on financial assets (net)	(424.7)	(355.8)	(68.9)	19.4
Profit/(Loss) from operating activities	**323.8**	**214.3**	**109.5**	**51.1**

Impairment losses on other assets (net)	(69.4)	(80.0)	10.6	(13.3)
Gains/(Losses) on disposal of assets not classified as non-current assets held for sale	(3.0)	(1.4)	(1.6)	(114.3)
Negative goodwill on business combinations	-	372.5	(372.5)	(100.0)
Gains/(Losses) on disposal of non-current assets held for sale not classified as discontinued operations	(34.3)	(30.9)	(3.4)	(11.1)
Profit/(Loss) before tax	**217.0**	**474.4**	**(257.4)**	**(54.3)**
Income tax	(57.2)	(47.5)	(9.7)	(20.4)
Profit/(Loss) from continuing operations	**159.8**	**426.9**	**(267.1)**	**(62.6)**
Income from discontinued operations (net)	24.0	20.6	3.4	16.5
Net profit for the year	**183.8**	**447.5**	**(263.7)**	**(58.9)**
Profit/Loss attributable to parent entity	186.7	474.5	(287.8)	(60.7)
Profit/Loss attributable to minority interests	(2.8)	(27.0)	24.2	89.6

Interest and similar income

Interest and similar income decreased by €194.2 million, or 13.2%, from €1,474.1 million in the year ended December 31, 2014 to €1,279.9 million in the year ended December 31, 2015. This decrease was primarily due to the downward trend in average interest rates, the fall in total net loan volumes (a 7.9% decrease as at December 31, 2015 compared to December 31, 2014) (see "*—Comparison of consolidated balance sheet movements at December 31, 2015 and 2014—Loans and receivables*") due to continued deleveraging and the lower contribution of the fixed income portfolio due to the decrease in total volume (over 20% decrease as at December 31, 2015 compared to December 31, 2014) and decreasing average interest rates, which were partially offset by the consolidation of a full year of EspañaDuero interest income in 2015 compared to only nine months consolidated in the 2014 Annual Accounts, which has resulted in higher income contribution from EspañaDuero to 2015 interest and similar income compared to 2014.

In addition, performing loans and debt securities average yields have fallen from 3.31% and 2.47%, respectively, for the year ended December 31, 2014, to 2.97% and 1.81%, respectively, for the year ended December 31, 2015.

The following table sets out the principal components of our interest and similar income for the years indicated:

€ million unless otherwise stated	**Years ended December 31,**		**Change**	
	2015	**2014**		*(%)*
Balances at central banks	0.1	0.5	(0.4)	(80.0)
Deposits with credit institutions	1.6	10.2	(8.6)	(84.3)
Money market operations through counterparties	0.4	6.2	(5.8)	(93.5)
Loans and advances to customers	856.7	912.5	(55.8)	(6.1)
Debt securities	385.1	519.1	(134.0)	(25.8)
Doubtful assets	27.5	17.7	9.8	55.4
Rectification of revenues arising from accounting hedges	1.6	3.3	(1.7)	(51.5)
Insurance contracts related to pensions and similar obligations	1.9	3.6	(1.7)	(47.2)
Other revenues	5.0	0.9	4.1	455.6
Total interest and similar income	**1,279.9**	**1,474.1**	**(194.2)**	**(13.2)**

Interest income from deposits with credit institutions decreased by €8.6 million, or 84.3%, from €10.2 million in the year ended December 31, 2014 to €1.6 million in the year ended December 31, 2015 and interest income from money market operations through counterparties decreased by €5.8 million, or 93.5%, from €6.2 million in the year ended December 31, 2014 to €0.4 million in the year ended December 31, 2015. Both decreases were primarily due to the downward trend in average interest rates together with decreasing average volumes due to maturities.

Interest income from loans and advances to customers decreased by €55.8 million, or 6.1%, from €912.5 million in the year ended December 31, 2014 to €856.7 million in the year ended December 31, 2015.

This decrease was primarily due to the downward trend in average interest rates and the fall in total loan volumes due to our continued deleveraging exercise.

Interest income from debt securities decreased by €134.0 million, or 25.8%, from €519.1 million in the year ended December 31, 2014 to €385.1 million in the year ended December 31, 2015. This decrease was primarily due to the repricing of the bonds received from SAREB (€2.9 billion of bonds that EspañaDuero received in exchange for certain real estate developer loans and foreclosed assets which it transferred to SAREB in February 2013, together with the rotation and overall reduction of the debt securities portfolio. As a result of the global economic and financial crisis between 2008 and 2014 (which marked an improvement in wholesale market conditions), we, along with other banks in the region, faced higher marginal funding costs in terms of higher spreads over reference rates and limited access to liquidity in wholesale funding. As a result, we focused on increasing our deposit base and decreasing our reliance on wholesale funding and in fact as at December 31, 2016, we had no central bank funding.

Interest income from doubtful assets increased by €9.8 million, or 55.4%, from €17.7 million in the year ended December 31, 2014 to €27.5 million in the year ended December 31, 2015. This increase was primarily due to higher recovery rates in 2015 compared to 2014.

Interest expense and similar charges

Interest expense and similar charges decreased by €163.0 million, or 21.6%, from €755.4 million in the year ended December 31, 2014 to €592.4 million in the year ended December 31, 2015. This decrease was primarily due to the maturities in the term deposits book that were not renewed, the lower cost of new term deposits resulting from the general lower interest rate environment. In addition, the decline in interest expense was partially offset by the consolidation of a full year of EspañaDuero interest expense in 2015 compared to only nine months in 2014, which has resulted in higher expense contribution from EspañaDuero to 2015 interest expense and similar charges compared to 2014.

The following table sets out the principal components of our interest expense and similar charges for the years indicated:

€ million unless otherwise stated	**Years ended December 31,**		**Change**	
	2015	**2014**		*(%)*
Deposits from central banks	3.0	14.3	(11.3)	(79.0)
Deposits from credit institutions	14.0	19.3	(5.3)	(27.5)
Money market operations through counterparties	0.0	4.3	(4.3)	(100.0)
Deposits from other creditors	603.9	718.1	(114.2)	(15.9)
Debt securities issued	56.1	102.0	(45.9)	(45.0)
Subordinated liabilities	55.1	40.1	15.0	37.4
Rectification of costs arising from accounting hedges	(148.7)	(151.6)	2.9	(1.9)
Costs attributable to pension funds arranged	3.3	5.5	(2.2)	(40.0)
Other interests	5.5	3.5	2.0	57.1
Total interest expense and similar charges	**592.4**	**755.4**	**(163.0)**	**(21.6)**

Interest expense from deposits from central banks decreased by €11.3 million, or 79%, from €14.3 million in the year ended December 31, 2014 to €3.0 million in the year ended December 31, 2015. This decrease was primarily due to a downward trend to average interest rates as a result of the ECB's expansionary monetary policies leading to lower interest rates, as well as a 72.3% decrease in the volume of deposits from the ECB as at December 31, 2015 compared to December 31, 2014.

Interest expense from deposits from credit institutions decreased by €5.3 million, or 27.5%, from €19.3 million in the year ended December 31, 2014 to €14.0 million in the year ended December 31, 2015. This decrease was primarily due to the downward trend in average interest rates together with a decrease of 4.1% in average volumes compared to the year ended December 31, 2014.

Interest expense from deposits from other creditors decreased by €114.2 million, or 15.9%, from €718.1 million in the year ended December 31, 2014 to €603.9 million in the year ended December 31, 2015. This decrease was primarily due to the maturities in the term deposits book and the lower cost of new term deposits.

Interest expense from debt securities issued decreased by €45.9 million, or 45.0%, from €102.0 million in the year ended December 31, 2014 to €56.1 million in the year ended December 31, 2015. This decrease was primarily due to the maturity of €1,143 million of certain covered bonds during 2015.

Interest expense from subordinated liabilities increased by €15.0 million, or 37.4%, from €40.1 million in the year ended December 31, 2014 to €55.1 million in the year ended December 31, 2015. This increase was primarily due to an increase in the cost of CoCos FROB (from 8.75% in 2014 to 9.25% in 2015) as agreed in its terms and conditions as per the Term Sheet. See "*Material Contracts—EspañaDuero Term Sheet*".

Return on equity instruments

Return on equity instruments income decreased by €1.4 million, or 3.9%, from €36.3 million in the year ended December 31, 2014 to €34.9 million in the year ended December 31, 2015. This decrease was primarily due to the equity disposals made by EspañaDuero that were required in order to comply with the Term Sheet. See "*Material Contracts—EspañaDuero Term Sheet*".

Loss/Profit of companies valued at equity method

The result of companies valued at equity method income increased by €12.8 million from €11.1 million in the year ended December 31, 2014 to €23.9 million in the year ended December 31, 2015. This increase was primarily due to higher contribution from affiliates. In the year ended December 31, 2015, Unicorp Vida, Compañía de Seguros y Reaseguros, S.A. accounted for approximately 95% of total profit of companies valued at equity method.

The following table sets out the principal components of our loss/profit of companies valued at equity method for the years indicated:

€ million unless otherwise stated	**Years ended December 31,**		**Change**	
	2015	**2014**		*(%)*
Autopista del Sol, Concesionaria Española, S.A.	(1.5)	(1.4)	(0.1)	(7.1)
E.B.N. Banco de Negocios, S.A.	-	1.5	(1.5)	(100.0)
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.	22.7	20.4	2.3	11.3
Hidralia, Gestión Integral de Aguas de Andalucía, S.A.	4.5	3.7	0.8	21.6
Deoleo, S.A.	(3.7)	(2.4)	(1.3)	(54.2)
Autopista del Guadalmedina, Concesionaria Española, S.A.	(1.2)	(1.9)	0.7	36.8
Aciturri Aeronáutica, S.L.	3.5	1.8	1.7	94.4
Results from other companies	(0.3)	(10.5)	10.2	97.1
Loss/Profit of companies valued at equity method	**23.9**	**11.1**	**12.8**	**115.3**

The reduction of the portfolio of equity stakes (€424 million in 2014) is driven by the Term Sheet (see "*Business—Treasury, Markets and Real Estate—Equity investment*").

Fee and commission income

Fee and commission income increased by €24.6 million, or 9.8%, from €250.5 million in the year ended December 31, 2014 to €275.1 million in the year ended December 31, 2015. This increase was primarily due to the consolidation of a full year of EspañaDuero fee and commission income in 2015 compared to nine months in 2014.

The following table sets out the principal components of our fee and commission income for the years indicated:

€ million unless otherwise stated	**Years ended December 31,**		**Change**	
	2015	**2014**		*(%)*
Fees relating to contingent risks	10.1	10.1	0.0	0.0
Fees relating to contingent commitments	4.0	3.6	0.4	11.1
Fees relating to collection and payment services	123.3	125.6	(2.3)	(1.8)

Fees relating to investment and complementary activities	48.3	30.8	17.5	56.8
Fees relating to foreign currency and note exchange	0.4	0.4	0.0	0.0
Fees relating to marketing of non-bank financial products	84.3	65.5	18.8	28.7
Other commissions	4.7	14.6	(9.9)	(67.8)
Total fee and commission income	**275.1**	**250.5**	**24.6**	**9.8**

Fees relating to marketing of non-bank financial products increased by €18.8 million, or 28.7%, from €65.5 million in the year ended December 31, 2014 to €84.3 million in the year ended December 31, 2015. Fees relating to investment and complementary activities increased by €17.5 million, or 56.8%, from €30.8 million in the year ended December 31, 2014 to €48.3 million in the year ended December 31, 2015. These increases were primarily due to the consolidation of a full year of EspañaDuero fee and commission income.

Fee and commission expense

Fee and commission expense increased by €13.1 million, or 56.5%, from €23.2 million in the year ended December 31, 2014 to €36.3 million in the year ended December 31, 2015. This increase was primarily due to a change in their accounting treatment from 2015.

The following table sets out the principal components of our fee and commission expense for the years indicated:

€ million unless indicated otherwise	**Years ended December 31,**		**Change**	
	2015	**2014**		*(%)*
Debit and credit operations	0.5	0.5	0.0	0.0
Commissions ceded to other banks and correspondent banks	10.8	16.4	(5.6)	(34.1)
Commission expense on securities transactions	1.2	1.3	(0.1)	(7.7)
Other fees	23.9	5.1	18.8	368.6
Total fee and commission expense	**36.3**	**23.2**	**13.1**	**56.5**

Commissions ceded to other banks and correspondent banks decreased by €5.6 million from €16.4 million in the year ended December 31, 2014 to €10.8 million in the year ended December 31, 2015. Other commissions (mainly comprising commissions from non-banking products) increased by €18.8 million from €5.1 million in the year ended December 31, 2014 to €23.9 million in the year ended December 31, 2015. These variations were primarily due to the consolidation of EspañaDuero.

Gains/(Losses) on financial assets and liabilities (net)

The following table sets out the principal components of our results on financial assets and liabilities for the years indicated:

€ million unless indicated otherwise	**Years ended December 31,**		**Change**	
	2015	**2014**		*(%)*
Trading portfolio	(34.2)	(8.9)	(25.3)	(284.3)
Available-for-sale financial assets	128.8	273.7	(144.9)	(52.9)
Equity instruments	0.3	13.3	(13.0)	(97.7)
Debt	128.5	260.4	(131.9)	(50.7)
Credit investments	139.9	22.1	117.8	533.0
Held-to-maturity investments	327.0	103.2	223.8	216.9
Financial liabilities at amortized cost	-	0.0	-	(100.0)
Hedging derivatives	0.1	(0.1)	0.2	200.0
Gains/(Losses) on financial assets and liabilities	**561.6**	**390.1**	**171.5**	**44.0**

Results from financial assets held for trading decreased by €25.3 million from negative €8.9 million in the year ended December 31, 2014 to negative €34.2 million in the year ended December 31, 2015. This decrease was primarily due to negative results of trading activity, mainly driven by the decrease in the value of sovereign bonds held in this portfolio. Sovereign bonds held for trading decreased from €164.3 million as at December 31, 2014 (of which €126.6 million was Spanish sovereign debt and the remaining €37.7 million Italian sovereign debt) to €26.9 million as at December 31, 2015 (all of which was Spanish sovereign debt), representing 77% and 23%, respectively, of financial assets held for trading. On the other hand, hedging derivatives held for trading remained stable at €56 million in the year ended December 31, 2015 compared to €52 million in the year ended December 31, 2014.

Results from available-for-sale financial assets decreased by €144.9, or 52.9%, from €273.7 million in the year ended December 31, 2014 to €128.8 million in the year ended December 31, 2015. This decrease was primarily due to extraordinarily high results from available-for-sale financial assets in 2014, as well as due to the relative lower gains from the debt portfolio classified as available-for-sale in 2015 compared with the significant gains realized in the year ended December 31, 2014.

Results from credit investments increased by €117.8 million, from €22.1 million in the year ended December 31, 2014 to €139.9 million in the year ended December 31, 2015. This increase was primarily due to our successful management of the investment portfolio.

Results from held-to-maturity investments increased by €223.8 million from €103.2 million in the year ended December 31, 2014 to €327.0 million in the year ended December 31, 2015. This increase was primarily due to the sale of part of the held-to-maturity investments to cover risks arising from the potential removal of clauses which set a minimum interest rate for mortgages. See "*Risk Factors— Risks relating to the Group and its business—Specific risks relating to the Group—Decisions relating to the removal of clauses which set minimum interest rates for mortgages in Spain may have a significant impact on our business*".

Other operating income

Other operating income increased by €76.9 million, or 81.5%, from €94.4 million in the year ended December 31, 2014 to €171.3 million in the year ended December 31, 2015. This increase was primarily due to the disposal in September 2015 of the depositary business for investment and pension funds for an amount of €36 million and the consolidation of a full year of EspañaDuero operating income in 2015 compared to nine months in 2014. For further details on the sale of the depositary business in September 2015, see Notes 30.4 and 38 of the 2015 Annual Accounts.

The following table sets out the principal components of our other operating income for the years indicated:

€ million unless otherwise stated	**Years ended December 31,**		**Change**	
	2015	**2014**		*(%)*
Income from insurance and reinsurance	41.7	31.4	10.3	32.8
Sales and income from non-financial services	26.4	31.4	(5.0)	(15.9)
Other operating income	103.2	31.6	71.6	226.6
Other operating income	**171.3**	**94.4**	**76.9**	**81.5**

Income from insurance and reinsurance collected increased by €10.3 million, or 32.8%, from €31.4 million in the year ended December 31, 2014 to €41.7 million in the year ended December 31, 2015. This increase was primarily due to the consolidation of a full year of EspañaDuero operating income in 2015 compared to the nine months consolidated in our 2014 Annual Accounts.

Other operating income increased by €71.6 million from €31.6 million in the year ended December 31, 2014 to €103.2 million in the year ended December 31, 2015. This increase was primarily due to the €36 million extraordinary income from the disposal in September 2015 of the depositary business for investment and pension funds, with the remainder corresponding to the consolidation of EspañaDuero.

Other operating expense

Other operating expenses increased by €11.6 million, or 8.6%, from €134.2 million in the year ended December 31, 2014 to €145.8 million in the year ended December 31, 2015. This increase was primarily due to the first payment in 2015 of national resolution funds provided for by the BRRD (the "**National**

Resolution Fund") that amounted to €19.2 million (see "*Regulation*" section for further detail) and the consolidation of a full year of EspañaDuero operating expenses in 2015 compared to nine months in 2014.

The following table sets out the principal components of our other operating expense for the years indicated:

€ million unless otherwise stated	**Years ended December 31,**		**Change**	
	2015	**2014**		*(%)*
Expenses relating to insurance and reinsurance contracts	29.2	21.2	8.0	37.7
Variation in inventories	-	-	-	-
Other operating expenses	116.6	113.0	3.6	3.2
Other operating expense	**145.8**	**134.2**	**11.6**	**8.6**

Administrative expense

Administrative expense increased by €49.7 million, or 8.5%, from €584.2 million in the year ended December 31, 2014 to €633.9 million in the year ended December 31, 2015. This increase was primarily due to severance and other charges in an amount of €12 million associated with personnel reduction at EspañaDuero in order to comply with the Term Sheet (the consolidated average number of employees decreased from 8,495 at December 31, 2014 to 7,925 at December 31, 2015) and the consolidation of a full year of EspañaDuero administrative expense in 2015 compared to nine months in 2014.

The following table sets out the principal components of our administrative expense for the years indicated:

€ million unless otherwise stated	**Years ended December 31,**		**Change**	
	2015	**2014**		*(%)*
Staff costs	445.4	415.0	30.4	7.3
Other general administrative expense	188.5	169.2	19.3	11.4
Administrative expense	**633.9**	**584.2**	**49.7**	**8.5**

The following table sets out the principal components of our staff costs for the years indicated:

€ million unless otherwise stated	**Years ended December 31,**		**Change**	
	2015	**2014**		**(%)**
Wages and salaries	330.6	306.3	24.3	7.9
Social security costs	91.3	87.3	4.0	4.6
Appropriations to defined benefit pension plans	0.3	0.3	-	-
Appropriations to defined contribution pension plans	10.3	9.9	0.4	4.0
Severance payments	1.8	1.3	0.5	38.5
Staff training expenses	1.1	1.1	-	-
Other staff costs	10.1	8.7	1.4	16.1
Staff costs	**445.4**	**415.0**	**30.4**	**7.3**

The following table sets out the principal components of our other general administrative expense for the years indicated:

€ million unless otherwise stated	**Years ended December 31,**		**Change**	
	2015	**2014**		**(%)**
Buildings and facilities	27.4	25.1	2.3	9.2
Rent	9.7	9.3	0.4	4.3
Information technologies	35.8	31.2	4.6	14.7

Communications	21.0	19.9	1.1	5.5
Advertising	12.1	7.3	4.8	65.8
Legal costs	10.6	4.7	5.9	125.5
Technical reports	9.7	15.3	(5.6)	(36.6)
Security services	8.4	8.1	0.3	3.7
Insurance premiums	1.4	1.4	0.0	0.0
Governing bodies	2.7	1.9	0.8	42.1
Representation costs	3.8	3.1	0.7	22.6
Association charges	2.8	3.0	(0.2)	(6.7)
Outsourcing	4.6	3.2	1.4	43.8
Taxes	30.3	29.0	1.3	4.5
Other items	8.6	6.7	1.9	28.4
Other general administrative expense	**188.5**	**169.2**	**19.3**	**11.4**

Amortization

Amortization expenses increased by €3.5 million, or 8.0%, from €43.9 million in the year ended December 31, 2014 to €47.4 million in the year ended December 31, 2015. This increase was primarily due to the consolidation of a full year of EspañaDuero amortization expenses in 2015 compared to nine months in 2014.

Provisions (net)

Provisions charged to income net of recoveries decreased by €3.0 million, or 2.0%, from €148.1 million in the year ended December 31, 2014 to €145.1 million in the year ended December 31, 2015. This decrease was primarily due to a reduction in estimated provisions to cover EspañaDuero restructuring costs.

The following table sets out the principal components of our provisions for the years indicated:

€ millions	**Pensions and similar obligations**	**Contingent liabilities and commitments**	**Other provisions**	**Total**
Balance at January 1, 2014	**184.0**	**28.7**	**132.5**	**345.2**
Provision charged to income	78.0	3.9	153.5	235.4
Recovery against income	-	(8.8)	(73.0)	(81.8)
Provisions used	(46.9)	-	(133.0)	(179.9)
Other movements	138.5	95.5	171.5	405.6
Balance at December 31, 2014	**353.6**	**119.3**	**251.6**	**724.5**
Provision charged to income	7.3	2.2	200.5	210.0
Recovery against income	(2.1)	(16.5)	(43.0)	(61.6)
Provisions used	(43.6)	-	(76.5)	(120.1)
Other movements	(3.2)	1.3	(2.9)	(4.9)
Balance at December 31, 2015	**312.1**	**106.3**	**329.6**	**748.0**

Impairment losses on financial assets (net)

Impairment losses on financial assets (net) increased by €68.9 million, or 19.4%, from €355.8 million in the year ended December 31, 2014 to €424.7 million in the year ended December 31, 2015. This increase was primarily due to new provisions in the amount of €312 million related to clauses which set a minimum interest rate for mortgages (see "*Risk Factors— Risks relating to the Group and its business—Specific risks relating to the Group—Decisions relating to the removal of clauses which set minimum interest rates for mortgages in Spain may have a significant impact on our business*"), as well as the consolidation of a full year of EspañaDuero impairment losses on financial assets in 2015 compared to nine months in 2014.

The following table sets out the principal components of our impairment losses on financial assets (net) for the years indicated:

€ million unless otherwise stated	**Years ended December 31,**		**Change**	
	2015	**2014**		*(%)*
Loans and receivables	427.4	324.7	102.7	31.6
Other financial instruments not measured at fair value through profit or loss	(2.7)	31.1	(33.8)	(108.7)
Impairment losses on financial assets (net)	**424.7**	**355.8**	**68.9**	**19.4**

Impairment losses on other assets (net)

Impairment losses on other assets (net) decreased by €10.6 million, or 13.3%, from €80.0 million in the year ended December 31, 2014 to €69.4 million in the year ended December 31, 2015. This decrease was primarily due to lower foreclosed assets provisions needed.

Negative goodwill

Negative goodwill amounting to €372.5 million in the year ended December 31, 2014, calculated as the difference between: (i) the consideration paid for the shares of EspañaDuero and the amount of the non-controlling interest in EspañaDuero; and (ii) the net of the acquisition-date amounts (March 2014) of the identifiable net assets acquired measured in accordance with IFRS 3. This negative goodwill was recognized under the heading negative difference on business combinations in the consolidated income statement for the year ended December 31, 2014.

Unicaja Banco gained control of EspañaDuero on March 28, 2014, when it acquired 99.39% of the outstanding share capital of EspañaDuero (representing a 60.70% overall stake including mandatory and contingent convertible bonds), while the former shareholders and the holders of the mandatory and contingent convertible bonds in EspañaDuero obtained a 9.22% interest in the share capital of Unicaja Banco.

The value of the consideration provided by Unicaja Banco was €249.0 million, primarily consisting of the exchange of shares, the mandatory and contingent convertible bonds and the PeCoCos in Unicaja Banco to be subscribed by the holders of shares and the mandatory and contingent convertible bonds in EspañaDuero.

Total adjustments made at the date control over EspañaDuero was obtained amounted to €483.1 million. To determine the amount of these adjustments, we applied generally accepted measurement methods in accordance with the fair value calculation criteria for assets and liabilities. These adjustments were also reviewed by an independent expert.

A summary of the adjustments made to the net assets acquired in accordance with the requirements established in IFRS 3 is set out below:

Assets

€ million	**Book value before the fair value setting**	**IFRS 3 Business combination adjustments**	**Fair value business combination**
Cash and due from central banks	488	-	488
Trading portfolio	28	-	28
Available-for-sale financial assets	4,571	(17)	4,554
Lending investments	18,783	(250)	18,532

Held-to-maturity investment portfolio	7,353	347	7,700
Hedging derivatives	160	-	160
Non-current assets held for sale	395	(44)	350
Shares	271	194	465
Insurance contracts related to pensions	5	-	5
Re-insurance assets	7	-	7
Tangible assets	757	(6)	751
Intangible assets	0	-	0
Tax assets	1,903	114	2,017
Other assets	167	-	167
Total assets	**34,887**	**338**	**35,225**

Liabilities and equity

€ million	**Book value before the fair value setting**	**IFRS 3 Business combination adjustments**	**Fair value business combination**
Trading portfolio	28	-	28
Financial liabilities measured at amortized cost	33,647	(292)	33,355
Hedging derivatives	11	-	11
Liabilities included in disposal groups classified as held for sale	14	-	14
Liabilities under insurance contracts	24	-	24
Provisions	283	7	290
Tax liabilities	128	228	356
Other liabilities	112	-	112
Total liabilities	34,246	(57)	34,189
Own funds	553	483	1,036
Capital or endowment fund	89	-	89
Share premium	267	-	267
Reserves	(561)	483	(78)
Equity instruments issued other than capital [(1)]	792	-	792
EspañaDuero's income for the year	(34)	-	(34)
Accumulated other comprehensive income	87	(88)	(1)
Minority interests (non-controlling interest)	0	-	0
Total equity	640	395	1,035
Total equity and total liabilities	**34,887**	**338**	**35,225**

Note:

(1) Equity instruments issued other than capital includes contingent convertible bonds issued by EspañaDuero from the burden sharing exercise. During the year 2014, EspañaDuero agreed the full conversion of such bonds into EspañaDuero shares.

EspañaDuero's net assets (consolidation difference between the fair value of the assets and liabilities) amounted to €395 million, but once all relevant adjustments to the net assets were calculated, primarily due to the fact that the Company did not obtain a 100% stake in EspañaDuero, the resulting negative consolidation difference amounted to €372.5 million, which was recognized under the heading "Negative difference on business combinations" in the consolidated income statement as at December 31, 2014.

Income tax

Income tax increased by €9.7 million, or 20.4%, from €47.5 million in the year ended December 31, 2014 to €57.2 million in the year ended December 31, 2015. Expenses for corporate income tax for 2014 were particularly low, due to tax effects of the acquisition of EspañaDuero, accounting for the significant increase in 2015.

The following table sets out the reconciliation of the accounting and tax results for the years indicated:

€ million unless otherwise stated	**Years ended December 31,**		**Change**	
	2015	**2014**		**(%)**
Profit before tax	217.0	474.4	(257.4)	(54.3)
Income tax (tax rate of 30%)	65.1	142.3	(77.2)	(54.3)
Due to eliminations in the consolidation process	—	(73.6)	73.6	100.0
Positive permanent differences	10.4	6.5	3.9	60.0
Negative permanent differences	(18.2)	(0.0)	(18.2)	(100)
Deductions and allowances				
Effect of Royal Decree-Law 3/2016	—	(32.3)	—	—
Deduction for reinvestment of extraordinary gains	(0.1)	4.7	(4.8)	(102.1)
Income tax expense	**57.2**	**47.5**	**9.7**	**20.4**

The new treatment of the elimination of double taxation on dividends and capital gains regulated by Law 27/2014, of 27 November, CIT, which came into force on January 1, 2015 (instead exemption deduction), is the legal novelty that explains the increase in negative permanent differences in 2015, with a corresponding decrease in deductions.

The total amount for the main components of income tax expense/(income) in the consolidated income statement (which resulted in a total expense of €57.2 million in 2015 and an expense totalling €47.5 million in 2014), relates to the current expense/(income) for the year. No adjustments were made for current or deferred taxes or for any other circumstances established by tax legislation.

Comparison of consolidated balance sheet movements at December 31, 2016 and December 31, 2015

The following table sets out our consolidated balance sheet at December 31, 2016 and December 31, 2015.

€ million unless otherwise stated	**At December 31,**	**At December 31,**	**Change**	
	2016	**2015**		*(%)*
Assets				
Cash, cash balances at central banks and other	**862**	**1,991**	**(1,129)**	**(56.7)**
Financial assets held for trading	**78**	**94**	**(16)**	**(17.0)**
Of which:				
Derivatives	41	56	(15)	(26.8)
Other equity instruments	-	-	-	-
Debt securities	38	38	0	0.0
Loans and advances	-	-	-	-
Central banks	-	-	-	-
Credit institutions	-	-	-	-
Customers	-	-	-	-
Available-for-sale financial assets	**5,403**	**9,810**	**(4,407)**	**(44.9)**
Of which:				
Other equity instruments	649	998	(349)	(35.0)
Debt securities	4,754	8,812	(4,058)	(46.1)
Loans and receivables	**31,643**	**34,300**	**(2,657)**	**(7.7)**
Of which:				
Debt securities	786	964	(178)	(18.5)
Deposits	30,856	33,336	(2,480)	(7.4)
Central banks	-	-	-	-

Credit institutions	170	248	(78)	(31.5)
Customers	30,686	33,088	(2,402)	(7.3)
Held-to-maturity investments	**12,908**	**7,240**	**5,668**	**78.3**
Hedging derivatives	**606**	**738**	**(132)**	**(17.9)**
Investments in subsidiaries, joint ventures and	**294**	**359**	**(65)**	**(18.1)**
Of which:				
Jointly-controlled entities	75	125	(50)	(40.0)
Associates	219	234	(15)	(6.4)
Insurance or reinsurance assets	**-**	**8**	**(8)**	**(100.0)**
Tangible assets	**1,438**	**1,491**	**(53)**	**(3.6)**
Of which:				
Property, plant and equipment for own use	1,010	1,057	(47)	(4.4)
Investment properties	427	434	(7)	(1.6)
Intangible assets	**1**	**1**	**0**	**0.0**
Of which:				
Goodwill	0	0	0	0.0
Other intangible assets	1	1	0	0.0
Tax assets	**2,586**	**2,591**	**(5)**	**(0.2)**
Of which:				
Current tax assets	51	64	(13)	(20.3)
Deferred tax assets	2,535	2,527	8	0.3
Other assets	**660**	**836**	**(176)**	**(21.1)**
Of which:				
Insurance contracts linked to pensions	138	142	(4)	(2.8)
Inventory	480	542	(62)	(11.4)
Other assets	41	152	(111)	(73.0)
Non-current assets and disposal groups held for sale	**762**	**853**	**(91)**	**(10.7)**
Total assets	**57,241**	**60,312**	**(3,071)**	**(5.1)**
Memorandum items				
Financial guarantees given	1,066	1,096	(30)	(2.7)
Contingent commitments	2,902	3,232	(330)	(10.2)

€ million unless otherwise stated	At December 31, 2016	At December 31, 2015	Change	*(%)*
Liabilities				
Financial liabilities held for trading	**51**	**125**	**(74)**	**(59.2)**
Of which:				
Derivatives	51	125	(74)	(59.2)
Deposits	-	-	-	-
Central banks	-	-	-	-
Credit institutions	-	-	-	-
Customer deposits	-	-	-	-
Debt securities issued	-	-	-	-
Other financial liabilities	-	-	-	-
Financial liabilities measured at amortized cost	**52,729**	**55,577**	**(2,848)**	**(5.1)**
Of which:				
Deposits	50,996	53,294	(2,298)	(4.3)

Central banks	-	2,417	(2,417)	(100.0)
Credit institutions	2,464	1,340	1,124	83.9
Customer deposits	48,532	49,537	(1,005)	(2.0)
Debt securities issued	814	1,295	(481)	(37.1)
Other financial liabilities	919	989	(70)	(7.1)
Pro memoria: Subordinated liabilities	*614*	*622*	*(8)*	*(1.3)*
Hedging derivatives	**50**	**108**	**(58)**	**(53.7)**
Liabilities under insurance contracts	**4**	**31**	**(27)**	**(87.1)**
Provisions	**707**	**748**	**(41)**	**(5.5)**
Of which:				
Pensions and other post-employment commitments	174	179	(5)	(2.8)
Other long-term staff retributions	152	133	19	14.3
Provisions for taxes and other legal contingencies	-	-	-	-
Contingent liabilities and commitments	116	106	10	9.4
Other provisions	265	330	(65)	(19.7)
Tax liabilities	**239**	**295**	**(56)**	**(19.0)**
Of which:				
Current tax liabilities	14	12	2	16.7
Deferred tax liabilities	226	283	(57)	(20.1)
Other liabilities	**277**	**171**	**106**	**62.0**
Of which: Fondo de la obra social	-	-	-	-
Total liabilities	**54,058**	**57,056**	**(2,998)**	**(5.3)**
Shareholders' funds	**2,918**	**2,834**	**84**	**3.0**
Accumulated other comprehensive income	**35**	**142**	**(107)**	**(75.4)**
Minority interests (non-controlling interest)	**230**	**280**	**(50)**	**(17.9)**
Total equity	***3,183***	***3,256***	***(73)***	***(2.2)***
Total equity and total liabilities	**57,241**	**60,312**	**(3,071)**	**(5.1)**

Available-for-sale financial assets

Available-for-sale financial assets decreased by €4,407 million, or 44.9%, from €9,810 million at December 31, 2015 to €5,403 million at December 31, 2016. This decrease was primarily due to active management of the fixed income portfolio and capital gains generation.

Loans and receivables

Loans and receivables decreased by €2,657 million, or 7.7%, from €34,300 million at December 31, 2015 to €31,643 million at December 31, 2016. This decrease was primarily due to ongoing deleverage of the Spanish economy.

The following table sets out the principal components of our loans and receivables at the dates indicated:

€ million unless otherwise stated	**At December 31,**	**At December 31,**	**Change**	
	2016	**2015**		*(%)*
Debt securities	786	964	(178)	(18.5)
Deposits	-	-	-	-
Credit institutions	170	248	(78)	(31.5)
Customers	30,686	33,088	(2,402)	(7.3)
Central Banks	-	-	-	-
Loans and receivables	**31,643**	**34,300**	**(2,657)**	**(7.7)**

Loans and advances to credit institutions decreased by €78 million, or 31.5%, from €248 million at December 31, 2015 to €170 million at December 31, 2016. This decrease was primarily due to maturities.

Loans and advances to customers decreased by €2,402 million, or 7.3%, from €33,088 million at December 31, 2015 to €30,686 million at December 31, 2016. This decrease was primarily due to maturities.

Debt securities decreased by €178 million, or 18.5%, from €964 million at December 31, 2015 to €786 million at December 31, 2016. This decrease was primarily due to sales to generate capital gains.

Held-to-maturity investments

Held-to-maturity investments increased by €5,668 million, or 78.3%, from €7,240 million at December 31, 2015 to €12,908 million at December 31, 2016. This increase was primarily due to the acquisition of new debt securities with the aim of offsetting the low interest rates environment by generating higher yields.

Tax assets

Tax assets decreased by €5 million, or 0.2%, from €2,591 million at December 31, 2015 to €2,586 million at December 31, 2016. This decrease was primarily due to higher taxable income and the impact of Royal Decree-Law 3/2016.

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized costs decreased by €2,848 million, or 5.1%, from €55,577 million at December 31, 2015 to €52,729 million at December 31, 2016. This decrease was primarily due to the redemption of the existing funding of the ECB (€2.4 billion) partially offset with an increase of €1.1 billion in interbank funding and the maturity of €1.5 billion of covered bonds.

The following table sets out the principal components of our financial liabilities measured at amortized cost at the dates indicated:

€ millions unless otherwise stated	At December 31, 2016	At December 31, 2015	Change	(%)
Deposits by central banks	-	2,417	(2,417)	(100.0)
Deposits by credit institutions	2,464	1,340	1,124	83.9
Customer deposits	48,532	49,537	(1,005)	(2.0)
Debt securities issued	814	1,295	(481)	(37.1)
Other financial liabilities	919	989	(70)	(7.1)
Financial liabilities measured at amortized cost	**52,729**	**55,577**	**(2,848)**	**(5.1)**

The following table sets out average effective interest rate on the principal components of our financial liabilities at amortized cost for the years indicated:

	At December 31, 2016	At December 31, 2015
Deposits from credit institutions	0.14%	0.34%
Deposits from other creditors	0.93%	1.33%
Debt securities issued - Covered bonds	2.11%	4.70%
Debt securities issued - Subordinated convertible securities	8.75%	8.65%
Debt securities issued - Other non-convertible securities	0.21%	0.21%

Deposits by central banks decreased by €2,417 million, or 100%, from €2,417 million at December 31, 2015 to €0 million at December 31, 2016. This decrease was primarily due to the full redemption of the existing ECB funding.

Deposits by credit institutions increased by €1,124 million, or 83.9%, from €1,340 million at December 31, 2015 to €2,464 million at December 31, 2016. This increase was primarily due to a shift from ECB to interbank funding.

Customer deposits decreased by €1,005 million, or 2.0% from €49,537 million at December 31, 2015 to €48,532 million at December 31, 2016. This increase was primarily due to the higher focus on off balance sheet products and the maturity of term deposits.

Debt securities issued decreased by €481.0 million, or 37.1%, from €1,295 million at December 31, 2015 to €814 million at December 31, 2016. This decrease was primarily due to covered bonds maturities.

Tax liabilities

Tax liabilities decreased by €56 million, or 19.0%, from €295 million at December 31, 2015 to €239 million at December 31, 2016. This decrease was primarily due to the sale of part of the debt securities portfolio which generated a reduction of tax liabilities that were registered due to valuation adjustments.

Shareholders' funds

Shareholders' funds increased by €84 million, or 3.0%, from €2,834 million at December 31, 2015 to €2,918 million at December 31, 2016. This increase was primarily due to net income retention.

Accumulated other comprehensive income

Accumulated other comprehensive income decreased by €107 million, or 75.4%, from €142 million at December 31, 2015 to €35 million at December 31, 2016. This decrease was primarily due to mark to market of the available-for-sale debt portfolio.

Comparison of consolidated balance sheet movements at December 31, 2015 and 2014

The following table sets out our consolidated balance sheet at December 31, 2015 and 2014.

€ million unless otherwise stated	**At December 31,**		**Change**	
	2015[(1)]	**2014[(2)]**		*(%)*
Assets				
Cash and balances at central banks	**1,578**	**612**	**966**	**157.8**
Financial assets held for trading	**94**	**229**	**(135)**	**(59.0)**
Of which:				
Debt securities	38	176	(138)	(78.4)
Equity instruments	-	-	-	-
Trading derivatives	56	52	4	7.7
Available-for-sale financial assets	**9,810**	**12,503**	**(2,693)**	**(21.5)**
Of which:				
Debt securities	8,812	11,576	(2,764)	(23.9)
Equity instruments	998	928	70	7.5
Loans and receivables	**34,713**	**37,671**	**(2,958)**	**(7.9)**
Of which:				
Loans and advances to credit institutions	661	763	(102)	(13.4)
Loans and advances to other debtors	33,088	35,086	(1,998)	(5.7)
Debt securities	964	1,821	(857)	(47.1)
Held-to-maturity investments	**7,240**	**9,640**	**(2,400)**	**(24.9)**
Hedging derivatives	**738**	**922**	**(184)**	**(20.0)**
Non-current assets held for sale	**853**	**931**	**(78)**	**(8.4)**
Investments	**359**	**424**	**(65)**	**(15.3)**
Insurance contracts linked to pensions	**142**	**148**	**(6)**	**(4.1)**
Reinsurance assets	**8**	**7**	**1**	**14.3**
Tangible assets	**1,491**	**1,386**	**105**	**7.6**

Of which:				
Property, plant and equipment for own use	1,057	1,031	26	2.5
Investment property	434	355	79	22.3
Intangible assets	**1**	**2**	**(1)**	**(50.0)**
Tax assets	**2,591**	**2,748**	**(157)**	**(5.7)**
Other assets	**694**	**729**	**(35)**	**(4.8)**
Of which:				
Inventory	542	594	(52)	(8.8)
Other assets	152	135	17	12.6
Total assets	**60,312**	**67,950**	**(7,638)**	**(11.2)**
Memorandum items				
Contingent exposures	1,096	1,358	(262)	(19.3)
Contingent commitments	3,232	3,402	(170)	(5.0)

Notes:

(1) This audited information is taken from our 2015 Annual Accounts. See "Presentation of Financial and Other Information" for further details.

(2) On March 28, 2014, the Company completed the acquisition of a controlling stake in EspañaDuero.

€ million unless otherwise stated	**At December 31,**		**Change**	
	2015[1]	**2014[2]**		*(%)*
Liabilities				
Financial liabilities held for trading	**125**	**65**	**60**	**92.3**
Of which:				
Derivatives	125	65	60	92.3
Financial liabilities at amortized cost	**55,577**	**63,008**	**(7,431)**	**(11.8)**
Of which:				
Deposits from central banks	2,417	8,722	(6,305)	(72.3)
Deposits from credit institutions	1,340	1,397	(57)	(4.1)
Deposits from other creditors	49,529	49,171	358	0.7
Debt securities issued	681	1,878	(1,197)	(63.7)
Subordinated liabilities	622	648	(26)	(4.0)
Other financial liabilities	989	1,192	(203)	(17.0)
Hedging derivatives	**108**	**57**	**51**	**89.5**
Liabilities associated with non-current assets held for sale	**—**	**13**	**(13)**	**(100.0)**
Insurance contracts liabilities	**31**	**30**	**1**	**3.3**
Provisions	**748**	**725**	**23**	**3.2**
Tax liabilities	**295**	**534**	**(239)**	**(44.8)**
Other liabilities	**171**	**228**	**(57)**	**(25.0)**
Total Liabilities	**57,056**	**64,658**	**(7,602)**	**(11.8)**
Shareholders' equity	**2,834**	**2,674**	**160**	**6.0**
Accumulated other comprehensive income	**142**	**292**	**(150)**	**(51.4)**
Minority interests (non-controlling interest)	**280**	**326**	**(46)**	**(14.1)**
Total equity	**3,256**	**3,292**	**(36)**	**(1.1)**
Total liabilities and equity	**60,312**	**67,950**	**(7,638)**	**(11.2)**

Notes:

(1) This audited information is taken from our 2015 Annual Accounts. See "Presentation of Financial and Other Information" for further details.

(2) On March 28, 2014, the Company completed the acquisition of a controlling stake in EspañaDuero.

Available-for-sale financial assets

Available-for-sale financial assets decreased by €2,693 million, or 21.5%, from €12,503 million at December 31, 2014 to €9,810 million at December 31, 2015. This decrease was primarily due to the reclassification of €3,597 million of the available-for-sale securities portfolio in the held-to-maturity category (for more detail see "*Selected Statistical and Other Information on Assets and Liabilities—Held-to-maturity investments)* and the active management of the fixed income portfolio.

Loans and receivables

Loans and receivables decreased by €2,958 million, or 7.9%, from €37,671 million at December 31, 2014 to €34,713 million at December 31, 2015. This decrease, which was primarily due to the continued deleveraging process, implied over €75 million lower interest income.

The following table sets out the principal components of our loans and receivables for the years indicated:

€ million unless otherwise stated	Years ended December 31,		Change	
	2015	**2014**		**(%)**
Loans and advances to credit institutions	661	763	(102)	(13.4)
Loans and advances to customers	33,088	35,086	(1,998)	(5.7)
Debt securities	964	1,821	(857)	(47.1)
Loans and receivables	**34,713**	**37,671**	**(2,958)**	**(7.9)**

Loans and advances to customers decreased by €1,998 million, or 5.7%, from €35,086 million at December 31, 2014 to €33,088 million at December 31, 2015. This decrease was primarily due to the continued deleveraging process.

Debt securities decreased by €857 million, or 47.1%, from €1,821 million at December 31, 2014 to €964 million at December 31, 2015. This decrease was due to the sale of part of the fixed income portfolio to cover risks related to clauses which set a minimum interest rate for mortgages.

Held-to-maturity investments

Held-to-maturity investments decreased by €2,400 million, or 24.9%, from €9,640 million at December 31, 2014 to €7.240 million at December 31, 2015. This decrease was primarily due to the sale of €3,374 million of the held-to-maturity investments (post €3,597 million reclassification of available-for-sale financial assets to held-to-maturity investments). See "*Selected Statistical and Other Information on Assets and Liabilities—Held-to-maturity investments*".

Tax assets

Tax assets decreased by €157 million, or 5.7%, from €2,748 million at December 31, 2014 to €2,591 million at December 31, 2015 mainly driven by the utilization of carryforward losses (for more detail see *"Operating and Financial Review—Results of operations—Comparison of consolidated income statement movements for the years ended December 31, 2015 and 2014—Income Tax"*).

Financial liabilities at amortized cost

Financial liabilities at amortized costs decreased by €7,431 million, or 11.8%, from €63,008 million at December 31, 2014 to €55,577 million at December 31, 2015. This decrease was primarily due to the decrease in deposits from central banks and covered bonds (an 11% decrease from €25,651 million to €22,870 million if we include covered bonds, a 10% decrease if they are excluded) due to maturities which were not offset by the increase in deposits from other creditors. This decrease in balances implied €35 million lower interest expense.

The following table sets out the principal components of our financial liabilities at amortized cost for the years indicated:

€ million unless otherwise stated	Years ended December 31,		Change	
	2015	**2014**		**(%)**
Deposits from central banks	2,417	8,722	(6,305)	(72.3)
Deposits from credit institutions	1,340	1,397	(57)	(4.1)
Deposits from other creditors	49,529	49,171	358	0.7

Debt securities issued	681	1,878	(1,197)	(63.7)
Subordinated liabilities	622	648	(26)	(4.0)
Other financial liabilities	989	1,192	(203)	(17.0)
Financial liabilities at amortized cost	**55,577**	**63,008**	**(7,431)**	**(11.8)**

The following table sets out average effective interest rate on the principal components of our financial liabilities at amortized cost for the years indicated:

	Years ended December 31,	
	2015	**2014**
Deposits from credit institutions	0.34%	1.45%
Deposits from other creditors	1.33%	1.62%
Debt securities issued - Covered bonds	4.70%	4.29%
Debt securities issued - Other non-convertible securities	0.21%	1.19%
Subordinated liabilities	8.65%	8.31%

Deposits from central banks decreased by €6,305 million, or 72.3%, from €8,722 million at December 31, 2014 to €2,417 million at December 31, 2015. This decrease was primarily due to the maturities of the TLTRO funds.

Deposits from other creditors increased by €358 million, or 0.7%, from €49,171 million at December 31, 2014 to €49,529 million at December 31, 2015. This increase was primarily due to the increase in current and savings accounts volumes (€21,855 million as at December 31, 2015 compared to €18,658 million at December 31, 2014).

Debt securities issued decreased by €1,197 million, or 63.7%, from €1,878 million at December 31, 2014 to €681 million at December 31, 2015. This decrease was primarily due to the maturity of part of the covered bonds portfolio.

Tax liabilities

Tax liabilities decreased by €239 million, or 44.8%, from €534 million at December 31, 2014 to €295 million at December 31, 2015. This decrease was primarily due to the sale of part of the held-to-maturity investments which generated a reduction of tax liabilities that were registered due to valuation adjustments. See "*Taxation*".

Shareholders' equity

Shareholders' equity increased by €160 million, or 6.0%, from €2,674 million at December 31, 2014 to €2,834 million at December 31, 2015. This increase was primarily due to retention of the €186.7 million profit attributable to the parent entity less €42.1 million in dividends.

Valuation adjustments

Valuation adjustments decreased by €150 million, or 51.4%, from €292 million at December 31, 2014 to €142 million at December 31, 2015. This decrease was primarily due to the disposal of €3,374 million of the available-for-sale portfolio (which has reduced valuation adjustments by €174 million) and the increase in valuation adjustments associated to part in profit or losses from investments in subsidiaries, joint ventures and associates ("*entidades del grupo y asociadas*") (€20 million).

Statement of changes in consolidated equity for years ended December 31, 2016, 2015 and 2014

Our audited statements of changes in consolidated equity for the years ended December 31, 2016, 2015 and 2014 can be found in the Annual Accounts, which are included as an annex to this Prospectus.

Consolidated cash flow statement for years ended December 31, 2016, 2015 and 2014

Our consolidated cash flow statements for the years ended December 31, 2016, 2015 and 2014 can be found in the Annual Accounts, which are included as an annex to this Prospectus.

Liquidity and capital resources

Liquidity

Liquidity is a critical component of our business. Liquidity risk is the risk that we may have difficulty in meeting the obligations associated with our financial liabilities.

We are exposed to daily demands on our available cash resources to meet contractual obligations related to financial instruments, such as maturing deposits, drawdowns of credit facilities and settlements on derivatives.

The ALCO, composed of senior executives, is responsible for managing liquidity risk affecting the business and the financial instruments to ensure that there is sufficient liquidity at all times to meet payment needs on our liabilities at due dates without undermining our capacity to respond rapidly to strategic market opportunities. We closely monitor changes in our liquid asset position on a daily basis using a centralized and integrated software tool. The internal audit department also monitors our liquidity risk on a yearly basis.

Our liquidity risk position is determined by analyzing a variety of scenarios that take into account both ordinary market circumstances and extreme conditions that could arise and affect cash inflows and outflows, due to market factors or internal factors within the Group. Systematic checks are made to verify that our ability to raise funds in the capital markets is sufficient to satisfy our requirements in the short-, medium- and long-term.

In addition, an analysis is carried out on gaps or mismatches between cash inflows and outflows over a short-, medium- and long-term horizon using a maturity matrix based on the time remaining between the balance sheet date and the contract maturity date of assets and liabilities.

The maturity of our total assets and total liabilities as at December 31, 2016, 2015 and 2014 is shown in the tables below. See Note 25 to our 2016 Annual Accounts and Note 24 to our 2014 Annual Accounts (included as an annex to this Prospectus) for more detailed information.

€ thousand	**At December 31, 2016**						
	Up to 1 month	**Between 1 and 3 months**	**Between 3 and 12 months**	**Between 1 and 5 years**	**More than 5 years**	**Demand and undated**	**Total**
Assets							
Cash, cash balances at central banks and other demand deposits	**-‘**	**-**	**-**	**-**	**-**	**861,711**	**861,711**
Financial assets held for trading	**21,450**	**898**	**6,706**	**34,593**	**13,813**	**872**	**78,332**
Debt securities	-	739	4,232	29,115	3,457	-	37,543
Derivatives	21,450	159	2,474	5,478	10,356	872	40,789
Available-for-sale financial assets	**53,967**	**-**	**155,972**	**665,322**	**3,898,052**	**630,024**	**5,403,337**
Debt securities	53,967	-	155,972	665,322	3,864,454	14,385	4,754,100
Equity instruments	-	-	-	-	33,598	615,639	649,237
Loans and receivables	**377,708**	**2,620,452**	**3,085,599**	**8,050,404**	**15,399,042**	**2,109,753**	**31,642,958**
Debt securities	-	23,875	269,991	312,031	153,764	17,838	786,499
Loans and advances	377,708	2,596,577	2,815,608	7,729,373	15,245,278	2,091,915	30,856,459
Held-to-maturity investments	**5,240**	**2,169,252**	**394,891**	**3,990,865**	**6,347,335**	**-**	**12,907,583**
Debt securities	5,240	2,169,252	394,891	3,990,865	6,347,335	-	12,907,583
Hedging derivatives	**18,455**	**18,909**	**8,805**	**185,824**	**374,369**	**-**	**606,362**
Investments	**-**	**-**	**-**	**-**	**-**	**294,099**	**294,099**
Insurance contracts linked to pensions	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Tangible assets	**-**	**-**	**-**	**-**	**-**	**1,437,840**	**1,437,840**
Intangible assets	**-**	**-**	**-**	**-**	**-**	**782**	**782**
Tax assets	**-**	**-**	**-**	**-**	**-**	**2,585,726**	**2,585,726**

Other assets	-	-	-	-	-	**1,422,101**	**1,422,101**
Total assets	**476,820**	**4,809,511**	**3,651,973**	**12,927,008**	**26,032,611**	**9,342,908**	**57,240,831**
Liabilities							
Financial liabilities held for trading	**18,823**	**524**	**710**	**12,294**	**14,051**	**4,417**	**50,819**
Financial liabilities measured at amortized cost	**1,783,054**	**6,809,443**	**6,812,280**	**6,826,054**	**3,728,224**	**26,770,415**	**52,729,470**
Deposits by central banks	-	-	-	-	-	-	-
Deposits by credit institutions	692,440	1,216,856	9,558	332,479	15,770	197,067	2,464,170
Customer deposits	1,090,533	5,592,526	6,732,428	6,392,791	3,078,675	25,645,010	48,531,963
Debt securities issued	-	-	70,010	100,143	633,692	10,165	814,010
Other financial liabilities	81	61	284	641	87	918,173	919,327
Hedging derivatives	**9,781**	-	-	-	**40,121**	-	**49,902**
Insurance contracts linked to pensions	-	-	-	-	-	**3,992**	**3,992**
Provisions	-	-	-	-	-	**707,015**	**707,015**
Tax liabilities	-	-	-	-	-	**239,107**	**239,107**
Other liabilities	-	-	-	-	-	**277,399**	**277,399**
Total liabilities	**1,811,658**	**6,809,967**	**6,812,990**	**6,838,348**	**3,782,396**	**28,002,345**	**54,057,704**
Total liquidity gap	**(1,334,838)**	**(2,000,456)**	**(3,161,017)**	**6,088,660**	**22,250,215**	**(18,659,437)**	**3,183,127**

€ thousand	**At December 31, 2015**						
	Up to 1 month	**Between 1 and 3 months**	**Between 3 and 12 months**	**Between 1 and 5 years**	**More than 5 years**	**Demand and undated**	**Total**
Assets							
Cash, cash balances at central banks and other demand deposits	-	-	-	-	-	**1,990,763**	**1,990,763**
Financial assets held for trading	-	-	-	**34,600**	**3,496**	-	**38,096**
Debt securities	-	-	-	34,600	3,496	-	38,096
Equity instruments	-	-	-	-	-	-	-
Available-for-sale financial assets	**227,494**	**74,757**	**78,532**	**2,449,418**	**6,178,919**	**673,579**	**9,682,699**
Debt securities	227,494	74,757	78,532	2,449,418	5,943,503	-	-
Equity instruments	-	-	-	-	235,416	673,579	908,995
Loans and receivables	**1,312,735**	**840,010**	**3,021,745**	**7,933,450**	**18,941,142**	**3,385,504**	**35,434,586**
Loans and advances to credit institutions	123,782	1,816	15,535	52,935	6,002	36,013	236,083
Loans and advances to other debtors	1,188,953	838,092	2,841,318	7,287,505	18,774,985	3,349,491	34,280,344
Debt securities	-	-	164,892	593,010	160,155	-	918,159
Held-to-maturity investments	**5,240**	**1,516,663**	**269,832**	**2,084,899**	**3,362,966**	-	**7,239,600**
Debt securities	5,240	1,516,663	269,832	2,084,899	3,362,966	-	7,239,600
Investments	-	-	-	-	-	**918,874**	**918,874**
Insurance contracts linked to pensions	-	-	-	-	-	**142,311**	**142,311**
Tangible assets	-	-	-	-	-	**1,204,299**	**1,204,299**
Other assets	-	-	-	-	-	**3,631,098**	**3,631,098**
Total assets	**1,545,469**	**2,431,430**	**3,370,109**	**12,502,367**	**28,486,523**	**11,946,428**	**60,282,326**
Liabilities							
Financial liabilities held for trading	-	-	-	-	-	-	-
Financial liabilities measured at amortized cost	**3,065,000**	**4,072,573**	**9,162,992**	**9,082,647**	**4,918,401**	**25,431,902**	**55,733,515**

Deposits by central banks	1,450	-	-	2,414,680	-	906	2,417,036
Deposits by credit institutions	371,679	308,214	101,551	129,555	41,451	293,302	1,245,752
Customer deposits	2,691,871	3,271,580	9,053,451	6,398,242	4,215,604	24,175,724	49,806,472
Debt securities	-	492,779	-	140,170	57,346	-	690,295
Subordinated liabilities	-	-	7,990	-	604,000	9,617	621,607
Other financial liabilities	-	-	-	-	-	952,353	952,353
Hedging derivatives	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	**769,359**	**769,359**
Other liabilities	-	-	-	-	-	**896,369**	**896,369**
Total liabilities	**3,065,000**	**4,072,573**	**9,162,992**	**9,082,647**	**4,918,401**	**27,097,630**	**57,399,243**
Total liquidity gap	**(1,519,531)**	**(1,641,143)**	**(5,792,883)**	**3,419,720**	**23,568,122**	**(15,151,202)**	**2,883,083**

€ thousand	**At December 31, 2014**						
	Up to 1 month	**Between 1 and 3 months**	**Between 3 and 12 months**	**Between 1 and 5 years**	**More than 5 years**	**Demand and undated**	**Total**
Assets							
Cash, cash balances at central banks and other demand deposits	-	-	-	-	-	**609,825**	**609,825**
Financial assets held for trading	-	-	**748**	**29,863**	**145,814**	-	**176,425**
Debt securities	-	-	748	29,863	145,814	-	176,425
Equity instruments	-	-	-	-	-	-	-
Available-for-sale financial assets	**231,317**	**362,099**	**3,009,455**	**2,782,048**	**5,317,738**	**586,212**	**12,288,869**
Debt securities	231,317	362,099	3,009,455	2,782,048	5,151,583	-	11,536,502
Equity instruments	-	-	-	-	166,155	586,212	752,367
Loans and receivables	**2,991,698**	**719,711**	**2,575,060**	**8,257,294**	**21,580,712**	**2,925,023**	**39,049,497**
Loans and advances to credit institutions	570,022	225	2,568	16,531	10,243	184,610	784,199
Loans and advances to other debtors	2,421,675	715,068	2,467,233	7,452,187	20,692,885	2,740,413	36,489,461
Debt securities	—	4,418	105,259	788,576	877,584	-	1,775,837
Held-to-maturity investments	**619,618**	**2,533,990**	**1,525,010**	**2,236,404**	**2,724,521**	-	**9,639,543**
Debt securities	619,618	2,533,990	1,525,010	2,236,404	2,724,521	-	9,639,543
Investments	-	-	-	-	-	**1,468,507**	**1,468,507**
Insurance contracts linked to pensions	-	-	-	-	-	**147,763**	**147,763**
Tangible assets	-	-	-	-	-	**1,165,046**	**1,165,046**
Other assets	-	-	-	-	-	**3,034,431**	**3,034,431**
Total assets	**3,842,632**	**3,615,800**	**7,110,273**	**13,305,609**	**29,768,785**	**9,936,807**	**67,579,906**
Liabilities							
Financial liabilities held for trading	-	-	-	-	-	-	-
Financial liabilities measured at amortized cost	**6,291,822**	**8,941,695**	**9,200,081**	**11,418,724**	**6,372,355**	**20,981,968**	**63,206,645**
Deposits by central banks	1,576,344	6,000,000	-	1,061,510	-	83,861	8,721,715
Deposits by credit institutions	552,641	35,256	363,156	175,636	51,236	122,712	1,300,637
Customer deposits	4,162,816	2,806,385	7,928,316	9,551,141	5,457,119	19,653,675	49,559,452
Debt securities	-	100,000	876,887	622,493	260,000	28,895	1,888,275

Subordinated liabilities	21	54	31,722	7,944	604,000	9,049	652,790
Other financial liabilities	-	-	-	-	-	1,083,776	1,083,776
Hedging derivatives	**54,300**	-	-	-	-	-	**54,300**
Provisions	-	-	-	-	-	**849,151**	**849,151**
Other liabilities	-	-	-	-	-	**1,209,824**	**1,209,824**
Total liabilities	**6,346,152**	**8,941,695**	**9,200,081**	**11,418,724**	**6,372,355**	**23,040,943**	**65,319,950**
Total liquidity gap	**(2,503,520)**	**(5,325,895)**	**(2,089,808)**	**1,886,885**	**23,396,430**	**(13,104,136)**	**2,259,956**

We believe that the gap structure in the tables above is typical for a bank engaged principally in retail banking, with negative gaps across all maturity categories, caused by demand deposits and continually maturing short-term liabilities which tend to have a higher turnover than assets, but which are continually rolled over. However, our policy is to maintain contingent liquidity sources to cover financing needs should they arise, including maintaining a reserve of liquid assets that qualify as eligible collateral by the ECB. At December 31, 2016, the amount of assets included and valued in line with ECB policy amounted to €21.9 billion, of which €14.5 billion were available, representing 38.3% of total assets.

This significant volume of liquid assets should allow us to manage the coming maturities (€2.6 billion in 2017 and €0.8 billion in 2018).

We also have contingent obligations which may affect our cash requirements. Most of these relate to credit facilities with agreed limits.

We also hold a reserve of liquid assets that would better enable us to face an unexpected liquidity contingency. Our portfolio of liquid assets is mainly composed of:

- balances at central banks and credit institutions;
- securities acquired under short-term repurchase agreements;
- fixed income securities discountable at the ECB; and
- listed equity securities.

In addition, we have the capacity to issue covered bonds in an amount of €7.4 billion, with a total eligible portfolio of €20.0 billion, both as at December 31, 2016 and territorial bonds to obtain new funding if required. We believe we have comfortable liquidity and funding ratios with an LCR of 410% and an NSFR of 125% as at December 31, 2016, calculated in accordance with the Basel III Framework which entered into force in January 1, 2014.

Regulatory capital

We are subject to the legislation and regulations governing banking institutions in Spain, as set out in "*Regulation*" of this Prospectus and are regulated in accordance with the capital adequacy and liquidity requirements by the ECB.

We believe that our capital position is sufficient for our present requirements. At December 31, 2016, our total equity amounted to €3,569 million and CET1 capital amounted to €3,469 million as at December 31, 2016 (which includes €604 million CoCos FROB). This represents a surplus of €1,642 million over the current CET1 equity requirements of €1,826 million as at December 31, 2016, in accordance with the new European regulations established by Directive 2013/36/EQC (CRD IV) and EU Regulation No. 575/2013 (CRR) that entered into force in 2014. In addition, total CET1 ratios of 13.8% and 11.8% phased-in and fully-loaded, respectively, both above the 7.25% minimum CET1 ratio (on a phased-in basis) required by the SREP for 2017.

The following tables set out our total eligible equity, RWAs and leverage ratio for the periods indicated calculated in accordance with the Basel III Framework and as submitted to, and reviewed by, the ECB and Bank of Spain:

Total eligible equity

€ million unless otherwise stated	Years ended December 31		
	2016	**2015**	**2014**
Share capital	923	881	881
Share premium	1,141	1,133	1,133
Computable reserves	782	685	483
Computable minority interests	174	229	298
Cash-flow hedges	18	5	13
CoCos FROB	604	604	604
Other accumulated comprehensive results	40	150	297
Adjustment for unrealized gains	(29)	(101)	(327)
Other	(4)	(1)	-
Deductions(1)	(180)	(106)	(47)
CET1	**3,469**	**3,480**	**3,334**
Equity instruments issued other than capital	49	99	99
Deductions	(20)	(69)	(85)
Additional Tier 1 capital	**29**	**30**	**14**
Computable generic provisions	78	9	10
Subordinated debt	-	1	6
Deductions	(7)	(11)	(16)
Total computable equity	**3,569**	**3,510**	**3,348**
Total minimum equity requirement	**2,015**	**2,508**	**2,425**

Note:

(1) Deductions mainly comprise DTAs and Financial Stakes.

Risk Weighted Assets

€ million unless otherwise stated	Years ended December 31		
	2016	**2015**	**2014**
Risk Weighted Assets:			
Credit risk	23,164	24,833	27,196
Operational risk	1,986	2,225	3,041
Market risk	38	20	70
Total Risk Weighted Assets	25,188	27,178	30,307
CET1 ratio (phased-in) (%)	13.8	12.8	11.0
Tier 1 ratio (phased-in) (%)	13.9	12.9	11.0
Total capital ratio (phased-in) (%)	14.2	12.9	11.0
CET1 ratio (fully-loaded) (%)	11.8	11.1	10.3
Tier 1 ratio (fully-loaded) (%)	12.0	11.5	10.7
Total capital ratio (fully-loaded) (%)	12.4	11.5	10.7

Leverage ratio

€ million unless otherwise stated	Years ended December 31,		
	2016	**2015**	**2014**
Leverage ratio (phased-in) (%)	6.13	5.71	4.97

We rigorously attend to the management of the capital self-assessment process and solvency risk in order to maintain a prudent risk profile and balance, adequately preserving solvency, profitability and liquidity targets. For a description of the risk management processes, see "*Risk Management*".

The policies, methods and procedures relating to overall risk management are approved by the Board of Directors. The Audit and Compliance Commission, the Risk Commission, the ALCO, the internal audit department and the comprehensive risk control department are responsible for ensuring adequate compliance with those policies, methods and procedures, ensuring that they are adequate, are effectively implemented and reviewed on a regular basis.

As at December 31, 2016, 2015 and 2014 and throughout 2016, 2015 and 2014, we complied with the Minimum Reserves Ratio imposed by applicable Spanish regulations. In addition, as at December 31, 2016 we held a 13.8% CET1 ratio (phased-in) which compares with a 9.25% SREP requirement for 2016 and a 7.25% SREP requirement for 2017 (which includes both Pillar 1 and Pillar 2 requirements).

For further information on our regulatory requirements, please see "*Regulation*".

Off-balance sheet funds

See "*Selected Statistical and Other Information on Assets and Liabilities—Off-balance sheet funds*" for further details.

Funding

Our principal source of funding is our customer deposit base, which consists primarily of current and savings accounts and term deposits and is generated primarily through our retail banking network in Andalucía and Castilla y León. In addition, we complement the liquidity generated by our retail deposits through access to domestic and international capital markets and to the interbank market (overnight and term funding). However, as a result of the global economic and financial crisis which began in 2008, we, along with other banks in Spain and Europe, faced higher marginal funding costs and limited access to wholesale funding until 2014, which marked an improvement in wholesale market conditions. Other banks, however, pursued similar funding strategies, which generated significant competition for deposits; these higher interest rates on deposits adversely impacted net interest income. However, since mid-2013 deposit rates have steadily declined, following inter alia actions taken by the Bank of Spain to contain rates, and are expected to continue to decline in 2017.

We also have a number of short- and long-term funding programs in place, providing us with a diversity of funding sources, products, maturities and investors.

We also maintain a diversified portfolio of liquid and securitized assets, which can be pledged as collateral for financing from the ECB.

We have taken advantage of the financing provided by the ECB through its December 2011 and February 2012 LTROs, which offered financial institutions three-year loans at a discount, as well as the TLTRO taken on December 17, 2014. As at December 31, 2016 we had no ECB funding, whilst as at December 31, 2015 we had €2,417 million outstanding under TLTRO facilities, compared to €7,660 million outstanding as at December 31, 2014. In addition, we have taken €3.3 billion of funding in the recent TLTRO provided by the ECB.

See "*Selected Statistical and Other Information on Assets and Liabilities—Financial liabilities measured at amortized cost*" for details on our Core Customer Deposits.

Our average funding cost amounted to 0.66% as at December 31, 2016 which compared with 0.90% and 1.11% as at December 31, 2015 and 2014, respectively.

Set out below is a breakdown of the issuances included within our financial liabilities measured at amortized cost by Moody's credit rating at December 31, 2016, 2015 and 2014:

	At December 31,		
	2016	**2015**	**2014**
	€ million		
A1	222	681	100
A2	649	1,149	-
A3	584	584	1,569
Baa1	5,313	4,245	3,722
Baa2	-	660	3,943
Baa3	-	932	200
Ba1	-	-	1,024

Ca1	-	8	-
Ca2	-	-	8
Not rated	604	604	631
Total	**7,372**	**8,863**	**11,197**

Rating agencies assign us a rating and rate certain of the financial instruments we have issued for funding and capital management purposes. Our long-term debt is qualified as Ba3 with positive outlook since May 10, 2017 by Moody's, and BBB- with stable outlook since 7 August, 2014 by Fitch. Moody's also assigns Unicaja Banco's mortgage covered bonds with an A1 rating.

Set out below is a breakdown of the issuances included within our financial liabilities measured at amortized cost by year of maturity at December 31, 2016, 2015 and 2014:

	At December 31,		
	2016	**2015**	**2014**
		€ million	
2014	—	—	—
2015	—	—	2,136
2016	—	1,491	1,489
2017	1,370	1,370	1,370
2018	889	889	889
2019	668	668	668
2020	325	325	525
2021	690	690	690
2022	182	182	182
2023	300	300	300
2025	682	682	682
2027	560	560	560
2031	1,080	1,080	1,080
2048	22	22	22
Perpetual	604	604	604
Total	**7,372**	**8,863**	**11,197**

For more information on our funding please see "*Selected Statistical and Other Information on Assets and Liabilities—Financial liabilities measured at amortized cost*".

Critical Accounting Policies

See Note 2 of the 2016 Annual Accounts for our critical accounting policies.

SELECTED FINANCIAL AND OPERATING INFORMATION IN RELATION TO THE THREE MONTHS ENDED MARCH 31, 2017

The selected financial information as of and for the three months ended March 31, 2017 has been derived from, and should be read together with, our Consolidated Interim Financial Statements included elsewhere in this Prospectus. The selected financial information set out below is a summary only. It may not contain all the information that is important to prospective investors and is not necessarily indicative of our future results and, accordingly, should be read in conjunction with the sections entitled "Forward-Looking Statements", "Risk Factors", "Presentation of Financial and Other Information", "Business", "Selected Financial Information", "Capitalization and Indebtedness", "Selected Statistical and Other Information on Assets and Liabilities" and "Operating and Financial Review" included elsewhere in this Prospectus.

Certain of the information in the discussion and analysis set forth below and elsewhere in this document includes forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in or implied by these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this document, including under "Risk Factors".

Results of operations

Comparison of selected consolidated income statement movements for the three-month periods ended March 31, 2017 and 2016

The following table sets out the Group's consolidated income statement for the three-month periods ended March 31, 2017 and 2016.

€ million unless otherwise stated	Three months ended March 31,		Change	
	2017	**2016**		**%**
Consolidated income statement data		**€ million**		
Interest income	220.5	253.2	(32.7)	(12.9)
Interest expense	(75.5)	(118.4)	42.9	36.2
Share capital expense				
Net interest income	**145.0**	**134.8**	**10.2**	**7.6**
Dividend income	2.8	0.7	2.1	300.0
Loss/Profit of companies valued at equity method	3.6	4.6	(1.0)	(21.7)
Fee and commission income	58.1	61.0	(2.9)	(4.8)
Fee and commission expense	(5.5)	(7.9)	2.4	30.4
Gains/(Losses) on derecognition of financial assets and liabilities (net)	46.0	38.4	7.6	19.8
Gains/(Losses) on financial assets and liabilities (net) held for trading	(1.0)	1.6	(2.6)	(162.5)
Gains/(Losses) on financial assets and liabilities (net)	-	-	-	-
Gains/(Losses) resulting from hedging accounting (net)	0.1	0.1	0.0	0.0
Exchange differences (net)	0.3	(0.6)	0.9	150.0
Other operating income	45.9	122.0	(76.1)	(62.4)
Other operating expense	(14.7)	(10.0)	(4.7)	(47.0)
Insurance contracts income	-	6.8	(6.8)	(100.0)
Insurance contracts expense	-	(4.9)	4.9	100.0
Gross income	**280.6**	**346.6**	**(66.0)**	**(19.0)**
Administration costs	(148.3)	(153.6)	5.3	3.5
Staff expense	(101.3)	(107.3)	6.0	5.6
Other administration costs	(47.0)	(46.3)	(0.7)	(1.5)
Amortization	(11.3)	(11.9)	0.6	5.0
Provisions or reversal of provisions	5.2	9.7	(4.5)	(46.4)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(31.5)	(75.4)	43.9	58.2
Financial assets at cost value	(5.0)	(0.9)	(4.1)	(455.6)
Available-for-sale financial assets	-	0.0	-	-
Loans and receivables	(26.5)	(74.5)	48.0	64.4

Held-to-maturity investments	-	-		
Net operating income	**94.7**	**115.4**	**(20.7)**	**(17.9)**
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	(0.5)	-	(0.5)	(100.0)
Impairment or reversal of impairment of non-financial assets	(12.0)	(8.8)	(3.2)	(36.4)
Tangible assets	(7.4)	(0.8)	(6.6)	(825.0)
Intangible assets	-	-	-	-
Other	(4.6)	(8.0)	3.4	42.5
Gains/(Losses) on derecognized of non-financial assets and subsidiaries (net)	0.3	0.2	0.1	50.0
Of which: Investments in related parties	0.0	0.0	0.0	0.0
Negative goodwill recognized in profit or loss	-	-	-	-
Profit or loss from non-current assets and disposals groups classified as held for sale not qualifying as discontinued	(8.3)	(3.7)	(4.6)	(124.3)
Operating profit before tax	**74.2**	**103.2**	**(29.0)**	**(28.1)**
Tax expense or income related to profit or loss from continuing operations	(23.4)	(29.7)	6.3	21.2
Profit/(Loss) from continuing operations	**50.7**	**73.5**	**(22.8)**	**(31.0)**
After tax Profit/(Loss) from discontinued operations	-	-	-	-
Profit	**50.8**	**73.5**	**(22.7)**	**(30.9)**
Attributable to minority interests (non-controlling interest)	(1.2)	(4.5)	3.3	73.3
Attributable to owners of the parent	52.0	78.0	(26.0)	(33.3)

Interest income

Interest income decreased by €32.7 million, or 12.9%, from €253.2 million for the three months ended March 31, 2016 to €220.5 million for the three months ended March 31, 2017. This decrease was primarily due to the lower contribution from our debt securities portfolio and loans and advances to customers.

The following table sets out the principal components of the Group's interest income for the periods indicated:

€ million unless otherwise stated	**Three months ended March 31,**		**Change**	
	2017	**2016**		**(%)**
Cash, cash balances at central banks and other demand deposits	-	-	-	-
Deposits with credit institutions	0.4	0.5	(0.1)	(20.0)
Money market operations through counterparties	-	(0.7)	0.7	100.0
Loans and advances to customers	158.4	185.0	(26.6)	(14.4)
Debt securities	50.6	60.9	(10.3)	(16.9)
Non-performing assets	4.9	5.4	(0.5)	(9.3)
Rectification of revenues arising from accounting hedges	1.2	0.7	0.5	71.4
Insurance contracts related to pensions and similar obligations	0.5	0.5	0.0	0.0
Other revenues	4.6	1.0	3.6	360.0
Total interest income	**220.5**	**253.2**	**(32.7)**	**(12.9)**

Interest income from loans and advances to customers decreased by €26.6 million, or 14.4%, from €185 million for the three months ended March 31, 2016 to €158.4 million for the three months ended March 31, 2017. This decrease was primarily due to the ongoing repricing of the loan book at lower rates (due to the lower reference rates) and the ongoing deleveraging of the loan book. In addition, interest income from loans accounted for 71.8% of total interest income million for the three months ended March 31, 2017 compared to 73.1% for the three months ended March 31, 2016.

Interest income from debt securities decreased by €10.3 million, or 16.9%, from €60.9 million for the three months ended March 31, 2016 to €50.6 million for the three months ended March 31, 2017. This decrease was primarily due to the slightly lower size of the debt portfolio combined with it accruing interest at lower yield. In addition, interest income from debt securities accounted for 22.9% of total interest income million for the three months ended March 31, 2017 compared to 24.1% for the three months ended March 31, 2016.

Our Customer Spread remained resilient at 2.07% for the three months ended March 31, 2017 (it was 2.07% for the year ended December 31, 2016) and we believe that the repricing of existing term deposits at lower costs continues to give us a cushion with which to manage our Customer Spread.

Interest expense

Interest expense decreased by €42.9 million, or 36.2%, from €118.4 million for the three months ended March 31, 2016 to €75.5 million for the three months ended March 31, 2017. This decrease was primarily due to the lower cost of customer deposits.

The following table sets out the principal components of the Group's interest expense for the periods indicated:

€ million unless otherwise stated	**Three months ended March 31,**		**Change**	
	2017	**2016**		**(%)**
Deposits from central banks	-	0.6	(0.6)	(100.0)
Deposits from credit institutions	1.6	1.6	0.0	0.0
Money market operations through counterparties	-	0.4	(0.4)	(100.0)
Customer deposits	87.1	130.4	(43.3)	(33.2)
Debt securities issued	0.0	6.3	(6.3)	(100.0)
Subordinated liabilities	14.5	13.9	0.6	4.3
Rectification of costs arising from accounting hedges	(30.2)	(36.8)	6.6	(17.9)
Costs attributable to pension funds arranged	0.8	0.7	0.1	14.3
Other interests	1.7	1.3	0.4	30.8
Total interest expense	**75.5**	**118.4**	**(42.9)**	**(36.2)**

Interest expense from customer deposits, decreased by €43.3 million, or 33.2%, from €130.4 million for the three months ended March 31, 2016 to €87.1 million for the three months ended March 31, 2017. This decrease was primarily due to the repricing of customers deposits at lower cost and the higher share of sight deposits.

Interest expense from debt securities issued decreased by €6.3 million, or 100%, from €6.3 million for the three months ended March 31, 2016 to €0 million for the three months ended March 31, 2017. This decrease was primarily due to the lower cost of debt securities issued.

Dividend income

Dividend income increased by €2.1 million, or 300%, from €0.7 million for the three months ended March 31, 2016 to €2.8 million for the three months ended March 31, 2017. This increase was primarily due to the higher dividend contribution from equity stakes.

Loss/Profit of companies valued at equity method

The result of companies valued at equity method income decreased by €1.0 million, or 21.7%, from €4.6 million for the three months ended March 31, 2016 to €3.6 million for the three months ended March 31, 2017.

The following table sets out the evolution of the principal components of the Group's loss/profit of companies valued at equity method for the periods indicated:

€ million unless otherwise stated	**Three months ended March 31,**		**Change**	
	2017	**2016**		*(%)*
Autopista del Sol, Concesionaria Española, S.A.	(0.3)	(1.7)	1.4	82.4
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.	4.0	7.2	(3.2)	(44.4)
Hidralia, Gestión Integral de Aguas de Andalucía, S.A.	0.3	0.3	0.0	0.0
Deoleo, S.A.	(0.3)	(0.6)	0.3	50.0
Sociedad Municipal de Aparcamientos y Servicios, S.A.	0.2	0.1	0.1	100.0
Autopista del Guadalmedina, Concesionaria Española, S.A.	(0.5)	(0.6)	0.1	16.7
Aciturri Aeronáutica, S.L.	-	-	-	-
Results from other companies	0.3	(0.2)	0.5	250.0
Loss/Profit of companies valued at equity method(1)	**3.6**	**4.6**	**(1.0)**	**(21.7)**

Note:

(1) Includes the share of net income that corresponds to the Group of the results of equity-consolidated entities

Fee and commission income

Fee and commission income decreased by €2.9 million, or 4.8%, from €61 million for the three months ended March 31, 2016 to €58.1 million for the three months ended March 31, 2017. This decrease was primarily due to lower fees relating to marketing of non-financial products (please refer to "*Business—Our Strategy*").

The following table sets out the principal components of the Group's fee and commission income for the periods indicated:

€ million unless otherwise stated	**Three months ended March 31,**		**Change**	
	2017	**2016**		**(%)**
Fees relating to contingent risks	1.5	1.9	(0.4)	(21.1)
Fees relating to contingent commitments	0.6	0.7	(0.1)	(14.3)
Fees relating to collection and payment services	31.7	27.4	4.3	15.7
Fees relating to investment and complementary activities	9.8	9.5	0.3	3.2
Fees relating to foreign currency and note exchange	0.1	0.1	0.0	0.0
Fees relating to marketing of non-bank financial products	12.7	15.2	(2.5)	(16.4)
Other commissions	1.6	6.1	(4.5)	(73.8)
Total fee and commission income	**58.1**	**61.0**	**(2.9)**	**(4.8)**

Fee and commission expense

Fee and commission expense decreased by €2.4 million, or 30.4%, from €7.9 million for the three months ended March 31, 2016 to €5.5 million for the three months ended March 31, 2017. This decrease is explained in the following table, which sets out the principal components of the Group's fee and commission expense for the periods indicated:

€ million unless otherwise stated	**Three months ended March 31,**		**Change**	
	2017	**2016**		**(%)**
Debit and credit operations	0.2	0.1	0.1	100.0
Commissions ceded to other banks and correspondent banks	2.3	2.5	(0.2)	(8.0)
Commission expense on securities transactions	0.6	0.3	0.3	100.0
Other commissions	2.3	4.9	(2.6)	(53.1)
Total fee and commission expense	**5.5**	**7.9**	**(2.4)**	**(30.4)**

Gains/(Losses) on financial assets and liabilities (net)

Gains/(Losses) on financial assets and liabilities (net) increased by €4.9 million, or 12.2%, from €40.1 million for the three months ended March 31, 2016 to €45.0 million for the three months ended March 31, 2017. This increase was primarily due to the active management of the available-for-sale financial assets portfolio.

The following table sets out the principal components of the Group's results on financial assets and liabilities for the periods indicated:

€ million unless otherwise stated	**Three months ended March 31,**		**Change**	
	2017	**2016**		**(%)**
Financial assets held for trading	(1.0)	1.6	(2.6)	(162.5)
Available-for-sale financial assets	46.0	38.4	7.6	19.8
Equity instruments	1.3	(0.3)	1.6	533.3
Debt	44.7	38.7	6.0	15.5
Credit investments	-	-	-	-
Held-to-maturity investments	-	-	-	-
Financial liabilities at amortized cost	-	-	-	-
Hedging derivatives	0.1	0.1	0.0	0.0
Gains/(Losses) on financial assets and liabilities(1)	**45.0**	**40.1**	**4.9**	**12.2**

Note:

(1) Gains/(Losses) on financial assets and liabilities (net) mainly comprises disposal operations of the abovementioned categories.

Other operating income

Other operating income decreased by €76.1, or 62.4%, million from €122.0 million for the three months ended March 31, 2016 to €45.9 million for the three months ended March 31, 2017. This decrease was primarily due to the signing of an exclusive distribution agreement for certain types of non-life insurance with Caser (€98.1 million), which was accounted during the first three months of 2016.

The following table sets out the principal components of the Group's other operating income for the periods indicated:

€ million unless otherwise stated	**Three months ended March 31,**		**Change**	
	2017	**2016**		**(%)**
Income from property investments	3.9	3.4	0.5	14.7
Commissions offsetting direct costs	0.8	0.7	0.1	14.3
Sales and income from non-financial services(1)	10.2	7.1	3.1	43.7
Other(2)	31	110.8	(79.8)	(72.0)
Other operating income	**45.9**	**122.0**	**(76.1)**	**(62.4)**

Notes:

(1) Non-financial services includes insurance and asset management.

(2) Includes a one-off decrease of €97million related to the signing of the exclusive distribution agreement of non-life products with Caser.

Other operating expense

Other operating expenses increased by €4.7 million, or 47%, from €10.0 million for the three months ended March 31, 2016 to €14.7 million for the three months ended March 31, 2017. This increase was primarily due to the higher operating expenses in the non-financial companies integrated in the Group.

The following table sets out the principal components of the Group's other operating expense for the periods indicated:

€ million unless otherwise stated	Three months ended March 31,		Change	
	2017	2016		(%)
Expenses from property investments	0.5	0.2	0.3	150.0
Contribution to the Guarantee Deposit Fund	-	-	-	-
Contribution to the Single Resolution Fund	-	-	-	-
Other	14.2	9.8	4.4	44.9
Other operating expense	**14.7**	**10.0**	**4.7**	**47.0**

Administration costs

Administration costs decreased by €5.3 million, or 3.5%, from €153.6 million for the three months ended March 31, 2016 to €148.3 million for the three months ended March 31, 2017. This decrease was primarily due to lower staff costs following the ongoing restructuring of the Group.

The following table sets out the principal components of the Group's administration costs for the periods indicated:

€ million unless otherwise stated	Three months ended March 31,		Change	
	2017	2016		(%)
Staff costs	101.3	107.3	(6.0)	(5.6)
Other general administration costs	47.0	46.3	0.7	1.5
Administration costs	**148.3**	**153.6**	**(5.3)**	**(3.5)**

The following table sets out the principal components of the Group's staff costs for the periods indicated:

€ million unless otherwise stated	Three months ended March 31,		Change	
	2017	2016		(%)
Wages and salaries	75.5	80.6	(5.1)	(6.3)
Social security costs	19.4	22.4	(3.0)	(13.4)
Appropriations to defined benefit pension plans	0.1	0.1	0.0	0.0
Appropriations to defined contribution pension plans	2.8	2.5	0.3	12.0
Severance payments	0.1	1.0	(0.9)	(90.0)
Staff training expenses	0.4	0.3	0.1	33.3
Other staff costs	3.0	0.3	2.7	900.0
Staff costs	**101.3**	**107.3**	**(6.0)**	**(5.6)**

The following table sets out the principal components of the Group's other general administration costs for the periods indicated:

€ million unless otherwise stated	Three months ended March 31,		Change	
	2017	2016		(%)
Buildings and facilities	7.3	7.3	0.0	0.0
Rent	2.4	2.2	0.2	9.1
Information technologies	6.5	6.8	(0.3)	(4.4)
Communications	5.6	5.6	0.0	0.0
Advertising	3.4	2.9	0.5	17.2
Legal costs	0.6	1.0	(0.4)	(40.0)
Technical reports	2.0	2.7	(0.7)	(25.9)

Security services	2.2	2.3	(0.1)	(4.3)
Insurance premiums	0.4	0.4	0.0	0.0
Governing bodies	0.9	1.3	(0.4)	(30.8)
Representation costs	1.0	1.3	(0.3)	(23.1)
Association charges	1.4	1.1	0.3	27.3
Outsourcing	0.0	0.4	(0.4)	(100.0)
Taxes	8.1	8.6	(0.5)	(5.8)
Other items	5.0	2.4	2.6	108.3
Other general administration costs	**47.0**	**46.3**	**0.7**	**1.5**

Further to the information contained in "*Business—Key Strengths—Further earnings normalization potential alongside synergies' extraction from EspañaDuero integration—Further cost rationalization and extraction of synergies from the integration of EspañaDuero*" and "*Business—Our Strategy—Strategic Pillars & Key Levers—Realization of synergies arising from the full integration of EspañaDuero*", we reduced our number of branches and employees from 1,280 and 7,560, respectively, as at December 31, 2016 to 1,259 and 7,353, respectively, as at March 31, 2017.

Provisions or reversal of provisions

Provisions or reversal of provisions decreased by €4.5 million, or 46.4%, from €9.7 million for the three months ended March 31, 2016 to €5.2 million for the three months ended March 31, 2017. This decrease was primarily due to the lower reversal of provisions.

Impairment or reversal of impairment on financial assets

Impairment losses on financial assets (net) decreased by €43.9 million, or 58.2%, from €75.4 million for the three months ended March 31, 2016 to €31.5 million for the three months ended March 31, 2017. This decrease was primarily due to lower provisions related to loans and receivables, especially from lower provisions related to litigation on clauses that set minimum interest rate on mortgages.

The following table sets out the principal components of our impairment or reversal of impairment on financial assets not measured at fair value through profit or loss for the periods indicated:

€ millions unless otherwise stated	**Three months ended March 31,**		**Change**	
	2017	**2016**		**(%)**
Loans and receivables	26.5	74.5	(48.0)	(64.4)
Financial assets measured at cost	5.0	0.9	4.1	455.6
Held-for-sale financial assets	-	-	-	-
Held-to-maturity investments	-	-	-	-
Impairment losses or reversal of impairment on financial assets	**31.5**	**75.4**	**(43.9)**	**(58.2)**

Impairment or reversal of impairment on non-financial assets

Impairment or reversal of impairment on non-financial assets, primarily relating to the Company's stakes in non-financial institutions, increased by €3.2 million, or 36.4%, from negative €8.8 million for the three months ended March 31, 2016 to negative €12.0 million for the three months ended March 31, 2017. This increase was primarily due to the higher provisions related to tangible assets.

Tax expense or income related to profit or loss from continuing operations

Tax expense or income related to profit or loss from continuing operations decreased by €6.3 million, or 21.2%, from €29.7 million for the three months ended March 31, 2016 to €23.4 million for the three months ended March 31, 2017. This decrease was primarily due to the lower operating income before tax.

The following table sets out the reconciliation of the accounting and tax results for the periods indicated:

€ million unless otherwise stated	Three months ended March 31, 2017	2016	Change	(%)
Profit before tax	74.1	103.2	(29.1)	(28.2)
Income tax (tax rate of 30%)	22.2	31.0	(8.8)	(28.4)
Due to eliminations in the consolidation process	-	-	-	-
Positive permanent differences	1.1	2.2	(1.1)	(50.0)
Negative permanent differences	-	(3.5)	3.5	100.0
Deductions and allowances	(0.0)	(0.0)	0.0	0.0
Income tax expense or income from continuing activities	**23.4**	**29.7**	**(6.3)**	**(21.2)**

The total amount for the main components of income tax expense/(income) in our consolidated income statement relates to the current expense/(income) for the year. No adjustments were made for current or deferred taxes or for any other circumstances established by tax legislation.

Comparison of selected consolidated balance sheet movements at March 31, 2017 and December 31, 2016

The following table sets out the Group's consolidated balance sheet as March 31, 2017 and December 31, 2016

€ million unless otherwise stated	At March 31, 2017	At December 31, 2016	Change	*(%)*
Assets				
Cash and balances at central banks and other demand	**1,703.6**	**861.7**	**841.9**	**97.7**
Financial assets held for trading	**59.5**	**78.3**	**(18.8)**	**(24.0)**
Available-for-sale financial assets	**3,576.1**	**5,403.3**	**(1,827.2)**	**(33.8)**
Of which:				
Other equity instruments	663.2	649.2	14.0	2.2
Debt securities	2,912.9	4,754.1	(1,841.2)	(38.7)
Loans and receivables	**33,369.4**	**31,643.0**	**1,726.4**	**5.5**
Of which:				
Debt securities	2,873.5	786.5	2,087.0	265.4
Deposits	30,495.9	30,856.5	(360.6)	(1.2)
Central banks	-	-	-	-
Credit institutions	150.8	170.2	(19.4)	(11.4)
Customers	30,345.2	30,686.2	(341.0)	(1.1)
Held-to-maturity investments	**11,119.5**	**12,907.6**	**(1,788.1)**	**(13.9)**
Hedging derivatives	**545.8**	**606.4**	**(60.6)**	**(10.0)**
Investments in subsidiaries, joint ventures and associates	**284.0**	**294.1**	**(10.1)**	**(3.4)**
Of which:				
Jointly-controlled entities	-	-	-	-
Associates	-	-	-	-
Insurance or reinsurance assets	-	-	-	-
Tangible assets	**1,422.4**	**1,437.8**	**(15.4)**	**(1.1)**
Of which:				
Property, plant and equipment for own use	994.5	1,010.5	(16.0)	(1.6)
Investment properties	427.9	427.4	0.5	0.1
Intangible assets	**0.8**	**0.8**	**0.0**	**0.0**
Of which:				
Goodwill	0.2	0.2	0.0	0.0
Other intangible assets	0.6	0.6	0.0	0.0
Tax assets	**2,539.5**	**2,585.7**	**(46.2)**	**(1.8)**

Of which:				
Current tax assets	20.8	51.1	(30.3)	(59.3)
Deferred tax assets	2,518.7	2,534.6	(15.9)	(0.6)
Other assets	**627.3**	**659.9**	**(32.6)**	**(4.9)**
Of which:				
Insurance contracts linked to pensions	138.7	138.2	0.5	0.4
Inventory	449.3	480.5	(31.2)	(6.5)
Other assets	39.3	41.2	(1.9)	(4.6)
Non-current assets and disposal groups held for sale	**741.4**	**762.3**	**(20.9)**	**(2.7)**
Total assets	**55,989.3**	**57,240.8**	**(1,251.5)**	**(2.2)**
<u>Memorandum items</u>				
Financial guarantees given	1,043.1	1,065.8	(22.7)	(2.1)
Contingent commitments	3,592.8	2,901.8	691.0	23.8

€ million unless otherwise stated	**At March 31,**	**At December 31,**	**Change**	
	2017	**2016**		*(%)*
Liabilities				
Financial liabilities held for trading	**31.6**	**50.8**	**(19.2)**	**(37.8)**
Financial liabilities measured at amortized cost	**51,610.6**	**52,729.3**	**(1,118.7)**	**(2.1)**
Of which:				
Deposits	49,915.9	50,996.1	(1,080.2)	(2.1)
Central banks	3,340.4	-	3,340.4	100.0
Credit institutions	1,243.2	2,464.2	(1,221.0)	(49.5)
Customer deposits	45,332.3	48,532.0	(3,199.7)	(6.6)
Debt securities issued	813.9	814.0	(0.1)	(0.0)
Other financial liabilities	880.9	919.3	(38.4)	(4.2)
Pro memoria: Subordinated liabilities	-	-	-	-
Hedging derivatives	**34.1**	**49.9**	**(15.8)**	**(31.7)**
Liabilities under insurance contracts	**4.0**	**4.0**	**0.0**	**0.0**
Provisions	**677.6**	**707.0**	**(29.4)**	**(4.2)**
Of which:				
Pensions and other post-employment commitments	174.6	174.3	0.3	0.2
Other long-term staff retributions	144.5	152.1	(7.6)	(5.0)
Provisions for taxes and other legal contingencies	-	-	-	-
Contingent liabilities and commitments	109.1	116.0	(6.9)	(5.9)
Other provisions	249.3	264.7	(15.4)	(5.8)
Tax liabilities	**226.9**	**239.1**	**(12.2)**	**(5.1)**
Of which:				
Current tax liabilities	11.0	13.6	(2.6)	(19.1)
Deferred tax liabilities	215.9	225.5	(9.6)	(4.3)
Other liabilities	**255.0**	**277.4**	**(22.4)**	**(8.1)**
Of which: Fondo de la obra social	-	-	-	-
Total Liabilities	**52,839.8**	**54,057.7**	**(1,217.9)**	**(2.3)**
Shareholders' funds	2,922.0	2,918.4	3.6	0.1
Accumulated other comprehensive income	24.3	34.6	(10.3)	(29.8)
Minority interests (non-controlling interest)	203.2	230.0	(26.8)	(11.7)
Total equity	**3,149.5**	**3,183.1**	**(33.6)**	**(1.1)**
Total liabilities and equity	**55,989.3**	**57,240.8**	**(1,251.5)**	**(2.2)**

Financial assets held for trading

Financial assets held for trading decreased by €18.8 million, or 24%, from €78.3 million at December 31, 2016 to €59.5 million at March 31, 2017. This decrease was primarily due to the maturity of certain cross currency swaps.

Available-for-sale financial assets

Available-for-sale financial assets decreased by €1,827.2 million, or 33.8%, from €5,403.3 million at December 31, 2016 to €3,576.1 million at March 31, 2017. This decrease was primarily due to the forward sale of part of the Spanish public debt portfolio driven by the active management of this portfolio.

The following table sets out the principal components of the Group's available-for-sale financial assets at the dates indicated:

€ millions unless otherwise stated	At March 31, 2017	At December 31, 2016	Change	(%)
Debt securities	**2,912.9**	**4,754.1**	**(1,841.2)**	**(38.7)**
Spanish sovereign debt	2,232.3	4,091.8	(1,859.5)	(45.4)
Foreign government securities	146.8	150.1	(3.3)	(2.2)
Issued by financial institutions	131.6	131.0	0.6	0.5
Other debt securities	402.2	381.3	20.9	5.5
Equity instruments	**663.2**	**649.2**	**14.0**	**2.2**
Listed equity	356.5	310.8	45.7	14.7
Unlisted equity	306.7	338.4	(31.7)	(9.4)
Available-for-sale financial assets	**3,576.1**	**5,403.3**	**(1,827.2)**	**(33.8)**

Spanish sovereign debt decreased by €1,859.5 million, or 45.4%, from €4,091.8 million at December 31, 2016 to €2,232.3 million at March 31, 2017. This decrease was primarily due to the sale of €2.8 billion of the portfolio to generate capital gains which was partially offset by the acquisition of €0.9 billion of new Spanish sovereign debt.

In the context of the bancassurance reorganization, Unicaja Banco granted on May 9, 2017 a pledge over Spanish sovereign debt securities amounting to €358,025,000 and with a nominal value of €375,975,776. See "*Material Contracts—Bancassurance reorganization*" for further information.

Loans and receivables

Loans and receivables increased by €1,726.4 million, or 5.5%, from €31,643.0 million at December 31, 2016 to €33,369.4 million at March 31, 2017. This increase was primarily due to the accounting within debt securities of €2.1 billion of renewed SAREB bonds which were previously classified within the held to maturity portfolio.

The following table sets out the principal components of the Group's loans and receivables at the dates indicated:

€ million unless otherwise stated	At March 31, 2017	At December 31, 2016	Change	*(%)*
Debt securities	2,873.5	786.5	2,087.0	265.4
Deposits	30,495.9	30,856.5	(360.6)	(1.2)
Central banks	-	-	-	-
Credit institutions	150.8	170.2	(19.4)	(11.4)
Customer	30,345.2	30,686.2	(341.0)	(1.1)
Loans and receivables	**33,369.4**	**31,643.0**	**1,726.4**	**5.5**

Deposits from customers decreased by €341 million, or 1.1%, from €30,686.2 million at December 31, 2016 to €30,345.2 million at March 31, 2017. This decrease was primarily due to maturities which have been mostly offset by an increase in new loan production.

The following table sets forth below our credit exposure as at the dates indicated:

€ millions unless otherwise stated	**At March 31, 2017**	**At December 31, 2016**	**Change**	**(%)**
Public administrations	**2,264**	**2,160.0**	**104.0**	**4.8**
Companies	**7,368**	**7,263.0**	**105.0**	**1.4**
Real estate development and/or construction purposes	1,066	1,175.0	(109.0)	(9.3)
Construction purposes not related to real estate development	333.0	363.0	(30.0)	(8.3)
Other Purposes	5,969.0	5,725.0	244.0	4.3
Large Corporates	1,785.0	1,435.0	350.0	24.4
SME, small retailers and entrepreneurs	4,184.0	4,289.0	(105.0)	(2.4)
Individuals	**20,614.0**	**20,844.0**	**(230.0)**	**(1.1)**
Mortgages	17,904.0	18,127.0	(223.0)	(1.2)
Other loans	2,710.0	2,716.0	(6.0)	(0.2)
Other	**2,034.0**	**2,463.0**	**(429.0)**	**(17.4)**
Securities acquired under repurchase agreements	-	2,0780.	-	-
Other financial assets	-	385.0.0	-	-
Total gross loans to customers	**32,280.0**	**32,730.0**	**(450.0)**	**(1.4)**
Provisions and valuation adjustments	**(1,934.8)**	**(2,043.8)**	**109.0**	**5.3**
Net loans	**30,345.2**	**30,686.2**	**(341.0)**	**(1.1)**

Following the trend set out in "*Business—Key Strengths—Further earnings normalization potential alongside synergies' extraction from EspañaDuero integration—New lending business growth*" and "*Business—Our Strategy—Strategic Pillars & Key Levers—Credit growth in more profitable segments*", in the three months ended March 31, 2017, we have seen our total gross loans stabilize (registering a decrease of 1.1% from December 31, 2016) and our new loan production increase by 92% (from €455 million in the three months ended December 31, 2016 to €874 million in the three months ended March 31, 2017), with an encouraging proportion of these increases coming in the more profitable Corporates, SME and consumer finance sectors (where we saw increases of 304%, 38% and 33%, respectively, over the same period). As at March 31, 2017, the average loan yields for new loans to SMEs and consumer finance for the three months then ended were 2.37% and 5.24%, respectively, which was higher than our average yield on our total gross new loans (2.20%) given that the average yield for new mortgages was 2.03% and for new loans to corporates was 1.65% for the same period. This is also positive as these new loans had higher average yields than the loans in our back book to corporates and SMEs, mortgages and consumers, which for the three months ended March 31, 2017 had average yields of 2.07%, 1.81% and 4.88%, respectively.

The interests accrued during the periods of three months ended 31 March 2017 and 2016 for loans to customers have been €166 million and €193 million, respectively, and are included in interest and similar income in the consolidated income statement.

The following table sets forth below the amount of non-performing loans as at the dates indicated:

€ millions unless otherwise stated	**At March 31, 2017**	**At Decembe r 31, 2016**	**Change**	**(%)**
Public administrations	**12.0**	**10.0**	**2.0**	**20.0**
Companies	**1,329. 0**	**1,498.0**	**(169.0)**	**(11.3)**
Real estate development and/or construction purposes	464.0	503.0	(39.0)	(7.8)

Construction purposes not related to real estate development	38.0	69.0	(31.0)	(44.9)
Other Purposes	826.0	926.0	(100.0)	(10.8)
Large Corporates	*58.0*	*94.0*	*(36.0)*	*(38.3)*
SME, small retailers and entrepreneurs	*768.0*	*832.0*	*(64.0)*	*(7.7)*
Individuals	**1,691.0**	**1,707.0**	**(16.0)**	**(0.9)**
Mortgages	1,339.0	1,382.0	(43.0)	(3.1)
Other loans with collateral	-	-	-	-
Other loans	352.0	325.0	27.0	8.3
Other	-	-	-	-
Securities acquired under repurchase agreements	-	-	-	-
Other financial assets	-	-	-	-
Total NPLs	**3,032.0**	**3,215.0**	**(183.0)**	**(5.7)**

We continued to see the trends set out in "*Business—Our Strategy—Strategic Pillars & Key Levers—Efforts to reduce our NPL portfolio and proactive management and disposal of foreclosed assets—Reduction of our NPL portfolio*" as we reduced our NPLs by €183 million in the three months ended March 31, 2017, restructuring in an NPL ratio of 9.4% (versus 9.8% as at 31 December, 2016) whilst maintaining our NPL coverage ratio at 50.1% as at such date. We also noted an increase in cash recoveries for the three months ended March 31, 2017 (€200 million) compared to the three-month period from October 31, 2016 to December 31, 2016 (€140 million).

Refinancing operations, refinanced and restructured loans

The table below sets out the information on refinancing operations, refinanced and restructured loans, which represented 8.7% and 9.0% of our gross loans as at March 31, 2017 and December 31, 2016, respectively, with coverage ratios of 35.5% and 35.2%, respectively:

	At March 31, 2017		**At December 31, 2016**	
€ million	**Gross amount**	**Specific coverage**	**Gross amount**	**Specific coverage**
Total	2,821	(1,001)	2,949	(1,037)
of which doubtful	*1,811*	*(784)*	*1,912*	*(817)*

Foreclosed assets

Set out below is certain information regarding our foreclosed assets at March 31, 2017:

€ millions unless otherwise stated	**At March 31, 2017**	**At December 31, 2016**	**Change**	**(%)**
Real Estate assets from fund intended to	**1,462.0**	**1,522.0**	**(60.0)**	**(3.9)**
Buildings completed	*391.0*	*419.0*	*(28.0)*	*(6.7)*
Buildings under construction	*186.0*	*183.0*	*3.0*	*1.6*
Land	*885.0*	*920.0*	*(35.0)*	*(3.8)*
Real Estate from mortgage financing	**652.0**	**661.0**	**(9.0)**	**(1.4)**
Other Real Estate assets	**398.0**	**385.0**	**13.0**	**3.4**
Equity instruments, shares in and financing granted to entities holding	**20.0**	**20.0**	**0.0**	**0.0**

real estate assets............				
Foreclosed assets............	**2,533.0**	**2,588.0**	**(55.0)**	**(2.1)**

Foreclosed assets decreased by €55 million, or 2.1%, from €2,588 million at December 31, 2016 to €2,533 million at March 31, 2017. This decrease was primarily due to the disposal of real estate foreclosed assets.

Set out below is certain information regarding our foreclosed assets at March 31, 2017:

(*€ millions unless otherwise stated*)	**Gross cost of acquisition**	**Net book value of assets**	**Coverage**	**Coverage ratio (%)**
Real Estate assets from fund intended to............	1,462.0	468.0	994.0	68.0
Buildings completed............	*391.0*	*187.0*	*204.0*	52.2
Buildings under construction............	*186.0*	*72.0*	*113.0*	*61.0*
Land............	*885.0*	*209.0*	*676.0*	76.4
Real Estate from mortgage financing............	652.0	321.0	332.0	50.9
Other Real Estate assets............	398.0	146.0	252.0	63.4
Equity instruments, shares in and financing granted to entities holding real estate assets............	20.0	5.0	15.0	74.5
Total	**2,533.0**	**940.0**	**1,593.0**	**62.9**

We continued to make disposals of foreclosed assets in greater amounts and with better results than those recorded in previous periods as set out in "*Business—Our Strategy—Strategic Pillars & Key Levers—Efforts to reduce our NPL portfolio and proactive management and disposal of foreclosed assets—Active management and disposal of foreclosed assets*". In the three months ended March 31, 2017 we sold gross foreclosed assets totaling €93.5 million, generating gains (after releasing provisions attached to these assets) of €25.5 million, equal to 49% of the gains made in the entire year ended December 31, 2016. These disposals were made at discounts to appraisal value of 9%. The table below sets forth certain information with regard to our real estate commercial activity for the three months ended March 31, 2017.

(€ in millions)	**For the three months ended March 31, 2017**
Gross sales	**93.5**
Sales margin	**(37.7)**
Allocated provisions	**63.2**
Gain / (Loss)	**25.5**
% Gain / Gross sales	27.2%
% Gain / Allocated provisions	40.3%

Held-to-maturity investments

Held-to-maturity investments decreased by €1,788.1 million, or 13.9%, from €12,907.6 million at December 31, 2016 to €11,119.5 million at March 31, 2017. This decrease was primarily due to the maturity of part of the SAREB bonds which have been now classified as debt securities within loans and receivables. The change in accounting criteria was driven by the nature of the SAREB bonds which are not listed and therefore difficult to get a mark to market valuation so Unicaja has decided to account them at amortized cost with its valuation changes having no impact on revaluation reserves.

The following table sets out the principal components of the Group's held-to-maturity investments at the dates indicated:

€ millions unless otherwise stated	At March 31, 2017	At December 31, 2016	Change	(%)
Spanish government securities	7,821.0	7,577.9	243.1	3.2
Foreign government securities	1,520.0	1,268.3	251.7	19.8
Other Spanish government securities	450.8	416.8	34.0	8.2
Issued by financial institutions	133.9	181.5	(47.6)	(26.2)
Other fixed-income securities	1,193.8	3,463.1	(2,269.3)	(65.5)
Held-to-maturity investments	**11,119.5**	**12,907.6**	**(1,788.1)**	**(13.9)**

Tax assets

Tax assets decreased by €46.2 million, or 1.8%, from €2,585.7 million at December 31, 2016 to €2,539.5 million at March 31, 2017. This decrease was primarily due to the utilisation of tax assets in the quarter.

Financial liabilities at amortized cost

Financial liabilities at amortized costs decreased by €1,118.7 million, or 2.1%, from €52,729.5 million at December 31, 2016 to €51,610.6 million at March 31, 2017. This decrease was primarily due to the €3.2 billion decrease in assets sold under repurchase agreements and deposits from credit institutions partially offset by the €3.3 billion increase in deposits from central banks.

The following table sets out the principal components of the Group's financial liabilities at amortized cost at the dates indicated:

	At December 31,			
	At March 31, 2017		At December 31, 2016[1]	
	€ million	%	€ million	%
Core Customer Deposits	*36,218*	*70.2*	36,022	68.3
Term deposits	*11,116*	*21.5*	*11,500*	*21.8*
Current and savings accounts	*25,055*	*48.5*	*24,483*	*46.4*
Other	*47*	*0.1*	*39*	*0.1*
Deposits by central banks	3,340	*6.5*	-	0.0
Deposits by credit institutions	1,243	*2.4*	2,464	4.7
Covered bonds	*6,170*	*12.0*	6,370	12.1
Subordinated liabilities	614	*1.2*	614	1.2
Other funds[2]	4,025	*7.8*	7,259	13.8
Financial liabilities measured at amortized cost	**51,611**	**100.0**	**52,729**	**100.0**

Notes:

(1) In the 2016 Annual Accounts, approximately €2.1 billion of public administration deposits that were originally classified as term deposits have been classified as sight deposits as at March 31, 2017.

(2) Includes assets sold under repurchase agreements, debt securities issued, other financial liabilities and measurement adjustments.

Core Customer Deposits increased by €196 million, or 0.5% from €36,022.0 million at December 31, 2016 to €36,217.7 million at March 31, 2017. The increase is due to higher current and savings accounts balances.

Deposits from central banks increased by €3,340.4 million, from €0 million at December 31, 2016 to €3,340.4 million at March 31, 2017. This increase is explained by the €3.3 billion taken from the TLTRO facility.

Deposits from credit institutions decreased by €1,221 million, or 49.6%, from €2,464.2 million at December 31, 2016 to €1,243.2 million at March 31, 2017. This decrease was primarily due to the €1.3

billion decrease in assets sold under repurchase agreements accounted within deposits from credit institutions.

Other funds decreased by €3,234 million, or 44.6%, from €7,259.2 million at December 31, 2016 to €4,025.5 million at March 31, 2017. This decrease was primarily due to the decrease in assets sold under repurchase agreements.

The interests accrued on Core Customer Deposits and covered bonds during the three-month periods ended March 31, 2017 and 2016 amounted to €87 million and €130 million, respectively, which are recorded under interest and charges assimilated in the consolidated income statement.

Provisions

Provisions decreased by €29.4 million, or 4.2%, from €707.0 million at December 31, 2016 to €677.6 million at March 31, 2017. This decrease was primarily due to the utilization of provisions related to the ongoing restructuring process.

The following table sets out the principal components of our provisions, excluding €370 million of existing provisions for clauses which set minimum interest rates for mortgages in Spain which are recorded within provisions for loan losses, for the periods indicated:

€ million	**Pensions and similar obligations**	**Other long-term staff retributions**	**Contingent liabilities and commitments**	**Other provisions**	**Total**
Balance at December 31, 2016	**174.3**	**152.1**	**116.0**	**264.7**	**707.0**
Provision charged to income	0.7	2.2	3.3	1.9	8.0
Recovery against income	-	-	(12.0)	(0.5)	(12.5)
Provisions used	(0.3)	(9.8)		(20.0)	(30.0)
Other movements	-	-	1.9	3.3	5.1
Balance at March 31, 2017	**174.6**	**144.5**	**109.1**	**249.3**	**677.6** [1]

Note:

(1) Provisions exclude €370 million of existing provisions for clauses which set minimum interest rates for mortgages in Spain which are recorded within provisions for loan losses

Total equity

Total equity decreased by €33.6 million, or 1.1%, from €3,183.1 million at December 31, 2016 to €3,149.5 million at March 31, 2017. Despite the increase in shareholders' funds, total equity decreased driven by the fall in accumulated other comprehensive income and minority interests.

Shareholders' funds increased by €3.6 million, or 0.1%, from €2,918.4 million at December 31, 2016 to €2,922 million at March 31, 2017. This increase was primarily due to retained earnings in the quarter.

Accumulated other comprehensive income decreased by €10.3 million, or 29.8%, from €34.6 million at December 31, 2016 to €24.3 million at March 31, 2017. This decrease was primarily due to the mark to market of the debt securities classified as available for sale.

Minority interests (non-controlling interests) decreased by €26.8 million, or 11.7%, from €230.0 million at December 31, 2016 to €203.2 million at March 31, 2017. This decrease was primarily due to the lower total equity of EspañaDuero as of March 31, 2017.

Off-balance sheet funds

The table below sets out details of our off-balance sheet funds as at the dates indicated:

€ millions unless otherwise stated	**At March 31, 2017**	**At December 31, 2016**	**Change**	**(%)**
Investment funds	5,716.0	5,593.0	123.0	2.2
Pension funds	2,241.0	2,211.0	30.0	1.4
Savings insurance	3,086.0	2,966.0	120.0	4.0
Discretionary portfolios	880.0	864.0	16.0	1.9
Total off-balance sheet funds	**11,923.0**	**11,635.0**	**288.0**	**2.5**

Further to the information set out in "*Business—Key Strengths—Further earnings normalization potential alongside synergies' extraction from EspañaDuero integration—Net fees and commissions potential*" and "*Business—Our Strategy—Strategic Pillars & Key Levers—Increasing fees and commissions revenues*", we have seen a 2.5% increase in off-balance sheet customer funds from €11.6 billion as at December 31, 2016 to €11.9 billion as at March 31, 2017.

Key Financial Ratios and APMs

The table below sets forth information related to our key financial ratios and APMs as at and for the three months ended March 31, 2017:

<table>
<tr><th>Ratios and APMs (%)[(1)]</th><th colspan="2">Components from Consolidated Interim Financial Statements (where applicable)</th><th colspan="2">As at and for the three months ended March 31, 2017</th><th>Unit</th></tr>
<tr><td>Regulatory ratios</td><td colspan="2"></td><td colspan="2"></td><td></td></tr>
<tr><td>NSFR</td><td colspan="2">n.a</td><td colspan="2">133%</td><td>%</td></tr>
<tr><td>LCR</td><td colspan="2">n.a</td><td colspan="2">607%</td><td>%</td></tr>
<tr><td>CET1 ratio (phased-in)</td><td colspan="2">n.a.</td><td colspan="2">13.7%</td><td>%</td></tr>
<tr><td>Tier 1 ratio (phased-in)</td><td colspan="2">n.a.</td><td colspan="2">13.9%</td><td>%</td></tr>
<tr><td>Total capital ratio (phased-in)</td><td colspan="2">n.a.</td><td colspan="2">14.2%</td><td>%</td></tr>
<tr><td>CET1 ratio (fully-loaded)</td><td colspan="2">n.a.</td><td colspan="2">12.0%</td><td>%</td></tr>
<tr><td>Tier 1 ratio (fully-loaded)</td><td colspan="2">n.a.</td><td colspan="2">12.2%</td><td>%</td></tr>
<tr><td>Total capital ratio (fully-loaded)</td><td colspan="2">n.a.</td><td colspan="2">12.4%</td><td>%</td></tr>
<tr><td>APMs</td><td colspan="2"></td><td colspan="2"></td><td></td></tr>
<tr><td rowspan="2">LTD</td><td>Numerator</td><td>Net commercial loans</td><td>30,247</td><td rowspan="2">82%</td><td rowspan="2">%</td></tr>
<tr><td>Denominator</td><td>Retail funding (incl. debt securities marketed to customers)</td><td>36,916</td></tr>
<tr><td rowspan="2">NIM (% ATA)</td><td>Numerator</td><td>Net interest income</td><td>145 * 4</td><td rowspan="2">1.04%</td><td rowspan="2">%</td></tr>
<tr><td>Denominator</td><td>Average quarterly total assets</td><td>56,615</td></tr>
<tr><td rowspan="2">Core Customer Deposits</td><td colspan="2">Current accounts + Savings accounts + (Fixed-term deposits - Covered bonds measured at effective value) + Other</td><td colspan="2">10,583 + 14,473 + (17,286 – 6,891) + 47</td><td>€ million</td></tr>
<tr><td colspan="2">Total</td><td colspan="2">35,497</td><td>€ million</td></tr>
</table>

Customer Spread	Yield from performing loans (excl. assets acquired under repurchase agreements) - Cost rate from customer deposits (excl. assets sold under repurchase agreements)		2.07%		%
Net interest income (% gross income)	Numerator	Net interest income	145	51.7%	%
	Denominator	Gross income	281		
RoA	Numerator	Net profit	50.7 * 4	0.36%	%
	Denominator	Average quarterly total assets	56,615		
RoE	Numerator	Profit/loss attributable to the parent entity	52 * 4	7.2%	%
	Denominator	Average quarterly shareholders' funds	2,891		
RoTE	Numerator	Profit/loss attributable to the parent entity	52 * 4	7,2%	%
	Denominator	Average quarterly shareholders' funds (excluding valuation adjustments) - Average intangible assets(8)	2,890		
CIR	Numerator	Administration costs	148	53%	%
	Denominator	Gross income	281		
CoR	Numerator	Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss from loans and receivables	26 * 4	0.34%	%
	Denominator	Average gross loans	31,263		
NPL ratio	Numerator	Non-performing loans	3,032	9.4%	%
	Denominator	Gross loans	32,280		
NPL coverage ratio	Numerator	Impairment losses on loans and advances to customers (excluding extraordinary provisions related to clauses which set a minimum interest rate for mortgages)	1,518	50.1%	%
	Denominator	Non-performing loans	3,032		
NPA ratio	Numerator	Non-performing loans + Gross foreclosed assets	5,565	16.0%	%
	Denominator	Gross loans + gross foreclosed assets	34,812		
NPA coverage ratio	Numerator	Impairment losses on loans and advances to customers (excluding provisions related to clauses which set a minimum interest rate for mortgages) + accumulated impairment losses foreclosed assets	3,111	56%	%
	Denominator	Non-performing loans + Gross foreclosed assets	5,565		

Note:

(1) See section "Alternative Performance Measures" for definitions and calculations of APMs.

Liquidity

We believe we have a solid liquidity position and we are already compliant with all Basel III liquidity requirements. We have assets that can be used as collateral in order to obtain funding from the ECB in an aggregate amount of €19.4 billion or 33.9% of our total assets as at March 31, 2017 (of which €13.3 billion or 23.7% of total assets remain unused), supporting our liquidity position. We have also managed our wholesale funding maturities so they are spread fairly evenly over the coming years with no large amounts maturing in any particular year. Our liquidity position and related ratios as at March 31, 2017 are summarized below:

- LTD: 82% (83% and 82% as at December 31, 2016 and 2015, respectively);
- NSFR: 133% (125% and 126% as at December 31, 2016 and 2015, respectively);
- LCR: 607% (410% and 410% as at December 31, 2016 and 2015, respectively);
- Eligible portfolio that could be pledged with the ECB: €20.4 billion; and
- Additional capacity to issue covered bonds: €8.5 billion.

Solvency

Please see "*Capitalization and Indebtedness*" for our capitalization, regulatory capital structure and indebtedness as at March 31, 2017.

Changes in the financial or trading position of the Group

Since the end of the financial period to which the Consolidated Interim Financial Statements refer, Unicaja Banco and EspañaDuero have entered into certain arrangements with Santa Lucia and Mapfre in the context of the reorganization of our bancassurance business and the FROB has exercised its right to sell the EspañaDuero shares resulting from the Compensation Mechanism (see "*Material Contracts—Bancassurance reorganization*" and "*Business—History*", respectively).

REGULATION

Set forth below is a summary of the current European and Spanish regulatory environments relating to credit institutions and banking services. This is intended to provide a general outline of the most relevant applicable regulations and is not intended as a comprehensive discussion of such regulations. Investors should consider the regulatory environment discussion below as it could have a material impact on our business and results of operations in the future.

As a credit institution, we are subject to sector-specific banking regulations, general corporate law and a variety of other EU-regulations, which could have a direct and material effect on our business. In this section we describe the legislative framework and the recent legislative key developments where we have significant interests. Some of the legislative changes and the adoption of regulatory measures by sectorial regulators, which are described in this section, are in the process of being approved and therefore have not yet come into effect.

The key regulatory topics described in this section are:

I. EU regulations, comprising:

   a. ECB and Banking Union;

   b. Capital requirements; and

   c. ECB assessments.

II. Local regulations, comprising:

   a. Bank of Spain and FGD;

   b. Local restructuring and resolution framework; and

   c. Other relevant regulations.

I. EU Regulations

a. ECB and Banking Union

Since September 2012, significant progress has been made toward the establishment of a European banking union. Banking union is expected to be achieved through new harmonized banking rules (the single rulebook) and a new institutional framework with stronger systems for both banking supervision and resolution that will be managed at the European level. Its two existing pillars are the Single Supervisory Mechanism (the "**SSM**") and the Single Resolution Mechanism ("**SRM**"). A third pillar, in the form of a single pan-European deposit guarantee scheme, should be in place sometime in the future but is subject to ongoing debate.

Pursuant to Article 127(6) of the Treaty on the Functioning of the EU and Council Regulation (EC) No. 1024/2013 of October 15, 2013 conferring specific tasks on the ECB concerning policies relating to SSM Regulation, the ECB is responsible for specific tasks concerning the prudential supervision of credit institutions established in participating member states. Since November 2014, it carries out these supervisory tasks within the SSM framework, composed of the ECB and the relevant national authorities (in the case of Spain, the Bank of Spain). The ECB, in cooperation with the relevant national supervisors, is responsible for the effective and consistent functioning of the SSM, with a view to carrying out effective banking supervision, contributing to the safety and soundness of the banking system and the stability of the financial system.

Its main aims are to:

- ensure the safety and soundness of the European banking system;
- increase financial integration and stability; and
- ensure consistent supervision.

It has the authority to:

- conduct supervisory reviews, on-site inspections and investigations;
- grant or withdraw banking licenses;
- assess banks' acquisitions and disposals of qualifying holdings;
- ensure compliance with EU prudential rules; and
- set higher capital requirements ("buffers") in order to counter any financial risks.

In accordance with the SSM Regulation, the ECB fully assumed its supervisory responsibilities within the SSM, in particular direct supervision of the 125 largest European banks (including the Group), on November 4, 2014. These banks held almost 82% of banking assets in the Eurozone, as of that date. Ongoing supervision of the significant banks is carried out by Joint Supervisory Teams ("**JSTs**"). Each significant bank has a dedicated JST, comprising staff of the ECB and the relevant national supervisors (in our case, the Bank of Spain).

The criteria for determining whether a bank is considered significant (and therefore whether it falls under the ECB's direct supervision) are set out in the SSM Regulation and the Regulation (EU) No. 468/2014 of the ECB of April 16, 2014 establishing the framework for cooperation within the SSM between the ECB and national competent authorities and with national designated authorities (the "**SSM Framework Regulation**"). To qualify as significant, a bank must fulfil at least one of the following criteria:

- size: the total value of its assets exceeds €30 billion;
- economic importance: for the specific country or the EU economy as a whole;
- cross-border activities: the total value of its assets exceeds €5 billion and the ratio of its cross-border assets/liabilities in more than one other participating member state to its total assets/liabilities is above 20%; and
- direct public financial assistance: it has requested or received funding from the European Stability Mechanism ("**ESM**") or the European Financial Stability Facility.

The ECB can decide at any time to classify a bank as significant to ensure that high supervisory standards are applied consistently.

The ECB indirectly supervises banks that are not considered significant (also known as "less significant" institutions), which continue to be supervised by their national supervisors, in close cooperation with the ECB. See *"—II. Local Regulations—Bank of Spain and FGD"* below for an explanation of the tasks to be performed by the Bank of Spain.

Single Resolution Fund and National Resolution Fund

On August 19, 2014, Regulation (EU) No. 806/2014 of July 15, 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No. 1093/2010 (the "**SRM Regulation**") entered into force. The SRM Regulation provides for a SRM, the SRB and a single resolution fund ("**Single Resolution Fund**").

The Single Resolution Fund is financed by ex-ante individual contributions from banking entities included in the SRM to be made on a yearly basis. The individual contribution of each bank will be based on a flat contribution (that is *pro rata* based on the amount of liabilities excluding own funds and covered deposits, in comparison to the total liabilities, excluding own funds and covered deposits, of all participating banks) and a risk based contribution. In addition, where the funds of the Single Resolution Fund are not sufficient to cover the losses, costs or other expenses incurred by the use of the Single Resolution Fund in resolution actions, extraordinary ex-post contributions from the participating banks may be raised, with a maximum of three times the annual amount of the individual contribution. The funding obligation entered into force on January 1, 2016, and after eight years from that date, the available financial means of the Single Resolution Fund must in principle be at least 1% of the amount of covered deposits of all participating banks.

Law 11/2015 regulates the national resolution fund, which receives funds from the private finance sector and is created to prevent, to the greatest extent possible, taxpayers from assuming the burden of the restructuring or resolution of credit institutions in distress. As of January 1, 2016, the fund, created in 2015, was merged with the rest of the national funds of the other member states and integrated with the SRM into the Single Resolution Fund. From 2016 on, Spanish credit entities have had to pay their contributions to the Single Resolution Fund. Notwithstanding its single management, pursuant to the terms of the Agreement for the Transfer and Mutualization of Contributions to a Single Resolution Fund, of May 14, 2014, the Single Resolution Fund is, on a transitional basis, made up of national compartments so that funds for the restructuring of an institution in a given member state may be funded only out of the corresponding compartment for such member state. The funds in the compartments shall be progressively mutualized over an eight-year period, at the end of which the compartments will have ceased to exist so that funds from any member state may be used to restructure or resolve institutions in any other member state.

We made contributions to the relevant National Resolution Funds provided for 2015 to which we contributed €18.3 million. The Single Resolution Fund entered into force on January 1, 2016, and for the year ended December 31, 2016 we made contributions to the Single Resolution Fund amounting to approximately €18.3 million.

The implementation of the Single Resolution Fund may increase our expenses and reduce our profitability.

b. Capital requirements

CRR and CRD IV

As a result of the financial crisis, banking regulators have enhanced and reinforced the regulatory framework of financial institutions globally. The Basel Committee's Basel III Framework, a banking supervision package of reforms to the regulatory capital framework for internationally active banks are designed, in part, to ensure that capital instruments issued by such banks fully absorb losses before taxpayers are exposed to loss.

In Europe, the new standards have been implemented through CRD IV and the related CRR, which is directly applicable in all EU member states (as part of the so-called "Single Rulebook"). In addition, the standards are subject to implementing technical commissioned from the EBA, some of which have already been issued and more are to follow in the coming months/years. In Spain, CRD IV/CRR have been implemented by: (i) Royal Decree-Law 14/2013, dated November 29, on urgent measures to transpose into Spanish law the EU regulations on supervision and solvency of financial entities, which entered into force on December 1, 2013, although certain provisions entered into force on January 1, 2014 and June 30, 2014, (ii) Law 10/2014, dated June 26, on regulation, supervision and solvency of credit entities, which entered into force on June 28, 2014, although certain provisions entered into force on December 1, 2014, (iii) Royal Decree 84/2015, dated February 13 (developing Law 10/2014), and (iv) and two Bank of Spain Circulars, 2/2014 and 2/2016, dated, respectively, January 31, 2014 and February 2, 2016 (these Circulars complete the implementation of CRD IV and supplement CRR in certain matters left for national discretion).

The CRR came into force on January 1, 2014, with many of its rules subject to various implementation timetables. This transitional implementation phase, which affects mainly the definition of eligible capital, concludes at the end of 2019, except with regard to the deduction for DTAs, the transition period for which lasts until 2023 for entities under resolution schemes.

The purpose of CRD IV and CRR is to strengthen the resilience of the EU banking sector so it can better absorb economic shocks. CRD IV has a regulatory provision which must be respected by all banks throughout the EU. The regulation mandate includes regulatory capital, liquidity, leverage, counterparty credit risk, large exposures and disclosure requirements. The directive also allows for greater autonomy among individual countries and includes measures on the pursuit of business, free movement of services, prudential supervision, capital buffers, corporate governance and sanctions which will need to be implemented into national law by member states.

CRD IV encompasses the Basel III Framework and proposes a series of additions. Basel III is an evolving set of international standards agreed upon by supervisors and central banks. The goal of the Basel III Framework is to reduce the risk of spillover from the financial sector to the real economy. To achieve this, Basel III proposes reforms meant to strengthen global capital, liquidity and leverage requirements. It also aims to facilitate supervision and increase transparency. There are three pillars that make up Basel III. Pillar I represents capital and liquidity requirements; Pillar II allows national supervisors to impose further measures requiring additional capital or liquidity; and Pillar III represents enhanced risk disclosure, transparency and market discipline.

Capital Definitions

Basel III, as implemented through CRD IV, seeks to consistently define capital and set minimum capital requirements for credit institutions. Total regulatory capital will consist of Tier I Capital (going-concern capital) and Tier II Capital (gone-concern capital). The value of a bank's capital is expressed as a percentage of its RWAs. Safe assets such as cash are disregarded while loans to other institutions receive a higher weight. This means that banks must carry more capital for riskier assets. The capital requirement ratios are meant to correlate the amount of risk with a corresponding level of capital. Banks can choose to increase capital or reduce RWAs when attempting to meet the capital ratio requirements.

Tier I. The purpose of Tier I Capital (going-concern capital) is to allow a bank to continue activities and help prevent insolvency. Tier I Capital consists of CET1 and Additional Tier I Capital. CET1 is the purest and most stringent form of capital. It is comprised of the sum of the following elements: (a) capital instruments, provided that the conditions laid down in Article 28 of the CRR or, where applicable, Article 29 are met; (b) share premium accounts related to the instruments referred to in point (a); (c) retained earnings; (d) accumulated other comprehensive income; (e) other reserves; and (f) funds for general banking risk. The items referred to in points (c) to (f) shall be recognized as Common Equity Tier 1 only where they are available to the institution for unrestricted and immediate use to cover risks or losses as soon as these occur.

Additional Tier I Capital is comprised of the sum of the following elements: (a) capital instruments, where the conditions laid down in Article 52(1) of the CRR are met; and (b) the share premium accounts related to the instruments referred to in point (a). Instruments included under point (a) shall not qualify as Common Equity Tier 1 or Tier 2 items. By 2019, all banks are required to have a CET1 to RWA ratio of 4.5%, and Additional Tier I Capital totaling 1.5% of RWA on a fully-loaded basis.

Tier II. The purpose of Tier II Capital (gone-concern capital) is to ensure that depositors and senior creditors can be repaid if the institution fails. Tier II Capital consists of (a) capital instruments and subordinated loans where the conditions laid down in Article 63 of the CRR are met; (b) the share premium accounts related to instruments referred to in point (a); (c) for institutions calculating risk-weighted exposure amounts in accordance with Chapter 2 of Title II of Part Three, general credit risk adjustments, gross of tax effects, of up to 1.25% of risk-weighted exposure amounts calculated in accordance with Chapter 2 of Title II of Part Three of the CRR; and (d) for institutions calculating risk-weighted exposure amounts under Chapter 3 of Title II of Part Three, positive amounts, gross of tax effects, resulting from the calculation laid down in Articles 158 and 159 up to 0.6% of risk-weighted exposure amounts calculated under Chapter 3 of Title II of Part Three of the CRR. The minimum Tier II Capital to RWA ratio is set at 2.0%.

There is an additional 2.5% capital conservation buffer comprised of CETI that must be added to the 8.0%, thus creating the minimum total capital plus conservation buffer ratio of 10.5% of RWA by January 1, 2019, as set out in the Capital Requirements Summary Table below.

Capital Requirements Summary Table

Year	CET 1	Additional Tier I Capital	Tier I Capital(1)	Tier II Capital	Capital Conservation Buffer(2)	Total capital requirements
2016	4.5% of RWA	1.5% of RWA	6% of RWA	2% of RWA	0.625% of RWA	8.625% of RWA

2017	4.5% of RWA	1.5% of RWA	6% of RWA	2% of RWA	1.25% of RWA	9.25% of RWA
2018	4.5% of RWA	1.5% of RWA	6% of RWA	2% of RWA	1.875% of RWA	9.875% of RWA
2019	4.5% of RWA	1.5% of RWA	6% of RWA	2% of RWA	2.5% of RWA	10.5% of RWA

Notes:

(1) *Tier I Capital includes CET 1 and Additional Tier I Capital.*

(2) *Although the Capital Conservation Buffer is a capital buffer and not an own fund requirement, it has been included in the table for the sake of completeness, as it is a fixed capital buffer. The rest of the capital buffers are not included as they are not applicable to the Company in the relevant period (2016-2019).*

CRD IV also contemplates that in addition to the minimum "Pillar 1" capital requirement, supervisory authorities may impose, as a result of the SREP conducted by them, further "Pillar 2" capital requirements to cover other risks, including those not considered to be fully captured by the minimum own funds "Pillar 1" capital requirement under CRD IV or to address macro-prudential considerations.

The EBA SREP Guidelines hinge on four main components: (i) business model analysis; (ii) assessment of internal governance; (iii) assessment of risks to capital and adequacy of capital; and (iv) assessment of risks to liquidity and adequacy of liquidity. The assessment is summarized in a common scoring and leads to a consistent approach in setting supervisory requirements to hold additional capital and liquidity resources, as needed. Included in this were the EBA's proposed guidelines for a common approach to determining the amount and composition of additional "Pillar 2" own funds requirements to be implemented by January 1, 2016. Under these guidelines, national supervisors should set a composition requirement for the "Pillar 2" requirements to cover certain specified risks of at least 56% CET1 capital and at least 75% Tier 1 capital. The guidelines also contemplate that national supervisors should not set additional own funds requirements in respect of risks which are already covered by the "combined buffer requirement" and/or additional macro-prudential requirements.

As a result of the most recent SREP carried out by the ECB in 2016, disclosed to the market through a relevant fact disclosure (*hecho relevante*) filed with the CNMV on November 30, 2016, we have been informed by the ECB that we are required to maintain a CET1 phased-in capital ratio of 7.25% (on a consolidated basis). This CET1 capital ratio of 7.25% includes the minimum CET1 capital ratio required under "Pillar 1" (4.5%) and the additional own funds requirement under "Pillar 2" (1.5%) and the capital conservation buffer (1.25% phased-in in 2017 and 2.5% fully-loaded). There can also be no assurance as to the result of any future SREP carried out by the ECB and whether this will impose any further "Pillar 2" additional own funds requirements on the Group.

Capital buffers. Capital buffers provide extended protection from economic shocks. They are additional capital requirement ratios in addition to the minimum total capital ratio. The first capital conservation buffer is a regulatory provision. The subsequent capital buffer ratios are to be determined by the ECB and each respective country. All of the potential buffers below will apply to us with the exception of the G-SII buffer and the O-SII buffer.

- Capital conservation buffer — The purpose of this buffer is to ensure that banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred. This buffer is an additional 2.5% of total exposures of a bank that needs to be met with CET1. When combined with the CET1 ratio of 4.5%, banks are required to hold a total of 7.0% of RWA as CET1. When the CET1 as a percentage of RWA falls below 7.0%, safeguards limit the amount of dividend and bonus payments a bank can make. This prevents such payments from eroding a bank's capital.

- Countercyclical buffer — The purpose of this buffer is to counteract the effects of the economic cycle on the lending activity of banks. It should reduce the volatility of credit. It should also reduce the probability of credit bubbles or crunches. The buffer forces banks to keep capital during economic booms to keep credit from becoming too cheap. The capital is then to be used or "released" when economic activity contracts. The percentage of the buffer can raise up to

2.5% of RWA although it will be temporally limited to 0.625% in 2016, 1.25% in 2017 and 1.875% in 2018. The calculations of the buffer are based on the positions of the financial entity in different jurisdictions. In relation to Spain, the Bank of Spain publishes on a quarterly basis the value of the countercyclical buffer for the positions of credit entities in Spain. As at December 31, 2016, the Bank of Spain kept the countercyclical buffer at 0%.

- G-SII buffer — Competent authorities have identified banks that are systemically important. The failure of one of these financial institutions could lead to a financial crisis. These banks are referred to as systemically important financial institutions. These banks are required to keep between 1% and 3.5% of RWA as additional CET1. The G-SII buffer applies to those institutions included in the list of G-SIIs, which is updated annually by the FSB. We have not been classified as G-SII by the FSB nor by the Bank of Spain so, unless otherwise indicated by the FSB or by the Bank of Spain in the future, we will not be required to maintain this G-SII buffer.

- O-SII buffer — This buffer allows for an upper limit of 2% CET1 for domestically and other EU important institutions that were not classified as SIFI. Likewise, we have not been classified as O-SII, thus, we will not be required to maintain this buffer.

- Systemic risk buffer — This optional buffer of CET1 may be used to prevent and mitigate long-term non-cyclical systemic or macro-prudential risks.

The combination of the capital conservation buffer, the institution-specific counter-cyclical capital buffer and the higher of (depending on the institution), the systemic risk buffer, the G-SII buffer and the O-SII buffer, in each case (as applicable to the institution) is referred to as the "combined buffer requirement".

Under Article 141 (Restrictions on distribution) of the CRD IV, member states of the EU must require that institutions that fail to meet the "combined buffer requirement" will be subject to restricted "discretionary payments" (which are defined broadly by CRD IV as payments relating to CET1 (dividends), variable remuneration and payments on additional tier 1 instruments). The restrictions will be scaled according to the extent of the breach of the "combined buffer requirement" or, where applicable, the corresponding SREP requirements and calculated as a percentage of the profits of the institution since the last distribution of profits or "discretionary payment". Such calculation will result in a "maximum distributable amount" (MDA) in each relevant period. As an example, the scaling is such that in the bottom quartile of the "combined buffer requirement" or the SREP requirements, no "discretionary distributions" will be permitted to be paid.

Based on the most recent SREP carried out by the ECB in 2016, if our CET1 phased-in ratio falls below 7.25% or our total capital phased-in ratio falls below 10.75% in 2017, we will be required to calculate our MDA, and as a consequence it may be necessary for us to reduce discretionary payments. In particular, we may be prohibited from: (a) making a distribution in connection with CET1 capital, (b) creating an obligation to pay variable remuneration or discretionary pension benefits or to pay variable remuneration if the obligation to pay was created at a time when we failed to meet the combined buffer requirements, and (c) making payments on Additional Tier 1 instruments.

The MDA is calculated by multiplying by a factor (0, 0.2, 0.4 or 0.6), that will be determined as described below, the total of:

- interim profits not included in CET1 capital pursuant to Article 26(2) of CRR that have been generated since the most recent decision regarding the situation mentioned in letters (a), (b) and (c) referred to in the paragraph above; plus

- year-end profits not included in CET1 capital pursuant to Article 26(2) of CRR that have been generated since the most recent decision on the distribution of profits or any of the actions referred to in the letters (a), (b) or (c) referred to in the paragraphs above; minus

- amounts which would be payable by tax if the items specified in letters (a) and (b) referred to in the paragraphs above were to be retained.

The factor multiplying such total will be determined based on the CET1 capital maintained by the institution, which is not used to meet the own funds requirement under Article 92(1)(c) of CRR, as follows:

- where the CET1 capital is within the first (that is, the lowest) quartile of the SREP requirement, the factor shall be 0;
- where the CET1 capital is within the second quartile of the SREP requirement, the factor shall be 0.2;
- where the CET1 capital is within the third quartile of the SREP requirement, the factor shall be 0.4; and
- where the CET1 capital is within the fourth (that is, the highest) quartile of the SREP requirement, the factor shall be 0.6.

The lower and upper bounds of each quartile of the combined buffer requirement shall be calculated as follows ("Qn" indicating the ordinal number of the quartile concerned):

- Lower bound of quartile = SREP requirement / 4 x (Qn-1)
- Upper bound of quartile = SREP requirement / 4 x Qn

Deferred Tax Assets (DTAs)

In addition to introducing new capital requirements, CRD IV provides that DTAs that rely on the future profitability of a financial institution must be deducted from its regulatory capital (specifically its core capital or CET1 capital) for prudential reasons, as there is generally no guarantee that DTAs will retain their value in the event of the institution facing difficulties. In particular, the general rule could be summarized as follows:

i. 100% of DTAs arising from tax losses must be deducted from CET1.

ii. in respect of DTAs arising from temporary differences, only (a) amounts in excess of 10% of CET1, and (b) those DTAs that, together with amounts corresponding to undertakings in insurance companies and other financial entities, exceed 15% of CET1, must be deducted.

Notwithstanding the above, there is an exemption to the general rule according to which no DTAs arising from temporary differences would need to be deducted from CET1, provided that the following conditions are met:

i. DTAs are automatically and mandatorily replaced without delay with a tax credit in the event that the institution reports a loss when the annual financial statements of the institution are formally approved, or in the event of liquidation or insolvency of the institution;

ii. an institution shall be able under the applicable national tax law to offset a tax credit referred to in point (a) against any tax liability of the institution or any other undertaking included in the same consolidation as the institution for tax purposes under that law or any other undertaking subject to supervision on a consolidated basis; and

iii. where the amount of tax credits referred to in point (b) exceeds the tax liabilities referred to in that point, any such excess is replaced without delay with a direct claim on the central government of the Member State where the institution is incorporated.

This new deduction introduced by CRD IV has a significant impact on Spanish banks due to the particularly restrictive nature of certain aspects of Spanish tax law. For example, in some European Union countries when a bank reports a loss, the tax authorities refund a portion of taxes paid in previous years, but in Spain the bank must earn profits in subsequent years in order for this set-off to take place. Additionally, Spanish tax law does not recognize as tax-deductible certain amounts recorded as costs in the accounts of a bank, unlike the tax legislation of other European Union countries.

Large exposures

CRR regulates large exposures in the context of capital management. Exposures to a person or group exceeding 10% of a group's or bank's regulatory capital represent a large exposure and need to be reported. Exposure to a single person or group shall not exceed 25% of a bank's or group's eligible capital.

It should be noted that on November 23, 2016 the European Commission published a proposal for a Regulation of the European Parliament and of the Council amending CRR in which the large exposures framework is amended to address certain loopholes. In the proposal, Article 392 is amended in order to limit the capital that can be taken into account to calculate the large exposures limit to Tier 1 capital (i.e., Tier 2 capital will not be included), and Article 395(1) is modified to introduce the lower limit of 15% for G-SIBs exposures to other G-SIBs. The modifications introduced will increase the risk sensitivity of the large exposures regime and better align the European system to the Basel Committee's standard on large exposures issued in 2014.

The following table sets forth certain information in relation to our ten largest risk exposures with the private non-financial sector as at December 31, 2016:

€ million	**Credit exposure[(1)]**	**Equity and debt exposure**	**Total risk exposure**	**% with respect to Unicaja Banco capital**
Group 1......................	277	152	430	12%
Group 2......................	123	251	373	10%
Group 3......................	203	0	203	6%
Group 4......................	162	19	181	5%
Group 5......................	163	0	163	5%
Group 6......................	136	16	152	4%
Group 7......................	143	0	143	4%
Group 8......................	135	0	135	4%
Group 9......................	94	47	141	4%
Group 10....................	94	0	94	3%
Total.........................	**1,528**	**485**	**2,013**	

Note:

(1) Credit drawn and undrawn (including guarantees).

Please see "*Risk Factors—Legal and Compliance Risks—We are subject to risks deriving from banking sectorial regulations*" and "*Risk factors—Risks relating to the Group and its business—Specific risks relating to the Group—We face risks relating to disruptions, dislocations, structural challenges and volatility in financial markets and are exposed to counterparty risk with the Spanish and foreign governments"* for further information.

c. ECB assessments

In October 2014, the ECB completed an overall assessment of the 128 largest banks in the Eurozone (including us), together with national authorities and in close cooperation with the EBA with regard to the stress tests. Such assessment was based on the participating banks' balance sheets as at December 31, 2013. Based on the AQR-adjusted balance sheet, the stress test examined the resilience of banks against two separate scenarios a baseline and adverse scenario starting in 2014 and running to the end of 2016. Under both scenarios, the solvency ratio of each bank was analyzed over that period to understand bank sensitivities given prescribed stressed economic conditions. The baseline scenario was provided by the European Commission and reflected then-prevailing official macroeconomic forecasts while the adverse scenario represented a severe economic downturn triggered by a materialization of the main economic risks identified by the ESRB. According to the published results, the valuations of our assets and collateral, as well as our provisions, were suitable and we had no additional capital needs in any of the scenarios. At a European level, only 15 institutions did not require any ratio adjustment. In the stress test, it was taken into account that the Company was going to complete the acquisition of EspañaDuero during the comprehensive assessment, and therefore one integrated disclosure template has been published for the new entity. As for the results, our CET1 ratio in the baseline scenario was estimated to be 11.9% (€3,942 million), which was 3.9% above the required minimum of 8.00% in 2016. In the most adverse scenario analyzed, our CET1 ratio was estimated to be 8.9% (€2,990 million), which was 3.4% above the required minimum of 5.50%. Based on these capital ratios, surplus capital of €1,285 million was calculated in the base scenario and €1,140 million in the most adverse scenario. Therefore, no shortfalls were identified in the AQR under the baseline stress test scenario nor the adverse stress test scenario for the Group, and there was no need to adjust the capital structure of the bank in 2015. Further information on the results of the 2014 comprehensive assessment can be found in the website of the ECB (www.bankingsupervision.europa.eu/banking/comprehensive).

II. Local Regulations

a. Bank of Spain and FGD

Bank of Spain

The ECB must set up homogenous criteria for all the supervised institutions under the SSM and will assume decision-making power. National authorities, such as the Bank of Spain, will provide their knowledge on their financial systems and the entities located in their jurisdictions. Therefore, the role of the Bank of Spain will continue to be relevant for financial entities located in Spain. In particular, the Bank of Spain's tasks will include the following:

- it will collaborate with the ECB in the supervision of significant entities through its participation in the JSTs of the relevant Spanish banks and it will have a leading role in the on-site inspections;
- it will supervise the less significant Spanish banks directly. The ECB's indirect supervision of these entities will be focused on the homogenization of supervisory criteria and reception of information;
- it will have several supervisory competences over banking entities, for example money laundering and terrorist financing, customer protection and certain aspects of the monitoring of the financial markets that will be out of the scope of the SSM and remain under the purview of the Bank of Spain;
- it will participate in certain administrative processes controlled by the ECB, such as the granting or withdrawal of licenses and the application of fit and proper tests to members of the board and senior management of Spanish banks, and will support the ECB in cross-border tasks such as the definition of policies, methodologies or crisis management;
- it will continue to supervise other institutions such as appraisal companies or specialist credit institutions, e-money issuing entities, mutual guarantee and re-guarantee companies; and
- as the Preventive Resolution Authority, to develop and approve a resolution plan for credit institutions that are not part of a group subject to supervision on a consolidated basis, prior report from the FROB and the competent supervisor and after consultation with the relevant resolution authorities of the jurisdictions in which significant branches are established.

The Bank of Spain is also the macro-prudential authority competent for the determination of capital buffers.

Finally, the Bank of Spain will participate in the governing bodies of the SSM contributing to the adoption of decisions affecting all credit institutions located in the Eurozone.

FGD

The current FGD *(Fondo de Garantía de Depósitos de Entidades de Crédito* (deposit guarantee scheme)) was created (as a result of the consolidation of the former deposit guarantee funds of banks, savings banks and credit cooperatives) by Royal Decree-Law 16/2011, of October 14, as amended. Pursuant to Article 8 of such Royal Decree-Law 16/2011, the FGD guarantees both (i) cash deposits, by means of the deposit guarantee division and (ii) securities deposits, by means of the securities guarantee division; in both cases up to €100,000 per customer and credit institution, which is the minimum insured amount for all EU member banks.

The FGD is funded by annual contributions from member credit institutions up to a maximum amount of 0.5% of the deposits to which the guarantee extends (unless the Bank of Spain authorizes a higher amount), depending on the type of credit institution (currently established at 0.2% of all deposits held). The Ministry of Economy and Competitiveness is authorized to reduce the member banks' contributions when the FGD's equity is considered sufficient to meet its needs. Moreover, it may suspend contributions when the FGD's equity reaches 1% of the calculation base of the contributions of the member institutions as a whole. Under certain circumstances defined by law, the Management Committee of the FGD may agree on extraordinary contributions from the institutions, and the Bank of Spain may also make exceptional contributions of an amount set by law.

Royal Decree-Law 6/2013 of March 22, on the protection of the holders of certain savings and investment products and other financial measures, granted the FGD sufficient legal powers to acquire shares of unlisted companies in exchange for hybrid capital instruments and subordinated debt of the financial entities subject to recapitalization or resolution plans. To provide the FGD with the required resources to make use of this power, affected financial entities, which includes Unicaja Banco, were obliged to make an additional, exceptional and unique contribution of 0.3% of deposits held on December 31, 2012. This contribution was made in two phases. A first tranche equivalent to 40% was paid within 20 business days of December 31, 2013. The second tranche, which accounted for the remaining 60%, was paid after January 1, 2014, in accordance with the timetable of payments laid down by the management committee of the FGD.

On April 16, 2014, the recast Directive 2014/49/EU of the European Parliament and of the Council on deposit guarantee schemes ("**Deposit Guarantee Schemes Directive**") was published, aimed at eliminating certain differences between the laws of the EU member states as regards the rules on deposit guarantee schemes to which those credit institutions are subject. The Deposit Guarantee Schemes Directive was transposed to Spanish national law with Law 11/2015 on recovery and resolution of credit entities and investment services companies, dated June 18, which harmonizes the legal regime for deposit guarantee schemes at EU level. As the Deposit Guarantee Schemes Directive states that the scope of protection of deposit guarantee schemes shall be limited to the coverage of deposits or to funding early intervention or resolution measures, the FGD has been divided into (i) the deposit guarantee division, with funds that shall be used to cover the responsibilities set out in the Deposit Guarantee Schemes Directive, and (ii) the securities guarantee division, which shall cater for the rest of responsibilities of the FGD.

The implementation of the Deposit Guarantee Schemes Directive in Spain was completed through Royal Decree 1012/2015, dated November 6, amending Royal Decree 2606/1996, dated December 20, on deposit guarantee funds of credit institutions. This regulation introduces a change in the methodology for calculation of the contributions to the new deposit guarantee division. The calculation base for the contributions was no longer determined by the total amount of deposits that may need to be covered by the deposit guarantee fund, but rather by the volume of deposits that would become effectively covered by the deposit guarantee fund. Likewise, this regulation sets out a cooperation regime between the deposit guarantee funds of the EU member states, in particular, in relation to the refund of deposits in branches established by banks in other member states.

Due to the fact that the integration of deposit guarantee schemes into a single scheme for countries participating in the Banking Union is perceived as a "third pillar" of such Banking Union (the other two being a single supervisory mechanism and a single resolution mechanism, both already in force), further developments in this field are expected, though the timeframe and possible impacts are yet unknown.

As at December 31, 2015, the Group was a member of the FGD and thus was obliged to make annual contributions to it. The contribution in 2016, 2015 and 2014 amounted to €43.2 million, €43.3 million and €62.8 million, respectively, including EspañaDuero's contributions.

Pursuant to Article 6 of Royal Decree-Law 16/2011, annual contributions are calculated based on the amount of deposits guaranteed by each bank and its risk profile. Circular 5/2016, of May 27, of the Bank of Spain on the calculation method for the contributions to be made by the participating entities to the deposit guarantee fund sets out the applicable method to adjust the annual contribution calculated based on the amount of deposits guaranteed by each bank, in proportion to their risk profile.

As for the securities deposit, Royal Decree 948/2001, of August 3, regulated investor guarantee schemes (*sistemas de indemnización de los inversores*) related to both investment firms and to credit institutions. These schemes are set up through an Investment Guarantee Fund for securities broker and broker-dealer firms and the FGD already in place for credit institutions. A series of specific regulations have also been enacted, defining the system for contributing to the funds. The General Investment Guarantee Fund Management Company is a business corporation with capital in which all the fund members hold an interest. Member firms must make a joint annual contribution to the fund equal to 0.06% over the 5% of the securities that they hold on their client's behalf. However, it is foreseen that these contributions may be reduced if the fund reaches a level considered to be sufficient.

b. Local restructuring and resolution framework

Restructuring and Resolution Framework in Spain

The common European rules on recovery and resolution of credit institutions are set forth in the BRRD. The BRRD aims to equip authorities with common tools and powers to tackle bank crises at the earliest possible moment and avoid costs to taxpayers. The set of measures provided for in the BRRD includes preparatory and preventive measures, the attribution of powers to the supervising authorities enabling them to act pre-emptively and that are triggered whenever a financial institution does not comply or it is likely that it will not comply with the regulatory requirements to which it is subject, as well as resolution instruments and powers to be used when a financial institution does not comply with its regulatory requirements or is likely to fail.

Law 11/2015 transposes Directives 2014/49/EU, Directive 2014/59/EU and 2013/50/EU into Spanish law and provides significant legal provisions applicable to credit entities and investment services companies. Law 11/2015 sets out the following main provisions:

- *Early intervention.* It establishes the requirement for every credit entity (both sound or in financial stress) to prepare and keep updated a recovery plan that includes measures and actions to be taken by the entity in order to restore its financial position in the case that a significant deterioration occurs.

- *Resolution.* It establishes the requirement for every credit entity (both sound or in financial stress) to prepare and to update resolution plans in case it fails. Article 19 of Law 11/2015 establishes the conditions for resolution action. Resolution action shall be taken in relation to an institution if all of the following conditions are met: (i) the determination that the institution is failing or is likely to fail; (ii) having regard to timing and other relevant circumstances, there is no reasonable prospect that any alternative private sector measures, including measures by an institutional protection scheme, or supervisory action, including early intervention measures or the write down or conversion of relevant capital instruments in accordance with Section 2 of Chapter VI taken in respect of the institution, would prevent the failure of the institution within a reasonable timeframe; or (iii) a resolution action is necessary in the public interest, it is necessary for the achievement of and is proportionate to one or more of the resolution objectives referred to in Article 3 and winding up of the institution under normal insolvency proceedings would not meet those resolution objectives to the same extent.

  In accordance with Article 20 of Law 11/2015, an institution will be considered as failing or likely to fail in any of the following circumstances: (i) it is, or is likely in the near future to be, in significant breach of its solvency or any other requirements necessary for maintaining its authorization; (ii) its assets are, or are likely in the near future to be, less than its liabilities; (iii) it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (iv) it requires extraordinary public financial support (except in limited circumstances). According to Article 8.2 of Law 11/2015, the determination that an institution is no longer viable depends on, among others, the existence of a rapid deterioration in the financial position or liquidity of the entity or a rapid increase in leverage, mora or concentration of exposures may be considered to assess the possibility of failure to comply with the requirements. The determination that an institution is no longer viable may also depend on a number of factors which may be outside of that institution's control.

- *Deposit protection.* For the protection of the deposits of credit entities which are in a resolution process, Article 42 of Law 11/2015 grants the highest preferred rights to the deposits secured by the FGD, as well as a general preferred right for every deposit of natural persons or SMEs. Additionally, the bail in is broadened, and now the absorption of losses will have an effect on all types of creditors, with the exception of certain liabilities, such as secured deposits, which will not be subject to write-downs or to the conversion to equity.

- *FGD*. It harmonizes the legal regime of the deposit guarantee schemes at EU level and divides the FGD into (i) the deposit guarantee division, the funds of which shall be used to cover the responsibilities set out in the Deposit Guarantee Schemes Directive; and (ii) the securities guarantee division, which shall be liable for the rest of the responsibilities of the FGD.

- *National Resolution Fund*. It establishes the National Resolution Fund, which receives funds from the private finance sector and is created to prevent taxpayers from the payment of the refinancing of credit institutions in distress. As of January 1, 2016, the fund was merged with the rest of national funds of the other member states integrated with the Single Resolution Fund and, since then, Spanish credit entities have had to pay their contributions to the Single Resolution Fund.

As provided in the BRRD, Law 11/2015 contains four resolution tools and powers which may be used alone or in combination where the FROB, the SRM or, as the case may be and according to Law 11/2015, the Bank of Spain or the Spanish Securities Market Commission or any other entity with the authority to exercise any such tools and powers from time to time (each, a "**Relevant Resolution Authority**") as appropriate, considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest. The four resolution tools are: (i) sale of business—which enables resolution authorities to direct the sale of the institution or the whole or part of its business on commercial terms; (ii) bridge institution—which enables resolution authorities to transfer all or part of the business of the institution to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation—which enables resolution authorities to transfer impaired or problem assets to one or more publicly-owned asset management vehicles to allow them to be managed with a view to maximizing their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in—by which the Relevant Resolution Authority may exercise the Bail-in Power (as defined below). This includes the ability of the Relevant Resolution Authority to write down and/or to convert into equity or other securities or obligations (which equity, securities and obligations could also be subject to any future application of the Bail-in Power) certain unsecured debt claims and subordinated obligations, including capital instruments. In the our case, the Relevant Resolution Authority would be the SRM as we are considered a significant entity.

The "**Bail-in Power**" is any write-down, conversion, transfer, modification, or suspension power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in Spain, relating to the transposition of the BRRD, as amended from time to time, including, but not limited to (i) Law 11/2015, as amended from time to time, (ii) RD 1012/2015, as amended from time to time, (iii) the SRM Regulation, as amended from time to time, and (iv) any other instruments, rules or standards made in connection with either (i), (ii) or (iii), pursuant to which any obligation of an institution can be reduced, cancelled, modified, or converted into shares, other securities, or other obligations of such institution or any other person (or suspended for a temporary period).

In accordance with Article 48 of Law 11/2015 (and subject to any exclusions that may be applied by the Relevant Resolution Authority under Article 43 of Law 11/2015), in the case of any application of the Bail-in Power, the sequence of any resulting write-down or conversion by the Relevant Resolution Authority shall be in the following order: (i) CET1 instruments; (ii) Additional Tier 1 instruments; (iii) Tier 2 instruments; (iv) other subordinated claims that do not qualify as Additional Tier 1 capital or Tier 2 capital; and (v) the eligible senior claims prescribed in Article 41 of Law 11/2015.

In addition to the Bail-in Power, the BRRD and Law 11/2015 provide for resolution authorities to have the further power to permanently write-down or convert into equity capital instruments, at the point of non-viability of an institution or a group ("**Non-Viability Loss Absorption**").

According to Article 38 of Law 11/2015, the Resolution Authority may exercise the power to write down or convert relevant capital instruments: (i) independently of resolution action, including the bail-in tool; or (ii) in combination with a resolution action, where the conditions for resolution specified in Article 19 of the Law 11/2015 are met. Therefore, the Resolution Authority has the power to write down and convert into equity capital instruments, not only when conditions for resolution (as defined in Article 19 of the law 11/2015) are met, but also in all the circumstances defined in Article 38.2 of Law 11/2015. These circumstances include the point of non-viability of an entity (as defined in Article 38.3 of the Law 11/2015). The point of non-viability of an institution is the point at which the Relevant Resolution Authority determines that the institution meets the conditions for resolution or will no longer be viable unless the relevant capital instruments are written down or converted into equity or extraordinary public support is to be provided and without such support the Relevant Resolution Authority determines that the institution would no longer be viable. The point of non-viability of a group is the point at which the group infringes or there are objective elements to support a determination that the group, in the near future, will infringe its consolidated solvency requirements in a way that would justify action by the Relevant Resolution Authority.

Credit entities must prepare and maintain a recovery plan (as described in Article 6 of Law 11/2015) providing measures to be taken by the institution to restore its financial position following a significant deterioration of its financial situation. The plan and its updates must be approved by the board of directors of the entity, for review by the competent authority. The recovery plan must be updated at least annually. The recovery plan should include a set of indicators, both quantitative and qualitative, that will be considered as a reference to undertake the actions envisaged. In no case should access to public financial support be assumed. The plan shall include a range of recovery measures to (a) reduce the risk profile of the institution, including liquidity risk; (b) enable timely recapitalization measures; (c) review the institution's strategy and structure; (d) make changes to the funding strategy so as to improve the resilience of the core business lines and critical functions; and (e) make changes to the governance structure of the institution.

When an entity meets the conditions for early intervention as defined in Article 8.1 of Law 11/2015, the competent supervisor will declare the situation of early intervention and may set all or some of the early intervention measures. Early intervention measures are described in Article 9 of Law 11/2015 and include, but are not limited to, the following (i) to require the management body of the entity to apply one or more of the measures set out in its recovery plan; (ii) to require the management body of the entity to examine the situation, determine the necessary measures to overcome the problems identified and draw up an action plan to address these issues, with a specific timetable for implementation; (iii) to require the management body of the institution to convene, or if the management body fails to comply with this requirement, convene directly the general shareholders' meeting; (iv) to require the removal or replacement of one or more members of the management body, senior management or similar, if it is determined they do not meet their obligations in accordance with the requirements applicable; (v) to appoint a competent supervisor delegate in the entity entitled to attend, with voice but no vote; (vi) to require the management body to draft a plan for negotiating debt restructuring with part or all of its creditors; and (vii) to require changes in the business strategy of the institution or the consolidated group or subgroup.

Institutions are resolved when deemed no longer viable. The resolution strategy is decided by the FROB, which may use the same instruments envisaged for restructuring, plus the sale of the assets and liabilities to a third party or transfers to a bridge bank. Burden-sharing rules apply to resolutions too.

In resolution the absorption of losses by shareholders, holders of hybrid capital instruments and creditors of the institution is intended to avoid the cost to taxpayers. The resolution authority will apply the internal recapitalization instrument to absorb losses and to cover the amount of the recapitalization determined under the provisions of the law, amortizing or reducing the amount of shares, equity instruments or liabilities admissible in the sequence determined by Article 48 of Law 11/2015.

MREL

In addition to the capital requirements under CRD IV, BRRD introduces requirements for banks to maintain at all times a sufficient aggregate amount of own funds and "eligible liabilities", that is, liabilities that may be bailed in using the bail-in tool. Eligible liabilities may be senior or subordinated, provided, among other requirements, that they have a remaining maturity of at least one year and, if governed by a non-EU law, they must be able to be written down or converted under that law (including through contractual provisions), to ensure that banks have sufficient liabilities to absorb losses in case of failure, so shareholders and creditors should back much of the recapitalization burden instead of taxpayers. This requirement is known as the MREL (minimum requirement for own funds and eligible liabilities) which should be proportionate and adapted for each category of bank on the basis of their risk or the composition of their sources of funding. The BRRD requires the MREL to be set as a percentage of own funds and total liabilities (after full recognition of counterparty netting rights), however, the MREL is not a fixed figure imposed by legislation, but is to be set on a case-by-case basis by resolution authorities. To ensure consistency, there are some common criteria laid down for resolution authorities to apply and these technical standards further specify these minimum criteria.

On July 3, 2015 the EBA published the final draft technical standards on the criteria for determining MREL (the "**Draft MREL Technical Standards**"). On May 23, 2016, the European Commission adopted a Delegated Regulation, based on the Draft MREL Technical Standards, which specifies the criteria that resolution authorities will need to consider when setting the MREL. The level of capital and eligible liabilities required under MREL will be set by the resolution authority for each bank (and/or group) based on certain criteria including systemic importance.

On December 17, 2015, the European Commission proposed a number of amendments to the Draft MREL Technical Standards, in particular, the amendment of the reference to the burden-sharing requirement by shareholders and creditors of institutions of significant importance. On February 9, 2016, the ECB issued an opinion on the European Commission's intention to amend the Draft MREL Technical Standards. Although the EBA agrees with the European Commission's argument that the Draft MREL Technical Standards cannot set a harmonized level of MREL, it dissents in relation to some of the proposed amendments as it believes legal clarity and certainty is needed when setting MREL for a systemic institution which may need to access resolution funds. In addition, the European Commission proposed to remove, among other things, several specific provisions relating to the criteria for setting MREL for systemic institutions and the upper limit on the transitional compliance period. However, the EBA believes such amendments would reduce the effectiveness of the Draft MREL Technical Standards in promoting smooth cooperation and convergence when setting MRELs. The EBA has called on the European Commission to promptly adopt the Draft MREL Technical Standards as drafted by the EBA. With the Draft MREL Technical Standards not yet being in a legally binding form or an European Union-regulation and the resolution authorities' approach still developing, regulatory standards on MREL may therefore be subject to change.

The BRRD provisions on MREL have been transposed into Spanish law by means of Royal Decree 1012/2015, which establishes provisions to ensure that banks have sufficient loss-absorbing capacity and are ready for the implementation of bail-in tools (such as debt for equity swaps), and provides for national resolution authorities to set the MREL for each institution, based on the size, risk and business model. The MREL requirement came into force on January 1, 2016. However, the EBA has recognized the impact which this requirement may have on banks' funding structures and costs. Therefore, it has proposed a long phase-in period of up to 48 months (four years) until 2020, subject to the resolution authority's discretion. We intend to comply with our MREL requirements, which could affect our cost of funding, once they have become fully defined and in any case before the end of the phase-in period.

In this regard, in accordance with Article 38 of the Royal Decree 1012/2015, the eligible liabilities, including subordinated debt instruments and subordinated loans that may not be deemed as tier 1 or tier 2 additional capital, shall be included in the MREL if they satisfy the following conditions: (i) the instrument is issued and fully paid up; (ii) the liability is not owed to, secured by or guaranteed by the entity itself; (iii) the purchase of the instrument was not funded directly or indirectly by the entity; (iv) the liability has a remaining maturity of at least one year; (v) the liability does not arise from a derivative; and (vi) the liability does not arise from a deposit which benefits from preference in the insolvency hierarchy.

According to Article 42 of the BRRD, resolution authorities shall not exercise the write down or conversion powers in relation to certain liabilities: (a) guaranteed deposits to the level guaranteed by the FGD rules (b) any liability that arises by virtue of the holding by the relevant institution or entity of client assets or client money including client assets or client money held on behalf of UCITS, Venture Capital funds or closed-end type UCITS provided that such a client is protected under the applicable insolvency law; (c) covered bonds and liabilities in the form of financial instruments used for hedging purposes which form an integral part of the cover pool and which according to national law are secured in a way similar to covered bonds; (d) any liability that arises by virtue of a fiduciary relationship between the relevant institution or entity as fiduciary and another person as beneficiary provided that such a beneficiary is protected under the insolvency law; (e) liabilities to institutions, excluding entities that are part of the same group, with an original maturity of less than seven days; (f) liabilities with a remaining maturity of less than seven days, owed to systems or operators of systems designated according to Law 41/1999 of November 12 on payment and securities settlement systems, or their participants and arising from the participation in such a system; and (g) a liability to any one of the following: (i) an employee, in relation to accrued salary, pension benefits or other fixed accrued remuneration, except for the variable component of remuneration that is not regulated by a collective bargaining agreement; (ii) a commercial or trade creditor arising from the provision to the relevant institution or entity of goods or services that are critical to the daily functioning of its operations, including IT services, utilities and the rental, servicing and upkeep of premises; (iii) tax and social security authorities; or (iv) deposit guarantee schemes arising from contributions due in accordance with Royal-Decree 16/2011 of October 14, by which the FGD was created and its implementing regulation. The Draft MREL Technical Standards do not provide details on the implications of a failure by an institution to comply with its MREL requirement. However, on November 23, 2016 the European Commission published a proposal for a Directive of the European Parliament and of the Council amending CRD IV in which a new Article 141a is inserted to clarify, for the purposes of restrictions on distributions, the relation between the additional own funds requirements, the minimum own funds requirements, the own funds and eligible liabilities requirement, the MREL and the combined buffers requirements (so called "stacking order"). Likewise, Article 141 is also proposed to be amended to reflect the stacking order in the calculation of the maximum distributable amount. Accordingly, any failure by Unicaja Banco and/or the Group to comply with any applicable MREL requirement could result in the imposition of restrictions or prohibitions on discretionary payments by Unicaja Banco, including the payment of dividends on its ordinary shares. See "*Risks Factors—Legal and compliance risks*—We are subject to risks deriving from banking sectorial regulations—I. Capital and provisioning requirements—*Minimum requirements for own funds and eligible liabilities ("MREL")*" for further information.

Likewise, on November 9, 2015 the FSB published its final Total Loss-Absorbing Capacity ("**TLAC**") Principles and Term Sheet, proposing that G-SIIs maintain significant minimum amounts of liabilities that are subordinated (by law, contract or structurally) to certain prior ranking liabilities, such as guaranteed insured deposits, and which forms a new standard for G-SIIs. The TLAC Principles and Term Sheet contains a set of principles on loss absorbing and recapitalization capacity of G-SIIs in resolution and a term sheet for the implementation of these principles in the form of an internationally agreed standard. The TLAC Principles and Term Sheet requires a minimum TLAC requirement to be determined individually for each G-SII at the greater of (a) 16% of RWAs as of January 1, 2019 and 18% as of January 1, 2022, and (b) 6% of the Basel III Tier 1 ratio requirement as of January 1, 2019, and 6.75% as of January 1, 2022.

In its Communication of November 24, 2015, the European Commission committed to bring forward a legislative proposal by the end of 2016 so that the TLAC standard can be implemented by the agreed deadline of 2019. The proposal for a Directive of the European Parliament and of the Council amending BRRD published on November 23, 2016 is part of the European Commission's efforts to implement the TLAC standard in the Union together with a number of other proposals amending the existing Union recovery and resolution framework. Likewise, on November 23, 2016 the European Commission published a proposal for a Regulation of the European Parliament and of the Council amending CRR which proposes to incorporate the TLAC into the MREL in case of G-SIIs. However, the requirement to comply with TLAC will not be extended to non G-SIIs as EU banks already have to comply with the bank-specific MREL provisions stemming from the BRRD.

As at the date of this Prospectus, we are not classified as a G-SII by the FSB. However, if we were to be so classified in the future or if TLAC requirements are adopted and implemented in Spain and extended to non G-SIIs through the imposition of similar MREL requirements as set out below, then this could create additional minimum capital requirements for us.

If the SRB finds that there could exist any obstacles to resolvability by Unicaja Banco and/or the Group, a higher MREL requirement could be imposed.

Restrictions on Dividends

We may only pay dividends (including interim dividends) if such payment is in compliance with the applicable capital requirement regulations described in this section and other requirements. Credit institutions must comply at all times with the "combined capital buffers" requirement established in Articles 43 *et seq*. of Law 10/2014, defined as the total CET1 capital necessary to comply with the obligation to have a capital conservation buffer, as described in the Capital Requirements Summary Table above, and, where appropriate: (i) institution-specific counter-cyclical capital buffer, (ii) a G-SII buffer, (iii) a buffer for O-SII, and (iv) a systemic risk buffer. The entity must comply therefore with a capital conservation buffer consisting on CET1 representing 2.5% of the total risk exposure, calculated in accordance with Article 92, paragraph 3 of the Regulation (UE) 575/2013, on an individual and consolidated basis. As at the date of this Prospectus, we are under no obligation to comply with the other capital buffers: counter cyclical, G-SII, O-SII and systemic risk buffers.

Pursuant to Article 48.2 of Law 10/2014, credit institutions which do not fulfill the requirement of combined capital buffers, or those institutions for which a CET1 capital distribution results in their decline to a level where the combined buffer requirement is not fulfilled, shall calculate the MDA, in accordance with Article 73 of Royal Decree 84/2015, of February 13, 2015, which develops Law 10/2014. In broad terms, the MDA is calculated by multiplying the sum of interim year-end profits not yet included in CET1 by the factor (0, 0.2, 0.4 or 0.6) that is determined by a quartile of the combined buffer requirement, as explained in "*Risk Factors—Legal and Compliance Risks—We are subject to risks deriving from banking sectorial regulations—Capital and provisioning requirements—d. Maximum Distributable Amount ("MDA")*".

Until the MDA has been calculated and such MDA has been immediately reported to the Bank of Spain, none of the following actions can be performed by the credit institutions: (i) make a distribution in connection with CET1 capital; (ii) create an obligation to pay variable remuneration or discretionary pension benefits or pay variable remuneration if the obligation to pay was created at a time when the institution failed to meet the combined buffer requirements; and (iii) make payments on additional tier 1 instruments. The restrictions shall only apply to payments that result in a reduction of CET1 or in a reduction of the profits reduced, provided that the suspension or cancellation of the payment does not constitute an event of default of the payment obligations or other circumstances that lead to the opening of an insolvency proceeding.

When considering a distribution in connection with CET1, the following are caught: (i) payment of cash dividends; (ii) the distribution of fully or partly paid shares or other equity instruments referred to in Article 26, paragraph 1, point a) of CRR refers; (iii) the redemption or purchase by an entity of its own shares or other capital instruments referred to in Article 26, paragraph 1, point a) of the CRR; (iv) reimbursement of amounts paid in connection with capital instruments referred to in Article 26, paragraph 1, point a) of the CRR; and (v) the distribution of the elements referred to in Article 26, paragraph 1, points b) to e) of the CRR.

In addition to the above, the recommendation of the ECB of December 13, 2016 on dividend distribution policies (ECB/2016/44) provides that credit institutions need to establish dividend policies using conservative and prudent assumptions in order, after any distribution, to satisfy the applicable capital requirements and the outcomes of the SREP. In relation to the payment of dividends in 2017 for the financial year 2016, recommended that: (i) Category 1: Credit institutions which satisfy the applicable capital requirements and which have already reached their fully-loaded ratios at December 31, 2016, should distribute their net profits in dividends in a conservative manner to enable them to continue to fulfil all requirements and outcomes of the SREP even in the case of deteriorated economic and financial conditions, (ii) Category 2: Credit institutions which satisfy the applicable capital requirements at December 31, 2016 but which have not reached their fully-loaded ratios at December 31, 2016 should distribute their net profits in dividends in a conservative manner to enable them to continue to fulfil all requirements and outcomes of the SREP, even in the case of deteriorated economic and financial conditions. In addition, they should, in principle, only pay out dividends to the extent that, at a minimum, a linear path towards the required fully-loaded ratios and outcomes of the SREP is secured, and (iii) Category 3: Credit institutions in breach of the applicable capital requirements, should, in principle, not distribute any dividend. As at the date of this Prospectus, we are currently within category 1. See "*Dividends and Dividend Policy*" for details of distributions made by the Company in the last three years.

Allowances for loan losses

The allowances for loan losses depend on the specific conditions of the loans and the regulations of the Bank of Spain relating to allowances for loan losses, which can be found in Annex IX of Circular 4/2004 of the Bank of Spain.

Annex IX was also amended by subsequent Circulars of the Bank of Spain amending Circular 4/2004. The latest amendment has been introduced by Circular 4/2016, which is aimed at reinforcing credit risk management and introducing certain technical amendments deriving from accounting implications of other legal reforms.

Circular 6/2012 of the Bank of Spain, which amends Circular 4/2004, was approved on September 28, 2012 and imposed new reporting obligations that depend on the refinanced or restructured situation of a loan or credit. On April 30, 2013, the Executive or Delegated Commission of the Bank of Spain approved a letter to be sent to banks setting out guidelines on the application of Circular 4/2004 on loan refinancing and restructuring. These new guidelines aim to guarantee that any loan or credit that has been modified or refinanced has been accurately classified (normal, doubtful or substandard) and that it is duly provisioned. All entities have been obliged to comply with these guidelines as from September 30, 2013 and we have been compliant with these guidelines from that date. Also see "*Selected Statistical and Other Information on Assets and Liabilities—Loans and receivables—Non-performing customer loans and coverage levels*" for further detail on our NPLs.

On May 6, 2016, Circular 4/2016 was published. *Inter alia*, Circular 4/2016 amends Annex IX of Circular 4/2004 on credit risk management in the context of accounting matters, including lending policies, monitoring of transactions and provisioning regime for credit risk. Amongst other reasons, Circular 4/2004 has been amended in order to incorporate the accounting guidelines of the Basel Committee on credit risk management. This regulation entered into force on October 1, 2016. The transitional provisions of the Circular establish, *inter alia*, that credit entities will apply prospectively the new accounting criteria set out in Rule 1 and in Annex A "Analysis of the hedging and risk" as a change in the accounting estimates, and this has been reflected in Note 1 to the 2016 Annual Accounts.

Among other changes to Annex IX of Circular 4/2004, the new Circular imposes the following new provisions:

- The board of directors of the credit entity shall approve and review periodically the applicable credit risk policies;
- The policies for the approval of operations shall include further detail than they did before, chiefly in relation to pricing policies and policies for operations with exceptional characteristics (such as very long term operations, or operations with grace periods of principal or interests, or with increasing installments);
- Unless proved otherwise, operations will be deemed as restructurings or refinancing if the following circumstances are met:
    - Part or all of the payments of the modified operation have been due for more than 30 days at least once within the last three months before the modification, or that they would be due for such period without the modification;
    - At the time of the approval of an operation to provide further funds to a company, the borrower has made payments of principal or interests for other operations with the same credit entity that meets the conditions of the paragraph above; and
    - The credit entity approves the use of restructuring or refinancing clauses in relation to borrowers with significant amounts due during 30 days or that they would be due for such period without the enforcement of these clauses.
- Increases the list of signs that may indicate weaknesses in the operations with scenarios such as (i) approving the operation with an interest rate lower than the costs; and (ii) the existence of significant amounts due for more than 30 days.
- For the estimation of coverage the entity shall follow the following principles:
    - Governance and integration, which entail that the board of directors shall approve and review periodically the policies for the estimation of coverage, while such policies shall be integrated within the credit risk management processes.
    - Effectiveness and simplicity, avoiding elements introducing complexity unless these provide clear improvements.
    - Documentation and traceability, putting in place detailed and updated documentation with regard to the methodology and proceedings to monitor credit risk management, including the estimation of coverage.

- Establishes the obligation, both with respect to foreclosed assets and real estate assets that guarantee doubtful assets, to obtain recent appraisals (which must be less than one year old, compared to the three years limit set forth in the prior rules). In any case, appraisal companies and professionals shall be replaced after each valuation.

In this regard, it should be noted that, according to the explanatory statements of Circular 4/2016 of the Bank of Spain, even though IFRS 9 announces significant changes related to credit risk management, the criteria set out in Circular 4/2016 of the Bank of Spain for credit risk management, classification of operations, estimation of provisions and accounting treatment of *in rem* security will remain. Please see section "*Presentation of Financial and Other Information—Financial Information—Circular 4/2016*" for information on Circular 4/2016.

IFRS 9

On July 24, 2014 the International Accounting Standards Board (IASB) completed the final element of its comprehensive response to the financial crisis by issuing IFRS 9 Financial Instruments. The package of improvements introduced by IFRS 9 included a logical model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting. The new Standard will come into effect on January 1, 2018 with early application permitted.

IFRS 9 requires financial assets to be classified into three categories: fair value through P&L, fair value through other comprehensive income and amortized cost and on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. The standard retains most of the IAS 39 requirements for financial liabilities except for those designated at fair value through profit or loss whereby the portion of the fair value change attributable to an entity's own credit risk is recorded in other comprehensive income. The hedge accounting requirements established by IFRS 9 are more closely aligned with risk management practices and follow a more principle-based approached.

With regard to impairment, IFRS 9 introduces a new model for the recognition of impairment losses: the expected credit losses ("**ECL**") model. The ECL model constitutes a change from the guidelines in IAS 39 and seeks to address the criticisms of the incurred loss model which arose during the economic crisis. In practice, the new rules mean that entities will have to record a loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired. IFRS 9 contains a "three stage" approach which is based on the change in credit quality of financial assets since initial recognition. The first category is for classifying sound credit risks or low risks, for which expected losses over twelve months are calculated; in the second, risks where the level of risk has increased significantly since the concession or acquisition of the financial asset, for which expected losses over the lifespan of the operation are calculated; and the third, impaired risks, for which expected losses over the lifespan of the operation and the net book value of the interest accrued are also calculated. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method.

We included a note in the 2016 Annual Accounts regarding the main changes deriving from the entry into effect of IFRS 9, along with a summary of the main work streams, implementation timeline and governance milestones, as indicated by ESMA in its Public Statement. We also disclosed that we have set milestones through to December 31, 2017 and have contemplated intermediate steps in adapting our financial disclosure to the new standard, including a plan to present the estimated quantitative impacts of implementation of IFRS 9 as soon as we have enough information to do so.

Specifically, we have established implementation and end-of-period milestones in the following areas:

- Business Model and SPPI tests: we are finalizing the process of testing our portfolios and mapping the business models for our loan and fixed-income portfolios. In this regard, we are developing a methodology for complying with the "solely payments of principal and interest" ("**SPPI**") test requirements and embedding it into our IT systems and for combining the results of the business model and SPPI tests. For our equities portfolio, we are conducting an analysis to underpin our irrevocable classification election. This work is underway and is expected to be completed within the stipulated deadlines.

- Credit risk classification: we are in the process of adapting our classification algorithms and individual and collective impairment assessment criteria to the new standard, work which mainly pivots around the new so-called "Stage 2" impairment level (significant increase in credit risk).

- Calculating expected loss: we have completed the process of compiling the historical information needed to model losses using the expected loss approach and this effort has been subject to reviews. As at the date of this Prospectus, we are at the stage of modelling the various parameters under IFRS 9. In parallel we are developing the required scenarios and forward-looking information.

- Hedge accounting: we have analyzed the impacts adoption of IFRS 9 will have on our micro-hedges. We expect our governance bodies to decide whether to adopt IFRS 9 in this respect or remain using IAS 39 for these purposes until the approval of the new the macro-hedges standard.

All work-streams are progressing in accordance with the envisaged timeline. The project's timeline and status have been reported on to the joint supervisory team formed by the ECB and the Bank of Spain.

The most significant aspects of the various work-streams are outlined below:

- *Business Model and SPPI tests*

  Having analyzed the various business models, we believe that with respect to our debt securities portfolio, the current accounting classification reflects the investment objectives laid down in the IFRS 9 business model definitions. Specifically, the fixed-income portfolio classified as held-to-maturity and loans and receivables corresponds to the business model of holding the assets only to collect cash flows; asset rotation is currently low. Similarly, the available-for-sale portfolio corresponds to the mixed business model of holding the asset to collect cash flows and to sell. Lastly, the held-for-trading portfolio corresponds to the trading business model.

  Accordingly, the current portfolios are deemed to represent the IFRS 9 business models fairly closely. Thus, for the most part, the loans and receivables and held-to-maturity portfolios will be accounted for at amortized cost; the available-for-sale portfolio will be accounted for at fair value through OCI (FVOCI); and the held-for-trading portfolio will be accounted for at fair value through profit or loss (FVPL).

  This relationship will only vary for securities that do not pass the SPPI test, which are deemed immaterial in respect of our overall fixed-income portfolio.

  As for our loans and receivables, we are considering the definition of a single business model, holding the assets until maturity solely to collect cash flows. Given the contractual terms of the loans granted by the Group and the results of the analysis performed, portfolio reclassifications are not anticipated due to a failure to pass the SPPI test. Our contracts do not involve characteristics or specifics with a significant impact on their cash flows. Application of the "de minimis" or "not genuine" cash flow filters would still result in compliance with the SPPI test with only limited exceptions.

- *Credit risk classification and impairment*

  While adapting our internal methodologies to enable the estimation of collective impairment provisions, we have developed automatic classification criteria that form part of the classification algorithm and enable us to identify situations of objective non-performance, bankruptcy proceedings, refinancing activity and knock-on effects.

  In addition, we have established individual and collective assessment triggers that enable the early identification of weaknesses and objective indications of impairment.

  This progress on triggers, which we have applied on a widespread basis, has enabled early identification of the majority of the universe of assets that may qualify as Stage 2-impaired, even though this classification is based on a significant increase in credit risk rather than on weaknesses. Considering our relatively conservative loan concession policies, the creditors presenting weaknesses were financed for the most part at a time when their financial health was good, so that the change in classification criteria to factor in Stage 2 impairment is not expected to have a substantial impact on the balance classified as "normal risk under monitoring". In addition, at present, using the collective impairment assessment indicators developed by us while developing our internal provision estimation methodology, the majority of transactions in arrears by more than 30 days have already been classified as "normal risk under monitoring", such that if it were not possible to rebut the "30-day past due" presumption, the impact is not expected to be significant. Elsewhere, we are working to modify our collective impairment classification indicators to factor in significant increases in credit risk as a result of a deterioration in the life-time probability of default on the basis of the transactions' initially estimated probability of default and, on first application, considering an absolute probability of default threshold. This trigger fits perfectly with the IFRS 9 approach, even though the large majority of the population identified as Stage 2-impaired has already been classified at the interim level as a result of the strict and conservative criteria resulting from the collective classification indicators.

IFRS 9 entails a complex provisioning estimation, the very nature of which prevents an estimate of its impacts using simplistic calculations. In this respect, it is worth highlighting the fact that we have planned our implementation milestones and timing to support the robust development of our internal methodologies which we will then be able to use to estimate the impacts of IFRS 9 implementation. It is expected that the impacts in terms of magnitudes will be available in the course of 2017 and will be disclosed, following ESMA's indications, in our interim financial statements for the six-month period ending June 30, 2017, using the information available as at the date of approval of those financial statements.

So far, we have performed benchmarking exercises following best sector practices, without exhaustively factoring in internal information. To do so, we relied on the results of the EBA's Quantitative Impact Study of November 10, 2016 on the impact of IFRS 9, compiled with the participation of 58 European institutions. The impact implied by this Quantitative Impact Study is considered conservative given that the prior adaptation of internal provisioning estimation methodologies and the current loan-loss provisioning regime in Spain had the effect of largely reflecting the impact of IFRS 9 in the entities' 2016 financial statements. It is also worth noting that our business model and portfolio segmentation are significantly different from the risk structure, segmentation and business model of the entities that participated in the EBA's Quantitative Impact Study.

As far as Stage 1 (performing or "normal") exposures are concerned, no major changes are anticipated. This is also the case for Stage 3 (impaired or "doubtful") exposures, as these have already been assigned a probability of default of 100%. With regard to Stage 2 exposures, although the required developments remain in progress, and the process of identifying the affected perimeter is not complete, we have undertaken preliminary verifications based on the average contractual terms for transitioning from 12-month to lifetime expected credit losses (i.e., from "normal risk under monitoring" to Stage 2), using sensitivity analyses and without layering in internal parameters. This exercise suggests that the probability of default will increase by around 200% from current levels of "normal risk under monitoring".

Based on these provisional exercises and as at the date of this Prospectus, we estimate that implementation of IFRS 9 will not have a significant impact on us (potentially between 5 bps and 10 bps of CET1), as a result of the strict and prudent loan classification and provisioning criteria already applied by the Group.

On November 23, 2016 the European Commission published a proposal for a Regulation of the European Parliament and of the Council amending CRR. This proposal includes a new Article 473a to phase in the new incremental provisioning requirements for credit risk under IFRS 9 over a period starting on January 1, 2019 and ending on December 31, 2023 to mitigate the financial impact on institutions. The European Commission considers this necessary while discussions on the appropriate prudential treatment of the impact of increased expected credit losses are on-going and to prevent an unwarranted detrimental effect on lending by credit institutions.

See "*Risk Factors—Legal and Compliance Risks—We face risks relating to the implementation of IFRS 9*" for further details regarding IFRS 9.

c. Other relevant regulations

Spanish Provisions on DTAs

The Spanish regulator implemented certain amendments to Law 27/2014, on Corporate Income Tax of November 27 (the "**LCIT**") through RD-L 14/2013, which also provided for a transitional regime for DTAs generated before January 1, 2014 whereby certain DTAs can be treated as a direct claim against the tax authorities if a Spanish taxpayer is unable to reverse the relevant differences within 18 years or if it is liquidated, becomes insolvent or incurs accounting losses. This measure allows a Spanish bank not to deduct such DTAs from its regulatory capital. The transitional regime provides for a period in which only a percentage (which increases yearly) of the applicable DTAs will have to be deducted. This transitional regime has also been included in Law 27/2014. By virtue of the LCIT, these tax assets are guaranteed by the Spanish state and they can be converted by the Group into a current asset against the Spanish Tax Administration if the relevant company holding such tax assets is liquidated or judicially declared insolvent.

As mentioned, any convertibility of such deferred tax assets into a current asset enables it not to deduct an amount equal to its tax assets from its capital under the Basel III framework, and, instead, add them to its RWAs, with a risk weighting of 100%.

However, in accordance with a recent amendment of the LCIT, in order for this conversion into current tax assets to be enforceable, CIT taxpayers (including the Bank) will need to pay the Special Tax Charge (1.5% of the total amount of convertible assets existing on the last day of the corresponding tax period). For tax periods starting on or after January 1, 2016, the amount of qualifying tax assets that will be convertible into current tax asset (i.e., guaranteed by the Spanish state) will be equal to the tax liability of the year (*cuota líquida positiva*) in which such qualifying tax assets were generated and subject to the payment of the Special Tax Charge on that amount.

In April 2015, the European Commission initiated a preliminary State Aid investigation in relation to the Spanish deferred tax assets regime. Such investigation is now resolved to the extent that the new reading of the law (that requires payment of the Special Tax Charge in order for the conversion of the tax assets into a current asset to be enforceable) has been agreed by the European Commission, the Bank of Spain and the Spanish Ministries of Treasury and Economy.

Banking Foundations Law Overview

Following the financial assistance request to the EU and the International Monetary Fund in 2012, it was agreed that Spanish authorities would take measures to: (i) strengthen the governance structure of the former savings banks and of the commercial banks controlled by them, (ii) clarify the role of savings banks in their capacity as shareholders of credit institutions with a view to eventually reducing their stakes to non-controlling levels, and (iii) provide a roadmap for the eventual listing of banks which have benefited from State Aid as part of the restructuring process.

On December 29, 2013, this request was fulfilled with the adoption of Law 26/2013, of December 27, on savings banks and banking foundations (the "**Banking Foundations Law**"), whereby the Spanish government reformed the savings banks regime. This law repealed Law 31/1985 of August 2, on the regulation of the basic rules relating to the governing bodies of savings banks, RDL 11/2010, except the paragraphs that refer to the tax regime for institutional protection schemes, and certain paragraphs of Article 7 of Law 13/1985 of May 25, on investment ratios, own funds and reporting obligations of financial intermediaries, insofar as they concern non-voting equity units. The Banking Foundations Law therefore applies to the Foundation, as a banking foundation holding a controlling shareholding in the Company, although it does not apply to the Company directly.

The main changes introduced by the Banking Foundations Law were:

a. *Savings banks were converted into banking foundations*: savings banks were automatically transformed into foundations if their total assets exceeded €10 billion or the deposits market share in their core regions exceeded 35%. Upon conversion, each savings bank transferred its financial operations to a (newly created) bank in exchange for the shares of the latter. Should the resulting foundation hold at least 10% of the capital or voting rights of a bank or have the capacity to appoint board members in the bank, the foundation was classified as a banking foundation.

b. *Protocol for the management of the shareholding*: if a banking foundation (or several banking foundations acting in concert) held a shareholding higher than 30% or a controlling shareholding in a bank, its management board was obliged to put in place a protocol for the management of the shareholding in the bank that needed to be approved by the Bank of Spain, which evaluated if the influence of the foundation guaranteed a sound and careful management of the credit entity, in accordance with general banking regulations.

   Such protocol had to include:

   - Basic strategic criteria to be taken into account in the management of the shareholding in the credit entity;

   - The relationships between the management body of the banking foundation and the management boards of the credit entity, indicating, *inter alia*, the criteria for the appointment of the directors of the credit entity; and

   - General criteria for the implementation of transactions between the foundation and the credit entity and the mechanisms put in place to prevent conflicts of interests.

   The Bank of Spain reviews the content of such protocol annually. The protocol of the banking foundation must be available at the website of the foundation and the relevant credit entities. As for the Foundation's Protocol, it can be found in www.unicajabanco.es and www.fundacionbancariaunicaja.es and is described in "*Related Party Transactions—Transactions with the Foundation, Foundation's Protocol*").

   Pursuant to the Foundation's Protocol, Unicaja Banco may render financial and non-financial services to the Foundation. No significant transactions took place with the Foundation during 2016, 2015 and 2014 (when the Foundation was founded) other than in the ordinary course of business and on an arm's length basis.

   For information on the corporate governance provisions and related party transactions under the Foundation's Protocol see "*Management, Board of Directors and Employees*".

c. *Financial plan*: if a banking foundation (or several banking foundations acting in concert) has a shareholding higher than 30% or a controlling shareholding (within the meaning of Article 42 of the Spanish Code of Commerce) in a credit entity, it is required to file each year with the Bank of Spain for its approval a financial plan detailing how will the foundation will provide support to the credit entity in the event it has capital needs and the basic strategic criteria for investments in financial entities. The Bank of Spain will evaluate the influence of the foundation guarantees a sound and careful management of credit entity, in accordance with general banking regulations.

   The financial plan shall include, at least, the following points:

   - Reasonable estimates of the capital requirements of the relevant credit entity in different macroeconomic scenarios;

   - Strategy to be followed by the foundation to raise that capital in each scenario; and

   - Basic strategic criteria for the investment in credit entities, including the term of the investments, the risk assumed and the diversification.

   As for banking foundations having a shareholding higher than 50% or a controlling shareholding in a credit entity, they must prepare a financial plan which shall also include:

   - A plan for the diversification of investments and risk management, which shall include commitments in relation to the investment in assets issued by the same counterparty (different from those highly liquid and solvent assets) so they not go above the percentage over the total capital, in accordance with the terms defined by the Bank of Spain;

- The creation of a reserve fund, as described in letter d below; and

- Any other measures that, in the view of the Bank of Spain, is required to guarantee the sound and careful management of the credit entity, and its capacity to comply with the applicable banking regulations.

d. *Creation of a reserve fund*: if a banking foundation (or several banking foundations acting in concert) had a controlling shareholding in a bank it was forced to create a reserve fund for eventual recapitalization needs. The foundations had initially a period of up to five years to build this reserve from the moment the Bank of Spain published Circular 6/2015 of November 17, enforcing this regulation (which was published on November 20, 2015 and entered into force on November 21, 2015) or after acquiring a controlling stake in a bank. However, Royal Decree 536/2017 of May 26, 2017 has extended that period to up to eight years. Under said Royal Decree 536/2017, this deadline may be extended for one additional year, subject to the Bank of Spain's approval. This reserve fund was determined as a percentage of the RWAs of the bank controlled by one or several banking foundations. It depended on the bank's total capital ratios subject to adjustments in relation to the stake owned by the banking foundation(s).

   Notwithstanding the above, pursuant to Article 44 of the Banking Foundations Law, banking foundations are not required to build the referred reserves if they put in place a divestment plan including a detailed roadmap to be followed to decrease its controlling shareholding in the relevant credit entity within the next five years. This is the approach that has so far been adopted by the Foundation, which will reduce its stake in the Company from 86.7% to 49.7% as a result of the Offering (assuming the Over-allotment Option is exercised in full) as a first step towards giving up control of the Company (i.e, having a 40%) during a five-year period ending in 2020. However, the extension of the period for creation of the reserve fund recently granted under Royal Decree 536/2017, opens the possibility for the Foundation to reconsider this initial approach within the three-month period provided for in said Royal Decree.

   Pursuant to Article 47 of the Banking Foundations Law, a breach of the obligation to create the above-mentioned reserve fund may be deemed as a very serious infringement and will be subject to the infringement procedure set out in Law 10/2014 dated June 26, on regulation, supervision and solvency of credit entities.

e. *Corporate governance incompatibilities*: Pursuant to Article 10 of the Banking Foundations Law, there was an incompatibility to be a member of the governing body of the Foundation and Unicaja Banco at the same time. Nonetheless, as per a transitional provision of the Banking Foundations Law, it was permitted to simultaneously hold offices in the governing bodies of both the Foundation and Unicaja Banco until June 30, 2016. In this regard, the Board of Directors approved on June 29, 2016 the appointment of Mr. Manuel Azuaga as Chairman of the Board of Directors of the bank, while the former chairman, Mr. Braulio Medel, remains in his post as Chairman of the Foundation. The members of the Board of Directors of the Company who also were members of the governing body (*patronos*) of the Foundation (Mr. Manuel Atencia Robledo and Mr. Juan Fraile Cantón) resigned from their positions in the Foundation.

In relation to accounting particularities of banking foundations, the Bank of Spain published Circular 7/2016 of November 29 developing accounting particularities that shall apply to banking foundations. Among others, this Circular specifies the accounting regime that banking foundations shall apply in their individual and consolidated annual accounts, it establishes the requirement to identify in the internal accounting procedures the composition and implementation of the reserve fund described above and it provides additional information that should be included in the notes to the financial statements.

Mortgage Legislation

Law 2/1981, of March 25, on mortgage market, as amended, regulates the different aspects of the Spanish mortgage market and establishes additional rules for the mortgage and financial system.

Royal Decree 716/2009, of April 24, implemented several aspects of Law 2/1981, of March 25. The most significant aspect implemented by Royal Decree 716/2009 was the modification on the loan-to-value ratio requirement intending to improve the quality of Spanish mortgage-backed securities.

Increasing social pressure for the reform of mortgage legislation in Spain has resulted in changes to such legislation, which are described below.

Royal Decree 6/2012, of March 9, on urgent measures to protect mortgage debtors without financial resources introduced measures to enable the restructuring of mortgage debt and easing of collateral foreclosure aimed to protect especially vulnerable debtors.

Such measures include the following:

- the moderation of interest rates charged on mortgage in arrears;
- the improvement of extrajudicial procedures as an alternative to legal foreclosure;
- the introduction of a voluntary code of conduct among lenders for regulated mortgage debt restructuring affecting especially vulnerable debtors; and
- where restructuring is unviable, lenders may, where appropriate and on an optional basis, offer the debtor partial debt forgiveness.

In addition, Royal Decree 27/2012, of November 15, on urgent measures to enhance the protection of mortgage debtors provided for a two-year moratorium, from the date of its adoption, on evictions applicable to debtor groups especially susceptible to social exclusion, which may remain at their homes for such period.

The Spanish mortgage regime was amended by Law 1/2013 of May 14, which introduced measures to improve the mortgage market and which generally applied to the existing mortgage portfolio, namely:

i. the enforceability of mortgages affecting families at risk of exclusion were be postponed for two years;

ii. when entering into mortgage loans with natural persons including caps or floors to the variable interest rate, interest rate swaps or various currencies, the public deed of mortgage shall include a written statement of the debtor stating that he has been adequately informed of the risk deriving from the agreement;

iii. amended Royal Decree-law 6/2012, of March 9, on urgent measures for the protection of mortgage debtors without resources, both in terms of its scope of application and the characteristics of the measures that may be adopted. Additionally it amended the requirements for mortgage loans to be subject to the Code of Good Practices for the viable restructuring of mortgage debts over main residences;

iv. default interests on loans and credit facilities granted for the acquisition of (and collateralized with mortgages over) first residences (i) was restricted to three times the legal interest rate; and (ii) could not be capitalized;

v. should the funds resulting from the mortgage foreclosure proceeding not be sufficient to satisfy the outstanding debt, (i) payment of default interest will be the last item in the “waterfall payment” to which such funds will be allocated; and (ii) in the case of foreclosure of the debtor’s household, the debtor’s outstanding payment obligation will be reduced in the amounts and circumstances contemplated in the legislation;

vi. certain aspects of Law 1/2000, of January 7, on Civil Procedure were amended in order to guarantee that the enforcement of the mortgage did not hinder the rights of the debtor and to put in place a more flexible and swift enforcement procedure. In particular, it included provisions so the debtor could benefit from a future increase in the value of the foreclosed dwelling, as well as provisions for debtors in the context of the monetary enforcement proceedings after the mortgage procedure. In relation to auctions, Law 1/2000 was amended to facilitate the access of potential bidders to the auction by reducing the guarantees needed to bid for a dwelling and established provisions to increase the value of the foreclosed dwelling in the auctions;

vii. several measures regarding non-judicial mortgage foreclosure proceedings were incorporated, such as the celebration of a single electronic auction, or the possibility for notaries public to stay the proceedings if the parties have judicially alleged unfair (abusive) terms of the financing collateralized with the foreclosed mortgage. Equally, in judicial summary proceedings, the debtor was able to claim the existence of abusive clauses that may result in dismissal (*sobreseimiento*) of such summary proceedings or, if the legal basis of such judicial proceedings were not such abusive clauses, in their continuity, but not applying the alleged abusive clauses;

viii. bolstered the independence of appraisal companies (*sociedades de tasación*) in relation to the banks, reinforcing the supervision by the Bank of Spain;

ix. requested from the government to cooperate with the financial sector to create a social fund of dwellings owned by the credit entities to provide assistance to those persons that have lost their main residence due to the payment default of a mortgage loan. The purpose of the fund was to facilitate the access to fair rental agreements to such person, taking into account their available income; and

x. established a period of two years within which the members of pension plans could exercise their consolidated rights and request the reimbursement in cash up to an amount required to avoid the enforcement of the mortgage.

Royal Decree 11/2014, following the judgment of the EU Court of Justice of July 17, 2014 regarding Spanish foreclosure processes, allows debtors to appeal against a court's resolution which rejects his or her opposition to the execution of a mortgage.

The Mortgage Credit Directive 2014/17/EU on credit agreements for consumers relating to residential immovable property was adopted on February 4, 2014. This Directive aims to create a Union-wide mortgage credit market with a high level of consumer protection. It applies to both secured credit and home loans. The main provisions include consumer information requirements, principle based rules and standards for the performance of services (e.g. conduct of business obligations, competence and knowledge requirements for staff), a consumer creditworthiness assessment obligation, provisions on early repayment, provisions on foreign currency loans, provisions on tying practices, some high-level principles (e.g. those covering financial education, property valuation and arrears and foreclosures) and a passport for credit intermediaries who meet the admission requirements in their home Member State. Member states shall transpose its provisions into their national law by March 21, 2016, nevertheless, as at the date of this Prospectus, it has not yet been transposed into Spanish law.

Another applicable piece of legislation is Law 25/2015 of July 28, on the second opportunity mechanism, reduction of financial burden and other measures, which establishes legal mechanisms to allow debtors to cancel their debts and have a second opportunity once the liquidation proceedings or out-of-court payment settlements have concluded. For these purposes, it amends Insolvency Law 22/2003 to include a more flexible regime for out-of-court payment settlements for natural persons. This allows an individual who has been declared bankrupt to be discharged of outstanding obligations as long as he or she fulfills certain requirements: (i) the bankruptcy proceedings must have concluded, (ii) the debtor must have acted in good faith, the Royal Decree being restrictive as to when a debtor is considered to have acted in good faith, and (iii) the bankruptcy judge has to approve the terms of the discharge (and may revoke his or her approval under certain circumstances upon request of any creditor in the following five years). Discharge from mortgage obligations would only apply to the outstanding debts after the foreclosure, as long as such debts are considered ordinary or subordinate according to the Spanish Insolvency Law. Co-debtors and guarantors, if any, would remain liable.

The most recent development regarding mortgage legislation as at the date of this Prospectus is Royal Decree-Law 5/2017, of March 17, 2017, which modifies both Royal Decree 6/2012 and Law 1/2013. By virtue of Royal Decree-Law 5/2017 three special measures are taken: (i) the number of people included within the definition of debtors' groups especially susceptible to social exclusion is increased; (ii) a three year moratorium is adopted on evictions applicable to the aforementioned groups, who may remain at their homes until May 2020; and (iii) a mechanism is set out to allow the evicted debtors, whose eviction process has been suspended, to pay to the lender a predetermined rent to remain in their homes. In addition, the Government has committed to adopt measures which will enable evicted debtors to recover the property of their homes within an eight month period upon the issuance of this Royal Decree-Law.

Clauses which set minimum interest rates for mortgages

These are clauses contained in mortgage agreements under which a borrower accepts a minimum loan interest rate level which is determined without regard to the prevailing market Euribor or any other market rate. As such, borrowers may pay interest rates higher than market rates when repaying their loans. Such clauses are included in certain agreements we have entered into with our customers.

Certain clauses which set minimum interest rates for mortgages considered null and void by Spanish Supreme Court

The judgment of the Spanish Supreme Court on May 9, 2013 was the first judgment of the Spanish Supreme Court on the validity of such clauses. The judgment cast doubt over the validity of such clauses, which had been widely used by financial institutions in Spain, and raised uncertainty regarding how or when the principles of this judgment would be applied to financial institutions not party to the original action, including the Group. The judgment established the criteria on which the unfairness of such clauses was to be determined and declared the clauses that were the subject of such judgment to be null and void.

Retroactive effective of the invalidity of clauses which set minimum interest rates for mortgages

The Spanish Supreme Court in its May 9, 2013 decision held that there should be no retroactive effect of the declaration of nullity of these clauses, but has since held that a retroactive effect is applicable.

The Spanish Supreme Court, in judgments on March 25, 2015 and April 29, 2015, found that if any such clause is declared null and void by a valid court order, for lack of transparency or any other reason, the difference between the interest paid under the clause and the interest that would otherwise have been payable without such clause, must be reimbursed by the relevant financial institution to the borrower for the period beginning on the date of publication of the Spanish Supreme Court judgment dated May 9, 2013.

However, on December 21, 2016, the European Court of Justice declared that the temporal limitation placed on the effects of the invalidity by the Spanish Supreme Court judgment is incompatible with the Council Directive 93/13/EEC of April 5, 1993 on unfair terms in consumer contracts, to the extent that such temporal limitation is an incomplete and insufficient protection to consumers. There remains significant uncertainty regarding how this decision by the European Court of Justice could affect us or future court decisions regarding this matter and how any such decision will be implemented in Spain.

Royal Decree-Law 1/2017, of January 20, 2017 on urgent measures for the protection of consumers with regards to floor clauses was adopted in advance of the eventual claims which may arise as a consequence of the European Court of Justice ruling mentioned in the paragraph above. In this Royal Decree-Law, a more efficient mechanism is set out for mortgage consumers to claim due amounts deriving from null minimum interest rate mortgages clauses. Such mechanism must be established and offered by the financial entities to consumers as a pre-court settlement mechanism and during its development neither party is entitled to file any extrajudicial or judicial claim. Additionally, Royal Decree-Law 1/2017 establishes who shall bear the legal costs derived from such procedures and its tax treatment.

Regulation of the disclosure of fees and interest rates

Interest rates on most kinds of loans and deposits are not subject to a maximum limit. Banks must publish their preferential rates, rates applied on overdrafts, maximum fees and commissions charged in connection with banking transactions. The foregoing regulations are enforced by the Bank of Spain.

Mutual Fund Regulation

Mutual funds in Spain are regulated by the CNMV. All mutual funds (Spanish or foreign) to be marketed in Spain, and mutual fund management companies (Spanish or acting through branches in Spain or on a free provision of services basis) are required to be registered with the CNMV. Spanish mutual funds may be subject to investment limits with respect to single sectors or companies and overall portfolio diversification minimums. In addition, periodic reports including a review of the fund’s performance and certain material events affecting the fund are required to be distributed/notified to the fund’s investors and filed with the CNMV.

Insurance Distribution

The Insurance Distribution Directive ("**IDD**", formerly known as the Insurance Mediation Directive II) will replace Directive 2002/92/EC ("**Insurance Mediation Directive**").

The Insurance Mediation Directive regulates brokers and other intermediaries selling insurance products. In contrast to the Insurance Mediation Directive, the scope of the IDD will be extended to all sellers of insurance products, focusing especially on market integration, fair competition between distributors of insurance products and policyholder protection. It was expected that the IDD would be endorsed by the European Parliament and Council by the end of 2015 and that the directive will enter into force at some point in 2016. Subsequently, Member States will have two years to implement the IDD into national legislation. If the proposed revisions to the Insurance Mediation Directive are adopted, these changes are likely to have a significant effect on the European insurance market. In particular, the IDD proposals are likely to increase compliance obligations regarding direct sales, increasing compliance costs and the complexity of direct sales procedures.

Anti-money laundering

On June 25, 2015, Directive EU 2015/849 of the European Parliament and of the Council of May 20, 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No. 648/2012 of the European Parliament and of the Council, and repealing (with effect from June 26, 2015) Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC, entered into force, enhancing the existing EU measures to combat money laundering and the financing of terrorism. Likewise, the Commission may adopt delegated acts in order to identify high-risk third countries, taking into account strategic deficiencies. The power to adopt delegated acts is conferred on the Commission for an indeterminate period of time from June 25, 2015.

The provisions of the directive will need to be transposed into the laws of the Member States and must be applied by June 26, 2017. Important changes in the EU requirements regarding anti-money laundering and the countering of the financing of terrorism (EU AML/CFT requirements) relate to additional requirements for identification and verification of the ultimate beneficial owner ("**UBO**"), introduction of a central UBO register, extension of the definition of politically exposed persons ("**PEPs**") to domestic PEPs and supervision of correct application of the directive outside the EU. The changes will have considerable impact on customer on-boarding processes and may require reverting to paper customer files to meet the obligations on a Group-wide level.

Information exchange and reporting

There are various international and EU initiatives on automatic exchange of information such as the OECD Common Reporting Standard and the EU Directive on Administrative Cooperation in the field of Taxation (Council Directive 2011/16/EU, as amended by Council Directive 2014/107/EU). These initiatives call on jurisdictions to obtain information from financial institutions such as us. The information so obtained will be automatically exchanged with other jurisdictions.

In Spain, these initiatives, have been implemented by The General Tax Law (Twenty-second Additional Disposition in force as at October 12, 2015) and Royal Decree 1021/2015, of November 13, 2015, which have a considerable impact on our customer on-boarding and administrative processes. Pursuant to these laws, we are required to report to the Spanish Tax Authorities information relating to customers that are tax residents in any of the jurisdictions that have implemented or implement in the future such initiatives, including their accounts. Failure to comply with such obligations could trigger penalties.

Spanish Auditing Law

Law 12/2010, of June 30, amended Law 19/1988, of July 12, on Accounts Audit, Law 24/1988, of July 28, on Securities Exchanges and the consolidated text of the former Companies Act adopted by Legislative Royal Decree 1564/1989, of December 22 (currently, the Spanish Companies Act), for its adaptation to EU regulations. This law transposed Directive EU/2006/43 which regulates aspects, among others, related to: authorization and registry of auditors and auditing companies, confidentiality and professional secrecy which the auditors may observe, rules on independency and liability as well as certain rules on the composition and functions of the auditing committee. The Royal Decree 1/2011, of July 1, approved the consolidated text of the Accounts Audit Law 12/2010 and repealed Law 19/1988, of July 12.

On July 21, 2015 Law 22/2015 on Accounts Audit was published in the Spanish Official Gazette. This law amended Law 12/2010 of June 30 in certain respects, including with respect to the requirements applicable to audit firms. Some provisions of this Law are already in force, while the remainder became effective on June 17, 2016 (which, with regard to certain provisions, will imply that they will only be applicable to financial years starting after such date, financial year 2017 with respect to all Spanish banks, starting on January 1, 2017). Since banks and listed companies are considered "public-interest entities", Unicaja Banco is also subject to Regulation (EU) No 537/2014 of the European Parliament and of the Council of April 16, 2014 on specific requirements regarding statutory audit of public-interest entities. These specific requirements or limitations include, but are not limited to, the following (references to articles are to those set forth in Regulation (EU) No 537/2014): (i) the obligation to publish an annual transparency report by the auditors of public-interest entities, which should include, among others, information relating to public interest entities that have been audited, in accordance with Article 13; (ii) a list of prohibited non-audit services that cannot be provided to those entities its parent and its subsidiaries as per Article 5; (iii) certain rules by which fees perceived by auditors other than those permitted for audit services in relation to a particular public interest entity can be limited also in accordance with Article 5; and, (iv) the obligation of external rotation or maximum contract period as per Article 17.

MANAGEMENT, BOARD OF DIRECTORS AND EMPLOYEES

In order to adapt the Company to the Spanish Companies Act's provisions and the good corporate governance requirements and practices applicable to listed companies, the Board of Directors, at its meeting held on March 24, 2017 amended the existing Board of Directors Regulations and approved certain amendments to the Internal Code of Conduct. Similarly, the general shareholders' meeting of the Company held on April 26, 2017: (i) amended the Company's bylaws; (ii) approved the new general shareholders' meeting regulations; and (iii) acknowledged the amendments to the Board of Directors Regulations and to the Internal Code of Conduct approved by the Board of Directors. All of these documents have been registered with the Commercial Registry and will come into force upon Admission (except for the Internal Code of Conduct, which will not be registered with the Commercial Registry and is already in force).

Board of Directors

Spanish corporate law provides that a Spanish incorporated company's board of directors is responsible for the management, administration and representation of the company in all matters concerning its business, subject to the provisions of such company's bylaws (*estatutos*) and except for those matters expressly reserved for the general shareholders' meetings.

The Company's bylaws and the Board of Directors Regulations provide for a Board of Directors that consists of between eight and 15 members. The Board of Directors currently consists of 13 members in accordance with the resolution passed at the company's general shareholders' meeting on April 26, 2017 and as described below.

According to Spanish law, the Company's bylaws and the Board of Directors Regulations, the Company's directors are elected at the general shareholders' meeting. The directors serve for a maximum term of four years, and may be reelected to serve for an unlimited number of terms of the same duration, except that no independent director can serve for more than twelve years and still be considered as an independent director. If a director does not serve his or her term fully, the Board of Directors may fill the vacancy by appointing a replacement director to serve until the next general shareholders' meeting ("*nombramiento por cooptación*"). Any natural or legal person may serve on the Board of Directors, provided they are fit and proper and have the required professional competence and experience for the position held and are approved by the Bank of Spain and the ECB, as described below. The members of the Board of Directors do not need to be shareholders of Unicaja Banco. A director may be removed from office by the shareholders at a general shareholders' meeting, even if such removal is not included on the agenda for that general shareholders' meeting.

The Board of Directors is responsible for the Company's management and establishes, among other things, the Company's strategic, accounting, organizational and financing policies. According to Spanish law, the Company's bylaws and the Board of Directors Regulations, the chairman of the Board of Directors and, where appropriate, the vice-chairman, who acts as chairman in the event of the chairman's absence or incapacity, shall be elected from among the members of the Board of Directors. Pursuant to Article 529 septies of the Spanish Companies Act and to the Board of Directors Regulations, if the chairman is an executive director, a coordinating director ("*consejero coordinador*") shall be appointed from among the independent directors. Since the Company's chairman is an executive director, Ms. Petra Mateos-Aparicio Morales has been appointed from among the independent directors as the coordinating director. The coordinating director has the power to call meetings of the Board of Directors and include new items on the agenda of the meetings, to coordinate non-executive directors and to lead, if necessary, the regular evaluation of the chairman of the Board of Directors. The secretary and, where appropriate, the vice-secretary of the Board of Directors do not need to be directors. According to Spanish law, the Board of Directors appoints the Company's executive officers and supervises the Company's operations. Moreover, the Board of Directors is entrusted with calling general shareholders' meetings and implementing, as the case may be, shareholders' resolutions.

The Company's bylaws and Board of Directors Regulations provide that the chairman of the Board of Directors may call a meeting whenever he or she considers such a meeting necessary or suitable. The chairman of the Board of Directors is also required to call a meeting of the Board of Directors at the request of at least one third (1/3) of the members of the Board of Directors or, where applicable, at the request of the coordinating independent director. The Company's bylaws provide that the absolute majority (half plus one) of the members of the Board of Directors (attending in person or represented by proxy by another member of the Board of Directors) constitutes a quorum. Pursuant to the Company's bylaws and except otherwise expressly stated by law, resolutions of the Board of Directors are passed by an absolute majority of the directors attending a meeting, whether personally or by proxy and, in the event of a tie, the chairman shall have the casting vote.

All the members of the Board of Directors should comply with the reputation and experience requirements set forth in Article 24 of Law 10/2014 and Articles 29, 30 and 31 of Royal Decree 84/2015, including the regime of incompatibilities and limitations provided for in Article 26 of Law 10/2014 and the integrity and professional requirements set out in Articles 30 and 31 of Royal Decree 84/2015. In this sense the procedure for the assessment of suitability of directors, general managers or similar and key personnel (*Procedimiento de Evaluación de Idoneidad de Consejeros, Directores Generales o Asimilados y Personal Clave*) approved on November 10, 2016, develops the obligations under current regulations on the assessment of the adequacy of directors and holders of key functions. This procedure fulfills the above-mentioned obligation by establishing the scope and content of the process of internal evaluation of suitability of the members of the Board of Directors, general managers or similar and other employees who are responsible for internal control functions or occupy key positions for the daily activities of the entity. Similar positions to the general managers would be (i) those persons who develop senior management roles under the direct dependence of the management body, executive committees or chief executive officer; (ii) those persons who meet the previous dependency requirements set out in the previous point, and limit their senior management roles to a specific area of activity, provided that they are integrated into an organizational structure of management that assumes the highest level of daily management of the Company; and (iii) those persons who had entered into a senior management contract subject to Royal Decree 1382/1985, of August 1. It also develops the additional documents (questionnaires, statements and reports models) necessary to verify the gathering of the information required by current regulations. The Appointments Commission, with the support from the General and Technical Secretariat, is responsible for the assessment of the candidates and members of the Board of Directors, general managers or similar and other key employees as well as the supervision of the correct implementation of the procedure referred to above. According to the Board of Directors Regulations, the assessment of the suitability of the members falling within the scope of this procedure shall be based on the criteria of commercial and professional honorability, as well as on the knowledge, experience and skills appropriate to their functions. In addition, the members of the Board of Directors must act with honesty, integrity and independence of ideas, so that they are in a position to exercise good governance.

According to the Company's bylaws, our Board of Directors shall meet in ordinary session at the regular intervals according to law and, in addition, whenever its Chairman deems it appropriate, on its own initiative or at the request of at least one third of the members of the Board of Directors.

Directors

The table below shows the composition of the Board of Directors upon Admission:

Name	**Age**	**Title**	**Member of Board of Directors since**	**Terms Expires**[1]	**Category/ status**
Manuel Azuaga Moreno	69	Chairman	1/12/2011	30/11/2017	Executive
Enrique Sánchez del Villar Boceta	51	Chief Executive Officer	26/04/2017	25/04/2021	Executive
Manuel Atencia Robledo	58	Vice-Chairman	1/12/2011	30/11/2017	Executive
Juan Fraile Cantón	68	Vice-Chairman	1/12/2011	30/11/2017	Proprietary[2]

Agustín Molina Morales	68	Secretary	1/12/2011	30/11/2017	Proprietary(2)
José Mª de la Torre Colmenero	68	Member	1/12/2011	30/11/2017	Proprietary(2)
Antonio López López	74	Member	1/12/2011	30/11/2017	External
Victorio Valle Sánchez	78	Member	1/12/2011	30/11/2017	Independent
Eloy Domínguez-Adame Cobos	76	Member	30/01/2014	29/01/2018	Independent
Petra Mateos-Aparicio Morales	71	Coordinating Member and leading independent director	30/01/2014	29/01/2018	Independent
Guillermo Jiménez Sánchez	76	Member	30/09/2014	29/09/2018	Independent
María Luisa Lombardero Barceló	56	Member	30/09/2014	29/09/2018	Executive
Isabel Martín Castellá(3)	70	Member	26/04/2017	25/04/2021	Independent

Notes:

(1) *The renewal of the proprietary members whose term is due to expire depends on the shareholders of the Company.*
(2) *All the proprietary members of the Board of Directors have been designated following the proposal of the Foundation.*
(3) *Ms. Martín's appointment is pending registration with the Commercial Registry and with Register of Senior Officers of the Bank of Spain (Registro de Altos Cargos del Banco de España).*

In light of the forthcoming expiration of the term of some of our directors, it is the Company's intention to activate its succession plan so that the composition of the Board of Directors, both individually and collectively, complies with applicable regulations and best corporate governance practices.

All members of the Board of Directors designate the Company's Registered Address as their professional address for the purpose of this Prospectus.

Biographical information for each of the current members of the Board of Directors, including a brief description of each director's business experience and education, is presented below.

Manuel Azuaga Moreno. Mr. Azuaga holds a degree in Philosophy and Literature from the University of Málaga, a Masters in Strategic Planning and Management Control and a Masters in Auditing of Credit Institutions from the *Escuela Superior de Cajas de Ahorro* (E.S.C.A.).

- He was risk director at Caja Rural de Málaga. He was also director of audit and internal control, deputy director of planification and management control, organization and human resources at Caja de Ahorros y Préstamos de Antequera.
- He has been chairman of Aeropuertos Españoles y Navegación Aérea, S.A. (AENA), member of the board of directors of Deóleo, S.A., Autopista del Sol Concesionaria Española, S.A., Lico Corporación, S.A., Cía. Andaluza de Rentas e Inversiones, S.A. (CARISA), Sacyr

Vallehermoso, S.A. and Banco Europeo de Finanzas, S.A.

- He held the positions of deputy director of planification and management control, general secretary, regional director of business, director of the investee companies division and general managing director at Unicaja.
- He has also held the position of chairman of the board of directors of EspañaDuero.
- He has held the positions of general managing director and vice-chairman chief executive officer at Unicaja Banco.
- He is a member of the board of directors of Cecabank, S.A.

Enrique Sánchez del Villar Boceta. Mr. Sánchez del Villar graduated in Economics and Business Studies at *Universidad Autónoma de Madrid*. He has also completed specialized training programes on subjects including international corporate finance, credit management, business financing and innovation, at prestigious institutions such as INSEAD at Fontainebleau in France or the Lester Center for Entrepreneurship & Innovation at the University of California in Berkeley.

- He has more than 25 years' experience in finance and has held a number of senior executive posts in that sector.
- He was chief executive officer at Ahorro Corporación, having held a series of positions of responsibility at that company and others in its group.
- Other past positions include Managing Director of the School of Applied Finance, where he was director of the Master's Degree in Banking and Finance.

Manuel Atencia Robledo. Mr. Atencia has a degree in Law from the University of Granada, a Masters in Security and Defense from *Universidad Rey Juan Carlos*, a diploma in Business Management (*Alta Dirección de Empresas*) from the *Instituto Internacional de San Telmo*, and he is a university expert in corporate law certified by the *Universidad Internacional de Andalucía* and a real estate agent certified by the Ministry of Public Works and Urbanism.

- As practicing lawyer, he has provided, individually, through his own law firm, Atencia Abogados, S.C.P., legal advisory services to different companies and credit institutions. He has given Civil Law classes at Málaga University and he has been director and lecturer of several summer courses at the same university. He was also a member of the governing board of the Málaga Bar Association.
- He was a member of the Spanish Parliament, senator and representative at the Parliament of Andalucía. He was president of the Spanish Delegation to the NATO Parliamentary Assembly.
- He was executive chairman of Unicorp Corporación Financiera, S.A.U., where he also was executive vice-chairman, and vice-chairman of Compañía Andaluza de Rentas e Inversiones, S.A. (CARISA).
- He was a member of the board of directors of: Compañía de Seguros Reunidos, S.A. (CASER), Unicorp Patrimonio Sociedad de Valores, S.A., Unicorp Vida and AVIVA Servicios Compartidos AIE.
- At Unicaja he has held, among others, the position of first vice-chairman of the board of directors and vice-chairman of the supervisory board. He has also been a member of the governing body (*patrono*) of the Foundation.
- He held the position of first executive vice-chairman of the board of directors at Unicaja Banco.
- He is vice-chairman of Deóleo, S.A., chairman of Banco Europeo de Finanzas, S.A. and executive vice-chairman of Alteria Corporación Unicaja. S.L.U.

Juan Fraile Cantón. Mr. Fraile holds a degree in Philosophy and Teaching from the *Universidad Nacional de Educación a Distancia.*

- He has been a primary school teacher in several schools: *Escuela Normal de Melilla, Escuela Aneja de Melilla* and *Colegio Juan Carrillo de Ronda.*
- He has held the following positions: councillor and mayor of the City Council of Ronda,

provincial representative of Málaga, chairman of the provincial council of Málaga, chairman of Patronato del Turismo Costal del Sol and European representative.

- He has held the positions of second vice-chairman at Unicaja, and has also been a member of the governing body (*patrono*) the Foundation.
- He is second vice-chairman at Unicaja Banco.
- He is a director of Banco Europeo de Finanzas, S.A., and Alteria Corporación Unicaja, S.L.U.

Agustín Molina Morales. Mr. Molina holds a Doctorate in Economics and Business Studies from the University of Almería, is a Professor of Applied Economics at the University of Granada and was the Dean of the Social Science and Law School of Almería, fellow of the Fondo Personal Investigador of the Ministry of Science and Education, and Professor of the Public Finance and Tax Law in the Business School of Málaga.

- He has been awarded the Premio Andalucía de Economía y Hacienda.
- He has collaborated with the Fondo para la Investigación Económico y Social (FIES) foundation of the Spanish saving banks and with the Instituto de Estudios Fiscales.
- He has published a number of books and articles in specialized journals including Hacienda Pública Española, Investigaciones Económicas, Crónica Tributaria, Papeles de Economía Española and Public Finance.
- He has been secretary of the board of directors of Caja de Ahorros de Ronda and secretary of the board of directors of Unicaja.
- He is also secretary of the Patronato of the Fundación Unicaja Ronda.

José Mª de la Torre Colmenero. Mr. de la Torre has law studies at the University of Granada.

- He has been councilor and mayor of the City Council of Jaén, a senator representing Jaén and a representative of Jaén at the Parliament of Andalucía.
- He was regional chief of Current Accounts at Caja Postal de Jaén. He held positions such as regional director, real estate business director for East-Andalucía and director of the mortgage subrogations core.
- He was member of the board of directors of Unicaja, holding the position of third vice-chairman.

Antonio López López. Mr. López holds a degree in Economics and Political and Commercial Studies from *Universidad Complutense de Madrid.* He is an expert in Commerce, certified by the *Escuela de Comercio de Almería,* and taught at the same institution.

- He has held positions as financial analyst, director of studies services, deputy director and assistant general director at SAFEI. He has also been general director at GESINCA, investments deputy general director at Caja General de Ahorros de Granada and general director at Caja de Ahorros de Almeria.
- He has been chairman of Unigest, S.A., vice-chairman of MFAO and director of Unicorp Vida and Deóleo, S.A.
- He held the positions of director of the commercial network, assistant general director, investments director and investment banking director at Unicaja.
- He is a member of the board of directors of EspañaDuero, chairman of Lico Leasing, S.A., E.F.C., a member of the board of directors of Val Telecomunicaciones, S.L. and director of Alcazaba Proyectos de Viviendas, S.L.

Victorio Valle Sánchez. Mr. Valle holds a degree in Political Science and Economics from the *Universidad Complutense de Madrid.* He also holds a Doctorate in Economics from the same university.

- He has been a Professor of Public Finance at the *Universidad Complutense de Madrid*, Professor of Public Finance and Economics at *Universidad Pontificia de Comillas* (ICADE), Professor of Public Finance at *CUNEF,* Professor of Public Finance at *Centro Universitario Luis Vives* and Professor of Public Economy and Capital Markets at *Instituto de Estudios Bursátiles (IEB).*

- He has held the following positions: director of studies and programming in CECA, general director of financial policy in the Ministry of Economy, chairman of the Banco Hipotecario de España, director of advisory and non-operational services in CECA, General Secretary at Fondo de Garantía de Depósitos en Cajas de Ahorros, deputy general director in the Fundación de las Cajas de Ahorro (FIES), general director at FUNCAS, general director at Banco de España, director at ICO, and chairman of the technical advisory committee of the IBEX 35.

- He is a Corporate Professor with extraordinary prize from the Escuela de Comercio de Málaga. He is also a Doctor in Public Finance in the University of Málaga, Doctor in Applied Economics and Business in the Universidad Nacional de Educación a Distancia and he has also been the Dean of the Business School. He is also a Professor of Economy in the Universidad Nacional de Educación a Distancia (on leave).

Eloy Domínguez-Adame Cobos. Mr. Domínguez-Adame holds a degree in Road, Canal and Port Engineering from the *Universidad Politécnica de Madrid.*

- Among other roles, he has been vice-chairman of the board of directors of Técnica y Proyectos, S.A. (TYPSA), chairman of the boards of directors of Azora, S.A. and Lazora, S.A., Dravo, S.A., Urbaser, S.A., Control de Aplicaciones, S.A., Aurea, S.A. and Incro, S.A.; vice-chairman and chief executive officer of Dragados, S.A., and a member of the board of directors of Azora Europa, S.A., Inmobiliaria URBIS, S.A., Sevillana de Electricidad, S.A., Geocisa, S.A., Intecsa, S.A., Cobasa, S.A. and Autopistas de Mare Nostrum, S.A.
- He is director at Azora Capital, S.L. and chairman at Valle de la Zarza, S.L.

Petra Mateos-Aparicio Morales. Ms. Mateos-Aparicio holds a Doctorate "cum laude" in Economics and Business Studies at the *Universidad Complutense de Madrid*.

- Ms. Mateos-Aparicio has made several monographic Ph.D. courses of system analysis. She has complementary training in the following fields: economy, business and management, business planning and marketing, corporate and finance law, accounting and auditing, capital markets, analysis and corporate finance.

- She has more than 40 years of practical application and professional experience. In her long academic career, we should highlight her studies at *Universidad Complutense de Madrid, Universidad de Valladolid, Fundación Universitaria San Pablo (CEU), Universidad Pontificia de Comillas* (ICADE), *IBEDE, Colegios Universitario de Estudios Financieros (CUNEF)* and in the *Universidad Nacional de Educación a Distancia (UNED).*

- Ms. Mateos-Aparicio has published several books and articles about telecommunications and financial issues, having specialized during the last years in corporate governance and business leadership. She has directed capital markets and space telecommunications courses.

- Ms. Mateos-Aparicio was the general director of the Cabinet of the Economic and Finance Ministry and director of the Study Services of the Madrid Stock Exchange. She has also held important positions in Spanish and foreign companies including: deputy general director of the Banco Exterior de España, general director in Spain for Ron Investment, vice-chairman of Gexterior, chairman of Factorex, member of the board of directors of Banco de Alicante, Banco Exterior de Reino Unido, Banco Exterior de Francia, Banco Exterior de España and Iberia Líneas Aéreas de España. She has also been a director of Xtar LLC (USA), Hispamar Satélite (Brazil), chairman of Hisdesat, executive chairman of Hispasat and director of Solvar (Belgium).

- She is an independent consultant in the strategic, financial and management fields, member of the Consejo Consultivo Internacional de Ciencia, Universidad y Sociedad (CRUE), member of the board of directors of ANECA, member of the national board of the Instituto Español de Analistas Financieros (IEAF), coordinator of the advisory council of the Círculo de Empresarios. In addition, she has served on the jury for various important awards, in particular, the "Príncipe de Asturias de Investigación Científica y Técnica" from the Príncipe de Asturias Foundation.

- Ms. Mateos-Aparicio hold several awards and prizes in the professional fields: "*Caballero de la Legión de Honor*" from the Republic of France; award "*Leader of the Year*" from the USA-Spain chamber of commerce; award "*Empresaria del Año*" from the Brazil-Spain chamber of commerce and award "*Fundación Woman Together*" from the Economic and Social Council of the United Nations.

- She is a Professor of Financial Economy in the business economics and accounting department of School of Economics of the *UNED*. She is also the vice-chairman of the USA-Spain chamber of commerce.

- Currently, Ms. Mateos-Aparicio is a member of the board of directors of EspañaDuero, Técnicas Reunidas, S.A., Ghesa Ingeniería y Tecnología, S.A., Celulosas Moldeadas, S.A; Celuloses Moldadas Portuguesas, S.A. She is also a director at Altkoca, S.A. and Senectical, S.L.

Guillermo Jiménez Sánchez. Mr. Jiménez holds a degree in law from the University of Sevilla with extraordinary degree prize, a *cum laude* Doctorate in law certified by the University of Bolonia and several diplomas from courses at the *Instituto di Diritto comparato Italo-Ibero-Americano.*

- He is an emeritus professor of Corporate Law at the University of Sevilla, with a broad teaching and research activities. In this university he has held among others the positions of Principal and General Secretary.
- He was Vice-Dean and Dean of the School of Economic and Business Science at the University of Sevilla, professor at the *Instituto Universitario de Ciencias de la Empresa* and at the *Instituto de Estudios Sociales*. He was Principal at the *Universidad Hispanoamericana de Santa María de la Rábida* and Professor at the *Universidad Internacional Menéndez y Pelayo*. He has also been director of the Company Legal Advisory Senior Course at the *Instituto de Estudios Jurídicos y Empresariales El Monte* and member of the academic board of directors of such institution.
- He has been chairman of the advisory board for conflict issues, chairman of the first section of Autocontrol.
- He was vice-commissioner of the *Pabellón del Movimiento Internacional de la Cruz Roja y la Media Luna Roja* at the Seville 1992 Universal Exposition and vice-chairman of the board of directors of Sociedad Estatal para la Exposición Universal de Sevilla 1992, S.A.
- He was vice-chairman of the board of directors of Monte de Peidad y Caja de Ahorros de Sevilla and director of Sevillana de Electricidad, S.A.
- He has been a judge and vice-chairman of the Spanish Constitutional Court.
- He has participated in governing bodies of several non-profit and associative entities such as Cruz Roja Española, Fundación Fondo de Cultura de Sevilla and Fundación Sevillana de Electricidad.
- He has participated in several commissions and work groups. He has carried out important studies and legal and business publications as well as having assumed editorial responsibilities. He has led several doctoral theses and assessed on investigation projects. He has obtained remarkable awards and distinctions, in particular the special award of Gran Cruz de la Orden de Isabel La Católica and the Gold Medal of Cruz Roja Española.

María Luisa Lombardero Barceló. Mrs. Lombardero holds a degree in Economics and Business from the *Universidad Complutense de Madrid*, a Master in Business and an Executive Masters in Business Administration from the Instituto de Empresa and a business marketing degree from the Boston University.

- She was an auditor at Arthur Andersen from 1984 to 1987.

- She was responsible for the Investment and Analysis department in Banque Indosez, Sucursal en España (now Credit Agricole) from 1988 to 1996.

- She held senior roles positions in Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) from 1996 to 2000.

- She was the general subdirector of Banesto from 2000 to 2004.

- She was the general director of El Monte from 2004 to 2008.

- She was the general director of Banca March, being responsible of the Strategic Planning.
- She is chief executive officer of EspañaDuero.

Isabel Martín Castellá. Mrs. Martín holds a degree in Economics and Business from the *Universidad Complutense de Madrid* and is a State Economist.

- She was a control and risk analyst at Banco Atlántico, S.A. from 1970 to 1973.
- She held different positions at the Ministry of Commerce, Tourism, Industry and Energy from 1977 to 1987.
- She was the deputy manager of the International Area and International Financing of Banco Hispanoamericano, Banco Central Hispano and Banco Santander from 1987 to 2000.
- She was the vice chairman of the Banco Europeo de Inversiones from 2000 to 2006.
- She was a manager of Centro Financiero Internacional, a non-profit organization founded by the main banking and insurance entities from 2007 to 2013.
- She is currently a member of the board of directors at Sacyr, S.A.

The table below sets out all entities in which the members of the Board of Directors have been appointed as members of the administrative, management or supervisory bodies at any time during the five-year period preceding the date of this Prospectus, indicating whether or not each person is still a member of such entities (except for (i) family-owned and asset holding companies, (ii) companies in which the Company holds a stake either directly or indirectly, and the relevant person holds his/her post as a representative of the Company, and (iii) any other companies without relevance for the activities of the Company).

Other positions of the members of the Board of Directors

Director	**Company**	**Title**	**In Office**
Manuel Atencia Robledo	Fundación Bancaria Unicaja	Member of the Patronato	No (since June 2016)
Enrique Sánchez del Villar Boceta	Ahorro Corporación, S.A.	Managing Director	No (since October 2016)
	Ahorro Corporación Gestión, SGIIC, S.A.	Managing Director	No (since October 2016)
Juan Fraile Cantón	Fundación Bancaria Unicaja	Member of the Patronato	No (since June 2016)
Eloy Domínguez-Adame Cobos	Azora Europa I, S.A.	Director	No (since July 2013)
	Técnicas y Proyectos, S.A.	Vice Chairman	No (since June 2016)
	Azora Capital, S.L.	Director	Yes
Petra Mateos-Aparicio Morales	Técnicas Reunidas, S.A.	Director	Yes
	Ghesa Ingenieria y Tecnologia, S.A.	Director	Yes
María Luisa Lombardero Barceló	Banca March, S.A.	Managing Director	No (since May 2014)
	Banco Inversis	Director	No (since May 2014)

	March JLT Correduría de Seguros y Reaseguros, S.A.	Director	No (since May 2014)
	Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A.	Director	Yes
Isabel Martín Castellá	ING Groep N.V.	Member of an advisory body	No (since May 2017)
	ING Bank N.V.	Member of an advisory body	No (since May 2017)

In addition to the above, none of the Company's members of the Board of Director owns or has held shares in other companies at any time during the five-year period preceding the date of this Prospectus (except for (i) family-owned and asset-holding companies, (ii) holdings in listed companies which are not relevant (*participación significativa*), (iii) companies within the Group and (iv) any other companies without relevance for the activities of the Company) except for Mr. Atencia, who holds 4% of the shares in GV & AR NEWCO & Investment Services, S.L.

Independent Directors

In accordance with the resolution adopted by the general shareholders' meeting of the Company on April 26, 2017, and as reflected in this section, as at the date of this Prospectus, the Board of Directors is comprised of 13 directors, five of whom are independent directors, in the terms set forth in Article 529 duodecies of the Spanish Companies Act.

Board Commissions

In compliance with the Company's bylaws and Board of Directors Regulations, the Board of Directors has four support commissions (jointly referred to as the "**Support Commissions**"): an appointments commission (the "**Appointments Commission**"), a remuneration commission (the "**Remuneration Commission**"), a risk commission (the "**Risk Commission**"), and an audit and compliance commission (the "**Audit and Compliance Commission**"). The Support Commissions are governed by the Company's bylaws and the Board of Directors Regulations, to which they conform. The composition of the Support Commissions were approved pursuant to a Board of Directors resolution passed on May 31, 2017 and will be effective upon Admission.

Likewise, the Company had an executive or delegated commission, which was established pursuant to a Board of Directors resolution passed on December 2, 2011 and was dissolved pursuant to a Board of Directors resolution passed on May 31, 2017.

Appointments Commission

The composition, responsibilities and rules of the Appointments Commission are governed by the Company's bylaws and Board of Directors Regulations.

The Company's bylaws and Board of Directors Regulations require that the Appointments Commission must have between three and five members, all of whom must be non-executive directors. They shall be appointed taking into account their knowledge and expertise in the relevant field. The majority of the members of the Appointments Commission shall be independent directors and the chairman of the Company's Appointments Commission shall be selected by the Board of Directors from among its independent members.

The Appointments Commission will meet every time (i) the Appointments Commission itself deems it appropriate, or (ii) its chairman or two of its members consider it necessary.

The primary purpose of this commission is to report and propose on the appointment and removal of the directors and senior managers. In particular, the Appointments Commission will be responsible for, among other things, the following:

- evaluating the skills, diversity, balance of knowledge and experience required in the Board of Directors. For those purposes, it will determine the roles and capabilities required of candidates to fill vacancies and evaluate the necessary dedication for the proper performance of their duties;
- identifying and suggesting, via the relevant report, in the case of executive directors and proprietary directors, or via proposal, in the case of independent directors, candidates to fill the vacancies of the Board of Directors, with a view to their approval by the Board of Directors or the general shareholder's meeting;
- evaluating regularly and, at least once a year, the structure, size, composition and performance of the Board of Directors, making recommendations to it in respect of possible changes;
- evaluating regularly and at least once a year, the suitability of the members of the Board of Directors and of the Board of Directors as a whole, and informing the Board of Directors accordingly;
- monitoring that the non-executive directors have enough time for the correct fulfillment of their obligations;
- reviewing periodically the Board of Directors' policy in relation to the recruitment and appointment of the senior managers and making recommendations in relation to it;
- informing the proposals for appointments or dismissals of senior managers and the basic terms and conditions of their contracts;
- researching and organizing the succession of the chairman of the Board of Directors and the first executive of the Company, if any, and formulating proposals to the Board of Directors so that said succession be carried out in an ordered and well-executed manner;
- establishing a goal for representation of the less-represented gender on the Board of Directors, and developing guidance on how to achieve that goal;
- informing proposals for appointment of the chief executive officer, vice-chairmen, coordinator director and chairman of the different commissions; and
- informing proposals for appointment or removal of the secretary or vice-secretary of the Board of Directors.

Pursuant to a Board of Directors resolution passed on May 31, 2017, the members of the Appointments Commission will be, upon Admission, as follows:

Name	**Category**	**Title**
Victorio Valle Sánchez	Independent	Chairman
Petra Mateos-Aparicio Morales	Independent	Member
Antonio López López	External	Member
Eloy Domínguez-Adame Cobos	Independent	Member
Agustín Molina Morales	Proprietary	Secretary (Member)

All members of the Appointment Commission have been appointed by the Board of Directors taking into account the knowledge, experience and skills required for the duties to be performed.

Remuneration Commission

The composition, responsibilities and rules of the Remuneration Commission are governed by the Company's bylaws and Board of Directors Regulations.

The Company's bylaws and Board of Directors Regulations require that the Remuneration Commission must have between three and five members, all of whom must be non-executive directors. At least one of the members shall have sufficient knowledge and expertise in the relevant field. The majority of the members of the Remuneration Commission shall be independent directors and the chairman of the Remuneration Commission shall be selected by the Board of Directors from among its independent members.

The Remuneration Commission will meet every time (i) the Remuneration Commission itself deems it appropriate, or (ii) its chairman or two of its members consider it necessary.

The primary purpose of this commission is to report and make proposals on remuneration policy. In particular, the Remuneration Commission will be responsible for, among other things, the following:

- observing and proposing the remuneration policy of the directors and senior managers of the Company to the Board of Directors, as well as the individual retribution and other contractual terms with respect to the executive directors and senior managers;

- verifying the information on the directors and senior management remuneration set out in the company's documents, including the annual report on directors remuneration;

- monitoring that eventual conflicts of interest do not hinder the external advice received by the commission;

- preparing decisions on remuneration, including those which have implications for the risk and the risk management of the Company, to be taken by the Board of Directors; and

- issuing a specific report which needs to be attached to the Board of Directors' remuneration policy proposal.

Pursuant to a Board of Directors resolution passed on May 31, 2017, the members of the Remuneration Commission will be, upon Admission, as follows:

Name	Category	Title
Guillermo Jiménez Sánchez	Independent	Chairman
Victorio Valle Sánchez	Independent	Member
Petra Mateos-Aparicio Morales	Independent	Member
José María de la Torre Colmenero	Proprietary	Member
Juan Fraile Cantón	Proprietary	Secretary (Member)

All members of the Remuneration Commission have been appointed by the Board of Directors taking into account the knowledge, experience and skills required for the duties to be performed.

Risk Commission

The composition, responsibilities and rules of the Risk Commission are governed by the Company's bylaws and Board of Directors Regulations.

The Company's bylaws and Board of Directors Regulations require that the Risk Commission must have between three and five members, all of whom must be non-executive directors. Members of the Risk Commission shall have sufficient knowledge and expertise in the relevant field. The chairman of the Risk Commission is selected by the Board of Directors from among its independent members. The majority of the members of the Risk Commission shall be independent directors.

The Risk Commission will meet every time its chairman considers it necessary, and, in any event, the Risk Commission must meet at least on a quarterly basis.

The primary purpose of this commission is the risk management. In particular, the Risk Commission will be responsible for, among other things, the following:

- determining, together with the Board of Directors, the nature, quantity, format and frequency of the risk information to be received by the commission itself and the Board of Directors;
- advising the Board of Directors with regards to the current and future risk appetite of the Company and its strategy in relation to it as well as assisting the Board of Directors in the monitoring of the application of such strategy;
- monitor that the management control systems correctly mitigate the risks within the risk framework defined by the Board of Directors;
- actively support the preparation of the Company's risk management policy;
- assessing if the prices of the assets and debts offered to the customers are aligned with the business model and risk strategy of the Company. If the Risk Commission determines that the prices are not duly aligned with the business model and risk strategy of the Company, it will present a plan to the Board of Directors to make up the deficiency; and
- assisting on the establishment of reasonable retribution policies and practices. For such purposes, the Risk Commission shall assess, without prejudice to the functions of the Remuneration Commission, if the incentives policy envisaged takes into consideration risk, capital, liquidity and the likelihood of obtaining benefits.

Pursuant to a Board of Directors resolution passed on May 31, 2017, the members of the Risk Commission will be, upon Admission, as follows:

Name	**Category**	**Title**
Petra Mateos-Aparicio Morales..	Independent	Chairman
Isabel Martín Castellá..	Independent	Member
Antonio López López	External	Member
Guillermo Jiménez Sánchez..	Independent	Member
José María de la Torre Colmenero...	Proprietary	Secretary (Member)

All members of the Risk Commission have been appointed by the Board of Directors taking into account the knowledge, experience and skills required for the duties to be performed.

Audit and Compliance Commission

The composition, responsibilities and rules of the Audit and Compliance Commission are governed by the Company's bylaws and Board of Directors Regulations.

The Company's bylaws and Board of Directors Regulations require that the Audit and Compliance Commission must have between three and five members, all of whom must be non-executive directors. The majority of the members of the Audit and Compliance Commission shall be independent directors. The members of the Audit and Compliance Commission and its chairman in particular shall be appointed taking into account their knowledge and expertise in accounting, audit or risk management matters. The chairman of the Audit and Compliance Commission shall be selected by the Board of Directors from among its independent members and must be replaced every four years. Notwithstanding, once one year has elapsed since the replacement, the chairman may be reelected.

The Audit and Compliance Commission will meet every time its chairman or two of its members consider it necessary, and, in any event, the Audit and Compliance Commission must meet at least on a quarterly basis.

The primary purpose of this commission is to assist the Board of Directors on the observation of its monitoring task by reviewing periodically the process of drawing up of the financial documentation, the internal audit role and the independent nature of the external auditor. In particular, the Audit and Compliance Commission will be responsible for, among other things, the following:

- informing at the general shareholders' meeting about the matters raised by the shareholders with respect to their competence and, in particular, about the result of the audit explaining how it has contributed to the integrity of the financial information and the commissions' role in this process;

- monitoring the effectiveness of the internal control of the Company, the internal audit and risk management systems, as well as discussing with the auditors any material weaknesses of the internal control system observed during the audit without hindering their independence. In this regard, if appropriate, the commission may provide the Board of Directors with recommendations or proposals;

- supervising the preparation and presentation of regulated financial information and provide the Board of Directors with recommendations or proposals to ensure the integrity of the information;

- proposing the appointment, reelection and change of account auditors to the Board of Directors before being submitted to the general shareholders' meeting, in accordance with applicable regulations;

- establishing an appropriate relationship with the external auditors so as to receive information on any issue that may jeopardize their independence, for consideration by the Audit and Compliance Commission, and any other relationship in relation to the process of auditing, as well as any other communication envisaged in the relevant audit regulations. In any case, they must receive written confirmation of the auditors' independence from the Company and entities related to it directly or indirectly on an annual basis, as well as information on additional services of any kind provided to these entities by the auditors or by persons or entities related thereto in accordance with the provisions of the Law 22/2015, on auditing;

- issuing an annual report, prior to the issuance of the audit report, giving an opinion on the independence of the auditor. Such report shall, in any case, include information on the additional services referred to in the previous paragraph; and

- informing, prior to the meeting of the Board of Directors, on all matters prescribed by law, the bylaws and the Board of Directors Regulations and, in particular, on the financial information that the Company has to make public periodically, the creation or acquisition of stakes in special purposes vehicles or entities which are registered in territories considered tax havens and any transactions with related parties.

In addition, the Audit and Compliance Commission is entrusted with monitoring the Company's compliance with corporate governance rules as well as with national and international regulations on money laundering, rules of conduct regarding the securities market, data protection and prevention of criminal risks.

Pursuant to a Board of Directors resolution passed on May 31, 2017, the members of the Audit and Compliance Commission will be, upon Admission, as follows:

Name	Category	Title
Eloy Domínguez-Adame Cobos	Independent	Chairman
Isabel Martín Castellá	Independent	Member
Agustín Molina Morales	Proprietary	Member
Victorio Valle Sánchez	Independent	Member
Juan Fraile Cantón	Proprietary	Secretary (Member)

Internal Code of Conduct and Corporate Governance Recommendations

The Company has implemented a defined and transparent set of rules and regulations for corporate governance which is compliant with all applicable Spanish governance standards.

On December 2, 2011, the Board of Directors adopted the Internal Code of Conduct, which has been amended on March 24, 2017. The Internal Code of Conduct regulates, among other things, the Company's directors' and managers' conduct with regard to the treatment, use and disclosure of the Company's material non-public information. The Internal Code of Conduct applies to, among other persons, all members of the Board of Directors, senior management and employees who have access to material non-public information and to the Company's external advisors, as well as other people that work for the Company and provide services to the Company when they handle such material non-public information.

The Internal Code of Conduct, among other things:

- establishes the restrictions on, and conditions for, the purchase or sale of the Company's securities or the Company's other financial instruments by persons subject to the Internal Code of Conduct and by those who possess material non-public information;
- provides that persons subject to the Internal Code of Conduct shall not engage in market manipulation with respect to the Company's securities or the Company's other financial instruments; and
- provides that persons report potential conflicts of interest and/or suspicious transactions to the Company's regulatory compliance unit.

The Company complies with the recommendations of the Corporate Governance Code (*Código de Buen Gobierno*), approved by the CNMV in February 2015 (the "**Corporate Governance Code**"), which will become applicable to the Company upon Admission, except as described below:

- Recommendation 4: Despite the fact that Article 9º.2.c) of the Board of Directors Regulations states that the Board of Directors will implement a communications policy and will maintain contact with shareholders, institutional investors and voting advisors, these policies are yet to be approved and published on the website of the Company; and
- Recommendation 61: As at the date of this Prospectus, the Company does not offer shares or share-based financial instruments as part of the variable remuneration for executive directors. However, we have recently approved an incentive plan which, subject to prior shareholders approval, contemplates the delivery of shares as part of the variable remuneration for executive directors (see "*—Common Information—Incentive Plan*").

Additionally, it should be noted that the following recommendations do not apply to the Company:

- Recommendation 2: Not applicable as the Company does not control any listed company;

- Recommendation 11: Not applicable as the Company does not envisage the payment of attendance fees;

- Recommendation 19: Not applicable as the Company does not have directors that have been appointed by the initiative of shareholders with a shareholding below 3%; and

- Recommendation 62: Not applicable as at the date of this Prospectus, as the Company does not offer shares or share-based financial instruments as part of the variable remuneration. However, the new incentive plan which was approved by the Board of Directors in December 2016 (see "*—Common Information—Incentive Plan*") is not fully compliant with this recommendation.

Corporate social responsibility policy

The Company approved, on July 30, 2015, a code of conduct and corporate social responsibility policy, by virtue of which it specifically committed to:

- comply with applicable internal and external legislation;

- promote best practices in all of its acting spheres;

- develop good corporate governance practices based on transparency and confidence, rejecting bribery and corruption and following the rules of free competition;

- respect human and labor rights;

- promote employment on the basis on equal opportunity, non-discrimination, respecting unions and encouraging diversity;

- promote professional development through training and career planning and encouraging an appropriate work-life balance ;

- protect and improve the environment, and the cultural and historical heritage;

- contribute to the social and economic development of the areas where the Company impacts the most;

- manage resources efficiently and to improve the creditworthiness and competitiveness of the Company, while providing clients and investors with truthful and clear information;

- promote socially responsible actions of its suppliers and affiliates; and

- maintain a continuous communication flow with groups of interest in order to enrich the Company's values.

In addition to the above, the Company approved, on December 17, 2014 a framework for corporate social responsibility in the Group.

Other commitments

Upon Admission, the Company's website will be adapted to the requirements imposed by the Spanish securities market regulations. In this regard, it should be noted that a Board of Directors resolution passed on May 31, 2017, approved the transfer of the Company's website from www.unicajabanco.es to www.unicajabanco.com. Therefore, the Company's new website will be www.unicajabanco.com, which is, as at the date of this Prospectus, pending registration with the Commercial Registry.

The Board of Directors and the senior managers of the Company are aware of the importance to guarantee to investors that the financial information disclosed to the market is reliable and, therefore, are fully involved with the internal management of financial information (*Sistema de Control Interno de Información Financiera,* "**SCIIF**").

The Board of Directors is responsible for the existence and maintenance of the IT systems and risk control, including the SCIIF.

Conflicts of Interest

None of the members of the Board of Directors of the Company nor of its senior management has reported a conflict of interest situation with the Company nor with any company of the Group. Similarly, no conflicts of interest due to any personal action or that of others that are alike, similar or complementary to that of the corporate purpose of the Company have been reported.

The mechanisms to detect, determine and resolve possible conflicts of interest between the Company or the Group and its directors or senior managers, are regulated (i) in the Board of Directors Regulations, (ii) the policy on identification and management of conflicts of interest and related transactions of directors, significant shareholders and senior managers of the Company, and (iii) in the Foundation's Protocol.

In particular, Article 15 of the Board of Directors Regulations establishes that the directors have, among others, the obligation not to exercise their powers for different purposes others than those for which they have been empowered, to perform their duties under the principle of personal responsibility with freedom of judgment or criteria and independence and to take the necessary measures to avoid getting involved in situations in which their interest, either personally or acting for others, may conflict with the Company's interests and their duties to the Company. Additionally, Article 17 of the Board of Directors Regulations establishes the duty of the director not to carry out personal transactions with the Company, save for ordinary transactions to be made under standard conditions or those of little relevance, develop activities, either personally or for another person, which imply an effective competition or assist and participate in the deliberations and votes of agreements or resolutions in which they or a person related to them have a conflict of interest.

Likewise, Article 20 of the Board of Directors Regulations establishes that the directors cannot take advantage, for their own benefit, of any business opportunities of the Company, make use of our assets for private purposes, take advantage of their positions in the Company to obtain economic advantages, and to obtain advantages or remuneration from third parties other than the Company and the Group associated with the performance of their duties.

Moreover, Article 21 of the Board of Directors Regulations establishes as a duty of the directors to inform the Company of all of their positions and activities in other companies and, in general, of every situation that could be of relevance for their role as director of the Company.

Finally, further to the above, the respective policies on conflicts of interest and related-party transactions approved by the Company on July 30, 2015 and by the governing body of the Foundation on December 23, 2015, intend to avoid potential conflicts of interest, establish procedures for the identification and communication of conflicts, the implementation of mechanisms to carry out the management and control of any such conflicts and to regulate the system of authorizations of related party transactions (see section "*Related Party Transactions*").

The Foundation is, at the date of this Prospectus, the majority shareholder of the Company (holding 86.7% of the share capital of the Company), and, under the terms of the Foundation's Protocol, has the capacity to propose a number of members of the Board of Directors that shall be consistent to its participation in the stake of the Company. The governing body of the Foundation (*Patronato*) is the body through which the political rights of the Foundation in the Company are exercised.

Therefore, the Foundation has the right to have proportional representation at the Board of Directors. Notwithstanding the above, the effective number of proposed members may be higher or lower than the stake actually owned in the Company, at the discretion of the governing body of the Foundation, in accordance with: (i) agreements that can be reached with third parties; (ii) restrictions on voting rights provided for in the bylaws of the Company (although none exist as at the date of this Prospectus); or (iii) any other significant factor (including with the eventual process of loss of control). Also, the above criteria will be subject to adjustment in accordance with the procedure provided for the appointment of independent directors.

In any case, pursuant to Law 26/2013, directors proposed by the Foundation shall comply with the principles of honorability, knowledge, experience and good governance required pursuant to banking regulations. Likewise, in November 10, 2016 the Company adopted a new policy for the evaluation of the suitability of the members of the Board of Directors and key employees which supplements the bylaws and internal regulations of the Company and incorporates the applicable regulatory standards, in particular, to the members of the Board of Directors. Consequently, the verification of the suitability of the members proposed by the governing body of the Foundation will be performed within this framework, in accordance with the nature and procedures established.

The Company, in any case, and in accordance with the supervision regulation, that being Law 10/2014, Royal Decree 84/2015 and Bank of Spain Circular 2/2016 as well as the ECB RIGA recommendations, shall notify the competent authority of the proposed appointment of the new members of the Board of Directors.

Directors' Compensation

Pursuant to Article 29 of the Company's bylaws, members of the Board of Directors shall be remunerated. The members of the Board of Directors' compensation as such and for their performance of the duty of supervision and collective decision making inherent to such body shall consist of (i) a fixed remuneration, and (ii) an additional remuneration for the attendance at Board of Directors' meetings and Board of Directors' Commissions meetings.

The maximum annual aggregate compensation amount that all the members of the Board of Directors receive as remuneration for the functions referred to above shall be determined by the shareholders at the general shareholders' meeting and shall remain unchanged until and unless the shareholders decide otherwise.

The Board of Directors shall determine the exact amount to be paid within the limit approved by the general shareholders' meeting and the distribution thereof among the members of the Board of Directors, taking into account the duties and responsibilities assigned to each member, their participation in Board Commissions within the Board of Directors and other objective circumstances which may be deemed relevant.

The members of the Board of Directors' compensation policy shall be set within the compensation system provided for in the Company's bylaws, as described above, and shall be approved by the general shareholders' meeting at least every three years as a separate item on the agenda.

In accordance with the above, the general shareholders' meeting, upon the proposal of the Board of Directors previously informed by the Remuneration Commission, approved on April 30, 2015 the Company's remuneration policy for the members of the Board of Directors of Unicaja Banco for the period 2015 to 2017, in accordance with the applicable corporate and banking regulations. The referred policy set out the remuneration regime indicated below.

Remuneration by reason of the office as a member of the Board of Directors

1. Fixed remuneration for their participation in the Board of Directors: €30,000 gross per year, to be paid on a monthly basis.

2. Fixed remuneration for their role as non-executive Vice-chairman: €12,000 gross per year, to be paid on a monthly basis.

3. Fixed remuneration for their role as chairman of a Board of Directors support commission (currently Audit and Compliance Commission, Appointments Commission, Remuneration Commission and Risk Commission): €12,000 gross per year, to be paid on a monthly basis.

4. Remuneration for attending meetings of the Board of Directors and Support Commissions: €800 per meeting.

Pursuant to the Company's remuneration policy for the members of the Board of Directors of Unicaja Banco for the period 2015 to 2017, the maximum annual aggregate amount payable to all members of the Board of Directors by reason of their office shall not exceed €800,000 gross per year.

The actual fixed remuneration received by the members of the Board of Directors by reason of its office on 2016 amounted to €329,000 while the total amount received for attending meetings was €344,000. Consequently, the sum of both components amounts to €674,000 and it is below the limit referred to above.

Remuneration for the performance of executive duties

With regard to the executive members of the Board of Directors, the fixed remuneration agreed for 2017 is the following:

- Mr. Manuel Azuaga Moreno: €580,000.
- Mr. Manuel Atencia Robledo: €303,000.
- Mr. Enrique Sánchez del Villar Boceta: €575,000, which includes an additional fixed remuneration item amounting to €70,000 that has been agreed in concept of guaranteed variable remuneration for 2017.
- Ms. María Luisa Lombardero Barceló: €311,200 (her remuneration is paid by EspañaDuero in her condition as this entity's chief executive officer).

For the year ended December 31, 2016, the actual remuneration received by the executive members of the Board of Directors amounted to €1,221 thousand, while the premiums relating to the health and life risk insurance amounted to €60,000 and the contributions to long-term savings plans to €125,000 (taking into account that Mr. Enrique Sánchez del Villar Boceta was not in office for the full year 2016).

The term of the remuneration agreements with the executive directors are:

- Mr. Manuel Azuaga Moreno: six years from December 2, 2011, with possibility of renewal.
- Mr. Manuel Atencia Robledo: six years from December 2, 2011, with possibility of renewal.
- Mr. Enrique Sánchez del Villar Boceta: four years from November 10, 2016, with possibility of renewal.

As for the benefits upon termination of his post, Mr. Enrique Sánchez del Villar Boceta is entitled to a compensation in case of termination without cause. Such compensation would be based on his fixed annual remuneration and would have a digressive element based on the period of time spent by the director in his post (as compared with his original term for office). In particular, Mr. Enrique Sánchez del Villar Boceta, as at the date of this Prospectus, would be entitled to a compensation amounting to 95% of an annuity of his fixed remuneration.

The Company's bylaws provide that part of the remuneration for the performance of executive duties may be variable, and that it shall be linked to the performance of the member of the Board of Director or the Company. In this regard, on May 31, 2017, the Board of Directors approved a management incentive plan for the chief executive officer, among others (see "*—Common Information—Incentive Plan*").

Senior Management

The following table lists the members of the Company's senior management team as at the date of this Prospectus (other than the executive directors referred to above).

Name	**Age**	**Title**	**Member of management since**
José Luis Berrendero Bermúdez de Castro	58	Commercial & Retail Banking (General Manager)	2011
José Manuel Domínguez Martínez	58	General & Technical Secretariat (General Manager)	2011
Francisco Javier Pérez Gavilán	46	Credit Risk	2015

Pablo González Martín	47	Chief Financial Officer (CFO) (General Manager)	2015
Óscar García Oltra	40	IT, Operations and Digital Transformation	2011
Ángel Rodríguez de Gracia	61	Non-core Business (General Manager)	2011
Isidro Rubiales Gil	52	Head of Control, Strategy and Supervisor Relations (General Manager)	2014
Jesús Navarro Martín	42	Internal Audit	2013
Cédric Blanchetière	42	Chief Risk Officer (CRO)	2015

None of the senior managers has any shareholding in the Company as at the date of this Prospectus.

Set forth below are the biographies of each of these senior managers.

José Luis Berrendero Bermúdez de Castro. Mr. Berrendero's professional experience in the Company includes being: director of Bahía de Cádiz area from September 1981 to June 2000; regional director of Western Andalucía from July 2000 to July 2004; regional director of Western Andalucía and Cádiz from August 2004 to December 2007; and Corporate Banking director of the Company from January 2008 to November 2010. Mr. Berrendero is currently General Manager of Commercial and Retail Banking of the Group and member of the Board of Directors of EspañaDuero.

José Manuel Domínguez Martínez. Mr. Domínguez holds a Doctorate in Economics and Business from the University of Málaga. He is also a Professor of Applied Economics at the University of Málaga. Mr. Domínguez's professional experience includes positions in Banco Español de Crédito, S.A. from October 1973 to October 1981, as well as being: technical secretary of the advisory council of Iberdrola, S.A. in Andalucía from 2004 to November 2014; Technical Secretary for the chairman in the Company from July 1990 to March 1991; director of the Institutional Secretariat in the Company from January 1993 to February 1995; director of the office of the chairman in the Company from March 1991 to June 2000; and director of Technical Secretariat of the Company from June 2000 to June 2004. Mr. Domínguez is currently General Manager of the Company in charge of the General and Technical Secretariat.

Francisco Javier Pérez Gavilán. Mr. Pérez holds a degree in Economics and Business from the University of Málaga and a Masters in Business Administration (MBA) from ICADE, *Universidad Pontificia de Comillas*. Mr. Pérez's professional experience in the Company includes being: investment analyst from September 1996 to January 2002; analyst manager of the Málaga area from February 2002 to April 2009; investment manager of the Málaga area from April 2009 to February 2012; and the Financial Analysis director of the Company from March 2012 to April 2015. Mr. Pérez is currently the Credit Risk Director of the Company.

Pablo González Martín. Mr. González holds a degree in Economics and Business from the University of Málaga and a Masters in Quantitative Finance from the AFI (*Analistas Financieros Internacionales*). Mr. González also holds an Executive Masters in Business Administration (MBA) from IESE and a Bachelor of Arts (B.A.) with Honors in Business Studies (Accounting and Finance) from the University of Greenwich. Likewise, Mr. González has passed the Financial Risk Management (FRM) exam. Before joining the Company Mr. González was auditor in Arthur Andersen. Mr. González's professional experience includes holding various responsibility roles in the Company since June 1996. In particular, from June 1996 to June 2004 he was director of Administration and Control of Treasury and Capital Markets in the Company and, from July 2004 to April 2015, director of Treasury and Capital Markets. Mr. González is currently General Manager and Chief Financial Officer of the Company.

Óscar García Oltra. Mr. García holds a degree in Business Administration from the University of Valencia and a Masters in Economics and Finance (Major in Corporate Finance and Banking) from the CEMFI (*Centro de Estudios Monetarios y Financieros del Banco de España*). Mr. García's professional experience includes forming part of the investment division in the Economic and Commercial Chamber of Spain in Shanghai from 2001 to 2002 and being: associate at the Boston Consulting Group from 2003 to 2004; project leader and senior consultant at the Boston Consulting Group from 2007 to 2010; and assistant to the General Secretary and director of Strategic and Commercial Planning in Caja de Ahorros de Gerona from 2004 to 2007. Mr. García is currently Director of IT, Operations and Digital Transformation.

Ángel Rodríguez de Gracia. Mr. Rodríguez holds a degree in Economics and Business and completed four years of Law studies, both at *Universidad Complutense de Madrid*. Mr. Rodríguez's professional experience includes being: manager of Financial Entities Division in Arthur Andersen from 1977 to 1985; financial director of Finamersa Entidad de Financiación (subsidiary company of Hipamet Group) from 1985 to 1988; Administrative Head of Caja de Ahorros de Granada from 1988 to 1992; director of Operations and Control in the Company from 1992 to 2000; director of Development Division in the Company from 2000 to September, 2002; and director of Retail Banking in the Company from October 2002 to November 2010. Mr. Rodríguez is currently General Manager of the Company in charge of Recoveries, Affiliates and Non-Core Business and member of the Board of Directors of EspañaDuero.

Isidro Rubiales Gil. Mr. Rubiales holds a degree in Economics and Business from the University of Málaga, specializing in Public Finance. Mr. Rubiales' professional experience in the Company includes several technical positions from April 1990 to August 2005 as well as being accounting director in the Company from September 2005 to July 2014. Mr. Rubiales is currently General Manager and Head of Control, Strategy and Supervisor Relations.

Jesús Navarro Martín. Mr. Navarro holds a double degree in Economics and Business Administration from the University of Málaga and a degree in Business Administration from Hertfordshire University. Mr. Navarro's experience includes being: auditor in KPMG from January 1998 to May 1998; audit manager in Arthur Andersen from September 1998 to August 2003; auditor in the Company from August 2003 to October 2006; Director of Finance in Unicorp Patrimonio from October 2006 to December 2008; auditor in the Company from December 2008 to February 2010; Area Director of Audit of Central Services, Shares, and Information Technology in the Company from March 2010 to February 2011; and Director of Supervision and Risk Control in the Company from March 2011 to November 2013. Mr. Navarro is current Director of Internal Audit.

Cédric Blanchetière. Mr. Blanchetière holds a degree in Business from the Reims Management School in France. Mr. Blanchetière's professional experience includes being: credit analyst in Société Générale (Buenos Aires, Paris) from October 1996 to September 1998; audit manager in KPMG (Paris, London and Málaga) from October 1998 to November 2005; auditor in the Company from November 2006 to April 2010; and manager of Internal Control and Global Risk Control in the Company from May 2010 to November 2013. Mr. Blanchetière is currently the Chief Risk Officer of the Company.

None of the Company's senior management has been appointed as members of the administrative, management or supervisory bodies at any time during the five-year period preceding the date of this Prospectus, in any entity (except for (i) family-owned and asset holding companies, (ii) companies in which the Company holds a stake either directly or indirectly, and the relevant person holds his/her post as a representative of the Company, and (iii) any other companies without relevance for the activities of the Company).

In addition to the above, none of the Company's senior management owns or has held shares in other companies at any time during the five-year period preceding the date of this Prospectus (except for (i) family-owned and asset-holding companies, (ii) holdings in listed companies which are not relevant (*participación significativa*), (iii) companies within the Group, and (iv) any other companies without relevance for the activities of the Company).

Senior management Compensation

The aggregate amount of the remuneration received by the senior management during 2016, 2015 and 2014 was €1,852.30 thousand, €1,711.54 thousand and €1,215.99 thousand, respectively. Additionally, the aggregate amounts set aside or accrued to provide pension, retirement or similar benefits for the above-mentioned senior management during 2016, 2015 and 2014 was €106.61 thousand, €43.77 thousand and €35.34 thousand, respectively. These compensations refer to the senior managers listed in this section "*—Senior Management*" and do not include amounts relating to persons who no longer hold equivalent positions.

With regard to the date of expiration of the current term of office, all the senior managers have been appointed for an indefinite period of time. None of them, except for Mr. Isidro Rubiales Gil, Mr. José Manuel Domínguez Martínez and Mr. Óscar García Oltra, are entitled to receive any compensation upon termination of employment by the Company. The referred senior managers are entitled to receive two years, three years and two years, respectively, of remuneration upon termination of employment.

Likewise, Mr. Ángel Rodríguez de Gracia would be entitled to early retirement from his senior management post with a six months' prior notice to the Company and retaining part of his current remuneration.

Common Information

Incentive Plan

The Board of Directors of the Company approved in December 2016, with the prior favorable report from the Remuneration Commission and Risk Commission, the "Remuneration Policy Associated to Risk Management" (*Política de Remuneración Asociada a la Gestión del Riesgo*). The ultimate purpose of this policy is to apply the remuneration policy requirements to members of the Board of Directors (either those performing executives duties or those who do not), senior management and the categories of employees of Unicaja Banco whose professional activities have a significant impact on their profile at the Group, parent company and subsidiary levels, in order to promote a solid and effective risk management that, whilst favoring the effective development of the Company's business management, does not imply an excessive assumption of risks. Similarly, the Board of Directors also approved in December 2016 the "General Scheme of Incentives of Unicaja Banco" (*Esquema General de Incentivos de Unicaja Banco*), which sets forth the major aspects that must be considered for the implementation of a variable remuneration system. The "General Scheme of Incentives of Unicaja Banco" has been drafted in light of the "Remuneration Policy Associated to Risk Management", which will be supplementary applied. Both the "Remuneration Policy Associated to Risk Management" and the "General Scheme of Incentives of Unicaja Banco", have not been approved by the general shareholders' meeting of Unicaja Banco to the extent that they only establish the framework in which the variable remuneration should be made (when applicable), but do not set any amount to be paid as variable remuneration.

On May 31, 2017, the Board of Directors approved a management incentive plan for the Company's chief executive officer and certain senior managers and employees (14 people in total). This management incentive plan will be part of the Company's new remuneration policy for the years 2018 to 2020 that, with respect to the remuneration of the members of the Board of Directors, is expected to be put before the Company's shareholders for approval at the next annual general meeting and will require the modification of Article 29 of the Company's bylaws to enable the beneficiaries to receive ordinary shares as part of their remuneration.

The first payments, if any, under the management incentive plan will be made in 2018. According to the terms of this plan, the beneficiaries will have the right to receive a variable amount of up to 25% of their fixed remuneration for each year, payable in a combination of cash and shares (as at the date of this Prospectus, no decision has been taken as to whether these will be newly issued shares or paid out of treasury shares).

The chief executive officer's incentives, if any, will be paid as follows: 50% to be paid on the vesting date (50% to be paid in cash, with the other 50% to be paid in shares which must be held for a minimum period of one year) and the other 50% to be deferred proportionally over a period of five years (50% to be paid in cash, with the other 50% to be paid in shares which must be held for a minimum period of one year).

The incentives for key staff, if any, will be paid as follows: 60% to be paid on the vesting date (50% to be paid in cash, with the other 50% to be paid in shares which must be held for a minimum period of one year) and the other 40% to be deferred proportionally over a period of three years (50% to be paid in cash, with the other 50% to be paid in shares which must be held for a minimum period of one year).

In addition, no payments will be made under the management incentive plan if the Group's MDA prevents them or if the Group's LCR is below the required levels (such that incentives will be deferred for one year if the LCR is too low for one year and will be cancelled if the LCR is too low for two years in a row). It is also expected that, in compliance with current banking legislation, any amounts paid under the management incentive plan will be subject to clawback for the three years following their payment if any of the circumstances set out in the "Remuneration Policy Associated to Risk Management" arises.

More specifically, the amounts to be paid under the management incentive plan will be determined by a combination of the two following elements:

- Percentage of achievement of targets (the "**PAT**"). The PAT is defined as the weighted average of the percentage of achievement, from 0% to 100%, of certain targets which have not been set as at the date of this Prospectus. The targets will be split into three general categories: (i) those related to the performance of the Group; (ii) those related to the performance of the relevant business unit (for key staff only); and (iii) those related to the performance of the individual (to be assessed by the Board of Directors, following receipt of a report from the Remuneration Commission). Under the terms of the management incentive plan, beneficiaries will need to obtain a PAT of at least 80% in order to qualify for an incentive; and

- Group results variable (the "**GRV**"). The GRV ties the potential payments under the management incentive plan to the results obtained by the Group in the relevant year. This variable will be calculated based on the recurrent operating profit before taxes obtained by the Group compared to the target fixed in our business plan. No payments will be made under the management incentive plan unless the Group's recurrent operating profit before taxes is in excess of the target for that year.

Share ownership

None of the Company's members of the Board of Directors or its senior management team holds any Company's ordinary shares as at the date of this Prospectus, with the exception of Mr. Enrique Sánchez del Villar Boceta, who acquired one ordinary share of the Company to enable his appointment as member of the Board of Directors via co-option in July 2016.

D&O insurance policy

The Company maintains an insurance policy that protects the members of the Board of Directors, senior managers and employees from civil liabilities incurred as a result of actions taken in official capacity, up to an aggregate limit of €15,000 thousand per claim and insurance period.

Family relationships

There are no family relationships and no "close relatives" (as this term is defined in applicable regulations for related party transactions and, in particular, in Order EHA/3050/2004, of September 15, 2004, on information to be disclosed by listed companies regarding related party transactions) amongst the directors and other members of the Company's senior management.

Convictions and other negative statements

None of the Company's members of the Board of Directors or its senior management team, in the five years preceding the date of this Prospectus has: (i) been convicted in relation to fraudulent offences; (ii) acted as directors of entities affected by bankruptcy, receivership or liquidation; (iii) been publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies); or (iv) been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer of securities or from acting in the management or conduct of the affairs of any issuer.

Employees

In January 2016, we launched a restructuring plan that envisions the reduction of approximately 1,226 employees from 2016 to 2019, through early retirement and voluntary redundancy schemes in Unicaja Banco and a redundancy process (*expediente regulador de empleo* or "*ERE*") with EspañaDuero.

The table below sets forth our number of total employees by category as at the date of this Prospectus, and as at December 31, 2016, 2015 and 2014:

Number of employees

	As at the date of this Prospectus	Year ended December 31, 2016	2015	2014
Category		#	#	#
Directors	226	215	236	255
Qualified, technical	4,697	4,813	5,021	5,217
Administration	2,359	2,337	2,690	2,882
Total	**7,282**	**7,365**	**7,947**	**8,354**

As at December 31, 2016, we had 7,365 fixed and temporary full time equivalent employees, a decrease of 582 compared to December 31, 2015. This decrease is the result of the implementation of a voluntary retirement plan in Unicaja Banco and a redundancy process (*expediente regulador de empleo* or "*ERE*") with EspañaDuero. For further information about the redundancy process or ERE please see "*Business—Key Strengths—Further earnings normalization potential alongside synergies' extraction from EspañaDuero integration*".

As at December 31, 2016, we had certain post-employment commitments which were grouped into the following four plans.

i. **Plan 1 Unicaja**:

   a. defined-benefit post-employment remuneration externalized under an employee pension plan named "Plan de Pensiones de Promoción Conjunta de los Empleados de Unicaja Banco, S.A. y de la Fundación Bancaria Unicaja" which includes current employees and employee beneficiaries who are already receiving post-employment benefits;

   b. and defined-benefit post-employment remuneration externalized under an insurance policy qualifying for the externalization of commitments pursuant to Royal Decree-Law 1588/1999, of October 15, which ratifies the regulations of company commitments with employees and beneficiaries in respect of pensions ("**RDL 1588/1999**"), as the legal limits applicable to pension plan contributions preclude the financing of these commitments under the pension plan;

ii. **Plan 2 Unicaja**:

   a. defined-benefit post-employment remuneration externalized under an insurance policy qualifying for the externalization of commitments pursuant to RDL 1588/1999, covering pension commitments derived from the collective bargaining agreements for savings banks and for private banking for employees not covered by the plan named "Plan de Pensiones de Promoción Conjunta de los Empleados de Unicaja Banco, S.A. y de la Fundación Bancaria Unicaja";

   b. defined-benefit post-employment remuneration externalized under an insurance policy qualifying for the externalization of commitments pursuant to RDL 1588/1999, covering pension commitments for a group of early-retired employees; and

   c. defined-benefit post-employment remuneration externalized under an insurance policy qualifying for the externalization of commitments pursuant to RDL 1588/1999, covering pension commitments for two groups;

iii. **Plan 1 EspañaDuero**: all these commitments originate from Caja de Ahorros de Salamanca y Soria.

   a. Defined-benefit post-employment remuneration externalized through an employment system pension plan for employees originating from of Caja de Ahorros de Salamanca y Soria, named "Pension Plan for Employees of Caja de Ahorros de Salamanca y Soria" including active personnel and beneficiary personnel that are already receiving the post-employment benefit;

b. and defined post-employment benefits externalized through an insurance policy eligible for such commitments pursuant to RDL 1588/1999, policy number PD 80 01/000002 and PD 80 01/000003, since the legal limits applicable to pension plan contributions do not allow them to be financed through the pension plan itself; and

iv. **Plan 2 EspañaDuero**:

Commitments originating from Caja de Ahorros de Salamanca y Soria:

a. Defined post-employment benefits externalized through an insurance policy eligible for such commitments pursuant to RDL 1588/1999, policy numbers PD 80 01/000002, PD 80 01/000003, RV 80 02/000002 and PD 80 07/000072; and

b. defined post-employment benefits in an internal fund to cover retirement income.

Commitments originating from Caja España de Inversiones, Caja de Ahorros y Monte de Piedad:

a. Defined post-employment benefits externalized through insurance policies eligible for such commitments in accordance with Royal Decree 1588/1999, policy number 8118, under which the benefits payable relate to the flows from the associated financial assets in terms of both their amount and the payment schedule (*cash flow matching*);

b. Defined post-employment benefits externalized through insurance policies eligible for such commitments in accordance with Royal Decree 1588/1999, policy number PCP-1001, under which the benefits payable relate to the flows from the associated financial assets in terms of both their amount and the payment schedule (*cash flow matching*); and

c. Defined post-employment benefits externalized through insurance policies eligible for such commitments in accordance with Royal Decree 1588/1999, policy number 10/78, under which the benefits payable relate to the flows from the associated financial assets in terms of both their amount and the payment schedule (*cash flow matching*). The commitment externalized under this policy was satisfied in 2014 and the relevant obligation was settled and the insurance policy was surrendered.

The table below sets out the present obligations as at the dates indicated:

Present Obligations (€ million)	**As at December 31,**		
	2016	**2015**	**2014**
Plan 1 Unicaja	101.1	106	114
Plan 2 Unicaja	38.4	39	41
Plan 1 EspañaDuero	8.5	9	7
Plan 2 EspañaDuero	95.8	99	108
Total	**243.9**	**253**	**271**

As at December 31, 2016 and 2015, the fair value of the assets allocated to cover post-employment remuneration is as follows:

	Thousands of euros	
	2016	**2015**
Nature of assets allocated to commitments hedging		
Assets of the plan covered by insurance policy	102,523	105,073
Insurance policies hired by the plan linked to defined contribution plans	140,830	144,825
Uninsured defined contribution pension plan	4,661	5,368
External defined contribution pension plan	432,162	461,706
	680,176	**716,972**

The tables below set out the reconciliation between the opening and closing balances of the fair value of the plan assets and the opening and closing balances of any reimbursement rights capitalized by Unicaja Banco in 2016 and 2015:

	Plan 1 Unicaja	**Plan 2 Unicaja**	**Plan 1 España Duero**	**Plan 2 España Duero**	**Total**
Present value of obligations at January 1, 2016	**105,708**	**38,757**	**9,408**	**99,036**	**252,909**
Cost of current services	214	-	-	12	226
Borrowing costs	1,585	639	135	1,468	3,827
Contributions made by plan participants	-	-	-	-	-
Actuarial losses and gains					
Due to changes in demographic assumptions	(689)	(266)	25	527	(403)
Due to changes in financial assumptions	2,377	784	160	1,207	4,528
Adjustments due to experience	-	-	-	-	-
Exchange rate changes	-	-	-	-	-
Benefits paid	(7,582)	(1,472)	(712)	6,458	(16,224)
Cost of past services	-	-	-	-	
Business combinations	-	-	-	-	
Reductions	-	-	-	-	
Plan settlements	(495)	-	(478)	-	(973)
Present value of obligations at December 31, 2016	**101,118**	**38,442**	**8,538**	**95,792**	**243,890**

	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 España Duero	Plan 2 España Duero	Total
Present value of obligations at January 1, 2015	**114,083**	**41,346**	**7,438**	**108,364**	**271,231**
Cost of current services	295	16	27	15	353
Borrowing costs	1,580	622	223	1,576	4,001
Contributions made by plan participants	-	-	-	-	-
Actuarial losses and gains					
Due to changes in demographic assumptions	(400)	167	198	(5,065)	(5,100)
Due to changes in financial assumptions	(2,080)	(1,904)	254	(2,261)	(5,991)
Adjustments due to experience	-	-	-	-	-
Exchange rate changes	-	-	-	-	-
Benefits paid	(7,193)	(1,490)	(743)	(6,758)	(16,184)
Cost of past services	-	-	-	-	-
Business combinations	-	-	2,210	3,165	5,375
Reductions	-	-	(199)	-	(199)
Plan settlements	(577)	-	-	-	(577)
Present value of obligations at December 31, 2015	**105,708**	**38,757**	**9,408**	**99,036**	**252,909**

For further information, please see Note 41 in our 2016 Annual Accounts.

PRINCIPAL SHAREHOLDERS

As at the date of this Prospectus, the Company's share capital is €922,802,121, consisting of 922,802,121 ordinary shares of €1 nominal value each. In the context of the Offering, 625,000,000 New Shares with a nominal value of €1 each are expected to be issued, resulting in a post-offering share capital of €1,547,802,121 (assuming no exercise of the Over-allotment Option).

The following table sets forth certain information with respect to the Company's ordinary shares and its shareholders, prior to and after the Offering. For a description of certain transactions between us and the Foundation see "*Related Party Transactions*".

	Prior to the Offering		**After the Offering**			
Owner	**Number of shares owned**	**Percent**	**Number of shares owned (assuming no exercise of the Over-allotment Option)**	**Percent**	**Number of shares owned (assuming full exercise of the Over-allotment Option)**	**Percent**
Fundación Bancaria Unicaja	800,000,000	86.7%	800,000,000	51.7%	800,000,000	49.7%
Minority shareholders[(1)(2)]/free float	122,802,121	13.3%	747,802,121	48.3%	810,302,121	50.3%
Total	**922,802,121**	**100.0%**	**1,547,802,121**	**100.0%**	**1,610,302,121**	**100.0%**

Note:

(1) As at March 31, 2017, there were 17,791 minority shareholders in Unicaja Banco.

(2) The Company is not aware of any minority shareholder owning 3% or more of the share capital of the Company.

The Company's share capital is represented by a single class of shares, with the same rights. Each ordinary share gives the right to one vote. Consequently, shareholders have no different voting rights. Further details relating the Company's ordinary shares are set out in "*Description of Share Capital*".

The Company is not aware of (i) any intention of its principal shareholders and/or members of its management to acquire any Shares in the Offering; or (ii) any intention of a particular person to acquire more than 5% of the Shares in the Offering.

RELATED PARTY TRANSACTIONS

We enter into transactions with certain related parties or our affiliates from time to time and in the ordinary course of our business. Material related party transactions entered into during the period covered by the Annual Accounts and up to the date of this Prospectus are set out below.

For additional information on the Company's related party transactions, see Notes 6 and 45 of the 2016 Annual Accounts and Notes 7 and 33 of the Consolidated Interim Financial Statements.

As provided for in the Board of Directors Regulations, any transactions that the Company enters into with members of the Board of Directors or shareholders who hold, individually or together with others, a significant holding, or with persons related thereto, must be approved by the Board of Directors, following a report from the Audit and Compliance Commission.

All related party transactions carried out during the years ended December 31, 2016, 2015 and 2014 and the period between January 1, 2017 and the date of this Prospectus, have been carried out at arm's length and in the ordinary course of our business.

The tables below set out the detail of the accounts registered in our consolidated balance sheets and income statements for the three-months ended March 31, 2017 and for the years 2016, 2015 and 2014 arising from transactions with related parties:

€ thousand unless otherwise stated	**Three months ended March 31, 2017**				
	Significant shareholders	**Directors and senior managers**	**Individuals, companies or Group entities**	**Other related parties**	**Total**
Financial expenses	(42)	(3)	(382)	(3)	(430)
Management or collaboration agreements	-	-	(136)		(136)
R&D transfers and licensing agreements	-		-	-	-
Leases	-	-	-	-	-
Reception of services	-	-	-	-	-
Purchase of goods (completed or in progress)	-	-	-	-	-
Valuation corrections for bad debts	-	-	-	-	-
Loss on assets' disposal	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	**(42)**	**(3)**	**(518)**	**(3)**	**(556)**
Financial expenses	-	7	967	25	999
Management or collaboration agreements	-	-	1,284	-	1,284
R&D transfers and licensing agreements	-	-	-	-	-
Dividends received	-	-	-	-	-
Leases	-	-	-	-	-
Provisions of services	-	-	-	-	-
Sale of goods (completed or in progress)	-	-	-	-	-
Profit on assets' disposal	-	-	-	-	-
Other income	-	-	-	-	-
Total income		**7**	**2,251**	**25**	**2,283**

€ thousand unless otherwise stated	**Three months ended March 31, 2017**				
	Significant shareholders	**Directors and senior managers**	**Individuals, companies or Group entities**	**Other related parties**	**Total**
Purchase of tangible, intangible or other assetss	-	-	-	-	-
Financing agreements: loans and capital contributions (lender)	-	2,061	123,054	73,285	198,400
Financial lease contracts (landlord)	-	-	-	-	-
Amortization or cancellation of credits and leases (landlord)	-	-	-	-	-
Sale of tangible, intangible or other assets	-	-	-	-	-
Financing agreements loans and capital contributions (borrower)	74,894	4,997	357,497	2,308	439,696
Financial lease agreement (lease)	-	-	-	-	-
Amortizaton or cancellation of loans and leases (lessee)	-	-	-	-	-
Guarantees and collaterals provided	-	139	76,220	6,183	82,542
Guarantees and collaterals received	-	-	-	-	-
Commitments	-	-	-	-	-
Cancelled commitments/guarantees	-	-	-	-	-
Dividends and other distributed profits	14,739	-	-	-	14,739
Other operations	-	-	-	-	-

€ thousand unless otherwise stated	**Year ended December 31, 2016**				
Expenses, income and other transactions	**Significant shareholders**	**Directors and senior managers**	**Individuals, companies or Group entities**	**Other related parties**	**Total**
Financial expenses	(235)	(15)	(2,263)	(40)	(2,553)
Management or collaboration agreements	-	-	(2,405)	-	(2405)
R&D transfers and licensing agreements		-	-	-	-
Leases	-	-	-	-	-
Reception of services	-	-	-	-	-
Purchase of goods (completed or in progress)	-	-	-	-	-
Valuation corrections for bad debts	-	-	-	-	-
Loss on assets' disposal	-	-	(163)	-	(163)
Other expenses	-	-	-	-	-
Total expenses	**(235)-**	**(15)**	**(4,831)**	**(40)**	**(5,121)**
Financial expenses	-	32	4,475	130	4,637
Management or collaboration agreements	-	-	6,149	-	6,149
R&D transfers and licensing agreements	-	-	-	-	-

€ thousand unless otherwise stated	Year ended December 31, 2016				
Expenses, income and other transactions	**Significant shareholders**	**Directors and senior managers**	**Individuals, companies or Group entities**	**Other related parties**	**Total**
Dividends received	-	-	-	-	-
Leases	-	-	-	-	-
Provisions of services	-	-	-	-	-
Sale of goods (completed or in progress)	-	-	-	-	-
Profit on assets' disposal	-	-	81	-	81
Other income	-	-		-	-
Total income		**32**	**10,706**	**130**	**10,867**
Purchase of tangible, intangible or other assets	-	-	-	-	-
Financing agreements: loans and capital contributions (lender)	-	2,110	126,741	72,155	201,006
Financial lease contracts (landlord)	-	-	-	-	-
Amortization or cancellation of credits and leases (landlord)	-	-	-	-	-
Sale of tangible, intangible or other assets	-	-	-	-	-
Financing agreements loans and capital contributions (borrower)	76,095	4,499	263,032	3,069	346,695
Financial lease agreement (lease)	-	-	-	-	-
Amortizaton or cancellation of loans and leases (lessee)	-	-	-	-	-
Guarantees and collaterals provided	-	131	72,899	6,225	79,254
Guarantees and collaterals received	-	-	180	-	180
Commitments	-	-	-	-	-
Cancelled commitments/guarantees	-	-	-	-	-
Dividends and other distributed profits	-	-	-	-	-
Other operations	-	-	-	-	-

€ thousand unless otherwise stated	Year ended December 31, 2015				
Expenses, income and other transactions	**Significant shareholders**	**Directors and senior managers**	**Individuals, companies or Group entities**	**Other related parties**	**Total**
Financial expenses	-	(27)	(5,094)	(378)	(5,500)
Management or collaboration agreements	-	-	(1,147)	-	(1,147)
R&D transfers and licensing agreements		-	-	-	-
Leases	-	-	-	-	-
Reception of services	-	-	-	-	-
Purchase of goods (completed or in progress)	-	-	-	-	-
Valuation corrections for bad debts	-	-	-	-	-
Loss on assets' disposal	-	-	(11,822)	-	(11, 822)
Other expenses	-	-	-	-	-
Total expenses	**-**	**(27)**	**(18,063)**	**(378)**	**(18,469)**
Financial expenses	-	23	2,941	1,996	4,960

€ thousand unless otherwise stated	Year ended December 31, 2015				
Expenses, income and other transactions	**Significant shareholders**	**Directors and senior managers**	**Individuals, companies or Group entities**	**Other related parties**	**Total**
Management or collaboration agreements	106	-	5,437	-	5,543
R&D transfers and licensing agreements	-	-	-	-	-
Dividends received	-	-	-	-	-
Leases	-	-	-	-	-
Provisions of services	-	-	-	-	-
Sale of goods (completed or in progress)	-	-	-	-	-
Profit on assets' disposal	-	-	13,652	-	13,652
Other income	-	-		-	-
Total income	**106**	**23**	**22,029**	**1,996**	**24,154**
Purchase of tangible, intangible or other assets	-	-	-	-	-
Financing agreements: loans and capital contributions (lender)	-	1,453	149,875	85,343	236,671
Financial lease contracts (landlord)	-	-	-	-	-
Amortization or cancellation of credits and leases (landlord)	-	-	-	-	-
Sale of tangible, intangible or other assets	-	-	-	-	-
Financing agreements loans and capital contributions (borrower)	-	3,960	248,259	7,389	259,609
Financial lease agreement (lease)	-	-	-	-	-
Amortizaton or cancellation of loans and leases (lessee)	-	-	-	-	-
Guarantees and collaterals provided	-	175	67,785	14,047	82,008
Guarantees and collaterals received	-	-	180	-	180
Commitments	-	-	-	-	-
Cancelled commitments/guarantees	-	-	-	-	-
Dividends and other distributed profits	-	-	-	-	-
Other operations	-	-	-	-	-

€ thousand unless otherwise stated	Year ended December 31, 2014				
Expenses, income and other transactions	**Significant shareholders**	**Directors and senior managers**	**Individuals, companies or Group entities**	**Other related parties**	**Total**
Financial expenses	-	(54)	(9,228)	(101)	(9,384)
Management or collaboration agreements	-	-	(1,699)	-	(1,699)
R&D transfers and licensing agreements	-	-	-	-	-
Leases	-	-	-	-	-
Reception of services	-	-	-	-	-
Purchase of goods (completed or in progress)	-	-	-	-	-
Valuation corrections for bad debts	-	-	-	-	-
Loss on assets' disposal	-	-	-	-	-
Other expenses	-	-	-	-	-

€ thousand unless otherwise stated	Year ended December 31, 2014				
Expenses, income and other transactions	**Significant shareholders**	**Directors and senior managers**	**Individuals, companies or Group entities**	**Other related parties**	**Total**
Total expenses	**-**	**(54)**	**(10,927)**	**(101)**	**(11,083)**
Financial expenses					
Management or collaboration agreements	-	19	8,413	1,331	9,763
R&D transfers and licensing agreements	-	-	-	-	-
Dividends received	-	-	-	-	-
Leases	-	-	-	-	-
Provisions of services	-	-	-	-	-
Sale of goods (completed or in progress)	-	-	-	-	-
Profit on assets' disposal	-	-	422	-	422
Other income	-	-	-	-	-
Total income	-	19	8,835	1,331	10,185
Purchase of tangible, intangible or other assets	-	-	-	-	-
Financing agreements: loans and capital contributions (lender)	-	1,154	194,442	51,446	247,042
Financial lease contracts (landlord)	-	-	-	-	-
Amortization or cancellation of credits and leases (landlord)	-	-	-	-	-
Sale of tangible, intangible or other assets	-	-	-	-	-
Financing agreements loans and capital contributions (borrower)	46,611	2,885	426,509	9,359	485,364
Financial lease agreement (lease)	-	-	-	-	-
Amortizaton or cancellation of loans and leases (lessee)	-	-	-	-	-
Guarantees and collaterals provided	-	657	68,299	24,174	93,130
Guarantees and collaterals received	-	-	-	-	-
Commitments	-	-	-	-	-
Cancelled commitments/guarantees	-	-	-	-	-
Dividends and other distributed profits	17,930	-	-	-	17,930
Other operations	-	-	-	-	-

Directors and Senior Management

During 2016, 2015 and 2014, we did not enter into any transactions with members of the Board of Directors or the Company's senior management other than in the ordinary course of business and on an arm's length basis or in accordance with the terms generally available to our employees, and none of those transactions could be described as significant. In addition, to our knowledge, during such years we did not enter into any transactions with any person or entity related in any way to members of the Board of Directors or the Company's senior management other than on an arm's length basis.

The Board of Directors received remuneration in the amounts of €674 thousand, €606 thousand and €471 thousand for the years ended December 31, 2016, 2015 and 2014, respectively, consisting of diets and fixed remuneration relating solely to the members' roles as non-executive directors.

The Company's senior managers received remuneration in the amounts of €3,513 thousand, €3,503 thousand and €3,184 thousand for the years ended December 31, 2016, 2015 and 2014, respectively. The obligations assumed in terms of post-employment benefits deriving exclusively from their status as employees or bank executives totaled €301 thousand in 2016, having totaled €496 thousand in 2015 and €366 thousand in 2014, amounts covered entirely by the relevant funds.

All loans and advances to the Board of Directors and the Company's senior managers that are outstanding as at the date of this Prospectus were made on terms generally made available to the Company's employees and as at December 31, 2016 were in an amount of €2,110 thousand (€1,453 thousand and €1,149 thousand as at December 31, 2015 and 2014, respectively). As at December 31, 2016 these loans and advances were made to 20 members of the Board of Directors and senior managers and no one loan or advance was greater than €315 thousand.

Transactions with the Foundation, Foundation's Protocol

No significant transactions took place with the Foundation during the years ended December 31, 2016, 2015 and 2014 (when the Foundation was founded) and the period between January 1, 2017 and the date of this Prospectus other than in the ordinary course of business and on an arm's length basis.

Given that the stake of the Foundation in the share capital of Unicaja Banco exceeds 30%, the governing body of the Foundation was required to prepare a management protocol of the financial stake in Unicaja Banco in accordance with Law 26/2013 and the bylaws of the Foundation. The governing body of the Foundation prepared the Foundation's Protocol in January 2015, which was approved by the Bank of Spain and then amended on April 21, 2017. Below are described the main principles, targets, and other key aspects of the current Foundation's Protocol (published in www.unicajabanco.com and www.fundacionbancariaunicaja.es).

Principles:

- to carry out the proper management of the Foundation's stake in Unicaja Banco, oriented to the healthy and prudent management of Unicaja Banco, focusing on maximizing sustainably the value of the business;

- to ensure that Unicaja Banco's corporate governance processes comply withnational and international regulations, principles and standards in force from time to time; and

- to continue and to preserve within its legal framework, the heritage received from Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén, keeping a traditional retail banking approach.

In such context, the Foundation aims to promote the maintenance and development of the Company's social responsibility and financial education programs. The main targets include the following:

- to establish the strategic criteria in relation to the holding and management of the stake of the Foundation in Unicaja Banco from a financial compliance perspective;

- to set the terms on which the Foundation may propose candidates to become members of the Board of Directors of the Company;

- to design the relevant mechanisms to avoid conflicts of interest between the Foundation and Unicaja Banco resulting from the fact that the Foundation owns a majority stake in Unicaja Banco;

- to allow the use by Unicaja Banco of the intellectual property rights, including the "Unicaja" brand, and industrial property rights owned by the Foundation under certain conditions. For this purpose, on December 23, 2015, Unicaja Banco (as licensee) and the Foundation (as licensor) entered into a license agreement, pursuant to which we are entitled to use, in the broadest terms, the "Unicaja" brand, not only in Spain but also abroad for a period of five years from January 1, 2016 at a cost of €325,000 (plus VAT) per year. This agreement is subject to the fact that the Foundation remains as the controlling shareholder of Unicaja Banco and once the Foundation has given up control of Unicaja Banco a new arrangement will have to be negotiated;

- to describe the general terms for carrying out transactions between the Foundation and Unicaja Banco;

- to establish a framework for the Foundation and Unicaja Banco to collaborate in corporate social responsibility activities;

- to stabilize the mechanism of assistance and cooperation under which the Foundation carries out services on behalf of Monte de Piedad;

- to continue with education programs on finance, as well as other activities; and

- to define the adequate information channels that allow the Foundation and Unicaja Banco to prepare financial statements and comply with periodic information and supervisory obligations owed to the Bank of Spain, BCE and other relevant institutions.

The significant stake that the Foundation has in the share capital of Unicaja Banco is considered to be positive for the good and conservative management of Unicaja Banco. In this sense, the Foundation will aim to maintain the traditional profile of Unicaja Banco, characterized by a prudent approach to risk management and a focus on retail banking. Likewise, the Foundation will exercise its voting rights to preserve the governance, management and risk control principles, which ensure the maintenance of the strongest levels of solvency and liquidity of Unicaja Banco.

The governing body of the Foundation has the right to propose a number of members of the Board of Directors in proportion to the stake that, from time to time, it has in the share capital of Unicaja Banco i.e., the Foundation is entitled to proportional representation. The number of proposed members may vary, at the discretion of the governing body of the Foundation, in accordance with any agreements that may be entered into with third parties, voting limitations in Unicaja Banco's bylaws or by any other circumstances that the governing body deems relevant. All members proposed shall have the integrity, knowledge and expertise required pursuant to Law 10/2014 and Unicaja Banco has implemented a policy for evaluating the suitability of the members of the Board of Directors.

Once the proposal of a candidate to become a member of the Board of Director has been approved by the governing body of the Foundation, the Foundation communicates such proposal to Unicaja Banco and provides the relevant ancillary documentation. According to Article 11 of the Foundation's bylaws, holding offices in the governing body of the Foundation and in the Board of Directors at the same time is incompatible, save as provided in the second transitional disposition of Law 26/2013 (see "*Regulation*"), and we have complied with this requirement since June 30, 2016, as, before this date, the applicable transitional regime allowed the compatibility of positions in the Foundation and in Unicaja Banco.

Pursuant to Law 26/2013, the Foundation may request accounting and financial information from Unicaja Banco. For such purposes, the Foundation and Unicaja Banco have implemented systems so as to comply with such requests while duly preserving confidentiality.

DESCRIPTION OF SHARE CAPITAL

The following summary provides information concerning the Company's share capital and briefly describes certain significant provisions of the Company's bylaws (*estatutos sociales*) and Spanish corporate law, including the Spanish Companies Act, Law 3/2009, of April 3, on Structural Amendments of Private Companies (*Ley 3/2009, de 3 de abril, sobre modificaciones estructurales de las sociedades mercantiles*) (the "**Law 3/2009**"), the LMV and Royal Decree 878/2015, of October 2 (*Real Decreto 878/2015, de 2 de octubre, sobre compensación, liquidación y registro de valores negociables representados mediante anotaciones en cuenta, sobre el régimen jurídico de los depositarios centrales de valores y de las entidades de contrapartida central y sobre requisitos de transparencia de los emisores de valores admitidos a negociación en un mercado secundario oficial*).

This summary does not purport to be complete nor to describe all of the applicable provisions and regulations in connection with the matters described herein and is qualified in its entirety by reference to the Company's bylaws, the Spanish Companies Act and other applicable laws and regulations that may be applicable from time to time. Copies of the Company's bylaws are available (in Spanish with an English translation for information purposes) at the Company's Registered Address, on the Company's website (www.unicajabanco.com) and at the Commercial Registry.

General

The Company was incorporated as a public limited liability company (*sociedad anónima*) for an indefinite term under the public deed executed before the Notary Public of Málaga Mr. Federico Pérez-Padilla García, on December 1, 2011, number 7,088 of his records, and its corporate purpose consists of all types of general banking activities, transactions, actions, contracts and services including those that are directly or indirectly related or are supplementary to them provided they are permitted or not prohibited by law. The Company's corporate purpose also includes the rendering of investment and other auxiliary services, as well as the rendering of insurance agency activities, as an exclusive or associated operator, but not simultaneously.

The Company's Registered Address is Avenida de Andalucía 10-12, Málaga (Spain) and it is currently registered with the Málaga's Commercial Registry at page MA-111580 and holds Spanish tax identification number A-93139053 and its legal entity identifier (LEI) code is 5493007SJLLCTM6J6M37.

At the date of this Prospectus, the Company's issued share capital consists of €922,802,121, divided into a single series of 922,802,121 ordinary shares, with a nominal value of €1 each and each with an ISIN code ES0180907000 allocated by the Spanish National Agency for the Codification of Securities (*Agencia Nacional de Codificación de Valores Mobiliarios*), an entity dependent upon the CNMV. All of the Company's ordinary shares are fully subscribed and paid-up. Non-residents of Spain may hold ordinary shares and exercise their attached voting rights, subject to the restrictions described under "—*Restrictions on Foreign Investment*".

The Company's ordinary shares are represented by book entries, being Iberclear the entity responsible for maintaining the corresponding accounting records, with registered office at Plaza de la Lealtad, 1, 28014 Madrid, Spain.

The summary table below outlines these main changes in the Company's share capital during the period covered by the historical financial information:

Date	Corporate action	Nominal value	Share premium	Number of issued/ redeemed shares	Number of resulting shares	Total shares	Resulting nominal value	Resulting share capital
March 28, 2014	Share Capital Increase	€1	€0.18827	81,287,822	881,287,822	881,287,822	€1	881,287,822
June 30, 2016	Conversion of NeCoCos	€1	€0.18827	41,514,299	922,802,121	922,802,121	€1	922,802,121

In the context of the acquisition of EspañaDuero, the Company offered its ordinary shares to the shareholders of EspañaDuero and a mix of two types of instruments issued by the Company (PeCoCos and NeCoCos) to the holders of contingent convertible instruments of EspañaDuero. All NeCoCos were converted into shares of Unicaja Banco as of June 30, 2016. PeCoCos are bonds convertible into ordinary shares of the Company, with a nominal value of €1 of the same class and series, respectively, and are represented by book entries. The ratio for converting PeCoCos into ordinary shares of the Company will be the resulting amount from dividing the unit nominal value of the relevant bond by the value attributable to the Company's ordinary shares, which is set at €1.18827 per ordinary share. The difference between the nominal value of the converted bonds and the nominal value of the Company's ordinary shares received in exchange will be considered as the share premium. Also see "*Risk Factors—Risks relating to the Shares and the Offering—If the PeCoCos are converted in the future, investors may suffer losses due to dilution*". At the date of this Prospectus, the PeCoCos do not trade in any kind of secondary market and count as Additional Tier 1 Capital.

The PeCoCos grant their holders with the following rights:

- discretionary, predefined and non-cumulative return of 13.9% per annum;
- the conversion into ordinary shares, subject to certain conversion events; and
- political rights derived from the relevant bondholders' syndicate.

The Company's ordinary shares which PeCoCos will eventually convert into will grant their owners with the same rights as the current ordinary shares.

The accrual of the discretionary remuneration is subject to the simultaneous fulfilment of the following conditions:

- the existence of distributable profits, after meeting the requirements laid down by law and in the Company's bylaws;
- that there are no restrictions imposed by Spanish or European regulation in relation to equity;
- that the Board of Directors, at its sole discretion, and considering the solvency situation of the Company or our Group, has not decided to declare an event of non-remuneration; and
- that the Bank of Spain, in accordance with applicable regulation, has not demanded the cancellation of the remuneration based on the financial position and solvency of the Company or our Group.

In the event that the above-mentioned conditions are partially fulfilled, the Company may, at its sole discretion, partially pay the remuneration or alternatively declare an event of non-remuneration. If for any reason, the remuneration is not paid (total or partially) to the holders of PeCoCos at the relevant payment date, they will not be entitled to claim for such remuneration. As at the date of this Prospectus, all coupons have been paid to the holders of the PeCoCos in accordance with their terms (€6,850 thousand have been paid out by the Company for this purpose in each of the years ended December 31, 2016, 2015 and 2014).

The PeCoCos shall be converted into Company's shares in certain events as described in "*Risk Factors—Risks relating to the Shares and the Offering—If the PeCoCos are converted in the future, investors may suffer losses due to dilution*", and which include the following cases: (i) total early compulsory conversion; (ii) contingency events; (iii) viability events; and (iv) regulatory events.

On April 22, 2016 the general shareholders' meeting of Unicaja Banco passed resolutions authorizing the Board of Directors (i) to acquire treasury shares, directly by Unicaja Banco or indirectly by its subsidiaries, within five years form April 22, 2016, in the maximum amount permitted by the applicable legislation; (ii) to issue securities convertible into and/or exchangeable for shares of Unicaja Banco up to the amount of €500,000,000 within five years from April 22, 2016; and (iii) to issue bonds and other debt instruments not convertible nor exchangeable for shares of Unicaja Banco up to the amount of €1,500,000,000 within five years from April 22, 2016.

Dividend and Liquidation Rights

Holders of the Company's ordinary shares have the right to participate in distributions of the Company's profits as well as proceeds from a liquidation, proportionally to their paid up share capital. However, there is no right to receive a minimum dividend.

Payment of dividends is proposed by the Board of Directors and must be authorized by shareholders at a general shareholders' meeting. Holders of Company's ordinary shares participate in such dividends from the date agreed by a general shareholders' meeting. Additionally, interim dividends (*dividendo a cuenta*) may also be distributed among shareholders directly by approval of the Board of Directors provided that: (i) there is sufficient liquidity to pay the interim dividend; and (ii) the amount distributed does not exceed the amount resulting from deducting from the earnings booked since the end of the previous year, the sum of previous years' losses, the amounts earmarked for the legal or bylaws' reserves, and the estimated tax due on the aforesaid earnings. The Spanish Companies Act requires each company to allocate at least 10% of its net income each year to a legal reserve until the balance of such reserve is equivalent to at least 20% of such company's issued share capital. A company's legal reserve is not available for distribution to its shareholders except upon such company's liquidation and, until such legal reserve reaches 20% of the Company's share capital, it may only be used to compensate losses if no other reserve is available for such purposes. As at December 31, 2016, the Company's legal reserve amounted to €19.2 million, equivalent to 2% of the Company's share capital.

According to the Spanish Companies Act, dividends may only be paid out of profits or distributable reserves (after the compulsory allocation to mandatory reserves, including the legal reserve, and only if the value of the Company's net worth (*patrimonio neto*) is not, and as a result of distribution would not be, less than the Company's share capital).

In addition, no profits may be distributed unless the amount of distributable reserves is at least equal to the amount of the research and development expenses recorded as an asset on the Company's balance sheet.

In accordance with Article 947 of the Spanish Commercial Code, the right to a dividend lapses and reverts to the Company if it is not claimed within five years after it becomes payable.

The Company's ability to distribute dividends in the near future will depend on a number of factors, including (but not limited to) the amount of the Company's distributable profits and reserves and the Company's investment plans, earnings, level of profitability, cash flow generation, restrictions on payment of dividends under applicable laws, compliance with covenants in the Company's debt instruments, the level of dividends paid or shares repurchased by other comparable listed companies doing business in Spain and such other factors as the Board of Directors or the shareholders may deem relevant from time to time. See "*Regulation—II. Local Regulations— b. Local restructuring and resolution framework—Restrictions on Dividends*", "*Dividends and Dividend Policy*" and "*Material Contracts—EspañaDuero Term Sheet—background—Dividend restrictions*". The Term Sheet contains a prohibition on the distribution of dividends by EspañaDuero for as long as the CoCos FROB are outstanding. However, the commitment by EspañaDuero to repurchase the CoCos FROB in itself significantly reduces the amounts available for distribution as dividends to Unicaja Banco by EspañaDuero, which as a result could limit the Company's ability to distribute dividends to its shareholders. In addition, the Term Sheet imposes additional restrictions on the payment of cash dividends by the Company. Once the Company's ordinary shares have been admitted to trading, the applicable limit under the Term Sheet will be 40% of our annual distributable profit until all CoCos FROB have been repurchased, and thereafter such limit will cease.

The Company is not aware of any restriction on the collection of dividends by non-resident shareholders. All holders will receive dividends through Iberclear and its member entities, without prejudice to potential withholdings on account of the Non-Resident Income Tax that may apply. See "*Taxation*".

In the event of the Company's liquidation, shareholders would be entitled to receive proportionately any assets remaining after payment of the Company's debts and all applicable taxes and expenses.

Shareholders' Meetings and Voting Rights

Pursuant to the Company's bylaws, the regulations of the Company's general shareholders' meeting and the Spanish Companies Act, ordinary annual general shareholders' meetings shall be held during the first six months of each fiscal year on a date fixed by the Board of Directors. Extraordinary general shareholders' meetings may be called by the Board of Directors whenever it deems appropriate, or at the request of shareholders representing at least 3% of the Company's issued share capital upon Admission. Notices of all general shareholders' meetings are published in the Commercial Registry's Official Gazette or in one of the main newspapers of Spain, on the Company's corporate website and on the website of the CNMV, at least one month prior to the date when the meeting is to be held, except as described in the following paragraph.

In addition, pursuant to the provisions of the Spanish Companies Act, once the Company's ordinary shares are trading, if the Company offers shareholders the ability to vote by electronic means accessible to all of them, extraordinary general shareholders' meetings may be called on 15 days' notice (as opposed to the default one-month period). The decision to permit such reduction of the call period should be taken by a majority of not less than two thirds of the voting capital represented in an ordinary annual general shareholders' meeting, and the authorization shall be granted for a term which shall not exceed the date of the subsequent annual ordinary general shareholders' meeting.

Action is taken at ordinary general shareholders' meetings on the following matters: (i) the approval of the management of the Company carried out by the Board of Directors during the previous fiscal year, (ii) the approval of the annual accounts from the previous fiscal year, and (iii) the application of the previous fiscal year's income or loss. All other matters can be considered at either an extraordinary or an ordinary general shareholders' meeting if the matter is within the authority of the meeting and is included on the agenda (although there are certain exceptional items which do not need to be included on the agenda to be validly passed, like the dismissal of directors or the decision to bring liability actions against directors of the Company).

Each ordinary share entitles the holder to one vote and there is no limit as to the maximum number of voting rights that may be held by each shareholder or by companies of the same group. According to the Company's bylaws, to attend the general shareholders' meeting, a shareholder must hold at least 1,000 ordinary shares, although there is a possibility to group the shares of a number of shareholders to reach such requirement and, in such case, a representative of such group of shares must be appointed. Such shareholders duly registered in the book-entry records maintained by Iberclear, and its member entities, five days prior to the day on which a general shareholders' meeting is scheduled and in the manner provided in the notice for such meeting, are entitled to attend and vote at such meeting. The notice calling the general shareholders' meeting shall indicate the date on which ordinary shares must be held by a shareholder in order for the latter to participate in the relevant general shareholders' meeting and to vote in respect of its ordinary shares.

Any ordinary share may be voted by proxy. Proxies must be in writing or in electronic form acceptable under the Company's bylaws, and are valid for a single general shareholders' meeting. Proxies may be given to any person, whether or not a shareholder. Proxies must specifically refer to the general shareholders' meeting for which it was granted. A proxy may be revoked by giving notice to the Company prior to the meeting or by the shareholder attending the meeting in person.

The proxy holder shall vote in the manner he or she has been instructed by the relevant shareholder. As an exception, the representative may vote otherwise when circumstances arise that were unknown at the time the instructions were sent and the interests of the represented party could be damaged. When a vote is cast contrary to instructions, the representative shall immediately inform the represented party in writing, explaining the reasons for the vote.

Proxy holders will be required to disclose any conflict of interest prior to their appointment. In the event a conflict of interest arises after the proxy holder's appointment, such conflict of interest must be immediately disclosed to the relevant shareholder. In both cases, the proxy holder shall not exercise the shareholder's rights unless the latter has given specific voting instructions for each resolution in respect of which the proxy holder is to vote on behalf of the shareholder. A conflict of interest in this context may, in particular, arise where the proxy holder is: (i) the Company's controlling shareholder, or another entity controlled by such shareholder; (ii) a member of the Board of Directors, management or supervisory body of the Company, or of a controlling shareholder or another entity controlled by such shareholder; (iii) the

Company’s employee or auditor, or employee or auditor of a controlling shareholder or another entity controlled by such shareholder; or (iv) a natural person related to those mentioned in (i) to (iii) above.

Entities appearing as holders of the Company’s ordinary shares in the book-entry records but acting on behalf of different persons shall always be entitled to exercise voting rights in a divergent manner in order to comply with conflicting voting instructions received from their customers. These entities may also delegate voting rights to each of the indirect holders or their nominees, without limits on the number of delegations.

The Spanish Companies Act provides that, on the first call of an ordinary or extraordinary general shareholders’ meeting, attendance in person or by proxy of shareholders representing at least 25% of the Company’s voting capital will constitute a quorum. If the meeting is not quorate on the first call, the meeting can be reconvened in second call (provided the meeting notice included both first and second call), which according to the Spanish Companies Act requires no quorum. However, according to the Spanish Companies Act, a resolution in a general shareholders’ meeting to increase or decrease the Company’s share capital, issue bonds, suppress or limit the pre-emptive subscription right over new shares, transform, merge, spin off, globally assign the Company’s assets and liabilities, transfer the Company’s Registered Address abroad or otherwise modify the Company’s bylaws, requires attendance in person or by proxy of shareholders representing at least 50% of the Company’s voting capital on first call, and attendance in person or by proxy of shareholders representing at least 25% of the Company’s voting capital on second call. In the case of attendance in person or by proxy of shareholders representing more than 50% of the Company’s voting capital, an absolute majority shall suffice to pass the aforementioned resolutions. On second call, and in the event that less than 50% of the Company’s voting capital attends in person or by proxy, such resolutions may only be passed upon the vote of shareholders representing two thirds of the attending share capital. The interval between the first and the second call for a general shareholders’ meeting must be at least 24 hours. Resolutions in all other cases are passed by a simple majority of the votes corresponding to the share capital attending personally or represented by proxy at such meeting.

Under the Spanish Companies Act, shareholders who voluntarily aggregate their ordinary shares, so that the share capital so aggregated is equal to or greater than the result of dividing the total share capital by the number of directors, have the right, provided there are vacancies on the Board of Directors, to appoint a corresponding proportion of the members of the Board of Directors (disregarding fractions). Shareholders who exercise this right may not vote on the appointment of other directors.

A resolution passed at a general shareholders’ meeting is binding on all shareholders (even on those who did not attend the relevant general shareholders’ meeting), although a resolution which is (i) contrary to law or the bylaws or the internal regulations of the Company, or (ii) prejudicial to the interest of the Company and beneficial to one or more shareholders or third parties, may be contested. In the case of listed companies, the required fraction of the Company’s share capital needed to be able to contest is 1/1000. The right to contest would apply to those who were shareholders at the time when the resolution was taken (provided they hold at least 0.1% of the share capital), directors and interested third parties. In the case of resolutions contrary to public order, the right to contest would apply to any shareholders (even if they acquired such condition after the resolution was taken), and any director or third party. In certain circumstances (such as change or significant amendment of the corporate purpose, transformation or transfer of registered address abroad), Law 3/2009 gives dissenting or absent shareholders (including non-voting shareholders) the right to withdraw from the Company. If this right were exercised, the Company would be obliged to purchase the relevant ordinary shares at the average market price of the ordinary shares in the last quarter in accordance with the procedures established under the Spanish Companies Act.

According to the Spanish Companies Act, the following issues are exclusively reserved for the general shareholders’ meeting in listed companies (in addition to those recognized in Article 160); (i) the transfer to a company in its group of essential activities previously carried out by the company itself, even if it maintains full control over them; (ii) transactions whose effect is equivalent to liquidation of the company; and (iii) the remuneration policy for directors under the terms established in such law. The Spanish Companies Act also provides that those matters which are substantially independent shall be voted on separately in the general shareholders’ meeting, and that in any event, the following should be voted separately; (i) the appointment, ratification, reelection or removal of each director; (ii) regarding the amendments of the bylaws, each Article or group of articles that have autonomy; and (iii) those matters provided for in the bylaws of the company.

Pre-emptive Rights and Increases of Share Capital

Pursuant to the Spanish Companies Act and the Company's bylaws, shareholders have pre-emptive rights to subscribe for any new shares and for any new bonds convertible into shares issued against monetary contributions. Such pre-emptive rights may be excluded when so required by corporate interest under special circumstances by a resolution passed at a general shareholders' meeting or by the Board of Directors (when the Company is listed and the general shareholders' meeting delegates to the Board of Directors the right to increase the share capital or issue convertible bonds and exclude pre-emptive rights), in accordance with Articles 308, 417, 504, 505, 506 and 511 of the Spanish Companies Act.

Also, holders of shares have the right of free allotment recognized in the Spanish Companies Act in the event of capital increase against reserves.

Pre-emptive rights, in any event, will not be available in an increase in share capital against non-cash contributions, by means of capitalization of credit rights, or to honor the conversion into shares of convertible bonds, in a merger in which shares are issued as consideration or in the acquisition of all or part of another company's assets. Pre-emptive rights are transferable, may be traded on the AQS and may be of value to existing shareholders because new ordinary shares may be offered for subscription at prices lower than prevailing market prices.

Shareholder Actions

Under the Spanish Companies Act, directors are liable to the Company, shareholders and creditors for their acts or omissions that are illegal or violate the bylaws, as well as for failure to carry out their legal duties with due care.

The liability of the directors is joint and several, except to the extent any director can demonstrate that he or she did not participate in the decision-making process related to the relevant act or omission, was unaware of its existence or if being aware of it, he or she used his or her best efforts to mitigate any damages to the Company or if he or she expressly disagreed with the decision-making relating to such act or omission.

Under Spanish law, shareholders must generally bring actions against the directors as well as any other actions against the Company or challenging corporate resolutions before the courts of the judicial district of the Company's Registered Address.

Registration and Transfers

The Company's ordinary shares are in registered book-entry form and are indivisible. Joint holders of one ordinary share must designate a single person to exercise their shareholders' rights, but they are jointly and severally (*solidariamente*) liable to the Company for all the obligations arising from their status as shareholders. Iberclear, which manages the Spanish clearance and settlement system of the Spanish Stock Exchanges, maintains the central registry reflecting the number of ordinary shares held by each of its member entities (*entidades participantes*). Each member entity, in turn, maintains a registry of the owners of such ordinary shares.

Ordinary shares are freely transferable in accordance with the Spanish Companies Act, the LMV and any implementing regulation.

As a general rule, transfers of ordinary shares quoted on the Spanish Stock Exchanges must be made through or with the participation of a member of a Spanish Stock Exchanges. Brokerage firms, or dealer firms, Spanish credit entities, investment services entities authorized in other EU member states and investment services entities authorized by their relevant authorities and in compliance with the Spanish regulations are eligible to be members of the Spanish Stock Exchanges. See "*Market Information*". Transfer of ordinary shares quoted on the Spanish Stock Exchanges may be subject to certain fees and expenses.

Restrictions on Foreign Investment

Exchange controls and foreign investments were, with certain exceptions, completely liberalized by Royal Decree 664/1999, of April 23 (*Real Decreto 664/1999, de 23 de abril*), which was approved in conjunction with Law 18/1992, of July 1 (the "**Spanish Foreign Investment Law**"), bringing the existing legal framework on foreign investments in line with the provisions of the Treaty of the EU.

According to regulations adopted under the Spanish Foreign Investment Law, and subject to the restrictions described below, foreign investors may freely invest in shares of Spanish companies as well as transfer invested capital, capital gains and dividends out of Spain without limitation (subject to applicable taxes and exchange controls). Foreign investors who are not resident in a tax haven are only required to file a notification with the Spanish Registry of Foreign Investments maintained by the General Bureau of Commerce and Investments (*Dirección General de Comercio e Inversiones Exteriores*) within the Ministry of Economy and Competitiveness *(Ministerio de Economía y Competitividad*) following an investment or divestiture, if any, solely for statistical, economic and administrative purposes. Where the investment or divestiture is made in shares of Spanish companies listed on any of the Spanish Stock Exchanges, the duty to provide notice of a foreign investment or divestiture lies with the relevant entity with whom the shares (in book-entry form) have been deposited or which has acted as an intermediary in connection with the investment or divestiture.

If the foreign investor is a resident of a tax haven, as defined under Spanish law (Royal Decree 1080/1991, of July 5), notice must be provided to the Registry of Foreign Investments prior to making the investment, as well as after completing the transaction. However, prior notification is not necessary in the following cases:

- investments in listed securities, whether or not trading on an official secondary market;
- investments in participations in investment funds registered with the CNMV; and
- foreign shareholdings that do not exceed 50% of the capital of the Spanish company in which the investment is made.

Additional regulations to those described above apply to investments in some specific industries, including air transportation, mining, radio, television, telecommunications, gambling, and manufacturing and sales of weapons and explosives for civil use and national defense. These restrictions do not apply to investments made by EU residents, other than investments by EU residents in activities relating to the Spanish defense sector or the manufacturing and sale of weapons and explosives for non-military use.

The Spanish Council of Ministers (*Consejo de Ministros*), acting on the recommendation of the Ministry of Economy and Competitiveness, may suspend the aforementioned provisions relating to foreign investments for reasons of public policy, health or safety, either generally or in respect of investments in specified industries, in which case any proposed foreign investments falling within the scope of such a suspension would be subject to prior authorization from the Spanish government, acting on the recommendation of the Ministry of Economy and Competitiveness.

Law 19/2003, of July 4, on the establishment of a regulatory regime relating to capital and foreign economic transactions ("**Law 19/2003**"), generally provides for the liberalization of the regulatory environment with respect to acts, businesses, transactions and other operations between Spanish residents and non-residents in respect of which charges or payments abroad will occur, as well as money transfers, variations in accounts or financial debit or credits abroad. These transactions must be reported to the Ministry of the Economy and Competitiveness and the Bank of Spain only for informational and statistical purposes. The most important developments resulting from Law 19/2003 are (i) the obligations on financial intermediaries to provide to the Spanish Ministry of Economy and Competitiveness and the Bank of Spain information corresponding to customer transactions; and (ii) the obligations of any natural and legal persons residing in Spain to provide the Bank of Spain with information about their transactions with non-residents (on an aggregated basis).

Exchange Control Regulations

Pursuant to Royal Decree 1816/1991, of December 20, relating to economic transactions with non-residents as amended by Royal Decree 1360/2011, of October 7, and EC Directive 88/361/EEC, charges, payments or transfers between non-residents and residents of Spain must be made through a registered entity, such as a bank or another financial institution registered with the Bank of Spain and/or the CNMV (*entidades registradas*), through bank accounts opened abroad with a foreign bank or a foreign branch of a registered entity, in cash or by check payable to bearer. All charges, payments or transfers which exceed €6,010 (or its equivalent in another currency), if made in cash or by check payable to bearer, must be notified to the Spanish exchange control authorities.

Shareholder information rights

Until the fifth day before the general meeting is due to be held, shareholders may request in writing from the directors, any information or clarification they deem necessary regarding the items on the agenda, being obligated the directors to facilitate the information in writing by the day on which the general meeting is held.

During the general meeting, shareholders may verbally request any information or clarification they deem necessary, regarding the items of the agenda; and if it were not possible at that point, the directors must provide the requested information in writing within seven days of the general meeting.

The members of the Board of Directors will not be obliged to provide the previous information if it was deemed unnecessary for the recognition of the shareholder's right or if there were objective reasons to consider that the information was going to be used for reasons detrimental to the Company's best interests or that may prejudice the Company. However, the requested information may not be withheld when the application is upheld by the shareholders representing at least 25% of the share capital.

Reporting Requirements

Transactions affecting voting rights

Pursuant to Royal Decree 1362/2007 of October 19, 2007 (*Real Decreto 1362/2007, de 19 de diciembre, que desarrolla la Ley 24/1988, del Mercado de Valores*), any individual or legal entity who, by whatever means, purchases or transfers shares granting voting rights in a company listed in a secondary official market or other regulated market in the EU for which Spain is the country of origin (if the corporate address of the listed company is located in Spain), must notify the relevant issuer and the CNMV, if, as a result of such transaction, the proportion of voting rights held by that individual or legal entity reaches, exceeds or falls below a threshold of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 35%, 40%, 45%, 50%, 60%, 70%, 75%, 80% and 90% of the Company's total voting rights.

Additionally, the referred obligation to notify also applies to any individual or legal entity who owns, acquires or transfers, directly or indirectly, the following financial instruments when the proportion of voting rights held reaches, exceeds or falls below the thresholds detailed in paragraph above:

- Financial instruments (as defined in Royal Decree 1362/2007 of October 19, 2007) which, upon maturity, grant the unconditional right or the discretional faculty to acquire, at the sole decision of the holder of the financial instrument and pursuant to formal agreement (meaning a binding agreement pursuant to applicable law), issued shares which confer voting rights in a company listed in a secondary official market or other regulated market in the EU.

- Financial instruments not included in the above paragraph but which are indexed to shares in a company listed in a secondary official market or other regulated market in the EU and which confer similar economic rights to those confer by virtue of the financial instruments referred to in such paragraph.

The notice shall be served by means of the standard form approved by the CNMV from time to time for such purpose, within four business days from the date on which the transaction is acknowledged (Royal Decree 1362/2007 deems a transaction to be acknowledged within two business days from the date on which it is entered into).

The foregoing disclosure requirements also apply to those transactions (other than sales and purchases of shares or financial instruments) by which the proportion of voting rights of an individual or legal entity reaches, exceeds or falls below the aforementioned thresholds that trigger the obligation to report.

Regardless of the actual ownership of the shares, any individual or legal entity with a right to acquire, transfer or exercise voting rights granted by the shares or who owns, acquires or transfers, whether directly or indirectly, other securities or financial instruments which grant a right to acquire shares with voting rights, shall also notify the company and the CNMV if the aggregate voting rights held by that individual or legal entity reaches, exceeds or falls below the aforementioned thresholds.

In case the person, legal entity or group effecting the transaction is a resident in a tax haven (as defined by applicable Spanish regulations), the threshold that triggers the obligation to disclose the acquisition or transfer of shares in a Spanish company is reduced to one per cent (and successive multiples thereof).

The Company's bylaws and internal regulations do not provide for any significant shareholdings disclosure requirements more stringent than those established under Royal Decree 1362/2007 of 19 October (as mentioned in this sub-section) and Commission Regulation (EC) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse (as mentioned in the following sub-section).

In addition, certain provisions of Spanish law require clearance by the competent authority prior to the acquisition of a qualifying holding (*participación significativa*) of a Spanish bank by any individual or legal person. Regulation 1024/2013 confers this authority exclusively to the ECB.

Pursuant to Article 17 of Law 10/2014, any individual or legal person (either individually or in concert with other persons) which decides (i) to acquire, directly or indirectly, a qualifying holding in a Spanish bank or (ii) to further increase, directly or indirectly, a holding in a Spanish bank, as a result of which the proportion of voting rights or share capital held by such individual or legal person would exceed 20%, 30% or 50% of the total voting rights or share capital or the Spanish bank would become under the control of such individual or legal person (in the terms of Article 42 of the Spanish Commercial Code), shall notify the ECB (through the Bank of Spain) in advance of such transaction.

A qualifying holding for these purposes is defined as a direct or indirect holding in a Spanish bank representing 10% or more of the share capital or the voting rights, or enabling to exercise a significant influence over the management of that bank (such as, in any case, the capacity to appoint or dismiss a board member).

The Bank of Spain shall assess the proposed transactions of qualifying holdings and will submit a proposal of decision to the ECB so that the latter may decide whether or not to oppose the transaction.

Pursuant to Article 25 of Royal Decree 84/2015, the final decision on the possible opposition to the transaction shall be taken within 60 business days after the Bank of Spain acknowledges the receipt of the relevant application submitted by the potential acquirer. The opposition to the transaction may be based on finding the acquirer unsuitable on the basis of its commercial or professional reputation or its solvency or the transparency of its corporate structure, among other reasons. If no such formal decision is issued within such 60 business day period, it will be understood that there is no opposition to the transaction.

If the acquisition is carried out and (i) if the required prior notice is not given to the Bank of Spain, or (ii) if the acquisition is carried out before the 60 business days period referred to above, or (iii) if the ECB opposes the transaction, then there shall be the following consequences: (i) the voting rights corresponding to the acquired shares may not be exercised or, if exercised, will be deemed null, (ii) the ECB may seize control of the bank or replace its board of directors, and (iii) a fine may be imposed on the acquirer.

Furthermore, any natural or legal person (either individually or in concert with other persons) who has acquired, directly or indirectly, a holding in a Spanish bank so that the proportion of the voting rights or of the share capital held reaches or exceeds 5%, must immediately notify in writing the Bank of Spain and the relevant Spanish bank, indicating the size of the acquired holding.

In addition, pursuant to Article 21 of Law 10/2014, any natural or legal person who has taken a decision to dispose, directly or indirectly, of a qualifying holding in a bank must first notify the Bank of Spain, indicating the size of his/her intended reduced holding. Such a person shall likewise notify the Bank of Spain if he/she has taken a decision to reduce his/her qualifying holding so that the proportion of the voting rights or of the share capital held would fall below 20%, 30% or 50% or so that the bank would cease to be under his/her control. Failure to comply with these requirements may lead to sanctions being imposed on the defaulting party.

Spanish banks are required, on becoming aware of any acquisitions or disposals of holdings in their capital that cause holdings to exceed, or fall below, the thresholds referred to above, to inform the Bank of Spain of such acquisitions or disposals.

The Bank of Spain also requires each Spanish bank to provide it quarterly with a list of all its shareholders which are financial institutions or which are not financial institutions but have shares registered in its own name holding at least 0.25% of the bank's share capital by reference to the last day of each calendar quarter.

If the ECB determines at any time that the influence of a person who owns a qualifying holding of a bank may adversely affect that bank's management or financial situation, it may: (i) suspend the voting rights of such person's shares; (ii) seize control of the bank or replace its board of directors; or (iii) in exceptional circumstances revoke the bank's license. A fine may be also be levied on the person owning the relevant qualifying shareholding.

Disclosure requirements applicable to members of the Board of Directors and senior management

In accordance with Commission Regulation (EC) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse, persons discharging managerial responsibilities (including, but not limited to, members of the Board of Directors and senior management), as well as persons closely associated with them, must report both to the Company and the CNMV every transaction conducted on their own account relating to the Company's ordinary shares, or debt instruments of the Company, or to derivatives or other financial instruments linked thereto, no later than three business days after the date of the transaction. This reporting obligation shall apply to any subsequent transaction once a total amount of €5,000 has been reached within a calendar year. The CNMV may decide to increase such threshold to €20,000.

The transactions that must be notified according to the foregoing also include (i) the pledging (other than pledges, or similar security interests, of financial instruments in connection with the depositing of the financial instruments in a custody account, unless and until such time that such pledge or other security interest is designated to secure a specific credit facility) or lending of financial instruments by or on behalf of a person discharging managerial responsibilities or a person closely associated with such a person; (ii) transactions undertaken by persons professionally arranging or executing transactions or by another person on behalf of a person discharging managerial responsibilities or a person closely associated with such a person; and (iii) transactions made under a life insurance policy where (a) the policyholder is a person discharging managerial responsibilities or a person closely associated with such a person; (b) the investment risk is borne by the policyholder; and (c) the policyholder has the power or discretion to make investment decisions regarding specific instruments in that life insurance policy or to execute transactions regarding specific instruments for that life insurance policy.

The Company shall draw up a list of all persons discharging managerial responsibilities and persons closely associated with them. Persons discharging managerial responsibilities shall notify the persons closely associated with them of the reporting obligation described above in writing and shall keep a copy of this notification. In addition, a person discharging managerial responsibilities within the Company shall not conduct any transactions on its own account or for the account of a third party, directly or indirectly, relating to the Company's ordinary shares or debt instruments of the Company or to derivatives or other financial instruments linked to them, during a closed period of 30 calendar days before the announcement of an interim financial report or a year-end report which the Company is obliged to make public, unless so permitted by the Company (i) on a case-by-case basis due to the existence of exceptional circumstances, such as severe financial difficulty, which require the immediate sale of the Company's ordinary shares; or (ii) due to the characteristics of the trading involved for transactions made under, or related to, an employee share or saving scheme, qualification or entitlement of shares, or transactions where the beneficial interest in the relevant security does not change.

Shareholders' Agreements

The LMV and Articles 531, 533 and 535 of the Spanish Companies Act require parties to disclose certain types of shareholders' agreements that affect the exercise of voting rights at a general shareholders' meeting or contain restrictions or conditions on the transferability of shares or bonds that are convertible or exchangeable into shares of listed companies.

If shareholders enter into such agreements with respect to the Company's ordinary shares, they must disclose the execution, amendment or extension of such agreements to the Company and to the CNMV, file such agreements with the appropriate Commercial Registry and publish them through a relevant fact disclosure (*hecho relevante*). Failure to comply with these disclosure obligations renders any such shareholders’ agreement unenforceable and constitutes a violation of the Spanish Companies Act and the LMV.

Such a shareholders’ agreement will have no effect with respect to the regulation of the right to vote in general shareholders’ meetings and restrictions or conditions on the free transferability of the Company’s ordinary shares and bonds convertible into ordinary shares until such time as the aforementioned notifications, deposits and publications are made.

Upon request by the interested parties, the CNMV may waive the requirement to report, deposit and publish the agreement if publishing the shareholders’ agreement could cause harm to the affected company.

Net Short Positions

In accordance with Regulation (EU) No. 236/2012 of the European Parliament and of the Council of March 14, 2012 on short selling and certain aspects of credit default swaps (as further supplemented by several delegated regulations regulating technical aspects necessary for its effective enforceability and to ensure compliance with its provisions), net short positions on shares listed on the Spanish Stock Exchanges equal to, or in excess of, 0.2% of the relevant issuer’s share capital and any increases or reductions thereof by 0.1% are required to be disclosed to the CNMV. If the net short position reaches 0.5%, and also at every 0.1% above that, the CNMV will disclose the net short position to the public.

The notification or disclosure mentioned above shall be made not later than at 15:30 (CET) on the following trading day.

Notification is mandatory even if the same position has been already notified to the CNMV in compliance with transparency obligations previously in force in that jurisdiction.

The information to be disclosed is set out in Table 1 of Annex I of Delegated Regulation 826/2012, according to the format approved as Annex II of that Regulation. The information will be published, where appropriate, on a web page operated or supervised by the CNMV.

Moreover, pursuant to Regulation 236/2012, where the CNMV considers that (i) there are adverse events or developments that constitute a serious threat to financial stability or to market confidence (serious financial, monetary or budgetary problems, which may lead to financial instability, unusual volatility causing significant downward spirals in any financial instrument, etc.); and (ii) the measure is necessary and will not be disproportionately detrimental to the efficiency of financial markets in view of the advantages sought, it may, following consultation with the ESMA, take any one or more of the following measures:

- impose additional notification obligations by either (a) reducing the thresholds for the notification of net short positions in relation to one or several specific financial instruments; and/or (b) requesting the parties involved in the lending of a specific financial instrument to notify any change in the fees requested for such lending; and

- restrict short selling activity by either prohibiting or imposing conditions on short selling.

In addition, according to Regulation 236/2012, where the price of a financial instrument has fallen significantly during a single day in relation to the closing price on the previous trading day (10% or more in the case of a liquid share), the CNMV may prohibit or restrict short selling of financial instruments for a period not exceeding the end of the trading day following the trading day on which the fall in price occurs.

Finally, Regulation 236/2012 also vests powers to ESMA in order to take measures similar to the ones described above in exceptional circumstances, when the purpose of these measures is to deal with a threat affecting several EU member states and the competent authorities of these member states have not taken adequate measures to address it.

Share Repurchases

Pursuant to the Spanish Companies Act, the Company may only repurchase its own ordinary shares within certain limits and in compliance with the following requirements:

- the repurchase must be authorized by the general shareholders' meeting in a resolution establishing the maximum number of ordinary shares to be acquired, titles for acquisition, minimum and maximum acquisition price and the duration of the authorization, which may not exceed five years from the date of the resolution;

- the repurchase, including any ordinary shares already acquired and currently held by the Company, or any person or company acting in its own name but on the Company's behalf, must not bring the Company's net worth below the aggregate amount of the Company's share capital and legal or non-distributable bylaws' reserves. For these purposes, net worth means the amount resulting from the application of the criteria used to draw up the financial statements, subtracting the amount of profits directly allocated to such net worth, and adding the amount of share capital subscribed but not called and the share capital nominal value and issue premium recorded in the Company's accounts as liabilities;

- the aggregate value of the ordinary shares directly or indirectly repurchased, together with the aggregate nominal value of the ordinary shares already held by the Company, must not exceed 10% of the Company's share capital upon Admission; and

- ordinary shares repurchased for valuable consideration must be fully paid-up. A repurchase shall be considered null and void if (i) the ordinary shares are partially paid-up, except in the case of free repurchase, or (ii) the ordinary shares entail ancillary obligations (*prestaciones accesorias*).

Treasury shares do not have voting rights or economic rights (for example, the right to receive dividends and other distributions and liquidation rights). Such economic rights except the right to receive bonus shares, will accrue proportionately to all other shareholders. Treasury shares are counted for purposes of establishing the quorum for general shareholders' meetings as well as majority voting requirements to pass resolutions at general shareholders' meetings.

Regulation 596/2014 of April 16, repealing, among others, Directive 2003/6/EC of the European Parliament and the European Council of January 28, on insider dealing and market manipulation, establishes rules in order to ensure the integrity of EU financial markets and to enhance investor confidence in those markets. This regulation maintains an exemption from the market manipulation rules regarding share buy-back programs by companies listed on a stock exchange in an EU Member State. EC Regulation No. 2273/2003, of December 22, implemented the aforementioned directive with regard to exemptions for buy-back programs. Article 5 of this Regulation states that in order to benefit from the exemption, a buy-back program must comply with certain requirements established under such Regulation and the sole purpose of the buy-back program must be to reduce the share capital of an issuer (in value or in number of shares) or to meet obligations arising from either debt financial instruments exchangeable into equity instruments or employee share option programs or other allocations of shares to employees of the issuer or an associated company.

In addition, on December 19, 2007 the CNMV issued Circular 3/2007 setting out the requirements to be met by liquidity contracts entered into by issuers with financial institutions for the management of their treasury shares to constitute an accepted market practice and, therefore, be able to rely on a safe harbor for the purposes of market abuse regulations.

If an acquisition or series of acquisitions of the Company's ordinary shares reaches or exceeds or causes the Company's and the Company affiliates' holdings to reach or exceed 1% of the voting shares, the Company must notify the Company's final holding of treasury shares to the CNMV. If such threshold is reached as a result of a series of acquisitions, such reporting obligation will only arise after the closing of the acquisition which, taken together with all acquisitions made since the last of any such notifications, causes the Company's and the Company affiliates' holdings to exceed 1% of the Company's voting shares. Sales and other transfers of the Company's treasury shares will not be deducted in the calculation of such threshold. This requirement would also apply if the treasury shares were acquired by one of the Company's majority-owned subsidiaries.

Moreover, pursuant to the Spanish Companies Act, the audited financial statements of a company must include a reference to any treasury shares.

Likewise, on July 18, 2013, the CNMV published certain guidelines for securities issuers and financial intermediaries acting on their behalf regarding the "discretionary transactions with treasury shares" (outside of the buyback program regulation). These guidelines are in line with the buy-back program regulation in respect of price, limits and volumes and include certain restricted periods and a rule of separated management of the trading activity.

On April 22, 2016 the general shareholders' meeting of Unicaja Banco passed resolutions authorizing the Board of Directors to acquire treasury shares, directly by Unicaja Banco or indirectly by its subsidiaries, within five years form April 22, 2016, in the maximum amount permitted by the applicable legislation.

MATERIAL CONTRACTS

The contracts set out below (not being contracts entered into in the ordinary course of business) have (a) been entered into by the Company or the relevant entity within the Group within the two years immediately preceding the date of this Prospectus and are, or may be, material to the Group; or (b) been entered into at any time and contain provisions under which the Company or the relevant entity within the Group has an obligation or entitlement which is, or may be, material to the Group as at the date of this Prospectus.

EspañaDuero Term Sheet

Background

On March 28, 2014, the Company completed the acquisition of a controlling stake in EspañaDuero. EspañaDuero was created in 2011 as a result of the segregation and transfer of the banking business of the entity Caja de España de Inversiones Salamanca y Soria, Caja de Ahorros y Monte de Piedad (which was the result of the merger between Caja España and Caja Duero).

In order to facilitate the acquisition and the recapitalization of such entity, the Spanish state and the European Commission approved several State Aid measures in favor of EspañaDuero. On July 20, 2012, Spain and the Heads of State and Government of the Eurozone signed the Memorandum of Understanding on Financial Sector Policy Conditionality. This memorandum sets a strict and challenging timeline for the recapitalization and restructuring of various groups of banks, established on the basis of stress test results. On December 12, 2012, the Spanish government officially communicated the final content of the Restructuring Plan for EspañaDuero.

On May 13, 2013, the European Commission approved the Restructuring Plan in the context of its acquisition by Unicaja Banco. The Restructuring Plan rested on, among other things, the authorization by the European Commission of a €200 million guarantee in relation to assets transferred to SAREB. The implementation of the acquisition of EspañaDuero by Unicaja Banco was conditional upon the acceptance by 75% of the hybrid and subordinated debt instrument holders of EspañaDuero.

As part of the transaction, and in order to waive the 75% minimum acceptance threshold condition, on March 10, 2014, Unicaja Banco received the FROB Guarantee to partially cover the risk of legal proceedings related to the claims brought by the Non-Accepting Holders. See "*Risk Factors—Risks relating to the group and its business—Specific risks related to EspañaDuero and the Restructuring Plan—We may be subject to liability related to litigations of former EspañaDuero hybrid securities holders*" for more information on the FROB Guarantee and Compensation Mechanism.

Finally, the Spanish authorities presented a new restructuring plan to the European Commission as well as the modified Term Sheet, which was annexed to the March 2014 decision, including a set of new commitments which apply during the restructuring period that ends on April 24, 2018. The latest update to the Restructuring Plan, dated January 27, 2017, states that EspañaDuero must refocus its business activities in its core regions, defined in the Term Sheet as the geographic regions where EspañaDuero develops its core banking activities and on which it will be primarily focused following this Restructuring Plan, which includes Castilla y León and the province of Cáceres.

Below is a description of the main commitments included in the Term Sheet.

Adjustment to the perimeter of EspañaDuero

Transfer to SAREB of EspañaDuero's real estate exposure, falling within the following parameters:

- all loans to developers exceeding a net book value of €250,000;
- foreclosed assets exceeding a net book value of €100,000; and
- equity interests in controlled real estate companies.

The transfer was completed successfully on February 28, 2013, and pursuant to an agreement dated February 4, 2014, SAREB was granted a price adjustment of €41.4 million in exchange for the waiver of all rights to any further adjustments relating to the transferred assets.

Restructuring of the continuing business of Unicaja Banco and EspañaDuero:

- Loan book size: by December 31, 2016, the size of the individual loan book of EspañaDuero in its core regions could not be higher than €16.92 billion (it was €7.5 billion as at December 31, 2016);

- Balance sheet size: by December 31, 2016, the individual balance sheet of EspañaDuero in its core regions could not be higher than €27.71 billion (it was €12.79 billion as at December 31, 2016);

- Loan-to-Deposit ratio: Unicaja Banco and EspañaDuero committed to achieve a loan-to-deposit ratio of below 100% for EspañaDuero in 2016 in its core regions (it was 67% as at December 31, 2016);

- Reduction of branches and full time equivalent employees: EspañaDuero committed to reduce its number of branches and service locations from 825 as at the date of the Term Sheet to 500 by the end of 2016 and to reduce its full time equivalent employees from 4,707 as at the date of the Term Sheet to 3,045 by the end of 2016. EspañaDuero had 559 branches and 2,931 employees as at December 31, 2016. On May 19, 2016 EspañaDuero reached an agreement with the unions to launch a gradual early retirement program that will lead to a workforce reduction of 850 employees by the end of 2018, and 258 of such employees will join Unicaja Banco. Following the amendment to the Term Sheet on January 27, 2017, EspañaDuero committed to a further reduction in branches and employees and such commitments have already been factored into our Strategy; and

- Subsidiaries portfolio divestment: EspañaDuero committed to sell a portfolio of listed and unlisted companies with a value of €739 million before April 24, 2018. As at the date of this Prospectus, EspañaDuero has sold non-core equity stakes in excess of such commitment.

See "*Risk Factors—Risks relating to the Group and its business—Specific risks related to EspañaDuero and the Restructuring Plan*" for more information.

Public capital injection

EspañaDuero, in the first instance, and Unicaja Banco and EspañaDuero together, ultimately and, to the extent that EspañaDuero is not capable of doing so, must repay the CoCos FROB in full (i.e., €604 million) by 2018. See "*Risk Factors—Risks relating to the Group and its business—Specific risks related to EspañaDuero and the Restructuring Plan—If we are unable to repay the CoCos FROB in full, the FROB or any subsequent holder of the CoCos FROB may convert the CoCos FROB into ordinary shares in EspañaDuero and become the majority shareholder of EspañaDuero*" for the consequences of failing to comply with this requirement.

The repurchase is due to occur according to a repurchase schedule and calculated with reference to that part of EspañaDuero's capital that is or was in excess of the following thresholds for each fiscal year between 2014 and 2017:

- For the fiscal years ended December 31, 2014 and 2015: 100% of that part of EspañaDuero's capital which exceeds the applicable minimum capital requirements in 2016 under European law (8.625% including Basel III / CRD IV with a 50% deduction of DTAs at any time) and Spanish law (CBE 2/2016 and CBE 7/2012), plus a capital buffer of 100 bps;

- For the fiscal year ended December 31, 2016: 100% of that part of EspañaDuero's capital which exceeds the applicable minimum capital requirements in 2019 under European law (10.5% including Basel III / CRD IV with a 50% deduction of DTAs at any time) and Spanish law (CBE 2/2016 and CBE 7/2012); and

- For the fiscal year ended December 31, 2017: 100% of that part of EspañaDuero's capital which exceeds the applicable minimum capital requirements in 2019 under European law (10.5% including Basel III / CRD IV with a 50% deduction of DTAs at any time) and Spanish law (CBE 2/2016 and CBE 7/2012), plus a capital buffer of 50 bps.

The repurchase of the CoCos FROB is to occur during the fiscal year following the one used as a reference for the calculation of the excess capital. These calculations will be carried out once the financial statements of the fiscal year used as a reference are closed, and will then be undertaken without delay. The thresholds are fixed as at the date they were agreed and will not be updated in line with evolving minimum capital requirements, including those relating to Pillar 2.

Without prejudice to the competences of the ECB as the banking supervisor of EspañaDuero, the repurchase of the CoCos FROB may be, totally or partially, suspended if, on the basis of a reasonable request by EspañaDuero (for example, in the event the regulatory framework is significantly modified and/or where the actual economic situation is significantly worse than the one forecast in EspañaDuero's business plan) that is endorsed by the European Commission, it is considered that such repurchase would endanger the solvency position of EspañaDuero. In addition, if there is doubt regarding the capacity to repay the CoCos FROB by 2018, the Monitoring Trustee can request remedial actions in order to free up capital of EspañaDuero.

Ban on acquisitions

EspañaDuero will not acquire any stake in any undertakings. This covers both undertakings which have the legal form of a company and also business units. This does not apply to acquisitions that must be made in order to maintain the financial stability of the entity, or in the interests of effective competition, provided they have been approved beforehand by the European Commission in a service letter. This also does not apply to acquisitions that belong, in terms of the management of existing obligations of customers in financial difficulty, to a bank's normal on-going business. EspañaDuero may acquire stakes in undertakings provided that the price paid by EspañaDuero for any acquisition is less than 0.01% of its balance sheet as at March 12, 2014 and that the cumulative purchase prices paid by EspañaDuero for all such acquisitions over the whole restructuring period is less than 0.025% of its balance sheet as at such date.

Dividend restrictions

Until the CoCos FROB have been repurchased in full from the FROB:

- EspañaDuero shall not pay out any dividends (none have been paid in the last three years);
- Except as foreseen under the new measures and for the CoCos FROB, EspañaDuero (i) will not pay dividends on shares or coupons on hybrid capital instruments or any other instruments for which the coupon is discretionary, (ii) will not repurchase any of its own shares or call hybrid capital instruments for the duration of the restructuring period without prior approval by the commission services, and (iii) must not buy back hybrid capital instruments, unless such a measure, possibly in combination with others, allows the institution to fully absorb its capital shortfall, and occurs sufficiently close to market levels and not more than 10% above the market price. Any buyback is subject to prior approval by the European Commission services; and
- Unicaja Banco must not pay out annual dividends in excess of 30% of its annual distributable profit until Admission, and in excess of 40% once Unicaja Banco's ordinary shares have become publicly traded. If, as a consequence of a payout higher than 10% of its annual distributable profit, and exclusively for this specific reason, the annual amount of CoCos FROB scheduled to be repaid is not achieved, the actual available excess capital to be used to repay the CoCos FROB will be increased by the amount resulting of the difference between the 10% forecast and the percentage actually paid, provided that the statutory regulatory capital ratios are always met.

Spain is to ensure that the full and correct implementation of the Restructuring Plan and the full and correct implementation of all commitments within the Term Sheet are continuously monitored by an independent, sufficiently qualified monitoring trustee, who is obliged to maintain confidentiality and as at the date of this Prospectus it has raised no concerns about our progress and general ability to fulfil the commitments in the Term Sheet.

Spain and EspañaDuero are to ensure that, during the implementation of the Restructuring Plan, the European Commission or the Monitoring Trustee have unrestricted access to all information needed to monitor its implementation. The European Commission or the Monitoring Trustee may ask EspañaDuero for explanations and clarifications. Spain and EspañaDuero are to cooperate fully with the European

Commission and the Monitoring Trustee with regard to all enquiries associated with monitoring of the implementation of the Restructuring Plan. Also, Unicaja Banco shall cooperate with the Monitoring Trustee exclusively regarding the commitments of Unicaja Banco and EspañaDuero described within the Term Sheet.

Bancassurance reorganization

As at the date of this Prospectus, we are reorganizing our bancassurance business with the aim of operating with a single partner for each of the life and non-life segments, and we have entered into certain agreements for such purposes.

Aviva Agreement

In May 2017, each of EspañaDuero and Unicaja Banco entered into the Aviva Agreement with Aviva by virtue of which:

- Aviva committed to negotiate in good faith with Santa Lucía the sale of the Aviva Stake to Santa Lucía (which is subject to applicable ex-ante antitrust and insurance administrative approvals);
- Unicaja Banco and EspañaDuero agreed to pay to Aviva €29 million, on top of the €321 million to be paid by Santa Lucía as acquisition price. The parties also agreed that the 50% shareholding of Caja Granada Vida, Compañía de Seguros y Reaseguros, S.A. held by Unicorp Vida shall be carved out into a holding company named Ahorro Andaluz, S.A., which will be owned, as to 50% by Aviva and 50% by Unicaja Banco, and will not pass to Santa Lucía (the "**Caja Granada Vida Carve-Out**"). Once the Caja Granada Vida Carve-Out is completed, or following two years following the execution of the Aviva Agreement, Unicaja Banco will pay Aviva an additional €5 million. All these payments were agreed by Unicaja Banco and EspañaDuero in full and final settlement of any claims and amounts owed between them and Aviva, and which will be recorded as losses in our P&L once such payments are effected.
- Unicaja Banco and EspañaDuero committed to acquire the Aviva Stake before December 31, 2017 in the event thea the acquisition of the Aviva Stake by Santa Lucía is not completed by October 31, 2017. In such case, the price payable by Unicaja Banco and EspañaDuero would amount to €350 million (which would include the €29 million payment referred to above) plus a 2.5% interest over the €321 million agreed as purchase price between Aviva and Santa Lucía for the period between January 1, 2017 and the date immediately prior to that in which Unicaja and EspañaDuero purchase the Aviva Stakes. In addition, if the Group were subsequently to sell the Aviva Stake within the following two years, the Group agreed to compensate Aviva if the transfer price is higher than the €350 million acquisition price by paying to Aviva the difference.
- Unicaja Banco undertook to pay to Aviva a €20 million penalty in case the Santa Lucía Acquisition is not completed due to reasons attributable to the Group.
- The parties also agreed that Unicorp Vida and Caja España Vida shall not distribute dividends (except those required to implement the Caja Granada Vida Carve-Out) until closing of the acquisition of the Aviva Stakes.
- Unicaja Banco agreed to guarantee the fulfilment of by the Company and EspañaDuero of the obligations under the Aviva Agreement by granting a pledge in favor of Aviva over Spanish sovereign debt securities amounting to €358,025,000, and with a nominal value of €375,975,776. This pledge was granted on May 9, 2017.
- The parties agreed to the termination of the arbitral proceedings that had been ongoing in relation to the previous contractual relationship between the parties.

Framework Agreement

On May 9, 2017, Unicaja Banco and Santa Lucía entered into the Framework Agreement, pursuant to which Unicaja Banco gave Santa Lucía certain customary representations and warranties with respect to Unicorp Vida and its business. These representations and warranties are due to be confirmed on the closing date of the Santa Lucía Acquisition. The total liability assumed by Unicaja Banco under the Framework Agreement for any damages that Santa Lucía may suffer due to a breach of any such representation and warranties amounts to €50 million and will terminate 18 months following the closing date of the Santa Lucía Acquisition (with the exception of damages deriving from tax, employment or social security matters, which will survive until the expiry of the relevant limitation period applicable to public authorities to open the corresponding proceedings).

Shareholders' Agreement with Santa Lucía

On May 9, 2017, Unicaja Banco and Alteria Corporación Unicaja, S.L.U., entered into a shareholders' agreement with Santa Lucía (the "**Shareholders' Agreement**") in order to regulate, among other things, their future relationship as holders of 100% of the share capital of Unicorp Vida and Caja España Vida, as well as the corresponding management and operating regime and the establishment of several undertakings by Santa Lucía and the Group regarding the business of Unicorp Vida. Pursuant to the terms of the Shareholders' Agreement, on the completion of the Santa Lucía Acquisition, Santa Lucía will be the controlling shareholder of Unicorp Vida for the purposes of Article 42 of the Spanish Commercial Code, as it will be entitled to appoint the majority of the members of Unicorp Vida's board of directors, although certain significant decisions will require the favorable vote of the directors appointed by Unicaja Banco. Likewise, the agreement established a symmetrical put option right scheme based on the market value of the shares by virtue of which these rights can be exercised under certain circumstances including changes in control, significant change in the distribution banking network and the voluntary termination by Unicaja Banco.

The Shareholders' Agreement also includes an agreed form of insurance distribution agreement (the "**Unimediación Agreement**") to be entered into by and between Unicorp Vida and the indirectly fully owned subsidiary of Unicaja Banco, Unimediacion, S.L. Operador de Banca-Seguros Vinculado ("**Unimediación**"), once the Shareholders' Agreement becomes effective upon completion of the Santa Lucía Acquisition. The Unimediación Agreement regulates Unimediación's intermediation and commercialization activity of insurance products and pension plans through the Group's branch network in the Spanish territory under an exclusivity regime for a period of 30 years (excluding the network corresponding to the former CajaDuero). The commissions to be received by the Group will be adjusted on the basis of the results set out in Unicorp Vida's business plan.

Mapfre Agreement

As part of the reorganization of our bancassurance business across the Group, EspañaDuero has also recently executed its call option regarding the 50% of its stake in Unión del Duero, Compañía de Seguros de Vida, S.A. ("**Unión Duero Vida**") and Duero Pensiones, Entidad Gestora de Fondos de Pensiones, S.A. ("**Unión Duero Pensiones**"), acquired to Mapfre, according to the terms and conditions of the bancassurance agreement entered into by EspañaDuero and Mapfre on January 17, 2008 (the "**Duero Vida and Duero Pensiones Agreement**").

Further to the terms of the Duero Vida and Duero Pensiones Agreement, EspañaDuero entered on June 8, 2017 into a sale and purchase agreement for the acquisition of Mapfre's stake in Unión Duero Vida and Unión Duero Pensiones at 110% of the valuation set by an independent expert chosen by both parties, Willis Tower Watson España, S.A. (i.e., €141.7 million of which €128.8 million corresponded to 100% of the valuation with the remainder €12.9 million being a penalty).

The transfer of Mapfre's stake in Unión Duero Vida and Unión Duero Pensiones will take place once the relevant regulatory approvals are obtained and will result in a payment to Mapfre, after netting certain amounts owed between the parties, of €133 million (which we estimate would result in a maximum capital impact on the Group in the range of around 30 bps and approximately €30 million of net negative impact on our P&L). Upon such payment the Duero Vida and Duero Pensiones Agreement shall also terminate. EspañaDuero, however, disagrees with the valuation given to Mapfre's stake in Unión Duero Vida and Unión Duero Pensiones.

The abovementioned arrangements with Santa Lucia and Mapfre in the context of the reorganization of our bancassurance business will have a combined negative one-off extraordinary net impact of approximately €50 million that is expected to be recorded in our P&L for the six-month period ended June 30, 2017. However, the Company has a number of levers that could offset such impact through extraordinary gains and still produce a positive result in the six-month period ended June 30, 2017.

See also "*Risk Factors—Risks Relating to the Group and its Business—Specific risks relating to the Group—The restructuring of joint ventures and distribution agreements for our distribution of insurance products may result in contractual claims or penalties and breaches of contracts*" for further information.

TAXATION

The following summary describes certain Spanish and U.S. federal income tax consequences of the ownership or disposition of Shares. This summary is based on the laws as at the date of this Prospectus and is subject to changes to those laws subsequent to the date of this Prospectus. You should consult your own advisors as to the tax consequences of the acquisition, ownership and disposition of the Shares in light of your particular circumstances, including, in particular, the effect of any state, regional or local tax laws.

Spanish Tax Considerations

General

The following is a summary of certain Spanish tax implications of the acquisition, ownership and disposition of our Shares by investors that are resident in Spain for tax purposes ("**Spanish Holders**") or by non-residents in Spain for tax purposes that do not operate in Spain through a permanent establishment to which the Shares are allocated to ("**Non-Spanish Holders**").

This summary is not intended to be, nor should it be construed to be legal or tax advice. This summary is not a complete analysis or description of all the possible Spanish tax implications of such transactions and does not address all tax considerations that may be relevant to all categories of potential investors, some of whom may be subject to special rules (for instance, EU pension funds and EU harmonized collective investment institutions). In particular, this tax section does not address the Spanish tax consequences applicable to partnerships or other entities that are taxed as "look through" entities (such as trusts or estates).

Similarly, this information does not take into account specific regulations established in Navarra or in the historic territories of the Basque Country or the specialties in place in other Autonomous Communities of Spain (including the Autonomous Cities of Ceuta and Melilla).

Accordingly, prospective investors in the Shares should consult their own tax advisors as to the applicable tax consequences of their purchase, ownership and disposition of our Shares, including the effect of tax laws of any other jurisdiction, based on their particular circumstances.

The description of Spanish tax laws set forth below is based on law currently in effect in Spain as at the date of this Prospectus, and on administrative interpretations of Spanish law. As a result, this description is subject to any changes in such laws or interpretations occurring after the date of this Prospectus, including changes having retrospective effect.

As used in this particular section "*Spanish Tax Considerations*," the term "**Spanish Holder**" means a beneficial owner of our Shares who is an individual resident for tax purposes in Spain, and who does not acquire the Shares by reason of his/her employment, or a corporation resident in Spain for tax purposes.

As used in this particular section "*Spanish Tax Considerations*," the term "**Non-Spanish Holder**" means a beneficial owner of our Shares:

(a) who is an individual or corporation resident for tax purposes in any country other than Spain; and

(b) whose ownership of Shares is not effectively connected with a permanent establishment in Spain through which such holder carries on or has carried on business or with a fixed base in Spain from which such holder performs or has performed independent personal services.

Spanish Holders

Taxation on Ownership and Transfer of Shares

Indirect taxation

The acquisition or subscription of the Shares and any subsequent transfer thereof are exempt from transfer tax, stamp duty and VAT.

Direct taxation

Individuals; Income Tax on Individuals

Taxation of dividends

According to the Spanish Income Tax on Individuals (*Impuesto sobre la Renta de las Personas Físicas*) ("**IIT**") Law (*Ley 35/2006, de 28 de noviembre, del Impuesto sobre la Renta de las Personas Físicas y de modificación parcial de las leyes de los Impuestos sobre Sociedades, sobre la Renta de no Residentes y sobre el Patrimonio*) ("**IIT Law**"), income received by a Spanish Holder in the form of dividends, shares in profits, consideration paid for attendance at shareholders' meetings, income from the creation or assignment of rights of use or enjoyment of the Shares and any other income received in his or her capacity as shareholder are considered, inter alia, gross capital income.

Administration and custody expenses are deductible for IIT, except those incurred in individualized portfolio management. Capital income is allocated to the Spanish Holder's savings IIT taxable base. Savings IIT taxable base is taxed at a flat rate of 19% for the first €6,000, 21% between €6,001 and €50,000, and 23% for any amount in excess of €50,000, without any dividend tax credit being applicable.

Any amount received as a consequence of a share premium distribution by companies listed on a regulated market as defined under MiFID I (recast by MiFID II), will reduce the acquisition cost of the Shares in respect of such share premium received. Any share premium in excess of the basis is treated as a dividend for IIT purposes, being taxed as described in the preceding paragraph.

The payment to Spanish Holders of dividends or any other distribution is generally subject to a withholding tax (such withholding to be carried out by the Company) on account of final IIT at the rate of 19% on its gross amount. Such withholding tax is fully creditable from the net IIT due (*cuota líquida*); any amount withheld in excess of the amount of the IIT payable is refundable by the Spanish tax authorities.

Taxation of Capital Gains

Transfer of the Shares may trigger capital gains or losses. The taxable amount equals the difference between the Shares' tax basis and their transfer value; Spanish IIT Law considers as transfer value the listed value of the Shares as of the transfer date or, if higher, the agreed transfer price. Costs and expenses effectively borne on the acquisition and disposal of the Shares are taken into account for the calculation.

Capital gains or losses arising from the transfer of Shares are included in the individual's savings IIT taxable base corresponding to the period when the transfer takes place. Savings IIT taxable base is taxed, during at a flat rate of 19% for the first €6,000, 21% between €6,001 and €50,000 and 23% for any amount in excess of €50,000.

Where the taxpayer owns other equivalent securities, the acquisition price of the transferred shares is based on the principle that those acquired first are sold first (FIFO).

Capital gains deriving from the transfer of Shares are not subject to withholding tax on account of IIT.

Please note that losses deriving from the transfer of Shares admitted to trading on certain official stock exchanges are disregarded if securities of the same kind (Shares) have been acquired during the period between two months before and two months after the date of the transfer which originated the loss. In these cases, capital losses will be included in the IIT taxable base when the transfer of the remaining Shares of the taxpayer takes place.

Subscription Rights

Until December 31, 2016, if a Spanish Holder sold any rights received, the sale proceeds reduced the tax basis of the Shares to which they pertained. Any excess over the tax basis was treated as a capital gain for IIT purposes without being subject to withholding in Spain. However, as from January 1, 2017, if a Spanish Holder sells any rights received, the sale proceeds are treated (in full) as capital gain for IIT purposes and should be subject to withholding tax.

In any case such capital gains should be allocated to the Spanish Holder's savings IIT taxable base (to be sheltered only with income allocated to such savings IIT taxable base) and would be subject to the flat rate of 19% for the first €6,000, 21% between €6,001 and €50,000 and 23% for any amount in excess of €50,000.

The exercise of the rights generally is not a taxable event under Spanish law.

Spanish Wealth Tax

Individual Spanish Holders are subject to Spanish Wealth Tax (*Impuesto sobre el Patrimonio*) on all their assets (such as the Shares) owned every December 31 net of debt, irrespective of where the assets are located.

Spanish Wealth Tax Law (*Ley 19/1991, de 6 de junio, del Impuesto sobre el Patrimonio*) exempts from taxation the first €700,000 of net wealth owned by an individual Spanish Holder (some additional exemptions may apply on specific assets; excluding permanent residence; those exemptions do not generally apply to the Shares); the rest of the net wealth is taxed at rates ranging between 0.2% to 2.5%. However, this taxation may vary depending on the Spanish Autonomous Community of residence of the corresponding Spanish Holder.

Spanish individual Holders subject to Spanish Wealth Tax filing obligations will be obliged to include reference (in the corresponding tax form) to the Shares yearly owned at December 31. These Shares should be reported at their average market value of the Shares during the last quarter of the year. The Spanish Ministry of Finance and Taxation publishes annually such market value for the purposes of the Spanish Wealth Tax.

Furthermore, in accordance with Article 4 of the Royal Decree-Law 3/2016, of December 2, adopting tax measures aimed at consolidating public finances (*Real Decreto-Ley 3/2016, de 2 de diciembre, por el que se adoptan medidas en el ámbito tributario dirigidas a la consolidación de las finanzas públicas*), as from year 2018, a full exemption on Spanish Wealth Tax would apply (*bonificación del 100%*), and therefore from year 2018 Spanish individual Holders will be released from formal and filing obligations in relation to this Spanish Wealth Tax, unless the derogation of the exemptions is extended again.

Spanish Inheritance and Gift Tax

Individuals resident in Spain for tax purposes who acquire Shares by inheritance or gift are subject to Spanish Inheritance and Gift Tax (*"Impuesto sobre Sucesiones y Donaciones"*) ("**IGT**") in accordance with the IGT Law (*Ley 29/1987, de 18 de diciembre, del Impuesto sobre Sucesiones y Donaciones*; "**IGT Law**"), without prejudice to the specific legislation applicable in each Autonomous Community. The effective tax rate, after applying all relevant factors, ranges from 7.65% to 81.6%. Some tax benefits may reduce the effective tax rate.

Corporations; Corporate Income Tax

Taxation of Dividends

According to the corporate income tax law ("**CIT Law**") dividends deriving from the Shares or a share of our profits received by corporate Spanish Holders, are included in the CIT taxable base in accordance with Article 10 of the CIT Law. The general CIT tax rate is currently 25%.

However, pursuant to the provisions set forth under Article 21 of the CIT Law, corporate Spanish Holders (i) holding at least 5% in the share capital of the Company or with an acquisition value of at least €20 million; and (ii) whose participation is held during at least one year (either prior or after the dividend deriving from the Shares is received), may benefit from an exemption from CIT in Spain on dividends deriving from the Shares, provided the rest of conditions or Article 21 CIT Law are met.

Spanish Holders that are CIT taxpayers are generally subject to withholding (such withholding to be carried out by the Company) on account of final CIT liability at a rate of 19% on the gross amount of the distributed profits. Such withholding tax is fully creditable from the CIT payable, and if the amount of tax withheld exceeds the final CIT payable, the taxpayer is entitled to a refund in accordance with Article 127 of the CIT Law.

In those cases where the CIT exemption provided for under Article 21 of the CIT Law applies, dividends would not be subject to withholding tax.

Share premium distribution

Any amount received as a consequence of a share premium distribution by companies listed on a regulated market under MiFID I (recast by MiFID II), will reduce the Shares' tax basis in respect of such share premium received. Any share premium in excess of the basis is treated as a dividend for CIT purposes, being taxed as described in the preceding paragraph.

Share premium distributions will not be subject to withholding tax on account of CIT.

Income deriving from transfers of the Shares

The gain or loss deriving from the transfer of the Shares is included in the tax base of CIT taxpayers, being taxed generally at a rate of 25%.

However, should the requirements set forth under Article 21 of the CIT Law be fulfilled, any gain deriving from the transfer of the Shares would be exempt from Spanish CIT. Notwithstanding the aforementioned, the participation requirement must be met when the transfer of the shares takes place. Symmetrically, losses deriving from the transfer of shares are not deductible if the transferor has complied with the requirements set forth under such Article 21 of the CIT Law at any moment within the 12 months preceeding the transfer.

Please note that, among other restrictions, if the acquirer of the Shares is an entity within the same group of companies of the transferor, any losses triggered are not CIT deductible until (i) the Shares are transferred to a third party, alien to the corresponding group of companies; or (ii) the acquirer or the transferor leaves the corresponding group of companies.

The impairment of the Shares is not deductible for CIT purposes. Gains deriving from the transfer of the Shares are not subject to withholding on account of CIT.

Other Spanish Taxes

Spanish Holders that are subject to CIT are not subject to Spanish Net Wealth Tax, nor to IGT. However, Spanish Holders that are subject to CIT should include the fair market value of the Shares received by inheritance or gift in their taxable CIT income.

Non-Spanish Holders

Taxation on Ownership and Transfer of Shares

Indirect taxation

The acquisition or subscription of the Shares and any subsequent transfer thereof is exempt from transfer tax, stamp duty and VAT.

Direct taxation

Non-Residents Income Tax

Taxation of Dividends

According to Royal Legislative Decree 5/2004, of March 5, approving the consolidated text of the Non-Residents Income Tax (*Impuesto sobre la Renta de No Residentes*) ("**NRIT**") Law (*Texto refundido de la Ley del Impuesto sobre la Renta de no Residentes aprobado por el Real Decreto Legislativo 5/2004, de 5 de marzo*) ("**NRIT Law**"), dividends paid by a Spanish resident company to a Non-Spanish Holder are subject to NRIT, withheld at the source (such withholding to be carried out by the Company) on the gross amount of dividends, currently at a tax rate of 19%. Individuals Non-Spanish Holders who do not have a permanent establishment in Spain and who are not acting through a tax haven and who are resident in an EU Member State or an EEA jurisdiction that has an effective agreement for the exchange of fiscal information with Spain will however be entitled to deduct administration and custody expenses in respect of any Spanish source dividends received annually.

However, dividends distributed by the Company to a Non-Spanish Holder resident in an EU Member State or to a permanent establishment of the latter located in a EU Member State (i) holding a participation of at least 5% in the share capital of the Company or that has an acquisition value of at least €20 million; and (ii) whose participation is held during at least one year (either prior or after the dividend deriving from the Shares is received) would generally be exempt from NRIT. This exemption would be subject to certain requirements, including, among others, (i) an anti-abuse provision where the exemption would as a general rule not be applicable, if the EU Non-Spanish Holder is controlled by persons not resident in a EU Member State or (ii) the recipient of the dividends being a company listed in the relevant Annex of companies and subject to and not exempt from taxation of profits under any of the taxes mentioned under Article 2.a)iii) of the Council Directive 2011/96/EU.

Share premium distribution

Any amount received as a consequence of a share premium distribution by companies listed on a regulated market under MiFID I (recast by MiFID II), will reduce the Shares' tax basis in respect of such share premium received. Any share premium in excess of the basis is treated as a dividend for NRIT purposes, being taxed as described in the preceding paragraph.

Application of the benefits of convention for the avoidance of double taxation

Non-Spanish Holders resident in certain countries may be entitled to the benefits of a convention for the avoidance of double taxation ("**DTC**"), in effect between Spain and their country of tax residence. Such Non-Spanish Holders may benefit from a reduced tax rate or an exemption under an applicable DTC with Spain, subject to the satisfaction of any conditions specified in the relevant DTC, including providing evidence of the tax residence of the Non-Spanish Holder by means of a valid certificate of tax residence duly issued by the tax authorities of the country of tax residence of the Non-Spanish Holder or, as the case may be, the equivalent document specified in the Spanish Order which supplements the applicable DTC. The current DTC between the United States and Spain generally limits the tax rate on dividends to 15%.

In accordance with the Order of the Ministry of Finance and Taxation of April 13, 2000, upon distribution of a dividend, we or our paying agent will withhold an amount equal to the tax amount required to be withheld according to the general rules set forth above (at a rate of 19%), transferring the resulting net amount to the depositary. For this purpose, the depositary is the financial institution with which the Non-Spanish Holder has entered into a contract of deposit or management with respect to our Shares held by such Non-Spanish Holder. If the depositary of the Non-Spanish Holder is resident, domiciled or represented in Spain and it provides timely evidence of the Non-Spanish Holder's right to obtain the DTC reduced rate or an exemption (a certificate of tax residence issued by the relevant tax authorities of the Non-Spanish Holder's country of residence stating that, for the records of such authorities, the Non-Spanish Holder is a resident of such country within the meaning of the relevant DTC, or, as the case may be, the equivalent document regulated in the Order which further develops the applicable DTC), it will immediately receive the surplus amount withheld, which will be credited to the Non-Spanish Holder. In the case of a U.S. Holder, the relevant certificate is provided on IRS Form 6166. For these purposes, the relevant certificate of residence must be provided before the tenth day following the end of the month in which the dividends were paid. The tax certificate is generally valid only for a period of one year from the date of issuance.

If this certificate of tax residence, or, as the case may be, the equivalent document referred to above, is not provided within this time period or if the depositary of the Non-Spanish Holder is not resident, domiciled or represented in Spain, the Non-Spanish Holder may subsequently obtain a refund of the amount withheld in excess from the Spanish tax authorities, following the standard refund procedure established by the Royal Decree 1776/2004, dated July 30, 2004, and the Order EHA/3316/2010 dated December 17, 2010, as amended.

Spanish Refund Procedure

According to Spanish regulations on NRIT, approved by Royal Decree 1776/2004 and the Order dated December 17, 2010, a refund of the amount withheld in excess of any applicable DTC reduced rate can be obtained from the relevant Spanish tax authorities. To pursue the refund claim, the Non-Spanish Holder is required to file:

(a) the corresponding Spanish tax form (currently, Form 210);

(b) the certificate of tax residence or equivalent document referred to above under "*—Taxation of dividends*" which in the case of a U.S. holder is provided on IRS Form 6166;

(c) a certificate from us stating that Spanish NRIT was withheld with respect to such Non-Spanish Holder; and

(d) documentary evidence of the bank account in which the excess amount withheld should be paid.

For further details, prospective Non-Spanish Holders should consult their tax advisors.

Taxation of Capital Gains

Capital gains derived from the transfer or sale of our Shares will be deemed to be income arising in Spain, and, therefore, are taxable in Spain at a general tax rate of 19%. Capital gains and losses will be calculated separately for each transaction. It is not possible to offset losses against capital gains.

However, capital gains derived from our Shares will be exempt from taxation in Spain in either of the following cases:

(a) Capital gains derived from the transfer of the Shares on an official Spanish secondary stock market (such as the Madrid, Barcelona, Bilbao or Valencia stock exchanges) by any Non-Spanish Holder who is tax resident of a country that has entered into a DTC with Spain containing an "exchange of information" clause, such as the U.S.-Spain DTC. This exemption is not applicable to capital gains obtained by a Non-Spanish Holder through a country or territory that is classified as a tax haven by Spanish regulations.

(b) Capital gains obtained directly by any Non-Spanish Holder resident of another EU Member State or indirectly through a permanent establishment of such Holder in a EU Member State other than Spain**,** *provided that*:

- our assets do not mainly consist of, directly or indirectly, Spanish real estate (which is expected to be the case for the Company);
- in the case of individual taxpayers, the Non-Spanish Holder has not held a direct or indirect interest of at least 25% in our capital or net equity during the preceding twelve months;
- the gain is not obtained through a country or territory defined as a tax haven under applicable Spanish regulations; and
- in the case of Non-Spanish Holders that are legal entities, the sale of shares complies with the requirements of Article 21 of the CIT Law in order to apply the participation exemption.

(c) Capital gains realized by Non-Spanish Holders benefit from a DTC that provides for taxation only in the Non-Spanish Holder's country of residence. Some DTCs (for instance, the DTC between the United States and Spain), preclude the exemption when the Non-Spanish Holder has held a participation of at least 25% of our capital or net equity at any moment within the twelve months preceding the transfer of the Shares; this exception is excluded in the bill of protocol amending the DTC between the United States and Spain.

Non-Spanish Holders must submit a Spanish tax form (currently, Form 210) within the time periods set out in the applicable Spanish regulations to pay the corresponding tax or qualify for an exemption. In order for the exemptions mentioned above to apply, a Non-Spanish Holder must provide a certificate of tax residence issued by the tax authority of its country of residence (which, if applicable, must state that, to the best knowledge of such authority, the Non-Spanish Holder is resident of such country within the meaning of the relevant DTC) or equivalent document meeting the requirements of the Order which further develops the applicable DTC, together with the Spanish tax form. In the case of a U.S. holder the certificate is provided on IRS Form 6166. The Non-Spanish Holder's tax representative in Spain and the depositary of the Shares are also entitled to carry out such filing on behalf of the Non-Spanish Holder.

The certificate of tax residence mentioned above will be generally valid for a period of one year after its date of issuance.

Subscription Rights

Until December 31, 2016, if a Non-Spanish Holder sold any rights received, the sale proceeds reduced the acquisition cost of the Shares to which they pertained. Any excess over the acquisition cost generally was deemed as a capital gain for NRIT purposes, subject to the NRIT implications in the manner described under "*—Taxation of Capital Gains*" above. The exercise of the rights was is not a taxable event under Spanish law. However, as from January 1, 2017, if a Non-Spanish Holder sells any rights received, the sale proceeds are treated (in full) as capital gain for NRIT purposes.

Pursuant to the NRIT Law, capital gains obtained by Non-Spanish Holders will not be subject to withholding in Spain. The Non-Spanish Holder will therefore be obliged to submit the relevant tax form and, if applicable pay the corresponding liability or claim any applicable exemption under a DTC in the manner described under "*—Taxation of Capital Gains*" above.

Spanish Wealth Tax

For tax year 2016, and unless an applicable DTC provides otherwise, individual Non-Spanish Holders are subject to Spanish Wealth Tax (Spanish Law 19/1991), which imposes a tax on property and rights in excess of €700,000 that are located in Spain, or can be exercised within the Spanish territory, on the last day of any year (the Spanish tax authorities have consistently considered that shares issued by Spanish companies must be treated as assets located in Spain for Spanish tax purposes). Non-Spanish tax resident individuals whose net worth in Spain is above €700,000 and who hold Shares on the last day of any year would therefore be subject to Spanish Wealth Tax for such year at marginal rates varying between 0.2% and 2.5% of the average market value of the Shares during the last quarter of such year.

Each year the Ministry of Finance and Taxation will publish such average market value of the Shares. Non-Spanish Holders who benefit from a DTC that provides for taxation only in the Holder's country of residence will not be subject to Spanish Wealth Tax. There is no exemption from wealth tax under the DTC with the United States.

In accordance with Article 4 of the Royal Decree-Law 3/2016, of December 2, adopting tax measures aimed at consolidating public finances (*Real Decreto-Ley 3/2016, de 2 de diciembre, por el que se adoptan medidas en el ámbito tributario dirigidas a la consolidación de las finanzas públicas*), as from year 2018, a full exemption on Spanish Wealth Tax would apply (*bonificación del 100%*), and therefore from year 2018 individual Non-Spanish Holders will be released from formal and filing obligations in relation to Spanish Wealth Tax unless the derogation of the exemption is extended again.

Individual Non-Spanish holders tax resident in a State of the EU or of the EEA will be entitled to apply the specific regulation of the Autonomous Region where their most valuable assets are located and which trigger this Spanish Wealth Tax if they are located or are to be exercised within the Spanish territory. We recommend investors to consult their own advisors in this regard.

Spanish Inheritance and Gift Tax

Unless otherwise provided under an applicable DTC, transfers of Shares upon death and by gift to individuals not resident in Spain for tax purposes are subject to Spanish IGT (as per the Spanish IGT Law) if the shares are located in Spain (as is the case with our Shares) or the rights attached to such shares are exercisable in Spain, regardless of the residence of the heir or the beneficiary. The applicable tax rate, after applying all relevant factors, ranges approximately between 7.65% and 81.6% for individuals. Gifts granted to non-Spanish tax resident corporations will generally be subject to Spanish NRIT as capital gains for both the donor and the donee, without prejudice to the exemptions referred to above under "*Non Resident Income Tax—Taxation of Capital Gains.*" There is no inheritance or gift DTC between Spain and the United States.

However, if the deceased, heir or the donee are resident in an EU or EEA Member State, depending on the specific situation, the applicable rules will be those corresponding to the relevant Autonomous Regions according to the law. Accordingly, prospective shareholders should consult their tax advisors.

U.S. Federal Income Tax Considerations

The following discussion is a general summary under present law of certain U.S. federal income tax consequences of the purchase, ownership and disposition of Shares. The discussion is not a complete description of all tax considerations that may be relevant to prospective investors. This discussion only addresses U.S. Holders (as defined below) that purchase Shares in the Offering, hold Shares as capital assets and use the U.S. dollar as their functional currency. The discussion is a general summary; it is not a substitute for tax advice. The discussion does not consider all of the tax considerations that may be relevant to particular investors in light of their particular circumstances. It does not address all of the tax consequences that may be relevant to persons subject to special rules, such as banks and certain other financial institutions, insurance companies, dealers, traders in securities that elect to mark-to-market, regulated investment companies, real estate investment trusts, tax-exempt entities, persons liable for alternative minimum tax, U.S. expatriates, individual retirement accounts and other tax-deferred accounts, persons that own (directly, indirectly or constructively) 10% or more by vote or value of the Company's equity interests, persons that hold Shares in connection with a permanent establishment or fixed base outside the United States or that hold Shares as part of a hedge, straddle, conversion, constructive sale or other integrated financial transaction. This summary also does not address any U.S. federal taxes other than the income tax (such as U.S. federal estate or gift taxes), U.S. state and local, or non-U.S. tax laws or matters.

As used here, a "**U.S. Holder**" means a beneficial owner of Shares that is for U.S. federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation, or other business entity treated as a corporation, created or organized under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of one or more U.S. persons and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. federal income tax without regard to its source.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes acquires, holds or disposes of Shares, the U.S. federal income tax treatment of a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their own tax advisors concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of Shares.

U.S. Holders should review the discussion of Spanish taxation of Non-Spanish Holders above under "*Spanish Tax Considerations—Non-Spanish Holders*" for information relevant to their U.S. tax treatment of Spanish tax imposed on dividends on and gains realized on the sale or other disposition of Shares.

Dividends

Subject to the discussion of the passive foreign investment company ("**PFIC**") rules below, the gross amount of any distribution with respect to the Shares, including any Spanish tax withheld therefrom, will be included in a U.S. Holder's gross income as ordinary dividend income from foreign sources when actually or constructively received. The dividends will not be eligible for the dividends-received deduction generally available to U.S. corporations. If the Company qualifies for the benefits of the income tax treaty between the United States and Spain (the "**U.S.-Spain Treaty**"), which the Company believes it does, and the Company is not a PFIC in the year of distribution or the preceding year, dividends received by individuals and certain other non-corporate U.S. Holders that satisfy holding period and certain other requirements generally should be eligible for the preferential rate applicable to qualified dividend income.

Dividends paid in a currency other than U.S. dollars will be includable in income in the U.S. dollar amount calculated by reference to the exchange rate in effect on the date of actual or constructive receipt, whether or not the non-U.S. currency is converted into U.S. dollars at that time. A U.S. Holder's tax basis in the non-U.S. currency received will equal the U.S. dollar value on the date of receipt. Any gain or loss realized on a subsequent conversion or other disposition of the non-U.S. currency for a different U.S. dollar amount will be foreign currency exchange gain or loss and generally will be treated as U.S. source ordinary income or loss. If a dividend paid in non-U.S. currency is converted into U.S. dollars on the day the dividend is received, the U.S. Holder will generally not be required to recognize foreign currency exchange gain or loss in respect of the dividend.

Subject to generally applicable limitations, a U.S. Holder may claim a deduction or a foreign tax credit for Spanish tax withheld at a rate not in excess of the maximum rate applicable to such U.S. Holder after any reduction in rates available to such U.S. Holder under the U.S.-Spain Treaty and not refundable to it by the Spanish tax authorities. A U.S. Holder generally should be entitled to claim a reduction of Spanish withholding tax to 15% under the U.S.-Spain Treaty. U.S. Holders should review the discussion above under "*Spanish Tax Considerations—Non-Spanish Holders—Non-Residents Income Tax—Application of the benefits of convention for the avoidance of double taxation*" and "*Spanish Tax Considerations—Non-Spanish Holders—Non-Residents Income Tax—Spanish Refund Procedure*" for a discussion on how to obtain the applicable treaty rate or refunds of taxes withheld in excess of the applicable treaty rate. Each U.S. Holder should consult its own tax advisor about its eligibility for and procedures for obtaining a reduction of Spanish withholding tax. In computing foreign tax credit limitations, non-corporate U.S. Holders may take into account only a portion of any qualified dividend income that is effectively taxed at the highest applicable marginal rate. For purposes of limitations on foreign tax credits, dividends received with respect to Shares should generally constitute "passive category income." The rules governing foreign tax credits are complex and each U.S. Holder should consult its own tax advisors regarding the tax consequences to it if Spanish tax is withheld from dividends on the Shares, including the availability of the foreign tax credit under such holder's particular circumstances.

Dispositions

Subject to the discussion of the PFIC Rules below, a U.S. Holder generally will recognize capital gain or loss on the sale or other disposition of Shares equal to the difference, if any, between the amount realized and the U.S. Holder's adjusted tax basis in the Shares disposed of, each determined in U.S. dollars. A U.S. Holder's adjusted tax basis in the Shares will generally be the U.S. dollar value of the non-U.S. currency amount paid to purchase the Shares determined by reference to the exchange rate on the date of purchase. If the Shares are treated as traded on an "established securities market," a cash basis U.S. Holder (or, if it elects, an accrual basis U.S. Holder) will determine the U.S. dollar value of the cost of such Shares by translating the non-U.S. currency amount paid at the spot rate of exchange on the settlement date. Any gain or loss generally will be treated as arising from U.S. sources and will be long-term capital gain or loss if the U.S. Holder's holding period in the Shares exceeds one year. The deductibility of capital losses is subject to significant limitations.

A U.S. Holder generally should be entitled to a complete exemption under the U.S.-Spain Treaty from Spanish taxation on gain realized on a sale or other disposition of Shares provided that the U.S. Holder provides a certificate of tax residence in the manner required by applicable Spanish law, generally by providing an IRS Form 6166. U.S. Holders should review the discussion above under "*Spanish Tax Considerations—Non-Spanish Holders—Non-Residents Income Tax—Taxation of Capital Gains*". Each U.S. Holder should consult its own tax advisor about its eligibility for and procedures for obtaining an exemption from Spanish taxation.

A U.S. Holder that receives a currency other than U.S. dollars on the sale or other disposition of Shares will generally realize an amount equal to the U.S. dollar value of the non-U.S. currency received determined by reference to the exchange rate on the date of sale or other disposition (or, if the Shares are traded on an "established securities market", in the case of a cash basis or electing accrual basis taxpayer, the settlement date). A U.S. Holder will recognize currency gain or loss if the U.S. dollar value of the currency received at the spot rate on the settlement date differs from the amount realized. A U.S. Holder will have a tax basis in the currency received equal to the U.S. dollar value of the currency on the settlement date. Any foreign currency gain or loss realized on a subsequent conversion or other disposition of the non-U.S. currency for a different U.S. dollar amount will be exchange gain or loss and generally will be treated as U.S. source ordinary income or loss.

Medicare Tax on Net Investment Income

A non-corporate U.S. Holder whose income exceeds certain thresholds generally will be subject to an additional 3.8% tax on its "net investment income" up to the amount by which such holder's income exceeds the applicable threshold. Dividends on and capital gain from the sale or other taxable disposition of Shares generally will be includable in computing net investment income. Non-corporate U.S. Holders should consult their own tax advisors regarding the possible applicability of the additional tax on net investment income to income and gains in respect of an investment in Shares.

PFIC Rules

Based on proposed Treasury regulations applicable to certain active foreign banks, the Company believes that it was not a passive foreign investment company, or PFIC, for its most recent taxable year and, based on the Company's current assets and income (including the income and assets of the Group) and the manner in which the Company expects the Group to operate its business in the future, the Company does not expect to be a PFIC for its current taxable year or in the foreseeable future. In general, a non-U.S. corporation is a PFIC for any taxable year in which, taking into account a pro rata portion of the income and assets of 25% or more owned subsidiaries, (1) at least 75% of its gross income consists of passive income, or (2) at least 50% of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. For this purposes, cash is considered a passive asset and passive income generally includes, among other things, interest, dividends, rents, royalties and gains from the disposition of investment assets (subject to various exceptions, including an exemption for banking income of active foreign banks). Whether the Company is classified as a PFIC for any taxable year is a factual determination made annually, and the Company's status could change depending upon, among other things, changes in the composition and relative value of its gross income and assets, and the manner in which the Company otherwise conducts its business. In addition, the proposed regulations that set forth the exception to the PFIC rules for active foreign banks may not be finalized in their current form. For these reasons, no assurance can be given that the Company will not be a PFIC in the current or any future taxable year.

If the Company were a PFIC for any taxable year during which a U.S. Holder owned Shares, gain recognized by a U.S. Holder on a sale or other taxable disposition of Shares (including certain pledges) generally would be allocated rateably over the U.S. Holder's holding period for the Shares disposed. The amounts allocated to the taxable year of the sale or other taxable disposition and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest marginal rate in effect for individuals or corporations for that year, as appropriate, and an interest charge would be imposed. Further, to the extent that any distribution received by a U.S. Holder on its Shares exceeds 125% of the average of the annual distributions on the Shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain, as described immediately above.

If the Company were a PFIC, a U.S. Holder might be able to avoid some of the adverse impacts of the PFIC rules described above by electing to mark its Shares to market annually. The election is available only if the Shares are considered "marketable stock," which generally includes stock that is regularly traded in more than de *minimis* quantities on a qualifying exchange. If a U.S. Holder makes the mark-to-market election, any gain from marking its Shares to market or from disposing of them would be ordinary income. Any loss from marking its Shares to market would be recognized only to the extent of unreversed gains previously included in income. Loss from marking its Shares to market would be ordinary, but loss on disposing of them would be capital loss except to the extent of mark-to-market gains previously included in income. No assurance can be given that the Shares will be traded in sufficient frequency and quantity to be considered "marketable stock" or whether the Spanish Stock Exchanges are or will continue to be considered qualifying exchanges for purposes of the PFIC mark-to-market election. A valid mark-to-market election cannot be revoked without the consent of the IRS unless the Shares cease to be marketable stock.

Each U.S. Holder is encouraged to consult its own tax advisor as to the Company's possible status as a PFIC and, if the Company were a PFIC, the consequences to them and whether a mark-to-market election is available or desirable in their particular circumstances.

Information Reporting and Backup Withholding

Payments of dividends on and proceeds with respect to a disposition of Shares that are made within the United States or through certain U.S. related paying agents or other financial intermediaries may be reported to the IRS unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding may apply to amounts subject to reporting if the U.S. Holder fails to provide an accurate taxpayer identification number or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Backup withholding is not an additional tax. Any backup withholding tax withheld from a payment to a U.S. Holder may be credited against the holder's U.S. federal income tax liability, if any, or refunded to the extent it exceeds the holder's liability provided that the required information is timely furnished to the IRS. Prospective investors should consult their own tax advisors as to their qualification for exemption from information reporting and backup withholding and the procedure for establishing an exemption.

Certain non-corporate U.S. Holders will be required to report to the IRS certain information with respect to an investment in Shares (or the account through which Shares are held) not held through an account with a domestic financial institution. U.S. Holders that fail to report required information could become subject to substantial penalties. Prospective investors should consult their own tax advisors about these and any other information reporting requirements arising from an investment in Shares.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR PROSPECTIVE INVESTORS IN SHARES. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF ACQUIRING, OWNING, AND DISPOSING OF SHARES IN SUCH INVESTORS OWN CIRCUMSTANCES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS.

MARKET INFORMATION

Prior to the Offering, there has been no public market for the Company's ordinary shares. We will apply to list the Company's ordinary shares on the Spanish Stock Exchanges and to have the ordinary shares quoted through the AQS (*Mercado Continuo*) of the Spanish Stock Exchanges.

Automated Quotation System

The AQS links the four Spanish Stock Exchanges, providing those securities listed on it with a uniform continuous market that eliminates certain of the differences between the local exchanges. The principal feature of the system is the computerized matching of bid and offer orders at the time of entry of the relevant order. Each order is executed as soon as a matching order is entered, but can be modified or canceled until it is executed. The activity of the market can be continuously monitored by investors and brokers. The AQS is operated and regulated by Sociedad de Bolsas, S.A. ("**Sociedad de Bolsas**"), a company owned by the companies that manage the Spanish Stock Exchanges. All trades on the AQS must be placed through a brokerage firm, a dealer firm or a credit entity that is a member of a Spanish Stock Exchange.

In a pre-opening session held from 8:30 a.m. to 9:00 a.m. (CET) each trading day, an opening price is established for each security traded on the AQS based on a real-time auction in which orders can be entered, modified or cancelled but not executed. During this pre-opening session, the system continuously displays the price at which orders would be executed if trading were to begin at that moment. Market participants only receive information relating to the auction price (if applicable) and trading volume permitted at the current bid and offer price. If an auction price does not exist, the best bid and offer price and associated volumes are disclosed instead. The auction terminates with a random period of 30 seconds in which share allocation takes place. Until the allocation process has finished, orders cannot be placed, modified or cancelled. In exceptional circumstances (including the inclusion of new securities on the AQS) and after giving notice to the CNMV, Sociedad de Bolsas may establish an opening price without regard to the reference price (the previous trading day's closing price), alter the price range for permitted orders with respect to the reference price or modify the reference price.

The computerized trading hours, known as the open session, range from 9:00 a.m. to 5:30 p.m. (CET). During the trading session, the trading price of a security is permitted to vary up to a maximum so-called "static" range of the reference price, provided that the trading price for each trade of such security is not permitted to vary in excess of a maximum so-called "dynamic" range with respect to the trading price of the immediately preceding trade of the same security. If, during the trading session, there are matching bid and offer orders for a security within the computerized system which exceed any of the above "static" and/or "dynamic" ranges, trading on the security is automatically suspended and a new auction is held where a new reference price is set, and the "static" and "dynamic" ranges will apply over such new reference price. The "static" and "dynamic" ranges applicable to each particular security are set up and reviewed periodically by Sociedad de Bolsas. From 5:30 p.m. to 5:35 p.m. (CET), known as the closing auction, orders can be entered, modified and cancelled, but no trades can be made.

Between 5:30 p.m. and 8:00 p.m. (CET), trades may occur outside the computerized matching system without prior authorization of Sociedad de Bolsas (provided that such trades are communicated to Sociedad de Bolsas), at a price within the range of 5% above the higher of the average price and closing price for the day and 5% below the lower of the average price and closing price for the day provided that: (i) there are no outstanding bids or offers, respectively, on the system matching or bettering the terms of the proposed off-system transaction, and (ii) among other requirements, the trade involves more than €300,000 and more than 20% of the average daily trading volume of the stock during the preceding three months. These trades must also relate to individual orders from the same person or entity and be reported to Sociedad de Bolsas before 8:00 p.m. (CET).

At any time trades may take place outside the computerized matching system (with the prior authorization of Sociedad de Bolsas) at any price if:

- the trade involves more than €1.5 million and more than 40% of the average daily trading volume of the relevant security during the preceding three months;

- the transaction results from a merger or spin-off, or from the reorganization of a group of companies;

- the transaction is executed for the purpose of settling litigation or completing a complex set of contracts; or

- for any other reason which justifies the authorization of such transaction at the discretion of Sociedad de Bolsas.

Information with respect to the computerized trades which take place between 9:00 a.m. and 5:30 p.m. (CET) is made public immediately, and information with respect to trades which occur outside the computerized matching system is reported to the Sociedad de Bolsas by the end of the trading day and is also published in the Stock Exchange Official Gazette (*Boletín de Cotización*) and on the computer system by the beginning of the next trading day.

Moreover, bilateral over the counter trades may occur at any time between 9:00 a.m. and 6:00 p.m., through the facilities of Iberclear by way of submission of matching OTC instructions by the participants acting as custodians for the seller and the purchaser outside the AQS and without the involvement of any market member as broker or dealer whatsoever.

Clearance, Settlement and Book-Entry System

Transactions carried out on the AQS are currently cleared and settled through Iberclear. Only those entities participating in Iberclear are entitled to use it, and participation is restricted to authorized members of the Spanish Stock Exchanges, the Bank of Spain (when an agreement, approved by the Spanish Ministry of Economy and Competitiveness, is reached with Iberclear) and, with the approval of the CNMV, other brokers who are not members of the Spanish Stock Exchanges, banks, savings banks and foreign settlement and clearing systems. Iberclear is owned by Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A., a holding company which holds a 100% interest in each of the Spanish official secondary markets and settlement systems.

The clearance and settlement system and its participating entities are responsible for maintaining records of purchases and sales under the book-entry system. Shares of listed Spanish companies are held in book-entry form. Iberclear, which manages the clearance and settlement system, maintains a registry reflecting the number of shares held by each of its participating entities on its own behalf as well as the number of shares held on behalf of third parties. Each participating entity, in turn, maintains a registry of the owners of such shares. Spanish law considers the legal owner of the shares to be:

- the participating entity appearing in the records of Iberclear as holding the relevant shares in its own name; or

- the investor appearing in the records of the participating entity as holding the shares.

Iberclear has approved regulations introducing the so-called "T+3 Settlement Standard" by which the settlement of any transactions must be made within the three business days following the date on which the transaction was carried out.

Obtaining legal title to shares of a company listed on a Spanish Stock Exchange requires the participation of a Spanish official stockbroker, broker-dealer or other entity authorized under Spanish law to record the transfer of shares. In order to evidence title to shares, the relevant participating entity must, at the owner's request, issue a certificate of ownership. If the owner is a participating entity, Iberclear is in charge of the issuance of the certificate with respect to the shares held in the participating entity's name.

Notwithstanding the foregoing, the Spanish clearing, settlement and recording system has been recently adapted by Law 11/2015, of June 18, on the recovery and resolution of credit institutions and investment firms (*Ley 11/2015, de 18 de junio, sobre recuperación y resolución de entidades de crédito y empresas de servicios de inversion*) and Royal Decree 878/2015, of October 2, (*Real Decreto 878/2015, de 2 de octubre, sobre compensación, liquidación y registro de valores negociables representados mediante anotaciones en cuenta, sobre el régimen jurídico de los depositarios centrales de valores y de las entidades de contrapartida central y sobre requisitos de transparencia de los emisores de valores admitidos a negociación en un mercado secundario oficial*) to the provisions set forth in Regulation (EU) No. 909/2014 of the European Parliament and of the Council of July 23, 2014, on improving securities settlement in the EU and on central securities depositories, amending Directives 98/26/EC and MiFID II and Regulation (EU) No. 236/2012. These rules have anticipated substantial changes in the Spanish clearing, settlement and registry procedures of securities transactions that have substantially modified the above-mentioned system and will allow the migration of the post-trading Spanish systems to the European system Target 2 Securities as from September 2017.

Following this reform, the first phase of which has been applicable to securities since April 27, 2016, transactions carried out on the AQS are cleared, settled and recorded by Iberclear, as central securities depository, and BME Clearing, S.A., as central clearing counterparty ("**CCP**"). The second phase of the reform will deal with the settlement of trades on fixed income securities and will be applicable as from September 2017.

Access to become a participating entity in Iberclear is restricted to (i) credit institutions, (ii) investment services companies which are authorized to render custody and administration of financial instruments, (iii) the Bank of Spain, (iv) the General Administration and the General Social Security Treasure, (v) other duly authorized central securities depositories and central clearing counterparties, and (vi) other public institutions and private entities when expressly authorized to become a participating entity in central securities depositories.

The central registry managed by Iberclear reflects (i) one or several proprietary accounts which will show the balances of the participating entities' proprietary accounts; (ii) one or several general third-party accounts that will show the overall balances that the participating entities hold for third parties; (iii) individual accounts opened in the name of the owner, either individual or legal person; and (iv) individual special accounts of financial intermediaries which use the optional procedure of settlement of orders. Each participating entity, in turn, maintains the detail records of the owners of such shares.

As a result of the above, Spanish law shall consider the owner of the shares to be:

- the participating entity appearing in the records of Iberclear as holding the relevant shares in its own name;
- the investor appearing in the records of the participating entity as holding the shares; or
- the investor appearing in the records of Iberclear as holding shares in a segregated individual account.

BME Clearing is the CCP in charge of the clearing of transactions closed on the Spanish Stock Exchanges. BME Clearing interposes itself on its own account as seller in every stock purchase and as buyer in every stock sale. It calculates buy and sell positions vis-à-vis the participants designated in such buy or sell instructions. The CCP will then generate and send to Iberclear the relevant settlement instructions. The settlement and registration platform managed by Iberclear (operating under the trade name of ARCO), receives the settlement instructions from BME Clearing and forwards them to the relevant Iberclear participating entities involved in each transaction. From October 3, 2016 (with respect to the trades of September 29, 2016), ARCO has operated under a "T+2 Settlement Standard", by which any transactions must be settled within two business days following the date on which the relevant transaction was completed.

The acquisition of legal title over shares of a company listed in one of the Spanish Stock Exchanges requires the intervention of a Spanish official stock broker, broker-dealer or other entity authorized by Spanish law to record the transfer of listed shares. In orden to evidence title over any given listed shares, the relevant participating entity must issue a certificate of ownership at the shareholder's request ("*certificado de legitimación*"). If the shareholder is a participating entity or a person holding shares held in a segregated individual account, Iberclear must issue such certificate with respect to the shares held in their name.

Euroclear and Clearstream

Shares deposited with depositories for Euroclear Bank, S.A./N.V., as operator of the Euroclear System ("**Euroclear**"), and Clearstream Banking, société anonyme ("**Clearstream**") and credited to the respective securities clearance account of purchasers in Euroclear or Clearstream against payment to Euroclear or Clearstream will be held in accordance with the Terms and Conditions Governing Use of Euroclear and Clearstream, the operating procedures of the Euroclear System, as amended from time to time, the Management Regulations of Clearstream and the Instructions to Participants of Clearstream as amended from time to time, as applicable. Persons on whose behalf accounts at Euroclear or Clearstream are maintained and to which shares have been credited ("**investors**") shall have the right to receive the number of shares equal to the number of shares so credited, upon compliance with the foregoing regulations and procedures of Euroclear or Clearstream.

With respect to the shares that are deposited with depositories for Euroclear or Clearstream, such shares will be initially recorded in the name of Euroclear or one of its nominees or in the name of Clearstream or one of its nominees, as the case may be. Thereafter, investors may withdraw shares credited to their respective accounts if they wish to do so, upon payment of the applicable fees described below, if any, and upon obtaining the relevant recording in the book-entry registries kept by the members of lberclear.

Under Spanish law, only the record holder of the shares according to the registry kept by Iberclear is entitled to receive dividends and other distributions and to exercise voting, pre-emptive and other rights in respect of such shares. Euroclear or its nominee or Clearstream or its nominee will be the sole record holder of the shares that are deposited with the depositories for Euroclear and Clearstream, respectively, until such time as investors exercise their rights to withdraw such shares and cause them to obtain the recording of the investor's ownership of the shares in the book-entry registries kept by the members of Iberclear.

Cash dividends or cash distributions, as well as stock dividends or other distributions of securities, received in respect of the shares that are deposited with the depositories for Euroclear and Clearstream will be credited to the cash accounts maintained on behalf of the investors at Euroclear and Clearstream, as the case may be, after deduction for applicable withholding taxes, in accordance with the applicable regulations and procedures of Euroclear and Clearstream.

Each of Euroclear and Clearstream will endeavor to inform investors of any significant events of which they have notice affecting the shares recorded in the name of Euroclear or its nominees and Clearstream or its nominees and requiring action to be taken by investors. Each of Euroclear and Clearstream may, at its discretion, take such action as it shall deem appropriate in order to assist investors to direct the exercise of voting rights in respect of the shares. Such actions may include (i) acceptance of instructions from investors to execute or to arrange for the execution of, proxies, powers of attorney or other similar certificates for delivery to us, or our agent or (ii) voting of such shares by Euroclear or its nominees and Clearstream or its nominees in accordance with the instructions of investors.

If we offer or cause to be offered to Euroclear or its nominees and Clearstream or its nominees, as the record holders of the shares that are deposited with the depositories for Euroclear and Clearstream, respectively, any rights to subscribe for Over-allotment Shares or rights of any other nature, each of Euroclear and Clearstream will endeavor to inform investors of the terms of any such rights issue of which it has notice in accordance with the provisions of its regulations and procedures referred to above. Such rights will be exercised, insofar as practicable and permitted by applicable law, according to written instructions received from investors, or such rights may be sold and, in such event, the net proceeds will be credited to the cash account maintained on behalf of the investor with Euroclear or Clearstream.

Tender Offers

Tender offers are governed in Spain by the LMV and Royal Decree 1066/2007, of July 27 (the "**Regulations**"), which have implemented Directive 2004/25/EC of the European Parliament and of the European Council of April 21, 2004. Other than the referred tender offer regulation, there is no other special regulation in Spain which may govern mandatory tender offers over the Shares.

Tender offers in Spain may qualify as either mandatory or voluntary offers.

Mandatory tender offers must be launched for all the shares of the target company and all other securities that might directly or indirectly give the right to subscription thereto or acquisition thereof (including convertible and exchangeable bonds) at an equitable price and not subject to any conditions (other than regulatory approvals) when any person acquires control of a Spanish listed company, whether such control is obtained:

- by means of the acquisition of shares or other securities that directly or indirectly give voting rights in such company;
- through shareholders agreements or agreements with other holders of said securities; or

- as a result of other situations of equivalent nature as provided in the Regulations (i.e., indirect control acquired through mergers, share capital decreases, target's treasury stock variations or securities exchange or conversion, etc.).

A person is deemed to have obtained the control of a target company, individually or jointly with concerted parties, whenever:

- it acquires directly or indirectly a percentage of voting rights equal to or greater than 30%; or
- it has acquired a percentage of less than 30% of the voting rights and appoints, in the 24 months following the date of acquisition of said percentage, a number of directors that, together with those already appointed, if any, represent more than one-half of the members of the target company's board of directors. The Regulations also set forth certain situations where directors are deemed to have been appointed by the bidder or persons acting in concert therewith unless evidence to the contrary is provided.

Notwithstanding the above, Spanish regulations establish certain exceptional situations where control is obtained but no mandatory tender offer is required, including, among others, subject to the CNMV's approval:

- acquisitions or other transactions resulting from the conversion or capitalization of credit rights into shares of listed companies the financial feasibility of which is subject to serious and imminent danger, even if the company is not undergoing bankruptcy proceedings, provided that such transactions are intended to ensure the company's financial recovery in the long-term; or
- in the event of a merger, provided that those acquiring control did not vote in favor of the merger at the relevant general shareholders' meeting of the offeree company and provided also that it can be shown that the primary purpose of the transaction is not the takeover but an industrial or corporate purpose; and
- when control has been obtained after a voluntary bid for all of the securities, if either the bid has been made at an equitable price or has been accepted by holders of securities representing at least 50% of the voting rights to which the bid was directed.

For the purposes of calculating the percentages of voting rights acquired, the Regulations establish the following rules:

- percentages of voting rights corresponding to (i) companies belonging to the same group of the bidder; (ii) members of the board of directors of the bidder or of companies of its group; (iii) persons acting in concert with or for the account of the bidder; (iv) voting rights which may be exercised freely and over an extended period by the bidder under proxy granted by the actual holders or owners of such rights, in the absence of their specific instructions with respect thereto; and (v) shares held by a nominee, such nominee being understood as a third party whom the bidder totally or partially covers against the risks inherent in acquisitions or transfers of the shares or the possession thereof, will be deemed to be held by the bidder (including the voting rights attaching to shares that constitute the underlying asset or the subject matter of financial contracts or swaps when such contracts or swaps cover, in whole or in part, against the risks inherent in ownership of the securities and have, as a result, an effect similar to that of holding shares through a nominee);
- both the voting rights arising from the ownership of shares and those enjoyed under a usufruct or pledge or under any other title of a contractual nature will be counted towards establishing the number of voting rights held;
- the percentage of voting rights shall be calculated based on the entire number of shares carrying voting rights, even if the exercise of such rights has been suspended. Treasury shares held directly or indirectly by the target company (as per the information available on the date of calculation of the percentage of voting rights by the bidder) shall be excluded from the calculation. Non-voting shares shall be taken into consideration only when they carry voting rights pursuant to applicable law; and

- acquisitions of securities or other financial instruments giving the right to the subscription, conversion, exchange or acquisition of shares which carry voting rights will not result in the obligation to launch a tender offer until such subscription, conversion, exchange or acquisition occurs.

Notwithstanding the foregoing, upon the terms established in the Regulations, the CNMV will conditionally release the person who, directly or indirectly, has acquired a percentage of voting rights equal to, or greater than, 30% from the obligation to launch a mandatory bid when another person or entity not concerted with the potential bidder directly or indirectly holds an equal or greater voting percentage in the target company.

The price of the mandatory tender offer is deemed equitable when it is at least equal to the highest price paid or agreed to be paid by the bidder or by any person acting in concert therewith for the same securities during the twelve months prior to the announcement of the tender offer. When the mandatory tender offer must be made without the bidder having previously acquired the shares over the above-mentioned twelve-month period, the equitable price shall not be less than the price calculated in accordance with other rules set forth in the Regulations. In any case, the CNMV may change the price so calculated in certain circumstances (extraordinary events affecting the price, evidence of market manipulation, etc.).

Mandatory offers must be launched as soon as possible and at any event within one month from the acquisition of the control of the target company.

Voluntary tender offers may be launched when a mandatory offer is not required. Voluntary offers are subject to the same rules established for mandatory offers except for the following:

- they might be subject to certain conditions (such as amendments to the bylaws or adoption of certain resolutions by the general shareholders' meeting of the target company, acceptance of the offer by a minimum number of securities, approval of the offer by the general shareholders' meeting of the bidder; and any other condition deemed by the CNMV to be in accordance with law), provided that such conditions can be met and this fact may be verified before the end of the acceptance period of the offer;

- they must not be launched at an equitable price; and

- they may comprise a cash and/or share exchange offer, whereas mandatory offers must always include a full cash alternative to any non-cash consideration.

The Regulations on tender offers set forth further relevant provisions, including:

- subject to shareholder approval within 18 months from the date of announcement of the tender offer, the board of directors of a target company will be exempt from the rule prohibiting frustrating or defensive action against a foreign bidder whose board of directors is not subject to an equivalent passivity rule;

- defensive measures included in a listed company's bylaws and transfer and voting restrictions included in agreements among a listed company's shareholders will remain in place whenever the company is the target of a tender offer, unless the shareholders resolve otherwise (in which case any shareholders whose rights are diluted or otherwise adversely affected will be entitled to compensation at the target company's expense); and

- squeeze-out and sell-out rights will apply provided that as a result of a mandatory tender offer (or as a result of a voluntary offer for all the target's share capital) the bidder holds securities representing at least 90% of the target company's voting capital and the tender offer has been accepted by the holders of securities representing at least 90% of the voting rights over which the offer was launched.

Delisting tender offers

The requirement to make a delisting tender offer arises, subject to certain exceptions, if the shareholders of a Spanish company resolve to delist the company or merge it into a non-listed company (with the latter surviving the merger). To protect minority shareholders in such circumstances, a delisting tender offer must be addressed by the target company itself (or any third party approved by the target company) to all of the company's shareholders and, if applicable, all holders of rights to subscribe or exchange for, or convert into, shares in the company.

Delisting tender offers must be made in cash (i.e., no share alternative may be offered) and the price offered must be no lower than the greater of the equitable price and the price resulting from the application of certain specified valuation methods, which are:

- the volume-weighted average price of the shares during the six-month period before the announcement of the proposed delisting;
- the net asset value per share based on the latest available consolidated financial statements;
- the consideration offered for the target shares in any offer made during the one-year period preceding the resolution to delist;
- the liquidation value of the target company and, as the case may be, its consolidated group; and
- certain other valuation methods commonly used in the international financial community (e.g., comparable transactions, company multiples, discounted cash flow etc.).

THE OFFERING

Offering Overview

The Offering consists of the offer of 625,000,000 New Shares, representing 40.4% of the Company's post-Offering share capital (assuming no exercise of the Over-allotment option), of €1 nominal value each, to qualified investors (as defined in Article 2(1)(e) of the Prospectus Directive), at the Offer Price. Exceptionally, in the case of Spain, the Offering will only be addressed to professional investors within the meaning of said Article 205.2 of the LMV. The Shares will rank *pari passu* in all respects with the remainder of the existing 922,802,121 ordinary shares of the Company. In addition, the Offering may be increased by up to 62,500,000 Over-allotment Shares (See "*—Over-allotment Option*" below). We expect that the Offering will take place according to the calendar set out at "*—Expected timetable of the Offering*" below.

The Company acts in its own name and on its behalf in respect of the New Shares.

The Offer Price Range, which is indicative and not binding, has been determined by the Company, after consultation with the Joint Global Coordinators without reliance on any third-party expert to assess the value of the Shares or determine the Offer Price Range. The Offer Price will also be determined by the Company after consultation with the Joint Global Coordinators upon finalization of the book-building period, which is expected to occur on or about June 28, 2017, and will be announced through publication of a relevant fact disclosure (*hecho relevante*).

The Offering will provide the Company with net proceeds amounting to between approximately €659.6 million and approximately €841.5 million from the sale of New Shares, assuming (i) full subscription of the New Shares, and (ii) no exercise of the Over-allotment Option, and after deducting underwriting commissions and other expenses in connection with the Offering. We expect to use the net proceeds received from the issuance of the New Shares for the purposes described in this Prospectus under "*Reasons for the Offering and Use of Proceeds*".

The Company's ordinary shares are expected to be listed on the Spanish Stock Exchanges and quoted on the AQS on or about June 30, 2017, under the symbol "UNI". Delivery of the Shares is expected to take place in book-entry form against payment therefor in immediately available funds on or about July 3, 2017 to investors' securities accounts via the Spanish securities registration, clearance and settlement system (*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.*) (Iberclear).

The Offering will be conducted through a book-building process. During the book-building period, which is expected to start on June 15, 2017 (after registration of the Prospectus with the CNMV) and end on June 28, 2017 (both inclusive), the Managers will market the New Shares among institutional investors in accordance with, and subject to, the selling and transfer restrictions set forth in this Prospectus. In particular, in the case of Spain. the Shares will only be offered to professional investors within the meaning of Article 205.2 of the LMV. See "*Selling and Transfer Restrictions*". Investors may submit their purchase proposals during this period, indicating the total amount in euros that they would be prepared to invest through purchases of New Shares and, if applicable, the maximum purchase price at which they would be interested in acquiring them.

The book-building period may be reduced or extended by agreement among the Company and the Joint Global Coordinators if (i) the book of demand is sufficiently covered in their view before the end of the book-building period or (ii) if they understand than an extension of the book-building period for up to one additional week is convenient to ensure the success of the Offering. In the event there is such a reduction or extension of the book-building period, the Company will inform the market of such circumstance through the publication of a relevant fact disclosure (*hecho relevante*) and of the subsequent steps in the tentative calendar of the Offering, which may be postponed or brought forward accordingly.

Purchase proposals during the book-building period by investors for the New Shares will constitute only an indication of their interest in the New Shares and shall not be binding on any investors or the Company. However, following determination of the Offer Price and allocation of the New Shares to investors, allocatees will be notified by any of the Managers of both the Offer Price and the number of New Shares allocated to them and will be asked to confirm their purchase proposals. Once a purchase proposal has been confirmed by an investor it becomes irrevocable.

Upon finalization of the book-building period, on or about June 28, 2017, the Company and the Managers are expected enter into an underwriting agreement (the "**Underwriting Agreement**") with respect to the offer and sale of the Shares. Subject to the satisfaction of certain conditions set out in the Underwriting Agreement and such Underwriting Agreement not having terminated in accordance with its terms, the Managers will agree, severally but not jointly, to subscribe for or to procure investors for or, failing which, to acquire, the New Shares, and, if applicable, the Over-allotment Shares in the proportions set out at "*—The Managers and the Underwriting Agreement*" set below.

Authorizations of the Offering

On April 26, 2017, the general shareholders' meeting of the Company determined to apply for the Admission and to carry out the Offering, and authorized the Board of Directors to (i) apply for Admission, (ii) issue the New Shares pursuant to a share capital increase for an amount of €625,000,000, (iii) implement the subscription offer for the New Shares and (iv) issue the Over-allotment Shares pursuant to a share capital increase for an amount of €62,500,000. Pursuant to the authority granted by the general shareholders' meeting, and following the process described above, the Board of Directors established the Offer Price Range.

For the avoidance of doubt, no application has been made or is currently intended to be made for the Shares to be admitted to listing or trading on any exchange other than the Spanish Stock Exchanges and the AQS.

The general shareholders' meeting held on April 26, 2017 has excluded the pre-emptive subscription rights of current shareholders over the New Shares and over the Over-allotment Shares, pursuant to the proposal of the Board of Directors and the relevant mandatory report in connection therewith dated March 24, 2017. In addition, and pursuant to Article 308 of the Spanish Companies Act, KPMG Auditores, S.L., as independent expert appointed by the Commercial Registry of Málaga, issued a report dated March 24, 2017 on the reasonableness of the information contained in the mandatory report from the Board of Directors. Moreover, given that at the time of convening such general shareholders' meeting, the Offer Price had still not been determined, KPMG Auditores, S.L. will issue a complementary report once the Offer Price has been determined (expected to occur on or about June 29, 2017) on (i) the fair value of the Company's ordinary shares, and (ii) the notional value ("*valor teórico*") of the pre-emptive subscription rights that have been excluded.

The Offering is not subject to any administrative approval or authorization besides the required approval by the CNMV of this document as a "Prospectus" for the purposes of the Admission in accordance with the LMV and related applicable regulations. However, pursuant to Law 10/2014, dated June 26, on regulation, supervision and solvency of credit entities, the following events regarding Spanish credit institutions are subject to the authorization regime set forth thereto and related regulation:

- any direct or indirect acquisition, by either a current or a potential shareholder, that results in a participation of, at least, 10% of a Spanish credit institution's share capital or voting rights;
- any direct or indirect acquisition, by either a current or potential shareholder, that results in a participation below 10% of a Spanish credit institution's share capital or voting rights, but that would allow the relevant shareholder to have a significant influence on such Spanish credit institution; and
- any direct or indirect acquisition that would (i) increase the direct or indirect participation in a Spanish credit institution by a current shareholder to, at least, 20% 30% or 50% of the share capital or voting rights of such Spanish credit institution, or (ii) allow such shareholder to acquire control over the mentioned Spanish credit institution.

Characteristics of the Shares

The New Shares to be issued will be created pursuant to the Spanish Companies Act. Each of the Shares carries one vote at the general shareholders' meeting. There are no restrictions on the voting rights of the Shares. The ISIN number of the Company's ordinary shares is ES0180907000. The New Shares will receive a provisional ISIN number which, upon Admission, will be replaced with the existing ISIN number of the Company's ordinary shares. Immediately following Admission, the Shares will be freely transferable under the Company's bylaws, but will be subject to the restrictions referred to in "*Selling and*

Transfer Restrictions". The Company's ordinary shares are represented in registered book-entry form and held through the clearance and settlement system managed by, among others, Iberclear.

Sale and allocation of the Shares and the holding of Shares by investors may be affected by the law or regulatory requirements of the relevant jurisdiction, which may include restrictions on the free transferability of the Shares.

Investors should consult their own advisors prior to an investment in the Shares.

Offer Price Range, Offer Price and Allotment of the Shares

Prior to the Offering, there has been no public market for the Shares.

Offer Price Range

The indicative non-binding Offer Price Range within which subscription or purchase orders may be placed is €1.10 to €1.40 per Share and the Company would raise net proceeds of between approximately €659.6 million and approximately €841.5 million assuming (i) full subscription of the New Shares, and (ii) no exercise of the Over-allotment Option, and after deducting underwriting commissions and other expenses in connection with the Offering. If the Over-allotment Option is exercised in full, the Company will issue the Over-allotment Shares in exchange for cash contributions and would raise additional net proceeds of between approximately €66.0 million and approximately €84.1 million using the Offer Price Range.

The Offer Price Range has been determined by the Company after consultation with the Joint Global Coordinators without reliance on any third-party expert to assess the value of the Shares or determine the Offer Price Range. The Offer Price Range is indicative and not binding as the Offer Price may be higher or lower than the Offer Price Range. There can be no assurance that the prices at which the Shares will be sold in the public market after the Offering will not be lower than the Offer Price Range or that an active trading market in the Shares will develop and continue after the Offering.

Offer Price

The Offer Price will be determined by the Company and the Joint Global Coordinators, upon the finalization of the book-building period (expected to occur on or about June 28, 2017) and will be announced by the Company through the publication of a relevant fact disclosure (*hecho relevante*) reported to the CNMV no later than 11.59 p.m. CET on the date the Underwriting Agreement is executed (or any prior date or subsequent date if it is previously reported to the CNMV).

The Offer Price may be outside the Offer Price Range, as the Offer Price Range is indicative and not binding.

After the Offer Price has been set, the New Shares will be allotted to investors on the basis of the offers to purchase then available. All New Shares will be issued at the Offer Price.

Allocations of the Shares

The final decision on the allocation of the Shares to investors will be made by the Company after consultation with the Joint Global Coordinators. Allocations will be made on the basis of the quality of the individual investors and individual orders and other important criteria to be determined by the Company after consultation with the Joint Global Coordinators.

Breakdown of costs related to the Offering

The commissions, fees and expenses that will be payable by the Company in connection with the Offering are expected to be approximately €33.1. Set forth below is a breakdown of the estimate of such costs for illustrative purposes only, in each case excluding VAT where applicable:

Expenses	**€ million**
Underwriting commissions[(1)]...	25.8
Base commission…………………………………………………………..	15.0

Discretionary commission…………………………………………………	10.7
Legal expenses and others (notary public, registration with the Commercial Registry, legal publishing, legal and financial advice, audit and others) (2)……....	7.0
Iberclear fee, Spanish Stock Exchange fee, CNMV fee(2)……………………….	0.28
Total…………………………………………………………………………..	33.1

Notes:

(1) *Assuming that (i) the Offer Price is the mid-point of the Offer Price Range, €1.25 per New Share, (ii) all the New Shares have been underwritten by each of the Managers and the Over-Allotment Option has been exercised in full; and (iii) the discretionary commission is paid in full.*

(2) *Assuming that the Offer Price is in the mid-point of the Offer Price Range.*

The expenses (including commissions) payable by the Company would total approximately €33.1 million, which accounts for approximately 3.85% (assuming that the Offer Price is the mid-point price of the Offer Price Range and that the Over-allotment Option is exercised in full) and approximately 3.93% (assuming that the Offer Price is the mid-point price of the Offer Price Range and that no Over-allotment Option is exercised) of the total amount of the Offering.

Expected Timetable for the Offering

The following is the expected timetable for the Offering, which may be extended or shortened:

Event	Estimated Date
Registration of the Prospectus with the CNMV…………………………………………………..	June 15, 2017
Commencement of the book-building period………………………………………………………………………………………..	June 15, 2017
Finalization of the book-building period……………………………………………………….	June 28, 2017
Setting of the Offer Price……………………………………………………………………….	June 28, 2017
Execution of the Underwriting Agreement…………………………………………………….	June 28, 2017
Publication of a relevant fact disclosure (*hecho relevante*) disclosing the Offer Price …………	June 28, 2017
Selection of purchase proposals and allocation of the New Shares………………..	June 28, 2017
Confirmation by investors of allocation of the New Shares…………………	June 29, 2017
Subscription and pre-funding by the Joint Global Coordinators of the New Shares...................	June 29, 2017
Execution of the public deed relating to the capital increase before a Notary Public…………….	June 29, 2017
Registration with the Commercial Registry of the public deed relating to the capital increase….	June 29, 2017
Closing Date of the Offering……………………………………….................................	June 29, 2017
Execution of the special stock exchange transaction (*operación bursátil especial*)…...…………	June 29, 2017
Admission to listing of the Shares on the Spanish Stock Exchanges and commencement of the Stabilization Period……………………………………………….……………………….	June 30, 2017
Settlement of the special stock exchange transaction (*operación bursátil especial*)……………..	July 3, 2017
End of the Stabilization Period…………………………………………………………………	July 29, 2017

Each of the times and dates is subject to change by decision of the Company after consultation with the Joint Global Coordinators without proper notice. Any change, including in particular any shortening of the book-building period, will be published, including by filing of a relevant fact disclosure (*hecho relevante*) with the CNMV.

Withdrawal and revocation of the Offering

Withdrawal of the Offering

The Company expressly reserves the right to withdraw the Offering, postpone it, defer it or suspend it temporarily or indefinitely for any reason and at any time, before the setting of the Offer Price.

In case of withdrawal, the Company will notify such circumstance to the CNMV, the Agent Bank and the Joint Global Coordinators on behalf of the Managers, on the date the withdrawal takes place or as soon as practicable thereafter.

Revocation of the Offering

The Offering will be revoked:

(A) if the Underwriting Agreement is not executed on or before 3:00 a.m. (CET) on the following day on which the Offer Price is set (expected to be set on or about June 28, 2017) or any postponement thereof duly notified to the CNMV;

(B) in case the Offering is suspended or withdrawn by any judicial or administrative authority;

(C) if the Shares are not admitted to listing on the Spanish Stock Exchanges before 11:59 p.m. (CET) on July 15, 2017; or

(D) if the Underwriting Agreement is terminated at the discretion of the Joint Global Coordinators until the time of registration of the notarial deed of the capital increase relating to the issue of the New Shares with the Málaga Commercial Registry or, only with regard to the Over-allotment Shares, prior to the time of registration of the notarial deed of the capital increase for the Over-allotment Shares, upon the occurrence of any of the following events:

(i) if there has been any Material Adverse Effect or any development reasonably likely to result in a Material Adverse Effect (defined as a material adverse change, or any development reasonably likely to involve a material adverse change, in or affecting the condition (financial, operational, legal, regulatory or otherwise) or in the shareholders' equity, results of operations, assets, earnings, business affairs or prospects of the Company or its subsidiaries, whether or not arising in the ordinary course of business); or

(ii) if there has occurred any material adverse change in the financial markets in Spain, the United States, the United Kingdom, in any other member state of the EEA or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, or currency exchange rates; or

(iii) if admission to listing of the Company's ordinary shares on the Spanish Stock Exchanges has been withdrawn, suspended or limited, or if trading generally on the Spanish Stock Exchanges, the London Stock Exchange, the New York Stock Exchange or in the NASDAQ System has been suspended or limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by such system or by order of the regulatory authorities of Spain, the United States, the United Kingdom or any other governmental or self-regulatory authority, or a material disruption has occurred in commercial banking or shares settlement or clearance services in Spain, the United Kingdom, the United States or any other member state of the EEA; or

(iv) if a banking moratorium has been declared by the authorities of any of the United Kingdom, the United States, Spain, the State of New York or any other member state of the EEA; or

(v) if there has been any new law or regulation approved, or any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting Spain and/or the United States; if the effect or potential effect of any such event referred to in (ii), (iii) and (v) above is, in the judgment of the Joint Global Coordinators, makes or would make it impracticable or inadvisable to proceed with the Offering or the delivery of the Shares.

(E) if the Underwriting Agreement is automatically terminated as a result of the conditions precedent under it not being fulfilled or waived, or if the number of Defaulted Shares (as defined below) exceeds 15 per cent of the number of Shares to be subscribed or purchased (see "—*Defaulted Shares*").

Consequences of withdrawal or revocation

In case of withdrawal or revocation of the Offering, all indications of interest to purchase New Shares shall be deemed cancelled and all purchase orders related to the Offering shall be terminated. Additionally, the Company shall have no obligation to issue or deliver the New Shares and the investors (including for the purposes of this section, the Joint Global Coordinators in the name and on behalf of the Managers, and each Manager on behalf of the final investors) shall have no obligation to subscribe for, procure acquirers for or purchase, as the case may be, the New Shares.

In addition, in the event that the Offering is revoked after subscription for the New Shares (expected on June 29, 2017) and:

(i) before registration of the deed relating to the capital increase corresponding to the New Shares, the Company shall revoke all corporate resolutions of the Company relating to the capital increase and not effect the capital increase, in which case the Agent Bank will release the aggregate amount of the Offer Price relating to the New Shares, together with interest calculated at the statutory rate ("*interés legal"*, 3.00% as at the date of this Prospectus), to the order of the Joint Global Coordinators, as soon as reasonably practicable and in no event later than the Madrid business day immediately following such termination; or

(ii) following registration of the deed relating to the capital increase corresponding to the New Shares, the Company shall, as soon as reasonably practicable following termination of the Underwriting Agreement (a) carry out a share capital reduction; and (b) pay to each holder of the New Shares an amount equal to the aggregate Offer Price paid by such holder in respect of such New Shares, together with interest calculated at the statutory rate ("*interés legal"*, 3.00% as at the date of this Prospectus).

Simultaneously upon the issuance of the subscription or purchase proposals, the investors subscribing or purchasing the Shares shall be deemed to have consented to the aforementioned repurchase of the Shares. The Managers will expressly consent to such repurchase under the Underwriting Agreement.

In case of revocation of the Offering and/or termination of the Underwriting Agreement, the Company will notify such circumstance to the CNMV, the Agent Bank (as defined below) and the Joint Global Coordinators on behalf of the Managers, on the date the revocation takes place or as soon as practicable.

The Managers and the Underwriting Agreement

Morgan Stanley & Co. International plc and UBS Limited are acting as Joint Global Coordinators and Joint Bookrunners in the Offering. Citigroup Global Markets Limited and Credit Suisse Securities (Europe) Limited are acting as additional Joint Bookrunners. Alantra Capital Markets, S.V. S.A.U., Fidentiis Equities, S.V., S.A. and Stifel Nicolaus Europe Limited (trading as Keefe, Bruyette & Woods) are acting as Co-Lead Managers (all of them, jointly referred to as the "**Managers**").

Upon finalization of the book-building period (which is expected to occur on or about June 28, 2017) the Company and the Managers expect to enter into the Underwriting Agreement, pursuant to which the Managers will agree, severally but not jointly, to subscribe for or procure investors for or, failing which, to acquire, the Shares, and, if applicable, the Over-allotment Shares, on the basis set out below, subject to the satisfaction of certain conditions set out in the Underwriting Agreement and the Underwriting Agreement not being terminated in accordance with its terms. The percentage of Shares which is expected to be underwritten by each Manager is set forth opposite its name in the following table:

Name	Percentage of Shares
Morgan Stanley & Co. International plc	34%
UBS Limited	34%
Citigroup Global Markets Limited	10%
Credit Suisse Securities (Europe) Limited	10%
Alantra Capital Markets, S.V. S.A.U.	4%

Fidentiis Equities, S.V., S.A.	4%
Stifel Nicolaus Europe Limited (trading as Keefe, Bruyette & Woods)	4%
Total..	**100%**

In any event, the identity and number of Managers and the exact number of Shares underwritten by each of them shall be fixed if and when the Underwriting Agreement is entered into. We will inform the market through the same means used to distribute this Prospectus of any amendment of the number or identity of Managers, or of the percentage of Shares underwritten by any of them which may occur.

Pursuant to the Underwriting Agreement, the Company is expected to grant to the Stabilizing Manager (acting on behalf of the Managers) the Over-allotment Option over up to 62,500,000 Over-allotment Shares, representing up to 10% of the Shares. See "*Over-allotment Option*" described below.

The Managers' obligations under the Underwriting Agreement are subject to the fulfilment of certain conditions precedent, including the delivery of customary legal opinions.

The Company will give the Managers customary representations and warranties in the Underwriting Agreement, including in relation to the Company's business, the Shares and the content of this Prospectus.

The Underwriting Agreement will also provide that the Company will, subject to certain exceptions, indemnify the Managers against certain liabilities, including liabilities under applicable securities laws that may arise in connection with the Offering.

The Agent Bank

Banco Santander, S.A., with registered address in Paseo de Pereda, 9-12, Santander, will act as agent bank in the Offering (the "**Agent Bank**").

The Agent Bank will be responsible for, among other things: issuing a certificate confirming payment for the New Shares for the purposes of notarizing and registering the corresponding capital increase, maintaining the Shares deposited in the securities accounts held with it by the Joint Global Coordinators, as the case may be, until settlement of the Offering; instructing the entities participating in the Offering on the procedures applicable to its execution; receiving and processing information on the selection and confirmation of subscription and/or purchase proposals and collaborating in the allocation of the Shares to the final investors; and arranging the allocation of the corresponding registration of the Shares by Iberclear, through the Spanish Stock Exchanges, and cooperating with the Company in the Admission process.

Lock-ups

Company Lock-up

The Company will agree that, without the prior written consent of the Joint Global Coordinators and during the period from the date of the Underwriting Agreement to and including 180 days from the Settlement Date, neither the Company nor any of its Affiliates (as this term is defined in Rule 501(b) of the Securities Act) nor any person acting on its or their behalf will:

(i) directly or indirectly, issue, offer, pledge, sell, transfer, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, grant any option, right or warrant to purchase, or lend or otherwise transfer or dispose of any of the Company's ordinary shares or other shares of the Company or its subsidiaries, or any securities convertible into or exercisable or exchangeable for ordinary shares of the Company or other shares of the Company or its subsidiaries, or publicly file any prospectus under the Prospectus Directive and the prospectus rules thereunder or any similar document with any other securities regulator, stock exchange, or listing authority with respect to any of the foregoing; or

(ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any of the Company's ordinary shares or other shares of the Company or its subsidiaries; whether any such transaction described in points (i) or (ii) above is to be settled by delivery of the Company's ordinary shares or other securities, in cash or otherwise; or

(iii) publicly announce such an intention to effect any such transaction. The foregoing sentence will not apply to (i) the issuance and sale of the Shares or (ii) issuances or transfers of ordinary shares of the Company in connection with the implementation by the Company of any employee benefit or incentive plan or (iii) for the purpose of executing any strategic acquisitions or transactions or (iv) such transfers of Shares among affiliated companies (within the meaning of Article 5 of the Spanish Securities Markets Law, provided that in the case of (iii) and (iv) any transferee of such Shares assumes the above lock-up obligations for the remainder of such 180-day period.

Foundation Lock-up

The Foundation will agree that, except in each case with the prior written consent of each Joint Global Coordinators and during the period commencing on the signing of the Underwriting Agreement and ending 180 days after the Settlement Date, it shall not directly or indirectly:

(a) offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer to any third party any Shares or demand that the Company publicly file any prospectus under the Prospectus Directive and the Prospectus Rules or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing;

(b) enter into any swap or any other agreement or any transaction that transfers to any third party, in whole or in part, directly or indirectly, the economic consequence of ownership of any Shares; or

(c) take any steps for the Company to issue Shares or other securities that are convertible or exchangeable into Shares of the Company.

All of the foregoing shall not apply to (i) any lending of Company's Shares by the Foundation to any of the Joint Global Coordinators or any other Stabilization Manager in the context of the Offering; or (ii) accepting a general offer or proposal made to all the holders of Company's Shares or executing and delivering an irrevocable commitment or undertaking to accept a general offer or proposal; or (iii) selling Company's Shares pursuant to any offer by the Company to purchase its own ordinary shares which is made on identical terms to all holders of ordinary shares in the Company; or (iv) executing any strategic acquisition or transaction, provided that in this case any transferee of Company's ordinary shares shall assume the above lock-up obligations for the remainder of such 180-day period; or (v) any transfer of Company's ordinary shares or other transaction mentioned in paragraphs (a), (b) or (c) above, the Foundation may have to make during the lock-up period in compliance with any obligation deriving from a legal provision or that might be imposed on the Foundation.

Subscription and payment

The closing date of the Offering or "*fecha de operación bursátil especial*" (the "**Closing Date**") is expected to be on or about June 29, 2017. The Company will make public the result of the Offering through a relevant fact disclosure (*hecho relevante*) reported to the CNMV on the Closing Date or the following business day. Under Spanish law, on the Closing Date, investors become unconditionally bound to pay for, and entitled to receive, the Shares allocated to them in the Offering.

In order to expedite the registration and listing of the Shares, it is expected that the Joint Global Coordinators, in their capacity as prefunding banks, shall each pay for 50% of the New Shares at the Offer Price, without deduction of any commissions and expenses, on June 29, 2017 (the "**Subscription Date**"), acting in the name and on behalf of the Managers, and each Manager acting on behalf of the final investors. Payment for the New Shares by the prefunding banks is expected to be made to the Company by 9:00 a.m. CET on the Subscription Date in its account opened with the Agent Bank.

Following receipt of the subscription funds due, the Company shall declare the share capital increase corresponding to the New Shares complete and proceed to the granting of the corresponding capital increase deed before a Spanish Notary Public, for its subsequent registration with the Commercial Registry of Málaga. Granting of the capital increase is, in accordance with the envisaged timetable, expected to take place on June 29, 2017, and its registration with the Commercial Registry on June 29, 2017. Following registration, a notarial testimony of the capital increase deed, duly registered, will be delivered to the CNMV, Iberclear and the Madrid Stock Exchange, as the lead stock exchange for the listing of the Shares.

Following delivery of the registered capital increase notarial testimony to Iberclear, Iberclear will inform the Joint Global Coordinators through the relevant Iberclear members of the relevant registration details relating to the New Shares temporarily allocated to them in accordance with its pre-funding obligations.

The Company will request admission to listing and trading of the Shares on the Spanish Stock Exchanges and on the AQS as soon as possible. Admission to listing and trading is expected to take place, in accordance with the envisaged timetable, on June 30, 2017. If there is any delay in the admission to listing and trading of the Shares on the Spanish Stock Exchanges, the Company will publicly announce, via a relevant fact disclosure (*hecho relevante*), such delay and a revised expected date of Admission.

Payment by the final investors for the Shares, including for the New Shares subscribed and paid for on the Closing Date by the prefunding banks, will be made no later than 9:30 a.m. CET on the second Madrid business day after the Closing Date against delivery of the relevant Shares to final investors, which is expected to take place on or about July 3, 2017 (the "**Settlement Date**").

Defaulted Shares

In the event that one or more of the Managers fail to procure purchasers for or to subscribe or purchase the Shares (the "**Defaulted Shares**") which it or they are obliged to by (i) 9:00 a.m. on the Subscription Date; or (ii) at the time of the special stock exchange transaction (*operación bursátil especial*); the non-defaulting Joint Global Coordinators will have the right, within 24 hours thereafter (or as otherwise may be agreed among the Joint Global Coordinators and the Company), to make arrangements for one or more of the non-defaulting Managers, or any other Managers, to procure purchasers for, or to itself subscribe or purchase all, but not less than all, of the Defaulted Shares. Should the Joint Global Coordinators not complete such arrangements within such period,

(i) if the number of Defaulted Shares does not exceed 15 per cent of the number of Shares to be subscribed or purchased on such date, each of the non-defaulting Managers shall be obliged, severally and not jointly, to procure purchasers for, or to itself subscribe or purchase the full amount thereof in the proportions that their respective underwriting obligations bear to the underwriting obligations of all non-defaulting Managers; or

(ii) if the number of Defaulted Shares exceeds 15 per cent of the number of Shares to be subscribed or purchased on such date, the Underwriting Agreement will terminate without liability on the part of any non-defaulting Manager and the Offering will be revoked (see "—*Revocation of the Offering*").

Stabilization

In connection with the Offering, Morgan Stanley & Co. International plc, or any of its agents, as Stabilizing Manager, acting also on behalf of the Managers, may (but will be under no obligation to), to the extent permitted by applicable law, engage in transactions that stabilize, support, maintain or otherwise affect the price of the Company's ordinary shares (including the Shares), as well as over-allot Shares or effect other transactions, all with a view to supporting the market price of the Company's ordinary shares at a level higher than that which might otherwise prevail in an open market. Any stabilization transactions shall be undertaken in accordance with applicable laws and regulations, in particular, with Commission Regulation (EU) No. 596/2014 of April 16, 2014 of the European Parliament and of the Council of April 16, 2014 on market abuse (hereinafter, in this section "**Regulation (EU) 596/2014**"), as regards exemptions for buy-back programmes and stabilization of financial instruments set forth under the Commission Delegated Regulation (EU) 2016/1052 of March 8, 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilization measures (hereinafter, in this section "**Delegated Regulation (EU) 2016/1052**").

The stabilization transactions shall be carried out for a maximum period of 30 calendar days from the date of the commencement of trading of the Company's ordinary shares on the Spanish Stock Exchanges, provided that such trading is carried out in compliance with the applicable rules, including any rules concerning public disclosure and trade reporting. The stabilization period is expected to commence on June 30, 2017 and end on July 29, 2017 (the "**Stabilization Period**").

For this purpose, the Stabilizing Manager may carry out an over-allotment of Shares in the Offering, which may be covered by the Stabilizing Manager pursuant to a security loan granted by the Foundation (and in relation to which Unicaja Banco expects to pay the Foundation certain fees and expenses). The Stabilizing Manager (i) is not required to enter into such transactions and (ii) such transactions may be effected on any securities market, or otherwise and may be taken at any time during the Stabilization Period. However, there is no obligation that the Stabilizing Manager or any of its agents effect stabilizing transactions and there is no assurance that the stabilization transactions will be undertaken. Such stabilization, if commenced, may be discontinued at any time without prior notice, without prejudice to the duty to give notice to the CNMV of the details of the transactions carried out under Regulation (EU) 596/2014 and Delegated Regulation (EU) 2016/1052. In no event will measures be taken to stabilize the market price of the Company's ordinary shares above the Offer Price. In accordance with Article 5.5 of Regulation (EU) 596/2014 and Article 6.2 of Delegated Regulation (EU) 2016/1052, the details of all stabilization transactions will be notified by the Stabilizing Manager to the CNMV no later than closing of the seventh daily market session following the date of execution of such stabilization transactions.

Additionally, in accordance with articles 5.4 and 5.5 of Regulation (EU) No. 596/2014 and Article 6.3 of Delegated Regulation (EU) 2016/1052, the following information will be disclosed to the CNMV by the Stabilizing Manager within one week of the end of the Stabilization Period: (i) whether or not stabilization transactions were undertaken; (ii) the date at which stabilization transactions were initiated; (iii) the date on which stabilization transactions last occurred; and (iv) the price range within which the stabilization transactions were carried out, for each of the dates during which stabilization transactions were carried out.

Over-allotment Option

In connection with the Offering, the Company will grant an option to the Stabilizing Manager, on behalf of the Managers, to purchase the Over-allotment Shares, that is, up to 62,500,000 Shares, representing 10% of the New Shares, at the Offer Price. The Over-allotment Option is exercisable by the Stabilizing Manager, on behalf of the Managers, on one occasion in whole or in part, only for the purpose of covering over-allotments (if any), at any time on or before the 30th calendar day following the date of Admission. This period is expected to commence on June 30, 2017 and end on July 29, 2017. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the Shares, including for all dividends and other distributions declared, made or paid on the Shares, will be purchased on the same terms and conditions as the Shares being sold in the Offering and will form a single class for all purposes with the Shares.

Admission and dealings

We will apply to list the Company's ordinary shares on the Spanish Stock Exchanges and to have them quoted in the four Spanish Stock Exchanges (i.e. Madrid, Barcelona, Bilbao and Valencia Stock Exchanges) through the AQS or *Mercado Continuo* of the Spanish Stock Exchanges. We expect the Company's ordinary shares to be listed and quoted on the Spanish Stock Exchanges on or about June 30, 2017.

Interests of persons participating in the Offering

In connection with the Offering and the Admission, the Managers are expected to enter into the Underwriting Agreement with the Company upon termination of the book-building period, on or about June 28, 2017. Morgan Stanley and UBS have been mandated by the Company to act as Joint Global Coordinators and Joint Bookrunners, and Citigroup Global Markets Limited and Credit Suisse Securities (Europe) Limited have been mandated to act as additional Joint Bookrunners. In addition, Alantra Capital Markets, S.V. S.A.U., Fidentiis Equities, S.V., S.A. and Stifel Nicolaus Europe Limited (trading as Keefe, Bruyette & Woods) were appointed by the Company to act as Co-Lead Managers, and Banco Santander, S.A. has been appointed to act as the Agent Bank. Upon successful implementation of the Offering, the Managers will receive the commission set forth in the Underwriting Agreement. For more information relating to the contractual relationship between the Managers and the Company, see "*—Offering Overview*".

Certain of the Managers or their affiliates from time to time have provided in the past, and may provide in the future, investment banking, financial advisory, broker dealer and commercial banking services to us and our affiliates in the ordinary course of business for which they have received, or may receive, customary fees and commissions. Moreover, in the ordinary course of their various business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our and/or our affiliates' securities and instruments. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. In connection with the Offering, the Managers are not acting for anyone other than us and will not be responsible to anyone other than us for providing the protections afforded to their clients, nor for providing advice in relation to the Offering.

SELLING AND TRANSFER RESTRICTIONS

No action has been or will be taken in any jurisdiction that would permit a public offering of the Shares, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Prospectus, nor any other offering material or advertisement in connection with the Shares, may be distributed or published, in or from any country or jurisdiction except in circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus and the Offering. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute an offer of, or the solicitation of an offer to buy or subscribe for, any of the Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction. There will be no public offering in the United States.

No Shares have been marketed to, or are available for purchase in whole or in part by, the public in Spain or elsewhere in conjunction with the Offering. This Prospectus does not constitute a public offer or the solicitation of a public offer in Spain or elsewhere to subscribe for or to buy any securities in the Company or any other entity.

Because of the following restrictions, purchasers of Shares are advised to consult legal counsel prior to making any offer for, resale, pledge or other transfer of, Shares.

Restrictions under the Securities Act

The Shares are being offered in accordance with Rule 144A and Regulation S under the Securities Act. Terms used in this Section that are defined in Rule 144A or in Regulation S under the Securities Act shall have the meaning given to them under the Securities Act. The Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction within the United States and, accordingly, may not be offered, sold or delivered within the United States except to QIBs in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or pursuant to another available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and may only be offered, sold or delivered outside the United States in accordance with Regulation S.

In addition, until 40 days after the Transaction Date, any offer or sale of the Shares originally distributed outside the United States in accordance with Regulation S that is made within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

Transfer restrictions on US purchasers

Each purchaser of the Shares that is located in the United States, in reliance on Rule 144A, will be deemed to have represented and agreed as follows:

- it is: (i) a QIB; (ii) aware, and each beneficial owner of the Shares has been advised, that the sale of Shares to it is being made in reliance on Rule 144A; and (iii) acquiring Shares for its own account or for the account of a QIB;

- it understands that the Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be reoffered, resold, pledged or otherwise transferred except: (i) (A) to a person whom the purchaser and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A; (B) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S; or (C) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available); and (ii) in accordance with all applicable securities laws of the states of the United States;

- the Company, the Managers and their respective directors, officers, agents, employees, advisors and others will rely upon the truth and accuracy of the foregoing representations and agreements; and
- if any of the representations or agreements made by it are no longer accurate or have not been complied with, it will immediately notify the Company and the Joint Global Coordinators, and if it is acquiring any Shares as a fiduciary or agent for one or more accounts, it has sole investment discretion with respect to each such account and it has full power to make such foregoing representations and agreements on behalf of each such account.

Such purchaser acknowledges that the Shares offered and sold in accordance with Rule 144A are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resale of the Shares.

European Economic Area

In relation to each Relevant Member State, an offer to the public of any Shares may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State so that an offer does not qualify as a "public offer" for Prospectus Rules purposes:

(a) to any legal entity which is a qualified investor as defined under the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) per Relevant Member State, subject to obtaining the Joint Global Coordinators prior consent for such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the Company or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplemental prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires any Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with each of the Managers and the Company, that it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

In the case of Spain, the Offering will only be addressed to professional investors within the meaning of Article 205.2 of the LMV.

For the purposes of this provision, the expression an "offer to the public" in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and any Shares to be offered so as to enable an investor to decide to purchase any Shares, as the same may be varied for that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

United Kingdom

In the United Kingdom, this Prospectus is only addressed to and directed to qualified investors, as that term is defined in the Prospectus Directive: (i) who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA Order; and/or (ii) who are high net worth entities falling within Article 49(2)(a) to (d) of the FSMA Order, and other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as **"Relevant Persons"**). The securities described herein are only available in the United Kingdom, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities in the United Kingdom will be engaged in only with Relevant Persons. Any person in the United Kingdom who is not a Relevant Person should not act or rely on this Prospectus or any of its contents.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the UK Financial Services and Markets Act 2000, as amended (the **"FSMA"**) in connection with the issue or sale of any Shares will be communicated or caused to be communicated and will only be communicated or caused to be communicated to persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA Order or in circumstances in which section 21(1) of the FSMA does not apply to the Company.

Australia

This Prospectus: (a) does not constitute a prospectus or a product disclosure statement under the Corporations Act 2001 of the Commonwealth of Australia (**"Australian Corporations Act"**); (b) does not purport to include the information required of a prospectus under Part 6D.2 of the Australian Corporations Act or a product disclosure statement under Part 7.9 of the Australian Corporations Act; (c) has not been, nor will it be, lodged as a disclosure document with the Australian Securities and Investments Commission (**"ASIC"**), the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and (d) may not be provided in Australia other than to select investors (**"Exempt Investors"**) who are able to demonstrate that they: (i) fall within one or more of the categories of investors under section 708 of the Australian Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Australian Corporations Act; and (ii) are "wholesale customers" for the purpose of section 761G of the Australian Corporations Act.

The Shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for, or buy, the Shares may be issued, and no draft or definitive prospectus, advertisement or other offering material relating to any Shares may be distributed, received or published in Australia, except where disclosure to investors is not required under Chapters 6D and 7 of the Australian Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Shares, each purchaser or subscriber of Shares represents and warrants to the Company, the Joint Global Coordinators and their affiliates that such purchaser or subscriber is an Exempt Investor.

As any offer of Shares under this Prospectus, any supplement or other document will be made without disclosure in Australia under Parts 6D.2 and 7.9 of the Australian Corporations Act, the offer of those Shares for resale in Australia within twelve months may, under the Australian Corporations Act, requires disclosure to investors if none of the exemptions in the Australian Corporations Act applies to that resale. By applying for the Shares each purchaser of Shares undertakes to the Company and the Managers that such purchaser will not, for a period of twelve months from the date of purchase of the Shares, offer, transfer, assign or otherwise alienate those Shares to investors in Australia except in circumstances where disclosure to investors is not required under the Australian Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

Japan

The Shares have not been, and will not be, registered under the Financial Instruments and Exchange Law of Japan (Act No. 25 of 1948, as amended, the "**FIEL**") and disclosure under the FIEL has not been, and will not be, made with respect to the Shares. Neither the Shares nor any interest therein may be offered, sold, resold, or otherwise transferred, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and all other applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities. As used in this paragraph, a resident of Japan is any person that is resident in Japan, including any corporation or other entity organized under the laws of Japan.

Switzerland

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (**"SIX"**) or on any other stock exchange or regulated trading facility in Switzerland. This Prospectus has been prepared without regard to the disclosure standards for issuance of prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the Offering, the Company or the Shares has been or will be filed with or approved by any Swiss regulatory authority. In particular, this Prospectus will not be filed with, and the offer of Shares will not be supervised by, the

Swiss Financial Market Supervisory Authority, and the offer of Shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Shares.

Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Shares may not be circulated or distributed, nor may Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than: (i) to an institutional investor as defined under Section 275(2) and under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (**"SFA"**); (ii) to a relevant person as defined under Section 275(2) and under Section 275(1), or any person under Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise under, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Shares purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited Investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor; and

(c) shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Shares under an offer made under Section 275 of the SFA except:

    (i) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person under an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than US$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

    (ii) where no consideration is or will be given for the transfer; or

    (iii) where the transfer is by operation of law.

Hong Kong

The Shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than: (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and no advertisement, invitation or document relating to the Shares, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance has been or will be issued, whether in Hong Kong or elsewhere.

Kuwait

The Shares have not been registered, authorized or approved for offering, marketing or sale in the State of Kuwait pursuant to Securities and Investment Funds Act of Kuwait No. 31/1990, as amended, and its executive bylaw, and as such the Shares shall not be offered or sold in the State of Kuwait. Interested investors from the State of Kuwait who approach the Company, or any of the Managers acknowledge this restriction and that this Offering and any related materials shall be subject to all applicable foreign laws and rules; therefore, such investors must not disclose or distribute such materials to any other person.

Qatar

This Prospectus has not been filed with, reviewed or approved by the Qatar Central Bank, any other relevant Qatar governmental body or securities exchange. This Prospectus is being issued to a limited number of sophisticated investors and should not be provided to any person other than the original recipient. It is not for general circulation in the State of Qatar and should not be reproduced or used for any other purpose.

UAE (excluding the Dubai International Financial Centre)

The Offering has not been approved or licensed by the UAE Central Bank or any other relevant licensing authority in the United Arab Emirates, and does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Act, Federal Law No. 8 of 1984 of the United Arab Emirates (as amended) or otherwise. Accordingly, the Shares may not be offered to the public in the United Arab Emirates.

The Shares may be offered, and this Prospectus may be issued, only to a limited number of investors in the United Arab Emirates who qualify as sophisticated investors under the relevant laws of the United Arab Emirates.

Nothing contained in this Prospectus is intended to constitute investment, legal, tax, accounting or other professional advice. This Prospectus is for your information only and nothing in this Prospectus is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice rendered on the basis of your situation.

Dubai International Financial Centre

This Prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This Prospectus is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this Prospectus nor taken steps to verify the information set out in it, and has no responsibility for it.

The Shares to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Shares offered should conduct their own due diligence on the Shares. If you do not understand the contents of this Prospectus you should consult an authorized financial advisor. The Shares have not been and will not be offered, sold or publicly promoted or advertised in the Dubai International Financial Centre other than in compliance with laws applicable in the Dubai International Financial Centre, governing the issue, offering or the sale of securities.

Canada

The Shares may be sold in Canada only to purchasers resident or located in the Provinces of Ontario, Québec, Alberta and British Columbia, purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the Joint Global Coordinators are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Purchaser's Representation

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any Shares pursuant to the Offering will be deemed to have represented, warranted and agreed to and with each Manager and the Company that:

(a) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(b) in the case of any Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive: (i) the Shares acquired by it in the Offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the law in that Relevant Member State implementing Article 2(1) of the Prospectus Directive, or in circumstances in which the prior consent of the Joint Global Coordinators has been given to the offer or resale; or (ii) where Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Shares to it is not treated under the Prospectus Directive as having been made to such persons.

VALIDITY OF THE SHARES AND LEGAL MATTERS

The validity of the Shares offered and certain matters relating to the Offering will be passed upon for the Company by Freshfields Bruckhaus Deringer LLP (with respect to United States Federal law, English law and Spanish law). Certain legal matters relating to the Offering will be passed upon for the Managers by Davis Polk & Wardwell LLP (with respect to United States Federal law and English law) and Cuatrecasas, Gonçalves Pereira, S.L.P. (with respect to Spanish law).

INDEPENDENT AUDITORS AND OTHER EXPERTS

PricewaterhouseCoopers Auditores, S.L. domiciled at Madrid, Torre PwC, Paseo de la Castellana, 259 B, holder of tax identification number (CIF) B-79031290 and registered in the R.O.A.C. (*Registro Oficial de Auditores de Cuentas*—Official Registry of Auditors) with number S0242 and in the Madrid Commercial Registry at Sheet 87250-1, *Folio* 75, Volume 9267, Book 8054, Section 3ª, has audited the Annual Accounts, included elsewhere in this Prospectus, as stated in its unqualified reports also included in this Prospectus, as well as the Stand-Alone Annual Accounts.

PricewaterhouseCoopers Auditores, S.L. has not resigned, been removed or not reappointed as auditors of the Company for years 2014, 2015 and 2016 or otherwise, prior to the date of this Prospectus.

Unicaja Banco has requested Ernst & Young, S.L. to perform an independent analysis to examine whether the provisions booked by the Company in the context of litigations related to clauses which set minimum interest rates for mortgages in Spain are sufficient to cover any reasonably expected payouts as of March 31, 2017, see "*Risk Factors— Risks relating to the Group and its business—Specific risks relating to the Group—Decisions relating to the removal of clauses which set minimum interest rates for mortgages in Spain may have a significant impact on our business*".

Unicaja Banco confirms that the results and information set out in the report issued by Ernst & Young, S.L. have been accurately reproduced and that as far as Unicaja Banco is aware and is able to ascertain from the results and information published by Ernst & Young, S.L., no facts have been omitted which would render the reproduced results and information inaccurate or misleading.

Ernst & Young, S.L is domiciled at Madrid, Torre Azca, Raimundo Fernández Villaverde 65, 28003, holder of tax identification number (CIF) B-78970506 and registered in the Madrid Commercial Registry at Sheet M-23,123, *Folio* 215 Volume 12,749. Ernst & Young, S.L does not have any material interest in Unicaja Banco different from the one described in the paragraph above.

Mr. Enrique Sánchez del Villar Boceta and Mr. Pablo González Martín, duly authorized pursuant to the resolutions approved by the general shareholders' meeting of the Company on April 26, 2017, and by the Board of Directors on June 7, 2017, sign this Prospectus in Málaga, on June 13, 2017.

UNICAJA BANCO, S.A.

Mr. Enrique Sánchez del Villar Boceta	Mr. Pablo González Martín

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UNICAJA BANCO, S.A.
AND IT'S SUBSIDIARIES
(UNICAJA BANCO GROUP)

Report on limited review of condensed interim consolidated financial statements, condensed interim consolidated financial statements as of 31 March 2017 and Consolidated Interim Director's Report for the three months period then ended

A free translation of the report on limited review of condensed interim consolidated financial statements originally issued in Spanish and prepared in accordance with standards applicable to this type of review. In the event of a discrepancy, the Spanish language version prevails.

REPORT ON LIMITED REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of Unicaja Banco, S.A., at the request of the Management:

Report on the Condensed Interim Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying condensed interim consolidated financial statements (hereinafter, the interim financial statements) of Unicaja Banco, S.A. (hereinafter, "the Parent Company") and its subsidiaries (hereinafter, "the Group"), which comprise the balance sheet as at 31 March 2017, and the income statement, the statement of recognised income, the statement of changes in equity, the cash flow statement and related notes, all condensed and consolidated, for the three months period then ended. The Parent Company's Directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial information. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with legislation governing the audit practice in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the three months period ended 31 March 2017 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements.

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 913 083 566, www.pwc.es

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Emphasis of Matter

We draw attention to Note 1.4, in which it is mentioned that these interim financial statements do not include all the information required of complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, therefore the accompanying interim financial statements should be read together with the consolidated annual accounts of the Group for the year ended 31 December 2016. This matter does not modify our conclusion.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated Directors' Report for the three months period ended 31 March 2017 contains the explanations which the Parent Company's Directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part. We have verified that the accounting information contained in this Directors' Report is in agreement with that of the interim financial statements for the three months period ended 31 March 2017. Our work is limited to checking the interim consolidated Directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Unicaja Banco, S.A. and its subsidiaries' accounting records.

Other Matter

This report has been prepared at the request of the Parent Company's Management with the purpose of include the information of the condensed interim consolidated financial statements in the context of a potential listing and initial trading of the Unicaja Banco, S.A. shares.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Amagoia Delgado Rodríguez

19 May 2017

UNICAJA BANCO, S.A.
AND ITS' SUBSIDIARIES
(UNICAJA BANCO GROUP)

Condensed Interim Consolidated Financial
Statements and Consolidated Interim Director's
Report for the period ended 31 March 2017

UNICAJA BANCO, S.A. AND ITS' SUBSIDIARIES (UNICAJA BANCO GROUP)

CONDENSED CONSOLIDATED BALANCE SHEETS
AT 31 MARCH 2017 AND 31 DECEMBER 2016
(Thousands of euros)

ASSETS	Note	31/03/17	31/12/16 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	10.1	1 703 571	861 711
FINANCIAL ASSETS HELD FOR TRADING	8.2	59 468	78 330
Memorandum item: Loaned or advanced as collateral(sale or pledge)		*16 932*	*14765*
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-
Memorandum item: Loaned or advanced as collateral(sale or pledge)		-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS	8.3	3 576 080	5 403 336
Memorandum item: Loaned or advanced as collateral(sale or pledge)		*1 339 660*	*2 266 416*
LOANS AND RECEIVABLES	8.5	33 369 383	31 642 958
Memorandum item: Loaned or advanced as collateral(sale or pledge)		*1 414 934*	*1 858 309*
HELD-TO-MATURITY INVESTMENTS	8.4	11 119 490	12 907 583
Memorandum item: Loaned or advanced as collateral(sale or pledge)		*4 203 375*	*4 312 192*
HEDGING DERIVATIVES	9	545 846	606 362
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		-	-
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	6	284 044	294 099
Jointly-controlled entities		76 985	74 950
Associates		207 059	219 149
INSURANCE OR REINSURANCE ASSETS		-	-
TANGIBLE ASSETS	10.3	1 422 379	1 437 840
Property, plant and equipment		994 454	1 010 450
For own use		994 454	1 010 450
Leased out under operating lease			-
Investment properties		427 925	427 390
o/w: leased out under operating lease		*250 219*	*283 662*
Memorandum item: Acquired under finance lease		-	-
INTANGIBLE ASSETS	10.4	759	782
Goodwill		184	184
Other intangible assets		575	598
TAX ASSETS	29.3	2 539 502	2 585 726
Current tax assets		20 768	51 089
Deferred tax assets		2 518 734	2 534 637
OTHER ASSETS	10.5	627 293	659 851
Insurance contracts linked to pensions		138 690	138 198
Inventory		449 329	480 450
Other		39 274	41 203
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	10.2	741 442	762 250
TOTAL ASSETS		**55 989 257**	**57 240 828**

(*) Presented solely and exclusively for comparative purposes. Information has been adapted to the new Financial Statements' structure from Circular 5/2015 of Bank of Spain (Note 1.9).
Notes 1 to 36 described below and Appendix I, II y III are part of the consolidated summary Balance Sheet at March 31st 2017.

LIABILITIES	Note	31/03/17	31/12/16 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	8.2	31 616	50 820
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-
o/w: Subordinated debt			
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	8.6	51 610 622	52 729 470
o/w: Subordinated debt		*613 842*	*614 165*
HEDGING DERIVATIVES	9	34 084	49 902
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	9	-	-
LIABILITIES UNDER INSURANCE CONTRACTS		3 968	3 992
PROVISIONS	11.2.1	677 571	707 015
Pensions and other post-employment commitments		174 607	174 254
Other long-term staff retributions		144 480	152 103
Provisions for taxes and other legal contingencies		-	-
Contingent liabilities and commitments		109 148	115 975
Other provisions		249 336	264 683
TAX LIABILITIES	29.3	226 917	239 107
Current tax liabilities		11 018	13 578
Deferred tax liabilities		215 899	225 529
CAPITAL REPAYABLE ON DEMAND		-	-
OTHER LIABILITIES	10.6	255 020	277 399
o/w: social work fund (only savings Banks and credit unions)		-	-
NON-CURRENT LIBILITIES AND DISPOSAL GROUPS HELD FOR SALE		-	-
TOTAL LIABILITIES		**52 839 798**	**54 057 705**

(*) Presented solely and exclusively for comparative purposes. Information has been adapted to the new Financial Statements' structure from Circular 5/2015 of Bank of Spain (Note 1.9).
Notes 1 to 36 described below and Appendix I, II y III are part of the consolidated summary Balance Sheet at March 31st 2017.

EQUITY	Note	31/03/17	31/12/16 (*)
SHAREHOLDERS' EQUITY		**2 921 974**	**2 918 429**
CAPITAL	12	922 802	922 802
Registered capital		922 802	922 802
Non-registered demanded capital		-	-
Memorandum item: Non-demanded capital		-	-
SHARE PREMIUM	12	1 140 673	1 140 673
EQUITY INSTRUMENTS ISSUED OTHER THAN CAPITAL	12	49 259	49 263
Equity component of compound financial instruments		49 259	49 263
Other			
OTHER EQUITY ELEMENTS		-	-
RETAINED EARNINGS	14	714 323	535 674
REVALUATION RESERVES		-	-
OTHER RESERVES	14	59 958	127 900
(–) TREASURY SHARES	12	-	-
PROFIT OR LOSS ATTRIBUTABLE TO PARENT		51 959	142 117
(–) INTERIM DIVIDEND		(17 000)	-
ACCUMULATED OTHER COMPREHENSIVE INCOME		**24 312**	**34 648**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT		(1 183)	(1 150)
Actuarial gains (losses) on pension plans		(1 183)	(1 150)
Non-current assets and disposal groups classified as held-for-sale		-	-
Part in profit or losses from investments in subsidiaries, joint-ventures and associates		-	-
Other valuation adjustments		-	-
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT		25 495	35 798
Hedges of net investments in operations abroad		-	-
Exchange differences		26	35
Hedging derivatives. Cash flow hedges (effective portion)		(8 939)	(9 359)
Available-for-sale financial assets		21 995	32 689
Debt instruments		(32 661)	(833)
Equity instruments		54 656	33 522
Non-current assets and disposal groups classified as held-for-sale		-	-
Part in profit or losses from investments in subsidiaries, joint-ventures and associates		12 413	12 433
MINORITY INTEREST (NON-CONTROLLING INTEREST)	13	**203 173**	**230 046**
OTHER ACCUMULATED COMPREHENSIVE RESULT		(723)	5 409
OTHER		203 896	224 637
TOTAL EQUITY		**3 149 459**	**3 183 123**
TOTAL EQUITY AND TOTAL LIABILITIES		**55 989 257**	**57 240 828**
MEMORANDUM ITEMS: OUT OF BALANCE EXPOSURES			
FINANCIAL GUARANTEES GIVEN	11.2.2	1 043 090	1 065 777
CONTINGENTS COMMITMENTS		3 592 823	2 901 768

(*) Presented solely and exclusively for comparative purposes. Information has been adapted to the new Financial Statements' structure from Circular 5/2015 of Bank of Spain (Note 1.9).
Notes 1 to 36 described below and Appendix I, II y III are part of the consolidated summary Balance Sheet at March 31st 2017.

UNICAJA BANCO, S.A.
AND ITS' SUBSIDIARIES (UNICAJA BANCO GROUP)

CONDENSED CONSOLIDATED INCOME STATEMENTS
CORRESPONDING AT 31 MARCH 2017 AND 2016
(Thousands of euros)

	Note	(Debit) Credit 31/03/17	(Debit) Credit 31/03/16 (*)
INTEREST INCOME	16	220 500	253 248
INTEREST EXPENSE	17	(75 492)	(118 432)
EXPENSE ON CAPITAL REPAYABLE ON DEMAND		-	-
NET INTEREST INCOME		**145 008**	**134 816**
DIVIDEND INCOME	18	2 841	736
SHARE OF PROFIT OR LOSS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	19	3 587	4 605
FEE AND COMMISSION INCOME	20	58 052	60 981
FEE AND COMMISSION EXPENSES	21	(5 488)	(7 887)
GAINS OR (-) LOSSES ON DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS. NET	22	45 997	38 439
GAINS OR (-) LOSSES ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING. NET	22	(1 029)	1 571
GAINS OR (-) LOSSES ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS. NET	22	-	-
GAINS OF (-) LOSSES FROM HEDGE ACCOUNTING, NET	22	66	64
EXCHANGE DIFFERENCES (LOSSES). NET		316	(603)
OTHER OPERATING INCOME	23	45 877	121 978
OTHER OPERATING EXPENSES	24	(14 682)	(10 042)
INCOME ON INSURANCE AND REINSURANCE CONTRACTS		-	6 824
EXPENSES ON INSURANCE AND REINSURANCE CONTRACTS		-	(4 892)
GROSS INCOME		**280 545**	**346 590**
ADMINISTRATION COSTS	25	(148 351)	(153 579)
Staff costs		(101 344)	(107 285)
Other administration costs		(47 007)	(46 294)
AMORTIZATION	10	(11 253)	(11 862)
PROVISIONS OR (-) REVERSAL OF PROVISIONS	11.2.1	5 223	9 654
IMPAIRMENT OR (-) REVERSAL OF IMPAIRMENT ON FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	8.5	(31 480)	(75 406)
Financial assets measured at cost		(5 007)	(938)
Held-for-sale financial assets		-	11
Loans and receivables		(26 473)	(74 479)
Held-to-maturity investments		-	-
NET OPERATING INCOME		**94 684**	**115 397**
IMPAIRMENT OR (-) REVERSAL OF IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	26	(460)	-
IMPAIRMENT OR (-) REVERSAL OF IMPAIRMENT ON NON-FINANCIAL ASSETS	26	(12 033)	(8 761)
Tangible assets		(7 437)	(774)
Intangible assets		-	-
Other		(4 596)	(7 987)
GAINS (LOSSES) ON DERECOGNIZED OF NON FINANCIAL ASSETS AND SUBSIDIARIES, NET	27	259	214
o/w: investments in subsidiaries, joint ventures and associates		9	9
NEGATIVE GOODWILL RECOGNIZED IN PROFIT OR LOSS		-	
PROFIT OR (-) LOSS FROM NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE NOT QUALIFYING AS DISCONTINUED OPERATIONS	28	(8 333)	(3 639)
OPERATING PROFIT BEFORE TAX		**74 117**	**103 211**
TAX EXPENSE OR (-) INCOME RELATED TO PROFIT OR LOSS FROM CONTINUING OPERATIONS	29.2	(23 351)	(29 670)
PROFIT FROM CONTINUING OPERATIONS		**50 766**	**73 541**
PROFIT FROM DISCONTINUED OPERATIONS, NET		-	-
PROFIT		**50 766**	**73 541**
Attributable to minority interest [non-controlling interests]	13	(1 193)	(4 476)
Attributable to owners of the parent		51 959	78 017
EARNINGS PER SHARE		**0,056**	**0,085**
Basic (euros) (Note 3)		0,054	0,081
Diluted (euros) (Note 3)		0,056	0,085

(*) Presented solely and exclusively for comparative purposes. Information has been adapted to the new Financial Statements' structure from Circular 5/2015 of Bank of Spain (Note 1.9).
Notes 1 to 36 described below and Appendix I, II y III are part of the consolidated summary Balance Sheet at March 31st 2017.

UNICAJA BANCO, S.A.
AND ITS' SUBSIDIARIES (UNICAJA BANCO GROUP)

CONDENSED CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSES AT 31 MARCH 2017 AND 2016
(Thousands of euros)

	Note	Period 31/03/17	Period 31/03/16 (*)
PROFIT RECOGNIZED IN INCOME STATEMENT		**50 766**	**73 541**
OTHER RECOGNIZED INCOME (EXPENSES)		**(10 336)**	**(44 391)**
Items not subject to reclassification to income statement		**(33)**	**(41)**
Actuarial gains and losses from defined benefit pension plans		(47)	(59)
Non-current assets and disposal groups available for sale		-	-
Gains or losses from investments in subsidiaries, joint-ventures and associates		-	-
Other valuation adjustments		-	-
Income tax related to items not subject to reclassification to income statement	29	14	18
Items subject to reclassification to income statement		**(10 303)**	**(44 350)**
Hedge of net investments in foreign operations [effective portion]		-	-
Valuation gains or (-) losses taken to equity		-	-
Transferred to profit or loss		-	-
Other reclassifications		-	-
Foreign currency translation		(13)	(40)
Valuation gains or (-) losses taken to equity		(13)	(40)
Transferred to profit or loss		-	-
Other reclassifications		-	-
Cash flow hedges [effective portion]	9	600	(6 814)
Valuation gains or (-) losses taken to equity		551	(7 091)
Transferred to profit or loss		49	277
Transferred to initial carrying amount of hedged items		-	-
Other reclassifications		-	-
Available-for-sale financial assets	8.3	(15 276)	(47 633)
Valuation gains or (-) losses taken to equity		23 472	(16 379)
Transferred to profit or loss		(38 748)	(31 254)
Other reclassifications		-	-
Non-current assets held for sale		-	-
Valuation gains or (-) losses taken to equity		-	-
Transferred to profit or loss		-	-
Other reclassifications		-	-
Gains or losses from investments in subsidiaries, joint-ventures and associates		(29)	(8 870)
Income tax on items to be reclassified to income statement	29	4 415	19 007
Total recognized income/expenses		**40 430**	**29 150**
Attributable to minority interest [non-controlling interests]		(1 193)	(4 476)
Attributable to owners of the parent		41 623	33 626

(*) Presented solely and exclusively for comparative purposes. Information has been adapted to the new Financial Statements' structure from Circular 5/2015 of Bank of Spain (Note 1.9).
Notes 1 to 36 described below and Appendix I, II y III are part of the consolidated summary Balance Sheet at March 31st 2017.

UNICAJA BANCO, S.A. AND ITS' SUBSIDIARIES (UNICAJA BANCO GROUP)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES
IN EQUITY AT 31 MARCH 2017 AND 2016
(Thousand euros)

	Capital and Share Premium	Equity instruments issued other tan capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	Treasury shares (-)	Profit or loss attributable to owners of the parent	Interim dividends (-)	Accumulated other comprehensive income	Non-controlling interest		Total
											Other accumulated comprehensive income	Other	
Balance at January 1, 2017(*)	**2 063 475**	**49 263**	**-**	**535 674**	**-**	**127 900**	**-**	**142 117**	**-**	**34 648**	**5 409**	**224 637**	**3 183 123**
Adjustments from error corrections	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments due to changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at January 1, 2017	**2 063 475**	**49 263**	**-**	**535 674**	**-**	**127 900**	**-**	**142 117**	**-**	**34 648**	**5 409**	**224 637**	**3 183 123**
Total income/ expense recognized	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**51 959**	**-**	**(10 336)**	**-**	**(1 193)**	**40 430**
Other variation of equities	**-**	**-**	**-**	**178 649**	**-**	**(67 942)**	**-**	**(142 117)**	**(17 000)**	**-**	**(6 132)**	**(19 548)**	**(74 094)**
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Period or maturity of other issued equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reductions	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution (Note 4)	-	-	-	(6 850)	-	-	-	-	(17 000)	-	-	-	(23 850)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity items	-	-	-	235 739	-	(67 942)	-	(142 117)	-	-	(6 132)	(19 548)	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	(4)	-	(50 240)	-	-	-	-	-	-	-	-	(50 244)
o/w: transfer to welfare funds (only savings banks and credit co-operatives)	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at March 31,2017	**2.063 475**	**49 259**	**-**	**714 323**	**-**	**59 958**	**-**	**51 959**	**(17 000)**	**24 312**	**(723)**	**203 896**	**3 149 459**

(*) Balance as of 31 December 2016 published in the consolidated annual accounts for the year 2016 (Note 1.9).
Notes 1 to 35 described in Notes and Appendix I, II y III are part of the consolidated summary Balance Sheet at 31 March 2017.

	Capital and Share Premium	Equity instruments issued other tan capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	Treasury shares (-)	Profit or loss attributable to owners of the parent	Interim dividends (-)	Accumulated other comprehensive income	Non-controlling interest		Total
											Other accumulated comprehensive income	Other	
Balance at January 1, 2016	**2 014 145**	**98 652**	**-**	**480 719**	**-**	**53 348**	**-**	**186 661**	**-**	**142 313**	**7 794**	**272 313**	**3 255 945**
Adjustments from error corrections	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments due to changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at January 1, 2016	**2 014 145**	**98 652**	**-**	**480 719**	**-**	**53 348**	**-**	**186 661**	**-**	**142 313**	**7 794**	**272 313**	**3 255 945**
Total income/ expense recognized	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**78 017**	**-**	**(44 391)**	**-**	**(4 476)**	**29 150**
Other variations of equity	**-**	**(27)**	**-**	**140 630**	**-**	**30 575**	**-**	**(186 661)**	**-**	**-**	**7 371**	**(9 446)**	**(17 558)**
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Period or maturity of other issued equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reductions	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution (Note 4)	-	-	-	(17 124)	-	-	-	-	-	-	-	-	(17 124)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity items	-	-	-	158 161	-	30 575	-	(186 661)	-	-	7 371	(9 446)	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	(27)	-	(407)	-	-	-	-	-	-	-	-	
o/w: transfer to welfare funds (only savings banks and credit co-operatives)	-	-	-	-	-	-	-	-	-	-	-	-	(434)
Balance at December 31,2016 (*)	**2 014 145**	**98 625**	**-**	**621 349**	**-**	**83 923**	**-**	**78 017**	**-**	**97 922**	**15 165**	**258 931**	**3 267 537**

(*) Balance as of December 31, 2015 published in the consolidated annual accounts for the year 2015 (Note 1.9).
(**) Presented, solely and exclusively, for comparative purposes. The information has been adapted to the new structure of financial statements of Circular 5/2015 of CNMV (Note 1.9).
The accompanying Notes 1 to 36 and the attached Exhibits I, II and III form an integral part of the consolidated summary interim financial statements as at 31 March 2016.

UNICAJA BANCO, S.A. AND ITS' SUBSIDIARIES (UNICAJA BANCO GROUP)

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
AT 31 MARCH 2017 AND 2016
(Thousand euros)

	Note	Period 31/03/17	Period 31/03/16 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES		**(1 028 289)**	**1 140 363**
Profit for the year		**50 766**	**73 541**
Adjustments to obtain cash flows from operating activities		**(117 596)**	**(163 089)**
Depreciation and amortization	10	11 253	11 862
Other adjustments		(128 849)	(174 951)
Net increase/decrease in operating assets		**233 575**	**1 759 971**
Financial assets held for trading	8.2	18 862	3 670
Other financial assets/liabilities designated at fair value through profit or loss		-	-
Available-for-sale financial assets	8.3	1 827 256	(311 063)
Loans and receivables / Financial liabilities	8.5	(1 726 425)	2 056 018
Other operating assets/ liabilities		113 882	11 346
Net increase/decrease in operating liabilities		**(1 205 717)**	**(516 175)**
Financial liabilities held for trading	8.2	(19 204)	(65 346)
Other financial liabilities at fair value through profit or loss		-	-
Financial liabilities at amortised cost	8.6	(1 118 848)	(465 378)
Other operating liabilities		(67 665)	14 549
Collection/Payments for income tax		**10 683**	**(13 885)**
B) CASH FLOWS FROM INVESTING ACTIVITIES		**1 877 322**	**(2 157 846)**
Payments		**-**	**(2 239 281)**
Tangible assets		-	-
Intangible assets		-	-
Investments		-	-
Subsidiaries and other business units		-	-
Non-current assets held for sale and associated liabilities	10.2	-	(4 141)
Held-to-maturity investments	8.4	-	(2 235 140)
Other payments related to investing activities		-	-
Collections		**134 239**	**81 435**
Tangible assets	10.3	7 351	54 030
Intangible assets	10.4	207	244
Investments		-	12 545
Subsidiaries and other business units		-	-
Non-current assets held for sale and associated liabilities	10.2	81 672	-
Held-to-maturity investments	8.4	1 788 092	14 616
Other collections related to investing activities		-	-
(Continues)			

(*) Presented, solely and exclusively, for comparative purposes. The information has been adapted to the new structure of financial statements of Circular 5/2015 of CNMV (Note 1.9).
The accompanying Notes 1 to 35 and the attached Exhibits I, II and III form an integral part of the consolidated summary interim financial statements as at 31 March 2017.

	Note	Period 31/03/17	Period 31/03/16 (*)
C) CASH FLOWS FROM FINANCING ACTIVITIES		**(7 173)**	**(17 124)**
Payments		**(7 173)**	**(17 124)**
Dividends	4	(6 850)	(17 124)
Subordinated liabilities		(323)	-
Own equity instruments amortization		-	-
Own equity instruments acquisition		-	-
Other payments related to investing activities		-	-
Collections		-	**-**
Subordinated liabilities		-	-
Own equity instruments issuance		-	-
Own equity instruments disposal		-	-
Other collections related to financing activities		-	-
D) EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**-**	**-**
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**841 860**	**(1 034 607)**
F) CASH AND CASH EQUIVALNETS AT BEGINNING OF PERIOD		**861 707**	**1 990 754**
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD		**1 703 567**	**956 147**
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD			
Cash		266 104	277 763
Cash equivalents balances at central banks		1 242 754	446 486
Other financial assets		194 709	231 898
Less: bank overdraft refundable on demand		-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF PERIOD		**1 703 567**	**956 147**
o/w: Held by consolidated entities but not drawable by group		-	-

(*) Presented, solely and exclusively, for comparative purposes. The information has been adapted to the new structure of financial statements of Circular 5/2015 of CNMV (Note 1.9).
The accompanying Notes 1 to 35 and the attached Exhibits I, II and III form an integral part of the consolidated summary interim financial statements as at 31 March 2017.

UNICAJA BANCO, S.A. AND ITS SUBSIDIARIES
(UNICAJA BANCO GROUP)

NOTES TO THE CONSOLIDATED SUMMARY INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017
(Expressed in thousands of euros)

1. Introduction, basis of presentation of the consolidated interim financial statements and other information

1.1 Introduction and nature of the Company

Unicaja Banco, S.A. (hereinafter Unicaja Banco, the Parent Company or the Bank) is a credit institution incorporated for an indefinite period on 1 December 2011. Its commenced activities as a result of the approval by the General Assembly of Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén – Unicaja (currently, Fundación Bancaria Unicaja) of the indirect carrying on of finance activities through a bank., as a result of Law 26/2013, which came in effect on December 27th.

The Bank is subject to the legislation and regulations governing banking institutions in Spain. Other public information regarding the bank is available on its website (www.unicajabanco.es) and at its registered domicile (Avenida Andalucía, 10 and 12, in Malaga).

The Bank's corporate purpose consists of all types of general banking activities, transactions, actions, contracts and services or those that are directly or indirectly related or are supplementary to them provided they are permitted or not prohibited by law.

The Bank's corporate purpose includes the rendering of investment and other auxiliary services, as well as the rendering of insurance agency activities, as an exclusive or associated operator, but not simultaneously.

In accordance with the bylaws, the activities that conform to require by the Law 10/2014 (26 June) on the organization, supervision and solvency of credit institutions and making up its corporate purpose may be fully or partially carried out indirectly in any manner allowed by law and, in particular, through the ownership of shares in companies or other entities that have the same, similar or supplementary corporate purpose.

The Bank has been entered into the Malaga Mercantile Registry and as a credit institution in the Special Registry at the Bank of Spain under number 2103. The Bank also holds a license to carry out banking activities granted by the Ministry of Finance in accordance with Article 1 and concordant articles of Royal Decree 1245/1995.

1.2 Consolidated Group

At 31 March 2017, 86.7% of the Bank's share capital pertains to Fundación Bancaria Unicaja, previously Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén (Unicaja), the ultimate parent company of the Bank and the parent of Unicaja Group. Both the Bank and its parent company are domiciled in Malaga and are subject to Spanish legislation and their annual accounts are deposited at the Malaga Mercantile Registry. Fundación Bancaria Unicaja prepares consolidated annual accounts as the ultimate parent of the Group, in accordance with Article 42 of the Commercial Code. The latest consolidated annual accounts prepared by Group Unicaja related to the year ended 31 December 2016 and have been filed with the Malaga Mercantile Registry.

Moreover, the Bank is the parent of a subgroup of subsidiaries that engage in diverse activities and make up Unicaja Banco Group. In accordance with Article 6 of Royal Decree 1159/2010 (17 September) which approves the Rules for Preparing Consolidated Annual Accounts and amends the General Accounting Plan approved by Royal Decree 1514/2007 (16 November) and the General Accounting Plan for SMEs approved by Royal Decree 1515/2007 (16 November), the Bank is obligated to prepare consolidated annual accounts as it has issued securities that are traded on a regulated market in any European Union Member State, applying international financial reporting standards adopted by European Union Regulations. Consequently, the Bank has prepared the consolidated annual accounts for Unicaja Banco, S.A. and its subsidiaries (Unicaja Banco Group), in addition to its own annual accounts, in accordance with current legislation.The latest consolidated financial statements prepared by Unicaja Banco, S.A. Have been those corresponding to the year ended 31 December 2016.

The companies that form part of Unicaja Banco Group at 31 March 2017 are as follows:

Company Name	Activity
Alqlunia Duero, S.L.	Real state development
Alteria Corporación Unicaja, S.L.U.	Investment in assets, securities and financial companies
Altos de Jontoya Residencia para Mayores, S.L.U.	Geriatric care
Analistas Económicos de Andalucía, S.L.U.	Study and analysis economic activity
Andaluza de Tramitaciones y Gestiones, S.A.U.	Management and settlement documents and deeds
Banco de Caja España de Inversiones, Salamanca y Soria, S.A.	Credit institution
Caja España Mediación OBSV, S.A.U.	Insurance broker
Cartera de Inversiones Agroalimentaria, S.L.	Food industry
Conexiones y Servicios Duero, S.A.	Auxiliary services
Desarrollos de Proyectos de Castilla y León, S.L.U.	Real estate development
Finanduero Sociedad de Valores, S.A.U.	Stockbroker
Gestión de Actividades y Servicios Empresariales, S.A.U.	Electronic recording and processing of data and documents
Gestión de Inmuebles Adquiridos, S.L.U.	Real estate development
Grupo de Negocios Duero, S.A.U.	Financial management
Inmobiliaria Acinipo, S.L.U.	Real estate development
Inmobiliaria Uniex Sur, S.L.U.	Real estate development
La Algara Sociedad de Gestión, S.L.	Turism industry
Mijas Sol Resort, S.L.U.	Real state development
Parque Industrial Humilladero, S.L.	Development of industrial land
Pinares del Sur, S.L.U.	Real state development
Propco Rosaleda S.L,	Real state development
Segurándalus Mediación, Correduría de Seguros, S.A.U.	Insurance broker
Unicaja Gestión de Activos Inmobiliarios, S.A.U.	Holding real estate
Unicartera Caja 2, S.L.U.	Promotion or funding of R & D in the field of medicine
Unicartera Gestión de Activos, S.L.U.	Recovery procedures and management of disputes
Unicartera Internacional, S.L.U.	Investment in assets, securities and financial companies
Unicartera Renta, S.L.U.	Investment in assets, securities and financial companies
Unicorp Patrimonio, Sociedad de Valores, S.A.U.	Wealth management
Unigest, S.G.I.I.C., S.A.	Management of Collective Investment Institutions
Unimediación Operador Banca Seguros, S.L.U.	Insurance Brokers
Unimediterráneo de Inversiones, S.L.U.	Investment in assets, securities and financial companies
Uniwindet Parque Eólico Las Lomillas, S.L.	Wind power
Uniwindet Parque Eólico Loma de Ayala, S.L.	Wind power
Uniwindet Parque Eólico Los Jarales, S.L.	Wind power
Uniwindet Parque Eólico Tres Villas, S.L.	Wind power
Uniwindet, S.L.	Wind power
Viajes Caja España, S.A.	Travel agency
Viproelco, S.A.	Property development

Set out below is a summary of the Parent entity's individual balance sheet, individual income statement, individual statement of changes in equity and individual cash flow statement for the years ended 31 March 2017 and 31 December 2016 which have been prepared in accordance with the same accounting principles and measurement methods, gathered in the Circular 4/2004 of the Bank of Spain, and its subsequent amendments, as those applied in these consolidated annual accounts:

a) Individual Balance sheets for the periods ended 31 March 2017 and 31 December 2016

	Thousands of euros	
	31.03.2017	**31.12.2016 (*)**
Cash, cash balances at central banks and other demand deposits	1 154 034	486 675
Financial assets held for trading	53 503	53 385
Available-for-sale financial assets	3 239 920	3 734 575
Loans and receivables	19 973 408	20 102 103
Held-to-maturity investments	5 593 260	5 445 776
Hedging derivatives	523 781	565 590
Investments in subsidiaries, joint ventures and associates	-	918 805
Insurance or reinsurance assets	927 354	-
Tangible assets	508 205	508 714
Intangible or reinsurance assets	1	7
Tax assets	749 524	772 209
Other assets	179 633	184 787
Non-current assets and disposal groups held for sale	265 391	258 439
Total assets	**33 168 014**	**33 031 065**
Financial liabilities held for trading	25 090	24 851
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities measured at amortized cost	29 083 496	28 961 952
Hedging derivatives	21 836	26 976
Fair value changes of the hedged items in portfolio hedges of interest rate risk		
Provisions	-	-
Tax liabilities	362 368	378 685
Capital repayable on demand	66 741	70 904
Other liabilities	-	-
Liabilities included in disposal groups classified as held for sale	633 303	617 691
Financial liabilities held for trading		
Financial liabilities designated at fair value through profit or loss	-	-
Total liabilities	**30 192 834**	**30 081 059**
Shareholders’ funds:	2 960 644	2 937 856
Capital	922 802	922 802
Share premium	1 254 245	1 254 245
Equity instruments issued other than capital	49 341	49 341
Other equity elements	-	-
Retained earnings	704 618	519 725
Revaluation reserves	-	-
Other reserves	-	-
Less: treasury shares	-	-
Profit or loss attributable to parent	46 638	191 743
Less: interim dividend	(17 000)	-
Accumulated other comprehensive income:	14 536	12 150
Elements not to be reclassified into profit or loss	2 192	2 192
Elements to be reclassified into profit or loss	12 344	9 958
Total equity	**2 975 180**	**2 950 006**
Total equity and total liabilities	**33 168 014**	**33 031 065**
Financial guarantees given	698 135	697 877
Contingents commitments	2 811 300	2 196 318

(*) Information presented, solely and exclusively, for comparative purposes. The information has been adapted to the new structure of financial statements of Circular 5/2015 of CNMV (Note 1.9).

b) Individual income statements for the periods ended 31 March 2017 and 2016:

	Thousands of euros	
	31.03.2017	31.03.2016 (*)
Interest income	138 835	156 090
Interest expense	(20 094)	(39 936)
Net interest income	**118 741**	**116 154**
Dividend income	3 386	3 828
Fee and commission income	29 866	28 002
Fee and commission expenses	(2 681)	(2 679)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss. Net	16 643	38 334
Gains or (-) losses on financial assets and liabilities held for trading. Net	(1 205)	1 745
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss. Net	-	-
Gains of (-) losses from hedge accounting. Net	66	64
Exchange differences (losses). Net	143	(554)
Other operating income	3 533	63 748
Other operating expenses	(4 559)	(2 575)
Gross income	**163 933**	**246 067**
Administration costs	(80 212)	(80 256)
Amortization	(4 322)	(4 467)
Provisions or (-) reversal of provisions	(114)	(2 674)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss	(20 760)	(36 683)
Net operating income	**58 525**	**121 987**
Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates	7 711	(6 679)
Impairment or (-) reversal of impairment on non-financial assets	(145)	279
Gains (losses) on derecognized of non financial assets and subsidiaries. Net	269	-
Negative goodwill recognized in profit or loss	-	-
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(1 134)	(563)
Operating profit before tax	**65 226**	**115 024**
Tax expense or (-) income related to profit or loss from continuing operations	(18 588)	(33 353)
Profit from continuing operations	**46 638**	**81 671**
Profit from discontinued operations (net)	**-**	**-**
Total recognized income/expenses	**46 638**	**81 671**

(*) Information presented, solely and exclusively, for comparative purposes. The information has been adapted to the new structure of financial statements of Circular 5/2015 of CNMV (Note 1.9).

c) Individual statements of changes in equity for the periods ended 31 March 2017 and 2016:

	Thousands of euros	
	31.03.2017	**31.03.2016 (*)**
Profit recognized in income statement	**46 638**	**81 671**
Other recognized income (expenses)	**2 385**	**(55 511)**
Items not subject to reclassification to income statement	-	**-**
Actuarial gains and losses from defined benefit pension plans	-	-
Non-current assets and disposal groups available for sale	-	-
Other valuation adjustments	-	-
Income tax related to items not subject to reclassification to income statement	-	-
Items subject to reclassification to income statement	**2 385**	**(55 511)**
Hedge of net investments in foreign operations [effective portion]	-	
Foreign currency translation	(13)	(39)
Cash flow hedges [effective portion])	446	(7 774)
Available-for-sale financial assets	2 900	(71 628)
Non-current assets held for sale	-	-
Income tax on items to be reclassified to income statement	(948)	23 930
Total recognized income/expenses	**49 023**	**26 160**

(*) Information presented, solely and exclusively, for comparative purposes. The information has been adapted to the new structure of financial statements of Circular 5/2015 of CNMV (Note 1.9).

d) Individual statements of changes in equity for the periods ended 31 March 2017 and 2016:

	Capital and share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	Treasury shares (-)	Profit or loss	Interim dividends (-)	Accumulated other comprehensive income	Total
Balances as of January 1, 2017	**2 177 047**	**49 431**	**-**	**519 725**	**--**	**-**	**-**	**191 743**	**-**	**12 150**	**2 950 006**
Adjustments from error corrections	-	-		-			-	-	-	-	-
Adjustments due to changes in accounting policy	-	-		-			-	-	-	-	-
Balances as of January 1, 2017 (*)	**2 177 047**	**49 341**	**-**	**519 725**	**-**	**-**	**-**	**191 743**	**-**	**12 150**	**2 950 006**
Total income/ expense recognized	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**46 638**	**-**	**2 386**	**49 024**
Other changes in equity	-	-	-	**184 893**	**-**	**-**	**-**	**(191 743)**	**(17 000)**	**-**	**(23 850)**
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-
Issuance of preferred shares	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-
Period or maturity of other issued equity instruments	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-
Capital reductions	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	(6 850)	-	-	-	-	(17 000)	-	**(23 850)**
Purchase or treasury shares	-	-	-	-	-	-	-	-	-	-	-
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity items	-	-	-	191 743	-	-	-	(191 743)	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-
Shared based payments	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	-	-	-	-	-	-	-	-	-
Balances as of March 31,2017	**2 177 047**	**49 341**	**-**	**704 618**	**-**	**-**	**-**	**46 638**	**(17 000)**	**14 536**	**2 975 180**

(*) Balances as of 31 December 2016 published in the consolidated annual accounts for the year 2016 (Note 1.9).

	Capital and share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	Treasury shares (-)	Profit or loss	Interim dividends (-)	Accumulated other comprehensive income	Total
Balances as of January 1, 2016	**2 127 717**	**-**	**98 682**	**328 412**	**-**	**-**	**-**	**230 063**	**-**	**116 378**	**2 901 252**
Adjustments from error corrections	-	-	-	-	-	-	-	-	-	-	-
Adjustments due to changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-
Balances as of January 1, 2016 (*)	**2 127 717**	**-**	**98 682**	**328 412**	**-**	**-**	**-**	**230 063**	**-**	**116 378**	**2 901 252**
Total income/ expense recognized	-	-	-		-	-	-	**81 671**	-	**(55 511)**	**26 160**
Other changes in equity	-	-	-	**212 939**	-	-	-	**(230 063)**	**(19 000)**	-	**(36 124)**
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-
Issuance of preferred shares	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-
Period or maturity of other issued equity instruments	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-
Capital reductions	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	(17 124)	-	-	-	-	(19 000)	-	(36 124)
Purchase or treasury shares	-	-	-	-	-	-	-	-	-	-	-
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity items	-	-	-	230 063	-	-	-	(230 063)	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-
Shared based payments	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	-	-	-	-	-	-	-	-	-
Balances as of March 31,2016	**2 127 717**	**-**	**98 682**	**541 351**	**-**	**-**	**-**	**81 671**	**(19 000)**	**60 867**	**2 891 288**

(*) Balances as of 31 December 2016 published in the consolidated annual accounts for the year 2016 (Note 1.9).

(**) Information presented, solely and exclusively, for comparative purposes. The information has been adapted to the new structure of financial statements of Circular 5/2015 of CNMV (Note 1.9).

e) Individual cash flow statements for the periods ended 31 March 2017 and 2016:

	Thousands of euros	
	31.03.2017	31.03.2016 (*)
Cash flows from operating activities	**781 264**	**(307 367)**
Profit for the year	46 638	81 671
Adjustments to obtain cash flow from operating activities	(110 877)	(22 895)
Net increase/decrease in operating assets	786 426	(5 827)
Net increase/decrease in operating liabilities	65 383	(353 971)
Collection/ payments for income tax	(6 306)	(6 345)
Cash flows from investing activities	**(102 475)**	**60**
Payments	(147 484)	-
Collections	45 009	60
Cash flows from financing activities	**(5 548)**	**-**
Payments	(5 548)	-
Collections	-	-
Effect of exchange rate changes	**-**	**-**
Net increase (decrease) in cash and cash equivalents	**673 241**	**(307 307)**
Cash and cash equivalents at beginning of the year	491 444	751 014
Cash and cash equivalents at end of period	1 164 685	443 707

(**) Information presented, solely and exclusively, for comparative purposes. The information has been adapted to the new structure of financial statements of Circular 5/2015 of CNMV (Note 1.9).

1.3 Acquisition of Banco de Caja España de Inversiones, Salamanca y Soria, S.A.

The Unicaja Banco Group holds 69.38% of the share capital of Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (“EspañaDuero”), a financial institution set up on an indefinite basis on 24 November 2011 through which Caja España de Inversiones, Salamanca y Soria, Caja de Ahorros y Monte de Piedad indirectly carried out financial activities by means of a bank in accordance with Law 26/2013 (27 December).

The process for the acquisition of EspañaDuero by the Unicaja Banco Group culminated in the taking of control over that entity, which took effect for accounting purposes on 28 March 2014. The acquisition operation is described in detail in the consolidated annual accounts of the Unicaja Banco Group for 2015 and 2014.

The acquisition of EspañaDuero by Unicaja Banco was a strategic opportunity which allowed the Entity to extend its business into areas that had traditionally been the core of EspañaDuero's business and to strengthen the private banking and SME segment, in addition to obtaining synergies between the two institutions.

1.4 Basis of presentation of the consolidated interim financial statements

The condensed interim consolidated financial statements of Unicaja Banco, S.A and subsidiaries (Unicaja Banco Group) for the three month period ended 31 March 2017 were prepared by the Bank's Directors during the Board of Directors' meeting of 24 March 2017.

The condensed interim consolidated financial statements for the three month period ended 31 March 2017 were prepared based on the accounting records of the Bank and each of the companies making up the Group and include the necessary adjustments and reclassifications for standardising the accounting and presentation criteria and are presented in accordance with International Accounting Standard 34 " Interim financial reporting" contained in International Financial Reporting Standards adopted by the European Union (IFRS-EU) in accordance with Circular 1/2008 of the National Securities Market Commission (CNMV), (30 January) on the regular information to be sent by issuers with securities traded on regulated markets, amended by CNMV Circular 5/2015 (28 October), in order to present fairly the Group's equity and consolidated financial position at 31 March 2017 and the consolidated results of its operations, changes in consolidated equity and consolidated cash flows generated in the three month period then ended.

The condensed interim consolidated financial statements prepared by the Bank's Directors should be read together with the consolidated annual accounts for the year ended 31 December 2016, prepared in accordance with IFRS-EU and taking into account Bank of Spain Circular 4/2004, which were prepared by the Board of Directors on 24 March 2017 and approved by the General Shareholders' Meeting on 26 April 2017. As a result, it has not been necessary to repeat or update certain notes or estimates included in said consolidated annual accounts. Instead, the accompanying selected notes include an explanation of events or variations that may be significant for explaining the changes in the Group's consolidated financial situation and consolidated results of operations, changes in consolidated equity and consolidated cash flows in the period 31 December 2016, date of the aforementioned consolidated annual accounts, to 31 March 2017.

In preparing the condensed interim consolidated financial statements of the Bank and subsidiaries making up the Group for the three month period ended 31 March 2017, generally accepted accounting principles have been used, as described in this Note and in Note 1.5. All mandatory accounting principles and standards having a significant effect on these condensed interim consolidated financial statements have been applied.

These consolidated interim consolidated financial statements, unless otherwise stated, are presented in thousands of euros.

1.5 Accounting policies

The accounting principles and measurement methods applied in the preparation of these consolidated interim consolidated financial statements as of 31 March 2017 are the same as those used in the preparation of the consolidated financial statements of the Group as at 31 December 2016, Which can be consulted in Note 2 of the consolidated financial statements. Therefore, these consolidated interim consolidated financial statements have been prepared in accordance with the accounting principles and valuation standards established by the International Financial Reporting Standards adopted by the European Union (EU-IFRS), taking into account Circular 4/2004 of Bank of Spain, of 22 December, which constitutes the development and adaptation to the sector of Spanish credit institutions of the International Financial Reporting Standards approved by the European Union.

1.6 Changes in the International Financial Reporting Standards.

During the three-month period ended 31 March 2017, the following International Financial Reporting Standards and interpretations of these have been made mandatory and, therefore, have been applied in the preparation of the consolidated interim financial statements of Unicaja Banco as of 31 March 2017:

Standards, amendments and interpretations (Note 1.6.1)	**Description**	**Mandatory application periods commencing on or after**
Amendment NIC 7/ IAS 7	Disclosure initiative	1 January 2017
Amendment NIC 12/ IAS 12	Deferred tax assets recognition for non-performed losses	1 January 2017
Annual NIIF improvements	Improvement Project-Cycle 2014-2016	(*)

(*) These improvements to IFRSs are effective for years beginning on or after January 1, 2017 for IFRS 12 and as of January 1, 2018 for IFRS 1 and IAS 28.

On the date of the preparation of these consolidated annual accounts, the following norms and interpretations (the most important applied on that date) that had been published by the IASB had not come into effect, either because their effective data is after the date of these consolidated annual accounts, or because they have not yet been adapted by the European Union:

Standards, amendments and interpretations (Note 1.6.1)	**Description**	**Mandatory application periods commencing on or after**
Annual NIIF improvements	Improvement Project-Cycle 2014-2016	(*)
Amendment NIIF 2/ IFRS 2	Classification and measurement of share-based payments	1 January 2018
NIIF 15/ IFRS 15	Revenue from customers contracts (b)	1 January 2018
Amendment NIIF 15/ IFRS 15	Revenue from contracts with customers	1 January 2018
NIIF 9/ IFRS 9	Financial instruments (b)	1 January 2018
Amendment IFRS 4	Application of IFRS 9 “Financial Instruments” with IFRS 4 “Insurance contracts”	1 January 2018
Amendment NIC 40/ IAS 40	Transfers of investment properties	1 January 2018
CINIIF 22/ IFRIC 22	Transactions and advance payments in foreign currency	1 January 2018
NIIF 16/ IFRS 16	Leases	1 January 2019
Amendment NIIF 10 and NIC 28/ IFRS 10 and IAS 28	Sale or assets contribution between an investor and its associates or joint ventures	(**)
Amendment NIIF 10, NIIF 12 and NIC 28/ IFRS 10, IFRS 12 and IAS 28	Exception to consolidation for investment entities	(***)

(*) These improvements to IFRSs are effective for years beginning on or after 1 January 2017 for IFRS 12 and as of 1 January 2018 for IFRS 1 and IAS 28.

(**) By the end of 2015, the IASB decided to postpone the effective date of these amendments, without setting a new specific date, as it is planning a more comprehensive review that may result in the simplification of accounting for these transactions and other aspects of accounting for associates and joint ventures.

(***) These amendments are effective for annual periods beginning on or after 1 January 2016 and are permitted to be applied in advance, but at the date of preparation of these consolidated summary financial statements they have not been Adopted by the European Union.

The members of the Administration board believe that most of these new policies will not have a material impact on the Group’s consolidated financial statements.

1.6.1 Standards and interpretations taking effect this period

During the first three months of fiscal year 2017, the following amendments to IFRSs or interpretations of IFRS (hereinafter "IFRIC") have entered into force, which have not had a material impact on the consolidated interim consolidated financial statements:

- IAS 7 (Amendments) "Disclosure Initiative": An entity is required to disclose information that enables users to understand changes in liabilities arising from financing activities. This includes changes arising from: (i) cash flows, such as provisions and loan repayments; and (ii) non-monetary changes, such as acquisitions, disposals and unrealized exchange differences. Liabilities arising from financing activities are liabilities for which cash flows were, or cash flows will be, classified in the statement of cash flows as cash flows from financing activities. In addition, changes in financial assets (for example, assets covering liabilities arising from financing activities) should be included in the new disclosure requirement if the cash flows of those financial assets were included, or future cash flows. Cash will be included in the cash flows from financing activities. The amendment suggests that the disclosure requirement would be to include a reconciliation between the initial and final balance sheet balances for liabilities arising from financing activities, but does not establish a specific format. These changes are effective for fiscal years beginning on or after 1 January 2017.

- IAS 12 (Amendments) "Recognition of deferred tax assets for unrealized losses": This amendment clarifies how to account for deferred tax assets related to investments in debt instruments measured at fair value. Decreases in the carrying amount below the cost of a fixed rate debt instrument, where the tax base is maintained at cost, give rise to deductible temporary differences. The estimation of probable future tax benefits may include recovering some of the assets of an entity above its carrying amount if sufficient evidence is available. The amendment is effective for annual periods beginning on or after 1 January 2017, although early adoption is permitted. As a general rule, it will be applied retrospectively. However, at the date of initial application of the change, there is the option to record the change in equity for the comparative period against the initial balance of the reserve for retained earnings. This amendment is effective for fiscal years beginning on or after 1 January 2017.

- IFRS Annual Improvements, Cycle 2014-2016: Improvements included in this cycle affect IFRS 1 "First-time Adoption of International Financial Reporting Standards: Removal of short-term exemptions for first-time adopters", IFRS 12 "Disclosure of Shares in Other Entities: Clarification of the Scope of the Standard"; And IAS 28 "Investments in associates and joint ventures: Measurement of an associate or joint venture at fair value." Amendments to IFRS 12 have entered into force for years beginning on or after 1 January 2017, while amendments to IFRS 1 and IAS 28 will be applied for the years beginning on or after 1 January 2018 .

The application of the accounting standards and interpretations did not have significant effects on the Group's consolidated interim financial statements.

1.6.2 Standards and interpretations that have been issued but have not yet entered into force

At the date of preparation of these consolidated interim consolidated financial statements, new International Financial Reporting Standards had been published as well as interpretations of them, which are not mandatory as of 31 March 2017 and that the Group has not performed Application to that date. At the present date, the analysis of the future impacts that could be derived, if any, from the adoption of these standards has not yet been finalized, although no significant impacts are expected due to their entry into force. These standards are as follows:

- IFRS Annual Improvements, Cycle 2014-2016: Improvements included in this cycle affect IFRS 1 "First-time Adoption of International Financial Reporting Standards: Removal of short-term exemptions for first-time adopters", IFRS 12 "Disclosure of Shares in Other Entities: Clarification of the Scope of the Standard"; And IAS 28 "Investments in associates and joint ventures: Measurement of an associate or joint venture at fair value." Amendments to IFRS 12 have entered into force for years beginning on or after 1 January 2017, while amendments to IFRS 1 and IAS 28 will be applied for the years beginning on or after 1 January 2018.

- IFRS 2 (Amendments) "Classification and valuation of share-based payment transactions": The amendment to IFRS 2, which was developed through the IFRS Interpretations Committee, clarifies how to account for certain types of transactions with payment based In shares. In this sense, it provides requirements for the accounting of:

    - The effects of the conditions for irrevocability and non-determining conditions for the irrevocability of the concession in the valuation of cash-settled share-based payments;
    - Share-based payment transactions with a net settlement characteristic for tax withholding obligations;
    - A change in the terms and conditions of a share-based payment that changes with the classification of the transaction from cash settled to settled through equity.

  The amendment is effective for annual periods beginning on or after 1 January 2018, although early adoption is permitted.

- IFRS 15 "Revenue accruing from customer contracts": In May 2014, the IASB and the FASB jointly issued a convergent standard in relation to the recognition of revenue from contracts with customers. Under this rule, revenues are recognized when a customer gains control of the good or service sold, that is, when it has both the ability to direct the use and to obtain the benefits of the good or service. This IFRS includes a new guide to determining whether to recognize income over time or at a particular time in it. IFRS 15 requires extensive information on both the recognized income and the income expected to be recognized in the future in relation to existing contracts. It also requires quantitative and qualitative information on the significant judgments made by the management in determining the income that is recognized, as well as on the changes in these judgments. IFRS 15 will be effective for annual periods beginning on or after 1 January 2018, although early adoption is permitted.

- Given the Group's main activities and the fact that the standard does not apply to financial instruments and other contractual rights or obligations under the scope of IAS 39, the Group does not expect significant impacts to result from the future application of this standard.

- Clarifications to IFRS 15: "Revenue from ordinary activities from customer contracts": Clarifications to IFRS 15 are intended to reduce the cost and complexity of implementing the standard and to clarify how some of its principles should be applied, as To identify an obligation in a contract, to determine whether the company is the principal or agent and to determine whether the product of the concession must be recognized on a specific date or in a period of time. This clarification comes into force at the same time as IFRS 15.

- IFRS 9 "Financial instruments": addresses the classification, valuation and recognition of financial assets and financial liabilities. The full version of IFRS 9 was published in July 2014 and replaces the guidance in IAS 39 on classification and valuation of financial instruments. IFRS 9 maintains but simplifies the mixed valuation model and establishes three main categories of valuation for financial assets: amortized cost, at fair value through profit or loss and at fair value with changes in other comprehensive income. The classification base depends on the entity's business model and the characteristics of the contractual cash flows of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at the beginning of the presentation of the changes in fair value in other comprehensive non-recyclable income, provided that the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in results.

  In relation to financial liabilities there are no changes with respect to classification and valuation, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. Under IFRS 9 there is a new model of impairment losses, the expected credit loss model, which replaces the model of impairment losses incurred in IAS 39 and which will result in a recognition of losses rather than as losses. With IFRS 39. IFRS 9 relaxes the requirements for the effectiveness of the hedge. Under IAS 39, a hedge must be highly effective, both prospectively and retrospectively. IFRS 9 replaces this line by requiring an economic relationship between the hedged item and the hedging instrument and the hedged ratio is the same that the entity actually uses for its risk management. Contemporary documentation is still needed but is different from the one that was being prepared under IAS 39. Finally, extensive information is required, including a reconciliation between the initial and final amounts of the provision for expected credit losses, assumptions and data, And a reconciliation in the transition between the original classification categories under IAS 39 and the new classification categories under IFRS 9.

  IFRS 9 is effective for annual periods beginning on or after 1 January 2018, although early adoption is permitted. IFRS 9 will be applied retroactively but comparative figures will not be required to be restated. If an entity chooses to apply IFRS 9 in advance, it must apply all the requirements at the same time. Entities that apply the standard before 1 February 2015 still have the option of applying the rule in phases.

- IFRS 4 (Amendments) "Applying IFRS 9" Financial Instruments "with IFRS 4" Insurance Contracts": The amendments to IFRS 4, which were published by the IASB in September 2016, introduce two optional approaches for Insurance:

  - A temporary exemption until 2021 for IFRS 9 for entities that meet specific requirements (applied at the level of the entity submitting the information);
  - The "overlapping approach": will provide all companies that issue insurance contracts with the option of recognizing in other comprehensive income, rather than in the result of the year, the volatility that could arise when IFRS 9, "Financial Instruments", is applied before the new standard of insurance contracts is published.

IFRS 4 (including the changes that have now been published) will be superseded by the next new insurance contract standard. Consequently, both the temporary exemption and the "overlapping approach" are expected to cease to apply when the new insurance standard comes into force. This amendment enters into force in the years beginning on or after 1 January 2018.

- o IAS 40 (Amendment) "Transfers of real estate investments": This amendment clarifies that to transfer to or from real estate investments there must be a change in use. In order to conclude whether there has been a change in use there must be an assessment of whether the property meets the definition of a real estate investment. This change must be supported by evidence. The IASB confirmed that a change in intention, in isolation, is not sufficient to support a transfer. The amendment will be effective for annual periods beginning on or after 1 January 2018. Early application is permitted.

- o IFRIC 22 "Forward Foreign Exchange Transactions and Counterparties": This IFRIC addresses how to determine the transaction date when applying the foreign currency transaction standard, IAS 21. Interpretation applies when an entity pays or receives a consideration in advance For contracts denominated in foreign currency. The date of the transaction determines the exchange rate to be used for the initial recognition of the corresponding asset, expense or income. The interpretation provides guidance for when a single payment / collection is made, as well as for situations in which there are multiple payments / collections. The purpose of the guide is to reduce diversity in practice. The interpretation will be effective for annual periods beginning on or after 1 January 2018, although early application is permitted.

- o IFRS 16 "Leases": In January 2016, the IASB published a new lease standard, which repeals IAS 17 "Leases", the result of a joint project with the FASB. The IASB and the FASB have reached the same conclusions in many areas related to the accounting of leases, including the definition of a lease, the requirement, as a general rule, to reflect leases on the balance sheet and the valuation of liabilities For leases. The IASB and the FASB have also agreed not to incorporate substantial changes to the accounting by the lessor, maintaining similar requirements to those previously in force. There are still differences between the IASB and the FASB regarding the recognition and presentation of lease-related expenses in the income statement and in the statement of cash flows. Under IFRS-IASB, IFRS 16 is compulsorily applicable as of 1 January 2019, and IFRS 16 may be applied in advance, but only if IFRS 15 "Ordinary income from customer contracts" is applied at the same time.

  It is estimated that the impact of the future application of this standard will not have a significant impact on the equity situation of the Unicaja Banco Group.

- o IFRS 10 (Amendment) and IAS 28 (Amendment) "Sale or contribution of assets between an investor and its associates or joint ventures": These amendments clarify the accounting treatment of sales and contributions of assets between an investor and its associates and businesses Sets that will depend on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor will recognize the full gain or loss when the non-monetary assets constitute a "business". If the assets do not meet the definition of business, the investor recognizes the gain or loss to the extent of the interests of other investors. The amendments will only apply when an investor sells or supplies assets to its associate or joint venture. Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for annual periods beginning on or after 1 January 2016. However, at the end of 2015, the IASB made a decision to postpone the effective date of (Without setting a new specific date), as it is planning a more comprehensive review that may result in simplifying the accounting of these transactions and other aspects of accounting for associates and joint ventures.

- IFRS 10 (Amendment), IFRS 12 (Amendment) and IAS 28 (Amendment) "Investment entities: Applying the exception to consolidation": These amendments clarify three aspects on the application of the requirement for investment entities to value the subsidiaries at fair value instead of consolidating them. The proposed modifications:

    - They confirm that the exception to present consolidated financial statements continues to apply to the dependents of an investment entity which are themselves dominant entities.
    - Clarify when a dominant investment entity should consolidate a subsidiary that provides services related to the investment rather than valuing that subsidiary at fair value.
    - Simplify the application of the equity method for an entity which is not itself an investment entity but which has a stake in an associate that is an investment entity.

The members of the Administration board believe that most of these new policies will not have a material impact on the Group's consolidated financial statements.

Regarding the adoption by the Unicaja Bank Group of IFRS 9 "Financial instruments", the Group is analyzing the impact that this standard may have on its consolidated financial statements, in particular as regards the estimation of Provisions for insolvencies through the development of a calculation methodology based on the expected loss. The latest version of the adaptation plan for IFRS 9 was approved on 27 January 2017 by the Board of Directors of Unicaja Banco as the Group's Parent and has three basic lines of analysis: (i) accounting classification And risk of financial instruments, (ii) measurement of significant impairment of credit risk and estimation of book value, and (iii) accounting for hedges.

The implementation plan includes work that extends until the end of 2017, with milestones associated to the approval of internal models by the Bank's Board of Directors In November 2017, and the entry into force of IFRS 9 in January 2018.

In the course of the analysis work being carried out by Group management, the following main impact areas have been identified: (i) recognition of loan-loss provisions for the loan portfolio of Unicaja Banco and EspañaDuero, (ii) the accounting classification of financial assets, particularly with respect to debt securities, and (iii) accounting treatment of provisions. Specifically, with respect to the recognition of loan-loss provisions, under IFRS 9 there is a change in the treatment of impairment losses, with the adoption of an expected credit loss model which replaces the current incurred loss model under IAS 39. IFRS 9 distinguishes three categories for classifying risk with respect to provisions for expected losses: (i) low-risk instruments for which expected losses in less than 12 months may be calculated; (ii) instruments in which risk has increased significantly, for which expected losses will be calculated over the life of the operation; and (iii) impaired financial assets, for which expected losses will also be applied over the life of the operation and for which accrued interest will be calculated on the net carrying amount. Therefore, the most significant impacts of IFRS 9 in this regard will occur as a result of the implementation of criteria to determine the operations in which there has been a significant increase in credit risk since initial recognition, and the application of an expected loss model for the entire life of the operation concerned. This requires the development of models for projecting scenarios incorporating forward-looking information, for the purpose of both determining a significant increase in credit risk and estimating total expected losses on the assets.

At the date of preparation of these consolidated annual accounts, the work plans that support the implementation of this standard are ongoing and therefore at present the Group has not finalised the quantification of the potential impact that the application of this standard might have.

1.7 Responsibility for information

The information contained in the present consolidated Interim Financial Statements accounts is the responsibility of the Directors of the Parent Company.

1.8 Estimates

In the consolidated financial statements of the Group for 31 March 2017, estimates were occasionally made by the Directors of the Group to quantify some of the assets, liabilities, income, expenses and obligations reported herein. Basically, these estimates refer to:

- Impairment losses on certain assets
- Assumptions used in actuarial calculations of liabilities and commitments relating to post-employment benefits and other long-term commitments with employees.
- Useful life of property, plant and equipment and intangible assets.
- Measurement of goodwill on consolidation.
- Estimation of the probability of occurrence of events classed as contingent liabilities
- Fair value of certain unlisted assets.
- The realisable value of certain guarantees related to the collection of assets.
- Estimation corporate tax expense.

These estimates were made based on the best information available at 31 December 2016 concerning the facts analysed. Nonetheless, future events could generate significant adjustments (upward or downward) in coming years, in accordance with IAS 8 which would be made prospectively, in accordance with prevailing regulations, to recognize the impact of the change in the estimate on the consolidated income statement for the years in question.

During the months ended 31 March 2017, there were no changes in the accounting estimates of the Group that have a significant effect either on the consolidated balance sheet or in the consolidated results for the year.

1.9 Changes in accounting policies, errors and comparative information

1.9.1 Changes in accounting principles and errors

In accordance with IAS 1 the comparative information contained in these consolidated interim financial statement for the three-month period ended 31 March 2017 is presented solely and exclusively for the purposes only, together with the information relating to the three-month period ended 31 March 2017 for the consolidated income statement, consolidated statement of recognized income and expense, consolidated statement of changes in equity and consolidated cash flow statement, together with balances at 31 December 2016 for the items in the consolidated balance sheet.

In this respect, and without affecting the comparability of the information, it should be noted that, on June 30, 2016, certain changes in the structure of the consolidated public statements included in Circular 5/2015 of October 28, of the National Securities Market Commission, which amends Circular 1/2008, dated January 30, on the periodic information to be sent by issuers with securities admitted to trading on regulated markets, and Are derived directly from the changes incorporated in Bank of Spain Circular 4/2004 by Circular 5/2014 of this same organism. The consolidated interim financial statements as of March 31, 2017 have been prepared in accordance with the EU-IFRS and taking into account the new structure determined by the rules described above (Note 1.4), also adapting the comparative information to the three-month period ended 31 March 2016.

1.9.2 Changes in accounting principles

The regulatory changes that are applied for the first time during the first quarter of 2017 (Note 1.6) have not affected the comparability of the Group's financial information, so it has not been necessary to adapt or reclassify the comparative figures.

1.10 Seasonality of operations

Given the nature of the most significant activities and operations carried out by the Unicaja Banco Group, which basically correspond to the typical and typical activities of financial entities, it can be stated that their operations are not affected by seasonal factors , Which may exist in other types of businesses.

1.11 Materiality

For the purposes of preparing these condensed interim consolidated financial statements at 31 March 2017, the materiality of items and information presented is assessed, taking into account the figures recorded in these condensed interim consolidated financial statements and not the amounts or balances for a one year period.

1.12 Correction of errors

During the three month period ended 31 March 2017 there were no errors and no errors were corrected with a significant effect on the condensed interim consolidated financial statements.

1.13 Individual information of the Parent Company

The individual information on Unicaja Banco, S.A, which has been considered relevant for an adequate understanding of these notes to the condensed interim consolidated financial statements, has been included in the corresponding sections and notes to the accompanying condensed interim consolidated financial statements.

1.14 Minimum Equity Ratio

At 31 March 2017 and 31 December 2016, Unicaja Banco Group's equity amounted to 3,530,337 thousand euros and 3,568,812 thousand euros, respectively, of which 3,415,588 thousand euros and 3,468.591 thousand euros, respectively, are part of the Common Equity Tier 1 (CET1). This represents a surplus on own resources requirements, in accordance with the regulation of Directive 2013/36 / EU (CRD-IV) and EU Regulation no. 575/2013 (CRR) of 1,227,551 thousand euros at 31 March 2017 (1,396,317 thousand euros at 31 December 2016). For its part, the CET1 surplus at 31 March 2017 on the required minimum amounts to 1,984,127 thousand euros (2,177,688 thousand euros at 31 December 2016). The calculation of the surplus on minimum capital requirements has been carried out including, as of 31 March 2017, a capital preservation buffer of 1,25% in both total capital and CET1. On the other hand, the surplus of CET1 taking into account the additional requirements demanded by the Unicaja Bank Group as a result of the SREP amounted to 1,610,702 thousand euros at 31 March 2017 (1,642,436 thousand euros at 31 December 2016).

	Thousands of euros	
	31.03.2017	**31.12.2016**
Ordinary Tier 1 computable capital (a)	**3 415 588**	**3 468 591**
Additional Tier 1 computable capital (b)	39 180	29 077
Tier 2 computable capital (c)	75 569	71 144
Risks (d)	24 894 982	25 188 346
Ordinary capital Level 1 Ratio (CET 1) (A)=(a)/(d)	13,72%	13,77%
Additional capital Level 1 Ratio (AT 1) (B)=(b)/(d)	0,16%	0,12%
Capital Ratio level 1 (Tier 1) (A)+(B)	13,88%	13,89%
Capital Ratio level 2 (Tier 2) (C)=(c)/(d)	0,30%	0,28%
Total capital ratio (A)+(B)+(C)	**14,18%**	**14,17%**

	Thousands of euros	
	31.03.2017	**31.12.2016**
Tier capital 1 (a)	3 454 768	3 497 668
Exposure (b)	56 255 102	57 061 921
Leverage ratio (a)/(b)	**6,14%**	**6 13%**

The tier 1 ordinary capital, includes, basically, capital, the share premium, reserves of net Bank deductions (intangible assets) and the contingent convertible bonds ("CoCos") subscribed for by the FROB (604,000 thousand euros in both years) and part of the result which will be allocated to reserves.

Unicaja Banco Group rigorously attends to the management of the capital self-assessment process and solvency risk in order to maintain a prudent risk profile and balance, adequately preserving solvency, profitability and liquidity targets. Risk management processes are guided by the following basic principles:

- Permanent rigorous action to maintain a prudent and balanced risk profile, preserving the objectives of solvency, profitability and adequate liquidity.
- Active participation and supervision by Senior Management, which approves the general business strategies and policies applied by the Entity and establishes the general lines of risk management and control at the Entity.
- General internal control environment.
- Segregation of duties and the process of measuring and controlling the Entity's risk is completely independent from the risk taking function.
- The prudent management of exposure to credit risk, particularly by avoiding projects of uncertain viability and a quantitative limitation of investments based on sufficient guarantee parameters.
- Selection of adequate risk measurement methodologies.

The Entity's policies, methods and procedures relating to Overall Risk Management are approved by the Board of Directors. The Audit Committee, the Risk Committee, the Asset, Liability and Budget Committee (ALCO), the Internal Audit Department and the Comprehensive Risk Control Department at the Bank is responsible for ensuring adequate compliance with those policies, methods and procedures, ensuring that they are adequate, are effectively implemented and reviewed on a regular basis.

1.15 Minimum reserves ratio

During the three-month period ended 31 March 2017, the Entity complied with the minimum reserves ratio imposed by applicable Spanish regulations.

1.16 Contributions to resolution fund

The Group's credit institutions are part of the Credit Institutions Deposit Guarantee Fund (FGDEC). In application of the accounting framework applicable to the Group (Note 1.4), and especially in application of IFRIC 21 "Taxes", no contribution was accrued during the three-month period ended 31 March 2017, nor also during the same period of the previous year.

On 1 January 2016 the Single Resolution Fund came into operation. It is administered by the Single Resolution Board, which is also responsible for the calculation of the contributions that must be made by credit institutions and investment service companies defined in Article 2 of said Regulation, in accordance with the rules laid down in Delegated Regulation (EU) 2015/63 of the Commission of 21 October 2014 which completed Directive 2014/59/EU of the European Parliament and the Council, with respect to the contributions ex ante the resolution financing mechanisms.

Moreover, in accordance with Article 103 of Directive 2014/59 / EU, the financial resources available to be taken into account to achieve the target level for the Single Resolution Fund may include commitments irrevocable payment fully backed by guarantees low risk assets free of charges by third party rights, freely available and allocated for the exclusive use of the resolution authorities for the purposes specified in the Directive. The share of irrevocable payment commitments shall not exceed 30% of the total amount raised through ex ante contributions.

1.17 Transfer branch of activity between Unicaja Banco and EspañaDuero

On 21 December 2016 a framework agreement for the transfer of a line of business was concluded between Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (EspañaDuero) and Unicaja Banco, S.A., whereby a total of 10 branches of EspañaDuero were to be transferred to Unicaja Banco. The effects of the agreement are conditional on the authorisation of the transaction by the Ministry of Economy, Industry and Competition in accordance with Additional Provision 12 of Law 10/2014 (26 June) on the organisation, supervision and solvency of credit institutions. At the date of preparation of these consolidated annual accounts the required authorisation had not been obtained and therefore the relevant condition precedent had not yet been fulfilled.

1.18 Labour agreements in EspañaDuero

Under the provisions of the Restructuring Plan for EspañaDuero and the Term Sheet relating to the reduction in its structure, in terms of both the number of branches and personnel, in order to receive the public aid necessary for its recapitalisation, an agreement was concluded on 8 May 2013 between the trade unions and the management of EspañaDuero concerning the redundancy proceedings, suspension of contracts, transfers and indemnities that were being carried out. This agreement envisaged the implementation of personnel reduction measures affecting 1,230 employees, within an implementation period lasting until 31 December 2014.

In addition, the second amendment to the EspañaDuero Restructuring Plan established certain additional commitments and limitations in relation to the future activity of EspañaDuero that amended those initially provided for in the Term Sheet, including a further reduction of 5% of the workforce to be enforced by 31 December 2016. In this respect, on 5 April 2016 negotiations commenced with the employees' representatives in order to carry out a further restructuring of the workforce, seeking formulas to minimize the impact of the process on the number of jobs. As a result of this negotiation, on 20 May 2016 an agreement was reached concerning the lay-off of a maximum of 850 workers, some of whom can be relocated in the Unicaja Group. In order to minimize the impact of the restructuring process on the volume of employment, the agreement includes accompanying social measures which are summarised as follows:

a) More favourable severance compensation for older persons.
b) Voluntary adoption mechanisms as one of the selection criteria for staff affected by the lay-offs.
c) Geographical mobility under Article 40 of the Workers' Statute as an alternative to dismissal.
d) Transfers to positions in other Group companies.
e) Protection measures concerning financial aid for those affected.
f) Outplacement plan improving the requirements of current legislation to protect and promote outplacement or self-employment.

According to the labour agreement, the compensation for termination of contract may not be less than twenty days' salary per year of service up to a limit of twelve monthly payments, and may not exceed 200 thousand euros. At 31 March 2017 the impact resulting from this labour agreement has been fully provided for.

1.19. Flotation process

Within the takeover bid for Banco de Caja España de Inversiones, Salamanca y Soria, S.A., (currently EspañaDuero), Unicaja Banco stated its intention to apply for the admission to trading of the company's shares in the electronic trading system ("SIBE") and the Stock Exchanges of Madrid, Valencia, Barcelona and Bilbao.

This intention was included in section 6 of the Prospectus for the offer to exchange shares, mandatorily and contingently convertible bonds and contingently convertible perpetual bonds of Unicaja Banco, to be subscribed by holders of shares and mandatorily and contingently convertible bonds of España Duero, which was authorised by the National Securities Market Commission on 26 November 2013 and was included in the Term Sheet relating to España Duero's Restructuring Plan.

However, due to a combination of adverse circumstances that could have jeopardised the share flotation in 2016, the Spanish government applied for an extension to the initially agreed deadline. This authorisation for the deferral of the deadline for admission to trading of the shares has been obtained from the competent Spanish and European Community authorities. The Entity reported this extension to the CNMV by means of a "significant event" which was published on 27 January 2017.

Within this context, on 26 April 2017 the General Shareholders' Meeting of Unicaja Banco adopted the following resolutions concerning the Flotation:

- To request admission to trading on the Madrid, Barcelona, Bilbao and Valencia stock exchanges and inclusion in the Interconnection System (SIBE or continuous market) of all ordinary shares representing the Company's share capital and those shares which may be issued between the date of this agreement and the date of actual admission to trading, if appropriate. Also, to empower the Board of Directors to carry it out.

- Subject to and contingent on the prior approval of the agreement for requesting admission to trading of the Company's shares, to designate the company "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U." (Iberclear) and its members as the entities responsible for keeping the Company's accounting records. Also, grant the Board of Directors powers of formalisation.

- To complement the agreement to request admission to trading of the Company's shares and contingent on its prior approval, authorise a subscription offer of new shares in the Company for a nominal amount of 625,000,000 euros through the issue of 625,000,000 new shares with a par value of 1 euro each, which will be fully subscribed and paid in against monetary contributions, excluding the preferential subscription right and providing for incomplete subscription, in order to make the offer to qualifying investors, prior to the stock exchange trading of the Company's shares. In addition, to delegate to the Board of Directors the power to determine the other conditions concerning the increase in all matters not provided for in the agreement and execute the agreement and rewrite the Bylaws.

- Complementing the agreement to request admission to trading of the Company's shares and the agreement to increase capital through monetary contributions, described above, to carry out a capital increase for a nominal amount of 62,500,000 euros through the issue of 62,500,000 new shares with a par value on 1 euro each, which will be fully subscribed and paid in against monetary contributions, excluding the preferential subscription right and providing for incomplete subscription, in order to make the offer to qualifying investors, prior to the stock exchange trading of the Company's shares. In addition, to delegate to the Board of Directors the power to determine the other conditions concerning the increase in all matters not provided for in the agreement and execute the agreement and rewrite the Bylaws.

- To amend the Bylaws, making the full effectiveness of the Bylaw provisions which relate solely to the Company's nature as a listed company contingent to the date of official trading of the Company's shares and additionally, Articles 9.3, 18.1, 30.4 and 31.3, subject to administrative authorisation of the Bank of Spain.

- To approve the Regulations governing the Company's General Shareholders' Meeting which will come into effect once trading of the Company's shares commences.

2. Segment information

The Group is engaged mainly in the retail banking business. Virtually all its business is conducted in Spain and the directors consider that customer types are similar throughout its territorial area of influence. Consequently, in compliance with prevailing regulations, the information on the Group's business and geographical segments is not deemed to be relevant.

Set out below are details of the relative significance of the Unicaja Banco Group's operating segments at 31 March 2017 and 31 December 2016, for each of the segmentation types or parameters defined in paragraphs 32 to 34 of IFRS 8.

Sector information (products and services)

There follows a breakdown of the Unicaja Banco Group's consolidated balance sheet by sector at 31 March 2017 and 31 December 2016, including the same sector information reported to the Bank of Spain.

At 31 March 2017, the credit institutions sector accounted for 99.87% of consolidated total assets to date and 99.98% of consolidated net assets. For these purposes, in accordance with section 2 of Rule 70 of Bank of Spain Circular 4/2004, "Credit institutions sector" is included as the information relating to the consolidated group of credit institutions as defined in Rule 1 of the aforementioned Bank of Spain Circular 4/2004.

a) Consolidated balance sheet at 31 March 2017:

		Distribution (thousands of euros)			
ASSETS	**Total**	**Sector banks**	**Insurance companies**	**Other entities**	**Adjustments and eliminations**
Cash, cash balances at central banks and other demand deposits	1 703 571	1 703 599	-	26 928	(26 956)
Financial assets held for trading	59 468	59 468	-	-	-
Available for sale financial assets	3 576 080	3 580 788	-	500	(5 208)
Loans and receivables	33 369 383	33 423 561	-	75 873	(130 051)
Held to maturity investments	11 119 490	11 119 490	-	-	-
Hedging derivatives	545 846	545 846	-	-	-
Investments in subsidiaries, joint ventures and associates	284 044	507 232	-	12 655	(235 843)
Insurance or reinsurance assets	-	-	-	-	-
Tangible assets	1 422 379	1 308 781	-	116 059	(2 461)
Intangible assets	759	685	-	92	(18)
Tax assets	2 539 502	2 528 088	-	11 542	(128)
Other assets	627 293	607 520	-	65 807	(46 034)
Non-current assets and disposal groups held for sale	741 442	513 989	-	-	227 453
Total Assets	**55 989 257**	**55 899 047**	**-**	**309 456**	**(219 246)**

LIABILITIES AND EQUITY	Total	Sector banks	Insurance companies	Other entities	Adjustments and eliminations
		Distribution (thousands of euros)			
Financial liabilities held for trading	31 616	31 616	-	-	-
Financial liabilities measured at amortized cost	51 610 622	51 535 184	-	213 140	(137 702)
Hedging derivatives	34 084	22 488	-	11 595	1
Liabilities under insurance contracts	3 968	3 968	-	-	-
Provisions	677 571	675 411	-	2 317	(157)
Tax Liabilities	226 917	224 296	-	2 910	(289)
Other liabilities	255 020	257 170	-	8 598	(10 748)
Total Liabilities	**52 839 798**	**52 750 133**	**-**	**238 560**	**(148 895)**
Shareholders' funds	2 921 974	2 921 974	-	83 314	(83 314)
Accumulated other comprehensive income	24 312	24 312	-	(12 418)	12 418
Minority Interest (Non-controlling interest)	203 173	202 627	-	-	546
Total Equity	**3 149 459**	**3 148 913**	**-**	**70 896**	**(70 350)**
Total Liabilities and Equity	**55 989 257**	**55 899 047**	**-**	**309 456**	**(219 246)**

b) Consolidated balance sheet at 31 December 2016:

ASSETS	Total	Sector banks	Insurance companies	Other entities	Adjustments and eliminations
		Distribution (thousands of euros)			
Cash, cash balances at central banks and other demand deposits	861 711	863 512	-	23 175	(24 976)
Financial assets held for trading	78 330	78 330	-	-	-
Available for sale financial assets	5 403 336	5 408 025	-	512	(5 201)
Loans and receivables	31 642 958	31 701 719	-	80 271	(139 032)
Held to maturity investments	12 907 583	12 910 601	-	-	(3 018)
Hedging derivatives	606 362	606 362	-	-	-
Investments in subsidiaries, joint ventures and associates	294 099	534 933	-	12 655	(253 489)
Insurance or reinsurance assets	-	-	-	-	-
Tangible assets	1 437 840	1 315 334	-	124 967	(2 461)
Intangible assets	782	699	-	95	(12)
Tax assets	2 585 726	2 576 511	-	11 740	(2 525)
Other assets	659 851	644 360	-	61 963	(46 472)
Non-current assets and disposal groups held for sale	762 250	528 076	-	-	234 174
Total Assets	**57 240 828**	**57 168 462**	**-**	**315 378**	**(243 012)**

LIABILITIES AND EQUITY	Total	Distribution (thousands of euros) Sector banks	Insurance companies	Other entities	Adjustments and eliminations
Financial liabilities held for trading	50 820	50 820	-	-	-
Financial liabilities measured at amortized cost	52 729 470	52 672 642	-	217 325	(160 497)
Hedging derivatives	49 902	38 152	-	11 750	-
Liabilities under insurance contracts	3 992	3 992	-	-	-
Provisions	707 015	704 938	-	2 233	(156)
Tax Liabilities	239 107	236 478	-	2 916	(287)
Other liabilities	277 399	278 866	-	8 735	(10 202)
Total Liabilities	**54 057 705**	**53 985 888**	**-**	**242 959**	**(171 142)**
Shareholders' funds	2 918 429	2 918 429	-	62 687	(62 687)
Accumulated other comprehensive income	34 648	34 647	-	9 732	(9 731)
Minority Interest (Non-controlling interest)	230 046	229 498	-	-	548
Total Equity	**3 183 123**	**3 182 574**	**-**	**72 419**	**(71 870)**
Total Liabilities and Equity	**57 240 828**	**57 168 462**	**-**	**315 378**	**(243 012)**

Geographic area information

The Unicaja Banco Group operates in Spain; customer types are similar throughout the country. The Group therefore considers a single geographic segment for its operations, the information breakdown required by paragraph 33 of IFRS 8 not being applicable.

For illustrative purposes, the distribution of interest income by geographical area for the years ended 31 March 2017 and 2016 is as follows:

	Thousands of euros			
	Geographical distribution of interest income			
	Individual		Consolidated	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Domestic market	138 835	156 090	220 500	253 248
Export	-	-	-	-
European Union	-	-	-	-
OECD countries	-	-	-	-
Other countries	-	-	-	-
Total	**138 835**	**156 090**	**220 500**	**253 248**

Main customer information

The Unicaja Banco Group is engaged mainly in the retail banking business and has no customers accounting for over 10% of the Group's ordinary income; the Group thus considers that the information breakdown required by paragraph 34 of IFRS 8 is not applicable.

3. *Earnings per share for the Parent*

Basic earnings per share are calculated by dividing the net profit for the year attributable to the Bank by the weighted average number of outstanding shares for the year, excluding the average number of treasury shares held during the year.

Diluted earnings per share are determined in a similar manner to basic earnings per share, but the weighted average number of outstanding shares is adjusted to account for the potentially dilutive effect of stock options, warrants and convertible debt in force at the year end.

Set out below are Unicaja Banco Group's basic and diluted earnings per share for the financial years ended 31 March 2017 and 2016:

	31.03.2017	**31.03.2016**
Profit attributable to Parent Company (thousands of euros)	51 959	78 017
Adjustment: Finance costs of mandatory emissions convertible (in thousands of euros)	-	-
Adjusted Profit (thousands of euros)	51 959	78 017
On which: Continued Operations Profit (minority net)	51 959	78 017
On which: Discontinued Operations Profit (minority net)	-	-
Average number of ordinary shares outstanding reduced by the own (thousand)	922 802	922 802
Profit per share for continuous activities (euros)	0,056	0,085
Profit per share for discontinuous activities (euros)	-	-
Earnings per share (euros)	**0,056**	**0,085**

	31.03.2017	**31.03.2016**
Profit attributable to Parent Company (thousands of euros)	51 959	78 017
Adjustment: Finance costs of mandatory emissions convertible (in thousands of euros)	-	-
Adjusted Profit (thousands of euros)	51 959	78 017
On which: Continued Operations Profit (minority net)	51 959	78 017
On which: Discontinued Operations Profit (minority net)	-	-
Average number of ordinary shares outstanding reduced by the own (thousand)	922 802	922 802
Average number of shares from the conversion of Bonds (thousand)	41 523	41 523
Adjusted total average number of shares for calculation of diluted profit per share (thousand)	964 325	964 325
Diluted profit per share for continuous activities (euros)	0,054	0,081
Diluted profit per share for discontinuous activities (euros)	-	-
Diluted Earnings per share (euros)	**0,054**	**0,081**

As of 31 March 2017 and 31 December 2016, as a result of the acquisition process involving EspañaDuero described in Note 1.2, Unicaja Banco Group maintains instruments with a potentially diluting effect. Unicaja Banco Group has issued Perpetual Contingent Convertible Bonds (PeCoCos) that are recorded under the heading "Other equity instruments" and the discretional compensation is subject to compliance with a series of conditions (Note 12.2).

In accordance with IAS 33 "Earnings per share" the average number of shares and other outstanding instruments during 2016 and 2015 was used. Perpetual Contingent Convertible Bonds (PeCoCos) have only been taken into consideration with respect to diluted earnings.

4. Dividends paid and return on other equity instruments

Dividends paid by Unicaja Banco, S.A. during the years ended 31 March 2017 and 2016 are as follows:

						Thousands of euros
			31.03.2017			31.03.2016
	% of nominal amount	Euro per share	Amount	% of nominal amount	Euro per share	Amount
Ordinary shares	1,84	0,02	17 000	2,16%	0,02	19 000
Other shares (non-voting, redeemable, etc.)						
Total dividends paid			**17 000**			**19 000**
Dividends charged to profits			17 000			19 000
Dividends charged to reserves or share premium account	-	-	-	-	-	-
In-kind dividends	-	-	-	-	-	-

This calculation has been made taking into account the number of shares existing at the date on which the dividend was paid, without including dilutive convertible instruments.

On 24 March 2017, the Board of Directors of Unicaja Banco included the payment of dividends amounting to 17 million euros in the proposal for the distribution of 2016 profits (which was approved by the shareholders at the general meeting held on 26 April 2017 and paid on 10 May 2017). On 18 March 2016, the Board of Directors included the payment of a dividend amounting to 19 million euros in the proposal for the distribution of 2015 profits (which was approved by the shareholders at the general meeting held on 22 April 2016 and paid on 4 May 2016).

On 24 March 2017, the Board of Directors of Unicaja Banco, having verified that the prospectus conditions had been met, agreed to the payment of discretionary remuneration on the necessarily and contingently convertible bonds (NeCoCos) and the perpetual contingently convertible bonds (PeCoCos) issued by the Bank for a total gross amount of 6,850 thousand euros, for the period from 29 March 2016 to 28 March 2017, paid on 24 March 2017. Similarly, on 18 March 2016 the Board of Directors agreed to make payment of this discretionary remuneration for the same amount of 17,124 thousand euros, which was paid on 29 March 2016.

5. Goodwill of the Equity Method entities

At 31 March 2017 and 31 December 2016, the Bank recorded goodwill in equity method associates pending impairment in the amount of 31,940 thousand euros and 32,416 thousand euros, respectively. This goodwill was generated basically through a comparison with the net fair value of the assets, liabilities and contingent liabilities acquired by the Bank when it invested in the companies “Autopistas del Sol, Concesionaria España, S.A.” and “Hidralia, Gestión Integral de Aguas de Andalucía, S.A.”, through the company “Hidrocartera, S.L.” in the latter case. At 31 December 2014, the goodwill is recognized as part of the acquisition cost of the target companies in the consolidated balance sheet item “Equity investments - Associates”. The amount pending impairment derives from the profits expected by the Bank's directors from the target companies, based on the strength of their customer base and on their average income per customer.

During the three-month periods ended 31 March 2017 and 2016, the aforementioned goodwill was impaired in an amount of 477 thousand euros (Note 26).

The following table shows the dates of initial recognition and the initial gross amounts of the goodwill in associates, as well as cumulative impairment losses and the net amounts of goodwill at 31 March 2017 and 31 December 2016:

						Thousands of euros
			Accumulated loss provisions		**Net amount**	
	Initial amount	**Initial registration date**	**31.03.2017**	**31.12.2016**	**31.03.2017**	**31.12.2016**
Autopista del Sol, C.E.S.A.	34 833	Sep. 2005	(10 407)	(10 195)	24 426	24 638
Hidralia, G.I.A.A., S.A.	20 467	Jun. 2005	(12 954)	(12 689)	7 514	7 778
	55 300		**(23 361)**	**(22 884)**	**31 940**	**32 416**

As this goodwill relates to administrative concessions and licenses held by the target companies for a certain period of time, the Bank's directors consider that, barring other evidence of impairment, the recoverable value of the goodwill recognized decreases in proportion to the number of years remaining to the end of the administrative concession or license.

6. Breakdown of the Unicaja Bank Group

6.1 Subsidiaries

“Subsidiaries” are defined as companies over which the Parent has the capacity to exercise effective control; control is, in general but not exclusively, presumed to exist when the Parent owns directly or indirectly more than half of the voting power of the investee, or even if this percentage is lower or zero, when there are other circumstances or agreements that give the Confederation Control. In accordance with IAS 27, control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities. In accordance with the IFRS 10, is considered that an associate company is controlled if and only if it satisfies all of the following elements: (i) power over the investee, (ii) exposure, or rights, to variable yields from their involment with the associate company, and (iii) ability to use its power over the associate company to influence the amount of investor yields.

To 31 March 2017 are considered entities of the group, those subsidiaries of EspañaDuero take account of Unicaja Banco participation on that entity, is considered that there is control over them (see details in annex I).

The subsidiaries annual accounts are consolidated with those of the Entity using the full consolidation method, in accordance with the consolidation procedure described in IAS 27. Consequently, all significant balances deriving from transactions between the fully-consolidated companies have been eliminated during consolidation. Additionally, third-party interests in the:

- Group’s equity is presented in “Minority interests” in the consolidated balance sheet-
- Consolidated results for the year are presented in “Surplus attributed to minority interests” in the consolidated income statement.

Results generated by subsidiaries acquired by the Group during the year are consolidated taking into account only the amounts for the period running from the acquisition date to the year end. Additionally, results generated by subsidiaries sold during the year are consolidated taking into account only the amounts for the period running from the beginning of the year to the date of sale.

Appendix I provides relevant information on these entities.

6.2 Joint ventures (jointly-controlled entities)

“Joint ventures” are investments in entities that are not subsidiaries but are controlled jointly by two or more unrelated entities.

In accordance with IFRS 11 "Joint Arrangements" arise when a participant has the right to the results obtained or to the net assets of the company in which the interest is held and therefore uses the equity method to recognize its stake in the company. Jointly-controlled entities are classified as joint ventures in the consolidated financial statements and for the purposes of IFRS 11 they are measured using the "equity method".

Appendix II provides relevant information on these entities.

6.3 Associates

“Associates” are all the entities over which the Entity has significant influence but not control or joint control. Significant influence generally accompanies a direct or indirect shareholding of 20% or more of the voting rights.

At 31 March 2017 Group associates are considered to be entities in which at least 20% of the voting rights are held: Alestis Aerospace, S.L. and Deoleo, S.A.. The main reasons why the Group is considered to have significant influence over those companies are as follows:

- Regarding Alestis Aerospace, S.L., Unicaja Banco has an agreements with the shareholders dated in 18 of December of 2013, that allow it to form part of the Board of Directors, participle in the organization and operations of the governing bodies and participle in, or in some cases block, business decisions.

- As a result of its interest in Deoleo, S.A., Unicaja Banco Group is entitled to appoint a total of two Directors.

This consideration also applies to the Group’s subsidiaries related entities, which given the participation of Unicaja Banco in these subsidiaries, the Group is considered to have significant influence over them (see detail in Annex III).

In the consolidated financial statements, associates are consolidated using the equity method, as defined in prevailing legislation (IAS 28).

If as a result of losses incurred by an associate its equity is negative, in the consolidated balance sheet would appear of the Group with a nil value, unless the Group is required to provide financial support.

Appendix III provides relevant information on these entities.

6.4 Changes in the composition of the Group

During the three month period ended 31 March 2017 there were the following increases in the interest held in Group, and jointly- controlled entities and associates:

Company name	Category	Effective date of operation	Net amount paid on acquisition + other costs directly attributable to the combination	% voting rights acquired	% of total voting rights in the entity after acquisition
Parque Científico Tecnológico de Almería, S.L.	Associates	31//01/2017	660	0.17%	30.08%

In the three month period ended 31 March 2017 there were no changes in the classification between Group entities, jointly-controlled entities and associates:

During the three month period ended 31 March 2017 there were the following disposals due to business combinations or other sales or decreases in interests in subsidiaries, joint ventures and / or investments in associates:

Name of entity (or line of business) acquired or merged	Category	Effective date of operation	% of voting rights disposed of or derecognised	% of total voting rights in the entity after disposal	Profit (loss) generated
Tubos de Castilla y León S.A.U	Group	14/02/2017	69.38%	0.00%	-
Global Duero S.A	Joint venture	08/03/2017	34.69%	0.00%	-
A.I.E. Naviera Olimpia	Associates	31/01/2017	26.00%	0.00%	-

(*) Situation at 31 March 2017 as a result of the company's actual activity

These changes in the Group's composition have not had a material impact on the consolidated interim financial statements as of 31 March 2017.

7. Remuneration received by the Directors and senior management

The breakdown of the remuneration received and balances recognised with the members of the Board of Directors of Unicaja Banco and the remuneration received by the members of Senior Management of Unicaja Banco in the three month period ended 31 March 2017 and 2016 is as follows:

	Thousands of euros	
Administrators	**31.03.2017**	**31.03.2016**
Remuneration concept:		
Fixed remuneration	437	426
Variable remuneration	-	-
Subsistence allowance	90	79
Statutory appointments	-	-
Transactions in shares and / or other financial instruments	-	-
Others	-	-
Other benefits:		
Advance payments	-	-
Credits granted	-	-
Contributions to funds and pension plans	-	-
Obligations contracted by funds and pension plans	-	-
Life insurance premiums	-	-
Guarantees constituted in favor of the Directors	-	-

Executives	**Thousands of euros**	
	31.03.2017	**31.03.2016**
Total Remuneration	683	533

In the preparation of these consolidated summary interim financial statements, senior management personnel have been considered as senior management personnel.

8. Financial instruments

8.1 Breakdown of financial assets and liabilities by nature and category

The breakdown of the financial assets included in the Unicaja Banco and Unicaja Banco Group consolidated individual balance sheets, according to the nature and category of the assets, as of 31 March 2017 and 31 December 2016, is as follows:

	Thousands of euros				
	31.03.2017				
Financial Instruments	**Financial assets held for trading**	**Financial assets designated at fair value through profit or loss**	**Available for sale financial assets**	**Loans and receivables**	**Total**
Derivatives	16 883	-	-	-	16 883
Equity instruments	-	-	495 607	-	495 607
Debt securities	36 620	-	2 744 313	589 632	3 370 565
Loans and advances	-	-	-	19 383 776	19 383 776
Central Banks	-	-	-	-	-
Credit institutions	-	-	-	117 257	117 257
Customers	-	-	-	19 266 519	19 266 519
		-			
TOTAL INDIVIDUAL	**53 503**	**-**	**3 239 920**	**19 973 408**	**23 266 831**
Derivatives	22 848	-	-	-	22 848
Equity instruments	-	-	663 160	-	663 160
Debt securities	36 620	-	2 912 920	2 873 470	5 823 010
Loans and advances	-	-	-	30 495 913	30 495 913
Central Banks	-	-	-	-	-
Credit institutions	-	-	-	150 752	150 752
Customers	-	-	-	30 345 161	30 345 161
TOTAL CONSOLIDATED	**59 468**	**-**	**3 576 080**	**33 369 383**	**37 004 931**

					Thousands of euros
					31.12.2016
Financial Instruments	**Financial assets held for trading**	**Financial assets designated at fair value through profit or loss**	**Available for sale financial assets**	**Loans and receivables**	**Total**
Derivatives	15 843	-	-	-	15 843
Equity instruments	-	-	485 956	-	485 956
Debt securities	37 542	-	3 248 619	625 755	3 911 916
Loans and advances	-	-	-	19 476 348	19 476 348
Central Banks	-	-	-	-	-
Credit institutions	-	-	-	102 392	102 392
Customers	-	-	-	19 373 956	19 373 956
TOTAL INDIVIDUAL	**53 385**	- **-**	**3 734 575**	**20 102 103**	**23 890 063**
Derivatives	40 788	-	-	-	40 788
Equity instruments	-	-	649 237	-	649 237
Debt securities	37 542	-	4 754 099	786 499	5 578 140
Loans and advances	-	-	-	30 856 459	30 856 459
Central Banks	-	-	-	-	-
Credit institutions	-	-	-	170 219	170 219
Customers	-	-	-	30 686 240	30 686 240
TOTAL CONSOLIDATED	**78 330**	**-**	**5 403 336**	**31 642 958**	**37 124 624**

The breakdown of the financial liabilities included in Unicaja Banco's individual consolidated balance sheets and consolidated accounts of the Unicaja Bank Group, according to the nature and category of the same, as of 31 March 2017 and 31 December 2016 is as follows:

				Thousands of euros
				31.03.2017
Financial liabilities	**Financial liabilities held for trading**	**Financial liabilities designated at fair value through profit or loss**	**Financial liabilities at amortized cost**	**Total**
Derivatives	25 090	-	-	25 090
Short positions	-	-	-	-
Deposits	-	-	28 182 317	28 182 317
Central Banks	-	-	2 147 290	2 147 290
Credit institutions	-	-	1 061 683	1 061 683
Customers	-	-	24 973 344	24 973 344
Debt securities issued	-	-	200 038	200 038
Other financial liabilities	-	-	701 141	701 141
TOTAL INDIVIDUAL	**25 090**	**-**	**29 083 496**	**29 108 586**
Derivatives	31 616	-	-	31 616
Short positions	-	-	-	-
Deposits	-	-	49 915 870	49 915 870
Central Banks	-	-	3 340 420	3 340 420
Credit institutions	-	-	1 243 158	1 243 158
Customers	-	-	45 332 292	45 332 292
Debt securities issued	-	-	813 880	813 880
Other financial liabilities	-	-	880 872	880 872
TOTAL CONSOLIDATED	**31 616**	**-**	**51 610 622**	**51 642 238**

				Thousands of euros
				31.12.2016
Financial liabilities	**Financial liabilities held for trading**	**Financial liabilities designated at fair value through profit or loss**	**Financial liabilities at amortized cost**	**Total**
Derivatives	24 581	-	-	24 581
Short positions	-	-	-	-
Deposits	-	-	28 048 336	28 048 336
Central Banks	-	-	-	-
Credit institutions	-	-	1 637 478	1 637 478
Customers	-	-	26 410 858	26 410 858
Debt securities issued	-	-	199 845	199 845
Other financial liabilities	-	-	713 771	713 771
TOTAL INDIVIDUAL	**24 581**	**-**	**28 961 952**	**28 986 533**
Derivatives	50 820	-	-	50 820
Short positions	-	-	-	-
Deposits	-	-	50 996 133	50 996 133
Central Banks	-	-	-	-
Credit institutions	-	-	2 464 170	2 464 170
Customers	-	-	48 531 963	48 531 963
Debt securities issued	-	-	814 010	814 010
Other financial liabilities	-	-	919 327	919 327
TOTAL CONSOLIDATED	**50 820**	**-**	**52 729 470**	**52 780 290**

8.2 Financial assets held for trading

8.2.1 Breakdown of the balance and maximum credit risk – debtor balances

The following table contains a breakdown of the financial assets included in this category at 31 March 2017 and 31 December 2016, classified by type of counterparty and by type of instrument:

	Thousands of euros	
	31.03.2017	31.12.2016
By counterparty type -		
Credit institutions	6 278	5 927
Resident, public administrations	35 751	36 674
Non-resident, public administrations	-	-
Resident, other sectors	17 439	35 729
Non-resident, other sectors	-	-
	59 468	**78 330**
By instrument type -		
Listed shares	-	-
Listed bonds and debentures	36 620	37 542
Derivatives traded on organized markets	2 573	1 992
Derivatives not traded on organized markets	20 275	38 796
	59 468	**78 330**

The carrying amounts shown in the above table represent the credit risk exposure borne by the Group at each year end with respect to the financial instruments indicated.

The positive cash flow included in the consolidated statement of cash flows for the three-month period ended 31 March 2017 for the financial assets held for trading amounts to 18,862 thousand euros (positive flow of 11,862 thousand euros in the period ending on 31 March 2016).

8.2.2 Breakdown of the balance - creditor balances

The following table contains a breakdown of the financial liabilities included in this category at 31 March 2017 and 31 December 2016, classified by type of counterparty and by type of instrument:

	Thousands of euros	
	31.03.2017	**31.12.2016**
By counterparty type -		
Credit institutions	16 776	17 278
Other resident sectors	14 840	33 542
	31 616	**50 820**
By instrument type -		
Derivatives traded on organized markets	895	50 476
Derivatives not traded on organized markets	30 721	344
	31 616	**50 820**

The negative cash flow included in the consolidated statement of cash flows for the three-month period ended 31 March 2017 for the financial liabilities held for trading amounts to 19,204 thousand euros (negative flow of 65,346 thousand euros in the period ending on 31 March 2016).

8.2.3 Derivative financial instruments held for trading

Set out below is a breakdown by type of derivative of the fair value of the Group's derivatives held for trading and their notional value (on the basis of which future payments and collections are calculated) at 31 March 2017 and 31 December 2016:

Thousands of euros

	31.03.2017				31.12.2016			
	Debtor balances		Creditor balances		Debtor balances		Creditor balances	
	Fair Value	Notional Value	Fair Value	Notional Value	Fair Value	Notional Value	Fair Value	Notional Value
Un-matured currency purchases/sales:	**1 050**	**14 651**	**831**	**10 530**	**1 282**	**12 195**	**1 186**	**11 837**
Currencies purchased against euro	190	2 408	831	10 530	68	679	1 186	11 837
Currencies sold against euro	860	12 243	-	-	1 214	11 516	-	-
Equity and interest rate futures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Purchased	-	-	-	-	-	-	-	-
Sold	-	-	-	-	-	-	-	-
Equity options:	**6 207**	**920 574**	**16 918**	**2 960 899**	**5 619**	**778 514**	**16 421**	**2 888 911**
Purchased	2 944	916 853	3 263	7 081	2 336	771 433	3 299	4 246
Issued	3 263	3 721	13 655	2 953 818	3 283	7 081	13 122	2 884 665
Interest rate options	-	**243 970**	**-**	**222 640**	**-**	**283 971**	**-**	**261 036**
Purchased	-	243 970	-	-	-	283 971	-	-
Sold	-	-	-	222 640	-	-	-	261 036
Other equity transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equity swaps	-	-	-	-	-	-	-	-
Forward transactions	-	-	-	-	-	-	-	-
Currency options:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Purchased	-	-	-	-	-	-	-	-
Issued	-	-	-	-	-	-	-	-
Other currency options	**85**	**11 634**	**90**	**9 903**	**18 797**	**19 030**	**18 820**	**19 030**
Currency swaps	85	11 634	90	9 903	18 797	19 030	18 820	19 030
Other interest rate transactions	**15 506**	**76 463**	**13 777**	**321 677**	**15 090**	**77 075**	**14 393**	**322 290**
Interest rate swaps	15 506	76 463	13 777	321 677	15 090	77 075	14 393	322 290
Other products	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	22 848	**1 267 292**	**31 616**	**3 525 649**	**40 788**	**1 170 785**	**50 820**	**3 503 104**

The notional amount of the contracts concluded does not represent the actual risk assumed by the Group, since the net position in these financial instruments is obtained by offsetting and/or combining the relevant amounts.

Note 9 provides the methods applied by the Group to measure the financial instruments classified in this category.

8.3 Available-for-sale financial assets

8.3.1 Breakdown of the balance and maximum credit risk

The following table contains a breakdown of the financial assets included in this category at 31 March 2017 and 31 December 2016, classified by type of counterparty and by type of instrument:

	Thousands of euros	
	31.03.2017	**31.12.2016**
By counterparty type		
Credit institutions	131 585	149 623
Resident, public administrations	2 232 338	4 091 766
Non-resident, public administrations	146 812	150 056
Resident, other sectors	1 015 909	908 635
Non-resident, other sectors	65 194	119 663
	3 591 838	5 419 743
(Impairment losses) (*)	(19 912)	(78)
Other measurement adjustments	4 154	(16 329)
	3 576 080	**5 403 336**
By instrument type		
Debt securities:	2 912 920	4 754 099
Spanish government securities	2 010 108	3 865 482
Treasury bills	-	-
Government bonds and debentures	*2 010 108*	*3 865 482*
Other Spanish public administration	222 230	226 284
Foreign government securities	146 812	150 056
Issued by financial institutions	131 585	131 018
Other fixed-income securities	417 943	397 666
(Impairment losses) (*)	(19 912)	(78)
Other measurement adjustments	4 154	(16 329)
Other equity instruments:	663 160	649 237
Shares in listed Spanish companies	228 733	217 364
Shares in unlisted Spanish companies	254 516	258 100
Shares in listed foreign companies	127 717	93 467
Shares in unlisted foreign companies	-	-
Shares in investment funds	52 194	80 306
	3 576 080	**5 403 336**

(*) At 31 March 2017 and 31 December 2016 this amount relates to impairment losses recognized to cover credit risk.

The carrying amount shown in the table above represents the level of credit risk exposure of the Group at the end of those years in relation to financial instruments included.

The interest accrued during the periods of three months ended 31 March 2017 and 2016 for debt instruments classified as financial assets available for sale have been of 11,638 thousand euros and 28,633 thousand euros, respectively, are included in "Interest and yields assimilated "in the consolidated income statement (Note 16).

The positive cash flow included in the statement of consolidated cash flows for the three-month period ended 31 March 2017 for available-for-sale financial assets amounts to 1,827,256 thousand euros (negative flow of 311,063 thousand euros in Period ended 31 March 2016).

8.3.2 Credit risk coverage

In relation to impairment losses on equity instruments classified in the portfolio of available-for-sale financial assets, a net provision has been recorded over the three-month period ended 31 March 2017, not including Other movements or transfers, amounting to 5,007 thousand euros, recorded under "Impairment losses on financial assets (net)" in the accompanying consolidated summary of consolidated income statement (net recovery of 937 thousand euros in the period Three months ended 31 March 2016).

As regards the debt securities classified in the portfolio of available-for-sale financial assets, in the three-month period ended 31 March 2017, no provision or recovery was recorded under "Net impairment "in the accompanying consolidated income statement (net recovery of 1 thousand euros of impairment losses in the three-month period ended 31 March 2016).

8.4 Held-to-maturity investment portfolio

At 31 March of 2017 and 31 December of 2016 the heading "Held-to-maturity investment portfolio" mainly records Spanish public debt and guaranteed debt securities issued by credit institutions. As a result of the recent evolution of debt markets, as well as the Group's intention and financial capacity to maintain those investments to maturity, it decided to modify its investment strategy classifying assets that were initially classified under "Held-to-maturity Investment Portfolio" to that heading.

Below is a breakdown of the financial assets included in this category at 31 March 2017 and 31 December 2016, classified by type of counterparty and type of instrument:

	Thousands of euros	
	31.03.2017	**31.12.2016**
Credit institutions	133 881	181 454
Resident, public administrations	8 271 806	7 994 745
Non-resident, public administrations	1 520 042	1 268 289
Resident, other serctors	1 174 054	3 443 198
Non-resident, other sectors	19 707	19 897
	11 119 490	**12 907 583**
Spanish government securities	7 821 038	7 577 937
Treasury bills	-	-
Sovereign bonds	*7 821 038*	*7 577 937*
Other Spanish public administration	450 768	416 808
Foreign government securities	1 520 042	1 268 289
Issued by financial institutions	133 881	181 454
Other fixed-income securities	1 193 761	3 463 095
	11 119 490	**12 907 583**

The book value shown in the table above represents the level of credit risk exposure to the Bank at the end of those years in relation to financial instruments included therein.

Interest accrued during the periods of three months ended 31 March 2017 and 2016 on these securities totalled 36,885 thousand euros and 29,718 thousand euros, respectively and is included under the heading "Interest and similar charges" in the accompanying consolidated income statement (Note 16).

Positive cash flow included in the consolidated statement of cash flows for the three-month period ended 31 March 2017 for investments held to maturity amounts to 1,788,092 thousand euros (negative flow of 2,220,524 thousand euros in the period ended 31 March 2016).

8.5 Loans and receivables

The breakdown of loans and receivables at 31 March 2017 and 31 December 2016 is as follows:

	Thousands of euros	
	31.03.2017	**31.12.2016**
Debt securities issued	2 873 470	786 499
Deposits	30 495 913	30 856 459
Central Banks	-	-
Credit institutions	*150 752*	*170 219*
Customers	*30 345 161*	*30 686 240*
	33 369 383	**31 642 958**

8.5.1 Composition of the balance and maximum credit risk

The following table contains a breakdown of the financial assets included in this category at 31 March 2017 and 31 December 2016, classified by type of counterparty and by type of instrument:

	Thousands of euros	
	31.03.2017	**31.12.2016**
By counterparty type		
Credit institutions	328 904	357 193
Resident, public administrations	2 264 098	2 159 692
Non-resident, public administrations	-	-
Resident, other sectors	32 401 352	30 890 811
Non-resident, other sectors	308 947	279 570
	35 303 301	33 687 266
(Impairment losses)	(1 888 709)	(1 999 360)
Other measurement adjustments	(45 208)	(44 948)
	33 369 383	**31 642 958**
By instrument type		
Variable-rate credit lines and loans	27 396 000	28 073 971
Fixed-rate credit lines and loans	2 850 944	2 192 121
Debt securities	2 873 470	786 499
Securities acquired under repurchase agreements	1 867 398	2 077 611
Term deposits at credit institutions	80 364	73 202
Other deposits at credit institutions	-	-
Other financial assets	235 124	483 862
	35 303 300	33 687 266
(Impairment losses)	(1 888 709)	(1 999 360)
Other measurement adjustments	(45 208)	(44 948)
	33 369 383	**31 642 958**

The carrying amounts shown in the above table represent the credit risk exposure borne by the Group at each year end with respect to the financial instruments indicated.

The interests accrued during the periods of three months ended 31 March 2017 and 2016 for loans to customers have been 165,570 thousand euros and 193,135 thousand euros, respectively, and are included in "Interest and similar income" in the consolidated income statement (Note 16).

Negative cash flow included in the consolidated statement of cash flows for the three-month period ended 31 March 2017 for loans and receivables amounts to 1,726,425 thousand euros (positive flow of 2,056,018 thousand euros in the period ended 31 March 2016).

8.5.2 Past-due and impaired assets

Financial assets classified as loans and discounts and considered to be impaired because of credit risk at 31 March 2017 and 31 December 2016 amount to 3,031,620 thousand euros and 3,215,128 thousand euros, respectively.

Financial assets which are not considered to be impaired but which are partly overdue at 31 March 2017 and 31 December 2016 amount to 70,505 thousand euros and 80,629 thousand euros, respectively.

Set out below is a breakdown of financial assets classified as loans and receivables and considered to be impaired due to credit risk at 31 March 2017 and 2016, and items that are not considered to be impaired but include amounts that are past due at that date, classified by counterparty and by age:

Impaired assets at 31 March 2017

	Thousands of euros				
	Up to 180 days	**Between 180 and 270 days**	**Between 270 days and 1 year**	**Over 1 year**	**Total**
By counterparty type					
Resident, public administrations	1 135	2	8 228	3 079	12 444
Resident, other sectors	-	-	-	-	-
Non-resident, public administrations	1 160 191	101 518	88 830	1 607 903	2 958 442
Non-resident, other sectors	12 668	112	389	47 565	60 734
	1 173 994	**101 632**	**97 447**	**1 658 547**	**3 031 620**

Impaired assets at 31 December 2016

	Thousands of euros				
	Up to 180 days	**Between 180 and 270 days**	**Between 270 days and 1 year**	**Over 1 year**	**Total**
By counterparty type					
Resident, public administrations	2 543	90	-	7 023	9 656
Resident, other sectors	1 180 021	106 598	143 225	1 713 215	3 143 059
Non-resident, public administrations	-	-	-	-	-
Non-resident, other sectors	16 601	1 984	1 348	42 480	62 413
	1 199 165	**108 672**	**144 573**	**1 762 718**	**3 215 128**

Assets past-due balances not deemed to be impaired at 31 March de 2017

	Thousands of euros			
	Less than one month	Between 1 and 2 months	Between 2 months and 90 days	Total
By counterparty type				
Credit institutions	48	-	-	48
Resident, public administrations	773	39	4 466	5 278
Resident, other sectors	37 699	9 444	17 926	65 069
Non-resident, public administrations	-	-	-	-
Non-resident, other sectors	46	40	24	110
	38 566	**9 523**	**22 416**	**70 505**

Assets past-due balances not deemed to be impaired at 31 December de 2016

	Thousands of euros			
	Less than one month	Between 1 and 2 months	Between 2 months and 90 days	Total
By counterparty type				
Credit institutions	37	-	-	37
Resident, public administrations	703	53	4 865	5 621
Resident, other sectors	-	-	-	-
Non-resident, public administrations	39 562	8 150	27 115	74 827
Non-resident, other sectors	49	49	46	144
	40 351	**8 252**	**32 026**	**80 629**

8.5.3 Credit risk coverage

The movement of impairment losses recorded for credit risk coverage and the cumulative amount thereof during the three-month periods ended 31 March 2017 and 2016 of the instruments classified as credit investments are shown below.

	Thousands of euros	
	Period 31.03.2017	Period 31.03.2016
Opening balance	**1 999 360**	**2 344 570**
Charged to the income for the year	127 781	252 082
Recovered and credited to the surplus for the year	(87 862)	(180 371)
Other movements (*)	(150 570)	(99 098)
Balance at the end of the year	**1 888 709**	**2 317 183**
Of which:		
Determined individually	236 775	1 133 640
Determined collectively	1 651 934	1 183 543
	1 888 709	**2 317 183**

8.5.4 Refinancing operations, refinances and restructured

On 2 October 2012 the Bank of Spain issued Circular 6/2012 on the rules for reporting public and reserved information and standard financial statements, amending Circular 4/2004 which established the obligation to disclose certain information on refinanced and restructured operations.

Also, on 30 April 2013 the Bank of Spain sent a document setting out the criteria agreed by its Executive Committee on the preparation and approval of the refinancing and accounting classification policies applicable to the operations concerned. These criteria are considered by Unicaja Banco as a benchmark for correct compliance with Bank of Spain Circular 4/2004.

At 31 March 2017 and 31 December 2016, the detail of refinanced and restructured operations is as follows:

	Thousands of euros			
	31.03.2017		31.12.2016	
	Total	Of which: non-performing	Total	Of which: non-performing
Gross amount	**2 820 759**	**1 810 672**	**2 948 942**	**1 912 015**
Asset impairment adjustments	**1 001 225**	**784 934**	**1 036 957**	**816 832**
Of which: determined collective	799 084	582 793	855 696	635 571
Of which: determined individual	202 141	202 141	181 261	181 261
Net amount	**1 819 534**	**1 025 738**	**1 911 985**	**1 095 183**
Of which: granted to customers	1 819 534	1 025 738	1 911 985	1 095 183
Value of guarantees received	**1 782 635**	**1 072 873**	**1 839 901**	**1 105 627**
Of which: Real-estate security	1 782 635	1 072 873	1 839 901	1 105 627
Of which: other security	**-**	-	-	-

The reconciliation of the carrying amounts of refinanced and restructured operations at 31 March 2017 and 31 December 2016 is as follows:

	Thousands of euros	
	31.03.2017	31.12.2016
Opening balance	**1 911 985**	**3 190 253**
Refinancing and restructuring in the period	32 951	272 987
Debt repayment	(74 290)	(397 301)
Repossessions	(29 098)	(120 988)
Derecognised (reclassification to non-performing)	(45 168)	(218 146)
Other changes (*)	23 154	(814 820)
Balance at the end of the year	**1 819 534**	**1 911 985**

(*) Includes operations that are no longer classified as refinancing, refinanced or restructured as the cure requirements have been met (see criteria applied by the Group later in this Note).

The variations in funds for the period are also included in this amount.

At 31 March 2017, refinanced and restructured operations according to the criteria of Bank of Spain Circular 5/2014 were as follows:

	Thousands of euros 31.03.2017						
	Total						
	Secured				Unsecured		
			Maximum real-estate guarantee that may be considered				
	No. operations	Gross amount	Secured on real estate	Other	No. operations	Gross amount	Accumulated impairment or losses in fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
Public Administrations	32	98	98	-	184	29 966	(2 202)
Other financial companies and individual entrepreneurs (financial business activity)	3	266	262	-	4	20 231	(1 653)
Non-financial companies and individual entrepreneurs (non-financial business activity)	4 887	1 176 776	429 227	375 506	2 291	349 918	(627.473)
Of which: financing of construction and real-estate promotion (including land)	*975*	*496 954*	*179 240*	*116 462*	*122*	*46 056*	*(249 034)*
Other residential	15 126	1 218 018	888 900	42 632	3 142	25 486	(369 897)
	20 048	**2 395 158**	**1 318 487**	**418 138**	**5 621**	**425 601**	**(1 001 225)**
Additional information							
Financing classified as non-current assets and disposal groups of items classified as held for sale	-	-	-	-	-	-	-

	Thousands of euros 31.03.2017						
	Of which: Default incurred/ non-performing						
	Secured				Unsecured		
			Maximum real-estate guarantee that may be considered				
	No. operations	Gross amount	Secured on real estate	Other	No. operations	Gross amount	Accumulated impairment or losses in fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
Public Administrations	21	83	83	-	21	10 091	(1 999)
Other financial companies and individual entrepreneurs (financial business activity)	1	77	77	-	1	2 366	(1 649)
Non-financial companies and individual entrepreneurs (non-financial business activity)	3 033	788 559	261 477	233 568	699	180 113	(504 944)
Of which: financing of construction and real-estate promotion (including land)	*700*	*331 439*	*100 856*	*76 411*	*53*	*26 789*	*(199 605)*
Other residential	9 319	819 806	538 874	23 142	897	9 577	(276 342)
	12 374	**1 608 525**	**800 511**	**256 710**	**1 618**	**202 147**	**(784 934)**
Additional information							
Financing classified as non-current assets and disposal groups of items classified as held for sale	-	-	-	-	-	-	-

At 31 December 2016, refinanced and restructured operations according to the criteria of Bank of Spain Circular 5/2014 were as follows:

	Thousands of euros 31.12.2016						
	Total						
	Secured				Unsecured		
			Maximum real-estate guarantee that may be considered				
	No. operations	Gross amount	Secured on real estate	Other	No. operations	Gross amount	Accumulated impairment or losses in fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
Public Administrations	29	48	33	-	173	28 792	-
Other financial companies and individual entrepreneurs (financial business activity)	3	273	269	-	4	21 389	(4)
Non-financial companies and individual entrepreneurs (non-financial business activity)	4 959	1 232 775	450 429	396 477	2 331	400 853	(662 284)
Of which: financing of construction and real-estate promotion (including land)	*662*	*462 479*	*175 936*	*85 662*	*92*	*63 430*	*(227 512)*
Other residential	15 097	1 240 025	901 346	44 094	2 944	24 787	(374 669)
	20 088	**2 473 121**	**1 352 077**	**440 571**	**5 452**	**475 821**	**(1 036 957)**
Additional information							
Financing classified as non-current assets and disposal groups of items classified as held for sale	-	-	-	-	-	-	-

	Thousands of euros 31.12.2016						
	Of which: Default incurred/ non-performing						
	Secured				Unsecured		
			Maximum real-estate guarantee that may be considered				
	No. operations	Gross amount	Secured on real estate	Other	No. operations	Gross amount	Accumulated impairment or losses in fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
Public Administrations	16	32	32	-	139	8 446	-
Other financial companies and individual entrepreneurs (financial business activity)	1	79	79	-	1	2 283	-
Non-financial companies and individual entrepreneurs (non-financial business activity)	2 984	832 225	269 938	255 423	692	225 720	(537 083)
Of which: financing of construction and real-estate promotion (including land)	*475*	*268 094*	*89 890*	*63 824*	*30*	*34 587*	*(168 654)*
Other residential	9 180	833 974	543 095	24 744	718	9 256	(279 749)
	12 181	**1 666 310**	**813 144**	**280 167**	**1 550**	**245 705**	**(816 832)**
Additional information							
Financing classified as non-current assets and disposal groups of items classified as held for sale	-	-	-	-	-	-	-

Although control over refinanced risks has always formed part of the Unicaja Banco's prudential monitoring of the loan portfolio, the Bank has adapted its systems for managing, identifying and monitoring transactions involving credit exposure to the definitions contained in Bank of Spain Circular 6/2012, Specifically, the Bank has policies for refinancing, restructuring, renewing and renegotiating loans which detail the requirements, terms and situations in which a broad range of measures are available to help customers that are in financial difficulties.

In general terms, these renegotiated loans do not include changes to conditions deemed substantial, besides an increase in the term of loans, the inclusion or extension of grace periods, or the improvement of loan collateral, so that, for accounting purposes, this does not entail the write-off of the original assets or the recognition of new assets at fair value.

As regards the accounting treatment of renegotiated loans, the Group complies the provisions of paragraph AG84 of IAS 39 on changes in the conditions of the debt instruments because of financial difficulties of the borrower or debtor. According to the procedure laid down in Unicaja Banco Group, if the new operation cancels any doubtful risk, this new operation will always be born as doubtful, unless the criteria in IAS 39 are met.

The policies and procedures applied when managing exposures allow the itemized monitoring of loans. In this regard, any loan the terms of which must be modified due to the deterioration of borrower solvency already has the relevant impairment provision at the novation date. Consequently, as the transactions are correctly measured, no additional impairment provisioning requirements are applicable to the refinanced loans.

As regards the accounting treatment of interest, the Group does not recognize in the income statement interest accrued after loans are reclassified as doubtful. If outstanding interest is received as a result of a doubtful loans refinancing or restructuring, the interest is recognized as income in the income statement for the year.

Where the Bank is reasonably certain that the customer will comply with the payment schedule following the refinancing of a loan, the loan is classed as a performing loan. Various factors are considered, such as the contribution of new effective collateral. Consequently, in such cases, the need to hedge credit exposure on the loan might be reduced.

Negotiated or refinanced assets are classified according to their risk based on aspects such as determining the payment capacity of borrowers, the date of the guarantees provided assessment and, in addition, other factors such as waiting periods of operations or the number of times an operation has been restructured.

Following the initial classification, prudent cure criteria are applied so that subsequent developments may allow reclassification to performing loan status. These criteria are applicable where repayments have effectively been made on the loan refinanced, such that doubts are dissipated as to collection, taking into account both the amount repaid and the period in which the borrower has been meeting payment obligations.

8.5.5 Remote recovery financial assets

Set out below are movements during periods of three months ended 31 March 2016 and 2015 in the Entity's impaired financial assets that are not carried in the balance sheet consolidated since the probability of recovery is deemed to be remote, even though the Group has not discontinued actions to recover the amounts receivable:

	Thousands of euros	
	Period 31.03.2017	**Period 31.03.2016**
Opening Remote recovery financial assets balance	**2 114 885**	**2 391 303**
Additions-	**133 428**	**141 130**
Through impairment assets value adjustments (Note 10.3)	102 723	96 048
Through profit and loss	26 914	11 640
Uncollected expired products	3 791	33 442
Other	-	-
Recoveries-	**(156 419)**	**(21 883)**
Cash collections	(40 634)	(7 886)
Foreclosed assets	(38 420)	(15)
Write-offs sale	(50 220)	(11 623)
Other	(27 145)	(2 359)
Remote recovery financial assets balance at the end of de period	**2 091 894**	**2 510 550**

The recovery movement identified as "for other reasons" mainly includes operations that are no longer recorded as remote recovery assets, since any possibility of recovery by the Bank is denied.

8.6 Financial liabilities at amortized cost

A breakdown of this consolidated balance sheet heading at 31 March 2017 and 31 December 2016 is as follows:

	Thousands of euros	
	31.03.2017	**31.12.2016**
Deposits	49 915 870	50 996 133
Central Banks	*3 340 420*	-
Credit institutions	*1 243 158*	*2 464 170*
Customers	*45 332 292*	*48 531 963*
Debt securities issued	813 880	814 010
Other financial liabilities	880 872	919 327
	51 610 622	**52 729 470**

Negative cash flow included in the consolidated statement of cash flows for the three-month period ended 31 March 2017 for financial liabilities at amortized cost amounts to 1,118,848 thousand euros (negative flow of 465,378 thousand euros in the period Completed on 31 March 2016).

8.6.1 Deposits from Central Banks

A breakdown of this consolidated balance sheet heading at 31 March 2017 and 31 December 2016 is as follows:

	Thousands of euros	
	31.03.2017	**31.12.2016**
Central Bank of Spain	3 340 420	-
Valuation adjustments - Accrued interests	-	-
	3 340 420	**-**

At 31 March 2017, no interest has been accrued on deposits with central banks (573 thousand euros at 31 December 2016) which are recorded under "Interest expense" in the income statement consolidated balance sheet (Note 17).

8.6.2 Deposits from credit institutions

The composition of the balances of this heading in the consolidated condensed balance sheets at 31 March 2017 and 31 December 2016, taking into account the nature of the transactions, is as follows:

	Thousands of euros	
	31.03.2017	**31.12.2016**
Term deposits	351 900	358 951
Assets sold under repurchase agreements	669 707	1 882 480
Other accounts	220 622	225 975
Valuation adjustments	929	(3 236)
	1 243 158	**2 464 170**

Interest accrued on deposits with credit institutions during the three-month periods ended 31 March 2017 and 31 December 2016 amounts to 1,628 thousand euros and 1,580 thousand euros, respectively, which are recorded under "Interest and Assimilated charges "in the consolidated income statement (Note 17).

8.6.3 Deposits from customers

Set out below is a breakdown by nature of transactions and counterparty of the customers balances at 31 March 2017 and 31 December 2016:

	Thousands of euros	
	31.03.2017	**31.12.2016**
By nature		
Current accounts	10 582 574	10 292 059
Savings accounts	14 472 623	14 190 793
Fixed-term deposits	17 285 828	17 870 046
Assets sold under repurchase agreements	2 148 030	5 318 017
Other	46 705	39 080
Measurement adjustments:	796 532	821 968
Of which:		
Micro-hedging transactions	602 841	644 016
Interest accrued	317 902	303 361
Other adjustments	(124 211)	(125 409)
	45 332 292	**48 531 963**
By counterparty		
Resident public administrations	2 142 574	2 310 937
Non-Resident public administrations		-
Other resident sectors	42 110 671	45 108 250
Other non-resident sectors	282 515	290 808
Measurement adjustments	796 532	821 968
Of which:		
Micro-hedging transactions	602 841	644 016
Interest accrued	317 902	303 361
Other adjustments	(124 211)	(125 409)
	45 332 292	**48 531 963**

The Interest accrued on customer deposits during the three-month periods ended 31 March 2017 and 2016 amounted to 87,054 thousand euros and 130,432 thousand euros, respectively, which are recorded under "Interest and charges Assimilated "in the consolidated income statement (Note 17).

Fixed-term deposits include unique mortgage bonds issued in accordance with the provisions of Law 2/1981 (25 March), as detailed below:

			Thousands of euros	
Issue date	**Maturity date**	**Interest rate**	**Nominal 31.03.2017**	**Nominal 31.12.2016**
02/12/2003	02/12/2018	(a) 4.757%	16 258	16 258
02/12/2003	02/12/2018	(a) 4.757%	67 742	67 742
16/11/2004	16/11/2019	(a) 4.257%	53 659	53 659
16/11/2004	16/11/2019	(a) 4.257%	8 049	8 049
16/11/2004	16/11/2019	(a) 4.257%	52 317	52 317
24/11/2004	27/11/2019	(b) 4.125%	200 000	200 000
29/03/2005	29/03/2020	(a) 4.003%	58 333	58 333
29/03/2005	29/03/2020	(b) 4.003%	116 667	116 667
18/05/2005	21/05/2025	(a) 3.875%	200 000	200 000
15/06/2005	16/06/2017	(a)3.500%	150 000	150 000
15/06/2005	16/06/2017	3.500%	100 000	100 000
10/06/2005	13/06/2020	(b) 3.510%	150 000	150 000
28/06/2005	28/06/2025	(a) 3.754%	76 923	76 923
28/06/2005	28/06/2025	(a) 3.754%	205 128	205 128
16/11/2005	21/05/2025	(a) 3.875%	200 000	200 000
12/12/2005	12/12/2022	(a) 3.754%	51 852	51 852
12/12/2005	12/12/2022	(c) 3.754%	100 000	100 000
20/02/2006	20/02/2018	Euribor 3 months + 0.12%	90 000	90 000
22/03/2006	22/03/2021	(a) 4.005%	100 000	100 000
06/04/2006	08/04/2021	(a) 4.125%	200 000	200 000
25/05/2006	08/04/2021	4.125%	100 000	100 000
26/05/2006	24/05/2017	Euribor 3 months + 0.09%	100 000	100 000
12/06/2006	12/06/2018	(a) 4.255%	100 000	100 000
12/06/2006	12/06/2018	(a) 4.255%	100 000	100 000
19/10/2006	21/10/2018	(a) 4.000%	300 000	300 000
23/10/2006	24/05/2017	Euribor 3 months + 0.09%	100 000	100 000
23/10/2006	23/10/2023	(c) 4.254%	200 000	200 000
23/10/2006	23/10/2023	4.254%	100 000	100 000
23/11/2006	08/04/2031	4.250%	400 000	400 000
16/03/2007	16/03/2017	(a) 4.004%	-	200 000
23/03/2007	26/03/2027	(c) 4.250%	150 000	150 000
23/03/2007	08/04/2031	4.250%	100 000	100 000
20/04/2007	08/04/2021	(a) 4.125%	200 000	200 000
23/05/2007	22/05/2019	Euribor 3 months + 0.09%	200 000	200 000
23/05/2007	23/05/2027	(a) 4.755%	50 000	50 000
23/05/2007	23/05/2027	(a) 4.755%	100 000	100 000
23/05/2007	23/05/2027	(a) 4.755%	50 000	50 000
29/06/2007	08/04/2031	(a) 4.250%	400 000	400 000
20/07/2007	26/03/2027	4.250%	100 000	100 000
19/10/2007	19/10/2017	Euribor 3 months + 0.17%	250 000	250 000
19/10/2007	08/04/2021	4.125%	60 000	60 000
19/10/2007	26/03/2027	4.250%	110 000	110 000
19/10/2007	08/04/2031	4.250%	180 000	180 000
23/10/2007	19/10/2017	Euribor 3 months + 0.17%	200 000	200 000
05/12/2007	20/02/2018	Euribor 3 months + 0.13%	145 000	145 000
10/04/2008	10/04/2048	(a) 5.280%	22 000	22 000
26/12/2008	19/10/2017	Euribor 3 months + 0.19%	200 000	200 000
30/11/2009	30/11/2019	4.511%	154 000	154 000
			6 367 928	**6 567 928**

(a) The fixed interest rate borne by the Entity has been converted to a variable rate by contracting swaps on the nominal amount.
(b) Issue bearing interest divided into two tranches, commencing with a fixed rate of 2.891% to 8 July 2006; the rate then changes to the 3-month Euribor + 0.06%.
(c) The fixed rate supported by the Group has been made variable by financial swaps on the nominal amount. After that, these swaps were cancelled.

Similarly, term deposits include a subordinated deposit with the following characteristics:

		Euro	Thousands of euros			
Issue	**No securities**	**Unit nominal amount**	**31.03.2017**	**31.12.2016**	**Nominal interest**	**Maturity**
Contingent convertibles EspañaDuero	6 040	100 000	604 000	604 000	9,75%	Perpetual
Valuation adjustments - accrued interest			9 842	10 165		
			613 842	**614 165**		

8.6.4 Marketable debt securities

A breakdown of this consolidated balance sheet heading at 31 March 2017 and 31 December 2016 is as follows:

	Thousands of euros	
	31.03.2017	**31.12.2016**
Mortgage securities	1 200 000	1 200 000
Other non-convertible securities	-	700 000
Subordinated convertible debt	604 000	604 000
Own securities	(1 000 000)	(1 700 000)
Valuation adjustments – Accrued interests	9 880	10 010
	813 880	**814 010**

Interest accrued on debits represented by marketable securities during the three-month periods ended 31 March 2017 and 2016 amounts to 35 thousand euros and 6,308 thousand euros, respectively, which are recorded under "Interest and Assimilated charges "in the consolidated income statement (Note 17).

The detail and movement of issues, repurchases or repayments of debt securities, including convertible subordinated debt, made in the three-month period ended 31 March 2017, by the Parent Company itself and by other Group companies is as follows:

					Thousands of euros
	Balance at 01.01.2017	Issues	Repurchases/ repayments	Exchange rate and other adjustments	Balance at 31.03.2017
Debt securities issued in a state member of the European Union, which have required the registration of an informative brochure	814 010	-	-	(130)	813 880
Debt securities issued in a state member of the European Union, which have not required the registration of an informative brochure	-	-	-	-	-
Debt securities issued out of a state member of the European Union	-	-	-	-	-
TOTAL	**814 010**	**-**	**-**	**(130)**	**813 880**

There are no issues of debt instruments in the three-month period ended 31 March 2017 carried out by associates or joint-ventures using the equity method or by entities outside the Group that are not guaranteed by any Group entity.

The detail and movement of issues, repurchases or redemptions of debt securities, including convertible subordinated liabilities, carried out in 2016 by both the Parent Company and other Group companies are as follows:

					Thousands of euros
	Balance at 01.01.2016	Issues	Repurchases/ repayments	Exchange rate and other adjustments	Balance at 31.12.2016
Debt securities issued in a state member of the European Union, which have required the registration of an informative brochure	1 294 888	-	(459 216)	(21 662)	814 010
Debt securities issued in a state member of the European Union, which have not required the registration of an informative brochure	-	-	-	-	-
Debt securities issued out of a state member of the European Union	-	-	-	-	-
TOTAL	**1 294 888**	**-**	**(459 216)**	**(21 662)**	**814 010**

There are no issues of debt instruments in 2016 carried out by associates or joint ventures rated by the equity method or by entities outside the Group that are not guaranteed by any Group entity.

8.6.4.1 Mortgage securities

A detail of the mortgage bonds issued by the Unicaja Banco Group at 31 March 2017 and 31 December 2016 is as follows:

Issue	ISIN code	Issue date	Issue amount	Balance at 31/03/17	Balance at 31/12/16	Maturity date	Interest rate
8ª Issue Unicaja	ES0464872078	17/12/2009	70 000	70 000	70 000	17/12/2017	Euribor 6m + 0.69%
9ª Issue Unicaja	ES0464872086	17/12/2009	30 000	30 000	30 000	17/12/2021	Euribor 6m + 0.75%
2ª Issue Unicaja	ES0458759018	22/11/2010	70 000	70 000	70 000	22/11/2018	Euribor 6m + 2.00%
3ª Issue Unicaja	ES0458759026	22/11/2010	30 000	30 000	30 000	22/11/2022	Euribor 6m + 2.00%
Mortgage bond Caja España Nov. 2011-2	ES0458673045	17/11/2011	500 000	500 000	500 000	17/04/2017	5.5%
Mortgage bond . Caja España Nov. 2011-3	ES0458673052	17/11/2011	500 000	500 000	500 000	17/05/2019	6.00%
				1 200 000	**1 200 000**		

These issues are admitted to trading on the AIAF fixed income market and are guaranteed by mortgage on all those that at any time are recorded in favour of the issuer and are not affected by the issuance of mortgage bonds, or are mobilized through Mortgage participations or certificates of mortgage transfer, without prejudice to the universal patrimonial responsibility of the same.

8.6.4.2 Other non-convertible securities

"Other non-convertible securities" captures at 31 March 2017 and 31 December 2016, the outstanding amount of bonds, bonds and territorial bonds issued by the Unicaja Banco Group. On 27 March 2017, the only issue that had a balance as of 31 December 2016 was due in the form of territorial bonds. The detail of the issue is as follows:

			Thousands of euros				
Issue	**ISIN code**	**Issue date**	**Nominal amount**	**Balance at 31.03.2017**	**Balance at 31.12.2016**	**Interest rate**	**Maturity issue date**
Cédulas Territoriales Unicaja Banco 1ª Emisión	ES0480907007	27/03/2012	700 000	-	700 000	4.203%	27/03/2017
			700 000	**-**	**700 000**		

All these financial instruments are denominated in euros.

8.6.4.3 Subordinated liabilities

Set out below is a breakdown of the balances and main features of subordinated liabilities in the consolidated balance sheet at 31 March 2016 and 31 December 2015, consisting of the Group's issue of subordinated debt:

		Euros	Thousands of euros			
Issue	**No. of securities**	**Nominal Amount per unit**	**Balance at 31.03.2017**	**Balance at 31.12.2016**	**Nominal interest rate**	**Maturity**
Contingent convertibles EspañaDuero	6 040	100 000	604 000	604 000	9.75%	Perpetual
Accumulated other comprehensive income			9 842	10 165		
			613 842	**614 165**		

Issuing "Contingent Convertible Liabilities EspañaDuero" it is underwritten by the Fondo de Reestructuración Ordenada Bancaria (FROB), as a recapitalization instrument under Article 29.1.b) of Law 9/2012, which serves to secure the normal development activity and compliance with the financial obligations of EspañaDuero and maintenance of own resources of the entity.

All subordinated debt issues are located, for the purposes of payment priority, behind all general creditors of the Bank. Also, they are classified as eligible for the purposes of the solvency ratio, although at no time be classified as capital for amounts in excess of the percentages referred to the new European regulation Directive 2013/36/EU (CRD IV) and EU Regulation 575/2013 (CRR) which entered into force in 2014.

Interest accrued on subordinated debt during the period ended 31 March 2017 and 31 December 2016 amounted to 14,521 thousand euros and 13,909 thousand euros, respectively, which are recorded under "Interest expense" of the consolidated income statement (Note 17).

8.6.5 Other financial liabilities

This balance in the balance sheets at 31 March 2017 and 31 December 2016 breaks down as follows:

	Thousands of euros	
	31.03.2017	**31.12.2016**
Amounts payable (*)	108 543	133 886
Collection accounts	143 553	118 863
Special accounts	67 507	68 999
Financial guarantees	2 351	2 319
Bails receives	558 918	595 260
	880 872	**919 327**

The amount registered by the Entity as at 31 March 2017 and 31 December 2016 under the heading of guarantees received corresponds, principally, to guarantees in favour of the Entity deposited in other financial entities as a result of its operation in derivative coverage products.

8.7 Reclassifications of financial instruments

During the first quarter of 2017, the Group has not reclassified certain debt securities that it had classified in the portfolio of available-for-sale financial assets to the held-to-maturity portfolio, as the Group has the Willingness and financial capacity to hold them to maturity (Note 8.4).

9. Hedging derivatives

At 31 March 2017 and 31 December 2016, contracted derivatives designated as hedges and the items hedged consisted basically of:

- Interest rate swaps hedging mortgage bonds issued by Unicaja and third-party bonds acquired by the Group.

- Futures on listed equities hedging changes in the share price prior to the sale of the shares.

The valuation methods used to determine the fair values of OTC derivatives have been the discounted cash flow valuations of derivatives to interest rate and Montecarlo technical simulation method, used to measure structured products having an optional component. For those operations officially listed, it has been considered the share price as an indicator of fair value.

There follows a breakdown by product type of the fair values of receivables and payables relating to derivatives designated as hedging instruments in fair value hedges and cash flow hedges at 31 March 2017 and 31 December 2016, indicating hedge types, hedging instruments and hedged items.

Type and countable cover hedging instrument	31.03.2017 Debtor fair value	Creditor fair value	Notional	31.12.2016 Debtor fair value	Creditor fair value	Notional	Hedged item
						Thousands of euros	
Fair value hedges:	**-**	**-**	**-**	**-**	**-**	**-**	
Buy sell currencies against euros							
Sales of foreign exchange euros	**-**	**-**	**-**	**18 455**	**10 480**	**1 344 885**	Debt securities
Other operations in securities	-	-	-	18 455	10 480	1 344 885	
Financial swaps on securities	**-**	**1 918**	**499 617**	**18 135**	**9 781**	**2 015 542**	
Options on securities	-	1 918	499 617	18 135	9 781	2 015 542	
Forward transactions	**756**	**345**	**69 080**	**698**	**-**	**32 745**	
Currency options	-	-	-	-	-	32 745	
Purchased currency options	756	345	69 080	698	-	-	Hedge Exchange
Currency options issued	**541 054**	**4 576**	**3 220 105**	**565 914**	**1 439**	**3 049 059**	
Other operations on interest rates	540 957	1 896	2 677 433	565 103	743	2 857 133	
Financial interest rate swaps (IRS bonds)	-	-	-	390	-	5 300	Loan agreement and bonds issued
Financial interest rate swaps (IRS fixed term deposits)	-	-	-	-	-	-	
Financial interest rate swaps (IRS loan portfolio)	-	2 028	456 300	324	-	76 300	Cash flow of Credits
Financial interest rate swaps (IRS balances with central banks)	97	242	34 821	-	-	-	Balances with central banks
Financial interest rate swaps (IRS Fixed)	-	-	-	97	696	110 326	Debt securities
Financial interest rate swaps (IRS Client deposits)	-	410	51 551	-	-	-	Client deposits
Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	
Equity swap & embedded derivative	-	-	-	-	-	-	Structured products
Subtotal	**541 810**	**6 839**	**3 788 802**	**603 202**	**21 700**	**6 442 231**	
Cash flow hedges:							
Other operations on interest rates	**4 036**	**27 245**	**475 055**	**3 160**	**28 202**	**424 075**	
Financial interest rate swaps (IRS loan portfolio)	-	11 596	75 055	-	11 750	74 705	Cash flow of Credits
Financial interest rate swaps (IRS balances with central banks)	-	-	-	-	16 452	100 000	Balances with central banks
Financial interest rate swaps (IRS bonds)	4 036	15 649	400 000	3 160	-	250 000	Debt securities
Subtotal	**4 036**	**27 245**	**475 055**	**3 160**	**28 202**	**424 075**	
Total	**545 846**	**34 084**	**4 263 857**	**606 362**	**49 902**	**6 866 306**	

At 31 March 2017 and 31 December 2016, the Unicaja Banco Group does not record financial instruments that must be classed as hedges of net investments in foreign operations.

The Unicaja Banco Group only treats hedges deemed to be highly effective throughout the term of the hedge as “hedging transactions”. A hedge is deemed highly effective if, during the forecast hedge term, any changes in the fair value or cash flows attributed to the financial instruments hedged are almost entirely offset by changes in the fair value or cash flows, as applicable, of the hedging instruments.

Designated “cash flow hedges” cover changes in the cash flows attributed to a specific exposure to a financial asset or liability, or a highly probable forecast transaction, provided the consolidated income statement might be affected. Set out below is the information required by paragraph 23 of IFRS 7 in connection with these cash flow hedges:

- Periods in which the flows are expected to occur: flows related with debt securities will occur up 2030
- Periods in which the income statement is expected to be affected: Same periods in which the cash flows are expected to occur
- Amount recognized at 31 March 2017 under "Interest income" in the consolidated income statement as a correction of income from hedging operations: 1,198 thousand euros loss (1,172 thousand euros loss at 31 December March 2016).
- Amount recognized during the three-month period ended 31 March 2017 under "Interest expense" in the consolidated income statement as a rectification of hedging transactions: 30,210 thousand euros of profit (36,803 thousand euros of as of 31 March 2016).
- Cash flow hedge ineffectiveness recognized in results for the year: no Cash flow hedge ineffectiveness has been recognized at 31 March 2017 and 31 December 2016.

The net valuation gains and losses recorded in the statement recognized income and expenses at 31 March 2017 for cash flow hedges amounted to 600 thousand euros and the net loss on cash flow hedges at 31 March 2016 amounts to 6,814 thousand euros. In addition, at 31 March 2017, net income of 49 thousand euros was transferred to the consolidated income statement (net income of 277 thousand euros at 31 December 2016).

Designated "fair value hedges" cover exposure to changes in the fair value of financial assets and liabilities or of firm commitments not yet recognized, or of an identified portion of such assets, liabilities or firm commitments, attributable to a particular exposure, provided the consolidated income statement might be affected. Set out below is the information required by paragraph 24 of IFRS 7 in connection with these fair value hedges:

- Losses and gains on hedging instruments: See accompanying table showing a breakdown of losses and gains on hedging instruments in the three-month periods ended 31 March 2017 and 2016 amounted to 50,065 thousand euros and 44,210 thousand euros.
- Losses and gains on the hedged item attributable to the exposure hedged: See accompanying table showing a breakdown of losses and gains on hedged items that are actually attributable to the hedged exposure instruments in the three-month periods ended 31 March 2017 and 2016 amounted to 50,131 thousand euros and 44,274 thousand euros.
- Ineffectiveness of hedges of net investments in foreign operations recognized in results for the year: The Group has no hedges of this kind.

The notional amount of the contracts formalized does not represent the actual risk assumed by the Group in relation to such instruments.

The Group applies fair value hedge accounting basically to transactions in which it is exposed to changes in the fair value of certain assets and liabilities that are sensitive to interest rate fluctuations, i.e. assets and liabilities linked to a fixed interest rate, which is converted into a variable rate by means of the relevant hedges.

In the opinion of the Directors of the Parent Company as 31 March 2017 and 31 December 2016 there is no doubt about the occurrence of anticipated transactions.

10. Other assets and liabilities

10.1 Cash, cash balances at Central Banks and other demand deposits

An analysis of the balances in this balance sheet caption at 31 March 2017 and 31 December 2016 is as follows:

	Thousands of euros	
	31.03.2017	**31.12.2016**
Cash	266 104	323 291
Cash balances at Bank of Spain	1 242 754	338 422
Other demand deposits	194 709	199 994
Measurement adjustments – Accrued interests	4	4
	1 703 571	**861 711**

10.2 Non-current assets and disposal groups held for sale

Set out below is a breakdown of the item “Non-current assets and disposal groups held for sale”, which includes the carrying amount of assets that do not form part of the Group's operating activities and the carrying amount of which will foreseeably be recovered through the transfer price. These assets amount to 741,442 thousand euros at 31 March 2017 (762,250 thousand euros at 31 December 2016).

The Group has estimated the fair value of these assets based upon the value obtained in an updated valuation, in line with the content of OM/805/2003, by a valuers authorized by the Bank of Spain.

Set out below is a breakdown of non-current assets classified by purpose at the end of 31 March 2017 and 31 December 2016:

	Thousands of euros	
	31.03.2017	**31.12.2016**
Equity instruments	**227 453**	**234 174**
Residential assets	**320 546**	**324 727**
Finished Properties	**131 828**	**145 832**
Dwelling	46 122	52 383
Rest	85 706	93 449
Properties under construction	**20 925**	**15 519**
Dwelling	19 535	14 699
Rest	1 390	820
Land	**40 690**	**41 998**
	741 442	**762 250**

At 31 March 2017 and 2016 there are no gains or losses recorded in the statement recognized income and expense recognized by equity instruments classified as non-current assets held for sale.

During the three-month period ended 31 March 2017 and 2016 there have been no significant collections or payments in the consolidated statement of cash flows for non-current assets held for sale.

All assets recorded under "Non-current Assets Held for Sale" in the consolidated balance sheet have been received by the Bank or the other consolidated companies for the satisfaction of all or part of the payment obligations against They of their debtors.

Positive cash flow included in the consolidated statement of cash flows for the three-month period ended 31 March 2017 for non-current assets held for sale amounts to 81,672 thousand euros (negative flow of 4,141 thousand euros in the period ended 31 March 2016).

10.3 Tangible assets

The breakdown of this heading in the consolidated balance sheets at 31 March 2017 and 31 December 2016 is as follows:

	Thousands of euros	
	31.03.2017	**31.12.2016**
Tangible assets	994 454	1 010 450
For own use	994 454	1 010 450
Leased out under operating lease	-	-
Investment properties	427 925	427 390
	1 422 379	**1 437 840**

"Investment property" in the consolidated balance sheet includes the carrying amounts of land, buildings and other structures held for rental or to obtain a gain on the sale of the property as a result of future market price increases.

At 31 March 2017 and 31 December 2016, there are no items related to property, plant and equipment that the Group companies are acquiring under finance leases.

The Group has taken out several insurance policies to cover risks that are subject property, plant and equipment. The coverage of these policies is considered sufficient.

Positive cash flow included in the statement of consolidated cash flows for the three-month period ended 31 March 2017 for tangible assets amounts to 7,351 thousand euros (positive flow of 54,030 thousand euros in the period ended 31 March 2016).

10.4 Intangible assets

The breakdown of this heading in the consolidated balance sheets at 31 March 2017 and 31 December 2016 is as follows:

	Thousands of euros	
	31.03.2017	**31.12.2016**
Goodwill	184	184
Other intangible assets	575	598
	759	**782**

It is provided below the breakdown of the category "Goodwill" on 31 March 2017 and 31 December 2016, for each society that generates it:

	Thousands of euros	
	31.03.2017	**31.12.2016**
Unigest, S.G.I.I.C., S.A.	122	122
Caja España Mediación, Operador Banca-Seguros Vinculado, S.A.	62	62
	184	**184**

According to the estimates and projections available to the Group's Directors, the estimates of income attributable to the Group of these companies reasonably support the net value of the goodwill recorded.

The Group has taken out several insurance policies to cover risks that are subject property, plant and equipment. The coverage of these policies is considered sufficient.

The category “Other intangible assets” of the consolidated balance sheet basically records computer applications used by Unicaja Banco Group entities.

The amount recognized in the consolidated income statement "Amortization - intangible assets" amounts to 55 thousand euros in the three-month period ended 31 March 2017 (128 thousand euros in the three-month period Months ended 31 March 2016).

Positive cash flow included in the consolidated statement of cash flows for the three-month period ended 31 March 2017 for intangible assets amounts to 207 thousand euros (positive cash flow of 244 thousand euros in the period ended 31 March 2016).

10.5 Other assets

A breakdown of the balances in this consolidated balance sheet caption at 31 March 2017 and 31 December 2016 is set out below:

	Thousands of euros	
	31.03.2017	**31.12.2016**
Insurance contracts linked to pensions	138 690	138 198
Inventories	449 329	480 450
Other	39 274	41 203
	627 293	**659 851**

At 31 March 2017 and 31 December 2016, the consolidated balance sheet item “Other” relates basically to prepayments and accrued income.

The consolidated balance sheet item “Inventories” includes non-financial assets that are held for sale by the consolidated entities in the ordinary course of business, are being produced, built or developed for that purpose, or are expected to be consumed in the production process or in the provision of services. Consequently, land and other properties held for sale or for inclusion in a housing development, are treated as inventories.

Inventories are carried at the lower of cost, which includes all outlays to acquire and transform the inventories, direct or indirect costs incurred to bring them to their current condition and location, and directly attributable financial costs, provided more than one year must elapse before they are sold, and net realisable value. The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to be incurred to complete the production and sale of the inventories.

In accordance with paragraph 36 of IAS 2 “Inventories”, both decreases and, if applicable, subsequent recoveries of the net realisable value of inventories below their carrying amount are recognized in the consolidated income statement in the period in which they occur, in the item “Impairment losses on other assets (net) - Other assets”.

Impairment losses associated with "Inventories" are recorded under "Impairment or reversal of non-financial assets" in the consolidated income statement. At 31 March 2017 and 2016, the share of these losses corresponding to "Inventories" amounted to 2,897 thousand euros and 1,151 thousand euros, respectively (Note 26).

Set out below is a breakdown of inventory sales completed at 31 March 2017 and 31 December 2016 by the Unicaja Banco Group, stating the selling price, cost of sales, use of impairment provisions and other items:

	Thousands of euros	
	31.03.2017	**31.03.2016**
Sale price	47 705	29 768
Cost of sales	(68 907)	(43 088)
Using deteriorations	43 479	25 712
Commissions for sale	(646)	(594)
	21 631	**11 798**

As regards the appraisals of properties recognized in “Inventories”, in accordance with prevailing legislation on the use of appraised values, the Unicaja Banco Group's policy is based on the following criteria:

- In general, the appraisals used by the Bank and its Group, both for properties securing loans and for assets that are repossessed or received as payment for debts, must be performed by a valuation company authorized by the Bank of Spain and in accordance with the requirements of Order ECO/805/2003 (27 March).

- In general, the Bank requests appraisals when loans are being granted, furnishing the necessary documentation on all the assets securing the loan.

- The Unicaja Banco Group has a procedure for selecting valuation companies that restricts assignments to appraisals that are performed solely through electronic means by valuation companies with an internal code of conduct that complies with applicable legislation, among other requirements.

- With respect to the review of appraisal quality, the Unicaja Banco Group has procedures in place to review the appraisal report, particularly in relation to the determining factors; if there are doubts as to the appraised value and/or determining factors, it is compared with values recently obtained for properties that are similar and/or in the same zone. Internal controls are also in place to review the consistency and adequacy of the valuations performed by each valuers.

- In the professional relationships with valuation companies, in order to safeguard valuer independence and avoid conflicts of interest, the Group has put in place adequate mechanisms and barriers to preclude the possibility of their activities being influenced, for purposes unrelated to the assurance of valuation quality, by the Bank's operating units or subsidiaries.

- As regards of the frequency of appraisal reviews, that fulfil the requirements of Annex IX of Circular 4/2004 from Bank of Spain, and its amendments, specially arising from Circular 4/2016 from Bank of Spain depending on the location of the operation and the type of asset, the value of assets subject to mortgage, foreclosed assets and those received in payment of debts by the group.

- For appraisals that need not fulfil the requirements of Annex IX of Circular 4/2004, the Credit Committee is responsible for establishing a procedure that can combine both valuations performed under Order ECO 805/2003 without visiting the interior of the property and the estimation of the appraised value using statistical or other methods permitted by regulations.

Finally, at 31 March 2017 and 31 December 2016 the Unicaja Banco Group records no inventories in the consolidated balance sheet that are pledged to secure the settlement of debts.

10.6 Other liabilities

An analysis of the balance in this consolidated balance sheet caption at 31 March 2017 and 31 December 2016 is as follows:

	Thousands of euros	
	31.03.2017	**31.12.2016**
Accrued un-matured expenses	133 869	105 019
Operations in process	28 747	68 667
Other	92 404	103 713
	255 020	**277 399**

11. Changes in Group's assets and contingent liabilities

11.1 Contingent assets

During the three-month period ended 31 March 2017, there was no significant change in the contingent assets of the Unicaja Bank Group with respect to the situation shown in the Group's consolidated financial statements as of 31 December 2016.

11.2 Provisions and contingent liabilities

At the time of preparing these consolidated interim consolidated financial statements, the Bank's Directors make a distinction between:

- Provisions: Creditor balances that cover obligations present at the balance sheet date arising as a result of past events that may result in pecuniary losses for the Group, which are considered probable as to their occurrence; Specific as to their nature but indeterminate as to their amount and / or time of cancellation.

- Contingent liabilities: Possible obligations arising as a result of past events, the materialization of which is conditional on the occurrence, or not, of one or more future events independent of the will of the consolidated entities.

The consolidated summary financial statements of the Unicaja Group include all significant provisions in respect of which it is estimated that the probability of having to pay the obligation is greater than otherwise. Contingent liabilities are not recognized in the consolidated financial statements, but are reported in accordance with the requirements of IAS 37.

The provisions that are quantified taking into account the best information available on the consequences of the event in which they are brought and are re-estimated at each accounting closing date are used to meet the specific obligations for which they were originally recognized; And all or part thereof is reversed, when those obligations cease to exist or decrease.

11.2.1 Provisions

The breakdown of "Provisions" in the consolidated balance sheets at 31 March 2017 and 31 December 2016 is as follows:

	Thousands of euros	
	31.03.2017	**31.12.2016**
Pensions and other post-employment commitment	174 607	174 254
Other long-term staff retributions	144 480	152 103
Pensions and other obligations	109 148	115 975
Other provisions	249 336	264 683
	677 571	**707 015**

The movements during the three-month period ended 31 March 2017 and during the year ended 31 December 2016 are shown below and the purpose of the provisions recorded under these headings in the consolidated summary balance sheet as at 31 March 2017 and 31 December 2016:

					Thousands of euros
	Pensions and other post-employment commitment	**Other long-term staff retributions**	**Contingent liabilities and commitments**	**Other provisions**	**Total**
Balance at 1 January 2016	**178 978**	**133 111**	**106 251**	**329 624**	**747 964**
Provision charged to income:	3 051	8 675	45 179	199 598	256 503
Charge to provisions (*)	-	8 549	45 179	199 598	253 326
Interest costs (Note 33)	3 051	126	-	-	3 177
Recovery against income	-	(28 001)	(39 247)	(82 041)	(149 289)
Provisions used	(22 602)	(19 677)	-	(118 824)	(161 103)
Other movements(**)	14 827	57 995	3 792	(63 674)	12 940
Balance at 31 December 2016	**174 254**	**152 103**	**115 975**	**264 683**	**707 015**
Provision charged to income:	675	2 155	3 330	1 859	8 019
Charge to provisions (*)	-	2 079	3 330	1 859	7 268
Interest costs (Note 33)	675	76	-	-	751
Recovery against income	-	-	(12 010)	(481)	(12.491)
Provisions used	(322)	(9 778)		(19 981)	(30.081)
Other movements	-	-	1 853	3 256	5 109
Balance at 31 March 2017	**174 607**	**144 480**	**109 148**	**249 336**	**677 571**

The provisions recorded by the Group represent the best estimate of future liabilities. The Directors of the Bank consider that there is no significant risk that the realization of these estimates, taking into account the amount of these provisions, will entail a material adjustment to the carrying amount of the Group's assets and liabilities. The financial effect estimated in the calculation of provisions and the amount of the recovery of these provisions has not been significant during the three-month period ended 31 March 2017.

The Group quantifies provisions taking into account the best information available on the consequences of the event in which they are brought and is estimated at each accounting closure and used to meet the specific obligations for which they were originally recognized, when those obligations cease to exist or decrease, and all the provisions or part of them are reversed.

“Pensions and other post-employment defined benefit obligations "and" Other long-term staff retributions" corresponds to the amount of the commitments assumed by the Group with its employees.

"Contingent liabilities and commitments " includes the amount of provisions for contingent risk coverage, which are understood as those operations in which the Group guarantees obligations of a third party arising as a result of financial guarantees Granted or other type of contract, and contingent commitments, understood as irrevocable commitments that may give rise to the recognition of financial assets.

Finally, the subheading of "Other provisions" includes the balances as of 31 March 2017 and 31 December 2016, whose purpose is to hedge risks for contingencies not covered by other specific funds according to the following detail:

- Sundry risk coverage for which provisions have been established covering unresolved matters which the Company considers will probably give rise to an outflow of funds.

- Coverage of probable payments which the Group considers it will have to make as a result of its usual operations.

- Losses which have not yet crystallised but which will probably crystallise which result from the Group’s operations triggering contingencies which must be covered.

The balance of "Other provisions" in the consolidated balance sheet as of 31 March 2017 includes, among other things, hedges maintained by EspañaDuero to cover legal contingencies and contingencies associated with possible costs arising from legal claims With the subscription or acquisition of preference shares or subordinated bonds issued by Savings Banks that transferred their financial activity to EspañaDuero (amounting to 46,311 thousand euros at 31 March 2017 and 45,409 thousand euros at 31 December 2016) . The aforementioned provisions have been constituted based on the best possible estimate considering the information available on the lawsuits received and the judgments that have occurred so far. In general, the meaning of judgments is determined by the concurrent circumstances for each client in relation to the marketing process of the products in question and their personal circumstances (knowledge and investment experience in this type of products).

In order to establish, in each case, the most probable judicial sentence for those claims that have no judgment, or it is not yet final, the Administrators of EspañaDuero have taken into account the judgments already received and the legal opinion of the legal services of the Bank. Additionally, in the evaluation of this contingency, the Compensation Mechanism approved by FROB has been taken into account in the framework of Unicaja Banco's acquisition of EspañaDuero (Note 1.3). Under this mechanism, the negative effects of the procedures for claiming the necessary and contingent convertible bonds of EspañaDuero not accepting the Offer would be borne by the FROB to 71%, up to a maximum of 241 million euros net of the compensation that the FROB may receive.

In the opinion of the Group's managers, at year-end, the necessary hedges to cover the risks and contingencies that may arise from these processes are constituted.

The Group periodically reassesses the risks to which its activities are exposed on the basis of economic circumstances. Following the initial measurement and recognition of provisions, they are reviewed at each balance sheet date and adjusted, if applicable, to reflect best estimates at that time.

11.2.2 Contingent liabilities

Below is a breakdown of the main variations in the Group's contingent liabilities as of 31 March 2017, with respect to the situation shown in the Group's consolidated financial statements as of 31 December 2016.The aforementioned contingent liabilities at those dates, with no significant additional variation in the contingent liabilities of the Group with respect to the situation and information included in the Group's annual accounts at 31 December 2016:

11.2.2.1 Contingent exposures

Set out below is a breakdown of contingent exposures assumed by the Group at 31 March 2017 and 31 December 2016:

	Thousands of euros	
	31.03.2017	**31.12.2016**
Financial guarantees	82 868	90 078
Technical guarantees	950 010	968 044
Credit derivatives sold	-	-
Irrevocable documentary credits	8 302	6 083
Other commitments	1 910	1 572
	1 043 090	**1 065 777**

A significant portion of these guarantees will expire without any payment obligation for the entities and, therefore, the aggregate balance of these commitments cannot be considered as an actual future need for financing or liquidity to be provided by the Institution to third parties.

The proceeds from the guarantee instruments are recorded in the "Commissions Perceived" and "Interest income" captions (for the amount corresponding to the updating of commissions) in the consolidated income statements for the three-month period Finalized on 31 March 2017 and 2016, and are calculated by applying the rate established in the contract that brings cause to the nominal amount of the guarantee.

Provisions registered to cover these guarantees provided, which have been calculated applying similar principals used for impairment losses on financial assets valued at amortized cost, are recognized under the heading “Contingent liabilities and commitments” in the consolidated balance sheet (Note 11.2.1).

11.2.2.2 Drawable by third parties

At 31 March 2016 and At 31 December 2016 the limits on financing contracts granted and the amounts utilized, for which the Group has assumed any credit commitment above the amount recognized in assets in the balance sheet at those dates, are set out below:

	Thousands of euros			
	31.03.2017		31.12.2016	
	Available amount	**Granted limit**	**Available amount**	**Granted limit**
With immediate availability -	**1 955 031**	**2 939 819**	**2 151 558**	**2 906 070**
Credit institutions	537	563	536	563
Public entities	60 661	127 242	115 925	137 147
Other sectors	1 893 833	2 812 014	2 035 097	2 768 360
Available subject to conditions -	**522 275**	**1 672 165**	**353 507**	**1 827 243**
Public entities	32 402	153 504	32 862	144 484
Other sectors	489 873	1 518 661	320 645	1 682 759
	2 477 306	**4 611 984**	**2 505 065**	**4 733 313**

11.3 Assets assigned and accepted as collateral

At 31 March 2017 and 31 December 2016, assets owned by the Group guaranteed operations carried out by the Group, as well as various liabilities and contingent liabilities assumed by the Group. At both dates, the carrying amount of the Group's financial assets delivered as collateral for these liabilities and contingent liabilities and assimilated was as follows:

	Thousands of euros	
	31.03.2017	**31.12.2016**
Pledge of securities	7 488 265	5 740 549
Pledge of non-mortgage loans	-	493 357
	7 488 265	**6 233 906**

At 31 March 2017 and 31 December 2016, these amounts basically correspond to securities pledging and non-mortgage loans, through a policy of the Bank of Spain, as a pledge to obtain long-term financing.

As regards the pledge terms and conditions, the guarantees furnished by Unicaja Banco to the Bank of Spain will not be affected, and this is made extensive, by express, irrevocable agreement between the parties, to any automatic or express extensions, renewals or novations of any type that could affect the commitments secured, and will remain in force until the full cancellation of the commitments and of any commitments into which they may be novated or by which they may be replaced.

The Bank has not received any assets as collateral that it is authorized to sell or pledge, irrespective of whether or not there is any default on the part of the asset owner.

12. Capital, share Premium and other capital instruments

The breakdown and movements recorded under the heading “Equity” in the consolidated balance sheet during the years ended the 31 March 2017 and 31 December 2016 are presented in the accompanying consolidated statements of total changes in equity, together with an explanation of all movements that took place in this account during those years

12.1 Share capital and share premium

At 31 December 2015 the Bank's share capital totalled 881,288 thousand euros consisting of 881,288,000 ordinary shares with a par value of one euro each, fully subscribed and paid. Fundación Bancaria Unicaja held 90.8% of 31 December 2015 Bank’s share capital.

On June 30, 2016, Bank's Necessary and Contingently Convertible Bonds (Note 12.2) were converted into common shares, increasing Unicaja Bank's capital by 41,514 thousand euros, through the issuance of 41,514,299 new shares, with a total share premium of 7,816 thousand euros (0.1827 euros per share).

As a result from this increase, Bank’s share capital at 31 December 2016 amounts to 922,802 thousand euros consisting of 922,802,000 ordinary shares with a par value of one euro each, fully subscribed and paid. This way Fundación Bancaria Unicaja holds 86.7% of 31 December 2016 Bank’s share capital.

With respect to the share premium, as of 31 December 2015 amounted to 1,132,857 thousand euros. As a result of the conversion of Unicaja Banco's Necessary and Contingently Convertible Bonds, on 30 June 2016, the share premium was increased by 7,816 thousand euros. And so, share premium at 31 December 2016 amounts to 1,140,673 thousand euros.

12.2 Other equity instruments

The heading "Other equity instruments-Compound financial instruments" records the active balance for Mandatory and Contingent Convertible Bonds (NeCoCos) and Perpetual Contingent Convertible Bonds (PeCoCos) issued by Unicaja Banco at 31 March 2017 and 31 December 2016. Details of these issues at 31 March 2017 and 31 December 2016 are as follows:

			Euros	Thousands of euros			
Issues	ISIN Code	Number of securities issued	Nominal amount	31.03.2017	31.12.2016	Nominal interest rate	Expiration date
Bonos Perpetuos Contingentemente Convertibles (PeCoCos)	ES0280907009	49 275 058	49 275 058	49 259	49 263	13,8824%	Perpetuo
				49 259	**49 263**		

The NeCoCos and PeCoCos are bonds that are convertible into ordinary shares in Unicaja Banco with a par value of one euro each, respectively pertaining to a single class and series and represented by book entries. The conversion ratio for these bonds will be that resulting from the quotient of the unit face value of each of the bond issues and the value attributed to the ordinary shares in Unicaja Banco, which is established at 1.18827 euros per share, with the share premium considered to be the difference between the face value of the bonds being converted and the par value of the shares that are received in return. At 31 March 2017 and 31 December 2016 these issues are not listed for trading on any type of secondary market.

Both types of bonds grant their holders the right to discretional, predetermined and noncumulative compensation upon conversion into ordinary shares in Unicaja Banco, subject to certain conversion situations and the voting rights that derive from pertaining to the respective bond syndicates. The shares that will be obtained upon the conversion of those bonds will grant their holders the same rights as the shares in Unicaja Banco that are currently outstanding.

The accrual of the discretional compensation is subject to the four following conditions being met simultaneously: (i) the existence of distributable profits after covering the items established by Law and the bylaws of Unicaja Banco; (ii) the absence of limitations imposed by Spanish or European legislation regarding current or future equity that may be applicable; (iii) the Board of Directors of Unicaja Banco, at its sole discretion and based on the solvency situation of Unicaja Banco or Unicaja Banco Group, does not decide to declare no interest payment with the estimation that it is necessary to not make any such payments for an unlimited period, and in any event unpaid interest will not be cumulative; and (iv) the Bank of Spain has not required the cancellation of such payments based on the financial situation and solvency of Unicaja Banco or Unicaja Banco Group, in accordance with applicable law. In the event that part of the conditions established in paragraphs (i) through (iv) above are applicable, Unicaja Banco may proceed, at its sole discretion, to make partial payment of interest or to declare that no interest will be paid. If for any reason the interest is not paid in full or in part to the Bondholders on a payment date, they will not be entitled to claim that interest.

The perpetual contingently convertible bonds (PeCoCos). These bonds will necessarily be converted into shares in full in the events indicated below, and partially in the amount required to recover, if necessary, the imbalance in equity in the amount fixed by the competent authority in all other events:

- Total mandatory early conversion: The bonds will be converted into shares in the following cases: (i) if Unicaja Banco takes any measure aimed at its voluntary or involuntary dissolution and liquidation, or if it is declared to be insolvent, or (ii) if Unicaja Banco takes any measure resulting in the approval of a capital reduction in accordance with Article 320 et seq. of the Spanish Companies Act 2010 or Article 343 by reference to Article 418.3 of the Spanish Companies Act 2010.

- Contingency events: The bonds will be converted into shares if the quarterly capital ratios of the Unicaja Banco Group are below the limits indicated in the registration document relating to the issuance of these instruments.

- Viability events: The bonds will be converted into shares in the following cases: (i) if the Bank of Spain determines that the Entity would not be viable unless the instruments were converted or (ii) if the decision is taken to inject public capital or any other financial support measure without which the Entity would not be viable.

- Regulatory event: The bonds will be converted into shares in the following cases: (i) if, following the entry into force and application of the equity eligibility standards known as Basel III (CRD IV/ CRR) in 2014, the bonds cease to be eligible, at least, as additional tier 1 capital; (ii) if the bonds cease to be eligible as core capital; or (iii) if the bonds cease to be eligible as ordinary capital.

Given the above, the directors of the parent entity consider that these convertible instruments do not entail an unconditional contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities under conditions that are potentially unfavorable to the Group, and therefore they should be classified as equity instruments and recorded in full in equity under the heading "Equity instruments issued other than capital" on the consolidated balance sheet.

12.3 Own shares

At 31 March 2017, the Bank had no own shares. Likewise, during the three-month period ended 31 March 2017, there were no transactions with the Bank's own shares.

13. Non-controlling interests and income attributable to minority interests

A breakdown by consolidated company of the balances in the captions “Non-controlling interests” and “Income attributed to minority interests” in the consolidated balance sheet and income statement for 31 March 2017 and 31 December 2016 is as follows:

	Thousands of euros			
	31.03.2017		31.12.2016	
	Non-controlling interests	Income attributed to minority interests	Non-controlling interests	Income attributed to minority interests
Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (EspañaDuero)	202 627	(1 190)	229 438	(6 633)
Viajes Caja España, S.A.	-	-	(64)	-
Conexiones y Servicios, Duero, S.A.	(64)	(1)	61	(413)
Privándalus Inversiones I, SICAV, S.A.	-	-	-	-
Parque Industrial Humilladero, S.L.	610	(2)	611	(15)
	203 173	**(1 193)**	**230 046**	**(7 061)**

14. Reserve

The accompanying condensed consolidated statements of changes in equity include, inter alia, a reconciliation of the carrying amount at the beginning and end of the three-month period ended March 31, 2017 and 2016, "Net Equity - Own Funds Other Reserves" in the Consolidated balance sheets, which explains all movements in these headings over the aforementioned periods.

The breakdown of retained earnings and other reserves as of 31 March 2017 and 31 December 2016 is as follows:

	Thousands of euros	
	31.03.2017	31.12.2016
Retained earnings	714 323	535 674
Revaluation reserves	-	-
Other reserves	59 958	127 900
Retained earnings or losses from investments in subsidiaries, joint ventures and associates	*(301 470)*	*(234 954)*
Other	*361 428*	*362 854*
	774 281	**663 574**

"Retained earnings" includes the net amount of the accumulated profit or loss recognized in previous years through the income statement and which, in the distribution of the profits of the parent company or other Group companies, were allocated to equity. Therefore, it includes legal, statutory and voluntary reserves originating from profit distributions.

Other reserves includes reserves or accumulated losses relating to investments in equity method consolidated companies (joint ventures and associates), as well as other reserves not recognized under other equity headings.

The breakdown of these reserves by company is incorporated below.

14.1 Retained earnings

Set out below is a breakdown by consolidated entity of the balances recognized in "Equity - Reserves – Retained earnings" in the consolidated balance sheets at 31 March 2017 and 31 December 2016, corresponding to the parent and other group companies, relating to the part of that balance resulting from the consolidation process, disaggregated for globally integrated companies, is as follows:

	Thousands of euros	
	31.03.2017	**31.12.2016**
Unicaja Banco, S.A.	2 007 237	1 766 364
Banco de Caja España de Inversiones, Salamanca y Soria, S.A.	(369 123)	(368 646)
Unicorp Corporación Financiera, S.L.U.	2 624	2 624
Alteria Corporación Unicaja, S.L.U.	29 827	30 431
Inmobiliaria Acinipo, S.L.U. (*)	(108 223)	(105 895)
Gestión de Actividades y Servicios Empresariales, S.A.U.	3 647	3 078
Corporación Uninser, S.A.U.	-	-
Unimediterráneo de Inversiones, S.L.U.	4 423	4 423
Unicartera Gestión de Activos, S.L.U.	23 856	22 203
Andaluza de Tramitaciones y Gestiones, S.A.U.	8 707	6 596
Unicartera Internacional, S.L.U.	9 893	9 893
Unigest, S.G.I.I.C., S.A. (*)	(3 793)	(499)
Unicartera Renta, S.L.U.	16 713	16 751
Mijas Sol Resort, S.L.U. (*)	14 407	(7 187)
Gestión de Inmuebles Adquiridos, S.L.U. (*)	(871 436)	(815 364)
Desarrollos de Proyectos de Castilla y León, S.L.U. (*)	(50 200)	(35 615)
Grupo de Negocios Duero, S.A.U. (*)	(5 351)	15 409
Unicaja Gestión de Activos Inmobiliarios, S.A.U.	56 950	54 274
Pinares del Sur, S.L.U. (*)	(17 919)	(17 627)
Alqlunia Duero, S.L.	5 499	(11 359)
Unimediación, S.L.U.	(16 085)	4 298
Viproelco, S.A. (*)	(20 664)	(15 694)
Other entities (*)	(6 666)	(22 784)
	714 323	**535 674**

14.2 Accumulated reserves or losses on investments in jointly-controlled entities and associates

The breakdown by consolidated company of the balances under the heading “Equity - Other reserves - Accumulated reserves or losses on investments in jointly-controlled entities and associates” on the consolidated balance sheets at 31 March 2017 and 31 December 2016, with respect to the portion of said balance disclosed as part of the consolidation process, broken down for each company carried using the equity method, is as follows:

	Thousands of euros	
	31.03.2017	**31.12.2016**
Autopista del Sol Concesionaria Española, S A (*)	(43 062)	(41 113)
Autopista del Guadalmedina, Concesionaria Española, S A (*)	(10 536)	(9 096)
Unicorp Vida, Compañía de Seguros y Reaseguros, S A (*)	13 625	(7 796)
Sociedad Municipal de Aparcamientos y Servicios, S A	5 704	5 056
Banco Europeo de Finanzas, S A	7 904	7 900
Hidrocartera, S L	8 399	8 429
Hidralia, Gestión Integral de Aguas de Andalucía, S A (*)	(2 882)	(6 356)
Deoleo, S A (*)	(121 874)	(103 870)
Alestis Aerospace, S L (*)	(30 466)	(30 176)
Creación de Suelos e Infraestructuras, S L (*)	(6 094)	(6 009)
Caja España Vida, Compañía de Seguros y Reaseguros, S A (*)	-	-
Capredo Investments GMBH (*)	-	-
Cartera Perseidas, S L (*)	(90 114)	(18 440)
Espacio Medina, S L (*)	(15 694)	(15 752)
Globalduero, S A (*)	-	-
Ala ingeniería y Obras, S L (*)	(4 541)	(3 229)
Madrigal Participaciones, S A (*)	(28 307)	(17 108)
Muelle Uno-Puerto Málaga, S A (*)	(4 708)	(3 682)
Ingeniería e Integración Avanzadas, S A (Ingenia)	570	520
Inversiones Alaris S L	712	(8 506)
Other entities (*)	19 894	14 274
	(301 470)	**(234 954)**

(*)Negative balances represent accumulated losses.

14.3 Other

The breakdown by consolidated companies of the balances of the heading "Equity - Other reserves - Others" in the consolidated balance sheets at 31 March 2017 and 31 December 2016, broken down by group entities, is as follows:

	Thousands of euros	
	31.03.2017	**31.12.2016**
Banco de Caja España de Inversiones, Salamanca y Soria, S.A.	361 428	362 854
	361 428	**362 854**

15. Asset Securitization

At 31 March 2017, 31 December 2016, no transfers of financial assets through securization instruments have been made.

16. Interest income

Set out below is a breakdown of the origin of the most significant interest and similar income accrued by the Group at 31 March 2017 and 2016:

	Thousands of euros	
	31.03.2017	**31.03.2016**
Deposits with credit institutions	449	484
Money market operations through counterparties	-	(742)
Loans and advances to customers	158 359	184 979
Debt securities	50 611	60 868
Non-performing assets	4 889	5 376
Rectification of revenues arising from accounting hedges	1 150	729
Insurance contracts related to pensions and similar obligations	492	483
Other revenues	4 550	1 071
	220 500	**253 248**

The breakdown of the amounts recorded under "Interest income" in the Group's income statements for the three-month periods ended 31 March 2017 and 2016, Portfolio of financial instruments that have originated them:

	Thousands of euros	
	31.03.2017	**31.03.2016**
Financial liabilities at fair value through profit or loss	-	-
Financial assets held-for-trading	215	221
Available-for-sale financial assets (Note 8.3)	11 638	28 633
Held-to-maturity investment portfolio (Note 8.4)	36 885	29 718
Loans and receivables (Note 8.5)	165 570	193 135
Money market operations through counterparties	-	(742)
Rectification on income resulting from accounting hedge	1 150	729
Other income	5 042	1 554
	220 500	**253 248**

17. Interest expense

The breakdown of the balance of this caption in the consolidated income statements for 31 March 2017 and 2016 is as follows:

	Thousands of euros	
	31.03.2017	31.03.2016
Deposits from central banks (Note 8.6.1)	-	573
Deposits from credit institutions (Note 8.6.2)	1 628	1 580
Money market operations through counterparties	-	376
Deposits from customers (Note 8.6.3)	87 054	130 432
Debt securities issued (Note 8.6.4)	35	6 308
Subordinated liabilities (Note 8.6.4.3)	14 521	13 909
Rectification of costs arising from accounting hedges	(30 210)	(36 803)
Costs attributable to pension funds arranged	750	715
Other interests	1 714	1 342
	75 492	**118 432**

Set out below is a breakdown of the amounts recognized in "Interest expense and similar charges" in the consolidated income statements for 31 March 2017 and 2016, classified on the basis of the relevant financial instrument portfolio:

	Thousands of euros	
	31.03.2017	31.03.2016
Financial liabilities at amortized cost	103 238	153 178
Rectification of costs arising from accounting hedges	(30 210)	(36 803)
Other interests	2 464	2 057
	75 942	**118 432**

18. Dividend income

The breakdown of the balance of this caption in the consolidated income statements for 31 March 2017 and 2016 by portfolio and nature of the financial instruments is as follows:

	Thousands of euros	
	31.03.2017	31.03.2016
Equity instruments classified as:		
Financial assets held for trading	-	-
Available-for-sale financial assets	2 841	736
	2 841	**736**
Equity instruments having the nature of:		
Shares	2 841	736
Investments in Institutions of Collective Investment	-	-
	2 841	**736**

19. Equity-method consolidated entities income

A breakdown by company of this consolidated income statement caption for 31 March 2017 and 2016 is as follows:

	Thousands of euros	
	31.03.2017	31.03.2016
Autopista del Sol Concesionaria Española, S.A.	(319)	(1 707)
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.	3 960	7 210
Hidralia, Gestión Integral de Aguas de Andalucía, S.A.	263	292
Deoleo, S.A.	(314)	(619)
Sociedad Municipal de Aparcamientos y Servicios, S.A.	185	140
Ingeniería e Integración Avanzadas, S.A. (Ingenia)	12	40
Autopista del Guadalmedina, Concesionaria Española, S.A.	(511)	(572)
ADE Gestión Sodical S G E R, S.A.	-	5
ADE Capital Social S G E R, S.A.	-	(16)
Cartera Perseidas, S.L.	-	2
Gestión e Investigación de Activos, S.A.	43	60
Investigación y Desarrollo de Energías Renovables, S.L.	-	-
Aciturri Aeronáutica, S.L.	-	-
Other entities	268	(230)
	3 587	**4 605**

20. Fee and commission income

The amount of income from commissions accrued for the three-month period ended 31 March 2017 and 2016 is presented below, taking into account the main items for which they have appear, as well as the captions in the loss accounts and consolidated earnings of those periods in which they have been accounted for:

	Thousands of euros	
	31.03.2017	31.03.2016
Interest and similar revenues		
Origination fees	6 919	5 636
	6 919	**5 636**
Fees received		
Fees relating to contingent risks	1 495	1 932
Fees relating to contingent commitments	640	713
Fees relating to collection and payment services	31 652	27 395
Fees relating to investment and complementary activities	9 848	9 534
Fees relating to foreign currency and note exchange	79	112
Fees relating to marketing of non-bank financial products	12 733	15 241
Other	1 605	6 054
	58 052	**60 981**
Other operating income		
Compensatory fees of direct costs (Note 23)	753	718
	753	**718**

21. Fee and commission expense

Below is the amount of commissions expense accrued for the three-month periods ended 31 March 2017 and 2016, classified according to the main items from which they originated, as well as to the captions in the loss accounts and consolidated earnings of those years in which they have been accounted for:

	Thousands of euros	
	31.03.2017	31.03.2016
Fee expense		
Commissions paid to intermediaries	187	270
Other commissions	191	96
	378	**366**
Commission expense		
Debit and credit operations	171	125
Commissions ceded to other Banks and correspondent banks	2 346	2 538
Commission expense on securities transactions	639	347
Other commissions	2 332	4 877
	5 488	**7 887**

22. Gains and losses on financial operations

The breakdown of the balance of this caption in the consolidated income statements for the three-month periods ended 31 March 2017 and 2016, based on the portfolios of financial instruments that originate them, is as follows:

	Thousands of euros	
	31.03.2017	31.03.2016
Financial assets held for trading	(1 029)	1 571
Available-for-sale financial assets	45 997	38 439
Equity instruments	*1 287*	*(257)*
Debt	*44 710*	*38 696*
Loans and receivables	-	-
Held-to-maturity investments	-	-
Financial liabilities at amortized cost	-	-
Hedging derivatives	66	64
	45 034	**40 074**

23. Other operating income

The breakdown of the balance of this caption in the consolidated income statements for 31 March 2017 and 2016 is as follows:

	Thousands of euros	
	31.03.2017	31.03.2016
Income from property investments	3 904	3 361
Commissions offsetting direct costs (Note 20)	753	718
Sales and income from non-financial services	10 172	7 054
Other	31 048	110 845
	45 877	**121 978**

24. Other operating expense

The breakdown of the balance of this caption in the consolidated income statements for 31 March 2017 and 2016 is as follows:

	Thousands of euros	
	31.03.2017	31.03.2016
Expense from property investments	465	224
Other	14 217	9 818
	14 682	**10 042**

"Other" includes the cost of sales for the provision of services that constitute the typical activity of the consolidated non-financial corporations integrated in the Group.

25. Administrative expenses

25.1 Staff costs

The breakdown of "Personnel expenses" in the consolidated income statements for the three-month periods ended 31 March 2017 and 2016 is as follows:

	Thousands of euros	
	31.03.2017	31.03.2016
Wages and salaries	75 481	80 632
Social security costs	19 444	22 436
Appropriations to defined benefit pension plans	53	77
Appropriations to defined contribution pension plans	2 833	2 506
Compensations	110	1 029
Staff training expenses	403	310
Other staff costs	3 020	295
	101 344	**107 285**

Below is a breakdown of the average workforce of the Parent and the Group as 31 March 2017 and 31 December 2016:

	Unicaja Banco		Unicaja Banco Group	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
Men	2 214	2 272	3 903	4 123
Women	1 751	1 743	3 450	3 437
	3 965	**4 015**	**7 353**	**7 560**

Next, the detail of the number of offices of the Network of the Unicaja Group Bank as of 31 March 2017 and 31 December 2016 is presented:

	Unicaja Banco Group	
	31.03.2017	31.12.2016
Total number of branches	**1 259**	**1 280**
Spain	1 258	1 279
Abroad	1	1

25.2 Other administrative expenses

The breakdown of the balance of this caption in the consolidated income statements for the three-month period ended 31 March 2017 and 2016 is as follows:

	Thousands of euros	
	31.03.2017	**31.03.2016**
Buildings and facilities	7 334	7 263
Rent	2 395	2 204
Information technologies	6 530	6 838
Communications	5 600	5 559
Advertising	3 375	2 939
Legal costs	627	984
Technical reports	2 036	2 650
Security services	2 222	2 271
Insurance premiums	390	391
Governing bodies	887	1 332
Representation costs	1 006	1 348
Association charges	1 436	1 129
Outsourcing	8	438
Taxes	8 118	8 569
Other items	5 043	2 379
	47 007	**46 294**

26. Gains (losses) on derecognition of non-financial assets and subsidiaries

The breakdown of these captions in the consolidated income statements as of 31 March 2017 and 2016 is as follows:

	Thousands of euros	
	31.03.2017	**31.03.2016**
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	**(460)**	**-**
Impairment or reversal of impairment on non-financial assets	**(12 033)**	**(8 761)**
Goodwill (Note 5)	(477)	(477)
Other assets	(11 556)	(8 284)
	12 493	**8 761**

At 31 March 2017, the net impairment losses included in "Impairment or reversal of investments in joint ventures" are mainly due to impairment of the interest in the multi-group entity Cartera Perseidas, S.L.

The breakdown of "Impairment losses - Other assets" in the table above as of 31 March 2017 and as of 31 March 2016 is as follows:

	Thousands of euros	
	31.03.2017	31.03.2016
Impairment losses of tangible assets (Net)	7 437	774
Impairment losses on investment property (Net)	-	-
Impairment losses on inventories (Net)	2 897	6 151
Impairment losses on other assets (Net)	1 222	1 359
	11 556	**8 284**

Impairment losses include the amounts provided by the Group for the impairment of assets of companies in which the Group is mainly engaged in activities related to the real estate business.

27. Gains (losses) on derecognition of non-financial assets and subsidiaries

The breakdown of the balance of these captions in the consolidated income statements for the three-month periods ended 31 March 2017 and 2016 is as follows:

	Thousands of euros			
	31.03.2017		31.03.2016	
	Gains	Losses	Gains	Losses
On disposal of tangible assets	384	(159)	418	(210)
On disposal of investments	19	(11)	9	-
Other items	26	-	2	(5)
	429	**(170)**	**429**	**(215)**

28. Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

The breakdown of the balance of these captions in the consolidated income statements for the three-month periods ended 31 March 2017 and 2016 is as follows:

	Thousands of euros			
	31.03.2017		31.03.2016	
	Gains	Losses	Gains	Losses
Sales of tangible assets	5 694	(4 953)	5 141	(4 365)
Other items	-	(9 074)	-	(4 415)
	5 694	**(14 027)**	**5 141**	**(8 780)**

29. Tax situation

29.1 Consolidated tax group

The Bank forms part of the Tax Consolidation Group number 660/10, which is the dominant entity of the Unicaja Banking Foundation, which is subject to Corporate Income Tax under the Special Tax Consolidation Regime, regulated in Chapter VI of Title VII of Law 27 / 2014, of November 27, on Corporate Income Tax (hereinafter LIS).

This Fiscal Group includes, as dominated companies, subsidiaries of Unicaja Banco S.A.U., which, together with Fundación Bancaria Unicaja (dominant of the Group), form the consolidated Fiscal Group at 31 March 2017, which would consist of the following entities:

- Fundación Bancaria Unicaja
- Unicaja Banco, S.A.
- Inmobiliaria Acinipo, S.L.U.
- Unigest, S.G.I.I.C., S.A.
- Gestión de Actividades y Servicios Empresariales, S.A.U.
- Andaluza de Tramitaciones y Gestiones, S.A.U.
- Alteria Corporación Unicaja, S.L.U.
- Unimediterráneo de Inversiones, S.L.U.
- Analistas Económicos de Andalucía, S.L.U.
- Unicorp Patrimonio, Sociedad de Valores, S.A.U.
- Mijas Sol Resort, S.L.U.
- Unicartera Caja 2, S.L.U.
- Inmobiliaria Uniex Sur, S.A.U.
- Unicartera Gestión de Activos, S.L.U.
- Unicartera Internacional, S.L.U.
- Unimediación, S.L.U.
- Unicartera Renta, S.L.U.
- Gestión de Inmuebles Adquiridos, S.L.U.
- Segurándalus Mediación, Correduría de Seguros, S.A.U.
- Parque Industrial Humilladero, S.L.
- Altos de Jontoya Residencial para Mayores, S.L.U.
- Unicaja Gestión de Activos Inmobiliarios, S.A.U.
- Cartera de Inversiones Agroalimentarias, S.L.U.
- Uniwindet, S.L.
- Baloncesto Málaga, S.A.D.
- La Algara Sociedad de Gestión, S.L.
- Uniwindet Parque Eólico Tres Villas, S.L.
- Uniwindet Parque Eólico Las Lomillas, S.L.
- Uniwindet Parque Eólico Loma de Ayala, S.L.
- Uniwindet Parque Eólico Los Jarales, S.L.
- Pinares del Sur, S.L.U.
- PropCo Rosaleda, S.L.U.

During fiscal year 2016, the companies "Pinares del Sur, S.L.U.” and "PropCo Rosaleda, S.L.U.". On the other hand, in 2016, the companies "Unicorp Corporación Financiera, S.L.U.” and "Corporación Uninser, S.A.U." were absorbed by "Alteria Corporación Unicaja, S.L.U.", with 2016 being the last year in which they were included in the tax group.

29.2 Reconciliation of the accounting and tax results

The following is a reconciliation between the income tax expense resulting from the application of the general tax rate in force in Spain and the expense recorded by the aforementioned tax at 31 March 2017, as well as the comparative data for 2016:

	Thousands of euros	
	31.03.2017	31.03.2016
Profit before tax	74 117	103 211
Income tax (tax rate of 30%)	22 235	30 963
Due to eliminations in the consolidation process.		
Positive permanent differences	1 131	2 231
Negative permanent differences	-	(3 509)
Deductions and allowances	(15)	(15)
Income tax expense or income from continuing activities	**23 351**	**29 670**

29.3 Tax assets and liabilities

The breakdown of the balance of these headings in the consolidated balance sheets at 31 March 2017 and 31 December 2016 is as follows:

	Thousands of euros			
	Tax assets		Tax liabilities	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
Current	20 768	51 089	11 018	13 578
Deferred	2 518 734	2 534 637	215 899	225 529
	2 539 502	**2 585 726**	**226 917**	**239 107**

In this regard, the Directors of the Bank consider that the deferred tax assets recorded will be realized in the coming years, as the tax group to which it belongs obtains tax revenues, as it is presumed to occur in coming years. In this regard, the Directors consider that the Bank and its tax group will obtain taxable profits in the coming years that allow them to be recovered within the periods established by the tax regulations for offsetting negative tax bases and applying deductions.

The entry into force of Royal Decree-Law 14/2013 of 29 November on urgent measures for the adaptation of Spanish law to European Union legislation on the supervision and solvency of financial institutions basically means that certain fiscal assets Deferred charges recorded in the accompanying balance sheet may, under certain conditions, be converted into receivables from the Tax Administration. This rule is pending regulatory development and, where appropriate, administrative interpretation.

However, in this regard, it should be noted that the Group to which the Bank belongs has made an initial estimate of the amount of deferred tax assets that may be converted into a demandable credit vis-à-vis the Tax Administration and which are therefore guaranteed by The Spanish authorities, resulting in an amount of 1,465,966 thousand euros at 31 March 2017 (1,472,655 thousand euros at 31 December 2016).

29.4 Information on the procedure for the state aid recovery declared by the European Commission in relation to the “tax lease system” for the shipbuilding financing.

On 30 October 2013, the Bank received formal notification from European Commission's Directorate General for Competition informing Unicaja Banco of the definitive Decision adopted on 17 July 2013 on the tax regime applicable to certain finance lease agreements, also known as the Spanish tax lease system, classifying the system as "state aid” and urging Spain to take steps to recover the aid from the beneficiaries, which include Unicaja Banco.

The Bank has filed an appeal against this Decision, together with Spain and other institutions affected, at the European Court of Justice, which is pending a ruling.

State Tax Administration Agency has already initiated procedures for the recovery of that State aid with inspection reports to structured, and the refund amount of State aid corresponds to the provisioned by the Bank.

The General Court of the European Union, Judgment of 17 December 2015, annulled the decision of the European Commission on the consideration of "State aid" to the Spanish Tax Lease tax regime for ship financing. This judgment has been appealed by the European Commission before the High Court of Justice of the European Union.

However, one effect of the judgment of the General Court of the European Union is the suspension of the proceedings initiated by the State Tax Agency to settle the repayment of state aid.

The opinion of the Directors and tax advisors of the Bank is that the possibility of material liabilities arising from this procedure, in addition to those already provisioned is remote.

30. Profit/ losses from discontinued operations

Income and expense, regardless of their nature, including those relating to impairment adjustments that arise during the year from a component of Group operations that has been classified as discontinued, even if generated before that classification, are presented net of the tax effect in the consolidated income statement as a single amount under the heading "Results from discontinued operations (net)", both if the component remains in the consolidated balance sheet and if eliminated. This heading also includes the results from the sale or other disposal of those operations.

In the three-month periods ended 31 March 2017 and 2016 there were no post-tax gains or losses appearing from discontinued operations.

31. Mortgage market information

Article 12 of Law 2/1981 of 25 March, regulating the Mortgage Market, amended by Law 41/2007 of December 7 and by Law 1/2013, of 14 May, states that "the entity issuing mortgage bonds shall keep a special accounting register of loans and credits that serve as collateral for mortgage bonds and, if any, of the replacement assets frozen to cover them, as well as derivative financial instruments linked to each emission. Such special accounting register must also identify, for the purposes of calculating the limits laid down in Article 16, of all loans and credits registered, those who meet the conditions required in the second of this Law section. Accounts of the issuer collected in the manner determined by regulation, the essential data that record."

The Board of Directors declares that the Group has specific policies and procedures encompassing all the activities performed in the context of the mortgage market issues carried out, guaranteeing rigorous compliance with the mortgage market regulations applicable to these activities.

The policies and procedures include the following criteria:

- Relationship between the amount of the loan and the appraised value of the mortgaged building, including the effect of other collateral and selection of valuation companies.
- Relationship between the debt and the borrower's income, as well as the verification of the information furnished by the borrower and the borrower's solvency.
- Avoidance of imbalance between the flows from the underlying portfolio and the payment flows on the securities issued.

Article 3 of Law 41/2007 (7 December) stipulates that valuation companies providing services to credit entities of the same group of entities must have adequate mechanisms in place to favour the independence of the valuation activity and avoid conflicts of interest, provided that any of the group's credit entities have issued and outstanding mortgage-backed securities.

On 29 July 2014, it has been sold 100% shares of Unicaja Banco Group in Tasaciones Andaluzas, S.A.U. (TASA), which at 31 December 2016 Unicaja Group has no involvement in any appraisal company.

As an issuer of mortgage covered bonds and ordinary mortgage bonds, there follows certain relevant information related to Unicaja Banco Group pursuant to the provisions of mortgage market regulations:

A) Active operations

At 31 March 2017 and 31 December 2016 the breakdown of the nominal value of mortgage loans and credit supporting the issue of mortgage bonds or which have been included in mortgage shares or mortgage transfer certificate, is as follows:

	Thousands of euros	
	31.03.2017	**31.12.2016**
Transferred loans held in assets	**-**	**-**
Mortgage participations	-	-
Mortgage transfer certificates	-	-
Affects mortgage loans as collateral for loans received	**-**	**-**
Loans backing bonds and mortgage bonds issuance	**23 159 260**	**23 506 003**
Loans ineligible	5 100 592	5 248 679
Meet the eligibility requirements, except for the limit Article 5.1 of Royal Decree 716/2009	1 459 265	1 508 352
Other	3 641 327	3 740 327
Eligible loans	18 058 668	18 257 324
Amounts not eligible	71 197	76 780
Amounts eligible	17 987 471	18 180 544
Mortgage bonds hedging loans	-	-
Mortgage bonds hedging eligible loans	*17 987 471*	*18 180 544*
	-	
	23 159 260	**23 506 003**

At 31 March 2017 and 31 December 2016, the outstanding face value of the mortgage loans and credits that support the issuance of mortgage bonds amounts to 23,159,260 thousand euros and 23,506,003 thousand euros, Respectively, and the outstanding face value of mortgage loans and credits that qualify as eligible to support the issuance of such mortgage bonds amounts to 18,058,668 thousand euros and 18,257,324 thousand euros, respectively.

As of 31 March 2017 and 31 December 2016, the Group has not made any mortgage bond issues. Furthermore, as of 31 March 2017 and 31 December 2016, the Group does not maintain loans mobilized through mortgage transfer certificates.

The nominal value of all ineligible mortgage loans and credits that do not meet the limits set forth in Article 5.1 of Royal Decree 716/2009 that, however, meet the other requirements applicable to the eligible, referred to in Article 4 Of this standard, amounted to 1,459,265 thousand euros and 1,508,352 thousand euros as of 31 March 2017 and 31 December 2016 respectively.

The breakdown of loans that support the issue of mortgage bonds classified in accordance with diverse criteria at 31 March 2017 and 31 December 2016 is as follows:

	Thousands of euros	
		31.03.2017
	Loans backing the issuance of bonds and mortgage bonds	**Of which: Eligible loans**
Nominal value of the total outstanding mortgage loans and credits	**23 159 260**	**18 058 668**
By origin:	23 159 260	18 058 668
- Entity	22 878 780	17 832 065
- Surrogate for other entities	280 480	226 603
- Rest	-	-
By currency:	23 159 260	18 058 668
- In euros	23 157 274	18 057 145
- Other currency	1 986	1 523
According the payment situation:	23 159 260	18 058 668
- Normality	22 695 181	18 058 668
- Other situations	464 079	-
According to the average maturity:	23 159 260	18 058 668
- To 10 years	10 454 238	6 643 438
- More than 10 years and to 20 years	8 253 101	7 586 802
- More than 20 years and to 30 years	4 138 296	3 624 766
- More than 30 years	313 625	203 662
According to the interest manner:	23 159 260	18 058 669
- Fixed	578 743	352 747
- Variable	22 580 517	17 705 922
- Mixed	-	-
By holder:	23 159 260	18 058 668
- Legal entities and individuals	4 022 979	1 757 097
Of which: property development	556 922	210 741
- Households	19 136 281	16 301 571
Depending on the warranty:	23 159 260	18 058 668
- Assets/ buildings completed	20 585 828	16 19 191
- Residential	19 749 629	16 439 430
Of which: official protection	*996 103*	*959 935*
- Commercial	692 082	397 762
- Rest	144 117	81 999
- Assets/ buildings under construction	372 803	229 481
- Residential	348 776	212 023
Of which: official protection	*6 205*	*6 011*
- Commercial	21 999	16 822
- Rest	2 028	636
- Lands	2 200 629	909 996
- Urbanized	835 301	193 883
- Rest	1 365 328	716 113

	Thousands of euros	
		31.12.2016
	Loans backing the issuance of bonds and mortgage bonds	**Of which: Eligible loans**
Nominal value of the total outstanding mortgage loans and credits	**23 506 003**	**18 257 324**
By origin:	23 506 003	18 257 324
- Entity	23 219 456	18 025 146
- Surrogate for other entities	286 547	232 178
- Rest	-	-
By currency:	23 506 003	18 257 324
- In euros	23 504 008	18 255 803
- Other currency	1 995	1 521
According the payment situation:	23 506 003	18 257 324
- Normality	23 026 526	18 257 324
- Other situations	479 477	-
According to the average maturity:	23 506 003	18 257 324
- To 10 years	10 570 572	6 671 073
- More than 10 years and to 20 years	8 284 154	7 596 440
- More than 20 years and to 30 years	4 292 665	3 760 212
- More than 30 years	358 612	229 599
According to the interest manner:	23 506 003	18 257 324
- Fixed	490 875	265 957
- Variable	23 015 128	17 991 367
- Mixed	-	-
By holder:	23 506 003	18 257 324
- Legal entities and individuals	4 073 871	1 774 812
Of which: property development	575 800	210 157
- Households	19 432 132	16 482 512
Depending on the warranty:	23 506 003	18 257 324
- Assets/ buildings completed	20 863 787	17 099 462
- Residential	20 004 396	16 608 842
Of which: official protection	1 021 746	983 6
- Commercial	721 778	408 024
- Rest	137 613	82 596
- Assets/ buildings under construction	382 011	231 853
- Residential	311 988	215 958
Of which: official protection	6 367	6 173
- Commercial	19 980	15 224
- Rest	50 043	671
- Lands	2 260 205	926 009
- Urbanized	846 889	201 477
- Rest	1 413 316	724 532

As of 31 March 2017 and 31 December 2016, the breakdown of the nominal value of all eligible loans and mortgages, based on the percentages of the ratio between the amount of the transactions and the corresponding valuation values To the last available valuation of the respective mortgaged property, is as follows:

						Thousands of euros
						31.03.2017
	Less or equal to 40%	**Greater than 40% and less or equal to 60%**	**Greater than 60% and less or equal to 80%**	**Greater than 80% and less or equal to 100%**	**Greater than 100%**	**Total**
Eligible loans						
- On housing	4 596 848	6 373 509	5 681 096	-	-	16 651 453
- On other goods	833 678	524 080	49 457	-	-	1 407 215
	5 430 526	**6 897 589**	**5 730 553**	**-**	**-**	**18 058 668**

						Thousands of euros
						31.12.2016
	Less or equal to 40%	**Greater than 40% and less or equal to 60%**	**Greater than 60% and less or equal to 80%**	**Greater than 80% and less or equal to 100%**	**Greater than 100%**	**Total**
Eligible loans						
- On housing	4 584 562	6 388 307	5 851 930	-	-	16 824 799
- On other goods	831 654	549 254	51 617	-	-	1 432 525
	5 416 216	**6 937 561**	**5 903 547**	**-**	**-**	**18 257 324**

The movement of mortgage loans and credits that have caused a decrease or increase in the portfolio during the three-month period ended 31 March 2017 and during the 2016 fiscal year is as follows:

				Thousands of euros
		31.03.2017		**31.12.2016**
	Eligible loans	**Not eligible loans**	**Eligible loans**	**Not eligible loans**
Beginning balance	**18 257 324**	**5 263 613**	**19 973 598**	**5 280 198**
Disposals	**(437 987)**	**(245 158)**	**(3 049 265)**	**(1 116 087)**
Cancellations at maturity date	(7 043)	(359)	(31 224)	(16 222)
Advanced cancellations	(82 468)	(59 427)	(404 404)	(245 695)
Subrogation from other entities	(1 452)	(102)	(5 072)	(394)
Other	(347 024)	(185 270)	(2 608 565)	(853 776)
Additions	**239 331**	**82 136**	**1 332 991**	**1 084 568**
Originated by Group	11 607	3 113	50 196	20 706
Subrogation from other entities	638	541	3 055	2 464
Other	227 086	78 482	1 279 740	1 061 398
Final balance	**18 058 668**	**5 100 591**	**18 257 324**	**5 248 679**

The available balance of mortgage loans that support the issue of mortgage bonds at 31 March 2017 and 31 December 2016 is as follows:

	Thousands of euros	
	31.03.2017	**31.12.2016**
Potentially eligible	181 214	188 958
Ineligible	143 112	138 156
	324 326	**327 114**

At 31 March 2017 and 31 December 2016 the Group does not have any replacement assets associated to issues of mortgage bonds or debentures.

B) Liability transactions

The breakdown at 31 March 2017 and 31 December 2016 of the nominal aggregate value of mortgage bonds in force issued by the Group and the mortgage funds and mortgage transfer certificates that are active at that date, based on their residual terms, is as follows:

	Thousands of euros	
	31.03.2017	**31.12.2016**
Mortgage bonds		**-**
Mortgage bonds issued	**7 567 928**	**7 767 928**
Issued for public offering	1 000 000	1 000 000
- Residual maturity up to 1 year	500 000	500 000
- Residual maturity greater than 1 year and up to 2 years	-	-
- Residual maturity greater than 2 years and up to 3 years	500 000	500 000
- Residual maturity greater than 3 years and up to 5 years	-	-
- Residual maturity greater than 5 years and up to 10 years	-	-
- Residual maturity greater than 10 years	-	-
Rest of issues	200 000	200 000
- Residual maturity up to 1 year	70 000	70 000
- Residual maturity greater than 1 year and up to 2 years	70 000	70 000
- Residual maturity greater than 2 years and up to 3 years	-	-
- Residual maturity greater than 3 years and up to 5 years	30 000	30 000
- Residual maturity greater than 5 years and up to 10 years	30 000	30 000
- Residual maturity greater than 10 years	-	-
Deposits	6 367 928	6 567 928
- Residual maturity up to 1 year	1 335 000	1 300 000
- Residual maturity greater than 1 year and up to 2 years	584 000	819 000
- Residual maturity greater than 2 years and up to 3 years	843 025	668 025
- Residual maturity greater than 3 years and up to 5 years	810 000	985 000
- Residual maturity greater than 5 years and up to 10 years	1 493 903	1 133 903
- Residual maturity greater than 10 years	1 302 000	1 662 000
Shares issues mortgage	-	**-**
Issued by public offering	-	-
Other issues	-	-
Mortgage transfer certificates issued	**-**	**-**
Issued by public offering	-	-
Other issues	-	-
	7 567 928	**7 767 928**

32. Information transparency in connection with financing for construction, property development, home buying and assets acquired in payment of debts

a) Qualitative information

In relation to the minimum information to be disseminated by consolidated groups of credit institutions and by individual credit institutions that are not included in any of them, the following considerations should be taken into account:

- In relation to the financing of construction and real estate development, it is requested that the policies and strategies established by the entities be made public to deal with the problematic assets of this sector, both in the short term and in the medium and long term. In addition, such exposures should be assessed in the context of resistance tests published before the summer, should entities have participated in them.

- An assessment of the financing needs in the markets, as well as the short, medium and long-term strategies put in place in this regard should be included (without prejudice to the fact that the Banco de España may Details of the minimum information on financing and liquidity needs).

b) Quantitative information

Set out below is a breakdown of construction and property development financing and its hedges (1), at 31 March 2017 and 31 December 2016:

								Thousands of euros
	31.03.2017				31.12.2016			
	Gross book value (f)	Excess over collateral value (g)	Accumulated impairment	Net value (d)	Gross book value (f)	Excess over collateral value (g)	Accumulated impairment	Net value (d)
Construction and property development financing (including floors) (Business in Spain)	1 071 369	205 242	(351 680)	719 689	1 178 615	225 699	(366 540)	812 075
Of which non-performing	467 333	141 446	(265 768)	201 565	506 010	160 566	(282 293)	223 717
Memorandum item								
Bad assets (5)	667 855				716 697			

Memorandum item: Consolidated group data		**Book value**
	31.03.2017	**31.12.2016**
Customer loans, Public Administrations excluded (Business in Spain) (book value) (d)	26 057 971	26 139 531
Total consolidated assets (total businesses) (book value)	55 989 257	57 240 828
Impairment and provisions on exposure classified as normal (total businesses) (e)	112 459	111 550

(a) The financing classification in this statement will be made according to its purpose, and not with the debtor's NACE. This entails, for example, that if the debtor is: (a) a property company that uses the financing granted for a purpose other than construction or property development, it will not be included in this table; and (b) a company whose core business is not construction or property development, but the credit is employed to finance buildings for use in property development, it will be included in this table.

(b Includes all financing, in the form of loans, with or without mortgage guarantee, and debt securities, intended for construction and real estate development, corresponding to activity in Spain (business in Spain).

(c) Gross amount of the credit destined to finance the construction real estate development (business in Spain) derecognised from the asset for being classified as "failed assets".

(d) Amount recorded in the assets of the balance sheet after deducting, if applicable, the amounts constituted for its coverage.

(e) Total amount of value adjustments for impairment of assets and provisions that have the nature of generic coverage for credit risk constituted by the entity as indicated in annex IX of Circular 4/2004, corresponding to its activity Total (total business).

(f) Book value before deducting value adjustments for impairment of assets.

(g) It is the amount of the excess that the gross amount of each operation represents on the value of the real rights that, if any, were received as collateral. Calculated according to the provisions in annex IX of Circular 4/2004. Therefore, the value of the real rights is the result of weighing the smallest amount between the cost of the assets and the value of the valuation in its current state weighted by the percentages that correspond to them according to the nature of the mortgaged assets.

Set out below is a breakdown of Financing for construction and property development, operations recognized by credit entities (business in Spain) at 31 March 2017 and 31 December 2016:

	Thousands of euros	
	Gross book value	
	31.03.2017	**31.12.2016**
Without mortgage (*)	526 645	586 811
With mortgage (breakdown by asset received under warranty)	544 724	591 804
Buildings and other completed constructions	486 011	525 563
Housing	338 539	364 678
Rest	147 472	160 885
Buildings and other under construction	49 922	61 646
Housing	36 214	48 774
Rest	13 708	12 872
Land	8 791	4 595
Consolidated urban land	-	-
Other land	8 791	4 595
Total (4)	**1 071 369**	**1 178 615**

(*) As of 31 March 2017, the carrying amount of the financing identified as "Without a full real estate guarantee" includes 310,774 thousand euros corresponding to real estate guarantee transactions that do not fully cover the exposure (327,622 thousand euros at 31 December 2016). Additionally, it includes guaranteed transactions with public authorities amounting to 82,632 thousand euros (136,061 thousand euros at 31 December 2016).

Set out below is a breakdown at 31 March 2017 and 31 December 2016 of collateral's received and financial awarded related to construction and property development financing, operations recognized by credit entities (business in Spain):

	Thousands of euros	
Collaterals received	**31.03.2017**	**31.12.2016**
Value of security rights	800 911	772 680
Of which: Default / Non-performing	225 493	240 453
Value of other collaterals	-	-
Of which: Default / Non-performing	-	-
Total value of collaterals received	**800 911**	**772 680**

	Thousands of euros	
Financial guarantees granted	**31.03.2017**	**31.12.2016**
Financial guarantees granted in relation to construction and real state promotion	382 323	403 814
Amount recorded in balance sheet liabilities	*20 555*	*45 730*

Set out below is a breakdown at 31 March 2017 and 31 December 2016 of Home-buyer loans, operations recognized by credit entities (business in Spain):

	31.03.2017		31.12.2016	
	Gross (c)	**Of which: Non-performing**	**Gross (c)**	**Of which: Non-performing**
Loans for home purchase (a)	17 635 647	1 273 822	17 753 370	1 277 353
Without real estate mortgage	382 300	15 294	393 117	16 044
With real estate mortgage (b)	17 253 347	1 258 528	17 360 253	1 261 309

Thousands of euros

(a) Loans, with or without guarantee of mortgage real estate, to the homes for acquisition of housing corresponding to businesses in Spain.

(b) All mortgages will be included irrespective of the percentage of the risk involved.

(c) Book value before deducting value adjustments for impairment of assets.

The breakdown of the mortgage loan credit to households for the acquisition of housing, according to the percentage of the total of the last available valuation (LTV) (1), in transactions recorded by credit institutions (businesses in Spain) As of 31 March 2017 and 31 December 2016 is as follows:

31 March 2017

	Risk on the latest valuation available (Loan to Value range) (2)					
	LTV≤40%	**40%<LTV≤60%**	**60%<LTV≤80%**	**80%<LTV≤100%**	**LTV>100%**	**Total**
Gross book value ((1)	3 966 687	6 133 130	6 271 614	532 568	349 348	17 253 347
Of which: non-performing 1)	79 908	240 971	561 679	561 679	230 625	1 258 527

31 December 2016

	Risk on the latest valuation available (Loan to Value range) (2)					
	LTV≤40%	**40%<LTV≤60%**	**60%<LTV≤80%**	**80%<LTV≤100%**	**LTV>100%**	**Total**
Gross book value ((1)	3 942 549	6 131 191	6 446 308	578 493	261 711	17 360 252
Of which: non-performing (1)	77 337	241 746	594 151	157 207	190 867	1 261 308

(1) Amount before deducting, if appropriate, the accumulated impairment. The amounts declared in the column 'Total' for the lines 'Book balance' and 'Of which: non-performing' in this state coincide with the amounts shown in the line 'With real estate mortgage' of PC 7-3.

(2) Loan to value is the ratio resulting from dividing the gross carrying amount of the operation at the date of the information between the amount of the last available valuation.

Set out below is a breakdown of assets awarded to the consolidated group entities (business in Spain) (1) at 31 March 2017 and 31 December 2016:

						Thousands of euros
			31.03.2017			31.12.2016
	Gross book value (2)	**Accumulated impairment losses**	**Net value**	**Gross book value (2)**	**Accumulated impairment losses**	**Net value**
Foreclosed property assets or under debt pay	**2 512 231**	**(1 577 666)**	**934 566**	**2 567 435**	**(1 593 677)**	**973 758**
Property assets arising from financing provided to construction and property development companies (3)	1 461 956	993 664	468 293	1 521 907	1 020 308	501 599
Completed buildings	391 246	(204 240)	187 006	418 740	(212 566)	206 174
Residential	261 432	(137 382)	124 050	278 405	(141 751)	136 654
Other	129 814	(66 858)	62 956	140 335	(70 815)	69 520
Buildings under construction	185 709	(113 230)	72 479	182 812	(105 746)	77 066
Residential	182 377	(111 761)	70 616	180 502	(104 725)	75 777
Other	3 332	(1 469)	1 863	2 310	(1 021)	1 289
Land	885 001	(676 194)	208 808	920 355	(701 996)	218 359
Developed land	650 925	(475 048)	175 878	686 340	(501 737)	184 603
Other land	234 076	(201 146)	32 930	234 015	(200 259)	33 756
Property assets from home purchase mortgage loans to households	652 199	(331 654)	320 545	660 742	(336 015)	324 727
Other foreclosed property assets (4)	398 076	(252 348)	145 728	384 786	(237 354)	147 432
Foreclosed equity instruments or under debt pay	**20 434**	**(15 233)**	**5 201**	**20 434**	**(15 233)**	**5 201**
Investment in entities with real estate activity	-	-	-	-	-	
Equity instruments from foreclosed property assets entities or under debt pay (5)	-	-	-	-	-	
Financing to foreclosed property assets entities or under debt pay (5)	-	-	-	-	-	
	2 532 665	**(1 592 899)**	**939 767**	**2 587 869**	**(1 608 910)**	**978 959**

(1) This will include assets awarded, acquired, purchased or exchange for debt deriving from financing granted by the group companies during business in Spain, and shares in and financing granted to non-consolidated entities holding such assets.

(2) Amount before, when applicable, accumulated impairment losses.

(3) All real estate assets arising from financing for construction and real estate development, irrespective of the sector and main economic activity of the individual enterprise or entrepreneur who delivered the asset, shall be included.

(4) This will include real estate assets that do not derive from loans to construction and property development companies, or home-buyer loans.

(5) All assets of this kind will be recognized, including share capital and financing to entities holding foreclosed property assets or received in payment of debts.

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33. Related parties

In addition to the information presented in Note 7 in relation to the balances and transactions carried out with the members of the Board of Directors of the Parent Company and the Senior Management thereof, the balance of the balances recorded in the balance sheets Consolidated as of 31 March 2017 and 2016 and in the consolidated income statements for the years 2016 and 2015 arising from operations with related parties:

					Thousands of euros
					31.03.2017
Expenses, income and other transactions	Significant shareholders	Administrators and Directives	Individuals, companies or Group entities	Other related parties	Total
Financial expenses	(42)	(3)	(382)	(3)	(430)
Management or collaboration agreements	-	-	(136)	-	(136)
R&D transfers and licensing agreements	-	-	-	-	-
Leases	-	-	-	-	-
Reception of services	-	-	-	-	-
Purchase of goods (completed or in progress)	-	-	-	-	-
Valuation corrections for bad debts	-	-	-	-	-
Loss on assets' disposal	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	**(42)**	**(3)**	**(518)**	**(3)**	**(566)**
Financial expenses	-	7	967	25	999
Management or collaboration agreements	-	-	1 284	-	1 284
R&D transfers and licensing agreements	-	-	-	-	-
Dividends received	-	-	-	-	-
Leases	-	-	-	-	-
Provisions of services	-	-	-	-	-
Sale of goods (completed or in progress)	-	-	-	-	-
Profit on assets' disposal	-	-	-	-	-
Other income	-	-	-	-	-
Total income	**-**	**7**	**2 251**	**25**	**2 283**
Purchase of tangible, intangible or other assets	-	-	-	-	-
Financing agreements: loans and capital contributions (lender)	-	2 061	123 054	73 285	198 400
Financial lease contracts (landlord)	-	-	-	-	-
Amortization or cancellation of credits and leases (landlord)	-	-	-	-	-
Sale of tangible, intangible or other assets	-	-	-	-	-
Financing agreements loans and capital contributions (borrower)	74 894	4 997	357 497	2 308	439 696
Financial lease agreement (lease)	-	-	-	-	-
Amortization or cancellation of loans and leases (lessee)	-	-	-	-	-
Guarantees and collaterals provided	-	139	76 220	6 183	82 542
Guarantees and collaterals received	-	-	-	-	-
Commitments	-	-	-	-	-
Cancelled commitments/guarantees	-	-	-	-	-
Dividends and other distributed profits	14 739	-	-	-	14 739
Other operations	-	-	-	-	-
Total other transactions	**89 633**	**7 197**	**556 771**	**81 776**	**735 377**

Expenses, income and other transactions	Significant shareholders	Administrators and Directives	Individuals, companies or Group entities	Other related parties	Total
					Thousands of euros 31.12.2016
Financial expenses	(235)	(15)	(2 263)	(40)	(2 553)
Management or collaboration agreements	-	-	(2 405)	-	(2 405)
R&D transfers and licensing agreements	-	-	-	-	-
Leases	-	-	-	-	-
Reception of services	-	-	-	-	-
Purchase of goods (completed or in progress)	-	-	-	-	-
Valuation corrections for bad debts	-	-	-	-	-
Loss on assets' disposal	-	-	(163)	-	(163)
Other expenses	-	-	-	-	-
Total expenses	**(235)**	**(15)**	**(4 831)**	**(40)**	**(5 121)**
Financial expenses	-	32	4 475	130	4 637
Management or collaboration agreements	-	-	6 149	-	6 149
R&D transfers and licensing agreements	-	-	-	-	-
Dividends received	-	-	-	-	-
Leases	-	-	-	-	-
Provisions of services	-	-	-	-	-
Sale of goods (completed or in progress)	-	-	-	-	-
Profit on assets' disposal	-	-	81	-	81
Other income	-	-	-	-	-
Total income	**-**	**32**	**10 705**	**130**	**10 867**
Purchase of tangible, intangible or other assets	-	-	-	-	-
Financing agreements: loans and capital contributions (lender)	-	2 110	126 741	72 155	201 006
Financial lease contracts (landlord)	-	-	-	-	-
Amortization or cancellation of credits and leases (landlord)	-	-	-	-	-
Sale of tangible, intangible or other assets	-	-	-	-	-
Financing agreements loans and capital contributions (borrower)	76 095	4 499	263 032	3 069	346 695
Financial lease agreement (lease)	-	-	-	-	-
Amortization or cancellation of loans and leases (lessee)	-	-	-	-	-
Guarantees and collaterals provided	-	131	72 898	6 225	79 254
Guarantees and collaterals received	-	-	180	-	180
Commitments	-	-	-	-	-
Cancelled commitments/guarantees	-	-	-	-	-
Dividends and other distributed profits	-	-	-	-	-
Other operations	-	-	-	-	-
Total other transactions	**76 905**	**6 740**	**462 851**	**81 449**	**627 135**

The information in the table above has been presented in an aggregate manner since, in all cases, transactions with related parties are not significant in terms of quantity or relevance for an adequate understanding of the financial information provided.

The transactions with related parties have been made under normal market conditions.

34. Fair value

34.1 Fair value of financial assets and liabilities not carried at fair value

The estimate of the fair value at 31 March 2017 and 31 December 2016 of the financial assets and liabilities carried in the consolidated balance sheet at amortized cost is performed as follows:

- For financial assets and liabilities referenced to a variable interest rate, the Group considers that their carrying amount does not differ significantly from their fair value, as the initial counterparty credit risk conditions have not varied significantly.

- In the case of un-hedged fixed-rate financial assets and liabilities, their fair value each year is obtained by discounting cash flows at the risk-free interest rate (the rate for Spanish government securities) for each period, adjusted to account for the credit spread on the instrument. In view of the maturity period and relative balance of these instruments, the difference between their amortized cost and fair value is not significant at 31 March 2017 and 31 December 2016.

However, in an economic and financial crisis environment such as the present one and given that there is no market for such financial assets, the amount by which such assets could be exchanged between interested parties could differ from their net book value.

34.2 Listed instruments at amortized cost

At 31 March 2017 and 31 December 2016, the estimated fair value of financial assets and liabilities carried at amortized cost in the balance sheet while listed on markets does not differ significantly from the carrying amounts of the instruments.

However, in the particular case of debt securities recorded under "Loans and receivables", it is not possible to determine their fair value in a sufficiently reliable way, since they are instruments that do not have an active market that is sufficiently liquid. In this regard, it should be noted that the Panel does not intend to hold them to negotiate.

Set out below is a breakdown at 31 March 2017 and 31 December 2016 of the carrying amount and fair value of the Unicaja Banco Group's financial instruments carried at amortized cost that are listed on markets:

					Thousands of euros
			31.03.2017		31.12.2016
Section of the balance	**Type of instrument**	**Book value**	**Fair value**	**Book value**	**Fair value**
Loans and receivables	Debt securities	2 873 470	3 002 217	786 499	804 778
Held-to-maturity investments	Debt securities	11 119 490	11 389 326	12 907 583	13 235 197
Financial liabilities at amortized cost	Marketable debt securities	200 038	200 038	199 845	199 845

34.3 Fair value of the financial assets and liabilities registered at fair value

The following shows a breakdown of the fair values of the headings on the balance sheets as at 31 March 2017 and 31 December 2016, divided by classes of assets and liabilities and at the following levels:

- Level 1: Financial instruments the fair value of which is determined by taking the quoted prices on active markets or that correspond to recent transactions (latest twelve months) that have been updated to the current conditions.

- Level 2: Financial instruments the fair value of which is estimated on the basis of quoted prices in organized markets for similar instruments or applying valuation techniques in which all the significant inputs employed are based upon data that are directly or indirectly observable on the market.

- Level 3: Financial instruments the fair value of which is estimated on the basis of valuation techniques in which some inputs are not based on data observable on the market.

	Thousands of euros				
	31.03.2017				
		Fair value			
	Book value	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets					
Financial assets held for trading	59 468	59 468	39 189	19 997	282
Debt securities	36 620	36 620	36 620	-	-
Equity instruments	22 848	22 848	2 569	19 997	282
Derivatives					
Available-for-sale financial assets (Note 25.3)	3 576 080	3 354 089	3 249 710	104 379	-
Debt securities	663 160	441 169	408 186	32 983	-
Equity instruments	2 912 920	2 912 920	2 841 524	71 396	-
Hedging derivatives	545 846	545 846	-	543 299	2 547
Liabilities					
Financial liabilities held for trading	31 616	31 616	-	30 714	902
Derivatives	31 616	31 616	-	30 714	902
Hedging derivatives	34 084	34 084	-	34 084	-

	Thousands of euros				
	31.12.2016				
		Fair value			
	Book value	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets					
Financial assets held for trading	78 330	78 330	39 529	38 695	106
Debt securities	40 788	40 788	1 897	38 695	106
Equity instruments	-	-	-	-	-
Derivatives	37 542	37 542	37 542	-	-
Available-for-sale financial assets (Note 25.3)	5 403 336	5 177 197	5 073 107	104 090	-
Debt securities	649 237	423 098	391 137	31 961	-
Equity instruments	4 754 099	4 754 099	4 681 970	72 129	-
Hedging derivatives	606 362	606 362	-	603 728	2 634
Liabilities					
Financial liabilities held for trading	50 820	50 820	-	50 454	366
Derivatives	50 820	50 820	-	50 454	366
Hedging derivatives	49 902	49 902	-	49 902	-

34.4 Valuation methods used

The following methods were used by the Unicaja Banco Group to calculate the fair value of the main financial instruments recognized in the balance sheet:

- **Debt securities**: The fair value of listed debt instruments is determined on the basis of their price in official markets (Bank of Spain's Book-Entry System), AIAF, AIAF panels (credit institutions), or by applying prices obtained from information service providers, mainly Bloomberg and Reuters, whose prices are built using the prices notified by contributors.

- **Equity instruments**: The fair value of listed equity instruments is determined based on their price in official markets. The fair value of unlisted equity instruments is determined taking into account independent expert valuations performed using the following methods, among others:

  - Discounted cash flows (free operating cash flows or dividends), applying a discount rate based on each investee's operational and financial exposure, calculated using a risk-free rate and including a risk premium.

  - Multiple of comparable listed companies (EV/EBITDA, PER, Price/Book value, Price/Premiums), less an illiquidity discount.

  - NAV (Adjusted Net Asset Value): Obtained by adding capital gains, calculated as the difference between the market value and carrying amount of assets, to reported shareholders' funds. For venture capital entities, NAV is calculated by the management companies and generally estimated applying European Venture Capital Association regulations and the provisions of CNMV Circular 5/2000 (19 September).

  - Price resulting from market transactions or acquisition bids made or received near to the valuation date.

- **Derivative instruments**: The fair value of interest rate derivatives is determined, for optional financial instruments (mainly swaps), by discounting future flows using implied money market curves and the swap curve; for optional interest-rate derivatives, generally accepted valuation methods based on the Black-Scholes model and implicit volatility matrices are used. In the case of derivatives on equity instruments or stock market indices contracted to hedge customers structured deposits containing an embedded derivative, and currency derivatives without optional components, the fair value is obtained by discounting cash flows estimated using forward curves for the relevant underlying instrument, listed on the market; for options, generally accepted methods based on the Black-Scholes model are used, allowing options on these underlying instruments to be valued applying a closed formula and using only market inputs. Where applicable, models and severities in line with the market are used to calculate CVA and DVA. In order to obtain Unicaja Banco's spread, generic spread vs. swap curves are calibrated on a recurring basis using ratings for different debt issues by Spanish financial institutions with differing priority levels, including senior debt.

34.5 Tangible assets fair value

On 1 January 2004, the Group availed itself of the provisions of IFRS 1 "First time Adoption of International Financial Reporting Standards", under which to restate the majority of its real estate assets, generating a gross gain of 227,811 thousand euros.

Subsequently, on 31 June 2013 tax efficiency to revaluation reserves recorded in connection with the entry into force of Circular 4/2004 Bank of Spain, corresponding to 516 properties for own use is granted, with a revaluation associated with same of 54,850 thousand euros, already recorded in equity.

At 31 March 2017 and 31 December 2016, the Group considers that there are no significant differences between the book value and the fair value of these assets.

35. Risk management

35.1 Liquidity risk of financial instruments

The liquidity risk profile of the Unicaja Banco Group as of 31 March 2017 has not changed significantly since the close of fiscal year 2015 (see Note 24 to the notes to the consolidated financial statements of Unicaja Banco and its subsidiaries as of 31 December 2016).

The Committee on Assets and Liabilities and Budgets (ALCO), a committee formed by senior management, manages the liquidity risk inherent in the Bank's activity and financial instruments to ensure that it will have sufficient liquidity at all times to comply With their payment commitments associated with the cancellation of their liabilities, on their respective maturity dates, without compromising the Bank Group's ability to respond quickly to strategic market opportunities.

In the management of liquidity risk, the Group uses a centralized approach, applying integrated computer tools with which liquidity risk analyses are performed, based on the cash flows estimated by the Group's Parent Entity for its assets And liabilities, as well as the additional guarantees or instruments available to them to guarantee additional sources of liquidity that may be required (for example, liquidity lines not used by the Group). The Group's liquidity risk position is based on a variety of scenarios. Analyses of different scenarios take into account not only normal market situations but also extreme conditions that could arise and could affect the collection and payment flows due to market factors or internal factors of the Group.

35.2 Credit risk exposure

The credit risk profile of the Unicaja Banco Group as of 31 March 2017 has not changed significantly since the close of fiscal year 2015 (see Note 26 to the notes to the consolidated financial statements of Unicaja Banco and its subsidiaries as of 31 December 2016).

Credit risk refers to the losses that the Group would incur in the event that a customer or counterparty failed to comply with the contracted payment obligations. This risk is inherent in the financial system's traditional banking products (loans, credit lines, financial guarantees provided) and in other types of financial assets.

Credit risk affects both financial assets carried at amortized cost in the financial statements and assets carried at fair value. Irrespective of the accounting method used to record the Group's financial assets in these financial statements, the Parent Entity applies the same credit risk control policies and procedures.

The Group's credit risk control policies, methods and procedures are approved by the Entity's Board of Directors. The Entity's Control Committee, Audit Committee and Internal Supervision and Risk Control Department are responsible, among other functions, for ensuring compliance with these policies, methods and procedures, as well as for monitoring their adequacy, effective implementation and regular review.

The Group's credit risk control activities are carried out by the Risk Control Department, which reports to the Group's Planning and Control Division. This unit is responsible for implementing the credit risk control policies, methods and procedures approved by the Group's Board of Directors. It monitors counterparty risk by establishing, among others, the credit quality parameters to be assigned to the Group's operations, and credit risk hedging requirements, in accordance with the Entity's internal policies and applicable legislation. The Risk Control Unit is also responsible for applying the Entity's risk concentration limits, approved by the Board of Directors.

The Group has policies and procedures to limit counterparty risk concentration for both individual counterparties and groups of companies. The Group establishes risk concentration limits taking into account factors such as the counterparty's business activities, geographical location and other common features. The Group performs sensitivity analyses to estimate the effects of possible changes in non-performing loan ratios in each risk concentration group, imposing limits on concentration based on the findings.

Therefore, Unicaja Banco has a “Credit scoring” system which considers the multiple characteristics of the operations and the debtors, and, attending to the past experience and the best market practices, it provides a mechanism for the Bank to distinguish, attending to credit risk, those operations that may be formalized by the Bank from those that are not recommended to be formalized by the Group. The criteria for distinguishing operations at the contracting date, using this system, are approved by the Bank’s executives and review mechanisms are in place to ensure that the system is continuously updated.

The maximum credit risk to which Unicaja Banco Group is exposed is measured at nominal value for financial assets carried at amortized cost. The measurement of the Group’s maximum credit risk takes into account offset agreements concluded with certain counterparties.

Internally, the Bank classifies financial assets subject to credit risk based on the characteristics of each operation, taking into account the specific counterparty and guarantees obtained, among other aspects.

Regarding lending operations Unicaja Banco Group retail mortgage segment have limits on the variation of interest rates, consider the statements that various courts are taking place regarding the validity of these agreements, respect concrete entities, following the judgment of the Supreme Court dated 9 May 2013 and following the judgment of the Court dated 16 July 2014 and 25 March 2015, under which, once declared void by court ruling , those agreements limited to changes in interest rates lack of transparency, the borrower shall refund the interest rate differential would have paid in implementation thereof from the date of publication of the judgment of May 2013.

However, following a number of preliminary rulings by various Spanish courts before the Luxembourg Court, they were settled by a judgment of the Court of Justice of the European Union of 12/21/2016, which annulled the limitation in time the effects derived from sentences that would have declared null a concrete clause soil.

Following this ruling, the Supreme Court has issued the judgment of 24 February 2017, adopting the European Court's doctrine on the retroactive effects of the nullity of the clause, once its lack of transparency or other evidence is demonstrated Type legal defect.

Regardless of the meaning of the judgments, the Unicaja Banco Group considers that the pacts that set limits to the variation of the interest rate, in its mortgage loan deeds, are fully adjusted to law.

As of 31 March 2017, the hedges estimated to cover possible impairment of assets and to cover the risks and contingencies that could affect the Group, which are estimated at 370 million euros (392 million euros at 31 December 2016). Unicaja Banco has commissioned an independent expert report to verify the hedges established to cover this risk, which is concluded at the date of the preparation of these consolidated interim consolidated financial statements, and from which there are no significant differences with respect to Amounts provided by the Group.

The credit quality of the loan portfolio and receivables for 31 March 2017 and 31 December 2016 is as follows:

	Thousands of euros	
	31.03.2017	
	Total	***Of which*: Non-performing**
Gross balance	**32 280 131**	**3 031 620**
Value adjustments for asset impairment	1 888 709	1 166 052
Of which: calculated individually	1 651 934	929 277
Of which: calculated collectively	236 775	236 775
Net balance	**30 391 422**	**1 865 568**

	Thousands of euros	
	31.12.2016	
	Total	***Of which*: Non-performing**
Gross balance	**29 514 401**	**3 215 128**
Value adjustments for asset impairment	1 999 361	1 262 230
Of which: calculated individually	1 681 791	944 660
Of which: calculated collectively	317 570	317 570
Net balance	**27 515 040**	**1 952 898**

On the other hand, as regards the guarantees received and the financial guarantees granted, the following are detailed as of 31 March 2017 and 31 December 2016:

	Thousands of euros	
Collateral received	**31.03.2017**	**31.12.2016**
Value of securities	20 819 819	21 048 718
Of which: guarantees non-performing risks	1 844 270	1 887 869
	-	-
Value other guarantees	2 006 265	1 994 088
Of which: guarantees non-performing risks	-	99 742
Total value of collateral received	**22 826 084**	**23 042 806**

	Thousands of euros	
Financial securities granted	**31.03.2017**	**31.12.2016**
Loan commitments	2 477 305	2 505 065
Of which amount classified as non-performing	76 127	88 160
Amount at balance sheet liability	8 702	10 219
Financial securities granted	82 868	90 079
Of which amount classified as non-performing	-	-
Amount at balance sheet liability	100 446	105 756
Other granted commitments	1 075 739	1 372 401
Of which amount classified as non-performing	279 961	285 956
Amount at balance sheet liability	-	-
Total value of financial securities granted	**3 635 912**	**3 967 545**

35.3 Interest rate risk exposure

The Unicaja Banco Group's interest rate risk profile as of 31 March 2017 has not changed significantly since the end of 2016 (see Note 27 to Unicaja Banco and its subsidiaries' consolidated financial statements at 31 Of December 2016).

Interest rate risks are controlled on an integrated basis by the Asset and Liability and Budget Committee (ALCO). This unit is responsible for implementing procedures to ensure that Group complies at all times with the interest rate risk control and management policies approved by the Board of Directors.

In the analysis, measurement and control of the interest rate risk assumed by the Group, techniques of sensitivity measurement and analysis of scenarios that could significantly affect the same are used.

The Group uses hedging operations for the individual management of the interest rate risk of all significant financial instruments that may expose it to similarly significant interest rate risks.

35.4 Exposure to other market risks

The market risk profile of the Unicaja Banco Group as of 31 March 2017 has not changed significantly since the end of 2016 (see Note 28 to the notes to the consolidated financial statements of Unicaja Banco and its subsidiaries as of 31 December 2016).

Market risk relates to the losses that the Group could incur in the event of changes in the value of its trading portfolio and available-for-sale financial assets as a result of unfavourable fluctuations in market prices or foreign exchange rates, or price volatility.

Such changes depend mainly on factors such as interest rates, in the case of fixed-income instruments. Options are subject to a number of risk factors, one of the most relevant being volatility.

The Group's market risk control policies, methods and procedures are approved by the Board of Directors. The responsibilities of the Risk Control Department, through its Market Control Unit, include the supervision of compliance with the Group's risk control policies, methods and procedures to ensure their adequacy, effective implementation and regular review.

The unit responsible for financial risk monitoring and control is the Markets and Models Unit, which is basically entrusted with ensuring that risks assumed are correctly identified, analysed, valued and reported, cooperating in the implementation of suitable risk management tools, improving position valuation models to bring them into line with the actual market context, and controlling compliance with the risk limits defined. This unit also systematically controls and monitors treasury and capital market transactions.

In order to ensure adequate market risk management, the Group uses a software application to define market risk calculations and authorized limits. For each group of portfolios managed, limits are defined for "Open positions", "Stop losses" and "VaR" so as to avoid any significant adverse impact on solvency or on results, in view of the complexity of the risks assumed.

36. Events after the balance sheet date

On 10 May 2017, Unicaja Banco, EspañaDuero and Aviva Europe SE (Aviva) entered into an agreement to terminate the strategic business alliances, which both entities maintain for the development of joint marketing and distribution under bank-insurance arrangements in Spain of personal insurance and pension plans for the network of Unicaja Bank and EspañaDuero from the old Caja España (hereinafter referred to as the "Termination Agreement").

The completion of this Termination Agreement is subject to the fulfillment of certain conditions, which include obtaining the corresponding regulatory authorizations, and will lead to Aviva's exit from the capital of Unicorp Vida, Compañía de Seguros y Reaseguros, S.A. (Unicorp Vida) and Caja España Vida, Compañía de Seguros y Reaseguros, S.A. (Caja España Vida), as well as the resolution of the agreements signed between Unicaja Banco, EspañaDuero and Aviva in relation to these companies. The alliance between Unicaja Banco and Aviva remains, however, with respect to its participation in Caja de Granada Vida, Compañía de Seguros y Reaseguros, S.A.

At the same time as the Termination Agreement, Unicaja Banco and Santa Lucia, S.A. ("Santa Lucia") entered into an association agreement for a defined duration and on an exclusivity basis, for the development, joint marketing and distribution under bancassurance arrangements in Spain of life insurance and pension plans of Unicorp Vida y Caja España Vida ("Alliance with Santa Lucia").

The Alliance with Saint Lucia is subject to the completion of the acquisition by Santa Lucia of 50% of the capital stock of Unicorp Vida and Caja España Vida agreed with Aviva, once the appropriate regulatory authorizations and competition. The consummation of the Termination Agreement and the Partnership with Saint Lucia does not have a material impact on the net worth of the Unicaja Banco Group.

In the period from 31 March 2017 to the date of preparation of these consolidated interim consolidated financial statements, there has been no other event that significantly affects the Unicaja Banco Group and which has not been detailed in the explanatory notes to consolidated interim financial statements.

APPENDIX I
SUBSIDIARIES AT 31 MARCH 2016

Company Name	Registered domicile	Activity	% Share owned by the Group		
			% Share		Total Share
			Direct	Indirect	
Alteria Corporación Unicaja, S.L.U.	C/ Bolsa nº 4, planta 5ª, Málaga	Asset investment and finance companies	100,00%	0,00%	**100,00%**
Altos de Jontoya Residencia para Mayores, S.L.U.	Plaza Jaén por la Paz nª2 Jaén	Geriatric care	0,00%	100,00%	**100,00%**
Analistas Económicos de Andalucía, S.L.U.	C/ Granada 32, Entreplanta	Study and analysis economic activity	100,00%	0,00%	**100,00%**
Andaluza de Tramitaciones y Gestiones, S.A.U	C/ Angosta del Carmen 2 Entreplanta, Málaga	Management and settlement documents and deeds	0,00%	100,00%	**100,00%**
Banco de Caja España de Inversiones, Salamanca y Soria, S.A.	C/Marqués de Villamagna, 6-8, Madrid	Credit institution	69,33%	0,05%	**69,38%**
Cartera de Inversiones Agroalimentarias, S.L.U.	Plaza Jaén por la Paz, 2. Jaén	Food industry	100,00%	0,00%	**100,00%**
Gestión de Actividades y Servicios Empresariales S.A.U.	C/ Federico Orellana Toledano, 14, Málaga	Electronic recording and processing of data and documents	0,00%	100,00%	**100,00%**
Gestión de Inmuebles Adquiridos, S.L.U.	C/ Mauricio Moro Pareto nº 6, 6ª planta, Edf. Eurocom, Málaga	Real state development	0,00%	100,00%	**100,00%**
Inmobiliaria Acinipo, S.L.U.	C/ Mauricio Moro Pareto nº 6, Bajo, Edf. Eurocom, Málaga	Real state development	100,00%	0,00%	**100,00%**
Inmobiliaria Uniex Sur, S.L.U.	C/ Mauricio Moro Pareto nº 6, Bajo, Edf. Eurocom, Málaga	Real state development	0,00%	100,00%	**100,00%**
La Algara Sociedad de Gestión, S.L.U.	C/ Bartolomé de Medina, 24 Loc, Sevilla	Tourism sector	0,00%	100,00%	**100,00%**
Mijas Sol Resort, S.L.U.	Avda. Andalucía, 10-12, Málaga	Real state development	0,00%	100,00%	**100,00%**
Parque Industrial Humilladero, S. L.	C/ Miguel Hernández, 1, Humilladero, Málaga	Industrial Land Development	0,00%	84,74%	**84,74%**
Pinares del Sur, S.L.U.	Avenida Portugal Edf. Abarzuza, bajo (Esquina Avda. Juan Carlos). Cádiz	Real state development	0,00%	100,00%	**100,00%**
Propco Rosaleda, S.L.U.	C/ Mauricio Moro Pareto nº 6, Bajo, Edf. Eurocom, Málaga	Property development	0,00%	100,00%	**100,00%**
Segurándalus Mediación, Correduría de Seguros, S.A.U.	C/ Cuarteles nº 51 Ptl.1 Entreplanta. Málaga	Insurance Brokers	0,00%	100,00%	**100,00%**
Unicaja Gestión de Activos Inmobiliarios, S.A.U.	Avda. Andalucía, 10-12, Málaga	Holding real estate	100,00%	0,00%	**100,00%**
Unicartera Caja 2, S.L.U.	C/ Mauricio Moro Pareto nº 6, 6ª planta, Edf. Eurocom, Málaga	Promotion or funding of R & D in the field of medicine	100,00%	0,00%	**100,00%**
Unicartera Gestión de Activos, S.L.U.	C/San Agustín nº 2-1º A, Madrid	Recovery procedures and management of disputes	0,00%	100,00%	**100,00%**
Unicartera Internacional, S.L.U.	Avda. Andalucía, 10-12, Málaga	Asset investment and finance companies	100,00%	0,00%	**100,00%**
Unicartera Renta, S.L.U.	Avda. Andalucía, 10-12, Málaga	Inversión en activos, valores mobiliarios y sociedades financieras	100,00%	0,00%	**100,00%**
Unicorp Patrimonio, Sociedad de Valores, S.A.U.	C/ Bolsa, Nº 4, 1ª planta, Málaga	Gestión patrimonial	0,00%	100,00%	**100,00%**
Unigest, SGIIC, S.A.	C/ Bolsa, Nº 4, 5ª planta, Málaga	Gestora de Instituciones de Inversión Colectiva	0,00%	86,35%	**86,35%**

APPENDIX I
SUBSIDIARIES AT 31 MARCH 2016

Company Name	Registered domicile	Activity	% Share owned by the Group		
			% Share		Total Share
			Direct	Indirect	
Unimediación Operador Banca Seguros, S.L.U.	C/ Bolsa nº 4, planta 2, Málaga	Insurance broker	0,00%	100,00%	**100,00%**
Unimediterráneo de Inversiones, S.L.U.	C/ Mauricio Moro Pareto nº 6, 6ª planta, Edf. Eurocom, Málaga	Inversión en activos, valores mobiliarios y sociedades financieras	100,00%	0,00%	**100,00%**
Uniwindet Parque Eólico Las Lomillas, S.L.	C/ Bolsa, Nº 4, 5ª planta, Málaga	Wind power	10,00%	90,00%	**100,00%**
Uniwindet Parque Eólico Loma de Ayala, S.L.	C/ Bolsa, Nº 4, 5ª planta, Málaga	Wind power	10,00%	90,00%	**100,00%**
Uniwindet Parque Eólico Los Jarales, S.L.	C/ Bolsa, Nº 4, 5ª planta, Málaga	Wind power	10,00%	90,00%	**100,00%**
Uniwindet Parque Eólico Tres Villas, S.L.	C/ Bolsa, Nº 4, 5ª planta, Málaga	Wind power	10,00%	90,00%	**100,00%**
Uniwindet, S.L.	C/ Bolsa, Nº 4, 5ª planta, Málaga	Wind power	20,62%	79,38%	**100,00%**
Alqlunia Duero, S.L.	C/ Marqués de Villamagna 6-8 , Madrid	Real state development	0,00%	69,38%	**69,38%**
Caja España Mediación OBSV, S.A.U.	Plaza de los Bandos 15-17, Salamanca	Insurance broker	0,00%	69,38%	**69,38%**
Conexiones y Servicios del Duero, S.A.	Crta. Salamanca A-62, 3-Tordesillas (Valladolid)	Auxiliary services	0,00%	36,08%	**36,08%**
Desarrollos de Proyectos de Castilla y León, S.L.U.	Av. Madrid, 120 Ed. El Portillo, León	Real state development	0,00%	69,38%	**69,38%**
Finanduero Sociedad de Valores, S.A.U.	C/ Titán 8 - 2º, Madrid	Wealth management	0,00%	69,38%	**69,38%**
Grupo de Negocios Duero, S.A.U.	C/ Marqués de Villamagna 6-8, Madrid	Financial management	0,00%	69,38%	**69,38%**
Viajes Caja España, S.A.	Av. Madrid 120, León	Tourism sector	0,00%	34,69%	**34,69%**
Viproelco, S.A.	Av. Madrid 120, León	Real state development	0,00%	69,38%	**69,38%**

APPENDIX II
JOINT VENTURES AT 31 MARCH 2017

Thousand of euros

Company Name	Registeres domicile	Activity	% Share owned by the Group			Individual profit/ loss for the year	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total revenue	Total gastos
			% Share		Total share							
			Direct	Indirect								
Banco Europeo de Finanzas, S.A.	C/La Bolsa, 4, piso 1. Málaga.	Credit institution	1,20%	39,52%	**40,72%**	416	2.580	92.954	42	72	800	
Cartera Perseidas, S.L.	Paseo de Recoletos,29 Madrid	Investment in assets, securities and financial companies	2,36%	29,77%	**32,13%**	(8)	1.615	308	593	4	-	
Dolun Viviendas Sociales, S.L.	C/ Muñoz Olivé 1, portal 1-1-C Sevilla	Real state development	0,00%	40,00%	**40,00%**	-	-	-	-	-	-	
Espacio Medina, S.L.	Pº de la Castellana (Torre Espacio) 259.Madrid	Real state development	0,00%	30,00%	**30,00%**	(178)	-	70.372	-	26.323	-	
Hidrocartera, S. L.	Avda. Andalucía, 10-12, Málaga	Integrated water cycle	70,00%	0,00%	**70,00%**	5.745	69.437	5.939	-	2	5.747	
Muelle Uno-Puerto Málaga, S.A.	Avda. de Andalucía 21-Entreplanta, Málaga	Real state development	0,00%	39,74%	**39,74%**	(544)	50.773	2.433	23.940	4.889	1.001	
Sociedad de Gestión San Carlos, S.A.	C/ Almirante Faustino Ruiz, 2 A-1.Cadiz	Real state development	0,00%	53,29%	**53,29%**	(52)	-	14.238	7.828	447	-	
Cerro del Baile, S.A.	Av. Bruselas, 15 - 4º , Arroyo de la Vega (Alcobendas) - Madrid	Real state development	0,00%	55,50%	**55,50%**	(149)	-	23.604	179	47.091	71	
Lares Val de Ebro, S.L.	Avda. Talgo 155 Madrid	Real state development	0,00%	23,12%	**23,12%**	(292)	-	19.277	2	21.381	-	
Madrigal Participaciones, S.A.	C/ Santiago 7 - 1º E, Valladolid	Investment in assets, securities and financial companies	0,00%	52,51%	**52,51%**	(31)	9.736	8.840	-	3.373	2	
Rochduero, S.L.	C/ Armas 10-A Jerez de la Frontera (Cádiz)	Real state development	0,00%	37,53%	**37,53%**	(359)	0	35.758	420	36.535	25	

(1) Financial data at 31 March 2017.
(2) Financial data at 28 February 2017
(3) Company in liquidation
(4) Financial data at 28 February 2017.
(5) Financial data at 31 March 2017
(6) Estimated financial data at 31 March 2017
(7) Financial data at 31 March 2017
(8) Financial data at 31 December 2016.
(9) Financial data at 31 June 2016
(10) Financial data at 31 March 2017
(11) Financial data at 31 August 2016

Note: The financial information used for the equity method of participation in the multi-group entities presented in this appendix is the last one available by the Bank at the date of preparation of these annual accounts. In cases where this financial information does not correspond to December 31, 2015, it is due to the fact that information has been used in its place regarding a date very close to the end of 2015, or because the joint-venture entity Has no relevant activity that could significantly influence these annual accounts (because they are in the process of being liquidated or for other reasons that produce similar effects).

APPENDIX III
ASSOCIATES AT 31 MARCH 2016

Thousand of euros

Company name	Registeres domicile	Activity	% Share owned by the Group			Financial Statements at year end				
			% Share		Total	Total assets	Equity	Profit for the year	Current liabilities	Operating profit
			Direct	Indirect						
Alestis Aerospace, S.L.	C/ Ingeniero Rafael Rubio Elola Nº 1 (Parque Tecnológico y Aeronáutico de Andalucía- AEROPOLIS). La Rinconada- Sevilla.	Aerospace industry	12,19%	1,85%	14,04%	468.130	(35.581)	(18.031)	503.711	(621)
Andalucía Económica, S.A.	C/ Diego de Riano nº 11, Piso 2º. Sevilla	Publishing, graphic arts and television	23,80%	0,00%	23,80%	654	544	(11)	110	(11)
Autopista del Guadalmedina. Concesionaria Española, S.A.	Carretera A-45 (AP 46 Km 6.200), Casabermeja-Málaga.	Highways	30,00%	0,00%	30,00%	388.049	72.323	(1.222)	315.726	250
Autopista del Sol Concesionaria Española, S.A.	Plaza Manuel Gómez-Moreno (Edf. Alfredo Mahou), 2.Madrid	Highways	20,00%	0,00%	20,00%	689.175	(14.925)	(1.594)	704.100	2.020
B.I.C. Euronova, S.A.	Avenida Juan López Peñalver,21 (Parque Tecnológico Andalucía). Campanillas-Málaga	Investment services and promotion	20,00%	0,00%	20,00%	1.382	954	(58)	427	(80)
Creación de Suelo e Infraestructuras, S.L.	C/ Ibiza, 35 -5ºA. Madrid	Real state development	0,00%	24,98%	24,98%	625	(12.311)	(253)	12.936	(253)
Deoleo, S.A.	Autovía Madrid-Cádiz KM 388. Alcolea-Córdoba	Food industry	9,99%	0,06%	10,05%	943.724	173.451	(190.244)	770.273	(41.976)
Desarrollo Urbanísticos Cerro de Medianoche, S.L.	Plaza Jaén por la Paz, 2. Jaén	Real state development	0,00%	24,72%	24,72%	3.567	3.567	-	0	-
Gestión e Investigación de Activos, S.A.	Paseo General Martínez Campos, 46-2ªplanta. Madrid	Real state development	0,00%	37,54%	37,54%	21.243	10.741	472	10.502	775
Hidralia, Gestión Integral de Aguas de Andalucía, S.A	C/ Alisios. Edf Ocaso, nº 1,, Sevilla	Integrated wáter cycle	0,00%	35,00%	35,00%	275.649	117.470	751	158.178	6.187
Ingeniería de Suelos y Explotación de Recursos, S.A.	Paseo del Coso S/N. Minas de Riotinto-Huelva	Mining industry	30,00%	0,00%	30,00%	66.775	25.912	1.862	40.864	1.881
Ingeniería e Integración Avanzadas, S.A.	C/ Severo Ochoa 43 (Parque Tecnológico de Andalucía). Campanillas-Málaga	New technologies	40,00%	0,00%	40,00%	13.986	4.645	124	9.341	358
La Reserva de Selwo Golf, S.L.	Pasaje Linaje 3, Planta 1, Piso 1. Málaga	Real state development	0,00%	35,00%	35,00%	672	(3.695)	(7)	4.367	(7)
Malagaport S.L.	Edif. Instituto de Estudios Portuarios, Puerto de Málaga (Muelle de Cánovas), S/N. Málaga	Community services	26,07%	0,00%	26,07%	378	323	4	55	4
Obenque, S.A.	C/ Zurbano, 76.Madrid	Real state development	0,00%	26,98%	26,98%	28.944	7.983	16	20.963	101

APPENDIX III
ASSOCIATES AT 31 MARCH 2016

Thousand of euros

Company name	Registeres domicile	Activity	% Share owned by the Group			Financial Statements at year end				
			% Share		Total	% Share	Total	% Share	Total	% Share
			Direct	Indirect						
Parque Científico-Tecnológico de Almería S.A.	Avda. de la Innovación, nº15, Edificio Pitágoras, Almería	Real state development	0,00%	30,08%	30,08%	49.600	26.199	(1.163)	23.401	(845)
Sociedad Municipal de Aparcamientos y Servicios, S.A.	Plaza Jesús "El Rico" 2-3. Málaga	Parking	24,50%	0,00%	24,50%	67.314	39.366	755	27.948	1.532
Uncro, S.L.	C/ Ibiza Nª 35 5ª A, Madrid	Real state development	0,00%	25,00%	25,00%	874	(9.570)	(42)	10.444	(43)
Unema Promotores Inmobiliarios, S.A.	C/ Strachan, nº1, planta 1. Málaga	Real state development	0,00%	40,00%	40,00%	37	(1.669)	(22)	1.706	-
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.	C/ Bolsa, Nº4, 3ª planta. Málaga	Insurance	42,40%	7,60%	50,00%	2.230.941	193.088	7.921	2.037.852	9.722
Ala Ingeniería y Obras, S.L.	Crta. De la Estación, naves 7 y 8 - Meco (Madrid)	Manufacturing metal structures	0,00%	13,91%	13,91%	8.889	(5.005)	(1.178)	13.894	(1.275)
Caja España Vida Cía. de Seguros y Reaseguros S.A.	C/ Santa Nonia, 4 - 3ª Planta, León	Insurance and reinsurance	0,00%	34,69%	34,69%	1.342.815	152.780	3.938	1.190.035	2.835
Camping El Brao, S.A.	C/ Uría, 56 - 2 C , Oviedo (Asturias)	Real state development	0,00%	17,35%	17,35%	5	(10)	(4)	14	(4)
Centro de Tecnologías Informáticas, S. A.	Av. Condesa Sagasta, 6 - 1º, León	Computer Services	0,00%	13,88%	13,88%	536	356	(222)	180	(219)
Compañía de Servicios de Castilla y León, S.A.	C/ Pico del Urbión, 4 Valladolid	Development administrative work	0,00%	19,47%	19,47%	141	(801)	(667)	942	(659)
Cuatro Estaciones INM Siglo XXI, S.L.	Plaza del Mío Cid 6 - 3º, Burgos	Real state development	0,00%	13,88%	13,88%	1.787	(632)	(10)	2.419	(10)
Duero Pensiones, E.G.F.P.	Pº de la Castellana, 167 Madrid	Managment pension funds	0,00%	34,69%	34,69%	9.098	8.098	1.095	1.000	1.244
Inversiones Alaris, S.L.	Av. Carlos III El Noble,8 Pamplona / Iruña Navarra	Share holding	0,00%	23,12%	23,12%	18.109	15.493	(102)	2.615	(102)
Mejor Campo Abonos y Cereales, S.A.	Callejón de San Francisco, 1 - Bajo Medina del Campo (Valladolid)	Commercial fertilizer and feed	0,00%	18,73%	18,73%	3	(58)	-	61	-
Numzaan, S.L.	C/ Doctor Casas, 20 Zaragoza	Real state development	0,00%	14,90%	14,90%	1.375	(65.020)	(833)	66.395	(27)
Patrimonio Inmobiliario Empresarial	C/ Santa Engracia, 69 Madrid	Real state development	0,00%	20,18%	20,18%	26.857	(21.423)	(566)	48.280	
Unión del Duero Compañía Seguros de Vida, S.A	Pº de la Castellana, 167 Madrid	Life insurance	0,00%	34,69%	34,69%	747.906	77.607	2.367	670.300	2.367

APPENDIX III
ASSOCIATES AT 31 MARCH 2016

(*) The interest in this entity is classified in the heading "Non-current assets held for sale" in the consolidated balance sheet.

(1) Financial data at 31 December 2016.
(2) Financial data at 01 de enero de 2017.
(3) Financial data at 31 March 2017. Estimation under IAS.
(4) Financial data at 31 February 2017. Bajo NIIF-UE.
(5) Financial data at 31 December 2016.
(6) Financial data at 30 Sepetember 2016.
(7) Financial data at 31 December 2016.
(8) Financial data at 31 December 2016.
(9) Financial data at 30 November 2016
(10) Financial data at 31 March 2017
(11) Financial data at 28 February 2017.
(12) Financial data at 30 September 2016
(13) Financial data at 31 December 2016.
(14) Financial data at 31 December 2016.
(15) Financial data at 28 February 2017.
(16) Financial data at 31 December 2016.
(17) Financial data at 31 March 2017.
(18) Financial data at 30 September 2016.
(19) Financial data at 31 March 2017.
(20) Financial data at 31 March 2017.
(21) Financial data at 31 December 2013.
(22) Financial data at 28 February 2017.
(23) Financial data at 31 December 2016.
(24) Financial data at 31 December 2016.
(25) Financial data at 31 August 2013.
(26) Financial data at 31 de octubre de 2014.
(27) Financial data at 31 December 2016.
(28) Financial data at 31 January 2017.
(29) Financial data at 31 December 2016.
(30) Financial data at 31 December 2015.
(31) Financial data at 31 March 2014
(32) Financial data at 28 February 2017

Note: The financial information used for the equity method of participation in the associates presented in this appendix is the last one available by the Bank at the date of preparation of these annual accounts. In cases where this financial information does not correspond to 31 December 2015, it is due to the fact that information was used in its place regarding a date very close to the end of 2015, or because the associated entity Has no relevant activity that could significantly influence these annual accounts (because they are in the process of being liquidated or for other reasons that produce similar effects).

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UNICAJA BANCO, S.A. AND ITS' SUBSIDIARIES
(UNICAJA BANCO GROUP)

CONSOLIDATED DIRECTOR'S REPORT CORRESPONDING TO THE FIRST QUARTER 2017

Introduction

This Directors' Report sets out relevant figures and events for FY 2016 to provide a view of the situation of the Unicaja Banco Group (Unicaja Banco Group or the Group) and its business performance. The consolidated financial statements for 2016 to which this Directors' Report relates have been drawn up in accordance with International Financial Reporting Standards adopted by the European Union (EU-IFRS), taking into account Bank of Spain Circular 4/2004 (22 December) and amendments there to.

Unicaja Banco, S.A. (hereinafter Unicaja Banco, the parent company or the Bank) is a credit institution that was incorporated for an indefinite period on 1 December 2011. The commencement of its activities results from the approval by the General Assembly of Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén - Unicaja (currently Fundación Bancaria Unicaja) as a result from the entry into force of the Act 26/2013, 27 December.

The Bank is subject to legislation and regulations governing banking institutions operating in Spain. Further public information on the Bank can be consulted on its web site (www.unicajabanco.es) or at its registered office (Avenida Andalucía, 10 y 12, Malaga).

The Bank's corporate objects consist of the performance of all kinds of activities, transactions, acts, contracts and services pertaining to the banking business in general or related directly or indirectly thereto, or which are complementary thereto or develop the same, provided that they are allowed, or not forbidden, by prevailing legislation.

The Bank's objects include the provision of investment services and other services that are ancillary thereto, and the performance of activities pertaining to insurance agents, as an exclusive or related operator, without exercising both activities simultaneously.

In accordance with its By-laws, the activities that comply with Law 10/2014 of 26 June on the organization, supervision and solvency of credit institutions and that are covered by its objects may be carried out fully or in part, indirectly, in any legally admitted form and, in particular, through the ownership of shares or interests in companies or in other entities whose objects are identical, analogous or complementary to such activities.

The Bank is entered in the Mercantile Register of Malaga and is registered as a credit institution on the Bank of Spain's Special Register, with number 2103. The Bank holds a license to carry out banking activities granted by the Ministry of Finance in accordance with Article 1 et seq. of Royal Decree 1245/1995.

At 31 March 2016, 86.7% of the Bank's share capital is owned by Fundación Bancaria Unicaja, the Bank's ultimate controlling entity and the parent of the Unicaja Group. Both the Bank and its controlling entity are domiciled in Malaga, are subject to Spanish legislation and file their financial statements with the Mercantile Registry of Malaga.

The Bank is the parent of a subgroup of subsidiaries devoted to various activities and that make up the Unicaja Banco group. These subsidiaries include Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (EspañaDuero), in which Unicaja Banco holds an interest of 69.38%.

Balance sheet and revenue	Million of euros Mar-17	Dec-16	Inter-annual variation Millon euros	%
	55 989	57 241	(1 252)	-2,2%
Total assets	27 216	27 052	164	0,6%
Loans and advances to customers (gross)(1)	44 536	47 710	(3 174)	-6,7%
Customer deposits	11 923	11 635	288	2,5%
Off-balance sheet customer funds	57 263	60 149	(2 886)	-4,8%
Resources managed (2)	*48 784*	*48 178*	606	1,3%

(1) Without doubt, temporary acquisitions of assets through counterparties or financial intermediaries, or other financial assets (mainly guarantees to guarantee market operations)

(2) No temporary assignments of assets, no singular notes, or other financial liabilities

Profit/ (loss)	Million of euros Mar-17	Mar-16	Inter-annual variation Millon euros	%
Net interest income	145,0	134,8	10,2	7,6%
Gross operating income	280,5	346,6	(66,0)	-19,1%
Operating margin *(before write-downs)*	120,9	181,1	(60,2)	-33,2%
Write-downs and other	46,8	77,9	(31,1)	-39,9%
Profit/(loss) before taxes	74,1	103,2	(29,1)	-28,2%
Consolidated profit/(loss) for the year	*50,8*	73,5	(22,8)	-31,0%
Profit/(loss) attributed to Parent	52,0	78,0	(26,1)	-33,4%

Rentabilidad y Eficiencia	% Mar-17	Mar-16	Inter-annual variation Millon euros	%
ROE (Attributed income/Average equity)	7,2%	11,0%	n.a.	-3,7pp
ROTE (Attributed income/Average tangible equity)	7,2%	11,0%	n.a.	-3,7pp
ROA (Net income/total Average assets)	0,4%	0,5%	n.a.	-0,1pp
RORWA (Net income/APRs)	0,8%	1,2%	n.a.	-0,3pp
Operating efficiency (Unamortised operating expenses/Gross margin)	52,9%	44,3%	n.a.	8,6pp

Solvencia	Million of euros Mar-17	Dec-16	Inter-annual variation Millon euros	%pp.
Equity	3.149	3.183	(34)	-1,1%
Total capital	3.530	3.569	(38)	-1,1%
Tier one qualifying common capital (CET1)	3.416	3.469	(53)	-1,5%
Tier one qualifying additional capital	39	29	10	34,7%
Tier two qualifying capital	76	71	4	
Capital requirements	1.805	1.826	(21)	-1,2%
APRs	24.895	25.188	(293)	-1,2%
Total capital ratio	14,2%	14,2%	n.a.	0,0pp
CET-1 ratio	13,7%	13,8%	n.a.	(0,1)pp
Fully loaded CET-1 ratio	12,0%	11,8%	n.a.	0,2pp
Leverage ratio	6,1%	6,0%	n.a.	0,1pp

(*)Including the Convertible Contingent Obligations issued by Banco EspañaDuero and subscribed by the FROB.

Risk control	Million of euros Mar-17	Dec-16	Inter-annual variation Millon euros	%pp.
Doubtful	3.032	3.215	(183)	-5,7%
NPL ratio	9,4%	9,8%	n.a.	(0,4)pp
NPL coverage ratio	50,1%	50,0%	n.a.	0,1pp
Cost of ordinary credit risk	0,2%	0,2%	n.a.	(0,2)pp
Foreclosed properties available for sale (net)	935	974	(39)	-4,0%
Coverage ratio of foreclosed properties available for sale	62,8%	62,1%	n.a.	-0,7pp

Liquidity	Million of euros Mar-17	Dec-16	Inter-annual variation Millon euros	%pp.
Gross liquid assets	19.447	21.861	(2.414)	-11,0%
Net liquid assets	13.289	14.544	(1.255)	-8,6%
Net liquid assets/total assets	23,7%	26,0%	n.a.	-2,2pp
LtD ratio	82%	83%	n.a.	-0,9pp
Liquidity coverage ratio (LCR)	607%	410%	n.a.	+197,0pp
Net stable funding ratio (NSFR)	133%	125%	n.a.	+8,0pp

Additional information	Unit Mar-17	Dec-16	Inter-annual variation Num.	%
Branches	1.259	1.280	(21)	-1,6%
ATMs	1.515	1.525	(10)	-0,7%
Personnel	7.353	7.560	(207)	-2,7%

Rating		March-2017
Fitch	Long-term	F3
	Short-term	BBB-
	Outlook	Estable
Moody´s	Long-term deposits	Ba3
	Issuer's senior long-term debt	NP
	Short-term	Estable

Economic and financial environment

The growth of the global economy picked up speed in the last quarter of 2016, according to the latest forecasts, and global growth is expected to improve to 3.1%. In the United States, expected growth will be much more moderate (1.6%), one point less than in 2015, despite the good labor market situation, weighed down by the adjustment of inventories, weak investment , The electoral process at the end of the year, and uncertainties about the possible isolationist policies of the new president-elect of the United States.

Growth forecast for 2016 in emerging and developing economies (4.1%) after the strong correction following the victory of Donald Trump, is boosted by the partial recovery in commodity prices At the beginning of 2016) and better growth forecasts for some countries, such as China (6.7%) or Russia (-0.2%), which seems to have bottomed out and is gradually recovering thanks to the rise in prices of the oil.

In the Euro Zone, growth is expected to be around 1.7% in 2016, thanks to strong domestic demand from countries such as Spain or Germany (expected growth of 1.8%), which offset the weakness of the estimated growth of Other countries such as France (1.2%) or Italy (0.9%), since initially the consequences of the departure of the United Kingdom from the EU are not being as convulsive as predicted.

In Spain, growth forecast for 2016 will be around 3.2% of GDP, with a notable improvement in the external sector (thanks to a small increase in imports, 3.3%) and private consumption accelerating in the Last quarter of the year. Spanish companies have improved their competitiveness, reduced their indebtedness and unit labor costs have reduced the gap with Germany, improving exports. On the other hand, families, less indebted and with a lower rate of unemployment, have continued to contribute to GDP growth through private consumption.

The growth forecast for 2017 is better than in previous quarters and GDP growth in Spain stands at around 2.6%, supported by domestic demand thanks to the strength of private consumption but also with a notable positive contribution of the balance Net external (0.3 percentage points). A recovery in the banking sector is expected as a result of the ECB's continued debt repayment program (TRLTRO II) and negative intervention rates, with no rise in interest rates expected in 2017. The improvement in the Companies and households should encourage greater demands for funding and thus new credit will improve slightly. The decline in delinquency will continue, but the low rate environment will continue to reduce profitability, with particularly low margins and Euribor in minimums, so that entities will have to look for alternatives, with a special emphasis on digitization of services, efficiency improvement , Taking advantage of economies of scale and, predictably, new mergers / acquisitions in the national / international financial sector.

Financial year highlights

In the first quarter of 2017, the Unicaja Banco Group obtained an attributable profit of 52 million euros, which translates into an ROE of 7.2%, with a financial margin 8% higher than that obtained in the first quarter of 2016.

Regarding the banking business, in an environment that continues to be characterized by extremely low levels of interest rates, the managed resources of retail clients of the Unicaja Bank Group, at the close of the first quarter of 2017, amount to 48,784 million euros, with a year-on-year growth of 606 million euros, highlighting the year-on-year growth in demand deposits (+8.8%) and off-balance sheet resources (+8.5%), Manifest the commitment of the entity for more profitable resources and that generate more value to the client.

Unicaja Banco Group continues to show a reactivation trend in the credit concession, with the opening of new loans to individuals and companies for 874 million euros (419 million euros higher than those made in the last quarter of 2016). An increase of 38% year-on-year in financing operations for SMEs, thus reaffirming the reactivation trend pointed out in recent quarters.

Another axis of the performance of the entity with good performance in the first quarter of 2017 has been the reduction of doubtful and adjudicated assets. Unicaja Banco Group's doubtful assets decreased by 424 million euros in the last 12 months (-12.3%), with decreases in both Unicaja Banco and EspañaDuero, which put the NPL ratio at 9.39% maintaining high coverage. On the other hand, the balance of assets awarded net of funds has decreased by 141 million euros in the last 12 months, representing a decrease of 13.1%. This improvement in the management of irregular assets and high levels of coverage has led, as indicated below, to a reduction in the need for sanitation compared to the previous year and marks the trend for the future.

As regards own resources, a comfortable solvency position is maintained thanks to the generation of results and the reduction of riskier assets, which has enabled the Group, even without having gone to the capital markets, to maintain Capital with which it fulfills the regulatory and supervisory requirements. Unicaja Banco Group has total capital at the end of March 2017 of 3.53 billion euros, which translates into a ratio of 14.2%, 2.1 pp higher. To March 2016 (12.1%) and represents an excess of 1,539 million over the prudential minimum established by the European Central Bank (ECB) in the context of the Capital Review and Evaluation Process (SREP). At the same time, the CET1 or ordinary first-tier ratio stood at 13.7%, which represents an excess of EUR 1,611 million over the minimum required by the ECB in the SREP context.

On the other hand, the Unicaja Banco Group maintains a comfortable liquidity position. At the close of the first quarter of 2017, the volume of liquid assets and usable as collateral for obtaining financing in the Eurosystem (net of those used) stood at 13,289 million euros and represents 23.7% of total consolidated assets. This liquidity position allows Grupo Unicaja Banco to comfortably face the wholesale maturities of the coming years (1,774 million euros in 2017, 889 million euros in 2018 and 668 million euros in 2019) and has allowed it to take actions aimed at lowering the cost of its liabilities.

The growth trend of retail deposits, coupled with the continuation of the process of downgrading of companies and households, has resulted in a reduction in the structural financing needs in the markets, with the ratio LTD ("Loan to Deposits") in 82%, one of the lowest in the sector.

The net profit of 52 million euros is derived from net interest income and commissions of 198 million euros (1.4% of average total assets). The evolution of net interest income has been negatively affected by historically low interest rates, which have significantly affected the profitability of loans and the fixed-income portfolio, but the significant reduction in financing costs has allowed Offset the negative effect these rates are having on the average return on loans and debt portfolio, with the net interest margin 10 million euros higher (+ 8%) than in the first quarter of 2016.

The active management of investments in the fixed income portfolio has allowed for the results of financial operations of 45 million euros in the first quarter of the year, which, together with the results from investments in stocks and shares and growth Net of other operating income (with a progressive improvement in the contribution of real estate results), the gross margin rose to 281 million euros (2% on average total assets). The reduction of this margin compared to the previous year (-66 million euros, -19%) can be attributed to the exceptionally high net other products and operating expenses of the first quarter of 2016 thanks to the agreement reached in the distribution Of general insurance mainly. Excluding this extraordinary income, the gross margin would have grown 12.4% year-on-year.

For its part, the implementation of a strict policy of containment and rationalization of costs, within the framework of a plan to improve efficiency and achieve the synergies envisaged in the acquisition of EspañaDuero has resulted in a reduction of Operating expenses of 3.5% year-on-year to 160 million euros, 6 million euros less than in the same period of 2016, which put the operating efficiency ratio at 52.9%.

Finally, the write-down of depreciation and other costs, amounting to 47 million euros, results in a pre-tax profit of 74 million euros (0.53% of average total assets).

Income Statement - Unicaja Banco Group	31.03.2017	31.03.2016	Var.	T.V.I.
				Million of euros
Interest margin	**145,0**	**134,8**	**10,2**	**7,6%**
Fees	52,6	53,1	(0,5)	(1,0%)
Dividends and other income from shareholdings	6,4	5,3	1,1	20,3%
ROFs + exchange differences	45,4	39,5	5,9	14,9%
Other operating income/expenses	31,2	113,9	(82,7)	(72,6%)
Gross margin	**280,5**	**346,6**	**(66,0)**	**(19,1%)**
Operating expenses	159,6	165,4	(5,8)	(3,5%)
Operating margin (before write-downs)	**120.9**	**181,1**	**(60,2)**	**(33,2%)**
Write-downs and other income	46,8	181,1	(134,3)	(74,2%)
Profit/(loss) before taxes	**74,1**	**103,2**	**(29,1)**	**(28,2%)**
Corporate income tax	23,4	29,7	(6,3)	(21,3%)
Consolidated profit/(loss) for the year	**50,8**	**73,5**	**(22,8)**	**(31,0%)**
Profit/(loss) attributed to Parent	**52.0**	**78,0**	**(26,1)**	**(33,4%)**

Profit and write-downs

Evolution of the interest margin – Unicaja Banco Group
Million of euros

	MARCH 17			MARCH 16			Variation			Variations' breakdown		
	Average balance	Profit(1)	Profitability /average cost	Average balance	Profit(1)	Profitability /average cost	Average balance	Profit(1)	Profitability /average cost	Balance effect	Price effect	Comb. effect
Assets												
Financial intermediaries	3.034	(0,6)	(0,08%)	3.975	(0,1%)	(0,01%)	(941)	(0,5)	(0,07%)	0,0	(0,7)	0,2
Fixed-income portfolio	17.742	52,0	1,19%	18.260	64,4%	1,42%	(519)	(12,4)	(0,23%)	(1,8)	(10,9)	0,3
Credit non-doubtful receivables	27.202	158,6	2,36%	28.017	158,9%	2,67%	(815)	(27,3)	(0,30%)	(5,4)	(22,6)	0,7
ATMs/interest received	**56.534**	**220,5**	**1,58%**	**59.946**	**253,2%**	**1,70%**	**(3.413)**	**(32,7)**	**(0,12%)**	**(14,4)**	**(19,4)**	**1,1**
Liabilities												
Financial intermediaries	6.572	(3,3)	(0,20%)	6.270	0,1	0,01%	302	(3,4)	(0,21%)	0,0	(3,3)	(0,2)
Deposits	36.754	27,9	0,31%	38.790	59,0	0,61%	(2.036)	(31,1)	(0,30%)	(3,1)	(29,5)	1,5
Issues	6.470	29,6	1,86%	7.642	35,4	1,86%	(1.172)	(5,7)	0,00%	(5,4)	(0,3)	0,1
Subordinated liabilities	640	14,5	9,75%	612	13,9	9,14%	(8)	0,6	0,61%	(0,2)	0,8	0,0
ATMs/interest paid	**56.534**	**75,5**	**0,54%**	**59.946**	**118,4**	**0,79%**	**(3.413)**	**(42,9)**	**(0,25%)**	**(6,7)**	**(38,4)**	**2,2**
ATMs/Interest margin	**56.534**	**145.0**	**1,04%**	**59.946**	**134,8**	**0,90%**	**(3.413)**	**10,2**	**0,14%**	**(7,7)**	**(18,9)**	**1,1**

(1) Including hedging adjustments

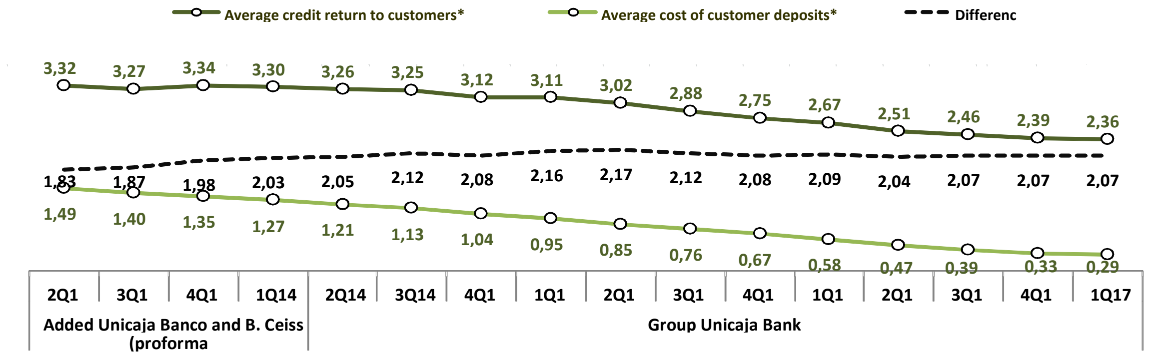
Average balances from quarterly final balances

Net interest income increased by 10 million euros compared to the first quarter of 2016, as a result of the decrease in the cost of liabilities, in particular retail deposits, which offset the impact of changes in the total volume of assets, particularly And the negative impact of the low interest rates scenario and the renegotiation of customer prices, including mortgage loans with pacts to limit interest rate changes. In this sense, the average customer spread has remained practically at the same levels as in 2014, so the Group has been able to offset the impact of the fall in the profitability of the assets, which shows the strength Of the business model, whose profitability has not only been maintained but has improved in recent years as the benchmarks have been reduced.

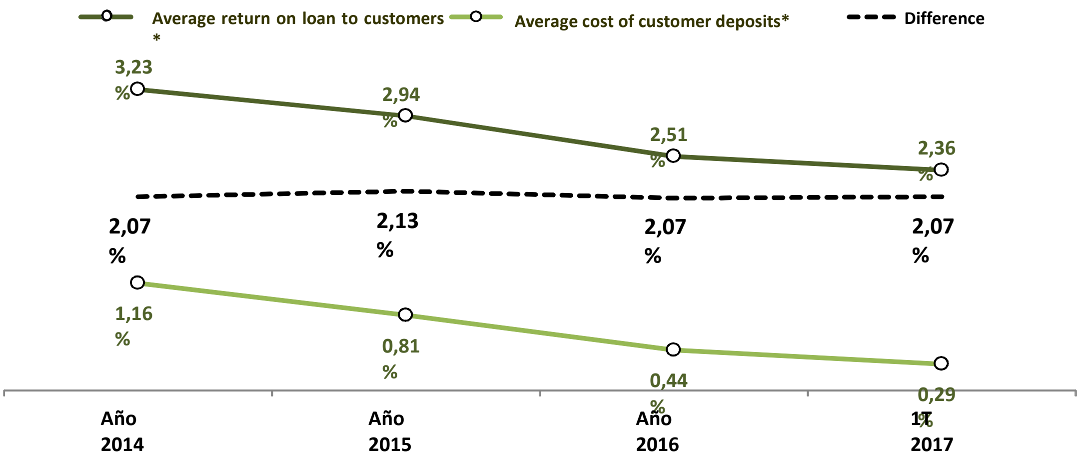
Quarterly evolution of the average business spread with customers. Group Unicaja Banco.

	Added Unicaja Banco and B. Ceiss (proforma)				Group Unicaja Bank												Average Type	Average Type		ge
	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2014	2015	2016	1Q 2017
Average return on loan to customers *	3,32%	3,27%	3,34%	3,30%	3,26%	3,25%	3,12%	3,11%	3,02%	2,88%	2,75%	2,67%	2,51%	2,46%	2,39%	2,36%	3,23%	2,94%	2,51%	2,36%
Average cost of customer deposits *	1,49%	1,40%	1,35%	1,27%	1,21%	1,13%	1,04%	0,95%	0,85%	0,76%	0,67%	0,58%	0,47	0,39%	0,33%	0,29%	1,16%	0,81%	0,44%	0,29%
Difference	1,83%	1,87%	1,98%	2,03%	2,05%	2,12%	2,08%	2,16%	2,17%	2,12%	2,08%	2,09%	2,04%	2,07%	2,07%	2,07%	2,07%	2,13%	2,07%	2,07%

(*) Not including assignment or temporary acquisition of assets



(*)Not including operations of assignment or temporary acquisition of assets



(*)Not including operations of assignment or temporary acquisition of assets

Profit from commissions (53 million euros), equity and equity investments (6 million euros), net of other products/ operating charges (31 million euros), affected by insurance marketing agreements and improvement of the contribution of the results of the real estate business, mainly together with a result of financial operations and differences in exchange of 45 million euros, determine the gross margin of 281 million euros.

Operating expenses were 160 million euros, with a year-on-year reduction of 3.5%, placing the efficiency ratio (operating expenses without depreciation on gross margin) at 52.9%. As a result of the above-mentioned evolution, a profit before consolidation of 121 million euros was achieved.

The good health of the credit portfolio and the efforts in the recovery of doubtful and adjudicated have allowed, keeping the traditional line of prudence of the Unicaja Bank Group, that the volume of reorganizations, which together have resulted in a net amount of 47 million euros, has been reduced by 31% compared to the same period of the previous year.

Detail of provisions and other results
March 2017

			Million of euros
	March 2017	**March 2016**	**Var.**
Provisions (net)	-5.2	-9.7	4.4
Impairment losses (net)	44.0	84.2	-40.2
Impairment losses financial assets (net)	31.5	75.4	-43.9
Impairment losses on non-financial assets (net)	12.5	8.8	3.7
Gain/ loss in sale of assets not classified as held for sale	0.3	0.2	0.0
Gain/ loss in sale of assets held for sale	-8.3	-3.6	-4.7
Total write-downs and other results	**46.8**	**77.9**	**-31.1**

Business

The volume of managed resources managed by the Group rose at the end of the first quarter of 2017 to 57,263 million euros (without valuation adjustments), with a cumulative increase in the quarter of retail customer resources of more than 600 million euros, highlighting the cumulative demand deposits (+791 million euros) and off-balance sheet funds (+288 million euros). The management of the resources group has been oriented to those products that on the one hand minimize the cost for the entity and on the other generate more value for the client, allowing the exit of the more expensive resources, given the very loose levels of liquidity.

Managed resources - Unicaja Banco Group
(without valuation adjustments)

					Million of euros
	31.03.2017	**%**	**31.12.2016**	**Var. Per.**	**% Var. Per.**
Total Balance Sheet Resources	**45 340**	**79.2%**	**48 514**	**-3 174**	**-6.5%**
Deposits	**44 536**	**77.8%**	**47 710**	**-3 174**	**-6.7%**
Public administrations	**2 143**	**3.7%**	**2 311**	**-168**	**-7.3%**
Private sector	**42 393**	**74.0%**	**45 399**	**-3 006**	**-6.6%**
Demand deposits	23 188	40.5%	22 397	791	3.5%
Time deposits	17 057	29.8%	17 684	-627	-3.5%
Repurchase agreements	2 148	3.8%	5 318	-3 170	-59.6%
Issues	**804**	**1.4%**	**804**	**-**	**0.0%**
Promissory notes	-	0.0%	-	-	n.a.
Mortgage securities	200	0.3%	200	-	0.0%
Other values	-	0.0%	-	-	n.a.
Subordinated liabilities	604	1.1%	604	-	0.0%
Out-of-balance resources	**11 923**	**20.8%**	**11 635**	**288**	**2.5%**
TOTAL ADMINISTRATIVE RESOURCES	**57 263**	**100.0%**	**60 149**	**-2 886**	**-4.8%**
Of which:					
Customer resources (retail)	**48 784**	**85.2%**	**48 178**	**606**	**1.3%**
Markets	**8 479**	**14.8%**	**11 971**	**-3 492**	**-29.2%**

The majority of managed funds are customer deposits (44,536 million euros), of which 23,188 million euros are demand deposits of private sector clients, 17,057 million euros are term deposits (including 6,170 million euros of non-marketable issues of mortgage bonds) and 2.148 million are temporary assignments of assets. The resources managed by off-balance sheet instruments amount to 11,923 million euros, consisting mainly of customer funds raised by companies and investment funds (5,716 million euros), pension funds (2,241 million euros) and savings insurance (3,086 million euros). The balance of issues included in the aggregate of managed resources is limited to 804 million euros and consists of third party mortgage issues (200 million euros) and convertible bonds of EspañaDuero subscribed by the FROB (604 million euros).

Due to the origin of the resources, 85.2% (48,784 million euros) corresponds to banking business with customers, while the remaining 14.8% (8,479 million euros) is the funds raised in wholesale markets through issues or temporary assignments of assets.

Loans and advances to customers (without valuation adjustments) amounted to 32,280 million euros at the end of the first quarter of 2017. The largest weight in the loan portfolio corresponds to the credit to the private sector with a real guarantee that represents 58% of the full credit.

Loans and advances to the Unicaja Banco Group's customers					**Million of euros**
	31.03.2017	**%**	**31.12.2016**	**Var. Abs.**	**Var. Rel.**
Public administrations	**2 264**	**7%**	**2 160**	**104**	**4.8%**
Private sector	**30 016**	**93%**	**30 570**	**-554**	**-1.8%**
Business credit	278	1%	275	3	1.2%
Accounts receivable with collateral	18 565	58%	18 794	-229	-1.2%
Temporary acquisitions of assets	1 867	6%	2 078	-210	-10.1%
Other debtors	5 308	16%	4 959	349	7.0%
Debtors in sight and rest	3 998	12%	4 465	-467	-10.5%
Total loans and advances to customers (without valutions adjustments)	**32 280**	**100%**	**32 730**	**-450**	**-1.4%**
Corrections for impairment and other valuation adjustments	-1 935		-2 044	109	-5,3%
Total loans and advances to customers	**30 345**		**30 686**	**-341**	**-1.1%**
Memorandum items:					
Unsecured loans and advances - Customers (without valuation adjustments)	*27 216*		*27 052*	*164*	*0.6%*

It is noteworthy that the weight of credit to the promoter sector has declined again in the year, now accounting for only 2.4% of total non-doubtful loans to the Group's private sector.

Credit according to credit risk classification (*)					**Million of euros**
	31.03.2017	**%**	**31.12.2016**	**Var. Abs.**	**Var. Rel.**
TOTAL LOANS AND ADVANCES TO THE CUSTOMERS	**32 280**		**32 730**	**-450**	**-1.4%**
1. Credit to Public Administrations not doubtful	**2 252**		**2 150**	**102**	**4.7%**
2. Private sector credit not doubtful	**24 964**	**100.0%**	**24 901**	**63**	**0.3%**
Business	**6 040**	**24.2%**	**5 765**	**274**	**4.8%**
Promotion and real estate construction	604	2.4%	656	-52	-7.9%
Rest of companies	5 435	21.8%	5 109	326	6.4%
SMEs and self-employed	3 414	13.7%	3 472	-58	-1.7%
Big companies	1 727	6.9%	1 343	384	28.6%
Building	294	1.2%	295	-	0.0%
Particular	**18 923**	**75.8%**	**19 135**	**-212**	**-1.1%**
Housing	16 266	65.2%	16 440	-174	-1.1%
Rest	2 657	10.6%	2 696	-39	-1.4%
3. Doubtful credit	**3 032**		**3 215**	**-183**	**-5.7%**
4. Temporary acquisitions and rest	**2 033**		**2 464**	**-431**	**-17.5%**

(*) It does not include valuation adjustments.

At the end of the first quarter of 2017, the trend of moderation in the contraction of the total volume of credit that has been characterizing the Spanish economy in recent years continues. In this sense, the decline in credit is mainly due to the recovery of doubtful assets, with a notable increase in the volume of formalization of new operations compared to the previous year, which results in the growth of normal customer balances by the amount of 164 million euros.

During 2017 new credit operations to individuals and companies amounting to 874 million euros, more than half (602 million euros) have been earmarked for companies, with a notable increase in financing operations for SMEs, up 38% To those granted in the same quarter of 2016, reaffirming thus the trend of recovery pointed out in recent months.

Credit quality

Continuing the recovery trend and the favorable evolution already reflected since the end of 2014, the balance of doubtful assets of the Group stood at 3,032 million euros at the close of March 2017, accumulating a decrease of 1,782 million since the end of 2014. Regarding December 2016, the drop was 6% (-183 million euros), with decreases both in Unicaja Banco and EspañaDuero, which translate into an improvement of 0.4 pp. Of the Unicaja Banco Group's NPL ratio to 9.4%. Likewise, the Unicaja Banco Group maintains a coverage level of doubtful risks of 50.1%.

The sanitation effort carried out in recent years, which has allowed a level of coverage of the risks covered by the hypothetical losses expected in adverse scenarios, together with the prospect of a continuation of the process of recovery of the Spanish economy, which is being reflected In a positive evolution of the irregular assets, allows to foresee the maintenance of a tendency of reduction of the needs of the reorganization in the coming years.

Foreclosed assets

At the close of the first quarter of 2017, the net balance of real estate assets awarded totaled 935 million euros (2,512 million euros in cost), representing only 1.70% of the total assets of the Unicaja Banco Group. 54% of the real estate assets awarded, at net book value, are finished new housing and used housing.

Real Estate Foreclosed Assets - Unicaja Banco Group

March 2017				**Million of euros**
	Net book value	**Value adjustments**	**Net value**	**Coverage (%)**
Real estate construction and real estate development	**468**	**994**	**1 462**	**68.0%**
Finished buildings	187	204	391	52.2%
Buildings under construction	72	113	186	61.0%
Rest	209	676	885	76.4%
Real estate from financing acquisition housing homes	**321**	**332**	**652**	**50.9%**
Rest of real estate	**146**	**252**	**398**	**63.4%**
TOTAL REAL ESTATE ASSETS AWARDED	**935**	**1 578**	**2 512**	**62.8%**

Note: The amount of the hedge includes both the impairment value adjustments associated with the property assets awarded and the hedges prior to the acquisition of the assets, which covered the impairment of the credit instruments from which they arise.

Continuing with the prudential line of the Unicaja Bank Group, the amount of provisions on real estate assets awarded reached 1,578 million euros at the end of the first quarter of 2017, which means a coverage level of 62.8%.

Liquidity

At 31 March 2017, the Unicaja Group recorded a position of liquid and disposable assets in the European Central Bank, net of the assets used, of 13,289 million euros, which represents 23.7% of the total balance sheet . This large volume of liquid assets allows us to manage the future maturities of issues in markets (1,774 million euros in 2017, 889 million euros in 2018 and 668 million euros in 2019).

Unicaja Banco discountable liquid assets

Million of euros	**March 2017**
Liquid assets:	
Cash surplus (1)	925
Discountable assets acquired under repurchase agreements	1 867
Fixed income portfolio and other discountable assets in the European Central Bank	16 655
Total liquid assets (ECB discount value)	**19 447**
Liquid assets used:	
In European Central Bank	3 340
Temporary assignment of assets	2 818
Total liquid assets used	**6 158**
Available discountable liquid assets	**13 289**
% of total assets	**23.7%**

(1) Interbank deposits + surplus balance in ECB and operating balances.

Market financing maturities 2017-2019

Million of euros	**Issues (*)**
FY 2017	1 774
FY 2018	889
FY 2019	668

(*) It includes multi-cedent mortgages.

The high levels of liquidity are also reflected in a ratio LTD ("Loan to Deposits"), which at the end of the first quarter of 2017 is around 83%, slightly higher than 2016, due to the growth of customer deposits Since in spite of the growth of the normal balances of the credit, the decline of doubtful ones has maintained the levels of the same.

Unicaja Banco Group LTD ratio (*)	**Ratio %**
End FY 2013	109%
End FY 2014	91%
End FY 2015	82%
End FY 2016	83%
First Quarter FY 2017	82%

(*) Loans to deposits (without valuation adjustments in both cases). Both loans and deposits exclude balances of operations on wholesale markets.

Branch network

The activity of the Unicaja Banco Group is carried out exclusively in Spain and mainly in Andalucia and Castilla y León, as well as in the autonomous communities of Madrid and Murcia, the provinces of Albacete, Alicante, Badajoz, Barcelona, Ciudad Real, Toledo and Valencia. The autonomous cities of Ceuta and Melilla.

The Unicaja Banco Group concentrates 82% of its offices in the Communities of Andalucia and Castilla y León, with the provinces of Málaga (with 17%), Almería (8%), León (8%) and Valladolid The provinces with greater specific weight in the Unicaja Bank Group. Grupo Unicaja Banco, on 31 March 2017, had a network of 1,259 offices: 1,258 offices in Spain, distributed in 38 provinces and in Ceuta and Melilla; And 1 correspondent office opened in the United Kingdom (public offices open to the public according to the Bank of Spain criteria of June 2010 include desks and open offices abroad).

Business Network Distribution

Country	Region	Operating branches at 31/03/2017		Operating branches at 31/12/2016	
		No. of branches	Distribution (%)	No. of branches	Distribution (%)
	Andalucía	610	48.5%	618	48.3%
	Aragón	1	0.1%	1	0.1%
	Asturias	3	0.2%	3	0.2%
	Cantabria	1	0.1%	1	0.1%
	Castilla y León	422	33.5%	431	33.7%
	Castilla-La Mancha	68	5.4%	72	5.6%
	Cataluña	2	0.2%	2	0.2%
	Ceuta	1	0.1%	1	0.1%
Spain	Comunidad Valenciana	4	0.3%	4	0.3%
	Extremadura	52	4.1%	52	4.1%
	Galicia	6	0.5%	6	0.5%
	La Rioja	1	0.1%	1	0.1%
	Madrid	80	6.4%	80	6.3%
	Melilla	3	0.2%	3	0.2%
	Murcia	2	0.2%	2	0.2%
	Navarra	1	0.1%	1	0.1%
	País Vasco	1	0.1%	1	0.1%
Total number of branches in Spain		**1 258**	**99.9%**	**1 279**	**99.9%**

Country	City	Operating branches at 31/03/2017		Operating branches at 31/12/2016	
		No. of branches	Distribution (%)	No. of branches	Distribution (%)
United Kingdom	London	1	100.0%	1	100.0%
Total number of branches abroad		**1**	**0.1%**	**1**	**0.1%**
Total branches		**1 259**	**100%**	**1 280**	**100%**

At 31 December 2016, according to the State T7 published by the Bank of Spain, regarding the market share in the autonomous communities of Andalucía and Castilla y León, regarding the share of deposits of the clientele reach 13.3% and 22.6%, respectively, and the market share in relation to customer loans reached 10.2% and 14.9%, respectively. Regarding the offices, the share of the Unicaja Bank Group in Andalucía represents 13.3% and in Castilla y León 20.0%, according to the latest information available from the Bank of Spain on 31 December 2016.

Risk exposure framework

On 30 January 2015, the Board of Unicaja Banco approved the Unicaja Banco Group's Risk Exposure Framework ("Risk Appetite Framework" or "RAF"). The Group will carry on its business within this framework.

The Risk Exposure Framework is a basic instrument which is used to implement the Bank's risk policy. It includes policies, processes, controls and systems to establish, report and monitor each form of risk exposure. The framework is the Group's general risk policy; it is the Bank's basic management tool used to formalize and update the integral framework that defines the risk which the Group is prepared to accept. It establishes several different metrics to quantify, control and monitor risk exposure. The metrics also make it possible to react in the face of certain levels or scenarios.

The approval and subsequent implementation of the Group's Risk Exposure Framework make it possible to:

- Explain the Group's risk objectives in line with corporate strategy, acting as a benchmark reference for the lines of business.
- Integrate all of the risk management processes in a common framework.
- Promote an internal culture of risk management.

The Unicaja Banco Group's business is focused mainly on business, retail and corporate banking, applying solid risk control and management standards. It finances lending mainly by using deposits banked by customers and issuing long-term deposits on wholesale markets. The main risks managed by the Group are credit risk and liquidity risk.

For the purpose of its strategic plan the Unicaja Banco Group's Risk Exposure Framework sets the level and type of risk exposure that it is prepared to accept, envisaging no significant changes at all even during stress testing. Unicaja Banco Group risk management aims to achieve a moderate risk profile through prudent management, a bespoke retail banking business model based on location, asset type, portfolio and client and sustainable growth over time.

The Risk Exposure Model of the Unicaja Banco Group is considered the result of the work of all of its subsidiaries and EspañaDuero in particular, due to the relevance and importance of the model in terms of the Group's solvency, by setting specific limits on solvency and references on which to base independent management. Historically, Unicaja has been characterised by the implementation and effective assumption of a prudential risk management culture. With respect to the consolidation of EspañaDuero, Unicaja Banco Group will continue to make its culture of prudence a priority across the Group as a whole.

Global risk control

The Group applies rigorous measures to maintain a permanent, prudent and balanced risk profile so as to preserve its solvency, profitability and liquidity. The Group's integrated risk management model allows service quality to be assured during the application of the lending policy and in all investment lines.

On 25 April 2014 the Risk Committee was created with the authority to advise the Bank's Board Directors regarding the current and future overall risk scenario at the Entity and its strategy in this area, to assist the Board in monitoring the application of that strategy by Senior Management and to examine whether the prices of assets and liabilities offered to customers fully take into account the business and risk strategy model at the Entity. The amendment of the bylaws of Unicaja Banco that was approved by shareholders at a General Meeting on 30 September 2014 brought the Risk Committee into the highest level of management.

The Group continues to improve and upgrade the systems used in the management of general credit or counterparty risk, market risk, operational risk, interest rate risk and liquidity risk.

Unicaja Banco Group implements individual actions and participates in sector Global Risk Control projects in order to enhance the procedures, systems and methodologies necessary to manage the different types of risks to which the Entity is exposed on an integrated and effective basis.

Having regard tocredit risk, the Group has implemented scoring systems for certain products (private individuals, consumption, mortgages and credit cards), allowing the automatic approval of loans up to certain amounts for the retail segment and providing support for decision-taking by the risk analyst.

With respect to market risk, i.e. the risk of a change in value of financial assets or liabilities held for trading due to adverse movements in market prices or price volatility, Unicaja Banco Group uses tools to measure and control market risk, as well as permanent and systematic controls over transactions that are particularly complex from an operational and accounting viewpoint.

Unicaja Banco Group has integrated operational risk management, i.e. the risk of loss resulting from the inadequacy of or failure in processes, personnel or internal systems, or from external events, in its risk control policy and has rolled out the relevant procedures across all areas of the organization.

Global interest risk arises from the temporary mismatch of asset and liability maturities and interest rate reviews. It may be measured in terms of the impact that a certain change in market rates would have on the entity’s net interest income in a given period. Structural interest rate risk is actively managed and permanently controlled by the Assets, Liabilities and Budgeting Committee (ALCO).

Unicaja Banco Group also assesses and manages liquidity risk from both a current or short-term viewpoint (controlling daily liquidity needs to cover deposit maturities and customer credit demands) and from a structural viewpoint, entailing the evaluation of the possible need for capital market financing in the medium and long term in order to maintain the planned rate of business growth.

Events after the balance sheet date

On 10 May 2017, Unicaja Banco, EspañaDuero and Aviva Europe SE (Aviva) entered into an agreement to terminate the strategic business alliances, which both entities maintain for the development of joint marketing and distribution under bank-insurance arrangements in Spain of personal insurance and pension plans for the network of Unicaja Banco and EspañaDuero from the old Caja España (hereinafter referred to as the "Termination Agreement").

The completion of this Termination Agreement is subject to the fulfillment of certain conditions, which include obtaining the corresponding regulatory authorizations, and will lead to Aviva's exit from the capital of Unicorp Vida, Compañía de Seguros y Reaseguros, S.A. (Unicorp Vida) and Caja España Vida, Compañía de Seguros y Reaseguros, S.A. (Caja España Vida), as well as the resolution of the agreements signed between Unicaja Banco, EspañaDuero and Aviva in relation to these companies. The alliance between Unicaja Banco and Aviva remains, however, with respect to its participation in Caja de Granada Vida, Compañía de Seguros y Reaseguros, S.A.

At the same time as the Termination Agreement, Unicaja Banco and Santa Lucia, S.A. (“Santa Lucia”) entered into an association agreement for a defined duration and on an exclusivity basis, for the development, joint marketing and distribution under bancassurance arrangements in Spain of life insurance and pension plans of Unicorp Vida y Caja España Vida (“Alliance with Santa Lucia”).

The Alliance with Saint Lucia is subject to the completion of the acquisition by Santa Lucia of 50% of the capital stock of Unicorp Vida and Caja España Vida agreed with Aviva, once the appropriate regulatory authorizations and competition. The consummation of the Termination Agreement and the Partnership with Saint Lucia does not have a material impact on the net worth of the Unicaja Banco Group.

In the period from 31 March 2017 to the date of preparation of this Consolidated Directors' Report, there has been no other event that significantly affects the Unicaja Banco Group and which has not been detailed in the explanatory notes to consolidated interim financial statements.

Research & Development

During the three-month period ended 31 March 2017, the Unicaja Banco Group has not carried out significant research and development activities.

Environmental impact

The Group's global operations are governed by Environmental Protection Laws (Environmental Laws). The Parent considers that it substantially complies with such Laws and maintains procedures designed to ensure and promote compliance.

The Parent considers that it has taken appropriate action in relation to the protection andImprovement of the environment and minimization, where appropriate, of the environmental impact, Regulations in force in this regard. During the three-month period ended 31 March 2017, the Group has not made significant environmental investments or deemed it necessary to record any provision for risks and charges of the same nature, nor does it consider that there are significant contingencies related to the protection and improving the environment.

Treasury shares

As of 31 March 2017, the Bank had no own shares. Likewise, during the three-month period ended 31 March 2017, there were no transactions with the Bank's own shares.

UNICAJA BANCO, S.A. AND ITS' SUBSIDIARIES (UNICAJA BANCO GROUP)

PREPARATION OF THE CONSOLIDATED SUMMARY INTERIM FINANCIAL STATEMENTS AND THE CONSOLIDATED INTERMEDIATE DIRECTOR´S REPORT

Meeting of the Board of Directors of Unicaja Banco, S.A. On 19 May 2017 in Malaga, and in compliance with the requirements established in the current legislation, agrees to formulate the Consolidated Summarized Interim Financial Report for the three-month period ended 31 March 2017, constituted by the summary balance sheet Consolidated as of 31 March 2017, the consolidated summary of consolidated income statements, consolidated statement of recognized income and expense, the total statement of changes in consolidated net equity and the consolidated statement of cash flows as well as a summary of the most significant accounting principles and other explanatory notes and the consolidated interim management report for the three-month period ended 31 March 2017, all of which are shown on the front side of the state letterhead, Numbered consecutively from 9872304 to 9872436, all inclusive, of series OM, Class 8 of 3 cent euros each.

To the best of our knowledge, the consolidated condensed interim financial statements for the three-month period ended 31 March 2017, prepared in accordance with the applicable accounting principles, give a true and fair view of the assets, financial condition and Results of Unicaja Banco, SA And subsidiaries that make up the Unicaja Banco Group. The consolidated interim management report for the three-month period ended 31 March 2017 also includes an accurate analysis of the performance, results and position of Unicaja Banco, S.A. And subsidiaries that make up the Unicaja Banco Group.

In order to delve into the content of this summary financial information, taking into account the facts and the results that affect them, it is necessary to refer to the consolidated annual accounts and the consolidated management report for the year ended 31 December 2016.

Málaga, 19 May 2017

D. Manuel Azuaga Moreno
Chairman

D. Enrique Sánchez del Villar Boceta
Chief Executive Office

D. Manuel Atencia Robledo
Vice-Chairman

D. Juan Fraile Cantón
Vice-Chairman

Dª. Petra Mateos-Aparicio Morales
Coordinated Counselor

D. Eloy Domínguez-Adame Cobos
Vocal

UNICAJA BANCO, S.A. AND ITS' SUBSIDIARIES (UNICAJA BANCO GROUP)

PREPARATION OF THE CONSOLIDATED SUMMARY INTERIM FINANCIAL STATEMENTS AND THE CONSOLIDATED INTERMEDIATE DIRECTOR´S REPORT

D. Guillermo Jiménez Sánchez Vocal	Dª. María Luisa Lombardero Barceló Vocal
D. Antonio López López Vocal	D. José María de la Torre Colmenero Vocal
D. Victorio Valle Sánchez Vocal	D. Agustín Molina Morales Secretary

UNICAJA BANCO, S.A.
AND ITS SUBSIDIARIES
(UNICAJA BANCO GROUP)

Auditor’s report, consolidated annual accounts
and consolidated directors’ report at 31 December 2016

A free translation of the report on the consolidated annual accounts originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain. In the event of a discrepancy, the Spanish language version prevails

AUDITOR'S REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

To the Sole Shareholder of Unicaja Banco, S.A.,

Report on the Consolidated Annual Accounts

We have audited the accompanying consolidated annual accounts of Unicaja Banco, S.A. (the Parent Company) and its subsidiaries (the Group), consisting of the consolidated balance sheet at 31 December 2016, the consolidated income statement, the consolidated statement of recognised income and expenses, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes to the consolidated annual accounts for the year then ended.

Directors' Responsibility for the Consolidated Annual Accounts

The parent company's directors are responsible for the preparation of these consolidated annual accounts, so that they present fairly the consolidated equity, financial position and financial performance of Unicaja Banco, S.A. and its subsidiaries, in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable to the Group in Spain and for such internal control as directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated annual accounts based on our audit. We conducted our audit in accordance with legislation governing the audit practice in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the parent company´s directors´ preparation of the consolidated annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated annual accounts taken as a whole.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the consolidated equity and financial position of Unicaja Banco, S.A. and its subsidiaries as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2016 contains the explanations which the Parent Company's Directors consider appropriate regarding the situation of the Group, the development of its business and other matters, and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the consolidated directors' report is in agreement with that of the consolidated annual accounts for 2016. Our work as auditors is limited to checking the consolidated directors' report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from the accounting records of the Group.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Amagoia Delgado Rodríguez

24 March 2017

UNICAJA BANCO, S.A.
AND ITS' SUBSIDIARIES
(UNICAJA BANCO GROUP)

Consolidates Annual Accounts and Consolidated
Director's Report at 31 December 2016

UNICAJA BANCO, S.A. AND ITS' SUBSIDIARIES (UNICAJA BANCO GROUP)

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2016 AND 2015
(Thousand euros)

ASSETS	Note	2016	2015 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	7	861 711	1 990 763
FINANCIAL ASSETS HELD FOR TRADING	8	78 330	94 012
Derivatives		40 788	55 916
Equity instruments		-	-
Debt securities		37 542	38 096
Loans and advances		-	-
Central Banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum item: Loaned or advanced as collateral(sale or pledge)		*14 765*	*20 371*
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-
Derivatives		-	-
Equity instruments		-	-
Debt securities		-	-
Loans and advances		-	-
Central Banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum item: Loaned or advanced as collateral(sale or pledge)		-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS	9	5 403 336	9 810 055
Equity instruments		649 237	998 138
Debt securities		4 754 099	8 811 917
Memorandum item: Loaned or advanced as collateral(sale or pledge)		*2 266 416*	*2 772 069*
LOANS AND RECEIVABLES	10	31 642 958	34 300 065
Debt securities		786 499	963 772
Loans and advances		30 856 459	33 336 293
Central Banks		-	-
Credit institutions		170 219	248 193
Customers		30 686 240	33 088 100
Memorandum item: Loaned or advanced as collateral(sale or pledge)		*1 858 309*	*4 260 114*
HELD-TO-MATURITY INVESTMENTS	9	12 907 583	7 239 598
Memorandum item: Loaned or advanced as collateral(sale or pledge)		*4 312 192*	*6 983 094*
HEDGING DERIVATIVES	11	606 362	738 060
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		-	-
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	12	294 099	359 131
Jointly-controlled entities		74 950	125 146
Associates		219 149	233 985
INSURANCE OR REINSURANCE ASSETS	20	-	8 208
TANGIBLE ASSETS	13	1 437 840	1 490 899
Property, plant and equipment		1 010 450	1 057 160
For own use		1 010 450	1 057 160
Leased out under operating lease		-	-
Investment properties		427 390	433 739
o/w: leased out under operating lease		*283 662*	*252 126*
Memorandum item: Acquired under finance lease		-	*2 269*
INTANGIBLE ASSETS	14	782	1 194
Goodwill		184	184
Other intangible assets		598	1 010
TAX ASSETS	24	2 585 726	2 590 644
Current tax assets		51 089	63 554
Deferred tax assets		2 534 637	2 527 090
OTHER ASSETS	15	659 851	836 298
Insurance contracts linked to pensions		138 198	142 311
Inventory		480 450	542 054
Other		41 203	151 933
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	16	762 250	852 902
TOTAL ASSETS		**57 240 828**	**60 311 829**

Notes 1 to 49 described in Notes and Appendix I, II, III, IV, V and VI, are part of the consolidated Balance Sheet at 31 December 2016.
(*) Information has been adaptet to the new Financial Statements' structure from Circular 5/2015 of Bank of Spain (Note 1.5.2).

LIABILITIES	Note	2016	2015 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	8	50 820	125 280
Derivatives		50 820	125 280
Short positions		-	-
Deposits		-	-
Central Banks		-	-
Credit institutions		-	-
Customers		-	-
Debt securities issued		-	-
Other financial liabilities		-	
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-
Deposits		-	-
Central Banks		-	-
Credit institutions		-	-
Customers		-	-
Debt securities issued		-	-
Other financial liabilities		-	-
o/w: Subordinated debt		-	-
FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	17	52 729 470	55 577 323
Deposits		50 996 133	53 293 893
Central Banks		-	2 417 036
Credit institutions		2 464 170	1 340 275
Customers		48 531 963	49 536 582
Debt securities issued		814 010	1 294 888
Other financial liabilities		919 327	988 542
o/w: Subordinated debt		*614 165*	*621 607*
HEDGING DERIVATIVES	11	49 902	107 797
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		-	-
LIABILITIES UNDER INSURANCE CONTRACTS	20	3 992	31 040
PROVISIONS	18	707 015	747 964
Pensions and other post-employment commitments		174 254	178 978
Other long-term staff retributions		152 103	133 111
Provisions for taxes and other legal contingencies		-	-
Contingent liabilities and commitments		115 975	106 251
Other provisions		264 683	329 624
TAX LIABILITIES	24	239 107	295 404
Current tax liabilities		13 578	12 214
Deferred tax liabilities		225 529	283 190
OTHER LIABILITIES	19	277 399	171 076
o/w:: social work fund (only savings Banks and credit unions)		-	-
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE		-	-
TOTAL PASIVO		**54 057 705**	**57 055 884**

Notes 1 to 49 described in Notes and Appendix I, II, III, IV, V and VI, are part of the consolidated Balance Sheet at 31 December 2016.
(*) Information has been adaptet to the new Financial Statements' structure from Circular 5/2015 of Bank of Spain (Note 1.5.2).

EQUITY	Note	2016	2015 (*)
SHAREHOLDERS' FUNDS	22 - 23	**2 918 429**	**2 833 525**
CAPITAL		922 802	881 288
Registered capital		922 802	881 288
Non-registered demanded capital		-	-
Memorandum item: Non-demanded capital		-	-
SHARE PREMIUM		1 140 673	1 132 857
EQUITY INSTRUMENTS ISSUED OTHER THAN CAPITAL		49 263	98 652
Equity component of compound financial instruments		49 263	98 652
Other		-	-
OTHER EQUITY ELEMENTS		-	-
RETAINED EARNINGS		535 674	480 719
REVALUATION RESERVES		-	-
OTHER RESERVES		127 900	53 348
Retained earnings or losses from investments in subsidiaries, joint ventures and associates		(234 954)	(298 541)
Other		362 854	351 889
(–) TREASURY SHARES		-	-
PROFIT OR LOSS ATTRIBUTABLE TO PARENT		142 117	186 661
(–) INTERIM DIVIDEND		-	-
ACCUMULATED OTHER COMPREHENSIVE INCOME		**34 648**	**142 313**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT		(1 150)	(1 575)
Actuarial gains (losses) on pension plans		(1 150)	(1 575)
Non-current assets and disposal groups classified as held-for-sale		-	-
Part in profit or losses from investments in subsidiaries, joint-ventures and associates		-	-
Other valuation adjustments		-	-
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT		35 798	143 888
Hedges of net investments in operations abroad		-	-
Exchange differences		35	14
Hedging derivatives. Cash flow hedges (effective portion)		(9 359)	1 859
Available-for-sale financial assets	9	32 689	115 436
Debt instruments		*(833)*	*27 750*
Equity instruments		*33 522*	*87 686*
Non-current assets and disposal groups classified as held-for-sale		-	-
Part in profit or losses from investments in subsidiaries, joint-ventures and associates	23	12 433	26 579
MINORITY INTEREST (NON-CONTROLLING INTEREST)	21	**230 046**	**280 107**
OTHER ACCUMULATED COMPREHENSIVE RESULT		5 409	7 794
OTHER		224 637	272 313
TOTAL EQUITY		**3 183 123**	**3 255 945**
TOTAL EQUITY AND TOTAL LIABILITIES		**57 240 828**	**60 311 829**
MEMORANDUM ITEMS: OUT OF BALANCE EXPOSURES			
FINANCIAL GUARANTEES GIVEN		1 065 777	1 096 422
CONTINGENTS COMMITMENTS		2 901 768	3 231 695

Notes 1 to 49 described in Notes and Appendix I, II, III, IV, V and VI, are part of the consolidated Balance Sheet at 31 December 2016.
(*) Information has been adaptet to the new Financial Statements' structure from Circular 5/2015 of Bank of Spain (Note 1.5.2).

UNICAJA BANCO, S.A.
AND ITS' SUBSIDIARIES (UNICAJA BANCO GROUP)

CCONSOLIDATED INCOME STATEMENT
FOR YEARS ENDED 31 DECEMBER 2016 AND 2015
(Thousand euros)

	Note	(Debit) Credit	
		2016	2015 (*)
INTEREST INCOME	32	1 010 971	1 279 888
INTEREST EXPENSE	33	(391 192)	(592 361)
EXPENSE ON CAPITAL REPAYABLE ON DEMAND		-	-
NET INTEREST INCOME		**619 779**	**687 527**
DIVIDEND INCOME	34	27 446	34 934
SHARE OF PROFIT OR LOSS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	35	35 180	23 916
FEE AND COMMISSION INCOME	36	225 836	275 093
FEE AND COMMISSION EXPENSES	37	(18 396)	(36 343)
GAINS OR (-) LOSSES ON DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS. NET	38	84 080	595 721
GAINS OR (-) LOSSES ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING. NET	38	(7 061)	(34 247)
GAINS OR (-) LOSSES ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS. NET		-	-
GAINS OF (-) LOSSES FROM HEDGE ACCOUNTING. NET	38	258	126
EXCHANGE DIFFERENCES (LOSSES). NET	2.4	968	2 714
OTHER OPERATING INCOME	39	232 021	129 600
OTHER OPERATING EXPENSES	39	(115 857)	(116 563)
INCOME ON INSURANCE AND REINSURANCE CONTRACTS	40	17 394	41 659
EXPENSES ON INSURANCE AND REINSURANCE CONTRACTS	40	(12 529)	(29 206)
GROSS INCOME		**1 089 119**	**1 574 931**
ADMINISTRATION COSTS	41	(610 629)	(633 931)
Staff costs		(426 520)	(445 410)
Other administration costs		(184 109)	(188 521)
AMORTIZATION	13 - 14	(45 233)	(47 379)
PROVISIONS OR (-) REVERSAL OF PROVISIONS	18	(104 037)	(145 137)
IMPAIRMENT OR (-) REVERSAL OF IMPAIRMENT ON FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	10 - 27	(38 506)	(424 700)
Financial assets measured at cost		(4 167)	-
Held-for-sale financial assets		49 508	2 660
Loans and receivables		(83 847)	(427 360)
Held-to-maturity investments		-	-
NET OPERATING INCOME		**290 714**	**323 784**
IMPAIRMENT OR (-) REVERSAL OF IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	42	(27 330)	(15 200)
IMPAIRMENT OR (-) REVERSAL OF IMPAIRMENT ON NON-FINANCIAL ASSETS	42	(96 937)	(54 194)
Tangible assets		(3 379)	(4 524)
Intangible assets		(11)	-
Other		(93 547)	(49 670)
GAINS (LOSSES) ON DERECOGNIZED OF NON FINANCIAL ASSETS AND SUBSIDIARIES. NET	43	25 009	(3 024)
o/w: investments in subsidiaries, joint ventures and associates		*19 470*	*4 146*
NEGATIVE GOODWILL RECOGNIZED IN PROFIT OR LOSS		-	-
PROFIT OR (-) LOSS FROM NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE NOT QUALIFYING AS DISCONTINUED OPERATIONS	44	(492)	(34 340)
OPERATING PROFIT BEFORE TAX		**190 964**	**217 026**
TAX EXPENSE OR (-) INCOME RELATED TO PROFIT OR LOSS FROM CONTINUING OPERATIONS	23	(66 113)	(57 224)
PROFIT FROM CONTINUING OPERATIONS		**124 851**	**159 802**
PROFIT FROM DISCONTINUED OPERATIONS (NET)	2.21	10 205	24 010
PROFIT		**135 056**	**183 812**
Attributable to minority interest [non-controlling interests]	21	(7 061)	(2 849)
Attributable to owners of the parent		142 117	186 661

Notes 1 to 49 described in Notes and Appendix I, II, III, IV, V and VI, are part of the consolidated Balance Sheet at 31 December 2016.
(*) Information has been adaptet to the new Financial Statements' structure from Circular 5/2015 of Bank of Spain (Note 1.5.2).

UNICAJA BANCO, S.A.
AND ITS' SUBSIDIARIES (UNICAJA BANCO GROUP)

STATEMENT OF RECOGNISED CONSOLIDATED INCOME AND EXPENSES
FOR YEARS ENDED 31 DECEMBER 2016 AND 2015
(Thousand euros)

	Note	Year 2016	Year 2015 (*)
PROFIT RECOGNIZED IN INCOME STATEMENT		**135 056**	**183 812**
OTHER RECOGNIZED INCOME (EXPENSES)		**(107 665)**	**(149 792)**
Items not subject to reclassification to income statement		**425**	**2 685**
Actuarial gains and losses from defined benefit pension plans	41	607	3 836
Non-current assets and disposal groups available for sale		-	-
Gains or losses from investments in subsidiaries, joint-ventures and associates		-	-
Other valuation adjustments		-	-
Income tax related to items not subject to reclassification to income statement	24	(182)	(1 151)
Items subject to reclassification to income statement		**(108 090)**	**(152 477)**
Hedge of net investments in foreign operations [effective portion]		-	-
Valuation gains or (-) losses taken to equity		-	-
Transferred to profit or loss		-	-
Other reclassifications		-	-
Foreign currency translation	2.4	29	94
Valuation gains or (-) losses taken to equity		126	94
Transferred to profit or loss		(97)	-
Other reclassifications		-	-
Cash flow hedges [effective portion]	11	(16 025)	1 521
Valuation gains or (-) losses taken to equity		(16 731)	(3 818)
Transferred to profit or loss		706	5 339
Transferred to initial carrying amount of hedged items		-	-
Other reclassifications		-	-
Available-for-sale financial assets	9	(118 209)	(248 591)
Valuation gains or (-) losses taken to equity		19 218	(79 021)
Transferred to profit or loss		(137 427)	(169 570)
Other reclassifications		-	-
Non-current assets held for sale	16	-	-
Valuation gains or (-) losses taken to equity		-	-
Transferred to profit or loss		-	-
Other reclassifications		-	-
Gains or losses from investments in subsidiaries, joint-ventures and associates	23	(20 209)	29 151
Income tax on items to be reclassified to income statement	24	46 324	65 348
Total recognized income/expenses		**27 391**	**34 020**
Attributable to minority interest [non-controlling interests]		(7 061)	(2 849)
Attributable to owners of the parent		34 452	36 869

Notes 1 to 49 described in Notes and Appendix I, II, III, IV, V and VI, are part of the consolidated Balance Sheet at 31 December 2016.
(*) Information has been adaptet to the new Financial Statements' structure from Circular 5/2015 of Bank of Spain (Note 1.5.2).

UNICAJA BANCO, S.A. AND ITS’ SUBSIDIARIES (UNICAJA BANCO GROUP)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY
FOR YEARS ENDED 31 DECEMBER 2016 AND 2015

(Thousand euros)

	Capital	Share premium	Equity instruments issued other tan capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	Treasury shares (-)	Profit or loss attributable to owners of the parent	Interim dividends (-)	Accumulated other comprehensive income	Non-controlling interest		Total
												Other accumulated comprehensive income	Other	
Balance at January 1, 2016(*)	**881 288**	**1 132 857**	**98 652**	**-**	**480 719**	**-**	**53 348**	**-**	**186 661**	**-**	**142 313**	**7 794**	**272 313**	**3 255 945**
Adjustments from error corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments due to changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at January 1, 2016	**881 288**	**1 132 857**	**98 652**	**-**	**480 719**	**-**	**53 348**	**-**	**186 661**	**-**	**142 313**	**7 794**	**272 313**	**3 255 945**
Total income/ expense recognized	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**142 117**	**-**	**(107 665)**	**-**	**(7 061)**	**27 391**
Other variation of equities	**41 514**	**7 816**	**(49 389)**	**-**	**54 955**	**-**	**74 552**	**-**	**(186 661)**	**-**	**-**	**(2 385)**	**(40 615)**	**(100 213)**
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period or maturity of other issued equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity (Note 22)	41 514	7 816	(49 310)	-	-	-	-	-	-	-	-	-	-	20
Capital reductions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution (Note 3)	-	-	-	-	(38 750)	-	-	-	-	-	-	-	-	(38 750)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity items (Note 3)	-	-	-	-	155 109	-	74 552	-	(186 661)	-	-	(2 385)	(40 615)	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	(79)	-	(61 404)	-	-	-	-	-	-	-	-	(61 483)
o/w: transfer to welfare funds (only savings banks and credit co-operatives)														
Balance at December 31,2016	**922 802**	**1 140 673**	**49 263**	**-**	**535 674**	**-**	**127 900**	**-**	**142 117**	**-**	**34 648**	**5 409**	**224 637**	**3 183 123**

Notes 1 to 49 described in Notes and Appendix I, II, III, IV, V and VI, are part of the consolidated Balance Sheet at 31 December 2016.
(*) Information has been adaptet to the new Financial Statements’ structure from Circular 5/2015 of Bank of Spain (Note 1.5.2).

UNICAJA BANCO, S.A. AND ITS' SUBSIDIARIES (UNICAJA BANCO GROUP)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY
FOR YEARS ENDED 31 DECEMBER 2016 AND 2015
(Thousand euros)

	Capital	Share premium	Equity instruments issued other tan capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	Treasury shares (-)	Profit or loss attributable to owners of the parent	Interim dividends (-)	Accumulated other comprehensive income	Non-controlling interest		Total
												Other accumulated comprehensive income	Other	
Balance at January 1, 2015	**881 288**	**1 132 857**	**98 682**	**-**	**(48 504)**	**-**	**134 966**	**-**	**474 521**	**-**	**292 105**	**5 074**	**321 288**	**3 292 277**
Adjustments from error corrections	-		-	-	-	-	-	-	-	-	-	-	-	-
Adjustments due to changes in accounting policy	-		-	-	-	-	-	-	-	-	-	-	-	-
Balance at January 1, 2015	**881 288**	**1 132 857**	**98 682**	**-**	**(48 504)**	**-**	**134 966**	**-**	**474 521**	**-**	**292 105**	**5 074**	**321 288**	**3 292 277**
Total income/ expense recognized	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**186 661**	**-**	**(149 792)**	**-**	**(2 849)**	**34 020**
Other variations of equity	**-**	**-**	**(30)**	**-**	**529 223**	**-**	**(81 618)**	**-**	**(474 521)**	**-**	**-**	**2 720**	**(46 126)**	**(70 352)**
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period or maturity of other issued equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity (Note 22)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reductions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution (Note 3)	-	-	-	-	(42 142)	-	-	-	-	-	-	-	-	(42 142)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity items (Note 3)	-	-	-	-	491 910	-	(17 389)	-	(474 521)	-	-	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	(30)	-	79 455	-	(64 229)	-	-	-	-	2 720	(46 126)	(28 210)
o/w: transfer to welfare funds (only savings banks and credit co-operatives)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at December 31,2015 (*)	**881 288**	**1 132 857**	**98 652**	**-**	**480 719**	**-**	**53 348**	**-**	**186 661**	**-**	**142 313**	**7 794**	**272 313**	**3 255 945**

Notes 1 to 49 described in Notes and Appendix I, II, III, IV, V and VI, are part of the consolidated Balance Sheet at 31 December 2016.
(*) Information has been adaptet to the new Financial Statements' structure from Circular 5/2015 of Bank of Spain (Note 1.5.2).

UNICAJA BANCO, S.A.
AND ITS' SUBSIDIARIES (UNICAJA BANCO GROUP)

CONSOLIDATED CASH FLOW STATEMENT
FOR YEARS ENDED 31 DECEMBER 2016 AND 2015
(Thousand euros)

	Note	Year 2016	Year 2015 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES		**4 346 591**	**(4 633 088)**
Profit for the year		**135 056**	**183 812**
Adjustments to obtain cash flow from operating activities		**(126 661)**	**249 830**
Depreciation and amortization	13 - 14	45 233	47 379
Other adjustments	2.25	(171 894)	202 451
Net increase/decrease in operating assets		**7 395 867**	**2 411 899**
Financial assets held for trading	8	15 682	134 859
Other financial assets/liabilities designated at fair value through profit or loss		-	-
Available-for-sale financial assets	9.1	4 406 719	(904 010)
Loans and receivables / Financial liabilities	10.1	2 657 107	2 958 072
Other operating assets/ liabilities		316 359	222 978
Net increase/decrease in operating liabilities		**(2 941 889)**	**(7 350 444)**
Financial liabilities held for trading	8	(74 460)	60 698
Other financial liabilities at fair value through profit or loss		-	-
Financial liabilities at amortised cost	17	(2 847 859)	(7 430 489)
Other operating liabilities		(19 570)	19 347
Collection/Payments for income tax		**(115 782)**	**(128 185)**
B) CASH FLOWS FROM INVESTING ACTIVITIES		**(5 429 456)**	**5 993 665**
Payments		**(5 992 293)**	**(145 015)**
Tangible assets	13	-	(144 616)
Intangible assets	14	-	(122)
Investments	12	(658)	(277)
Subsidiaries and other business units		-	-
Non-current assets held for sale and associated liabilities	16	-	-
Held-to-maturity investments	9.4	(5 991 635)	-
Other payments related to investing activities		-	-
Collections		**562 837**	**6 138 680**
Tangible assets	13	26 584	9 751
Intangible assets	14	412	102
Investments	12	114 172	62 714
Subsidiaries and other business units		-	-
Non-current assets held for sale and associated liabilities	16	81 672	54 238
Held-to-maturity investments	9.4	339 997	6 011 875
Other collections related to investing activities		-	-
(Continues)			

Notes 1 to 49 described in Notes and Appendix I, II, III, IV, V and VI, are part of the consolidated Balance Sheet at 31 December 2016.
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UNICAJA BANCO, S.A.
AND ITS' SUBSIDIARIES (UNICAJA BANCO GROUP)

CONSOLIDATED CASH FLOW STATEMENT
FOR YEARS ENDED 31 DECEMBER 2016 AND 2015
(Thousand euros)

	Note	Year 2016	Year 2015 (*)
C) CASH FLOWS FROM FINANCING ACTIVITIES		**(46 182)**	**(56 153)**
Payments		**(46 182)**	**(56 722)**
Dividends	3	(38 750)	(25 000)
Subordinated liabilities	17	(7 432)	(31 722)
Own equity instruments amortization		-	-
Own equity instruments acquisition		-	-
Other payments related to investing activities		-	-
Collections		**-**	**569**
Subordinated liabilities	17	-	569
Own equity instruments issuance		-	-
Own equity instruments disposal		-	-
Other collections related to financing activities		-	-
D) EFECT OF EXCHANGE RATE CHANGES		**-**	**-**
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**(1 129 047)**	**1 304 424**
F) CASH AND CASH EQUIVALNETS AT BEGINNING OF THE YEAR		**1 990 754**	**686 330**
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD		**861 707**	**1 990 754**
COMPONENTS OF CASH AND EQUIVALENT AT END OF THE YEAR			
Cash	2.25	323 291	309 854
Cash equivalent balances at central banks	2.25	338 422	1 268 454
Other financial assets	2.25	199 994	412 446
Less: bank overdraft refundable on demand			-
TOTAL CASH AND CASH EQUIVALENTS AT END OF PERIOD	2.25	**861 707**	**1 990 754**
o/w: Held by consolidated entities but not drawable by group			-

Notes 1 to 49 described in Notes and Appendix I, II, III, IV, V and VI, are part of the consolidated Balance Sheet at 31 December 2016.
(*) Information has been adaptet to the new Financial Statements' structure from Circular 5/2015 of Bank of Spain (Note 1.5.2).

UNICAJA BANCO, S.A. AND ITS SUBSIDIARIES
(UNICAJA BANCO GROUP)

NOTES TO THE CONSOLIDATED REPORT FOR THE YEAR ENDED AT 31 DECEMBER 2015
(Expressed in thousands of euros)

1. Introduction, basis of presentation of the annual accounts and other information

1.1 Introduction and nature of the Company

Unicaja Banco, S.A. (hereinafter Unicaja Banco, the Parent Company or the Bank) is a credit institution incorporated for an indefinite period on 1 December 2011. Its commenced activities as a result of the approval by the General Assembly of Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén – Unicaja (currently, Fundación Bancaria Unicaja) of the indirect carrying on of finance activities through a bank.

The Bank is subject to the legislation and regulations governing banking institutions in Spain. Other public information regarding the bank is available on its website (www.unicajabanco.es) and at its registered domicile (Avenida Andalucía, 10 and 12, in Malaga).

The Bank's corporate purpose consists of all types of general banking activities, transactions, actions, contracts and services or those that are directly or indirectly related or are supplementary to them provided they are permitted or not prohibited by law.

The Bank's corporate purpose includes the rendering of investment and other auxiliary services, as well as the rendering of insurance agency activities, as an exclusive or associated operator, but not simultaneously.

In accordance with the bylaws, the activities that conform to require by the Law 10/2014 (26 June) on the organization, supervision and solvency of credit institutions and making up its corporate purpose may be fully or partially carried out indirectly in any manner allowed by law and, in particular, through the ownership of shares in companies or other entities that have the same, similar or supplementary corporate purpose.

The Bank has been entered into the Malaga Mercantile Registry and as a credit institution in the Special Registry at the Bank of Spain under number 2103. The Bank also holds a license to carry out banking activities granted by the Ministry of Finance in accordance with Article 1 and concordant articles of Royal Decree 1245/1995.

The Group's 2016 consolidated financial statements have not yet been approved by the Bank's Shareholder's General Meeting. Nonetheless, the Bank's board of directors expects the consolidated annual accounts to be approved without significant changes.

At 31 December 2016, 86.7% of the Bank's share capital pertains to Fundación Bancaria Unicaja, previously Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén (Unicaja), the ultimate parent company of the Bank and the parent of Unicaja Group. Both the Bank and its parent company are domiciled in Malaga and are subject to Spanish legislation and their annual accounts are deposited at the Malaga Mercantile Registry. Fundación Bancaria Unicaja prepares consolidated annual accounts as the ultimate parent of the Group, in accordance with Article 42 of the Commercial Code. The latest consolidated annual accounts prepared by Group Unicaja related to the year ended 31 December 2015 and have been filed with the Malaga Mercantile Registry.

Moreover, the Bank is the parent of a subgroup of subsidiaries that engage in diverse activities and make up Unicaja Banco Group. In accordance with Article 6 of Royal Decree 1159/2010 (17 September) which approves the Rules for Preparing Consolidated Annual Accounts and amends the General Accounting Plan approved by Royal Decree 1514/2007 (16 November) and the General Accounting Plan for SMEs approved by Royal Decree 1515/2007 (16 November), the Bank is obligated to prepare consolidated annual accounts as it has issued securities that are traded on a regulated market in any European Union Member State, applying international financial reporting standards adopted by European Union Regulations. Consequently, the Bank has prepared the consolidated annual accounts for Unicaja Banco, S.A. and its subsidiaries (Unicaja Banco Group), in addition to its own annual accounts, in accordance with current legislation.

The companies that form part of Unicaja Banco Group at 31 December 2016 are as follows:

Company Name	Activity
Alqlunia Duero, S.L.U.	Real state development
Alteria Corporación Unicaja, S.L.U.	Investment in assets, securities and financial companies
Altos de Jontoya Residencia para Mayores, S.L.U.	Geriatric care
Analistas Económicos de Andalucía, S.L.U.	Study and analysis economic activity
Andaluza de Tramitaciones y Gestiones, S.A.U.	Management and settlement documents and deeds
Banco de Caja España de Inversiones, Salamanca y Soria, S.A.	Credit institution
Caja España Mediación, Operador Banca-Seguros Vinculado, S.A.U.	Insurance broker
Cartera de Inversiones Agroalimentarias, S.L.U.	Food industry
Conexiones y Servicios del Duero, S.A.	Auxiliary services
Desarrollo de Proyectos de Castilla y León, S.L.U.	Real state development
Finanduero Sociedad de Valores, S.A.U.	Stockbroker
Gestión de Actividades y Servicios Empresariales, S.A.U.	Electronic recording and processing of data and documents
Gestión de Inmuebles Adquiridos, S.L.U.	Real state development
Grupo de Negocios Duero, S.A.U.	Financial management
Inmobiliaria Acinipo, S.L.U.	Real state development
Inmobiliaria Uniex Sur, S.L.U.	Real state development
La Algara Sociedad de Gestión, S.L.U.	Turism industry
Mijas Sol Resort, S.L.U.	Real state development
Parque Industrial Humilladero, S.L.	Development of industrial land
Pinares del Sur, S.L.U.	Real state development
Propco Rosaleda, S.L.	Real state development
Segurándalus Mediación, Correduría de Seguros, S.A.U.	Insurance broker
Tubos de Castilla y León, S.A.U.	Pipe Manufacturing
Unicaja Banco, S.A.	Credit institution
Unicaja Gestión de Activos Inmobiliarios, S.A.U.	Holding real estate
Unicartera Caja 2, S.L.U.	Promotion or funding of R & D in the field of medicine
Unicartera Gestión de Activos, S.L.U.	Recovery procedures and management of disputes
Unicartera Internacional, S.L.U.	Investment in assets, securities and financial companies
Unicartera Renta, S.L.U.	Investment in assets, securities and financial companies
Unicorp Patrimonio, Sociedad de Valores, S.A.U.	Wealth management
Unigest, S.G.I.I.C., S.A.	Management of Collective Investment Institutions
Unimediación, S.L.U.	Insurance Brokers
Unimediterráneo de Inversiones, S.L.U.	Investment in assets, securities and financial companies
Uniwindet Parque Eólico Las Lomillas, S.L.	Wind power
Uniwindet Parque Eólico Loma de Ayala, S.L.	Wind power
Uniwindet Parque Eólico Los Jarales, S.L.	Wind power
Uniwindet Parque Eólico Tres Villas, S.L.	Wind power
Uniwindet, S.L.	Wind power
Viajes Caja España, S.A.	Travel agency
Viproelco, S.A.U.	Property development

In accordance with current legislation, the Board of Directors of the Parent Company has prepared the Bank's individual annual accounts. The effect on consolidation on the accompanying balance sheet at 31 December 2016 and 2015, the income statement, the statement of changes in equity and the cash flow statement for 2016 and 2015 is summarised below:

				Thausands of euros
		2016		2015
	Individual	Consolidated	Individual	Consolidated
Assets	33 031 059	57 240 828	35 118 119	60 311 829
Equity	2 950 006	3 183 123	2 901 252	3 255 945
Income for the year	191 743	135 056	230 063	183 812
Total income and expense in the statement of changes in equity	87 518	27 391	77 046	34 020
Net increase/(decrease) in cash and cash equivalents	(259 570)	(1 129 047)	359 761	951 063

The Group's consolidated annual accounts for 2016 are pending approval by its respective General Assembly or General Meeting. Nonetheless, the Entity's Board of Directors expects these annual accounts to be approved without significant changes.

Set out below is a summary of the Parent entity's individual balance sheet, individual income statement, individual statement of changes in equity and individual cash flow statement for the years ended 31 December 2015 and 2014 which have been prepared in accordance with the same accounting principles and measurement methods, gathered in the Circular 4/2004 of the Bank of Spain, and its subsequent amendments, as those applied in these consolidated annual accounts:

a) Individual Balance sheets for the years ended 31 December 2016 and 2015

	Thousands of euros	
	2016	2015 (*)
Cash, cash balances at central banks and other demand deposits	486 675	751 876
Financial assets held for trading	53 385	55 458
Available-for-sale financial assets	3 734 575	6 791 018
Loans and receivables	20 102 103	20 395 003
Held-to-maturity investments	5 445 776	3 955 732
Hedging derivatives	565 590	608 193
Investments in subsidiaries, joint ventures and associates	918 805	825 167
Tangible assets	508 714	513 300
Intangible or reinsurance assets	7	143
Tax assets	772 209	809 912
Other assets	184 787	168 869
Non-current assets and disposal groups held for sale	258 439	243 448
Total assets	**33 031 065**	**35 118 119**
Financial liabilities held for trading	24 851	23 540
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities measured at amortized cost	28 961 952	31 062 003
Hedging derivatives	26 976	70 802
Fair value changes of the hedged items in portfolio hedges of interest rate risk	-	-
Provisions	378 685	402 943
Tax liabilities	70 904	111 623
Capital repayable on demand	-	-
Other liabilities	617 691	545 957
Liabilities included in disposal groups classified as held for sale	-	-
Total liabilities	**30 081 059**	**32 216 868**
Shareholders' funds:	2 937 856	2 784 874
Capital	922 802	881 288
Share premium	1 254 245	1 246 429
Equity instruments issued other than capital	49 341	98 682
Other equity elements	-	-
Retained earnings	519 725	328 412
Revaluation reserves	-	-
Other reserves	-	-
Less: treasury shares	-	-
Profit or loss attributable to parent	191 743	230 063
Less: interim dividend	-	-
Accumulated other comprehensive income:	12 150	116 378
Elements not to be reclassified into profit or loss	2 192	940
Elements to be reclassified into profit or loss	9 958	115 438
Total equity	**2 950 007**	**2 901 252**
Total equity and total liabilities	**33 031 065**	**35 118 120**
Financial guarrantees given	697 877	652 089
Contingents commitments	2 196 318	2 218 507

(*) Information has been adapted to the new financial statements structrure gathered in the Circular 4/2004 from Bank of Spain.

b) Individual income statements for the years ended 31 December 2016 and 2015:

	Thousands of euros	
	2016	2015 (*)
Interest income	623 799	733 909
Interest expense	(128 623)	(237 023)
Net interest income	**495 176**	**496 886**
Dividend income	94 433	62 184
Fee and commission income	119 903	124 799
Fee and commission expenses	(11 246)	(10 961)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss. Net	76 526	206 976
Gains or (-) losses on financial assets and liabilities held for trading. Net	(8 372)	229
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss. Net	-	-
Gains of (-) losses from hedge accounting. Net	258	169
Exchange differences (losses). Net	184	1 272
Other operating income	99 673	28 299
Other operating expenses	(41 575)	(43 951)
Gross income	**824 960**	**865 902**
Administration costs	(327 231)	(345 303)
Amortization	(17 792)	(20 560)
Provisions or (-) reversal of provisions	(26 550)	(65 109)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss	(120 669)	(106 860)
Net operating income	**332 718**	**328 070**
Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates	(14 773)	(13 001)
Impairment or (-) reversal of impairment on non-financial assets	(1 135)	(249)
Gains (losses) on derecognized of non financial assets and subsidiaries. Net	2 295	(480)
Negative goodwill recognized in profit or loss	-	-
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	9 650	(5 177)
Operating profit before tax	**328 413**	**309 163**
Tax expense or (-) income related to profit or loss from continuing operations	(136 670)	(79 100)
Profit from continuing operations	**191 743**	**230 063**
Profit from discontinued operations (net)	**-**	**-**
Total recognized income/expenses	**191 743**	**230 063**

(*) Information has been adapted to the new financial statements structrure gathered in the Circular 4/2004 from Bank of Spain.

c) Individual statements of changes in equity for the years ended 31 December 2016 and 2015:

	Thousands of euros	
	2016	2015 (*)
Profit recognized in income statement	**191 743**	**230 063**
Other recognized income (expenses)	**(104 225)**	**(153 017)**
Items not subject to reclassification to income statement	**1 253**	**2 384**
Actuarial gains and losses from defined benefit pension plans	1 789	3 406
Non-current assets and disposal groups available for sale	-	-
Other valuation adjustments	-	-
Income tax related to items not subject to reclassification to income statement	(536)	(1 022)
Items subject to reclassification to income statement	**(105 478)**	**(155 401)**
Hedge of net investments in foreign operations [effective portion]	-	-
Foreign currency translation	30	93
Cash flow hedges [effective portion])	(20 210)	3 157
Available-for-sale financial assets	(130 443)	(225 392)
Non-current assets held for sale	-	-
Income tax on items to be reclassified to income statement	45 145	66 741
Total recognized income/expenses	**87 518**	**77 046**

(*) Information has been adapted to the new financial statements structrure gathered in the Circular 4/2004 from Bank of Spain.

d) Individual statement of changes in equity for the years ended 31 December 2016 and 2015:

	Capital and share premium	Equity instruments issued other than capital	Retained earnings	Profit or loss	Accumulated other comprehensive income	Total
Balances as of January 1, 2016	**2 127 717**	**98 682**	**328 412**	**230 063**	**116 378**	**2 901 252**
Adjustments from error corrections	-	-	-	-	-	-
Adjustments due to changes in accounting policy	-	-	-	-	-	-
Balances as of January 1, 2016 (*)	**2 127 717**	**98 682**	**328 412**	**230 063**	**116 378**	**2 901 252**
Total income/ expense recognized	**-**	-	-	**191 743**	**(104 225)**	**87 518**
Other changes in equity	**49 330**	**(49 341)**	**191 313**	**(230 064)**	**-**	**(38 762)**
Issuances of common shares	-	-	-	-	-	-
Issuance of preferred shares	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-
Period or maturity of other issued equity instruments	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	49 330	(49 330)	-	-	-	-
Capital reductions	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-
Purchase or treasury shares	-	-	(36 124)	-	-	**(36 124)**
Sale or cancellation of treasury shares	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-
Transfers bretween equity items	-	-	227 437	(230 064)	-	(2 627)
Increase/Reduction of equity due to business combinations	-	(11)	-	-	-	(11)
Shared based payments	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	-	-	-	-
Balances as of December 31,2016	**2 177 047**	**49 341**	**519 725**	**191 743**	**12 151**	**2 950 007**

(*) Information has been adapted to the new financial statements structrure gathered in the Circular 4/2004 from Bank of Spain.

	Capital and share premium	Equity instruments issued other than capital	Retained earnings	Profit or loss	Accumulated other comprehensive income	Total
Balance at January 1, 2015	**2 127 717**	**98 682**	**132 161**	**238 375**	**269 395**	**2 866 330**
Adjustments from error corrections	-	-	-	-	-	-
Adjustments due to changes in accounting policy	-	-	-	-	-	-
Balance at January 1, 2015	**2 127 717**	**98 682**	**132 161**	**238 375**	**269 395**	**2 866 330**
Total income/ expense recognized	**-**	**-**	**-**	**230 063**	**(153 017)**	**77 046**
Other changes in equity	**-**	**-**	**196 251**	**(238 375)**	**-**	**(42 124)**
Issuances of common shares	-	-	-	-	-	-
Issuance of preferred shares	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-
Period or maturity of other issued equity instruments	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-
Capital reductions	-	-	-	-	-	-
Dividend distribution	-	-	(42 124)	-	-	(42 124)
Purchase or treasury shares	-	-	-	-	-	-
Sale or cancellation of treasury shares	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-
Transfers bretween equity items	-	-	238 375	(238 375)	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-
Shared based payments	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	-	-	-	-
Balance at December 31,2015	**2 127 717**	**98 682**	**328 412**	**230 063**	**116 378**	**2 901 252**

(*) Information has been adapted to the new financial statements structrure gathered in the Circular 4/2004 from Bank of Spain.

e) Individual cash flow statements for the years ended 31 December 2016 and 2015:

	Thousands of euros	
	2016	**2015 (*)**
Cash flows from operating activities	**1 130 579**	**(1 734 398)**
Profit for the year	191 743	230 063
Adjustments to obtain cash flow from operating activities	(87 862)	(68 163)
Net increase/decrease in operating assets	3 255 779	(291 369)
Net increase/decrease in operating liabilities	(2 089 395)	(1 458 409)
Collection/ payments for income tax	(139 686)	(146 520)
Cash flows from investing activities	**(1 351 391)**	**2 150 881**
Payments	(1 679 433)	(20 172)
Collections	328 042	2 171 053
Cash flows from financing activities	**(38 758)**	**(56 722)**
Payments	(38 758)	(56 722)
Collections	-	-
Efect of exchangge rate changes	**-**	**-**
Net increase (decrease) in cash and cash equivalents	**(259 570)**	**434 377**
Cash and cash equivalents at beginning of the year	751 014	391 253
Cash and cash equivalents at end of period	491 444	825 630

(*) Information has been adapted to the new financial statements structrure gathered in the Circular 4/2004 from Bank of Spain.

1.2 The acquisition Banco de Caja España de Inversiones, Salamanca y Soria, S.A.

The Unicaja Banco Group holds 69.38% of the share capital of Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (“EspañaDuero”), a financial institution set up on an indefinite basis on 24 November 2011 through which Caja España de Inversiones, Salamanca y Soria, Caja de Ahorros y Monte de Piedad indirectly carried out financial activities by means of a bank in accordance with Law 26/2013 (27 December).

The process for the acquisition of EspañaDuero by the Unicaja Banco Group culminated in the taking of control over that entity, which took effect for accounting purposes on 28 March 2014. The acquisition operation is described in detail in the consolidated annual accounts of the Unicaja Banco Group for 2015 and 2014.

The acquisition of EspañaDuero by Unicaja Banco was a strategic opportunity which allowed the Entity to extend its business into areas that had traditionally been the core of EspañaDuero's business and to strengthen the private banking and SME segment, in addition to obtaining synergies between the two institutions.

1.3 Basis of presentation of the consolidated annual accounts

The Group’s Consolidated annual accounts are presented in accordance with that established under International Financial Reporting Standards adapted by the European Union (hereinafter, “IFRS – EU”), bearing in mind Circular 4/2004 of the Bank of Spain, of 22 December, which is the development and adaptation to the Spanish credit entity sector of the International Financial Reporting Standards approved by the European Union, and its subsequent amendments.

In this report the abbreviations “IAS” and “IFRS” are employed to refer to International Accounting Standards and to International Financial Reporting Standards, respectively, and the abbreviations “ICIFRS” and ”CAS”, to refer interpretations of the Interpretations Committee on International Financial Reporting Standards and the former Interpretations Committee respectively, all of these having been approved by the European Union (hereinafter, “EU”), is the basis on which these consolidated annual accounts were prepared.

The present consolidated annual accounts were prepared applying the total of the accounting principles and norms and the valuation principles of obligatory application that have a significant effect on these, so that they reflect the true image of the equity and of the financial situation of the Group as at 31 December 2016 and the results of operations, changes in net equity and cash flows that have arisen in the Group in the financial year ended on that date.

Note 2 summarises the principles and polices and the most significant valuation criteria applied in the preparation of consolidated annual accounts of the Group for the year 2016.

The consolidated annual accounts have been prepared based on the accounting records of the Bank and other Group entities. Nonetheless, and given that the accounting principles and standards applied in the preparation of the Group’s consolidated annual accounts for 2016 may differ from those used by some of the consolidated entities, during the consolidation process the necessary adjustments and reclassifications have been made to standardise such principles and standards and bring them into line with the IFRS-EU applied by the Entity.

Unless otherwise stated, these consolidated annual accounts are presented in thousand euros.

1.4 Responsibility for the information and estimates

The information contained in the present consolidated annual accounts is the responsibility of the Directors of the Parent Company.

In the consolidated financial statements of the Group for the year 2016, estimates were occasionally made by the Directors of the Group to quantify some of the assets, liabilities, income, expenses and obligations reported herein. Basically, these estimates refer to:

- Impairment losses on certain assets (Notes 9, 10, 12, 13, 14 and 15).

- Assumptions used in actuarial calculations of liabilities and commitments relating to post-employment benefits and other long-term commitments with employees (Notes 2.12 and 41).

- Useful life of property, plant and equipment and intangible assets (Notes 2.14, 2.15, 13 and 14).

- Measurement of goodwill on consolidation (Notes 2.16 and 4).

- Estimation of the probability of occurrence of events classed as contingent liabilities and, if applicable, estimation of the provisions necessary to cover these events (Notes 2.18 and 19).

- Reversal period of temporary differences (Notes 2.13 and 24).

- Fair value of certain unlisted assets (Note 26).

- The realisable value of certain guarantees related to the collection of assets (Note 48).

These estimates were made based on the best information available at 31 December 2016 concerning the facts analysed. Nonetheless, future events could generate significant adjustments (upward or downward) in coming years, which would be made prospectively, in accordance with prevailing regulations, to recognize the impact of the change in the estimate on the consolidated income statement for the years in question.

On 27 April 2016, the Bank of Spain issued Circular 4/2016 which amended Circular 4/2004 on public and reserved reporting standards and model financial statements, and Circular 1/2013 on the Risk Information Centre. Its purpose is to update Circular 4/2004, mainly with regard to Appendix IX, to bring it into line with the latest developments in banking regulations, maintaining its compatibility with the accounting framework of the International Financial Reporting Standards adopted by the EU (EU-IFRS). This update to Appendix IX sought to broaden the application of the current accounting framework by strengthening the criteria affecting the following: i) policies, methods and procedures for credit risk management, including those relating to guarantees received, in accounting-related matters; ii) the accounting classification of operations on a credit risk basis, and iii) individual and combined estimates of provisions. Criteria for estimating country risk and the recoverable amount of repossessed assets or assets received as debt settlements are also introduced.

During 2016 the Group revised its accounting estimates with respect to the identification and calculation of the impairment of debt instruments carried at amortised cost (specifically those recorded as customer loans and receivables) and assets acquired through repossession or debt settlement (recorded mainly under Non-current assets for sale and Inventories) due to the adoption of internal methods for estimating collective provisions under IAS 39, and taking into account the provisions of Appendix IX of Bank of Spain Circular 4/2004 resulting from the entry into force of Bank of Spain Circular 4/2016. This change in accounting estimates has been prospectively recorded since the entry into force of Circular 4/2016 on 1 October 2016 and has not had a significant impact on consolidated results for the year or the Group's financial situation.

1.5 Changes in accounting policies, errors and comparative information

1.5.1 Changes in accounting principles and errors

Policy changes that occurred for the year 2016 (Note 1.12) have not affected the comparability of the Group financial information, so it has not been necessary adaptation or reclassification of quantitative information pertaining to 2015 which was published in the consolidated annual accounts at the previous year end. Neither there have been mistakes that have required rectification of the comparative information for the year 2015.

For its part, in the immediately preceding year there have not been any regulatory changes that have affected the comparability of the Group's financial information, nor have any errors leading to a rectification of the information disclosed been made.

1.5.2 Comparative information

In accordance with IAS 1 the comparative information contained in these consolidated annual accounts for 2015 is presented solely and exclusively for the purpose of comparison with the information at 31 December 2016 and therefore does not constitute the Unicaja Banco Group's 2015 annual accounts.

In this respect, though this does not affect the comparability of information, it should be noted that on 30 June 2016 certain changes in the structure of consolidated public statements included in Bank of Spain Circular 5/2014 (28 November) which amended Bank of Spain Circular 4/2004 came into force. The consolidated annual accounts for 2016 have been drawn up in accordance with EU-IFRS and the new structure determined by the legislation mentioned above. Comparative information for 2015 has also been adapted.

Appendix V includes a reconciliation between the comparative information contained in these consolidated annual accounts for 2015, prepared in accordance with the new models for financial statements, and the financial information included in the consolidated annual accounts of the Unicaja Banco Group for 2015 prepared in accordance with the financial statement models in effect at the time of preparation of said information.

1.6 Investments in credit institutions

In accordance with Article 20 of Royal Decree 84/2015, of 14 July, there follows a list of the Group's share in domestic and foreign credit institutions that exceed 5% of their capital or voting rights:

	% share	
Entity	**2016**	**2015**
Banco Europeo de Finanzas, S.A. (*)	40,72%	40,72%
Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (**)	69,38%	60,70%

(*) Direct investment of 1.20% and direct investment of 39.52% through Alteria Corporación Unicaja, S.L.U.
(**) Direct investment of 69.33% and direct investment of 0.05% through Unicartera Gestión de Activos, S.L.U.

At 31 December 2016, no Spanish or foreign credit institution (or group, in the meaning of Article 4 of the Securities Market Act, that contains any Spanish or foreign credit institution) holds an interest of more than 5% of the capital or voting rights of any credit institution that is member of the Bank's Group.

1.7 Agency agreements

At 31 December 2016, the following agents of the Group's Parent entity meet the requirements of Article 22 of RD 1245/1995 and Bank of Spain Circular 4/2010:

1) Entity's Authorized Signatories:

Name	Geographical scope
Antonia Castellano Yeste	Hijate (Almería)
Constr. y Prom. Taberno Gestión Inmobiliaria, S.L	Taberno (Almería)
Francisco Javier Ramírez Martínez	María (Almería)
Gema Ayala López	Alhabia Y Alboloduy (Almería)
Gestión 3 Uleila, S.L	Uleila Del Campo (Almería)
José Manuel Alcaraz Forte	Rágol E Instinción (Almería)
María Dolores Asensio Águila	Paterna Del Río Y Bayárcal (Almería)
María Isabel Juárez Padilla	Rioja (Almería)
Mayo Abellán Berruezo	Mojácar (Almería)
Pablo Fernández Enríquez	Alcolea (Almería)
Pablo Fernández Rivera	Fondón (Almería)
Asesoría Tremp, S.L.	Fregenal De La Sierra (Badajoz)
José Manuel Rodríguez García	Jerez De Los Caballeros (Badajoz)
Antonia María Manso Sánchez	Tahivilla (Cádiz)
Ana María Ureña Asensio	Valenzuela De Calatrava (Ciudad Real)
Antonio Ayuso Serrano	Torre De Juan Abad (Agente) (Ciudad Real)
Aplagest Consulting, S.L.	Campo De Criptana (Ciudad Real)
María Del Carmen Piedras Redondo	Saceruela (Ciudad Real)
Mario Gala Moraleda	Ballesteros De Calatrava (Ciudad Real)
Cavar Mediación, S.L.	Peñarroya-Pueblonuevo (Córdoba)
H&O Recursos económicos S.L.	Luque (Agente) (Córdoba)
Segurtojar, S.L.	Fuente-Tójar (Córdoba)
Agustín Sánchez Hidalgo	Sorihuela De Guadalimar (Jaén)
Ángel Maigler Unguetti	Montizón Y Venta De Los Santos (Jaén)
Antonio Sánchez Ruiz	Villarodrigo (Jaén)
Eulalia Romero Baleta	Pontones (Jaén)
Francisco Jesús Jiménez Romero	La Guardia De Jaén (Jaén)
Luis Miguel Segura Rodríguez	Benatae (Jaén)
María De Los Ángeles Granados López	Mures (Jaén)
María Del Sol Ojeda Cazorla	Segura De La Sierra (Jaén)

Name	Geographical scope
María Eugenia Sánchez Berjaga	Hornos De Segura (Jaén)
Yasmina María González Martínez	Genave (Agente) (Jaén)
Antonio Sánchez Escobar	La Joya (Málaga)
José Antonio Arrebola Benítez	Estación De Salinas (Málaga)
Pedro José Gómez Rodríguez	Cartaojal (Málaga)
Dolores Ayala Salguero	Pruna (Sevilla)
Manuel Jesús Jiménez Lara	Brenes (Sevilla)
Miguel Sancho Aguilera	El Saucejo(Sevilla)

2) List of Bank nominees for customer retention or promotion and marketing operations or services.

Name	Geographical scope
Jara-Inversiones E Intermediación, S.L.	Aguadulce (Almería)
Matilde Cuerva Tortosa	Almería (Almería)
Antonio Acosta Oller	Tijola (Almería)
Viada Asesores, S.L.	Puertollano (Ciudad Real)
Daimiel Asesores Inmobiliarios, S.L.U.	Daimiel (Ciudad Real)
Grupo Inmobiliario Soto Jiménez, S.L	Atarfe (Granada)
Manuel Fuentes Rejón	Churriana De La Vega (Granada)
Carlos Lorente Martínez	Iznalloz (Granada)
Alfredo González Ávila	Granada
Francisco Javier Arroyo Lorca	Valverde Del Camino (Huelva)
Manuela Jurado Ollero	Marmolejo (Jaén)
Manuela Joyar Montilla	Jaén
Josefina Salvador Valero	Linares (Jaén)
Francisco Javier Bazán Virtudes	El Atabal (Málaga)
Carlos Jesús Checa Martin	Torre Del Mar (Málaga)
Catalina Castro Jurado	El Morche (Málaga)
Sistemas Interactivos Malagueños S.L.	Torremolinos (Málaga)
Sistema Asesores Málaga .S.L.	Málaga
Mario Navarro Díaz	Estepona (Málaga)
Juan De Dios González De Molina y Justic	Torre Del Mar (Málaga)
Avances Tecnológicos Y Diseño S.L	Marbella (Málaga)
Jara-Inversiones E Intermediación, S.L.	Aguadulce (Almería)
Matilde Cuerva Tortosa	Almería (Almería)
Antonio Acosta Oller	Tijola (Almería)
Viada Asesores, S.L.	Puertollano (Ciudad Real)
Daimiel Asesores Inmobiliarios, S.L.U.	Daimiel (Ciudad Real)
Grupo Inmobiliario Soto Jiménez, S.L.	Atarfe (Granada)

1.8 Environmental impact

The Unicaja Banco Group entities global transactions are subject to environmental protection regulations (environmental laws). The Entity considers that the Group substantially meets the requirements of environmental laws and that it has procedures in place to guarantee and encourage compliance.

The Entity considers that the Group has adopted the necessary measures with respect to the protection and improvement of the environment and the minimisation of environmental impact, where applicable, in accordance with current environmental laws. In 2016 and 2015 the Entity did not make any significant environmental investments and did not identify any need to make provision for environmental risks and charges or any significant contingencies in connection with environmental protection and improvement.

1.9 Minimum ratios

1.9.1 Minimum Equity Ratio

Up until 31 December 2013 Bank of Spain Circular 3/2008 on the calculation and control of minimum equity established legislation governing capital requirements for Spanish credit institutions, on an individual and financial group level.

On 27 June 2013 the Official Journal of the European Union published the new regulations regarding capital requirements (called CRD-IV), which was applicable starting on 1 January 2014 and consist of:

- European Parliament and Council Directive 2013/36/EU (26 June) relating to access to credit institution and investment company activities and the prudent supervision of those entities, which amends Directive 2002/87/EC and repeals Directives 2006/48/EC and 2006/49/EC.

- Regulation (EU) No. 575/2013 (hereinafter CRR) (26 June 2013), issued by the European Parliament and Council, on prudent requirements for credit institutions and investment companies, which amends Regulation (EU) No. 648/2012.

The Directives have to be transposed into Spanish legislation while the European Union regulations are immediately applicable after entering into force. In Spain, Royal Decree-Law 14/2013 (29 November) on urgent measures to adapt Spanish laws to European Union legislation governing the supervision and solvency of financial institutions, partially transposed Directive 2013/36/EU into Spanish law and Final Provision Five empowered the Bank of Spain to make use of the options attributed to the competent national authorities under Regulation (EU) No. 575/2013.

Therefore starting on 1 January 2014 the provisions of Bank of Spain Circular 3/2008 that go against the aforementioned European legislation were repealed. In addition, on 5 February 2014 Bank of Spain Circular 2/2014 (31 January) was published and which, in accordance with the authority that Regulation (EU) No. 575/2013 grants to the competent national authorities, the Bank of Spain made use of some of the permanent regulatory options established by that Regulation, and that subsequently was amended, regarding the treatment of the deduction of the intangible assets during the transitional period, by the Circular 3/2014, of 30 July, of Bank of Spain.

That Regulation (EU) No. 575/2013 establishes uniform standards to be met by entities in relation to: 1) the own resources regulatory requirements relating to items of credit risk, market risk, operational risk and liquidy risk; 2) requirements aimed at limiting large exposures; 3) hedge of liquidity risk in relation with fully quantifiable element, uniforms and standard, once developed by a delegate of the Commission Act; 4) the establishment of the leverage ratio and 5) information and public disclosure requirements.

The regulation introduces a review of the concept and components of own resources required regulatory institutions requirements. These are composed of two elements: the capital of level 1 (or Tier 1) and capital of level 2 (or Tier 2). At the same time, Tier 1 is equal to the sum of the capital level 1 ordinary (or Common Equity) and additional capital of level 1. Thus, capital of level 1 is formed by those instruments that are able to absorb losses when the entity is in operation, while the elements of the capital of level 2 will absorb losses mainly when the entity is not viable.

Law 10/2014 (26 June) on the organization, supervision and solvency of credit institutions continued to transpose the CRD-IV into the Spanish legal system, and it was later supplemented by the Royal Decree 84/2015, of 13 February, which develops law 10/2014, which adapt the Spanish legal system to European standards on the unique mechanism of Supervision (MUS).

On the other hand, at 9 February 2016 the Circular 2/2016, on 2 February, the Bank of Spain, to credit institutions, supervision and solvency, to complete the adaptation of the Spanish legal system directive 2013/36/UE and Regulation (EU) No. 575/2013 regarding options not exercised by 22014 circulars and Bank of Spain 32014 has been published in the Official Board. In addition, the Circular 2/2016 develops some aspects of the transposition of the directive 2011/89/UE of the European Parliament and of the Council of 16 November 2011, as regards the supplementary supervision of financial entities in a financial conglomerate, and introduces the definition of authority component, which will be the European Central Bank or Bank of Spain, according to the allocation and distribution of powers laid down in the Regulation (EU) No. 1024/2013, and which is completed in the Regulation (EU) No. 468/2014 of the European Central Bank, on April 16, 2014.

Finally, on 24 March 2016 Regulation (EU) 2016/445 of the European Central Bank on the exercise of options and discretions available in Union law was published, which specifies certain of the options and discretions conferred on competent authorities under Union law concerning prudential requirements for credit institutions that the ECB is exercising. It will apply exclusively with regard to credit institutions classified as significant in accordance with Article 6(4) of Regulation (EU) No 1024/2013, and Part IV and Article 147(1) of Regulation (EU) No 468/2014. By means of this regulation the ECB seeks to extend the harmonisation of regulations governing institutions under its direct supervision, while other institutions will continue to apply the criteria adopted in each case by national authorities.

All of the above constitutes the current legislation in force regulating the equity that must be maintained by credit institutions both individually and as consolidated groups, and stipulates how this capital is measured. This includes the processes to be followed for the self-assessment of capital and the information to be made public.

According this regulation, required equity ratios for 2016 are:

- A ratio of capital of 1 ordinary level of 4,5%.
- A ratio of Tier 1 (ordinary and additional) of 6%.
- A total of 8% capital ratio (including levell 2).
- An additional capital buffer conservation of 0.625%.

In regards to the capital buffer of counter-cyclical capital laid down in article 45 of the law 10/2014, the Bank of Spain has agreed to fix in 0% this buffer for credit exposures in Spain from 1 January 2016.

In relation to these requirements, the European Central Bank (ECB) has required for Unicaja Banco Group, following the process of review and evaluation supervisor (SREP, for its acronym in English), a minimum ratio the 9.25% CET1. This requirement includes a minimum CET1 required by Pilar I of 4.5% and a minimum CET1 required by Pilar II, including conservation of capital, a 4.75% mattress.

It should also be noted that for FY 2017, the ECB has required, with respect to the Unicaja Banco Group within the framework of the SREP, a minimum CET1 ratio of 7.25% and a minimum total capital ratio of 10.75% (both phased in). These requirements are applicable for 2017 and including the following breakdown:

i) the minimum required by Pillar 1 of 4.50% of CET1 and 8% for Total Capital.
ii) a Pillar 2 requirement of 1.50%
iii) a capital conservation buffer of 1.25%.

As a consequence of these requirements, the CET1 phase-in and total phase-in capital ratios mentioned above are also established as the minimum levels below which Unicaja Banco would be compelled to calculate the maximum distributable amount (MDA) that would limit its distributions in the form of dividends and variable remuneration.

The Unicaja Banco Group's CET1 ratio is 13.77% on 31 December 2016 and total capital ratio is 14.17% (both including the retained result of the profit for the year). As a result, within de current capital levels, Unicaja Banco Group has hedged capital requirements established by ECB and, therefore, there is not any limitation for the dividend distribution out of the related in Regulation (EU) No. 575/2013.

As of December 31, 2016 and 2015, Unicaja Banco Group's equity amounted to €3,568,811 thousand and €3,509,803 thousand, respectively, of which €3,468,591 thousand and €3,479,892 thousand are part of the Common Equity Tier 1 (CET1). This represents a surplus on own resources requirements, in accordance with the regulation of Directive 2013/36 / EU (CRD-IV) and EU Regulation no. 575/2013 (CRR) of €1,396,317 thousand at December 31, 2016, including a capital preservation buffer of 0.625% (€1,341,166 thousand at December 31, 2015, excluding any buffer).

On the other hand, the CET1 surplus at 31 December 2016 on the required minimum amounts to €2,177,688 thousand, including a capital preservation buffer of 0.625% (€2,260,034 thousand at 31 December 2015, without including any buffer). The total capital surplus taking into account the additional requirements demanded of the Unicaja Banco Group as a result of the 2017 SREP amounts to €861,064 thousand as of December 31, 2016, while the surplus of CET 1 considering the requirements of the SREP of 2017 amounts to €1,642,436 thousand at the same date.

	Thousand euros	
	2016	**2015**
Ordinary Tier 1 computable capital (a)	3 468 591	3 479 892
Aditional Tier 1 computable capital (b)	29 077	29 911
Tier 2 computable capital (c)	71 144	-
Risks (d)	25 188 346	27 107 964
Ordinary capital Level 1 Ratio (CET 1) (A)=(a)/(d)	13.77%	12.84%
Aditional capital Level 1 Ratio (AT 1) (B)=(b)/(d)	0.12%	0.11%
Capital Ratio level 1 (Tier 1) (A)+(B)	13.89%	12.95%
Capital Ratio level 2 (Tier 2) (C)=(c)/(d)	0.28%	0.00%
Total capital ratio (A)+(B)+(C)	**14.17%**	**12.95%**

	Thousand euros	
	2016	**2015**
Tier capital 1 (a)	3 497 668	3 509 803
Exposure (b)	57 061 921	60 458 432
Leverage ratio (a)/(b)	**6.13%**	**5.81%**

The tier 1 ordinary capital, includes, basically, capital, the share premium, reserves of net Bank deductions (intangible assets) and the contingent convertible bonds ("CoCos") subscribed for by the FROB (€604,000 thousand in both years) and part of the result of years 2016 and 2015, respectively, which will be allocated to reserves (in case).

Unicaja Banco Group rigorously attends to the management of the capital self-assessment process and solvency risk in order to maintain a prudent risk profile and balance, adequately preserving solvency, profitability and liquidity targets. Risk management processes are guided by the following basic principles:

- Permanent rigorous action to maintain a prudent and balanced risk profile, preserving the objectives of solvency, profitability and adequate liquidity.
- Active participation and supervision by Senior Management, which approves the general business strategies and policies applied by the Entity and establishes the general lines of risk management and control at the Entity.
- General internal control environment.
- Segregation of duties and the process of measuring and controlling the Entity's risk is completely independent from the risk taking function.
- The prudent management of exposure to credit risk, particularly by avoiding projects of uncertain viability and a quantitative limitation of investments based on sufficient guarantee parameters.
- Selection of adequate risk measurement methodologies.

The Entity's policies, methods and procedures relating to Overall Risk Management are approved by the Board of Directors. The Audit Committee, the Risk Committee, the Asset, Liability and Budget Committee (ALBC), the Internal Audit Department and the Comprehensive Risk Control Department at the Bank is responsible for ensuring adequate compliance with those policies, methods and procedures, ensuring that they are adequate, are effectively implemented and reviewed on a regular basis.

1.9.2 Minimum reserves ratio

At 31 December 2016 and 2015, the Entity complied with the minimum reserves ratio imposed by applicable Spanish regulations.

1.10 Deposit Guarantee Fund

Group credit institutions form part of the Credit Institution Deposit Guarantee Fund. In 2016 and 2015 the cost of ordinary, additional and extraordinary contributions to this organization totalled €43,249 thousand and €43,323 thousand, respectively. These amounts were recognised under “Other operating expense” in the accompanying consolidated income statement (Note 39).

With regard to the ordinary contributions, dated November 7, 2015 has been published the Royal Decree 1012/2015, of November 6, which develops the 11/2015 Act, of June 18, recovery and resolution of credit institutions and investment service companies, and amending the Royal Decree 2606/1996 , of 20 December, on deposits of credit guarantee funds. Among the changes incorporated, changes the definition of the heritage of the Credit Institution Deposit Guarantee Fund, FGDEC from now on, indicating that the Management Committee shall determine the annual contributions from organizations affiliated to the Fund, according to the criteria laid down in article 6 of the Royal Decree-Law 162011, on 14 October, which created the FGDEC. To this end, the basis of calculation of the contributions that entities must be done at each compartment of the Fund shall be:

a) In the case of contributions to the compartment of guarantee of deposits, the deposits guaranteed, as defined in article 4.1.

b) In the case of the contributions to the guarantee values compartment, 5 per 100 of the value of quote of the last trading day of the year, in the corresponding secondary market, guaranteed values, as defined in article 4.2, existing at the end of the year. When among the latter listed securities and financial instruments that are not traded in a secondary market, Spanish or foreign, its calculation basis will be given by their nominal value or the refund, which is more appropriate to the type of value or financial instrument concerned, unless it has been declared or recorded another most significant value for the purposes of your deposit or registration.

On 2 December 2015, the Management Committee of the FGDEC, under cover of the provisions of paragraph 2 of article 3 of the Royal Decree 2606/1996, of 20 December, on funds of guarantee of deposits of credit institutions, amended by the Royal Decree 1012/2015, of November 6, has determined the following annual contributions from related organizations for the year 2015:

- Annual contribution to the compartment of guarantee of deposits of the FGDEC equal to 1,6 per thousand of the basis for calculation of contributions to such compartment defined in article 3.2 of the Royal Decree 2606/1996, existing at 31 December 2015.
- Annual contribution to the compartment of guarantee of values of the FGDEC equal to 2 per thousand of the basis for calculation of contributions to such compartment defined in article 3.2 of the Royal Decree 2606/1996, existing at 31 December 2015.

Moreover, with regard to extraordinary contributions, the Management Committee of the FGDEC in order to restore capital adequacy of the Fund pursuant to the provisions of Article 6.2 of Royal Decree-Law 16 / 2011 of 14 October, 30 July 2012 agreed to carry out an apportionment between seconded member institutions, distributed according to the result of contributions as of December 31, 2011, payable by ten equal annual fees. The amount of fees that must be entered on each date will be deducted from the regular annual contribution, if any, meets the entity on the same date, till the amount of ordinary share. At 31 December 2016 and 2015, the current value of the outstanding amount disbursed for this item amounts to €79,531 thousand and €114,166 thousand, respectively.

1.11 Contributions to resolution fund

During the year 2016, expenses recorded by the group, under the heading of "Other operating charges" of count attached consolidated income, for the contributions to the resolution funds corresponding to the own contribution of the 2016 period, amounts to 18.339 thousand euros (note 39), meanwhile 2015 amounted for 19.220 thousand euros.

On 1 January 2016 the Single Resolution Fund came into operation. It is administered by the Single Resolution Board, which is also responsible for the calculation of the contributions that must be made by credit institutions and investment service companies defined in Article 2 of said Regulation, in accordance with the rules laid down in Delegated Regulation (EU) 2015/63 of the Commission of 21 October 2014 which completed Directive 2014/59/EU of the European Parliament and the Council, with respect to the contributions ex ante the resolution financing mechanisms.

In accordance with Article 4 of Delegated Regulation (EU) 2015/63, the resolution authorities shall determine the annual contributions to be made by each institution in proportion to its risk profile based on the information provided by the entity in accordance with Article 14 of said Delegated Regulation, applying the methods described therein. The resolution authority will determine the annual contribution on the basis of the annual level of financing of the resolution financing mechanism and taking into account the level of financing to be reached by 31 December 2024 at the latest, in accordance with Article 102.1, of Directive 2014/59/EU and on the basis of the average guaranteed deposits for the preceding year calculated on a quarterly basis for all financial institutions authorised in its territory.

Moreover, in accordance with Article 103 of Directive 2014/59 / EU, the financial resources available to be taken into account to achieve the target level for the Single Resolution Fund may include commitments irrevocable payment fully backed by guarantees low risk assets free of charges by third party rights, freely available and allocated for the exclusive use of the resolution authorities for the purposes specified in the Directive. The share of irrevocable payment commitments shall not exceed 30% of the total amount raised through ex ante contributions.

1.12 Changes in the International Financial Reporting Standards.

In 2016, new accounting norms became effective and have, therefore, been taken into account in the preparation of the Group's consolidated annual accounts for 2016:

Standards, amendments and interpretations	**Description**	**Mandatory application periods commencing on or after**
Annual NIIF improvements	Improvement Project-Cycle 2010-2012	1 February 2015
Amendment NIC 19	Defined benefit Planes: employees Contributions	1 February 2015
Amendment NIIF 11	Acquisition of shares in joint Operations	1 January 2016
Amendment NIC 16 and NIC 38	Depreciation and amortization accepted Methods	1 January 2016
Amendment NIC 16 and NIC 41	Agriculture: plants used to produce fruits	1 January 2016
Amendment NIC 27	Equity Method in separated financial statements	1 January 2016
Annual NIIFimprovements	Improvement Project-Cycle 2012-2014	1 January 2016
Amendment NIC 1	Presentation of Financial Statements	1 January 2016
Amendment NIIF 10, NIIF 12 and NIC 28	Exception to consolidation for investment entities	1 January 2016

On the date of the preparation of these consolidated annual accounts, the following norms and interpretations (the most important applied on that date) that had been published by the IASB had not come into effect, either because their effective data is after the date of these consolidated annual accounts, or because they have not yet been adapted by the European Union:

Standards, amendments and interpretations	**Description**	**Mandatory application periods commencing on or after**
Amendment NIC 7/ IAS 7	Disclosure initiative	1 January 2017
Amendment NIC 12/ IAS 12	Defered tax assets recognition for non performed losses	1 January 2017
Annual NIIFimprovements/ IFRS	Improvement Project-Cycle 2014-2016	(a)
Amendment NIIF 2/ IFRS 2	Classification and measurement of share-based payments	1 January 2018
NIIF 15/ IFRS 15	Revenue from customers contracts (b)	1 January 2018
NIIF 9/ IFRS 9	Financial instruments (b)	1 January 2018
Amendment NIC 40/ IAS 40	Transfers of investment properties	1 January 2018
CINIIF 22/ IFRIC 22	Transactions and advance payments in foreign currency	1 January 2018
NIIF 16/ IFRS 16	Leases	1 January 2019
Amendment NIIF 10 and NIC 28/ IFRS 10 and IAS 28	Sale or assets contribution between an investor and its associates or joint ventures	(c)
Amendment IFRS 4	Application of IFRS 9 "Financial Instruments" with IFRS 4 "Insurance contracts""	(d)

(a) The changes affect IFRS1, IFRS 12 and IAS 28, and will apply to annual periods commencing as from 1 January 2018 in the case of changes to IFRS 1 and IAS 28, and 1 January 2017 for those relating to IFRS 12, all subject to their adoption by the European Union.

(b) They may be adopted before financial years starting on and after 01 January 2016. The Group has not applied this early adoption option in the 2016 consolidated annual accounts.

(c) In late 2015, the IASB decided to postpone the effective date of these amendments, without setting a new specific date because it is planning a wider review that may result in the simplification of accounting for these transactions and other aspects of the accounting for associates and joint ventures.

(d) IFRS 4 (including recent amendments) will be replaced by the forthcoming standard on insurance contracts. As a result, both the temporary exemption and the overlay approach are expected to cease being applied when the new insurance standard comes into effect.

The Administrators of the Savings Bank believe that the application of the majority of these norms will not have an important impact on the Group's consolidated annual accounts.

Standards and interpretations taking effect this year

During 2015 the following amendments to IFRS or interpretations (IFRIC) entered into force but have not had a significant impact on the consolidated financial statements:

- Annual improvements to IFRS, 2010-2012 cycle: The amendments included in these Annual Improvements generally apply to years that commence starting on 1 February 2015, although they may be adopted early. The main amendments refer to the following items:

    - IFRS 2 "Share-based payments" Definition of "vesting condition"
    - IFRS 3 "Business combinations": Recognition of contingent consideration in a business combination.
    - IFRS 8, "Operating segments": Disclosures regarding the inclusion of operating segments and the reconciliation of all assets assigned to the segments being reported with respect to the entity's assets.
    - IFRS 13 "Fair value measurement": References to the capacity to measure current receivables and payables at their nominal value when the effect of the discount is not significant.
    - IAS 16 "Property, plant and equipment and IAS 38 "Intangible assets": Proportional restatement of accumulated depreciation/amortization when the revaluation model is used.
    - IAS 24, "Related party disclosures". Entities that provide key management personnel services as a related party.

- IAS 19 (Amendment), "Defined benefit plans: employee contributions": IAS 19 (revised in 2011) makes a distinction between employee contributions relating to the service rendered and those that are not associated with the service. The current amendment also makes a distinction between contributions associated to the service only in the year in which they arise and those that are associated with the service over more than one year. The amendment allows contributions associated with the service that do not vary with the duration of the service to be deducted from the cost of the accrued services during the year in which the relevant service is rendered. The contributions associated with the service that vary in accordance with its duration must extend over the period the service is provided using the same assignment method that is applied to the benefits. This amendment applies retrospectively to the years commencing on or after 1 February 2015. Early adoption is permitted.

- IFRS 11 (Amendment) "Recognition of purchases of shares in joint ventures" It requires that the accounting principles for a business combination to be applied to an investor that acquires an interest in a joint venture constituting a business. Specifically, identifiable assets and liabilities will have to be measured at fair value, the costs relating to the acquisition recognised as an expense, the deferred tax recognised and the residual amount recognised as goodwill. All other accounting principles for a business combination apply, unless they conflict with IFRS 11. This amendment will be applied on a prospective basis for the years commencing on or after 1 January 2016, although it may be applied early.

- IAS 16 (Amendment) and IAS 38 (Amendment) "Clarification of acceptable methods of depreciation and amortization": This amendment clarifies that it is not adequate to use methods based on ordinary income to calculate the depreciation of an asset because ordinary income generated by an activity that includes the use of an asset generally reflect factors other than the consumption of the financial benefits within the asset. The IASB also clarifies that it is generally presumed that ordinary income is an inadequate basis for measuring the consumption of the financial benefits within an intangible asset. This amendment will be effective starting in years commencing on or after 1 January 2016 and will be applied on a prospective basis. The amendment may be applied early.

- IAS 16 (Amendment) and IAS 41 (Amendment) "Agriculture: Bearer plants to grow produce" Under this amendment plants that are held to obtain produce must be recognised in the same manner as property, plant and equipment, which is different from other biological assets. As a result, the amendments include these plants under the scope of IAS 16 instead of IAS 41. The produce grown on these plants will be maintained within the scope of IAS 41. These amendments will be applicable on a prospective basis to years starting on or after 1 January 2016, although early application is permitted.

- IAS 27 (Amendment) "Equity method in separate financial statements". It is amended to re-establish the option of using the equity method to account for investments in subsidiaries, joint arrangements and associates in a company's separate financial statements. The definition of separate financial statements was also clarified. An entity that chooses to change the equity method will apply the amendments in years that commence on or after 1 January 2016. Early adoption is permitted.

- Improvement project 2012-2014 cycle: The amendments affect IFRS 5, IFRS 7, IAS 19 and IAS 34 and will be applicable to the years commencing on or after 1 January 2016, subject to be adopted by the EU. The main amendments refer to:

  - IFRS 5 "Non-current assets held for sale and discontinued operations" Changes in disposal methods.
  - IFRS 7, "Financial instruments": Disclosures". Continuing involvement in administration agreements.
  - IAS 19 "Employee benefits": Determination of the discount rate for post-employment compensation obligations.
  - IAS 34 "Interim financial information": Information presented in another part of the interim financial information.

- IAS 1 (Amendment), "Presentation of financial statements": The amendments to IAS 1 encourage companies to apply professional judgment when determining which information to disclose in the financial statements. The amendments clarify that materiality applies to the financial statements as a whole and including immaterial information may hamper the usefulness of the financial information. The amendments clarify that entities should use professional judgment to determine when, and in what order, the information is presented in the financial statements. The amendments to IAS 1 may be applied immediately and are mandatory for all years commencing on or after 1 January 2016.

- IFRS 10 (Amendment), IFRS 12 (Amendment) and IAS 28 (Amendment) "Investment entities": Applying the exemption to consolidation": These amendments clarify three aspects regarding the application of the requirement for investment entities to measure subsidiaries at fair value instead of consolidating them. The proposed amendments:

  - Confirm that the exception to presenting consolidated financial statements continues to be applied to an investment entity's subsidiaries when they are parent companies.
  - Clarify that a parent investment entity must consolidate a subsidiary that provides services relating to the investment instead of measuring the subsidiary at fair value.
  - Simplify the application of the equity method to an entity that is not itself an investment company but which holds an interest in an associate that is an investment entity.

- This amendments will be applicable to years commencing on or after 1 January 2016, although it may be applied early.

Application of these accounting standards and interpretations have not material effect on the condensed consolidated interim financial statements of the Group.

Standards and interpretations that have been issued but have not yet entered into force

At the date these consolidated annual accounts were prepared new International Financial Reporting Standards and the relevant interpretations had been published but none were mandatory for the years commencing on or after 1 January 2015. The analysis of any future impact that could arise due to adopting these standards has not yet been completed, although no significant impacts are expected when they enter into force. These standards are as follows:

- IAS 7 (Amendment) “Disclosure initiative”: Companies are required to disclose information that enables users to understand the changes in liabilities that arise from financing activities. This includes changes that arise from:

    - Cash flows, such loan drawdowns and repayments; and
    - Non-monetary changes, such as acquisitions, disposals and unrealised gains on exchange.

  The liabilities that arise from financial activities are liabilities for which cash flows were or will be classified in the cash flow statement as cash flows from financing activities. New information to be disclosed also includes changes in financial assets (for example, assets that hedge liabilities arising in financing activities) if the cash flows of those financial assets were included or the future cash flows will be included in cash flows from financing activities.

  The amendment suggests that the disclosure requirement would be fulfilled by including a reconciliation between the opening and closing balances for liabilities that arise in financing activities, although it does not lay down a specific format.

  These amendments are applicable for financial years starting on or after 1 January 2017.

- IAS 12 (Amendment) "Recognition of deferred tax assets for unrealized losses": This amendment clarifies how to account for deferred tax assets related to investments in debt instruments measured at fair value. Decreases in the carrying amount below cost of a debt instrument at a fixed rate valued at fair value, where the tax base is maintained at cost, give rise to deductible temporary differences. The estimate of likely future tax benefits may include the recovery of some of the assets of an entity above its book value, if there is a corresponding sufficient evidence. The amendment is effective for annual periods beginning on or after January 1, 2017, although early adoption is permitted. As a general rule, it will apply retrospectively. However, on the date of initial application of the amendment, there is the option to register the change in equity for the comparative period against the opening balance of retained earnings.

- Annual IFRS improvements. Cycle 2014 – 2016: The changes affect IFRS1, IFRS 12 and IAS 28, and will apply to annual periods commencing as from 1 January 2018 in the case of changes to IFRS 1 and IAS 28, and 1 January 2017 for those relating to IFRS 12, all subject to their adoption by the European Union. The main amendments relate to:

    - IFRS 1 “First-time adoption of IFRS”: Elimination of short-term exemptions for first-time adopters of IFRS.
    - IFRS 12 "Disclosure of interests in other entities”: Clarification of the scope of the standard.
    - IAS 28 "Investments in associates and joint ventures”: Fair-value measurement of investments in an associate or joint venture.

- o IFRS 2 (Revised) “Classification and measurement of share-based payments”: The amendment to IFRS 2 which was developed through the IFRIC clarifies how to account for certain kinds of share-based payments. In this respect, it provides requirements for the recognition of:

  - The effects of vesting and non-vesting conditions in the valuation of share-based payments settled in cash;
  - Share-based payment transactions with net settlement features for obligations to withhold taxes; and
  - A modification in the terms and conditions of a share based payment which changes with the classification of the transaction from cash-settled to equity-settled.

  The amendment will be effective for financial years starting on or after 01 January 2018; early application is permitted.

- o IFRS 15 “Revenue from contracts with customers”: In May 2014 the IASB and the FASB jointly issued a converging standard relating to the recognition of ordinary revenue originating from customer agreements. Under this standard, revenue is recognised when a customer obtains control of an asset or service sold, i.e. when it has both the ability to direct the use and obtain the benefits of the asset or service. This IFRS includes new guidelines to determine whether or not revenue should be recognised over time or at a certain moment. IFRS 15 requires broad information regarding both the recognised income and income that is expected to be recognised in the future with respect to existing contracts. It also requires quantitative and qualitative information regarding significant judgments applied by management when calculating recognised income, as well as any changes in these judgments. IFRS 15 will be applicable to years commencing on or after 1 January 2018, although it may be applied early.

  Given the Group’s main activities and the fact that the standard is not applicable to financial instruments and other contractual rights or obligations under the scope of IAS 39, the Group does not expect any significant impact from the future application of this standard.

- o IFRS 9, "Financial instruments". It addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of IFRS 9 was published in July 2014 and replaces the guidelines under IAS 39 regarding the classification and measurement of financial instruments. IFRS 9 maintains, although it simplifies, the mixed measurement model and establishes three main measurement categories for financial assets: amortised cost, fair value through changes in profit or loss and fair value through changes in other comprehensive income. The basis of classification depends on the Company's business model and the characteristics of the contractual cash flow for the financial asset. Investments in equity instruments must be measured at fair value through profit or loss with the irrevocable election at initial recognition to present changes in fair value through other non-recyclable comprehensive income, provided that the instrument is not held for trading. If the equity instrument is held for trading any changes in fair value are presented in profit or loss.

  There have been no changes to the classification and measurement of financial liabilities, except for the recognition of changes in own credit risk in other comprehensive income for liabilities carried at fair value through profit or loss. Under IFRS 9 there is a new impairment loss model called the expected credit loss model that replaces the incurred impairment loss model defined by IAS 39 and which will give rise to the recognition of such losses earlier than under IAS 39. IFRS 9 relaxes the requirements to consider the hedge effective. Under IAS 39, a hedge should be highly effective both prospectively and retrospectively. IFRS 9 replaces this line and requires that an economic relationship exists between the hedged item and hedging instrument and that the hedge ratio is the same as that actually used by the entity in its risk management. Contemporaneous documentation is still required but is different to that prepared under IAS 39. Finally, broad information is required, including a reconciliation of the beginning and ending balance of the provision for expected defaults, assumptions and data and a reconciliation during the transition between the original classification under IAS 39 and the new classification categories under IFRS 9.

IFRS 9 will be applicable to years commencing on or after 1 January 2018, although it may be applied early. IFRS 9 will be applied retroactively but the restatement of comparative figures will not be required. If an entity opts to apply IFRS 9 early all requirements must be applied at the same time. The entities that apply the standard before 1 February 2015 continue to have the option to apply the standard in stages.

- IAS 40 (Revised) “Transfers of investment property”: This amendment clarifies that to transfer to or from investment properties, there must be a change in use. To conclude that there has been a change in use, it must be assessed whether the property meets the definition of an investment property. This change must be duly evidenced. The IASB confirmed that a change in intent, on an isolated basis, is not sufficient to support a transfer. This amendment will be effective for financial years starting on or after 01 January 2018. Early application is permitted.

- IFRIC 22 “Transactions and advance payments in foreign currency”: IFRIC 22 concerns how to determine the transaction date when applying IAS 21 on transactions in foreign currency. The interpretation applies when an enterprise pays or receives consideration in advance for contracts denominated in foreign currency. The transaction date determines the exchange rate to be used in the initial recognition of the relevant asset, expense or income. The interpretation provides guidelines for when a single payment is made or received and for situations in which there are multiple payments or receipts. The aim of the guidelines is to reduce diversity in practice. The interpretation will be effective for financial years starting on or after 01 January 2018; early application is permitted.

- IFRS 16 "Leases": In January 2016, the IASB published a new standard on leases, which supersedes IAS 17 "Leases", the result of a joint project with the FASB. The IASB and FASB have reached the same conclusions in many areas related to accounting for leases, including the definition of a lease, the requirement, as a rule, reflect the leases on the balance sheet and the valuation of liabilities lease. The IASB and FASB have also agreed not incorporate substantial accounting by the lessor changes, remaining similar to those of the earlier legislation requirements. There are still differences between the IASB and FASB regarding the recognition and presentation of expenses related to leases in the income statement and the cash flow statement. Under IFRS-IASB, IFRS 16 is applicable mandatory from January 1, 2019, being able to choose to apply IFRS 16 in advance, but only if both IFRS 15 "Revenue from contracts with customers" applies.

  It is estimated that the impact of the future application of this standard will not have a significant impact on the equity situation of the Unicaja Banco Group.

- FRS 10 (Revised) and IAS 28 (Revised) “Sale or contribution of assets between an investor and its associates/joint ventures”: These amendments clarify the accounting treatment of sales and contributions of assets between an investor and its associates and joint ventures that will depend on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor will recognize the complete gain or loss when the non-monetary assets constitute a "business". If the assets do not comply with the definition of a business, the investor recognizes the gain or loss in proportion to the interests of other investors. The amendments will only be applicable when an investor sells or contributes assets to an associate or joint venture. Originally, these amendments to IFRS 10 and IAS 28 were forward-looking and effective for annual periods that began on or after 1 January 2016. However, at the end of 2015, the IASB decided to postpone the effective date of the same (without setting a new specific date), since you are planning a wider review that may result in the simplification of accounting for these transactions and other aspects of the accounting for associates and joint ventures

- IFRS 4 (Revised) “Application of IFRS 9 “Financial Instruments” with IFRS 4 “Insurance contracts””: The amendments to IFRS 4 published by the IASB in September 2016 introduce two optional approaches for insurance companies:

- A temporary exemption until 2021 with respect to IFRS 9 for companies that meet specific requirements (applied on a reporting entity level); and
- The "overlay" approach: this will provide all insurance companies with the option of recognising the volatility that could arise when IFRS 9 "Financial Instruments" is applied before the new standard on insurance contracts is published in other comprehensive income instead of profit/(loss) for the year.

IFRS 4 (including recent amendments) will be replaced by the forthcoming standard on insurance contracts. As a result, both the temporary exemption and the overlay approach are expected to cease being applied when the new insurance standard comes into effect.

The Bank's Directors understand that the entry into force of most of these standards will not have a relevant impact on the Group's financial statements.

In relation to the adoption by the Unicaja Banco Group of IFRS 9 "Financial instruments", the Group is analysing the impact that this standard could have on its consolidated financial statements, in particular with reference to the estimate of loan-loss provisions using a calculation method based on expected loss. The latest version of the plan for adapting to IFRS 9 was approved on 27 January 2017 by the Board of Directors of Unicaja Banco, as the Group's parent entity. The plan has three basis lines of analysis: (i) accounting and risk classification of financial instruments, (ii) measurement of significant impairment of credit risk and estimate of carrying amount, and (iii) recognition of provisions.

The implementation plan includes work extending to the end of 2017, with milestones related to the filing of the condensed consolidated interim financial statements at 30 June 2017, the approval of internal models by the Bank's Board of Directors in November 2017 and the entry into force of IFRS 9 in January 2018.

In the course of the analysis work being carried out by Group management, the following main impact areas have been identified: (i) recognition of loan-loss provisions for the loan portfolio of Unicaja Banco and EspañaDuero, (ii) the accounting classification of financial assets, particularly with respect to debt securities, and (iii) accounting treatment of provisions. Specifically, with respect to the recognition of loan-loss provisions, under IFRS 9 there is a change in the treatment of impairment losses, with the adoption of an expected credit loss model which replaces the current incurred loss model under IAS 39. IFRS 9 distinguishes three categories for classifying risk with respect to provisions for expected losses: (i) low-risk instruments for which expected losses in less than 12 months may be calculated; (ii) instruments in which risk has increased significantly, for which expected losses will be calculated over the life of the operation; and (iii) impaired financial assets, for which expected losses will also be applied over the life of the operation and for which accrued interest will be calculated on the net carrying amount. Therefore, the most significant impacts of IFRS 9 in this regard will occur as a result of the implementation of criteria to determine the operations in which there has been a significant increase in credit risk since initial recognition, and the application of an expected loss model for the entire life of the operation concerned. This requires the development of models for projecting scenarios incorporating forward-looking information, for the purpose of both determining a significant increase in credit risk and estimating total expected losses on the assets.

At the date of preparation of these consolidated annual accounts, the work plans that support the implementation of this standard are ongoing and therefore at present the Group has not finalised the quantification of the potential impact that the application of this standard might have.

1.13 Transfer branch of activity between Unicaja Banco and EspañaDuero

On June 21, 2015, the second phase of the transfer of the branch of activity from Spain to Unicaja Banco, consisting of 30 offices and bank branches in operation, located outside EspañaDuero main territorial area of activity, approved on 30 June Of January 2015, and which was described in detail in the consolidated annual accounts for the year 2015.

The operation was thus completed, on June 21, 2016, with the transfer of total net assets of 532,953 thousand euros, corresponding to the 30 offices that are transferred. This is an intra-group transaction, so it has had no impact on the consolidated financial statements of the Unicaja Banco Group.

In addition, on 21 December 2016 a framework agreement for the transfer of a line of business was concluded between Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (EspañaDuero) and Unicaja Banco, S.A., whereby a total of 10 branches of EspañaDuero were to be transferred to Unicaja Banco. The effects of the agreement are conditional on the authorisation of the transaction by the Ministry of Economy, Industry and Competition in accordance with Additional Provision 12 of Law 10/2014 (26 June) on the organisation, supervision and solvency of credit institutions. At the date of preparation of these consolidated annual accounts the required authorisation had not been obtained and therefore the relevant condition precedent had not yet been fulfilled.

1.14 Vertical merger between Unicorp Corporación Financiera, S.L.U. and Corporación Uninser, S.A.U., and Alteria Corporación Unicaja, S.L.U.

On 1 June 2016, the single shareholder of Alteria Corporación Unicaja, S.L.U. approved the commencement of the formalities to carry out a vertical merger involving the absorption of Unicorp Corporación Financiera, S.L.U. and Corporación Uninser S.A.U. by Alteria Corporación Unicaja, S.L.U. (all these companies are 100% owned by Unicaja Banco Group). These formalities finalised with the execution of the relevant public deed on 27 July 2016 and the registration of the deed on 6 September 2016. This merger has no effect on the consolidated financial statements, except for the deconsolidation of the two merged companies, effective from 1 January 2016.

1.15 Labour agreements in EspañaDuero

Under the provisions of the Restructuring Plan for EspañaDuero and the Term Sheet relating to the reduction in its structure, in terms of both the number of branches and personnel, in order to receive the public aid necessary for its recapitalisation, an agreement was concluded on 8 May 2013 between the trade unions and the management of EspañaDuero concerning the redundancy proceedings, suspension of contracts, transfers and indemnities that were being carried out. This agreement envisaged the implementation of personnel reduction measures affecting 1,230 employees, within an implementation period lasting until 31 December 2014.

In addition, the second amendment to the EspañaDuero Restructuring Plan established certain additional commitments and limitations in relation to the future activity of EspañaDuero that amended those initially provided for in the Term Sheet, including a further reduction of 5% of the workforce to be enforced by 31 December 2016. In this respect, on 5 April 2016 negotiations commenced with the employees' representatives in order to carry out a further restructuring of the workforce, seeking formulas to minimize the impact of the process on the number of jobs. As a result of this negotiation, on 20 May 2016 an agreement was reached concerning the lay-off of a maximum of 850 workers, some of whom can be relocated in the Unicaja Group. In order to minimize the impact of the restructuring process on the volume of employment, the agreement includes accompanying social measures which are summarised as follows:

a) More favourable severance compensation for older persons.
b) Voluntary adoption mechanisms as one of the selection criteria for staff affected by the lay-offs.
c) Geographical mobility under Article 40 of the Workers' Statute as an alternative to dismissal.
d) Transfers to positions in other Group companies.

e) Protection measures concerning financial aid for those affected.

f) Outplacement plan improving the requirements of current legislation to protect and promote outplacement or self-employment.

According to the labour agreement, the compensation for termination of contract may not be less than twenty days' salary per year of service up to a limit of twelve monthly payments, and may not exceed €200 thousand. At 31 December 2016 the impact resulting from this labour agreement has been fully provided for.

1.16 Go-to-market process

Within the takeover bid for Banco de Caja España de Inversiones, Salamanca y Soria, S.A., (currently EspañaDuero), Unicaja Banco stated its intention to apply for the admission to trading of the company's shares in the electronic trading system ("SIBE") and the Stock Exchanges of Madrid, Valencia, Barcelona and Bilbao.

This intention was included in section 6 of the Prospectus for the offer to exchange shares, mandatorily and contingently convertible bonds and contingently convertible perpetual bonds of Unicaja Banco, to be subscribed by holders of shares and mandatorily and contingently convertible bonds of España Duero, which was authorised by the National Securities Market Commission on 26 November 2013 and was included in the Term Sheet relating to España Duero's Restructuring Plan.

However, due to a combination of adverse circumstances that could have jeopardised the share flotation in 2016, the Spanish government applied for an extension to the initially agreed deadline. This authorisation for the deferral of the deadline for admission to trading of the shares has been obtained from the competent Spanish and European Community authorities. The Entity reported this extension to the CNMV by means of a "significant event" which was published on 27 January 2017.

1.16 Subsequent events

During the period from 31 December 2016 to the issue date of these consolidated annual accounts, there have been no particularly relevant events that are not referred to in the notes to the accounts.

2. Accounting principles and policies and measurement methods applied

During the preparation of the consolidated annual accounts for 2016 and 2015, the following accounting principles and policies and measurement methods were applied:

2.1 Consolidation

2.1.1 Subsidiaries

"Subsidiaries" are defined as companies over which the Parent has the capacity to exercise effective control; control is, in general but not exclusively, presumed to exist when the Parent owns directly or indirectly more than half of the voting power of the investee, or even if this percentage is lower or zero, when there are other circumstances or agreements that give the Confederation Control. In accordance with IAS 27, control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities. In accordance with the IFRS 10, is considered that an associate company is controlled if and only if it satisfies all of the following elements: (i) power over the investee, (ii) exposure, or rights, to variable yields from their involment with the associate company, and (iii) ability to use its power over the associate company to influence the amount of investor yields.

To December 31, 2016 and 2015 are considered entities of the group, those subsidiaries of EspanaDuero take account of Unicaja Banco participation on that entity, is considered that there is control over them (see details in annex I).

The subsidiaries annual accounts are consolidated with those of the Entity using the full consolidation method, in accordance with the consolidation procedure described in IAS 27. Consequently, all significant balances deriving from transactions between the fully-consolidated companies have been eliminated during consolidation. Additionally, third-party interests in the:

- Group's equity is presented in "Minority interests" in the consolidated balance sheet (Note 21).

- Consolidated results for the year are presented in "Surplus attributed to minority interests" in the consolidated income statement (Note 21).

Results generated by subsidiaries acquired by the Group during the year are consolidated taking into account only the amounts for the period running from the acquisition date to the year end. Additionally, results generated by subsidiaries sold during the year are consolidated taking into account only the amounts for the period running from the beginning of the year to the date of sale.

Note 12.2 provides information about acquisitions, divestitures and most significant movements that have taken place in the year 2016 of subsidiaries.

Appendix I provides relevant information on these entities.

2.1.2 Joint ventures (jointly-controlled entities)

"Joint ventures" are investments in entities that are not subsidiaries but are controlled jointly by two or more unrelated entities.

In accordance with IFRS 11 "Joint Arrangements" arise when a participant has the right to the results obtained or to the net assets of the company in which the interest is held and therefore uses the equity method to recognize its stake in the company. Jointly-controlled entities are classified as joint ventures in the consolidated financial statements and for the purposes of IFRS 11 they are measured using the "equity method".

Note 12.2 provides information about acquisitions, divestitures and most significant movements that have taken place in the year 2016 of jointly controlled entities.

Appendix II provides relevant information on these entities.

2.1.3 Associates

"Associates" are all the entities over which the Entity has significant influence but not control or joint control. Significant influence generally accompanies a direct or indirect shareholding of 20% or more of the voting rights.

At 31 December 2016 and 2015 Group associates are considered to be entities in which at least 20% of the voting rights are held: Alestis Aerospace, S.L. and Deoleo, S.A. Moreover, they receive this consideration those partners of associates companies considering the participation of Unicaja Banco on such associates companies are considered significant influence on them (see details in Appendix III).

The main reasons why the Group is considered to have significant influence over those companies are as follows:

- Regarding Alestis Aerospace, S.L., Unicaja Banco has an agreements with the shareholders dated in 18 of December of 2013, that allow it to form part of the Board of Directors, participle in the organization and operations of the governing bodies and participle in, or in some cases block, business decisions.

- As a result of its interest in Deoleo, S.A., Unicaja Banco Group is entitled to appoint a total of two Directors.

In the consolidated financial statements, associates are consolidated using the equity method, as defined in prevailing legislation (IAS 28).

If as a result of losses incurred by an associate its equity is negative, in the consolidated balance sheet would appear of the Group with a nil value, unless the Group is required to provide financial support.

Note 12.2 provides information about acquisitions, divestitures and most significant movements that have taken place in the year 2016 of associates.

Appendix III provides relevant information on these entities.

2.2 Financial instruments

2.2.1 Initial recognition of financial instruments

Financial instruments are initially recognized in the consolidated balance sheet when the Group becomes party to the relevant contract, in accordance with the terms of that contract. Specifically, debt instruments such as loans and deposits in cash are recognized as from the date on which the legal right to receive or the legal obligation to pay the cash is generated, respectively. In general, derivative financial instruments are recognized on the date they are contracted.

Purchases and sales of financial assets arranged through conventional contracts (contracts under which the parties reciprocal obligations must be fulfilled within a timeframe established by regulations or market convention and which may not be settled by differences), such as stock market contracts or currency forwards, are accounted for from the date on which the benefits, risks, rights and duties inherent in all ownership are transferred to the acquirer. Depending on the type of financial asset purchased or sold, this may be the contract date or the settlement or delivery date. Specifically, transactions effected on the foreign exchange spot market are recognized at the settlement date, transactions effected using equity instruments traded in Spanish securities markets are recorded at the contract date and transactions effected using debt instruments traded on Spanish securities markets are recognized at the settlement date.

2.2.2 Disposal of financial instruments

A financial asset is written off the consolidated balance sheet in any of the following circumstances:

- The contractual rights to the cash flows generated have expired; or
- The financial asset, together with its substantial risks and rewards, is transferred, or control is transferred, even where risks and rewards are not substantially transferred or retained.

A financial liability is written off the balance sheet when the obligations generated have been extinguished or when it has been re-purchased by the Group for either re-placement or settlement.

2.2.3 Fair value and amortized cost of financial instruments

The fair value of a financial instrument at a given date is understood to be the amount at which it may be purchased or sold at that date between duly informed parties in an arm’s length transaction. The most objective and common reference value for a financial instrument’s fair value is the price that would be paid in an organized, transparent and deep market (“quoted price” or “market price”).

In the absence of a market price for a specific financial instrument, its fair value is estimated on the basis of recent transactions involving similar instruments or, failing this, using valuation techniques that are acceptable to the international financial community, taking into account the specific features of the instrument to be measured and, above all, the different types of associated risks.

Specifically, the fair value of held-for-trading derivative financial instruments traded in organized, transparent and deep markets is the same as their daily market price. If, in exceptional circumstances, the price cannot be established on a given date, they are measured using similar methods to those applied to derivatives not traded in organized markets.

The fair value of derivatives not traded in organized markets, or traded in organized markets that are not deep or transparent, is equal to the sum of the future cash flows generated by the instrument, discounted at the measurement date ("present value" or "theoretical close"), employing valuation techniques accepted by the financial markets: "net present value" (NPV), option pricing models, etc.

Amortized cost is the acquisition cost of a financial asset or liability adjusted (upward or downward) for capital and interest repayments and, where applicable, for the (higher or lower) portion (recognized in the consolidated income statement by applying the effective interest method) of the difference between the initial amount and the repayment value of the financial instruments. The amortized cost of financial assets also includes impairment adjustments.

The effective interest rate is the discount rate that brings the initial value of a financial instrument exactly into line with total estimated cash flows throughout its residual life. In the case of fixed-income financial instruments, the effective interest rate is equal to the contractual rate defined on acquisition, adjusted for commissions and transaction costs that must be included in the calculation of the effective interest rate, under IAS 39. The effective interest rate for variable-rate financial instruments is estimated in the same way as for fixed-income transactions and is recalculated at each interest review date stated in the contract, taking into consideration changes in the transactions future cash flows.

2.2.4 Classification and valuation of financial assets and liabilities

Financial instruments are classified into the following categories in the Group's consolidated balance sheet:

- **Financial assets and liabilities at fair value through profit or loss:** This category includes financial instruments for trading and other financial assets and liabilities classified as at fair value through profit or loss:

  - **"Financial assets held for trading"** are assets acquired in order to be realized in the short term or which form part of a portfolio of financial instruments identified or managed jointly, for which there is evidence of recent actions taken to obtain short-term gains, and derivative financial instruments not designated as hedge instruments, including instruments segregated from hybrid financial instruments (IAS 39).

  - **"Financial liabilities held for trading"** are liabilities issued for repurchase in the near future or that form part of a portfolio of financial instruments identified or managed jointly for which there is evidence of recent actions to obtain short-term gains, short positions in securities arising from sales of assets acquired under non-optional repurchase agreements and loans of securities, and derivative financial instruments not designated as hedge instruments, including instruments segregated from hybrid financial instruments.

  - **"Other financial assets or liabilities at fair value through profit or loss"** they are designated as financial assets or liabilities in their initial recognition, the fair value of which can be estimated in a reliable manner and this designation can be applied to:

(i) hybrid assets and liabilities for which the implicit derivatives cannot be separately valued in a reliable manner, the separation of these is obligatory,

(ii) hybrid financial assets and liabilities as a whole, designated from their initial recognition, except when the implicit derivatives do not significantly modify the cash flows that, in another way, the instrument would have generated or when the hybrid instrument was first considered the prohibition of separating from the implied derivatives was evident,

(iii) financial assets and liabilities on which more relevant information is obtained because with this there is a significant reduction in the incoherencies in the recognition or valuation (also called accounting asymmetries) that would arise in the valuation of the assets or liabilities, or through the recognition of gains or losses with different criteria,

(iv) financial assets and liabilities on which more relevant information is obtained due to the existence of a group of financial assets or liabilities in each case from which more relevant information is obtained because there is a group of financial assets, or of assets and financial liabilities that are managed and their yield is valued based upon their fair value, in accordance with a documented management risk or investment strategy and the information on this group is also supplied based upon the fair value to the key management personnel.

- Held-to-maturity investments: it includes debt securities with fixed maturities and identified or identifiable cash flows that are classified by the Entity at initial date and subsequently, with the intention and financial capacity to hold them until maturity date.

The debt securities included in this category are initially carried at fair value, as adjusted for transaction costs directly attributable to the acquisition of the financial asset, which are recognized in the income statement using the effective interest method as defined in IAS 39. They are subsequently carried at amortized cost, calculated based on the effective interest rate.

- **Loans and receivables**: this category includes unlisted debt securities, financing provided to third parties arising from the ordinary credit and loan activities carried out by the Entity, and debts incurred by asset buyers and by service users. It also includes finance lease transactions where the entities are the lessors.

The financial assets included in this category are initially carried at fair value, as adjusted for commissions and transaction costs directly attributable to the acquisition of the financial asset and which, under IAS 39, must be recognized in the income statement using the effective interest method, to maturity. Following acquisition, the assets are carried at amortized cost.

Assets acquired at a discount are recorded at the cash amount paid and the difference between the repayment value and that cash amount is recognized as financial income applying the effective interest method during the period to maturity.

In general terms it is the intention of the consolidated companies hold the loans and credits granted to maturity, and therefore presented in the consolidated balance sheet at amortized cost.

The interest accrued on these assets, calculated using the effective interest method, is recognized in the caption “Interest and Similar Income” in the income statement. Exchange differences on securities denominated in foreign currency other than the Euro are registered as mentioned in Note 2.4. Possible impairment losses on these assets are recorded as indicated in Note 2.7. Debt securities included in fair value hedged transactions are recorded as mentioned in Note 2.3.

- **Available-for-sale financial assets**: this category includes debt securities not classified as held to maturity, such as loans and receivables, or as at fair value through Profit or loss, and equity instruments owned by Unicaja relating to entities which are not subsidiaries, joint ventures or associates, and which have not been classified at fair value through profit or loss.

The instruments included in this category are initially measured at fair value, adjusted for transaction costs, which are recognized until maturity in the income statement using the effective interest method. In the case in which the financial assets have no fixed maturities, they are accounted to the income statement when they become impaired or written off the balance sheet. Following acquisition, the financial assets included in this category are carried at fair value.

Nonetheless, equity instruments, which fair value cannot be determined in a sufficiently objective manner, are carried at cost in these annual accounts, net of impairment as explained in Note 2.7.

Balancing entries are registered in “Interest and Similar Income” (calculated using the effective interest method) and “Return on Equity Instruments” in the income statement, with respect to changes in the fair value of financial assets classified as available for sale, relating to interest or dividends accrued, respectively. Impairment losses on these instruments are recorded as mentioned in Note 2.7. Exchange differences on financial assets denominated in foreign currency other than the euro are accounted as mentioned in Note 2.4. Changes in the fair value of financial assets covered by fair value hedges are registered as mentioned in Note 2.3.

A balancing entry is made in “Valuation Adjustments”, in the Entity’s equity, with respect to the remaining changes to the fair value from the acquisition date of available-for-sale financial assets until the financial asset is written off, when the balance is taken to “Gains (Losses) on non-current assets held for sale not classified as discontinued operations” in the income statement.

- **Financial liabilities at amortized cost**: this category of financial instruments relates to financial liabilities that are not included in any of the previous categories. Financial liabilities included in this category are initially carried at fair value adjusted for transaction costs that may be directly attributable to the issue of the financial liability, which will be allocated to the consolidated income statement to maturity, using the effective interest rate method defined in IAS 39. They are subsequently valued at amortized cost, calculated using the effective interest rate method defined in IAS 39.

The liabilities issued by the consolidated entities which, having the legal nature of capital, do not fulfil the conditions to be classified as equity under IAS 32, i.e., basically shares issued by the consolidated entities that do not carry voting rights and entitle the holders to dividends in the event that certain conditions are met, are classified as financial liabilities at amortized cost except if the Group has designated them as financial liabilities at fair value through profit or loss and provided that the relevant conditions are met.

Accrued interest on these securities, calculated through the effective interest rate method is reflected under “Interest and similar charges” in the consolidated income statement. Exchange differences on securities denominated in a currency other than the euro, included in this portfolio, is reflected in accordance with Note 2.4. Financial liabilities in fair value hedging transactions are reflected in accordance with Note 2.3.

Nonetheless, financial instruments which should be considered as non-current assets held for sale in accordance with IFRS 5 "Non-current assets held for sale and discontinued activities" are reflected in the consolidated financial statements as mentioned in Note 2.20.

Reclassifications between financial instruments portfolios are made according to the following assumptions:

i. Except in the case iv) stated below, the financial instruments may not be reclassified into or out of the category assessed at fair value through profit and loss, once acquired, issued or assumed.

ii. A financial asset, which intent or financial capacity changes, is classified from “Held-to-maturity investments” to "Available-for-sale financial assets". In this case, the same treatment is applied to all financial instruments held-to-maturity except under the circumstances stated by the applicable law (sales close to maturity date, or once received major part of the financial assets principal, or sales attributed to a non-recurring event that could not have been anticipated by the Entity).

    During 2016 no operations or reclassifications have been carried out as described in this section. During the year 2015, Unicaja Banco Group proceeded to sell part of the debt securities classified under the held-to-maturity investment portfolio (Note 38). The transactions comply with the requirements of paragraph GA22 of IAS 39 "Financial instruments: recognition and measurement" and therefore the rest of the debt securities in the held-to-maturity investment portfolio do not need to be reclassified to the available-for-sale financial asset portfolio.

iii. If a reliable valuation of a financial asset or liability becomes available, for which no such valuation had been previously available, and if it were obligatory to value them a fair value, such as non-quoted capital instruments and the derivatives that these have as underlying assets, these financial assets or financial liabilities will be valued at their fair value and the difference from their carrying amount will be treated in line with what is established for their portfolio class.

    During the years 2016 and 2015 there has been no significant reclassification as described above.

iv. If, as a result of a change in the intention or in the financial capacity of the Entity or, the expiry of the two year penalty period imposed by the applicable norm for the case of the sale of financial assets classified in the investment portfolio as at due date, financial assets (debt instruments) included in the category of “financial assets available for sale” may be reclassified to the “investment portfolio at due date”. In this case, the fair value of these financial instruments on the date of the transfer becomes their new amortized cost and the difference between this amount and their reimbursable value is charged to the consolidated profit and loss account applying the interest rate method applicable, during the residual life of the instrument.

    During the years 2015 and 2014 there has been no significant reclassification as described above.

v. A financial asset that is not a derivative may not be classified under “financial assets held for trading” if ceased to be maintained for the purpose of short term sale or repurchase, when one of the following circumstances takes place:

    - In rare and exceptional circumstances, unless the assets could have been susceptibly included in the heading “Loans and receivables”. Rare and exceptional circumstances are those that arise from a particular event, which is unusual and highly unlikely to recur in the foreseeable future.

    - When the Entity's intention and financial capacity to maintain the financial asset in the foreseeable future or until maturity, provided that it fulfilled the definition of “Loans and receivables” at its initial recognition.

    In these situations, the assets are classified at the reclassification date fair value, without reversing the results, and considering this value as their cost or amortized cost. In no case these assets may turn to be reclassified as “Financial assets held for trading”.

    During the years 2015 and 2014 there has been no significant reclassification as described above.

2.3 Hedging and mitigation of risks

The Group uses financial derivatives as part of its strategy to limit its exposure to interest rate, market and foreign exchange risks, inter alia. When the transactions fulfil the requirements of IAS 39, they are treated as hedges.

When the Group designates a transaction as a hedge, it does so as from the time of inception of the transactions or the instruments included in the hedge, which is appropriately documented. When documenting these hedge transactions, the hedged instrument(s) and hedging instrument(s) are duly identified together with the nature of the risk which is intended to be hedged and the criteria or methods followed by the Entity to measure the effectiveness of the hedge over the hedge term, taking into account the risk to be covered.

Only transactions that are considered highly effective throughout the hedge term are treated as hedge transactions. A hedge is considered highly effective if during the specific term any changes in fair value or cash flows attributed to the risk covered by the hedge of the financial instrument or instruments are virtually fully offset by the changes in fair value or cash flows, as appropriate, of the hedging instrument or instruments.

In order to measure the effectiveness of designated hedges, the Group analyses whether, from inception and to the end of the defined hedging period, changes in fair value or cash flows of the hedged item that are attributable to the hedged risk may prospectively be expected to be offset almost completely by changes in fair value or cash flows, as applicable, of the hedging instrument or instruments and whether, retrospectively, the hedge results have fluctuated within a range of 80% to 125% with respect to the results of the item hedged.

The Entity's hedges are classified as follows:

- Fair value hedges: These hedges cover exposure to changes in the fair value of financial assets and liabilities or of Groups' commitments not yet recognized, or of an identified portion of such assets, liabilities and the Group's commitments, attributable to a specific risk, provided it might affect the consolidated income statement.

- Cash-flow hedges: These hedges cover changes in cash flows attributed to a specific risk associated with a financial asset or liability or a highly probable transaction, provided it may affect the income statement.

As regards the specific financial instruments designated as hedged items and hedging instruments, measurement differences are recognized as described below:

- For fair value hedges, differences in hedges and hedged items (depending on the type of the hedged risk) are recognized directly in the consolidated income statement.

- For cash flow hedges, measurement differences arising on the effective portion of the hedge are temporarily recorded in the equity item "Valuation adjustments - Cash flow hedges". The financial instruments covered by cash flow hedges are recognized as explained in Note 2.2 and no adjustments are made due to the fact that they are classified as hedged items.

In the latter case, measurement differences are not recognized in the income statement until the gains or losses on the hedged item are recognized or, in the case of the hedge was related to a highly probable future transaction whose consequence is the recognition of a not financial asset or liability, these measurement differences would be recognized as part of the acquisition cost or until the maturity date of the hedged item.

Measurement differences on the hedging instrument relating to the ineffective portion of cash flow hedges are recognized directly in "Gains/ (losses) on financial assets and liabilities (net)" in the consolidated income statement.

The Group interrupts the hedge accounting when the instrument expires or is sold, when a hedge no longer meets the criteria for the hedge accounting or when the transaction ceases to be classed as a hedge.

Where the hedge fair value is interrupted as stated in the previous paragraph, in the case of hedged items carried at amortized cost, the adjustments made for the hedge accounting purposes are recognized in the income statement until the maturity date of the hedged items, applying the effective interest rate as recalculated on the interruption date.

Where cash flow hedge accounting is interrupted, the gain or losses accumulated on the hedging instrument recognized in the equity caption “Accumulated other comprehensive income - Cash flow hedges” in the consolidated balance sheet remains in that heading until the hedged expected transaction takes place, when the amount in question is taken to the consolidated income statement or, when the hedged item is an expected transaction that results in the recognition of a financial asset or liability, an adjustment is made to the acquisition cost of the asset or liability. In the case of expected transactions, when the transaction is not expected to be effected, the relevant amount recognized in the equity item “Accumulated other comprehensive income - Cash flow hedges” is immediately taken to the consolidated income statement.

2.4 Foreign currency transactions

2.4.1 Functional currency

The Group’s functional currency is the euro. All balances and transactions denominated in currencies other than the euro are considered as foreign currency balances and transactions.

The total equivalent value in euros of the Entity’s foreign currency assets and liabilities at 31 December 2016 was €78,007 thousands and €53,163 thousands, respectively (€104,948 thousands and €69,219 thousand, respectively, at 31 December 2015). The 78% and 79%, respectively at 31 December 2016 was denominated in US dollars (83% and 84%, respectively at 31 December 2015) and 10% and 8%, respectively at 31 December 2016 in pounds sterling (8% and 6% respectively, at 31 December 2015), and the remainder in other foreign currencies traded in the Spanish market.

2.4.2 Foreign currency translation

Foreign currency transactions effected by the Group are initially recognized in the financial statements at their equivalent value in euros, using the exchange rates prevailing at the dates of the transactions. The Entity subsequently translates the monetary balances in foreign currency to the functional currency using the year-end exchange rate. Additionally:

- Non-monetary items carried at historical cost are translated into the functional currency using the exchange rate prevailing at their acquisition date.

- Non-monetary items carried at fair value are translated into the functional currency using the exchange rate in force at the date on which fair value was determined.

2.4.3 Exchange rates applied

The exchange rates used by the Entity to translate balances denominated in the main foreign currencies to euros when preparing the annual accounts at 31 December 2016 and 2015 are the rates published by the European Central Bank.

2.4.4 Accounting for exchange differences

Exchange differences arising from the translation of foreign currency balances into the Group's functional currency are generally recognized at their net amount in "Exchange differences (net)" in the consolidated income statement, except for differences in financial instruments carried at fair value through the income statement, which are recognized in the consolidated income statement together with any other change in fair value.

In 2016, exchange differences recognized in the Bank's consolidated income statement totaled a net loss of €986 thousand, as compared with a net gain of €2,714 thousand in 2015.

Exchange differences in non-monetary items which fair value is adjusted by means of a balancing entry in equity are recognized in "Accumulated other comprehensive income - Exchange differences" in the consolidated balance sheet, until they are realized. Exchange differences arising on non-monetary items whose fair value is adjusted against the consolidated equity.

In 2016 and 2015, exchange differences recognized in the consolidated statement of recognized income and expenses as "Other recognized income (expenses)" amounted to €126 thousand and €94 thousand, respectively, relating in both cases to net losses on measurement.

2.5 Recognition of income and expense

Set out below is a summary of the most significant accounting policies employed by the Group to recognize income and expense:

2.5.1 Interest income and expense, dividends and similar items

In general, interest income and expense and similar items are accounted in an accruals basis, applying the effective interest method defined in IAS 39. Dividends received from other companies are recognized in the income statement when the Entity becomes entitled to receive them.

2.5.2 Commissions, fees and similar items

Income and expense relating to commissions and similar fees, which are not included in the calculation of the effective interest rate of operations and/or do not form part of the acquisition cost of financial assets or liabilities, except for those carried at fair value through the income statement, are recognized in the income statement using different methods depending on their nature. The most significant methods used are explained below:

- Amounts associated with the acquisition of financial assets and liabilities carried at fair value through the income statement are recognized in the consolidated income statement at the payment date.
- Amounts arising from long-term transactions or services are recognized in the consolidated income statement over the term of the transactions or services.
- Amounts relating to a one-off event are recorded in the consolidated income statement when that event takes place.

2.5.3 Non-financial income and expense

These amounts are accounted in an accruals basis.

2 5.4 Deferred collections and payments

Deferred collections and payments are carried at the amount obtained by discounting expected cash flows at market rates.

2.6 Offset of balances

Only debtor and creditor balances arising from transactions which, under contract or legislation, provide for possible offset and are to be settled at their net amount, or simultaneously realized and paid, are offset and therefore presented in the consolidated balance sheet at their net amount.

For this purpose, the presentation according to IFRS-EU in these consolidated annual accounts of financial assets subject to valuation adjustments for depreciation or impairment, net of these concepts is not considered a "offset balances".

2.7 Financial asset impairment

(In accordance with IAS 39 "financial instruments: recognition and measurement" the carrying value of financial assets is generally adjusted against the consolidated income statement when there is objective evidence that there are impairment losses. This is the case where:

- For debt instruments, i.e. loans and debt securities, when following their initial recognition there is an event or various events which have a negative impact on the relevant future cash flows.

- For equity instruments, when following their initial recognition there is an event or various events making it impossible to recover their carrying amount.

In the event that the recovery of any amount in respect of the impairment recorded is considered remote, such impairment is written off the consolidated balance sheet, although the Group may take the necessary actions to secure collection until the final extinguishment of its debt claims due to lapsing, remission or other reasons.

In the case of debt instruments carried at amortized cost, the amount of impairment losses is equal to the difference between their carrying amount and the present value of forecast future cash flows discounted at the instrument's original effective interest rate, where a fixed rate was contracted, or at the effective interest rate at the date of the financial statements, determined based on the contractual terms, in the case of a variable rate. For listed debt instruments, the market value may be used, provided it is sufficiently reliable to be representative of the amount that may be recovered by the Group.

Objective evidence of impairment will be determined individually for all debt instruments that are significant, and individually or collectively for groups of debt instruments which are not individually significant. Whenever a specific instrument cannot be included in any group of assets with similar risk characteristics, it will be analysed exclusively on an individual basis in order to ascertain whether it is impaired and, whenever this is the case, to estimate the impairment loss.

The collective assessment of a group of financial assets to estimate impairment losses is as follows:

- Debt instruments are included in groups with similar credit risk characteristics, indicative of debtor capacity to pay all amounts, principal and interest, in accordance with contractual terms. The characteristics of credit risk which are taken into account in order to group together assets are, inter alia, instrument type, debtor's business sector, geographical location of the activity, type of guarantee, age of amounts overdue and any other factor that may be relevant when estimating future cash flows.

- Future cash flows in each group of debt instruments are estimated based on the Entity's experience of historical losses for instruments with similar credit risk characteristics to those of the respective group, following the necessary adjustments to adapt historical data to current market conditions.

- Impairment losses in each group are the difference between the carrying value of all the Entity's debt instruments and the present value of its estimated future cash flows.

Debt instruments not measured at fair value with changes in profit and loss account, contingent risks and contingent commitments are classified according to the risk attributable to the customer or to the operation insolvency. Similarly, these financial instruments are analyzed to determine their credit risk by reason of country risk, meaning the same, one who attends to customers resident in a specific country due to circumstances other than usual commercial risk.

The evaluation process and calculation of possible impairment losses on these assets is carried out:

- Individually, for all significant debt instruments and for which, although not material, are not susceptible to being classified in homogeneous groups of instruments with similar characteristics, depending on the type of instrument, industry debtor and geographical area of activity , type of guarantee, age of past-due amounts, etc.

- Collectively, for other debt instruments, establishing different classifications of operations, according to the nature of the obligors and the conditions of the country in which they reside, transaction status and type of collateral that counts, days overdue, etc., setting for each of these risk groups impairment losses are recognized in the consolidated annual account.

The calculation of collective coverage is done through internal methodologies, based on the experience of historical losses for assets with similar risk characteristics and adjusted from observable data to reflect the effect of current conditions not affecting the period of historical experience is extracted, and to remove the effects of conditions in the historical period that do not exist today. The methodology used estimates impairment losses through the link between historical default data group and severity with other observable data and macroeconomic variables. Historical loss rates and severity apply to defined groups with similar characteristics, consistent with the groups for which observed the above historical rates. Finally, the loss incurred is estimated based on the risk parameters PD (probability of default), LGD (severity) and EAD (exposure at default).

The recognition in the income statement of interest accrued on the basis of the contractual terms is interrupted for all debt instruments classified individually as impaired and for those for which impairment losses have been calculated collectively because the amounts involved are more than ninety days past due.

The amount of impairment losses incurred in debt securities and equity instruments included in the item "Available-for-sale financial assets" is equal to the positive difference between their acquisition cost, net of principal repayments, and their fair value less any impairment loss previously recognized in the consolidated income statement.

When there is objective evidence that the decline in fair value is attributable to impairment, the latent losses recognized directly as measurement adjustments in equity are recorded immediately in the consolidated income statement. If subsequently all or part of the impairment losses are recovered, the amount involved is recognized, in the case of debt securities, in the income statement for the recovery period and, in the case of equity instruments, as valuation adjustments in consolidated equity.

In order to draw conclusions as to the existence of objective evidence of impairment of listed and unlisted debt instruments, the Group analyses any loss-causing events, such as circumstances causing significant financial difficulties for the issuer or obligor, breaches of contractual clauses, such as defaults or delays in the payment of principal or interest, increase in the probability of the issuer becoming insolvent or undergoing any other type of financial restructuring, disappearance of an active market for the financial instrument in question, due to financial difficulties, and a credit rating cut, which could be a sign of impairment if considered together with other available information.

In the specific case of listed equity instruments, the Group analyses whether a prolonged or significant fall in the investment's fair value below cost is objective evidence of impairment. For the purposes of determining when there is objective evidence that the price fall is due to impairment, in the event of exceptional circumstances in the markets that determine the price, the price effects derived from general market movements are analysed separately from the movements relating to factors specifically attributable to the issuer. Where there are no exceptional market circumstances but there are prolonged falls below the carrying amount, representing a relevant percentage, the Group also analyses evidence of impairment. Unless more specifically endurable criteria, the Group finds that the lack of recoverability of asset may come as evidenced by a prolonged or significant fair value reduction, notwithstanding that it may be necessary to recognize an impairment loss before there after that time or lowered the price by that percentage, and presumed, unless proved otherwise, that there is indication of impairment when the decline occurs prolonged for a year and a half or significantly if the share price falls 40 percent. An analysis is also performed to determine whether there are objective reasons to consider that the security's price does not reflect its fair value and, therefore, is not a valid figure for quantifying potential impairment. Objective reasons in this case may be related to a very low free float, prolonged speculative actions affecting the share price, etc., all of which could distort the price of equity instruments.

For debt and equity instruments classified under non-current assets held for sale, the losses recorded previously in equity are considered to be realized and are recognized in the consolidated income statement at the date of their classification.

For investments in subsidiaries, jointly-controlled entities and associates, the Institution estimates impairment losses by comparing the recoverable amount with the carrying amount. Such impairment losses are recorded in the consolidated income statement for the period in which they arise while subsequent recoveries are recorded in the consolidated income statement for the recovery period.

2.8 Financial guarantees and related provisions

Financial guarantees are contracts in which an entity undertakes to pay specified sums for the account of a third party in the event that payment is not made by the third party, irrespective of the form of the obligation: guarantee deposit, financial or technical guarantee, irrevocable documentary credit issued or confirmed by the Entity, etc.

In accordance with IFRS-EU and the Group generally considers the financial guarantee contracts provided to third parties as financial instruments within the scope of IAS 39.

At the time of their initial recognition the Group reflects financial guarantees provided under liabilities on the consolidated balance sheet at fair value plus the transaction costs that may be directly attributable, which generally is equal to the amount of the premium received, plus, if appropriate, the present value of commissions and interest to be received on such contracts over their term, with a balancing entry, under assets, of the amount of the likened commissions and interest collected at inception and accounts receivable for the present value of the commissions and interest receivable. Subsequently, these contracts are carried under liabilities on the consolidated balance sheet at the higher of the following two amounts:

- The amount calculated in accordance with IAS 37. In this respect, the financial guarantees, irrespective of the holder, arrangement or other circumstances, are analysed regularly to determine the credit risk to which they are exposed and if appropriate, estimate the need for provision, determined by applying criteria similar to those established to quantify impairment losses on the debt instruments valued at amortized cost.

- The amount initially reflected for these instruments less amortization of this amount which, under IAS 18, is charged on a straight-line basis over the term of such contracts to the consolidated income statement.

Provisions for financial guarantees are recorded in the item “Provisions - Provisions for contingent risks and commitments” under liabilities in the consolidated balance sheet. A balancing entry is made in the caption “Provisions (net)” in the consolidated income statement.

When a provision is required for financial guarantees, commissions pending accrual on the guarantees, carried on the liabilities in the consolidated balance sheet in the caption “Accrual accounts”, are reclassified to the relevant provision.

2.9. Accounting for leases

2.9.1 Finance leases

Finance leases are those in which substantially all the risks and rewards carried by the leased asset are transferred to the lessee.

Whenever the Entity acts as the lessor of an asset in a finance lease transaction, the sum of the present values of the amounts that will be received from the lessee plus the guaranteed residual value (usually the purchase option price when the lease expires) are recorded as financing provided to third parties and therefore included in the caption “Loans and receivables” in the consolidated balance sheet, in accordance with the nature of the lessee.

When the Entity acts as the lessee in a finance lease operation, the cost of the leased assets is recorded in the balance sheet on the basis of the nature of the asset leased and a liability is carried in the same amount (the lower of the fair value of the leased asset and the sum of the present values of the amounts payable to the lessor plus, if appropriate, the purchase option exercise price). These assets are depreciated at similar rates to those applied to the Group’s property, plant and equipment for own use (Note 2.14).

In both cases, the financial income and expense on finance leases is credited and charged, respectively, to the consolidated income statement captions “Interest income” and “Interest expense”, applying the effective interest rate on the lease, calculated in accordance with the new regulations, to estimate accrual.

In relations with finance lease developed by Unicaja Banco Group, quantitative information at 31th December 2016 and 2015 is detailed below:

(a) Gross investment (call option included) and current value at 31th December 2016 and 2015 reconciliation is the following:

	Thousands of euros	
	2016	**2015**
Accounts receivable Nominal Value	64 321	100 237
Purchasing operations Nominal Value	3 266	4 192
Total nominal Value at the end	**67 587**	**104 429**
Unearned finance incomes	4 372	6 513
Current value at close	**71 959**	**110 942**

(b) The present value of minimum lease payments at 31th December 2016 and 2015 and their residual terms distribution is the following:

	Thousands of euros	
	2016	**2015**
Less than a year	18 668	35 387
Between one and five years	40 736	28 802
More than five years	8 915	42 561
	68 319	**106 750**

(c) The unguaranteed residual values accruing to the benefit of the lessor at 31th December 2016 are €3,266 thousands (€4,192 thousands at 31 December 2015).

(d) The accumulated allowance for uncollectible minimum lease payments receivable at 31th December 2016 amount to €3,262 thousands (€13,039 thousands at 31th December 2015).

2.9.2 Operating leases

In operating leases, ownership of the leased asset and substantially all risks and benefits of ownership are retained by the lessor.

Where the Group acts as the lessor in operating lease agreements, the acquisition cost of the leased asset is carried under “Property, plant and equipment” in “Investment property” or “Other assets leased out under operating leases”, depending on the nature of the leased assets. Such assets are depreciated in accordance with the policies adopted for similar property, plant and equipment for own use and the revenue from lease contracts is recognized in the consolidated income statement on a straight-line basis in the caption “Other operating income”.

Where the Group acts as the lesser in operating lease agreements, the lease costs, including any incentives granted by the lessor, are charged on a straight-line basis to the consolidated income statement caption “Other general administrative expenses”.

2.10 Managed assets

Managed assets by the consolidated entities and owned by third parties are not recognized in the consolidated balance sheet. Fees generated by this activity are recorded in the item “Fees and commission income” in the consolidated income statement. Note 31.4 provides information on third-party assets managed by the Group during the years ended 31 December 2016 and 2015.

2.11 Investment funds managed by the Group

Investment funds managed by the consolidated entities are not recognized in the Group’s consolidated balance sheet as the fund assets are owned by third parties. Fees accrued during the year for services rendered to the funds by the Group entities (asset management, portfolio depository services, etc.) are recorded in “Fee and commission income” in the consolidated income statement.

2.12 Staff costs

2.12.1 Post-employment commitments

2.12.1.1 General description of commitments

Under the prevailing collective bargaining agreement, the Group must supplement the social security benefits of its employees or their beneficiaries in the event of retirement, widowhood, orphanhood, permanent disability or major disability.

During 2002 Unicaja reached an agreement with its employees to modify and transform the pre-existing pension supplement arrangements for retirement and related contingencies and for occupational hazard contingencies. As a consequence of that agreement, a part of the pension commitments with employees were externalized to the fund Unifondo Pensiones V, Fondo de Pensiones. The remaining pension commitments covered by the internal fund at 31 December 2001 were covered by insurance policies during 2004 and 2005 (Note 41.1).

The basic terms of the agreement entail a shift from a mixed company pension arrangement to group defined contribution and defined benefit arrangements. As a consequence, the pension plan contemplated in the agreement encompasses five groups into which the employees are classified based on their length-of-service, post and applicable collective bargaining agreement. Depending on the group, the benefits consist of minimum guaranteed sums for death and disability, and defined contributions or benefits for the retirement and related contingencies.

As a result of the merger of Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga y Antequera (actually, Fundación Bancaria Unicaja) and Caja Provincial de Ahorros de Jaén (Caja de Jaén), on 13 April 2011 the "Employment Agreement for the Integration of the Employment Pension Plans at Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén" was signed, and compliance was obtained through the "Employment Agreement regarding the Procedure for Integrating the Employment Pension Plant at Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén" dated 26 July 2011.

The purpose of this agreement was to establish the foundation on which the Employment Pension Plan for all Unicaja employees would be regulated as a result of the merger and the procedure for unifying the existing Employment Plans at both entities by integrating the Pension Plan for Employees of Caja de Jaén into the Unicaja Employee Pension Plan, which has resulted in the termination and liquidation of the former and the creation of a new group consisting of the employees of that entity.

On 20 September 2011, the Employee Pension Plan Control Committee at Unicaja approve the amendment of the Pension Plan Specifications to adjust to the wording established in the aforementioned employment agreement, immediately accepting the integration of participants and their consolidated rights and the beneficiaries of the Caja de Jaén Employee Pension Plan that registered with the new plan on 26 October 2011.

As a result of the creation of a bank at Unicaja, the Unicaja Employee Pension Plan Control Committee agreed to modify this plan in a joint promotion plan whose specifications have been updated in November 2016.

Finally, during 2014 Unicaja Banco Group acquired the majority of Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (EspañaDuero) share capital which, in accordance with its current employment agreements, must pay a supplement for Social Security benefits relating to its employees, or their heirs, in the case of retirement, widowhood, orphan hood, permanent disability or serious disability. EspañaDuero' post-employment commitments with its employees are treated as "defined-contribution commitments" when it makes predetermined contributions to a separate entity, without any real or effective obligation to make additional contributions if the separate entity is unable to pay benefits to the employees for the services rendered in the current year and in prior years. Post-employment commitments that do not fulfil the above-mentioned conditions are treated as "defined-benefit commitments". Note 41.1.1 includes the post-employment commitments falling to CEISS after the date on which Unicaja Banco Group took control.

At 31 December 2016 and 2015, the actuarial study calculations for the defined benefit systems have been carried out using the following assumptions:

	2016	**2015**
Wage growth	2%	2%
Social security coverage growth	1%	1%
Pension review rate	1%	1%
Mortality tables	PERMF 2000-P	PERMF 2000-P

The commitments accruing to retired employees or beneficiaries at 31 December 2016 and 2015 are externalized to the fund Unifondo Pensiones V, Fondo de Pensiones and covered by an insurance policy that applies an insured interest rate of 5.406% to 31 July 2041 and 2.5% as from that date, and the PERMF 2000-P mortality tables.

- Defined contribution commitments

The contribution accrued during the year is recognized under the caption "staff costs" in the consolidated income statement.

At 31 December 2016 and 2015 there were no pending contribution to external defined contribution plans.

- Defined benefit commitments

In the heading "Provisions – Provisions for pensions and similar liabilities" on the liabilities side of the consolidated balance sheet (or on the assets side, in the caption "Other assets – Other", depending on whether the difference is positive or negative and provided the conditions laid down in applicable regulations IAS 19 and to IFRIC 14, for its registry are fulfilled), the Group recognizes the present value of its defined benefit pension commitments, net of the fair value of the assets that qualify as plan assets and of deferred past service costs.

"Plan assets" are assets allocated to a specific defined-benefit commitment that will be directly used to settle these obligations and that fulfil the following conditions:

- they are not owned by the Group's entity but rather by a legally independent third party,
- they may only be used to pay or finance employees post-employment remuneration and
- they may not be returned to the Group's entity, except when the remaining plan assets are sufficient to comply with all the obligations of the plan or the entity related to current or past employee benefits, or to reimburse employee benefits already paid by the Group.
- are not transferable financial instruments issued by the Group.

Where the Group is able to demand that an insurance company pay part or all of the disbursement required to settle a defined benefit obligation, it being practically certain that insurance company will reimburse some or all of the payments required to settle that obligation, but the insurance policy does not qualify as a plan asset, the Entity recognizes its reimbursement right on the assets side of the balance sheet in “Insurance contracts linked to pensions” and treats the balance in this item as a plan asset in all other respects.

Actuarial gains and losses derive from differences between prior actuarial assumptions and actual fact, and from changes in the actuarial assumptions used.

Pursuant to IAS 19, the Group recognizes actuarial gains or losses that may arise in connection with its post-employment commitments with employees in the period in which they arise, by charging or crediting the consolidated statement of recognized income and expenses, through “Other recognized income and expenses”, which are treated for such purposes as items that will not be taken to the income statement.

The “Cost of past services" arising from changes to existing post-employment remuneration or from the inclusion of new benefits is the cost of improving the benefits, relating to the years of service of each employee, based on a linear distribution of the cost using the projected credit unit method; it is recognized immediately in the consolidated income statement for the period in question.

Post-employment benefits are recorded in the consolidated income statement as follows:

- Current service costs, i.e. the increase in the present value of the obligations arising from the services provided by employees in the current year, are recognized in “Staff costs";

- Interest costs, i.e. the increase in the present value of the obligations that occurs during the year due to the pass of time, are recognized in "Interest expenses and similar charges". Whenever the obligations are presented liabilities, net of related plan assets, the cost of the liabilities recorded in the consolidated income statement will correspond solely to the obligations recognized on the liabilities side.

- The expected return on assets assigned to cover commitments and related losses and gains, less any administrative costs and taxes, is recognized under “Interest and similar income”.

2.12.1.2 Criteria used in post-employment benefits

Concerning the criteria used and the method of determining the discount rates applied for post-employment benefits, the following should be noted:

- For insured commitments: The criteria applied are those laid down in IAS 19 and Bank of Spain regulations, specifically for determining the discount rate, the provisions of paragraph B.3)10.d) of Standard 35 of Bank of Spain Circular 4/2004. At the end of 2016, for commitments insured under insurance policies, the fair value of the assets and the obligations has been calculated by applying a discount rate based on the average duration of the commitments.

- For uninsured commitments: The market reference rate used is the rate for issuances of corporate bonds with high credit ratings, taking as a reference the IBOXX AA Corporate curve (i.e. the curve relating to highly rated corporate bonds in the euro zone) at 31 December 2016.

2.12.1.3 Defined-benefit post-employment commitments

At year-end 2016, the Unicaja Banco and EspañaDuero defined-benefit post-employment commitments are grouped into different plans, as described below:

Definition of Plan 1 of Unicaja Banco

a) Defined-benefit post-employment remuneration externalized under an employee pension plan named “Plan de Pensiones de Promoción Conjunta de los empleados de Unicaja Banco S.A. y de la Fundación Bancaria Unicaja”, which includes serving employees and employee beneficiaries who already receiving post-employment benefits.

b) Defined-benefit post-employment remuneration externalized under an insurance policy qualifying for the externalization of commitments pursuant to Royal Decree 1588/1999, as the legal limits on pension plan contributions preclude the financing of these commitments under the pension plan.

Definition of Plan 2 of Unicaja Banco

a) Defined-benefit post-employment remuneration externalized under an insurance policy qualifying for the externalization of commitments pursuant to Royal Decree 1588/1999, covering pension commitments derived from the Collective Bargaining Agreements for Savings Banks and for Private Banking for employees not covered by the pension plan named “Plan de Pensiones de Promoción Conjunta de los Empleados de Unicaja Banco S.A. y de la Fundación Bancaria Unicaja”.

b) Defined-benefit post-employment remuneration externalized under an insurance policy qualifying for the externalization of commitments pursuant to Royal Decree 1588/1999, covering pension commitments for a group of early-retired employees.
c) Defined-benefit post-employment remuneration externalized under an insurance policy qualifying for the externalization of commitments pursuant to Royal Decree 1588/1999, covering pension commitments for a group of early retired employees.

EspañaDuero Plan 1

All of these commitments originate from Caja de Ahorros de Salamanca y Soria.

a) Externalized defined post-employment benefits that have been externalized through an employment system pension plan for employees originating from Caja de Ahorros de Salamanca y Soria, called "Pension Plan for Employees of Caja de Ahorros de Salamanca y Soria", including active personnel and beneficiary personnel that are already receiving the post-employment benefit.

b) Defined post-employment benefits externalized through an insurance policy eligible for such commitments in accordance with Royal Decree 1588/1999, policy number PD 80 01/000002 and PD 80 01/000003, since the legal limits applicable to pension plan contributions do not allow them to be financed through the Pension Plan itself.

EspañaDuero Plan 2

Commitments originate from Caja de Ahorros de Salamanca y Soria:

a) Defined post-employment benefits externalized through an insurance policy eligible for such commitments in accordance with Royal Decree 1588/1999, policy numbers PD 80 01/000002, PD 80 01/000003, RV 80 02/000002 and PD 80 07/000072.

b) Defined post-employment benefits in an internal fund to cover retirement income.

Commitments originating from Caja de Ahorros y Monte de Piedad:

a) Defined post-employment benefits externalized through insurance policies eligible for such commitments in accordance with Royal Decree 1588/1999, policy number 8118, under which the benefits payable relate to the flows from the associated financial assets in terms of both their amount and the payment schedule (*cash flow matching*).

b) Defined post-employment benefits externalized through insurance policies eligible for such commitments in accordance with Royal Decree 1588/1999, policy number PCP-1001, under which the benefits payable relate to the flows from the associated financial assets in terms of both their amount and the payment schedule (*cash flow matching*).

c) Defined post-employment benefits externalized through insurance policies eligible for such commitments in accordance with Royal Decree 1588/1999, policy number 10/78, under which the benefits payable relate to the flows from the associated financial assets in terms of both their amount and the payment schedule (*cash flow matching*). The commitment externalized under this policy was satisfied in 2014 and the relevant obligation was settled and the insurance policy was surrendered.

2.12.2 Other long-term remuneration - Phased early retirement

The Group reached an agreement for phased early retirement with the employees' representatives for specific situations affecting certain employee groups and to bring the Institution's workforce into line with its organizational needs. The agreement will be in force from 31 December 2016 and employees must meet the following requirements in order to qualify.

During the years 2016 and 2015, the Group reached some agreements individually consistent, mainly in early retirement agreements through contract suspensions, whose commitments are adequately covered in each of the above dates.

In order to calculate the commitments with employees coming from these agreements, the Group has been based on assumptions applied according to the market conditions and using the covered group specifications.

2.12.3 Death and disability

The commitments assumed by the Group to cover current employee death and disability contingencies by means of insurance policies contracted with Unicorp Vida, Insurance and Reinsurance Company, S.A. under the pension plan (Note 2.12.1) are recognized in the consolidated income statement in an amount equal to the insurance premiums accrued during the year.

2.12.4 Length-of-service awards

Unicaja Banco has taken its commitment to meeting employees a benefit to the same amount of €1,615 and €2,000, in the event that the employee meets 20 and 35 years of service in the institution, respectively.

At the end of 2015 and 2016 there is no EspañaDuero employee entitled to receive length of service awards as they have been eliminated through the payment of the amount accrued by one employee.

Pre-retirement commitments are recognized, for all applicable purposes, using the same criteria explained above for defined benefit commitments, except that the entire cost of past services and the actuarial gains or losses are recorded immediately when they arise.

2.12.5 Severance indemnities

Under current legislation, the consolidated Spanish companies and some foreign companies are required to make severance payments to employees terminated without just cause. The Group is required to pay indemnities to employees who, under certain conditions, are dismissed from the Company.

2.12.6 Plan of voluntary redundancies

Dated 21 December 2015, the Bank launched a new plan of voluntary redundancies, which provides the continuity of existing early retirement scheme, as well as this may cause low in the Bank by termination of contract by mutual agreement. The voluntary redundancies plan is voluntary foster care by Unicaja Banco's employees and has a maximum of 300 people in a period of two years, starting from 1 January, 2016. The placement period ends on March 31, 2016. In the case of the early retirement, are eligible for the Unicaja Banco employees who reach the age of 58 years or older within the period of two years from January 1, 2016. In the course of the termination of the employment contract by mutual agreement, eligible employees who, because of age, may not request the foster care tailored to early retirement.

2.13 Income tax

Income tax expense is recognized in consolidated the income statement, except where it derives from a transaction whose results are taken directly to equity, in which case a balancing entry for income tax is also made in the Group’s equity.

Income tax expense for the year is calculated as tax payable on taxable income for the year, as adjusted for variations during the year in asset and liability balances arising from temporary differences, tax deductions and allowances, and any tax-loss (Note 24).

The Group considers that there is a temporary difference when there is a difference between the carrying amount and the taxable amount of an asset or liability. The amount attributed to an asset or liability for tax purposes is treated as the tax base. A taxable temporary difference is a difference that will generate a future obligation for the Group to make a payment to the relevant authority. A deductible temporary difference is a difference that will generate a refund right or a reduction in a payment to be made to the relevant authority in the future.

Tax credits for deductions and allowances and tax credits for tax-loss carry forwards are amounts that, though generated on the completion of an activity or obtainment of a result, are not applied for tax purposes in the relevant tax return until the conditions stipulated in tax legislation are fulfilled, and provided the Group considers that application in future years is probable.

Current tax assets and liabilities are amounts that the Entity expects to recover from or pay to the corresponding tax authority within 12 months as from the date on which they are recognized. Deferred tax assets and liabilities are amounts that the Entity expects to recover from or pay to the corresponding tax authority in future years.

Deferred tax liabilities are recognized for all taxable temporary differences. Nonetheless, deferred tax liabilities resulting from the recording of goodwill are not recognized.

The Group only records deferred tax assets arising from deductible temporary differences, tax credits for deductions or allowances or for tax losses when the following conditions are fulfilled:

- Deferred tax assets are only recognized in the event that the Group will probably record sufficient tax gains in the future to offset the relevant amounts; and

- Deferred tax assets deriving from tax losses have arisen due to causes identified as unlikely to arise again.

Deferred tax assets and liabilities are not recognized when an asset or liability is initially recorded in the accounts, which does not result from a business combination and, at the recognition date, which does not affect reported results or taxable income.

At each accounting close, deferred tax assets and liabilities are analysed to ensure that they remain valid and any necessary adjustments are made accordingly.

The Bank taxed in arrangements of fiscal consolidation referred to in Title VII of Royal Legislative Decree 4/2004, of 5 March, approving the revised text of the above tax law societies. The criterion applied by the group is to record, by each entity taxed in that system, the expenditure in respect of income tax that would have corresponded him submitting his statement individually, adjusted by the negative taxable basis amount, deductions or credits, generated by each society that are exploited by other Group companies, considering to make fiscal consolidation.

Moreover noted that on November 30, 2013 was published in the Official State Bulletin Royal Decree-Law 14/2013, of 29 November, on urgent measures for the adaptation Spanish law to the regulations of the European Union in terms of supervision and solvency of financial institutions, among other things, introduced amendments in the revised text of the law of corporation tax approved by Royal Legislative Decree 4/2004 , 5 March, , establishing, for tax periods beginning from 1 January 2011 a new concerning the inclusion in the tax bases, with certain limits, for tax periods beginning on or after the year 2014, certain temporary differences with origin in provisions for impairment of loans treatments or other assets derived from the possible insolvency of debtors not related to the taxable person and the corresponding to allocations to contributions to systems of forecast social and, in its case, pre-retirement, as well as for their conversion in credits with the Administration in certain alleged as are the made of that an entity could present losses accounting or in them cases of existence of liquidation or insolvency judicially declared, establishing the possibility, of way additional, that these temporary differences can be redeemed for asset values such debt deferred tax one After the period of compensation of tax losses established in the applicable regulations elapsed.

2.14 Tangible assets

2.14.1 Property, plant and equipment for own use

Property, plant and equipment for own use comprise assets owned or being acquired under finance leases that the Group holds for current or future use for purposes other than community projects or for the production or supply of goods and which are expected to be used for more than one financial year. Among other assets, this category includes property, plant and equipment received by the Group to fully or partially settle financial assets representing debt claims against third parties and which the Group plans to use itself on a continuous basis.

Property, plant and equipment for own use are carried at acquisition cost in the consolidated balance sheet, which is the fair value of any consideration provided plus the total amount of cash payments made or committed, less accumulated depreciation and any estimated losses determined by comparing the carrying amount of each item with its recoverable amount. The acquisition cost of the material assets elements for own use and freely available includes the valuation of these that was made on 1 January 2004 at fair value. This fair value as at 1 January 2004 was obtained on the basis of valuations performed by independent experts.

To this end, the acquisition cost of assets awarded to the Group and included in property, plant and equipment for own use is equal to the carrying amount of the financial assets provided in exchange for the award.

Depreciation is calculated using the straight-line method based on the acquisition cost of the assets less their residual value. The land on which the buildings and other structures stand is understood to have an indefinite life and is therefore not depreciated.

A balancing entry for annual depreciation charges for property, plant and equipment is recognized in "Amortization equipment" in the consolidated income statement. Depreciation is charged at the following rates, based on average estimated useful lives:

	Annual rate
Buildings	1% to 3%
Furniture and installations	8% to 13%
Machinery and electronic equipment	13% to 27%

At each accounting close, the Group checks for internal or external indications that the carrying amount of property, plant and equipment exceeds the recoverable amount, in which case the carrying amount of the asset in question is written down to its recoverable amount and future depreciation charges are adjusted in proportion to the adjusted carrying amount and the new residual useful life, if a new estimate is necessary. If applicable, this write-down of property, plant and equipment is charged to the consolidated income statement caption "impairment or (-) reversal of impairment".

Similarly, where there are indications that the value of impaired property, plant and equipment has been recovered, the Group recognizes the reversal of the impairment loss shown in previous periods by crediting the income statement caption "Impairment or (-) reversal of impairment on non-financial assets" and adjusting future depreciation charges accordingly. The reversal of the impairment loss on an asset in no event may entail an increase in its carrying amount in excess of the amount that would be carried if no impairment loss had been recognized in prior years.

Additionally, the estimated useful lives of property, plant and equipment for own use are reviewed at least yearly to detect significant changes. If necessary, adjustments are made to depreciation charges for future years in the income statement on the basis of the new useful lives.

Repair and maintenance costs for property, plant and equipment for own use, are charged to the consolidated income statement during the financial period in which they are incurred, in the caption "Other general administrative expenses". Financial costs incurred to finance property, plant and equipment for own use are recognized in the consolidated income statement when they accrue and do not form part of the acquisition cost of the assets.

2.14.2 Investment property

"Investment property" in the consolidated balance sheet includes the carrying amounts of land, buildings and other structures held for rental or to obtain a gain on the sale of the property as a result of future market price increases.

The same methods applied to property, plant and equipment for own use (Note 2.14.1) are used to recognize the acquisition cost, depreciation, estimated useful life and impairment losses on investment property.

2.14.3 Other assets leased out under operating leases

The consolidated balance sheet line "Other assets leased out under operating leases" records the carrying amounts of property, plant and equipment other than land and buildings leased out by the Group under operating leases.

The same methods applied to property, plant and equipment for own use (Note 2.14.1) are used to recognize the acquisition cost of assets leased out, depreciation, estimated useful life and any impairment losses.

2.14.4 Recoverable amount of tangible assets

The tangible assets for own use and investment property are carried at acquisition cost, recognizing impairment adjustments if the assets recoverable amount is lower than cost. According to IAS 36, the recoverable amount is the higher of fair value less costs to sell and the value in use of the assets. Where there is no reliable measurement of fair value, the value in use of the assets is used as the recoverable amount, entailing the estimation of future cash inflows and outflows derived from the continued use of the assets and from their final sale or disposal through other means; a suitable discount rate is then applied to the cash flows calculated.

According to IAS 36, an assets value in use must be determined, in general, as follows:

- Future cash flow projections must be based on reasonable assumptions that represent managements best estimate of the economic conditions that will exist over the assets residual life and on the most recent budgets or financial forecasts approved by management, excluding any future estimated cash inflow or outflow that is expected from future restructurings or from improvements in the return on assets originally planned. The estimates based on these budgets or forecasts must cover a maximum period of five year, unless a longer period may be justified.

- Cash flows projected beyond the period covered by the most recent budgets or financial forecasts, to the end of the assets useful life, must be estimated by extrapolating the projections referred to previously, applying a constant or decreasing growth rate, unless an increasing rate may be justified which, in any event, must not exceed the long-term average growth rate for the relevant products or industries, the country in which the entity operates and the market in which the asset is used, unless a higher growth rate may be justified.

The discount rate used is a pre-tax rate that reflects the current market evaluation of the time value of money and specific risks affecting the asset that have not already been adjusted in the estimates of future flows.

A rate that reflects the current market evaluation of the time value of money and specific risks affecting the asset is deemed to be the yield that investors would require were they to choose an investment that generates cash flows the amounts, timing and risk profile of which are equivalent to the flows that the Group expects to obtain from the asset in question. This discount rate is estimated on the basis of the rate implicit in current market transactions involving similar assets. Where the discount rate for a specific asset is not directly available from the market, substitutes are used to estimate the discount rate.

2.15 Intangible assets

Intangible assets are identifiable non-monetary and non-physical assets that arise from legal business or have been developed internally by the Group. Intangible assets are only recognized when their cost may be reliably and objectively estimated and the Group considers they will probably generate future economic benefits.

Intangible assets are initially recognized at acquisition or production cost and are subsequently measured at cost less, where appropriate, any accumulated depreciation and impairment losses they experienced.

Intangible assets are carried in the consolidated balance sheet at acquisition or production cost, net of accumulated amortization and any impairment losses.

Intangible assets can have an "indefinite life" when, on the basis of an analysis of all relevant factors, we conclude that there is no foreseeable limit to the period over which is expected to generate net cash flows for consolidated companies, or "finite useful life" in the remaining cases.

Intangible assets with indefinite useful lives are not amortized, but rather at the end of each year, the consolidated companies revise their remaining useful lives in order to ensure that they are still indefinite or otherwise proceed accordingly.

Intangible assets with finite lives are amortized over the methods similar to those adopted for the amortization of tangible assets criteria. The annual amortization of intangible assets with finite useful lives is recognized under "Amortization - Intangible Assets" in the consolidated income statement.

For intangible assets with indefinite useful lives and the finite useful life, the consolidated companies recognize any loss that may have occurred in the carrying amount of these assets due to impairment, using a balancing entry in "Impairment or (-) reversal of impairment on non-financial assets – intangible assets" of the consolidated income statement. The criteria for recognizing impairment losses on these assets and, where appropriate, the reversal of impairment losses recognized in prior years are similar to those used for tangible assets for own use (Note 2.14.1).

2.16 Goodwill

2.16.1 Accounting for goodwill

The excess of the cost of shareholdings in entities measured using the equity method over their acquired carrying amounts, adjusted at the date of first consolidation, is allocated as follows:

- Where the excess may be allocated to specific components of the acquired company's equity, the value of assets (or liabilities) whose fair values are higher (or lower) than the carrying amounts at which they were recognized in the balance sheets of the acquired companies is increased (or reduced) accordingly.

- Where the excess may be allocated to specific intangible assets, it is recognized directly in the consolidated balance sheet provided the fair value may be reliably measured at the acquisition date.

- Any remaining differences are carried as goodwill, which is allocated to one or more specific cash-generating units.

Goodwill is only recognized when acquired for valuable consideration and therefore represents advance payments made by the acquiring entity in respect of future economic benefits deriving from the acquired entity's assets that cannot be individually and separately identified and recognized.

As from 1 January 2013, the Group has recognized goodwill in associates as part of the acquisition cost of the entities acquired, in the consolidated balance sheet item "Equity investments - Associates", as explained in Note 4.

Goodwill acquired as from 1 January 2004 is carried at acquisition cost and goodwill acquired prior to that date is carried at the net amount recognized at 31 December 2003, calculated in accordance with the regulations previously applied by the Group (Bank of Spain Circular 4/1991, 14 June). In both cases, at each accounting close, an estimate is made to identify any impairment that would reduce the recoverable amount to below the net cost recognized; if so, the goodwill is written down through the item "Impairment losses on other assets (net)" in the consolidated income statement.

Goodwill impairment losses are not subsequently reversed.

2.16.2 Negative goodwill

Negative differences between the cost of the shareholdings in consolidated entities and associates with respect to the relevant carrying amounts, adjusted at the date of the first consolidation, are recognized as follows:

- Where the excess may be allocated to specific components of the acquired company's equity, the value of liabilities (or assets) whose fair values are higher (or lower) than the carrying amounts at which they were recognized in the balance sheets of the acquired companies, is increased (or reduced) accordingly.
- The remaining amounts which may not be allocated are recorded under "Other gains" in the consolidated income statement for the year in which capital is acquired in the consolidated entity or associate.

2.17 Inventories

This category of the consolidated balance sheet records non-financial assets that the Group:

- Hold for sale in the ordinary course of business;

- Is currently producing, building or developing for this purpose, or

- Plans to consume in the production process or in the provision of services.

Therefore "Inventories" include land and other properties the Group maintains for sale or for its real estate activities.

Inventories are measured at the lowest cost, which incorporates all the outlays made for their acquisition and subsequent transformation; the direct and indirect costs incurred to obtain their current condition and location; the financial costs directly attributable to them, provided they need a period of time longer than one year for their sale (taking into account the previously-mentioned criteria for the capitalization of financial costs of tangible assets for own use); and their "realisable net value". The realisable net value is understood to be the estimated price of their disposal during the ordinary course of business, less the estimated costs for finishing their production and the necessary costs for carrying out their sale.

Both the reductions as well as, if applicable, the subsequent recoveries in the realisable net value below their net book value are recorded in the income statement for the year in which they take place under the caption "Impairment losses on rest of assets (net)".

The carrying value of sold inventories is written off and recorded as an expense under the caption "Other operating expenses" on the consolidated income statement.
The assets allocated by the Group, considering these as those assets that the Group receives from its borrowers or other debtors to satisfy , totally or partially, financial assets that represent collection rights against these, independently of the manner in which the property rights are acquired, and that, in line with their nature and the end to which they are applied, are classified as inventories by the Group, are booked initially at their acquisition cost, understanding this to be the net book value of the debts from which they originated, calculating this net value in line with the norm applicable to the Savings Bank. Afterwards the allocated assets are subject to the estimation of the corresponding impairments that, as may be the case, arise on these, calculated in line with the general determination criteria for the inventories indicated earlier.

2.18 Provisions and contingent liabilities

When preparing the consolidated entities annual accounts, their respective Directors distinguish between:

- Provisions: creditor balances that cover obligations in force at the balance sheet date deriving from past events that could give rise to financial losses for the entities. Although such losses are regarded as probable and are specific in nature, the amount and/or settlement date involved cannot be determined, and

- Contingent liabilities: possible obligations deriving from past events which may materialize subject to one or more future events beyond the control of the consolidated entities.

The Group's consolidated annual accounts include all significant provisions for obligations that are deemed more likely to arise than not to arise. Contingent liabilities are not recognized in the consolidated financial statements, although information is provided in accordance with applicable regulations In accordance with IAS 37 (Note 18).

Provisions quantified using the best information available regarding the consequences of the event in question, and re-estimated at the year end, are applied to meet the specific obligations for which they were originally recognized and fully or partially reversed should such obligations cease to exist or decrease.
At year-end 2016 and 2015, a number of legal proceedings and claims had been instigated against the consolidated entities, arising in the ordinary course of business. The Group's legal advisors and directors consider that the outcome of these proceedings and claims will not have a significant impact on the consolidated annual accounts for the years in which the judgements are issued.

Provisions deemed necessary as stated above are charged or credited to the consolidated income statement caption "Provisions (net)".

Paragraph 92 of IAS 37 "Provisions, contingent liabilities and contingent assets" allows, in cases where the breakdown in the financial statements for detailed information on specific provisions or contingent liabilities disputes with third parties could affect them or harm seriously the position of the Bank, is chosen not to disclose this information in detail.

2.19 Transfers of financial assets

The accounting treatment of transfers of financial assets is subject to the manner in which the risks and returns associated with the assets are transferred to third parties.

- If all the risks and benefits of the assets transferred are substantially transferred to third parties, such as in unconditional sales, sales under repos at fair value on the repurchase date, sales of financial assets with a call option acquired or put option issued deeply "out of the money", asset securitization in which the assignor retains no subordinated financing and nor grants any type of credit enhancement to the new holders and other similar situations, the financial instrument transferred is written off the consolidated balance sheet and at the same time any right or obligation retained or created as a result of the transfer is recognized.

- If the risks and benefits associated with the financial asset transferred are substantially retained, such as in sales of financial assets under repos at a fixed price or at the selling price plus interest, security lending contracts under which the borrower is required to return the same or similar assets, the securitization of financial assets in which subordinated financing is maintained or other types of credit enhancement that substantially absorb expected credit losses on securitized assets and other analogous cases, the financial asset transferred is not written off the consolidated balance sheet and continues to be measured using the same criteria as those used prior to the transfer. Conversely, the following items are recognized and not offset:

  - A financial liability associated with an amount equal to the benefit received; which is later valued at its amortized cost;

  - Both revenue from the financial asset transferred but not written off and expense from the new financial liability.

- If neither the risks nor benefits associated with the financial asset transferred are substantially transferred or retained, as in the sale of financial assets with a call option acquired or a put option issued which are not deeply "in the money" or "out of the money", financial asset securitization in which the assignor assumes subordinated financing or other types of credit enhancements for part of the asset transferred and other similar cases, the following distinction is made:

- Where the assignor does not retain control of the transferred financial asset: in this case, the asset transferred is written off the consolidated balance sheet and any right or obligation retained or created as a result of the transfer is recognized.

- Where the assignor retains control of the transferred financial asset: the asset continues to be recognized in the consolidated balance sheet at an amount equal to its exposure to value changes that could arise, also recognizing an associated financial liability. The net amount of the asset transferred and associated liability will be the amortized cost of the rights and obligations retained if the asset transferred is measured at amortized cost or the fair value of the rights and obligations retained, if the asset transferred is measured at fair value.

According to the above, financial assets are only written off the balance when they are extinguished cash flows generated or when substantially transferred to third parties the risks and benefits that are implicit.

2.20 Non-current assets held for sale

The caption "Non-current assets held for sale" in the consolidated balance sheet includes the carrying amount of games operations, individual or integrated into a whole, "disposal group" or as part of a business unit earmarked for disposal " discontinued "whose sale is highly likely to take place under the conditions in which these assets are currently in a period of one year from the date to which the consolidated financial statements.

They are also considered as non-current assets held for sale investments in associates or joint ventures that meet the requirements mentioned in the preceding paragraph.
Consequently, the carrying amount of these items, which may be financial or non-financial in nature, will foreseeable be recovered through their selling price rather than through continued use.

Specifically, investment property or other non-current assets received by the consolidated entities from their debtors in full or partial settlement of obligations are treated as non-current assets held for sale unless the consolidated entities have decided to use these assets on a continuous basis.

Symmetrically, the Caption “liabilities associated with non-current assets for sale” includes the creditor balances associated to the groups at disposal or to the interrupted operations of the Group.

Non-current assets held for sale are generally measured at the lower of their carrying amount when they are recognized as such and their fair value net of estimated costs of sales. While included in this category, property, plant and equipment, and intangible assets subject to depreciation and amortization by nature are not depreciated or amortized.

In the event that the carrying amount exceeds the fair value of the assets, net of costs of sales, the Group adjusts the carrying amount of the assets by the amount of the excess and makes a balancing entry in the caption “Asset impairment losses (net) - Non-current assets held for sale” in the consolidated income statement. In the event that the fair value of the assets increases at a subsequent date, the Group reverses the losses previously recorded in the accounts, increasing the carrying amount subject to the limit of the amount prior to their impairment, against “Asset impairment losses (net) - Non-current assets held for sale” in the consolidated income statement

Profits arising from the sale of non-current assets for sale are presented under the heading “Gains (losses) on non-current assets for sale not classified as interrupted operations” in the consolidated profit and loss account.

Notwithstanding the above, financial assets, assets arising from employee retributions, assets from deferred taxes and assets from insurance contracts that are part of a group at disposal or of an interrupted operation, will not be valued as explained in the preceding paragraphs, but in accordance with the principles and norms applicable to these concepts, that have been explained in previous section of Note 2.

2.21 Profit/ losses from discontinued operations

Income and expense, regardless of their nature, including those relating to impairment adjustments that arise during the year from a component of Group operations that has been classified as discontinued, even if generated before that classification, are presented net of the tax effect in the consolidated income statement as a single amount under the heading "Results from discontinued operations (net)", both if the component remains in the consolidated balance sheet and if eliminated. This heading also includes the results from the sale or other disposal of those operations.

During the years 2016 and 2015, results from discontinued operations included in the consolidated income statement amounted to 10,205 thousand euros and 24,010 thousand euros, respectively, and correspond to the performance of equity instruments classified as discontinued operations. The breakdown of these results for the years 2016 and 2015 is as follows:

	Thousands of euros	
	2016	**2015**
Caja España Vida Compañía de Seguros y Reaseguros, S.A.	1 400	15 620
Duero Pensiones, E.G.F.P.	766	607
Unión del Duero Compañía de Seguros de Vida, S.A.	8 039	7 783
	10 205	**24 010**

2.22 Business combinations

Business combinations are operations in which two or more entities or economic units of the same entity or group of companies are combined.

Those business combinations completed as from 1 January 2004 in which the Group acquires control of an entity are recognized as follows:

- The Group estimated the cost of business combinations, defined as the fair value of the assets delivered, of the liabilities incurred and of the capital instruments issued, as may be the case, by the acquiring entity.

- The fair value of the assets, liabilities and contingent liabilities of the target entity is estimated, including any intangible assets that may not have been recognized by target company, which are included in the consolidated balance sheet.

- The difference between the net fair value of the assets, liabilities and contingent liabilities of the target entity or economic unit and the cost of the business combination is recognized in these consolidated annual accounts as follows:

    - Where the difference between the net fair value of the assets, liabilities and contingent liabilities of the target entity or economic unit and the cost of the business combination is negative, it is recognized in “Intangible assets – Goodwill” on the assets side of the consolidated balance sheet, in the event that the business combination has resulted in the merger or absorption of the target entities or an economic unit other than an entity has been acquired.

    - Where the difference between the net fair value of the assets, liabilities and contingent liabilities of the target entity or economic unit and the cost of the business combination is positive, will be registered a goodwill of consolidation that in no case will be amortized, but will be subject to annual impairment analysis set out in the International Financial Reporting Standards.

For acquisitions of shares in stages over a particular entity, for which, under one of the purchases, control over the investee is acquired, the following accounting policies applied by the Group:

- The cost of the business combination is the sum of the cost of each individual transaction.

- For each acquisition of shares effected to the moment in which the Group gains control over the investee entity, the goodwill or negative consolidation difference is calculated separately for each transaction, following the procedure described previously in this note.

- Any difference between the fair value of the assets and liabilities of the investee entity at each of the successive acquisition dates and their fair value on the date the Group gains control over the entity is recognized as an adjustment to the value of the assets and liabilities.

2.23 State of recognized income and expense consolidated

This financial statement income and expenses generated by the Group as a result of its activity are presented during the year, distinguishing between those recognized as results in the consolidated income statement and losses and other income and expenses, in accordance with provisions of the current regulations, directly in equity distinguishing among the latter, in turn, among those items that may be reclassified to income in accordance with the provisions of the applicable regulations and which are not. Therefore, this statement presents:

a) The result of the exercise.
b) The net amount of income and expenses recognized directly and transiently during exercise as accumulated other comprehensive income in equity.
c) The net amount of recognized income and expenses recorded during the direct exercise and definitely in equity as accumulated other comprehensive income, if any.
d) The tax accrued on the items specified in subparagraphs b) and c) benefits.
e) Total recognized income and expense, calculated as the sum of points a) to d) above.

Variations in income and expenses recognized in equity as accumulated other comprehensive income temporarily until reversed in the profit and loss are broken down into:

- Profits (losses): includes the amount of income, net of expenses incurred during the year, recognized directly in equity. The amounts recognized during the year as accumulated other comprehensive income are recorded under this heading, although in the same year they are transferred to the consolidated income statement, the initial value of other assets or liabilities or are reclassified to another heading.

- Amounts transferred to the consolidated income statement: includes the amount of earnings or valuation losses previously recognized in equity, even in the same year, which are recognized in the consolidated income statement.

- Amounts transferred to initial value of hedged items: includes the amount of valuation earnings or losses previously recognized in equity, even in the same year, which are recognized in the initial value of the assets or liabilities as a result of hedging cash flow.

- Other classifications: includes the amount of the transfers made during the year between accumulated other comprehensive income in accordance with the criteria established in the regulations.

The amounts of these items are presented by their gross and the corresponding tax effect under the heading "Income tax relating to items that may be reclassified to income benefits" of the state.

2.24 Statement of changes in consolidated equity

In the statement of changes in consolidated equity all changes in equity, including those arising from changes in accounting policies and corrections of errors occur. This statement therefore shows a reconciliation of the carrying amount at the beginning and end of the exercise of all items comprising equity, grouping movements based on their nature into the following items:

- Adjustments for changes in accounting policies and correction of errors: that includes changes in equity that arise as a result of the retrospective restatement of the balances in the financial statements due to changes in accounting policies or correction of errors

- Income and expense recognized in the year: includes, in aggregate, the total of the items recorded in the statement of recognized income and expenses indicated above.

- Other changes in equity: includes the remaining items recognized in equity, as can the distribution of profit, transactions involving own equity instruments, payments with equity instruments, transfers between equity items and any other increases or decreases equity.

2.25 Consolidated cash flow statements

The terms employed in the Group consolidated cash flow statements corresponding to the years 2016 and 2015 have the following meanings:

- Cash flows: Inflows and outflows of cash and cash equivalents (short-term, highly-liquid investments in respect of which the risk of value fluctuations is low).

- Operating activities: typical credit institution activities and other activities that may not be classified as investing or financing activities.

- Investing activities: acquisition, sale or disposal through other means of non-current assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that cause changes in the size and composition of equity and liabilities and do not form part of operating activities.

As part of the cash flows from operating activities, certain adjustments are included to obtain the amount of those flows on the basis of consolidated results for the period. At 31 December 2016 and 2015, "Other adjustments" are included, in addition to depreciation and amortization, relating to consolidated income statement items that do not generate cash flows.

When preparing the consolidated cash flow statement, “cash and cash equivalents” consist of highly-liquid current investments in respect of which the risk of value fluctuations is low. Accordingly, the Group Unicaja Banco treats the following financial assets and liabilities as cash or cash equivalents:

- The Group’s own cash, which is recognized in the consolidated balance sheet caption “Cash, cash balances at Central Banks and other demand deposits”. At 31 December 2016, the Group’s own cash amounted to €323,291 thousand (€309,854 thousand at 31 December 2015).

- The balances held with Central Banks, which are booked under the heading “Cash, cash balances at Central Banks and other demand deposits” on the asset side of the consolidated balance sheet , which as at 31 December 2016 amounted to €338,422 thousand (€1,268,454 thousand at 31 December 2015).

- Net demand deposits at credit institutions other than the balances at central banks and excluding mutual accounts. Demand deposits at credit institutions other than central banks are recognized, among other items, in “Loans and receivables – Deposits at credit institutions” on the consolidated balance sheet, amounting to €199,994 thousand at 31 December 2016 (€412,446 thousand at 31 December 2015).

During 2016 the Unicaja Banco Group has changed the policy for drawing up the consolidated cash flow statement with respect to the consideration of sight creditor balances with credit institutions other than central banks, in line with Bank of Spain Circular 5/2014 on the structure of the consolidated financial statements. Under the new policy, only sight debtor balances with credit institutions are considered for the purposes of the cash flow statement, without netting them against the creditor balances mentioned above. This change has been applied retroactively in accordance with the regulatory framework described in Note 1.3.

3. Distribution of the Parent Entity’s surplus

The proposal for the distribution of the Parent Entity’s net income for 2016 that the Board of Directors will submit to the General Meeting of Shareholders for approval is set out below along with the already approved for 2015 is as follows:

	Thousand euros	
	2016	**2015**
Cash dividends	17 000	19 000
Interim dividends paid	-	-
Dividends pending payment	*17 000*	*19 000*
Legal reserve	19 174	23 006
Law 27/2014 capitalization reserve	6 600	10 901
Voluntary reserves	148 969	177 156
Net profit	**191 743**	**230 063**

In accordance with Legislative Royal Decree 1/2010 (2 July), which approves the Spanish Companies Act 2010, companies that obtain profits must allocate 10% of profits for the year to a Legal reserve. Appropriations must be made until the legal reserve reaches 20% of paid up share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased capital stock amount. Until the balance exceeds the 20% threshold, the legal reserve may only be used to offset losses, in the event of other available reserves being insufficient for this purpose.

The distribution of the result of the Parent Company for the current year includes the provision to the Reserve Capitalization governed by Article 25 of Law 27/2014, of 27 November, the corporate income tax. According to the above standard, this reserve must appear on the balance with absolute separation and appropriate title, and will be unavailable for a period of 5 years from the end of the year 2015, except that it should be used in the compensation of financial losses Bank in case of separation of partners, during disposal operations as a result of the application resulting from the special tax regime established in Chapter VII of Title VII of Law 27/2014 (mergers, demergers and other operations corporate) restructuring or if the bank was forced to apply the aforementioned book by mandate of a legal nature. The allocation of the reserve, part of the Bank's willingness to strengthen their capital base, will allow you to apply a reduction in the tax base of corporate income tax, within the limits and requirements laid down in that Article 25 of Law 27/2014.

At the date annual accounts were prepared and after determining that the conditions established in the prospectus were met, the Board of Directors of Unicaja Banco adopted a resolution to make payment of the discretional compensation for the Perpetual Contingent Convertible Bonds (PeCoCos) issued by the bank for the gross total amount of €6,850 thousand, during the period between 29 March 2016 and 28 March 2017 (€17,124 thousand payment of the discretional compensation for the NeCoCos and PeCoCos was determined at 2015 annual accounts closing date).

Earnings per share for the Parent

Basic earnings per share are calculated by dividing the net profit for the year attributable to the Bank by the weighted average number of outstanding shares for the year, excluding the average number of treasury shares held during the year.

Diluted earnings per share are determined in a similar manner to basic earnings per share, but the weighted average number of outstanding shares is adjusted to account for the potentially dilutive effect of stock options, warrants and convertible debt in force at the year end.

Set out below are Unicaja Banco Group's basic and diluted earnings per share for the financial years ended 31 December 2016 and 2015:

	2016	**2015**
Profit attributable to Parent Company (thousands of euros)	142 117	186 661
Adjustment: Finance costs of mandatory emissions convertible (in thousands of euros)	-	-
Adjusted Profit (thousands of euros)	142 117	186 661
On which: Continued Operations Profit (minority net)	131 912	162 651
On which: Discontinued Operations Profit (minority net)	10 205	24 010
Average number of ordinary shares outstanding reduced by the own (thousand)	922 802	922 802
Profit per share for continuous activities (euros)	0,143	0,176
Profit per share for discontinuous activities (euros)	0,011	0,026
Earnings per share (euros)	**0,154**	**0,202**

	2016	**2015**
Profit attributable to Parent Company (thousands of euros)	142 117	186 661
Adjustment: Finance costs of mandatory emissions convertible (in thousands of euros)	-	-
Adjusted Profit (thousands of euros)	142 117	186 661
On which: Continued Operations Profit (minority net)	131 912	162 651
On which: Discontinued Operations Profit (minority net)	10 205	24 010
Average number of ordinary shares outstanding reduced by the own (thousand)	922 802	922 802
Average number of shares from the conversion of Bonds (thousand)	41 523	41 523
Adjusted total average number of shares for calculation of diluted profit per share (thousand)	964 325	964 325
Diluted profit per share for continuous activities (euros)	0,137	0,169
Diluted profit per share for discontinuous activities (euros)	0,011	0,025
Diluted Earnings per share (euros)	**0,147**	**0,194**

As a result of the acquisition process involving EspañaDuero described in Note 1.2, Unicaja Banco Group maintains instruments with a potentially diluting effect. Unicaja Banco Group has issued Perpetual Contingent Convertible Bonds (PeCoCos) that are recorded under the heading "Other equity instruments" and the discretional compensation is subject to compliance with a series of conditions (Note 22.2).

In accordance with IAS 33 "Earnings per share" the average number of shares and other outstanding instruments during 2016 and 2015 was used. Perpetual Contingent Convertible Bonds (PeCoCos) have only been taken into consideration with respect to diluted earnings.

Dividends paid and return on other equity instruments

Dividends paid by Unicaja Banco, S.A. during the years ended 31 December 2016 and 2015 are as follows:

			Thousand euros			
			2016			2015
	% of nominal amount	Euro per share	Amount	% of nominal amount	Euro per share	Amount
Ordinary shares	2.16%	0.02	19 000	2.84%	0.03	25 000
Other shares (non-voting, redeemable, etc.)	-	-	-	-	-	-
Total dividends paid	**-**	**-**	**19 000**	**-**	**-**	**25 000**
Dividends charged to profits	-	-	19 000	-	-	25 000
Dividends charged to reserves or share premium account	-	-	-	-	-	-
In-kind dividends	-	-	-	-	-	-

This calculation has been made taking into account the number of shares existing at the date on which the dividend was paid, without including dilutive convertible instruments.

On 18 March 2016, the Board of Directors of Unicaja Banco included the payment of dividends amounting to €19 million in the proposal for the distribution of 2015 profits (which was approved by the shareholders at the general meeting held on 22 April 2016 and paid on 4 May 2016). On 26 March 2015, the Board of Directors included the payment of a dividend amounting to €25 million in the proposal for the distribution of 2014 profits (which was approved by the shareholders at the general meeting held on 30 April 2015 and paid on 12 May 2015).

On 18 March 2016, the Board of Directors of Unicaja Banco, having verified that the prospectus conditions had been met, agreed to the payment of discretionary remuneration on the necessarily and contingently convertible bonds (NeCoCos) and the perpetual contingently convertible bonds (PeCoCos) issued by the Bank for a total gross amount of €17,124 thousand, paid on 29 March 2016. Similarly, on 26 March 2015 the Board of Directors agreed to make payment of this discretionary remuneration for the same amount of €17,124 thousand, which was paid on 17 March 2015.

Finally, due to the conversion into shares of the necessarily and contingently convertible bonds (NeCoCos) on 30 June 2016 (Note 12.2), the remuneration for the period between 29 March 2016 and 30 June 2016 was paid, amounting to €2,626 thousand.

4. Goodwill of the Equity Method entities

At 31 December 2016 and 2015, the Bank recorded goodwill in equity method associates pending impairment in the amount of €32,416 thousand and €34,323 thousand, respectively. This goodwill was generated basically through a comparison with the net fair value of the assets, liabilities and contingent liabilities acquired by the Bank when it invested in the companies Autopistas del Sol, S.A., Concesionaria España, S.A. and Hidralia, Gestión Integral de Aguas de Andalucía, S.A., through the company Hidrocartera, S.L. in the latter case. At 31 December 2014, the goodwill is recognized as part of the acquisition cost of the target companies in the consolidated balance sheet item “Equity investments - Associates”. The amount pending impairment derives from the profits expected by the Bank's directors from the target companies, based on the strength of their customer base and on their average income per customer.

During the fiscal year 2016, in accordance with Note 2.16, the aforementioned goodwill was impaired in an amount of €1,907 thousand.

The following table shows the dates of initial recognition and the initial gross amounts of the goodwill in associates, as well as cumulative impairment losses and the net amounts of goodwill at 31 December 2016 and 2015:

			Thousands of euros			
			Accumulated loss provisions		**Net amount**	
	Initial amount	**Initial registration date**	**2016**	**2015**	**2016**	**2015**
Autopista del Sol, C.E.S.A.	34 833	Sep. 2005	(10 195)	(9 346)	24 638	25 487
Hidralia, G.I.A.A., S.A.	20 467	Jun. 2005	(12 689)	(11 631)	7 778	8 836
	55 300		**(22 884)**	**(20 977)**	**32 416**	**34 323**

As this goodwill relates to administrative concessions and licenses held by the target companies for a certain period of time, the Bank's directors consider that, barring other evidence of impairment, the recoverable value of the goodwill recognized decreases in proportion to the number of years remaining to the end of the administrative concession or license.

5. Segment information

The Group is engaged mainly in the retail banking business. Virtually all its business is conducted in Spain and the directors consider that customer types are similar throughout its territorial area of influence. Consequently, in compliance with prevailing regulations, the information on the Group’s business and geographical segments is not deemed to be relevant.

Set out below are details of the relative significance of the Unicaja Banco Group's operating segments at 31 December 2016 and 2015, for each of the segmentation types or parameters defined in paragraphs 32 to 34 of IFRS 8.

Sector information (products and services)

There follows a breakdown of the Unicaja Banco Group's consolidated balance sheet by sector at 31 December 2015 and 2014, including the same sector information reported to the Bank of Spain.

At December 31, 2016, the credit institutions sector accounts for 99.87% of total consolidated assets and 99.98% of consolidated equity. To this end purposes, according to section 2 of Rule 70 of Bank of Spain Circular 4/2004, “Credit institutions sector” includes the information on the consolidated group of credit institutions defined in Rule 1 of Bank of Spain Circular 4/2004.

a) Consolidated balance sheet at December 31, 2016:

ASSETS	Total	Distribution (thousands of euros) Sector banks	Insurance companies	Other entities	Adjustments and eliminations
Cash, cash balances at central banks and other demand deposits	861 711	863 512	-	23 175	(24 976)
Financial assets held for trading	78 330	78 330	-	-	-
Available for sale financial assets	5 403 336	5 408 025	-	512	(5 201)
Loans and receivables	31 642 958	31 701 719	-	80 271	(139 032)
Held to maturity investments	12 907 583	12 910 601	-	-	(3 018)
Hedging derivatives	606 362	606 362	-	-	-
Investments in subsidiaries, joint ventures and associates	294 099	534 933	-	12 655	(253 489)
Insurance or reinsurance assets	-	-	-	-	-
Tangible assets	1 437 840	1 315 334	-	124 967	(2 461)
Intangible assets	782	699	-	95	(12)
Tax assets	2 585 726	2 576 511	-	11 740	(2 525)
Other assets	659 851	644 360	-	61 963	(46 472)
Non-current assets and disposal groups held for sale	762 250	528 076	-	-	234 174
Total Assets	**57 240 828**	**57 168 462**	**-**	**315 378**	**(243 012)**

LIABILITIES AND EQUITY	Total	Distribution (thousands of euros) Sector banks	Insurance companies	Other entities	Adjustments and eliminations
Financial liabilities held for trading	50 820	50 820	-	-	-
Financial liabilities measured at amortized cost	52 729 470	52 672 642	-	217 325	(160 497)
Hedging derivatives	49 902	38 152	-	11 750	-
Liabilities under insurance contracts	3 992	3 992	-	-	-
Provisions	707 015	704 938	-	2.233	(156)
Tax Liabilities	239 107	236 478	-	2 916	(287)
Other liabilities	277 399	278 866	-	8 735	(10 202)
Total Liabilities	**54 057 705**	**53 985 888**	**-**	**242 959**	**(171 142)**
Shareholders' funds	2 918 429	2 918 429	-	62 687	(62 687)
Accumulated other comprehensive income	34 648	34 647	-	9 732	(9 731)
Minority Interest (Non-controlling interest)	230 046	229 498	-	-	548
Total Equity	**3 183 123**	**3 182 574**	**-**	**72 419**	**(71 870)**
Total Liabilities and Equity	**57 240 828**	**57 168 462**	**-**	**315 378**	**(243 012)**

b) Consolidated balance sheet at December 31, 2015:

ASSETS	Total	Distribution (thousands of euros) Sector banks	Insurance companies	Other entities	Adjustments and eliminations
Cash, cash balances at central banks and other demand deposits	1 990 763	1 990 748	1	14	-
Financial assets held for trading	94 012	94 012	-	-	-
Available for sale financial assets	9 810 055	9 841 231	17 819	859	(49 854)
Loans and receivables	34 300 065	34 397 239	9 901	80 037	(187 112)
Held to maturity investments	7 239 598	7 242 611	-	-	(3 013)
Hedging derivatives	738 060	738 060	-	-	-
Investments in subsidiaries, joint ventures and associates	359 131	487 796	-	5 802	(134 467)
Insurance or reinsurance assets	8 208	-	8 208	-	-
Tangible assets	1 490 899	1 304 409	29	180 187	6 274
Intangible assets	1 194	1 042	8	156	(12)
Tax assets	2 590 644	2 579 816	109	23 219	(12 500)
Other assets	836 298	849 278	17 075	82 854	(112 909)
Non-current assets and disposal groups held for sale	852 902	625 449	-	-	227 453
Total Assets	**60 311 829**	**60 151 691**	**53 150**	**373 128**	**(266 140)**

LIABILITIES AND EQUITY	Total	Distribution (thousands of euros) Sector banks	Insurance companies	Other entities	Adjustments and eliminations
Financial liabilities held for trading	125 280	125 280	-	-	-
Financial liabilities measured at amortized cost	55 577 323	55 465 433	7 675	322 050	(217 835)
Hedging derivatives	107 797	91 863	-	15 934	-
Liabilities under insurance contracts	31 040	-	26 169	-	4 871
Provisions	747 964	746 307	22	1 689	(54)
Tax Liabilities	295 404	289 001	1 237	2 028	3 138
Other liabilities	171 076	178 486	1 887	1 973	(11 270)
Total Liabilities	**57 055 884**	**56 896 370**	**36 990**	**343 674**	**(221 150)**
Shareholders' funds	2 833 525	2 833 525	14 534	40 622	(55 156)
Accumulated other comprehensive income	142 313	142 313	1 626	(11 168)	9 542
Minority Interest (Non-controlling interest)	280 107	279 483	-	-	624
Total Equity	**3 255 945**	**3 255 321**	**16 160**	**29 454**	**(44 990)**
Total Liabilities and Equity	**60 311 829**	**60 151 691**	**53 150**	**373 128**	**(266 140)**

Geographic area information

The Unicaja Banco Group operates in Spain; customer types are similar throughout the country. The Group therefore considers a single geographic segment for its operations, the information breakdown required by paragraph 33 of IFRS 8 not being applicable.

For illustrative purposes, the distribution of interest income by geographical area for the years ended 31 December 2016 and 2015 is as follows:

	Thousand euros			
	Geographical distribution of interest income			
	Individual		Consolidated	
	2016	**2015**	**2016**	**2015**
Domestic market	623 799	733 909	1 010 971	1 277 572
Export				
European Union	-	-	-	-
OECD countries	-	-	-	2 316
Other countries	-	-	-	-
Total	**623 799**	**733 909**	**1 010 971**	**1 279 888**

Main customer information

The Unicaja Banco Group is engaged mainly in the retail banking business and has no customers accounting for over 10% of the Group's ordinary income; the Group thus considers that the information breakdown required by paragraph 34 of IFRS 8 is not applicable.

6. Remuneration of the Board of Directors and Senior Management

6.1 Board of Directors' remuneration of the Parent Entity

The following table provides a breakdown of remuneration accrued to the members of the Board of Directors of the Parent Entity, Unicaja Banco, S.A.U., exclusively in their capacity as Board directors during the periods 2016 and 2015, consisting of per diems and fixed remuneration relating solely to their roles as non-executive Board directors:

	Thousands of euros	
	2016	**2015**
Atencia Robledo, Manuel	45	34
Azuaga Moreno, Manuel	30	14
Domínguez-Adame Cobos, Eloy	80	69
Fraile Cantón, Juan	80	71
Jiménez Sánchez, Guillermo	76	58
Lombardero Barceló, Mª Luisa	14	14
López López, Antonio	63	71
Mateos-Aparicio Morales, Petra	80	71
Medel Cámara, Braulio	8	14
Molina Morales, Agustín	46	59
Sánchez del Villar Boceta, Enrique	8	-
Torre Colmenero, José Mª de la	64	58
Valle Sánchez, Victorio	80	73

6.2 Parent Entity's Senior Management remuneration

For the purposes of preparing these consolidated annual accounts, senior management is considered to be made up of seventeen people (fifteen people in 2015), who has described these effects as key personnel, including four Executive Directors (three in 2015). The compensation received by the members of this group in the years 2016 and 2015 amounted to €3,513 thousand and €3,503 thousand, respectively. The obligations assumed based on these guidelines in terms of post-employment benefits deriving exclusively from their status as employees or bank executives totalled to €301 thousand in 2016, having been charged €496 thousand in 2015, amounts covered entirely by the relevant funds.

6.3 Other Parent Entity´s transactions performed with Board Directors and Senior Management

Note 45 on related parties provides the asset and liability balances of transactions effected with the Group's Board Directors and senior management at 31 December 2016 and 2015, including a breakdown of income and expenses recognized in the 2016 and 2015 consolidated income statements in respect of such transactions, excluding the amounts referred to in Notes 6.1 and 6.2.

6.4 Post-employment benefits of former members of the Group's Board of Directors and Senior Management

The consolidated income statements for 2016 and 2015 contain no charges for pension and similar obligations relating to former members of the Group's Board and senior management, as such commitments were entirely covered in previous years by insurance policies.

7. Cash, cash balances at Central Banks and other demand deposits

An analysis of the balances in this balance sheet caption at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	**2015**
Cash	323 291	309 854
Cash balances at Bank of Spain	338 422	1 268 455
Other demand deposits	199 994	412 446
Measurement adjustments – Accrued interests	4	8
	861 711	**1 990 763**

The interest accrued during the years 2016 and 2015 for these deposits have been of €11 thousand and €69 thousand, respectively, and are included in "Interest and similar income" in the consolidated income statement (Note 32).

8. Financial assets held for trading

8.1 Breakdown of the balance and maximum credit risk – debtor balances

The following table contains a breakdown of the financial assets included in this category at 31 December 2016 and 2015, classified by type of counterparty and by type of instrument:

	Thousands of euros	
	2016	**2015**
By counterparty type -		
Credit institutions	5 927	20 164
Resident, public administrations	36 674	37 202
Non-resident, public administrations	-	-
Resident, other sectors	35 729	36 646
Non-resident, other sectors	-	-
	78 330	**94 012**
By instrument type -		
Listed shares	-	-
Listed bonds and debentures	37 542	38 096
Derivatives traded on organized markets	1 992	1 799
Derivatives not traded on organized markets	38 796	54 117
	78 330	**94 012**

The carrying amounts shown in the above table represent the credit risk exposure borne by the Group at each year end with respect to the financial instruments indicated.

The interest accrued during the years 2016 and 2015 for debt instruments classified in the trading portfolio have been of €884 thousand and €208 thousand, respectively, and are included in "Interest and similar income" in the profit and loss account statement (Note 32).

The average effective interest rate on debt instruments classified in this portfolio at 31 December 2016 was 2.89% (0.47% at 31 December 2015).

The positive flow included in the 2016 consolidated cash flow statement in respect of balances receivable from financial assets and liabilities held for trading amounted to €15,682 thousand (positive flow of €134,859 thousand in 2015).

8.2 Breakdown of the balance - creditor balances

The following table contains a breakdown of the financial liabilities included in this category at 31 December 2016 and 2015, classified by type of counterparty and by type of instrument:

	Thousands of euros	
	2016	**2015**
By counterparty type -		
Credit institutions	17 278	92 709
Other resident sectors	33 542	32 571
	50 820	**125 280**
By instrument type -		
Derivatives traded on organized markets	50 476	-
Derivatives not traded on organized markets	344	125 280
	50 820	**125 280**

The positive flow included in the 2016 consolidated cash flow statement in respect of balances payable from financial assets and liabilities held for trading amounted to €74,460 thousand (positive flow of €60,698 thousand in 2015).

8.3 Derivative financial instruments held for trading

Set out below is a breakdown by type of derivative of the fair value of the Group's derivatives held for trading and their notional value (on the basis of which future payments and collections are calculated) at 31 December 2016 and 2015:

								Thousands of euros
	2016				**2015**			
	Debtor balances		**Creditor balances**		**Debtor balances**		**Creditor balances**	
	Fair Value	**Notional Value**	**Fair Value**	**Notional Value**	**Fair Value**	**Notional Value**	**Fair Value**	**Notional Value**
Un-matured currency purchases/sales:	**1 282**	**12 195**	**1 186**	**11 837**	**784**	**4 463**	**812**	**5 130**
Currencies purchased against euro	68	679	1 186	11 837	-	-	812	5 130
Currencies sold against euro	1 214	11 516	-	-	784	4 463	-	-
Equity and interest rate futures	-	-	-	-	**4 044**	**529 000**	**66 089**	**3 919 000**
Purchased	-	-	-	-	4 044	529 000	8 475	1 695 000
Sold	-	-	-	-	-	-	57 614	2 224 000
Equity options:	**5 619**	**778 514**	**16 421**	**2 888 911**	**2 132**	**132 046**	**9 067**	**1 825 586**
Purchased	2 336	771 433	3 299	4 246	2 132	132 046	38	1 074
Issued	3 283	7 081	13 122	2 884 665	-	-	9 029	1 824 512
Interest rate options	-	**283 971**	-	**261 036**	**6 326**	**591 547**	**6 328**	**417 154**
Purchased	-	283 971	-	-	2 565	465 913	2 563	38 605
Sold	-	-	-	261 036	3 761	125 634	3 765	378 549
Other equity transactions	-	-	-	-	-	-	-	-
Equity swaps	-	-	-	-	-	-	-	-
Forward transactions	-	-	-	-	-	-	-	-
Currency options:	-	-	-	-	-	-	-	-
Purchased	-	-	-	-	-	-	-	-
Issued	-	-	-	-	-	-	-	-
Other currency options	**18 797**	**19 030**	**18 820**	**19 030**	**22 055**	**28 199**	**22 088**	**28 199**
Currency swaps	18 797	19 030	18 820	19 030	22 055	28 199	22 088	28 199
Other interest rate transactions	**15 090**	**77 075**	**14 393**	**322 290**	**20 575**	**219 743**	**20 896**	**260 617**
Interest rate swaps	15 090	77 075	14 393	322 290	20 575	219 743	20 896	260 617
Other products	-	-	-	-	-	-	-	-
	40 788	**1 170 785**	**50 820**	**3 503 104**	**55 916**	**1 504 998**	**125 280**	**6 455 686**

The notional amount of the contracts concluded does not represent the actual risk assumed by the Group, since the net position in these financial instruments is obtained by offsetting and/or combining the relevant amounts.

Note 11 provides the methods applied by the Group to measure the financial instruments classified in this category.

9. Available-for-sale financial assets

9.1 Breakdown of the balance and maximum credit risk

The following table contains a breakdown of the financial assets included in this category at 31 December 2016 and 2015, classified by type of counterparty and by type of instrument:

	Thousands of euros	
	2016	**2015**
By counterparty type		
Credit institutions	149 623	130 815
Resident, public administrations	4 091 766	7 262 170
Non-resident, public administrations	150 056	265 224
Resident, other sectors	908 635	1 956 867
Non-resident, other sectors	119 663	124 116
	5 419 743	9 739 192
(Impairment losses) (*)	(78)	(80)
Other measurement adjustments	(16 329)	70 943
	5 403 336	**9 810 055**
By instrument type		
Debt securities:	4 754 099	8 811 917
Spanish government securities	3 865 482	7 019 058
Treasury bills	-	*30 007*
Government bonds and debentures	*3 865 482*	*6 989 051*
Other Spanish public administration	226 284	222 687
Foreign government securities	150 056	265 224
Issued by financial institutions	131 018	108 026
Other fixed-income securities	397 666	1 126 059
(Impairment losses) (*)	(78)	(80)
Other measurement adjustments	(16 329)	70 943
Other equity instruments:	649 237	998 138
Shares in listed Spanish companies	217 364	540 788
Shares in unlisted Spanish companies	258 100	271 394
Shares in listed foreign companies	93 467	37 341
Shares in unlisted foreign companies	-	58 560
Shares in investment funds	80 306	90 055
	5 403 336	**9 810 055**

(*) At 31 December 2016 and 2015 this amount relates to impairment losses recognized to cover credit risk.

The carrying amount shown in the table above represents the level of credit risk exposure of the Group at the end of those years in relation to financial instruments included.

The total in the table above as "Other equity instruments" includes the December 31, 2016 a balance of €162,937 thousand corresponding to impairment losses of the elements included in this section (€432,469 thousand at 31 December 2015), having recorded over exercise 2016 a net recovery of this correction, not including other movements or transfers, amounting to €45,338 thousand, collected under the heading "impairment losses on financial assets (net) "in the consolidated income statement (€2,657 thousand at December 31,2015).

With respect to debt securities classified as financial assets available for sale, net recovery of impairment losses in 2016 amounted to €2 thousand, also collected under the heading of "losses impairment (net) "in the consolidated income statement (net endowment of impairment losses €3 thousand at December 31, 2015).

Among the most significant movements in the "Available-for-sale financial assets" portfolio in 2016 are the following Group transactions:

- Acquisition of 47.927.890 shares in Iberdrola, S.A., for €282,763 thousand euros, which has meant a profit of €2,775 thousand euros and an impairment recovery of €49,454 thousand euros.
- Disposal of 330.000 shares in ETFI shares Euro Stoxx 50 UCITS, for €10,087 thousand euros, which has meant a profit of €284 thousand euros.
- Disposal of 209.434 shares in Grupo Hoteles Playa, S.A., for €11.000 thousand euros, which has meant a loss of €20.791 thousand euros and reversal of impairments of €20.791 thousand.
- Disposal of 22.470.649 bonds in Autopista del Sureste, C.E.A.S.A., for €2.200 thousand, without resulting in significant profits net of impairment.
- Acquisition of 325.430 shares in ETF Ishares Euro Stoxx 50 UCITS, for €10.087 thousand.
- Acquisition of 55.000 shares in Sanofi, S.A., for €4.050 thousand.
- Acquisition of 29.290 shares in Bayer AG, for €2.922 thousand.
- Acquisition of 239.240 shares in Allianz, S.E, for €2.824 thousand.
- Acquisition of 314.453 shares in ING Groep NV, for €2.905 thousand.
- Acquisition of 471.205 shares in Telefónica de España, S.A., for €4.126 thousand.
- Acquisition of 398.155 shares in BBVA, S.A., for €6.597 thousand.

In the year 2015, among the most significant movements in the portfolio of equity instruments classified as available-for-sale financial assets were the following operations by the Group:

- Acquisition of 62.200 bonds in Técnicas Reunidas, for €2.152 thousand.
- Acquisition of 27.880 bonds in Daimler AG, for €2.145 thousand.
- Acquisition of 26.075 bonds in Hercesa, for €2.782 thousand.
- Disposal of 44.100 bonds in Unilever, for €1.712 thousand, which has resulted in €271 thousand profit.
- Disposal of €22.630 bonds in Sanofi, for €2.011 thousand, which has resulted in 192 thousand profit.
- Disposal of 15.800 bonds in INBEV, for 1.739 thousand, which has resulted in 53 thousand profit.
- Disposal of 4.007.100 bonds in Iberdrola, S.A. for €25.443 thousand, which has resulted in 5.033 thousand profit.

These amounts are registered under the "Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss. Net" in the consolidated at December 31, 2016 and 2015 income statement, accounting for equity instruments classified as financial assets available for sale (Note 38).

The interest accrued during the years 2016 and 2015 for debt instruments classified as financial assets available for sale have been of €97,743 thousand and €166,057 thousand, respectively, are included in "Interest and yields assimilated "in the consolidated income statement (Note 32).

The average effective interest rate on debt instruments classified in this portfolio at 31 December 2016 was 1.11% (3.09% at 31 December 2015).

The positive flow included in the statement of consolidated cash flows for the year 2016 on financial assets available for sale in this caption amounts €4,406,719 thousand (negative flow of €904,010 thousand in 2014).

9.2 Credit risk coverage - Available-for-sale financial assets

Set out below are movements during 2016 and 2015 in impairment losses recorded to cover credit risk and cumulative impairment losses recognized at the beginning and end of 2016 and 2015 in respect of debt instruments classified as available-for-sale financial assets:

	Thousands of euros
Balance at 1 January 2015	**76**
Net appropriations for the year	35
Prior-year provisions available	(38)
Other	7
Balance at 31 December 2015	**80**
Net appropriations for the year	-
Prior-year provisions available	(2)
Other	-
Balance at 31 December 2016	**78**

A balancing entry is recorded under the heading "Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss" in the accompanying consolidated income statement.

9.3 Accumulated other comprehensive income – assets held for sale

Set out below is the reconciliation of opening and closing balances of accumulated other comprehensive income from available-for-sale financial assets in equity on the consolidated balance sheets for 2016 and 2015, against the amounts recognized in the consolidated income statement as gains/ (losses) on financial assets and liabilities and as impairment losses on financial assets, and against the amounts recognized in the consolidated statement of recognized income and expenses.

	Thousands of euros	
	2016	2015
Accumulated other comprehensive income- Items to be reclassified to income- Available-for-sale financial assets at 1 January 2016	**115 435**	**289 450**
Transfer to results	**(137 427)**	**(169 570)**
Portion allocated to the consolidated income statement	(133 585)	(128 098)
Change in fair value of the securities sold in the year from 1 January or from the date of purchase to date of sale	(3 842)	(41 472)
Other changes in fair value	**19 218**	**(79 021)**
Income tax	**35 463**	**74 577**
Accumulated other comprehensive income – Items to be reclassified to income- Available-for-sale financial assets at 31 December 2016	**32 689**	**115 436**

Set out below is a breakdown of the amount taken to the consolidated income statement during 2016 and 2015:

	Thousands of euros	
	2016	2015
Result of financial transactions (Note 38)	(84 080)	(128 763)
Impairment of available for sale registered at fair value	(49 505)	665
	(133 585)	**(128 098)**

9.4 Held-to-maturity investment portfolio

At 31 December of 2016 and 2015 the heading "Held-to-maturity investment portfolio" mainly records Spanish public debt and guaranteed debt securities issued by credit institutions. As a result of the recent evolution of debt markets, as well as the Group's intention and financial capacity to maintain those investments to maturity, it decided to modify its investment strategy classifying assets that were initially classified under "Held-to-maturity Investment Portfolio" to that heading.

Below is a breakdown of the financial assets included in this category at December 31, 2016 and 2015, classified by type of counterparty and type of instrument:

	Thousands of euros	
	2016	2015
By counterparty type		
Credit institutions	181 454	264 686
Resident, public administrations	7 994 745	3 396 472
Non-resident, public administrations	1 268 289	-
Resident, other serctors	3 443 198	3 562 567
Non-resident, other sectors	19 897	15 873
	12 907 583	**7 239 598**
By instrument type -		
Spanish government securities	7 577 937	3 258 586
Treasury bills	-	-
Sovereign bonds	*7 577 937*	*3 258 586*
Other Spanish public administration	416 808	137 886
Foreign government securities	1 268 289	-
Issued by financial institutions	181 454	264 686
Other fixed-income securities	3 463 095	3 578 440
	12 907 583	**7 239 598**

The book value shown in the table above represents the level of credit risk exposure to the Bank at the end of those years in relation to financial instruments included therein.

Interest accrued in 2016 and 2015 on these securities totalled €145,543 thousand and €202,496 thousand, respectively and is included under the heading "Interest and similar charges" in the accompanying consolidated income statement (Note 32).

The effective average interest rate of the debt instruments classified in this portfolio at 31 December 2016 and 2015 stood at 1.20% and 2.46%, respectively.

Net payments recorded in the consolidated cash flow statement for 2016 in relation to held-to-maturity investments included under this heading amount to €5,991,635 thousand (net receipts of €6,011,875 thousand in 2015).

10. Loans and receivables

10.1 Breakdown of the balance and maximum credit risk

The following table contains a breakdown of the financial assets included in this category at 31 December 2016 and 2015, classified by type of counterparty and by type of instrument:

	Thousands of euros	
	2016	**2015**
By counterparty type		
Credit institutions	357 193	405 976
Resident, public administrations	2 159 691	2 009 960
Non-resident, public administrations	-	-
Resident, other sectors	30 890 813	33 970 843
Non-resident, other sectors	279 570	310 546
	33 687 267	36 697 325
(Impairment losses)	(1 999 360)	(2 344 570)
Other measurement adjustments	(44 948)	(52 690)
	31 642 958	**34 300 065**
By instrument type		
Variable-rate credit lines and loans	28 073 972	28 541 388
Fixed-rate credit lines and loans	2 192 121	2 622 305
Debt securities	786 499	963 772
Securities acquired under repurchase agreements	2 077 611	3 576 158
Term deposits at credit institutions	73 202	414 835
Other deposits at credit institutions	-	-
Other financial assets	483 862	578 867
	33 687 267	36 697 325
(Impairment losses)	(1 999 360)	(2 344 570)
Other measurement adjustments	(44 949)	(52 690)
	31 642 958	**34 300 065**

The carrying amounts shown in the above table represent the credit risk exposure borne by the Group at each year end with respect to the financial instruments indicated.

The interests accrued during 2016 and 2015 for loans to customers have been €735,194 thousand and €884,546 thousand, respectively, and are included in "Interest and similar income" in the consolidated income statement (Note 32). Meanwhile, interest earned on deposits with credit institutions amounted to €4,483 thousand and €1,585 thousand, respectively, and is included also in "Interest and similar income" in the accompanying income statement (Note 32).

The average effective interest rate of the debt instruments classified in this portfolio at December 31, 2016 for customer loans has been 2.49% (2.77% at December 31,2015) and for deposits credit institutions was 0,17% (0,07% at December 31, 2015).

The positive cash flow included in the statement of consolidated cash flows for the year 2016 by credit investments recorded under this heading amounted €2,657,107 thousand (positive flow of €2,958,072 thousand in 2015).

Refinancing operations, refinances and restructured

At December 31 2016 and 2015, the detail of refinanced and restructured operations is as follows:

				Thousand euros
	2016		2015	
	Total	Of which: non-performing	Total	Of which: non-performing
Gross amount	**2 948 942**	**1 912 015**	**4 381 350**	**2 157 479**
Asset impairment adjustments	**1 036 957**	**816 832**	**1 191 097**	**996 055**
Of which: collective	855 696	635 571	692 455	497 413
Of which: individual	181 261	181 261	498 642	498 642
	-	-	-	-
Net amount	**1 911 985**	**1 095 183**	**3 190 253**	**1 161 424**
Of which: granted to customers	1 911 985	1 095 183	3 190 253	1 161 424
Value of guarantees received	**1 839 901**	**1 105 627**	**2 935 919**	**1 402 229**
Of which: Real-estate security	1 839 901	1 105 627	2 935 919	1 402 229
Of which: other security	-	-	-	-

The reconciliation of the carrying amounts of refinanced and restructured operations at 31 December 2016 and 2015 is as follows:

		Thousand euros
	2016	2015
Opening balance	**3 190 253**	**3 973 926**
Refinancing and restructuring in the period	272 987	319 151
Debt repayment	(397 301)	(586 436)
Repossessions	(120 988)	(317 231)
Derecognised (reclassification to non-performing)	(218 146)	(391 821)
Other changes (*)	(814 820)	192 664
Balance at the end of the year	**1 911 985**	**3 190 253**

(*) Includes operations that are no longer classified as refinancing, refinanced or restructured as the cure requirements have been met (see criteria applied by the Group later in this Note).
The variations in funds for the period are also included in this amount.

At 31 December 2016, refinanced and restructured operations according to the criteria of Bank of Spain Circular 5/2014 were as follows:

	Total						Thousand euros 31 December 2016
	Secured				Sin garantía real		
			Maximum real-estate guarantee that may be considered				
	No. operations	Gross amount	Secured on real estate	Other	No. operations	Gross amount	Accumulated impairment or losses in fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
Public Administrations	29	48	33	-	173	28 792	-
Other financial companies and individual entrepreneurs (financial business activity)	3	273	269	-	4	21 389	(4)
Non-financial companies and individual entrepreneurs (non-financial business activity)	4.959	1 232 775	450 429	396 477	2 331	400 853	(662 284)
Of which: financing of construction and real-estate promotion (including land)	*662*	*462 479*	*175 936*	*85 662*	*92*	*63 430*	*(227 512)*
Other residential	15 097	1 240 025	901 346	44 094	2 944	24 787	(374 669)
	20 088	**2 473 121**	**1 352 077**	**440 571**	**5 452**	**475 821**	**(1 036 957)**
Additional information							
Financing classified as non-current assets and disposal groups of items classified as held for sale	-	-	-	-	-	-	-

	Of which: Default incurred/ non-performing						Thousand euros 31 December 2016
	Secured				Unsecured		
			Maximum real-estate guarantee that may be considered				
	No. operations	Gross amount	Secured on real estate	Other	No. operations	Gross amount	Accumulated impairment or losses in fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
Public Administrations	16	32	32	-	139	8 446	-
Other financial companies and individual entrepreneurs (financial business activity)	1	79	79	-	1	2 283	-
Non-financial companies and individual entrepreneurs (non-financial business activity)	2 984	832 225	269 938	255 423	692	225 720	(537 083)
Of which: financing of construction and real-estate promotion (including land)	*475*	*268 094*	*89 890*	*63 824*	*30*	*34 587*	(168 654)
Other residential	9 180	833 974	543 095	24 744	718	9 256	(279 749)
	12 181	**1 666 310**	**813 144**	**280 167**	**1 550**	**245 705**	**(816 832)**
Additional information							
Financing classified as non-current assets and disposal groups of items classified as held for sale	-	-	-	-	-	-	-

At 31 December 2015, refinanced and restructured operations according to the criteria of Bank of Spain Circular 5/2014 were as follows:

	Thousand euro						
	31 December 2015						
	Total						
	Secured				Unsecured		
			Maximum real-estate guarantee that may be considered				
	No. operations	Gross amount	Secured on real estate	Other	No. operations	Gross amount	Accumulated impairment or losses in fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
Public Administrations	35	1 203	1 161	68	377	169 813	-
Other financial companies and individual entrepreneurs (financial business activity)	5	309	225	83	4	27 677	(3)
Non-financial companies and individual entrepreneurs (non-financial business activity)	10 369	2 108 899	1 134 218	352 950	3 953	708 431	(966 913)
Of which: financing of construction and real-estate promotion (including land)	*807*	*490 450*	*363 821*	*23 017*	*113*	*16 358*	*(270 896)*
Other residential	16 990	1 330 318	1 401 264	40 088	4 449	34 700	(224 181)
	27 399	**3 440 729**	**2 536 868**	**393 189**	**8 783**	**940 621**	**(1 191 097)**
Additional information							
Financing classified as non-current assets and disposal groups of items classified as held for sale	-	-	-	-	-	-	-

	Thousand euros						
	31 December 2015						
	Del cual: Con incumplimientos / Dudosos						
	Secured				Unsecured		
			Maximum real-estate guarantee that may be considered				
	No. operations	Gross amount	Secured on real estate	Other	No. operations	Gross amount	Accumulated impairment or losses in fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
Public Administrations	-	-	-	-	2	833	-
Other financial companies and individual entrepreneurs (financial business activity)	1	87	86	-	-	-	(1)
Non-financial companies and individual entrepreneurs (non-financial business activity)	4 662	1 209 528	590 855	160 491	962	283 665	(801 582)
Of which: financing of construction and real-estate promotion (including land)	*441*	*253 904*	*159 407*	*5 344*	*49*	*8 521*	*(205 608)*
Other residential	7 137	655 784	630 551	15 602	664	7 582	(194 472)
	11 800	**1 865 399**	**1 221 492**	**176 093**	**1 628**	**292 080**	**(996 055)**
Additional information							
Financing classified as non-current assets and disposal groups of items classified as held for sale	-	-	-	-	-	-	-

Although control over refinanced risks has always formed part of the Unicaja Banco's prudential monitoring of the loan portfolio, the Bank has adapted its systems for managing, identifying and monitoring transactions involving credit exposure to the definitions contained in Bank of Spain Circular 4/2014, including latest amendments, which entered into force on 1 October 2016. Specifically, the Bank has policies for refinancing, restructuring, renewing and renegotiating loans which detail the requirements, terms and situations in which a broad range of measures are available to help customers that are in financial difficulties.

In general terms, these renegotiated loans do not include changes to conditions deemed substantial, besides an increase in the term of loans, the inclusion or extension of grace periods, or the improvement of loan collateral, so that, for accounting purposes, this does not entail the write-off of the original assets or the recognition of new assets at fair value.

As regards the accounting treatment of renegotiated loans, the Group complies the provisions of paragraph AG84 of IAS 39 on changes in the conditions of the debt instruments because of financial difficulties of the borrower or debtor. According to the procedure laid down in Unicaja Banco Group, if the new operation cancels any doubtful risk, this new operation will always be born as doubtful, unless the criteria in IAS 39 are met.

The policies and procedures applied when managing exposures allow the itemized monitoring of loans. In this regard, any loan the terms of which must be modified due to the deterioration of borrower solvency already has the relevant impairment provision at the novation date. Consequently, as the transactions are correctly measured, no additional impairment provisioning requirements are applicable to the refinanced loans.

As regards the accounting treatment of interest, the Group does not recognize in the income statement interest accrued after loans are reclassified as doubtful. If outstanding interest is received as a result of a doubtful loans refinancing or restructuring, the interest is recognized as income in the income statement for the year.

Where the Bank is reasonably certain that the customer will comply with the payment schedule following the refinancing of a loan, the loan is classed as a performing loan. Various factors are considered, such as the contribution of new effective collateral. Consequently, in such cases, the need to hedge credit exposure on the loan might be reduced.

Negotiated or refinanced assets are classified according to their risk based on aspects such as determining the payment capacity of borrowers, the date of the guarantees provided assessment and, in addition, other factors such as waiting periods of operations or the number of times an operation has been restructured.

Following the initial classification, prudent cure criteria are applied so that subsequent developments may allow reclassification to performing loan status. These criteria are applicable where repayments have effectively been made on the loan refinanced, such that doubts are dissipated as to collection, taking into account both the amount repaid and the period in which the borrower has been meeting payment obligations.

10.2 Past-due and impaired assets

Set out below is a breakdown of financial assets classified as loans and receivables and considered to be impaired due to credit risk at 31 December 2016 and 2015, and items that are not considered to be impaired but include amounts that are past due at that date, classified by counterparty and by age:

Impaired assets at 31 December 2016

	Thousands of euros				
	Up to 180 days	Between 180 and 270 days	Between 270 days and 1 year	Over 1 year	Total
By counterparty type					
Resident, public administrations	2 543	90	-	7 023	9 656
Resident, other sectors	1 180 021	106 598	143 225	1 713 215	3 143 059
Non-resident, public administrations	-	-	-	-	-
Non-resident, other sectors	16 601	1 984	1 348	42 480	62 413
	-	-	-	-	-
	1 199 165	**108 672**	**144 573**	**1 762 718**	**3 215 128**

Impaired assets at 31 December 2015

	Thousands of euros				
	Up to 180 days	Between 180 and 270 days	Between 270 days and 1 year	Over 1 year	Total
By counterparty type					
Resident, public administrations	1 349	152	109	3 930	5 540
Resident, other sectors	985 538	130 712	115 166	2 240 742	3 472 158
Non-resident, public administrations	-	-	-	-	-
Non-resident, other sectors	21 231	2 376	1 725	52 494	77 826
	1 008 118	**133 240**	**117 000**	**2 297 166**	**3 555 524**

Past-due balances not deemed to be impaired at 31 December de 2016

	Thousands of euros			
	Less than one month	Between 1 and 2 months	Between 2 months and 90 days	Total
By counterparty type				
Credit institutions	37	-	-	37
Resident, public administrations	703	53	4 865	5 621
Resident, other sectors	-	-	-	-
Non-resident, public administrations	39 562	8 150	27 115	74 827
Non-resident, other sectors	49	49	46	144
	40 351	**8 252**	**32 026**	**80 629**

Past-due balances not deemed to be impaired at 31 December de 2015

	Thousands of euros			
	Less than one month	Between 1 and 2 months	Between 2 and 3 months	Total
By counterparty type				
Credit institutions	34	-	-	34
Resident, public administrations	1 388	16	2 476	3 880
Resident, other sectors	-	-	-	-
Non-resident, public administrations	58 052	20 825	22 842	101 719
Non-resident, other sectors	102	101	47	250
	59 576	**20 942**	**25 365**	**105 883**

10.3 Credit risk coverage

Set out below are movements for 2016 and 2015 in impairment losses recorded to cover credit risk on debt instruments classified as loans and receivables at the beginning and end of 2016 and 2015, together with cumulative impairment losses.

Movements in impairments losses on the years 2016 and 2015 is as follows:

	Thousands of euros	
	2016	**2015**
Balance at 1 January	**2 344 570**	**2 978 333**
Charged to the income for the year	788 996	655 272
Recovered and credited to the surplus for the year	(681 141)	(250 308)
Other movements (*)	(453 065)	(1 038 727)
Balance at 31 December	**1 999 360**	**2 344 570**
Of which:		
Determined individually	317 570	898 636
Determined collectively	1 681 790	1 445 934
	1 999 360	**2 344 570**

The donations are recognized under "Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss - Loans and receivables" in the accompanying consolidated income statement..

Set out below is a breakdown by nature of the item “Other movements” for the periods 2016 and 2015, based on the amounts presented in the previous table:

	Thousands of euros	
	2016	**2015**
Utilization due to reclassification to non-performing charged to asset impairment adjustments	(343 892)	(851 487)
Utilization due to repossession of tangible and other assets	(117 659)	(187 240)
Business combination (Note 1.2)	8 486	-
	(453 065)	**(1 038 727)**

11. Hedging derivatives

At 31 December 2016 and 2015, contracted derivatives designated as hedges and the items hedged consisted basically of:

- Interest rate swaps hedging mortgage bonds issued by Unicaja and third-party bonds acquired by the Group.

- Futures on listed equities hedging changes in the share price prior to the sale of the shares.

The valuation methods used to determine the fair values of OTC derivatives have been the discounted cash flow valuations of derivatives to interest rate and Montecarlo technical simulation method, used to measure structured products having an optional component. For those operations officially listed, it has been considered the share price as an indicator of fair value.

There follows a breakdown by product type of the fair values of receivables and payables relating to derivatives designated as hedging instruments in fair value hedges and cash flow hedges at 31 December 2016 and 2015, indicating hedge types, hedging instruments and hedged items.

Type and countable cover hedging instrument	Debtor fair value 2016	Creditor fair value 2016	Notional 2016	Debtor fair value 2015	Creditor fair value 2015	Notional 2015	Hedged item
						Thousands of euros	
Fair value hedges:							
Buy sell currencies against euros	**18 455**	**10 480**	**1 344 885**	**-**	**39 293**	**2 500 752**	
Sales of foreign exchange euros	18 455	10 480	1 344 885	-	39 293	2 500 752	Debt securities
Other operations in securities	**18 135**	**9 781**	**2 015 542**	-	-	-	
Financial swaps on securities	-	-	-	-	-	-	
Options on securities	-	-	-	-	-	-	
Forward transactions	18 135	9 781	2 015 542	-	-	-	
Currency options	**698**	**-**	**32 745**	**30**	**164**	**20 830**	
Purchased currency options	-	-	32 745	30	164	20 830	Hedge Exchange
Currency options issued	698	-	-	-	-	-	
Other operations on interest rates	**565 914**	**1 439**	**3 049 059**	**723 147**	**48 038**	**4 799 363**	
Financial interest rate swaps (IRS bonds)	565 103	743	2 857 133	721 431	33 741	4 290 163	Loan agreement and bonds issued
Financial interest rate swaps (IRS fixed term deposits)	390	-	5 300	-	-	-	
Financial interest rate swaps (IRS loan portfolio)	-	-	-	-	-	-	Cash flow of Credits
Financial interest rate swaps (IRS balances with central banks)	-	-	-	-	-	-	Balances with central banks
Financial interest rate swaps (IRS Fixed)	324	-	76 300	1 123	14 297	503 900	Debt securities
Financial interest rate swaps (IRS Client deposits)	97	696	110 326	593	-	5 300	Client deposits
Other derivatives	**-**	**-**	**-**	**3 079**	**4 368**	**305 452**	
Equity swap & embedded derivative	-	-	-	3 079	4 368	305 452	Structured products
Subtotal	**603 202**	**21 700**	**6 442 231**	**726 256**	**91 863**	**7 626 397**	
Cash flow hedges:							
Futures on securities and interest rate	**-**	**-**	**-**	**1 291**	**-**	**131 846**	
Purchases of future interest rate	-	-	-	1 291	-	131 846	
Other operations on interest rates	**3 160**	**28 202**	**1 102 704**	**10 513**	**15 934**	**521 973**	
Financial interest rate swaps (IRS loan portfolio)	-	11 750	74 075	-	15 934	86 973	Cash flow of Credits
Financial interest rate swaps (IRS balances with central banks)	-	16 452	100 000	-	-	-	Balances with central banks
Financial interest rate swaps (IRS bonds)	3 160	-	250 000	10 513	-	435 000	Debt securities
Subtotal	**3 160**	**28 202**	**424 075**	**11 804**	**15 934**	**653 819**	
Total	**606 362**	**49 902**	**6 866 306**	**738 060**	**107 797**	**8 280 216**	

At 31 December 2016 and 2015, the Unicaja Banco Group does not record financial instruments that must be classed as hedges of net investments in foreign operations.

The Unicaja Banco Group only treats hedges deemed to be highly effective throughout the term of the hedge as “hedging transactions”. A hedge is deemed highly effective if, during the forecast hedge term, any changes in the fair value or cash flows attributed to the financial instruments hedged are almost entirely offset by changes in the fair value or cash flows, as applicable, of the hedging instruments.

Designated “cash flow hedges” cover changes in the cash flows attributed to a specific exposure to a financial asset or liability, or a highly probable forecast transaction, provided the consolidated income statement might be affected. Set out below is the information required by paragraph 23 of IFRS 7 in connection with these cash flow hedges:

- Periods in which the flows are expected to occur: flows related with debt securities will occur up to October 2017 (for a notional amount of €250,000 thousand), up to fourth quarter of 2024 (for a notional amount of €100,000 thousand) and to the fourth quarter of 2030 (for a notional amount of €74,075 thousand).
- Periods in which the income statement is expected to be affected: Same periods in which the cash flows are expected to occur.
- Amount recognized in the past year in the consolidated income statement item “Interest income” to rectify income from hedging transactions: Profit of €2,725 thousand (€3,428 thousand in 2015).
- Amount recognized in the past year in the consolidated income statement item “Interest expense and similar charges” to rectify expense from hedging transactions: No loss incurred in 2016 (loss of €1,911 thousand in 2015).
- Cash flow hedge ineffectiveness recognized in results for the year: no Cash flow hedge ineffectiveness has been recognized in 2016 and 2015.

Net gains on measurement recognized in the consolidated statement of recognized income and expenses for 2016 and 2015 in respect of cash flow hedges amounted to €17,731 thousand and €3,818 thousand, respectively. Additionally, in 2016 net gains of €706 thousand were taken to the consolidated income statement (net gains of €5,339 thousand in 2015).

Designated "fair value hedges" cover exposure to changes in the fair value of financial assets and liabilities or of firm commitments not yet recognized, or of an identified portion of such assets, liabilities or firm commitments, attributable to a particular exposure, provided the consolidated income statement might be affected. Set out below is the information required by paragraph 24 of IFRS 7 in connection with these fair value hedges:

- Losses and gains on hedging instruments: See accompanying table showing a breakdown of losses and gains on hedging instruments during 2016 and 2015.
- Losses and gains on the hedged item attributable to the exposure hedged: See accompanying table showing a breakdown of losses and gains on hedged items that are actually attributable to the hedged exposure during 2016 and 2015.
- Ineffectiveness of hedges of net investments in foreign operations recognized in results for the year: The Group has no hedges of this kind.

	2016				2015			
	Results on hedging instruments		Hedged results		Results on hedging instruments		Hedged results	
Hedging instrument	**Loss**	**Profit**	**Loss**	**Profit**	**Loss**	**Profit**	**Loss**	**Profit**
Buying and selling of foreign currencies against euro	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Sales of foreign currency on securities	-	-	-	-	-	-	-	-
Other operations on values	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Swaps values	-	-	-	-	-	-	-	-
Options on Securities	-	-	-	-	-	-	-	-
Operations in term	-	-	-	-	-	-	-	-
Currency options	**459**	**375**	**-**	**84**	**316**	**264**	**256**	**308**
Purchased currency options	459	375	-	84	316	264	256	308
Currency options issued	-	-	-	-	-	-	-	-
Other operations on interest rates	**71 393**	**29 085**	**29 083**	**71 649**	**750 664**	**435 608**	**266 204**	**581 429**
Financial interest rate swaps (IRS warrants)	59 117	-	-	59 116	137 808	-	-	137 825
Financial interest rate swaps (IRS client deposits)	226	-	-	226	470	-	-	470
Financial interest rate swaps (IRS bonds)	12 050	21 110	21 108	12 307	612 386	435 608	266 204	443 134
Equity swap & embedded derivative	-	7 975	7 975	-	1 928	-	-	1 928
	71 852	**29 460**	**29 083**	**71 733**	**752 908**	**435 872**	**266 460**	**583 665**

Thousands of euros

The notional amount of the contracts formalized does not represent the actual risk assumed by the Group in relation to such instruments.

The Group applies fair value hedge accounting basically to transactions in which it is exposed to changes in the fair value of certain assets and liabilities that are sensitive to interest rate fluctuations, i.e. assets and liabilities linked to a fixed interest rate, which is converted into a variable rate by means of the relevant hedges.

In the opinion of the Directors of the Parent Company as of December 31, 2016 and 2015 there is no doubt about the occurrence of anticipated transactions.

12. Investments

12.1 Investments – Equity Entities

Appendix II and III contain a breakdown of the Multi Group’s shareholdings in associates and jointly-controlled entities at 31 December 2015 and 2014 indicating the percentage held and other relevant information.

The contribution from the main associates and jointly-controlled entities to the consolidated balance sheet item “Investment in subsidiaries, joint ventures and associates” at 31 December 2016 and 2015 are as follows:

	Thousands of euros	
	2016	**2015**
Hidralia, Gestión Integral de Aguas de Andalucía, S.A.	48 325	49 029
Autopista del Guadalmedina, Concesionaria Española, S.A.	14 201	17 508
Autopista del Sol, Concesionaria España, S.A.	22 051	22 303
Deoleo, S.A.	37 743	43 636
Ingeniería de Suelos y Explotación de Recursos, S.A.	6 773	6 400
Sociedad Municipal de Aparcamientos y Servicios, S.A.	9 514	8 824
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.	81 756	71 556
Banco Europeo de Finanzas, S.A.	38 687	38 669
Hidrocartera, S.L.	4 166	3 422
Muelle Uno-Puerto de Málaga, S.A.	8 426	9 061
Madrigal Participaciones, S.A.	11 687	24 877
Cartera Perseidas, S.L.	249	54 198
Other entities	10 521	9 648
	294 099	**359 131**

Set out below is the reconciliation between the opening and closing balances of “Investments in subsidiaries, joint ventures and associates” in the consolidated balance sheets for 2016 and 2015:

	Thousands of euros	
	2016	**2015**
Net book value at 1 January	**359 131**	**424 115**
Additions for the year	-	-
Disposals for the year	(25 060)	(46 224)
Outcome equity	35 180	23 916
Impairment losses (Note 42)	(27 330)	(15 200)
Distributed dividends	(16 100)	(23 060)
Differences in valuation adjustments	(20 209)	20 406
Changes in accounting criteria	-	-
Other movements	(11 513)	(24 822)
Net book value at 31 December	**294 099**	**359 131**

Donations are recorded in the caption “Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates” in the accompanying consolidated income statement.

The item “Other movements" relates basically to capital increases and reductions in associates, which are not recognized as additions or disposals provided the percentage shareholding does not change At 31 December 2016 and 2015 the Group recorded an amount of €27,330 thousand and €15,200 thousand, respectively, in respect of impairment of investments in associates, being recorded in the caption “Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates” (Note 42).

The balance of the caption "Investments in subsidiaries, joint ventures and associates" in the consolidated balance sheets at December 31, 2016 and 2015 includes €32,416 thousand and €34,323 thousand, respectively, related to goodwill associated with this type of shares. Note 4 sets out information relating to this goodwill.

12.2 Notification of shareholdings acquired and disposal

Here are the notifications of acquisitions and sales of shareholdings in group entities, associates and jointly-controlled entities that have been submitted in accordance with Article 86 of the Spanish Companies Act and Article 53 of Stock Market Act 24/1988.

In 2016 the main acquisitions and disposals of shareholdings in associated companies were as follows:

Shareholdings acquisitions in 2016:

Entity Name	Category	Operation date	Net acquisition price	% acquired voting rights	% total voting rights after acquisition
Parque Científico Tecnológico de Almería, S.L.	Associated	01/01/2016	448	0.04%	29.91%
Parque Industrial Humilladero, S.L.	Group	25/05/2016	207	1.99%	84.74%
Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (EspañaDuero) (*)	Group	06/09/2016	-	8.68%	69.38%
Propco Rosaleda, S.L.	Group	28/11/2016	3	100.00%	100.00%

(*) This is an increase of the Unicaja Banco Group nominal share in EspañaDuero as a result of a capital reduction by treasury shares amortization. As a result of this increase in participation, the percentage of Unicaja Banco Group's participation in the totality of the EspañaDuero participated companies was also increased as of September 6, 2016.

Disposals of shareholding in 2016:

Acquired, merged or extinct Entity name	Category	Operation date	% disposed voting rights	% total voting rights after disposal	Generated profit/ loss
Corporación Uninser, S.A.U. (*)	Group	01/01/2016	100.00%	0.00%	-
Unicorp Corporación Financiera, S.L.U. (*)	Group	01/01/2016	100.00%	0.00%	-
Proinsur Mediterráneo, S.L.U.	Associated	13/01/2016	15.18%	0.00%	-
Residencial El Beato, S.L.	Associated	20/01/2016	15.18%	0.00%	-
Qualia Lácteos, S.L.U.	Associated	28/03/2016	16.63%	1.20%	-
Fonteduero, S.A.U.	Group	31/03/2016	60.70%	0.00%	-
Iniciativas y Desarrollo Industriales de Jaén, S.A.	Associated	01/06/2016	30.00%	0.00%	81
Unión del Duero Seguros Generales, S.A.U.	Group	14/06/2016	60.70%	0.00%	23 185
Privándalus Inversiones I SICAV, S.A. (**)		21/06/2016	1.17%	26.03%	-
Pagos Minería U.T.E	MultiGroup	21/06/2016	12.14%	0.00%	-
Grupo Tecopy Cartera Empresarial, S.L.	Associated	30/06/2016	12.14%	0.00%	2
Privándalus Inversiones I SICAV, S.A. (**)	Associated	11/07/2016	9.21%	16.82%	(43)
Privándalus Inversiones I SICAV, S.A. (**)	Associated	15/07/2016	8.41%	8.41%	(39)
Privándalus Inversiones I SICAV, S.A. (**)	Associated	22/07/2016	8.41%	0.00%	(39)
A.I.E. Naviera San Simón	Associated	18/11/2016	26.00%	0.00%	-
A.I.E. Naviera Malpica	Associated	18/11/2016	26.00%	0.00%	-
Cortijo de la Loma, S.L.	Associated	18/10/2016	20.00%	0.00%	(42)
Soria Futuro, Sociedad de Inversiones, S.A.	Multigroup	21/11/2016	27.62%	0.00%	(607)
Ahorro Gestión Inmuebles, S.L.	Associated	30/11/2016	17.51%	0.00%	(1 149)
Bruesa Duero, S.L.	Group	30/11/2016	50.18%	0.00%	(313)
San Marcos CIPSA, S.L.	Multigroup	30/11/2016	30.35%	0.00%	-
Barrancarnes Transformación Artesanal, S.A.	Associated	05/12/2016	24.28%	0.00%	-
Dibaq Diproteg, S.A.	Associated	05/12/2016	20.06%	0.00%	-
Edigroup Producción TV, S.A.	Associated	05/12/2016	13.41%	0.00%	(981)
Marcos Sotoserrano, S.L.U.	Associated	05/12/2016	19.90%	0.00%	-
Capredo Investments GMBH	Multigroup	05/12/2016	30.35%	0.00%	-
Corporación Hotelera Oriental	Multigroup	05/12/2016	30.35%	0.00%	-
Metales Extruidos, S.L.	Associated	07/12/2016	13.47%	0.00%	-
Promotora Vallisoletana Mercados, S.A.	Associated	09/12/2016	17.41%	0.00%	-
Prodesur, Mediterráneo, S.L.	Associated	19/12/2016	15.18%	0.00%	-
M-Capital, S.A.	Associated	28/12/2016	22.01%	0.00%	-
Oleomedia, S.L.	Associated	28/12/2016	40.00%	0.00%	-

Acquired, merged or extinct Entity name	Category	Operation date	% disposed voting rights	% total voting rights after disposal	Generated profit/ loss
Servicios Funerarios Indálicos, S.A.	Associated	28/12/2016	20.00%	0.00%	-
Sociedad de Investigación y Explotación Minera de Castilla y León, S.A.	Associated	29/12/2016	29.74%	0.00%	-
ADE Capital Sodical, S.C.R. S.A.	Associated	28/12/2016	6.06%	0.00%	4 503
ADE Gestión Sodical, S.G.E.I.C S.A.	Associated	28/12/2016	6.07%	0.00%	5

(*) Mergers between Group Entities recorded for accounting purposes at 1 January 2016.
(**) 31 December 2016 situation as a result of Entity's own activity.

With accounting effect from 1 January 2016, the vertical merger took place whereby Alteria Corporación Unicaja, S.L.U. absorbed Unicorp Corporación Financiera, S.L.U. and Corporación Uninser, S.A.U. (Note 1.14).

On 1 March 2017, the formalities commenced for the vertical merger of Grupo de Negocios Duero, S.A.U. (absorbed company) and Banco de Caja España de Inversiones, Salamanca y Soria, S.A. - EspañaDuero (acquiring company). At that date, the acquiring company held 100% of the absorbed company's capital. This merger is expected to take place in 2017 and will therefore be effective for accounting purposes from 1 January 2017.

In addition, the Unicaja Banco Group is in the process of restructuring certain bank-assurance businesses. Accordingly, on 4 January 2016 and 11 February 2016, Unicaja Banco Group, through Unimediación, S.L.U. and Caja España Mediación, Operador Banca-Seguros Vinculado, S.A.U., respectively, concluded agreements consisting of the assignment of exclusive distribution rights for various branches of insurance. In addition, on 11 February 2016 the Group has concluded, through Banco de Caja España de Inversiones, Salamanca y Soria, S.A. and Grupo de Negocios Duero, S.A.U., an agreement for the sale of 100% of the holding in Unióndel Duero, Compañía de Seguros Generales, S.A.U. These operations were completed during 2016 and a capital gain of €23,185 thousand was generated by the sale. Certain measures are currently under way aimed at restructuring the bank-assurance agreements for the development, sale and distribution of personal insurance and pension plans through the Group's branch network, concluded through Unicorp Vida, Compañía de Seguros y Reaseguros, S.A., Caja España Vida, Compañía de Seguros y Reaseguros, S.A. and Unión del Duero, Compañía de Seguros de Vida, S.A.. These actions are not expected to have a significant impact on the Group's equity.

In 2015 the main acquisitions and disposals of shareholdings in associated companies were as follows:

Shareholdings acquisitions in 2015:

Entity Name	Category	Operation date	Net acquisition price	% acquired voting rights	% total voting rights after acquisition
Pinares del Sur, S.L.U.	Group	04/02/2015	-	50.00%	100.00%
Madrigal Participaciones, S.A.	Joint venture	29/04/2015	-	6.07%	45.94%
Aciturri Aeronáutica , S.L.	Joint venture	29/04/2015	-	1.10%	17.85%
Ala Ingeniería y Obras, S.L.	Joint venture	29/04/2015	-	2.14%	16.08%
Corporación Hotelera Oriental, S.A.	Joint venture	06/05/2015	-	15.18%	30.35%
Sociedad de Gestión San Carlos, S.A.	Joint venture	08/05/2015	187	2.97%	53.29%
Sociedad de Gestión San Carlos, S.A.	Joint venture	12/06/2015	90	0.00%	53.29%
La Algara Sociedad de Gestión, S.L.	Group	01/07/2015	-	100.00%	100.00%
Cortijo de La Loma, S.L.	Associated	01/07/2015	-	100.00%	100.00%
Cartera de Inversiones Agroalimentarias, S.L.U.	Group	01/07/2015	674	17.50%	100.00%
Desarrollo de Proyectos de Castilla y León, S.L.U.	Group	17/09/2015	-	40.86%	60.70%
Fonteduero, S.A.U.	Group	17/12/2015	100	35.74%	60.70%
Obenque, S.A.	Associated	29/12/2015	-	5.73%	26.98%

Shareholding disposals in 2015:

Acquired, merged or extinct Entity name	Category	Operation date	% disposed voting rights	% total voting rights after disposal	Generated profit/ loss
Invergestión, Sociedad de Inversiones y Gestión, S.A.U. (*)	Group	01/01/2015	60.70%	-	-
Inmocaja, S.A.U. (*)	Group	01/01/2015	60.70%	-	-
Gestión de Inversiones en Alquileres, S.A. (*)	Group	01/01/2015	60.70%	-	-
Guendulain Suelo Urbano, S.L.U. (*)	Group	01/01/2015	60.70%	-	-
Caja Duero Capital, S.A.U. (*)	Group	01/01/2015	60.70%	-	-
Caja España de Inversiones, Sociedad de Participaciones Preferentes, S.A.U. (*)	Group	01/01/2015	60.70%	-	-
Campo Inversiones, S.A.U. (*)	Group	01/01/2015	100.00%	-	-
Renta Portfolio, S.L.U. (*)	Group	01/01/2015	100.00%	-	-
Unigest, S.G.I.I.C., S.A.	Group	01/01/2015	17.52%	82.48%	-
Caja España Fondos, S.A., S.G.I.I.C. (*)	Group	01/01/2015	60.70%	-	-
A.I.E. Naviera Cabo Udra	Associated	01/01/2015	26.00%	-	-
A.I.E. Naviera Área Brava	Associated	01/01/2015	35.00%	-	-
Alestis Aerospace, S.L.	Associated	20/01/2015	4.44%	14.04%	-
Inout TV Worwide, S.A.	Associated	13/03/2015	12.14%	-	-
Titulización de Activos Gestora de Fondos de Titulización, S.A.	Associated	09/04/2015	38.57%	-	64
Hoteles Losan, S.L.	Associated	13/04/2015	16.19%	-	-
Escuela Superior de Estudios de Empresa, S.A.	Group	21/04/2015	50.00%	-	-
Corporación Hotelera Dominicana, S.A.	Associated	06/05/2015	15.18%	-	(194)
Inmobiliaria Chdom, S.A.	Associated	06/05/2015	15.18%	-	(283)
Inmobiliaria Chdor, S.A.	Associated	06/05/2015	15.18%	-	(315)
Infodesa, S.A.	Associated	11/06/2015	15.18%	-	-
Cementerio Parque de Martos, S.A.	Associated	22/07/2015	20.00%	-	28
Ayco Grupo Inmobiliario, S.A. (**)	Associated	23/07/2015	5.19%	6.95%	-
E.B.N. Banco de Negocios, S.A.	Associated	29/09/2015	33.89%	-	12 607
Desarrollos Urbanísticos Veneciola, S.A.	Associated	29/09/2015	12.14%	-	-
Investigación y Desarrollo de Energías Renovables, S.L.	Associated	30/09/2015	12.39%	-	1 410
Hemera Catering, S.L.	Associated	08/10/2015	31.82%	-	82
A.I.E. Naviera Electra	Associated	02/12/2015	21.00%	-	-
Aretne, S.L.	Associated	15/12/2015	40.00%	-	(35)

Acquired, merged or extinct Entity name	Category	Operation date	% disposed voting rights	% total voting rights after disposal	Generated profit/ loss
Aciturri Aeronáutica, S.L.	Associated	16/12/2015	17.85%	-	(10 995)
Diode España, S.A.U.	Group	29/12/2015	60.70%	-	-
Privándalus Inversiones I, SICAV, S.A. (***)	Associated	31/12/2015	5.11%	27.20%	-

(*) Vertical mergers between Group Entities recorded for accounting purposes at 1 January 2015.
(**) Reclassified to available-for-sale financial assets as a result of loss of significant influence.
(***) 31 December 2015 situation as a result of Entity's own activity.

Additionally, with effective date January 1, 2015, they the following merger operations took place:

- Merged by absorption Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (As absorbing company) with Invergestión, Sociedad de Inversiones y Gestión, S.A.U., Inmocaja, S.A.U. Gestión de Inversiones en Alquileres, S.A., Guendulain Suelo Urbano, SLU, Caja Duero Capital, S.A.U., Caja España de Inversiones, Sociedad de Participaciones Preferentes, S.A.U. and Campo de Inversiones, S.A.U. (as absorbed entities).
- Merger by absorption of Unigest, S.G.I.I.C., S.A. (as absorbing company) with Caja España Fondos, S.A., S.G.I.I.C. (As absorbed company), through the Group's share in Unigest, S.G.I.I.C., S.A. from 100.00% to 82.48% as a result of this operation.
- Merger by absorption of Gestión de Inmuebles Adquiridos, S.L.U. (as absorbing company) with Renta Portfolio, S.L.U. (as absorbed company).

The net charges recorded in the consolidated statement of cash flows for the year 2016 recorded in this caption cash holdings amounted to €113,514 thousand (net payments of €62,437 thousand in 2015).

13. Tangible assets

13.1. Property, plant and equipment

13.1.1 Tangible assets movement

Movements of "property, plant and equipment" in this balance sheets of 2016 and 2015 are as follows:

	Thousands of euros		
	For own use	Investment property	Total
Cost			
Balance at 31 December 2015	**2 068 488**	**665 401**	**2 733 889**
Additions	10 299	247	10 546
Disposals and other write-offs	(113 752)	(40 519)	(154 271)
Other transfers and other movements	91 119	49 255	140 374
Balance at 31 December 2016	**2 056 154**	**674 384**	**2 730 538**
Accumulated depreciation			
Balance at 31 December 2015	**(992 732)**	**(73 701)**	**(1 066 433)**
Disposals and other write-offs	40 004	3 476	43 480
Charges	(36 135)	(8 685)	(44 820)
Other transfers and other movements	(10 734)	(6 845)	(17 579)
Balance at 31 December 2016	**(999 597)**	**(85 755)**	**(1 085 352)**
Impairment losses			
At 31 December 2016	(46 107)	(161 239)	(207 346)
Net property, plant and equipment			
Balance at 31 December 2016	**1 010 450**	**427 390**	**1 437 840**

			Thousands of euros
	For own use	Investment property	Total
Cost			
Balance at 31 December 2014	**2 086 661**	**502 612**	**2 589 273**
Additions	36 839	28 383	65 222
Disposals and other write-offs	(46 200)	(6 690)	(52 890)
Other transfers and other movements	(8 812)	141 096	132 284
Balance at 31 December 2015	**2 068 488**	**665 401**	**2 733 889**
Accumulated depreciation			
Balance at 31 December 2014	**(1 039 558)**	**(52 186)**	**(1 091 744)**
Disposals and other write-offs	81 537	741	82 278
Charges	(38 879)	(7 510)	(46 389)
Other transfers and other movements	4 170	(14 747)	(10 577)
Balance at 31 December 2015	**(992 730)**	**(73 702)**	**(1 066 432)**
Impairment losses			
At 31 December 2015	(18 598)	(157 960)	(176 558)
Net property, plant and equipment			
Balance at 31 December 2015	**1 057 160**	**433 739**	**1 490 899**

The above tables identify "Other transfers and other movements" in both the cost and accumulated depreciation of the assets. Set out below is a breakdown by nature of these movements in 2016 and 2015:

				Thousands of euros
		2016		2015
	For own use	Investment Property	For own use	Investment Property
Transfers from non-current assets held for sale	107 203	10 201	12 373	101 319
Transfers between own use and investment properties	(7 210)	7 210	(16 535)	16 535
Transfers from inventories	(26 532)	27 012	-	11 594
Business combination (Note 1.2)	-	-	-	-
Other movements	6 924	(2 013)	(480)	(3 099)
	80 385	**42 410**	**(4 642)**	**126 349**

The Group has taken out several insurance policies to cover risks that are subject property, plant and equipment. The coverage of these policies is considered sufficient.

The net charges recorded in the statement of consolidated cash flows for the year 2016 by tangible assets recorded under this heading amounted to €26,584 thousand (net charges of €134,865 thousand in 2015).

13.1.2 Property, plant and equipment for own use

Set out below is a breakdown by nature of this balance sheet caption at 31 December 2016 and 2015:

	Thousands of euros			
	Cost	**Accumulated depreciation**	**Impairment losses**	**Net balance**
Data processing equipment and installations	183 459	(171 705)	-	11 754
Furniture, vehicles and other installations	739 308	(601 478)	(2)	137 828
Buildings	1 014 667	(208 348)	(15 293)	791 026
Work in progress	431	-	-	431
Other	118 288	(18 066)	(30 811)	69 411
Balance at 31 December 2016	**2 056 153**	**(999 597)**	**(46 106)**	**1 010 450**
Data processing equipment and installations	203 199	(191 331)	-	11 868
Furniture, vehicles and other installations	750 103	(595 452)	-	154 651
Buildings	1 064 121	(195 106)	(16 731)	852 284
Work in progress	26 928	-	-	26 928
Other	24 137	(10 841)	(1 867)	11 429
Balance at 31 December 2015	**2 068 488**	**(992 730)**	**(18 598)**	**1 057 160**

As part of the net balance as of December 2016 contained in the above table, there are no headings (€2,269 thousand at December 31, 2015) corresponding to plant and equipment net worth societies Group are acquired under leasing.

At 31 December 2016, property, plant and equipment for own use having a gross value of approximately €705,780 thousand (€451,007 thousand at 31 December 2015) was fully depreciated.

13.2 Investment property

The consolidated balance sheet item “Investment property” generally reflects the net values of land, buildings and other structures held in order to be leased. Investment property is carried in the consolidated balance sheet at acquisition cost, which is formed by the fair value of any consideration paid plus all cash outlays made or committed, less accumulated depreciation and any estimated losses calculated by comparing the net value of each item with its recoverable amount. Under IAS 36, the recoverable amount is the higher of fair value less costs to sell and the value in use of the assets.

As these assets generate rental income and their value in use may be estimated, the Group does not follow the same appraised value update criteria applicable to irregular properties held exclusively for sale. The Group calculates the recoverable amount of investment property based on the value in use derived from the rent generated by the assets.

The Unicaja Banco does not have a reliable measurement of the fair value of investment property. As there is no reliable measurement of the fair value of investment property, the Group does not report on the requirements of letters (d) and (e) of IAS 40, paragraph 75.

Direct operating expenses (including repairs and maintenance) recognized in the consolidated income statements for 2016 and 2015 in relation to investment property, showing property that generates rent separately from property that does not, are as follows:

	Thousands of euros	
	2016	**2015**
Expenses associated with investment property that generates rent	2 329	1 801
Expenses associated with investment property that does not generate rent	2 318	2 113
	4 647	**3 914**

As regards the investment property for which the Group acts as a lessor, regulations applicable to each lease are observed, particularly the provisions of Law 29/1994 (24 November) on Municipal Leases and Law 4/2013 (4 June) on measures to develop and enhance the flexibility of the home rental market.

In 2016 and 2015, income from leased out under operating lease (investment property) owned by the Group totalled €15,135 thousand and €13,917 thousand, respectively (Note 39.1).

With respect to the information required by IAS 27, paragraph 56, in 2015 and 2014 the Group's annual income from non-cancellable operating leases, i.e. under the former lease regime, totalled €157 thousand and €192 thousand, respectively.

13.3 Impairment losses

Set out below is a summary of movements in impairment losses affecting property, plant and equipment during 2016 and 2015:

			Thousand of euros
	Own use	**Investment property**	**Total**
Balance at 1 January 2015	**16 056**	**95 503**	**111 559**
Endowments (Note 42)	1 376	3 148	4 524
Recoveries, sales	(2)	(4 923)	(4 925)
Other recoveries (Note 42)	-	-	-
Other transfers and reclassifications	1 168	64 232	65 400
Balance at 31 December 2015	**18 598**	**157 960**	**176 558**
Endowments (Note 42)	(933)	4 313	3 380
Recoveries, sales	(8 917)	(16 195)	(25 112)
Other recoveries (Note 42)	-	-	-
Other transfers and reclassifications	37 359	15 161	52 520
Balance at 31 December 2016	**46 107**	**161 239**	**207 346**

The donations are recorded in the caption “Impairment losses on other assets (net)” in the accompanying consolidated income statement.

14. Intangible assets

At 31 December 2016 and 2015, virtually the entire balance of "Intangible assets" in the consolidated balance sheet relates to computer software using in the course of business by the companies of the Unicaja Banco Group.

	Thousands of euros	
	2016	2015
Goodwill	184	184
Other intangible assets	598	1 010
	782	**1 194**

It is provided below the breakdown of the category "Goodwill" on 31 December, 2016 and 2015, for each society that generates it:

	Thousands of euros	
	2016	2015
Unigest, S.G.I.I.C., S.A.	122	122
Caja España Mediación, Operador Banca-Seguros Vinculado, S.A.	62	62
	184	**184**

The category "Other intangible assets" of the consolidated balance sheet basically records computer applications used by Unicaja Banco Group entities.

Movements in "Intangible assets" in the consolidated balance sheet during the periods ended 31 December 2016 and 2015 are as follows:

	Thousands of euros		
	Cost	Accumulated depreciation	Net book value
Balance at January 1, 2015	**21 197**	**(19 426)**	**1 771**
Aditions cost / depreciation	905	(990)	(85)
Disposals cost / depreciation	(775)	379	(396)
Other movements(*)	-	(96)	(96)
Balance at December 31, 2015	**21 327**	**(20 133)**	**1 194**
Aditions cost / depreciation	91	(413)	(322)
Disposals cost / depreciation	(650)	522	(128)
Other movements (*)	46	(8)	38
Balance at December 31, 2016	**20 814**	**(20 032)**	**782**

The amount recognized in the consolidated income statement item "Amortization - Intangible assets" totals €413 thousand at 31 December 2016 (€990 thousand at 31 December 2015).

Fully-amortized intangible assets still in use at 31 December 2016 and 2015 amount to €30,490 thousand and €79,685 thousand, respectively.

Net collections on intangible assets recognized in the consolidated cash flow statement totals €412 thousand at 31 Dcember (€20 thousand at 31 December 2015).

15. Other assets

A breakdown of the balances in this consolidated balance sheet caption at 31 December 2016 and 2015 is set out below:

	Thousands of euros	
	2016	2015
Insurance contracts linked to pensions	138 198	142 311
Inventories	480 450	542 054
Other	41 203	151 933
	659 851	**836 298**

At 31 December 2016 and 2015, the consolidated balance sheet item “Insurance contracts linked to pensions” totals €138,198 thousand and €142,311 thousand, respectively; corresponding to post-employment benefits (Note 41).

At 31 December 2016 and 2015, the consolidated balance sheet item “Other” relates basically to prepayments and accrued income.

The consolidated balance sheet item “Inventories” includes non-financial assets that are held for sale by the consolidated entities in the ordinary course of business, are being produced, built or developed for that purpose, or are expected to be consumed in the production process or in the provision of services. Consequently, land and other properties held for sale or for inclusion in a housing development, are treated as inventories.

Inventories are carried at the lower of cost, which includes all outlays to acquire and transform the inventories, direct or indirect costs incurred to bring them to their current condition and location, and directly attributable financial costs, provided more than one year must elapse before they are sold, and net realisable value. The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to be incurred to complete the production and sale of the inventories.

In accordance with paragraph 36 of IAS 2 “Inventories”, both decreases and, if applicable, subsequent recoveries of the net realisable value of inventories below their carrying amount are recognized in the consolidated income statement in the period in which they occur, in the item “Impairment losses on other assets (net) - Other assets”.

Breakdown of entities balances in this consolidated balance sheet caption “Inventories” at 31 December 2016 and 2015 is set out below:

	Thousands of euros	
	2016	2015
Inmobiliaria Acinipo, S.L.U.	7 182	1 440
Gestión de Inmuebles Adquiridos, S.L.U.	445 995	536 093
Other entities	33 664	4 521
	486 841	**542 054**

Set out below are movements in the consolidated balance sheet item "Other assets - Inventories" during 2016 and 2015:

	Thousands of euros	
	2016	2015
Net book value at 1 January	**542 054**	**593 892**
Additions for the year	100 411	176 535
Disposals and other transfers	(163 287)	(183 022)
Transfers to investment property	(27 012)	(11 594)
Transfers from non-current assets held for sale	11 776	19 044
Transfers from own use	26 532	-
Change in impairment losses	(9 408)	(53 059)
Other movements	(616)	258
Net book value at 31 December	**480 450**	**542 054**

Impairment losses on inventories are recognized in the consolidated income statement item “Impairment losses on other assets (net)”. (Note 42)

Set out below is a breakdown of inventory sales completed during 2016 and 2015 by the Unicaja Banco Group, stating the selling price, cost of sales, use of impairment provisions and other items:

	Thousands of euros	
	2016	2015
Sale price	150 608	120 793
Cost of sales	(165 331)	(183 022)
Using deteriorations	82 628	87 331
Commissions for sale	(2 617)	(978)
	65 288	**24 124**

As regards the appraisals of properties recognized in “Inventories”, in accordance with prevailing legislation on the use of appraised values, the Unicaja Banco Group's policy is based on the following criteria:

- In general, the appraisals used by the Bank and its Group, both for properties securing loans and for assets that are repossessed or received as payment for debts, must be performed by a valuation company authorized by the Bank of Spain and in accordance with the requirements of Order ECO/805/2003 (27 March).

- In general, the Bank requests appraisals when loans are being granted, furnishing the necessary documentation on all the assets securing the loan.

- The Unicaja Banco Group has a procedure for selecting valuation companies that restricts assignments to appraisals that are performed solely through electronic means by valuation companies with an internal code of conduct that complies with applicable legislation, among other requirements.

- With respect to the review of appraisal quality, the Unicaja Banco Group has procedures in place to review the appraisal report, particularly in relation to the determining factors; if there are doubts as to the appraised value and/or determining factors, it is compared with values recently obtained for properties that are similar and/or in the same zone. Internal controls are also in place to review the consistency and adequacy of the valuations performed by each valuers.

- o In the professional relationships with valuation companies, in order to safeguard valuer independence and avoid conflicts of interest, the Group has put in place adequate mechanisms and barriers to preclude the possibility of their activities being influenced, for purposes unrelated to the assurance of valuation quality, by the Bank's operating units or subsidiaries.

- o As regards of the frequency of appraisal reviews, that fulfil the requirements of Annex IX of Circular 4/2004 from Bank of Spain, and its amendments, specially arising from Circular 4/2016 from Bank of Spain depending on the location of the operation and the type of asset, the value of assets subject to mortgage, foreclosed assets and those received in payment of debts by the group.

- o For appraisals that need not fulfil the requirements of Annex IX of Circular 4/2004, the Credit Committee is responsible for establishing a procedure that can combine both valuations performed under Order ECO 805/2003 without visiting the interior of the property and the estimation of the appraised value using statistical or other methods permitted by regulations.

Finally, at 31 December 2016 and 2015 the Unicaja Banco Group records no inventories in the consolidated balance sheet that are pledged to secure the settlement of debts.

16. Non-current assets and disposal groups held for sale

Set out below is a breakdown of the item “Non-current assets and disposal groups held for sale”, which includes the carrying amount of assets that do not form part of the Group's operating activities and the carrying amount of which will foreseeably be recovered through the transfer price. These assets amount to €762,250 thousand at 31 December 2016 (€852,902 at 31 December 2015).

The Group has estimated the fair value of these assets based upon the value obtained in an updated valuation, in line with the content of OM/805/2003, by a valuers authorized by the Bank of Spain.

Set out below is a breakdown of non-current assets classified by purpose at the end of the years 2016 and 2015:

	Thousands of euros	
	2016	**2015**
Equity instruments	**234 174**	**227 453**
Residential assets	**324 727**	**300 349**
Finished Properties	**145 832**	**257 209**
Dwelling	52 383	75 000
Rest	93 449	182 209
Properties under construction	**15 519**	**19 383**
Dwelling	14 699	19 383
Rest	820	-
Land	**41 998**	**48 508**
	762 250	**852 902**

No net gains recognized in the 2016 and 2015 consolidated statement of recognized income and expenses on equity instruments classed as non-current assets and disposal groups held for sale.

Set out below is the reconciliation between the opening and closing balances of tangible assets included in the consolidated balance sheet item “Non-current assets and disposal groups held for sale” for 2016 and 2015:

	Thousands of euros		
	Gross Amount	**Value adjustments for impairment**	**Net book value**
Balances at January 1, 2015	**1 113 861**	**(182 571)**	**931 290**
Additions for the year	200 985	(3 648)	197 337
Disposals and other transfers	(131 615)	10 782	(120 833)
Allocated to income (Note 43)	(2 743)	(54 680)	(57 423)
Transfers to inventories	(23 419)	4 375	(19 044)
Transfers to investment property	(101 319)	37 588	(63 731)
Other movements	(14 015)	(679)	(14 694)
Balances at December 31, 2015	**1 041 735**	**(188 833)**	**852 902**
Additions for the year	129 349	(10 649)	118 700
Disposals and other transfers	(103 092)	8 535	(94 557)
Allocated to income (Note 43)	(4 133)	(12 692)	(16 825)
Transfers to inventories	(12 162)	386	(11 776)
Transfers to investment property	(10 202)	969	(9 233)
Transfers to own use	(107 203)	30 430	(76 773)
Other movement	777	(965)	(188)
Balances at December 31, 2016	**935 069**	**(172 819)**	**762 250**

Donations made on non-current of this heading assets, except for equity instruments, are recorded under the heading "Gains (losses) on non-current assets held for sale not classified as discontinued operations" in the consolidated income accompanying consolidated income. For its part, the impact on results of equity instruments of this heading are recorded directly under "Profit from discontinued operations (net)" in the consolidated income statement.

The net charges recorded in the cash flow statement for the year 2016 by the non-current assets held for sale recorded under this heading amounted to 81,672 thousand euros (€54,238 thousand in 2015).

Impairment losses recognized in the consolidated income statement in 2016 and 2015 on non-current assets and disposable groups held for sale total €12,692 thousand and €54,680 thousand, respectively; they are recognized in the item “Gains/ (losses) on non-current assets for sale not classified as discontinued operations” (Note 44).

Under the heading "Non-current assets and disposal groups held for sale" in the consolidated balance sheet tangible assets that have been received by the Group or other consolidated for the satisfaction of all or part of the payment obligations to companies they are registered them of their debtors. In addition, this heading are recorded equity instruments for which the Group considers recover its value through sale rather than exploiting them.

The Unicaja Banco Group applies market terms in buyer financing granted for the purchase of properties. Loans granted in 2016 for initial financing total €9,764 thousand (€18,612 thousand in 2015). At 31 December 2016, gains on these loans pending recognition amount to €15,922 thousand (€12,370 thousand in 2015).

Valuation companies

The main valuation company that issues reports on the Unicaja Banco Group's assets is Tasaciones Inmobiliarias, S.A. (Tinsa). The following companies also issue valuation reports on the Group's assets: Sociedad de Tasación, S.A. (Sotasa), UVE Valoraciones, S.A., Técnicos de Tasación, S.A. (Tecnitasa) and Eurovaloraciones, S.A. (Euroval).

The Unicaja Banco Group has a procedure for selecting valuation companies that restricts assignments to appraisals that are performed solely through electronic means by valuation companies with an internal code of conduct that complies with applicable legislation, among other requirements. Pre-authorized valuation companies are selected at random.

In general, the appraisals used by the Unicaja Banco Group, both for properties securing loans and for assets that are repossessed or received as payment for debts, must be performed by a valuation company authorized by the Bank of Spain and in accordance with the requirements of Order ECO/805/2003 (27 March).

17. Financial liabilities at amortized cost

17.1 Deposits from Central Banks

A breakdown of this consolidated balance sheet heading at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	**2015**
Central Bank of Spain	-	2 414 680
Valuation adjustments - Accrued interests	-	2 356
	-	**2 417 036**

The interest accrued during the years 2016 and 2015 for these deposits have been of €1,139 thousand and €3,005 thousand, respectively, and are included in "Interest and similar charges" in the consolidated income statement (Notes 32 and 33).

17.2 Deposits from credit institutions

Set out below is a breakdown by nature of transactions of the consolidated balances in this balance sheet caption at 31 December 2016 and 2015:

	Thousands of euros	
	2016	**2015**
Term deposits	358 951	280 905
Issued shares	-	-
Assets sold under repurchase agreements	1 882 480	591 955
Other accounts	225 975	460 445
Valuation adjustments	(3 236)	6 970
	2 464 170	**1 340 275**

The interest accrued during the years 2016 and 2015 for these deposits have been of €7,361 thousand and €14,047 thousand, respectively, and are included in "Interest expense and similar charges" in the consolidated income statement (Note 33).

The average effective interest rate on the debt instruments classified in this caption at 31 December 2016 was 0.14% (0.34% at 31 December 2015).

17.3. Deposits from customers

Set out below is a breakdown by nature of transactions and counterparty of the customers balances at 31 December 2016 and 2015:

	Thousands of euros	
	2016	**2015**
By nature		
Current accounts	8 166 874	9 451 276
Savings accounts	14 190 793	12 403 455
Fixed-term deposits	19 995 231	22 877 952
Assets sold under repurchase agreements	5 318 017	3 698 418
Other	39 080	196 335
Measurement adjustments:	821 968	909 146
Of which:		
Micro-hedging transactions	*644 016*	669 844
Interest accrued	*303 361*	370 386
Other adjustments	*(125 409)*	(131 084)
	48 531 963	**49 536 582**
By counterparty		
Resident public administrations	2 310 937	1 900 672
Non-Resident public administrations	-	6 418
Other resident sectors	45 108 250	46 383 303
Other non-resident sectors	290 808	337 043
Measurement adjustments	821 968	909 146
Of which:		
Micro-hedging transactions	*644 016*	*669 844*
Interest accrued	*303 361*	*370 386*
Other adjustments	*(125 409)*	*(131 084)*
	48 531 963	**49 536 582**

The interest accrued during the years 2016 and 2015 for these deposits have been €434.498 thousand and €603.926 thousand, respectively, and are included in "Interest expense and similar charges" in the consolidated income statement (Note 33).

The average effective interest rate on the debt instruments classified in this caption at 31 December 2016 was 0.93% (1.33% at 31 December 2015).

Fixed-term deposits include unique mortgage bonds issued in accordance with the provisions of Law 2/1981 (25 March), as detailed below:

Issue date	Maturity date	Interest rate	Thousand euros Nominal 31/12/2016	Nominal 31/12/2015
02/12/2003	02/12/2018	(a) 4.757%	16 258	16 258
02/12/2003	02/12/2018	(a) 4.757%	67 742	67 742
25/02/2004	01/03/2016	(a) 4.385%	-	250 000
16/11/2004	16/11/2019	(a) 4.257%	53 659	53 659
16/11/2004	16/11/2019	(a) 4.257%	8 049	8 049
16/11/2004	16/11/2019	(a) 4.257%	52 317	52 317
24/11/2004	27/11/2019	(c) 4.125%	200 000	200 000
29/03/2005	29/03/2020	(a) 4.003%	58 333	58 333
29/03/2005	29/03/2020	4.003%	116 667	116 667
18/05/2005	21/05/2025	(a) 3.875%	200 000	200 000
15/06/2005	16/06/2017	3.500%	150 000	150 000
15/06/2005	16/06/2017	(c) 3.500%	100 000	100 000
10/06/2005	13/06/2020	3.510%	150 000	150 000
28/06/2005	28/06/2025	(a) 3.754%	76 923	76 923
28/06/2005	28/06/2025	3.754%	205 128	205 128
16/11/2005	21/05/2025	(a) 3.875%	200 000	200 000
12/12/2005	12/03/2016	(a) 3.503%	-	74 074
12/12/2005	12/12/2022	(a) 3.754%	51 852	51 852
12/12/2005	12/03/2016	(a) 3.503%	-	10 000
12/12/2005	12/12/2022	(c) 3.754%	100 000	100 000
20/02/2006	20/02/2018	Euribor 3 months + 0.12%	90 000	90 000
10/03/2006	12/03/2016	(a) 3.503%	-	40 000
22/03/2006	22/03/2021	(a) 4.005%	100 000	100 000
06/04/2006	08/04/2021	(a) 4.125%	200 000	200 000
25/05/2006	06/04/2016	(b) Euribor 3 months + 0.06%	-	250 000
26/05/2006	24/05/2017	Euribor 3 months + 0.09%	100 000	100 000
12/06/2006	12/06/2018	(a) 4.255%	100 000	100 000
12/06/2006	12/06/2018	(a) 4.255%	100 000	100 000
19/10/2006	21/10/2018	(a) 4.000%	300 000	300 000
23/10/2006	24/05/2017	Euribor 3 months + 0.09%	100 000	100 000
23/10/2006	23/10/2023	(c) 4.254%	200 000	200 000
23/10/2006	23/10/2023	4.254%	100 000	100 000
23/11/2006	08/04/2031	4.250%	400 000	400 000
16/03/2007	17/03/2017	(a) 4.004%	200 000	200 000
23/03/2007	26/03/2027	(c) 4.250%	150 000	150 000
23/03/2007	08/04/2031	4.250%	100 000	100 000
20/04/2007	08/04/2021	(a) 4.125%	200 000	200 000
23/05/2007	22/05/2019	Euribor 3 months + 0.09%	200 000	200 000
23/05/2007	23/05/2027	(a) 4.755%	50 000	50 000
23/05/2007	23/05/2027	(c) 4.755%	100 000	100 000
23/05/2007	23/05/2027	(a) 4.755%	50 000	50 000
29/06/2007	08/04/2031	(a) 4.250%	400 000	400 000
20/07/2007	26/03/2027	4.250%	100 000	100 000
25/07/2007	18/12/2016	(a) 4.005%	-	300 000
19/10/2007	19/10/2017	Euribor 3 months + 0.17%	250 000	250 000
19/10/2007	08/04/2021	4.125%	60 000	60 000
19/10/2007	26/03/2027	4.250%	110 000	110 000
19/10/2007	08/04/2031	4.250%	180 000	180 000
23/10/2007	19/10/2017	Euribor 3 months + 0.17%	200 000	200 000
05/12/2007	20/02/2018	Euribor 3 months + 0.13%	145 000	145 000
10/04/2008	10/04/2048	(a) 5.280%	22 000	22 000
26/12/2008	19/10/2017	Euribor 3 months + 0.19%	200 000	200 000
13/06/2009	13/06/2016	4.758%	-	100 000
30/11/2009	30/11/2019	4.511%	154 000	154 000
			6 467 928	**7 492 002**

(a) The fixed interest rate borne by the Entity has been converted to a variable rate by contracting swaps on the nominal amount.
(b) Issue bearing interest divided into two tranches, commencing with a fixed rate of 2.891% to 8 July 2006; the rate then changes to the 3-month Euribor + 0.06%.
(c) The fixed rate supported by the Group has been made variable by financial swaps on the nominal amount. After that, these swaps were canceled.

17.4 Marketable debt securities

A breakdown of this consolidated balance sheet heading at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	**2015**
Mortgage securities	1 200 000	1 690 611
Other non-convertible securities	700 000	700 000
Subordinated convertible debt	604 000	613 617
Own securities	(1 700 000)	(1 731 395)
Valuation adjustments – Accrued interests	10 010	22 055
	814 010	**1 294 888**

Interest accrued on debits represented by marketable securities for the year ended 31 December 2016 and 2015 amounted to €814,010 thousand and €1,294,888 thousand, respectively, which are recognized under "Interest expense" of the consolidated income statement (Note 33).

The detail and movement of issuance, repurchases or repayments of debt securities, including convertible subordinated debt, made in the nine-month period ended December 31, 2016, by the Parent Company itself and by other Group companies is as follows:

	Thousand euros				
	Balance at 01/01/2016	**Issues**	**Repurchases/ repayments**	**Exchange rate and other adjustments**	**Balance at 31/12/2016**
Debt securities issued in a state member of the European Union, which have required the registration of an informative brochure	1 294 888	-	(459 216)	(21 662)	814 010
Debt securities issued in a state member of the European Union, which have not required the registration of an informative brochure	-	-	-	-	-
Debt securities issued out of a state member of the European Union	-	-	-	-	-
TOTAL	**1 294 888**	**-**	**(459 216)**	**(21 662)**	**814 010**

There are no issues of debt instruments in 2016 carried out by associates or multigroups rated by the equity method or by entities outside the Group that are not guaranteed by any Group entity.

The detail and movement of issues, repurchases or repayments of debt securities, including convertible subordinated liabilities, carried out in 2015 by both the Parent Company and other Group companies is as follows:

	Thousand euros				
	Balance at 01/01/2015	**Issues**	**Repurchases/ repayments**	**Exchange rate and other adjustments**	**Balance at 31/12/2015**
Debt securities issued in a state member of the European Union, which have required the registration of an informative brochure	2 490 787	-	(1 191 466)	(4 433)	1 294 888
Debt securities issued in a state member of the European Union, which have not required the registration of an informative brochure	-	-	-	-	-
Debt securities issued out of a state member of the European Union	-	-	-	-	-
TOTAL	**2 490 787**	**-**	**(1 191 466)**	**(4 433)**	**1 294 888**

There are no issues of debt instruments in 2015 carried out by associates or multigroups rated by the equity method or by entities outside the Group that are not guaranteed by any Group entity.

17.4.1 Mortgage securities

A detail of the mortgage bonds issued at December 31, 2016 and 2015 is as follows:

			Thousands of euros				
Issue	**ISIN code**	**Issue date**	**Issue amount**	**Balance at 31/12/16**	**Balance at 31/12/15**	**Maturity date**	**Interest rate**
8ª Emisión Unicaja	ES0464872078	17/12/2009	70 000	70 000	70 000	17/12/2017	Euribor 6m + 0,69%
9ª Emisión Unicaja	ES0464872086	17/12/2009	30 000	30 000	30 000	17/12/2021	Euribor 6m + 0,75%
2ª Emisión Unicaja	ES0458759018	22/11/2010	70 000	70 000	70 000	22/11/2018	Euribor 6m + 2,00%
3ª Emisión Unicaja	ES0458759026	22/11/2010	30 000	30 000	30 000	22/11/2022	Euribor 6m + 2,00%
4ª Emisión Unicaja	ES0458759034	23/03/2011	500 000	-	490 611	23/03/2016	5,50%
Céd. Hipotec. Caja España Nov. 2011-2	ES0458673045	17/11/2011	500 000	500 000	500 000	17/04/2017	5,5%
Céd. Hipotec. Caja España Nov. 2011-3	ES0458673052	17/11/2011	500 000	500 000	500 000	17/05/2019	6,00%
				1 200 000	**1 690 611**		

These issues are admitted for negotiation on the fixed income market AIAF, and are guaranteed by a mortgage on all those that at any time are registered in favour of the issuing entity and are not subject to the issue of mortgage bonds, in addition to the overall equity liability for these.

The average effective interest rate for these debt instruments at 31 December 2016 is 2.11% (4.70% at 31 December 2015).

17.4.2 Other non-convertible securities

Other non-convertible securities at 31 December 2016 and 2015 relates to the outstanding balance of the Group's bond and debenture issues.

Set out below is an analysis of outstanding bond and debenture issues at 31 December 2016 and 2015:

			Thousand euros				
Issue	**ISIN code**	**Issue date**	**Nominal amount**	**Balance at 31/12/2016**	**Balance at 31/12/2015**	**Interest rate**	**Maturity issue date**
Cédulas Territoriales Unicaja Banco 1ª Emisión	ES0480907007	27/03/2012	700 000	700 000	700 000	4,203%	27/03/2017
			700 000	**700 000**	**700 000**		

All these financial instruments are denominated in euros.

The average effective interest rate on the debt instruments classified in this heading at 31 December 2016 was 0.21% (0.21% at 31 December 2015).

17.4.3 Subordinated liabilities

Set out below is a breakdown of the balances and main features of subordinated liabilities in the consolidated balance sheet at 31 December 2016 and 2015, consisting of the Group's issue of subordinated debt:

		Euros	Thousand euros			
Issue	**No. of securities**	**Nominal Amount per unit**	**Balance at 31/12/16**	**Balance at 31/12/15**	**Nominal interest rate**	**Maturity**
Subordinated liabilities Caja Jaén	-	-	-	7 944	Euribor 3 m + 0,86%	08/11/2016
Contingent convertible bonds EspañaDuero	6 040	100 000	604 000	604 000	9,75%	Perpetua
Accumulated other comprehensive income			10 165	9 663		
			614 165	**621 607**		

Issuing "contingent Convertible liabilities EspañaDuero" it is underwritten by the Fondo de Reestructuración Ordenada Bancaria (FROB), as a recapitalization instrument under Article 29.1.b) of Law 9/2012, which serves to secure the normal development activity and compliance with the financial obligations of EspañaDuero and maintenance of own resources of the entity.

The average effective interest rate on the debt instruments classified in this caption at 31 December 2016 was 8.75% (8.65% at 31 December 2015).

All subordinated debt issues are located, for the purposes of payment priority, behind all general creditors of the Bank. Also, they are classified as eligible for the purposes of the solvency ratio, although at no time be classified as capital for amounts in excess of the percentages referred to the new European regulation Directive 2013/36 / EU (CRD IV) and EU Regulation 575/2013 (CRR) which entered into force in 2014.

Interest accrued on subordinated debt during the period ended 31 December 2016 and 2015 amounted to €1,010,971 thousand and €1,279,888 thousand, respectively, which are recorded under "Interest expense" Of the consolidated income statement (Note 33).

17.5 Other financial liabilities

This balance in the balance sheets at 31 December 2016 and 2015 breaks down as follows:

	Thousand euros	
	2016	**2015**
Amounts payable (*)	133 886	143 323
Collection accounts	118 863	212 366
Special accounts	68 999	29 088
Financial guarantees	2 319	3 745
Bails receives	595 260	600 020
	919 327	**988 542**

(*) A balance of 79,531 thousand euros at December 31, 2016 (114,166 thousand euros at December 31, 2015) for the outstanding balance of the extraordinary contribution to the Fund Deposit Guarantee estimated on the basis of contributions to 31 is included December 2011 (Note 1.10).

The amount registered by the Entity as at 31 December 2016 and 2015 under the heading of guarantees received corresponds, principally, to guarantees in favour of the Entity deposited in other financial entities as a result of its operation in derivative coverage products.

The negative flow included in the statement of consolidated cash flows for the year 2016 on financial liabilities at amortized cost amounts to €2,847,859 thousand (negative flow of €7,430,489 thousand in 2015).

18. Provisions

Set out below are the changes in provisions in 2016 and 2015 and the purpose of the provisions recorded in the consolidated balance sheets at 31 December 2016 and 2015:

					Thousand euros
	Pensions and other post-employment commitment	Other long-term staff retributions	Contingent liabilities and commitments	Other provisions	Total
Balance at 1 January 2015	**189 608**	**164 025**	**119 270**	**251 584**	**724 487**
Provision charged to income:					
Charge to provisions (*)	-	4 003	2 206	200 486	206 695
Interest costs (Note 33)	4 361	(1 022)	-	-	3 339
Recovery against income	-	(2 090)	(16 483)	(42 985)	(61 558)
Provisions used	(11 823)	(31 774)	-	(76 521)	(120 118)
Other movements(**)	(3 168)	(31)	1 258	(2 940)	(4 881)
Balance at 31 December 2015	**178 978**	**133 111**	**106 251**	**329 624**	**747 964**
Provision charged to income:	**3 051**	**8 675**	**45 179**	**199 598**	256 503
Charge to provisions (*)	-	8 549	45 179	199 598	253 326
Interest costs (Note 33)	3 051	126	-	-	3 177
Recovery against income	-	(28 001)	(39 247)	(82 041)	(149 289)
Provisions used	(22 602)	(19 677)	-	(118 824)	(161 103)
Other movements	14 827	57 995	3 792	(63 674)	12 940
Balance at 31 December 2016	**174 254**	**152 103**	**115 975**	**264 683**	**707 015**

(*) See note 2.12 related to charge to provisions for pension funds and similar obligations.
(**) The category “Other movements” in 2015 includes the effect of the business combination provided in Note 1.2.

The provisions recognized by the Group reflect best estimates of future obligations. The Bank's directors consider that there is no significant risk, taking into account the amount of these provisions, that such obligations could give rise to a material adjustment to the carrying amount of the Group's assets and liabilities in the following accounting period. The financial effect estimated in provision calculations and provisions recovered in 2015 and 2014 were immaterial.

The Bank quantifies provisions taking into account the best information available on the consequences of the event giving rise to the provisions, which are re-estimated at each accounting close and are used to cover the specific obligations for which they were originally recognized. Provisions are fully or partially reversed if such obligations decrease or are eliminated.

The Group periodically reassesses the risks to which its activities are exposed on the basis of economic circumstances. Following the initial measurement and recognition of provisions, they are reviewed at each balance sheet date and adjusted, if applicable, to reflect best estimates at that time.

Provisions recognized are used to cover the specific obligations for which they were originally recognized and are fully or partially cancelled when such obligations cease to exist or decrease.

Pensions and other post-employment commitments

The breakdown of “Provisions for pensions and similar obligations” corresponds to the amount of commitments with employees of the Group described in Notes 2.12 and 41.1.

Contingent liabilities and commitments

This caption from the consolidated balance sheet includes the amount of the provisions registered to cover contingent risks, understood as those transactions where the Group secures third-party obligations resulting from the financial guarantees granted or other types of contracts and contingent commitments, understood as irrevocable commitments which may lead to the recognition of financial assets.

Set out below is a breakdown by nature of the balance in the item “Provisions for contingent exposures and commitments” at 31 December 2016 and 2015, and a breakdown of the related item “Other movements” during 2016 and 2015:

	Thousand euros			
	Balance at end		Other movements (*)	
	2016	2015	2016	2015
Provisions for contingent liabilities	105 756	106 251	2 517	1 258
Provisions for contingent commitments	10 219	-	1 275	-
	115 975	**106 251**	**3 792**	**1 258**

In 2016 and 2015 “Other movements" basically include increases and decreases in the provisions recognized for contingent exposures due to reclassifications between amounts utilized and contingent exposures.

The item “Provisions for contingent liabilities" includes provisions operations in which the Group secures third-party obligations under financial guarantees furnished or other types of agreements, while the item “Provisions for contingent commitments” includes provisions for irrevocable commitments that could give rise to the recognition of financial assets, there being a zero balance at 31 December 2016 and 2015.

Other provisions

Set out below is a breakdown by nature of the balance in the item “Other provisions" at 31 December 2016 and 2015, and a breakdown of the related item “Other movements” during 2016 and 2015:

	Thousand euros			
	Balance at end		Other movements (*)	
	2016	2015	2016	2015
Coverage for legal contingencies	149 873	230 254	(65 789)	(5 682)
Coverage contingencies associated with investees	10 513	13 608	(10 909)	7 939
Coverage of other contingencies	104 297	85 762	13 024	(5 197)
	264 683	**329 624**	**(63 674)**	**(2 940)**

The main items included in “Other provisions” are described below:

- “Coverage of legal contingencies and similar”: This relates to provisions for legal and other similar (Note 2.12.6) proceedings in respect of which there is likely to be an outflow of funds affecting profits. It covers customer claims and lawsuits with public administrations, among other items. The definitive date of the outflow of funds depends varies; in some cases, obligations have no fixed settlement period and, in other cases, this depends on legal proceedings in progress. The amounts to be provisioned are calculated using best estimates of the sum necessary to settle the claim based, among other aspects, on an itemized analysis of the facts and on legal opinions of internal and external advisors.

  At 31 December 2016 and 2015 EspañaDuero had created a fund totalling €45 million and €83 million, respectively, for legal contingencies to cover the possible costs deriving from the legal claims relating to the subscription or acquisition of preferred shares or subordinated obligations issued by the Savings Banks that transferred their financial activity to EspañaDuero. This provision was created based on the best estimates possible, taking into consideration available information regarding the legal claims that had been received and the judgments that had taken place up until that time. In general, the outcome of the judgments is determined by the specific circumstances of each customer with respect to the marketing of the products involved in the claim and their personal circumstances (knowledge and investing experience with this type of product).

  To establish the most likely court judgment in each case for those claims that have not yet been completed, or if the judgment is not yet final, the Directors of EspañaDuero have taken into account the judgments already received and the opinion of the Bank's legal advisers. The evaluation of this contingency has taken into account the Compensation Mechanism approved by the FROB within the framework of the bid to acquire EspañaDuero by Unicaja Banco (Note 1.2). In accordance with this mechanism, the negative effects that could arise from the claims from the holders of mandatory and contingent convertible bonds in EspañaDuero that do not accept the Offer would be assumed by the FROB at 71%, up to a maximum of €241 million, net of any compensation that the FROB may receive.

  In the view of those responsible for the Group at year end are constituted the necessary coverage to address the outcomes of the risks and contingencies that may arise from these processes.

- “Coverage of contingencies relating to investees”: This includes contingencies related to the Group's equity investments that are not due to impairment of the fair value or recoverable amount of investments but to other types of contingencies that may arise from the holding of the shares. The timing of the outflow of funds depends on each particular contingency and is estimated by Group management using the best information available at the accounting close.

- “Coverage of other contingencies”: This includes various risks for which provisions have been made covering unresolved aspects that the Group expects will result in an outlay of funds, and probable outlays envisaged by the Group in the ordinary course of business. The amounts to be provisioned are calculated based on the best estimate of the funds that the Group will be required to pay to settle the contingencies identified, also taking into account the timing of the fund outflows expected to be caused by the obligation.

19. Other liabilities

An analysis of the balance in this consolidated balance sheet caption at 31 December 2016 and 2015 is as follows:

	Thousand euros	
	2016	2015
Accrued un-matured expenses	105 019	81 753
Operations in process	68 667	11 321
Other	103 713	78 002
	277 399	**171 076**

20. Assets and liabilities under insurance or reinsurance contracts

At 31 December 2016 and 2015 “Assets under insurance or reinsurance contracts” from the consolidated balance sheet amounts zero and €8,208 thousand, respectively (41.1).

At 31 December 2016 and 2015 "Liabilities under insurance or reinsurance contracts" maintained by the Group total €3,992 thousand and €31,040 thousand, respectively.

21. Non-controlling interests and income attributable to minority interests

A breakdown by consolidated company of the balances in the captions “Non-controlling interests” and “Income attributed to minority interests” in the consolidated balance sheet and income statement for 2016 and 2015 is as follows:

	Thousand euros			
	2016		2015	
	Non-controlling interests	Income attributed to minority interests	Non-controlling interests	Income attributed to minority interests
Banco de Caja España de Inversiones, Salamanca y Soria, S.A.	229 438	(6 633)	279 441	(2 843)
Viajes Caja España, S.A.	(64)	-	(70)	20
Conexiones y Servicios Duero, S.A.	61	(413)	40	(32)
Escuela Superior de Estudios de Empresa, S.A.	-	-	23	23
Privándalus Inversiones I, SICAV, S.A.	-	-	-	-
Parque Industrial Humilladero, S.L.	611	(15)	673	(17)
	230 046	**(7 061)**	**280 107**	**(2 849)**

As regards to paragraph B10 of IFRS 12, the Group considers that significant non-controlling interests are those that generate higher minority interests 0.5% of consolidated equity, this is €159,156 thousand at 31 December 2016 (€162,797 thousand at 31 December 2015).

As a result, as of December 31, 2016 and 2015, only Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (EspañaDuero) has significant non-controlling interests, with minority interests as of December 31, 2016 and 2015 amounting to € thousand and €279,441 thousand, respectively, and losses attributed to minority interests during the years 2016 and 2015 amounting to €6,633 thousand and €2,843 thousand, respectively.

During the years 2016 and 2015, none of the subsidiaries composing the chapter of minority interests has made dividend distribution.

As it regards the summary financial information on the companies that make up the chapter of minority interests of consolidated balance sheet, and in consideration of the above as to the materiality of minority interests, in Annex IV to this document the summary financial information on EspañaDuero detailed.

22. Capital, share Premium and other capital instruments

The breakdown and movements recorded under the heading “Equity” in the consolidated balance sheet during the years ended the 31 December 2016 and 2015 are presented in the accompanying consolidated statements of total changes in equity, together with an explanation of all movements that took place in this account during those years

22.1 Share capital and share premium

At 31 December 2015 the Bank's share capital totalled €881,288 thousand consisting of 881,288,000 ordinary shares with a par value of one euro each, fully subscribed and paid. Fundación Bancaria Unicaja held 90.8% of 31 December 2015 Bank’s share capital.

On June 30, 2016, Bank's Necessary and Contingently Convertible Bonds (Note 12.2) were converted into common shares, increasing Unicaja Bank's capital by 41,514 thousand euros, through the issuance of 41,514,299 new shares, with a total share premium of € 7,816 thousand (€ 0.1827 per share).

As a result from this increase, Bank’s share capital at 31 December 2016 amounts to €922,802 thousand consisting of 922,802,000 ordinary shares with a par value of one euro each, fully subscribed and paid. This way Fundación Bancaria Unicaja holds 86.7% of 31 December 2016 Bank’s share capital.

With respect to the share premium, as of December 31, 2015 amounted to 1,132,857 thousand euros. As a result of the conversion of Unicaja Banco's Necessary and Contingently Convertible Bonds, on June 30, 2016, the share premium was increased by 7,816 thousand euros. And so, share premium at December 31, 2016 amounts to 1,140,673 thousand euros.

22.2 Other equity instruments

The heading "Other equity instruments-Compound financial instruments" records the active balance for Mandatory and Contingent Convertible Bonds (NeCoCos) and Perpetual Contingent Convertible Bonds (PeCoCos) issued by Unicaja Banco at 31 December 2016 and 2015. Details of these issues at 31 December 2016 and 2015 are as follows:

Issues	ISIN Code	Number of securities issued	Euros Nominal amount	Thousand euros 2016	 2015	Nominal interest rate	Expiration date
Bonds Necessarily and Contingently Convertible (NeCoCos)	ES0380907032	49 340 987	49 340 987	-	49 326	20,8236%	30/06/2016
Perpetual Bonds Contingently Convertible (PeCoCos)	ES0280907009	49 275 058	49 275 058	49 263	49 326	13,8824%	Perpetual
				49 263	**98 652**		

The NeCoCos and PeCoCos are bonds that are convertible into ordinary shares in Unicaja Banco with a par value of one euro each, respectively pertaining to a single class and series and represented by book entries. The conversion ratio for these bonds will be that resulting from the quotient of the unit face value of each of the bond issues and the value attributed to the ordinary shares in Unicaja Banco, which is established at €1.18827 per share, with the share premium considered to be the difference between the face value of the bonds being converted and the par value of the shares that are received in return. At 31 December 2016 and 2015 these issues are not listed for trading on any type of secondary market.

Both types of bonds grant their holders the right to discretional, predetermined and noncumulative compensation upon conversion into ordinary shares in Unicaja Banco, subject to certain conversion situations and the voting rights that derive from pertaining to the respective bond syndicates. The shares that will be obtained upon the conversion of those bonds will grant their holders the same rights as the shares in Unicaja Banco that are currently outstanding.

The accrual of the discretional compensation is subject to the four following conditions being met simultaneously: (i) the existence of distributable profits after covering the items established by Law and the bylaws of Unicaja Banco; (ii) the absence of limitations imposed by Spanish or European legislation regarding current or future equity that may be applicable; (iii) the Board of Directors of Unicaja Banco, at its sole discretion and based on the solvency situation of Unicaja Banco or Unicaja Banco Group, does not decide to declare no interest payment with the estimation that it is necessary to not make any such payments for an unlimited period, and in any event unpaid interest will not be cumulative; and (iv) the Bank of Spain has not required the cancellation of such payments based on the financial situation and solvency of Unicaja Banco or Unicaja Banco Group, in accordance with applicable law. In the event that part of the conditions established in paragraphs (i) through (iv) above are applicable, Unicaja Banco may proceed, at its sole discretion, to make partial payment of interest or to declare that no interest will be paid. If for any reason the interest is not paid in full or in part to the Bondholders on a payment date, they will not be entitled to claim that interest.

At 31 December 2016, following the maturity of the necessary and contingently convertible bonds (NeCoCos), the only outstand bond issue relates to the perpetual contingently convertible bonds (PeCoCos). These bonds will necessarily be converted into shares in full in the events indicated below, and partially in the amount required to recover, if necessary, the imbalance in equity in the amount fixed by the competent authority in all other events:

- Total mandatory early conversion: The bonds will be converted into shares in the following cases: (i) if Unicaja Banco takes any measure aimed at its voluntary or involuntary dissolution and liquidation, or if it is declared to be insolvent, or (ii) if Unicaja Banco takes any measure resulting in the approval of a capital reduction in accordance with Article 320 et seq. of the Spanish Companies Act 2010 or Article 343 by reference to Article 418.3 of the Spanish Companies Act 2010.

- Contingency events: The bonds will be converted into shares if the quarterly capital ratios of the Unicaja Banco Group are below the limits indicated in the registration document relating to the issuance of these instruments (Note 1.2).

- Viability events: The bonds will be converted into shares in the following cases: (i) if the Bank of Spain determines that the Entity would not be viable unless the instruments were converted or (ii) if the decision is taken to inject public capital or any other financial support measure without which the Entity would not be viable.

- Regulatory event: The bonds will be converted into shares in the following cases: (i) if, following the entry into force and application of the equity eligibility standards known as Basel III (CRD IV/ CRR) in 2014, the bonds cease to be eligible, at least, as additional tier 1 capital; (ii) if the bonds cease to be eligible as core capital; or (iii) if the bonds cease to be eligible as ordinary capital.

Given the above, the directors of the parent entity consider that these convertible instruments do not entail an unconditional contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities under conditions that are potentially unfavorable to the Group, and therefore they should be classified as equity instruments and recorded in full in equity under the heading "Equity instruments issued other than capital" on the consolidated balance sheet.

22.3 Treasury shares

At 31 December 2016 and 2015 the Bank did not hold any treasury shares. During 2016 no operations were carried out involving the Bank's treasury shares.

23. Retained earnings and other equity elements

The accompanying consolidated statement of changes in equity includes a reconciliation of the carrying amount at the beginning and end of the 12-month periods ended December 31, 2016 and 2015 under "Equity" of the consolidated balance sheets, which explains all movements in this heading over the aforementioned periods.

The breakdown of retained earnings and other reserves as of December 31, 2016 and 2015 is as follows:

	Thousand euros	
	2016	**2015**
Retained earnings	535 674	480 719
Revaluation reserves	-	-
Other reserves	127 900	53 348
Retained earnings or losses from investments in subsidiaries, joint ventures and associates	*(234 954)*	*(298 541)*
Other	*362 854*	*351 889*
	663 574	**534 067**

"Retained earnings" includes the net amount of the accumulated profit or loss recognized in previous years through the income statement and which, in the distribution of the profits of the parent company or other Group companies, were allocated to equity. Therefore, it includes legal, statutory and voluntary reserves originating from profit distributions.
Other reserves includes reserves or accumulated losses relating to investments in equity method consolidated companies (joint ventures and associates), as well as other reserves not recognized under other equity headings.

The breakdown of these reserves by company is incorporated below.

23.1 Retained earnings

Set out below is a breakdown by consolidated entity of the balances recognized in “Equity - Reserves – Retained earnings” in the consolidated balance sheets at 31 December 2016 and 2015, relating to the part of that balance resulting from the consolidation process:

	Thousand euros	
	2016	**2015**
Unicaja Banco, S.A.	1 766 364	1 402 273
Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (*)	(368 646)	(247 015)
Unicorp Corporación Financiera, S.L.U.	2 624	15 272
Alteria Corporación Unicaja, S.L.U.	30 431	34 378
Inmobiliaria Acinipo, S.L.U. (*)	(105 895)	(113 153)
Gestión de Actividades y Servicios Empresariales, S.A.U.	3 078	3 054
Corporación Uninser, S.A.U.	-	13 653
Unimediterráneo de Inversiones, S.L.U.	4 423	4 423
Unicartera Gestión de Activos, S.L.U.	22 203	22 110
Andaluza de Tramitaciones y Gestiones, S.A.U.	6 596	6 596
Unicartera Internacional, S.L.U.	9 893	31 293
Unigest, S.G.I.I.C., S.A. (*)	(499)	(4 450)
Unicartera Renta, S.L.U.	16 751	17 495
Mijas Sol Resort, S.L.U. (*)	(7 187)	(1 860)
Gestión de Inmuebles Adquiridos, S.L.U. (*)	(815 364)	(708 601)
Desarrollos de Proyectos de Castilla y León, S.L.U. (*)	(35 615)	(9 427)
Grupo de Negocios Duero, S.A.U. (*)	15 409	(1 004)
Unicaja Gestión de Activos Inmobiliarios, S.A.U.	54 274	49 244
Pinares del Sur, S.L.U. (*)	(17 627)	(14 734)
Alqlunia Duero, S.L. (*)	(11 359)	-
Unimediación, S.L.U.	4 298	4 297
Viproelco, S.A. (*)	(15 694)	(10 667)
Other entities (*)	(22 784)	(12 458)
	535 674	**480 719**

(*) Negative balances represent accumulated losses.

As part of the balance of reserves assigned to Unicaja Banco, S.A. at December 31, 2016, €10,901 thousand were recorded as "Capitalization reserve article 25 of Law 27/2014" (Note 3).

23.2 Accumulated reserves or losses on investments in jointly-controlled entities and associates

The breakdown by consolidated company of the balances under the heading "Equity - Other reserves - Accumulated reserves or losses on investments in jointly-controlled entities and associates" on the consolidated balance sheets at 31 December 2016 and 2015, with respect to the portion of said balance disclosed as part of the consolidation process, broken down for each company carried using the equity method, is as follows:

	Thousand euros	
	2016	**2015**
Autopista del Sol Concesionaria Española, S.A. (*)	(41 113)	(39 297)
Autopista del Guadalmedina, Concesionaria Española, S.A. (*)	(9 096)	(7 714)
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A. (*)	(7 796)	(1 573)
Sociedad Municipal de Aparcamientos y Servicios, S.A.	5 056	4 638
Banco Europeo de Finanzas, S.A.	7 900	7 868
Hidrocartera, S.L.	8 429	7 668
Hidralia, Gestión Integral de Aguas de Andalucía, S.A. (*)	(6 356)	(5 687)
Deoleo, S.A. (*)	(103 870)	(97 651)
Alestis Aerospace, S.L. (*)	(30 176)	(28 544)
Creación de Suelos e Infraestructuras, S.L. (*)	(6 009)	(5 557)
Caja España Vida, Compañía de Seguros y Reaseguros, S.A. (*)	-	(25 190)
Capredo Investments GMBH (*)	-	(7 371)
Cartera Perseidas, S.L. (*)	(18 440)	(1 557)
Espacio Medina, S.L. (*)	(15 752)	(16 859)
Globalduero, S.A. (*)	-	(3 600)
Ala ingeniería y Obras, S.L. (*)	(3 229)	-
Madrigal Participaciones, S.A. (*)	(17 108)	(31 016)
Muelle Uno-Puerto Málaga, S.A. (*)	(3 682)	(2 771)
Ingeniería e Integración Avanzadas, S.A. (Ingenia)	520	-
Inversiones Alaris, S.L.	(8 506)	-
Other entities (*)	14 274	(44 328)
	(234 954)	**(298 541)**

(*) Negative balances represent accumulated losses.

23.3 Other

The balances in the equity heading "Equity - Other reserves - Other" on the consolidated balance sheets at 31 December 2016 and 2015 break down as follows by Group company:

	Thousand euros	
	2016	**2015**
Banco de Caja España de Inversiones, Salamanca y Soria, S.A.	362 854	351 889
	362 854	**351 889**

23.4 Part in profit or losses from investments in subsidiaries, joint-ventures and associates

Set out below is a breakdown of the consolidated balance sheet item recording Part in profit or losses from investments in subsidiaries, joint-ventures and associates at 31 December 2016 and 2015 and of gains or losses from investments in subsidiaries, joint-ventures and associates included in the consolidated statements of recognized income and expenses for 2016 and 2015 due to the effect of equity-consolidated entities:

	Thousand euros			
	Balance in consolidated statements		**Valuation Gains (losses)**	
	2016	**2015**	**2016**	**2015**
Autopista del Sol Concesionaria Española, S.A.	-	-	-	9 414
Autopista del Guadalmedina, Concesionaria Española, S.A.	(8 775)	(6 975)	(2 571)	(3 406)
E.B.N. Banco de Negocios, S.A.	-	-	-	(276)
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.	24 004	27 400	(4 851)	(11 297)
Ingeniería e Integración Avanzadas, S.A. (Ingenia)	(30)	(58)	40	(166)
Hidralia, Gestión Integral de Aguas de Andalucía, S.A.	-	-	-	1 046
Deoleo, S.A.	(777)	(597)	(258)	1 570
Alestis Aerospace, S.L.	(1 989)	(1 530)	(656)	(446)
Cartera Perseidas, S.L.	-	8 288	(11 840)	27 810
Capredo Investments GMBH	-	(856)	1 223	3 596
Corporación Hotelera Oriental, S.A.	-	920	(1 314)	1 271
Other entities	-	(13)	18	35
	12 433	**26 579**	**(20 209)**	**29 151**

24. Tax situation

24.1 Consolidated tax group

The Bank is part of the Tax Group number 660/10 which was created, parented by Fundación Bancaria Unicaja taxed for the purposes of income tax under the Tax Consolidation Regime special as regulated by Title VII, Chapter VIII of the Corporate Income Tax Act approved by Royal Decree Legislative 4/2004 (hereinafter the CITA) and the subsequent modifications.

This Tax Group includes, as investee companies, subsidiaries of Unicaja Banco S.A.U., and which, together with Fundación Unicaja Bancaria, form part of the consolidated Tax Group in 2016:

- Fundación Bancaria Unicaja
- Unicaja Banco, S.A.
- Unicorp Corporación Financiera, S.L.
- Inmobiliaria Acinipo, S.L.U.
- Unigest, S.G.I.I.C., S.A.U.
- Corporación Uninser, S.A.U.
- Gestión de Actividades y Servicios Empresariales, S.A.U
- Andaluza de Tramitaciones y Gestiones, S.A.U.
- Alteria Corporación Unicaja, S.L.U.
- Unimediterráneo de Inversiones, S.L.
- Analistas Económicos de Andalucía, S.L.U.
- Unicorp Patrimonio, Sociedad de Valores, S.A.U.
- Mijas Sol Resort, S.L.
- Unicartera Caja 2, S.L.U.
- Inmobiliaria Uniex Sur, S.A.U.
- Unicartera Gestión de Activos, S.L.U.

- Unicartera Internacional, S.L.U.
- Unimediación, S.L.U.
- Unicartera Renta, S.L.U.
- Gestión de Inmuebles Adquiridos, S.L.U.
- Segurándalus Mediación, S.A., Correduría de Seguros
- Parque Industrial Humilladero, S.L.
- Unicaja Banco, S.A.U.
- Altos de Jontoya Residencial para Mayores, S.L.U.
- Unicaja Gestión de Activos Inmobiliarios, S.A.U.
- Cartera de Inversiones Agroalimentarias, S.L.
- Uniwindet, S.L.
- Baloncesto Málaga, S.A.D.
- La Algara Sociedad de Gestión, S.L.
- Uniwindet Parque Eólico Tres Villas, S.L.
- Uniwindet Parque Eólico Las Lomillas, S.L.
- Uniwindet Parque Eólico Loma de Ayala, S.L.
- Uniwindet Parque Eólico Los Jarales, S.L.
- Pinares del Sur, S.L.
- PropCo Rosaleda, S.L.

The companies Pinares del Sur, S.L. and PropCo Rosaleda, S.L. were included in the consolidation scope in 2016. In addition, Unicorp Corporación Financiera, S.L. and Corporación Uninser, S.A.U. were absorbed by Alteria Corporación Unicaja, S.L.U. during 2016, this being the last year that they will be included in the tax group.

During the year 2015, societies "La Alagra Sociedad de Gestión, SLU", "Uniwindet Parque Eólico Tres Villas, SL", "Uniwindet Parque Eólico Las Lomillas, SL", "Uniwindet Parque Eólico Loma de Ayala, SL "and" Uniwindet Parque Eólico Los Jarales, S.L." have been included in the scope of fiscal consolidation societies.
On the other hand, during 2015, the company “Renta Porfolio, S.L.” was absorbed by “Gestión de Inmuebles Adquiridos, S.L.”

24.2 Financial years open to tax inspection

At the time of preparation of these consolidated financial statements, the Bank is subject to audit by tax authorities all tax obligations of state administration, since its inception in 2010.

As for the remaining taxes regional and local management, is subject to administrative review the fiscal years 2016, 2015, 2014 and 2013.

Due to the different possible interpretations of the tax regulations applicable to the business of financial institutions, tax liabilities that may not be objectively quantified at the present time may arise in the event of a tax inspection. The Group’s Directors and tax advisors consider, however, that the possibility of any significant liabilities, in addition to the amounts recorded in the accounts, is remote.

24.3 Reconciliation of the accounting and tax results

Set out below is the reconciliation between income tax expenses calculated at the general tax rate applicable in Spain and reported tax expense in 2016, as well as the comparative data for 2015:

	Thousand euros	
	2016	**2015**
Profit before tax	190 964	217 026
Income tax (tax rate of 30%)	57 289	65 108
Due to eliminations in the consolidation process.	-	-
Positive permanent differences	5 392	10 417
Negative permanent differences	(27 507)	(18 240)
Royal Decrete - Law 3/2016	31 000	-
Deductions and allowances		
Other deductions	(60)	(61)
Income tax expense	**66 113**	**57 224**

Negative permantent diferences include dividend and capital gains exemptions regulated by Law 27/2014, 27 November, about income tax.

With respect to the main income tax expense/ income in the consolidated income statement (which resulted in a total expense of €66,113 thousand in 2016 and an expense totalling €57,224 thousand in 2015), relates to the current expense/(income) for the year. No adjustments have been made for current or deferred taxes in this year or in prior years, or for any other circumstances established by tax legislation.

Set out below is a breakdown of income tax credits recognized in the consolidated income statements for 2016 and 2015:

	Thousand euros	
	2016	**2015**
Expense/ (Income) from temporary differences of birth	(5 346)	112 079
Expense/ (Income) tax loss carry forwards to offset	68 831	(29 441)
Expense/ (Income) and deductions unapplied credited	2 628	(25 414)
Total expense / (income) income tax	**66 113**	**57 224**

With respect to the income tax recognized in the statements consolidated of recognized income and expenses for 2016 and 2015, the Group charged to consolidated equity a positive amount of €46,142 thousand and €64,197 thousand, respectively, for the following items:

	Thousand euros	
	2016	**2015**
Actuarial gains and losses on defined benefit plans	(182)	(1 151)
Valuation of financial assets available for sale	35 463	74 577
Valuation of derivatives hedging of cash flows	4 808	(456)
Valuation of the exchange differences	(9)	(28)
Valuation of non-current assets for sale	-	-
Valuation of entities using the equity method	6 062	(8 745)
Total expense / (income) income tax	**46 142**	**64 197**

A lower rate was not applied in any of these adjustments and there are no deductible timing differences, losses or tax credits in respect of which deferred tax assets have not been recognized in the balance sheet.

24.4 Temporary differences

In the consolidated balance sheets at 31 December 2015 and 2014, deferred tax assets amount to €2,534,637 thousand and €2,527,090 thousand, respectively, and deferred tax liabilities amount to €225,529 thousand and €283,190 thousand, respectively.

In accordance with current Spanish tax legislation, quantification of assets and deferred tax liabilities is performed by applying to the temporary difference or credit corresponding to the tax rate that is expected to be recovered or settled, with currently applicable to the Group 30%.

Set out below is a breakdown of current and deferred tax assets and liabilities recognized in the consolidated balance sheets at 31 December 2016 and 2015:

	Thousand euros			
	2016		**2015**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Current taxes	**51 089**	**13 578**	**63 554**	**12 214**
Deferred taxes	**2 534 637**	**225 529**	**2 527 090**	**283 190**
Loss carryforwards	646 922	-	617 110	-
Unused tax credits	9 494	-	6 866	-
Temporary differences – insolvencies	1 323 282	-	1 318 215	-
Temporary differences – pensions	73 361	-	68 907	-
Temporary differences - foreclosed assets	76 012	-	69 400	-
Other items	405 566	-	446 592	4 484
Revaluations	-	225 529	-	273 842
Differences timing of recognition	-	-	-	4 864
	2 585 726	**239 107**	**2 590 644**	**295 404**

In this respect, the Bank's directors consider that the deferred tax assets recorded will be realised in the coming years as the tax group to which it belongs obtains taxable profits, as is assumed will occur in the coming years. Most of the tax credits for loss carryforwards pending offset by the Group are due to extraordinary and non-recurring prior year losses that were mainly due to the write-down of loans and real estate assets. In accordance with the Unicaja Banco Group's business plan, which has been approved by the parent entity Board, and according to the projections of taxable profits derived from the business plan and the provision for the absorption of deferred tax assets adjusted to the latest changes in tax legislation, the Bank and its tax group will make profits for tax purposes in the coming years that will allow them to be recovered in reasonably short period without any risk of the expiration of the right to take advantage of deferred tax assets due to loss carryforwards since the maximum term for offsetting those losses has been eliminated.

The most significant estimates in the business plan are the following: (i) the expected profits for each year included in the forecasts, which are consistent with the reports used by the Bank for internal management and for reporting to supervisors, and (ii) the reversibility of the main tax assets recorded on the balance sheet. The basic assumptions of the business plan of Unicaja Banco Group are based on the latest forecasts for the Spanish economy and also take into account the specific circumstances that affect the Group, and are consistent with the risk appetite framework and other documents on which the Group's strategy is based. In addition to the base scenario used to estimate the recoverability of deferred tax assets, the Bank has made a sensitivity analysis, defining more stressed scenarios, based on the inclusion of additional stress on the main macroeconomic forecasts, which do not substantially alter the recovery period for the deferred tax assets mentioned above.

The effectiveness of Royal Decree-Law 14/2013 (29 November) on urgent measures to bring Spanish law into line with European Union regulations on the supervision and solvency of financial institutions basically entails that certain deferred tax assets recognized in the accompanying balance sheet may, subject to certain conditions, be converted into receivables payable by the Tax Administration.

With effect from FY 2016, this regime will be continued through the introduction of a charge that will basically entail the payment of an annual amount of 1.5% of assets eligible to be guaranteed by the Spanish State generated prior to 2016. The accompanying consolidated income statement reflects the effect of this charge.

Unicaja Banco Group has made an initial estimate of the amount of deferred tax assets that could be converted into receivables from the Tax Administration and are thus guaranteed by the Spanish authorities, which total €1,472,655 thousand.

Finally, Royal Decree-Law 3/2016 was published on 3 December 2016, adopting measures in the tax area which include a new limit on the offset of loss carryforwards for large companies with revenue of at least €20 million, the reversal of impairment losses on shares that were tax deductible in pre-2013 tax periods and the non-deductibility of losses incurred on the transfer of equity holdings. The consolidated financial statements of the Unicaja Banco Group at 31 December 2016 include the effect of these tax measures.

24.5 Income included in the Tax Regime for Holding Entities of Foreign Securities

In line with what is established in article 118.3 of the Revised Test of the Corporate Income Tax Law, it is stated that in the tax settlement of CIT corresponding to the tax period of 2015, exemption was declared from certain income obtained by Unicartera Internacional, S.L., applying the Tax Regime for Holding Entities of Foreign Securities, amounting to €426 thousand. In the year 2015, the corresponding amount was €295 thousand.

Unicartera Internacional, S.L. has paid taxes abroad amounting to €100 thousand in 2016 and €72 thousand in 2015.

24.6 Reporting obligations derivating from segregation

a) Information regarding the Special Tax System for Segregation with respect to Corporate Income Tax

In 2011, the General Assembly of Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén (Unicaja) which approved the indirect carrying out of its financial equity through Unicaja Banco S.A. and its incorporation to the segregation of part of its equity, adopted a resolution to apply the Special System for Mergers, Spin-off, Asset Contributions and Share Swaps to the transaction, as regulated by Chapter VII of Title VII of the LIS (above, at the time of application, Chapter VIII of Title VII of TRLIS).

The choice to apply the Special Tax System has been reported to the State Tax Agency in accordance with the provisions of Article 42 of the Corporate Income Tax Regulations.

b) Accounting obligations

The Bank acted as acquirer, in respect of that operation under the special regime for mergers, transfers of assets and exchanges of securities corporate restructuring under Chapter VII of Title VII of the LIS. The information requirements established by this legislation contained in the memory part of the financial statements of the entities involved, for the year 2011.

23.7 Information on the procedure for the state aid recovery declared by the European Commission in relation to the “tax lease system” for the shipbuilding financing.

On 30 October 2013, the Bank received formal notification from European Commission's Directorate General for Competition informing Unicaja Banco of the definitive Decision adopted on 17 July 2013 on the tax regime applicable to certain finance lease agreements, also known as the Spanish tax lease system, classifying the system as "state aid” and urging Spain to take steps to recover the aid from the beneficiaries, which include Unicaja Banco.

The Bank has filed an appeal against this Decision, together with Spain and other institutions affected, at the European Court of Justice, which is pending a ruling.

State Tax Administration Agency has already initiated procedures for the recovery of that State aid with inspection reports to structured, and the refund amount of State aid corresponds to the provisioned by the Bank.

The General Court of the European Union, Judgment of December 17, 2015, annulled the decision of the European Commission on the consideration of "State aid" to the Spanish Tax Lease tax regime for ship financing. This judgment has been appealed by the European Commission before the High Court of Justice of the European Union.

However, one effect of the judgment of the General Court of the European Union is the suspension of the proceedings initiated by the State Tax Agency to settle the repayment of state aid.

The opinion of the Directors and tax advisors of the Bank is that the possibility of material liabilities arising from this procedure, in addition to those already provisioned is remote.

25. Financial instruments liquidity risk

The Asset and Liability and Budget Committee (COAPP), formed by senior executives, is responsible for managing liquidity risk affecting the business and the financial instruments to ensure that there is sufficient liquidity at all times to meet payments on its liabilities at the due dates without undermining the Group’s capacity to respond rapidly to strategic market opportunities.

Liquidity risk is centralized using integrated software tools to analyse liquidity risk based on cash flows estimated by the Group for assets and liabilities, and on collateral or other instruments available to guarantee additional sources of liquidity as needed (e.g. liquidity lines not used by the Group). The Group's liquidity risk position is determined by analysing a variety of scenarios. These analyses taken into account both ordinary market circumstances and extreme conditions that could arise and could affect the flow of collections and payments, due to market factors or internal factors within the Group.

The following table shows contracted maturity dates related to balance sheet amounts of the main entities of the Group (Unicaja Banco and EspañaDuero) at 31 December 2016:

							Thousand euros
Assets	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 and 12 months**	**Between 1 and 5 years**	**More than 5 years**	**Demand and undetermined**	**Total**
Cash, cash balances at Central Banks and other demand deposits	**-**	**-**	**-**	**-**	**-**	**861 711**	**861 711**
Financial assets held for trading	**21 450**	**898**	**6 706**	**34 593**	**13 813**	**872**	**78 332**
Debt securities	-	739	4 232	29 115	3 457	-	37 543
Derivatives	21 450	159	2 474	5 478	10 356	872	40 789
Available-for-sale financial assets	**53 967**	**-**	**155 972**	**665 322**	**3 898 052**	**630 024**	**5 403 337**
Debt securities	53 967	-	155 972	665 322	3 864 454	14 385	4 754 100
Equity instruments	-	-	-	-	33 598	615 639	649 237
Loans and receivables	**377 708**	**2 620 452**	**3 085 599**	**8 050 404**	**15 399 042**	**2 109 753**	**31 642 958**
Debt securities	-	23 875	269 991	321 031	153 764	17 838	786 499
Loans and advances	377 708	2 596 577	2 815 608	7 729 373	15 245 278	2 091 915	30 856 459
Held to maturity investments	**5 240**	**2 169 252**	**394 891**	**3 990 865**	**6 347 335**	**-**	**12 907 583**
Debt securities	5 240	2 169 252	394 891	3 990 865	6 347 335	-	12 907 583
Hedging derivatives	**18 455**	**18 909**	**8 805**	**185 824**	**374 369**	**-**	**606 362**
Investments in subsidiaries, joint ventures and associates	**-**	**-**	**-**	**-**	**-**	**294 099**	**294 099**
Insurance or reinsurance assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Tangible assets	**-**	**-**	**-**	**-**	**-**	**1 437 840**	**1 437 840**
Intangible assets	**-**	**-**	**-**	**-**	**-**	**782**	**782**
Tax assets	**-**	**-**	**-**	**-**	**-**	**2 585 726**	**2 585 726**
Other assets	**-**	**-**	**-**	**-**	**-**	**1 422 101**	**1 422 101**
Total assets	**476 820**	**4 809 511**	**3 651 973**	**12 927 008**	**26 032 611**	**9 342 908**	**57 240 831**

Liabilities	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Demand and undetermined	Total
							Thousand euros
Financial liabilities held for trading	**18 823**	**524**	**710**	**12 294**	**14 051**	**4 417**	**50 819**
Financial liabilities measured at amortized cost	**1 783 054**	**6 809 443**	**6 812 280**	**6 826 054**	**3 728 224**	**26 770 415**	**52 729 470**
Deposits by central Banks	-	-	-	-	-	-	-
Deposits by credit institutions	692 440	1 216 856	9 558	332 479	15 770	197 067	2 464 170
Customer deposits	1 090 533	5 592 526	6 732 428	6 392 791	3 078 675	25 645 010	48 531 963
Debt securities issued	-	-	70 010	100 143	633 692	10 165	814 010
Other financial liabilities	81	61	284	641	87	918 173	919 327
Hedging derivatives	**9 781**	-	-	-	**40 121**	-	**49 902**
Liabilities under insurance contracts	-	-	-	-	-	**3 992**	**3 992**
Provisions	-	-	-	-	-	**707 015**	**707 015**
Tax liabilities	-	-	-	-	-	**239 107**	**239 107**
Other liabilities	-	-	-	-	-	**277 399**	**277 399**
Total liabilities	**1 811 658**	**6 809 967**	**6 812 990**	**6 838 348**	**3 782 396**	**28 002 345**	**54 057 704**
Differences	**(1 334 838)**	**(2 000 456)**	**(3 161 017)**	**6 088 661**	**22 250 215**	**(18 659 437)**	**3 183 127**

Memorandum item	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Demand and undetermined	Total
							Thousand euros
Contingent risks	-	-	-	-	-	**1 065 777**	**1 065 777**
Drawable by third parties	-	-	-	-	-	**2 505 065**	**2 505 065**
Available immediately	-	-	-	-	-	2 151 558	2 151 558
With conditionally	-	-	-	-	-	353 507	353 507
Total contingent liabilities and commitments	-	-	-	-	-	**3 570 842**	**3 570 842**

The following table shows contracted maturity dates related to balance sheet amounts of the main entities of the Group (Unicaja Banco and EspañaDuero) at 31 December 2015:

Assets	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Demand and undetermined	Total
							Thousand euros
Cash, cash balances at Central Banks and other demand deposits	-	-	-	-	-	**1 990 763**	**1 990 763**
Financial assets held for trading	-	-	-	**34 600**	**3 496**	-	**38 096**
Debt securities	-	-	-	34 600	3 496	-	38 096
Other equity instruments	-	-	-	-	-	-	-
Available-for-sale financial assets	**227 494**	**74 757**	**78 532**	**2 449 418**	**6 178 919**	**673 579**	**9 682 699**
Debt securities	227 494	74 757	78 532	2 449 418	5 943 503	-	8 773 704
Other equity instruments	-	-	-	-	235 416	673 579	908 995
Loans and receivables	**1 312 735**	**840 010**	**3 021 745**	**7 933 450**	**18 941 142**	**3 385 504**	**35 434 586**
Loans and advances to credit institutions	123 782	1 816	15 535	52 935	6 002	36 013	236 083
Loans and advances to other debtors	1 188 953	838 092	2 841 318	7 287 505	18 774 985	3 349 491	34 280 344
Debt securities	-	102	164 892	593 010	160 155	-	918 159
Investment portfolio held to maturity	**5 240**	**1 516 663**	**269 832**	**2 084 899**	**3 362 966**	-	**7 239 600**
Debt securities	5 240	1 516 663	269 832	2 084 899	3 362 966	-	7 239 600
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	**918 874**	**918 874**
Insurance or reinsurance assets	-	-	-	-	-	**142 311**	**142 311**
Tangible assets	-	-	-	-	-	**1 204 299**	**1 204 299**
Other assets	-	-	-	-	-	**3 631 098**	**3 631 098**
Total assets	**1 545 469**	**2 431 430**	**3 370 109**	**12 502 367**	**28 486 523**	**11 946 428**	**60 282 326**

Liabilities	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Demand and undetermined	Total
							Thousand euros
Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities at amortized cost	**3 065 000**	**4 072 573**	**9 162 992**	**9 082 647**	**4 918 401**	**25 431 902**	**55 733 515**
Deposits from Central banks	1 450	-	-	2 414 680	-	906	2 417 036
Deposits from credit institution	371 679	308 214	101 551	129 555	41 451	293 302	1 245 752
Deposits from other creditors	2 691 871	3 271 580	9 053 451	6 398 242	4 215 604	24 175 724	49 806 472
Debt securities	-	492 779	-	140 170	57 346	-	690 295
Subordinated liabilities	-	-	7 990	-	604 000	9 617	621 607
Other financial liabilities	-	-	-	-	-	952 353	952 353
Hedging derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Provisions	**-**	**-**	**-**	**-**	**-**	**769 359**	**769 359**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**896 369**	**896 369**
Total liabilities	**3 065 000**	**4 072 573**	**9 162 992**	**9 082 647**	**4 918 401**	**27 097 630**	**57 399 243**
Difference	**(1 519 531)**	**(1 641 143)**	**(5 792 883)**	**3 419 720**	**23 568 122**	**(15151 202)**	**2 883 083**

Memorandum items	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Demand and undetermined	Total
							Thousand euros
Contingent risks	**-**	**-**	**-**	**-**	**-**	**1 090 735**	**1 090 735**
Drawable by third parties	**-**	**-**	**-**	**-**	**-**	**2 694 555**	**2 694 555**
Available immediately	-	-	-	-	-	2 130 851	2 130 851
With conditionally	-	-	-	-	-	563 704	563 704
Total contingent liabilities and commitments	**-**	**-**	**-**	**-**	**-**	**3 785 290**	**3 785 290**

The details of the contractual maturities of derivative financial liabilities and non-derivative at year-end 2016 and 2015, is as follows:

31 December 2016	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Demand and undetermined	Total
							Thousand euros
Non-derivative financial liabilities	1 814 758	6 815 039	6 818 534	6 834 500	3 733 259	26 829 365	52 845 455
Financial liabilities at amortized cost (including embedded derivatives)	1 781 234	6 809 458	6 812 280	6 826 054	3 728 226	26 772 228	52 729 480
Financial guarantees issued	33 524	5 581	6 254	8 446	5 033	57 137	115 975
Derivative financial liabilities	39 312	767	952	12 293	45 522	1 891	100 737
	1 854 070	**6 815 806**	**6 819 486**	**6 846 793**	**3 778 781**	**26 831 256**	**52 946 192**

							Thousand euros
31 December 2015	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 and 12 months**	**Between 1 and 5 years**	**More than 5 years**	**Demand and undetermined**	**Total**
Non-derivative financial liabilities	2 533 046	4 082 117	9 533 218	9 008 526	4 475 942	26 058 573	55 691 422
Financial liabilities at amortized cost (including embedded derivatives)	2 528 763	4 075 789	9 523 379	8 973 382	4 467 996	26 008 014	55 577 323
Financial guarantees issued	4 283	6 328	9 839	35 144	7 946	50 559	114 099
Derivative financial liabilities	264	1 688	8 291	58 578	164 256	-	233 077
	2 533 310	**4 083 805**	**9 541 509**	**9 067 104**	**4 640 198**	**26 058 573**	**55 924 499**

These maturity statements are based on the following criteria:

- The data presented are static; estimates do not include business growth scenarios, early repayments or loan renewals, considering only contractual flows from loans actually arranged and recognized in the balance sheet of Unicaja Banco and EspañaDuero.

- Accounting data are presented, i.e. they do not systematically reflect cash flows from operations, unlike operations carried at fair value. All balances without maturity dates, or with maturities based on a counterparty decision, are included in the categories "held at call" or "undetermined".

- In the case of derivative financial instruments (the vast majority of which are subject to margin requirements), the Unicaja Banco Group reports the estimated next net margin settlement as a cash outflow.

- The cash outflows included in the above maturity table are the amounts stipulated in the relevant contracts, and are based on past experience and the Group's current situation, so that the probability of early cancellation of deposits or other liability positions is deemed very low.

- The Unicaja Banco Group provides information on contingent exposures (including financial guarantees) and amounts drawable by third parties in the above table. A significant part of the contingent exposures will reach maturity without generating any payment obligation, so that the total balance of these commitments cannot be regarded as an actual future need for financing or liquidity to be granted to third parties by the Group. The Unicaja Banco's liquidity management scenarios include the utilization by third parties of drawable amounts although, based on past experience, this does not significantly affect the Group's structural maturity profile.

- Finally, the above maturity table does not include forecast future cash flows because their presentation would require rate curve and liability structure scenarios and estimates. However, the Unicaja Banco Group does not consider this information to be essential for the analysis of its liquidity risk, since interest expense and similar charges are not significant in comparison with the balance sheet total and are well below the interest generated by its assets.

The Group manages liquidity risk to ensure that its payment commitments are honored, by adequately controlling cash flows and the assets that are available to cover any liquidity mismatches. The Group thus considers that the maturity tables present the most relevant picture of its liquidity situation at a given date.

The Bank establishes product policies and objectives addressing both ordinary market circumstances and contingency plans for stress or crisis situations occurring internally or in the market. Three basic approaches are combined to meet these objectives:

- Asset management: analysis of maturities, possibility of sale, degree of liquidity, potential use as collateral, among other aspects.
- Liability management: analysis of maturities, diversification of business sources, maturities that differ from contractual maturities, behavior in the event of interest rate movements, etc.

- Market access: financing capacity in wholesale markets and time required to obtain such financing, among other aspects.

The Group ensures that its consolidated balance sheet assets include a significant volume of liquid assets, allowing liquidity risk to be easily managed, the main liquid assets being:

- Balances held at call with central banks and credit institutions.
- Assets acquired under short-term repo agreements.
- Fixed income securities discountable at the European Central Bank.
- Listed equity securities.

The Group also has the capacity to issue covered bonds and territorial bonds to obtain new funding if the need arises.

26. Fair value

26.1 Fair value of financial assets and liabilities not carried at fair value

The estimate of the fair value at 31 December 2016 and 2015 of the financial assets and liabilities carried in the consolidated balance sheet at amortized cost is performed as follows:

- For financial assets and liabilities referenced to a variable interest rate, the Group considers that their carrying amount does not differ significantly from their fair value, as the initial counterparty credit risk conditions have not varied significantly.

- In the case of un-hedged fixed-rate financial assets and liabilities, their fair value each year is obtained by discounting cash flows at the risk-free interest rate (the rate for Spanish government securities) for each period, adjusted to account for the credit spread on the instrument. In view of the maturity period and relative balance of these instruments, the difference between their amortized cost and fair value is not significant at 31 December 2016 and 2015.

However, in an economic and financial crisis environment such as the present one and given that there is no market for such financial assets, the amount by which such assets could be exchanged between interested parties could differ from their net book value.

26.2 Listed instruments at amortized cost

At 31 December 2016 and 2015, the estimated fair value of financial assets and liabilities carried at amortized cost in the balance sheet while listed on markets does not differ significantly from the carrying amounts of the instruments.

Set out below is a breakdown at 31 December 2016 and 2015 of the carrying amount and fair value of the Unicaja Banco Group's financial instruments carried at amortized cost that are listed on markets:

		Thousand euros			
		2016		2015	
Section of the balance	**Type of instrument**	**Book value**	**Fair value**	**Book value**	**Fair value**
Loans and receivables	Debt securities	786 499	804 778	963 772	976 328
Held-to-maturity investments	Debt securities	12 907 583	13 235 197	7 239 598	7 333 165
Financial liabilities at amortized cost	Marketable debt securities	199 845	199 845	681 225	681 225

26.3 Financial instruments carried at cost because there is no active market.

The equity instruments in the portfolio of available-for-sale financial assets the fair value of which cannot be determined in a sufficiently reliable manner are carried in the Unicaja Banco Group's consolidated annual accounts at cost, net of any impairment losses calculated as described in Note 2.7.

The consolidated carrying amount of these equity instruments at 31 December 2016 and 2015 totals €226,139 thousand and €151,087 thousand, respectively. The following should be noted in connection with these instruments:

- No information is disclosed in the notes to the consolidated annual accounts on the fair value of the instruments since it cannot be reliably calculated.

- These equity instruments have no listed price on active markets or reasonable measurement of fair value (i.e. it is not possible to reliably apply a cash-flow discounting method, a comparable company multiple or an adjusted equity value that is sufficiently objective), and no market transactions or acquisition bids have recently been completed or made.

There is no sufficiently liquid active market for the instruments in this situation. However, the Group does not plan to hold them for trading or to sell or dispose of them by other means.

26.4 Information on equity instruments

At year-end 2016, there are no investments in listed equity instruments in the portfolio of available for sale financial assets that meet any of the conditions of Note 2.7 to be considered as impaired. At year-end 2015, investments in listed equity instruments that fulfilled, separately, any of the ranges indicated in Note 2.7 of these Notes were as follows:

							Thousand euros
							31 December 2015
Share	Cost	Fall > 40%	Fair value	Losses	> 18 months	Impaired registry	Coverage
COEMAC	19 778	SI	2 244	(17 534)	NO	SI	(17 534)

At December 31, 2016 and 2015, there are no quoted equity instruments for which has not been taken as a reference to fair value its stock price.

26.5 Fair value of the financial assets and liabilities registered at fair value

The following shows a breakdown of the fair values of the headings on the balance sheets as at 31 December 2016 and 2015, divided by classes of assets and liabilities and at the following levels:

- o Level 1: Financial instruments the fair value of which is determined by taking the quoted prices on active markets or that correspond to recent transactions (latest twelve months) that have been updated to the current conditions.

- o Level 2: Financial instruments the fair value of which is estimated on the basis of quoted prices in organized markets for similar instruments or applying valuation techniques in which all the significant inputs employed are based upon data that are directly or indirectly observable on the market.

- o Level 3: Financial instruments the fair value of which is estimated on the basis of valuation techniques in which some inputs are not based on data observable on the market.

					Thousand euros
					2016
					Fair value
	Book value	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets					
Financial assets held for trading	78 330	78 330	39 529	38 695	106
Debt securities	37 542	37 542	37 542	-	-
Equity instruments	-	-	-	-	-
Derivatives	40 788	40 788	1 987	38 695	106
Available-for-sale financial assets (Note 26)	5 403 336	5 177 197	5 073 107	104 090	-
Debt securities	4 754 099	4 754 099	4 681 970	72 129	-
Equity instruments	649.237	423 098	391 137	31 961	-
Hedging derivatives	606 362	606 362	-	603 728	2 634
Liabilities					
Financial liabilities held for trading	50 820	50 820	-	50 454	366
Derivatives	50 820	50 820	-	50 454	366
Hedging derivatives	49 902	49 902	-	49 902	-

	Thousand euros				
	2015				
					Fair value
	Book value	Total	Level 1	Level 2	Level 3
Assets					
Financial assets held for trading	94 012	94 012	39 895	54 012	105
Debt securities	38 096	38 096	38 096	-	-
Equity instruments	-	-	-	-	-
Derivatives	55 916	55 916	1 799	54 012	105
Available-for-sale financial assets (Note 26.3)	9 810 055	9 658 968	9 497 591	156 891	4 486
Debt securities	8 811 917	8 811 917	8 776 491	30 940	4 486
Equity instruments	998 138	847 051	721 100	125 951	-
Hedging derivatives	738 060	738 060	-	729 209	8 851
Liabilities					
Financial liabilities held for trading	125 280	125 280	-	125 242	38
Derivatives	125 280	125 280	-	125 242	38
Hedging derivatives	107 797	107 797	-	107 797	-

Set out below are movements during 2016 and 2015 in the fair value of the different types of financial instruments classed in Level 3 under IFRS 13:

	Thousand euros				
	Financial assets held for trading			Available-for-sale financial assets	
	Debt securities	Derivatives (assets)	Derivatives (liabilities)	Debt securities	Equity instruments
Balance at 31/12/2015	**-**	**105**	**38**	**4 486**	**-**
Instruments aditions	-	-	350	-	-
Instruments disposals	-	-	-	(3 513)	-
Fair value changes recognized in income	-	1	(22)	-	-
Fair value changes recognized in equity	-	-	-	(494)	-
Level transfers	-	-	-	(479)	-
Loans and receivables transfers	-	-	-	-	-
Transfer to held-to-maturity investments	-	-	-	-	-
Balance at 31/12/2016	**-**	**106**	**366**	**-**	**-**

					Thousand euros
	Financial assets held for trading			Available-for-sale financial assets	
	Debt securities	Derivatives (active)	Derivatives (liabilities)	Debt securities	Equity instruments
Balance at 31/12/2014	**-**	**1 389**	**175**	**254 876**	**-**
Instruments aditions	-	-	-	3 303	-
Instruments disposals	-	(1 389)	(77)	-	-
Fair value changes recognized in income	-	105	(60)	-	-
Fair value changes recognized in equity	-	-	-	(540)	-
Level transfers	-	-	-	(253 153)	-
Loans and receivables transfers	-	-	-	-	-
Transfer to held-to-maturity investments	-	-	-	-	-
Balance at 31/12/2015	**-**	**105**	**38**	**4 486**	**-**

Changes in fair value recognized in income are recorded in the consolidated income statement under the heading "Gains or (-) losses on financial assets through profit or loss", while adjustments in fair value recognized in equity are recognized under financial assets available for sale in the statement of recognized income and expense consolidated

For the valuation of financial instruments Level 3 in the fair value hierarchy, characterized by using unobservable inputs on market data, the Bank uses models generally accepted as standard methods including credit institutions, among which the Model Hull & White, the Longstaff and Schwartz method, the Monte Carlo method or the Black-Scholes model.

These theoretical valuation models are fed largely with observed data directly from the market through connections with Bloomberg and Reuters, in relation to the volatility of the underlying, the curves of interest rates, the correlations between the underlying, dividends and CDS (Credit Default Swaps), etc. As for the unobservable data, the Group uses generally accepted in the market for its estimate assumptions, including, among others:

- Have implied volatilities derived from options.
- Determine zero coupon curves from deposits and swaps traded in each currency from a process of "bootstrapping".
- Get the discount factors or implicit rates required for valuations under an assumption of no arbitrage opportunity (AOA).
- Resorting to historical data for the evaluation of correlations, generally using the weekly yields of the underlying during a historical period between 1 and 4 years.
- Build the curve estimated from future asset dividend in the event that they are liquid traded and dividends.
- Estimate dividends from dividends implicit in options on that asset (stock or index) listed on the market.
- Use the dividends forecast by market providers (Bloomberg, Reuters or DataStream) if there are no dividends futures or options quotes the asset.

Upon the valuation of financial instruments Level 3, the effect on fair value would be a variation within a reasonable range, the assumptions used in the valuation, concluding in each case measured the sensitivity of the fair value changes in the unobservable variables is not significant at December 31, 2016 and 2015, thereby applying no breakdown of information in memory on reasonably possible alternative assumptions in the valuation.

26.6 Valuation methods used

The following methods were used by the Unicaja Banco Group to calculate the fair value of the main financial instruments recognized in the balance sheet:

- **Debt securities**: The fair value of listed debt instruments is determined on the basis of their price in official markets (Bank of Spain's Book-Entry System), AIAF, AIAF panels (credit institutions), or by applying prices obtained from information service providers, mainly Bloomberg and Reuters, whose prices are built using the prices notified by contributors.

- **Equity instruments**: The fair value of listed equity instruments is determined based on their price in official markets. The fair value of unlisted equity instruments is determined taking into account independent expert valuations performed using the following methods, among others:

    - Discounted cash flows (free operating cash flows or dividends), applying a discount rate based on each investee's operational and financial exposure, calculated using a risk-free rate and including a risk premium.

    - Multiple of comparable listed companies (EV/EBITDA, PER, Price/Book value, Price/Premiums), less an illiquidity discount.

    - NAV (Adjusted Net Asset Value): Obtained by adding capital gains, calculated as the difference between the market value and carrying amount of assets, to reported shareholders' funds. For venture capital entities, NAV is calculated by the management companies and generally estimated applying European Venture Capital Association regulations and the provisions of CNMV Circular 5/2000 (19 September).

    - Price resulting from market transactions or acquisition bids made or received near to the valuation date.

- **Derivative instruments**: The fair value of interest rate derivatives is determined, for optional financial instruments (mainly swaps), by discounting future flows using implied money market curves and the swap curve; for optional interest-rate derivatives, generally accepted valuation methods based on the Black-Scholes model and implicit volatility matrices are used. In the case of derivatives on equity instruments or stock market indices contracted to hedge customers structured deposits containing an embedded derivative, and currency derivatives without optional components, the fair value is obtained by discounting cash flows estimated using forward curves for the relevant underlying instrument, listed on the market; for options, generally accepted methods based on the Black-Scholes model are used, allowing options on these underlying instruments to be valued applying a closed formula and using only market inputs. Where applicable, models and severities in line with the market are used to calculate CVA and DVA. In order to obtain Unicaja Banco's spread, generic spread vs. swap curves are calibrated on a recurring basis using ratings for different debt issues by Spanish financial institutions with differing priority levels, including senior debt.

26.7 Tangible assets fair value

On 1 January 2004, the Group availed itself of the provisions of IFRS 1 “First time Adoption of International Financial Reporting Standards”, under which to restate the majority of its real estate assets, generating a gross gain of €227,811 thousand.

Subsequently, on June 21, 2013 tax efficiency to revaluation reserves recorded in connection with the entry into force of Circular 4/2004 Bank of Spain, corresponding to 516 properties for own use is granted, with a revaluation associated with same of €54,850 thousand, already recorded in equity.

At December 31 of 2016 and 2015, the Group considers that there are no significant differences between the book value and the fair value of these assets.

27. Credit risk exposure

Credit risk refers to the losses that the Group would incur in the event that a customer or counterparty failed to comply with the contracted payment obligations. This risk is inherent in the financial system’s traditional banking products (loans, credit lines, financial guarantees provided) and in other types of financial assets.

Credit risk affects both financial assets carried at amortized cost in the financial statements and assets carried at fair value. Irrespective of the accounting method used to record the Group’s financial assets in these financial statements, the Parent Entity applies the same credit risk control policies and procedures.

The Group’s credit risk control policies, methods and procedures are approved by the Entity’s Board of Directors. The Entity’s Control Committee, Audit Committee and Internal Supervision and Risk Control Department are responsible, among other functions, for ensuring compliance with these policies, methods and procedures, as well as for monitoring their adequacy, effective implementation and regular review.

The Group’s credit risk control activities are carried out by the Risk Control Department, which reports to the Group’s Planning and Control Division. This unit is responsible for implementing the credit risk control policies, methods and procedures approved by the Group’s Board of Directors. It monitors counterparty risk by establishing, among others, the credit quality parameters to be assigned to the Group’s operations, and credit risk hedging requirements, in accordance with the Entity’s internal policies and applicable legislation. The Risk Control Unit is also responsible for applying the Entity’s risk concentration limits, approved by the Board of Directors.

The Group has policies and procedures to limit counterparty risk concentration for both individual counterparties and groups of companies. The Group establishes risk concentration limits taking into account factors such as the counterparty’s business activities, geographical location and other common features. The Group performs sensitivity analyses to estimate the effects of possible changes in non-performing loan ratios in each risk concentration group, imposing limits on concentration based on the findings.

The Group did not maintain concentrations of risk of a significant nature to December 31, 2016 and 2015. Total mortgage-backed risk remained with the private sector living in Spain amounted to €18,625,462 thousand and €20,645,589 thousand at 31 December 2016 and 2015, respectively.

Therefore, Unicaja Banco has a “Credit scoring” system which considers the multiple characteristics of the operations and the debtors, and, attending to the past experience and the best market practices, it provides a mechanism for the Bank to distinguish, attending to credit risk, those operations that may be formalized by the Bank from those that are not recommended to be formalized by the Group. The criteria for distinguishing operations at the contracting date, using this system, are approved by the Bank’s executives and review mechanisms are in place to ensure that the system is continuously updated.

The maximum credit risk to which Unicaja Banco Group is exposed is measured at nominal value for financial assets carried at amortized cost. The measurement of the Group's maximum credit risk takes into account offset agreements concluded with certain counterparties.

Notes 8, 9 and 10 provide details of the Bank's maximum credit risk exposure. As the Bank's credit risk information provided in these notes does not take into account guarantees received, derivative financial instruments contracted to hedge credit risk and other similar hedges, these data differ from the Bank's internal analyses of exposure to credit risk.

Internally, the Bank classifies financial assets subject to credit risk based on the characteristics of each operation, taking into account the specific counterparty and guarantees obtained, among other aspects.

The cumulative amount of expired products and uncollected financial assets, according to the criteria explained in Note 2.7, have not been accounted for accrued as of December 31, 2016 and 2015 amounted to €95,319 thousand and €135,726 thousand, respectively.

Regarding lending operations Unicaja Banco Group retail mortgage segment have limits on the variation of interest rates, consider the statements that various courts are taking place regarding the validity of these agreements, respect concrete entities, following the judgment of the Supreme Court dated May 9, 2013 and following the judgment of the Court dated July 16, 2014 and March 25, 2015, under which, once declared void by court ruling , those agreements limited to changes in interest rates lack of transparency, the borrower shall refund the interest rate differential would have paid in implementation thereof from the date of publication of the judgment of May 2013.

Particular attention should be paid to the judgement delivered by Commercial Court No. 11 of Madrid dated 7 April 2016 following a collective action presented on 11 November 2010 by the Spanish Association of Users of Banks, Savings Banks and Insurance (ADICAE) and a high number of additional claimants against practically all Spain's financial institutions (Unicaja Banco and EspañaDuero among them), which had included conditions of this kind in their mortgage loan contracts with individuals, requiring that financial institutions eliminate certain opaque limits on interest rate fluctuations on the grounds that they are abusive, and to reimburse the amounts unduly paid to consumers as from the date of the Supreme Court judgement of 9 May 2013, plus interest at the legal rate. This judgement has been appealed against before the Madrid Provincial Court, and its provisional enforcement has not been ordered. Also worthy of attention is the judgement of 13 April 2016 by the Provincial Court of León following a collective action brought by the Association of Banking Service Users (AUSBANC) against EspañaDuero in relation to conditions of this kind included in mortgage loans arranged in the past by Caja España de Inversiones. The ruling obliges certain limits on interest rate fluctuations contained in loan agreements signed by Caja España de Inversiones to be annulled due to a lack of transparency.

These judgements corroborate the view that, once a certain covenant on the limitation of interest rate fluctuations has been declared null and void, the refund to the borrower should consist of the difference between the rates involved accruing since the date of publication of the Supreme Court judgement in May 2013. In this respect, on 13 July 2016 the Advocate General of the Court of Justice of the European Union issued a non-binding opinion stating that the application of retroactivity under the Supreme Court's approach (i.e. calculating the interest rate differential since May 2013) was compatible with EU legislation.

Notwithstanding the foregoing, the doctrine of the Supreme Court on the limitation of the effects of the nullity of certain covenants limiting fluctuations in interest rates resulted in a number of preliminary rulings being requested from the European Court of Justice to determine whether that approach is compatible with European Union law. These preliminary ruling requests were resolved on by the European Court of Justice in its judgment of 21 December 2016. According to this judgement, the time limit on the effects derived from the declaration of nullity of the covenants deprives Spanish consumers that entered into a mortgage loan contract before the date of the Supreme Court judgement of the right to obtain a refund of the amounts incorrectly paid to the banking institutions; therefore, this limit gives rise to incomplete and insufficient protection which is not an appropriate and efficient measure as required by Directive 93/13/EEC. To date, the Supreme Court, whose doctrine has been followed by all Spanish judicial authorities, has not expressed a general view on the consequences of the European Court of Justice ruling, expressing itself only in regard to specific cases such as the ruling, published on 15 February 2017, confirming the judgment of the Provincial Court of Barcelona on the total retroactivity of the nullity of the contractual conditions of a specific financial institution, in relation to appeal for reversal 740/2014.

In any event, in relation to the scope of the rulings delivered in proceedings involving collective actions, the judgements of the Supreme Court of 19 September 2016 and 12 December 2016 must also be noted, which indicate that the automatic extension of the effects of a res judicata derived from the upholding of a collective action, as well as not being envisaged in the regulations governing collective actions, could undermine the autonomy of consumers who do not want this nullity to apply to their contracts, or curtail the possibilities of an individual challenge if the class suit is dismissed. Therefore, if the amounts in question are actually to be refunded to consumers, it is necessary for individual actions to be brought and judgments to be delivered on this issue by the relevant courts.

Whatever sense of sentences that fall in these proceedings, it must be regarded as the same may be appealed by any of the parties concerned, in the courts covered by the procedural law. In this regard, the Unicaja Banco Group believes that the covenants in its mortgage loan deeds, set limits on the variation of the interest rate, are fully in accordance with the law, and have not been declared invalid by sentence.

Finally, on 21 January 2017 Royal Decree-Law 1/2017 was published in the Official State Gazette, which lays down measures aimed at protecting consumers whose mortgage loan contracts contain limits on interest rate fluctuations, in order to facilitate the possibility of coming to an agreement with credit institutions to resolve the controversies that have arisen as a result of recent court rulings on this area. These measures are additional to those laid down in the relevant legislation, which envisages an out-of-court arrangement which can be used voluntarily by consumers without any additional costs.

At 31 December 2016, the provisions have been recorded which are considered necessary to cover possible capital losses on assets and to cover the outcomes of risks and contingencies that might affect the Group. In this respect, the Unicaja Banco Group has provided for €392 million at 31 December 2016. This includes €130 million allocated by the Group to existing provisions following the ruling by the European Court of Justice on 21 December 2016.

Practices for the responsible granting of loans and credit facilities to consumers.

Order EHA/2899/2011 (28 October) on banking service customer transparency and protection enables the general principles established by Law 2/2011 on Sustainable Economy, with respect to the responsible granting of loans and credit facilities to consumers, such that the relevant obligations are introduced so that the Spanish financial system improves the levels of prudence applied to granting these types of transactions, to the benefit of customers and market stability.

Bank of Spain Circular 5/2012 (27 to June) defines the concept of "responsible lending", and establishes the responsible lending policies and procedures that are summarised below:

- When entities offer and grants loans or credit facilities to customers they must act with honesty, impartiality and professionalism, in accordance with the personal and financial situation of customers, together with their preferences and objectives.

- The entities that grant loans or credit facilities to the customers referred to by Rule Two of Circular 5/2012 must have specific policies, methods and procedures for studying and granting such loans or credit facilities to those customers, and they must be adequately documented and justified, approved by the Board of Directors or equivalent body, and include the general principles mentioned in Appendix 6 to that Circular. The aforementioned policies, methods and procedures, which must remain up-to-date, as well as the supporting documents regarding their approval by the entity's Board of Directors or equivalent body, must be available at all times to the Bank of Spain.

- The general principles referred to in the preceding section must be applied by entities and understood by its customers in a responsible way, such that the latter must provide the former with complete and accurate information regarding their financial situation and their desires and needs with respect to the purpose, amount and other conditions of a loan or credit facility, and the entities must appropriately inform its customers as to the characteristics of its products that adapt to their requests.

Unicaja Banco has detailed policies, methods and procedures to ensure that loans and credit facilities are granted responsibly to consumers. The principles that have been developed for this purpose are in line with the Bank's current situation, with the "Credit Risk Policy, Task and Procedures Manual" approved by the Bank's Board Directors on 29 December 2016, as well as with the regulatory requirements established by the Bank of Spain, and includes the following points:

- Criteria for the granting of credit associated with the borrower's payment capacity.
- A transaction repayment plan that meets the needs of the customer.
- Prudent relationship between the amount of the transaction and the value of any collateral.
- Transaction marketing policy.
- Collateral appraisal policy.
- Consideration of the variability of interest rates and exchange rates when granting loans denominated in a foreign currency.
- Hedging of interest rate risk
- Policy of exceptions to transaction conditions.
- Customer warnings regarding the failure to comply with payment obligations.
- Debt renegotiation policy (Note 10.1).
- Information regarding the cost of services associated with the granting of the credit transaction.
- The obligation to inform homebuyers when subrogating to a developer loan.
- Other aspects of the policies and procedures for granting responsible loans.

To ensure compliance with those principles and criteria the Group has implemented diverse control procedures when managing risks, most importantly the existence of various approval areas that ensure adequate levels of examination of decisions in accordance with their complexity and the proper evaluation of the customer risk profile and payment capacity.

Remote recovery financial assets

Set out below are movements during 2016 and 2015 in the Entity's impaired financial assets that are not carried in the balance sheet consolidated since the probability of recovery is deemed to be remote, even though the Group has not discontinued actions to recover the amounts receivable:

	Thousand euros	
	2016	**2015**
Remote recovery financial assets balance at 1 January	**2 391 303**	**1 851 150**
Additions-	**420 628**	**1 186 909**
Through impairment assets value adjustments (Note 10.3)	343 892	851 487
Through profit and loss	43 171	73 623
Uncollected expired products	33 565	206 567
Other	-	55 232
Recoveries-	**(697 046)**	**(646 756)**
Cash collections	(64 857)	(108 126)
Foreclosed assets	(4 325)	(5 670)
Write-offs sale	(337 462)	-
Other	(290 402)	(532 960)
Remote recovery financial assets balance at 31 December	**2 114 885**	**2 391 303**

On 15 December 2016 the Group entered into a contract for the sale of a non-performing loan portfolio amounting to €449,887 thousand relating to loans with private persons and SMEs (this figure includes non-managable NPLs amounting to €112,425 thousand).

In 2016 and 2015, the recovery movement identified as "for other causes" relates mainly to loans that cease to be treated as remote recovery assets when the Group rules out any possibility of recovery**.**

The net amount in the consolidated income statement for the years 2016 and 2015 as a result of movements in these assets amounts a positive amount of €21,686 thousand and a negative amount of €22,796 thousand, respectively. These amounts are due mainly to:

- Loans that were classified during the period as "remote recovery assets" and had not been provisioned; they were therefore written off the consolidated balance sheet directly through the income statement, having a negative impact of €43,171 thousand and €73,623 thousand in 2016 and 2015, respectively.

- Loan classified as "remote recovery assets" in the previous period in respect of which amounts have been collected, having a positive effect of €64,857 thousand and €50,827 thousand in 2016 and 2015, respectively.

Exposure to sovereign risk

With respect to sovereign risk, the breakdown of credit risk exposures to central governments held by the Group at December 31, 2016 and 2015 is as follows:

				Thousand euros
				2016
	Financial assets held for trading	**Available-for-sale financial assets**	**Held-to-maturity investments**	**Loans and receivables**
Spain	26 575	3 842 615	7 577 937	-
Italy	-	99 256	1 268 288	-
Portugal	-	50 800	-	-
	26 575	**3 992 671**	**8 846 225**	**-**

				Thousand euros
				2015
	Financial assets held for trading	**Available-for-sale financial assets**	**Held-to-maturity investments**	**Loans and receivables**
Spain	26 914	7 007 594	3 258 586	-
Italy	-	-	-	-
Portugal	-	-	-	-
	26 914	**7 007 594**	**3 258 586**	**-**

Debt securities credit quality

Set out below is the accounting classification by portfolio of the debt securities recognized in the Unicaja Banco Group's consolidated annual accounts at 31 December 2016 and 2015:

	Thousand euros	
	2016	**2015**
Financial assets held for trading	37 542	38 096
Available-for-sale financial assets	4 754 099	8 811 917
Loans and receivables	786 499	963 772
Held-to-maturity investments	12 907 583	7 239 598
	18 485 723	**17 053 383**

At 31 December 2016 and 2015, the balances included in the above table were not classed as doubtful, impairment adjustments having been recognized only for general coverage purposes in the amount of €78 thousand and €80 thousand, respectively. Set out below is a breakdown of these securities by credit rating at 31 December 2016 and 2015:

	Thousand euros	
	2016	**2015**
Rating Aaa	-	12 017
Rating Aa1-Aa3	113 508	119 299
Rating A1-A3	544 687	554 875
Rating Baa1-Baa3	14 896 572	13 325 801
Rating Ba1-Ba3	84 603	71 915
Rating B1-C	37 940	38 982
Sin rating crediticio (*)	2 808 413	2 930 494
	18 485 723	**17 053 383**

(*) At 31 December 2016 and 2015, this quantity includes mainly bonds issued by Fondo de Reestructuración Ordenada Bancaria (FROB) and by Sociedad de Activos Procedentes de la Reestructuración Bancaria, S.A. (SAREB).

Loans and advances to customers quality

Set out below loans and receivables portfolio details at 31 December 2016 and 2015

	Thousand euros			
	2016		2015	
	Total	***Of which*: Non-performing**	**Total**	***Of which*: Non-performing**
Gross balance	32 729 529	3 215 128	35 433 180	3 555 524
Value adjustments for asset impairment	1 999 360	1 262 230	2 344 570	1 654 247
Of which: calculated individually	317 570	317 570	898 636	898 636
Of which: calculated collectivelly	1 681 790	944 660	1 445 934	755 611
Net balance	**30 730 169**	**1 952 898**	**33 088 610**	**1 901 277**

On the other hand, as regards the guarantees received and the financial guarantees granted, the following are detailed as of December 31, 2016 and 2015:

	Thousand euros	
Collateral received	**2016**	**2015**
Value of securities	21 048 718	23 323 435
Of which: guarantees non-performing risks	*1 887 869*	*2 354 822*
Value other guarantees	1 994 088	1 835 199
Of which: guarantees non-performing risks	*99 742*	*101 155*
Total value of colateral received	**23 042 806**	**25 158 634**

Financial securities granted	Thousand euros 2016	2015
Loan commitments	2 505 065	2 595 953
Of which amount classified as non-performing	88 160	94 710
Amount at balance sheet liability	10 219	-
Financial securities granted	90 079	114 100
Of which amount classified as non-performing	-	15 157
Amount at balance sheet liability	105 756	106 251
Other granted commitments	1 372 401	1 633 057
Of which amount classified as non-performing	285 956	229 157
Amount at balance sheet liability	-	-
Total value of financial securities granted	**3 967 545**	**4 343 110**

Risk concentration by activity and geographic area

Set out below is the carrying amount of the Unicaja Banco Group's total financing granted to customers at 31 December 2016 and 2015, excluding exposures to public administrations, broken down by counterparty type, collateral type and LTV ratio.

				Thousand euros				
				LTV Ratio of credit with real guarantee (e)				
Balance at 31/12/2016	**Total (a)**	**Of which: Mortgage collateral(d)**	**Of which: Other collateral(d)**	**Not exceeding or equal 40%**	**Exceeding 40% but not exceeding or equal 60%**	**Exceeding 60% and less or equal to 80%**	**Exceeding 80% and less or equal to 100%**	**Exceeding 100%**
Financial institutions	2 555 101	23 631	2 428 804	3 219	2 979	17 718	-	2 428 519
Non-financial companies and sole traders	5 978 630	1 670 254	1 164 376	1 166 214	845 058	326 651	163 391	333 316
Property construction and development (b)	812 075	574 885	237 190	208 185	237 871	125 050	80 973	159 996
Civil engineering construction	106 716	1 776	227	170	419	-	1 223	191
Other purposes	5 059 839	1 093 593	926 959	957 859	606 768	201 601	81 195	173 129
Large companies (c)	1 963 932	54 381	129 850	33 569	58 623	13 969	17 262	60 808
SMEs and sole traders (c)	3 095 907	1 039 212	797 109	924 290	548 145	187 632	63 933	112 321
Other households and ISFLSH	19 992 245	17 981 258	494 239	4 765 051	6 461 014	6 347 806	571 941	329 685
Householding	17 446 742	16 986 560	157 793	4 158 637	6 100 041	6 182 465	523 216	179 994
Consumption	807 419	14 753	3 187	12 020	4 603	871	271	175
Other purposes	1 738 084	979 945	333 259	594 394	356 370	164 470	48 454	149 516
Total	28 525 976	19 675 143	4 087 419	5 934 484	7 309 051	6 692 175	735 332	3 091 520
Memory item: Refinancing, refinanced and restructured operations	**1 911 985**	**1 312 338**	**394 273**	**367 078**	**433 249**	**490 464**	**173 022**	**242 798**

Balance at 31/12/2015	Total (a)	Of which: Mortgage collateral(d)	Of which: Other collateral(d)	LTV Ratio of credit with real guarantee (e) Not exceeding or equal 40%	Exceeding 40% but not exceeding or equal 60%	Exceeding 60% and less or equal to 80%	Exceeding 80% and less or equal to 100%	Exceeding 100%
								Thousand euros
Financial institutions	3 770 725	24 606	1 981 602	2 787	3 457	6 256	12 106	1 981 602
Non-financial companies and sole traders	6 169 657	2 939 895	90 022	1 411 182	949 748	456 188	114 906	97 893
Property construction and development (b)	877 774	665 849	18 438	289 903	249 503	111 300	14 434	19 147
Civil engineering construction	417 824	24 378	2 081	6 455	9 262	1 864	3 159	5 719
Other purposes	4 874 059	2 249 668	69 503	1 114 824	690 983	343 024	97 313	73 027
Large companies (c)	1 031 725	131 480	638	53 361	54 876	17 048	3 414	3 419
SMEs and sole traders (c)	3 842 334	2 118 188	68 865	1 061 463	636 107	325 976	93 899	69 608
Other households and ISFLSH	21 151 194	19 378 809	20 682	4 792 506	6 896 336	6 849 041	753 284	108 324
Householding	18 925 279	18 460 307	1 827	4 354 930	6 630 707	6 702 147	711 745	62 605
Consumption	1 403 721	593 897	15 245	273 601	184 788	110 238	29 243	11 272
Other purposes	822 194	324 605	3 610	163 975	80 841	36 656	12 296	34 447
Total	**31 091 576**	**22 343 310**	**2 092 306**	**6 206 475**	**7 849 541**	**7 311 485**	**880 296**	**2 187 819**
Memory item: Refinancing, refinanced and restructured operations	**3 078 253**	**2 180 046**	**25 350**	**572 315**	**775 069**	**609 881**	**150 506**	**97 625**

(a) The definition of loans and advances to customers and the scope of the information included in this table are as used to prepare the balance sheet. The carrying amount of the loans is used, i.e. after value adjustments made to provision specific loans.

(b) This item includes all activities related to property construction and development, including the financing of land for property development.

(c) Non-financial companies are divided into “Large companies” and “SMEs”, in accordance with the definition applicable to SMEs when calculating shareholders' funds. Sole trader activities are performed by individuals in the course of their business activities.

(d) Includes the carrying amount of all loans secured by real property and by other property guarantees, irrespective of the LTV ratio.

(e) Loan-to-value (LTV) is a ratio obtained by dividing the loan's carrying amount at the reporting date by the amount of the latest appraised value of the collateral.

There follows aggregate information at 31 December 2016 and 2015 on the Unicaja Banco Group's risk concentration by geographic area and business segment, excluding exposures to public administrations.

31 December 2016	Total (a)	Spain	Rest of European Union	America	Rest of World
					Thousand euros
Financial institutions	1 601 988	1 500 051	81 616	812	19 509
Other financial institutions	7 695 920	7 695 920	-	-	-
Non-financial companies and sole traders	7 750 023	7 700 654	46 753	570	2 046
Property construction and development (b)	1 030 954	1 029 929	936	35	56
Civil engineering construction	106 726	106 726	-	-	-
Other purposes	6 612 341	6 563 999	45 817	535	1 990
Large companies (c)	3 090 212	3 049 295	40 917	-	-
SMEs and sole traders (c)	3 522 129	3 514 704	4 900	535	1 990
Other households and ISFLSH	20 218 020	20 040 454	77 886	15 793	83 887
Housing	17 447 143	17 339 123	76 209	11 978	19 833
Consumption	811 724	794 906	233	2 685	13 900
Other purposes	1 959 153	1 906 425	1 444	1 130	50 154
	37 265 951	**36 937 079**	**206 255**	**17 175**	**105 442**

31 December 2015	Total (a)	Spain	Rest of European Union	America	Rest of World
					Thousand euros
Financial institutions	1 911 118	1 643 120	247 044	20 954	-
Other financial institutions	9 752 788	9 661 806	90 352	630	-
Non-financial companies and sole traders	7 787 820	7 723 808	61 810	807	3
Property construction and development (b)	1 091 666	1 080 865	10 801	-	-
Civil engineering construction	501 161	501 121	40	-	-
Other purposes	6 194 993	6 141 822	50 969	807	1 395
Large companies (c)	1 726 493	1 703 977	22 516	-	-
SMEs and sole traders (c)	4 468 500	4 437 845	28 453	807	1 395
Other households and ISFLSH	21 626 998	21 401 247	184 458	20 770	20 523
Housing	18 927 716	18 742 050	152 345	13 344	19 977
Consumption	1 411 465	1 385 822	19 274	6 197	172
Other purposes	1 287 817	1 273 375	12 839	1 229	374
	41 078 724	**40 429 981**	**583 664**	**43 161**	**20 526**

(a) The definition of risk for the purposes of this table includes the following balance sheet items: Loans and advances to credit institutions, Loans and advances to customers, Debt securities, Equity instruments, Trading derivatives, Hedging derivatives, Equity investments and Contingent exposures. The amounts of the assets reflect the carrying amounts of the loans, i.e. after value adjustments made to provision specific loans. Business is distributed by geographic area based on the country or autonomous region of residence of the lenders, securities issuers and counterparties of derivatives and contingent exposures.

(b) This item includes all activities related to property construction and development, including the financing of land for property development.

(c) Non-financial companies are classed as "Large companies" and "SMEs", in accordance with the definition of SMEs contained in Commission Recommendation 2003/361/EC (6 May 2003) on the definition of micro-enterprises, small companies and medium-sized companies. Loans to sole traders relate exclusively to loans to individuals to finance their business activities, whether performed directly as sole traders or through entities without legal personality.

There follows a breakdown of the Unicaja Banco Group's loans and advances to customers at 31 December 2016 and 2015 by autonomous region and by business segment, excluding exposures to public administrations:

31 December 2016	Total (a)	Andalucía	Madrid	Castilla (*)	Levante (*)	Rest Autonomous Communities
						Thousand euros
Financial institutions	1 500 051	117 174	988 553	394 258	66	-
Other financial institutions	7 695 920	50 783	7 625 405	18 149	1 567	16
Non-financial companies and sole traders	7 700 654	4 030 318	1 593 415	1 485 729	237 433	353 759
Property construction and development (b)	1 029 929	752 060	116 749	91 962	7 354	61 804
Civil engineering construction	106 726	86 676	4 737	15 283	30	-
Other purposes	6 563 999	3 191 582	1 471 929	1 378 484	230 049	291 955
Large companies (c)	3 049 295	1 490 795	1 129 125	214 510	172 057	42 808
SMEs and sole traders (c)	3 514 704	1 700 787	342 804	1 163 974	57 992	249 147
Other households and ISFLSH	20 040 454	9 914 186	2 255 190	5 477 799	452 337	1 940 942
Housing	17 339 123	8 651 230	2 077 791	4 425 527	421 381	1 763 194
Consumption	794 906	483 454	15 903	272 733	2 057	20 759
Other purposes	1 906 425	779 502	161 496	779 539	28 899	156 989
	36 937 079	**14 112 461**	**12 462 563**	**7 375 935**	**691 403**	**2 294 717**

31 December 2015	Total (a)	Andalucía	Madrid	Castilla (*)	Levante (*)	Thousand euros Rest Autonomous Communities
Financial institutions	1 643 120	161 662	1 063 167	-	229 889	188 402
Other financial institutions	9 661 806	190 386	9 289 216	135 339	44 196	2 669
Non-financial companies and sole traders	7 723 808	2 964 411	1 936 359	1 385 144	343 553	1 094 341
Property construction and development (b)	1 080 865	686 361	217 128	124 161	9 083	44 132
Civil engineering construction	501 121	119 648	362 021	14 890	428	4 134
Other purposes	6 141 822	2 158 402	1 357 210	1 246 093	334 042	1 046 075
Large companies (c)	1 703 977	226 598	631 796	17 436	154 715	673 432
SMEs and sole traders (c)	4 437 845	1 931 804	725 414	1 228 657	179 327	372 643
Other households and ISFLSH	21 401 247	10 259 007	2 293 364	5 958 871	652 819	2 237 186
Housing	18 742 050	9 017 327	2 082 832	4 973 882	613 661	2 054 348
Consumption	1 385 822	914 566	93 451	273 891	17 429	86 485
Other purposes	1 273 375	327 114	117 081	711 098	21 729	96 353
	40 429 981	**13 575 466**	**14 582 106**	**7 479 354**	**1 270 457**	**3 522 598**

(*) The geographical area called “Castilla” includes Castilla-La Mancha and Castilla y León, and the geographical area called “Levante” includes Cataluña, Comunidad Valenciana and Murcia.

(a) The definition of risk for the purposes of this table includes the following balance sheet items: Loans and advances to credit institutions, Loans and advances to customers, Debt securities, Equity instruments, Trading derivatives, Hedging derivatives, Equity investments and Contingent exposures. The amounts of the assets reflect the carrying amounts of the loans, i.e. after value adjustments made to provision specific loans. Business is distributed by geographic area based on the country or autonomous region of residence of the lenders, securities issuers and counterparties of derivatives and contingent exposures.

(b) This item includes all activities related to property construction and development, including the financing of land for property development.

(c) Non-financial companies are classed as "Large companies" and "SMEs”, in accordance with the definition of SMEs contained in Commission Recommendation 2003/361/EC (6 May 2003) on the definition of micro-enterprises, small companies and medium-sized companies. Loans to sole traders relate exclusively to loans to individuals to finance their business activities, whether performed directly as sole traders or through entities without legal personality.

28. Interest rate risk exposure

Interest rate risks are controlled on an integrated basis by the Asset and Liability and Budget Committee (COAPP). This unit is responsible for implementing procedures to ensure that Group complies at all times with the interest rate risk control and management policies approved by the Board of Directors.

Sensitivity measurement and scenario analysis methods are used to analyse, measure and control the Group’s significant interest rate risks.

The Group hedges interest rate exposure on an individual basis for all significant financial instruments that could generate equally significant risks.

The following table shows a maturity matrix or revisions shown grouping the carrying value of assets and liabilities based on repricing dates of interest rates or maturity; depending on which of them is nearer in time, corresponding to the balances of the main entities of the group (in this case, Unicaja Banco and EspañaDuero) as of December 31, 2016 and 2015.

31 December 2016								Thousand euros
Assets	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 and 12 months**	**Between 1 and 2 years**	**Between 2 and 3 years**	**Between 3 and 4 years**	**Between 4 and 5 years**	**Over 5 years**
Financial assets	10 682 598	9 008 522	15 137 551	1 618 896	764 708	767 148	3 037 748	6 968 900
After hedging adjustments	10 432 598	9 164 822	15 387 551	1 618 896	764 708	767 148	3 037 748	6 812 600

31 December 2016								Thousand euros
Liabilities	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 and 12 months**	**Between 1 and 2 years**	**Between 2 and 3 years**	**Between 3 and 4 years**	**Between 4 and 5 years**	**Over 5 years**
Financial liabilities	9 586 301	3 425 106	7 161 010	1 661 426	619 045	1 237 540	1 240 633	2 771 024
After hedging adjustments	9 687 682	3 635 756	9 363 732	1 073 805	501 021	1 179 206	740 633	1 520 249

31 December 2015								Thousand euros
Assets	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 and 12 months**	**Between 1 and 2 years**	**Between 2 and 3 years**	**Between 3 and 4 years**	**Between 4 and 5 years**	**Over 5 years**
Financial assets	10 817 424	9 770 487	16 904 417	1 024 133	2 358 361	1 547 603	464 467	9 208 053
After hedging adjustments	10 717 424	10 786 759	16 986 417	1 274 133	2 869 361	1 647 603	464 467	7 348 780

31 December 2015								Thousand euros
Liabilities	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 and 12 months**	**Between 1 and 2 years**	**Between 2 and 3 years**	**Between 3 and 4 years**	**Between 4 and 5 years**	**Over 5 years**
Financial liabilities	7 122 678	5.710 983	10 572 062	3 152 085	2 756 883	648 304	1 367 390	4 002 699
After hedging adjustments	7 122 978	6 184 697	13 245 467	2 797 085	2 172 583	534 279	1 100 724	2 175 001

The above tables reflect, for each period, the adjustments to fixed-rate assets and liabilities derived from the relevant derivative financial instruments contracted by Unicaja for hedging purposes, in order to present overall exposure to interest rate fluctuations.

These tables do not include customer demand deposits, which amount to €25,645,010 thousand at 31 December 2016 (€24,175,724 thousand at 31 December 2015), as indicated in the table of maturities contained in Note 25.

At 31 December 2016 and 2015, the sensitivity of the entity's balance sheet to an unfavourable horizontal movement in the interest rate curve totalling 100 basis points and a scenario of maintaining the balance sheet is as follows:

	2016	**2015**
Financial income expected in 12 months	Lower than 6%	Lower than 5%
Economic value	Lower than 3%	Lower than 4%

29. Exposure to other market risks

Market risk relates to the losses that the Group could incur in the event of changes in the value of its trading portfolio and available-for-sale financial assets as a result of unfavourable fluctuations in market prices or foreign exchange rates, or price volatility.

Such changes depend mainly on factors such as interest rates, in the case of fixed-income instruments. Options are subject to a number of risk factors, one of the most relevant being volatility.

The Group’s market risk control policies, methods and procedures are approved by the Board of Directors. The responsibilities of the Risk Control Department, through its Market Control Unit, include the supervision of compliance with the Group’s risk control policies, methods and procedures to ensure their adequacy, effective implementation and regular review.

The unit responsible for financial risk monitoring and control is the Markets and Models Unit, which is basically entrusted with ensuring that risks assumed are correctly identified, analysed, valued and reported, cooperating in the implementation of suitable risk management tools, improving position valuation models to bring them into line with the actual market context, and controlling compliance with the risk limits defined. This unit also systematically controls and monitors treasury and capital market transactions.

In order to ensure adequate market risk management, the Group uses a software application to define market risk calculations and authorized limits. For each group of portfolios managed, limits are defined for “Open positions”, “Stop losses” and “VaR” so as to avoid any significant adverse impact on solvency or on results, in view of the complexity of the risks assumed.

Exposure to market price fluctuations

Price risk is the risk that the fair value of equity securities may decline as a result of changes in market indices or stock prices. Price risk arises on positions in financial assets or liabilities held for trading and in available-for-sale financial assets.

Set out below is an analysis of price risk sensitivity derived from the Group's equity positions in financial markets at 31 December 2016 and 2015:

			Thousand euros
Decrease in market price (quotations)	**Impact on income**	**Impacto on valuation adjustments**	**Total impacto n equity**
Impact at 31 December 2016 of a 1% decrease in the market price	-	2 962	2 962
Impact at 31 December 2015 of a 1% decrease in the market price	-	5 929	5 929

One percent variance in the relevant equity price fluctuation risk variables was assumed because this “impact” is a standard measurement in both the financial sector and in the Unicaja Banco Group to ascertain the level of risk exposure.

In the current context of high market volatility, it is very difficult to determine what constitutes a “reasonably possible change” in risk variables. However, we consider it to be appropriate to report on sensitivity to a 1% "impact" so that public information users may rescale this effect based on their market expectations.

The above table does not include equity instruments recognized in the portfolio of available-for-sale financial assets for which there is no active market and that are carried in the consolidated annual accounts at cost, net of any impairment losses, since their fair value cannot be determined in a sufficiently objective manner. The consolidated carrying amount of these instruments at 31 December 2016 and 2015 totals €226,139 thousand and €151,087 thousand, respectively.

Rate Exchange fluctuations risk

Structural foreign exchange risk arises basically from exposure to exchange rate fluctuations on securities investments in non-euro currencies.

The Unicaja Banco Group manages structural foreign exchange risk to minimize potential adverse impacts of foreign exchange fluctuations on capital adequacy ratios and on contributions to the results of foreign currency investments.

At 31 December 2016 and 2015, exposure to foreign exchange fluctuations in the Unicaja Banco Group is immaterial, since there are no significant assets or liabilities in the consolidated balance sheet that are denominated in non-euro currencies. The equivalent value in euros of the Group's total assets and liabilities denominated in foreign currencies at 31 December 2016 and 2015 is analysed below:

	Thousand euros	
	2016	**2015**
Equivalent value of foreign currency assets	**78 007**	**104 755**
Of which:% in U.S. dollars	78%	83%
Of which:% in sterling	10%	8%
Of which:% quoted in other currencies in the Spanish market	12%	9%
Equivalent value of foreign currency liabilities	**53 163**	**69 217**
Of which:% in U.S. dollars	79%	84%
Of which:% in sterling	8%	6%
Of which:% quoted in other currencies in the Spanish market	13%	10%

The equivalent value in euros of assets denominated in foreign currencies accounts for 0.14% and 0.17% of total consolidated assets at 31 December 2016 and 2015, respectively, while the equivalent value in euros of liabilities denominated in foreign currencies represents 0.09% and 0.11% of total consolidated assets at the respective dates.

30. Loyalty duties of the Directors of the Parent Company

Pursuant to article 229 of Law 31/2014 of December 3, which amends the Consolidated Text of the Capital Companies Act for the improvement of corporate governance, and in order to strengthen the Transparency of public limited companies, the directors have informed the entity that, during the year 2015, they or their related persons, as defined in article 231 of the Revised Text of the Capital Companies Act:

a) Carried out transactions with the entity, excluding ordinary transactions carried out under standard customer conditions and of little relevance, with the understanding that the information for such transactions is not necessary to express fair view of the equity, financial situation and profits.

b) They have not used the name of the Company or invoked their position as Director to unduly influence private transactions.

c) They have not made use of business assets, including the Company's confidential information, for private purposes.

d) Business opportunities with the entity have not been taken.

e) No advantages for compensation from third parties other than the Company and its group have not been obtained with respect to the performance of their duties, except when involving merely courtesy gifts.

f) No activities have been carried out on their own behalf or the behalf of a third party that represent effective competition, whether actual or potential, with the entity or which, in any other way, places them in permanent conflict with the entity's interests.

31. Other significant information

31.1 Contingent exposures

Set out below is a breakdown of contingent exposures assumed by the Group at 31 December 2016 and 2015:

	Thousand euros	
	2016	2015
Financial guarantees	90 078	114 100
Technical guarantees	968 044	977 495
Credit derivatives sold	-	-
Irrevocable documentary credits	6 083	2 517
Other commitments	1 572	2 310
	1 065 777	**1 096 422**

A significant portion of these guarantees will expire without any payment obligation for the entities and, therefore, the aggregate balance of these commitments cannot be considered as an actual future need for financing or liquidity to be provided by the Institution to third parties.

Income from guarantee instruments is recognized under “Fee and commission income” and “Interest and similar income” (in the amount actualized of the value of the commissions) in the income statement for the years 2016 and 2015 and is calculated by the rate established in the related contract to the nominal amount of the guarantee.

Provisions registered to cover these guarantees provided, which have been calculated applying similar principals used for impairment losses on financial assets valued at amortized cost, are recognized under the heading “Provisions - provisions for contingent exposure and commitments” in the consolidated balance sheet (Note 18).

31.2 Assets assigned and accepted as collateral

At 31 December 2016 and 2015 assets owned by the Group guaranteed operations, liabilities and contingent liabilities assumed. The carrying value of the financial assets delivered as guarantee of these liabilities and contingent liabilities and similar at 31 December 2016 and 2015 was as follows:

	Thousand euros	
	2016	2015
Pledge of securities	5 740 549	6 767 700
Pledge of non-mortgage loans	493 357	596 892
	6 233 906	**7 364 592**

At 31 December 2016 and 2015, these amounts relate mostly to pledged securities and non-mortgage loans, under a Bank of Spain policy, for the obtainment of long-term financing maturing in 2016 and 2015.

As regards the pledge terms and conditions, the guarantees furnished by Unicaja Banco to the Bank of Spain will not be affected, and this is made extensive, by express, irrevocable agreement between the parties, to any automatic or express extensions, renewals or novations of any type that could affect the commitments secured, and will remain in force until the full cancellation of the commitments and of any commitments into which they may be novated or by which they may be replaced.

The Bank has not received any assets as collateral that it is authorized to sell or pledge, irrespective of whether or not there is any default on the part of the asset owner. Consequently, the breakdown required by IFRS 7, paragraph 15 is not applicable.

31.3 Drawable by third parties

At 31 December 2016 and 2015 the limits on financing contracts granted and the amounts utilized, for which the Group has assumed any credit commitment above the amount recognized in assets in the balance sheet at those dates, are set out below:

				Thousand euros
		2016		2015
	Available amount	Granted limit	Available amount	Granted limit
With immediate availability -	**2.151.558**	**2 906 070**	**2 124 593**	**3 545 155**
	-	-		
Credit institutions	536	563	1 984	73 803
Public entities	115 925	137 147	130 414	199 151
Other sectors	2 035 097	2 768 360	1 992 195	3 272 201
	-	-		
Available subject to conditions -	**353 507**	**1 827 243**	**472 815**	**2 455 594**
	-	-		
Public entities	32 862	144 484	30 014	148 077
Other sectors	320 645	1 682 759	442 801	2 307 517
	-	-		
	2 505 065	**4 733 313**	**2 597 408**	**6 000 749**

31.4 Party funds under management by the Group and securities held in custody

The breakdown of the funds out of balance managed by the Group at 31 December 2016 and 2015 is as follows:

		Thousand euros
	2016	2015
Mutual funds	5 465 646	2 418 987
Investment funds	110 954	2 754 645
Other financial instruments	118 735	155 738
Assets under management	864 157	850 238
	6 559 492	**6 179 608**

Set out below is a breakdown of off-balance sheet customer funds marketed by the Group in 2016 and 2015:

		Thousand euros
	2016	2015
Mutual funds	5 482 347	5 060 669
Investment funds	110 954	132 867
Pension funds	2 211 124	2 193 119
Assets under management	864 157	850 238
Insurance products	2 966 284	2 835 392
	11 634 866	**11 072 285**

Additionally, following is a breakdown of the fair value of third-party funds held in custody of the Group at 31 December 2016 and 2015:

	Thousand euros	
	2016	**2015**
Debt securities and equity instruments	3 436 701	4 049 414
Other financial instruments	-	-
	3 436 701	**4 049 414**

The balance of the heading "Debt and equity instruments" has been reduced significantly during the year 2015 as a result of the transfer of depository activity of investment funds Cecabank dated 18 September 2015 (Note 39.1).

31.5. Financial instrument reclassifications

During 2016 there have been no reclassifications within the Group of certain debt securities.

31.6 Asset securization

At December 31, 2016 and 2015, no transfers of financial assets through securization instruments have been made.

On April 22, 2015 was carried out by EspañaDuero repurchase all of the assets of the "Global Mortgage Collateral Series AyT Caja España I" Fund Asset Securitization "Global Mortgage Collateral AyT F.T.A." The repurchase price of the assets was €160,979 thousand, equal to the outstanding balance of such assets, including assets related to bad debts, plus interest accrued and unpaid. On April 29, 2015 it was agreed with the Management Company of the Fund early liquidation of the Series.

31.7 Netting arrangements and collaterals

In addition to the amounts that may be offset in the accounts under IAS 32, there are other netting agreements and guarantees which, though not netted in the accounts because the necessary requirements are not fulfilled, effectively reduce credit risk.

There follows a breakdown at 31 December 2016 and 2015 of derivative financial instruments (Notes 8 and 11) in the situation described, showing separately the effects of these agreements and collateral received and/or furnished by the Group:

	Thousand euros			
	2016		**2015**	
Derivative financial instruments	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Gross exposure (book value)	**865 263**	**102 814**	**793 976**	**217 143**
Netting agreements and collaterals	**(772 378)**	**(40 712)**	**(788 540)**	**(97 436)**
Netting arrangements	-	-	-	-
Collateral received/furnished	(772 378)	(40 712)	(788 540)	(97 436)
Net exposure	**92 885**	**62 102**	**5 436**	**119 707**

The amounts of collateral in the form of cash and financial instruments reflect fair values. The netting rights depend on counterparty default and relate to collateral in the form of cash and financial instruments.

In connection with the Group's asset reverse repos and repos, there are other agreements entailing the receipt and/or submission of the following guarantees in addition to the guarantee built into these operations:

				Thousand euros
	2016		2015	
Guarantees associated with acquisitions and temporary assignment of assets	**Given**	**Taken**	**Given**	**Taken**
In cash	124 605	13 227	145 515	9 510
In stock	-	-	-	-
	124 605	**13 227**	**145 515**	**9 510**

32. Interest income

Set out below is a breakdown of the origin of the most significant interest and similar income accrued by the Group in 2016 and 2015:

		Thousand euros
	2016	**2015**
Cash, cash balances at central banks and other demand deposits (Note 7)	11	69
Deposits with credit institutions (Note 10.1)	4 483	1 585
Money market operations through counterparties (Note 10.1)	-	389
Loans and advances to customers (Note 10.1)	707 001	856 690
Debt securities	250 989	385 137
Non-performingl assets (Note 10.1)	28 193	27 467
Rectification of revenues arising from accounting hedges	2 425	1 581
Insurance contracts related to pensions and similar obligations	2 153	1 946
Other revenues	15 716	5 024
	1 010 971	**1 279 888**

Set out below is a breakdown of the amounts recognized in “Interest and similar income” in the consolidated income statements for 2016 and 2015, classified on the basis of the relevant financial instrument portfolio:

		Thousand euros
	2016	**2015**
Financial assets held-for-trading (Note 8)	884	208
Available-for-sale financial assets (Note 9)	95 743	166 057
Held-to-maturity investment portfolio (Note 9.4)	145 543	202 496
Loans and receivables	748 508	902 117
Money market operations through counterparties	-	389
Rectification on income resulting from accounting hedge	2 425	1 581
Other income	17 868	7 040
	1 010 971	**1 279 888**

33. Interest expense

The breakdown of the balance of this caption in the consolidated income statements for 2016 and 2015 is as follows:

	Thousand euros	
	2016	2015
Deposits from central banks (Note 17.1)	1 139	3 005
Deposits from credit institutions (Note 17.2)	7 361	14 047
Money market operations through counterparties (Note 17.3)	-	1
Deposits from customers (Note 17.3)	436 498	603 925
Debt securities issued (Note 17.4)	6 552	56 077
Subordinated liabilities (Note 17.4.3)	58 070	55 072
Rectification of costs arising from accounting hedges	(129 854)	(148 654)
Costs attributable to pension funds arranged (Note 18)	3 177	3 339
Other interests	8 249	5 549
	391 192	**592 361**

Set out below is a breakdown of the amounts recognized in “Interest expense and similar charges” in the consolidated income statements for 2016 and 2015, classified on the basis of the relevant financial instrument portfolio:

	Thousand euros	
	2016	2015
Financial liabilities at amortized cost	509 620	732 127
Rectification of costs arising from accounting hedges	(129 855)	(148 654)
Other interests	11 427	8 888
	391 192	**592 361**

34. Dividend income

The breakdown of the balance of this caption in the consolidated income statements for 2016 and 2015 by portfolio and nature of the financial instruments is as follows:

	Thousand euros	
	2016	2015
Equity instruments classified as:		
Financial assets held for trading	-	-
Available-for-sale financial assets	27 446	34 934
	27 446	34 934
Equity instruments having the nature of:		
Shares	27 098	34 934
Investments in Institutions of Collective Investment	348	-
	27 446	**34 934**

35. Equity-method consolidated entities income

A breakdown by company of this consolidated income statement caption for 2016 and 2015 is as follows:

	Thousand euros	
	2016	2015
Autopista del Sol, Concesionaria Española, S.A.	(1 020)	(1 526)
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.	22 527	22 706
Hidralia, Gestión Integral de Aguas de Andalucía, S.A.	4 470	4 504
Deoleo, S.A.	(3 232)	(3 739)
Sociedad Municipal de Aparcamientos y Servicios, S.A.	702	429
Ingeniería e Integración Avanzadas, S.A. (Ingenia)	50	(194)
Autopista del Guadalmedina, Concesionaria Española, S.A.	(1 357)	(1 232)
ADE Gestión Sodical, S.G.E.R., S.A.	-	(2)
Ahorro Gestión de Inmuebles, S.A.	-	(69)
Barrancarnes Transformación Artesanal, S.A.	-	16
Corporación Hotelera Oriental	-	(807)
Capredo Investments GMBH	(145)	(73)
Cartera Perseidas, S.L.	-	2
Centro de Tecnologías Informáticas, S.A.	-	36
Gestión e Investigación de Activos, S.A.	163	151
Investigación y Desarrollo de Energías Renovables, S.L.	-	333
Aciturri Aeronáutica, S.L.	-	3 505
Edigrup Producciones TV, S.A.	-	411
Inversiones Alaris, S.L.	12 710	-
Other ent	312	(535)
	35 180	**23 916**

36. Fee and commission income

Set out below is fee revenue accrued in 2016 and 2015, classified taking into account the main items involved, together with the consolidated income statements for those years in which such revenue has been recorded:

	Thousand euros	
	2016	2015
Interest and similar revenues		
Origination fees	27 542	24 656
	27 542	**24 656**
Fees received		
Fees relating to contingent risks	7 727	10 099
Fees relating to contingent commitments	2 603	3 994
Fees relating to collection and payment services	115 108	123 278
Fees relating to investment and complementary activities	26 314	48 334
Fees relating to foreign currency and note exchange	410	386
Fees relating to marketing of non-bank financial products	63 466	84 280
Other	10 208	4 722
	225 836	**275 093**
Other operating income		
Compensatory fees of direct costs (Note 39)	3 042	3 002
	3 042	**3 002**

37. Fee and commission expense

Set out below is fee and commission expense accrued in 2016 and 2015, classified taking into account the main items involved, together with the consolidated income statements for those years in which such expense has been recorded:

	Thousand euros	
	2016	**2015**
Fee expense		
Commissions paid to intermediaries	742	3 119
Other commissions	778	339
	1 520	**3 458**
Commission expense		
Debit and credit operations	511	466
Commissions ceded to other Banks and correspondent banks	10 368	10 794
Commission expense on securities transactions	2 577	1 211
Other commissions	4 940	23 872
	18 396	**36 343**

38. Gains and losses on financial operations

The breakdown of the balance of this caption in the consolidated income statements for 2016 and 2015 by portfolio of the financial instruments involved is as follows:

	Thousand euros	
	2016	**2015**
Financial assets held for trading	(7 061)	(34 247)
Available-for-sale financial assets	84 080	128 763
Equity instruments	*1 355*	*276*
Debt	*82 725*	*128 487*
Loans and receivables	-	139 934
Held-to-maturity investments	-	327 024
Financial liabilities at amortized cost	-	-
Hedging derivatives	258	126
	77 277	**561 600**

In the years 2016 and 2015, the amount collected under the heading "Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss. Net" mainly comprises disposal operations described in Note 9.1.

In 2016, no profits recognized in relation to held-to-maturity securities. During 2015, €327,024 thousand were recognized in relation to the sale of a part of the debt securities included in the portfolio. The transaction fulfils the requirements of paragraph GA22 of IAS 39 and therefore the remainder of the held-to-maturity debt securities need not be reclassified to the available-for-sale portfolio (Note 2.2.4).

39. Other operating income/ expense

39.1 Other operating income

The breakdown of the balance of this caption in the consolidated income statements for 2016 and 2015 is as follows:

	Thousand euros	
	2016	**2015**
Income from property investments (Note 13.2)	15 135	13 917
Commissions offsetting direct costs (Note 36)	3 042	3 002
Sales and income from non-financial services	32 352	26 377
Other	181 492	86 304
	232 021	**129 600**

As part of the balance of the heading "Other" the result generated by the Group in the transmission of depository activity of investment funds Cecabank (Note 31.4) in 2015 is included.

In 2016 this heading included the sale, through Mijas Sol Resort, S.L.U., of a number of plots and urban development rights associated with land under development.

39.2 Other operating expense

This breakdown of this heading in the consolidated income statements for 2016 and 2015 is as follows:

	Thousand euros	
	2016	**2015**
Expense from property investments (Note 13.2)	1 392	2 408
Contribution to the Deposit Guarantee Fund (Note 1.10)	43 249	43 323
Contribution to the National Resolution Fund (Note 1.11)	18 339	19 220
Other	52 877	51 612
	115 857	**116 563**

The heading “Other” includes the cost of the sales services that constitute the core activity of the non-financial subsidiaries consolidated with the Group. In 2016 it also includes the charge paid by the Group for the monetisation of deferred tax assets in the amount of €15,300 thousand.

40. Income/ expense on insurance and reinsurance contracts

The heading “Income from assets under insurance or reinsurance contracts” on the consolidated income statement for 2016 and 2015, amounting to €17,394 thousand and €41,659 thousand, respectively, includes insurance premiums collected and income for insurance or reinsurance accrued by Group companies.

The heading “Expenses from liabilities under insurance or reinsurance contracts” on the consolidated income statement for 2016 and 2015, amounting to €12,529 thousand and €29,206 thousand, respectively, includes benefits paid and other expenses directly associated with insurance contracts, premiums paid to third parties for reinsurance and net appropriations made to provide for risks relating to the insurance contracts accrued by Group companies.

41. Administrative expenses

41.1 Staff costs

The breakdown of “Staff costs” in the consolidated income statements for the years 2016 and 2015 is as follows:

	Thousand euros	
	2016	**2015**
Wages and salaries	313 529	330 590
Social security costs	87 260	91 318
Appropriations to defined benefit pension plans	214	311
Appropriations to defined contribution pension plans	11 371	10 272
Compensations	1 754	1 789
Staff training expenses	892	1 079
Other staff costs	11 500	10 051
	426 520	**445 410**

The average number of Group’s employees, by professional category, at 31 December 2016 and 2015 is as follows:

	Average number of employees			
		2016		**2015**
	Men	**Women**	**Men**	**Women**
Group 1	**2 255**	**1 729**	**2 402**	**1 748**
Level I	12	-	13	1
Level II	29	3	35	4
Level III	135	20	136	18
Level IV	290	76	306	74
Level V	680	302	697	288
Level VI	246	111	292	125
Level VII	335	312	352	302
Level VIII	299	385	307	370
Level IX	50	135	61	126
Level X	67	166	59	170
Level XI	98	192	128	240
Level XII	8	14	12	26
Level XIII	6	13	4	4
Group 2	**17**	**5**	**21**	**5**
Level I	2	-	3	-
Level II	10	5	12	5
Level III	4	-	2	-
Level IV	1	-	3	-
Level V	-	-	1	-
Cleaning staff	**-**	**9**	**-**	**10**
Total Parent	**2 272**	**1 743**	**2 423**	**1 763**
Other subsidiaries	**1 851**	**1 694**	**1 988**	**1 751**

The table below details a breakdown by concepts of the amounts recognized in the headings “Provisions - provisions for pensions and similar obligations” and “Insurance contracts linked to pensions” in the consolidated balance sheets at 31 December 2016 and 2015:

	Thousand euros	
	2016	**2015**
Provisions for pensions and similar obligations	**270 362**	**312 089**
Pensions and other post-employment commitments	174 254	178 978
Other long-term staff retributions	96 108	133 111
Insurance contracts linked to pensions	**138 192**	**142 311**
Post-employment retributions	138 192	142 311

Changes in the provisions recognized by the Group during the years ended 31 December 2016 and 2015 are detailed in Note 18.

41.1.1 Post-employment commitments

During 2002 the Parent Company agreed with its employees to modify and transform the employee pension supplement system into a mixed model of defined contribution and defined benefit, establishing a pension plan externalized employment was formalized in Unifondo Pensiones V, Fondo de Pensiones. To finish this modification and transformation, the Entity surrendered the insurance policies that before covered the actuarial liabilities. Simultaneously, funds were appropriated to the internal pension fund, a part of which was subsequently externalized to Unifondo V, Fondo de Pensiones.

At 31 December, 2015 and 2014, the balance of Unifondo Pensiones V, Fondo de Pensiones amounted to €308,011 thousand and €308,745 thousand, respectively. This amount covers needs of defined contribution and defined benefits commitments calculated in Note 2.12.

During 2014 Unicaja Banco Group acquired 60.70% in the share capital of Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (EspañaDuero) which, in accordance with its current employment agreements, must pay a supplement for Social Security benefits relating to its employees, or their heirs, in the case of retirement, widowhood, orphan hood, permanent disability or serious disability. EspañaDuero' post-employment commitments are included in the consolidated financial statements for Unicaja Banco starting on the date control was acquired (on 28 March 2014, as is stated in Note 1.2).

41.1.1.1 General information on post-employment commitments

Set out below are different commitments of post-employment, such as defined contribution and defined benefit commitments assumed by the Group:

Defined benefit plans

The contributions made by the Group to the fund of external pension funds in 2016 amounted to €11,371 thousand (€10,272 thousand in 2015) and are recognized in “Staff costs” in the income statement.

Defined contribution plans

The present value of the commitments has been defined by qualified actuaries as follows:

- Calculation method: “projected credit unit method”, whereby each year of service an additional unit of right to benefits is generates and valued separately.

- Actuarial assumptions used: unbiased and mutually compatible

- Estimated retirement age of employees: calculated for each employee using the best information available at the reporting date.

The fair value of non-plan assets covering pension commitments includes the fair value of the insurance policy taken out by the Group with the insurer Unicorp Vida, Compañía de Seguros y Reaseguros, S.A. to cover commitments with employees who are guaranteed a supplementary benefit on retirement, as explained previously. As this insurance policy is contacted with a company related to the Bank (Note 12), it is recognized at fair value in the item "Insurance contracts linked to pensions" in assets, as it is not deemed to be a "plan asset". The policy's fair value has been calculated using actuarial methods, discounting payments flows stipulated in the policy at the discount rate applicable according to the IBOXX AA Corporate curve, based on the financial term of the commitments.
At 31 December 2016 and 2015 the fair value of the assets allocated to cover post-employment remuneration is as follows:

	Thousand euros	
	2016	**2015**
Nature of assets allocated to Commitments Hedging		
Assets of the plan covered by insurance policy	102 523	105 073
Insurance policies hired by the Plan linked to defined contribution plans commitments hedging	140 830	144 825
Uninsured defined contribution pension plan	4 661	5 368
External defined contribution pension plan	432 162	461 706

41.1.1.2 Information on defined-contribution post-employment commitments

Pension commitments arranged under defined contribution plans are settled by means of annual payments made by the Group to beneficiaries, who are almost exclusively serving employees. The contributions are charged to the consolidated income statement for the period (Note 2.12.1) and do not therefore entail the recognition of a liability in the accompanying consolidated balance sheet.

The amounts recognized in the accompanying consolidated income statement in respect of contributions made to these plans in 2016 and 2015 totalled €11,371 thousand and €10,272 thousand, respectively (Note 41.1.1.1).

41.1.1.3 Information on defined-benefit post-employment commitments

The total amount of actuarial gains and losses on defined benefit plans that have been recorded in the statement of recognized income and expense consolidated profit for 2016 will not be reclassified to income amounted to €607 thousand gross loss (€3,836 thousand in 2015), which after the tax effect of €425 thousand represent net loss (€2,685 thousand in 2015).

Set out below is the reconciliation between the opening and closing balances of the present value of Unicaja Banco's defined benefit commitments for 2016 and 2015:

	Thousand euros				
2016	**Plan 1 Unicaja**	**Plan 2 Unicaja**	**Plan 1 BCeiss**	**Plan 2 BCeiss**	**Total**
Present value of obligations at January 1, 2016	**105 708**	**38 757**	**9 408**	**99 036**	**252 909**
(i) Cost of current services	214	-	-	12	226
(ii) Borrowing costs	1 585	639	135	1 468	3 827
(iii) Contributions made by plan participants	-	-	-	-	-
(vi) Actuarial losses and gains					
iv.1. Due to changes in demographic assumptions	(689)	(266)	25	527	(403)
iv.2. Due to changes in financial assumptions	2 377	784	160	1 207	4 528
iv.3. Adjustments due to experience	-	-	-	-	-
(v) Exchange rate changes	-	-	-	-	-
(vi) Benefits paid	(7 582)	(1 472)	(712)	(6 458)	(16 224)
(vii) Cost of past services	-	-	-	-	-
(viii) Business combinations (Note 1.13)	-	-	-	-	-
(ix) Reductions	-	-	-	-	-
(x) Plan settlements	(495)	-	(478)	-	(973)
Present value of obligations at December 31, 2016	**101 118**	**38 442**	**8 538**	**95 792**	**243 890**

	Thousand euros				
2015	**Plan 1 Unicaja**	**Plan 2 Unicaja**	**Plan 1 BCeiss**	**Plan 2 BCeiss**	**Total**
Present value of obligations at January 1, 2015	**114 083**	**41 346**	**7 438**	**108 364**	**271 231**
(i) Cost of current services	295	16	27	15	353
(ii) Borrowing costs	1 580	622	223	1 576	4 001
(iii) Contributions made by plan participants	-	-	-	-	-
(vi) Actuarial losses and gains					
iv.1. Due to changes in demographic assumptions	(400)	167	198	(5 065)	(5 100)
iv.2. Due to changes in financial assumptions	(2 080)	(1 904)	254	(2 261)	(5 991)
iv.3. Adjustments due to experience	-	-	-	-	-
(v) Exchange rate changes	-	-	-	-	-
(vi) Benefits paid	(7 193)	(1 490)	(743)	(6 758)	(16 184)
(vii) Cost of past services	-	-	-	-	-
(viii) Business combinations (Note 1.13)	-	-	2 210	3 165	5 375
(ix) Reductions	-	-	(199)	-	(199)
(x) Plan settlements	(577)	-	-	-	(577)
Present value of obligations at December 31, 2015	**105 708**	**38 757**	**9 408**	**99 036**	**252 909**

Set out below is the reconciliation between the opening and closing balances of the fair value of the plan assets and the opening and closing balances of any reimbursement rights capitalized by Unicaja Banco in 2016 and 2015:

					Thousand euros
2016	**Plan 1 Unicaja**	**Plan 2 Unicaja**	**Plan 1 BCeiss**	**Plan 2 BCeiss**	**Total**
Present value of obligations at January 1, 2016	**106 698**	**29 805**	**8 428**	**73 500**	**218 431**
(i) Cost of current services	262	(15)	44	(113)	178
(ii) Borrowing costs	1 491	480	(10)	1 066	3 027
(iii) Contributions made by plan participants	-	-	-	-	-
(iv) Actuarial losses and gains					
iv.1. Due to changes in demographic assumptions	(725)	(273)	(460)	(800)	(2 258)
iv.2. Due to changes in financial assumptions	3 858	1 136	599	2 168	7 761
iv.3. Adjustments due to experience	-	-	-	-	-
(v) Exchange rate changes	-	-	-	-	-
(vi) Benefits paid	(7 582)	(1 473)	(712)	(4 796)	(14 563)
(vii) Cost of past services	-	-	-	-	-
(viii) Business combinations	-	-	-	-	-
(ix) Reductions	-	-	-	-	-
(x) Plan settlements	(484)	-	(460)	-	(944)
Present value of obligations at December 31, 2016	**103 518**	**29 660**	**7 429**	**71 025**	**211 632**

					Thousand euros
2015	**Plan 1 Unicaja**	**Plan 2 Unicaja**	**Plan 1 BCeiss**	**Plan 2 BCeiss**	**Total**
Present value of obligations at January 1, 2015	**112 922**	**31 324**	**6 557**	**79 122**	**229 925**
(i) Cost of current services	213	-	6	(372)	(153)
(ii) Borrowing costs	1 469	462	364	1 156	3 451
(iii) Contributions made by plan participants	-	-	-	-	-
(iv) Actuarial losses and gains					
iv.1. Due to changes in demographic assumptions	509	(29)	(80)	(4 742)	(4 294)
iv.2. Due to changes in financial assumptions	(828)	(462)	296	239	(755)
iv.3. Adjustments due to experience	-	-	-	-	-
(v) Exchange rate changes	-	-	-	-	-
(vi) Benefits paid	(7 193)	(1 490)	(743)	(5 067)	(14 493)
(vii) Cost of past services	-	-	-	-	-
(viii) Business combinations	-	-	2 210	3 165	5 375
(ix) Reductions	-	-	(182)	-	(182)
(x) Plan settlements	(394)	-	-	-	(394)
Present value of obligations at December 31, 2015	**106 698**	**29 805**	**8 428**	**73 501**	**218 480**

Set out below is the reconciliation of the present value of the defined-benefit post-employment commitments and the fair value of the plan assets (excluding insurance contracts linked to pensions), against the assets and liabilities recognized in Unicaja Banco's balance sheet at 31 December 2016 and 2015:

					Thousand euros
2016	**Plan 1 Unicaja**	**Plan 2 Unicaja**	**Plan 1 BCeiss**	**Plan 2 BCeiss**	**Total**
Present value of obligations at December 31, 2016	**101 118**	**38 442**	**8 538**	**95 792**	**243 890**
(i) Cost of past services not recognized in balance sheet	-	-	-	-	-
(ii) Any amount not capitalized	-	-	-	3 785	3 785
(iii) Fair value of any reimbursement right capitalized	1 771	-	-	-	1 171
(iv) Other amounts recognized in balance sheet	-	(38 442)	(1 245)	(33 438)	(73 124)
Fair value of assets at December 31, 2016	**102 889**	**-**	**7 293**	**66 140**	**175 722**

2015	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 BCeiss	Plan 2 BCeiss	Total
					Thousand euros
Present value of obligations at December 31, 2015	**105 708**	**38 757**	**9 408**	**99 036**	**252 909**
(i) Cost of past services not recognized in balance sheet	-	-	-	-	-
(ii) Any amount not capitalized	-	-	-	2 787	2 787
(iii) Fair value of any reimbursement right capitalized	169	-	-	-	169
(iv) Other amounts recognized in balance sheet	-	(38 757)	(1 526)	(33 588)	(73 871)
Fair value of assets at December 31, 2015	**105 877**	**-**	**7 882**	**68 235**	**181 994**

Set out below is a breakdown of the total expense recognized in the consolidated income statements for 2016 and 2015:

Definition	According to IAS 19
a) Cost of current services	Staff costsl
b) Borrowing costs	Interest expense
c) Expected return on assets	Interest income
d) Cost of past services recognized during the period	Provisions/ reversal of provisions

2016	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 BCeiss	Plan 2 BCeiss	Total
					Thousand euros
a) Cost of current services	214	-	-	12	226
b) Borrowing costs	105	639	148	505	1 397
c) Expected return on assets	(10)	(480)	(3)	(65)	(558)
d) Cost of past services recognized in the year	-	-	-	-	-
e) Past service costs recognized in the year	(11)	-	(17)	-	(28)

2015	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 BCeiss	Plan 2 BCeiss	Total
					Thousand euros
a) Cost of current services	295	16	27	15	353
b) Borrowing costs	120	622	15	542	1 299
c) Expected return on assets	(8)	(462)	(156)	(109)	(735)
d) Cost of past services recognized in the year	-	-	-	-	-
e) Past service costs recognized in the year	(183)	-	(17)	-	(200)

Set out below are the main actuarial assumptions used by Unicaja Banco at 31 December 2016:

Plan 1 Actuarial assumptions:

- Updated tables: PERMF 2000-P
- Discount rates:
  - Corporate curve at 31 December 2016 for highly-rated Eurozone corporate bonds.
  - Each commitment has a term of between 18.76 and 9.36 for the commitments and between 12.71 and 3.48 for the assets.
  - The rates applied to each commitment fluctuate between 1.39% and 1.19% for the commitments and 1.30% and 0.41% for the assets.
- Salary growth rate: 2%
- Social Security pension growth rate: 0%
- Contribution base growth rate:
  - Contribution bases increase until they reach the actual salaries, up to the limits of the maximum contribution base for each rate group.
  - Maximum contribution base growth rate: 1%

- Pension increase rate: 1%
- Expected yield on plan assets:
  - For assets covering commitments insured under the Group II policy (Defined Benefit. Collective Bargaining Agreement for Savings Banks. Former Unicaja), a rate of 0.73% is applied.
  - For assets covering commitments insured under the Group III policy (Defined Benefit. Employees from Banco Urquijo), a rate of 0.73% is applied.
  - For assets covering commitments insured under the Group VI policy (Plan beneficiaries) with cash-flow matching, a rate of 1.52% is applied.
  - For assets covering commitments insured under the policy for Beneficiaries from Groups I (Mixed. General System), II and III that receive actuarial income, a rate of 1.65% is applied.
  - For assets covering commitments insured under the policy for benefits not financed by the Plan due to contribution limits, a rate of 0.42% is applied and a rate of 1.63% for the liabilities.
- Estimated retirement age: 65, except for participants in respect of whom the retirement age is brought forward.
- Rotation: No

Plan 2 Actuarial Assumptions of Unicaja Banco:

- Updated tables: PERMF 2000-P
- Discount rates:
  - Market rate as per the financial term of commitment flows and applying the IBOXX AA Corporate curve at 31 December 2016 for highly-rated Eurozone corporate bonds.
  - Each commitment has a term of between 19.28 and 9.79 for the commitments and between 14.74 and 1.29 for the assets.
  - The rates applied to each commitment fluctuate between 1.54% and 1.33% for the commitments and 1.35% and -0.07% for the assets.
- Salary growth rate: 5%
- Social Security pension growth rate: 0%
- Contribution base growth rate:
  - Contribution bases increase until they reach the actual salaries, up to the limits of the maximum contribution base for each rate group.
  - Maximum contribution base growth rate: 3%
- Pension increase rate: 3%
- Expected yield on plan assets:
  - For assets covering commitments insured under the policy for commitments arising from the Collective Bargaining Agreements for Savings Banks and Banks, a rate of 0.14% is applied and a rate of 1.70% for the liabilities.
  - For assets covering commitments insured under the policy for early-retired employees with cash-flow matching, a rate of 1.68% is applied.
  - For assets to cover obligations insured income policy, the applied rate is 1.55%.
- Return rate on any recognized reimbrusement right: 0%
- Estimated retirement age: 65.
- Rotation: No

On the other hand, the main actuarial assumptions used by EspañaDuero related to 31 December 2016 are the below:

Plan 1 of EspañaDuero Actuarial Assumptions:

- Updated tables: PERMF 2000P
- Discount rates:
- Market rate as per the financial term of commitment flows and applying the IBOXX AA Corporate curve at 31 December 2016 for highly-rated bonds (AA).
- Each commitment has a duration of 6.74 for the benefit pensions, 1.71% for the benefit of beneficiaries covered in the Plan but in turn insured by an insurance policy contracted by the Plan, and 15.83 for the asset pensions.
- The rates applied for each commitment amount to 1.30% for the benefit of beneficiaries covered in the Plan, 1.71% for beneficiaries covered by the Plan but in turn insured by an insurance policy contracted by the Plan, 1.67% for asset performance.

- Salary growth rate: 3.5%
- Social Security pension growth rate: 0%
- Contribution base growth rate: 2.5%
- Pension increase rate: 2.5%
- Expected yield of plan assets:
    - For assets and liabilities: 4%.
    - For excess policy: 6%.
    - For the policy excesses of the plan: 1.54%.
- Estimated retirement age: 65

Plan 2 of EspañaDuero Actuarial Assumptions:

Commitment resulting from Caja Duero:

- Updated tables: PERMF 2000P
- Discount rates:
    - Market rate as per the financial term of commitment flows and applying the IBOXX AA Corporate curve at 31 December 2016 for highly-rated bonds (AA).
    - Each commitment has a term of between 15.83 and 6.42 for the commitments and between 20.83 and 0.14 for the assets.
    - The rates applied to each commitment fluctuate between 1.71% and 1.28% for the commitments and 1.79% and 0.14% for the assets.
- Salary growth rate: 3.5%
- Social Security pension growth rate: 0
- Contribution base growth rate: 2.5%
- Pension increase rate: 2.5%
- Expected yield of plan assets:
    - For assets nos included in the plan: 1.63%.
    - For insurance policy 02/02: 1.3042%
    - For assets policy 07/2: 0.35%
- Estimated retirement age: 65.
- Rotation: No

Commitment resulting from Caja España:

- Updated tables: PERMF 2000P
- Tipo de descuento:
    - Market rate as per the financial term of commitment flows and applying the IBOXX AA Corporate curve at 31 December 2016 for highly-rated bonds (AA), according to the financial duration of the commitment ratio.
    - Interest rate and financial duration of each group:
        - Benefit Pensions policy 8.118: 1.55% (financial duration of 10.87 years).
        - Benefit Pensions policy PCP-1.001: 1.42% (financial duration of 8.01 years).

- Salary growth rate: 3.5%
- Social Security pension growth rate: 0
- Contribution base growth rate: 2.5%
- Pension increase rate: 2.5%
- Appreciation rate for pensions:
  - Policy 8.118: 2%
  - Policy PCP-1.001: 2.91%
- Expected yield of plan assets:
  - For assets related to policy 8.118: a cash flow matching of 1.45%
  - For assets related to policy 8.118: a cash flow matching of 1.32%.
- Estimated retirement age: 65.
- Rotation: No

Set out below are the amounts for 2016 and for the preceding four annual periods representing the present value of defined benefit commitments, the fair value of plan assets and experience adjustments under paragraph 120A, letter (f) of IAS 19 arising from plan assets and liabilities.

					Thousand euros
	Present value of liabilities				
	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 BCeiss	Plan 2 BCeiss	Total
Year 2012					
Experience adjustments	(1 185)	(612)	-	-	(1 797)
Value at December 31, 2012	93 016	37 708	-	-	130 724
Year 2013					
Experience adjustments	(1 725)	567	-	-	(1 158)
Value at December 31, 2013	105 074	36 378	-	-	141 452
Year 2014					
Experience adjustments	-	-	-	-	-
Value at December 31, 2014	114 083	41 346	7 438	108 364	271 231
Year 2015					
Experience adjustments	-	-	-	-	-
Value at December 31, 2015	105 708	38 757	9 408	99 036	252 909
Year 2016					
Experience adjustments	-	-	-	-	-
Value at December 31, 2016	101 118	38 442	8 538	95 792	243 890

					Thousand euros
	Present value of liabilities				
	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 BCeiss	Plan 2 BCeiss	Total
Year 2012					
Experience adjustments	(199)	(679)	-	-	(878)
Value at December 31, 2012	91 764	27 594	-	-	119 358
Year 2013					
Experience adjustments	639	(137)	-	-	502
Value at December 31, 2013	104 078	28 019	-	-	132 097
Year 2014					
Experience adjustments	-	-	-	-	-
Value at December 31, 2014	112 922	31 324	6 557	79 122	229 925
Year 2015					
Experience adjustments	-	-	-	-	-
Value at December 31, 2015	106 698	29 853	8 428	73 501	218 480
Year 2016					
Experience adjustments	-	-	-	-	-
Value at December 31, 2016	103 518	29 660	7 429	71 025	211 632

Set out below are sensitivity data for the present value of the commitments at 31 December 2016 and 2015 in relation to interest rate and salary growth fluctuations:

2016	**Percentage changes**	
	Increase	**Decrease**
Change in present value of commitments in the event of a 0.5% fluctuation in salaries	0.14%	(0.14%)
Change in present value of commitments in the event of a 50 bp interest rate fluctuation	(5.45%)	5.99%

2015	**Percentage changes**	
	Increase	**Decrease**
Change in present value of commitments in the event of a 0.5% fluctuation in salaries	0.14%	(0.13%)
Change in present value of commitments in the event of a 50 bp interest rate fluctuation	(5.23%)	5.73%

Based on the mortality tables used, the remaining life expectancy for a person who would retire at year-end 2016 is 27 years and 22 years respectively for women and men (same for 2015). Also, life expectancy for a person who would retire 20 years after the end of the year 2016 is 24 years and 29 years respectively for women and men.

The main categories of assets for plans financed externally as a percentage of total plan assets are as follows:

	Thousand euros			
	2016	**%**	**2015**	**%**
Equity instruments	108 360	24.93	101 412	21.97
Debt Instruments	202 984	46.69	269 566	58.41
Investment funds	29 713	6.84	31 988	6.93
Financial derivatives	859	0.20	5 936	1.29
Other assets	92 794	21.35	52 597	11.40
	434 710	**100.00**	**461 499**	**100.00**

In all cases, the instrument contracted is an insurance policy.

The fair value of plan assets includes the following financial instruments issued by the Unicaja Banco group:

	Thousand euros	
	2016	**2015**
Equity instruments	-	-
Debt Instruments	-	-
Deposits and current accounts	-	10 416
	-	**10 416**

Estimated payments of post-employment commitment benefits in the coming 10 years are as follows:

	Thousand euros					
	2017	**2018**	**2019**	**2020**	**2021**	**2022-2026**
Post-employment benefit	15 099	14 917	14 684	14 443	14 172	65 022
Other long-term benefit	46 576	33 194	27 440	19 256	12 817	11 728
Total benefits	**61 675**	**48 111**	**42 124**	**33 699**	**26 989**	**76 750**

As regards benefits estimated for the following year:

- For the defined retirement benefit, the amount of contributions will be equal to the ordinary cost and supplementary cost, if applicable, identified in the latest actuarial valuation performed by the plan actuary at the previous year end.
- For the disability, widowhood and orphanhood defined benefits of defined benefit groups, contributions will be equal to the annual premium necessary for coverage purposes, under a group life insurance policy, the amount of which is budgeted based on the amounts paid in the previous year.
- For the disability, widowhood and orphanhood defined benefits of defined contribution groups, contributions will be equal to the cost of the insurance premium for these benefits stipulated by the insurer, in the amount necessary to reach the amount of the benefits, net of capitalization funds formed. In general, they are estimated based on the amounts paid in the previous year.

41.1.2 Death and disability

The amount accrued by defined contribution insurance policies to cover employee death and disability of employees amounted to €2,775 thousand in 2016 (€1,315 thousand in 2015) and is recognized in “Staff costs” in the income statement (Note 2.12.3).

41.1.3 Age awards

The amounts recognized for commitments with employees that reach 20 and 35 years of service at the Group amounted to approximately €4,867 thousand and €4,802 thousand, respectively at 31 December 2016 and 2015 and are recognized in “Provisions – Other long-term staff retributions” in the balance sheets.

41.1.4 Other benefits

The amount of these commitments and assets included in the table above was calculated by qualified actuaries as follows:

- Actuarial assumptions used: for the calculation of commitments to employees resulting from that agreement, the Bank applied the market rate according to the financial duration of flows of commitment and curve IBOXX AA Corporate corresponding to corporate bonds with high credit ratings Euro zone.

- The duration for each commitment varies between 9.09 and 0.36.
- Rates applied for each commitment ranging from 1.12% and -0.07%.
- The stimated retirement age for each employee is agreed.

41.2 Other administrative expenses

The breakdown of this consolidated income statement line for 2016 and 2015 is as follows:

	Thousand euros	
	2016	**2015**
Buildings and facilities	26 439	27 372
Rent	8 609	9 650
Information technologies	36 149	35 800
Communications	20 836	20 989
Advertising	10 767	12 102
Legal costs	4 849	10 570
Technical reports	9 989	9 672
Security services	8 483	8 378
Insurance premiums	1 466	1 375
Governing bodies	3 065	2 664
Representation costs	3 657	3 794
Association charges	5 030	2 763
Outsourcing	26	4 559
Taxes	35 763	30 255
Other items	8 981	8 578
	184 109	**188 521**

The heading “Other administrative expenses” includes the fees paid by the Group to PricewaterhouseCoopers Auditores, S.L. for auditing the annual accounts, amounting to €853 thousand in 2016 (€842 thousand in 2015). In 2016, the fees for services rendered to the Group by companies operating under the PricewaterhouseCoopers brand for other assurance and regulatory work amount to €1,924 thousand (€1,105 thousand in 2015), and for other services to €957 thousand (€442 thousand in 2015).

42. Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates

The breakdown of this headings in the consolidated income statement for the years 2016 and 2015 is as follows:

	Thousand euros	
	2016	**2015**
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates (Note 12)	**27 330**	**15 200**
Impairment or reversal of impairment on non-financial assets	**96 937**	**54 194**
Goodwill (Note 4)	1 907	1 907
Other assets	95 030	52 287
	124 267	**69 394**

There follows an itemized breakdown of the consolidated balance sheet caption "Impairment or reversal of impairment on non-financial assets" for 2016 and 2015:

	Thousand euros	
	2016	**2015**
Impairment losses of tangible assets (Note 13.1)	(933)	1 376
Impairment losses on investment property (Note 13.2)	4 313	3 148
Impairment losses on inventories (Note 13.3)	91 650	47 763
	95 030	**52 287**

Impairment losses on inventories include amounts provided by the Group under impairment on assets in subsidiaries' concept, mostly on those whose activity relates to real state business.

43. Gains (losses) on derecognition of non-financial assets and subsidiaries

The breakdown of this heading in the consolidated income statements for the years 2016 and 2015 is as follows:

	Thousand euros			
	2016		**2015**	
	Gains	**Losses**	**Gains**	**Losses**
On disposal of tangible assets	8 097	(2 951)	2 461	(9 783)
On disposal of investments	26 893	(7 423)	15 188	(11 042)
Other items	427	(34)	202	(50)
	35 417	(10 408)	**17 851**	**(20 875)**

44. Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

The breakdown of this heading in the consolidated income statements for the years 2016 and 2015 is as follows:

	Thousand euros			
	2016		2015	
	Gains	Losses	Gains	Losses
On disposal of tangible assets	26 639	(14 439)	25 736	(5 359)
On disposal of shares	-	-	-	(37)
Provision to impairment loses on non-current assets held for sale (Note 16)	-	(12 692)	-	(54 680)
Other items	-	-	-	-
	26 639	**(27 131)**	**25 736**	**(60 076)**

At 31 December 2016 and 2015, "Other items" mainly includes results associated with equity instruments classified as non-current assets held for sale, and not considered discontinued operations.

45. Related parties

In addition to the information presented in Note 6 relative to the balances and transactions with the members of the Controlling Company's Board of Directors and key management personnel, set out below is the detail of the accounts registered in the consolidated balance sheets and income statements for the years 2016 and 2015 arising from transactions with related parties:

					Thousand euros
					2016
Expenses, income and other transactions	**Significant shareholders**	**Administrators and Directives**	**Individuals, companies or Group entities**	**Other related parties**	**Total**
Financial expenses	-	(15)	(2 263)	(40)	(2 318)
Management or collaboration agreements	-	-	(2 405)	-	(2 405)
R&D transfers and licensing agreements	-	-	-	-	-
Leases	-	-	-	-	-
Reception of services	-	-	-	-	-
Purchase of goods (completed or in progress)	-	-	-	-	-
Valuation corrections for bad debts	-	-	-	-	-
Loss on assets' disposal	-	-	(163)	-	(163)
Other expenses	-	-	-	-	-
Total expenses	**-**	**(15)**	**(4 831)**	**(40**	**(4 886)**
Financial expenses	-	32	4 476	130	4 637
Management or collaboration agreements	-	-	6 149	-	6 149
R&D transfers and licensing agreements	-	-	-	-	-
Dividends received	-	-	-	-	-
Leases	-	-	-	-	-
Provisions of services	-	-	-	-	-
Sale of goods (completed or in progress)	-	-	-	-	-
Profit on assets' disposal	-	-	81	-	81
Other income	-	-	-	-	-
Total income	**-**	**32**	**10 706**	**130**	**10 867**
Purchase of tangible, intangible or other assetss	-	-	-	-	-
Financing agreements: loans and capital contributions (lender)	-	2 110	126 741	72 155	201 006
Financial lease contracts (landlord)	-	-	-	-	-
Amortization or cancellation of credits and leases (landlord)	-	-	-	-	-
Sale of tangible, intangible or other assets	-	-	-	-	-
Financing agreements loans and capital contributions (borrower)	-	4 499	263 032	3 069	270 600
Financial lease agreement (lease)	-	-	-	-	-
Amortizaton or cancellation of loans and leases (lessee)	-	131	72 899	6 225	79 254
Guarantees and collaterals provided	-	-	180	-	180
Guarantees and collaterals received	-	-	-	-	-
Commitments	-	-	-	-	-
Cancelled commitments/guarantees	-	-	-	-	-
Dividends and other distributed profits	-	-	-	-	-
Other operations	-	-	-	-	-

Expenses, income and other transactions	Significant shareholders	Administrators and Directives	Individuals, companies or Group entities	Other related parties	Total
					Thousand euros
					2015
Financial expenses	-	(27)	(5 094)	(378)	(5 500)
Management or collaboration agreements	-	-	(1 147)	-	(1 147)
R&D transfers and licensing agreements	-	-	-	-	-
Leases	-	-	-	-	-
Reception of services	-	-	-	-	-
Purchase of goods (completed or in progress)	-	-	-	-	-
Valuation corrections for bad debts	-	-	-	-	-
Loss on assets' disposal	-	-	(11 822)	-	(11 822)
Other expenses	-	-	-	-	-
Total expenses	**-**	**(27)**	**(18 063)**	**(378)**	**(18 469)**
Financial expenses	-	23	2 941	1 996	4 960
Management or collaboration agreements	106	-	5 437	-	5 543
R&D transfers and licensing agreements	-	-	-	-	-
Dividends received	-	-	-	-	-
Leases	-	-	-	-	-
Provisions of services	-	-	-	-	-
Sale of goods (completed or in progress)	-	-	-	-	-
Profit on assets' disposal	-	-	13 652	-	13 652
Other income	-	-		-	-
Total income	**106**	**23**	**22 029**	**1 996**	**24 154**
Purchase of tangible, intangible or other assetss	-	-	-	-	-
Financing agreements: loans and capital contributions (lender)	-	1 453	149 875	85 343	236 671
Financial lease contracts (landlord)	-	-	-	-	-
Amortization or cancellation of credits and leases (landlord)	-	-	-	-	-
Sale of tangible, intangible or other assets	-	-	-	-	-
Financing agreements loans and capital contributions (borrower)	-	3 960	248 259	7 389	259 609
Financial lease agreement (lease)	-	-	-	-	-
Amortizaton or cancellation of loans and leases (lessee)	-	-	-	-	-
Guarantees and collaterals provided	-	175	67 785	14 047	82 008
Guarantees and collaterals received	-	-	180	-	180
Commitments	-	-	-	-	-
Cancelled commitments/guarantees	-	-	-	-	-
Dividends and other distributed profits	-	-	-	-	-
Other operations	-	-	-	-	-

The information in the table above has been presented in an aggregate manner since, in all cases, transactions with related parties are not significant in terms of quantity or relevance for an adequate understanding of the financial information provided.

The transactions with related parties have been made under normal market conditions.

46. Mortgage market information

Article 12 of Law 2/1981 of 25 March, regulating the Mortgage Market, amended by Law 41/2007 of December 7 and by Law 1/2013, of 14 May, states that "the entity issuing mortgage bonds shall keep a special accounting register of loans and credits that serve as collateral for mortgage bonds and, if any, of the replacement assets frozen to cover them, as well as derivative financial instruments linked to each emission. Such special accounting register must also identify, for the purposes of calculating the limits laid down in Article 16, of all loans and credits registered, those who meet the conditions required in the second of this Law section. Accounts of the issuer collected in the manner determined by regulation, the essential data that record. "

The Board of Directors declares that the Group has specific policies and procedures encompassing all the activities performed in the context of the mortgage market issues carried out, guaranteeing rigorous compliance with the mortgage market regulations applicable to these activities.

The policies and procedures include the following criteria:

- Relationship between the amount of the loan and the appraised value of the mortgaged building, including the effect of other collateral and selection of valuation companies.
- Relationship between the debt and the borrower's income, as well as the verification of the information furnished by the borrower and the borrower's solvency.
- Avoidance of imbalance between the flows from the underlying portfolio and the payment flows on the securities issued.

Article 3 of Law 41/2007 (7 December) stipulates that valuation companies providing services to credit entities of the same group of entities must have adequate mechanisms in place to favour the independence of the valuation activity and avoid conflicts of interest, provided that any of the group's credit entities have issued and outstanding mortgage-backed securities.

On 29 July 2014, it has been sold 100% shares of Unicaja Banco Group in Tasaciones Andaluzas, S.A.U. (TASA), which at December 31,2016 Unicaja Group has no involvement in any appraisal company.

As an issuer of mortgage covered bonds and ordinary mortgage bonds, there follows certain relevant information related to Unicaja Banco Group pursuant to the provisions of mortgage market regulations:

A) Active operations

At 31 December 2016 and 2015 the breakdown of the nominal value of mortgage loans and credit supporting the issue of mortgage bonds or which have been included in mortgage shares or mortgage transfer certificate, is as follows:

	Thousand euros	
	2016	**2015**
Transferred loans held in assets	**-**	**-**
Mortgage participations		
Mortgage transfer certificates	-	-
Affects mortgage loans as collateral for loans received	**-**	**-**
Loans backing bonds and mortgage bonds issuance	**23 506 003**	**25 253 796**
Loans ineligible	5 248 679	5 280 198
Meet the eligibility requirements, except for the limit Article 5.1 of Royal Decree 716/2009	1 508 352	2 475 217
Other	3 740 327	2 804 981
Eligible loans	18 257 324	19 973 598
Amounts not eligible	76 780	93 922
Amounts eligible	18 180 544	19 879 676
Mortgage bonds hedging loans	-	-
Mortgage bonsds hedging eligible loans	*18 180 544*	*19 879 676*
	23 506 003	**25 253 796**

At December 31, 2016 and 2015, the nominal value of outstanding loans and mortgage loans backing the issue of mortgage bonds totals to an amount of €23,506,003 thousand and €25,253,796 thousand, respectively, and the value outstanding principal of loans and mortgages that meet the characteristics of being eligible under the issuance of such support mortgage amounts to an amount of €18,257,324 thousand and €19,973,598 thousand, respectively. On the other hand, in 2016 and 2015, the Entity has not issued ordinary mortgage bonds.

As of December 31, 2016 and 2015 non-mortgage operations, appearing in the portfolio, had been mobilized through mortgage participations or mortgage transfer certificates are maintained.

The nominal value of all ineligible mortgage loans and credit that do not meet the limits established by Article 5.1 of Royal Decree 716/2009 which, however, comply with the rest of the requirements for eligible items, as indicated in Article 4 of that Law, totals €1,508,352 thousand at 31 December 2015 and €2,475,217 thousand at 31 December 2015.

The breakdown of loans that support the issue of mortgage bonds classified in accordance with diverse criteria at 31 December 2016 and 2015 is as follows:

	Thousand euros	
		2016
	Loans backing the issuance of bonds and mortgage bonds	Of which: Eligible loans
Nominal value of the total outstanding mortgage loans and credits	**23 506 003**	**18 257 324**
By origin:	23 506 003	18 257 324
- Entity	23 219 456	18 025 146
- Surrogate for other entities	286 547	232 178
- Rest	-	-
By currency:	23 506 003	18 257 324
- In euros	23 504 008	18 255 803
- Other currency	1 995	1 521
According the payment situation:	23 506 003	18 257 324
- Normality	23 026 526	18 257 324
- Other situations	479 477	-
According to the average maturity:	23 506 003	18 257 324
- To 10 years	10 570 572	6 671 073
- More than 10 years and to 20 years	8 284 154	7 596 440
- More than 20 years and to 30 years	4 292 665	3 760 212
- More than 30 years	358 612	229 599
According to the interest manner:	23 506 003	18 257 324
- Fixed	490 875	265 957
- Variable	23 015 128	17 991 367
- Mixed	-	-
Holders:	23 506 003	18 257 324
- Legal entities and individuals	4 073 871	1 774 812
Of which: property development	575 800	210 157
- Households	19 432 132	16 482 512
Depending on the warranty:	23 506 003	18 257 324
- Assets/ buildings completed	20 863 787	17 099 462
- Residential	20 004 396	16 608 842
Of which: official protection	1 021 746	983 807
- Commercial	721 778	408 024
- Rest	137 613	82 596
- Assets/ buildings under construction	382 011	231 853
- Residential	311 988	215 958
Of which: official protection	6 367	6 173
- Commercial	19 980	15 224
- Rest	50 043	671
- Lands	2 260 205	926 009
- Urbanized	846 889	201 477
- Rest	1 413 316	724 532

	Thousand euros	
	2015	
	Loans backing the issuance of bonds and mortgage bonds	Of which: Eligible loans
Nominal value of the total outstanding mortgage loans and credits	**25 253 796**	**19 973 598**
By origin:	25 253 796	19 973 598
- Entity	22 415 125	17 355 793
- Surrogate for other entities	2 490 033	2 288 253
- Rest	348 638	329 552
By currency:	25 253 796	19 973 598
- In euros	25 251 797	19 971 744
- Other currency	1 999	1 854
According the payment situation:	25 253 796	19 973 598
- Normality	23 176 152	18 866 385
- Other situations	2 077 644	1 107 213
According to the average maturity:	25 253 796	19 973 598
- To 10 years	11 087 487	7 895 518
- More than 10 years and to 20 years	8 324 474	7 359 717
- More than 20 years and to 30 years	4 412 193	3 699 158
- More than 30 years	1 429 642	1 019 205
According to the interest manner:	25 253 796	19 973 598
- Fixed	374 308	171 567
- Variable	24 622 287	19 573 102
- Mixed	257 201	228 929
Holders:	25 253 796	19 973 598
- Legal entities and individuals	4 812 244	2 297 660
Of which: property development	983 997	332 849
- Households	20 441 552	17 675 938
Depending on the warranty:	25 253 796	19 973 598
- Assets/ buildings completed	22 868 898	18 893 485
- Residential	21 034 964	17 794 578
Of which: official protection	1 267 671	1 201 827
- Commercial	865 640	536 842
- Rest	968 294	562 065
- Assets/ buildings under construction	553 025	322 673
- Residential	364 514	205 129
Of which: official protection	16 198	10 584
- Commercial	34 138	20 791
- Rest	154 373	96 753
- Lands	1 831 873	757 440
- Urbanized	940 172	239 418
- Rest	891 701	518 022

At 31 December 2016 and 2015 the breakdown of the nominal value of all eligible mortgage loans, based on the ratio between the amount of the transactions and the appraised values in accordance with the latest available appraisal of respective mortgage assets, is as follows:

						Thousand euros
						2016
	Less or equal to 40%	Greater than 40% and less or equal to 60%	Greater than 60% and less or equal to 80%	Greater than 80% and less or equal to 100%	Greater than 100%	Total
Eligible loans						
- On housing	4 584 562	6 388 307	5 851 930	-	-	16 824 799
- On other goods	831 654	549 254	51 617	-	-	1 432 525
	5 416 216	**6 937 561**	**5 903 547**	**-**	**-**	**18 257 324**

						Thousand euros
						2015
	Less or equal to 40%	Greater than 40% and less or equal to 60%	Greater than 60% and less or equal to 80%	Greater than 80% and less or equal to 100%	Greater than 100%	Total
Eligible loans						
- On housing	4 732 799	6 680 416	3 265 859	3 574 198	-	18 253 272
- On other goods	1 061 886	641 676	16 764	-	-	1 720 326
	5 794 685	**7 322 092**	**3 282 623**	**3 574 198**	**-**	**19 973 598**

Information relating to the nominal value of mortgage loans and credit that have been eliminated or added to the portfolio in 2016 and 2015 is set out below:

				Thousand euros
		2016		2015
	Eligible loans	Not eligible loans	Eligible loans	Not eligible loans
Beginning balance	**19 973 598**	**5 280 198**	**21 225 696**	**5 942 219**
Disposals	**(3 049 265)**	**(1 116 086)**	**(1 918 863)**	**(1 037 963)**
Cancellations at maturity date	(31 224)	(16 222)	(179 964)	(259 332)
Advanced cancellations	(404 404)	(245 695)	(772 858)	(335 044)
Subrogation from other entities	(5 072)	(394)	(2 062)	(341)
Other	(2 608 565)	(853 775)	(963 979)	(443 246)
Additions	**1 332 991**	**1 084 568**	**666 765**	**375 943**
Originated by Group	50 196	20 706	227 310	100 854
Subrogation from other entities	3 055	2 464	14 663	7 846
Other	1 279 740	1 061 398	424 792	267 243
Final balance	**18 257 324**	**5 248 679**	**19 973 598**	**5 280 198**

The movements included in the item “Other”, when associated with “Disposals for the year”, relate basically to the following flows that generate changes in the nominal balance of eligible and non-eligible loans and are applicable to movements in both 2016 and 2015:

- o Transfers between the eligible and non-eligible portfolios, representing additions to the item "eligible loans" and disposals from the "non-eligible loans" portfolio or vice versa. This change is common to movements associated with “Additions for the year” (with the opposite sign). Transfers are due to changes in the fulfilment of eligibility requirements in accordance with applicable regulations (mainly the change in the LTV ratio for the utilization/repayment of loans or the review/update of appraisals).

- o Repayment of loans that remain outstanding with respect to the total loans declared in the previous period and are not therefore treated as repayments at maturity or early repayments.

The movements included in the item “Other”, when associated with “Additions for the year”, relate basically to the following flows that generate changes in the nominal balance of eligible and non-eligible loans and are applicable to movements in both 2016 and 2015:

- o Transfers between the eligible and non-eligible portfolios, representing additions to the item "eligible loans" and disposals from the "non-eligible loans" portfolio or vice versa. This change is common to movements associated with “Disposals for the year” (with the opposite sign). Transfers are due to changes in the fulfilment of eligibility requirements in accordance with applicable regulations (mainly the change in the LTV ratio for the utilization/repayment of loans or the review/update of appraisals).

- o Effect of business combination with Caja España de Inversiones, Salamanca y Soria, S.A. (EspañaDuero) impact, included in Note 1.2.

The available balance of mortgage loans that support the issue of mortgage bonds at 31 December 2016 and 2015 is as follows:

	Thousand euros	
	2016	**2015**
Potentially eligible	188 958	197 215
Ineligible	138 156	192 470
	327 114	**389 685**

The nominal value of the available amounts (committed amounts not drawn down) relating to all mortgage loans and credit potentially eligible at 31 December 2016 and 2015 totals €188,958 thousand €197,215 thousand, respectively, and the amount that is not potentially eligible totals €138,156 thousand €192,470 thousand, respectively.

At 31 December 2016 and 2015 the Group does not have any replacement assets associated to issues of mortgage bonds or debentures.

B) Liability transactions

The breakdown at 31 December 2016 and 2015 of the nominal aggregate value of mortgage bonds in force issued by the Group and the mortgage funds and mortgage transfer certificates that are active at that date, based on their residual terms, is as follows:

	Thousand euros	
	2016	**2015**
Mortgage bonds	**-**	**-**
Mortgage bonds issued	**7 767 928**	**9 292 002**
Issued for public offering	1 000 000	1 500 000
- Residual maturity up to 1 year	500 000	500 000
- Residual maturity greater than 1 year and up to 2 years	-	500 000
- Residual maturity greater than 2 years and up to 3 years	500 000	-
- Residual maturity greater than 3 years and up to 5 years	-	500 000
- Residual maturity greater than 5 years and up to 10 years	-	-
- Residual maturity greater than 10 years	-	-
Rest of issues	200 000	200 000
- Residual maturity up to 1 year	70 000	-
- Residual maturity greater than 1 year and up to 2 years	70 000	70 000
- Residual maturity greater than 2 years and up to 3 years	-	70 000
- Residual maturity greater than 3 years and up to 5 years	30 000	-
- Residual maturity greater than 5 years and up to 10 years	30 000	60 000
- Residual maturity greater than 10 years	-	-
Deposits	6 567 928	7 592 002
- Residual maturity up to 1 year	1 300 000	1 024 074
- Residual maturity greater than 1 year and up to 2 years	819 000	1 300 000
- Residual maturity greater than 2 years and up to 3 years	668 025	819 000
- Residual maturity greater than 3 years and up to 5 years	985 000	993 025
- Residual maturity greater than 5 years and up to 10 years	1 133 903	1 793 903
- Residual maturity greater than 10 years	1 662 000	1 662 000
Shares issues mortgage	**-**	**-**
Issued by public offering	-	-
Other issues	-	-
Mortgage transfer certificates issued	**-**	**-**
Issued by public offering	-	-
Other issues	-	-
	7 767 928	**9 292 002**

47. Information transparency in connection with financing for construction, property development, home buying and assets acquired in payment of debts

47.1 Qualitative information

The following should be noted in relation to the minimum information that must be disclosed by consolidated groups of financial institutions and by individual financial institutions that do not form part of a group:

- With respect to the financing of construction and property development, financial institutions are asked to disclose their policies and strategies implemented in connection with problematic assets in this industry, with a view to the short, medium and long term. These exposures must also be evaluated in terms of the resistance tests published before the summer, if the entity participated in them.

- Financing needs in the markets and in the short, medium and long-term strategies implemented must also be evaluated (without prejudice to the fact that the Bank of Spain may send at a later date details relating to minimum information on financing and liquidity needs).

Unicaja Banco, as part of its risk policy, particularly in connection with construction and property development, has a number of specific policies and strategies in place to favour the fulfilment of borrower obligations and mitigate the Group's exposure. Alternatives are sought to permit the completion and sale of property developments, analyzing the renegotiation of exposures if this improves the Group's credit position and basically to allow the borrower to continue to do business.

This takes into account prior experience with the borrower, compliance record, declared intention to pay, capacity to generate cash flows and new collateral furnished before existing guarantees are exceeded.

Firstly, provided there is a certain payment capacity and after exhausting all possibilities of collecting the past due debt, the Group studies the grant of principal grace periods to allow development of the land financed, completion of property under development and sale of finished units. The analysis performed prioritises project feasibility so as to avoid an increase in the investment in properties for which future sales are clearly possible.

If support measures are not possible or sufficient, other alternatives are sought, such as dation in payment or asset purchase, the final option being a court claim and the subsequent repossession of the properties through the enforcement of the mortgage guarantees. All irregular assets included in the Group's consolidated balance sheet are managed ultimately for the purposes of divestment or leasing.

To this end, the Unicaja Banco Group has special-purpose companies specialized in the management of property development projects, selling of properties and leasing of investment properties (Note 1.1.3). The Group also has specific units responsible for developing these strategies and coordinating the actions of the special-purpose subsidiaries, office network and other agents involved. Finally, the Group has the website *www.unicajainmuebles.com*, one of the main tools employed to present these assets to the general public.

47.2 Información cuantitativa

Set out below is a breakdown of construction and property development financing and its hedges (1), at 31 December 2016 and 2015:

	Thousand euros			
	2016			
	Gross book value (2)	Excess over collateral value (3)	Accumulated impairment (4)	Net value
Construction and property development financing (including floors) (Business in Spain)	1 178 615	225 699	366 540	812 075
Of which non performing	506 010	160 566	282 293	223 717
Memorandum ítem				
Bad assets (5)	716 697			

	Thousand euros			
	2015			
	Gross book value (2)	Excess over collateral value (3)	Accumulated impairment (4)	Net value
Construction and property development financing (including floors) (Business in Spain)	1 374 117	212 099	450 738	923 379
Of which non performing	630 848	174 582	363 229	267 619
Memorandum ítem				
Bad assets (5)	937 736			

Memorandum item: Consolidated group data (5)	Book value	
	2016	2015
Customer loans, Public Administrations excluded (Business in Spain) (book value) (6)	26 139 531	28 656 803
Total consolidated assets (total businesses) (book value) (7)	57 240 828	60 311 829
Impairment and provisions on exposured classified as normal (total businesses) (8)	111 550	13 043

(1) The financing classification in this statement will be made according to its purpose, and not with the debtor's CNAE. This entails, for example, that if the debtor is: (a) a property company that uses the financing granted for a purpose other than construction or property development, it will not be included in this table; and (b) a company whose core business is not construction or property development, but the credit is employed to finance buildings for use in property development, it will be included in this table.

(2) Amount before deducting, where appropriate, value adjustments for impairment of assets.

(3) It is the amount of the excess of the gross carrying amount of each transaction over the value of the real rights that may have been received as collateral, calculated in accordance with the provisions of Schedule IX of Circular 4 / 2004. Therefore, the value of the real rights is the result of weighing the smallest amount between the cost of the assets and the value of their valuation in its current state weighted by the percentages that correspond to them according to the nature of the mortgaged assets.

(4) Amount endowed by the entity to cover financing operations for the construction and real estate development.

(5) Includes all financing, in the form of loans, with or without mortgage guarantee, and debt securities, intended for construction and real estate development, corresponding to activity in Spain (business in Spain).

(6) Gross amount of financing for construction and real estate development (business in Spain) derecognised for being classified as default.

(7) Amount recorded on the asset side of the balance sheet after deducting, if applicable, the amounts constituted for hedging.

(8) Total amount of the value adjustments and provisions that have the nature of generic coverage for credit risk established for the risks classified as normal, as indicated in Annex IX of Circular 4/2004, corresponding to their total activity (total business).

Set out below is a breakdown of Financing for construction and property development, operations recognized by credit entities (business in Spain) at 31 December 2016 and 2015:

	Thousand euros	
	Gross book value (6)	
	2016	2015
Without mortgage	586 811	172 967
With mortgage (breakdown by asset received under warranty) (1)	591 804	1 201 151
Buildings and other completed constructions (2)	525 563	712 728
Housing	364 678	507 194
Rest	160 886	205 534
Buildings and other under construction (3)	61 646	88 230
Housing	48 774	79 487
Rest	12 872	8 743
Land	4 595	400 193
Consolidated urban land	-	111 372
Other land	4 595	288 821
Total (4)	**1 178 615**	**1 374 118**

(1) Amount before deduction, if any, of the accumulated impairment.

(2) All real estate collateral transactions, regardless of the manner in which the guarantee is insured, are included regardless of the percentage of the amount of the transaction over the last loan appraisal amount.

(3) If residential purposes (housing) or other purposes meet in a building, financing is included in the predominant purpose category.

(4) This amount coincides with the gross carrying amount of the line "Financing for construction and real estate development (including land) (business in Spain)" of the state PC 7-1.

Set out below is a breakdown at 31 December 2016 and 2015 of collateral's received and financial awarded related to construction and property development financing, operations recognized by credit entities (business in Spain):

	Thousand euros	
Collaterals received	**2016**	**2015**
Value of security rights	772 680	873 387
Of which: Default / Non-performing	*240 453*	*332 687*
Value of other colaterals	-	-
Of which: Default / Non-performing	-	-
Total value of collaterals received	**772 680**	**873 387**

Financial guarantees granted	2016	2015
	Thousand euros	
Financial guarantees granted in relation to construction and real state promotion	403 814	336 495
Amount recorded in balance sheet liabilities	45 730	10 133

Set out below is a breakdown at 31 December 2016 and 2015 of Home-buyer loans, operations recognized by credit entities (business in Spain):

	2016		2015	
	Gross (2)	Of which: Non-performing	Gross (2)	Of which: Non-performing
Loans for home purchase (1)	17 753 370	1 277 353	18 389 006	1 226 106
Without real state mortgage	393 117	16 044	226 818	2 321
With real state mortgage (3)	17 360 253	1 261 309	18 162 188	1 223 785

Thousand euros

(1) Loans, with or without guarantee of mortgage real estate, to the homes for acquisition of housing corresponding to businesses in Spain.

(2) Amount before deducting, if appropriate, the accumulated impairment.

(3) All transactions with real estate mortgage guarantee, regardless of the percentage involved, will be included in the amount of the last valuation available.

Set out below is a breakdown of Home-buyer mortgage credit showing total risk as a percentage of the latest-available appraised value (LTV), operations recognized by credit entities (business in Spain) at 31 December 2016 and 2015:

31 December 2016

	LTV≤40%	40%<LTV≤60%	60%<LTV≤80%	80%<LTV≤100%	LTV>100%	Total
Gross book value (2)	3 942 549	6 131 191	6 446 308	578 493	261 711	17 360 252
Of which: non-performing(2)	77 337	241 746	594 151	157 207	190 867	1 261 308

31 December 2015

	LTV≤40%	40%<LTV≤60%	60%<LTV≤80%	80%<LTV≤100%	LTV>100%	Total
Gross book value (2)	3 917 697	6 222 271	6 937 936	862 247	222 037	18 162 188
Of which: non-performing(2)	76 338	234 872	581 040	188 639	142 896	1 223 785

(1) The loan to value is the ratio resulting from dividing the gross carrying amount of the operation at the date of the information between the amount of the last available valuation.

(2) Amount before deducting, if appropriate, the accumulated impairment. The amounts declared in the column 'Total' for the lines 'Book balance' and 'Of which: non-performingl' in this state coincide with the amounts shown in the line 'With real estate mortgage' of PC 7-3.

Set out below is a breakdown of assets awarded to the consolidated group entities (business in Spain) (1) at 31 December 2016 and 2015:

						Thousand euros
			2016			2015
	Gross book value (2)	Accumulater impairment losses	Net value	Gross book value (2)	Accumulater impairment losses	Net value
Foreclosed property assets or under debt pay	**2 567 435**	**(1 593 677)**	**973 758**	**2 681 188**	**(1 567 787)**	**1 113 401**
Property assets arising from financing provided to construction and property development companies (3)	1 521 907	(1 020 308)	501 599	1 707 392	(1 064 925)	642 467
Completed buildings	418 740	(212 566)	206 174	556 479	(285 130)	271 349
Residential	278 405	(141 751)	136 654	321 016	(153 352)	167 664
Other	140 335	(70 815)	69 520	235 463	(131 778)	103 685
Buildings under construction	182 812	(105 746)	77 066	121 552	(73 760)	47 792
Residential	180 502	(104 725)	75 777	110 866	(67 728)	43 138
Other	2 310	(1 021)	1 289	10 686	(6 032)	4 654
Land	920 355	(701 996)	218 359	1 029 361	(706 035)	323 326
Developed land	686 340	(501 737)	184 603	699 499	(449 802)	249 697
Other land	234 015	(200 259)	33 756	329 862	(256 233)	73 629
Property assets from home purchase mortgage loans to households	660 742	(336 015)	324 727	672 063	(331 690)	340 373
Other forclosed property assets (4)	384 786	(237 354)	147 432	301 733	(171 172)	130 561
Foreclosed equity instruments or under debt pay	**20 434**	**(15 233)**	**5 201**	**18 004**	**(18 004)**	**-**
Inversiones entidades de naturaleza inmobiliaria	**-**	**-**	**-**	**-**	**-**	**-**
Equity instruments from foreclosed property assets entities or under debt pay (5)	-	-	-	-	-	-
Financing to foreclosed property assets entities or under debt pay (5)	-	-	-	-	-	-
	2 587 869	**(1 608 910)**	**978 959**	**2 699 192**	**(1 585 791)**	**1 113 401**

(1) This will include assets awarded, acquired, purchased or exchange for debt deriving from financing granted by the group companies during business in Spain, and shares in and financing granted to non-consolidated entities holding such assets.

(2) Amount before, when applicable, accumulated impairment losses.

(3) All real estate assets arising from financing for construction and real estate development, irrespective of the sector and main economic activity of the individual enterprise or entrepreneur who delivered the asset, shall be included.

(4) This will include real estate assets that do not derive from loans to construction and property development companies, or home-buyer loans.

(5) All assets of this kind will be recognized, including share capital and financing to entities holding foreclosed property assets or received in payment of debts.

As shown in the table above, as of December 31, 2016 the gross acquisition cost of foreclosed assets amounted to €2,587,869 thousand, with a total coverage provisions of €1,608,910 thousand, representing a level of coverage of the cost of acquisition of 62.17% gross.

48. Information on the deferral of payments to suppliers. Additional Provision Three - Duty of information - Law 15/2010 (5 July)

In accordance with Law 15/2010 (5 July), which amended Law 3/2004 (29 December) on measures to combat late payment in commercial transactions, as further developed by the Ruling of 29 December from the Institute of Accounting and Auditing (ICAC) on information to be included in the notes to annual accounts in connection with the deferral of payments to suppliers in commercial transactions, the following should be noted:

- In view of the Entity's core activities, the information on the deferral of debt relates basically to payments to supplier for services and sundry supplies received, other than payments to deposit holders and holders of securities issued by the Entity, which have been made, in any event, in strict compliance with contractual and legal deadlines in each case, whether debts payable on demand or on a deferred basis.

- Payments made by Unicaja Banco Group to suppliers solely for the provision of sundry services during 2016 totalled €538,696 thousand (€435,628 thousand in 2015); the services were provided within the legal deadlines and as contractually stipulated. At 31 December 2016 and 2015, the balance pending payment to suppliers is immaterial and complies with the payment period requirements of Law 15/2010 (5 July).

According to the provisions of the second final provision of Law 31/2014, of December 3, in which the third additional provision of Law 15/2010 is modified, and in relation to information to be incorporated into memory the annual accounts on deferred payments to suppliers in commercial transactions calculated based on the provisions of the Resolution of 29 January 2016 the Institute of Accounting and Auditing, the average period of payment to suppliers of the Group during years 2016 and 2015 of 20.98 and 19.64 days, while the ratio of paid operations and the ratio of outstanding payment transactions amounted to 15.38 days and 28.19 days, respectively.

The average payment period is within the legal limits established in the regulations, so it does not apply the inclusion in the management report of the measures provided for in paragraph 1 of Article 262 of the Revised Text of the Companies Act Capital.

49. Customer service

In compliance with Article 17.2 of Order ECO/734/2004, of 11 March, on customer departments and services and protection of financial institutions, a brief summary is provided of the contents of the report of the Group Customer Service Department 87.59% of complaints and claims received in 2016 were resolved (94.55% at 31 December 2015). The remaining percentage pending at 31 December 2016 are expected to be resolved during the first two months of the following year at the most, in accordance with the Order and Unicaja's regulations governing the protection of customers.

APPENDIX I
SUBSIDIARIES AT 31 DECEMBER 2016

Company Name	Registered domicile	Activity	% Share owned by Group		
			% Share		Total share
			Direct	Indirect	
Alqlunia Duero, S.L.U.	C/ Marqués de Villamagna 6-8 , Madrid	Real state development	0.00%	69.38%	69.38%
Alteria Corporación Unicaja, S.L.U.	C/ Bolsa nº 4, planta 5ª, Málaga	Asset investment and finance companies	100.00%	0.00%	100.00%
Altos de Jontoya Residencia para Mayores, S.L.U.	Plaza Jaén por la Paz, nº 2 Jaén	Geriatric care	0.00%	100.00%	100.00%
Analistas Económicos de Andalucía, S.L.U.	C/ Granada nº 13, Entreplanta, Málaga	Study and analysis economic activity	100.00%	0.00%	100.00%
Andaluza de Tramitaciones y Gestiones, S.A.U.	C/ Angosta del Carmen, 2, Málaga	Management and settlement documents and deeds	0.00%	100.00%	100.00%
Banco de Caja España de Inversiones, Salamanca y Soria, S.A.	C/ Marqués de Villamagna, 6-8, Madrid	Credit institution	69.33%	0.05%	69.38%
Caja España Mediación, Operador Banca-Seguros Vinculado, S.A.U.	Plaza de los Bandos 15-17, Salamanca	Insurance broker	0.00%	69.38%	69.38%
Cartera de Inversiones Agroalimentarias, S.L.	Plaza Jaén por la Paz, nº2, Jaén	Food industry	100.00%	0.00%	100.00%
Conexiones y Servicios del Duero, S.A.	Carretera Salamanca 3, Tordesillas (Valladolid)	Auxiliary services	0.00%	36.08%	36.08%
Desarrollo de Proyectos de Castilla y León, S.L.U.	Avd. Madrid 120, León	Management and property management	0.00%	69.38%	69.38%
Finanduero Sociedad de Valores, S.A.U.	C/ Titán 8 - 2º 28045 - Madrid	Asset investment and finance companies	0.00%	69.38%	69.38%
Gestión de Actividades y Servicios Empresariales, S.A.U.	C/ Federico Orellana Toledano, nº 4, Málaga	Electronic recording and processing of data and documents	0.00%	100.00%	100.00%
Gestión de Inmuebles Adquiridos, S.L.U.	C/ Mauricio Moro Pareto nº 6, 6ª planta, Edf. Eurocom, Málaga	Real state development	0.00%	100.00%	100.00%
Grupo de Negocios Duero, S.A.U.	C/ Marqués de Villamagna 6-8, Madrid	Financial management	0.00%	69.38%	69.38%
Inmobiliaria Acinipo, S.L.U.	C/ Mauricio Moro Pareto nº 6, 6ª planta, Edf. Eurocom, Málaga	Real state development	100.00%	0.00%	100.00%
Inmobiliaria Uniex Sur, S.L.U.	C/ Mauricio Moro Pareto nº 6, 6ª planta, Edf. Eurocom, Málaga	Real state development	0.00%	100.00%	100.00%
La Algara Sociedad de Gestión, S.L.U.	C/ Bartolomé de Medina nº 24, Sevilla	Tourism sector	0.00%	100.00%	100.00%
Mijas Sol Resort, S.L.U.	C/ Mauricio Moro Pareto, nº 6, Planta 6ª, Edificio Eurocom, Málaga	Real state development	0.00%	100.00%	100.00%
Parque Industrial Humilladero, S.L.	C/ Miguel Hernández nº 1, Málaga	Industrial Land Development	0.00%	84.74%	84.74%

APPENDIX I
SUBSIDIARIES AT 31 DECEMBER 2016

Company Name	Registered domicile	Activity	% Share owned by the Group		
			% Share		Total Share
			Direct	Indirect	
Pinares del Sur, S.L.U.	Avenida Portugal Edf. Abarzuza, bajo (Esquina Avda. Juan Carlos). Cádiz	Real state development	0.00%	100.00%	100.00%
Propco Rosaleda, S.L.U.	C/Mauricio Moro Pareto nº 6, Bajo, Ed. Eurocom	Property development	0.00%	100.00%	100.00%
Segurándalus Mediación, Correduría de Seguros, S.A.U.	C/ Cuarteles, nº 51, Entreplanta, Málaga	Insurance Brokers	0.00%	100.00%	100.00%
Tubos de Castilla y León, S.A.U.	Crta. Mayorga Km 1, Valencia de Don Juan (León)	Pipe Manufacturing	0.00%	69.38%	69.38%
Unicaja Gestión de Activos Inmobiliarios, S.A.U.	Avda. Andalucía, 10-12, Málaga	Holding real estate	100.00%	0.00%	100.00%
Unicartera Caja 2, S.L.U.	C/ Mauricio Moro Pareto, nº 6, Planta 6ª, Edificio Eurocom, Málaga	Promotion or funding of R & D in the field of medicine	100.00%	0.00%	100.00%
Unicartera Gestión de Activos, S.L.U.	C/ San Agustín, nº 2, 1ª planta, Madrid	Recovery procedures and management of disputes	0.00%	100.00%	100.00%
Unicartera Internacional, S.L.U.	Avda. Andalucía, 10-12, Málaga	Asset investment and finance companies	100.00%	0.00%	100.00%
Unicartera Renta, S.L.U.	Avda. Andalucía, 10-12, Málaga	Asset investment and finance companies	100.00%	0.00%	100.00%
Unicorp Patrimonio, Sociedad de Valores, S.A.U.	C/ Bolsa, nº 4, 5ª planta, Málaga	Wealth management	0.00%	100.00%	100.00%
Unigest, S.G.I.I.C., S.A.	C/ Bolsa, nº 4, 5ª planta, Málaga	Management of Collective Investment Institutions	0.00%	86.35%	86.35%
Unimediación, S.L.U.	C/ Bolsa, nº 4, 2ª planta, Málaga	Insurance Brokers	0.00%	100.00%	100.00%
Unimediterráneo de Inversiones, S.L.U.	C/ Mauricio Moro Pareto, nº 6, Planta 6ª, Edificio Eurocom, Málaga	Asset investment and finance companies	100.00%	0.00%	100.00%
Uniwindet Parque Eólico Las Lomillas, S.L.	C/ Bolsa, nº 4, 5ª planta, Málaga	Wind power	10.00%	90.00%	100.00%
Uniwindet Parque Eólico Loma de Ayala, S.L.	C/ Bolsa, nº 4, 5ª planta, Málaga	Wind power	10.00%	90.00%	100.00%
Uniwindet Parque Eólico Los Jarales, S.L.	C/ Bolsa, nº 4, 5ª planta, Málaga	Wind power	10.00%	90.00%	100.00%
Uniwindet Parque Eólico Tres Villas, S.L.	C/ Bolsa, nº 4, 5ª planta, Málaga	Wind power	10.00%	90.00%	100.00%
Uniwindet, S.L.	C/ Bolsa, nº 4, 5ª planta, Málaga	Wind power	20.62%	79.38%	100.00%
Viajes Caja España, S.A.	Av. Madrid 120, León	Travel agency	0.00%	34.69%	34.69%
Viproelco, S.A.U.	Av. Madrid 120, León	Real state development	0.00%	69.38%	69.38%

APPENDIX II
JOINT VENTURES AT 31 DECEMBER 2016

Thousand euros

Company Name	Registeres domicile	Activity	% Share owned by the Group			Individual profit/ loss for the year	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total revenue	Total expenditure
			% Share		Total share							
			Direct	Indirect								
Banco Europeo de Finanzas (6), S.A.	C/ Bolsa, 4, piso 1, Málaga	Credit institution	1.20%	39.52%	40.72%	11	2 744	92 400	41	98	724	(713)
Cartera Perseidas, S.L. (6)	Paseo de Recoletos,29, Madrid	Investment in assets, securities and financial companies	2.36%	29.77%	32.13%	(11 057)	1 495	366	593	15	35	(11 092)
Cerro del Baile, S.A. (2)	Av. Bruselas, 15 - 4º , Arroyo de la Vega (Alcobendas)	Real state development	0.00%	55.50%	55.50%	85	-	24 332	575	47 274	213	(128)
Dolun Viviendas Sociales, S.L. (7)	C/ Muñoz Olivé, 1, Portal 2, 1º C, Sevilla	Real state development	0.00%	40.00%	40.00%	-	-	-	-	-	-	-
Espacio Medina, S.L. (6)	Paseo de la Castellana, 91, Piso 9, Madrid	Real state development	0.00%	30.00%	30.00%	(900)	-	69 134	8 630	26 321	-	(900)
Global Duero, S.A. (1)	C/ Alfonso XI nº 7 - 2º Dcha, Madrid	Investment in assets, securities and financial companies	0.00%	34.69%	34.69%	-	-	-	-	-	-	-
Hidrocartera, S.L. (6)	Avda. Andalucía, 10-12, Málaga	integrated water cycle	70.00%	0.00%	70.00%	5 762	69 437	5 956	-	4	5 791	(29)
Lares Val de Ebro, S.L. (3)	Avda. Talgo 155, Madrid	Real state development	0.00%	23.12%	23.12%	(292)	-	19 277	2	21 381	-	(292)
Madrigal Participaciones, S.A. (5)	C/ Santiago 7 - 1º E, Valladolid	Investment in assets, securities and financial companies	0.00%	52.51%	52.51%	136	16 128	2 027	2 707	4	501	(356)
Muelle Uno - Puerto de Málaga, S.A. (5)	Avda. de Andalucía 21, Entreplanta, Málaga	Real state development	0.00%	39.74%	39.74%	(1 318)	50 886	2 502	25 953	2 985	5 547	(6 866)
Rochduero, S.L. (4)	C/ Armas 10 - A , Jerez de la Frontera (Cádiz)	Real state development	0.00%	37.53%	37.53%	(359)	-	35 758	420	36 535	25	(384)
Sociedad de Gestión San Carlos, S.A. (6)	C/ Almirante Faustino Ruíz, 2, A-1, Cádiz	Real state development	0.00%	53.29%	53.29%	(396)	-	14 235	7 828	476	-	(396)

(1) Financial data at 28 February 2014.
(2) Financial data at 31 December 2015.
(3) Financial data at 30 June 2016.
(4) Financial data at 31 August 2016.
(5) Financial data at 30 November 2016
(6) Financial data at 31 December 2016.
(7) Company in liquidation

Note: The financial information used for equity participation in jointly controlled entities that are presented in this Annex is the last available by the Bank to the date of preparation of these financial statements. In cases where this financial information does not correspond with the December 31, 2016, it is because it has been used instead, information on a date very close to the end of 2016, or because the entity jointly controlled It has no relevant activity that may have a significant impact on these financial statements (for being in liquidation or other reasons that produce similar effect

APPENDIX III
ASSOCIATES AT 31 DECEMBER 2016

Thousand euros

Company name	Registeres domicile	Activity	% Share owned by the Group			Financial Statements at year end				
			% Share		Total	Total assets	Equity	Profit for the year	Current liabilities	Operating profit
			Direct	Indirect						
A.I.E. Naviera Olimpia (10)	C/ García Barbón, 1. Vigo-Pontevedra	Maritime transport services	26.00%	0.00%	26.00%	-	-	(5)	-	(5)
Ala Ingeniería y Obras, S.L. (2)	C/ Ferrocarril, 35 Meco (Madrid)	Manufacturing metal structures	0.00%	13.91%	13.91%	8 889	(5 005)	(1 178)	13 894	(1 275)
Alestis Aerospace, S.L. (9)	C/ Carlbraith P. Rodgers (Parque Tecnológico y Aeronáutico de Andalucía-AEROPOLIS). La Rinconada-Sevilla.	Aerospace industry	12.19%	1.85%	14.04%	470 851	(16 615)	(18 344)	487 466	(3 317)
Andalucía Económica, S.A. (12)	C/ Diego de Riano nº 11, Piso 2º. Sevilla	Publishing, graphic arts and television	23.80%	0.00%	23.80%	762	576	26	186	25
Autopista del Guadalmedina. Concesionaria Española, S.A. (14)	Carretera A-45 (AP 46 Km 6.200), Casabermeja-Málaga	Highways	30.00%	0.00%	30.00%	387 243	73 825	(4 523)	313 418	3 740
Autopista del Sol Concesionaria Española, S.A. (14)	Plaza Manuel Gómez-Moreno (Edf. Alfredo Mahou), 2.Madrid	Highways	20.00%	0.00%	20.00%	685 596	(12 935)	(5 100)	698 531	29 802
B.I.C. Euronova, S.A. (15)	Avenida Juan López Peñalver, 21 (Parque Tecnológico Andalucía). Campanillas-Málaga	Investment services and promotion	20.00%	0.00%	20.00%	1 400	946	(67)	454	67
Caja España Vida Compañia de Seguros y Reaseguros, S.A. (16) (*)	C/ Santa Nonia, 4 - 3ª Planta, León	Insurance and reinsurance	0.00%	34.69%	34.69%	1 330 847	149 996	24 128	1 180 851	24 656
Camping El Brao, S.A. (5)	C/ Uría, 56 - 2 C , Oviedo (Asturias)	Real state devekioment	0.00%	17.35%	17.35%	5	(6)	(4)	10	(4)
Centro de Tecnologías Informáticas, S.A. (8)	Av. Condesa Sagasta, 6 - 1º, León	Computer Services	0.00%	13.88%	13.88%	536	356	(222)	180	(219)
Compañía de Servicios de Castilla y León, S.A. (1)	C/ Pico del Urbión, 4 Valladolid	Development administrative work	0.00%	19.47%	19.47%	141	(801)	(667)	942	(659)
Creación de Suelo e Infraestructuras, S.L. (11)	C/ Ibiza, 35 -5ºA. Madrid	Real state devekioment	0.00%	24.98%	24.98%	625	(12 311)	(253)	12 936	(253)
Cuatro Estaciones INM Siglo XXI, S.L. (4)	Plaza del Mío Cid 6 - 3º, Burgos	Real state devekioment	0.00%	13.88%	13.88%	1 787	(632)	(10)	2 419	(10)
Deoleo, S.A. (13)	Autovía Madrid-Cádiz KM 388. Alcolea-Córdoba	Food industry	9.99%	0.06%	10.05%	1 334 800	475 407	(32 160)	859 393	(1 267)

APPENDIX III
ASSOCIATES AT 31 DECEMBER 2016

Thousand euros

Company name	Registeres domicile	Activity	% Share owned by the Group			Financial Statements at year end				
			% Share		Total	Total assets	Equity	Profit for the year	Current liabilities	Operating profit
			Direct	Indirect						
Desarrollo Urbanísticos Cerro de Medianoche, S.L. (16)	Plaza Jaén por la Paz, 2. Jaén	Real state development	0.00%	24.72%	24.72%	3 567	3 567	(7)	0	(7)
Duero Pensiones, E.G.F.P. (16) (*)	Pº de la Castellana, 167 Madrid	Managment pension funds	0.00%	34.69%	34.69%	9 098	8 314	1 095	784	1 095
Gestión e Investigación de Activos, S.A. (13)	C/ Zurbano, 76 Madrid	Real state development	0.00%	37.54%	37.54%	21 243	10 741	472	10 502	775
Hidralia, Gestión Integral de Aguas de Andalucía, S.A. (16)	C/ Alisios. Edf Ocaso, nº 1, Sevilla	Integrated wáter cycle	0.00%	35.00%	35.00%	279 361	116 546	12 772	162 815	10 534
Ingeniería de Suelos y Explotación de Recursos, S.A. (12)	Paseo del Coso S/N. Minas de Riotinto-Huelva	Mining industry	30.00%	0.00%	30.00%	58 865	22 577	4 850	36 288	4 875
Ingeniería e Integración Avanzadas, S.A. (13)	C/ Severo Ochoa 43 (Parque Tecnológico de Andalucía). Campanillas-Málaga	New technologies	40.00%	0.00%	40.00%	13 986	4 645	124	9 341	358
Inversiones Alaris, S.L. (13)	Av. Carlos III El Noble,8 Pamplona/ Iruña (Navarra)	Share holding	0.00%	23.12%	23.12%	41 081	38 133	4 940	2 948	(172)
La Reserva de Selwo Golf, S.L(9)	C/ Linaje 3, Planta 1, Piso 1. Málaga	Real state development	0.00%	35.00%	35.00%	672	(3 695)	(7)	4 367	(7)
Malagaport, S.L. (13)	Edif. Instituto de Estudios Portuarios, Puerto de Málaga (Muelle de Cánovas), S/N. Málaga	Community services	26.07%	0.00%	26.07%	388	358	39	30	39
Mejor Campo Abonos y Cereales, S.A. (7)	Callejón de San Francisco, 1 - Bajo Medina del Campo (Valladolid)	Commercial fertilizer and feed	0.00%	18.73%	18.73%	3	(58)	-	61	-
Numzaan, S.L. (6)	C/ Doctor Casas, nº 20 Zaragoza	Real state development	0.00%	14.90%	14.90%	1 375	(65 020)	(27)	66 395	(27)
Obenque, S.A. (13)	C/ Zurbano, nº 76, Madrid	Real state development	0.00%	26.98%	26.98%	28 882	7 979	(23)	20 903	446
Parque Científico-Tecnológico de Almería, S.A. (16)	Avda. de la Innovación, nº 15, Almería	Real state development	0.00%	29.91%	29.91%	49 600	26 199	(1 163)	23 401	(845)
Patrimonio Inmobiliario Empresarial, S.A. (3)	C/ Santa Engracia, 69 Madrid	Real state development	0.00%	20.18%	20.18%	26 857	(21 423)	-	48 280	-
Sociedad Municipal de Aparcamientos y Servicios, S.A. (16)	Plaza Jesús "El Rico" 2-3. Málaga	Parking	24.50%	0.00%	24.50%	67 630	38 834	2 866	28 796	4 747
Uncro, S.L. (9)	C/ Ibiza Nª 35 5ªC.Madrid	Real state development	0.00%	25.00%	25.00%	874	(9 562)	(34)	10 436	(35)

APPENDIX III
ASSOCIATES AT 31 DECEMBER 2016

Thousand euros

Company Name	Social domicile	Activity	% Share owned by the Group			Financial Statements at year end				
			% Share		Total	Total assets	Equity	Profit for the year	Current liabilities	Operating profit
			Direct	Indirect						
Unema Promotores Inmobiliarios, S.A. (17)	C/ Strachan, nº1, planta 1. Málaga	Real state development	0.00%	40.00%	40.00%	37	(1 668)	(21)	1 705	(21)
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A. (16)	C/ Bolsa, nº 4, 3ª planta. Málaga	Insurance	42.40%	7.60%	50.00%	2 152 389	186 432	45 054	1 965 957	52 890
Unión del Duero Compañía Seguros de Vida, S.A. (16) (*)	Pº de la Castellana, nº 167, Madrid	Life insurance	0.00%	34.69%	34.69%	758 317	80 030	15 698	678 287	15 698

(*)The participation in this entity is classified under the heading "Non-current assets held for sale" in the consolidated balance sheet.

(1) Financial data at 31 August 2013. Company in liquidation.
(2) Financial data at 31 December 2013. Company in liquidation.
(3) Financial data at 31 March 2014. Company in liquidation.
(4) Financial data at 31 October 2014. Company in liquidation.
(5) Financial data at 31 December 2015.
(6) Financial data at 31 December 2015. Company in liquidation.
(7) Financial data at 31 May 2016. Company in liquidation.
(8) Financial data at 30 June 2016.
(9) Financial data at 30 September 2016.
(10) Financial data at 30 September 2016. Company in liquidation.
(11) Financial data at 30 September 2016. Company banckrupcy declarated.
(12) Financial data at 31 October 2016.
(13) Financial data at 30 November 2016.
(14) Financial data at 31 December 2016, estimation under IAS.
(15) Financial data at 31 December 2016, estimation at September 2016.
(16) Financial data at 31 December 2016.
(17) Financial data at 31 December 2016. Company banckrupcy declarated.

Note: The financial information used for equity participation in associates presented in this Annex is the last available by the Bank to the date of preparation of these financial statements. In cases where this financial information does not correspond with the December 31, 2016, it is because it has been used instead, information on a date very close to the end of 2016, or because the associated entity It has no relevant activity that may have a significant impact on these financial statements (for being in liquidation or other reasons that produce similar effects).

APPENDIX IV
FINANCIAL STATEMENT OF ESPAÑADUERO

a) Balance sheet for the years ended 31 December 2016 and 2015

	Thousand euros	
	2016	**2015 (*)**
Cash, cash balances at central banks and other demand deposits	356 694	827 205
Financial assets held for trading	24 950	38 553
Available-for-sale financial assets	1 522 676	2 891 711
Loans and receivables	12 745 549	16 724 540
Held-to-maturity investments	7 461 806	3 283 866
Hedging derivatives	40 772	129 868
Investments in subsidiaries, joint ventures and associates	52 964	336 732
Tangible assets	710 782	691 058
Tax assets	1 963 790	1 949 462
Other assets	20 283	132 364
Non-current assets and disposal groups held for sale	491 663	474 459
Total assets	**25 391 929**	**27 479 818**
Financial liabilities held for trading	25 969	101 739
Financial liabilities measured at amortized cost	24 001 048	25 944 791
Hedging derivatives	11 176	21 061
Provisions	335 393	380 023
Tax liabilities	158 813	174 248
Other liabilities	128 962	64 541
Total liabilities	**24 661 361**	**26 686 403**
Accumulated other comprehensive income	18 715	10 488
Shareholders' funds:	711 853	782 927
Capital	253 552	289 802
Share Premium	760 656	869 406
Retained earnings	(614 832)	(604 132)
Other reserves	362 855	351 889
Less: treasury shares	(24 596)	(113 339)
Profit or loss attributable to parent	(25 782)	(10 699)
Total equity	**730 568**	**793 415**
Total equity and total liabilities	**25 391 929**	**27 479 818**
Financial guarrantees given	368 917	438 646
Contingents commitments	810 700	1 110 726
Total written-off the Balance Sheet	**1 179 617**	**1 549 372**

(*) Information has been adaptet to he Financial Statements new structure from Circular 5/ 2014 of Bank of Spain.

b) Income statements for the years ended 31 December 2016 and 2015

	Thousand euros	
	2016	**2015 (*)**
Interest income	391 026	550 005
Interest expense	(259 096)	(350 036)
Net interest income	**131 930**	**199 969**
Dividend income	56 479	18 322
Fee and commission income	92 178	119 324
Fee and commission expenses	(9 711)	(7 773)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss. Net	9 642	388 356
Gains or (-) losses on financial assets and liabilities held for trading. Net	855	(34 834)
Gains of (-) losses from hedge accounting. Net	-	(2)
Exchange differences (losses). Net	784	1 442
Other operating income	51 901	48 575
Other operating expenses	(69 420)	(60 045)
Gross income	**264 638**	**673 334**
Administration costs	(254 022)	(256 332)
Amortization	(16 924)	(17 714)
Provisions or (-) reversal of provisions	(95 241)	(93 630)
Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss	69 123	(321 553)
Net operating income	**(32 426)**	**(15 895)**
Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates	(43 243)	137
Impairment or (-) reversal of impairment on non-financial assets	2 895	(375)
Gains (losses) on derecognized of non financial assets and subsidiaries. Net	16 863	(6 163)
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(24 133)	(29 123)
Operating profit before tax	**(80 787)**	**(51 419)**
Tax expense or (-) income related to profit or loss from continuing operations	44 800	16 710
Profit from continuing operations	**(35 987)**	**(34 709)**
Profit from discontinued operations (net)	10 205	24 010
Total recognized income/expenses	**(25 782)**	**(10 699)**

(*)Information has been adaptet to the Financial Statements new structure from Circular 5/ 2014 of Bank of Spain.

c) Cash flow statements for the years ended 31 December 2016 and 2015

	Thousand euros	
	2016	**2015 (*)**
Cash flows from operating activities	**3 153 354**	**(3 483 676)**
Profit for the year	(25 782)	(10 699)
Adjustments to obtain cash flow from operating activities	248 146	108 283
Net increase/decrease in operating assets	(4 231 104)	1 383 405
Net increase/decrease in operating liabilities	(1 298 441)	(4 962 382)
Collection/ payments for income tax	(1 673)	(2 283)
Cash flows from investing activities	**(4 027 680)**	**4 054 383**
Payments	(4 178 957)	(96 035)
Collections	151 277	4 150 418
Cash flows from financing activities	**88 743**	**569**
Payments	(145 000)	-
Collections	233 743	569
Efect of exchangge rate changes	**-**	**780**
Net increase (decrease) in cash and cash equivalents	**(785 583)**	**879 854**
Cash and cash equivalents at beginning of the year	1 143 051	307 798
Cash and cash equivalents at end of period	357 468	1 143 051

(*) Information has been adapted to Financial Statements' new structure on Circular 5/2014 from Bank of Spain.

APPENDIX V
CONCILIATION OF THE COMPARATIVE FIGURES OF THE ANNUAL ACCOUNTS FOR THE YEAR 2016 WITH THE INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS FOR THE YEAR 2015

CONSOLIDATED BALANCE SHEET
For year end 31 December 2015

Previous Structure of Financial Statements	Thousand Euros	New Structure of Financial Statements	Thousand Euros
ASSETS		**ASSETS**	
CASH AND BALANCES AT CENTRAL BANKS	1 578 317	CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS *o/w: Cash, cash balances at central banks*	1 578 317
FINANCIAL ASSETS HELD FOR TRADING	94 012	FINANCIAL ASSETS HELD FOT TRADING	94 012
Loans and advances to credit institutions	-	Loans and advances to central banks	-
		Loans and advances to credit institutions	
Loans and advances to other debtors	-	Loans and advances to customers	-
Debt securities	38 096	Debt securities	38 096
Equity instruments	-	Equity instruments	-
Trading derivatives	55 916	Derivatives	55 916
Memorandum item: Loaned or advanced as collateral	*20 371*	*Memorandum item: Loaned or advanced as collateral(sale or pledge)*	*20 371*
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	-
		Loans and advances to central banks	-
Loans and advances to credit institutions		Loans and advances to credit institutions	-
Loans and advances to other debtors		Loans and advances to customers	-
Debt securities		Debt securities	-
Equity instruments		Equity instruments	-
Trading derivatives		Derivatives	-
Memorandum item: Loaned or advanced as collateral	-	*Memorandum item: Loaned or advanced as collateral(sale or pledge)*	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS	9 810 055	AVAILABLE-FOR-SALE FINANCIAL ASSETS	9 810 055
Debt securities	8 811 917	Debt securities	8 811 917
Equity instruments	998 138	Equity instruments	998 138
Memorandum item: Loaned or advanced as collateral	*2 772 069*	*Memorandum item: Loaned or advanced as collateral(sale or pledge)*	*2 772 069*
LOANS AND RECEIVABLES	34 712 511	CACH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS *o/w: Other demand deposits*	412 446
		LOANS AND RECEIVABLES	34 300 065
Loans and advances to credit institutions	660 639	Loans and advances to central banks	-
		Loans and advances to credit institutions	248 193
Loans and advances to other debtors	33 088 100	Loans and advances to customers	33 088 100
Debt securities	963 772	Debt securities	963 772
Memorandum item: Loaned or advanced as collateral	*4 260 114*	*Memorandum item: Loaned or advanced as collateral(sale or pledge)*	*4 260 114*
HELD-TO-MATURITY INVESTMENTS	7 239 598	HELD-TO-MATURITY INVESTMENTS	7 239 598
Memorandum item: Loaned or advanced as collateral	*6 983 094*	*Memorandum item: Loaned or advanced as collateral(sale or pledge)*	*6 983 094*
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN	-	FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO	-

APPENDIX V
CONCILIATION OF THE COMPARATIVE FIGURES OF THE ANNUAL ACCOUNTS FOR THE YEAR 2016 WITH THE INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS FOR THE YEAR 2015

Previous Structure of Financial Statements	Thousand Euros	New Structure of Financial Statements	Thousand Euros
PORTFOLIO HEDGES OF INTEREST RATE RISK		HEDGES OF INTEREST RATE RISK	
HEDGING DERIVATIVES	738 060	HEDGING DERIVATIVES	738 060
NON-CURRENT ASSETS HELD FOR SALE	852 902	NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	852 902
INVESTMENTS	359 131	INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	359 131
Associates	233 985	Associates	233 985
Jointly-controlled entities	125 146	Jointly-controlled entities	125 146
INSURANCE CONTRACTS LINKED TO PENSIONS	142 311	OTHER ASSETS *o/w: contracts linked to pensions*	142 311
REINSURANCE ASSETS	8 208	INSURANCE OR REINSURANCE ASSETS	8 208
TANGIBLE ASSETS	1 490 899	TANGIBLE ASSETS	1 490 899
Property, plant and equipment	1 057 160	Property, plant and equipment	1 057 160
For own use	1 057 160	For own use	1 057 160
Leased out under operating lease	-	Leased out under operating lease	-
Assigned to welfare projects	-		
Investment properties	433 739	Investment properties	433 739
		o/w: leased out under operating lease	*252 126*
Memorandum item: Acquired under finance lease	*2 269*	*Memorandum item: Acquired under finance lease*	*2 269*
INTANGIBLE ASSETS	1 194	INTANGIBLE ASSETS	1 194
Goodwill	184	Goodwill	184
Other intangible assets	1 010	Other intangible assets	1 010
TAX ASSETS	2 590 644	TAX ASSETS	2 590 644
Current	63 554	Current tax assets	63 554
Deferred	2 527 090	Deferred tax assets	2 527 090
OTHER ASSETS	693 987	OTHER ASSETS *o/w: inventory and left other assets*	693 987
Inventory	542 054	Inventory	542 054
Other	151 933	Other	151 933
TOTAL ASSETS	**60 311 829**	**TOTAL ASSETS**	**60 311 829**
LIABILITIES			
FINANCIAL LIABILITIES HELD FOR TRADING	125 280	FINANCIAL LIABILITIES HELD FOR TRADING	125 280
Deposits from central banks	-	Deposits by central Banks	-
Deposits from credit institutions	-	Deposits by credit institutions	-
Deposits from other creditors	-	Customer deposits	-
Debt securities issued	-	Debt securities issued	-
Trading derivatives	125 280	Derivatives	125 280
Short positions	-		
Other financial liabilities	-	Other financial liabilities	-

APPENDIX V

CONCILIATION OF THE COMPARATIVE FIGURES OF THE ANNUAL ACCOUNTS FOR THE YEAR 2016 WITH THE INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS FOR THE YEAR 2015

Previous Structure of Financial Statements	Thousand Euros	New Structure of Financial Statements	Thousand Euros
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	-
Deposits from central banks	-	Deposits by central Banks	-
Deposits from credit institutions	-	Deposits by credit institutions	-
Deposits from other creditors	-	Customer deposits	-
Debt securities issued	-	Debt securities issued	-
Trading derivatives	-	Derivatives	-
Short positions	-		
Other financial liabilities	-	Other financial liabilities	-
		o/w: Subordinated debt	-
FINANCIAL LIABILITIES AT AMORTISED COST	55 577 323	FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	55 577 323
Deposits from central banks	2 417 036	Deposits by central Banks	2 417 036
Deposits from credit institutions	1 340 275	Deposits by credit institutions	1 340 275
Deposits from other creditors	49 528 592	Customer deposits	49 536 582
Debt securities issued	681 271	Debt securities issued	1 294 888
Subordinated liabilities	621 607		
Other financial liabilities	988 542	Other financial liabilities	988 542
		o/w: Subordinated debt	*621 607*
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORFOLIO HEDGES OF INTEREST RATE RISK	-	FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-
HEDGING DERIVATIVES	107 797	HEDGING DERIVATIVES	107 797
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	-	LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	-
INSURANCE CONTRACTS LIABILITIES	31 040	LIABILITIES UNDER INSURANCE CONTRACTS	31 040
PROVISIONS	747 964	PROVISIONS	747 964
Provisions for pensions and similar obligations	312 089	Pensions and other post-employment commitments	178 978
		Other long-term staff retributions	133 111
Provisions for taxes and other legal contingencies	-	Provisions for taxes and other legal contingencies	-
Provisions for contingent liabilities and commitments	106 251	Contingent liabilities and commitments	106 251
Other provisions	329 624	Other provisions	329 624
TAX LIABILITIES	295 404	TAX LIABILITIES	295 404
Currents	12 214	Current tax liabilities	12 214
Deferred	283 190	Deferred tax liabilities	283 190
OTHER LIABILITIES	171 076	OTHER LIABILITIES	171 076
CAPITAL REPAYABLE ON DEMAND	-	CAPITAL REPAYABLE ON DEMAND	-
TOTAL LIABILITIES	**57 055 884**	**TOTAL LIABILITIES**	**57 055 884**

APPENDIX V

CONCILIATION OF THE COMPARATIVE FIGURES OF THE ANNUAL ACCOUNTS FOR THE YEAR 2016 WITH THE INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS FOR THE YEAR 2015

Previous Structure of Financial Statements	Thousand Euros	New Structure of Financial Statements	Thousand Euros
EQUITY		**EQUITY**	
SHAREHOLDERS' EQUITY	2 833 525	SHAREHOLDERS' FUNDS	2 833 525
Assigned capital	881 288	CAPITAL	881 288
Registered	881 288	Registered capital	881 288
		Non-registered demanded capital	-
Less: Non-demanded capital	-	*Memorandum item: Non-demanded capital*	-
Share premium	1 132 857	SHARE PREMIUM	1 132 857
Reserves	534 067	RETAINED EARNINGS	480 719
		REVALUATION RESERVES	-
		OTHER RESERVES	53 348
Accumulated reserves (losses)	832 608		
Reserves (losses) of entities accounted for using the equity method	(298 541)	Retained earnings or losses from investments in subsidiaries, joint ventures and associates	(298 541)
		Other	351 889
Other equity instruments	98 652	EQUITY INSTRUMENTS ISSUED OTHER THAN CAPITAL	98 652
Equity component of compound financial instruments	*98 652*	*Equity component of compound financial instruments*	*98 652*
Non-voting equity units and associated funds (savings banks)	-	*Other*	-
Other	-	OTHER EQUITY ELEMENTS	-
Less: Treasury shares	-	(–) TREASURY SHARES	-
Profit or loss attributed to the group	186 661	PROFIT OR LOSS ATTRIBUTABLE TO PARENT	186 661
Less: Dividends and remuneration	-	(–) INTERIM DIVIDEND	-
VALUATION ADJUSTMENTS	142 313	ACCUMULATED OTHER COMPREHENSIVE INCOME	142 313
Available-for-sale financial assets	115 436	Available-for-sale financial assets	115 436
Cash flow hedges	1 859	Hedging derivatives. Cash flow hedges (effective portion)	1 859
Hedges of net investments in operations abroad	-	Hedges of net investments in operations abroad	-
Exchange differences	14	Exchange differences	14
Entities accounted for using the equity method	26 579	Part in profit or losses from investments in subsidiaries, joint-ventures and associates	26 579
Non-current assets held for sale	-	Non-current assets and disposal groups classified as held-for-sale	-
Other valuation adjustments	(1 575)	Actuarial gains (losses) on pension plans	(1 575)
		Other valuation adjustments	-
MINORITY INTERESTS	280 107	MINORITY INTERESTS (NON-CONTROLLING INTEREST)	280 107
Valuation adjustments	7 794	Other accumulated comprehensive result	7 794
Other	272 313	Other	272 313
TOTAL EQUITY	**3 255 945**	**TOTAL EQUITY**	**3 255 945**
TOTAL LIABILITIES AND EQUITY	**60 311 829**	**TOTAL EQUITY AND TOTAL LIABILITIES**	**60 311 829**
MEMORANDUM ITEMS		**MEMORANDUM ITEMS: OUT OF BALANCE EXPOSURES**	
CONTINGENT EXPOSURES	1 096 422	FINANCIAL GUARANTEES GIVEN	1 096 422
CONTINGENT COMMITMENTS	3 231 695	CONTINGENTS COMMITMENTS	3 231 695

APPENDIX V
CONCILIATION OF THE COMPARATIVE FIGURES OF THE ANNUAL ACCOUNTS FOR THE YEAR 2016 WITH THE INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS FOR THE YEAR 2015

CONSOLIDATED INCOME STATEMENT

For year ended 31 December 2015

Previous Structure of Financial Statements	Thousand euros	New Structure of Financial Statements	Thousand Euros
INTEREST AND SIMILAR INCOME	1 279 888	INTEREST INCOME	1 279 888
INTEREST EXPENSE AND SIMILAR CHARGES	(592 361)	INTEREST EXPENSE	(592 361)
REMUNERATION ON CAPITAL REPAYABLE ON DEMAND	-	EXPENSE ON CAPITAL REPAYABLE ON DEMAND	-
NET INTEREST INCOME	**687 527**	**NET INTEREST INCOME**	**687 527**
RETURN ON EQUITY INSTRUMENTS	34 934	DIVIDEND INCOME	34 934
LOSS/PROFIT OF COMPANIES VALUED AT EQUITY METHOD	23 916	SHARE OF PROFIT OR LOSS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	23 916
FEE AND COMMISSION INCOME	275 093	FEE AND COMMISSION INCOME	275 093
FEE AND COMMISSION EXPENSE	(36 343)	FEE AND COMMISSION EXPENSES	(36 343)
GAINS/(LOSSES) ON FINANCIAL ASSETS AND LIABILITIES (NET)	561 600		
Financial assets held for trading	(34 247)	GAINS OR (-) LOSSES ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING. NET	(34 247)
Other financial assets at fair value through profit or loss	-	GAINS OR (-) LOSSES ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS. NET	-
Financial instruments not carried at fair value through profit or loss	268 656	GAINS OR (-) LOSSES ON DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS. NET	268 656
Other	327 191	GAINS OF (-) LOSSES FROM HEDGE ACCOUNTING. NET	327 191
EXCHANGE DIFFERENCES (NET)	2 714	EXCHANGE DIFFERENCES (LOSSES). NET	2 714
OTHER OPERATING INCOME	171 259		
Insurance and reinsurance premiums collected	41 659	INCOME ON INSURANCE AND REINSURANCE CONTRACTS	41 659
Sales and income from the provision of non-financial services	26 377	OTHER OPERATING INCOME	129 600
Other operating income	103 223		
OTHER OPERATING EXPENSE	(145 769)		
Expenses relating to insurance and reinsurance contracts	(29 206)	EXPENSES ON INSURANCE AND REINSURANCE CONTRACTS	(29 206)
Variation in inventories	-	OTHER OPERATING EXPENSES	(116 563)
Other operating expenses	(116 563)		
GROSS OPERATING INCOME	**1 574 931**	**GROSS INCOME**	**1 574 931**
ADMINISTRATIVE EXPENSES	(633 931)	ADMINISTRATION COSTS	(633 931)
Staff costs	(445 410)	Staff costs	(445 410)
Other general administrative expenses	(188 521)	Other administration costs	(188 521)
DEPRECIATION AND AMORTIZATION	(47 379)	AMORTIZATIÓN	(47 379)
PROVISIONS (NET)	(145 137)	PROVISIONS OR (-) REVERSAL OF PROVISIONS	(145 137)

APPENDIX V

CONCILIATION OF THE COMPARATIVE FIGURES OF THE ANNUAL ACCOUNTS FOR THE YEAR 2016 WITH THE INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS FOR THE YEAR 2015

Previous Structure of Financial Statements	Thousand Euros	New Structure of Financial Statements	Thousand Euros
IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)	(424 700)	IMPAIRMENT OR (-) REVERSAL OF IMPAIRMENT ON FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	(427 360)
Loans and receivables	(427 360)	Loans and receivables	(427 360)
Other financial instruments not measured at fair value through profit or loss	2 660	Financial assets measured at cost	-
		Held-for-sale financial assets	2 660
		Held-to-maturity investments	-
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	**323 784**	**NET OPERATING INCOME**	**323 784**
IMPAIRMENT LOSSES ON OTHER ASSETS (NET)	(69 394)		
Goodwill and other intangible assets	-		
Other assets	(69 394)	IMPAIRMENT OR (-) REVERSAL OF IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	(15 200)
		IMPAIRMENT OR (-) REVERSAL OF IMPAIRMENT ON NON-FINANCIAL ASSETS	(54 194)
		Tangible assets	(4 524)
		Intangible assets	-
		Other	(49 670)
GAINS/ (LOSSES) ON DISPOSAL OF ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE	(3 024)	GAINS (LOSSES) ON DERECOGNIZED OF NON FINANCIAL ASSETS AND SUBSIDIARIES. NET	(3 024)
		o/w: investments in subsidiaries, joint ventures and associates	-
NEGATIVE GOODWILL ON BUSSINESS COMBINATIONS	-	NEGATIVE GOODWILL RECOGNIZED IN PROFIT OR LOSS	-
GAINS/(LOSSES) ON DISPOSAL OF NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS	(34 340)	PROFIT OR (-) LOSS FROM NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE NOT QUALIFYING AS DISCONTINUED OPERATIONS	(34 340)
PROFIT/(LOSS) BEFORE TAX	**217 026**	**OPERATING PROFIT BEFORE TAX**	**217 026**
INCOME TAX	(57 224)	TAX EXPENSE OR (-) INCOME RELATED TO PROFIT OR LOSS FROM CONTINUING OPERATIONS	(57 224)
MANDATORY TRANSFER TO COMMUNITY PROJECTS AND WELFARE FUNDS	-	OTHER OPERATING EXPENSES o/w: mandatory transfer to community projects and welfare funds (only for savings banks and credit co-operatives)	-
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	**159 802**	**PROFIT FROM CONTINUING OPERATIONS**	**159 802**
INCOME FROM DISCONTINUED OPERATIONS (NET)	24 010	PROFIT FROM DISCONTINUED OPERATIONS (NET)	24 010
NET PROFIT FOR THE YEAR	**183 812**	**PROFIT**	**183 812**
Profit/Loss attributable to parent entity	186 661	Attributable to minority interest [non-controlling interests]	186 661
Profit/Loss attributable to minority interests	(2 849)	Attributable to owners of the parent	(2 849)

APPENDIX V
CONCILIATION OF THE COMPARATIVE FIGURES OF THE ANNUAL ACCOUNTS FOR THE YEAR 2016 WITH THE INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS FOR THE YEAR 2015

STATEMENT OF RECOGNISED CONSOLIDATED INCOME AND EXPENSES
For the year ended 31 December 2015

Previous Structure of Financial Statements	Thousand Euros	New Structure of Financial Statements	Thousand Euros
A) CONSOLIDATED PROFIT FOR THE YEAR	**183 812**	**PROFIT RECOGNIZED IN INCOME STATEMENT**	**183 812**
B) OTHER RECOGNISED INCOME AND EXPENSES	**(149 792)**	**OTHER RECOGNIZED INCOME (EXPENSES)**	**(149 792)**
B.1) Items not to be reclassified to profit or loss	**2 685**	**Items not subject to reclassification to income statement**	**2 685**
Actuarial gains/(losses) on defined-benefit pension plans	3 836	Actuarial gains and losses from defined benefit pension plans	3 836
Non-current assets held for sale	-	Non-current assets and disposal groups available for sale	-
Companies accounted for using the equity method	-	Gains or losses from investments in subsidiaries, joint-ventures and associates	-
		Other valuation adjustments	-
Income tax on items not to be reclassified to profit or loss	(1 151)	Income tax related to items not subject to reclassification to income statement	(1 151)
B.2) Items eligible to be reclassified to profit or loss	**(152 477)**	**Items subject to reclassification to income statement**	**(152 477)**
Available-for-sale financial assets	(248 591)	Available-for-sale financial assets	(248 591)
Valuation gains (losses)	(79 021)	*Valuation gains or (-) losses taken to equity*	(79 021)
Amounts transferred to the income statement	(169 570)	*Transferred to profit or loss*	(169 570)
Other reclassifications	-	*Other reclassifications*	-
Cash flow hedges	1 521	Cash flow hedges [effective portion]	1 521
Revaluation gains/(losses)	(3 818)	*Valuation gains or (-) losses taken to equity*	(3 818)
Amounts transferred to income statement	5 339	*Transferred to profit or loss*	5 339
Amounts transferred to the initial value of hedged items	-	*Transferred to initial carrying amount of hedged items*	-
Other reclassifications	-	*Other reclassifications*	-
Hedges of net investments in operations abroad	-	Hedge of net investments in foreign operations [effective portion]	-
Valuation gains (losses)	-	*Valuation gains or (-) losses taken to equity*	-
Amounts transferred to the income statement	-	*Transferred to profit or loss*	-
Other reclassifications	-	*Other reclassifications*	-
Exchange differences	94	Foreign currency translation	94
Valuation gains (losses)	94	*Valuation gains or (-) losses taken to equity*	94
Amounts transferred to the income statement	-	*Transferred to profit or loss*	-
Other reclassifications	-	*Other reclassifications*	-
Non-current assets held for sale	-	Non-current assets held for sale	-
Valuation gains (losses)	-	*Valuation gains or (-) losses taken to equity*	-
Amounts transferred to the income statement	-	*Transferred to profit or loss*	-
Other reclassifications	-	*Other reclassifications*	-

APPENDIX V
CONCILIATION OF THE COMPARATIVE FIGURES OF THE ANNUAL ACCOUNTS FOR THE YEAR 2016 WITH THE INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS FOR THE YEAR 2015

Previous Structure of Financial Statements	Thousand Euros	New Structure of Financial Statements	Thousand Euros
Equity method entities	29 151	Gains or losses from investments in subsidiaries, joint-ventures and associates	29 151
Valuation gains (losses)	29 151		
Amounts transferred to the income statement	-		
Other reclassifications	-		
Other recognised income and expenses	-		
Income tax	65 348	Income tax on items to be reclassified to income statement	65 348
C) TOTAL INCOME AND EXPENSES RECOGNISED (A+B)	**34 020**	**Total recognized income/expenses**	**34 020**
C.1) Attributed to the parent company	36 869	*Attributable to minority interest [non-controlling interests]*	36 869
C.2) Attributed to minority interests	(2 849)	*Attributable to owners of the parent*	(2 849)

APPENDIX V
CONCILIATION OF THE COMPARATIVE FIGURES OF THE ANNUAL ACCOUNTS FOR THE YEAR 2016 WITH THE INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS FOR THE YEAR 2015

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY
For the year ended 31 December 2015

Previous Structure of Financial Statements		EQUITY ATTRIBUTABLE TO PARENT COMPANY – EQUITY											
		Capital and share premium	Reserves: Reserves (Accumulated losses)	Reserves: Equity method entities Reserves	Other equity instruments	*Less: Own shares*	Profit for the year attributed to parent company	*Less: Dividends y retributions*	Total Own Funds	Valuation adjustments	Total	Minority interests	Total Equity
New Structure of Financial Statements													
		Capital and share premium	Retained earnings Revaluation reserves Other reserves		Equity instruments issued other tan capital	*(-) Treasury shares*	Profit or loss attributable to owners of the parent	*Interim dividends (-)*	-	Accumulated other comprehensive income	-	Non-controlling interest	Total
Previous Structure	**New Structure**												
Balance at 1/1/15 (*)	**Balances as of January 1, 2015**	**2 014 145**	**286 609**	**(200 147)**	**98 682**	**-**	**474 521**	**-**	**2 673 810**	**292 105**	**2 965 915**	**326 362**	**3 292 277**
Adjustments due to changes in accounting policy (Note 1.5)	Adjustments from error corrections	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	Adjustments due to changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted beginning balance	**Balances as of January 1, 2015**	**2 014 145**	**286 609**	**(200 147)**	**98 682**	**-**	**474 521**	**-**	**2 673 810**	**292 105**	**2 965 915**	**326 362**	**3 292 277**
Total recognized income and expense	**Total income/ expense recognized**	**-**	**-**	**-**	**-**	**-**	**186 661**	**-**	**186 661**	**(149 792)**	**36 869**	**(2 849)**	**34 020**
Other changes in equity	**Other changes in equity**	**-**	**545 999**	**(98 394)**	**(30)**	**-**	**(474 521)**	**-**	**(26 946)**	**-**	**(26 946)**	**(43 406)**	**(70 352)**
Capital increases	Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-
	Issuance of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-
Capital reductions	Capital reductions	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-
Increases in other equity instruments	Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
	Period or maturity of other issued equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends (c)	Dividend distribution	-	(42 124)	-	-	-	-	-	(42 124)	-	(42 124)	-	(42 124)
Transactions involving own equity instruments (net)	Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
	Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity items	Transfers between equity items	-	616 351	(98 394)	(30)	-	(474 521)	-	43 406	-	43 406	(43 406)	-
Increase/(Decrease) due to business combinations	Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Optional transfer to welfare funds	Other increases or (-) decreases in equity *o/w: transfer to welfare funds (only savings banks and credit co-operatives)*	-	-	-	-	-	-	-	-	-	-	-	-
Equity-instrument-based payment	Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	Other increases or (-) decreases in equity *o/w: other*	-	(28 228)	-	-	-	-	-	-	-	-	-	(28 228)
Balance at 31/12/2015	**Balances as of December 31,2015**	**2 014 145**	**832 608**	**(298 541)**	**98 652**	**-**	**186 661**	**-**	**2 833 525**	**142 313**	**2 975 838**	**280 107**	**3 255 945**

APPENDIX V
CONCILIATION OF THE COMPARATIVE FIGURES OF THE ANNUAL ACCOUNTS FOR THE YEAR 2016 WITH THE INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS FOR THE YEAR 2015

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2015

Previous Structure of Financial Statements	Thousand Euros	New Structure of Financial Statements	Thousand Euros
A) CASH FLOWS FROM OPERATING ACTIVITIES	**(4 633 088)**	**A) CASH FLOWS FROM OPERATING ACTIVITIES**	**(4 633 088)**
Net profit for the year	**183 812**	**Profit for the year**	**183 812**
Adjustments to profit and loss	**(249 830)**	**Adjustments to obtain cash flow from operating activities**	**(249 830)**
Depreciation and amortization	47 379	Depreciation and amortization	47 379
Other adjustments	(202 451)	Other adjustments	(202 451)
Net increase/decrease in operating assets	**2 411 899**	**Net increase/decrease in operating assets**	**2 411 899**
Financial assets held for trading	134 859	Financial assets held for trading	134 859
Other financial assets at fair value through profit or loss	-	Other financial assets/liabilities designated at fair value through profit or loss	-
Available-for-sale financial assets	(904 010)	Available-for-sale financial assets	(904 010)
Loans and receivables	2 958 072	Loans and receivables / Financial liabilities	2 958 072
Other operating assets	222 978	Other operating assets/ liabilities	222 978
Net increase/decrease in operating liabilities	**(7 350 444)**	**Net increase/decrease in operating liabilities**	**(7 350 444)**
Financial liabilities held for trading	60 698	Financial liabilities held for trading	60 698
Other financial liabilities at fair value through profit or loss	-	Other financial liabilities at fair value through profit or loss	-
Financial liabilities at amortised cost	(7 430 489)	Financial liabilities at amortised cost	(7 430 489)
Other operating liabilities	19 347	Other operating liabilities	19 347
Collections/Payments of income tax	**(128 185)**	**Collection/Payments for income tax**	**(128 185)**
B) CASH FLOWS FROM INVESTMENT ACTIVITIES	**5 993 665**	**B) CASH FLOWS FROM INVESTING ACTIVITIES**	**5 993 665**
Payments	**(145 015)**	**Payments**	**(145 015)**
Tangible assets	(144 616)	Tangible assets	(144 616)
Intangible assets	(122)	Intangible assets	(122)
Investments	(277)	Investments	(277)
Other business units	-	Subsidiaries and other business units	-
Non-current assets and associated liabilities for sale	-	Non-current assets held for sale and associated liabilities	-
Held-to-maturity investments	-	Held-to-maturity investments	-
Other payments related to investing activities	-	Other payments related to investing activities	-
Collections	**6 138 680**	**Collections**	**6 138 680**
Tangible assets	9 751	Tangible assets	9 751
Intangible assets	102	Intangible assets	102
Investments	62 714	Investments	62 714
Other business units	-	Subsidiaries and other business units	-
Non-current assets and associated liabilities for sale	54 238	Non-current assets held for sale and associated liabilities	54 238
Held-to-maturity investments	6 011 875	Held-to-maturity investments	6 011 875
Other payments related to investing activities	-	Other collections related to investing activities	-

APPENDIX V

CONCILIATION OF THE COMPARATIVE FIGURES OF THE ANNUAL ACCOUNTS FOR THE YEAR 2016 WITH THE INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS FOR THE YEAR 2015

Previous Structure of Financial Statements	Thousand euros	New Structure of Financial Statements	Thousand euros
C) CASH FLOWS FROM FINANCING ACTIVITIES	**(56 153)**	**C) CASH FLOWS FROM FINANCING ACTIVITIES**	**(56 153)**
Payments	**(56 722)**	**Payments**	**(56 722)**
Dividends	(25 000)	Dividends	(25 000)
Subordinated liabilities	(31 722)	Subordinated liabilities	(31 722)
Redemption of own equity instruments	-	Own equity instruments amortization	-
Acquisition of own equity instruments	-	Own equity instruments acquisition	-
Other payments related to financing activities	-	Other payments related to investing activities	-
Collections	**569**	**Collections**	**569**
Subordinated liabilities	569	Subordinated liabilities	569
Issuance of own equity instruments	-	Own equity instruments issuance	-
Disposal of own equity instruments	-	Own equity instruments disposal	-
Other collections related to financing activities	-	Other collections related to financing activities	-
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS	**-**	**D) EFECT OF EXCHANGE RATE CHANGES**	**-**
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**951 063**	**E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)**	**1 304 424**
F) CASH AND CASH EQUIVALNETS AT BEGINNING OF PERIOD	**686 330**	**F) CASH AND CASH EQUIVALNETS AT BEGINNING OF THE YEAR**	**686 330**
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1 637 393**	**G) CASH AND CASH EQUIVALENTS AT END OF PERIOD**	**1 990 754**
MEMORANDUM ITEMS:		**MEMORANDUM ITEMS:**	
COMPONENTS OF CASH AND CASH EQUIVALENTS FOR THE PERIOD		**COMPONENTS OF CASH AND EQUIVALENT AT END OF THE YEAR**	
Cash	309 854	Cash	309 854
Cash equivalent balances at central banks	1 268 454	Cash equivalent balances at central banks	1 268 454
Other financial assets	59 085	Other financial assets	412 446
Less: bank overdrafts repayable on demand	-	Less: bank overdraft refundable on demand	-
Total cash and cash equivalents at end of period	**1 637 393**	**Total cash and cash equivalents at end of period**	**1 990 754**
Of which held by consolidated entities but not drawable by group	-	*o/w: Held by consolidated entities but not drawable by group*	-

Note: Information from Consolidates Cash Flow Statement has been reexpressed as a consequence of the change in accounting policy described in the presents' Consolidated Annual Report, Note 2.25. Figures disclosed in this appendix have already been adjusted to the new accounting policy.

APPENDIX VI
BANK ANNUAL REPORT FOR THE YEAR 2016

Information for compliance with Article 89 of European Parliament Directive 2013/36/EU and its transposition into Spanish Legislation through Law 10/2014

In accordance with the provisions of Article 9 of European Parliament and Council Directive 2013/36/EU (26 June 2013), relating to accessing credit institution activities and the prudent supervision of credit institutions and investment companies, and in accordance with the provisions of Article 7 of Law 10/2014 (26 June) on the organization, supervision and solvency of credit institutions, which transposes this legislation into Spanish Law, the information relating to the annual bank report prepared by Unicaja Banco for the year ended 31 December 2015 is set out below.

	Business Volume (*) (thousand euros)	**Number of employees (**)**	**Gross income before taxes (thousand euros)**	**Profit tax (thousand euros)**
Spain	1 089 119	7 331	190 964	66 113
Rest of European Union	-	-	-	-
Rest of world	-	-	-	-
Total	**1 089 119**	**7 331**	**190 964**	**66 113**

(*) It has been considered the gross consolidated income as business volume.
(**) Number of full-time equivalent employees, obtained from Company's workforce of the Unicaja Banco Group, with activity in each judicature.

At 31 December 2015 the performance of the assets held by Unicaja Banco Group, calculated as the quotient of "consolidated profits for the year" in the consolidated income statement and "Total assets" in the consolidated balance sheet, is 0.24%.

Detailed information regarding the companies within the scope of consolidation of Unicaja Banco Group that operate in each jurisdiction, including their name, geographic location and the nature of their activity, is available in Appendices I-II-III of these notes to the annual accounts.

As may be observed in those appendices, practically all of the activity carried out by the Group takes place in Spain and in the financial sector, notably the retail banking activity carried out by the credit institutions Unicaja Banco, S.A. (Unicaja Banco) and Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (EspañaDuero).

Unicaja Banco has not received any subsidies or public assistance. As is noted in Note 1.2 of the notes to the consolidated annual accounts, in 2014, Unicaja Banco Group acquired a 60.70% stake in the capital of EspañaDuero which, before becoming part of Unicaja Banco Group, issued Contingent Convertible Bonds that were fully subscribed by Fondo de Reestructuración Ordenada Bancaria (FROB) as a recapitalization instrument (Note 17.4.3 of the notes to the consolidated annual accounts).

UNICAJA BANCO, S.A. AND ITS' SUBSIDIARIES
(UNICAJA BANCO GROUP)

CONSOLIDATED DIRECTOR'S REPORT FOR THE YEAR 2016

Introduction

This Directors' Report sets out relevant figures and events for FY 2016 to provide a view of the situation of the Unicaja Banco Group (Unicaja Banco Group or the Group) and its business performance. The consolidated financial statements for 2016 to which this Directors' Report relates have been drawn up in accordance with International Financial Reporting Standards adopted by the European Union (EU-IFRS), taking into account Bank of Spain Circular 4/2004 (22 December) and amendments there to.

Unicaja Banco, S.A. (hereinafter Unicaja Banco, the parent company or the Bank) is a credit institution that was incorporated for an indefinite period on 1 December 2011. The commencement of its activities results from the approval by the General Assembly of Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén - Unicaja (currently Fundación Bancaria Unicaja) as a result from the entry into force of the Act 26/2013, December 27.

The Bank is subject to legislation and regulations governing banking institutions operating in Spain. Further public information on the Bank can be consulted on its web site (www.unicajabanco.es) or at its registered office (Avenida Andalucía, 10 y 12, Malaga).

The Bank's corporate objects consist of the performance of all kinds of activities, transactions, acts, contracts and services pertaining to the banking business in general or related directly or indirectly thereto, or which are complementary thereto or develop the same, provided that they are allowed, or not forbidden, by prevailing legislation.

The Bank's objects include the provision of investment services and other services that are ancillary thereto, and the performance of activities pertaining to insurance agents, as an exclusive or related operator, without exercising both activities simultaneously.

In accordance with its By-laws, the activities that comply with Law 10/2014 of 26 June on the organization, supervision and solvency of credit institutions and that are covered by its objects may be carried out fully or in part, indirectly, in any legally admitted form and, in particular, through the ownership of shares or interests in companies or in other entities whose objects are identical, analogous or complementary to such activities.

The Bank is entered in the Mercantile Register of Malaga and is registered as a credit institution on the Bank of Spain's Special Register, with number 2103. The Bank holds a license to carry out banking activities granted by the Ministry of Finance in accordance with Article 1 et seq. of Royal Decree 1245/1995.

At 31 December 2016, 86.7% of the Bank's share capital is owned by Fundación Bancaria Unicaja, the Bank's ultimate controlling entity and the parent of the Unicaja Group. Both the Bank and its controlling entity are domiciled in Malaga, are subject to Spanish legislation and file their financial statements with the Mercantile Registry of Malaga.

The Bank is the parent of a subgroup of subsidiaries devoted to various activities and that make up the Unicaja Banco group. These subsidiaries include Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (EspañaDuero), in which Unicaja Banco holds an interest of 69.38%.

Balance sheet and revenue	Million euros 2016	2015	Inter-annual variation Millon euros	%
Total assets	57 241	60 312	(3 071)	-5.1%
Loans and advances to customers (gross)	30 652	32 043	(1 391)	-4.3%
Customer deposits	47 710	48 620	(910)	-1.9%
Off-balance sheet customer funds	11 635	11 072	563	5.1%
Resources managed	60 149	60 964	(815)	-1.3%

(*) Temporary assets' acquisition not included

Profit/ (loss)	Million euros 2016	2015	Inter-annual variation Millon euros	%
Net interest income	619,8	687,5	(67,7)	-9.9%
Gross operating income	1 089,1	1 574,9	(485,8)	-30.8%
Operating margin *(before write-downs)*	433,3	893,6	(460,4)	-51.5%
Write-downs and other	242,3	676,6	(434,3)	-64.2%
Profit/(loss) before taxes	191,0	217	(26,1)	-12.0%
Consolidated profit/(loss) for the year	*135,1*	*183,8*	(48,8)	-26.5%
Profit/(loss) attributed to Parent	142,1	186,7	(44,5)	-23.9%

Return and efficiency	Million euros 2016	2015	Inter-annual variation Millon euros	%
ROE (Attributed income/Average equity)	4.9%	6.7%	n.a.	-1.8pp
ROTE (Attributed income/Average tangible equity)	4.9%	6.7%	n.a.	-1.8pp
ROA (Net income/total Average assets)	0.2%	0.3%	n.a.	-0.1pp
RORWA (Net income/APRs)	0.5%	0.7%	n.a.	-0.1pp
Operating efficiency (Unamortised operating expenses/Gross margin)	56.1%	40.3%	n.a.	15.8pp

Solvency	Million euros 2016	2015	Inter-annual variation Million euros	%
Equity	3 183	3 256	(73)	-2.2%
Total capital	3 569	3 510	59	1.7%
Tier one qualifying common capital (CET1)	3 469	3 480	(11)	0.3%
Tier one qualifying additional capital	29	30	(10)	-33.1%
Tier two qualifying capital	71	-	-	100%
Capital requirements	1 831	2 507	(134)	-6.8%
APRs	25 188	27 108	(1 853)	-6.8%
Total capital ratio	14.2%	12.9%	n.a.	1.3pp
CET-1 ratio	13.8%	12.8%	n.a.	1.0pp
Fully loaded CET-1 ratio	11.8%	11.1%	n.a.	0.7pp
Leverage ratio	6.13%	5.71%	n.a.	0.4pp

Risk control	Million euros 2016	2015	Inter-annual variation Million euros	% pp.
Doubtful	3 215	3 556	(340)	-9.6%
NPL ratio	9.8%	10.0%	n.a.	(0.2) pp
NPL ratio ex-promotor	8.7%	8.9%	n.a.	(0.2) pp
NPL coverage ratio	50.0%	57.2%	n.a.	(7.2) pp
NPL coverage ratio ex-promotor	46.7%	54.0%	n.a.	(7.3) pp
Foreclosed properties available for sale (net)	974	1 113	(140)	-12.5%
Coverage ratio of foreclosed properties available for sale	62.1%	58.5%	n.a.	3.6 pp

Liquidity	Million euros 2016	2015	Inter-annual variation Million euros	% pp.
Gross liquid assets	21 861	23 932	(2 010)	-8.4%
Net liquid assets	14 544	15 952	(1 346)	-8.5%
Net liquid assets/total assets	25,4%	26,4%	n.a.	-0.9 pp
LtD ratio	83%	81,9%	n.a.	0.8 pp
Liquidity coverage ratio (LCR)	410%	410%	n.a.	0.0 pp
Net stable funding ratio (NSFR)	125%	126%	n.a.	-0.9 pp

Additional information	Units 2016	2015	Inter-annual variation Millon euros	% pp.
Branches	1 280	1 354	(74)	-5.5%
ATMs	1 525	1 583	(58)	-3.7%
Personnel	7 560	7 925	(387)	-4.9%

Rating		2016
Fitch	Long-term	F3
	Short-term	BBB-
	Outlook	Estable
Moody´s	Long-term deposits	Ba3
	Issuer's senior long-term debt	NP
	Short-term	Estable
	Outlook	F3

Economic and financial environment

Economic growth for 2016 is expected to be in the region of 2.9%. In the United States, whose industrial sector has been impacted by the appreciation of the dollar, expected growth will be much more moderate (1.6%), one point less than in 2015 despite the good labour market situation, dragged down by the energy market situation, the electoral process at the end of the year and the uncertainties about possible protectionist policies of the newly elected US president.

The 2016 growth forecast for emerging and developing economies (3.4%) has been sharply adjusted in the last two months of the year following the victory of Donald Trump. Latin American countries have suffered the most, followed by the Asia region.

Growth in the euro zone for 2016 is projected at around 1.7%, thanks, in part, to Spain's performance, to the expected growth in Germany (1.7%), which offsets the weak estimated growth for France (1.1%) and Italy (0.6%), and to the fact that, initially, the consequences of the UK leaving the European Union have not been as damaging as expected.

In Spain, the growth forecast for 2016 will be around 3.2% of GDP, thanks to the improvement in the export sector that will offset the slowdown in domestic demand. Spanish companies have improved their competitiveness and have reduced their debt levels, while unitary labour costs have been closing the gap with Germany, improving exports. In addition, lower levels of household debt and a lower unemployment rate have continued to contribute to growth in GDP via private consumption.

In 2017, GDP growth in Spain is expected to slow slightly to around 2.4%, with weak growth in export markets due to future uncertainty and dependence on the trade policy decisions made by the US government. Some recovery in the banking sector is expected thanks to the continuance of the ECB's expansionary monetary policy (in particular the TLTRO II programme) and the improvement in the situation of companies and households which should increase demand for financing with significant credit growth. The decrease in bad debts will be maintained but the low interest rate environment will continue to reduce profitability, with particularly low margins and the Euribor at a record minimum (although with prospects of a slight improvement, particularly in the second half of 2017). Banks will therefore have to look for alternatives, with particular focus on digitizing services, improving efficiency, leveraging economies of scale and, probably, implementing new mergers/acquisitions in the domestic and international financial sectors.

Financial year highlights

In 2016, the Unicaja Banco Group achieved an attributed profit of €142 million. Profit for the year includes a provision of €130 million to cover the potential impact that could result from the implementation of the judgment of the Court of Justice of the European Union (CJEU) delivered on 21 December 2016 on covenants to limit fluctuations in interest rates in mortgage loans concluded with consumers, and the provisions of Royal Decree Law 1/2017 (20 January). Without this extraordinary provision, attributable profit for the Group would have stood at €233 million, 25% higher than in 2015, which would have resulted in an ROE of 8.0%.

With respect to the banking business, in an environment that continues to be characterised by very low interest rates, Unicaja Banco Group retail customer deposits at end-2016 amount to €48,178 million. We should highlight year-on-year growth in demand deposits (+10.7%) and off-balance-sheet resources (+5.1%), which reflect the entity's commitment to cheaper resources that generate more value for customers.

At the same time, lending by the Unicaja Banco Group continued to recover, new loans amounting to €3,613 million in 2016, 13.4% up on 2015. Particularly noteworthy is the growth in financing granted to SMEs, which was 34.4% above the figure for 2015, thus reaffirming the revival observed in the most recent quarters.

Another key factor in the entity's performance in 2016 has been the reduction in non-performing and repossessed assets. The balance in the non-performing assets of the Unicaja Banco Group has fallen by €340 million in the last 12 months (-10%), with decreases in both Unicaja Banco and EspañaDuero, with the NPL ratio standing at 9.82% and a high level of provisions being maintained. In addition, the balance of net repossessed assets has fallen by €140 million during 2016, a decrease of 12.5%. This improvement in the management of irregular assets and the high levels of provisions have led to a decrease, as mentioned below, in write-down needs compared with the previous year, and has set the course for future periods.

As regards shareholders' funds, the solvency position is comfortable thanks to profits generated and the reduction in the most high-risk assets, allowing the Group to maintain its capital levels, easily fulfilling regulatory and supervisory requirements, without recourse to capital markets. Unicaja Banco Group's total capital at 31 December 2016 stands at €3,504 million, giving a ratio of 13.9%, 1.0% higher than in December 2015 (12.9%) and entailing an excess of €789 million over the prudential minimum laid down by the European Central Bank (BCE) in the context of the Supervisory Review and Evaluation Process (SREP). The CET1 or Common Equity Tier 1 ratio stands at 13.8%, representing a surplus of €1,653 million over the minimum stipulated by the European Central Bank in connection with the SREP.

The Unicaja Banco Group also has a sound liquidity position. At end-2016, the volume of liquid assets that may be used as collateral to obtain Eurosystem funding (net of amounts utilised) stands at €14,544 million and accounts for 25.4% of total consolidated assets. This liquidity position allows the Unicaja Banco Group to comfortably meet wholesale maturities in the coming years (€1,370 million in 2017, €1,493 million in 2018 and €668 million in 2019) and has enabled it to take measures aimed at reducing the cost of its liabilities.

The growth trend in retail deposits, along with continued deleveraging by businesses and households, has resulted in a reduction in the need for structural funding from markets, the LtD (Loan-to-Deposit) ratio standing at 83%, one of the lowest in the banking sector.

The profit of €135 million derives from net interest and fee income of €827 million (1.4% of total average assets). The performance of net interest income has been negatively impacted by historically low interest rates which have particularly affected the profitability of loans and the fixed income portfolio. However, the major reduction in financing costs has largely offset the negative effect that these rates are having on average yields in loans and receivables and the debt portfolio.

Active management of fixed-income investments led to net gains on financial transactions of €77 million in the year which, together with returns on shareholdings and net growth in other operating profit (mainly due to the effect of insurance product marketing agreements and the progressive improvement in the contribution to results by the real-estate business), have raised the gross income figure to €1,089 million (2.5% of average total assets). The reduction with respect to the previous year (€-486 million, or -30.8%) is due to the fact that in 2015 unusually high profits on financial transactions were recorded (€562 million) due mainly to gains on fixed-income sales.

The application of a strict cost containment and streamlining policy, within the framework of a policy to improve efficiency and the achievement of the synergies envisaged in the acquisition of EspañaDuero, has led to a 3.7% year-on-year reduction in operating expenses to €656 million, €25 million lower than the same period in 2015, placing the efficiency ratio at 56%.

Finally, the recognition of write-downs and others, amounting to €242 million, which include provisions to cover the potential impact of the risk relating to the covenants to limit interest rate fluctuations, results in the obtention of a pre-tax profit of €191 million (0.33% of total average assets).

Income Statement - Unicaja Banco Group	**2016**	**2015**	**T.V.I.**
Interest margin	**619,8**	**687,5**	**(9.9%)**
Fees	207,4	238,8	(13.1%)
Dividends and other income from shareholdings	62,6	58,9	6.4%
ROFs + exchange differences	78,2	564,3	(86.1%)
Other operating income/expenses	**121,0**	**25,5**	**374.8%**
Gross margin	**1 089,1**	**1 574,9**	**(30.8%)**
Operating expenses	**655,9**	**681,3**	**(3.7%)**
Operating expenses (consistent perimeter)	**655,9**	**681,3**	**(3.7%)**
Operating margin (before write-downs)	**433,3**	**893,6**	**(51.5%)**
Write-downs and other income	242,3	676,6	(72.9%)
Profit/(loss) before taxes	**191,0**	**217**	**(12.0%)**
Corporate income tax	66,1	57,2	15.5%
Profit /(loss) from discontinued operations	10,2	24	(57.5%)
Consolidated profit/(loss) for the year	**135,1**	**183,8**	**(26.5%)**
Profit/(loss) attributed to Parent	**142,1**	**186,7**	**(23.9%)**

Profit and write-downs

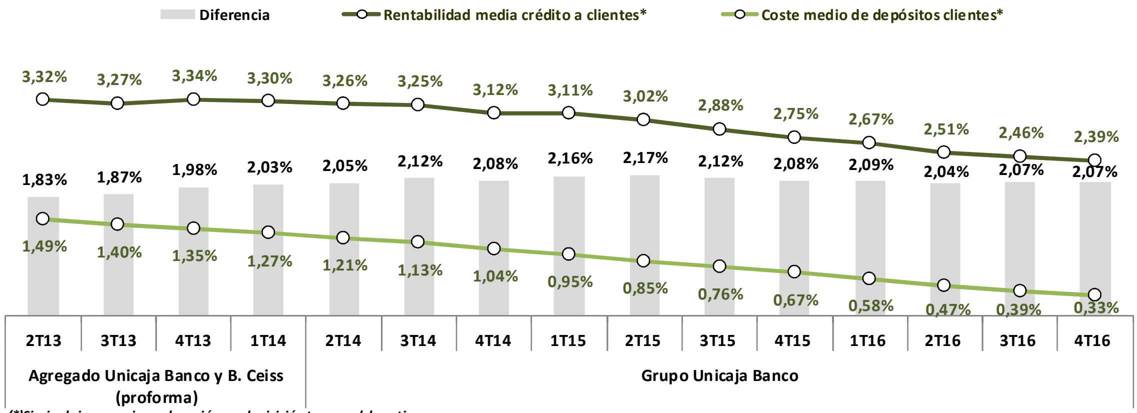
	2016			**2015**			**Variation**			**Variations' breakdown**		
	Average balance	**Profit**	**Profitability /average cost**	**Average balance**	**Profit**	**Profitability /average cost**	**Average balance**	**Profit**	**Profitability /average cost**	**Balance effect**	**Price effect**	**Comb. effect**
Assets												
Financial intermediaries	2 964	(1.7)	(0.06%)	3 481	4.4	0.13%	(615)	(3.7)	(0.11%)	(0.4)	(4.1)	0.7
Fixed-income portfolio	18 605	253.8	1.36%	21 421	386.9	1.81%	(3 129)	(133.1)	(0.42%)	(55.7)	(90.4)	13.0
Credit non-doubtful receivables	27 827	699.5	2.51%	28 925	857.9	2.97%	(1 314)	(158.4)	(0.43%)	(38.7)	(125.4)	5.7
ATMs/interest received	**58 727**	**1 011.0**	**1 72%**	**64 352**	**1 279.9**	**1.99%**	(6 313)	**(268.9)**	**(0.25%)**	**(124.2)**	**(160.2)**	**15.6**
Liabilities												
Financial intermediaries	6 219	(9.3)	(0.15%)	9 873	16.4	0.17%	(3 984)	(23.1)	(0.28%)	(5.4)	(29.1)	11.3
Deposits	38 212	178.7	0.47%	37 870	329.6	0.87%	334	(151.0)	(0.40%)	2.9	(152.5)	(1.3)
Issues	7 119	132.3	1.86%	9 022	176.8	1.96%	(2 171)	(44.4)	(0.04%)	(41.3)	(4.1)	1.0
Subordinated liabilities	610	58.1	9.51%	625	55.1	8.81%	(18)	3.0	0.74%	(1.5)	4.7	(0.1)
ATMs/interest paid	**58 727**	**391.2**	**0.67%**	**64 352**	**592.4**	**0.92%**	**(6 313)**	**(201.2)**	**(0.24%)**	**(57.5)**	**(159.1)**	**15.4**
ATMs/Interest margin	**58 727**	**619.8**	**1.06%**	**64 352**	**687.5**	**1.07%**	**(6 313)**	**(67.7)**	**0.00%**	**(66.7)**	**(1.1)**	**0.1**

The net interest margin has decreased compared with 2015, due mainly to the variation in the total volume of assets, particularly in the fixed income area, since the negative impact of the low interest rate scenario and the downward renegotiations of prices with customers - we should highlight those made in mortgage loans with clauses limiting interest rate fluctuations - have been offset almost entirely by the reduction in the cost of liabilities, particularly retail deposits. In this respect, average customer spread has remained on practically the same level as 2015, thank to which the Group has been able to offset the impact of the fall in asset profitability, which evidences the strength of the business model, whose profitability has not only been maintained but which has improved in recent years as the benchmarks have diminished.

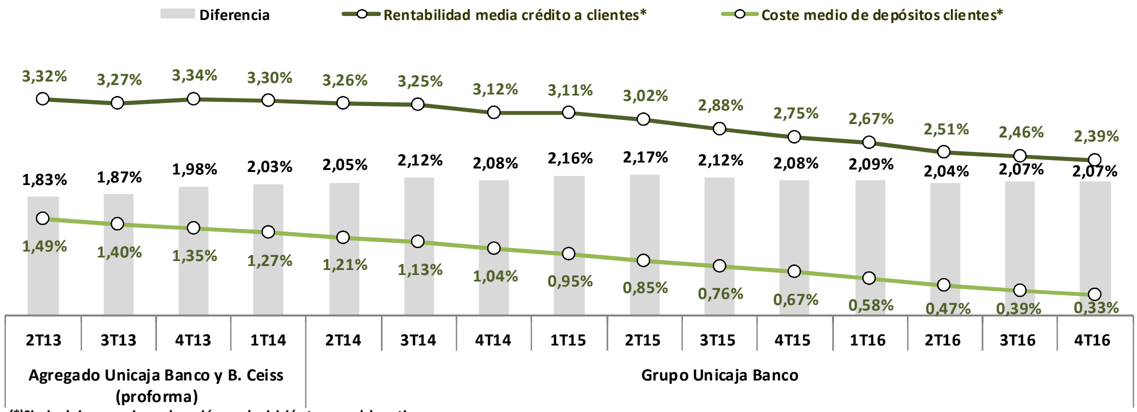
Evolución trimestral del diferencial medio del negocio con clientes. Grupo Unicaja Banco.

	Agregado Unicaja Banco y B. Ceiss (proforma)				Grupo Unicaja Banco											Tipo M.	Tipo M.	Tipo M.
	2T13	3T13	4T13	1T14	2T14	3T14	4T14	1T15	2T15	3T15	4T15	1T16	2T16	3T16	4T16	2014	2015	2016
Rentabilidad media crédito a clientes*	3,32%	3,27%	3,34%	3,30%	3,26%	3,25%	3,12%	3,11%	3,02%	2,88%	2,75%	2,67%	2,51%	2,46%	2,39%	3,23%	2,94%	2,51%
Coste medio de depósitos clientes*	1,49%	1,40%	1,35%	1,27%	1,21%	1,13%	1,04%	0,95%	0,85%	0,76%	0,67%	0,58%	0,47%	0,39%	0,33%	1,16%	0,81%	0,44%
Diferencia	1,83%	1,87%	1,98%	2,03%	2,05%	2,12%	2,08%	2,16%	2,17%	2,12%	2,08%	2,09%	2,04%	2,07%	2,07%	2,07%	2,13%	2,07%

(*)Sin incluir operaciones de cesión o adquisición temporal de activos



(*)Sin incluir operaciones de cesión o adquisición temporal de activos



(*)Sin incluir operaciones de cesión o adquisición temporal de activos

Income from fees and commissions (€207 million), equity investment (€63 million), the net of other products/operating charges (€121 million), affected by insurance marketing agreements and the improvement in the contribution to profits of the real-estate business, principally, together with results from financial transactions and exchange differences of €78 million, have resulted in gross income of €1,089 million.

At the same time, operating expenses have amounted to €656 million, which, with the year-on-year reduction of 3.4%, has resulted in an efficiency ratio (operating expenses less depreciation over gross margin) of 56.1%. As a result of these developments, profits before write-downs amount to €433 million.

Following the Group's traditional approach, a large part of the resources generated during the year have been allocated to consolidating the high levels of risk coverage. Among other items, the resizing of EspañaDuero has been provided for and provisions have been increased to cover the potential impact that could result from the implementation of the judgment of the Court of Justice of the European Union (CJEU) delivered on 21 December 2016 on covenants to limit fluctuations in interest rates in mortgage loans concluded with consumers, and the provisions of Royal Decree Law 1/2017 (20 January). In overall terms, a net amount of €242 has been allocated to write-downs against profit for the year, which is a considerable reduction compared with 2015. The reasons for the decrease are mainly to be found in the high levels of provisions already achieved in 2015 and the active management of irregular balances (doubtful, repossessed and non-performing).

Business

The volume of resources managed by the Group at the year end amounts to €60,149 million (without valuation adjustments), noticing increases in demand deposits's (+2,158 million), off-balance (+563 million) and public authorities deposits (+404 million). The Group's management of its resources has been oriented towards products which, on the one hand, minimise the entity's costs, and on the other, generate more value for customers, allowing for the exit of the most expensive resources, given the ample levels of liquidity existing at present.

					Millon euros
Managed resources Unicaja Banco Group (without value adjustments)	**December 2016**	**Structure**	**December 2015**	**Inter-annual variation**	**Inter-annual variation %**
Total funds on balance sheet	**48 514**	**80.7%**	**49 891**	**(1 377)**	**(2.8%)**
Customer deposits	**47 710**	**79.3%**	**48 620**	**(910)**	**(1.9%)**
Public authorities	**2 311**	**3.8%**	**1 907**	**404**	**21.2%**
Private sector	**45 399**	**75.5%**	**46 713**	**(1 314)**	**(2.8%)**
Demand deposits	22 397	37.2%	20 239	2 158	10.7%
Time deposits	17 684	29.4%	22 775	(5 091)	(22.4%)
Assets ceded under repurchase agreements	5 318	8.8%	3 698	1 620	43.8%
Emisiones	**804**	**1.3%**	**1 271**	**(467)**	**(36.74%)**
Promissory notes	-	**0.0%**		**-**	**n.s.**
Mortgage securities	200	0.3%	659	(459)	(69.7%)
Other securities	-	0.0%	-	-	n.s.
Subordinated liabilities	604	1.0%	612	(8)	(1.3%)
Off-balance sheet funds	**11 635**	**19.3%**	**11 072**	**563**	**5.1%**
Total managed resources	**60 149**	**100.0%**	**60 964**	**(815)**	**(1.3%)**
Of which:					
Customer funds (retail)	**48 178**	**80.1%**	**49 572**	**(1 395)**	**(2.8%)**
Markets	**11 971**	**19.9%**	**11 391**	**580**	**5.1%**

Most resources managed consist of customer deposits (€47,710 million,. of which €22,397 million are demand deposits by private sector customers, €17,684 million are time deposits (including €6,370 million mortgege) and $5,318 million relate to repos. Off-balance-sheet funds managed amount to €11,635 million, mainly comprising customer funds gained through investment funds (€5,593 million), pension funds (€2,211 million) and savings insurance (€2,966 million). The balance for issuances included in the aggregate of managed resources is limited to €804 million, down 36.8% on the end of 2015. It consists basically of issues of mortgage securities held by third parties (€200 million) and convertible bonds of EspañaDuero subscribed by the FROB (€604 million).

By origin, 80.1% (€48,178 million) relates to banking business with customers, while the remaining 19.9% (€11,971 million) comprise the funds raised in wholesale markets through bond issuances or repos.

Customer loans (without value adjustments) amounted to €32,730 million at 31 December 2016. The most significant item in the loan portfolio is secured private sector loans, representing 57% of total loans.

Unicaja Banco Group customer loans and advances	December 2016	Structure	December 2015	Absolut variation	Relative variation
					Millon euros
Public authorities	**2 160**	**7%**	**2 009**	**151**	**(7,5%)**
Private sector	**30 570**	**93%**	**33 424**	**(2 854)**	**(8,5%)**
Trade credit	275	1%	207	67	32,5%
Secured loans	18 794	57%	20 947	(2 152)	(10,3%)
Assets acquired under repurchase agreements	2 078	6%	3 451	(1 373)	(39,8%)
Other term loans	4 959	15%	3 959	999	25,2%
Demand loans and other	4 465	14%	4 860	(395)	(8,1%)
Total customer loans and advances without valuation adjustments	**32 730**	**100%**	**35 433**	**(2 703)**	**(7,6%)**
Impairment loss and other valuation adjustments	(2 044)		(2 345)	301	(12,8%)
Total customer loans and advances	**30 686**		**33 088**	**(2 402)**	**(7,3%)**

We should note the reduction in the relative importance of the development sector, which now represents only 4.1% from the total private sector loans.

Private sector loans by credit risk rating (*)	December 2016	Structure	December 2015	Absolut variation	Relative variation
					Millon euros
Private sector loans	**[illegible]**	**100%**	**[illegible]**	**[illegible]**	**[illegible]**
Companies	**7 263**	**25,8%**	**7 888**	**(624)**	**(7,9%)**
Real-estate development and construction	1 166	4,1%	1 385	(219)	**(15,8%)**
Other companies	6 097	21,7%	6 502	(405)	**(6,2%)**
SMEs and independent contractors	4 259	15,2%	4 855	(596)	**(12,3%)**
Large companies	1 473	5,2%	1 164	309	**26,5%**
Civil works	365	1,3%	483	(118)	**(24,4%)**
Individuals	**20 843**	**74,2%**	**21 747**	**(904)**	**(4,2%)**
Housing	17 767	63,2%	19 438	(1 671)	**(8,6%)**
Rest	3 076	10,9%	2 309	767	**33,2%**

(*) Assets ceded under repurchase agreements and valuation adjustments not included.

At the end of 2016 the trend towards moderation in the total volume of credit arranged has continued, which has characterised the Spanish economy in recent year. In this respect, although new business is not sufficient to offset existing credit repayments, both Unicaja Banco and EspañaDuero have seen a notable increase in the volume of new transactions compared with the previous year.

New loan operations amounting to €3,613 million were carried out in 2016 (13.4% higher than in 2015). The year-on-year growth in new loans operations with SMEs (+34%) and household consumer loans (+15%) should be highlighted, confirming the reactivation that may be observed in recent months.

Credit quality

Maintaining the recovery trend and positive development already reflected since the last quarter of 2014, the balance in doubtful assets of the Unicaja Banco Group at end-2016 is €340 million lower (-10%) than at the end of the previous year. There have been reductions in both Unicaja Banco and EspañaDuero, resulting in an improvement of 0.2% in the NPL ratio of the Unicaja Banco Group to 9.82%. The Unicaja Banco Group maintains its coverage of doubtful exposures at 50%.

Thanks to the efforts made in recent years to clean up the balance sheet, enabling a level of risk coverage to be achieved that covers the hypothetical losses envisaged in adverse scenarios, and the expected recovery of the Spanish economy, which is reflected in a clear change of direction in the evolution of irregular assets, a major reduction in write-down needs in the coming years may be envisaged.

Foreclosed assets

At end-2016 the balance of net repossessed assets stands at €974 million (€2,567 million in terms of gross value), which is only 1.70% of the Unicaja Banco Group's assets. 55% of the repossessed properties at carrying value are completed new constructions and used residential property.

Foreclosed asets - Unicaja Banco Group	Millon euros 2016			
	Carrying value	Value adjustments	Gross	Coverage (%)
Properties from construction and real estate development	**502**	**1 020**	**1 522**	**67,0%**
Finished buildings	206	213	419	50,8%
Buildings under construction	77	106	183	57,8%
Land	218	702	920	76,3%
Properties from home financing loans	**325**	**336**	**661**	**50,9%**
Other properties	**147**	**237**	**385**	**61,7%**
Total foreclosed assets	**974**	**1 594**	**2 567**	**62,1%**

Note: Coverage amount includes reversal of impairmen on foreclosed assets and previous to acquisition ones.

In line with Unicaja Banco Group's prudent approach, provisions to foreclosed assets amounted to €1,594 million at end-2016, which entails coverage of these assets of 62.1%.

Solvency

Unicaja Banco Group maintained high levels of solvency at the end of 2016.

RATIOS *PHASE-IN*	**2016**	**2015**	**Variation**	**Variation %**
CET 1	13.8%	12.8%	1.0%	7.8%
T1	13.9%	12.9%	1.0%	7.7%
T2	0.3%	-		n.s.
TOTAL CAPITAL	**14.2%**	**12.9%**	**1.3%**	**9.15%**

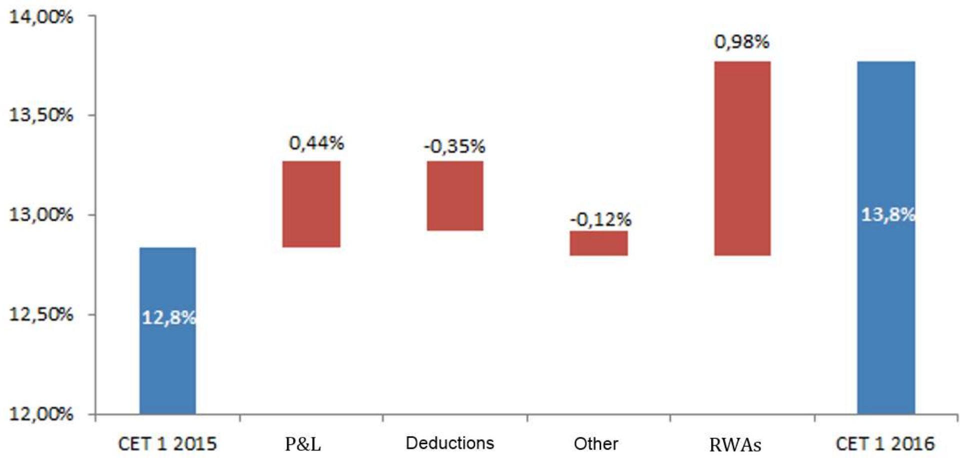
RATIOS *FULLY LOADED*	**2016**	**2015**	**Variation**	**Variation %**
CET 1	11.8%	11.1%	0.7%	6.25%
T1	12.0%	11.5%	0.5%	4.49%
T2	0.3%	-	0.3%	n.s.
TOTAL CAPITAL	**12.4%**	**11.5%**	**0.9%**	**6.95%**

These ratios enable the Group to meet, or even exceed, the following:

- the requirements laid down in EU Regulation 575/2013 on prudential requirements in credit institutions and
- the prudential minimum determined by the ECB following the results of the SREP review and evaluation process.

	2016	2015
Regulatory minimum (CET 1 %)	5.125%	4.5%
Regulatory minimum (Surplus M€)	2 178	2 260
Regulatory minimum (CET 1 %)	7.25%	9.25%
Regulatory minimum (Exceso en M€)	1 642	972

The positive development of CET 1 phase-in in 2015 is explained mainly by the generation of profits, higher capital gains in the Available for sale portfolio and the decrease in Risk Weighted Assets.



For complementary purposes, set out below is a detail of items making up qualifying capital together with a breakdown of the Pilar 1 capital requirements:

				Millon euros
	December 2016	December 2015	Absolute variation	Relative variation
TOTAL T1 CAPITAL	**3 498**	**3 510**	**59**	**1.7%**
TOTAL CET1 CAPITAL	**3 469**	**3 480**	**(11)**	**(0.3%)**
Capital	923	881	42	4.7%
Share premium	1 141	1 133	8	0.7%
Reserves and profit/(loss) for the year	782	685	97	14.1%
Non-controlling interests	174	229	(55)	(24.1%)
Cash flow hedges	18	5	13	n.s.
Contingent convertible bonds subscribed by the FROB	604	604	-	-
Other accumulated comprehensive results	40	150	(110)	(73.3%)
Adjustment for unrealized gains	(29)	(101)	72	(71.3%)
Other	(4)	(1)	(3)	n.s.
Deduction goodwill and intangibles	(20)	(14)	(6)	42.9%
Deduction tax assets	(139)	(53)	(53)	n.s.
Deduction significant shareholdings	(21)	(39)	18	(46.2%)
TOTAL AT1 CAPITAL	**29**	**30**	**(1)**	**(2.8%)**
Hybrid instruments Cocos	49	99	(49)	(50.0%)
Deduction goodwill	(13)	(22)	9	(40.9%)
Deduction significant shareholdings	(7)	(47)	40	(85.1%)
TOTAL T2 CAPITAL	**71**	**-**	**71**	**100%**
Qualifying generic	78	9	69	n.s.
Qualifying subordinated	-	1	(1)	n.s.
Deduction significant shareholdings	(7)	(11)	4	(36.4%)
TOTAL CAPITAL	**3 569**	**3 510**	**59**	**1.7%**

Finally, the reconciliation between shareholders' equity and qualify capital for regulatory purposes is as follows:

Shareholders' equity and qualifying capital reconciliation				**Millon euros**
	2016	**2015**	**Variation**	**Variation (%)**
Shareholders' funds	2 918	2 834	85	3,0%
Accumulated other comprehensive income	35	142	(108)	(75,7%)
Non-controlling interests	230	280	(50)	(17,9%)
TOTAL EQUITY (published balance sheet)	**3 183**	**3 256**	**(73)**	**(2,2%)**
Difference between published and regulatory balance sheet	-	(1)	1	n.s.
TOTAL EQUITY (published balance sheet)	**3 183**	**3 255**	**(73)**	**(2,2%)**
Adjustments for non-qualifying valuation	(6)	(88)	82	(93,2%)
Non-qualifying non-controlling interests	(55)	(50)	(5)	10,0%
Non-qualifying profit for the year	(25)	(36)	11	(30,6%)
Deductions	(211)	(186)	(25)	13,4%
Convertible contingent bonds subscribed by FROB	604	604	-	-
T2 capital	78	11	67	n.s.
TOTAL QUALIFYING CAPITAL	**3 569**	**3 510**	**59**	**1,7%**

Liquidity

At the end of 2016, Unicaja Banco Group has a liquid and discountable asset position with the European Central Bank, net of utilized assets, of €14,544 million, which represents over 25,4% of the total balance sheet figure. This significant volume of liquid assets means that forthcoming bond maturities (€1,370 million in 2017, 1,493 in 2018 and 668 in 2019) can be confortably managed. It should be noted that, at December 31, 2016, there are no deposits taken in the European Central Bank (ECB).

	Millon euros	
Unicaja Banco discountable liquid assets	**2016**	**2015**
Liquid assets:		
Cash surplus (1)	55	1 008
Discountable assets acquired under repurchase agreements	2 196	4 849
Fixed income portfolio and other discountable assets in the European Central Bank	19 610	18 075
Total liquid assets (ECB discount value)	**21 861**	**23 932**
Liquid assets used:		
In European Central Bank	-	2 417
Temporary assignment of assets	7 317	5 563
Total liquid assets used	**7 317**	**7 980**
Available discountable liquid assets	**14 544**	**15 952**
% of total assets	**25.4%**	**26.4%**

(1) Interbank deposits + surplus balance in ECB and operating balances.

	Millon euros
Market financing maturities 2017-2019	**Issues (*)**
FY 2017	1 370
FY 2018	1 493
FY 2019	668
Total	**3 531**

The growth trend in retail deposits and the contraction of customer loans have underlined the reduction in structural market funding needs in the Unicaja Group, a decline that is reflected in the evolution of the LTD (Loan to Deposits) ratio, which at end 2016 stands at 83%.

Unicaja Banco Group LTD ratio (*)	**Ratio %**
End FY 2013	109%
End FY 2014	91%
End FY 2015	82%
End FY 2016	83%

(*) Loans to deposits (without valuation adjustments in both cases). Both loans and deposits exclude balances of operations on wholesale markets.

Branch network

Unicaja Banco Group operates only in Spain (with the exception of a branch in Portugal) mainly in Andalucía and Castilla y León, as well as in the Autonomous Regions of Madrid and Murcia, the provinces of Albacete, Alicante, Badajoz, Barcelona, Ciudad Real, Toledo and Valencia and the Autonomous Cities of Ceuta and Melilla. 82% of its branches are concentrated in Andalusia and Castilla y León. Málaga (16%), Almería (8%), León (8%) and Valladolid (7%) are the most important provinces in the Group's business. At 31 December 2016, Unicaja Banco Group had a network of 1,280 branches: 1,279 branches in Spain, covering 38 provinces and Ceuta and Melilla; and one branch in the UK (according to Bank of Spain criteria from June 2010, offices open to the public include desks in other locations and branches abroad).

Business Network Distribution

Country	Autonomous Region	Operating branches at 31/12/2016		Operating branches at 31/12/2015	
		No. of branches	Distribution (%)	No. of branches	Distribution (%)
	Andalucía	618	48,3%	643	47,49%
	Aragón	1	0,1%	1	0,07%
	Asturias	3	0,2%	3	0,22%
	Cantabria	1	0,1%	1	0,07%
	Castilla y León	431	33,7%	471	34,79%
	Castilla-La Mancha	72	5,6%	77	5,69%
	Cataluña	2	0,2%	2	0,15%
	Ceuta	1	0,1%	1	0,07%
Spain	Comunidad Valenciana	4	0,3%	4	0,30%
	Extremadura	52	4,1%	54	3,99%
	Galicia	6	0,5%	6	0,44%
	La Rioja	1	0,1%	1	0,07%
	Madrid	80	6,3%	80	5,91%
	Melilla	3	0,2%	4	0,30%
	Murcia	2	0,2%	2	0,15%
	Navarra	1	0,1%	1	0,07%
	País Vasco	1	0,1%	1	0,07%
Total number of branches in Spain		**1 279**	**99,9%**	**1 352**	**99,85%**

Country	City	Operating branches at 31/12/2016		Operating branches at 31/12/2015	
		No. of branches	Distribution (%)	No. of branches	Distribution (%)
Portugal	Lisbon	-	0.0%	1	50.00%
United Kingdom	London	1	100.0%	1	50.00%
Total number of branches abroad		**1**	**0.1%**	**2**	**0.15%**
Total branches		**1 280**	**100%**	**1 354**	**100.00%**

At 30 September 2016, according to the T7 statement published by the Bank of Spain, market share in the Autonomous Regions of Andalucía and Castilla Y León, relating customer deposits in other resident sectors market share (i.e. entities not belonging to the public sector, nor credit institutions or non-resident entities) stands at 14.1% and 22.5%, while market share in relation to customer loans in other resident sectors stand at 10.2% and 14.9%, respectively. With regard to branches, Unicaja Banco Group’s share in Andalucía is 13.7% and in Castilla y León is 20.6%, according the latest available Bank of Spain figures at 30 September 2016.

Risk exposure framework

On 30 January 2015, the Board of Unicaja Banco approved the Unicaja Banco Group's Risk Exposure Framework ("Risk Appetite Framework" or "RAF"). The Group will carry on its business within this framework.

The Risk Exposure Framework is a basic instrument which is used to implement the Bank's risk policy. It includes policies, processes, controls and systems to establish, report and monitor each form of risk exposure. The framework is the Group's general risk policy; it is the Bank's basic management tool used to formalize and update the integral framework that defines the risk which the Group is prepared to accept. It establishes several different metrics to quantify, control and monitor risk exposure. The metrics also make it possible to react in the face of certain levels or scenarios.

The approval and subsequent implementation of the Group's Risk Exposure Framework make it possible to:

- Explain the Group's risk objectives in line with corporate strategy, acting as a benchmark reference for the lines of business.
- Integrate all of the risk management processes in a common framework.
- Promote an internal culture of risk management.

The Unicaja Banco Group's business is focused mainly on business, retail and corporate banking, applying solid risk control and management standards. It finances lending mainly by using deposits banked by customers and issuing long-term deposits on wholesale markets. The main risks managed by the Group are credit risk and liquidity risk.

For the purpose of its strategic plan the Unicaja Banco Group's Risk Exposure Framework sets the level and type of risk exposure that it is prepared to accept, envisaging no significant changes at all even during stress testing. Unicaja Banco Group risk management aims to achieve a moderate risk profile through prudent management, a bespoke retail banking business model based on location, asset type, portfolio and client and sustainable growth over time.

The Risk Exposure Model of the Unicaja Banco Group is considered the result of the work of all of its subsidiaries and EspañaDuero in particular, due to the relevance and importance of the model in terms of the Group's solvency, by setting specific limits on solvency and references on which to base independent management. Historically, Unicaja has been characterised by the implementation and effective assumption of a prudential risk management culture. With respect to the consolidation of EspañaDuero, Unicaja Banco Group will continue to make its culture of prudence a priority across the Group as a whole.

Global risk control

The Group applies rigorous measures to maintain a permanent, prudent and balanced risk profile so as to preserve its solvency, profitability and liquidity. The Group's integrated risk management model allows service quality to be assured during the application of the lending policy and in all investment lines.

25 April 2014 the Risk Committee was created with the authority to advise the Bank's Board Directors regarding the current and future overall risk scenario at the Entity and its strategy in this area, to assist the Board in monitoring the application of that strategy by Senior Management and to examine whether the prices of assets and liabilities offered to customers fully take into account the business and risk strategy model at the Entity. The amendment of the bylaws of Unicaja Banco that was approved by shareholders at a General Meeting on 30 September 2014 brought the Risk Committee into the highest level of management.

The Group continues to improve and upgrade the systems used in the management of general credit or counterparty risk, market risk, operational risk, interest rate risk and liquidity risk.

Unicaja Banco Group implements individual actions and participates in sector Global Risk Control projects in order to enhance the procedures, systems and methodologies necessary to manage the different types of risks to which the Entity is exposed on an integrated and effective basis.

Having regard tocredit risk, the Group has implemented scoring systems for certain products (private individuals, consumption, mortgages and credit cards), allowing the automatic approval of loans up to certain amounts for the retail segment and providing support for decision-taking by the risk analyst.

With respect to market risk, i.e. the risk of a change in value of financial assets or liabilities held for trading due to adverse movements in market prices or price volatility, Unicaja Banco Group uses tools to measure and control market risk, as well as permanent and systematic controls over transactions that are particularly complex from an operational and accounting viewpoint.

Unicaja Banco Group has integrated operational risk management, i.e. the risk of loss resulting from the inadequacy of or failure in processes, personnel or internal systems, or from external events, in its risk control policy and has rolled out the relevant procedures across all areas of the organization.

Global interest risk arises from the temporary mismatch of asset and liability maturities and interest rate reviews. It may be measured in terms of the impact that a certain change in market rates would have on the entity's net interest income in a given period. Structural interest rate risk is actively managed and permanently controlled by the Assets, Liabilities and Budgeting Committee (COAPP).

Unicaja Banco Group also assesses and manages liquidity risk from both a current or short-term viewpoint (controlling daily liquidity needs to cover deposit maturities and customer credit demands) and from a structural viewpoint, entailing the evaluation of the possible need for capital market financing in the medium and long term in order to maintain the planned rate of business growth.

Events after the balance sheet date

During the period between the end of the year on 31 December 2016 and the date these director's report were prepared, no event of special relevance has taken place that has not been mentioned in the notes to the annual accounts.

Research & Development

The Entity did not engage in significant research and development activities during 2016 and 2015.

Environmental impact

The Group's overall transactions are governed by the Laws on environmental protection (Environmental Laws). The Parent Entity believes that it substantially complies with such legislation and it implements procedures to ensure and promote compliance.

The Parent Entity has adopted the relevant measures to protect and improve the environment and to minimize its environmental impact and complies with relevant legislation. The Group did not make significant environmental investments in 2016 and 2015, nor did it consider it necessary to record any provision for environmental risks and charges, and does not consider that there are significant contingencies relating to environmental protection and enhancement.

Treasury shares

At 31 December 2016 the Bank did not hold any treasury shares. During 2016 no operations were carried out involving treasury shares.

Payment deferral to suppliers

The payments made by Unicaja Banco Group to suppliers only rendering services and sundry services in 2016 totalled €538,696 thousand (€435,628 thousand in 2015), which were made within the deadlines established by law and by contract. The amount pending payment to suppliers at 31 December 2016 and 2015 is not significant and have been outstanding for a period less than that established by Law 15/2010.

Under Final Provision Two of Law 31/2014 of 3 December, which amended Additional Provision Three of Law 15/2010, and in relation to the information to be disclosed in the notes to the annual accounts on delays in payment to suppliers in business operations calculated on the basis of the Ruling of 29 January 2016 by the Spanish Institute of Accountants and Auditors, the average supplier payment period for the Group during 2016 and 2015 is 20.98 and 19.64 days, while the transactions paid ratio and the transactions pending payment ratio stand at 15,38 days and 28.19 days, respectively.

The Group's average payment period is within the legally established limit and therefore there is no need to disclose the measures envisaged in Article 262.1 of the Spanish Companies Act 2010 in the directors' report.

ALTERNATIVE PERFORMANCE MEASURES (APM)

The information contained in this appendix has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS). In addition, the Unicaja Banco Group believes that certain Alternative Performance Measures (APM), as defined by the Directive on Alternative Performance Measures published by the European Securities Market Authority (ESMA) on 5 October 2015 (ESMA/2015 /1415en), provide additional information that may be useful for analysing the financial performance of the Group.

The Group considers that the APM included in this Appendix meet the ESMA Guidelines. These APM have not been audited and under no circumstances replace financial information prepared under IFRS. In addition, the definition that the Group uses for these APM may differ from similar measures calculated by other companies and therefore may not be comparable.

Following the recommendations of said Directive, set out below is a detail of the APM used by the Unicaja Banco Group:

ALTERNATIVE PERFORMANCE MEASURES		2016	2015
Cost of risk	Impairment losses on loans	83.8	427.4
	Measure for beginning end of period for customer loans and receivables (without valuation adjustments)	34 082	36 749
	Ratio	**0.25%**	**1.16%**
Customer margin	Yield on non-doubtful customer loans over average quarterly average balances for the year in non-doubtful customer loans	2.51%	2.94%
	Cost of customer deposits over average quarterly average balances for the year in customer deposits	0.47%	0.87%
	Difference between yield and cost	**2.04%**	**2.07%**
Repossessed asset provision	Accumulated impairment of repossessed assets or assets received in settlement of debt, excluding equity instruments	1 594	1 568
	Gross carrying amount of repossessed assets or assets received in settlement of debt, excluding equity instruments foreclosed or received in settlement of debt	2 567	2 681
	Ratio	**62.1%**	**58.5%**
Balance sheet differential	Net interest margin	619.8	687.5
	Total average assets (average quarterly balances)	58 831	65 472
	Ratio	**1.05%**	**1.05%**

ALTERNATIVE PERFORMANCE MEASURES (APM)

ALTERNATIVE PERFORMANCE MEASURES		2016	2015
NPA provision	Coverage of credit risk (excluding provisions related to litigation concerning covenants limiting fluctuations in interest rates provisions), plus accumulated impairment of repossessed assets or assets received in settlement of debts, excluding equity instruments foreclosed or received in settlement of debt	3 201	3 600
	Gross impaired assets plus gross carrying amount of repossessed assets or assets received in settlement of debt, excluding equity instruments foreclosed or received in settlement of debt	5 783	6 237
	Ratio	**55.4%**	**57.7%**
Loan-loss provision	Provision for credit risk (excluding extraordinary provisions related to “floor" clauses)	1 608	2 033
	Gross impaired assets	3 215	3 556
	Ratio	**50.00%**	**57.17%**
Loan-loss ratio	Gross impaired assets	3 215	3 556
	Customer loans and receivables (excluding valuation adjustments)	32 730	35 433
	Ratio	**9.82%**	**10.03%**
ROA	Net consolidated profit	135.1	183.8
	Total average assets (average quarterly balances)	58 831	65 472
	Ratio	0.23%	0.28%
ROE	Profit/(loss) attributed to parent entity	142.1	186.7
	Average shareholders’ funds (excluding adjustments to other accumulated comprehensive income) (average quarterly balances)	2 919	2 789
	Ratio	4.9%	6.7%
RoRWA (management)	Net consolidated profit	135.1	183.8
	Risk-weighted assets	25 188	27 108
	Ratio	0.54%	0.68%
RoTE	Profit/(loss) attributed to parent entity	142.1	186.7
	Average shareholders’ funds (excluding adjustments to other accumulated comprehensive income) less average intangible assets (average quarterly balances)	2 918	2 788
	Ratio	4.9%	6.7%

UNICAJA BANCO, S.A. AND ITS' SUBSIDIARIES
(UNICAJA BANCO GROUP)

CONSOLIDATED DIRECTOR'S REPORT FOR THE YEAR 2016

The Board of Directors of Unicaja Banco, S.A., at its meeting held today, formulates and approves the Consolidated Annual Accounts of the Unicaja Banco Group for the year ended December 31, 2016 and the Consolidated Management Report for the year 2016, all of which are included on the obverse of the folios of state letterhead, numbered consecutively from 9850183 to 9850500 all inclusive, of the OM Series, Class 8 of 3 cents of euro each, in compliance with current legislation.

Málaga, March 24, 2017

D. Manuel Azuaga Moreno
Chief executive

D. Enrique Sánchez del Villar Boceta
Executive officer

D. Manuel Atencia Robledo
Vice president

D. Juan Fraile Cantón
Vice president

Dª. Petra Mateos-Aparicio Morales
Coordinated counselor

D. Eloy Domínguez-Adame Cobos
Vocal

D. Guillermo Jiménez Sánchez
Vocal

Dª. María Luisa Lombardero Barceló
Vocal

UNICAJA BANCO, S.A. AND ITS' SUBSIDIARIES
(UNICAJA BANCO GROUP)

CONSOLIDATED DIRECTOR'S REPORT FOR THE YEAR 2016

D. Antonio López López Vocal	D. José María de la Torre Colmenero Vocal
D. Victorio Valle Sánchez Vocal	D. Agustín Molina Morales Secretary

Málaga, 7 June 2017

MR. EDUARDO MANSO PONTE
Markets General Director
Comisión Nacional del Mercado de Valores
c/ Edison, 4
28006 Madrid

Dear Sirs,

In relation to your request dated 18 May 2017 in which you require the answers to certain questions related to the consolidated annual accounts of Unicaja Banco, S.A. and subsidiaries (Unicaja Banco Group) for the year ended 31 December 2016, our reply is as follows.

We also state that we accept the comments and recommendations included in your request and will take them into account in the preparation of annual accounts in future years and in future directors, reports.

Yours faithfully,

Signed: Julián Muñoz Ortega
Financial and Tax Reporting Officer

1. Credit risk and internal methodologies for estimating provisions

Information requested:

1.1. Provide additional information on the changes resulting from the introduction in 2016 of internal methodologies for estimating collective provisions, explaining how they differ from the methodologies used in 2015. In addition, indicate whether they have been adopted for all portfolios of customers loans and repossessed assets or assets acquired by other means in settlement of debts, or whether, conversely, they have been adopted only for part of them, in which case a breakdown should be provided.

When answering this question, you should explain how the change in the accounting estimates, referred to in Note 1.4 to the accounts, has affected the evolution of the credit risk provision disclosed in Note 10.3 of the consolidated accounts, in particular, the main factors that have led to the recoveries charged to income for the year and the reduction in impairment losses recorded individually, together with an increase in those recorded collectively.

Response:

In compliance with IFRS-EU, and taking into consideration the matters set out under Note 1.4 of the 2016 Annual Accounts, during 2016 we reviewed the accounting estimates relating to the identification and calculation of the impairment of debt instruments measured at amortized cost (specifically those recognized as loans and receivables from customers) and the assets originating from the foreclosure or acquisition through other debt recovery means (mainly recognized in the headings “Non-current assets available for sale” and “Inventories”), as a result of the application of internal methods to estimate total coverage of insolvencies and coverage of foreclosed assets.

The change in the percentage relating to credit risk is due to the application of internal methods based on past experience regarding specifically observed losses in the Group, adjusted to the financial conditions and other known circumstances at the time of the estimate. In accordance with those principles:

- Past loss experience is adjusted, based on observable databases, to reflect the effect of the current conditions that did not affect the historic period used as a reference and to suppress the effect of past conditions that are not currently present, as well as to include any possible differences in the composition and quality of our current portfolio compared with the historic period used as a reference.

- An estimate of incurred losses not yet realized on transactions classified as being of normal risk has been performed, using the losses associated with items classified as doubtful over a twelve month time horizon as a reference, based on the moment within the financial cycle and our current operations. An estimate of incurred losses on transactions classified as doubtful is performed and such losses are understood to be the difference between the present amount of the risk and the estimated future cash flows.

The internal methods for insolvencies have been applied to all customer credit portfolios, except for the real estate development and large corporates segments, in which alternative solutions are used based on industry parameters that have been obtained based on experience and the information held by the Bank of Spain regarding the Spanish banking sector. Those segments had a gross exposure of €2,610 million at December 31, 2016 from a total gross credit figure of €33,687 million, and therefore they represent 7.7% of the total portfolio.

These internal methods are used to estimate the coverage of insolvencies deriving from all risks that are not individually material. In order to analyse the risk relating to borrowers with significant exposures on an individual basis, we have established a threshold of €3 million for doubtful risks and €5 million for those that are not doubtful.

In the cases of doubtful risks due to non-payment that are individually material, as well as transactions that are doubtful for reasons other than non-payment that are not exclusively affected by automatic classification factors, we estimate the coverage for insolvency on an individual basis, calculating it as the difference between the gross carrying amount of the transaction and the restated value of the estimated cash flows that are expected to be received. The original effective interest rate applied to the transaction is used as the discount rate.

In past years, we considered coverage calculated on an individual basis to be that relating to all of the risks that were doubtful due to reasons other than non-payment, while in 2016 the application of internal methods to estimate coverage included only those relating to the risks exceeding the aforementioned threshold as doubtful. This is why the volume of coverage calculated individually fell from €898,636 thousand at December 31, 2015 to €317,570 thousand at December 31, 2016, and the coverage calculated collectively increased from €1,445,934 thousand to €1,681,790 thousand between the same dates.

We have also defined specific methods to estimate fair value and the cost to sell foreclosed assets or those received in lieu of payment. These internal methods have the objective of determining the discounts to the value of reference (deriving from updated appraisals) and the cost to sell the assets, and take into consideration experience involving the sale of similar assets in terms of periods, prices and volume, the value trend for these assets and the time needed for their sale.

The internal methods for foreclosed assets, or those received in lieu of payment, have been applied to all property portfolios with this classification, except for land, since there is insufficient rotation of those items to apply those methods. Alternative solutions based on industry parameters are used for land, which are obtained based on experience and the information held by the Bank of Spain regarding the Spanish banking sector.

These internal methods are in line with the requirements established by IAS 39 and the main difference compared with the coverage estimation methods applied in prior years arises due to the use of our past experience instead of applying industry references for those losses.

The change in accounting estimates deriving from the application of these internal methods for credit risk and foreclosed assets was recognized on October 1, 2016 and did not have a significant effect on consolidated profit/(loss) for the year or on our equity situation (positive impact totalling €26 million after taxes).

This impact included a gross recovery effect of €117 million, which is specifically due to the adoption of the internal methods for covering insolvencies in the credit portfolio and which explained part of the movement totalling €681 million in recoveries credited to profit/(loss) for the year, as is indicated in Note 10.3 of the 2016 Annual Accounts. The rest of the balance consists of the recoveries of doubtful assets and the rotation of those assets as a result of the progressive recovery of the economic situation and they must be taken into consideration together with the allocations charged against profit/(loss) for the year in the amount of €789 million, which results in a net impact on profit/(loss) of €108 million. The amount recognized under the heading “Impairment or reversal of financial assets not measured at fair value through changes in profit or loss-Loans and receivables” in the consolidated income statement totals €84 million since it includes the movements described in Note 27 of the notes to the 2016 Annual Accounts regarding assets considered to be of unlikely recovery.

2. <u>Refinanced operations</u>

Information requested:

2.1. Describe the criteria followed by the Group to consider that a refinanced or restructured operation ceases to be classified as such and becomes an ordinary risk, such as the cure period, whether they are based on the effective repayment of a minimum percentage of the refinanced amount, etc., justifying the reasons for such reclassifications.

2.2. Provide a breakdown of the amount corresponding to refinancing and restructuring separately from other variations, for 2016 and 2015.

2.3. Provide additional information on the quantitative impact that the reclassification has had on loan portfolio impairment provisions.

Response:

The cure criteria for refinancings of the Unicaja Banco Group are as follows:

To reclassify doubtful exposure to monitored performing exposure:

- All the criteria that, in general, determine the classification of the operations in this category are verified.

- One year has elapsed from the date of refinancing or restructuring.

- The interested party has paid the principal and interest accrued, reducing the renegotiated principal, since the date on which the restructuring or refinancing operation was formally agreed or, if later, since the date of reclassification thereof to a doubtful category. Therefore, there can be no overdue payments in the operation concerned. In addition, it will be necessary for the interested party to have paid by means of regular payments an amount equivalent to all principal and interest that were past due at the date of the restructuring or refinancing operation or were derecognised as a consequence thereof.

- The interested party is not involved in any other operation with amounts overdue by more than 90 days at the date of reclassification of the refinancing, refinanced or restructuring operation to the monitored performing risk category.

To reclassify the exposure from monitored performing exposure to performing exposure:

- The conclusion has been reached, following a thorough review of the interested party's financial situation, that it is not foreseeable that it will have financial difficulties and it is therefore highly likely that it will meet its obligations with respect to the institution in due time and form.

- A minimum of two years has elapsed from the formalisation of the restructuring or refinancing operation or, if later, from the date of reclassification from the category of doubtful exposures.

- The interested party has paid the principal and interest accrued since the date on which the restructuring or refinancing operation was formally agreed or, if later, since the date of reclassification from the doubtful categories. In addition, the interested party must have paid through regular payments an amount equivalent to all amounts (principal and interest) that were past due or written down at the date of the restructuring or refinancing operation.

- The borrower must not have any other operations involving amounts overdue by more than 30 days at the end of the trial period.

Note 10.1 to the consolidated annual accounts discloses the reconciliation of the carrying value of refinanced and restructured operations. This reconciliation includes the movements that have taken place in the gross balance of these operations and includes variations in the loan-loss allowances as part of the heading "Other changes". A detailed breakdown of this item in the reconciliation is as follows:

	Thousand euro	
	2016	**2015**
Opening balance	**3 190 253**	**3 973 926**
Refinancing and restructuring in the period	272 987	319 151
Debt repayment	(397 301)	(586 436)
Repossessions	(120 988)	(317 231)
Derecognised (reclassification to non-performing)	(218 146)	(391 821)
Other changes	(814 820)	192 664
Of which: Changes in gross balance	*(968 940)*	*(362 563)*
Of which: Changes in loan-loss provision	*154 120*	*555 227*
Balance at the end of the period	**1 911 985**	**3 190 253**

Variations in the balance in "Other changes" are basically due to the derecognition of refinanced operations due to the application of the cure criteria described above. The effect on provisions is not significant since most of these operations were classified in the performing exposure category and only the refinancing mark has been eliminated, in compliance with the aforementioned cure criteria.

Movements in loan-loss provisions included under "Other changes" in 2016 and 2015, amounting to €154,120 thousand and €555,227 thousand, respectively, must be considered together with the remaining movements in the reconciliation, since a relevant part may be explained by the write-off due to reclassification to non-performing, which amounted to €218,146 thousand in 2016 and €391,821 thousand in 2015.

3. <u>Non-performing loans</u>

Information requested:

3.1. Explain the amount collected and/or pending collection and its impact on the income statement from the sale of the non-performing loan portfolio and indicate whether this positive amount is included in the €64,857 thousand mentioned above.

3.2. Indicate the policies followed by the Group to derecognise assets that are unlikely to be recovered due to the rejection of any possibility of their recovery, also indicating the internal control policies (level of approval, quantitative limits, etc.) applied for such derecognition.

3.3. With respect to future reporting, these operations that cease to be classified as remote recovery due to the rejection of any possibility of remote recovery must be included in a table under a suitable heading, such as *Derecognition*, instead of *Recovery*.

Response:

As detailed in Note 27 to the consolidated annual accounts, on 15 December 2016, the Group formalised the sale of a portfolio of non-performing loans in the amount of €449,887 thousand arranged with private individuals and small and medium-sized enterprises. In relation to this operation, the total price received amounted to €30,826 thousand, which was received in full before the end of the year without any amount remaining outstanding and without any type of financing being granted to the purchaser. The sale was recorded in the consolidated income statement for 2016 under "Impairment or reversal of financial assets not carried at fair value through profit or loss - Loans and receivables", and forms part of the €64,857 under the heading "Balances recovered in the year through payments in cash" in the table included in Note 27 to the accounts.

Regarding the criteria used to derecognise operations involving non-performing loans, the Unicaja Banco Group records these derecognitions when any possibility of recovering them is rejected. To do this, as indicated in the Group's Asset Management Manual, it is necessary to submit a proposal to Territorial Management, which in turn must submit it to the Asset Management Committee (up to €450,000) or to the Loan Committee (above that limit). The Group carries out regular monitoring of these balances in order to determine whether the requirements for derecognition have been met and to assess whether there are new circumstances that could alter the chances of recovery of the balances.

With regard to the financial information reported in forthcoming periods, the Group will disclose these derecognitions separately from recoveries.

4. <u>Provision for hybrid instruments in EspañaDuero</u>

Information requested:

4.1. Explain whether the provision amounting to €45 million is presented net of the offset mechanism approved by the FROB and, if so, disclose separately the provision derived from the impact of the provisions for the possible costs derived from legal claims relating to the subscription of acquisition of preferential shares or subordinated bonds issued from the amount to be reimbursed by the FROB.

4.2. In addition, disclose the impacts recorded in the income statement for 2016 and 2015 derived from the costs of such legal claims, as well as the maximum amount of possible contingencies that could arise in the future due to new legal claims.

4.3. With respect to the purchase obligation for the securities acquired by the FROB from EspañaDuero, the main characteristics should be explained, other than those disclosed in this document, and the accounting treatment applied by the Group to recognise them must be indicated, in particular in relation to the content of paragraph 23 of IAS 32.

Response:

Note 18 to the consolidated annual accounts of the Unicaja Banco Group explains that, at 31 December 2016 and 2015, EspañaDuero had recorded an allowance of €45 million and €83 million, respectively, for legal contingencies to cover potential costs derived from legal claims in relation to the subscription or acquisition of preferential shares or subordinated bonds issued by the savings banks that transferred their financial business to EspañaDuero. The aforementioned provision was set up according to the best possible estimate, considering the available information on lawsuits received and the rulings that have been issued to date. In general, the nature of the rulings has depended on each customer's circumstances in relation to the process for selling the products for which the claims were filed and their personal circumstances (knowledge and investment experience in this type of product). In order to establish, in each case, the most probable judicial outcome for those claims for which no rulings have been issued or for which rulings are not yet final, the directors of EspañaDuero have taken into account the judgments already received and the legal opinion of the Bank's legal services. In addition, in the evaluation of this contingency the commitment of the Bank Restructuring Fund (FROB) was taken into account in the framework of Unicaja Banco's offer to acquire EspañaDuero, described in Note 1.2. to the consolidated accounts. Based on this commitment, the negative effects that could derive from claim proceedings instigated by holders of EspañaDuero mandatorily and contingently convertible bonds that did not accept the Offer will be assumed by the FROM with respect to 71% thereof up to a maximum of €421 million net of any compensation that the FROB might receive by virtue of the Compensation Mechanism approved by it.

In this respect, it should be noted that the provision set up at 31 December 2016 and 2015 is presented without considering the commitments assumed by the FROB, that is, recording only the part not covered by this body and which must be assumed by EspañaDuero, since this is a shared obligation with the FROB. As indicated in Note 1.4 to the annual accounts of EspañaDuero, as a result of the court judgements handed down against the Bank to 31 December 2016 in lawsuits involving hybrid instruments, the Bank had acquired own shares totalling €384 million from claimant minority investors. Applying the commitments mentioned above, the FROB had acquired shares worth €127.5 million from EspañaDuero at 31 December 2016. Of the remaining sum, which amounts to €256.5 million, the FROB has to assume, by virtue of said commitment, the acquisitions of shares amounting to €87 million which, together with the €38 million due to settlements of expenses and legal costs, are recorded under “Loans and receivables” in the balance sheet, since the administrative formalities required to implement the compensation commitments assumed by the FROB have yet to be completed.

As regards the impacts on the consolidated income statement for 2016 and 2015 arising from the provision for this litigation, a breakdown is as follows:

	Thousand euro	
	2016	**2015**
Provision at the beginning of the year	**82 632**	**93 204**
Appropriations charged to income	11 839	34 163
Utilisations	(38 098)	(35 255)
Other movements	(10 964)	(9 480)
Balance at year end	**45 409**	**82 632**

Finally, Note 1.4 to the annual accounts of EspañaDuero explains that there is a mechanism between the FROB and EspañaDuero in relation to the bank's shares that the FROB may acquire as a result of the claims it has to face due to the application of the above-mentioned commitment (hereinafter, the Compensation Mechanism). Under this mechanism, the FROB would receive, in exchange for said shares, an amount not less than that pertaining to them in accordance with the valuation performed by the consultancy Oliver Wyman and which concluded that 100% of EspañaDuero had a value equivalent to €334 million, giving a maximum value to be received by the FROB of €62 million, for the shares it has assumed to date, and those it would be required to assume but which have yet to be paid. This amount represents 1.9% of consolidated equity, and is therefore not significant for purposes of materiality.

It should be recalled that the FROB’s commitment and the Compensation Mechanism are part of the EspañaDuero Restructuring Plan, the TermSheet of commitments undertaken with the national and European authorities, and the public aid granted to EspañaDuero. It should also be noted that the application of the part of the Compensation Mechanism that involves the repurchase of the shares requires the authorisation of the European Central Bank, based on the individual solvency situation of EspañaDuero. The repurchase of the securities has already been claimed by the FROB and the Bank has requested such authorisation from the European Central Bank, in the framework of the IPO and listing of Unicaja Banco shares approved by the General Meeting of Shareholders of Unicaja Banco on 26 April 2017. The consolidated financial statements at 30 June 2017 will recognise, on a prospective basis, bearing in mind the situation described above and its immateriality, the FROB share repurchase obligation as a financial liability.

5. Pacts to limit interest rate fluctuations

Information requested:

5.1. Explain in which consolidated balance sheet heading(s) the €392 million provision mentioned above is recorded, and the income statement heading recording the provision set up in 2016 in the amount of €130 million.

In the event that these amounts have not been credited to the Provisions heading on the liabilities side of the balance sheet, this should be supported.

5.2. Estimate the amount of the obligation at end-2016 in the event that all clauses were deemed null and void and on a fully retroactive basis.

Response:

The provision for the hypothetical disbursements that could derive from the claims and litigation brought by certain customers in the retail mortgage segment on the possible nullity of contractual stipulations limiting variations in the interest rates is recorded in the heading "Impairment losses" under "Loans and receivables" in the consolidated balance sheet, described in Note 10 to the consolidated annual accounts for 2016.

The consolidated income statement heading that recorded the provision created in 2016 for €130 million as a result of the European Court of Justice ruling of 21 December 2016 is "Impairment or reversal of financial assets not carried at fair value through profit or loss - Loans and receivables", as described in Notes 10 and 27 of the consolidated notes to the accounts.

The Banks's directors understand that accounting legislation, especially IAS 39 "Financial instruments: recognition and measurement", should be interpreted as meaning that any judgments due to litigation or agreements reached with claiming customers will result in a reduction of future cash flows from loans, classified under "Loans and receivables", which is measured at amortised cost. This view is based on the evaluation made by the Unicaja Banco Group of the application of the measures of Royal Decree-Law 1/2017, which does not envisage the payment of any amounts by the Group, but a reduction in future cash flows associated with the assets. In this respect, paragraph 59 of IAS 39 states that a financial asset is impaired and an impairment loss has been incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that the event (or events) causing the loss has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Therefore, the Unicaja Banco Group's criterion is that the allowance set up to cover such an event should be recorded as a loss due to the impairment of the loan portfolio.

Notwithstanding the above, the parent company directors, for the purposes of the financial information to be published as at 30 June 2017, are re-evaluating the classification of these allowances on the basis of the court rulings that received in recent months and the manner in which the agreements with customers based on Royal Decree-Law 1/2017 are being arranged, which could lead the Group to reclassify these allowances under "Provisions" on the liabilities side of the consolidated balance sheet in future reporting of financial information.

The Unicaja Banco Group has made a conservative estimate of the level of provisioning required to cover these litigations, €392 million being covered at the end of 2016. Section "Risk Factors" of the IPO prospectus to be issued in the framework of the admission to quotation of Unicaja Banco shares includes more detailed information on these lawsuits.

The allowance of €392 million set up with respect to the clauses restricting interest rate fluctuations has not been considered by the Unicaja Banco Group when calculating the NPL coverage ratio for the loan portfolio, which is 50% at the close of 2016, without the amount of said allowance.

In any event, the Unicaja Banco Group considers that the clauses contained in mortgage deeds that establish limits on interest rate variations are completely legal and have not been declared null and void by any final judgement.

6. Liquidity risk

Information requested:

6.1. Confirm whether the maturity matrix based on contractual maturity dates of balances included in pages 126 and 127 of the consolidated notes to the accounts includes information only about the Group's main entities or whether it relates to all Group entities.

6.2. Indicate whether, to draw up the maturity tables, the real remaining contractual flows are used. In this respect, the fact that the total liability of these tables coincides with the carrying amount of the liabilities disclosed in the balance sheet could suggest that this is not the case.

6.3. Indicate expressly whether, in preparing these tables, the Bank has followed the provisions of paragraph B11C of IFRS 7.

6.4. In this respect, the bank has disclosed in the notes to the consolidated accounts that all balances without maturities or with maturities linked to a decision are regarded as "demand" or "undetermined", and are included in the maturity table after the time frame that reflects a later maturity, which could make said information difficult to understand. In addition, the joint disclosure of those demand account balances together with balances without a specific maturity, with respect to the disclosure requirements of IFRS 7.39, only sees appropriate if the repayment of all these amounts could be demanded immediately.

6.5. In the event that, when preparing the liquidity matrix disclosed in Note 25 to the consolidated accounts, the paragraphs mentioned above have not been completely taken into account, you should supplement said analysis to bring in into line with IFRS 7, including the time frame referred to as "demand" at the beginning of the maturity analysis.

Response:

Note 25 to the consolidated annual accounts, on liquidity risk, presents a maturity matrix according to the contractual date of maturity of the balances recorded in the balance sheet. These balances are presented at consolidated level, including all entities of the Unicaja Banco Group.

With respect to compliance with the information requirements of IFRS 7 "Financial instruments: Disclosures", below is an adjusted maturity matrix as at 31 December 2016, which includes the remaining actual contractual flows of the Group's assets and liabilities, taking into account the indications of paragraph B11C of IFRS 7 and separating the time frame for demand balances in the first position of the maturity analysis:

	Demand	Up to one year	More than one month and up to three months	More than three months and up to one year	More than one year and up to five years	More than five years	Total balance
TOTAL INFLOWS	787 731	1 873 269	1 291 322	3 599 641	11 592 460	26 608 651	45 753 074
Loans and advances to credit institutions	192 287	14 552	5 437	52 807	152	2 537	267 772
Loans to other financial institutions	-	1 321	3 379	14 111	68 836	33 284	120 931
Temporary acquisitions of securities and security loans (taker)	-	1 321 792	754 476	-	-	-	2 076 268
Loans	595 444	485 604	459 330	2 708 153	7 553 324	14 843 932	26 645 787
Liquidation of securities portfolio	-	50 000	68 700	824 570	3 970 148	11 728 898	16 642 316
TOTAL OUTFLOWS	(24 520 281)	(7 397 856)	(3 356 817)	(7 634 912)	(5 321 204)	(3 659 279)	(51 890 349)
Wholesale issues	-	-	(200 000)	(1 170 000)	(2 572 024)	(3 429 903)	(7 371 927)
Deposits from credit institutions	(154 129)	-	-	-	-	-	(154 129)
Deposits from other international financial institutions and bodies	(780 747)	(262 704)	(474 802)	(1 023 788)	(82 901)	(200 000)	(2 824 942)
Deposits from large non-financial companies	(388 631)	(15 189)	(92 673)	(183 085)	(2 301)	-	(681 879)
Financing other customers	(23 196 774)	(947 791)	(1 461 702)	(4 765 813)	(2 414 038)	(1 438)	(32 787 556)
Funds for intermediary lending	-	(3 594)	(3 140)	(24 951)	(49 357)	(27 938)	(108 980)
Financing with securities collateral	-	(6 034 733)	(892 969)	(52 861)	(200 583)	-	(7 181 146)
Currency swaps (net)	-	-	-	-	-	-	-
Derivatives (net)	-	(548)	(14 749)	(81 353)	-	-	(96 650)
Other outflows (net)	-	(133 297)	(216 782)	(333 061)	-	-	(683 140)
LIQUIDITY GAP	(23 732 550)	(5 524 587)	(2 065 495)	(4 035 271)	6 271 256	22 949 372	(6 137 275)

The criteria on which these maturity statements are based are as follows:

- The data presented are static, without any scenarios of business growth, early repayments or renewal of operations being estimated, and only include contractual flows of operations currently contracted and accounted for in the consolidated balance sheet.
- The data presented correspond to actual remaining contractual flows, that is, they systematically reflect the cash flows on the operation.

- For derivative financial instruments (the majority of which are subject to margin requirements), the Group reports the net settlement of the contracts envisaged for a period of one year.
- The cash outflows indicated in the maturity table are those established under contract.
- In the framework of its liquidity management, the Unicaja Banco Group includes some cases of drawdowns of available balances by third parties but, on the basis of historical experience, this does not significantly affect the Group's structural maturity profile.
- Finally, the maturity table does not include a forecast of future interest flows, since the presentation of these flows would imply assumptions and estimates concerning rate curves and the structure of liabilities. However, the Group does not consider this information to be essential for the analysis of its liquidity risk, since interest is not significant with respect to the balance sheet total.

The main differences with respect to the maturity matrix included in the consolidated annual accounts for 2016 are that the information was presented in the accounts based on the carrying amount of the assets and liabilities, while the matrix presented above uses the actual remaining contractual flows, and that the annual accounts include assets and liabilities without a fixed maturity, grouped with demand balances, whereas in the matrix presented above, the demand balances are shown separately as the first maturity tranche.

In its forthcoming financial reporting, the Unicaja Banco Group will take these requirements into account when preparing the maturity matrix.

7. Deferred tax assets

Information requested:

7.1. Provide additional information on the main assumptions of the business plan that the Bank has utilised to conclude on the recoverability of these tax credits, expressly indicating the time frame in which they are expected to be recovered.

When answering this question, you must indicate the possible impact of the entry into force of Royal Decree-Law 3/2016, which has affected the offsettable percentage of tax loss carryforwards in relation to recognised tax assets.

7.2. Indicate whether you have identified any case, for an amount that individually or jointly is material, where you have had to apply significant judgment in order to assess whether the entire amount should be provided for at the outset; explain, in that case, the conclusion reached and the arguments that justify such a conclusion and, if affirmative, the balance sheet item where it is recorded.

Response:

As mentioned in Note 24.4 to the consolidated annual accounts, the directors of Unicaja Banco consider that the deferred tax assets recorded will be realised in the coming years as the tax group to which it belongs obtains taxable profits, as is assumed will occur in the coming years. Most of the tax credits for loss carryforwards pending offset by the Group are due to extraordinary and non-recurring prior year losses that were mainly due to the write-down of loans and real estate assets. In accordance with the Unicaja Banco Group's Business Plan, which has been approved by the parent entity Board, and according to the projections of taxable profits derived from the business plan and the provision for the absorption of deferred tax assets adjusted to the latest changes in tax legislation, the Bank and its tax group will make profits for tax purposes in the coming years that will allow them to be recovered in reasonably short period without any risk of the expiration of the right to take advantage of deferred tax assets due to loss carryforwards since the maximum term for offsetting those losses has been eliminated. The most relevant factors that have been used to define the Business Plan and to conclude on the recoverability of deferred tax assets are as follows:

a) The main macroeconomic assumptions in the Group's Business Plan for 2017-2020, approved by the Board of Directors on 24 February 2017, are as follows:

- Tables of macroeconomic variables:

	2016	2017	2018	2019
Actual Gross Domestic Product ARC (%)	3,2	2,5	2,1	2,0
Average annual unemployment rate (%)	19,6	17,7	16,3	15,0
Consumer Price Index ARC (%)	-0,3	1,6	1,5	1,7
Housing prices ARC (%)	2,5	3,5	3,5	3,5

The sources used to determine these variables are reports on macroeconomic forecasts prepared by organisations or entities of recognized prestige in the sector, such as the Bank of Spain or BBVA Research. "ARC" refers to annual rate of change.

- Forecast of an market interest rate scenario in the Business Plan between 0.02% for 2017 and 0.62% para 2020.

- Against this backdrop, it has been estimated that the Group's results will reflect a clear improvement in its business and an increase in its profitability. The other assumptions used, relating to margin trends and risk costs, are consistent with the macroeconomic assumptions described, with the Unicaja Banco Group Risk Appetite Framework and with the other documents on which the Group's strategy is based.

b) Other assumptions considered in the Business Plan are the following:

- Stock-market flotation of Unicaja Banco in the first half of 2017.

- For the years following the Business Plan 2017-2020, a variation in the Group's taxable profits has been estimated based on the average variation in pre-tax profits envisaged in the Plan.

- Incorporation of EspañaDuero into the Unicaja tax group with effect from FY 2017.

- Corporate income tax rate remaining at 30% and various scenarios involving limits on the inclusion of tax losses and adjustments to the tax base pending reversal or implementation in the medium term.

The entry into force of Royal Decree-Law 3/2016 of 2nd December has pushed back the expected time frame for the recovery of the Group's deferred tax assets, since it introduced new limits on the reversal of certain adjustments to the tax base and the inclusion of tax losses (25% of the preliminary tax base) into the Corporate Income Tax Law. As mentioned in Note 24.4, the Bank's Group has estimated the amount of deferred tax assets capable of being converted into a debt-claim against the Tax Administration and which, therefore, are guaranteed by the tax authorities, the resulting figure being €1,473 million. In this regard, it should be noted that the Group expects to recover non-monetisable deferred tax assets amounting to €836 million over a period not exceeding 10 years, while the period for recovering all deferred tax assets would not exceed 13 years.

The Group has not identified any case in which it has had to exercise expert judgement in order to assess whether it was necessary to provide for all the future tax payable derived from the reversal of the deductible impairment losses before 1 January 2013, of equity interests affected by said Royal Decree-Law 3/2016.

8. Available-for-sale financial assets

Information requested:

8.1. Disclose the circumstances or transactions that have led to the increase between the two years and, in particular, if it is due to the acquisition of additional shares or to the fact that in 2016 the fair value of certain investments has ceased to be available. In addition, you should specify the reasons why, in those investments, the Bank is not able to measure fair value reliably and, in particular, why you consider that the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably evaluated.

Response:

Note 26.3 to the consolidated annual accounts indicates that as at 31 December 2016 and 2015 the Unicaja Banco Group recorded at cost equity instruments available for sale amounting to €226,139 thousand and €151,087 thousand, respectively, on the grounds that their fair value cannot be determined reliably. The reason is that they are equity instruments that do not have a quoted price in active markets and no reliable measurement of their fair value is available since no accepted valuation method can be applied in a sufficiently objective manner, such as the discounted cash flow method or the use of a multiple of comparable companies.

The variation in the amount of these capital instruments is not due to transactions carried out during 2016, but is explained by the reassessment conducted regularly by the Group in relation to the availability of reliable information for the valuation of the available-for-sale financial assets portfolio.

In any event, the Group applies certain tests to determine the possible impairment of these equity instruments in accordance with the rules described in IAS 36 “Impairment of assets” based on the information available when the consolidated financial information is prepared.

9. Non-current assets held for sale

Information requested:

9.1. Justify the reasons why the Bank considers that it meets the requirements to classify such investments as held for sale, even though they have not been disposed of since 2014.

9.2. Specify the nature of income from equity instruments classified as discontinued operations referred to in Note 2.21 of the consolidated notes. In the event that they correspond to the results derived from the application of the equity method to the above-mentioned investments, provide support that this accounting treatment is in line with IAS 28 and IFRS 5.

9.3. Provide the information required by paragraphs 20 and 21 of IFRS 12: *Disclosure of interests in other entities*, relating to the nature, extent and financial effect of the interests held by an entity in joint ventures and associates, including investments classified as held for sale.

Response:

As mentioned in Note 16 to the consolidated annual accounts, at 31 December 2016 and 2015 the Unicaja Banco Group holds equity investments classified as held for sale in the amount of €234,174 thousand and €227,453 thousand, respectively. Said investments relate to the holdings in the capital of Caja España Vida, Compañía de Seguros y Reaseguros, S.A., Duero Pensiones, E.G.F.P., and Unión del Duero, Compañía de Seguros de Vida, S.A.

The Group considers that these investments meet the requirements for classification as non-current assets and disposal groups of items that are classified as held for sale, on the grounds that, due to the restructuring of the banc-assurance agreements described in Note 12.2 to the consolidated annual accounts, their carrying amount will be recovered mainly through a sale transaction, rather than from their continued use. These investments have remained on the balance sheet since their incorporation into the Unicaja Banco Group in 2014 to the close of 2016 due to the lengthening of the negotiation process concerning the banc-assurance agreements on personal insurance and pension plans, which culminated on 10 May 2017, as indicated in the Relevant Event published by the National Securities Market Commission on that same date, in the conclusion with Aviva Europe SE of the agreements for the termination of the strategic alliances with Unicaja Banco and EspañaDuero in relation to the development, joint marketing and distribution under a banc-assurance arrangement in Spain of personal insurance and pension plans, and simultaneous arrangement of agreements with Santa Lucia, S.A. to carry on said activities. As mentioned in the Relevant Event, the Alliance with Santa Lucia is subject to the completion of the acquisition by Santa Lucia of 50% of the share capital of Unicorp Vida and Unión Duero Vida agreed with Aviva, once the necessary authorisations have been obtained from the regulator and competition authorities.

Once the agreements have been completed following the relevant authorisations, the Unicaja Banco Group will maintain its interest in the above companies and will therefore reclassify the aforementioned assets to the "Equity investments" heading in the consolidated balance sheet, using, as indicated in IAS 28 "Investments in associates and joint ventures", the equity method with retroactive effect from the date of classification as held for sale.

Concerning gains or losses from discontinued operations, the Unicaja Banco Group recorded gains under this heading in 2016 and 2015 amounting to €10,205 thousand and €24,010 thousand, respectively. These gains relate to the dividends received from the above-mentioned companies, classified as non-current assets and disposal groups of items that are classified as held for sale, as detailed in Note 2.21 to the Group's consolidated annual accounts. The Group's directors consider that the holdings in these companies are a discontinued operation, in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" as it involves activities and cash flows that can be clearly distinguished from the remainder of the Bank, from an operational viewpoint and for financial reporting purposes, and which has sufficient relative importance in the context of the Unicaja Banco Group.

The information required by paragraphs 20 and 21 of IFRS 12, "Disclosure of interests in other entities" is included in Appendix III of the consolidated annual accounts, which gives the names of the companies, their activities, registered office and the proportion of voting rights held in them. Likewise, in compliance with paragraph 12 of IFRS 12, information is provided on the companies' total assets at the year end, equity, profit for the year, liabilities and operating profits.

Finally, concerning the information required by paragraph B10 of IFRS 12 for these investee companies, details are set out in the following table:

	Thousand euro			
2016 year end	**Current assets**	**Non-current assets**	**Current liabilities**	**Non-current liabilities**
Caja España Vida, Compañía de Seguros y Reaseguros, S.A	122 737	1 208 110	151 761	1 029 090
Unión del Duero, Compañía de Seguros de Vida, S.A	47 851	710 632	49 803	628 649
Duero Pensiones, E.G.F.P.	2 594	6 504	784	216

10. Investment property and non-current assets held for sale

Information requested:

10.1. Provide details of the specific characteristics of the Group's investment property portfolio that enable it to refute the presumption contained in IAS 40, particularly in view of the fact that this heading includes land, buildings and other constructions that are held in order to be leased out.

Failing this, provide the breakdowns required in paragraph 75 e) of IAS 40 and paragraphs 93. b), d) and i) of IFRS 13: *Fair value measurement*

10.2. Provide the information required by paragraphs 98.b), 93.d) and 93.i) of IFRS 13.

To answer this question, it should be noted that paragraph 93.d) of IFRS 13, for fair value measurements classified at level 3 of the fair value hierarchy, should provide quantitative information on the significant observable variables used in the measurement of fair value. While an entity is not required to create quantitative information to comply with this breakdown, if the entity does not develop quantitative unobservable variables when measuring fair value (e.g. third-party pricing information, without adjusting them), said paragraph clarifies that when an entity provides this information, it cannot ignore the quantitative unobservable variables that are significant to the fair value measurement and that are reasonably available to the entity.

In this respect, valuations are made at the Bank's request, in accordance with the conditions that Unicaja Banco wishes to include in the contracts. For this reason, it could easily establish contractual conditions that oblige the appraisers to provide such information, so that the Bank's management can exercise their responsibilities with respect to the annual accounts before they are formally drawn up.

Response:

For the valuation of the investment property portfolio of the Unicaja Banco Group the accounting criteria set out in IAS 40 “Investment property” are followed, specifically paragraph 53 which provides that entities shall measure the assets in the investment property portfolio using the cost model envisaged in IAS 16 “Property, plant and equipment” until they are sold or otherwise disposed of, when certain conditions are met, including the condition that a building becomes an investment property following a change in use. In this respect, the investment properties held by the Group are either real estate for own use or real estate acquired in settlement of debts, and mainly comprise finished residential property and business premises.

In addition, as regards compliance with IAS 36 "Impairment of assets", the Unicaja Banco Group carries out matching exercises between the carrying amount and fair value of investment properties based on the discounting of cash flows expected for these assets, with any significant differences having been noted between these two values. The methodology used for these calculations is described in Note 2.14.4 of the consolidated annual accounts.

Based on these matching exercises, it has been determined that the fair value of the investment property owned by the Unicaja Banco Group as at 31 December 2016 amounts to €455 million. The carrying amount of investment property stands at €427 million.

Concerning the valuation of "Non-current assets and disposal groups of items classified as held for sale", the Unicaja Banco Group sets the fair value hierarchy levels indicated in paragraph 93 of IFRS 13 "Fair value measurement". In this way, the residential assets and finished properties which make up the majority of non-current assets held for sale have been classified as level 2 in the fair value hierarchy established by IFRS 13, characterised by the use of variables observable in market data such as the price per square metre of comparable assets, while properties under construction and land have been classed as level 3, due to the use of non-observable variables. Non-current assets held for sale are analysed by type in Note 16 to the consolidated annual accounts and level 3 properties would comprise 7.5% of the total.

In this respect, the Unicaja Banco Group has a corporate policy that guarantees the professional competence, independence and objectivity of the external valuation companies, as stipulated in the relevant regulations which require that the valuation companies comply with the requirements of neutrality and credibility so that the use of their estimates does not undermine the reliability of their valuations. This policy establishes that all valuation companies with which the Unicaja Banco Group works in Spain must be registered with the Bank of Spain and their valuations must be carried out following the methodology established in Order ECO/ 805/2003 of 27 March 2003. The main companies with which the Unicaja Banco Group has worked during 2016 are detailed in Note 16 to the consolidated annual accounts, all of which comply with the requirements described above.

In relation to properties under construction and land, which are classified at level 3 of the fair value hierarchy, the valuation criteria used by the valuation companies are those provided for in Order ECO/ 805/2003, using, on the basis of the assets' situation, the methods indicated in Article 15 of the Order. To determine the appraisal value the necessary checks are made to ascertain the assets' characteristics and actual situation, which, according to Article 7 of the Order, shall include: (I) physical identification of the property, through its location and visual inspection, checking the facade and other observable characteristics, the existence of visible easements and its apparent state of construction or conservation, (ii) the occupation of the property and its use or exploitation, (Iii) the public and architectural protection regime, and (iv) the property's compliance with current urban planning, and, if applicable, the existence of urban development rights. In the specific case of property under construction, it should be noted that the valuation is carried out considering the current situation of the property and not considering its final value.

With regard to the annual accounts in future years, the Group will collect information from the valuation companies to include more detailed data on non-observable variables used in the valuation of the assets in question, which classified at level 3 in the fair value hierarchy.

11. Financial instruments

Information requested:

11.1. A description and detailed explanation of how the basic items of IFRS 9 are to be implemented, such as the approach to be taken when classifying financial assets and in the business model test, the judgments and model techniques to be used to estimate expected loan losses and incorporate forward looking information, criteria to determine the operations in which there has been a significant rise in credit risk, etc., explaining, when relevant, the differences compared with the current models.

11.2. If the information is available, an explanation of the use of transition relief and the exceptions to its retroactive application as provided in paragraphs 7.1.4 to 7.2.16 and 7.2.28 of IFRS 9.

11.3. Additional qualitative information to help understand the size of the expected impact on the financial position of the financial statements and, when relevant, on management of capital requirements. In the event that, at the time of the response to this request, the Bank already knows or can reliably estimate the possible quantitative impact of the application of IFRS 9 on its financial position, said information should be provided.

Finally, you are reminded that on 10 November the ESMA issued a statement on the application of IFRS 9 in order to promote the consistent application of European securities and market legislation and more specifically, of IFRS. In this respect, although IAS 34 does not require specific disclosures related to updates of the information provided in the latest annual financial statements in relation to a new IFRS issued but not yet in force, ESMA considers that an issuer could provide quantitative information on the impact of the transition to IFRS 9 in the interim financial information for the first half of 2017, in the event that this information is not provided in its latest annual accounts.

In addition, in the notification of the common supervision priorities on a European level issued by ESMA on 28 October 2016, it was indicated that ESMA considers that, for must issuers, the impacts (or size of the impacts) of the initial application of IFRS 9 will be known or may be reasonably estimated at the time of preparation of their interim financial statements for 2017.

Response:

We included a note in the 2016 Annual Accounts regarding the main changes deriving from the entry into effect of IFRS 9, "Financial instruments", along with a summary of the main workstreams, implementation timeline and governance milestones, as indicated by ESMA in its Public Statement. We also disclosed that we have set milestones through to December 31, 2017 and have contemplated intermediate steps in adapting our financial disclosure to the new standard, including a plan to present the estimated quantitative impacts of implementation of IFRS 9 as soon as we have enough information to do so.

Specifically, we have established implementation and end-of-period milestones in the following areas:

- Business Model and SPPI tests: we are finalising the process of testing our portfolios and mapping the business models for our loan and fixed-income portfolios. In this regard, we are developing a methodology for complying with the "solely payments of principal and interest" ("**SPPI**") test requirements and embedding it into our IT systems and for combining the results of the business model and SPPI tests. For our equities portfolio, we are conducting an analysis to underpin our irrevocable classification election. This work is underway and is expected to be completed within the stipulated deadlines.

- Credit risk classification: we are in the process of adapting our classification algorithms and individual and collective impairment assessment criteria to the new standard, work which mainly pivots around the new so-called "Stage 2" impairment level (significant increase in credit risk).

- Calculating expected loss: we have completed the process of compiling the historical information needed to model losses using the expected loss approach and this effort has been subject to reviews. As at the date of this Prospectus, we are at the stage of modelling the various parameters under IFRS 9. In parallel we are developing the required scenarios and forward-looking information.

- Hedge accounting: we have analysed the impacts adoption of IFRS 9 will have on our micro-hedges. We expect our governance bodies to decide whether to adopt IFRS 9 in this respect or stick to IAS 39 until the approval of the new the macro-hedges standard.

All work-streams are progressing in accordance with the envisaged timeline. The project's timeline and status have been reported on to the joint supervisory team formed by the ECB and the Bank of Spain.

The most significant aspects of the various work-streams are outlined below:

- *Business Model and SPPI tests*

  Having analysed the various business models, we believe that with respect to the debt securities portfolio, the current accounting classification reflects the investment objectives laid down in the IFRS 9 business model definitions. Specifically, the fixed-income portfolio classified as held-to-maturity and loans and receivables correspond to the business model of holding the assets only to collect cash flows; asset rotation is currently low. Similarly, the available-for-sale portfolio corresponds to the mixed business model of holding the asset to collect cash flows and to sell. Lastly, the held-for-trading portfolio corresponds to the trading business model.

  Accordingly, the current portfolios are deemed to represent the IFRS 9 business models fairly closely. Thus, for the most part, the loans and receivables and held-to-maturity portfolios will be accounted for at amortised cost; the available-for-sale portfolio will be accounted for at fair value through OCI (FVOCI); and the held-for-trading portfolio will be accounted for at fair value through profit or loss (FVPL).

  This relationship will only vary for securities that do not pass the SPPI test, which are deemed immaterial in respect of our overall fixed-income portfolio.

  As for our loans and receivables, we are considering the definition of a single business model, holding the assets until maturity solely to collect cash flows. Given the contractual terms of the loans granted by the Group and the results of the analysis performed, portfolio reclassifications are not anticipated due to a failure to pass the SPPI test. Our contracts do not involve characteristics or specifics with a significant impact on their cash flows. Application of the "de minimis" or "not genuine" cash flow filters would still result in compliance with the SPPI test with only limited exceptions.

- *Credit risk classification and impairment*

  While adapting our internal methodologies to enable the estimation of collective impairment provisions, we have developed automatic classification criteria that form part of the classification algorithm and enable us to identify situations of objective non-performance, bankruptcy proceedings, refinancing activity and knock-on effects.

  In addition, we have established individual and collective assessment triggers that enable the early identification of weaknesses and objective indications of impairment.

This progress on triggers, which we have applied on a widespread basis, has enabled early identification of the majority of the universe of assets that may qualify as Stage 2-impaired, even though this classification is based on a significant increase in credit risk rather than on weaknesses. Considering our relatively conservative loan concession policies, the creditors presenting weaknesses were financed for the most part at a time when their financial health was good, so that the change in classification criteria to factor in Stage 2 impairment is not expected to have a substantial impact on the balance classified as "normal risk under monitoring". In addition, at present, using the collective impairment assessment indicators developed by us while developing our internal provision estimation methodology, the majority of transactions in arrears by more than 30 days have already been classified as "normal risk under monitoring", such that if it were not possible to rebut the "30-day past due" presumption, the impact is not expected to be significant. Elsewhere, we are working to modify our collective impairment classification indicators to factor in significant increases in credit risk as a result of a deterioration in the life-time probability of default on the basis of the transactions' initially estimated probability of default and, on first application, considering an absolute probability of default threshold. This trigger fits perfectly with the IFRS 9 approach, even though the large majority of the population identified as Stage 2-impaired has already been classified at the interim level as a result of the strict and conservative criteria resulting from the collective classification indicators.

IFRS 9 entails a complex provisioning estimation, the very nature of which prevents an estimate of its impacts using simplistic calculations. In this respect, it is worth highlighting the fact that we have planned our implementation milestones and timing to guarantee the robust development of our internal methodologies which we will then be able to use to estimate the impacts of IFRS 9 implementation. It is expected that the impacts in terms of magnitudes will be available in the course of 2017 and will be disclosed, following the ESMA's indications, in our interim financial statements for the six-month period ending June 30, 2017, using the information available as at the date of approval of those financial statements.

So far, we have performed benchmarking exercises following best sector practices, without exhaustively factoring in internal information. To do so, we relied on the results of the EBA's Quantitative Impact Study of November 10, 2016 on the impact of IFRS 9, compiled with the participation of 58 European institutions. The impact implied by this Quantitative Impact Study is considered conservative given that the prior adaptation of internal provisioning estimation methodologies and the current loan-loss provisioning regime in Spain had the effect of largely reflecting the impact of IFRS 9 in the entities' 2016 financial statements. It is also worth noting that our business model and portfolio segmentation are significantly different from the risk structure, segmentation and business model of the entities that participated in the EBA's Quantitative Impact Study.

As far as Stage 1 (performing or "normal") exposures are concerned, no major changes are anticipated. This is also the case for Stage 3 (impaired or "doubtful") exposures, as these have already been assigned a probability of default of 100%. With regard to Stage 2 exposures, although the required developments remain in progress, and the process of identifying the affected perimeter is not complete, we have undertaken preliminary verifications based on the average contractual terms for transitioning from 12-month to lifetime expected credit losses (i.e., from "normal risk under monitoring" to Stage 2), using sensitivity analyses and without layering in internal parameters. This exercise suggests that the probability of default will increase by around 200% from current levels of "normal risk under monitoring".

Based on these provisional exercises and as at the date of this Prospectus, we estimate that implementation of IFRS 9 will not have a significant impact on us (potentially between 5 bps and 10 bps of CET1), as a result of the strict and prudent loan classification and provisioning criteria already applied by the Group.

12. Alternative Performance Measures (APM)

Information requested:

12.1. Provide information on the Alternative Performance Measures (MAR) not identified as such.

If you consider that the guidelines are not applicable to some of the measures mentioned above because they have been disclosed in accordance with applicable legislation, which lays down specific requirements regulating the determination of said measures, you must explain which measures are affected by this exception and the regulations governing it.

12.2. Provide complete information regarding the figures for the year and comparative data, in addition to all the information indicated in the previous section referring to Alternative Performance Measures (APM) not identified as such.

Response:

In compliance with the guidelines of the European Securities and Markets Authority (ESMA), the Unicaja Banco Group has included as an Appendix to the Consolidated Directors' Report for 2016 a breakdown of the Alternative Performance Measures (APM) considered relevant for the purposes of the understanding of users of published financial information.

Such alternative performance measures include: (i) cost of risk, (ii) customer margin, (ii) repossessed asset coverage, (iv) balance sheet differential, (v) problematic asset coverage, (vi) loan-loss coverage, (vii) loan-loss ratio, (viii) return on assets - ROA, (ix) return on equity - ROE, (x) return on risk-weighted assets - RoRWA and (xi) return on tangible equity - RoTE.

The consolidated directors' report refers to other performance measures that have not been defined as Alternative Performance Measures (MAR) and therefore have not been included in the appendix to the directors' report, since these figures have a smaller impact on the Group's business performance, or may be more easily understood by the users of financial information. In future financial reporting, the Group will ensure that these measures are adequately defined in the directors' report and are adequately reconciled with an indication of the criteria applied for their calculation, and are presented with the corresponding comparative figures consistently over time, explaining any break in their use or change in the calculation base.

13. Financial asset transfers

Information requested:

13.1. Indicate whether, at the end of 2016, the Bank is exposed to risk derived from its relationship with non-consolidated structured entities and, if so, provide the information referred to in paragraphs 29-30 and 31 of IFRS 12.

If the Bank has sponsored a non-consolidated structured entity for which it does not provide the information required under paragraph 29 (for instance, due to the fact that, at the reporting date, it holds no interest in that entity), it must disclose the information by paragraph 27 of IFRS 12.

Response:

The accounting policies and standards of the Unicaja Banco Group for the preparation of the consolidated financial statements in relation to the transfer of financial assets are in accordance with the provisions of paragraphs 29, 30 and 31 of IFRS 12 "Disclosure of interests in other entities" and the other International Financial Reporting Standards adopted by the European Union (EU-IFRS).

As at 31 December 2016 and 2015 the Unicaja Banco Group has no outstanding securitization balances or any other kind of transfer of financial assets or interest in unconsolidated structured entities. The last securitization instrument held by the Unicaja Banco Group was cancelled on 22 April 2015, through the repurchase of all the assets of the "Serie AyT Colaterales Global Hipotecario Caja España I" from the asset securitization fund "AyT Colaterales Global Hipotecario F.T.A." The repurchase price of the assets amounted to €160,979 thousand, equivalent to the outstanding balance of said assets, including the amount pertaining non-performing assets, plus accrued unpaid interest.

14. Other operating income

Information requested:

14.1. Detail the amounts that make up the "Other items" heading for 2016 and 2015.

14.2. Provide additional information on the sale through Mijas Sol Resort of various plots of land and urban development rights and the assignment of the exclusive distribution rights of several lines of insurance. Regarding the transaction by Mijas Sol Resort, you should indicate, at least, the total amount of sales, whether there is any kind of suspensive or resolutory clause, the existence of any type of financing granted by the Unicaja Banco Group to the buyer and the value at which the inventories written off in this sale were recognised. In the case of the assignment of the exclusive distribution rights of several insurance lines, you should indicate the main conditions of the agreement, whether the amount received was subject to the fulfilment of objectives or any other type of milestone, the rights and obligations of Unicaja Banco in this agreement, and whether it has provided any kind of financing to the counterparty.

Response:

The Unicaja Banco Group has recorded “Other operating expenses” in the income statement for 2016 and 2015 amounting to €231,021 thousand and €129,600 thousand. Of this amount, according to Note 39.1 to the consolidated annual accounts, €181,492 thousand in 2016 and €86,304 thousand in 2015 form part of “Other items”, and break down as follows:

	Thousand euro	
	2016	**2015**
Depository agreement on pension plans and investment funds	-	36 000
Exclusive insurance distribution agreement	98 127	-
Sale of plots and urban development rights	46 793	-
Uniwindet sub-group energy billings	16 844	15 027
Other items	19 728	35 277
	181 492	**86 304**

The heading "Depositary agreement on pension plans and investment funds" includes non-recurring items obtained on the transfer of the pension plan and investment fund depository activity to Cecabank, which took place in 2015.

The heading “Exclusive insurance distribution agreement” includes the amount relating to the agreement with Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. (hereinafter, Caser) in relation to the exclusive distribution of certain general lines of insurance business by Caser. The Group undertakes not to enter into agency contracts for the mediation and distribution of such products with other insurance companies in the whole of Spain, and not to carry out any business (directly or indirectly) involving the distribution or marketing of the products of other insurance companies. The amount received under the agreement is not subject to the fulfilment of any objective or any other type of milestone, and therefore the receipt of said amount is not contingent and there is no possibility of retrocession with respect to it. The Unicaja Banco Group has not granted financing to the counterparty in relation to this operation, since it was settled in cash by Caser.

Finally, the revenues from the sales, through Mijas Sol Resort, S.L.U., of a number of plots and urban development rights associated with land under development, amount to €46,793 thousand. The company is 100% owned by the Unicaja Banco Group and the Group had recorded these assets at a value of zero. Therefore, the entire price has been recorded as “Other operating income” in the consolidated balance sheet. The sale and purchase agreements do not include any type of suspensive or resolutory clause, nor is there any kind of financing granted by the Unicaja Banco Group to the buyers, in compliance with the requirements for the derecognition of the assets established in EU-IFRS.

15. <u>Transfer of line of business</u>

Information requested:

15.1. Breakdown of the impact of this transaction on the individual financial statements of Unicaja Banco and, specifically, on the financial balance sheet and on the income statement for 2016. In addition, provide details of the consideration for the transfer of this line of business and whether it had any impact on non-controlling interests.

Response:

Note 1.13 to the consolidated annual accounts of the Unicaja Banco Group for 2016 refers to the transfer of the line of business between Unicaja Banco and EspañaDuero made on 21 June 2016 involving 30 operational offices and bank branches located outside the home territory of EspañaDuero, which involved the transfer of total net assets of €532,953 thousand.

The price of the transfer was set at €522,294 thousand based on the valuation reports of independent experts and the difference between the carrying value of the assets transferred and the selling price was recorded as a loss in the annual accounts of EspañaDuero, while in the individual financial statements of Unicaja Banco it was treated as a discount on the purchase that will be recognised in income as the assets are depreciated.

Below is a breakdown of the assets acquired by Unicaja Banco according to the balance sheet heading in which they were recorded:

	Thousand euro
Cash and deposits with central banks	351
Loans and advances to customers	707 214
Total assets	**707 565**
Customer deposits	(174 612)
Total liabilities	**(174 612)**
Net value transferred	**532 953**

The transaction does not have a significant effect on non-controlling interests, considering what has been described in the above paragraphs, and taking into account that the transfer was carried out at fair value.

16. Results attributed to Inversiones Alaris, S.L.

Information requested:

16.1. Provide additional information on the transactions carried out in 2016 by this company, which led to the recognition of a profit of €12,710 thousand attributable to this investment.

Response:

In 2016, Unicaja Banco Group recorded profits from equity-method companies amounting to €35,180 thousand. This balance includes the profit attributed to “Inversiones Alaris, S.L.”, of €12,710 thousand.

This company is a holding company and the profit recorded by the Group in 2016 corresponds to the sale by Inversiones Alaris, S.L. of its shareholding in a company in the geriatric assistance business, "Amma Gerogestión, S.L. ", which generated a profit. The profit was recognised by the investee in 2015 while it was recognised by the Unicaja Banco Group in the income statement for 2016 for reasons of accounting consistency.

17. Financial derivatives held for trading

Information requested:

17.1. You should provide additional information so that the real risk assumed by the Group in these investments may be analysed and, in particular, to disclose the main characteristics of these derivatives, including their maturity, type of derivatives contracted, underlying assets, etc.

Response:

At 31 December 2016, the Group recorded financial derivatives held for trading in the amount of €24,950 thousand under assets and €25,969 thousand under liabilities. The creditor balances of these investments include €13,122 thousand relating to the fair value of the options issued on securities, with a notional value of €2,884,665 thousand. Almost all of these derivatives pertain to the guarantees offered by the Unicaja Banco Group to investors in guaranteed investment funds, which were so recognised by the Group on the grounds that there is a future obligation related to an underlying financial instrument. The underlying assets of these derivatives are associated with the cash value of the investment funds, and the maturities are the same as the date of finalisation of the guarantees, which in all cases is between 2017 and 2024.

The fair value of these derivatives is the difference between the guaranteed value and the current cash value of the investment funds, while the notional value is based on the funds’ capital.

18. <u>Other relevant information</u>

Information requested:

18.1. Finally, in relation to the preparation of annual accounts in future years, you are reminded that you should take into account the recommendations of FSB – *Enhanced Disclosure Task Force*, incorporating the information which, if you deem it relevant to the Bank, has not been included previously reported financial information.

Response:

We confirm that the Bank is aware of the recommendations of the Financial Stability Board (FSB) included in the “Enhanced Disclosure Task Force” document, and they will be taken into account when preparing the annual accounts in future years. All information deemed relevant to the Unicaja Banco Group will be disclosed, even if it is not directly required by the applicable financial reporting framework (in this case, EU-IFRS).

UNICAJA BANCO, S.A.
AND ITS SUBSIDIARIES
(UNICAJA BANCO GROUP)

Auditor's report, consolidated annual accounts
and consolidated directors' report at 31 December 2015

A free translation of the report on the consolidated annual accounts originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain. In the event of a discrepancy, the Spanish language version prevails

AUDITOR'S REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

To the Sole Shareholder of Unicaja Banco, S.A.,

Report on the Consolidated Annual Accounts

We have audited the accompanying consolidated annual accounts of Unicaja Banco, S.A. (the Parent Company) and its subsidiaries (the Group), consisting of the consolidated balance sheet at 31 December 2015, the consolidated income statement, the consolidated statement of recognised income and expenses, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes to the consolidated annual accounts for the year then ended.

Directors' Responsibility for the Consolidated Annual Accounts

The parent company's directors are responsible for the preparation of these consolidated annual accounts, so that they present fairly the consolidated equity, financial position and financial performance of Unicaja Banco, S.A. and its subsidiaries, in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable to the Group in Spain and for such internal control as directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated annual accounts based on our audit. We conducted our audit in accordance with legislation governing the audit practice in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the parent company´s directors´ preparation of the consolidated annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated annual accounts taken as a whole.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 913 083 566, www.pwc.es

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
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Opinion

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the consolidated equity and financial position of Unicaja Banco, S.A. and its subsidiaries as at December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2015 contains the explanations which the Parent Company's Directors consider appropriate regarding the situation of the Group, the development of its business and other matters, and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the consolidated directors' report is in agreement with that of the consolidated annual accounts for 2015. Our work as auditors is limited to checking the consolidated directors' report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from the accounting records of the Group.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Alejandro Esnal Elorrieta

18 March 2016

UNICAJA BANCO, S.A.
AND ITS SUBSIDIARIES
(UNICAJA BANCO GROUP)

Consolidated Annual Accounts at 31 December 2015 and Consolidated Director’s Report 2015

UNICAJA BANCO, S.A.
AND ITS SUBSIDIARIES (UNICAJA BANCO GROUP)

BALANCE SHEET AS AT 31 DE DECEMBER 2015 AND 2014
(Thousands of euros)

ASSETS	Note	2015	2014
CASH AND BALANCES AT CENTRAL BANKS	7	1 578 317	611 917
FINANCIAL ASSETS HELD FOR TRADING	8	94 012	228 871
Loans and advances to credit institutions		-	-
Loans and advances to other debtors		-	-
Debt securities		38 096	176 425
Equity instruments		-	-
Trading derivatives		55 916	52 446
Memorandum item: Loaned or advanced as collateral		*20 371*	-
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-
Memorandum item: Loaned or advanced as collateral		-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS	9	9 810 055	12 503 087
Debt securities		8 811 917	11 575 532
Equity instruments		998 138	927 555
Memorandum item: Loaned or advanced as collateral		*2 772 069*	*2 339 387*
LOANS AND RECEIVABLES	10	34 712 511	37 670 583
Loans and advances to credit institutions		660 639	762 809
Loans and advances to other debtors		33 088 100	35 086 336
Debt securities		963 772	1 821 438
Memorandum item: Loaned or advanced as collateral		*4 260 114*	*3 077 733*
HELD-TO-MATURITY INVESTMENTS	9	7 239 598	9 639 624
Memorandum item: Loaned or advanced as collateral		*6 983 094*	*2 249 963*
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		-	-
HEDGING DERIVATIVES	11	738 060	921 921
NON-CURRENT ASSETS HELD FOR SALE	15	852 902	931 290
INVESTMENTS	12	359 131	424 115
Associates		233 985	305 265
Jointly-controlled entities		125 146	118 850
Group entities		-	-
INSURANCE CONTRACTS LINKED TO PENSIONS	19	142 311	147 763
REINSURANCE ASSETS		8 208	7 074
TANGIBLE ASSETS	13	1 490 899	1 385 970
Property, plant and equipment		1 057 160	1 031 047
For own use		1 057 160	1 031 047
Leased out under operating lease		-	-
Assigned to welfare projects		-	-
Investment properties		433 739	354 923
Memorandum item: Acquired under finance lease		*2 269*	*3 507*
INTANGIBLE ASSETS	14	1 194	1 771
Goodwill		184	184
Other intangible assets		1 010	1 587
TAX ASSETS	23	2 590 644	2 747 643
Current		63 554	89 386
Deferred		2 527 090	2 658 257
OTHER ASSETS	15	693 987	728 786
Inventory		542 054	593 892
Other		151 933	134 894
TOTAL ASSETS		**60 311 829**	**67 950 415**
MEMORANDUM ITEMS			
CONTINGENT EXPOSURES	30.1	1 096 422	1 357 712
CONTINGENT COMMITMENTS		3 231 695	3 401 911

LIABILITIES AND EQUITY	Note	2015	2014
LIABILITIES			
FINANCIAL LIABILITIES HELD FOR TRADING	8	125 280	64 582
Deposits from central banks		-	-
Deposits from credit institutions		-	-
Deposits from other creditors		-	-
Debt securities issued		-	-
Trading derivatives		125 280	64 582
Short positions		-	-
Other financial liabilities		-	-
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-
FINANCIAL LIABILITIES AT AMORTISED COST	16	55 577 323	63 007 812
Deposits from central banks		2 417 036	8 721 715
Deposits from credit institutions		1 340 275	1 397 150
Deposits from other creditors		49 528 592	49 171 162
Debt securities issued		681 271	1 877 739
Subordinated liabilities		621 607	647 832
Other financial liabilities		988 542	1 192 214
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		-	-
HEDGING DERIVATIVES	11	107 797	56 725
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		-	13 350
INSURANCE CONTRACTS LIABILITIES	19	31 040	29 528
PROVISIONS	17	747 964	724 487
Provisions for pensions and similar obligations		312 089	353 633
Provisions for taxes and other legal contingencies		-	-
Provisions for contingent liabilities and commitments		106 251	119 270
Other provisions		329 624	251 584
TAX LIABILITIES	23	295 404	533 864
Current		12 214	16 668
Deferred		283 190	517 196
WELFARE FUNDS		-	-
OTHER LIABILITIES	18	171 076	227 790
TOTAL LIABILITIES		**57 055 884**	**64 658 138**
EQUITY			
SHAREHOLDERS´ EQUITY	21 & 22	2 833 525	2 673 810
Assigned capital		881 288	881 288
Registered		881 288	881 288
Less: Non-demanded capital		-	-
Share premium		1 132 857	1 132 857
Reserves		534 067	86 462
Accumulated reserves (losses)		832 608	286 609
Reserves (losses) of entities accounted for using the equity method		(298 541)	(200 147)
Other equity instruments		98 652	98 682
Equity component of compound financial instruments		98 652	98 682
Non-voting equity units and associated funds (savings banks)		-	-
Other		-	-
Less: Treasury shares		-	-
Profit or loss attributed to the group		186 661	474 521
Less: Dividends and remuneration		-	-
VALUATION ADJUSTMENTS		142 313	292 105
Available-for-sale financial assets	9	115 436	289 450
Cash flow hedges		1 859	794
Hedges of net investments in operations abroad		-	-
Exchange differences		14	(52)
Entities accounted for using the equity method	22	26 579	6 173
Non-current assets held for sale		-	-
Other valuation adjustments		(1 575)	(4 260)
MINORITY INTERESTS		280 107	326 362
Valuation adjustments		7 794	5 074
Other	20	272 313	321 288
TOTAL EQUITY		**3 255 945**	**3 292 277**
TOTAL LIABILITIES AND EQUITY		**60 311 829**	**67 950 415**

The accompanying Notes 1 to 48 and Appendices I, II, III, IV and V form an integral part of the consolidated balance sheet at 31 December 2015.

UNICAJA BANCO, S.A.
AND ITS SUBSIDIARIES (UNICAJA BANCO GROUP)

CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014
(Thousands of euros)

		(Debit) Credit	
	Note	**2015**	**2014**
INTEREST AND SIMILAR INCOME	31	1 279 888	1 474 058
INTEREST EXPENSE AND SIMILAR CHARGES	32	(592 361)	(755 384)
NET INTEREST INCOME		**687 527**	**718 674**
RETURN ON EQUITY INSTRUMENTS	33	34 934	36 273
LOSS/PROFIT OF COMPANIES VALUED AT EQUITY METHOD	34	23 916	11 149
FEE AND COMMISSION INCOME	35	275 093	250 452
FEE AND COMMISSION EXPENSE	36	(36 343)	(23 217)
GAINS/(LOSSES) ON FINANCIAL ASSETS AND LIABILITIES (NET)	37	561 600	390 066
Financial assets held for trading		(34 247)	(8 941)
Other financial assets at fair value through profit or loss		-	-
Financial instruments not carried at fair value through profit or loss		268 656	295 883
Other		327 191	103 124
EXCHANGE DIFFERENCES (NET)	2.4	2 714	2 664
OTHER OPERATING INCOME	38	171 259	94 420
Insurance and reinsurance premiums collected		41 659	31 432
Sales and income from the provision of non-financial services		26 377	31 406
Other operating income		103 223	31 582
OTHER OPERATING EXPENSE	39	(145 769)	(134 201)
Expenses relating to insurance and reinsurance contracts		(29 206)	(21 246)
Variation in inventories		-	-
Other operating expenses		(116 563)	(112 955)
GROSS OPERATING INCOME		**1 574 931**	**1 346 280**
ADMINISTRATIVE EXPENSES	40	(633 931)	(584 219)
Staff costs		(445 410)	(414 972)
Other general administrative expenses		(188 521)	(169 247)
DEPRECIATION AND AMORTIZATION	13 y 14	(47 379)	(43 884)
PROVISIONS (NET)	17	(145 137)	(148 096)
IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)		(424 700)	(355 815)
Loans and receivables	10 y 26	(427 360)	(324 721)
Other financial instruments not measured at fair value through profit or loss	9	2 660	(31 094)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		**323 784**	**214 266**
IMPAIRMENT LOSSES ON OTHER ASSETS (NET)	41	(69 394)	(79 998)
Goodwill and other intangible assets			-
Other assets		(69 394)	(79 998)
GAINS/(LOSSES) ON DISPOSAL OF ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE	42	(3 024)	(1 398)
NEGATIVE GOODWILL ON BUSSINESS COMBINATIONS		-	372 462
GAINS/(LOSSES) ON DISPOSAL OF NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCOUNTED OPERATIONS	43	(34 340)	(30 908)
PROFIT/(LOSS) BEFORE TAX		**217 026**	**474 424**
INCOME TAX	23	(57 224)	(47 510)
MANDATORY TRANSFER TO COMMUNITY PROJECTS AND WELFARE FUNDS		-	-
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**159 802**	**426 914**
INCOME FROM DISCONTINUED OPERATIONS (NET)	2.23	24 010	20 600
NET PROFIT FOR THE YEAR		**183 812**	**447 514**
Profit/Loss attributable to parent entity		186 661	474 521
Profit/Loss attributable to minority interests	20	(2 849)	(27 007)

The accompanying Notes 1 to 48 and Appendices I, II, III, IV and V form an integral part of the consolidated income statement at 31 December 2015.

UNICAJA BANCO, S.A.
AND ITS SUBSIDIARIES (UNICAJA BANCO GROUP)

RECOGNISED CONSOLIDATED INCOME AND EXPENSES FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014
(Thousands of euros)

	Note	2015	2014
A) CONSOLIDATED PROFIT FOR THE YEAR		**183 812**	**447 514**
B) OTHER RECOGNISED INCOME AND EXPENSES		**(149 792)**	**280 371**
B.1) Items not to be reclassified to profit or loss		**2 685**	**(3 897)**
Actuarial gains/(losses) on defined-benefit pension plans	40	3 836	(5 567)
Non-current assets held for sale		-	-
Companies accounted for using the equity method		-	-
Income tax on items not to be reclassified to profit or loss	23	(1 151)	1 670
B.2) Items eligible to be reclassified to profit or loss		**(152 477)**	**284 268**
Available-for-sale financial assets	9	(248 591)	359 666
Valuation gains (losses)		(79 021)	647 148
Amounts transferred to the income statement		(169 570)	(287 482)
Other reclassifications		-	-
Cash flow hedges	11	1 521	35 851
Revaluation gains/(losses)		(3 818)	15 618
Amounts transferred to income statement		5 339	20 233
Amounts transferred to the initial value of hedged items		-	-
Other reclassifications		-	-
Hedges of net investments in operations abroad		-	-
Valuation gains (losses)		-	-
Amounts transferred to the income statement		-	-
Other reclassifications		-	-
Exchange differences	2.4	94	97
Valuation gains (losses)		94	97
Amounts transferred to the income statement		-	-
Other reclassifications		-	-
Non-current assets held for sale	15	-	320
Valuation gains (losses)		-	320
Amounts transferred to the income statement		-	-
Other reclassifications		-	-
Equity method entities	22	29 151	10 163
Valuation gains (losses)		29 151	12 956
Amounts transferred to the income statement		-	(2 793)
Other reclassifications		-	-
Other recognised income and expenses		-	-
Income tax	23	65 348	(121 829)
C) TOTAL INCOME AND EXPENSES RECOGNISED (A+B)		**34 020**	**727 885**
C.1) Attributed to the parent company		36 869	754 892
C.2) Attributed to minority interests		(2 849)	(27 007)

The accompanying Notes 1 to 48 and Appendices I, II, III, IV and V form an integral part of the recognised consolidated income and expense at 31 December 2015.

UNICAJA BANCO, S.A.
AND ITS SUBSIDIARIES (UNICAJA BANCO GROUP)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014
(Thousands of euros)

	EQUITY ATTRIBUTABLE TO PARENT COMPANY								Minority interests	Total Equity
	EQUITY						Valuation adjustments	Total		
	Capital and Share Premium	Reserves		Other equity instruments	Profit for the year attributed to parent company	Total Own Funds				
		Reserves (Accumulated losses)	Equity method entities Reserves							
Balance at 1/1/15	**2 014 145**	**286 609**	**(200 147)**	**98 682**	**474 521**	**2 673 810**	**292 105**	**2 965 915**	**326 362**	**3 292 277**
Adjustments due to changes in accounting policy (Note 1.5)	-	-	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-
Adjusted beginning balance	**2 014 145**	**286 609**	**(200 147)**	**98 682**	**474 521**	**2 673 810**	**292 105**	**2 965 915**	**326 362**	**3 292 277**
Total recognised income and expense	**-**	**-**	**-**	**-**	**186 661**	**186 661**	**(149 792)**	**36 869**	**(2 849)**	**34 020**
Other changes in equity	**-**	**545 999**	**(98 394)**	**(30)**	**(474 521)**	**(26 946)**	**-**	**(26 946)**	**(43 406)**	**(70 352)**
Capital increases	-	-	-	-	-	-	-	-	-	-
Capital reductions	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-
Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-
Distribution of dividends (c)	-	(42 124)	-	-	-	(42 124)	-	(42 124)	-	(42 124)
Transactions involving own equity instruments (net)	-	-	-	-	-	-	-	-	-	-
Transfers between equity items	-	616 351	(98 394)	(30)	(474 521)	43 406	-	43 406	(43 406)	-
Increase/(Decrease) due to business combinations	-	-	-	-	-	-	-	-	-	-
Optional transfer to welfare funds	-	-	-	-	-	-	-	-	-	-
Equity-instrument-based payment	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	(28 228)	-	-	-	(28 228)	-	(28 228)	-	(28 228)
Balance at 31/12/15	**2 014 145**	**832 608**	**(298 541)**	**98 652**	**186 661**	**2 833 525**	**142 313**	**2 975 838**	**280 107**	**3 255 945**

The accompanying Notes 1 to 48 and Appendices I, II, III, IV and V form an integral part of the statement of changes in consolidated equity at 31 December 2015.

UNICAJA BANCO, S.A.
AND ITS SUBSIDIARIES (UNICAJA BANCO GROUP)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY FOR THE YEARS ENDED
31 DECEMBER 2015 AND 2014
(Thousands of euros)

	EQUITY ATTRIBUTABLE TO PARENT COMPANY								Minority interests	Total Equity
	EQUITY						Valuation adjustments	Total		
	Capital and Share Premium	Reserves		Other equity instruments	Profit for the year attributed to parent company	Reserves				
		Reserves (Accumulated losses)	Equity method entities Reserves							
Balance at 1/1/14	**2 449 044**	**(326 354)**	**(127 159)**	-	**71 410**	**2 066 941**	**11 734**	**2 078 675**	**4 484**	**2 083 159**
Adjustments due to changes in accounting policy (Note 1.5)	-	(18 145)	-	-	(17 299)	(35 444)	-	(35 444)	-	(35 444)
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-
Adjusted beginning balance	**2 449 044**	**(344 499)**	**(127 159)**	**-**	**54 111**	**2 031 497**	**11 734**	**2 043 231**	**4 484**	**2 047 715**
Total recognised income and expense	**-**	**-**	**-**	**-**	**474 521**	**474 521**	**280 371**	**754 892**	**(27 007)**	**727 885**
Other changes in equity	**(434 899)**	**631 108**	**(72 988)**	**98 682**	**(54 111)**	**167 792**	**-**	**167 792**	**348 885**	**516 677**
Capital increases	96 592	-	-	-	-	96 592	-	96 592	-	96 592
Capital reductions	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-
Increases in other equity instruments	-	-	-	98 682	-	98 682	-	98 682	-	98 682
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-
Distribution of dividends (c)	-	(17 930)	-	-	-	(17 930)	-	(17 930)	-	(17 930)
Transactions involving own equity instruments (net)	-	-	-	-	-	-	-	-	-	-
Transfers between equity items	(531 491)	585 602	-	-	(54 111)	-	-	-	-	-
Increase/(Decrease) due to business combinations	-	-	-	-	-	-	-	-	348 885	348 885
Optional transfer to welfare funds	-	-	-	-	-	-	-	-	-	-
Equity-instrument-based payment	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	63 436	(72 988)	-	-	(9 552)	-	(9 552)	-	(9 552)
Balance at 31/12/14	**2 014 145**	**286 609**	**(200 147)**	**98 682**	**474 521**	**2 673 810**	**292 105**	**2 965 915**	**326 362**	**3 292 277**

(*) Balance at December 31, 2013, published previously.

(**) It is solely and exclusively presented for comparison purposes. Information has been restated because the Group proceeded to make a change to the accounting criterion with respect to contributions to the Deposit Guarantee Fund, as a result of the clarifications about the applicable regulation, issued during the last quarter of 2014 by Bank of Spain and Spanish National Securities Market Commission (CNMV), and the establishment by the Credit Institution Deposit Guarantee Fund Management Committee, dated 17 December 2014, of the final payments schedule relating to the second tranche of the contribution referred to article 2 of the Royal Decree-Law 6/2013, of 22 March 2013.

The accompanying Notes 1 to 48 and Appendices I, II, III, IV and V form an integral part of the statement of changes in consolidated equity at 31 December 2015.

UNICAJA BANCO, S.A.
AND ITS SUBSIDIARIES (UNICAJA BANCO GROUP)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED
31 DECEMBER 2015 AND 2014
(Thousands of euros)

	Note	2015	2014
A) CASH FLOWS FROM OPERATING ACTIVITIES		**(4 986 449)**	**(2 700 354)**
Net profit for the year		**183 812**	**447 514**
Adjustments to profit and loss		**(103 531)**	**(7 415 605)**
Depreciation and amortization	13 y 14	47 379	43 884
Other adjustments	2.26	(150 910)	(7 459 489)
Net increase/decrease in operating assets		**2 411 899**	**(19 103 845)**
Financial assets held for trading	8.1	134 859	62 900
Other financial assets at fair value through profit or loss		-	-
Available-for-sale financial assets	9.1	(904 010)	(9 937 050)
Loans and receivables	10.1	2 958 072	(8 783 624)
Other operating assets		222 978	(446 071)
Net increase/decrease in operating liabilities		**(7 350 444)**	**25 081 961**
Financial liabilities held for trading	8.2	60 698	52 601
Other financial liabilities at fair value through profit or loss		-	-
Financial liabilities at amortised cost	16	(7 430 489)	24 465 512
Other operating liabilities		19 347	563 848
Collections/Payments of income tax		**(128 185)**	**(1 710 379)**
B) CASH FLOWS FROM INVESTMENT ACTIVITIES		**5 993 665**	**1 513 105**
Payments		**(145 015)**	**(68 814)**
Tangible assets	13	(144 616)	(3 881)
Intangible assets	14	(122)	(3)
Investments	12	(277)	(64 930)
Other business units		-	-
Non-current assets and associated liabilities for sale	15	-	-
Held-to-maturity investments	9.4	-	-
Other payments related to investing activities		-	-
Collections		**6 138 680**	**1 581 919**
Tangible assets	13	9 751	7 749
Intangible assets	14	102	2 752
Investments	12	62 714	53 542
Other business units		-	-
Non-current assets and associated liabilities for sale	15	54 238	-
Held-to-maturity investments	9.4	6 011 875	1 517 876
Other payments related to investing activities		-	-
(Continued)			

The accompanying Notes 1 to 48 and Appendices I, II, III, IV and V form an integral part of the consolidated cash flow statement at 31 December 2015.

UNICAJA BANCO, S.A.
AND ITS SUBSIDIARIES (UNICAJA BANCO GROUP)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED
31 DECEMBER 2015 AND 2014
(Thousands of euros)

	Note	2015	2014
C) CASH FLOWS FROM FINANCING ACTIVITIES		**(56 153)**	**(74 100)**
Payments		**(56 722)**	**(74 100)**
Dividends	3	(25 000)	(17 930)
Subordinated liabilities	16.5	(31 722)	(56 170)
Redemption of own equity instruments		-	-
Acquisition of own equity instruments		-	-
Other payments related to financing activities		-	-
Collections		**569**	**-**
Subordinated liabilities	16.5	569	-
Issuance of own equity instruments		-	-
Disposal of own equity instruments		-	-
Other collections related to financing activities		-	-
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS		**-**	**-**
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**951 063**	**(1 261 349)**
F) CASH AND CASH EQUIVALNETS AT BEGINNING OF PERIOD		**686 330**	**1 947 679**
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD		**1 637 393**	**686 330**
MEMORANDUM ITEMS:			
COMPONENTS OF CASH AND CASH EQUIVALENTS FOR THE PERIOD			
Cash	2.26	309 854	341 525
Cash equivalent balances at central banks	2.26	1 268 454	270 383
Other financial assets	2.26	59 085	74 422
Less: bank overdrafts repayable on demand		-	
Total cash and cash equivalents at end of period	2.26	**1 637 393**	**686 330**
Of which held by consolidated entities but not drawable by group		-	-

The accompanying Notes 1 to 48 and Appendices I, II, III, IV and V form an integral part of the consolidated cash flow statement at 31 December 2015.

UNICAJA BANCO, S.A. AND ITS SUBSIDIARIES
(UNICAJA BANCO GROUP)

NOTES TO THE CONSOLIDATED REPORT FOR THE YEAR ENDED AT 31 DECEMBER 2015
(Expressed in thousands of euros)

1. Introduction, basis of presentation of the annual accounts and other information

1.1 Introduction and nature of the Company

Unicaja Banco, S.A. (hereinafter Unicaja Banco, the Parent Company or the Bank) is a credit institution incorporated for an indefinite period on 1 December 2011. Its commenced activities as a result of the approval by the General Assembly of Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén – Unicaja (currently, Fundación Bancaria Unicaja) of the indirect carrying on of finance activities through a bank.

The Bank is subject to the legislation and regulations governing banking institutions in Spain. Other public information regarding the bank is available on its website (www.unicajabanco.es) and at its registered domicile (Avenida Andalucía, 10 and 12, in Malaga).

The Bank's corporate purpose consists of all types of general banking activities, transactions, actions, contracts and services or those that are directly or indirectly related or are supplementary to them provided they are permitted or not prohibited by law.

The Bank's corporate purpose includes the rendering of investment and other auxiliary services, as well as the rendering of insurance agency activities, as an exclusive or associated operator, but not simultaneously.

In accordance with the bylaws, the activities that conform to require by the Law 10/2014 (26 June) on the organization, supervision and solvency of credit institutions and making up its corporate purpose may be fully or partially carried out indirectly in any manner allowed by law and, in particular, through the ownership of shares in companies or other entities that have the same, similar or supplementary corporate purpose.

The Bank has been entered into the Malaga Mercantile Registry and as a credit institution in the Special Registry at the Bank of Spain under number 2103. The Bank also holds a license to carry out banking activities granted by the Ministry of Finance in accordance with Article 1 and concordant articles of Royal Decree 1245/1995.

In the context of the taking of control with an exchange of securities made at 28 March 2014 of Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (hereinafter, EspañaDuero), outlined in the Note 1.2, and as a result of exchange of securities made at 2 April 2014, Unicaja Bank, S.A. lost its capacity as a single-member society which has been retained since its creation.

The Group's 2015 consolidated financial statements have not yet been approved by the Bank's Shareholder’s General Meeting. Nonetheless, the Bank’s board of directors expects the consolidated annual accounts to be approved without significant changes.

At 31 December 2015, 90,78% of the Bank's share capital pertains to Fundación Bancaria Unicaja, previously Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén (Unicaja), the ultimate parent company of the Bank and the parent of Unicaja Group. Both the Bank and its parent company are domiciled in Malaga and are subject to Spanish legislation and their annual accounts are deposited at the Malaga Mercantile Registry. Fundación Bancaria Unicaja prepares consolidated annual accounts as the ultimate parent of the Group, in accordance with Article 42 of the Commercial Code. The latest consolidated annual accounts prepared by Group Unicaja related to the year ended 31 December 2014 and have been filed with the Malaga Mercantile Registry.

Moreover, the Bank is the parent of a subgroup of subsidiaries that engage in diverse activities and make up Unicaja Banco Group. In accordance with Article 6 of Royal Decree 1159/2010 (17 September) which approves the Rules for Preparing Consolidated Annual Accounts and amends the General Accounting Plan approved by Royal Decree 1514/2007 (16 November) and the General Accounting Plan for SMEs approved by Royal Decree 1515/2007 (16 November), the Bank is obligated to prepare consolidated annual accounts as it has issued securities that are traded on a regulated market in any European Union Member State, applying international financial reporting standards adopted by European Union Regulations. Consequently, the Bank has prepared the consolidated annual accounts for Unicaja Banco, S.A. and its subsidiaries (Unicaja Banco Group), in addition to its own annual accounts, in accordance with current legislation.

The companies that form part of Unicaja Banco Group at 31 December 2015 are as follows:

Company Name	**Activity**
Alqlunia Duero, S.L.	Real state development
Alteria Corporación Unicaja, S.L.U.	Investment in assets, securities and financial companies
Altos de Jontoya Residencia para Mayores, S.L.U.	Geriatric care
Analistas Económicos de Andalucía, S.L.U.	Study and analysis economic activity
Andaluza de Tramitaciones y Gestiones, S.A.U.	Management and settlement documents and deeds
Banco de Caja España de Inversiones, Salamanca y Soria, S.A.	Credit institution
Bruesa Duero, S.L	Real state development
Caja Duero Capital, S.A.U.	Investment in assets, securities and companies
Caja España de Inversiones, Sociedad de Participaciones Preferentes, S.A.U.	Issue of shares
Caja España Fondos, S.A.U., S.G.I.I.C.	Investment fund manager
Caja España Mediación, Operador Banca-Seguros Vinculado, S.A.U.	Insurance broker
Campo Inversiones, S.A.U.	agroganaderos services
Cartera de Inversiones Agroalimentarias, S.L.	Food industry
Conexiones y Servicios del Duero, S.A.	Auxiliary services
Corporación Uninser, S.A.U.	Provision of multiple services
Diode España, S.A.U.	Computer components distribution
Escuela Superior de Estudios de Empresa, S.A.	Studies and Analyses
Finanduero Sociedad de Valores, S.A.U.	Stockbroker
Gestión de Actividades y Servicios Empresariales, S.A.U.	Electronic recording and processing of data and documents
Gestión de Inmuebles Adquiridos, S.L.U.	Real state development
Gestión de Inversiones en Alquileres, S.A.U.	Office rental
Grupo de Negocios Duero, S.A.U.	Financial management
Guendulain Suelo Urbano, S.L.U.	Real state development
Inmobiliaria Acinipo, S.L.U.	Real state development
Inmobiliaria Uniex Sur, S.L.U.	Real state development
Inmocaja, S.A.U.	Holding real estate
Invergestión Sociedad de Inversiones y Gestión, S.A.U.	Holding company
Mijas Sol Resort, S.L.U.	Real state development
Parque Industrial Humilladero, S. L.	Development of industrial land
Renta Porfolio, S.L.U.	Rental property

Company Name	Activity
Segurándalus Mediación, Correduría de Seguros, S.A.U.	Insurance broker
Tubos de Castilla y León, S.A.U.	Pipe Manufacturing
Unicaja Banco, S.A.	Credit institution
Unicaja Gestión de Activos Inmobiliarios, S.A.U.	Holding real estate
Unicartera Caja 2, S.L.U.	Promotion or funding of R & D in the field of medicine
Unicartera Gestión de Activos, S.L.U.	Recovery procedures and management of disputes
Unicartera Internacional, S.L.U.	Investment in assets, securities and financial companies
Unicartera Renta, S.L.U.	Investment in assets, securities and financial companies
Unicorp Corporación Financiera, S.L.U.	Servicing
Unicorp Patrimonio, Sociedad de Valores, S.A.U.	Wealth management
Unigest, S.G.I.I.C., S.A.U.	Management of Collective Investment Institutions
Unimediación, S.L.U.	Insurance Brokers
Unimediterráneo de Inversiones, S.L.U.	Investment in assets, securities and financial companies
Unión del Duero, Compañía de Seguros Generales, S.A.	insurance
Uniwindet Parque Eólico Las Lomillas, S.L.U.	Wind power
Uniwindet Parque Eólico Loma de Ayala, S.L.U.	Wind power
Uniwindet Parque Eólico Los Jarales, S.L.U.	Wind power
Uniwindet Parque Eólico Tres Villas, S.L.U.	Wind power
Uniwindet, S.L.	Wind power
Viajes Caja España, S.A.	Travel agency
Viproelco, S.A.	Property development

In accordance with current legislation, the Board of Directors of the Parent Company has prepared the Bank's individual annual accounts. The effect on consolidation on the accompanying balance sheet at 31 December 2015 and 2014, the income statement, the statement of changes in equity and the cash flow statement for 2015 and 2014 is summarised below:

	Thousands of euros			
	2015		2014	
	Individual	Consolidated	Individual	Consolidated
Assets	35 118 119	60 311 829	36 767 082	67 950 415
Equity	2 901 252	3 255 945	2 866 330	3 292 277
Income for the year	230 063	183 812	238 375	447 514
Total income and expense in the statement of changes in equity	77 046	34 020	487 692	727 885
Net increase/(decrease) in cash and cash equivalents	359 761	951 063	(1 540 663)	(1 261 349)

The Group’s consolidated annual accounts for 2015 are pending approval by its respective General Assembly or General Meeting. Nonetheless, the Entity’s Board of Directors expects these annual accounts to be approved without significant changes.

Set out below is a summary of the Parent entity’s individual balance sheet, individual income statement, individual statement of changes in equity and individual cash flow statement for the years ended 31 December 2015 and 2014 which have been prepared in accordance with the same accounting principles and measurement methods, gathered in the Circular 4/2004 of the Bank of Spain, as those applied in these consolidated annual accounts:

a) Individual Balance sheets for the years ended 31 December 2015 and 2014:

	Thousands of euros	
	2015	**2014**
Cash and deposits at central banks	751 014	391 253
Trading portfolio	55 458	195 461
Available-for-sale financial assets	6 791 019	8 528 052
Loans and receivables	20 395 865	21 796 569
To-maturity investment portfolio	3 955 732	2 511 583
Hedging derivatives	608 192	737 217
Non-current assets held for sale	243 448	238 914
Shareholdings	825 167	851 042
Insurance contracts linked to pensions	136 501	144 247
Property, plant and equipment	513 300	518 082
Intangible assets	143	554
Tax assets	809 912	808 627
Other assets	32 368	45 481
Total assets	**35 118 119**	**36 767 082**
Trading portfolio	23 539	29 359
Financial liabilities at amortized cost	31 062 003	32 753 456
Hedging derivatives	70 802	34 365
Provisions	402 943	402 993
Tax liabilities	111 623	176 736
Welfare funds	545 957	503 843
Total liabilities	**32 216 867**	**33 900 752**
Valuation adjustments	116 378	269 395
Equity:	2 784 874	2 596 935
Share capital or assigned capital	881 288	881 288
Share premium	1 246 429	1 246 429
Reserves	328 412	132 161
Other equity instruments	98 682	98 682
Income for the year	230 063	238 375
Less: Dividends and remuneration	-	-
Total equity	**2 901 252**	**2 866 330**
Total liabilities and equity	**35 118 119**	**36 767 082**
Contingent risks	652 089	815 762
Contingent commitments	2 218 507	2 350 997
Total memorandum accounts	**2 870 596**	**3 166 759**

b) Individual income statements for the years ended 31 December 2015 and 2014:

	Thousands of euros	
	2015	**2014**
Interest and similar income	733 909	949 763
Interest expense and similar charges	(237 023)	(388 506)
Net interest income	**496 886**	**561 257**
Return on equity instruments	62 184	95 083
Fee and commission income	124 799	133 584
Fee and commission expense	(10 961)	(15 901)
Gains/(losses) on financial assets and liabilities (net)	207 374	290 829
Exchange differences (net)	1 272	1 300
Other operating income	28 299	11 253
Other operating expense	(43 951)	(59 228)
Gross operating income	**865 902**	**1 018 177**
Administrative expenses	(345 303)	(347 195)
Depreciation and amortization	(20 560)	(22 618)
Provisions (net)	(65 109)	(96 273)
Impairment losses on financial assets (net)	(106 860)	(122 985)
Profit/(loss) from operating activities	**328 070**	**429 106**
Impairment losses on other assets (net)	(13 250)	(93 883)
Gains/(losses) on disposal of assets not classified as non-current assets held for sale	(480)	(301)
Negative goodwill on business combinations	-	-
Gains/(losses) on disposal of non-current assets held for sale not classified as discounted operations	(5 177)	(13 368)
Profit/(loss) before tax	**309 163**	**321 554**
Income tax	(79 100)	(83 179)
Mandatory transfer to community projects and welfare funds	-	-
Profit/(loss) from continuing operations	**230 063**	**238 375**
Profit/(loss) from discounted operations (net)	**-**	**-**
Net profit for the year	**230 063**	**238 375**

c) Individual statements of changes in equity for the years ended 31 December 2015 and 2014:

	Thousands of euros	
	2015	**2014)**
Profit for the year	**230 063**	**238 375**
Other income and expenses	**(153 017)**	**249 317**
Items that will not be reclassified to income	**2 384**	**(1 081)**
Actuarial gains (losses) on pension plans	3 406	(1 545)
Tax benefits related to items that will not be reclassified to income	(1 022)	464
Items that may be reclassified to income	**(155 401)**	**250 398**
Financial assets available for sale	(225 392)	320 668
Hedges of cash flows	3 157	36 626
Exchange differences	93	97
Non-current assets held for sale	-	321
Income tax related to items that may be reclassified to income	66 741	(107 314)
Total income and expenses recognized	**77 046**	**487 692**

d) Individual statement of changes in equity for the years ended 31 December 2015 and 2014:

							Thousands of euros	
	EQUITY							
	Capital	Share premium	Reserves	Other equity instruments	Profit for the year	Total Own Funds	Valuation adjustment	TOTAL EQUITY
Balance at 1 of January 2015	**881 288**	**1 246 429**	**132 161**	**98 682**	**238 375**	**2 596 935**	**269 395**	**2 886 330**
Adjustments due to changes in accounting policy	-	-	-	-	-	-	-	-
Adjustments made to correct errors	-	-	-	-	-	-	-	-
Adjusted beginning balance	**881 288**	**1 246 429**	**132 161**	**98 682**	**238 375**	**2 596 935**	**269 395**	**2 866 330**
Total recognized Income and expense	**-**	**-**	**-**	**-**	**230 063**	**230 063**	**(153 017)**	**77 046**
Other equity changes	**-**	**-**	**196 251**	**-**	**(238 375)**	**(42 124)**	**-**	**(42 124)**
Capital increases (decreases)	-	-	-	-	-	-	-	-
Increases in other equity instruments	-	-	-	-	-	-	-	-
Dividends distributions/ Payment to Partners	-	-	(42 124)	-	-	(42 124)	-	(42 124)
Transfers between equity items	-	-	238 375	-	(238 375)	-	-	-
Other increases (decreases)	-	-	-	-	-	-	-	-
Balance at 31 of December 2015	**881 288**	**1 246 429**	**328 412**	**98 682**	**230 063**	**2 784 874**	**116 378**	**2 901 252**

	Thousands of euros							
	EQUITY							
	Capital	Share premium	Reserves	Other equity instruments	Profit for the year	Total Own Funds	Valuation adjustment	TOTAL EQUITY
Balance at 1 of January 2014 (*)	**800 000**	**1 762 616**	**(452 973)**	**-**	**107 017**	**2 216 660**	**20 078**	**2 236 738**
Adjustments due to changes in accounting policy	-	-	(18 145)	-	(17 299)	(35 444)	-	(35 444)
Adjustments made to correct errors	-	-	-	-	-	-	-	-
Adjusted beginning balance (**)	**800 000**	**1 762 616**	**(471 118)**	**-**	**89 718**	**2 181 216**	**20 078**	**2 201 294**
Total recognized Income and expense	**-**	**-**	**-**	**-**	**238 375**	**238 375**	**249 317**	**487 692**
Other equity changes	**81 288**	**(516 187)**	**603 279**	**98 682**	**(89 718)**	**177 344**	**-**	**177 344**
Capital increases (decreases)	81 288	15 304	-	-	-	96 592	-	96 592
Increases in other equity instruments	-	-	-	98 682	-	98 682	-	98 682
Dividends distributions/ Payment to Partners	-	-	(17 930)	-	-	(17 930)	-	(17 930)
Transfers between equity items	-	(531 491)	621 209	-	(89 718)	-	-	-
Other increases (decreases)	-	-	-	-	-	-	-	-
Balance at 31 of December 2014	**881 288**	**1 246 429**	**132 161**	**98 682**	**238 375**	**2 596 935**	**269 395**	**2 886 330**

(*) Account balance at 31 December 2013, published previously.

(**) It is solely and exclusively presented for comparison purposes. Information has been restated because the Group proceeded to make a change to the accounting criterion with respect to contributions to the Deposit Guarantee Fund, as a result of the clarifications about the applicable regulation, issued during the last quarter of 2014 by Bank of Spain and Spanish National Securities Market Commission (CNMV), and the establishment by the Credit Institution Deposit Guarantee Fund Management Committee, dated 17 December 2014, of the final payments schedule relating to the second tranche of the contribution referred to article 2 of the Royal Decree-Law 6/2013, of 22 March 2013.

e) Individual cash flow statements for the years ended 31 December 2015 and 2014:

	Thousands of euros	
	2015	2014
Cash flows from operating activities	**(1 734 398)**	**(2 959 394)**
Net profit for the year	230 063	238 375
Adjustments to profit and loss	(68 163)	667 425
Net increase/decrease in operating assets	(291 369)	1 862 162
Net increase/decrease in operating liabilities	(1 458 409)	(5 732 915)
Collections/Payments of income tax	(146 520)	5 559
Cash flows from investment activities	**2 150 881**	**1 493 326**
Payments	(20 172)	(68 649)
Collections	2 171 053	1 561 975
Cash flows from financing activities	**(56 722)**	**(74 595)**
Payments	(56 722)	(74 595)
Collections	-	-
Effect of exchange rate fluctuations	**-**	**-**
Net increase (decrease) in cash and cash equivalents	**359 761**	**(1 540 663)**
Cash and cash equivalents at beginning of period	391 253	1 931 916
Cash and cash equivalents at end of period	751 014	391 253

1.2 The acquisition of Banco de Caja España de Inversiones, Salamanca y Soria, S.A.

Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (EspañaDuero) is a financial institution created for an indefinite period on 24 November 2011. It commenced activities as a result of the approval by the General Assembly of Caja España de Inversiones, Salamanca y Soria, Caja de Ahorros y Monte de Piedad (hereinafter Ceiss) of the indirect carrying on of financial activities through a bank.

1.2.1 The acquisition of EspañaDuero

On 15 July 2013, the Board of Directors of Unicaja Banco, S.A. adopted a resolution to commence the process that is necessary to make an offer to shareholders and the holders of convertible and potentially convertible bonds issued by Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (EspañaDuero). Subsequently, both the Board of Directors of Unicaja Banco (on 5 October 2013) and shareholders at a General Meeting of Unicaja Banco (on 11 October 2013) approved a swap transaction involving the shares and convertible securities issued by EspañaDuero as a result of the hybrid instrument management action agreed by the FROB in resolutions adopted on 16 May and 15 July 2013.

Within the framework of this offer, shareholders at a General Meeting of Unicaja Banco held on 11 October 2013 adopted a resolution with the conditions described in the relevant event published on that same date:

- Increase the share capital of the Bank, foreseeing incomplete subscription, by an amount of up to €86,258 thousand through the issue of up to 86,258,486 ordinary registered shares with a par value of €1 each and a unitary share premium of €0.18827 per share, up to a total of €16,240 thousand, which gives rise to a maximum share capital increase of €102,498 thousand (including the share premium).

- Issue mandatory and contingent bonds convertible into newly issued ordinary shares in Unicaja Banco, foreseeing incomplete subscription, for a maximum amount of €115,754 thousand in accordance with the terms and conditions and subject to the conversion bases and types indicated in the relevant event published by Unicaja Banco.

- Issue perpetual contingent bonds convertible into newly issued ordinary shares in Unicaja Banco, foreseeing incomplete subscription, for a maximum amount of €115,754 thousand in accordance with the terms and conditions and subject to the conversion bases and types indicated in the relevant event published by Unicaja Banco.

The Prospectus regarding the offer to swap shares, mandatory and contingent convertible bonds and perpetual contingent convertible bonds by Unicaja Banco, to be subscribed by shareholders and the holders of mandatory and contingent convertible bonds in EspañaDuero was authorised by Spanish National Securities Market Commission (CNMV) on 26 November 2013 and a supplement was subsequently authorised on 30 December 2013.

In accordance with the terms of the Prospectus, the swap offer was subject to the condition that it be accepted by at least: (i) 75% of the shares in EspañaDuero (the “Condition of Minimum Acceptance of Shareholders”); and (b) 75% of the sum of the shares in EspañaDuero and the mandatory and contingent convertible bonds in EspañaDuero to which the offer is directed ("Condition of Minimum Acceptance of all Security Holders”), and Unicaja Banco reserves the right to waive compliance with the Condition of Minimum Acceptance of all Security Holders.

Within the framework of the swap offer, Unicaja Banco received a letter from the FROB reporting that its Governing Commission had agreed to (i) the basic lines of the modification of the resolution plan for EspañaDuero and, as a consequence, the Term Sheet attached to the decision of the European Commission dated 13 May 2013, (ii), and its intention to submit that modification for the approval of the Bank of Spain and the European Commission. That letter was accompanied by the notification received by the FROB from the Directorate General for Competition at the European Commission indicating that although the final decision had to be adopted by the College of Commissioners, the projected amendment to the resolution plan for EspañaDuero was compatible, based on its preliminary analysis, with the EU framework for State assistance. Unicaja Banco also received a letter from the Bank of Spain regarding these amendments and reporting that the Executive Committee at the Bank of Spain had stated its agreement with them so that they may be included in the planned amendment of the resolution plan for EspañaDuero the approval of which would be requested by the FROB.

On 29 January 2014 EspañaDuero indicated its acceptance of the basic lines of the amendment to its resolution plan through the publication of a relevant event. As was indicated by EspañaDuero in the relevant event, two agreements supplementing the Term Sheet were expected to be adopted: (i) between EspañaDuero and SAREB to establish the adjustments deriving from the asset transfer agreement between SAREB and EspañaDuero, concluded on 28 February 2013 and (ii) between EspañaDuero and FROB to regulate a Compensation Mechanism relating to the shares in EspañaDuero that the FROB would acquire as a result of the claims from the holders of the mandatory and contingent convertible bonds in EspañaDuero that do not accept the Offer.

Based on the content of the aforementioned letters and the relevant event, the amendment of the resolution plan for EspañaDuero and, consequently, the Term Sheet, was formally adopted in accordance with the following basic lines:

a) The distribution between the FROB and EspañaDuero of the negative effects that could arise from any claims from the holders of the mandatory and contingent convertible bonds in EspañaDuero that do not accept the Offer, such that the FROB will assume 71% of that impact up to a maximum of €241 million, net of any compensation that the FROB may receive by virtue of the Compensation Mechanism and EspañaDuero would assume the remaining 29%.

b) The assumption of certain commitments and limitations regarding the future activity carried out by EspañaDuero that change those initially established in the Term Sheet, and which basically consist of: (i) The maximum volume of the credit portfolio is reduced by an additional 10%; (ii) the maximum size of the balance sheet will be reduced by an additional 15%; (iii) the target loan to deposit ratio will be 10% lower than that initially foreseen in the areas in which EspañaDuero primarily operates; (iv) the organizational restructuring will include the closing of 5% more offices and the planned decline in the payroll will be maintained up until 31 December 2014, although there will be an additional 5% reduction before 31 December 2016. Additional restrictions will be placed on the distribution of dividends by EspañaDuero during the resolution period.

As was stated in the relevant event issued by EspañaDuero and in the letters received, the two resolutions indicated above were adopted:

a) A base agreement between the FROB and EspañaDuero with respect to the shares in EspañaDuero that the FROB may acquire as a result of the claims resolved in accordance with paragraph (a) above (the “Compensation Mechanism”), under which the FROB will receive an amount not less than that relating to those shares as measured by the consultancy Oliver Wyman, which concluded that 100% of EspañaDuero had an equity value equivalent to €334 million. If the maximum pay-out indicated in section (a) above is made, the maximum value to be received by the FROB will be €78 million, and EspañaDuero will not have the obligation to acquire those shares before 1 January 2018. This agreement establishes that under no circumstances will the FROB become a shareholder of Unicaja Banco as a result of that mechanism.

b) The liquidation transactional agreement to be concluded between EspañaDuero and SAREB to establish the adjustments deriving from the asset transfer agreement concluded by SAREB and EspañaDuero on 28 February 2013 (to which reference is made in the section "Risk Factors" in the Registration Document). The concluding of the aforementioned transactional agreement, as is noted by EspañaDuero in its relevant event dated 29 January 2014, will not in any case mean that the amount for which EspañaDuero is responsible will represent any significant deviation with respect to the forecasts set out in the Term Sheet, attached to the European Commission Decision dated 13 May 2013 ("State Aid SA36249 (2013/N)" decision).

Based on the materialization of the aforementioned agreements and due to the interest of Unicaja Banco in completing the acquisition of EspañaDuero, as is indicated in the relevant event dated 29 January 2014, Unicaja Banco committed to waiving the Condition of Minimum Acceptance of all Security Holders once all necessary authorization is obtained, including the definitive approval by EspañaDuero, FROB, Bank of Spain and SAREB of the aforementioned agreements and proposals in the terms indicated and the authorization, when appropriate, of EU authorities.

In the relevant event dated 29 January 2014 Unicaja Banco states that within the framework of acceptance not reaching 75% of all Securities, the modification of the Resolution Plan and the Term Sheet and the release from compliance with the Condition of Minimum Acceptance of All Security Holders, the intention set out in the Prospectus of not requesting an exemption from complying with the regulatory solvency coefficients for EspañaDuero on an individual basis is maintained.

Taking into account the above, the following steps were agreed up until the end of the Offer:

a) Registration with the CNMV of a Supplement to the Offer Prospectus and the opening of a three business day period in which new orders accepting the Offer may be presented, as well as orders to revoke any acceptance orders already received.

b) At the time the approval is received and the aforementioned agreements and proposals are definitively formalized in the indicated terms, Unicaja Banco will waive the Condition of Minimum Acceptance of All Security Holders.

c) If on 31 March 2014 such approval has not been obtained, Unicaja Banco would not waive the Condition of Minimum Acceptance of All Security Holders and the Offer would automatically cease to have any effect.

The supplement to the Prospectus was approved and registered by the CNMV on 30 January 2014 and the period for presenting new acceptance orders or the revocation of acceptance orders already received was established as 31 January, 3 February and 4 February 2014.

On 28 March 2014 Unicaja Banco published a relevant event reporting that:

(i) On 4 February 2014 EspañaDuero and SAREB (Sociedad de Activos Procedentes de la Reestructuración Bancaria, S.A.) formally entered into a liquidation agreement in the terms established in the preceding relevant events.

(ii) On 12 March 2014 the Bank of Spain approved the modification of the resolution plan for EspañaDuero.

(iii) On 18 March 2014 the Fondo de Reestructuración Ordenada Bancaria (FROB) notified Unicaja Banco that the European Commission had informed the Kingdom of Spain on 13 March 2014 of the modification to the Term Sheet attached to the European Commission Decision dated 13 May 2013, in accordance with the proposal presented by the Governing Committee of the FROB.

(iv) On 21 March 2014 EspañaDuero and the FROB concluded an agreement relating to the repurchase by EspañaDuero from the FROB of those securities issued by EspañaDuero that may previously be acquired by the FROB as a result of the claims made by holders of mandatory and contingent convertible bonds in EspañaDuero that may be purchased by FROB, in accordance with the terms of the resolution plan.

In the light of the above and in accordance with the plan, at the Board of Directors' meeting held on 28 January 2014 Unicaja Banco dropped the Condition of Minimum Acceptance of All Security Holders on which the Offer was conditioned.

The Board of Directors of Unicaja Banco also took note that, after the end of the additional acceptance period and the period for revoking the offer to swap shares, mandatory and contingent convertible bonds and perpetual contingent convertible bonds in Unicaja Banco to be subscribed by shareholders and the holders of mandatory and contingent convertible bonds in EspañaDuero (the “Offer”) opened the preceding 30 January as a result of the publication of a supplement to the Offer Prospectus and, in accordance with the information received from the Agent Entity, the Offer was accepted by the holders of 335,239,366 shares in EspañaDuero and the holders of 342,550,260 mandatory and contingent convertible bonds in EspañaDuero.

As was set out in the Offer Prospectus authorised by the CNMV on 26 November 2013 (which also authorised two supplements on 30 December 2013 and 30 January 2014, respectively), the Offer was subject to the condition that it be accepted by at least: (i) 75% of the shares of EspañaDuero; and (b) 75% of the sum of the shares in EspañaDuero and the mandatory and contingent convertible bonds in EspañaDuero to which the Offer was directed (jointly the "Condition of Minimum Acceptance").

In the light of the result of the Offer indicated above: (i) the first requirement was met, consisting of the acceptance of at least 75% of the shares in EspañaDuero (as it was accepted by 99.39% of those shares, including the 18,356,056 shares directly and indirectly owned by Unicaja Banco) but (ii) the second requirement was not met consisting of the acceptance of at least 75% of the sum of the shares in EspañaDuero and the mandatory and contingent convertible bonds in EspañaDuero to which the Offer was directed since 60.70% of that group of shares and mandatory and contingent convertible bonds in EspañaDuero was reached (including the 18,356,056 shares and 7,543,033 bonds held by Unicaja Banco and excluding the 11,449,069 bonds held by EspañaDuero itself).

Notwithstanding the above, after the approval of the amendment to the resolution plan for EspañaDuero and the rest of the related agreements and in accordance with the commitment previously assumed, the Board of Directors of Unicaja Banco adopted a resolution to eliminate compliance with the second requirement from the Condition of Minimum Acceptance that referred to all of the securities to which the Offer was directed and thereby gave full effect to the Offer after the remaining resolutions that were necessary to proceed with the swap involving the securities accepting the Offer were adopted.

As a result, on 2 April 2014 the shareholders and the holders of mandatory and contingent convertible bonds in EspañaDuero that accepted the offer received as compensation the corresponding shares, mandatory and contingent convertible bonds and perpetual contingent convertible bonds in Unicaja Banco (Note 21.2).

As a result of the aforementioned operation, Unicaja Banco took control of EspañaDuero started on 28 March 2014 for accounting purposes. On that date Unicaja Banco became the owner of 99.39% of the shares in EspañaDuero (with a 60.70% stake of all shares and mandatory and contingent convertible bonds in that company), while the former shareholders and the holders of the mandatory and contingent convertible bonds in EspañaDuero acquired a 9.22% interest in the share capital of Unicaja Banco.

The acquisition of EspañDuero by Unicaja Banco is a strategic opportunity that allows the Entity's business to be expanded towards areas that traditionally constituted the fundamental core of the business carried on by EspañaDuero, as well as to strengthen the individual and SME segment, while obtaining synergies between both entities.

1.2.2 Conversion of the EspañaDuero convertible instruments into shares

On 25 June 2014 the Board of Directors of EspañaDuero adopted a resolution to establish the mandatory conversion of all the Mandatory and Contingent Convertible Bonds. This gave rise to the execution of a share capital increase totalling €200,869 thousand through the issue of 803,474,655 new shares, all of the same class and series as those in existence. As a result of the execution of the share capital increase, the share capital of EspañaDuero is now €289,802 thousand divided into 1,159,208,236 shares with a par value of €0.25 each represented by book entries.

The conversion ratio for the Mandatory and Contingent Convertible Bonds into ordinary shares in EspañaDuero was that resulting from the quotient of the unitary face value of those Bonds (€1.00) and the value attributed to the ordinary shares in EspañaDuero (conversion price), established at €1.00 per share. As a result, for each Mandatory and Contingent Convertible Bond each holder received one new share in EspañaDuero.

As a result of the conversion, Unicaja Banco Group holds 60.70% of the share capital of EspañaDuero, which is the percentage interest maintained at 31 December 2015.

1.3 Basis of presentation of the consolidated annual accounts

The Group's Consolidated annual accounts are presented in accordance with that established under International Financial Reporting Standards adapted by the European Union (hereinafter, "IFRS – EU"), bearing in mind Circular 4/2004 of the Bank of Spain, of 22 December, which is the development and adaptation to the Spanish credit entity sector of the International Financial Reporting Standards approved by the European Union, and its subsequent amendments.

In this report the abbreviations "IAS" and "IFRS" are employed to refer to International Accounting Standards and to International Financial Reporting Standards, respectively, and the abbreviations "ICIFRS" and "CAS", to refer interpretations of the Interpretations Committee on International Financial Reporting Standards and the former Interpretations Committee respectively, all of these having been approved by the European Union (hereinafter, "EU"), is the basis on which these consolidated annual accounts were prepared.

The present consolidated annual accounts were prepared applying the total of the accounting principles and norms and the valuation principles of obligatory application that have a significant effect on these, so that they reflect the true image of the equity and of the financial situation of the Group as at 31 December 2015 and the results of operations, changes in net equity and cash flows that have arisen in the Group in the financial year ended on that date.

Note 2 summarises the principles and polices and the most significant valuation criteria applied in the preparation of consolidated annual accounts of the Group for the year 2015.

The consolidated annual accounts have been prepared based on the accounting records of the Bank and other Group entities. Nonetheless, and given that the accounting principles and standards applied in the preparation of the Group's consolidated annual accounts for 2015 may differ from those used by some of the consolidated entities, during the consolidation process the necessary adjustments and reclassifications have been made to standardise such principles and standards and bring them into line with the IFRS-EU applied by the Entity.

Unless otherwise stated, these consolidated annual accounts are presented in thousand euros.

1.4 Responsibility for the information and estimates

The information contained in the present consolidated annual accounts is the responsibility of the Directors of the Parent Company.

In the consolidated financial statements of the Group for the year 2015, estimates were occasionally made by the Directors of the Group to quantify some of the assets, liabilities, income, expenses and obligations reported herein. Basically, these estimates refer to:

- Impairment losses on certain assets (Notes 9, 10, 12, 13, 14 and 15).

- Assumptions used in actuarial calculations of liabilities and commitments relating to post-employment benefits and other long-term commitments with employees (Notes 2.12 and 40).

- Useful life of property, plant and equipment and intangible assets (Notes 2.14, 2.15, 13 and 14).

- Measurement of goodwill on consolidation (Notes 2.16 and 4).

- Estimation of the probability of occurrence of events classed as contingent liabilities and, if applicable, estimation of the provisions necessary to cover these events (Notes 2.18 and 17).

- Reversal period of temporary differences (Notes 2.13 and 23.4).

- Fair value of certain unlisted assets (Note 25).

- The realisable value of certain guarantees related to the collection of assets (Note 46).

These estimates were made based on the best information available at 31 December 2015 concerning the facts analysed. Nonetheless, future events could generate significant adjustments (upward or downward) in coming years, which would be made prospectively, in accordance with prevailing regulations, to recognize the impact of the change in the estimate on the consolidated income statement for the years in question.

In 2015 there were no changes to the Group's accounting estimates having a significant impact on either the consolidated results for the year or the consolidated balance sheet.

1.5 Changes in accounting policies, errors and comparative information

1.5.1 Changes in accounting principles and errors

Policy changes that occurred for the year 2015 (Note 1.12) have not affected the comparability of the Group financial information, so it has not been necessary adaptation or reclassification of quantitative information pertaining to 2014 which was published in the consolidated annual accounts at the previous year end. Neither there have been mistakes that have required rectification of the comparative information for the year 2014.

1.5.2. Comparative information

In accordance with IAS 1 the comparative information contained in these consolidated annual accounts for 2014 is presented solely and exclusively for the purpose of comparison with the information at 31 December 2015 and therefore does not constitute the Unicaja Banco Group's 2014 annual accounts.

1.6 Investments in credit institutions

In accordance with Article 28 of Royal Decree 84/2015, of 13 February, which develops the Law 10/2014 (26 June) on the organization, supervision and solvency of credit institutions (14 July), there follows a list of the Group's share in domestic and foreign credit institutions that exceed 5% of their capital or voting rights at 31 December 2015 and 2014:

Entity	% share	
	2015	2014
Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (*)	60,70%	60,70%
Banco Europeo de Finanzas, S.A. (**)	40,72%	40,72%
E.B.N. Banco de Negocios, S.A.	-	33,89%

(*) Direct investment of 60,66% and indirect investment of 0,04% through Unicartera Gestión de Activos, S.L.U.
(**) Direct investment of 1,20% and indirect investment of 39,52% through Alteria Corporación Unicaja, S.L.U.

On 29 September 2015 the deed of transfer of shares of this company was signed, therefore credit institutions with participation in capital, BMN, Ibercaja Bank, Unicaja Banco and EspanaDuero, proceed to transmit their participation, once complied the suspensive conditions defined in previous agreements (note 12.2).

As of December 31, 2015 and 2014, no national or foreign entity holds a credit equal to or greater than 5% of the share capital of Unicaja Banco.

1.7 Agency agreements

At 31 December 2015, the following agents of the Group's Parent entity meet the requirements of Article 22 of RD 1245/1995 and Bank of Spain Circular 4/2010:

1) Entity's Authorized Signatories

Name	Geographical scope
Ángel Maigler Unguetti	Montizón y Venta de los Santos (Jaén)
Aplagest Consulting, S.L.	Campo de Criptana (Ciudad Real)
Construcciones y Promociones Taberno, Gestiones Inmobiliarias, S.L.	Taberno (Almería)
María Eugenia Sánchez Berjaga	Hornos de Segura (Jaén)
María Dolores Asensio Águila	Paterna del Río y Bayárcal (Almería)
Contaestrella, S.L.	Puebla de los Infantes (Sevilla)
Pablo Fernández Rivera	Fondón (Almería)
Antonio Sánchez Ruíz	Villarodrigo (Jaén)
Antonio Sánchez Escobar	La Joya (Antequera - Málaga)
José Antonio Arrebola Benítez	Estación de Salinas (Archidona - Málaga)
Gestión 3 Uleila, S.L.	Uleila del Campo (Almería)
Pablo Fernández Enríquez	Alcolea (Almería)
José Manuel Alcaraz Forte	Ragol e Instinción (Almería)
Antonia Castellano Yeste	Hijate (Almería)
María Isabel Juárez Padilla	Rioja (Almería)
Mayo Abellán Berruezo	Mojácar (Almería)
Gema Ayala López	Alhabia y Alboloduy (Almería)
Miguel Sancho Aguilera	El Saucejo (Sevilla)
Antonio Sánchez Povedano	Fuente-Tojar (Córdoba)
Cavar Mediación, S.L	Peñarroya-Pueblonuevo (Córdoba)
Francisco Jesús Jiménez Romero	La Guardia (Jaén)

2) List of Bank nominees for customer retention or promotion and marketing operations or services.

Name	Geographical scope
Viada Asesores, S.L.	Puertollano (Ciudad Real)
Sistemas Interactivos Malagueños S.L.	Torremolinos (Málaga)
Avances Tecnológicos y Diseño S.L.	Marbella (Málaga)
Sistema Asesores Málaga, S.L.	Málaga
Sur Finanz Agentes, S.L	Marbella (Málaga)
Manuela Jurado Ollero	Marmolejo (Jaén)
Francisco Javier Bazán Virtudes	Málaga
Grupo Inmobiliario Soto Jiménez, S.L.	Atarfe (Granada)
Mario Navarro Díaz	Estepona (Málaga)
Manuela Joyar Montilla	Jaén
Francisco Javier Arroyo Lorca	Valverde del Camino (Huelva)
Antonio Acosta Oller	Tíjola (Almería)
Jara-Inversiones e Intermediación, S.L.	Almería
Carmen Ávila Andrés	Granada
Matilde Cuerva Tortosa	Almería
Catalina Castro Jurado	Torrox (Málaga)
Carlos Lorente Martínez	Iznalloz (Granada)
José Melero Verdejo, S.L.	Córdoba
Daimiel Asesores Inmobiliarios, S.L.	Daimiel (Ciudad Real)
Del Ferrio Inversiones, S.L	Estepona (Málaga)
Antonia María Manso Sánchez	Tahivilla (Cádiz)
Orvel 21, S.L.	Vélez-Málaga (Málaga)
Jarava Barrera, S.L.	Ciudad Real
Josefina Salvador Valero	Linares (Jaén)
Manuel Ángel Garrido Rengel	Moguer (Huelva)
Grupo Asesor O.T.S, S.L.	Socuéllanos (Ciudad Real)
Gestem Planificación y Desarrollo Integral de Empresas, S.L.	Málaga

1.8 Environmental impact

The Unicaja Banco Group entities global transactions are subject to environmental protection regulations (environmental laws). The Entity considers that the Group substantially meets the requirements of environmental laws and that it has procedures in place to guarantee and encourage compliance.

The Entity considers that the Group has adopted the necessary measures with respect to the protection and improvement of the environment and the minimisation of environmental impact, where applicable, in accordance with current environmental laws. In 2015 and 2014 the Entity did not make any significant environmental investments and did not identify any need to make provision for environmental risks and charges or any significant contingencies in connection with environmental protection and improvement.

1.9 Minimum ratios

1.9.1 Minimum Equity Ratio

Up until 31 December 2013 Bank of Spain Circular 3/2008 on the calculation and control of minimum equity established legislation governing capital requirements for Spanish credit institutions, on an individual and financial group level.

On 27 June 2013 the Official Journal of the European Union published the new regulations regarding capital requirements (called CRD-IV), which was applicable starting on 1 January 2014 and consist of:

- European Parliament and Council Directive 2013/36/EU (26 June) relating to access to credit institution and investment company activities and the prudent supervision of those entities, which amends Directive 2002/87/EC and repeals Directives 2006/48/EC and 2006/49/EC.

- Regulation (EU) No. 575/2013 (hereinafter CRR) (26 June 2013), issued by the European Parliament and Council, on prudent requirements for credit institutions and investment companies, which amends Regulation (EU) No. 648/2012.

The Directives have to be transposed into Spanish legislation while the European Union regulations are immediately applicable after entering into force. In Spain, Royal Decree-Law 14/2013 (29 November) on urgent measures to adapt Spanish laws to European Union legislation governing the supervision and solvency of financial institutions, partially transposed Directive 2013/36/EU into Spanish law and Final Provision Five empowered the Bank of Spain to make use of the options attributed to the competent national authorities under Regulation (EU) No. 575/2013.

Therefore starting on 1 January 2014 the provisions of Bank of Spain Circular 3/2008 that go against the aforementioned European legislation were repealed. In addition, on 5 February 2014 Bank of Spain Circular 2/2014 (31 January) was published and which, in accordance with the authority that Regulation (EU) No. 575/2013 grants to the competent national authorities, the Bank of Spain made use of some of the permanent regulatory options established by that Regulation, and that subsequently was amended, regarding the treatment of the deduction of the intangible assets during the transitional period, by the Circular 3/2014, of 30 July, of Bank of Spain.

That Regulation (EU) No. 575/2013 establishes uniform standards to be met by entities in relation to: 1) the own resources regulatory requirements relating to items of credit risk, market risk, operational risk and liquidy risk; 2) requirements aimed at limiting large exposures; 3) hedge of liquidity risk in relation with fully quantifiable element, uniforms and standard, once developed by a delegate of the Commission Act; 4) the establishment of the leverage ratio and 5) information and public disclosure requirements.

The regulation introduces a review of the concept and components of own resources required regulatory institutions requirements. These are composed of two elements: the capital of level 1 (or Tier 1) and capital of level 2 (or Tier 2). At the same time, Tier 1 is equal to the sum of the capital level 1 ordinary (or Common Equity) and additional capital of level 1. Thus, capital of level 1 is formed by those instruments that are able to absorb losses when the entity is in operation, while the elements of the capital of level 2 will absorb losses mainly when the entity is not viable.

Entities shall at all times comply the following own funds requirements:

- A ratio of capital of 1 ordinary level of 4.5%.
- A ratio of Tier 1 (ordinary and additional) of 6%.
- A total of 8% capital ratio.

In relation to these requirements, the European Central Bank (ECB) has required for Unicaja Banco Group, following the process of review and evaluation supervisor (SREP, for its acronym in English), a minimum ratio the 9.25% CET1. This requirement includes a minimum CET1 required by Pilar I of 4.5% and a minimum CET1 required by Pilar II, including conservation of capital, a 4.75% mattress.

In regards to the capital buffer of counter-cyclical capital laid down in article 45 of the law 10/2014, the Bank of Spain has agreed to fix in 0% this buffer for credit exposures in Spain from 1 January 2016.

The Unicaja Banco Group's CET1 ratio is 12,8% on 31 December 2015 (including the retained result of the profit for the year). As result, within de current capital levels, Unicaja Banco Group has hedged capital requirements established by ECB and, therefore, there is not any limitation for the dividend distribution out of the related in Regulation (EU) No. 575/2013.

Law 10/2014 (26 June) on the organization, supervision and solvency of credit institutions continued to transpose the CRD-IV into the Spanish legal system, and it was later supplemented by the Royal Decree 84/2015, of 13 February, which develops law 10/2014, which adapt the Spanish legal system to European standards on the unique mechanism of Supervision (MUS).

Finally, at 9 February 2016 the Circular 2/2016, on 2 February, the Bank of Spain, to credit institutions, supervision and solvency, to complete the adaptation of the Spanish legal system directive 2013/36/UE and Regulation (EU) No. 575/2013 regarding options not exercised by 22014 circulars and Bank of Spain 32014 has been published in the Official Board. In addition, the Circular 2/2016 develops some aspects of the transposition of the directive 2011/89/UE of the European Parliament and of the Council of 16 November 2011, as regards the supplementary supervision of financial entities in a financial conglomerate, and introduces the definition of authority component, which will be the European Central Bank or Bank of Spain, according to the allocation and distribution of powers laid down in the Regulation (EU) No. 1024/2013, and which is completed in the Regulation (EU) No. 468/2014 of the European Central Bank, on April 16, 2014.

All of the above constitutes the current legislation in force regulating the equity that must be maintained by credit institutions both individually and as consolidated groups, and stipulates how this capital is measured. This includes the processes to be followed for the self-assessment of capital and the information to be made public.

At 31 December 2014 and 2015, Unicaja group own resources amounted to €3,509,803 thousand and €3,347,844 thousand, respectively, of which €3.509.803 thousand euros and 3,334,180 thousand euros, respectively, are part of the Common Equity Tier 1 (CET1). This represents a surplus on the requirements of own resources, in accordance with the regulation of the 2013/36 EU directive (CRD-IV) and the EU Regulation No. 575/2013 (CRR) of 1.341.166 thousand euros at 31 December 2015 (923.198 thousand euros at 31 December 2014). For its part, the surplus of the CET1 to 31 December 2015 on the minimum required amounts to 2,260,034 thousand euros (1,970,316 thousand euros at 31 December 2014). The surplus of the CET1 taking into account the additional requirement to Unicaja Banco Group as consequence of SREP amounts to 972,405 thousand euros on 31 December 2015.

At 31 December 2015 and 2014 Unicaja Group's equity totalled €3,509,803 thousand and €3,347,844 thousand, respectively, of which €3,479,892 thousand and €3,334,180 thousand, respectively, forms part of Common Equity Tier 1 (CET1). This represents a surplus over the equity requirements, in accordance with the new European regulations established by Directive 2013/36/EU (CRD-IV) and EU Regulation No. 575/2013 (CRR) amounting to €1,341,166 thousand at 31 December 2015 (€923.198 thousand at 31 December 2014). The surplus of CET1 over the minimum requirement amounts to €2,260,034 thousand (1,970,316 thousand euros at 31 December 2014). The surplus of the CET1 taking into account the additional requirement to Unicaja Banco Group as consequence of SREP amounts to 972,405 thousand euros on 31 December 2015.

	Thousands of euros	
	2015	**2014**
Basic equity Level 1	3 509 803	3 347 844
Of which: Ordinary Capital-Common Equity Tier 1 (CET 1)	*3 479 892*	*3 334 180*
Eligible capital Level 2	-	-
Total eligible equity	**3 509 803**	**3 347 844**
Total equity requirement	**2 168 637**	**2 424 646**

The tier 1 ordinary capital, includes, basically, capital, the share premium, reserves of net Bank deductions (intangible assets) and the contingent convertible bonds ("CoCos") subscribed for by the FROB (€604,000 thousand in both years) and part of the result of years 2014 and 2015, respectively, which will be allocated to reserves (in case).

Unicaja Banco Group rigorously attends to the management of the capital self-assessment process and solvency risk in order to maintain a prudent risk profile and balance, adequately preserving solvency, profitability and liquidity targets. Risk management processes are guided by the following basic principles:

- Permanent rigorous action to maintain a prudent and balanced risk profile, preserving the objectives of solvency, profitability and adequate liquidity.
- Active participation and supervision by Senior Management, which approves the general business strategies and policies applied by the Entity and establishes the general lines of risk management and control at the Entity.
- General internal control environment.
- Segregation of duties and the process of measuring and controlling the Entity's risk is completely independent from the risk taking function.
- The prudent management of exposure to credit risk, particularly by avoiding projects of uncertain viability and a quantitative limitation of investments based on sufficient guarantee parameters.
- Selection of adequate risk measurement methodologies.

The Entity's policies, methods and procedures relating to Overall Risk Management are approved by the Board of Directors. The Audit Committee, the Risk Committee, the Asset, Liability and Budget Committee (ALBC), the Internal Audit Department and the Comprehensive Risk Control Department at the Bank is responsible for ensuring adequate compliance with those policies, methods and procedures, ensuring that they are adequate, are effectively implemented and reviewed on a regular basis.

1.9.2 Minimum reserves ratio

At 31 December 2015 and 2014, the Entity complied with the minimum reserves ratio imposed by applicable Spanish regulations.

1.10 Deposit Guarantee Fund

Group credit institutions form part of the Credit Institution Deposit Guarantee Fund. In 2015 and 2014 the cost of ordinary, additional and extraordinary contributions to this organization totalled €43,323 thousand and €64,582 thousand, respectively. These amounts were recognised under "Other operating expense" in the accompanying consolidated income statement (Note 39).

With regard to the ordinary contributions, dated November 7, 2015 has been published the Royal Decree 1012/2015, of November 6, which develops the 11/2015 Act, of June 18, recovery and resolution of credit institutions and investment service companies, and amending the Royal Decree 2606/1996 , of 20 December, on deposits of credit guarantee funds. Among the changes incorporated, changes the definition of the heritage of the FGDEC, indicating that the Management Committee shall determine the annual contributions from organizations affiliated to the Fund, according to the criteria laid down in article 6 of the Royal Decree-Law 162011, on 14 October, which created the FGDEC. To this end, the basis of calculation of the contributions that entities must be done at each compartment of the Fund shall be:

a) In the case of contributions to the compartment of guarantee of deposits, the deposits guaranteed, as defined in article 4.1.

b) In the case of the contributions to the guarantee values compartment, 5 per 100 of the value of quote of the last trading day of the year, in the corresponding secondary market, guaranteed values, as defined in article 4.2, existing at the end of the year. When among the latter listed securities and financial instruments that are not traded in a secondary market, Spanish or foreign, its calculation basis will be given by their nominal value or the refund, which is more appropriate to the type of value or financial instrument concerned, unless it has been declared or recorded another most significant value for the purposes of your deposit or registration.

On 2 December 2015, the Management Committee of the FGDEC, under cover of the provisions of paragraph 2 of article 3 of the Royal Decree 2606/1996, of 20 December, on funds of guarantee of deposits of credit institutions, amended by the Royal Decree 1012/2015, of November 6, has determined the following annual contributions from related organizations for the year 2015 :

- Annual contribution to the compartment of guarantee of deposits of the FGDEC equal to 1,6 per thousand of the basis for calculation of contributions to such compartment defined in article 3.2 of the Royal Decree 2606/1996, existing at 31 December 2015.

- Annual contribution to the compartment of guarantee of values of the FGDEC equal to 2 per thousand of the basis for calculation of contributions to such compartment defined in article 3.2 of the Royal Decree 2606/1996, existing at 31 December 2015.

Moreover, with regard to extraordinary contributions, the Management Committee of the FGDEC in order to restore capital adequacy of the Fund pursuant to the provisions of Article 6.2 of Royal Decree-Law 16 / 2011 of 14 October, 30 July 2012 agreed to carry out an apportionment between seconded member institutions, distributed according to the result of contributions as of December 31, 2011, payable by ten equal annual fees. The amount of fees that must be entered on each date will be deducted from the regular annual contribution, if any, meets the entity on the same date, till the amount of ordinary share. At 31 December 2015 and 2014, the current value of the outstanding amount disbursed for this item amounts to €47,240 thousand and €58,002 thousand, respectively.

1.11 Contributions to resolution fund

During the year 2015, expenses recorded by the group, under the heading of "Other operating charges" of count attached consolidated income, for the contributions to the resolution funds corresponding to the own contribution of the 2015 period, amounts to 19.220 thousand euros (note 39).

Article 53.1. a) of the Law 11/2015 , of June 18, recovery and resolution of credit institutions and investment service companies, undertakes the creation of the "National Resolution Fund" as one of the mechanisms of financing of the measures provided for in the law itself. At the same time, the fourth additional provision provides that the part that matches the background of national resolution will be transferred to the single resolution Fund in the amount and form laid down in the Regulation (EU) No. 806/2014, of the European Parliament and of the Council of 15 July 2014, the rest of the applicable European Union law and the agreement on the transfer and sharing of contributions to the unique resolution Fund signed on 21 May 2014.

The financial resources of the National Fund of resolution must reach before the 31 December 2024, 1 the amount of guaranteed deposits, through the contributions of credit institutions and the investment services companies established in Spain, compulsory starting from the year 2015. In order to reach this level, the FROB, as authority Executive resolution, and therefore the national resolution Fund Manager, will communicate and raise, at least annually, the assessed contributions of the entities. By the year 2015, the FROB has sent letters to the entities communicating the amount that corresponds to each meet for their regular contribution to this Fund.

Moreover, article 67 of Regulation (UE) nº. 806/2014, of the European Parliament and of the Council of 15 July 2014, undertakes the creation of the “National Resolution Fund” as essential element of the Unique Mechanism of Resolution (MUR), initiated with the Directive 2014/59/UE, of the Parliament and of the Council of 15 May 2014, which will replace the National Resolution Fund under the transfer agreement and aforementioned mutualization.

This Fund has become operational dated January 1, 2016 and is managed by the Single Adjudication Board, which is also responsible for calculating the contributions to be made credit institutions and companies providing investment services defined in Article 2 of the regulation, based on the rules defined in the Delegate Regulation (EU) 2015/63 of the Commission of 21 October 2014 amending Directive 2014/59 / EU is completed, the European Parliament and the Council as regards the ex-ante funding mechanisms of resolution contributions.

Moreover, in accordance with Article 103 of Directive 2014/59 / EU, the financial resources available to be taken into account to achieve the target level for the Single Resolution Fund may include commitments irrevocable payment fully backed by guarantees low risk assets free of charges by third party rights, freely available and allocated for the exclusive use of the resolution authorities for the purposes specified in the Directive. The share of irrevocable payment commitments shall not exceed 30% of the total amount raised through ex ante contributions.

The first contributions ex ante institutions make the Single Resolution Fund are for the period 2016 contribution.

1.12 Changes in the International Financial Reporting Standards.

In 2015, new accounting norms became effective and have, therefore, been taken into account in the preparation of the Group's consolidated annual accounts for 2015:

Norms, modifications and interpretations	Description	Obligatory application to financial years beginning from
IFRIC 21 (*)	Charges	1 January 2015
Annual Improvements of IFRS	Improvement Project-Cycle 2011-2013	1 January 2015

On the date of the preparation of these consolidated annual accounts, the following norms and interpretations (the most important applied on that date) that had been published by the IASB had not come into effect, either because their effective data is after the date of these consolidated annual accounts, or because they have not yet been adapted by the European Union:

Norms, modifications and interpretations	Description	Obligatory application to financial years beginning from
Annual Improvements of IFRS	Improvement Project-Cycle 2010-2012	1 January 2015
Modification of IASB 19	Defined benefit Planes: employees Contributions	1 January 2015
IFRS 14	Deferred regulatory Accounts	1 January 2016
IFRS 11 Modification	Acquisition of shares in joint Operations	1 January 2016
IASB 16 and IASB 38 Modification	Depreciation and amortization accepted Methods	1 January 2016
IASB 16 and IASB 41 Modification	Agriculture: plants used to produce fruits	1 January 2016
IASB 27 Modification	Equity Method in separated financial statements	1 January 2016
Annual Improvements of IFRS	Improvement Project-Cycle 2012-2014	1 January 2016
IASB 1 Modification	Presentation of Financial Statements	1 January 2016
IPRS 10, IFRS 12 and IASB 28 Modification	Exception to consolidation for investment entities	1 January 2016
IASB 12	Recognition of deferred tax assets for unrealized losses	1 January 2017
IFRS 15	Regular incomes from customers contracts	1 January 2017
IFRS 9	Financial Instruments	1 January 2018
IASB 16	Leases	1 January 2019
IFRS 10 and IASB 28 Modification	Sale or Contribution of assets between an investor and his associates or joint business	(*)

(*) In late 2015, the IASB decided to postpone the effective date of these amendments, without setting a new specific date because it is planning a wider review that may result in the simplification of accounting for these transactions and other aspects of the accounting for associates and joint ventures.

The Administrators of the Savings Bank believe that the application of the majority of these norms will not have an important impact on the Group's consolidated annual accounts in the following years.

Standards and interpretations taking effect this year

During 2015 the following amendments to IFRS or interpretations (IFRIC) entered into force but have not had a significant impact on the consolidated financial statements:

- o IFRIC 21 "Levies" This interpretation covers the accounting treatment of levies imposed by public entities, other than taxes on profits, and fines and penalties imposed for the failure to comply with legislation. The main question raised in this respect is when the entity must recognize a liability for the obligation to pay a levy that is recognised in accordance with IAS 37. It also covers the accounting treatment of a liability relating to the payment of a levy when the due date and amount are known. The interpretation is mandatory for all years starting on or after 1 January 2015, although it may be applied early, which effectively is the case with Unicaja Banco Group.

- o Annual improvements to IFRS, 2011-2013 cycle: The amendments included in these Annual Improvements generally apply to years that commence starting on 1 January 2015, although they may be adopted early. The main amendments refer to the following items:

    - IFRS 3 “Business combinations”. Exceptions to scope for joint ventures.
    - IFRS 13 “Fair value measurement”. Scope of the "portfolio exception"
    - IAS 40 “Investment property”: Relationship between IAS 40 and IFRS 3 when a property is classified as an investment property or owner-occupied property

Application of these accounting standards and interpretations have not material effect on the condensed consolidated interim financial statements of the Group.

Standards and interpretations that have been issued but have not yet entered into force

At the date these consolidated annual accounts were prepared new International Financial Reporting Standards and the relevant interpretations had been published but none were mandatory for the years commencing on or after 1 January 2015. The analysis of any future impact that could arise due to adopting these standards has not yet been completed, although no significant impacts are expected when they enter into force. These standards are as follows:

- o Annual improvements to IFRS, 2010-2012 cycle: The amendments included in these Annual Improvements generally apply to years that commence starting on 1 February 2015, although they may be adopted early. The main amendments refer to the following items:

    - IFRS 2 “Share-based payments" Definition of "vesting condition"
    - IFRS 3 “Business combinations”: Recognition of contingent consideration in a business combination.
    - IFRS 8, "Operating segments": Disclosures regarding the inclusion of operating segments and the reconciliation of all assets assigned to the segments being reported with respect to the entity's assets.
    - IFRS 13 “Fair value measurement”: References to the capacity to measure current receivables and payables at their nominal value when the effect of the discount is not significant.
    - IAS 16 "Property, plant and equipment and IAS 38 "Intangible assets": Proportional restatement of accumulated depreciation/amortization when the revaluation model is used.
    - IAS 24, “Related party disclosures”. Entities that provide key management personnel services as a related party.

- o IAS 19 (Revised), “Defined benefit plans: employee contributions": IAS 19 (revised in 2011) makes a distinction between employee contributions relating to the service rendered and those that are not associated with the service. The current amendment also makes a distinction between contributions associated to the service only in the year in which they arise and those that are associated with the service over more than one year. The amendment allows contributions associated with the service that do not vary with the duration of the service to be deducted from the cost of the accrued services during the year in which the relevant service is rendered. The contributions associated with the service that vary in accordance with its duration must extend over the period the service is provided using the same assignment method that is applied to the benefits. This amendment applies retrospectively to the years commencing on or after 1 February 2015. Early adoption is permitted.

- IFRS 11 (Revised) “Recognition of purchases of shares in joint ventures” It requires that the accounting principles for a business combination to be applied to an investor that acquires an interest in a joint venture constituting a business. Specifically, identifiable assets and liabilities will have to be measured at fair value, the costs relating to the acquisition recognised as an expense, the deferred tax recognised and the residual amount recognised as goodwill. All other accounting principles for a business combination apply, unless they conflict with IFRS 11. This amendment will be applied on a prospective basis for the years commencing on or after 1 January 2016, although it may be applied early.

- IAS 16 (Revised) and IAS 38 (Revised) “Clarification of acceptable methods of depreciation and amortization”: This amendment clarifies that it is not adequate to use methods based on ordinary income to calculate the depreciation of an asset because ordinary income generated by an activity that includes the use of an asset generally reflect factors other than the consumption of the financial benefits within the asset. The IASB also clarifies that it is generally presumed that ordinary income is an inadequate basis for measuring the consumption of the financial benefits within an intangible asset. This amendment will be effective starting in years commencing on or after 1 January 2016 and will be applied on a prospective basis. The amendment may be applied early.

- IAS 16 (Revised) and IAS 41 (Revised) "Agriculture: Bearer plants to grow produce" Under this amendment plants that are held to obtain produce must be recognised in the same manner as property, plant and equipment, which is different from other biological assets. As a result, the amendments include these plants under the scope of IAS 16 instead of IAS 41. The produce grown on these plants will be maintained within the scope of IAS 41. These amendments will be applicable on a prospective basis to years starting on or after 1 January 2016, although early application is permitted.

- IAS 27 (Revised) “Equity method in separate financial statements”. It is amended to re-establish the option of using the equity method to account for investments in subsidiaries, joint arrangements and associates in a company's separate financial statements. The definition of separate financial statements was also clarified. An entity that chooses to change the equity method will apply the amendments in years that commence on or after 1 January 2016 in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors". Early adoption is permitted.

- Improvement project 2012-2014 cycle: The amendments affect IFRS 5, IFRS 7, IAS 19 and IAS 34 and will be applicable to the years commencing on or after 1 July 2016, subject to be adopted by the EU. The main amendments refer to:

    - IFRS 5 "Non-current assets held for sale and discontinued operations" Changes in disposal methods.
    - IFRS 7, "Financial instruments": Disclosures”. Continuing involvement in administration agreements.
    - IAS 19 “Employee benefits”: Determination of the discount rate for post-employment compensation obligations.
    - IAS 34 “Interim financial information”: Information presented in another part of the interim financial information.

- IAS 1 (Revised), “Presentation of financial statements”: The amendments to IAS 1 encourage companies to apply professional judgment when determining which information to disclose in the financial statements. The amendments clarify that materiality applies to the financial statements as a whole and including immaterial information may hamper the usefulness of the financial information. The amendments clarify that entities should use professional judgment to determine when, and in what order, the information is presented in the financial statements. The amendments to IAS 1 may be applied immediately and are mandatory for all years commencing on or after 1 January 2016.

- o IFRS 10 (Revised), IFRS 12 (Revised) and IAS 28 (Revised) "Investment entities": Applying the exemption to consolidation": These amendments clarify three aspects regarding the application of the requirement for investment entities to measure subsidiaries at fair value instead of consolidating them. The proposed amendments:

    - Confirm that the exception to presenting consolidated financial statements continues to be applied to an investment entity's subsidiaries when they are parent companies.
    - Clarify that a parent investment entity must consolidate a subsidiary that provides services relating to the investment instead of measuring the subsidiary at fair value.
    - Simplify the application of the equity method to an entity that is not itself an investment company but which holds an interest in an associate that is an investment entity.

- o IAS 12 (Revised) "Recognition of deferred tax assets for unrealized losses": This amendment clarifies how to account for deferred tax assets related to investments in debt instruments measured at fair value. Decreases in the carrying amount below cost of a debt instrument at a fixed rate valued at fair value, where the tax base is maintained at cost, give rise to deductible temporary differences. The estimate of likely future tax benefits may include the recovery of some of the assets of an entity above its book value, if there is a corresponding sufficient evidence. The amendment is effective for annual periods beginning on or after January 1, 2017, although early adoption is permitted. As a general rule, it will apply retrospectively. However, on the date of initial application of the amendment, there is the option to register the change in equity for the comparative period against the opening balance of retained earnings.

- o IFRS 15 “Revenue from contracts with customers”: In May 2014 the IASB and the FASB jointly issued a converging standard relating to the recognition of ordinary revenue originating from customer agreements. Under this standard, revenue is recognised when a customer obtains control of an asset or service sold, i.e. when it has both the ability to direct the use and obtain the benefits of the asset or service. This IFRS includes new guidelines to determine whether or not revenue should be recognised over time or at a certain moment. IFRS 15 requires broad information regarding both the recognised income and income that is expected to be recognised in the future with respect to existing contracts. It also requires quantitative and qualitative information regarding significant judgments applied by management when calculating recognised income, as well as any changes in these judgments. IFRS 15 will be applicable to years commencing on or after 1 January 2017, although it may be applied early.

- o IFRS 9, "Financial instruments". It addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of IFRS 9 was published in July 2014 and replaces the guidelines under IAS 39 regarding the classification and measurement of financial instruments. IFRS 9 maintains, although it simplifies, the mixed measurement model and establishes three main measurement categories for financial assets: amortised cost, fair value through changes in profit or loss and fair value through changes in other comprehensive income. The basis of classification depends on the Company's business model and the characteristics of the contractual cash flow for the financial asset. Investments in equity instruments must be measured at fair value through profit or loss with the irrevocable election at initial recognition to present changes in fair value through other non-recyclable comprehensive income, provided that the instrument is not held for trading. If the equity instrument is held for trading any changes in fair value are presented in profit or loss.

There have been no changes to the classification and measurement of financial liabilities, except for the recognition of changes in own credit risk in other comprehensive income for liabilities carried at fair value through profit or loss. Under IFRS 9 there is a new impairment loss model called the expected credit loss model that replaces the incurred impairment loss model defined by IAS 39 and which will give rise to the recognition of such losses earlier than under IAS 39. IFRS 9 relaxes the requirements to consider the hedge effective. Under IAS 39, a hedge should be highly effective both prospectively and retrospectively. IFRS 9 replaces this line and requires that an economic relationship exists between the hedged item and hedging instrument and that the hedge ratio is the same as that actually used by the entity in its risk management. Contemporaneous documentation is still required but is different to that prepared under IAS 39. Finally, broad information is required, including a reconciliation of the beginning and ending balance of the provision for expected defaults, assumptions and data and a reconciliation during the transition between the original classification under IAS 39 and the new classification categories under IFRS 9.

IFRS 9 will be applicable to years commencing on or after 1 January 2018, although it may be applied early. IFRS 9 will be applied retroactively but the restatement of comparative figures will not be required. If an entity opts to apply IFRS 9 early all requirements must be applied at the same time. The entities that apply the standard before 1 February 2015 continue to have the option to apply the standard in stages.

- IFRS 16 "Leases": In January 2016, the IASB published a new standard on leases, which supersedes IAS 17 "Leases", the result of a joint project with the FASB. The IASB and FASB have reached the same conclusions in many areas related to accounting for leases, including the definition of a lease, the requirement, as a rule, reflect the leases on the balance sheet and the valuation of liabilities lease. The IASB and FASB have also agreed not incorporate substantial accounting by the lessor changes, remaining similar to those of the earlier legislation requirements. There are still differences between the IASB and FASB regarding the recognition and presentation of expenses related to leases in the income statement and the cash flow statement. Under IFRS-IASB, IFRS 16 is applicable mandatory from January 1, 2019, being able to choose to apply IFRS 16 in advance, but only if both IFRS 15 "Revenue from contracts with customers" applies.

- FRS 10 (Revised) and IAS 28 (Revised) Sale or contribution of assets between an investor and its associates/joint ventures": These amendments clarify the accounting treatment of sales and contributions of assets between an investor and its associates and joint ventures that will depend on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor will recognize the complete gain or loss when the non-monetary assets constitute a "business". If the assets do not comply with the definition of a business, the investor recognizes the gain or loss in proportion to the interests of other investors. The amendments will only be applicable when an investor sells or contributes assets to an associate or joint venture. Originally, these amendments to IFRS 10 and IAS 28 were forward-looking and effective for annual periods that began on or after 1 January 2016. However, at the end of 2015, the IASB decided to postpone the effective date of the same (without setting a new specific date), since you are planning a wider review that may result in the simplification of accounting for these transactions and other aspects of the accounting for associates and joint ventures

The Bank's Directors understand that the entry into force of most of these standards will not have a relevant impact on the Group's financial statements.

Concerned to the adoption by the Grupo Unicaja Banco IFRS 9 "Financial Instruments", the Group is analyzing the impact that this standard may have on its consolidated it should be effectively adopted by the European Union, in particular annual accounts as it regards the estimation of provisions for bad debts by developing a calculation methodology based on the expected loss. At the date of preparation of these consolidated financial statements, work plans that support the implementation of this standard were ongoing, so that the group, to the current date, has not finalized quantifying the potential impact it will have, where appropriate, the adoption by the European Union of this standard.

1.13 Merger of certain subsidiaries of Spain Duero

Dated February 25, 2015, the Board of Directors of EspañaDuero agreed to initiate proceedings for the merger between Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (As absorbing company) and the following entities in its group, as merged companies: Invergestión, Sociedad de Inversiones y Gestión, S.A.U., Inmocaja, S.A.U., Gestión de Inversiones en Alquileres, S.A., Guendulain Suelo Urbano, S.L.U., Caja Duero Capital, S.A.U., Caja España de Inversiones, Sociedad de Participaciones Preferentes, S.A.U. y Campo Inversiones, S.A.U, with consequent dissolution and termination without liquidation of the absorbed companies, and block transfer of their respective assets, in full and as a whole, to the Bank.

Dated March 18, 2015, it was prepared by the Board of Directors of EspañaDuero the corresponding merger project, containing all the particulars required by law and was deposited in the respective Mercantile Registries, not the preparation of the report of the directors being required and experts on the merger or approval of the merger by the shareholders' meeting of the acquired companies, within the meaning of Article 49.1 of the Law 3/2009 of 3 April on structural modifications of companies commercial (hereinafter LMESM), being fully absorption investees directly or indirectly by the acquiring entity form. Nor is it necessary, based on this fact, increase the share capital of the acquiring entity or establish exchange ratio.

Date April 28, 2015,, and after formulation of the merger balance sheets as of 31 December 2014 of the companies absorbed by its administrators, the General Meeting of Shareholders of EspañaDuero approved these mergers by absorption and balances corresponding fusion and the joint merger, and the placement of them the special tax regime established in Chapter VII of Title VII of Law 27/2014, of 27 November, the corporate income tax.

In accordance with the provisions of additional provision twelfth of Law 10/2014 of 26 June, management, supervision and solvency of credit institutions, dated October 5, 2015 the mandatory authorization of the merger was obtained absorption by the Ministry of Economy and Competitiveness, by decree, once the operation was reported favorably by the Bank of Spain, the Executive Service of the Commission for the Prevention of Money Laundering and Financial Crime, the National Stock Market Commission Securities and the Directorate General of Insurance and Pension Funds, within the scope of its powers.

Once this authorization and the expiry of one month from the publication of the merger without any creditor of the companies involved in the merger is opposite thereto, dated January 25, 2016, writing was granted notarization of the resolutions adopted at the General Shareholders' Meeting of EspañaDuero, held on April 28, 2015, approving the merger by absorption is approved, with the termination without liquidation of the absorbed companies and transmission of all its assets to the Bank, which acquired by universal succession the rights and obligations of the absorbed, being registered with the Commercial Registries of Madrid, Leon and Pamplona dated January 27, 2016, February 1, 2016 and February 2, 2016, respectively.

1.14 Merger of Caja España Fondos by Unigest

On 10 July 2015, the General Meetings of Unigest, S.G.I.I.C., S.A. Caja España Fondos, S.A., S.G.I.I.C., approved the merger between Unigest, as absorbing company and Caja España Fondos as absorbed company. All this in the terms and conditions of the applicable Merger, signed and formulated on 27 and 28 April by the Boards of Directors of both companies, respectively, and with the authorization of the National Stock Market Commission (CNMV), as agreed of July 9, 2015.

At the time of the operation, Caja España Fondos, S.A., S.G.I.I.C. It was owned by Invergestión, Sociedad de Inversiones y Gestión, S.A., with 68.63% and Banco de Caja España de Inversiones, Salamanca and Soria, S.A. (EspañaDuero) with 31.37%. Meanwhile, Unigest, S.G.I.I.C., S.A. it was wholly owned by Unicorp Corporación Financiera, S.L.U. All participating entities belonged to Grupo Unicaja Banco.

On September 3, 2015, it was signed notarized the deed of merger between the two companies, being registered in the province of Malaga dated October 15, 2015.

Upon completion of the merger, the company Caja España Fondos, S.A., S.G.I.I.C. extinguished without liquidation, transmitting block all social assets to the acquiring company, which thus acquires by universal succession, all rights and obligations of the absorbed company.

The aim of the merger is to take advantage of the synergies that could be achieved, inter alia, by the common condition of members of Grupo Unicaja Banco and in order to carry out an operation to restructure the assets of those companies that achieves a more optimal and efficient corporate structure, with greater economic, organizational control and management, which can be obtained by consolidation and concentration of assets and liabilities, rights and obligations in a single entity.

1.15 Transfer branch of activity between Unicaja Banco and Espanaduero

On January 30, 2015, the Boards of Directors of Unicaja Banco, S.A. and Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (EspañaDuero) have approved the signing of a contract that Unicaja Banco will acquire from EspañaDuero an industry consists of 30 offices and bank branches in operation, located outside the main territorial scope of activity EspañaDuero, specifically in Andalusia, Castilla-La Mancha, Ceuta and Badajoz, which are, in turn, the main geographical area of activity Unicaja Banco.

Transmission is divided into two phases. A first phase in which the buyer is subrogated to the employment contracts of the seller with employees associated with branches and offices subject of transfer, and ownership of property linked to it is transmitted, and a second phase in which the remaining assets and liabilities related to the branch of activity is transmitted.

The closure of the first phase was conditioned to obtaining binding report or answer to the General Direction on tributes of the transaction and the approval of the transfer by the Ministry of Economy and Competitiveness. This first phase is completed dated May 21, 2015, upon satisfaction of the conditions precedent taking place on that date subrogation buyer in employment contracts and the transfer of the property for a price of €1,075 euros, matches the appraised value thereof.

At the date of preparation of these consolidated financial statements they have not yet fulfilled the contractual conditions for the closing of the second phase of the transmission of the branch of activity.

1.16 Subsequent events

On January 4, 2016 and February 11, 2016, Unicaja Banco Grupo, through Unimediación, S.L.U. and Caja España Mediación, Operador Banca-Seguros Vinculado, S.A.U., respectively, has signed arrangements involving the transfer of exclusive distribution rights of several insurance lines. The Group has also signed on February 11, 2016, through Bank of Spain Caja de Inversiones, Salamanca and Soria, S.A. and Grupo de Negocios Duero, SAU an agreement for the sale of 100% of the ownership interest in Unión del Duero, Compañía de Seguros Generales, S.A.U. This agreement is subject suspensivamente obtaining the declaration of no objection from the Direccion General de Seguros. The above-described operations have no impact on the 2015 consolidated financial statements.

During the period from 31 December 2015 to the issue date of these consolidated annual accounts, there have been no particularly relevant events that are not referred to in the notes to the accounts.

2. Accounting principles and policies and measurement methods applied

During the preparation of the consolidated annual accounts for 2015 and 2014, the following accounting principles and policies and measurement methods were applied:

2.1 Consolidation

2.1.1 Subsidiaries

“Subsidiaries” are defined as companies over which the Parent has the capacity to exercise effective control; control is, in general but not exclusively, presumed to exist when the Parent owns directly or indirectly more than half of the voting power of the investee, or even if this percentage is lower or zero, when there are other circumstances or agreements that give the Confederation Control. In accordance with IAS 27, control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities. In accordance with the IFRS 10, is considered that an associate company is controlled if and only if it satisfies all of the following elements: (i) power over the investee, (ii) exposure, or rights, to variable yields from their involment with the associate company, and (iii) ability to use its power over the associate company to influence the amount of investor yields.

To December 31, 2015 and 2014 are considered entities of the group, those subsidiaries of EspanaDuero take account of Unicaja Banco participation on that entity, is considered that there is control over them (see details in annex I).

The subsidiaries annual accounts are consolidated with those of the Entity using the full consolidation method, in accordance with the consolidation procedure described in IAS 27. Consequently, all significant balances deriving from transactions between the fully-consolidated companies have been eliminated during consolidation. Additionally, third-party interests in the:

- Group’s equity is presented in “Minority interests” in the consolidated balance sheet (Note 20).

- Consolidated results for the year are presented in “Surplus attributed to minority interests” in the consolidated income statement (Note 20).

Results generated by subsidiaries acquired by the Group during the year are consolidated taking into account only the amounts for the period running from the acquisition date to the year end. Additionally, results generated by subsidiaries sold during the year are consolidated taking into account only the amounts for the period running from the beginning of the year to the date of sale.

Note 12.2 provides information about acquisitions, divestitures and most significant movements that have taken place in the year 2015 of subsidiaries.

Appendix I provide relevant information on these entities.

2.1.2 Joint ventures (jointly-controlled entities)

“Joint ventures” are investments in entities that are not subsidiaries but are controlled jointly by two or more unrelated entities.

In accordance with IFRS 11 "Joint Arrangements" arise when a participant has the right to the results obtained or to the net assets of the company in which the interest is held and therefore uses the equity method to recognize its stake in the company. Jointly-controlled entities are classified as joint ventures in the consolidated financial statements and for the purposes of IFRS 11 they are measured using the "equity method".

Note 12.2 provides information about acquisitions, divestitures and most significant movements that have taken place in the year 2015 of jointly controlled entities.

Appendix II provides relevant information on these entities.

2.1.3 Associates

“Associates” are all the entities over which the Entity has significant influence but not control or joint control. Significant influence generally accompanies a direct or indirect shareholding of 20% or more of the voting rights.

At 31 December 20115 and 2014 Group associates are considered to be entities in which at least 20% of the voting rights are held: Alestis Aerospace, S.L. and Deoleo, S.A. Moreover, they receive this consideration those partners of associates companies considering the participation of Unicaja Banco on such associates companies are considered significant influence on them (see details in Annex III).

The main reasons why the Group is considered to have significant influence over those companies are as follows:

- Unicaja Banco has an agreements with the shareholders dated in 18 of December of 2013, that allow it to form part of the Board of Directors, participle in the organization and operations of the governing bodies and participle in, or in some cases block, business decisions.

- As a result of its interest in Deoleo, S.A., Unicaja Banco Group is entitled to appoint a total of two Directors.

In the consolidated financial statements, associates are consolidated using the equity method, as defined in prevailing legislation (IAS 28).

If as a result of losses incurred by an associate its equity is negative, in the consolidated balance sheet would appear of the Group with a nil value, unless the Group is required to provide financial support.

Note 12.2 provides information about acquisitions, divestitures and most significant movements that have taken place in the year 2015 of associates.

Appendix III provides relevant information on these entities.

2.2 Financial instruments

2.2.1 Initial recognition of financial instruments

Financial instruments are initially recognized in the consolidated balance sheet when the Group becomes party to the relevant contract, in accordance with the terms of that contract. Specifically, debt instruments such as loans and deposits in cash are recognized as from the date on which the legal right to receive or the legal obligation to pay the cash is generated, respectively. In general, derivative financial instruments are recognized on the date they are contracted.

Purchases and sales of financial assets arranged through conventional contracts (contracts under which the parties reciprocal obligations must be fulfilled within a timeframe established by regulations or market convention and which may not be settled by differences), such as stock market contracts or currency forwards, are accounted for from the date on which the benefits, risks, rights and duties inherent in all ownership are transferred to the acquirer. Depending on the type of financial asset purchased or sold, this may be the contract date or the settlement or delivery date. Specifically, transactions effected on the foreign exchange spot market are recognized at the settlement date, transactions effected using equity instruments traded in Spanish securities markets are recorded at the contract date and transactions effected using debt instruments traded on Spanish securities markets are recognized at the settlement date.

2.2.2 Disposal of financial instruments

A financial asset is written off the consolidated balance sheet in any of the following circumstances:

- The contractual rights to the cash flows generated have expired; or
- The financial asset, together with its substantial risks and rewards, is transferred, or control is transferred, even where risks and rewards are not substantially transferred or retained.

A financial liability is written off the balance sheet when the obligations generated have been extinguished or when it has been re-purchased by the Group for either re-placement or settlement.

2.2.3 Fair value and amortized cost of financial instruments

The fair value of a financial instrument at a given date is understood to be the amount at which it may be purchased or sold at that date between duly informed parties in an arm’s length transaction. The most objective and common reference value for a financial instrument’s fair value is the price that would be paid in an organized, transparent and deep market (“quoted price” or “market price”).

In the absence of a market price for a specific financial instrument, its fair value is estimated on the basis of recent transactions involving similar instruments or, failing this, using valuation techniques that are acceptable to the international financial community, taking into account the specific features of the instrument to be measured and, above all, the different types of associated risks.

Specifically, the fair value of held-for-trading derivative financial instruments traded in organized, transparent and deep markets is the same as their daily market price. If, in exceptional circumstances, the price cannot be established on a given date, they are measured using similar methods to those applied to derivatives not traded in organized markets.

The fair value of derivatives not traded in organized markets, or traded in organized markets that are not deep or transparent, is equal to the sum of the future cash flows generated by the instrument, discounted at the measurement date (“present value” or “theoretical close”), employing valuation techniques accepted by the financial markets: “net present value” (NPV), option pricing models, etc.

Amortized cost is the acquisition cost of a financial asset or liability adjusted (upward or downward) for capital and interest repayments and, where applicable, for the (higher or lower) portion (recognized in the consolidated income statement by applying the effective interest method) of the difference between the initial amount and the repayment value of the financial instruments. The amortized cost of financial assets also includes impairment adjustments.

The effective interest rate is the discount rate that brings the initial value of a financial instrument exactly into line with total estimated cash flows throughout its residual life. In the case of fixed-income financial instruments, the effective interest rate is equal to the contractual rate defined on acquisition, adjusted for commissions and transaction costs that must be included in the calculation of the effective interest rate, under IAS 39. The effective interest rate for variable-rate financial instruments is estimated in the same way as for fixed-income transactions and is recalculated at each interest review date stated in the contract, taking into consideration changes in the transactions future cash flows.

2.2.4 Classification and valuation of financial assets and liabilities

Financial instruments are classified into the following categories in the Group's consolidated balance sheet:

- **Financial assets and liabilities at fair value through profit or loss:** This category includes financial instruments for trading and other financial assets and liabilities classified as at fair value through profit or loss:

  - **"Financial assets held for trading"** are assets acquired in order to be realized in the short term or which form part of a portfolio of financial instruments identified or managed jointly, for which there is evidence of recent actions taken to obtain short-term gains, and derivative financial instruments not designated as hedge instruments, including instruments segregated from hybrid financial instruments (IAS 39).

  - **"Financial liabilities held for trading"** are liabilities issued for repurchase in the near future or that form part of a portfolio of financial instruments identified or managed jointly for which there is evidence of recent actions to obtain short-term gains, short positions in securities arising from sales of assets acquired under non-optional repurchase agreements and loans of securities, and derivative financial instruments not designated as hedge instruments, including instruments segregated from hybrid financial instruments.

  - **"Other financial assets or liabilities at fair value through profit or loss"** they are designated as financial assets or liabilities in their initial recognition, the fair value of which can be estimated in a reliable manner and this designation can be applied to:

  (i) hybrid assets and liabilities for which the implicit derivatives cannot be separately valued in a reliable manner, the separation of these is obligatory,

  (ii) hybrid financial assets and liabilities as a whole, designated from their initial recognition, except when the implicit derivatives do not significantly modify the cash flows that, in another way, the instrument would have generated or when the hybrid instrument was first considered the prohibition of separating from the implied derivatives was evident,

  (iii) financial assets and liabilities on which more relevant information is obtained because with this there is a significant reduction in the incoherencies in the recognition or valuation (also called accounting asymmetries) that would arise in the valuation of the assets or liabilities, or through the recognition of gains or losses with different criteria,

(iv) financial assets and liabilities on which more relevant information is obtained due to the existence of a group of financial assets or liabilities in each case from which more relevant information is obtained because there is a group of financial assets, or of assets and financial liabilities that are managed and their yield is valued based upon their fair value, in accordance with a documented management risk or investment strategy and the information on this group is also supplied based upon the fair value to the key management personnel.

- **Held-to-maturity investments**: it includes debt securities with fixed maturities and identified or identifiable cash flows that are classified by the Entity at initial date and subsequently, with the intention and financial capacity to hold them until maturity date.

The debt securities included in this category are initially carried at fair value, as adjusted for transaction costs directly attributable to the acquisition of the financial asset, which are recognized in the income statement using the effective interest method as defined in IAS 39. They are subsequently carried at amortized cost, calculated based on the effective interest rate.

- **Loans and receivables**: this category includes unlisted debt securities, financing provided to third parties arising from the ordinary credit and loan activities carried out by the Entity, and debts incurred by asset buyers and by service users. It also includes finance lease transactions where the entities are the lessors.

The financial assets included in this category are initially carried at fair value, as adjusted for commissions and transaction costs directly attributable to the acquisition of the financial asset and which, under IAS 39, must be recognized in the income statement using the effective interest method, to maturity. Following acquisition, the assets are carried at amortized cost.

Assets acquired at a discount are recorded at the cash amount paid and the difference between the repayment value and that cash amount is recognized as financial income applying the effective interest method during the period to maturity.

In general terms it is the intention of the consolidated companies hold the loans and credits granted to maturity, and therefore presented in the consolidated balance sheet at amortized cost.

The interest accrued on these assets, calculated using the effective interest method, is recognized in the caption “Interest and Similar Income” in the income statement. Exchange differences on securities denominated in foreign currency other than the Euro are registered as mentioned in Note 2.4. Possible impairment losses on these assets are recorded as indicated in Note 2.7. Debt securities included in fair value hedged transactions are recorded as mentioned in Note 2.3.

- **Available-for-sale financial assets**: this category includes debt securities not classified as held to maturity, such as loans and receivables, or as at fair value through Profit or loss, and equity instruments owned by Unicaja relating to entities which are not subsidiaries, joint ventures or associates, and which have not been classified at fair value through profit or loss.

The instruments included in this category are initially measured at fair value, adjusted for transaction costs, which are recognized until maturity in the income statement using the effective interest method. In the case in which the financial assets have no fixed maturities, they are accounted to the income statement when they become impaired or written off the balance sheet. Following acquisition, the financial assets included in this category are carried at fair value.

Nonetheless, equity instruments, which fair value cannot be determined in a sufficiently objective manner, are carried at cost in these annual accounts, net of impairment as explained in Note 2.7.

Balancing entries are registered in “Interest and Similar Income” (calculated using the effective interest method) and “Return on Equity Instruments” in the income statement, with respect to changes in the fair value of financial assets classified as available for sale, relating to interest or dividends accrued, respectively. Impairment losses on these instruments are recorded as mentioned in Note 2.7. Exchange differences on financial assets denominated in foreign currency other than the euro are accounted as mentioned in Note 2.4. Changes in the fair value of financial assets covered by fair value hedges are registered as mentioned in Note 2.3.

A balancing entry is made in “Valuation Adjustments”, in the Entity’s equity, with respect to the remaining changes to the fair value from the acquisition date of available-for-sale financial assets until the financial asset is written off, when the balance is taken to “Gains (Losses) on non-current assets held for sale not classified as discontinued operations” in the income statement.

- **Financial liabilities at amortized cost**: this category of financial instruments relates to financial liabilities that are not included in any of the previous categories. Financial liabilities included in this category are initially carried at fair value adjusted for transaction costs that may be directly attributable to the issue of the financial liability, which will be allocated to the consolidated income statement to maturity, using the effective interest rate method defined in IAS 39. They are subsequently valued at amortized cost, calculated using the effective interest rate method defined in IAS 39.

The liabilities issued by the consolidated entities which, having the legal nature of capital, do not fulfil the conditions to be classified as equity under IAS 32, i.e., basically shares issued by the consolidated entities that do not carry voting rights and entitle the holders to dividends in the event that certain conditions are met, are classified as financial liabilities at amortized cost except if the Group has designated them as financial liabilities at fair value through profit or loss and provided that the relevant conditions are met.

Accrued interest on these securities, calculated through the effective interest rate method is reflected under “Interest and similar charges” in the consolidated income statement. Exchange differences on securities denominated in a currency other than the euro, included in this portfolio, is reflected in accordance with Note 2.4. Financial liabilities in fair value hedging transactions are reflected in accordance with Note 2.3.

Nonetheless, financial instruments which should be considered as non-current assets held for sale in accordance with IFRS 5 "Non-current assets held for sale and discontinued activities" are reflected in the consolidated financial statements as mentioned in Note 2.22.

Reclassifications between financial instruments portfolios are made according to the following assumptions:

i. Except in the case iv) stated below, the financial instruments may not be reclassified into or out of the category assessed at fair value through profit and loss, once acquired, issued or assumed.

ii. A financial asset, which intent or financial capacity changes, is classified from “Held-to-maturity investments” to "Available-for-sale financial assets". In this case, the same treatment is applied to all financial instruments held-to-maturity except under the circumstances stated by the applicable law (sales close to maturity date, or once received major part of the financial assets principal, or sales attributed to a non-recurring event that could not have been anticipated by the Entity).

    During 2015 and 2014, Unicaja Banco Group proceeded to sell part of the debt securities classified under the held-to-maturity investment portfolio (Note 9.4). The transactions comply with the requirements of paragraph GA22 of IAS 39 "Financial instruments: recognition and measurement" and therefore the rest of the debt securities in the held-to-maturity investment portfolio do not need to be reclassified to the available-for-sale financial asset portfolio.

iii. If a reliable valuation of a financial asset or liability becomes available, for which no such valuation had been previously available, and if it were obligatory to value them a fair value, such as non-quoted capital instruments and the derivatives that these have as underlying assets, these financial assets or financial liabilities will be valued at their fair value and the difference from their carrying amount will be treated in line with what is established for their portfolio class.

    During the years 2015 and 2014 there has been no significant reclassification as described above.

iv. If, as a result of a change in the intention or in the financial capacity of the Entity or, the expiry of the two year penalty period imposed by the applicable norm for the case of the sale of financial assets classified in the investment portfolio as at due date, financial assets (debt instruments) included in the category of “financial assets available for sale” may be reclassified to the “investment portfolio at due date”. In this case, the fair value of these financial instruments on the date of the transfer becomes their new amortized cost and the difference between this amount and their reimbursable value is charged to the consolidated profit and loss account applying the interest rate method applicable, during the residual life of the instrument.

    During the years 2015 and 2014 there has been no significant reclassification as described above.

v. A financial asset that is not a derivative may not be classified under “financial assets held for trading” if ceased to be maintained for the purpose of short term sale or repurchase, when one of the following circumstances takes place:

    - In rare and exceptional circumstances, unless the assets could have been susceptibly included in the heading “Loans and receivables”. Rare and exceptional circumstances are those that arise from a particular event, which is unusual and highly unlikely to recur in the foreseeable future.

    - When the Entity's intention and financial capacity to maintain the financial asset in the foreseeable future or until maturity, provided that it fulfilled the definition of “Loans and receivables” at its initial recognition.

    In these situations, the assets are classified at the reclassification date fair value, without reversing the results, and considering this value as their cost or amortized cost. In no case these assets may turn to be reclassified as “Financial assets held for trading”.

    During the years 2015 and 2014 there has been no significant reclassification as described above.

2.3 Hedging and mitigation of risks

The Group uses financial derivatives as part of its strategy to limit its exposure to interest rate, market and foreign exchange risks, inter alia. When the transactions fulfil the requirements of IAS 39, they are treated as hedges.

When the Group designates a transaction as a hedge, it does so as from the time of inception of the transactions or the instruments included in the hedge, which is appropriately documented. When documenting these hedge transactions, the hedged instrument(s) and hedging instrument(s) are duly identified together with the nature of the risk which is intended to be hedged and the criteria or methods followed by the Entity to measure the effectiveness of the hedge over the hedge term, taking into account the risk to be covered.

Only transactions that are considered highly effective throughout the hedge term are treated as hedge transactions. A hedge is considered highly effective if during the specific term any changes in fair value or cash flows attributed to the risk covered by the hedge of the financial instrument or instruments are virtually fully offset by the changes in fair value or cash flows, as appropriate, of the hedging instrument or instruments.

In order to measure the effectiveness of designated hedges, the Group analyses whether, from inception and to the end of the defined hedging period, changes in fair value or cash flows of the hedged item that are attributable to the hedged risk may prospectively be expected to be offset almost completely by changes in fair value or cash flows, as applicable, of the hedging instrument or instruments and whether, retrospectively, the hedge results have fluctuated within a range of 80% to 125% with respect to the results of the item hedged.

The Entity's hedges are classified as follows:

- Fair value hedges: These hedges cover exposure to changes in the fair value of financial assets and liabilities or of Groups' commitments not yet recognized, or of an identified portion of such assets, liabilities and the Group's commitments, attributable to a specific risk, provided it might affect the consolidated income statement.

- Cash-flow hedges: These hedges cover changes in cash flows attributed to a specific risk associated with a financial asset or liability or a highly probable transaction, provided it may affect the income statement.

As regards the specific financial instruments designated as hedged items and hedging instruments, measurement differences are recognized as described below:

- For fair value hedges, differences in hedges and hedged items (depending on the type of the hedged risk) are recognized directly in the consolidated income statement.

- For cash flow hedges, measurement differences arising on the effective portion of the hedge are temporarily recorded in the equity item "Valuation adjustments - Cash flow hedges". The financial instruments covered by cash flow hedges are recognized as explained in Note 2.2 and no adjustments are made due to the fact that they are classified as hedged items.

In the latter case, measurement differences are not recognized in the income statement until the gains or losses on the hedged item are recognized or, in the case of the hedge was related to a highly probable future transaction whose consequence is the recognition of a not financial asset or liability, these measurement differences would be recognized as part of the acquisition cost or until the maturity date of the hedged item.

Measurement differences on the hedging instrument relating to the ineffective portion of cash flow hedges are recognized directly in "Gains/ (losses) on financial assets and liabilities (net)" in the consolidated income statement.

The Group interrupts the hedge accounting when the instrument expires or is sold, when a hedge no longer meets the criteria for the hedge accounting or when the transaction ceases to be classed as a hedge.

Where the hedge fair value is interrupted as stated in the previous paragraph, in the case of hedged items carried at amortized cost, the adjustments made for the hedge accounting purposes are recognized in the income statement until the maturity date of the hedged items, applying the effective interest rate as recalculated on the interruption date.

Where cash flow hedge accounting is interrupted, the gain or losses accumulated on the hedging instrument recognized in the equity caption "Valuation adjustments - Cash flow hedges" in the consolidated balance sheet remains in that heading until the hedged expected transaction takes place, when the amount in question is taken to the consolidated income statement or, when the hedged item is an expected transaction that results in the recognition of a financial asset or liability, an adjustment is made to the acquisition cost of the asset or liability. In the case of expected transactions, when the transaction is not expected to be effected, the relevant amount recognized in the equity item "Valuation adjustments - Cash flow hedges" is immediately taken to the consolidated income statement.

2.4 Foreign currency transactions

2.4.1 Functional currency

The Group's functional currency is the euro. All balances and transactions denominated in currencies other than the euro are considered as foreign currency balances and transactions.

The total equivalent value in euros of the Entity's foreign currency assets and liabilities at 31 December 2015 was €104,755 thousands and €69,217 thousands, respectively (€99,602 thousands and €67,243 thousand, respectively, at 31 December 2014). The 83% and 85%, respectively at 31 December 2015 was denominated in US dollars (83% and 85%, respectively at 31 December 2014) and 8% and 6%, respectively at 31 December 2015 in pounds sterling (7% and 6% respectively, at 31 December 2014), and the remainder in other foreign currencies traded in the Spanish market.

2.4.2 Foreign currency translation

Foreign currency transactions effected by the Group are initially recognized in the financial statements at their equivalent value in euros, using the exchange rates prevailing at the dates of the transactions. The Entity subsequently translates the monetary balances in foreign currency to the functional currency using the year-end exchange rate. Additionally:

- Non-monetary items carried at historical cost are translated into the functional currency using the exchange rate prevailing at their acquisition date.

- Non-monetary items carried at fair value are translated into the functional currency using the exchange rate in force at the date on which fair value was determined.

2.4.3 Exchange rates applied

The exchange rates used by the Entity to translate balances denominated in the main foreign currencies to euros when preparing the annual accounts at 31 December 2015 and 2014 are the rates published by the European Central Bank.

2.4.4 Accounting for exchange differences

Exchange differences arising from the translation of foreign currency balances into the Group's functional currency are generally recognized at their net amount in "Exchange differences (net)" in the consolidated income statement, except for differences in financial instruments carried at fair value through the income statement, which are recognized in the consolidated income statement together with any other change in fair value.

In 2015, exchange differences recognized in the Bank's consolidated income statement totaled a net loss of €2,714 thousand, as compared with a net gain of €2,664 thousand in 2014.

Exchange differences in non-monetary items which fair value is adjusted by means of a balancing entry in equity are recognized in “Valuation adjustments - Exchange differences” in the consolidated balance sheet, until they are realized. Exchange differences arising on non-monetary items whose fair value is adjusted against the consolidated equity.

In 2015 and 2014, exchange differences recognized in the consolidated statement of recognized income and expenses as “Other recognized income and expenses" amounted to €94 thousand and €97 thousand, respectively, relating in both cases to net losses on measurement.

2.5 Recognition of income and expense

Set out below is a summary of the most significant accounting policies employed by the Group to recognize income and expense:

2.5.1 Interest income and expense, dividends and similar items

In general, interest income and expense and similar items are accounted in an accruals basis, applying the effective interest method defined in IAS 39. Dividends received from other companies are recognized in the income statement when the Entity becomes entitled to receive them.

2.5.2 Commissions, fees and similar items

Income and expense relating to commissions and similar fees, which are not included in the calculation of the effective interest rate of operations and/or do not form part of the acquisition cost of financial assets or liabilities, except for those carried at fair value through the income statement, are recognized in the income statement using different methods depending on their nature. The most significant methods used are explained below:

- Amounts associated with the acquisition of financial assets and liabilities carried at fair value through the income statement are recognized in the consolidated income statement at the payment date.

- Amounts arising from long-term transactions or services are recognized in the consolidated income statement over the term of the transactions or services.

- Amounts relating to a one-off event are recorded in the consolidated income statement when that event takes place.

2.5.3 Non-financial income and expense

These amounts are accounted in an accruals basis.

2 5.4 Deferred collections and payments

Deferred collections and payments are carried at the amount obtained by discounting expected cash flows at market rates.

2.6 Offset of balances

Only debtor and creditor balances arising from transactions which, under contract or legislation, provide for possible offset and are to be settled at their net amount, or simultaneously realized and paid, are offset and therefore presented in the consolidated balance sheet at their net amount.

For this purpose, the presentation according to IFRS-EU in these consolidated annual accounts of financial assets subject to valuation adjustments for depreciation or impairment, net of these concepts is not considered a "offset balances".

2.7 Financial asset impairment

(In accordance with IAS 39 "financial instruments: recognition and measurement" the carrying value of financial assets is generally adjusted against the consolidated income statement when there is objective evidence that there are impairment losses. This is the case where:

- For debt instruments, i.e. loans and debt securities, when following their initial recognition there is an event or various events which have a negative impact on the relevant future cash flows.

- For equity instruments, when following their initial recognition there is an event or various events making it impossible to recover their carrying amount.

In the event that the recovery of any amount in respect of the impairment recorded is considered remote, such impairment is written off the consolidated balance sheet, although the Group may take the necessary actions to secure collection until the final extinguishment of its debt claims due to lapsing, remission or other reasons.

In the case of debt instruments carried at amortized cost, the amount of impairment losses is equal to the difference between their carrying amount and the present value of forecast future cash flows discounted at the instrument’s original effective interest rate, where a fixed rate was contracted, or at the effective interest rate at the date of the financial statements, determined based on the contractual terms, in the case of a variable rate. For listed debt instruments, the market value may be used, provided it is sufficiently reliable to be representative of the amount that may be recovered by the Group.

Objective evidence of impairment will be determined individually for all debt instruments that are significant, and individually or collectively for groups of debt instruments which are not individually significant. Whenever a specific instrument cannot be included in any group of assets with similar risk characteristics, it will be analysed exclusively on an individual basis in order to ascertain whether it is impaired and, whenever this is the case, to estimate the impairment loss.

The collective assessment of a group of financial assets to estimate impairment losses is as follows:

- Debt instruments are included in groups with similar credit risk characteristics, indicative of debtor capacity to pay all amounts, principal and interest, in accordance with contractual terms. The characteristics of credit risk which are taken into account in order to group together assets are, inter alia, instrument type, debtor’s business sector, geographical location of the activity, type of guarantee, age of amounts overdue and any other factor that may be relevant when estimating future cash flows.

- Future cash flows in each group of debt instruments are estimated based on the Entity’s experience of historical losses for instruments with similar credit risk characteristics to those of the respective group, following the necessary adjustments to adapt historical data to current market conditions.

- Impairment losses in each group are the difference between the carrying value of all the Entity’s debt instruments and the present value of its estimated future cash flows.

Debt instruments not measured at fair value with changes in profit and loss account, contingent risks and contingent commitments are classified according to the risk attributable to the customer or to the operation insolvency. Similarly, these financial instruments are analyzed to determine their credit risk by reason of country risk, meaning the same, one who attends to customers resident in a specific country due to circumstances other than usual commercial risk.

The evaluation process and calculation of possible impairment losses on these assets is carried out:

- Individually, for all significant debt instruments and for which, although not material, are not susceptible to being classified in homogeneous groups of instruments with similar characteristics, depending on the type of instrument, industry debtor and geographical area of activity , type of guarantee, age of past-due amounts, etc.

- Collectively, for other debt instruments, establishing different classifications of operations, according to the nature of the obligors and the conditions of the country in which they reside, transaction status and type of collateral that counts, days overdue, etc., setting for each of these risk groups impairment losses are recognized in the consolidated annual account.

The calculation of collective coverage is done through internal methodologies, based on the experience of historical losses for assets with similar risk characteristics and adjusted from observable data to reflect the effect of current conditions not affecting the period of historical experience is extracted, and to remove the effects of conditions in the historical period that do not exist today. The methodology used estimates impairment losses through the link between historical default data group and severity with other observable data and macroeconomic variables. Historical loss rates and severity apply to defined groups with similar characteristics, consistent with the groups for which observed the above historical rates. Finally, the loss incurred is estimated based on the risk parameters PD (probability of default), LGD (severity) and EAD (exposure at default).

The recognition in the income statement of interest accrued on the basis of the contractual terms is interrupted for all debt instruments classified individually as impaired and for those for which impairment losses have been calculated collectively because the amounts involved are more than ninety days past due.

The amount of impairment losses incurred in debt securities and equity instruments included in the item “Available-for-sale financial assets” is equal to the positive difference between their acquisition cost, net of principal repayments, and their fair value less any impairment loss previously recognized in the consolidated income statement.

When there is objective evidence that the decline in fair value is attributable to impairment, the latent losses recognized directly as measurement adjustments in equity are recorded immediately in the consolidated income statement. If subsequently all or part of the impairment losses are recovered, the amount involved is recognized, in the case of debt securities, in the income statement for the recovery period and, in the case of equity instruments, as valuation adjustments in consolidated equity.

In order to draw conclusions as to the existence of objective evidence of impairment of listed and unlisted debt instruments, the Group analyses any loss-causing events, such as circumstances causing significant financial difficulties for the issuer or obligor, breaches of contractual clauses, such as defaults or delays in the payment of principal or interest, increase in the probability of the issuer becoming insolvent or undergoing any other type of financial restructuring, disappearance of an active market for the financial instrument in question, due to financial difficulties, and a credit rating cut, which could be a sign of impairment if considered together with other available information.

In the specific case of listed equity instruments, the Group analyses whether a prolonged or significant fall in the investment's fair value below cost is objective evidence of impairment. For the purposes of determining when there is objective evidence that the price fall is due to impairment, in the event of exceptional circumstances in the markets that determine the price, the price effects derived from general market movements are analysed separately from the movements relating to factors specifically attributable to the issuer. Where there are no exceptional market circumstances but there are prolonged falls below the carrying amount, representing a relevant percentage, the Group also analyses evidence of impairment. Unless more specifically endurable criteria, the Group finds that the lack of recoverability of asset may come as evidenced by a prolonged or significant fair value reduction, notwithstanding that it may be necessary to recognize an impairment loss before there after that time or lowered the price by that percentage, and presumed, unless proved otherwise, that there is indication of impairment when the decline occurs prolonged for a year and a half or significantly if the share price falls 40 percent. An analysis is also performed to determine whether there are objective reasons to consider that the security's price does not reflect its fair value and, therefore, is not a valid figure for quantifying potential impairment. Objective reasons in this case may be related to a very low free float, prolonged speculative actions affecting the share price, etc., all of which could distort the price of equity instruments.

For debt and equity instruments classified under non-current assets held for sale, the losses recorded previously in equity are considered to be realized and are recognized in the consolidated income statement at the date of their classification.

For investments in subsidiaries, jointly-controlled entities and associates, the Institution estimates impairment losses by comparing the recoverable amount with the carrying amount. Such impairment losses are recorded in the consolidated income statement for the period in which they arise while subsequent recoveries are recorded in the consolidated income statement for the recovery period.

2.8 Financial guarantees and related provisions

Financial guarantees are contracts in which an entity undertakes to pay specified sums for the account of a third party in the event that payment is not made by the third party, irrespective of the form of the obligation: guarantee deposit, financial or technical guarantee, irrevocable documentary credit issued or confirmed by the Entity, etc.

In accordance with IFRS-EU and the Group generally considers the financial guarantee contracts provided to third parties as financial instruments within the scope of IAS 39.

At the time of their initial recognition the Group reflects financial guarantees provided under liabilities on the consolidated balance sheet at fair value plus the transaction costs that may be directly attributable, which generally is equal to the amount of the premium received, plus, if appropriate, the present value of commissions and interest to be received on such contracts over their term, with a balancing entry, under assets, of the amount of the likened commissions and interest collected at inception and accounts receivable for the present value of the commissions and interest receivable. Subsequently, these contracts are carried under liabilities on the consolidated balance sheet at the higher of the following two amounts:

- The amount calculated in accordance with IAS 37. In this respect, the financial guarantees, irrespective of the holder, arrangement or other circumstances, are analysed regularly to determine the credit risk to which they are exposed and if appropriate, estimate the need for provision, determined by applying criteria similar to those established to quantify impairment losses on the debt instruments valued at amortized cost.

- The amount initially reflected for these instruments less amortization of this amount which, under IAS 18, is charged on a straight-line basis over the term of such contracts to the consolidated income statement.

Provisions for financial guarantees are recorded in the item “Provisions - Provisions for contingent risks and commitments” under liabilities in the consolidated balance sheet. A balancing entry is made in the caption “Provisions (net)” in the consolidated income statement.

When a provision is required for financial guarantees, commissions pending accrual on the guarantees, carried on the liabilities in the consolidated balance sheet in the caption “Accrual accounts”, are reclassified to the relevant provision.

2.9. Accounting for leases

2.9.1 Finance leases

Finance leases are those in which substantially all the risks and rewards carried by the leased asset are transferred to the lessee.

Whenever the Entity acts as the lessor of an asset in a finance lease transaction, the sum of the present values of the amounts that will be received from the lessee plus the guaranteed residual value (usually the purchase option price when the lease expires) are recorded as financing provided to third parties and therefore included in the caption “Loans and receivables” in the consolidated balance sheet, in accordance with the nature of the lessee.

When the Entity acts as the lessee in a finance lease operation, the cost of the leased assets is recorded in the balance sheet on the basis of the nature of the asset leased and a liability is carried in the same amount (the lower of the fair value of the leased asset and the sum of the present values of the amounts payable to the lessor plus, if appropriate, the purchase option exercise price). These assets are depreciated at similar rates to those applied to the Group’s property, plant and equipment for own use (Note 2.14).

In both cases, the financial income and expense on finance leases is credited and charged, respectively, to the consolidated income statement captions “Interest and similar income” and “Interest expenses and similar charges”, applying the effective interest rate on the lease, calculated in accordance with the new regulations, to estimate accrual.

In relations with finance lease developed by Unicaja Banco Group, quantitative information at 31th December 2015 and 2014 is detailed below:

(a) Gross investment (call option included) and current value at 31th December 2015 and 2014 reconciliation is the following:

	Thousands of euros	
	2015	**2014**
Accounts receivable Nominal Value	100 237	74 784
Purchasing operations Nominal Value	4 192	3 707
Total nominal Value at the end	**104 429**	**78 491**
Unearned finance incomes	6 513	7 514
Current value at close	**110 942**	**86 005**

(b) The present value of minimum lease payments at 31th December 2015 and 2014 and their residual terms distribution is the following:

	Thousands of euros	
Capital lease (minimum quota)	**2015**	**2014**
Less than a year	35 387	33 409
Between one and five years	28 802	39 558
More than five years	42 561	9 331
	106 750	**82 298**

(c) The unguaranteed residual values accruing to the benefit of the lessor at 31th December 2015 are €4,192 thousands (€3,707 thousands at 31 December 2014).

(d) The accumulated allowance for uncollectible minimum lease payments receivable at 31th December 2015 amount to €13,039 thousands (€34,493 thousands at 31th December 2014).

2.9.2 Operating leases

In operating leases, ownership of the leased asset and substantially all risks and benefits of ownership are retained by the lessor.

Where the Group acts as the lessor in operating lease agreements, the acquisition cost of the leased asset is carried under "Property, plant and equipment" in "Investment property" or "Other assets leased out under operating leases", depending on the nature of the leased assets. Such assets are depreciated in accordance with the policies adopted for similar property, plant and equipment for own use and the revenue from lease contracts is recognized in the consolidated income statement on a straight-line basis in the caption "Other operating income"

Where the Group acts as the lesser in operating lease agreements, the lease costs, including any incentives granted by the lessor, are charged on a straight-line basis to the consolidated income statement caption "Other general administrative expenses".

2.10 Managed assets

Managed assets by the consolidated entities and owned by third parties are not recognized in the consolidated balance sheet. Fees generated by this activity are recorded in the item "Fees and commission income" in the consolidated income statement. Note 30.4 provides information on third-party assets managed by the Group during the years ended 31 December 2015 and 2014.

2.11 Investment funds managed by the Group

Investment funds managed by the consolidated entities are not recognized in the Group's consolidated balance sheet as the fund assets are owned by third parties. Fees accrued during the year for services rendered to the funds by the Group entities (asset management, portfolio depository services, etc.) are recorded in "Fee and commission income" in the consolidated income statement.

2.12 Staff costs

2.12.1 Post-employment commitments

2.12.1.1 General description of commitments

Under the prevailing collective bargaining agreement, the Group must supplement the social security benefits of its employees or their beneficiaries in the event of retirement, widowhood, orphanhood, permanent disability or major disability.

During 2002 Unicaja reached an agreement with its employees to modify and transform the pre-existing pension supplement arrangements for retirement and related contingencies and for occupational hazard contingencies. As a consequence of that agreement, a part of the pension commitments with employees were externalized to the fund Unifondo Pensiones V, Fondo de Pensiones. The remaining pension commitments covered by the internal fund at 31 December 2001 were covered by insurance policies during 2004 and 2005 (Note 40.1).

The basic terms of the agreement entail a shift from a mixed company pension arrangement to group defined contribution and defined benefit arrangements. As a consequence, the pension plan contemplated in the agreement encompasses five groups into which the employees are classified based on their length-of-service, post and applicable collective bargaining agreement. Depending on the group, the benefits consist of minimum guaranteed sums for death and disability, and defined contributions or benefits for the retirement and related contingencies.

As a result of the merger of Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga y Antequera (actually, Fundación Bancaria Unicaja) and Caja Provincial de Ahorros de Jaén (Caja de Jaén), on 13 April 2011 the "Employment Agreement for the Integration of the Employment Pension Plans at Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén" was signed, and compliance was obtained through the "Employment Agreement regarding the Procedure for Integrating the Employment Pension Plant at Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén" dated 26 July 2011.

The purpose of this agreement was to establish the foundation on which the Employment Pension Plan for all Unicaja employees would be regulated as a result of the merger and the procedure for unifying the existing Employment Plans at both entities by integrating the Pension Plan for Employees of Caja de Jaén into the Unicaja Employee Pension Plan, which has resulted in the termination and liquidation of the former and the creation of a new group consisting of the employees of that entity.

On 20 September 2011, the Employee Pension Plan Control Committee at Unicaja approve the amendment of the Pension Plan Specifications to adjust to the wording established in the aforementioned employment agreement, immediately accepting the integration of participants and their consolidated rights and the beneficiaries of the Caja de Jaén Employee Pension Plan that registered with the new plan on 26 October 2011.

As a result of the creation of a bank at Unicaja, the Unicaja Employee Pension Plan Control Committee agreed to modify this plan in a joint promotion plan whose specifications have been updated in November 2015.

Finally, during 2014 Unicaja Banco Group acquired 60.70% of the share capital of Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (EspañaDuero) which, in accordance with its current employment agreements, must pay a supplement for Social Security benefits relating to its employees, or their heirs, in the case of retirement, widowhood, orphan hood, permanent disability or serious disability. EspañaDuero' post-employment commitments with its employees are treated as "defined-contribution commitments" when it makes predetermined contributions to a separate entity, without any real or effective obligation to make additional contributions if the separate entity is unable to pay benefits to the employees for the services rendered in the current year and in prior years. Post-employment commitments that do not fulfil the above-mentioned conditions are treated as "defined-benefit commitments". Note 40.1.1 includes the post-employment commitments falling to Ceiss after the date on which Unicaja Banco Group took control.

At 31 December 2015 and 2014, the actuarial study calculations for the defined benefit systems have been carried out using the following assumptions:

	2015	**2014**
Wage growth	2%	2%
Social security coverage growth	1%	1%
Pension review rate	1%	1%
Mortality tables	PERMF 2000-P	PERMF 2000-P

The commitments accruing to retired employees or beneficiaries at 31 December 2015 and 2014 are externalized to the fund Unifondo Pensiones V, Fondo de Pensiones and covered by an insurance policy that applies an insured interest rate of 5.406% to 13 July 2041 and 2.5% as from that date, and the PERMF 2000-P mortality tables.

- Defined contribution commitments

The contribution accrued during the year is recognized under the caption "staff costs" in the consolidated income statement.

At 31 December 2015 and 2014 there were no pending contribution to external defined contribution plans.

- Defined benefit commitments

In the heading "Provisions – Provisions for pensions and similar liabilities" on the liabilities side of the consolidated balance sheet (or on the assets side, in the caption "Other assets – Other", depending on whether the difference is positive or negative and provided the conditions laid down in applicable regulations IAS 19 and to IFRIC 14, for its registry are fulfilled), the Group recognizes the present value of its defined benefit pension commitments, net of the fair value of the assets that qualify as plan assets and of deferred past service costs.

"Plan assets" are assets allocated to a specific defined-benefit commitment that will be directly used to settle these obligations and that fulfil the following conditions:

- they are not owned by the Group's entity but rather by a legally independent third party,
- they may only be used to pay or finance employees post-employment remuneration and
- they may not be returned to the Group's entity, except when the remaining plan assets are sufficient to comply with all the obligations of the plan or the entity related to current or past employee benefits, or to reimburse employee benefits already paid by the Group.
- are not transferable financial instruments issued by the Group.

Where the Group is able to demand that an insurance company pay part or all of the disbursement required to settle a defined benefit obligation, it being practically certain that insurance company will reimburse some or all of the payments required to settle that obligation, but the insurance policy does not qualify as a plan asset, the Entity recognizes its reimbursement right on the assets side of the balance sheet in “Insurance contracts linked to pensions” and treats the balance in this item as a plan asset in all other respects.

Actuarial gains and losses derive from differences between prior actuarial assumptions and actual fact, and from changes in the actuarial assumptions used.

Pursuant to IAS 19, the Group recognizes actuarial gains or losses that may arise in connection with its post-employment commitments with employees in the period in which they arise, by charging or crediting the consolidated statement of recognized income and expenses, through “Other recognized income and expenses”, which are treated for such purposes as items that will not be taken to the income statement.

The “Cost of past services" arising from changes to existing post-employment remuneration or from the inclusion of new benefits is the cost of improving the benefits, relating to the years of service of each employee, based on a linear distribution of the cost using the projected credit unit method; it is recognized immediately in the consolidated income statement for the period in question.

Post-employment benefits are recorded in the consolidated income statement as follows:

- Current service costs, i.e. the increase in the present value of the obligations arising from the services provided by employees in the current year, are recognized in “Staff costs";

- Interest costs, i.e. the increase in the present value of the obligations that occurs during the year due to the pass of time, are recognized in "Interest expenses and similar charges". Whenever the obligations are presented liabilities, net of related plan assets, the cost of the liabilities recorded in the consolidated income statement will correspond solely to the obligations recognized on the liabilities side.

- The expected return on assets assigned to cover commitments and related losses and gains, less any administrative costs and taxes, is recognized under “Interest and similar income”.

2.12.1.2 Defined-benefit post-employment commitments

At year-end 2015, the Unicaja Banco and EspañaDuero defined-benefit post-employment commitments are grouped into different plans, as described below:

Definition of Plan 1 of Unicaja Banco

a) Defined-benefit post-employment remuneration externalized under an employee pension plan named “Plan de Pensiones de Promoción Conjunta de los empleados de Unicaja Banco S.A. y de la Fundación Bancaria Unicaja”, which includes serving employees and employee beneficiaries who already receiving post-employment benefits.

b) Defined-benefit post-employment remuneration externalized under an insurance policy qualifying for the externalization of commitments pursuant to Royal Decree 1588/1999, as the legal limits on pension plan contributions preclude the financing of these commitments under the pension plan.

Definition of Plan 2 of Unicaja Banco

a) Defined-benefit post-employment remuneration externalized under an insurance policy qualifying for the externalization of commitments pursuant to Royal Decree 1588/1999, covering pension commitments derived from the Collective Bargaining Agreements for Savings Banks and for Private Banking for employees not covered by the pension plan named “Plan de Pensiones de Promoción Conjunta de los Empleados de Unicaja Banco S.A. y de la Fundación Bancaria Unicaja”.

b) Defined-benefit post-employment remuneration externalized under an insurance policy qualifying for the externalization of commitments pursuant to Royal Decree 1588/1999, covering pension commitments for a group of early-retired employees.

c) Defined-benefit post-employment remuneration externalized under an insurance policy qualifying for the externalization of commitments pursuant to Royal Decree 1588/1999, covering pension commitments for a group of early retired employees.

EspañaDuero Plan 1

All of these commitments originate from Caja de Ahorros de Salamanca y Soria.

a) Externalized defined post-employment benefits that have been externalized through an employment system pension plan for employees originating from Caja de Ahorros de Salamanca y Soria, called "Pension Plan for Employees of Caja de Ahorros de Salamanca y Soria", including active personnel and beneficiary personnel that are already receiving the post-employment benefit.

b) Defined post-employment benefits externalized through an insurance policy eligible for such commitments in accordance with Royal Decree 1588/1999, policy number PD 80 01/000002 and PD 80 01/000003, since the legal limits applicable to pension plan contributions do not allow them to be financed through the Pension Plan itself.

EspañaDuero Plan 2

Commitments originate from Caja de Ahorros de Salamanca y Soria:

a) Defined post-employment benefits externalized through an insurance policy eligible for such commitments in accordance with Royal Decree 1588/1999, policy numbers PD 80 01/000002, PD 80 01/000003, RV 80 02/000002 and PD 80 07/000072.

b) Defined post-employment benefits in an internal fund to cover retirement income.

Commitments originating from Caja de Ahorros y Monte de Piedad:

a) Defined post-employment benefits externalized through insurance policies eligible for such commitments in accordance with Royal Decree 1588/1999, policy number 8118, under which the benefits payable relate to the flows from the associated financial assets in terms of both their amount and the payment schedule (*cash flow matching*).

b) Defined post-employment benefits externalized through insurance policies eligible for such commitments in accordance with Royal Decree 1588/1999, policy number PCP-1001, under which the benefits payable relate to the flows from the associated financial assets in terms of both their amount and the payment schedule (*cash flow matching*).

c) Defined post-employment benefits externalized through insurance policies eligible for such commitments in accordance with Royal Decree 1588/1999, policy number 10/78, under which the benefits payable relate to the flows from the associated financial assets in terms of both their amount and the payment schedule (*cash flow matching*). The commitment externalized under this policy was satisfied in 2014 and the relevant obligation was settled and the insurance policy was surrendered.

2.12.2 Other long-term remuneration - Phased early retirement

The Group reached an agreement for phased early retirement with the employees representatives for specific situations affecting certain employee groups and to bring the Institution's workforce into line with its organizational needs. The agreement will be in force from 31 December 2015 and employees must meet the following requirements in order to qualify.

During the years 2015 and 2014, the Group reached some agreements individually consistent, mainly in early retirement agreements through contract suspensions, whose commitments are adequately covered in each of the above dates.

In order to calculate the commitments with employees coming from these agreements, the Group has been based on assumptions applied according to the market conditions and using the covered group specifications.

2.12.3 Death and disability

The commitments assumed by the Group to cover current employee death and disability contingencies by means of insurance policies contracted with Unicorp Vida, Insurance and Reinsurance Company, S.A. under the pension plan (Note 2.12.1) are recognized in the consolidated income statement in an amount equal to the insurance premiums accrued during the year.

2.12.4 Length-of-service awards

Unicaja Banco has taken its commitment to meeting employees a benefit to the same amount of €1,615 and €2,000, in the event that the employee meets 20 and 35 years of service in the institution, respectively.

At the end of 2014 and 2015 there is no EspañaDuero employee entitled to receive length of service awards as they have been eliminated through the payment of the amount accrued by one employee.

Pre-retirement commitments are recognized, for all applicable purposes, using the same criteria explained above for defined benefit commitments, except that the entire cost of past services and the actuarial gains or losses are recorded immediately when they arise.

2.12.5 Severance indemnities

Under current legislation, the consolidated Spanish companies and some foreign companies are required to make severance payments to employees terminated without just cause. The Group is required to pay indemnities to employees who, under certain conditions, are dismissed from the Company.

2.12.6 Plan of voluntary redundancies

Dated 21 December 2015, the Bank launched a new plan of voluntary redundancies, which provides the continuity of existing early retirement scheme, as well as this may cause low in the Bank by termination of contract by mutual agreement. The voluntary redundancies plan is voluntary foster care by Unicaja Banco's employees and has a maximum of 300 people in a period of two years, starting from 1 January, 2016. The placement period ends on March 31, 2016. In the case of the early retirement, are eligible for the Unicaja Banco employees who reach the age of 58 years or older within the period of two years from January 1, 2016. In the course of the termination of the employment contract by mutual agreement, eligible employees who, because of age, may not request the foster care tailored to early retirement.

2.13 Income tax

Income tax expense is recognized in consolidated the income statement, except where it derives from a transaction whose results are taken directly to equity, in which case a balancing entry for income tax is also made in the Group's equity.

Income tax expense for the year is calculated as tax payable on taxable income for the year, as adjusted for variations during the year in asset and liability balances arising from temporary differences, tax deductions and allowances, and any tax-loss (Note 23).

The Group considers that there is a temporary difference when there is a difference between the carrying amount and the taxable amount of an asset or liability. The amount attributed to an asset or liability for tax purposes is treated as the tax base. A taxable temporary difference is a difference that will generate a future obligation for the Group to make a payment to the relevant authority. A deductible temporary difference is a difference that will generate a refund right or a reduction in a payment to be made to the relevant authority in the future.

Tax credits for deductions and allowances and tax credits for tax-loss carry forwards are amounts that, though generated on the completion of an activity or obtainment of a result, are not applied for tax purposes in the relevant tax return until the conditions stipulated in tax legislation are fulfilled, and provided the Group considers that application in future years is probable.

Current tax assets and liabilities are amounts that the Entity expects to recover from or pay to the corresponding tax authority within 12 months as from the date on which they are recognized. Deferred tax assets and liabilities are amounts that the Entity expects to recover from or pay to the corresponding tax authority in future years.

Deferred tax liabilities are recognized for all taxable temporary differences. Nonetheless, deferred tax liabilities resulting from the recording of goodwill are not recognized.

The Group only records deferred tax assets arising from deductible temporary differences, tax credits for deductions or allowances or for tax losses when the following conditions are fulfilled:

- Deferred tax assets are only recognized in the event that the Group will probably record sufficient tax gains in the future to offset the relevant amounts; and

- Deferred tax assets deriving from tax losses have arisen due to causes identified as unlikely to arise again.

Deferred tax assets and liabilities are not recognized when an asset or liability is initially recorded in the accounts, which does not result from a business combination and, at the recognition date, which does not affect reported results or taxable income.

At each accounting close, deferred tax assets and liabilities are analysed to ensure that they remain valid and any necessary adjustments are made accordingly.

The Bank taxed in arrangements of fiscal consolidation referred to in Title VII of Royal Legislative Decree 4/2004, of 5 March, approving the revised text of the above tax law societies. The criterion applied by the group is to record, by each entity taxed in that system, the expenditure in respect of income tax that would have corresponded him submitting his statement individually, adjusted by the negative taxable basis amount, deductions or credits, generated by each society that are exploited by other Group companies, considering to make fiscal consolidation.

Moreover noted that on November 30, 2013 was published in the Official State Bulletin Royal Decree-Law 14/2013, of 29 November, on urgent measures for the adaptation Spanish law to the regulations of the European Union in terms of supervision and solvency of financial institutions, among other things, introduced amendments in the revised text of the law of corporation tax approved by Royal Legislative Decree 4/2004 , 5 March, , establishing, for tax periods beginning from 1 January 2011 a new concerning the inclusion in the tax bases, with certain limits, for tax periods beginning on or after the year 2014, certain temporary differences with origin in provisions for impairment of loans treatments or other assets derived from the possible insolvency of debtors not related to the taxable person and the corresponding to allocations to contributions to systems of forecast social and, in its case, pre-retirement, as well as for their conversion in credits with the Administration in certain alleged as are the made of that an entity could present losses accounting or in them cases of existence of liquidation or insolvency judicially declared, establishing the possibility, of way additional, that these temporary differences can be redeemed for asset values such debt deferred tax one After the period of compensation of tax losses established in the applicable regulations elapsed.

2.14 Tangible assets

2.14.1 Property, plant and equipment for own use

Property, plant and equipment for own use comprise assets owned or being acquired under finance leases that the Group holds for current or future use for purposes other than community projects or for the production or supply of goods and which are expected to be used for more than one financial year. Among other assets, this category includes property, plant and equipment received by the Group to fully or partially settle financial assets representing debt claims against third parties and which the Group plans to use itself on a continuous basis.

Property, plant and equipment for own use are carried at acquisition cost in the consolidated balance sheet, which is the fair value of any consideration provided plus the total amount of cash payments made or committed, less accumulated depreciation and any estimated losses determined by comparing the carrying amount of each item with its recoverable amount. The acquisition cost of the material assets elements for own use and freely available includes the valuation of these that was made on 1 January 2004 at fair value. This fair value as at 1 January 2004 was obtained on the basis of valuations performed by independent experts.

To this end, the acquisition cost of assets awarded to the Group and included in property, plant and equipment for own use is equal to the carrying amount of the financial assets provided in exchange for the award.

Depreciation is calculated using the straight-line method based on the acquisition cost of the assets less their residual value. The land on which the buildings and other structures stand is understood to have an indefinite life and is therefore not depreciated.

A balancing entry for annual depreciation charges for property, plant and equipment is recognized in "Depreciation - Property, plant and equipment" in the consolidated income statement. Depreciation is charged at the following rates, based on average estimated useful lives:

	Annual rate
Buildings	1% a 3%
Furniture and installations	8% a 13%
Machinery and electronic equipment	13% a 27%

At each accounting close, the Group checks for internal or external indications that the carrying amount of property, plant and equipment exceeds the recoverable amount, in which case the carrying amount of the asset in question is written down to its recoverable amount and future depreciation charges are adjusted in proportion to the adjusted carrying amount and the new residual useful life, if a new estimate is necessary. If applicable, this write-down of property, plant and equipment is charged to the consolidated income statement caption "Impairment losses on other assets (net)".

Similarly, where there are indications that the value of impaired property, plant and equipment has been recovered, the Group recognizes the reversal of the impairment loss shown in previous periods by crediting the income statement caption "Impairment losses on other assets (net)" and adjusting future depreciation charges accordingly. The reversal of the impairment loss on an asset in no event may entail an increase in its carrying amount in excess of the amount that would be carried if no impairment loss had been recognized in prior years.

Additionally, the estimated useful lives of property, plant and equipment for own use are reviewed at least yearly to detect significant changes. If necessary, adjustments are made to depreciation charges for future years in the income statement on the basis of the new useful lives.

Repair and maintenance costs for property, plant and equipment for own use, are charged to the consolidated income statement during the financial period in which they are incurred, in the caption "Other general administrative expenses". Financial costs incurred to finance property, plant and equipment for own use are recognized in the consolidated income statement when they accrue and do not form part of the acquisition cost of the assets.

2.14.2 Investment property

"Investment property" in the consolidated balance sheet includes the carrying amounts of land, buildings and other structures held for rental or to obtain a gain on the sale of the property as a result of future market price increases.

The same methods applied to property, plant and equipment for own use (Note 2.14.1) are used to recognize the acquisition cost, depreciation, estimated useful life and impairment losses on investment property.

2.14.3 Other assets leased out under operating leases

The consolidated balance sheet line "Other assets leased out under operating leases" records the carrying amounts of property, plant and equipment other than land and buildings leased out by the Group under operating leases.

The same methods applied to property, plant and equipment for own use (Note 2.14.1) are used to recognize the acquisition cost of assets leased out, depreciation, estimated useful life and any impairment losses.

2.14.4 Recoverable amount of tangible assets

The tangible assets for own use and investment property are carried at acquisition cost, recognizing impairment adjustments if the assets recoverable amount is lower than cost. According to IAS 36, the recoverable amount is the higher of fair value less costs to sell and the value in use of the assets. Where there is no reliable measurement of fair value, the value in use of the assets is used as the recoverable amount, entailing the estimation of future cash inflows and outflows derived from the continued use of the assets and from their final sale or disposal through other means; a suitable discount rate is then applied to the cash flows calculated.

According to IAS 36, an assets value in use must be determined, in general, as follows:

- Future cash flow projections must be based on reasonable assumptions that represent managements best estimate of the economic conditions that will exist over the assets residual life and on the most recent budgets or financial forecasts approved by management, excluding any future estimated cash inflow or outflow that is expected from future restructurings or from improvements in the return on assets originally planned. The estimates based on these budgets or forecasts must cover a maximum period of five year, unless a longer period may be justified.

- Cash flows projected beyond the period covered by the most recent budgets or financial forecasts, to the end of the assets useful life, must be estimated by extrapolating the projections referred to previously, applying a constant or decreasing growth rate, unless an increasing rate may be justified which, in any event, must not exceed the long-term average growth rate for the relevant products or industries, the country in which the entity operates and the market in which the asset is used, unless a higher growth rate may be justified.

The discount rate used is a pre-tax rate that reflects the current market evaluation of the time value of money and specific risks affecting the asset that have not already been adjusted in the estimates of future flows.

A rate that reflects the current market evaluation of the time value of money and specific risks affecting the asset is deemed to be the yield that investors would require were they to choose an investment that generates cash flows the amounts, timing and risk profile of which are equivalent to the flows that the Group expects to obtain from the asset in question. This discount rate is estimated on the basis of the rate implicit in current market transactions involving similar assets. Where the discount rate for a specific asset is not directly available from the market, substitutes are used to estimate the discount rate.

2.15 Intangible assets

Intangible assets are identifiable non-monetary and non-physical assets that arise from legal business or have been developed internally by the Group. Intangible assets are only recognized when their cost may be reliably and objectively estimated and the Group considers they will probably generate future economic benefits.

Intangible assets are initially recognized at acquisition or production cost and are subsequently measured at cost less, where appropriate, any accumulated depreciation and impairment losses they experienced.

Intangible assets are carried in the consolidated balance sheet at acquisition or production cost, net of accumulated amortization and any impairment losses.

Intangible assets can have an "indefinite life" when, on the basis of an analysis of all relevant factors, we conclude that there is no foreseeable limit to the period over which is expected to generate net cash flows for consolidated companies, or "finite useful life" in the remaining cases.

Intangible assets with indefinite useful lives are not amortized, but rather at the end of each year, the consolidated companies revise their remaining useful lives in order to ensure that they are still indefinite or otherwise proceed accordingly.

Intangible assets with finite lives are amortized over the methods similar to those adopted for the amortization of tangible assets criteria. The annual amortization of intangible assets with finite useful lives is recognized under "Depreciation and amortization - Intangible Assets" in the consolidated income statement.

For intangible assets with indefinite useful lives and the finite useful life, the consolidated companies recognize any loss that may have occurred in the carrying amount of these assets due to impairment, using a balancing entry in "losses impairment of other assets (net) - Goodwill and other intangible "assets of the consolidated income statement. The criteria for recognizing impairment losses on these assets and, where appropriate, the reversal of impairment losses recognized in prior years are similar to those used for tangible assets for own use (Note 2.14.1).

2.16 Goodwill

2.16.1 Accounting for goodwill

The excess of the cost of shareholdings in entities measured using the equity method over their acquired carrying amounts, adjusted at the date of first consolidation, is allocated as follows:

- Where the excess may be allocated to specific components of the acquired company's equity, the value of assets (or liabilities) whose fair values are higher (or lower) than the carrying amounts at which they were recognized in the balance sheets of the acquired companies is increased (or reduced) accordingly.

- Where the excess may be allocated to specific intangible assets, it is recognized directly in the consolidated balance sheet provided the fair value may be reliably measured at the acquisition date.

- Any remaining differences are carried as goodwill, which is allocated to one or more specific cash-generating units.

Goodwill is only recognized when acquired for valuable consideration and therefore represents advance payments made by the acquiring entity in respect of future economic benefits deriving from the acquired entity's assets that cannot be individually and separately identified and recognized.

As from 1 January 2013, the Group has recognized goodwill in associates as part of the acquisition cost of the entities acquired, in the consolidated balance sheet item "Equity investments - Associates", as explained in Note 4.

Goodwill acquired as from 1 January 2004 is carried at acquisition cost and goodwill acquired prior to that date is carried at the net amount recognized at 31 December 2003, calculated in accordance with the regulations previously applied by the Group (Bank of Spain Circular 4/1991, 14 June). In both cases, at each accounting close, an estimate is made to identify any impairment that would reduce the recoverable amount to below the net cost recognized; if so, the goodwill is written down through the item "Impairment losses on other assets (net)" in the consolidated income statement.

Goodwill impairment losses are not subsequently reversed.

2.16.2 Negative goodwill

Negative differences between the cost of the shareholdings in consolidated entities and associates with respect to the relevant carrying amounts, adjusted at the date of the first consolidation, are recognized as follows:

- Where the excess may be allocated to specific components of the acquired company's equity, the value of liabilities (or assets) whose fair values are higher (or lower) than the carrying amounts at which they were recognized in the balance sheets of the acquired companies, is increased (or reduced) accordingly.
- The remaining amounts which may not be allocated are recorded under "Other gains" in the consolidated income statement for the year in which capital is acquired in the consolidated entity or associate.

2.17 Inventories

This category of the consolidated balance sheet records non-financial assets that the Group:

- Hold for sale in the ordinary course of business;
- Is currently producing, building or developing for this purpose, or
- Plans to consume in the production process or in the provision of services.

Therefore "Inventories" include land and other properties the Group maintains for sale or for its real estate activities.

Inventories are measured at the lowest cost, which incorporates all the outlays made for their acquisition and subsequent transformation; the direct and indirect costs incurred to obtain their current condition and location; the financial costs directly attributable to them, provided they need a period of time longer than one year for their sale (taking into account the previously-mentioned criteria for the capitalization of financial costs of tangible assets for own use); and their "realisable net value". The realisable net value is understood to be the estimated price of their disposal during the ordinary course of business, less the estimated costs for finishing their production and the necessary costs for carrying out their sale.

Both the reductions as well as, if applicable, the subsequent recoveries in the realisable net value below their net book value are recorded in the income statement for the year in which they take place under the caption "Impairment losses on rest of assets (net)".

The carrying value of sold inventories is written off and recorded as an expense under the caption "Other operating expenses" on the consolidated income statement.

The assets allocated by the Group, considering these as those assets that the Group receives from its borrowers or other debtors to satisfy , totally or partially, financial assets that represent collection rights against these, independently of the manner in which the property rights are acquired, and that, in line with their nature and the end to which they are applied, are classified as inventories by the Group, are booked initially at their acquisition cost, understanding this to be the net book value of the debts from which they originated, calculating this net value in line with the norm applicable to the Savings Bank. Afterwards the allocated assets are subject to the estimation of the corresponding impairments that, as may be the case, arise on these, calculated in line with the general determination criteria for the inventories indicated earlier.

2.18 Provisions and contingent liabilities

When preparing the consolidated entities annual accounts, their respective Directors distinguish between:

- Provisions: creditor balances that cover obligations in force at the balance sheet date deriving from past events that could give rise to financial losses for the entities. Although such losses are regarded as probable and are specific in nature, the amount and/or settlement date involved cannot be determined, and

- Contingent liabilities: possible obligations deriving from past events which may materialize subject to one or more future events beyond the control of the consolidated entities.

The Group's consolidated annual accounts include all significant provisions for obligations that are deemed more likely to arise than not to arise. Contingent liabilities are not recognized in the consolidated financial statements, although information is provided in accordance with applicable regulations In accordance with IAS 37 (Note 17).

Provisions quantified using the best information available regarding the consequences of the event in question, and re-estimated at the year end, are applied to meet the specific obligations for which they were originally recognized and fully or partially reversed should such obligations cease to exist or decrease.
At year-end 2015 and 2014, a number of legal proceedings and claims had been instigated against the consolidated entities, arising in the ordinary course of business. The Group's legal advisors and directors consider that the outcome of these proceedings and claims will not have a significant impact on the consolidated annual accounts for the years in which the judgements are issued.

Provisions deemed necessary as stated above are charged or credited to the consolidated income statement caption "Provisions (net)".

Paragraph 92 of IAS 37 "Provisions, contingent liabilities and contingent assets" allows, in cases where the breakdown in the financial statements for detailed information on specific provisions or contingent liabilities disputes with third parties could affect them or harm seriously the position of the Bank, is chosen not to disclose this information in detail

2.19 Transfers of financial assets

The accounting treatment of transfers of financial assets is subject to the manner in which the risks and returns associated with the assets are transferred to third parties.

- If all the risks and benefits of the assets transferred are substantially transferred to third parties, such as in unconditional sales, sales under repos at fair value on the repurchase date, sales of financial assets with a call option acquired or put option issued deeply "out of the money", asset securitization in which the assignor retains no subordinated financing and nor grants any type of credit enhancement to the new holders and other similar situations, the financial instrument transferred is written off the consolidated balance sheet and at the same time any right or obligation retained or created as a result of the transfer is recognized.

- If the risks and benefits associated with the financial asset transferred are substantially retained, such as in sales of financial assets under repos at a fixed price or at the selling price plus interest, security lending contracts under which the borrower is required to return the same or similar assets, the securitization of financial assets in which subordinated financing is maintained or other types of credit enhancement that substantially absorb expected credit losses on securitized assets and other analogous cases, the financial asset transferred is not written off the consolidated balance sheet and continues to be measured using the same criteria as those used prior to the transfer. Conversely, the following items are recognized and not offset:

- A financial liability associated with an amount equal to the benefit received; which is later valued at its amortized cost;

- Both revenue from the financial asset transferred but not written off and expense from the new financial liability.

- If neither the risks nor benefits associated with the financial asset transferred are substantially transferred or retained, as in the sale of financial assets with a call option acquired or a put option issued which are not deeply “in the money” or “out of the money”, financial asset securitization in which the assignor assumes subordinated financing or other types of credit enhancements for part of the asset transferred and other similar cases, the following distinction is made:

  - Where the assignor does not retain control of the transferred financial asset: in this case, the asset transferred is written off the consolidated balance sheet and any right or obligation retained or created as a result of the transfer is recognized.

  - Where the assignor retains control of the transferred financial asset: the asset continues to be recognized in the consolidated balance sheet at an amount equal to its exposure to value changes that could arise, also recognizing an associated financial liability. The net amount of the asset transferred and associated liability will be the amortized cost of the rights and obligations retained if the asset transferred is measured at amortized cost or the fair value of the rights and obligations retained, if the asset transferred is measured at fair value.

According to the above, financial assets are only written off the balance when they are extinguished cash flows generated or when substantially transferred to third parties the risks and benefits that are implicit.

2.20 Non-current assets held for sale

The caption "Non-current assets held for sale" in the consolidated balance sheet includes the carrying amount of games operations, individual or integrated into a whole, "disposal group" or as part of a business unit earmarked for disposal " discontinued "whose sale is highly likely to take place under the conditions in which these assets are currently in a period of one year from the date to which the consolidated financial statements.

They are also considered as non-current assets held for sale investments in associates or joint ventures that meet the requirements mentioned in the preceding paragraph.

Consequently, the carrying amount of these items, which may be financial or non-financial in nature, will foreseeable be recovered through their selling price rather than through continued use.

Specifically, investment property or other non-current assets received by the consolidated entities from their debtors in full or partial settlement of obligations are treated as non-current assets held for sale unless the consolidated entities have decided to use these assets on a continuous basis.

Symmetrically, the Caption “liabilities associated with non-current assets for sale” includes the creditor balances associated to the groups at disposal or to the interrupted operations of the Group.

Non-current assets held for sale are generally measured at the lower of their carrying amount when they are recognized as such and their fair value net of estimated costs of sales. While included in this category, property, plant and equipment, and intangible assets subject to depreciation and amortization by nature are not depreciated or amortized.

In the event that the carrying amount exceeds the fair value of the assets, net of costs of sales, the Group adjusts the carrying amount of the assets by the amount of the excess and makes a balancing entry in the caption “Asset impairment losses (net) - Non-current assets held for sale” in the consolidated income statement. In the event that the fair value of the assets increases at a subsequent date, the Group reverses the losses previously recorded in the accounts, increasing the carrying amount subject to the limit of the amount prior to their impairment, against “Asset impairment losses (net) - Non-current assets for sale” in the consolidated income statement

Profits arising from the sale of non-current assets for sale are presented under the heading “Gains (losses) on non-current assets for sale not classified as interrupted operations” in the consolidated profit and loss account.

Notwithstanding the above, financial assets, assets arising from employee retributions, assets from deferred taxes and assets from insurance contracts that are part of a group at disposal or of an interrupted operation, will not be valued as explained in the preceding paragraphs, but in accordance with the principles and norms applicable to these concepts, that have been explained in previous section of Note 2

2.22 Profit from discontinued operations (net)

Income and expense, regardless of their nature, including those relating to impairment adjustments that arise during the year from a component of Group operations that has been classified as discontinued, even if generated before that classification, are presented net of the tax effect in the consolidated income statement as a single amount under the heading "Results from discontinued operations (net)", both if the component remains in the consolidated balance sheet and if eliminated. This heading also includes the results from the sale or other disposal of those operations.

During the years 2015 and 2014, results from discontinued operations included in the consolidated income statement amounted to 24,010 thousand euros and 20,600 thousand euros, respectively, and correspond to the performance of equity instruments classified as discontinued operations. The breakdown of these results for the years 2015 and 2014 is as follows:

	Thousands of euros	
	2015	**2014**
Caja España Vida Compañía de Seguros y Reaseguros, S.A.	15 620	8 152
Duero Pensiones, E.G.F.P.	607	200
Unión del Duero Compañía de Seguros de Vida, S.A.	7 783	12 191
Diode España, S.A.	-	57
	24 010	**20 600**

2.23 Business combinations

Business combinations are operations in which two or more entities or economic units of the same entity or group of companies are combined.

Those business combinations completed as from 1 January 2004 in which the Group acquires control of an entity are recognized as follows:

- The Group estimated the cost of business combinations, defined as the fair value of the assets delivered, of the liabilities incurred and of the capital instruments issued, as may be the case, by the acquiring entity.

- The fair value of the assets, liabilities and contingent liabilities of the target entity is estimated, including any intangible assets that may not have been recognized by target company, which are included in the consolidated balance sheet.

- The difference between the net fair value of the assets, liabilities and contingent liabilities of the target entity or economic unit and the cost of the business combination is recognized in these consolidated annual accounts as follows:

    - Where the difference between the net fair value of the assets, liabilities and contingent liabilities of the target entity or economic unit and the cost of the business combination is negative, it is recognized in "Intangible assets – Goodwill" on the assets side of the consolidated balance sheet, in the event that the business combination has resulted in the merger or absorption of the target entities or an economic unit other than an entity has been acquired.

    - Where the difference between the net fair value of the assets, liabilities and contingent liabilities of the target entity or economic unit and the cost of the business combination is positive, will be registered a goodwill of consolidation that in no case will be amortized, but will be subject to annual impairment analysis set out in the International Financial Reporting Standards.

For acquisitions of shares in stages over a particular entity, for which, under one of the purchases, control over the investee is acquired, the following accounting policies applied by the Group:

- The cost of the business combination is the sum of the cost of each individual transaction.

- For each acquisition of shares effected to the moment in which the Group gains control over the investee entity, the goodwill or negative consolidation difference is calculated separately for each transaction, following the procedure described previously in this note.

- Any difference between the fair value of the assets and liabilities of the investee entity at each of the successive acquisition dates and their fair value on the date the Group gains control over the entity is recognized as an adjustment to the value of the assets and liabilities.

2.24 State of recognized income and expense consolidated

This financial statement income and expenses generated by the Group as a result of its activity are presented during the year, distinguishing between those recognized as results in the consolidated income statement and losses and other income and expenses, in accordance with provisions of the current regulations, directly in equity distinguishing among the latter, in turn, among those items that may be reclassified to income in accordance with the provisions of the applicable regulations and which are not. Therefore, this statement presents:

a) The result of the exercise.
b) The net amount of income and expenses recognized directly and transiently during exercise as valuation adjustments in equity.
c) The net amount of recognized income and expenses recorded during the direct exercise and definitely in equity as valuation adjustments, if any.
d) The tax accrued on the items specified in subparagraphs b) and c) benefits.
e) Total recognized income and expense, calculated as the sum of points a) to d) above.

Variations in income and expenses recognized in equity as valuation adjustments temporarily until reversed in the profit and loss are broken down into:

- Profits (losses): includes the amount of income, net of expenses incurred during the year, recognized directly in equity. The amounts recognized during the year as valuation adjustments are recorded under this heading, although in the same year they are transferred to the consolidated income statement, the initial value of other assets or liabilities or are reclassified to another heading.

- Amounts transferred to the consolidated income statement: includes the amount of earnings or valuation losses previously recognized in equity, even in the same year, which are recognized in the consolidated income statement and losses.

- Amounts transferred to initial value of hedged items: includes the amount of earnings or valuation losses previously recognized in equity, even in the same year, which are recognized in the initial value of the assets or liabilities as a result of hedging cash flow.

- Other classifications: includes the amount of the transfers made during the year between valuation adjustments in accordance with the criteria established in the regulations.

The amounts of these items are presented by their gross and the corresponding tax effect under the heading "Income tax relating to items that may be reclassified to income benefits" of the state.

2.25 Statement of changes in consolidated equity

In the statement of changes in consolidated equity all changes in equity, including those arising from changes in accounting policies and corrections of errors occur. This statement therefore shows a reconciliation of the carrying amount at the beginning and end of the exercise of all items comprising equity, grouping movements based on their nature into the following items:

- Adjustments for changes in accounting policies and correction of errors: that includes changes in equity that arise as a result of the retrospective restatement of the balances in the financial statements due to changes in accounting policies or correction of errors

- Income and expense recognized in the year: includes, in aggregate, the total of the items recorded in the statement of recognized income and expenses indicated above.

- Other changes in equity: includes the remaining items recognized in equity, as can the distribution of profit, transactions involving own equity instruments, payments with equity instruments, transfers between equity items and any other increases or decreases equity.

2.26 Consolidated cash flow statements

The terms employed in the Group consolidated cash flow statements corresponding to the years 2015 and 2014 have the following meanings:

- Cash flows: Inflows and outflows of cash and cash equivalents (short-term, highly-liquid investments in respect of which the risk of value fluctuations is low).

- Operating activities: typical credit institution activities and other activities that may not be classified as investing or financing activities.

- Investing activities: acquisition, sale or disposal through other means of non-current assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that cause changes in the size and composition of equity and liabilities and do not form part of operating activities.

As part of the cash flows from operating activities, certain adjustments are included to obtain the amount of those flows on the basis of consolidated results for the period. At 31 December 2015 and 2014, "Other adjustments" are included, in addition to depreciation and amortization, relating to consolidated income statement items that do not generate cash flows.

When preparing the consolidated cash flow statement, “cash and cash equivalents” consist of highly-liquid current investments in respect of which the risk of value fluctuations is low. Accordingly, the Group Unicaja Banco treats the following financial assets and liabilities as cash or cash equivalents:

- The Group’s own cash, which is recognized in the consolidated balance sheet caption “Cash and deposits at central banks”. At 31 December 2015, the Group’s own cash amounted to €309,854 thousand (€341,525 thousand at 31 December 2014).

- The balances held with Central Banks, which are booked under the heading “Cash and deposits in Central Banks” on the asset side of the consolidated balance sheet , which as at 31 December 2015 amounted to €1,268,454 thousand (€270,383 thousand at 31 December 2014).

- Net demand deposits at credit institutions other than the balances at central banks and excluding mutual accounts. Demand deposits at credit institutions other than central banks are recognized, among other items, in “Loans and receivables – Deposits at credit institutions” on the consolidated balance sheet, amounting to €412,446 thousand at 31 December 2015 (€275,118 thousand at 31 December 2014).

- Demand deposits of credit institutions other than central banks are recognized, among other items, in “Financial liabilities at amortized cost – Credit institution deposits” on the consolidated balance sheet, amounting to €353,361 thousand at 31 December 2015 (€200,696 thousand at 31 December 2014).

3. Distribution of the Parent Entity’s surplus

The proposal for the distribution of the Parent Entity’s net income for 2015 that the Board of Directors will submit to the General Meeting of Shareholders for approval is set out below along with the already approved for 2014 is as follows:

	Thousands of euros	
	2015	**2014**
Cash dividends	19 000	25 000
Interim dividends paid	-	-
Dividends pending payment	*19 000*	*25 000*
Legal reserve	23 006	23 838
Law 27/2014 capitalization reserve	10 901	-
Voluntary reserves	177 156	189 537
Negative results of previous exercises	-	-
Net profit	**230 063**	**238 375**

In accordance with Legislative Royal Decree 1/2010 (2 July), which approves the Spanish Companies Act 2010, companies that obtain profits must allocate 10% of profits for the year to a Legal reserve. Appropriations must be made until the legal reserve reaches 20% of paid up share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased capital stock amount. Until the balance exceeds the 20% threshold, the legal reserve may only be used to offset losses, in the event of other available reserves being insufficient for this purpose.

The distribution of the result of the Parent Company for the year 2015 includes the provision to the Reserve Capitalization governed by Article 25 of Law 27/2014, of 27 November, the corporate income tax. According to the above standard, this reserve must appear on the balance with absolute separation and appropriate title, and will be unavailable for a period of 5 years from the end of the year 2015, except that it should be used in the compensation of financial losses Bank in case of separation of partners, during disposal operations as a result of the application resulting from the special tax regime established in Chapter VII of Title VII of Law 27/2014 (mergers, demergers and other operations corporate) restructuring or if the bank was forced to apply the aforementioned book by mandate of a legal nature. The allocation of the reserve, part of the Bank's willingness to strengthen their capital base, will allow you to apply a reduction in the tax base of corporate income tax, within the limits and requirements laid down in that Article 25 of Law 27/2014.

At the date these annual accounts were prepared and after determining that the conditions established in the prospectus were met, the Board of Directors of Unicaja Banco adopted a resolution to make payment of the discretional compensation for the Mandatory and Contingent Convertible Bonds (NeCoCos) and the Perpetual Contingent Convertible Bonds (PeCoCos) issued by the bank for the gross total amount of €17,124 thousand (in the previous year, discretionary compensation of these instruments amounted to a gross amount of €17,930 thousands).

Earnings per share of the Parent

Basic earnings per share are calculated by dividing the net profit for the year attributable to the Bank by the weighted average number of outstanding shares for the year, excluding the average number of treasury shares held during the year.

Diluted earnings per share are determined in a similar manner to basic earnings per share, but the weighted average number of outstanding shares is adjusted to account for the potentially dilutive effect of stock options, warrants and convertible debt in force at the year end.

Set out below are Unicaja Banco Group's basic and diluted earnings per share for the financial years ended 31 December 2015 and 2014:

	2015	**2014**
Profit attributable to Parent Company (thousands of euros)	186 661	474 521
Adjustment:Finance costs of mandatory emissions convertible (in thousands of euros)	-	-
Adjusted Profit (thousands of euros)	186 661	474 521
On which: Continued Operations Profit (minority net)	162 651	453 921
On which: Discontinued Operations Profit (minority net)	24 010	20 600
Average number of ordinary shares outstanding reduced by the own (thousand)	922 811	892 109
Profit per share for continuous activities (euros)	0,176	0,509
Profit per share for discontinuous activities (euros)	0,026	0,023
Earnings per share (euros)	**0,202**	**0,532**

	2015	2014
Profit attributable to Parent Company (thousands of euros)	186 661	474 521
Adjustment: Finance costs of mandatory emissions convertible (in thousands of euros)	-	-
Adjusted Profit (thousands of euros)	186 661	474 521
On which: Continued Operations Profit (minority net)	162 651	
On which: Discontinued Operations Profit (minority net)	24 010	20 600
Average number of ordinary shares outstanding reduced by the own (thousand)	922 811	892 109
Average number of shares from the conversion of Bonds (thousand)	44 123	33 092
Adjusted total average number of shares for calculation of diluted profit per share (thousand)	966 934	925 201
Diluted profit per share for continuous activities (euros)	**0,168**	**0,491**
Diluted profit per share for discontinuous activities (euros)	**0,025**	**0,022**
Diluted Earnings per share (euros)	**0,193**	**0,513**

As a result of the acquisition process involving EspañaDuero described in Note 1.2, Unicaja Banco Group maintains instruments with a potentially diluting effect at 31 December 2014. The basic earnings per share coincide with the diluted earnings per share at 31 December 2015 and 2014 given that no such instruments existed at that date.

Unicaja Banco Group has issued Mandatory and Contingent Convertible Bonds (NeCoCos) and the Perpetual Contingent Convertible Bonds (PeCoCos) that are recorded under the heading "Other equity instruments" and the discretional compensation is subject to compliance with a series of conditions (Note 21.2). During 2014 no compensation commitments were made for these convertible instruments.

In accordance with IAS 33 "Earnings per share" the average number of shares and other outstanding instruments during 2015 and 2014 was used. The Mandatory and Contingent Convertible Bonds (NeCoCos) have been taken into consideration in the calculation of basic and diluted earnings since they are instruments that must be converted while the Perpetual Contingent Convertible Bonds (PeCoCos) have only been taken into consideration with respect to diluted earnings.

4. Goodwill of the Equity Method entities

At 31 December 2015 and 2014, the Bank recorded goodwill in equity method associates pending impairment in the amount of €34,322 thousand and €36,230 thousand, respectively. This goodwill was generated basically through a comparison with the net fair value of the assets, liabilities and contingent liabilities acquired by the Bank when it invested in the companies Autopistas del Sol, S.A., Concesionaria España, S.A. and Hidralia, Gestión Integral de Aguas de Andalucía, S.A., through the company Hidrocartera, S.L. in the latter case. At 31 December 2014, the goodwill is recognized as part of the acquisition cost of the target companies in the consolidated balance sheet item “Equity investments - Associates”. The amount pending impairment derives from the profits expected by the Bank's directors from the target companies, based on the strength of their customer base and on their average income per customer.

During the fiscal year 2015, in accordance with Note 2.16, the aforementioned goodwill was impaired in an amount of €1,907 thousand.

The following table shows the dates of initial recognition and the initial gross amounts of the goodwill in associates, as well as cumulative impairment losses and the net amounts of goodwill at 31 December 2015 and 2014:

			Thousands of euros			
			Accumulated loss provisions		Net amount	
	Initial amount	Initial registration date	2015	2014	2015	2014
Autopista del Sol, C.E.S.A.	34 833	Sep. 2005	(9 346)	(8 495)	25 487	26 338
Hidralia, G.I.A.A., S.A.	20 467	Jun. 2005	(11 631)	(10 575)	8 836	9 892
	55 300		**(20 977)**	**(19 070)**	**34 323**	**36 230**

As this goodwill relates to administrative concessions and licenses held by the target companies for a certain period of time, the Bank's directors consider that, barring other evidence of impairment, the recoverable value of the goodwill recognized decreases in proportion to the number of years remaining to the end of the administrative concession or license.

5. Segment information

The Group is engaged mainly in the retail banking business. Virtually all its business is conducted in Spain and the directors consider that customer types are similar throughout its territorial area of influence. Consequently, in compliance with prevailing regulations, the information on the Group's business and geographical segments is not deemed to be relevant.

Set out below are details of the relative significance of the Unicaja Banco Group's operating segments at 31 December 2015 and 2014, for each of the segmentation types or parameters defined in paragraphs 32 to 34 of IFRS 8.

Sector information (products and services)

There follows a breakdown of the Unicaja Banco Group's consolidated balance sheet by sector at 31 December 2015 and 2014, including the same sector information reported to the Bank of Spain.

At December 31, 2015, the credit institutions sector accounts for 99.73% of total consolidated assets and 99.98% of consolidated equity. To this end purposes, “Credit institutions sector” includes the information on the consolidated group of credit institutions defined in Rule 1 of Bank of Spain Circular 4/2004.

a) Consolidated balance sheet at December 31, 2015

Assets	Total	Sector banks	Insurance companies	Other entities	Adjustments and eliminations
		Distribution (thousands of euros)			
Cash and balances at central banks	1 578 317	1 578 302	1	14	-
Financial assets held for trading	94 012	94 012	-	-	-
Available for sale financial assets	9 810 055	9 841 231	17 819	859	(49 854)
Loans and receivables	34 712 511	34 809 685	9 901	80 037	(187 112)
Held to maturity investments	7 239 598	7 242 611	-	-	(3 013)
Hedging derivatives	738 060	738 060	-	-	-
Non-current assets held for sale	852 902	625 449	-	-	227 453
Investments	359 131	487 796	-	5 802	(134 467)
Insurance contracts linked to pensions	142 311	142 311	-	-	-
Reinsurance assets	8 208	-	8 208	-	-
Tangible assets	1 490 899	1 304 409	29	180 187	6 274
Intangible assets	1 194	1 042	8	156	(12)
Tax assets	2 590 644	2 579 816	109	23 219	(12 500)
Other assets	693 987	706 967	17 075	82 854	(112 909)
Total assets	**60 311 829**	**60 151 691**	**53 150**	**373 128**	**(266 140)**

Liabilities and Equity	Total	Sector banks	Insurance companies	Other entities	Adjustments and eliminations
		Distribution (thousands of euros)			
Financial liabilities held for trading	125 280	125 280	-	-	-
Financial liabilities at amortized cost	55 577 323	55 465 433	7 675	322 050	(217 835)
Hedging derivatives	107 797	91 863	-	15 934	-
Liabilities Associated with non-current assets held for sale	-	-	-	-	-
Insurances Contracts Liabilities	31 040	-	26 169	-	4 871
Provisions	747 964	746 307	22	1 689	(54)
Tax Liabilities	295 404	289 001	1 237	2 028	3 138
Other liabilities	171 076	178 486	1 887	1 973	(11 270)
Total Liabilities	**57 055 884**	**56 896 370**	**36 990**	**343 674**	**(221 150)**
Equity	2 833 525	2 833 525	14 534	40 622	(55 156)
Valuation adjustments	142 313	142 313	1 626	(11 168)	9 542
Minority Interest	280 107	279 483			624
Total Equity	**3 255 945**	**3 255 321**	**16 160**	**29 454**	**(44 990)**
Total Liabilities and Equity	**60 311 829**	**60 151 691**	**53 150**	**373 128**	**(266 140)**

b) Consolidated balance sheet at December 31, 2014

Assets	Total	Distribution (thousands of euros) Sector banks	Insurance companies	Other entities	Adjustments and eliminations
Cash and balances at central banks	611 917	611 905	1	12	(1)
Financial assets held for trading	228 871	228 871	-	-	-
Available for sale financial assets	12 503 087	12 551 544	18 156	495	(67 108)
Loans and receivables	37 670 583	37 720 328	8 351	66 493	(124 589)
Held to maturity investments	9 639 624	9 642 649	-	-	(3 025)
Hedging derivatives	921 921	921 921	-	-	-
Non-current assets held for sale	931 290	701 484	-	-	229 806
Investments	424 115	569 284	-	22 412	(167 581)
Insurance contracts linked to pensions	147 763	147 763	-	-	-
Reinsurance assets	7 074	-	7 074	-	-
Tangible assets	1 385 970	1 278 117	30	112 334	(4 511)
Intangible assets	1 771	1 123	10	651	(13)
Tax assets	2 747 643	2 723 914	84	31 434	(7 789)
Other assets	728 786	691 977	16 390	37 266	(16 847)
Total assets	**67 950 415**	**67 790 880**	**50 096**	**271 097**	**(161 658)**

Liabilities	Total	Distribution (thousands of euros) Sector banks	Insurance companies	Other entities	Adjustments and eliminations
Financial liabilities held for trading	64 582	64 582	-	-	-
Financial liabilities at amortized cost	63 007 812	62 888 150	6 780	203 506	(90 624)
Hedging derivatives	56 725	42 426	-	14 299	-
Liabilities Associated with non-current assets held for sale	13 350	13 350	-	-	-
Insurances Contracts Liabilities	29 528	-	24 206	-	5 322
Provisions	724 487	722 566	48	2 222	(349)
Tax Liabilities	533 864	543 412	1 428	1 501	(12 477)
Other liabilities	227 790	224 929	1 993	16 645	(15 777)
Total Liabilities	**64 658 138**	**64 499 415**	**34 455**	**238 173**	**(113 905)**
Equity	2 673 810	2 673 810	13 801	42 946	(56 747)
Valuation adjustments	292 105	292 105	1 840	(10 022)	8 182
Minority Interest	326 362	325 550	-	-	812
Total Equity	**3 292 277**	**3 291 465**	**15 641**	**32 924**	**(47 753)**
Total Liabilities and Equity	**67 950 415**	**67 790 880**	**50 096**	**271 097**	**(161 658)**

Geographic area information

The Unicaja Banco Group operates in Spain; customer types are similar throughout the country. The Group therefore considers a single geographic segment for its operations, the information breakdown required by paragraph 33 of IFRS 8 not being applicable.

Note 26 to the consolidated accounts provides information on risk concentration by activity and geographic area at 31 December 2015 and 2014.

Main customer information

The Unicaja Banco Group is engaged mainly in the retail banking business and has no customers accounting for over 10% of the Group's ordinary income; the Group thus considers that the information breakdown required by paragraph 34 of IFRS 8 is not applicable.

6. Remuneration of the Board of Directors and Senior Management

6.1 Board of Directors' remuneration of the Parent Entity.

The following table provides a breakdown of remuneration accrued to the members of the Board of Directors of the Parent Entity, Unicaja Banco, S.A.U., exclusively in their capacity as Board directors during the periods 2015 and 2014, consisting of per diems and fixed remuneration relating solely to their roles as non-executive Board directors:

	Thousands of euros	
	2015	**2014**
Atencia Robledo, Manuel	34	15
Azuaga Moreno, Manuel	14	15
Domínguez-Adame Cobos, Eloy	69	49
Fraile Cantón, Juan	71	67
Jiménez Sánchez, Guillermo	58	8
Lombardero Barceló, Mª Luisa	14	2
López López, Antonio	71	67
Mateos-Aparicio Morales, Petra	71	49
Medel Cámara, Braulio	14	16
Molina Morales, Agustín	59	59
Torre Colmenero, José Mª de la	58	49
Valle Sánchez, Victorio	73	75

6.2 Parent Entity's Senior Management remuneration.

For the purposes of preparing these consolidated annual accounts, senior management is considered to be made up of fifteen people (fourteen people in 2014), who has described these effects as key personnel, including three Executive Directors (three in 2014). The compensation received by the members of this group in the years 2015 and 2014 amounted to €3,503 thousand and €3,184 thousand, respectively. The obligations assumed based on these guidelines in terms of post-employment benefits deriving exclusively from their status as employees or bank executives totaled to €496 thousand in 2015, having been charged €366 thousand in 2014, amounts covered entirely by the relevant funds.

6.3 Other Parent Entity´s transactions performed with Board Directors and Senior Management

Note 44 on related parties provides the asset and liability balances of transactions effected with the Group's Board Directors and senior management at 31 December 2015 and 2014, including a breakdown of income and expenses recognized in the 2015 and 2014 consolidated income statements in respect of such transactions, excluding the amounts referred to in Notes 6.1 and 6.2.

6.4 Post-employment benefits of former members of the Group's Board of Directors and Senior Management

The consolidated income statements for 2015 and 2014 contain no charges for pension and similar obligations relating to former members of the Group's Board and senior management, as such commitments were entirely covered in previous years by insurance policies.

7. Cash and deposits at central banks

An analysis of the balances in this balance sheet caption at 31 December 2015 and 2014 is as follows:

	Thousands of euros	
	2015	**2014**
Cash	309 854	341 525
Deposits at Bank of Spain	1 268 455	270 383
Measurement adjustments - Accrued interest	8	9
	1 578 317	**611 917**

The interest accrued during the years 2015 and 2014 for these deposits have been of €69 thousand and €472 thousand, respectively, and are included in "Interest and similar income" in the consolidated income statement (Note 31).

8. Financial assets held for trading

8.1 Breakdown of the balance and maximum credit risk – debtor balances

The following table contains a breakdown of the financial assets included in this category at 31 December 2015 and 2014, classified by type of counterparty and by type of instrument:

	Thousands of euros	
	2015	**2014**
By counterparty type -		
Credit institutions	20 164	25 852
Resident, public administrations	37 202	137 835
Non-resident, public administrations	-	37 680
Resident, other sectors	36 646	27 017
Non-resident, other sectors	-	487
	94 012	**228 871**
By instrument type -		
Listed shares	-	-
Listed bonds and debentures	38 096	176 425
Derivatives traded on organized markets	1 799	487
Derivatives not traded on organized markets	54 117	51 959
	94 012	**228 871**

The carrying amounts shown in the above table represent the credit risk exposure borne by the Group at each year end with respect to the financial instruments indicated.

The interest accrued during the years 2015 and 2014 for debt instruments classified in the trading portfolio have been of €208 thousand and €3,647 thousand, respectively, and are included in "Interest and similar income" in the profit and loss account statement (Note 31).

The average effective interest rate on debt instruments classified in this portfolio at 31 December 2015 was 0.47% (0.94% at 31 December 2015).

The positive flow included in the 2015 consolidated cash flow statement in respect of balances receivable from financial assets and liabilities held for trading amounted to €134,859 thousand (positive flow of €62,900 thousand in 2014).

8.2 Breakdown of the balance - creditor balances

The following table contains a breakdown of the financial liabilities included in this category at 31 December 2015 and 2014, classified by type of counterparty and by type of instrument:

	Thousands of euros	
	2015	**2014**
By counterparty type -		
Credit institutions	92 709	32 758
Other resident sectors	32 571	31 824
	125 280	**64 582**
By instrument type -		
Derivatives traded on organized markets	-	42
Derivatives not traded on organized markets	125 280	64 540
	125 280	**64 582**

The positive flow included in the 2015 consolidated cash flow statement in respect of balances payable from financial assets and liabilities held for trading amounted to €60,698 thousand (positive flow of €52,601 thousand in 2014).

8.3 Derivative financial instruments held for trading

Set out below is a breakdown by type of derivative of the fair value of the Group's derivatives held for trading and their notional value (on the basis of which future payments and collections are calculated) at 31 December 2015 and 2014:

	Thousands of euros							
	2015				**2014**			
	Debtor balances		**Creditor balances**		**Debtor balances**		**Creditor balances**	
	Fair Value	**Notional Value**	**Fair Value**	**Notional Value**	**Fair Value**	**Notional Value**	**Fair Value**	**Notional Value**
Un-matured currency purchases/sales:	**784**	**4 463**	**812**	**5 130**	**816**	**4 533**	**831**	**5 230**
Currencies purchased against euro	-	-	812	5 130	8	316	831	5 230
Currencies sold against euro	784	4 463	-	-	808	4 217	-	-
Equity and interest rate futures	**4 044**	**529 000**	**66 089**	**3 919 000**	**-**	**-**	**-**	**12 532**
Purchased	4 044	529 000	8 475	1 695 000	-	-	-	-
Sold	-	-	57 614	2 224 000	-	-	-	12 532
Equity options:	**2 132**	**132 046**	**9 067**	**1 825 586**	**1 876**	**88 300**	**10 640**	**2 040 945**
Purchased	2 132	132 046	38	1 074	1 876	88 300	98	1 668
Issued	-	-	9 029	1 824 512	-	-	10 542	2 039 277
Interest rate options	**6 326**	**591 547**	**6 328**	**417 154**	**6 588**	**808 115**	**6 606**	**260 274**
Purchased	2 565	465 913	2 563	38 605	2 601	534 362	2 557	-
Sold	3 761	125 634	3 765	378 549	3 987	273 753	4 049	260 274
Other equity transactions	**-**	**-**	**-**	**-**	**-**	**-**	**1 841**	**141 730**
Equity swaps	-	-	-	-	-	-	8	2 936
Forward transactions	-	-	-	-	-	-	1 833	138 794
Currency options:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Purchased	-	-	-	-	-	-	-	-
Issued	-	-	-	-	-	-	-	-
Other currency options	**22 055**	**28 199**	**22 088**	**28 199**	**19 713**	**36 105**	**21 495**	**38 380**
Currency swaps	22 055	28 199	22 088	28 199	19 713	36 105	21 495	38 380
Other interest rate transactions	**20 575**	**219 743**	**20 896**	**260 617**	**23 453**	**202 552**	**23 169**	**201 709**
Interest rate swaps	20 575	219 743	20 896	260 617	23 453	202 552	23 169	201 709
Other products	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	55 916	**1 504 998**	**125 280**	**6 455 686**	**52 446**	**1 139 605**	**64 582**	**2 700 800**

The notional amount of the contracts concluded does not represent the actual risk assumed by the Group, since the net position in these financial instruments is obtained by offsetting and/or combining the relevant amounts.

Note 11 provides the methods applied by the Group to measure the financial instruments classified in this category.

9. Available-for-sale financial assets

9.1 Breakdown of the balance and maximum credit risk

The following table contains a breakdown of the financial assets included in this category at 31 December 2015 and 2014, classified by type of counterparty and by type of instrument:

	Thousands of euros	
	2015	**2014**
By counterparty type		
Credit institutions	130 815	354 120
Resident, public administrations	7 262 170	8 428 489
Non-resident, public administrations	265 224	566 508
Resident, other sectors	1 956 867	2 240 020
Non-resident, other sectors	124 116	698 082
	9 739 192	12 287 219
(Impairment losses) (*)	(80)	(76)
Other measurement adjustments	70 943	215 944
	9 810 055	**12 503 087**
By instrument type		
Debt securities:	8 811 917	11 575 532
Spanish government securities	7 019 058	7 919 672
Treasury bills	*30 007*	*1 855 232*
Government bonds and debentures	*6 989 051*	*6 064 440*
Other Spanish public administration	222 687	484 057
Foreign government securities	265 224	566 508
Issued by financial institutions	108 026	330 672
Other fixed-income securities	1 126 059	2 058 755
(Impairment losses) (*)	(80)	(76)
Other measurement adjustments	70 943	215 944
Other equity instruments:	998 138	927 555
Shares in listed Spanish companies	540 788	559 479
Shares in unlisted Spanish companies	271 394	219 652
Shares in listed foreign companies	37 341	71 090
Shares in unlisted foreign companies	58 560	17
Shares in investment funds	90 055	77 317
	9 810 055	**12 503 087**

(*) At 31 December 2015 and 2014 this amount relates to impairment losses recognized to cover credit risk.

The carrying amount shown in the table above represents the level of credit risk exposure of the Group at the end of those years in relation to financial instruments included.

The total in the table above as "Other equity instruments" includes the December 31, 2015 a balance of €432,469 thousand corresponding to impairment losses of the elements included in this section (€575,719 thousand at 31 December 2014), having recorded over exercise 2015 a net recovery of this correction, not including other movements or transfers, amounting to €2,657 thousand, collected under the heading "impairment losses on financial assets (net) "in the consolidated income statement (€30,919 thousand at December 31,2014).

With respect to debt securities classified as financial assets available for sale, net recovery of impairment losses in 2015 amounted to €3 thousand, also collected under the heading of "losses impairment (net) "in the consolidated income statement (net endowment of impairment losses €10 thousand at December 31, 2014).

Among the most significant movements in the "Available-for-sale financial assets" portfolio in 2015 are the following Group transactions:

- Acquisition of 62,200 shares in Tecnicas Reunidas, for €2,152 thousand.
- Acquisition of 27,880 shares in Daimler AG, for €2,145 thousand.
- Acquisition of 26.075 shares in Hercesa, for €2,782 thousand.
- Divestiture of 44,100 shares in Unilever, for €1,712 thousand euros, which has meant a profit of 271 thousand.
- Divestiture of 22,630 shares in Sanofi, for €2,011 thousand euros, which has meant a profit of 192 thousand.
- Divestiture of 15,800 shares in INBEV, for €1,739 thousand euros, which has meant a profit of 53 thousand.
- Transfer of 4,007,100 shares in Iberdrola, S.A. for €25,443 thousand, which has meant a profit of 5,033 thousand euros.

Among the most significant movements in the "Available-for-sale financial assets" portfolio in 2014 are the following Group transactions:

- Acquisition of 557,620 shares in Banco Popular, for €3,000 thousand.
- Acquisition of 2,191,874 shares in Autopista del Sureste, for €2,192 thousand.
- Divestiture of 4,005,062 shares in QMC, for €2,111 thousand euros, which has meant a profit of €736 thousand.
- Divestiture of 923,610 shares in Banco Popular, for €4,863 thousand, which has meant a profit of €329 thousand.
- Divestiture of 84,200 shares in Gas Natural, for €1,861 thousand, which has meant a profit of €211 thousand.
- Divestiture of 30,000,000 shares in Magnum Capital L.P., for €20,322 thousand, which has meant a profit of €11,788 thousand.
- Divestiture of 5,000 shares in Fondespaña Duero, for €300 thousand, which has meant a profit of €32 thousand.

These amounts are registered under the "Gains on financial assets (net)" in the consolidated at December 31, 2015 and 2014 income statement, accounting for equity instruments classified as financial assets available for sale (Note 37).

The interest accrued during the years 2015 and 2014 for debt instruments classified as financial assets available for sale have been of €166,057 thousand and €181,418 thousand, respectively, are included in "Interest and yields assimilated "in the consolidated income statement (Note 31).

The average effective interest rate on debt instruments classified in this portfolio at 31 December 2015 was 3.09% (1.66% at 31 December 2014).

The negative flow included in the statement of consolidated cash flows for the year 2015 on financial assets available for sale in this caption amounts €904,010 thousand (negative flow of €9,937,050 thousand in 2014).

9.2 Credit risk coverage - Available-for-sale financial assets

Set out below are movements during 2015 and 2014 in impairment losses recorded to cover credit risk and cumulative impairment losses recognized at the beginning and end of 2015 and 2014 in respect of debt instruments classified as available-for-sale financial assets:

	Thousands of euros
Balance at 31 December 2013	**66**
Net appropriations for the year	26
Prior-year provisions available	(16)
Other	-
Balance at 31 December 2014	**76**
Net appropriations for the year	35
Prior-year provisions available	(38)
Other	7
Balance at 31 December 2015	**80**

A balancing entry is recorded under the heading "Impairment losses on financial assets (net) - Other financial instruments not at fair value through profit and loss" in the accompanying consolidated income statement.

9.3 Measurement adjustments to available-for-sale financial assets

Set out below is the reconciliation of opening and closing balances of measurement adjustments to available-for-sale financial assets in equity on the consolidated balance sheets for 2015 and 2014, against the amounts recognized in the consolidated income statement as gains/ (losses) on financial assets and liabilities and as impairment losses on financial assets, and against the amounts recognized in the consolidated statement of recognized income and expenses.

	Thousands of euros	
	2015	**2014**
Value adjustments to assets held for sale at January 1	**289 450**	**37 684**
Transfer to results	**(169 570)**	**(287 482)**
Portion allocated to the consolidated income statement	(128 098)	(276 280)
Change in fair value of the securities sold in the year from 1 January or from the date of purchase to date of sale	(41 472)	(11 202)
Other changes in fair value	**(79 021)**	**647 148**
Income tax	**74 577**	**(107 900)**
Value adjustments to assets held for sale at December 31	**115 436**	**289 450**

Set out below is a breakdown of the amount taken to the consolidated income statement during 2015 and 2014:

	Thousands of euros	
	2015	**2014**
Result of financial transactions (Note 37)	(128 763)	(273 733)
Impairment of available for sale registered at fair value	665	(2 547)
	(128 098)	**(144 018)**

9.4 Held-to-maturity investment portfolio

At 31 December of 2015 and 2014 the heading "Held-to-maturity investment portfolio" mainly records Spanish public debt and guaranteed debt securities issued by credit institutions. As a result of the recent evolution of debt markets, as well as the Group's intention and financial capacity to maintain those investments to maturity, it decided to modify its investment strategy classifying assets that were initially classified under "Held-to-maturity Investment Portfolio" to that heading.

Below is a breakdown of the financial assets included in this category at December 31, 2015 and 2014, classified by type of counterparty and type of instrument:

	Thousands of euros	
	2015	**2014**
By counterparty type		
Credit institutions	264 686	484 321
Resident, public administrations	3 396 472	5 468 794
Resident, other sectors	3 562 567	3 670 081
Non-resident, other sectors	15 873	16 428
	7 239 598	**9 639 624**
By instrument type -		
Debt securities:	3 258 586	5 347 159
Spanish government securities	-	-
Treasury bills	*3 258 586*	*5 347 159*
Other Spanish public administration	137 886	121 635
Foreign government securities	-	-
Issued by financial institutions	264 686	484 321
Other fixed-income securities	3 578 440	3 686 509
	7 239 598	**9 639 624**

The carrying amount shown in the table above represents the level of credit risk exposure to the Bank at the end of those years in relation to financial instruments included therein.

Interest accrued in 2015 and 2014 on these securities totaled €202,496 thousand and €261,181 thousand, respectively and is included under the heading "Interest and similar charges" in the accompanying consolidated income statement (Note 31).

The effective average interest rate of the debt instruments classified in this portfolio at 31 December 2015 and 2014 stood at 2.46% and 2.58%, respectively.

During the last quarter of 2015, one of the entities of Grupo Unicaja Bank, Bank of Spain Caja de Inversiones, Salamanca and Soria, S.A. (EspañaDuero) has proceeded to the sale of part of the debt securities classified as held to maturity investments with a carrying amount of €3,374,163 thousand and a selling price of €3,701,187 thousand. The aggregate nominal value of these assets amounts to €3,027,001 thousand, and sales have profits for the Bank of €327,024 thousand, which have been recorded under "Results from financial transactions - Portfolio investment maturity "of the accompanying consolidated income statement (Note 37).

This sale transaction is motivated by the combined effect of two factors:

- Change interpretations being made by the courts regarding the validity of clauses floor at the sectorial level, which should be considered as a change in legal requirements affecting substantially to credit institutions, causing the need for materializing capital gains on the investment portfolio due to not compromised its solvency after the allocation of the corresponding impairment (Notes 17 and 26).

- Increased regulatory capital requirements by the European Central Bank during the year 2015, in the exercise of their supervisory functions requested entities, at consolidated level, specific requirements higher depending on the assessment of risks (Pillar II).

Moreover, during the year 2014, the Group sold assets to maturity investment portfolio with a nominal value of €965,450 thousand an accounting cost of €1,016,002 thousand and a selling price of €1,119 ,249 thousand, generating a profit for the Group of €103,246 thousand, which were recognized under "Results from financial transactions - investment portfolio at maturity" of the consolidated income statement for 2014 and losses (Note 37).

Sales transactions during the year 2014 were motivated in part by the acquisition of EspañaDuero by Grupo Unicaja Banco, held on 28 March 2014, with the aim of maintaining the positions of interest rate risk and group credit resulting from the combination, as well as changes in regulatory capital requirements and the need for certain actions recapitalization EspañaDuero level, as the materialization of certain capital gains in the investment portfolio to maturity.

In both cases, sales of portfolio maturity investment has been made in accordance with accounting regulations, and considering the provisions of GA22 paragraph of IAS 39 "Financial Instruments: Recognition and Measurement", which provides for situations which can be carried out disposal of financial assets held to maturity investment portfolio without raises doubt about the Group's intention to keep the rest of the portfolio to maturity. It should also be noted that these sales are attributable to non-recurring events and that could not have been reasonably anticipated. For the reasons described above, it is considered that the operations comply with the requirements of the GA22 paragraph of IAS 39, so that it is not appropriate to reclassify the rest of the debt securities of the investment portfolio to maturity of the portfolio of assets financial available for sale (Note 2.2.4).

The net charges recorded in the cash flow statement for the year 2015 consolidated instruments to maturity investment portfolio recorded under this heading amounted to €6,011,875 thousand (net receipts of €1,517,876 thousand in 2014).

10. Loans and receivables

10.1 Breakdown of the balance and maximum credit risk

The following table contains a breakdown of the financial assets included in this category at 31 December 2015 and 2014, classified by type of counterparty and by type of instrument:

	Thousands of euros	
	2015	**2014**
By counterparty type		
Credit institutions	818 422	1 118 854
Resident, public administrations	2 009 960	2 035 250
Non-resident, public administrations	-	37
Resident, other sectors	33 970 843	37 153 641
Non-resident, other sectors	310 546	347 719
	37 109 771	40 655 501
(Impairment losses)	(2 344 570)	(2 978 333)
Other measurement adjustments	(52 690)	(6 585)
	34 712 511	**37 670 583**
By instrument type		
Variable-rate credit lines and loans	28 864 304	31 882 887
Fixed-rate credit lines and loans	2 622 305	2 791 073
Debt securities	963 772	1 801 930
Securities acquired under repurchase agreements	3 576 158	3 347 106
Term deposits at credit institutions	414 835	262 815
Other deposits at credit institutions	89 530	99 206
Other financial assets	578 867	470 484
	37 109 771	40 655 501
(Impairment losses)	(2 344 570)	(2 978 333)
Other measurement adjustments	(52 690)	(6 585)
	34 712 511	**37 670 583**

The carrying amounts shown in the above table represent the credit risk exposure borne by the Group at each year end with respect to the financial instruments indicated.

The interests accrued during 2015 and 2014 for loans to customers have been €884,546 thousand and €936,405 thousand, respectively, and are included in "Interest and similar income" in the consolidated income statement (Note 31). Meanwhile, interest earned on deposits with credit institutions amounted to €1,585 thousand and €10,219 thousand, respectively, and is included also in "Interest and similar income" in the accompanying income statement (Note 31).

The average effective interest rate of the debt instruments classified in this portfolio at December 31, 2015 for customer loans has been 2.77% (3.02% at December 31,2014) and for deposits credit institutions was 0,07% (0,37% at December 31, 2014).

The positive cash flow included in the statement of consolidated cash flows for the year 2015 by credit investments recorded under this heading amounted €2,958,072 thousand (negative flow of €8,783,624 thousand in 2014).

Refinancing operations, refinanced and restructured

At December 31 2015 and 2014, the detail of refinanced and restructured operations (a), based on the criteria of Bank of Spain v Circular 6/2012, is as follows:

							Thousands of euros
							2015
	Full real estate mortgage guarantee		Other real guarantees (c)		Unsecured		
	No. of transactions	Gross amount	No. of transactions	Gross amount	No. of transactions	Gross amount	Specific coverage
Normal Risk (b)							
Public administrations	16	392	10	11	349	158 857	-
Other individual legal persons and businesses	2 776	296 497	1 097	139 636	1 746	319 962	-
Of which: Financing for construction and development	*160*	*44 650*	*11*	*16 988*	*37*	*4 726*	-
Other natural persons	5 390	345 539	677	31 693	2 640	16 971	-
	8 182	**642 428**	**1 784**	**171 340**	**4 735**	**495 790**	**-**
Substandard risk							
Public administrations	5	791	4	9	26	10 123	-
Other individual legal persons and businesses	1 518	280 886	320	182 574	1 249	132 481	(165 333)
Of which: Financing for construction and development	*181*	*89 413*	*14*	*85 495*	*27*	*3 111*	*(65 288)*
Other natural persons	3 541	278 461	245	18 841	1 145	10 147	(29 709)
	5 064	**560 138**	**569**	**201 424**	**2 420**	**152.751**	**(195 042)**
Doubtful risk							
Public administrations	-	-	-	-	2	833	-
Other individual legal persons and businesses	3 228	611 166	1 435	598 449	962	283 665	(801 583)
Of which: Financing for construction and development	*310*	*132 251*	*131*	*121 653*	*49*	*8 521*	*(205 608)*
Other natural persons	5 779	523 906	1 358	131 878	664	7 582	(194 472)
	9 007	**1 135 072**	**2 793**	**730 327**	**1 628**	**292 080**	**(996 055)**
	22 253	**2 337 638**	**5 146**	**1 103 091**	**8 783**	**940 621**	**(1 191 097)**

	Full real estate mortgage guarantee		Other real guarantees (c)		Unsecured		Thousands of euros 2014
	No. of transactions	Gross amount	No. of transactions	Gross amount	No. of transactions	Gross amount	Specific coverage
Normal Risk (b)							
Public administrations	27	39 976	8	29 984	494	248 851	-
Other individual legal persons and businesses	2 829	367 344	1 090	258 356	1 914	529 927	-
Of which: Financing for construction and development	*210*	*91 093*	*13*	*60 246*	*45*	*5 734*	-
Other natural persons	5 591	385 527	730	37 884	2 871	21 099	-
	8 447	**792 847**	**1 828**	**326 224**	**5 279**	**799 877**	**-**
Substandard risk							
Public administrations	2	7	-	-	24	11 207	-
Other individual legal persons and businesses	1 922	369 595	613	202 862	1 540	188 853	(188 051)
Of which: Financing for construction and development	*253*	*139 331*	*23*	*43 827*	*41*	*7 725*	*(76 483)*
Other natural persons	3 301	266 754	321	19 073	1 240	11 371	(27 734)
	5 225	**636 356**	**934**	**221 935**	**2 804**	**211 431**	**(215 785)**
Doubtful risk							
Public administrations	-	-	-	-	-	-	-
Other individual legal persons and businesses	3 288	764 708	1 486	868 173	1 827	460 199	(1 319 509)
Of which: Financing for construction and development	*544*	*252 394*	*208*	*228 123*	*157*	*63 810*	*(402 572)*
Other natural persons	5 219	507 961	1 171	113 818	1 194	16 722	(211 030)
	8 507	**1 272 669**	**2 657**	**981 991**	**3 021**	**476 921**	**(1 530 539)**
	22 179	**2 701 872**	**5 419**	**1 530 150**	**11 104**	**1 488 229**	**(1 746 324)**

(a) Includes all refinancing operations, refinanced or restructured as defined in paragraph g) of paragraph 1 of Annex IX of the Circular 4/2004.

(b) Risks classified as normal special monitoring as stated in point a) of paragraph 7 of Annex IX of the Circular 4/2004.

(c) Includes real estate mortgage transactions not full, i.e. loan to value greater than 1, and other transactions secured by the real estate mortgage whatever your loan to value.

The gross amount of additions of refinanced or restructured transactions classified as doubtful or substandard by Unicaja Bank Group in 2015 and 2014 (without taking into account the effect of the entries resulting from the business combination - Note 1.2) totaled €329,374 and €365,400 thousand, respectively.

	Thousands of euros 2015	2014
Public Administrations	10 840	11 055
Other legal entities and individual entrepreneurs	222 596	228 998
Of which: funding for construction and development	*57 101*	*58 854*
Rest of physical persons	95 938	125 347
	329 374	**365 400**

The Bank has a transaction refinancing, restructuring, renewal and renegotiating policy that has been approved by the maximum governing body and is included in the Entity's credit policy and manual. This policy details the requirements and situations under which a range of measures are offered to assist customers that are undergoing financial difficulties.

The reconciliation of the carrying amount of refinancing operations is presented, refinanced and restructured between the beginning and end of the years 2015 and 2014:

Thousands of euros

	Normal	Substandard		Doubtful		Total	
	Gross Amount	Gross Amount	Specific Coverage	Gross Amount	Specific Coverage	Gross Amount	Specific Coverage
1 January 2014	**1 572 274**	**916 742**	**275 302**	**1 137 557**	**765 211**	**3 626 573**	**1 040 513**
Business Combination	833 797	408 104	46 048	1 120 701	589 066	2 362 602	635 114
Additions	327 893	147 414	77 155	217 986	410 258	693 293	487 413
Disposals	(373 621)	(149 430)	(98 718)	(439 166)	(317 998)	(962 218)	(416 716)
Classifications	(441 394)	(253 109)	(84 003)	694 503	84 002	-	-
31 December 2014	**1 918 949**	**1 069 721**	**215 784**	**2 731 581**	**1 530 539**	**5 720 250**	**1 746 324**
Additions	107 102	108 175	10 440	221 199	158 604	436 476	169 044
Disposals	(679 902)	(171 239)	(26 892)	(923 220)	(697 379)	(1 774 361)	(724 271)
Classifications	(36 591)	(92 344)	(4 291)	(4 291)	4 291	(1 016)	-
31 December 2015	**1 309 558**	**914 313**	**195 042**	**2 157 479**	**996 055**	**4 381 350**	**1 191 097**

Then the situation of risks refinanced during the years 2015 and 2014 is shown before and after the renegotiation, separating between the gross amount and value adjustments for impairment of assets:

Thousands of euros

	Normal		Substantard		Doubtful		Total	
2015	Before Refinanc.	After Refinanc	Before Refinanc.	After Refinanc	Before Refinanc.	After Refinanc	Before Refinanc.	After Refinanc
Gross Amount	220 216	210 696	133 158	157 186	431 216	419 219	784 590	787 101
Specific Coverage	-	-	(23 025)	(41 486)	(43 721)	(43 721)	(87 295)	(85 208)
	220 216	**210 696**	**110 133**	**115 700**	**375 498**	**375 498**	**697 295**	**701 894**

Thousands of euros

	Normal		Substantard		Doubtful		Total	
2014	Before Refinanc.	After Refinanc	Before Refinanc.	After Refinanc	Before Refinanc.	After Refinanc	Before Refinanc.	After Refinanc
Gross Amount	444 923	393 930	45 954	81 233	88 815	104 529	579 692	579 692
Specific Coverage	-	-	(6 059)	(4 664)	(31 473)	(29 890)	(37 532)	(34 554)
	444 923	**393 930**	**39 895**	**76 569**	**57 342**	**74 639**	**542 161**	**545 137**

Finally, with respect to increases and decreases in specific allowances made during the years 2015 and 2014 on refinancing operations, refinanced and restructured, the Group recorded increases amounting to €169,044 thousand and €487,413 thousand, respectively and decreases in the amount of €724,271 thousand and €416,716 thousand, respectively. Most of the increases were made after the renegotiation / refinancing, in the time trouble recovery operations, in accordance with the provisions of the regulatory framework that is applicable are detected.

Increases and decreases in value adjustments for impairment made during the year 2015 on refinancing operations, refinanced and restructured have been recorded in the caption "Impairment losses on financial assets (net)" in the profit and loss account . Meanwhile, in the year 2014 they were recorded under the same heading, except where they had a different accounting treatment as a result of the recognition at fair value of the assets and liabilities of the entity in accordance with specific accounting treatment described in Note 1.2, the effect in this case was registered against "Equity - Reserves".

Although control over refinanced risks has always formed part of the Unicaja Banco's prudential monitoring of the loan portfolio, the Bank has adapted its systems for managing, identifying and monitoring transactions involving credit exposure to the definitions contained in Bank of Spain Circular 6/2012. Specifically, the Bank has policies for refinancing, restructuring, renewing and renegotiating loans which detail the requirements, terms and situations in which a broad range of measures are available to help customers that are in financial difficulties.

In general terms, these renegotiated loans do not include changes to conditions deemed substantial, besides an increase in the term of loans, the inclusion or extension of grace periods, or the improvement of loan collateral, so that, for accounting purposes, this does not entail the write-off of the original assets or the recognition of new assets at fair value.

As regards the accounting treatment of renegotiated loans, the Group complies the provisions of paragraph AG84 of IAS 39 on changes in the conditions of the debt instruments because of financial difficulties of the borrower or debtor. According to the procedure laid down in Grupo Unicaja Banco, if the new operation cancels any doubtful risk, this new operation will always be born as doubtful, unless the criteria in IAS 39 are met itself.

The policies and procedures applied when managing exposures allow the itemized monitoring of loans. In this regard, any loan the terms of which must be modified due to the deterioration of borrower solvency already has the relevant impairment provision at the novation date. Consequently, as the transactions are correctly measured, no additional impairment provisioning requirements are applicable to the refinanced loans.

As regards the accounting treatment of interest, the Group does not recognize in the income statement interest accrued after loans are reclassified as doubtful. If outstanding interest is received as a result of a doubtful loans refinancing or restructuring, the interest is recognized as income in the income statement for the year.

Where the Bank is reasonably certain that the customer will comply with the payment schedule following the refinancing of a loan, the loan is classed as a performing loan. Various factors are considered, such as the contribution of new effective collateral. Consequently, in such cases, the need to hedge credit exposure on the loan might be reduced.

Negotiated or refinanced assets are classified according to their risk based on aspects such as determining the payment capacity of borrowers, the date of the guarantees provided assessment and, in addition, other factors such as waiting periods of operations or the number of times an operation has been restructured.

Following the initial classification, in the case of loans classed as doubtful or substandard, prudent cure criteria are applied so that subsequent developments may allow reclassification to performing loan status. These criteria are applicable where repayments have effectively been made on the loan refinanced, such that doubts are dissipated as to collection, taking into account both the amount repaid and the period in which the borrower has been meeting payment obligations.

10.2 Past-due and impaired assets

Set out below is a breakdown of financial assets classified as loans and receivables and considered to be impaired due to credit risk at 31 December 2015 and 2014, and items that are not considered to be impaired but include amounts that are past due at that date, classified by counterparty and by age:

Assets impaired at 31 December 2015

	Thousands of euros				
	Up to 180 days	**Between 180 and 270 days**	**Between 270 days and 1 year**	**Over 1 year**	**Total**
By counterparty type					
Resident, public administrations	1 349	152	109	3 930	5 540
Resident, other sectors	985 538	130 712	115 166	2 240 742	3 472 158
Non-resident, public administrations	-	-	-	-	-
Non-resident, other sectors	21 231	2 376	1 725	52 494	77 826
	1 008 118	**133 240**	**117 000**	**2 297 166**	**3 555 524**

Assets impaired at 31 December 2014

	Thousands of euros				
	Up to 180 days	**Between 180 and 270 days**	**Between 270 days and 1 year**	**Over 1 year**	**Total**
By counterparty type					
Resident, public administrations	1 129	193	139	4 314	5 775
Resident, other sectors	1 127 974	252 110	209 781	3 119 627	4 709 492
Non-resident, public administrations	-	-	-	-	-
Non-resident, other sectors					
	22 325	3 683	3 656	68 952	98 616
	1 151 428	**255 986**	**213 576**	**3 192 893**	**4 813 883**

At 31 December 2015 and 2014 the Group records reclassified substandard risks relating basically to property transactions (Note 46).

Past-due balances not deemed to be impaired at 31 December 2015

	Thousands of euros			
	Less than one month	**Between 1 and 2 months**	**Between 2 months and 90 days**	**Total**
By counterparty type				
Credit institutions	34	-	-	34
Resident, public administrations	1 388	16	2 476	3 880
Resident, other sectors	-	-	-	-
Non-resident, public administrations	58 052	20 825	22 842	101 719
Non-resident, other sectors	102	101	47	250
	59 576	**20 942**	**25 365**	**105 883**

Past-due balances not deemed to be impaired at 31 December 2014:

	Less than one month	Between 1 and 2 months	Between 2 and 3 months	Total
				Thousands of euros
By counterparty type				
Credit institutions	35	-	-	35
Resident, public administrations	10 041	54	2 233	12 328
Resident, other sectors	57 762	36 006	28 912	122 680
Non-resident, public administrations	-	-	-	-
Non-resident, other sectors	180	201	88	469
	68 018	**36 261**	**31 233**	**135 512**

10.3 Credit risk coverage

Set out below are movements for 2015 and 2014 in impairment losses recorded to cover credit risk on debt instruments classified as loans and receivables at the beginning and end of 2015 and 2014, together with cumulative impairment losses.

Movements in impairments losses on the years 2015 and 2014 is as follows:

	2015	2014
		Thousands of euros
Balance at 1 January	**2 978 333**	**1 377 104**
Charged to the income for the year	655 272	884 630
Recovered and credited to the surplus for the year	(250 308)	(580 794)
Other movements (*)	(1 038 727)	1 297 393
Balance at 31 December	**2 344 570**	**2 978 333**
Of which:		
Determined individually	898 636	818 993
Determined collectively	1 445 934	2 159 340
	2 344 570	**2 978 333**

(*) “Other movements” in 2014 includes the effect of the business combination described on the Note 1.2.

The donations are recognized under "Impairment losses on assets (net) - Loans and receivables" in the accompanying consolidated income statement.

Set out below is a breakdown by nature of the item “Other movements” for the periods 2015 and 2014, based on the amounts presented in the previous table:

	Thousands of euros	
	2015	**2014**
Utilization due to reclassification to non-performing charged to asset impairment adjustments	(851 487)	(249 101)
Utilization due to repossession of tangible and other assets	(187 240)	(76 480)
Business combination (Note 1.2)	-	1 622 974
	(1 038 727)	**1 297 393**

11. Hedging derivatives (debtors and creditors)

At 31 December 2015 and 2014, contracted derivatives designated as hedges and the items hedged consisted basically of:

- Interest rate swaps hedging mortgage bonds issued by Unicaja and third-party bonds acquired by the Group.

- Futures on listed equities hedging changes in the share price prior to the sale of the shares.

The valuation methods used to determine the fair values of OTC derivatives have been the discounted cash flow valuations of derivatives to interest rate and Montecarlo technical simulation method, used to measure structured products having an optional component. For those operations officially listed, it has been considered the share price as an indicator of fair value.

There follows a breakdown by product type of the fair values of receivables and payables relating to derivatives designated as hedging instruments in fair value hedges and cash flow hedges at 31 December 2015 and 2014, indicating hedge types, hedging instruments and hedged items:

Type and countable cover hedging instrument	2015 Debtor fair value	2015 Creditor fair value	2015 Notional	2014 Debtor fair value	2014 Creditor fair value	2014 Notional	Hedged item
						Thousands of euros	
Fair value hedges:							
Buy sell currencies against euros	**-**	**39 293**	**2 500 752**	**-**	**26 602**	**4 490 967**	
Sales of foreign exchange euros	-	39 293	2 500 752	-	26 602	4 490 967	Debt securities
Currency options	**30**	**164**	**20 830**	**-**	**209**	**19 506**	
Purchased currency options	30	164	20 830	-	209	19 506	Hedge exchange
Currency options issued	-	-	-	-	-	-	
Other operations on interest rates	**723 147**	**48 038**	**4 799 363**	**906 358**	**9 656**	**5 616 780**	
Financial interest rate swaps (IRS bonds)	721 431	33 741	4 290 163	900 883	1 594	5 399 480	Loand agreement and bonds issued
Financial interest rate swaps (IRS loan portfolio)	-	-	-	-	-	-	Cash flow of Credits
Financial interest rate swaps (IRS balances with central banks)	-	-	-	-	2 637	-	Balances with central banks
Financial interest rate swaps (IRS Client deposits)	1 123	14 297	503 900	4 708	5 425	212 000	Client deposits
Financial interest rate swaps (IRS bonds)	593	-	5 300	767	-	5 300	Debt securities
Other derivatives	**3 079**	**4 368**	**305 452**	**3 994**	**-**	**223 460**	**-**
Equity swap & embedded derivative	3 079	4 368	305 452	3 994	-	223 460	Structured products
Subtotal	**726 256**	**91 863**	**7 626 397**	**910 352**	**36 467**	**10 350 713**	
Cash flow hedges:							
Futures on securities and interest rate	**1 291**	**-**	**131 846**	**-**	**-**	**-**	
Purchases of future interest rate	1 291	-	131 846	-	-	-	
Other operations on interest rates	**10 513**	**15 934**	**435 000**	**11 569**	**20 258**	**2 586 404**	
Financial interest rate swaps (IRS loan portfolio)	-	15 934	-	-	14 299	111 404	Cash flow of Credits
Financial interest rate swaps (IRS balances with central banks)	-	-	-	-	5 510	2 000 000	Balances with central banks
Financial interest rate swaps (IRS bonds)	10 513	-	435 000	11 569	449	475 000	Debt securities
Subtotal	**11 804**	**15 934**	**566 846**	**11 569**	**20 258**	**2 586 404**	
Total	**738 060**	**107 797**	**8 193 243**	**921 921**	**56 725**	**12 937 117**	

At 31 December 2015 and 2014, the Unicaja Banco Group does not record financial instruments that must be classed as hedges of net investments in foreign operations.

The Unicaja Banco Group only treats hedges deemed to be highly effective throughout the term of the hedge as “hedging transactions”. A hedge is deemed highly effective if, during the forecast hedge term, any changes in the fair value or cash flows attributed to the financial instruments hedged are almost entirely offset by changes in the fair value or cash flows, as applicable, of the hedging instruments.

Designated “cash flow hedges” cover changes in the cash flows attributed to a specific exposure to a financial asset or liability, or a highly probable forecast transaction, provided the consolidated income statement might be affected. Set out below is the information required by paragraph 23 of IFRS 7 in connection with these cash flow hedges:

- Periods in which the flows are expected to occur: flows related with debt securities will occur until 2016 (for a notional amount of €131,846 thousand), until October 2017 (for a notional amount of €250,000 thousand) until the fourth quarter of 2023 (for a notional amount of €100,000 thousand) to the fourth quarter of 2024 (for a notional amount of €25,000 thousand) and to the fourth quarter of 2030 (for a notional amount of €60 thousand).
- Periods in which the income statement is expected to be affected: Same periods in which the cash flows are expected to occur.
- Amount recognized in the past year in the consolidated income statement item “Interest and similar income” to rectify income from hedging transactions: Profit of €3,428 thousand (loss of €2,520 thousand in 2014).
- Amount recognized in the past year in the consolidated income statement item “Interest expense and similar charges” to rectify expense from hedging transactions: Loss of €1,911 thousand (loss of €20,233 thousand in 2014).
- Cash flow hedge ineffectiveness recognized in results for the year: no Cash flow hedge ineffectiveness has been recognized in the consolidates income statement in 2015 and 2014.

Net gains on measurement recognized in the consolidated statement of recognized income and expenses for 2015 and 2014 in respect of cash flow hedges amounted to €3,818 thousand and €15,618 thousand, respectively. Additionally, in 2015 net gains of €5,339 thousand were taken to the consolidated income statement (net gains of €20,233 thousand in 2014).

Designated "fair value hedges" cover exposure to changes in the fair value of financial assets and liabilities or of firm commitments not yet recognized, or of an identified portion of such assets, liabilities or firm commitments, attributable to a particular exposure, provided the consolidated income statement might be affected. Set out below is the information required by paragraph 24 of IFRS 7 in connection with these fair value hedges:

- Losses and gains on hedging instruments: See accompanying table showing a breakdown of losses and gains on hedging instruments during 2015 and 2014.
- Losses and gains on the hedged item attributable to the exposure hedged: See accompanying table showing a breakdown of losses and gains on hedged items that are actually attributable to the hedged exposure during 2015 and 2014.
- Ineffectiveness of hedges of net investments in foreign operations recognized in results for the year: The Group has no hedges of this kind.

	2015				2014			
	Results on hedging instruments		Hedged results		Results on hedging instruments		Hedged results	
Hedging instrument	**Loss**	**Profit**	**Loss**	**Profit**	**Loss**	**Profit**	**Loss**	**Profit**
Buying and selling of foreign currencies against euro								
Sales of foreign currency on securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other operations on values	-	-	-	-	-	-	-	-
Swaps values	**-**	**-**	**-**	**-**	**574 449**	**330 805**	**80 644**	**323 833**
Options on Securities	-	-	-	-	-	-	-	-
Operations in term	-	-	-	-	-	-	-	-
Currency options	-	-	-	-	574 449	330 805	80 644	323 833
Purchased currency options	**316**	**264**	**256**	**308**	**305**	**395**	**395**	**305**
Currency options issued	316	264	256	308	305	395	395	305
Other operations on interest rates	-	-	-	-	-	-	-	-
Financial interest rate swaps (IRS bonds)	**750 664**	**435 608**	**266 204**	**581 429**	**141 293**	**254 145**	**252 563**	**140 013**
Financial interest rate swaps (IRS balances with central banks)	137 808	-	-	137 825	138 038	252 767	251 277	136 548
Financial interest rate swaps (IRS client deposits)	470	-	-	470	95	-	-	95
Financial interest rate swaps (IRS bonds)	612 386	435 608	266 204	443 134	3 160	1 378	1 286	3 370
Other derivatives	**1 928**	**-**	**-**	**1 928**	**3 771**	**3 398**	**3 398**	**3 771**
Equity swap & embedded derivative	1 928	-	-	1 928	3 771	3 398	3 398	3 771
	752 908	**435 872**	**266 460**	**583 665**	**719 818**	**588 743**	**337 000**	**467 922**

Thousands of euros

The notional amount of the contracts formalized does not represent the actual risk assumed by the Group in relation to such instruments.

The Group applies fair value hedge accounting basically to transactions in which it is exposed to changes in the fair value of certain assets and liabilities that are sensitive to interest rate fluctuations, i.e. assets and liabilities linked to a fixed interest rate, which is converted into a variable rate by means of the relevant hedges.

In the opinion of the Directors of the Parent Company as of December 31, 2015 and 2014 there is no doubt about the occurrence of anticipated transactions.

12. Investments

12.1 Investments – Equity Entities

Appendix II and III contain a breakdown of the Multi Group's shareholdings in associates and jointly-controlled entities at 31 December 2015 and 2014 indicating the percentage held and other relevant information.

The contribution from the main associates and jointly-controlled entities to the consolidated balance sheet item “Equity investments” at 31 December 2015 and 2014 are as follows:

	Thousands of euros	
	2015	**2014**
Hidralia, Gestión Integral de Aguas de Andalucía, S.A.	49 029	48 716
Autopista del Guadalmedina, Concesionaria Española, S.A.	17 508	20 942
Autopista del Sol, Concesionaria España, S.A.	22 303	26 435
Deoleo, S.A.	43 636	51 443
E.B.N. Banco de Negocios, S.A.	-	10 431
Ingeniería de Suelos y Explotación de Recursos, S.A.	6 400	4 679
Sociedad Municipal de Aparcamientos y Servicios, S.A.	8 824	8 328
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.	71 556	77 191
Banco Europeo de Finanzas, S.A.	38 669	38 661
Hidrocartera, S.L.	3 422	3 910
Muelle Uno-Puerto de Málaga, S.A.	9 061	10 125
Aciturri Aeronáutica, S.L.	-	28 197
Madrigal Participaciones, S.A.	24 877	44 012
Cartera Perseidas, S.L.	54 198	54 367
Otras entidades	9 648	(3 322)
	359 131	**424 115**

Set out below is the reconciliation between the opening and closing balances of “Shares” in the consolidated balance sheets for 2015 and 2014:

	Thousands of euros	
	2015	**2014**
Net book value at 1 January	**424 115**	**279 759**
Additions for the year	-	144 672
Disposals for the year	(46 224)	(11 491)
Outcome equity	23 916	11 149
Impairment losses (Note 41)	(15 200)	(17 219)
Distributed dividends	(23 060)	(53 669)
Differences in valuation adjustments	20 406	5 716
Transfers between associated and group / multigroup	-	51 476
Other movements	(24 822)	13 722
Net book value at 31 December	**359 131**	**424 115**

The donations are recorded in the caption "Impairment losses on other assets (net)" in the accompanying consolidated income statement.

The item “Other movements" relates basically to capital increases and reductions in associates, which are not recognized as additions or disposals provided the percentage shareholding does not change.

At 31 December 2015 and 2014 the Group recorded an amount of €15,200 thousand and €17,219 thousand, respectively, in respect of impairment of investments in associates, being recorded in the caption “Impairment losses on other assets (net)” (Note 41).

The balance of the caption "Equity Investments" in the consolidated balance sheets at December 31, 2015 and 2014 includes €34,765 thousand and €36,230 thousand, respectively, related to goodwill associated with this type of shares. Note 4 sets out information relating to this goodwill.

12.2 Notification of shareholdings acquired and disposal

Here are the notifications of acquisitions and sales of shareholdings in group entities, associates and jointly-controlled entities that have been submitted in accordance with Article 86 of the Spanish Companies Act and Article 53 of Stock Market Act 24/1988.

In 2015 the main acquisitions and disposals of shareholdings in associated companies were as follows:

- Acquisition on February 4, 2015 of 50.00% of the voting rights of Pinares de Sur, S.L.U. until a participation by 100% in this company group. As a result of this transaction, the ownership interest in Pinares del Sur, S.L.U., which happens to be a joint venture to form part of the Group entities reclassified.
- Acquisition on April 29, 2015 of 6.07% of the voting rights in Madrigal Participaciones, S.A. reaching a share of 45.94% by that company in the Group. This acquisition also represents an increase in indirect participation 1.10% in Aciturri Aeronautica, S.L. and 2.14% in Ala Ingeniería y Obras, S.L., reaching by the Group a stake of 17.85% and 16.08%, respectively, in these companies.
- Acquisition on May 6, 2015 of 15.18% of the voting rights of Corporación Hotelera Oriental, S.A. until a participation of 30,35% by that company in the Group. As a result of this transaction, the ownership interest in reclasification Corporación Hotelera Oriental, S.A. passing entity associated with the joint venture.
- Acquisition on May 8, 2015 a 2.97% stake in Sociedad de Gestión San Carlos S.A. amounting to €187 thousand, reaching a share of 53.29% for the capital of that company Group. On June 12, 2015 another €90 million disbursed without affecting the percentage of participation.
- Acquisition on July 1, 2015 of 100.00% stake in the capital of La Algara Sociedad de Gestión, S.L., passing classified as Group entity.
- Acquisition on July 1, 2015 of a stake of 20.00% in the capital of Cortijo de la Loma, S.L., passing classified as an associate.
- Acquisition on July 1, 2015 of a stake of 17.50% in the capital of Cartera de Inversiones Agroalimentarias, S.L. amounting to €674 thousand, up to a 100% in that company.
- Acquisition on 17 September 2015 of a stake of 48.86% in the capital of Desarrollos de Proyectos de Castilla y León, SLU, reaching a share of 60.70% by the company in that group, reclassified from the under "financial assets available for sale" to "Investments" as an entity of the Group.
- Acquisition on 17 December 2015 of a stake of 35.74% in the capital of Fonteduero, S.A. amounting to €100 thousand, reaching a share of 60.70% by the Group in this company, which also supposed to have been classified as joint venture to consider as an entity of the Group.
- Acquisition on 29 December 2015 a 5.73% stake in the capital of Obenque, S.A., reaching a share of 26.98% by the Group in this company.
- -Liquidation on January 1, 2015 of the entities A.I.E. Naviera Cabo Udra and A.I.E. Naviera Area Brava, in which a stake of 26.00% and 35.00% respectively had.
- Liquidation on 29 December 2015 from participation in Diode España, S.A.U., in which the Group maintained a 60.70% stake.
- Divestiture on January 20, 2015 of 4.44% of the voting rights on Alestis Aerospace, S.L., through the participation of the Group 18.48% to 14.04%.
- Divestiture on March 13, 2015 from participation in Inout TV Worwide, S.A., in which a 12.14% stake is held.
- Divestiture on 9 April 2015 from participation in Titulización de Activos, Gestora de Frondos de Titulización, S.A., in which the Group maintained a 38.57% stake, generating a profit of 64 thousand euros.
- Divestiture on 13 April 2015 from participation in Losan Hotels, S.L., in which the Group held a stake of 16.19% of the capital.
- Divestiture on 21 April 2015 from participation in Escuela Superior de Estudios de Empresa, S.A. in which the Group held 50% of the capital.
- Divestiture on May 6, 2015 of shares in Corporación Hotelera Dominicana, S.A., Inmobiliaria Chdom, S.A. and Inmobiliaria Chdor, S.A., in which the Group maintained a 15.18% stake in each, generating a loss of €194 thousand, €283 thousand and €315 thousand, respectively.

- Divestiture on 11 June 2015 from participation in Infodesa, S.A., in which the Group maintained a 15.18% stake.
- Divestiture on 22 July 2015 from participation in Cementerio Parque de Martos, S.A., in which the Group held 20.00%, generating a profit of €28 thousand.
- Divestiture on July 23, 2015 of 5.19% stake in Ayco Grupo Inmobiliario, S.A., reducing the stake to 6.95% and reclassified to the heading "Financial assets available for sale".
- Divestiture on 29 September 2015 from participation in E.B.N. Banco de Negocios, S.A. (Upon fulfillment of the suspensive conditions), in which the Group maintained a 33.89% stake, generating a profit of €12,607 thousand (Note 1.6).
- Extinction on 29 September 2015 Developments Urbanísticos Veneciola, S.A., in which the Group held a stake of 12.14%.
- Divestiture on 30 September 2015 from participation in Investigación y Desarrollo de Energías Renovables, S.L. (IDER), in which the Group held 12.39% stake, generating a profit of €1,410 thousand.
- Divestiture on 8 October 2015 from participation in Hemera Catering, S.L., in which the Group maintained a 31.82% stake, generating a profit of €82 thousand.
- Liquidation on December 2, 2015 of A.I.E. Naviera Electra company in which the Group held a stake of 21,00%.
- Extinction of society Aretne, S.L., in which the Group held a 40.00% stake, generating a loss of €35 thousand.
- Divestiture on 16 December 2015 from participation in Aciturri Aeronáutica, S.L., in which the Group maintained a 17.85%, generating a loss of €10,995 thousand.
- Disposals during the year 2015 of a 5,11% stake in Privándalus Inversiones I, SICAV, S.A., as a result of the activity of society, reducing the stake to 27.20% of the capital.

Additionally, during the year 2015 and with effective date January 1, 2015, they have produced the following merger operations:

- Merged by absorption Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (As absorbing company) with Invergestión, Sociedad de Inversiones y Gestión, S.A.U., Inmocaja, S.A.U. Gestión de Inversiones en Alquileres, S.A., Guendulain Suelo Urbano, SLU, Caja Duero Capital, S.A.U., Caja España de Inversiones, Sociedad de Participaciones Preferentes, S.A.U. and Campo de Inversiones, S.A.U. (as absorbed entities).
- Merger by absorption of Unigest, S.G.I.I.C., S.A. (as absorbing company) with Caja España Fondos, S.A., S.G.I.I.C. (As absorbed company), through the Group's share in Unigest, S.G.I.I.C., S.A. from 100.00% to 82.48% as a result of this operation.
- Merger by absorption of Gestión de Inmuebles Adquiridos, S.L.U. (as absorbing company) with Renta Portfolio, S.L.U. (as absorbed company).

Meanwhile, in the year 2014, in addition to the acquisition of EspañaDuero, which joined the Group as described in Note 1.2, major acquisitions and disposals of shares in Group companies, joint ventures and associates were as follows:

- Acquisition on 28 February 2014 of 285.600 shares in Uniwindet, S.L., for €2,459 thousand.
- Acquisition on 11 April 2014 of 39,060 shares in Liquidámbar Inversiones Financieras, S.L., for €101 thousand.
- Adquisition on 11 April 2014 of 22,133 shares in Cartera Perseidas, S.L., for €536 thousand.
- Sale on 30 June 2014 of 2,250,000 shares in Liquidámbar Inversiones Financieras, S.L., for €5,696 thousand, generating a loss of €111 thousand for the Group.
- Sale on 29 July 2014 of 100% of shares in Tasaciones Andaluzas, S.A.U. for €706 thousand and 100% of shares in Consultora Técnica Tasa, S.L.U. for €406 thousand, generating a profit of €211 thousand.
- Adquisition on 31 July 2014 of 4,714 shares in Parque Científico-Tecnológico de Almería, S.A., for €924 thousand.

- Adquisition on 29 September 2014 of 119,751 shares in Alestis Aerospace, S.L., as a result of a capital increase.
- Sale on 31 October 2014 of 1,861,027 shares in Grupo El Árbol Distribución y Supermercados, S.A., that represents 15.95% of the Company's share capital.
- Sale on 26 November 2014 of 360,067 shares in Marinas Puerto de Málaga, Sociedad Promotora del Plan Especial del Puerto de Málaga, S.A., which represent 29.98% of the Company's share capital, generating a profit of €109 thousand.
- Adquisition on 27 November 2014 of 66,006 shares in Malagaport, S.L., for €120 thousand.
- Sale on 11 December 2014 of 22,645,353 shares in Sodinteleco, S.L., that represent 31.87%, generating a profit of €115 thousand.
- Adquisition on 29 September 2014 of 11,029,412 shares in Muelle Uno-Puerto de Málaga, S.A. for €7,500 thousand.

In addition, in 2014 it has been occurred the absorption fusion by Gestión de Inmuebles Adquiridos, S.L. (as absorber Entity) with Promotora Guadalnervión, S.L., Unic-as Promociones Inmobiliarias, S.L. and Urbasur, Actuaciones Urbanísticas, S.L. (as absorbed Entity).

The net charges recorded in the consolidated statement of cash flows for the year 2015 recorded in this caption cash holdings amounted to €62,437 thousand (net payments of €11,388 thousand in 2014).

13. Property, plant and equipment

The movements of "property, plant and equipment" in this balance sheets of 2015 and 2014 are as follows:

	Thousands of euros		
	For own use	**Investment property**	**Total**
Cost			
Balance at 31 December 2014	**2 086 661**	**502 612**	**2 589 273**
Additions	36 839	28 383	65 222
Disposals and other write-offs	(46 200)	(6 690)	(52 890)
Other transfers and other movements	(8 812)	141 096	132 284
Balance at 31 December 2015	**2 068 488**	**665 401**	**2 733 889**
Accumulated depreciation			
Balance at 31 December 2014	**(1 039 558)**	**(52 186)**	**(1 091 744)**
Disposals and other write-offs	81 537	741	82 278
Charges	(38 879)	(7 510)	(46 389)
Other transfers and other movements	4 170	(14 747)	(10 577)
Balance at 31 December 2015	**(992 730)**	**(73 702)**	**(1 066 432)**
Impairment losses			
At 31 December 2014	(18 598)	(157 960)	(176 558)
Net property, plant and equipment			
Balance at 31 December 2014	**1 057 160**	**433 739**	**1 490 899**

	For own use	Investment property	Total
			Thousands of euros
Cost			
Balance at 31 December 2013	**1 149 638**	**233 970**	**1 383 608**
Additions	4 270	2 314	6 584
Disposals and other write-offs	(4 919)	(16 661)	(21 580)
Other transfers and other movements	937 672	282 989	1 220 661
Balance at 31 December 2014	**2 086 661**	**502 612**	**2 589 273**
Accumulated depreciation			
Balance at 31 December 2013	**(541 278)**	**(22 933)**	**(564 211)**
Disposals and other write-offs	3 655	792	4 447
Charges	(36 987)	(6 262)	(43 249)
Other transfers and other movements	(464 948)	(23 783)	(488 731)
Balance at 31 December 2014	**(1 039 558)**	**(52 186)**	**(1 091 744)**
Impairment losses			
At 31 December 2014	(16 056)	(95 503)	(111 559)
Net property, plant and equipment			
Balance at 31 December 2014	**1 031 047**	**354 923**	**1 385 970**

The above tables identify “Other transfers and other movements" in both the cost and accumulated depreciation of the assets. Set out below is a breakdown by nature of these movements in 2015 and 2014:

	2015		2014	
	For own use	Investment Property	For own use	Investment Property
				Thousands of euros
Transfers from non-current assets held for sale	12 373	101 319	-	12 991
Transfers between own use and investment properties	(16 535)	16 535	(22 628)	22 628
Transfers from inventories	-	11 594	-	40 978
Business combination (Note 1.2)	-	-	498 379	195 709
Other movements	(480)	(3 099)	(3 027)	(13 100)
	(4 642)	**126 349**	**472 724**	**259 206**

The Group has taken out several insurance policies to cover risks that are subject property, plant and equipment. The coverage of these policies is considered sufficient.

The net charges recorded in the statement of consolidated cash flows for the year 2015 by tangible assets recorded under this heading amounted to €134,865 thousand (net charges of €3,868 thousand in 2014).

13.1 Property, plant and equipment for own use

Set out below is a breakdown by nature of this balance sheet caption at 31 December 2015 and 2014:

	Thousands of euros			
	Cost	**Accumulated depreciation**	**Impairment losses**	**Net balance**
Data processing equipment and installations	203 199	(191 331)	-	11 868
Furniture, vehicles and other installations	750 103	(595 452)	-	154 651
Buildings	1 064 121	(195 106)	(16 731)	852 284
Work in progress	26 928	-	-	26 928
Other	24 137	(10 841)	(1 867)	11 429
Balance at 31 December 2015	**2 068 488**	**(992 730)**	**(18 598)**	**1 057 160**
Data processing equipment and installations	245 516	(236 047)	-	9 469
Furniture, vehicles and other installations	755 371	(593 371)	-	162 000
Buildings	1 042 158	(188 986)	(14 052)	839 120
Work in progress	80	-	-	80
Other	43 536	(21 154)	(2 004)	20 378
Balance at 31 December 2014	**2 086 661**	**(1 039 558)**	**(16 056)**	**1 031 047**

As part of the net balance as of December 2015 contained in the above table, there are headings for an amount of €2,269 thousand (€3,507 thousand at December 31, 2014) corresponding to plant and equipment net worth societies Group are acquired under leasing.

At 31 December 2015, property, plant and equipment for own use having a gross value of approximately €451,007 thousand (€441,897 thousand at 31 December 2014) was fully depreciated.

13.2 Investment property

The consolidated balance sheet item “Investment property” generally reflects the net values of land, buildings and other structures held in order to be leased. Investment property is carried in the consolidated balance sheet at acquisition cost, which is formed by the fair value of any consideration paid plus all cash outlays made or committed, less accumulated depreciation and any estimated losses calculated by comparing the net value of each item with its recoverable amount. Under IAS 36, the recoverable amount is the higher of fair value less costs to sell and the value in use of the assets.

As these assets generate rental income and their value in use may be estimated, the Group does not follow the same appraised value update criteria applicable to irregular properties held exclusively for sale. The Group calculates the recoverable amount of investment property based on the value in use derived from the rent generated by the assets.

The Unicaja Banco does not have a reliable measurement of the fair value of investment property. As there is no reliable measurement of the fair value of investment property, the Group does not report on the requirements of letters (d) and (e) of IAS 40, paragraph 75.

Direct operating expenses (including repairs and maintenance) recognized in the consolidated income statements for 2015 and 2014 in relation to investment property, showing property that generates rent separately from property that does not, are as follows:

	Thousands of euros	
	2015	**2014**
Expenses associated with investment property that generates rent	1 801	3 549
Expenses associated with investment property that does not generate rent	2 113	1 620
	3 914	**5 169**

As regards the investment property for which the Group acts as a lessor, regulations applicable to each lease are observed, particularly the provisions of Law 29/1994 (24 November) on Municipal Leases and Law 4/2013 (4 June) on measures to develop and enhance the flexibility of the home rental market.

In 2015 and 2014, income from leased out under operating lease (investment property) owned by the Group totaled €13,917 thousand and €13,550 thousand, respectively (Note 38).

With respect to the information required by IAS 27, paragraph 56, in 2015 and 2014 the Group's annual income from non-cancellable operating leases, i.e. under the former lease regime, totaled €192 thousand and €198 thousand, respectively.

13.3 Impairment losses

Set out below is a summary of movements in impairment losses affecting property, plant and equipment during 2015 and 2014:

	Thousands of euros		
	Own use	**Investment property**	**Total**
Balance at 1 January 2014	**17 049**	**48 657**	**65 706**
Endowments (Note 41)	256	2 686	2 942
Recoveries, sales	(74)	(329)	(403)
Other recoveries (Note 41)	-	-	-
Other transfers and reclassifications	(1 175)	44 489	43 314
Balance at 31 December 2014	**16 056**	**95 503**	**111 559**
Endowments (Note 41)	1 376	3 148	4 524
Recoveries, sales	(2)	(4 923)	(4 925)
Other recoveries (Note 41)	-	-	-
Other transfers and reclassifications	1 168	64 232	65 400
Balance at 31 December 2015	**18 598**	**157 960**	**176 558**

The donations are recorded in the caption “Impairment losses on other assets (net)” in the accompanying consolidated income statement.

14. Intangible assets

At 31 December 2015 and 2014, virtually the entire balance of “Intangible assets” in the consolidated balance sheet relates to computer software using in the course of business by the companies of the Unicaja Banco Group.

	Thousands of euros	
	2015	**2014**
Goodwill	184	184
Other intangible assets	1 010	1 587
	1 194	**1 771**

It is provided below the breakdown of the category “Goodwill” on 31 December, 2015 and 2014, for each society that generates it:

	Thousands of euros	
	2015	**2014**
Unigest, S.G.I.I.C., S.A.	122	122
Caja España Mediación, Operador Banca-Seguros Vinculado, S.A.	62	62
	184	**184**

The category “Other intangible assets” of the consolidated balance sheet basically records computer applications used by Grupo Unicaja Banco’s entities.

Movements in “Intangible assets” in the consolidated balance sheet during the periods ended 31 December 2015 and 2014 are as follows:

	Thousands of euros		
	Cost	**Accumulated depreciation**	**Net book value**
Balance at January 1, 2014	**20 821**	**(17 132)**	**3 689**
High cost / depreciation	3 061	(3 293)	(232)
Low cost / depreciation	(2 685)	1 025	(1 660)
Other movements(*)	-	(26)	(26)
Balance at December 31, 2014	**21 197**	**(19 426)**	**1 771**
High cost / depreciation	905	(990)	(85)
Low cost / depreciation	(775)	379	(396)
Other movements (*)	-	(96)	(96)
Balance at December 31, 2015	**21 327**	**(20 133)**	**1 194**

(*) The category “Other movements” includes the effect of the business combination (Note 1.2).

The amount recognized in the consolidated income statement item “Amortization - Intangible assets” totals €990 thousand at 31 December 2015 (€635 thousand at 31 December 2014).

Fully-amortized intangible assets still in use at 31 December 2015 and 2014 amount to €79,685 thousand and €79,559 thousand, respectively.

Net receipts recorded in the statement of consolidated cash flows for the year 2015 for intangible assets recorded under this heading amounted to €20 thousand (net payments of €2,749 thousand in 2014).

15. Other assets

a) Non-current assets for sale

Set out below is a breakdown of the item “Non-current assets for sale”, which includes the carrying amount of assets that do not form part of the Group's operating activities and the carrying amount of which will foreseeably be recovered through the transfer price. These assets amount to €852,902 thousand at 31 December 2014 (€931,290 at 31 December 2014).

The Group has estimated the fair value of these assets based upon the value obtained in an updated valuation, in line with the content of OM/805/2003, by a valuers authorized by the Bank of Spain.

Set out below is a breakdown of non-current assets classified by purpose at the end of the years 2015 and 2014:

	Thousands of euros	
	2015	**2014**
Equity instruments	**227 453**	**245 698**
Residential assets	**300 349**	**324 946**
Finished Properties	**257 209**	**305 972**
Dwelling	75 000	79 582
Rest	182 209	226 390
Properties under construction	**19 383**	**19 538**
Dwelling	19 383	19 538
Land	**48 508**	**35 136**
	852 902	**931 290**

Net gains recognized in the 2015 consolidated statement of recognized income and expenses on equity instruments classed as non-current assets for sale total €320 thousand (net gains of €320 thousand in 2014).

Set out below is the reconciliation between the opening and closing balances of tangible assets included in the consolidated balance sheet item “Non-current assets for sale” for 2015 and 2014:

	Thousands of euros		
	Gross Amount	**Value adjustments for impairment**	**Net book value**
Balances at January 1, 2014	**303 967**	**(40 049)**	**263 918**
Additions for the year	104 218	(8 114)	96 104
Disposals and other transfers	(69 887)	12 276	(57 611)
Allocated to income (Note 43)	(3 012)	(17 727)	(20 739)
Transfers to inventories	(39 405)	2 606	(36 799)
Transfers to investment property	(12 991)	-	(12 991)
Business combination (Note 1.2)	828 997	(131 563)	697 434
Other movements	1 974	-	1 974
Balances at December 31, 2014	**1 113 861**	**(182 571)**	**931 290**
Additions for the year	200 985	(3 648)	197 337
Disposals and other transfers	(131 615)	10 782	(120 833)
Allocated to income (Note 43)	(2 743)	(54 680)	(57 423)
Transfers to inventories	(23 419)	4 375	(19 044)
Transfers to investment property	(101 319)	37 588	(63 731)
Other movements	(14 015)	(679)	(14 694)
Balances at December 31, 2015	**1 041 735**	**(188 833)**	**852 902**

Donations made on non-current of this heading assets, except for equity instruments, are recorded under the heading "Gains (losses) on non-current assets held for sale not classified as discontinued operations" in the consolidated income accompanying consolidated income. For its part, the impact on results of equity instruments of this heading are recorded directly under "Profit from discontinued operations (net)" in the consolidated income statement.

The net charges recorded in the cash flow statement for the year 2015 by the non-current assets held for sale recorded under this heading amounted to 54,238 thousand euros. As of December 31, 2014 had no significant payments or receipts place in the cash flow statement consolidated for this item.

Impairment losses recognized in the consolidated income statement in 2015 and 2014 on non-current assets for sale total €54,680 thousand and €17,727 thousand, respectively; they are recognized in the item “Gains/(losses) on non-current assets for sale not classified as discontinued operations” (Note 43).

Under the heading "Non-current assets held for sale" in the consolidated balance sheet tangible assets that have been received by the Group or other consolidated for the satisfaction of all or part of the payment obligations to companies they are registered them of their debtors. In addition, this heading are recorded equity instruments for which the Group considers recover its value through sale rather than exploiting them.

The Unicaja Banco Group applies market terms in buyer financing granted for the purchase of properties. Loans granted in 2015 for initial financing total €18,612 thousand (€14,435 thousand in 2014). At 31 December 2015, gains on these loans pending recognition amount to €12,370 thousand (€11,285 thousand in 2014).

Valuation companies

The main valuation company that issues reports on the Unicaja Banco Group's assets is Tasaciones Inmobiliarias, S.A. (Tinsa). The following companies also issue valuation reports on the Group's assets: Sociedad de Tasación, S.A. (Sotasa), UVE Valoraciones, S.A., Técnicos de Tasación, S.A. (Tecnitasa) and Eurovaloraciones, S.A. (Euroval).

The Unicaja Banco Group has a procedure for selecting valuation companies that restricts assignments to appraisals that are performed solely through electronic means by valuation companies with an internal code of conduct that complies with applicable legislation, among other requirements. Pre-authorized valuation companies are selected at random.

In general, the appraisals used by the Unicaja Banco Group, both for properties securing loans and for assets that are repossessed or received as payment for debts, must be performed by a valuation company authorized by the Bank of Spain and in accordance with the requirements of Order ECO/805/2003 (27 March).

b) Other assets

A breakdown of the balances in this consolidated balance sheet caption at 31 December 2015 and 2014 is set out below:

	Thousands of euros	
	2015	**2014**
Inventories	542 054	593 892
Other	151 933	134 894
	693 987	**728 786**

At 31 December 2015 and 2014, the consolidated balance sheet item “Other” relates basically to prepayments and accrued income.

The consolidated balance sheet item “Inventories” includes non-financial assets that are held for sale by the consolidated entities in the ordinary course of business, are being produced, built or developed for that purpose, or are expected to be consumed in the production process or in the provision of services. Consequently, land and other properties held for sale or for inclusion in a housing development, are treated as inventories.

Inventories are carried at the lower of cost, which includes all outlays to acquire and transform the inventories, direct or indirect costs incurred to bring them to their current condition and location, and directly attributable financial costs, provided more than one year must elapse before they are sold, and net realisable value. The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to be incurred to complete the production and sale of the inventories.

In accordance with paragraph 2 of IAS 36 “Inventories”, both decreases and, if applicable, subsequent recoveries of the net realisable value of inventories below their carrying amount are recognized in the consolidated income statement in the period in which they occur, in the item “Impairment losses on other assets (net) - Other assets”.

A breakdown by company of the asset item “Other assets - Inventories” on the consolidated balance sheet at 31 December 2015 and 2014 is as follows:

	Thousands of euros	
	2015	**2014**
Inmobiliaria Acinipo, S.L.U.		
Gestión de Inmuebles Adquiridos S.L.U.	1 440	3 327
Unicaja Gestión de Activos Inmobiliarios, S.A.U.	536 093	584 240
Other entities	-	1 526
	4 521	4 799
	542 054	**593 892**

Set out below are movements in the consolidated balance sheet item "Other assets - Inventories" during 2015 and 2014:

	Thousands of euros	
	2015	**2014**
Net book value at 1 January	**593 892**	**673 671**
Additions for the year	176 535	105 277
Disposals and other transfers	(183 022)	(235 236)
Transfers to investment property	(11 594)	(40 978)
Transfers from non-current assets held for sale	19 044	39 405
Change in impairment losses	(53 059)	54 302
Other movements	258	(2 549)
Net book value at 31 December	**542 054**	**593 892**

Impairment losses on inventories are recognized in the consolidated income statement item “Impairment losses on other assets (net)”.

Set out below is a breakdown of inventory sales completed during 2015 and 2014 by the Unicaja Banco Group, stating the selling price, cost of sales, use of impairment provisions and other items:

	Thousands of euros	
	2015	**2014**
Sale price	120 793	108 306
Cost of sales	(183 022)	(175 103)
Using deteriorations	87 331	76 479
Commissions for sale	(978)	(2 229)
	24 124	**7 453**

As regards the appraisals of properties recognized in "Inventories", in accordance with prevailing legislation on the use of appraised values, the Unicaja Banco Group's policy is based on the following criteria:

- In general, the appraisals used by the Bank and its Group, both for properties securing loans and for assets that are repossessed or received as payment for debts, must be performed by a valuation company authorized by the Bank of Spain and in accordance with the requirements of Order ECO/805/2003 (27 March).

- In general, the Bank requests appraisals when loans are being granted, furnishing the necessary documentation on all the assets securing the loan.

- The Unicaja Banco Group has a procedure for selecting valuation companies that restricts assignments to appraisals that are performed solely through electronic means by valuation companies with an internal code of conduct that complies with applicable legislation, among other requirements.

- With respect to the review of appraisal quality, the Unicaja Banco Group has procedures in place to review the appraisal report, particularly in relation to the determining factors; if there are doubts as to the appraised value and/or determining factors, it is compared with values recently obtained for properties that are similar and/or in the same zone. Internal controls are also in place to review the consistency and adequacy of the valuations performed by each valuers.

- In the professional relationships with valuation companies, in order to safeguard valuer independence and avoid conflicts of interest, the Group has put in place adequate mechanisms and barriers to preclude the possibility of their activities being influenced, for purposes unrelated to the assurance of valuation quality, by the Bank's operating units or subsidiaries.

- As regards the frequency of appraisal reviews, pursuant to prevailing legislation, the values of assets securing mortgage loans (at minimum, assets securing loans classed as doubtful or substandard), repossessed assets and assets received as payment for debts are revised every three years at minimum, depending on the status of the loan and the asset type,

- For appraisals that need not fulfil the requirements of Annex IX of Circular 4/2004, the Credit Committee is responsible for establishing a procedure that can combine both valuations performed under Order ECO 805/2003 without visiting the interior of the property and the estimation of the appraised value using statistical or other methods permitted by regulations.

Finally, at 31 December 2015 and 2014 the Unicaja Banco Group records no inventories in the consolidated balance sheet that are pledged to secure the settlement of debts.

16. Financial liabilities at amortized cost

16.1 Deposits from Central Banks

A breakdown of this consolidated balance sheet heading at 31 December 2015 and 2014 is as follows:

	Thousands of euros	
	2015	**2014**
Central Bank of Spain	2 414 680	8 608 510
Measurement adjustments - Accrued interest	2 356	113 205
	2 417 036	**8 721 715**

The interest accrued during the years 2015 and 2014 for these deposits have been of €3,005 thousand and €14,262 thousand, respectively, and are included in "Interest and similar charges" in the consolidated income statement (Note 32).

16.2 Deposits from credit institutions

Set out below is a breakdown by nature of transactions of the consolidated balances in this balance sheet caption at 31 December 2015 and 2014:

	Thousands of euros	
	2015	**2014**
Term deposits	280 905	322 354
Investments	-	150 000
Assets sold under repurchase agreements	591 955	616 232
Other accounts	460 445	298 183
Measurement adjustments	6 970	10 381
	1 340 275	**1 397 150**

The interest accrued during the years 2015 and 2014 for these deposits have been of €14,047 thousand and €19,289 thousand, respectively, and are included in "Interest expense and similar charges" in the consolidated income statement (Note 32).

The average effective interest rate on the debt instruments classified in this caption at 31 December 2015 was 0.34% (1.45% at 31 December 2014).

16.3. Deposits from other creditors

Set out below is a breakdown by nature of transactions and counterparty of the customers balances at 31 December 2015 and 2014:

	Thousands of euros	
	2015	**2014**
By nature		
Current accounts	9 451 276	7 696 519
Savings accounts	12 403 455	10 961 305
Fixed-term deposits	22 869 962	25 651 432
Assets sold under repurchase agreements	3 698 418	3 731 320
Other	196 335	42 209
Measurement adjustments:	909 146	1 088 377
Of which:		
Micro-hedging transactions	669 844	793 645
Interest accrued	370 386	426 717
Other adjustments	(131 084)	(131 985)
	49 528 592	**49 171 162**
By counterparty		
Resident public administrations	1 900 672	1 682 376
Non-Resident public administrations	6 418	6 464
Other resident sectors	46 375 313	46 053 690
Other non-resident sectors	337 043	340 255
Measurement adjustments	909 146	1 088 377
Of which:		
Micro-hedging transactions	669 844	793 645
Interest accrued	370 386	426 717
Other adjustments	(131 084)	(131 985)
	49 528 592	**49 171 162**

The interest accrued during the years 2015 and 2014 for these deposits have been €603.926 thousand and €722,372 thousand, respectively, and are included in "Interest expense and similar charges" in the consolidated income statement (Note 32).

The average effective interest rate on the debt instruments classified in this caption at 31 December 2015 was 1.33% (1.62% at 31 December 2014).

Fixed-term deposits include unique mortgage bonds issued in accordance with the provisions of Law 2/1981 (25 March) on the mortgage market and a territorial bond issued in accordance with Law 44/2002 (22 November), as detailed below:

			Thousands of euros	
			Nominal amount	
Issue date	**Maturity date**	**Interest rate**	**2015**	**2014**
02/12/2003	02/12/2018	(a) 4.757%	16 258	16 258
04/12/2003	03/12/2015	Euribor 3 months + 0.13%	-	100 000
25/02/2004	01/03/2016	(a) 4.385%	250 000	250 000
16/11/2004	16/11/2019	(a) 4.257%	53 659	53 659
16/11/2004	16/11/2019	(a) 4.257%	8 049	8 049
24/11/2004	27/11/2019	(c) 4.125%	200 000	200 000
29/03/2005	27/03/2015	(c) 3.753%	-	141 667
29/03/2005	29/03/2020	(a) 4.003%	58 333	58 333
18/05/2005	21/05/2025	(a) 3.875%	200 000	200 000
15/06/2005	20/06/2017	(a) 3.500%	150 000	150 000
28/06/2005	28/06/2025	(a) 3.754%	76 923	76 923
28/06/2005	28/06/2015	Euribor 3 months + 0.08%	-	73 007
16/11/2005	21/05/2025	(a) 3.875%	200 000	200 000
12/12/2005	12/03/2016	(a) 3.503%	74 074	74 074
12/12/2005	12/12/2022	(a) 3.754%	51 852	51 852
20/02/2006	20/02/2018	Euribor 3 months + 0.12%	90 000	90 000
10/03/2006	12/03/2016	(a) 3.503%	40 000	40 000
22/03/2006	22/03/2021	(a) 4.005%	100 000	100 000
06/04/2006	08/04/2021	(a) 4.125%	200 000	200 000
25/05/2006	06/04/2016	(b) Euribor 3 months + 0.06%	250 000	250 000
26/05/2006	24/05/2017	Euribor 3 months + 0.09%	100 000	100 000
12/06/2006	12/06/2018	(a) 4.255%	100 000	100 000
19/10/2006	21/10/2018	(a) 4.000%	300 000	300 000
23/10/2006	24/05/2017	Euribor 3 months + 0.09%	100 000	100 000
23/10/2006	23/10/2023	(c) 4.254%	200 000	200 000
16/03/2007	19/03/2017	(a) 4.004%	200 000	200 000
23/03/2007	26/03/2027	(c) 4.250%	150 000	150 000
20/04/2007	08/04/2021	(a) 4.125%	200 000	200 000
23/05/2007	22/05/2019	Euribor 3 months + 0.09%	200 000	200 000
23/05/2007	23/05/2027	(a) 4.755%	50 000	50 000
23/05/2007	23/05/2027	(a) 4.755%	50 000	50 000
29/06/2007	08/04/2031	(a) 4.250%	400 000	400 000
25/07/2007	18/12/2016	(a) 4.005%	300 000	300 000
19/10/2007	21/10/2017	Euribor 3 months + 0.17%	250 000	250 000
19/10/2007	08/04/2021	4.125%	60 000	60 000
19/10/2007	26/03/2027	4.250%	110 000	110 000
19/10/2007	08/04/2031	4.250%	180 000	180 000
05/12/2007	20/02/2018	Euribor 3 months + 0.13%	145 000	145 000
10/04/2008	10/04/2048	(a) 5.280%	22 000	22 000
11/03/2005	11/03/2015	(a) 3,760%	-	150 000
29/03/2005	27/03/2015	(d) 3.753%	-	283 333
28/06/2005	26/06/2015	Euribor 3 months + 0.08%	-	194 872
22/11/2008	22/11/2015	Euribor 3 months + 1.21%	-	200 000
12/12/2005	12/03/2016	(a) 3.503%	10 000	10 000

Issue date	Maturity date	Interest rate	Thousands of euros Nominal amount 2015	2014
13/06/2009	13/06/2016	4.758%	100 000	100 000
15/06/2005	20/06/2017	3.500%	100 000	100 000
26/12/2008	21/10/2017	Euribor 3 months + 0.19%	200 000	200 000
23/10/2007	21/10/2017	Euribor 3 months + 0.17%	200 000	200 000
12/06/2006	12/06/2018	(a) 4.255%	100 000	100 000
02/12/2003	02/12/2018	(a) 4.757%	67 742	67 742
16/11/2004	16/11/2019	(a) 4.257%	52 317	52 317
30/11/2009	30/11/2019	4.511%	154 000	154 000
29/03/2005	29/03/2020	(e) 4.004%	116 667	116 667
15/06/2005	15/06/2020	(a) 3.510%	150 000	150 000
25/05/2006	08/04/2021	4.125%	100 000	100 000
12/12/2005	12/12/2022	(a) 3.754%	100 000	100 000
23/10/2006	23/10/2023	4.254%	100 000	100 000
28/06/2005	28/06/2025	(f) 3.754%	205 128	205 128
20/07/2007	26/03/2027	4.250%	100 000	100 000
23/05/2007	23/05/2027	(a) 4.755%	100 000	100 000
23/11/2006	08/04/2031	4.250%	400 000	400 000
23/03/2007	08/04/2031	4.250%	100 000	100 000
			7 592 001	**8 734 951**

(a) The fixed interest rate borne by the Entity has been converted to a variable rate by contracting swaps on the nominal amount.
(b) Issue bearing interest divided into two tranches, commencing with a fixed rate of 2.891% to 8 July 2006; the rate then changes to the 3-month Euribor + 0.06.
(c) The fixed rate supported by the Group has been made variable by financial swaps on the nominal amount. After that, these swaps were canceled.
(d) The fixed interest rate paid by the Bank has been converted to a variable rate by contracting financial swaps covering the nominal value of €141,667 thousand.
(e) The fixed interest rate paid by the Bank has been converted to a variable rate by contracting financial swaps covering the nominal value of €58,333 thousand.
(f) The fixed interest rate paid by the Bank has been converted to a variable rate by contracting financial swaps covering the nominal value of €76,923 thousand.

(*) Although these issues were outstanding at December 31, 2013, are not included in the consolidated financial statements of Grupo Banco Unicaja to the takeover of EspañaDuero, dated accounting purposes established March 28, 2014 (Note 1.2).

16.4 Marketable debt securities

A breakdown of this consolidated balance sheet heading at 31 December 2015 and 2014 is as follows:

	Thousands of euros 2015	2014
Promissory notes and bills	-	-
Mortgage securities	1 690 611	2 858 834
Other non-convertible securities	700 000	912 150
Own securities	(1 731 395)	(1 947 069)
Measurement adjustments - Accrued interest	22 055	53 824
	681 271	**1 877 739**

16.4.1 Promissory notes and bills

At December 31, 2015 and 2014 promissory notes no live broadcasts. During the year 2014 it was in effect a single program notes, which mature occurred in that year.

Interest accrued in 2014 by those values were €1.126 thousand and were recorded in "Interest and similar charges" in the accompanying consolidated income statement (Note 32).

16.4.2 Mortgage securities

A detail of the mortgage bonds issued at December 31, 2015 and 2014 is as follows:

Issue	ISIN code	Issue date	Issue amount	Balance at 31/12/14	Balance at 31/12/13	Maturity date	Interest rate
8ª Emisión Unicaja	ES0464872078	17/12/2009	70 000	70 000	70 000	17/12/2017	Euribor 6m + 0.69%
9ª Emisión Unicaja	ES0464872086	17/12/2009	30 000	30 000	30 000	17/12/2021	Euribor 6m + 0.75%
1ª Emisión Unicaja	ES0458759000	14/10/2010	750 000	-	746 197	14/10/2015	4.38%
2ª Emisión Unicaja	ES0458759018	22/11/2010	70 000	70 000	70 000	22/11/2018	Euribor 6m + 2.00%
3ª Emisión Unicaja	ES0458759026	22/11/2010	30 000	30 000	30 000	22/11/2022	Euribor 6m + 2.00%
4ª Emisión Unicaja	ES0458759034	23/03/2011	500 000	490 611	490 592	23/03/2016	5.50%
1ª Emisión Unicaja Banco	ES0480907015	21/12/2012	200 000	-	200 000	21/12/2020	Euribor 3m + 4.40%
Céd. Hipotec. Caja España Jun. 2010	ES0415474305	03/06/2010	72 452	-	72 045	03/06/2015	3.00%
Céd. Hipotec. Caja España Nov. 2011-1	ES0458673037	03/11/2011	150 000	-	150 000	30/04/2015	4.25%
Céd. Hipotec. Caja España Nov. 2011-2	ES0458673045	17/11/2011	500 000	500 000	500 000	17/04/2017	5.5%
Céd. Hipotec. Caja España Nov. 2011-3	ES0458673052	17/11/2011	500 000	500 000	500 000	17/05/2019	6.00%
				1 690 611	**2 858 834**		

At December 22, 2015, it has proceeded to the full prepayment, for a nominal amount of 200 million euros, belonging to the issue called “Unicaja Bank Mortgage Bonds 1st Issue”.

These issues are admitted for negotiation on the fixed income market AIAF, and are guaranteed by a mortgage on all those that at any time are registered in favour of the issuing entity and are not subject to the issue of mortgage bonds, in addition to the overall equity liability for these.

Interest yield from the date of issue of these bonds at 31 December 2015 amounted to €51,439 thousand (€84,134 thousand at 31 December 2014), and included in "Interest expense and similar charges" of the consolidated income statement (Note 32).

The average effective interest rate for these debt instruments at 31 December 2015 is 4.70% (4.29% at 31 December 2014).

16.4.3 Other non-convertible securities

Other non-convertible securities at 31 December 2015 and 2014 relates to the outstanding balance of the Group's bond and debenture issues.

Set out below is an analysis of outstanding bond and debenture issues at 31 December 2015 and 2014:

			Thousands of euros			2015
Issue	**ISIN code**	**Issue date**	**Nominal amount**	**Outstanding**	**Interest rate**	**Maturity date of issue**
Cédulas Territoriales Unicaja Banco 1ª Emisión	ES0480907007	27/03/2012	700 000	700 000	4.203%	27/03/2017
			700 000	**700 000**		

			Thousands of euros			2014
Issue	**ISIN code**	**Issue date**	**Nominal amount**	**Outstanding**	**Interest rate**	**Maturity date of issue**
Cédulas Territoriales Unicaja Banco 1ª Emisión	ES0480907007	27/03/2012	700 000	700 000	4.203%	27/03/2017
6ª Emisión Bonos Simples Aval del Estado Caja Duero (*)	ES0314854094	18/03/2010	100 000	100 000	3.221%	18/03/2015
9ª Emisión Bonos Simples Aval del Estado Caja Duero (*)	ES0314854128	04/05/2010	97 900	97 900	3.000%	04/05/2015
10ª Emisión Bonos Simples Aval del Estado Caja Duero (*)	ES0314854136	23/06/2010	14 250	14 250	3.782%	23/06/2015
			912 150	**912 150**		

During 2014 Unicaja Banco Group early-redeemed the following issues of other non-convertible securities previously repurchased:

- 2,268 securities for a total face value of €113,400 thousand pertaining to the issue called "Unicaja Banco Guaranteed Bonds 1st Issue" dated 17 January 2014.
- 5,204 securities for a total face value of €260,200 thousand pertaining to the issue called "Unicaja Banco Guaranteed Bonds 2nd Issue" dated 17 January 2014.
- 2,015 securities for a total face value of €100,750 thousand pertaining to the issue called "Unicaja Banco Guaranteed Bonds 3rd Issue" dated 17 January 2014.
- 3,732 securities for a total face value of €186,600 thousand pertaining to the issue called "Unicaja Banco Guaranteed Bonds 1st Issue" dated 14 April 2014.
- 796 securities for a total face value of €39,800 thousand pertaining to the issue called "Unicaja Banco Guaranteed Bonds 2nd Issue" dated 14 April 2014.
- 985 securities for a total face value of €49,250 thousand pertaining to the issue called "Unicaja Banco Guaranteed Bonds 3rd Issue" dated 14 April 2014.
- 771 securities for a total face value of €38,550 thousand pertaining to the issue called "First issue of straight bonds backed Investment Caja España de Inversiones Salamanca y Soria, S.A." dated May 29, 2014.
- 302 securities for a total face value of €15,100 thousand pertaining to the issue entitled "Second issue of straight bonds backed Investment Caja España de Inversiones Salamanca y Soria, S.A." dated May 29, 2014.
- 9,347 securities for a total face value of €467,350 thousand pertaining to the issue called "First issuance of simple bonds backed Banco de Caja España de Inversiones Salamanca y Soria t, S.A." dated May 29, 2014.

- 42 securities for a total face value of €2,100 thousand pertaining to the issue called “Ninth issue of ordinary Caja Duero Bonds secured by the Treasury” dated 2 July 2014.
- 3,095 securities for a total face value of €154,750 thousand pertaining to the issue called “Tenth issue of ordinary Caja Duero Bonds secured by the Treasury” dated 2 July 2014.
- 2,653 securities for a total face value of €132,650 thousand pertaining to the issue called “First issue of ordinary secured Caja España de Inversiones Salamanca y Soria, S.A. bonds” dated 2 July 2014.
- 8,977 securities for a total face value of €448,850 thousand pertaining to the issue called “Second issue of ordinary secured Caja España de Inversiones Salamanca y Soria, CAMP bonds” dated 2 July 2014.

Interest accrued on the bonds during 2015 totaled €4,638 thousand (€16,709 thousand in 2014) and is included in the consolidated income statement item “Interest expenses and similar charges” (Note 32).

The average effective interest rate on the debt instruments classified in this heading at 31 December 2015 was 0.21% (1.19% at 31 December 2014).

All these financial instruments are denominated in euros.

16.5 Subordinated liabilities

Set out below is a breakdown of the balances and main features of subordinated liabilities in the consolidated balance sheet at 31 December 2015 and 2014, consisting of the Group’s issue of subordinated debt:

		Euros	Thousands of euros			
Issue	**No. of securities**	**Nominal Amount per unit**	**Balance at 31/12/15**	**Balance at 31/12/14**	**Nominal interest rate**	**Maturity**
Fifteenth	-	300	-	25 670	Euribor 12 months + 0.15%	26/07/2015
Caja Jaén Second Issue	-	1 000	-	1 097	Euribor 6 months + 0.30%	15/12/2015
Singular case Jaen subordinated obligation	1	8 000 000	7 944	7 944	Euribor 3 months + 0.86%	08/11/2016
Contingent convertible bonds BCEISS	6 040	100 000	604 000	604 000	9.25%	Perpetua
Valuation adjustments - Accrued interest			9 663	9 121		
			621 607	**647 832**		

These emissions are amortized at par at maturity. The 15th issue of Unicaja and Caja Jaen 2nd issue are aimed at retail investors, while issuing called "singular subordinated obligation Caja Jaén" is assigned to the background AyT Subordinated Debt I, which is aimed at qualified investors.

Issuing "contingent liabilities Convertible Spain Duero" it is underwritten by the Fondeo de Reestructuración Ordenada Bancaria (FROB), as a recapitalization instrument under Article 29.1.b) of Law 9/2012, which serves to secure the normal development activity and compliance with the financial obligations of EspañaDuero and maintenance of own resources of the entity.

All subordinated debt issues are located, for the purposes of payment priority, behind all general creditors of the Bank. Also, they are classified as eligible for the purposes of the solvency ratio, although at no time be classified as capital for amounts in excess of the percentages referred to the new European regulation Directive 2013/36 / EU (CRD IV) and EU Regulation 575/2013 (CRR) which entered into force in 2014.

Interest on subordinated debt financing recognized in the consolidated income statement amounted to €55,072 thousand in 2015 (€40,073 thousand in 2014) (Note 32).

The average effective interest rate on the debt instruments classified in this caption at 31 December 2015 was 8.65% (8.31% at 31 December 2014).

Net payments recorded in financing activities of the cash flow statement Consolidated 2015 on subordinated liabilities recorded under this heading amounted to €31,722 thousand (net payments of €56,170 thousand in 2014).

16.6 Other financial liabilities

This balance in the balance sheets at 31 December 2015 and 2014 breaks down as follows:

	Thousands of euros	
	2015	**2014**
Amounts payable (*)	143 323	182 202
Bails Received	212 366	200 691
Collection accounts	29 088	27 411
Special accounts	3 745	3 932
Financial guarantees	600 020	777 978
	988 542	**1 192 214**

(*) A balance of 47,240 thousand euros at December 31, 2015 (58,002 thousand euros at December 31, 2014) for the outstanding balance of the extraordinary contribution to the Fund Deposit Guarantee estimated on the basis of contributions to 31 is included December 2011 (Note 1.10).

The amount registered by the Entity as at 31 December 2015 and 2014 under the heading of guarantees received corresponds, principally, to guarantees in favour of the Entity deposited in other financial entities as a result of its operation in derivative coverage products.

The negative flow included in the statement of consolidated cash flows for the year 2015 on financial liabilities at amortized cost amounts to €7,430,489 thousand (positive flow of €24,465,512 thousand in 2014).

17. Provisions

Set out below are the changes in provisions in 2015 and 2014 and the purpose of the provisions recorded in the consolidated balance sheets at 31 December 2015 and 2014:

	Thousands of euros			
	Pensions and similar obligations	Contingent liabilities and commitments	Other provisions	Total
Balance at 1 January 2014	**183 950**	**28 685**	**132 546**	**345 181**
Provision charged to income:				
Charge to provisions (*)	72 527	3 857	153 532	229 916
Interest costs (Note 32)	5 498	-	-	5 498
Recovery against income	-	(8 779)	(73 041)	(81 820)
Provisions used	(46 884)	-	(132 983)	(179 867)
Other movements(**)	138 542	95 507	171 530	405 579
Balance at 31 December 2014	**353 633**	**119 270**	**251 584**	**724 487**
Provision charged to income:				
Charge to provisions (*)	4 003	2 206	200 486	206 695
Interest costs (Note 32)	3 339	-	-	3 339
Recovery against income	(2 090)	(16 483)	(42 985)	(61 558)
Provisions used	(43 597)	-	(76 521)	(120 118)
Other movements	(3 199)	1 258	(2 940)	(4 881)
Balance at 31 December 2015	**312 089**	**106 251**	**329 624**	**747 964**

(*) See note 2.12 related to charge to provisions for pension funds and similar obligations.
(**) The category “Other movements” in 2014 includes the effect of the business combination provided in Note 1.2.

The provisions recognized by the Group reflect best estimates of future obligations. The Bank's directors consider that there is no significant risk, taking into account the amount of these provisions, that such obligations could give rise to a material adjustment to the carrying amount of the Group's assets and liabilities in the following accounting period. The financial effect estimated in provision calculations and provisions recovered in 2015 and 2014 were immaterial.

The Bank quantifies provisions taking into account the best information available on the consequences of the event giving rise to the provisions, which are re-estimated at each accounting close and are used to cover the specific obligations for which they were originally recognized. Provisions are fully or partially reversed if such obligations decrease or are eliminated.

The Group periodically reassesses the risks to which its activities are exposed on the basis of economic circumstances. Following the initial measurement and recognition of provisions, they are reviewed at each balance sheet date and adjusted, if applicable, to reflect best estimates at that time.

Provisions recognized are used to cover the specific obligations for which they were originally recognized and are fully or partially cancelled when such obligations cease to exist or decrease.

Provisions for pensions and similar obligations

The breakdown of “Provisions for pensions and similar obligations” corresponds to the amount of commitments with employees of the Group described in Notes 2.12 and 40.1.

Provisions for contingent liabilities and commitments

This caption from the consolidated balance sheet includes the amount of the provisions registered to cover contingent risks, understood as those transactions where the Group secures third-party obligations resulting from the financial guarantees granted or other types of contracts and contingent commitments, understood as irrevocable commitments which may lead to the recognition of financial assets.

Set out below is a breakdown by nature of the balance in the item “Provisions for contingent exposures and commitments” at 31 December 2015 and 2014, and a breakdown of the related item “Other movements” during 2015 and 2014:

	Thousands of euros			
	Balance at end		Other movements (*)	
	2015	2014	2015	2014
Provisions for contingent liabilities	106 251	119 270	1 258	95 507
Provisions for contingent liabilities	-	-	-	-
	106 251	**119 270**	**1 258**	**95 507**

(*) The category “Other movements” in 2014 includes the effect of the business combination provided in Note 1.2

“Other movements" basically include increases and decreases in the provisions recognized for contingent exposures due to reclassifications between amounts utilized and contingent exposures. In 2015 and 2014 the amount of "Other movements" records the increases and decreases in the provisions allocated for contingent risks due to the reclassification between amounts drawn down and contingent risks. In 2014 this item also records the effect of the business combination with EspañaDuero described in Note 1.2.

The item “Provisions for contingent exposures" includes provisions operations in which the Group secures third-party obligations under financial guarantees furnished or other types of agreements, while the item “Provisions for contingent commitments” includes provisions for irrevocable commitments that could give rise to the recognition of financial assets, there being a zero balance at 31 December 2015 and 2014.

Other provisions

Set out below is a breakdown by nature of the balance in the item “Other provisions" at 31 December 2015 and 2014, and a breakdown of the related item “Other movements” during 2015 and 2014:

	Thousands of euros			
	Balance at end		Other movements (*)	
	2015	2014	2015	2014
Coverage for legal contingencies	230 254	188 372	(5 682)	164 651
Coverage contingencies associated with investees	13 608	6 399	7 939	-
Coverage of other contingencies	85 762	56 813	(5 197)	6 879
	329 624	**251 584**	**(2 940)**	**171 530**

(*) The category “Other movements” in 2014 includes the effect of the business combination provided in Note 1.2.

The main items included in “Other provisions” are described below:

- “Coverage of legal contingencies and similar”: This relates to provisions for legal and other similar (Note 2.12.6) proceedings in respect of which there is likely to be an outflow of funds affecting profits. It covers customer claims and lawsuits with public administrations, among other items. The definitive date of the outflow of funds depends varies; in some cases, obligations have no fixed settlement period and, in other cases, this depends on legal proceedings in progress. The amounts to be provisioned are calculated using best estimates of the sum necessary to settle the claim based, among other aspects, on an itemized analysis of the facts and on legal opinions of internal and external advisors.

  At 31 December 2015 and 2014 EspañaDuero had created a fund totalling €83 million and €93 million, respectively, for legal contingencies to cover the possible costs deriving from the legal claims relating to the subscription or acquisition of preferred shares or subordinated obligations issued by the Savings Banks that transferred their financial activity to EspañaDuero. This provision was created based on the best estimates possible, taking into consideration available information regarding the legal claims that had been received and the judgments that had taken place up until that time. In general, the outcome of the judgments is determined by the specific circumstances of each customer with respect to the marketing of the products involved in the claim and their personal circumstances (knowledge and investing experience with this type of product).

  To establish the most likely court judgment in each case for those claims that have not yet been completed, or if the judgment is not yet final, the Directors of EspañaDuero have taken into account the judgments already received and the opinion of the Bank's legal advisers. The evaluation of this contingency has taken into account the Compensation Mechanism approved by the FROB within the framework of the bid to acquire EspañaDuero by Unicaja Banco (Note 1.2.1). In accordance with this mechanism, the negative effects that could arise from the claims from the holders of mandatory and contingent convertible bonds in EspañaDuero that do not accept the Offer would be assumed by the FROB at 71%, up to a maximum of €241 million, net of any compensation that the FROB may receive.

  In the view of those responsible for the Group at year end are constituted the necessary coverage to address the outcomes of the risks and contingencies that may arise from these processes.

- “Coverage of contingencies relating to investees”: This includes contingencies related to the Group's equity investments that are not due to impairment of the fair value or recoverable amount of investments but to other types of contingencies that may arise from the holding of the shares. The timing of the outflow of funds depends on each particular contingency and is estimated by Group management using the best information available at the accounting close.

- “Coverage of other contingencies”: This includes various risks for which provisions have been made covering unresolved aspects that the Group expects will result in an outlay of funds, and probable outlays envisaged by the Group in the ordinary course of business. The amounts to be provisioned are calculated based on the best estimate of the funds that the Group will be required to pay to settle the contingencies identified, also taking into account the timing of the fund outflows expected to be caused by the obligation. At 31 December 2013, the balance in the item “Coverage of other contingencies” includes the potential payment to Aviva Europe, S.E. (AVIVA) in connection with the purchase and sale of the company Unicorp Vida, Compañía de Seguros y Reaseguros, S.A. On 24 February 2014, Unicaja Banco and AVIVA agreed the terms of the consideration payable by the Bank for the Definitive Adjustment of the Final Price under the Share Purchase Agreement, based on the amount determined by an actuarial expert.

18. Other liabilities

An analysis of the balance in this consolidated balance sheet caption at 31 December 2015 and 2014 is as follows:

	Thousands of euros	
	2015	2014
Accrued un-matured expenses	81 753	96 650
Operations in process	11 321	19 218
Other	78 002	111 922
	171 076	**227 790**

19. Assets and liabilities for insurance contracts

At 31 December 2015 and 2014 “Insurance contract” of the consolidated balance amounts €142,311 thousand and €147,763 thousand, respectively, (Note 40).

At 31 December 2015 and 2014 "Insurance policy liabilities" maintained by the Group total €31,040 thousand and €29,528 thousand, respectively.

20. Minority interests and income attributed to minority interests

A breakdown by consolidated company of the balances in the captions “Minority interests” and “Income attributed to minority interests” in the consolidated balance sheet and income statement for 2015 and 2014 is as follows:

	Thousands of euros			
	2015		2014	
	Minority interests	Income attributed to minority interests	Minority interests	Income attributed to minority interests
Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (EspañaDuero)	279 441	(2 843)	325 478	(27 008)
Viajes Caja España, S.A.	(70)	20	(93)	(11)
Conexiones y Servicios Duero, S.A.	40	(32)	72	(18)
Escuela Superior de Estudios de Empresa, S.A.	23	23	217	48
Privándalus Inversiones I, SICAV, S.A.	673	(17)	-	-
Parque Industrial Humilladero, S.L.	-	-	688	(18)
	280 107	**(2 849)**	**326 362**	**(27 007)**

As regards to paragraph B10 of IFRS 12, the Group considers that significant non-controlling interests are those that generate higher minority interests 0.5% of consolidated equity (ie, greater than €16,280 thousand at 31 December 2015).

As a result, as of December 31, 2015 and 2014, only Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (EspañaDuero) has significant non-controlling interests, with minority interests as of December 31, 2015 and 2014 amounting to €279,441 thousand and €325,478 thousand, respectively, and losses attributed to minority interests during the years 2015 and 2014 amounting to €2,843 thousand and €27,008 thousand, respectively.

During the years 2015 and 2014, none of the subsidiaries composing the chapter of minority interests has made dividend distribution.

As it regards the summary financial information on the companies that make up the chapter of minority interests of consolidated balance sheet, and in consideration of the above as to the materiality of minority interests, in Annex IV to this document the summary financial information on EspañaDuero detailed.

21. Capital, share premium and other capital instruments

The breakdown and movements recorded under the heading “Equity” in the consolidated balance sheet during the years ended the 31 December 2015 and 2014 are presented in the accompanying consolidated statements of total changes in equity, together with an explanation of all movements that took place in this account during those years.

21.1 Share capital and share premium

At 31 December 2013 the Bank's share capital totalled €800,000 thousand consisting of 800,000,000 ordinary shares with a par value of one euro each, fully subscribed and paid in by Fundación Bancaria Unicaja (formerly Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén - Unicaja). These share premium totalled €1,649,044 thousand at 31 December 2013.

As a result of the share capital increase within the framework of the acquisition of EspañaDuero (Note 1.2), Unicaja Banco issued 81,287,822 ordinary shares with a par value of one euro each, all of the same class and series as those previously issued and with a total nominal value of €81,288 thousand and a share premium of €0.18827 per share, which represents a total share premium of €15,304 thousand.

Accordingly, the Bank's share capital at 31 December 2015 and 2014 amounts to €881,288 thousand consisting of 881,287,822 fully subscribed and paid ordinary shares with a par value of one euro each. At 31 December 2015 and 2014 90.78% of share capital was held by Fundación Bancaria Unicaja (formerly Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén - Unicaja).

In addition to the €15,304 thousand increase in the share premium Shareholders at a General Meeting of Unicaja Banco adopted a resolution on 7 March 2014 to reduce the share premium by €531,491 thousand to offset the losses incurred in prior years. This means that the share premium at 31 December 2015 and 2014 totalled €1,132,857 thousand.

21.2 Other equity instruments

The heading "Other equity instruments-Compound financial instruments" records the active balance for Mandatory and Contingent Convertible Bonds (NeCoCos) and Perpetual Contingent Convertible Bonds (PeCoCos) issued by Unicaja Banco at 31 December 2015 and 2014. Details of these issues at 31 December 2015 and 2014 are as follows:

			Euros	Thousands of euros			
Issues	**ISIN Code**	**Number of securities issued**	**Nominal amount**	**Balance at 31/12/2014**	**Balance at 31/12/2013**	**Nominal rate**	**Expiration date**
Bonds Necessarily and Contingently Convertible (NeCoCos)	ES0380907032	49 340 987	49 340 987	49 326	49 341	20,8236%	30/06/2016
Perpetual Bonds Contingently Convertible (PeCoCos)	ES0280907009	49 340 987	49 340 987	49 326	49 341	13,8824%	Perpetual
				98 652	**98 682**		

The NeCoCos and PeCoCos are bonds that are convertible into ordinary shares in Unicaja Banco with a par value of one euro each, respectively pertaining to a single class and series and represented by book entries. The conversion ratio for these bonds will be that resulting from the quotient of the unit face value of each of the bond issues and the value attributed to the ordinary shares in Unicaja Banco, which is established at €1.18827 per share, with the share premium considered to be the difference between the face value of the bonds being converted and the par value of the shares that are received in return. At 31 December 2015 and 2014 these issues are not listed for trading on any type of secondary market.

Both types of bonds grant their holders the right to discretional, predetermined and noncumulative compensation upon conversion into ordinary shares in Unicaja Banco, subject to certain conversion situations and the voting rights that derive from pertaining to the respective bond syndicates. The shares that will be obtained upon the conversion of those bonds will grant their holders the same rights as the shares in Unicaja Banco that are currently outstanding.

The accrual of the discretional compensation is subject to the four following conditions being met simultaneously: (i) the existence of distributable profits after covering the items established by Law and the bylaws of Unicaja Banco; (ii) the absence of limitations imposed by Spanish or European legislation regarding current or future equity that may be applicable; (iii) the Board of Directors of Unicaja Banco, at its sole discretion and based on the solvency situation of Unicaja Banco or Unicaja Banco Group, does not decide to declare no interest payment with the estimation that it is necessary to not make any such payments for an unlimited period, and in any event unpaid interest will not be cumulative; and (iv) the Bank of Spain has not required the cancellation of such payments based on the financial situation and solvency of Unicaja Banco or Unicaja Banco Group, in accordance with applicable law. In the event that part of the conditions established in paragraphs (i) through (iv) above are applicable, Unicaja Banco may proceed, at its sole discretion, to make partial payment of interest or to declare that no interest will be paid. If for any reason the interest is not paid in full or in part to the Bondholders on a payment date, they will not be entitled to claim that interest.

21.3 Treasury shares

At 31 December 2015 and 2014 the Bank did not hold any treasury shares. During 2015 no operations were carried out involving the Bank's treasury shares.

22. Reserves

Appendix IV to these notes to the consolidated annual accounts presents, among other information, a reconciliation of the carrying amounts at year-end 2015 and 2014 recognized in the item “Equity - Shareholders’ equity - Reserves” in the consolidated balance sheet, showing all movements during 2015 and 2014.

22.1 Reserves in fully-consolidated entities

Set out below is a breakdown by consolidated entity of the balances recognized in “Equity - Reserves - Accumulated reserves” in the consolidated balance sheets at 31 December 2015 and 2014, relating to the part of that balance resulting from the consolidation process:

	Thousands of euros	
	2015	**2014**
Unicaja Banco, S.A.	1 402 273	820 982
Banco de Caja España de Inversiones, Salamanca y Soria, S.A.	104 874	-
Unicorp Corporación Financiera, S.L.U.	15 272	25 662
Alteria Corporación Unicaja, S.L.U.	34 378	31 305
Inmobiliaria Acinipo, S.L.U. (*)	(113 153)	(113 131)
Gestión de Actividades y Servicios Empresariales, S.A.U.	3 054	3 022
Corporación Uninser, S.A.U.	13 653	12 249
Unimediterráneo de Inversiones, S.L.U.	4 423	4 406
Unicartera Gestión de Activos, S.L.U.	22 110	22 233
Andaluza de Tramitaciones y Gestiones, S.A.U.	6 596	6 596
Unicartera Internacional, S.L.U.	31 293	31 293
Unigest, S.G.I.I.C., S.A. (*)	(4 450)	2 343
Unicartera Renta, S.L.U.	17 495	16 943
Mijas Sol Resort, S.L.U. (*)	(1 860)	(2 087)
Gestión de Inmuebles Adquiridos, S.L.U. (*)	(708 601)	(589 688)
Desarrollos de Proyectos de Castilla y León, S.L.U. (*)	(9 427)	-
Grupo de Negocios Duero, S.A.U. (*)	(1 004)	-
Unicaja Gestión de Activos Inmobiliarios, S.A.U.	49 244	-
Pinares del Sur, S.L.U. (*)	(14 734)	-
Unimediación, S.L.U.	4 297	4 297
Viproelco, S.A.U. (*)	(10 667)	(11 931)
Other entities (*)	(12 458)	22 115
	832 608	**286 609**

(*) Negative balances represent accumulated losses.

22.2 Reserves and exchange differences in entities measured using the equity method

Set out below is a breakdown by consolidated entity of the balances recognized in "Equity - Reserves - Reserves in entities measured using the equity method" in the consolidated balance sheets at 31 December 2015 and 2014, relating to the part of that balance resulting from the consolidation process:

	Thousands of euros	
	2014	2013
Autopista del Sol Concesionaria Española, S.A. (*)	(39 297)	(28 708)
Autopista del Guadalmedina, Concesionaria Española, S.A. (*)	(7 714)	(5 962)
E.B.N. Banco de Negocios, S.A. (*)	-	(9 483)
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A. (*)	(1 573)	(21 553)
Sociedad Municipal de Aparcamientos y Servicios, S.A.	4 638	4 304
Banco Europeo de Finanzas, S.A.	7 868	8 496
Hidrocartera, S.L.	7 668	6 933
Hidralia, Gestión Integral de Aguas de Andalucía, S.A. (*)	(5 687)	(4 421)
Pinares del Sur, S.L.U. (*)	-	(18 636)
A.I.E. Naviera Electra (*)	-	(2 425)
Deoleo, S.A. (*)	(97 651)	(90 061)
Alestis Aerospace, S.L. (*)	(28 544)	(28 857)
Creación de Suelos e Infraestructuras, S.L. (*)	(5 557)	(3 406)
Caja España Vida, Compañía de Seguros y Reaseguros, S.A. (*)	(25 190)	-
Capredo Investments GMBH (*)	(7 371)	-
Cartera Perseidas, S.L. (*)	(1 557)	-
Espacio Medina, S.L. (*)	(16 859)	-
Globalduero, S.A. (*)	(3 600)	-
Madrigal Participaciones, S.A. (*)	(31 016)	-
Muelle Uno-Puerto Málaga, S.A. (*)	(2 771)	-
Other entities (*)	(44 328)	(6 368)
	(298 541)	**(200 147)**

(*) Negative balances represent accumulated losses.

22.3 Measurement adjustments to equity-consolidated entities

Set out below is a breakdown of the consolidated balance sheet item recording measurement adjustments to equity-consolidated entities at 31 December 2015 and 2014 and of net gains/(losses) on measurement included in the consolidated statements of recognized income and expenses for 2015 and 2014 due to the effect of equity-consolidated entities:

	Thousands of euros			
	Balance in consolidated statements		Valuation Gains (losses)	
	2015	2014	2015	2014
Autopista del Sol Concesionaria Española, S.A.	-	(6 590)	9 414	(2 379)
Autopista del Guadalmedina, Concesionaria Española, S.A.	(6 975)	(4 591)	(3 406)	684
EBN Banco de Negocios, S.A.	-	193	(276)	(2 322)
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.	27 400	35 308	(11 297)	35 373
Ingeniería e Integración Avanzadas, S.A. (Ingenia)	(58)	58	(166)	83
Hidralia, Gestión Integral de Aguas de Andalucía, S.A.	-	(732)	1 046	(1 046)
Deoleo, S.A.	(597)	(1 696)	1 570	1 132
Alestis Aerospace, S.L.	(1 530)	(1 218)	(446)	(555)
Cartera Perseidas, S.L.	8 288	(11 180)	27 810	(15 971)
Capredo Investments GMBH	(856)	(3 373)	3 596	(4 820)
Corporación Hotelera Oriental, S.A.	920	-	1 271	-
Other entities	(13)	(6)	35	(16)
	26 579	**6 173**	**29 151**	**10 163**

23. Tax situation

23.1 Consolidated tax group

The Bank is part of the Tax Group number 660/10 which was created, parented by Fundación Bancaria Unicaja taxed for the purposes of income tax under the Tax Consolidation Regime special as regulated by Title VII, Chapter VIII of the Corporate Income Tax Act approved by Royal Decree Legislative 4/2004 (hereinafter the CITA) and the subsequent modifications.

This Tax Group includes, as investee companies, subsidiaries of Unicaja Banco S.A.U., and which, together with Fundación Unicaja Bancaria, form part of the consolidated Tax Group in 2014:

Company
Fundación Bancaria Unicaja
Unicorp Corporación Financiera, S.L.U.
Inmobiliaria Acinipo, S.L.U.
Unigest, S.G.I.I.C., S.A.
Corporación Uninser, S.A.U.
Gestión de Actividades y Servicios Empresariales, S.A.U.
Andaluza de Tramitaciones y Gestiones, S.A.U.
Alteria Corporación Unicaja, S.L.U.
Unimediterráneo de Inversiones, S.L.U.
Analistas Económicos de Andalucía, S.L.U.
Unicorp Patrimonio, Sociedad de Valores, S.A.U.
Mijas Sol Resort, S.L.U.
Unicartera Caja 2, S.L.U.
Inmobiliaria Uniex Sur, S.A.U.
Unicartera Gestión de Activos, S.L.U.
Unicartera Internacional, S.L.U.
Unimediación, S.L.U.
Unicartera Renta, S.L.U.
Gestión de Inmuebles Adquiridos, S.L.U.
Segurándalus Mediación, Correduría de Seguros, S.A.U.
Renta Porfolio, S.L.U.
Parque Industrial Humilladero, S.L.
Unicaja Banco, S.A.
Altos de Jontoya Residencial para Mayores, S.L.U.
Unicaja Gestión de Activos Inmobiliarios, S.A.U.
Cartera de Inversiones Agroalimentarias, S.L.U.
Uniwindet, S.L.
Baloncesto Málaga, S.A.D.
La Algara Sociedad de Gestión, S.L.U.
Uniwindet Parque Eólico Las Lomillas, S.L.
Uniwindet Parque Eólico Loma de Ayala, S.L.
Uniwindet Parque Eólico Los Jarales, S.L.
Uniwindet Parque Eólico Tres Villas, S.L.

During the year 2015 have been included in the scope of fiscal consolidation societies societies "La Alagra Sociedad de Gestión, SLU", "Uniwindet Parque Eólico Tres Villas, SL", "Uniwindet Parque Eólico Las Lomillas, SL", "Uniwindet Parque Eólico Loma de Ayala, SL "and" Uniwindet Parque Eólico Los Jarales, SL ".

During fiscal year 2014, the companies Unic-as Promociones Inmobiliarias, S.L. and Urbasur, Actuaciones Urbanísticas, S.L and Promotora Guadalnervión. were absorbed by Gestión de Inmuebles Adquiridos, S.L.U.

23.2 Financial years open to tax inspection

At the time of preparation of these consolidated financial statements, the Bank is subject to audit by tax authorities all tax obligations of state administration, since its inception in 2011.

As for the remaining taxes regional and local management, is subject to administrative review the fiscal years 2015, 2014, 2013 and 2012.

Due to the different possible interpretations of the tax regulations applicable to the business of financial institutions, tax liabilities that may not be objectively quantified at the present time may arise in the event of a tax inspection. The Group's Directors and tax advisors consider, however, that the possibility of any significant liabilities, in addition to the amounts recorded in the accounts, is remote.

23.3 Reconciliation of the accounting and tax results

Set out below is the reconciliation between income tax expenses calculated at the general tax rate applicable in Spain and reported tax expense in 2015, as well as the comparative data for 2014:

	Thousands of euros	
	2015	**2014**
Profit before tax	217 026	474 424
Income tax (tax rate of 30%)	65 108	142 327
Due to eliminations in the consolidation process.	-	(73 630)
Positive permanent differences	10 417	6 456
Negative permanent differences	(18 240)	(1)
Revaluation Law 16/2012		
Deductions and allowances	-	(32 303)
Deduction for double taxation of dividends	(61)	4 661
Deduction for reinvestment of extraordinary gains		
Income tax expense	**57 224**	**47 510**

The new treatment of the elimination of double taxation on dividends and capital gains regulated by Law 27/2014, of 27 November, corporate income tax, which came into force on 1 January 2015 (instead exemption deduction) it is the legal novelty that explains the increase in negative permanent differences in 2015, with a corresponding decrease in deductions.

The total amount for the main components of income tax expense/(income) in the consolidated income statement (which resulted in a total expense of €57,224 thousand in 2015 and an expense totalling €47,150 thousand in 2014), relates to the current expense/(income) for the year. No adjustments have been made for current or deferred taxes in this year or in prior years, or for any other circumstances established by tax legislation.

Set out below is a breakdown of income tax credits recognized in the consolidated income statements for 2015 and 2014:

	Thousands of euros	
	2015	**2014**
Expense/ (Income) from temporary differences of birth	112 079	78 105
Expense/ (Income) tax loss carry forwards to offset	(29 441)	(45 416)
Expense/ (Income) and deductions unapplied credited	(25 414)	14 821
Total expense / (income) income tax	**57 224**	**47 510**

With respect to the income tax recognized in the statements consolidated of recognized income and expenses for 2015 and 2014, the Group charged to consolidated equity a positive amount of €64,197 thousand and a negative amount €120,159 thousand, respectively, for the following items:

	Thousands of euros	
	2015	**2014**
Actuarial gains and losses on defined benefit plans	(1 151)	1 670
Valuation of financial assets available for sale	74 577	(107 900)
Valuation of derivatives hedging of cash flows	(456)	(10 755)
Valuation of the exchange differences	(28)	(29)
Valuation of non-current assets for sale	-	(96)
Valuation of entities using the equity method	(8 745)	(3 049)
Total expense / (income) income tax	**64 197**	**(120 159)**

A lower rate was not applied in any of these adjustments and there are no deductible timing differences, losses or tax credits in respect of which deferred tax assets have not been recognized in the balance sheet.

23.4 Temporary differences

In the consolidated balance sheets at 31 December 2015 and 2014, deferred tax assets amount to €2,527,090 thousand and €2,658,257 thousand, respectively, and deferred tax liabilities amount to €283,190 thousand and €517,196 thousand, respectively.

In accordance with current Spanish tax legislation, quantification of assets and deferred tax liabilities is performed by applying to the temporary difference or credit corresponding to the tax rate that is expected to be recovered or settled, with currently applicable to the Group 30%.

Set out below is a breakdown of current and deferred tax assets and liabilities recognized in the consolidated balance sheets at 31 December 2015 and 2014:

	Thousands of euros			
	2015		2014	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Current taxes	**63 554**	**12 214**	**89 386**	**16 668**
Deferred taxes	**2 527 090**	**283 190**	**2 658 257**	**517 196**
Loss carryforwards	617 110	-	783 977	-
Unused tax credits	6 866	-	99 106	-
Temporary differences – insolvencies	1 318 215	-	1 376 947	-
Temporary differences – pensions	68 907	-	48 681	-
Temporary differences - foreclosed assets	69 400	-	44 841	-
Other items	446 592	4 484	304 705	4 754
Revaluations	-	273 842	-	486 239
Differences timing of recognition	-	4 864	-	26 203
	2 590 644	**295 404**	**2 747 643**	**533 864**

The Bank's directors consider that the tax assets recorded will be realized in the coming periods, as the tax group obtains taxable income, which is expected to be the case in the coming years. The directors consider that the Bank and its tax group will obtain taxable income in the coming years that will permit the recovery of the tax assets within the deadlines stipulated in tax legislation for the offsetting of tax losses and application of tax credits.

The effectiveness of Royal Decree-Law 14/2013 (29 November) on urgent measures to bring Spanish law into line with European Union regulations on the supervision and solvency of financial institutions basically entails that certain deferred tax assets recognized in the accompanying balance sheet may, subject to certain conditions, be converted into receivables payable by the Tax Administration.

Nonetheless, it should be noted that the Group of which the Bank forms part has made an initial estimate of the amount of deferred tax assets that could be converted into receivables from the Tax Administration and are thus guaranteed by the Spanish authorities, which total €1,457,518 thousand.

23.5 Income included in the Tax Regime for Holding Entities of Foreign Securities.

In line with what is established in article 118.3 of the Revised Test of the Corporate Income Tax Law, it is stated that in the tax settlement of CIT corresponding to the tax period of 2015, exemption was declared from certain income obtained by Unicartera Internacional, S.L., applying the Tax Regime for Holding Entities of Foreign Securities, amounting to €295 thousand. In the year 2014, the corresponding amount was €322 thousand.

Unicartera Internacional, S.L. has paid taxes abroad amounting to €72 thousand in 2015 and €58 thousand in 2014.

23.6 Reporting obligations deriving from the segregation

a) Information regarding the Special Tax System for Segregation with respect to Corporate Income Tax

In 2011, the General Assembly of Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén (Unicaja) which approved the indirect carrying out of its financial equity through Unicaja Banco S.A. and its incorporation to the segregation of part of its equity, adopted a resolution to apply the Special System for Mergers, Spin-off, Asset Contributions and Share Swaps to the transaction, as regulated by Chapter VII of Title VII of the LIS (above, at the time of application, Chapter VIII of Title VII of TRLIS).

The choice to apply the Special Tax System has been reported to the State Tax Agency in accordance with the provisions of Article 42 of the Corporate Income Tax Regulations.

b) Accounting obligations

The Bank acts as acquirer, in respect of that operation under the special regime for mergers, transfers of assets and exchanges of securities corporate restructuring under Chapter VII of Title VII of the LIS. The information requirements established by this legislation contained in the memory part of the financial statements of the entities involved, for the year 2011.

23.7 Information on the procedure for the recovery of state aid declared by the European Commission in relation to the “tax lease system” for the financing of shipbuilding

On 30 October 2013, the Bank received formal notification from European Commission's Directorate General for Competition informing Unicaja Banco of the definitive Decision adopted on 17 July 2013 on the tax regime applicable to certain finance lease agreements, also known as the Spanish tax lease system, classifying the system as "state aid” and urging Spain to take steps to recover the aid from the beneficiaries, which include Unicaja Banco.

The Bank has filed an appeal against this Decision, together with Spain and other institutions affected, at the European Court of Justice, which is pending a ruling.

State Tax Administration Agency has already initiated procedures for the recovery of that State aid with inspection reports to structured, and the refund amount of State aid corresponds to the provisioned by the Bank.

The General Court of the European Union, Judgment of December 17, 2015, annulled the decision of the European Commission on the consideration of "State aid" to the Spanish Tax Lease tax regime for ship financing. This judgment has been appealed by the European Commission before the High Court of Justice of the European Union.

However, one effect of the judgment of the General Court of the European Union is the suspension of the proceedings initiated by the State Tax Agency to settle the repayment of state aid.

The opinion of the Directors and tax advisors of the Bank is that the possibility of material liabilities arising from this procedure, in addition to those already provisioned is remote.

24. Liquidity risk

The Asset and Liability and Budget Committee (COAPP), formed by senior executives, is responsible for managing liquidity risk affecting the business and the financial instruments to ensure that there is sufficient liquidity at all times to meet payments on its liabilities at the due dates without undermining the Group’s capacity to respond rapidly to strategic market opportunities.

Liquidity risk is centralized using integrated software tools to analyse liquidity risk based on cash flows estimated by the Group for assets and liabilities, and on collateral or other instruments available to guarantee additional sources of liquidity as needed (e.g. liquidity lines not used by the Group). The Group's liquidity risk position is determined by analyzing a variety of scenarios. These analyses taken into account both ordinary market circumstances and extreme conditions that could arise and could affect the flow of collections and payments, due to market factors or internal factors within the Group.

The following table shows contracted maturity dates related to balance sheet amounts of the main entities of the Group (Unicaja Banco and EspañaDuero) at 31 December 2015:

							Thousands of euros
Assets	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 and 12 months**	**Between 1 and 5 years**	**More than 5 years**	**Demand and undetermined**	**Total**
Cash and balances at central banks	**-**	**-**	**-**	**-**	**-**	**1 578 219**	**1 578 219**
Financial assets held for trading	**-**	**-**	**-**	**34 600**	**3 496**	**-**	**38 096**
Debt securities	-	-	-	34 600	3 496	-	38 096
Other equity instruments	-	-	-	-	-	-	-
Available-for-sale financial assets	**227 494**	**74 757**	**78 532**	**2 449 418**	**6 178 918**	**673 579**	**9 682 699**
Debt securities	227 494	74 757	78 532	2 449 418	5 943 503	-	8 773 704
Other equity instruments	-	-	-	-	235 416	673 579	908 995
Loans and receivables	**1 724 858**	**522 538**	**2 989 568**	**7 933 450**	**18 941 142**	**3 735 573**	**35 847 129**
Loans and advances to credit institutions	535 905	(315 656)	(16 642)	52 935	6 002	386 082	648 626
Loans and advances to other debtors	1 188 953	838 092	2 841 318	7 287 505	18 774 985	3 349 491	34 280 344
Debt securities	-	102	164 892	593 010	160 155	-	918 159
Investment portfolio held to maturity	**5 240**	**1 516 663**	**269 832**	**2 084 899**	**3 362 966**	**-**	**7 239 600**
Debt securities	5 240	1 516 663	269 832	2 084 899	3 362 966	-	7 239 600
Investments	**-**	**-**	**-**	**-**	**-**	**918 874**	**918 874**
Insurance contracts linked to pensions	**-**	**-**	**-**	**-**	**-**	**142 311**	**142 311**
Property, plant and equipment	**-**	**-**	**-**	**-**	**-**	**1 204 299**	**1 204 299**
Other assets	**-**	**-**	**-**	**-**	**-**	**3 631 098**	**3 631 098**
Total assets	**1 957 592**	**2 113 958**	**3 337 932**	**12 502 368**	**28 486 523**	**11 883 953**	**60 282 325**

							Thousands of euros
Liabilities	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 and 12 months**	**Between 1 and 5 years**	**More than 5 years**	**Demand and undetermined**	**Total**
Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities at amortized cost	**3 065 000**	**4 072 573**	**9 162 992**	**9 082 647**	**4 918 401**	**25 431 902**	**55 733 516**
Deposits from Central banks	1 450	-	-	2 414 680	-	906	2 417 036
Deposits from credit institution	371 679	308 214	101 551	129 555	41 451	293 302	1 245 752
Deposits from other creditors	2 691 871	3 271 580	9 053 451	6 398 242	4 215 604	24 175 724	49 806 472
Debt securities	-	492 779	-	140 170	57 346	-	690 295
Subordinated liabilities	-	-	7 990	-	604 000	9 617	621 607
Other financial liabilities	-	-	-	-	-	952 353	952 353
Hedging derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Provisions	**-**	**-**	**-**	**-**	**-**	**769 359**	**769 359**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**896 369**	**896 369**
Total liabilities	**3 065 000**	**4 072 573**	**9 162 992**	**9 082 647**	**4 918 401**	**27 097 630**	**57 399 243**
Difference	**(1 107 408)**	**(1 958 615)**	**(5 825 060)**	**3 419 720**	**23 568 122**	**(15 213 677)**	**2 883 082**

Memorandum accounts	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Demand and undetermined	Total
							Thousands of euros
Contingent risks	**-**	**-**	**-**	**-**	**-**	**1 090 735**	**1 090 735**
Drawable by third parties	**-**	**-**	**-**	**-**	**-**	**2 694 555**	**2 694 555**
Available immediately	-	-	-	-	-	2 130 851	2 130 851
With conditionally	-	-	-	-	-	563 704	563 704
Total contingent liabilities and commitments	**-**	**-**	**-**	**-**	**-**	**3 785 290**	**3 785 290**

The following table shows contracted maturity dates related to balance sheet amounts of the main entities of the Group (Unicaja Banco and EspañaDuero) at 31 December 2014:

Assets	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Demand and undetermined	Total
							Thousands of euros
Cash and balances at central banks	**-**	**-**	**-**	**-**	**-**	**609 825**	**609 825**
Financial assets held for trading	**-**	**-**	**748**	**29 863**	**145 814**	**-**	**176 425**
Debt securities	-	-	748	29 863	145 814	-	176 425
Other equity instruments	-	-	-	-	-	-	-
Available-for-sale financial assets	**231 317**	**362 099**	**3 009 455**	**2 782 048**	**5 317 738**	**586 212**	**12 288 869**
Debt securities	231 317	362 099	3 009 455	2 782 048	5 151 583	-	11 536 502
Other equity instruments	-	-	-	-	166 155	586 212	752 367
Loans and receivables	**2 991 698**	**719 711**	**2 575 060**	**8 257 294**	**21 580 712**	**2 925 023**	**39 049 497**
Loans and advances to credit institutions	570 022	225	2 568	16 531	10 243	184 610	784 199
Loans and advances to other debtors	2 421 675	715 068	2 467 233	7 452 187	20 692 885	2 740 413	36 489 461
Debt securities	-	4 418	105 259	788 576	877 584	-	1 775 837
Investment portfolio held to maturity	**619 618**	**2 533 990**	**1 525 010**	**2 236 404**	**2 724 521**	**-**	**9 639 543**
Debt securities	619 618	2 533 990	1 525 010	2 236 404	2 724 521	-	9 639 543
Investments	**-**	**-**	**-**	**-**	**-**	**1 468 507**	**1 468 507**
Insurance contracts linked to pensions	**-**	**-**	**-**	**-**	**-**	**147 763**	**147 763**
Property, plant and equipment	**-**	**-**	**-**	**-**	**-**	**1 165 046**	**1 165 046**
Other assets	**-**	**-**	**-**	**-**	**-**	**3 034 431**	**3 034 431**
Total assets	**3 842 632**	**3 615 800**	**7 110 273**	**13 305 609**	**29 768 785**	**9 936 807**	**67 579 906**

Liabilities	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Demand and undetermined	Total
							Thousands of euros
Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities at amortized cost	**6 291 822**	**8 941 695**	**9 200 081**	**11 418 724**	**6 372 355**	**20 981 968**	**63 206 645**
Deposits from Central banks	1 576 344	6 000 000	-	1 061 510	-	83 861	8 721 715
Deposits from credit institution	552 641	35 256	363 156	175 636	51 236	122 712	1 300 637
Deposits from other creditors	4 162 816	2 806 385	7 928 316	9 551 141	5 457 119	19 653 675	49 559 452
Debt securities	-	100 000	876 887	622 493	260 000	28 895	1 888 275
Subordinated liabilities	21	54	31 722	7 944	604 000	9 049	652 790
Other financial liabilities	-	-	-	-	-	1 083 776	1 083 776
Hedging derivatives	**54 330**	**-**	**-**	**-**	**-**	**-**	**54 330**
Provisions	**-**	**-**	**-**	**-**	**-**	**849 151**	**849 151**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**1 209 824**	**1 209 824**
Total liabilities	**6 346 152**	**8 941 695**	**9 200 081**	**11 418 724**	**6 372 355**	**23 040 943**	**65 319 950**
Difference	**(2 503 520)**	**(5 325 895)**	**(2 089 808)**	**1 886 885**	**23 396 430**	**(13 104 136)**	**2 259 956**

Memorandum accounts	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Demand and undetermined	Total
							Thousands of euros
Contingent risks	**-**	**-**	**-**	**-**	**-**	**1 354 058**	**1 354 058**
Drawable by third parties	**-**	**-**	**-**	**-**	**-**	**2 709 146**	**2 709 146**
Available immediately	-	-	-	-	-	2 061 157	2 061 157
With conditionally	-	-	-	-	-	647 989	647 989
Total contingent liabilities and commitments	**-**	**-**	**-**	**-**	**-**	**4 063 204**	**4 063 204**

The details of the contractual maturities of derivative financial liabilities and non-derivative at year-end 2015 and 2014, is as follows:

31 December 2015	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Demand and undetermined	Total
							Thousands of euros
Non-derivative financial liabilities	2 533 046	4 082 117	9 533 218	9 008 526	4 475 942	26 058 573	55 691 423
Financial liabilities at amortized cost (including embedded derivatives)	2 528 763	4 075 789	9 523 379	8 973 382	4 467 996	26 008 014	55 577 323
Financial guarantees issued	4 283	6 328	9 839	35 144	7 946	50 559	114 100
Derivative financial liabilities	264	1 688	8 291	58 578	164 256	-	233 077
	2 533 310	**4 083 805**	**9 541 509**	**9 067 104**	**4 640 198**	**26 058 573**	**55 924 500**

31 December 2014	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Demand and undetermined	Total
							Thousands of euros
Non-derivative financial liabilities	6 441 564	9 127 100	9 396 966	11 437 311	5 913 339	20 790 136	63 106 416
Financial liabilities at amortized cost (including embedded derivatives)	6 437 460	9 123 107	9 381 988	11 420 467	5 910 150	20 734 807	63 007 979
Financial guarantees issued	4 104	3 993	14 978	16 844	3 189	55 329	98 437
Derivative financial liabilities	83	9 053	5 188	71 364	33 178	2 274	121 140
	6 441 647	**9 136 153**	**9 402 154**	**11 508 675**	**5 946 517**	**20 792 410**	**63 227 556**

These maturity statements are based on the following criteria:

- o The data presented are static; estimates do not include business growth scenarios, early repayments or loan renewals, considering only contractual flows from loans actually arranged and recognized in the balance sheet of Unicaja Banco and EspañaDuero.

- o Accounting data are presented, i.e. they do not systematically reflect cash flows from operations, unlike operations carried at fair value. All balances without maturity dates, or with maturities based on a counterparty decision, are included in the categories "held at call" or "undetermined".

- o In the case of derivative financial instruments (the vast majority of which are subject to margin requirements), the Unicaja Banco Group reports the estimated next net margin settlement as a cash outflow.

- o The cash outflows included in the above maturity table are the amounts stipulated in the relevant contracts, and are based on past experience and the Group's current situation, so that the probability of early cancellation of deposits or other liability positions is deemed very low.

- o The Unicaja Banco Group provides information on contingent exposures (including financial guarantees) and amounts drawable by third parties in the above table. A significant part of the contingent exposures will reach maturity without generating any payment obligation, so that the total balance of these commitments cannot be regarded as an actual future need for financing or liquidity to be granted to third parties by the Group. The Unicaja Banco's liquidity management scenarios include the utilization by third parties of drawable amounts although, based on past experience, this does not significantly affect the Group's structural maturity profile.

- o Finally, the above maturity table does not include forecast future cash flows because their presentation would require rate curve and liability structure scenarios and estimates. However, the Unicaja Banco Group does not consider this information to be essential for the analysis of its liquidity risk, since interest expense and similar charges are not significant in comparison with the balance sheet total and are well below the interest generated by its assets.

The Group manages liquidity risk to ensures that its payment commitments are honored, by adequately controlling cash flows and the assets that are available to cover any liquidity mismatches. The Group thus considers that the maturity tables present the most relevant picture of its liquidity situation at a given date.

The Bank establishes product policies and objectives addressing both ordinary market circumstances and contingency plans for stress or crisis situations occurring internally or in the market. Three basic approaches are combined to meet these objectives:

- Asset management: analysis of maturities, possibility of sale, degree of liquidity, potential use as collateral, among other aspects.
- Liability management: analysis of maturities, diversification of business sources, maturities that differ from contractual maturities, behavior in the event of interest rate movements, etc.
- Market access: financing capacity in wholesale markets and time required to obtain such financing, among other aspects.

The Group ensures that its consolidated balance sheet assets include a significant volume of liquid assets, allowing liquidity risk to be easily managed, the main liquid assets being:

- Balances held at call with central banks and credit institutions.
- Assets acquired under short-term repo agreements.
- Fixed income securities discountable at the European Central Bank.
- Listed equity securities.

The Group also has the capacity to issue covered bonds and territorial bonds to obtain new funding if the need arises.

25. Fair value

25.1 Fair value of financial assets and liabilities not carried at fair value

The estimate of the fair value at 31 December 2015 and 2014 of the financial assets and liabilities carried in the consolidated balance sheet at amortized cost is performed as follows:

- For financial assets and liabilities referenced to a variable interest rate, the Group considers that their carrying amount does not differ significantly from their fair value, as the initial counterparty credit risk conditions have not varied significantly.

- In the case of un-hedged fixed-rate financial assets and liabilities, their fair value each year is obtained by discounting cash flows at the risk-free interest rate (the rate for Spanish government securities) for each period, adjusted to account for the credit spread on the instrument. In view of the maturity period and relative balance of these instruments, the difference between their amortized cost and fair value is not significant at 31 December 2015 and 2014.

- Under the heading of Credit Investments is estimated that there are no significant differences between their carrying value and their fair value since the Group has quantified the level of the provision for credit risk for its credit risk portfolio in accordance with the accounting norm applicable and it considers this sufficient to cover this credit risk. Nevertheless, in an environment of economic and financial crisis and since there is not a market for these financial assets, the amount for which they could be exchanged between interested parties could differ for the net value registered.

However, in an environment of economic and financial crisis like the present, and since there is no market for such financial assets, the amount by which the assets could be exchanged between interested parties may differ to the carrying amount.

25.2 Listed instruments at amortized cost

At 31 December 2015 and 2014, the estimated fair value of financial assets and liabilities carried at amortized cost in the balance sheet while listed on markets does not differ significantly from the carrying amounts of the instruments.

Set out below is a breakdown at 31 December 2015 and 2014 of the carrying amount and fair value of the Unicaja Banco Group's financial instruments carried at amortized cost that are listed on markets:

		Thousands of euros			
		2015		2014	
Section of the balance	**Type of instrument**	**Book value**	**Fair value**	**Book value**	**Fair value**
Credit investments	Securities representing debt	963 772	976 328	1 821 438	1 963 640
Held-to-maturity investments	Securities representing debt	7 239 598	7 333 165	9 639 629	10 052 053
Financial liabilities at amortized cost	Marketable debt securities	681 271	681 271	1 877 739	1 881 783

25.3 Financial instruments carried at cost because there is no active market.

The equity instruments in the portfolio of available-for-sale financial assets the fair value of which cannot be determined in a sufficiently reliable manner are carried in the Unicaja Banco Group's consolidated annual accounts at cost, net of any impairment losses calculated as described in Note 2.7.

The consolidated carrying amount of these equity instruments at 31 December 2015 and 2014 totals €151,087 thousand and €240,791 thousand, respectively. The following should be noted in connection with these instruments:

- No information is disclosed in the notes to the consolidated annual accounts on the fair value of the instruments since it cannot be reliably calculated.

- These equity instruments have no listed price on active markets or reasonable measurement of fair value (i.e. it is not possible to reliably apply a cash-flow discounting method, a comparable company multiple or an adjusted equity value that is sufficiently objective), and no market transactions or acquisition bids have recently been completed or made.

There is no sufficiently liquid active market for the instruments in this situation. However, the Group does not plan to hold them for trading or to sell or dispose of them by other means.

25.4 Information on Equity Instruments

At December 31, 2015, investments in equity instruments that meet separately listed any of the ranges indicated in Note 2.7 are:

							Thousands of euros
Share	**Cost**	**Fall > 40%**	**Fair Value**	**Losses**	**> 18 months**	**Impaired registry**	**Coverage**
COEMAC	19 778	SI	2 244	(17 534)	NO	SI	(17 534)

At December 31, 2015 and 2014, there are no quoted equity instruments for which has not been taken as a reference to fair value its stock price.

25.5 Fair value of the financial assets and liabilities registered at fair value

The following shows a breakdown of the fair values of the headings on the balance sheets as at 31 December 2015 and 2014, divided by classes of assets and liabilities and at the following levels:

- o Level 1: Financial instruments the fair value of which is determined by taking the quoted prices on active markets or that correspond to recent transactions (latest twelve months) that have been updated to the current conditions.

- o Level 2: Financial instruments the fair value of which is estimated on the basis of quoted prices in organized markets for similar instruments or applying valuation techniques in which all the significant inputs employed are based upon data that are directly or indirectly observable on the market.

- o Level 3: Financial instruments the fair value of which is estimated on the basis of valuation techniques in which some inputs are not based on data observable on the market.

					Thousands of euros
					2015
		Fair value			
	Book value	**Total**	**Level 1**	**Level 2**	**Level 3**
Asset					
Cash and balances with central banks					
Working portfolio	94 012	94 012	39 895	54 012	105
Fixed income	38 096	38 096	38 096	-	-
Variable income	-	-	-	-	-
Derivatives	55 916	55 916	1 799	54 012	105
Financial assets available for sale	9 810 055	9 658 968	9 497 591	156 891	4 486
Fixed income	8 811 917	8 811 917	8 776 491	30 940	4 486
Variable income					
Coverage derivatives	738 060	738 060	-	729 209	8 851
Liability					
Working portfolio	125 280	125 280	-	125 242	38
Derivatives	125 280	125 280	-	125 242	38
Coverage derivatives	107 797	107 797	-	107 797	-

	Thousands of euros				
	2014				
					Fair value
	Book value	Total	Level 1	Level 2	Level 3
Asset					
Cash and balances with central banks					
Working portfolio	228 871	228 871	96 918	130 564	1 389
Fixed income	176 425	176 425	96 431	79 994	-
Variable income	-	-	-	-	-
Derivatives	52 446	52 446	487	50 570	1 389
Financial assets available for sale	12 503 087	12 261 980	11 538 737	468 367	254 876
Fixed income	11 575 532	11 575 557	10 921 359	399 322	254 876
Variable income	927 555	686 423	617 378	69 045	-
Coverage derivatives	921 921	921 921	-	917 246	4 675
Liability					
Working portfolio	64 582	64 582	42	64 365	175
Derivatives	64 582	64 582	42	64 365	175
Coverage derivatives	56 725	56 725	-	56 276	449

Set out below are movements during 2015 and 2014 in the fair value of the different types of financial instruments classed in Level 3 under IFRS 13:

	Thousands of euros				
	Trading portfolio			Financial assets available for sale	
	Debt securities	**Derivatives (active)**	**Derivatives (liabilities)**	**Debt securities**	**Equity instruments**
Balance at 31/12/2014	**-**	**1 389**	**175**	**254 876**	**-**
Additions to instruments	-	-	-	3 303	-
Casualties of instruments	-	(1 389)	(77)	-	-
Changes in fair value recognized in profit	-	105	(60)	-	-
Changes in fair value recognized in equity	-	-	-	(540)	-
Transfers level	-	-	-	(253 153)	-
Transfer to investment credit	-	-	-	-	-
Transfer to portfolio to-maturity investments	-	-	-	-	-
Balance at 31/12/2015	**-**	**105**	**38**	**4 486**	**-**

	Trading portfolio			Financial assets available for sale	Thousands of euros
	Debt securities	Derivatives (active)	Derivatives (liabilities)	Debt securities	Equity instruments
Balance at 31/12/2013	**-**	**-**	**-**	**-**	**319 385**
Additions to instruments	-	2 960	90	235 918	-
Casualties of instruments	-	(941)	-	-	-
Changes in fair value recognized in profit	-	(1 571)	(80)	-	-
Changes in fair value recognized in equity	-	-	-	17 446	46 926
Transfers level	-	941	165	1 512	(366 311)
Transfer to investment Credit	-	-	-	-	-
Transfer to portfolio to-maturity investments	-	-	-	-	-
Balance at 31/12/2014	**-**	**1 389**	**175**	**254 876**	**-**

Changes in fair value recognized in income are recorded in the consolidated income statement under the heading "Results from financial operations (net)", while adjustments in fair value recognized in equity are recognized under financial assets available for sale in the statement of recognized income and expense consolidated.

For the valuation of financial instruments Level 3 in the fair value hierarchy, characterized by using unobservable inputs on market data, the Bank uses models generally accepted as standard methods including credit institutions, among which the Model Hull & White, the method of Longstaff and Schwartz, the Monte Carlo method or the Black-Scholes model.

These theoretical valuation models are fed largely with observed data directly from the market through connections with Bloomberg and Reuters, in relation to the volatility of the underlying, the curves of interest rates, the correlations between the underlying, dividends and CDS (Credit Default Swaps), etc. As for the unobservable data, the Group uses generally accepted in the market for its estimate assumptions, including, among others:

- Have implied volatilities derived from options.
- Determine zero coupon curves from deposits and swaps traded in each currency from a process of "bootstrapping".
- Get the discount factors or implicit rates required for valuations under an assumption of no arbitrage opportunity (AOA).
- Resorting to historical data for the evaluation of correlations, generally using the weekly yields of the underlying during a historical period between 1 and 4 years.
- Build the curve estimated from future asset dividend in the event that they are liquid traded and dividends.
- Estimate dividends from dividends implicit in options on that asset (stock or index) listed on the market.
- Use the dividends forecast by market providers (Bloomberg, Reuters or DataStream) if there are no dividends futures or options quotes the asset.

Upon the valuation of financial instruments Level 3, the effect on fair value would be a variation within a reasonable range, the assumptions used in the valuation, concluding in each case measured the sensitivity of the fair value changes in the unobservable variables is not significant at December 31, 2015 and 2014, thereby applying no breakdown of information in memory on reasonably possible alternative assumptions in the valuation.

25.6 Valuation methods used

The following methods were used by the Unicaja Banco Group to calculate the fair value of the main financial instruments recognized in the balance sheet:

- **Debt securities**: The fair value of listed debt instruments is determined on the basis of their price in official markets (Bank of Spain's Book-Entry System), AIAF, AIAF panels (credit institutions), or by applying prices obtained from information service providers, mainly Bloomberg and Reuters, whose prices are built using the prices notified by contributors.

- **Equity instruments**: The fair value of listed equity instruments is determined based on their price in official markets. The fair value of unlisted equity instruments is determined taking into account independent expert valuations performed using the following methods, among others:

    - Discounted cash flows (free operating cash flows or dividends), applying a discount rate based on each investee's operational and financial exposure, calculated using a risk-free rate and including a risk premium.

    - Multiple of comparable listed companies (EV/EBITDA, PER, Price/Book value, Price/Premiums), less an illiquidity discount.

    - NAV (Adjusted Net Asset Value): Obtained by adding capital gains, calculated as the difference between the market value and carrying amount of assets, to reported shareholders' funds. For venture capital entities, NAV is calculated by the management companies and generally estimated applying European Venture Capital Association regulations and the provisions of CNMV Circular 5/2000 (19 September).

    - Price resulting from market transactions or acquisition bids made or received near to the valuation date.

- **Derivative instruments**: The fair value of interest rate derivatives is determined, for optional financial instruments (mainly swaps), by discounting future flows using implied money market curves and the swap curve; for optional interest-rate derivatives, generally accepted valuation methods based on the Black-Scholes model and implicit volatility matrices are used. In the case of derivatives on equity instruments or stock market indices contracted to hedge customers structured deposits containing an embedded derivative, and currency derivatives without optional components, the fair value is obtained by discounting cash flows estimated using forward curves for the relevant underlying instrument, listed on the market; for options, generally accepted methods based on the Black-Scholes model are used, allowing options on these underlying instruments to be valued applying a closed formula and using only market inputs. Where applicable, models and severities in line with the market are used to calculate CVA and DVA. In order to obtain Unicaja Banco's spread, generic spread vs. swap curves are calibrated on a recurring basis using ratings for different debt issues by Spanish financial institutions with differing priority levels, including senior debt.

25.5 Fair value of property, plant and equipment

On 1 January 2004, the Group availed itself of the provisions of IFRS 1 “First time Adoption of International Financial Reporting Standards”, under which to restate the majority of its real estate assets, generating a gross gain of €227,811 thousand.

Subsequently, on June 21, 2013 tax efficiency to revaluation reserves recorded in connection with the entry into force of Circular 4/2004 Bank of Spain, corresponding to 516 properties for own use is granted, with a revaluation associated with same of €54,850 thousand, already recorded in equity.

At December 31 of 2015 and 2014, the Group considers that there are no significant differences between the book value and the fair value of these assets.

26. Credit risk exposure

Credit risk refers to the losses that the Group would incur in the event that a customer or counterparty failed to comply with the contracted payment obligations. This risk is inherent in the financial system's traditional banking products (loans, credit lines, financial guarantees provided) and in other types of financial assets.

Credit risk affects both financial assets carried at amortized cost in the financial statements and assets carried at fair value. Irrespective of the accounting method used to record the Group's financial assets in these financial statements, the Parent Entity applies the same credit risk control policies and procedures.

The Group's credit risk control policies, methods and procedures are approved by the Entity's Board of Directors. The Entity's Control Committee, Audit Committee and Internal Supervision and Risk Control Department are responsible, among other functions, for ensuring compliance with these policies, methods and procedures, as well as for monitoring their adequacy, effective implementation and regular review.

The Group's credit risk control activities are carried out by the Risk Control Department, which reports to the Group's Planning and Control Division. This unit is responsible for implementing the credit risk control policies, methods and procedures approved by the Group's Board of Directors. It monitors counterparty risk by establishing, among others, the credit quality parameters to be assigned to the Group's operations, and credit risk hedging requirements, in accordance with the Entity's internal policies and applicable legislation. The Risk Control Unit is also responsible for applying the Entity's risk concentration limits, approved by the Board of Directors.

The Group has policies and procedures to limit counterparty risk concentration for both individual counterparties and groups of companies. The Group establishes risk concentration limits taking into account factors such as the counterparty's business activities, geographical location and other common features. The Group performs sensitivity analyses to estimate the effects of possible changes in non-performing loan ratios in each risk concentration group, imposing limits on concentration based on the findings.

The Group did not maintain concentrations of risk of a significant nature to December 31, 2015 and 2014. Total mortgage-backed risk remained with the private sector living in Spain amounted to €20,646,589 thousand and €22,322,257 thousand at 31 December 2015 and 2014, respectively.

Therefore, Unicaja Banco has a "Credit scoring" system which considers the multiple characteristics of the operations and the debtors, and, attending to the past experience and the best market practices, it provides a mechanism for the Bank to distinguish, attending to credit risk, those operations that may be formalized by the Bank from those that are not recommended to be formalized by the Group. The criteria for distinguishing operations at the contracting date, using this system, are approved by the Bank's executives and review mechanisms are in place to ensure that the system is continuously updated.

The maximum credit risk to which Unicaja Banco Group is exposed is measured at nominal value for financial assets carried at amortized cost. The measurement of the Group's maximum credit risk takes into account offset agreements concluded with certain counterparties.

Notes 8, 9 and 10 provide details of the Bank's maximum credit risk exposure. As the Bank's credit risk information provided in these notes does not take into account guarantees received, derivative financial instruments contracted to hedge credit risk and other similar hedges, these data differ from the Bank's internal analyses of exposure to credit risk.

Internally, the Bank classifies financial assets subject to credit risk based on the characteristics of each operation, taking into account the specific counterparty and guarantees obtained, among other aspects.

The cumulative amount of expired products and uncollected financial assets, according to the criteria explained in Note 2.7, have not been accounted for accrued as of December 31, 2015 and 2014 amounted to €135,726 thousand and €150,688 thousand, respectively.

Regarding lending operations Unicaja Banco Group retail mortgage segment have limits on the variation of interest rates, consider the statements that various courts are taking place regarding the validity of these agreements, respect concrete entities, following the judgment of the Supreme Court dated May 9, 2013 and following the judgment of the Court dated July 16, 2014 and March 25, 2015, under which, once declared void by court ruling , those agreements limited to changes in interest rates lack of transparency, the borrower shall refund the interest rate differential would have paid in implementation thereof from the date of publication of the judgment of May 2013.

In particular, you should consider, on the one hand, the class action lawsuit filed on November 11, 2010 by the Association of Users of Banks, Savings Banks and Insurance Spain (ADICAE) and a high number of additional plaintiffs, accumulating various actions whose substantial object is the application for declaration of invalidity abusive covenant which sets limits to the variation of interest rate. In this class action lawsuit, which is pending in the Commercial Court No. 11 Madrid against virtually all entities of the financial system (including those found Unicaja Banco and EspañaDuero) including such covenants in their loan agreements mortgage with individuals, cessation in its use and repayment of amounts charged by requesting application. The process was seen for sentencing in the first instance in June 2015, without, so far, the decision has been rendered. Moreover, one should consider collective action by the Association of Bank Users (AUSBANC), it is still facing EspañaDuero in connection with such covenants in the mortgage loan contracts formalized at the time by Caja Spain Investment; this procedure is pending the sentencing by the Provincial Court of León, where the appeal filed by EspañaDuero against the judgment of the Commercial Court of Leon, who estimated the lawsuit is resolved.

Whatever sense of sentences that fall in these proceedings, it must be regarded as the same may be appealed by any of the parties concerned, in the courts covered by the procedural law. In this regard, the Unicaja Banco Group believes that the covenants in its mortgage loan deeds, set limits on the variation of the interest rate, are fully in accordance with the law.

At December 31, 2015, they are incorporated hedges deemed necessary to cover possible losses on assets and deal with the outcomes of the risks and contingencies that may affect the Group.

Practices for the responsible granting of loans and credit facilities to consumers.

Order EHA/2899/2011 (28 October) on banking service customer transparency and protection enables the general principles established by Law 2/2011 on Sustainable Economy, with respect to the responsible granting of loans and credit facilities to consumers, such that the relevant obligations are introduced so that the Spanish financial system improves the levels of prudence applied to granting these types of transactions, to the benefit of customers and market stability.

Bank of Spain Circular 5/2012 (27 to June) defines the concept of "responsible lending", and establishes the responsible lending policies and procedures that are summarised below:

- When entities offer and grants loans or credit facilities to customers they must act with honesty, impartiality and professionalism, in accordance with the personal and financial situation of customers, together with their preferences and objectives.

- The entities that grant loans or credit facilities to the customers referred to by Rule Two of Circular 5/2012 must have specific policies, methods and procedures for studying and granting such loans or credit facilities to those customers, and they must be adequately documented and justified, approved by the Board of Directors or equivalent body, and include the general principles mentioned in Appendix 6 to that Circular. The aforementioned policies, methods and procedures, which must remain up-to-date, as well as the supporting documents regarding their approval by the entity's Board of Directors or equivalent body, must be available at all times to the Bank of Spain.

- The general principles referred to in the preceding section must be applied by entities and understood by its customers in a responsible way, such that the latter must provide the former with complete and accurate information regarding their financial situation and their desires and needs with respect to the purpose, amount and other conditions of a loan or credit facility, and the entities must appropriately inform its customers as to the characteristics of its products that adapt to their requests.

Unicaja Banco has detailed policies, methods and procedures to ensure that loans and credit facilities are granted responsibly to consumers. The principles that have been developed for this purpose are in line with the Bank's current situation, with the "Credit Risk Policy, Task and Procedures Manual" approved by the Bank's Board Directors on 25 March 2013, as well as with the regulatory requirements established by the Bank of Spain, and includes the following points:

- Criteria for the granting of credit associated with the borrower's payment capacity.
- A transaction repayment plan that meets the needs of the customer.
- Prudent relationship between the amount of the transaction and the value of any collateral.
- Transaction marketing policy.
- Collateral appraisal policy.
- Consideration of the variability of interest rates and exchange rates when granting loans denominated in a foreign currency.
- Hedging of interest rate risk
- Policy of exceptions to transaction conditions.
- Customer warnings regarding the failure to comply with payment obligations.
- Debt renegotiation policy (Note 10.1).
- Information regarding the cost of services associated with the granting of the credit transaction.
- The obligation to inform homebuyers when subrogating to a developer loan.
- Other aspects of the policies and procedures for granting responsible loans.

To ensure compliance with those principles and criteria the Group has implemented diverse control procedures when managing risks, most importantly the existence of various approval areas that ensure adequate levels of examination of decisions in accordance with their complexity and the proper evaluation of the customer risk profile and payment capacity.

Financial assets recovery is considered remote

Set out below are movements during 2015 and 2014 in the Entity’s impaired financial assets that are not carried in the balance sheet consolidated since the probability of recovery is deemed to be remote, even though the Group has not discontinued actions to recover the amounts receivable:

	Thousands of euros	
	2015	**2014**
Balance of financial assets which recovery is considered to be remote at 1 January	**1 851 150**	**2 271 705**
Additions -	**1 186 909**	**520 069**
Under value adjustments for asset impairment (Note 10.3)	851 487	346 976
Direct charge to the profit and loss	73 623	62 537
Expired products uncollected	206 567	52 326
Other Concepts	55 232	58 230
Recoveries -	**(646 756)**	**(940 624)**
Balances recovered during the year for operations’ refinancing or restructuring	(108 126)	(59 845)
Assets awarded through foreclosure	(5 670)	(38 664)
Bad sales	-	(484 868)
Other causes	(532 960)	(357 247)
Balance of financial assets which recovery is considered to be remote at 31 December	**2 391 303**	**1 851 150**

In 2015 and 2014, the recovery movement identified as “for other causes” relates mainly to loans that cease to be treated as remote recovery assets when the Group rules out any possibility of recovery**.**

The net amount in the consolidated income statement for the years 2015 and 2014 as a result of movements in these assets amounts a positive amount of €22,796 thousand and a negative amount of €7,570 thousand, respectively. These amounts are due mainly to:

- Loans that were classified during the period as “remote recovery assets” and had not been provisioned; they were therefore written off the consolidated balance sheet directly through the income statement, having a negative impact of €73,623 thousand and €62,537 thousand in 2015 and 2014, respectively.

- Loan classified as "remote recovery assets" in the previous period in respect of which amounts have been collected, having a positive effect of €50,827 thousand and €70,107 thousand in 2015 and 2014, respectively.

Exposure to sovereign risk

With respect to sovereign risk, the breakdown of credit risk exposures to central governments held by the Group at December 31, 2015 and 2014 is as follows:

				Thousands of euros
				2015
	Trading portfolio	**Financial assets available for sale**	**Maturity investment portfolio**	**Loans and advances**
Spain	26 914	7 007 594	3 258 586	-
Italy	-	-	-	-
Portugal	-	-	-	-
Ecuador	-	-	-	-
	26 914	**7 007 594**	**3 258 586**	**-**

				Thousands of euros
				2014
	Trading portfolio	**Financial assets available for sale**	**Maturity investment portfolio**	**Loans and advances**
Spain	126 639	8 103 882	5 347 159	-
Italy	37 680	535 841	-	-
Portugal	-	28 375	-	-
Ecuador	-	-	-	37
	164 319	**8 668 098**	**5 347 159**	**37**

Credit quality of debt securities

Set out below is the accounting classification by portfolio of the debt securities recognized in the Unicaja

Banco Group's consolidated annual accounts at 31 December 2015 and 2014:

	Thousands of euros	
	2015	**2014**
Trading portfolio	38 096	176 425
Financial assets available for sale	8 811 917	11 575 532
Credit investments	963 772	1 821 438
Held-to-maturity investments	7 239 598	9 639 624
	17 053 383	**23 213 019**

At 31 December 2015 and 2014, the balances included in the above table were not classed as doubtful, impairment adjustments having been recognized only for general coverage purposes in the amount of €80 thousand and €76 thousand, respectively. Set out below is a breakdown of these securities by credit rating at 31 December 2015 and 2014:

	Thousands of euros	
	2015	**2014**
Rating Aaa	12 017	13 467
Rating Aa1-Aa3	119 299	606 171
Rating A1-A3	554 875	666 888
Rating Baa1-Baa3	13 325 801	18 144 611
Rating Ba1-Ba3	71 915	539 934
Rating B1-C (*)	38 982	26 966
No credit rating	2 930 494	3 214 982
	17 053 383	**23 213 019**

(*) At 31 December 2015 and 2014, this quantity includes mainly bonds issued by Fondo de Reestructuración Ordenada Bancaria (FROB) and by Sociedad de Activos Procedentes de la Reestructuración Bancaria, S.A. (SAREB).

Quality of Loans and advances to customers

The Bank classifies its risks in a normal situation in the following categories: negligible risk (public and cash collateral sector), low risk (security on finished homes with lower LTV 80% and companies with rating of A or above), medium risk low (rest of collateral), medium risk (personal guarantee except consumer loans, cards and overdrafts), medium-high risk (consumption) and high risk (cards and overdrafts). The details of these risks at December 31, 2015 and 2014 is as follows:

	Thousands of euros	
	2015	**2014**
No material risk	**23 161 298**	**26 613 742**
Of which: Non-resident Public Administrations	270 273	536 316
Of which: Advances on pensions and salaries	266 670	382 593
Of which: Personal guarantees	5 324 916	5 760 333
Of which: Guaranteed by deposits and securities	63 069	70 584
Low risk	**17 187 435**	**18 754 721**
Of which: Guaranteed by monetary policy operations	47 088	77 795
Of which: Other highly-rated companies	13 065	619 734
Of which: Secured by real property	17 061 316	17 977 792
Medium-low risk	**2 604 799**	**3 111 048**
Of which: Finance leases	54 669	65 466
Medium risk	**3 297 864**	**4 303 386**
Of which: Other operations entered in Register of Forward Sales of Moveable Property	-	-
Medium-high risk	**615 923**	**693 631**
Of which: Acquisitions of goods and services	171 067	197 974
of which: Financing of land for property development or of property construction	444 453	494 798
High risk	**292 053**	**315 203**
	47 159 372	**53 791 731**

Risk concentration by activity and geographic area

Set out below is the carrying amount of the Unicaja Banco Group's total financing granted to customers at 31 December 2015 and 2014, excluding exposures to public administrations, broken down by counterparty type, collateral type and LTV ratio.

								Thousands of euros
				LTV Ratio of credit with real guarantee (f)				
Balance at 31/12/2015	**Total (a)**	**Of which: Mortgage collateral (e)**	**Of which: Other collateral(e)**	**Not exceeding or equal 40%**	**Exceeding 40% but not exceeding or equal 60%**	**Exceeding 60% and less or equal to 80%**	**Exceeding 80% and less or equal to 100%**	**Exceeding 100%**
Financial institutions	3 770 725	24 606	1 981 602	2 787	3 457	6 256	12 106	1 981 602
Non-financial companies and sole traders	6 169 657	2 939 895	90 022	1 411 182	949 748	456 188	114 906	97 893
Property construction and development (b)	877 774	665 849	18 438	289 903	249 503	111 300	14 434	19 147
Civil engineering construction	417 824	24 378	2 081	6 455	9 262	1 864	3 159	5 719
Other purposes	4 874 059	2 249 668	69 503	1 114 824	690 983	343 024	97 313	73 027
Large companies (c)	1 031 725	131 480	638	53 361	54 876	17 048	3 414	3 419
SMEs and sole traders (c)	3 842 334	2 118 188	68 865	1 061 463	636 107	325 976	93 899	69 608
Other households and non-profit institutions serving households (ISFLSH)	21 151 194	19 378 809	20 682	4 792 506	6 896 336	6 849 041	753 284	108 324
Housing (d)	18 925 279	18 460 307	1 827	4 354 930	6 630 707	6 702 147	711 745	62 605
Consumption (d)	1 403 721	593 897	15 245	273 601	184 788	110 238	29 243	11 272
Other purposes (d)	822 194	324 605	3 610	163 975	80 841	36 656	12 296	34 447
	31 091 576	**22 343 310**	**2 092 306**	**6 206 475**	**7 849 541**	**7 311 485**	**880 296**	**2 187 819**

								Thousands of euros
				LTV Ratio of credit with real guarantee (f)				
Balance at 31/12/2014	**Total (a)**	**Of which: Mortgage collateral (e)**	**Of which: Other collateral(e)**	**Not exceeding or equal 40%**	**Exceeding 40% but not exceeding or equal 60%**	**Exceeding 60% and less or equal to 80%**	**Exceeding 80% and less or equal to 100%**	**Exceeding 100%**
Financial institutions	3 249 015	26 777	2 055 001	3 856	3 926	-	18 995	2 055 001
Non-financial companies and sole traders	7 206 250	3 478 288	85 652	1 496 426	1 223 983	557 873	170 752	114 906
Property construction and development (b)	1 124 832	869 544	15 986	339 949	358 498	131 764	38 902	16 417
Civil engineering construction	442 840	24 387	2 724	6 593	9 441	3 097	2 334	5 646
Other purposes	5 638 578	2 584 357	66 942	1 149 884	856 044	423 012	129 516	92 843
Large companies (c)	984 430	134 860	1 221	47 674	61 340	18 273	7 036	1 758
SMEs and sole traders (c)	4 654 148	2 449 497	65 721	1 102 210	794 704	404 739	122 480	91 085
Other households and non-profit institutions serving households (ISFLSH)	22 606 804	20 596 400	38 995	4 806 084	6 954 319	7 701 384	1 068 041	105 567
Housing (d)	20 102 753	19 592 814	2 407	4 419 660	6 655 196	7 523 804	928 438	68 123
Consumption (d)	1 529 320	663 810	33 929	308 231	206 678	136 518	37 334	8 978
Other purposes (d)	974 731	339 776	2 659	78 193	92 445	41 062	102 269	28 466
	33 062 069	**24 101 465**	**2 179 648**	**6 306 366**	**8 182 228**	**8 259 257**	**1 257 788**	**2 275 474**

(a) The definition of loans and advances to customers and the scope of the information included in this table are as used to prepare the balance sheet. The carrying amount of the loans is used, i.e. after value adjustments made to provision specific loans.

(b) This item includes all activities related to property construction and development, including the financing of land for property development.

(c) Non-financial companies are divided into “Large companies” and “SMEs”, in accordance with the definition applicable to SMEs when calculating shareholders' funds. Sole trader activities are performed by individuals in the course of their business activities.

(d) The activities of households and non-profit institutions serving households are classified based on their purpose, as stipulated in Rule 71.2.e) of Bank of Spain Circular 4/2004.

(e) Includes the carrying amount of all loans secured by real property and by other property guarantees, irrespective of the LTV ratio.

(f) Loan-to-value (LTV) is the ratio obtained by dividing the loan's carrying amount at the reporting date by the amount of the latest appraised value of the collateral.

There follows aggregate information at 31 December 2015 and 2014 on the Unicaja Banco Group's risk concentration by geographic area and business segment, excluding exposures to public administrations.

					Thousands of euros
Balance at 31/12/2015	**Total (a)**	**Spain**	**Rest of European Union**	**America**	**Rest of World**
Financial institutions	1 911 118	1 643 120	247 044	20 954	-
Non-financial companies and sole traders	9 752 788	9 661 806	90 352	630	-
Property construction and development (b)	7 787 820	7 723 808	61 810	807	3
Civil engineering construction	1 091 666	1 080 865	10 801	-	-
Other purposes	501 161	501 121	40	-	-
Large companies (c)	6 194 993	6 141 822	50 969	807	1 395
SMEs and sole traders (c)	1 726 493	1 703 977	22 516	-	-
Other households and non-profit institutions serving households (ISFLSH)	4 468 500	4 437 845	28 453	807	1 395
Housing (d)	21 626 998	21 401 247	184 458	20 770	20 523
Consumption (d)	18 927 716	18 742 050	152 345	13 344	19 977
Other purposes (d)	1 411 465	1 385 822	19 274	6 197	172
Financial institutions	1 287 817	1 273 375	12 839	1 229	374
	41 078 724	**40 429 981**	**583 664**	**43 161**	**20 526**

					Thousands of euros
Balance at 31/12/2014	**Total (a)**	**Spain**	**Rest of European Union**	**America**	**Rest of World**
Financial institutions	2 915 111	2 536 415	367 744	9 685	1 267
Non-financial companies and sole traders	11 310 302	10 598 738	687 446	20 135	3 983
Property construction and development (b)	8 853 141	8 766 101	84 136	930	1 974
Civil engineering construction	1 372 351	1 354 816	17 535	-	-
Other purposes	545 383	544 658	725	-	-
Large companies (c)	6 935 407	6 866 627	65 876	930	1 974
SMEs and sole traders (c)	1 703 182	1 684 916	18 266	-	-
Other households and non-profit institutions serving households (ISFLSH)	5 232 225	5 181 711	47 610	930	1 974
Housing (d)	22 847 302	22 596 563	210 479	20 760	19 500
Consumption (d)	20 105 301	19 896 189	177 308	13 077	18 727
Other purposes (d)	1 537 912	1 512 816	18 557	6 285	254
Financial institutions	1 204 089	1 187 558	14 614	1 398	519
	45 925 856	**44 497 817**	**1 349 805**	**51 510**	**26 724**

(a) The definition of risk for the purposes of this table includes the following balance sheet items: Loans and advances to credit institutions, Loans and advances to customers, Debt securities, Equity instruments, Trading derivatives, Hedging derivatives, Equity investments and Contingent exposures. The amounts of the assets reflect the carrying amounts of the loans, i.e. after value adjustments made to provision specific loans. Business is distributed by geographic area based on the country or autonomous region of residence of the lenders, securities issuers and counterparties of derivatives and contingent exposures.

(b) This item includes all activities related to property construction and development, including the financing of land for property development.

(c) Non-financial companies are classed as "Large companies" and "SMEs", in accordance with the definition of SMEs contained in Commission Recommendation 2003/361/EC (6 May 2003) on the definition of micro-enterprises, small companies and medium-sized companies. Loans to sole traders relate exclusively to loans to individuals to finance their business activities, whether performed directly as sole traders or through entities without legal personality.

(d) The activities of households and non-profit institutions serving households are classified based on their purpose, as stipulated in Rule 71.2.e) of Bank of Spain Circular 4/2004.

There follows a breakdown of the Unicaja Banco Group's loans and advances to customers at 31 December 2015 and 2014 by autonomous region and by business segment, excluding exposures to public administrations:

	Thousands of euros					
Balance at 31/12/ 2015	**Total (a)**	**Andalucía**	**Madrid**	**Castilla (*)**	**Levante (*)**	**Resto de comunidades autónomas**
Financial institutions	1 643 120	161 662	1 063 167	-	229 889	188 402
Other Financial institutions	9 661 806	190 386	9 289 216	135 339	44 196	2 669
Non-financial companies and sole traders	7 723 808	2 964 411	1 936 359	1 385 144	343 553	1 094 341
Property construction and development (b)	1 080 865	686 361	217 128	124 161	9 083	44 132
Civil engineering construction	501 121	119 648	362 021	14 890	428	4 134
Other purposes	6 141 822	2 158 402	1 357 210	1 246 093	334 042	1 046 075
Large companies (c)	1 703 977	226 598	631 796	17 436	154 715	673 432
SMEs and sole traders (c)	4 437 845	1 931 804	725 414	1 228 657	179 327	372 643
Other households and non-profit institutions serving households (ISFLSH)	21 401 247	10 259 007	2 293 364	5 958 871	652 819	2 237 186
Housing (d)	18 742 050	9 017 327	2 082 832	4 973 882	613 661	2 054 348
Consumption (d)	1 385 822	914 566	93 451	273 891	17 429	86 485
Other purposes (d)	1 273 375	327 114	117 081	711 098	21 729	96 353
	40 429 981	**13 575 466**	**14 582 106**	**7 479 354**	**1 270 457**	**3 522 598**

	Thousands of euros					
Balance at 31/12/ 2’14	**Total (a)**	**Andalucía**	**Madrid**	**Castilla (*)**	**Levante (*)**	**Resto de comunidades autónomas**
Financial institutions	2 536 415	191 902	1 052 944	10 146	735 569	545 854
Other Financial institutions	10 598 738	194 558	10 007 065	380 449	4 248	12 418
Non-financial companies and sole traders	8 766 101	3 308 173	2 234 560	1 814 002	369 799	1 039 567
Property construction and development (b)	1 354 816	861 330	285 769	139 545	13 390	54 782
Civil engineering construction	544 658	130 040	391 251	15 936	1 461	5 970
Other purposes	6 866 627	2 316 803	1 557 540	1 658 521	354 948	978 815
Large companies (c)	1 684 916	156 852	721 632	124 878	157 525	524 029
SMEs and sole traders (c)	5 181 711	2 159 951	835 908	1 533 643	197 423	454 786
Other households and non-profit institutions serving households (ISFLSH)	22 596 563	10 866 778	2 408 899	6 188 186	704 852	2 427 848
Housing (d)	19 896 189	9 552 624	2 181 633	5 295 780	656 010	2 210 142
Consumption (d)	1 512 816	977 530	104 801	308 047	21 746	100 692
Other purposes (d)	1 187 558	336 624	122 465	584 359	27 096	117 014
	44 497 817	**14 561 411**	**15 703 468**	**8 392 783**	**1 814 468**	**4 025 687**

(*) The geographical area called “Castilla” includes Castilla-La Mancha and Castilla y León, and the geographical area called “Levante” includes Cataluña, Comunidad Valenciana and Murcia.

(a) The definition of risk for the purposes of this table includes the following balance sheet items: Loans and advances to credit institutions, Loans and advances to customers, Debt securities, Equity instruments, Trading derivatives, Hedging derivatives, Equity investments and Contingent exposures. The amounts of the assets reflect the carrying amounts of the loans, i.e. after value adjustments made to provision specific loans. Business is distributed by geographic area based on the country or autonomous region of residence of the lenders, securities issuers and counterparties of derivatives and contingent exposures.

(b) This item includes all activities related to property construction and development, including the financing of land for property development.

(c) Non-financial companies are classed as "Large companies" and "SMEs”, in accordance with the definition of SMEs contained in Commission Recommendation 2003/361/EC (6 May 2003) on the definition of micro-enterprises, small companies and medium-sized companies. Loans to sole traders relate exclusively to loans to individuals to finance their business activities, whether performed directly as sole traders or through entities without legal personality.

(d) The activities of households and non-profit institutions serving households are classified based on their purpose, as stipulated in Rule 71.2.e) of Bank of Spain Circular 4/2004.

27. Interest rate risk exposure

Interest rate risks are controlled on an integrated basis by the Asset and Liability and Budget Committee (COAPP). This unit is responsible for implementing procedures to ensure that Group complies at all times with the interest rate risk control and management policies approved by the Board of Directors.

Sensitivity measurement and scenario analysis methods are used to analyze, measure and control the Group's significant interest rate risks.

The Group hedges interest rate exposure on an individual basis for all significant financial instruments that could generate equally significant risks.

The following table shows a maturity matrix or revisions shown grouping the carrying value of assets and liabilities based on repricing dates of interest rates or maturity; depending on which of them is nearer in time, corresponding to the balances of the main entities of the group (in this case, Unicaja Banco and EspañaDuero) as of December 31, 2015 and 2014.

31 December 2015 — Thousands of euros

Assets	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Financial assets	10 817 424	9 770 487	16 904 417	1 024 133	2 358 361	1 547 603	464 467	9 208 053
After adjustments for coverage	10 717 424	10 786 759	16 986 417	1 274 133	2 869 361	1 647 603	464 467	7 348 780

31 December 2015 — Thousands of euros

Liabilities	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Financial liabilities	8 062 239	6 075 057	10 872 062	3 502 085	3 173 141	9 300 751	1 425 724	6 253 474
After adjustments for coverage	8 062 539	6 549 041	13 545 467	3 147 085	2 588 841	9 186 726	1 159 057	4 425 776

31 December 2014 — Thousands of euros

Assets	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Financial assets	9 314 022	10 024 286	23 153 151	2 728 078	435 814	1 558 214	1 671 232	7 778 089
After adjustments for coverage	8 914 022	12 736 098	23 528 151	2 728 078	685 814	1 558 214	635 134	5 877 374

31 December 2014 — Thousands of euros

Liabilities	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Financial liabilities	16 426 164	4 438 238	9 187 558	6 407 403	1 654 210	9 402 501	669 757	5 229 808
After adjustments for coverage	14 426 464	7 759 995	12 160 964	5 259 629	1 299 210	8 818 202	555 732	3 135 444

The above tables reflect, for each period, the adjustments to fixed-rate assets and liabilities derived from the relevant derivative financial instruments contracted by Unicaja for hedging purposes, in order to present overall exposure to interest rate fluctuations.

At 31 December 2015 and 2014, the sensitivity of the entity's balance sheet to an unfavourable horizontal movement in the interest rate curve totalling 100 basis points and a scenario of maintaining the balance sheet is as follows:

	2015	2014
Financial income expected in 12 months	Lower than 5%	Lower than 7%
Economic value	Lower than 4%	Lower than 8%

28. Exposure to other market risks

Market risk relates to the losses that the Group could incur in the event of changes in the value of its trading portfolio and available-for-sale financial assets as a result of unfavourable fluctuations in market prices or foreign exchange rates, or price volatility.

Such changes depend mainly on factors such as interest rates, in the case of fixed-income instruments. Options are subject to a number of risk factors, one of the most relevant being volatility.

The Group's market risk control policies, methods and procedures are approved by the Board of Directors. The responsibilities of the Risk Control Department, through its Market Control Unit, include the supervision of compliance with the Group's risk control policies, methods and procedures to ensure their adequacy, effective implementation and regular review.

The unit responsible for financial risk monitoring and control is the Markets and Models Unit, which is basically entrusted with ensuring that risks assumed are correctly identified, analysed, valued and reported, cooperating in the implementation of suitable risk management tools, improving position valuation models to bring them into line with the actual market context, and controlling compliance with the risk limits defined. This unit also systematically controls and monitors treasury and capital market transactions.

In order to ensure adequate market risk management, the Group uses a software application to define market risk calculations and authorized limits. For each group of portfolios managed, limits are defined for "Open positions", "Stop losses" and "VaR" so as to avoid any significant adverse impact on solvency or on results, in view of the complexity of the risks assumed.

Exposure to market price fluctuations

Price risk is the risk that the fair value of equity securities may decline as a result of changes in market indices or stock prices. Price risk arises on positions in financial assets or liabilities held for trading and in available-for-sale financial assets.

Set out below is an analysis of price risk sensitivity derived from the Group's equity positions in financial markets at 31 December 2015 and 2014:

			Thousands of euros
Decline in the market price (quotations)	**Impact on results**	**Impact on valuation adjustments**	**Total impact on equity**
Impact at 31 December 2014 of a 1% decrease in the market price	-	5 929	5 929
Impact at 31 December 2013 of a 1% decrease in the market price	-	4 805	4 805

One percent variance in the relevant equity price fluctuation risk variables was assumed because this "impact" is a standard measurement in both the financial sector and in the Unicaja Banco Group to ascertain the level of risk exposure.

In the current context of high market volatility, it is very difficult to determine what constitutes a "reasonably possible change" in risk variables. However, we consider it to be appropriate to report on sensitivity to a 1% "impact" so that public information users may rescale this effect based on their market expectations.

The above table does not include equity instruments recognized in the portfolio of available-for-sale financial assets for which there is no active market and that are carried in the consolidated annual accounts at cost, net of any impairment losses, since their fair value cannot be determined in a sufficiently objective manner. The consolidated carrying amount of these instruments at 31 December 2015 and 2014 totals €151,087 thousand and €240,791 thousand, respectively.

Exposure to foreign exchange risk

Structural foreign exchange risk arises basically from exposure to exchange rate fluctuations on securities investments in non-euro currencies.

The Unicaja Banco Group manages structural foreign exchange risk to minimize potential adverse impacts of foreign exchange fluctuations on capital adequacy ratios and on contributions to the results of foreign currency investments.

At 31 December 2015 and 2014, exposure to foreign exchange fluctuations in the Unicaja Banco Group is immaterial, since there are no significant assets or liabilities in the consolidated balance sheet that are denominated in non-euro currencies. The equivalent value in euros of the Group's total assets and liabilities denominated in foreign currencies at 31 December 2015 and 2014 is analysed below:

	Thousands of euros	
	2015	**2014**
Equivalent value of the assets in foreign currency	**104 755**	**99 602**
Of which:% in U.S. dollars	83%	83%
Of which:% in sterling	8%	7%
Of which:% quoted in other currencies in the Spanish market	9%	10%
Equivalent value of foreign currency liabilities	**69 217**	**67 243**
Of which:% in U.S. dollars	84%	85%
Of which:% in sterling	6%	6%
Of which:% quoted in other currencies in the Spanish market	10%	9%

The equivalent value in euros of assets denominated in foreign currencies accounts for 0.17% and 0.15% of total consolidated assets at 31 December 2015 and 2014, respectively, while the equivalent value in euros of liabilities denominated in foreign currencies represents 0.12% and 0.10% of total consolidated assets at the respective dates.

29. Director's duties of loyalty

In accordance with the provisions of Article 229 of Law 31/2014 (3) which amends the Spanish Companies Act 2010 to improve corporate governance and to reinforce the transparency of public limited liability companies, the Directors have informed the Entity that in 2015 they or persons associated with them, as defined by Article 231 of the Spanish Companies Act 2010:

a) Carried out transactions with the entity, excluding ordinary transactions carried out under standard customer conditions and of little relevance, with the understanding that the information for such transactions is not necessary to express a true and fair view of the equity, financial situation and the results of the entity.

b) They have not used the name of the Company or invoked their position as Director to unduly influence private transactions.

c) They have not made use of business assets, including the Company's confidential information, for private purposes.

d) Business opportunities with the entity have not been taken.

e) No advantages for compensation from third parties other than the Company and its group have not been obtained with respect to the performance of their duties, except when involving merely courtesy gifts.

f) No activities have been carried out on their own behalf or the behalf of a third party that represent effective competition, whether actual or potential, with the entity or which, in any other way, places them in permanent conflict with the entity's interests.

Without affecting the statements made in the preceding paragraphs, it should be noted that Mr. Manuel Atencia Robledo (Executive Vice Chair of the Bank), provided written notification to the Bank's Nomination and Compensation Committee on 13 November 2014 that he had subscribed to 120 shares representing 4% of the capital of GV&AR Newco Corporate & Investment Services, S.L., whose corporate purpose is "advisory services regarding capital structures, financial restructuring, industrial strategy and similar matters, as well as advisory and other services relating to the valuation of companies, mergers, spin-offs, sales, the acquisition of companies and obtaining financing, excluding legal and tax advisory services in these areas". The Company's bylaws expressly state that "under no circumstances does the corporate purpose include the activities reserved for credit institutions, which are expressly excluded".

The Bank's Executive Vice Chair also stated that he is not an administrator and has no responsibility whatsoever with respect to the company's management and his brothers, which own shares in that company, also do not hold management positions. He further stated that he understood that both his shareholding in the company and those held by persons associated with him do not constitute effective competition with Unicaja Banco that represents a permanent conflict of interest with the Bank's interests.

At the request of the Director, at a meeting held on 17 December 2014 the Nomination and Compensation Committee at Unicaja Banco adopted a resolution stating that there were no circumstances that impede the Director from holding the 120 shares representing 4% of the share capital of the company and that there were no circumstances, due to the sole reason of holding that interest, represent any incompatibility or limitation to the conditions necessary to being a Bank Director.

30. Other significant information

30.1 Contingent exposures

Set out below is a breakdown of contingent exposures assumed by the Group at 31 December 2015 and 2014:

	Thousands of euros	
	2015	**2014**
Financial guarantees	114 100	98 437
Technical guarantees	977 495	1 105 051
Credit derivatives sold	-	150 000
Irrevocable documentary credits	2 517	2 609
Other commitments	2 310	1 615
	1 096 422	**1 357 712**

A significant portion of these guarantees will expire without any payment obligation for the entities and, therefore, the aggregate balance of these commitments cannot be considered as an actual future need for financing or liquidity to be provided by the Institution to third parties.

Income from guarantee instruments is recognized under "Fee and commission income" and "Interest and similar income" (in the amount actualized of the value of the commissions) in the income statement for the years 2015 and 2014 and is calculated by the rate established in the related contract to the nominal amount of the guarantee.

Provisions registered to cover these guarantees provided, which have been calculated applying similar principals used for impairment losses on financial assets valued at amortized cost, are recognized under the heading "Provisions - provisions for contingent exposure and commitments" in the consolidated balance sheet (Note 17).

30.2 Assets assigned and accepted as collateral

At 31 December 2015 and 2014 assets owned by the Group guaranteed operations, liabilities and contingent liabilities assumed. The carrying value of the financial assets delivered as guarantee of these liabilities and contingent liabilities and similar at 31 December 2015 and 2014 was as follows:

	Thousands of euros	
	2015	**2014**
Pledge of securities	6 767 700	10 044 005
Pledge of non-mortgage loans	596 892	791 600
	7 364 592	**10 835 605**

At 31 December 2015 and 2014, these amounts relate mostly to pledged securities and non-mortgage loans, under a Bank of Spain policy, for the obtainment of long-term financing maturing in 2015.

As regards the pledge terms and conditions, the guarantees furnished by Unicaja Banco to the Bank of Spain will not be affected, and this is made extensive, by express, irrevocable agreement between the parties, to any automatic or express extensions, renewals or novations of any type that could affect the commitments secured, and will remain in force until the full cancellation of the commitments and of any commitments into which they may be novated or by which they may be replaced.

The Bank has not received any assets as collateral that it is authorized to sell or pledge, irrespective of whether or not there is any default on the part of the asset owner. Consequently, the breakdown required by IFRS 7, paragraph 15 is not applicable.

30.3 Drawable by third parties

At 31 December 2015 and 2014 the limits on financing contracts granted and the amounts utilized, for which the Group has assumed any credit commitment above the amount recognized in assets in the balance sheet at those dates, are set out below:

	Thousands of euros			
		2015		2014
	Available amount	Limit granted	Available amount	Limit granted
With immediate availability -	**2 124 593**	**3 545 155**	**2 033 283**	**3 865 850**
Credit institutions	1 984	73 803	3 761	58 433
Public entities	130 414	199 151	109 272	317 372
Other sectors	1 992 195	3 272 201	1 920 250	3 490 045
Available subject to conditions -	**472 815**	**2 455 594**	**567 252**	**2 736 507**
Public entities	30 014	148 077	37 143	152 576
Other sectors	442 801	2 307 517	530 109	2 583 931
	2 597 408	**6 000 749**	**2 600 535**	**6 602 357**

30.4 Party funds under management by the Group and securities held in custody

The breakdown of the funds out of balance managed by the Group at 31 December 2015 and 2014 is as follows:

	Thousands of euros	
	2015	2014
Mutual funds	2 418 987	4 517 098
Investment funds	2 754 645	125 223
Other financial instruments	155 738	211 639
Assets under management	850 238	871 906
	6 179 608	**5 725 866**

Set out below is a breakdown of off-balance sheet customer funds marketed by the Group in 2015 and 2014:

	Thousands of euros	
	2015	2014
Mutual funds	5 060 669	4 605 841
Investment funds	132 867	125 223
Pension funds	2 193 119	2 132 607
Assets under management	850 238	871 906
Insurance products	2 835 392	3 202 578
	11 072 285	**10 938 155**

Additionally, following is a breakdown of the fair value of third-party funds held in custody of the Group at 31 December 2015 and 2014:

	Thousands of euros	
	2015	**2014**
Debt securities and equity instruments	4 049 414	10 263 531
Other financial instruments	-	356 484
	4 049 414	**10 620 015**

The balance of the heading "Debt and equity instruments" has been reduced significantly during the year 2015 as a result of the transfer of depository activity of investment funds Cecabank dated 18 September 2015 (Note 38).

30.5. Financial instrument reclassifications

During 2015 and 2014 the Group has not performed reclassifications of debt securities.

The balance of the heading "Debt and equity instruments" has been reduced significantly during the year 2015 as a result of the transfer of depository activity of investment funds Cecabank dated 18 September 2015 (Note 38).

30.6 Asset securitization

The outstanding balance for transfers of financial assets made by the Group at 31 December 2015 and 2014 is as follows:

	Thousands of euros	
	2015	**2014**
Written off the balance before January 1, 2004	-	-
Held entirely in balance sheet		
AyT Colaterales Global Hipotecario Caja España, I, F.T.A.	-	163 560
	-	**163 560**

The main characteristics of each securitization in the year 2015 and 2014 are the following:

	Thousands of euros					
	Serial	**Amount**	**31/12/15**	**31/12/14**	**Return**	**Maturity**
FUND						
	A	437 500	-	102 548	Euribor 6m + 0,30%	24/05/2047
	B	45 000	-	45 000	Euribor 6m + 0,60%	24/05/2047
AyT Colaterales Global Hipotecario I, F.T.A.	C	11 000	-	11 000	Euribor 6m + 1,50%	24/05/2047
Caja España, F.T.A.	D	6 500	-	6 500	Euribor 6m + 2,50%	24/05/2047
		500 000	**-**	**165 048**		

At December 31, 2014, as a result of the conditions agreed for the transfer of assets, the Group retained substantial risks and rewards of the asset-backed securities, and the same have not been written off the balance sheet and accounted for, as stated regulations, a financial liability for an amount equal to the consideration received, which is valued at amortized cost. Moreover, the Group recorded bonds issued by asset securitization funds that had subscribed in each of these transactions, netting the mentioned financial liability.

On April 22, 2015 was carried out by EspañaDuero repurchase all of the assets of the "Global Mortgage Collateral Series AyT Caja España I" Fund Asset Securitization "Global Mortgage Collateral AyT F.T.A." The repurchase price of the assets was €160,979 thousand, equal to the outstanding balance of such assets, including assets related to bad debts, plus interest accrued and unpaid. On April 29, 2015 it was agreed with the Management Company of the Fund early liquidation of the Series.

30.7 Netting arrangements and guarantees

In addition to the amounts that may be offset in the accounts under IAS 32, there are other netting agreements and guarantees which, though not netted in the accounts because the necessary requirements are not fulfilled, effectively reduce credit risk.

There follows a breakdown at 31 December 2015 and 2014 of derivative financial instruments (Notes 8 and 11) in the situation described, showing separately the effects of these agreements and collateral received and/or furnished by the Group:

	Thousands of euros			
	2015		2014	
Derivative financial instruments	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Gross exposure (book value)	**793 976**	**217 143**	**974 367**	**107 009**
Netting agreements and collaterals	**(788 540)**	**(97 436)**	**(741 640)**	**(104 210)**
Netting arrangements	-	-	-	-
Collateral received/furnished	(788 540)	(97 436)	(741 640)	(104 210)
Net exposure	**5 436**	**119 707**	**232 727**	**2 799**

The amounts of collateral in the form of cash and financial instruments reflect fair values. The netting rights depend on counterparty default and relate to collateral in the form of cash and financial instruments.

In connection with the Group's asset reverse repos and repos, there are other agreements entailing the receipt and/or submission of the following guarantees in addition to the guarantee built into these operations:

	Thousands of euros			
	2015		2014	
Guarantees associated with acquisitions and temporary assignment of assets	**Delivered**	**Received**	**Delivered**	**Received**
In cash	145 515	9 510	129 520	-
In stock	-	-	-	-
	145 515	**9 510**	**129 520**	**-**

31. Interest and similar income

Set out below is a breakdown of the origin of the most significant interest and similar income accrued by the Group in 2015 and 2014:

	Thousands of euros	
	2015	2014
Balances at central banks (Note 7)	69	472
Deposits with credit institutions (Note 10.1)	1 585	10 219
Money market operations through counterparties (Note 10.1)	389	6 179
Loans and advances to customers (Note 10.1)	856 690	912 484
Debt securities	385 137	519 130
Doubtful assets (Note 10.1)	27 467	17 742
Rectification of revenues arising from accounting hedges	1 581	3 333
Insurance contracts related to pensions and similar obligations	1 946	3 565
Other revenues	5 024	934
	1 279 888	**1 474 058**

Set out below is a breakdown of the amounts recognized in "Interest and similar income" in the consolidated income statements for 2015 and 2014, classified on the basis of the relevant financial instrument portfolio:

	Miles de euros	
	2015	2014
Financial assets at fair value through profit or loss - Trading portfolio (Note 8.1)	208	3 647
Financial assets available for sale (Note 9.1)	166 057	181 418
Maturity investment portfolio (Note 9.4)	202 496	261 181
Loans and receivables	902 117	1 013 801
Money market operations through counterparties	389	6 179
Rectification of income resulting from hedge accounting	1 581	3 333
Other income	7 040	4 499
	1 279 888	**1 474 058**

32. Interest expense and similar charges

The breakdown of the balance of this caption in the consolidated income statements for 2015 and 2014 is as follows:

	Thousands of euros	
	2015	2014
Deposits from central banks (Note 16.1)	3 005	14 262
Deposits from credit institutions (Note 16.2)	14 047	19 289
Money market operations through counterparties (Note 16.3)	1	4 288
Deposits from other creditors (Note 16.3)	603 925	718 084
Debt securities issued (Note 16.4)	56 077	101 969
Subordinated liabilities (Note 16.5)	55 072	40 073
Rectification of costs arising from accounting hedges	(148 654)	(151 581)
Costs attributable to pension funds arranged (Note 17)	3 339	5 498
Other interests	5 549	3 502
	592 361	**755 384**

Set out below is a breakdown of the amounts recognized in “Interest expense and similar charges” in the consolidated income statements for 2015 and 2014, classified on the basis of the relevant financial instrument portfolio:

	Thousands of euros	
	2015	**2014**
Financial liabilities at amortized cost	732 127	897 965
Rectification of costs arising from accounting hedges	(148 654)	(151 581)
Other interests	8 888	9 000
	592 361	**755 384**

33. Return on equity instruments

The breakdown of the balance of this caption in the consolidated income statements for 2015 and 2014 by portfolio and nature of the financial instruments is as follows:

	Thousands of euros	
	2015	**2014**
Equity instruments classified as:		
Financial assets held for trading	-	-
Available-for-sale financial assets	34 934	36 273
	34 934	36 273
Equity instruments having the nature of:		
Shares	34 934	36 273
Investments in Institutions of Collective Investment	-	-
	34 934	**36 273**

34. Results of equity-consolidated entities

A breakdown by company of this consolidated income statement caption for 2015 and 2014 is as follows:

	Thousands of euros	
	2015	**2014**
Autopista del Sol, Concesionaria Española, S.A.	(1 526)	(1 392)
E.B.N. Banco de Negocios, S.A.	-	1 489
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.	22 706	20 416
Hidralia, Gestión Integral de Aguas de Andalucía, S.A.	4 504	3 658
Deoleo, S.A.	(3 739)	(2 422)
Sociedad Municipal de Aparcamientos y Servicios, S.A.	429	268
Ingeniería e Integración Avanzadas, S.A. (Ingenia)	(194)	(9)
Autopista del Guadalmedina, Concesionaria Española, S.A.	(1 232)	(1 934)
ADE Gestión Sodical, S.G.E.R., S.A.	(2)	3
Ahorro Gestión de Inmuebles, S.A.	(69)	(63)
Barrancarnes Transformación Artesanal, S.A.	16	(27)
Corporación Hotelera Oriental	(807)	25
Capredo Investments GMBH	(73)	616
Cartera Perseidas, S.L.	2	8
Centro de Tecnologías Informáticas, S.A.	36	9
Gestión e Investigación de Activos, S.A.	151	134
Investigación y Desarrollo de Energías Renovables, S.L.	333	525
Aciturri Aeronáutica, S.L.	3 505	1 835
Edigrup Producciones TV, S.A.	411	406
Resto de sociedades	(535)	(12 396)
	23 916	**11 149**

35. Fee and commission income

Set out below is fee revenue accrued in 2015 and 2014, classified taking into account the main items involved, together with the consolidated income statements for those years in which such revenue has been recorded:

	Thousands of euros	
	2015	**2014**
Interest and similar revenues		
Origination fees	24 656	27 683
	24 656	**27 683**
Fees received		
Fees relating to contingent risks	10 099	10 054
Fees relating to contingent commitments	3 994	3 565
Fees relating to collection and payment services	123 278	125 612
Fees relating to investment and complementary activities	48 334	30 800
Fees relating to foreign currency and note exchange	386	391
Fees relating to marketing of non-bank financial products	84 280	65 464
Other	4 722	14 566
	275 093	**250 452**
Other operating income		
Compensatory fees of direct costs (Note 38)	3 002	2 785
	3 002	**2 785**

36. Fee and commission expense

Set out below is fee and commission expense accrued in2015 and 2014, classified taking into account the main items involved, together with the consolidated income statements for those years in which such expense has been recorded:

	Thousands of euros	
	2015	**2014**
Fee and commission expense		
Commissions paid to intermediaries	3 119	2 498
Other commissions	339	279
	3 458	**2 777**
Fees Paid		
Debit and credit operations	466	487
Commissions ceded to other Banks and correspondent banks	10 794	16 371
Commission expense on securities transactions	1 211	1 259
Other Fees	23 872	5 100
	36 343	**23 217**

37. Gains or losses on financial assets and liabilities

The breakdown of the balance of this caption in the consolidated income statements for 2015 and 2014 by portfolio of the financial instruments involved is as follows:

	Thousands of euros	
	2015	**2014**
Trading portfolio	(34 247)	(8 941)
Available-for-sale financial assets (Note 9.3)	128 763	273 733
Equity instruments	*276*	*13 324*
Debt	*128 487*	*260 409*
Credit investments	139 934	22 136
Held-to-maturity investments (Note 9.4)	327 024	103 246
Financial liabilities at amortized cost	-	13
Hedging derivatives	126	(121)
	561 600	**390 066**

In the years 2015 and 2014, the amount collected under the heading "Results from financial operations - assets held for sale - Equity instruments" mainly comprises disposal operations described in Note 9.1.

In 2015, profits recognized in relation to held-to-maturity securities, totalling €139,934 thousand (€103,246thousand in 2014), relate to the sale of a part of the debt securities included in the portfolio (Note 9.4). The transaction fulfils the requirements of paragraph GA22 of IAS 39 and therefore the remainder of the held-to-maturity debt securities need not be reclassified to the available-for-sale portfolio (Note 2.2.4).

38. Other operating income

The breakdown of the balance of this caption in the consolidated income statements for 2015 and 2014 is as follows:

	Thousands of euros	
	2015	**2014**
Income from property investments (Note 13.2)	13 917	13 550
Income from insurance and reinsurance	41 659	31 432
Commissions offsetting direct costs (Note 35)	3 002	2 785
Sales and income from non-financial services	26 377	31 406
Other	86 304	15 247
	171 259	**94 420**

As part of the balance of the heading "Other non-recurring items" the result generated by the Group in the transmission of depository activity of investment funds Cecabank (Note 30.4) is included.

39. Other operating expense

This breakdown of this heading in the consolidated income statements for 2015 and 2014 is as follows:

	Thousands of euros	
	2015	**2014**
Operating expenses on Real State (Note 13.2)	2 408	2 187
Insurance and re-insurance contracts charges	29 206	21 246
Contribution to the Deposit Guarantee Fund (Note 1.10)	43 323	64 582
Contribution to the National Resolution Fund (Note 1.11)	19 220	-
Other	51 612	46 186
	145 769	**134 201**

The heading “Other” includes the cost of the sales services that constitute the core activity of the non-financial subsidiaries consolidated with the Group.

40. Administrative expenses

40.1 Staff costs

The breakdown of “Staff costs” in the consolidated income statements for the years 2015 and 2014 is as follows:

	Thousands of euros	
	2015	**2014**
Wages and salaries	330 590	306 335
Social securities costs	91 318	87 333
Appropriations to defined benefit pension plans	311	283
Appropriations to defined contribution pension plans	10 272	9 908
Indenisations	1 789	1 321
Staff training expenses	1 079	1 120
Other staff costs	10 051	8 672
	445 410	**414 972**

The average number of Group's employees, by professional category, at 31 December 2015 and 2014is as follows:

	Average number of Employees			
	2015		2014	
	Men	Women	Men	Women
Group 1	**2 402**	**1 748**	**2 566**	**1 784**
Level I	13	1	14	1
Level II	35	4	41	4
Level III	136	18	136	18
Level IV	306	74	325	70
Level V	697	288	708	267
Level VI	292	125	359	144
Level VII	352	302	367	299
Level VIII	307	370	301	327
Level IX	61	126	81	155
Level X	59	170	51	154
Level XI	128	240	163	308
Level XII	12	26	16	32
Level XIII	4	4	4	5
Group 2	**21**	**5**	**20**	**7**
Level I	3	-	3	-
Level II	12	5	12	5
Level III	2	-	2	2
Level IV	3	-	2	-
Level V	1	-	1	-
Cleaners	**-**	**10**	**-**	**12**
Total Parent	**2 423**	**1 763**	**2 586**	**1 803**
Other subsidiaries	**1 988**	**1 751**	**2 209**	**1 897**

The table below details a breakdown by concepts of the amounts recognized in the headings "Provisions - provisions for pensions and similar obligations" and "Insurance contracts linked to pensions" in the consolidated balance sheets at 31 December 2015 and 2014:

	Thousands of euros	
	2015	2014
Provisions - Provisions for pensions and similar obligations -	**312 089**	**353 633**
Post-employment benefits	179 579	190 288
Other long-term benefits	132 510	163 345
Insurance contracts linked to pensions	**142 311**	**147 763**
Post-employment benefits	142 311	147 763

Changes in the provisions recognized by the Group during the years ended 31 December 2015 and 2014 are detailed in Note 17.

40.1.1 Post-employment commitments

During 2002 the Parent Company agreed with its employees to modify and transform the employee pension supplement system into a mixed model of defined contribution and defined benefit, establishing a pension plan externalized employment was formalized in Unifondo Pensiones V, Fondo de Pensiones. To finish this modification and transformation, the Entity surrendered the insurance policies that before covered the actuarial liabilities. Simultaneously, funds were appropriated to the internal pension fund, a part of which was subsequently externalized to Unifondo V, Fondo de Pensiones.

At 31 December, 2015 and 2014, the balance of Unifondo Pensiones V, Fondo de Pensiones amounted to €308,011 thousand and €308,745 thousand, respectively. This amount covers needs of defined contribution and defined benefits commitments calculated in Note 2.12.

During 2014 Unicaja Banco Group acquired 60.70% in the share capital of Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (EspañaDuero) which, in accordance with its current employment agreements, must pay a supplement for Social Security benefits relating to its employees, or their heirs, in the case of retirement, widowhood, orphan hood, permanent disability or serious disability. EspañaDuero' post-employment commitments are included in the consolidated financial statements for Unicaja Banco starting on the date control was acquired (on 28 March 2014, as is stated in Note 1.2).

40.1.1.1 General information on post-employment commitments

Set out below are different commitments of post-employment, such as defined contribution and defined benefit commitments assumed by the Group:

Defined benefit plans

The contributions made by the Group to the fund of external pension funds in 2015 amounted to €10,272 thousand (€9,908 thousand in 2014) and are recognized in “Staff costs” in the income statement.

Defined contribution plans

The present value of the commitments has been defined by qualified actuaries as follows:

- Calculation method: “projected credit unit method”, whereby each year of service an additional unit of right to benefits is generates and valued separately.

- Actuarial assumptions used: unbiased and mutually compatible

- Estimated retirement age of employees: calculated for each employee using the best information available at the reporting date.

The fair value of non-plan assets covering pension commitments includes the fair value of the insurance policy taken out by the Group with the insurer Unicorp Vida, Compañía de Seguros y Reaseguros, S.A. to cover commitments with employees who are guaranteed a supplementary benefit on retirement, as explained previously. As this insurance policy is contacted with a company related to the Bank (Note 12), it is recognized at fair value in the item “Insurance contracts linked to pensions" in assets, as it is not deemed to be a “plan asset”. The policy's fair value has been calculated using actuarial methods, discounting payments flows stipulated in the policy at the discount rate applicable according to the IBOXX AA Corporate curve, based on the financial term of the commitments.

At 31 December 2015 and 2014 the fair value of the assets allocated to cover post-employment remuneration is as follows:

	Thousands of euros	
	2015	2014
Nature of assets allocated to cover commitments		
Assets of the plan covered by insurance policy with Unicorp Vida, S.A.	105 073	112 733
Insurance policies contracted by the plan with Unicorp Vida, S.A. and allocated to cover defined benefit commitments	144 825	147 762
Uninsured defined contribution pension plan	5 368	5 846
External defined contribution pension plan	461 706	478 911
	716 972	**745 252**

40.1.1.2 Information on defined-contribution post-employment commitments

Pension commitments arranged under defined contribution plans are settled by means of annual payments made by the Group to beneficiaries, who are almost exclusively serving employees. The contributions are charged to the consolidated income statement for the period (Note 2.12.1) and do not therefore entail the recognition of a liability in the accompanying consolidated balance sheet.

The amounts recognized in the accompanying consolidated income statement in respect of contributions made to these plans in 2015 and 2014 totaled €10,272 thousand and €9,908 thousand, respectively (Note 40.1.1.1).

40.1.1.3 Information on defined-benefit post-employment commitments

The total amount of actuarial gains and losses on defined benefit plans that have been recorded in the statement of recognized income and expense consolidated profit for 2015 will not be reclassified to income amounted to €3,836 thousand gross loss (€5,567 thousand the year 2014), which after the tax effect of €2,686 thousand represent net loss (€3,897 thousand in 2014).

Set out below is the reconciliation between the opening and closing balances of the present value of Unicaja Banco's defined benefit commitments for 2015 and 2014:

	Thousands of euros				
2015	**Plan 1 Unicaja**	**Plan 2 Unicaja**	**Plan 1 BCEISS**	**Plan 2 BCEISS**	**Total**
Present value of obligations at January 1, 2015	**114 083**	**41 346**	**7 438**	**108 364**	**271 231**
(i) Cost of current services	295	16	27	15	353
(ii) Borrowing costs	1 580	622	223	1 576	4 001
(iii) Contributions made by plan participants	-	-	-	-	-
(vi) Actuarial losses and gains	(2 480)	(1 737)	452	(7 326)	(11 091)
iv.1. Due to changes in demographic assumptions	(400)	167	198	(5 065)	(5 100)
iv.2. Due to changes in financial assumptions	(2 080)	(1 904)	254	(2 261)	(5 991)
iv.3. Adjustments due to experience	-	-	-	-	-
(v) Exchange rate changes	-	-	-	-	-
(vi) Benefits paid	(7 193)	(1 490)	(743)	(6 758)	(16 184)
(vii) Cost of past services	-	-	-	-	-
(viii) Business combinations (Note 1.13)	-	-	2 210	3 165	5 375
(ix) Reductions	-	-	(199)	-	(199)
(x) Plan settlements	(577)	-	-	-	(577)
Present value of obligations at December 31, 2015	**105 708**	**38 757**	**9 408**	**99 036**	**252 909**

2014	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 BCEISS	Plan 2 BCEISS	Thousands of euros Total
Present value of obligations at January 1, 2014	**105 074**	**36 378**	**-**	**-**	**141 452**
(i) Cost of current services	255	28	28	21	332
(ii) Borrowing costs	2 853	1 064	192	3 065	7 174
(iii) Contributions made by plan participants	-	-	-	-	-
(vi) Actuarial losses and gains	14 018	5 355	1 128	15 104	35 605
iv.1. Due to changes in demographic assumptions	916	123	(159)	(427)	453
iv.2. Due to changes in financial assumptions	13 102	5 232	1 287	15 531	35 152
iv.3. Adjustments due to experience	-	-	-	-	-
(v) Exchange rate changes	-	-	-	-	-
(vi) Benefits paid	(8 085)	(1 479)	(613)	(6 640)	(16 817)
(vii) Cost of past services	-	-	-	-	-
(viii) Business combinations (Note 1.13)	-	-	7 075	98 132	105 207
(ix) Reductions	-	-	(372)	(1 318)	(1 690)
(x) Plan settlements	(32)	-	-	-	(32)
Present value of obligations at December 31, 2014	**114 083**	**41 346**	**7 438**	**108 364**	**271 231**

Set out below is the reconciliation between the opening and closing balances of the fair value of the plan assets and the opening and closing balances of any reimbursement rights capitalized by Unicaja Banco in 2015 and 2014:

2015	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 BCEISS	Plan 2 BCEISS	Thousands of euros Total
Present value of obligations at January 1, 2015	**112 922**	**31 324**	**6 557**	**79 122**	**229 925**
(i) Cost of current services	213	-	6	(372)	(153)
(ii) Borrowing costs	1 469	462	364	1 156	3 451
(iii) Contributions made by plan participants	-	-	-	-	-
(iv) Actuarial losses and gains	(319)	(443)	216	(4 503)	(5 049)
iv.1. Due to changes in demographic assumptions	509	19	(80)	(4 742)	(4 294)
iv.2. Due to changes in financial assumptions	(828)	(462)	296	239	(755)
iv.3. Adjustments due to experience	-	-	-	-	-
(v) Exchange rate changes	-	-	-	-	-
(vi) Benefits paid	(7 193)	(1 490)	(743)	(5 067)	(14 493)
(vii) Cost of past services	-	-	-	-	-
(viii) Business combinations	-	-	2 210	3 165	5 375
(ix) Reductions	-	-	(182)	-	(182)
(x) Plan settlements	(394)	-	-	-	(394)
Present value of obligations at December 31, 2015	**106 698**	**29 853**	**8 428**	**73 501**	**218 480**

2014	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 BCEISS	Plan 2 BCEISS	Thousands of euros Total
Present value of obligations at January 1, 2014	**104 078**	**28 019**	**-**	**-**	**132 097**
(i) Cost of current services	276	77	13	(2 954)	(2 588)
(ii) Borrowing costs	2 740	800	282	2 228	6 050
(iii) Contributions made by plan participants	-	-	-	-	-
(iv) Actuarial losses and gains	13 921	3 907	-	12 185	30 013
iv.1. Due to changes in demographic assumptions	(841)	(37)	9	(310)	(1 179)
iv.2. Due to changes in financial assumptions	14 762	3 944	(9)	12 495	31 192
iv.3. Adjustments due to experience	-	-	-	-	-
(v) Exchange rate changes	-	-	-	-	-
(vi) Benefits paid	(8 085)	(1 479)	(613)	(4 912)	(15 089)
(vii) Cost of past services	-	-	-	-	-
(viii) Business combinations	-	-	7 300	73 881	81 181
(ix) Reductions	-	-	(425)	(1 306)	(1 731)
(x) Plan settlements	(8)	-	-	-	(8)
Present value of obligations at December 31, 2014	**112 922**	**31 324**	**6 557**	**79 122**	**229 925**

Set out below is the reconciliation of the present value of the defined-benefit post-employment commitments and the fair value of the plan assets (excluding insurance contracts linked to pensions), against the assets and liabilities recognized in Unicaja Banco's balance sheet at 31 December 2015 and 2014:

2015	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 BCEISS	Plan 2 BCEISS	Total
					Thousands of euros
Present value of obligations at December 31, 2014	**105 708**	**38 757**	**9 408**	**99 036**	**252 909**
(i) Cost of past services not recognized in the balance sheet	-	-	-	-	-
(ii) Any amount not capitalized	-	-	-	2 787	2 787
(iii) Fair value of any reimbursement right Capitalized	169	-	-	-	169
(iv) Other amounts recognized in the balance sheet	-	(38 757)	(1 526)	(33 588)	(73 871)
Fair value of assets at December 31, 2015	**105 877**	**-**	**7 882**	**68 235**	**181 994**

2014	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 BCEISS	Plan 2 BCEISS	Total
					Thousands of euros
Present value of obligations at December 31, 2013	**114 083**	**41 346**	**7 438**	**108 364**	**271 231**
(i) Cost of past services not recognized in the balance sheet	-	-	-	-	-
(ii) Any amount not capitalized	-	-	-	1 220	1 220
(iii) Fair value of any reimbursement right Capitalized	-	-	-	-	-
(iv) Other amounts recognized in the balance sheet	(1 980)	(41 346)	(1 592)	(33 267)	(78 185)
Fair value of assets at December 31, 2014	**112 103**	**-**	**5 846**	**76 317**	**194 266**

Set out below is a breakdown of the total expense recognized in the consolidated income statements for 2015 and 2014:

Definition	**According to IAS 19**
a) Cost of current services	Staff costs
b) Borrowing costs	Interest expense and similar charges
c) Expected return on assets	Interest and similar income
d) Cost of past services recognized during the period	Charge to provisions (net)

2015	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 BCEISS	Plan 2 BCEISS	Total
					Thousands of euros
a) Cost of current services	295	16	27	15	353
b) Borrowing costs	120	622	15	542	1 299
c) Expected return on assets	(8)	(462)	(156)	(109)	(735)
d) Cost of past services recognized during the period	-	-	-	-	-
e) Past service costs recognized in the year	(183)	-	(17)	-	(200)

2014	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 BCEISS	Plan 2 BCEISS	Total
					Thousands of euros
a) Cost of current services	255	28	28	21	332
b) Borrowing costs	134	1 064	28	982	2 208
c) Expected return on assets	(21)	(800)	(36)	(113)	(970)
d) Cost of past services recognized during the period	-	-	-	-	-
e) Past service costs recognized in the year	(25)	-	53	(106)	(78)

Set out below are the main actuarial assumptions used by Unicaja Banco at 31 December 2015:

Plan 1 Actuarial Assumptions of Unicaja Banco:

- Updated tables: PERMF 2000-P
- Discount rates:
  - Market rate as per the financial term of commitment flows and applying the IBOXX AA Corporate curve at 31 December 2015 for highly-rated Eurozone corporate bonds.
  - Each commitment has a term of between 19.31 and 9.38 for the commitments and between 12.53 and 2.28 for the assets.
  - The rates applied to each commitment fluctuate between 1.76% and 1.52% for the commitments and 1.65% and 0.42% for the assets.
- Salary growth rate: 2%
- Social Security pension growth rate: 0%
- Contribution base growth rate:
  - Contribution bases increase until they reach the actual salaries, up to the limits of the maximum contribution base for each rate group.
  - Maximum contribution base growth rate: 1%
- Pension increase rate: 1%
- Expected yield on plan assets:
  - For assets covering commitments insured under the Group II policy (Defined Benefit. Collective Bargaining Agreement for Savings Banks. Former Unicaja), a rate of 0.85% is applied.
  - For assets covering commitments insured under the Group III policy (Defined Benefit. Employees from Banco Urquijo), a rate of 0.85% is applied.
  - For assets covering commitments insured under the Group VI policy (Plan beneficiaries) with cash-flow matching, a rate of 1.40% is applied.
  - For assets covering commitments insured under the policy for Beneficiaries from Groups I (Mixed. General System), II and III that receive actuarial income, a rate of 1.50% is applied.
  - For assets covering commitments insured under the policy for benefits not financed by the Plan due to contribution limits, a rate of 0.82% is applied and a rate of 1.49% for the liabilities.
- Estimated retirement age: 65, except for participants in respect of whom the retirement age is brought forward.
- Rotation: No

Plan 2 Actuarial Assumptions of Unicaja Banco:

- Updated tables: PERMF 2000-P
- Discount rates:
  - Market rate as per the financial term of commitment flows and applying the IBOXX AA Corporate curve at 31 December 2015 for highly-rated Eurozone corporate bonds.
  - Each commitment has a term of between 19.69 and 10.15 for the commitments and between 14.53 and 2.41 for the assets.
  - The rates applied to each commitment fluctuate between 1.76% and 1.55% for the commitments and 1.71% and 0.14% for the assets.
- Salary growth rate: 5%
- Social Security pension growth rate: 0%

- o Contribution base growth rate:
  - Contribution bases increase until they reach the actual salaries, up to the limits of the maximum contribution base for each rate group.
  - Maximum contribution base growth rate: 3%
- o Pension increase rate: 3%
- o Expected yield on plan assets:
  - For assets covering commitments insured under the policy for commitments arising from the Collective Bargaining Agreements for Savings Banks and Banks, a rate of 0.69% is applied and a rate of 1.55% for the liabilities.
  - For assets covering commitments insured under the policy for early-retired employees with cash-flow matching, a rate of 0.35% is applied.
  - For assets covering commitments insured under the policy of liabilities, a rate of 0.35% is applied.
  - For assets to cover obligations insured income policy, the applied rate is 1.44%.
- o Estimated retirement age: 65.
- o Rotation: No

On the other hand, the main actuarial assumptions used by EspañaDuero related to 31 December 2015 are the below:

Plan 1 of EspañaDuero Actuarial Assumptions:

- o Updated tables: PERMF 2000P
- o Discount rates:
  - Market rate as per the financial term of commitment flows and applying the IBOXX AA Corporate curve at 31 December 2015 for highly-rated bonds (AA).
  - Each commitment has a duration of 6.74 for the benefit pensions, 1.71% for the benefit of beneficiaries covered in the Plan but in turn insured by an insurance policy contracted by the Plan, and 15.83 for the asset pensions.
  - The rates applied for each commitment amount to 1.30% for the benefit of beneficiaries covered in the Plan, 1.71% for beneficiaries covered by the Plan but in turn insured by an insurance policy contracted by the Plan, 1,67% for asset performance.
- o Salary growth rate: 3.5%
- o Social Security pension growth rate: 0%
- o Contribution base growth rate: 2.5%
- o Pension increase rate: 2.5%
- o Expected yield of plan assets:
  - For assets and liabilities: 4%.
  - For excess policy: 6%.
  - For the policy excesses of the plan: 1.54%.
- o Estimated retirement age: 65

Plan 2 of EspañaDuero Actuarial Assumptions:

Commitment resulting from Caja Duero:

- o Updated tables: PERMF 2000P
- o Discount rates:
  - Market rate as per the financial term of commitment flows and applying the IBOXX AA Corporate curve at 31 December 2015 for highly-rated bonds (AA).
  - Each commitment has a term of between 15.83 and 6.42 for the commitments and between 20.83 and 0.14 for the assets.
  - The rates applied to each commitment fluctuate between 1.71% and 1.28% for the commitments and 1.79% and 0.14% for the assets.
- o Salary growth rate: 3.5%
- o Social Security pension growth rate: 0
- o Contribution base growth rate: 2.5%

- o Pension increase rate: 2.5%
- o Expected yield of plan assets:
  - For assets nos included in the plan: 1.63%.
  - For insurance policy 02/02: 1.3042%
  - For assets policy 07/2: 0.35%
- o Estimated retirement age: 65.
- o Rotation: No

Commitment resulting from Caja España:

- o Updated tables: PERMF 2000P
- o Tipo de descuento:
  - Market rate as per the financial term of commitment flows and applying the IBOXX AA Corporate curve at 31 December 2015 for highly-rated bonds (AA), according to the financial duration of the commitment ratio.
  - Interest rate and financial duration of each group:
    - o Benefit Pensions policy 8.118: 1.55% (financial duration of 10.87 years).
    - o Benefit Pensions policy PCP-1.001: 1.42% (financial duration of 8.01 years).
- o Salary growth rate: 3.5%
- o Social Security pension growth rate: 0
- o Contribution base growth rate: 2.5%
- o Pension increase rate: 2.5%
- o Appreciation rate for pensions:
  - o Policy 8.118: 2%
  - o Policy PCP-1.001: 2.91%
- o Expected yield of plan assets:
  - For assets related to policy 8.118: a cash flow matching of 1.45%
  - For assets related to policy 8.118: a cash flow matching of 1.32%.
- o Estimated retirement age: 65.
- o Rotation: No

Set out below are the amounts for 2015 and for the preceding four annual periods representing the present value of defined benefit commitments, the fair value of plan assets and experience adjustments under paragraph 120A, letter (f) of IAS 19 arising from plan assets and liabilities.

	Thousands of euros				
	Present value of liabilities				
	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 BCEISS	Plan 2 BCEISS	Total
Year 2011					
Experience adjustments	(2 685)	(1 398)	-	-	(4 083)
Value at December 31, 2010	95 815	37 504	-	-	133 319
Year 2012					
Experience adjustments	(1 185)	(612)	-	-	(1 797)
Value at December 31, 2011	93 016	37 708	-	-	130 724
Year 2013					
Experience adjustments	(1 725)	567	-	-	(1 158)
Value at December 31, 2012	105 074	36 378	-	-	141 452
Year 2014					
Experience adjustments	-	-	-	-	-
Value at December 31, 2013	114 083	41 346	7 438	108 364	271 231
Year 2015					
Experience adjustments	-	-	-	-	-
Value at December 31, 2014	105 708	38 757	9 408	99 036	252 909

	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 BCEISS	Plan 2 BCEISS	Total
					Thousands of euros
					Fair value of the assets
Year 2011					
Experience adjustments	(260)	316	-	-	56
Value at December 31, 2010	94 608	27 451	-	-	122 059
Year 2012					
Experience adjustments	(199)	(679)	-	-	(878)
Value at December 31, 2011	91 764	27 594	-	-	119 358
Year 2013					
Experience adjustments	639	(137)	-	-	502
Value at December 31, 2012	104 078	28 019	-	-	132 097
Year 2014					
Experience adjustments	-	-	-	-	-
Value at December 31, 2013	112 922	31 324	6 557	79 122	229 925
Year 2015					
Experience adjustments	-	-	-	-	-
Value at December 31, 2014	106 698	29 853	8 428	73 501	218 480

Set out below are sensitivity data for the present value of the commitments at 31 December 2015 and 2014 in relation to interest rate and salary growth fluctuations:

2015	**Percentage changes**	
	Increase	**Decrease**
Change in present value of commitments in the event of a 0.5% fluctuation in salaries	0,14%	(0,13%)
Change in present value of commitments in the event of a 50 bp interest rate fluctuation	(5,23%)	5,73%

2014	**Percentage changes**	
	Increase	**Decrease**
Change in present value of commitments in the event of a 0.5% fluctuation in salaries	0,19%	(0,18%)
Change in present value of commitments in the event of a 50 bp interest rate fluctuation	(5,45%)	5,99%

Based on the mortality tables used, the remaining life expectancy for a person who would retire at year-end 2015 is 27 years and 22 years respectively for women and men (26 years and 22 years at year-end 2014) . Also, life expectancy for a person who would retire 20 years after the end of the year 2015 is 29 years and 24 years respectively for women and men.

The main categories of assets for plans financed externally as a percentage of total plan assets are as follows:

	Thousands of euros			
	2015	%	2014	%
Equity instruments	101 412	21,97	81 892	19,08
Debt Instruments	269 566	58,41	281 065	65,48
Investment funds	31 988	6,93	39 442	9,19
Financial derivatives	5 936	1,29	(17 947)	(4,18)
Other assets	52 597	11,40	44 759	10,43
	461 499	**100,00**	**429 211**	**100,00**

In all cases, the instrument contracted is an insurance policy.

The fair value of plan assets includes the following financial instruments issued by the Unicaja Banco group:

	Thousands of euros	
	2015	2014
Equity instruments	-	-
Debt Instruments	-	-
Deposits and current accounts	10 416	9 922
	10 416	**9 922**

Estimated payments of post-employment commitment benefits in the coming 10 years are as follows:

	Thousands of euros					
	2016	2017	2018	2019	2020	2021-2025
Post-employment benefit	16 227	15 740	15 516	15 311	15 067	70 486
Other long-term benefit	40 877	35 564	26 631	16 411	10 455	13 792
Total benefits	**57 104**	**51 304**	**42 147**	**31 722**	**25 522**	**84 278**

As regards benefits estimated for the following year:

- For the defined retirement benefit, the amount of contributions will be equal to the ordinary cost and supplementary cost, if applicable, identified in the latest actuarial valuation performed by the plan actuary at the previous year end.

- For the disability, widowhood and orphanhood defined benefits of defined benefit groups, contributions will be equal to the annual premium necessary for coverage purposes, under a group life insurance policy, the amount of which is budgeted based on the amounts paid in the previous year.

- For the disability, widowhood and orphanhood defined benefits of defined contribution groups, contributions will be equal to the cost of the insurance premium for these benefits stipulated by the insurer, in the amount necessary to reach the amount of the benefits, net of capitalization funds formed. In general, they are estimated based on the amounts paid in the previous year.

40.1.2 Death and disability

The amount accrued by defined contribution insurance policies to cover employee death and disability of employees amounted to €1,315 thousand in 2015 (€1,674 thousand in 2014) and is recognized in “Staff costs” in the income statement (Note 2.12.3).

40.1.3 Age awards

The amounts recognized for commitments with employees that reach 20 and 35 years of service at the Group amounted to approximately €4,802 thousand and €4,939 thousand, respectively at 31 December 2015 and 2014 and are recognized in “Provisions - Provisions for pensions and similar liabilities” in the balance sheets.

40.1.4 Other benefits

The amount of these commitments and assets included in the table above was calculated by qualified actuaries as follows:

- Actuarial assumptions used: for the calculation of commitments to employees resulting from that agreement, the Bank applied the market rate according to the financial duration of flows of commitment and curve IBOXX AA Corporate corresponding to corporate bonds with high credit ratings Euro zone.
- The duration for each commitment varies between 9.04 and 0.73.
- The rates applied for each commitment ranging from 1.54% to 0.14%.
- The estimated retirement age of each employee is agreed.

40.2 Other general administrative expenses

The breakdown of this consolidated income statement line for 2015 and 2014 is as follows:

	Thousands of euros	
	2015	**2014**
Buildings and facilities	27 372	25 107
Rent	9 650	9 324
Information technologies	35 800	31 168
Communications	20 989	19 906
Advertising	12 102	7 259
Legal costs	10 570	4 740
Technical reports	9 672	15 319
Security services	8 378	8 120
Insurance premiums	1 375	1 360
Governing bodies	2 664	1 920
Representation costs	3 794	3 085
Association charges	2 763	3 018
Outsourcing	4 559	3 237
Taxes	30 255	28 989
Other items	8 578	6 695
	188 521	**169 247**

Included in the balance of "Other general administrative expenses" the fees paid by the Group Auditors PricewaterhouseCoopers, S.L. for the audit of its annual accounts, amounting these expenses in the year 2015 to €845 thousand (€429 thousand in 2014). Moreover, in the year 2015, the amount of fees for services rendered to Group companies using the PricewaterhouseCoopers mark in relation to other works of accounting and regulatory verification amounts to €1,053 thousand (€1.211 thousand in 2014) , and other services amounting to €442 thousand (€36 thousand in 2014).

In addition, with respect it is considered that 2015 is the first year that PricewaterhouseCoopers Auditors, S.L. audit the annual accounts EspañaDuero and its subsidiaries. During fiscal 2014, the fees paid by the Group at Deloitte (with extensions which apply) amounted to €278 thousand for audit services, €68 thousand for accounting services and regulatory verification, and €939 thousand for other services, while fees paid by the Group to KPMG (with extensions which apply) amounted to €161 thousand for audit services and €829 thousand for other services

41. Impairment losses on the rest of assets (net)

The breakdown of the heading "Impairment losses on the rest of assets (net)" in the consolidated profit and loss account for the years 2015 and 2014 is as follows:

	Thousands of euros	
	2015	**2014**
Impairment losses		
Goodwill and other intangible assets (Notes 4)	1 907	1 907
Investments (Note 12)	15 200	17 219
Other assets	52 287	60 872
	69 394	**79 998**

There follows an itemized breakdown of the consolidated balance sheet caption "Other asset impairment losses" for 2015 and 2014:

	Thousands of euros	
	2015	**2014**
Impairment of tangible assets for own use (net) (Note 13)	1 376	256
Impairment losses on investment property (net) (Note 13)	3 148	2 686
Impairment losses on inventories (net) (Note 15)	47 763	57 930
	52 287	**60 872**

The balance of "Other assets" includes the amounts provided by the Group under the concept of impairment of assets in participated companies, fundamentally of those with activities related to the real estate business.

42. Gains and losses on disposal of assets not classified as non-current assets held for sale

The breakdown of this heading in the consolidated income statements for the years 2015 and 2014 is as follows:

	Thousands of euros			
	2015		**2014**	
	Gains	**Losses**	**Gains**	**Losses**
On disposal of tangible assets	2 461	(9 783)	1 088	(4 924)
On disposal of investments	15 188	(11 042)	2 201	-
Other items	202	(50)	255	(18)
	17 851	**(20 875)**	**3 544**	**(4 942)**

43. Gains and losses on disposal of non-current assets held for sale not classified as discounted operations

The breakdown of this heading in the consolidated income statements for the years 2015 and 2014 is as follows:

	Thousands of euros			
	2015		2014	
	Gains	Losses	Gains	Losses
On disposal of tangible assets	25 736	(5 359)	12 754	(17 417)
On disposal of associates		(37)		
Provision to impairment loses on non-current assets held for sale (Note 15)	-	(54 680)	-	(17 727)
Other items	-	-	40 335	(48 853)
	25 736	**(60 076)**	**53 089**	**(83 997)**

At 31 December 2015 and 2014, "Other" mainly includes results associated with equity instruments classified as non-current assets held for sale, and not considered discontinued operations.

44. Related parties

In addition to the information presented in Note 6 relative to the balances and transactions with the members of the Controlling Company's Board of Directors and key management personnel, set out below is the detail of the accounts registered in the consolidated balance sheets and income statements for the years 2015 and 2014 arising from transactions with related parties:

	Thousands of euros					
	2015			2014		
	Equity entities	Members of the board of directors and general managers	Other related parties	Equity entities	Members of the board of directors and general managers	Other related parties
ASSETS:						
Loans and advances	152 924	1 453	85 339	194 582	1 149	51 435
Securities portfolio	359 131	-	-	424 115	-	-
Other assets	287	-	4	261 409	5	6
Insurance contracts linked to pensions	136 502	-	-	147 763	-	-
LIABILITIES:						
Deposits	248 259	3 959	7 389	748 439	2 885	9 358
Subordinated liabilities	-	-	-	7	-	2
Other liabilities	-	-	-	9	-	-
Provisions for pensions and similar obligations	715	-	-	663	-	-
Debt certificates including bonds	9 023	-	-	10 536	-	-
INCOME STATEMENT:						
Expense-	-	-	-			
Interest expense and similar charges	5 094	27	378	9 228	54	101
Commissions and impairment losses	104	-	25	3 399	-	74
Income-						
Interest and similar income	2 968	23	1 996	8 413	19	1 331
Commissions	2 973	13	36	3 532	20	51
OTHER:						
Contingent risks and commitments	68 022	175	14 047	68 299	657	24 174

Aggregate information is presented in the above table since in all cases the transactions with related parties have no significant impact on the understanding of the financial information provided, in view of the amount or relevance.

The related party transactions were made on normal market conditions.

45. Mortgage market information

Article 12 of Law 2/1981 of 25 March, regulating the Mortgage Market, amended by Law 41/2007 of December 7 and by Law 1/2013, of 14 May, states that "the entity issuing mortgage bonds shall keep a special accounting register of loans and credits that serve as collateral for mortgage bonds and, if any, of the replacement assets frozen to cover them, as well as derivative financial instruments linked to each emission. Such special accounting register must also identify, for the purposes of calculating the limits laid down in Article 16, of all loans and credits registered, those who meet the conditions required in the second of this Law section. Accounts of the issuer collected in the manner determined by regulation, the essential data that record. "

The Board of Directors declares that the Group has specific policies and procedures encompassing all the activities performed in the context of the mortgage market issues carried out, guaranteeing rigorous compliance with the mortgage market regulations applicable to these activities.

The policies and procedures include the following criteria:

- Relationship between the amount of the loan and the appraised value of the mortgaged building, including the effect of other collateral and selection of valuation companies.
- Relationship between the debt and the borrower's income, as well as the verification of the information furnished by the borrower and the borrower's solvency.
- Avoidance of imbalance between the flows from the underlying portfolio and the payment flows on the securities issued.

Article 3 of Law 41/2007 (7 December) stipulates that valuation companies providing services to credit entities of the same group of entities must have adequate mechanisms in place to favour the independence of the valuation activity and avoid conflicts of interest, provided that any of the group's credit entities have issued and outstanding mortgage-backed securities.

On 29 July 2014, it has been sold 100% shares of Unicaja Banco Group in Tasaciones Andaluzas, S.A.U. (TASA), which at December 31,2015 Unicaja Group has no involvement in any appraisal company.

As an issuer of mortgage covered bonds and ordinary mortgage bonds, there follows certain relevant information related to Unicaja Banco Group pursuant to the provisions of mortgage market regulations:

A) Active operations

At 31 December 2015 and 2014 the breakdown of the nominal value of mortgage loans and credit supporting the issue of mortgage bonds or which have been included in mortgage shares or mortgage transfer certificate, is as follows:

	Thousands of euros	
	2015	**2014**
Loans held in the asset transferred	**-**	**165 048**
Mortgage participations		-
Mortgage transfer certificates	-	165 048
Affects mortgage loans as collateral for loans received	**-**	**-**
Loans backing the issuance of bonds and mortgage bonds	**25 253 796**	**27 167 914**
Loans ineligible	5 280 198	5 942 218
Meet the eligibility requirements, except for the limit Article 5.1 of Royal Decree 716/2009	2 475 217	2 778 756
Rest	2 804 981	3 163 462
Eligible loans	19 973 598	21 225 696
Amounts not eligible	93 922	123 359
Amounts eligible	19 879 676	21 102 337
Loans covering mortgage bond		-
Loans eligible for coverage of mortgage bonds	*19 879 676*	*21 102 337*
	25 253 796	**27 332 962**

At December 31, 2015 and 2014, the nominal value of outstanding loans and mortgage loans backing the issue of mortgage bonds totals to an amount of €25,253,796 thousand and €27,167,914 thousand, respectively, and the value outstanding principal of loans and mortgages that meet the characteristics of being eligible under the issuance of such support mortgage amounts to an amount of €19,973,598 thousand and €21,225,696 thousand, respectively. On the other hand, in 2015 and 2014, the Entity has not issued ordinary mortgage bonds.

As of December 31, 2015 non-mortgage operations, appearing in the portfolio, had been mobilized through mortgage participations or mortgage transfer certificates are maintained. Meanwhile, as of December 31, 2014, loans or mortgages that are kept in balance having been mobilized through mortgage transfer certificates amounted to €165,048 thousand.

The nominal value of all ineligible mortgage loans and credit that do not meet the limits established by Article 5.1 of Royal Decree 716/2009 which, however, comply with the rest of the requirements for eligible items, as indicated in Article 4 of that Law, totals €2,475,217 thousand at 31 December 2015 (€2,778,756thousand at 31 December 2014).

The breakdown of loans that support the issue of mortgage bonds classified in accordance with diverse criteria at 31 December 2015 and 2014 is as follows:

	Thousands of euros	
	2015	
	Loans backing the issuance of bonds and mortgage bonds	**Of which: Eligible loans**
Nominal value of the total outstanding mortgage loans and credits	**25 253 796**	**19 973 599**
By origin:	25 253 796	19 973 599
- Entity	22 415 125	17 355 794
- Surrogate for other entities	2 490 033	2 288 253
- Rest	348 638	329 552
By currency:	25 253 796	19 973 599
- In euros	25 251 797	19 973 599
- Other currency	1 999	1 854
According the payment situation:	25 253 796	19 973 599
- Normality	23 176 152	18 866 386
- Other situations	2 077 644	1 107 213
According to the average maturity:	25 253 796	19 973 599
- To 10 years	11 087 487	7 895 519
- More than 10 years and to 20 years	8 324 474	7 359 717
- More than 20 years and to 30 years	4 412 193	3 699 158
- More than 30 years	1 429 642	1 019 205
According to the interest manner:	25 253 796	19 973 599
- Fixed	374 308	171 567
- Variable	24 622 287	19 573 103
- Mixed	257 201	228 929
Holders:	25 253 796	19 973 599
- Legal entities and individuals	4 812 244	2 297 660
Of which: property development	*983 997*	*332 849*
- Households	20 441 552	17 675 939
Depending on the warranty:	25 253 796	19 973 599
- Assets/ buildings completed	22 868 898	18 893 486
- Residential	21 034 964	17 794 579
Of which: official protection	*1 267 671*	*1 201 827*
- Commercial	865 640	536 842
- Rest	968 294	562 065
- Assets/ buildings under construction	553 025	332 673
- Residential	364 514	205 129
Of which: official protection	*16 198*	*10 584*
- Commercial	34 138	20 791
- Rest	154 373	96 753
- Lands	1 831 873	757 440
- Urbanized	940 172	239 418
- Rest	891 701	518 022

	Thousands of euros	
		2014
	Loans backing the issuance of bonds and mortgage bonds	Of which: Loans eligible
Nominal value of the total outstanding mortgage loans and credits	**27 167 914**	**21 225 696**
By origin:	27 167 914	21 225 696
- Group	24 071 997	18 384 998
- Surrogate for other entities	2 713 366	2 481 888
- Rest	382 551	358 810
By currency:	27 167 914	21 225 696
- In euros	27 165 578	21 223 701
- Other currency	2 336	1 995
According the payment situation:	27 167 914	21 225 696
- Normality	24 562 126	19 825 756
- Other situations	2 605 788	1 399 940
According to the average maturity:	27 167 914	21 225 696
- To 10 years	8 486 119	5 135 683
- More than 10 years and to 20 years	9 194 913	8 157 155
- More than 20 years and to 30 years	7 532 772	6 478 926
- More than 30 years	1 954 110	1 453 932
According to the interest manner:	27 167 914	21 225 696
- Fixed	275 505	137 218
- Variable	26 506 375	20 862 235
- Mixed	386 034	226 243
Holders:	27 167 914	21 225 696
- Legal entities and individuals	5 794 451	2 766 518
Of which: property development	*1 379 176*	*464 187*
- Households	21 373 463	18 459 178
Depending on the warranty:	27 167 914	21 225 696
- Assets/ buildings completed	24 912 550	20 212 780
- Residential	22 301 482	18 699 525
Of which: official protection	*1 367 231*	*1 290 254*
- Commercial	1 197 254	703 757
- Rest	1 413 814	809 498
- Assets/ buildings under construction	671 791	376 316
- Residential	375 687	240 157
Of which: official protection	*17 995*	*11 716*
- Commercial	47 451	23 783
- Rest	248 653	112 376
- Lands	1 583 573	636 600
- Urbanized	1 082 912	314 154
- Rest	500 661	322 446

At 31 December 2015 and 2014 the breakdown of the nominal value of all eligible mortgage loans, based on the ratio between the amount of the transactions and the appraised values in accordance with the latest available appraisal of respective mortgage assets, is as follows:

	Less or equal to 40%	Greater than 40% and less or equal to 60%	Greater than 60%	Greater than 60% and less or equal to 80%	Greater al 80%	Total
						Thousands of euros
						2015
Loans eligible						
- On housing	4 732 799	6 680 416	3 265 859	3 574 198	-	18 253 272
- On other goods	1 061 886	641 676	16 764	-	-	1 720 326
	5 794 685	**7 322 092**	**3 282 623**	**3 574 198**	**-**	**19 973 598**

	Less or equal to 40%	Greater than 40% and less or equal to 60%	Greater than 60%	Greater than 60% and less or equal to 80%	Greater al 80%	Total
						Thousands of euros
						2014
Loans eligible						
- On housing	4 740 283	6 807 021	7 638 016	-	-	19 185 320
- On other goods	1 187 461	828 050	24 865	-	-	2 040 376
	5 927 744	**7 635 071**	**7 662 881**	**-**	**-**	**21 225 696**

Information relating to the nominal value of mortgage loans and credit that have been eliminated or added to the portfolio in 2015 and 2014 is set out below:

				Thousands of euros
		2015		**2014**
	Loans eligible	**Loans not eligible**	**Loans eligible**	**Loans not eligible**
Beginning balance	**21 225 696**	**5 942 218**	**11 905 865**	**3 601 511**
Disposals	**(1 918 863)**	**(1 037 963)**	**(1 421 501)**	**(198 112)**
Cancellations due maturity	(179 964)	(259 332)	(15 327)	(29 412)
Advanced cancellations	(772 858)	(335 044)	(168 842)	(48 308)
Subrogation of other entities	(2 062)	(341)	(404)	-
Rest	(963 979)	(443 246)	(1 236 928)	(120 392)
Additions	**666 765**	**375 943**	**10 741 332**	**2 538 819**
Originated by Group	227 310	100 854	71 478	22 760
Subrogation of other entities	14 663	7 846	2 772	1 890
Rest	424 792	267 243	10 667 082	2 514 169
Final balance	**19 973 598**	**5 280 198**	**21 225 696**	**5 942 218**

The movements included in the item “Other”, when associated with “Disposals for the year”, relate basically to the following flows that generate changes in the nominal balance of eligible and non-eligible loans and are applicable to movements in both 2015 and 2014:

- o Transfers between the eligible and non-eligible portfolios, representing additions to the item "eligible loans" and disposals from the "non-eligible loans" portfolio or vice versa. This change is common to movements associated with “Additions for the year” (with the opposite sign). Transfers are due to changes in the fulfilment of eligibility requirements in accordance with applicable regulations (mainly the change in the LTV ratio for the utilization/repayment of loans or the review/update of appraisals).

- o Repayment of loans that remain outstanding with respect to the total loans declared in the previous period and are not therefore treated as repayments at maturity or early repayments.

The movements included in the item “Other”, when associated with “Additions for the year”, relate basically to the following flows that generate changes in the nominal balance of eligible and non-eligible loans and are applicable to movements in both 2015 and 2014:

- o Transfers between the eligible and non-eligible portfolios, representing additions to the item "eligible loans" and disposals from the "non-eligible loans" portfolio or vice versa. This change is common to movements associated with “Disposals for the year” (with the opposite sign). Transfers are due to changes in the fulfilment of eligibility requirements in accordance with applicable regulations (mainly the change in the LTV ratio for the utilization/repayment of loans or the review/update of appraisals).

- o Effect of the liquidation of securitization funds described in Note 30.6.

- o Business combination with Caja España de Inversiones, Salamanca y Soria, S.A. (EspañaDuero) impact, included in Note 1.2.

The available balance of mortgage loans that support the issue of mortgage bonds at 31 December 2015 and 2014 is as follows:

	Thousands of euros	
	2015	**2014**
Potentially eligible	197 215	210 993
Ineligible	192 470	211 385
	389 685	**422 378**

The nominal value of the available amounts (committed amounts not drawn down) relating to all mortgage loans and credit potentially eligible at 31 December 2015 and 2014 totals €197,215 thousand €210,993 thousand, respectively, and the amount that is not potentially eligible totals €192,470 thousand €211,385 thousand, respectively.

At 31 December 2015 and 2014 the Group does not have any replacement assets associated to issues of mortgage bonds or debentures.

B) Liability transactions

The breakdown at 31 December 2015 and 2014 of the nominal aggregate value of mortgage bonds in force issued by the Group and the mortgage funds and mortgage transfer certificates that are active at that date, based on their residual terms, is as follows:

	Thousands of euros	
	2015	**2014**
Mortgage bonds	**-**	**-**
Mortgage bonds issued	**9 292 002**	**11 607 402**
Issued for public offering	1 500 000	2 472 452
- Residual maturity to 1 year	500 000	972 452
- Residual maturity more than 1 year and to 2 years	500 000	500 000
- Residual maturity more than 2 years and to 3 years	-	500 000
- Residual maturity more than 3 years and to 5 years	500 000	500 000
- Residual maturity more than 5 years and to 10 years	-	-
- Residual maturity more than 10 years	-	-
Rest of issues	200 000	400 000
- Residual maturity to 1 year	-	-
- Residual maturity more than 1 year and to 2 years	70 000	-
- Residual maturity more than 2 years and to 3 years	70 000	70 000
- Residual maturity more than 3 years and to 5 years	-	70 000
- Residual maturity more than 5 years and to 10 years	60 000	260 000
- Residual maturity more than 10 years	-	-
Deposits	7 592 002	8 734 950
- Residual maturity to 1 year	1 024 074	1 142 949
- Residual maturity more than 1 year and to 2 years	1 300 000	1 024 074
- Residual maturity more than 2 years and to 3 years	819 000	1 300 000
- Residual maturity more than 3 years and to 5 years	993 025	1 487 024
- Residual maturity more than 5 years and to 10 years	1 793 903	1 436 852
- Residual maturity more than 10 years	1 662 000	2 344 051
Shares issues mortgage	**-**	**-**
Issued by public offering	-	-
Other issues	-	-
Mortgage transfer certificates issued	**-**	**165 048**
Issued by public offering	-	-
Other issues	-	165 048
	9 292 002	**11 772 450**

46. Information transparency in connection with financing for construction, property development, home buying and assets acquired in payment of debts

46.1 Qualitative information

The following should be noted in relation to the minimum information that must be disclosed by consolidated groups of financial institutions and by individual financial institutions that do not form part of a group:

- With respect to the financing of construction and property development, financial institutions are asked to disclose their policies and strategies implemented in connection with problematic assets in this industry, with a view to the short, medium and long term. These exposures must also be evaluated in terms of the resistance tests published before the summer, if the entity participated in them.

- Financing needs in the markets and in the short, medium and long-term strategies implemented must also be evaluated (without prejudice to the fact that the Bank of Spain may send at a later date details relating to minimum information on financing and liquidity needs).

Unicaja Banco, as part of its risk policy, particularly in connection with construction and property development, has a number of specific policies and strategies in place to favour the fulfilment of borrower obligations and mitigate the Group's exposure. Alternatives are sought to permit the completion and sale of property developments, analyzing the renegotiation of exposures if this improves the Group's credit position and basically to allow the borrower to continue to do business.

This takes into account prior experience with the borrower, compliance record, declared intention to pay, capacity to generate cash flows and new collateral furnished before existing guarantees are exceeded.

Firstly, provided there is a certain payment capacity and after exhausting all possibilities of collecting the past due debt, the Group studies the grant of principal grace periods to allow development of the land financed, completion of property under development and sale of finished units. The analysis performed prioritises project feasibility so as to avoid an increase in the investment in properties for which future sales are clearly possible.

If support measures are not possible or sufficient, other alternatives are sought, such as dation in payment or asset purchase, the final option being a court claim and the subsequent repossession of the properties through the enforcement of the mortgage guarantees. All irregular assets included in the Group's consolidated balance sheet are managed ultimately for the purposes of divestment or leasing.

To this end, the Unicaja Banco Group has special-purpose companies specialized in the management of property development projects, selling of properties and leasing of investment properties (Note 1.1.3). The Group also has specific units responsible for developing these strategies and coordinating the actions of the special-purpose subsidiaries, office network and other agents involved. Finally, the Group has the website *www.unicajainmuebles.com*, one of the main tools employed to present these assets to the general public.

46.2 Quantitative information

Set out below is a breakdown of financing for construction and property development (1) and of assets backing such financing (1), at 31 December 2015 and 2014:

Chart 1						**Thousands of euros**
			2015			**2014**
	Gross	**Excess over de value of the collateral (2 22 22**	**Specific coverage**	**Gross**	**Excess over de value of the collateral (2 22 22**	**Specific coverage**
Registered credit (business in Spain)	1 374 117	212 099	450 738	1 961 940	342 270	756 989
Which doubtful	630 848	174 582	363 229	1 028 807	303 348	657 455
Of which substandard	307 079	27 424	87 507	345 798	28 675	99 534
Memorandum item						
Total general allowance (total business) (3)	-	-	13 043	-	-	14 628
Bad assets (4)	937 736	-	-	762 998	-	-

Memorandum item (5)		**Book value**
	2015	**2014**
Total lending to costumers excluding Government (business in Spain)	28 656 803	30 810 566
Total consolidated assets (total business)	60 311 829	67 950 415

(1) This entails, for example, that if the debtor is: (a) a property company that uses the financing granted for a purpose other than construction or property development, it will not be included in this table; and (b) a company whose core business is not construction or property development, but the credit is employed to finance buildings for use in property development, it will be included in this table.

(2) the amount of the excess is representing the gross amount of each loan on the value of real rights, if any, were received as collateral.

(3) This is the total amount of the general provision recognized for any item by the consolidated group (total business).

(4) Gross amount of the loan used to finance construction and property development recognized by the group's credit entities (business in Spain) and written off the balance sheet due to being classified as a "write-off assets".

(5) The carrying amount is the amount at which these assets are recognized in the balance sheet after deducting any provisions.

Set out below is a breakdown of Financing for construction and property development, operations recognized by credit entities (business in Spain) at 31 December 2015 and 2014:

Chart 2	Thousands of euros	
	Gross amount (6)	
	2015	2014
Without mortgage guarantee	436 518	695 075
Whit mortgage (7)	937 600	1 266 865
Buildings completed (8)	632 439	838 485
Housing	445 309	592 921
Rest	187 130	245 564
Buildings under construction (8)	32 290	62 517
Housing	27 406	56 649
Rest	4 884	5 868
Land	272 871	365 863
Developed land	211 833	258 510
Other land	61 038	107 353
Total	**1 374 118**	**1 961 940**

6) The gross amount in the Table 1 line "Credit recognized by the group's credit entities (business in Spain)" is equal to the amount in the Table 2 line "Total".

(7) Including all mortgage operations, irrespective of the percentage of outstanding risk with respect to the latest-available appraised value.

(8) If a building is used for both residential (housing) and commercial (offices and/or premises) purposes, the financing will be included in the category that predominates.

Set out below is a breakdown at 31 December 2015 and 2014 of Home-buyer loans, operations recognized by credit entities (business in Spain):

Chart 3	Thousands of euros			
	2015		2014	
	Gross	Doubtful	Gross	Doubtful
Credit for house purchase	18 389 006	1 226 106	19 310 724	1 234 780
Without mortgage guarantee	226 818	2 321	250 489	2 856
With mortgage guarantee (7)	18 162 188	1 223 785	19 060 235	1 231 924

Set out below is a breakdown of Home-buyer mortgage credit showing total risk as a percentage of the latest-available appraised value (LTV), operations recognized by credit entities (business in Spain) at 31 December 2015 and 2014:

Chart 4	Levels of LTV (10)				
	31 December 2015				
	LTV≤60%	60%<LTV≤80%	80%<LTV≤100%	LTV>100%	Total
Gross	10 139 968	6 937 936	862 247	222 037	18 162 188
Doubtful (9)	311 210	581 040	188 639	142 896	1 223 785

Chart 4	LTV≤60%	60%<LTV≤80%	80%<LTV≤100%	LTV>100%	Levels of LTV (10) 2014 Total
Gross	10 071 622	7 709 162	1 075 679	203 772	19 060 235
Doubtful (9)	295 086	603 449	204 182	129 207	1 231 924

(9) The sum of the gross amounts and doubtful loans in each range of this table matches the amounts shown on the Chart 3 line for mortgage credit.

(10) LTV is the ratio obtained by dividing risk outstanding at the reporting date by the latest-available appraised value.

Set out below is a breakdown of assets awarded to the consolidated group entities (business in Spain) (11) at 31 December 2015 and 2014:

Thousands of euros

Chart 5	2015				2014			
	Gross cost of acquisition	Net book Value of assets (14)	Hedges prior to acquisition	Value adjustments for impairment assets	Gross cost of acquisition	Net book value of assets	On which: pre-acquisition coverage	Value adjustments for impairment of assets
Real Estate assets from fund intended to	1 707 391	642 467	604 358	460 566	1 840 971	742 279	619 497	479 195
Buildings completed	556 479	271 349	173 084	112 046	535 661	287 509	178 458	69 694
Housing	321 016	167 664	69 145	84 207	380 751	210 554	119 641	50 556
Others	235 463	103 684	103 939	27 840	154 910	76 955	58 817	19 138
Buildings under construction	121 552	47 792	38 487	35 272	160 306	74 556	50 575	35 175
Housing	110 866	43 138	33 735	33 992	159 569	74 245	50 213	35 111
Other	10 686	4 654	4 752	1 280	737	311	362	64
Land	1 029 361	323 326	392 787	313 248	1 145 004	380 214	390 464	374 326
Developed land	699 499	249 698	236 146	213 656	650 881	243 871	194 422	212 588
Other	329 862	73 629	156 641	99 592	494 123	136 343	196 042	161 738
Real Estate mortgage financing from	672 063	340 373	143 978	187 712	636 718	329 921	212 715	94 082
Other Real Estate assets (12)	301 733	130 561	64 481	106 691	89 383	42 012	41 107	6 264
Equity instruments, shares in and financing granted to entities holding real estate assets (13)	18 004	-	-	18 004	68 002	8 547	-	59 455
	2 699 192	**1 113 402**	**812 817**	**772 973**	**2 635 074**	**1 122 759**	**873 319**	**638 996**

(11) This will include assets awarded, acquired, purchased or exchange for debt deriving from financing granted by the group companies during business in Spain, and shares in and financing granted to non-consolidated entities holding such assets.

(12) This will include real estate assets that do not derive from loans to construction and property development companies, or home-buyer loans.

(13) All assets of this kind will be recognized, including equity instruments, shares in and financing granted to entities holding real estate assets, mentioned in lines 1 to 3 of this table, and equity instruments and shares in construction or property development companies received in payment of debts.

(14) The amount by which the assets are recorded in the consolidated balance sheet of the Group after deducting, if any, value adjustments for impairment of such assets.

As shown in the table above, as of December 31, 2015 the gross acquisition cost of foreclosed assets amounted to €2,699,192 thousand, with a total coverage provisions of €1,585,790 thousand, representing a level of coverage of the cost of acquisition of 59.4% gross.

47. Information on the deferral of payments to suppliers. Additional Provision Three - Duty of information - Law 15/2010 (5 July)

In accordance with Law 15/2010 (5 July), which amended Law 3/2004 (29 December) on measures to combat late payment in commercial transactions, as further developed by the Ruling of 29 December from the Institute of Accounting and Auditing (ICAC) on information to be included in the notes to annual accounts in connection with the deferral of payments to suppliers in commercial transactions, the following should be noted:

- In view of the Entity's core activities, the information on the deferral of debt relates basically to payments to supplier for services and sundry supplies received, other than payments to deposit holders and holders of securities issued by the Entity, which have been made, in any event, in strict compliance with contractual and legal deadlines in each case, whether debts payable on demand or on a deferred basis.

- Payments made by Unicaja Banco Group to suppliers solely for the provision of sundry services during 2015 totaled €435,628 thousand (€323,388thousand in 2014); the services were provided within the legal deadlines and as contractually stipulated. At 31 December 2015 and 2014, the balance pending payment to suppliers is immaterial and complies with the payment period requirements of Law 15/2010 (5 July).

According to the provisions of the second final provision of Law 31/2014, of December 3, in which the third additional provision of Law 15/2010 is modified, and in relation to information to be incorporated into memory the annual accounts on deferred payments to suppliers in commercial transactions calculated based on the provisions of the Resolution of 29 January 2016 the Institute of Accounting and Auditing, the average period of payment to suppliers of the Group during the year 2015 of 19.64 days, while the ratio of paid operations and the ratio of outstanding payment transactions amounted to 20.48 days and 28.19 days, respectively.

As set out in the Single Additional Provision of the Resolution of 29 January 2016 the Institute of Accounting and Auditing, the information to be included in the notes of the financial statements in relation to the average period of payment to suppliers in commercial operations, as this is the first year of application, comparative information is presented considering these initial financial statements for the sole purpose of the principle of uniformity and comparability requirement.

The average payment period is within the legal limits established in the regulations, so it does not apply the inclusion in the management report of the measures provided for in paragraph 1 of Article 262 of the Revised Text of the Companies Act Capital.

48. Customer service

In compliance with Article 17.2 of Order ECO/734/2004, of 11 March, on customer departments and services and protection of financial institutions, a brief summary is provided of the contents of the report of the Group Customer Service Department: 94.55% of the complaints and claims received in 2014 were resolved (89.6% at 31 December 2014); the remaining percentage pending at 31 December 2015 are expected to be resolved during the first two months of the following year at maximum, in accordance with the Order and Unicaja's regulations governing the protection of customers.

APPENDIX I
SUBSIDIARIES AT 31 DECEMBER 2015

Company Name	Registered domicile	Activity	% Share owned by the Group		
			% Share		% Share
			Direct	Indirect	
Alqlunia Duero, S.L.U.	C/ Marqués de Villamagna 6-8 , Madrid	Real state development	0.00%	60.70%	60.70%
Alteria Corporación Unicaja, S.L.U.	C/ Bolsa nº 4, planta 5ª, Málaga	Asset investment and finance companies	100.00%	0.00%	100.00%
Altos de Jontoya Residencia para Mayores, S.L.U.	Plaza Jaén por la Paz, nº 2 Jaén	geriatric care	0.00%	100.00%	100.00%
Analistas Económicos de Andalucía, S.L.U.	C/ Granada nº 13, Entreplanta, Málaga	Study and analysis economic activity	100.00%	0.00%	100.00%
Andaluza de Tramitaciones y Gestiones, S.A.U.	C/ Angosta del Carmen, 2, Málaga	Management and settlement documents and deeds	0.00%	100.00%	100.00%
Banco de Caja España de Inversiones, Salamanca y Soria, S.A.	C/ Marqués de Villamagna, 6-8, Madrid	Credit institution	60.66%	0.04%	60.70%
Bruesa Duero, S.L.	C/ Bilbao 2 - 1º E, Zaragoza	Real state development	0.00%	50.18%	50.18%
Caja España Mediación Operador Banca-Seguros Vinculado, S.A.U.	Plaza de los Bandos 15-17, Salamanca	Insurance broker	0.00%	60.70%	60.70%
Cartera de Inversiones Agroalimentarias, S.L.U.	Plaza Jaén por la Paz, 2. Jaén	Food industry	100.00%	0.00%	100.00%
Conexiones y Servicios del Duero, S.A.	Carretera Salamanca 3, Tordesillas (Valladolid)	Auxiliary services	0.00%	31.56%	31.56%
Corporación Uninser, S.A.U.	C/ Ancla, 2, 3º -1ª, Málaga	Provision of multiple services	0.00%	100.00%	100.00%
Desarrollos de Proyectos de Castilla y León, S.L.U.	Avd. Madrid 120, León	Management and property management	0.00%	60.70%	60.70%
Finanduero Sociedad de Valores, S.A.U.	C/ Titán 8 - 2º 28045 - Madrid	Asset investment and finance companies	0.00%	60.70%	60.70%
Fonteduero, S.A.U.	C/ Antonio Maura nº 14, 2º Izqda. Madrid	Hotels and similar accommodation	0.00%	60.70%	60.70%
Gestión de Actividades y Servicios Empresariales, S.A.U.	C/ Federico Orellana Toledano, nº 4, Málaga	electronic recording and processing of data and documents	0.00%	100.00%	100.00%
Gestión de Inmuebles Adquiridos, S.L.U.	C/ Mauricio Moro Pareto nº 6, 6ª planta, Edf. Eurocom, Málaga	Real state development	0.00%	100.00%	100.00%
Grupo de Negocios Duero, S.A.U.	C/ Marqués de Villamagna 6-8, Madrid	financial management	0.00%	60.70%	60.70%
Inmobiliaria Acinipo, S.L.U.	C/ Mauricio Moro Pareto nº 6, 6ª planta, Edf. Eurocom, Málaga	Real state development	100.00%	0.00%	100.00%
Inmobiliaria Uniex Sur, S.L.U.	C/ Mauricio Moro Pareto nº 6, 6ª planta, Edf. Eurocom, Málaga	Real state development	0.00%	100.00%	100.00%
La Algara Sociedad de Gestión, S.L.U.	C/ Bartolomé de Medina nº 24, Sevilla	tourism sector	0.00%	100.00%	100.00%
Mijas Sol Resort, S.L.U.	C/ Mauricio Moro Pareto, nº 6, Planta 6ª, Edificio Eurocom, Málaga	Real state development	0.00%	100.00%	100.00%
Parque Industrial Humilladero, S.L.	C/ Miguel Hernández nº 1, Málaga	Industrial Land Development	0.00%	82.75%	82.75%

APPENDIX I
SUBSIDIARIES AT 31 DECEMBER 2015

Company Name	Registered domicile	Activity	% Share owned by the Group		
			% Share		% Share
			Direct	Indirect	
Pinares del Sur, S.L.U.	Avenida Portugal Edf. Abarzuza, bajo (Esquina Avda. Juan Carlos). Cádiz	Real state development	0.00%	100.00%	100.00%
Segurándalus Mediación, Correduría de Seguros, S.A.U.	C/ Cuarteles, nº 51, Entreplanta, Málaga	Insurance Brokers	0.00%	100.00%	100.00%
Tubos de Castilla y León, S.A.U.	Crta. Mayorga Km 1, Valencia de Don Juan (León)	Pipe Manufacturing	0.00%	60.70%	60.70%
Unicaja Gestión de Activos Inmobiliarios, S.A.U.	Avda. Andalucía, 10-12, Málaga	Holding real estate	100.00%	0.00%	100.00%
Unicartera Caja 2, S.L.U.	C/ Mauricio Moro Pareto, nº 6, Planta 6ª, Edificio Eurocom, Málaga	Promotion or funding of R & D in the field of medicine	100.00%	0.00%	100.00%
Unicartera Gestión de Activos, S.L.U.	C/ San Agustín, nº 2, 1ª planta, Madrid	Recovery procedures and management of disputes	0.00%	100.00%	100.00%
Unicartera Internacional, S.L.U.	Avda. Andalucía, 10-12, Málaga	Asset investment and finance companies	100.00%	0.00%	100.00%
Unicartera Renta, S.L.U.	Avda. Andalucía, 10-12, Málaga	Asset investment and finance companies	100.00%	0.00%	100.00%
Unicorp Corporación Financiera, S.L.U.	C/ Bolsa, nº 4, 5ª planta, Málaga	Servicing	0.00%	100.00%	100.00%
Unicorp Patrimonio, Sociedad de Valores, S.A.U.	C/ Bolsa, nº 4, 5ª planta, Málaga	wealth management	0.00%	100.00%	100.00%
Unigest, S.G.I.I.C., S.A.	C/ Bolsa, nº 4, 5ª planta, Málaga	Management of Collective Investment Institutions	0.00%	82.48%	82.48%
Unimediación, S.L.U.	C/ Bolsa, nº 4, planta 2, Málaga	Insurance Brokers	0.00%	100.00%	100.00%
Unimediterráneo de Inversiones, S.L.U.	C/ Mauricio Moro Pareto, nº 6, Planta 6ª, Edificio Eurocom, Málaga	Asset investment and finance companies	100.00%	0.00%	100.00%
Unión del Duero, Compañía de Seguros Generales, S.A.	C/ Marqués de Villamagna 6-8, Madrid	insurance	0.00%	60.70%	60.70%
Uniwindet Parque Eólico Las Lomillas, S.L.	C/ Bolsa, nº 4, 5ª planta, Málaga	Wind power	10.00%	90.00%	100.00%
Uniwindet Parque Eólico Loma de Ayala, S.L.	C/ Bolsa, nº 4, 5ª planta, Málaga	Wind power	10.00%	90.00%	100.00%
Uniwindet Parque Eólico Los Jarales, S.L.	C/ Bolsa, nº 4, 5ª planta, Málaga	Wind power	10.00%	90.00%	100.00%
Uniwindet Parque Eólico Tres Villas, S.L.	C/ Bolsa, nº 4, 5ª planta, Málaga	Wind power	10.00%	90.00%	100.00%
Uniwindet, S.L.	C/ Bolsa, nº 4, 5ª planta, Málaga	Wind power	20.62%	79.38%	100.00%
Viajes Caja España, S.A.	Av. Madrid 120, León	Travel agency	0.00%	30.35%	30.35%
Viproelco, S.A.U.	Av. Madrid 120, León	Real state development	0.00%	60.70%	60.70%

APPENDIX II

JOINT VENTURES AT 31 DECEMBER 2015

Thousands of euros

Company Name	Registered domicile	Activity	% Share owned by the Group			Individual net profit/ loss for the year	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total Revenue	Total expenditure
			% Part. Presente		Total							
			Direct	Indirect								
Banco Europeo de Finanzas, S.A.	C/ Bolsa, 4, piso 1, Málaga	Credit institution	1.20%	39.52%	40.72%	77	2 752	92 550	35	273	937	(860)
Capredo Investments GMBH (1)	Schaffhauser Srt. 101, 8152 Glattbrugg (Suiza)	Investment in assets, securities and financial companies	0.00%	30.35%	30.35%	(146)	17 441	8	-	3 996	2	(148)
Cartera Perseidas, S.L. (1)	Paseo de Recoletos,29, Madrid	Investment in assets, securities and financial companies	2.36%	26.05%	28.41%	4	171 607	532	23 301	10	55	(51)
Cerro del Baile, S.A. (2)	Av. Bruselas, 15 - 4º , Arroyo de la Vega (Alcobendas)	Real state development	0.00%	48.56%	48.56%	110	-	25 424	1 573	47 343	131	(21)
Corporación Hotelera Oriental (3)	C/ Pedro Henríquez Ureña, nº 56 - La Esperilla Santo Domingo, Rep Dominicana	Hotels and similar accommodation	0.00%	30.35%	30.35%	(30)	-	24 727	-	9 422	-	(30)
Dolun Viviendas Sociales, S.L. (4)	C/ Muñoz Olivé, 1, Portal 2, 1º C, Sevilla	Real state development	0.00%	40.00%	40.00%	-	-	-	-	-	-	-
Espacio Medina, S.L. (5)	Paseo de la Castellana, 91, Piso 9, Madrid	Real state development	0.00%	30.00%	30.00%	(900)	-	61 421	1 767	29 226	-	(900)
Global Duero, S.A. (6)	C/ Alfonso XI nº 7 - 2º Dcha, Madrid	Investment in assets, securities and financial companies	0.00%	30.35%	30.35%	-	-	-	-	-	-	-
Hidrocartera, S.L. (5)	Avda. Andalucía, 10-12, Málaga	integrated water cycle	70.00%	0.00%	70.00%	4 699	69 438	4 893	-	6	4 704	(5)
Lares Val de Ebro, S.L. (1)	Avda. Talgo 155, Madrid	Real state development	0.00%	20.23%	20.23%	(532)	-	19 103	2	20 866	-	(532)
Madrigal Participaciones, S.A. (1)	C/ Santiago 7 - 1º E, Valladolid	Investment in assets, securities and financial companies	0.00%	45.94%	45.94%	(7 878)	11 698	23 680	2 500	8	596	(8 474)

APPENDIX II

JOINT VENTURES AT 31 DECEMBER 2015

Thousands of euros

Company Name	Registered domicile	Activity	% Share owned by the Group			Individual net profit/ loss for the year	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total Revenue	Total expenditure
			% Share		Total							
			Direct	Indirect								
Muelle Uno - Puerto de Málaga, S.A. (7)	Avda. de Andalucía 21, Entreplanta, Málaga	Real state development	0.00%	39.74%	39.74%	(1 997)	56 486	7 670	5 824	44 815	6 174	(8 171)
Pagos Minería U.T.E.	Avda. de Burgos 109, Madrid	Services	0.00%	12.14%	12.14%	(4)	-	4	-	-	255	(260)
Rochduero, S.L.	C/ Armas 10 - A , Jerez de la Frontera (Cádiz)	Real state development	0.00%	32.83%	32.83%	(24)	1	36 301	420	36 577	3	(27)
San Marcos Cipsa, S.L.	Pº Gracia 103 - 4º, Barcelona	Real state development	0.00%	30.35%	30.35%	(1 330)	1	34 759	-	41 894	1	1 331
Sociedad de Gestión San Carlos, S.A. (5)	C/ Almirante Faustino Ruíz, 2, A-1, Cádiz	Real state development	0.00%	53.29%	53.29%	(520)	-	14 226	7 907	329	-	(520)
Soria Futuro, S.A. (8)	P.I. Las Casas - C/ C - Parcela 3, Soria	Investment in assets, securities and financial companies	0.00%	27.62%	27.62%	(67)	461	1 977	-	5	92	(158)

(1) Financial data at 30 November 2015.
(2) Financial data as of March 31, 2015.
(3) Financial data at 30 June 2015.
(4) Company in liquidation.
(5) Financial data as of December 31, 2015 (forecast at the end).
(6) Financial data at 28 February 2014.
(7) Financial data as of December 2015 (balance data to October 31).
(8) Financial data at 30 September 2015.

Note: The financial information used for equity participation in jointly controlled entities that are presented in this Annex is the last available by the Bank to the date of preparation of these financial statements. In cases where this financial information does not correspond with the December 31, 2015, it is because it has been used instead, information on a date very close to the end of 2015, or because the entity jointly controlled It has no relevant activity that may have a significant impact on these financial statements (for being in liquidation or other reasons that produce similar effects).

APPENDIX III

ASSOCIATES AT 31 DECEMBER 2015

Thousands of euros

Company Name	Registered domicile	Activity	% Share owned by the Group			Financial Statements at year end				
			% Share		Total	% Share	Total	% Share	Total	% Share
			Direct	Indirect						
A.I.E. Naviera Malpica [1]	C/ García Barbón, 1. Vigo-Pontevedra	Maritime transport services	26.00%	0.00%	26.00%	48	22	26	(2)	(2)
A.I.E. Naviera Olimpia [2]	C/ García Barbón, 1. Vigo-Pontevedra	Maritime transport services	26.00%	0.00%	26.00%	64	40	24	(2)	(2)
A.I.E. Naviera San Simón	C/ García Barbón, 1. Vigo-Pontevedra	Maritime transport services	26.00%	0.00%	26.00%	43	17	26	(2)	(2)
ADE Capital Sodical S.C.R., S.A. [3]	C/ Jacinto Benavente, 2 - Piso 3º, Arroyo de la Encomienda (Valladolid)	Collective investment	0.00%	16.59%	16.59%	46 488	46 472	16	(602)	580
ADE Gestión Sodical S.G.E.C.R., S.A. [4]	C/ Jacinto Benavente, 2 - Piso 3º, Arroyo de la Encomienda (Valladolid)	Management Companies	0.00%	12.77%	12.77%	489	407	82	(11)	(10)
Ahorro Gestión Inmuebles S.L. [4]	C/ Ramón y Cajal, 23 (P.I.) 28914 - Leganés (Madrid)	Property management	0.00%	17.51%	17.51%	14 349	10 221	4 128	(96)	(239)
Ala Ingeniería y Obras, S.L. [5]	C/ Ferrocarril, 35 Meco (Madrid)	Manufacturing metal structures	0.00%	16.08%	16.08%	8 889	(5 005)	13 894	(1 275)	(1 178)
Alestis Aerospace, S.L. [6]	C/ Carlbraith P. Rodgers (Parque Tecnológico y Aeronáutico de Andalucía-AEROPOLIS). La Rinconada-Sevilla.	Aerospace industry	12.19%	1.85%	14.04%	483 215	(7 866)	491 081	(2 057)	(15 985)
Andalucía Económica, S.A. [7]	C/ Diego de Riano nº 11, Piso 2º. Sevilla	Publishing, graphic arts and television	23.80%	0.00%	23.80%	737	568	167	(19)	(15)
Autopista del Guadalmedina. Concesionaria Española, S.A. [8]	Carretera A-45 (AP 46 Km 6.200), Casabermeja-Málaga	Highways	30.00%	0.00%	30.00%	388 965	80 706	308 259	3 529	(4 107)
Autopista del Sol Concesionaria Española, S.A. [9]	Plaza Manuel Gómez-Moreno (Edf. Alfredo Mahou), 2.Madrid	Highways	20.00%	0.00%	20.00%	638 622	(49 687)	688 309	23 177	(42 632)
B.I.C. Euronova, S.A. [10]	Avenida Juan López Peñalver, 21 (Parque Tecnológico Andalucía). Campanillas-Málaga	Investment services and promotion	20.00%	0.00%	20.00%	1 678	1 090	588	(110)	(110)
Barrancarnes Transformación Artesanal, S.A. [11]	Eiras Altas-Barrancos, Barrancos (Portugal)	Feeding	0.00%	24.28%	24.28%	20 467	10 829	9 638	287	40
Caja España Vida Compañia de Seguros y Reaseguros S.A. [11] (*)	C/ Santa Nonia, 4 - 3ª Planta, León	Insurance and reinsurance	0.00%	30.35%	30.35%	1 420 669	149 653	1 271 016	32 665	26 805
Camping El Brao, S.A. [11]	C/ Uría, 56 - 2 C , Oviedo (Asturias)	Real state development	0.00%	15.18%	15.18%	584	576	8	-	-

APPENDIX III
ASSOCIATES AT 31 DECEMBER 2015

Thousands of euros

Company Name	Registered domicile	Activity	% Share owned by the Group			Financial Statements at year end				
			% Share		Total	% Share	Total	% Share	Total	% Share
			Direct	Indirect						
Centro de Tecnologías Informáticas, S.A. (7)	Av. Condesa Sagasta, 6 - 1º, León	Computer Services	0.00%	12.14%	12.14%	773	625	149	151	180
Compañía de Servicios de Castilla y León, S.A. (12)	C/ Pico del Urbión, 4 Valladolid	Development administrative work	0.00%	17.04%	17.04%	141	(801)	942	(659)	(667)
Cortijo de la Loma, S.L. (12)	C/ Remedios, 4. Canena - Jaén	Manufacture of olive oil	0.00%	20.00%	20.00%	10 101	2 412	7 689	468	126
Creación de Suelo e Infraestructuras, S.L. (1)	C/ Ibiza, 35 -5ºA. Madrid	Real state development	0.00%	24.98%	24.98%	2 689	(10 247)	12 936	(1 804)	(1 804)
Cuatro Estaciones INM Siglo XXI, S.L. (9)	Plaza del Mío Cid 6 - 3º, Burgos	Real state development	0.00%	12.14%	12.14%	1 787	(632)	2 419	(10)	(10)
Deoleo, S.A. (1)	Autovía Madrid-Cádiz KM 388. Alcolea-Córdoba	Food industry	9.99%	0.06%	10.05%	1 450 872	533 691	917 181	4 123	(37 194)
Desarrollo Urbanísticos Cerro de Medianoche, S.L. (10)	Plaza Jaén por la Paz, 2. Jaén	Real state development	0.00%	24.72%	24.72%	3 574	3 574	-	(4)	(4)
Dibaq Diproteg, S.A. (11)	C/ La Cruz, nº 3, Fuentepelayo (Segovia)	Animal feeding	0.00%	20.06%	20.06%	52 504	(1 054)	53 558	(2 943)	(4 806)
Duero Pensiones, E.G.F.P. (1)	Pº de la Castellana, 167 Madrid	Management pension funds	0.00%	30.35%	30.35%	9 426	8 429	951	1 248	1 081
Edigrup Producciones TV, S.A. (1)	C/ Manuel Canesi Acevedo (Parquesol Sur), 1 Valladolid	audiovisual broadcasting	0.00%	13.41%	13.41%	19 089	17 541	1 549	1 817	1 859
Gestión e Investigación de Activos, S.A. (1)	C/ Zurbano, 76 Madrid	real estate	0.00%	37.54%	37.54%	21 336	10 236	11 100	811	477
Grupo Tecopy Cartera Empresarial, S.L. (6)	C/ Antracita, 7 - Planta 4ª - Ofic. 17 Madrid	Miscellaneous services	0.00%	12.14%	12.14%	15 241	4 328	10 914	(85)	(310)
Hidralia, Gestión Integral de Aguas de Andalucía, S.A.	C/ Alisios. Edf Ocaso, nº 1, Sevilla	Integrated Water Cycle	0.00%	35.00%	35.00%	291 636	114 778	176 858	10 610	12 868
Ingeniería de Suelos y Explotación de Recursos, S.A.	Paseo del Coso S/N. Minas de Riotinto-Huelva	Mining industry	30.00%	0.00%	30.00%	52 331	21 333	30 998	8 989	8 995
Ingeniería e Integración Avanzadas, S.A. (11)	C/ Severo Ochoa 43 (Parque Tecnológico de Andalucía). Campanillas-Málaga	New technologies	40.00%	0.00%	40.00%	15 072	3 657	11 415	490	(484)
Iniciativas y desarrollos industriales de Jaén, S.A.	Plaza de la Constitución nº 10,6ª, Jaén	Industrial Land Development	0.00%	30.00%	30.00%	77	70	7	(39)	(39)

APPENDIX III
ASSOCIATES AT 31 DECEMBER 2015

Thousands of euros

Company Name	Registered domicile	Activity	% Share owned by the Group			Financial Statements at year end				
			% Share		Total	% Share	Total	% Share	Total	% Share
			Direct	Indirect						
Inversiones Alaris, S.L. (1)	Av. Carlos III El Noble,8 Pamplona/ Iruña (Navarra)	Holding of shares	0.00%	20.23%	20.23%	n/d	5 022	n/d	n/d	3 769
La Reserva de Selwo Golf, S.L(10)	C/ Linaje 3, Planta 1, Piso 1. Málaga	Real state development	0.00%	35.00%	35.00%	680	(3 787)	4 466	(13)	(13)
Malagaport, S.L. (1)	Edif. Instituto de Estudios Portuarios, Puerto de Málaga (Muelle de Cánovas), S/N. Málaga	Community services	26.07%	0.00%	26.07%	410	382	28	47	47
Marcos Sotoserrano, S.L. (6)	Crta. de Coria, nº 4, Sotoserrano (Salamanca)	Ham processing plant	0.00%	19.90%	19.90%	16 973	11 476	5 497	(595)	2 747
M-Capital, S.A. (7)	C/ Compositor Lhemberg Ruiz, 10 (Edf. Galaxia) Local 11 2º Planta. Málaga	Investment services and promotion	22.01%	0.00%	22.01%	11 388	2 169	9 219	(559)	(633)
Mejor Campo Abonos y Cereales, S.A. (12)	Callejón de San Francisco, 1 - Bajo Medina del Campo (Valladolid)	Commercial fertilizer and feed	0.00%	16.39%	16.39%	3	(58)	61	-	-
Metales Extruidos, S.L. (13)	C/ Parque de las Marismas de Santoña, nº 20, Valladolid	Manufacturing aluminum	0.00%	13.47%	13.47%	75 930	(13 555)	89 485	(6 236)	(6 818)
Numzaan, S.L. (14)	C/ Doctor Casas, nº 20 Zaragoza	Real state development	0.00%	13.03%	13.03%	38 760	(27 187)	65 947	(2)	(372)
Obenque, S.A. (1)	C/ Zurbano, nº 76, Madrid	Real state development	0.00%	26.98%	26.98%	37 854	16 424	21 430	726	174
Oleomedia, S.L. (15)	Plaza de la Constitución 12, 1-D. Jaén	New technologies	40.00%	0.00%	40.00%	265	265	-	-	-
Parque Científico-Tecnológico de Almería, S.A.	Avda. de la Innovación, nº 15, Almería	Real state development	0.00%	29.87%	29.87%	52 416	18 775	33 641	(933)	(1 814)
Patrimonio Inmobiliario Empresarial, S.A. (16)	C/ Santa Engracia, 69 Madrid	Real state development	0.00%	17.66%	17.66%	26 857	(21 423)	48 280	-	-
Privándalus Inversiones I SICAV, S.A.	C/ Bolsa Nª 4, 1ª Planta, Málaga	Investment Company with Variable Capital	27.20%	0.00%	27.20%	24 302	23 134	1 168	-	404
Prodesur Mediterráneo, S.L. (17)	Pz. Trabajadores del Calzado, 10 Elda (Alicante)	Real state development	0.00%	15.18%	15.18%	2 238	(3 504)	5 741	1	(212)
Proinsur Mediterráneo, S.L.U. (18)	Pz. Trabajadores del Calzado, 10 Elda (Alicante)	Real state development	0.00%	15.18%	15.18%	15 466	(20 051)	35 516	(41)	(2 023)
Promotora Vallisoletana Mercados, S.A. (19)	Crta. Ronda Norte (Mercaolid), s/n - Sector 15 Valladolid	Market management	0.00%	17.41%	17.41%	2 077	2 077	-	(2)	189
Qualia Lácteos, S.A. (20)	Crta. de Puertollano s/n, Almodovar del Campo (Ciudad Real)	Dairy industries	0.00%	17.83%	17.83%	15 443	(7 653)	23 096	(242)	(234)

APPENDIX III
ASSOCIATES AT 31 DECEMBER 2015

Thousands of euros

Company Name	Registered domicile	Activity	% Share owned by the Group			Financial Statements at year end				
			% Share		Total	% Share	Total	% Share	Total	% Share
			Direct	Indirect						
Residencial El Beato, S.L. [18]	Pz. Trabajadores del Calzado, 10, Elda (Alicante)	Real state development	0.00%	15.18%	15.18%	14	(17 866)	17 880	(4 505)	(4 878)
Servicios Funerarios Indálicos, S.A. [21]	C/ Magistral Domínguez, 11. Almería	Community services	20.00%	0.00%	20.00%	599	373	226	-	-
Sociedad de Investigación y Explotación Minera de Castilla y León, S.A. [1]	Av. Rodrigo Zamorano, 6 -P.T. de Boecillo- Boecillo (Valladolid)	Promoting mining research	0.00%	29.74%	29.74%	3 354	3 157	197	(337)	(334)
Sociedad Municipal de Aparcamientos y Servicios, S.A.	Plaza Jesús "El Rico" 2-3. Málaga	Parking lots	24.50%	0.00%	24.50%	71 297	36 014	35 283	3 905	1 751
Uncro, S.L. [1]	C/ Ibiza Nª 35 5ªC.Madrid	Real state development	0.00%	25.00%	25.00%	6 172	(4 180)	10 352	(5 298)	(5 298)
Unema Promotores Inmobiliarios, S.A.	C/ Strachan, nº1, planta 1. Málaga	Real state development	0.00%	40.00%	40.00%	74	(1 645)	1 719	(5)	(5)
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.	C/ Bolsa, nº 4, 3ª planta. Málaga	Insurance	42.40%	7.60%	50.00%	2 015 833	160 568	1 855 265	49 077	44 391
Unión del Duero Compañía Seguros de Vida, S.A. [1] (*)	Pº de la Castellana, nº 167, Madrid	Life insurances	0.00%	30.35%	30.35%	817 471	65 892	751 528	18 487	13 300

(*) The participation in this entity is classified under the heading "Non-current assets held for sale" in the consolidated balance sheet.

(1) Financial data at 30 November 2015.
(2) Estimated financial data as of 30 November 2015. Under IFRS-EU.
(3) Estimated financial data at December 31, 2015. Under IFRS-EU.
(4) Estimation of results to December 2015.
(5) Financial data as of December 31, 2014.
(6) Financial data as of September 31, 2015.
(7) Financial Data as of November 31, 2013.
(8) Financial data as of August 31, 2013.
(9) Financial Data as of October 2014. Company in liquidation.
(10) Financial data as of December 2015. Company in liquidation.
(11) Financial data as of October 31, 2015.
(12) Financial Data as of November 31, 2014.
(13) Financial Data as of November 2013. Company in liquidation.
(14) Financial Data as of February 2014. Company in liquidation.
(15) Financial data at 30 September 2003.
(16) Financial data as of March 31, 2013.
(17) Financial data as of August 31, 2015.
(18) Financial data as of August 2015. Company in liquidation.
(19) Financial data as of November 30, 2015. Company in liquidation.
(20) Financial data as of September 30, 2015. Company in liquidation.
(21) Financial data as of December 31, 2011.

Note: The financial information used for equity participation in associates presented in this Annex is the last available by the Bank to the date of preparation of these financial statements. In cases where this financial information does not correspond with the December 31, 2015, it is because it has been used instead, information on a date very close to the end of 2015, or because the associated entity It has no relevant activity that may have a significant impact on these financial statements (for being in liquidation or other reasons that produce similar effects).

APPENDIX IV
FINANCIAL STATEMENTS OF ESPAÑADUERO

a) Balance sheets for the years ended 31 December 2015 and 2014:

	Thousands of euros	
	2015	**2014**
Cash and Due from Central Banks	827 205	218 572
Trading Portfolio	38 553	33 411
Availabl-for-sale Financial Assets	2 891 711	3 760 842
Lending Investments	16 724 540	17 338 840
Held-to-maturity Investment Portfolio	3 283 866	7 127 960
Hedging Derivates	129 868	184 704
Non-current Assets held for sale	474 459	511 952
Shares	336 732	617 465
Insurance Contracts related to Pensions	5 810	3 516
Tangible Assets	691 058	646 964
Intangible Assets	-	-
Tax Assets	1 949 462	1 847 314
Rest of Assets	126 554	93 541
Total Assets	**27 479 818**	**32 385 081**
Trading Portfolio	101 739	35 223
Financial Liabilities at depreciated cost	25 944 791	30 636 918
Hedging Derivates	21 061	8 062
Provisions	380 023	446 158
Tax Liabilities	174 248	351 133
Rest of Liabilities	64 541	80 320
Total of Liabilities	**26 686 403**	**31 557 814**
Valuation Adjustments	10 488	17 103
Own Funds:	782 927	810 164
Capital or endowment fund	289 802	289 802
Share Premium	869 406	869 406
Reserves	(252 243)	(196 853)
Other equity instruments	-	-
Less: Treasury shares	(113 339)	(43 795)
Profits/Losses for the period	(10 699)	(108 396)
Less: Dividends and remuneration	-	-
Total Equity	**793 415**	**827 267**
Total Liabilities and Equity	**27 479 818**	**32 385 081**
Contingent Risks	438 646	538 296
Contingent Commitments	1 110 726	1 155 454
Total off-balance-sheet	**1 549 372**	**1 693 750**

APPENDIX IV
FINANCIAL STATEMENTS OF ESPAÑADUERO

b) Income statements for the years ended 31 December 2015 and 2014:

	Thousands of euros	
	2015	**2014**
Interest received and similar income	550 005	753 164
Interest and similar charges	(350 036)	(489 641)
Interest Margin	**199 969**	**263 523**
Return on Equity Instruments	18 322	11 406
Share of Results of entities accounted for using the Equity Method	119 324	138 084
Commissions received	(7 773)	(10 332)
Commissions paid	353 520	97 381
Gains/Losses on Financial Assets and Liabilities (net)	1 442	1 761
Exchange differences (net)	48 575	18 645
Other Operating Income	(60 045)	(55 662)
Other Operating Charges		
	673 334	**464 806**
Gross Margin		
	(256 332)	(277 327)
Administration costs	(17 714)	(15 875)
Amortization	(93 630)	(59 469)
Contributions to Provisions (net)	(321 553)	(235 825)
Impairment Losses of Financial Assets (net)		
	(15 895)	**(123 690)**
Net Operating Income		
	(238)	(11 676)
Impairment Losses of the rest of Assets (net)	(6 163)	67
Gains (Losses) on disposal of Assets not classified as non-current Assets held for sale	-	-
Negative Goodwill on Business Combinations	(29 123)	(31 103)
Gains (Losses) on non-current Assets held for sale not classified as discontinued operations		
	(51 419)	**(166 402)**
Earning before taxes		
	16 710	49 082
Profit tax	**-**	**-**
Result for the year from ongoing operations		
	(34 709)	**(117 320)**
Result for the year from interrupted operations (net)	24 010	8 924
Profit or Loss for the period	**(10 699)**	**(108 396)**

APPENDIX IV
FINANCIAL STATEMENTS OF ESPAÑADUERO

c) Cash flow statements for the years ended 31 December 2015 and 2014:

	Thousands of euros	
	2015	**2014**
Cash flows from operating activities	**(3 483 676)**	**(967 747)**
Net profit for the year	(10 699)	(108 396)
Adjustments to profit and loss	108 283	(62 922)
Net increase/decrease in operating assets	1 383 405	2 701 834
Net increase/decrease in operating liabilities	(4 962 382)	(3 549 771)
Collections/Payments of income tax	(2 283)	51 508
Cash flows from investment activities	**4 054 383**	**791 841**
Payments	(96 035)	(5 394)
Collections	4 150 418	797 235
Cash flows from financing activities	**569**	**(25 566)**
Payments	-	25 566
Collections	569	-
Effect of exchange rate fluctuations	**780**	**712**
Net increase (decrease) in cash and cash equivalents	**572 056**	**(200 749)**
Cash and cash equivalents at beginning of period	307 798	508 547
Cash and cash equivalents at end of period	879 854	307 798

APPENDIX V
BANK ANNUAL REPORT FOR THE YEAR 2015

Information for compliance with Article 89 of European Parliament Directive 2013/36/EU and its transposition into Spanish Legislation through Law 10/2014

In accordance with the provisions of Article 9 of European Parliament and Council Directive 2013/36/EU (26 June 2013), relating to accessing credit institution activities and the prudent supervision of credit institutions and investment companies, and in accordance with the provisions of Article 7 of Law 10/2014 (26 June) on the organization, supervision and solvency of credit institutions, which transposes this legislation into Spanish Law, the information relating to the annual bank report prepared by Unicaja Banco for the year ended 31 December 2014 is set out below.

	Business Volume (*) (thousands of euros)	**Number of employees (**)**	**Gross income before taxes (thousands of euros)**	**Profit tax (thousands of euros)**
Spain	1 345 689	8 480	471 631	47 496
Rest of European Union	591	15	2 793	14
Rest of world	-	-	-	-
Total	**1 346 280**	**8 495**	**474 424**	**47 510**

(*) It has been considered the gross consolidated income as business volume.
(**) Number of full-time equivalent employees, obtained from Company's workforce of the Unicaja Bank Group, with activity in each judicature.

At 31 December 2015 the performance of the assets held by Unicaja Banco Group, calculated as the quotient of "consolidated profits for the year" in the consolidated income statement and "Total assets" in the consolidated balance sheet, is 0.3%.

Detailed information regarding the companies within the scope of consolidation of Unicaja Banco Group that operate in each jurisdiction, including their name, geographic location and the nature of their activity, is available in Appendices I-II-III of these notes to the annual accounts.

As may be observed in those appendices, practically all of the activity carried out by the Group takes place in Spain and in the financial sector, notably the retail banking activity carried out by the credit institutions Unicaja Banco, S.A. (Unicaja Banco) and Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (EspañaDuero).

Unicaja Banco has not received any subsidies or public assistance. As is noted in Note 1.2 of the notes to the consolidated annual accounts, in 2014, Unicaja Banco Group acquired a 60.70% stake in the capital of EspañaDuero which, before becoming part of Unicaja Banco Group, issued Contingent Convertible Bonds that were fully subscribed by Fondo de Reestructuración Ordenada Bancaria (FROB) as a recapitalization instrument (Note 16.5 of the notes to the consolidated annual accounts).

UNICAJA BANCO, S.A. AND ITS SUBSIDIARIES
(UNICAJA BANCO GROUP)

CONSOLIDATED DIRECTOR´S REPORT FOR THE YEAR 2015

Introduction

Unicaja Banco, S.A. (hereinafter Unicaja Banco, the parent company or the Bank) is a credit institution that was incorporated for an indefinite period on 1 December 2011. The commencement of its activities results from the approval by the General Assembly of Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén - Unicaja (currently Unicaja Banking Foundation) of the indirect conducting of financial activities by means of a bank.

The Bank is subject to legislation and regulations governing banking institutions operating in Spain. Further public information on the Bank can be consulted on its web site (www.unicajabanco.es) or at its registered office (Avenida Andalucía, 10 y 12, Malaga).

The Bank's corporate objects consist of the performance of all kinds of activities, transactions, acts, contracts and services pertaining to the banking business in general or related directly or indirectly thereto, or which are complementary thereto or develop the same, provided that they are allowed, or not forbidden, by prevailing legislation.

The Bank’s objects include the provision of investment services and other services that are ancillary thereto, and the performance of activities pertaining to insurance agents, as an exclusive or related operator, without exercising both activities simultaneously.

In accordance with its By-laws, the activities that comply with Law 10/2014 of 26 June on the organization, supervision and solvency of credit institutions and that are covered by its objects may be carried out fully or in part, indirectly, in any legally admitted form and, in particular, through the ownership of shares or interests in companies or in other entities whose objects are identical, analogous or complementary to such activities.

The Bank is entered in the Mercantile Register of Malaga and is registered as a credit institution on the Bank of Spain's Special Register, with number 2103. The Bank holds a license to carry out banking activities granted by the Ministry of Finance in accordance with Article 1 et seq. of Royal Decree 1245/1995.

As a result of the takeover on 28 March 2014, involving a share exchange, of Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (hereinafter, EspañaDuero), described in Note 1.2 and following the share exchange effected on 2 April 2014, Unicaja Banco, S.A. ceased to have the status of a single shareholder entity, as it had been since its incorporation.

At 31 December 2015, 90.78% of the Bank's share capital is owned by Fundación Bancaria Unicaja, formerly Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén (Unicaja), the Bank's ultimate controlling entity and the parent of the Unicaja Group. Both the Bank and its controlling entity are domiciled in Malaga, are subject to Spanish legislation and file their financial statements with the Mercantile Registry of Malaga.

The Bank is the parent of a subgroup of subsidiaries devoted to various activities that make up the Unicaja Bank group.

	Million euro		Year-on-year change	
Balance sheet and revenue	**2015**	**2014**	**Million euro**	**%**
Total assets	60 312	67 950	(7 639)	(11.2%)
Loans and advances to customers (gross)	35 433	38 065	(2 632)	(6.9%)
Customer deposits	48 629	48 084	545	1.1%
Off-balance sheet customer funds	11 072	10 938	134	1.2%
Resources managed	60 977	61 484	(507)	(0.8%)
Of which: trade receivables (non-market)	*49 586*	*48 732*	*854*	*1.8%*
Revenue	96 410	99 549	(3 139)	(3.2%)
Revenue per employee	*12.2*	*11.7*	*0.4*	*3.8%*
Revenue per branch	71.2	70.1	1.1	1.6%

	Million euro		Year-on-year change	
Profit/(loss)	**2015**	**2014**	**Million euro**	**%**
Net interest income	687.5	718.7	(31)	(4.3%)
Gross operating income	1 574.9	1 346.3	229	17.0%
Operating margin *(before write-downs)*	893.6	718.2	175	24.4%
Write-downs and other income	676.6	616.2	60	9.8%
Profit/(loss) before taxes	217	102	115	112.8%
Consolidated profit/(loss) for the year	*183.8*	*75.1*	*109*	*144.9%*
Profit/(loss) attributed to the parent entity	186.7	102.1	85	82.9%

(*) Excluding negative goodwill generated in the acquisition of Bank of Spain Caja de Inversiones, Salamanca and Soria, S.A. (EspañaDuero) amounting to 372.5 million euros.

	Million euro		Year-on-year change	
Net return and efficiency	**2015**	**2014**	**Million euro**	**%**
ROE (attributed income/average equity)	6.7%	3.6%	n.a.	3.1pp
ROTE (attributed income/average tangible equity)	6.7%	3.6%	n.a.	3.1pp
ROA (net income/total average assets)	0.3%	0.1%	n.a.	0.2pp
RORWA (net income/APRs)	0.7%	0.2%	n.a.	0.4pp
Operating efficiency (unamortised operating expenses/gross margin)	40.3%	43.4%	n.a.	(3.1pp)

	Million euro		Year-on-year change	
Solvency	**2015**	**2014**	**Million euro**	**%**
Equity	3 256	3 292	(36)	(1.1%)
Total capital	3 510	3 348	162	4.8%
Tier one qualifying common capital (CET1)	3 480	3 334	146	4.4%
Tier one qualifying additional capital	30	14	16	115.1%
Tier two qualifying capital	-	-	-	-
Capital requirements	2 507	n.a	-	-
APRs	27 108	30 308	(3 200)	(10.6%)
Total capital ratio	12,9%	11.0%	n.a.	1.9 pp
CET-1 ratio	12,8%	11.0%	n.a.	1.8 pp
Fully loaded CET-1 ratio	11.1%	10.3%	n.a.	-
Leverage ratio	5.71%	4.97%	n.a.	0.74 pp
Fully loaded leverage ratio	5.06%	4.80%	n.a.	0.26 pp

Risk control	Million euros 2015	2014	Year-on-year change Million euros	% pp.
Doubtful	3 556	4 814	(1 258)	(26.1%)
NPL ratio	10,0%	12.6%	n.a.	(2.6 pp)
NPL ratio ex-promotor	8,9%	10.5%	n.a.	(1.5 pp)
NPL coverage ratio	57.1%	61.9%	n.a.	(4.8 pp)
NPL coverage ratio ex-promotor	54.0%	60.2%	n.a.	(6.2 pp)
Foreclosed properties available for sale (net)	1 113	1 114	(1)	(0.1%)
Coverage ratio of foreclosed properties available for sale	58.5%	56.6%	n.a.	1.9 pp

Liquidity	Million euros 2015	2014	Year-on-year change Million euros	% pp.
Gross liquid assets	23 932	27 040	(3 108)	(11.5%)
Net liquid assets	15 952	13 734	2 218	16.1%
Net liquid assets/total assets	26.4%	20.2%	n.a.	6.2 pp
LtD ratio	81.9%	91.4%	n.a.	(9.4 pp)
Liquidity coverage ratio (LCR)	410%	287%	n.a.	123 pp
Net stable funding ratio (NSFR)	126%	119%	n.a.	7 pp

Additional information	Million euros 2015	2014	Year-on-year change Million euros	% pp.
Branches	1 354	1 420	(66)	(4.6%)
ATMs	1 583	2 114	(531)	(25.1%)
Personnel	7 925	8 495	(570)	(6.7%)

RATING		2015
Fitch	Long-term	BBB-
	Short-term	F3
	Outlook	Stable
Moody´s	Long-term deposits	Ba3
	Issuer's senior long-term debt	B1
	Short-term	NP
	Outlook	Stable

Economic and financial environment

In terms of the world-wide scenario, growth in the global economy in 2015 is expected to stand at around 3%. Growth will be more moderate in the USA, where the industrial sector has been hit by the appreciation of the dollar. Growth in emerging economies has slowed, particularly in China. There has been a sharp drop in oil prices and recessions in the economies of Brazil and, to a lesser extent, Russia that have been more severe than expected.

Euro-zone growth has been around 1.5%, based on consumption and exports, helped by monetary expansion, low oil prices and euro depreciation, while investment has been weaker due to uncertainty and high debt levels, with a new focus of latent risk at year-end: the Italian banking crisis.

In Spain the indicators point to growth at around 3.2% of GDP in 2015, thanks to low oil prices, the ECB's expansive policy and improving European demand, despite the increased uncertainty associated with market volatility, lower emerging market growth and the domestic political context, which has not significantly affected consumption and investment indicators. The risk premium at the year end stood at 115 basis points, while the official statistics indicate an improvement in the labour market in 2015. However, there has been a decline in consumer and industrial confidence, reaching negative figures at year-end.

The climate of global uncertainty led to the adoption of accommodative monetary policies by the main central banks:

- The ECB continued with its asset purchase programme, increased the cost of excess liquidity in the ECB which triggered a downward trend in interbank rates
- The FED started to raise rates to 0.25-0.50% but stopped after observing the slow-down in US GDP.
- The BoJ surprised the market by taking a further step in its policy of monetary stimulus by lowering its benchmark interest rate to -0.1%.

The good performance of the national economy in 2015 has contributed to the recovery of the banking sector. New credit is growing strongly thanks to higher demand for financing from companies and households. There has also been a fall in bad debts, but low interest rates have given rise to a reduction in profitability with particularly low margins and spreads at historic lows and this, coupled with a series of regulatory and supervisory measures carried out in 2015, has undermined growth in the sector.

Financial year highlights

With respect to the Unicaja Banco Group profits in 2015, profit attributable to the parent company amounted to €184 million against €75 million in 2014, excluding the accounting effect of “badwill” amounting to €372 million arising from the acquisition of EspañaDuero, which was incorporated into the Unicaja Banco Group on 28 March 2014.

This profit figure is based on obtaining net interest income and fees of €926 million, to which the policy of diversification of products and revenue-generating services has contributed. The evolution of net interest income has been adversely affected by various factors, such as the downward renegotiation of credit operations - including loans with “floor clauses” - the rotation of the fixed income portfolio or the reduction in rates of the SAREB securities in the EspañaDuero portfolio. However, the customer margin remains stable or has even improved, in cumulative terms for the year, thanks to the significant decrease in the cost of liabilities, specifically retail liabilities, which offset the decline in lending revenue.

In turn, active management of fixed income investments has meant that, despite market fluctuations, the Unicaja Banco Group has achieved significant revenue from financial operations (€562 million).

To the above figures we must add revenue from equity investments (€59 million) and the net result of other products/operating expenses (€25 million, an improvement compared with the 2014 figure thanks to the effect of the service outsourcing agreements and the improvement in the results of the Group’s property companies).

The implementation of a strict policy of expense containment and rationalization has been reflected in a 3.4% reduction in operating expenses (consistent perimeter), with the efficiency ratio (operating expenses over gross margin) standing at 43.3%.

Finally, a net figure of €677 million was assigned to provisions and write-downs. This figure includes, among other items, the provisions recorded to cover risks arising from possible adverse legal rulings regarding mortgage loans containing floor clauses granted to individuals.

With regard to the banking business, in an environment characterised by extraordinarily low interest rates, the data for 2015 confirm the consolidation of growth in retail customer deposits in the Unicaja Banco Group by over €800 million, particularly the year-on-year growth in demand deposits (+17.5%).

At the same time, although the Spanish economy is still going through a phase of net reduction in debt levels in the private sector, the Unicaja Banco Group has been very dynamic in the granting of credit to SMEs and households during the year, with new transactions totalling over €3,200 million and a 17.4% year-on-year increase in new loans granted to households.

Concerning solvency, the position is comfortable thanks to the Group's significant capacity with respect to the internal generation of resources which enables Unicaja Banco Group, without having to access the capital markets to obtain capital, to maintain high solvency levels with a tier one capital figure (CET1) of €3,480 million (99% of total equity), giving a ratio of 12.8% and fully loaded CET1 ratio of 11.1%.

In addition, the active liquidity management implemented by Unicaja Banco Group has enabled liquid assets to be optimised. At year-end 2015, the volume of liquid and discountable assets at the European Central Bank (ECB) (net of those utilised) accounted for 26.4% of total consolidated assets.

This comfortable liquidity position will enable Unicaja Banco Group to meet wholesale maturities in the coming years (€1,370 million 2017 and €3,910 million in 2018) without any difficulty.

The growth trend in retail deposits, along with continued deleveraging in the Spanish economy, have resulted in a reduction in structural funding needs in markets, with the LTD (Loan to Deposit) ratio standing at 82%.

With respect to credit quality and high provisioning levels, in 2015 the balance in the Group's doubtful assets has fallen by over €1,250 million, with reductions in both Unicaja Banco and EspañaDuero, which has improved the Group's NLP ratio to 10.0%

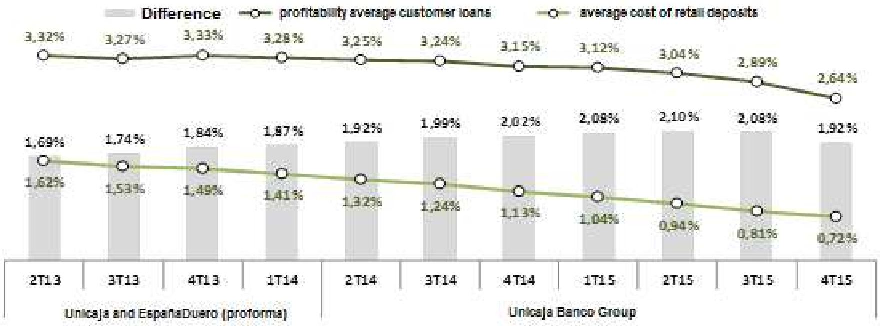
Profit/(loss)

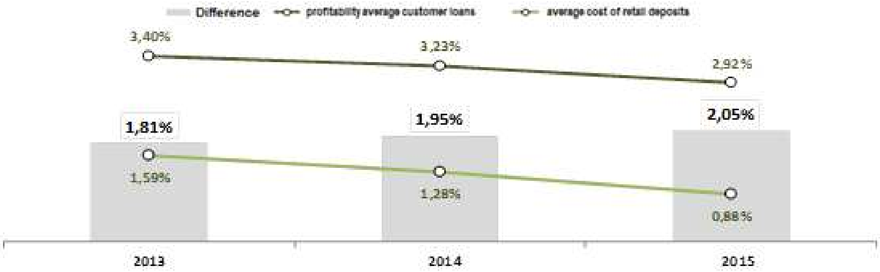
Income statement - Unicaja Banco Group	2015	2014	T.V.I.
Net interest income	**687.5**	**718.7**	**(4.3%)**
Customer margin	**544.6**	**534.8**	**1.8%**
Fees	238.8	227.2	5.1%
Dividends and other income from shareholdings	58.9	47.4	24.3%
ROFs + exchange differences	564.3	**392.7**	**43.7%**
Other operating income/expenses	**25.5**	**(39.8)**	**n.a.**
Gross margin	**1 574.9**	**1 346.3**	**17.0%**
Operating expenses	**681.3**	628.1	8.5%
Operating expenses (consistent perimeter)	**681.3**	**705.6**	**(3.4%)**
Operating margin (before write-downs)	**893.6**	**718.2**	**24.4%**
Write-downs and other income	676.6	616.2	9.8%
Profit/(loss) before taxes	**217**	**102**	**112.7%**
Corporate income tax	57.2	47.5	20.4%
Profit /(loss) from discontinued operations	24	20.6	16.5%
Consolidated profit/(loss) for the year	**183.8**	**75.1**	**144.7%**
Profit/(loss) attributed to the parent entity	**186.7**	**102.1**	**82.9%**

At the end of 2015, the Unicaja Banco Group recorded a profit attributable to the parent entity of €187 million, compared with €102 million in 2014 (excluding the accounting impact of the “badwill” arising from the acquisition of EspañaDuero).

	2015			2014			Variation		Breakdown of variations		
	Average balance	Profit	Profitability /average cost	Average balance	Profit	Profitability /average cost	Average balance	Profit	Profitability /average cost	Balance effect	Price effect	Comb. effect
Assets												
Financial intermediaries	3 481	4.4	0.13%	4 696	17.1	0.36%	(1 215)	(12.7)	-0.23%	(4.4)	(11.2)	2.9
Fixed-income portfolio	21 421	386.9	1.81%	21 173	522.4	2.47%	248	(135.5)	-0.66%	6.1	(140.0)	(1.6)
Credit non-doubtful receivables	28 925	857.9	2.97%	27 593	913.0	3.31%	1 332	(55.1)	-0.34%	44.1	(94.6)	(4.6)
ATMs/interest received	**64 352**	**1 279.9**	**1.99%**	**62 814**	**1 474.1**	**2.35%**	**1 538**	**(194.2)**	**-0.36%**	**36.1**	**(224.8)**	**(5.5)**
Liabilities												
Financial intermediaries	9 873	16.4	0.17%	11 821	52.8	0.45%	(1 948)	(36.4)	-0.28%	(8.7)	(33.1)	5.5
Deposits	37 870	329.6	0.87%	31 677	375.8	1.19%	6 193	(46.2)	-0.32%	73.5	(100.0)	(19.6)
Issues	9 022	176.8	1.96%	12 132	262.7	2.17%	(3 109)	(85.9)	-0.21%	(67.3)	(24.9)	6.4
Subordinated liabilities	625	55.1	8.81%	513	40.1	7.82%	113	15.0	0.99%	8.8	5.1	1.1
ATMs/interest paid	**64 352**	**592.4**	**0.92%**	**62 814**	**755.4**	**1.20%**	**1 538**	**(163.0)**	**-0.28%**	**18.5**	**(177.2)**	**(4.3)**
ATMs/Interest margin	**64 352**	**687.5**	**1.07%**	**62 814**	**718.7**	**1.14%**	**1 538**	**(31.1)**	**-0.08%**	**17.6**	**(47.6)**	**(1.2)**
ATMs/Int. marg. + fees	**64 352**	**926.3**	**1.44%**	**62 814**	**945.9**	**1.51%**	**1 538**	**(19.6)**	**-0.07%**	**23.2**	**(41.8)**	**(1.0)**

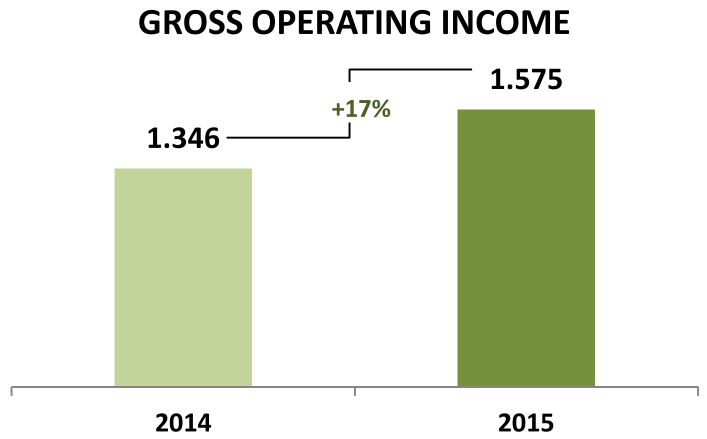
The evolution of net interest income has been adversely affected by various factors, such as the historically low level of interest, downward renegotiation of credit operations - including loans with “floor clauses” - the rotation of the fixed income portfolio or the reduction in rates of the SAREB securities in the EspañaDuero portfolio. Despite this, the interest margin derived from business with customers improved by 1.8% over the year to €545 million due among other reasons to the lower cost of retail financing which allowed the customer margin to increase from 1.95% in 2014 to 2.05% in 2015.





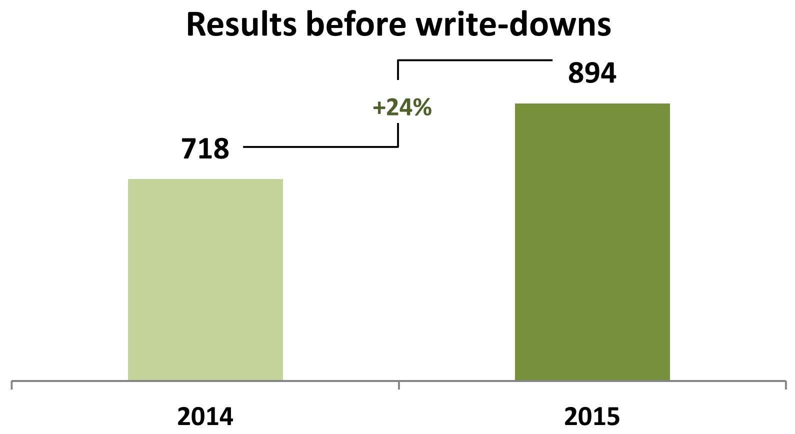
Active management of fixed interest investments has enabled the Group to achieve significant revenue from financial operations (€562 million), which will mainly be used to increase provisions to cover the legal risks still existing in EspañaDuero as a result of the management of hybrid instruments and the risk derived from possible unfavourable rulings in relation to floor clauses, and to ensure the feasibility of the integration of EspañaDuero into the Unicaja Banco Group.

The above income figures, together with results from investments in equity interests (€59 million) and the net result of other operating income/expenses (€25 million), affected by outsourcing agreements and the improvement in the results of the Group's property companies, principally, are the main reasons for the gross margin of €1575 million (17% higher than in 2014).



At the same time, operating expenses have amounted to €681 million, which, along with the year-on-year reduction of 3.4% in the aggregate of the Unicaja Banco and EspañaDuero Groups at 31 December 2014, has resulted in an efficiency ratio (operating expenses over gross margin) of 43.3%.

As a result of these developments, profits before write-downs amount to €894 million (24% higher than the figure at end-2014).



In line with the Unicaja Banco Group's traditionally prudent approach, the resources generated during the year have mostly been used to consolidate the high level of risk coverage. Among other items, a provision has been recorded for potential unfavourable rulings in relation to floor clauses, a net amount of €676.6 million being transferred to write-downs against income.

Breakdown of write-downs and other profits	December 2015	December 2014	Variation
			Million euros
Provisions (net)	145.1	148.8	(3.7)
Impairment loss (net)	494.1	435.8	58.3
Financial asset impairment losses (net)	*424.7*	*355.8*	*68.9*
Non-financial asset impairment losses (net)	*69.4*	*80*	*(10.6)*
Gains/(losses) from disposals of assets not classified as current assets held for sale	3.0	1.4	1.6
Gains/(losses) from non-current assets held for sale not classified as discontinued operations	34.3	30.9	3,4
Total write-downs and other income	**676.6**	**616.2**	**60.4**

Business

The volume of resources managed by the Group at the year end amounts to €60,977 million (without valuation adjustments). This figure is a decrease of €507 million (-0.8%) with respect to that recorded at the end of 2014, due to the reduction in financing obtained on wholesale markets (€-2,163 million).

Managed resources Unicaja Banco Group (without value adjustments)	December 2015	Structure	December 2014	Year-on-year change	% year-on-year change
					Million euros
Total funds on balance sheet	**49 891**	**81.8%**	**50 546**	**(654)**	**(1.3%)**
Customer deposits	**48 620**	**79.8%**	**48 084**	**536**	**1.1%**
Public authorities	**1 907**	**3.1%**	**1 689**	**219**	**12.9%**
Private sector	**46 713**	**76.6%**	**46 395**	**318**	**0.7%**
Demand deposits	20 239	33.2%	17 220	3 020	17.5%
Time deposits	22 775	37.4%	25 444	(2 669)	(10.5%)
Of which: mortgage secured bonds	7 400	12.1%	-	(1 140)	(13.3%)
Assets ceded under repurchase agreements	3 698	6.1%	3 731	(33)	(0.9%)
Issues	**1 271**	**2.1%**	**2 462**	**(1 191)**	**(48.4%)**
Mortgage securities	659	1.1%	1 611	(952)	(59.1%)
Other securities	-	-	212	(212)	n.s.
Subordinated liabilities	612	1.0%	639	(27)	(4.2%)
Off-balance sheet funds	**11 072**	**18.2%**	**10 938**	**134**	**1.2%**
Total managed resources	**60 964**	**100.0%**	**61 484**	**(520)**	**(0.8%)**
Of which:					
Customer funds (retail)	49 572	81.3%	48 732	840	1.7%
Markets	11 391	18.7%	12 752	(1 361)	(10.7%)

The figures at December 2015 confirm the growth in retail customer resources by over €800 million, with growth in demand deposits standing at 17.5%.

Most resources managed consist of customer deposits (€48,629 million), of which €20,159 million are demand deposits by private sector customers, €22,865 million are time deposits and €3,698 million relate to repos. Off-balance-sheet funds managed amount to €11,077 million, mainly comprising customer funds gained through investment funds (€5,061 million), pension funds (€2,193 million) and savings insurance (€2,835 million). The balance for issuances included in the aggregate of managed resources is limited to €1,271 million, down 48.4% on the end of 2014. It consists basically of issues of mortgage securities held by third parties (€659 million) and convertible bonds of EspañaDuero subscribed by the FROB (€604 million).

By origin, 81.3% (€49,586 million) relates to banking business with customers, while the remaining 18.7% (€11,391 million) comprise the funds raised in wholesale markets through bond issuances or repos.

Customer loans (without value adjustments) amounted to €35,433 million at 31 December 2015. The most significant item in the loan portfolio is secured private sector loans, representing 60% of total loans.

					Million euros
Unicaja Banco Group customer loans	**December 2015**	**Structure**	**December 2014**	**Absolute variation**	**Relative variation**
Public authorities	**2 009**	**6%**	**2 035**	**(27)**	**(1.3%)**
Private sector	**33 424**	**94%**	**36 030**	**(2 606)**	(7.2%)
Trade credit	207	1%	193	15	7.6%
Secured loans	20 947	59%	22 480	(1 534)	(6.8%)
Assets acquired under repurchase agreements	3 451	10%	2 993	458	15.3%
Other term loans	3 959	11%	4 329	(370)	(8.5%)
Demand loans and other	4 860	14%	6 035	(1 175)	(19.5%)
Total unadjusted customer loans per valuation	**35 433**	**100,0%**	**38 065**	**(2 632)**	**(6.9%)**
Impairment and other adjustments per valuation	(2 345)		(2 979)	634	(21.3%)
Total customer loans	**33 088**		**35 086**	**(1 998)**	**(5.7%)**

In comparison with December 2014, we should note the reduction in the relative importance of the development sector, which now represents only 4.7%. Conversely, loans to individuals have increased (from 70.4% to 73.4%).

					Million euros
Private sector loans by credit risk rating	**December 2015**	**Compos.**	**December 2014**	**Absolute variation**	**Relative variation**
Private sector loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Companies	**7 888**	**26,6%**	**9 722**	**(1 834)**	**(18.9%)**
Real-estate development and construction	1 385	4,7%	1 948	(562)	(28.9%)
Other companies	6 502	21,9%	7 774	(1 272)	(16.4%)
SMEs and independent contractors	4 855	16,4%	5 979	(1 125)	(18.8%)
Large companies	1 164	3,9%	1 238	(74)	(6.0%)
Civil works	483	1,6%	556	(73)	(13.1%)
Individuals	**21 747**	**73,4%**	**23 067**	**(1 321)**	**(5.7%)**
Housing	19 438	65,6%	20 513	(1 075)	(5.2%)
Rest	2 309	7,8%	2 555	(246)	(9.6%)

In 2015 the contraction of the total volume of credit that had characterised the Spanish economy in recent years due to the deleveraging of companies and households began to slow. In this respect, although new business is not sufficient to offset existing credit repayments, both Unicaja Banco and EspañaDuero have seen a notable increase in the volume of new transactions compared with the previous year.

During 2015 new loan operations with SMEs and households have totalled over €2,250 million. Of particular significance is the growth in new home loans, 26% higher than those granted by Unicaja Banco and EspañaDuero in 2014. This confirms the trend towards reactivation that had already been noted in the most recent quarters.

Credit quality

Following the increase in non-performing assets in 2014 after the acquisition of EspañaDuero, and consolidating the positive trend that emerged in the last quarter of 2014, in 2015 the balance of doubtful loans in Unicaja Banco Group has fallen by over €1,250 million (-26%), with decreases in both Unicaja Banco and EspañaDuero, which has led to an increase of 2.6% in the NPL ratio of the Unicaja Banco Group to 10%, less than the 10.2% for total Spanish deposit-taking entities at December 2015 announced by the Bank of Spain (provisional figure). Likewise, Unicaja Banco Group maintains a level of doubtful exposure coverage of 57.1%, above the 58% for Spanish deposit-taking entities as a whole at end-2015, according to the provisional data published by the Bank of Spain.

Thanks to the efforts made in recent years to clean up the balance sheet, enabling a level of risk coverage to be achieved that covers the hypothetical losses envisaged in adverse scenarios, and the expected recovery of the Spanish economy, which is reflected in a clear change of direction in the evolution of irregular assets, a major reduction in write-down needs in the coming years may be envisaged.

Repossessed assets

At end-2015 the balance of net repossessed assets stands at €1,113 million (€2,681 million in terms of gross value), which is only 1.85% of the Unicaja Banco Group's assets. 55% of the repossessed properties at carrying value are completed new constructions and used residential property.

Repossessed assets - Unicaja Banco Group				**Million euros 2015**
	Carrying value	**Value adjustments**	**Gross value**	**Coverage (%)**
Properties derived from construction and real estate development	642	1 065	1 707	62.4%
Finished buildings	271	285	556	51.2%
Buildings under construction	48	74	122	60.7%
Land	323	706	1 029	68.6%
Properties derived from home loans	340	332	672	49.4%
Other properties	131	171	302	56.7%
Total repossessed assets	**1 113**	**1 568**	**2 681**	**58.4%**

In line with Unicaja Banco Group's prudent approach, provisions for repossessed assets amounted to €1,568 million at end-2015, which entails coverage of these assets of 58.5%.

Solvency

Unicaja Banco Group maintained high levels of solvency at the end of 2015.

PHASE IN RATIOS	2015	2014	Variation	% variation
CET 1	12.8%	11.0%	184 p.b.	17%
T1	12.9%	11.0%	190 p.b.	17%
TOTAL CAPITAL	**12.9%**	**11.0%**	**190 p.b.**	**17%**

FULLY LOADED RATIOS	2015	2014	Variation	% variation
CET 1	11.1%	10.3%	80 p.b.	8%
T1	11.5%	10.7%	84 p.b.	8%
TOTAL CAPITAL	**11.5%**	**10.7%**	**84 p.b.**	**8%**

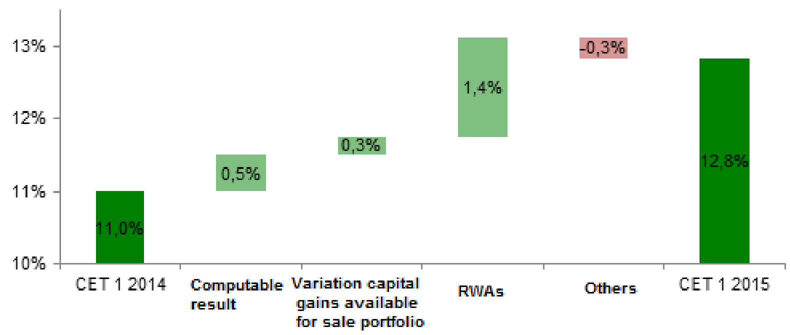
These ratios enable the Group to meet, or even exceed, the following:

- the requirements laid down in EU Regulation 575/2013 on prudential requirements in credit institutions and

- the prudential minima determined by the ECB following the results of the SREP review and evaluation process.

	2015
Regulatory minimum (CET 1 %)	4,5%
Regulatory minimum (surplus €M)	2 260
Prudential minimum (CET 1 %)	9.25%
Prudential minimum (surplus €M)	972

The positive development of CET 1 phase-in in 2015 is explained mainly by the generation of profits, higher capital gains in the Available for sale portfolio and the decrease in Risk Weighted Assets.



For complementary purposes, set out below is a detail of items making up qualifying capital together with a breakdown of the Pilar 1 capital requirements:

				€million
	December 2015	**December 2014**	**Absolute variation**	**Relative variation**
TOTAL T1 CAPITAL	**3 510**	**3 348**	**162**	**5%**
TOTAL CET1 CAPITAL	**3 480**	**3 334**	**146**	**4%**
Capital	881	881	-	-
Share premium	1 133	1 133	-	-
Reserves and profit/(loss) for the year	685	483	202	42%
Non-controlling interests	229	298	(68)	(23%)
Cash flow hedges	5	13	(7)	(59%)
Contingent convertible bonds subscribed by the FROB	604	604	-	-
Other accumulated comprehensive results	150	297	(147)	(49%)
Adjustment for unrealized gains	(101)	(327)	(226)	(69%)
Other	(1)	-	(1)	134%
Deduction goodwill and intangibles	(14)	(7)	(7)	91%
Deduction tax assets	(53)	(22)	(31)	142%
Deduction significant shareholdings	(39)	(18)	(21)	118%
TOTAL AT1 CAPITAL	**30**	**14**	**16**	**119%**
Hybrid instruments Cocos	99	99	-	-
Deduction goodwill	(22)	(30)	8	(28%)
Deduction significant shareholdings	(47)	(55)	8	(14%)
TOTAL T2 CAPITAL	**-**	**-**	**-**	**-**
Qualifying generic	9	10	-	(4%)
Qualifying subordinated	1	6	(5)	(78%)
Deduction significant shareholdings	(11)	(16)	5	(33%)
TOTAL CAPITAL	**3 510**	**3 348**	**162**	**5%**

Finally, the reconciliation between shareholders' equity and qualify capital for regulatory purposes is as follows:

Reconciliation shareholders' equity and qualifying capital	**2015**	**2014**	**Variation**	**€million Change (%)**
Shareholders' funds	2 834	2 674	160	6%
Valuation adjustments	142	292	(150)	(51%)
Non-controlling interests	280	326	(46)	(14%)
TOTAL EQUITY (published balance sheet)	**3 256**	**3 292**	**(36)**	**(1%)**
Difference between published and regulatory balance sheet	(1)	(1)	-	n.s.
TOTAL EQUITY (published balance sheet)	**3 255**	**3 291**	**(36)**	**(1%)**
Adjustments for non-qualifying valuation	(88)	(310)	221	(72%)
Non-qualifying minority interests	(50)	(28)	(22)	81%
Non-qualifying profit for the year	(36)	(78)	42	(54%)
Deductions	(186)	(148)	(38)	26%
Convertible contingent bonds subscribed by FROB	604	604	-	-
T2 capital	11	16	(5)	(33%)
TOTAL QUALIFYING CAPITAL	**3 510**	**3 348**	**162**	**5%**

Liquidity

At the end of 2015, Unicaja Banco Group has a liquid and discountable asset position with the ECB, net of utilized assets, of €15,952 million, which represents over 26% of the total balance sheet figure. This significant volume of liquid assets means that forthcoming bond maturities (€1,492 million in 2016) and the finalization of the ECB long-term liquidity operations (LTROs) in 2018 can be managed comfortably.

		€million
Unicaja Banco discountable liquid assets	**2015**	**2014**
Liquid assets:		
Cash surplus (*)	1 008	9
Discountable assets acquired under repurchase agreements	4 849	3 456
Fixed income portfolio and other discountable assets in the European Central Bank	18 075	23 575
Total liquid assets (ECB discount value)	**23 932**	**27 040**
Liquid assets utilized:		
In European Central Bank	2 417	8 722
Temporary assignment of assets	5 563	4 583
Total liquid assets utilized	**7 980**	**13 305**
Available discountable liquid assets	**15 952**	**13 734**
% of total assets	**26.4%**	**20.2%**

(*) Includes interbank deposits and surplus balance in central banks

			€million
Maturities of financing on markets for 2016-2018	**Issues**	**LTROs**	**Total**
FY 2016	1 492	-	1 492
FY 2017	1 370	-	1 370
FY 2018	1 493	2 417	3 910
Total	**4 355**	**2 417**	**6 772**

The growth trend in retail deposits and the contraction of customer loans have underlined the reduction in structural market funding needs in the Unicaja Group, a decline that is reflected in the evolution of the LTD (Loan to Deposits) ratio, which at end 2015 stands at 82%.

Unicaja Banco LTD ratio (*)	**% Ratio**
End FY 2013	109%
End FY 2014	91%
End FY 2015	82%

(*) Loans to deposits (without valuation adjustments in both cases). Both loans and deposits exclude balances of operations on wholesale markets.

Branch network

Unicaja Banco Group operates only in Spain (with the exception of a branch in Portugal) mainly in Andalusia and Castilla y León, as well as in the Autonomous Regions of Madrid and Murcia, the provinces of Albacete, Alicante, Badajoz, Barcelona, Ciudad Real, Toledo, Valencia and Valladolid and the Autonomous Cities of Ceuta and Melilla. 82% of its branches are concentrated in Andalusia and Castilla y León. Málaga (16%), Almería (8%), León (8%) and Valladolid (8%) are the most important provinces in the Group's business. At 31 December 2015, Unicaja Banco Group had a network of 1354 branches: 1352 branches in Spain, covering 38 provinces and Ceuta and Melilla; one branch in Portugal and one correspondent branch in the UK (according to Bank of Spain criteria from June 2010, offices open to the public include desks in other locations and branches abroad).

Business Network Distribution

Country	Autonomous Region	Branches operating at 31/12/2015		Branches operating at 31/12/2014	
		No. of branches	Distribution (%)	No. of branches	Distribution (%)
Spain	Andalusia	643	47.49%	666	46.90%
	Aragón	1	0.07%	2	0.14%
	Asturias	3	0.22%	5	0.35%
	Cantabria	1	0.07%	1	0.07%
	Castilla y León	471	34.79%	499	35.14%
	Castilla-La Mancha	77	5.69%	78	5.49%
	Catalonia	2	0.15%	2	0.14%
	Ceuta	1	0.07%	2	0.14%
	Autonomous region of Valencia	4	0.30%	4	0.28%
	Extremadura	54	3.99%	59	4.15%
	Galicia	6	0.44%	10	0.70%
	La Rioja	1	0.07%	1	0.07%
	Madrid	80	5.91%	81	5.70%
	Melilla	4	0.30%	4	0.28%
	Murcia	2	0.15%	2	0.14%
	Navarre	1	0.07%	1	0.07%
	Basque Country	1	0.07%	1	0.07%
Total number of branches in Spain		**1 352**	**99.85%**	**1 418**	**99,86%**

Country	City	Branches operating at 31/12/2015		Branches operating at 31/12/2014	
		No. of branches	Distribution (%)	No. of branches	Distribution (%)
Portugal	Lisbon	1	50.00%	1	50.00%
United Kingdom	London	1	50.00%	1	50.00%
Total number of branches abroad		**2**	**0.15%**	**2**	**0.14%**
Total branches		**1 354**	**100.00%**	**1 420**	**100.00%**

At 30 September 2015, according to the T7 statement published by the Bank of Spain, market share in the Autonomous Regions of Andalusia and Castilla Y León stands at 14.7% and the share in customer deposits in other resident sectors (i.e. entities not belonging to the public sector, nor credit institutions or non-resident entities) stands at 22.7%, while market share in relation to customer loans in other resident sectors stand at 9.9% and 15.3%, respectively. With regard to branches, Unicaja Banco Group's share in Andalusia is 13.2% and in Castilla y León is 20.9%, according the latest available Bank of Spain figures at 30 September 2015.

Risk exposure framework

On 30 January 2015, the Board of Unicaja Banco approved the Unicaja Banco Group's Risk Exposure Framework ("Risk Appetite Framework" or "RAF"). The Group will carry on its business within this framework.

The Risk Exposure Framework is a basic instrument which is used to implement the Bank's risk policy. It includes policies, processes, controls and systems to establish, report and monitor each form of risk exposure. The framework is the Group's general risk policy; it is the Bank's basic management tool used to formalize and update the integral framework that defines the risk which the Group is prepared to accept. It establishes several different metrics to quantify, control and monitor risk exposure. The metrics also make it possible to react in the face of certain levels or scenarios.

The approval and subsequent implementation of the Group's Risk Exposure Framework make it possible to:

- Explain the Group's risk objectives in line with corporate strategy, acting as a benchmark reference for the lines of business.
- Integrate all of the risk management processes in a common framework.
- Promote an internal culture of risk management.

The Unicaja Banco Group's business is focused mainly on business, retail and corporate banking, applying solid risk control and management standards. It finances lending mainly by using deposits banked by customers and issuing long-term deposits on wholesale markets. The main risks managed by the Group are credit risk and liquidity risk.

For the purpose of its strategic plan the Unicaja Banco Group's Risk Exposure Framework sets the level and type of risk exposure that it is prepared to accept, envisaging no significant changes at all even during stress testing. Unicaja Banco Group risk management aims to achieve a moderate risk profile through prudent management, a bespoke retail banking business model based on location, asset type, portfolio and client and sustainable growth over time.

The Risk Exposure Model of the Unicaja Banco Group is considered the result of the work of all of its subsidiaries and EspañaDuero in particular, due to the relevance and importance of the model in terms of the Group's solvency, by setting specific limits on solvency and references on which to base independent management. Historically, Unicaja has been characterised by the implementation and effective assumption of a prudential risk management culture. With respect to the consolidation of EspañaDuero, Unicaja Banco Group will continue to make its culture of prudence a priority across the Group as a whole.

Global risk control

The Group applies rigorous measures to maintain a permanent, prudent and balanced risk profile so as to preserve its solvency, profitability and liquidity. The Group’s integrated risk management model allows service quality to be assured during the application of the lending policy and in all investment lines.

25 April 2014 the Risk Committee was created with the authority to advise the Bank's Board Directors regarding the current and future overall risk scenario at the Entity and its strategy in this area, to assist the Board in monitoring the application of that strategy by Senior Management and to examine whether the prices of assets and liabilities offered to customers fully take into account the business and risk strategy model at the Entity. The amendment of the bylaws of Unicaja Banco that was approved by shareholders at a General Meeting on 30 September 2014 brought the Risk Committee into the highest level of management.
The Group continues to improve and upgrade the systems used in the management of general credit or counterparty risk, market risk, operational risk, interest rate risk and liquidity risk.

Unicaja Banco Group implements individual actions and participates in sector Global Risk Control projects led by the Spanish Confederation of Savings Banks in order to enhance the procedures, systems and methodologies necessary to manage the different types of risks to which the Entity is exposed on an integrated and effective basis.

Having regard to credit risk, the Group has implemented scoring systems for certain products (private individuals, consumption, mortgages and credit cards), allowing the automatic approval of loans up to certain amounts for the retail segment and providing support for decision-taking by the risk analyst.
With respect to market risk, i.e. the risk of a change in value of financial assets or liabilities held for trading due to adverse movements in market prices or price volatility, Unicaja Banco Group uses tools to measure and control market risk, as well as permanent and systematic controls over transactions that are particularly complex from an operational and accounting viewpoint.

Unicaja Banco Group has integrated operational risk management, i.e. the risk of loss resulting from the inadequacy of or failure in processes, personnel or internal systems, or from external events, in its risk control policy and has rolled out the relevant procedures across all areas of the organization.

Global interest risk arises from the temporary mismatch of asset and liability maturities and interest rate reviews. It may be measured in terms of the impact that a certain change in market rates would have on the entity’s net interest income in a given period. Structural interest rate risk is actively managed and permanently controlled by the Assets, Liabilities and Budgeting Committee (COAPP).

Unicaja Banco Group also assesses and manages liquidity risk from both a current or short-term viewpoint (controlling daily liquidity needs to cover deposit maturities and customer credit demands) and from a structural viewpoint, entailing the evaluation of the possible need for capital market financing in the medium and long term in order to maintain the planned rate of business growth.

Events after the balance sheet date

On 4 January 2016 and 11 February 2016, Unicaja Banco Group, through Unimediación, S.L.U. and Caja España Mediación, Operador Banca-Seguros Vinculado, S.A.U., respectively, have concluded agreements consisting of the assignment of exclusive distribution rights for various branches of insurance. In addition, on 11 February 2016 the Group has concluded, through Banco de Caja España de Inversiones, Salamanca y Soria, S.A. and Grupo de Negocios Duero, S.A.U., an agreement for the sale of 100% of the holding in Unión del Duero, Compañía de Seguros Generales, S.A.U. This agreement is subject to authorization by the Directorate General for Insurance and Pension Funds. The above operations have no significant impact on the 2015 consolidated annual accounts.

During the period between the end of the year on 31 December 2054 and the date these director’s report were prepared, no event of special relevance has taken place that has not been mentioned in the notes to the annual accounts.

Research & Development

The Entity did not engage in significant research and development activities during 2015 and 2014.

Environmental impact

The Group's overall transactions are governed by the Laws on environmental protection (Environmental Laws). The Parent Entity believes that it substantially complies with such legislation and it implements procedures to ensure and promote compliance.

The Parent Entity has adopted the relevant measures to protect and improve the environment and to minimize its environmental impact and complies with relevant legislation. The Group did not make significant environmental investments in 2015 and 2014, nor did it consider it necessary to record any provision for environmental risks and charges, and does not consider that there are significant contingencies relating to environmental protection and enhancement.

Treasury shares

At 31 December 2015 the Bank did not hold any treasury shares. During 2015 no operations were carried out involving treasury shares.

Deferral of payments to suppliers

The payments made by Unicaja Banco Group to suppliers only rendering services and sundry services in 2015 totalled €435,628 thousand (€323,388 thousand in 2014), which were made within the deadlines established by law and by contract. The amount pending payment to suppliers at 31 December 2015 and 2014 is not significant and have been outstanding for a period less than that established by Law 15/2010.

Under Final Provision Two of Law 31/2014 of 3 December, which amended Additional Provision Three of Law 15/2010, and in relation to the information to be disclosed in the notes to the annual accounts on delays in payment to suppliers in business operations calculated on the basis of the Ruling of 29 January 2016 by the Spanish Institute of Accountants and Auditors, the average supplier payment period for the Group during 2015 is 19.64 days, while the transactions paid ratio and the transactions pending payment ratio stand at 20.48 days and 28.19 days, respectively.

As provided by the Single Additional Provision of the Ruling of 29 January 2016 by the Spanish Institute of Accountants and Auditors concerning disclosure in the annual accounts of the average supplier payment period in business operations, as this is the first year of application, no comparative information is presented and these annual accounts are regarded as being initial annual accounts solely for the purpose of the consistency principle and comparability requirement.

The Group's average payment period is within the legally established limit and therefore there is no need to disclose the measures envisaged in Article 262.1 of the Spanish Companies Act 2010 in the directors' report.

Annual Corporate Governance Report

Below is attached the Annual Corporate Governance Report of Unicaja Banco, S.A. for the year ended December 31, 2015, as an integral part of this consolidated management report.

UNICAJA BANCO, S.A.
AND ITS SUBSIDIARIES
(UNICAJA BANCO GROUP)

Auditor's report, consolidated annual accounts
and consolidated directors' report at 31 December 2014

A free translation of the report on the consolidated annual accounts originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain. In the event of a discrepancy, the Spanish language version prevails

AUDITOR'S REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

To the Sole Shareholder of Unicaja Banco, S.A.,

Report on the Consolidated Annual Accounts

We have audited the accompanying consolidated annual accounts of Unicaja Banco, S.A. (the Parent Company) and its subsidiaries (the Group), consisting of the consolidated balance sheet at 31 December 2014, the consolidated income statement, the consolidated statement of recognised income and expenses, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes to the consolidated annual accounts for the year then ended.

Directors' Responsibility for the Consolidated Annual Accounts

The parent company's directors are responsible for the preparation of these consolidated annual accounts, so that they present fairly the consolidated equity, financial position and financial performance of Unicaja Banco, S.A. and its subsidiaries, in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable to the Group in Spain and for such internal control as directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated annual accounts based on our audit. We conducted our audit in accordance with legislation governing the audit practice in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the parent company´s directors´ preparation of the consolidated annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated annual accounts taken as a whole.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 913 083 566, www.pwc.com/es

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Opinion

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the consolidated equity and financial position of Unicaja Banco, S.A. and its subsidiaries as at December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable in Spain.

Emphasis of Matter

We draw your attention to Note 1.2 to the consolidated annual accounts, which refers to the acquisition of control by the Unicaja Banco Group of Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (hereinafter, Banco CEISS) on 28 March 2014, meaning that the figures in the accompanying consolidated annual accounts are not directly comparable with those of the previous year. This acquisition was completed in the context of the restructuring process of Banco CEISS and, according to which its assets and liabilities are recognised at fair value in accordance with International Financial Reporting Standards, adopted by the European Union. That restructuring is defined in accordance with Law 9/2012, on credit institution restructuring and resolution and the latest amendment of the Resolution Plan and Term Sheet. This does not alter our opinion.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2014 contains the explanations which the Parent Company's Directors consider appropriate regarding the situation of the Group, the development of its business and other matters, and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the consolidated directors' report is in agreement with that of the consolidated annual accounts for 2014. Our work as auditors is limited to checking the consolidated directors' report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from the accounting records of the Group.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Alejandro Esnal Elorrieta

30 March 2015

UNICAJA BANCO, S.A.
AND ITS SUBSIDIARIES
(UNICAJA BANCO GROUP)

Consolidated Annual Accounts at 31 December
2014 and Consolidated Director's Report 2014

UNICAJA BANCO, S.A. AND ITS SUBSIDIARIES (UNICAJA BANCO GROUP)

BALANCE SHEET AS AT 31 DE DECEMBER 2014 AND 2013

(Thousands of euros)

ASSETS	Note	2014	2013 (*)
CASH AND BALANCES AT CENTRAL BANKS	7	611 917	1 913 257
FINANCIAL ASSETS HELD FOR TRADING	8	228 871	291 771
Loans and advances to credit institutions		-	-
Loans and advances to other debtors		-	-
Debt securities		176 425	277 106
Equity instruments		-	8 428
Trading derivatives		52 446	6 237
Memorandum item: Loaned or advanced as collateral		-	*108 616*
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-
Memorandum item: Loaned or advanced as collateral		-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS	9	12 503 087	2 566 037
Debt securities		11 575 532	1 951 956
Equity instruments		927 555	614 081
Memorandum item: Loaned or advanced as collateral		*2 339 387*	*1 387 108*
LOANS AND RECEIVABLES	10	37 670 583	28 886 959
Loans and advances to credit institutions		762 809	6 011 925
Loans and advances to other debtors		35 086 336	21 766 390
Debt securities		1 821 438	1 108 644
Memorandum item: Loaned or advanced as collateral		*3 077 733*	*8 882 363*
HELD-TO-MATURITY INVESTMENTS	9	9 639 624	4 242 658
Memorandum item: Loaned or advanced as collateral		*2 249 963*	*3 916 484*
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		-	-
HEDGING DERIVATIVES	11	921 921	543 745
NON-CURRENT ASSETS HELD FOR SALE	15	931 290	263 918
INVESTMENTS	12	424 115	279 759
Associates		305 265	279 759
Jointly-controlled entities		118 850	-
Group entities		-	-
INSURANCE CONTRACTS LINKED TO PENSIONS	19	147 763	132 097
REINSURANCE ASSETS		7 074	-
TANGIBLE ASSETS	13	1 385 970	753 691
Property, plant and equipment		1 031 047	591 311
For own use		1 031 047	591 311
Leased out under operating lease		-	-
Assigned to welfare projects		-	-
Investment properties		354 923	162 380
Memorandum item: Acquired under finance lease		*3 507*	*5 413*
INTANGIBLE ASSETS	14	1 771	3 689
Goodwill		184	-
Other intangible assets		1 587	3 689
TAX ASSETS	23	2 747 643	677 616
Current		89 386	45 705
Deferred		2 658 257	631 911
OTHER ASSETS	15	728 786	702 914
Inventory		593 892	673 671
Other		134 894	29 243
TOTAL ASSETS		**67 950 415**	**41 258 111**

LIABILITIES AND EQUITY	Note	2014	2013 (*)
LIABILITIES			
FINANCIAL LIABILITIES HELD FOR TRADING	8	64 582	11 981
Deposits from central banks		-	-
Deposits from credit institutions		-	-
Deposits from other creditors		-	-
Debt securities issued		-	-
Trading derivatives		64 582	11 981
Short positions		-	-
Other financial liabilities		-	-
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-
FINANCIAL LIABILITIES AT AMORTISED COST	16	63 007 812	38 592 934
Deposits from central banks		8 721 715	4 562 045
Deposits from credit institutions		1 397 150	1 858 514
Deposits from other creditors		49 171 162	28 712 061
Debt securities issued		1 877 739	2 503 646
Subordinated liabilities		647 832	90 979
Other financial liabilities		1 192 214	865 689
CHANGES IN THE FAIR VALUE OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		-	-
HEDGING DERIVATIVES	11	56 725	44 088
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		13 350	-
INSURANCE CONTRACTS LIABILITIES	19	29 528	5 740
PROVISIONS	17	724 487	345 181
Provisions for pensions and similar obligations		353 633	183 950
Provisions for taxes and other legal contingencies		-	-
Provisions for contingent liabilities and commitments		119 270	28 685
Other provisions		251 584	132 546
TAX LIABILITIES	23	533 864	111 516
Current		16 668	28 417
Deferred		517 196	83 099
WELFARE FUNDS		-	-
OTHER LIABILITIES	18	227 790	98 956
TOTAL LIABILITIES		**64 658 138**	**39 210 396**
EQUITY			
SHAREHOLDERS´ EQUITY	21 y 22	2 673 810	2 031 497
Assigned capital		881 288	800 000
Registered		881 288	800 000
Less: Non-demanded capital		-	-
Share premium		1 132 857	1 649 044
Reserves		86 462	(471 658)
Accumulated reserves (losses)		286 609	(344 499)
Reserves (losses) of entities accounted for using the equity method		(200 147)	(127 159)
Other equity instruments		98 682	-
Equity component of compound financial instruments		98 682	-
Non-voting equity units and associated funds (savings banks)		-	-
Other		-	-
Less: Treasury shares		-	-
Profit or loss attributed to the group		474 521	54 111
Less: Dividends and remuneration		-	-
VALUATION ADJUSTMENTS		292 105	11 734
Available-for-sale financial assets	9	289 450	37 684
Cash flow hedges		794	(24 302)
Hedges of net investments in operations abroad		-	-
Exchange differences		(52)	(120)
Entities accounted for using the equity method	22	6 173	(941)
Non-current assets held for sale		-	(224)
Other valuation adjustments		(4 260)	(363)
MINORITY INTERESTS		326 362	4 484
Valuation adjustments		5 074	(3 785)
Other	20	321 288	8 269
TOTAL EQUITY		**3 292 277**	**2 047 715**
TOTAL LIABILITIES AND EQUITY		**67 950 415**	**41 258 111**

MEMORANDUM ITEMS	Note	2014	2013 (*)
CONTINGENT EXPOSURES	30.1	1 357 712	892 851
CONTINGENT COMMITMENTS		3 401 911	3 450 329

(*) It is solely and exclusively presented for comparison purposes (Note 1.5).

The accompanying Notes 1 to 48 and Appendices I, II, III, IV and V form an integral part of the consolidated balance sheet at 31 December 2014.

UNICAJA BANCO, S.A. AND ITS
SUBSIDIARIES (UNICAJA BANCO GROUP)

CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED
31 DECEMBER 2014 AND 2013
(Thousands of euros)

	Note	(Debit) Credit 2014	(Debit) Credit 2013 (*)
INTEREST AND SIMILAR INCOME	31	1 474 058	1 103 267
INTEREST EXPENSE AND SIMILAR CHARGES	32	(755 384)	(491 201)
NET INTEREST INCOME		**718 674**	**612 066**
RETURN ON EQUITY INSTRUMENTS	33	36 273	24 889
LOSS/PROFIT OF COMPANIES VALUED AT EQUITY METHOD	34	11 149	15 627
FEE AND COMMISSION INCOME	35	250 452	156 436
FEE AND COMMISSION EXPENSE	36	(23 217)	(19 497)
GAINS/(LOSSES) ON FINANCIAL ASSETS AND LIABILITIES (NET)	37	390 066	241 406
Financial assets held for trading		(8 941)	2 966
Other financial assets at fair value through profit or loss		-	-
Financial instruments not carried at fair value through profit or loss		295 883	234 922
Other		103 124	3 518
EXCHANGE DIFFERENCES (NET)	2.4	2 664	(237)
OTHER OPERATING INCOME	38	94 420	68 705
Insurance and reinsurance premiums collected		31 432	-
Sales and income from the provision of non-financial services		31 406	33 088
Other operating income		31 582	35 617
OTHER OPERATING EXPENSE	39	(134 201)	(82 451)
Expenses relating to insurance and reinsurance contracts		(21 246)	-
Variation in inventories		-	(785)
Other operating expenses		(112 955)	(81 666)
GROSS OPERATING INCOME		**1 346 280**	**1 016 944**
ADMINISTRATIVE EXPENSES	40	(584 219)	(359 026)
Staff costs		(414 972)	(269 939)
Other general administrative expenses		(169 247)	(89 087)
DEPRECIATION AND AMORTIZATION	13 y 14	(43 884)	(34 792)
PROVISIONS (NET)	17	(148 096)	(48 769)
IMPAIRMENT LOSSES ON FINANCIAL ASSETS (NET)		(355 815)	(454 566)
Loans and receivables	10 y 26	(324 721)	(446 008)
Other financial instruments not measured at fair value through profit or loss	9	(31 094)	(8 558)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		**214 266**	**119 791**
IMPAIRMENT LOSSES ON OTHER ASSETS (NET)	41	(79 998)	(61 852)
Goodwill and other intangible assets		-	-
Other assets		(79 998)	(61 852)
GAINS/(LOSSES) ON DISPOSAL OF ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE	42	(1 398)	205
NEGATIVE GOODWILL ON BUSSINESS COMBINATIONS		372 462	-
GAINS/(LOSSES) ON DISPOSAL OF NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCOUNTED OPERATIONS	43	(30 908)	(13 295)
PROFIT/(LOSS) BEFORE TAX		**474 424**	**44 849**
INCOME TAX	23	(47 510)	9 571
MANDATORY TRANSFER TO COMMUNITY PROJECTS AND WELFARE FUNDS		-	-
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**426 914**	**54 420**
INCOME FROM DISCONTINUED OPERATIONS (NET)		20 600	-
NET PROFIT FOR THE YEAR		**447 514**	**54 420**
Profit/Loss attributable to parent entity		474 521	54 111
Profit/Loss attributable to minority interests	20	(27 007)	309

(*) It is solely and exclusively presented for comparison purposes (Note 1.5).
The accompanying Notes 1 to 48 and Appendices I, II, III, IV and V form an integral part of the consolidated balance sheet at 31 December 2014.

UNICAJA BANCO, S.A. AND ITS
SUBSIDIARIES (UNICAJA BANCO GROUP)

RECOGNISED CONSOLIDATED INCOME AND EXPENSES FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013
(Thousands of euros)

	Note	2014	2013 (*)
A) CONSOLIDATED PROFIT FOR THE YEAR		**447 514**	**54 420**
B) OTHER RECOGNISED INCOME AND EXPENSES		**280 371**	**30 922**
B.1) Items not to be reclassified to profit or loss		**(3 897)**	**(363)**
Actuarial gains/(losses) on defined-benefit pension plans	40	(5 567)	(519)
Non-current assets held for sale		-	-
Companies accounted for using the equity method		-	-
Income tax on items not to be reclassified to profit or loss		1 670	156
B.2) Items eligible to be reclassified to profit or loss		**284 268**	**31 285**
Available-for-sale financial assets	9	359 666	21 827
Valuation gains (losses)		647 148	123 652
Amounts transferred to the income statement		(287 482)	(101 825)
Other reclassifications		-	-
Cash flow hedges	11	35 851	(16 803)
Revaluation gains/(losses)		15 618	(28 530)
Amounts transferred to income statement		20 233	11 727
Amounts transferred to the initial value of hedged items		-	-
Other reclassifications		-	-
Hedges of net investments in operations abroad		-	-
Valuation gains (losses)		-	-
Amounts transferred to the income statement		-	-
Other reclassifications		-	-
Exchange differences	2.4	97	(33)
Valuation gains (losses)		97	(33)
Amounts transferred to the income statement		-	-
Other reclassifications		-	-
Non-current assets held for sale	15	320	730
Valuation gains (losses)		320	730
Amounts transferred to the income statement		-	-
Other reclassifications		-	-
Equity method entities	22	10 163	38 971
Valuation gains (losses)		12 956	38 971
Amounts transferred to the income statement		(2 793)	-
Other reclassifications		-	-
Other recognised income and expenses		-	-
Income tax	23	(121 829)	(13 407)
C) TOTAL INCOME AND EXPENSES RECOGNISED (A+B)		**727 885**	**85 342**
C.1) Attributed to the parent company		754 892	85 033
C.2) Attributed to minority interests		(27 007)	309

(*) It is solely and exclusively presented for comparison purposes (Note 1.5).
The accompanying Notes 1 to 48 and Appendices I, II, III, IV and V form an integral part of the consolidated balance sheet at 31 December 2014.

UNICAJA BANCO, S.A. AND ITS SUBSIDIARIES (UNICAJA BANCO GROUP)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013
(Thousands of euros)

	EQUITY ATTRIBUTABLE TO PARENT COMPANY								Minority interests	Total Equity
	EQUITY						Valuation adjustments	Total		
	Capital and share premium	Reserves: Reserves (accumulated losses)	Reserves: Equity method entities Reserves	Other Equity instruments	Profit for the year attributed to parent company	Total Own Funds				
Balance at 1 January 2014 (*)	**2 449 044**	**(326 354)**	**(127 159)**	**-**	**71 410**	**2 066 941**	**11 734**	**2 078 675**	**4 484**	**2 083 159**
Adjustments due to changes in accounting policy (Nota 1.5)	-	(18 145)	-	-	(17 299)	(35 444)	-	(35 444)	-	(35 444)
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-
Adjusted beginning balance	**2 449 044**	**(344 499)**	**(127 159)**	**-**	**54 111**	**2 031 497**	**11 734**	**2 043 231**	**4 484**	**2 047 715**
Total recognised income and expense	**-**	**-**	**-**	**-**	**474 521**	**474 521**	**280 371**	**754 892**	**(27 007)**	**727 885**
Other changes in equity	**(434 899)**	**631 108**	**(72 988)**	**98 682**	**(54 111)**	**167 792**	-	**167 792**	**348 885**	**516 677**
Capital increases	96 592	-	-	-	-	96 592	-	96 592	-	96 592
Capital reductions	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-
Increases in other equity instruments	-	-	-	98 682	-	98 682	-	98 682	-	98 682
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-
Distribution of dividends (c)	-	(17 930)	-	-	-	(17 930)	-	(17 930)	-	(17 930)
Transactions involving own equity instruments (net)	-	-	-	-	-	-	-	-	-	-
Transfers between equity items	(531 491)	585 602	-	-	(54 111)	-	-	-	-	-
Increase/(Decrease) due to business combinations	-	-	-	-	-	-	-	-	348 885	348 885
Optional transfer to welfare funds	-	-	-	-	-	-	-	-	-	-
Equity-instrument-based payment	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	63 436	(72 988)	-	-	(9 552)	-	(9 552)	-	(9 552)
Balance at 31 December 2014	**2 014 145**	**286 609**	**(200 147)**	**98 682**	**474 521**	**2 673 810**	**292 105**	**2 965 915**	**326 362**	**3 292 277**

(*) It is solely and exclusively presented for comparison purposes (Note 1.5).
The accompanying Notes 1 to 48 and Appendices I, II, III, IV and V form an integral part of the consolidated balance sheet at 31 December 2014.

UNICAJA BANCO, S.A. AND ITS
SUBSIDIARIES (UNICAJA BANCO GROUP)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

(Thousands of euros)

	EQUITY ATTRIBUTABLE TO PARENT COMPANY								Minority interests	Total Equity
	EQUITY						Valuation adjustments	Total		
	Capital and share premium	Reserves		Other Equity instruments	Profit for the year attributed to parent company	Total Own Funds				
		Reserves (accumulated losses)	Equity method entities Reserves							
Balance at 1 January 2013 (*)	**2 449 044**	**254 978**	**(79 173)**	**-**	**(577 253)**	**2 047 596**	**(19 188)**	**2 028 408**	**2 696**	**2 031 104**
Adjustments due to changes in accounting policy (Nota 1.5)	-	(18 145)	-	-	-	(18 145)	-	(18 145)	-	(18 145)
Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-
Adjusted beginning balance	**2 449 044**	**236 833**	**(79 173)**	**-**	**(577 253)**	**2 029 451**	**(19 188)**	**2 010 263**	**2 696**	**2 012 959**
Total recognised income and expense	**-**	**-**	**-**	**-**	**54 111**	**54 111**	**30 922**	**85 033**	**309**	**85 342**
Other changes in equity	**-**	**(581 332)**	**(47 986)**	**-**	**577 253**	**(52 065)**	**-**	**(52 065)**	**1 479**	**(50 586)**
Capital increases	-	-	-	-	-	-	-	-	-	-
Capital reductions	-	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-
Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-
Distribution of dividends (c)	-	-	-	-	-	-	-	-	-	-
Transactions involving own equity instruments (net)	-	-	-	-	-	-	-	-	-	-
Transfers between equity items	-	(577 253)	-	-	577 253	-	-	-	-	-
Increase/(Decrease) due to business combinations	-	-	-	-	-	-	-	-	-	-
Optional transfer to welfare funds	-	-	-	-	-	-	-	-	-	-
Equity-instrument-based payment	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	(4 079)	(47 986)	-	-	(52 065)	-	(52 065)	1 479	(50 586)
Balance at 31 December 2013 (**)	**2 449 044**	**(344 499)**	**(127 159)**	**-**	**54 111**	**2 031 497**	**11 734**	**2 043 231**	**4 484**	**2 047 715**

(*) Balance at 31 December 2012 published in the 2012 consolidated financial statements (Note 1.5).
(**) It is solely and exclusively presented for comparison purposes (Note 1.5).
The accompanying Notes 1 to 48 and Appendices I, II, III, IV and V form an integral part of the consolidated balance sheet at 31 December 2014.

UNICAJA BANCO, S.A. AND ITS SUBSIDIARIES (UNICAJA BANCO GROUP)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013
(Thousands of euros)

	Note	2014	2013 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES		**(2 700 354)**	**(639 685)**
Net profit for the year		**447 514**	**54 420**
Adjustments to profit and loss		**(7 415 605)**	**116 105**
Depreciation and amortization	13 y 14	43 884	34 792
Other adjustments	2.19	(7 459 489)	81 313
Net increase/decrease in operating assets		**(19 103 845)**	**(1 304 801)**
Financial assets held for trading	8.1	62 900	(167 138)
Other financial assets at fair value through profit or loss		-	-
Available-for-sale financial assets	9.1	(9 937 050)	179 921
Loans and receivables	10	(8 783 624)	(1 503 436)
Other operating assets		(446 071)	185 852
Net increase/decrease in operating liabilities		**25 081 961**	**533 427**
Financial liabilities held for trading	8.2	52 601	4 401
Other financial liabilities at fair value through profit or loss		-	-
Financial liabilities at amortised cost	16	24 465 512	665 056
Other operating liabilities		563 848	(136 030)
Collections/Payments of income tax		**(1 710 379)**	**(38 836)**
B) CASH FLOWS FROM INVESTMENT ACTIVITIES		**1 513 105**	**2 182 295**
Payments		**(68 814)**	**(13 646)**
Tangible assets	13	(3 881)	(11 753)
Intangible assets	14	(3)	(1 661)
Investments	12	(64 930)	(232)
Other business units		-	-
Non-current assets and associated liabilities for sale	15	-	-
Held-to-maturity investments	9.4	-	-
Other payments related to investing activities		-	-
Collections		**1 581 919**	**2 195 941**
Tangible assets	13	7 749	12 324
Intangible assets	14	2 752	-
Investments	12	53 542	500
Other business units		-	-
Non-current assets and associated liabilities for sale	15	-	-
Held-to-maturity investments	9.4	1 517 876	2 183 117
Other payments related to investing activities		-	-
(Continued)			

(*) It is solely and exclusively presented for comparison purposes (Note 1.5).
The accompanying Notes 1 to 48 and Appendices I, II, III, IV and V form an integral part of the consolidated balance sheet at 31 December 2014.

UNICAJA BANCO, S.A. AND ITS SUBSIDIARIES (UNICAJA BANCO GROUP)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2014 Y 2013

(Thousands of euros)

	Note	2014	2013 (*)
C) CASH FLOWS FROM FINANCING ACTIVITIES		**(74 100)**	**(113 413)**
Payments		**(74 100)**	**(113 413)**
Dividends	3	(17 930)	-
Subordinated liabilities	16.5	(56 170)	(113 413)
Redemption of own equity instruments		-	-
Acquisition of own equity instruments		-	-
Other payments related to financing activities		-	-
Collections		**-**	**-**
Subordinated liabilities	16.5	-	-
Issuance of own equity instruments		-	-
Disposal of own equity instruments		-	-
Other collections related to financing activities		-	-
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS		**-**	**-**
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**(1 261 349)**	**1 429 197**
F) CASH AND CASH EQUIVALNETS AT BEGINNING OF PERIOD		**1 947 679**	**518 482**
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD		**686 330**	**1 947 679**
MEMORANDUM ITEMS:			
COMPONENTS OF CASH AND CASH EQUIVALENTS FOR THE PERIOD			
Cash	2.19	341 525	211 754
Cash equivalent balances at central banks	2.19	270 383	1 701 503
Other financial assets	2.19	74 422	34 422
Less: bank overdrafts repayable on demand			
Total cash and cash equivalents at end of period	2.19	**686 330**	**1 947 679**
Of which held by consolidated entities but not drawable by group		-	-

(*) It is solely and exclusively presented for comparison purposes (Note 1.5).
The accompanying Notes 1 to 48 and Appendices I, II, III, IV and V form an integral part of the consolidated balance sheet at 31 December 2014.

UNICAJA BANCO, S.A. AND ITS SUBSIDIARIES
(UNICAJA BANCO GROUP)

NOTES TO THE CONSOLIDATED REPORT FOR THE YEAR ENDED AT 31 DECEMBER 2014
(Expressed in thousands of euros)

1. Introduction, basis of presentation of the annual accounts and other information

1.1 Introduction, nature of the Company and The Single Supervisory Mechanism (SSM)

1.1.1 Introduction and nature of the Company

Unicaja Banco, S.A. (hereinafter Unicaja Banco, the Parent Company or the Bank) is a credit institution incorporated for an indefinite period on 1 December 2011. Its commenced activities as a result of the approval by the General Assembly of Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén – Unicaja (currently, Fundación Bancaria Unicaja) of the indirect carrying on of finance activities through a bank.

The Bank is subject to the legislation and regulations governing banking institutions in Spain. Other public information regarding the bank is available on its website (www.unicajabanco.es) and at its registered domicile (Avenida Andalucía, 10 and 12, in Malaga).

The Bank's corporate purpose consists of all types of general banking activities, transactions, actions, contracts and services or those that are directly or indirectly related or are supplementary to them provided they are permitted or not prohibited by law.

The Bank's corporate purpose includes the rendering of investment and other auxiliary services, as well as the rendering of insurance agency activities, as an exclusive or associated operator, but not simultaneously.

In accordance with the bylaws, the activities making up its corporate purpose may be fully or partially carried out indirectly in any manner allowed by law and, in particular, through the ownership of shares in companies or other entities that have the same, similar or supplementary corporate purpose.

The Bank has been entered into the Malaga Mercantile Registry and as a credit institution in the Special Registry at the Bank of Spain under number 2103. The Bank also holds a license to carry out banking activities granted by the Ministry of Finance in accordance with Article 1 and concordant articles of Royal Decree 1245/1995.

In the context of the taking of control at 28 March 2014 of Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (hereinafter, Banco CEISS), outlined in the Note 1.2, and as a result of exchange of securities made at 2 April 2014, Unicaja Bank, S.A. has lost its capacity as a single-member society which has been retained since its creation.

The Group's 2014 consolidated financial statements have not yet been approved by the Bank's Shareholder's General Meeting. Nonetheless, the Bank's board of directors expects the consolidated annual accounts to be approved without significant changes.

At 31 December 2014, 90,78% of the Bank's share capital pertains to Fundación Bancaria Unicaja, previously Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén (Unicaja), the ultimate parent company of the Bank and the parent of Unicaja Group. Both the Bank and its parent company are domiciled in Malaga and are subject to Spanish legislation and their annual accounts are deposited at the Malaga Mercantile Registry. Fundación Bancaria Unicaja prepares consolidated annual accounts as the ultimate parent of the Group, in accordance with Article 42 of the Commercial Code. The latest consolidated annual accounts prepared by Group Unicaja related to the year ended 31 December 2013 and have been filed with the Malaga Mercantile Registry.

Moreover, the Bank is the parent of a subgroup of subsidiaries that engage in diverse activities and make up Unicaja Banco Group. In accordance with Article 6 of Royal Decree 1159/2010 (17 September) which approves the Rules for Preparing Consolidated Annual Accounts and amends the General Accounting Plan approved by Royal Decree 1514/2007 (16 November) and the General Accounting Plan for SMEs approved by Royal Decree 1515/2007 (16 November), the Bank is obligated to prepare consolidated annual accounts as it has issued securities that are traded on a regulated market in any European Union Member State, applying international financial reporting standards adopted by European Union Regulations. Consequently, the Bank has prepared the consolidated annual accounts for Unicaja Banco, S.A. - Sociedad and its subsidiaries (Unicaja Banco Group), in addition to its own annual accounts, in accordance with current legislation.

The companies that form part of Unicaja Banco Group at 31 December 2014 are as follows:

Company Name	**Activity**
Alqlunia Duero, S.L.	Real estate
Alteria Corporación Unicaja, S.L.U.	Investment on assets, real estate and financial societies
Altos de Jontoya Residencia para Mayores, S.L.U.	Geriatric care
Analistas Económicos de Andalucía, S.L.U.	Studies and analysis
Andaluza de Tramitaciones y Gestiones, S.A.U.	Management of documents and deeds
Banco de Caja España de Inversiones, Salamanca y Soria, S.A.	Financial Institution
Bruesa Duero, S.L	Real estate
Caja Duero Capital, S.A.U.	Assets, securities and financial companies Investment
Caja España de Inversiones, Sociedad de Participaciones Preferentes, S.A.U.	Issue of shares
Caja España Fondos, S.A.U., S.G.I.I.C.	Investment fund management Company
Caja España Mediación, Operador Banca-Seguros Vinculado, S.A.U.	Insurance broker
Campo Inversiones, S.A.U.	Agrarian and Livestock Services
Cartera de Inversiones Agroalimentarias, S.L.	Food industry
Conexiones y Servicios del Duero, S.A.	Auxiliary Services
Corporación Uninser, S.A.U.	Financial services
Diode España, S.A.U.	Distribution of Computer Components
Escuela Superior de Estudios de Empresa, S.A.	Studies and analysis
Finanduero Sociedad de Valores, S.A.U.	Assets, securities and financial companies Investment
Gestión de Actividades y Servicios Empresariales, S.A.U.	Electronic recording and data-processing
Gestión de Inmuebles Adquiridos, S.L.U.	Real estate
Gestión de Inversiones en Alquileres, S.A.U.	Offices Rent
Grupo de Negocios Duero, S.A.U.	Financial Management
Guendulain Suelo Urbano, S.L.U.	Real estate
Inmobiliaria Acinipo, S.L.U.	Real estate
Inmobiliaria Uniex Sur, S.L.U.	Real estate
Inmocaja, S.A.U.	Real Property holding Company
Invergestión Sociedad de Inversiones y Gestión, S.A.U.	Assets, securities and financial companies Investment
Mijas Sol Resort, S.L.U.	Real estate
Parque Industrial Humilladero, S. L.	Industrial land development
Renta Porfolio, S.L.U.	Rental property

Company Name	**Activity**
Segurándalus Mediación, Correduría de Seguros, S.A.U.	Insurance broker
Tubos de Castilla y León, S.A.U.	Water-Pipe manufacturing
Unicaja Banco, S.A.	Financial Institution
Unicaja Gestión de Activos Inmobiliarios, S.A.U.	Real Property holding Company
Unicartera Caja 2, S.L.U.	Promotion or Financing of I+D in the medical field
Unicartera Gestión de Activos, S.L.U.	Recovery activity and Disputes Managements
Unicartera Internacional, S.L.U.	Assets, securities and financial companies Investment
Unicartera Renta, S.L.U.	Assets, securities and financial companies Investment
Unicorp Corporación Financiera, S.L.U.	Provision of services
Unicorp Patrimonio, Sociedad de Valores, S.A.U.	Property Management
Unigest, S.G.I.I.C., S.A.U.	Management Company of Collective Investment Institutions
Unimediación, S.L.U.	Insurance Broker
Unimediterráneo de Inversiones, S.L.U.	Assets, securities and financial companies Investment
Unión del Duero, Compañía de Seguros Generales, S.A.	Insurances
Uniwindet Parque Eólico Las Lomillas, S.L.U.	Renewable Energies
Uniwindet Parque Eólico Loma de Ayala, S.L.U.	Renewable Energies
Uniwindet Parque Eólico Los Jarales, S.L.U.	Renewable Energies
Uniwindet Parque Eólico Tres Villas, S.L.U.	Renewable Energies
Uniwindet, S.L.	Renewable Energies
Viajes Caja España, S.A.	Travel Agency
Viproelco, S.A.	Real state Development

In accordance with current legislation, the Board of Directors of the Parent Company has prepared the Bank's individual annual accounts. The effect on consolidation on the accompanying balance sheet at 31 December 2014 and 2013, the income statement, the statement of changes in equity and the cash flow statement for 2014 and 2013 is summarised below:

	Thousands of euros			
	2014		**2013**	
	Individual	**Consolidated**	**Individual**	**Consolidated**
Assets	36 767 082	67 950 415	41 811 217	41 258 111
Equity	2 866 330	3 292 277	2 201 294	2 083 159
Income for the year	238 375	447 514	89 718	54 420
Total income and expense in the statement of changes in equity	487 692	727 885	87 165	85 342
Net increase/(decrease) in cash and cash equivalents	(1 540 663)	(1 261 349)	1 413 497	1 429 197

The Group's consolidated annual accounts for 2014 and the annual accounts of most of its subsidiaries are pending approval by its respective General Assembly or General Meeting. Nonetheless, the Entity's Board of Directors expects these annual accounts to be approved without significant changes.

Set out below is a summary of the Parent entity's individual balance sheet, individual income statement, individual statement of changes in equity and individual cash flow statement for the years ended 31 December 2014 and 2013 which have been prepared in accordance with the same accounting principles and measurement methods, gathered in the Circular 4/2004 of the Bank of Spain, as those applied in these consolidated annual accounts:

a) Individual Balance sheets for the years ended 31 December 2014 and 2013:

	Thousands of euros	
	2014	**2013 (*)**
Cash and deposits at central banks	391 253	1 913 155
Trading portfolio	195 461	282 514
Available-for-sale financial assets	8 528 052	2 446 549
Loans and receivables	21 796 569	29 839 261
To-maturity investment portfolio	2 511 583	4 239 667
Hedging derivatives	737 217	543 745
Non-current assets held for sale	238 914	263 918
Shareholdings	851 042	715 734
Insurance contracts linked to pensions	144 247	132 097
Property, plant and equipment	518 082	530 376
Intangible assets	554	1 000
Tax assets	808 627	838 178
Other assets	45 481	65 023
Total assets	**36 767 082**	**41 811 217**
Trading portfolio	29 359	11 981
Financial liabilities at amortized cost	32 753 456	38 687 435
Hedging derivatives	34 365	25 157
Provisions	402 993	358 599
Tax liabilities	176 736	102 358
Welfare funds	503 843	424 393
Total liabilities	**33 900 752**	**39 609 923**
Valuation adjustments	269 395	20 078
Equity:	2 596 935	2 181 216
Assigned capital	881 288	800 000
Share premium	1 246 429	1 762 616
Reserves	132 161	(471 118)
Other equity instruments	98 682	-
Income for the year	238 375	89 718
Less: Dividends and remuneration	-	-
Total equity	**2 866 330**	**2 201 294**
Total liabilities and equity	**36 767 082**	**41 811 217**
Contingent risks	815 762	886 839
Contingent commitments	2 350 997	3 548 087
Total memorandum accounts	**3 166 759**	**4 434 926**

(*) It is solely and exclusively presented for comparison purposes (Note 1.5).

b) Individual income statements for the years ended 31 December 2014 and 2013:

	Thousands of euros	
	2014	2013 (*)
Interest and similar income	949 763	1 106 729
Interest expense and similar charges	(388 506)	(486 888)
Net interest income	**561 257**	**619 841**
Return on equity instruments	95 083	60 586
Fee and commission income	133 584	143 297
Fee and commission expense	(15 901)	(19 625)
Gains/(losses) on financial assets and liabilities (net)	290 829	239 725
Exchange differences (net)	1 300	(237)
Other operating income	11 253	33 403
Other operating expense	(59 228)	(63 145)
Gross operating income	**1 018 177**	**1 013 845**
Administrative expenses	(347 195)	(333 528)
Depreciation and amortization	(22 618)	(25 524)
Provisions (net)	(96 273)	(50 275)
Impairment losses on financial assets (net)	(122 985)	(452 994)
Profit/(loss) from operating activities	**429 106**	**151 524**
Impairment losses on other assets (net)	(93 883)	(55 969)
Gains/(losses) on disposal of assets not classified as non-current assets held for sale	(301)	234
Negative goodwill on business combinations	-	-
Gains/(losses) on disposal of non-current assets held for sale not classified as discounted operations	(13 368)	(13 294)
Profit/(loss) before tax	**321 554**	**82 495**
Income tax	(83 179)	7 223
Mandatory transfer to community projects and welfare funds		-
Profit/(loss) from continuing operations	**238 375**	**89 718**
Profit/(loss) from discounted operations (net)	-	-
Net profit for the year	**238 375**	**89 718**

(*) It is solely and exclusively presented for comparison purposes (Note 1.5).

c) Individual statements of changes in equity for the years ended 31 December 2014 and 2013:

	Thousands of euros	
	2014	2013 (*)
Profit for the year	**238 375**	**89 718**
Other income and expenses	**249 317**	**(2 553)**
Items that will not be reclassified to income	**(1 081)**	**(363)**
Actuarial gains (losses) on pension plans	(1 545)	(519)
Non-current assets held for sale		
Tax benefits related to items that will not be reclassified to income	464	156
Items that may be reclassified to income	**250 398**	**(2 190)**
Financial assets available for sale	320 668	13 188
Hedges of cash flows	36 626	(17 013)
Hedges of net investments in foreign operations		
Exchange differences	97	(32)
Non-current assets held for sale	321	729
Entities accounted for using the participation method		
Other income and expenses		
Income tax related to items that may be reclassified to income	(107 314)	938
Total income and expenses recognized	**487 692**	**87 165**

(*) It is solely and exclusively presented for comparison purposes (Note 1.5).

d) Individual statement of changes in equity for the years ended 31 December 2014 and 2013:

	Thousands of euros							
	EQUITY							
	Capital	Share premium	Reserves	Other Equity instruments	Income for the year	Total	Valuation adjustament	TOTAL EQUITY
Balance at 1 of January 2014 (*)	**800 000**	**1 762 616**	**(452 973)**	**-**	**107 017**	**2 216 660**	**20 078**	**2 236 738**
Adjustments due to changes in accounting policy	-	-	(18 145)	-	(17 299)	(35 444)	-	(35 444)
Adjustments made to correct errors	-	-	-	-	-	-	-	-
Adjusted beginning balance	**800 000**	**1 762 616**	**(471 118)**	**-**	**89 718**	**2 181 216**	**20 078**	**2 201 294**
Total recognized Income and expense	**-**	**-**	**-**	**-**	**238 375**	**238 375**	**249 317**	**487 692**
Other equity changes	**81 288**	**(516 187)**	**603 279**	**98 682**	**(89 718)**	**177 344**	**-**	**177 344**
Transfers between equity items	81 288	15 304	-	-	-	96 592	-	96 592
Increases (decreases) by combinations business	-	-	-	98 682	-	98 682	-	98 682
Dividends distributions/ Payment to Partners (Note 3)	-	-	(17 930)	-	-	(17 930)	-	(17 930)
Optional transfer to welfare funds	-	(531 491)	621 209	-	(89 718)	-	-	-
Other increases (decreases)	-	-	-	-	-	-	-	-
Balance at 31 of December 2014	**881 288**	**1 246 429**	**132 161**	**98 682**	**238 375**	**2 596 935**	**269 395**	**2 886 330**

(*) Account balance at 31 December 2013, published on the consolidated annual accounts for 2013 (Note 1.5).

								Thousand of euros
						EQUITY	Valuation adjustament	TOTAL EQUITY
	Capital/ Endowment fund	Share premium	Reserves	Capital/ Endowment fund	Share premium	Reserves	Capital/ Endowment fund	Share premium
Balance at 1 of January 2013 (*)	**800 000**	**1 762 616**	**78 518**	**-**	**(531 491)**	**2 109 643**	**22 631**	**2 132 274**
Adjustments due to changes in accounting policy	-	-	(18 145)	-	-	(18 145)	-	(18 145)
Adjustments made to correct errors	-	-	-	-	-	-	-	-
Adjusted beginning balance	**800 000**	**1 762 616**	**60 373**	**-**	**(531 491)**	**2 091 498**	**22 631**	**2 114 129**
Total recognized Income and expense	**-**	**-**	**-**	**-**	**89 718**	**89 718**	**(2 553)**	**87 165**
Other equity changes	**-**	**-**	**(531 491)**	**-**	**531 491**	**-**	**-**	**-**
Transfers between equity items	-	-	-	-	-	-	-	-
Increases (decreases) by combinations business	-	-	-	-	-	-	-	-
Dividends distributions/ Payment to Partners (Note 3)	-	-	-	-	-	-	-	-
Optional transfer to welfare funds	-	-	(531 491)	-	531 491	-	-	-
Other increases (decreases)	-	-	-	-	-	-	-	-
Balance at 31 of December 2013 (**)	**800 000**	**1 762 616**	**(471 118)**	**-**	**89 718**	**2 181 216**	**20 078**	**2 201 294**

(*) Account balance at 31 December 2012, published on the consolidated annual accounts for 2012 (Note 1.5).
(**) It is solely and exclusively presented for comparison purposes (Note 1.5).

e) Individual cash flow statements for the years ended 31 December 2014 and 2013:

	Thousands of euros	
	2014	2013 (*)
Cash flows from operating activities	**(2 959 394)**	**(623 177)**
Net profit for the year	238 375	89 718
Adjustments to profit and loss	667 425	158 846
Net increase/decrease in operating assets	1 862 162	(1 327 883)
Net increase/decrease in operating liabilities	(5 732 915)	470 818
Collections/Payments of income tax	5 559	(14 676)
Cash flows from investment activities	**1 493 326**	**2 146 449**
Payments	(68 649)	(71 937)
Collections	1 561 975	2 218 386
Cash flows from financing activities	**(74 595)**	**(109 775)**
Payments	(74 595)	(109 775)
Collections	-	-
Effect of exchange rate fluctuations	**-**	**-**
Net increase (decrease) in cash and cash equivalents	**(1 540 663)**	**1 413 497**
Cash and cash equivalents at beginning of period	1 931 916	518 419
Cash and cash equivalents at end of period	391 253	1 931 916

(*) It is solely and exclusively presented for comparison purposes (Note 1.5).

1.1.2 Single Supervisory Mechanism

Starting in November 2014 the Single Supervisory Mechanism (SSM), consisting of the European Central Bank (ECB) and the competent national authorities, including the Bank of Spain, became the new financial supervisory system for credit institutions in the Eurozone and is based on principles and standards jointly agreed by the various European organisations.

As a step prior to the entry into force of the SSM and within the context of the Comprehensive Assessment process, European credit institutions were subjected to a rigorous evaluation of their solvency by the ECB in coordination with the national supervisors and the European Banking Authority (EBA) through an analysis of asset quality at 31 December 2013 ("Asset Quality Review or AQR") and a Stress Test (ST) under two hypothetical macroeconomic scenarios (base case and adverse) over the three projected years (2014-2016).

Unicaja Banco Group, made up by the parent Unicaja Banco and the subsidiary Banco de Caja España de Inversiones de Salamanca y Soria (Banco CEISS) easily passed the overall evaluation performed and the results were reported on 26 October 2014. This again reveals the quality of its assets and solvency level, as was the case in prior evaluations, and it remains one of the most solvent entities of reference in the Spanish financial system.

- The impact after the exhaustive and rigorous asset quality review (AQR) was not significant, which demonstrates the high quality of Unicaja Banco Group's assets and the excellent coverage level for those assets.

- The data published by the EBA with respect to the stress tests shows that Unicaja Banco Group presents a CET1 coefficient of 11.9% in the base scenario (€3,942 million) which is 3.9% higher than the required minimum (8.00%). Under the adverse scenario, the CET1 coefficient was 8.9% (€2,990 million), which is 3.4% higher than the required minimum (5.5%). In absolute terms this represents excess capital totalling €1,285 million and €1,140 million, respectively.

As a consequence of the results obtained in the Comprehensive Assessment, the regulatory capital requirements for Unicaja Banco Group did not increase, remained at 8% and no accounting policy applied to the preparation of the financial statements had to be modified.

On 14 February 2015 Royal Decree 84/2015 (13 February), which enables Law 10/2014 (26 June) on the organisation, supervision and solvency of credit institutions was published in the Official State Gazette. This adapts the Spanish legal system to European regulations regarding the Single Supervisory Mechanism (SSM).

This legislation falls within the context of EU Council Regulation 1024/2013 (15 October 2013), which empowers the European Central Bank to perform specific tasks with respect to policies relating to the prudent supervision of credit institutions. This Regulation approves the Single Supervisory Mechanism (SSM), which is made up by the European Central Bank (ECB) and the National Supervisory Authorities, including the Bank of Spain. Regulation 1024/2013 is enabled by European Central Bank Regulation (EU) 468/2004 (16 April 2014), which establishes the cooperation framework for the SSM among the ECB, the competent national authorities and the designated national authorities.

The SSM is one of the pillars of Banking Union, together with the Single Resolution Mechanism, also recently created, which is backed by a single, complete and detailed regulatory code for financial services throughout the internal market.

This measure involves attributing to the SSM, particularly the European Central Bank, supervisory duties including the authorisation, revocation and implementation of penalties for credit institutions, which traditionally had been performed by national authorities. The European Central Bank therefore assumes the supervision of the entire banking system, directly supervising the most significant entities and indirectly supervising those that are less significant. The relevance of the implementation of the SSM in Spain is seen in the fact that 15 groups of credit institutions have been identified as significant, which represent more than 90% of the system assets, among which is Unicaja Banco Group.

This change in the legal framework for supervisory competencies makes it necessary to adapt our legal system to the new reality, in particular the distribution of competencies between the European Central Bank and the Bank of Spain, which is also covered by this Royal Decree. Accordingly, Title I of Royal Decree 84/2015, which regulates the requirements that credit institutions must meet, establishes the eminently formal adaptations that are necessary for the Spanish legal system to be brought into line with the new supervisory framework established by the European Union, particularly with respect to authorisations, the acquisition of significant shareholdings and the evaluation of the suitability of the members of senior management at credit institutions. Title II also covers certain adaptations to SSM that relate to excess capital. In turn, Additional Provision Two of this system which, strictly speaking, covers the supervisory duties regulated by Title III under the principle that the European Central Bank will directly supervise the most significant entities and the Bank of Spain will supervise the less significant entities.

Royal Decree 84/2015 provides the enabling regulations for Law 10/2014 (26 June) on the organisation, supervision and solvency of credit institutions and fully incorporates into Spanish law the provisions of Directives whose transposition required changes in the law. However, in addition to the transposition Law 10/2014 (26 June), implemented a rewording of the main regulations regarding the organisation and discipline of credit institutions which, until then, had been subject to disperse regulations that were difficult to understand in many cases due to the successive amendments of banking regulations.

This Royal Decree also culminates the regulatory development of Law 10/2014 (26 June), through the rewording of the content of those regulations covering the organisation and discipline of credit institutions. For this reason this Royal Decree provides a single text containing the provisions of Royal Decree 216/2008 (15 February) regarding the equity of financial institutions that remained in force after EU Regulation 575/2013 (26 June 2013) and Directive 2013/36/EU) (26 June 2013) entered into force, together with Royal Decree 1245/1995 (14 July) on the creation of banks, trans-frontier activities and other matters relating to the legal system applicable to credit institutions. The Royal Decree is divided into three large Titles: activity requirements, credit institution solvency and the supervision of credit institutions.

1.2 The acquisition of Banco de Caja España de Inversiones, Salamanca y Soria, S.A.

Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (Banco CEISS) is a financial institution created for an indefinite period on 24 November 2011. It commenced activities as a result of the approval by the General Assembly of Caja España de Inversiones, Salamanca y Soria, Caja de Ahorros y Monte de Piedad (hereinafter CEISS) of the indirect carrying on of financial activities through a bank.

1.2.1 Considerations regarding the acquisition process

On 15 July 2013, the Board of Directors of Unicaja Banco, S.A. adopted a resolution to commence the process that is necessary to make an offer to shareholders and the holders of convertible and potentially convertible bonds issued by Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (Banco CEISS). Subsequently, both the Board of Directors of Unicaja Banco (on 5 October 2013) and shareholders at a General Meeting of Unicaja Banco (on 11 October 2013) approved a swap transaction involving the shares and convertible securities issued by Banco CEISS as a result of the hybrid instrument management action agreed by the FROB in resolutions adopted on 16 May and 15 July 2013.

Within the framework of this offer, shareholders at a General Meeting of Unicaja Banco held on 11 October 2013 adopted a resolution with the conditions described in the relevant event published on that same date:

- Increase the share capital of the Bank, foreseeing incomplete subscription, by an amount of up to €86,258 thousand through the issue of up to 86,258,486 ordinary registered shares with a par value of €1 each and a unitary share premium of €0.18827 per share, up to a total of €16,240 thousand, which gives rise to a maximum share capital increase of €102,498 thousand (including the share premium).

- Issue mandatory and contingent bonds convertible into newly issued ordinary shares in Unicaja Banco, foreseeing incomplete subscription, for a maximum amount of €115,754 thousand in accordance with the terms and conditions and subject to the conversion bases and types indicated in the relevant event published by Unicaja Banco.

- Issue perpetual contingent bonds convertible into newly issued ordinary shares in Unicaja Banco, foreseeing incomplete subscription, for a maximum amount of €115,754 thousand in accordance with the terms and conditions and subject to the conversion bases and types indicated in the relevant event published by Unicaja Banco.

The Prospectus regarding the offer to swap shares, mandatory and contingent convertible bonds and perpetual contingent convertible bonds by Unicaja Banco, to be subscribed by shareholders and the holders of mandatory and contingent convertible bonds in Banco CEISS was authorised by the National Stock Market Commission (CNMV) on 26 November 2013 and a supplement was subsequently authorised on 30 December 2013.

In accordance with the terms of the Prospectus, the swap offer was subject to the condition that it be accepted by at least: (i) 75% of the shares in Banco CEISS (the “Condition of Minimum Acceptance of Shareholders”); and (b) 75% of the sum of the shares in Banco CEISS and the mandatory and contingent convertible bonds in Banco CEISS to which the offer is directed ("Condition of Minimum Acceptance of all Security Holders”), and Unicaja Banco reserves the right to waive compliance with the Condition of Minimum Acceptance of all Security Holders.

Within the framework of the swap offer, Unicaja Banco received a letter from the FROB reporting that its Governing Commission had agreed to (i) the basic lines of the modification of the resolution plan for Banco CEISS and, as a consequence, the Term Sheet attached to the decision of the European Commission dated 13 May 2013, (ii), and its intention to submit that modification for the approval of the Bank of Spain and the European Commission. That letter was accompanied by the notification received by the FROB from the Directorate General for Competition at the European Commission indicating that although the final decision had to be adopted by the College of Commissioners, the projected amendment to the resolution plan for Banco CEISS was compatible, based on its preliminary analysis, with the EU framework for State assistance. Unicaja Banco also received a letter from the Bank of Spain regarding these amendments and reporting that the Executive Committee at the Bank of Spain had stated its agreement with them so that they may be included in the planned amendment of the resolution plan for Banco CEISS the approval of which would be requested by the FROB.

On 29 January 2014 Banco CEISS indicated its acceptance of the basic lines of the amendment to its resolution plan through the publication of a relevant event. As was indicated by Banco CEISS in the relevant event, two agreements supplementing the Term Sheet were expected to be adopted: (i) between Banco CEISS and SAREB to establish the adjustments deriving from the asset transfer agreement between SAREB and Banco CEISS, concluded on 28 February 2013 and (ii) between Banco CEISS and FROB to regulate a Compensation Mechanism relating to the shares in Banco CEISS that the FROB would acquire as a result of the claims from the holders of the mandatory and contingent convertible bonds in Banco CEISS that do not accept the Offer.

Based on the content of the aforementioned letters and the relevant event, the amendment of the resolution plan for Banco CEISS and, consequently, the Term Sheet, was formally adopted in accordance with the following basic lines:

a) The distribution between the FROB and Banco CEISS of the negative effects that could arise from any claims from the holders of the mandatory and contingent convertible bonds in Banco CEISS that do not accept the Offer, such that the FROB will assume 71% of that impact up to a maximum of €241 million, net of any compensation that the FROB may receive by virtue of the Compensation Mechanism and Banco CEISS would assume the remaining 29%.

b) The assumption of certain commitments and limitations regarding the future activity carried out by Banco CEISS that change those initially established in the Term Sheet, and which basically consist of: (i) The maximum volume of the credit portfolio is reduced by an additional 10%; (ii) the maximum size of the balance sheet will be reduced by an additional 15%; (iii) the target loan to deposit ratio will be 10% lower than that initially foreseen in the areas in which Banco CEISS primarily operates; (iv) the organisational restructuring will include the closing of 5% more offices and the planned decline in the payroll will be maintained up until 31 December 2014, although there will be an additional 5% reduction before 31 December 2016. Additional restrictions will be placed on the distribution of dividends by Banco CEISS during the resolution period.

As was stated in the relevant event issued by Banco CEISS and in the letters received, the two resolutions indicated above were adopted:

a) A base agreement between the FROB and Banco CEISS with respect to the shares in Banco CEISS that the FROB may acquire as a result of the claims resolved in accordance with paragraph (a) above (the "Compensation Mechanism"), under which the FROB will receive an amount not less than that relating to those shares as measured by the consultancy Oliver Wyman, which concluded that 100% of Banco CEISS had an equity value equivalent to €334 million. If the maximum pay-out indicated in section (a) above is made, the maximum value to be received by the FROB will be €78 million, and Banco CEISS will not have the obligation to acquire those shares before 1 January 2018. This agreement establishes that under no circumstances will the FROB become a shareholder of Unicaja Banco as a result of that mechanism.

b) The liquidation transactional agreement to be concluded between Banco CEISS and SAREB to establish the adjustments deriving from the asset transfer agreement concluded by SAREB and Banco CEISS on 28 February 2013 (to which reference is made in the section "Risk Factors" in the Registration Document). The concluding of the aforementioned transactional agreement, as is noted by Banco CEISS in its relevant event dated 29 January 2014, will not in any case mean that the amount for which Banco CEISS is responsible will represent any significant deviation with respect to the forecasts set out in the Term Sheet, attached to the European Commission Decision dated 13 May 2013 ("State Aid SA36249 (2013/N)" decision).

Based on the materialisation of the aforementioned agreements and due to the interest of Unicaja Banco in completing the acquisition of Banco CEISS, as is indicated in the relevant event dated 29 January 2014, Unicaja Banco committed to waiving the Condition of Minimum Acceptance of all Security Holders once all necessary authorisation is obtained, including the definitive approval by Banco CEISS, FROB, Bank of Spain and SAREB of the aforementioned agreements and proposals in the terms indicated and the authorisation, when appropriate, of EU authorities.

In the relevant event dated 29 January 2014 Unicaja Banco states that within the framework of acceptance not reaching 75% of all Securities, the modification of the Resolution Plan and the Term Sheet and the release from compliance with the Condition of Minimum Acceptance of All Security Holders, the intention set out in the Prospectus of not requesting an exemption from complying with the regulatory solvency coefficients for Banco CEISS on an individual basis is maintained.

Taking into account the above, the following steps were agreed up until the end of the Offer:

a) Registration with the CNMV of a Supplement to the Offer Prospectus and the opening of a three business day period in which new orders accepting the Offer may be presented, as well as orders to revoke any acceptance orders already received.

b) At the time the approval is received and the aforementioned agreements and proposals are definitively formalised in the indicated terms, Unicaja Banco will waive the Condition of Minimum Acceptance of All Security Holders.

c) If on 31 March 2014 such approval has not been obtained, Unicaja Banco would not waive the Condition of Minimum Acceptance of All Security Holders and the Offer would automatically cease to have any effect.

The supplement to the Prospectus was approved and registered by the CNMV on 30 January 2014 and the period for presenting new acceptance orders or the revocation of acceptance orders already received was established as 31 January, 3 February and 4 February 2014.

On 28 March 2014 Unicaja Banco published a relevant event reporting that:

(i) On 4 February 2014 Banco CEISS and SAREB (Sociedad de Activos Procedentes de la Reestructuración Bancaria, S.A.) formally entered into a liquidation agreement in the terms established in the preceding relevant events.

(ii) On 12 March 2014 the Bank of Spain approved the modification of the resolution plan for Banco CEISS.

(iii) On 18 March 2014 the Fondo de Reestructuración Ordenada Bancaria (FROB) notified Unicaja Banco that the European Commission had informed the Kingdom of Spain on 13 March 2014 of the modification to the Term Sheet attached to the European Commission Decision dated 13 May 2013, in accordance with the proposal presented by the Governing Committee of the FROB.

(iv) On 21 March 2014 Banco CEISS and the FROB concluded an agreement relating to the repurchase by Banco CEISS from the FROB of those securities issued by Banco CEISS that may previously be acquired by the FROB as a result of the claims made by holders of mandatory and contingent convertible bonds in Banco CEISS that may be purchased by FROB, in accordance with the terms of the resolution plan.

In the light of the above and in accordance with the plan, at the Board of Directors' meeting held on 28 January 2014 Unicaja Banco dropped the Condition of Minimum Acceptance of All Security Holders on which the Offer was conditioned.

The Board of Directors of Unicaja Banco also took note that, after the end of the additional acceptance period and the period for revoking the offer to swap shares, mandatory and contingent convertible bonds and perpetual contingent convertible bonds in Unicaja Banco to be subscribed by shareholders and the holders of mandatory and contingent convertible bonds in Banco CEISS (the “Offer”) opened the preceding 30 January as a result of the publication of a supplement to the Offer Prospectus and, in accordance with the information received from the Agent Entity, the Offer was accepted by the holders of 335,239,366 shares in Banco CEISS and the holders of 342,550,260 mandatory and contingent convertible bonds in Banco CEISS.

As was set out in the Offer Prospectus authorised by the CNMV on 26 November 2013 (which also authorised two supplements on 30 December 2013 and 30 January 2014, respectively), the Offer was subject to the condition that it be accepted by at least: (i) 75% of the shares of Banco CEISS; and (b) 75% of the sum of the shares in Banco CEISS and the mandatory and contingent convertible bonds in Banco CEISS to which the Offer was directed (jointly the "Condition of Minimum Acceptance").

In the light of the result of the Offer indicated above: (i) the first requirement was met, consisting of the acceptance of at least 75% of the shares in Banco CEISS (as it was accepted by 99.39% of those shares, including the 18,356,056 shares directly and indirectly owned by Unicaja Banco) but (ii) the second requirement was not met consisting of the acceptance of at least 75% of the sum of the shares in Banco CEISS and the mandatory and contingent convertible bonds in Banco CEISS to which the Offer was directed since 60.70% of that group of shares and mandatory and contingent convertible bonds in Banco CEISS was reached (including the 18,356,056 shares and 7,543,033 bonds held by Unicaja Banco and excluding the 11,449,069 bonds held by Banco CEISS itself).

Notwithstanding the above, after the approval of the amendment to the resolution plan for Banco CEISS and the rest of the related agreements and in accordance with the commitment previously assumed, the Board of Directors of Unicaja Banco adopted a resolution to eliminate compliance with the second requirement from the Condition of Minimum Acceptance that referred to all of the securities to which the Offer was directed and thereby gave full effect to the Offer after the remaining resolutions that were necessary to proceed with the swap involving the securities accepting the Offer were adopted.

As a result, on 2 April 2014 the shareholders and the holders of mandatory and contingent convertible bonds in Banco CEISS that accepted the offer received as compensation the corresponding shares, mandatory and contingent convertible bonds and perpetual contingent convertible bonds in Unicaja Banco (Note 21.2).

1.2.2 Business combination

As a result of the aforementioned operation, Unicaja Banco took control of Banco CEISS starting on 28 March 2014 for accounting purposes. On that date Unicaja Banco became the owner of 99.39% of the shares in Banco CEISS (with a 60.70% stake of all shares and mandatory and contingent convertible bonds in that company), while the former shareholders and the holders of the mandatory and contingent convertible bonds in Banco CEISS acquired a 9.22% interest in the share capital of Unicaja Banco.

The acquisition of Banco CEISS by Unicaja Cano is a strategic opportunity that allows the Entity's business to be expanded towards areas that traditionally constituted the fundamental core of the business carried on by Banco CEISS, as well as to strengthen the individual and SME segment, while obtaining synergies between both entities.

The value of the consideration provided by Unicaja Banco total €248,987 thousand which mainly relates to the swap of the shares, the mandatory and contingent convertible bonds and the perpetual contingent convertible bonds in Unicaja Banco to be subscribed by the holders of shares and the mandatory and contingent convertible bonds in Banco CEISS.

The total net fair value adjustments applied at the date control was acquired of the capital and reserves of Banco CEISS amounted to €483,142 thousand. The breakdown of these adjustments among the various asset, liability and equity items is as follows:

- Positive adjustment totalling €49,106 thousand relating to the available-for-sale financial assets, including the effect on the equity measurement adjustments.
- Negative adjustment totalling €350,000 thousand for corrections to the asset impairment value recorded under the heading "Credit investments".
- Positive adjustment totalling €99,724 thousand to the debt securities recognised under the heading "Credit investments" and €346,880 thousand recognised under the heading "Held-to-maturity investment portfolio".
- Positive adjustment totalling €216,170 thousand to investments in jointly-controlled companies and associates recognised under the heading "Shareholdings", including the effect of the measurement adjustments relating to companies consolidated under the equity method.
- Negative adjustment totalling €50,160 thousand relating to assets (own use, investment property and non-current assets available-for-sale).
- Positive adjustment totalling €114,313 thousand to deferred tax assets.
- Negative adjustment totalling €291,660 thousand to mortgage bonds recognised as customer deposits under the heading "Financial liabilities at amortised cost".
- Positive adjustment totalling €7,000 thousand to provisions for risks and contingent commitments under the heading "Provisions".
- Positive adjustment totalling €227,641 thousand to deferred tax liabilities.

To determine the amount of these adjustments, the Entity has applied generally accepted measurement methods in accordance with the fair value calculation criteria for assets and liabilities as described in Note 2 (Accounting policies and principles and measurement criteria applied" and in Note 25 "Fair value" in these notes to the consolidated annual accounts. The Entity also obtained a review of the aforementioned fair value adjustments from an independent expert.

A summary of the fair value adjustment supplied to the consolidated balance sheet of the entity acquired through the business combination at the date on which they took effect for accounting purposes is set out below:

			Thousand of euros
Assets	**Book value before the fair value setting**	**Fair value setting Adjustments**	**Fair Value Business Combination**
Cash and Due from central Banks	487 868	-	487 868
Trading portfolio	27 672	-	27 672
Available for sale Financial Assets	4 570 668	(16 677)	4 553 991
Lending Investments	18 782 677	(250 276)	18 532 401
Held to maturity investment Portfolio	7 352 953	346 880	7 699 833
Hedging Derivates	159 810	-	159 810
Non-current Assets held for sale	394 583	(44 128)	350 455
Shares	270 861	193 990	464 851
Insurance Contracts related to pensions	5 396	-	5 396
Re-insurance Assets	7 053	-	7 053
Tangible Assets	757 038	(6 032)	751 006
Intangible Assets	476	-	476
Tax Assets	1 902 596	114 313	2 016 909
Other Assets	166 860	-	166 860
Total of Assets	**34 886 511**	**338 070**	**35 224 581**

Liabilities and Equity	Book value before the fair value setting	Fair value setting Adjustments	Fair Value Business Combination
			Thousand of euros
Trading Portfolio	27 731	-	27 731
Financial Liabilities at amortized cost	33 647 052	(291 660)	33 355 392
Hedging Derivates	10 690	-	10 690
Liabilities associated with non-current assets held for sale	14 120	-	14 120
Insurance contracts Liabilities	23 918	-	23 918
Provisions	283 122	7 000	290 122
Tax Liabilities	128 142	227 641	355 783
Other Liabilities	111 572	-	111 572
Total Liabilities	**34 246 347**	**(57 019)**	**34 189 328**
Own Funds:	553 187	483 142	1 036 329
Capital or endowment fund	88 935	-	88 935
Share Premium	266 804	-	266 804
Reserves	(560 977)	483 142	(77 835)
Other Equity Instruments	792 021	-	792 021
Income Statement for the year	(33 596)	-	(33 596)
Valuation Adjustments	86 958	(88 053)	(1 095)
Minority Interests	19	-	19
Total Equity	**640 164**	**395 089**	**1 035 253**
Total Liabilities and Equity	**34 886 511**	**338 070**	**35 224 581**

Once the fair value of the assets and liabilities originating from Banco CEISS was adjusted, the resulting negative consolidation difference was €372,462 thousand, which was recognised under the heading "Negative difference on business combinations" in the consolidated income statement at 31 December 2014.

The amount of ordinary income (consolidated gross margin) provided by the acquired entities since the acquisition date amounts to €343,334 thousand and the total ordinary income recognised by Unicaja Banco Group since the acquisition date was €1,346,280 thousand. The revenue obtained by Banco CEISS Group during the period between 1 January 2014 and the acquisition date totalled €127,448 thousand.

1.2.3 Conversion of the Banco CEISS convertible instruments into shares

On 25 June 2014 the Board of Directors of Banco CEISS adopted a resolution to establish the mandatory conversion of all the Mandatory and Contingent Convertible Bonds. This gave rise to the execution of a share capital increase totalling €200,869 thousand through the issue of 803,474,655 new shares, all of the same class and series as those in existence. As a result of the execution of the share capital increase, the share capital of Banco CEISS is now €289,802 thousand divided into 1,159,208,236 shares with a par value of €0.25 each represented by book entries.

The conversion ratio for the Mandatory and Contingent Convertible Bonds into ordinary shares in Banco CEISS was that resulting from the quotient of the unitary face value of those Bonds (€1.00) and the value attributed to the ordinary shares in Banco CEISS (conversion price), established at €1.00 per share. As a result, for each Mandatory and Contingent Convertible Bond each holder received one new share in Banco CEISS.

As a result of the conversion, Unicaja Banco Group holds 60.70% of the share capital of Banco CEISS, which is the percentage interest maintained at 31 December 2014.

1.3 Basis of presentation of the consolidated annual accounts

The Group's Consolidated annual accounts are presented in accordance with that established under International Financial Reporting Standards adapted by the European Union (hereinafter, "IFRS – EU"), bearing in mind Circular 4/2004 of the Bank of Spain, of 22 December, which is the development and adaptation to the Spanish credit entity sector of the International Financial Reporting Standards approved by the European Union, and its subsequent amendments.

In this report the abbreviations "IAS" and "IFRS" are employed to refer to International Accounting Standards and to International Financial Reporting Standards, respectively, and the abbreviations "ICIFRS" and "CAS", to refer interpretations of the Interpretations Committee on International Financial Reporting Standards and the former Interpretations Committee respectively, all of these having been approved by the European Union (hereinafter, "EU"), is the basis on which these consolidated annual accounts were prepared.

The present consolidated annual accounts were prepared applying the total of the accounting principles and norms and the valuation principles of obligatory application that have a significant effect on these, so that they reflect the true image of the equity and of the financial situation of the Group as at 31 December 2014 and the results of operations, changes in net equity and cash flows that have arisen in the Group in the financial year ended on that date.

Note 2 summarises the principles and polices and the most significant valuation criteria applied in the preparation of consolidated annual accounts of the Group for the year 2014.

The consolidated annual accounts have been prepared based on the accounting records of the Bank and other Group entities. Nonetheless, and given that the accounting principles and standards applied in the preparation of the Group's consolidated annual accounts for 2014 may differ from those used by some of the consolidated entities, during the consolidation process the necessary adjustments and reclassifications have been made to standardise such principles and standards and bring them into line with the IFRS-EU applied by the Entity.

Unless otherwise stated, these consolidated annual accounts are presented in thousand euros.

1.4 Responsibility for the information and estimates

The information contained in the present consolidated annual accounts is the responsibility of the Directors of the Parent Company.

In the consolidated financial statements of the Group for the year 2014, estimates were occasionally made by the Directors of the Group to quantify some of the assets, liabilities, income, expenses and obligations reported herein. Basically, these estimates refer to:

- Impairment losses on certain assets (Notes 9, 10, 12, 13, 14 and 15).
- Assumptions used in actuarial calculations of liabilities and commitments relating to post-employment benefits and other long-term commitments with employees (Notes 2.12 and 40).
- Useful life of property, plant and equipment and intangible assets (Notes 2.14, 2.15, 13 and 14).
- Measurement of goodwill on consolidation (Notes 2.16 and 4).

- Estimation of the probability of occurrence of events classed as contingent liabilities and, if applicable, estimation of the provisions necessary to cover these events (Notes 2.18 and 17).

- Reversal period of temporary differences (Notes 2.13 and 23.4).

- Fair value of certain unlisted assets (Note 25).

- The realisable value of certain guarantees related to the collection of assets (Note 45).

These estimates were made based on the best information available at 31 December 2014 concerning the facts analysed. Nonetheless, future events could generate significant adjustments (upward or downward) in coming years, which would be made prospectively, in accordance with prevailing regulations, to recognize the impact of the change in the estimate on the consolidated income statement for the years in question.

In 2014 there were no changes to the Group's accounting estimates having a significant impact on either the consolidated results for the year or the consolidated balance sheet.

1.5 Changes in accounting policies, errors and comparative information

1.5.1. Comparative information

In accordance with IAS 1 the comparative information contained in these notes for 2013 is presented solely and exclusively for the purpose of comparison with the information at 31 December 2014 and therefore does not constitute the Unicaja Banco Group's 2013 annual accounts.

In this respect the information for 2013 has been restated for the purposes of comparison as a result of the retroactive application of a change in accounting policy in accordance with the content of IAS 8 "Accounting policies, changes in accounting estimates and errors".

That change in accounting policy arises due to the issue on 13 June 2014 of European Commission Regulation 634/2014, which adopts Interpretation 21 of the International Financial Reporting Standards Interpretations Committee "Levies" (hereinafter IFRIC 21) and as a result of the clarifications issued during the final quarter of 2014 by the Bank of Spain and the National Stock Market Commission regarding that interpretation as it relates to the accounting treatment for ordinary and extraordinary contributions to the Deposit Guarantee Fund by Credit Institutions (Note 1.10).

In this context, Unicaja Banco Group has applied this updated interpretation thereby giving rise to the following changes in accounting policies:

- The expense for ordinary contributions must be recognised such that at the end of the year the consolidated balance sheet records the liability for the contribution made during the first month of the following year. The aforementioned accounting policy meant that the expense relating to the contribution had to be recognised in the year in which it was paid.

- The expense relating to the extraordinary contribution resulting from Royal Decree-Law 6/2013 accrued at the time at which that Royal Decree-Law entered into force, i.e. 24 March 2013, since it involved a contribution that did not depend on the entity's future activity and had to be recognised in full at that date, regardless of the payment date. In accordance with the accounting policy previously applied, the expense relating to this contribution was recognised as it was paid.

- However, the application of IFRIC 21 does not give rise to changes in the accounting treatment applied to the extraordinary payment approved by the Deposit Guarantee Fund Managing Committee on 30 July 2012 since the amounts payable under this extraordinary payment are deducted from the ordinary annual payment and, as a result, it accrues for accounting purposes at the same time as the ordinary contribution.

The retroactive application of this change in accounting policy meant that at 31 December 2013 there was a reduction in the Group's 2013 net profits totalling €17,299 thousand, and increase in tax assets totalling €15,190 thousand and in financial liabilities at amortised cost totalling €50,634 thousand, as well as a decrease in reserves at 31 December 2012 amounting to €18,145 thousand. Appendix V presents a reconciliation of the consolidated balance sheet at 31 December 2013 and 2012 and of the consolidated income statement for the year ended 31 December 2013, which provides a breakdown of the effect of the change in the accounting policy on each of the items making up those financial statements.

As a result of the process of acquiring Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (Banco CEISS) that took place in 2014 (Note 1.2), the figures in these consolidated annual accounts at 31 December 2014 are not comparable with those for the preceding year. For these purposes it should be noted that the figures in the consolidated income statement for 2014 only include the results from Banco CEISS since Unicaja Banco Group took control on 28 March 2014.

1.5.2. Seasonality of income and expenses

The nature of the most significant transactions carried out by Unicaja Banco Group entities fundamentally relates to typical financial institution activities and therefore these consolidated annual accounts are not significantly affected by seasonal factors.

1.6 Investments in credit institutions

In accordance with Article 20 of Royal Decree 1245/1995 (14 July), there follows a list of the Group's share in domestic and foreign credit institutions that exceed 5% of their capital or voting rights at 31 December 2014:

Entity	**% share**
Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (*)	60.70%
EBN, Sociedad Española de Banca de Negocios, S.A. (**)	33.89%
Banco Europeo de Finanzas, S.A. (***)	40.72%

(*) Direct investment of 60.66% and indirect investment of 0.04% through Unicartera Gestión de Activos, S.L.U.
(**) Direct investment of 21.09% and indirect investment of 12.80% through Banco de Caja España de Inversiones, Salamanca y Soria, S.A.
(***) Direct investment of 1.20% and indirect investment of 39.52% through Alteria Corporación Unicaja, S.L.U.

1.7 Agency agreements

At 31 December 2014, the following agents of the Group's Parent entity meet the requirements of Article 22 of RD 1245/1995 and Bank of Spain Circular 4/2010:

1) Entity's Authorized Signatories

Name	Geographical scope
Ángel Maigler Unguetti	Montizón y Venta de los Santos (Jaén)
Aplagest Consulting, S.L.	Campo de Criptana (Ciudad Real)
Construcciones y Promociones Taberno, Gestiones Inmobiliarias, S.L.	Taberno (Almería)
María Eugenia Sánchez Berjaga	Hornos de Segura (Jaén)
María Dolores Asensio Águila	Paterna del Río y Bayárcal (Almería)
Contaestrella, S.L.	Puebla de los Infantes (Sevilla)
Pablo Fernández Rivera	Fondón (Almería)
Antonio Sánchez Ruíz	Villarodrigo (Jaén)
Antonio Sánchez Escobar	La Joya (Antequera - Málaga)
José Antonio Arrebola Benítez	Estación de Salinas (Archidona - Málaga)
Gestión 3 Uleila, S.L.	Uleila del Campo (Almería)
Pablo Fernández Enríquez	Alcolea (Almería)
José Manuel Alcaraz Forte	Ragol e Instinción (Almería)
Antonia Castellano Yeste	Hijate (Almería)
María Isabel Juárez Padilla	Rioja (Almería)
Mayo Abellán Berruezo	Mojácar (Almería)
Gema Ayala López	Alhabia y Alboloduy (Almería)
Miguel Sancho Aguilera	El Saucejo (Sevilla)
Antonio Sánchez Povedano	Fuente-Tojar (Córdoba)
Cavar Mediación, S.L	Peñarroya-Pueblonuevo (Córdoba)

2) List of Bank nominees for customer retention or promotion and marketing operations or services.

Name	Geographical scope
Viada Asesores, S.L.	Puertollano (Ciudad Real)
Sistemas Interactivos Malagueños S.L.	Torremolinos (Málaga)
Avances Tecnológicos y Diseño S.L.	Marbella (Málaga)
Sistema Asesores Málaga, S.L.	Málaga
Sur Finanz Agentes, S.L	Marbella (Málaga)
Manuela Jurado Ollero	Marmolejo (Jaén)
Francisco Javier Bazán Virtudes	Málaga
Grupo Inmobiliario Soto Jiménez, S.L.	Atarfe (Granada)
Mario Navarro Díaz	Estepona (Málaga)
Manuela Joyar Montilla	Jaén
Francisco Javier Arroyo Lorca	Valverde del Camino (Huelva)
Antonio Acosta Oller	Tíjola (Almería)
Jara-Inversiones e Intermediación, S.L.	Almería
Carmen Ávila Andrés	Granada
Matilde Cuerva Tortosa	Almería
Catalina Castro Jurado	Torrox (Málaga)
Carlos Lorente Martínez	Iznalloz (Granada)
José Melero Verdejo, S.L.	Córdoba
Daimiel Asesores Inmobiliarios, S.L.	Daimiel (Ciudad Real)
Del Ferrio Inversiones, S.L	Estepona (Málaga)
Antonia María Manso Sánchez	Tahivilla (Cádiz)
Orvel 21, S.L.	Vélez-Málaga (Málaga)
Jarava Barrera, S.L.	Ciudad Real
Josefina Salvador Valero	Linares (Jaén)
Manuel Ángel Garrido Rengel	Moguer (Huelva)
Grupo Asesor O.T.S, S.L.	Socuéllanos (Ciudad Real)
Gestem Planificación y Desarrollo Integral de Empresas, S.L.	Málaga

1.8 Environmental impact

The Unicaja Banco Group entities global transactions are subject to environmental protection regulations (environmental laws). The Entity considers that the Group substantially meets the requirements of environmental laws and that it has procedures in place to guarantee and encourage compliance.

The Entity considers that the Group has adopted the necessary measures with respect to the protection and improvement of the environment and the minimisation of environmental impact, where applicable, in accordance with current environmental laws. In 2014 and 2013 the Entity did not make any significant environmental investments and did not identify any need to make provision for environmental risks and charges or any significant contingencies in connection with environmental protection and improvement.

1.9 Minimum ratios

1.9.1 Minimum Equity Ratio

Up until 31 December 2013 legislation governing capital requirements for Spanish credit institutions, on an individual and financial group level, was established by Bank of Spain Circular 3/2008 on the calculation and control of minimum equity.

On 27 June 2013 the Official Journal of the European Union published the new regulations regarding capital requirements (called CRD-IV), which was applicable starting on 1 January 2014 and consist of:

- European Parliament and Council Directive 2013/36/EU (26 June) relating to access to credit institution and investment company activities and the prudent supervision of those entities, which amends Directive 2002/87/EC and repeals Directives 2006/48/EC and 2006/49/EC.

- Regulation (EU) No. 575/2013 (hereinafter CRR) (26 June 2013), issued by the European Parliament and Council, on prudent requirements for credit institutions and investment companies, which amends Regulation (EU) No. 648/2012.

The Directives have to be transposed into Spanish legislation while the European Union regulations are immediately applicable after entering into force. In Spain, Royal Decree-Law 14/2013 (29 November) on urgent measures to adapt Spanish laws to European Union legislation governing the supervision and solvency of financial institutions, partially transposed Directive 2013/36/EU into Spanish law and Final Provision Five empowered the Bank of Spain to make use of the options attributed to the competent national authorities under Regulation (EU) No. 575/2013.

Therefore starting on 1 January 2014 the provisions of Bank of Spain Circular 3/2008 that go against the aforementioned European legislation were repealed. In addition, on 5 February 2014 Bank of Spain Circular 2/2014 (31 January) was published and which, in accordance with the authority that Regulation (EU) No. 575/2013 grants to the competent national authorities, the Bank of Spain made use of some of the permanent regulatory options established by that Regulation.

Law 10/2014 (26 June) on the organisation, supervision and solvency of credit institutions continued to transpose the CRD-IV into the Spanish legal system.

All of the above constitutes the current legislation in force regulating the equity that must be maintained by credit institutions both individually and as consolidated groups, and stipulates how this capital is measured. This includes the processes to be followed for the self-assessment of capital and the information to be made public.

At 31 December 2014 Unicaja Group's equity totalled €3,347,844 thousand, of which €3,334,180 thousand forms part of Common Equity Tier 1 (CET1). This represents a surplus over the equity requirements, in accordance with the new European regulations established by Directive 2013/36/EQ (CRD-IV) and EU Regulation No. 575/2013 (CRR) that entered into force in 2014 amounting to €923,198 thousand at 31 December 2014. The surplus of CET1 over the minimum requirement amounts to €1,970,316 thousand.

	Thousands of euros	
	2014	**2013 (*)**
Basic equity Level 1	3 347 844	2 060 621
Of which: Ordinary Capital-Common Equity Tier 1 (CET 1)	*3 334 180*	*2 060 326*
Eligible capital Level 2	-	49 129
Total eligible equity	**3 347 844**	**2 109 750**
Total equity requirement	**2 424 646**	**1 281 342**

(*) The figures for 31 December 2013 have been calculated in accordance with existing regulations at this date. Instead of Common Equity Tier 1, the comparative amount at 31 December 2013 should be understood as Unicaja Group's principal at that date, because it was not applied CET1 calculation.

Unicaja Banco Group rigorously attends to the management of the capital self-assessment process and solvency risk in order to maintain a prudent risk profile and balance, adequately preserving solvency, profitability and liquidity targets.Risk management processes are guided by the following basic principles:

- Permanent rigorous action to maintain a prudent and balanced risk profile, preserving the objectives of solvency, profitability and adequate liquidity.
- Active participation and supervision by Senior Management, which approves the general business strategies and policies applied by the Entity and establishes the general lines of risk management and control at the Entity.
- General internal control environment.
- Segregation of duties and the process of measuring and controlling the Entity's risk is completely independent from the risk taking function.
- The prudent management of exposure to credit risk, particularly by avoiding projects of uncertain viability and a quantitative limitation of investments based on sufficient guarantee parameters.
- Selection of adequate risk measurement methodologies.

The Entity's policies, methods and procedures relating to Overall Risk Management are approved by the Board of Directors. The Audit Committee, the Risk Committee, the Asset, Liability and Budget Committee (ALBC), the Internal Audit Department and the Comprehensive Risk Control Department at the Bank is responsible for ensuring adequate compliance with those policies, methods and procedures, ensuring that they are adequate, are effectively implemented and reviewed on a regular basis.

1.9.2 Minimum reserves ratio

At 31 December 2014 and 2013, and throughout 2014 and 2013, the Entity complied with the minimum reserves ratio imposed by applicable Spanish regulations.

On 21 December 2011 the Official Journal of the European Union (OJEU) published Regulation (EU) 1358/2011 of the European Central Bank (14 December), which amends Regulation (EC) 1745/2003, relating to the application of minimum reserves. The aforementioned amendment consists of including the reduction from 2% to 1%, approved by the Board of Governors of the European Central Bank on 8 December 2011, affecting the minimum reserve ratio to be held by entities subject to the regulations. This amendment entered into force as from the reserve maintenance period starting on 18 January 2012.

1.10 Deposit Guarantee Fund

Group credit institutions form part of the Credit Institution Deposit Guarantee Fund. In 2014 and 2013 the cost of ordinary, additional and extraordinary contributions to this organisation totalled €62,812 thousand and €52,189 thousand, respectively. These amounts were recognised under "Other operating expenses - Contribution to the Deposit Guarantee Fund" in the accompanying consolidated income statement (Note 39).

On 2 December 2011 Royal Decree-Law 19/2011 (2 December) entered into force and amended Royal Decree - Law 16/2011 which established that the amount of the contributions by Entities to the Credit Institution Deposit Guarantee Fund would increase to 2 per thousand of the calculation base, which was applicable to the contributions made starting on the date it entered into force. The ordinary contribution expense mentioned above accrues as the Group credit institutions render their services to customers, such at the end of the year the balance sheet records the contribution liability that will be paid during the first month of the subsequent year.

In order to restore sufficient equity to the Fund in accordance with the provisions of Article 6.2 of Royal Decree-Law 16/2011 (14 October), on 30 July 2012 the Credit Institution Deposit Guarantee Fund Management Committee adopted a resolution to apply extraordinary contributions to member entities, distributed in accordance with the calculation base for the contributions at 31 December 2011 and payable in ten equal annual instalments. The amount of the instalments that must be paid on each date may be deducted from the ordinary annual contribution which, if appropriate, may be paid by the entity on that same day and up to the amount of the ordinary instalment. On 31 December 2014 and 2013, the present value of the amount pending payment in this respect totals €58,002 thousand and €26,289 thousand, respectively.

Finally, in order for the Credit Institution Deposit Guarantee Fund to maintain an adequate equity position to allow it to properly perform its duties with respect to the stability of the Spanish financial system, and in accordance with the provisions of Royal Decree-Law 6/2013 (22 March), a special one-time contribution of 3 per thousand of eligible deposits was established. This contribution was structured into two stages: The first consists of 40%, to which a series of deductions relating to the size of the entity concerned, their contributions to the SAREB or the receipt of public assistance, are applicable. The second stage consists of the remaining 60% payable over a maximum of seven years starting in 2014 in accordance with the payment schedule established by the Credit Institution Deposit Guarantee Fund Management Committee. In accordance with Note 1.5 this expense was considered to accrue at the time at which that Royal Decree-Law entered into force, i.e. 24 March 2013, since it involves a contribution that does not depend on the Group entity's future activity and must be recognised in full at that date, regardless of the payment date. The expense recognised in 2013 for this additional allocation required by Royal Decree-Law 6/2013 totalled €24,884 thousand.

1.11 Subsequent events

On 30 January 2015 the Boards of Directors of Unicaja Banco, S.A. and Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (Banco CEISS) approved an agreement under which Unicaja Banco acquired from Banco CEISS a line of business consisting of 30 operating offices and bank branches located outside the primary territory of Banco CEISS, specifically in Andalucía, Castilla-La Mancha, Badajoz and Ceuta, which is the primary geographic area in which Unicaja Banco operates.

The effectiveness of the transfer is subject to a condition subsequent consisting of obtaining approval from the competent regulatory and supervisory authorities.

The price of the transaction is the market value of the line of business at the time the transaction was concluded and it will finally be determined after obtaining the relevant authorisation.

At the date on which these consolidated annual accounts were prepared the required approval had not yet been obtained from the regulatory and supervisory authorities.

On 26 February 2015 Bench One of the Supreme Court announced the publication of a judgment relating to the interest rate floor clauses for mortgage loans. The Court did not question the validity of those clauses but stated that they were incorrectly marketed in the cases it analysed and declared those clauses to be null and void due to a lack of transparency. It also concluded that the reimbursement of amounts to customers was necessary starting on the date on which the judgment was published but it did not apply retroactive policies.

During the period from 31 December 2014 to the issue date of these consolidated annual accounts, there have been no particularly relevant events that are not referred to in the notes to the accounts.

1.12 Changes in the International Financial Reporting Standards.

In 2014, new accounting norms became effective and have, therefore, been taken into account in the preparation of the Group's consolidated annual accounts for 2014:

Norms, modifications and interpretations	Description	Obligatory application to financial years beginning from
IFRS 10	Consolidated financial statements	1 January 2014
IFRS 11	Joint arrangements	1 January 2014
IFRS 12	Details of interests in other entities	1 January 2015
Modification of IAS 27	Separate financial statements	1 January 2016
Modification of IAS 28	Investments in associates and joint ventures	1 January 2014
Modification of IAS 32	Financial Instruments: presentation Offsetting financial assets and liabilities	1 January 2014
Modification of IFRS 10, 11 and 12	Classification of transition rules of these rules	1 January 2014
Modification of IFRS 10, 12 and 27	Investment Entities	1 January 2014
Modification of IAS 36	Breakdown of the recoverable amount of non-financial assets	1 January 2014
Modification of IAS 39	Derivatives novation and continuity for hedge accounting	1 January 2014

On the date of the preparation of these consolidated annual accounts, the following norms and interpretations (the most important applied on that date) that had been published by the IASB had not come into effect, either because their effective data is after the date of these consolidated annual accounts, or because they have not yet been adapted by the European Union:

Norms, modifications and interpretations	**Description**	**Obligatory application to financial years beginning from**
IFRIC 21 (*)	Charges	1 January 2015
Annual Improvements of IFRS	Improvement Project-Cycle 2011-2013	1 January 2015
Annual Improvements of IFRS	Improvement Project-Cycle 2010-2012	1 January 2015
Modification of IAS 19	Defined benefit Planes: employees Contributions	1 January 2015
IFRS 14	Deferred regulatory Accounts	1 January 2016
IFRS 11 Modification	Acquisition of shares in joint Operations	1 January 2016
IAS 16 and IAS 38 Modification	Depreciation and amortization accepted Methods	1 January 2016
IFRS 15	Regular incomes from customers contracts	1 January 2017
IAS 16 and IAS 41 Modification	Agriculture: plants used to produce fruits	1 January 2016
IFRS 9	Financial Instruments	1 January 2018
IAS 27 Modification	Equity Method in separated financial statements	1 January 2016
IFRS 10 and IAS 28 Modification	Sale or Contribution of assets between an investor and his associates or joint business	1 January 2016
Annual Improvements of IFRS	Improvement Project-Cycle 2012-2014	1 January 2016
IAS 1 Modification	Presentation of Financial Statements	1 January 2016
IPRS 10, IFRS 12 and IAS 28 Modification	Exception to consolidation for investment entities	1 January 2016

(*) IFRIC 21 earlier application has been allowed by Unicaja Bank Group

The Administrators of the Savings Bank believe that the application of the majority of these norms will not have an important impact on the Group's consolidated annual accounts in the following years.

Standards and interpretations taking effect this year

During 2014 the following amendments to IFRS or interpretations (IFRIC) entered into force but have not had a significant impact on the consolidated financial statements:

- IFRS 10 "Consolidated financial statements": IFRS 10 was issued in May 2011 and replaces the guidelines regarding control and consolidation established in IAS 27 "Consolidated and separate financial statements" and eliminates and repeals SIC 12 "Consolidation - Special purpose entities". IFRS 10 establishes the principles governing the presentation and preparation of consolidated financial statements. This IFRS introduces changes in the concept of control, which continues to be defined as a determining factor as to whether or not the company should be included in the consolidated financial statements. The concept of unity between a parent company and its subsidiaries for the purposes of consolidated financial statements and consolidation procedures have not changed with respect to the previous IAS 27.

- IFRS 11 "Joint Arrangements": IFRS 11 supersedes IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly-Controlled Entities — Non-monetary contributions by Venturers". IFRS 11 establishes the accounting treatment for joint arrangements based on the rights and obligations deriving from the agreement and not on its legal format. The types of joint agreements are reduced to two: joint operations and joint ventures. Joint operations mean that a participant has rights to the assets and obligations deriving from the agreement and therefore recognises its share in proportion to the assets, liabilities, revenues and expenses recorded by the company in which the interest is held. Joint arrangements arise when a participant has a right to the results obtained or to the net assets of the company in which the interest is held and therefore uses the equity method to recognise its interest in the company. The option of proportional consolidation is eliminated for joint arrangements.

- IFRS 12 "Disclosure of interests in other entities": IFRS 12 sets out the disclosure requirements applicable to investments in subsidiaries, associates, joint ventures and unconsolidated structured entities.

- IAS 27 (Revised) “Separate financial statements”. The requirements previously established in IAS 27 with respect to the preparation of consolidated financial statements are included in the new IFRS 10 and therefore the former's scope of application is reduced to the accounting for investments in subsidiaries, joint ventures and associates in the separate financial statements prepared by the investing company, which have not been changed with respect to the preceding legislation. The standard requires that an entity that prepares separate financial statements recognise these investments at cost or in accordance with IFRS 9.

- IAS 28 (Revised) “Investments in associates and joint ventures”. IAS 28 has been updated to include references to the joint ventures, which under IFRS 11 "Joint arrangements" have to be recognised using the equity method. At the same time information was added regarding the accounting treatment of the instruments that provide potential voting rights, the valuation of shares in associates and joint ventures held by venture capital entities, mutual companies and other similar entities, the accounting treatment when the interest in an associate or joint venture is reduced but the equity method continues to be applicable and the accounting treatment of the contribution of a non-monetary asset to an associate or joint venture in exchange for an interest in the company's equity.

- IAS 32 (Revised) “Offsetting financial assets and financial liabilities”: The amendment clarifies that the right to offset financial assets and liabilities must be presently available, i.e. not depend on a future event. In addition, the right must be legally available during the ordinary course of the operations of the counterparties involved in the transaction, even in the case of default, insolvency and bankruptcy.

- IFRS 10 (Revised), IFRS 11 (Revised) and IFRS 12 (Revised) "Consolidated financial statements, joint arrangements and disclosures regarding interests in other companies: Transition guidelines (Amendments to IFRS 10, IFRS 11 and IFRS 12)": Its objective is to clarify the guide for transitioning to IFRS 10, indicating that the date of first application is the first day of the year in which IFRS are applied for the first time. When IFRS 10 is adopted control on the initial application date must be evaluated. It makes the transition requirements with respect to IFRS 10, 11 and 12 more flexible by limiting the reporting of adjusted comparative information only to the preceding comparative year. Furthermore, the requirement to disclose comparative information regarding unconsolidated structured entities for years prior to the first application of IFRS 12 is eliminated.

- IFRS 10 (Revised), IFRS 12 (Revised) and IAS 27 (Revised) "Investment entities" IFRS 10 is revised to include the definition of "investment entity" and introduces an exception to the obligation to consolidate its subsidiaries when the entity concerned complies with this definition which, instead, will be measured at fair value through changes in profit or loss. The only exception is for the subsidiaries that render services relating to the investment activities carried out by the investment entity, which will be consolidated. The amendments to IFRS 12 require the disclosure of specific information regarding the subsidiaries of the investment entities. The amendments to IAS 27 eliminate the option that investment entities had to measure investments in certain subsidiaries at cost or at fair value in their separate financial statements.

- IAS 36 (Revised) “Recoverable amount disclosures for non-financial assets”: It includes an amendment to the limited scope of IAS 36 "Asset impairment" to clarify that the scope of the disclosures regarding the recoverable amount of assets, if that amount is based on fair value less selling costs, is limited to the assets showing impairment. It requires detailed information as to how the measurement of fair value less costs to sell, or the cost of other disposal, was obtained when an impairment loss has been recognised or reversed.

- o IAS 39 (Revised) "Novation of derivatives and continuation of hedge accounting": It introduces a limited scope exemption to the interruption of hedge accounting in cases of the novation of a derivative designated as a hedge instrument and the replacement of the counterparty by a central counterparty as a result of legal or regulatory requirements.

The application of the aforementioned standards and interpretations did not have any significant impact on the Group's consolidated annual accounts.

Standards and interpretations that have been issued but have not yet entered into force

At the date these consolidated annual accounts were prepared new International Financial Reporting Standards and the relevant interpretations had been published but none were mandatory for the years commencing on or after 1 January 2014. The analysis of any future impact that could arise due to adopting these standards has not yet been completed, although no significant impacts are expected when they enter into force. These standards are as follows:

- o IFRIC 21 "Levies" This interpretation covers the accounting treatment of levies imposed by public entities, other than taxes on profits, and fines and penalties imposed for the failure to comply with legislation. The main question raised in this respect is when the entity must recognise a liability for the obligation to pay a levy that is recognised in accordance with IAS 37. It also covers the accounting treatment of a liability relating to the payment of a levy when the due date and amount are known. The interpretation is mandatory for all years starting on or after 1 January 2015, although it may be applied early, which effectively is the case with Unicaja Banco Group.

- o Annual improvements to IFRS, 2011-2013 cycle: The amendments included in these Annual Improvements generally apply to years that commence starting on 1 January 2015, although they may be adopted early. The main amendments refer to the following items:

    - IFRS 3 “Business combinations”. Exceptions to scope for joint ventures.
    - IFRS 13 “Fair value measurement”. Scope of the "portfolio exception"
    - IAS 40 “Investment property”: Relationship between IAS 40 and IFRS 3 when a property is classified as an investment property or owner-occupied property

- o Annual improvements to IFRS, 2010-2012 cycle: The amendments included in these Annual Improvements generally apply to years that commence starting on 1 February 2015, although they may be adopted early. The main amendments refer to the following items:

    - IFRS 2 “Share-based payments" Definition of "vesting condition"
    - IFRS 3 “Business combinations”: Recognition of contingent consideration in a business combination.
    - IFRS 8, "Operating segments": Disclosures regarding the inclusion of operating segments and the reconciliation of all assets assigned to the segments being reported with respect to the entity's assets.
    - IFRS 13 “Fair value measurement”: References to the capacity to measure current receivables and payables at their nominal value when the effect of the discount is not significant.
    - IAS 16 "Property, plant and equipment and IAS 38 "Intangible assets": Proportional restatement of accumulated depreciation/amortisation when the revaluation model is used.
    - IAS 24 “Related party disclosures”. Entities that provide key management personnel services as a related party.

- IAS 19 (Revised), "Defined benefit plans: employee contributions": IAS 19 (revised in 2011) makes a distinction between employee contributions relating to the service rendered and those that are not associated with the service. The current amendment also makes a distinction between contributions associated to the service only in the year in which they arise and those that are associated with the service over more than one year. The amendment allows contributions associated with the service that do not vary with the duration of the service to be deducted from the cost of the accrued services during the year in which the relevant service is rendered. The contributions associated with the service that vary in accordance with its duration must extend over the period the service is provided using the same assignment method that is applied to the benefits. This amendment applies retrospectively to the years commencing on or after 1 February 2015. Early adoption is permitted.

- IFRS 14 "Regulatory deferral accounts": This is an interim standard regarding the accounting treatment of certain balances that arise in regulated tariff activities. It is applicable only to those entities that adopt IFRS 1 for the first time, allowing them to continue to recognise the amounts relating to the tariff regulations in accordance with their accounting policies prior to the adoption of IFRS. However, to reinforce comparability with the entities that already apply IFRS and do not recognise these amounts, the standard requires that the effect of this tariff regulation be presented separately from other items. An entity that already presents its financial statements in accordance with IFRS cannot apply this standard. This standard will be in effect starting on 1 January 2016 although it may be adopted early.

- IFRS 11 (Revised) "Recognition of purchases of shares in joint ventures" It requires that the accounting principles for a business combination to be applied to an investor that acquires an interest in a joint venture constituting a business. Specifically, identifiable assets and liabilities will have to be measured at fair value, the costs relating to the acquisition recognised as an expense, the deferred tax recognised and the residual amount recognised as goodwill. All other accounting principles for a business combination apply, unless they conflict with IFRS 11. This amendment will be applied on a prospective basis for the years commencing on or after 1 January 2016, although it may be applied early.

- IAS 16 (Revised) and IAS 38 (Revised) "Clarification of acceptable methods of depreciation and amortisation": This amendment clarifies that it is not adequate to use methods based on ordinary income to calculate the depreciation of an asset because ordinary income generated by an activity that includes the use of an asset generally reflect factors other than the consumption of the financial benefits within the asset. The IASB also clarifies that it is generally presumed that ordinary income is an inadequate basis for measuring the consumption of the financial benefits within an intangible asset. This amendment will be effective starting in years commencing on or after 1 January 2016 and will be applied on a prospective basis. The amendment may be applied early.

- IFRS 15 "Revenue from contracts with customers": In May 2014 the IASB and the FASB jointly issued a converging standard relating to the recognition of ordinary revenue originating from customer agreements. Under this standard, revenue is recognised when a customer obtains control of an asset or service sold, i.e. when it has both the ability to direct the use and obtain the benefits of the asset or service. This IFRS includes new guidelines to determine whether or not revenue should be recognised over time or at a certain moment. IFRS 15 requires broad information regarding both the recognised income and income that is expected to be recognised in the future with respect to existing contracts. It also requires quantitative and qualitative information regarding significant judgments applied by management when calculating recognised income, as well as any changes in these judgments. IFRS 15 will be applicable to years commencing on or after 1 January 2017, although it may be applied early.

- IAS 16 (Revised) and IAS 41 (Revised) "Agriculture: Bearer plants to grow produce" Under this amendment plants that are held to obtain produce must be recognised in the same manner as property, plant and equipment, which is different from other biological assets. As a result, the amendments include these plants under the scope of IAS 16 instead of IAS 41. The produce grown on these plants will be maintained within the scope of IAS 41. These amendments will be applicable on a prospective basis to years starting on or after 1 January 2016, although early application is permitted.

- IFRS 9, "Financial instruments". It addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of IFRS 9 was published in July 2014 and replaces the guidelines under IAS 39 regarding the classification and measurement of financial instruments. IFRS 9 maintains, although it simplifies, the mixed measurement model and establishes three main measurement categories for financial assets: amortised cost, fair value through changes in profit or loss and fair value through changes in other comprehensive income. The basis of classification depends on the Company's business model and the characteristics of the contractual cash flow for the financial asset. Investments in equity instruments must be measured at fair value through profit or loss with the irrevocable election at initial recognition to present changes in fair value through other non-recyclable comprehensive income, provided that the instrument is not held for trading. If the equity instrument is held for trading any changes in fair value are presented in profit or loss.

  There have been no changes to the classification and measurement of financial liabilities, except for the recognition of changes in own credit risk in other comprehensive income for liabilities carried at fair value through profit or loss. Under IFRS 9 there is a new impairment loss model called the expected credit loss model that replaces the incurred impairment loss model defined by IAS 39 and which will give rise to the recognition of such losses earlier than under IAS 39. IFRS 9 relaxes the requirements to consider the hedge effective. Under IAS 39, a hedge should be highly effective both prospectively and retrospectively. IFRS 9 replaces this line and requires that an economic relationship exists between the hedged item and hedging instrument and that the hedge ratio is the same as that actually used by the entity in its risk management. Contemporaneous documentation is still required but is different to that prepared under IAS 39. Finally, broad information is required, including a reconciliation of the beginning and ending balance of the provision for expected defaults, assumptions and data and a reconciliation during the transition between the original classification under IAS 39 and the new classification categories under IFRS 9.

  IFRS 9 will be applicable to years commencing on or after 1 January 2018, although it may be applied early. IFRS 9 will be applied retroactively but the restatement of comparative figures will not be required. If an entity opts to apply IFRS 9 early all requirements must be applied at the same time. The entities that apply the standard before 1 February 2015 continue to have the option to apply the standard in stages.

- IAS 27 (Revised) “Equity method in separate financial statements”. It is amended to re-establish the option of using the equity method to account for investments in subsidiaries, joint arrangements and associates in a company's separate financial statements. The definition of separate financial statements was also clarified. An entity that chooses to change the equity method will apply the amendments in years that commence on or after 1 January 2016 in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors". Early adoption is permitted.

- IFRS 10 (Revised) and IAS 28 (Revised) “Sale or contribution of assets between an investor and its associates/joint ventures”: These amendments clarify the accounting treatment of sales and contributions of assets between an investor and its associates and joint ventures that will depend on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor will recognise the complete gain or loss when the non-monetary assets constitute a "business". If the assets do not comply with the definition of a business, the investor recognises the gain or loss in proportion to the interests of other investors. The amendments will only be applicable when an investor sells or contributes assets to an associate or joint venture. The amendments to IFRS 10 and IAS 28 are prospective and will be effective in years commencing on or after 1 January 2016.

- Improvement project 2012-2014 cycle: The amendments affect IFRS 5, IFRS 7, IAS 19 and IAS 34 and will be applicable to the years commencing on or after 1 July 2016, subject to be adopted by the EU. The main amendments refer to:

  - IFRS 5 "Non-current assets held for sale and discontinued operations" Changes in disposal methods.
  - IFRS 7, "Financial instruments": Disclosures”. Continuing involvement in administration agreements.
  - IAS 19 “Employee benefits”: Determination of the discount rate for post-employment compensation obligations.
  - IAS 34 “Interim financial information”: Information presented in another part of the interim financial information.

- IAS 1 (Revised), “Presentation of financial statements”: The amendments to IAS 1 encourage companies to apply professional judgment when determining which information to disclose in the financial statements. The amendments clarify that materiality applies to the financial statements as a whole and including immaterial information may hamper the usefulness of the financial information. The amendments clarify that entities should use professional judgment to determine when, and in what order, the information is presented in the financial statements. The amendments to IAS 1 may be applied immediately and are mandatory for all years commencing on or after 1 January 2016.

- IFRS 10 (Revised), IFRS 12 (Revised) and IAS 28 (Revised) "Investment entities": Applying the exemption to consolidation": These amendments clarify three aspects regarding the application of the requirement for investment entities to measure subsidiaries at fair value instead of consolidating them. The proposed amendments:

  - Confirm that the exception to presenting consolidated financial statements continues to be applied to an investment entity's subsidiaries when they are parent companies.
  - Clarify that a parent investment entity must consolidate a subsidiary that provides services relating to the investment instead of measuring the subsidiary at fair value.
  - Simplify the application of the equity method to an entity that is not itself an investment company but which holds an interest in an associate that is an investment entity.

  This standard is applicable to years starting on or after 1 January 2016 although early application is permitted.

The Bank's Directors understand that the entry into force of most of these standards will not have a relevant impact on the Group's financial statements.

2. Accounting principles and policies and measurement methods applied

During the preparation of the consolidated annual accounts for 2014 and 2013, the following accounting principles and policies and measurement methods were applied:

2.1 Consolidation

2.1.1 Subsidiaries

“Subsidiaries” are defined as companies over which the Parent has the capacity to exercise effective control; control is, in general but not exclusively, presumed to exist when the Parent owns directly or indirectly more than half of the voting power of the investee, or even if this percentage is lower or zero, when there are other circumstances or agreements that give the Confederation Control. In accordance with IAS 27, control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities.

The subsidiaries annual accounts are consolidated with those of the Entity using the full consolidation method, as stipulated in IAS 27. Consequently, all significant balances deriving from transactions between the fully-consolidated companies have been eliminated during consolidation. Additionally, third-party interests in the:

- Group’s equity is presented in “Minority interests” in the consolidated balance sheet (Note 20).

- Consolidated results for the year are presented in “Surplus attributed to minority interests” in the consolidated income statement (Note 20).

Results generated by subsidiaries acquired by the Group during the year are consolidated taking into account only the amounts for the period running from the acquisition date to the year end. Additionally, results generated by subsidiaries sold during the year are consolidated taking into account only the amounts for the period running from the beginning of the year to the date of sale.

Note 12.2 contain details of the most significant acquisitions and disposals of subsidiaries completed in 2014.

Appendix I provide relevant information on these entities.

2.1.2 Joint ventures

“Joint ventures” are investments in entities that are not subsidiaries but are controlled jointly by two or more unrelated entities.

In accordance with IFRS 11 "Joint Arrangements" arise when a participant has the right to the results obtained or to the net assets of the company in which the interest is held and therefore uses the equity method to recognise its stake in the company. Jointly-controlled entities are classified as joint ventures in the consolidated financial statements and for the purposes of IFRS 11 they are measured using the "equity method".

Appendix II provides relevant information on these entities.

In Note 12.2 provides information on the most significant acquisitions that have taken place in 2014 joint ventures and new shares in the capital of companies, that already had this whole business condition at beginning of year.

2.1.3 Associates

"Associates" are all the entities over which the Entity has significant influence but not control or joint control. Significant influence generally accompanies a direct or indirect shareholding of 20% or more of the voting rights.

At 31 December 2014 Group associates are considered to be entities in which at least 20% of the voting rights are held: Alestis Aerospace, S.L. and Deoleo, S.A. In addition associates of Banco CEISS are also classified as such taking into account Unicaja Banco's interest in that company and it is considered that there is significant influence over those associates (see details in Appendix III).

The main reasons why the Group is considered to have significant influence over those companies are as follows:

- Unicaja Banco Group has concluded agreements with the shareholders of Alestis Aerospace, S.L. that allow it to form part of the Board of Directors, participate in the organisation and operations of the governing bodies and participate in, or in some cases block, business decisions. It is also entitled to appoint a total of three Directors designated jointly with other shareholders, which represents 50% of all Directors.

- As a result of its interest in Deoleo, S.A., Unicaja Banco Group is entitled to appoint a total of three Directors.

In the consolidated financial statements, associates are consolidated using the equity method, as defined in prevailing legislation (IAS 28).

If as a result of losses incurred by an associate its equity is negative, in the consolidated balance sheet would appear of the Group with a nil value, unless the Group is required to provide financial support.

Appendix III provides relevant information on these entities.

2.2 Financial instruments

2.2.1 Initial recognition of financial instruments

Financial instruments are initially recognized in the consolidated balance sheet when the Group becomes party to the relevant contract, in accordance with the terms of that contract. Specifically, debt instruments such as loans and deposits in cash are recognized as from the date on which the legal right to receive or the legal obligation to pay the cash is generated, respectively. In general, derivative financial instruments are recognized on the date they are contracted.

Purchases and sales of financial assets arranged through conventional contracts (contracts under which the parties reciprocal obligations must be fulfilled within a timeframe established by regulations or market convention and which may not be settled by differences), such as stock market contracts or currency forwards, are accounted for from the date on which the benefits, risks, rights and duties inherent in all ownership are transferred to the acquirer. Depending on the type of financial asset purchased or sold, this may be the contract date or the settlement or delivery date. Specifically, transactions effected on the foreign exchange spot market are recognized at the settlement date, transactions effected using equity instruments traded in Spanish securities markets are recorded at the contract date and transactions effected using debt instruments traded on Spanish securities markets are recognized at the settlement date.

2.2.2 Disposal of financial instruments

A financial asset is written off the consolidated balance sheet in any of the following circumstances:

- The contractual rights to the cash flows generated have expired; or

- The financial asset, together with its substantial risks and rewards, is transferred, or control is transferred, even where risks and rewards are not substantially transferred or retained.

A financial liability is written off the balance sheet when the obligations generated have been extinguished or when it has been re-purchased by the Group for either re-placement or settlement.

2.2.3 Fair value and amortized cost of financial instruments

The fair value of a financial instrument at a given date is understood to be the amount at which it may be purchased or sold at that date between duly informed parties in an arm's length transaction. The most objective and common reference value for a financial instrument's fair value is the price that would be paid in an organised, transparent and deep market ("quoted price" or "market price").

In the absence of a market price for a specific financial instrument, its fair value is estimated on the basis of recent transactions involving similar instruments or, failing this, using valuation techniques that are acceptable to the international financial community, taking into account the specific features of the instrument to be measured and, above all, the different types of associated risks.

Specifically, the fair value of held-for-trading derivative financial instruments traded in organised, transparent and deep markets is the same as their daily market price. If, in exceptional circumstances, the price cannot be established on a given date, they are measured using similar methods to those applied to derivatives not traded in organised markets.

The fair value of derivatives not traded in organised markets, or traded in organised markets that are not deep or transparent, is equal to the sum of the future cash flows generated by the instrument, discounted at the measurement date ("present value" or "theoretical close"), employing valuation techniques accepted by the financial markets: "net present value" (NPV), option pricing models, etc.

Amortized cost is the acquisition cost of a financial asset or liability adjusted (upward or downward) for capital and interest repayments and, where applicable, for the (higher or lower) portion (recognized in the consolidated income statement by applying the effective interest method) of the difference between the initial amount and the repayment value of the financial instruments. The amortized cost of financial assets also includes impairment adjustments.

The effective interest rate is the discount rate that brings the initial value of a financial instrument exactly into line with total estimated cash flows throughout its residual life. In the case of fixed-income financial instruments, the effective interest rate is equal to the contractual rate defined on acquisition, adjusted for commissions and transaction costs that must be included in the calculation of the effective interest rate, under IAS 39. The effective interest rate for variable-rate financial instruments is estimated in the same way as for fixed-income transactions and is recalculated at each interest review date stated in the contract, taking into consideration changes in the transactions future cash flows.

2.2.4 Classification and valuation of financial assets and liabilities

Financial instruments are classified into the following categories in the Group's consolidated balance sheet:

- **Financial assets and liabilities at fair value through profit or loss:** This category includes financial instruments for trading and other financial assets and liabilities classified as at fair value through profit or loss:

  - **"Financial assets held for trading"** are assets acquired in order to be realized in the short term or which form part of a portfolio of financial instruments identified or managed jointly, for which there is evidence of recent actions taken to obtain short-term gains, and derivative financial instruments not designated as hedge instruments, including instruments segregated from hybrid financial instruments (IAS 39).

  - **"Financial liabilities held for trading"** are liabilities issued for repurchase in the near future or that form part of a portfolio of financial instruments identified or managed jointly for which there is evidence of recent actions to obtain short-term gains, short positions in securities arising from sales of assets acquired under non-optional repurchase agreements and loans of securities, and derivative financial instruments not designated as hedge instruments, including instruments segregated from hybrid financial instruments.

  - **"Other financial assets or liabilities at fair value through profit or loss"** they are designated as financial assets or liabilities in their initial recognition, the fair value of which can be estimated in a reliable manner and this designation can be applied to:

  (i) hybrid assets and liabilities for which the implicit derivatives cannot be separately valued in a reliable manner, the separation of these is obligatory,

  (ii) hybrid financial assets and liabilities as a whole, designated from their initial recognition, except when the implicit derivatives do not significantly modify the cash flows that, in another way, the instrument would have generated or when the hybrid instrument was first considered the prohibition of separating from the implied derivatives was evident,

  (iii) financial assets and liabilities on which more relevant information is obtained because with this there is a significant reduction in the incoherencies in the recognition or valuation (also called accounting asymmetries) that would arise in the valuation of the assets or liabilities, or through the recognition of gains or losses with different criteria,

  (iv) financial assets and liabilities on which more relevant information is obtained due to the existence of a group of financial assets or liabilities in each case from which more relevant information is obtained because there is a group of financial assets, or of assets and financial liabilities that are managed and their yield is valued based upon their fair value, in accordance with a documented management risk or investment strategy and the information on this group is also supplied based upon the fair value to the key management personnel.

- **Held-to-maturity investments**: it includes debt securities with fixed maturities and identified or identifiable cash flows that are classified by the Entity at initial date and subsequently, with the intention and financial capacity to hold them until maturity date.

  The debt securities included in this category are initially carried at fair value, as adjusted for transaction costs directly attributable to the acquisition of the financial asset, which are recognized in the income statement using the effective interest method as defined in IAS 39. They are subsequently carried at amortized cost, calculated based on the effective interest rate.

- **Loans and receivables**: this category includes unlisted debt securities, financing provided to third parties arising from the ordinary credit and loan activities carried out by the Entity, and debts incurred by asset buyers and by service users. It also includes finance lease transactions where the entities are the lessors.

The financial assets included in this category are initially carried at fair value, as adjusted for commissions and transaction costs directly attributable to the acquisition of the financial asset and which, under Bank of Spain Circular 4/2004 (22 December), must be recognized in the income statement using the effective interest method, to maturity. Following acquisition, the assets are carried at amortized cost.

Assets acquired at a discount are recorded at the cash amount paid and the difference between the repayment value and that cash amount is recognized as financial income applying the effective interest method during the period to maturity.

In general terms it is the intention of the consolidated companies hold the loans and credits granted to maturity, and therefore presented in the consolidated balance sheet at amortized cost.

The interest accrued on these assets, calculated using the effective interest method, is recognized in the caption "Interest and Similar Income" in the income statement. Exchange differences on securities denominated in foreign currency other than the Euro are registered as mentioned in Note 2.4. Possible impairment losses on these assets are recorded as indicated in Note 2.7. Debt securities included in fair value hedged transactions are recorded as mentioned in Note 2.3.

- **Available-for-sale financial assets**: this category includes debt securities not classified as held to maturity, such as loans and receivables, or as at fair value through Profit or loss, and equity instruments owned by Unicaja relating to entities which are not subsidiaries, joint ventures or associates, and which have not been classified at fair value through profit or loss.

The instruments included in this category are initially measured at fair value, adjusted for transaction costs, which are recognized until maturity in the income statement using the effective interest method. In the case in which the financial assets have no fixed maturities, they are accounted to the income statement when they become impaired or written off the balance sheet. Following acquisition, the financial assets included in this category are carried at fair value.

Nonetheless, equity instruments, which fair value cannot be determined in a sufficiently objective manner, are carried at cost in these annual accounts, net of impairment as explained in Note 2.7.

Balancing entries are registered in "Interest and Similar Income" (calculated using the effective interest method) and "Return on Equity Instruments" in the income statement, with respect to changes in the fair value of financial assets classified as available for sale, relating to interest or dividends accrued, respectively. Impairment losses on these instruments are recorded as mentioned in Note 2.7. Exchange differences on financial assets denominated in foreign currency other than the euro are accounted as mentioned in Note 2.4. Changes in the fair value of financial assets covered by fair value hedges are registered as mentioned in Note 2.3.

A balancing entry is made in "Valuation Adjustments", in the Entity's equity, with respect to the remaining changes to the fair value from the acquisition date of available-for-sale financial assets until the financial asset is written off, when the balance is taken to "Gains (Losses) on non-current assets held for sale not classified as discontinued operations" in the income statement.

- **Financial liabilities at amortized cost**: this category of financial instruments relates to financial liabilities that are not included in any of the previous categories. Financial liabilities included in this category are initially carried at fair value adjusted for transaction costs that may be directly attributable to the issue of the financial liability, which will be allocated to the consolidated income statement to maturity, using the effective interest rate method defined in IAS 39. They are subsequently valued at amortized cost, calculated using the effective interest rate method defined in IAS 39.

  The liabilities issued by the consolidated entities which, having the legal nature of capital, do not fulfil the conditions to be classified as equity under IAS 32, i.e., basically shares issued by the consolidated entities that do not carry voting rights and entitle the holders to dividends in the event that certain conditions are met, are classified as financial liabilities at amortized cost except if the Group has designated them as financial liabilities at fair value through profit or loss and provided that the relevant conditions are met.

  Accrued interest on these securities, calculated through the effective interest rate method is reflected under "Interest and similar charges" in the consolidated income statement. Exchange differences on securities denominated in a currency other than the euro, included in this portfolio, is reflected in accordance with Note 2.4. Financial liabilities in fair value hedging transactions are reflected in accordance with Note 2.3.

Nonetheless, financial instruments which should be considered as non-current assets held for sale in accordance with IFRS 5 are reflected in the consolidated financial statements as mentioned in Note 2.20.

Reclassifications between financial instruments portfolios are made according to the following assumptions:

i. Except in the case iv) stated below, the financial instruments may not be reclassified into or out of the category assessed at fair value through profit and loss, once acquired, issued or assumed.

ii. A financial asset, which intent or financial capacity changes, is classified from "Held-to-maturity investments" to "Available-for-sale financial assets". In this case, the same treatment is applied to all financial instruments held-to-maturity except under the circumstances stated by the applicable law (sales close to maturity date, or once received major part of the financial assets principal, or sales attributed to a non-recurring event that could not have been anticipated by the Entity).

    During 2014 and 2013, Unicaja Banco Group proceeded to sell part of the debt securities classified under the held-to-maturity investment portfolio (Note 9.4). The transactions comply with the requirements of paragraph GA22 of IAS 39 "Financial instruments: recognition and measurement" and therefore the rest of the debt securities in the held-to-maturity investment portfolio do not need to be reclassified to the available-for-sale financial asset portfolio.

iii. If a reliable valuation of a financial asset or liability becomes available, for which no such valuation had been previously available, and if it were obligatory to value them a fair value, such as non-quoted capital instruments and the derivatives that these have as underlying assets, these financial assets or financial liabilities will be valued at their fair value and the difference from their carrying amount will be treated in line with what is established for their portfolio class.

    During the years 2014 and 2013 there has been no significant reclassification as described above.

iv. If, as a result of a change in the intention or in the financial capacity of the Entity or, the expiry of the two year penalty period imposed by the applicable norm for the case of the sale of financial assets classified in the investment portfolio as at due date, financial assets (debt instruments) included in the category of “financial assets available for sale” may be reclassified to the “investment portfolio at due date”. In this case, the fair value of these financial instruments on the date of the transfer becomes their new amortized cost and the difference between this amount and their reimbursable value is charged to the consolidated profit and loss account applying the interest rate method applicable, during the residual life of the instrument.

During the years 2014 and 2013 there has been no significant reclassification as described above.

v. A financial asset that is not a derivative may not be classified under “financial assets held for trading” if ceased to be maintained for the purpose of short term sale or repurchase, when one of the following circumstances takes place:

- In rare and exceptional circumstances, unless the assets could have been susceptibly included in the heading “Loans and receivables”. Rare and exceptional circumstances are those that arise from a particular event, which is unusual and highly unlikely to recur in the foreseeable future.

- When the Entity's intention and financial capacity to maintain the financial asset in the foreseeable future or until maturity, provided that it fulfilled the definition of “Loans and receivables” at its initial recognition.

In these situations, the assets are classified at the reclassification date fair value, without reversing the results, and considering this value as their cost or amortized cost. In no case these assets may turn to be reclassified as “Financial assets held for trading”.

During the years 2014 and 2013 there has been no significant reclassification as described above.

2.3 Hedging and mitigation of risks

The Group uses financial derivatives as part of its strategy to limit its exposure to interest rate, market and foreign exchange risks, inter alia. When the transactions fulfil the requirements of IAS 39, they are treated as hedges.

When the Group designates a transaction as a hedge, it does so as from the time of inception of the transactions or the instruments included in the hedge, which is appropriately documented. When documenting these hedge transactions, the hedged instrument(s) and hedging instrument(s) are duly identified together with the nature of the risk which is intended to be hedged and the criteria or methods followed by the Entity to measure the effectiveness of the hedge over the hedge term, taking into account the risk to be covered.

Only transactions that are considered highly effective throughout the hedge term are treated as hedge transactions. A hedge is considered highly effective if during the specific term any changes in fair value or cash flows attributed to the risk covered by the hedge of the financial instrument or instruments are virtually fully offset by the changes in fair value or cash flows, as appropriate, of the hedging instrument or instruments.

In order to measure the effectiveness of designated hedges, the Group analyses whether, from inception and to the end of the defined hedging period, changes in fair value or cash flows of the hedged item that are attributable to the hedged risk may prospectively be expected to be offset almost completely by changes in fair value or cash flows, as applicable, of the hedging instrument or instruments and whether, retrospectively, the hedge results have fluctuated within a range of 80% to 125% with respect to the results of the item hedged.

The Entity's hedges are classified as follows:

- Fair value hedges: These hedges cover exposure to changes in the fair value of financial assets and liabilities or of Groups' commitments not yet recognized, or of an identified portion of such assets, liabilities and the Group's commitments, attributable to a specific risk, provided it might affect the consolidated income statement.

- Cash-flow hedges: These hedges cover changes in cash flows attributed to a specific risk associated with a financial asset or liability or a highly probable transaction, provided it may affect the income statement.

As regards the specific financial instruments designated as hedged items and hedging instruments, measurement differences are recognized as described below:

- For fair value hedges, differences in hedges and hedged items (depending on the type of the hedged risk) are recognized directly in the consolidated income statement.

- For cash flow hedges, measurement differences arising on the effective portion of the hedge are temporarily recorded in the equity item "Valuation adjustments - Cash flow hedges". The financial instruments covered by cash flow hedges are recognized as explained in Note 2.2 and no adjustments are made due to the fact that they are classified as hedged items.

In the latter case, measurement differences are not recognized in the income statement until the gains or losses on the hedged item are recognized or, in the case of the hedge was related to a highly probable future transaction whose consequence is the recognition of a not financial asset or liability, these measurement differences would be recognized as part of the acquisition cost or until the maturity date of the hedged item.

Measurement differences on the hedging instrument relating to the ineffective portion of cash flow hedges are recognized directly in "Gains/ (losses) on financial assets and liabilities (net)" in the consolidated income statement.

The Group interrupts the hedge accounting when the instrument expires or is sold, when a hedge no longer meets the criteria for the hedge accounting or when the transaction ceases to be classed as a hedge.

Where the hedge fair value is interrupted as stated in the previous paragraph, in the case of hedged items carried at amortized cost, the adjustments made for the hedge accounting purposes are recognized in the income statement until the maturity date of the hedged items, applying the effective interest rate as recalculated on the interruption date.

Where cash flow hedge accounting is interrupted, the gain or losses accumulated on the hedging instrument recognized in the equity caption "Valuation adjustments - Cash flow hedges" in the consolidated balance sheet remains in that heading until the hedged expected transaction takes place, when the amount in question is taken to the consolidated income statement or, when the hedged item is an expected transaction that results in the recognition of a financial asset or liability, an adjustment is made to the acquisition cost of the asset or liability. In the case of expected transactions, when the transaction is not expected to be effected, the relevant amount recognized in the equity item "Valuation adjustments - Cash flow hedges" is immediately taken to the consolidated income statement.

2.4 Foreign currency transactions

2.4.1 Functional currency

The Group's functional currency is the euro. All balances and transactions denominated in currencies other than the euro are considered as foreign currency balances and transactions.

The total equivalent value in euros of the Entity's foreign currency assets and liabilities at 31 December 2014 was €99,602 thousands and €67,243 thousands, respectively (€38,000 thousands and €14,617 thousand, respectively, at 31 December 2013). The 83% and 85%, respectively at 31 December 2014 was denominated in US dollars (75% and 80%, respectively at 31 December 2013) and 7% and 6%, respectively at 31 December 2014 in pounds sterling (14% and 17% respectively, at 31 December 2013), y and the remainder in other foreign currencies traded in the Spanish market.

2.4.2 Foreign currency translation

Foreign currency transactions effected by the Group are initially recognized in the financial statements at their equivalent value in euros, using the exchange rates prevailing at the dates of the transactions. The Entity subsequently translates the monetary balances in foreign currency to the functional currency using the year-end exchange rate. Additionally:

- Non-monetary items carried at historical cost are translated into the functional currency using the exchange rate prevailing at their acquisition date.

- Non-monetary items carried at fair value are translated into the functional currency using the exchange rate in force at the date on which fair value was determined.

2.4.3 Exchange rates applied

The exchange rates used by the Entity to translate balances denominated in the main foreign currencies to euros when preparing the annual accounts at 31 December 2014 and 2013 are the rates published by the European Central Bank.

2.4.4 Accounting for exchange differences

Exchange differences arising from the translation of foreign currency balances into the Group's functional currency are generally recognized at their net amount in "Exchange differences (net)" in the consolidated income statement, except for differences in financial instruments carried at fair value through the income statement, which are recognized in the consolidated income statement together with any other change in fair value.

In 2014, exchange differences recognized in the Bank's consolidated income statement totaled a net loss of € 2,664 thousand, as compared with a net gain of € 237 thousand in 2013.

Exchange differences in non-monetary items which fair value is adjusted by means of a balancing entry in equity are recognized in "Valuation adjustments – Exchange differences" in the consolidated balance sheet, until they are realized. Exchange differences arising on non-monetary items whose fair value is adjusted against the consolidated equity.

In 2014 and 2013, exchange differences recognized in the consolidated statement of recognized income and expenses as "Other recognized income and expenses" amounted to € 97 thousand and € 33 thousand, respectively, relating in both cases to net losses on measurement.

2.5 Recognition of income and expense

Set out below is a summary of the most significant accounting policies employed by the Group to recognize income and expense:

2.5.1 Interest income and expense, dividends and similar items

In general, interest income and expense and similar items are accounted in an accruals basis, applying the effective interest method defined in IAS 39. Dividends received from other companies are recognized in the income statement when the Entity becomes entitled to receive them.

2.5.2 Commissions, fees and similar items

Income and expense relating to commissions and similar fees, which are not included in the calculation of the effective interest rate of operations and/or do not form part of the acquisition cost of financial assets or liabilities, except for those carried at fair value through the income statement, are recognized in the income statement using different methods depending on their nature. The most significant methods used are explained below:

- Amounts associated with the acquisition of financial assets and liabilities carried at fair value through the income statement are recognized in the consolidated income statement at the payment date.

- Amounts arising from long-term transactions or services are recognized in the consolidated income statement over the term of the transactions or services.

- Amounts relating to a one-off event are recorded in the consolidated income statement when that event takes place.

2.5.3 Non-financial income and expense

These amounts are accounted in an accruals basis.

2 5.4 Deferred collections and payments

Deferred collections and payments are carried at the amount obtained by discounting expected cash flows at market rates.

2.6 Offset of balances

Only debtor and creditor balances arising from transactions which, under contract or legislation, provide for possible offset and are to be settled at their net amount, or simultaneously realized and paid, are offset and therefore presented in the consolidated balance sheet at their net amount.

2.7 Financial asset impairment

The carrying value of financial assets is generally adjusted against the consolidated income statement when there is objective evidence that there are impairment losses. This is the case where:

- For debt instruments, i.e. loans and debt securities, when following their initial recognition there is an event or various events which have a negative impact on the relevant future cash flows.

- For equity instruments, when following their initial recognition there is an event or various events making it impossible to recover their carrying amount.

In the event that the recovery of any amount in respect of the impairment recorded is considered remote, such impairment is written off the consolidated balance sheet, although the Group may take the necessary actions to secure collection until the final extinguishment of its debt claims due to lapsing, remission or other reasons.

In the case of debt instruments carried at amortized cost, the amount of impairment losses is equal to the difference between their carrying amount and the present value of forecast future cash flows discounted at the instrument's original effective interest rate, where a fixed rate was contracted, or at the effective interest rate at the date of the financial statements, determined based on the contractual terms, in the case of a variable rate. For listed debt instruments, the market value may be used, provided it is sufficiently reliable to be representative of the amount that may be recovered by the Group.

Objective evidence of impairment will be determined individually for all debt instruments that are significant, and individually or collectively for groups of debt instruments which are not individually significant. Whenever a specific instrument cannot be included in any group of assets with similar risk characteristics, it will be analysed exclusively on an individual basis in order to ascertain whether it is impaired and, whenever this is the case, to estimate the impairment loss.

The collective assessment of a group of financial assets to estimate impairment losses is as follows:

- Debt instruments are included in groups with similar credit risk characteristics, indicative of debtor capacity to pay all amounts, principal and interest, in accordance with contractual terms. The characteristics of credit risk which are taken into account in order to group together assets are, inter alia, instrument type, debtor's business sector, geographical location of the activity, type of guarantee, age of amounts overdue and any other factor that may be relevant when estimating future cash flows.

- Future cash flows in each group of debt instruments are estimated based on the Entity's experience of historical losses for instruments with similar credit risk characteristics to those of the respective group, following the necessary adjustments to adapt historical data to current market conditions.

- Impairment losses in each group are the difference between the carrying value of all the Entity's debt instruments and the present value of its estimated future cash flows.

Debt instruments not carried at fair value through the income statement, contingent risks and contingent commitments are classified, on the basis of the insolvency risk attributable to the customer or transaction, in the categories defined by Exhibit IX of Bank of Spain Circular 4/2004, and its subsequent amendments. Debt instruments not classified as ordinary risks are specifically provisioned for estimated impairment in accordance with the above-mentioned Circular, taking into account the age of the unpaid amounts, guarantees furnished and the financial situation of the customer and any guarantors.

The above-mentioned financial instruments are also analysed to determine credit risk on the basis of country risk, i.e. the risk incurred with respect to customers resident in a specific country due to circumstances other than ordinary commercial risks.

In addition to the specific provisions for impairment mentioned to above, the Group covers losses affecting debt instruments not carried at fair value through the income statement, and contingent risks classified as ordinary risks, by means of a general provision, which is calculated based on historical impairment data and other circumstances known at the assessment date, in respect of inherent impairment losses incurred at the date of the financial statements that have yet to be assigned to specific transactions, calculated using statistical methods.

In this regard, the Group has used the parameters established by the Bank of Spain, based on its experience and industry date, which determine the method and amount to be used to cover inherent impairment losses incurred in debt instruments and contingent risks classified as normal risks, which are changed regularly on the basis of the evolution of the data in question. This impairment loss provisioning method is based on the fixed rates provided by Exhibit IX of Bank of Spain Circular 4/2004 and its subsequent amendments, which varies based on the risk rating of the financial instruments as set out in Annex IX mentioned.

The recognition in the income statement of interest accrued on the basis of the contractual terms is interrupted for all debt instruments classified individually as impaired and for those for which impairment losses have been calculated collectively because the amounts involved are more than ninety days past due.

The amount of impairment losses incurred in debt securities and equity instruments included in the item “Available-for-sale financial assets” is equal to the positive difference between their acquisition cost, net of principal repayments, and their fair value less any impairment loss previously recognized in the consolidated income statement.

When there is objective evidence that the decline in fair value is attributable to impairment, the latent losses recognized directly as measurement adjustments in equity are recorded immediately in the consolidated income statement. If subsequently all or part of the impairment losses are recovered, the amount involved is recognized, in the case of debt securities, in the income statement for the recovery period and, in the case of equity instruments, as valuation adjustments in consolidated equity.

In order to draw conclusions as to the existence of objective evidence of impairment of listed and unlisted debt instruments, the Group analyses any loss-causing events, such as circumstances causing significant financial difficulties for the issuer or obligor, breaches of contractual clauses, such as defaults or delays in the payment of principal or interest, increase in the probability of the issuer becoming insolvent or undergoing any other type of financial restructuring, disappearance of an active market for the financial instrument in question, due to financial difficulties, and a credit rating cut, which could be a sign of impairment if considered together with other available information.

In the specific case of listed equity instruments, the Group analyses whether a prolonged or significant fall in the investment's fair value below cost is objective evidence of impairment. For the purposes of determining when there is objective evidence that the price fall is due to impairment, in the event of exceptional circumstances in the markets that determine the price, the price effects derived from general market movements are analysed separately from the movements relating to factors specifically attributable to the issuer. Where there are no exceptional market circumstances but there are prolonged falls below the carrying amount, representing a relevant percentage, the Group also analyses evidence of impairment. Unless there are more specifically justifiable criteria, a standard 18-month period and a standard 40% reference rate are used. Even where there are no exceptional market circumstances, an analysis is also performed to determine whether there are objective reasons to consider that the security's price does not reflect its fair value and, therefore, is not a valid figure for quantifying potential impairment. Objective reasons in this case may be related to a very low free float, prolonged speculative actions affecting the share price, etc., all of which could distort the price of equity instruments.

For debt and equity instruments classified under non-current assets held for sale, the losses recorded previously in equity are considered to be realized and are recognized in the consolidated income statement at the date of their classification.

For investments in subsidiaries, jointly-controlled entities and associates, the Institution estimates impairment losses by comparing the recoverable amount with the carrying amount. Such impairment losses are recorded in the consolidated income statement for the period in which they arise while subsequent recoveries are recorded in the consolidated income statement for the recovery period.

2.8 Financial guarantees and related provisions

Financial guarantees are contracts in which an entity undertakes to pay specified sums for the account of a third party in the event that payment is not made by the third party, irrespective of the form of the obligation: guarantee deposit, financial or technical guarantee, irrevocable documentary credit issued or confirmed by the Entity, etc.

In accordance with IFRS-EU and the Group generally considers the financial guarantee contracts provided to third parties as financial instruments within the scope of IAS 39.

At the time of their initial recognition the Group reflects financial guarantees provided under liabilities on the consolidated balance sheet at fair value plus the transaction costs that may be directly attributable, which generally is equal to the amount of the premium received, plus, if appropriate, the present value of commissions and interest to be received on such contracts over their term, with a balancing entry, under assets, of the amount of the likened commissions and interest collected at inception and accounts receivable for the present value of the commissions and interest receivable. Subsequently, these contracts are carried under liabilities on the consolidated balance sheet at the higher of the following two amounts:

- The amount calculated in accordance with IAS 37. In this respect, the financial guarantees, irrespective of the holder, arrangement or other circumstances, are analysed regularly to determine the credit risk to which they are exposed and if appropriate, estimate the need for provision, determined by applying criteria similar to those established to quantify impairment losses on the debt instruments valued at amortized cost.

- The amount initially reflected for these instruments less amortization of this amount which, under IAS 18, is charged on a straight-line basis over the term of such contracts to the consolidated income statement.

Provisions for financial guarantees are recorded in the item “Provisions - Provisions for contingent risks and commitments” under liabilities in the consolidated balance sheet. A balancing entry is made in the caption “Provisions (net)” in the consolidated income statement.

When a provision is required for financial guarantees, commissions pending accrual on the guarantees, carried on the liabilities in the consolidated balance sheet in the caption “Accrual accounts”, are reclassified to the relevant provision.

2.9. Accounting for leases

2.9.1 Finance leases

Finance leases are those in which substantially all the risks and rewards carried by the leased asset are transferred to the lessee.

Whenever the Entity acts as the lessor of an asset in a finance lease transaction, the sum of the present values of the amounts that will be received from the lessee plus the guaranteed residual value (usually the purchase option price when the lease expires) are recorded as financing provided to third parties and therefore included in the caption “Loans and receivables” in the consolidated balance sheet, in accordance with the nature of the lessee.

When the Entity acts as the lessee in a finance lease operation, the cost of the leased assets is recorded in the balance sheet on the basis of the nature of the asset leased and a liability is carried in the same amount (the lower of the fair value of the leased asset and the sum of the present values of the amounts payable to the lessor plus, if appropriate, the purchase option exercise price). These assets are depreciated at similar rates to those applied to the Group’s property, plant and equipment for own use (Note 2.14).

In both cases, the financial income and expense on finance leases is credited and charged, respectively, to the consolidated income statement captions “Interest and similar income” and “Interest expenses and similar charges”, applying the effective interest rate on the lease, calculated in accordance with the new regulations, to estimate accrual.

In relations with finance lease developed by Unicaja Banco Group, quantitative information at 31th December 2014 and 2013 is detailed below:

(a) Gross investment (call option included) and current value at 31th December 2014 and 2013 reconciliation is the following:

	Thousands of euros	
	2014	**2013**
Accounts receivable Nominal Value	74 784	-
Purchasing operations Nominal Value	3 707	-
Total nominal Value at the end	**78 491**	**-**
Unearned finance incomes	7 514	-
Current value at close	**86 005**	**-**

(b) The present value of minimum lease payments at 31th December 2014 and 2013 and their residual terms distribution is the following:

	Thousands of euros	
Capital lease (mínimum quota)	**2014**	**2013**
Less than a year	33 409	-
Between one and five years	39 558	-
More tan five years	9 331	-
	82 298	**-**

(c) The unguaranteed residual values accruing to the benefit of the lessor at 31th December 2014 are € 3,707 thousands (there were no financial leases at 31th December 2013).

(d) The accumulated allowance for uncollectible minimum lease payments receivable at 31th December 2014 amount to € 34,493 thousands (there were no financial leases at 31th December 2013).

2.9.2 Operating leases

In operating leases, ownership of the leased asset and substantially all risks and benefits of ownership are retained by the lessor.

Where the Group acts as the lessor in operating lease agreements, the acquisition cost of the leased asset is carried under “Property, plant and equipment” in “Investment property” or “Other assets leased out under operating leases”, depending on the nature of the leased assets. Such assets are depreciated in accordance with the policies adopted for similar property, plant and equipment for own use and the revenue from lease contracts is recognized in the consolidated income statement on a straight-line basis in the caption “Other operating income”

Where the Group acts as the lesser in operating lease agreements, the lease costs, including any incentives granted by the lessor, are charged on a straight-line basis to the consolidated income statement caption “Other general administrative expenses”.

2.10 Managed assets

Managed assets by the consolidated entities and owned by third parties are not recognized in the consolidated balance sheet. Fees generated by this activity are recorded in the item “Fees and commission income” in the consolidated income statement. Note 30.4 provides information on third-party assets managed by the Group during the years ended 31 December 2014 and 2013.

2.11 Investment funds managed by the Group

Investment funds managed by the consolidated entities are not recognized in the Group’s consolidated balance sheet as the fund assets are owned by third parties. Fees accrued during the year for services rendered to the funds by the Group entities (asset management, portfolio depository services, etc.) are recorded in “Fee and commission income” in the consolidated income statement.

2.12 Staff costs

2.12.1 Post-employment commitments

2.12.1.1 General description of commitments

Under the prevailing collective bargaining agreement, the Institution must supplement the social security benefits of its employees or their beneficiaries in the event of retirement, widowhood, orphanhood, permanent disability or major disability.

During 2002 the Institution reached an agreement with its employees to modify and transform the pre-existing pension supplement arrangements for retirement and related contingencies and for occupational hazard contingencies. As a consequence of that agreement, a part of the pension commitments with employees were externalized to the fund Unifondo Pensiones V, Fondo de Pensiones. The remaining pension commitments covered by the internal fund at 31 December 2001 were covered by insurance policies during 2004 and 2005 (Note 40.1).

The basic terms of the agreement entail a shift from a mixed company pension arrangement to group defined contribution and defined benefit arrangements. As a consequence, the pension plan contemplated in the agreement encompasses five groups into which the employees are classified based on their length-of-service, post and applicable collective bargaining agreement. Depending on the group, the benefits consist of minimum guaranteed sums for death and disability, and defined contributions or benefits for each commitment.

As a result of the merger of Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga y Antequera (actually, Fundación Bancaria Unicaja) and Caja Provincial de Ahorros de Jaén (Caja de Jaén), on 13 April 2011 the "Employment Agreement for the Integration of the Employment Pension Plans at Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén” was signed, and compliance was obtained through the "Employment Agreement regarding the Procedure for Integrating the Employment Pension Plant at Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén” dated 26 July 2011.

The purpose of this agreement was to establish the foundation on which the Employment Pension Plan for all Unicaja employees would be regulated as a result of the merger and the procedure for unifying the existing Employment Plans at both entities by integrating the Pension Plan for Employees of Caja de Jaén into the Unicaja Employee Pension Plan, which has resulted in the termination and liquidation of the former and the creation of a new group consisting of the employees of that entity.

On 20 September 2011, the Employee Pension Plan Control Committee at Unicaja approve the amendment of the Pension Plan Specifications to adjust to the wording established in the aforementioned employment agreement, immediately accepting the integration of participants and their consolidated rights and the beneficiaries of the Caja de Jaén Employee Pension Plan that registered with the new plan on 26 October 2011.

As a result of the creation of a bank at Unicaja, the Unicaja Employee Pension Plan Control Committee agreed to authorize the Managing Entity to receive contributions from Unicaja Banco, even though it is not yet recognized as a Promoter, and to start the process for converting the Unicaja Employee Pension Plan into a Joint Promotion Plan within the one-year deadline established by law.

Finally, during 2014 Unicaja Banco Group acquired 60.70% of the share capital of Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (Banco CEISS) which, in accordance with its current employment agreements, must pay a supplement for Social Security benefits relating to its employees, or their heirs, in the case of retirement, widowhood, orphan hood, permanent disability or serious disability. Banco CEISS' post-employment commitments with its employees are treated as “defined-contribution commitments” when it makes predetermined contributions to a separate entity, without any real or effective obligation to make additional contributions if the separate entity is unable to pay benefits to the employees for the services rendered in the current year and in prior years. Post-employment commitments that do not fulfil the above-mentioned conditions are treated as “defined-benefit commitments”. Note 40.1.1 includes the post-employment commitments falling to CEISS after the date on which Unicaja Banco Group took control.

At 31 December 2014 and 2013, the actuarial study calculations for the defined benefit systems have been carried out using the following assumptions:

	2014	2013
Wage growth	2%	2%
Social security coverage growth	1%	1%
Pension review rate	1%	1%
Mortality tables	PERMF 2000-P	PERMF 2000-P

The commitments accruing to retired employees or beneficiaries at 31 December 2014 and 2013 are externalized to the fund Unifondo Pensiones V, Fondo de Pensiones and covered by an insurance policy that applies an insured interest rate of 5.406% to 13 July 2041 and 2.5% as from that date, and the PERMF 2000-P mortality tables.

- Defined contribution commitments

The contribution accrued during the year is recognized under the caption “staff costs” in the consolidated income statement.

At 31 December 2014 and 2013 there were no pending contribution to external defined contribution plans.

- Defined benefit commitments

In the heading “Provisions - Provisions for pensions and similar liabilities” on the liabilities side of the consolidated balance sheet (or on the assets side, in the caption “Other assets - Other”, depending on whether the difference is positive or negative and provided the conditions laid down in applicable regulations IAS 19 and to IFRIC 14, for its registry are fulfilled), the Group recognizes the present value of its defined benefit pension commitments, net of the fair value of the assets that qualify as plan assets and of deferred past service costs.

“Plan assets” are assets allocated to a specific defined-benefit commitment that will be directly used to settle these obligations and that fulfil the following conditions: they are not owned by the Group’s entity but rather by a legally independent third party, they may only be used to pay or finance employees post-employment remuneration and they may not be returned to the Group’s entity, except when the remaining plan assets are sufficient to comply with all the obligations of the plan or the entity related to current or past employee benefits, or to reimburse employee benefits already paid by the Group.

Where the Group is able to demand that an insurance company pay part or all of the disbursement required to settle a defined benefit obligation, it being practically certain that insurance company will reimburse some or all of the payments required to settle that obligation, but the insurance policy does not qualify as a plan asset, the Entity recognizes its reimbursement right on the assets side of the balance sheet in “Insurance contracts linked to pensions” and treats the balance in this item as a plan asset in all other respects.

Actuarial gains and losses derive from differences between prior actuarial assumptions and actual fact, and from changes in the actuarial assumptions used.

Pursuant to IAS 19, the Group recognizes actuarial gains or losses that may arise in connection with its post-employment commitments with employees in the period in which they arise, by charging or crediting the consolidated statement of recognized income and expenses, through “Other recognized income and expenses”, which are treated for such purposes as items that will not be taken to the income statement.

The “Cost of past services" arising from changes to existing post-employment remuneration or from the inclusion of new benefits is the cost of improving the benefits, relating to the years of service of each employee, based on a linear distribution of the cost using the projected credit unit method; it is recognized immediately in the consolidated income statement for the period in question.

Post-employment benefits are recorded in the consolidated income statement as follows:

- Current service costs, i.e. the increase in the present value of the obligations arising from the services provided by employees in the current year, are recognized in “Staff costs";

- Interest costs, i.e. the increase in the present value of the obligations that occurs during the year due to the pass of time, are recognized in "Interest expenses and similar charges". Whenever the obligations are presented liabilities, net of related plan assets, the cost of the liabilities recorded in the consolidated income statement will correspond solely to the obligations recognized on the liabilities side.

- The expected return on assets assigned to cover commitments and related losses and gains, less any administrative costs and taxes, is recognized under “Interest and similar income”.

2.12.1.2 Policies applied to post-employment remuneration

Having regard to the policies applied and the method for determining the discount rates applied to post-employment remuneration, the following must be considered:

- **For insured commitments**: The policies applied are contained in IAS 19 and in Bank of Spain regulations; specifically, when determining the discount rate, the approach stipulated in Rule 35, section B.3), point 10.d) of Bank of Spain Circular 4/2004 is applied, coinciding with the provisions of IAS 19. At 31 December 2014, for commitments covered by insurance policies, the Bank has calculated the fair value of the assets and commitments using a discount rate based on the average term of the commitments.

- **For non-insured commitments**: The market reference rate used is the rate for issues of corporate bonds and debentures with high credit ratings, based on the IBOXX AA Corporate curve (i.e. the curve for highly-rated corporate bonds in the Eurozone) at 31 December 2014.

2.12.1.3 Defined-benefit post-employment commitments

At year-end 2014, the Unicaja Banco and Banco CEISS defined-benefit post-employment commitments are grouped into different plans, as described below:

Definition of Plan 1 of Unicaja Banco

a) Defined-benefit post-employment remuneration externalized under an employee pension plan named “Plan de Pensiones de los Empleados de Unicaja y Unicaja Banco”, which includes serving employees and employee beneficiaries who already receiving post-employment benefits.

b) Defined-benefit post-employment remuneration externalized under an insurance policy qualifying for the externalization of commitments pursuant to Royal Decree 1588/1999, as the legal limits on pension plan contributions preclude the financing of these commitments under the pension plan.

Definition of Plan 2 of Unicaja Banco

a) Defined-benefit post-employment remuneration externalized under an insurance policy qualifying for the externalization of commitments pursuant to Royal Decree 1588/1999, covering pension commitments derived from the Collective Bargaining Agreements for Savings Banks and for Private Banking for employees not covered by the pension plan named “Plan de Pensiones de Empleados de Unicaja y Unicaja Banco”.

b) Defined-benefit post-employment remuneration externalized under an insurance policy qualifying for the externalization of commitments pursuant to Royal Decree 1588/1999, covering pension commitments for a group of early-retired employees.

c) Defined-benefit post-employment remuneration externalized under an insurance policy qualifying for the externalization of commitments pursuant to Royal Decree 1588/1999, covering pension commitments for a group of early retired employees.

Banco CEISS Plan 1

All of these commitments originate from Caja de Ahorros de Salamanca y Soria.

a) Externalised defined post-employment benefits that have been externalised through an employment system pension plan for employees originating from Caja de Ahorros de Salamanca y Soria, called "Pension Plan for Employees of Caja de Ahorros de Salamanca y Soria", including active personnel and beneficiary personnel that are already receiving the post-employment benefit.

b) Defined post-employment benefits externalised through an insurance policy eligible for such commitments in accordance with Royal Decree 1588/1999, policy number PD 80 01/000002 and PD 80 01/000003, since the legal limits applicable to pension plan contributions do not allow them to be financed through the Pension Plan itself.

Banco CEISS Plan 2

Commitments originate from Caja de Ahorros de Salamanca y Soria:

a) Defined post-employment benefits externalised through an insurance policy eligible for such commitments in accordance with Royal Decree 1588/1999, policy numbers PD 80 01/000002, PD 80 01/000003, RV 80 02/000002 and PD 80 07/000072.

b) Defined post-employment benefits in an internal fund to cover retirement income.

Commitments originating from Caja de Ahorros y Monte de Piedad:

a) Defined post-employment benefits externalised through insurance policies eligible for such commitments in accordance with Royal Decree 1588/1999, policy number 8118, under which the benefits payable relate to the flows from the associated financial assets in terms of both their amount and the payment schedule (*cash flow matching*).

b) Defined post-employment benefits externalised through insurance policies eligible for such commitments in accordance with Royal Decree 1588/1999, policy number PCP-1001, under which the benefits payable relate to the flows from the associated financial assets in terms of both their amount and the payment schedule (*cash flow matching*).

c) Defined post-employment benefits externalised through insurance policies eligible for such commitments in accordance with Royal Decree 1588/1999, policy number 10/78, under which the benefits payable relate to the flows from the associated financial assets in terms of both their amount and the payment schedule (*cash flow matching*). The commitment externalised under this policy was satisfied in 2014 and the relevant obligation was settled and the insurance policy was surrendered.

2.12.2 Other long-term remuneration - Phased early retirement

The Group reached an agreement for phased early retirement with the employee's representatives for specific situations affecting certain employee groups and to bring the Institution's workforce into line with its organisational needs. The agreement will be in force from 31 December 2015 and employees must meet the following requirements in order to qualify. For the calculation of commitments to employees arising from that agreement, the organization has been based on assumptions made in accordance with market conditions and the characteristics of the group covered.

During the years 2014 and 2013, the Group reached some agreements individually consistent, mainly in early retirement agreements through contract suspensions, whose commitments are adequately covered in each of the above dates.

In order to calculate the commitments with employees coming from these agreements, the Group has been based on assumptions applied according to the market conditions and using the covered group specifications.

2.12.3 Death and disability

The commitments assumed by the Group to cover current employee death and disability contingencies by means of insurance policies contracted with Unicorp Vida, Insurance and Reinsurance Company, S.A. under the pension plan (Note 2.12.1) are recognized in the consolidated income statement in an amount equal to the insurance premiums accrued during the year.

2.12.4 Length-of-service awards

Unicaja Banco has taken its commitment to meeting employees a benefit to the same amount of €1,615 and €2,000, updatable by the percentage of basic salary revision of the Collective Agreement in the event that the employee meets 20 and 35 years of service in the institution, respectively.

At the end of 2014 there is no Banco CEISS employee entitled to receive length of service awards as they have been eliminated through the payment of the amount accrued by one employee.

Pre-retirement commitments are recognized, for all applicable purposes, using the same criteria explained above for defined benefit commitments, except that the entire cost of past services and the actuarial gains or losses are recorded immediately when they arise.

2.12.5 Severance indemnities

Under current legislation, the consolidated Spanish companies and some foreign companies are required to make severance payments to employees terminated without just cause. The Group is required to pay indemnities to employees who, under certain conditions, are dismissed from the Company.

2.13 Income tax

Income tax expense is recognized in consolidated the income statement, except where it derives from a transaction whose results are taken directly to equity, in which case a balancing entry for income tax is also made in the Group's equity.

Income tax expense for the year is calculated as tax payable on taxable income for the year, as adjusted for variations during the year in asset and liability balances arising from temporary differences, tax deductions and allowances, and any tax-loss (Note 23).

The Group considers that there is a temporary difference when there is a difference between the carrying amount and the taxable amount of an asset or liability. The amount attributed to an asset or liability for tax purposes is treated as the tax base. A taxable temporary difference is a difference that will generate a future obligation for the Group to make a payment to the relevant authority. A deductible temporary difference is a difference that will generate a refund right or a reduction in a payment to be made to the relevant authority in the future.

Tax credits for deductions and allowances and tax credits for tax-loss carry forwards are amounts that, though generated on the completion of an activity or obtainment of a result, are not applied for tax purposes in the relevant tax return until the conditions stipulated in tax legislation are fulfilled, and provided the Group considers that application in future years is probable.

Current tax assets and liabilities are amounts that the Entity expects to recover from or pay to the corresponding tax authority within 12 months as from the date on which they are recognized. Deferred tax assets and liabilities are amounts that the Entity expects to recover from or pay to the corresponding tax authority in future years.

Deferred tax liabilities are recognized for all taxable temporary differences. Nonetheless, deferred tax liabilities resulting from the recording of goodwill are not recognized.

The Group only records deferred tax assets arising from deductible temporary differences, tax credits for deductions or allowances or for tax losses when the following conditions are fulfilled:

- Deferred tax assets are only recognized in the event that the Group will probably record sufficient tax gains in the future to offset the relevant amounts; and

- Deferred tax assets deriving from tax losses have arisen due to causes identified as unlikely to arise again.

Deferred tax assets and liabilities are not recognized when an asset or liability is initially recorded in the accounts, which does not result from a business combination and, at the recognition date, which does not affect reported results or taxable income.

At each accounting close, deferred tax assets and liabilities are analysed to ensure that they remain valid and any necessary adjustments are made accordingly.

2.14 Tangible assets

2.14.1 Property, plant and equipment for own use

Property, plant and equipment for own use comprise assets owned or being acquired under finance leases that the Group holds for current or future use for purposes other than community projects or for the production or supply of goods and which are expected to be used for more than one financial year. Among other assets, this category includes property, plant and equipment received by the Group to fully or partially settle financial assets representing debt claims against third parties and which the Group plans to use itself on a continuous basis.

Property, plant and equipment for own use are carried at acquisition cost in the consolidated balance sheet, which is the fair value of any consideration provided plus the total amount of cash payments made or committed, less accumulated depreciation and any estimated losses determined by comparing the carrying amount of each item with its recoverable amount. The acquisition cost of the material assets elements for own use and freely available includes the valuation of these that was made on 1 January 2004 at fair value. This fair value as at 1 January 2004 was obtained on the basis of valuations performed by independent experts.

To this end, the acquisition cost of assets awarded to the Group and included in property, plant and equipment for own use is equal to the carrying amount of the financial assets provided in exchange for the award.

Depreciation is calculated using the straight-line method based on the acquisition cost of the assets less their residual value. The land on which the buildings and other structures stand is understood to have an indefinite life and is therefore not depreciated.

A balancing entry for annual depreciation charges for property, plant and equipment is recognized in “Depreciation - Property, plant and equipment” in the consolidated income statement. Depreciation is charged at the following rates, based on average estimated useful lives:

	Annual rate
Buildings	1% a 3%
Furniture and installations	8% a 13%
Machinery and electronic equipment	13% a 27%

At each accounting close, the Group checks for internal or external indications that the carrying amount of property, plant and equipment exceeds the recoverable amount, in which case the carrying amount of the asset in question is written down to its recoverable amount and future depreciation charges are adjusted in proportion to the adjusted carrying amount and the new residual useful life, if a new estimate is necessary. If applicable, this write-down of property, plant and equipment is charged to the consolidated income statement caption “Impairment losses on other assets (net)”.

Similarly, where there are indications that the value of impaired property, plant and equipment has been recovered, the Group recognizes the reversal of the impairment loss shown in previous periods by crediting the income statement caption “Impairment losses on other assets (net)” and adjusting future depreciation charges accordingly. The reversal of the impairment loss on an asset in no event may entail an increase in its carrying amount in excess of the amount that would be carried if no impairment loss had been recognized in prior years.

Additionally, the estimated useful lives of property, plant and equipment for own use are reviewed at least yearly to detect significant changes. If necessary, adjustments are made to depreciation charges for future years in the income statement on the basis of the new useful lives.

Repair and maintenance costs for property, plant and equipment for own use, are charged to the consolidated income statement during the financial period in which they are incurred, in the caption “Other general administrative expenses”. Financial costs incurred to finance property, plant and equipment for own use are recognized in the consolidated income statement when they accrue and do not form part of the acquisition cost of the assets.

2.14.2 Investment property

“Investment property” in the consolidated balance sheet includes the carrying amounts of land, buildings and other structures held for rental or to obtain a gain on the sale of the property as a result of future market price increases.

The same methods applied to property, plant and equipment for own use (Note 2.14.1) are used to recognize the acquisition cost, depreciation, estimated useful life and impairment losses on investment property.

2.14.3 Other assets leased out under operating leases

The consolidated balance sheet line “Other assets leased out under operating leases” records the carrying amounts of property, plant and equipment other than land and buildings leased out by the Group under operating leases.

The same methods applied to property, plant and equipment for own use (Note 2.14.1) are used to recognize the acquisition cost of assets leased out, depreciation, estimated useful life and any impairment losses.

2.14.4 Recoverable amount of tangible assets

The tangible assets for own use and investment property are carried at acquisition cost, recognizing impairment adjustments if the assets recoverable amount is lower than cost. According to IAS 36, the recoverable amount is the higher of fair value less costs to sell and the value in use of the assets. Where there is no reliable measurement of fair value, the value in use of the assets is used as the recoverable amount, entailing the estimation of future cash inflows and outflows derived from the continued use of the assets and from their final sale or disposal through other means; a suitable discount rate is then applied to the cash flows calculated.

According to IAS 36, an assets value in use must be determined, in general, as follows:

- o Future cash flow projections must be based on reasonable assumptions that represent managements best estimate of the economic conditions that will exist over the assets residual life and on the most recent budgets or financial forecasts approved by management, excluding any future estimated cash inflow or outflow that is expected from future restructurings or from improvements in the return on assets originally planned. The estimates based on these budgets or forecasts must cover a maximum period of five year, unless a longer period may be justified.

- Cash flows projected beyond the period covered by the most recent budgets or financial forecasts, to the end of the assets useful life, must be estimated by extrapolating the projections referred to previously, applying a constant or decreasing growth rate, unless an increasing rate may be justified which, in any event, must not exceed the long-term average growth rate for the relevant products or industries, the country in which the entity operates and the market in which the asset is used, unless a higher growth rate may be justified.

The discount rate used is a pre-tax rate that reflects the current market evaluation of the time value of money and specific risks affecting the asset that have not already been adjusted in the estimates of future flows.

A rate that reflects the current market evaluation of the time value of money and specific risks affecting the asset is deemed to be the yield that investors would require were they to choose an investment that generates cash flows the amounts, timing and risk profile of which are equivalent to the flows that the Group expects to obtain from the asset in question. This discount rate is estimated on the basis of the rate implicit in current market transactions involving similar assets. Where the discount rate for a specific asset is not directly available from the market, substitutes are used to estimate the discount rate.

2.15 Intangible assets

Intangible assets are identifiable non-monetary and non-physical assets that arise from legal business or have been developed internally by the Group. Intangible assets are only recognized when their cost may be reliably and objectively estimated and the Group considers they will probably generate future economic benefits.

Intangible assets are initially recognized at acquisition or production cost and are subsequently measured at cost less, where appropriate, any accumulated depreciation and impairment losses they experienced.

Intangible assets are carried in the consolidated balance sheet at acquisition or production cost, net of accumulated amortization and any impairment losses.

Intangible assets can have an "indefinite life" when, on the basis of an analysis of all relevant factors, we conclude that there is no foreseeable limit to the period over which is expected to generate net cash flows for consolidated companies, or "finite useful life" in the remaining cases.

Intangible assets with indefinite useful lives are not amortized, but rather at the end of each year, the consolidated companies revise their remaining useful lives in order to ensure that they are still indefinite or otherwise proceed accordingly.

Intangible assets with finite lives are amortized over the methods similar to those adopted for the amortization of tangible assets criteria. The annual amortization of intangible assets with finite useful lives is recognized under "Depreciation and amortization - Intangible Assets" in the consolidated income statement.

For intangible assets with indefinite useful lives and the finite useful life, the consolidated companies recognize any loss that may have occurred in the carrying amount of these assets due to impairment, using a balancing entry in "losses impairment of other assets (net) - Goodwill and other intangible "assets of the consolidated income statement. The criteria for recognizing impairment losses on these assets and, where appropriate, the reversal of impairment losses recognized in prior years are similar to those used for tangible assets for own use (Note 2.14.1).

2.16 Goodwill

2.16.1 Contabilización de fondos de comercio

The excess of the cost of shareholdings in entities measured using the equity method over their acquired carrying amounts, adjusted at the date of first consolidation, is allocated as follows:

- Where the excess may be allocated to specific components of the acquired company's equity, the value of assets (or liabilities) whose fair values are higher (or lower) than the carrying amounts at which they were recognized in the balance sheets of the acquired companies is increased (or reduced) accordingly.

- Where the excess may be allocated to specific intangible assets, it is recognized directly in the consolidated balance sheet provided the fair value may be reliably measured at the acquisition date.

- Any remaining differences are carried as goodwill, which is allocated to one or more specific cash-generating units.

Goodwill is only recognized when acquired for valuable consideration and therefore represents advance payments made by the acquiring entity in respect of future economic benefits deriving from the acquired entity's assets that cannot be individually and separately identified and recognized.

As from 1 January 2013, the Group has recognized goodwill in associates as part of the acquisition cost of the entities acquired, in the consolidated balance sheet item "Equity investments - Associates", as explained in Note 4.

Goodwill acquired as from 1 January 2004 is carried at acquisition cost and goodwill acquired prior to that date is carried at the net amount recognized at 31 December 2003, calculated in accordance with the regulations previously applied by the Group (Bank of Spain Circular 4/1991, 14 June). In both cases, at each accounting close, an estimate is made to identify any impairment that would reduce the recoverable amount to below the net cost recognized; if so, the goodwill is written down through the item "Impairment losses on other assets (net)" in the consolidated income statement.

Goodwill impairment losses are not subsequently reversed.

2.16.2 Negative goodwill

Negative differences between the cost of the shareholdings in consolidated entities and associates with respect to the relevant carrying amounts, adjusted at the date of the first consolidation, are recognized as follows:

- Where the excess may be allocated to specific components of the acquired company's equity, the value of liabilities (or assets) whose fair values are higher (or lower) than the carrying amounts at which they were recognized in the balance sheets of the acquired companies, is increased (or reduced) accordingly.

- The remaining amounts which may not be allocated are recorded under "Other gains" in the consolidated income statement for the year in which capital is acquired in the consolidated entity or associate.

2.17 Inventories

This category of the consolidated balance sheet records non-financial assets that the Group:

- Hold for sale in the ordinary course of business;

- Is currently producing, building or developing for this purpose, or

- Plans to consume in the production process or in the provision of services.

Therefore “Inventories” include land and other properties the Group maintains for sale or for its real estate activities.

Inventories are measured at the lowest cost, which incorporates all the outlays made for their acquisition and subsequent transformation; the direct and indirect costs incurred to obtain their current condition and location; the financial costs directly attributable to them, provided they need a period of time longer than one year for their sale (taking into account the previously-mentioned criteria for the capitalization of financial costs of tangible assets for own use); and their “realisable net value”. The realisable net value is understood to be the estimated price of their disposal during the ordinary course of business, less the estimated costs for finishing their production and the necessary costs for carrying out their sale.

Both the reductions as well as, if applicable, the subsequent recoveries in the realisable net value below their net book value are recorded in the income statement for the year in which they take place under the caption “Impairment losses on rest of assets (net)”.

The carrying value of sold inventories is written off and recorded as an expense under the caption "Other operating expenses” on the consolidated income statement.

The assets allocated by the Group, considering these as those assets that the Group receives from its borrowers or other debtors to satisfy , totally or partially, financial assets that represent collection rights against these, independently of the manner in which the property rights are acquired, and that, in line with their nature and the end to which they are applied, are classified as inventories by the Group, are booked initially at their acquisition cost, understanding this to be the net book value of the debts from which they originated, calculating this net value in line with the norm applicable to the Savings Bank. Afterwards the allocated assets are subject to the estimation of the corresponding impairments that, as may be the case, arise on these, calculated in line with the general determination criteria for the inventories indicated earlier.

2.18 Provisions and contingent liabilities

When preparing the consolidated entities annual accounts, their respective Directors distinguish between:

- Provisions: creditor balances that cover obligations in force at the balance sheet date deriving from past events that could give rise to financial losses for the entities. Although such losses are regarded as probable and are specific in nature, the amount and/or settlement date involved cannot be determined, and

- Contingent liabilities: possible obligations deriving from past events which may materialise subject to one or more future events beyond the control of the consolidated entities.

The Group’s consolidated annual accounts include all significant provisions for obligations that are deemed more likely to arise than not to arise. Contingent liabilities are not recognized in the consolidated financial statements, although information is provided in accordance with applicable regulations In accordance with IAS 37 (Note 17).

Provisions quantified using the best information available regarding the consequences of the event in question, and re-estimated at the year end, are applied to meet the specific obligations for which they were originally recognized and fully or partially reversed should such obligations cease to exist or decrease.

At year-end 2014 and 2013, a number of legal proceedings and claims had been instigated against the consolidated entities, arising in the ordinary course of business. The Group's legal advisors and directors consider that the outcome of these proceedings and claims will not have a significant impact on the consolidated annual accounts for the years in which the judgements are issued.

Provisions deemed necessary as stated above are charged or credited to the consolidated income statement caption "Provisions (net)".

2.19 Consolidated cash flow statements

The terms employed in the Group consolidated cash flow statements corresponding to the years 2014 and 2013 have the following meanings:

- Cash flows: Inflows and outflows of cash and cash equivalents (short-term, highly-liquid investments in respect of which the risk of value fluctuations is low).

- Operating activities: typical credit institution activities and other activities that may not be classified as investing or financing activities.

- Investing activities: acquisition, sale or disposal through other means of non-current assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that cause changes in the size and composition of equity and liabilities and do not form part of operating activities.

As part of the cash flows from operating activities, certain adjustments are included to obtain the amount of those flows on the basis of consolidated results for the period. At 31 December 2014 and 2013, "Other adjustments" are included, in addition to depreciation and amortization, relating to consolidated income statement items that do not generate cash flows.

When preparing the consolidated cash flow statement, "cash and cash equivalents" consist of highly-liquid current investments in respect of which the risk of value fluctuations is low. Accordingly, the Group Unicaja Banco treats the following financial assets and liabilities as cash or cash equivalents:

- The Group's own cash, which is recognized in the consolidated balance sheet caption "Cash and deposits at central banks". At 31 December 2014, the Group's own cash amounted to €341,525 thousand (€211,754 thousand at 31 December 2013).

- The balances held with Central Banks, which are booked under the heading "Cash and deposits in Central Banks" on the asset side of the consolidated balance sheet , which as at 31 December 2014 amounted to €270,383 thousand (€1,701,503 thousand at 31 December 2013).

- Net demand deposits at credit institutions other than the balances at central banks and excluding mutual accounts. Demand deposits at credit institutions other than central banks are recognized, among other items, in "Loans and receivables – Deposits at credit institutions" on the consolidated balance sheet, amounting to €275,118 thousand at 31 December 2014 (€93,933 thousand at 31 December 2013).

- Demand deposits of credit institutions other than central banks are recognized, among other items, in "Financial liabilities at amortized cost – Credit institution deposits" on the consolidated balance sheet, amounting to €200,696 thousand at 31 December 2014 (€59,511 thousand at 31 December 2013).

2.20 Non-current assets held for sale

The caption “Non-current assets held for sale” on the consolidated balance sheet records the carrying amount of assets that are highly likely to be sold, in their present condition, within one year as from the date of the consolidated annual accounts.

Non-current assets held for sale also include holdings in associates or joint ventures that meet the requirements stated in the previous paragraph.

Consequently, the carrying amount of these items, which may be financial or non-financial in nature, will foreseeable be recovered through their selling price rather than through continued use.

Specifically, investment property or other non-current assets received by the consolidated entities from their debtors in full or partial settlement of obligations are treated as non-current assets held for sale unless the consolidated entities have decided to use these assets on a continuous basis.

Symmetrically, the heading “liabilities associated with non-current assets for sale” includes the creditor balances associated to the groups at disposal or to the interrupted operations of the Group.

Non-current assets held for sale are generally measured at the lower of their carrying amount when they are recognized as such and their fair value net of estimated costs of sales. While included in this category, property, plant and equipment, and intangible assets subject to depreciation and amortization by nature are not depreciated or amortized.

In the event that the carrying amount exceeds the fair value of the assets, net of costs of sales, the Group adjusts the carrying amount of the assets by the amount of the excess and makes a balancing entry in the caption “Asset impairment losses (net) - Non-current assets held for sale” in the consolidated income statement. In the event that the fair value of the assets increases at a subsequent date, the Group reverses the losses previously recorded in the accounts, increasing the carrying amount subject to the limit of the amount prior to their impairment, against “Asset impairment losses (net) - Non-current assets for sale” in the consolidated income statement

Profits arising from the sale of non-current assets for sale are presented under the heading “Gains (losses) on non-current assets for sale not classified as interrupted operations” in the consolidated profit and loss account.

Notwithstanding the above, financial assets, assets arising from employee retributions, assets from deferred taxes and assets from insurance contracts that are part of a group at disposal or of an interrupted operation, will not be valued as explained in the preceding paragraphs, but in accordance with the principles and norms applicable to these concepts, that have been explained in previous section of Note 2.12.

2.21 Business combinations

Business combinations are operations in which two or more entities or economic units of the same entity or group of companies are combined.

Those business combinations completed as from 1 January 2004 in which the Group acquires control of an entity are recognized as follows:

- The Group estimated the cost of business combinations, defined as the fair value of the assets delivered, of the liabilities incurred and of the capital instruments issued, as may be the case, by the acquiring entity.

- The fair value of the assets, liabilities and contingent liabilities of the target entity is estimated, including any intangible assets that may not have been recognized by target company, which are included in the consolidated balance sheet.

- The difference between the net fair value of the assets, liabilities and contingent liabilities of the target entity or economic unit and the cost of the business combination is recognized in these consolidated annual accounts as follows:

    - Where the difference between the net fair value of the assets, liabilities and contingent liabilities of the target entity or economic unit and the cost of the business combination is negative, it is recognized in "Intangible assets – Goodwill" on the assets side of the consolidated balance sheet, in the event that the business combination has resulted in the merger or absorption of the target entities or an economic unit other than an entity has been acquired.

    - Where the difference between the net fair value of the assets, liabilities and contingent liabilities of the target entity or economic unit and the cost of the business combination is positive, will be registered a goodwill of consolidation that in no case will be amortized, but will be subject to annual impairment analysis set out in the International Financial Reporting Standards.

For acquisitions of shares in stages over a particular entity, for which, under one of the purchases, control over the investee is acquired, the following accounting policies applied by the Group:

- The cost of the business combination is the sum of the cost of each individual transaction.

- For each acquisition of shares effected to the moment in which the Group gains control over the investee entity, the goodwill or negative consolidation difference is calculated separately for each transaction, following the procedure described previously in this note.

- Any difference between the fair value of the assets and liabilities of the investee entity at each of the successive acquisition dates and their fair value on the date the Group gains control over the entity is recognized as an adjustment to the value of the assets and liabilities.

2.22 Transfers of financial assets

The accounting treatment of transfers of financial assets is subject to the manner in which the risks and returns associated with the assets are transferred to third parties.

- If all the risks and benefits of the assets transferred are substantially transferred to third parties, such as in unconditional sales, sales under repos at fair value on the repurchase date, sales of financial assets with a call option acquired or put option issued deeply “out of the money”, asset securitization in which the assignor retains no subordinated financing and nor grants any type of credit enhancement to the new holders and other similar situations, the financial instrument transferred is written off the consolidated balance sheet and at the same time any right or obligation retained or created as a result of the transfer is recognized.

- If the risks and benefits associated with the financial asset transferred are substantially retained, such as in sales of financial assets under repos at a fixed price or at the selling price plus interest, security lending contracts under which the borrower is required to return the same or similar assets, the securitization of financial assets in which subordinated financing is maintained or other types of credit enhancement that substantially absorb expected credit losses on securitized assets and other analogous cases, the financial asset transferred is not written off the consolidated balance sheet and continues to be measured using the same criteria as those used prior to the transfer. Conversely, the following items are recognized and not offset:

  - A financial liability associated with an amount equal to the benefit received; which is later valued at its amortized cost;

  - Both revenue from the financial asset transferred but not written off and expense from the new financial liability.

- If neither the risks nor benefits associated with the financial asset transferred are substantially transferred or retained, as in the sale of financial assets with a call option acquired or a put option issued which are not deeply “in the money” or “out of the money”, financial asset securitization in which the assignor assumes subordinated financing or other types of credit enhancements for part of the asset transferred and other similar cases, the following distinction is made:

  - Where the assignor does not retain control of the transferred financial asset: in this case, the asset transferred is written off the consolidated balance sheet and any right or obligation retained or created as a result of the transfer is recognized.

  - Where the assignor retains control of the transferred financial asset: the asset continues to be recognized in the consolidated balance sheet at an amount equal to its exposure to value changes that could arise, also recognizing an associated financial liability. The net amount of the asset transferred and associated liability will be the amortized cost of the rights and obligations retained if the asset transferred is measured at amortized cost or the fair value of the rights and obligations retained, if the asset transferred is measured at fair value.

2.23 Results from discontinued operations

Income and expense, regardless of their nature, including those relating to impairment adjustments that arise during the year from a component of Group operations that has been classified as discontinued, even if generated before that classification, are presented net of the tax effect in the consolidated income statement as a single amount under the heading "Results from discontinued operations (net)", both if the component remains in the consolidated balance sheet and if eliminated. This heading also includes the results from the sale or other disposal of those operations.

In 2014 results from discontinued operations included in the validated income statement total €20,600 thousand. During 2013 no amount from discontinued operations was included in the consolidated income statement.

3. Distribution of the Parent Entity's surplus

The proposal for the distribution of the Parent Entity's net income for 2014 that the Board of Directors will submit to the General Meeting of Shareholders for approval is set out below along with the already approved for 2013 is as follows:

	Thousands of euros	
	2014	**2013**
Legal reserve	23 838	10 702
Cash dividends	25 000	17 930
Interim dividends paid	-	-
Dividends pending payment	25 000	*17 930*
Voluntary reserves	189 537	78 385
Negative results of previous exercises	-	-
Net profit	**238 375**	**107 017 (*)**

(*) The 2013 result has been restated (Note 1.5).

In accordance with Legislative Royal Decree 1/2010 (2 July), which approves the Spanish Companies Act 2010, companies that obtain profits must allocate 10% of profits for the year to a Legal reserve. Appropriations must be made until the legal reserve reaches 20% of paid up share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased capital stock amount. Until the balance exceeds the 20% threshold, the legal reserve may only be used to offset losses, in the event of other available reserves being insufficient for this purpose.

At the date these annual accounts were prepared and after determining that the conditions established in the prospectus were met, the Board of Directors of Unicaja Banco adopted a resolution to make payment of the discretional compensation for the Mandatory and Contingent Convertible Bonds (NeCoCos) and the Perpetual Contingent Convertible Bonds (PeCoCos) issued by the bank for the gross total amount of €17,124 thousand.

Earnings per share of the Parent

Basic earnings per share are calculated by dividing the net profit for the year attributable to the Bank by the weighted average number of outstanding shares for the year, excluding the average number of treasury shares held during the year. Diluted earnings per share are determined in a similar manner to basic earnings per share, but the weighted average number of outstanding shares is adjusted to account for the potentially dilutive effect of stock options, warrants and convertible debt in force at the year end.

Set out below are Unicaja Banco Group's basic and diluted earnings per share for the financial years ended 31 December 2014 and 2013:

	2014	2013
Profit attributable to Parent Company (thousand of euros)	475 521	54 111
Finance costs of mandatory emissions convertible (in thousands of euros)	-	-
Adjusted Profit (thousand of euros)	475 521	54 111
On which: Discontinued Operations Profit (minority net)	20 600	-
Average number of ordinary shares outstanding reduced by the own (thousand)	892 109	800 000
Profit per share for continuous activities (euros)	**0,509**	**0,068**
Profit per share for discontinuous activities (euros)	**0,023**	**-**
Earnings per share (euros)	**0,532**	**0,068**

	2014	2013
Profit attributable to Parent Company (thousand of euros)	475 521	54 111
Finance costs of mandatory emissions convertible (in thousands of euros)	-	-
Adjusted Profit (thousand of euros)	475 521	54 111
On which: Discontinued Operations Profit (minority net)	20 600	-
Average number of ordinary shares outstanding reduced by the own (thousand)	892 109	800 000
Average number of shares from the conversion of Bonds (thousand)	33 092	-
Adjusted total average number of shares for calculation of diluted profit per share (thousand)	925 201	800 000
Diluted profit per share for continuous activities (euros)	**0,491**	**0,068**
Diluted profit per share for discontinuous activities (euros)	**0,022**	**-**
Diluted Earnings per share (euros)	**0,513**	**0,068**

As a result of the acquisition process involving Banco CEISS described in Note 1.2, Unicaja Banco Group maintains instruments with a potentially diluting effect at 31 December 2014. The basic earnings per share coincide with the diluted earnings per share at 31 December 2013 given that no such instruments existed at that date.

Unicaja Banco Group has issued Mandatory and Contingent Convertible Bonds (NeCoCos) and the Perpetual Contingent Convertible Bonds (PeCoCos) that are recorded under the heading "Other equity instruments" and the discretional compensation is subject to compliance with a series of conditions (Note 21.2). During 2014 no compensation commitments were made for these convertible instruments.

In accordance with IAS 33"Earnings per share" the average number of shares and other outstanding instruments in 2014 was used. The Mandatory and Contingent Convertible Bonds (NeCoCos) have been taken into consideration in the calculation of basic and diluted earnings since they are instruments that must be converted while the Perpetual Contingent Convertible Bonds (PeCoCos) have only been taken into consideration with respect to diluted earnings.

4. Goodwill of the Equity Method entities

At 31 December 2014 and 2013, the Bank recorded goodwill in equity method associates pending impairment in the amount of € 36,230 thousand and € 38,137 thousand, respectively. This goodwill was generated basically through a comparison with the net fair value of the assets, liabilities and contingent liabilities acquired by the Bank when it invested in the companies Autopistas del Sol, S.A., Concesionaria España, S.A. and Hidralia, Gestión Integral de Aguas de Andalucía, S.A., through the company Hidrocartera, S.L. in the latter case. At 31 December 2014, the goodwill is recognized as part of the acquisition cost of the target companies in the consolidated balance sheet item “Equity investments - Associates”. The amount pending impairment derives from the profits expected by the Bank's directors from the target companies, based on the strength of their customer base and on their average income per customer.

During the fiscal year 2014, in accordance with Note 2.16, the aforementioned goodwill was impaired in an amount of €1,907 thousand.

The following table shows the dates of initial recognition and the initial gross amounts of the goodwill in associates, as well as cumulative impairment losses and the net amounts of goodwill at 31 December 2014 and 2013:

			Thousands of euros			
			Accumulated loss provisions		**Net amount**	
	Initial amount	**Initial registration date**	**2014**	**2013**	**2014**	**2013**
Autopista del Sol, C.E.S.A.	34 833	Sep. 2005	(8 495)	(7 646)	26 338	27 187
Hidralia, G.I.A.A., S.A.	20 467	Jun. 2005	(10 575)	(9 517)	9 892	10 950
	55 300		**(19 070)**	**(17 163)**	**36 230**	**38 137**

As this goodwill relates to administrative concessions and licences held by the target companies for a certain period of time, the Bank's directors consider that, barring other evidence of impairment, the recoverable value of the goodwill recognized decreases in proportion to the number of years remaining to the end of the administrative concession or licence.

5. Segment information

The Group is engaged mainly in the retail banking business. Virtually all its business is conducted in Spain and the directors consider that customer types are similar throughout its territorial area of influence. Consequently, in compliance with prevailing regulations, the information on the Group’s business and geographical segments is not deemed to be relevant.

Set out below are details of the relative significance of the Unicaja Banco Group's operating segments at 31 December 2014 and 2013, for each of the segmentation types or parameters defined in paragraphs 32 to 34 of IFRS 8.

Sector information (products and services)

There follows a breakdown of the Unicaja Banco Group's consolidated balance sheet by sector at 31 December 2014 and 2013, including the same sector information reported to the Bank of Spain.

At 31 December 2014, the credit institutions sector accounts for 99.77% of total consolidated assets and 99.98% of consolidated equity. To this end, pursuant to Rule 70.2 of Bank of Spain Circular 4/2004, the item "Credit institutions sector" includes the information on the consolidated group of credit institutions defined in Rule 1 of Bank of Spain Circular 4/2004.

a) Consolidated balance sheet at 31 December 2014

		Distribution (thousands of euros)			
Assets	**Total**	**Sector banks**	**Insurance companies**	**Other entities**	**Adjustments and eliminations**
Cash and balances at central banks	611 917	611 905	1	12	(1)
Financial assets held for trading	228 871	228 871	-	-	-
Available for sale financial assets	12 503 087	12 551 544	18 156	495	(67 108)
Loans and receivables	37 670 583	37 720 328	8 351	66 493	(124 589)
Held to maturity investments	9 639 624	9 642 649	-	-	(3 025)
Hedging derivatives	921 921	921 921	-	-	-
Non-current assets held for sale	931 290	701 484	-	-	229 806
Investments	424 115	569 284	-	22 412	(167 581)
Insurance contracts linked to pensions	147 763	147 763	-	-	-
Reinsurance assets	7 074	-	7 074	-	-
Tangible assets	1 385 970	1 278 117	30	112 334	(4 511)
Intangible assets	1 771	1 123	10	651	(13)
Tax assets	2 747 643	2 723 914	84	31 434	(7 789)
Other assets	728 786	691 977	16 390	37 266	(16 847)
Total assets	67 950 415	67 790 880	50 096	271 097	(161 658)

		Distribution (thousands of euros)			
Liabilities and Equity	**Total**	**Sector banks**	**Insurance companies**	**Other entities**	**Adjustments and eliminations**
Financial liabilities held for trading	64 582	64 582	-	-	-
Financial liabilities at amortized cost	63 007 812	62 888 150	6 780	203 506	(90 624)
Hedging derivatives	56 725	42 426	-	14 299	-
Liabilities Associated with non-current assets held for sale	13 350	13 350	-	-	-
Insurances Contracts Liabilities	29 528	-	24 206	-	5 322
Provisions	724 487	722 566	48	2 222	(349)
Tax Liabilities	533 864	543 412	1 428	1 501	(12 477)
Other liabilities	227 790	224 929	1 993	16 645	(15 777)
Total Liabilities	64 658 138	64 499 415	34 455	238 173	(113 905)
Equity	2 673 810	2 673 810	13 801	42 946	(56 747)
Valuation adjustements	292 105	292 105	1 840	(10 022)	8 182
Minority Interest	326 362	325 550	-		812
Total Equity	3 292 277	3 291 465	15 641	32 924	(47 753)
Total Liabilities and Equity	67 950 415	67 790 880	50 096	271 097	(161 658)

b) Consolidated balance sheet at 31 December 2013

Assets	Total	Distribution (thousands of euros) Sector banks	Insurance companies	Other entities	Adjustments and eliminations
Cash and balances at central banks	1 913 257	1 913 225	-	32	-
Financial assets held for trading	291 771	291 771	-	-	-
Available for sale financial assets	2 566 037	2 562 662	-	4 906	(1 531)
Loans and receivables	28 886 959	28 913 762	-	71 344	(98 147)
Held to maturity investments	4 242 658	4 242 658	-	-	-
Hedging derivatives	543 745	543 745	-	-	-
Non-current assets held for sale	263 918	263 918	-	-	-
Investments	279 759	264 915	-	-	14 844
Insurance contracts linked to pensions	132 097	132 097	-	-	-
Reinsurance assets	-	-	-	-	-
Tangible assets	753 691	623 418	-	130 273	-
Intangible assets	3 689	1 336	-	2 353	-
Tax assets	677 616	659 028	-	18 588	-
Other assets	702 914	734 899	-	57 518	(89 503)
Total assets	41 258 111	41 147 434	-	285 014	(174 337)

Liabilities	Total	Distribution (thousands of euros) Sector banks	Insurance companies	Other entities	Adjustments and eliminations
Financial liabilities held for trading	11 981	11 981	-	-	-
Financial liabilities at amortized cost	38 592 934	38 506 978	-	217 544	(131 588)
Hedging derivatives	44 088	25 157	-	18 931	-
Liabilities Associated with non-current assets held for sale	-	-	-	-	-
Insurances Contracts Liabilities	5 740	-	-	-	5 740
Provisions	345 181	344 213	-	968	-
Tax Liabilities	111 516	108 490	-	3 026	-
Other liabilities	98 956	103 718	-	3 421	(8 183)
Total Liabilities	39 210 396	39 100 537	-	243 890	(134 031)
Equity	2 031 497	2 031 497	-	49 727	(49 727)
Valuation adjustements	11 734	11 734	-	(9 421)	9 421
Minority Interest	4 484	3 666	-	818	-
Total Equity	2 047 715	2 046 897	-	41 124	(40 306)
Total Liabilities and Equity	41 258 111	41 147 434	-	285 014	(174 337)

Geographic area information

The Unicaja Banco Group operates in Spain; customer types are similar throughout the country. The Group therefore considers a single geographic segment for its operations, the information breakdown required by paragraph 33 of IFRS 8 not being applicable.

Note 26 to the consolidated accounts provides information on risk concentration by activity and geographic area at 31 December 2014 and 2013.

Main customer information

The Unicaja Banco Group is engaged mainly in the retail banking business and has no customers accounting for over 10% of the Group's ordinary income; the Group thus considers that the information breakdown required by paragraph 34 of IFRS 8 is not applicable.

6. Remuneration of the Board of Directors and Senior Management

6.1 Board of Directors’ remuneration of the Parent Entity.

The following table provides a breakdown of remuneration accrued to the members of the Board of Directors of the Parent Entity, Unicaja Banco, S.A.U., exclusively in their capacity as Board directors during the periods 2014 and 2013, consisting of per diems and fixed remuneration relating solely to their roles as non-executive Board directors:

	Thousands of euros	
	2014	**2013**
Arcas Cubero, Javier	-	32
Atencia Robledo, Manuel	15	30
Azuaga Moreno, Manuel	15	30
Casero Domínguez, Juan Ramón	-	35
Cid Jiménez, José Luis	-	32
Dell´ Olmo García, Ildefonso M.	-	32
Domínguez-Adame Cobos, Eloy	49	-
Fernández Céspedes, Pedro	-	41
Fraile Cantón, Juan	67	81
Herrera Núñez, Francisco	-	31
Jiménez Sánchez, Guillermo	8	-
Lombardero Barceló, Mª Luisa	2	-
López López, Antonio	67	78
Mateos-Aparicio Morales, Petra	49	-
Medel Cámara, Braulio	16	34
Molina Morales, Agustín	59	67
Torre Colmenero, José Mª de la	49	50
Valle Sánchez, Victorio	75	88

6.2 Parent Entity’s Senior Management remuneration.

For the purposes of preparing these consolidated annual accounts, senior management is considered to be made up of fourteen people (fourteen people in 2013), who has described these effects as key personnel, including three Executive Directors (three in 2013). The compensation received by the members of this group in the years 2014 and 2013 amounted to € 3,184 thousand and € 3,532 thousand, respectively. The obligations assumed based on these guidelines in terms of post-employment benefits deriving exclusively from their status as employees or bank executives totaled to € 366 thousand in 2014, having been charged € 409 thousand in 2013, amounts covered entirely by the relevant funds.

6.3 Other transactions performed with Board Directors and Senior Management

Note 44 on related parties provides the asset and liability balances of transactions effected with the Group's Board Directors and senior management at 31 December 2014 and 2013, including a breakdown of income and expenses recognized in the 2014 and 2013 consolidated income statements in respect of such transactions, excluding the amounts referred to in Notes 6.1 and 6.2.

6.4 Post-employment benefits of former members of the Group's Board of Directors and Senior Management

The consolidated income statements for 2014 and 2013 contain no charges for pension and similar obligations relating to former members of the Group's Board and senior management, as such commitments were entirely covered in previous years by insurance policies.

7. Cash and deposits at central banks

An analysis of the balances in this balance sheet caption at 31 December 2014 and 2013 is as follows:

	Thousands of euros	
	2014	**2013**
Cash	341 525	211 754
Deposits at Bank of Spain	270 383	1 701 486
Measurement adjustments - Accrued interest	9	17
	611 917	**1 913 257**

The interest accrued during the years 2014 and 2013 for these deposits have been of €472 thousand and €926 thousand, respectively, and are included in "Interest and similar income" in the consolidated income statement (Note 31).

8. Financial assets held for trading

8.1 Breakdown of the balance and maximum credit risk - debtor balances

The following table contains a breakdown of the financial assets included in this category at 31 December 2014 and 2013, classified by type of counterparty and by type of instrument:

	Thousands of euros	
	2014	**2013**
By counterparty type -		
Credit institutions	25 852	1 152
Resident, public administrations	137 835	258 451
Non-resident, public administrations	37 680	-
Resident, other sectors	27 017	24 676
Non-resident, other sectors	487	7 492
	228 871	**291 771**
By instrument type -		
Listed shares	-	8 428
Listed bonds and debentures	176 425	277 106
Derivatives traded on organised markets	487	41
Derivatives not traded on organised markets	51 959	6 196
	228 871	**291 771**

The carrying amounts shown in the above table represent the credit risk exposure borne by the Group at each year end with respect to the financial instruments indicated.

The interest accrued during the years 2014 and 2013 for debt instruments classified in the trading portfolio have been of €3,647 thousand and €3,376 thousand, respectively, and are included in "Interest and similar income" in the profit and loss account statement (Note 31).

The average effective interest rate on debt instruments classified in this portfolio at 31 December 2014 was 0.94% (2.46% at 31 December 2013).

The positive flow included in the 2014 consolidated cash flow statement in respect of balances receivable from financial assets and liabilities held for trading amounted to € 62,900 thousand (negative flow of €167,138 thousand in 2013).

8.2 Breakdown of the balance - creditor balances

The following table contains a breakdown of the financial liabilities included in this category at 31 December 2014 and 2013, classified by type of counterparty and by type of instrument:

	Thousands of euros	
	2014	**2013**
By counterparty type -		
Credit institutions	32 758	4 976
Other resident sectors	31 824	7 005
	64 582	**11 981**
By instrument type -		
Derivatives traded on organised markets	42	-
Derivatives not traded on organised markets	64 540	11 981
	64 582	**11 981**

The positive flow included in the 2014 consolidated cash flow statement in respect of balances payable from financial assets and liabilities held for trading amounted to € 52,601 thousand (positive flow of € 4,401 thousand in 2013).

8.3 Derivative financial instruments held for trading

Set out below is a breakdown by type of derivative of the fair value of the Group's derivatives held for trading and their notional value (on the basis of which future payments and collections are calculated) at 31 December 2014 and 2013:

Thousands of euros

	2014				2013			
	Debtor balances		Creditor balances		Debtor balances		Creditor balances	
	Fair Value	Notional Value	Fair Value	Notional Value	Fair Value	Notional Value	Fair Value	Notional Value
Un-matured currency purchases/sales:	**816**	**4 533**	**831**	**5 230**	**396**	**6 987**	**391**	**6 987**
Currencies purchased against euro	8	316	831	5 230	-	-	391	6 987
Currencies sold against euro	808	4 217	-	-	396	6 987	-	-
Equity and interest rate futures	**-**	**-**	**-**	**12 532**	**-**	**-**	**-**	**1 244**
Purchased	-	-	-	-	-	-	-	-
Sold	-	-	-	12 532	-	-	-	1 244
Equity options:	**1 876**	**88 300**	**10 640**	**2 040 945**	**41**	**10 968**	**6 271**	**1 762 492**
Purchased	1 876	88 300	98	1 668	41	10 968	-	-
Issued	-	-	10 542	2 039 277	-	-	6 271	1 762 492
Interest rate options	**6 588**	**808 115**	**6 606**	**260 274**	**-**	**-**	**-**	**-**
Purchased	2 601	534 362	2 557	-	-	-	-	-
Sold	3 987	273 753	4 049	260 274	-	-	-	-
Other equity transactions	**-**	**-**	**1 841**	**141 730**	**199**	**87 490**	**287**	**190 675**
Equity swaps	-	-	8	2 936	68	5 000	-	-
Forward transactions	-	-	1 833	138 794	131	82 490	287	190 675
Currency options:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Purchased	-	-	-	-	-	-	-	-
Issued	-	-	-	-	-	-	-	-
Other currency options	**19 713**	**36 105**	**21 495**	**38 380**	**-**	**-**	**-**	**-**
Currency swaps	19 713	36 105	21 495	38 380	-	-	-	-
Other interest rate transactions	**23 453**	**202 552**	**23 169**	**201 709**	**5 601**	**54 588**	**5 032**	**55 040**
Interest rate swaps	23 453	202 552	23 169	201 709	5 601	54 588	5 032	55 040
Other products	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	52 446	**1 139 605**	**64 582**	**2 700 800**	**6 237**	**160 033**	**11 981**	**2 016 438**

The notional amount of the contracts concluded does not represent the actual risk assumed by the Group, since the net position in these financial instruments is obtained by offsetting and/or combining the relevant amounts.

Note 11 provides the methods applied by the Group to measure the financial instruments classified in this category.

9. Available-for-sale financial assets

9.1 Breakdown of the balance and maximum credit risk

The following table contains a breakdown of the financial assets included in this category at 31 December 2014 and 2013, classified by type of counterparty and by type of instrument:

	Thousands of euros	
	2014	**2013**
By counterparty type		
Credit institutions	354 120	125 802
Resident, public administrations	8 428 489	1 094 334
Non-resident, public administrations	566 508	321 778
Resident, other sectors	2 240 020	958 721
Non-resident, other sectors	698 082	66 788
	12 287 219	2 567 423
(Impairment losses) (*)	(76)	(66)
Other measurement adjustments	215 944	(1 320)
	12 503 087	**2 566 037**
By instrument type		
Debt securities:	11 575 532	1 951 956
Spanish government securities	7 919 672	1 023 782
Treasury bills	*1 855 232*	-
Government bonds and debentures	*6 064 440*	*1 023 782*
Other Spanish public administration	484 057	70 552
Foreign government securities	566 508	321 778
Issued by financial institutions	330 672	90 217
Other fixed-income securities	2 058 755	447 013
(Impairment losses) (*)	(76)	(66)
Other measurement adjustments	215 944	(1 320)
Other equity instruments:	927 555	614 081
Shares in listed Spanish companies	559 479	343 688
Shares in unlisted Spanish companies	219 652	161 813
Shares in listed foreign companies	71 090	57 768
Shares in unlisted foreign companies	17	19
Shares in investment funds	77 317	50 793
	12 503 087	**2 566 037**

(*)At 31 December 2014 and 2013 this amount relates to impairment losses recognized to cover credit risk.

The carrying amount shown in the table above represents the level of credit risk exposure of the Group at the end of those years in relation to financial instruments included.

The total in the table above as "Other equity instruments" includes the 31 December 2014 a balance of €575,719 thousand corresponding to impairment losses of the elements included in this section (€251,719 thousand at 31 December 2013), having recorded over exercise a net provision of this correction, not including other movements or transfers, amounting to €30,919 thousand, collected under the heading "impairment losses on financial assets (net) "in the consolidated income statement (€8,037 thousand at 31 December 2013).

With respect to debt securities classified as financial assets available for sale, net provision of impairment losses in 2014 amounted to €10 thousand, also collected under the heading of "losses impairment (net) "in the consolidated income statement (net recovery of impairment losses €521 thousand at 31 December 2013).

Among the most significant movements in the "Available-for-sale financial assets" portfolio in 2014 are the following Group transactions:

- Acquisition of 335,239,366 shares in Banco CEISS for € 202,489 thousand.
- Acquisition of 557,620 shares in Banco Popular Español for € 3,000 thousand.
- Acquisition of 2,191,874 shares in Autopista del Sureste for € 2,192 thousand.
- Sale of 4,005,062 shares in QMC for € 2,111 thousand, generating a profit of € 736 thousand.
- Sale of 923,610 shares in Banco Popular Español for € 4,863 thousand, generating a profit of € 329 thousand.
- Sale of 84,200 shares in Gas Natural for € 1,861 thousand, generating a profit of € 211 thousand.
- Sale of 30,000,000 shares of Magnum Capital L.P. for € 20,322 thousand, generating a profit of € 11,788 thousand.
- Sale of 5,000 shares in Fondespaña Duero for € 300 thousand, generating a profit of € 32 thousand.

Among the most significant movements in the "Available-for-sale financial assets" portfolio in 2013 are the following Group transactions:

- Sale of 9,049,769 shares in Sacyr Vallehermoso for € 19,950 thousand, generating a profit of € 4,958 thousand.
- Acquisition of 2,328,740 shares in Bankia for € 3,150 thousand (derived from a bond exchange).
- Acquisition of 3,477,551 shares in Catalunya Banc for € 6,300 thousand (derived from a bond exchange).
- Acquisition of 1,751,055 shares in NCG Banco for € 2,700 thousand (derived from a bond exchange).
- Acquisition of 6,750,000 shares in Banco CEISS for € 6,750 thousand (derived from a bond exchange).
- Acquisition of 715,990 shares in Banco Popular Español for € 3,000 thousand (derived from a bond exchange).
- Acquisition of 119,523 shares in Cartera Perseidas for € 2,893 thousand.
- Sale of 3,796,247 shares in Metrovacesa for € 8,491 thousand, generating a profit of € 2,796 thousand.
- Sale of 29,282 shares in Cea SICAV for € 181,000 thousand, generating a profit of € 2,513 thousand.
- Sale of 4,005,062 shares in QMC for € 3,002 thousand, generating a profit of € 727 thousand.
- Sale of 1,273,076 shares in Banco Popular Español for € 5,296 thousand, generating a profit of € 829 thousand.
- Sale of 1,457,357 shares in Duro Felguera for € 7,287 thousand, generating a profit of € 651 thousand.
- Sale of 1,903,230 shares in CIE Automotive for € 5,276 thousand, generating a profit of € 1,209 thousand.

These amounts are registered under the "Gains on financial assets (net)" in the consolidated at 31 December 2014 income statement, accounting for equity instruments classified as financial assets available for sale (Note 37).

The interest accrued during the years 2014 and 2013 for debt instruments classified as financial assets available for sale have been of €181,418 thousand and €100,770 thousand, respectively, are included in "Interest and yields assimilated "in the consolidated income statement (Note 31).

The average effective interest rate on debt instruments classified in this portfolio at 31 December 2014 was 1.66% (2.82% at 31 December 2013).

The negative flow included in the statement of consolidated cash flows for the year 2014 on financial assets available for sale in this caption amounts € 9,937,050 thousand (positive flow of € 179,921 thousand in 2013).

9.2 Credit risk coverage

Set out below are movements during 2014 and 2013 in impairment losses recorded to cover credit risk and cumulative impairment losses recognized at the beginning and end of 2014 and 2013 in respect of debt instruments classified as available-for-sale financial assets:

	Thousands of euros
Balance at 31 December 2012	**131**
Net appropriations for the year	561
Prior-year provisions available	(40)
Other	(586)
Balance at 31 December 2013	**66**
Net appropriations for the year	26
Prior-year provisions available	(16)
Other	-
Balance at 31 December 2014	**76**

9.3 Measurement adjustments to available-for-sale financial assets

Set out below is the reconciliation of opening and closing balances of measurement adjustments to available-for-sale financial assets in equity on the consolidated balance sheets for 2014 and 2013, against the amounts recognized in the consolidated income statement as gains/(losses) on financial assets and liabilities and as impairment losses on financial assets, and against the amounts recognized in the consolidated statement of recognized income and expenses.

	Thousands of euros	
	2014	2013
Value adjustments to assets held for sale at January 1	**37 684**	**22 405**
Transfer to results	**(287 482)**	**(101 825)**
Portion allocated to the consolidated income statement	(276 280)	(144 018)
Change in fair value of the securities sold in the year from 1 January or from the date of purchase to date of sale	(11 202)	42 193
Other changes in fair value	**647 148**	**123 652**
Income tax	**(107 900)**	**(6 548)**
Value adjustments to assets held for sale at December 31	**289 450**	**37 684**

Set out below is a breakdown of the amount taken to the consolidated income statement during 2014 and 2013:

	Thousands of euros	
	2014	2013
Result of financial transactions (Note 37)	(273 733)	(141 595)
Impairment of available for sale registered at fair value	(2 547)	(2 423)
	(276 280)	**(144 018)**

9.4 Held-to-maturity investment portfolio

At 31 December of 2014 and 2013 the heading "Held-to-maturity investment portfolio" mainly records Spanish public debt and guaranteed debt securities issued by credit institutions. As a result of the recent evolution of debt markets, as well as the Group's intention and financial capacity to maintain those investments to maturity, it decided to modify its investment strategy classifying assets that were initially classified under "Held-to-maturity Investment Portfolio" to that heading.

Below is a breakdown of the financial assets included in this category at 31 December 2014 and 2013, classified by type of counterparty and type of instrument:

	Thousands of euros	
	2014	**2013**
By counterparty type		
Credit institutions	484 321	727 906
Resident, public administrations	5 468 794	3 027 150
Resident, other sectors	3 670 081	461 250
Non-resident, other sectors	16 428	26 352
	9 639 624	**4 242 658**
By instrument type -		
Debt securities:	5 347 159	2 750 070
Spanish government securities	-	-
Treasury bills	*5 347 159*	*2 750 070*
Other Spanish public administration	121 635	277 080
Foreign government securities	-	-
Issued by financial institutions	484 321	727 906
Other fixed-income securities	3 686 509	487 602
	9 639 624	**4 242 658**

The carrying amount shown in the table above represents the level of credit risk exposure to the Bank at the end of those years in relation to financial instruments included therein.

Interest accrued in 2014 and 2013 on these securities totaled €261,181 thousand and €237,663 thousand, respectively and is included under the heading "Interest and similar charges" in the accompanying consolidated income statement (Note 31).

The effective average interest rate of the debt instruments classified in this portfolio at 31 December 2014 and 2013 stood at 2.58% and 3.77%, respectively.

During the final months of 2013 Unicaja Banco sold part of the debt securities classified under the held-to-maturity portfolio with a carrying cost of €1,261,366 thousand, which gave rise to €93,044 thousand in profits for the Group recorded under the heading "Results from financial operations held-to-maturity investment portfolio" in the consolidated income statement (Note 37). The debt securities sold had a face value of €1,266,000 thousand and a selling price of €1,354,379 thousand. The transactions were carried out by Unicaja Banco within the framework of the acquisition of Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (Banco CEISS) described in Note 1.2 based on the effect of a business combination with an entity of a similar size to Unicaja Banco and with the objective of maintaining the entity's interest rate and credit risk positions.

During 2014 Unicaja Banco Group continued with the process of selling debt securities in the held-to-maturity investment portfolio with a total carrying cost of €1,016,002 thousand capital gains totalling €103,246 thousand.

Specifically, in the breakdown of these figures by entity, during the first months of 2014 Unicaja Banco completed the process of selling debt securities in the held-to-maturity portfolio that had a carrying cost of €694,139 thousand at a selling price of €745,086 thousand. The aggregate face value of these assets total €708,450 thousand and the sale gave rise to a profit of €50,947 thousand for the group that was also recognised under the heading "Results from financial operations held-to-maturity investment portfolio" in the consolidated income statement (Note 37). These sale transactions were also due to the acquisition of Banco CEISS described in Note 1.2, and had the objective of maintaining the interest rate and credit risk positions of the group resulting from the combination.

In December 2014 Unicaja Banco sold debt securities in the held-to-maturity portfolio that had a carrying cost of €321,864 thousand at a selling price of €374,163 thousand. The aggregate face value of these assets total €257,000 thousand and the sale gave rise to a profit of €52,299 thousand for the group that was also recognised under the heading "Results from financial operations held-to-maturity investment portfolio" in the consolidated income statement (Note 37). These sales transactions are due to the changes in the regulatory capital requirements and the need to take certain recapitalisation action, including the materialisation of certain capital gains in the debt securities portfolio classified under the held-to-maturity portfolio.

The sales mentioned in the preceding paragraphs took place in accordance with current accounting legislation and taking into consideration the provisions of paragraph GA22 of IAS 39 (Financial instruments: recognition and measurement", which covers situations in which financial assets in the held-to-maturity portfolio may be sold without doubts arising as to the Group's intention to maintain the rest of the held-to-maturity portfolio. It should also be noted that these sales are attributed to isolated non-recurring events that could not have reasonably been anticipated. For the described reasons the transactions are considered to meet the requirements established by paragraph GA22 of IAS 39, such that the rest of the debt securities in the held-to-maturity portfolio of financial assets available for sale do not have to be reclassified (Note 2.2.4).

10. Loans and receivables

10.1 Breakdown of the balance and maximum credit risk

The following table contains a breakdown of the financial assets included in this category at 31 December 2014 and 2013, classified by type of counterparty and by type of instrument:

	Thousands of euros	
	2014	**2013**
By counterparty type		
Credit institutions	1 118 854	6 039 593
Resident, public administrations	2 035 250	596 917
Non-resident, public administrations	37	106
Resident, other sectors	37 153 641	23 528 014
Non-resident, other sectors	347 719	101 958
	40 655 501	30 266 588
(Impairment losses)	(2 978 333)	(1 377 104)
Other measurement adjustments	(6 585)	(2 525)
	37 670 583	**28 886 959**
By instrument type		
Variable-rate credit lines and loans	31 882 887	18 044 928
Fixed-rate credit lines and loans	2 791 073	1 271 580
Debt securities	1 801 930	1 082 596
Securities acquired under repurchase agreements	3 347 106	9 262 920
Term deposits at credit institutions	262 815	127 369
Other deposits at credit institutions	99 206	100 546
Other financial assets	470 484	376 649
	40 655 501	30 266 588
(Impairment losses)	(2 978 333)	(1 377 104)
Other measurement adjustments	(6 585)	(2 525)
	37 670 583	**28 886 959**

The carrying amounts shown in the above table represent the credit risk exposure borne by the Group at each year end with respect to the financial instruments indicated.

The interests accrued during 2014 and 2013 for loans to customers have been €936,405 thousand and €693,907 thousand, respectively, and are included in "Interest and similar income" in the consolidated income statement (Note 31). Meanwhile, interest earned on deposits with credit institutions amounted to €10,219 thousand and €29,376 thousand, respectively, and is included also in "Interest and similar income" in the accompanying income statement (Note 31).

The average effective interest rate of the debt instruments classified in this portfolio at 31 December 2014 for customer loans has been 3.02% (3.37% at 31 December 2013) and for deposits credit institutions was 0.37% (0,81% at 31 December 2013).

The negative cash flow included in the statement of consolidated cash flows for the year 2014 by credit investments recorded under this heading amounted €8,783,624 thousand (negative flow of € 1.503.436 thousand in 2013).

Refinancing operations, refinanced and restructured

On 2 October 2012, the Bank of Spain issued Circular 6/2012, on the rules regarding public and reserved financing reporting and model financial statements that amend Circular 4/2004 (22 December), which established the obligation to report certain information relating to refinanced and restructured transactions.

Additionally, on 30 April 2013 the Bank of Spain sent a letter explaining the approach agreed by its Executive Committee in connection with the preparation and approval of the refinancing and accounting policies applied to the transactions in question. This approach is treated as a reference framework by Unicaja Banco for compliance with Bank of Spain Circular 4/2004.

At 31 December 2014 and 2013, the breakdown of refinanced and restructured transactions (a) based on the criteria of Bank of Spain Circular 6/2012, is as follows:

							Thousand of euros 2014
	Full real estate mortgage guarantee		**Other real guarantees (c)**		**Unsecured**		
	No. of transactions	**Gross amount**	**No. of transactions**	**Gross amount**	**No. of transactions**	**Gross amount**	**Specific coverage**
Normal Risk (b)							
Public administrations	27	39 976	8	29 984	494	248 851	-
Other individual legal persons and businesses	2 829	367 344	1 090	258 356	1 914	529 927	-
Of which: Financing for construction and development	*210*	*91 093*	*13*	*60 246*	*45*	*5 734*	-
Other natural persons	5 591	385 527	730	37 884	2 871	21 099	-
	8 447	**792 847**	**1 828**	**326 224**	**5 279**	**799 877**	**-**
Sub-prime risk							
Public administrations	2	7	-	-	24	11 207	-
Other individual legal persons and businesses	1 922	369 595	613	202 862	1 540	188 853	(188 051)
Of which: Financing for construction and development	*253*	*139 331*	*23*	*43 827*	*41*	*7 725*	*(76 483)*
Other natural persons	3 301	266 754	321	19 073	1 240	11 371	(27 734)
	5 225	**636 356**	**934**	**221 935**	**2 804**	**211 431**	**(215 785)**
Doubtful risk							
Public administrations	-	-	-	-	-	-	-
Other individual legal persons and businesses	3 288	764 708	1 486	868 173	1 827	460 199	(1 319 509)
Of which: Financing for construction and development	*544*	*252 394*	*208*	*228 123*	*157*	*63 810*	*(402 572)*
Other natural persons	5 219	507 961	1 171	113 818	1 194	16 722	(211 030)
	8 507	**1 272 669**	**2 657**	**981 991**	**3 021**	**476 921**	**(1 530 539)**
	22 179	**2 701 872**	**5 419**	**1 530 150**	**11 104**	**1 488 229**	**(1 746 324)**

	Full real estate mortgage guarantee		Other real guarantees (c)		Unsecured		Thousand of euros 2013
	No. of transactions	Gross amount	No. of transactions	Gross amount	No. of transactions	Gross amount	Specific coverage
Normal Risk (b)							
Public administrations	17	186	9	195	493	61 876	-
Other individual legal persons and businesses	2 306	313 026	1 092	303 237	1 742	537 975	-
Of which: Financing for construction and development	*64*	*87 761*	*78*	*100 607*	*22*	*61 826*	-
Other natural persons	3 537	303 952	461	35 494	2 204	16 333	-
	5 860	**617 164**	**1 562**	**338 926**	**4 439**	**616 184**	**-**
Sub-prime risk							
Public administrations	2	30	3	3	2	2	-
Other individual legal persons and businesses	1 771	382 826	821	274 695	1 017	117 625	(239 926)
Of which: Financing for construction and development	*377*	*291 129*	*90*	*164 648*	*67*	*20 148*	*(167 623)*
Other natural persons	2 075	119 082	520	18 226	716	4 253	(35 376)
	3 848	**501 938**	**1 344**	**292 924**	**1 735**	**121 880**	**(275 302)**
Doubtful risk							
Public administrations	-	-	-	-	-	-	-
Other individual legal persons and businesses	1 896	417 198	1 074	423 025	660	81 133	(678 731)
Of which: Financing for construction and development	*387*	*257 500*	*253*	*286 095*	*88*	*39 944*	*(408 477)*
Other natural persons	2 118	182 488	479	30 914	341	2 799	(86 480)
	4 014	**599 686**	**1 553**	**453 939**	**1 001**	**83 932**	**(765 211)**
	13 722	**1 718 788**	**4 459**	**1 085 789**	**7 175**	**821 996**	**(1 040 513)**

(a) Includes all refinancing operations, refinanced or restructured as defined in paragraph g) of paragraph 1 of Annex IX of the Circular 4/2004 of Bank of Spain.

(b) Risks classified as normal special monitoring as stated in point a) of paragraph 7 of Annex IX of the Circular 4/2004.

(c) Includes real estate mortgage transactions not full, i.e. loan to value greater than 1, and other transactions secured by the real estate mortgage whatever your loan to value.

The gross amount of additions of refinanced or restructured transactions classified as doubtful or substandard by Unicaja Bank Group in 2014 and 2013 (without taking into account the effect of the entries resulting from the business combination - Note 1.2) totaled €639,455 and € 568,770 thousand, respectively.

	Thousands of euros 2014	2013
Public Administrations	11 208	35
Other legal entities and individual entrepreneurs	388 082	484 495
Of which: funding for construction and development	*62 647*	*323 372*
Rest of physical persons	240 165	84 240
	639 455	**568 770**

The Bank has a transaction refinancing, restructuring, renewal and renegotiating policy that has been approved by the maximum governing body and is included in the Entity's credit policy and manual. This policy details the requirements and situations under which a range of measures are offered to assist customers that are undergoing financial difficulties.

Although control over refinanced risks has always formed part of the Unicaja Banco's prudential monitoring of the loan portfolio, the Bank has adapted its systems for managing, identifying and monitoring transactions involving credit exposure to the definitions contained in Bank of Spain Circular 6/2012. Specifically, the Bank has policies for refinancing, restructuring, renewing and renegotiating loans which detail the requirements, terms and situations in which a broad range of measures are available to help customers that are in financial difficulties.

In general terms, these renegotiated loans do not include changes to conditions deemed substantial, besides an increase in the term of loans, the inclusion or extension of grace periods, or the improvement of loan collateral, so that, for accounting purposes, this does not entail the write-off of the original assets or the recognition of new assets at fair value.

As regards the accounting treatment of renegotiated loans, the Group complies with Annex IX of Bank of Spain Circular 4/2004, applying the impairment adjustment rates stated in section 17 and in paragraph 8 of Rule 29 of Circular 4/2004 on changes to the terms of debt instruments caused by financial difficulties of the borrower or debtor, in line with paragraph GA84 of IAS 39. According to the procedure applied by the Unicaja Banco Group, if the new loan eliminates a doubtful exposure, the new loan must always be classed as doubtful, unless the requirements of Annex IX of Circular 4/2004 are fulfilled.

The policies and procedures applied when managing exposures allow the itemized monitoring of loans. In this regard, any loan the terms of which must be modified due to the deterioration of borrower solvency already has the relevant impairment provision at the novation date. Consequently, as the transactions are correctly measured, no additional impairment provisioning requirements are applicable to the refinanced loans.

As regards the accounting treatment of interest, the Group does not recognize in the income statement interest accrued after loans are reclassified as doubtful. If outstanding interest is received as a result of a doubtful loans refinancing or restructuring, the interest is recognized as income in the income statement for the year.

Where the Bank is reasonably certain that the customer will comply with the payment schedule following the refinancing of a loan, the loan is classed as a performing loan. Various factors are considered, such as the contribution of new effective collateral. Consequently, in such cases, the need to hedge credit exposure on the loan might be reduced.

Renegotiated or refinanced loans are classified as defined in Bank of Spain Circular 4/2004. It should be noted that the Bank of Spain has published criteria for the reclassification of these risks which basically address aspects such as the determination of borrower payment capacity, discounted value of collateral furnished and other factors, such as loan grace periods or the number of times a loan has been restructured.

Following the initial classification, in the case of loans classed as doubtful or substandard, prudent cure criteria are applied so that subsequent developments may allow reclassification to performing loan status. These criteria are applicable where repayments have effectively been made on the loan refinanced, such that doubts are dissipated as to collection, taking into account both the amount repaid and the period in which the borrower has been meeting payment obligations.

10.2 Past-due and impaired assets

Set out below is a breakdown of financial assets classified as loans and receivables and considered to be impaired due to credit risk at 31 December 2014 and 2013, and items that are not considered to be impaired but include amounts that are past due at that date, classified by counterparty and by age:

Assets impaired at 31 December 2014

	Thousands of euros				
	Up to 180 days	**Between 180 and 270 days**	**Between 270 days and 1 year**	**Over 1 year**	**Total**
By counterparty type					
Resident, public administrations	1 129	193	139	4 314	5 775
Resident, other sectors	1 127 974	252 110	209 781	3 119 627	4 709 492
Non-resident, public administrations	-	-	-	-	-
Non-resident, other sectors	22 325	3 683	3 656	68 952	98 616
	1 151 428	**255 986**	**213 576**	**3 192 893**	**4 813 883**

Assets impaired at 31 December 2013

	Thousands of euros				
	Up to 6 months	**Between 6 and 9 months**	**Between 9 and 12 months**	**Over 12 months**	**Total**
By counterparty type					
Resident, public administrations	860	-	46	246	1 152
Resident, other sectors	439 406	173 376	256 393	1 065 366	1 934 541
Non-resident, public administrations	-	-	-	-	-
Non-resident, other sectors	871	294	178	1 104	2 447
	441 137	**173 670**	**256 617**	**1 066 716**	**1 938 140**

At 31 December 2014 and 2013 the Institution records reclassified substandard risks relating basically to property transactions (Note 46).

Past-due balances not deemed to be impaired at 31 December 2014

	Thousands of euros			
	Less than one month	**Between 1 and 2 months**	**Between 2 months and 90 days**	**Total**
By counterparty type				
Credit institutions	35	-	-	35
Resident, public administrations	10 041	54	2 233	12 328
Resident, other sectors	57 762	36 006	28 912	122 680
Non-resident, public administrations	-	-	-	-
Non-resident, other sectors	180	201	88	469
	68 018	**36 261**	**31 233**	**135 512**

Past-due balances not deemed to be impaired at 31 December 2013:

	Thousands of euros			
	Less than one month	**Between 1 and 2 months**	**Between 2 and 3 months**	**Total**
By counterparty type				
Credit institutions	68	-	-	68
Resident, public administrations	417	128	10 804	11 349
Resident, other sectors	52 296	25 178	101 609	179 083
Non-resident, public administrations	-	-	-	-
Non-resident, other sectors	123	18	26	167
	52 904	**25 324**	**112 439**	**190 667**

10.3 Credit risk coverage

Set out below are movements for 2014 and 2013 in impairment losses recorded to cover credit risk on debt instruments classified as loans and receivables at the beginning and end of 2014 and 2013, together with cumulative impairment losses.

Movements in impairments losses in 2014 are set below:

	Thousands of euros			
	Specific provision	**General provision**	**Provision for substandard risk**	**Total**
Balance at 31 December 2013	**1 054 365**	**15 280**	**307 459**	**1 377 104**
Charged to the income for the year	913 240	893	(29 503)	884 630
Recovered and credited to the surplus for the year	(513 750)	(3 371)	(63 673)	(580 794)
Other movements (*)	1 107 278	902	189 213	1 297 393
Balances applied to instruments written off during the year	-	-	-	-
Balance at 31 December 2012	**2 561 133**	**13 704**	**403 496**	**2 978 333**
Of which:				
Determined individually	818 993	-	-	818 993
Determined collectively	1 742 140	13 704	403 496	2 159 340
	2 561 133	**13 704**	**403 496**	**2 978 333**

(*) “Other movements” includes the effect of the business combination described on the Note 1.2.

Movements in impairments losses in 2013 are set below:

	Specific provision	General provision	Provision for substandard risk	Total
				Thousands of euros
Balance at 31 December 2012	**1 034 477**	**19 013**	**150 039**	**1 203 529**
Charged to the income for the year	871 434	2 682	176 915	1 051 031
Recovered and credited to the surplus for the year	(582 485)	(6 446)	(19 495)	(608 426)
Other movements	(269 061)	31	-	(269 030)
Balances applied to instruments written off during the year	-	-	-	-
Balance at 31 December 2013	**1 054 365**	**15 280**	**307 459**	**1 377 104**
Of which:				
Determined individually	531 414	-	-	531 414
Determined collectively	522 951	15 280	307 459	845 690
	1 054 365	**15 280**	**307 459**	**1 377 104**

Set out below is a breakdown by nature of the item "Other movements" for the periods 2014 and 2013, based on the amounts presented in the previous table:

	2014	2013
	Thousands of euros	
Utilization due to reclassification to non-performing charged to asset impairment adjustments	(249 101)	(192 363)
Utilization due to repossession of tangible and other assets	(76 480)	(76 667)
Reclassification of rent classed as doubtful	-	-
Business combination (Note 1.2)	1 622 974	-
	1 297 393	**(269 030)**

11. Hedging derivatives (debtors and creditors)

At 31 December 2014 and 2013, contracted derivatives designated as hedges and the items hedged consisted basically of:

- Interest rate swaps hedging mortgage bonds issued by Unicaja and third-party bonds acquired by the Group.

- Futures on listed equities hedging changes in the share price prior to the sale of the shares.

The measurement methods used to determine the fair value of derivatives are the discounted cash flow method, applied to interest rate derivatives, and the Montecarlo technical simulation method, used to measure structured products having an optional component.

There follows a breakdown by product type of the fair values of receivables and payables relating to derivatives designated as hedging instruments in fair value hedges and cash flow hedges at 31 December 2014 and 2013, indicating hedge types, hedging instruments and hedged items:

						Thousands of euros	
Type and countable cover hedging instrument			2014			2013	
	Debtor fair value	Creditor fair value	Notional	Debtor fair value	Creditor fair value	Notional	Hedged item
Fair value hedges:							
Buy sell currencies against euros	**-**	**26 602**	**4 490 967**	**-**	**-**	**-**	
Sales of foreign exchange euros	-	26 602	4 490 967	-	-	-	Debt securities
Currency options	**-**	**209**	**19 506**	**37**	**-**	**11 471**	
Purchased currency options	-	209	19 506	37	-	11 471	Hedge exchange
Currency options issued	-	-	-	-	-	-	
Other operations on interest rates	**906 358**	**23 955**	**5 733 484**	**543 346**	**2 664**	**4 586 948**	
Financial interest rate swaps (IRS bonds)	900 883	1 594	5 399 480	535 291	2 664	4 416 948	Loand agreement and bonds issued
Financial interest rate swaps (IRS loan portfolio)	-	14 299	116 704	-	-	-	Cash flow of Credits
Financial interest rate swaps (IRS balances with central banks)	-	2 637	-	-	-	-	Balances with central banks
Financial interest rate swaps (IRS Client deposits)	767	-	5 300	-	-	-	Client deposits
Financial interest rate swaps (IRS bonds)	4 708	5 425	212 000	8 055	-	170 000	Debt securities
Other derivatives	**3 994**	**-**	**223 460**	**-**	**-**	**-**	**-**
Equity swap & embedded derivative	3 994	-	223 460	-	-	-	Structured products
Subtotal	**910 352**	**50 766**	**10 467 417**	**543 383**	**2 664**	**4 598 419**	
Cash flow hedges:							
Other operations on interest rates	**11 569**	**5 959**	**2 475 000**	**362**	**41 424**	**2 361 404**	
Financial interest rate swaps (IRS loan portfolio)	-	-	-	-	18 931	111 404	Cash flow of Credits
Financial interest rate swaps (IRS balances with central banks)	-	5 510	2 000 000	-	22 493	2 000 000	Balances with central banks
Financial interest rate swaps (IRS bonds)	11 569	449	475 000	362	-	250 000	Debt securities
Subtotal	**11 569**	**5 959**	**2 475 000**	**362**	**41 424**	**2 361 404**	
Total	**921 921**	**56 725**	**12 942 417**	**543 745**	**44 088**	**6 959 823**	

At 31 December 2014 and 2013, the Unicaja Banco Group does not record financial instruments that must be classed as hedges of net investments in foreign operations.

The Unicaja Banco Group only treats hedges deemed to be highly effective throughout the term of the hedge as "hedging transactions". A hedge is deemed highly effective if, during the forecast hedge term, any changes in the fair value or cash flows attributed to the financial instruments hedged are almost entirely offset by changes in the fair value or cash flows, as applicable, of the hedging instruments.

Designated "cash flow hedges" cover changes in the cash flows attributed to a specific exposure to a financial asset or liability, or a highly probable forecast transaction, provided the consolidated income statement might be affected. Set out below is the information required by paragraph 23 of IFRS 7 in connection with these cash flow hedges:

- Periods in which the flows are expected to occur: Flows relating to deposits in central banks will occur to March 2015, while flows associated with debt securities will occur to October 2017.
- Periods in which the income statement is expected to be affected: Same periods in which the cash flows are expected to occur.
- Amount recognized in the past year in the consolidated income statement item "Interest and similar income" to rectify income from hedging transactions: Profit of € 2,520 thousand (loss of € 134 thousand in 2013).
- Amount recognized in the past year in the consolidated income statement item "Interest expense and similar charges" to rectify expense from hedging transactions: Loss of € 20,233 thousand (loss of € 11,513 thousand in 2013).
- Cash flow hedge ineffectiveness recognized in results for the year: no Cash flow hedge ineffectiveness has been recognized in the consolidates income statement in 2014. Related to the previous year, cash flow hedge ineffectiveness recognized in the consolidated income statement in 2013 totals € 3,083 thousand, relating to interest rate futures sales.

Net gains on measurement recognized in the consolidated statement of recognized income and expenses for 2014 and 2013 in respect of cash flow hedges amounted to € 15,618 thousand and €11,727 thousand, respectively. Additionally, in 2014 net gains of € 20,233 thousand were taken to the consolidated income statement (net gains of €11,727 thousand in 2013).

Designated "fair value hedges" cover exposure to changes in the fair value of financial assets and liabilities or of firm commitments not yet recognized, or of an identified portion of such assets, liabilities or firm commitments, attributable to a particular exposure, provided the consolidated income statement might be affected. Set out below is the information required by paragraph 24 of IFRS 7 in connection with these fair value hedges:

- Losses and gains on hedging instruments: See accompanying table showing a breakdown of losses and gains on hedging instruments during 2014 and 2013.
- Losses and gains on the hedged item attributable to the exposure hedged: See accompanying table showing a breakdown of losses and gains on hedged items that are actually attributable to the hedged exposure during 2014 and 2013.
- Ineffectiveness of hedges of net investments in foreign operations recognized in results for the year: The Group has no hedges of this kind.

Hedging instrument	31 december 2014				31 december 2013			
	Results on hedging instruments		Hedged results		Results on hedging instruments		Hedged results	
	Loss	Profit	Loss	Profit	Loss	Profit	Loss	Profit
Buying and selling of foreign currencies against euro	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Sales of foreign currency on securities	-	-	-	-	-	-	-	-
Other operations on values	**574 449**	**330 805**	**80 644**	**323 833**	**-**	**-**	**157**	**-**
Swaps values	-	-	-	-	-	-	-	-
Options on Securities	-	-	-	-	-	-	-	-
Operations in term	574 449	330 805	80 644	323 833	-	-	157	-
Currency options	**305**	**395**	**395**	**305**	**476**	**363**	**445**	**557**
Purchased currency options	305	395	395	305	476	363	445	557
Currency options issued	-	-	-	-	-	-	-	-
Other operations on interest rates	**141 293**	**254 145**	**252 563**	**140 013**	**367 193**	**188 127**	**186 448**	**336 107**
Financial interest rate swaps (IRS bonds)	138 038	252 767	251 277	136 548	351 617	156 234	154 337	349 984
Financial interest rate swaps (IRS balances with central banks)	-	-	-	-	-	-	-	-
Financial interest rate swaps (IRS Client deposits)	95	-	-	95	-	-	-	-
Financial interest rate swaps (IRS bonds)	3 160	1 378	1 286	3 370	15 576	31 893	32 111	16 123
Other derivatives	**3 771**	**3 398**	**3 398**	**3 771**	**-**	**-**	**-**	**-**
Equity swap & embedded derivative	3 771	3 398	3 398	3 771	-	-	-	-
	719 818	**588 743**	**337 000**	**467 922**	**367 669**	**188 490**	**187 050**	**366 664**

Thousands of euros

The notional amount of the contracts formalized does not represent the actual risk assumed by the Group in relation to such instruments.

The Group applies fair value hedge accounting basically to transactions in which it is exposed to changes in the fair value of certain assets and liabilities that are sensitive to interest rate fluctuations, i.e. assets and liabilities linked to a fixed interest rate, which is converted into a variable rate by means of the relevant hedges.

In the Group's opinion, at 31 December 2014 and 2013 there are no doubts that the expected transactions will be completed.

12. Investments

12.1 Investments - Equity Entities

Appendix II and III contain a breakdown of the Multi Group's shareholdings in associates and jointly-controlled entities at 31 December 2014 and 2013 indicating the percentage held and other relevant information.

The contribution from the main associates and jointly-controlled entities to the consolidated balance sheet item “Equity investments” at 31 December 2014 and 2013 are as follows:

	Thousands of euros	
	2014	2013
Alestis Aerospace, S.L.	-	7 525
Hidralia, Gestión Integral de Aguas de Andalucía, S.A.	48 716	49 169
Autopista del Guadalmedina, Concesionaria Española, S.A.	20 942	22 393
Autopista del Sol, Concesionaria España, S.A.	26 435	30 164
Deoleo, S.A.	51 443	63 223
EBN Banco de Negocios, S.A.	10 431	10 564
Grupo Hoteles Playa, S.A.	-	11 376
Ingeniería de Suelos y Explotación de Recursos, S.A.	4 679	7 238
Sociedad Municipal de Aparcamientos y Servicios, S.A.	8 328	8 135
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.	77 191	75 930
Banco Europeo de Finanzas, S.A.	38 661	-
Hidrocartera, S.L.	3 910	-
Muelle Uno-Puerto de Málaga, S.A.	10 125	-
Aciturri Aeronáutica, S.L.	28 197	-
Madrigal Participaciones, S.A.	44 012	-
Cartera Perseidas, S.L.	54 367	-
Otras entidades	(3 322)	(5 958)
	424 115	**279 759**

Set out below is the reconciliation between the opening and closing balances of “Shares” in the consolidated balance sheets for 2014 and 2013:

	Thousands of euros	
	2014	2013
Net book value at 1 January	**279 759**	**293 542**
Additions for the year	144 672	3 841
Disposals for the year	(11 491)	(39 504)
Outcome equity	11 149	15 627
Impairment losses (Note 41)	(17 219)	(7 937)
Distributed dividends	(53 669)	(19 333)
Differences in valuation adjustments	5 716	27 280
Transfers between associated and group / multigroup	51 476	(1 974)
Other movements	13 722	8 217
Net book value at 31 December	**424 115**	**279 759**

The item “Other movements" relates basically to capital increases and reductions in associates, which are not recognized as additions or disposals provided the percentage shareholding does not change.

At 31 December 2014 and 2013 the Group recorded an amount of €17,219 thousand and €7,937 thousand, respectively, in respect of impairment of investments in associates, being recorded in the caption “Impairment losses on other assets (net)” (Note 41).

The balance of the caption "Equity Investments" in the consolidated balance sheets at 31 December 2014 and 2013 includes €36,230 thousand and €38,137 thousand, respectively, related to goodwill associated with this type of shares. Note 4 sets out information relating to this goodwill.

12.2 Notification of shareholdings acquired and sold

Here are the notifications of acquisitions and sales of shareholdings in group entities, associates and jointly-controlled entities that have been submitted in accordance with Article 86 of the Spanish Companies Act and Article 53 of Stock Market Act 24/1988.

In 2014 the main acquisitions and disposals of shareholdings in associated companies were as follows:

- Acquisition on 28 February 2014 of 285.600 shares in Uniwindet, S.L., for €2,459 thousand.
- Acquisition on 11 April 2014 of 39,060 shares in Liquidámbar Inversiones Financieras, S.L., for €101 thousand.
- Adquisition on 11 April 2014 of 22,133 shares in Cartera Perseidas, S.L., for €536 thousand.
- Sale on 30 June 2014 of 2,250,000 shares in Liquidámbar Inversiones Financieras, S.L., for €5,696 thousand, generating a loss of €111 thousand for the Group.
- Sale on 29 July 2014 of 100% of shares in Tasaciones Andaluzas, S.A.U. for €706 thousand and 100% of shares in Consultora Técnica Tasa, S.L.U. for €406 thousand, generating a profit of €211 thousand.
- Adquisition on 31 July 2014 of 4,714 shares in Parque Científico-Tecnológico de Almería, S.A., for €924 thousand.
- Adquisition on 29 September 2014 of 119,751 shares in Alestis Aerospace, S.L., as a result of a capital increase.
- Sale on 31 October 2014 of 1,861,027 shares in Grupo El Árbol Distribución y Supermercados, S.A., that represents 15.95% of the Company's share capital.
- Sale on 19 November 2014 of 5,167,102 shares in Compañía Andaluza de Rentas e Inversiones, S.A., that represent 33.39% of the Company´s share capital, generating a profit of €73 thousand.
- Sale on 26 November 2014 of 360,067 shares in Marinas Puerto de Málaga, Sociedad Promotora del Plan Especial del Puerto de Málaga, S.A., which represent 29.98% of the Company's share capital, generating a profit of €109 thousand.
- Adquisition on 27 November 2014 of 66,006 shares in Malagaport, S.L., for €120 thousand.
- Sale on 11 December 2014 of 22,645,353 shares in Sodinteleco, S.L., that represent 31.87%, generating a profit of €115 thousand.
- Adquisition on 29 September 2014 of 11,029,412 shares in Muelle Uno-Puerto de Málaga, S.A. for €7,500 thousand.

In addition, in 2014 it has been occurred the absorption fusion by Gestión de Inmuebles Adquiridos, S.L. (as absorber Entity) with Promotora Guadalnervión, S.L., Unic-as Promociones Inmobiliarias, S.L. and Urbasur, Actuaciones Urbanísticas, S.L. (as absorbed Entity).

In 2013 the main acquisitions and disposals of shareholdings in associated companies were as follows:

- Acquisition on 5 February 2013 and 23 September 2013 of 1,245 shares in Sociedad de Gestión San Carlos, S.A. (Sogescar) for € 418 thousand; the Group's interest in this company at 31 December 2013 stands at 50.32%.
- Acquisition on 11 February 2013 of 1,144 shares in Unic-as Promociones Inmobiliarias, S.L. for € 1,500 thousand; the Group's interest in this company at 31 December 2013 stands at 100%.
- Acquisition on 28 February 2013 of 3,130 shares in Inversiones Social Docente del Ahorro Benéfico Español, S.A. (ISDABE).
- Liquidation on 9 April 2013 affecting 1,185,704 shares in A.I.E. Alcione I, 1,222,546 shares in A.I.E. Alcione II, 1,959,000 shares in A.I.E. Naviera Urania. At 31 December 2013 the Group holds no shares in these companies.
- Acquisition on 14 May 2013 of 100,000 shares in Urbasur Actuaciones Urbanísticas, S.L. for € 50,000 thousand; the Group's interest in this company at 31 December 2013 stands at 100%.
- Sale on 6 June 2013 of 12,375,755 shares in Participaciones Agrupadas, S.L. for € 25 thousand, generating a profit of € 25 thousand.

- Sale on 12 June 2013 of 250 shares in Hispaparking, S.L. for € 13,000 thousand, generating a profit of € 12 thousand.
- Liquidation on 16 July 2013 of Andaluza de Control y Dispositivos de Seguridad, S.A.U. (ACDS), affecting 10,148 shares amounting to € 436 thousand.
- Acquisition on 18 July 2013 of 38,571 shares in Titulización de Activos, Sociedad Gestora de Fondos de Titulización, S.A. (TDA) for € 2,797 thousand; the Group's interest in this company at 31 December 2013 stands at 38.57% and it is now classed as an associate.
- Sale on 6 November 2013 of 1,505 shares in Servicios Generales de Jaén, S.A. for € 3 thousand, which did not generate a profit.
- Sale on 16 December 2013 of 7,252 shares in Inversiones Social Docente del Ahorro Benéfico Español, S.A. (ISDABE) for € 379 thousand, generating a loss of € 430 thousand that is offset by an impairment provision. At 31 December 2013 the Group holds no shares in this company.
- Subscription in a capital increase on 23 December 2013 of 31,220,000 shares in Unicaja Gestión de Activos Inmobiliarios, S.A.U. (UGAI) for € 31,220 thousand.
- Non-cash contribution on 23 December 2013 to subscribe for a total of 30,040 shares in Gestión de Inmuebles Adquiridos, S.L.U. (GIA) in the amount of € 31,206 thousand.
- Liquidation on 31 December 2013 of 1,749,901 shares in A.I.E. Naviera Nerga. At 31 December 2013 the Group holds no shares in this entity.
- Acquisition on 31 December 2013 of 210,940 shares in Liquidámbar Inversiones Financieras, S.L. for € 564 thousand; the Group's interest in this company at 31 December 2013 stands at 14.74%.
- Vertical merger of Unicorp Retail Properties, S.A.U. into Unicorp Corporación Financiera, S.L., affecting 6,051 shares, amounting to € 3,401 thousand.
- Liquidation of the securitization funds AYT Unicaja Financiación I, FTA, Unicaja Andalucía FT Vivienda TDA 1, FTA, Unicaja AYT Empresas I, FTA and Unicaja TDA VPO, FTA (Note 30.6).

Also, in 2013, there have been the following changes in classification between Group companies, jointly controlled entities and associates:

- Having regard to the shareholding in Sacyr Vallehermoso, S.A., with effect as from 1 January 2013 existing shareholder agreements were cancelled and the investment was reclassified to the available-for-sale assets portfolio at that date.
- The shareholding in Urbasur Actuaciones Urbanísticas, S.L. increased from 50% to 100%, this company becoming a subsidiary of the Unicaja Banco Group.
- The shareholding in Unic-as Promociones Inmobiliarias, S.L. increased from 49% to 100%, this company becoming a subsidiary of the Unicaja Banco Group.

The net payments recorded in the consolidated statement of cash flows for the year 2014 recorded in this caption cash holdings amounted to € 11,388 thousand (net charges of €268 thousand in 2013).

13. Property, plant and equipment

The movements of “property, plant and equipment” in this balance sheets of 2014 and 2013 are as follows:

	Thousands of euros		
	For own use	Investment property	Total
Cost			
Balance at 31 December 2013	**1 149 638**	**233 970**	**1 383 608**
Additions	4 270	2 314	6 584
Disposals and other write-offs	(4 919)	(16 661)	(21 580)
Other transfers and other movements	937 672	282 989	1 220 661
Balance at 31 December 2014	**2 086 661**	**502 612**	**2 589 273**
Accumulated depreciation			
Balance at 31 December 2013	**(541 278)**	**(22 933)**	**(564 211)**
Disposals and other write-offs	3 655	792	4 447
Charges	(36 987)	(6 262)	(43 249)
Other transfers and other movements	(464 948)	(23 783)	(488 731)
Balance at 31 December 2014	(1 039 558)	(52 186)	(1 091 744)
Impairment losses			
At 31 December 2014	**(16 056)**	**(95 503)**	**(111 559)**
Net property, plant and equipment			
Balance at 31 December 2014	**1 031 047**	**354 923**	**1 385 970**

	Thousands of euros		
	For own use	Investment property	Total
Cost			
Balance at 31 December 2012	**1 168 900**	**203 951**	**1 372 851**
Additions	9 188	3 467	12 655
Disposals and other write-offs	(12 521)	(13 814)	(26 335)
Other transfers and other movements	(15 929)	40 366	24 437
Balance at 31 December 2013	1 149 638	233 970	1 383 608
Accumulated depreciation			
Balance at 31 December 2012	**(520 914)**	**(16 186)**	**(537 100)**
Disposals and other write-offs	8 496	499	8 995
Charges	(29 918)	(3 797)	(33 715)
Other transfers and other movements	1 058	(3 449)	(2 391)
Balance at 31 December 2013	(541 278)	(22 933)	(564 211)
Impairment losses			
At 31 December 2013	(17 049)	(48 657)	(65 706)
Net property, plant and equipment			
Balance at 31 December 2013	**591 311**	**162 380**	**753 691**

The above tables identify “Other transfers and other movements" in both the cost and accumulated depreciation of the assets. Set out below is a breakdown by nature of these movements in 2014 and 2013:

				Thousands of euros
		2014		2013
	For own use	Investment Property	For own use	Investment Property
Transfers from non-current assets held for sale	-	12 991	-	6 708
Transfers between own use and investment properties	(22 628)	22 628	(15 273)	15 273
Transfers from inventories	-	40 978	-	24 110
Business combination (Note 1.2)	498 379	195 709	-	-
Other movements	(3 027)	(13 100)	402	(9 174)
	472 724	**259 206**	**(14 871)**	**36 917**

The Group has taken out several insurance policies to cover risks that are subject property, plant and equipment. The coverage of these policies is considered sufficient.

The net charges recorded in the statement of consolidated cash flows for the year 2014 by tangible assets recorded under this heading amounted to € 3,868 thousand (net charges of €571 thousand in 2013).

13.1 Property, plant and equipment for own use

Set out below is a breakdown by nature of this balance sheet caption at 31 December 2014 and 2013:

				Thousands of euros
	Cost	Accumulated depreciation	Impairment losses	Net balance
Data processing equipment and installations	245 516	(236 047)	-	9 469
Furniture, vehicles and other installations	755 371	(593 371)	-	162 000
Buildings	1 042 158	(188 986)	(14 052)	839 120
Work in progress	80	-	-	80
Other	43 536	(21 154)	(2 004)	20 378
Balance at 31 December 2014	**2 086 661**	**(1 039 558)**	**(16 056)**	**1 031 047**
Data processing equipment and installations	90 389	(82 598)	-	7 791
Furniture, vehicles and other installations	535 786	(374 939)	(276)	160 571
Buildings	472 918	(77 250)	(13 065)	382 603
Work in progress	904	-	-	904
Other	49 641	(6 491)	(3 708)	39 442
Balance at 31 December 2013	**1 149 638**	**(541 278)**	**(17 049)**	**591 311**

As part of the net balance as of December 2014 contained in the above table, there are headings for an amount of €3,507 thousand (€5,413 thousand at 31 December 2013) corresponding to plant and equipment net worth societies Group are acquired under leasing.

At 31 December 2014, property, plant and equipment for own use having a gross value of approximately €441,897 thousand (€355,954 thousand at 31 December 2013) was fully depreciated.

13.2 Investment property

The consolidated balance sheet item “Investment property” generally reflects the net values of land, buildings and other structures held in order to be leased. Investment property is carried in the consolidated balance sheet at acquisition cost, which is formed by the fair value of any consideration paid plus all cash outlays made or committed, less accumulated depreciation and any estimated losses calculated by comparing the net value of each item with its recoverable amount. Under IAS 36, the recoverable amount is the higher of fair value less costs to sell and the value in use of the assets.

As these assets generate rental income and their value in use may be estimated, the Group does not follow the same appraised value update criteria applicable to irregular properties held exclusively for sale. The Group calculates the recoverable amount of investment property based on the value in use derived from the rent generated by the assets.

The Unicaja Banco does not have a reliable measurement of the fair value of investment property. As there is no reliable measurement of the fair value of investment property, the Group does not report on the requirements of letters (d) and (e) of IAS 40, paragraph 75.

Direct operating expenses (including repairs and maintenance) recognized in the consolidated income statements for 2014 and 2013 in relation to investment property, showing property that generates rent separately from property that does not, are as follows:

	Thousands of euros	
	2014	**2013**
Expenses associated with investment property that generates rent	3 549	4 679
Expenses associated with investment property that does not generate rent	1 620	975
	5 169	**5 654**

As regards the investment property for which the Group acts as a lessor, regulations applicable to each lease are observed, particularly the provisions of Law 29/1994 (24 November) on Municipal Leases and Law 4/2013 (4 June) on measures to develop and enhance the flexibility of the home rental market.

In 2014 and 2013, income from leased out under operating lease (investment property) owned by the Group totaled €13,550 thousand and €6,610 thousand, respectively (Note 38).

With respect to the information required by IAS 27, paragraph 56, in 2014 and 2013 the Group's annual income from non-cancellable operating leases, i.e. under the former lease regime, totaled € 198 thousand and €74 thousand, respectively.

13.3 Impairment losses

Set out below is a summary of movements in impairment losses affecting property, plant and equipment during 2014 and 2013:

			Thousands of euros
	Own use	Investment property	Total
Balance at 31 December 2012	**18 693**	**39 038**	**57 731**
Endowments	-	8 009	8 009
Recoveries, sales	(410)	(63)	(473)
Other recoveries	(69)	-	(69)
Other transfers and reclassifications	(1 165)	1 673	508
Balance at 31 December 2013	**17 049**	**48 657**	**65 706**
Endowments	256	2 686	2 942
Recoveries, sales	(74)	(329)	(403)
Other recoveries	-	-	-
Other transfers and reclassifications	(1 175)	44 489	43 314
Balance at 31 December 2014	**16 056**	**95 503**	**111 559**

14. Intangible assets

At 31 December 2014 and 2013, virtually the entire balance of “Intangible assets” in the consolidated balance sheet relates to computer software using in the course of business by the companies of the Unicaja Banco Group.

		Thousands of eueros
	2014	2013
Goodwill	184	-
Other intangible assets	1 587	3 689
	1 771	**3 689**

It is provided below the breakdown of the category “Goodwill” on 31 December 2014 and 2013, for each society that generates it:

		Thousands of eueros
	2014	2013
Caja España Fondos, S.A., S.G.I.I.C.	122	-
Caja España Mediación, Operación Banca-Seguros	62	-
	184	**-**

The category “Other intangible assets” of the consolidated balance sheet basically records computer applications used by Grupo Unicaja Banco’s entities.

Movements in “Intangible assets” in the consolidated balance sheet during the periods ended 31 December 2014 and 2013 are as follows:

	Thousands of euros		
	Cost	Accumulated depreciation	Net book value
Balance at 31 December 2012	**19 406**	**(16 301)**	**3 105**
High cost / depreciation	1 798	(1 077)	721
Low cost / depreciation	(383)	375	(8)
Other movements	-	(129)	(129)
Balance at 31 December 2013	**20 821**	**(17 132)**	**3 689**
High cost / depreciation	45	(635)	(590)
Low cost / depreciation	(2 685)	1 025	(1 660)
Other movements (*)	68 337	(68 005)	332
Balance at 31 December 2014	**86 518**	**(84 747)**	**1 771**

(*) The category “Other movements” includes the effect of the business combination (Note 1.2).

The amount recognized in the consolidated income statement item “Amortization - Intangible assets” totals €635 thousand at 31 December 2014 (€ 1,077 thousand at 31 December 2013).

Fully-amortized intangible assets still in use at 31 December 2014 and 2013 amount to € 79,559 thousand and € 14,003 thousand, respectively.

Net receipts recorded in the statement of consolidated cash flows for the year 2014 for intangible assets recorded under this heading amounted to € 2,749 thousand (net payments of € 1,661 thousand in 2013).

15. Other assets

a) Non-current assets for sale

Set out below is a breakdown of the item “Non-current assets for sale”, which includes the carrying amount of assets that do not form part of the Bank's operating activities and the carrying amount of which will foreseeably be recovered through the transfer price. These assets amount to € 931,290 thousand at 31 December 2014 (€ 263,918 at 31 December 2013).

The Group has estimated the fair value of these assets based upon the value obtained in an updated valuation, in line with the content of OM/805/2003, by a valuers authorized by the Bank of Spain.

Set out below is a breakdown of non-current assets classified by purpose at the end of the years 2014 and 2013:

	Thousands of euros	
	2014	**2013**
Equity instruments	**245 698**	**42**
Residential assets	**324 946**	**181 582**
Finished Properties	**305 972**	**41 398**
Dwelling	79 582	12 442
Rest	226 390	28 956
Properties under construction	**19 538**	**15 119**
Dwelling	19 538	14 279
Rest	-	840
Land	**35 136**	**25 777**
	931 290	**263 918**

Net gains recognized in the 2014 consolidated statement of recognized income and expenses on equity instruments classed as non-current assets for sale total € 320 thousand (net gains of € 730 thousand in 2013).

Set out below is the reconciliation between the opening and closing balances of tangible assets included in the consolidated balance sheet item “Non-current assets for sale” for 2014 and 2013:

			Thousands of euros
	Tangible assets awarded	**Value adjustments for impairment**	**Net book value**
Balances at 31 December 2012	**338 863**	**(45 309)**	**293 554**
Additions for the year	126 130	(7 601)	118 529
Disposals and other transfers	(72 535)	14 240	(58 295)
Allocated to income (Note 43)	(3 334)	(10 401)	(13 735)
Transfers to inventories (Note 1.1.3)	(83 331)	8 339	(74 992)
Transfers to investment property	(6 708)	-	(6 708)
Other movements	4 882	683	5 565
Balances at 31 December 2013	**303 967**	**(40 049)**	**263 918**
Additions for the year	104 218	(8 114)	96 104
Disposals and other transfers	(69 887)	12 276	(57 611)
Allocated to income (Note 43)	(3 012)	(17 727)	(20 739)
Transfers to inventories (Note 1.1.3)	(39 405)	2 606	(36 799)
Transfers to investment property	(12 991)	-	(12 991)
Business combination (Note 1.2)	828 997	(131 563)	697 434
Other movements	1 974	-	1 974
Balances at 31 December 2014	**1 113 861**	**(182 571)**	**931 290**

During 2014 and 2013 no significant collections or payments were reflected in the consolidated cash flow statement in respect of non-current assets for sale.

Impairment losses recognized in the consolidated income statement in 2014 and 2013 on non-current assets for sale total € 17,727 thousand and € 10,401 thousand, respectively; they are recognized in the item "Gains/(losses) on non-current assets for sale not classified as discontinued operations" (Note 43).

All the "Non-current assets for sale" in the consolidated balance sheet were received by the Bank or by other consolidated companies for the full or partial settlement of debtor obligations.

The Unicaja Banco Group applies market terms in buyer financing granted for the purchase of properties. Loans granted in 2014 for initial financing total € 14,435 thousand (€6,062 thousand in 2013). At 31 December 2014, gains on these loans pending recognition amount to € 11,285 thousand (€11,308 thousand in 2013).

Valuation companies

The main valuation company that issues reports on the Unicaja Banco Group's assets is Tasaciones Inmobiliarias, S.A. (Tinsa). The following companies also issue valuation reports on the Group's assets: Sociedad de Tasación, S.A. (Sotasa), UVE Valoraciones, S.A., Técnicos de Tasación, S.A. (Tecnitasa) and Eurovaloraciones, S.A. (Euroval).

The Unicaja Banco Group has a procedure for selecting valuation companies that restricts assignments to appraisals that are performed solely through electronic means by valuation companies with an internal code of conduct that complies with applicable legislation, among other requirements. Pre-authorized valuation companies are selected at random.

In general, the appraisals used by the Unicaja Banco Group, both for properties securing loans and for assets that are repossessed or received as payment for debts, must be performed by a valuation company authorized by the Bank of Spain and in accordance with the requirements of Order ECO/805/2003 (27 March).

b) Other assets

A breakdown of the balances in this consolidated balance sheet caption at 31 December 2014 and 2013 is set out below:

	Thousands of euros	
	2014	**2013**
Inventories	593 892	673 671
Other	134 894	29 243
	728 786	**702 914**

At 31 December 2014 and 2013, the consolidated balance sheet item "Other" relates basically to prepayments and accrued income.

The consolidated balance sheet item "Inventories" includes non-financial assets that are held for sale by the consolidated entities in the ordinary course of business, are being produced, built or developed for that purpose, or are expected to be consumed in the production process or in the provision of services. Consequently, land and other properties held for sale or for inclusion in a housing development, are treated as inventories.

Inventories are carried at the lower of cost, which includes all outlays to acquire and transform the inventories, direct or indirect costs incurred to bring them to their current condition and location, and directly attributable financial costs, provided more than one year must elapse before they are sold, and net realisable value. The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to be incurred to complete the production and sale of the inventories.

In accordance with paragraph 2 of IAS 36 “Inventories”, both decreases and, if applicable, subsequent recoveries of the net realisable value of inventories below their carrying amount are recognized in the consolidated income statement in the period in which they occur, in the item “Impairment losses on other assets (net) - Other assets”.

A breakdown by company of the asset item “Other assets - Inventories” on the consolidated balance sheet at 31 December 2014 and 2013 is as follows:

	Thousands of euros	
	2014	**2013**
Unic-as Promociones Inmobiliarias, S.L.U.	-	23 705
Inmobiliaria Acinipo, S.L.U.	3 327	10 961
Gestión de Inmuebles Adquiridos S.L.U.	584 240	634 277
Unicaja Gestión de Activos Inmobiliarios, S.A.U.	1 526	1 526
Promotora Guadalnervión, S.L.U.	-	2 927
Otras sociedades	4 799	275
	593 892	**673 671**

Set out below are movements in the consolidated balance sheet item "Other assets - Inventories" during 2014 and 2013:

	Thousands of euros	
	2014	**2013**
Net book value at 1 January	**673 671**	**635 194**
Additions for the year	105 277	171 016
Disposals and other transfers	(235 236)	(144 580)
Transfers to investment property	(40 978)	(24 110)
Transfers from non-current assets held for sale	39 405	83 331
Change in impairment losses	54 302	(39 947)
Other movements	(2 549)	(7 233)
Net book value at 31 December	**593 892**	**673 671**

Impairment losses on inventories are recognized in the consolidated income statement item “Impairment losses on other assets (net)”. In 2014 and 2013, the portion of these losses relating to inventories totals € 57,930 thousand and € 44,068 thousand, respectively (Note 41).

Set out below is a breakdown of inventory sales completed during 2014 and 2013 by the Unicaja Banco Group, stating the selling price, cost of sales, use of impairment provisions and other items:

	Thousands of euros	
	2014	**2013**
Sale price	108 306	94 996
Cost of sales	(175 103)	(144 580)
Using deteriorations	76 479	49 802
Commissions for sale	(2 229)	(2 256)
	7 453	**(2 038)**

As regards the appraisals of properties recognized in "Inventories", in accordance with prevailing legislation on the use of appraised values, the Unicaja Banco Group's policy is based on the following criteria:

- In general, the appraisals used by the Bank and its Group, both for properties securing loans and for assets that are repossessed or received as payment for debts, must be performed by a valuation company authorized by the Bank of Spain and in accordance with the requirements of Order ECO/805/2003 (27 March).

- In general, the Bank requests appraisals when loans are being granted, furnishing the necessary documentation on all the assets securing the loan.

- The Unicaja Banco Group has a procedure for selecting valuation companies that restricts assignments to appraisals that are performed solely through electronic means by valuation companies with an internal code of conduct that complies with applicable legislation, among other requirements.

- With respect to the review of appraisal quality, the Unicaja Banco Group has procedures in place to review the appraisal report, particularly in relation to the determining factors; if there are doubts as to the appraised value and/or determining factors, it is compared with values recently obtained for properties that are similar and/or in the same zone. Internal controls are also in place to review the consistency and adequacy of the valuations performed by each valuers.

- In the professional relationships with valuation companies, in order to safeguard valuer independence and avoid conflicts of interest, the Group has put in place adequate mechanisms and barriers to preclude the possibility of their activities being influenced, for purposes unrelated to the assurance of valuation quality, by the Bank's operating units or subsidiaries.

- As regards the frequency of appraisal reviews, pursuant to prevailing legislation, the values of assets securing mortgage loans (at minimum, assets securing loans classed as doubtful or substandard), repossessed assets and assets received as payment for debts are revised every three years at minimum, depending on the status of the loan and the asset type,

- For appraisals that need not fulfil the requirements of Annex IX of Circular 4/2004, the Credit Committee is responsible for establishing a procedure that can combine both valuations performed under Order ECO 805/2003 without visiting the interior of the property and the estimation of the appraised value using statistical or other methods permitted by regulations.

Finally, at 31 December 2014 and 2013 the Unicaja Banco Group records no inventories in the consolidated balance sheet that are pledged to secure the settlement of debts.

16. Financial liabilities at amortized cost

16.1 Deposits from Central Banks

A breakdown of this consolidated balance sheet heading at 31 December 2014 and 2013 is as follows:

	Thousands of euros	
	2014	**2013**
Central Bank of Spain	8 608 510	4 500 000
Measurement adjustments - Accrued interest	113 205	62 045
	8 721 715	**4 562 045**

The interest accrued during the years 2014 and 2013 for these deposits have been of €14,262 thousand and €33,625 thousand, respectively, and are included in "Interest and similar charges" in the consolidated income statement (Note 32).

16.2 Deposits from credit institutions

Set out below is a breakdown by nature of transactions of the consolidated balances in this balance sheet caption at 31 December 2014 and 2013:

	Thousands of euros	
	2014	**2013**
Term deposits	322 354	169 604
Investments	150 000	150 000
Assets sold under repurchase agreements	616 232	1 376 609
Other accounts	298 183	156 517
Measurement adjustments	10 381	5 784
	1 397 150	**1 858 514**

The interest accrued during the years 2014 and 2013 for these deposits have been of €19,289 thousand and €18,667 thousand, respectively, and are included in "Interest expense and similar charges" in the consolidated income statement (Note 32).

The average effective interest rate on the debt instruments classified in this caption at 31 December 2014 was 1.45% (1.10% at 31 December 2013).

16.3. Deposits from other creditors

Set out below is a breakdown by nature of transactions and counterparty of the customers balances at 31 December 2014 and 2013:

	Thousands of euros	
	2014	**2013**
By nature		
Current accounts	7 696 519	3 411 243
Savings accounts	10 961 305	4 853 158
Fixed-term deposits	25 651 432	13 998 956
Assets sold under repurchase agreements	3 731 320	5 814 034
Other	42 209	16 677
Measurement adjustments:	1 088 377	617 993
Of which:		
Micro-hedging transactions	793 645	479 751
Interest accrued	426 717	268 204
Other adjustments	(131 985)	(129 962)
	49 171 162	**28 712 061**
By counterparty		
Resident public administrations	1 682 376	1 107 837
Non-Resident public administrations	6 464	-
Other resident sectors	46 053 690	26 815 167
Other non-resident sectors	340 255	171 064
Measurement adjustments	1 088 377	617 993
Of which:		
Micro-hedging transactions	793 645	479 751
Interest accrued	426 717	268 204
Other adjustments	(131 985)	(129 962)
	49 171 162	**28 712 061**

The interest accrued during the years 2014 and 2013 for these deposits have been €722,372 thousand and €490,976 thousand, respectively, and are included in "Interest expense and similar charges" in the consolidated income statement (Note 32).

The average effective interest rate on the debt instruments classified in this caption at 31 December 2014 was 1.62% (2.06% at 31 December 2013).

Fixed-term deposits include unique mortgage bonds issued in accordance with the provisions of Law 2/1981 (25 March) on the mortgage market and a territorial bond issued in accordance with Law 44/2002 (22 November), as detailed below:

			Thousands of euros	
			Nominal amount	
Issue date	**Maturity date**	**Interest rate**	**2014**	**2013**
02/12/2003	02/12/2018	(a) 4,757%	16 258	16 258
04/12/2003	04/12/2015	Euribor 3 meses + 0,13%	100 000	100 000
25/02/2004	01/03/2016	(a) 4,385%	250 000	250 000
05/04/2004	05/04/2014	(c) 4,005%	-	250 000
05/04/2004	05/04/2014	(c) 4,005%	-	50 000
16/11/2004	16/11/2014	(c) 4,007%	-	146 341
16/11/2004	16/11/2014	(c) 4,007%	-	21 951
16/11/2004	16/11/2019	(a) 4,257%	53 659	53 659
16/11/2004	16/11/2019	(a) 4,257%	8 049	8 049
24/11/2004	27/11/2019	(c) 4,125%	200 000	200 000
29/03/2005	29/03/2015	(c) 3,753%	141 667	141 667
29/03/2005	29/03/2020	(a) 4,003%	58 333	58 333
18/05/2005	21/05/2025	(a) 3,875%	200 000	200 000
15/06/2005	20/06/2017	(a) 3,500%	150 000	150 000
28/06/2005	28/06/2015	Euribor 3 meses + 0,08%	73 077	73 077
28/06/2005	28/06/2025	(a) 3,754%	76 923	76 923
16/11/2005	21/05/2025	(a) 3,875%	200 000	200 000
12/12/2005	12/03/2016	(a) 3,503%	74 074	74 074
12/12/2005	12/12/2022	(a) 3,754%	51 852	51 852
20/02/2006	20/02/2018	Euribor 3 meses + 0,12%	90 000	90 000
10/03/2006	12/03/2016	(a) 3,503%	40 000	40 000
22/03/2006	22/03/2021	(a) 4,005%	100 000	100 000
06/04/2006	08/04/2021	(a) 4,125%	200 000	200 000
25/05/2006	06/04/2016	(b) Euribor 3 meses + 0,06%	250 000	250 000
26/05/2006	24/05/2017	Euribor 3 meses + 0,09%	100 000	100 000
12/06/2006	12/06/2018	(a) 4,255%	100 000	100 000
19/10/2006	21/10/2018	(a) 4,000%	300 000	300 000
23/10/2006	24/05/2017	Euribor 3 meses + 0,09%	100 000	100 000
23/10/2006	23/10/2023	(c) 4,254%	200 000	200 000
16/03/2007	19/03/2017	(a) 4,004%	200 000	200 000
23/03/2007	26/03/2027	(c) 4,250%	150 000	150 000
20/04/2007	08/04/2021	(a) 4,125%	200 000	200 000
23/05/2007	22/05/2019	Euribor 3 meses + 0,09%	200 000	200 000
23/05/2007	23/05/2027	(a) 4,755%	50 000	50 000
23/05/2007	23/05/2027	(a) 4,755%	50 000	50 000
29/06/2007	08/04/2031	(a) 4,250%	400 000	400 000
25/07/2007	18/12/2016	(a) 4,005%	300 000	300 000
19/10/2007	21/10/2017	Euribor 3 meses + 0,17%	250 000	250 000
19/10/2007	08/04/2021	4,125%	60 000	60 000
19/10/2007	26/03/2027	4,250%	110 000	110 000
19/10/2007	08/04/2031	4,250%	180 000	180 000
05/12/2007	20/02/2018	Euribor 3 meses + 0,13%	145 000	145 000
10/04/2008	10/04/2048	(a) 5,280%	22 000	22 000
11/03/2005	11/03/2015	(a) 3,760%	150 000	(*)
29/03/2005	29/03/2015	(d) 3,753%	283 333	(*)
28/06/2005	28/06/2015	Euribor 3 meses + 0,08%	194 872	(*)
22/11/2008	22/11/2015	Euribor 3 meses + 1,21%	200 000	(*)
12/12/2005	12/03/2016	(a) 3,503%	10 000	(*)

Issue date	Maturity date	Interest rate	Thousands of euros Nominal amount 2014	2013
13/06/2009	13/06/2016	4,758%	100 000	(*)
15/06/2005	20/06/2017	3,500%	100 000	(*)
26/12/2008	21/10/2017	Euribor 3 meses + 0,19%	200 000	(*)
23/10/2007	21/10/2017	Euribor 3 meses + 0,17%	200 000	(*)
12/06/2006	12/06/2018	(a) 4,255%	100 000	(*)
02/12/2003	02/12/2018	(a) 4,757%	67 742	(*)
16/11/2004	16/11/2019	(a) 4,257%	52 317	(*)
30/11/2009	30/11/2019	4,511%	154 000	(*)
29/03/2005	29/03/2020	(e) 4,004%	116 667	(*)
15/06/2005	15/06/2020	(a) 3,510%	150 000	(*)
25/05/2006	08/04/2021	4,125%	100 000	(*)
12/12/2005	12/12/2022	(a) 3,754%	100 000	(*)
23/10/2006	23/10/2023	4,254%	100 000	(*)
28/06/2005	28/06/2025	(f) 3,754%	205 128	(*)
20/07/2007	26/03/2027	4,250%	100 000	(*)
23/05/2007	23/05/2027	(a) 4,755%	100 000	(*)
23/11/2006	08/04/2031	4,250%	400 000	(*)
23/03/2007	08/04/2031	4,250%	100 000	(*)
			8 734 951	**5 919 184**

(a) The fixed interest rate borne by the Entity has been converted to a variable rate by contracting swaps on the nominal amount.
(b) Issue bearing interest divided into two tranches, commencing with a fixed rate of 2.891% to 8 July 2006; the rate then changes to the 3-month Euribor + 0.06.
(c) The fixed rate supported by the Group has been made variable by financial swaps on the nominal amount. After that, these swaps were canceled.
(d) The fixed interest rate paid by the Bank has been converted to a variable rate by contracting financial swaps covering the nominal value of €141,667 thousand.
(e) The fixed interest rate paid by the Bank has been converted to a variable rate by contracting financial swaps covering the nominal value of €58,333 thousand.
(f) The fixed interest rate paid by the Bank has been converted to a variable rate by contracting financial swaps covering the nominal value of €76,923 thousand.

(*) Although these issues were outstanding at 31 December 2013, are not included in the consolidated financial statements of Grupo Banco Unicaja to the takeover of Banco CEISS, dated accounting purposes established 28 March 2014 (Note 1.2).

16.4 Marketable debt securities

A breakdown of this consolidated balance sheet heading at 31 December 2014 and 2013 is as follows:

	Thousands of euros 2014	2013
Promissory notes and bills	-	89 427
Mortgage securities	2 858 834	2 629 663
Other non-convertible securities	912 150	1 450 000
Own securities	(1 947 069)	(1 737 578)
Measurement adjustments - Accrued interest	53 824	72 134
	1 877 739	**2 503 646**

16.4.1 Promissory notes and bills

During the years 2014 and 2013 have been in place four programs of notes, with the following key features and balances for the end:

			Thousands of euros	
			Nominal amount subscribed	
	Maturity date	Nominal amount of issue	2014	2013
First commercial paper program Unicaja	Variable (*)	750 000	-	93 506
			-	**93 506**

(*) The notes were issued at any time from one week to eighteen months.

The “First Notes Programme of Unicaja Banco” was registered with the Spanish National Securities Market Commission (CNMV) in March 2012, targeting the general public, including retail and qualified investors, consisting of notes with a nominal value of € 1,000 up to a maximum sum of € 1.5 billion, extendable to € 3 billion de euros. The programme is no longer in force at 31 December 2014 and there are no living notes.

Interest accrued during 2014 for such securities have been €1,126 thousand (€12,955 thousand in 2013), and are included in "Interest expense and similar charges" in the consolidated income statement (Note 32).

The average effective interest rate on the debt instruments classified in this heading at 31 December 2014 was 3.85% (3.71% at 31 December 2013).

The movements of the account of promissory notes and other securities in 2014 and 2013 are as follows:

	Thousands of euros	
	2014	2013
Opening nominal balance	93 506	575 919
Issues	-	29 072
Redemption	(93 506)	(511 485)
Closing nominal balance	-	93 506
Prepaid interest	-	(4 079)
Closing balance	**-**	**89 427**

All these financial instruments are denominated in euros.

The issue prospectuses, prepared in accordance with Circular 2/1999 from the Spanish National Securities Market Commission (CNMV), were officially registered by the CNMV.

16.4.2 Mortgage securities

A detail of the mortgage bonds issued at 31 December 2014 and 2013 is as follows:

Issue	ISIN code	Issue date	Issue amount	Balance at 31/12/14	Balance at 31/12/13	Maturity date	Interest rate
7th Issue Unicaja	ES0464872060	06/10/2009	1 000 000	-	994 489	06/10/2014	3.125%
8th Issue Unicaja	ES0464872078	17/12/2009	70 000	70 000	70 000	17/12/2017	Euribor 6m + 0.69%
9th Issue Unicaja	ES0464872086	17/12/2009	30 000	30 000	30 000	17/12/2021	Euribor 6m + 0.75%
1st Issue Unicaja	ES0458759000	14/10/2010	750 000	746 197	744 207	14/10/2015	4.375%
2nd Issue Unicaja	ES0458759018	22/11/2010	70 000	70 000	70 000	22/11/2018	Euribor 6m + 2.00%
3rd Issue Unicaja	ES0458759026	22/11/2010	30 000	30 000	30 000	22/11/2022	Euribor 6m + 2.00%
4th Issue Unicaja	ES0458759034	23/03/2011	500 000	490 592	490 967	23/03/2016	5.500%
1th Issue Unicaja Banco	ES0480907015	21/12/2012	200 000	200 000	200 000	21/12/2020	Euribor 3m + 4.40%
Mortgage bond Caja España Jun. 2010	ES0415474305	03/06/2010	72 452	72 045	(*)	03/06/2015	3.00%
Mortgage bond Caja España Nov. 2011-1	ES0458673037	03/11/2011	150 000	150 000	(*)	30/04/2015	4.25%
Mortgage bond Caja España Nov. 2011-2	ES0458673045	17/11/2011	500 000	500 000	(*)	17/04/2017	5.50%
Mortgage bond Caja España Nov. 2011-3	ES0458673052	17/11/2011	500 000	500 000	(*)	17/05/2019	6.00%
				2 858 834	**2 629 663**		

(*) These issues had outstanding amount on 31 December 2013 but have not been included in the Unicaja Banco's consolidated financial statements until the date of taking control by Banco CEISS, with the target-date on 28 March 2014. (Note 1.2).

These issues are admitted for negotiation on the fixed income market AIAF, and are guaranteed by a mortgage on all those that at any time are registered in favour of the issuing entity and are not subject to the issue of mortgage bonds, in addition to the overall equity liability for these.

Interest yield from the date of issue of these bonds at 31 December 2014 amounted to €84,134 thousand (€83,546 thousand at 31 December 2013), and included in "Interest expense and similar charges" of the consolidated income statement (Note 32).

The average effective interest rate for these debt instruments at 31 December 2014 is 4.29% (3.42% at 31 December 2013).

16.4.3 Other non-convertible securities

Other non-convertible securities at 31 December 2014 and 2013 relates to the outstanding balance of the Group's bond and debenture issues.

Set out below is an analysis of outstanding bond and debenture issues at 31 December 2014 and 2013:

			Thousands of euros			2014
Issue	**ISIN code**	**Issue date**	**Nominal amount**	**Outstanding**	**Interest rate**	**Maturity date of issue**
Cédulas Territoriales Unicaja Banco 1st Issue	ES0480907007	27/03/2012	700 000	700 000	4.203%	27/03/2017
6th Simple bonds Issue Aval del Estado CEISS (*)	ES0314854094	18/03/2010	100 000	100 000	3.221%	18/03/2015
9th Simple bonds Issue Aval del Estado CEISS (*)	ES0314854128	04/05/2010	97 900	97 900	3.000%	04/05/2015
10th Simple bonds issue Aval del Estado CEISS (*)	ES0314854136	23/06/2010	14 250	14 250	3.782%	23/06/2015
			912 150	**912 150**		

(*) Although these issues were outstanding at 31 December 2013, are not included in the consolidated financial statements of Grupo Banco Unicaja to the takeover of Banco CEISS, dated accounting purposes established 28 March 2014 (Note 1.2).

			Thousands of euros			2013
Issue	**ISIN code**	**Issue date**	**Nominal amount**	**Outstanding**	**Interest rate**	**Maturity date of issue**
Territorial bonds Unicaja Banco 1st Issue	ES0480907007	27/03/2012	700 000	700 000	4.203%	27/03/2017
Guaranteed Unicaja Banco Bonds 1st Issue	ES0380907008	23/05/2012	300 000	300 000	6.250%	23/05/2017
Guaranteed Unicaja Banco Bonds 2nd Issue	ES0380907016	20/06/2012	300 000	300 000	6.900%	20/06/2017
Guaranteed Unicaja Banco Bonds 3rd Issue	ES0380907024	20/06/2012	150 000	150 000	6.150%	20/06/2015
			1 450 000	**1 450 000**		

During 2014 Unicaja Banco Group early-redeemed the following issues of other non-convertible securities previously repurchased:

- 2,268 securities for a total face value of €113,400 thousand pertaining to the issue called "Unicaja Banco Guaranteed Bonds 1st Issue" dated 17 January 2014.
- 5,204 securities for a total face value of €260,200 thousand pertaining to the issue called "Unicaja Banco Guaranteed Bonds 2nd Issue" dated 17 January 2014.
- 2,015 securities for a total face value of €100,750 thousand pertaining to the issue called "Unicaja Banco Guaranteed Bonds 3rd Issue" dated 17 January 2014.
- 3,732 securities for a total face value of €186,600 thousand pertaining to the issue called "Unicaja Banco Guaranteed Bonds 1st Issue" dated 14 April 2014.
- 796 securities for a total face value of €39,800 thousand pertaining to the issue called "Unicaja Banco Guaranteed Bonds 2nd Issue" dated 14 April 2014.
- 985 securities for a total face value of €49,250 thousand pertaining to the issue called "Unicaja Banco Guaranteed Bonds 3rd Issue" dated 14 April 2014.
- 42 securities for a total face value of €2,100 thousand pertaining to the issue called "Ninth issue of ordinary Caja Duero Bonds secured by the Treasury" dated 2 July 2014.
- 3,095 securities for a total face value of €154,750 thousand pertaining to the issue called "Tenth issue of ordinary Caja Duero Bonds secured by the Treasury" dated 2 July 2014.
- 2,653 securities for a total face value of €132,650 thousand pertaining to the issue called "First issue of ordinary secured Caja España de Inversiones Salamanca y Soria, S.A. bonds" dated 2 July 2014.

- 8,977 securities for a total face value of €448,850 thousand pertaining to the issue called "Second issue of ordinary secured Caja España de Inversiones Salamanca y Soria, CAMP bonds" dated 2 July 2014.

Interest accrued on the bonds during 2014 totaled €16,709 thousand (€5,021 thousand in 2013) and is included in the consolidated income statement item "Interest expenses and similar charges" (Note 32).

The average effective interest rate on the debt instruments classified in this heading at 31 December 2014 was 1.19% (0.35% at 31 December 2013).

All these financial instruments are denominated in euros.

16.5 Subordinated liabilities

Set out below is a breakdown of the balances and main features of subordinated liabilities in the consolidated balance sheet at 31 December 2014 and 2013, consisting of the Group's issue of subordinated debt:

		Euros	Thousands of euros			
Issue	**No. of securities**	**Nominal Amount per unit**	**Balance at 31/12/14**	**Balance at 31/12/13**	**Nominal interest rate**	**Maturity**
Thirteenth	-	300	-	29 058	(*) Interest Liab. CECA + 0,5%	01/07/2014
Fourteenth	-	300	-	18 757	(*) Interest Liab. CECA + 0,5%	01/07/2014
Fifteenth	85 568	300	25 670	31 849	Euribor 12 months + 0,15%	26/07/2015
Caja Jaén First Issue	-	600	-	1 861	Euribor 6 months + 0,25%	20/12/2014
Caja Jaén Second Issue	1 097	1 000	1 097	1 390	Euribor 6 months + 0,30%	15/12/2015
Singular case Jaen subordinated obligation	1	8 000 000	7 944	7 944	Euribor 3 months + 0.8575%	08/11/2016
Contingent convertible bonds BCEISS	6 040	100 000	604 000	(**)	8.75%	Perpetual
Valuation adjustments - Accrued interest			9 121	120		
			647 832	**90 979**		

(*) The reference index ceased to be published in September 2012 and therefore the provisions established in the respective prospectus for such a circumstance take effect and the replacement interest rate is applicable. In the case of the Thirteenth Issue by Unicaja, this interest rate is determined by the average weighted interest rate of Treasury Bonds maturing in one year published by the Statistical Bulletin of the Bank of Spain for the month of May prior to the start of the annual period in which it must be applied, less 0.50 points, but this interest rate cannot exceed the 12-month Euribor rate published in that same month of May in the Statistical Bulletin of the Bank of Spain. For the Fourteenth Issue by Unicaja the replacement interest rate is calculated in the same manner, but without applying the negative difference of 50 basis points.

(**) Although this issue had an active balance at 31 December 2013 it is not included in the consolidated financial statements for Unicaja Banco Group until control was taken of Banco CEISS, which for accounting purposes was 28 March 2014 (Note 1.2).

These issues are redeemed at par at maturity. All the issues are for retail investors, except for the issue called "Unique subordinated bond Caja Jaén", which is assigned to the fund AyT Deuda Subordinada I and is for qualified investors, and the issue "Contingent Convertible Bonds Banco CEISS". The latter issue is fully subscribed by the Fondo de Reestructuración Ordenada Bancaria (FROB), as a recapitalisation instrument in accordance with Article 29.1.b) of Law 9/2012, which serves to secure the normal performance of Banco CEISS' activities and financial obligations and to maintain its equity.

These are repaid at par at maturity. All emissions are targeted at retail investors, except for the issue called "singular case Jaen subordinated obligation", which is assigned to subordinated debt I AyT background and it is addressed to qualified investors. All subordinated debt issues are behind the Institution's common creditors in terms of creditor priority. Subordinated debts are classed as computable for the purposes of the Institution's minimum equity ratio; although amounts exceeding the percentages of tier-1 capital referred to in Article 23.2 of Royal Decree 1343/1992 (6 November) may not be included in the calculation of equity.

Interest on subordinated debt financing recognized in the consolidated income statement amounted to €40,073 thousand in 2014 (€2,671 thousand in 2013) (Note 32).

The average effective interest rate on the debt instruments classified in this caption at 31 December 2014 was 8.31% (1.66% at 31 December 2013).

Net payments recorded in financing activities of the cash flow statement Consolidated 2014 on subordinated liabilities recorded under this heading amounted to € 56,170 thousand (net payments of € 113,413 thousand in 2013).

16.6 Other financial liabilities

This balance in the balance sheets at 31 December 2014 and 2013 breaks down as follows:

	Thousands of euros	
	2014	**2013**
Amounts payable	182 202	97 987
Bails Received	200 691	73 924
Collection accounts	27 411	23 959
Special accounts	3 932	640
Financial guarantees	777 978	669 179
	1 192 214	**865 689**

The amount registered by the Entity as at 31 December 2014 and 2013 under the heading of guarantees received corresponds, principally, to guarantees in favour of the Entity deposited in other financial entities as a result of its operation in derivative coverage products.

The positive flow included in the statement of consolidated cash flows for the year 2014 on financial liabilities at amortized cost amounts to € 24,465,512 thousand (positive flow of € 665,056 thousand in 2013).

17. Provisions

Set out below are the changes in provisions in 2014 and 2013 and the purpose of the provisions recorded in the consolidated balance sheets at 31 December 2014 and 2013:

	Thousands of euros			
	Pensions and similar obligations	**Contingent liabilities and commitments**	**Other provisions**	**Total**
Balance at 31 December 2012	**184 267**	**38 963**	**112 044**	**335 274**
Provision charged to income:				
Charge to provisions (*)	5 538	26 251	56 666	88 455
Interest costs (Note 32)	5 344	-	-	5 344
Recovery against income	-	(37 136)	(2 550)	(39 686)
Provisions used	(24 314)	-	(22 487)	(46 801)
Other movements	13 115	607	(11 127)	2 595
Balance at 31 December 2013	**183 950**	**28 685**	**132 546**	**345 181**
Provision charged to income:				
Charge to provisions (*)	72 527	3 857	153 532	229 916
Interest costs (Note 32)	5 498	-	-	5 498
Recovery against income	-	(8 779)	(73 041)	(81 820)
Provisions used	(46 884)	-	(132 983)	(179 867)
Other movements (**)	138 542	95 507	171 530	405 579
Balance at 31 December 2014	**353 633**	**119 270**	**251 584**	**724 487**

(*) See Note 2.12 related to charge to provisions for pension funds and similar obligations.
(**) The category “Other movements” in 2014 includes the effect of the business combination provided in Note 1.2.

The provisions recognized by the Group reflect best estimates of future obligations. The Bank's directors consider that there is no significant risk, taking into account the amount of these provisions, that such obligations could give rise to a material adjustment to the carrying amount of the Group's assets and liabilities in the following accounting period. The financial effect estimated in provision calculations and provisions recovered in 2014 and 2013 were immaterial.

The Bank quantifies provisions taking into account the best information available on the consequences of the event giving rise to the provisions, which are re-estimated at each accounting close and are used to cover the specific obligations for which they were originally recognized. Provisions are fully or partially reversed if such obligations decrease or are eliminated.

The Group periodically reassesses the risks to which its activities are exposed on the basis of economic circumstances. Following the initial measurement and recognition of provisions, they are reviewed at each balance sheet date and adjusted, if applicable, to reflect best estimates at that time.

Provisions recognized are used to cover the specific obligations for which they were originally recognized and are fully or partially cancelled when such obligations cease to exist or decrease.

Provisions for pensions and similar obligations

The breakdown of “Provisions for pensions and similar obligations” corresponds to the amount of commitments with employees of the Group described in Notes 2.12 and 40.

Provisions for contingent liabilities and commitments

This caption from the consolidated balance sheet includes the amount of the provisions registered to cover contingent risks, understood as those transactions where the Group secures third-party obligations resulting from the financial guarantees granted or other types of contracts and contingent commitments, understood as irrevocable commitments which may lead to the recognition of financial assets.

Set out below is a breakdown by nature of the balance in the item “Provisions for contingent exposures and commitments” at 31 December 2014 and 2013, and a breakdown of the related item “Other movements” during 2014 and 2013:

	Thousands of euros			
	Balance at end		Other movements	
	2014	2013	2014	2013
Provisions for contingent liabilities	119 270	28 685	95 507	607
Provisions for contingent liabilities	-	-	-	-
	119 270	**28 685**	**95 507**	**607**

“Other movements" basically include increases and decreases in the provisions recognized for contingent exposures due to reclassifications between amounts utilized and contingent exposures. In 2014 and 2013 the amount of "Other movements" records the increases and decreases in the provisions allocated for contingent risks due to the reclassification between amounts drawn down and contingent risks. In 2014 this item also records the effect of the business combination with Banco CEISS described in Note 1.2.

The item “Provisions for contingent exposures" includes provisions operations in which the Group secures third-party obligations under financial guarantees furnished or other types of agreements, while the item “Provisions for contingent commitments” includes provisions for irrevocable commitments that could give rise to the recognition of financial assets, there being a zero balance at 31 December 2014 and 2013.

Other provisions

Set out below is a breakdown by nature of the balance in the item “Other provisions" at 31 December 2014 and 2013, and a breakdown of the related item “Other movements” during 2014 and 2013:

	Thousands of euros			
	Balance at end		Other movements (*)	
	2014	2013	2014	2013
Coverage for legal contingencies	181 354	49 394	164 651	-
Coverage contingencies associated with investees	6 399	9 703	-	(23 865)
Coverage of other contingencies	63 831	73 449	6 879	12 738
	251 584	**132 546**	**171 530**	**(11 127)**

(*) The category “Other movements” in 2014 includes the effect of the business combination provided in Note 1.2.

The main items included in “Other provisions” are described below:

- “Coverage of legal contingencies”: This relates to provisions for legal proceedings in respect of which there is likely to be an outflow of funds affecting profits. It covers customer claims and lawsuits with public administrations, among other items. The definitive date of the outflow of funds depends varies; in some cases, obligations have no fixed settlement period and, in other cases, this depends on legal proceedings in progress. The amounts to be provisioned are calculated using best estimates of the sum necessary to settle the claim based, among other aspects, on an itemized analysis of the facts and on legal opinions of internal and external advisors.

  At 31 December 2014 Banco CEISS had created a fund totalling €93 million for legal contingencies to cover the possible costs deriving from the legal claims relating to the subscription or acquisition of preferred shares or subordinated obligations issued by the Savings Banks that transferred their financial activity to Banco CEISS. This provision was created based on the best estimates possible, taking into consideration available information regarding the legal claims that had been received and the judgments that had taken place up until that time. In general, the outcome of the judgments is determined by the specific circumstances of each customer with respect to the marketing of the products involved in the claim and their personal circumstances (knowledge and investing experience with this type of product).

  To establish the most likely court judgment in each case for those claims that have not yet been completed, or if the judgment is not yet final, the Directors of Banco CEISS have taken into account the judgments already received and the opinion of the Bank's legal advisers. The evaluation of this contingency has taken into account the Compensation Mechanism approved by the FROB within the framework of the bid to acquire Banco CEISS by Unicaja Banco (Note 1.2.1). In accordance with this mechanism, the negative effects that could arise from the claims from the holders of mandatory and contingent convertible bonds in Banco CEISS that do not accept the Offer would be assumed by the FROB at 71%, up to a maximum of €241 million, net of any compensation that the FROB may receive.

  In any case, it is not possible to know the final cost associated with the entire legal process since it will depend on the claims that are received, the nature of their resolution and the associated court costs and therefore it is not possible to objectively quantify the final impact that these situations could have on the Group's equity situation.

- “Coverage of contingencies relating to investees”: This includes contingencies related to the Group's equity investments that are not due to impairment of the fair value or recoverable amount of investments but to other types of contingencies that may arise from the holding of the shares. The timing of the outflow of funds depends on each particular contingency and is estimated by Group management using the best information available at the accounting close.

- “Coverage of other contingencies”: This includes various risks for which provisions have been made covering unresolved aspects that the Group expects will result in an outlay of funds, and probable outlays envisaged by the Group in the ordinary course of business. The amounts to be provisioned are calculated based on the best estimate of the funds that the Group will be required to pay to settle the contingencies identified, also taking into account the timing of the fund outflows expected to be caused by the obligation. At 31 December 2013, the balance in the item “Coverage of other contingencies” includes the potential payment to Aviva Europe, S.E. (AVIVA) in connection with the purchase and sale of the company Unicorp Vida, Compañía de Seguros y Reaseguros, S.A. On 24 February 2014, Unicaja Banco and AVIVA agreed the terms of the consideration payable by the Bank for the Definitive Adjustment of the Final Price under the Share Purchase Agreement, based on the amount determined by an actuarial expert.

18. Other liabilities

An analysis of the balance in this consolidated balance sheet caption at 31 December 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013
Accrued un-matured expenses	96 650	43 581
Operations in process	19 218	18 314
Other	111 922	37 061
	227 790	**98 956**

19. Assets and liabilities for insurance contracts

At 31 December 2014 and 2013 “Insurance contract” of the consolidated balance amounts €147,763 thousand and €132,097 thousand, respectively, (Note 40).

At 31 December 2014 and 2013 "Insurance policy liabilities" maintained by the Group total €29,528 thousand and €5,740 thousand, respectively.

20. Minority interests and income attributed to minority interests

A breakdown by consolidated company of the balances in the captions “Minority interests” and “Income attributed to minority interests” in the consolidated balance sheet and income statement for 2014 and 2013 is as follows:

	Thousands of euros			
	2014		2013	
	Minority interests	**Income attributed to minority interests**	**Minority interests**	**Income attributed to minority interests**
Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (Banco CEISS)	325 478	(27 008)	-	-
Viajes Caja España, S.A.	(93)	(11)	-	-
Conexiones y Servicios Duero, S.A.	72	(18)	-	-
Escuela Superior de Estudios de Empresa, S.A.	217	48	202	(193)
Privándalus Inversiones I, SICAV, S.A.	-	-	3 666	336
Parque Industrial Humilladero, S.L.	688	(18)	706	(20)
Uniwindet Parque Eólico Las Lomillas, S.L.	-	-	(320)	38
Uniwindet Parque Eólico Loma de Ayala, S.L.	-	-	(664)	34
Uniwindet Parque Eólico Los Jarales, S.L.	-	-	(440)	42
Uniwindet Parque Eólico Tres Villas, S.L.	-	-	(1 420)	108
Uniwindet, S.L.	-	-	2 754	(36)
	326 362	**(27 007)**	**4 484**	**309**

21. Share capital, share premium and other equity instruments

The breakdown and movements recorded under the heading “Equity” in the consolidated balance sheet during the years ended the 31 December 2014 and 2013 are presented in the accompanying consolidated statements of total changes in equity, together with an explanation of all movements that took place in this account during those years.

21.1 Share capital and share premium

At 31 December 2013 the Bank's share capital totalled €800,000 thousand consisting of 800,000,000 ordinary shares with a par value of one euro each, fully subscribed and paid in by Fundación Bancaria Unicaja (formerly Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén - Unicaja). This share premium totalled €1,649,044 thousand at 31 December 2013.

As a result of the share capital increase within the framework of the acquisition of Banco CEISS (Note 1.2), Unicaja Banco issued 81,287,822 ordinary shares with a par value of one euro each, all of the same class and series as those previously issued and with a total nominal value of €81,288 thousand and a share premium of €0.18827 per share, which represents a total share premium of €15,304 thousand.

Accordingly, the Bank's share capital at 31 December 2014 amounts to €881,288 thousand consisting of 881,287,822 fully subscribed and paid ordinary shares with a par value of one euro each. At 31 December 2014 90.78% of share capital was held by Fundación Bancaria Unicaja (formerly Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén - Unicaja).

In addition to the €15,304 thousand increase in the share premium Shareholders at a General Meeting of Unicaja Banco adopted a resolution on 7 March 2014 to reduce the share premium by €531,491 thousand to offset the losses incurred in prior years. This means that the share premium at 31 December 2014 totalled €1,132,857 thousand.

21.2 Other equity instruments

The heading "Other equity instruments-Compound financial instruments" records the active balance for Mandatory and Contingent Convertible Bonds (NeCoCos) and Perpetual Contingent Convertible Bonds (PeCoCos) issued by Unicaja Banco at 31 December 2014. Details of these issues at 31 December 2014 and 2013 are as follows:

			Euros	Thousand of euros			
Issues	**ISIN Code**	**Number of securities issued**	**Nominal amount**	**Balance at 31/12/2014**	**Balance at 31/12/2013**	**Nominal rate**	**Expiration date**
Bonds Necessarily and Contingently Convertible (NeCoCos)	ES0380907032	49 340 987	49 340 987	49 341	-	20,8236%	30/06/2016
Perpetual Bonds Contingently Convertible (PeCoCos)	ES0280907009	49 340 987	49 340 987	49 341	-	13,8824%	Perpetuo
				98 682	**-**		

The NeCoCos and PeCoCos are bonds that are convertible into ordinary shares in Unicaja Banco with a par value of one euro each, respectively pertaining to a single class and series and represented by book entries. The conversion ratio for these bonds will be that resulting from the quotient of the unit face value of each of the bond issues and the value attributed to the ordinary shares in Unicaja Banco, which is established at €1.18827 per share, with the share premium considered to be the difference between the face value of the bonds being converted and the par value of the shares that are received in return. At 31 December 2014 these issues are not listed for trading on any type of secondary market.

Both types of bonds grant their holders the right to discretional, predetermined and noncumulative compensation upon conversion into ordinary shares in Unicaja Banco, subject to certain conversion situations and the voting rights that derive from pertaining to the respective bond syndicates. The shares that will be obtained upon the conversion of those bonds will grant their holders the same rights as the shares in Unicaja Banco that are currently outstanding.

The accrual of the discretional compensation is subject to the four following conditions being met simultaneously: (i) the existence of distributable profits after covering the items established by Law and the bylaws of Unicaja Banco; (ii) the absence of limitations imposed by Spanish or European legislation regarding current or future equity that may be applicable; (iii) the Board of Directors of Unicaja Banco, at its sole discretion and based on the solvency situation of Unicaja Banco or Unicaja Banco Group, does not decide to declare no interest payment with the estimation that it is necessary to not make any such payments for an unlimited period, and in any event unpaid interest will not be cumulative; and (iv) the Bank of Spain has not required the cancellation of such payments based on the financial situation and solvency of Unicaja Banco or Unicaja Banco Group, in accordance with applicable law. In the event that part of the conditions established in paragraphs (i) through (iv) above are applicable, Unicaja Banco may proceed, at its sole discretion, to make partial payment of interest or to declare that no interest will be paid. If for any reason the interest is not paid in full or in part to the Bondholders on a payment date, they will not be entitled to claim that interest.

21.3 Treasury shares

At 31 December 2014 the Bank did not hold any treasury shares. During 2014 no operations were carried out involving the Bank's treasury shares.

However, during 2014 Unicaja Banco acquired other treasury equity instruments for an aggregate amount of €14 thousand, of which €7 thousand relate to Mandatory and Contingent Convertible Bonds (NeCoCos) and €7 thousand to Perpetual Contingent Convertible Bonds (PeCoCos). All of these instruments were acquired during the first half of 2014 and there were no treasury securities at 31 December 2014.

22. Reserves

Appendix IV to these notes to the consolidated annual accounts presents, among other information, a reconciliation of the carrying amounts at year-end 2014 and 2013 recognized in the item “Equity - Shareholders’ equity - Reserves” in the consolidated balance sheet, showing all movements during 2014 and 2013.

During the first quarter of 2007, the Entity reclassified the balance included under “Equity - Accumulated Reserves - Reserve for the revaluation of fixed assets", amounting to €23,614 thousand, resulting from the application of Royal Decree-Law 7/1996, of 7 June 1996, to “Equity - Accumulated Reserves - Other reserves” that are freely available in nature and are carried under equity in the balance sheet.

22.1 Reserves in fully-consolidated entities

Set out below is a breakdown by consolidated entity of the balances recognized in “Equity - Reserves - Accumulated reserves” in the consolidated balance sheets at 31 December 2014 and 2013, relating to the part of that balance resulting from the consolidation process:

	Thousands of euros	
	2014	**2013**
Unicaja Banco, S.A.	820 982	124 163
Unicorp Corporación Financiera, S.L.	25 662	18 479
Alteria Corporación Unicaja, S.L.U.	31 305	30 019
Inmobiliaria Acinipo, S.L.U. (*)	(113 131)	(100 889)
Gestión de Actividades y Servicios Empresariales, S.A.U.	3 022	2 694
Corporación Uninser, S.A.U.	12 249	11 828
Banco Europeo de Finanzas, S.A.	-	8 386
Unimediterráneo de Inversiones, S.L.	4 406	9 227
Unicartera Gestión de Activos, S.L.U.	22 233	22 184
Andaluza de Tramitaciones y Gestiones, S.A.U.	6 596	6 594
Unicartera Internacional, S.L.U.	31 293	46 293
Unigest, S.G.I.I.C., S.A.U.	2 343	2 343
Unicartera Renta, S.L.U.	16 943	15 429
Mijas Sol Resort, S.L.U. (*)	(2 087)	(1 916)
Gestión de Inmuebles Adquiridos, S.L.U. (*)	(589 688)	(469 398)
Hidrocartera, S.L.	-	6 426
Pinares del Sur, S.L. (*)	-	(17 531)
Liquidámbar Inversiones Financieras, S.L. (*)	-	(8 138)
Unic-as Promociones Inmobiliarias, S.L. (*)	-	(8 816)
Innovación en Desarrollos Urbanos del Sur, S.A. (*)	-	(8 696)
Espacio Medina, S.L. (*)	-	(16 092)
Unimediación, S.L.U.	4 297	2 611
Renta Porfolio, S.L.U. (*)	(11 931)	(10 589)
Rest of entities (*)	22 115	(9 110)
	286 609	**(344 499)**

(*) Negative balances represent accumulated losses.

22.2 Reserves and exchange differences in entities measured using the equity method

Set out below is a breakdown by consolidated entity of the balances recognized in "Equity - Reserves - Reserves in entities measured using the equity method" in the consolidated balance sheets at 31 December 2014 and 2013, relating to the part of that balance resulting from the consolidation process:

	Thousands of euros	
	2014	2013
Autopista del Sol Concesionaria Española, S.A. (*)	(28 708)	(26 112)
Autopista del Guadalmedina, Concesionaria Española, S.A. (*)	(5 962)	(3 803)
Grupo Hoteles Playa, S.A. (*)	-	(8 755)
EBN Banco de Negocios, S.A. (*)	(9 483)	(8 387)
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A. (*)	(21 553)	2 486
Sociedad Municipal de Aparcamientos y Servicios, S.A.	4 304	4 078
Banco Europeo de Finanzas, S.A.	8 496	-
Hidrocartera, S.L.	6 933	-
Ingeniería e Integración Avanzadas, S.A. (Ingenia)	902	2 025
Hidralia, Gestión Integral de Aguas de Andalucía, S.A. (*)	(4 421)	(3 941)
Pinares del Sur, S.L. (*)	(18 636)	-
A.I.E. Naviera Attila (*)	-	(2 425)
A.I.E. Naviera Electra (*)	(2 425)	(2 425)
Deoleo, S.A. (*)	(90 061)	(62 112)
Alestis Aerospace, S.L. (*)	(28 857)	(9 890)
Creación de Suelos e Infraestructuras, S.L. (*)	(3 406)	(2 829)
Rest of entities (*)	(7 270)	(5 069)
	(200 147)	**(127 159)**

(*) Negative balances represent accumulated losses.

22.3 Measurement adjustments to equity-consolidated entities

Set out below is a breakdown of the consolidated balance sheet item recording measurement adjustments to equity-consolidated entities at 31 December 2014 and 2013 and of net gains/(losses) on measurement included in the consolidated statements of recognized income and expenses for 2014 and 2013 due to the effect of equity-consolidated entities:

	Thousands of euros			
	Balance in consolidated statements		Valuation Gains (losses)	
	2014	2013	2014	2013
Autopista del Sol Concesionaria Española, S.A.	(6 590)	(4 924)	(2 379)	(839)
Autopista del Guadalmedina, Concesionaria Española, S.A.	(4 591)	(5 070)	684	1 974
EBN Banco de Negocios, S.A.	193	1 818	(2 322)	2 229
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.	35 308	10 547	35 373	33 967
Ingeniería e Integración Avanzadas, S.A. (Ingenia)	58	-	83	-
Sacyr Vallehermoso, S.A.	-	-	-	2 562
Hidralia, Gestión Integral de Aguas de Andalucía, S.A.	(732)		(1 046)	-
Deoleo, S.A.	(1 696)	(2 488)	1 132	279
Alestis Aerospace, S.L.	(1 218)	(829)	(555)	(1 202)
Cartera Perseidas, S.L.	(11 180)	-	(15 971)	-
Capredo Investments GMBH	(3 373)	-	(4 820)	-
Rest of entities	(6)	5	(16)	1
	6 173	**(941)**	**10 163**	**38 971**

23. Tax situation

23.1 Consolidated tax group

The Bank is part of the Tax Group number 660/10 which was created, parented by Fundación Bancaria Unicaja (previously Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén- Unicaja), taxed for the purposes of income tax under the Tax Consolidation Regime special as regulated by Title VII, Chapter VIII of the Corporate Income Tax Act approved by Royal Decree Legislative 4/2004 (hereinafter the CITA) and the subsequent modifications.

This Tax Group includes, as investee companies, subsidiaries of Unicaja Banco, S.A., and which, together with Fundación Unicaja Bancaria, form part of the consolidated Tax Group in 2014:

Company Name
Fundación Bancaria Unicaja (previously, Monte Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén- Unicaja).
Unicorp Corporación Financiera, S.L.U.
Inmobiliaria Acinipo, S.L.U.
Unigest, S.G.I.I.C., S.A.U.
Corporación Uninser, S.A.U.
Gestión de Actividades y Servicios Empresariales, S.A.U.
Andaluza de Tramitaciones y Gestiones, S.A.U.
Alteria Corporación Unicaja, S.L.U.
Unimediterráneo de Inversiones, S.L.U.
Analistas Económicos de Andalucía, S.L.U.
Unicorp Patrimonio, Sociedad de Valores, S.A.U.
Mijas Sol Resort, S.L.U.
Unicartera Caja 2, S.L.U.
Inmobiliaria Uniex Sur, S.A.U.
Unicartera Gestión de Activos, S.L.U.
Unicartera Internacional, S.L.U.
Unimediación, S.L.U.
Unicartera Renta, S.L.U.
Gestión de Inmuebles Adquiridos, S.L.U.
Segurándalus Mediación, S.A.U., Correduría de Seguros
Renta Porfolio, S.L.U.
Parque Industrial Humilladero, S.L.
Unicaja Banco, S.A.
Promotora Guadalnervión, S.L.U.
Altos de Jontoya Residencial para Mayores, S.L.U.
Unicartera Gestión de Activos Inmobiliarios, S.A.U.
Cartera de Inversiones Agroalimentarias, S.L.
Uniwindet, S.L.
Baloncesto Málaga, S.A.D.
Unic-as Promociones Inmobiliarias, S.L.
Urbasur, Actuaciones Urbanísticas, S.L.

During fiscal year 2014, the companies Unic-as Promociones Inmobiliarias, S.L. and Urbasur, Actuaciones Urbanísticas, S.L. have been included in the tax consolidarion scope. The company Corporación Uninser, S.A. has sold its participation on the companies Tasaciones Andaluzas, S.L. and Consultora Técnica Tasa, S.L.

During 2013, the companies Cartera de Inversiones Agroalimentarias, S.L., Uniwindet, S.L. and Baloncesto Málaga, S.A.D. were included in the tax consolidation scope. The company Andaluza de Control y Dispositivos de Seguridad, S.A. was liquidated in 2013 and the company Unicorp Retail Properties, S.A.U. was merged into Unicorp Corporación Financiera, S.L.U.

In addition, it is important to note that Banco CEISS is the Parent Company of the consolidated tax group 11/12, which is established by the mentioned entity as a parent company and 16 subsidiary companies:

Company Name
Banco de Caja España de Inversiones, Salamanca y Soria, S.A.
Alqlunia Duero, S.L.
Bruesa Duero, S.L.
Caja Duero Capital, S.A.
Caja España de Inversiones, Sociedad de Participaciones Preferentes, S.A.
Caja España Fondos, S.A.
Caja España Mediación, S.A.
Campo Inversiones, S.A.
Diode España, S.A.
Finanduero, S.A.
Gestión de Inversiones en Alquileres, S.A.
Grupo de Negocios Duero, S.A.
Guendulain Suelo Urbano, S.L.
Inmocaja, S.A.
Invergestión Sociedad de Inversiones y Gestión, S.A.
Unión del Duero, Compañía de Seguros Generales, S.A.
Viproelco, S.A.

23.2 Financial years open to tax inspection

At the time of preparation of these consolidated financial statements, the Bank is subject to audit by tax authorities all tax obligations of state administration, since its inception in 2011.

As for the remaining taxes regional and local management, is subject to administrative review the fiscal years 2012, 2013 and 2014.

In relation to the other companies in the Group, these are pending a possible inspection by the tax authorities for the years 2010 to 2013 for Corporate Income Tax and for the last four years for the rest of their obligations, in line with article 66 of the General Tax Law.

In 2014 the inspection action regarding the former Montes de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga y Antequera, holding tax ID number G29498086, and its tax consolidation group was completed. This inspection covered the main national taxes for 2007 through 2010, as well as the Entity's withholding and interim payment obligations until 2010. This inspection had a €4,967 thousand impact on the consolidated income statement for 2014.

Due to the different possible interpretations of the tax regulations applicable to the business of financial institutions, tax liabilities that may not be objectively quantified at the present time may arise in the event of a tax inspection. The Group's Directors and tax advisors consider, however, that the possibility of any significant liabilities, in addition to the amounts recorded in the accounts, is remote.

At the date these annual accounts were prepared the parent company of the Banco CEISS tax group was subject to the verification by the tax authorities of all of its tax obligations since its creation in 2011.

23.3 Reconciliation of the accounting and tax results

Set out below is the reconciliation between income tax expenses calculated at the general tax rate applicable in Spain and reported tax expense in 2014, as well as the comparative data for 2013:

	Thousands of euros	
	2014	2013
Profit before tax	474 424	44 849
Income tax (tax rate of 30%)	142 327	13 455
Due to eliminations in the consolidation process.	(73 630)	(11 523)
Positive permanent differences	6 456	16 407
Negative permanent differences	(1)	(4 775)
Revaluation Law 16/2012	-	(13 712)
Deductions and allowances		
Deduction for double taxation of dividends	(32 303)	(9 104)
Deduction for reinvestment of extraordinary gains	4 661	(319)
Income tax expense	**47 510**	**(9 571)**

The total amount for the main components of income tax expense/(income) in the consolidated income statement (which resulted in a total expense of €47,150 thousand in 2014 and an expense totalling €9,571 thousand in 2013), relates to the current expense/(income) for the year. No adjustments have been made for current or deferred taxes in this year or in prior years, or for any other circumstances established by tax legislation.

Set out below is a breakdown of income tax credits recognized in the consolidated income statements for 2014 and 2013:

	Thousands of euros	
	2014	2013
Income from temporary differences of birth	78 105	(2 133)
Income tax loss carry forwards to offset	(45 416)	1 985
Income and deductions unapplied credited	14 821	(9 423)
Total expense / (income) income tax	**47 510**	**(9 571)**

With respect to the income tax recognized in the statements of recognized income and expenses for 2014 and 2013, the Group charged to consolidated equity a negative amount of € 120,159 thousand and € 13,251 thousand, respectively, for the following items:

	Thousands of euros	
	2014	2013
Actuarial gains and losses on defined benefit plans	(1 670)	(156)
Valuation of financial assets available for sale	107 900	6 548
Valuation of derivatives hedging of cash flows	10 755	(5 041)
Valuation of the exchange differences	29	(10)
Valuation of non-current assets for sale	96	219
Valuation of entities using the equity method	3 049	11 691
Total expense / (income) income tax	**120 159**	**13 251**

A lower rate was not applied in any of these adjustments and there are no deductible timing differences, losses or tax credits in respect of which deferred tax assets have not been recognized in the balance sheet.

23.4 Deferred tax assets and liabilities

In accordance with current Spanish tax legislation, in previous fiscal years certain temporary differences arose that must be taken into account when calculating income tax expense.

In the consolidated balance sheets at 31 December 2014 and 2013, deferred tax assets amount to €2,658,257 thousand and €631,911 thousand, respectively, and deferred tax liabilities amount to €517,196 thousand and €83,099 thousand, respectively.

Set out below is a breakdown of current and deferred tax assets and liabilities recognized in the consolidated balance sheets at 31 December 2014 and 2013:

				Thousands of euros
		2014		**2013**
	Assets	**Liabilities**	**Assets**	**Liabilities**
Current taxes	**89 386**	**16 668**	**45 705**	**28 417**
Deferred taxes	**2 658 257**	**517 196**	**631 911**	**83 099**
Loss carryforwards	783 977	-	186 790	-
Unused tax credits	99 106	-	33 468	-
Temporary differences – insolvencies	1 376 947	-	198 380	-
Temporary differences – pensions	48 681	-	44 336	-
Temporary differences - foreclosed assets	44 841	-	15 237	-
Other ítems	304 705	4 754	153 700	25 310
Revaluations	-	486 239	-	63 848
Differences timing of recognition	-	26 203	-	(6 059)
	2 747 643	**533 864**	**677 616**	**111 516**

The Bank's directors consider that the tax assets recorded will be realized in the coming periods, as the tax group obtains taxable income, which is expected to be the case in the coming years. The directors consider that the Bank and its tax group will obtain taxable income in the coming years that will permit the recovery of the tax assets within the deadlines stipulated in tax legislation for the offsetting of tax losses and application of tax credits.

The effectiveness of Royal Decree-Law 14/2013 (29 November) on urgent measures to bring Spanish law into line with European Union regulations on the supervision and solvency of financial institutions basically entails that certain deferred tax assets recognized in the accompanying balance sheet may, subject to certain conditions, be converted into receivables payable by the Tax Administration.

Nonetheless, it should be noted that the Group of which the Bank forms part has made an initial estimate of the amount of deferred tax assets that could be converted into receivables from the Tax Administration and are thus guaranteed by the Spanish authorities, which total € 1,470,467 thousand.

23.5 Income included in the Tax Regime for Holding Entities of Foreign Securities.

In line with what is established in article 118.3 of the Revised Test of the Corporate Income Tax Law, it is stated that in the tax settlement of CIT corresponding to the tax period of 2014, exemption was declared from certain income obtained by Unicartera Internacional, S.L., applying the Tax Regime for Holding Entities of Foreign Securities, amounting to €332 thousand. In the year 2013, the corresponding amount was €766 thousand.

Unicartera Internacional, S.L. has paid taxes abroad amounting to €58 thousand in 2014 and €77 thousand in 2013.

23.6 Reporting obligations deriving from the segregation

a) Information regarding the Special Tax System for Segregation with respect to Corporate Income Tax

In 2011, the General Assembly of Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén (Unicaja) which approved the indirect carrying out of its financial equity through Unicaja Banco S.A. - Sociedad and its incorporation to the segregation of part of its equity, adopted a resolution to apply the Special System for Mergers, Spin-off, Asset Contributions and Share Swaps to the transaction, as regulated by Title VII, Chapter VIII of the Corporate Income Tax Act.

The choice to apply the Special Tax System has been reported to the State Tax Agency in accordance with the provisions of Article 42 of the Corporate Income Tax Regulations.

b) Accounting obligations

Regarding the fulfillment of the obligations of accounting established by Article 93.1 the TRLIS, in relation to the application for segregation of the Special Tax Regime regulated in Chapter VIII of Title VII of the TRLIS, contained in the notes to the financial statements 2011.

23.7 Information on fixed asset restatement under Law 16/2012

The Board of Directors of Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén (Unicaja), in its capacity as the Single Shareholder of Unicaja Banco, held a General Meeting on 21 June 2013 to approve the proposal by the Bank's Board of Directors to restate fixed assets under Article 9 of Law 16/2012 (27 December), whereby various tax measures were adopted to consolidate public finances and to encourage economic activities (“Law on Tax Measures”).

As a result, and in accordance with the proposal, revaluation reserves recognized under Bank of Spain Circular 4/2004 relating to 516 own-use properties restated in the amount of € 54,850 thousand, already included in equity, acquired tax effects.

The fixed asset restatement was carried out applying the following criteria stipulated in the Law on Tax Measures for assets qualifying for the restatement:

- Assets forming part of property, plant and equipment were restated.
- The assets restated were included in the first balance sheet closed following the effective date of the Law on Tax Measures. Consequently, as Unicaja Banco's financial year coincides with the calendar year, the balance sheet closed at 31 December 2012 was used.
- Assets fully amortized at 31 December 2012 were not restated.
- The restatement was applied to 516 properties.
- The value of each asset restated does not exceed its market value at the restatement date.

The approach adopted by Unicaja Banco to update fixed assets was the subject matter of a reply to a request for a binding ruling from the Ministry of Finance and Public Administrations Directorate General for Taxation, issued on 19 June 2013.

23.8 Information on the procedure for the recovery of state aid declared by the European Commission in relation to the “tax lease system” for the financing of shipbuilding

On 30 October 2013, the Bank received formal notification from European Commission's Directorate General for Competition informing Unicaja Banco of the definitive Decision adopted on 17 July 2013 on the tax regime applicable to certain finance lease agreements, also known as the Spanish tax lease system, classifying the system as "state aid” and urging Spain to take steps to recover the aid from the beneficiaries, which include Unicaja Banco.

The Bank has filed an appeal against this Decision, together with Spain and other institutions affected, at the European Court of Justice, which is pending a ruling.

Although the Tax Administration State Agency has already initiated procedures for the recovery of this state aid, the lack of information on the specific criteria applicable in the calculation precludes any quantification of the potential effect, if any, on these consolidated annual accounts. Nonetheless, the Bank's directors and tax advisors consider that the possibility of significant liabilities arising from this procedure, in addition to the amounts already provisioned, is remote.

23.9 Change of legislation as a consecuence of the Law 27/2014 (27 November) on corporate income tax

On 28 November 2014 Law 27/2014 (27 November) on corporate income tax was published. The main amendments included in that Law will result in a reduction of the current general tax rate from 30% to 28% in 2015 and then to 25% in 2016. However, it maintains the 30% tax rate for financial institutions and members of their tax consolidation groups. The Law also stipulates that tax-loss carryforwards yet to be offset at 1 January 2015 may be offset in subsequent years without any time limitation. A limitation is also placed on the inclusion of deferred assets that may be monetised in the tax base and the offset of tax bases (25% in 2014 and 2015; 60% in 2016 and 70% in 2017 and subsequent years).

24. Liquidity risk

Individual balances of the Parent represent substantially all of the consolidated assets, being representative the information for liquidity risk of the financial instruments in individual terms for the Group.

The Asset and Liability and Budget Committee (ALCO), formed by senior executives, is responsible for managing liquidity risk affecting the business and the financial instruments to ensure that there is sufficient liquidity at all times to meet payments on its liabilities at the due dates without undermining Unicaja’s capacity to respond rapidly to strategic market opportunities.

Liquidity risk is centralized using integrated software tools to analyse liquidity risk based on cash flows estimated by the Group for assets and liabilities, and on collateral or other instruments available to guarantee additional sources of liquidity as needed (e.g. liquidity lines not used by the Bank). The Bank's liquidity risk position is determined by analysing a variety of scenarios. These analyses taken into account both ordinary market circumstances and extreme conditions that could arise and could affect the flow of collections and payments, due to market factors or internal factors within the Bank.

The following table shows contracted maturity dates related to balance sheet amounts of the main entities of the Group (Unicaja Banco and Banco CEISS) at 31 December 2014:

							Thousands of euros
Assets	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 and 12 months**	**Between 1 and 5 years**	**More than 5 years**	**Demand and undetermined**	**Total**
Cash and balances at central banks	**-**	**-**	**-**	**-**	**-**	**609 825**	**609 825**
Financial assets held for trading	**-**	**-**	**748**	**29 863**	**145 814**	**-**	**176 425**
Debt securities	-	-	748	29 863	145 814	-	176 425
Other equity instruments	-	-	-	-	-	-	-
Available-for-sale financial assets	**231 317**	**362 099**	**3 009 455**	**2 782 048**	**5 317 738**	**586 212**	**12 288 869**
Debt securities	231 317	362 099	3 009 455	2 782 048	5 151 583	-	11 536 502
Other equity instruments	-	-	-	-	166 155	586 212	752 367
Loans and receivables	**2 991 698**	**719 711**	**2 575 060**	**8 257 294**	**21 580 712**	**2 925 023**	**39 049 497**
Loans and advances to credit institutions	570 022	225	2 568	16 531	10 243	184 610	784 199
Loans and advances to other debtors	2 421 675	715 068	2 467 233	7 452 187	20 692 885	2 740 413	36 489 461
Debt securities	-	4 418	105 259	788 576	877 584	-	1 775 837
Investment portfolio held to maturity	**619 618**	**2 533 990**	**1 525 010**	**2 236 404**	**2 724 521**	**-**	**9 639 543**
Debt securities	619 618	2 533 990	1 525 010	2 236 404	2 724 521	-	9 639 543
Investments	**-**	**-**	**-**	**-**	**-**	**1 468 507**	**1 468 507**
Insurance contracts linked to pensions	**-**	**-**	**-**	**-**	**-**	**147 763**	**147 763**
Property, plant and equipment	**-**	**-**	**-**	**-**	**-**	**1 165 046**	**1 165 046**
Other assets	**-**	**-**	**-**	**-**	**-**	**3 034 431**	**3 034 431**
Total assets	**3 842 632**	**3 615 800**	**7 110 273**	**13 305 609**	**29 768 785**	**9 936 807**	**67 579 906**

							Thousands of euros
Liabilities	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 and 12 months**	**Between 1 and 5 years**	**More than 5 years**	**Demand and undetermined**	**Total**
Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities at amortized cost	**6 291 822**	**8 941 695**	**9 200 081**	**11 418 724**	**6 372 355**	**20 981 968**	**63 206 645**
Deposits from Central banks	1 576 344	6 000 000	-	1 061 510	-	83 861	8 721 715
Deposits from credit institution	552 641	35 256	363 156	175 636	51 236	122 712	1 300 637
Deposits from other creditors	4 162 816	2 806 385	7 928 316	9 551 141	5 457 119	19 653 675	49 559 452
Debt securities	-	100 000	876 887	622 493	260 000	28 895	1 888 275
Subordinated liabilities	21	54	31 722	7 944	604 000	9 049	652 790
Other financial liabilities	-	-	-	-	-	1 083 776	1 083 776
Hedging derivatives	**54 330**	**-**	**-**	**-**	**-**	**-**	**54 330**
Provisions	**-**	**-**	**-**	**-**	**-**	**849 151**	**849 151**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**1 209 824**	**1 209 824**
Total liabilities	**6 346 152**	**8 941 695**	**9 200 081**	**11 418 724**	**6 372 355**	**23 040 943**	**65 319 950**
Difference	**(2 503 520)**	**(5 325 895)**	**(2 089 808)**	**1 886 885**	**23 396 430**	**(13 104 136)**	**2 259 956**

Memorandum accounts	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Demand and undetermined	Total
							Thousands of euros
Contingent risks	**-**	**-**	**-**	**-**	**-**	**1 354 058**	**1 354 058**
Drawable by third parties	**-**	**-**	**-**	**-**	**-**	**2 709 146**	**2 709 146**
Available immediately	-	-	-	-	-	2 061 157	2 061 157
With conditionally	-	-	-	-	-	647 989	647 989
Total contingent liabilities and commitments	**-**	**-**	**-**	**-**	**-**	**4 063 204**	**4 063 204**

The following table shows contracted maturity dates related to balance sheet amounts of the main entities of the Group (Unicaja Banco and Banco CEISS) at 31 December 2013:

Assets	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Demand and undetermined	Total
							Thousands of euros
Cash and balances at central banks	**-**	**-**	**-**	**-**	**-**	**1 913 155**	**1 913 155**
Financial assets held for trading	**998**	**-**	**-**	**261 907**	**13 372**	**-**	**276 277**
Debt securities	998	-	-	261 907	13 372	-	276 277
Other equity instruments	-	-	-	-	-	-	-
Available-for-sale financial assets	**1 852**	**2 496**	**6 502**	**1 680 207**	**224 267**	**531 225**	**2 446 549**
Debt securities	1 852	2 496	6 502	1 680 207	224 267	-	1 915 324
Other equity instruments	-	-	-	-	-	531 225	531 225
Loans and receivables	**4 656 612**	**3 690 681**	**3 578 523**	**5 616 606**	**11 041 349**	**1 255 490**	**29 839 261**
Loans and advances to credit institutions	2 985 292	1 078 362	1 691 428	101 921	28 569	108 850	5 994 422
Loans and advances to other debtors	1 671 320	2 611 799	1 863 790	4 974 846	10 513 400	1 146 640	22 781 795
Debt securities	-	520	23 305	539 839	499 380	-	1 063 044
Investment portfolio held to maturity	**106 622**	**89 641**	**836 596**	**3 192 960**	**13 848**	**-**	**4 239 667**
Debt securities	106 622	89 641	836 596	3 192 960	13 848	-	4 239 667
Investments	**-**	**-**	**-**	**-**	**-**	**715 734**	**715 734**
Insurance contracts linked to pensions	**-**	**-**	**-**	**-**	**-**	**132 097**	**132 097**
Property, plant and equipment	**-**	**-**	**-**	**-**	**-**	**530 376**	**530 376**
Other assets	**-**	**-**	**-**	**-**	**-**	**1 168 119**	**1 168 119**
Total assets	**4 766 084**	**3 782 818**	**4 421 621**	**10 751 680**	**11 292 836**	**6 246 196**	**41 261 235**

Liabilities	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Demand and undetermined	Total
							Thousands of euros
Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities at amortized cost	**7 264 449**	**915 289**	**5 691 034**	**11 713 564**	**3 360 872**	**9 742 227**	**38 687 435**
Deposits from Central banks	62 045	-	-	4 500 000	-	-	4 562 045
Deposits from credit institution	1 248 608	11 487	32 230	336 727	74 512	65 477	1 769 041
Deposits from other creditors	5 936 119	891 321	4 688 249	5 560 751	3 026 367	8 796 653	28 899 460
Debt securities	17 599	12 439	917 011	1 273 298	259 993	37 620	2 517 960
Subordinated liabilities	78	42	53 544	42 788	-	-	96 452
Other financial liabilities	-	-	-	-	-	842 477	842 477
Hedging derivatives	**4 580**	**-**	**-**	**-**	**-**	**-**	**4 580**
Provisions	**-**	**-**	**-**	**-**	**-**	**358 599**	**358 599**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**526 751**	**526 751**
Total liabilities	**7 269 029**	**915 289**	**5 691 034**	**11 713 564**	**3 360 872**	**10 627 577**	**39 577 365**
Difference	**(2 502 945)**	**2 867 529**	**(1.269.413)**	**(961 884)**	**7 931 964**	**(4 381 381)**	**1 683 870**

Memorandum accounts	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Demand and undetermined	Total
							Thousands of euros
Contingent risks	**-**	**-**	**-**	**-**	**-**	**886 839**	**886 839**
Drawable by third parties	**-**	**-**	**-**	**-**	**-**	**1 789 299**	**1 789 299**
Available immediately	-	-	-	-	-	1 238 448	1 238 448
With conditionally	-	-	-	-	-	550 851	550 851
Total contingent liabilities and commitments	**-**	**-**	**-**	**-**	**-**	**2 676 138**	**2 676 138**

These maturity statements are based on the following criteria:

- The data presented are static; estimates do not include business growth scenarios, early repayments or loan renewals, considering only contractual flows from loans actually arranged and recognized in the Bank's balance sheet.

- Accounting data are presented, i.e. they do not systematically reflect cash flows from operations, unlike operations carried at fair value. All balances without maturity dates, or with maturities based on a counterparty decision, are included in the categories "held at call" or "undetermined".

- In the case of derivative financial instruments (the vast majority of which are subject to margin requirements), the Unicaja Banco Group reports the estimated next net margin settlement as a cash outflow.

- The cash outflows included in the above maturity table are the amounts stipulated in the relevant contracts, and are based on past experience and the Group's current situation, so that the probability of early cancellation of deposits or other liability positions is deemed very low.

- The Unicaja Banco Group provides information on contingent exposures (including financial guarantees) and amounts drawable by third parties in the above table. A significant part of the contingent exposures will reach maturity without generating any payment obligation, so that the total balance of these commitments cannot be regarded as an actual future need for financing or liquidity to be granted to third parties by the Group. The Unicaja Banco's liquidity management scenarios include the utilization by third parties of drawable amounts although, based on past experience, this does not significantly affect the Group's structural maturity profile.

- Finally, the above maturity table does not include forecast future cash flows because their presentation would require rate curve and liability structure scenarios and estimates. However, the Unicaja Banco Group does not consider this information to be essential for the analysis of its liquidity risk, since interest expense and similar charges are not significant in comparison with the balance sheet total and are well below the interest generated by its assets.

The Group manages liquidity risk to ensures that its payment commitments are honoured, by adequately controlling cash flows and the assets that are available to cover any liquidity mismatches. The Group thus considers that the maturity tables present the most relevant picture of its liquidity situation at a given date.

The Bank establishes product policies and objectives addressing both ordinary market circumstances and contingency plans for stress or crisis situations occurring internally or in the market. Three basic approaches are combined to meet these objectives:

- Asset management: analysis of maturities, possibility of sale, degree of liquidity, potential use as collateral, among other aspects.
- Liability management: analysis of maturities, diversification of business sources, maturities that differ from contractual maturities, behavior in the event of interest rate movements, etc.
- Market access: financing capacity in wholesale markets and time required to obtain such financing, among other aspects.

The Group ensures that its consolidated balance sheet assets include a significant volume of liquid assets, allowing liquidity risk to be easily managed, the main liquid assets being:

- Balances held at call with central banks and credit institutions.
- Assets acquired under short-term repo agreements.
- Fixed income securities discountable at the European Central Bank.
- Listed equity securities.

The Group also has the capacity to issue covered bonds and territorial bonds to obtain new funding if the need arises.

25. Fair value

25.1 Fair value of financial assets and liabilities not carried at fair value

The estimate of the fair value at 31 December 2014 and 2013 of the financial assets and liabilities carried in the consolidated balance sheet at amortized cost is performed as follows:

- For financial assets and liabilities referenced to a variable interest rate, the Group considers that their carrying amount does not differ significantly from their fair value, as the initial counterparty credit risk conditions have not varied significantly.

- In the case of un-hedged fixed-rate financial assets and liabilities, their fair value each year is obtained by discounting cash flows at the risk-free interest rate (the rate for Spanish government securities) for each period, adjusted to account for the credit spread on the instrument. In view of the maturity period and relative balance of these instruments, the difference between their amortized cost and fair value is not significant at 31 December 2014 and 2013.

- Under the heading of Credit Investments is estimated that there are no significant differences between their carrying value and their fair value since the Institution has quantified the level of the provision for credit risk for its credit risk portfolio in accordance with the accounting norm applicable and it considers this sufficient to cover this credit risk. Nevertheless, in an environment of economic and financial crisis and since there is not a market for these financial assets, the amount for which they could be exchanged between interested parties could differ for the net value registered.

However, in an environment of economic and financial crisis like the present, and since there is no market for such financial assets, the amount by which the assets could be exchanged between interested parties may differ to the carrying amount.

25.2 Listed instruments at amortized cost

At 31 December 2014 and 2013, the estimated fair value of financial assets and liabilities carried at amortized cost in the balance sheet while listed on markets does not differ significantly from the carrying amounts of the instruments.

Set out below is a breakdown at 31 December 2014 and 2013 of the carrying amount and fair value of the Unicaja Banco Group's financial instruments carried at amortized cost that are listed on markets:

		Thousands of euros			
			2014		2013
Section of the balance	**Type of instrument**	**Book value**	**Fair value**	**Book value**	**Fair value**
Credit investments	Securities representing debt	1 821 438	1 963 640	1 108 644	1 026 542
Held-to-maturity investments	Securities representing debt	9 639 629	10 052 053	4 242 658	4 382 525
Financial liabilities at amortized cost	Marketable debt securities	1 877 739	1 881 783	2 503 646	2 503 646

25.3 Financial instruments carried at cost because there is no active market.

The equity instruments in the portfolio of available-for-sale financial assets the fair value of which cannot be determined in a sufficiently reliable manner are carried in the Unicaja Banco Group's consolidated annual accounts at cost, net of any impairment losses calculated as described in Note 2.7.

The consolidated carrying amount of these equity instruments at 31 December 2014 and 2013 totals € 241,132 thousand and € 176,014 thousand, respectively. The following should be noted in connection with these instruments:

- No information is disclosed in the notes to the consolidated annual accounts on the fair value of the instruments since it cannot be reliably calculated.

- These equity instruments have no listed price on active markets or reasonable measurement of fair value (i.e. it is not possible to reliably apply a cash-flow discounting method, a comparable company multiple or an adjusted equity value that is sufficiently objective), and no market transactions or acquisition bids have recently been completed or made.

There is no sufficiently liquid active market for the instruments in this situation. However, the Group does not plan to hold them for trading or to sell or dispose of them by other means.

25.4 Fair value of the financial assets and liabilities registered at fair value

The following shows a breakdown of the fair values of the headings on the balance sheets as at 31 December 2014 and 2013, divided by classes of assets and liabilities and at the following levels:

- Level 1: Financial instruments the fair value of which is determined by taking the quoted prices on active markets or that correspond to recent transactions (latest twelve months) that have been updated to the current conditions.

- Level 2: Financial instruments the fair value of which is estimated on the basis of quoted prices in organised markets for similar instruments or applying valuation techniques in which all the significant inputs employed are based upon data that are directly or indirectly observable on the market.

- Level 3: Financial instruments the fair value of which is estimated on the basis of valuation techniques in which some inputs are not based on data observable on the market.

					Thousands of euros
					2014
					Fair value
	Book value	Total	Level 1	Level 2	Level 3
Asset					
Cash and balances with central banks	611 917	611 917	-	611 917	-
Working portfolio	228 871	228 871	96 918	130 564	1 389
Fixed income	176 425	176 425	96 431	79 994	-
Variable income	-	-	-	-	-
Derivatives	52 446	52 446	487	50 570	1 389
Financial assets available for sale	12 503 087	12 261 980	11 538 737	468 367	254 876
Fixed income	11 575 532	11 575 557	10 921 359	399 322	254 876
Variable income	927 555	686 423	617 378	69 045	-
Held-to-maturity investments	9 639 624	10 052 053	6 388 102	3 659 225	4 726
Debt securities	9 639 624	10 052 053	6 388 102	3 659 225	4 726
Coverage derivatives	921 921	921 921	-	917 246	4 675
Liability					
Working portfolio	64 582	64 582	42	64 365	175
Derivatives	64 582	64 582	42	64 365	175
Coverage derivatives	56 725	56 725	-	56 276	449

					Thousands of euros
					2013
					Fair value
	Book value	Total	Level 1	Level 2	Level 3
Asset					
Cash and balances with central banks	1 913 257	1 913 257	-	1 913 257	-
Working portfolio	291 771	291 771	264 931	26 840	-
Fixed income	277 106	277 106	256 481	20 625	-
Variable income	8 428	8 428	8 428	-	-
Derivatives	6 237	6 237	22	6 215	-
Financial assets available for sale	2 390 023	2 390 023	1 937 780	132 858	319 385
Fixed income	1 951 956	1 951 956	1 819 098	132 858	-
Variable income	438 067	438 067	118 682	-	319 385
Held-to-maturity investments	4 242 658	4 382 525	4 313 857	64 224	4 444
Debt securities	4 242 658	4 382 525	4 313 857	64 224	4 444
Coverage derivatives	543 745	543 745	-	543 745	-
Liability					
Working portfolio	11 981	11 981	738	11 243	-
Derivatives	11 981	11 981	738	11 243	-
Coverage derivatives	44 088	44 088	-	44 088	-

Set out below are movements during 2014 and 2013 in the fair value of the different types of financial instruments classed in Level 3 under IFRS 13:

						Thousands of euros
	Trading portfolio			Financial assets available for sale		Held-to-maturity investments
	Debt securities	Derivatives (active)	Derivatives (liabilities)	Debt securities	Equity instruments	Debt securities
Balance at 31/12/2013	**-**	**-**	**-**	**-**	**319 385**	**4 444**
Additions to instruments	-	2 960	90	235 918	-	-
Casualties of instruments	-	(941)	-	-	-	-
Change in value	-	(1 571)	(80)	17 446	46 926	282
Transfers level	-	941	165	1 512	(366 311)	-
Transfer to investment credit	-	-	-	-	-	-
Transfer to portfolio to-maturity investments	-	-	-	-	-	-
	-	-	-	-	-	-
Balance at 31/12/2014	**-**	**1 389**	**175**	**254 876**	**-**	**4 726**

	Trading portfolio			Financial assets available for sale		Held-to-maturity investments
						Thousands of euros
	Debt securities	Derivatives (active)	Derivatives (liabilities)	Debt securities	Equity instruments	Debt securities
Balance at 31/12/2012	**6 177**	**12**	**14**	**177 043**	**60 962**	**337 339**
Additions to instruments	-	-	-	-	-	-
Casualties of instruments	(175)	-	-	(23 252)	(60 962)	-
Change in value	-	-	-	(23 833)	-	(45 110)
Transfers level	(6 002)	(12)	(14)	(129 958)	319 385	(76)
Transfer to investment Credit	-	-	-	-	-	(287 709)
Transfer to portfolio to-maturity investments	-	-	-	-	-	-
Balance at 31/12/2013	**-**	**-**	**-**	**-**	**319 385**	**4 444**

25.4 Valuation methods used

The following methods were used by the Unicaja Banco Group to calculate the fair value of the main financial instruments recognized in the balance sheet:

- **Debt securities**: The fair value of listed debt instruments is determined on the basis of their price in official markets (Bank of Spain's Book-Entry System), AIAF, AIAF panels (credit institutions), or by applying prices obtained from information service providers, mainly Bloomberg and Reuters, whose prices are built using the prices notified by contributors.

- **Equity instruments**: The fair value of listed equity instruments is determined based on their price in official markets. The fair value of unlisted equity instruments is determined taking into account independent expert valuations performed using the following methods, among others:

    - Discounted cash flows (free operating cash flows or dividends), applying a discount rate based on each investee's operational and financial exposure, calculated using a risk-free rate and including a risk premium.

    - Multiple of comparable listed companies (EV/EBITDA, PER, Price/Book value, Price/Premiums), less an illiquidity discount.

    - NAV (Adjusted Net Asset Value): Obtained by adding capital gains, calculated as the difference between the market value and carrying amount of assets, to reported shareholders' funds. For venture capital entities, NAV is calculated by the management companies and generally estimated applying European Venture Capital Association regulations and the provisions of CNMV Circular 5/2000 (19 September).

    - Price resulting from market transactions or acquisition bids made or received near to the valuation date.

- **Derivative instruments**: The fair value of interest rate derivatives is determined, for optional financial instruments (mainly swaps), by discounting future flows using implied money market curves and the swap curve; for optional interest-rate derivatives, generally accepted valuation methods based on the Black-Scholes model and implicit volatility matrices are used. In the case of derivatives on equity instruments or stock market indices contracted to hedge customers structured deposits containing an embedded derivative, and currency derivatives without optional components, the fair value is obtained by discounting cash flows estimated using forward curves for the relevant underlying instrument, listed on the market; for options, generally accepted methods based on the Black-Scholes model are used, allowing options on these underlying instruments to be valued applying a closed formula and using only market inputs. Where applicable, models and severities in line with the market are used to calculate CVA and DVA. In order to obtain Unicaja Banco's spread, generic spread vs. swap curves are calibrated on a recurring basis using ratings for different debt issues by Spanish financial institutions with differing priority levels, including senior debt.

25.5 Fair value of property, plant and equipment

On 1 January 2004, the Group availed itself of the provisions of IFRS 1 to restate the majority of its real estate assets, generating a gross gain of € 227,811 thousand. Subsequently, on 21 June 2013, revaluation reserves recognized under Bank of Spain Circular 4/2004 relating to 516 own-use properties restated in the amount of € 54,850 thousand, already included in equity, acquired tax effects (Note 23.7).

At December 31 of 2014 and 2013, the Group considers that there are no significant differences between the book value and the fair value of these assets.

26. Credit risk exposure

Credit risk refers to the losses that the Group would incur in the event that a customer or counterparty failed to comply with the contracted payment obligations. This risk is inherent in the financial system’s traditional banking products (loans, credit lines, financial guarantees provided) and in other types of financial assets.

Credit risk affects both financial assets carried at amortized cost in the financial statements and assets carried at fair value. Irrespective of the accounting method used to record the Group’s financial assets in these financial statements, the Parent Entity applies the same credit risk control policies and procedures.

The Group’s credit risk control policies, methods and procedures are approved by the Entity’s Board of Directors. The Entity’s Control Committee, Audit Committee and Internal Supervision and Risk Control Department are responsible, among other functions, for ensuring compliance with these policies, methods and procedures, as well as for monitoring their adequacy, effective implementation and regular review.

The Group’s credit risk control activities are carried out by the Risk Control Department, which reports to the Group’s Planning and Control Division. This unit is responsible for implementing the credit risk control policies, methods and procedures approved by the Group’s Board of Directors. It monitors counterparty risk by establishing, among others, the credit quality parameters to be assigned to the Group’s operations, and credit risk hedging requirements, in accordance with the Entity’s internal policies and applicable legislation. The Risk Control Unit is also responsible for applying the Entity’s risk concentration limits, approved by the Board of Directors.

The Group has policies and procedures to limit counterparty risk concentration for both individual counterparties and groups of companies. The Group establishes risk concentration limits taking into account factors such as the counterparty’s business activities, geographical location and other common features. The Group performs sensitivity analyses to estimate the effects of possible changes in non-performing loan ratios in each risk concentration group, imposing limits on concentration based on the findings.

The Group did not maintain concentrations of risk of a significant nature to 31 December 2014 and 2013. Total mortgage-backed risk remained with the private sector living in Spain amounted to €23,582,999 thousand and €12,782,848 thousand at 31 December 2014 and 2013, respectively.

Therefore, Unicaja Banco has a “Credit scoring” system which considers the multiple characteristics of the operations and the debtors, and, attending to the past experience and the best market practises, it provides a mechanism for the Bank to distinguish, attending to credit risk, those operations that may be formalized by the Bank from those that are not recommended to be formalized by the Bank. The criteria for distinguishing operations at the contracting date, using this system, are approved by the Bank’s executives and review mechanisms are in place to ensure that the system is continuously updated.

The maximum credit risk to which Unicaja Banco is exposed is measured at nominal value for financial assets carried at amortized cost. The measurement of the Bank’s maximum credit risk takes into account offset agreements concluded with certain counterparties.

Notes 8, 9 and 10 provide details of the Bank’s maximum credit risk exposure. As the Bank’s credit risk information provided in these notes does not take into account guarantees received, derivative financial instruments contracted to hedge credit risk and other similar hedges, these data differ from the Bank’s internal analyses of exposure to credit risk.

Internally, the Bank classifies financial assets subject to credit risk based on the characteristics of each operation, taking into account the specific counterparty and guarantees obtained, among other aspects.

Accrued uncollected financial income from financial assets deemed to be impaired as explained in Note 2.7, and recognized in individual financial statements of Unicaja Banco at 31 December 2014 and 2013, amounted to €150,688 thousand and €40,519 thousand, respectively.

Practices for the responsible granting of loans and credit facilities to consumers.

Order EHA/2899/2011 (28 October) on banking service customer transparency and protection enables the general principles established by Law 2/2011 on Sustainable Economy, with respect to the responsible granting of loans and credit facilities to consumers, such that the relevant obligations are introduced so that the Spanish financial system improves the levels of prudence applied to granting these types of transactions, to the benefit of customers and market stability.

Bank of Spain Circular 5/2012 (27 to June) defines the concept of "responsible lending", and establishes the responsible lending policies and procedures that are summarised below:

- When entities offer and grants loans or credit facilities to customers they must act with honesty, impartiality and professionalism, in accordance with the personal and financial situation of customers, together with their preferences and objectives.

- The entities that grant loans or credit facilities to the customers referred to by Rule Two of Circular 5/2012 must have specific policies, methods and procedures for studying and granting such loans or credit facilities to those customers, and they must be adequately documented and justified, approved by the Board of Directors or equivalent body, and include the general principles mentioned in Appendix 6 to that Circular. The aforementioned policies, methods and procedures, which must remain up-to-date, as well as the supporting documents regarding their approval by the entity's Board of Directors or equivalent body, must be available at all times to the Bank of Spain.

- The general principles referred to in the preceding section must be applied by entities and understood by its customers in a responsible way, such that the latter must provide the former with complete and accurate information regarding their financial situation and their desires and needs with respect to the purpose, amount and other conditions of a loan or credit facility, and the entities must appropriately inform its customers as to the characteristics of its products that adapt to their requests.

Unicaja Banco has detailed policies, methods and procedures to ensure that loans and credit facilities are granted responsibly to consumers. The principles that have been developed for this purpose are in line with the Bank's current situation, with the "Credit Risk Policy, Task and Procedures Manual" approved by the Bank's Board Directors on 25 March 2013, as well as with the regulatory requirements established by the Bank of Spain, and includes the following points:

- Criteria for the granting of credit associated with the borrower's payment capacity.
- A transaction repayment plan that meets the needs of the customer.
- Prudent relationship between the amount of the transaction and the value of any collateral.
- Transaction marketing policy.
- Collateral appraisal policy.
- Consideration of the variability of interest rates and exchange rates when granting loans denominated in a foreign currency.
- Hedging of interest rate risk
- Policy of exceptions to transaction conditions.
- Customer warnings regarding the failure to comply with payment obligations.
- Debt renegotiation policy (Note 10.1).
- Information regarding the cost of services associated with the granting of the credit transaction.
- The obligation to inform homebuyers when subrogating to a developer loan.
- Other aspects of the policies and procedures for granting responsible loans.

To ensure compliance with those principles and criteria the Bank has implemented diverse control procedures when managing risks, most importantly the existence of various approval areas that ensure adequate levels of examination of decisions in accordance with their complexity and the proper evaluation of the customer risk profile and payment capacity.

Financial assets recovery is considered remote

Set out below are movements during 2014 and 2013 in the Entity’s impaired financial assets that are not carried in the balance sheet since the probability of recovery is deemed to be remote, even though the Entity has not discontinued actions to recover the amounts receivable:

	Thousands of euros	
	2014	**2013**
Balance of financial assets which recovery is considered to be remote at 1 January	**768 509**	**628 355**
Additions -	2 023 265	214 527
Balance considered for remote recovery during the year	520 069	214 527
Business combination (Note 1.2)	1 503 196	-
Recoveries -	(940 624)	(74 373)
Balances recovered during the year for operations’ refinancing or restructuring	(72 847)	-
Cash collections without additional refinancing	(38 664)	(17 567)
Assets awarded through foreclosure	(5 849)	(16 363)
Bad sales	(484 868)	-
Other causes	(338 396)	(40 443)
Balance of financial assets which recovery is considered to be remote at 31 December	**1 851 150**	**768 509**

In 2014 and 2013, the recovery movement identified as “for other causes” relates mainly to loans that cease to be treated as remote recovery assets when the Bank rules out any possibility of recovery**.**

The net amount in the consolidated income statement for the years 2014 and 2013 as a result of movements in these assets amounts a negative amount of € 28,885 thousand and € 2,357 thousand income, respectively. These amounts are due mainly to:

- Loans that were classified during the period as “remote recovery assets” and had not been provisioned; they were therefore written off the consolidated balance sheet directly through the income statement, having a negative impact of € 55,369 thousand and € 19,924 thousand in 2014 and 2013, respectively.

- Loan classified as "remote recovery assets" in the previous period in respect of which amounts have been collected, having a positive effect of € 26,484 thousand and € 17,567 thousand in 2014 and 2013, respectively.

Exposure to sovereign risk

With respect to sovereign risk, the breakdown of credit risk exposures to central governments held by the Group at 31 December 2014 and 2013 is as follows:

				Thousands of euros
				2014
	Trading portfolio	**Financial assets available for sale**	**Maturity investment portfolio**	**Loans and advances**
Spain	126 639	8 103 882	5 347 159	-
Italy	37 680	535 841	-	-
Portugal	-	28 375	-	-
Ecuador	-	-	-	37
	164 319	**8 668 098**	**5 347 159**	**37**

				Thousands of euros
				2013
	Trading portfolio	**Financial assets available for sale**	**Maturity investment portfolio**	**Loans and advances**
Spain	237 220	1 023 782	2 750 070	-
Italy	-	321 779	-	-
Portugal	-	-	-	-
Ecuador	-	-	-	106
	237 220	**1 345 561**	**2 750 070**	**106**

Credit quality of debt securities

Set out below is the accounting classification by portfolio of the debt securities recognized in the Unicaja

Banco Group's consolidated annual accounts at 31 December 2014 and 2013:

	Thousands of euros	
	2014	**2013**
Trading portfolio	176 425	277 106
Financial assets available for sale	11 575 532	1 951 956
Credit investments	1 821 438	1 108 644
Held-to-maturity investments	9 639 624	4 242 658
	23 213 019	**7 580 364**

At 31 December 2014 and 2013, the balances included in the above table were not classed as doubtful, impairment adjustments having been recognized only for general coverage purposes in the amount of €76 thousand and € 67 thousand, respectively. Set out below is a breakdown of these securities by credit rating at 31 December 2014 and 2013:

	Thousands of euros	
	2014	**2013**
Rating Aaa	13 467	12 062
Rating Aa1-Aa3	606 171	135 106
Rating A1-A3	666 888	5 596 127
Rating Baa1-Baa3	18 144 611	1 678 843
Rating Ba1-Ba3	539 934	6 084
Rating B1-C (*)	26 966	20 345
No credit rating	3 214 982	131 797
	23 213 019	**7 580 364**

(*) At 31 December 2014, this quantity includes mainly bonds issued by Fondo de Reestructuración Ordenada Bancaria (FROB) and by Sociedad de Activos Procedentes de la Reestructuración Bancaria, S.A. (SAREB).

Quality of Loans and advances to customers

Pursuant to Bank of Spain Circular 4/2004, the Bank classifies its performing exposures as follows: no material risk (public sector and cash guarantee), low risk (secured by finished housing with LTV below 80% and companies rated A or higher), medium-low risk (other property guarantees), medium risk (personal guarantee barring consumption, cards and overdrafts), medium-high risk (consumption) and high risk (cards, overdrafts and over-limit balances). These exposures break down as follows at 31 December 2014 and 2013:

	Thousands of euros	
	2014	**2013**
No material risk	**26 613 742**	**17 792 449**
Of which: Non-resident Public Administrations	536 316	299 691
Of which: Advances on pensions and salaries	382 593	196 346
Of which: Personal guarantees	2 464 614	1 918 855
Of which: Guaranteed by deposits and securities	70 584	25 293
Low risk	**18 754 721**	**9 694 571**
Of which: Guaranteed by monetary policy operations	77 795	63 350
Of which: Other highly-rated companies	619 734	18 477
Of which: Secured by real property	17 977 792	9 612 744
Medium-low risk	**3 111 048**	**1 676 670**
Of which: Finance leases	65 466	6 944
Medium risk	**4 303 386**	**2 664 364**
Of which: Other operations entered in Register of Forward Sales of Moveable Property	-	-
Medium-high risk	**693 631**	**827 853**
Of which: Acquisitions of goods and services	197 974	113 764
of which: Financing of land for property development or of property construction	494 798	714 089
High risk	**315 203**	**225 720**
	53 791 731	**32 881 627**

Risk concentration by activity and geographic area

Set out below is the carrying amount of the Unicaja Banco Group's total financing granted to customers at 31 December 2014 and 2013, excluding exposures to public administrations, broken down by counterparty type, collateral type and LTV ratio.

Thousands of euros

Balance at 31/12/2014	**Total (a)**	**Of which: Mortage collateral (e)**	**Of which: Other collateral(e)**	**LTV Ratio of credit with real guarantee (f)** Not exceeding or equal 40%	Exceeding 40% but not exceeding or equal 60%	Exceeding 60% and less or equal to 80%	Exceeding 80% and less or equal to 100%	Exceeding 100%
Financial institutions	3 249 015	26 777	2 055 001	3 856	3 926	-	18 995	2 055 001
Non-financial companies and sole traders	7 206 250	3 478 288	85 652	1 496 426	1 223 983	557 873	170 752	114 906
Property construction and development (b)	1 124 832	869 544	15 986	339 949	358 498	131 764	38 902	16 417
Civil engineering construction	442 840	24 387	2 724	6 593	9 441	3 097	2 334	5 646
Other purposes	5 638 578	2 584 357	66 942	1 149 884	856 044	423 012	129 516	92 843
Large companies (c)	984 430	134 860	1 221	47 674	61 340	18 273	7 036	1 758
SMEs and sole traders (c)	4 654 148	2 449 497	65 721	1 102 210	794 704	404 739	122 480	91 085
Other households and non-profit institutions serving households (ISFLSH)	22 606 804	20 596 400	38 995	4 806 084	6 954 319	7 701 384	1 068 041	105 567
Housing (d)	20 102 753	19 592 814	2 407	4 419 660	6 655 196	7 523 804	928 438	68 123
Consumption (d)	1 529 320	663 810	33 929	308 231	206 678	136 518	37 334	8 978
Other purposes (d)	974 731	339 776	2 659	78 193	92 445	41 062	102 269	28 466
	33 062 069	**24 101 465**	**2 179 648**	**6 306 366**	**8 182 228**	**8 259 257**	**1 257 788**	**2 275 474**

Thousands of euros

Balance at 31/12/2013	**Total (a)**	**Of which: Mortage collateral (e)**	**Of which: Other collateral(e)**	**LTV Ratio of credit with real guarantee (f)** Not exceeding or equal 40%	Exceeding 40% but not exceeding or equal 60%	Exceeding 60% and less or equal to 80%	Exceeding 80% and less or equal to 100%	Exceeding 100%
Financial institutions	3 824 954	10 134	3 496 482	5 747	4 386	-	-	3 496 483
Non-financial companies and sole traders	5 484 693	2 347 911	75 578	967 450	950 027	326 186	176 123	3 703
Property construction and development (b)	1 354 894	1 035 835	15 579	242 880	470 052	197 157	141 253	72
Civil engineering construction	418 026	8 845	2 078	2 862	7 053	530	385	93
Other purposes	3 771 773	1 303 231	57 921	721 708	472 922	128 499	34 485	3 538
Large companies (c)	1 275 583	69 453	-	30 206	39 247	-	-	-
SMEs and sole traders (c)	2 436 190	1 233 778	57 921	691 502	433 675	128 499	34 485	3 538
Other households and non-profit institutions serving households (ISFLSH)	11 870 423	10 683 763	39 042	2 572 487	3 456 679	4 346 760	345 180	1 699
Housing (d)	10 348 746	10 009 448	2 517	2 190 921	3 258 154	4 243 882	318 664	344
Consumption (d)	1 133 264	363 173	32 227	221 723	105 218	54 771	12 503	1 185
Other purposes (d)	388 413	311 142	4 298	159 843	93 307	48 107	14 013	170
	21 180 070	**13 041 808**	**3 611 102**	**3 545 684**	**4 411 092**	**4 672 946**	**521 303**	**3 501 885**

(a) The definition of loans and advances to customers and the scope of the information included in this table are as used to prepare the balance sheet. The carrying amount of the loans is used, i.e. after value adjustments made to provision specific loans.

(b) This item includes all activities related to property construction and development, including the financing of land for property development.

(c) Non-financial companies are divided into “Large companies” and “SMEs”, in accordance with the definition applicable to SMEs when calculating shareholders' funds. Sole trader activities are performed by individuals in the course of their business activities.

(d) The activities of households and non-profit institutions serving households are classified based on their purpose, as stipulated in Rule 71.2.e) of Bank of Spain Circular 4/2004.

(e) Includes the carrying amount of all loans secured by real property and by other property guarantees, irrespective of the LTV ratio.

(f) Loan-to-value (LTV) is the ratio obtained by dividing the loan's carrying amount at the reporting date by the amount of the latest appraised value of the collateral.

There follows aggregate information at 31 December 2014 and 2013 on the Unicaja Banco Group's risk concentration by geographic area and business segment, excluding exposures to public administrations.

					Thousands of euros
Balance at 31/12/2014	**Total (a)**	**Spain**	**Rest of European Union**	**America**	**Rest of World**
Financial institutions	2 915 111	2 536 415	367 744	9 685	1 267
Non-financial companies and sole traders	11 310 302	10 598 738	687 446	20 135	3 983
Property construction and development (b)	8 853 141	8 766 101	84 136	930	1 974
Civil engineering construction	1 372 351	1 354 816	17 535	-	-
Other purposes	545 383	544 658	725	-	-
Large companies (c)	6 935 407	6 866 627	65 876	930	1 974
SMEs and sole traders (c)	1 703 182	1 684 916	18 266	-	-
Other households and non-profit institutions serving households (ISFLSH)	5 232 225	5 181 711	47 610	930	1 974
Housing (d)	22 847 302	22 596 563	210 479	20 760	19 500
Consumption (d)	20 105 301	19 896 189	177 308	13 077	18 727
Other purposes (d)	1 537 912	1 512 816	18 557	6 285	254
Financial institutions	1 204 089	1 187 558	14 614	1 398	519
	45 925 856	**44 497 817**	**1 349 805**	**51 510**	**26 724**

					Thousands of euros
Balance at 31/12/2013	**Total (a)**	**Spain**	**Rest of European Union**	**America**	**Rest of World**
Financial institutions	7 774 527	7 583 023	171 132	17 878	2 494
Non-financial companies and sole traders	5 965 119	5 848 757	87 368	24 849	4 145
Property construction and development (b)	6 936 840	6 925 013	10 015	-	1 812
Civil engineering construction	1 592 367	1 592 367	-	-	-
Other purposes	472 511	472 511	-	-	-
Large companies (c)	4 871 962	4 860 135	10 015	-	1 812
SMEs and sole traders (c)	1 671 117	1 660 711	9 547	-	859
Other households and non-profit institutions serving households (ISFLSH)	3 200 845	3 199 424	468	-	953
Housing (d)	11 892 072	11 805 853	49 460	17 930	18 829
Consumption (d)	10 354 316	10 288 270	44 472	3 101	18 473
Other purposes (d)	1 141 831	1 128 046	2 625	10 953	207
Financial institutions	395 925	389 537	2 363	3 876	149
	32 568 558	**32 162 646**	**317 975**	**60 657**	**27 280**

(a) The definition of risk for the purposes of this table includes the following balance sheet items: Loans and advances to credit institutions, Loans and advances to customers, Debt securities, Equity instruments, Trading derivatives, Hedging derivatives, Equity investments and Contingent exposures. The amounts of the assets reflect the carrying amounts of the loans, i.e. after value adjustments made to provision specific loans. Business is distributed by geographic area based on the country or autonomous region of residence of the lenders, securities issuers and counterparties of derivatives and contingent exposures.

(b) This item includes all activities related to property construction and development, including the financing of land for property development.

(c) Non-financial companies are classed as "Large companies" and "SMEs", in accordance with the definition of SMEs contained in Commission Recommendation 2003/361/EC (6 May 2003) on the definition of micro-enterprises, small companies and medium-sized companies. Loans to sole traders relate exclusively to loans to individuals to finance their business activities, whether performed directly as sole traders or through entities without legal personality.

(d) The activities of households and non-profit institutions serving households are classified based on their purpose, as stipulated in Rule 71.2.e) of Bank of Spain Circular 4/2004.

There follows a breakdown of the Unicaja Banco Group's loans and advances to customers at 31 December 2014 and 2013 by autonomous region and by business segment, excluding exposures to public administrations:

Balance at 31/12/2014	Total (a)	Andalucía	Madrid	Castilla (*)	Levante (*)	Rest of regions
						Thousand of euros
Financial institutions	2 536 415	191 902	1 052 944	10 146	735 569	545 854
Other Financial institutions	10 598 738	194 558	10 007 065	380 449	4 248	12 418
Non-financial companies and sole traders	8 766 101	3 308 173	2 234 560	1 814 002	369 799	1 039 567
Property construction and development (b)	1 354 816	861 330	285 769	139 545	13 390	54 782
Civil engineering construction	544 658	130 040	391 251	15 936	1 461	5 970
Other purposes	6 866 627	2 316 803	1 557 540	1 658 521	354 948	978 815
Large companies (c)	1 684 916	156 852	721 632	124 878	157 525	524 029
SMEs and sole traders (c)	5 181 711	2 159 951	835 908	1 533 643	197 423	454 786
Other households and non-profit institutions serving households (ISFLSH)	22 596 563	10 866 778	2 408 899	6 188 186	704 852	2 427 848
Housing (d)	19 896 189	9 552 624	2 181 633	5 295 780	656 010	2 210 142
Consumption (d)	1 512 816	977 530	104 801	308 047	21 746	100 692
Other purposes (d)	1 187 558	336 624	122 465	584 359	27 096	117 014
	44 497 817	**14 561 411**	**15 703 468**	**8 392 783**	**1 814 468**	**4 025 687**

Balance at 31/12/2013	Total (a)	Andalucía	Madrid	Castilla (*)	Levante (*)	Rest of regions
						Thousand of euros
Financial institutions	7 583 023	79 730	6 417 778	10 568	701 901	373 046
Other Financial institutions	5 848 757	190 286	5 635 178	-	12 269	11 024
Non-financial companies and sole traders	6 925 013	4 223 813	1 628 557	244 940	302 233	525 470
Property construction and development (b)	1 592 367	1 092 171	338 895	43 590	52 655	65 056
Civil engineering construction	472 511	154 855	295 674	442	75	21 465
Other purposes	4 860 135	2 976 787	993 988	200 908	249 503	438 949
Large companies (c)	1 660 711	641 742	521 232	9 935	158 714	329 088
SMEs and sole traders (c)	3 199 424	2 335 045	472 756	190 973	90 789	109 861
Other households and non-profit institutions serving households (ISFLSH)	11 805 853	10 449 385	489 577	539 048	92 722	235 121
Housing (d)	10 288 270	9 058 262	457 786	474 262	84 156	213 804
Consumption (d)	1 128 046	1 042 154	21 774	43 055	5 549	15 514
Other purposes (d)	389 537	348 969	10 017	21 731	3 017	5 803
	32 162 646	**14 943 214**	**14 171 090**	**794 556**	**1 109 125**	**1 144 661**

(*) The geographical area called "Castilla" includes Castilla-La Mancha and Castilla y León, and the geographical area called "Levante" includes Cataluña, Comunidad Valenciana and Murcia.

(a) The definition of risk for the purposes of this table includes the following balance sheet items: Loans and advances to credit institutions, Loans and advances to customers, Debt securities, Equity instruments, Trading derivatives, Hedging derivatives, Equity investments and Contingent exposures. The amounts of the assets reflect the carrying amounts of the loans, i.e. after value adjustments made to provision specific loans. Business is distributed by geographic area based on the country or autonomous region of residence of the lenders, securities issuers and counterparties of derivatives and contingent exposures.

(b) This item includes all activities related to property construction and development, including the financing of land for property development.

(c) Non-financial companies are classed as "Large companies" and "SMEs", in accordance with the definition of SMEs contained in Commission Recommendation 2003/361/EC (6 May 2003) on the definition of micro-enterprises, small companies and medium-sized companies. Loans to sole traders relate exclusively to loans to individuals to finance their business activities, whether performed directly as sole traders or through entities without legal personality.

(d) The activities of households and non-profit institutions serving households are classified based on their purpose, as stipulated in Rule 71.2.e) of Bank of Spain Circular 4/2004.

27. Interest rate risk exposure

Individual balances of the Parent represent substantially all of the consolidated assets, being representative the information of interest risk in individual terms for the Group.

Interest rate risks are controlled on an integrated basis by the Asset and Liability and Budget Committee (ALCO). This unit is responsible for implementing procedures to ensure that Group complies at all times with the interest rate risk control and management policies approved by the Board of Directors.

Sensitivity measurement and scenario analysis methods are used to analyse, measure and control the Group's significant interest rate risks.

The Group hedges interest rate exposure on an individual basis for all significant financial instruments that could generate equally significant risks.

The following tables contain a breakdown of maturity or interest rate review dates at 31 December 2014 and 2013. The carrying amounts of the financial assets and liabilities are grouped together by interest rate review date or by maturity, whichever is the earlier date, as follows:

31 December 2014 — Thousands of euros

Assets	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Financial assets	9 314 022	10 024 286	23 153 151	2 728 078	435 814	1 558 214	1 671 232	7 778 089
After adjustments for coverage	8 914 022	12 736 098	23 528 151	2 728 078	685 814	1 558 214	635 134	5 877 374

31 December 2014 — Thousands of euros

Liabilities	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Financial liabilities	16 426 164	4 438 238	9 187 558	6 407 403	1 654 210	9 402 501	669 757	5 229 808
After adjustments for coverage	14 426 464	7 759 995	12 160 964	5 259 629	1 299 210	8 818 202	555 732	3 135 444

31 December 2013 — Thousands of euros

Assets	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Financial assets	9 304 606	6 651 732	13 148 256	5 367 705	1 129 303	332 165	465 182	805 501
After adjustments for coverage	8 904 606	6 651 732	13 148 256	5 517 705	1 129 303	582 165	465 182	805 501

31 December 2013 — Thousands of euros

Liabilities	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Financial liabilities	13 777 936	1 936 945	5 843 221	3 259 608	1 583 830	457 875	460 059	2 549 799
After adjustments for coverage	12 077 936	3 157 502	8 541 812	4 639 758	421 606	107 875	43 801	878 984

The above tables reflect, for each period, the adjustments to fixed-rate assets and liabilities derived from the relevant derivative financial instruments contracted by Unicaja for hedging purposes, in order to present overall exposure to interest rate fluctuations.

At 31 December 2014 and 2013, the sensitivity of the entity's balance sheet to an unfavourable horizontal movement in the interest rate curve totalling 100 basis points and a scenario of maintaining the balance sheet is as follows:

	2014	2013
Financial income expected in 12 months	Less than 7%	Less than 7%
Economic value	Less than 8%	Less than 4%

28. Exposure to other market risks

Market risk relates to the losses that the Entity could incur in the event of changes in the value of its trading portfolio and available-for-sale financial assets as a result of unfavourable fluctuations in market prices or foreign exchange rates, or price volatility.

Such changes depend mainly on factors such as interest rates, in the case of fixed-income instruments. Options are subject to a number of risk factors, one of the most relevant being volatility.

The Group’s market risk control policies, methods and procedures are approved by the Board of Directors. The responsibilities of the Risk Control Department, through its Market Control Unit, include the supervision of compliance with the Group’s risk control policies, methods and procedures to ensure their adequacy, effective implementation and regular review.

The unit responsible for financial risk monitoring and control is the Market Control Unit, which is basically entrusted with ensuring that risks assumed are correctly identified, analysed, valued and reported, cooperating in the implementation of suitable risk management tools, improving position valuation models to bring them into line with the actual market context, and controlling compliance with the risk limits defined. This unit also systematically controls and monitors treasury and capital market transactions.

In order to ensure adequate market risk management, the Group uses a software application to define market risk calculations and authorized limits. For each group of portfolios managed, limits are defined for “Open positions”, “Stop losses” and “VaR” so as to avoid any significant adverse impact on solvency or on results, in view of the complexity of the risks assumed.

Exposure to market price fluctuations

Price risk is the risk that the fair value of equity securities may decline as a result of changes in market indices or stock prices. Price risk arises on positions in financial assets or liabilities held for trading and in available-for-sale financial assets.

Set out below is an analysis of price risk sensitivity derived from the Group's equity positions in financial markets at 31 December 2014 and 2013:

	Thousands of euros		
Decline in the market price (quotations)	**Impact on results**	**Impact on valuation adjustments**	**Total impact on equity**
Impact at 31 December 2014 of a 1% decrease in the market price	-	4 805	4 805
Impact at 31 December 2013 of a 1% decrease in the market price	59	3 066	3 125

One percent variance in the relevant equity price fluctuation risk variables was assumed because this “impact” is a standard measurement in both the financial sector and in the Unicaja Banco Group to ascertain the level of risk exposure.

In the current context of high market volatility, it is very difficult to determine what constitutes a “reasonably possible change” in risk variables. However, we consider it to be appropriate to report on sensitivity to a 1% "impact" so that public information users may rescale this effect based on their market expectations.

The above table does not include equity instruments recognized in the portfolio of available-for-sale financial assets for which there is no active market and that are carried in the consolidated annual accounts at cost, net of any impairment losses, since their fair value cannot be determined in a sufficiently objective manner. The consolidated carrying amount of these instruments at 31 December 2014 and 2013 totals € 241,132 thousand and € 176,014 thousand, respectively.

Exposure to foreign exchange risk

Structural foreign exchange risk arises basically from exposure to exchange rate fluctuations on securities investments in non-euro currencies.

The Unicaja Banco Group manages structural foreign exchange risk to minimise potential adverse impacts of foreign exchange fluctuations on capital adequacy ratios and on contributions to the results of foreign currency investments.

At 31 December 2014 and 2013, exposure to foreign exchange fluctuations in the Unicaja Banco Group is immaterial, since there are no significant assets or liabilities in the consolidated balance sheet that are denominated in non-euro currencies. The equivalent value in euros of the Group's total assets and liabilities denominated in foreign currencies at 31 December 2014 and 2013 is analysed below:

	Thousands of euros	
	2014	**2013**
Equivalent value of the assets in foreing currency	**99 602**	**38 000**
Of which:% in U.S. dollars	83%	75%
Of which:% in sterling	7%	14%
Of which:% quoted in other currencies in the Spanish market	10%	11%
Equivalent value of foreign currency liabilities	**67 243**	**14 617**
Of which:% in U.S. dollars	85%	80%
Of which:% in sterling	6%	17%
Of which:% quoted in other currencies in the Spanish market	9%	4%

The equivalent value in euros of assets denominated in foreign currencies accounts for 0.15% and 0.09% of total consolidated assets at 31 December 2014 and 2013, respectively, while the equivalent value in euros of liabilities denominated in foreign currencies represents 0.10% and 0.04% of total consolidated assets at the respective dates.

29. Director's duties of loyalty

In accordance with the provisions of Article 229 of Law 31/2014 (3) which amends the Spanish Companies Act 2010 to improve corporate governance and to reinforce the transparency of public limited liability companies, the Directors have informed the Entity that in 2014 they or persons associated with them, as defined by Article 231 of the Spanish Companies Act 2010:

a) Carried out transactions with the entity, excluding ordinary transactions carried out under standard customer conditions and of little relevance, with the understanding that the information for such transactions is not necessary to express a true and fair view of the equity, financial situation and the results of the entity.

b) They have not used the name of the Company or invoked their position as Director to unduly influence private transactions.

c) They have not made use of business assets, including the Company's confidential information, for private purposes.

d) Business opportunities with the entity have not been taken.

e) No advantages for compensation from third parties other than the Company and its group have not been obtained with respect to the performance of their duties, except when involving merely courtesy gifts.

f) No activities have been carried out on their own behalf or the behalf of a third party that represent effective competition, whether actual or potential, with the entity or which, in any other way, places them in permanent conflict with the entity's interests.

Without affecting the statements made in the preceding paragraphs, it should be noted that Mr. Manuel Atencia Robledo (Executive Vice Chair of the Bank), provided written notification to the Bank's Nomination and Compensation Committee on 13 November 2014 that he had subscribed to 120 shares representing 4% of the capital of GV&AR Newco Corporate & Investment Services, S.L., whose corporate purpose is "advisory services regarding capital structures, financial restructuring, industrial strategy and similar matters, as well as advisory and other services relating to the valuation of companies, mergers, spin-offs, sales, the acquisition of companies and obtaining financing, excluding legal and tax advisory services in these areas". The Company's bylaws expressly state that "under no circumstances does the corporate purpose include the activities reserved for credit institutions, which are expressly excluded".

The Bank's Executive Vice Chair also stated that he is not an administrator and has no responsibility whatsoever with respect to the company's management and his brothers, which own shares in that company, also do not hold management positions. He further stated that he understood that both his shareholding in the company and those held by persons associated with him do not constitute effective competition with Unicaja Banco that represents a permanent conflict of interest with the Entity's interests.

At the request of the Director, at a meeting held on 17 December 2014 the Nomination and Compensation Committee at Unicaja Banco adopted a resolution stating that there were no circumstances that impede the Director from holding the 120 shares representing 4% of the share capital of the company and that there were no circumstances, due to the sole reason of holding that interest, represent any incompatibility or limitation to the conditions necessary to being a Bank Director.

30. Other significant information

30.1 Contingent exposures

Set out below is a breakdown of contingent exposures assumed by the Group at 31 December 2014 and 2013:

	Thousands of euros	
	2014	**2013**
Financial guarantees	98 437	35 175
Technical guarantees	1 105 051	698 262
Credit derivatives sold	150 000	150 000
Irrevocable documentary credits	2 609	1 254
Other commitments	1 615	8 160
	1 357 712	**892 851**

A significant portion of these guarantees will expire without any payment obligation for the entities and, therefore, the aggregate balance of these commitments cannot be considered as an actual future need for financing or liquidity to be provided by the Institution to third parties.

Income from guarantee instruments is recognized under “Fee and commission income” and “Interest and similar income” (in the amount actualized of the value of the commissions) in the income statement for the years 2014 and 2013 and is calculated by the rate established in the related contract to the nominal amount of the guarantee.

Provisions registered to cover these guarantees provided, which have been calculated applying similar principals used for impairment losses on financial assets valued at amortized cost, are recognized under the heading “Provisions - provisions for contingent exposure and commitments” in the consolidated balance sheet (Note 17).

30.2 Assets assigned and accepted as collateral

At 31 December 2014 and 2013 assets owned by the Group guaranteed operations, liabilities and contingent liabilities assumed. The carrying value of the financial assets delivered as guarantee of these liabilities and contingent liabilities and similar at 31 December 2014 and 2013 was as follows:

	Thousands of euros	
	2014	**2013**
Pledge of securities	10 044 005	5 162 574
Pledge of non-mortgage loans	791 600	226 798
	10 835 605	**5 389 372**

At 31 December 2014 and 2013, these amounts relate mostly to pledged securities and non-mortgage loans, under a Bank of Spain policy, for the obtainment of long-term financing maturing in 2015.

As regards the pledge terms and conditions, the guarantees furnished by Unicaja Banco to the Bank of Spain will not be affected, and this is made extensive, by express, irrevocable agreement between the parties, to any automatic or express extensions, renewals or novations of any type that could affect the commitments secured, and will remain in force until the full cancellation of the commitments and of any commitments into which they may be novated or by which they may be replaced.

The Bank has not received any assets as collateral that it is authorized to sell or pledge, irrespective of whether or not there is any default on the part of the asset owner. Consequently, the breakdown required by IFRS 7, paragraph 15 is not applicable.

30.3 Drawable by third parties

At 31 December 2014 and 2013 the limits on financing contracts granted and the amounts utilized, for which the Group has assumed any credit commitment above the amount recognized in assets in the balance sheet at those dates, are set out below:

	Thousands of euros			
	2014		2013	
	Available amount	Limit granted	Available amount	Limit granted
With immediate availability -	2 033 283	3 865 850	1 232 590	1 888 558
Credit institutions	3 761	58 433	263	15 087
Public entities	109 272	317 372	29 427	59 123
Other sectors	1 920 250	3 490 045	1 202 900	1 814 348
Available subject to conditions -	567 252	2 736 507	458 949	3 279 898
Public entities	37 143	152 576	2 280	39 649
Other sectors	530 109	2 583 931	456 669	3 240 249
	2 600 535	**6 602 357**	**1 691 539**	**5 168 456**

30.4 Party funds under management by the Group and securities held in custody

The breakdown of the funds out of balance managed by the Group at 31 December 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013
Mutual funds	4 517 098	1 933 444
Investment funds	125 223	96 596
Other financial instruments	211 639	351 899
Assets under management	871 906	781 397
	5 725 866	**3 163 336**

Set out below is a breakdown of off-balance sheet customer funds marketed by the Group in 2014 and 2013:

	Thousands of euros	
	2014	**2013**
Mutual funds	4 605 841	1 967 158
Investment funds	125 223	96 596
Pension funds	2 132 607	761 984
Assets under management	871 906	781 397
Insurance products	3 202 578	1 469 089
	10 938 155	**5 076 224**

Additionally, following is a breakdown of the fair value of third-party funds held in custody of the Group at 31 December 2014 and 2013:

	Thousands of euros	
	2014	**2013**
Debt securities and equity instruments	10 263 531	4 791 704
Other financial instruments	356 484	78 350
	10 620 015	**4 870 054**

30.5. Financial instrument reclassifications

During 2014 and 2013 the Group has not performed reclassifications of debt securities.

30.6 Asset securitization

The outstanding balance for transfers of financial assets made by the Group at 31 December 2014 and 2013 is as follows:

	Thousands of euros	
	2014	**2013**
Written off the balance before 1 January 2004	-	-
Held entirely in balance sheet		
AyT Colaterales Global Hipotecario Caja España, I, F.T.A.	163 560	-
	163 560	**-**

Set out below is a breakdown by nature of securitized loans entirely recognized in the Unicaja Banco Group's consolidated balance sheet at 31 December 2014 and 2013:

	Thousands of euros	
	2014	**2013**
Securitized loans held entirely in the balance	**163 560**	**-**
Mortgage securitized assets	163 560	-
Other securitized assets	-	-
Loans to companies	-	-
Consumer loans	-	-
Liabilities associated with assets held in balance	**165 048**	**-**
Net position (difference between assets and liabilities)	**(1 488)**	**-**

The Bank is deemed to have retained substantially all the risks and rewards associated with the financial assets transferred, since it has acquired all the securitization bonds issued. For this reason, the financial assets transferred have not been written off the consolidated balance sheet and are carried on the same basis as prior to the transfer. In accordance with applicable legislation, both the assets recognized in the balance sheet and an associated financial liability in the same amount as the payment received, carried at amortized cost, are recognized in the accounts without any offset; the income from the financial assets transferred but not written off and the expense on the new financial liabilities are recognized in the consolidated income statement.

The main characteristics of each securitization in the year 2014 and 2013 are the following:

					Thousands of euros	
	Serial	**Nominal Amount**	**Amount 31/12/14**	**Amount 31/12/13**	**Return**	**Maturity**
FUND						
	A	437 500	102 548	-	Euribor 6m + 0.30%	24/05/2047
	B	45 000	45 000	-	Euribor 6m + 0.60%	24/05/2047
AyT Colaterales Global Hipotecario I, F.T.A.	C	11 000	11 000	-	Euribor 6m + 1.50%	24/05/2047
Caja España, F.T.A.	D	6 500	6 500	-	Euribor 6m + 2.50%	24/05/2047
		500 000	**165 048**	**-**		

(*) The carrying amount of the original assets transferred matches the amount of associated liabilities issued.

The fair value of the transferred assets that are maintained in the balance sheet and the associated liabilities that are supported by those assets do not significantly differ from their carrying value and therefore the net position between the fair value of both items does not significantly differ from the amount set out in the above tables.

In 2013, the securitized assets were repurchased by the Bank and the securitization funds were cashed. The financial assets transferred remained in the Bank's balance sheet, associated risks and rewards having been substantially retained, such that the repurchase did not increase the Bank's loan portfolio; the financial liabilities recognized were cancelled in the amount of the cash received, in accordance with applicable regulations.

- On 10 July 2013, the securitization fund named "Unicaja AyT Empresas I, F.T.A." was liquidated in advance. On that same date, the assets securitized through the fund were repurchased for a price of € 110,453 thousand, equivalent to the outstanding balance pending collection on the assets repurchased, including related write-off assets, plus accrued unmatured interest.

- On 14 October 2013, Unicaja Banco acquired from the securitization fund "Unicaja TDA VPO, F.T.A." the 3,000 mortgage bonds and 472 mortgage transfer certificates subscribed for by the fund, for a price of € 143,177 thousand, which was the value of these securities at 30 September 2013, including outstanding principal (matured and not paid, and not yet matured) and accrued unpaid interest. On 28 October 2013, a contract cancellation agreement was concluded between Unicaja Banco, S.A. and the asset securitization fund (represented by the management company) for the funds advance liquidation.

- On 14 October 2013, Unicaja Banco acquired from the securitization fund "Unicaja Andalucía FT Vivienda TDA 1, F.T.A." the 2,009 mortgage bonds and 1,524 mortgage transfer certificates subscribed for by the fund, for a price of € 139,490 thousand, which was the value of these securities at 30 September 2013, including outstanding principal (matured and not paid, and not yet matured) and accrued unpaid interest. On 28 October 2013, a contract cancellation agreement was concluded between Unicaja Banco, S.A. and the asset securitization fund (represented by the management company) for the funds advance liquidation.

- On 23 October 2013, the securitization fund named "AyT Unicaja Financiación I, F.T.A." was liquidated in advance. On 21 October 2013, the assets securitized through this fund were repurchased for a price of € 88,707 thousand, equivalent to the outstanding balance pending collection on the assets repurchased, including related write-off assets, plus accrued unmatured interest.

30.7 Netting arrangements and guarantees

In addition to the amounts that may be offset in the accounts under IAS 32, there are other netting agreements and guarantees which, though not netted in the accounts because the necessary requirements are not fulfilled, effectively reduce credit risk.

There follows a breakdown at 31 December 2014 and 2013 of derivative financial instruments (Notes 8 and 11) in the situation described, showing separately the effects of these agreements and collateral received and/or furnished by the Group:

				Thousands of euros
		2014		2013
Derivative financial instruments	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Gross exposure (book value)	**974 367**	**107 009**	**549 982**	**56 069**
Netting agreements and collaterals	**(741 640)**	**(104 210)**	**(537 020)**	**(26 580)**
Netting arrangements	-	-	-	-
Collateral received/furnished	(741 640)	(104 210)	(537 020)	(26 580)
Net exposure	**232 727**	**2 799**	**12 962**	**29 489**

The amounts of collateral in the form of cash and financial instruments reflect fair values. The netting rights depend on counterparty default and relate to collateral in the form of cash and financial instruments.

In connection with the Group's asset reverse repos and repos, there are other agreements entailing the receipt and/or submission of the following guarantees in addition to the guarantee built into these operations:

				Thousands of euros
		2014		2013
Guarantees associated with acquisitions and temporary assignment of assets	**Delivered**	**Received**	**Delivered**	**Received**
In cash	129 520	-	92 589	250
In stock	-	-	-	-
	129 520	**-**	**92 589**	**250**

31. Interest and similar income

Set out below is a breakdown of the origin of the most significant interest and similar income accrued by the Group in 2014 and 2013:

	Thousands of euros	
	2014	2013
Balances at central banks (Note 7)	472	926
Deposits with credit institutions (Note 10.1)	10 219	29 376
Money market operations through counterparties (Note 10.1)	6 179	12 295
Loans and advances to customers (Note 10.1)	912 484	671 798
Debt securities	519 130	379 063
Doubtful assets (Note 10.1)	17 742	9 814
Rectification of revenues arising from accounting hedges	3 333	(6 153)
Insurance contracts related to pensions and similar obligations	3 565	4 721
Other revenues	934	1 427
	1 474 058	**1 103 267**

Set out below is a breakdown of the amounts recognized in "Interest and similar income" in the consolidated income statements for 2014 and 2013, classified on the basis of the relevant financial instrument portfolio:

	Thousands of euros	
	2014	2013
Financial assets at fair value with change through profit and loss- Held for trading (Note 8.1)	3 647	3 376
Available-for-sale financial assets (Note 9.1)	181 418	100 770
Maturity investment portfolio (Note 9.4)	261 181	237 663
Loans and receivables	1 013 801	740 313
Money market operations through counterparties	6 179	12 295
Rectification of revenues resulting from accounting hedges	3 333	(6 153)
Other revenues	4 499	15 003
	1 474 058	**1 103 267**

32. Interest expense and similar charges

The breakdown of the balance of this caption in the consolidated income statements for 2014 and 2013 is as follows:

	Thousands of euros	
	2014	2013
Deposits from central banks (Note 16.1)	14 262	33 625
Deposits from credit institutions (Note 16.2)	19 289	18 667
Money market operations through counterparties (Note 16.3)	4 288	8 758
Deposits from other creditors (Note 16.3)	718 084	482 218
Debt securities issued (Note 16.4)	101 969	101 522
Subordinated liabilities (Note 16.5)	40 073	2 671
Rectification of costs arising from accounting hedges	(151 581)	(162 959)
Costs attributable to pension funds arranged (Note 17)	5 498	5 344
Other interests	3 502	1 355
	755 384	**491 201**

Set out below is a breakdown of the amounts recognized in “Interest expense and similar charges” in the consolidated income statements for 2014 and 2013, classified on the basis of the relevant financial instrument portfolio:

	Thousands of euros	
	2014	2013
Financial liabilities at amortized cost	897 965	647 461
Rectification of costs arising from accounting hedges	(151 581)	(162 959)
Other interests	9 000	6 699
	755 384	**491 201**

33. Return on equity instruments

The breakdown of the balance of this caption in the consolidated income statements for 2014 and 2013 by portfolio and nature of the financial instruments is as follows:

	Thousands of euros	
	2014	2013
Equity instruments classified as:		
Financial assets held for trading	-	33
Available-for-sale financial assets	36 273	24 856
	36 273	24 889
Equity instruments having the nature of:		
Shares	36 273	24 441
Investments in Institutions of Collective Investment	-	448
	36 273	**24 889**

34. Results of equity-consolidated entities

A breakdown by company of this consolidated income statement caption for 2014 and 2013 is as follows:

	Thousand of euros	
	2014	2013
Autopista del Sol Concesionaria Española, S.A.	(1 392)	(1 926)
EBN Banco de Negocios, S.A.	1 489	(1 099)
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.	20 416	19 876
Hidralia, Gestión Integral de Aguas de Andalucía, S.A.	3 658	3 374
Grupo Hoteles Playa, S.A.	-	(1 134)
Deoleo, S.A.	(2 422)	1 223
Sociedad Municipal de Aparcamientos y Servicios, S.A.	268	301
Ingeniería e Integración Avanzadas, S.A. (Ingenia)	(9)	(562)
Autopista del Guadalmedina, Concesionaria Española, S.A.	-	(2 163)
ADE Gestión Sodical, S.G.E.C.R., S.A.	3	-
Ahorro Gestión de Inmuebles, S.A.	(63)	-
Barrancarnes Transformación Artesanal, S.A.	(27)	-
Capredo Investments GMBH	616	-
Cartera Perseidas, S.L.	8	-
Centro de Tecnologías Informáticas, S.A.	9	-
Gestión e Investigación de Activos, S.A.	134	-
Investigación y Desarrollo de Energías Renovables, S.L.	525	-
Madrigal Participaciones, S.A.	(9 324)	-
Aciturri Aeronáutica, S.A.	1 835	-
Rest of entities	(4 575)	(2 263)
	11 149	**15 627**

35. Fee and commission income

Set out below is fee revenue accrued in 2014 and 2013, classified taking into account the main items involved, together with the consolidated income statements for those years in which such revenue has been recorded:

	Thousands of euros	
	2014	2013
Interest and similar revenues		
Origination fees	27 683	24 226
	27 683	**24 226**
Fees received		
Fees relating to contingent risks	10 054	6 837
Fees relating to contingent commitments	3 565	1 863
Fees relating to collection and payment services	125 612	86 502
Fees relating to investment and complementary activities	30 800	25 610
Fees relating to foreign currency and note exchange	391	329
Fees relating to marketing of non-bank financial products	65 464	31 998
Other	14 566	3 297
	250 452	**156 436**
Other operating income		
Compensatory fees of direct costs (Note 38)	2 785	1 503
	2 785	**1 503**

36. Fee and commission expense

Set out below is fee and commission expense accrued in 2014 and 2013, classified taking into account the main items involved, together with the consolidated income statements for those years in which such expense has been recorded:

	Thousands of euros	
	2014	**2013**
Fee and commission expense		
Commissions paid to intermediaries	2 498	824
Other commissions	279	152
	2 777	**976**
Fees Paid		
Debit and credit operations	487	459
Commissions ceded to other Banks and correspondent banks	16 371	13 796
Commission expense on securities transactions	1 259	1 103
Other Fees	5 100	4 139
	23 217	**19 497**

37. Gains or losses on financial assets and liabilities

The breakdown of the balance of this caption in the consolidated income statements for 2014 and 2013 by portfolio of the financial instruments involved is as follows:

	Thousands of euros	
	2014	**2013**
Trading portfolio	(8 941)	2 966
Available-for-sale financial assets (Note 9.3)	273 733	141 595
Equity instruments	*13 324*	*6 425*
Debt	*260 409*	*135 170*
Credit investments	22 136	283
Held-to-maturity investments (Note 9.4)	103 246	93 044
Financial liabilities at amortized cost	13	-
Hedging derivatives	(121)	3 518
	390 066	**241 406**

In the years 2014 and 2013, the amount collected under the heading "Results from financial operations - assets held for sale - Equity instruments" mainly comprises disposal operations described in Notes 9.1 and 9.3.

In 2014, profits recognized in relation to held-to-maturity securities, totalling € 103,246 thousand (€93,044 thousand in 2013), relate to the sale of a part of the debt securities included in the portfolio (Note 9.4). The transaction fulfils the requirements of paragraph GA22 of IAS 39 and therefore the remainder of the held-to-maturity debt securities need not be reclassified to the available-for-sale portfolio (Note 2.2.4).

38. Other operating income

The breakdown of the balance of this caption in the consolidated income statements for 2014 and 2013 is as follows:

	Thousands of euros	
	2014	**2013**
Income from property investments (Note 13.2)	13 550	6 610
Commissions offsetting direct costs (Note 35)	2 785	1 503
Sales and income from non-financial services	31 406	33 088
Insurance premium income	31 432	23 260
Other	15 247	4 244
	94 420	**68 705**

At 31 December 2014, the item "Other non-recurring income" basically includes incomes from insurance and re-insurance contracts. At 31 December 2013, this item includes the amount of € 23,250 thousand obtained from the assignment on 31 December 2013 of exclusive rights to distribute home insurance for a five-year period.

39. Other operating expense

This breakdown of this heading in the consolidated income statements for 2014 and 2013 is as follows:

	Thousands of euros	
	2014	**2013**
Operating expenses on Real State	2 187	299
Insurance and re-insurance contracts charges	57 668	-
Contribution to the Deposit Guarantee Fund (Note 1.9)	64 582	52 190
Other	9 764	29 962
	134 201	**82 451**

The heading "Other" includes the cost of the sales services that constitute the core activity of the non-financial subsidiaries consolidated with the Group.

40. Administrative expenses

40.1 Staff costs

The breakdown of "Staff costs" in the consolidated income statements for the years 2014 and 2013 is as follows:

	Thousands of euros	
	2014	**2013**
Wages and salaries	306 335	198 350
Social securities costs	87 333	54 257
Appropriations to defined benefit pension plans	283	311
Appropriations to defined contribution pension plans	9 908	9 320
Indenisations	1 321	64
Staff training expenses	1 120	890
Other staff costs	8 672	6 747
	414 972	**269 939**

The average number of Group's employees, by professional category, at 31 December 2014 and 2013 is as follows:

	Average number of Employees			
	2014		2013	
	Men	**Women**	**Men**	**Women**
Group 1	**2 566**	**1 784**	**2 614**	**1 805**
Level I	14	1	15	1
Level II	41	4	44	5
Level III	136	18	136	17
Level IV	325	70	317	67
Level V	708	267	676	241
Level VI	359	144	384	151
Level VII	367	299	401	308
Level VIII	301	327	290	313
Level IX	81	155	96	156
Level X	51	154	50	151
Level XI	163	308	168	347
Level XII	16	32	31	39
Level XIII	4	5	6	9
Group 2	**20**	**7**	**20**	**7**
Level I	3	-	3	-
Level II	12	5	12	5
Level III	2	2	-	2
Level IV	2	-	4	-
Level V	1	-	1	-
Cleaners	**-**	**12**	**-**	**13**
Total Parent	**2 586**	**1 803**	**2 634**	**1 825**
Other subsidiaries	**2 209**	**1 897**	**253**	**195**

The table below details a breakdown by concepts of the amounts recognized in the headings "Provisions - provisions for pensions and similar obligations" and "Insurance contracts linked to pensions" in the consolidated balance sheets at 31 December 2014 and 2013:

	Thousands of euros	
	2014	**2013**
Provisions - Provisions for pensions and similar obligations -	**353 633**	**183 950**
Post-employment benefits	190 288	141 453
Other long-term benefits	163 345	42 497
Insurance contracts linked to pensions	**147 763**	**132 097**
Post-employment benefits	147 763	132 097

Changes in the provisions recognized by the Group during the years ended 31 December 2014 and 2013 are detailed in Note 17.

40.1.1 Post-employment commitments

During 2002 the Group agreed with its employees to modify and transform the employee pension supplement system into a mixed model of defined contribution and defined benefit system externalized to Unifondo Pensiones V, Fondo de Pensiones. To finish this modification and transformation, the Entity surrendered the insurance policies that before covered the actuarial liabilities. Simultaneously, funds were appropriated to the internal pension fund, a part of which was subsequently externalized to Unifondo V, Fondo de Pensiones.

During 2014 Unicaja Banco Group acquired 60.70% in the share capital of Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (Banco CEISS) which, in accordance with its current employment agreements, must pay a supplement for Social Security benefits relating to its employees, or their heirs, in the case of retirement, widowhood, orphan hood, permanent disability or serious disability. Banco CEISS' post-employment commitments are included in the consolidated financial statements for Unicaja Banco starting on the date control was acquired (on 28 March 2014, as is stated in Note 1.2).

At 31 December 2014 and 2013, the balance of Unifondo Pensiones V, Fondo de Pensiones amounted to €308,745 thousand and €291,156 thousand, respectively. This amount covers needs of defined contribution and defined benefits commitments calculated in Note 2.12.

40.1.1.1 General information on post-employment commitments

Set out below are different commitments of post-employment, such as defined contribution and defined benefit commitments assumed by the Group:

Defined benefit plans

The contributions made by the Group to the fund of external pension funds in 2014 amounted to €10,117 thousand (€9,320 thousand in 2013) and are recognized in “Staff costs” in the income statement.

Defined contribution plans

The present value of the commitments has been defined by qualified actuaries as follows:

- Calculation method: “projected credit unit method”, whereby each year of service an additional unit of right to benefits is generates and valued separately.

- Actuarial assumptions used: consistent and compatible assumptions. The specific actuarial assumptions employed are stated in Note 2.12.

- Estimated retirement age of employees: calculated for each employee using the best information available at the reporting date.

The fair value of non-plan assets covering pension commitments includes the fair value of the insurance policy taken out by the Group with the insurer Unicorp Vida, Compañía de Seguros y Reaseguros, S.A. to cover commitments with employees who are guaranteed a supplementary benefit on retirement, as explained previously. As this insurance policy is contacted with a company related to the Bank (Note 12), it is recognized at fair value in the item “Insurance contracts linked to pensions" in assets, as it is not deemed to be a “plan asset”. The policy's fair value has been calculated using actuarial methods, discounting payments flows stipulated in the policy at the discount rate applicable according to the IBOXX AA Corporate curve, based on the financial term of the commitments.

At 31 December 2014 and 2013 the fair value of the assets allocated to cover post-employment remuneration is as follows:

	Thousands of euros	
	2014	2013
Nature of assets allocated to cover commitments		
Assets of the plan covered by insurance policy with Unicorp Vida, S.A.	112 733	35 061
Assets of the plan covered by pension plans in other independent entities	-	-
Insurance policies contracted by the plan with Unicorp Vida, S.A. and allocated to cover defined benefit commitments	147 762	132 097
Uninsured defined contribution pension plan	5 846	-
External defined contribution pension plan	478 911	212 072
	745 252	**379 230**

40.1.1.2 Information on defined-contribution post-employment commitments

Pension commitments arranged under defined contribution plans are settled by means of annual payments made by the Group to beneficiaries, who are almost exclusively serving employees. The contributions are charged to the consolidated income statement for the period (Note 2.12.1) and do not therefore entail the recognition of a liability in the accompanying consolidated balance sheet.

The amounts recognized in the accompanying consolidated income statement in respect of contributions made to these plans in 2014 and 2013 totaled € 10,117 thousand and € 9,320 thousand, respectively (Note 40.1.1.1).

40.1.1.3 Information on defined-benefit post-employment commitments

Actuarial losses and gains on defined benefit plans recognized in the 2014 consolidated statement of recognized income and expenses as items of other recognized income and expenses that will not be taken to the income statement total a gross loss of € 5,567 thousand (€519 thousand in 2013), entailing a net loss of € 3,897 thousand (€363 thousand in 2013) after the tax effect.

Set out below is the reconciliation between the opening and closing balances of the present value of Unicaja Banco's defined benefit commitments for 2014 and 2013:

	Thousand of euros				
2014	**Plan 1 Unicaja**	**Plan 2 Unicaja**	**Plan 1 BCEISS**	**Plan 2 BCEISS**	**Total**
Present value of obligations at 1 January 2014	**105 074**	**36 378**	**-**	**-**	**141 452**
(i) Cost of current services	255	28	28	21	332
(ii) Borrowing costs	2 853	1 064	192	3 065	7 174
(iii) Contributions made by plan participants	-	-	-	-	-
(vi) Actuarial losses and gains	14 018	5 355	1 128	15 104	35 605
iv.1. Due to changes in demographic assumptions	916	123	(159)	(427)	453
iv.2. Due to changes in financial assumptions	13 102	5 232	1 287	15 531	35 152
iv.3. Adjustments due to experience	-	-	-	-	-
(v) Exchange rate changes	-	-	-	-	-
(vi) Benefits paid	(8 085)	(1 479)	(613)	(6 640)	(16 817)
(vii) Cost of past services	-	-	-	-	-
(viii) Business combinations	-	-	7 075	98 132	105 207
(ix) Reductions	-	-	(372)	(1 318)	(1 690)
(x) Plan settlements	(32)	-	-	-	(32)
Present value of obligations at 31 December 2014	**114 083**	**41 346**	**7 438**	**108 364**	**271 231**

2013	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 BCEISS	Plan 2 BCEISS	Total
					Thousand of euros
Present value of obligations at 1 January 2013	**93 016**	**37 708**	**-**	**-**	**130 724**
(i) Cost of current services	273	38	-	-	311
(ii) Borrowing costs	4 009	959	-	-	4 968
(iii) Contributions made by plan participants	-	-	-	-	-
(vi) Actuarial losses and gains	16 910	(795)	-	-	16 115
iv.1. Due to changes in demographic assumptions	-	-	-	-	-
iv.2. Due to changes in financial assumptions	15 185	(228)	-	-	14 957
iv.3. Adjustments due to experience	1 725	(567)	-	-	1 158
(v) Exchange rate changes	-	-	-	-	-
(vi) Benefits paid	(9 134)	(1 532)	-	-	(10 666)
(vii) Cost of past services	-	-	-	-	-
(viii) Business combinations	-	-	-	-	-
(ix) Reductions	-	-	-	-	-
(x) Plan settlements	-	-	-	-	-
Present value of obligations at 31 December 2013	**105 074**	**36 378**	**-**	**-**	**141 452**

Set out below is the reconciliation between the opening and closing balances of the fair value of the plan assets and the opening and closing balances of any reimbursement rights capitalized by Unicaja Banco in 2014 and 2013:

2014	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 BCEISS	Plan 2 BCEISS	Total
					Thousand of euros
Present value of obligations at 1 January 2014	**104 078**	**28 019**	**-**	**-**	**132 097**
(i) Cost of current services	276	77	13	(2 954)	(2 588)
(ii) Borrowing costs	2 740	800	282	2 228	6 050
(iii) Contributions made by plan participants	-	-	-	-	-
(vi) Actuarial losses and gains	13 921	3 907	-	12 185	30 013
iv.1. Due to changes in demographic assumptions	(841)	(37)	9	(310)	(1 179)
iv.2. Due to changes in financial assumptions	14 762	3 944	(9)	12 495	31 192
iv.3. Adjustments due to experience	-	-	-	-	-
(v) Exchange rate changes	-	-	-	-	-
(vi) Benefits paid	(8 085)	(1 479)	(613)	(4 912)	(15 089)
(vii) Cost of past services	-	-	-	-	-
(viii) Business combinations	-	-	7 300	73 881	81 181
(ix) Reductions	-	-	(425)	(1 306)	(1 731)
(x) Plan settlements	(8)	-	-	-	(8)
Present value of obligations at 31 December 2014	**112 922**	**31 324**	**6 557**	**79 122**	**229 925**

2013	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 BCEISS	Plan 2 BCEISS	Total
					Thousand of euros
Present value of obligations at 1 January 2013	**91 764**	**27 594**	**-**	**-**	**119 358**
(i) Cost of current services	2 360	729	-	-	3 089
(ii) Borrowing costs	4 011	710	-	-	4 721
(iii) Contributions made by plan participants	-	-	-	-	-
(vi) Actuarial losses and gains	15 077	518	-	-	15 595
iv.1. Due to changes in demographic assumptions	-	-	-	-	-
iv.2. Due to changes in financial assumptions	14 438	655	-	-	15 093
iv.3. Adjustments due to experience	639	(137)	-	-	502
(v) Exchange rate changes	-	-	-	-	-
(vi) Benefits paid	(9 134)	(1 532)	-	-	(10 666)
(vii) Cost of past services	-	-	-	-	-
(viii) Business combinations	-	-	-	-	-
(ix) Reductions	-	-	-	-	-
(x) Plan settlements	-	-	-	-	-
Present value of obligations at 31 December 2013	**104 078**	**28 019**	**-**	**-**	**132 097**

Set out below is the reconciliation of the present value of the defined-benefit post-employment commitments and the fair value of the plan assets (excluding insurance contracts linked to pensions), against the assets and liabilities recognized in Unicaja Banco's balance sheet at 31 December 2014 and 2013:

2014	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 BCEISS	Plan 2 BCEISS	Total
					Thousand of euros
Present value of obligations at 31 December 2014	**114 083**	**41 346**	**7 438**	**108 364**	**271 231**
(i) Cost of past services not recognized in the balance sheet	-	-	-	-	-
(ii) Any amount not capitalized	-	-	-	1 220	1 220
(iii) Fair value of any reimbursement right Capitalized	-	-	-	-	-
(iv) Other amounts recognized in the balance sheet	(1 980)	(41 346)	(1 592)	(33 267)	(78 185)
Fair value of assets at 31 December 2014	**112 103**	**-**	**5 846**	**76 317**	**194 266**

2013	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 BCEISS	Plan 2 BCEISS	Total
					Thousand of euros
Present value of obligations at 31 December 2013	**105 074**	**36 378**	**-**	**-**	**141 452**
(i) Cost of past services not recognized in the balance sheet	-	-	-	-	-
(ii) Any amount not capitalized	-	-	-	-	-
(iii) Fair value of any reimbursement right Capitalized	-	-	-	-	-
(iv) Other amounts recognized in the balance sheet	(1 818)	(36 378)	-	-	(38 196)
Fair value of assets at 31 December 2013	**103 256**	**-**	**-**	**-**	**103 256**

Set out below is a breakdown of the total expense recognized in the consolidated income statements for 2014 and 2013:

Definition	According to IAS 19
a) Cost of current services	Staff costs
b) Borrowing costs	Interest expense and similar charges
c) Expected return on assets	Interest and similar income
d) Cost of past services recognized during the period	Charge to provisions (net)

2014	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 BCEISS	Plan 2 BCEISS	Total
					Thousand of euros
a) Cost of current services	255	28	28	21	332
b) Borrowing costs	134	1 064	28	982	2 208
c) Expected return on assets	(21)	(800)	(36)	(113)	(970)
d) Cost of past services recognized during the period	-	-	-	-	-
e) Past service costs recognized in the year	(25)	-	53	(106)	(78)

2014	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 BCEISS	Plan 2 BCEISS	Total
					Thousand of euros
a) Cost of current services	273	38	-	-	311
b) Borrowing costs	4 009	959	-	-	4 968
c) Expected return on assets	(4 011)	(710)	-	-	(4 721)
d) Cost of past services recognized during the period	-	-	-	-	-
e) Past service costs recognized in the year	-	-	-	-	-

Set out below are the main actuarial assumptions used by Unicaja Banco at 31 December 2014:

Plan 1 Actuarial Assumptions of Unicaja Banco:

- o Updated tables: PERMF 2000-P
- o Discount rates:
    - Market rate as per the financial term of commitment flows and applying the IBOXX AA Corporate curve at 31 December 2014 for highly-rated Eurozone corporate bonds.
    - Each commitment has a term of between 17.73 and 8.93 for the commitments and between 11.47 and 4.43 for the assets.
    - The rates applied to each commitment fluctuate between 3.08% and 2.78% for the commitments and 2.92% and 1.91% for the assets.
- o Salary growth rate: 2%
- o Social Security pension growth rate: 0
- o Contribution base growth rate:
    - Contribution bases increase until they reach the actual salaries, up to the limits of the maximum contribution base for each rate group.
    - Maximum contribution base growth rate: 1%
- o Pension increase rate: 1%
- o Expected yield on plan assets:
    - For assets covering commitments insured under the Group II policy (Defined Benefit. Collective Bargaining Agreement for Savings Banks. Former Unicaja), a rate of 2.15% is applied.
    - For assets covering commitments insured under the Group III policy (Defined Benefit. Employees from Banco Urquijo), a rate of 2.14% is applied.
    - For assets covering commitments insured under the Group VI policy (Plan beneficiaries) with cash-flow matching, a rate of 4.87% is applied.
    - For assets covering commitments insured under the policy for Beneficiaries from Groups I (Mixed. General System), II and III that receive actuarial income, a rate of 2.88% is applied.
    - For assets covering commitments insured under the policy for benefits not financed by the Plan due to contribution limits, a rate of 2.15% is applied.
- o Rate of yield on any reimbursement right recognized: 0
- o Estimated retirement age: 65, except for participants in respect of whom the retirement age is brought forward.
- o Rotation: No

Plan 2 Actuarial Assumptions of Unicaja Banco:

- o Updated tables: PERMF 2000-P
- o Discount rates:
    - Market rate as per the financial term of commitment flows and applying the IBOXX AA Corporate curve at 31 December 2014 for highly-rated Eurozone corporate bonds.
    - Each commitment has a term of between 17.49 and 9.78 for the commitments and between 14.36 and 1.09 for the assets.
    - The rates applied to each commitment fluctuate between 3.07% and 2.83% for the commitments and 3.02% and 0.86% for the assets.
- o Salary growth rate: 5%
- o Social Security pension growth rate: 0

- Contribution base growth rate:
  - Contribution bases increase until they reach the actual salaries, up to the limits of the maximum contribution base for each rate group.
  - Maximum contribution base growth rate: 3%
- Pension increase rate: 3%
- Expected yield on plan assets:
  - For assets covering commitments insured under the policy for commitments arising from the Collective Bargaining Agreements for Savings Banks and Banks, a rate of 2.13% is applied.
  - For assets covering commitments insured under the policy for early-retired employees with cash-flow matching, a rate of 2.59% is applied.
  - For assets covering commitments insured under the policy for two groups of liabilities, rates of 2.39% and 3.02% are applied.
- Rate of yield on any reimbursement right recognized: 0
- Estimated retirement age: 65.
- Rotation: No

On the other hand, the main actuarial assumptions used by Banco CEISS related to 31 December 2014 are the below:

Plan 1 of Banco CEISS Actuarial Assumptions:

- Updated tables: PERMF 2000P
- Discount rates:
  - Market rate as per the financial term of commitment flows and applying the IBOXX AA Corporate curve at 31 December 2014 for highly-rated bonds (AA).
  - Each commitment has a duration of 7.12 for the benefit pensions and 15.41 for the asset pensions.
  - The rates applied to each commitment are 1.24% for the benefit pensions and 1.54% for the asset pensions.
- Salary growth rate: 3.5%
- Social Security pension growth rate: 0
- Contribution base growth rate: 2.5%
- Pension increase rate: 2.5%
- Expected yield of plan assets:
  - For assets and liabilities: 4%.
  - For excess policy: 3.5388%.
- Estimated retirement age: 65

Plan 2 of Banco CEISS Actuarial Assumptions:

Commitment resulting from Caja Duero:

- Updated tables: PERMF 2000P
- Discount rates:
  - Market rate as per the financial term of commitment flows and applying the IBOXX AA Corporate curve at 31 December 2014 for highly-rated bonds (AA).
  - Each commitment has a term of between 22.87 and 8.01 for the commitments and between 12.03 and 0.59 for the assets.
  - The rates applied to each commitment fluctuate between 1.637% and 1.3042% for the commitments and 1.48% and 0.35% for the assets.
- Salary growth rate: 3.5%
- Social Security pension growth rate: 0
- Contribution base growth rate: 2.5%
- Pension increase rate: 2.5%

- o Expected yield of plan assets:
    - For assets nos included in the plan: 3.7640%.
    - For insurance policy 02/02: 2.9752%
    - For assets policy 07/2: 0.7508%
- o Rate of yield on any reimbursement right recognized: 0
- o Estimated retirement age: 65.
- o Rotation: No

Commitment resulting from Caja España:

- o Updated tables: PERMF 2000P
- o Tipo de descuento:
    - Market rate as per the financial term of commitment flows and applying the IBOXX AA Corporate curve at 31 December 2014 for highly-rated bonds (AA), according to the financial duration of the commitment ratio.
    - Interest rate and financial duration of each group:
        - o Benefit Pensions policy 8.118: 1.4464% (financial duration of 10.87 years).
        - o Benefit Pensions policy PCP-1.001: 1.32% (financial duration of 8.30 years).
- o Salary growth rate: 3.5%
- o Social Security pension growth rate: 0
- o Contribution base growth rate: 2.5%
- o Pension increase rate: 2.5%
- o Appreciation rate for pensions:
    - o Policy 8.118: 2%
    - o Policy PCP-1.001: 2.91%
- o Expected yield of plan assets:
    - For assets related to policy 8.118: a cash flow matching of 3.3081%
    - For assets related to policy PCP-1.001: a cash flow matching of 2.9701%.
- o Rate of yield on any reimbursement right recognized: 0
- o Estimated retirement age: 65.
- o Rotation: No

Set out below are the amounts for 2014 and for the preceding four annual periods representing the present value of defined benefit commitments, the fair value of plan assets and experience adjustments under paragraph 120A, letter (f) of IAS 19 arising from plan assets and liabilities.

					Thousands of euros
	Present value of liabilities				
	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 BCEISS	Plan 2 BCEISS	Total
Year 2010					
Experience adjustments	(246)	219	-	-	(27)
Value at 31 December 2010	97 953	36 458	-	-	134 411
Year 2011					
Experience adjustments	(2 685)	(1 398)	-	-	(4 083)
Value at 31 December 2011	95 815	37 504	-	-	133 319
Year 2012					
Experience adjustments	(1 185)	(612)	-	-	(1 797)
Value at 31 December 2012	93 016	37 708	-	-	130 724
Year 2013					
Experience adjustments	(1 725)	567	-	-	(1 158)
Value at 31 December 2013	105 074	36 378	-	-	141 452
Year 2014					
Experience adjustments	-	-	-	-	-
Value at 31 December 2014	114 083	41 346	7 438	108 364	271 231

	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 BCEISS	Plan 2 BCEISS	Total
					Thousands of euros
					Fair value of the assets
Year 2010					
Experience adjustments	(109)	(91)	-	-	(200)
Value at 31 December 2010	96 764	27 342	-	-	124 106
Year 2011					
Experience adjustments	(260)	316	-	-	56
Value at 31 December 2011	94 608	27 451	-	-	122 059
Year 2012					
Experience adjustments	(199)	(679)	-	-	(878)
Value at 31 December 2012	91 764	27 594	-	-	119 358
Year 2013					
Experience adjustments	639	(137)	-	-	502
Value at 31 December 2013	104 078	28 019	-	-	132 097
Year 2014					
Experience adjustments	-	-	-	-	-
Value at 31 December 2014	112 922	31 324	6 557	79 122	229 925

Set out below are sensitivity data for the present value of the commitments at 31 December 2014 and 2013 in relation to interest rate and salary growth fluctuations:

Year 2014	Increase	Decrease
	Percentage changes	
Change in present value of commitments in the event of a 0.5% fluctuation in salaries	0,19%	(0,18%)
Change in present value of commitments in the event of a 50 bp interest rate fluctuation	(5,45%)	5,99%

Year 2013	Increase	Decrease
	Percentage changes	
Change in present value of commitments in the event of a 0.5% fluctuation in salaries	0,29%	(0,27%)
Change in present value of commitments in the event of a 50 bp interest rate fluctuation	(5,28%)	5,79%

On the basis of the mortality tables employed, residual life expectancy for a person retiring at year-end 2014 is 26.43 years and 21.94 years for women and men, respectively. Furthermore, life expectancy from the retirement for a person retiring 20 years after year-end 2014 is 28.64 years and 24.29 years for women and men, respectively.

The main categories of assets for plans financed externally as a percentage of total plan assets are as follows:

	2014	%	2013	%
				Thousands of euros
Equity instruments	81 892	19,08	13 180	7,41
Debt Instruments	281 065	65,48	124 023	69,72
Investment funds	39 442	9,19	40 606	22,83
Financial derivatives	(17 947)	(4,18)	(9 647)	(5,42)
Other assets	44 759	10,43	9 712	5,46
	429 211	**100,00**	**177 874**	**100,00**

In all cases, the instrument contracted is an insurance policy.

The fair value of plan assets includes the following financial instruments issued by the Unicaja Banco group:

	Thousands of euros	
	2014	2013
Equity instruments	-	-
Debt Instruments	-	-
Deposits and current accounts	9 922	8 119
	9 922	**8 119**

Estimated payments of post-employment commitment benefits in the coming 10 years are as follows:

	Thousands of euros					
	2015	2016	2017	2018	2019	2020-2024
Post-employment benefit	15 866	15 703	15 578	15 404	15 184	64 768
Other long-term benefit	43 517	39 274	32 699	21 903	12 828	13 792
Total benefits	**59 383**	**54 977**	**48 277**	**37 307**	**28 012**	**78 560**

As regards benefits estimated for the following year:

- For the defined retirement benefit, the amount of contributions will be equal to the ordinary cost and supplementary cost, if applicable, identified in the latest actuarial valuation performed by the plan actuary at the previous year end.

- For the disability, widowhood and orphanhood defined benefits of defined benefit groups, contributions will be equal to the annual premium necessary for coverage purposes, under a group life insurance policy, the amount of which is budgeted based on the amounts paid in the previous year.

- For the disability, widowhood and orphanhood defined benefits of defined contribution groups, contributions will be equal to the cost of the insurance premium for these benefits stipulated by the insurer, in the amount necessary to reach the amount of the benefits, net of capitalization funds formed. In general, they are estimated based on the amounts paid in the previous year.

40.1.2 Death and disability

The amount accrued by defined contribution insurance policies to cover employee death and disability of employees amounted to €1,674 thousand in 2014 (€1,565 thousand in 2013) and is recognized in “Staff costs” in the income statement (Note 2.12.3).

40.1.3 Age awards

The amounts recognized for commitments with employees that reach 20 and 35 years of service at the Group amounted to approximately €4,939 thousand and €4,329 thousand, respectively at 31 December 2014 and 2013 and are recognized in “Provisions - Provisions for pensions and similar liabilities” in the balance sheets.

40.1.4 Other benefits

The amount of these commitments and assets included in the table above was calculated by qualified actuaries as follows:

- Actuarial assumptions used: for the calculation of commitments to employees resulting from that agreement, the Bank applied the curve IBOXX AA Corporate depending on the duration of the commitments, having been estimated other assumptions applied in accordance with the conditions market and the characteristics of the covered group.
- The duration for each commitment varies between 6.91 and 1.24.
- The rates applied for each commitment ranging from 2.53% to 0.88%.
- The estimated retirement age of each employee are as specified.

40.2 Other general administrative expenses

The breakdown of this consolidated income statement line for 2014 and 2013 is as follows:

	Thousands of euros	
	2014	**2013**
Buildings and facilities	25 107	15 051
Rent	9 324	3 856
Information technologies	31 168	18 980
Communications	19 906	12 451
Advertising	7 259	4 998
Legal costs	4 740	655
Technical reports	15 319	7 025
Security services	8 120	5 188
Insurance premiums	1 360	966
Governing bodies	1 920	1 363
Representation costs	3 085	2 706
Association charges	3 018	2 520
Outsourcing	3 237	-
Taxes	28 989	9 468
Other items	6 695	3 860
	169 247	**89 087**

The balance of “Other general administrative expenses" includes the fees paid by the Group to PricewaterhouseCoopers Auditores, S.L. for the audit of the annual accounts, amounting to € 429 thousand in 2014 (€ 330 thousand in 2013). On the other hand, in 2014, costs of services provided by companies using the PricewaterhouseCoopers brand for other accounting verification and regulatory work totaling € 1,211 thousand (€ 1,260 thousand in 2013), and to other services amounting to € 36 thousand (€ 48 thousand in 2013).

In addition, with respect to the rest of audit firms of Unicaja Banco Group, the fees paid by the Group to Deloitte (with its extensions) in 2014 amounting to €278 thousand for audit services, €68 thousand for the verification and regulatory work, and €939 thousand for others services. The fees paid by the Group to KPMG (with its extensions) in 2014 amounting to €161 thousand for audit services and €829 thousand for others services.

41. Impairment losses on the rest of assets (net)

The breakdown of the heading "Impairment losses on the rest of assets (net)" in the consolidated profit and loss account for the years 2014 and 2013 is as follows:

	Thousands of euros	
	2014	**2013**
Impairment losses		
Goodwill and other intangible assets (Notes 4)	1 907	1 907
Investments (Note 12)	17 219	7 937
Other assets	60 872	52 008
	79 998	**61 852**

There follows an itemized breakdown of the consolidated balance sheet caption "Other asset impairment losses" for 2014 and 2013:

	Thousands of euros	
	2014	**2013**
Impairment of tangible assets for own use (net)	256	(69)
Impairment losses on investment property (net)	2 686	8 009
Impairment losses on inventories (net) (Note 15)	57 930	44 068
	60 872	**52 008**

The balance of "Other assets" includes the amounts provided by the Group under the concept of impairment of assets in participated companies, fundamentally of those with activities related to the real estate business.

42. Gains and losses on disposal of assets not classified as non-current assets held for sale

The breakdown of this heading in the consolidated income statements for the years 2014 and 2013 is as follows:

	Thousands of euros			
	2014		**2013**	
	Gains	**Losses**	**Gains**	**Losses**
On disposal of tangible assets	1 088	(4 924)	776	(568)
On disposal of investments	2 201	-	33	(12)
Other items	255	(18)	-	(24)
	3 544	**(4 942)**	**809**	**(604)**

43. Gains and losses on disposal of non-current assets held for sale not classified as discounted operations

The breakdown of this heading in the consolidated income statements for the years 2014 and 2013 is as follows:

	Thousands of euros			
	2014		2013	
	Gains	**Losses**	**Gains**	**Losses**
On disposal of tangible assets	12 754	(17 417)	7 137	(10 031)
Provision to impairment loses on non-current assets held for sale (Note 15)	-	(17 727)	-	-
Other items	40 335	(48 853)	-	(10 401)
	53 089	**(83 997)**	**7 137**	**(20 432)**

At 31 December 2014 and 2013, "Other" relates mainly to impairment losses on non-current assets for sale.

44. Related parties

In addition to the information presented in Note 6 relative to the balances and transactions with the members of the Controlling Company's Board of Directors and key management personnel, set out below is the detail of the accounts registered in the consolidated balance sheets and income statements for the years 2014 and 2013 arising from transactions with related parties:

	Thousands of euros					
	2014			2013		
	Equity entities	**Members of the board of directors and general managers**	**Other related parties**	**Equity entities**	**Members of the board of directors and general managers**	**Other related parties**
ASSETS:						
Loans and advances	194 582	1 149	51 435	265 279	1 291	39 539
Securities portfolio	424 115	-	-	279 759	-	-
Other assets	261 409	5	6	8 118	-	13
Insurance contracts linked to pensions	147 763	-	-	132 097	-	-
LIABILITIES:						
Deposits	748 439	2 885	9 358	851 688	4 492	6 598
Subordinated liabilities	7	-	2	252	-	-
Other liabilities	9	-	-	27	-	-
Provisions for pensions and similar obligations	663	-	-	680	-	-
Debt certificates including bonds	10 536	-	-	-	78	-
INCOME STATEMENT:						
Expense-						
Interest expense and similar charges	9 228	54	101	13 512	68	68
Commissions and impairment losses	3 399	-	74	9 274	-	34
Income-						
Interest and similar income	8 413	19	1 331	7 662	24	1 417
Commissions	3 532	20	51	2 931	22	78
OTHER:						
Contingent risks and commitments	68 299	657	24 174	58 062	162	28 194

Aggregate information is presented in the above table since in all cases the transactions with related parties have no significant impact on the understanding of the financial information provided, in view of the amount or relevance.

The related party transactions were made on normal market conditions.

45. Mortgage market information

On 30 November 2010, the Bank of Spain issued Circular 7/2010 developing certain aspects of the mortgage market as a result of the approval of Law 41/2009 (7 December), which broadly amended Law 2/1981 (25 March) on the mortgage market, and of Royal Decree 716/2009 (24 April), which developed the latter Law (taking into consideration the consequent changes it has been taking place related to the regulations).

The Board of Directors declares that the Entity has specific policies and procedures encompassing all the activities performed in the context of the mortgage market issues carried out, guaranteeing rigorous compliance with the mortgage market regulations applicable to these activities.

The policies and procedures include the following criteria:

- Relationship between the amount of the loan and the appraised value of the mortgaged building, including the effect of other collateral and selection of valuation companies.
- Relationship between the debt and the borrower's income, as well as the verification of the information furnished by the borrower and the borrower's solvency.
- Avoidance of imbalance between the flows from the underlying portfolio and the payment flows on the securities issued.

Article 3 of Law 41/2007 (7 December) stipulates that valuation companies providing services to credit entities of the same group of entities must have adequate mechanisms in place to favour the independence of the valuation activity and avoid conflicts of interest, provided that any of the group's credit entities have issued and outstanding mortgage-backed securities.

On 29 July 2014, it has been sold 100% shares of Unicaja Banco Group in Tasaciones Andaluzas, S.A.U. (TASA).

As an issuer of mortgage covered bonds and ordinary mortgage bonds, there follows certain relevant information related to Unicaja Banco Group pursuant to the provisions of mortgage market regulations:

A) Active operations

At 31 December 2014 and 2013 the breakdown of the nominal value of mortgage loans and credit supporting the issue of mortgage bonds or which have been included in mortgage shares or mortgage transfer certificate, is as follows:

	Thousands of euros	
	2014	**2013**
Loans held in the asset transferred	**165 048**	**-**
Mortgage participations	-	-
Mortgage transfer certificates	165 048	-
Affects mortgage loans as collateral for loans received	**-**	**-**
Loans backing the issuance of bonds and mortgage bonds	**27 167 914**	**15 507 376**
Loans ineligible	5 942 218	3 601 511
Meet the eligibility requirements, except for the limit Article 5.1 of Royal Decree 716/2009	2 778 756	1 280 508
Rest	3 163 462	2 321 003
Eligible loans	21 225 696	11 905 865
Amounts not eligible	123 359	165 309
Amounts eligible	21 102 337	11 740 556
Loans covering mortgage bond		-
Loans eligible for coverage of mortgage bonds	*21 102 337*	*11 740 556*
	27 332 962	**15 507 376**

At 31 December 2014 and 2013, the nominal value of outstanding loans and mortgage loans backing the issue of mortgage bonds totals to an amount of €21,167,914 thousand and €15,507,376 thousand, respectively, and the value outstanding principal of loans and mortgages that meet the characteristics of being eligible under the issuance of such support mortgage amounts to an amount of €21,225,696 thousand and €11,905,865 thousand, respectively. On the other hand, in 2014 and 2013, the Entity has not issued ordinary mortgage bonds.

At 31 December 2014, loans or mortgage loans which, while remaining in the balance, are subject to mortagage bonds or mortgage transfer certificates amounting to €165,734 thousand. At 31 December 2013, there are no loans or mortgage loans which, while remaining in the portfolio, are subject to mortgage bonds or mortgage transfer certificates.

The nominal value of all ineligible mortgage loans and credit that do not meet the limits established by Article 5.1 of Royal Decree 716/2009 which, however, comply with the rest of the requirements for eligible items, as indicated in Article 4 of that Law, totals €2,778,756 thousand at 31 December 2014 (€1,280,508 thousand at 31 December 2013).

The breakdown of loans that support the issue of mortgage bonds classified in accordance with diverse criteria at 31 December 2014 and 2013 is as follows:

	Thousands of euros	
	2014	
	Loans backing the issuance of bonds and mortgage bonds	**Of which: Eligible loans**
Nominal value of the total outstanding mortgage loans and credits	**27 167 914**	**21 225 696**
By origin:	27 167 914	21 225 696
- Entity	24 071 997	18 384 998
- Surrogate for other entities	2 713 366	2 481 888
- Rest	382 551	358 810
By currency:	27 167 914	21 225 696
- In euros	27 165 578	21 223 701
- Other currency	2 336	1 995
According the payment situation:	27 167 914	21 225 696
- Normality	24 562 126	19 825 756
- Other situations	2 605 788	1 399 940
According to the average maturity:	27 167 914	21 225 696
- To 10 years	8 486 119	5 135 683
- More than 10 years and to 20 years	9 194 913	8 157 155
- More than 20 years and to 30 years	7 532 772	6 478 926
- More than 30 years	1 954 110	1 453 932
According to the interest manner:	27 167 914	21 225 696
- Fixed	275 505	137 218
- Variable	26 506 375	20 862 235
- Mixed	386 034	226 243
Holders:	27 167 914	21 225 696
- Legal entities and individuals	5 794 451	2 766 518
Of which: property development	*1 379 176*	*464 187*
- Households	21 373 463	18 459 178
Depending on the warranty:	27 167 914	21 225 696
- Assets/ buildings completed	24 912 550	20 212 780
- Residential	22 301 482	18 699 525
Of which: official protection	*1 367 231*	*1 290 254*
- Commercial	1 197 254	703 757
- Rest	1 413 814	809 498
- Assets/ buildings under construction	671 791	376 316
- Residential	375 687	240 157
Of which: official protection	*17 995*	*11 716*
- Commercial	47 451	23 783
- Rest	248 653	112 376
- Lands	1 583 573	636 600
- Urbanized	1 082 912	314 154
- Rest	500 661	322 446

	Thousands of euros	
	2013	
	Loans backing the issuance of bonds and mortgage bonds	**Of which: Loans eligible**
Nominal value of the total outstanding mortgage loans and credits	**15 507 376**	**11 905 865**
By origin:	15 507 376	11 905 865
- Group	15 151 036	11 600 213
- Surrogate for other entities	356 340	305 652
- Rest	-	-
By currency:	15 507 376	11 905 865
- In euros	15 507 360	11 905 849
- Other currency	16	16
According the payment situation:	15 507 376	11 905 865
- Normality	15 223 925	11 905 865
- Other situations	283 451	-
According to the average maturity:	15 507 376	11 905 865
- To 10 years	6 614 456	4 015 277
- More than 10 years and to 20 years	4 888 721	4 421 698
- More than 20 years and to 30 years	3 394 985	2 922 706
- More than 30 years	609 214	546 184
According to the interest manner:	15 507 376	11 905 865
- Fixed	182 068	110 199
- Variable	15 325 308	11 795 666
- Mixed	-	-
Holders:	15 507 376	11 905 865
- Legal entities and individuals	4 120 322	2 156 238
Of which: property development	*1 067 079*	*570 384*
- Households	11 387 054	9 749 627
Depending on the warranty:	15 507 376	11 905 865
- Assets/ buildings completed	13 572 493	10 957 731
- Residential	12 366 840	10 165 449
Of which: official protection	*671 224*	*635 355*
- Commercial	609 275	405 223
- Rest	596 378	387 059
- Assets/ buildings under construction	450 056	333 700
- Residential	413 190	312 846
Of which: official protection	*11 552*	*10 161*
- Commercial	31 349	20 292
- Rest	5 517	562
- Lands	1 484 827	614 434
- Urbanized	928 392	250 387
- Rest	556 435	364 047

At 31 December 2014 and 2013 the breakdown of the nominal value of all eligible mortgage loans, based on the ratio between the amount of the transactions and the appraised values in accordance with the latest available appraisal of respective mortgage assets, is as follows:

	Thousands of euros					
	2014					
	Less or equal to 40%	Greater than 40% and less or equal to 60%	Greater than 60%	Greater than 60% and less or equal to 80%	Greater al 80%	Total
Loans eligible						
- On housing	4 740 283	6 807 021	7 638 016	-	-	19 185 320
- On other goods	1 187 461	828 050	24 865	-	-	2 040 376
	5 927 744	**7 635 071**	**7 662 881**	**-**	**-**	**21 225 696**

	Thousands of euros					
	2013					
	Inferior o igual al 40%	Superior al 40% e inferior o igual al 60%	Superior al 60%	Superior al 60% e inferior o igual al 80%	Superior al 80%	Total
Loans eligible						
- On housing	2 363 929	3 519 765	-	4 594 601	-	10 478 295
- On other goods	805 357	594 111	28 102	-	-	1 427 570
	3 169 286	**4 113 876**	**28 102**	**4 594 601**	**-**	**11 905 865**

Information relating to the nominal value of mortgage loans and credit that have been eliminated or added to the portfolio in 2014 and 2013 is set out below:

	Thousands of euros			
	2014		2013	
	Loans eligible	Loans not eligible	Loans eligible	Loans not eligible
Beginning balance	**11 905 865**	**3 601 511**	**12 423 284**	**3 629 698**
Disposals	**(1 421 501)**	**(198 112)**	**(1 502 521)**	**(792 193)**
Cancellations due maturity	(15 327)	(29 412)	(12 350)	(8 120)
Advanced cancellations	(168 842)	(48 308)	(150 099)	(176 567)
Subrogation of other entities	(404)	-	(1 736)	-
Rest	(1 236 928)	(120 392)	(1 338 336)	(607 506)
Additions	**10 741 332**	**2 538 819**	**985 102**	**764 006**
Originated by Group	71 478	22 760	369 000	133 450
Subrogation of other entities	2 772	1 890	8 453	2 520
Rest	10 667 082	2 514 169	607 649	628 036
Final balance	**21 225 696**	**5 942 218**	**11 905 865**	**3 601 511**

The movements included in the item “Other”, when associated with “Disposals for the year”, relate basically to the following flows that generate changes in the nominal balance of eligible and non-eligible loans and are applicable to movements in both 2014 and 2013:

- Transfers between the eligible and non-eligible portfolios, representing additions to the item "eligible loans" and disposals from the "non-eligible loans" portfolio or vice versa. This change is common to movements associated with “Additions for the year” (with the opposite sign). Transfers are due to changes in the fulfilment of eligibility requirements in accordance with applicable regulations (mainly the change in the LTV ratio for the utilization/repayment of loans or the review/update of appraisals).

- Repayment of loans that remain outstanding with respect to the total loans declared in the previous period and are not therefore treated as repayments at maturity or early repayments.

The movements included in the item “Other”, when associated with “Additions for the year”, relate basically to the following flows that generate changes in the nominal balance of eligible and non-eligible loans and are applicable to movements in both 2014 and 2013:

- Transfers between the eligible and non-eligible portfolios, representing additions to the item "eligible loans" and disposals from the "non-eligible loans" portfolio or vice versa. This change is common to movements associated with “Disposals for the year” (with the opposite sign). Transfers are due to changes in the fulfilment of eligibility requirements in accordance with applicable regulations (mainly the change in the LTV ratio for the utilization/repayment of loans or the review/update of appraisals).

- Effect of the liquidation of securitization funds described in Note 30.6.

- Business combination with Caja España de Inversiones, Salamanca y Soria, S.A. (Banco CEISS) impact, included in Note 1.2.

The available balance of mortgage loans that support the issue of mortgage bonds at 31 December 2014 and 2013 is as follows:

	Thousands of euros	
	2014	**2013**
Potentially eligible	210 993	270 280
Ineligible	211 385	145 985
	422 378	**416 265**

The nominal value of the available amounts (committed amounts not drawn down) relating to all mortgage loans and credit potentially eligible at 31 December 2014 and 2013 totals €210,993 thousand €270,280 thousand, respectively, and the amount that is not potentially eligible totals €145,985 thousand €156,186 thousand, respectively.

At 31 December 2014 and 2013 the Group does not have any replacement assets associated to issues of mortgage bonds or debentures.

B) Liability transactions

The breakdown at 31 December 2014 and 2013 of the nominal aggregate value of mortgage bonds in force issued by the Bank and the mortgage funds and mortgage transfer certificates that are active at that date, based on their residual terms, is as follows:

	Thousands of euros	
	2014	**2013**
Mortgage bonds	**-**	**-**
Mortgage bonds issued	**11 607 402**	**8 569 184**
Issued for public offering	2 472 452	2 250 000
- Residual maturity to 1 year	972 452	1 000 000
- Residual maturity more than 1 year and to 2 years	500 000	750 000
- Residual maturity more than 2 years and to 3 years	500 000	500 000
- Residual maturity more than 3 years and to 5 years	500 000	-
- Residual maturity more than 5 years and to 10 years	-	-
- Residual maturity more than 10 years	-	-
Rest of issues	400 000	400 000
- Residual maturity to 1 year	-	-
- Residual maturity more than 1 year and to 2 years	-	-
- Residual maturity more than 2 years and to 3 years	70 000	-
- Residual maturity more than 3 years and to 5 years	70 000	140 000
- Residual maturity more than 5 years and to 10 years	260 000	260 000
- Residual maturity more than 10 years	-	-
Deposits	8 734 950	5 919 184
- Residual maturity to 1 year	1 142 949	468 292
- Residual maturity more than 1 year and to 2 years	1 024 074	314 744
- Residual maturity more than 2 years and to 3 years	1 300 000	914 074
- Residual maturity more than 3 years and to 5 years	1 487 024	1 451 258
- Residual maturity more than 5 years and to 10 years	1 436 852	1 331 893
- Residual maturity more than 10 years	2 344 051	1 438 923
Shares issues mortgage	**-**	**-**
Issued by public offering	-	-
Other issues	-	-
Mortgage transfer certificates issued	**165 048**	**-**
Issued by public offering	-	-
Other issues	165 048	-
	11 772 450	**8 569 184**

46. Information transparency in connection with financing for construction, property development, home buying and assets acquired in payment of debts

46.1 Qualitative information

The following should be noted in relation to the minimum information that must be disclosed by consolidated groups of financial institutions and by individual financial institutions that do not form part of a group:

- With respect to the financing of construction and property development, financial institutions are asked to disclose their policies and strategies implemented in connection with problematic assets in this industry, with a view to the short, medium and long term. These exposures must also be evaluated in terms of the resistance tests published before the summer, if the entity participated in them.

- Financing needs in the markets and in the short, medium and long-term strategies implemented must also be evaluated (without prejudice to the fact that the Bank of Spain may send at a later date details relating to minimum information on financing and liquidity needs).

Unicaja Banco, as part of its risk policy, particularly in connection with construction and property development, has a number of specific policies and strategies in place to favour the fulfilment of borrower obligations and mitigate the Group's exposure. Alternatives are sought to permit the completion and sale of property developments, analysing the renegotiation of exposures if this improves the Group's credit position and basically to allow the borrower to continue to do business.

This takes into account prior experience with the borrower, compliance record, declared intention to pay, capacity to generate cash flows and new collateral furnished before existing guarantees are exceeded.

Firstly, provided there is a certain payment capacity and after exhausting all possibilities of collecting the past due debt, the Group studies the grant of principal grace periods to allow development of the land financed, completion of property under development and sale of finished units. The analysis performed prioritises project feasibility so as to avoid an increase in the investment in properties for which future sales are clearly possible.

If support measures are not possible or sufficient, other alternatives are sought, such as dation in payment or asset purchase, the final option being a court claim and the subsequent repossession of the properties through the enforcement of the mortgage guarantees. All irregular assets included in the Group's consolidated balance sheet are managed ultimately for the purposes of divestment or leasing.

To this end, the Unicaja Banco Group has special-purpose companies specialized in the management of property development projects, selling of properties and leasing of investment properties (Note 1.1.3). The Group also has specific units responsible for developing these strategies and coordinating the actions of the special-purpose subsidiaries, office network and other agents involved. Finally, the Group has the website *www.unicajainmuebles.com*, one of the main tools employed to present these assets to the general public.

46.2 Quantitative information

Set out below is a breakdown of financing for construction and property development (1), and of assets backing such financing (1), at 31 December 2014 and 2013:

Chart 1						Thousands of euros
			2014			**2013**
	Gross	**Excess over de value of the collateral**	**Specific coverage**	**Gross**	**Excess over de value of the collateral**	**Specific coverage**
Registered credit (business in Spain)	1 961 940	342 270	756 989	2 014 717	119 971	633 906
Which doubtful	1 028 807	303 348	657 455	714 627	119 971	440 638
Of which substandard	345 798	28 675	99 534	560 143	-	193 268
Memorandum item						
Total general allowance (total business) (3)	-	-	14 628	-	-	15 280
Bad assets (4)	762 998	-	-	257 287	-	-

Memorandum item (5)		**Book value**
	2014	**2013**
Total lending to costumers excluding Government (business in Spain)	30 810 566	17 427 546
Total consolidated assets (total business)	67 950 415	41 258 111

(1) This entails, for example, that if the debtor is: (a) a property company that uses the financing granted for a purpose other than construction or property development, it will not be included in this table; and (b) a company whose core business is not construction or property development, but the credit is employed to finance buildings for use in property development, it will be included in this table.

(2) This is the amount of the excess of the gross amount of each loan over the value of the real property rights received as collateral, if applicable, calculated as stipulated in Exhibit IX of Circular 4/2004. [Consequently, the value of the real property rights is the lower of the cost of the assets and their appraised value in their current condition, weighted using percentages that range from 70% to 50%, depending on the nature of the assets mortgaged].

(3) This is the total amount of the general provision recognized for any item by the consolidated group (total business).

(4) Gross amount of the loan used to finance construction and property development recognized by the group's credit entities (business in Spain) and written off the balance sheet due to being classified as a "write-off assets".

(5) The carrying amount is the amount at which these assets are recognized in the balance sheet after deducting any provisions.

Set out below is a breakdown of Financing for construction and property development, operations recognized by credit entities (business in Spain) at 31 December 2014 and 2013:

Chart 2	Thousands of euros	
	Gross amount (6)	
	2014	2013
Without mortgage guarantee	695 075	496 812
Whit mortgage (7)	1 266 865	1 517 905
Buildings completed (8)	838 485	922 767
Housing	592 921	775 766
Rest	245 564	147 001
Buildings under construction (8)	62 517	187 374
Housing	56 649	183 946
Rest	5 868	3 428
Land	365 863	407 764
Developed land	258 510	348 688
Other land	107 353	59 076
Total	**1 961 940**	**2 014 717**

6) The gross amount in the Table 1 line "Credit recognized by the group's credit entities (business in Spain)" is equal to the amount in the Table 2 line "Total".

(7) Including all mortgage operations, irrespective of the percentage of outstanding risk with respect to the latest-available appraised value.

(8) If a building is used for both residential (housing) and commercial (offices and/or premises) purposes, the financing will be included in the category that predominates.

Set out below is a breakdown at 31 December 2014 and 2013 of Home-buyer loans, operations recognized by credit entities (business in Spain):

Chart 3	Thousands of euros			
	2014		2013	
	Gross	Doubtful	Gross	Doubtful
Credit for house purchase	19 310 724	1 234 780	10 033 346	570 647
Without mortgage guarantee	250 489	2 856	11 457	787
With mortgage guarantee (7)	19 060 235	1 231 924	10 021 889	569 860

Set out below is a breakdown of Home-buyer mortgage credit showing total risk as a percentage of the latest-available appraised value (LTV), operations recognized by credit entities (business in Spain) at 31 December 2014 and 2013:

Chart 4	Levels of LTV (10)				
	31 December 2014				
	LTV≤60%	60%<LTV≤80%	80%<LTV≤100%	LTV>100%	Total
Gross	10 071 622	7 709 162	1 075 679	203 772	19 060 235
Doubtful (9)	295 086	603 449	204 182	129 207	1 231 924

Chart 4					Levels of LTV (10) 31 December 2013
	LTV≤60%	60%<LTV≤80%	80%<LTV≤100%	LTV>100%	Total
Gross	5 067 502	4 431 615	450 325	72 447	10 021 889
Doubtful (9)	136 415	311 206	82 095	40 144	569 860

(9) The sum of the gross amounts and doubtful loans in each range of this table matches the amounts shown on the Chart 3 line for mortgage credit.

(10) LTV is the ratio obtained by dividing risk outstanding at the reporting date by the latest-available appraised value.

Set out below is a breakdown of assets awarded to the consolidated group entities (business in Spain) (11) at 31 December 2014 and 2013:

Cuadro 5				Thousands of euros
		2014		2013
	Book value	Coverage	Book value	Coverage
Real Estate assets from fund intended to	1 840 971	1 098 692	1 552 023	853 161
Buildings completed	535 661	248 152	415 234	155 185
Housing	380 751	170 197	343 834	126 421
Others	154 910	77 955	71 400	28 764
Buildings under construction	160 306	85 750	119 692	64 741
Housing	159 569	85 324	116 821	63 256
Other	737	426	2 871	1 485
Land	1 145 004	764 790	1 017 097	633 235
Developed land	650 881	407 010	540 387	332 513
Other	494 123	357 780	476 710	300 722
Real Estate mortgage financing from	636 718	306 797	325 620	144 038
Other Real Estate assets (12)	89 383	47 371	102 699	43 274
Equity instruments, shares in and financing granted to entities holding real estate assets (13)	-	-	363	321
	2 567 072	**1 452 860**	**1 980 705**	**1 040 794**

(11) This will include assets awarded, acquired, purchased or exchange for debt deriving from financing granted by the group companies during business in Spain, and shares in and financing granted to non-consolidated entities holding such assets.

(12) This will include real estate assets that do not derive from loans to construction and property development companies, or home-buyer loans.

(13) All assets of this kind will be recognized, including equity instruments, shares in and financing granted to entities holding real estate assets, mentioned in lines 1 to 3 of this table, and equity instruments and shares in construction or property development companies received in payment of debts.

47. Information on the deferral of payments to suppliers. Additional Provision Three - Duty of information - Law 15/2010 (5 July)

In accordance with Law 15/2010 (5 July), which amended Law 3/2004 (29 December) on measures to combat late payment in commercial transactions, as further developed by the Ruling of 29 December from the Institute of Accounting and Auditing (ICAC) on information to be included in the notes to annual accounts in connection with the deferral of payments to suppliers in commercial transactions, the following should be noted:

- In view of the Entity's core activities, the information on the deferral of debt relates basically to payments to supplier for services and sundry supplies received, other than payments to deposit holders and holders of securities issued by the Entity, which have been made, in any event, in strict compliance with contractual and legal deadlines in each case, whether debts payable on demand or on a deferred basis.

- Payments made by Unicaja Banco Group to suppliers solely for the provision of sundry services during 2014 totaled € 323,388 thousand (€ 101,120 thousand in 2013); the services were provided within the legal deadlines and as contractually stipulated. At 31 December 2014 and 2013, the balance pending payment to suppliers is immaterial and complies with the payment period requirements of Law 15/2010 (5 July).

48. Customer service

In compliance with Article 17.2 of Order ECO/734/2004, of 11 March, on customer departments and services and protection of financial institutions, a brief summary is provided of the contents of the report of the Group Customer Service Department: 89.6% of the complaints and claims received in 2014 were resolved (89.9% at 31 December 2013); the remaining percentage pending at 31 December 2014 are expected to be resolved during the first two months of the following year at maximum, in accordance with the Order and Unicaja's regulations governing the protection of customers.

Appendix I
Subsidiaries at 31 December 2014

Company Name	Registered domicile	Activity	% Share owned by the Group		
			% Share		% Share
			Direct	Indirect	
Alqlunia Duero, S.L.	C/ Marqués de Villamagna 6-8 , Madrid	Real estate	0.00%	60.70%	60.70%
Alteria Corporación Unicaja, S.L.U.	C/ Bolsa nº 4, planta 5ª, Málaga	Investment on assets, real estate and financial societies	100.00%	0.00%	100.00%
Altos de Jontoya Residencia para Mayores, S.L.U.	Plaza Jaén por la Paz, nº 2 Jaén	Geriatric care	0.00%	100.00%	100.00%
Analistas Económicos de Andalucía, S.L.U.	C/ Granada nº 13, Entreplanta	Studies and analysis	100.00%	0.00%	100.00%
Andaluza de Tramitaciones y Gestiones, S.A.	C/ Angosta del Carmen, 2, Málaga	Management of documents and deeds	0.00%	100.00%	100.00%
Banco de Caja España de Inversiones, Salamanca y Soria, S.A.	C/ Marqués de Villamagna, 6-8, Madrid	Financial Institution	60.66%	0.04%	60.70%
Bruesa Duero, S.L.	C/ Bilbao 2 - 1º E, Zaragoza	Real estate	0.00%	50.18%	50.18%
Caja Duero Capital, S.A.U.	C/ Marqués de Villamagna 6-8, Madrid	Assets, securities and financial companies Investment	0.00%	60.70%	60.70%
Caja España de Inversiones Sociedad de Participaciones Preferentes, S.A.U.	Av. Madrid 120, León	Issue of shares	0.00%	60.70%	60.70%
Caja España Fondos, S.A., S.G.I.I.C.	C/ Titán 8, Madrid	Investment fund management Company	0.00%	60.70%	60.70%
Caja España Mediación Operador Banca-Seguros Vinculado, S.A.	Plaza de los Bandos 15-17, Salamanca	Insurance bróker	0.00%	60.70%	60.70%
Campo Inversiones, S.A.U	Av. Madrid 120, León	Agrarian and Livestock Services	0.00%	60.70%	60.70%
Cartera de Inversiones Agroalimentarias, S.L.	Plaza Jaén por la Paz nº 2 Jaén	Food industry	82.5%	0.00%	82.50%
Conexiones y Servicios del Duero, S.A.	Carretera Salamanca 3, Tordesillas (Valladolid)	Auxiliary Services	0.00%	31.56%	31.56%
Corporación Uninser, S.A.U.	C/ Ancla, 2, 3º -1ª, Málaga	Financial services	0.00%	100.00%	100.00%
Diode España, S.A.U.	C/ Salvatierra 3, Madrid	Distribution of Computer Components	0.00%	60.70%	60.70%
Escuela Superior de Estudios de Empresa, S.A.	C/ Calvo s/n Edificio Mena, Málaga	Studies and analysis	0.00%	50.00%	50.00%
Finanduero Sociedad de Valores, S.A.U.	C/ Titán 8 - 2º 28045 - Madrid	Assets, securities and financial companies Investment	0.00%	60.70%	60.70%
Gestión de Actividades y Servicios Empresariales, S.A.U.	C/ Federico Orellana Toledano, 4, Málaga	Electronic recording and data-processing	0.00%	100.00%	100.00%
Gestión de Inmuebles Adquiridos, S.L.U.	C/ Mauricio Moro Pareto nº 6, 6ª planta, Edf. Eurocom, Málaga	Real estate	0.00%	100.00%	100.00%
Gestión de Inversiones en Alquileres, S.A.	Av. Madrid 120, León	Offices Rent	0.00%	60.70%	60.70%
Grupo de Negocios Duero, S.A.U	C/ Marqués de Villamagna 6-8, Madrid	Financial Management	0.00%	60.70%	60.70%
Guendulain Suelo Urbano, S.L.U.	Av. Sancho El Fuerte 18 - Bajo, Pamplona	Real estate	0.00%	60.70%	60.70%
Inmobiliaria Acinipo, S.L.U.	C/ Mauricio Moro Pareto nº 6, 6ª planta, Edf. Eurocom, Málaga	Real estate	100.00%	0.00%	100.00%
Inmobiliaria Uniex Sur, S.L.U.	C/ Mauricio Moro Pareto nº 6, 6ª planta, Edf. Eurocom, Málaga	Real estate	0.00%	100.00%	100.00%
Inmocaja, S.A.U	Av. Madrid 120, León	Real Property holding Company	0.00%	60.70%	60.70%

Appendix I
Subsidiaries at 31 December 2014

Company Name	Registered domicile	Activity	% Share owned by the Group		
			% Share		% Share
			Direct	Indirect	
Invergestión Sociedad de Inversiones y Gestión, S.A.U.	Av. Madrid 120, León	Assets, securities and financial companies Investment	0.00%	60.70%	60.70%
Mijas Sol Resort, S.L.U.	C/ Mauricio Moro Pareto, nº 6, Planta 6ª, Edificio Eurocom, Málaga	Real estate	0.00%	100.00%	100.00%
Parque Industrial Humilladero, S. L.	C/ Miguel Hernández nº 1, Málaga	Industrial land development	0.00%	82.75%	82.75%
Renta Porfolio, S.L.U.	C/ Mauricio Moro Pareto nº 6, 6ª planta, Edf. Eurocom, Málaga	Rental property	0.00%	100.00%	100.00%
Segurándalus Mediación, Correduría de Seguros, S.A.U.	C/ Cuarteles, nº 51, Entreplanta, Málaga	Insurance brokerage	0.00%	100.00%	100.00%
Tubos de Castilla y León, S.A.U.	Crta. Mayorga Km 1, Valencia de Don Juan (León)	Water-Pipe manufacturing	0.00%	60.70%	60.70%
Unicaja Gestión de Activos Inmobiliarios, S.A.U.	Avda. Andalucía, 10-12, Málaga	Real Property holding Company	100.00%	0.00%	100.00%
Unicartera Caja 2, S.L.U.	C/ Mauricio Moro Pareto nº 6, 6ª planta, Edf. Eurocom, Málaga	Promotion or Financing of I+D in the medical field	100.00%	0.00%	100.00%
Unicartera Gestión de Activos, S.L.U.	C/ San Agustín, 2, 1ª planta, Madrid	Recovery activity and Disputes Managements	0.00%	100.00%	100.00%
Unicartera Internacional, S.L.U.	Avda. Andalucía, 10-12, Málaga	Assets, securities and financial companies Investment	100.00%	0.00%	100.00%
Unicartera Renta, S.L.U.	Avda. Andalucía, 10-12, Málaga	Assets, securities and financial companies Investment	100.00%	0.00%	100.00%
Unicorp Corporación Financiera, S.L.U.	C/ Bolsa, nº 4, 5ª planta, Málaga	Provision of services	0.00%	100.00%	100.00%
Unicorp Patrimonio, Sociedad de Valores, S.A.U.	C/ Bolsa, nº 4, 5ª planta, Málaga	Property Management	0.00%	100.00%	100.00%
Unigest, S.G.I.I.C., S.A.U.	C/ Bolsa, nº 4, 5ª planta, Málaga	Management Company of Collective Investment Institutions	0.00%	100.00%	100.00%
Unimediación, S.L.U.	C/ Bolsa, nº 4, planta 2, Málaga	Insurance Broker	0.00%	100.00%	100.00%
Unimediterráneo de Inversiones, S.L.U.	C/ Mauricio Moro Pareto nº 6, 6ª planta, Edf. Eurocom, Málaga	Assets, securities and financial companies Investment	100.00%	0.00%	100.00%
Unión del Duero, Compañía de Seguros Generales, S.A.	C/ Marqués de Villamagna 6-8, Madrid	Insurances	0.00%	60.70%	60.70%
Uniwindet Parque Eólico Las Lomillas, S.L.	C/ Melilla, 2, Ed. VYE, Churriana de la Vega, Granada	Renewable Energies	10.00%	90.00%	100.00%
Uniwindet Parque Eólico Loma de Ayala, S.L.	C/ Melilla, 2, Ed. VYE, Churriana de la Vega, Granada	Renewable Energies	10.00%	90.00%	100.00%
Uniwindet Parque Eólico Los Jarales, S.L.	C/ Melilla, 2, Ed. VYE, Churriana de la Vega, Granada	Renewable Energies	10.00%	90.00%	100.00%
Uniwindet Parque Eólico Tres Villas, S.L.	C/ Melilla, 2, Ed. VYE, Churriana de la Vega, Granada	Renewable Energies	10.00%	90.00%	100.00%
Uniwindet, S.L.	C/ Melilla, 2, Ed. VYE, Churriana de la Vega, Granada	Renewable Energies	20.62%	79.38%	100.00%
Viajes Caja España, S.A.	C/ Santa Nonia, 4 - 7ª Planta, León	Travel Agency	0.00%	30.35%	30.35%
Viproelco, S.A.	Av. Madrid 120, León	Real state Development	0.00%	60.7%	60.70%

Appendix II
Joint ventures at 31 December 2014

Thousands of euros

Company Name	Registered domicile	Activity	% Share owned by the Group			Individual net profit/ loss for the year	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total Revenue	Total expenditure
			% Share		Individual net profit/ loss for the year							
			Direct	Indirect								
Banco Europeo de Finanzas, S.A.	C/ Severo Ochoa, nº 5, Málaga	Credit institution	1.20%	39.52%	40.72%	(1 498)	2 783	93 569	962	473	2 413	(3 911)
Capredo Investments GMBH [2]	Schaffhauser Srt. 101, 8152 Glattbrugg (Suiza)	Investment in assets, securities and financial companies	0.00%	30.35%	30.35%	1 140	48 435	1	-	2 537	1 189	(49)
Cartera Perseidas, S.L.	Paseo de Recoletos,29, Madrid	Investment in assets, securities and financial companies	2.36%	26.05%	28.41%	18	171 252	530	27 463	7	54	(36)
Cerro del Baile, S.A.	Av. Bruselas, 15 - 4º , Arroyo de la Vega (Alcobendas)	Real estate	0.00%	48.56%	48.56%	(5 657)	-	26 201	2 391	47 353	1 991	(7 648)
Dolun Viviendas Sociales, S.L. [1]	C/ Muñoz Olivé, 1, Portal 2, 1º C, Sevilla	Real estate	0.00%	40.00%	40.00%	-	-	-	-	-	-	-
Espacio Medina, S.L.	Paseo de la Castellana, 91, Piso 9, Madrid	Real estate	0.00%	30.00%	30.00%	(993)	29	44 436	2 950	20 065	-	(993)
Fonteduero, S.A. [3]	C/ Antonio Maura 14, Madrid	Hotels and similar accommodation	0.00%	24.96%	24.96%	(720)	32 634	1 053	28 709	1 588	1 764	(2 484)
Global Duero, S.A. [4]	C/ Alfonso XI nº 7 - 2º Dcha, Madrid	Investment in assets, securities and financial companies	0.00%	30.35%	30.35%	(1 304)	-	-	-	23 039	-	(1 304)
Hidrocartera, S.L.	Avda. Andalucía, 10-12, Málaga	All-embracing water cycle	70.00%	0.00%	70.00%	4 334	69 437	6 280	-	11	4 338	(4)
Lares Val de Ebro, S.L. [5]	Avda. Talgo 155, Madrid	Real estate	0.00%	20.23%	20.23%	(652)	-	18 436	-	18 801	-	(652)
Madrigal Participaciones, S.A. [2]	C/ Santiago 7 - 1º E, Valladolid	Investment in assets, securities and financial companies	0.00%	39.87%	39.87%	(13 992)	38 157	44 024	-	3	1 468	(15 460)
Muelle Uno - Puerto de Málaga, S.A. [3]	Avda. de Andalucía 21, Entreplanta, Málaga	Real estate	0.00%	39.74%	39.74%	(1 784)	56 486	7 670	5 824	44 815	6 456	(8 240)

Appendix II
Joint ventures at 31 December 2014

Thousands of euros

Company Name	Registered domicile	Activity	% Share owned by the Group			Individual net profit/ loss for the year	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total Revenue	Total expenditure
			% Share		Individual net profit/ loss for the year							
			Direct	Indirect								
Pagos Minería U.T.E. [6]	Avda. de Burgos 109, Madrid	Services	0.00%	12.14%	12.14%	(20)	-	106		122	501	(521)
Pinares del Sur, S.L. [2]	C/Vega, nº1, Chiclana de la Frontera, Cádiz	Real estate	0.00%	50.00%	50.00%	1 281	1 742	33 259	28 710	2 587	214	(1 495)
Rochduero, S.L. [2]	C/ Armas 10 - A , Jerez de la Frontera (Cádiz)	Real estate	0.00%	32.83%	32.83%	(9)	1	36 314	420	36 449	-	9
San Marcos Cipsa, S.L.	Pº Gracia 103 - 4º, Barcelona	Real estate	0.00%	30.35%	30.35%	(1 330)	1	34 759	-	41 894	1	1 331
Sociedad de Gestión San Carlos, S.A.	C/ Almirante Faustino Ruíz, 2, A-1, Cádiz	Real estate	0.00%	50.32%	50.32%	(375)	-	14 283	90	8 082	-	(375)
Soria Futuro, S.A. [6]	P.I. Las Casas - C/ C - Parcela 3, Soria	Investment in assets, securities and financial companies	0.00%	27.62%	27.62%	520	1 588	1 463	-	5	-	520

(1) Company in liquidation.
(2) Financials at 30 November 2014.
(3) Financials at 31 August 2014.
(4) Financials at 31 December 2013.
(5) Financials at 30 September 2013.
(6) Financials at 30 November 2014.

Appendix III
Associates at 31 December 2014

Thousands of euros

Company Name	Registered domicile	Activity	% Share owned by the Group			Financial Statements at year end				
			% Share		Total	Total assets at end	Equity	Current liabilities	Profit from operations	Profit for the year
			Direct	Indirect						
A.I.E. Naviera Área Brava [1]	C/ San Francisco, nº 29, Edif. Alejandro, Tenerife	Financial services and company services	35.00%	0.00%	35.00%	26	10	16	-	-
A.I.E. Naviera Cabo Udra [2]	C/ San Francisco, nº 29, Edif. Alejandro, Tenerife	Financial services and company services	26.00%	0.00%	26.00%	94	22	72	-	-
A.I.E. Naviera Electra [3]	C/ Luis Morote, nº 6, Las Palmas de Gran Canaria	Financial services and company services	21.00%	0.00%	21.00%	89	29	60	(31)	(57)
A.I.E. Naviera Malpica	C/ San Francisco, nº 29, Edif. Alejandro, Tenerife	Financial services and company services	26.00%	0.00%	26.00%	184	24	160	211	(226)
A.I.E. Naviera Olimpia	C/ San Francisco, nº 29, Edif. Alejandro, Tenerife	Financial services and company services	26.00%	0.00%	26.00%	158	43	115	356	(356)
A.I.E. Naviera San Simón	C/ San Francisco, nº 29, Edif. Alejandro, Tenerife	Financial services and company services	26.00%	0.00%	26.00%	159	19	140	36	(94)
Aciturri Aeronáutica, S.L. [4]	Calle Orón, Parcela 4, P.I. Bayas, Miranda de Ebro (Burgos)	Aerospace industry	0.00%	16.75%	16.75%	342 409	120 000	222 409	15 587	9 872
ADE Capital Sodical S.C.R., S.A. [4]	C/ Jacinto Benavente, 2 - Piso 3º, Arroyo de la Encomienda (Valladolid)	Inversiones colectivas	0.00%	16.59%	16.59%	52 355	52 336	19	(548)	365
ADE Gestión Sodical S.G.E.C.R., S.A. [5]	C/ Jacinto Benavente, 2 - Piso 3º, Arroyo de la Encomienda (Valladolid)	Collective Investments	0.00%	12.77%	12.77%	503	443	59	8	16
Ahorro Gestión Inmuebles, S.A. [6]	C/ Ramón y Cajal, 23 (P.I.), Leganés (Madrid)	Property Administration	0.00%	17.51%	17.51%	14 930	10 483	(4 447)	(70)	(219)
Ala Ingeniería y Obras, S.L. [6]	C/ Ferrocarril, 35, Meco (Madrid)	Manufacturing metal structures	0.00%	13.95%	13.95%	8 889	(5 005)	13 894	(1 275)	(1 178)
Alestis Aerospace, S.L. [4]	C/ Hermanos d'Eluyar, s/n, Isla de la Cartuja, Sevilla	Aerospace industry	15.98%	2.50%	18.48%	425 540	33 159	392 381	(45 469)	(57 871)
Andalucía Económica, S.A.	C/ Diego de Riano, 11, Sevilla	Publications, graphic arts and television	23.80%	0.00%	23.80%	750	582	168	(16)	(11)

Appendix III
Associates at 31 December 2014

Thousands of euros

Company Name	Registered domicile	Activity	% Share owned by the Group			Financial Statements at year end				
			% Share		Total	Total assets at end	Equity	Current liabilities	Profit from operations	Profit for the year
			Direct	Indirect						
Aretne, S.L. [7]	C/ Compositor Lehmberg, nº 4, Málaga	New technologies	40.00%	0.00%	40.00%	24	(2)	26	-	(86)
Autopista del Guadalmedina, Concesionaria Española, S.A.	C/ Los Peñoncillos nº 14, Málaga	Highways	30.00%	0.00%	30.00%	360 140	69 808	290 532	1 138	(6 446)
Autopista del Sol, Concesionaria Española, S.A. [20]	Plaza Manuel Gómez-Moreno, nº 2, Madrid	Highways	20.00%	0.00%	20.00%	76 863	494	676 863	24 266	(6 960)
Ayco Grupo Inmobiliario, S.A.	Av. Pío XII, 57-A Madrid	Real estate	0.00%	12.14%	12.14%	74 148	(38 988)	113 136	(3 601)	(6 103)
B.I.C. Euronova, S.A.	Avda. Juan López Peñalver, s/n, Málaga	Investment and Promotion Services	20.00%	0.00%	20.00%	1 873	1 112	761	(28)	(5)
Barrancarnes Transformación Artesanal, S.A. [7]	Eiras Altas-Barrancos, Barrancos (Portugal)	Food	0.00%	24.28%	24.28%	21 743	11 360	10 384	(67)	789
Caja España Vida, Compañía de Seguros y Reaseguros, S.A.	C/ Santa Nonia, 4 - 3ª Planta, León	Insurances and re-insurances	0.00%	30.35%	30.35%	1 422 839	146 174	1 276 665	27 736	22 930
Camping El Brao, S.A. [8]	C/ Uría, 56 - 2 C , Oviedo (Asturias)	Real estate	0.00%	15.18%	15.18%	584	576	8	-	-
Cementerio Parque de Martos, S.A. [6]	C/ Torredonjimeno S/N, Jaén	Community Services	20.00%	0.00%	20.00%	2 100	118	1 982	50	-
Centro de Tecnologías Informáticas, S.A. [6]	Av. Condesa Sagasta, 6 - 1º, León	Computer Services	0.00%	12.14%	12.14%	596	459	137	58	47
Compañía de Servicios de Castilla y León, S.A. (COSECAL)	C/ Pico del Urbión, 4, Valladolid	Administrative Work	0.00%	17.04%	17.04%	141	(801)	942	(659)	(667)
Corporación Hotelera Dominicana, S.A. [4]	República Dominicana	Hotel in Dominican Republic	0.00%	15.18%	15.18%	20 242	5 299	14 943	98	98
Corporación Hotelera Oriental, S.A. [9]	República Dominicana	Hotel in Dominican Republic	0.00%	15.18%	15.18%	20 918	12 977	7 941	(45)	(45)
Creación de Suelo e Infraestructuras, S.L.	C/ Ibiza, nº 35, Piso 5º C, Madrid	Real estate	0.00%	24.98%	24.98%	11 297	(1 637)	12 934	-	-
Cuatro Estaciones INM Siglo XXI, S.L. [10]	Plaza del Mío Cid 6 - 3º, Burgos	Real estate	0.00%	12.14%	12.14%	1 787	(632)	2 419	(10)	(10)

Appendix III
Associates at 31 December 2014

Thousands of euros

Company Name	Registered domicile	Activity	% Share owned by the Group			Financial Statements at year end				
			% Share		Total	Total assets at end	Equity	Current liabilities	Profit from operations	Profit for the year
			Direct	Indirect						
Deoleo, S.A.	C/ Marie Curie, nº 7, Edificio Beta, Madrid	Agri-food Industry	9.99%	0.06%	10.05%	1 268 855	432 777	836 078	12 687	(92 362)
Desarrollo Urbanísticos Cerro de Medianoche, S.L. (6)	Plaza Jaén por la Paz, nº 2, Jaén	Real estate	0.00%	24.72%	24.72%	3 578	3 578	-	(13)	(13)
Desarrollos Urbanísticos Veneciola, S.A. (11)	C/ Alfonso XI, nº 7 - 2º Dcha, Madrid	Real estate	0.00%	12.14%	12.14%	2	(84 760)	84 762	(1)	(1)
Dibaq Diproteg, S.A. (7)	C/ La Cruz, 3, Fuentepelayo (Segovia)	Animal Feed	0.00%	20.06%	20.06%	69 013	8 871	60 142	(2 332)	(3 167)
Duero Pensiones, E.G.F.P. (7)	Pº de la Castellana, nº 167, Madrid	Pension Funds Management	0.00%	30.35%	30.35%	9 763	8 651	1 112	1 370	1 175
EBN Banco de Negocios, S.A.	Paseo de Recoletos, nº 29, Madrid	Financial Institution	21.09%	12.80%	33.89%	1 010 536	58 454	952 082	9 433	7 426
Edigrup Producciones TV, S.A. (7)	C/ Manuel Canesi Acevedo (Parquesol Sur), 1, Valladolid	Audiovisual broadcasting	0.00%	13.40%	13.40%	17 829	15 964	1 865	1 895	1 840
Gestión e Investigación de Activos, S.A.	C/ Zurbano, 76, Madrid	Real estate	0.00%	37.54%	37.54%	21 400	9 759	11 641	835	448
Grupo Tecopy Cartera Empresarial, S.L. (12)	C/ Antracita, 7 - Planta 4ª - Ofic. 17, Madrid	Various Services	0.00%	12.14%	12.14%	15 275	5 463	9812	205	(65)
Hemera Catering, S.L. (7)	C/ Manuel España Lobo, nº º, Entreplanta, Málaga	Catering Services	0.00%	31.82%	31.82%	1 717	724	993	(893)	(677)
Hidralia, Gestión Integral de Aguas de Andalucía, S.A. (7)	C/ Alisos, Edificio Ocaso, nº 1, Sevilla	Integral water cycle market	0.00%	35.00%	35.00%	296 563	110 936	185 627	(11 850)	(10 453)
Infodesa, S.A. (12)	Plaza Pablo Ruiz Picasso, 1 (Torre Picasso), Madrid	No activity	0.00%	15.18%	15.18%	1 649	1 205	444	8	12
Ingeniería de Suelos y Explotación de Recursos, S.A. (4)	Avda. Paseo del Coso, s/n, Huelva	Mining Industry	30.00%	0.00%	30.00%	38 909	15 596	23 313	4 422	4 429
Ingeniería e Integración Avanzadas, S.A. (13)	C/ Severo Ochoa, nº 43, Málaga	New technologies	40.00%	0.00%	40.00%	15 087	4 422	10 665	398	(22)

Appendix III
Associates at 31 December 2014

Thousands of euros

Company Name	Registered domicile	Activity	% Share owned by the Group			Financial Statements at year end				
			% Share		Total	Total assets at end	Equity	Current liabilities	Profit from operations	Profit for the year
			Direct	Indirect						
Iniciativas y Desarrollos Industriales de Jaén, S.A. (13)	Plaza de la Constitución, 10, 6ª Planta, Jaén	Industrial Development	0.00%	30.00%	30.00%	143	143	-	(4)	(4)
Inmobiliaria CHDOM, S.A. (7)	República Dominicana	Real estate	0.00%	15.18%	15.18%	7 971	7 474	497	(28)	(28)
Inmobiliaria CHDOR, S.A. (14)	República Dominicana	Real estate	0.00%	15.18%	15.18%	8 620	8 016	604	(31)	(31)
InOut TV Worldwide, S.A. (7)	C/ de La Llacuna, 161 - 4º A, Barcelona	Equity investments	0.00%	12.14%	12.14%	n/d	n/d	n/d	n/d	n/d
Inversiones Alaris, S.L. (9)	Av. Carlos III El Noble, 8, Pamplona/Iruña (Navarra)	Equity investments	0.00%	20.23%	20.23%	n/d	921	n/d	n/d	2 334
Investigación y Desarrollo de Energías Renovables, S.L. (IDER) (7)	C/ Serrano Galvache, 56 - P.E. Parque Norte - Ed. Encina - 3ª Pl., Madrid	Wind energy Electricity	0.00%	12.39%	12.39%	143 277	25 410	117 867	6 992	2 089
La Reserva de Selwo Golf, S.L. (7)	C/ Principal nº 45, planta 2, Málaga	Real estate	0.00%	35.00%	35.00%	720	(3 966)	4 686	498	498
Losán Hoteles, S.L. (12)	C/ Serrano, 30 - 2º Dcha, Madrid	Renting of property	0.00%	16.19%	16.19%	8 381	7 006	1 375	(17)	266
Malagaport S.L. (15)	Edif.Instituto de Estudios Portuarios, Muelle de Cánovas, S/N. Málaga	Community Services	26.07%	1.04%	27.11%	251	190	61	(41)	(41)
Marcos Sotoserrano, S.L. (7)	Crta. de Coria nº 4, Sotoserrano (Salamanca)	Ham Processing plant	0.00%	19.90%	19.90%	18 127	8 515	9 612	(487)	(773)
M-Capital, S.A.	Plaza de Toros Vieja, nº 2, Málaga	Investment and Promotion Services	22.01%	0.00%	22.01%	11 388	2 169	9 219	(559)	(633)
Mejor Campo Abonos y Cereales, S.A. (7)	Callejón de San Francisco, 1 - Bajo Medina del Campo (Valladolid)	Fertilizer and animal food Commercial	0.00%	16.39%	16.39%	3	(58)	61	-	-
Metales Extruidos, S.L. (13)	C/ Marismas, nº 20, Valladolid	Aluminum Profiles Manufacturing	0.00%	13.47%	13.47%	75 544	(13 557)	89 101	(6 236)	(6 818)
Numzaan, S.L. (4)	C/ Doctor Casas, nº 20, Zaragoza	Real estate	0.00%	13.03%	13.03%	38 760	(27 187)	65 947	(2)	(372)
Obenque, S.A. (7)	C/ Zurbano, nº 76, Madrid	Real estate	0.00%	21.25%	21.25%	38 053	16 250	21 803	993	319

Appendix III
Associates at 31 December 2014

Thousands of euros

Company Name	Registered domicile	Activity	% Share owned by the Group			Financial Statements at year end				
			% Share		Total	Total assets at end	Equity	Current liabilities	Profit from operations	Profit for the year
			Direct	Indirect						
Oleomedia, S.L. [7]	Plaza de la Constitución, 12, 1º D, Jaén	New technologies	40.00%	0.00%	40.00%	265	265	-	-	-
Parque Científico-Tecnológico de Almería, S.A. [7]	Avenida de la Innovación, nº 15, Almería	Real estate	0.00%	30.15%	30.15%	53 647	20 030	33 618	(772)	(1 741)
Patrimonio Inmobiliario Empresarial, S.A. [16]	C/ Santa Engracia, nº 69, Madrid	Real estate	0.00%	17.66%	17.66%	26 857	(21 423)	48 280	-	-
Privándalus Inversiones I SICAV, S.A. [7]	C/ Bolsa Nª 4, 1ª Planta, Málaga	Variable Capital Investment Society	32.31%	0.00%	32.31%	19 409	19 351	58	-	541
Prodesur Mediterráneo, S.L. [13]	Pz. Trabajadores del Calzado, nº 10, Elda (Alicante)	Real estate	0.00%	15.18%	15.18%	2 582	(2 954)	5 537	(88)	(484)
Proinsur Mediterráneo, S.L. [7]	Pz. Trabajadores del Calzado, nº 10, Elda (Alicante)	Real estate	0.00%	15.18%	15.18%	17 907	(15 626)	33 533	(100)	(3 768)
Promotora Vallisoletana Mercados, S.A. [17]	Crta. Ronda Norte (Mercaolid), s/n - Sector 15, Valladolid	Markets Management	0.00%	17.41%	17.41%	2 360	2 359	1	224	224
Qualia Lácteos, S.A. [15]	Crta. de Puertollano s/n, Almodóvar del Campo (Ciudad Real)	Dairy Industry	0.00%	17.83%	17.83%	16 621	(6 770)	23 391	(821)	(854)
Residencial El Beato, S.L. [18]	Pz. Trabajadores del Calzado, 10 Elda (Alicante)	Real estate	0.00%	15.18%	15.18%	7 084	(12 567)	19 651	(162)	(1 248)
Sociedad de Investigación y Explotación Minera de Castilla y León, S.A. [7]	Av. Rodrigo Zamorano, 6 -P.T. de Boecillo- Boecillo (Valladolid)	Mining Investigation Promotion	0.00%	29.74%	29.74%	3 748	3 546	(285)	(278)	202
Servicios Funerarios Indálicos, S.A. [7]	CR Níjar, nº 129, Edif. Muebles Magoptl 3-2-1, El Alquian, Almería	Community Services	20.00%	0.00%	20.00%	599	373	226	-	-
Sociedad Municipal de Aparcamientos y Servicios, S.A. [7]	Plaza La Alcazaba, s/n, Málaga	Parking	24.50%	0.00%	24.50%	70 423	33 994	36 429	4 436	1 094
Titulización de Activos, Sociedad Gestora de Fondos de Titulización, S.A. [13]	C/ Orense, nº 69, Madrid	Funds Management Society	0.00%	38.57%	38.57%	14 225	9 279	4 946	4 550	3 214

Appendix III
Associates at 31 December 2014

Thousands of euros

Company Name	Registered domicile	Activity	% Share owned by the Group			% Share owned by the Group				
			% Share		Total	Total assets at end	Equity	Current liabilities	Profit from operations	Profit for the year
			Direct	Indirect						
Uncro, S.L. [7]	C/ Ibiza, nº 35, 5º C, Madrid	Real estate	0.00%	25.00%	25.00%	6 150	(4 149)	10 299	(31)	(31)
Unema Promotores Inmobiliarios, S.A. [7]	C/ Strachan, nº 1, Planta 1, Málaga	Real estate	0.00%	40.00%	40.00%	72	(1 635)	1 707	(1 729)	(1 729))
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A. [19]	C/ La Bolsa, 4, 3ª planta, Málaga	Insurance	42.40%	7.60%	50.00%	2 467 048	178 757	2 288 291	54 280	40 831
Unión del Duero Compañía Seguros de Vida, S.A. [7]	Pº de la Castellana, nº 167, Madrid	Life Insurance	0.00%	30.35%	30.35%	783 854	77 360	706 494	21 636	15 151

(1) Financials at 30 September 2013. Company in liquidation.
(2) Company in liquidation.
(3) Financials at 30 April 2014. The result of line accrual society in the consolidated investment.
(4) Financials at 31 December 2013.
(5) Financials at 31 July 2014.
(6) Forecast the company to close 31 December 2013. Estimated Financials at 31 December 2014.
(7) Financials at 30 November 2014.
(8) Financials at 31 December 2014.
(9) Financials at 31 August 2013.
(10) Financials at 30 September 2003. Company in liquidation.
(11) Financials at 31 December 2011.
(12) Financials at 31 October 2014.
(13) Financials at 30 September 2014
(14) Financials at 30 November 2013.
(15) Financials at 28 February 2014.
(16) Financials at 31 August 2014.
(17) Financials at 30 November 2013.
(18) Financials at 31 March 2014.
(19) Financials not available.
(20) Estimated Financials at 31 December 2014.

UNICAJA BANCO, S.A. AND ITS SUBSIDIARIES
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APPENDIX IV
BANK ANNUAL REPORT FOR THE YEAR 2014

Information for compliance with Article 89 of European Parliament Directive 2013/36/EU and its transposition into Spanish Legislation through Law 10/2014

In accordance with the provisions of Article 9 of European Parliament and Council Directive 2013/36/EU (26 June 2013), relating to accessing credit institution activities and the prudent supervision of credit institutions and investment companies, and in accordance with the provisions of Article 7 of Law 10/2014 (26 June) on the organisation, supervision and solvency of credit institutions, which transposes this legislation into Spanish Law, the information relating to the annual bank report prepared by Unicaja Banco for the year ended 31 December 2014 is set out below.

	Business Volume (*) (thousand of euros)	Number of employees (**)	Gross income before taxes (thousand of euros)	Profit tax (thousand of euros)
Spain	1 345 689	8 480	471 631	47 496
Rest of European Union	591	15	2 793	14
Rest of world	-	-	-	-
Total	**1 346 280**	**8 495**	**474 424**	**47 510**

(*) It has been considered the gross consolidated income as business volume.
(**) Number of full-time equivalent employees, obtained from Company's workforce of the Unicaja Bank Group, with activity in each judicature.

At 31 December 2014 the performance of the assets held by Unicaja Banco Group, calculated as the quotient of "consolidated profits for the year" in the consolidated income statement and "Total assets" in the consolidated balance sheet, is 0.7%.

Detailed information regarding the companies within the scope of consolidation of Unicaja Banco Group that operate in each jurisdiction, including their name, geographic location and the nature of their activity, is available in Appendices I-II-III of these notes to the annual accounts.

As may be observed in those appendices, practically all of the activity carried out by the Group takes place in Spain and in the financial sector, notably the retail banking activity carried out by the credit institutions Unicaja Banco, S.A. (Unicaja Banco) and Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (Banco CEISS).

Unicaja Banco has not received any subsidies or public assistance. As is noted in Note 1.2 of the notes to the consolidated annual accounts, in 2014, Unicaja Banco Group acquired a 60.70% stake in the capital of Banco CEISS which, before becoming part of Unicaja Banco Group, issued Contingent Convertible Bonds that were fully subscribed by Fondo de Reestructuración Ordenada Bancaria (FROB) as a recapitalisation instrument (Note 16.5 of the notes to the consolidated annual accounts).

UNICAJA BANCO, S.A. AND ITS SUBSIDIARIES
(UNICAJA BANCO GROUP)

APPENDIX V

EFFECT OF CHANGE IN ACCOUNTING CRITERIA IN THE CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2013 AND 2012 AND FOR THE ACCOUNT OF CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

Consolidated Balance Sheet at 31 December 2013

	Thousand of euros		
	2013 before the re-expression	**Effect change of the accounting method**	**2013 reexpressed**
Cash and Due from Central Banks	1 913 257	-	1 913 257
Trading Portfolio	291 771	-	291 771
Availabl-for-sale Financial Assets	2 566 037	-	2 566 037
Lending Investments	28 886 959	-	28 886 959
Held-to-maturity Investment Portfolio	4 242 658	-	4 242 658
Hedging Derivates	543 745	-	543 745
Non-current Assets held for sale	263 918	-	263 918
Shares	279 759	-	279 759
Insurance Contracts related to Pensions	132 097	-	132 097
Tangible Assets	753 691	-	753 691
Intangible Assets	3 689	-	3 689
Tax Assets	662 426	15 190	677 616
Rest of Assets	702 914	-	702 914
Total Assets	**41 242 921**	**15 190**	**41 258 111**
Trading Portfolio	11 981	-	11 981
Financial Liabilities at depreciated cost	38 542 300	50 634	38 592 934
Hedging Derivates	44 088	-	44 088
Insurance Contracts Liabilities	5 740	-	5 740
Provisions	345 181	-	345 181
Tax Liabilities	111 516	-	111 516
Rest of Liabilities	98 956	-	98 956
Total of Liabilities	**39 159 762**	**50 634**	**39 210 396**
Own Funds:	2 066 941	(35 444)	2 031 497
Capital or endowment fund	800 000	-	800 000
Share Premium	1 649 044	-	1 649 044
Reserves	(453 513)	(18 145)	(471 658)
Profits/Losses for the period	71 410	(17 299)	54 111
Valuation Adjustments	11 734	-	11 734
Minority Interestes	4 484	-	4 484
Total Equity	**2 083 159**	**(35 444)**	**2 047 715**
Total Liabilities and Equity	**41 242 921**	**15 190**	**41 258 111**
Contingent Risks	892 851	-	892 851
Contingent Commitments	3 450 329	-	3 450 329
Total off-balance-sheet	**4 343 180**	**-**	**4 343 180**

UNICAJA BANCO, S.A. AND ITS SUBSIDIARIES
(UNICAJA BANCO GROUP)

APPENDIX V
EFFECT OF CHANGE IN ACCOUNTING CRITERIA IN THE CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2013 AND 2012 AND FOR THE ACCOUNT OF CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

Profit and Loss Consolidated Account for Year 2013

	Thousand of euros		
	2013 before the re-expression	**Effect change of the accounting method**	**2013 reexpressed**
Interest received and similar income	1 103 267	-	1 103 267
Interest and similar charges	(491 201)	-	(491 201)
Interest Margin	**612 066**	**-**	**612 066**
Return on Equity Instruments	24 889	-	24 889
Share of Results of entities accounted for using the Equity Method	15 627	-	15 627
Commissions received	156 436	-	156 436
Commissions paid	(19 497)	-	(19 497)
Gains/Losses on Financial Assets and Liabilities (net)	241 406	-	241 406
Exchange differences (net)	(237)	-	(237)
Other Operating Income	68 705	-	68 705
Other Operating Charges	(57 738)	(24 713)	(82 451)
Gross Margin	**1 041 657**	**(24 713)**	**1 016 944**
Administration costs	(359 026)	-	(359 026)
Amortization	(34 792)	-	(34 792)
Contributions to Provisions (net)	(48 769)	-	(48 769)
Impairment Losses of Financial Assets (net)	(454 566)	-	(454 566)
Net Operating Income	**144 504**	**(24 713)**	**119 791**
Impairment Losses of the rest of Assets (net)	(61 852)	-	(61 852)
Gains (Losses) on disposal of Assets not classified as non-current Assets held for sale	205	-	205
Negative Goodwill on Business Combinations	-	-	-
Gains (Losses) on non-current Assets held for sale not classified as discontinued operations	(13 295)	-	(13 295)
Earning before taxes	**69 562**	**(24 713)**	**44 849**
Profit tax	2 157	7 414	9 571
Result for the year from ongoing operations	**71 719**	**(17 299)**	**54 420**
Result for the year from interrupted operations (net)	**-**	**-**	**-**
Profit or Loss for the period	**71 719**	**(17 299)**	**54 420**
Profit attributable to Parent Company	71 410	(17 299)	54 111
Profit attibutable to minority interests	309	-	309

UNICAJA BANCO, S.A. AND ITS SUBSIDIARIES
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APPENDIX V

EFFECT OF CHANGE IN ACCOUNTING CRITERIA IN THE CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2013 AND 2012 AND FOR THE ACCOUNT OF CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

Consolidated Balance Sheet at 31 December 2012

	Thousand of euros		
	2012 before the re-expression	**Effect change of the accounting method**	**2012 reexpressed**
Cash and Due from Central Banks	518 482	-	518 482
Trading Portfolio	124 633	-	124 633
Availabl-for-sale Financial Assets	2 745 958	-	2 745 958
Lending Investments	27 383 523	-	27 383 523
Held-to-maturity Investment Portfolio	6 325 981	-	6 325 981
Hedging Derivates	745 061	-	745 061
Non-current Assets held for sale	293 554	-	293 554
Shares	333 586	-	333 586
Insurance Contracts related to Pensions	119 358	-	119 358
Tangible Assets	778 020	-	778 020
Intangible Assets	3 105	-	3 105
Tax Assets	627 624	7 776	635 400
Rest of Assets	715 379	-	715 379
Total Assets	**40 714 264**	**7 776**	**40 722 040**
Trading Portfolio	7 580	-	7 580
Financial Liabilities at depreciated cost	37 927 878	25 921	37 953 799
Hedging Derivates	164 496	-	164 496
Insurance Contracts Liabilities	6 514	-	6 514
Provisions	335 274	-	335 274
Tax Liabilities	117 707	-	117 707
Rest of Liabilities	123 711	-	123 711
		-	
Total of Liabilities	**38 683 160**	**25 921**	**38 709 081**
Own Funds:	2 047 596	(18 145)	2 029 451
Capital or endowment fund	800 000	-	800 000
Share Premium	1 649 044	-	1 649 044
Reserves	175 805	(18 145)	157 660
Profits/Losses for the period	(577 253)	-	(577 253)
Valuation Adjustments	(19 188)	-	(19 188)
Minority Interestes	2 696	-	2 696
Total Equity	**2 031 104**	**(18 145)**	**2 012 959**
Total Liabilities and Equity	**40 714 264**	**7 776**	**40 722 040**
Contingent Risks	1 103 814	-	1 103 814
Contingent Commitments	3 333 850	-	3 333 850
Total off-balance-sheet	**4 437 664**	**-**	**4 437 664**

UNICAJA BANCO, S.A. AND ITS SUBSIDIARIES
(UNICAJA BANCO GROUP)

CONSOLIDATED DIRECTOR´S REPORT FOR THE YEAR 2014

On 28 March 2014 the acquisition of Banco CEISS by Unicaja Banco took affect and as from that time it entered into the Unicaja Banco Group scope of consolidation.

With the acquisition of Banco CEISS, Unicaja Banco Group closed its accounts in December 2014 with a balance sheet figure of €67,950 million, which makes it the seventh largest banking group in Spain. The Group has a total of 1,420 offices (4.5% of bank offices in Spain), and is an entity of reference in the national financial system with a leadership goal in Andalusia and Castilla y Leon, where it has 667 and 499 branch offices, respectively.

The acquisition of Banco CEISS took place under the condition of preserving the solvency and financial strength that has presided the management of Unicaja throughout its history and, in particular, over the past few years. Unicaja Banco Group remains one of the Spanish financial institutions with the highest capitalisation. At the end of 2014 total eligible equity exceeds €3,348 million, with a total capital ratio of 11%. Most capital and reserves fall into the top category, as reflected by the fact that the CET1 ratio, or the top tier capital ratio (11%), is practically equal to the total capital ratio. Capital and reserves therefore include surpluses totalling €923 million over the minimum legal total capital requirement (8.0%) and €1,970 million over CET1 (minimum requirement of 4.5%). The CET1 ratio (Fully Loaded) and the Capital ratio (Fully Loaded) are 10.3% and 10.7%, respectively, confirming the Group's good position with respect to solvency.

Unicaja Banco Group Equity	**Millions of euros**
CET1 (Common Equity Tier 1)	3 334
Percentage of RWAs	*11.0%*
Additional Level 1 Capital (including reductions)	14
Level 2 Capital (including reductions)	-
Total Computable Equity	**3 348**
Percentage of RWAs	*11.0%*
CET1 Ratio (Fully Loaded) (*)	*10.3%*
Capital Ratio (Fully Loaded) (*)	*10.7%*
Risk Weighted Assets (RWAs)	30 308

(*) Including contingent convertible Bonds issued by Banco CEISS and subscribed by FROB.

Unicaja Banco Group easily passed, even after computing the acquisition of Banco CEISS and without taking into consideration the synergies arising on the project, the comprehensive asset quality review (AQR) and the stress tests carried out during the second half of 2014 by the European Central Bank (ECB) in collaboration with the European Banking Authority (EBA), which again reveals the quality of its assets and solvency level and it remains one of the most solvent entities in the Spanish and European financial system.

The volume of resources under management by the Group at 31 December 2014 amounted to €61,484 million (with no measurement adjustments). This figure is a €25,791 million (72.3%) increase after the Group's new configuration, compared with that recognised at the end of 2013.

				Millions of euros	
Administrated funds by Unicaja Bank Group (value adjustments not included)	**December 2014**	**Compos.**	**December 2013**	**Abs. Variation**	**Relat. Variacion**
Total Balance Resources	**50 546**	**82.2%**	**30 616**	**19 929**	**65.1%**
Deposits from customers	**48 084**	**78.2%**	**28 094**	**19 990**	**71.2%**
Government	**1 689**	**2.7%**	**1 108**	**581**	**52.5%**
Private Sector	**46 395**	**75.5%**	**26 986**	**19 409**	**71.9%**
Demand Deposits	17 220	28.0%	7 429	9 790	131.8%
Term Deposits	25 444	41.4%	13 753	11 691	85.0%
Temporary assignments of assets	3 731	6.1%	5 804	(2 073)	(35.7%)
Emissions	**2 462**	**4.0%**	**2 522**	**(61)**	**(2.4%)**
Notes	-	-	89	(89)	(100.0%)
Mortgage Securities	1 611	2.6%	2 342	(731)	(31.2%)
Other Values	212	0.3%	-	212	n.s.
Subordinate liabilities	639	1.0%	91	548	603.0%
Off-balance sheet	**10 938**	**17.8%**	**5 076**	**5 862**	**115.5%**
Total managed Resources	**61 484**	**100.0%**	**35 692**	**25 791**	**72.3%**
Of which:					
Customer funds (retailers)	48 732	79.3%	22 911	25 821	112.7%
Markets	12 752	20.7%	12 781	(29)	(0.2%)

Most of the resources under management consist of customer deposits (€48,084 million), of which €17,220 million are on-demand customer deposits in the private sector, €25,444 million are term deposits (including €8,735 million in unique mortgage bonds) and €3,731 million relate to assets sold under repurchase agreements. The resources managed through off-balance sheet instruments total €10,938 million, mainly consisting of customer resources captured through investment funds (€4,731 million), pension funds (€2,133 million) and savings insurance (€3,203 million). The balance of issues included in the aggregate of resources under management is only €2,462 million, basically consisting of issues of mortgage bonds held by third parties (€1,611 million) and convertible bonds in Banco CEISS subscribed by the FROB (€604 million).

Based on the source of the resources, 79.3% (€48,732 million) originates from the retail banking business while the remaining 20.7% (€12,752 million) originates from the funds captured in wholesale markets through issues or assets sold under repurchase agreements. Both Unicaja Banco and Banco CEISS recorded a net increase in customer resources during the year (€1,186 million and €295 million, respectively). In the case of Unicaja Banco, the recognised change is a confirmation of the growth trend that translates into a year-on-year variation of 5.1% at the end of December 2014. The increase arose through both the capture of private-sector deposits (4.3% year-on-year) and the increase in resources managed through off-balance sheet instruments (10.9% year-on-year). We note that there has been a change in the trend for Banco CEISS that has been observed over the past three quarters, during which customer resources increased by €596 million (+2.5%), which allowed it to exceed the balance with which it ended 2013.

Customer loans (with no measurement adjustments) total €38,157 million at the end of December 2014, and after the new corporate configuration this figure represents an increase totalling €14,980 million compared with the figure recognised by Unicaja Banco Group at the end of last year. The greatest weight within the credit portfolio consists of private sector loans secured by real guarantees, and with the €9,979 increase it represents 58.9% of total credit.

					Millions of euros
Customer Credit Unicaja Banco Group	**December 2014**	**Compos.**	**December 2013**	**Abs. Variation**	**Relat. Variation**
Public Administration	**2 032**	**5.3%**	**597**	**1 435**	**240.3%**
Private Sector	**36 125**	**94.7%**	**22 580**	**13 545**	**60.0%**
Commercial loans	193	0.5%	173	19	11.1%
Secured loans	22 480	58.9%	12 501	9 979	79.8%
Temporary purchase of assets	2 993	7.8%	3 616	(623)	(17.2%)
Other term debtors	4 329	11.3%	3 563	766	21.5%
Borrowers in sight and other	6 130	16.1%	2 727	3 403	124.8%
Total loans to customers excluding valuation adjustments	**38 157**	**100.0%**	**23 177**	**14 980**	**64.6%**
Impairment losses and other valuation adjustments	(3 074)		(1 410)	(1 664)	118.0%
Total loans to customers	**35 086**		**21 766**	**13 317**	**61.2%**

Compared with December 2013 there has been a notable reduction in the weight of real estate development loans, which fell from 11% of the total to 6%. Conversely, the weight of loans to individuals increased from 64% to 70% and, specifically, loans for the acquisition of homes (from 55% to 63%). The entry of Banco CEISS into the scope of consolidation contributes to this improvement of the composition of the credit risk, which took place once part of its real estate risks were transferred to the SAREB in February 2013.

					Millions of euros
Credit to the private sector as credit risk classification Unicaja Banco Group (*)	**December 2014**	**Compos.**	**December 2013**	**Abs. Variation**	**Relat. Variation**
Companies	**9 652**	**29.5%**	**6 856**	**2 797**	**40,8%**
Development and construction	1 919	5.9%	2 015	(96)	(4.8%)
Other companies	7 733	23.6%	4 841	2 893	59.8%
SMEs and the self	5 939	18.2%	3 073	2 866	93.3%
Corporations	1 238	3.8%	1 307	(69)	(5.2%)
Civil Works	556	1.7%	461	95	20.7%
Individuals	**23 060**	**70.5%**	**12 065**	**10 995**	**91.1%**
Dwelling	20 513	62.7%	10 488	10 025	95.6%
Rest	2 547	7.8%	1 577	970	61.5%
Credit to private sector	**32 712**	**100.0%**	**18 921**	**13 792**	**72.9%**

(*) Not including asset reverse repos arranged through counterparty entities, or other financial assets. Also excluding measurement adjustments.

In 2014 there has been a certain moderation in the total volume of credit that has characterised the Spanish economy over the past few years as a result of the deleveraging of companies and families. Although new production continues to be insufficient to offset the amortisation of existing credit, both Unicaja Banco and Banco CEISS observed an increase in the volume of new transactions compared with last year, and this increase foreshadows a future improvement in the total evolution of credit.

The entry of Banco CEISS into the scope of consolidation and the application of Unicaja Banco standards to the classification of its credit risks gave rise to an increase in the Group's non-performing loan level, and the aggregate non-performing ratio of Unicaja Banco and Banco CEISS is 12.2% at the end of December 2014, which may be considered to be in line with the sector. Unicaja Banco Group maintains a level of non-performing risk coverage totalling 63%, which is higher than the rest of the Spanish deposit-taking entities (56%).

In 2014 there has been further improvement in the risk profile in a normal situation. The balances classified as "without appreciable risk" and "low risk" (public sector, monetary and collateral loans secured by homes ended with an LTV ratio of less than 80%), which means that at the end of the year this figure was 84.3% of the total, 0.7% more than at the end of 2013.

Millions of euros

Classification of credit risk in normal situation	**2014**		**2013**		**Variation**	
	Balance	**Struc. %**	**Balance**	**Struc. %**	**Balance**	**Struc. %**
Negligible risk (1)	26 520	49.4%	17 792	54.1%	8 728	(4.7%)
Low risk (2)	18 755	34.9%	9 695	29.5%	9 060	5.4%
Medium-low risk (3)	3 111	5.8%	1 677	5.1%	1 434	0.7%
Medium risk (4)	4 303	8.0%	2 664	8.1%	1 639	(0.1%)
Medium-high risk (5)	694	1.3%	917	2.5%	(134)	(1.2%)
High risk (6)	315	0.6%	226	0.7%	89	(0.1%)
Total risk in normal situation	**53 698**		**32 882**		**20 816**	

(1) Public sector and cash guarantee.
(2) Secured by finished housing with LTV below 80%.
(3) Other property guarantees.
(4) Personal guarantee, barring consumption, cards, overdrafts and over-limit balances.
(5) Consumer financing.
(6) Cards, overdrafts and over-limit balances.

The trend of strong growth in retail deposits and contraction of customer credit, together with the entry of Banco CEISS into the scope of consolidation (with a higher contribution of deposits than credit), reaffirms the reduction of the structural need for financing in markets by Unicaja Group. This reduction is reflected in the evolution of the LTD ("Loan to Deposit") ratio which was 83% at the end of December 2014.

Ratio evolution LTD of Unicaja Banco Group (*)	**Ratio %**
31 December 2012	122%
31 December 2013	101%
31 December 2014	83%

(*) LTD ratio: ratio of loans to deposits. Loans including measurement adjustments. Neither loans nor deposits include money market transactions through counterparty entities, or wholesale issues. Deposits include provisions for indirect subsidised financing.

At the same time, at the end of December 2014 Unicaja Banco Group records liquid assets that may be discounted at the European Central Bank (ECB), net of utilised assets, totalling €13,734 million, which is more than 20% of the total balance sheet figure. This important volume of liquid assets allows the coming maturity of issues on markets to be easily managed (€1,971 million in 2015), as well as the end of the long-term liquidity transactions with the European Central Bank (LTROs) in the coming months. Since the start of those transactions, Unicaja Banco and Banco CEISS have repaid more than €6,400 million, €4,840 million over the past twelve months.

	Millions of euros	
Unicaja Banco's discountable liquid assets	**2014**	**2013**
Liquid assets:		
Treasury surplus (*)	9	1 584
Discountable assets acquired under repo agreements	3 456	9 263
Fixed income portfolio and other assets discountable at European Central Bank	23 575	8 559
Total liquid assets (discount value at European Central Bank)	**27 040**	**19 406**
Liquid assets utilized:		
At European Central Bank	8 722	4 500
Assets sold under repurchase agreements	4 583	7 341
Total liquid assets utilized	**13 305**	**11 841**
Drawable discountable liquid assets	**13 734**	**7 565**
Percentage of total assets	**20.3%**	**18.2%**

(*) Includes interbank deposits and surplus balance in central banks.

	Millions of euros		
Matured markets for funding in 2015-2016	**Emissions**	**LTROs**	**Total**
Prospects for 2015	1 971	7 660	9 631
Prospects for 2016	2 096	-	2 096
Total	**4 067**	**7 660**	**11 727**

In 2014 Unicaja Banco Group recorded consolidated profits totalling €447.5 million, of which €372.5 million relate to "badwill" or the negative difference on consolidation that arose at the time Banco CEISS was acquired. Without including this item, profits after taxes would have been €75 million (€101.9 million before taxes), compared to the €54.4 million (€44.8 million before taxes) recognised in 2013 (*).

(*) Restated 2013 information for the purposes of comparison, resulting from the change in the accounting policy regarding the treatment of contributions to the Deposit Guarantee Fund (Note 1.5 of the notes to the consolidated accounts).

Cuenta de Resultados del Grupo Unicaja Banco (*)	December 2014	December 2013	Annual rate of change
			Millions of euros
Net Interest	**718,7**	**612,1**	**17.4%**
Net fees and commissions	227,2	136,9	65.9%
Dividends and other shares results	47,4	40,5	17.0%
Result from financial transactions and exchange differences	392,7	241,2	62.8%
Other products operating income / expenses	(39,8)	(13,7)	189.4%
Gross Margin	**1 346,3**	**1 016,9**	**32.4%**
Operating expenses	(628,1)	(393,8)	59.5%
Net operating income before loss provisions	**718,2**	**623,1**	**15.3%**
Provisions and other results	(616,2)	(578,3)	6.6%
Profit before tax without "badwill"	**102,0**	**44,8**	**127.3%**
Negative goodwill in business combinations	372,5	-	n.s.
Profit before tax	**474,4**	**44,8**	**957.8%**
Income tax	(47,5)	9,6	n.s.
Discontinued operations profit/loss	20,6	-	n.s.
Consolidated profit	**447,5**	**54,4**	**722.3%**

(*) The results at December 2014 include information for Banco CEISS since 28 March 2014. The information relating to 2013 has been reinstated for the purposes of comparison, resulting from the change in the accounting policy regarding the treatment of contributions to the Deposit Guarantee Fund (Note 1.5 of the notes to the consolidated accounts).

The growth in profits has rested on obtaining interest and fee income totalling €946 million, €197 million more than in 2013 and on obtaining €390 million in profits on financial transactions, resulting from the materialisation of part of the capital gains generated on the fixed-income portfolio over the past few months. The significant reduction in the average cost of financing and the policy of diversifying products and services that generate fee income contributed to the growth of income from customer business.

Quarterly Evolution of the average spread of the business with customers Unicaja Bank Group	Combination Pro-Forma Unicaja Banco and Banco CEISS				Unicaja Bank Group		
	2T 2013	3T 2013	4T 2013	1T 2013	2T 2014	3T 2014	4T 2014
Average yield credits to consumers	3.32%	3.27%	3.33%	3.28%	3.25%	3.24%	3.15%
Average cost of retail deposits	1.62%	1.53%	1.49%	1.41%	1.32%	1.24%	1.13%
Difference	**1.70%**	**1.74%**	**1.84%**	**1.87%**	**1.93%**	**1.99%**	**2.02%**

The aforementioned income figures, together with the results obtained on investments in shares (€48 million) and the net amount from other products/operating charges (€-40 million), gave rise to a gross margin of €1,346 million (32.4% more than that obtained by Unicaja Banco Group in 2013). In turn, operating expenses totalled €628 million with a year-on-year reduction of 8% applied to the aggregate for Unicaja Banco Group and Banco CEISS up to 2013, which makes the efficiency ratio (operating expenses as a percentage of gross margin) 46.7%. Within this reduction of operating expenses, the effort made by Banco CEISS in its restructuring process is notable and it achieved an 18.8% decline.

As a result of the aforementioned evolution, profits before write-downs total €718 million (15.3% higher than the figure obtained in December 2013).

The effort to write down risks that was made in preceding years (in addition to the fair value recognition of Banco CEISS' credit investments during the acquisition, which increased the impairment value corrections by €350 million), together with the rigidity that is taking place in the evolution of defaults, meant that in 2014 there has been a reduction in the figures applied to impairment losses which totals €435.8 million in 2014, €80.6 million less than in 2013 (15.6%). The effort regarding all write-downs was higher than in the preceding year due to the growth in allocations to provisions, which were affected by the early retirement plan applied by Banco Unicaja.

			Millions of euros
Detail of Regularizations and Other Results	**December 2014**	**December 2013**	**Variation**
Contributions to Provisions (net)	148.1	48.8	99.3
Impairment Losses (net)	435.8	516.4	(80.6)
Impairment losses of financial assets (net)	*355.8*	*454.6*	*(98.7)*
Impairment losses of non-financial assets (net)	*80.0*	*61.9*	*18.1*
Gains (Losses) on disposal of assets non classified as non-current assets held for sale	1.4	(0.2)	1.6
Gains (Losses) on disposal of assets non classified as discontinued operations	30.9	13.3	17.6
Total of Regularizations and Other Results	**616.2**	**578.3**	**37.9**

In 2014, the Unicaja Banco Group adopted several measures which consolidated and adapted best practices on internal and corporate governance in order to bring them into line with the new regulatory and supervisory framework.

In 2015 the Unicaja Banco Group expects customer deposits to sustain their significant growth rate upon completion of the majority of its deleveraging, as well as a slowdown in the number of rejected loans, increasing retail business revenue and, in short, earning capacity.

As a result of the restructuring work of recent years, which has made it possible to extend risk coverage to include estimated mortgage losses in adverse scenarios, and the estimated ongoing recovery in the Spanish economy, reflected by the marked change in the trend in foreclosed assets, a significant reduction in the need to restructure debt is predicted over the next few years.

A consolidated recovery in Spain provides the backdrop for the above scenario. The main analytical institutions have reached a consensus that estimates growth of over 2% in 2015, supported mainly by demand in Spain, an unemployment rate of around 23% by the end of 2015 and a moderate price increase in line with estimates for Europe.

Risk exposure framework

On 30 January 2015, the Board of Unicaja Banco approved the Unicaja Banco Group's Risk Exposure Framework ("Risk Appetite Framework" or "RAF"). The Group will carry on its business within this framework.

The Risk Exposure Framework is a basic instrument which is used to implement the Bank's risk policy. It includes policies, processes, controls and systems to establish, report and monitor each form of risk exposure. The framework is the Group's general risk policy; it is the Bank's basic management tool used to formalise and update the integral framework that defines the risk which the Group is prepared to accept. It establishes several different metrics to quantify, control and monitor risk exposure. The metrics also make it possible to react in the face of certain levels or scenarios.

The approval and subsequent implementation of the Group's Risk Exposure Framework make it possible to:

- Explain the Group's risk objectives in line with corporate strategy, acting as a benchmark reference for the lines of business.
- Integrate all of the risk management processes in a common framework.
- Promote an internal culture of risk management.

The Unicaja Banco Group's business is focused mainly on business, retail and corporate banking, applying solid risk control and management standards. It finances lending mainly by using deposits banked by customers and issuing long-term deposits on wholesale markets. The main risks managed by the Group are credit risk and liquidity risk.

For the purpose of its strategic plan the Unicaja Banco Group's Risk Exposure Framework sets the level and type of risk exposure that it is prepared to accept, envisaging no significant changes at all even during stress testing. Unicaja Banco Group risk management aims to achieve a moderate risk profile through prudent management, a bespoke retail banking business model based on location, asset type, portfolio and client and sustainable growth over time.

The Risk Exposure Model of the Unicaja Banco Group is considered the result of the work of all of its subsidiaries and Banco CEISS in particular, due to the relevance and importance of the model in terms of the Group's solvency, by setting specific limits on solvency and references on which to base independent management. Historically, Unicaja has been characterised by the implementation and effective assumption of a prudential risk management culture. With respect to the consolidation of Banco CEISS, Unicaja Banco Group will continue to make its culture of prudence a priority across the Group as a whole.

Global risk control

The Group applies rigorous measures to maintain a permanent, prudent and balanced risk profile so as to preserve its solvency, profitability and liquidity. The Group's integrated risk management model allows service quality to be assured during the application of the lending policy and in all investment lines.

25 April 2014 the Risk Committee was created with the authority to advise the Bank's Board Directors regarding the current and future overall risk scenario at the Entity and its strategy in this area, to assist the Board in monitoring the application of that strategy by Senior Management and to examine whether the prices of assets and liabilities offered to customers fully take into account the business and risk strategy model at the Entity. The amendment of the bylaws of Unicaja Banco that was approved by shareholders at a General Meeting on 30 September 2014 brought the Risk Committee into the highest level of management.
The Group continues to improve and upgrade the systems used in the management of general credit or counterparty risk, market risk, operational risk, interest rate risk and liquidity risk.

Unicaja Banco Group implements individual actions and participates in sector Global Risk Control projects led by the Spanish Confederation of Savings Banks in order to enhance the procedures, systems and methodologies necessary to manage the different types of risks to which the Entity is exposed on an integrated and effective basis.

Having regard to credit risk, the Group has implemented scoring systems for certain products (private individuals, consumption, mortgages and credit cards), allowing the automatic approval of loans up to certain amounts for the retail segment and providing support for decision-taking by the risk analyst.
With respect to market risk, i.e. the risk of a change in value of financial assets or liabilities held for trading due to adverse movements in market prices or price volatility, Unicaja Banco Group uses tools to measure and control market risk, as well as permanent and systematic controls over transactions that are particularly complex from an operational and accounting viewpoint.

Unicaja Banco Group has integrated operational risk management, i.e. the risk of loss resulting from the inadequacy of or failure in processes, personnel or internal systems, or from external events, in its risk control policy and has rolled out the relevant procedures across all areas of the organisation.

Global interest risk arises from the temporary mismatch of asset and liability maturities and interest rate reviews. It may be measured in terms of the impact that a certain change in market rates would have on the entity's net interest income in a given period. Structural interest rate risk is actively managed and permanently controlled by the Assets, Liabilities and Budgeting Committee (ALCO).

Unicaja Banco Group also assesses and manages liquidity risk from both a current or short-term viewpoint (controlling daily liquidity needs to cover deposit maturities and customer credit demands) and from a structural viewpoint, entailing the evaluation of the possible need for capital market financing in the medium and long term in order to maintain the planned rate of business growth.

Subsequent events

On 30 January 2015 the Boards of Directors of Unicaja Banco, S.A. and Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (Banco CEISS) approved an agreement under which Unicaja Banco acquired from Banco CEISS a line of business consisting of 30 operating offices and bank branches located outside the primary territory of Banco CEISS, specifically in Andalucía, Castilla-La Mancha, Badajoz and Ceuta, which is the primary geographic area in which Unicaja Banco operates.

The effectiveness of the transfer is subject to a condition subsequent consisting of obtaining approval from the competent regulatory and supervisory authorities.

The price of the transaction is the market value of the line of business at the time the transaction was concluded and it will finally be determined after obtaining the relevant authorisation.

At the date this Consolidated Directors' Report was prepared the required approval from the regulatory and supervisory authorities had not yet been obtained.

On 26 February 2015 Bench One of the Supreme Court announced the publication of a judgment relating to the interest rate floor clauses for mortgage loans. The Court did not question the validity of those clauses but stated that they were incorrectly marketed in the cases it analysed and declared those clauses to be null and void due to a lack of transparency. It also concluded that the reimbursement of amounts to customers was necessary starting on the date on which the judgment was published but it did not apply retroactive policies.

During the period between the end of the year on 31 December 2014 and the date these director's report were prepared, no event of special relevance has taken place that has not been mentioned in the notes to the annual accounts.

Research & Development

The Entity did not engage in significant research and development activities during 2014 and 2013.

Environmental impact

The Group's overall transactions are governed by the Laws on environmental protection (Environmental Laws). The Parent Entity believes that it substantially complies with such legislation and it implements procedures to ensure and promote compliance.

The Parent Entity has adopted the relevant measures to protect and improve the environment and to minimize its environmental impact and complies with relevant legislation. The Group did not make significant environmental investments in 2014 and 2013, nor did it consider it necessary to record any provision for environmental risks and charges, and does not consider that there are significant contingencies relating to environmental protection and enhancement.

Deferral of payments to suppliers

The payments made by Unicaja Banco Group to suppliers only rendering services and sundry services in 2014 totalled €323,388 thousand (€101,120 thousand in 2013), which were made within the deadlines established by law and by contract. The amount pending payment to suppliers at 31 December 2014 and 2013 is not significant and have been outstanding for a period less than that established by Law 15/2010.

The deferral of payments to Group suppliers are within the legal limits established by legislation and therefore including the measures established in Article 262.1 of the Spanish Companies Act 2010 in the Directors' Report is not necessary.

Treasury shares

At 31 December 2014 the Bank did not hold any treasury shares. During 2014 no operations were carried out involving treasury shares.

However, during 2014 Unicaja Banco acquired other treasury equity instruments for an aggregate amount of €14 thousand, of which €7 thousand relate to Mandatory and Contingent Convertible Bonds (NeCoCos) and €7 thousand to Perpetual Contingent Convertible Bonds (PeCoCos). All of these instruments were acquired during the first half of 2014 and there were no treasury securities at 31 December 2014.

Annual Corporate Governance Report

Below is attached the Annual Corporate Governance Report of Unicaja Banco, S.A. for the year ended 31 December 2014, as an integral part of this consolidated management report.

Folleto Unicaja Banco, S.A.
Tabla de Equivalencias

EQUIVALENCIAS CON ANEXO I DEL REGLAMENTO 809/2004

Contenido		Apartado	Comentario
1.	**PERSONAS RESPONSABLES**		
1.1	**Todas las personas responsables de la información que figura en el documento de registro y, según los casos, de ciertas partes del mismo, con, en el último caso, una indicación de las partes. En caso de personas físicas, incluidos los miembros de los órganos de administración, de gestión o de supervisión del emisor, indicar el nombre y el cargo de la persona; en caso de personas jurídicas, indicar el nombre y el domicilio social.**	Véase la sección "*General Information*" (Información General), sub-sección "*Declaration of Responsibility*" (Declaración de Responsabilidad).	
1.2	**Declaración de los responsables del documento de registro que asegure que, tras comportarse con una diligencia razonable para garantizar que así es, la información contenida en el documento de registro es, según su conocimiento, conforme a los hechos y no incurre en ninguna omisión que pudiera afectar a su contenido. En su caso, declaración de los responsables de determinadas partes del documento de registro que asegure que, tras comportarse con una diligencia razonable para garantizar que así es, la información contenida en la parte del documento de registro de la que son responsables es, según su conocimiento, conforme a los hechos y no incurre en ninguna omisión que pudiera afectar a su contenido.**	Véase la sección "*General Information*" (Información General), sub-sección "*Declaration of Responsibility*" (Declaración de Responsabilidad). "Having taken all reasonable care (…)"	
2.	**AUDITORES DE CUENTAS**		
2.1	**Nombre y dirección de los auditores del emisor para el periodo cubierto por la información financiera histórica (así como su afiliación a un colegio profesional).**	Véase la sección "*Validity of the Shares and Legal Matters and Independent Auditors and Other Experts*" (Validez de las Acciones, Cuestiones Legales y Auditores Independientes y Otros Expertos). "PricewaterhouseCoopers Auditores, S.L. domiciled at Madrid (…)"	
2.2	**Si los auditores han renunciado, han sido apartados de sus funciones o no han sido redesignados durante el periodo cubierto por la información financiera histórica, proporcionarán l os detalles si son importantes.**	Véase la sección "*Validity of the Shares and Legal Matters and Independent Auditors and Other Experts*" (Validez de las Acciones, Cuestiones Legales y Auditores Independientes y Otros Expertos).	

		"PricewaterhouseCoopers Auditores, S.L. has not resigned	
3.	**INFORMACIÓN FINANCIERA SELECCIONADA**		
3.1	**Información financiera histórica seleccionada relativa al emisor, que se presentará para cada ejercicio durante el periodo cubierto por la información financiera histórica, y cualquier periodo financiero intermedio subsiguiente, en la misma divisa que la información financiera**	Véase la sección "*Selected Financial Information*" (Información Financiera Seleccionada). "The selected financial information as of and for the (…)" Véase la sección "*Selected Financial and Operating Information in Relation to the Three Months Ended March 31, 2017*" (Información Financiera y Operativa en Relación con los Tres Meses Finalizados a 31 de Marzo de 2017). "The selected financial information as of and for the three months ended March 31, 2017 (…)"	
3.2	**Si se proporciona información financiera seleccionada relativa a periodos intermedios, también se proporcionarán datos comparativos del mismo periodo del ejercicio anterior, salvo que el requisito para la información comparativa del balance se satisfaga presentando la información del balance final del ejercicio**	Véase la sección "*Selected Financial And Operating Information in relation to the three months Ended March 31, 2017*" (Información Financiera y Operativa Seleccionada en relación con los tres meses terminados el 31 de marzo de 2017), sub-sección "*Results of operations*" (Resultados Operativos), apartado "*Comparison of selected consolidated income statement movements for the three-month periods ended March 31, 2017 and 2016*" (Comparativa entre los movimientos en la cuenta de resultados de los tres primeros meses de 2017 y 2016).	
4.	**FACTORES DE RIESGO**	Véase la sección "*Risk Factors*" (Factores de Riesgo).	
5.	**INFORMACIÓN SOBRE EL EMISOR**		
5.1.	**<u>Historia y evolución del emisor:</u>**		
5.1.1.	*nombre legal y comercial del emisor;*	Véase la portada del Folleto. "(…) Unicaja Banco, S.A. ("**Unicaja Banco**" (…)" Véase la sección "*Definitions*	

		and Glossary of Selected Terms" (Definiciones y Glosario de Términos Seleccionados) "Company" or "Unicaja Banco" Véase la sección "*General Information*" (Información General). "The Company is a Spanish *sociedad anónima (…)*" Véase la sección "*Description of Share Capital*" (Descripción del Capital Social), sub-sección "*General*" (General). "The Company was incorporated as a public limited liability (…)"	
5.1.2.	*lugar de registro del emisor y número de registro;*	Véase la sección "*General Information*" (Información General), sub-sección "*Corporate Structure*" (Estructura Mercantil). "(…) registered with the Málaga Commercial Registry and as a credit institution (…)" Véase la sección "*Description of Share Capital*" (Descripción del Capital Social), sub-sección "*General*" (General). "The Company was incorporated as a public limited liability (…)"	
5.1.3.	*fecha de constitución y periodo de actividad del emisor, si no son indefinidos;*	Véase la sección "*Description of Share Capital*" (Descripción del Capital Social), sub-sección "*General*" (General). "The Company was incorporated as a public limited liability (…)"	
5.1.4.	*domicilio y personalidad jurídica del emisor, legislación conforme a la cual opera, país de constitución, y dirección y número de teléfono de su domicilio social (o lugar principal de actividad empresarial si es diferente de su domicilio social);*	Véase la sección "*General Information*" (Información General), sub-sección "*Corporate Structure*" (Estructura Mercantil). "The Company is a Spanish *sociedad anónima (…)*" Véase la sección "*Description of Share Capital*" (Descripción del Capital Social), sub-sección "*General*" (General). "The Company was incorporated	

		as a public limited liability (…)" Véase asimismo la contraportada del Folleto.	
5.1.5.	*acontecimientos importantes en el desarrollo de la actividad del emisor*	Véase la sección "*Business*" (Negocio), sub-sección "*History*" (Historia). "Unicaja Banco's history spans (…)"	
5.2.	**<u>Inversiones</u>**		
5.2.1.	*Descripción, (incluida la cantidad) de las principales inversiones del emisor en cada ejercicio para el periodo cubierto por la información financiera histórica y hasta la fecha del documento de registro.*	Véase la sección "*Business*" (Negocio), sub-sección "*Equity investments*" (Inversiones de capital). "The main focus of this division (…)"	
5.2.2.	*Descripción de las inversiones principales del emisor actualmente en curso, incluida la distribución de estas inversiones geográficamente (nacionales y en el extranjero) y el método de financiación (interno o externo).*	No aplicable	
5.2.3.	*Información sobre las principales inversiones futuras del emisor sobre las cuales sus órganos de gestión hayan adoptado ya compromisos firmes*	Véase la sección "*Business*" (Negocio), sub- sección "*Equity investments*" (Inversiones de capital). "However, following the approval of the Restructuring Plan (…)"	
6.	**DESCRIPCIÓN DEL NEGOCIO**		
6.1.	**<u>Actividades principales</u>**		
6.1.1.	*Descripción y factores clave relativos al carácter de las operaciones del emisor y de sus principales actividades, declarando las principales categorías de productos vendidos y/o servicios prestados en cada ejercicio durante el período cubierto por la información financiera histórica.*	Véase la sección "*Business*" (Negocio), sub-sección "*Overview of the business*" (Perspectiva General del negocio). "We are a Spanish retail bank (…)" Véase la sección "*Business*" (Negocio), sub-sección "*Key Strenghts*" (Puntos Fuertes). "We are a Spanish domestic bank focused on retail customers (…)" Véase la sección "*Business*" (Negocio), sub-sección	

		"*Operations and activities*" (Negocios y actividades). "The Group is organized into two business areas (…)"	
6.1.2.	*Indicación de todo nuevo producto y/o servicio significativos que se hayan presentado y, en la medida en que se haya divulgado públicamente su desarrollo, dar la fase en que se encuentra.*	No aplicable.	
6.2.	**<u>Mercados principales</u>** **Descripción de los mercados principales en que el emisor compite, incluido un desglose de los ingresos totales por categoría de actividad y mercado geográfico para cada ejercicio durante el periodo cubierto por la información financiera histórica.**	Véase la sección "*Business*" (Negocio), sub- sección "*Markets*" (Mercados). "We carry out our business exclusively in Spain (…)" Véase la sección "*Business*" (Negocio), sub- sección "*Operations and activities*" (Operaciones y actividades). "The Group is organized into two business areas: (…)"	
6.3.	**Cuando la información dada de conformidad con los puntos 6.1. y 6.2. se haya visto influenciada por factores excepcionales, debe mencionarse este hecho.**	No aplicable.	
6.4.	**Si es importante para la actividad empresarial o para la rentabilidad del emisor, revelar información sucinta relativa al grado de dependencia del emisor de patentes o licencias, contratos industriales, mercantiles o financieros, o de nuevos procesos de fabricación.**	No aplicable.	
6.5.	**Se incluirá la base de cualquier declaración efectuada por el emisor relativa a su posición competitiva**	Véase la sección "*Business*" (Negocio), sub-sección "*Competition*" (Competencia) – "*A purely domestic retail bank in Spain with clear leadership in its Home Regions"* (Un banco commercial puramente nacional con un claro liderazgo en sus Regiones de Origen). "We are the market leader in our Core Regions (…)"	
7.	**ESTRUCTURA ORGANIZATIVA**		
7.1.	**Si el emisor es parte de un grupo, una breve descripción del grupo y la posición del emisor en el grupo.**	Véase la sección "*Business*" (Negocio), sub-sección "*History*" (Historia). "Unicaja Banco's history spans	

		over more than 130 years (…)” “The main corporate events in our history are detailed below and please see (…)” Véase “*General Information*” (Información General), sub-sección “*Coporate structure*” (Estructura corporativa). “The Company is a Spanish *sociedad anónima* incorporated on December 1, 2011 and registered with the Málaga Commercial (…)”	
7.2.	**Lista de las filiales significativas del emisor, incluido el nombre, el país de constitución o residencia, la participación en el capital y, si es diferente, su proporción de derechos de voto.**	Véase la sección “*Business*” (Negocio), sub-sección “*History*” (Historia). Véase también los apéndices I, II y III de las Cuentas Anuales cerradas a 31 de diciembre de 2016.	
8.	**PROPIEDAD, INSTALACIONES Y EQUIPO**		
8.1.	**Información relativa a todo inmovilizado material tangible existente o previsto, incluidas las propiedades arrendadas, y cualquier gravamen importante al respecto.**	Véase la sección “*Business*” (Negocio), sub-sección “*Property, Plant and Equipment*” (Inmovilizado, Plantas y Equipo). “As at December 31, 2016 we owned 1,067 branches, including headquarters, out of the total 1,280 branches (…)” Véase la sección “*Operating and Financial Review*” (Revisión Operativa y Financiera), sub-sección “*Explanation of key balance sheet items*” (Explicación de partidas clave de balance). “Tangible assets consists of property (…)”	
8.2.	**Descripción de cualquier aspecto medioambiental que pueda afectar al uso por el emisor del inmovilizado material tangible.**	Véase la sección “*Business*” (Negocio), sub-sección “*Environmental and Land Use Matters*” (Medioambiente y Uso del Suelo). “As at the date of the Prospectus, we consider that we have adopted the necessary measures (…)”	
9.	**ESTUDIO Y PERSPECTIVAS OPERATIVAS**		

	Y FINANCIERAS		
9.1	**<u>Situación financiera</u>** **En la medida en que no figure en otra parte del documento de registro, describir la situación financiera del emisor, los cambios de esa situación financiera y los resultados de las operaciones para cada año y para el periodo intermedio, del que se requiere información financiera histórica, incluidas las causas de los cambios importantes de un año a otro de la información financiera, de manera suficiente para tener una visión de conjunto de la actividad del emisor**	Véase la sección "*Operating and Financial Review*" (Revisión Operativa y Financiera), sub-sección "*Results of Operations*" (Resultados de Operaciones). "The following table sets out our consolidated income statement (…)" Véase asimismo la sección "*Selected Financial Information*" (Información Financiera Seleccionada). "The following tables set forth information related to our financial performance (…)"	
9.2.	**Resultados de explotación**		
9.2.1.	*Información relativa a factores significativos, incluidos los acontecimientos inusuales o infrecuentes o los nuevos avances, que afecten de manera importante a los ingresos del emisor por operaciones, indicando en qué medida han resultado afectados los ingresos.*	Véase la sección "*Operating and Financial Review*" (Revisión Operativa y Financiera), sub-sección "*Key Factors and Trends Affecting Results of Operations*" (Factores y Tendencias Claves que Afectan a los Resultados de Operaciones). "Our financial condition and results of operations are affected by (…)"	
9.2.2.	*Cuando los estados financieros revelen cambios importantes en las ventas netas o en los ingresos, proporcionar un comentario narrativo de los motivos de esos cambios*	Véase la sección "*Operating and Financial Review*" (Revisión Operativa y Financiera), sub-sección "*Results of Operations*" (Resultados de Operaciones). "Comparison of selected consolidated income statement movements for the years ended December 31, 2016 and 2015"	
9.2.3.	*Información relativa a cualquier actuación o factor de orden gubernamental, económico, fiscal, monetario o político que, directa o indirectamente, hayan afectado o pudieran afectar de manera importante a las operaciones del emisor.*	Véase la sección "*Operating and Financial Review*" (Revisión Operativa y Financiera), sub-sección "*Key Factors and Trends Affecting Results of Operations*" (Factores y Tendencias Claves que Afectan a los Resultados de Operaciones). "Our financial condition and results of operations are affected by (…)" "We conduct our business in an environment that is highly	

		regulated by financial services laws and regulations, corporate governance and (…)”	
10.	**RECURSOS DE CAPITAL**		
10.1.	**Información relativa a los recursos de capital del emisor (a corto y a largo plazo).**	Véase la sección “*Operating and Financial Review*” (Revisión Operativa y Financiera), sub-sección “*Liquidity and capital resources*” (Liquidez y recursos de capital). Véase la sección “*Capitalization and Indebtedness*” (Capitalización y Endeudamiento). Véase asimismo la sección “*Selected Financial Information*” (Información Financiera Seleccionada).	
10.2.	**Explicación de las fuentes y cantidades y descripción narrativa de los flujos de tesorería del emisor.**	Véase la sección “*Operating and Financial Review*” (Revisión Operativa y Financiera), sub-sección “*Explanation of key income statement items”* (Explicación de las principales partidas de ingreso).	
10.3.	**Información sobre los requisitos de préstamo y la estructura de financiación del emisor.**	Véase la sección “*Capitalization and Indebtedness*” (Capitalización y Endeudamiento). “The tables below set out our capitalization as at March 31, 2017 (…)” Véase la sección “*Operating and Financial Review*” (Revisión Operativa y Financiera), sub-sección “*Liquidity and capital resources*” (Liquidez y recursos de capital). “Liquidity is a critical component of our (…)”	
10.4.	**Información relativa a cualquier restricción sobre el uso de los recursos de capital que, directa o indirectamente, haya afectado o pudiera afectar de manera importante a las operaciones del emisor.**	Véase la sección “*Operating and Financial Review*” (Revisión Operativa Financiera), sub-sección “*Liquidity and Capital Resources*” (Liquidez y Recursos de Capital). “We are subject to the legislation and regulations (…)” Véase la sección “*Material Contracts*” (Contratos	

		Materiales), sub-sección "*EspañaDuero Term Sheet*".	
10.5.	**Información relativa a las fuentes previstas de fondos necesarias para cumplir los compromisos mencionados en 5.2.3. y 8.1.**	Véase la sección "*Operating and Financial Review*" (Revisión Operativa y Financiera), sub-sección "*Liquidity and Capital Resources*" (Liquidez y Recursos de Capital).	
11.	**INVESTIGACIÓN Y DESARROLLO, PATENTES Y LICENCIAS**		
	INVESTIGACIÓN Y DESARROLLO, PATENTES Y LICENCIAS **En los casos en que sea importante, proporcionar una descripción de las políticas de investigación y desarrollo del emisor para cada ejercicio durante el periodo cubierto por la información financiera histórica, incluida la cantidad dedicada a actividades de investigación y desarrollo emprendidas por el emisor**	Véase la sección "*Presentation of Financial and Other Information*" (Presentación de Información Financiera y Otras Informaciones), sub-sección "*Trademarks*" (Patentes). "We own or have rights to certain trademarks, trade names or service marks (…)" Véase la sección "*Business*" (Negocio), sub-sección "*Property, Plant and Equipment*" (Inmovilizado, Plantas y Equipo). "We are committed to maintaining high standards of data protection (…)"	
12.	**INFORMACIÓN SOBRE TENDENCIAS**		
12.1.	**Tendencias recientes más significativas de la producción, ventas e inventario, y costes y precios de venta desde el fin del último ejercicio hasta la fecha del documento de registro.**	Véase la sección "*Business*" (Negocio), sub-sección "*Our Strategy*" (Nuestra Estrategia). "We believe that we have come out of the financial crisis as a healthier (…)"	
12.2.	**Información sobre cualquier tendencia conocida, incertidumbres, demandas, compromisos o hechos que pudieran razonablemente tener una incidencia importante en las perspectivas del emisor, por lo menos para el ejercicio actual.**	Véase la sección "*Risk Factors*" (Factores de Riesgo). Véase la sección "*Business*" (Negocio), sub-sección "*Legal Proceedings*" (Procedimientos legales).	
13.	**PREVISIONES O ESTIMACIONES DE BENEFICIOS**		
	Si un emisor opta por incluir una previsión o una estimación de beneficios, en el documento de registro deberá figurar la información prevista en los puntos 13.1 y 13.2:	No aplicable.	
13.1.	**Declaración que enumere los principales supuestos en los que el emisor ha basado su**	No aplicable.	

	previsión o su estimación. **Los supuestos empleados deben dividirse claramente entre supuestos sobre los factores en los que pueden influir los miembros de los órganos administrativo, de gestión o de supervisión y los supuestos sobre factores que están exclusivamente fuera de la influencia de los miembros de los órganos administrativo, de gestión o de supervisión; los supuestos serán de fácil comprensión para los inversores, ser específicas y precisos y no estar relacionados con la exactitud general de las estimaciones subyacentes de la previsión**		
13.2.	**Debe incluirse un informe elaborado por contables o auditores independientes que declare que, a juicio de esos contables o auditores independientes, la previsión o estimación se ha calculado correctamente sobre la base declarada, y que el fundamento contable utilizado para la previsión o estimación de los beneficios es coherente con las políticas contables del emisor.**	No aplicable.	
13.3.	**La previsión o estimación de los beneficios debe prepararse sobre una base comparable con la información financiera histórica.**	No aplicable.	
13.4.	**Si el emisor publica en un folleto una previsión de beneficios que está aún pendiente, debería entonces proporcionar una declaración de si efectivamente ese pronóstico sigue siendo tan correcto como en la fecha del documento de registro, o una explicación de por qué el pronóstico ya no es válido, si ese es el caso.**	No aplicable.	
14.	**ÓRGANOS DE ADMINISTRACIÓN, DE GESTIÓN Y DE SUPERVISIÓN, Y ALTOS DIRECTIVOS**		
14.1.	**Nombre, dirección profesional y cargo en el emisor de las siguientes personas, indicando las principales actividades que éstas desarrollan al margen del emisor, si dichas actividades son significativas con respecto a ese emisor:** **(a) miembros de los órganos de administración, de gestión o de supervisión;** **(b) socios comanditarios, si se trata de una sociedad comanditaria por acciones;** **(c) fundadores, si el emisor se ha establecido para un período inferior a cinco años; y** **(d) cualquier alto directivo que sea pertinente para establecer que el emisor posee las calificaciones y la experiencia apropiadas**	Véase la sección "*Management, Board of Directors and Employees*" (Equipo Gestor, Consejo de Administración y Empleados), sub-secciones "*Board of Directors"* (Consejo de Administración), "*Senior Management (*Altos Directivos), "*Common Information"* (Información Común) "In order to adapt the Company to the Spanish (…)" "The table below sets out all entities in which the members of the Board of Directors have been appointed as members of the administrative, management (…)"	

	para gestionar las actividades del emisor. **Naturaleza de toda relación familiar entre cualquiera de esas personas.** **En el caso de los miembros de los órganos de administración, de gestión o de supervisión del emisor y de las personas descritas en (b) y (d) del primer párrafo, datos sobre la preparación y experiencia pertinentes de gestión de esas personas, además de la siguiente información:** **(a) nombres de todas las empresas y asociaciones de las que esa persona haya sido, en cualquier momento de los cinco años anteriores, miembro de los órganos de administración, de gestión o de supervisión, o socio, indicando si esa persona sigue siendo miembro de los órganos de administración, de gestión o de supervisión, o si es socio. No es necesario enumerar todas las filiales de un emisor del cual la persona sea también miembro del órgano de administración, de gestión o de supervisión;** **(b) cualquier condena en relación con delitos de fraude por lo menos en los cinco años anteriores;** **(c) datos de cualquier quiebra, suspensión de pagos o liquidación con las que una persona descrita en (a) y (d) del primer párrafo, que actuara ejerciendo uno de los cargos contemplados en (a) y (d) estuviera relacionada por lo menos durante los cinco años anteriores;** **(d) detalles de cualquier incriminación pública oficial y/o sanciones de esa persona por autoridades estatutarias o reguladoras (incluidos los organismos profesionales designados) y si esa persona ha sido descalificada alguna vez por un tribunal por su actuación como miembro de los órganos de administración, de gestión o de supervisión de un emisor o por su actuación en la gestión de los asuntos de un emisor durante por lo menos los cinco años anteriores.** **De no existir ninguna información en este sentido que deba revelarse, efectuar una declaración a ese efecto.**	"None of the Company's senior management has been appointed as members of the administrative, management or supervisory (…)" "There are no family relationships and (…)"	
14.2.	**<u>Conflictos de intereses de los órganos de administración, de gestión y de supervisión, y altos directivos</u>** **Deben declararse con claridad los posibles conflictos de interés entre los deberes de cualquiera de las personas mencionadas en 14.1 con el emisor y sus intereses privados y/o otros deberes. En caso de que no haya tales**	Véase la sección "*Management, Board of Directors and Employees*" (Equipo Gestor, Consejo de Administración y Empleados), sub-sección "*Conflicts of Interest*" (Conflictos de Interés). "None of the members of the	

	conflictos, debe hacerse una declaración a ese efecto. **Cualquier acuerdo o entendimiento con accionistas importantes, clientes, proveedores u otros, en virtud de los cuales cualquier persona mencionada en 14.1 hubiera sido designada miembro de los órganos administrativo, de gestión o de supervisión, o alto directivo**	Board (…)”	
15.	**REMUNERACIÓN Y BENEFICIOS**		
	En relación con el último ejercicio completo, para las personas mencionadas en a) y d) del primer párrafo del punto 14.1.:		
15.1.	**Importe de la remuneración pagada (incluidos los honorarios contingentes o atrasados) y prestaciones en especie concedidas a esas personas por el emisor y sus filiales por servicios de todo tipo prestados por cualquier persona al emisor y sus filiales.** **Esta información debería proporcionarse con carácter individual a menos que la revelación individual no se exija en el país de origen del emisor y no se revelada públicamente por el emisor de otro medio**	Véase la sección “*Management, Board of Directors and Employees*” (Equipo Gestor, Consejo de Administración y Empleados), sub-secciones de“*Directors’ Compensation*” (Remuneración de los Consejeros) y “*Senior management Compensation*” (Remuneración de los altos directivos)	
15.2.	**Importes totales ahorrados o acumulados por el emisor o sus filiales para prestaciones de pensión, jubilación o similares.**	Véase la sección “*Management, Board of Directors and Employees*” (Equipo Gestor, Consejo de Administración y Empleados), sub-sección “*Employees*” (Empleados) “As at December 31, 2016, we had certain post-employment (…)”	
16.	**PRÁCTICAS DE GESTIÓN**		
	En relación con el último ejercicio completo del emisor, y salvo que se disponga lo contrario, con respecto a las personas mencionadas en a) del primer párrafo de 14.1.:		
16.1.	**Fecha de expiración del actual mandato, en su caso, y periodo durante el cual la persona ha desempeñado servicios en ese cargo.**	Véase la sección “*Management, Board of Directors and Employees*” (Equipo Gestor, Consejo de Administración y Empleados), sub-sección “*Board of Directors*” (Consejo de Administración). “The table below shows the composition of the Board (…)”	
16.2.	**Información sobre los contratos de los miembros de los órganos de administración, de gestión o de supervisión con el emisor o cualquiera de sus filiales que prevean**	Véase la sección “*Management, Board of Directors and Employees*” (Equipo Gestor, Consejo de Administración y	

	beneficios a la terminación de sus funciones, o la correspondiente declaración negativa	Empleados), sub-sección "*Directors' Compensation*" (Consejo de Administración-Remuneración de los Consejeros). "The Company has not agreed with the members of the Board of Directors any benefits upon termination of their position." Véase la sección "*Related Party Transactions*" (Operaciones con Partes Vinculadas). "During 2016, 2015 and 2014, we did not enter into any transactions with members (…)"	
16.3.	**Información sobre el comité de auditoría y el comité de retribuciones del emisor, incluidos los nombres de los miembros del comité y un resumen de su reglamento interno.**	Véase la sección "*Management, Board of Directors and Employees*" (Equipo Gestor, Consejo de Administración y Empleados), sub-sección "*Board Commissions*" (Comités del Consejo). "The composition, responsibilities and rules of the Audit And Compliance Commission (…) » "The composition, responsibilities and rules of the Remuneration Commission (…) »	
16.4.	**Declaración de si el emisor cumple el régimen o regímenes de gobierno corporativo de su país de constitución. En caso de que el emisor no cumpla ese régimen, debe incluirse una declaración a ese efecto, así como una explicación del motivo por el cual el emisor no cumple ese régimen.**	Véase la sección "*Management, Board of Directors and Employees*" (Equipo Gestor, Consejo de Administración y Empleados), sub-sección "*Internal Code of Conduct and Corporate Governance Recommendations*" (Código Interno de Conducta y Recomendaciones de Gobierno Corporativo). "The Company complies with the recommendations (…)"	
17.	**EMPLEADOS**		
17.1.	**Número de empleados al final del período o la media para cada ejercicio durante el período cubierto por la información financiera histórica hasta la fecha del documento de registro (y las variaciones de ese número, si son importantes) y, si es posible y reviste**	Véase la sección "*Management, Board of Directors and Employees*" (Equipo Gestor, Consejo de Administración y Empleados), sub-sección "*Employees*" (Empleados).	

	importancia, un desglose de las personas empleadas por categoría principal de actividad y situación geográfica. Si el emisor emplea un número significativo de empleados eventuales, incluir datos sobre el número de empleados eventuales por término medio durante el ejercicio más reciente.	"As at December 31, 2016, we had 7,365 fixed (…)"	
17.2.	**Acciones y opciones de compra de acciones.** **Con respecto a cada persona mencionada en (a) y (d) del primer párrafo del punto 14.1, proporcionar información de su tenencia de participaciones del emisor y de toda opción sobre tales acciones a partir de la fecha practicable más reciente.**	Véase la sección "*Management, Board of Directors and Employees*" (Equipo Gestor, Consejo de Administración y Empleados), sub-sección "*Share Ownership*" (Titularidad de acciones). "None of the Company's members of (…)"	
17.3.	**Descripción de todo acuerdo de participación de los empleados en el capital del emisor.**	No aplicable.	
18.	**ACCIONISTAS PRINCIPALES**		
18.1.	**En la medida en que tenga conocimiento de ello el emisor, el nombre de cualquier persona que no pertenezca a los órganos de administración, de gestión o de supervisión que, directa o indirectamente, tenga un interés declarable, según el derecho nacional del emisor, en el capital o en los derechos de voto del emisor, así como la cuantía del interés de cada una de esas personas o, en caso de no haber tales personas, la correspondiente declaración negativa.**	Véase la sección "*Principal Shareholders*" (Accionistas Principales). "The Company is not aware of any minority shareholder owning 3% or more of the share capital of the Company."	
18.2.	**Si los accionistas principales del emisor tienen distintos derechos de voto, o la correspondiente declaración negativa.**	Véase la sección "*Principal Shareholders*" (Accionistas Principales). "Consequently, shareholders have no different voting rights."	
18.3.	**En la medida en que tenga conocimiento de ello el emisor, declarar si el emisor es directa o indirectamente propiedad o está bajo control y quién lo ejerce, y describir el carácter de ese control y las medidas adoptadas para garantizar que no se abusa de ese control.**	Véase la sección "*Principal Shareholders*" (Accionistas Principales). "As at the date of this Prospectus, the Company's share capital is (…)" Véase la sección "*Related Party Transactions*" (Operaciones con Partes Vinculadas), sub-sección "*Transactions with the Foundation, Foundation's Protocol*" (Operaciones con la Fundación, Protocolo de la Fundación) "Given that the stake of the Foundation in the share capital	

		(…)”	
18.4.	**Descripción de todo acuerdo, conocido del emisor, cuya aplicación pueda en una fecha ulterior dar lugar a un cambio en el control del emisor.**	No aplicable.	
19.	**OPERACIONES DE PARTES VINCULADAS**		
	Los datos de operaciones con partes vinculadas (que para estos fines se definen según las normas adoptadas en virtud del Reglamento (CE) nº 1606/2002), que el emisor haya realizado durante el período cubierto por la información financiera histórica y hasta la fecha del documento de registro, deben declararse de conformidad con las correspondientes normas adoptadas en virtud del Reglamento (CE) nº 1606/2002, en su caso. **Si tales normas no son aplicables al emisor, debería revelarse la siguiente información:** **a) Naturaleza y alcance de toda operación que sea -como operación simple o en todos sus elementos- importante para el emisor. En los casos en que esas operaciones con partes vinculadas no se hayan realizado a precio de mercado, dar una explicación de los motivos. En el caso de préstamos pendientes, incluidas las garantías de cualquier clase, indicar el saldo pendiente.** **b) Importe o porcentaje de las operaciones con partes vinculadas en el volumen de negocios del emisor.**	Véase la sección “*Related Party Transactions*” (Operaciones con Partes Vinculadas). “We enter into transactions with certain related parties (…)”	
20.	**INFORMACIÓN FINANCIERA RELATIVA AL ACTIVO Y EL PASIVO DEL EMISOR, POSICIÓN FINANCIERA Y PÉRDIDAS Y BENEFICIOS**		
20.1.	**<u>Información financiera histórica</u>** **Información financiera histórica auditada que abarque los 3 últimos ejercicios (o el período más corto en que el emisor haya tenido actividad), y el informe de auditoría correspondiente a cada año. Esta información financiera se preparará de conformidad con el Reglamento (CE) nº 1606/2002 o, si no es aplicable, con las normas nacionales de contabilidad de un Estado miembro para emisores de la Comunidad. Para emisores de terceros países, la información financiera se preparará de conformidad con las normas internacionales de contabilidad adoptadas según el procedimiento del artículo 3 del Reglamento (CE) nº 1606/2002 o con normas nacionales de contabilidad de un tercer país**	Véase la sección “*Presentation of Financial and Other Information*” (Presentación de Información Financiera y Otras Informaciones). Véase la sección “*Selected Financial Information*” (Información Financiera Seleccionada). Véase la sección “*Index to the Annual Accounts*”.	

	equivalentes a esas. Si la información financiera no es equivalente las normas mencionadas, se presentará bajo la forma de estados financieros reevaluados. **La información financiera histórica auditada de los últimos dos años debe presentarse y prepararse de forma coherente con la que se adoptará en los próximos estados financieros anuales publicados del emisor, teniendo en cuenta las normas y políticas contables, y la legislación aplicable a esos estados financieros anuales.** **Si el emisor ha operado en su esfera actual de actividad económica durante menos de un año, la información financiera histórica auditada que cubra ese período debe prepararse de conformidad con las normas aplicables a los estados financieros anuales con arreglo al Reglamento (CE) nº 1606/2002, o, si es no aplicable, con las normas nacionales de contabilidad de un Estado miembro si el emisor es de la Comunidad. Para emisores de terceros países, la información financiera histórica se preparará de conformidad con las normas internacionales de contabilidad adoptadas según el procedimiento del artículo 3 del Reglamento (CE) nº 1606/2002 o con normas nacionales de contabilidad de un tercer país equivalentes a esas. Esta información financiera histórica debe auditarse.** **Si la información financiera auditada se prepara con arreglo a normas nacionales de contabilidad, la información financiera requerida bajo este epígrafe debe incluir por lo menos:** **a) balance;** **b) cuenta de resultados;** **c) declaración que muestre todos los cambios en el neto patrimonial o los cambios en el neto** **patrimonial que no procedan de operaciones de capital con propietarios y distribuciones a** **propietarios;** **d) estado de flujos de efectivo;** **e) políticas contables utilizadas y notas explicativas.** **La información financiera histórica anual deberá auditarse de manera independiente o informarse sobre si, a efectos del documento de registro, da una opinión verdadera y justa, de conformidad con las normas de auditoría**		

	aplicables en un Estado miembro o una norma equivalente.		
20.2.	**<u>Información financiera pro-forma</u>** **En el caso de un cambio bruto significativo, una descripción de cómo la operación podría haber afectado a los activos y pasivos y las ganancias del emisor, en caso de que se hubiera emprendido al inicio del período objeto de la información o en la fecha especificada.** **Normalmente, este requisito se satisfará mediante la inclusión de información financiera proforma.** **Esta información financiera pro-forma debe presentarse tal como prevé el anexo II e incluir la información indicada en el mismo.** **La información financiera pro-forma debe ir acompañada de un informe elaborado por contables o auditores independientes.**	No aplicable.	
20.3.	**<u>Estados financieros</u>** **Si el emisor prepara estados financieros anuales consolidados y también propios, el documento de registro deberá incluir por lo menos los estados financieros anuales consolidados.**	Véase la sección "*Presentation of Financial and Other Information*" (Presentación de Información Financiera y Otras Informaciones) Véase la sección "*Index to the Annual Accounts*".	
20.4.	**<u>Auditoría de la información financiera histórica anual</u>**		
20.4.1.	Declaración de que se ha auditado la información financiera histórica. Si los informes de auditoría sobre la información financiera histórica han sido rechazados por los auditores legales o si contienen cualificaciones o negaciones, se reproducirán íntegramente el rechazo o las cualificaciones o negaciones, explicando los motivos.	Véase la sección "*Validity of the Shares and Legal Matters and Independent Auditors and Other Experts*" (Validez de las Acciones, Cuestiones Legales y Auditores Independientes y Otros Expertos). "PricewaterhouseCoopers Auditores, S.L. domiciled (…)"	
20.4.2.	Una indicación de otra información en el documento de registro que haya sido auditada por los auditores.	No aplicable.	
20.4.3.	Cuando los datos financieros del documento de registro no se hayan extraído de los estados financieros auditados del emisor, éste debe declarar la fuente de los datos y declarar que los datos no han sido auditados.	When the information set out in this Prospectus has not directly been obtained from the Annual Accounts, there is a reference of the source of the relevant information. Véase la sección "*Alternative Performance Measures*"(Medidas Alternativas de Rendimiento).	

20.5.	**<u>Edad de la información financiera más reciente</u>**		
20.5.1.	El último año de información financiera auditada no puede preceder en más de: (a) 18 meses a la fecha del documento de registro si el emisor incluye en dicho documento estados financieros intermedios auditados; (b) 15 meses a la fecha del documento de registro si en dicho documento el emisor incluye estados financieros intermedios no auditados.	Véase la sección "*Selected Financial Information*" (Información Financiera Seleccionada). "The selected financial information as of and for (…)"	
20.6.	**<u>Información intermedia y demás información financiera</u>**		
20.6.1.	Si el emisor ha venido publicando información financiera trimestral o semestral desde la fecha de sus últimos estados financieros auditados, éstos deben incluirse en el documento de registro. Si la información financiera trimestral o semestral ha sido revisada o auditada, debe también incluirse el informe de auditoría o de revisión. Si la información financiera trimestral o semestral no ha sido auditada o no se ha revisado, debe declararse este extremo.	Véase la sección "*Selected Financial And Operating Information in relation to the three months Ended March 31, 2017*" (Información Financiera y Operativa Seleccionada en relación con los tres meses terminados el 31 de marzo de 2017) "The selected financial information as of and for the three months ended March 31, 2017 (…)"	
20.6.2.	Si la fecha del documento de registro es más de nueve meses posterior al fin del último ejercicio auditado, debería contener información financiera intermedia que abarque por lo menos los primeros seis meses del ejercicio y que puede no estar auditada (en cuyo caso debe declararse este extremo). La información financiera intermedia debe incluir estados comparativos del mismo periodo del ejercicio anterior, salvo que el requisito de información corporativa del balance pueda satisfacerse presentando el balance final del año	No aplicable.	
20.7	**<u>Política de dividendos</u>** **Descripción de la política del emisor sobre el reparto de dividendos y cualquier restricción al respecto**	Véase la sección "*Dividends and Dividend Policy*" (Dividendos y Política de Dividendos). Véase la sección "*Description of Share Capital*" (Descripción del Capital Social), sub-sección "*Dividend and Liquidation Rights*" (Dividendos y Derechos de Liquidación). Véase la sección "*Risk Factors*" (Factores de Riesgo), sub-sección "*We may not pay dividends on the Company's ordinary shares and, as a result, investors' only opportunity to achieve a return on their*	

		investment could be if the price of the shares appreciates". "Any determination to pay dividends or buy back (…)"	
20.7.1.	Importe de los dividendos por acción por cada ejercicio para el período cubierto por la información financiera histórica, ajustada si ha cambiado el número de acciones del emisor, para que así sea comparable.	Véase la sección "*Dividends and Dividend Policy*" (Dividendos y Política de Dividendos).	
20.8	**Procedimientos judiciales y de arbitraje** **Información sobre cualquier procedimiento gubernamental, legal o de arbitraje (incluidos los procedimientos que estén pendientes o aquellos que el emisor tenga conocimiento que le afectan), durante un período que cubra por lo menos los 12 meses anteriores, que puedan tener o hayan tenido en el pasado reciente, efectos significativos en el emisor y/o la posición o rentabilidad financiera del grupo, o proporcionar la oportuna declaración negativa.**	Véase la sección "*Business*" (Negocio), sub-sección "*Legal Proceedings*" (Procedimientos Legales). "We have been and are involved in (…)"	
20.9	**Cambios significativos en la posición financiera o comercial del emisor** **Descripción de todo cambio significativo en la posición financiera o comercial del grupo que se haya producido desde el fin del último periodo financiero del que se haya publicado información financiera del grupo, o proporcionar la oportuna declaración negativa**	Véase la sección "*Selected Financial And Operating Information in relation to the three months Ended March 31, 2017*" (Información Financiera y Operativa Seleccionada en relación con los tres meses terminados el 31 de marzo de 2017), sub-sección "*Results of operations*" (Resultados Operativos), apartado "*Comparison of selected consolidated income statement movements for the three-month periods ended March 31, 2017 and 2016*" (Comparativa entre los movimientos en la cuenta de resultados de los tres primeros meses de 2017 y 2016). "Since the end of the financial period to which the Consolidated Interim Financial Statements refer, Unicaja Banco and EspañaDuero have entered into certain arrangements with Santa Lucia and Mapfre in the context of the reorganization (…)"	
21	**INFORMACIÓN ADICIONAL**		
21.1.	**Capital Social** **La siguiente información a partir de la fecha del balance más reciente incluido en la**	Véase la sección "*Description of Share Capital*" (Descripción del Capital Social)	

	información financiera histórica:		
21.1.1.	Importe del capital emitido, y para cada clase de capital social (a) número de acciones autorizadas; (b) número de acciones emitidas e íntegramente desembolsadas y las emitidas pero no desembolsadas íntegramente; (c) valor nominal por acción, o que las acciones no tienen ningún valor nominal; y (d) una conciliación del número de acciones en circulación al principio y al final del año. Si se paga más del 10 % del capital con activos distintos del efectivo dentro del periodo cubierto por la información financiera histórica, debe declararse este hecho.	Véase la sección "*Description of Share Capital*" (Descripción del Capital Social), sub-sección "*General*" (General) "At the date of this Prospectus, the Company's issued share capital (…)"	
21.1.2.	Si hay acciones que no representan capital, se declarará el número y las principales características de esas acciones.	No aplicable.	
21.1.3.	Número, valor contable y valor nominal de las acciones del emisor en poder o en nombre del propio emisor o de sus filiales.	No aplicable.	
21.1.4.	Importe de todo valor convertible, valor canjeable o valor con garantías, indicando las condiciones y los procedimientos que rigen su conversión, canje o suscripción.	Veáse la sección "*Description of Share Capital*" (Descripción del Capital Social). "In the context of the acquisition of EspañaDuero, the Company offered its ordinary shares (…)" Véase la sección "*Risk Factors*" (Factores de Riesgo), sub-sección "*If the PeCoCos are converted in the future, investors may suffer losses due to dilution*". "If the Company's perpetual contingent convertible bonds (…)"	
21.1.5.	Información y condiciones de cualquier derecho de adquisición y/o obligaciones con respecto al capital autorizado pero no emitido o sobre la decisión de aumentar el capital.	Véase la sección "*Description of Share Capital*" (Descripción del Capital Social), sub-sección "*Pre-emptive Rights and Increases of Share Capital*" (Derechos de adquisición preferente y Aumentos de Capital). "Pursuant to the Spanish Companies Act and the Company's bylaws, shareholders (…)" Véase asimismo la sección "*The Offering*" (La Oferta), sub-	

		sección "*Authorizations of the Offering*" (Autorizaciones de la Oferta). "The general shareholders' meeting held on April 26, 2017 has excluded the pre-emptive (…)"	
21.1.6.	Información sobre cualquier capital de cualquier miembro del grupo que esté bajo opción o que se haya acordado condicional o incondicionalmente someter a opción y detalles de esas opciones, incluidas las personas a las que se dirigen esas opciones.	Véase la sección "*Business*" (Negocio), sub-sección "*History*" (Historia). "The FROB is entitled to 21.1% share in EspañaDuero, of which 12.57% is directly held as at the date of this Prospectus and 8.57% is pending settlement under the Compensation Mechanism."	
21.1.7.	Historial del capital social, resaltando la información sobre cualquier cambio durante el período cubierto por la información financiera histórica.	Véase la sección "*Description of Share Capital*" (Descripción del Capital Social), sub-sección "*General*" (General) "The summary table below outlines these main changes in the Company's share capital (…)"	
21.2.	**<u>Estatutos y escritura de constitución</u>**		
21.2.1.	Descripción del objeto social y fines del emisor y dónde pueden encontrarse en los estatutos y escritura de constitución.	Véase la sección "*Description of Share Capital*" (Descripción del Capital Social), sub-sección "*General*" (General) "Copies of the Company's bylaws are available (…)" "The Company was incorporated as (…) its corporate purpose consists of all types of general banking (…)"	
21.2.2.	Breve descripción de cualquier disposición de las cláusulas estatutarias o reglamento interno del emisor relativa a los miembros de los órganos de administración, de gestión y de supervisión.	Véase la sección "*Management, Board of Directors and Employees*" (Equipo Gestor, Consejo de Administración y Empleados), sub-sección "*Board of Directors*" (Consejo de Administración). "Spanish corporate law provides that a Spanish incorporated (…)" Véase la sección "*Management, Board of Directors and Employees*" (Equipo Gestor, Consejo de Administración y Empleados), sub-sección	

		"*Internal Code of Conduct and Corporate Governance Recommendations*" (Reglamento Interno de Conducto y Recomendaciones de Gobierno Corporativo). "The Internal Code of Conduct, among other things (…)"	
21.2.3.	Descripción de los derechos, preferencias y restricciones relativas a cada clase de las acciones existentes.	Véase la sección "*Description of Share Capital*" (Descripción del Capital Social), sub-sección "*Dividend and Liquidation Rights*" (Dividendos y Derechos de Liquidación). "Holders of the Company's ordinary shares have the right to (…)" Véase la sección "*Description of Share Capital*" (Descripción del Capital Social), sub-sección "*Shareholders' Meetings and Voting Rights*" (Junta General de Accionistas y Derechos de Voto). "Each ordinary share entitles the holder (…)" "Under the Spanish Companies Act, shareholders who voluntarily aggregate their ordinary shares (…)"	
21.2.4.	Descripción de qué se debe hacer para cambiar los derechos de los tenedores de las acciones, indicando si las condiciones son más significativas que las que requiere la ley.	Véase la sección "*Description of Share Capital*" (Descripción del Capital Social), sub-sección "*Shareholders' Meetings and Voting Rights*" (Junta General de Accionistas y Derechos de Voto)	
21.2.5.	Descripción de las condiciones que rigen la manera de convocar las juntas generales anuales y las juntas generales extraordinarias de accionistas, incluyendo las condiciones de admisión.	Véase la sección "*Description of Share Capital*" (Descripción del Capital Social), sub-sección "*Shareholders' Meeting and Voting Rights*" (Junta General de Accionistas y Derechos de Voto). "Pursuant to the Company's bylaws, the regulations of the Company's general shareholders' meeting (…)"	
21.2.6.	Breve descripción de cualquier disposición de las cláusulas estatutarias o reglamento interno del emisor que tenga por efecto retrasar, aplazar o impedir un cambio en el control del emisor.	No aplicable.	
21.2.7.	Indicación de cualquier disposición de las cláusulas estatutarias o reglamento interno, en su caso, que rija el umbral de propiedad por encima	No aplicable.	

	del cual deba revelarse la propiedad del accionista.		
21.2.8.	Descripción de las condiciones impuestas por las cláusulas estatutarias o reglamento interno que rigen los cambios en el capital, si estas condiciones son más rigurosas que las que requiere la ley.	No aplicable.	
22	**CONTRATOS IMPORTANTES**		
	Resumen de cada contrato importante, al margen de los contratos celebrados en el desarrollo corriente de la actividad empresarial, del cual es parte el emisor o cualquier miembro del grupo, celebrado durante los dos años inmediatamente anteriores a la publicación del documento de registro. **Resumen de cualquier otro contrato (que no sea un contrato celebrado en el desarrollo corriente de la actividad empresarial) celebrado por cualquier miembro del grupo que contenga una cláusula en virtud de la cual cualquier miembro del grupo tenga una obligación o un derecho que sean relevantes para el grupo hasta la fecha del documento de registro.**	Véase la sección "*Material Contracts*" (Contratos Materiales), sub-sección "*EspañaDuero Term Sheet*".	
23	**INFORMACIÓN DE TERCEROS, DECLARACIONES DE EXPERTOS Y DECLARACIONES DE INTERÉS**		
23.1.	**Cuando se incluya en el documento de registro una declaración o un informe atribuido a una persona en calidad de experto, proporcionar el nombre de dicha persona, su dirección profesional, sus cualificaciones y, en su caso, cualquier interés importante que tenga en el emisor. Si el informe se presenta a petición del emisor, una declaración a ese efecto de que se incluye dicha declaración o informe, la forma y el contexto en que se incluye, con el consentimiento de la persona que haya autorizado el contenido de esa parte del documento de registro.**	Véase la sección "*Validity of the Shares and Legal Matters and Independent Auditors and Other Experts*" (Validez de las Acciones, Cuestiones Legales y Auditores Independientes y Otros Expertos). "Unicaja Banco has requested Ernst & Young, S.L to perform an independent analysis (…)".	
23.2.	**En los casos en que la información proceda de un tercero, proporcionar una confirmación de que la información se ha reproducido con exactitud y que, en la medida en que el emisor tiene conocimiento de ello y puede determinar a partir de la información publicada por ese tercero, no se ha omitido ningún hecho que haría la información reproducida inexacta o engañosa. Además, el emisor debe identificar la fuente o fuentes de la información.**	Véase la sección "*Validity of the Shares and Legal Matters and Independent Auditors and Other Experts*" (Validez de las Acciones, Cuestiones Legales y Auditores Independientes y Otros Expertos). "Unicaja Banco has requested Ernst & Young, S.L to perform an independent analysis (…)".	

24	**DOCUMENTOS PRESENTADOS**		
	Declaración de que, en caso necesario, pueden inspeccionarse los siguientes documentos (o copias de los mismos) durante el período de validez del documento de registro: **(a) los estatutos y la escritura de constitución del emisor;** **(b) todos los informes, cartas, y otros documentos, información financiera histórica, evaluaciones y declaraciones elaborados por cualquier experto a petición del emisor, que estén incluidos en parte o mencionados en el documento de registro;** **(c) la información financiera histórica del emisor o, en el caso de un grupo, la información financiera histórica del emisor y sus filiales para cada uno de los dos ejercicios anteriores a la publicación del documento de registro.** **Indicación de dónde pueden examinarse los documentos presentados, por medios físicos o electrónicos.**	Véase la sección "*General Information*" (Información General), sub-sección "*Documents on display*" (Documentados Presentados). "Copies of the following documents will be available (…)"	
25	**INFORMACIÓN SOBRE CARTERAS**		
25.1	Información relativa a las empresas en las que el emisor posee una proporción de capital que puede tener un efecto significativo en la evaluación de sus propios activos y pasivos, posición financiera o pérdidas y beneficios.	Véase la sección "*Business*" (Negocio), sub-sección "*History*" (Historia). Véase también los apéndices I, II y III de las Cuentas Anuales cerradas a 31 de diciembre de 2016.	

EQUIVALENCIAS CON ANEXO III DEL REGLAMENTO 809/2004

Contenido		Apartado	Comentario
1.	**PERSONAS RESPONSABLES**		
1.1	**Todas las personas responsables de la información que figura en el documento de registro y, según los casos, de ciertas partes del mismo, con, en el último caso, una indicación de las partes. En caso de personas físicas, incluidos los miembros de los órganos de administración, de gestión o de supervisión del emisor, indicar el nombre y el cargo de la persona; en caso de personas jurídicas, indicar el nombre y el domicilio social.**	Véase la sección "*General Information*" (Información General), sub-sección "*Declaration of Responsibility*" (Declaración de Responsabilidad).	
1.2	**Declaración de los responsables del documento de registro que asegure que, tras comportarse con una diligencia razonable para garantizar que así es, la información contenida en el documento de registro es, según su conocimiento, conforme a los hechos y no incurre en ninguna omisión que pudiera afectar a su contenido. En su caso, declaración de los responsables de determinadas partes del documento de registro que asegure que, tras comportarse con una diligencia razonable para garantizar que así es, la información contenida en la parte del documento de registro de la que son responsables es, según su conocimiento, conforme a los hechos y no incurre en ninguna omisión que pudiera afectar a su contenido.**	Véase la sección "*General Information*" (Información General). "Having taken all reasonable care (…)"	
2.	**FACTORES DE RIESGO**		
2.1	**Revelación pertinente de los factores de riesgos importantes para los valores ofertados y/o admitidos a negociación con el fin de evaluar el riesgo de mercado asociado con estos valores en una sección titulada "factores de riesgo".**	Véase la sección "*Risk Factors*" (Factores de Riesgo).	
3.	**INFORMACIÓN ESENCIAL**		
3.1	**Declaración sobre el capital de explotación** **Declaración por el emisor de que, en su opinión, el capital de explotación es suficiente para los actuales requisitos del emisor o, si no lo es, cómo se propone obtener el capital de explotación adicional que necesita.**	Véase la sección "*General Information*" (Información General), sub-sección "*Working capital*" (Capital Circulante).	
3.2	**Capitalización y endeudamiento** **Se proporcionará una declaración de la capitalización y del endeudamiento (distinguiendo entre endeudamiento garantizado y no garantizado, endeudamiento asegurado y sin garantía) a partir de una fecha no anterior a 90 días antes de la fecha del**	Véase la sección "*Capitalization and Indebtedness*" (Capitalización y Endeudamiento).	

	documento. El endeudamiento también incluye el endeudamiento indirecto y contingente.		
3.3	**Interés de las personas físicas y jurídicas participantes en la emisión/oferta.** **Descripción de cualquier interés, incluidos los conflictivos, que sea importante para la emisión/oferta, detallando las personas implicadas y la naturaleza del interés.**	Véase la sección "*The Offering*" (La Oferta), sub-sección "*Interests of persons participating in the Offering*" (Intereses de las personas participando en la Oferta). "In connection with the Offering and the Admission (…)"	
3.4	**Motivos de la oferta y destino de los ingresos** **Motivos de la oferta y, cuando proceda, previsión del importe neto de los ingresos desglosado en cada uno de los principales usos previstos y presentados por orden de prioridad de cada uso. Si el emisor tiene conocimiento de que los ingresos previstos no serán suficientes para financiar todas las aplicaciones propuestas, declarar la cantidad y las fuentes de los fondos adicionales necesarios. Deben darse detalles sobre el uso de los ingresos, en especial cuando se empleen para adquirir activos, al margen del desarrollo corriente de la actividad empresarial, para financiar adquisiciones anunciadas de otras empresas, o para cumplir, reducir o retirar el endeudamiento.**	Véase la sección "*Reasons for the Offering and Use of Proceeds*" (Razones de la Oferta y Destino de los Ingresos). "We expect to use the net proceeds from the sale (…)"	
4.	**INFORMACIÓN RELATIVA A LOS VALORES QUE VAN A OFERTARSE/ADMITIRSE A COTIZACIÓN**		
4.1	**Descripción del tipo y la clase de los valores ofertados / admitidos a cotización, con el Código ISIN (número internacional de identificación del valor) u otro código de identificación del valor.**	Véase la sección "*Description of Share Capital*" (Descripción del Capital Social), sub-sección "*General*" (General). "At the date of this Prospectus, the Company's issued share capital (…)"	
4.2	**Legislación según la cual se han creado los valores.**	Véase la sección "*The Offering*" (La Oferta), sub-sección "*Characteristics of*	

		the Shares" (Características de las Acciones). "The New Shares to be issued will be created pursuant to (…)"	
4.3	**Indicación de si los valores están en forma registrada o al portador y si los valores están en forma de título o de anotación en cuenta. En el último caso, nombre y dirección de la entidad responsable de la llevanza de las anotaciones.**	Véase la sección "*Description of Share Capital*" (Descripción del Capital Social), sub-sección "*General*" (General). "The Company's ordinary shares are represented by book entries (…)"	
4.4	**Divisa de la emisión de los valores.**	Véase la sección "*Description of Share Capital*" (Descripción del Capital Social). Véase la sección "*The Offering*" (La Oferta) Véase asimismo la portada del Folleto.	
4.5	**Descripción de los derechos vinculados a los valores, incluida cualquier limitación de esos derechos, y procedimiento para el ejercicio de los mismos.**	Véase la sección "*Description of Share Capital*" (Descripción del Capital Social), sub-secciones "*Dividend and Liquidation Rights*" (Dividendos y Derechos de Liquidación), "*Shareholders' Meetings and Voting Rights*" (Junta General de Accionistas y Derechos de Voto), "*Pre-emptive Rights and Increases of Share Capital*" (Derechos de adquisición preferente y Aumentos de Capital),	

		"*Shareholder information rights*" (Derechos de información del accionista).	
4.5.1	*Derechos de dividendos:* • *Fecha o fechas fijas en las que surgen los derechos,* • *Plazo después del cual caduca el derecho a los dividendos y una indicación de la persona en cuyo favor actúa la caducidad,* • *Restricciones y procedimientos de dividendos para los tenedores no residentes,* • *Índice de los dividendos o método para su cálculo, periodicidad y carácter acumulativo o no acumulativo de los pagos.*	Véase la sección "*Description of Share Capital*" (Descripción del Capital Social), sub-sección "*Dividend and Liquidation Rights*" (Dividendos y Derechos de Liquidación). "Holders of the Company's ordinary shares have the right to participate in (…)" Véase la sección "*Risk Factors*" (Factores de Riesgo), sub-sección "*We may not pay dividends on the Company's ordinary shares and, as a result, investors' only opportunity to achieve a return on their investment could be if the price of the shares appreciates*". "Any determination to pay dividends or buy back (…)" Véase asimismo la sección "*Dividends and Dividend Policy*" (Dividendos y Política de Dividendos).	

		"In addition, the Term Sheet imposes additional restrictions on the payment of cash dividends (…)"	
4.5.2	*Derechos de voto.*	Véase la sección "*Description of Share Capital*" (Descripción del Capital Social), sub-sección "*Shareholders' Meetings and Voting Rights*" (Junta General de Accionistas y Derechos de Voto). "Pursuant to the Company's bylaws, the regulations of the Company's general (…)"	
4.5.3	*Derechos de suscripción preferente en las ofertas de suscripción de valores de la misma clase.*	Véase la sección "*Description of Share Capital*" (Descripción del Capital Social), sub-sección "*Pre-emptive Rights and Increases of Share Capital*" (Derechos de adquisición preferente y Aumentos de Capital). "Pursuant to the Spanish Companies Act and the Company's bylaws, shareholders have pre-emptive rights (…)"	
4.5.4	*Derecho de participación en los beneficios del emisor.*	Véase la sección "*Dividends and Dividend Policy*" (Dividendos y Política de Dividendos). "For the years ended December 31, 2016, 2015 and 2014 we paid cash dividends of (…)"	

		Véase la sección "*Description of Share Capital*" (Descripción del Capital Social), sub-sección "*Dividend and Liquidation Rights*" (Dividendos y Derechos de Liquidación). "Holders of the Company's ordinary shares have the right to participate in (…)"	
4.5.5	*Derechos de participación en cualquier excedente en caso de liquidación.*	Véase la sección "*Description of Share Capital*" (Descripción del Capital Social), sub-sección "*Dividend and Liquidation Rights*" (Dividendos y Derechos de Liquidación). "Holders of the Company's ordinary shares have the right to participate in (…)"	
4.5.6	*Disposiciones de amortización.*	No aplicable.	
4.5.7	*Disposiciones de canje.*	No aplicable.	
4.6	**En el caso de nuevas emisiones, declaración de las resoluciones, autorizaciones y aprobaciones en virtud de las cuales los valores han sido o serán creados y/o emitidos.**	Véase la sección "*General Information*" (Información General), sub-sección "*Authorizations of the Offering*" (Autorizaciones de la Oferta). Véase la sección "*The Offering*" (La Oferta), sub-sección "*Authorizations of the Offering*" (Autorizaciones de la Oferta). "(…) the Offering, and authorized the	

		Board of Directors (…)”	
4.7	**En caso de nuevas emisiones, fecha prevista de emisión de los valores.**	Véase la sección “*The Offering*” (La Oferta), sub-sección “*Expected Timetable for the Offering*” (Calendario Estimado de la Oferta). “The following is the expected timetable for the Offering (…)” Véase asimismo la sección “*Expected Timetable Of Principal Events And Offering Statistics. Expected Timetable Of Principal Events”* (Calendario Estimado de los Principales Hitos y Estadísticas de la Oferta. Calendario Estimado de los Principales Hitos)	
4.8	**Descripción de cualquier restricción sobre la libre transmisibilidad de los valores.**	Véase la sección “*Description of Share Capital*” (Descripción del Capital Social), sub-sección “*Registration and Transfers*” (Registro y Transmisión). “As a general rule, transfers of ordinary shares quoted on the Spanish Stock Exchanges must be made through or with the participation of a member of a (…)”	
4.9	**Indicación de la existencia de cualquier oferta obligatoria de adquisición y/o normas de retirada y recompra obligatoria en relación con los valores.**	Véase la sección “*Market Information*” (Información de Mercado), sub-	

		sección "*Tender Offers*" (Ofertas Públicas). "Tender offers are governed in Spain by the LMV (…)"	
4.10	**Indicación de las ofertas públicas de adquisición realizadas por terceros sobre el capital del emisor, que se hayan producido durante el ejercicio anterior y el actual. Debe declararse el precio o las condiciones de canje de estas ofertas y su resultado.**	No aplicable.	
4.11	**Por lo que se refiere al país del domicilio social del emisor y al país o países en los que se está haciendo la oferta o se solicita la admisión a cotización, información sobre los impuestos de la renta de los valores retenidos en origen, e indicación de si el emisor asume la responsabilidad de la retención de impuestos en origen.**	Véase la sección "*Taxation*" (Tributación). "The following summary describes certain Spanish and U.S. federal income tax consequences (…)"	
5.	**CLÁUSULAS Y CONDICIONES DE LA OFERTA**		
5.1.	**Condiciones, estadísticas de la oferta, calendario previsto y procedimiento para la suscripción de la oferta.**		
5.1.1.	*Condiciones a las que está sujeta la oferta.*	No aplicable.	
5.1.2.	*Importe total de la emisión/Oferta, distinguiendo los valores ofertados para la venta y los ofertados para suscripción; si el importe no es fijo, descripción de los acuerdos y del momento en que se anunciará al público el importe definitivo de la Oferta.*	Véase la portada del Folleto. Véase la sección "*The Offering*" (La Oferta), sub-sección "*Offering Overview*" (Visión General de la Oferta). "The Offering consists in the offer of (…)"	
5.1.3.	*Plazo de suscripción, incluida cualquier posible modificación, de la Oferta y descripción del proceso de solicitud.*	Véase la sección "*The Offering*" (La Oferta), sub-sección "*Expected Timetable for the Offering*" (Calendario Estimado de la Oferta). "The following is the expected	

		timetable for the Offering (…)”	
5.1.4.	*Indicación de cuándo, y en qué circunstancias, puede revocarse o suspenderse la oferta y de si la revocación puede producirse una vez iniciada la negociación.*	Véase la sección “*The Offering*” (La Oferta), sub-sección “*Withdrawal and Revocation*” (Retirada y Revocación). “The Company expressly reserves the right to withdraw (…)”	
5.1.5.	*Descripción de la posibilidad de reducir suscripciones y la manera de devolver el importe sobrante de la cantidad pagada por los solicitantes.*	No aplicable.	
5.1.6	*Detalles de la cantidad mínima y/o máxima de solicitud (ya sea por el número de los valores o por importe total de la inversión).*	No aplicable.	
5.1.7	*Indicación del plazo en el cual pueden retirarse las solicitudes, siempre que se permita a los inversores dicha retirada.*	No aplicable.	
5.1.8	*Método y plazos para el pago de los valores y para la entrega de los mismos.*	Véase la sección “*The Offering*” (La Oferta), sub-sección “*Expected Timetable for the Offering*” (Calendario Estimado de la Oferta). “The following is the expected timetable for the Offering (…)”	
5.1.9	*Descripción completa de la manera y fecha en la que se deben hacer públicos los resultados de la Oferta.*	Véase la sección “*The Offering*” (La Oferta), sub-sección “*Expected Timetable for the Offering*” (Calendario Estimado de la Oferta). “The following is the expected timetable for the Offering (…)”	
5.1.10	*Procedimiento para el ejercicio de cualquier derecho preferente de compra, la negociabilidad*	No aplicable.	

	de los derechos de suscripción y el tratamiento de los derechos de suscripción no ejercidos.		
5.2.	**Plan de colocación y adjudicación.**		
5.2.1.	*Las diversas categorías de posibles inversores a los que se ofertan los valores. Si la oferta se hace simultáneamente en los mercados de dos o más países y si se ha reservado o se va a reservar un tramo para determinados países, indicar el tramo.*	Véase la portada del Folleto. Véase la sección "*The Offering*" (La Oferta), sub-sección "*Offering Overview*" (Visión General de la Oferta).	
5.2.2.	*En la medida en que tenga conocimiento de ello el emisor, indicar si los accionistas principales o los miembros de los órganos de administración, de gestión o de supervisión del emisor tienen intención de suscribir la oferta, o si alguna persona tiene intención de suscribir más del cinco por ciento de la oferta.*	Véase la sección "*Principal Shareholders*" (Accionistas Principales). "The Company is not aware of (i) any intention of its principal shareholders and/or members of its management to acquire any Shares in the Offering; or (ii) any intention of a particular person to acquire more than 5% of the Shares in the Offering."	
5.2.3.	*Información previa sobre la adjudicación* a) División de la oferta en tramos, incluidos los tramos institucional, al por menor y de empleados del emisor y otros tramos: no aplicable. b) Condiciones en las que puede utilizarse la recuperación, tamaño máximo de esa recuperación y cualquier porcentaje mínimo aplicable a cada tramo: no aplicable. c) Método o métodos de asignación que deben utilizarse para el tramo al por menor y para el de empleados del emisor en caso de suscripción excesiva de estos tramos: no aplicable. d) Descripción de cualquier trato preferente predeterminado que se conceda a ciertas clases de inversores o a ciertos grupos afines (incluidos los amigos y programas de familia) en la asignación, el porcentaje de la oferta reservada a ese trato preferente y los criterios para la inclusión en tales clases o grupos: no aplicable. e) Si el tratamiento de las suscripciones u ofertas de suscripción en la asignación puede	No aplicable.	

	determinarse sobre la base de por qué empresa o a través de qué empresa se hacen. f) Objetivo de asignación individual mínima, en su caso, en el tramo al por menor. g) Condiciones para el cierre de la oferta así como la fecha más temprana en la que puede cerrarse la oferta. h) Si se admiten las suscripciones múltiples, y cuando no se admiten, cómo se manejan las suscripciones múltiples.		
5.2.4	*Proceso de notificación a los solicitantes de la cantidad asignada e indicación de si la negociación puede comenzar antes de efectuarse la notificación.*	No aplicable.	
5.2.5	*Sobre-adjudicación y "green shoe".* *a) Existencia y tamaño de cualquier mecanismo de sobre-asignación y/o de 'green shoe'.* *b) Período de existencia del mecanismo de sobre-asignación y/o de 'green shoe'.* *c) Cualquier condición para el uso del mecanismo de sobre-asignación y/o de 'green shoe'.*	Véase la sección "*The Offering*" (La Oferta), sub-sección "*Over-allotment Option*" (Opción de Sobreadjudicación). "Additionally, in connection with the Offering, the Company will grant an option to the (…)"	
5.3	**Precios**		
5.3.1	*Indicación del precio al que se ofertarán los valores. Cuando no se conozca el precio o cuando no exista un mercado establecido y/o líquido para los valores, indicar el método para la determinación del precio de oferta, incluyendo una declaración sobre quién ha establecido los criterios o es formalmente responsable de su determinación. Indicación del importe de todo gasto e impuesto cargados específicamente al suscriptor o comprador.*	Véase la portada del Folleto. Véase asimismo la sección "*The Offering*" (La Oferta), sub-sección "*Offer Price Range, Offer Price and Allotment of the Shares*" (Rango de Precios de la Oferta, Precio de la Oferta y Adjudicación de Acciones). "The indicative non-binding Offer Price Range within which subscription or purchase orders may be placed (…)"	

5.3.2	*Proceso de publicación del precio de Oferta.*	Véase asimismo la sección "*The Offering*" (La Oferta), sub-sección "*Offer Price Range, Offer Price and Allotment of the Shares*" (Rango de Precios de la Oferta, Precio de la Oferta y Adjudicación de Acciones). "The Offer Price will be determined by the Company after consultation with the Joint Global Coordinators (…)"	
5.3.3	*Limitación o supresión del derecho de suscripción preferente de los accionistas; precio de emisión de los valores.*	Véase la sección "*General Information*" (Información General), sub-sección "*Authorizations of the Offering*" (Autorizaciones de la Oferta). "(…) by way of monetary contributions and with the exclusion of pre-emptive (…)" Véase asimismo la sección "*The Offering*" (La Oferta), sub-sección "*Authorizations of the Offering*" (Autorizaciones de la Oferta). "The general shareholders' meeting held on April 26, 2017 has excluded the pre-emptive (…)"	
5.3.4	*En los casos en que haya o pueda haber una disparidad importante entre el precio de oferta pública y el coste real en efectivo para los*	No aplicable.	

	miembros de los órganos de administración, de gestión o de supervisión, o altos directivos o personas vinculadas, de los valores adquiridos por ellos en operaciones realizadas durante el último año, o que tengan el derecho a adquirir, debe incluirse una comparación de la contribución pública en la oferta pública propuesta y las contribuciones reales en efectivo de esas personas.		
5.4	**Colocación y aseguramiento.**		
5.4.1	*Nombre y dirección del coordinador o coordinadores de la oferta global y de determinadas partes de la misma y, en la medida en que tenga conocimiento de ello el emisor o el oferente, de los colocadores en los diversos países donde tiene lugar la oferta.*	Véase la sección "*The Offering*" (La Oferta), sub-sección "*The Managers and the Underwriting Agreement*" (Los Coordinadores y el Contrato de Aseguramiento). "Morgan Stanley & Co. International plc and UBS Limited are acting as Joint Global Coordinators and Joint Bookrunners in the Offering (…)" Véase asimismo la contraportada del Folleto.	
5.4.2	*Nombre y dirección de cualquier agente de pagos y de las entidades depositarias en cada país.*	Véase la sección "*The Offering*" (La Oferta), sub-sección "*The Agent Bank*" (El Banco Agente). "(…) act as agent bank in the Offering (…)"	
5.4.3	*Nombre y dirección de las entidades que acuerdan asegurar la emisión con un compromiso firme, y detalles de las entidades que acuerdan colocar la emisión sin compromiso firme o con un acuerdo de «mejores esfuerzos». Indicación de las características importantes de los acuerdos, incluidas las cuotas. En los casos en que no se suscriba toda la emisión, declaración de la parte no cubierta. Indicación del importe global de la comisión de suscripción y de la comisión de colocación.*	Véase la sección "*The Offering*" (La Oferta), sub-sección "*The Managers and the Underwriting Agreement*" (Los Coordinadores y el Contrato de Aseguramiento) "Morgan Stanley & Co. International plc and UBS	

		Limited are acting as Joint Global Coordinators and Joint Bookrunners in the Offering (…)” Véase asimismo la contraportada del Folleto.	
5.4.4	*Cuándo se ha alcanzado o se alcanzará el acuerdo de suscripción.*	Véase la sección “*The Offering*” (La Oferta), sub-sección “*Expected Timetable for the Offering*” (Calendario Estimado de la Oferta). “The following is the expected timetable for the Offering (…)”	
6.	**ACUERDOS DE ADMISIÓN A COTIZACIÓN Y NEGOCIACIÓN**		
6.1.	**Indicación de si los valores ofertados son o serán objeto de una solicitud de admisión a negociación, con vistas a su distribución en un mercado regulado o en otros mercados equivalentes, indicando los mercados en cuestión. Esta circunstancia debe mencionarse, sin crear la impresión de que se aprobará necesariamente la admisión a negociación. Si se conocen, deben darse las fechas más tempranas en las que los valores se admitirán a negociación.**	Véase la portada del Folleto. Véase la sección “*Market Information*” (Información de Mercado). “Prior to the Offering, there has been no public market for the Company’s ordinary (…)” Véase la sección “*The Offering*” (La Oferta), sub-sección “*Authorizations of the Offering*” (Autorizaciones de la Oferta). “For the avoidance of doubt, no application has been made or is currently intended (…)” Véase asimismo	

		sección "*Expected Timetable of Principal Events and Offering Statistics*" (Calendario de la Operación y Características de la Oferta).	
6.2.	**Todos los mercados regulados o mercados equivalentes en los que, según tenga conocimiento de ello el emisor, estén admitidos ya a negociación valores de la misma clase que los valores que van a ofertarse o admitirse a negociación.**	No aplicable.	
6.3.	**Si, simultáneamente o casi simultáneamente con la creación de los valores para los que se busca la admisión en un mercado regulado, se suscriben o se colocan privadamente valores de la misma clase, o si se crean valores de otras clases para colocación pública o privada, deben darse detalles sobre la naturaleza de esas operaciones y del número y las características de los valores a los cuales se refieren.**	No aplicable.	
6.4.	**Detalles de las entidades que tienen un compromiso firme de actuar como intermediarios en la negociación secundaria, aportando liquidez a través de las órdenes de oferta y demanda y descripción de los principales términos de su compromiso.**	No aplicable.	
6.5.	**Estabilización: en los casos en que un emisor o un accionista vendedor haya concedido una opción de sobre-adjudicación o se prevé que puedan realizarse actividades de estabilización de precios en relación con una oferta.**	Véase la sección "*The Offering*" (La Oferta), sub-sección "*Stabilization*" (Estabilización). "In connection with the Offering, Morgan Stanley & Co. International plc (…)"	
6.5.1.	**El hecho de que pueda realizarse la estabilización, de que no haya ninguna garantía de que se realice y de que pueda detenerse en cualquier momento,**	Véase la sección "*The Offering*" (La Oferta), sub-sección "*Stabilization*" (Estabilización). "For this purpose, the Stabilizing Manager may carry out an over-allotment (…)"	
6.5.2.	**Principio y fin del período durante el cual**	Véase la sección "*The Offering*" (La	

	puede realizarse la estabilización,	Oferta), sub-sección "*Stabilization*" (Estabilización). "The stabilization transactions shall be carried out for a maximum period of 30 calendar days (…)"	
6.5.3.	**Identidad del administrador de estabilización para cada jurisdicción pertinente, a menos que no se conozca en el momento de la publicación,**	View definition of Stabilizing Manager in the Glossary.	
6.5.4.	**El hecho de que las operaciones de estabilización puedan dar lugar a un precio de mercado más alto del que habría de otro modo.**	Véase la sección "*The Offering*" (La Oferta), sub-sección "*Stabilization*" (Estabilización). "In connection with the Offering, Morgan Stanley & Co. International plc (…)"	
7.	TENEDORES VENDEDORES DE VALORES		
7.1.	**Nombre y dirección profesional de la persona o de la entidad que se ofrece a vender los valores, naturaleza de cualquier cargo u otra relación importante que los vendedores hayan tenido en los últimos tres años con el emisor o con cualquiera de sus antecesores o personas vinculadas.**	No aplicable.	
7.2.	**Número y clase de los valores ofertados por cada uno de los tenedores vendedores de valores.**	No aplicable.	
7.3.	**Acuerdos de bloqueo. Partes implicadas. Contenido y excepciones del acuerdo. Indicación del Período de bloqueo.**	Véase la sección "*The Offering*" (La Oferta), sub-sección *"Lock-ups"* (No disposición).	
8.	GASTOS DE LA EMISIÓN / OFERTA		
8.1.	**Ingresos netos totales y cálculo de los gastos totales de la emisión/oferta.**	Véase la sección "*The Offering*" (La Oferta), sub-sección "*Breakdown of costs related to the Offering"* (Desglose de costs en relacion con la	

		Oferta).	
9.	**DILUCIÓN**		
9.1	**Cantidad y porcentaje de la dilución inmediata resultante de la emisión/oferta.**	Véase la sección "*Dilution*" (Dilución). "Tangible book value per ordinary share is determined by dividing our tangible book value (…)"	
9.2.	**En el caso de una oferta de suscripción a los tenedores actuales, importe y porcentaje de la dilución inmediata si no suscriben la nueva oferta.**	Véase la sección "*Dilution*" (Dilución). "Tangible book value per ordinary share is determined by dividing our tangible book value (…)"	
10.	**INFORMACIÓN ADICIONAL**		
10.1.	**Si en la nota sobre los valores se menciona a los asesores relacionados con una emisión, una declaración de la capacidad en que han actuado los asesores.**	Véase la contraportada del Folleto	
10.2.	**Indicación de otra información de la nota sobre los valores que haya sido auditada o revisada por los auditores y si los auditores han presentado un informe. Reproducción del informe o, con el permiso de la autoridad competente, un resumen del mismo.**	Véase la sección "*Index to the Annual Accounts*". Véase la sección "*Presentation of Financial and Other Information*" (Presentación de Información Financiera y Otras Informaciones).	
10.3.	**Cuando en la nota sobre los valores se incluya una declaración o un informe atribuido a una persona en calidad de experto, proporcionar el nombre de esas personas, dirección profesional, cualificaciones e interés importante en el emisor, según proceda. Si el informe se presenta a petición del emisor, una declaración de que se incluye dicha declaración o informe, la forma y el contexto en que se incluye, con el consentimiento de la persona que haya autorizado el contenido de esa parte de la nota sobre los valores.**	No aplicable.	
10.4.	**En los casos en que la información proceda de un tercero, proporcionar una confirmación de que la información se ha reproducido con exactitud y que, en la medida en que el emisor tiene conocimiento de ello y puede determinar**	No aplicable.	

	a partir de la información publicada por ese tercero, no se ha omitido ningún hecho que haría la información reproducida inexacta o engañosa. Además, el emisor debe identificar la fuente o fuentes de la información.		

SPANISH TRANSLATION TO THE SUMMARY

Los resúmenes están elaborados a partir de requerimientos de información conocidos como "Elementos". Estos elementos están numerados en las Secciones A – E (A.1. – E.7).

Este resumen contiene todos los Elementos que deben de ser incluidos en el resumen para este tipo de valores y compañía. Dado que no se exige la inclusión de algunos elementos, habrá algunas omisiones en la secuencia numérica de Elementos.

Aunque un Elemento pueda ser exigido en el resumen por el tipo de valores y compañía podría ocurrir que no se diera información relevante en relación con el Elemento. En este caso, se incluirá una breve descripción del Elemento en el resumen con la mención de "no aplicable".

Los términos en mayúscula o acrónimos utilizados en este resumen están referidos en la sección de "Definiciones y Glosario de Términos Seleccionados".

La presente traducción al español ha sido realizada a efectos meramente informativos por lo que en caso de discrepancia con la versión inglesa, esta última prevalece.

Sección A – Introducción y advertencias		
A.1	**Advertencia a inversores**	**ESTE RESUMEN DEBE LEERSE COMO INTRODUCCIÓN A ESTE FOLLETO. TODA DECISIÓN DE INVERTIR EN LAS ACCIONES DE UNICAJA BANCO, S.A. (LA "SOCIEDAD") DEBE ESTAR BASADA EN LA CONSIDERACIÓN POR PARTE DEL INVERSOR DEL FOLLETO EN SU CONJUNTO, INCLUYENDO EN PARTICULAR LOS FACTORES DE RIESGO.** **Cuando se presente ante un tribunal una demanda sobre la información contenida en el folleto, el inversor demandante podría, en virtud del Derecho nacional de los Estados miembros, tener que soportar los gastos de la traducción del folleto antes de que dé comienzo el procedimiento judicial.** Bajo ley española, la responsabilidad civil sólo se exigirá a las personas que hayan presentado la nota de síntesis, incluida cualquier traducción de la misma, y únicamente cuando la nota de síntesis sea engañosa, inexacta o incoherente en relación con las demás partes del folleto, o no aporte, leída junto con las otras partes del folleto, información fundamental para ayudar a los inversores a la hora de determinar si invierten o no en las Acciones.
A.2	**Posible venta posterior o colocación final de los valores por parte de los intermediarios financieros**	No aplicable. La Sociedad no contratará con ningún intermediario financiero para proceder a una venta posterior o a la colocación final de los valores que requiera la publicación de un folleto después de la publicación de este documento y no ha dado su consentimiento para cualquier venta posterior o colocación.

Sección B – Emisor		
B.1	**Nombre legal y comercial del emisor**	El emisor tiene la denominación social de Unicaja Banco, S.A. El nombre comercial del emisor es "Unicaja Banco". Operamos mediante una serie de marcas registradas. En particular, Unicaja Banco ha registrado en su nombre 281 marcas y opera mediante la marca Unicaja Banco, mientras que EspañaDuero ha registrado 267 marcas, principalmente operando a través de EspañaDuero, CajaDuero y CajaEspaña.
B.2	**Domicilio y forma jurídica**	La Sociedad está constituida como sociedad anónima en España bajo la Ley de Sociedades de Capital. La Sociedad tiene su domicilio social en Avenida

	del emisor	de Andalucía 10-12, 29007 Málaga, Andalucía. La Sociedad se constituyó con duración indefinida.
B.3	**Factores clave relativos a la naturaleza de las operaciones actuales del Emisor y a sus actividades principales**	Somos un banco minorista español con sede en Málaga fundado el 1 de diciembre de 2011, como resultado de la segregación y transmisión del negocio bancario de la antigua Caja de Ahorros de Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén que, a su vez, se fundó en 1991 tras la fusión de diversas cajas de ahorro, la mayoría de las cuales tenía más de cien años de experiencia en el sector bancario. A 31 de diciembre de 2016, teníamos activos por valor de 57.200 millones de euros (60.300 millones de euros y 68.000 millones de euros a 31 de diciembre de 2015 y 2014, respectivamente) y éramos el octavo banco más grande de España (según los datos facilitados por la Confederación Española de Cajas de Ahorro y la Asociación Española de Banca). Nos caracterizamos por un modelo de negocio minorista con un enfoque comercial y de asunción de riesgos prudente, y centrado en el cliente, un perfil de riesgo moderado, un balance conservador y robustas posiciones de capital y liquidez. A 31 de diciembre de 2016, prestábamos servicios a unos 2,7 millones de particulares y a 442.000 Pymes, clientes corporativos y autónomos, principalmente en Andalucía y Castilla y León, donde ocupamos posiciones de liderazgo con cuotas de mercado del 10% en cuanto a préstamos y del 13% en cuanto a depósitos en Andalucía, y del 15% en cuanto a préstamos y del 22% en cuanto a depósitos en Castilla y León a 31 de diciembre de 2016 (fuente: estimaciones del Banco de España y de la Sociedad). A 31 de diciembre de 2016, disponemos de una base de clientes fiel con el 88% de nuestros clientes de depósitos con una permanencia superior a cinco años. A través de nuestra red de 1.279 oficinas en España, repartidas por 38 provincias y dos Ciudades Autónomas a 31 de diciembre de 2016, de las que 997 sucursales están ubicadas en nuestras Regiones Clave, y en nuestras plataformas de banca telefónica y por Internet, ofrecemos una gama integral de productos y servicios de banca minorista, con especial hincapié en préstamos hipotecarios para primera vivienda, cuentas corrientes, depósitos a plazo fijo y productos de bajo riesgo fuera de balance (fondos de inversión y planes de ahorro). A 31 de diciembre de 2016, contábamos con 7.365 empleados (7.947 y 8.354 a 31 de diciembre de 2015 y 2014, respectivamente). Nuestro enfoque minorista lo ilustra la sencilla estructura de nuestro balance donde nuestro negocio minorista representa el 69% de nuestra cartera de préstamos y el 88% de nuestra base de depósitos a 31 de diciembre de 2016. Los Depóstios Clave de Clientes constituyeron el 62,9% (este porcentaje se calcula usando el APM Depósitos Clave de Clientes) de nuestros activos totales a 31 de diciembre de 2016. A continuación, se muestra un resumen de algunas medidas clave del rendimiento y APMs para los periodos indicados, adaptado a lo dispuesto en la Circular 5/2014:

	A/para el ejercicio finalizado a 31 de diciembre,		
€ millones salvo que se especifique lo contrario	**2016**	**2015**	**2014**
Total de activos	€57.200	€60.300	€68.000
Depósitos de clientes	€36.000	€37.500	€35.800
Préstamos a clientes	€30.700	€33.100	€35.100
Coeficiente préstamos/depósitos	83%	82%	91%
Beneficio neto	€135,1	€183,8	€447,5

Ratio de Eficiencia	56.1%	40.3%	43.4%
RoE (rentabilidad sobre los recursos propios)	4.9%	6.7%	17.1%
Capital de nivel 1 ordinario (*fully loaded*)	11.8%	11.1%	10.3%
Capital de nivel 1 ordinario (*phased-in*)	13.8%	12.8%	11.0%
Coeficiente de apalancamiento (*fully loaded*)	5.2%	5.1%	4.8%

Principales fortalezas

Banco minorista español puramente nacional con un claro liderazgo en sus Comunidades de Origen

Somos un banco español doméstico centrado en clientes minoristas. A 31 de diciembre de 2016, prestamos servicio a un total de 3,1 millones de clientes con un 82% de nuestras oficinas situadas en nuestras Comunidades de Origen. Tenemos un enfoque comercial directo y ofrecemos productos sencillos, centrados en el cliente y de bajo riesgo, con especial hincapié en préstamos hipotecarios para primera vivienda, cuentas corrientes, depósitos a plazo y productos de bajo riesgo fuera de balance.

Gestión prudente y conservadora del balance

Creemos que tenemos un perfil de riesgo relativamente bajo, que se refleja en (i) nuestros sólidos niveles de capitalización; (ii) nuestra posición de balance conservadora; (iii) unos coeficientes de cobertura relativamente altos (de los más altos en el sector bancario español); (iv) nuestra exposición al sector inmobiliario por debajo de la media en comparación con nuestros Competidores (el 2,6% de nuestra cartera neta de préstamos está compuesta por préstamos a promotores inmobiliarios y al sector de la construcción a 31 de diciembre de 2016, siendo el segundo porcentaje más bajo entre nuestros Competidores); (v) una sólida posición de liquidez; y (vi) una estrategia de crecimiento prudente. Unicaja Banco ha aprobado cómodamente los test de estrés realizados desde 2010 sin recurrir a Ayuda Estatal. Nuestro Ratio Texas, una medida de fortaleza crediticia, era de 94,1% para el ejercicio terminado el 31 de diciembre de 2016, comparativamente mejor que el de nuestros Competidores, quienes promedian un ratio medio de 107% para el ejercicio finalizado el 31 de diciembre de 2016, y muestra una mejora consistente del 94,9% y 99,9% para los ejercicios finalizados el 31 de diciembre de 2015 y 2014, respectivamente (fuente: Datos de la Sociedad). Tras la Oferta esperamos que nuestro Ratio Texas sea aproximadamente del 82% (sobre la base de la información a 31 de marzo de 2017 y asumiendo la suscripción total de la Oferta y que la Opción de Sobreasignación es ejercitada en su totalidad).

Mayor potencial de normalización de los resultados

Creemos que (i) el crecimiento del negocio de préstamos; (ii) la caída de los costes medios de los depósitos a plazo y otros indicadores de pasivos específicos; (iii) el potencial de las tasas y comisiones netas; (iv) la recuperación de dinamismo comercial por EspañaDuero; y (v) la fuerte calidad de activos y niveles de cobertura, deberían permitirnos mejorar de manera gradual nuestra rentabilidad en los próximos años.

Obtención de sinergias de la integración de EspañaDuero

Creemos que la reestructuración puede realizarse de forma que el impacto sea reducido en nuestros ingresos, principalmente porque hay una canibalización de clientes limitada entre Unicaja Banco y EspañaDuero y también porque tenemos objetivos de migración de clientes y de retención.

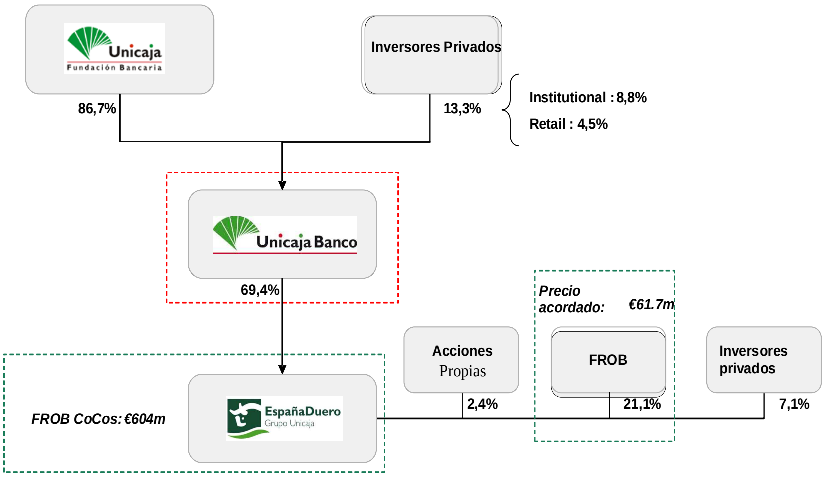
Nuestra estrategia

Hemos superado la crisis financiera como una entidad más sólida y saneada. Nuestra exitosa trayectoria ha fortalecido nuestra convicción con respecto a nuestro modelo de negocio y a los cinco principios empresariales en los que

		se asienta: **Arraigo, negocio minorista, aversión al riesgo, responsabilidad y rentabilidad.** ***Principales objetivos financieros*** Nuestro objetivo es alcanzar una rentabilidad sostenible habiéndonos fijado un objetivo de rentabilidad de los recursos propios (RoE) por encima del 8% a 31 de diciembre de 2020 (era del 4,9% a 31 de diciembre de 2016). A la fecha del presente Folleto, el resto de nuestros principales objetivos incluyen la obtención de: (i) un Ratio de Eficiencia por debajo del 50% a 31 de diciembre de 2020 (era del 56,1% a 31 de diciembre de 2016); (ii) el coste del riesgo por debajo de los 30 puntos básicos sobre la media a 31 de diciembre de 2020 (25 puntos básicos a 31 de diciembre de 2016); (iii) un coeficiente de cobertura de los activos problemáticos netos (NPA) de alrededor de un 62% a 31 de diciembre de 2020 (era del 55% a 31 de Diciembre de 2016); (iv) una ratio de morosidad (NPL) de aproximadamente el 4% a 31 de diciembre de 2020 (era del 9,8% a 31 de diciembre de 2016); (v) un ratio de capital de nivel 1 ordinario (CET1 *fully-loaded* de Basilea) por encima del 12% hasta 2020 (11,8% a 31 de diciembre de 2016); y (vi) un coeficiente de pago de dividendos en efectivo de aproximadamente el 40% hasta 2020 (12,6% para el ejercicio finalizado a 31 de diciembre de 2016). ***Pilares estratégicos*** Nuestro objetivo es acelerar nuestro crecimiento aprovechando la fortaleza de nuestro modelo de negocio en un momento de todavía bajos tipos de interés. Para conseguirlo, hemos desarrollado un plan estratégico con seis pilares que son: (i) crecimiento del negocio enfocado; (ii) gestión prudente del riesgo; (iii) eficiencia, innovación y calidad; (iv) reducción y reestructuración de activos y negocios no fundamentales; (v) plena integración de EspañaDuero; y (vi) gestión financiera y de capital prudente. Estos seis pilares se han traducido en las siguientes catalizadores para alcanzar nuestros objetivos financieros y operativos: ▪ crecimiento del crédito en los sectores más rentables; ▪ incremento en los ingresos por tasas y comisiones; ▪ obtención de sinergias a raíz de la integración total de EspañaDuero mientras se mantiene un estricto control de los costes; ▪ mantener un coste de riesgo bajo en relación con nuestros altos niveles de provisiones y reducir la formación de NPL sobre la base de una perspectiva macroeconómica positiva; ▪ esfuerzos para reducir la cartera de NPL, una gestión proactiva y la venta de activos adjudicados; y ▪ obtención de beneficios de negocios auxiliares que se espera aporten diversificación de ingresos y se beneficien de nuestra visión (i.e. seguros y pagos con tarjeta). ***Crecimiento del crédito en los sectores más rentables*** Aspiramos a incrementar nuestros volúmenes de crédito captando nuestra “cuota natural del mercado” de crédito (es decir, llevando nuestra cuota de mercado media de préstamos más en línea con nuestra cuota de sucursales) principalmente en nuestros segmentos objetivo: empresas y Pymes y hogares (principalmente a través de créditos para el consumo). ***Incremento de ingresos por tasas y comisiones*** Pretendemos incrementar nuestros ingresos por tasas y comisiones sobre la base de nuestra fuerte penetración potencial en el mercado de los productos no bancarios. Nuestra base de clientes ha sido tradicionalmente conservadora y ha tenido un apetito limitado por productos sofisticados (a 31 de diciembre

		de 2016, el 53% de nuestros productos sofisticados se centraban en productos monetarios y productos garantizados), lo que, combinado con nuestro planteamiento comercial prudente, se ha traducido en un desarrollo de nuestro negocio de activos de concentración. Nuestra cuota de mercado nacional en mutualidades y seguros de vida (1,4% y 1,8% respectivamente, a 31 de diciembre de 2016 (fuente: Inverco e ICEA)) estaba muy por debajo de nuestra cuota del 3,6% a nivel nacional del mercado de depósitos a 31 de diciembre de 2016 (fuente: estimación de la Sociedad), lo que sugiere potencial de crecimiento si podemos llevar nuestra "cuota de mercado natural" en mutualidades y seguros de vida a un nivel similar a nuestra cuota de mercado en el mercado de depósitos. ***Obtención de sinergias a raíz de la integración total de EspañaDuero*** Creemos que hemos demostrado que podemos reducir nuestra capacidad operativa durante los últimos años: de 2008 a 2016 redujimos nuestro número de oficinas y empleados en un 40% y un 37% respectivamente. Sin embargo, creemos que hay margen para obtener mejoras de eficiencia y productividad adicionales a través del redimensionamiento global del Grupo y la integración de EspañaDuero en nuestra plataforma. ***Mantener un coste de riesgo bajo en relación con nuestros altos niveles de provisiones y reducir la formación de NPL sobre la base de una perspectiva macroeconómica positiva*** Hemos conseguido una fuerte reducción en nuestro coste del riesgo, siguiendo un esfuerzo significativo en la dotación de provisiones durante los últimos años, y esperamos mantener unos niveles de coste del riesgo bajos (por debajo de 30 puntos básicos) durante el período entre 2017 a 2020, sobre la base de nuestros altos niveles de dotación de provisiones, nuestra fuertemente asegurada cartera de NPLs (un 84% del total cuenta con garantía), y nuestros esfuerzos por reducir activos problemáticos. ***Esfuerzos para reducir la cartera de NPL y una gestión proactiva y venta de los activos adjudicados*** Nuestra estrategia también se centra en reforzar la gestión activa de nuestros negocios y activos no fundamentales para poder centrarnos en nuestras áreas estratégicas fundamentales. Nuestras iniciativas principales incluyen: (i) la reducción de nuestra cartera de NPL y (ii) la gestión activa y venta de nuestros activos adjudicados. ***Obtención de beneficios de negocios auxiliares que se espera aporten diversificación de ingresos y se beneficien de nuestra visión (es decir, seguros y pagos con tarjeta).*** En relación con nuestro negocio de seguros y como resultado del proceso de integración de EspañaDuero, nuestra intención es operar bajo una perspectiva multi-marca con un solo socio para cada segmento de vida y no vida y, a la fecha del presente Folleto, estamos reestructurando nuestros contratos de seguros. Con este fin, hemos anunciado recientemente la resolución de nuestros contratos de distribución de seguros con Aviva (Unicorp y Caja España Vida) y simultáneamente hemos firmado un acuerdo con Santa Lucía. Además, conforme a los términos del Contrato de Duero Vida y Duero Pensiones, EspañaDuero firmó el 8 de junio de 2017 un contrato de compraventa para la adquisición la participación de Mapfre en Unión Duero Vida y Unión Duero Pensiones por el 110% de la valoración realizada por Willis Tower Watson España, S.A, experto independiente acordado por ambas partes (es decir, 141,7 millones de euros, de los cuales 128,8 millones de euros corresponden al 100% de la valoración, siendo la diferencia una penalidad de 12,9 millones de euros). Una vez realizado el pago, el Contrato de Duero Vida y Duero Pensiones también quedará resuelto.

B.4a	**Descripción de las tendencias recientes más significativas que afecten al emisor y a los sectores en los que ejerce su actividad**	La Sociedad no tiene constancia de ninguna nueva tendencia significativa que afecte al Grupo y al sector en que opera, sin perjuicio de los factores de riesgo descritos en otras secciones de este Resumen.
B.5	**Descripción del grupo**	A 31 de diciembre de 2016, el Grupo tiene 40 filiales, siendo EspañaDuero la más significativa. La siguiente tabla muestra a la Sociedad y sus filiales significativas antes de la Oferta:



Nota:
(1) El FROB tiene derecho al 21,1% de las acciones en EspañaDuero, de las cuales 15,57% se controla directamente en la fecha de este Folleto y 8,57% está pendiente de liquidación bajo el Mecanismo de Compensación.

B.6	**Accionistas principales**	A fecha de este Folleto, el capital social de la Sociedad asciende a €922.802.121 dividido en 922.802.121 acciones de la misma clase representadas por anotaciones en cuenta con €1,00 de valor nominal. Todas estas acciones están íntegramente desembolsadas. A fecha de este Folleto la Fundación posee el 86,70% del capital social y derechos de voto y, por lo tanto, el control de la Sociedad. La tabla siguiente contiene la información referente las acciones ordinarias de la Sociedad y sus accionistas antes y después de la Oferta.

	Antes de la Oferta		**Después de la Oferta**			
Propietario	**Núm. de acciones**	**%**	**Núm. de acciones (asumiendo no ejercicio de Opción de Sobreasignación)**	**%**	**Núm. de acciones (asumiendo ejercicio total de Opción de Sobreasignación)**	**%**
Fundación Bancaria Unicaja	800.000.000	86,7%	800.000.000	51,7%	800.000.000	49,7%
Accionistas Minoritarios[(1)]/free float	122.802.121	13,3%	747.802.121	48,3%	810.302.121	50,3%

Total	**922.802.121**	**100%**	**1.547.802,121**	**100%**	**1.610.302.121**	**100%**

Notas:
(1) A fecha de 31 de marzo de 2017, había 17.791 accionistas minoritarios en la Sociedad
(2) La Sociedad no tiene conocimiento de que ninguno de sus accionistas minoritarios ostente un 3% o más del capital social de la Sociedad.

B.7 **Información financiera fundamental histórica**

La información financiera seleccionada a fecha de y para los años finalizados el día 31 de diciembre de 2016, 2015 y 2014 y para el trimestre finalizado el 31 de marzo de 2017, que se presenta a continuación, ha sido elaborada de conformidad con las normas contables IFRS-EU:

1. Cuenta de pérdidas y ganancias consolidada correspondiente al período de tres meses finalizado el 31 de marzo de 2017 y 2016

€ millones salvo que se exprese lo contrario	**Tres meses terminados el 31 de marzo de,**	
	2017	**2016**
Cuenta de pérdidas y ganancias consolidadas		
Margen de intereses	**145,0**	**134,8**
Margen bruto	**280,6**	**346,6**
Resultado de la actividad de explotación	**94,7**	**115,4**
Ganancias/Pérdidas antes de impuestos procedentes de las actividades continuadas........	**74,2**	**103,2**
Ganancias/Pérdidas después de impuestos procedentes de las actividades continuadas........	**50,7**	**73,5**
Resultado del ejercicio	**50,8**	**73,5**

2. Cuenta de pérdidas y ganancias consolidada para los ejercicios terminados a 31 de diciembre de 2016 y 2015

	Para el ejercicio terminado el 31 de diciembre,	
	2016	**2015[(1)]**
Cuenta de pérdidas y ganancias consolidadas	**€ millones**	
Margen de intereses	**619,8**	**687,5**
Margen bruto	**1.089,1**	**1.574,9**
Resultados de la actividad de explotación	**290,7**	**323,8**
Ganancias antes de impuestos procedentes de las actividades continuadas........	**191,0**	**217,0**
Ganancias/pérdidas después de impuestos procedentes de las actividades continuadas........	***124,9***	***159,8***
Resultado del ejercicio	**135,1**	**183,8**

Nota:
(1) Esta información se ha obtenido de nuestras Cuentas Anuales relativas a 2016.

3. Cuenta de pérdidas y ganancias consolidada para los ejercicios terminados a 31 de diciembre de 2015 y 2014

	Para el ejercicio terminado el 31 de diciembre,	
	2015[(1)]	**2014[(2)]**
Cuenta de pérdidas y ganancias consolidada	**€ millones**	
Margen de intereses	**687,5**	**718,7**
Margen bruto	**1.574,9**	**1.346,3**
Ganancias/(Pérdidas) de las actividades de explotación...	**323,8**	**214,3**
Ganancias/Pérdidas antes de impuestos procedentes de las actividades continuadas........	**217,0**	**474,4**
Ganancias/pérdidas después de impuestos procedentes de las actividades continuadas........	***159,8***	***426,9***
Resultado del ejercicio	**183,8**	**447,5**

Notas:

(1) Esta información se ha obtenido de las Cuentas Anuales relativas a 2015.
(2) A 28 de marzo de 2014, la Sociedad adquirió una participación de control en EspañaDuero.

4. Balance de situación consolidado para el período de 3 meses finalizado el 31 de marzo de 2017 y comenzado el 31 de diciembre de 2016

€ millones salvo que se disponga lo contrario	**A 31 de marzo de, 2017**	**A 31 de diciembre de, 2016**
Activos		
Efectivo, saldos en efectivo en banco centrales y otros depósitos a la vista	**1.703,6**	**861,7**
Activos financieros mantenidos para negociar	**59,5**	**78,3**
Activos financieros disponibles para la venta	**3.576,1**	**5.403,3**
Préstamos y partidas a cobrar	**33.369,4**	**31.643,0**
Inversiones mantenidas hasta el vencimiento	**11.119,5**	**12.907,6**
Derivados- contabilidad de coberturas	**545,8**	**606,4**
Inversiones en negocios conjuntos y asociadas	**284,0**	**294,1**
Activos tangibles	**1.422,4**	**1.437,8**
Activos intangibles	**0,8**	**0,8**
Activos por impuestos	**2.539,5**	**2.585,7**
Otros activos	**627,3**	**659,9**
Activos no Corrientes y grupos enajenables de elementos que se han clasificado mantenidos para la venta	**741,4**	**762,3**
Total activo	**55.989,3**	**57.240,8**
Pro memoria:		
Garantías concedidas	1.043,1	1.065,8
Compromisos contingentes concedidos	3.592,8	2.901,8

€ millones salvo que se exprese lo contrario	**A 31 de marzo de, 2017**	**A 31 de diciembre de, 2016**
Pasivo		
Pasivos financieros mantenidos para negociar	**31,6**	**50,8**
Pasivos financieros a coste amortizado	**51.610,6**	**52.729,3**
Derivados- Contabilidad de coberturas	**34,1**	**49,9**
Pasivos amparados por contrato de seguro o reaseguro	**4,0**	**4,0**
Provisiones	**677,6**	**707,0**
Pasivos por impuestos	**226,9**	**239,1**
Otros pasivos	**255,0**	**277,4**
Total pasivo	**52.839,8**	**54.057,7**
Total patrimonio neto	**3.149,5**	**3.183,1**
Total pasivo y patrimonio neto	**55.989,3**	**57.240,8**

5. Balance de situación consolidado a 31 de diciembre de 2016 y 2015, respectivamente

	A 31 de diciembre,	
	2016	**2015[(1)]**
Balance de situación consolidado	**€ millones**	
Activo		
Efectivo, saldos en efectivo en bancos centrales y otros depósitos a la vista	**862**	**1.991**
Activos financieros mantenidos para negociar	**78**	**94**
Activos financieros disponibles para la venta	**5.403**	**9.810**
Préstamos y partidas para cobrar	**31.643**	**34.300**
Inversiones mantenidas hasta el vencimiento	**12.908**	**7.240**
Derivados- Contabilidad de coberturas	**606**	**738**
Inversiones en negocios conjuntos y asociadas	**294**	**359**
Activos amparados por contrato de seguro o reaseguro	**-**	**8**
Activos tangibles	**1.438**	**1.491**

Activos intangibles	**1**	**1**
Activos por impuestos..	**2.586**	**2.591**
Otros activos	**660**	**836**
Activos no Corrientes y grupos enajenables de elementos que se han clasificado como	**762**	**853**
Total activo..	**57.241**	**60.312**
<u>Pro Memoria</u>		
Garantías concedidas	1,066	1,096
Compromisos contingentes concedidos............................	2,902	3,232

Nota:
(1) Esta información se ha obtenido de nuestras Cuentas Anuales relativas a 2016.

	A 31 de diciembre de,	
	2016	**2015(1)**
Balance de situación consolidado	**€ millones**	
Pasivo		
Pasivos financieros mantenidos para negociar............	**51**	**125**
Pasivos financieros a coste amortizado.........................	**52.729**	**55.577**
Derivados- Contabilidad de coberturas.........................	**50**	**108**
Pasivos amparados por contratos de seguro o reaseguro	**4**	**31**
Provisiones...	**707**	**748**
Pasivos por impuestos..	**239**	**295**
Otros pasivos..	**277**	**171**
Total pasivo	**54.058**	**57.056**
Total patrimonio neto	***3.183***	***3.256***
Total patrimonio neto y pasivo	**57.241**	**60.312**

Nota:
(1) Esta información se ha obtenido de nuestras Cuentas Anuales relativas a 2016.

6. Balance de situación consolidado a 31 de diciembre de 2015 y 2014, respectivamente

	A 31 de diciembre de,	
	2015(1)	**2014(2)**
Balances de situación consolidados	**€ millones**	
Activos		
Efectivo, saldos en efectivo en bancos centrales...........	**1.578**	**612**
Activos financieros mantenidos para negociar............	**94**	**229**
Activos financieros disponibles para la venta..............	**9.810**	**12.503**
Préstamos y partidas a cobrar	**34.712**	**37.671**
Inversiones mantenidas hasta el vencimiento...............	**7.240**	**9.640**
Derivados- Contabilidad de coberturas.........................	**738**	**922**
Activos no corrientes mantenidos para la venta	**853**	**931**
Inversiones..	**359**	**424**
Contratos de seguro vinculado a pensiones	**142**	**148**
Activos amparados por contratos de reaseguro...........	**8**	**7**
Activos tangibles...	**1.491**	**1.386**
Activos intangibles	**1**	**2**
Activos por impuestos..	**2.591**	**2.748**
Otros activos	**694**	**729**
Total activo...	**60.312**	**67.950**
<u>Pro memoria:</u>		

Riesgos contingentes……………………………..	1.096	1.358
Compromisos contingentes concedidos............................	3.232	3.402

Notas:
(1) Esta información se ha obtenido de nuestras Cuentas Anuales relativas a 2015.
(2) A 28 de marzo de 2014 la Sociedad adquirió una participación de control en EspañaDuero.

	A 31 de diciembre,	
	2015(1)	**2014(2)**
Balance de situación consolidado	**€ millones**	
Pasivos		
Pasivos financieros para negociar	**125**	**65**
Pasivos financieros a coste amortizado.........................	**55.577**	**63.008**
Derivados- Contabilidad de coberturas........................	**108**	**57**
Pasivos asociados con activos no corrientes mantenidos para la venta..	**-**	**13**
Pasivos amparados por contratos de seguro................	**31**	**30**
Provisiones...	**748**	**724**
Pasivos por impuestos..	**295**	**534**
Otros pasivos...	**171**	**228**
Total pasivo..	**57.056**	**64.658**
Total patrimonio neto	***3.256***	***3.292***
Total pasivo y patrimonio neto	**60.312**	**67.950**

Notes:
(1) Esta información se ha obtenido de nuestras Cuentas Anuales relativas a 2015.
(2) A 28 de marzo de 2014 la Sociedad adquirió una participación de control en EspañaDuero.

B.8	**Información financiera seleccionada pro forma**	No resulta de aplicación. Este Folleto no contiene información condensada pro forma.
B.9	**Estimación de los beneficios**	No aplica. Este Folleto no contiene estimaciones o previsiones de beneficios.
B.10	**Descripción de la naturaleza de cualquier salvedad en el informe de auditoría sobre la información financiera histórica**	Los informes de auditoría correspondientes a las Cuentas Anuales de 2016, las Cuentas Anuales de 2015 y a las Cuentas Anuales de 2014, todos emitidos por PricewaterhouseCoopers Auditores, S.L., no contienen salvedades. El informe correspondiente las Cuentas Consolidadas Trimestales no puede ser considerado como un ejercicio de auditoría de cuentas y, por consiguiente, no se requiere opinión del auditor.
B.11	**Capital de explotación**	No aplicable. En opinión de la Sociedad, el capital de explotación disponible para la Sociedad es suficiente para lo requerido en este momento por la misma y, en particular, es suficiente para al menos los doce meses siguientes tras la fecha de este Folleto.

Sección C – Valores		
C.1	**Descripción del tipo y de la**	El código ISIN que ha sido asignado por la Agencia Nacional de Codificación de Valores Mobiliarios (entidad dependiente de la CNMV) a las

	clase de valores ofertados y/o admitidos a cotización	acciones ordinarias es el ES0180907000. Las acciones ordinarias se negociarán en las Bolsas de Valores de Madrid, Barcelona, Bilbao y Valencia y estarán representadas en el mercado continuo mediante la denominación "UNI".
C.2	**Divisa de emisión de los valores**	Las Nuevas Acciones Ordinarias se emitirán en euros.
C.3	**Número de acciones emitidas**	A fecha de este Folleto, el capital social de la Sociedad asciende a €922.802.121 dividido en 922.802.121 acciones de la misma clase representadas por anotaciones en cuenta con €1.00 de valor nominal y representa un derecho de voto. Todas nuestras acciones están íntegramente desembolsadas.
C.4	**Derechos vinculados a los valores**	Una vez emitidas, las acciones ordinarias tendrán el mismo rango entre sí, incluso respecto del derecho a percibir los dividendos o la cuota correspondiente en caso de liquidación. Las acciones ordinarias confieren a sus propietarios los derechos recogidos en los Estatutos Sociales y en la legislación mercantil española, como son, entre otros, (i) el derecho de asistencia a las juntas de la Sociedad y el derecho a tomar la palabra en ellas, limitado a titulares registrados de al menos 1.000 acciones ordinarias (ii) el derecho a votar en las juntas generales de accionistas, (iii) el derecho a percibir dividendos en proporción al capital social desembolsado en la Sociedad, (iii) el derecho de suscripción preferente en la emisión de nuevas acciones ordinarias en aumento de capital por aportaciones dinerarias, y (iv) el derecho a recibir los activos que resten en proporción a la participación en el capital social en caso de que se liquide la Sociedad.
C.5	**Cualquier restricción sobre la libre transmisibilida d**	No existen restricciones a la libre transmisibilidad de sus acciones ordinarias.
C.6	**Admisión a cotización en un mercado regulado**	La Sociedad solicitará la admisión a negociación de las Acciones las Bolsas Españolas y en el AQS tan pronto como sea posible. Se espera que la Admisión a negociación tenga lugar, de acuerdo con el calendario previsto, el 30 de junio de 2017. Si hay cualquier retraso en la admisión a negociación de las Acciones en las Bolsas Españolas, la Sociedad anunciara públicamente, mediante un hecho relevante, tal retraso y la nueva fecha de Admisión.
C.7	**Política de dividendos**	A fecha de este folleto, no se ha aprobado una política de dividendos por parte de la Sociedad, sin embargo, nuestra intención es distribuir dividendos en el corto plazo y aumentar progresivamente la distribución de dividendos desde el 12,6% de ratio de distribución de dividendos, que se consiguió en el ejercicio finalizado el 31 de diciembre de 2016, hasta conseguir un ratio de distribución de dividendos del 40% aproximadamente para el año 2020. En cualquier caso no existe ninguna garantía de que vayamos a distribuir dividendos en el futuro o la cuantía que puedan alcanzar los mismos. Los accionistas ordinarios tienen derecho a percibir dividendos, con base en lo dispuesto en estatutos. Para los ejercicios finalizados el 31 de diciembre de los años 2016, 2015 y 2014 se distribuyeron dividendos por un valor de 17 millones de euros, 19 millones de euros y 25 millones de euros respectivamente, lo que equivalía a 0,018 €, 0,022 € y 0,028 € por acción ordinaria respectivamente y generó un ratio de reparto de dividendos del 12,6%, 10,3% y 5,6% respectivamente. EL

		beneficio por acción ordinaria ascendieró a 0,154€, 0,202€ y 0,532€ para los ejercicios finalizados el 31 de diciembre de los años 2016, 2015 y 2014 respectivamente. Nuestra política de dividendos futura y la futuros cantidad de dividendos que decidamos distribuir dependerán de una serie de factores entre los que se encuentra, sin limitación, nuestros beneficios, las condiciones financieras, las restricciones normativas, nuestra capacidad para distribuir dividendos desde nuestras filiales y otros factores adicionales que puedan resultar relevantes llegado el momento. Además, nuestra capacidad para distribuir dividendos en el futuro dependerá de que se sigan cumpliendo los requisitos de capital. Todos los pagos de dividendos que se pudieran ofrecer deberán ser aprobados previamente por la junta general de accionistas tras la propuesta del Consejo de Administración una vez que se publiquen los resultados del ejercicio en cuestión.

Sección D – Riesgos		
D.1	**Información fundamental sobre los principales riesgos específicos del emisor o de su sector de actividad**	La inversión en Acciones dela Sociedad conlleva cierto riesgo. Antes de adoptar cualquier decisión de inversión, deberán examinarse detenidamente los riesgos e incertidumbres que se describen a continuación, junto con el resto de la información recogida en este Folleto. Cualquiera de los siguientes riesgos e incertidumbres podrían tener un efecto adverso relevante sobre el negocio, situación financiera y el resultado operativo de la Sociedad. El precio de mercado de las Acciones podría bajar como resultado de cualquiera de estos riesgos e incertidumbres y podría perderse la totalidad o parte de la inversión realizada. **Riesgos relacionados con EspañaDuero y el plan de reestructuración** ▪ Afrontamos diversos riesgos de integración de empresas relacionados con la adquisición de EspañaDuero. ▪ Si no podemos reembolsar los CoCos FROB íntegramente, el FROB o cualquier titular posterior de los CoCos FROB podrá convertir estos títulos en acciones ordinarias de EspañaDuero y convertirse en accionista mayoritario de esta entidad. ▪ La imposibilidad de reembolsar los CoCos FROB podría limitar nuestra capacidad para distribuir dividendos. ▪ Es posible que estemos sujetos a contingencias asociadas a acciones judiciales entabladas por antiguos titulares de valores híbridos de EspañaDuero. ▪ La actividad y las limitaciones de crecimiento que se establecen en la Hoja de Condiciones de EspañaDuero o el hecho de no se cumpla la Hoja de Condiciones podría tener un efecto significativo adverso sobre nuestras actividades. ▪ EspañaDuero está sujeta a control reglamentario y como entidad individual debe satisfacer los niveles de capital y liquidez reglamentarios. **Riesgos específicos relacionados con el Grupo** ▪ Estamos expuestos al riesgo de futura modificación o revisión del régimen de activos fiscales español. Por otra parte, por lo que respecta a los activos fiscales no garantizados por el Estado español, estamos expuestos al riesgo de que no podamos recuperar determinados activos fiscales o hayamos sobrestimado su valor. ▪ Las decisiones relativas a la eliminación de cláusulas que

		establecen tipos de interés mínimos para las hipotecas en España pueden tener un impacto significativo sobre nuestras actividades. ▪ La reestructuración de los acuerdos de distribución y joint venture para la distribución de productos de reaseguros puede provocar reclamaciones contractuales o sanciones e incumplimientos de contratos. ▪ Mantenemos una exposición significativa al riesgo de crédito en España y, en particular, de ciertas contrapartes y sectores, especialmente en el mercado inmobiliario español. ▪ Afrontamos riesgos relativos a la disrupción, dislocación, cambios estructurales y volatilidad en los mercados financieros y estamos expuestos a riesgo de contraparte respecto de los gobiernos español y extranjeros. ▪ Afrontamos el riesgo de ser incapaces de implementar con éxito nuestra Estrategia o de alcanzar nuestros objetivos comerciales y financieros. **Riesgos sectoriales** ▪ Afrontamos riesgos asociados con la situación de la economía española, europea y mundial. ▪ El actual entorno de bajos tipos de interés ha ejercido presión sobre nuestros ingresos, dado que nuestro negocio es particularmente sensible a las variaciones de los tipos de interés. ▪ El riesgo de solvencia es inherente a nuestras actividades. ▪ El riesgo de liquidez es inherente a nuestras operaciones. ▪ El riesgo operativo es inherente a nuestras actividades y, en particular, afrontamos riesgos por fallos de nuestros sistemas informáticos o de nuestros procesos o sistemas de gestión internos. ▪ Afrontamos una mayor competencia de los proveedores tradicionales y no tradicionales de servicios bancarios. ▪ Estamos expuestos a riesgos relacionados con la debilidad o la debilidad percibida de otras instituciones financieras. ▪ Estamos expuestos a riesgos asociados con los delitos y fraude informático. ▪ Dependemos de terceros proveedores de servicios y de productos financieros de terceros. ▪ Es posible que no seamos capaces de conservar a los principales miembros de nuestro equipo directivo y de nuestra base de empleados, o de atraer a nuevos empleados cualificados. ▪ Estamos sujetos a riesgos de conducta y reputacionales que podrían conllevar multas, sanciones y daños para de reputación. **Riesgos legales y de cumplimiento normativo** ▪ El negocio de la Sociedad está muy regulado y está sujeto a test de estrés y cambios normativos y regulatorios, además de a la interpretación de dichas leyes y normativa. ▪ Estamos sujetos a los riesgos relacionados con la regulación sectorial bancaria. ▪ La Sociedad está sujeta a procedimientos legales. ▪ Afrontamos riesgos relacionados con IFRS 9. ▪ Estamos sujetos a las leyes de protección de datos. **Otros riesgos**

		▪ Nuestros estados financieros, de conformidad con las normas NIIF-UE, requieren la aplicación de criterios, uso de supuestos y estimaciones que pueden resultar ser incorrectos.
D.3	**Información fundamental sobre los principales riesgos específicos de los valores**	▪ El precio de las acciones de la Sociedad podría ser volátil y estar sujeto a descensos repentinos y significativos. ▪ Las ventas de acciones ordinarias tras la Oferta podrían provocar una caída del precio de mercado de las acciones ordinarias de la Sociedad. ▪ Riesgo de ventas en mercado debido a la Ley de Cajas de Ahorros y Fundaciones Bancarias. ▪ Es posible que no paguemos dividendos en relación con las acciones ordinarias de la Sociedad y, como resultado, la única oportunidad de los accionistas de obtener una rentabilidad de su inversión pasaría por una subida del precio de las acciones. ▪ Si en el futuro los PeCoCos se convierten, los inversores podrían sufrir pérdidas como consecuencia de la dilución. ▪ Es posible que en el futuro emitamos acciones de nueva emisión o valores de renta variable, lo que podría diluir las participaciones de los inversores. ▪ No existe ningún mercado de negociación establecido para las acciones ordinarias de la Sociedad. No se puede garantizar que se vaya a crear un mercado líquido para las acciones ordinarias de la Sociedad. ▪ El principal accionista de la Sociedad podrá ejercer una influencia significativa sobre nosotros y nos enfrentamos a riesgos relacionados con conflictos de interés entre el accionista principal y el Grupo y otros accionistas minoritarios. ▪ Puede que los accionistas de fuera de España tengan dificultades para emprender una acción legal o ejecutar sentencias extranjeras contra nosotros o nuestros consejeros. ▪ Es posible que los accionistas de determinadas jurisdicciones distintas de España u otros países de la UE, incluyendo EE.UU., no puedan ejercer sus derechos de adquisición preferente para adquirir más acciones o participar en recompras. ▪ Las acciones no se podrán transferir libremente en EE.UU. ▪ Un inversor cuya moneda no es el euro está expuesto a las fluctuaciones de los tipos de cambio.

Sección E – Oferta		
E.1	**Ingresos netos totales y cálculo de los gastos totales de la emisión/oferta**	La Sociedad emitirá 625.000.000 Nuevas Acciones en la Oferta a cambio de aportaciones dinerarias, y recaudaría entre aproximadamente 659,6 millones de euros y aproximadamente 841,5 millones de euros, empleando el Rango de Precios de la Oferta, asumiendo (i) que las Nuevas Acciones se suscriben en su totalidad, y (ii) que no se ejercita la Opción de Sobreasignación, una vez deducidas las comisiones de aseguramiento y otros gastos relacionados con la Oferta. Si la Opción de Sobreasignación se ejercita en su totalidad, la Sociedad emitirá las Acciones de Sobreasignación a cambio de aportaciones dinerarias, con lo cual obtendría unos fondos netos adicionales de entre aproximadamente 66,0 millones de euros y aproximadamente 84,1 millones

		de euros, empleando el Rango de Precios de la Oferta. Se espera que las comisiones, tasas y gastos que se deban de abonar por la Sociedad en relación con la Oferta, sean de aproximadamente 33,1 millones de euros. A efectos ilustrativos se detallan a continuación los gastos estimados, excluyendo donde corresponda el IVA:

Gastos	**€ millones**
Comisiones de aseguramiento[(1)]	25,8
Comisión fija	15,0
Comisión discrecional	10,7
Gastos legales y otros (notario, registro en el Registro Mercantil, publicaciones, asesoramiento legal y financiero, auditoría y otros)[(2)]	7,0
Comisión Iberclear, Tasa Bolsas y Mercados, tasa CNMV [(2)].	0,28
Total	33,1

Nota:

(1) Asumiendo que (i) que el Precio de la Oferta está en el punto medio del Rango de Precios de la Oferta, esto es, 1,25 euros por cada Nueva Acción; (ii) todas las Nuevas Acciones han sido aseguradas por cada Miembro del Sindicato Colocador y que la Opción de Sobreasignación se ejercita en su totalidad; y (iii) que la comisión discrecional es abonada en su totalidad

(2) Asumiendo que el Precio de la Oferta está en el punto medio del Rango de Precios de la Oferta.

Los gastos (incluyendo comisiones) a abonar por la Sociedad ascenderían a un total de aproximadamente 33,1 millones de euros, que supone aproximadamente un 3,85% (asumiendo que el Precio de la Oferta está en el punto medio del Rango de Precios y que la Opción de Sobreasignación se ejercita en su totalidad) y aproximadamente 3,93% (asumiendo que el Precio de la Oferta está en el punto medio del Rango de Precios y que la Opción de Sobreasignación no se ejercita).

Ver E.7 de este Resumen para los detalles de los gastos asignados a los inversores por la Sociedad.

E.2	**Motivos de la oferta y destino de los ingresos**	La Sociedad espera emplear los fondos obtenidos de la venta de las Acciones de la Oferta como sigue: ▪ reforzar nuestra posición de capital después de amortizar íntegramente los CoCos FROB por importe de 604 millones de euros; ▪ con los fondos restantes, financiar la adquisición de la participación del FROB en EspañaDuero por 62 millones de euros; y ▪ con los fondos restantes, dedicarlos a fines corporativos generales. Además, se espera que la Oferta proporcione a la Sociedad acceso a los mercados de capitales (incluyendo los de instrumentos de deuda), lo que podría facilitar a la Sociedad el acceso a financiación más barata. La Admisión a negociación de las acciones ordinarias de la Sociedad de conformidad con la Oferta también proporcionarán liquidez a los accionistas minoritarios de la Sociedad y permitirá a la Fundación reducir su participación en la Sociedad, tal y como requiere la Ley de Fundaciones

		Bancarias. A fecha de este Folleto, no se ha tomado ninguna decisión en cuanto a la forma en la que el Grupo va a repagar los CoCos FROB o la adquisición de la participación del FROB en EspañaDuero, las cuales pueden ser llevadas a cabo por la propia Unicaja Banco o mediante EspañaDuero (en cuyo caso la Sociedad proporcionaría a EspañaDuero los fondos necesarios).
E.3	**Descripción de las condiciones de la oferta**	La Oferta consiste en la oferta de 625.000.000 Nuevas Acciones, que representan el 40,4% del total del capital social de la Sociedad tras la Oferta (asumiendo que no se ejercita al Opción de Sobreasignación), de un valor nominal de 1€ cada una, a inversores cualificados (según se definen en el Artículo 2(1)(e) de la Directiva del Folleto) al Precio Ofertado. En el caso de España, la Oferta se dirigirá únicamente a inversores profesionales según se define en el artículo 205.2 de la LMV. Las Nuevas Acciones recibirán el mismo tratamiento (*pari passu*) en todos los aspectos que el resto de las 922.802.121 acciones ordinarias en circulación de la Sociedad. Además, la Oferta podrá incrementarse en un máximo de 62.500.000 Acciones de Sobreasignación. La Sociedad actúa en su propio nombre y representación en lo que respecta a las Nuevas Acciones. En relación con la Oferta, la Sociedad otorgará al Agente Estabilizador, en nombre de los Miembros del Sindicatos Colocador, de una opción de compra de las Acciones de Sobreasignación, esto es, hasta 62.500.000 Acciones, que representan el 10% de las Nuevas Acciones al Precio de la Oferta. La Opción de Sobreasignación se puede ejercer por el Agente Estabilizador, en nombre de los Miembros del Sindicato Colocador, en un momento dado, en todo o en parte, con el único objetivo de cubrir sobreasignaciones (si las hubiere), en cualquier momento en o antes del día 30 siguiente a la fecha en que tenga lugar la Admisión. Se espera que este período comience el 30 de junio de 2017 y finalice el 29 de julio de 2017. Cualesquiera Acciones de Sobreasignación puestas a disposición en virtud la Opción de Sobreasignación recibirán el mismo tratamiento *(pari passu)* en todos los aspectos que las Acciones, incluyendo dividendos y cualquier distribución acordada, hecha o pagada a las Acciones, y serán adquiridas en los mismos términos y condiciones que las Acciones vendidas en el seno de la Oferta, formando una sola clase de acciones a todos los efectos. La Oferta se llevará a cabo a través de un proceso de prospección de demanda. Durante el periodo de prospección de la demanda, que se espera comience el 15 de junio de 2017 (una vez registrado el Folleto ante la CNMV) y concluya el 28 de junio de 2017 (ambos inclusive), los Miembros del Sindicato Colocador procederán a comercializar las Nuevas Acciones entre los inversores institucionales de conformidad y con sujeción a las restricciones de venta y transmisión establecidas en el presente Folleto. En particular, en el caso de España, las Acciones serán ofertadas únicamente a inversores profesionales, según se definen en el artículo 205.2 LMV. Los inversores pueden remitir sus propuestas de compra durante este período, indicando el montante total en euros que estarían dispuestos a invertir en la adquisición de las Nuevas Acciones y, en su caso, el precio máximo al que estarían dispuestos a adquirir las Acciones. El Rango de Precios de la Oferta dentro del cual podrán cursarse las órdenes de suscripción o adquisición, que es orientativo y no vinculante, va de 1,10 a 1,40 euros por Acción y la Sociedad obtendría fondos netos de entre aproximadamente 659,6 millones de euros y aproximadamente 841,5 millones de euros, asumiendo que (i) se suscriben la totalidad de las Nuevas Acciones, y (ii) no se ejercita la Opción de Sobreasignación, una vez deducidas las comisiones de aseguramiento y otros gastos en relación con la Oferta. Si la Opción de Sobreasignación se ejercita en su totalidad, la

		Sociedad emitirá las Acciones de Sobreasignación a cambio de aportaciones dinerarias y obtendría fondos netos de entre aproximadamente 66,0 millones de euros y aproximadamente 84,1 millones de euros empleando el Rango de Precios de la Oferta. El Precio Ofertado será determinado por la Sociedad previa consulta con los Coordinadores Globales, una vez que finalice el periodo de prospección de la demanda (lo que se espera ocurra el 28 de junio de 2017 o en una fecha aproximada) y siendo anunciado por la Sociedad mediante la publicación de un hecho relevante remitido a la CNMV no más tarde de las 11:59 p.m. CET de la fecha de otorgamiento del Contrato de Aseguramiento (o en una fecha anterior o posterior si se comunica antes a la CNMV). Morgan Stanley & Co. International plc y UBS Limited actúan en calidad de Coordinadores Globales y Entidades Colocadoras en la Oferta. Citigroup Global Markets Limited y Credit Suisse Securities (Europe) Limited actúan en calidad de Entidades Colocadoras. Alantra Capital Markets, S.V. S.A.U., Fidentiis Equities, S.V., S.A., y Stifel Nicolaus Europe Limited (como Keefe, Bruyette & Woods) actúan como Entidades Co-coordinadoras (todos ellos, conjuntamente, los Miembros del Sindicato Colocador). Tras la finalización del período de prospección de la demanda (que se espera tenga lugar el 28 de junio de 2017 o en una fecha aproximada), la Sociedad y los Miembros del Sindicato Colocador esperan firmar el Contrato de Aseguramiento, por el cual los Miembros del Sindicato Colocador se comprometen, mancomunadamente, a suscribir o a conseguir inversores para que adquieran o, no siendo posible lo anterior, adquirir ellos mismos las Acciones y, en su caso, las Acciones de Sobreasignación, tal y como se expone a continuación, sujeto al cumplimiento de ciertas condiciones incluidas en el Contrato de Aseguramiento y que este último no haya sido resuelto de acuerdo con sus términos. El porcentaje de Acciones que se espera se aseguren por cada Miembro del Sindicato Colocador se detalla a continuación:

Entidades Aseguradoras	**Porcentaje de Acciones Aseguradas***
Morgan Stanley & Co. International plc	34%
UBS Limited	34%
Citigroup Global Markets Limited	10%
Credit Suisse Securities (Europe) Limited	10%
Alantra Capital Markets, S.V. S.A.U.	4%
Fidentiis Equities, S.V., S.A.	4%
Stifel Nicolaus Europe Limited (trading as Keefe, Bruyette & Woods)	4%
Total	100%

Se espera asimismo que Banco Santander S.A. actúe como Banco Agente en la Oferta.

Se estima que la Fecha de Cierre de la Oferta o "*fecha de operación bursátil especial*" será el 29 de junio de 2017 u otra fecha aproximada. La Sociedad hará público el resultado de la Oferta a través de la publicación de un hecho relevante a la CNMV en la Fecha de Cierre o en el día hábil siguiente. De conformidad con la legislación española, en la Fecha de Cierre, los inversores quedarán incondicionalmente obligados y con el derecho, a su vez, de abonar las Acciones que les han sido asignadas conforme a la Oferta.

		Para acelerar la inscripción y admisión a negociación de las Acciones, se prevé que cada una de las Entidades Coordinadoras Globales, en calidad de entidades bancarias de prefinanciación, procedan a suscribir y abonar el 50% las Nuevas Acciones al Precio de Oferta, sin deducir ninguna comisión ni gastos, el 29 de junio de 2017, actuando en nombre y representación de los Miembros del Sindicato Colocador, los cuales a su vez actúan en nombre de los inversores finales. Está previsto que las entidades bancarias de prefinanciación satisfagan el pago de las Nuevas Acciones a la Sociedad antes de las 9:00 a.m. CET de la Fecha de Suscripción mediante ingreso en la cuenta que ésta tiene abierta con el Banco Agente. Una vez que reciba los fondos correspondientes a la suscripción, la Sociedad declarará completa y ejecutará la ampliación de capital social correspondiente a las Nuevas Acciones y procederá al otorgamiento de la oportuna escritura de dicha ampliación ante un Notario español, para su posterior registro en el Registro Mercantil de Málaga. Se estima que el otorgamiento de la escritura de ampliación de capital, habida cuenta del calendario previsto, tenga lugar el 29 de junio de 2017, y que sea inscrita en el Registro Mercantil el 29 de junio de 2017. Tras la inscripción, se entregará testimonio notarial de la escritura de ampliación de capital, debidamente inscrita, a la CNMV, a Iberclear y a la Bolsa de Valores de Madrid, como principal mercado bursátil a efectos de la cotización de las Acciones. Después de entregar el testimonio notarial de la ampliación de capital inscrita a Iberclear, dicha entidad hará llegar a las Entidades Coordinadoras Globales, por medio de los correspondientes miembros de Iberclear, los detalles de registro pertinentes relativos a las Nuevas Acciones que les hubieren sido asignadas temporalmente con arreglo a sus compromisos de prefinanciación. La Sociedad solicitará la admisión a negociación de las Acciones las Bolsas Españolas y en el AQS tan pronto como sea posible. Se espera que la Admisión a negociación tenga lugar, de acuerdo con el calendario previsto, el 30 de junio de 2017. Si hay cualquier retraso en la admisión a negociación de las Acciones en las Bolsas Españolas, la Sociedad anunciara públicamente, mediante un hecho relevante, tal retraso y la nueva fecha de Admisión. Los inversores finales harán efectivo el pago de las Acciones, incluidas el pago de las Nuevas Acciones que suscribieron y abonaron en Fecha de Cierre las entidades de prefinanciación, no más tarde de las 9:30 a.m. CET del segundo día hábil en Madrid, a contar desde la Fecha de Cierre, tras recibir las correspondientes Acciones, lo cual se prevé que ocurra el 3 de julio de 2017 o en una fecha aproximada. En relación con la Oferta, Morgan Stanley & Co. plc, o cualquiera de sus agentes, como Agente de Estabilización, actuando también en nombre de los Miembros del Sindicato Colocador, podrá (aunque sin estar obligado a ello), en la medida en que lo permita la ley aplicable, participar en transacciones que estabilicen, sostengan, mantengan o que de otro modo influyan en el precio de las acciones ordinarias de la Sociedad (incluidas las Acciones), así como el de las Acciones de Sobreasignación o realizar otras operaciones, con vistas a mantener el precio de mercado de dichas acciones ordinarias a un nivel más alto del que, en su defecto, hubiera podido haber en mercado abierto. Las transacciones para estabilizar el precio se realizarán a lo largo un periodo máximo de 30 días naturales desde la fecha en que comiencen a cotizar las acciones ordinarias de la Sociedad en las Bolsas de Valores Españolas, siempre que dicha cotización se lleve a cabo conforme a las normas aplicables, incluyendo las relativas a la divulgación pública y la notificación de operaciones. Se estima que el Periodo de Estabilización comience el 30 de junio de 2017 y concluya el 29 de julio de 2017.

<table>
<tr><td>E.4</td><td>Descripción de cualquier interés que sea importante para la emisión/oferta, incluidos los conflictivos</td><td>Ciertos Miembros del Sindicato Colocador y entidades asociadas a los mismos han proporcionado en el pasado, en algún momento, o pueden prestar en el futuro, servicios de banca de inversión, asesoría financiera, servicios de intermediación y servicios de banca comercial a nosotros o a nuestras entidades asociadas a nosotros en el desarrollo de actividades por las que han recibido, o pueden recibir, los honorarios y comisiones habituales. Además, en el desarrollo de sus diversas actividades, los Miembros del Sindicato Colocador y sus entidades asociadas pueden realizar o mantener una amplia variedad de inversiones y negociar activamente valores de renta fija y variable (o derivados) e instrumentos financieros (que pueden incluir préstamos bancarios y/o derivados de crédito impagado), por su cuenta o a cuenta de sus clientes, y pueden en cualquier momento mantener posiciones largas y cortas en dichos valores e instrumentos. Dichas actividades de inversión en valores pueden afectar a nuestros valores e instrumentos o a los de nuestras entidades asociadas. Los Miembros del Sindicato Colocador y sus entidades asociadas también pueden realizar recomendaciones de inversión y/o publicar o expresar opiniones basadas en sus investigaciones independientes en relación con dichos valores e instrumentos financieros y pueden mantener o recomendar a sus clientes que adquieran pociones largas o cortas en dichos valores e instrumentos. En relación con la Oferta, los Miembros del Sindicato Colocador no están actuando para nadie más que para nosotros y no ofrecerán más que a nostros las protecciones debidas a un cliente o asesoramiento en relación con la Oferta.</td></tr>
<tr><td>E.5</td><td>Nombre de la persona o de la entidad que se ofrece a vender el valor

Acuerdos de no enajenación</td><td>A) Entidades que ofrecen las Acciones

La Sociedad es la entidad que oferta las Acciones. Las Acciones están siendo colocadas por los Miembros del Sindicato Colocador.

B) Compromisos

Según el Contrato de Aseguramiento, las siguientes entidades están sujetas a compromiso de no transmisión tras la Fecha de Liquidación.

La Sociedad ....180 días

La Fundación...180 días

Los compromisos de nos transmisión se encuentran sujetos a excepciones habituales entre las que se incluye la venta de Acciones en relación con la Oferta o, en el caso de la Sociedad, la ejecución de adquisiciones u operaciones estratégicas llevadas a cabo por la Sociedad siempre y cuando, en caso de que se realicen cualesquiera adquisiciones o operaciones, cada receptor de dichas acciones se compromete, en favor de cualquiera de las entidades Coordinadoras Globales, a estar sujeto a las restricciones habituales por el período restante de los 180 días.</td></tr>
<tr><td>E.6</td><td>Dilución</td><td>La oferta y la venta de las Acciones representan un descenso inmediato en el valor contable para los actuales accionistas de aproximadamente 0,83 euros por acción ordinaria, dado que la Oferta conlleva un aumento de capital. La dilución se determina restando el valor contable ajustado por acción ordinaria inmediatamente después de la Oferta al valor contable por acción ordinaria a 31 de marzo de 2017.

La siguiente tabla[(1)] ilustra la dilución aproximada por acción ordinaria:

<table><tr><td></td><td>Mínimo</td><td>Punto medio</td><td>Máximo</td></tr><tr><td></td><td colspan="3">Por acción ordinaria
(en EUR)</td></tr><tr><td>Valor contable a 31 de marzo de 2017 ....</td><td>3,14</td><td>3,14</td><td>3,14</td></tr></table></td></tr>
</table>

		Precio Ofertado .... 1,10 1,25 1,40 Descenso en el valor contable como resultado de la Oferta.................................. 0,89 0,83 0,76 Valor contable ajustado inmediatamente después de la Oferta.................................... 2,25 2,31 2,37 *Notes:* *(1) Asumiendo que (i) el Precio de la Oferta está en el punto medio del Rango de Precios de la Oferta, esto es, 1,25 euros por cada Nueva Acción; (ii) todas las Nuevas Acciones han sido aseguradas por cada Miembro del Sindicato Colocador y que la Opción de Sobreasignación se ejercita en su totalidad; y (iii) la comisión discrecional es abonada en su totalidad*
E.7	**Gastos estimados aplicados al inversor por el emisor o el oferente**	A los efectos de la transmisión de las Acciones, la Sociedad no cobrará a los inversores ningún gasto aparte del Precio de la Oferta. Además del precio de la Oferta, se podrá requerir a los suscriptores de las Acciones el pago de tasas y recargos que sean acordes con la práctica del país correspondiente, los suscriptores habrán de satisfacer asimismo comisiones debidas a los intermediarios a través de los cuales mantengan las Acciones.

REGISTERED OFFICE OF THE COMPANY
Avenida de Andalucía 10-12
Málaga
Spain
Tel.: +34 952 13 80 00

JOINT GLOBAL COORDINATORS AND JOINT BOOKRUNNERS

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

UBS Limited
5 Broadgate
London
EC2M 2QS
United Kingdom

JOINT BOOKRUNNERS

Citigroup Global Markets Limited
Citigroup Centre
Canada Square, Canary Wharf
London E14 5LB
United Kingdom

Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ
United Kingdom

CO-LEAD MANAGERS

Alantra Capital Markets, S.V. S.A.U.
Calle Padilla, 17
28006 Madrid
Spain

Fidentiis Equities, S.V., S.A.
Calle Velázquez, 140
28006 Madrid
Spain

Stifel Nicolaus Europe Limited
(trading as Keefe, Bruyette & Woods)
150 Cheapside
London EC2V 6ET
United Kingdom

FINANCIAL ADVISOR TO THE COMPANY

Rothschild, S.A.
Paseo de la Castellana, 35
3rd floor
28046 Madrid
Spain

LEGAL ADVISORS

To the Company
as to United States, English and Spanish Law

Freshfields Bruckhaus Deringer LLP
Fortuny, 6
28010 Madrid
Spain

To the Managers
as to United States and English Law

Davis Polk & Wardwell LLP
Paseo de la Castellana, 41
28046 Madrid
Spain

To the Managers
as to Spanish Law

Cuatrecasas, Gonçalves Pereira, S.L.P.
Calle Almagro, 9
28010 Madrid
Spain

AUDITORS OF THE COMPANY

PricewaterhouseCoopers Auditores, S.L
Paseo de la Castellana, 259 B
Torre PwC,
28046 Madrid