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**

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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

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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	(Debit) Credit 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

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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

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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**

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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**

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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 (*)
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.
(*) 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 (*)
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:

				Thousands 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.

- 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.

- 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.

- 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:

		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	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)**

		Distribution (thousands of euros)			
LIABILITIES AND EQUITY	**Total**	**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	-	-
Other Spanish public administration	*7 577 937*	*3 258 586*
Foreign government securities	416 808	137 886
Issued by financial institutions	1 268 289	-
Other fixed-income securities	181 454	264 686
Spanish government 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:

	Thousand euros						
	31 December 2016						
	Total						
	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	-	-	-	-	-	-	-

	Thousand euros						
	31 December 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	-	-	-	-	-	-	-

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

	Up to 180 days	Between 180 and 270 days	Between 270 days and 1 year	Over 1 year	Total
					Thousands of euros
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

	Up to 180 days	Between 180 and 270 days	Between 270 days and 1 year	Over 1 year	Total
					Thousands of euros
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

	Less than one month	Between 1 and 2 months	Between 2 months and 90 days	Total
				Thousands of euros
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

	Less than one month	Between 1 and 2 months	Between 2 and 3 months	Total
				Thousands of euros
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	2016 Debtor fair value	2016 Creditor fair value	2016 Notional	2015 Debtor fair value	2015 Creditor fair value	2015 Notional	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.

								Thousands of euros
				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**

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**

	For own use	Investment property	Total
			Thousands of euros
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:

	2016		2015	
	For own use	**Investment Property**	**For own use**	**Investment Property**
				Thousands of euros
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.

- 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 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	Thousand euros		Nominal interest rate	Expiration date
			Nominal amount	2016	2015		
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**

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
							Thousand euros
Non-derivative financial liabilities	2 533 046	4 082 117	9 533 218	9 008 526	4 475 942	26 058 573	55 691 422
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:

- 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.

					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**	**-**	**-**

	Financial assets held for trading			Available-for-sale financial assets	Thousand euros
	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.

				LTV Ratio of credit with real guarantee (e)				Thousand euros
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**

								Thousand euros
				LTV Ratio of credit with real guarantee (e)				
Balance at 31/12/2015	**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	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.

					Thousand euros
31 December 2016	**Total (a)**	**Spain**	**Rest of European Union**	**America**	**Rest of World**
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:

2016	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 BCeiss	Plan 2 BCeiss	Total
					Thousand euros
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**

2015	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 BCeiss	Plan 2 BCeiss	Total
					Thousand euros
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	Thousand euros 2015 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
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:

	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
						Thousand euros
						2016
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**

	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
						Thousand euros
						2015
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:

	2016 Eligible loans	2016 Not eligible loans	2015 Eligible loans	2015 Not eligible loans
				Thousand euros
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:

- 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 2016 and 2015:

- 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 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	Thousand euros 2016	2015
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	Thousand euros
	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

(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											
			Reserves										
		Capital and share premium	Reserves (Accumulated losses)	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	Million euros 2015	Inter-annual variation Millon euros	Inter-annual variation %
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	Million euros 2015	Inter-annual variation Millon euros	Inter-annual variation %
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	Million euros 2015	Inter-annual variation Millon euros	Inter-annual variation %
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	Million euros 2015	Inter-annual variation Million euros	Inter-annual variation %
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

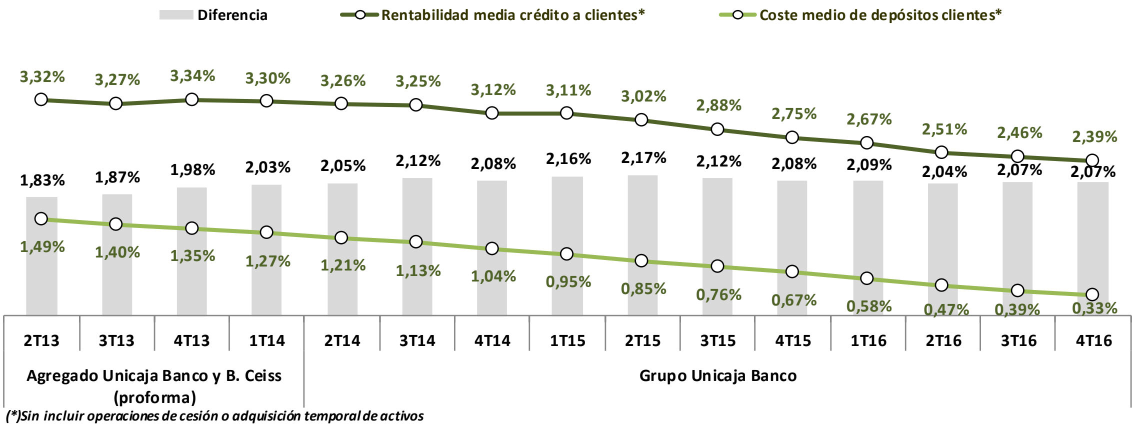
	2016			**2015**			**Variation**			**Variations' breakdown**		
	Average balance	**Profit**	**Profitability /average cost**	**Average balance**	**Profit**	**Profitability /average cost**	**Average balance**	**Profit**	**Profitability /average cost**	**Balance effect**	**Price effect**	**Comb. effect**
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**

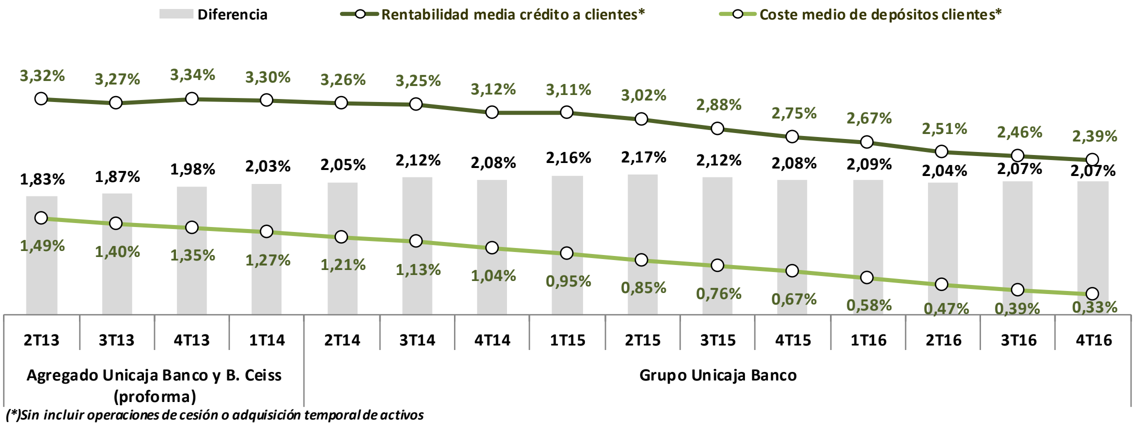
The net interest margin has decreased compared with 2015, due mainly to the variation in the total volume of assets, particularly in the fixed income area, since the negative impact of the low interest rate scenario and the downward renegotiations of prices with customers - we should highlight those 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





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