Unicaja Banco, S.A. and its Subsidiaries (Unicaja Banco Group)

Independent audit report,
Consolidated annual accounts and
Consolidated directors' report
at December 31, 2018

A free translation of the report on the consolidated annual accounts originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain. In the event of a discrepancy, the Spanish language version prevails.

Independent auditor's report on the consolidated annual accounts

To the shareholders of Unicaja Banco, S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Unicaja Banco, S.A. (the Parent company) and its subsidiaries (the Unicaja Banco Group or the Group), which comprise the balance sheet as at December 31, 2018, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at December 31, 2018, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matters	How the matter was addressed in the audit
Valuation of loans and receivables and assets acquired in settlement of debts The Unicaja Banco Group regularly evaluates the estimate of impairment of the loan portfolio and real-estate assets derived from repossessions or other debt recovery processes, recording the relevant provisions when there is evidence of impairment due to one or more events occurring since initial recognition that impact the estimated cash flows. The determination of impairment due to credit risk and risk related to real estate assets derived from debt recovery processes is one of the most significant and complex estimates in the preparation of the accompanying consolidated annual accounts and has been regarded as a significant risk at the audit level. The process for evaluating and calculating potential losses due to the impairment of these assets is carried out: • Individually, for all significant debt instruments and those which, though not significant, cannot be classified into uniform groups of instruments of a similar type, by kind of instrument, debtor's business sector and geographical area of the debtor's activity, guarantee type, age of past due amounts, etc. • Collectively, for other debt instruments, establishing different classifications for the operations based on the nature of the liable parties and the circumstances in their countries of residence, status of the operation and type of guarantee, age of past due amounts, etc., setting for each of these risk groups the impairment losses to be recognised in the consolidated annual accounts.	Our work on the estimation of the valuation adjustments due to impairment have focused on the analysis, assessment and verification of the internal control system, as well as on detail testing of the estimates made by the Group. In relation to internal control, we have carried out, among others, the following audit procedures: • Verification of general IT controls over relevant systems affecting the financial information for the area, as well as the main aspects relating to the IT systems security environment included in the calculation of the impairment provisions. • Verification that policies and procedures and the approved internal models comply with applicable regulatory requirements. • Understanding of the internal control environment in the construction of the main models, identification and validation of the main key controls, both automated and manual. The evaluation of the control environment has included checking the reliability of data sources used in the calculations. • Verification of the periodic evaluation of monitoring alerts made by the Group to identify assets under special surveillance (Stage 2) or impaired (Stage 3). • Verification of the different expected losses calculation methodologies, including forward-looking information scenarios, as well as retrospective checks. • Obtaining and reading of internal validation reports on internal methodologies developed for collective impairment estimate. • Understanding and evaluation of the regular review of records conducted by the Unicaja Banco Group, aimed at monitoring their classification and, where appropriate, recording the corresponding impairment.

Key audit matters	How the matter was addressed in the audit
Collective provisions are calculated using internal methodologies based on experience of historical losses for assets with similar risk characteristics, adjusted on the basis of observable data, in order to reflect the effect of current conditions that do not affect the period from which the historical experience is taken, as well as to suppress the effects of the conditions of the historical period that do not exist at present. The internal valuation models and methodologies entail a major judgment component when estimating the impairment losses, considering aspects such as: • Classification of the transactions and real-estate assets in the different portfolios, depending on their risk level. • Identification of impaired assets. • Use of significant assumptions such as interest rate fluctuations, unemployment rates, future income levels, etc. • Inclusion of qualitative adjustments in the calculation of provisions due to economic or judgement factors, such as internal rating policies or future economic expectations, among others. • Consideration of effective guarantees. The evaluation of the recoverable amount of guarantees is subject to an estimate of their fair value less associated costs to sell, adjusted by a discount to the reference value calculated based on the Unicaja Banco Group's historical experience. The Group has developed internal methodologies for estimating discounts to be applied to reference values and estimated costs to sell. See note 1.4 Responsibility for information and estimates made; note 2.7 Financial asset impairment; note 10 Financial assets at amortised cost; note 15 Other assets; and note 16 Non-current assets and disposal groups of items classified as held for sale in the notes to the accompanying consolidated annual accounts.	• Understanding of the control environment, identification of key automatic and manual controls and validation thereof, in relation to the measurement of collateral and real estate assets. We have also carried out, among others, the following tests of detail: • Verification of a sample of records of individual borrowers to assess their proper classification and, where appropriate, recognition of the relevant impairment. • Verification of a sample of real-estate assets from debt recovery processes to assess their proper classification and, where appropriate, recognition of the relevant impairment. • Selective testing to verify data quality by checking with supporting documentation for the information contained in systems that serves as the basis for the classification of transactions and, where appropriate, any relevant impairment, as well as for estimating necessary real-estate asset provisions. • Selective verifications with respect to: i) methods of calculation and segmentation of borrowers and real-estate assets into different categories; ii) historical loss rates in the estimate of future cash flows and of historical discount rates in sales of real-estate assets derived from debt recovery processes compared with the appraisal value; iii) the correct classification of lending operations and real-estate assets in the relevant categories. • Recalculation of collective provisions and real-estate assets derived from debt recovery processes. • Monitoring and verification, through selective testing, of impairment losses actually incurred against those estimated in previous periods.

Key audit matters	How the matter was addressed in the audit
	From the results of the above procedures it may be deduced that the models and methodologies used by the Group to classify operations and calculate any related impairment are suitable under the financial reporting framework applicable to the Group, and that the estimates made by the Group are reasonable.
First adoption of IFRS 9	
On January 1, 2018, IFRS 9 Financial instruments has entered into force, replacing IAS 39 Financial instruments: recognition and valuation, whose main change is the inclusion of a new model of impairment losses based on the criteria of expected loss, which replaces the incurred loss model of IAS 39 and which results in the accounting of losses prior before to what was being done under the criteria of IAS 39 (in note 2.7 of the accompanying consolidated annual accounts it is included a detailed explanation in this regard). Note 1.12.3 of the report of the accompanying consolidated annual accounts describes the main changes and impacts that the first adoption of this standard on the consolidated financial statements implies from the date of its entry into force. See note 1.12.3 Impact of the first adoption of IFRS 9 in the notes to the accompanying consolidated annual accounts.	In relation to the first adoption of IFRS 9, our work has focused on the analysis, evaluation and verification of the internal control system, as well as on conducting detailed tests on the estimates made by the Unicaja Banco Group. The main procedures carried out are described below: • Understanding the adaptation of accounting policies and the methodological framework in order to assess compliance with the new accounting standard. • Verification of the documentation prepared by the Group for the evaluation of the new criteria for classifying financial instruments. • Verification of the reasonableness of the impacts on the classification and measurement of financial instruments. • Checking the criteria and methodologies developed by the Group for the calculation of provisions under the new standard, highlighting the verification of the criteria for determining the risks that have significantly increased since initial recognition and the reasonableness of the scenario projection models used. • Verification of the accounting record of the first application impacts. From the result of the above procedures, we have obtained sufficient and adequate audit evidence to conclude on the reasonableness of the estimates made by the Group in relation to the impacts of the first adoption of IFRS 9.

Key audit matters	How the matter was addressed in the audit
Recoverability of deferred tax assets	
The Unicaja Banco Group regularly evaluates the recoverability period of deferred tax assets, considering the estimates made in its business plan. The evaluation of the recoverability of deferred tax assets requires a high degree of judgment and estimation. Our objective as auditors is to obtain sufficient and adequate evidence that the evaluation performed by the Group based on the projections under its business plan is reasonable and that the relevant information disclosed in the consolidated annual accounts is appropriate in the context of the applicable financial reporting framework. See Note 1.4 Responsibility for information and estimates made and Note 24.4 Temporary differences in the notes to the accompanying consolidated annual accounts.	In the course of our audit, we have verified the process for estimating deferred tax assets and their future recoverability. To carry out the audit work in this area, we have received the assistance of our tax specialists. The main audit procedures carried out are described below: • Verification of policies and assumptions considered by the Group in the calculation of the deferred tax assets, and the understanding on the control environment in this area. • Obtainment and verification of the information used by the Group in the estimate and subsequent recoverability of the deferred tax assets. As the most relevant information for the estimate of the recoverability of the deferred tax assets, we have obtained the business plan drawn up by the Group and approved by the parent company's Board of Directors and have verified the reasonableness of the assumptions included therein, in collaboration with out tax experts, by means of the following audit procedures: • Verification of the consistency of the business plan with the Group's budgets for the coming years, risk appetite framework and other documents on which the Group's strategy is based. • Verification of the consistency of the business plan in the application of the sensitivity analysis and stress exercises on the main variables. • Verification of the reasonableness of the assumptions on which the business plan is based and, in the case of macroeconomic variables, verification that they are aligned with the latest forecasts on the performance of the Spanish economy (all in collaboration with our internal experts).

Key audit matters	How the matter was addressed in the audit
	• Evaluation of the accuracy of the projections carried out by the Group in the past, by retrospective analysis. • Verification of the reasonableness of the assumptions made in relation to the tax treatment of projected earnings and the reversibility of tax assets. From result of the above procedures, we have obtained sufficient and adequate audit evidence to conclude on the reasonableness of the estimates made by the Group in relation to the recoverability of deferred tax assets.
Provisions for tax, legal, labour and regulatory claims and litigation The Unicaja Banco Group records provisions to cover potential contingencies arising in the normal course of its business, such as those derived from legal proceedings or claims in which it is involved or others of a tax, legal, labour and/or regulatory character. The Group's directors and management make the estimates applying prudent criteria and considering the best available information on the facts analysed, although in general these procedures involve uncertainty and take a considerable length of time, resulting in complex processes. As a result, the recognition of these provisions requires a major component of judgement and estimation. Our objective as auditors is to obtain sufficient and adequate audit evidence that the accounting estimates are reasonable and the relevant information disclosed in the annual accounts is appropriate in the context of the applicable financial reporting framework.	In the course of our audit we have verified the policies and processes established in the Group to estimate provisions for litigation and proceedings in progress, having carried out the following audit procedures: • Understanding of the internal control environment and the policy for classifying claims and litigation, as well as, where appropriate, the allocation of provisions, in accordance with applicable accounting regulations. • Analysis of the main lawsuits, both individual and, if applicable, collective. • Obtainment of letters of confirmation from external lawyers and tax advisers that work with the Group to check their evaluation of the expected outcomes of the lawsuits, the proper recognition of the provision and the identification of potential omitted liabilities. • Follow-up of tax inspections to the Group that are in progress.

Key audit matters	How the matter was addressed in the audit
These provisions include coverage for agreements to limit interest-rate fluctuations (so-called “floor clauses”). A detailed description in this regard is included in note 27 of the consolidated annual accounts. See Note 1.4 Responsibility for information and estimates made, and Note 2.18 Provisions and contingent liabilities; and Note 18 Provisions, in the notes to the accompanying consolidated annual accounts.	• Evaluation of possible contingencies in relation to compliance with tax obligations for all periods open to inspection. • With the assistance of our in-house experts, analysis of the reasonableness of the estimate of the expected outcome of the most significant fiscal and legal procedures. • Verification of the recognition, estimate and movements of accounting provisions. In addition, in relation to the provisions recorded by the Unicaja Banco Group to cover the contingencies related to floor clauses, we have specifically performed the following additional audit procedures: • Understanding the control environment, evaluating and verifying the controls associated with the calculation and verification of the customer compensation provision. • In collaboration with our internal experts, evaluation of the methodology and assumptions used by the Group, verifying that they are consistent with the applicable accounting framework. • Selective tests of detail, verifying certain items against the supporting documentation. The result of our work indicates that the Group has applied, when estimating provisions, reasonable judgments that are supported and substantiated based on the available information.

Key audit matters	How the matter was addressed in the audit
Matters related to automated financial information systems and access thereto	
Given the operations it carries out, the Unicaja Banco Group uses complex information systems in both the performance of its business activity and the processing, recording, storage, preparation and presentation of its financial and accounting information. Therefore, adequate control over them and the access protocols for applications and databases are essential to ensure the proper processing of information. In this context, knowledge, evaluation and validation of general controls relating to the financial information systems, including accesses to applications and databases, is a key area of our work. In addition, the effectiveness of the general internal control framework for information systems related to the accounting recognition and closing process is essential for the performance of certain audit procedures based on internal control.	As part of our overall approach, we have carried out the validation of the general IT controls and automated controls over applications that support the key business processes. To carry out the audit work in this area, we have received the assistance of our IT systems specialists. The main audit procedures carried out on the information systems considered relevant to the process for generating financial information are as follows: • Validation of general organisation and management control mechanisms, including policies and procedures relating to the control functions, and the appropriate segregation of functions. • Validation of controls for the management of access authorisations to the financial information systems, for managing users and for making changes in the information systems. • Validation of development controls and maintenance of the application systems. • Concerning key IT applications, validation of entry and exit controls and controls over system processing and storage. • Understanding and evaluation of the Group's controls in the IT security area. • Understanding of key business processes, identification of key automated controls therein and validation of these controls. • Understanding and verification of the process for generating manual entries and tests of extraction and filtering of entries included manually in the financial information systems. The outcome of our procedure has been satisfactory and we have obtained sufficient and adequate audit evidence; no relevant matters have been identified that could significant affect the financial information included in the accompanying consolidated annual accounts.

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2018 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility regarding the information included in the consolidated management report is defined in the company audit governing regulations, which establishes two differentiated responsibility levels:

a) A specific level that is applicable to the statement of non-financial information, as well as to certain information included in the Annual Corporate Governance Report, defined in article 35.2.b) of Law 22/2015 on Accounts Auditing, which solely consists of verifying that the aforementioned information was included in the consolidated management report, or, where appropriate, that the corresponding reference to the separate report on non-financial information has been incorporated into it as provided in the regulations, and otherwise report on it.

b) A general level applicable to the rest of the information included in the consolidated management report, which consists of evaluating and informing about the concordance of the mentioned information with the consolidated annual accounts, based on the knowledge of Unicaja Banco Group acquired from the audit of the accounts and without including information other than that obtained as evidence during such audit, as well as evaluating and informing about whether the content and presentation of this part of the consolidated management report comply with the applicable regulations. If we conclude, based on the work performed, that there are material misstatements, we would be compelled to report on this.

Based on the work performed, as described previously, we have checked that the information mentioned in the section a) above is included in the consolidated management report, and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2018 financial year, and its content and presentation are in accordance with the applicable regulations.

Responsibility of the directors and the audit committee for the consolidated annual accounts

The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent company's audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company's directors.

- Conclude on the appropriateness of the Parent company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Unicaja Banco's audit committee (as parent company of Unicaja Banco Group) with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company's audit committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Report to the Parent company´s audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent company's audit committee dated February 27, 2019.

Appointment period

The General Ordinary Shareholders' Meeting held on April 26, 2017 appointed us as auditors of the Group for a period of three years, as from the year ended December 31, 2017 (that is, for financial years 2017, 2018 and 2019).

We had previously been appointed as auditors under resolutions of the General Shareholders' Meeting or the Single Shareholder of the parent company or the General Assembly of the predecessor entity (see Note 1 to the accompanying consolidated annual accounts) and we have been auditing the Group's accounts continuously since the year ended December 31, 2002.

Services provided

During the year ended December 31, 2018, PricewaterhouseCoopers Auditores, S.L. and the companies in its network have provided Unicaja Banco, S.A. and its subsidiaries with non-audit services including the issuance of comfort letters and other regulatory reviews required of the auditor, and with advisory and regulatory compliance services. These services are detailed in Note 41.2 to the accompanying consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by
Amagoia Delgado Rodríguez (22009)

February 27, 2019

UNICAJA BANCO, S.A.
& SUBSIDIARY COMPANIES
(UNICAJA BANCO GROUP)

Consolidated financial statements
and management report
for the year ended December 31, 2018

UNICAJA BANCO, S.A. & SUBSIDIARY COMPANIES (UNICAJA BANCO GROUP)

CONSOLIDATED BALANCE SHEETS TO 31ST OF DECEMBER 2018 & 2017
(€ ´000)

ASSETS	Note	2018	2017 (*)
CASH, CASH BALANCES IN CENTRAL BANKS AND OTHER DEMAND DEPOSITS	7	4 279 598	3 806 391
FINANCIAL ASSETS HELD FOR TRADING	8.1	44 349	31 462
Derivatives		11 294	18 482
Equity instruments		20 616	-
Debt securities		12 439	12 980
Loans and advances		-	-
Central Banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum item: lent or provided as collateral (sell or pledge)		-	*11 849*
NON-TRADING FINANCIAL ASSETS MANDATORILY DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS	8.2	85 371	
Equity instruments		-	
Debt securities		85 371	
Loans and advances		-	
Central Banks		-	
Credit institutions		-	
Customers		-	
Memorandum item: lent or provided as collateral (sell or pledge)		-	
FINANCIAL ASSETS DESIGNATEDAT AT FAIR VALUE THROUGH PROFIT OR LOSS	8.3	2 050	-
Debt securities		-	-
Loans and advances		2 050	-
Central Banks		-	-
Credit institutions		-	-
Customers		2 050	-
Memorandum item: lent or provided as collateral (sell or pledge)		-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS	9		3 701 538
Equity instruments			536 062
Debt securities			3 165 476
Memorandum item: lent or provided as collateral (sell or pledge)			*1 903 978*
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	9	3 425 138	
Equity instruments		547 252	
Debt securities		2 877 886	
Loans and advances		-	
Central Banks		-	
Credit institutions		-	
Customers		-	
Memorandum item: lent or provided as collateral (sell or pledge)		*402 876*	
LOANS AND RECEIVABLES	10		32 407 257
Debt securities			2 585 205
Loans and advances			29 822 052
Central Banks			-
Credit institutions			184 175
Customers			29 637 877
Memorandum item: lent or provided as collateral (sell or pledge)			*894 427*
HELD-TO-MATURITY INVESTMENTS	10		10 634 320
Memorandum item: lent or provided as collateral (sell or pledge)			*4 138 903*
FINANCIAL ASSETS CARRIED AT AMORTIZED COST	10	44 113 307	
Equity instruments		-	
Debt securities		14 763 449	
Loans and advances		29 349 858	
Central Banks			
Credit institutions		1 699 075	
Customers		27 650 783	
Memorandum item: lent or provided as collateral (sell or pledge)		*9 354 348*	
DERIVATIVES - HEDGE ACCOUNTING	11	411 394	456 829
CHANGE IN FAIR VALUE OF SECURITIES HELD IN A PORTOFOLIO HEDGED AGAINTS INTEREST RATE RISK		-	-

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ASSETS	Note	2018	2017 (*)
INVESTMENTS IN JOINT VENTURES AND ASSOCIATE COMPANIES	12	359 128	482 943
Joint ventures		38 301	74 409
Associates		320 827	408 534
ASSETS UNDER INSURANCE OR REINSURANCE CONTRACTS	20	2 585	-
TANGIBLE ASSETS	13	1 188 447	1 290 684
Fixed tangible assets		848 638	872 636
For own use		848 638	872 636
Let under an operating lease agreement		-	-
Investment property		339 809	418 048
Of which: let under operating lease		*215 668*	*241 366*
Memorandum item: acquired under a financial lease		-	*3*
INTANGIBLE ASSETS	14	62 505	1 882
Goodwill		56 840	184
Other intangible assets		5 665	1 698
TAX ASSETS	24	2 653 442	2 613 094
Current tax asset		84 735	75 078
Deferred tax asset		2 568 707	2 538 016
OTHERS ASSETS	15	502 735	466 455
Insurance contracts linked to pensions		118 615	131 103
Inventory		283 380	266 596
All other assets		100 740	68 756
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	16	374 130	439 053
TOTAL ASSETS		**57 504 179**	**56 331 908**

(*) Presented solely for comparison purposes (note 1.5).

Notes 1 to 49 in the Annual Report and Appendices I, II, III and IV enclosed are an integral part of the consolidated balance sheet to 31 December 2018.

LIABILITIES	Note	2018	2017 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	8.1	17 978	27 412
Derivatives		17 978	27 412
Short positions		-	-
Deposits		-	-
Central Banks		-	-
Credit institutions		-	-
Customers		-	-
Issued debt securities		-	-
Other financial liabilities		-	-
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-
Deposits		-	-
Central Banks		-	-
Credit institutions		-	-
Customers		-	-
Issued debt securities		-	-
Other financial liabilities		-	-
Memorandum item: subordinated liabilities		-	-
FINANCIAL LIABILITIES CARRIED AT AMORTISED COST	17	51 375 861	50 940 743
Deposits		50 357 347	50 086 072
Central Banks		3 316 446	3 330 034
Credit institutions		3 578 774	714 873
Customers		43 462 127	46 041 165
Issued debt securities		59 958	129 848
Other financial liabilities		958 556	724 823
Memorandum item: subordinated liabilities		-	-
DERIVATIVES - HEDGE ACCOUNTING	11	143 299	31 385
CHANGE IN FAIR VALUE OF SECURITIES HELD IN A PORTOFOLIO HEDGED AGAINTS INTEREST RATE RISK		-	-
LIABILITES UNDER INSURANCE AND REINSURANCE CONTRACTS	20	642 350	4 290
PROVISIONS	18	885 380	935 351
Pensions and related post-employment defined benefits		146 468	163 480
Other long term employee benefits		127 070	127 415
Provisions for taxes and other legal contingencies		-	-
Commitments and guarantees given		129 301	104 238
All other provisions		482 541	540 218
TAX LIABILITIES	24	232 010	208 984
Current tax liabilities		21 128	22 793
Deferred tax liabilities		210 882	186 191
OTHER LIABILITIES	19	289 645	281 405
Of which: Welfare fund (savings banks and credit unions)		-	-
LIABILITIES IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE		-	-
TOTAL LIABILITIES		**53 586 523**	**52 429 570**

(*) Presented solely for comparison purposes (note 1.5).

Notes 1 to 49 in the Annual Report and Appendices I, II, III and IV enclosed are an integral part of the consolidated balance sheet to 31 December 2018.

EQUITY	Note	2018	2017 (*)
SHAREHOLDERS' EQUITY	22 & 23	**3 921 020**	**3 855 750**
CAPITAL		1 610 302	1 610 302
Paid-in capital		1 610 302	1 610 302
Called-up capital		-	-
Memorandum entry (p.m.): uncalled capital		-	-
SHARE PREMIUM		1 209 423	1 209 423
EQUITY INSTRUMENTS ISSUED OTHER THAN CAPITAL		47 897	49 021
Equity component of compound financial instruments		47 897	49 021
Other equity instruments issued		-	-
OTHER EQUITY ITEMS		-	-
RETAINED EARNINGS		969 426	871 757
REVALUATION RESERVES		-	-
OTHER RESERVES		(66 431)	(27 128)
Reserves or accumulated losses of investments in joint and associates		(320 916)	(406 640)
Other		254 485	379 512
(–) TREASURY SHARES		(2 147)	-
NET INCOME/LOSS ATTRIBUTABLE TO THE PARENT COMPANY		152 550	142 375
(–) INTERIM DIVIDENDS		-	-
ACCUMULATED OTHER COMPREHENSIVE INCOME		**(3 784)**	**16 910**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT		7 105	183
Actuarial gain or (-) loss in benefit pension scheme		1 644	183
Non-current assets and disposal groups classified as held for sale		-	-
Share of other recognised income revenues and expense of investments in joint ventures & associates		8 523	-
Change in fair value of equity instruments measured at fair value through other comprehensive income	9.4	(3 062)	
Ineffectiveness of fair value hedges of equity instruments measured at fair value through other comprehensive income		-	
Change in fair value of equity instruments measured at fair value through other comprehensive income (hedged item)		-	
Change in fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)		-	
Change in fair value of financial liabilities designated at fair value through profit or loss attributable to changes in its credit risk		-	
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT		(10 889)	16 727
Hedging of net investments abroad (effective portion)		-	-
Foreign currency translation		(54)	(79)
Hedging derivatives. Reserve of cash flow hedges (effective portion)		7 018	(8 379)
Available-for-sale financial assets	9.3		2 145
Debt instruments			*3 035*
Equity instruments			*(890)*
Change in fair value of debt instruments measured at fair value through other comprehensive income	9.3	(20 157)	
Hedging instruments (non-designated items)		-	
Non-current assets and disposal groups classified as held for sale		-	-
Recognised revenues and expenses from joint ventures & associate companies	23	2 304	23 040
NON-CONTROLLING INTEREST (FROM MINORITY STAKES)	21	**420**	**29 678**
ACCUMULATED OTHER COMPREHENSIVE INCOME		420	392
OTHER ITEMS		-	29 286
TOTAL EQUITY		**3 917 656**	**3 902 338**
TOTAL LIABILITIES AND EQUITY		**57 504 179**	**56 331 908**
MEMORANDUM ITEM: OFF-BALANCE SHEET EXPOSURE			
LOAN COMMITMENTS GIVEN	31.3	2 579 238	2 786 416
FINANCIAL GUARANTEES GIVEN	31.1	64 537	77 230
OTHER COMMITMENTS GIVEN	31.1	2 021 991	1 818 194

(*) Presented solely for comparison purposes (note 1.5).
Notes 1 to 49 in the Annual Report and Appendices I, II, III and IV enclosed are an integral part of the consolidated balance sheet to 31 December 2018.

UNICAJA BANCO, S.A. & SUBSIDIARY COMPANIES (UNICAJA BANCO GROUP)

CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31st OF DECEMBER 2018 & 2017

(€ ´000)

	Note	(Debit) Credit 2018	2017 (*)
INTEREST INCOME	32	805 186	852 818
Financial assets designated at fair value through other comprehensive income		177 583	86 842
Financial assets carried at amortized cost		618 516	618 714
Other		9 087	147 262
INTEREST EXPENSE	33	(204 372)	(270 055)
REDEEMABLE EQUITY EXPENSES		-	-
NET INTEREST INCOME		**600 814**	**582 763**
DIVIDEND INCOME	34	22 511	22 881
INCOME/LOSS FROM ENTITIES CARRIED AT EQUITY METHOD	35	37 206	48 969
FEE AND COMMISSION INCOME	36	240 238	240 565
FEE AND COMMISSION EXPENSE	37	(21 433)	(20 418)
NET GAINS OR LOSSES ON DERECOGNITION FROM THE STATEMENTS OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	38	144 727	96 052
NET GAINS OR LOSSES FROM FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING	38	513	1 675
NET GAINS OR LOSSES FROM NON-TRADING FINANCIAL ASSETS MANDATORILY DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	38	853	
NET GAIN (LOSS) FROM FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	38	(3 561)	-
NET GAIN (LOSS) FROM HEDGE ACCOUNTING	38	-	179
NET GAINS OR LOSSES FROM EXCHANGE DIFFERENCES	2.4	(404)	402
OTHER OPERATING INCOME	39	101 126	163 889
OTHER OPERATING EXPENSES	39	(143 469)	(139 906)
INCOME FROM ASSETS UNDER INSURANCE OR REINSURANCE CONTRACTS	40	57 545	-
EXPENSES FROM LIABILITIES UNDER INSURANCE OR REINSURANCE CONTRACTS	40	(37 708)	-
GROSS MARGIN		**998 958**	**997 051**
ADMINISTRATIVE EXPENSES	41	(582 095)	(590 481)
Staff expenses		(390 794)	(401 073)
Other administrative expenses		(191 301)	(189 408)
DEPRECIATION AND AMORTIZATION	13 & 14	(37 073)	(42 315)
(PROVISIONS OR REVERSALS OF PROVISIONS)	18	(186 904)	(132 454)
(IMPAIRMENT OR REVERSAL IN THE VALUE OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS OR NET GAINS BY MODIFICATION)	10 & 27	3 079	(36 652)
Financial assets measured at cost			(18 621)
Financial assets designated at fair value through other comprehensive income		-	
Available-for-sale financial assets			30 588
Financial assets carried at amortized cost		3 079	
Loans and receivables			(48 619)
Held-to-maturity investments			-
NET OPERATING INCOME		**195 965**	**195 149**
IMPAIRMENT OR REVERSAL IN THE VALUE OF JOINT VENTURES OR ASSOCIATES	42	-	(27 247)
IMPAIRMENT OR REVERSAL IN THE VALUE OF NON-FINANCIAL ASSETS	42	4 332	(46 716)
Tangible assets		(15 439)	(5 808)
Intangible assets		(7 807)	-
Other		27 578	(40 908)
NET GAIN (LOSS) ON DERECOGNITION OF NON-FINANCIAL ASSETS AND INVESTMENTS	43	7 395	18 737
NEGATIVE GOODWILL RECOGNISED IN P&L		-	-
GAIN (LOSS) FROM NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS	44	(1 816)	(143)
PRE-TAX INCOME (OR LOSS) FROM CONTINUING OPERATIONS		**205 876**	**139 780**
TAX EXPENSE OR INCOME ON EARNINGS FROM CONTINUED OPERATIONS	24	(53 335)	(1 341)
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS		**152 541**	**138 439**
PROFIT OR LOSS AFTER TAX FROM DISCONTINUED OPERATIONS	2.21	-	-
PROFIT/(LOSS) FOR THE YEAR		**152 541**	**138 439**
Attributable to minority interests (non-controlling interest)	21	(9)	(3 936)
Attributable to owners of the parent company		152 550	142 375
EARNINGS PER SHARE			
Basic earnings per share (€)	3	0.095	0.113
Diluted earnings per share (€)	3	0.093	0.109

(*) Presented solely for comparison purposes (note 1.5).

Notes 1 to 49 below and Appendices I, II, III and IV enclosed are an integral part of the consolidated financial statements of 2018 period.

UNICAJA BANCO, S.A. & SUBSIDIARY COMPANIES (UNICAJA BANCO GROUP)

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES FOR THE YEARS ENDED 31st DECEMBER 2018 & 2017

(€ ´000)

	Note	Year 2018	Year 2017
PROFIT/(LOSS) FOR THE YEAR		**152 541**	**138 439**
OTHER COMPREHENSIVE INCOME		**(166 726)**	**(17 738)**
Items not subject to reclassification to income statement		**(7 027)**	**1 333**
Actuarial gain or loss in defined benefit pension scheme	41	2 088	1 904
Non-current assets and disposal groups held for sale		-	-
Share of other recognised income revenues and expense of investments in joint ventures & associates		12 176	-
Change in fair value of equity instruments measured at fair value through other comprehensive income other results		(29 822)	
Net gains (losses) from hedge accounting of equity instruments measured at fair value through other comprehensive income		-	
Change in fair value of equity instruments measured at fair value through other comprehensive income (hedged item)		-	
Change in fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)		-	
Change in fair value of financial liabilities designated at fair value through profit or loss attributable to changes in its credit risk		-	
Income tax on earnings from items not subject to reclassification	24.3	8 531	(571)
Items subject to reclassification to income statement		**(159 699)**	**(19 071)**
Hedging of net investments abroad (effective portion)		-	-
Gain (loss) in value recognised in equity		-	-
Transferred to results		-	-
Other reclassifications		-	-
Foreign currency translation	2.4	35	(163)
Gain (loss) in currency exchange recognised in equity		439	(163)
Transferred to results		(404)	-
Other reclassifications		-	-
Cash flow hedges (effective portion)	11	21 996	1 400
Gain (loss) in value recognised in equity		39 340	(9 283)
Transferred to results		(17 344)	10 683
Transferred at the initial carrying amount of hedged items		-	-
Other reclassifications		-	-
Hedging instruments (non-designated items)		-	
Gain (loss) in currency exchange recognised in equity		-	
Transferred to results		-	
Other reclassifications		-	
Available-for-sale financial assets	9		(43 634)
Gain (loss) in value recognised in equity			44 797
Transferred to results			(88 431)
Other reclassifications			-
Debt instruments designated at fair value through other comprehensive income	9	(220 550)	
Gain (loss) in value recognised in equity		(163 861)	
Transferred to results		(56 689)	
Other reclassifications		-	
Non-current assets and disposal groups held for sale	16	-	-
Gain (loss) in value recognised in equity		-	-
Transferred to results		-	-
Other reclassifications		-	-
Share of other recognised income revenues and expense of investments in joint ventures & associates	23	(29 623)	15 153
Income tax on items to be reclassified to income statement	24.3	68 443	8 173
Total comprehensive income for the year		**(14 185)**	**120 701**
Attributable to minority interests (non-controlling interest)		(9)	(3 936)
Attributable to owners of the parent company		(14 176)	124 637

(*) Presented solely for comparison purposes (note 1.5).

Notes 1 to 49 below and Appendices I, II, III and IV enclosed are an integral part of the consolidated statement of recognised income and expense for year 2018.

UNICAJA BANCO, S.A. & SUBSIDIARY COMPANIES (UNICAJA BANCO GROUP)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31st OF DECEMBER 2018 & 2017

(€ ´000)

	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	Treasury shares (-)	Net income/loss attributable to the parent	Interim dividends (-)	Accumulated other comprehensive income	Non-controlling interests		Total
												Accumulated other comprehensive income	Other items	
Opening balance at 31.12.2017 (*)	**1 610 302**	**1 209 423**	**49 021**	**-**	**871 757**	**-**	**(27 128)**	**-**	**142 375**	**-**	**16 910**	**392**	**29 286**	**3 902 338**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
First-time adoption of IFRS 9 adjustments (Nota 1.12.3)	-	-	-	-	-	-	(99 594)	-	-	-	146 032	2 883	(2 756)	46 565
Opening balance at 01/01/2018	**1 610 302**	**1 209 423**	**49 021**	**-**	**871 757**	**-**	**(126 722)**	**-**	**142 375**	**-**	**162 942**	**3 275**	**26 530**	**3 948 903**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**152 550**	**-**	**(166 726)**	**(9)**	**-**	**(14 185)**
Other changes to equity	**-**	**-**	**(1 124)**	**-**	**97 669**	**-**	**60 291**	**(2 147)**	**(142 375)**	**-**	**-**	**(3 266)**	**(26 110)**	**(17 062)**
Issue of ordinary shares (Note 1.2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity issues	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt-to-equity conversion (Nota 22)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reduction of capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or shareholder remuneration) (Note 3)	-	-	-	-	(41 252)	-	-	-	-	-	-	-	-	(41 252)
Purchase of treasury shares	-	-	-	-	-	-	-	(7 573)	-	-	-	-	-	(7 573)
Sale or redemption of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of equity financial instruments to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity entries (Note 3)	-	-	-	-	111 460	-	60 291	-	(142 375)	-	-	(3 266)	(26 110)	-
Changes in equity due to business combinations	-	-	-	-	-	-	-	5 426	-	-	-	-	-	5 426
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity	-	-	(1 124)	-	27 461	-	-	-	-	-	-	-	-	26 337
Of which: voluntary contributions to welfare funds (savings banks and credit unions)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31/12/2018	**1 610 302**	**1 209 423**	**47 897**	**-**	**969 426**	**-**	**(66 431)**	**(2 147)**	**152 550**	**-**	**(3 784)**	**-**	**420**	**3 917 656**

(*) Presented solely for comparison purposes (note 1.5).

Notes 1 to 49 below and Appendices I, II, III and IV enclosed are an integral part of the consolidated statement of changes in equity for fiscal year 2018.

UNICAJA BANCO, S.A. & SUBSIDIARY COMPANIES (UNICAJA BANCO GROUP)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31st OF DECEMBER 2018 & 2017

(€ ´000)

	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	Treasury shares (-)	Net income/loss attributable to the parent	Interim dividends (-)	Accumulated other comprehensive income	Non-controlling interests		Total
												Accumulated other comprehensive income	Other items	
Opening balance at 31/12/2016 (*)	**922 802**	**1 140 673**	**49 263**	**-**	**535 674**	**-**	**127 900**	**-**	**142 117**	**-**	**34 648**	**5 409**	**224 637**	**3 183 123**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies (Nota 1.5.1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 01/01/2017	**922 802**	**1 140 673**	**49 263**	**-**	**535 674**	**-**	**127 900**	**-**	**142 117**	**-**	**34 648**	**5 409**	**224 637**	**3 183 123**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**142 375**	**-**	**(17 738)**	**-**	**(3 936)**	**120 701**
Other changes to equity	**687 500**	**68 750**	**(242)**	**-**	**336 083**	**-**	**(155 028)**	**-**	**(142 117)**	**-**	**-**	**(5 017)**	**(191 415)**	**598 514**
Issue of ordinary shares (Note 1.2)	687 500	68 750	-	-	-	-	(23 786)	-	-	-	-	-	-	732 464
Issue of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity issues	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt-to-equity conversion (Nota 22)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reduction of capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or shareholder remuneration) (Note 3)	-	-	-	-	(23 850)	-	-	-	-	-	-	-	-	(23 850)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale or redemption of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of equity financial instruments to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity entries (Note 3)	-	-	-	-	486 449	-	(147 900)	-	(142 117)	-	-	(5 017)	(191 415)	-
Changes in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity	-	-	(242)	-	(126 516)	-	16 658	-	-	-	-	-	-	(110 100)
Of which: voluntary contributions to welfare funds (savings banks and credit unions)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31/12/2017 (*)	**1 610 302**	**1 209 423**	**49 021**	**-**	**871 757**	**-**	**(27 128)**	**-**	**142 375**	**-**	**16 910**	**392**	**29 286**	**3 902 338**

(*) Presented solely for comparison purposes (note 1.5).

Notes 1 to 49 below and Appendices I, II, III and IV enclosed are an integral part of the consolidated statement of changes in equity for the fiscal year 2018.

UNICAJA BANCO, S.A.
AND SUBSIDIARIES (GRUPO UNICAJA BANCO)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31st DECEMBER 2018 & 2017
(€ ´000)

	Note	Year 2018	Year 2017 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES		**464 777**	**1 118 667**
Profit/(loss) for the year		**152 541**	**138 439**
Cash flow after adjustments to operating activities		**(110 715)**	**(194 127)**
Depreciation and amortization	13 & 14	37 073	42 315
Other adjustments	2.25	(147 788)	(236 442)
Net changes in operating assets		**(43 393)**	**2 128 859**
Financial assets held for trading	8.1	9 150	46 868
Non-trading financial assets mandatorily designated at fair value through profit and loss	8.2	(6 130)	
Financial assets designated at fair value through profit or loss	8.3	42 175	-
Available-for-sale financial assets	9.1		2 444 161
Financial assets designated at fair value through other comprehensive income	9.1	4 174 687	
Loans and receivables	10		(764 299)
Financial assets carried at amortized cost	10	(4 376 556)	
Other operating assets		113 281	402 129
Net changes in operating liabilities		**476 963**	**(954 504)**
Financial liabilities held for trading	8.1	(9 434)	(23 408)
Financial liabilities designated at fair value through profit or loss		-	-
Financial liabilities carried at amortized cost	17	435 118	(1 145 219)
Other operating liabilities		51 279	214 123
Income taxes paid		**(10 619)**	**-**
B) CASH FLOW FROM INVESTMENT ACTIVITIES		**43 035**	**1 737 122**
Payments		**(81 489)**	**(687 471)**
Tangible assets	13	(12 784)	(24 252)
Intangible assets	14	(68 705)	(101)
Investments in joint ventures and associates	12	-	(39 912)
Subsidiaries and other business units		-	-
Non-current assets and liabilities classified as held for sale	16	-	(623 056)
Held-to-maturity investments	10		-
Other investment related payments		-	(150)
Collections		**124 524**	**2 424 593**
Tangible assets	13	108 653	164 658
Intangible assets	14	-	130
Investments in joint ventures and associates	12	-	22 149
Subsidiaries and other business units		-	-
Non-current assets and liabilities classified as held for sale	16	15 871	-
Held-to-maturity investments	10		2 168 720
Other investment related collections		-	68 936

continues on next page

(*) Presented solely for comparison purposes (note 1.5).
Notes 1 to 49 below and Appendices I, II, III and IV enclosed are an integral part of the consolidated cash flow statements of the fiscal year 2018.

	Note	Year 2018	Year 2017 (*)
C) CASH FLOW FROM FINANCING ACTIVITIES		**(34 605)**	**88 891**
Payments		**(34 605)**	**(667 358)**
Dividends	3	(34 605)	(23 850)
Subordinated liabilities	17	-	(643 508)
Own equity instruments amortization		-	-
Acquisition of treasury stock		-	-
Other financing related payments		-	-
Collections		**-**	**756 249**
Subordinated liabilities	17	-	-
Share capital issues		-	756 249
Sale of share capital instruments		-	-
Other investment related collections		-	-
D) IMPACT OF FOREIGN EXCHANGE RATES		**-**	**-**
E) NET INCREASE/DECREASE OF CASH AND CASH EQUIVALENTS (A + B + C + D)		**473 207**	**2 944 680**
F) CASH AND CASH EQUIVALENTS AT BEGINING OF PERIOD		**3 806 387**	**861 707**
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD		**4 279 594**	**3 806 387**
BREAKDOWN OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		**4 279 594**	**3 806 387**
Cash	2.25	377 073	346 589
Cash equivalents at central Banks	2.25	3 771 140	3 352 231
Other financial assets	2.25	131 381	107 567
Less: bank overdraft refundable on demand		**-**	**-**
TOTAL CASH AND CASH EQUIVALENTS AT END OF PERIOD	2.25	**4 279 594**	**3 806 387**
Of which: held by group entities but not drawable by the group		-	-

(*) Presented solely for comparison purposes (note 1.5).
Notes 1 to 49 below and Appendices I, II, III and IV enclosed are an integral part of the consolidated cash flow statements of fiscal year 2018.

UNICAJA BANCO, S.A. AND SUBSIDIARIES
(UNICAJA BANCO GROUP)

CONSOLIDATED ANNAUL REPORT FOR THE YEAR ENDED 31ST DECEMBER 2018
(Expressed in €´000)

1. Introduction, basis for presentation of consolidated annual accounts and other information

1.1 Introduction and description of the bank

Unicaja Banco, S.A. (hereinafter Unicaja Banco, the parent company or the bank) was set up as a credit institution for an unlimited period on 1st December 2011. It began trading after the Annual General Meeting of Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén - Unicaja (currently, Fundación Bancaria Unicaja) approved the indirect exercise of financial activity through a bank.

The bank is bound by the rules and regulations governing banking institutions that operate in Spain. Other public information about the Bank may be found both on its official website (www.unicajabanco.es) and at its corporate headquarters (Avenida de Andalucía, 10 y 12, Malaga).

The Bank's corporate purpose is to carry out and pursue all manner of banking activities, transactions, business, contracts and services, in general and those directly or indirectly related to this business. These activities may be complementary to the banking business or pursuant to it, provided that they are permitted and not forbidden under legislation current at the time.

The Bank's purpose includes the provision of investment services and other related ancillary services, as well as carrying out insurance broking activities, either as an independent operator or through a relationship with a particular provider; the two may not be exercised at the same time.

By virtue of the articles of association, the activities, which are in line with the requirements of Act 10/2014, 26th June, on the organisation, supervision and solvency of credit institutions and represent its corporate purpose, may be conducted wholly or in part, indirectly, in any of the forms admitted by law, and in particular by ownership of shares or interests in companies or in other entities whose purpose is identical, similar or complementary to such activities.

The Bank is registered in the Companies Registry of Malaga and as a credit institution in the Special Registry of the Bank of Spain with the number 2103. The bank also holds a licence to conduct banking activity granted pursuant to article 1 and subsequent articles in Royal Decree 1245/1995. This regulation was replaced by Royal Decree 84/2015, 13th February, implementing the Act 10/2014, 26th June, on the organization, supervision and solvency of credit institutions.

The Group's consolidated accounts, for fiscal year 2018, are awaiting the approval of the Bank's General Shareholders' Meeting. Nevertheless, the Bank's Board of Directors understands that these consolidated annual accounts will be approved without significant changes.

At 31st December 2018, 49.68% of the Bank's share capital belonged to Fundación Bancaria Unicaja, formerly Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén (Unicaja), the parent entity of both the bank and the Unicaja Group. Both the bank and its parent entity are based in Malaga and are subject to Spanish legislation. The bank files its annual statements in Malaga's Companies Registry, whereas Fundación Bancaria Unicaja (Unicaja Banking Foundation) files in the Banking Foundations' Protectorate, which is part of the Economic & Business Affairs' Ministry. Since it is the group's controlling company, Fundación Bancaria Unicaja files consolidated annual accounts, in accordance with article 42 of the code of commerce. The latest consolidated annual statements that Unicaja Group has prepared were those for the annual period ending on 31st December 2017 and are filed in Malaga's Companies' Registry.

Likewise, the Bank is head of a subgroup of subsidiaries, engaged in various activities and forming the Unicaja Banco Group. In line with article 6 of Royal Decree 1159/2010, 17th September, approving the regulations for filing consolidated annual accounts and modifying the General Accounting Plan passed by Royal Decree 1514/2007, 16th November, and the General Accounting Plan for Small and Medium companies approved by Royal Decree 1515/2007, 16th November, the bank has to file consolidated annual accounts because it is traded on a regulated market in a member country of the European Union, and as such the International Financial Reporting Standards adopted by the European Union’s regulations are applicable. As a result, as well as its own annual accounts, the bank prepared the consolidated annual accounts of Unicaja Banco, S.A. and its subsidiary companies (Unicaja Banco Group) in accordance with current regulations.

The institutions in the Unicaja Banco Group to 31st December 2018 are as follows:

Company name	**Activity**
Alqlunia Duero, S.L.	Property development
Alteria Corporación Unicaja, S.L.U.	Investment in assets, transferable securities and financial companies
Analistas Económicos de Andalucía, S.L.U.	Economic research and analysis
Andaluza de Tramitaciones y Gestiones, S.A.U.	Management and settlement of documents and deeds
Banco Europeo de Finanzas, S.A.U.	Banking, financial activities
Desarrollos de Proyectos de Castilla y León, S.L.U.	Property development
Duero Pensiones, E.G.F.P., S.A.U.	Pension fund management company
Finanduero Sociedad de Valores, S.A.U.	Securities firm
Gestión de Actividades y Servicios Empresariales S.A.U.	Electronic recording and processing of data and documents
Gestión de Inmuebles Adquiridos, S.L.U.	Property development
Inmobiliaria Acinipo, S.L.U.	Property development
Inmobiliaria Uniex Sur, S.L.U.	Property development
La Algara Sociedad de Gestión, S.L.U.	Property development
Parque Industrial Humilladero, S. L.	Industrial land development
Pinares del Sur, S.L.U.	Property development
Propco Blue 1, S.L.U.	Real estate development
Segurándalus Mediación, Correduría de Seguros, S.A.U.	Insurance broking
Unicaja Banco, S.A.	Credit institution
Unicaja Gestión de Activos Inmobiliarios, S.A.U.	Real estate holding companies
Unicartera Caja 2, S.L.U.	R&D promotion and financing in the medical sector
Unicartera Gestión de Activos, S.L.U.	Debt collection and litigation manager
Unicartera Internacional, S.L.U.	Investment in assets, transferable securities and financial companies
Unicartera Renta, S.L.U.	Investment in assets, transferable securities and financial companies
Unicorp Patrimonio, Sociedad de Valores, S.A.U.	Wealth management
Unigest, S.G.I.I.C., S.A.	Collective investment institutions management company
Unimediación, S.L.U.	Insurance broking
Unimediterráneo de Inversiones, S.L.U.	Investment in assets, transferable securities and financial companies
Unión del Duero, Compañía Seguros de Vida, S.A.U.	Life insurance
Uniwindet, S.L.	Renewable energies
Viajes Caja España, S.A.	Travel agency
Viproelco, S.A.U.	Property development

The most important changes to have taken place in the composition of the Unicaja Bank Group in the 2018 financial year are as follows:

- The Directors’ Boards of Unicaja Banco, S.A. and Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (EspañaDuero) drew up, approved and signed the merger agreement between both institutions on 26th January 2018. After the resolutions had been adopted during the General Shareholders’ Meetings of Unicaja Banco and EspañaDuero, the necessary authorisations were obtained and the agreement was filed at Malaga’s Companies Registry, on 21st September 2018 the merger by absorption took place of EspañaDuero (as the absorbed institution) by Unicaja Banco (as the acquiring institution). See details at Note 1.2.

- During the 2018 financial year, Unicaja Banco Group has divested the companies “Altos de Jontoya Residencia para Mayores, S.L.U.” and “Mijas Sol Resort, S.L.U.” (both having been absorbed by “Inmobiliaria Acinipo S.L.U.”). It also sold “Caja España Mediación, Operador Banca-Seguros Vinculado, S.A.U.”, (which was absorbed by Unimediación, S.L.U.”), and “Cartera de Inversiones

Agroalimentarias, S.L.U." and "Compañía de Servicios de Castilla y León, S.A." (both of which ceased trading). Meanwhile, the Group has acquired the companies "Banco Europeo de Finanzas, S.A.U.", "Propco Blue 1, S.L.U.", "Unión del Duero, Compañía de Seguros de Vida, S.A.U." and "Duero Pensiones, E.G.F.P., S.A.U."

The most important changes to the Group's composition in 2017 were the following:

- On 19th April 2017, EspañaDuero's General Shareholders' Meeting approved the merger by absorption of Grupo de Negocios Duero, SAU (as absorbed entity) by España Duero (as the absorbing entity), including: (i) the merger balance sheets, (ii) the shared merger project, (iii) the merger transaction between the two companies, and (iv) the adherence of the merger transaction to the tax regime established in Chapter VII of Title VII of Law 27/2014, 27th November, on Corporate Tax. On 4th December 2017 the administrative authorisations came through, so for accounting purposes the merger took place on 1st January 2017, in line with the applicable financial information framework. The share capital of the Grupo de Negocios Duero, S.A. is currently 100% owned by EspañaDuero. This merger had no effect on the consolidated financial statements, except for the exit from the consolidation perimeter of Grupo de Negocios Duero, S.A.U., effective at 1st January 2017.

- On 17th May 2017, Unicaja Banco Group sold its stake in the companies "Uniwindet Tres Villas, S.L.", "Uniwindet Loma de Ayala, S.L.", "Uniwindet Los Jarales, S.L." and "Uniwindet Las Lomillas, S.L.", relinquishing its control over these companies, which ceased to form part of the Group on the same date. This sale entailed a profit for the Group of EUR 4,537 thousand.

Likewise, the following companies left the Group in 2017: "Conexiones y Servicios del Duero, S.A." (which ceased trading), "Propco Rosaleda, S.L." (now called "Propco Malagueta, S.L.", and which became an associate after the sale of 75% of the shares) and "Tubos de Castilla y León, S.A.U." (which ceased trading). No companies joined the Group in the 2017 financial year.

In accordance with current regulations, the parent company's Board of Directors has filed the bank's individual annual accounts. The effect of the consolidation on the balance sheet, the income statement, the statement of changes in net equity and the cash flow statements in 2018 and 2017 have all been summarized below at 31st December 2018 and 2017:

				€ ´000
		2018		**2017**
	Individual	**Consolidated**	**Individual**	**Consolidated**
Assets	57 700 090	57 504 179	34 462 868	56 331 908
Equity	4 233 258	3 917 656	3 839 600	3 902 338
Profit for the year	200 127	152 541	201 974	138 439
Revenues and expenses of the statement of changes in equity	52 133	(14 185)	180 980	120 701
Net increase/decrease of cash or cash equivalents	1 935 622	473 207	1 850 040	2 944 680

The Group's consolidated financial statements for 2018 are awaiting approval from their respective General Shareholders Meetings. Nevertheless, the institution's Board of Directors is given to understand that these annual statements will be approved without significant changes.

The following pages include the condensed individual balance sheet, individual profit and loss statements, the individual statement of changes in equity and individual cash flow statements of the parent company for fiscal years ended 31st December 2018 and 2017, drawn on the basis of the accounting principles and regulations and valuation criteria laid out in the Bank of Spain's 4/2004 Circular, and subsequent amendments, and as of 1

January 2018 following Bank of Spain's Circular 4/2017 that have no significant differences from those applied here in Unicaja Banco Group's annual consolidated financial statements:

a) Individual balance sheets to 31st December 2018 and to 31st December 2017.

	€ ´000	
	2018	**2017 (*)**
Cash, cash balances in central banks and other demand deposits	4 277 106	2 329 526
Financial assets held for trading	23 734	25 594
Non-trading financial assets mandatorily designated at fair value through profit and loss	77 263	
Financial assets designated at fair value through profit or loss	2 050	-
Available-for-sale financial assets		3 430 814
Financial assets designated at fair value through other comprehensive income	2 727 591	
Loans and receivables		19 989 319
Held-to-maturity investments		5 562 585
Financial assets carried at amortized cost	44 573 998	
Derivatives - Hedge accounting	411 394	444 524
Investments in subsidiaries, joint ventures and associates	1 058 024	907 930
Tangible assets	1 113 744	503 169
Intangible assets	3 457	-
Tax assets	2 818 515	813 973
Other assets	238 499	198 893
Non-current assets and disposal groups classified as held for sale	374 715	256 541
Total assets	**57 700 090**	**34 462 868**
Financial liabilities held for trading	17 978	19 740
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities carried at amortized cost	51 621 885	29 332 909
Derivatives - Hedge accounting	143 299	31 384
Change in fair value of hedged items held in a portfolio hedged against interest rate risk	-	-
Provisions	868 916	496 228
Tax liabilities	205 850	56 970
Equity redeemable upon demand	-	-
Other liabilities	608 904	686 037
Liabilities in disposal groups classified as held for sale	-	-
Total liabilities	**53 466 832**	**30 623 268**
Shareholders' equity:	4 228 278	3 848 446
Capital or endowment fund	1 610 302	1 610 302
Share premium	1 322 995	1 322 995
Equity instruments issued other than capital	47 897	49 341
Other equity instruments	-	-
Retained earnings	787 527	687 620
Revaluation reserves	-	-
Other reserves	261 485	(23 786)
Less: Treasury shares	(2 055)	-
Profit for the year	200 127	201 974
Less: Interim dividends	-	-
Accumulated other comprehensive income:	4 980	(8 846)
Items not subject to reclassification to income statement	2 417	2 708
Items subject to reclassification to income statement	2 563	(11 554)
Total equity	**4 233 258**	**3 839 600**
Total liabilities and equity	**57 700 090**	**34 462 868**
Loan commitments given	2 627 040	2 085 100
Financial guarantees given	65 210	31 982
Other commitments given	2 019 858	683 340

(*) Information presented solely for comparison purposes.

b) Individual income statements for fiscal years 2018 and 2017:

	€ ´000	
	2018	2017 (*)
Interest income	806 500	574 889
Interest expense	(204 822)	(74 908)
Net interest income	**601 678**	**499 981**
Dividend income	142 276	55 351
Fee and commission income	226 813	126 353
Fee and commission expense	(21 326)	(13 113)
Net gain (loss) on derecognition from the statements of financial assets and liabilities not measured at fair value through profit or loss	144 658	60 449
Net gain (loss) from financial assets and liabilities held for trading	398	2 144
Net gain (loss) from non-trading financial assets designated at fair value through profit or loss	853	
Net gain (loss) from financial assets and liabilities designated at fair value through profit or loss	(3 561)	-
Net gain (loss) from hedge accounting	-	179
Net gain (loss) on derecognition from the statements of non-financial assets	-	-
Net exchange differences	(402)	(288)
Other operating income	34 548	15 853
Other operating expenses	(117 669)	(53 345)
Gross Margin	**1 008 266**	**693 564**
Administrative expenses	(549 439)	(320 185)
Depreciation and amortization	(33 561)	(18 421)
(Provisions or reversals of provisions)	(180 663)	(71 067)
(Impairment or reversal in the value of financial assets not measured at fair value through profit and loss or net gains by modification)	9 089	(45 719)
Net operating income	**253 692**	**238 172**
Impairment or reversal in the value of joint ventures or associates	(14 485)	(4 826)
Impairment or reversal of non-financial assets	(14 026)	(134)
Net gain (loss) on derecognition from statements of non-financial assets and investments	9 576	8 029
Recognised negative goodwill	-	-
Gain (loss) from non-current assets and disposal groups held for sale not classified as discontinued operations	2 839	788
Pre-tax income (or loss) from continuing operations	**237 596**	**242 029**
Tax expense or income on earnings from continued operations	(37 469)	(40 055)
Profit or loss after tax from continued operations	**200 127**	**201 974**
Profit or loss after tax from discontinued operations	-	-
Profit for the year	**200 127**	**201 974**

(*) Information presented solely for comparison purposes.

c) Individual statements of recognised income and expenses for fiscal years 2018 and 2017:

	€ ´000	
	2018	**2017 (*)**
Profit for the year	**200 127**	**201 974**
Other comprehensive income	**(147 994)**	**(20 994)**
Items not subject to reclassification to income statement	**(2 167)**	**515**
Actuarial gain or loss in defined benefit pension scheme	(2 654)	736
Non-current assets and disposal groups held for sale	-	-
Change in fair value of equity instruments measured at fair value through other comprehensive income	5 191	
Net gains (losses) from hedge accounting of equity instruments measured at fair value through other comprehensive income	-	
Change in fair value of financial liabilities designated at fair value through profit or loss attributable to changes in its credit risk	-	
All other valuation adjustments	-	-
Income tax on earnings from items not subject to reclassification	(4 704)	(221)
Items subject to reclassification to income statement	**(145 827)**	**(21 509)**
Hedging of net investments abroad (effective portion)	-	-
Foreign currency translation	(15)	(112)
Cash flow hedges (effective portion)	21 995	(10 350)
Hedging instruments (non-designated items)	-	
Available-for-sale financial assets		(20 187)
Debt instruments designated at fair value through other comprehensive income	(230 304)	
Non-current assets and disposal groups held for sale	-	-
Income tax on items to be reclassified to income statement	62 497	9 140
Total comprehensive income for the year	**52 133**	**180 980**

(*) Information presented solely for comparison purposes.

d) Individual statement of changes in equity for fiscal years 2018 and 2017:

	Capital & share premium	**Equity instruments issued other than capital**	**Retained earnings**	**Other reserves**	**Treasury shares**	**Profit for the year**	**Accumulated other comprehensi ve income**	**Total**
Opening balance at 31.12.2017 (*)	**2 933 297**	**49 341**	**687 620**	**(23 786)**	**-**	**201 974**	**(8 846)**	**3 839 600**
Effects of corrections of errors	-	-	-	-	-	-	-	-
Adjustment for first-time implementation of Bank of Spain Circular 4/2017	-	-	-	(37 222)	-	-	88 186	50 964
Opening balance at 01/01/2018	**2 933 297**	**49 341**	**687 620**	**(61 008)**	**-**	**201 974**	**79 340**	**3 890 564**
Total comprehensive income/loss for the year	**-**	**-**	**-**	**-**	**-**	**200 127**	**(147 994)**	**52 133**
Other changes to equity	**-**	**(1 444)**	**99 907**	**322 493**	**(2 055)**	**(201 974)**	**73 634**	**290 561**
Issue of ordinary shares	-	-	-	-	-	-	-	-
Issue of preference shares	-	-	-	-	-	-	-	-
Issue of other equity instruments	-	-	-	-	-	-	-	-
Exercise or maturity of other equity issues	-	-	-	-	-	-	-	-
Debt-to-equity conversion	-	-	-	-	-	-	-	-
Reduction of capital	-	-	-	-	-	-	-	-
Dividends (or shareholder remuneration)	-	-	(41 252)	-	-	-	-	(41 252)
Purchase of treasury shares	-	-	-	-	-	-	-	-
Sale or redemption of treasury shares	-	-	-	-	-	-	-	-
Reclassification of equity financial instruments to liabilities	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to equity	-	-	-	-	-	-	-	-
Transfers between equity entries	-	-	201 974	-	-	(201 974)	-	-
Changes in equity due to business combinations	-	-	(60 815)	322 493	-	-	73 634	335 312
Share-based payments	-	-	-	-	-	-	-	-
Other changes in equity	-	(1 444)	-	-	(2 055)	-	-	(3 499)
Balance at 31/12/2018	**2 933 297**	**47 897**	**787 527**	**261 485**	**(2 055)**	**200 127**	**4 980**	**4 233 258**

(*) Information presented solely for comparison purposes.

	Capital & share premium	Equity instruments issued other than capital	Retained earnings	Other reserves	Profit for the year	Accumulated other comprehensive income	Total
Opening balance at 31/12/2016 (*)	**2 177 047**	**49 341**	**519 725**	**-**	**191 743**	**12 150**	**2 950 006**
Effects of corrections of errors	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-
Opening balance at 01/01/2017	**2 177 047**	**49 341**	**519 725**	**-**	**191 743**	**12 150**	**2 950 006**
Total comprehensive income/loss for the year	**-**	**-**	**-**	**-**	**201 974**	**(20 994)**	**180 980**
Other changes to equity	**756 250**	**-**	**167 895**	**(23 786)**	**(191 743)**	**(2)**	**708 614**
Issue of ordinary shares	756 250	-	-	(23 786)	-	-	732 464
Issue of preference shares	-	-	-	-	-	-	-
Issue of other equity instruments	-	-	-	-	-	-	-
Exercise or maturity of other equity issues	-	-	-	-	-	-	-
Debt-to-equity conversion	-	-	-	-	-	-	-
Reduction of capital	-	-	-	-	-	-	-
Dividends (or shareholder remuneration)	-	-	(23 850)	-	-	-	(23 850)
Purchase of treasury shares	-	-	-	-	-	-	-
Sale or redemption of treasury shares	-	-	-	-	-	-	-
Reclassification of equity financial instruments to liabilities	-	-	-	-	-	-	-
Reclassification of financial liabilities to equity	-	-	-	-	-	-	-
Transfers between equity entries	-	-	191 745	-	(191 743)	(2)	-
Changes in equity due to business combinations	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-
Other changes in equity	-	-	-	-	-	-	-
Balance at 31/12/2017 (*)	**2 933 297**	**49 341**	**687 620**	**(23 786)**	**201 974**	**(8 846)**	**3 839 600**

(*) Information presented solely for comparison purposes.

e) Individual cash flow statements for fiscal years 2018 and 2017:

	€ ´000	
	2018	**2017 (*)**
Cash flows from operating activities	**(418 042)**	**2 113 725**
Profit for the year	200 127	201 974
Cash flow after adjustments to operating activities	(558 584)	861 753
Net changes in operating assets	(732 201)	601 542
Net changes in operating liabilities	683 235	550 448
Income taxes paid	(10 619)	(101 992)
Cash flow from investments activities	**2 388 269**	**(239 836)**
Payments	(404 965)	(406 584)
Collections	2 793 234	166 748
Cash flow from financing activities	**(34 605)**	**(23 849)**
Payments	(34 605)	(23 849)
Collections	-	-
Impact from foreign exchange rates	**-**	**-**
Net increase/decrease of cash and cash equivalents	**1 935 622**	**1 850 040**
Cash and cash equivalents at beginning of period	2 341 484	491 444
Cash and cash equivalents at end of period	4 277 106	2 341 484

(*) Information presented solely for comparison purposes.

1.2 Merger by absorption of EspañaDuero by Unicaja Banco

On 27th October 2017, Unicaja Banco's Board of Directors resolved to propose to Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (EspañaDuero) the merger by absorption of EspañaDuero (the absorbed entity) by Unicaja Banco (as the acquiring entity).

On 26th January 2018, the Boards of Directors of Unicaja Banco and of EspañaDuero agreed on the common draft terms of the merger between Unicaja Banco and EspañaDuero. EspañaDuero's Board of Directors gave the mandate to conduct research and take decisions on the merger to an ad hoc committee of its own members set up solely for this purpose consisting of four independent board members, to be known as the Merger Committee. During EspañaDuero's Board Meeting on 26th January 2018 the Chair of this Committee expressed its favourable opinion of the transaction.

As described in the common draft terms of the merger between Unicaja Banco and EspañaDuero, the merger by absorption of EspañaDuero by Unicaja Banco is the culmination of the two companies' integration process, initiated when EspañaDuero was acquired by Grupo Unicaja in March 2014. This earlier transaction turned EspañaDuero into a subsidiary of the Group, holding a nominal stake at 31 December 2017 of 76.68% of its share capital (95.77% effective participation). The merger thus represents the positive outcome of EspañaDuero's restructuring and recapitalisation process.

On the other hand, the Unicaja Group applied to the European Central Bank on behalf of EspañaDuero for an exemption from compliance with the individual solvency requirements, on a temporary basis in anticipation of the planned merger, as provided for under article 7 of EU Regulation 575/2013 (CRR). The events leading up to this were the buyback in August 2017 by Unicaja Banco of the CoCo bonds issued by EspañaDuero, which up to that point had been underwritten by the FROB; this was followed by the agreed buyback of EspañaDuero shares owned by the FROB in December 2017. Both transactions are described in Note 1.2.2 above. The ECB authorised this on 27th November 2017. Since then, Unicaja Banco has been guaranteeing all the obligations taken on by EspañaDuero with third parties. This blanket assurance represented another step in the process described above since, in effect, it involved Unicaja Group bundling in all the commitments and obligations that EspañaDuero had with third parties together with its own.

As far as the merger's strategic aim is concerned, the integration of both entities has enabled the Unicaja Group to improve its cost to income ratio, leveraging some of the existing synergies that up to now could not be optimised because of the continuing existence of two separate structures. The merger of the two institutions is the natural culmination of a gradual process of legal, operating and technological integration which has been underway since EspañaDuero joined the Unicaja Group in 2014.

The merger is going ahead after the successful IPO and capital raising programme, such that this final phase of the integration is taking place with Unicaja Banco's solvency comfortably reinforced and liquid shares that can be delivered to the shareholders of the absorbed entity. In fact, both Unicaja Banco and EspañaDuero shareholders have benefited from the transaction:

- EspañaDuero's shareholders have become shareholders in Unicaja Banco and because it is a listed company, their participation will be fully liquid. In their capacity as Unicaja Banco shareholders, EspañaDuero shareholders have also benefited from the merger's synergies, without prejudice to the fact that in deciding on the swap ratio, future synergies that are yet to materialise have also been taken into consideration.

- For Unicaja Banco shareholders, the transaction had a low implementation risk and provides integration synergies.

The exchange ratio was one Unicaja Banco share for every five EspañaDuero shares.

The independent expert report was received on 21st March 2018 about the common draft terms of the merger, as stipulated in article 34 of Act 3/2009 on Structural Amendments to Private Companies.

Furthermore, on 26th and 27th April 2018, the Annual General Meetings of EspañaDuero and Unicaja Banco, respectively, approved the merger by absorption of EspañaDuero by Unicaja Banco under the common draft terms described above; approved the consideration as the merger's balance sheets those of EspañaDuero's and Unicaja Banco's individual annual financial balance sheets closed at 31st December 2017; agreed that the tax regimen applicable to mergers should be applied and passed the relevant delegation of authority.

Once the necessary authorisations had been obtained and the relevant time periods had elapsed since the publication of the merger without any other creditor of the company participating in the merger having opposed it, on 7th September 2018 the merger by absorption was signed into deed, agreeing that Unicaja Banco would conduct the swap of EspañaDuero shares stemming from the merger using treasury shares, avoiding the need to carry out a capital increase.

Lastly, the transaction was filed in the Madrid Companies Registry on 21st September 2018, date on which the merger by absorption of EspañaDuero (as the absorbed institution) by Unicaja Banco (as the absorbing institution) was completed.

Since the operation took place between Group companies, the merger by absorption of EspañaDuero by Unicaja Banco has had no impact on the consolidated financial statements.

1.3 Basis for presenting the annual consolidated financial statements

The annual consolidated financial statements of the Group are filed following the requirements of the International Financial Reporting Standards adopted by the European Union (hereinafter, EU-IFRS) and taking into consideration the Bank of Spain's Circular 4/2017, of 27th November (and subsequent amendments), which transposes the International Financial Reporting Standards approved by the European Union to the Spanish credit institution sector.

This annual reports uses the abbreviations "IAC" and "IFRS" to refer to the International Accounting Standards and the International Financial Reporting Standards, respectively, and the abbreviations "IFRSIC" and "SIC" to refer to the International Financial Reporting Standards Interpretations Committee and its predecessor, the Standard Interpretations Committee, respectively, all of them approved by the European Union (hereinafter EU), which have been followed to draw up these consolidated annual statements.

These consolidated annual statements have been drawn up taking into consideration all the accounting principles and standards, together with all obligatory assessment criteria that have a significant effect on the same, such that they depict a true and fair view of the Group's equity and financial situation at 31st December 2018 and of the results of its transactions, of the changes in net equity and of the consolidated cash flows that have taken place in the Group during the annual period ending on that date.

Note 2 summarises the most significant accounting principles and policies and evaluation criteria applied in preparing the Group's consolidated annual statements for the 2018 financial year.

The consolidated annual statements have been drawn up using the accounting records kept by the Bank and by the other institutions in the Group. However, given that the accounting principles and assessment criteria used in preparing the Group's consolidated annual statements for 2018 may be different from those used by some of the institutions in the Group, such corrections and reclassifications as are necessary to standardise these principles and criteria and to adapt them to the EU-IFRS applied by the institution have been introduced during the consolidation process.

These annual consolidated financial statements, unless where specified otherwise, are presented in thousands of euros.

1.4 Responsibility for information and estimations

The information contained in these consolidated annual statements is the responsibility of the parent company's Directors.

The Group's annual consolidated financial statements of fiscal year 2018 have occasionally used estimations made by Group Directors to quantify some of the assets, liabilities, expenses and commitments that appear there. Essentially, these estimations refer to:

- Losses of certain assets due to impairment (Notes 10, 12, 13, 14 and 15).

- The assumptions used in the actuarial calculation of liabilities and commitments for post-employment benefits and other long-term commitments with employees (Notes 2.12 and 41).

- The useful life of tangible and intangible assets (Notes 2.14, 2.15, 13 and 14).

- The valuation of goodwill from consolidation (Notes 2.16 and 4).

- The estimate of the likelihood that outcomes classified as contingent liabilities will occur and, where applicable, the estimate of the provisioning needed to hedge these events (Notes 2.18 and 18).

- The reversal period and potential recovery of deferred tax assets from temporary differences (Notes 2.13 and 24).

- The fair value of certain unlisted assets (Note 26).

- The fair value of certain guarantees related to the collection of assets (Note 47).

Although these estimates were made on the basis of the best information available at 31st December 2018 on the facts analysed, it is possible that events that may occur in the future may require them to be modified (upwards or downwards) significantly; if necessary, this would be done in accordance with IAS 8, in a prospective manner, recognizing the effects of the change of estimate in the consolidated income statement of the periods in question.

1.5 Changes in accounting criteria, errors and information comparison

1.5.1 Changes in accounting criteria and errors

Turning to the changes in accounting criteria with effect 1st January 2018, and as provided for under IFRS 9, the Group has chosen not to restate its comparative financial statements; the comparative information has not been prepared a second time under the new accounting criterion, nor the equivalent information covering the period to 31st December 2017, such that it is not comparable. In any event, Note 1.12.3 contains a reconciliation of the consolidated condensed balance at 31st December 2017 under IAS 39 and the balance at 1st January 2018 as a result of the first-time adoption of IFRS 9.

At this juncture we should point out that in order to adapt the accounting regime for Spanish credit institutions to the changes in EU-IFRS, the Bank of Spain published its 4/2017 Circular, 27th November, with the regulations for public and confidential financial information as well as templates for financial statements, replacing its own 4/2004 Circular for fiscal years starting from 1st January 2018. The adoption of the 4/2017 Circular has involved amending the breakdown and presentation of certain sections of the financial statements in order to meet IFRS 9 requirements. The information to 31st December 2017 has not been restated under the terms of this Circular.

In the previous financial year there were no regulatory changes that have affected the ability to compare the Group's financial information; nor were there errors on record that required the information published previously to be rectified.

1.5.2 Information comparison

As required by IAS 1, the information contained in these consolidated annual statements for 2017 is presented solely and exclusively for the purpose of comparing it with the information for the period ending on 31st December 2018 and, as such, does not constitute the consolidated annual statements of Unicaja Banco Group for 2017.

1.6 Equity interests in credit institutions' capital

In accordance with the provisions of article 20 of Royal Decree 1245/1995, 14th July, the following is the list of capital participations in other credit institutions, both domestic and foreign, held by the Bank that are over the threshold of 5% of their capital or voting rights in them:

	% Share	
Entities	**2018**	**2017**
Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (*)	-	76.68%
Banco Europeo de Finanzas, S.A. (**)	100.00%	40.72%

(*) At the end of 2017 the Group held a direct stake of 76.63% and an indirect stake of 0.05% through Unicartera Gestión de Activos, S.L.U.

(**) At the end of 2017 it held a direct stake of 1.20% and an indirect stake of 39.52% through Alteria Corporación Unicaja, S.L.U.

At 31st December 2018 and 2017, no credit institution, whether domestic or foreign (or groups, as defined in article 4 of the Securities Market Act, of which any credit institution, domestic or foreign, is a member) owns a stake of more than 5% of the capital or of the voting rights in any credit institution that ought to be considered as an institution within the Unicaja Banco Group.

1.7 Agency contracts

At 31st December 2018, the list of agents of the Group's parent company complying with the requirements specified in article 21 of Royal Decree 84/2015, 13th February, which implements Act 10/2014, 26th June, on the organization, oversight and solvency of credit institutions, and also in the Bank of Spain's Circular 4/2010, is as follows:

1) List of persons empowered by the Bank:

Name	Geographical area
Agencia Financiera Fj Ramírez, S.L.	María y Topares (Almería)
Agustín Sánchez Hidalgo	Sorihuela del Guadalimar (Jaén)
Alejandro Ortiz Bernabé	Abla (Almería)
Alicia García Prieto	Brazatortas (Ciudad Real)
Alonso Lara Asesores Sl	Cazalilla (Jaén)
Ana Chica Jiménez	Pegalajar (Jaén)
Ana María Ureña Asensio	Valenzuela de Calatrava (Ciudad Real)
Ángel Maigler Unguetti	Montizón y Venta de Los Santos (Jaén)

Name	Geographical area
Antonia Castellano Yeste	Hijate (Almería)
Antonia María Manso Sánchez	Tahivilla (Cádiz)
Antonio Ayuso Serrano	Torre de Juan Abad (Ciudad Real)
Antonio Jesús Cano Aceituno	Frailes (Jaén)
Antonio Sánchez Escobar	La Joya (Málaga)
Antonio Sánchez Escobar	Villarrodrigo (Jaén)
Aplagest Consulting, S.L.	Campo de Criptana (Ciudad Real)
Arancha López Santos	Los Cortijos (Ciudad Real)
Asesores La Solana S.C.	San Carlos del Valle (Ciudad Real)
Asesoría Tremp S.L.	Fregenal de la Sierra (Badajoz)
Cavar Mediación S.L.	Peñarroya-Pueblonuevo (Córdoba)
Celia Cabañas Martínez	Villamayor de Calatrava (Ciudad Real)
Construcciones y Prom. Taberno Gest. Inmob.	Taberno (Almería)
Cristina Barba Ciudad	Corral de Calatrava (Ciudad Real)
Davinia González Carrato García Madrid	Villarta de San Juan (Ciudad Real)
Dolores Ayala Salguero	Pruna (Sevilla)
Dominga Pilar Haro Rodríguez	Carrizosa (Ciudad Real)
Ernesto Javier Fernández Arroyo	Castellar de Santiago (Ciudad Real)
Esmeralda Barba Redondo	Saceruela (Ciudad Real)
Esmeralda De Zuqueca Vállez Gómez	Granátula de Calatrava (Ciudad Real)
Eulalia Romero Baleta	Pontones (Jaén)
Evangelina Martínez Romero	Iznatoraf (Jaén)
Francisca Navarro Lao	Gérgal (Almería)
Francisco Jesús Jiménez Romero	La Guardia de Jaén (Jaén)
Gelihar Asesores Sl	Beas (Huelva)
Gema Ayala Lopez	Alboloduy y Alhabia (Almeria)
Gestión 3 Uleila, S.L.	Uleila del Campo (Almería)
Gestión Integral De Empresas Pozo Alcón	Pozo Alcón (Jaén)
Gestoría Intercazorla S.L.P	La Iruela (Jaén)
H&O Recursos Económicos Sl	Luque (Córdoba)
Irene García Casero	Alcolea de Calatrava (Ciudad Real)
Ismael Barea Jiménez	Villaluenga del Rosario (Cádiz)
Jesus León Minaya	Escañuela (Jaén)
José Antonio Arrebola Benitez	Salinas (Málaga)
José Manuel Alcaraz Forte	Rágol e Instinción (Almería)
José Manuel Barrera Castro	Torre Alháquime (Cádiz)
José Manuel Orozco Pastor	Coripe (Sevilla)
José Manuel Rodriguez Garcia	Jerez de los Caballeros (Badajoz)
José María Ruiz Sanchez	Mestanza (Ciudad Real)
José Velasco Palomo	Cabezarrúbias (Ciudad Real)
Juan Angel Arroyo Blanco	Cózar (Ciudad Real)
Juan Liébana Jiménez	Jamilena (Jaen)
Luis Miguel Segura Rodríguez	Benatae (Jaén)
Mairena Moya Ballesteros	Puebla del Principe (Ciudad Real)
Manuel Jesús Jiménez Lara S.L	Brenes (Sevilla)
María Amalia Martos Pastor	Oria (Almería)
María De Los Ángeles Granados López	Mures (Jaén)
María Del Carmen Martos Miras	Líjar y Albánchez (Almería)
María Del Mar González Arias	Ohanes, Padules y Canjáyar (Almería)
María Del Pilar Salas García	El Gastor (Cádiz)
María Del Sol Ojeda Cazorla	Segura de la Sierra (Jaén)
María Dolores Asensio Águila	Bayárcal y Paterna del Río (Almería)
María Dolores Ramírez Carmona	Santa Elena (Jaén)
María Eugenia Sánchez Berjaga	Hornos de Segura (Jaén)
María Isabel Juárez Padilla	Rioja (Almería)
María Jesús Pérez Rubio	Sierro (Almería)
María Luz Benítez Montero	Zahara de la Sierra (Cádiz)
María Muñoz Sánchez	Retuerta del Bullaque (Ciudad Real)
María Pilar Quesada Blanco	Campillo de Arenas (Jaén)

Name	Geographical area
María Teresa Martos García	Espeluy (Jaén)
Mario Gala Moraleda	Ballesteros de Calatrava (Ciudad Real)
Martina Diezma De La Fuente	Horcajo de Los Montes (Ciudad Real)
Mayo Abellán Berruezo	Mojácar (Almería)
Miguel Sancho Aguilera	El Saucejo (Sevilla)
Natalia Naranjo Fernández	Benamahoma (Cádiz)
Neftalí Gonzálvez Pérez	Santa Fé de Mondújar y Pechina (Almería)
Noram 2018, S.L.	Recas (Toledo)
Pablo Fernández Enríquez	Alcolea (Almeria)
Pablo Fernández Rivera	Fondón (Almería)
Pablo José Moreno Sánchez	Níjar (Almería)
Pedro José Gómez Rodríguez	Cartaojal (Málaga)
Raquel Cousido Sandoval	Torres de Albánchez (Jaén)
Rosa María Botello Barrero	Olivenza (Badajoz)
Rubén Pareja Pinilla	Solana del Pino (Ciudad Real)
Segurtojar S.L.	Fuente-Tójar y Almedinilla (Córdoba)
Simón & García Servicios Financieros, S.L	Lubrín y Zurgena (Almería)
Susana Vozmediano Pizarro	Hinojosa de Calatrava (Ciudad Real)
Teodoro Bernabeu Torrecillas	Carboneros (Jaén)
Vicente Canuto Álamo	Viso del Marqués (Ciudad Real)
Yasmina María González Martínez	Génave (Jaén)

2) List of individuals designated to win new clients and promote and sell the Bank’s transactions and services:

Name	Geographical area
Alfredo González Ávila	Granada
Antonio Acosta Oller	Tíjola (Almería)
Avances Tecnológicos Y Diseño S.L	Marbella (Málaga)
Carlos Jesús Checa Martín	Torre del Mar (Málaga)
Carlos Lorente Martínez	Iznalloz (Granada)
Daimiel Asesores Inmobiliarios,S.L.U.	Daimiel (Ciudad Real)
Francisco Javier Arroyo Lorca	Valverde del Camino (Huelva)
Francisco Javier Bazán Virtudes	El Atabal (Málaga)
Gonzalo Alba Muñoz	Granada
Grupo Inmobiliario Soto Jiménez, S.L	Atarfe (Granada)
Manuel Fuentes Rejón	Churriana De La Vega (Granada)
Manuel Jesús Molina Martínez	Linares (Jaén)
Manuela Jóyar Montilla	Jaén
Manuela Jurado Ollero	Marmolejo (Jaén)
Mario Navarro Díaz	Estepona (Málaga)
Sistema Asesores Málaga .Sl.	Málaga
Sistemas Interactivos Malagueños S.L.	Torremolinos (Málaga)
Viada Asesores, S.L.	Puertollano (Ciudad Real)

1.8 Environmental impact

The global operations of the Group’s companies are governed by environmental protection Laws (“environmental laws”). The parent considers that the Group substantially complies with such Laws and has procedures in place designed to ensure and promote compliance.

The parent entity considers that the Group has adopted the appropriate measures for the protection and improvement of the environment and the minimisation, where applicable, of environmental impact, complying with the current regulations in this regard. During fiscal years 2018 and 2017, the Group has not made significant environmental investments nor deemed it necessary to record any provision for risks and charges of environmental nature, nor does it consider that there are significant contingencies relating to the protection and improvement of the environment.

1.9 Minimum ratios

1.9.1 Minimum equity ratio

Until 31st December 2013, the regulations in the Bank of Spain's Circular 3/2008 on Spanish credit institutions' capital requirements, both individual entities and their economic groups, covering setting minimum own resources and their monitoring, were applicable.

On 27th June 2013 the Official Journal of the European Union (OJEU) published the new regulations on capital requirements (CRR and CRD-IV), applicable from 1st January 2014, consisting of:

- EU Directive 2013/36, 26th June, of the Parliament and the Council, on taking up and pursuit of the business of credit institutions and investment firms, and the prudential oversight of these bodies, which amended Directive 2002/87/EC and repealed Directives 2006/48/CE and 2006/49/EC.

- Regulation (EU) Nº 575/2013 (hereinafter CRR), 26th June 2013, of the European Parliament and of the Council, on the prudential requirements over credit institutions and investment companies, amending Regulation (EU) Nº 648/2012.

From 1st January 2014 all provisions in the Bank of Spain's Circular 3/2008 that contradicted the above-referenced European regulation were repealed. In addition, on 5th February 2014, the Bank of Spain published Circular 2/2014, 31st January, by virtue of which, in line with the powers conferred by Regulation (EU) Nº 575/2013 on competent national authorities, the Bank of Spain made use of some of the permanent regulatory options set out in this regulation. The stipulations regarding how intangible assets were to be offset during the transition period were subsequently amended in the Bank of Spain Circular 3/2014, 30th July.

The above-mentioned Regulation (EU) Nº 575/2013 sets out uniform regulations that institutions must meet regarding: 1) the regulatory requirements over own resources relative to credit risk factors, market risk, operating risk and liquidation risk; 2) requirements designed to limit major risks; 3) liquidity risk hedging relative to wholly quantifiable, uniform and standardized factors, once they are developed by means of a European Commission delegated act; 4) establishing the leverage ratio, and 5) information and public disclosure requirements.

This Regulation revises the concept and components of the regulatory requirements on own resources that institutions must have. These are made up of two parts: Tier 1 capital and Tier 2 capital. Tier 1 capital is equal to the sum of Common Equity capital and additional Tier 1 capital. That is, Tier 1 capital is made up of those instruments that can absorb losses when the institution is operating, whereas Tier 2 capital components will absorb losses essentially when the institution is not viable.

Act 10/2014, 26th June, on the organization, oversight and solvency of credit institutions, continued the transposition of CRD-IV into the Spanish legal system, and was later added to through Royal Decree 84/2015, 13th February, which implements Act 10/2014, thus completing the process of adapting Spanish law to the European standards on the Single Supervisory Mechanism (SSM).

On 9th February 2016, the Official Gazette (BOE) published the Bank of Spain Circular 2/2016, 2nd February, addressed to credit institutions, on supervision and solvency, which completes the adaptation to the Spanish legal system of EU Directive 2013/36 and to Regulation (EU) Nº 575/2013, on the options not exercised by Bank of Spain Circulars 2/2014 and 3/2014. Likewise, Circular 2/2016 develops some aspects of the transposition of EU Directive 2011/89 of the European Parliament and of the Council, from 16th November 2011, about further supervision of financial institutions that are part of a financial conglomerate, and introduces the definition of "competent authority", which will be the European Central Bank or the Bank of Spain, depending on the assignation and distribution of competences established in Regulation (EU) Nº 1024/2013, and set out in more detail in Regulation (EU) Nº 468/2014 of the European Central Bank, on 16th April 2014.

On 24th March 2016, Regulation (EU) Nº 2016/445, of the European Central Bank, on exercising the options and powers provided in Union law, which specifies some of these options and powers, granted to the competent authorities in accordance with Union law on prudential requirements over credit institutions, exercised by the European Central Bank was published. This will be exclusively applied to credit institutions classified as significant under the terms of article 6, paragraph 4, of Regulation (EU) Nº 1024/2013, and part IV and article 147, paragraph 1, of Regulation (EU) Nº 468/2014. With this regulation, the European Central Bank seeks to make more uniform the norms applicable to those institutions under its direct supervision, while the remaining institutions will continue to apply the criteria adopted in each case by the national authorities.

Finally, on 31st January 2018, the Official Journal of the European Union published the European Central Bank's ruling, of 8th November 2017, with a number of amendments to the Union's system for capital requirements applying to credit institutions and investment services companies. The ruling deals with questions that are particularly important for the European Central Bank, divided into two sections: (i) changes in the Union's current regulatory and supervisory system, and (ii) inclusion of international agreed supervisory standards. Specifically, the amendments proposed on the incorporation of Pillar 2 requirements within the Basel III framework to the Directive on capital requirements (EU Directive 2013/36) seek to achieve greater convergence around the European Union on supervision, more clearly defining the elements making up the capital structure, introducing the Pillar 2 capital guidelines on additional own funds and making significantly more robust the conditions with which competent authorities can exercise their supervisory powers in this context.

This all goes to make up the current environment regulating own resources that Spanish credit institutions must retain, both individually and as consolidated groups, and the manner in which these own resources have to be determined, as well as the various internal capital adequacy assessment processes they must carry out and the information they must disclose to the market.

In accordance with this regulation, the capital ratios required for 2018 are as follows:

- Ordinary Tier 1 capital ratio of 4.5%.
- Tier 1 capital (ordinary plus additional) ratio of 6%.
- Total capital ratio (including Tier 2) of 8%.
- An additional capital conservation buffer of 1.875%.

With regard to the counter-cyclical capital buffer described in article 45 of Act 10/2014, the Bank of Spain has agreed to set this buffer at 0% for credit exposures in Spain from 1st January 2016.

With regard to these obligations, for the 2018 fiscal year, after the Supervisory Review & Evaluation Process (SREP), the European Central Bank (ECB) required the Unicaja Group to have a minimum CET1 ratio of 8.125% and a minimum total capital ratio of 11.625% (both phase-in). These requirements include the minimum required by Pillar I, which comes to 4.5% and 8% respectively, a Pillar II requirement of 1.75%, and a capital conservation buffer of 1.875%.

For the year 2019, the European Central Bank established for Unicaja Banco Group, within the SREP framework, a minimum CET1 ratio of 8.75% and a minimum total capital ratio of 12.25% (phase-in in both instances). These requirements apply for fiscal year 2019 and include the minimum needed for Pillar I of 4.5% and of 8%, respectively, a Pillar II requirement of 1.75% and a capital conservation buffer of 2.50%.

As a result of these requirements, the phase-in CET1 and phase-in total capital ratios referred to above have also been set as the floor thresholds under which Unicaja Banco would be obliged to calculate the maximum distributable amount (MDA) that would limit its distributions in the form of dividends and bonuses.

Unicaja Banco Group’s CET 1 capital ratio at 31st December 2018 was 15.45%, while its total capital ratio came to 15.66% (both including results withheld during the year). In consequence, with current equity levels, the Unicaja Banco Group has met the capital requirements set by the European Central Bank and, as such, is not subject to the limitations referred to in Regulation (EU) nº 575/2013 on how profits are distributed.

At 31st of December 2018 and 2017, Unicaja Banco Group's equity amounted to EUR 3,580,498 thousand and EUR 3,650,408 thousand, respectively, of which EUR 3,532,601 thousand and EUR 3,531,781 thousand respectively, are part of Common Equity Tier 1 (CET1).

The total capital surplus talking into account the equity requirements in accordance with the regulation of Directive 2013/36/ EU (CRD-IV) and EU Regulation 575/2013 (CRR) (Pillar 1), the additional requirements demanded from the Unicaja Banco Group, as a result of the 2018 SREP (Pillar 2) and the capital conservation buffer, comes to EUR 921,686 thousand at 31st December 2018, while the CET 1 surplus, comes to EUR 1,674,292 thousand on the same date. Both include a 1.875% buffer.

		€ ´000
	2018	**2017**
Tier 1 eligible common capital (CET1) (a)	3 532 601	3 531 781
Additional Tier (AT) 1 eligible capital (b)	47 897	42 134
Tier 2 eligible capital (c)	-	76 493
Risks (d)	22 871 497	24 239 256
CET1 ratio 1 (A)=(a)/(d)	15.45%	14.57%
AT 1 capital ratio (B)=(b)/(d)	0.21%	0.17%
Tier 1 capital ratio 1 (A)+(B)	15.66%	14.74%
Tier 2 capital ratio (C)=(c)/(d)	-	0.32%
Total Capital Ratio (A)+(B)+(C)	**15.66%**	**15.06%**

		€ ´000
	2018	**2017**
Tier 1 Capital (a)	3 580 498	3 573 915
Exposure (b)	57 158 157	57 366 221
Leverage ratio (a)/(b)	**6.26%**	**6.23%**

Ordinary tier 1 capital basically includes capital, the share premium, the Bank's net reserves (intangible assets) and the share of net profit from fiscal years 2018 and 2017, respectively, allocated to reserves (as the case may be).

As regards the process of capital self-assessment and solvency risk management, the Unicaja Banco Group pays close attention to support, as far as risk management processes are concerned, the following basic principles:

- Rigorous attention to maintain a permanently prudent and balanced risk profile, preserving the objectives of solvency, profitability and adequate liquidity.
- Participation and active supervision on the part of Senior Management, who approve the general business strategies and policies of the Bank and sets the general lines of risk management and control in the entity.
- General internal control environment.
- Separation of functions, with the process of measurement and control of risks in the entity being completely independent of the risk-taking function.

- Prudent management of credit risk exposure, in particular by avoiding projects of uncertain viability and quantitative limitation of investment on the basis of adequate guarantee parameters.
- Selection of appropriate methodologies to measure risks incurred.

At the bank, policies, methods and procedures related to Global Risk Management are approved by the Board of Directors. The duties of the Audit and Compliance Committee, the Risk Committee, the Assets & Liabilities & Budget Committee (ALBCO), the Internal Audit Division and the bank's Global Risk Control Division include ensuring proper compliance with said policies, methods and procedures, ensuring that they are adequate, effectively implemented and regularly reviewed.

1.9.2 Minimum reserve ratio

During fiscal years 2018 and 2017, the consolidated entities have met the required minimums applicable under Spanish law for this ratio.

1.10 National Deposit Guarantee Fund

The credit institutions in the Group are members of the Credit Institutions Guarantee Fund. In the 2018 and 2017 fiscal years, the expenses incurred for ordinary and additional contributions, plus one-off payments to this body, came to EUR 46,878 thousand and EUR 48,591 thousand, respectively, which was booked under the item "Other operating charges" in the consolidated profit & loss statement attached (Note 39).

In terms of ordinary contributions, on 7th November 2015, Royal Decree 1012/2015, 6th November, was published, containing the secondary legislation for 11/2015, 18th June, on the recovery and winding down of credit institutions and investment services companies, amending Royal Decree 2606/1996, 20th December, on guarantee funds and credit institution deposits. The new amendments include a change to the definition of equity of the Credit Institutions' Deposit Guarantee Fund (referenced hereinafter by its Spanish acronym FGDEC), stating that the Management Committee will determine the annual contributions that member institutions of the Fund are to make, following the criteria set out in article 6 of Royal Decree 16/2011, 14th October, which created the FGDEC. To this end, the figures used to calculate member institutions' mandatory contributions to each compartment will be as follows:

a) The deposits guaranteed, as defined in article 4.1, in the case of contributions to the deposit guarantees compartment.

b) In the case of contributions to the securities guarantees compartment, 5% of their listed value on the last day of the year's trading on the secondary market of the guaranteed securities, as defined under article 4.2, existing at the end of the period. When these include securities and financial instruments that do not trade on a secondary market, whether domestic or foreign, their value will be calculated by their nominal or reimbursement value, whichever is more appropriate for the value of financial instrument in question, unless another value has been declared or is known to exist that is more significant for the purposes of the deposit or record.

At its session on 19th July 2017, the FGDEC's management committee, by virtue of article 6 of Royal Decree 16/2011 and article 3 of Royal Decree 2606/1996, set the annual contributions to be made by the member institutions for 2018, in the following terms:

- Annual contribution to the FGDEC's deposit guarantee compartment that is the same as 1.8 parts per thousand of the base figure used to calculate the contributions to this compartment as defined in article 3.2.a) of Royal Decree 2606/1996, held at 30th June 2018; each institution's contribution is to be calculated according to the amount of deposits guaranteed and their risk profile.

- Annual contribution to the FGDEC's securities guarantee compartment that is equivalent to 2 parts per thousand of the base figure, which is 5% of the sum of the securities guaranteed, as indicated in article 3.2.b) of Royal Decree 2606/1996, held at 31st December 2018.

Turning to extraordinary contributions, and in order to bring the Fund's assets up to the levels provided under article 6.2 of Royal Decree 16/2011, 14th October, the Management Committee of the Credit Institutions' Deposit Guarantee Fund resolved on 30th July 2012 that its member institutions would make a finite number of payments, the amounts of which would depend on the base figure of contributions at 31st December 2011, to be paid in ten equal annual instalments. The sum of the instalments to be paid in at each date could be deducted from the ordinary annual contribution made by each institution at the same date, and up to the sum of the ordinary contribution. At 31st December 2018, the value of these contributions came to EUR 21,895 thousand.

1.11 Contributions to the resolution funds

During the 2018 financial year, expenditure booked by the Group, under the item "Other operating expenses" in the attached consolidated profit and loss statement, for contributions to the resolution funds for the same 2018 contribution period came to EUR 12,848 thousand (Note 39), while the same item for 2017 came to EUR 13,987 thousand.

On 1st January 2016 the Single Resolution Fund came into operation. It is administered by the Single Resolution Board, which is also responsible for calculating the contributions to be made by credit institutions and investment services companies defined in Article 2 of the aforementioned Regulation, in accordance with the rules laid down in the Commission's Delegated Regulation EU 2015/63, 21st October 2014 completing Directive 2014/59/EU of the European Parliament and of the Council as regards ex ante contributions to the funding mechanisms of the resolution.

In accordance with article 4 of Delegated Regulation (EU) 2015/63, the resolution authorities will determine the annual contributions that each institution should pay, proportionate to their risk profile in the light of the information provided by the institution in compliance with article 14 of said Delegated Regulation, and applying the methods described there. The resolution authority will determine the annual contribution on the basis of the annual financing level of the resolution funding mechanism and taking into account the level of financing that must be reached by 31st December 2024 at the latest, according to article 102, paragraph 1, of EU Directive 2014/59, and based on the average sum of guaranteed deposits from the previous year, calculated every quarter, of all the authorized entities in its territory.

In addition, in accordance with Article 103 of Directive 2014/59/EU, the available financial resources to be taken into account to achieve the target level for the Single Resolution Fund may include irrevocable payment commitments fully backed by guarantees over low risk assets unencumbered by third party rights, freely available and allocated for the exclusive use of the resolution authorities for the purposes specified in the Directive itself. The irrevocable payment commitments portion shall not exceed 30% of the total amount collected through ex ante contributions.

1.12 Changes in the International Financial Reporting Standards

During fiscal year 2018, the following International Financial Reporting Standards and interpretations of these have become mandatory, and as such have been applied when preparing Unicaja Banco's annual consolidated financial statements for fiscal year 2018:

Standards, amendments & interpretations (Note 1.6.1)	Description	Mandatory adoption in the year commencing
Improvements to the IFRS	2014-2016 cycle	(*)
Amendment IFRS 2	Classification and measurement of share-based payment transactions	1st January 2018
IFRS 15	Revenue from contracts with customers	1st January 2018
Clarifications to IFRS 15	Revenue from contracts with customers	1st January 2018
IFRS 9	Financial instruments	1st January 2018
Amendment IFRS 4	Applying IFRS 9 on financial instruments with IFRS 4 over insurance contracts	1st January 2018
Amendment IAS 40	Investment property	1st January 2018
IFRIC 22	Foreign currency transactions and advanced consideration	1st January 2018

(*) These improvements to the IFRS come into force in the year commencing 1st January 2017 in the case of IFRS 12, and 1st January 2018 in the case of IFRS 1 and IAS 28.

On the date of filing these annual consolidated financial statements, the following standards and interpretations (the most important ones adopted to that date) that had been published by the IASB, had not come into force, either because their effective date was later than the date of the consolidated financial statements, or because they had not yet been adopted by the European Union:

Standards, amendments & interpretations (Note 1.6.2)	Description	Mandatory adoption in the year commencing
IFRS 16	Leases	1st January 2019
IFRIC 23	Uncertainty over income tax treatments	1st January 2019
Amendment IAS 28	Long-term interests in associates and joint ventures	1st January 2019
Amendment IFRS 9	Prepayment features with negative compensation	1st January 2019
Improvements to the IFRS	2015-2017 cycle	1st January 2019
Amendment IAS 19	Plan amendment, curtailment or settlement	1st January 2019
Amendment to the IFRS conceptual framework	Amendment to references to the IFRS conceptual framework	1st January 2020
Amendment IFRS 3	Definition of a business	1st January 2020
Amendment IAS 1 and AIS 8	Definition of material	1st January 2020
IFRS 17	Insurance contracts	1st January 2021
Amendment IFRS 10 & IAS 28	Sales or contributions of assets between an investor and its associate or joint venture	(*)

(*) Originally, these amendments to IFRS 10 and IAS 28 were effective for annual periods beginning on or after 1 January 2016. However, at the end of 2015, the IASB made a decision to postpone the effective date (without setting a new specific date), as it is planning a more comprehensive review that may result in simplifying the accounting of these transactions and other aspects of accounting for associates and joint ventures.

The Bank's Directors understand that the coming into force of most of these standards will not have a major impact on the Group's consolidated financial statements.

1.12.1 Standards and interpretations effective for the period in review

During fiscal year 2018 the following modifications of the IFRS or interpretations thereof (hereinafter, "IFRIC") have come into force:

- IFRS Annual Improvements, Cycle 2014-2016: Improvements included in this cycle affect IFRS 1 "First-time adoption of the International Financial Reporting Standards: Withdrawal of short-term exemptions for first-time adopters", IFRS 12 "Disclosure of Interests in Other Entities: Clarification of the scope of the Standard"; and IAS 28 "Investments in associates and joint ventures: Measuring an associate or joint venture at fair value". Amendments to IFRS 12 came into force for the years beginning on or after 1 January 2017, while amendments to IFRS 1 and IAS 28 shall apply in the years beginning on or after 1st January 2018.

- IFRS 2 (Amendment) “Classification and measurement of share-based payment transactions": The amendment to IFRS 2, which was developed through the IFRS Interpretations Committee, clarifies how to account for certain types of share-based payment transactions. In this sense, it provides requirements for the accounting of:

    - The effects of the conditions for irrevocability and the non-determining conditions for the irrevocability of the concession in the valuation of cash-settled share-based payments;
    - Share-based payment transactions with a net settlement characteristic for the withholding tax obligations; and
    - A modification in the terms and conditions of a share-based payment that changes the classification of the transaction from cash settled to settled by net equity.

  The amendment is effective for the annual periods commencing 1st January 2018, although early adoption was also permitted.

- IFRS 15 "Revenue from contracts with customers": In May 2014, the IASB and the FASB jointly issued a convergent standard in relation to the recognition of revenue from contracts with customers. Under this rule, revenues are recognized when a customer gains control of the good or service sold, that is, when it has both the ability to direct the use and to obtain the benefits of the good or service. This IFRS standard includes guidance to determining whether to recognise income over time or at a particular moment during the period. IFRS 15 requires extensive information on both the recognized income and the income expected to be recognised in the future in relation to existing contracts. It also requires quantitative and qualitative information on the significant judgments made by management in determining the income that is recognized, as well as on the changes in these judgments. IFRS 15 is effective for annual periods beginning on or after 1st January 2018, although early adoption was also permitted.

- Clarifications to IFRS 15: "Revenue from customer contracts": Clarifications to IFRS 15 are intended to reduce the cost and complexity of implementing the standard and to clarify how some of its principles should be applied in identifying an obligation in a contract, determine whether the company is the principal or agent and whether the product of the concession must be recognised on a specific date or within a period of time. This clarification comes into force at the same time as IFRS 15.

- IFRS 9 "Financial instruments": Addresses the classification, measurement and recognition of financial assets and financial liabilities. The full version of IFRS 9 was published in July 2014 and replaces the guidance in IAS 39 on classification and valuation of financial instruments.

  IFRS 9 maintains but simplifies the mixed measurement model and establishes three main categories of valuation of financial assets: amortized cost, at fair value through profit or loss and at fair value through other comprehensive income. The basis for classification depends on the entity's business model and the features of the contractual cash flows of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable a priori option to present changes in fair value in other comprehensive income (OCI), provided that the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in the results. In relation to financial liabilities, there are no changes with respect to classification and measurement, except for the recognition of changes in own credit risk in OCI for liabilities designated at fair value through profit or loss.

  Under IFRS 9 there is a new model of value impairment losses, the expected credit loss model, which replaces the model of losses incurred under IAS 39 and which will result in a recognition of losses earlier than was occurring under IAS 39 (see Note 2.7 for a detailed explanation in this regard).

IFRS 9 relaxes the requirements for the effectiveness of the coverage. Under IAS 39, a hedge must be highly effective, both prospectively and retrospectively. IFRS 9 replaces this line by requiring an economic relationship between the hedged item and the hedging instrument and also obliging the hedged ratio to be the same as the one the entity actually uses for its risk management. Contemporary documentation is still needed but is different from that which was being prepared under IAS 39.

Finally, extensive information is required, including a reconciliation between the initial and final amounts of the provision for expected credit losses, assumptions and data, and a reconciliation in the transition between the original classification categories under IAS 39 and the new classification categories under IFRS 9.

IFRS 9 is effective for annual periods beginning on or after 1st January 2018, although early adoption was also permitted. IFRS 9 requires retroactively application but does not call for restatement of comparative figures.

- IFRS 4 (Amendment): "Applying 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 from IFRS 9 for entities meeting specific requirements (applied at the level of the entity submitting the information); and
  - The "overlapping approach" will provide all companies that issue insurance contracts with the option of recognising in other comprehensive income, rather than in the result of the period, the volatility that may be triggered when IFRS 9, "Financial Instruments", applies before the new standard of insurance contracts is published.

  IFRS 4 (including the amendments that have now been published) will be superseded by the next new insurance contract standard. Consequently, both the temporary exemption and the "overlapping approach" are expected to cease to apply when the new insurance standard comes into force. This change takes effect in the year commencing 1st January 2018.

- IAS 40 (Amendment) "Transfers of Investment properties ": This modification clarifies that to transfer to or from Investment properties there must be a change in use. In order to conclude whether there has been a change in use there must be an assessment of whether the property meets the definition of an investment property. This change must be supported by evidence. The IASB confirmed that a change in intent, on its own, is not sufficient to support a transfer. This modification is effective, according to the IASB, for fiscal years beginning on or after 1st January 2018 although earl, y adoption was also permitted.

- IFRIC 22 "Foreign Currency Transactions and Advanced Consideration": This IFRIC addresses how to determine the date of the transaction when the foreign currency transaction standard, IAS 21, applies. Interpretation applies when an entity pays or receives an advance consideration for contracts denominated in foreign currency. The date of the transaction determines the exchange rate to be used for the initial recognition of the asset, expense or income. The interpretation provides guidance for when a single payment/collection is made, as well as for situations in which there are multiple payments/collections. The aim of the guide is to reduce divergent practices. The interpretation will be effective for fiscal years beginning on or after 1st January 2018, although early application is permitted.

Except in the case of IFRS 9 Financial Instruments, the application of these accounting standards and their interpretations has not had a significant impact on the Group’s annual consolidated financial statements. The impact of first-time adoption of IFRS 9 is detailed in Note 1.12.3.

1.12.2 Standards and interpretations issued but not yet in force

On the date of filing these annual consolidated financial statements, new International Financial Reporting Standards had been issued, as well as interpretations thereof, whose application was not mandatary in 2018 and which the Group did not apply by that year. At the current time, analysis of the future impact that adopting these standards may have is still underway although significant impacts are not anticipated when they come into force. These standards are the following:

- IFRS 16 "Leases": This Standard provides for a single accounting model for lessees, under which they must acknowledge the assets by their rights of use, and lease liabilities corresponding to all lease contracts, unless the period of the contract is for 12 months or less, or the underlying asset is of low value. Adoption of IFRS 16 is compulsory as of January 1, 2019, but may be applied in advance only if IFRS 15 "Revenue from contracts with customer" is applied at the same time (the Group chose not to apply the standard in advance).

  The most important aspects of the transition to this Standard, the implementation programme followed by the Group and our estimate of key areas of impact are outlined below:

  - The Group has set in place a project involving several organizational units, including the Property Division and Unicaja Banco's Financial & Tax Information Division; the governing bodies, including the Board of Directors of Unicaja Banco in its capacity as the Group's parent company, have been duly informed.
  - The Group has been working to analyse the qualitative and quantitative impacts of this regulation since the beginning of the 2018 financial year and has completed most of the tasks during the second half of this period.
  - The Group will apply IFRS 16 retroactively, recognising the accumulated effect of the initial application of the standard on the date of initial application (1st January 2019), and without restating comparative information.
  - The Group has decided to apply the practical solution permitted under the Standard to not assess in the first application whether the contracts represent a lease under the new definition, and will therefore apply IFRS 16 to those contracts that were previously identified as lease contracts under IAS 17.
  - The Group will recognise a lease liability on the date of initial application for leases that were previously classified as operating leases, using IAS 17. The Group will measure this lease liability by the present value of the remaining leasing payments, discounted using the incremental rate for lessee loans on the initial application date.
  - The Group will recognise a right-of-use asset on the initial application date for leases that were previously classified as operating leases under IAS 17. From the options permitted under the Standard, the Group will choose to measure the right-of-use asset of all the contracts in question by an amount equal to the lease liability (asset equivalence method).
  - According to the Group's own forecasts, the impact of the first application of IFRS 16 will not be significant, neither from the perspective of activating the rights-of-use on lease contracts, nor as regards its impact on the Group's regulatory capital ratios.

- IFRIC 23 "Uncertainty over income tax treatment": The purpose of the interpretation is to reduce the diversity of the recognition and measurement of a tax liability or an asset when there is uncertainty about the treatment of taxes. This interpretation is applicable to the determination of taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty about the treatment of taxes under IAS 12. IFRIC 23 will be applied for financial years beginning on or after 1st January 2019.

- IFRS 9 (Amendment) “Prepayment features with negative compensation”: The terms of instruments with early payment features and negative compensation, in which the lender could be required to accept a sum for early payment that is substantially lower than the unpaid amounts (principal and interest), were inconsistent with the notion of “additional reasonable compensation” for the early termination of a contract under IFRS 9. As a result, these instruments would not have contractual cash flows that are solely payments of principal and interest, by virtue of which they were being booked at fair value through profit or loss. The amendment to IFRS 9 makes clear that one party may pay or receive reasonable compensation when a contract is terminated early, which could allow these instruments to be valued at amortized cost or fair value through profit or loss in other comprehensive income. The amendment will be effective for annual periods beginning on or after 1st January 2019, although early application is permitted.

- IAS 28 (Amendment) “Long-term Interests in Associates and Joint Ventures”: This narrow-scope amendment makes clear that long-term stakes in an associate or joint venture that, in real terms, form part of the net investment in the associate or joint venture, but to which the equity method is not being applied, are recorded under IFRS 9 requirements for “Financial instruments”. The IASB has published an example that illustrates how IAS 28 and IFRS 9 requirements should be applied to these long-term stakes. The amendment will be effective for annual periods beginning on or after 1st January 2019, although early application is permitted. In any case, this amendment has not yet been adopted by the European Union.

- IFRS Annual Improvements, Cycle 2015-2017: The amendments affect IFRS 3, IFRS 11, IAS 12 and IAS 23 will apply to annual periods from 1st January 2019 onwards and they are all subject to adoption by the EU. The most important amendments concern:

    - IFRS 3 "Business combinations": An interest that has previously been held in a joint transaction is measured again when control is acquired over the business
    - IFRS 11 "Joint agreements": When an entity obtains joint control of a business that is a joint operation, the entity does not re-measure previously held interests in that business.
    - IAS 12 "Income taxes": All the tax impacts of paying dividends are subject to the same accounting criteria.
    - IAS 23 "Borrowing costs": All specific loans originally made to develop a qualifying asset are treated as generic loans when the asset is ready for use or sale.

  These modifications have not yet been adopted by the European Union.

- IAS 19 (Amendment) “Amendment, reduction or settlement of the plan”: This amendment specifies how companies should decide on expenses for pensions when there are changes in a defined benefits plan. This amendment comes into effect on 1st January 2019, subject to adoption by the European Union. In any case, this amendment has not yet been adopted by the European Union.

- Revised Conceptual Framework of the IFRS: The Conceptual Framework of the IFRS sets out the basic concepts that have been applied in developing the new standards and helps to ensure that these are consistent and that similar transactions are booked in the same way, with the aim of providing useful information to users. The revised Conceptual Framework came into force in March 2018 and, among other issues, reintroduced the concept of prudence, amending the definitions of asset and liability, adding clarifications regarding taking assets and liabilities on and off the balance sheet, and on measuring items in the financial statements, and positioning results as the key performance indicator of an institution. Furthermore, the IASB has published its revised Conceptual Framework. These revisions will come into force from 1st January 2020 onwards, and may not be applied before that. In any case, this amendment has not yet been adopted by the European Union.

- IFRS 3 (Amendment) “Definition of a business": Changes have been made to the definition of “business”, with pointers being given to help institutions to determine whether an acquisition has been made from a business or from a combination. The amendment will be effective after 1st January 2020. In any case, this amendment has not yet been adopted by the European Union.

- IAS 1 (Amendment) and IAS 8 (Amendment) “Definition of material”: There is a new definition of material. The amendments clarify the accounting treatment of sales or the contribution of assets between an investor and its associates or joint businesses, and confirm that this depends on whether non-monetary assets that are sold or contributed to an associate company or joint business constitute a "business" (as defined in IFRS 3). The amendment will come into force on 1st January 2020. In any case, we should point out that this amendment has not yet been adopted by the European Union.

- IFRS 17 "Insurance contracts": IFRS 17 requires a current measurement model where the estimates are revalued in each reporting period. Contracts are measured using the basic components of: (i) discounted cash flows weighted by probability; (ii) an explicit risk adjustment, and (iii) a contractual service margin (CSM) that represents the unrealized profit of the contract that is recognized uniformly. The standard enables a choice to be made between recognizing the changes in discount rates in the income statement or directly in another comprehensive income. IFRS 17 will be mandatory for financial years beginning on or after 1st January 2021. In any case, this standard has not yet been adopted by the European Union.

- IFRS 10 (Amendment) and IAS 28 (Amendment) “Sales or contributions of assets between an investor and its associate/joint venture": These amendments clarify the accounting treatment of sales and contributions of assets between an investor and its associates and joint ventures which will depend on whether the non-monetary assets sold or contributed constitute a "business". The investor will recognise the full gain or loss when the non-monetary assets constitute a "business". If the assets do not meet the definition of business, the investor recognises the gain or loss to the extent of the interests of other investors. The amendments will only apply when an investor sells or supplies assets to its associate or joint venture. Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for fiscal years beginning on or after 1 January 2016. However, at the end of 2015, the IASB made a decision to postpone the effective date (without setting a new specific date), as it is planning a more comprehensive review that may result in simplifying the accounting of these transactions and other aspects of accounting for associates and joint ventures. In any case, these amendments have not yet been adopted by the European Union.

1.12.3 Impact of first-time IFRS 9 application

The table below breaks down the consolidated balance sheet at 31st December 2017 reconciled under IAS 39 *Financial instruments: recognition and assessment*, and at 1st January 2018 after IFRS 9 *Financial instruments* was first applied. It differentiates between impacts from changes in nomenclature, in classification and valuation of financial instruments, and from financial assets impairment:

	€ ´000				
	31.12.2017 IAS 39	**Change in nomenclature**	**Classification & measurement**	**Impairment**	**01.01.2018 IFRS 9**
Cash, cash balances in central banks and other demand deposits	3 806 391	-	-	-	3 806 391
Financial assets held for trading (1)	31 462	-	79 241	-	110 703
Financial assets designated at fair value through profit or loss (2)	-	-	44 000	-	44 000
Non-trading financial assets mandatorily designated at fair value through profit and loss		-	-	-	-
Available-for-sale financial assets (3)	3 701 538	(3 701 538)	-	-	
Financial assets designated at fair value through profit or loss (3)		3 701 538	3 226 846	-	6 928 384
Loans and receivables (4)	32 407 257	(32 407 257)	-	-	
Held-to-maturity investments (4)	10 634 320	(10 634 320)	-	-	
Financial assets carried at amortized cost (5) (6)		43 041 577	(3 159 062)	(116 188)	39 766 327
Derivatives - Hedge accounting	456 829	-	-	-	456 829
Investments in subsidiaries, joint ventures and associates	482 943	-	-	-	482 943
Tangible assets	1 290 684	-	-	-	1 290 684
Intangible assets	1 882	-	-	-	1 882
Tax assets (7)	2 613 094	-	4 978	39 278	2 657 350
Other assets	466 455	-	-	-	466 455
Non-current assets and disposal groups classified as held for sale	439 053	-	-	-	439 053
Total assets	**56 331 908**	**-**	**196 003**	**(76 910)**	**56 451 001**

The main impacts on assets are as follows:

(1) Certain financial assets that do not pass the SPPI test, worth EUR 87,947 thousand, are no longer recorded at amortized cost, because of the characteristics of their business model and have been booked at fair value through profit or loss, with a gross negative impact on the valuation of EUR 8,706 thousand.

(2) Some of the financial assets that were classified in the loans and receivables portfolio under IAS 39, amounting to EUR 50,594 thousand, have been booked in the portfolio of financial assets at fair value through profit or loss under IFRS 9, because the Group has established a business model of selling in the case of those credit transactions where it expects to recover their book value by selling them to a third party before maturity. The gross negative impact on the valuation from this portfolio change is EUR 6,594 thousand.

(3) Equity instruments classified as financial assets available for sale under IAS 39 have been reclassified in the portfolio of financial assets at fair value through other comprehensive income, affecting the valuation by EUR 14,993 thousand. Turning to debt securities, a part that had been booked in the loans and receivables portfolio and in investments held to maturity have been recorded in the portfolio of financial assets at fair value through other comprehensive income, representing a net transfer of EUR 3,020,521 thousand, because they are included in a business model whose purpose combines the collecting of contractual cash flows and sales, with a gross positive impact on the valuation of EUR 191,332 thousand, entered as “accumulated other comprehensive income”.

(4) The financial assets that were booked in the loans and receivables portfolio and the investments held to maturity portfolio have been reclassified as “Financial assets at amortized cost” as per IFRS 9 nomenclature and the Bank of Spain’s 4/2017 Circular.

(5) Part of the loans and receivables recognised at amortized cost under IAS 39, worth EUR 50,594 thousand, have been booked in the portfolio of financial assets at fair value through profit or loss under IFRS 9 (see note 2). Similarly, some of the debt securities that were recognised at amortized cost under IAS 39, for EUR 87,947 thousand, have been moved to the portfolio of non-trading financial assets mandatorily designated at fair value through profit and loss under IFRS 9, since they did not pass the SPPI test (see note 1). Finally, some of the debt securities at amortized cost under IAS 39 have been recorded in the portfolio of financial assets at fair value through in other comprehensive income under IFRS 9, amounting to a net transfer of EUR 3,020,521 thousand (see note 3).

(6) The sum of EUR 116,188 thousand in the "Impairment" column is the variation in gross terms of value adjustments resulting from impairment to financial assets due to changes in the Group's accounting policies.

(7) The sums in this line show the tax effect (in the case of tax assets) of the impacts on reserves recorded when IFRS 9 was first applied in the part pertaining to losses from financial assets impairment at amortized cost and provisioning for risks and contingent commitments.

	€ ´000				
	31.12.2017 IAS 39	**Change in nomenclature**	**Classification & measurement**	**Impairment**	**01.01.2018 IFRS 9**
Financial liabilities held for trading	27 412	-	-	-	27 412
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-
Financial liabilities carried at amortized cost	50 940 743	-	-	-	50 940 743
Derivatives - Hedge accounting	31 385	-	-	-	31 385
Change in fair value of hedged securities held in a portfolio hedged against interest rate risk	-	-	-	-	-
Liabilities under insurance or reinsurance contracts	4 290	-	-	-	4 290
Provisions (1)	935 351	-	-	14 739	950 090
Tax liabilities (2)	208 984	-	57 788	-	266 772
Equity redeemable upon demand	-	-	-	-	-
Other liabilities	281 405	-	-	-	281 405
Liabilities in disposal groups classified as held for sale	-	-	-	-	-
Total liabilities	**52 429 570**	**-**	**57 788**	**14 739**	**52 502 097**

The main impacts on liabilities have been as follows:

(1) The variation to the provisions recorded on loan commitments, financial guarantees and other commitments given deriving from changes in the Group's accounting policies.

(2) The sums in this line correspond to the tax effect of impacts on reserves and against accumulated other comprehensive income booked when IFRS 9 was first applied to the classification and value measurement of financial assets.

	€ ´000				
	31.12.2017 IAS 39	**Change in nomenclature**	**Classification & measurement**	**Impairment**	**01.01.2018 IFRS 9**
Shareholders' equity:	3 855 750	-	(10 710)	(88 884)	3 756 156
Capital	1 610 302	-	-	-	1 610 302
Share premium	1 209 423	-	-	-	1 209 423
Equity instruments issued other than capital	49 021	-	-	-	49 021
Other equity items	-	-	-	-	-
Retained earnings	871 757	-	-	-	871 757
Revaluation reserves	-	-	-	-	-
Other reserves (1)	(27 128)	-	(10 710)	(88 884)	(126 722)
Less: *Treasury shares*	-	-	-	-	-
Net income/loss attributable to the parent	142 375	-	-	-	142 375
Less: Interim dividends	-	-	-	-	-
Accumulated other comprehensive income:	16 910	-	146 033	-	162 943
Items not subject to reclassification to income statement (2)	183	-	-	-	183
Items subject to reclassification to income statement (2)	16 727	-	146 033	-	162 760
Minority interest (non-controlling interest)	29 678	-	2 892	(2 765)	29 805
Accumulated other comprehensive income (3)	392	-	2 892	-	3 284
Other items (3)	29 286	-	-	(2 765)	26 521
Total equity	**3 902 338**	**-**	**138 215**	**(91 649)**	**3 948 904**
Total liabilities and equity	**56 331 908**	**-**	**196 003**	**(76 910)**	**56 451 001**

The main impacts on total equity are as follows:

(1) The effect on reserves of the first time application of IFRS 9, both from the classification and measurement of financial assets and as a result of the new accounting policies for financial assets impairment.

(2) The effect on accumulated other comprehensive income due to the first time application of IFRS 9 as it touches on the classification and measurement of financial assets.

(3) The impact on minority interest of the changes described above, both in accumulated other comprehensive income and in other items (reserves).

	€ ´000				
	31.12.2017 IAS 39	**Change in nomenclature**	**Classification & measurement**	**Impairment**	**01.01.2018 IFRS 9**
Memorandum item: Off-balance sheet exposure (1)					
Loan commitments given		2 786 416	-	-	2 786 416
Financial guarantees given	1 056 588	(1 056 588)	-	-	
Contingent commitments given	3 625 252	(3 625 252)	-	-	
Financial guarantees given		77 230	-	-	77 230
Other commitments given		1 818 194	-	-	1 818 194
Total off-balance sheet exposure	**4 681 840**	**-**	**-**	**-**	**4 681 840**

The main impact on off-balance sheet exposures is as follows:

(1) As a result of the coming into force of the Bank of Spain’s 4/2017 Circular, there has been a change of terminology for the items covering off-balance sheet exposures.

The effect of the first application of IFRS 9 on Unicaja Banco Group's regulatory capital is positive, representing an increase in the CET1 ratio of 0.4 percentage points. The Group is applying the 5-year transitional period provided for in Regulation (EU) 2017/2395, which amended Regulation (EU) 575/2013 (CRR), in the matter of temporary provisions in order to mitigate the impact of introducing IFRS 9 on the losses expected from the credit portfolio.

1.13 Events occurring after the end of the period

In the period between the end of the financial year on 31st December 2018 and the date on which these consolidated annual statements were prepared, there have been no particularly important events which are not already covered in the annual report.

1.14 Other relevant information

In compliance with the notification made by the institution to the National Securities Market Commission on 12th December 2018, Unicaja Banco regularly analyses potential investment or corporate transaction opportunities that could be of interest to all its shareholders. To this end, it is holding preliminary contacts with Liberbank, S.A., in full knowledge of the Board of Directors, although no decisions have been adopted by Unicaja Banco, neither on the date of sending the notification to the National Securities Market Commission nor on the date of drawing up these consolidated annual statements.

2. Accounting principles and policies and evaluation criteria employed

The following accounting principles and policies and evaluation criteria have been used to prepare the Group's consolidated annual statements for the 2018 and 2017 financial years:

2.1 Consolidation

2.1.1 Subsidiary entities

"Subsidiary entities" are those over which the Entity can exercise control; this is manifested, in general, but not only, by ownership, direct or indirect, of more than 50% of the political rights of the investees or, even if this percentage is lower or nil, if, for example, there are agreements with shareholders of these entities granting control to the Entity. In compliance with the stipulations of IAS 27, control is understood to be the power to direct a company's financial and operating policies, with the aim of obtaining profits from its activities. In accordance with IFRS 10, an investee is considered to be controlled if and only if all of the following factors are in place: (i) power over the investee, (ii) exposure, or right, to variable returns arising from its involvement in the investee, and (iii) the ability to use its power over the investee to influence the amount of the investor's returns.

At 31st December 2018 and 2017, entities controlled by an affiliate are considered to be subsidiaries; taking into account the Group's participation in said affiliate, it is considered to control them (see details in Appendix I).

The annual accounts of subsidiaries are consolidated with those of the Bank by application of the full consolidation method, in accordance with the consolidation procedure described in IAS 27. Consequently, all balances arising from transactions between companies consolidated through this method that are significant have been eliminated in the consolidation process. In addition, the participation of third parties in:

- The Group's net equity is presented in the "Minority Interests" section in the consolidated balance sheet (Note 21).

- The consolidated results for the period are presented in the "Income from minority interests" section in the consolidated income statement (Note 21).

The consolidation of the results generated by the subsidiaries acquired in a period only takes into account those relating to the period between the date of acquisition and the close of that period. At the same time, the consolidation of the results generated by the subsidiaries disposed of in the year is carried out taking into account only those relating to the time between the beginning of the period and the date of disposal.

Note 12.2 gives information about the acquisitions, divestitures and most important movements that took place during 2018 in owned institutions.

At 31st December 2018 and 2017 the Unicaja Banco Group owns no securities or any other kind of transfer of financial assets or stake in unconsolidated structured entities.

Relevant information on these companies is given in Appendix I.

2.1.2 Joint ventures (multigroup entities)

Joint ventures are stakes in companies that are not subsidiaries but are jointly controlled by two or more companies that are not linked to one another.

In accordance with IFRS 11 "Joint Arrangements", joint ventures arise when a venturer is entitled to the net profit or loss of the entity in which it participates and, therefore, the equity method is used to account for its interest in the entity. In this regard, in consolidated financial statements, the multigroup entities are classified as joint ventures and for the purposes of IFRS 11 they are valued by the "equity method".

Note 12.2 provides information about the acquisitions, divestitures and most important movements that took place during 2018 in jointly controlled entities.

Relevant information on these companies is given in Appendix II.

2.1.3 Associated entities

"Associated entities" are those companies over which the Bank has the capacity to exert significant influence; although not control or joint control. Usually this capacity is manifested in a stake (direct or indirect) equal to or greater than 20% of the voting rights of the investee company.

At 31st December 2018 Alestis Aerospace, S.L, in which the Group has less than 20 per cent of the voting rights, is considered an associate entity. Regarding this participation, Unicaja Banco Group signed a partners' agreement on 18th December 2013 allowing it to form part of the Board of Directors, participate in the organisation and operation of the governance bodies and in certain cases block certain company resolutions. The stake grants Unicaja Banco Group significant influence but does not go as far as representing control or joint control over the company.

In the consolidated annual statements, the associate entities are valued using the “equity method”, as it is defined in IAS 28.

If, as a result of the losses incurred by an associate, its equity was negative, it would be reflected as nil in the Group's consolidated balance sheet; unless there is an obligation on the part of the Group to support it financially.

Note 12.2 provides information about associate entities' acquisitions, divestitures and most important movements that took place during 2018.

Relevant information on these companies is given in Appendix III.

2.2 Financial instruments

2.2.1 Classification of financial assets

Financial assets are classified using the following criteria:

- In the case of debt securities:
    - The business models approved by the Group for managing these assets.
    - Their compliance, or not, with the asset's contract flows, with the so-called "SPPI test" ("Solely Payment of Principal and Interest"), outlined below in this annual report note.
- In the case of equity instruments, it depends on the irrevocable choice the Group makes to present in other comprehensive income the subsequent changes to the fair value of an investment in an equity instrument that, falling within the scope of the IFRS 9, is not held for trading.

Following these criteria, debt securities will be included, for the purposes of their valuation, in one of the following portfolios: financial assets at amortized cost, financial assets at fair value through other comprehensive income, or financial assets at fair value through profit or loss.

If debt securities are classified in an amortized cost or fair value category, they have to pass two tests: the business model and the "SPPI test". The purpose of this test is to determine whether, consistent with the instrument's contractual nature, its cash flows represent solely the return of its principal and interest, understood essentially as compensation for the time value of money and the debtor's credit risk.

- A financial instrument will be classified within the amortized cost portfolio when it is being managed with a business model whose aim is to hold the financial assets in order to receive contractual cash flows and when it also complies with the SPPI test.
- A financial instrument will be classified within the financial asset portfolio at fair value through other comprehensive income if it is being managed with a business model that has the aim of combining the collection of contractual cash flows and sales; it also has to pass the SPPI test.
- A financial instrument will be classified at fair value through profit or loss provided that it is not appropriate to classify it in either of the portfolios described above, whether because of the Group's business model or because of the nature of the contractual cash flows.

The Group has pre-defined criteria for determining the acceptable frequency and reasons for sale so that the instrument can remain in the category of 'held to receive contractual flows'. Whatever the frequency and volume of the sales, certain types of sales are not incompatible with this business model, such as sales as a result of a reduction in the credit quality, sales close to transaction maturity to prevent variations in market prices from having a significant effect on the cash flows of the financial asset, sales in response to regulatory or fiscal changes, sales resulting from internal restructuring or a significant business combination, or sales deriving from the implementation of a liquidity crisis plan when the crisis event is not reasonably foreseeable.

The Group segments the financial instruments portfolio for the purpose of carrying out the SPPI test, distinguishing between products with standard contracts (where all instruments have the same contractual features), for which the Group conducts said test by reviewing the standard framework contract and the individual contract characteristics. Financial instruments with specific contractual features, on the other hand, are analysed individually. Any financial assets that fail the SPPI test are not recorded according to the characteristics of their business model, but instead measured at fair value through profit or loss.

2.2.2 Classification of financial liabilities

Financial liabilities are included for valuation in the following categories: financial liabilities at amortized cost, financial liabilities held for trading and financial liabilities designated at fair value through profit or loss

- The portfolio of financial liabilities held for trading includes all financial liabilities meeting any of the following conditions: (i) they have been issued with the intention of buying them back in the near future, (ii) they are short security positions, (iii) they form part of a portfolio of identified and jointly managed financial instruments, for which there is evidence of recent actions taken to obtain short-term earnings, or (iv) they are derivatives which neither fulfil the definition of financial guarantee contract nor have been designated as hedging instruments. The fact that a financial liability is used to finance trading activities does not itself entail inclusion in this category.

- The portfolio of financial liabilities designated at fair value through profit or loss includes such financial liabilities as meet any of the following conditions: (i) they have been designated irrevocably as such when they were first recognised by the Group, or (ii) they have been designated at their initial recognition, or subsequently, by the Group as a hedged item for credit risk management using a credit derivative measured at fair value through profit or loss.

- Financial liabilities not meeting the conditions above are classified in the financial liabilities portfolio at amortized cost.

2.2.3 Initial measurement of financial instruments

When they are first recognised, all the financial instruments are recorded in books at fair value. For financial instruments that are not booked at fair value through profit or loss, the amount of the fair value is adjusted by adding or deducting all the costs directly attributable to their acquisition or issue. In the case of financial instruments at fair value through profit or loss, the aforementioned costs are recorded immediately on the consolidated income statement.

Unless there is evidence to the contrary, the fair value at the initial recognition is the price of the transaction, equivalent to the fair value of the consideration given. If the fair value at initial recognition is different from the transaction price, the difference is recorded as follows:

- Immediately on the income statement when it is a level 1 fair value, according to the fair value hierarchy.

- In all other cases, as a fair value correction. The difference is deferred and charged to the consolidated income statement solely according to changing factors, including time, which market players will take into consideration when valuing the instrument, such as when the difference in a debt instrument is charged to the consolidated income statement account during the term of the transaction.

2.2.4 Subsequent measurement of financial instruments

After their initial recognition, the Group values financial assets: at amortized cost, at fair value through other comprehensive income, at fair value through profit or loss, or at cost. The Group applies the requirements for value impairment to debt instruments that are valued at amortized cost and at fair value through other comprehensive profit and loss.

Similarly, after their initial recognition, the Group values financial liabilities: at amortized cost or at fair value through profit and loss. Financial liabilities held for trading or designated at fair value through profit and loss are subsequently measured for their fair value.

The accounting treatment of the changes in valuation for each of the financial instrument portfolios held by the Group is as follows:

- **Assets y financial liabilities fair value through profit or loss:** this includes the following financial instruments: (i) assets and liabilities held for trading, (ii) non-trading financial assets mandatorily designated at fair value through profit and loss, and (iii) financial assets and liabilities designated at fair value through profit or loss.

  Financial instruments classified at fair value through profit or loss are initially measured at their fair value, immediately recognising on the profit & loss account the directly attributable transaction costs.

  Revenue and expenses of financial instruments at fair value through profit and loss are recognised using the following criteria:

  - Changes in fair value are booked directly on the consolidated income statement, distinguishing, in the case of non-derivative instruments, between those that are attributable to the instrument's accrued performance, which are booked as interest or dividends depending on their nature, and the remainder, which are booked as results of financial transactions, with a contra entry in the items "Gains/losses from financial assets and liabilities held for trading (net)", "Gains/losses from non-trading financial assets mandatorily designated at fair value through profit and loss (net)" and "Gains/losses from financial assets and liabilities designated at fair value through profit and loss (net)" of the consolidated income statement.

  - Accrued interest from debt instruments is calculated using the effective interest rate method.

- **Financial assets designated at fair value through other comprehensive income:** The instruments in this category are initially valued at fair value, adjusted by the transaction costs that can be directly attributed to the acquisition of the financial assets. After purchase, the financial assets in this category are valued at fair value through other comprehensive income.

  Financial assets' revenues and expenses at fair value through other comprehensive income are booked using the following criteria:

  - Accrued interest or, when applicable, accrued dividends are recognised on the consolidated income statement.

  - Exchange differences are recognised on the income statement if these are monetary financial assets, and in other comprehensive income, net of tax, when they are non-monetary financial assets.

  - In the case of debt instruments, losses from impairment or gains from their subsequent recovery are recognised on the consolidated income statement.

  - All other value changes are recognised, net of tax, through other comprehensive income.

  When a debt instrument at fair value through other comprehensive income is taken off the balance sheet, the loss or gain accumulated through other comprehensive income is rebooked to that period's results. However, when a net equity instrument at fair value through other comprehensive income is taken off the balance sheet, the sum of the loss or gain recorded in other comprehensive income is not rebooked in the income statement, but in a reserves item.

- **Financial assets carried at amortized cost:** The financial assets in this category are initially valued at fair value, adjusted by the transaction costs that can be directly attributed to the acquisition of the financial asset. After their acquisition, the financial assets in this category are valued at their amortised cost by applying the effective interest rate method.

Income and expenses of financial instruments at amortised cost are recognised with the following criteria:

- Accrued interest is booked in the “Interest income” line entry in the consolidated income statement, using the transaction’s effective interest rate over the gross carry value of the transaction (except in the case of NPAs, when it is applied over the net accounting value).

- All other changes in value are recognised as income or expenses when the financial instrument comes off the balance sheet; when it is reclassified, and when there are losses from impairment or gains from subsequent recovery.

- **Financial liabilities measured at amortized cost:** Financial liabilities in this category are valued at amortised cost, calculated by applying the effective interest rate method. Interest accrued for these values, calculated using this method, is booked in the line entry “Interest expenses” on the consolidated income statement.

2.2.5 Financial instruments’ fair value and amortised cost

The fair value of a financial instrument on a given date is understood as the sum for which it can be bought or sold on that date between two interested parties, properly informed, in a transaction conducted on mutually independent terms. The most objective and commonly used reference of a financial instrument’s fair value is the price that would be paid in an organised, transparent and deep market (listed price or market price).

When there is no market price for a particular financial instrument, the price set for analogous instruments in recent transactions is used to estimate its fair value. If this is not available, valuation models that have been tested by the international financial community are used, taking into account the specific peculiarities of the instrument being valued and, particularly, the various types of associated risk.

Specifically, the fair value of financial derivatives traded on organised, transparent and deep markets, including trading portfolios, is factored into their daily list price and if, for exceptional reasons, their list price cannot be established on a given date, similar methods are used to value them as those used for valuing derivatives that are not traded on organized markets.

The fair value of derivatives that are not traded on organized markets, or traded on organized markets that are not sufficiently deep or transparent, is similar to the sum of future cashflows arising from the instrument, discounted on the measurement date (present value or theoretical close). Methods recognised by financial markets: net present value, option pricing determination models, etc. are used for this valuation.

All investments in equity instruments and in contracts on these instruments are valued at fair value. However, under certain circumstances, the Group believes that the cost is a suitable estimate of these instruments’ fair value, when the recent information available is insufficient to determine fair value, or when there are a number of possible valuations but the cost is the best estimate out of all of them.

Amortised cost is understood as the sum for which a financial asset or liability is valued at its initial recognition, corrected by principal reimbursements and the accumulated amortisation of any existing difference between that initial sum and the sum at the maturity date of these financial instruments, using the effective interest method. In the case of financial assets, the amortised cost also includes corrections to its value from impairment losses.

The effective interest rate is the discount rate, which brings the gross carry value of a financial asset or the carry value of a financial liability into line with the estimated revenue flows throughout the instrument's expected life cycle, based on its contract terms, without taking into account expected credit losses. For fixed interest rate financial instruments, the effective interest rate is the same as the contractual interest rate set at the moment of purchase, adjusted, if applicable, by fees and transaction costs that, in accordance with current regulations, are an integral part of the instrument's performance or effective cost, which as such must be included when calculating this effective interest rate. In variable interest rate financial instruments, the effective interest rate is estimated in a manner analogous to that of fixed rate transactions, and is recalculated at each interest review date as stipulated in the transaction contract, taking into account the changes that the transaction's future revenue flows may have experienced.

2.2.6 Reclassification of financial instruments

When the Group changes its business model in order to manage financial assets, and only in these circumstances, it reclassifies all the affected financial assets according to the following guidelines.

This reclassification is conducted on a forward-looking basis from the reclassification date, without restating gains, losses or interest that have previously been recognised. As a rule, changes to the business model occur very infrequently.

- When the Group reclassifies a debt instrument from the amortised cost portfolio to the fair value through profit or loss portfolio, the Group estimates its fair value on the reclassification date. Any loss or gain that may arise from the difference between the previous amortised cost and the fair value is recognised in the consolidated income statement.

- When the Group reclassifies a debt instrument from the fair value through profit or loss to the amortised cost portfolio, the asset's fair value on the reclassification date becomes its new gross carry value.

- When the Group reclassifies a debt instrument from the amortised cost portfolio to the fair value through other comprehensive income portfolio, the Group estimates its fair value on the reclassification date. Any loss or gain that may arise from the difference between the previous amortised cost and the fair value is recognised in other comprehensive income. The effective interest rate and the forecast of expected credit losses are not adjusted as a consequence of the reclassification.

- When the Group reclassifies a debt instrument from the fair value through other comprehensive income portfolio to the amortised cost portfolio, the financial asset is reclassified by its fair value on that date. The accumulated loss or gain of the net equity on that reclassification date through other accumulated comprehensive income is cancelled using as a counterparty the asset's carry value on the reclassification date. So, the debt instrument is valued on the reclassification date as though it had always been valued at amortised cost. The effective interest rate and the estimate of expected credit losses are not adjusted as a result of this reclassification.

- When the Group reclassifies a debt instrument from the fair value through profit and loss portfolio to the fair value through other comprehensive income portfolio, the financial asset is still valued at fair value, with no need to adjust the accounting of the changes in value booked previously.

- When the Group reclassifies a debt instrument from the fair value through other comprehensive income portfolio to the fair value through profit and loss portfolio, the financial asset is still valued at fair value. The profit or loss accumulated previously under the "Other accumulated comprehensive income" heading for net equity is passed over to the results for the period on the date of reclassification.

2.2.7 Derecognition of financial instruments

A financial asset is derecognised from the consolidated balance sheet under any of the following circumstances:

- the contractual rights on the revenue flows it generates have expired, or

- the financial asset is transferred and most of its risks and profits are transmitted.

A financial liability, on the other hand, is derecognised when the obligations it generates have been extinguished, or when it is reacquired by the Group.

2.3 Hedge accounting and risk mitigation

The Unicaja Banco Group’s governance bodies have addressed the implications of IFRS 9 on hedge accounting and have decided to continue, for the time being, to follow IAS 39 rules in the accounting for these financial instruments.

The Group uses financial derivatives as part of its strategy to reduce its exposure to interest rate, market and foreign currency risks, among others. When these transactions meet certain requirements set out in IAS 39, these transactions are treated as “hedging”.

When the Group designates a transaction as a hedge, it does so from the outset of the transactions or instruments included in said hedge, duly recording the transaction as a hedge. When documenting these hedging transactions, the instrument or instruments being hedged are duly identified, as are the hedging instrument or instruments, as well as the nature of the risk to be hedged. The criteria or methods used by the Group to assess the efficacy of the hedge throughout its life cycle, as they relate to the risk being hedged, are also recorded.

The Group classifies as "hedging operations" only those that are considered highly effective over the duration of these operations. A hedge is considered to be highly effective if, during its expected term, changes in the fair value or cash flows attributed to the hedged risk of the financial instrument(s) in question are almost completely offset by variations in the fair value or in the cash flows, as the case may be, of the hedging instrument(s).

To measure the effectiveness of hedging transactions defined as such, the Group analyses whether, from the outset and to the end of the term defined for the hedging transaction, it is reasonable to expect, prospectively, that the changes in fair value or in the cash flows of the item hedged that are attributable to the risk covered will be almost entirely offset by the changes in fair value or in the cash flows, as the case may be, of the hedging instrument or instruments and that, retrospectively, the results of the hedge will have oscillated within a range of variation of eighty to one hundred and twenty five per cent, relative to the result of the hedged item.

The hedge transactions carried out by the Group are classified in the following categories:

- Fair value hedges: these cover exposure to changes in the fair value of financial assets and liabilities or of unrecognised firm commitments or an identified portion of such assets, liabilities or firm commitments, attributable to a particular risk and provided they affect the consolidated income statement.

- Cash flow hedges: these cover the change in cash flows attributed to a particular risk associated with a financial asset or financial liability or a transaction that is forecast as highly probable, as long as it might affect the consolidated income statement.

With regard to financial instruments that are specifically designated as hedged items and accounting hedge, the valuation differences are recorded using the following criteria:

- In fair value hedges, the differences in both the hedging elements and the elements hedged – as far as the type of risk covered is concerned – are recognised directly on the consolidated income statement.

- In cash flow hedges, the valuation differences that occur in the efficient hedging portion of the hedging elements are recorded temporarily in the equity item "Other accumulated comprehensive income – Items subject to reclassification – Hedging derivatives. Cash flow hedges (effective portion)". Financial instruments hedged in this kind of hedging transaction are recorded according to the criteria explained in Note 2.2 without any modification to them for having been treated as hedged instruments.

In cash flow hedges, as a general rule, the valuation differences in hedging instruments, in the effective portion of the hedge, are not recognised as results on the consolidated income statement until the profit or loss of the hedged item is recorded in results or, if the hedge is for a transaction that is forecast as highly likely to end up as recognition of a non-financial asset or liability, they will be recorded as part of the acquisition or issuance cost when the asset is acquired or taken on.

The valuation differences in the hedging instrument corresponding to the ineffective portion of transactions to hedge cash flows and net investments in overseas businesses are recorded directly under the heading "Income/loss (net) from financial transactions" on the consolidated income statement.

The Group stops booking hedging transactions as such when the hedge instrument matures or is sold, when the hedging transaction ceases to meet the criteria for being considered as such, or if the classification of the transaction as a hedge is being revoked.

If a fair value hedging transaction is being interrupted, according to the provisions in the paragraph above, in the case of hedged items valued at their amortised cost, the adjustments to their value made as a result of applying the hedging accounting described above are booked to the consolidated income statement until the hedged instruments mature, applying the effective interest rate recalculated on the date that said hedging transaction was interrupted.

If a cash flow hedging transaction, or a transaction to hedge net investments overseas, is interrupted, the accumulated income of the hedging instrument recorded in the section "Net equity – Other accumulated comprehensive income" of the net equity on the consolidated balance sheet will remain in the same section until the planned hedged transaction takes place. At that moment it will be booked to the income statement or else it will correct the cost of acquiring the asset or liability being recorded, in the event of the covered item being a transaction that is expected to end up recorded as a non-financial asset or liability.

2.4 Foreign currency transactions

2.4.1 Operating currency

The Group's operating currency is the euro. Therefore, all balances and transactions in other denominations are considered "foreign currency".

The euro equivalent of total assets and liabilities in foreign currency held by the Group at 31st December 2018 comes to EUR 94,365 thousand and EUR 48,708 thousand, respectively (EUR 78,089 thousand and EUR 34,292 thousand, respectively, at 31st December 2017). 84% and 54%, respectively, at 31st December 2018 were in United States dollars (82% and 75%, respectively, at 31st December 2017) and 5% and 5%, respectively, at 31st December 2018 were in pounds sterling (8% and 10%, respectively, at 31st December 2017), and the remainder were all in other currencies that are listed on the Spanish market.

2.4.2 Conversion criteria for foreign currency balances

Transactions in foreign currency conducted by the Group are initially recorded in the financial statements in their euro equivalent resulting from applying the exchange rates current on the transaction dates. Subsequently, the Group converts the monetary balances in foreign currency to its operating currency, using the exchange rate current at the end of the financial period. Similarly:

- Non-monetary items valued at their historic cost are converted to the bank's operating currency on the date they are acquired.

- Non-monetary items valued at their fair value are converted to the bank's operating currency on the date on which their fair value is determined.

2.4.3 Exchange rates

The exchange rates used by the Group to convert balances in the leading foreign currencies in which it operates into euros for the purposes of preparing the consolidated annual statements are the market rates at 31st December 2018 and 2017, published by the European Central Bank on each of those dates.

2.4.4 Recording exchange differences

The exchange differences occurring when balances in foreign currency are converted into the operating currency of the consolidated companies and of their branches are recorded, as a general rule, using their net amount in the line item "Exchange differences (net)" of the consolidated income statement, except for exchange differences in financial instruments classified by their fair value through profit or loss, which are booked on the consolidated income statement without differentiating them from the other variations that their fair value may have experienced.

During the 2018 financial period, the amount of the exchange differences recorded on the Bank's consolidated income statement came to EUR 404 thousand of (net) loss, whereas during the 2017 financial year they came to EUR 402 thousand of (net) gains.

The above notwithstanding, the exchange differences arising in non-monetary items whose fair value is corrected with the euro equivalent in consolidated net equity are recorded in the consolidated net equity item "Accumulated other comprehensive income – Elements that can be reclassified in the income statement – Foreign exchange conversion" of the consolidated balance sheet up to the moment when these conversions are made.

During the 2018 and 2017 financial years, the amount of the exchange differences charged against the consolidated statement of recognised income and expense as "Accumulated other comprehensive income - Elements that can be reclassified in the income statement – Foreign exchange conversion" comes to EUR 35 thousand in gains by (net) valuation and EUR 163 thousand in losses by (net) variation, respectively.

2.5 Recognition of income and expenses

The most important accounting principles used by the Group to recognise its revenue and expenses are summarised below:

2.5.1 Income and expenses from interest, dividends and similar items

Income and expenses from interest and similar items are generally recognised in accounting terms depending on their accrual period, by applying the effective interest method defined in IFRS 9. Dividends received from other companies are recognised as revenue from the moment when Group companies are awarded the right to receive them.

2.5.2 Commissions, fees and similar items

Income and expenses from commissions and similar fees, that should not form part of the calculation of transactions' effective interest rate and/or do not form part of the cost of acquiring financial assets or liabilities other than those classified at fair value through profit and loss, are recognised on the consolidated income statement with criteria that differ according to their nature. The most important are:

- Those relating to the acquisition of financial assets and liabilities valued at fair value through profit and loss, which are recognised on the consolidated income statement when they are paid.

- Those arising from transactions or services over a prolonged period of time, which are booked on the consolidated income statement during the life of these transactions or services.

- Those arising from a single event, which are expensed to the consolidated income statement when the event in question occurs.

2.5.3 Non-financial income and expenses

These are recognised in the accounts following the accrual criterion.

2.5.4 Deferred charges and payments

These are recognised for the sum resulting from updating, at market rates, estimated cash flows.

2.5.5. Contributions to the Credit Institutions' Deposit Guarantee Fund (FGDEC) and Single Resolution Fund (SRF)

In compliance with the provisions of IFRIC 21 "Levies", the event which triggers the obligation giving rise to a liability to pay a levy is the activity that produces the payment of the levy, in the terms stipulated in the legislation. As a result, the expense and the payment obligation are recognised in the case of contributions to the Credit Institutions' Deposit Guarantee Fund (FGDEC) and Single Resolution Fund (SRF) when the payment notification is received.

2.6 Offsetting balances

They may only be netted out with one another and, in consequence, the debit and credit balances arising from transactions that by contract or by legal obligation have the option of being offset (and where the intention exists to settle them for their net sum, or to realise the asset and proceed to pay the liability at the same time) are presented on the consolidated balance sheet for their net sum.

For these effects, reporting financial assets subject to valuation corrections from amortisation or impairment, net of these items, in line with IFRS-EU in these consolidated annual statements is not considered as "offsetting balances".

2.7 Impairment of financial assets

The criteria described in this section are applicable both to debt instruments (loans and advances, and debt securities) and to other exposures that entail credit risk (loan commitments awarded, financial guarantees given and other commitments granted).

To this end, in accordance with the stipulations of IFRS 9, the bank has developed proprietary methodology for carrying out individual estimations for significant borrowers, internal models for collectively estimating provisions and internal models for estimating cuts to benchmark values of real estate collateral and of foreclosed assets.

In order to record the hedge for impairment losses, the Group recognises the credit losses expected from the transactions. It distinguishes between:

- Credit losses expected during the term of the transaction: these are the expected credit losses resulting from all the possible default events during the entire term of the transaction.

- Credit losses expected in the next twelve months: the part of the credit losses expected over the term of the transaction from expected credit losses due to default events that may occur in the transaction over the twelve months following the reference date.

Credit losses are the difference between all the contractual cash flows owed to the Group under the financial asset's contract and all the cash flows the Group actually expects to receive (i.e. all the cash flow gaps), discounted at the original effective interest rate or, in the case of financial assets that have been bought with or originated with credit impairment, discounted at the effective interest rate corrected for credit quality.

In the case of loan commitments given, contractual cash flows that would be owed to the Group in the event of a drawdown (of the loan commitment) are compared with the cash flows the Group expects to receive if the drawdown on the commitment is materialised. In the case of financial guarantees given, the payments the Group expects to make, minus the cash flows it expects to receive from the guaranteed party, are considered.

The Group estimates the transaction's cash flows over its expected term, bearing in mind all the transaction's contractual terms and conditions (such as options for early repayment, extension, redemption and other similar options). It is based on the working assumption that the expected term of a transaction can be reliably estimated. Nevertheless, in exceptional cases, in which the term cannot be reliably estimated, the Group uses the transaction's remaining contractual period, including extension options. Among the cash flows taken into consideration, the Group includes those from the sale of collateral received, or other credit enhancements that are integral to the contract conditions, such as the financial guarantees received.

Credit exposures are classified, depending on the credit risk, into one of the following categories:

- Performing risk (stage 1). Those transactions whose credit risk has not increased significantly since their initial recognition. Hedging for impairment is the same as the credit losses expected over twelve months.

- Watch-list performing risk (Stage 2). Those transactions whose credit risk has increased significantly since initial recognition but have had no default event. Hedging for impairment is the same as the credit losses expected over the transaction's lifetime.

- Non-performing risk (Stage 3). Those transactions with credit impairment, i.e. with a default event. Hedging is the same as the expected credit losses.

- Write-off risk. This category includes transactions for which there are no reasonable expectations of recovery. Classification in this category involves recognition in results of losses for the book value of the transaction and the asset being completely written off.

The sum of the hedge for impairment losses is calculated according to how the credit risk is classified, and to whether there has been a default event. Thus, a hedge for losses due to transaction impairments is the same as:

- Twelve-month expected credit losses, when the risk is classified as 'Performing risk' (Stage 1).
- Expected credit losses over the lifetime of the transaction, if the risk is classified as 'Watch-list performing risk' (Stage 2).

- Expected credit losses over the term of the transaction when there has been a default event and as such they are classified as ‘Non-performing risk’ (Stage 3).

The Unicaja Banco Group has developed automatic classification criteria built into the classification algorithm and that allow scenarios of NPLs, bankruptcy, refinancing criteria and the drag-along effect to be identified. In addition, the Institution has established individual and collective triggers that enable early identification of weaknesses and objective evidence of impairment.

On the basis of the group classification indicators developed by the Group as part of its internal methodology for estimating provisions, debt instruments that do not meet the criteria to be classified as non-performing or write-off risk, but which display weaknesses that could entail higher losses than the rest of the transactions classified as performing risk, are considered “Stage 2”.

To establish this classification, the entity responds to both automatic triggers, entailing straight classification in this category, and synthetic triggers, which may involve objective signs or evidence of a significant increase in risk, individually, or in combination with others.

The most important automatic triggers –meaning classification directly as Stage 2- include but are not limited to:

- Risks for sums that are more than 30 days overdue.
- Refinanced or restructured risks that do not meet the conditions for being considered re-performing, under the Group’s classification policy, although without signs of impairment.

On the other hand, the Group has developed collective classification indicators to reflect the significant increase in risk through the worsening in the probabilities of "life-time" default, taking as reference the first estimate of transactional PD (probability of default) of the transactions. Meanwhile it is objectively measuring significantly increased risk based on factors such as high indebtedness compared to when the transaction was signed off, drop in turnover, borrower’s contracting operating margins, score below a certain threshold in a scoring model for individuals, the holder belonging to sectors undergoing difficulties, significant annotations in credit bureaus and others.

Similarly, the Group has put in place objective criteria for classifying debt instruments in which some of the following circumstances apply as “Stage 3” non-performing risks:

- Risks with over 90 days’ non-payment (plus the so-called ‘contagion effect’: transactions in default making up more than 20% of the amounts still payable by the borrower).
- A 50% fall in the borrower’s equity as a result of losses in the previous period or negative net equity.
- Continued losses or substantial reduction, or significantly inadequate economic-financial structure.
- Repeated late payments or insufficient cash flows.
- Credit rating conducted by a specialised company showing that the borrower is in default or close to defaulting.
- Overdue commitments to public institutions or employees.
- Balances claimed or in which judicial claim for reimbursement has been decided as the course of action.
- Borrowers in bankruptcy proceedings

The Group estimates a given transaction’s credit losses in such a way that these losses reflect: (i) a weighted, unbiased sum, arrived at by assessing a series of possible outcomes; (ii) the time value of money, and (iii) credible information, supported by evidence available at the reporting date, without incurring a disproportionate cost or effort, about past events, current conditions and forecasts of future economic conditions.

Estimations in the changes to future cash flows reflect and are consistent with the amendments forecast in observable variables: The variables on which the forecasts have been carried out were chosen for their ability to explain the behaviour of the volumes and the representative prices of the principal balance sheet aggregates: customer credit; fixed and variable income portfolio; liquid assets, and remaining assets. Based on the foregoing, the variables were divided into two groups: (i) those that are representative of the state of the Spanish economy; (ii) those referring to the financial environment.

In the case of the representative variables for the economic context, the macroeconomic table used by the European Central Bank was taken. We wanted to avoid potential problems that might arise as a result of creating too many parameters in our projections. For this reason, parameters were chosen that, taking the statistics published by the Bank of Spain on Spanish deposit institutions as a group, show the highest correlation and explain most of the variance in the main asset areas on the balance sheet. This is done by analysing the principal and regression components on: (i) year-on-year variation in Gross Domestic Product (GDP), measured in terms of a chained volume indicator adjusted for trend-cycle data, (ii) the unemployment rate, defined in terms of "Unemployed population/Active population", and (iii) year-on-year variation rate in the Harmonised Consumer Price Index (IPCA in the Spanish acronym). Because of its impact on the performance of credit investment with collateral, the year-on-year variation rate of the General Housing Price Index (IGPV in the Spanish acronym) was also added. The remaining variables were considered instrumental and used as a control in order to capture idiosyncratic events and improve the goodness of fit, or otherwise were eliminated once their lack of statistical significance had been proven or where there were problems of autocorrelation.

Turning to the variables for the financial environment, the following were chosen (expressed in percentage terms): (i) interest rates: the European Central Bank monetary policy rate, Euribor at 1 month, Euribor at 3 months, Euribor at 6 months, Euribor at 12 months, 3-year Spanish treasury debt, 5-year Spanish treasury debt, 10-year Spanish treasury debt, 3-year German treasury debt, 5-year German treasury debt, 10-year German treasury debt, IRS at 3 years, IRS at 5 years, IRS at 10 years, (ii) risk premium on Spanish treasury debt, measured as the differential between the yields on 10-year Spanish treasury debt and 10-year German treasury debt, and (iii) stock market performances, measured in terms of year-on-year variation of the Ibex-35 and Eurostoxx.

Together with the base scenario, the results were used to define two complementary scenarios: (i) An adverse scenario: on the 20th percentile distribution of each variable's accumulated probability, and (ii) An optimistic scenario: on the 80th percentile distribution of each variable's accumulated probability.

Impairment is calculated by the Group: (i) on a case-by-case basis for those exposures which show objective evidence of impairment, held with borrowers who are individually significant, (ii) on a cluster basis for the key portfolios which can be modelled, and (iii) using the alternative solution set up by the Bank of Spain for the remaining exposures. For these purposes, the transactions are grouped together according to their shared credit risk features, which highlight holders' ability to pay all sums due, principal and interest, according to the contractual conditions.

- Individual hedges are estimated using future cash flow discounting techniques. To do this, the Group has current, reliable information about the holder or guarantors' solvency and ability to pay. Individual hedging estimates for watch-list performing transactions (Stage 2) take into consideration not only credit losses, as in the case of non-performing transactions, but also the probability of default (PD). To factor the default risk into the individual hedging estimate for these transactions, the Group generally uses the PD estimated for groups of transactions with similar risk characteristics.

- Group hedging estimates are calculated by using models based on the following parameters: PD (probability of default), LGD (loss given default) and EAD (exposure at default). The methodology and assumptions used to estimate expected credit losses using these models are regularly reviewed by the Group, to reduce any disparities there may be between estimated and real losses.

The alternative solution, established by the Bank of Spain in its 4/2017 Circular, is based on a standard guideline methodology designed for borrowers who do not meet the criteria for individual hedging estimates, or who belong to a segment for which no internal model exists, or when the latter has not been updated with the necessary frequency.

2.8 Financial guarantees and its provisions

Contracts under which an institution is required to pay specific amounts on behalf of a third party if the latter does not honour the payment are considered “financial guarantees”, whatever the manner in which the obligation is structured: bond, financial collateral, irrevocable letter of credit issued or underwritten by the institution, etc.

In accordance with the provisions of the EU-IFRS standards, in general, the Group considers that financial guarantee contracts granted to third parties as financial instruments fall within the scope of IFRS 9.

When they are first recorded, the Group books financial guarantees given on the liability of the consolidated balance sheet at their fair value plus those transaction costs that are directly attributable which, on the whole, are equivalent to the sum of the premium received plus, where applicable, the present value of the commissions and income due on these contracts throughout their life cycle, with the sum of the commissions and similar income charged at the outset of the transactions as a contra entry on the assets side of the balance sheet, together with the outstanding accounts receivable for the present value of the commissions and dues not yet collected. After their initial recognition, these contracts are valued on the liability side of the consolidated balance sheet at the greater of the following two sums:

- The amount determined following IAS 37. Here, the financial guarantees, whoever holds them, however they are structured or whatever their circumstances, are regularly analysed to assess the credit risk exposure and, if applicable, to estimate whether provisioning needs to be set up for them; this is determined by applying criteria similar to those set for quantifying impairment losses from debt instruments valued at amortised costs.

- The sum initially recorded for these instruments, less the amortisation of that sum which, in compliance with IAS 18, is carried out on a straight-line basis for the duration of these contracts on the consolidated income statement.

Where provisions have been set up on these instruments they are booked under the entry “Provisions – Provisions for contingent risks and commitments” on the liability side of the consolidated balance sheet. The appropriation and recovery of these provisions is recorded with a contra under the entry “Provisions (net)” on the consolidated income statement.

In the event of it being necessary, in accordance with the above, to create a provision for these financial guarantees, the commissions receivable associated with these transactions, which are booked under “Financial liabilities at amortised cost – Other financial liabilities” on the liability side of the consolidated balance sheet, are reclassified to the appropriate provision.

2.9. Booking lease transactions

2.9.1 Finance leases

Transactions in which the vast majority of the risks and advantages pertaining to the good that is the object of the lease are transferred to the lessee are treated as finance lease transactions.

When consolidated companies act as lessors of a good in a finance lease transaction, the sum of the present value of the amounts to be received from the lessee, plus the residual guaranteed value, usually the price of exercising the call option from the lessee at the expiration of the contract, is recorded as lending to third parties, and therefore included under the heading “Loans and receivables” on the consolidated balance sheet, depending on the characteristics of the lessee.

When the consolidated companies act as lessees in a finance lease transaction, they book the cost of the assets leased on the consolidated balance sheet, depending on the nature of the good that is the object of the contract and, at the same time, a liability for the same amount (which will be the lower of either the fair value of the good leased or the sum of the current values of the lessor's receivables plus, if applicable, the price of exercising the call option). These assets are amortised using criteria similar to those applied to the Group's basket of own-use material assets (Note 2.14).

In both cases, financial income and expenses originating in these contracts are credited and charged, respectively, on the consolidated income statement under the headings "Interest income" and "Interest expenses", respectively, estimating the transactions' accrual by applying effective interest rate method, calculated in line with the stipulations in the new regulation.

The quantitative information to 31st December 2018 and 2017 on Unicaja Banco Group's finance lease activity is shown below:

(a) The reconciliation between gross investment (including the call option when there is one) and the present value to 31st December 2018 and 2017 is the following:

		€ ´000
	2018	**2017**
Nominal value of accounts receivables	100 689	83 312
Nominal value of purchase transactions	7 261	5 781
Total nominal value at close	**107 950**	**89 093**
Unearned financial revenue	5 265	4 522
Present value at close	**113 215**	**93 615**

(b) The present value of the minimum payments to 31st December 2018 and 2017, and the breakdown by residual periods, is as follows:

		€ ´000
	2018	**2017**
Less than one year	32 160	22 826
One to five years	69 478	53 865
More than one year	11 577	10 674
	113 215	**87 365**

(c) The unguaranteed residual values accruing to the benefit of the lessor came at 31st December 2018 to EUR 7,261 thousand (EUR 5,781 thousand to 31st December 2017).

(d) The accumulated allowance for uncollectible minimum lease payments due to 31st December 2018 amounted to EUR 2,924 thousand (EUR 4,010 thousand to 31st December 2017).

2.9.2 Operating leases

In operating lease transactions, the ownership of the good leased, and the vast majority of the risks and advantages of the good, remain with the lessor.

When consolidated institutions act as lessors in operating lease transactions, they book the purchase cost of the leased goods under the heading “Tangible assets”; either as “Real estate investments” or as “Leased out under operating lease”, depending on the nature of the assets being leased. These assets are amortised according to the policies adopted for similar own-use tangible assets and income from leasing contracts is recognised on the consolidated income statement on a straight-line basis under the heading “Other operating products – Income from non-financial services”.

When consolidated institutions act as lessees in operating lease transactions, the lease expenses, including incentives awarded by the lessor, if there are any, are recognised on a straight-line basis on their consolidated income statements under the heading “Other administrative overheads”.

2.10 Assets under management

Assets managed by consolidated companies that belongs to third parties are not included on the consolidated balance sheet. Fees earned from this activity are included in the balance of the heading “Fee income” on the consolidated income statement. Note 31.4 gives information about third-party assets under management by the Group at 31st December 2018 and 2017 during the periods ending on those dates.

2.11 Investment funds and pension funds managed by the Group

The investment and pension funds managed by consolidated companies are not filed on the Group’s consolidated balance sheet, since these belongs to third parties. Fees accrued in the period from the various services provided to these funds by companies in the Group (AUM services, portfolio deposit, etc.) are filed under the heading “Fee income” on the consolidated income statement.

2.12 Staff expenses

2.12.1 Post-employment commitments

2.12.1.1 Overview of the commitments

According to the labour agreement in place, the Group must complete the Social Security contributions made by its employees, and others with similar rights, in the case of retirement, death of a spouse, permanent or severe disability.

During 2002, Unicaja reached an agreement with its employees to amend and transform the contributory social welfare system that had existed until then, as regards contingencies for retirement and associated conditions, together with contingencies for occupational risk. As a result of this agreement, an employment pension plan was set up and outsourced as Unifondo Pensiones V Pension Fund, with some of the pension commitments accrued with staff. The remaining pension commitments included in the internal fund at 31st December 2001 were insured with policies for the 2004 and 2005 financial periods (Note 41.1).

The key terms of this agreement are based around moving to a mixed model of social welfare with defined contribution and defined benefit groups. As a result, the plan accepted in the above-mentioned agreement covers six employee groups, distinguishing between their seniority, linkage and the collective bargaining group to which they belong. Depending on the collective, the benefits are minimum guaranteed benefit for death and disability and defined contribution or benefit for retirement.

As a result of the merger of Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga y Antequera (now Unicaja Banking Foundation) and Caja Provincial de Ahorros de Jaén (Caja de Jaén), on 13th April 2011 a labour agreement to integrate the employment pension plans in Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera and Jaén was signed, which was ratified through the labour agreement on the procedure for integrating the employment pension plans in Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera and Jaén on 26th July 2011.

The purpose of this agreement was to establish how the employment pension plan that covers all Unicaja employees as a result of the merger would be regulated and decide on the procedure to unify the employment plans that existed in both institutions. This was achieved by integrating the Caja de Jaén employee pension plan into the Unicaja employee pension plan, representing the cancellation and settlement of the former, creating a new collective made up of the employees of that institution.

On 20th September 2011, the Unicaja Employees' Pension Plan Oversight Committee approved the amendment of the pension plan specifications adjusted to the text established in the labour agreement described above, accepting with immediate effect the integration of the participants, of their consolidated rights and those of the Caja de Jaén employee pension plan's beneficiaries, who were registered on 26th October 2011.

Meanwhile, and because Unicaja was in the process of becoming a bank, Unicaja's employee pension plan oversight committee agreed on the modification of this plan in a Joint Promotion Plan, the details of which were updated in November 2016.

Finally, in 2014, Unicaja Banco Group acquired a controlling stake in the capital of Banco de Caja España de Inversiones, Salamanca y Soria, S.A. which, pursuant to the collective bargaining agreements in effect, must envisage the Social Security payments of its employees, or its rights holders, in the event of retirement, widowhood, becoming an orphan, permanent and/or severe disability. The post-employment commitments made by EspañaDuero to its employees are considered defined contribution commitments, where the entity makes predetermined contributions to a separate institution, without having the real or effective obligation to make further contributions if the separate institution cannot cover the remuneration of employees relating to the services provided in the current or previous financial periods. The post-employment commitments that do not meet the former conditions are considered defined benefit commitments. Note 41.1.1 lists EspañaDuero's post-employment commitments from the date on which the Unicaja Banco Group took control.

To 31st December 2018 and 2017, actuarial calculations for the defined contribution systems have been made, applying the following assumptions:

	2018	**2017**
Rate of wage increase	2%	2%
Increase in social security coverage	1%	1%
Pensions review rate	1%	1%
Mortality rate	PERMF 2000-P	PERMF 2000-P

Commitments accrued by retired staff to 31st December 2018 and 2017 are outsourced in Unifondo Pensiones V pension fund and are hedged by an insurance policy taken out on the basis of a guaranteed interest rate of 5.406% to 31st July 2041 and of 2.5% from then on, and on PERMF 2000-P mortality tables.

- Defined contribution commitments

The contribution accrued during the period for this item is recorded under the heading "Staff expenses" on the consolidated income statement.

To 31st December 2018 and 2017, there were no sums pending payment to external defined contribution plans.

- Defined benefit commitments

The Group has recorded under the heading "Provisions – Funds for pensions and similar obligations" on the liability side of the consolidated balance sheet (or on the asset side, under the heading "Other assets", depending on the sign difference and when the IAS 19 and IFRS 14 conditions are met for them to be booked) the present value of the defined benefit pensions commitments, net, as explained below, of the fair value of the assets meeting the requirements for consideration as "Plan Assets" and "Past Service Cost".

"Plan Assets" are those linked to a particular defined benefit commitment with which these obligations will be settled, and they meet the following conditions:

- They are not Group property but belong to a legally separate entity that is not linked to the Group.
- They are only available to pay or fund employees' post-employment remunerations.
- They may not return to the Group, except when the assets that remain in the plan are sufficient to meet all the obligations of the plan or the entity relating to the benefits of past or present employees or to reimburse employee benefits already paid by the Group, and
- They are not untransferable financial instruments issued by the Group.

If the Group can require an insurer to pay part or all of the disbursement necessary to cancel a defined benefit obligation, with almost complete certainty that the insurer in question is going to reimburse some or all of the disbursements required to cancel this obligation, but the insurance policy does not meet the conditions for earmarking as a plan asset, the Group records its right to the disbursement on the asset side of the consolidated balance sheet, under the heading "Insurance contracts linked to pensions" that, in all other respects, is treated as a plan asset.

The difference between real and preliminary actuarial assumptions will be treated as "actuarial profit and loss", as will changes in the actuarial assumptions used.

In compliance with IAS 19, the Group records actuarial profits & losses that could arise from its post-employment commitments to its employees in the financial period when they take place, by means of the appropriate charge or credit on the consolidated statement of recognised income and expense, through "Other recognised income and expenses", which are treated for these purposes as items that will not be reclassified to results.

The "Past service cost", emanating from the amendments made in pre-existing post-employment remunerations or from introducing new benefits, is the cost of improving the benefits associated with the years of service provided by each employee, according to a straight-line cost distribution using the projected unit of credit method, which is recognised immediately on the consolidated income statement of the period in which it occurs.

Post-employment remunerations are recognised on the consolidated income statement as follows:

- The cost of services in the present period, understood as the increase in the present value of the obligations arising as a result of the services provided during the period by the employees, under the heading "Staff expenses".

- Interest costs, understood as the increase during the period in the present value of obligations as a result of the passage of time, under the heading "Interest expenses". When the obligations are booked in liabilities, net of the plan assets, the cost of the liabilities recognised on the income statement will be exclusively the cost of the obligations recorded in liabilities.

- Expected performance of the assets allocated to hedging the commitments and the gains & losses in their value, minus any cost entailed in management and associated taxes, in the section "Interest income".

2.12.1.2 Criteria used for post-employment remunerations

The following should be considered, relative to the criteria used and the method of determining the discount rates applied to post-employment remunerations:

- **For insured commitments:** The criteria described in IAS 19 and the Bank of Spain regulations were used; specifically, to establish the discount rate, the criteria described in paragraph d), section 14, Rule Thirty-Five of the Bank of Spain's Circular 4/2017. At the end of the 2018 period, for the commitments insured under insurance policies, the fair value of the assets and the obligations was calculated using a discount rate that varied according to the average duration of said commitments.

- **For uninsured commitments:** For the market benchmark rate, the rate for treasury debt and high credit-rated corporate bonds we used, taking the IBOXX AA Corporate curve as a reference (that is, the curve of investment grade corporate bonds in the eurozone) to 31st December 2018.

2.12.1.3 Post-employment defined benefit commitments

The post-employment defined benefit commitments held by Unicaja Banco and EspañaDuero at the close of the 2018 period are grouped into the following plans:

Unicaja Banco Plan 1

a) Post-employment defined benefit remunerations outsourced through a pension plan in the "Joint Pension Plan between Unicaja Banco S.A. and Unicaja Banking Foundation employees" employment arrangement, including both active personnel and beneficiary staff who are already receiving post-employment benefit.

b) Post-employment defined benefit remunerations outsourced through an insurance policy tailored to outsourcing commitments under Royal Decree 1588/1999, insofar as the legal limits of pension plan contributions do not allow them to be funded in the pension plan itself.

Unicaja Banco Plan 2

a) Post-employment defined benefit remunerations outsourced through an insurance policy tailored to outsourcing commitments under Royal Decree 1588/1999, to hedge commitments from pensions deriving from the Savings & Loan Collective Agreement and the Private Banking Collective Agreement applying to employees not signed up to the "Joint Pension Plan between Unicaja Banco S.A. and Unicaja Banking Foundation employees".

b) Post-employment defined benefit remunerations outsourced through an insurance policy tailored to outsourcing commitments under Royal Decree 1588/1999, to hedge commitments from pensions for a group of early retirees.

c) Post-employment defined benefit remunerations outsourced through an insurance policy tailored to outsourcing commitments under Royal Decree 1588/1999, to hedge commitments from pensions pertaining to two liability groups.

EspañaDuero Plan 1

All the commitments in this plan stem from Caja de Ahorros de Salamanca y Soria.

a) Post-employment defined benefit remunerations outsourced through a pensions plan in the employment system for former employees of Caja de Ahorros de Salamanca y Soria, the "Pension Plan for Employees of Caja de Ahorros de Salamanca y Soria", including both active personnel and beneficiary staff who are already receiving post-employment benefit.

b) Post-employment defined benefit remunerations outsourced through insurance policies tailored to outsourcing commitments under Royal Decree 1588/1999, policy nº PD80 01/000002 and PD80 01/000003, insofar as the legal ceilings on contributions to pension plans do not allow them to be financed within the Pension Plan itself.

EspañaDuero Plan 2

Commitments emanating from Caja de Ahorros de Salamanca y Soria:

a) Post-employment defined benefit remunerations outsourced through insurance policies tailored to outsourcing commitments under Royal Decree 1588/1999, policy n^{os} PD 80 1/000002, PD80 1/000003, RV80 02/000002 and PD80 07/000072.

b) Post-employment defined benefit remunerations defined in an internal fund for retirement income.

Commitments emanating from Caja España de Inversiones, Caja de Ahorros y Monte de Piedad:

a) Post-employment defined benefit remunerations outsourced through an insurance policy for outsourcing commitments under Royal Decree 1588/1999, policy nº 8,118, in which the benefits payable match, in both amount and in payment dates, the flows of the policy's financial assets (cashflow matching).

b) Post-employment defined benefit remunerations outsourced through an insurance policy suitable for outsourcing commitments under Royal Decree 1588/1999, policy nº PCP - 1001, with cashflow matching.

c) Post-employment defined benefit remunerations outsourced through an insurance policy suitable for outsourcing commitments under Royal Decree 1588/1999, policy nº 10/78 with cashflow matching. The outsourced commitment of this policy was rendered void in 2014, the obligation settled, and the insurance policy surrendered.

2.12.2 Other long term employee benefits

During fiscal years 2018 and 2017 the Group reached a number of individual agreements consisting, mainly, in early retirements through contract suspension, in which all commitments are suitably hedged in each of the stated dates.

The commitments for employees stemming from these agreements are calculated by the Group following assumptions applied in line with market conditions and the characteristics of the hedged collective.

2.12.3 Death or disablement

The commitments undertaken by the Group for hedging the contingencies of death and disablement of employees while they remain active and are covered by insurance policies underwritten by the Pension Plan (Note 2.12.1) signed with Unicorp Vida, Compañía de Seguros y Reaseguros, S.A., are recorded on the consolidated income statement for a sum equal to the sum of these insurance policies' premiums accruing in each financial period.

2.12.4 Long service awards

Unicaja Banco has a commitment to its employees to pay out the sums of EUR 1,668.08 and EUR 2,065.70, respectively, when they complete 20 and 35 years of service in the bank.

Long-service award commitments are treated for accounting purposes, wherever applicable, using the same criteria as those described above for the defined benefit commitments.

2.12.5 Redundancy payments

Under current legislation, Spanish consolidated companies and certain foreign institutions are required to make indemnity payments to employees who are laid off without just cause. The Group is obliged to make indemnity payments to employees who, under certain conditions, terminate their labour relationships.

2.12.6 Voluntary severance plans

On 21st December 2015, the Bank set up a new voluntary severance plan, which extends the existing early retirement arrangements, together with the option to leave the institution by terminating the contract by mutual agreement. The severance plan is a voluntary one for Unicaja Banco employees. Unicaja Banco employees can opt for early retirement when they turn 58 onwards, within a two-year period from 1st January 2016. Employees who are not eligible by age to apply for early retirement can choose to terminate their labour contract by mutual agreement.

On 17th December 2018, an agreement was reached by majority with the workers' representative body, regulating a voluntary, scaled voluntary severance process through early retirement and paid redundancies until 31st December 2021, under the same conditions as the previous plan, and open to the bank's entire workforce.

2.13 Taxes on profits

The expense of taxes on profits is recognised in the consolidated income statement, except when it is the result of a transaction whose results are recorded directly in net equity, in which case tax on profits is also recorded with an entry in the Group's net equity.

The expense of taxes on profits during the period is calculated as the tax payable on the fiscal year's income, adjusted for the sum of the variations during the period on the assets and liabilities recorded resulting from temporary differences, from credits for tax deductions and allowances and possible negative tax bases (Note 24).

The Group considers that there is a temporary difference when there is a difference between the carry value and the tax base of an equity item. The tax base of an equity item is the amount attributed to the same for tax purposes. A taxable temporary difference is one that will generate a future obligation to the Group involving one off payments to the public administration. A deductible temporary difference is one that will trigger for the Group a right to reimbursement or a reduction in the payment to be made to the public administration concerned at some point in the future.

The tax credits from deductions and bonuses and those from negative tax base are sums that, once the activity has taken place, or the result achieved, which generated the right to them, are not applied in the tax return until the necessary conditions set out in the tax regulation are met; the Group considers it likely that they will be applied in forthcoming financial periods.

Those taxes that are estimated as recoverable or receivable from the administration concerned in a timeframe of no more than 12 months from the date on which they are filed are treated as current tax assets and liabilities. Those sums which are expected to be recovered or paid out, respectively, from the administration concerned in future financial periods, on the other hand, are treated as deferred tax assets or liabilities.

Deferred tax liabilities are recognised for all the taxable temporary differences. This notwithstanding, deferred tax liabilities arising from the accounting treatment of goodwill are not filed.

The Group only files deferred tax assets originating in deductible temporary differences, in credits for deductions or allowances or for negative taxable bases if the following conditions are met:

- Deferred tax assets are only recognised in the event of it being likely that the consolidated companies are going to have sufficient fiscal earnings in the future against which to use them; and

- In the case of deferred tax assets arising from negative taxable bases, these bases have been produced by identified causes that are unlikely to be repeated.

Neither deferred tax assets nor liabilities are booked when an equity item is first recorded, unless it arises as a result of a business combination and at the time it is booked affects neither the accounting nor the tax result.

At the close of each accounting period, the deferred taxes recorded are reviewed (both assets and liabilities) to check that they are still current; the necessary adjustments are made in accordance with the outcomes of this analysis.

The Bank pays taxes under the fiscal consolidation regime laid out in Section VII, of the Corporate Tax Act 27/2014, 27th November. The criterion applied by the Group is for each institution taxable under this regime to register the tax expense it would have incurred on its profits if it had made an individual tax declaration, adjusted for the sum of the negative taxable bases, deduction and allowance generated by each company that are used by other entities in the Group, in the light of the fiscal consolidation adjustments to be made.

On 30th November 2013, the Official Gazette published Royal Decree 14/2013, 29th November, containing a package of urgent measures for adapting into Spanish law European Union regulations over the supervision and liquidity of financial institutions; among other changes, it amended the consolidated wording of the Companies Tax Act passed by Royal Decree 4/2004, 5th March. The amendments, applicable to tax periods from 1st January 2011 onwards, set out a new way in which certain temporary differences resulting from provisioning impairments for credit or other assets deriving from possible insolvencies of borrowers not linked to the taxpayer and in which temporary differences corresponding to provisions for contributions to social welfare systems and, where applicable, early retirement, can be included in the tax base. Involving certain thresholds, this became effective from fiscal year 2014 onwards. The changes also allow these temporary differences to be classed as credits with the public administration under certain circumstances, such as when an institution could file accounting losses or, in the event of there being a legal ruling of a settlement or insolvency, establishing that possibility. In addition, these DTAs could be swapped for public debt securities once the period laid down in the regulation for offsetting negative tax has expired.

2.14 Tangible assets

2.14.1 Fixed tangible assets for own use

Fixed tangible assets for own use include those assets owned or acquired on a financial lease that the Group keeps for its own current or future use for administrative purposes other than Social Action, or for the production or supply of goods that are expected to be used for more than one financial period. Included in this category, among others, are the tangible assets received by subsidiaries as full or partial settlement of financial assets representing collection rights from third parties and those which the Group expects to use on a continued basis.

An evaluation of own-use fixed tangible assets is included on the consolidated balance sheet at its purchase cost, made up of the fair value of any consideration given, plus the sum of cash disbursements made or committed, less any accumulated depreciation and, if applicable, estimated losses resulting from the difference between each item’s net value and the recoverable value. The cost of acquiring own-use fixed tangible assets includes the evaluation made of these on 1st January 2004 at fair value. This fair value at 1st January 2004 was obtained on the basis of appraisals carried out by independent experts.

For these purposes, the cost of acquiring foreclosed assets that have been classified as the Group's own-use fixed intangible assets is similar to the net sum of the financial assets given in exchange for their foreclosure.

Depreciation is calculated using the straight-line method taking the cost of acquiring the assets, less their residual value; the land underneath the buildings and other constructions is understood as having an indefinite life and, as such, is not depreciated.

Annual depreciation amounts of the fixed tangible assets are made with a contra entry under the "Depreciation and amortization" heading on the consolidated income statement and are, broadly, equivalent to the following depreciation percentages (determined according to the estimated years of useful life, on average, of the various components):

	Annual percentage
Property	1% to 3%
Furniture and fixtures	8% to 13%
Machinery and electronic equipment	13% to 27%

At each accounting close, the subsidiaries analyse whether there are signs, internal or external, that the net value of their fixed tangible asset items is greater than its recoverable amount; if there are, they reduce that asset's carry value down to its recoverable amount and adjust the future charges for depreciation in proportion to its corrected carry value and its new remaining useful life, should it be necessary to re-estimate the latter. This reduction in the carry value of own-use fixed tangible assets, when necessary, is charged to the heading "Value impairment or reversal of non-financial assets" on the consolidated income statement.

Likewise, where there are signs that the value of an impaired tangible asset has recovered, the subsidiaries record the reversal of the loss from impairment booked in the previous accounting periods, through a credit to the "Value impairment or reversal of non-financial assets" item on the consolidated income statement and make the adjustments to its future depreciation charges. In no circumstances can the reversal of an impairment loss to an asset cause the increase of its carry value above that which it would have if the losses from impairment had not been recognised in previous accounting periods.

Similarly, at least once a year, the estimated useful life of the fixed tangible items for own use is reviewed, to identify any significant changes to it. If there are any, the charge on the consolidated income statement in future financial periods is adjusted according to their new useful life depreciation values.

Servicing and maintenance expenses of own-use fixed tangible assets are charged to the results of the period in which they occur, in the section "Other general administration expenses" on the consolidated income statement. The financial costs incurred for financing the own-use fixed tangible items are charged to the consolidated income statement at the moment they accrue, and do not form part of their acquisition costs.

2.14.2 Investment properties

The "Investment properties" heading in the consolidated balance sheet reflects the net values of land, buildings and other constructions held, whether for operation as rentals or to obtain a capital gain from their sale due to future increases in their market prices.

The criteria used to recognise the cost of acquiring investment properties, for depreciation purposes, to estimate useful lives and to record possible losses from impairment are the same as those described for tangible assets for own use (Note 2.14.1).

2.14.3 Tangible assets - Let under an operating lease agreement

The “Tangible assets – Let under operating lease” item on the consolidated balance sheet brings together the net values of those tangible assets other than land and real estate that are let out by the Group under operating leases.

The criteria used to recognise the cost of acquiring assets let out on leases, for depreciation purposes, to estimate useful lives and to record possible losses from impairment are the same as those described for tangible assets for own use (Note 2.14.1).

2.14.4 Recoverable amount of tangible assets

Both the tangible assets for own use and investment properties are valued at their acquisition cost, booking value corrections for impairment when the recoverable sum of assets is lower than this cost. To comply with IAS 36, the greater of the two sums - fair value less sales costs or the value in use of assets – must be used. When no reliable way of measuring fair value is available, the “value-in-use” of these assets is taken as the recoverable sum, which involves estimating the future cash inflows and outflows from the asset’s continuing operation and of its divestment or final disposal by some other means, as well as applying an appropriate discount rate to these flows.

In compliance with IAS 36, to establish the value in use of an asset, the following general guidelines must be followed:

- Projections of future cash flows must be based on reasonable, supported hypotheses that represent the senior management’s best estimate of the economic scenario that will prevail during the rest of the asset’s useful life and based on the most recent budgets and financial forecasts, excluding any estimated future cash inflow or outflow that is expected to arise from future restructuring or from improvements in the original asset performance forecasts. Estimates based on these budgets or forecasts will cover a 5-year period at most, unless there is good justification for a longer period.

- Cashflow projections after the period covered by the most recent budgets or financial forecasts, until the end of the asset’s useful life, must be estimated by extrapolating the projections referenced above, using a constant or waning growth rate, unless the use of a rising rate can be justified, and this in any case should not go beyond the long-term average growth rate for products or industries, as well as for the country in which the institution operates, and the market in which the asset is used, unless a higher growth rate can be justified.

The discount rate used is a rate before tax that reflects the current market assessment of the time value of money and the asset-specific risks that have not already been corrected in future flow estimates.

In this case, a rate that reflects the current market assessment of the time value of money and of the asset-specific risks is the performance that investors would demand if they chose an investment that generates cash flows of sums, time distribution and risk profile equivalent to those that the Group expects to obtain from the asset in question. This discount rate is estimated by looking at the implicit rate in current market transactions for similar assets. When 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 assets that, while having no physical embodiment, arise as a result of a business dealing or have been developed internally by entities in the group. Only those intangible assets whose cost can be estimated in a reasonably objective manner, and that group entities estimate are likely to obtain economic profits in the future, are recognised in the accounts.

Intangible assets are initially recognised for their acquisition or production cost and later at their cost less accumulated amortisation and any losses they may have suffered from impairment, as applicable.

Intangible assets may have an “indefinite useful life” when, after analysing all relevant factors, it is concluded that there is no foreseeable limit to the length of time during which they are expected to generate net cash flows for the group entities; they have a “finite useful life” in all other cases.

Intangible assets with an indefinite useful life are not amortised although, at each accounting close, the consolidated subsidiaries review their respective remaining useful lives to ensure that these are still indefinite or, if not, to proceed accordingly.

Intangible assets with a finite lifespan are amortised according to that lifespan, applying similar criteria to those adopted to depreciate tangible assets. The annual amortisation of intangible fixed items with a finite useful life is filed under the heading “Amortisation – Intangible assets” on the consolidated income statement.

Both for intangible assets with indefinite useful lives and for those with finite useful lives, subsidiaries recognise in their accounts any loss that may have occurred on the recorded value of these assets as a result of their impairment, using the “Impairment losses on remaining assets (net) – Goodwill and other intangible assets” heading on the consolidated income statement to offset it. The criteria for recognising impairment losses to these assets and, if applicable, of recoveries thereof booked in previous accounting periods, 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 positive differences between the cost of stakes in the capital of subsidiaries that are valued using the equity method, and the net asset value of (NAV) of the acquisition, corrected on the date of the first consolidation, are charged as follows:

- If they can be allocated to specific equity items belonging to the acquired entities, increasing the value of the assets (or reducing the value of the liabilities) whose fair values were higher (lower) than the net book values at which they are booked on the acquired corporations’ balance sheets.

- If they can be allocated to specific intangible assets, recognising them explicitly on the consolidated balance sheet provided that their fair value on the acquisition date can be reliably established.

- The remaining differences are booked as goodwill, which is allocated to one or more specific cash generating units.

Goodwill, which is only booked when it has been paid for, are thus treated as advance payments made by the acquiring company for future economic profits deriving from the acquired company’s assets that cannot be individually and separately identified and recognised.

From 1st January 2013 onwards, the Group has been filing the goodwill of its associated entities as part of the cost of acquiring the institutions it has bought, under the heading “Investments – Associated entities” on the consolidated balance sheet, as described in full in Note 4.

The goodwill acquired from 1st January 2004 onwards is still valued at its acquisition cost, while goodwill bought prior to that date is held at its net value at 31st December 2003, calculated according to the regulation that the Group used to apply (Bank of Spain Circular 4/1991, 14th June). In both cases, at each accounting close an estimate is made as to whether there has been any impairment that brings down its recoverable value to a sum that is below the net cost at which it was booked. If there has, it is written down accordingly, charged to the heading “Losses from impairment on remaining assets (net)” on the consolidated income statement.

Impairment losses on goodwill are not subsequently reversed.

2.16.2 Negative goodwill

Negative differences between the cost of investments in the capital of consolidated subsidiaries and associate entities and the net asset value of (NAV) of the acquisition, corrected on the date of the first consolidation, are charged as follows:

- If they can be allocated to specific equity items on the acquired corporations’ balance sheets, increasing the value of the liabilities (or reducing that of assets) whose fair values were higher (lower) than the net accounting values recorded on the acquired corporations’ balance sheets.

- The remaining sums are filed under the “Other earnings” heading of the consolidated income statement for the period in which the consolidated subsidiary or associate corporation’s capital was acquired.

2.17 Inventory

This item on the consolidated balance sheet covers consolidated subsidiaries’ non-financial assets:

- they are held for sale in the ordinary course of business,
- they are in the process of production, construction or development for that purpose, or
- they are expected to be consumed during the process of production or service provision.

Consequently, land and other properties held for sale or for real estate development are considered as inventory.

Inventories are valued at the lower value of their cost (which includes all the disbursements arising from their acquisition and transformation, together with the direct and indirect costs incurred to bring them to their current condition and location, as well as the financial costs that are directly attributable to them, whenever they need a period of more than one year to be sold, and bearing in mind the criteria stated above on capitalization of the financial costs of intangible assets for own use) and their net realizable value. The "net realizable value" of inventories is the estimated selling price in the ordinary course of business, less the estimated costs to complete production and the costs involved in the sale.

Both the reductions and, as the case may be, subsequent recoveries of the net realizable value of inventories below their net book value are recognised in the consolidated income statement for the period in which they occur, under "Impairment losses on rest of assets (net) - Other assets".

The book value of sold inventory is derecognised from the balance sheet and recorded as an expense – under the “Other operating charges – change in inventories” heading on the income statement.

Assets foreclosed by the Group, understood as those assets that the Group receives from its borrowers or other debts to satisfy, wholly or partially, financial assets representing collection rights from them, however their ownership is acquired, and that, because of their nature and the use to which they are put, are classified as inventory by the Group, are recorded initially at their acquisition cost. This is understood as the net book value of the debts which gave rise to them, and this net value is calculated according to the regulations applied the institution. Subsequently, foreclosed assets are subject to impairment loss estimates that may apply to them. These losses are calculated according to the general criteria for followed for such inventory.

2.18 Provisions and Contingent liabilities

At the time of drawing up the subsidiaries' annual statements, their company directors distinguish between:

- Provisions: Creditor balances covering obligations existing on the date of the balance sheet arising as a result of past events that may result in pecuniary losses for the companies, which are considered likely to happen; they are specific as to their nature but indeterminate as to their amount and/or time of release.

- Contingent liabilities: Possible obligations arising as a result of past events, which materialise depending on one or more future events that are beyond the control of the consolidated companies.

The Group's consolidated financial statements include all significant provisions for those scenarios in which the probability of having to meet the obligation is greater than otherwise. Contingent liabilities are not recognised in the consolidated annual accounts, but are reported in line with IAS 37 requirements (Note 18).

The provisions are quantified taking into account the best information available on the consequences of their causal event and re-estimated at each year-end closing. They are used to meet the specific obligations for which they were originally recognised; when those obligations cease to exist or decrease they are partly or wholly reversed.

At the close of the 2018 and 2017 financial years, several judicial proceedings and complaints procedures against Group subsidiaries were underway, arising from the normal course of their business activities. Both the Group's legal advisors and its board directors are of the opinion that the outcome of these proceedings and complaints will not have a significant impact on the consolidated annual statements of fiscal years when they are completed.

The accounting of the provisions necessary in line with the above criteria is filed as a charge against, or credit to, the "Provisions (net)" heading of the consolidated income statement.

Paragraph 92 of IAS 37 "Provisions, contingent assets and contingent liabilities" allows for the non-disclosure of certain information in those cases in which the breakdown in the financial statements of detailed information about certain provisions or contingent liabilities arising from disputes with third parties might affect those parties or seriously damage the institution's position.

2.19 Transfer of financial assets

The accounting treatment of transfers of financial assets is conditioned by the manner in which the risks and benefits associated with the assets being transferred are passed over to third parties:

- If the risks and benefits of the assets transferred are largely passed on to the third parties – which is the case with unconditional sales, sales with a repurchase agreement (repo) for their fair value on the date of the repurchase, sales of financial assets with written put or sell options that are deeply out of the money, of asset securitisations in which the transferring party neither retains subordinated debt nor awards any kind of credit enhancement to the new title owners and other cases of this nature – the financial asset transferred is derecognised from the consolidated balance sheet and any rights or obligations retained or created in the transfer are recognised simultaneously.

- If the risks and benefits associated with the transferred financial asset are largely retained – which is the case with the sales of financial assets with a repo for a fixed price or for the sale price plus interest, with stock-lending agreements in which the borrower is required to return the same or similar assets, with securitisations of financial assets in which subordinated funding or other kinds of credit enhancements are held that buffer most of the credit losses expected for the securitised assets, and other cases of this nature -, the financial asset transferred is not derecognised from the consolidated balance sheet and continues to be valued with the same criteria as were used before the transfer. By contrast, the following are recognised, without netting out:

- A related financial liability for the same sum as that of the consideration received; that is subsequently valued at its amortised cost.

- Both the income from the financial asset transferred but not derecognised, and the expenses of the new financial liability.

- If most of the risks and benefits linked to the financial asset transferred are neither assigned nor retained – as is the case with the sale of financial assets with put or call options that are neither deeply in nor out of the money, or with financial asset securitisations in which the transferring party takes on subordinated financing or other type of credit enhancement for part of the asset transferred, and other similar cases, a distinction is made between:

  - If the transferring entity does not retain control over the financial asset transferred: in this case, the transferred asset is derecognised from the balance sheet and any right or obligation retained or created as a result of the transfer is recognised.

  - If the transferring entity retains control over the financial asset transferred: it is still recognised on the consolidated balance sheet for a sum equivalent to its exposure to the value changes it may experience, and a financial liability associated with the financial asset transferred is recognised. The net amount of the asset transferred and the associated liability will be the amortised cost of the retained rights and obligations, if the asset transferred is measured by its amortised cost, or the fair value of the rights and obligations retained if the transferred asset is measured by its fair value.

In accordance with the foregoing, financial assets are only derecognised from the balance sheet when they no longer generate cash flows or when their intrinsic risks and benefits have been largely transferred to third parties.

2.20 Non-current assets and disposal groups of items classified as held for sale

The "Non-current assets and disposal groups held for sale" heading in the consolidated balance sheet records the book value of items, individually or as part of a "disposal group", or that form part of a business unit up for divestment as "discontinued operations", sale of which is highly likely to take place, in their current state, in the space of a year, starting from the date to which the consolidated annual statements refer.

Interests in associated corporations or joint ventures meeting the requirements mentioned in the above paragraph are also treated as non-current assets held for sale.

As such, the recovery of the book value of these items, which may be either financial or non-financial, will foreseeably be through the divestment price obtained, instead of through their continued use.

Specifically, real estate or other non-current assets received by subsidiaries to wholly or partly cover the payment obligations that their debtors have with them are treated as non-current assets held for sale, except when the subsidiaries have decided to make continued use of these assets (Note 16).

Equally, the "Non-current assets held for sale and associated liabilities" chapter, if any, of the balance sheet is where Group books creditor balances associated with disposal groups or discontinued operations it may have.

In general, assets classified as non-current assets held for sale are valued at the lower of either their book value at the moment when they are considered as such and their fair value, net of the estimated sales costs of the same. To determine these values, the Group has developed internal methodologies, that enable them to estimate the assets' current fair value, based on the latest appraisals received, and the sales costs expected.

While they remain in this category, tangible and intangible assets are not depreciated/amortised although by their nature they could be.

Should the assets' book value, net of their sale costs, be higher than their fair value, the Group adjusts the book value by the amount of the difference, with a contra entry under the "Gains (Losses) from non-current assets held for sale not classified as discontinued operations" heading on the consolidated income statement. Should there be subsequent increases in the assets' fair value, the Group reverts the losses previously stated, increasing the book value, with the threshold at the amount prior to its impairment, and a contra entry under the same heading: "Gains (Losses) from non-current assets held for sale not classified as discontinued operations" on the consolidated income statement.

Income from the sale of non-current assets held for sale is booked under the heading "Gains (Losses) from non-current assets held for sale not classified as discontinued operations" on the consolidated income statement.

The above notwithstanding, financial assets, assets from remunerations to employees, deferred tax assets and assets from insurance contracts forming part of a disposal group or a discontinued operation will not be valued in the manner described in the preceding paragraphs, but in accordance with the principles and regulations applicable to these categories, as explained in earlier paragraphs of Note 2.

2.21 Earning/loss from discontinued operations

Revenues and expenses, of whatever type, including impairment losses, generated over the period from operations of a Group component that have been classified as discontinued operations, even if they have been generated prior to said classification, are presented net of the tax effect in the consolidated income statement as a single ledger entry under "Profit or losses after tax from discontinued operations", regardless of whether the component remains on the consolidated balance sheet or has been removed; the item also includes the results obtained from its sale or disposal.

During the periods 2018 and 2017 the Group has not had gains/losses from discontinued operations that ought to be booked under this heading in the consolidated income statement.

2.22 Business combinations

Business combinations are transactions merging two or more institutions or economic units into a single institution or corporate group.

Business combinations carried out from 1st January 2004 onwards through which the Group acquires the control over an institution are booked as follows:

- The Group estimates the cost of the business combination, defined as the fair value of the assets exchanged, of the liabilities incurred and of the equity instruments issued, if at all, by the acquiring entity.

- An estimate is made of the fair value of the assets, liabilities and contingent liabilities of the entity acquired, including those intangible assets that might not be booked by the acquired entity, which are then recorded onto the consolidated balance sheet for said values.

- The difference between the net fair value of the assets, liabilities and contingent liabilities of the entity or economic unit acquired and the cost of the business combination is recorded on the consolidated annual statements in the following manner:

    - If the difference between the net fair value of the assets, liabilities and contingent liabilities of the entity or the economic unit acquired and the cost of the business combination is negative, it will be recognised on the consolidated income statement as income, under the "Negative differences in business combinations” heading, after having first checked again the fair values allocated to all the equity items and the cost of the business combination.

- If the difference between the net fair value of the assets, liabilities and contingent liabilities of the entity or the economic unit acquired and the cost of the business combination is positive, a goodwill on consolidation amount is booked; this will under no circumstances be amortised, but will be submitted every year to the impairment analysis established under the terms of the International Financial Reporting Standards.

In the acquisitions by tranches of interests in a given institution through which, by virtue of one of the purchases, control is gained over the investee entity, the Group applies the following accounting principles:

- The cost of the business combination is the sum of the cost of each of the individual transactions.

- In each of the acquisitions of interests made up to the moment in which control is gained over the acquired entity, the goodwill or the negative consolidation difference is calculated independently for each transaction, applying the procedure described above in this Note.

- The difference that may exist between the fair value of the entity acquired on each of the successive acquisition dates and its fair value on the date on which control is gained over this investment is recorded as a revaluation of the acquired equity.

2.23 Consolidated statement of recognised income and expense

The income and expenses generated by the Group arising from its operations during the period is presented in this financial statement, differentiating between the income and expenses recorded as results in the consolidated income statement for the period, and the other income and expenses booked, in accordance with current regulations, directly to net equity; with the latter, a distinction is made between those items that could be reclassified to results according to current regulations and those which could not. As such, this statement presents:

a) The year’s results.
b) The net sum of the income and expenses recognised directly and on a temporary basis during the period as “Accumulated other comprehensive income” in net equity.
c) The net amount of income and expenses recognised during the period directly and definitively in net equity as “Accumulated other comprehensive income”, should there be any.
d) Tax on profits accrued from the items in letters b) and c) above.
e) Total recognised income and expenses, calculated by adding together letters a) to d), above.

Variations in the income and expenses recognised in net equity as “Accumulated other comprehensive income” on a temporary basis until their reversion on the income statement, are broken down as follows into:

- Gains/losses by valuation: the amount of income, net of expenses incurred in the period, recognised directly in net equity. The amounts recognised in the period as “Accumulated other comprehensive income” are booked under this item, even when they are transferred to the consolidated income statement, at the initial value of other assets or liabilities, or are reclassified to another item.

- Amounts transferred to the consolidated income statement: the amount of gains or losses by valuation recognised earlier in net equity, even if occurring in the same fiscal year, that are recognised on the period’s consolidated income statement.

- Amounts transferred to the initial value of the hedged items: the sum of the gains or losses by valuation recognised previously in net equity, even when it is in the same period, that are recognised in the initial value of assets or liabilities due to cash flow hedges.

- Other reclassifications: the amount of the transfers during the period between “Accumulated other comprehensive income” items, according to the criteria laid out in current legislation.

The gross amounts of these items are presented, with the corresponding tax effect shown in the section “Tax on profits from items that could be reclassified to profit or loss” of the statement.

2.24 Consolidated statement of changes in equity

The “Consolidated statement of changes in equity” contains all the changes that have occurred in net equity, including those caused by changes in accounting principles and the correction of errors. This statement shows, therefore, a reconciliation of the carry value at the beginning and the end of the period of all the items making up net equity, grouping together the movements according to their type into the following items:

- Adjustments due to changes in accounting criteria and correction of errors: this includes changes to net equity as a result of the retroactive restatement of financial statement balances due to changes in accounting criteria or from the correction of errors.

- Income and expenses recognised in the period: the aggregate total of the items booked in the recognised statement of recognised income and expense as indicated above.

- Other variations in net equity: the remaining items booked under net equity, such as the distribution of profit, transactions with own equity instruments, payments with equity instruments, transfers between net equity items and any other increase or reduction in net equity.

2.25 Consolidated cash flow statement

In the Group’s consolidated cash flow statements for the periods 2018 and 2017, the following terms are used with the following meanings:

- Cash flows: inflows and outflows of cash and cash equivalents, understanding by “equivalents” short term, highly liquid investments with low risk of alterations in their value.

- Operating activities: activities typical of credit institutions, as well as other activities that cannot be classified as either investment or financing.

- Investment activities: acquisition, sale or disposal by other means of long-term assets and other investments not included in cash and its equivalents.

- Financing activities: activities that result in changes to the size and composition of net equity and of liabilities that are not operating activities.

As part of the cash flows from operating activities, certain adjustments are included in order to obtain the amount of cash flows from the consolidated result for the year. To 31st December 2018 and 2017, as well as amortisation and depreciation, “Other adjustments”, consisting of items in the consolidated income statement that do not generate cash flows, are included.

For the purposes of preparing the consolidated cash flow statement, short-term, highly liquid investments with low risk of alterations in their value are treated as “cash and cash equivalents”. Thus, the Unicaja Banco Group treats the following financial assets and liabilities as cash or cash equivalents:

- Cash owned by the Group, which is recorded under the “Cash & Deposits with Central Banks” heading of the consolidated balance sheet The Group’s cash balance at 31st December 2018 amounts to EUR 377,073 thousand (EUR 346,589 thousand at 31st December 2017) (Note 7).

- Balances held with central banks, which are recorded under the “Cash & Deposits with Central Banks” heading on the asset side of the consolidated balance sheet, which at 31st December 2018 came to EUR 3,771,140 thousand (EUR 3,352,231 thousand at 31 December 2017) (Note 7).

- Sight balances held with credit institutions, other than those with central banks, and excluding reciprocal accounts. Debtor overnight balances held with credit institutions other than central banks are recorded, together with other concepts under the “Cash, Cash Balances in Central Banks & Other Sight Deposits” heading on the consolidated balance sheet, with volume coming at 31st December 2018 to EUR 131,381 thousand (EUR 107,567 thousand to 31st December 2017) (Note 7).

3. Application of earnings of the Parent Company

The proposal for distributing the parent company’s net profits from the 2018 period that its Board of Directors will submit to the General Shareholders’ Meeting for approval, together with the proposal that was approved for the 2017 period, is as follows:

		€ ´000
	2018	**2017**
Dividends - Interim dividends	61 017	34 605
Interim dividend Paid	-	-
Dividends payable	*61 017*	*34 605*
Reserves - Legal reserve	20 013	20 197
Reserves - Capitalization reserve (Tax Law 27/2014)	600	1 500
Reserves - Voluntary reserves	118 497	145 672
Net profit	**200 127**	**201 974**

In accordance with Royal Decree 1/2010, 2nd July, approving the recast text of the Capital Enterprises Act, institutions making profits in an economic period must allocate 10% of that profit to their statutory reserve. These provisions must continue until the statutory reserve represents at least 20% of paid-up share capital. The statutory reserve may be used to increase the share capital by the amount where its balance is 10% over and above the amount of the capital increase. Until it reaches 20% of share capital, the statutory reserve may only be used to offset losses, and only providing that other reserves sufficient to cover this are not available.

The parent company’s profit distribution proposal for this and the previous period includes the provision for the Capitalisation Reserve regulated under article 25 of the Corporate Tax Law 27/2014, 27th November. Under the terms of this law, this reserve should be completely separate and under its own heading on the balance sheet, and will be ringfenced for 5 years, starting from the end of the tax period to which the provision corresponds, except in the following cases: if it has to be drawn to offset the Bank’s accounting losses; in the event the partners separate; if it is eliminated as a result of certain transactions triggering the application of the special tax regime laid out in Section VII of Heading VII of the above-referenced 27/2014 Law (merger, spin-off and other business restructuring operations); or if the Bank were obliged to use this reserve under legal mandate. The provisioning of this reserve, a demonstration of the Bank’s desire to strengthen its own funds, will allow it to reduce its corporate tax base, with the thresholds and requirements established in the same article 25 of the 27/2014 Corporate Tax Law (Note 23.1).

Also, at time of filing these annual accounts, Unicaja Banco’s Board of Directors, after confirming that the conditions set out in the issue prospectus were met, resolved to pay the discretionary remuneration of the Perpetual Contingent Convertible Bonds (PeCoCos) issued by the Bank, for a total gross amount of EUR 6,647 thousand, for the period between 28th March 2019 (in the previous year, the agreed discretionary remuneration was EUR 6,850 thousand for the PeCoCos outstanding at 21th March 2018.)

Earnings per share

Basic earnings per share is determined by dividing the net income for the year attributed to the Bank by the weighted average number of outstanding shares during that year, excluding the average number of treasury shares held throughout the year.

Diluted earnings per share is determined in a similar fashion to basic earnings per share, but the weighted average number of outstanding shares is adjusted to take into account the potential dilutive effect of existing share options, warrants and convertible at the close of the year.

The basic and diluted earnings per share of Unicaja Banco Group for fiscal years ended on 31st December 2018 and 2017 are as follows:

	2018	**2017**
Net income to the parent Company (€ ´000)	152 550	142 375
Adjustments: Financial cost of mandatory convertible bond issues (€´000)	-	-
Adjusted net income (€ ´000)	152 550	142 375
Of which: Net income from operations (€´000)	152 550	142 375
Of which: Net income from discontinued operations (€´000)	-	-
Weighted average of outstanding ordinary shares less treasury stock (´000)	1 606 703	1 265 097
Basic earnings per share from continuing operations (€)	0.095	0.113
Basic earnings per share from discontinued operations (€)	-	-
Basic earnings per share (€)	**0.095**	**0.113**

	2018	**2017**
Net income to the parent Company (€ ´000)	152 550	142 375
Adjustments: Financial cost of potential events with dilutive effect (€ ´000)	-	-
Adjusted net income (€ ´000)	152 550	142 375
Of which: Income from operations (net of minority holdings)	152 550	142 375
Of which: Income from discontinued operations (net of minority holdings)	-	-
Weighted average of outstanding ordinary shares less treasury stock (‘000)	1 606 703	1 265 097
Average number of shares resulting from bond conversion (‘000)	40 308	41 254
Adjusted total average number of shares for calculation of diluted earnings per share (‘000)	1 647 011	1 306 351
Diluted earnings per share from continuing operations (€)	0.093	0.109
Diluted earnings per share from discontinued operations (€)	-	-
Diluted earnings per share (€)	**0.093**	**0.109**

At 31st December 2018 and 2017, the Unicaja Banco Group holds instruments with potential dilutive effect. Unicaja Banco Group currently has issues of Perpetual Contingent Convertible Bonds (PeCoCos) recorded under "Other equity instruments", whose discretionary remuneration is subject to compliance with a number of conditions (Note 22.2).

Pursuant to IAS 33 "Earnings per share", the average number of shares and other instruments outstanding during fiscal years 2018 and 2017 has been used. In this sense, PeCoCos have only been considered in the diluted profit.

To calculate the average number of outstanding shares, the capital increases carried out on 29th June and 25th July 2017 have been taken into account (Note 22.1), each from their respective execution date.

Dividends paid and remuneration from other equity instruments

Dividend payments made by Unicaja Banco, S.A. at 31st December 2018 and 2017 were as follows:

						€ ´000
			2018			2017
	% of nominal value	Euros per share	Amount	% of nominal value	Euros per share	Amount
Ordinary shares	2.15%	0.02	34 605	1.84%	0.02	17 000
All other shares (no vote, redeemable, etc.)	-	-	-	-	-	-
Total dividends paid	**2.15%**	**0.02**	**34 605**	**1.84%**	**0.02**	**17 000**
Dividends paid from net income			34 605			17 000
Dividends paid against retained earnings or share premium			-			-
Dividends in kind			-			-

The calculation above was carried out using the number of shares existing on the date on which the profits were distributed, excluding convertible instruments with dilutive effect.

On 21st March 2018, Unicaja Banco's Board of Directors included a pay-out of EUR 34,605 thousand in dividends in the proposal for distribution of profits for the 2017 fiscal year (which was subsequently approved by the General Shareholders' Meeting on 27th April, 2018 and paid on 10th May, 2018). Similarly, on 24th March 2017, the Board of Directors included a dividend of EUR 17,000 thousand in the proposal for distribution of profits for the year 2016 (subsequently approved by the General Shareholders' Meeting on 26th April, 2017 and paid on 10th May 2017).

Also, on 21st March 2018, Unicaja Banco's Board of Directors, after confirming that the conditions set out in the issue prospectus were met, agreed to pay the discretionary remuneration of the Perpetual Contingent Convertible Bonds (PeCoCos) issued by the Bank, for a total gross amount of EUR 6,850 thousand, for the period between March 2017 and March 2018; they were paid on 28th March 2018. Similarly, on 24th March 2017, the Board of Directors agreed to pay the discretionary remuneration of the Perpetual Contingent Convertible Bonds (PeCoCos) issued by the Bank, for a total gross amount of EUR 6,850 thousand; this was paid on 24th March 2017.

4. Goodwill from entities carried under the equity method

At 31st December 2018 and 2017, the Bank maintains goodwill in entities carried under the equity method (excluding impairment) of EUR 26,172 thousand and EUR 27,626 thousand, respectively. This goodwill resulted mainly upon comparing the net fair value of the assets, liabilities and contingent liabilities acquired by the Bank when it took a stake in Autopistas del Sol, Concesionaria España S.A. and Hidralia, Gestión Integral de Aguas de Andalucía, S.A. This goodwill is recorded on as part of the cost of acquiring the above businesses, under "Investments in joint ventures and associates - Associates" in the consolidated balance sheet. The outstanding amount of impairment results from the expected profits (by the parent company's directors) of the acquired entities, based on the strength of its customer base and the average revenue per customer.

During the 2017 period, the 15% stake in Hidralia Gestión Integral de Aguas de Andalucía, S.A., by Unicaja Banco was sold, for EUR 2,996 thousand, therefore reducing the goodwill generated by the same proportion.

In application of the treatment described in Note 2.16, the goodwill in entities using the equity method has been impaired by EUR 1,454 thousand during the 2018 period (EUR 1,794 thousand in 2017), booked under the "Impairment or reversal in value of non-financial assets – Intangible assets" heading on the consolidated income statement (Note 42).

The following is a table with the initial date when the goodwill was recorded in associated companies and its initial gross amount, as well as the amounts impaired vis-á-vis the original amount (accumulated write-downs) and the net amount of goodwill at 31st December 2018 and 2017:

						€ ´000
			Accumulated impairment		Net amount	
	Initial amount	Date of recognition	2018	2017	2018	2017
Autopista del Sol, C.E.S.A.	34 833	June 2005	11 895	11 045	22 938	23 788
Hidralia, G.I.A.A., S.A.	20 467	Sep. 2005	17 233	16 629	3 234	3 838
	55 300		**29 128**	**27 674**	**26 172**	**27 626**

Since this goodwill is linked to concessions and administrative licenses that last for a certain period of time, the parent Company directors understand that, unless there is evidence of impairment, the recoverable amount of recorded goodwill is amortized in proportion to the number of years remaining on the concession or administrative license. The Group conducts regular measurements of goodwill, based on the sum recoverable, for the purpose of verifying whether it would be necessary to apply a further impairment in addition to amortization, in line with the stipulations of IAS 36.

5. Information by segments

The Group's main activity is retail banking. It operates almost exclusively in Spain, and the directors believe that its client profile is similar throughout the territory in which it works. As such, in accordance with the regulations, the information about the segmentation of operations in different lines of business and geographical segments of the Group is not considered to be of relevance.

The relative importance of segmentation in the Unicaja Banco Group at 31st December 2018 and 2017 is given below in detail for each type or parameter defined in paragraphs 32 to 34 of IFRS 8.

Information by sectors (products and services)

Unicaja Banco Group's balance sheet organised by sectors, at 31st December 2018 and 2017, is shown below, with the same breakdown as the sector information reported to the Bank of Spain.

At 31st December 2018, the credit and insurance entities sector accounted for virtually all the consolidated total assets and consolidated total equity

a) Consolidated balance at 31st December 2018:

ASSETS	Total	Credit and insurance institutions	Other entities	Adjustments and eliminations
				Breakdown (€ ´000)
Cash, cash balances in central banks and other demand deposits	4 279 598	4 306 756	44 358	(71 516)
Financial assets held for trading	44 349	44 349	-	-
Non-trading financial assets mandatorily designated at fair value through profit and loss	85 371	85 371	-	-
Financial assets designated at fair value through profit or loss	2 050	2 050	-	-
Financial assets designated at fair value through other comprehensive income	3 425 138	3 419 640	7 130	(1 632)
Financial assets carried at amortized cost	44 113 307	44 134 933	56 592	(78 218)
Derivatives - Hedge accounting	411 394	411 394	-	-
Investments in subsidiaries, joint ventures and associates	359 128	526 351	-	(167 223)
Assets under insurance and reinsurance contracts	2 585	2 585	-	-
Tangible assets	1 188 447	1 178 581	12 074	(2 208)
Intangible assets	62 505	4 398	1 267	56 840
Tax assets	2 653 442	2 643 531	6 592	3 319
Other assets	502 735	495 315	31 910	(24 490)
Non-current assets and disposal groups classified as held for sale	374 130	374 130	-	-
Total assets	**57 504 179**	**57 629 384**	**159 923**	**(285 128)**

LIABILITIES AND EQUITY	Total	Credit and insurance institutions	Other Credit	Adjustments and eliminations
				Breakdown (€ ´000)
Financial liabilities held for trading	17 978	17 978	-	-
Financial liabilities carried at amortized cost	51 375 861	51 432 604	99 237	(155 980)
Derivatives - Hedge accounting	143 299	143 299	-	-
Liabilities under insurance or reinsurance contracts	642 350	642 350	-	-
Provisions	885 380	883 274	2 800	(694)
Tax liabilities	232 010	232 889	(876)	(3)
Other liabilities	289 645	288 558	4 593	(3 506)
Total liabilities	**53 586 523**	**53 640 952**	**105 754**	**(160 183)**
Shareholders' equity	3 921 020	3 956 602	53 715	(89 297)
Accumulated other comprehensive income	(3 784)	31 830	454	(36 068)
Minority interest (non-controlling interest)	420	-	-	420
Total equity	**3 917 656**	**3 988 432**	**54 169**	**(124 945)**
Total liabilities and equity	**57 504 179**	**57 629 384**	**159 923**	**(285 128)**

b) Consolidated balance at 31st December 2017:

ASSETS	Total	Credit and insurance institutions	Other entities	Adjustments and eliminations
				Breakdown (€ ´000)
Cash, cash balances in central banks and other demand deposits	3 806 391	3 811 529	39 513	(44 651)
Financial assets held for trading	31 462	31 462	-	-
Available-for-sale financial assets	3 701 538	3 706 703	44	(5 209)
Loans and receivables	32 407 257	32 444 971	41 479	(79 193)
Held-to-maturity investments	10 634 320	10 634 320	-	-
Derivatives - Hedge accounting	456 829	456 829	-	-
Investments in joint ventures and associates	482 943	399 255	-	83 688
Assets under insurance or reinsurance contracts	-	-	-	-
Tangible fixed assets	1 290 684	1 279 277	13 611	(2 204)
Intangible assets	1 882	581	1 280	21
Tax assets	2 613 094	2 606 345	4 839	1 910
Other assets	466 455	452 767	68 958	(55 270)
Non-current assets and disposal groups classified as held for sale	439 053	439 053	-	-
Total assets	**56 331 908**	**56 263 092**	**169 724**	**(100 908)**

LIABILITIES AND EQUITY	Total	Credit and insurance institutions	Other Credit	Adjustments and eliminations
				Breakdown (€ ´000)
Financial liabilities held for trading	27 412	27 412	-	-
Financial liabilities carried at amortized cost	50 940 743	50 964 784	88 648	(112 689)
Derivatives - Hedge accounting	31 385	31 385	-	-
Liabilities under insurance or reinsurance contracts	4 290	4 290	-	-
Provisions	935 351	937 179	2 735	(4 563)
Tax liabilities	208 984	209 271	2	(289)
Other liabilities	281 405	283 421	11 215	(13 231)
Total liabilities	**52 429 570**	**52 457 742**	**102 600**	**(130 772)**
Shareholders' equity	3 855 750	3 855 751	67 135	(67 136)
Accumulated other comprehensive income	16 910	16 910	(12)	12
Minority interest (non-controlling interest)	29 678	29 189	-	489
Total equity	**3 902 338**	**3 901 850**	**67 123**	**(66 635)**
Total liabilities and equity	**56 331 908**	**56 359 592**	**169 723**	**(197 407)**

Information about geographical areas

Unicaja Banco Group operates in Spain, and its customer profile is similar throughout the country. As such, the Group only concentrates on one geographic segment for its operations, so the information stipulated in paragraph 33 of IFRS 8 is not required.

To illustrate this, the revenue breakdown from interest by geographical areas for fiscal years ended on 31st December 2018 and 2017 is shown below.

	€ ´000			
	Breakdown of revenues by geography			
	Individual		Consolidated	
	2018	2017	2018	2017
Spain	806 500	574 889	805 186	852 818
Exports				
European Union	-	-	-	-
OECD Countries	-	-	-	-
Rest of World	-	-	-	-
Total	**806 500**	**574 889**	**805 186**	**852 818**

Information about key customers

Unicaja Banco Group is mainly involved in retail banking business; no client is responsible for more than 10% of the Group's ordinary income, so the Group considers that the breakdown of information stipulated in paragraph 34 of IFRS 8 is not required.

6. Remuneration of the Board of Directors

6.1 Remuneration of the Board of Directors of the parent company

The following table lists the remunerations accrued by members of the Board of Directors of the parent company, Unicaja Banco, S.A., exclusively in their capacity as Board members of the Group during the 2018 and 2017 periods. It covers the sums accrued for per diems, as well as fixed remunerations for their condition as Directors.

	€ ´000	
	2018	2017
Atencia Robledo, Manuel	15	47
Azuaga Moreno, Manuel	52	47
Bolado Valle, Ana	52	-
Conthe Gutiérrez, Manuel	50	-
Eloy Domínguez-Adame Cobos	73	85
Fraile Cantón, Juan	84	81
Jiménez Sánchez, Guillermo	19	73
Lombardero Barceló, Mª Luisa	2	16
López, Antonio	20	68
Martín Castellá, Isabel	84	35
Mateos-Aparicio Morales, Petra	76	87
Molina Morales, Agustín	65	44
Muela Martín-Buitrago, Manuel	59	-
Otero Quintas, María Antonia	54	-
Sáez Ponte, María Teresa	56	-
Sánchez del Villar Boceta, Enrique	52	47
Torre Colmenero, José Mª de la	22	64
Valle Sánchez, Victorio	86	86

6.2 Remuneration of the Parent Company's Senior Management

For the purposes of these consolidated annual statements, eighteen people (compared to fifteen in 2017) are considered to be the parent company's senior management, of whom four are Executive Directors (of these, only two remain in post at 31st December 2018), compared to three Executive Directors during 2017. Remunerations paid to the members of this group during the periods 2018 and 2017 were EUR 4,452 thousand and EUR 4,015 thousand, respectively. Obligations vis-à-vis the arrangements mentioned above, in post-employment benefits as Bank's employees or executives, were EUR 593 thousand in 2018, whereas the charge in 2017 was EUR 534 thousand; these amounts were completely covered by the appropriate funds.

6.3 Other transactions with members of the Board of Directors and Senior Management

Note 45 on "Related parties", contains the assets and liabilities balances at 31st December 2018 and 2017 for transactions with the Bank's members of the Board and Senior Management referred to above, as well as the breakdown of the income and expenses recorded on the profit and loss account for both periods for transactions between these groups and the Bank, other than those reported in 6.1 and 6.2.

6.4 Post-employment benefits of former members of the parent company's Board of Directors and Senior Management

No charges have been made on the consolidated income statement for the periods 2018 and 2017 for commitments to pensions and similar Bank obligations with former members of the Board and Senior Management, since these commitments were entirely covered in previous years by taking out insurance policies for that purpose.

7. Cash, cash balances with central banks and other sight deposits

The breakdown of this item in the consolidated balance sheets to 31 December 2018 and 2017 is as follows:

		€ ´000
	2018	**2017**
Cash	377 073	346 589
Deposits in Bank of Spain	3 771 140	3 352 231
Other sight deposits	131 381	107 567
Valuation adjustments - Accrued interest	4	4
	4 279 598	**3 806 391**

During the periods 2018 and 2017 no interest has accrued for these balances.

8. Financial assets and liabilities designated at fair value through profit or loss

8.1 Financial assets and liabilities held for trading

8.1.1 Detail of the balance and credit risk threshold – debit balances

A breakdown of financial assets included in this category at 31st December 2018 and 2017, classified by classes of counterparty and type of instrument is shown below:

	2018	2017
		€ ´000
By type of counterparty -		
Credit institutions	2 700	1 890
Resident public administrations	12 439	12 980
Non-resident public administrations	-	-
Other resident sectors	29 210	16 592
Other non-resident sectors	-	-
	44 349	**31 462**
By type of instrument -		
Listed shares	20 616	-
Listed bonds and notes	12 439	12 980
Exchange traded derivatives	-	1 608
Non-OTC derivatives	11 294	16 874
	44 349	**31 462**

The book value recorded in the table above represents the Group's credit risk exposure at the close of these periods, in proportion to the financial instruments held.

Interest accrued in fiscal years 2018 and 2017 on debt instruments classified in the portfolio of Available-for-sale financial assets amounted to EUR 2,677 thousand and EUR 772 thousand, respectively, and are recorded under "Interest income" in the attached consolidated income statement (Note 32).

The average effective interest rate of debt instruments in this portfolio at 31st December 2018 was 3.63% (2.91% at 31st December 2017).

The positive cash flow in the consolidated cash flow statement for the 2018 fiscal year for debit balances in the financial asset portfolio held for trading was EUR 9,150 thousand (compared to a positive cash flow of EUR 46,868 thousand in 2017).

8.1.2 Detail of the balance – credit balances

A breakdown of financial liabilities included in this category at 31st December 2018 and 2017, classified by classes of counterparty and type of instrument is shown below:

	2018	2017
		€ ´000
By type of counterparty -		
Credit institutions	7 962	13 286
Other resident sectors	10 016	14 126
	17 978	**27 412**
By type of instrument -		
Exchange traded derivatives	2 611	880
Non-OTC derivatives	15 367	26 532
	17 978	**27 412**

The negative cashflow in the 2018 consolidated cash flow statement from the credit balances in the financial liabilities portfolio held for trading came to EUR 9,434 thousand (negative flow of EUR 23,408 thousand in 2017).

8.1.3 Financial derivatives held for trading

Below is a breakdown, by class of derivatives, of the fair value of the Group's financial derivatives held for trading, as well as their notional amount (amount on which future payments and receipts of these derivatives are calculated) at 31st December 2018 and 2017:

€ ´000

	2018				2017			
	Debit balance		Credit balance		Debit balance		Credit balance	
	Fair Value	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value	Notional
Unmatured forward foreign exchange contracts	**1 750**	**204 437**	**379**	**(2)**	**1 701**	**39 978**	**963**	**23 648**
Currencies purchased against euro	1 349	36 222	379	(2)	1 595	19 649	179	11 641
Currencies sold against euro	401	168 215	-	-	106	20 329	784	12 007
Securities and interest rates futures	**-**	**-**	**-**	**29 443**	**-**	**-**	**-**	**301**
Purchased	-	-	-	-	-	-	-	152
Sold	-	-	-	29 443	-	-	-	149
Options on securities:	**-**	**60 000**	**8 946**	**1 836 600**	**4 957**	**565 161**	**15 961**	**2 563 687**
Purchased	-	60 000	-	-	1 636	558 480	3 321	3 321
Issued	-	-	8 946	1 836 600	3 321	6 681	12 640	2 560 366
Interest rate options:	**13**	**24 124**	**407**	**101 105**	**73**	**290 115**	**186**	**60 065**
Purchased	13	24 124	-	-	73	98 322	-	-
Sold	-	-	407	101 105	-	191 793	186	60 065
Other transactions involving securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Security swaps	-	-	-	-	-	-	-	-
Forward contracts	-	-	-	-	-	-	-	-
Currency options:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Purchased	-	-	-	-	-	-	-	-
Issued	-	-	-	-	-	-	-	-
Other currency transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Currency swaps	-	-	-	-	-	-	-	-
Other interest rate transactions	**9 531**	**53 665**	**8 246**	**174 076**	**11 751**	**120 970**	**10 302**	**121 388**
Interest rate swaps (IRS)	9 531	53 665	8 246	174 076	11 751	120 970	10 302	121 388
Other products	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	11 294	**342 226**	**17 978**	**2 141 222**	**18 482**	**1 016 224**	**27 412**	**2 769 089**

The notional amount of the contracts does not represent the real risk assumed by the Group, since the net position in these financial instruments is the outcome of the compensation and/or combination thereof.

Note 11 details the methods applied by the Group in the valuation of financial instruments classified in this category.

8.2 Non-trading financial assets mandatorily designated at fair value through profit and loss

A breakdown of financial assets included in this category at 31st December 2018, classified by classes of counterparty and type of instrument is shown below:

	€ ´000
	2018
By type of counterparty -	
Credit institutions	16 789
Resident public administrations	-
Non-resident public administrations	-
Other resident sectors	43 487
Other non-resident sectors	35 095
(Impairment losses)	(10 000)
Other valuation adjustments	-
	85 371
By type of instrument -	
Debt securities:	85 371
Spanish public debt securities	-
Treasury bills	-
Sovereign debt	-
Other Spanish government bodies	-
Foreign sovereign debt	-
Issued by financial institutions	16 789
Other fixed income securities	78 582
(Impairment losses)	(10 000)
Other valuation adjustments	-
Other equity instruments:	-
Shares of listed Spanish companies	-
Shares of unlisted Spanish companies	-
Shares of listed foreign companies	-
Shares of unlisted foreign companies	-
Holdings of mutual fund equity	-
	85 371

This is a category of financial assets that has been introduced under the new IFRS 9 which did not exist under the previous IAS 39 accounting regulation; for this reason, comparative information is not available.

Interest accrued on debt securities classified in the portfolio of financial assets for the year 2018 amounted to EUR 603 thousand is recorded under "Interest income" in the consolidated income statement (Note 32).

8.3 Financial assets designated at fair value through profit or loss

A breakdown of financial assets included in this category at 31st December 2018, classified by classes of counterparty and type of instrument is shown below:

	€ ´000
	2018
By type of counterparty -	
Credit institutions	-
Resident public administrations	-
Non-resident public administrations	-
Other resident sectors	3 972
Other non-resident sectors	-
(Accumulated losses in the fair value due to credit risk)	(1 922)
Other valuation adjustments	-
	2 050
By type of instrument -	
Credit and loans at variable interest rate	3 972
Credit and loans at fixed interest rate	-
Reverse purchase agreements	-
Term deposits in financial institutions	-
Other deposits in financial institutions	-
Other financial assets	
(Accumulated losses in the fair value due to credit risk)	(1 922)
Other valuation adjustments	-
	2 050

This is a category of financial assets that has been introduced under the new IFRS 9 which did not exist under the previous IAS 39 accounting regulation; for this reason, comparative information is not available.

9. Financial assets designated at fair value through other comprehensive income

9.1 Detail of balance and credit risk threshold

A breakdown of financial assets included in this category at 31st December 2018 and 2017, classified by classes of counterparty and type of instrument is shown below:

		€ ´000
	2018	**2017**
By type of counterparty -		
Credit institutions	106 365	85 938
Resident public administrations	2 514 205	1 879 972
Non-resident public administrations	168 785	960 785
Other resident sectors	281 046	503 076
Other non-resident sectors	331 627	276 188
	3 402 028	3 705 959
(Impairment losses) (*)	-	(78)
Other valuation adjustments	23 110	(4 343)
	3 425 138	**3 701 538**
By type of instrument -		
Debt securities:	2 877 885	3 165 476
Spanish public debt securities	2 514 205	1 729 580
Treasury bills	*4 658*	-
Sovereign debt	*2 509 547*	*1 729 580*
Other Spanish government bodies	-	150 392
Foreign sovereign debt	168 785	960 785
Issued by financial institutions	70 649	63 945
Other fixed income securities	101 136	265 195
(Impairment losses) (*)	-	(78)
Other valuation adjustments	23 110	(4 343)
Other equity instruments:	547 253	536 062
Shares of listed Spanish companies	62 475	37 970
Shares of unlisted Spanish companies	154 707	236 313
Shares of listed foreign companies	248 997	131 544
Shares of unlisted foreign companies	-	27
Holdings of mutual fund equity	81 074	130 208
	3 425 138	**3 701 538**

(*) This amount at 31st December 2018 and 2017 corresponds to impairment losses recorded for credit risk hedging.

The book value recorded in the table above represents the Group's credit risk exposure at the close of these periods, in proportion to the financial instruments held.

All the debt instruments at fair value through other comprehensive income are classified as performing risk (stage 1) for credit risk purposes.

The comparative figures presented above, for the year ended 31st December 2017, refer to the item "Financial assets available for sale" under IAS 39, prior to the terminology change under the new in IFRS 9 standards and the Bank of Spain's 4/2017 Circular.

In the 2018 financial period, the most significant changes in the equity instruments portfolio classified as financial assets at fair value through other comprehensive income included the following transactions made by the Group:

- Disposal of 347,755 BBVA shares, for a total of EUR 6,300 thousand, which posted a loss of EUR 3,654 thousand.
- Disposal of 11,826,129 Globalia Corporación Empresarial, S.A. shares, for a total of EUR 28,494 thousand, which posted a gain of EUR 13,005 thousand.
- Acquisition of 3,000,000 Intesa Sanpaolo shares, for a total of EUR 9,172 thousand.
- Acquisition of 1,100,000 Lyxor Euro Stoxx 50 Daily (-1x) Inverse Ucits ETF shares, for a total of EUR 19,758 thousand.
- Acquisition of 800,000 ING Groep NV shares, for a total of EUR 10,026 thousand.
- Disposal 5,580 Unifond Renta Variable España, F.I shares, which posted a capital gain of EUR 491 thousand.
- Disposal of 28,978 Unifond Audaz, F.I. shares, which posted a capital gain EUR 565 thousand.
- Disposal of 10,559,376 Europe Development Capital Fund Euro A1 Class (Electra) shares, which posted a capital gain of EUR 10,306 thousand.
- Disposal of 188,287 Unifond Conservador, F.I. shares, which posted a capital loss of EUR 175 thousand.

In the 2017 period, the most significant changes in the equity instruments portfolio classified as financial assets available for sale included the following transactions made by the Group:

- Disposal of 38,423,908 Iberdrola, S.A. shares, for a total of EUR 265,336 thousand, which posted a gain of EUR 32,780 thousand.
- Disposal of 860,198 B X-Trackers II Iboxx Eur High Yield Bond Ucits ETF shares, for a total of EUR 15,623 thousand, which posted a gain of EUR 623 thousand.
- Disposal of 888,093 of Lico Leasing, S.A. shares, for a total of EUR 7,592 thousand, with insignificant gains linked to the sale.
- Disposal of 2,430,469 Enel SPA shares, for a total of EUR 10,480 thousand, which posted a gain of EUR 335 thousand.
- Acquisition of 3,159 Caja SICAV Class IV Fund shares, for a total of EUR 20,000 thousand.
- Acquisition of 2,256,625 Enel SPA shares, for a total of EUR 14,082 thousand.
- Acquisition of 1,051,330 Unilever shares, for a total of EUR 10,297 thousand.
- Acquisition of 651,590 Royal Dutch Shell shares, for a total of EUR 10,153 thousand.

In the 2018 financial year, these amounts were not filed on the consolidated income statement, in compliance with the stipulations of IFRS 9 on the matter. Instead, they were moved from the “Accumulated other comprehensive income” heading to the net equity reserve headings. In the 2017 period, these sums were filed under the “Gains/losses from derecognising financial assets and liabilities not valued at fair value through profit or loss” heading of the consolidated income statement (Note 38).

Interest accrued on debt securities classified in this portfolio for the years 2018 and 2017 amounted to EUR 177,583 thousand and EUR 86,842 thousand, respectively, are recorded under "Interest income" in the consolidated income statement (Note 32).

The average effective interest rate of the debt instruments in this portfolio at 31st December 2018 was 1.42% (1.59% at 31st December 2017).

The positive cash flow included in the consolidated cash flows statement for the year 2018 for the financial assets classified in this portfolio amounts to EUR 4,174,687 thousand (positive flow of EUR 2,444,161 thousand for fiscal year 2017).

9.2 Credit risk hedging

The changes in impairment losses recorded for credit risk hedging and the accrued amount thereof at the start and end of fiscal years 2018 and 2017 of debt instruments classified as financial assets measured at fair value through other comprehensive income are shown below:

	€ ´000
Balance at 31 December 2016	**78**
Net allowances for the period	-
Funds recovered from previous fiscal years	-
Other movements	-
Balance at 31 December 2017	**78**
Net allowances for the period	-
Funds recovered from previous fiscal years	-
Other movements	(78)
Balance at 31 December 2018	**-**

Allowances are filed under the "Impairment in value or reversion of financial assets not valued at fair value through profit or loss" heading on the consolidated income statement attached.

9.3 Accumulated other comprehensive income - Items subject to reclassification to income statement

The reconciliation of initial and final balances from other comprehensive income, insofar as it is relevant to this portfolio, is shown below and, in the case of the items that can be reclassified in profit & loss, the reconciliation of the net equity of the consolidated balance sheet for the 2018 and 2017 periods. It shows the sums filed on the consolidated income statement as the result of financial transactions and the results of losses from the impairment of financial assets, together with the sums filed on the consolidated statement of recognised income and expense.

		€ ´000
	2018	**2017**
Accumulated other comprehensive income - Items subject to reclassification to income statement - Balance at end of the previous year	**2 145**	**32 689**
IFRS 9 impact	**191 331**	**-**
Transfer to results	**(56 689)**	**(88 431)**
Recorded in the consolidated income statement	(144 775)	(126 640)
Change in fair value of securities sold during the year staring 1 January or the purchase date to date of sale of said securities	88 086	38 209
Changes in fair value:	**(163 861)**	**44 797**
Other movements	**(2 641)**	-
Taxes	**9 558**	**13 090**
Accumulated other comprehensive income - Items subject to reclassification to income statement - Balance at end of the previous year	**(20 157)**	**2 145**

The breakdown of transfers to the consolidated income statement for the years 2018 and 2017 is the following:

	€ ´000	
	2018	**2017**
Net trading income (Note 38)	(144 727)	(96 052)
Cash flow hedges from revenue adjustments	-	
Exchange differences	-	
Impairment of financial assets designated at fair value through other comprehensive income	-	(30 588)
	(144 727)	**(126 640)**

9.4 Accumulated other comprehensive income - Items not subject to reclassification to income statement

The figures below show the reconciliation of initial and final balances of accumulated other comprehensive income – Items that cannot be reclassified in results – Financial assets at fair value through other comprehensive income of net equity of the consolidated balance for the years 2018 and 2017, based on the amounts recorded filed in the consolidated statement of income and expense.

	€ ´000	
	2018	**2017**
Accumulated other comprehensive income - Items not subject to reclassification to income statement - Balance at end of the previous year	**(890)**	
IFRS 9 impact	14 993	
Changes in fair value:	(29 822)	
Other movements	(153)	
Taxes	12 810	
Accumulated other comprehensive income - Items not subject to reclassification to income statement - Balance at end of period	**(3 062)**	

10. Financial assets carried at amortized cost

A breakdown of financial assets included in this category at 31st December 2018 and 2017, classified by nature of exposure is shown below:

	€ ´000	
	2018	**2017**
Debt securities	14 763 449	13 219 525
Loans and advances	29 349 858	29 822 052
Central Banks	-	-
Credit institutions	*1 699 075*	*184 175*
Customers	*27 650 783*	*29 637 877*
	44 113 307	**43 041 577**

The comparative figures presented above to 31st December 2017 refer to “Loans and receivables” and “Investments held to maturity” under IAS 39, before these sections were merged and before the terminology was changed under the new in IFRS 9 standards and the Bank of Spain’s 4/2017 Circular.

10.1 Detail of balance and credit risk threshold

A breakdown of financial assets included in this category at 31st December 2018 and 2017, classified by classes of counterparty and type of instrument is shown below:

		€ ´000
	2018	**2017**
By type of counterparty -		
Credit institutions	1 945 684	415 012
Resident public administrations	8 448 018	9 676 193
Non-resident public administrations	4 402 103	1 608 175
Other resident sectors	29 877 660	32 460 859
Other non-resident sectors	441 317	278 431
	45 114 782	44 438 670
(Impairment losses)	(1 014 452)	(1 355 112)
Other valuation adjustments	12 977	(41 981)
	44 113 307	**43 041 577**
By type of instrument -		
Credit and loans at variable interest rate	23 860 958	25 388 221
Credit and loans at fixed interest rate	3 669 057	3 230 283
Debt securities	14 721 077	13 219 525
Reverse purchase agreements	2 293 359	2 221 239
Term deposits in financial institutions	322 762	120 069
Other deposits in financial institutions	-	-
Other financial assets	247 569	259 333
	45 114 782	44 438 670
(Impairment losses)	(1 014 452)	(1 355 112)
Other valuation adjustments	12 977	(41 981)
	44 113 307	**43 041 577**

The book value recorded in the table above represents the Group's credit risk exposure at the close of these periods, in proportion to the financial instruments held.

Interest accrued for the years 2018 and 2017 on credit to customers amounted to EUR 545,438 thousand and EUR 607,996 thousand, respectively (including NPLs), are recorded under "Interest income" in the consolidated income statement herein(Note 32). On the other hand, deposits in credit institutions amounted to EUR 556 thousand and EUR 760 thousand, respectively, and are similarly recorded under "Interest income" in the consolidated income statement herein (Note 32).

Interest accrued in fiscal years 2018 and 2017 on debt instruments classified in the financial assets portfolio amounted to EUR 253,385 thousand and EUR 212,339 thousand, respectively, and are recorded under "Interest income" in the consolidated income statement (Note 32).

The average effective interest rate of the debt instruments in this portfolio at 31st December 2018 for loans to customers was 1.92% (2.04% at 31st December 2017) and 0.02% (0.17% at 31st December 2017) for deposits in credit institutions.

The negative cash flow included in the consolidated cash flows statement for the 2018 for financial assets at amortised cost under this item amounts to EUR 4,376,556 thousand (and negative flow of loans and receivables for EUR 764,299 thousand for the year 2017).

10.2 Loans and advances

The breakdown by counterparty of the amounts of gross loans and advances recorded at amortized cost at 31st December 2018 and 2017 is as follows:

	2018	2017
		€ ´000
Credit institutions	1 699 075	184 175
Resident public administrations	1 366 494	1 524 272
Non-resident public administrations	-	-
Other resident sectors	27 055 972	29 273 435
Other non-resident sectors	271 939	238 871
	30 393 480	**31 220 753**

The breakdown at 31st December 2018 and 1st January 2018 as well as the movements during 2018 of loans and advances carried at amortized cost by credit risk stages (not including losses from impairment or other measurement adjustments) is as follows:

	Stage 1	Stage 2	Stage 3	Total
				€ ´000
Opening balance	**26 785 171**	**1 725 373**	**2 710 209**	**31 220 753**
Transfers between stages:	(35 017)	(35 673)	70 690	-
To performing risk (stage 1).	239 729	(227 684)	(12 045)	-
To watch-list performing risk (Stage 2)	(194 659)	311 092	(116 433)	-
To non-performing loans (Stage 3)	(80 087)	(119 081)	199 168	-
Additions of financial assets	3 689 894	-	-	3 689 894
Derecognition of financial assets (excluding write-offs)	(3 453 091)	(200 079)	(427 933)	(4 081 103)
Reclassified to write-offs	-	-	(125 790)	(125 790)
Asset foreclosures	-	-	(301 590)	(301 590)
Other movements	-	-	(8 684)	(8 684)
Closing balance	**26 986 957**	**1 489 621**	**1 916 902**	**30 393 480**

The movement of loans and advances carried at amortized cost classified as non-performing risk during fiscal year 2017 is as follows:

	2017
	€ ´000
Opening balance	**3 215 128**
Net entries & other movements	19 454
Transfers to write-offs	(232 672)
Asset foreclosures	(291 701)
Closing balance	**2 710 209**

10.3 Debt securities

The breakdown by counterparty and type of debt securities issues recorded at amortized cost at 31st December 2018 and 2017 is as follows:

	2018	2017
		€ ´000
By type of counterparty -		
Credit institutions	246 384	230 667
Resident public administrations	7 081 526	8 151 922
Non-resident public administrations	4 402 143	1 608 175
Other resident sectors	2 864 019	3 189 201
Other non-resident sectors	169 377	39 560
	14 763 449	**13 219 525**
By type of instrument -		
Spanish public debt securities	6 459 735	7 699 773
Treasury bills	-	-
Sovereign debt	*6 459 735*	*7 699 773*
Other Spanish government bodies	621 791	452 149
Foreign sovereign debt	4 402 143	1 608 175
Issued by financial institutions	246 384	230 666
Other fixed income securities	3 033 396	3 228 762
	14 763 449	**13 219 525**

The breakdown of debt securities recorded under this heading at 31st December 2018 based on the credit rating of the issue and the credit risk threshold (excluding valuation adjustments) is as follows:

	Stage 1	Stage 2	Stage 3
			€ ´000
Rating Aaa	9 497	-	-
Rating Aa1-Aa3	499 776	-	-
Rating A1-A3	9 471 519	-	-
Rating Baa1-Baa3	4 735 368	-	-
Rating Ba1-Ba3	-	-	-
Rating B1-C	20 717	6 514	-
No credit rating	20 058	-	-
	14 756 935	**6 514**	**-**

10.4 Refinancing, refinanced and restructured transactions

The refinancing and restructuring balances at 31st December 2018 and 2017 is as follows:

	2018		2017 € ´000	
	Total	**Of which: NPL (Stage 3)**	**Total**	**Of which: NPL**
Gross amount	**1 811 614**	**1 108 910**	**2 382 293**	**1 521 075**
Asset impairment adjustments	**674 296**	**591 839**	**848 151**	**768 281**
Of which: collective	558 334	475 877	695 351	615 481
Of which: individual	115 962	115 962	152 800	152 800
Net amount	**1 137 318**	**517 071**	**1 534 142**	**752 794**
Of which: granted to customers	1 137 318	517 071	1 534 142	752 794
Value of guarantees received	**1 121 178**	**688 191**	**1 541 316**	**961 390**
Of which: value of collateral	1 121 160	688 173	1 541 316	961 390
Of which: value of other guarantees	18	18	-	-

On the other hand, the conciliation of the book value of refinanced and restructured transactions at 31st December 2018 and 2017 is as follows:

	2018	2017 € ´000
Opening balance	**1 534 142**	**1 911 985**
Refinanced and restructured in the period	126 635	92 881
Debt repayments	(240 226)	(284 670)
Asset foreclosures	(149 357)	(134 968)
Derecognition (reclassified to write-offs)	(39 349)	(99 192)
Other changes	(94 537)	48 106
Of which: Changes to gross balance (*)	*(268 392)*	*(140 700)*
Of which: Changes in hedging for insolvencies	*173 855*	*188 806*
Balance at the end of the period	**1 137 308**	**1 534 142**

Changes in the gross balance under the “Other variations” section are mainly due to derecognitions of refinanced transaction stock as a consequence of applying the cure criteria described above. The effect on provisions is not significant, since most of these transactions were classified as performing risk. The procedure followed was simply to eliminate the refinancing brand, in compliance with the cure criteria indicated later in this report.

At 31st December 2018, the detail of refinanced and restructured transactions, according to the criteria used in the Bank of Spain’s Circular 5/2014, is as follows:

	Total						
	Secured loans				Unsecured loans		
			Maximum amount of collateral that can be considered				
	Number of transactions	Gross amount	Real estate secured	Other collateral	Number of transactions	Gross amount	Accumulated impairment e or loss in fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
Public administrations	15	54	54	-	17	26 959	(372)
Other financial institutions and individual entrepreneurs (finance related business)	5	321	240	-	6	2 769	(1 996)
Non-financial corporations and individual entrepreneurs (non-finance related business)	3 750	592 154	417 208	14 917	1 417	245 874	(299 747)
Of which: financing real estate development & construction (including land)	*483*	*158 479*	*108 562*	*1 379*	*56*	*25 755*	*(57 182)*
Rest of households	12 831	926 811	699 250	941	2 265	16 672	(372 181)
	16 601	**1 519 340**	**1 116 752**	**15 858**	**3 705**	**292 274**	**(674 296)**
Other information							
Financing classified as non-current assets and disposable groups classified as held for sale	-	-	-	-	-	-	-

€ ´000, 31st December 2018

	Of which: Non-performing (Stage 3)						
	Secured loans				Unsecured loans		
			Maximum amount of collateral that can be considered				
	Number of transactions	Gross amount	Real estate secured	Other collateral	Number of transactions	Gross amount	Accumulated impairment e or loss in fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
Public administrations	15	54	54	-	1	540	(324)
Other financial institutions and individual entrepreneurs (finance related business)	5	321	240	-	1	2 493	(1 984)
Non-financial corporations and individual entrepreneurs (non-finance related business)	2 360	384 751	256 811	125	506	88 030	(264 135)
Of which: financing real estate development & construction (including land)	*328*	*101 328*	*57 185*	*55*	*31*	*19 627*	*(53 489)*
Rest of households	7 801	626 462	426 660	16	518	6 259	(325 396)
	10 811	**1 011 588**	**683 765**	**141**	**1 026**	**97 322**	**(591 839)**
Other information							
Financing classified as: non-current assets and disposable groups classified as held for sale	-	-	-	-	-	-	-

€ ´000, 31st December 2018

At 31st December 2017, the detail of refinanced and restructured transactions, according to the criteria used in the Bank of Spain's Circular 5/2014, is as follows:

€ ´000

	31st December 2017						
	Total						
	Secured loans				**Unsecured loans**		
			Maximum amount of collateral that can be considered				
	Number of transactions	**Gross amount**	**Real estate secured**	**Other collateral**	**Number of transactions**	**Gross amount**	**Accumulated impairment e or loss in fair value due to credit risk**
Credit institutions	-	-	-	-	-	-	-
Public administrations	22	89	89	0	23	31 744	(5)
Other financial institutions and individual entrepreneurs (finance related business)	3	246	237	0	7	2 713	(1 774)
Non-financial corporations and individual entrepreneurs (non-finance related business)	4 491	889 130	527 353	82 139	1 857	289 577	(400 746)
Of which: financing real estate development & construction (including land)	794	321 307	188 695	11 181	94	26 930	(181 694)
Rest of households	14 671	1 147 986	904 821	16 487	2 861	20 808	(445 626)
	19 187	**2 037 451**	**1 432 500**	**98 626**	**4 748**	**344 842**	**(848 151)**
Other information							
Financing classified as: non-current assets and disposable groups classified as held for sale	-	-	-	-	-	-	-

€ ´000

	31st December 2017						
	Of which: NPL						
	Secured loans				**Unsecured loans**		
			Maximum amount of collateral that can be considered				
	Number of transactions	**Gross amount**	**Real estate secured**	**Other collateral**	**Number of transactions**	**Gross amount**	**Accumulated impairment e or loss in fair value due to credit risk**
Credit institutions	-	-	-	-	-	-	-
Public administrations	16	84	84	-	5	1 073	(5)
Other financial institutions and individual entrepreneurs (finance related business)	1	70	70	-	1	2 359	(1 764)
Non-financial corporations and individual entrepreneurs (non-finance related business) financial institution	2 793	614 009	333 033	58 286	612	125 787	(371 161)
Of which: financing real estate development & construction (including land)	*564*	*240 011*	*116 225*	*7 434*	*57*	*19 981*	*(172 184)*
Rest of households	8 893	770 129	552 448	11 055	819	7 564	(395 351)
	11 703	**1 384 292**	**885 635**	**69 341**	**1 437**	**136 783**	**(768 281)**
Other information							
Financing classified as: non-current assets and disposable groups classified as held for sale	-	-	-	-	-	-	-

Although the control of refinanced risks has always been part of Unicaja Banco Group's prudential supervision of the credit portfolio, the bank has adapted its management, identification and monitoring systems for credit risk transactions to the definitions contained in the Bank of Spain's Circular 4/2017. Specifically, the Group has a policy covering refinancing, restructuring, renewing and renegotiating transactions, which details the requirements, conditions and situations under which a range of measures is offered to assist the entity's clients if they are experiencing financial difficulties.

In general terms, these renegotiated transactions do not include modifications to conditions considered to be substantial, that go beyond extensions of the terms thereof, inclusions and extensions of grace periods, and improvements in the guarantees associated with such transactions. As such, for accounting purposes, they do not entail the derecognition of the original assets and the subsequent recognition of new assets at fair value.

The policies and procedures applied in risk management allow lending operations to be monitored individually. Any transaction that may require modifications to its terms and conditions as a result of worsening in the creditworthiness of the borrower already has, at the date of its novation, the appropriate provision for impairment. Therefore, as the transactions are correctly valued, there is no evidence of additional requirements for impairment provisions on refinanced loans.

As for the accounting treatment of interest, the Group does not recognize interest accruing in the income statement once a credit has been moved to NPL. In the event that due to the refinancing or restructuring of a non-performing transaction the outstanding interest is received, this is recorded as income in the income statement for the period.

Those transactions that, as a consequence of the refinancing, provide the Bank with a reasonable certainty that the client will be able to honour their payments in the planned schedule are classified as normal risk. In order to do so, a number of factors are taken into account, such as the giving of new, effective guarantees. As a consequence, in such cases, it may become clear that these transactions have a lower need for correction with the use of credit risk hedging.

Renegotiated or refinanced assets are classified according to their risk based on aspects such as the determination of borrowers' ability to pay, the updated valuation of the collateral provided and, in addition, other factors such as the grace periods on the transactions or the number of times it has been restructured.

Subsequent to the initial rating, prudent remediation criteria are in place, so that according to how the transaction progresses, risk may be reclassified again as normal. These criteria are based on an effective repayment of the refinanced transactions, so that doubts about collection are assuaged, and take into account both the repayment amount and the time that the borrower takes in fulfilling their payment obligations.

The cure criteria for the Group's refinanced transactions are consistent with the stipulations in the Bank of Circular 4/2017. These criteria are summarised below:

For reclassifying the exposure non-performing risk as watch-list performing risk:

- Confirm all those criteria that as a general rule determine how transactions in this category are classified.

- One year must have passed since the refinancing or restructuring.

- The borrower must have paid the accrued principal and interest payments (reducing the renegotiated principal), since the date on which the restructuring or refinancing transaction was signed or, if later, since the date on which that transaction was reclassified as non-performing. Therefore, there must not be any amounts overdue on the transaction. In addition, the borrower will have satisfied through regular payments a sum equivalent to all the amounts – principal and interest – that were overdue on the date of the restructuring or refinancing transaction, or that were written-off as a result of that transaction.

Alternatively, when it is more appropriate in view of the transactions' features, other objective criteria showing the borrower's ability to pay will have been verified.

- The borrower may not have any other transaction overdue by more than 90 days on the date of the reclassification to watch-list performing risk of the refinancing, refinanced or restructured transaction.

For reclassifying the exposure watch-list performing as performing risk:

- After the title owner's equity and financial situation has been reviewed exhaustively, the conclusion will have been reached that the borrower will not foreseeably be in financial difficulties and, as such, is highly likely to comply with his/her obligations to the institution in a timely and proper manner.

- A minimum of two years must have elapsed since the restructuring or refinancing transaction was signed or, if it happened later, since the date of the reclassification from the non-performing risk category.

- The borrower has paid the instalments accruing on the principal and interest since the date on which the restructuring or refinancing transaction was signed or, if later, since the date on which that transaction was reclassified from the non-performing category. In addition, the borrower will have satisfied through regular payments a sum equivalent to all the amounts – principal and interest – that were overdue or impaired on the date of the restructuring or refinancing transaction. Alternatively, when it is more appropriate in view of the transactions' features, other objective criteria showing the borrower's ability to pay will have been verified.

- The title owner must have no other transaction that is overdue by more than 30 days at the end of the trial period.

10.5 Assets past due and impaired

The following is the detail on those financial assets classified as financial assets at amortised cost, considered as impaired due to their credit risk at 31st December 2018 and 2017, as well as those that, whilst not considered impaired, have some amount due at such dates, classified by counterparties, as well as on the basis of the period elapsed between the earliest dates of each transaction and the expiration of the payment date.

Impaired assets at 31st December 2018

					€ ´000
	Up to 180 days	**180 to 270 days**	**270 days to one year**	**More than one year**	**Total**
By type of counterparty -					
Resident public administrations	13 000	-	-	943	13 943
Other resident sectors	896 294	59 361	52 004	869 139	1 876 798
Non-resident public administrations	-	-	-	-	-
Other non-resident sectors	12 363	405	285	13 109	26 162
	921 657	**59 766**	**52 289**	**883 191**	**1 916 903**

Impaired assets at 31st December 2017

	Up to 180 days	180 to 270 days	270 days to one year	More than one year	Total
					€ ´000
By type of counterparty -					
Resident public administrations	28	714	4	1 523	2 269
Other resident sectors	1 081 032	76 100	66 588	1 455 725	2 679 445
Non-resident public administrations	-	-	-	-	-
Other non-resident sectors	13 079	150	221	15 045	28 495
	1 094 139	**76 964**	**66 813**	**1 472 293**	**2 710 209**

Past due balances not considered to be impaired at 31st December 2018

	Less than 1 month	1 to 2 months	2 months to 90 days	Total
				€ ´000
By type of counterparty -				
Credit institutions	36	-	-	36
Resident public administrations	299	1	1 639	1 939
Other resident sectors	-	-	-	-
Non-resident public administrations	39 641	4 893	12 231	56 765
Other non-resident sectors	153	26	13	192
	40 129	**4 920**	**13 883**	**58 932**

Past due balances not considered to be impaired at 31st December 2017

	Less than 1 month	1 to 2 months	2 months to 90 days	Total
				€ ´000
By type of counterparty -				
Credit institutions	33	-	5	38
Resident public administrations	918	5	2 908	3 831
Other resident sectors	-	-	-	-
Non-resident public administrations	33 590	5 971	15 475	55 036
Other non-resident sectors	41	30	27	98
	34 582	**6 006**	**18 415**	**59 003**

10.6 Credit risk hedging

The changes in impairment losses recorded for credit risk hedging and the accrued amount thereof at the start and end of fiscal years 2018 and 2017 of debt instruments classified as loans and receivables are shown below:

Changes in impairment losses at each stage into which the Group's credit risk exposures are classified for fiscal year 2018, is as follows:

				€ ´000
				2018
	Stage 1	Stage 2	Stage 3	Total
Opening balance	**111 053**	**104 759**	**1 139 300**	**1 355 112**
First-time IFRS 9 application	21 412	18 916	75 864	116 192
Transfers between stages:	3 588	6 738	(10 326)	-
To performing risk (stage 1).	7 515	(5 139)	(2 376)	-
To watch-list performing risk (Stage 2)	(2 617)	15 700	(13 083)	-
To non-performing loans (Stage 3)	(1 310)	(3 823)	5 133	-
From additions of new financial assets	16 320	-	-	16 320
Changes in parameters	(13 383)	(9 577)	33 810	10 850
Changes in methodologies	(9 333)	(1 714)	9 851	(1 196)
Derecognition of financial assets (excluding write-offs)	(10 328)	(6 657)	(153 710)	(170 695)
Reclassification to write-offs	-	-	(106 133)	(106 133)
Foreclosed assets	-	-	(145 404)	(145 404)
Other movements	(69 000)	(6 585)	14 039	(61 546)
Balance at the end of the period	**50 329**	**105 880**	**857 291**	**1 013 500**
Of which:				
Individually determined	202	23 194	198 942	222 338
Collectively determined	50 127	82 686	658 349	791 162
	50 329	**105 880**	**857 291**	**1 013 500**

The movement of impairment losses for year 2017 is as follows:

	€ ´000
	2017
Opening balance	**1 999 360**
Allowance recorded against net income for the period	397 565
Reversals credited to net income for the period	(337 889)
Other movements	(703 924)
Balance at the end of the period	**1 355 112**
Of which:	
Individually determined	191 857
Collectively determined	1 163 255
	1 355 112

The "Other movements" item for fiscal year 2017 included the transfer to the "Provisions" item of the consolidated balance sheet of the hedges established to cover litigation and claims in connection with the agreements to limit the changes in interest rates (Note 18 and 27).

11. Hedging derivatives

At 31st December 2018 and 2017, the main contracted derivatives designated as hedges and their hedged items were the following:

- Interest Rate Swaps, to cover mortgage covered bonds issued by the Entity and bonds issued by third parties acquired by the Group.

- Futures and options on listed securities, which provide cover for changes in market prices prior to the sale of such securities.

The Group applies fair value hedge accounting primarily to those transactions which are exposed to variations in the fair value of certain assets and liabilities sensitive to changes in interest rates, i.e. mainly assets and liabilities indexed to a fixed rate, which is converted into a variable interest rate using hedging instruments.

The valuation methods used to determine the fair value of OTC derivatives were discounted cash flow for valuations of interest rate derivatives and the Montecarlo simulation technique for valuations of structured products with an optional component. In the case of transactions of listed securities, the listed price has been taken as its fair value.

The list below shows the maturities of the notional values of hedging instruments used by the Group at 31st December 2018:

						€ ´000
						2018
	Less than 1 month	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Fair Value hedges:	**967 961**	**-**	**-**	**790 510**	**4 724 743**	**6 483 214**
Futures on securities and interest rates	**967 961**	**-**	**-**	**-**	**-**	**967 961**
Sale of interest rate futures	967 961	-	-	-	-	967 961
Currency options:	**-**	**-**	**-**	**-**	**30 170**	**30 170**
Currency options issued	-	-	-	-	30 170	30 170
Other interest rate transactions	**-**	**-**	**-**	**790 510**	**4 694 573**	**5 485 083**
Interest rate swaps: (IRS bonds)	-	-	-	724 210	1 276 923	2 001 133
Interest rate swaps: (IRS loan portfolio)				56 300	500 000	556 300
Interest rate swaps: (IRS fixed income)	-	-	-	10 000	2 917 650	2 927 650
Interest rate swaps: (IRS fixed term deposits)	-	-	-	-	-	-
Cash flow hedges:	-	-	**-**	**100 000**	**3 352 948**	**3 452 948**
Other interest rate transactions	-	-	**-**	**100 000**	**3 352 948**	**3 452 948**
Interest rate swaps (IRS deposits in central banks)	-	-	-	-	-	-
Interest rate swaps: (IRS fixed income)	-	-	-	100 000	3 352 948	3 452 948
Total	**967 961**	**-**	**-**	**890 510**	**8 077 691**	**9 936 162**

At 31st December 2018 and 2017, Unicaja Banco Group had no financial instruments that had to be classified as hedges of net investment in businesses abroad.

The table below shows the fair value and cash flow hedging instruments used by the Group at 31st December 2018 and 2017:

	2018				2017		€ ´000	
	Fair Value debtor	**Fair Value creditor**	**Notional**	**Changes in fair value used to calculate hedging ineffectiveness**	**Fair Value debtor**	**Fair Value creditor**	**Notional**	**Hedged item**
Fair value hedges	**390 729**	**85 633**	**6 483 214**	**334 671**	**456 505**	**5 838**	**4 568 308**	
Futures on securities and interest rates	**168**	**6 442**	**967 961**	**(6 275)**	**5 386**	**1 043**	**1 436 717**	
Sale of interest rate futures	168	6 442	967 961	(6 275)	5 386	1 043	1 436 717	Debt securities
Currency options	**2 107**	**1 011**	**30 170**	**550**	**2 171**	**908**	**64 537**	
Currency options issued	2 107	1 011	30 170	550	2 171	908	64 537	Foreign currency balances
Other interest rate transactions	**388 454**	**78 180**	**5 484 783**	**340 397**	**448 948**	**3 887**	**3 067 054**	
Interest rate swaps (IRS bonds)	388 454	-	2 001 133	370 598	448 948	2 165	2 507 433	Issued MBS & bonds
Interest rate swaps (IRS loan portfolio)	-	15 641	556 300	(13 404)	-	963	500 000	Loans and advances
Interest rate swaps (IRS fixed income)	-	62 539	2 927 650	(16 797)	-	758	56 300	Debt securities
Interest rate swaps (IRS fixed term deposits)	-	-	-	-	-	1	3 321	Deposits from customers
Cash flow hedges:	**20 665**	**57 666**	**3 452 948**	**(43 440)**	**324**	**25 547**	**750 000**	
Other interest rate transactions	**20 665**	**57 666**	**3 452 948**	**(43 440)**	**324**	**25 547**	**750 000**	
Interest rate swaps (IRS deposits in central banks)	-	-	-	-	-	25 547	700 000	Deposits in central banks
Interest rate swaps (IRS fixed income)	20 665	57 666	3 452 948	(43 440)	324	-	50 000	Debt securities
Total	**411 394**	**143 299**	**9 936 162**	**291 232**	**456 829**	**31 385**	**5 318 308**	

The table below shows the Group's hedged items at 31st December 2018 and 2017 using the hedging instruments listed above:

								€ ´000
	2018							2017
	Book value of hedged items		Accumulated fair value adjustment in the hedged item		Changes in fair value used to calculate hedging ineffectiveness	Reserve of cash flow hedges	Book value of hedged items	
	Assets	Liabilities	Assets	Liabilities			Assets	Liabilities
Fair value hedges	**4 929 196**	**3 953 144**	**35 925**	**370 597**	**(334 672)**	**-**	**2 343 456**	**4 268 414**
Debt securities	4 337 761	-	23 071	-	23 071	-	1 456 330	-
Foreign currency balances	48 734	-	(550)	-	(550)	-	48 546	-
Issued MBS & bonds	-	-	-	-	-	-	-	-
Deposits from customers	-	3 652 572	-	367 569	(367 569)	-	-	4 070 663
Deposits in credit institutions	-	300 572	-	3 028	(3 028)	-	-	197 751
Loans and advances	542 701	-	13 404	-	13 404	-	838 580	-
Cash flow hedges	**3 409 508**	**-**	**43 440**	**-**	**43 440**	**10 026**	**52 415**	**686 422**
Deposits in central Banks	-	-	-	-	-	-	-	686 422
Debt securities	3 409 508	-	43 440	-	43 440	10 026	52 415	-
Total	**8 338 704**	**3 953 144**	**79 365**	**370 597**	**(291 232)**	**10 026**	**2 395 871**	**4 954 836**

Unicaja Banco Group classifies as "hedging operations" only those that are considered highly effective over the life of these operations. A hedge is considered to be highly effective if, during its expected term, changes in the fair value or cash flows of the hedged risk are almost completely offset by variations in the fair value or in the cash flows, as the case may be, of the hedging instruments.

Hedges known as "cash flow hedges" cover the change in cash flows attributed to a particular risk associated with a financial asset or financial liability or a transaction that is forecast as highly probable, as long as it might affect the consolidated income statement. The information required pursuant to paragraph 23 of IFRS 7 in relation to these cash flow hedges is as follows:

- Periods in which flows are expected to occur: The flows associated with debt securities will occur until November 2030.
- Fiscal years in which the result of the period is expected to be affected: These coincide with the fiscal years in which cash flows are anticipated.
- Amount recognised during the previous fiscal year under "Interest income" in the consolidated income statement as an income correction due to hedging operations: negative correction of EUR 22,164 thousand (positive correction of EUR 6,970 thousand in 2017) (Note 32).
- Amount recognised during the previous fiscal year under "Interest expense" in the consolidated income statement as an expense correction due to hedging operations: negative correction of EUR 106,027 thousand (positive correction of EUR 114,157 thousand in 2017) (Note 33).
- Recognised inefficiencies in the results for the period arising from cash flow hedges. No inefficiencies were recorded during the 2018 and 2017 fiscal years.

Hedges designated as "fair value hedges" cover exposure to changes in the fair value of financial assets and liabilities or of unrecognised firm commitments or an identified portion of such assets, liabilities or firm commitments, attributable to a particular risk and provided they may affect the consolidated income statement. The information required pursuant to paragraph 24 of IFRS 7 about these fair value hedges is presented below:

- Losses and gains on hedging instruments: See the attached table for the breakdown of 2018 and 2017 gains and losses associated with the hedging instrument.
- Loses and gains on the hedged item that are attributable to the hedged risk: See the attached table for the breakdown of 2018 and 2017 gains and losses associated with hedged instruments that can effectively be attributed to the risk hedged.

In both cases, the Group considers that the sources of the inefficient hedging of fair value or cash flows may be the following:

- Possible economic events affecting the institution (e.g. non-compliances).
- Possible movements or differences relative to the market in the collateralised and non-collateralised curves used in the valuation of derivatives and hedged items.
- Possible differences between the nominal value, the settlement/repricing dates and the credit risk of the hedged item and the hedging item.

The effect of the inefficient hedging of fair value and/or cash flows is not material to the Group's consolidated income statement.

The table below shows the breakdown of the impacts on the consolidated income statement and on the consolidated statement recognised income and expense of the hedgings designated by the Group at 31st December 2018 and 2017:

Fair Value hedges:

								€ ´000
	2018				2017			
	Results of hedging instruments		Results of hedged instruments		Results of hedging instruments		Results of hedged instruments	
	Loss	Profit:	Loss	Profit:	Loss	Profit:	Loss	Profit:
Futures on securities and interest rates	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Sale of interest rate futures	-	-	-	-	-	-	-	-
Currency options:	**857**	**187**	**-**	**670**	**1 064**	**973**	**-**	**-**
Currency options: issued	857	187	-	670	1 064	973	-	-
Other interest rate transactions	**332 674**	**224 169**	**224 169**	**332 674**	**104 772**	**15 334**	**15 333**	**105 041**
Interest rate swaps (IRS bonds)	241 190	194 425	194 425	241 190	104 557	-	-	104 826
Interest rate swaps (IRS FTD customers)	8 088	-	-	8 088	215	-	-	215
Interest rate swaps (IRS fixed income)	73 702	23 463	23 463	73 702	-	1 210	1 209	-
Interest rates options: (fixed income)	9 694	6 281	6 281	9 694		14 124	14 124	
	333 531	**224 356**	**224 169**	**333 344**	**105 836**	**16 307**	**15 333**	**105 041**

Cash flow hedges:

						€ ´000
			2018			**2017**
	Change in value of the hedged item recognised in other comprehensive income	**Amount reclassified from equity to income statement**		**Change in value of the hedged item recognised in other comprehensive income**	**Amount reclassified from equity to income statement**	
		Discontinued hedge	**Recognition of forecast transaction in results**		**Discontinued hedge**	**Recognition of forecast transaction in results**
Other interest rate transactions	**10 026**	**-**	**(17 344)**	**(11 970)**	**-**	**10 683**
Interest rate swaps (IRS deposits in central banks)	-	-	-	-	-	-
Interest rate swaps (IRS fixed income)	10 026	-	(17 344)	(11 970)	-	10 683
	-	-	-			
Total	**10 026**	**-**	**(17 344)**	**(11 970)**	**-**	**10 683**

12. Investments in joint ventures and associates

12.1 Investments in entities accounted for using the equity method

Appendixes II and III show a breakdown of the interests in multigroup institutions and associate companies at 31st December 2018 and 2017, that are filed on the consolidated annual statements using the equity method, together with other relevant information.

The contribution of the most important institutions under the equity method to the balance of the heading "Investments in joint ventures and associate companies" on the consolidated balance sheet at 31st December 2018 and 2017 is the following:

		€ ´000
	2018	**2017**
Caja España Vida, Compañía de Seguros y Reaseguros, S.A.	109 739	119 350
Hidralia, Gestión Integral de Aguas de Andalucía, S.A.	27 530	27 311
Autopista del Guadalmedina, Concesionaria Española, S.A.	13 392	14 871
Autopista del Sol Concesionaria Española, S.A.	22 506	21 643
Deoleo, S.A.	-	21 261
Ingeniería de Suelos y Explotación de Recursos, S.A.	10 025	7 992
Sociedad Municipal de Aparcamientos y Servicios, S.A.	10 597	10 013
Duero Pensiones, E.G.F.P., S.A.U. (*)	-	5 725
Propco Malagueta, S.L.	25 143	21 146
Propco Orange 1, S.L.	6 602	-
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.	54 208	64 305
Unión del Duero, Compañía de Seguros de Vida, S.A.U. (*)	-	58 695
Banco Europeo de Finanzas, S.A.	-	38 760
Ahorro Andaluz, S.A.	3 122	23 460
Espacio Medina, S.L.	14 690	12 935
Proyecto Lima, S.L.	16 478	10 558
Muelle Uno - Puerto de Málaga, S.A.	9 503	8 279
Madrigal Equity participations, S.A.	13 083	13 108
Cartera Perseidas, S.L.	-	116
Other entities	22 511	3 415
	359 128	**482 943**

(*) These were consolidated in 2018 using the full consolidation method as they are companies that were added to the Unicaja Banco Group perimeter during 2018.

The table below shows a reconciliation between the initial and end balance of the “Investments in joint ventures and associate companies” section of the consolidated balance sheet for 2018 and 2017:

	€ ´000	
	2018	**2017**
Net carrying amount at 1 January	**482 943**	**294 099**
Additions in the period	17 572	39 912
Divestments in the period	-	(22 149)
Results from equity accounting method	37 206	48 969
Impairment of investments joint ventures or associates (Note 42)	-	(27 247)
Dividends paid	(49 926)	(68 936)
Differences in valuation adjustments	(12 214)	15 153
Changes in accounting classification (Note 16)	(132 087)	227 453
Other movements	15 634	(24 311)
Net carrying amount at 31 December	**359 128**	**482 943**

The allowances are recorded under the section “Impairment or reversal in value of investments in joint ventures or associated companies” of the attached consolidated income statement.

In 2018 the Group has not recorded impairments in its interests in associated entities. In 2017 the Group recorded a sum of EUR 27,247 thousand for impairment on its interests in associated entities, under the heading “Impairment or reversal in value of investments in joint ventures or associated companies” (Note 42).

“Other movements” essentially contains associate entities’ capital increases and decreases, which are not calculated as recognitions or derecognitions of this movement if the percentage stake in the company does not vary.

In fiscal year 2017, the item “changes in accounting classification” worth EUR 227,453 thousand included the value of holdings in Caja España Vida, Compañía de Seguros y Reaseguros, S.A., Duero Pensiones, E.G.F.P., S.A.U. and Unión del Duero, Compañía de Seguros de Vida, S.A.U., were reclassified from item “Non-current assets and disposal groups classified as held for sale” (Note 16), to item “Investments in joint ventures and associates” as a result of the process of restructuring the insurance banking agreements described in Note 12.2 of these consolidated annual statements.

The balance in the “Investments in joint ventures and associate companies” heading of the consolidated balance sheets to 31st December 2018 and 2017 includes EUR 29,128 thousand and EUR 27,674 thousand, respectively, representing the goodwill associated with these types of interests. Note 4 gives information about this goodwill.

12.2 Disclosures of acquisition and disposal of equity stakes

The disclosures of acquisition and sale of capital interests in Group, multigroup or associate entities, as required under the Capital Enterprises Act and Article 53 of the Securities Market Act 24/1988, are listed below.

In 2018 and 2017 the main acquisitions and divestments of interests in Group, multigroup or associate entities were:

Acquisitions of equity stakes in 2018

Company name	Category	Effective date of transaction	Net acquisition cost	% voting rights acquired	% total voting rights in the entity after acquisition
					€ ´000
Mastercajas, S.A.	Associate	21/09/2018	-	5.08%	25.39%
Malagaport, S.L.	Associate	15/11/2018	-	0.70%	26.77%

Acquisitions of equity stakes interests in 2017

Company name	Category	Effective date of transaction	Net acquisition cost	% voting rights acquired	% total voting rights in the entity after acquisition
					€ ´000
Parque Científico Tecnológico de Almería, S.L.	Associate	31/03/2017	660	0.17%	30.08%
Ahorro Andaluz, S.A.	Associate	01/06/2017	84	50.00%	50.00%

Disposals of equity stakes in 2018

Company name	Category	Effective date of transaction	% voting rights disposed or derecognised	% voting rights controlled after divestment	Resulting gain or loss
					€ ´000
Numzaan, S.L.	Associate	16/02/2018	21.47%	0.00%	-
Propco Orange 1, S.L.	Associate	19/06/2018	51.00%	49.00%	-
Compañía de Servicios de Castilla y León, S.A.	Associate	29/06/2018	28.07%	28.07%	-
Deoleo, S.A. (*)	Associate	01/07/2018	10.05%	0.00%	-

(*) Reduction of percentage stake with significant loss of influence.

Disposals of equity stakes in 2017

Company name	Category	Effective date of transaction	% voting rights disposed or derecognised	% voting rights controlled after divestment	Resulting gain or loss
					€ ´000
A.I.E. Naviera Olimpia	Associate	31/01/2017	26.00%	0.00%	-
Global Duero, S.A.	Multigroup	08/03/2017	34.69%	0.00%	-
Hidrocartera, S.L.	Multigroup	27/11/2017	70.00%	0.00%	-
Hidralia, Gestión Integral de Aguas de Andalucía, S.A.	Associate	27/11/2017	15.00%	20.00%	8 815
Propco Malagueta, S.L.	Associate	14/12/2017	75.00%	25.00%	-
Proyecto Lima, S.L.	Associate	14/12/2017	75.00%	25.00%	-
Centro de Tecnologías Informáticas, S.A.	Associate	03/11/2017	20.00%	0.00%	-

These changes in the composition of the Group have not had a significant impact on the consolidated condensed interim financial statements at 31st December 2018.

On the other hand, on 17th September 2018 Mijas Sol Resort, S.L.U., and Altos de Jontoya Residencia para Mayores, S.L. were taken over by Acinipo, S.L.U., which at the time of the merger by absorption owned 100% of the absorbed company.

With respect to the restructuring process of Unicaja Banco Group's insurance banking business, on 9th May 2017, Unicaja Banco, EspañaDuero and Aviva Europe SE (Aviva) signed an agreement to terminate the strategic business alliances between these entities in the joint marketing and distribution of insurance banking in Spain for personal insurance and pension plans using the Unicaja Bank network and that of EspañaDuero taken over from the former Caja España (hereinafter, the "Termination Agreement").

Simultaneously with the Termination Agreement, Unicaja Banco, EspañaDuero and Santa Lucía, S.A. ("Santa Lucia") have entered into an exclusive and fixed-term partnership agreement for the development, joint marketing and distribution in Spain of Unicorp Vida and Caja España Vida life insurance and pension plans (hereinafter, the "Partnership with Santa Lucia").

The agreements mentioned above became effective on 14th September 2017, once the appropriate regulatory authorisations were obtained, involving the exit by Aviva from the share capital of Unicorp Vida, Compañía de Seguros y Reaseguros, S.A. (Unicorp Vida) and Caja España Vida, Compañía de Seguros y Reaseguros, S.A. (Caja España Vida), as well as the termination of the agreements signed between Unicaja Banco, EspañaDuero and Aviva in relation to these companies. The partnership between Unicaja Banco and Aviva in terms of their participation in Caja de Granada Vida, Compañía de Seguros y Reaseguros, S.A., was not affected by this agreement, and the company was subsequently sold on 22nd February 2018 and wound up on 10th July 2018.

On the other hand, on June 8, 2017, EspañaDuero has entered into a sale agreement with Mapfre Vida, SA de Seguros y Reaseguros sobre la Vida Humana ("Mapfre") under which it acquired 50% of the share capital of the companies Union del Duero, Compañía de Seguros de Vida, SA and Duero de Pensiones, E.G.F.P., SA. The effectiveness of this purchase agreement was subject, at year-end 2017, to compliance with certain conditions precedent, consisting in obtaining the appropriate regulatory authorizations. These authorisations were received on 27th February 2018, and the transaction was settled on 14th March 2018.

On 14th September 2017 the insurance broking and pension plan contract between Caja España Mediación, Operador de Banca-Seguros Vinculado, S.A.U. (subsequently absorbed by Unimediación, S.L.U.) and Caja España Vida, Compañía de Seguros y Reaseguros, S.A., was renewed with amendments, including the network brought in from Caja Duero.

In this restructuring of banking insurance agreements, the variable price agreed upon in the 2008 sale by EspañaDuero of its 50% stake in Unión del Duero, Compañía de Seguros y Reaseguros, S.A. and Duero Pensiones, E.G.F.P., S.A. amounting to EUR 25.3 million, was charged and recorded as income under the item "Other operating income" in the consolidated income statement for the year 2017.

During year 2018, the above mentioned restructuring process has not had a significant impact on the Group's consolidated income statement. In this respect, the Group has recorded in 2017 a provision of EUR 70.8 million charged to "Provisions/reversal" in the consolidated income statement and a EUR 27.2 million impairment of holdings charged to "Impairment or reversal in the value of joint ventures or associates" in the consolidated income statement. Considering the income of EUR 25.3 million for the variable price agreed in the sale of 2008, referred to in the previous paragraph, and considering a total tax effect of EUR 22 million, the total net impact of the restructuring process in 2017 was EUR 50.7 million.

13. Tangible assets

13.1. Fixed tangible assets

13.1.1 Movements in fixed tangible assets

Movements under the "Fixed tangible assets" heading on the Group's consolidated balance sheet in the 2018 and 2017 periods were as follows:

			€ ´000
	For own use	Investment property	Total
Cost			
Balance at 31 December 2017	**1 868 370**	**653 592**	**2 521 962**
Other additions	12 769	15	12 784
Derecognitions from sales or disposals	(68 639)	(98 468)	(167 107)
Other transfers and movements	(6 360)	32 112	25 752
Balance at 31 December 2018	**1 806 140**	**587 251**	**2 393 391**
Accumulated depreciation			
Balance at 31 December 2017	**(935 838)**	**(86 452)**	**(1 022 290)**
Derecognitions from sales or disposals	41 850	1 165	43 015
Provisions	(28 219)	(8 109)	(36 328)
Other transfers and movements	1 215	(1 308)	(93)
Balance at 31 December 2018	**(920 992)**	**(94 704)**	**(1 015 696)**
Impairment losses			
At 31st December 2018	(36 510)	(152 738)	(189 248)
Net fixed tangible assets			
Balance at 31 December 2018	**848 638**	**339 809**	**1 188 447**

			€ ´000
	For own use	Investment property	Total
Cost			
Balance at 31 December 2016	**2 056 154**	**674 384**	**2 730 538**
Other additions	24 137	115	24 252
Derecognitions from sales or disposals	(201 153)	(51 929)	(253 082)
Other transfers and movements	(10 768)	31 022	20 254
Balance at 31 December 2017	**1 868 370**	**653 592**	**2 521 962**
Accumulated depreciation			
Balance at 31 December 2016	**(999 597)**	**(85 755)**	**(1 085 352)**
Derecognitions from sales or disposals	85 686	2 738	88 424
Provisions	(32 754)	(9 338)	(42 092)
Other transfers and movements	10 827	5 903	16 730
Balance at 31 December 2017	**(935 838)**	**(86 452)**	**(1 022 290)**
Impairment losses			
To 31st December 2017	(59 896)	(149 092)	(208 988)
Net fixed tangible assets			
Balance at 31 December 2017	**872 636**	**418 048**	**1 290 684**

“Other transfers and other movements” are shown in the charts above both in terms of the cost and the aggregate amortisation of assets. The breakdown by type of these movements for the 2018 and 2017 periods is as follows:

	2018		2017	€ ´000
	For own use	Investment property	For own use	Investment property
Transferred from non-current assets for sale	-	14 984	-	25 232
Transfers between “For own use and “Investment property”	(5 662)	5 662	5 299	(5 299)
Transfers from inventory	-	12 587	-	11 234
Other movements	517	(2 429)	(5 240)	5 758
	(5 145)	**30 804**	**59**	**36 925**

The Group has taken out several insurance policies to cover the risk to which fixed tangible assets are subject. The coverage of these policies is considered sufficient.

The net collections recorded in the consolidated cash flows statement for the year 2018 for the tangible assets recorded under this item amounts to EUR 95.869 thousand (net collections of EUR 140,406 thousand for the year 2017).

13.1.2 Fixed tangible assets for own use

The breakdown according to their type of the items making up the balance in this consolidated balance sheet heading at 31st December 2018 and 2017 is as follows:

	Cost	Accumulated depreciation	Impairment losses	Net balance (€ ´000)
Computer equipment and facilities	161 434	(141 248)	-	20 186
Furniture, vehicles and fixtures	595 782	(563 725)	(26 484)	5 573
Buildings	994 152	(205 980)	(33 412)	754 760
Work in progress	395	-	-	395
Other	116 607	(24 885)	-	91 722
Balance at 31 December 2017	**1 868 370**	**(935 838)**	**(59 896)**	**872 636**
Computer equipment and facilities	131 586	(111 296)	-	20 290
Furniture, vehicles and fixtures	600 141	(569 725)	(2)	30 414
Buildings	947 290	(209 959)	(12 312)	725 019
Work in progress	395	-	-	395
Other	126 728	(30 012)	(24 196)	72 520
Balance at 31 December 2018	**1 806 140**	**(920 992)**	**(36 510)**	**848 638**

In the net balance at 31st December 2018 and 2017 shown in the above table, there were no net value items related to fixed tangible assets that Group companies are acquiring under finance leases.

As of 31st December 2018 and 2017, tangible assets for own use for the gross amounts of EUR 703,722 thousand and EUR 702,757 thousand, respectively, were completely depreciated.

13.2 Investment property

The "Real Estate Investment" heading in the consolidated balance sheet reflects, in general terms, the net values of land, buildings and other constructions held, for operation as rentals. Real estate investments are presented on the consolidated balance sheet at their purchase cost, arrived at by the fair value of any consideration given, plus the full amount of monetary disbursements made or committed, less their aggregate depreciation and, if applicable, the estimated losses resulting from comparing the net value of each item with its recoverable amount. To comply with IAS 36, the greater of the two sums - fair value less sales costs or the value in use of assets – must be used.

Since these are assets that generate rental income and since their value-in-use can be estimated, the Group does not follow the same criteria for updating appraisals as those required for distressed real estate held exclusively for sale. The Group calculates the recoverable amount of real estate investments on the basis of the value in use based on the income generated by the assets.

Unicaja Banco Group does not have a reliable fair value indicator for real estate investments. As such, the Group does not report on the requirements pursuant to points (d) and (e) of paragraph 75 of IAS 40.

The expenses recorded on the consolidated income statement for 2018 and 2017 fiscal years for direct operating costs (including repairs and maintenance) associated with investment property, distinguishing between those that generate income and those that do not, are as follows:

		€ ´000
	2018	**2017**
Investment property expenses that generated income	3 371	2 947
Investment property expenses that did not generate income	1 805	1 218
	5 176	**4 165**

Turning to the investment property in which the Group acts as a lessor, the terms of the regulations that apply to each lease are applied, with particular reference to the Urban Rentals Act 29/1994, 24th November, and to Act 4/2013, 4th June, on measures to liberalise and promote the housing rental market.

In 2018 and 2017, the rental income from investment property owned by Group companies came to EUR 17,086 thousand and EUR 17,170 thousand respectively, and was recorded under “Other operating income” (Note 39.1).

As to the information required pursuant to paragraph 56 of IAS 27, during the periods 2018 and 2017, the Group obtained annual revenues for operating leases that cannot be terminated, i.e. rent-controlled leases, of EUR 151 thousand and EUR 142 thousand, respectively.

13.3 Impairment losses

The table below summarises the movements which have affected these items' losses from impairment in 2018 and 2017:

	For own use	Investment property	Total
			€ ´000
Balance at 31 December 2016	**46 107**	**161 239**	**207 346**
Provisions	19 549	995	20 544
Recoveries from sales	(3 396)	(20 570)	(23 966)
Other recoveries	-	-	-
Other transfers and reclassifications	(2 364)	7 428	5 064
Balance at 31 December 2017	**59 896**	**149 092**	**208 988**
Provisions	145	15 583	15 728
Recoveries from sales	(24 017)	(13 989)	(38 006)
Other recoveries	-	-	-
Other transfers and reclassifications	486	2 052	2 538
Balance at 31 December 2018	**36 510**	**152 738**	**189 248**

Impairment losses under the "Inventory" heading are recorded under "Value impairment or reversal of non-financial assets" in the consolidated income statement.

14. Intangible assets

The breakdown under the heading "Intangible assets" in the consolidated balance sheet to 31 December 2018 and 2017 is as follows:

	2018	2017
		€ ´000
Goodwill	56 840	184
Other intangible assets	5 665	1 698
	62 505	**1 882**

The movements under the heading “Intangible assets” in the consolidated balance sheet to 31 December 2018 and 2017 is as follows:

			€ ´000
	Cost	**Accumulated depreciation**	**Net carrying amount**
Balance at 31 December 2016	**20 814**	**(20 032)**	**782**
Additions cost/amortization	101	(223)	(122)
Disposals cost/amortization	(130)	129	(1)
Other movements	1 406	(183)	1 223
Balance at 31 December 2017	**22 191**	**(20 309)**	**1 882**
Additions cost/amortization	61 777	(745)	61 032
Disposals cost/amortization	(12 533)	12 340	(193)
Other movements	-	(216)	(216)
Balance at 31 December 2018	**71 435**	**(8 930)**	**62 505**

The amount recorded under “Amortisation and depreciation" in the consolidated income statement amounts to EUR 745 thousand in the period ending on 31stDecember 2018 (EUR 223 thousand in the period ending on 31st December 2017). Amounts filed as “Other movements” are mainly caused by variations in the Group’s consolidation perimeter.

Intangible assets in use and completely amortised at 31 December 2018 and 2017 amounted to EUR 6,438 thousand and EUR 14,492 thousand, respectively.

The net payments recorded in the consolidated cash flows statement for the year 2018 for the intangible assets recorded under this item amounts to EUR 68,705 thousand (net collections of EUR 29 thousand for the year 2017).

The breakdown of “Goodwill” for each of the companies that produced it at 31st December 2018 and 2017, is as follows:

		€ ´000
	2018	**2017**
Unión del Duero, Compañía de Seguros de Vida, S.A.U.	53 949	-
Duero Pensiones, E.G.F.P., S.A.U.	2 891	-
Caja España Fondos, S.A., S.G.I.I.C.	-	122
Caja España Mediación, Operador Banca-Seguros Vinculado, S.A.	-	62
	56 840	**184**

The breakdown of the goodwill recorded in Unión del Duero, Compañía de Seguros de Vida, S.A.U. y Duero Pensiones, E.G.F.P., S.A.U. is as follows:

			€ ´000			
			Accumulated impairment		Net amount	
	Initial amount	**Date of recognition**	**2018**	**2017**	**2018**	**2017**
Unión del Duero, Compañía de Seguros de Vida, S.A.U.	59 804	March 2018	(5 855)	-	53 949	-
Duero Pensiones, E.G.F.P. S.A.U.	3 205	March 2018	(314)	-	2 891	-
	63 009		**(6 169)**	**-**	**56 840**	**-**

Goodwill filed under Unión del Duero, Compañía de Seguros de Vida, S.A.U. and Duero Pensiones, E.G.F.P., S.A.U., corresponds to the price paid in purchasing 50% of the capital in these companies in March 2018, relating to a portfolio of insurance contracts that are in runoff. To compare the value of this goodwill, the Group carries out a periodic fair value analysis of the business, looking at the average financial duration of these contracts at each financial year-end, among other factors.

Impairment of goodwill in 2018, which stood at EUR 6,169 thousand for Unión del Duero, Compañía de Seguros de Vida, S.A.U. and Duero Pensiones, E.G.F.P., S.A.U., and EUR 184 thousand for the other companies, has been filed under the “Value impairment or reversal of non-financial assets – Intangible assets” heading in the consolidated income statement (Note 42).

The heading "Other intangible assets" includes mainly computer applications used by Unicaja Banco Group companies in the course of business.

15. Other assets

The composition of the balances under this heading in the consolidated balance sheets at 31st December 2018 and 2017 is as follows:

	€ ´000	
	2018	**2017**
Insurance contracts linked to pensions	118 615	131 103
Inventory	283 380	266 596
Other	100 740	68 756
	502 735	**466 455**

At 31st December 2018 and 2017, the “Insurance contracts linked to pensions” item on the asset side of the consolidated balance sheet came to EUR 118,615 thousand and EUR 131,103 thousand, respectively, corresponding to post-employment benefits (Note 41).

At 31st December 2018 and 2017, the "Others" item under this heading of the consolidated balance sheet mainly includes asset accrual accounts.

The "Inventory" heading in the consolidated balance sheet reflects the non-financial assets held by the consolidated companies for sale in the ordinary course of their business; they are in the process of being produced, built or otherwise developed for that purpose, or are expected to be consumed in the production process or in the service provision. Consequently, land and other properties held for sale or for real estate development are considered as inventory.

Inventories are valued at the lower value of between their cost, which includes all the disbursements arising from their acquisition and transformation, the direct and indirect costs that would have been incurred to give them their current condition and location, as well as the related financial costs (provided they need a period of more than one year to be sold), and their net realizable value. The "net realizable value" of inventories is the estimated selling price in the ordinary course of business, less the estimated costs to complete production and the costs involved in carrying out their sale.

Pursuant to paragraph 36 of IAS 2, "Inventory", both reductions and, as the case may be, subsequent recoveries of the net realizable value of inventories below their net book value are recognised in the consolidated income statement for the period in which they occur, under "Impairment losses on rest of assets (net) - Other assets".

The breakdown of the balance, per company, of the asset “Inventory” in the consolidated balance sheets at 31st December 2018 and 2017 is as follows:

		€ ´000
	2018	**2017**
Inmobiliaria Acinipo, S.L.U.	-	731
Gestión de Inmuebles Adquiridos, S.L.U.	252 532	232 812
Pinares del Sur, S.L.U.	27 411	28 995
Other companies	3 437	4 058
	283 380	**266 596**

Movements under the heading “Inventory” of the consolidated balance sheet for the years 2018 and 2017 is:

		€ ´000
	2018	**2017**
Net carrying amount at 1 January	**266 596**	**480 450**
Additions in the period	63 449	68 508
Derecognitions from disposals or transfers	(164 556)	(526 861)
Transferred to investment property	(12 587)	(11 234)
Transferred from non-current assets for sale	28 464	-
Transfers from “own use”	-	-
Change in impairment corrections	102 103	257 285
Other movements	(89)	(1 552)
Net carrying amount at 31 December	**283 380**	**266 596**

Impairment losses under the "Inventory" heading, due to impairment of other assets (net), are recorded under "Value impairment or reversal of non-financial assets - Others” in the consolidated income statement.

The detail of inventory sales completed during the years 2018 and 2017 by Unicaja Banco Group, giving the sales price, cost of sales, use of provisions and other items, is as follows:

	2018	2017
		€ ´000
Sale price	88 020	238 774
Cost of sales	(134 133)	(415 226)
Use of provisions	75 058	244 878
Selling fees	(4 650)	(2 376)
	24 295	**66 050**

When considering the drop in sales during 2018, one should bear in mind the high number of sales transactions of foreclosed real estate assets that took place in 2017.

With regard to real estate appraisals recorded under "Inventory", in accordance with current regulations on the use of valuation figures, the policy followed by Unicaja Banco Group on the assessment of real estate is based on the following criteria:

- In general, the appraisals used by the Entity and its Group, both for real estate used as collateral in lending transactions and assets awarded or received in lieu of debts, must be carried out by an appraisal company approved by the Bank of Spain and according to the requirements established in Order ECO/805/2003, 27th March.

- In general, the bank applies for appraisals when approving transactions, submitting the necessary documentation on all the assets encumbered in the operation.

- Unicaja Banco Group has a procedure for selecting appraisal companies that restricts appraisal assignments, among other requirements, exclusively to those that are conducted online and which have internal rules of conduct covering all the requirements under current regulations.

- When it comes to reviewing the quality of appraisals, Unicaja Banco Group has established procedures to review the appraisal report, especially with regard to the conditions and, if there are concerns about the appraisal value and/or these conditions, this is compared with one obtained recently for similar properties and/or in the same area. Likewise, internal controls have been established to review the consistency and suitability of each appraiser's valuations.

- To safeguard the independence of appraisers and avoid conflicts of interest, the Group has developed sufficient mechanisms and barriers to prevent the possibility of their activity being influenced for reasons other than ensuring the quality of valuation, by the bank's operational units or those of its subsidiaries.

- With regard to the frequency with which appraisals are reviewed, foreclosed assets and those received in lieu of debts by the Group are updated, in compliance with Bank of Spain's Circular 4/2017, depending on the situation of the operation and the asset type and value of the assets mortgaged.

- For those valuations that do not have to comply with the requirements of Circular 4/2017, the Credit Committee is responsible for establishing a procedure that combines both the appraisals under the ECO Order 805/2003 that do not involve an internal inspection of the property, and estimation of value using statistical methods or others provided for in the regulation.

Finally, at 31st December 2018 and 2017, Unicaja Banco Group did not hold inventory on the consolidated balance sheet that was pledged as collateral for the fulfilment of debts.

16. Non-current assets and disposal groups of items classified as held for sale

The breakdown of "Non-current assets and disposal groups of items classified as held for sale" is shown below, which includes the carrying amount of the assets that are not part of the group's 's core operations and whose book value is expected to be recovered through the sale price. These assets at 31st December 2018 amounted to EUR 374,130 thousand (EUR 439,053 thousand at 31st December 2017).

The Group has estimated the fair value of the non-current assets held for sale as the value obtained through an updated measurement made pursuant to Ministerial Order ECO/805/2003 by an appraiser authorised by the Bank of Spain.

The detail of non-current asset items for sale classified according to their purpose for the years ended 2018 and 2017 is as follows:

		€ ´000
	2018	**2017**
Equity instruments	**-**	**-**
Residential real estate	**253 619**	**269 828**
Finished buildings	**68 666**	**104 554**
Residential	26 851	28 581
Other	41 815	75 973
Buildings under construction	**9 141**	**17 213**
Residential	6 292	17 213
Other	2 849	-
Land	**42 704**	**47 458**
	374 130	**439 053**

In 2017, equity interests in Caja España Vida, Compañía de Seguros y Reaseguros, S.A., Duero Pensiones, E.G.F.P., S.A. and Unión del Duero, Compañía de Seguros de Vida, S.A., with a total net accounting value of EUR 227,453 thousand, that until then had been filed under "Non-current assets and disposal groups held for sale", were restated under "Investments in joint ventures and associate companies", as a result of finalising the restructuring process of the bancassurance agreements described in Note 12.2 of these consolidated annual statements.

During the years 2018 and 2017 there were no gains or losses recorded on the consolidated statement of recognised income and expense for equity instruments classified as non-current assets held for sale.

The table below shows the reconciliation between the opening and final balance of assets filed under the “Non-current assets and disposal groups held for sale” heading of the balance sheet for 2018 and 2017:

			€ ´000
	Gross amount	**Asset impairment adjustments**	**Net carrying amount**
Balance at 31 December 2016	**935 069**	**(172 819)**	**762 250**
Additions in the period	162 510	(2 620)	159 890
Derecognitions from disposals or transfers	(288 616)	81 147	(207 469)
Allocated to results (Note 44)	(1 964)	(15 729)	(17 693)
Transferred to inventory	-	-	-
Transferred to investment property	(25 232)	(5 240)	(30 472)
Transfers to “for own use”	-	-	-
Changes in accounting classification (Note 12.1)	(227 453)	-	(227 453)
Other movements	-	-	-
Balance at 31 December 2017	**554 314**	**(115 261)**	**439 053**
Additions in the period	126 944	(2 302)	124 642
Derecognitions from disposals or transfers	(187 357)	45 739	(141 618)
Allocated to results (Note 44)	(12)	(6 245)	(6 257)
Transferred to inventory	(29 162)	698	(28 464)
Transferred to investment property	(17 536)	2 552	(14 984)
Transfers to “for own use”	-	-	-
Changes in accounting classification (Note 12.1)	-	-	-
Other movements	1 363	395	1 758
Balance at 31 December 2018	**448 554**	**(74 424)**	**374 130**

Allowances made on this item’s non-current assets, apart from equity instruments, are recorded under the “Gains/losses from non-current assets and disposal groups of items held for sale not admissible as discontinued operations” heading in the attached consolidated income statement. The impact on results of equity instruments in this item is recorded directly under the heading “Gains/Losses after tax from discontinued operations” on the consolidated income statement.

During fiscal year 2018, net collections recorded in the cash flow statement for non-current assets held for sale amounted to EUR 15,871 thousand under this heading (net payments of EUR 623,056 thousand for fiscal year 2017).

Losses from impairment in the consolidated income statements for 2018 and 2017 for the hedging of non-current assets for sale came to EUR 6,245 thousand and EUR 15,729 thousand, respectively, recorded under “Gains/losses from non-current assets and disposal groups held for sale not admissible as discontinued operations” (Note 44).

The "Non-current Assets and Disposal Groups Held for Sale" item of the consolidated balance sheet, includes tangible assets that have been received by the group or by other consolidated companies for the total or partial satisfaction of their debtors’ payment obligations. Equity instruments whose value the Group is planning to recover by sale, instead of through operations, are also filed here.

Unicaja Banco Group applies market terms when selling financed real estate to purchasers. The sum of the initial financing associated with the loans granted by these means during 2018 comes to EUR 8,138 thousand (EUR 6,218 thousand in 2017). At 31 December 2018, the amount of the gains from these operations awaiting recognition came to EUR 24,024 thousand (EUR 16,638 thousand in 2017).

Fair value hierarchy

In the case of the appraisal of "Non-current assets and disposal groups held for sale", Unicaja Banco Group sets the fair value hierarchy levels as indicated in paragraph 93 of IFRS 13 "Fair value measurement". So residential assets and completed real estate, make up the bulk of the non-current assets held for sale item, and are classified at level 2 of the fair value hierarchy established by IFRS 13, and use inputs that are observable in market data, such as the price per square metre of comparable assets, whereas real estate under construction and land is classified as level 3, since it uses unobservable inputs.

Unicaja Banco Group has a corporate policy for these issues that ensures the professional competence, independence and objectivity of outsourced assessment companies, in line with the regulations requiring appraisal firms to comply with requirements of neutrality and credibility so that their valuations remain credible. This policy establishes that all the appraisal firms working for the Group in Spain must be registered on the Bank of Spain's Official Registry and their appraisals must follow the methodology set out in Order ECO/805/2003, 27th March.

In the case of real estate under construction and land plots, classified as level 3 in the fair value hierarchy, the assessment criteria to be used by appraisal companies are laid out in Order ECO/805/2003 and, depending on the status of the assets, should use the methods stipulated in article 15 of that Order. To determine the appraisal value, the requisite checks are conducted to find out the asset's characteristics and real condition. This consists of, pursuant to article 7 of the Order: (i) physical identification of the property by visiting and inspecting it, confirming the surface area and other observable features, checking on visible easements, the state of the construction or apparent conservation, (ii) the occupation status of the property and the use or operations to which it is being put, (iii) whether it is subject to any public-sector or architectural protection, and (iv) whether the property falls within current urban planning laws and, if applicable, the existence of planning and building permits. Specifically, in the case of real estate in construction, we should note here that the assessment is made of the current situation of the property, not on its final value.

The main appraisal company that issues reports on the Unicaja Banco Group assets is Tasaciones Inmobiliarias, S.A. (Tinsa). Other firms issuing appraisal reports on these assets include Sociedad de Tasación, S.A. (Sotasa), UVE Valoraciones, S.A., Técnicos de Tasación, S.A. (Tecnitasa) y Eurovaloraciones, S.A. (Euroval).

17. Financial liabilities at amortised cost

17.1 Central bank deposits

The composition of the balances under this heading in the consolidated balance sheets at 31st December 2018 and 2017 was as follows:

	€ ´000	
	2018	**2017**
Other Central Banks	3 340 420	3 340 420
Valuation adjustments	(23 974)	(10 386)
	3 316 446	**3 330 034**

At 31st December 2018 and 2017, the amounts recorded under the item "Other central banks" represent the financing taken out by the Group through the second series of targeted longer-term refinancing operations (TLTRO II). During 2018, these operations have accrued interest income of EUR 13,588 thousand (EUR 10,386 thousand in 2017), included in the section "Interest income" in the attached consolidated income statement (Note 32).

During the periods 2018 and 2017 no expenses were accrued from interest associated with these deposits (Note 33).

17.2 Credit institutions deposits

The detail of the balances under this heading in the consolidated balance sheets at 31st December 2018 and 2017, taking into account the nature of the transactions, is as follows:

	€ ´000	
	2018	**2017**
Term deposits	541 751	383 452
Repurchase agreements	2 955 148	153 963
Other accounts	78 992	177 265
Valuation adjustments	2 883	193
	3 578 774	**714 873**

Interest accrued by these deposits in the years 2018 and 2017 amounted to EUR 2,260 thousand and EUR 3,140 thousand, respectively, and is recorded as "Interest expenses" in the consolidated income statement (Note 33).

The average effective interest rate on debt instruments classified under this heading at 31st December 2018 was 0.14% (0.40% at 31st December 2017).

17.3 Deposits from customers

The balance under this heading in the consolidated balance sheets at 31st December 2018 and 2017, classified by type and by the counterparties in the transactions, is as follows:

		€ ´000
	2018	**2017**
By type -		
Current accounts	12 994 322	12 131 781
Savings accounts	16 658 265	15 589 667
Term deposits	11 906 443	14 436 053
Repos	1 268 299	3 156 833
Other	34 016	58 899
Valuation adjustments	600 782	667 932
Of which:		
Micro-hedging transactions	*459 733*	*524 963*
Accrued interest	*253 484*	*264 084*
Other adjustments	*(112 435)*	*(121 115)*
	43 462 127	**46 041 165**
By counterparty -		
Resident public administrations	2 568 486	2 637 694
Other resident sectors	40 077 631	42 496 830
Other non-resident sectors	215 228	238 709
Valuation adjustments	600 782	667 932
Of which:		
Micro-hedging transactions	*459 733*	*524 963*
Accrued interest	*253 484*	*264 084*
Other adjustments	*(112 435)*	*(121 115)*
	43 462 127	**46 041 165**

Interest accrued by these deposits in the years 2018 and 2017 amounted to EUR 289,573 thousand and EUR 327,395 thousand, respectively, and is recorded as "Interest expenses" in the consolidated income statement (Note 33).

The average effective interest rate on debt instruments classified under this heading at 31st December 2018 was 0.43% (0.47% at 31st December 2017).

Mortgage covered bonds, issued under the provisions of Law 2/1981, 25th March, on Mortgage Market Regulation are filed under the heading “Term deposits”:

Date of issue	Maturity date	Nominal interest rate	Nominal 31/12/2018	€ ´000 Nominal 31/12/2017
02/12/2003	30/11/2018	(a) 4.757%	-	16 258
02/12/2003	30/11/2018	(a) 4.757%	-	67 742
16/11/2004	16/11/2019	(a) 4.257%	53 659	53 659
16/11/2004	16/11/2019	(a) 4.257%	8 049	8 049
16/11/2004	16/11/2019	(a) 4.257%	52 317	52 317
24/11/2004	27/11/2019	(b) 4.125%	200 000	200 000
29/03/2005	29/03/2020	(a) 4.003%	58 333	58 333
29/03/2005	29/03/2020	(b) 4.003%	58 333	58 333
29/03/2005	29/03/2020	4.003%	58 333	58 334
18/05/2005	21/05/2025	(a) 3.875%	200 000	200 000
10/06/2005	13/06/2020	(b) 3.510%	150 000	150 000
28/06/2005	28/06/2025	(a) 3.754%	76 923	76 923
28/06/2005	28/06/2025	(b) 3.754%	76 923	76 923
28/06/2005	28/06/2025	3.754%	128 205	128 205
16/11/2005	21/05/2025	(a) 3.875%	200 000	200 000
12/12/2005	12/12/2022	(a) 3.754%	51 852	51 852
12/12/2005	12/12/2022	(b) 3.754%	100 000	100 000
20/02/2006	20/02/2018	3 months Euribor + 0.12%	-	90 000
22/03/2006	22/03/2021	(a) 4.005%	100 000	100 000
06/04/2006	08/04/2021	(a) 4.125%	200 000	200 000
25/05/2006	08/04/2021	4.125%	100 000	100 000
12/06/2006	12/06/2018	(a) 4.255%	-	100 000
12/06/2006	12/06/2018	(a) 4.255%	-	100 000
19/10/2006	19/10/2018	(a) 4.000%	-	300 000
23/10/2006	23/10/2023	(b) 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
23/03/2007	26/03/2027	(b) 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	3 months Euribor + 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	(b) 4.755%	100 000	100 000
23/05/2007	23/05/2027	(a) 4.755%	50 000	50 000
29/06/2007	08/04/2031	(a) 4.250%	400 000	400 000
20/07/2007	26/03/2027	4.250%	100 000	100 000
19/10/2007	08/04/2021	4.125%	60 000	60 000
19/10/2007	26/03/2027	4.250%	110 000	110 000
19/10/2007	08/04/2031	4.250%	180 000	180 000
05/12/2007	20/02/2018	3 months Euribor + 0.13%	-	145 000
10/04/2008	10/04/2048	(a) 5.280%	-	22 000
30/11/2009	28/11/2019	4.511%	154 000	154 000
			4 426 927	**5 267 928**

(a) The fixed interest rate paid by the Group has been converted into variable by means of swaps on the nominal amount.
(b) The fixed interest rate paid by the Group has been converted into variable by means of swaps on the nominal amount. These swaps were subsequently cancelled.

17.4 Marketable debt securities

The breakdown of this item in the consolidated balance sheets to 31 December 2018 and at 31 December 2017 is as follows:

	2018	**2017**
		€ ´000
Mortgage securities	60 000	130 000
Other non-convertible securities	-	-
Convertible subordinated debt	-	-
Treasury stock	-	-
Valuation adjustments - Accrued interest	(42)	(152)
	59 958	**129 848**

Interest accrued on debits represented by tradable securities for the years ended 31st of December 2018 and 2017 amounted to EUR 55 thousand and EUR 167 thousand, respectively. These interests are recorded under "Interest expenses" in the consolidated income statement (Note 33).

The detail and changes in issues, repurchases or redemptions of debt securities, including convertible subordinated liabilities, carried out in 2018 by both the parent company and other Group companies is as follows:

	Opening balance at 01/01/2018	**Issues**	**Repurchases /repayments**	**Adjustments due to exchange rate & other**	**Balance at 31/12/2018**
					€ ´000
Issued debt securities in a EU member state which required the registration of a prospectus	129 848	-	(70 000)	110	59 958
Issued debt securities in a EU member state which did not require the registration of a prospectus	-	-	-	-	-
Other debt securities issued outside the EU	-	-	-	-	-
TOTAL	**129 848**	**-**	**(70 000)**	**110**	**59 958**

There were no issues of debt instruments in 2018 carried out by associates or joint ventures valued by the equity method or by entities outside the Group that were not guaranteed by any Group entity.

The detail and changes in issues, repurchases or redemptions of debt securities, including convertible subordinated liabilities, carried out in 2017 by both the parent company and other Group companies is as follows:

					€ ´000
	Opening balance at 01/01/2017	**Issues**	**Repurchases /repayments**	**Adjustments due to exchange rate & other**	**Balance at 31/12/2017**
Issued debt securities in a EU member state which required the registration of a prospectus	814 010	-	(679 862)	(4 300)	129 848
Issued debt securities in a EU member state which did not require the registration of a prospectus	-	-	-	-	-
Other debt securities issued outside the EU	-	-	-	-	-
TOTAL	**814 010**	**-**	**(679 862)**	**(4 300)**	**129 848**

There were no issues of debt instruments in 2017 carried out by associates or joint ventures valued by the equity method or by entities outside the Group that were not guaranteed by any Group entity.

The breakdown of the mortgage securities (specifically mortgage backed securities) issued by Unicaja Banco Group at 31st December 2018 and 2017 is as follows:

					€ ´000		
Issue	**ISIN code**	**Date of issue**	**Issue amount**	**Balance at 31/12/2018**	**Balance at 31/12/2017**	**Maturity date**	**Interest rate**
9th Unicaja issue	ES0464872086	17/12/2009	30 000	30 000	30 000	17/12/2021	6 m. Euribor + 0.75%
2nd Unicaja issue	ES0458759018	22/11/2010	70 000	-	70 000	22/11/2018	6 m. Euribor + 2.00%
3rd Unicaja issue	ES0458759026	22/11/2010	30 000	30 000	30 000	22/11/2022	6 m. Euribor + 2.00%
				60 000	**130 000**		

These issues are listed for trading on the AIAF fixed income market. They are backed by mortgage on all those that for any time period are formally registered in the name of the issuer and not earmarked for issuing mortgage bonds, or are assigned as mortgage securities or mortgage transfer certificates, without prejudice to the liability of the issuer.

The effective average interest rate of the debt instruments classified under this heading at 31st December 2018 was 0.04% (0.08% at 31st December 2017).

17.5 Other financials liabilities

The breakdown of this item in the consolidated balance sheets to 31st December 2018 and 2017 is as follows:

		€ ´000
	2018	**2017**
Payment obligations (*)	102 368	131 398
Collection accounts	329 573	91 404
Special accounts	159 310	28 608
Financial guarantees	1 361	1 777
Guarantees received and other	365 944	471 636
	958 556	**724 823**

(*) This includes a balance of EUR 69,509 thousand at 31st December 2018 (EUR 77,865 thousand at 31st December 2017) representing the outstanding balance from the extraordinary contribution to the Deposit Guarantee Fund, estimated on the basis of contributions made to 31st December 2011 (Note 1.10).

The amount recorded by the Group at 31st December 2018 and 2017 under the heading of “Guarantees received and other” includes the guarantees in favour of the Group deposited in other financial entities as a result of its operations with hedging derivatives and simultaneous operations.

The positive cash flow included in the consolidated cash flows statement for the year ended 2018 for financial liabilities at amortised cost amounts to EUR 435,118 thousand (negative flow of EUR1,145,219 thousand for the year ended 2017).

18. Provisions

The following are movements for the years 2018 and 2017 and the purpose of the provisions recorded under these headings in the consolidated balance sheet at 31st December 2018 and 2017:

€ ´000

	Pensions funds and related obligations	Other long term employee benefits	Provisions for commitments and guarantees given	All other provisions	Total
Balance at 31 December 2016	**174 254**	**152 103**	**115 975**	**264 683**	**707 015**
Provisions recorded against results:	3 800	8 879	10 309	158 706	181 694
Provisions (*)	*1 848*	*8 730*	*10 309*	*158 706*	*179 593*
Interest costs (Note 33)	*1 952*	*149*	-	-	*2 101*
Recoveries recorded in results	(2 039)	-	(22 494)	(16 218)	(40 751)
Provisions used	(12 535)	(33 567)	-	(240 292)	(286 394)
Other movements (**)	-	-	448	373 339	373 787
Balance at 31 December 2017	**163 480**	**127 415**	**104 238**	**540 218**	**935 351**
Provisions recorded against results:	4 181	8 212	16 990	206 005	235 388
Provisions (*)	*2 436*	*8 161*	*16 990*	*206 005*	*233 592*
Interest costs (Note 33)	*1 745*	*51*	-	-	*1 796*
Recoveries recorded in results	(1 710)	-	(15 614)	(29 364)	(46 688)
Provisions used	(19 483)	(30 657)	-	(228 338)	(278 478)
Other movements	-	22 100	23 687	(5 980)	39 807
Balance at 31 December 2018	**146 468**	**127 070**	**129 301**	**482 541**	**885 380**

(*) See Note 2.12 for the allowances to provisions for the pension fund and similar obligations.
(**) The "Other movements" item included in 2017 a sum of EUR 370,480 thousand for reclassifying the hedges associated with floor clauses on interest rate variation.

The provisions recorded by the Group represent the best estimate of future obligations. The Directors of the Bank consider that there is no significant risk that the materialisation of these estimates, taking into account the amount of these provisions, will entail a material adjustment to the carrying amount of the Group's assets and liabilities during the next accounting period. The financial effect estimated when calculating provisioning and the amount for recovering provisions was insignificant during fiscal years 2018 and 2017.

The Bank has quantified provisions taking into account the best available information on the consequences of the event they are providing for, consequences that are re-estimated at each accounting closure. These provisions are used to meet the specific obligations for which they were originally recognised, with the total or partial reversal thereof, when those obligations cease to exist or decrease.

The Group periodically reassesses the risks to which its activity is exposed in accordance with the economic environment in which it operates. Once the valuation and initial recording of the provisions have been made, they are reviewed at the date of each balance sheet and adjusted, if necessary, to reflect the best estimate at that time.

Provisions are used to meet the specific obligations for which they were originally recognised, with the total or partial reversal thereof, when those obligations cease to exist or decrease.

Pensions and related post-employment defined benefits

The heading "Pension fund and similar obligations" refers to the commitments undertaken by the Group on behalf of its employees, as described in notes 2.12 and 41.1.

Provisions for commitments and guarantees given

This balance sheet heading includes provisions to hedge contingent liabilities, understood as those operations in which the Group guarantees third party obligations arising as a result of financial guarantees or other type of contracts that have been given, and contingent commitments, understood as irrevocable commitments that may give rise to the recognition of financial assets.

The breakdown of the balances recorded under the section “Provisions for commitments and guarantees given” at 31st December 2018 and 2017, and the breakdown of the item “Other movements” associated with the movement of these provisions during 2018 and 2017, is as follows:

				€ ´000
	Year-end balance		Other movements (*)	
	2018	2017	2018	2017
Provisions for contingent risks	119 014	98 053	23 687	448
Provisions for contingent commitments	10 287	6 185	-	-
	129 301	**104 238**	**23 687**	**448**

(*) For 2018 and 2017, the “Other movements” amount represents the increases and reductions in provisions allocated for contingent risks as a result of the reclassifications between amounts drawndown and contingent risks.

The item "Provisions for contingent risks" includes provisions to hedge contingent liabilities, understood as those operations in which the Group guarantees third party obligations arising as a result of financial guarantees or other type of contracts that have been given, while the item “Provisions for contingent commitments”, understood as irrevocable commitments that may give rise to the recognition of financial assets, with no balance at 31st December 2018 and 2017-

All other provisions

The breakdown of the balances by type recorded under the section “All other provisions” at 31st December 2018 and 2017, and the breakdown of “Other movements” associated with the changes of these provisions during 2018 and 2017, is as follows:

				€ ´000
	Year-end balance		Other movements	
	2018	2017	2018	2017
Allowance for legal contingencies and similar	287 960	368 208	65 833	356 943
Allowance for investee contingencies	14 005	54 408	(49 713)	16 000
Allowance for other contingencies	180 576	117 602	(22 100)	396
	482 541	**540 218**	**(5 980)**	**373 339**

The most important areas covered by each item in “All other provisions” are the following:

- “Hedges for legal contingencies and similar”: Provisions for legal procedures and others of a similar nature are recorded here, when it is likely that the Group will have to divest resources embodying economic benefits. This item covers customer complaints and litigation with public administrations. The final date of outflows depends on the contingency, such that in certain cases the obligations do not have a fixed settlement deadline, and in others the deadlines depend on ongoing legal procedures. The amounts to be provisioned are calculated according to the best estimate of the sum necessary to settle claims. This is calculated on the basis, among other factors, of the individual analysis of the facts and legal opinions of internal and external advisors.

  In addition, the balance of “All other provisions" includes hedging for the disputes and claims relating to the interest rate limitation agreements (Note 27 includes a detailed description in this respect).

  In the opinion of the Group's managers, at the end of the period, the necessary hedges to cover the risks and contingencies that may arise from these processes had been set up.

- “Hedges for contingencies associated with investee companies”: This includes contingencies relative to the Group’s investee portfolio that are not due to impairments from reduction of fair value or to the recoverable amount of investments, but to other types of contingencies that could arise from having these interests. The timing of the outflow of resources depends on each particular contingency and is estimated by the Group Board based on the best information available on the date the accounts are closed.

- “Hedges for other contingencies”: This includes hedging for diverse risks, for which provisions have been set up to cover unresolved issues for which the Group estimates a likely disbursement, as well as well as hedging for likely disbursements the Group estimates it will have to cover deriving from the normal course of business. The amounts to be provisioned are calculated using the best estimate of the economic resources the Group will have to divest in order to cover the contingencies identified, bearing in mind, too, the timing of the outflows that the obligation is estimated to produce.

19. Other liabilities

The composition of the balance under this heading in the consolidated balance sheets at 31st December 2018 and 2017 is as follows:

		€ ´000
	2018	**2017**
Accrued expenses payable	79 428	109 386
Transactions in progress	80 664	42 812
Other	129 553	129 207
	289 645	**281 405**

20. Assets and liabilities under insurance and reinsurance contracts

At 31st December 2018, the group has balances recorded under the "Assets under insurance or reinsurance contracts" item on the Assets side of the consolidated balance sheet amounting to EUR 2,585 thousand. At 31st December 2017, the group did not have a balance recorded under the above item of the Asset of the balance sheet.

The composition of the balance the heading “Liabilities under insurance or reinsurance contracts” in the consolidated balance sheets at 31st December 2018 and 2017 is as follows:

		€ ´000
	2018	**2017**
Provisions for life insurance	571 402	-
Provision for employee benefit	10 311	-
Provision for bonuses and rebates	726	-
Provision for accounting asymmetry	53 561	-
Other	6 350	4 290
	642 350	**4 290**

At 31st December 2018 and 2017, the “Others” item includes the amounts of insurance or reassurance contracts, as defined in the applicable accounting regulation.

21. Minority interests and income

The breakdown, per consolidated companies, of the balance of the items "Minority Interests" (non-controlling interests) in the consolidated balance sheet 31st December 2018 and 2017 and “Income attributable to minority interests (non-controlling interests)” in the consolidated income statement for the years 2018 and 2017 is as follows:

				€ ´000
		2018		**2017**
	Non-controlling interests	**Net income/loss attributable to minority interests**	**Non-controlling interests**	**Net income/loss attributable to minority interests**
Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (EspañaDuero)	-	-	29 189	(3 924)
Viajes Caja España, S.A.	(63)	-	(63)	-
Conexiones y Servicios Duero, S.A.	-	-	-	(1)
Parque Industrial Humilladero, S.L.	483	(9)	552	(11)
	420	**(9)**	**29 678**	**(3 936)**

In the case of paragraph B10 of IFRS 12, the Group treats as significant non-controlling interests those that generate interest of more than 0.5% of its consolidated net equity, that is, more than EUR 19,588 thousand at 31st December 2018 (EUR 19,512 thousand at 31st December 2017).

At 31 December 2018, there were no significant non-controlling interests resulting from the absorption of Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (EspañaDuero) by Unicaja Banco. Meanwhile, at 31st December 2017, only Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (EspañaDuero) possessed significant non-controlling interests with minority stakes that were worth EUR 29,189 thousand.

During the years 2018 and 2017, none of the subsidiaries making up the “minority interests” section distributed dividends.

22. Share capital, share premium and other equity instruments

The detail and movement recorded under "Equity" in the consolidated balance sheet for the years ended 31st December 2018 and 2017 is presented in the accompanying consolidated statements of changes in equity, including an explanation of all movements in the same during these periods.

22.1 Capital and share premium

The bank’s share capital at 31st December 2018 and 2017 amounted to EUR 1,610,302 thousand, comprising 1,610,302,121 ordinary shares with a par value of one euro, fully subscribed and paid up. At these dates, 49.68% of the capital belonged to Fundación Bancaria Unicaja. Thus, the issue premium at 31st December 2018 and 2017 amounted to EUR 1,209,423 thousand.

Since 30th June 2017, all of the Bank's shares have been admitted to trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, and are included in the Stock Market Interconnection System (S.I.B.E. or Continuous Market).

22.2 Equity instruments issued other than capital

The heading "Equity instruments issued other than capital - Net equity component of compound financial instruments" recorded at 31st December 2018 and 2017 includes the outstanding balance of the issuances of Unicaja Banco Perpetual Contingent Convertible Bonds (PeCoCos). The breakdown of these issues at 31st December 2018 and 2017 is as follows:

				2018			2017		
			€	€ ´000		€	€ ´000		
Issue	ISIN code	Number of securities issued	Nominal amount	Year-end balance	Number of securities issued	Nominal amount	Year-end balance	Nominal interest	Maturity
Perpetual Contingent Convertible Bonds (PeCoCos)	ES0280907009	47 896 938	47 896 938	47 897	49 275 058	49 275 058	49 021	13.8824%	Perpetual
				47 897			**49 021**		

PeCoCos Bonds are bonds convertible into ordinary Unicaja Banco shares of one euro par value each, belonging, respectively, to a single class and series, represented by means of book entries. The conversion ratio of these bonds will be the ratio between the nominal unit value of each of these bond issues and the value attributed to common Unicaja Banco shares, which is set at EUR 1.18827 per share, taking as the share premium the difference between the nominal value of the bonds being converted and the nominal value of the shares that are received in exchange. At 31st December 2018 and 2017 this issue was not listed for trading on any type of secondary market.

The bonds grant their holders the right to: non-cumulative, pre-determined discretionary remuneration, to conversion into ordinary Unicaja Banco shares, subject to certain conversion and to the political rights resulting from belonging to the respective bond syndicates. The shares into which such bonds will eventually be converted will grant their holders the same rights as those of currently floating Unicaja Banco shares.

The accrual of discretionary remuneration is subject to the following four conditions being met simultaneously: (i) the existence of a profit that can be distributed, after the requirements provided under law and Unicaja Banco Statutes are covered; (ii) the absence of applicable constraints imposed by existing or future Spanish or European regulations over own resources; (iii) that the Board of Directors of Unicaja Banco, at its sole discretion, having regard to the liquidity of Unicaja Banco and Unicaja Banco Group, has not decided to declare a non-remuneration scenario, one in which it considers it necessary not to proceed to the payment of remuneration for an unlimited period, considering in any case that unpaid interest will not be cumulative; and (iv) that Bank of Spain has not exacted the cancellation of the remuneration because of the financial situation and liquidity of Unicaja Banco or Unicaja Banco Group, pursuant to the applicable regulations. In the event of partial application of the conditions mentioned in sections (i) to (iv) above, Unicaja Banco may proceed, at its sole discretion, to pay the remuneration in part or to declare a situation of non-remuneration. If for any reason the remuneration to the bondholders is not paid in full or in part on a payment date, they will not be able to claim such remuneration.

Perpetual Contingent Convertible Bonds (PeCoCos) will necessarily be fully converted into shares, in the cases hereinafter indicated, and partially, in the amount necessary to recover, where appropriate, the equilibrium of own resources by the amount fixed by the competent authority, in the remaining cases:

- Total mandatory advance conversion: Bonds will be converted into shares in the following cases: (i) if Unicaja Banco adopts any measure tending towards its dissolution and liquidation, voluntary or involuntary, or if it is declared bankrupt, or (ii) if Unicaja Banco adopts any measure that results in the approval of a share capital reduction under the provisions of articles 320 et seq. of the Capital Enterprises Act, or article 343 by reference to article 418.3 of the Capital Enterprises Act.

- Contingency events: The bonds will be converted into shares if the capital ratios of Unicaja Banco Group, calculated quarterly, are below the limits indicated in the securities prospectus relating to the issuance of these instruments.

- Viability events: Bonds will be converted into shares in the following cases: (i) if the Bank of Spain determines that, without the conversion of the instrument, the Entity would not be viable, or (ii) if the decision is taken to inject public capital or any other measure of financial support, without which the Entity would not be viable.

- Regulatory event: Bonds will be converted into shares in the following circumstances: (i) if, with the entry into force and pursuant to the capital adequacy rules known as Basel III (CRD IV/CRR) in 2014, the bonds can no longer be classified as at least additional Tier 1 capital; (ii) if the bonds can no longer be classified as core capital; or (iii) if the bonds can no longer be classified as ordinary capital.

Taking into account the foregoing, the Directors of the parent company consider that these convertible instruments do not represent an unconditional contractual obligation to deliver cash or another financial asset, nor to exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the Group; therefore they should be classified as equity instruments and fully recorded in own funds under "Equity instruments issued other than capital" in the consolidated balance sheet.

22.3 Treasury shares

At 31st December 2018, the Group owned 2,146,738 treasury shares (the Group had none at 31st December 2017). The treasury stock acquired directly by Unicaja Banco comes to 2,054,680 shares, purchased to meet the swap needs in executing the merger by absorption of Banco de Caja España de Inversiones, Salamanca y Soria, S.A.

The change of treasury shares at 31st December 2018 and 2017 is as follows:

	2018		2017	
	Number of shares	€ ´000	Number of shares	€ ´000
Opening balance of treasury shares	**-**	**-**	**-**	**-**
Purchase of treasury shares by Unicaja Banco	8 143 462	8 144	-	-
Purchase by other group entities	92 058	92	-	-
Share swap from merger with EspañaDuero	(6 088 782)	(6 089)		
Changes in perimeter of consolidation	-	-	-	-
Balance of treasury shares at end of period	**2 146 738**	**2 147**	**-**	**-**

Purchases of treasury shares by Unicaja Banco in 2018 had an effective cost of EUR 2,054 thousand and were duly notified as relevant events.

23. Other equity items

23.1 Retained earnings and other reserves

The attached consolidated statements of changes in equity show a conciliation of the carrying amount for the twelve month periods ending on 31st December 2018 and 2017 under the heading "Net equity" in the consolidated balance sheets, with an explanation of all movements over the aforementioned periods under these heading.

The breakdown of retained earnings and other reserves at 31st December 2018 and 2017 is as follows:

	€ ´000	
	2018	2017
Retained earnings	969 426	871 757
Revaluation reserves	-	-
Other reserves	(66 431)	(27 128)
Reserves or accumulated losses of investments in joint ventures and associates	*(320 916)*	*(406 640)*
Other reserves	*254 485*	*379 512*
	902 995	**844 629**

The "Retained earnings" item records net earnings (profit or loss) recognised in previous periods through the income statement that were allocated to net equity in the distribution of the parent's or other Group companies' profit. It therefore includes the legal, statutory and voluntary reserves that are required in the case of a profit share-out.

"Other reserves" includes reserves or accumulated losses of investments in companies accounted for using the equity method (joint ventures and associates), as well as other reserves not included in other equity ledger entries. During fiscal year 2018, these reserves fell by EUR 99,594 thousand as a result of the first time application of IFRS 9, both from the classification and measurement of financial assets and as a result of the new accounting policies for financial assets impairment (Note 1.12.3).

The breakdown of these headings based on origin and type is as follows:

	2018	2017
		€ ´000
Parent Company reserves	1 049 012	663 834
Legal reserve	106 959	86 772
Revaluation reserves	(22 407)	(6 825)
Capitalization reserve	19 001	17 501
Unrestricted reserves	945 459	566 386
Consolidation reserves attributed to the parent Company, consolidated subsidiaries and investments in joint ventures and associates	(146 01)	180 795
	902 995	**844 629**

The breakdown of these reserves by company is shown below:

	2018	2017
		€ ´000
Unicaja Banco, S.A. (parent)	1 662 525	1 893 413
Gestión de Inmuebles Adquiridos, S.L.U. (*)	(611 130)	(618 586)
Grupo EspañaDuero (*)	-	(167 814)
Deoleo, S.A. (*)	-	(121 891)
Inmobiliaria Acinipo, S.L.U. (*)	(109 160)	(107 635)
Autopista del Sol Concesionaria Española, S.A. (*)	(43 244)	(43 062)
Alteria Corporación Unicaja, S.L.U.	10 757	35 745
Alestis Aerospace, S.L. (*)	(33 121)	(31 226)
Unicartera Gestión de Activos, S.L.U.	21 805	22 183
Other companies (*)	4 563	(16 498)
	902 995	**844 629**

(*) Negative balances show losses.

23.2 Recognised revenues and expenses from joint ventures & associate companies

The breakdown of the balance on the consolidated balance sheet at 31st December 2018 and 2017 of the apportioning of other recognised income and expenses from investments in joint ventures and associates, as included in the consolidated balance sheet and on the consolidated recognised income and expense statement for 2018 and 2017, due to the effect of the institutions valued using the equity method, is as follows:

				€ ´000
	Balance in consolidated balance sheet		Gains (losses) from valuation adjustments	
	2018	2017	2018	2017
Ahorro Andaluz, S.A.	-	1 765	(2 521)	2 521
Alestis Aerospace, S.L.	711	(3 602)	6 161	(2 304)
Autopista del Guadalmedina, Concesionaria Española, S.A.	(6 113)	(6 650)	767	3 035
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.	8 899	24 072	(21 676)	97
Ingeniería e Integración Avanzadas, S.A.	-	-	-	43
Caja España Vida Compañía de Seguros y Reaseguros S.A.	7 330	14 367	(10 052)	20 524
Deoleo, S.A.	-	(1 686)	2 409	(1 298)
Duero Pensiones, E.G.F.P., S.A.U.	-	296	(424)	424
Unión del Duero Compañía Seguros de Vida, S.A.U.	-	(5 522)	7 889	(7 889)
Other companies	-	-	-	-
	10 827	**23 040**	**(17 447)**	**15 153**

24. Taxes

24.1 Consolidated Tax Group

The Bank is the parent entity of the Fiscal Consolidation Group number 660/10, and for corporate income tax purposes it files payments under the Special Tax Consolidation Regime, regulated in Chapter VI of Title VII of the Corporation Tax Act 27/2014, 27th November (hereinafter, CTA).

The consolidated Tax Group is composed of the following entities in 2018:

- Unicaja Banco, S.A.
- Fundación Bancaria Unicaja
- Inmobiliaria Acinipo, S.L.U.
- Unigest, S.G.I.I.C., S.A.
- Gestión de Actividades y Servicios Empresariales, S.A.U.
- Andaluza de Tramitaciones y Gestiones, S.A.U.
- Alteria Corporación Unicaja, S.L.U.
- Unimediterráneo de Inversiones, S.L.U.
- Analistas Económicos de Andalucía, S.L.U.
- Unicorp Patrimonio, Sociedad de Valores, S.A.U.
- Mijas Sol Resort, S.L.U.
- Unicartera Caja 2, S.L.U.
- Inmobiliaria Uniex Sur, S.A.U.
- Unicartera Gestión de Activos, S.L.U.
- Unicartera Internacional, S.L.U.
- Unimediación, S.L.U.
- Unicartera Renta, S.L.U.
- Gestión de Inmuebles Adquiridos, S.L.U.

- Segurándalus Mediación, Correduría de Seguros, S.A.U.
- Parque Industrial Humilladero, S.L.
- Altos de Jontoya Residencial para Mayores, S.L.U.
- Unicaja Gestión de Activos Inmobiliarios, S.A.U.
- Uniwindet, S.L.
- La Algara Sociedad de Gestión, S.L.U.
- Pinares del Sur, S.L.U.
- Banco de Caja España de Inversiones, Salamanca y Soria, S.A.
- Caja España Mediación Operador de Banca Seguros Vinculado, S.A.U.
- Finanduero Sociedad de Valores, S.A.U.
- Grupo de Negocios Duero, S.A.U.
- Viproelco, S.A.U.

During 2018, the company "Cartera de Inversiones Agroalimentarias, S.L.U." ceased to form part of the tax group 660/10 as a result of being wound up on 15th December 2017.

In 2017, the Bancaria Foundation had a stake of less than 50% in Unicaja Banco, S.A. and, pursuant to article 58 of the Corporation Tax Law, Unicaja Banco, S.A. became the controlling company of the Corporate Group nº 660/10 with effect from 1st January 2017, while the Bancaria Unicaja Foundation became a subsidiary from the tax perspective. The company "Baloncesto Málaga, S.A.D.", 100% owned by the Bancaria Unicaja Foundation, lost its condition of subsidiary and was excluded from the Corporate Group 660/10, with effect from 1st January 2017.

24.2 Fiscal years subject to tax inspection

On the date that these annual accounts were filed, the consolidated Fiscal Group's corporate tax for 2014 and subsequent periods was being reviewed by the tax authorities.

As to the remaining applicable regional and local tax obligations, the periods 2018, 2017, 2016 and 2015 are being reviewed by the public administrations concerned.

On 11th January 2019, the Tax Authorities notified the Group that it was beginning inspection proceedings of the Tax Consolidation Group with regard to the following taxes and accounting periods:

- Corporation Tax, Corporate Groups regime, years 2014 to 2016.

- Value Added Tax, years 2015 and 2016.

- Withholding obligations on personal income tax, on corporation tax and on non-residents' income tax, for the periods 2015 and 2016.

Due to the differing interpretations that can be made of the tax regulations applying to transactions conducted by specific Group entities, the results of future inspections that the tax authorities may carry out over the years subject to verification may result in tax liabilities, the amounts of which cannot currently be quantified in an objective manner. In the opinion of the entity's Directors and tax advisors, the likelihood of significant liabilities arising from this item, in addition to those already provisioned, is remote.

24.3 Conciliation of accounting and tax results

The following is a conciliation between the profit tax expense resulting from the application of the general tax rate in force in Spain and the expenditure recorded for this tax in 2018, as well as the comparative data for the year 2017:

		€ ´000
	2018	**2017**
Pre-tax income	205 876	139 780
Corporate income tax (30% tax rate)	61 763	41 934
Eliminations in the consolidation process	(4 340)	(14 691)
Permanent positive differences	1 414	8 420
Permanent negative differences	(5 177)	(27 023)
Effect of Roya Decree 3/2016	859	(4 871)
Tax deductions and credits		
Other deductions	(1 184)	(2 428)
Income tax	**53 335**	**1 341**

The permanent negative differences include the exemption arrangements in place for dividends and capital gains of qualified holdings, regulated by the Corporation Tax Act 27/2014, 27th November.

As regards the breakdown of the main components of the expenditure/income on the tax on earnings, the entire amount recorded in the consolidated profit and loss statement for 2018 and 2017 for this item (which comes to EUR 53,335 thousand of expenditure in 2018 and EUR 1,341 thousand of expenditure in 2017) corresponds to that year's current income. No sums for corrections to current or deferred taxes in the present or previous periods have been recorded, nor have they been for other circumstances provided for in the tax regulations.

The expenses/income components for the tax on profits filed in the Bank's consolidated profit and loss statements in 2018 and 2017, are the following:

		€ ´000
	2018	**2017**
Expense/(income) from temporary differences	65 739	(26 308)
Expense/(income) from outstanding negative tax base	(9 862)	34 617
Expense/(income) from unused tax credits	(2 542)	(6 968)
Income tax	**53 335**	**1 341**

As to the tax on profits in the consolidated recognised income and expense statements for 2018 and 2017, the Group has charged a positive amount on its consolidated net equity of EUR 76,974 thousand and a positive amount of EUR 7,602 thousand, respectively, for the following items:

	2018	2017
		€ ´000
Actuarial gain or loss in defined benefits plans	(626)	(571)
Valuation of financial assets designated at fair value through other comprehensive income	78 974	
Valuation of available-for-sale financial assets		13 090
Valuation of cash flow hedges derivatives:	(6 599)	(420)
Net exchange differences	(11)	49
Valuation of on-current assets for sale	-	-
Valuation of entities valued using the equity method	5 236	(4 546)
Corporate tax expenses.	**76 974**	**7 602**

A lower rate has not been applied on any of the corrections listed, nor is there an item for deductible temporary differences, losses or tax credits for which deferred tax assets have not been recognised on the balance sheet.

24.4 Temporary differences

The consolidated balance sheet at 31st of December 2018 and 2017, includes deferred tax liability of EUR 2,568,707 thousand and EUR 2,538,016 thousand, respectively, while the deferred tax credit amounted to EUR 210.882 thousand and EUR 186.191 thousand respectively.

In compliance with the regulatory framework, deferred tax assets and liabilities have been calculated by applying the appropriate tax rate to the temporary difference or credit; the rate currently applicable to the Group is 30%.

The breakdown of the deferred current tax assets and liabilities recorded in the consolidated balance sheets at 31st December 2018 and 2017 is as follows:

				€ ´000
		2018		**2017**
	Assets	**Liabilities**	**Assets**	**Liabilities**
Current tax liability	**84 735**	**21 128**	**75 078**	**22 793**
Deferred tax liability	**2 568 707**	**210 882**	**2 538 016**	**186 191**
From negative tax base	671 677	-	681 539	-
Unused tax credits	-	-	2 526	-
Temporary differences - insolvencies	1 318 415	-	1 309 785	-
Permanent negative differences - pensions	92 052	-	90 583	-
Permanent negative differences - foreclosed assets	76 060	-	77 025	-
Other items	410 503	-	376 558	-
Revaluations	-	210 882	-	186 191
	2 653 442	**232 010**	**2 613 094**	**208 984**

In this regard, the Bank's Directors consider that the deferred tax assets recorded will be realised in the future as the tax group to which it belongs starts to earn taxable income, forecast to occur in coming years. Most of the Group’s tax credits for loss carryforwards are due to extraordinary, non-recurrent, losses recorded in previous periods, mainly from impairing real estate credits and assets. In line with Unicaja Banco Group’s business plan, approved by the parent institution’s Board of Directors, and in line with the business plan’s tax forecasts, as well as the expected use of deferred tax assets adjusted for the latest changes in tax regulations, the Bank and its tax group will obtain tax earnings in the upcoming periods that will be recovered in a reasonably short period (no longer than 10 years for the non-monetizable tax assets, and no longer than 17 years for all the deferred tax assets). There is no risk that the right to these deferred tax assets from loss carryforwards may be voided, since there is no longer a maximum time limit to use them.

The business plan takes as its most important estimates: (i) the forecast result for each of the fiscal years included in the forecasts; these are consistent with other reports used by the Bank for its internal management and as information for supervisors, and (ii) the reversibility of the key tax assets recorded on the consolidated balance sheet. The basic working assumptions of Unicaja Banco Group's business plan are based on the latest forecasts of the Spanish economy's performance, giving equal weight to the specific circumstances affecting the group, while remaining consistent with its Risk Appetite Framework and other documents on which the Group's strategy is based. As well as the core scenario which serves to estimate the likelihood of using deferred tax assets, the Bank conducts a sensitivity analysis, defining higher stress scenarios based on adding additional stress to the central macroeconomic outlooks, that do not substantially change the recovery horizon for the deferred tax assets mentioned above.

A description of the most important inputs used to define the business plan and reach conclusions about the likelihood of using deferred tax assets is shown below:

- Macroeconomic inputs used in the business plan:

	2019E	**2020E**
Real GDP (% year-on-year change)	2.2	2.2
Average annual unemployment (%)	13.2	11.7
Consumer price index YRV (%)	1.6	2.0
Housing prices YRV (%)	4.3	4.3

  The sources used to determine these variables are macro-economic forecasts drawn up by prestigious sector institutions and entities. YRV stands for year-on-year variance.

- Forecast scenario of market interest rates that rise to 2.6% by 2020 (10-year Spanish government bond yield).

- In this scenario, the Group's results are forecast to show a marked improvement in business and in increased profitability. The other assumptions used, in terms of income performance and the cost of risk, are consistent with the macroeconomic assumptions described, with Unicaja Banco Group's Risk Appetite Framework and with the other documents on which the Group's strategy is based.

- Corporation Tax remaining at the rate of 30% and several scenarios limiting the aggregation of negative tax bases and adjustments to tax bases awaiting reversal or integration in the medium term.

The entry into force of Royal Decree-Law 14/2013, 29th November on urgent measures to adapt Spanish law to European Union legislation on the supervision and liquidity of financial institutions basically means that some deferred tax assets recorded in the consolidated balance sheet herein, may, under certain conditions, be converted into receivables from the Tax Authorities.

For the 2016 financial period, this arrangement has been continued by introducing an DTA monetisation provision that, essentially, will amount to an annual payment of 1.5% of the assets eligible to be guaranteed by the Spanish State that were generated prior to 2016.

On 3rd December 2016, Royal Decree 3/2016, 2nd December, was published, adopting a number of tax measures, among them a new limit to the carryforward offsets for major corporations with a net turnover of at least EUR 20 million, the reversal of impairment losses of stakes that were tax deductible in tax periods prior to 2013 and the non-deductibility of losses occurring in the transfer of stakes in entities.

The Group to which the Bank belongs has made an initial estimate of the amount of deferred tax assets likely to become a receivable vis-à-vis the Tax Authorities. These sums are therefore guaranteed by the Spanish authorities, coming to EUR 1,486,526 thousand at 31st December 2018 (EUR 1,477,393 thousand at 31st December 2017). The DTA monetisation levy (*prestación patrimonial*) paid by the Group vis-à-vis the monetisation of these deferred tax assets is recorded under "Other operating expenses" (Note 39.2).

24.5 Income classified under the tax arrangement for entities holding foreign securities

Pursuant to article 108.3 of the consolidated text of the Corporation Tax Law, in settling corporation tax obligations for 2018, certain income obtained by Unicartera Internacional, S.L.U. has been exempted, by virtue of applying the tax system for entities holding foreign securities, to the value of EUR 103 thousand. In 2017, this sum came to EUR 1,107 thousand.

During the periods 2018 and 2017, Unicartera Internacional, S.L.U. has paid taxes abroad to the value of EUR 207 thousand and EUR 128 thousand, respectively.

24.6 Disclosure obligations arising from segregations

a) Information about the Special Tax Arrangements for Segregations in Corporation Tax

In 2011, the General Meeting of Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén (Unicaja) agreed to exercise its financial activity indirectly, through Unicaja Banco S.A. and to segregate part of its equity. It therefore resolved to present the segregation transaction under the Special Arrangements applying to mergers, divisions, transfers of assets and exchanges of shares, regulated under Chapter VII, Heading VII, of the Corporation Tax Law (at the time it was applied, this was numbered differently, as Chapter VIII, Heading VII, of the consolidated Corporation Tax Law).

The Tax Authorities were informed of the decision to opt for the Special Tax Arrangement, pursuant to article 42 of corporation tax regulations.

b) Accounting obligations

The Bank acted as the acquirer, in respect of the above-mentioned company restructuring operation, subject to the special arrangements for mergers, divisions, transfers of assets and exchange of shares provided for in Chapter VII, Heading VII of the Corporation Tax Law. The reporting requirements established in this law appear in the report which is part of the annual statements of the entities involved, for the 2011 accounting period.

24.7 Transactions treated under Chapter VII, Heading VII of the Corporation Tax Law

On the 26th and 27th of April 2018, the General Shareholders' Meeting of EspañaDuero and Unicaja Banco, respectively, approved the merger by absorption of Banco de Caja España de Inversiones, Salamanca y Soria, S.A (as absorbed company) by Unicaja Banco, S.A. (as the absorbing company), and agreed to adhere the merger transaction to the tax regime established in Chapter VII of Title VII of Law 27/2014, 27th November, on Corporate Tax.

With regard to the accounting reporting obligations under article 86 of the Corporation Tax Act 27/2014, 27th November, this information appears in the individual annual accounts of Unicaja Banco, S.A. for 2018.

24.8 Information on the procedure for recovering State aid from the “Tax Lease" for Financing of Vessels by the European Commission

On 30th October 2013, the bank received formal notice from the European Commission's Directorate-General for Competition, informing Unicaja Banco of its definitive decision on 17th July 2013 on the tax regime applicable to certain leasing contracts, also known as the Spanish system of tax leasing, in which it qualified such schemes as "State aid" and urged the Kingdom of Spain to take steps for such aid to be reimbursed from among beneficiaries, which include Unicaja Bank.

The bank lodged an appeal against this decision, together with the Kingdom of Spain and other institutions concerned, before the European Union Court of Justice, which is pending resolution.

The Tax Authorities have already initiated proceedings for the recovery of this State Aid, issuing inspection reports, and the amount of State Aid to be reimbursed matches the bank’s provisioning.

The European General Court (EGC), in a ruling on 17th December 2015, annulled the European Commission’s decision that the Spanish Tax Lease regime for the financing of vessels constituted "State aid". The European Commission has in turn appealed against this ruling at the High Court of Justice of the European Union.

However, one of the effects of the EU’s EGC’s ruling is the suspension of proceedings initiated by AEAT, the Spanish Tax Authority, to settle the reimbursement of State aid.

In the opinion of the Group’s Directors and tax advisors, the likelihood of significant liabilities arising from this proceeding, in addition to those already provisioned, is remote.

25. Liquidity risk with financial instruments

The Assets & Liabilities & Budget Committee (ALBCO), a committee formed by senior management, manages the liquidity risk inherent to the Entity’s activity and its financial instruments to ensure that it will have sufficient liquidity at all times to meet its payment commitments to settle its liabilities, on their respective maturity dates, without compromising the Group's ability to respond quickly to strategic market opportunities.

The Group uses a centralised approach to manage liquidity risk, applying integrated computer tools to test liquidity risk, based on the cash flows estimated by the Group for its assets and liabilities, as well as the additional collateral or instruments available to it to guarantee additional liquidity sources that may be required (for example, liquidity lines not used by the Group). The Group's liquidity risk position is based on a variety of scenarios. Trialling different scenarios takes into account not only normal market situations, but also extreme conditions that could affect collection and payment flows, whether due to factors in the market or in the Group.

Turning to compliance with the requirements in IFRS 7 “Financial instruments: disclosures”, see the chart below with maturities at 31st December 2018, specifying the remaining contractual true flows of the Group’s assets and liabilities:

	Upon demand	Less than 1 month	More than one month but less than three months	More than three months but less than one year	More than one year but less than five years	More than 5 years	Total balance
TOTAL INFLOWS	**563 322**	**2 126 307**	**1 625 034**	**2 377 324**	**11 957 689**	**25 503 756**	**44 153 432**
Deposits in financial institutions	125 992	12 084	304 927	4 462	-	1 352	448 817
Loans to financial institutions	-	2 154	3 877	16 357	48 110	42 428	112 926
Reverse purchase agreements and securities loans (borrower)	-	1 531 875	760 299	-	-	-	2 292 174
Loans	437 330	543 094	522 931	2 277 590	7 816 652	13 881 396	25 478 993
Securities' portfolio settlement	-	37 100	33 000	78 915	4 092 927	11 578 580	15 820 522
TOTAL OUTFLOWS	**(29 609 340)**	**(4 294 256)**	**(1 677 372)**	**(4 825 333)**	**(7 116 673)**	**(2 946 829)**	**(50 469 803)**
Wholesale issues	-	-	-	(668 024)	(1 496 852)	(2 322 051)	(4 486 927)
Credit institutions deposits	(127 790)	-	-	(61 709)	-	(300 899)	(490 398)
Deposits in other financial institutions and international bodies	(1 148 627)	(9 829)	(7 152)	(621 742)	(3 130)	(301 199)	(2 091 679)
Deposits of large non-financial corporations	(1 194 918)	(190 438)	(108 852)	(344 922)	(4 051)	-	(1 843 181)
Customer deposits	(27 138 005)	(624 732)	(880 000)	(3 152 148)	(2 026 533)	(235)	(33 821 653)
Funds for brokered loans	-	(5 149)	(5 951)	(32 962)	(96 747)	(22 445)	(163 254)
Security pledge funding	-	(3 443 703)	(670 222)	(24 177)	(3 416 742)	-	(7 554 844)
Derivatives (net)	-	279	8 346	92 272	-	-	100 897
Other outflows (net)	-	(20 684)	(13 541)	(11 921)	(72 618)	-	(118 764)
LIQUIDITY GAP	**(29 046 018)**	**(2 167 949)**	**(52 338)**	**(2 448 009)**	**4 841 016**	**22 556 927**	**(6 316 371)**
ACCUMULATED GAP	**(29 046 018)**	**(33 381 917)**	**(31 266 305)**	**(36 162 323)**	**(94 557 380)**	**(6 316 371)**	
Memorandum item:							
Contingent risks	2 086 528	-	-	-	-	-	2 086 528
Available by third parties	2 579 238	-	-	-	-	-	2 579 238
Instant availability	1 814 901	-	-	-	-	-	1 814 901
Available subject to conditions	764 337	-	-	-	-	-	764 337
Total contingent risks and drawable by third parties	**4 665 766**	**-**	**-**	**-**	**-**	**-**	**4 665 766**

The chart of maturities at 31st December 2017, specifying the remaining contractual real flows of the Group's assets and liabilities, is shown below:

	Upon demand	Less than 1 month	More than one month but less than three months	More than three months but less than one year	More than one year but less than five years	More than 5 years	Total balance
TOTAL INFLOWS	551 299	2 836 955	722 604	2 700 899	13 869 485	22 739 370	43 420 612
Deposits in financial institutions	116 574	109 345	4 168	5 178	18	843	236 126
Loans to financial institutions	-	2 525	5 028	34 380	222 425	43 248	307 606
Reverse purchase agreements and securities loans (borrower)	-	2 220 885	-	-	-	-	2 220 885
Loans	434 725	455 800	487 908	2 382 121	7 418 103	14 406 768	25 585 425
Securities' portfolio settlement	-	48 400	225 500	279 220	6 228 939	8 288 511	15 070 570
TOTAL OUTFLOWS	(27 789 029)	(3 876 587)	(2 108 643)	(5 266 738)	(7 718 128)	(2 868 045)	(49 627 170)
Wholesale issues	-	-	(235 000)	(654 000)	(1 864 876)	(2 644 051)	(5 397 927)
Credit institutions deposits	(186 276)	-	-	-	-	-	(186 276)
Deposits in other financial institutions and international bodies	(1 103 115)	(152 199)	(409 318)	(1 167 632)	(51 722)	(200 435)	(3 084 421)
Deposits of large non-financial corporations	(714 277)	(21 450)	(70 532)	(179 944)	(3)	-	(986 206)
Customer deposits	(25 785 361)	(768 221)	(1 156 083)	(3 431 464)	(2 195 489)	(737)	(33 337 355)
Funds for brokered loans	-	(2 912)	(4 557)	(23 977)	(65 059)	(22 822)	(119 327)
Security pledge funding	-	(2 931 877)	(231 410)	(13 377)	(3 461 652)	-	(6 638 316)
Derivatives (net)	-	264	5 054	156 219	-	-	161 537
Other outflows (net)	-	(192)	(6 797)	47 437	(79 327)	-	(38 879)
LIQUIDITY GAP	**(27 237 730)**	**(1 039 632)**	**(1 386 039)**	**(2 565 839)**	**6 151 357**	**19 871 325**	**(6 206 558)**
ACCUMULATED GAP	**(27 237 730)**	**(28 277 362)**	**(29 663 401)**	**(32 229 240)**	**(26 077 883)**	**(6 206 558)**	**-**
Memorandum item:							
Contingent risks	1 895 424	-	-	-	-	-	1 895 424
Available by third parties	2 786 416	-	-	-	-	-	2 786 416
Instant availability	2 185 673	-	-	-	-	-	2 185 673
Available subject to conditions	600 743	-	-	-	-	-	600 743
Total contingent risks and drawable by third parties	**4 681 840**	**-**	**-**	**-**	**-**	**-**	**4 681 840**

The breakdown of contractual maturities of derivative and non-derivative financial liabilities at the end of the periods 2018 and 2017, is as follows:

€ ´000

31st December 2018	Upon demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Non-derivative financial liabilities	**30 804 935**	**4 287 449**	**1 674 823**	**4 824 317**	**7 105 436**	**2 808 202**	**51 505 162**
Financial liabilities carried at amortized cost (embedded derivatives)	30 676 676	4 287 435	1 674 761	4 823 914	7 104 949	2 808 127	51 375 862
Financial guarantees issued	128 259	14	62	403	487	75	129 300
Derivative financial liabilities	**-**	**6 821**	**2 611**	**1 418**	**11 724**	**138 703**	**161 277**
	30 804 935	**4 294 270**	**1 677 434**	**4 825 735**	**7 117 160**	**2 946 905**	**51 666 439**

€ ´000

31st December 2017	Upon demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Non-derivative financial liabilities	**29 206 100**	**3 876 670**	**2 108 707**	**5 267 039**	**7 718 368**	**2 868 097**	**51 044 981**
Financial liabilities carried at amortized cost (embedded derivatives)	29 102 602	3 876 587	2 108 643	5 266 738	7 718 128	2 868 045	50 940 743
Financial guarantees issued	103 498	83	64	301	240	52	104 238
Derivative financial liabilities	**-**	**1 469**	**976**	**5 383**	**6 416**	**44 553**	**58 797**
	29 206 100	**1 420 865**	**949 373**	**2 730 000**	**3 184 679**	**914 100**	**24 064 131**

The following criteria have been used to submit these maturity statements:

- The data presented are static, and do not estimate business growth scenarios, early cancellations, or transaction renewals. They only include the contractual flows of signed transactions to date and recorded with the appropriate accounting entry on the consolidated balance sheet.
- The data presented show the remaining real contractual flows, i.e. they systematically reflect the transaction’s cash flows.
- For derivative financial instruments (the vast majority of which are subject to profit requirements), the Group reports on the net settlement amount of contracts with a forward term of up to one year.
- Cash outflows shown in the maturities chart are those under contract.
- As part of its liquidity management, Unicaja Banco Group includes some drawdown scenarios from balances available by third parties but, on the basis of past experience, this does not noticeably affect the Group’s maturities structural profile.
- Finally, the maturities chart does not contain a forecast of future interest flows, given that this would require assumptions, estimates of the interest rate curve and liability structure to be developed. Nevertheless, the Group does not consider that this information is essential to analyse its liquidity risk, given that the interest is not a significant proportion of the whole balance.

The Group manages its liquidity risk to ensure it complies with its payment commitments, by monitoring appropriately the cash flows and assets it has to cover possible liquidity gaps. That is why the Group believes that the maturity charts are the most germane manner to present its liquidity status on a specific date.

The entity sets prudent policies and goals that encompass not only normal market conditions but also contingency plans for stress or crisis situations, both its own and in the market. It combines three main factors in order to reach its goals:

- Asset management: analysis of maturities, likelihood of sale, degree of liquidity, potential use as collateral, among others.
- Liability management: analysis of maturities, diversification of sources of business, maturities other than those under contract, performance under changing interest rate conditions, etc.

- Access to markets: financing capacity on wholesale markets and time needed to get financing, among others.

The Group keeps a significant volume of liquid assets on its consolidated balance sheet that enable it to manage liquidity risk comfortably; the most important of its liquid assets are:

- Sight balances with central banks and credit institutions.
- Short-term reverse purchase agreements.
- Discountable fixed income securities in the European Central Bank.
- Listed variable income securities.

In addition, the Group can issue mortgage and regional bonds that would allow it to secure new resources should it need to.

26. Fair value

26.1 Fair value of financial assets and liabilities not recorded at fair value

The estimation of the fair value of financial assets and liabilities that are stated at amortised cost at 31st December 2018 and 2017 was carried out by the Bank as follows:

- For financial assets and liabilities at floating interest rates, the Group has estimated that their book value does not differ significantly from their fair value as the counterparties' initial credit risk conditions have not changed significantly.

- In the case of unhedged fixed interest rate financial assets and liabilities, the fair value for each of the periods has been obtained by restating flows, using as the discount rate the risk-free interest rate (that of the Spanish government debt) on all the terms, corrected by the credit spread on the item in question. Considering these instruments' maturity period and their relative balance, the difference between the amortised cost and the fair value of these products was not significant at 31st December 2018 and 2017.

- In the case of the item Loans and Receivables, the differences between book value and fair value are considered insignificant since the Group has quantified its provisioning for its credit risk portfolio in accordance with applicable accounting standards considered sufficient to cover this credit risk.

However, in an environment of economic and financial crisis such as the present and given that there is no market for this type of financial assets, the amounts for which such assets may be exchanged between interested parties may differ from their net book value.

26.2 Instruments at amortised cost listed for trading on markets

The fair value estimate at 31st December 2018 and 2017 of financial assets and liabilities that are stated at amortised cost in the balance sheet, but which trade on the market does not differ significantly from the instruments' book value.

The detail at 31st December 2018 and 2017 of the book value and fair value of Unicaja Banco Group's financial instruments valued at amortised cost and trading on the markets is as follows:

Balance sheet heading	Instrument	2018 Book value	2018 Fair Value	2017 Book value	2017 Fair Value
					€ ´000
Financial assets carried at amortised cost	Debt securities	14 763 449	14 774 219		
Loans and receivables	Debt securities			2 585 205	2 609 789
Held-to-maturity investments	Debt securities			10 634 320	11 014 314
Financial liabilities carried at amortized cost	Marketable debt securities	59 958	59 958	129 848	129 848

26.3 Information on equity instruments

At the close of the 2018 and 2017 periods, there were no listed equity instruments held whose fair value had not been taken by using their listed price.

26.4 Fair value of financial assets and liabilities recorded at fair value

Below is a breakdown of the fair values of the balance sheet headings at 31st December 2018 and 2017 broken down by asset and liability classes and into the following three levels.

- Level 1: Financial instruments whose fair value is determined by taking the prices quoted on active markets or from recent transactions (last 12 months) that have been updated to current conditions.
- Level 2: Financial instruments whose fair value is estimated based on prices quoted on organized markets for similar instruments or by measuring techniques in which all significant inputs used are based on information that is directly or indirectly available in the market.
- Level 3: Financial instruments whose fair value is estimated based on valuation techniques in which some input is not based on available market information.

					€ ´000
					2018
	Net				Fair Value
	book value	Total	Level 1	Level 2	Level 3
Assets					
Financial assets held for trading	44 349	44 349	33 055	11 294	-
Debt securities	11 294	11 294	-	11 294	-
Equity instruments	20 616	20 616	20 616	-	-
Derivatives	12 439	12 439	12 439	-	-
Non-trading financial assets mandatorily designated at fair value through profit and loss	85 371	85 371	72 717	4 546	8 108
Debt securities	85 371	85 371	72 717	4 546	8 108
Financial assets designated at fair value through profit or loss	2 050	2 050	-	2 050	-
Debt securities	2 050	2 050	-	2 050	-
Financial assets designated at fair value through other comprehensive income	3 425 138	3 330 794	3 267 247	63 547	-
Debt securities	547 252	452 908	389 361	63 547	-
Equity instruments	2 877 886	2 877 886	2 877 886	-	-
Hedging derivatives	411 394	411 394	-	411 394	-

Liabilities

Financial liabilities held for trading	17 978	17 978	2 611	15 367	-
Derivatives	17 978	17 978	2 611	15 367	-
Hedging derivatives	143 299	143 299	-	143 299	-

					€ ´000
					2017
	Net				Fair Value
	book value	Total	Level 1	Level 2	Level 3
Assets					
Financial assets held for trading	31 462	31 462	14 588	16 846	28
Debt securities	12 980	12 980	12 980	-	-
Equity instruments	-	-	-	-	
Derivatives	18 482	18 482	1 608	16 846	28
Financial assets available for sale	3 701 538	3 497 882	3 385 103	112 779	-
Debt securities	3 165 476	3 165 476	3 085 445	800 31	-
Equity instruments	536 062	332 406	299 658	32 748	-
Hedging derivatives	456 829	456 829	-	456 476	353
Liabilities					
Financial liabilities held for trading	27 412	27 412	-	26 532	880
Derivatives	27 412	27 412	-	26 532	880
Hedging derivatives	31 385	31 385	-	31 385	-

The table below shows the changes during 2018 and 2017 of the fair value of the various financial instruments classified at level 3 under IFRS 13:

					€ ´000
	Financial assets held for trading			Financial assets designated at fair value through other comprehensive income	
	Debt securities	Derivatives (asset)	Derivatives (liability)	Debt securities	Equity instruments
Balance at 31/12/2017	**-**	**29**	**880**	**-**	**-**
Additions of instruments	-	-	-	-	-
Derecognitions of instruments	-	-	-	-	-
Changes in fair value recognised in profit or loss	-	(29)	(880)	-	-
Changes in fair value recognised in equity	-	-	-	-	-
Level transfers	-	-	-	8 108	-
Transfers to loans and receivables	-	-	-	-	-
Transfers investments held to maturity	-	-	-	-	-
Balance at 31/12/2018	**-**	**-**	**-**	**8 108**	**-**

	Financial assets held for trading			Available-for-sale financial assets	€ ´000
	Debt securities	**Derivatives (asset)**	**Derivatives (liability)**	**Debt securities**	**Equity instruments**
Balance at 31/12/2016	**-**	**106**	**366**	**-**	**-**
Additions of instruments	-	-	-	-	-
Derecognitions of instruments	-	-	(77)	-	-
Changes in fair value recognised in profit or loss	-	(77)	591	-	-
Changes in fair value recognised in equity	-	-	-	-	-
Level transfers	-	-	-	-	-
Transfers to loans and receivables	-	-	-	-	-
Transfers investments held to maturity	-	-	-	-	-
Balance at 31/12/2017	**-**	**29**	**880**	**-**	**-**

The changes in fair value recognised in the results are recorded on the consolidated income statement in the sections "Gains/losses from financial transactions", while the adjustments to fair value recognised in net equity are recorded under "Financial Assets held for sale" on the consolidated recognised income & expenses statement.

To evaluate financial instruments at level 3 of the fair value hierarchy, classified thus because they use inputs unobservable in market data, the Bank uses models and methods generally accepted as standard by credit institutions, among them the Hull & White, the Longstaff & Schwartz, the Montecarlo and the Black-Scholes methods.

These technical valuation models feed off data observed directly in the market using Bloomberg and Reuters connections, relating to underlying volatility, interest rate curves, underlying correlations, dividends and CDS (Credit Default Swaps), etc. In the case of non-observable data, the Group uses generally accepted market assumptions for its estimates, including:

- Implicit volatilities obtained from share options.
- Determining zero coupon curves using deposits and swaps listed in each currency based on "bootstrapping".
- Obtaining discount factors or the implicit rates necessary for valuations under an assumption of Absence of Arbitrage Opportunity (AAO).
- Resorting to historic data to assess correlations, generally using weekly underlying indicator performances over a historic period of between 1 and 4 years.
- Build the estimated dividend curves from asset dividend futures, if they are listed and liquid.
- Estimating dividends from the implicit dividends in the options on that asset (share or index) that are listed on the markets.
- Using the dividends forecast by market suppliers (Bloomberg, Reuters and DataStream) if neither futures on the dividends nor quotes of stock options exist.

When level 3 financial instruments are evaluated, the effect that a variation, within a reasonable range, in the assumptions used for the valuation, would have on its fair value is measured, concluding in all cases that the sensitivity of the fair value to modifications in the unobservable inputs was not significant at 31st December 2018 and 2017. For this reason, the breakdown of information on alternative assumptions that would be reasonably feasible in the evaluation was not given in the report.

26.5 Valuation methods used

The methods used by Unicaja Banco Group for calculating the fair value of the main financial instruments recognised on the balance sheet are as follows:

- **Debt securities:** The fair value of listed debt instruments is determined on the basis of the quotation on official markets (Bank of Spain's Book Entry Department), AIAF, AIAF panels (credit institutions) or by applying prices obtained from information service providers, mainly Bloomberg and Reuters, who construct their prices on the basis of prices reported by contributors.

- **Equity instruments**: The fair value of listed equity instruments has been determined by taking into account official market quotations. In the case of non-listed companies, their fair value has been determined taking into account independent expert valuations, which have used, among others:

  - Discounted cash flow (free operating cash flows or dividends), restated at a discount rate matched to each investee's operating and financial risk, calculated from the risk-free rate, and adding a risk premium.

  - Multiplier of comparable listed companies (EV/EBITDA, PER, Price/Book Value, Price/Premiums), less a discount for illiquidity.

  - ANAV (Adjusted Net Asset Value): Is the result of adding capital gains to shareholder's equity; the capital gains are calculated as the difference between the market value of the assets and their book value. For Venture Capital entities, NAV has been calculated by management whose estimates have on the whole taken into account European Venture Capital Association regulations and the provisions in the Spanish Stock Exchange Commission's Circular 5/2000, 19th September.

  - Price resulting from market transactions or acquisition offers, made or received at a moment close to the valuation date.

- **Derivatives:** The fair value of interest rate derivatives is determined, for non-options financial instruments (mainly swaps), by discounting future flows using implied money market curves and the swap curve. In the case of interest rate options derivatives, generally accepted valuation methods based on the Black-Scholes model and implied volatility tables are used. For derivatives of equity instruments or stock indices bought to hedge the risk of customers' structured deposits that contain an embedded derivative, and for non-options currency derivatives, fair value was obtained by discounting estimated cash flows using forward, market-listed curves of the respective underlying assets. In the case of options, a generally accepted valuation method is based on the Black-Scholes model that, by means of a formula and appropriate market inputs, enables the measurement of these underlying assets. Where applicable, to calculate CVA (credit valuation adjustment) and DVA (debt valuation adjustment), models and severities in line with the market were used. To obtain our own spread, generic spread vs. swap curves are repeatedly calibrated according to the ratings of different debt issues by Spanish financial institutions with different priority levels, including senior debt.

26.6 Fair value of property, plant and equipment

On 1st January 2004, the Group complied with the provisions of IFRS 1 "First-time Adoption of International Financial Reporting Standards", under which it revaluated most of its real estate assets, generating a gross capital gain of EUR 227,811 thousand.

Subsequently, on 21st June 2013, tax efficiency was given to the revaluation reserves recorded in response to the entry into force of the Bank of Spain's 4/2004 Circular; this applied to 516 properties for own use, with an associated revaluation of EUR 54,850 thousand, already registered as equity.

At 31st December 2018 and 2017, the Group estimated that there were no significant differences between the book value and the fair value of property, plant and equipment.

27. Exposure to credit risk

Credit risk represents the Group's losses if a customer or a counterparty defaults on their contractual obligations to pay. This risk is inherent to the financial system in institutions' traditional banking products (loans, credits, financial collateral provided, etc.), as well as in other types of financial assets.

Credit risk affects both financial assets that are recorded in the financial statements at amortised cost and assets that are recorded at fair value in these statements. Irrespective of the accounting criteria used to record the Group's financial assets in these financial statements, the parent entity applies the same policies and procedures for controlling credit risk.

The parent company's policies, methods and procedures to control credit risk are approved by the parent company's Board of Directors. The duties of the Audit and Compliance Committee, the Risks Committee, the Internal Audit Division and the bank's Global Risk Control Division include ensuring proper compliance with said policies, methods and procedures, ensuring that they are adequate, effectively implemented and regularly reviewed.

The credit risk control activities of the parent Company are performed by the Global Division, which reports to Unicaja Banco's Control, Strategy and Supervisor Relations Division. This unit is responsible for implementing the policies, methods and procedures for controlling credit risk approved by the Bank's Board of Directors. It fulfils its counterparty risk duties, following the parent's internal policies and applicable regulations. Likewise, this unit is responsible for applying Unicaja Bank's risk concentration limits, approved by the Board of Directors.

The parent entity has policies and procedures that limit the concentration of counterparty credit risk, whether of individuals or economic groups. The parent entity establishes the risk concentration limit after taking into account factors such as the activities in which the counterparties are engaged, their credit rating, as well as other characteristics shared by them. The parent company performs stress tests to estimate the effects of possible variations in the NPL rates of the different risk concentration groups.

The Group was not holding significant risk concentrations at 31st December 2018 and 2017. Total risk held by the Group with mortgage collateral in the private residential sector in Spain came to EUR 17,056,682 thousand and EUR 17,655,675 thousand at 31st December 2018 and 2017, respectively.

In addition, the Unicaja Banco Group has tools which enable it to classify risk appropriately. It uses Scoring and Rating models in its admittance and tracking processes. PD, LGD and EAD estimates, components used in calculating expected loss, play a part in managing risk efficiently. The criteria on which these models and estimates are based are approved by the Group's Senior Management, and the necessary review systems are in place to ensure updating as appropriate.

The maximum credit risk to which the Group is exposed is measured at nominal value or fair value based on the accounting valuation of financial assets. According to the extent of the maximum credit risk to which the Group is exposed, certain compensation agreements entered into between the Group and certain counterparties have been considered.

Notes 8, 9 and 10 provide information about the maximum credit risk to which the Group is exposed. We should point out that, given that the information in these Notes about the credit risk to which the Group is exposed does not include guarantees received, credit derivatives contracted to hedge this risk and other similar hedges, this data is different from the credit risk exposure analyses that the Group conducts internally.

The Group makes an internal classification of those financial assets that are subject to credit risk according to the features of the transactions, taking into account, among other factors, the counterparties involved in the transactions and each transaction's guarantees.

The aggregate sum of past due and uncollected income from financial assets that, pursuant to the criteria explained in Note 2.7, have not accrued in the accounts at 31st December 2018 and 2017, comes to EUR 61,019 thousand and EUR 82,660 thousand, respectively.

As to Unicaja Banco Group's credit transactions in retail mortgages that have interest rate limits, or "floor clauses" on their interest rates, we should bear in mind the rulings that are being handed down in a number of different courts as to the validity of these pacts, impacting specific institutions, in the light of the Supreme Court's ruling of 9th May 2013 and after the same Court's rulings on 16th July 2014 and 25th March 2015. Pursuant to these, once those pacts limiting the variation of interest rates that lack transparency are declared void, the borrower will be refunded the interest rate differential that they have paid, starting from the date the May 2013 judgement was published.

In particular, we should consider, on the one hand, the ruling by Madrid's Commercial Court 11, from 7th April 2016, following the class action filed on 11th November 2010 by the Association of Bank Users, (ADICAE in the Spanish acronym) and a large number of additional claimants, against virtually all entities in the financial system (including Unicaja Banco and EspañaDuero) that had included these types of agreements in their mortgage loan contracts with individuals. This ruling requires financial institutions to eliminate certain floor clauses that are not transparent on the grounds that they are unfair, and to refund consumers the amounts wrongfully charged, dating from publication of the Supreme Court's 9th May 2013 ruling, together with any interests under law. In addition, the ruling dated 13th April 2016, handed down by León Provincial Courts, in the matter of the collective action brought by the Association of Users of Banking Services (AUSBANC in the Spanish acronym), against EspañaDuero for this type of agreement in the mortgage contracts formalised by Caja España de Inversiones, obliges the bank to cancel certain floor clauses for lack of transparency.

These rulings confirm the criterion that, once a particular pact to limit interest rates has been declared invalid, the refund to the borrower must be made for the difference in interest, starting at the date of publication of the Supreme Court's ruling of May 2013. However, on 21st December 2016, the European Union Court of Justice issued a judgment which, contrary to the Supreme Court's doctrine, puts a time limit on the declaration invalidating the floor clause. This time limit deprives Spanish consumers who signed a mortgage before the date of the Supreme Court's ruling of the right to obtain a refund for the amounts unduly paid to the banking entities.

In any event, on the scope of the rulings handed down in class action proceedings, we should point to the rulings by the Constitutional Court on 19th September 2016 and 12th December 2016. These state that the automatic extension of a res judicata effect resulting from a class action not only is not provided for in the regulations for said class action, but may even impinge upon the independent will of consumers not wishing their contracts to be voided, or curtail their options for individual claims in the event of the class action being dismissed. Therefore, for the amounts to be properly paid back to the affected consumers, they must lodge individual suits, and rulings must be handed down on that basis by the courts in question.

Whatever the resolutions reached in these rulings, we should bear in mind that they are not final, and can be appealed by any of the parties concerned, before the judicial authorities provided for under procedural law. On this matter, Unicaja Banco Group considers that the covenants in its mortgage deeds setting limits to interest rate variations or floor clauses, are fully in accordance with the law.

Lastly, on 21st January 2017 the Official State Gazette published Royal Decree Act 1/2017, dated 20th January, setting out measures to protect consumers with interest rate variation limits or floor clauses on their mortgage contracts, so that agreements with the credit institutions can be reached, to solve the controversies that may arise from the latest legal rulings on this subject. These measures are in addition to those in the legal system and provide for out-of-court procedures which consumers can access if they wish without incurring further costs.

At 31st December 2018, the provisions deemed necessary to cover potential asset impairments and deal with the risks and contingencies that may impact the Group were in place (Note 18). In this regard, the Group has provisioned of EUR 203 million at 31st December 2018 (EUR 268 million at 31st December 2017).

Best practises for the responsible lending and credit to consumers

Order EHA/2899/2011, 28th October, concerning transparency and protection for banking service customers develops the general principles of the Sustainable Economy Act 2/2011, with regard to granting loans and credit to consumers in a responsible fashion, such that obligations are established to ensure that the Spanish financial system enhances prudency levels when granting this type of transactions, to the benefit of customers and market stability.

The Bank of Spain's Circular 5/2012, 27th June, develops the concept of "responsible loan" by establishing the responsible lending policies and procedures summarised below:

- Whenever financial institutions offer and grant loans or credit to customers, they must act honestly, impartially and professionally, taking into account the personal and financial situation and the preferences and objectives of their customers.

- The financial institutions that grant loans or credit to the customers referred to by Regulation Two of Circular 5/2012 must have specific, adequately-documented and reasoned policies and procedures for studying and granting loans or credit to such customers, approved by the bank's Board of Directors or equivalent body, that include the general principles set out in appendix 6 of said Circular. Such policies, methods and procedures, properly up-dated and duly documented, as well as the accreditation of their approval by the Board of Directors of the bank, or equivalent body, shall be kept available to the Bank of Spain at all times.

- The general principles mentioned above shall be applied by financial institutions and understood by their customers in a responsible manner, such that responsibility lies with the former to provide the latter with full and truthful information about their financial situation and their desires and needs regarding the purpose, amount and other conditions of the loan or credit. Responsibility for adequately informing their customers about the characteristics of their products that are in line with the customer's requests lies with the bank.

Unicaja Banco has detailed policies, methods and procedures for ensuring that loans and credit are granted to consumers in a responsible fashion. The principles developed to such end are in line with the Bank's current situation and included in the "Manual of credit risk policies, functions and procedures" adopted by the Bank's Board of Directors at their meeting of 29th December 2016 and with the regulatory requirements of the Bank of Spain, including the following points:

- Concession criteria linked to the borrower's payment capacity.
- Payback plan tailored to the customer.
- Prudent ratio between the sum of the transaction and the value of its guarantee (LTV).
- Transaction marketing policy.
- Guarantee appraisal policy.
- Consideration given to the variability of interest rates and the exchange rate in lending denominated in foreign currency.

- Interest rate risk hedging.
- Policy for exceptions to the transaction conditions.
- Warning the customer about breaching their payment obligations.
- Debt renegotiation policy.
- Information about the cost of services linked to the loan transaction.
- Obligation to provide information to purchasers acquiring houses by subrogating a developer loan.
- Other aspects of the responsible lending policies and procedures.

To ensure compliance of such principles and criteria, the Group has put in place a range of control procedures in its risk management. These include different approval areas that ensure suitable levels of evaluation of the decisions depending on the complexity of the transaction and a proper assessment of the customer's risk profile and their payment capacity.

Assets derecognised from the balance sheet

The following shows the movement during fiscal years 2018 and 2017 of Unicaja Banco Group's impaired financial assets that are not recorded in the consolidated balance sheet because their recovery is considered reasonably unlikely, although the Group has not given up attempts to recover the sums owed.

		€ ´000
	2018	**2017**
Balance of financial assets derecognised from the balance sheet at January 1st	**1 616 834**	**2 114 885**
Additions	**131 205**	**310 624**
Recorded against value corrections due to impairment of assets	106 134	237 941
Recorded in the income statement	19 656	62 650
Matured receivables	5 415	10 033
Other items	-	-
Recoveries	**(63 685)**	**(129 158)**
Cash collections during the period	(44 973)	(73 246)
From repossessed assets	(18 712)	(55 912)
Derecognitions -	**(290 593)**	**(679 517)**
Sale of write-offs	(202 461)	(473 842)
Other	(88 132)	(205 675)
Balance of financial assets derecognised from the balance sheet at December 31st	**1 393 761**	**1 616 834**

In 2018, the Group closed the sale of written-off credits amounting to EUR 225,142 thousand, arising from individuals and small and medium-sized enterprises (this sum includes unmanageable write offs amounting to EUR 4,221 thousand). The unrecovered part is recorded under "derecognitions from sale of write-offs", while the proceeds from these sales are included under "balances recovered during the year from cash collections".

In 2017, the Group formalised the sale of written off loans amounting to of EUR 475,624 thousand, arising from individuals and small and medium-sized enterprises (this sum includes unmanageable write offs of EUR 1,782 thousand). The unrecovered part is recorded under "derecognitions from sale of write-offs", while the proceeds from these sales are included under "balances recovered during the year from cash collections".

During 2018 and 2017, the movement identified as "Other" refers mainly to transactions that are no longer recorded as written-off assets, since any possibility of recovery by the Group has been ruled out (this is known as "bad debt").

The net amount booked to the consolidated income statement for 2018 and 2017 from the movement of these assets is a positive sum of EUR 25,017 thousand and EUR 10,596 thousand, respectively. These sums were generated basically by:

- Transactions classed as "write offs" during the period that have not had any provisions to cover them, so taking them off the consolidated balance sheet is booked directly against the profit and loss account as a negative sum of EUR 19,656 thousand and EUR 62,650 thousand for 2018 and 2017 respectively.

- Transactions during the previous year that were classed as "write offs" where some of the money has been collected. This was booked as a positive sum of EUR 44,973 thousand and EUR 73,246 thousand in 2018 and 2017, respectively.

The criteria used by the Unicaja Banco Group for derecognising transactions from the write-offs portfolio, is to book the derecognised assets when they can be no longer recovered. A range of authorities is used for this that depends on the type and volume of the transactions concerned. The Group performs a periodic check on these balances, with a view to determining whether the requisites for removing them from the portfolio have been met, and to assess whether there has been any change in circumstances that could modify the chances of recovering the balances.

Exposure to sovereign risk

The break-down of the Group's exposure to sovereign risk at 31st December 2018 and 2017 is as follows:

				€ ´000
				2018
	Financial assets held for trading	**Other financial assets designated at fair value through profit or loss**	**Financial assets designated at fair value through other comprehensive income**	**Financial assets carried at amortized cost**
Spain	12 439	-	2 006 865	7 000 941
Italy	-	-	146 179	3 658 201
Portugal	-	-	-	777 765
Other	-	-	-	754
	12 439	**-**	**2 153 044**	**11 437 661**

				€ ´000
				2017
	Financial assets held for trading	**Available-for-sale financial assets**	**Held-to-maturity investments**	**Loans and receivables**
Spain	12 980	1 729 580	7 699 773	-
Italy	-	661 442	1 608 175	-
Portugal	-	299 343	-	-
	12 980	**2 690 365**	**9 307 948**	**-**

Credit quality of debt securities

The classification of debt securities on the consolidated annual statements of the Unicaja Banco Group at 31st December 2018 and 2017 are as follows, classified in the different portfolios:

		€ ´000
	2018	**2017**
Financial assets held for trading (Note 8.1)	12 439	12 980
Non-trading financial assets mandatorily designated at fair value through profit and loss(Nota 8.2)	85 371	
Financial assets designated at fair value through profit or loss (Note 8.3)	-	
Financial assets designated at fair value through other comprehensive income (Note 9.1)	2 877 886	
Available-for-sale financial assets (Note 9.1)		3 165 476
Financial assets carried at amortized cost (Note 10)	14 763 449	
Loans and receivables		2 585 205
Held-to-maturity investments		10 634 320
	17 739 145	**16 397 981**

At 31st December 2018 and 2017, the balances entered in the table above were not classified as non-performing, having entered corrections to their value resulting from impairment amounting to EUR 1,030 thousand and EUR 78 thousand, respectively. The classification of these values by rating at 31st December 2018 and 2017 is as follows:

		€ ´000
	2018	**2017**
Rating Aaa	10 251	-
Rating Aa1-Aa3	541 763	164 187
Rating A1-A3	12 127 249	618 739
Rating Baa1-Baa3	4 963 805	15 516 448
Rating Ba1-Ba3	-	7 484
Rating B1-C	27 231	25 726
No credit rating	68 846	65 397
	17 739 145	**16 397 981**

Customer credit quality

Basically, the Unicaja Banco Group determines the credit quality of the loan to the customer using the book classification, sectorisation, whether or not there are defaults, the level of coverage, the guarantees received and their proportion of the debt (LTV ratio).

The creditworthiness of the loan and receivables portfolio at 31st December 2018 and 2017 is shown below:

				€ ´000
		2018		**2017**
	Total	**Of which: NPL**	**Total**	**Of which: NPL**
Gross amount	28 703 089	1 925 587	31 036 578	2 710 209
Asset impairment adjustments	(1 020 134)	(863 925)	(1 355 112)	(1 139 300)
Of which: individually calculated	(222 338)	(198 942)	(191 857)	(191 857)
Of which: collectively calculated	(797 796)	(664 983)	(1 163 255)	(947 443)
Net amount	**27 682 955**	**1 061 662**	**29 681 466**	**1 570 909**

Collateral sums received and given at 31st December 2018 and 2017 are outlined below:

		€ ´000
Guarantees received	**2018**	**2017**
Value of collateral	18 509 135	20 311 749
Of which: guaranteeing non-performing risks	*1 216 971*	*1 734 665*
Value of other guarantees	2 043 497	2 011 813
Of which: guaranteeing non-performing risks	*110 513*	*108 422*
Total value of guarantees received	**20 552 632**	**22 323 562**

Financial guarantees given	2018	2017
		€ ´000
Loan commitments given	2 579 238	2 786 416
Of which amount classified as NPL	3 176	63 508
Amount recorded in liabilities of the balance sheet	2 270	6 185
Financial guarantees given	64 537	101 757
Of which amount classified as NPL	-	-
Amount recorded in liabilities of the balance sheet	8 107	98 053
Other commitments given	2 021 992	1 793 667
Of which amount classified as NPL	232 579	264 022
Amount recorded in liabilities of the balance sheet	119 014	-
Total value of financial guarantees given	**4 665 767**	**4 681 840**

Risk concentration by activity and region

The table below shows the book value of all Unicaja Banco Group's financing given to customers at 31st December 2018 and 2017 broken down by type of counterparty, guarantee and LTV ratio, and excluding exposures held with public administrations.

				LTV ratio of secured loans (e)				€ ´000
31st December 2018	**Total (a)**	**Of which: Real estate secured (d)**	**Of which: Other collateral (d)**	**Less than or equal to 40%**	**More than 40% but less than or equal to 60%**	**More than 60% but less than or equal to 80%**	**More than 80% but less than or equal to 100%**	**More than 100%**
Financial institutions	1 288 645	21 334	1 164 427	4 580	524	10 911	5 538	1 164 208
Non-financial corporations and individual entrepreneurs	6 411 744	2 219 309	153 778	1 021 131	700 395	319 534	77 676	254 351
Real estate construction& development (b)	557 840	511 524	10 882	219 722	149 923	68 987	32 757	51 017
Civil works	123 383	788	204	791	102			99
Other purposes	5 730 521	1 706 997	142 692	800 618	550 370	250 547	44 919	203 235
Large corporations (c)	2 216 258	116 878	37 265	37 874	27 039	11 130	455	77 645
SMEs and individual entrepreneurs (c)	3 514 263	1 590 119	105 427	762 744	523 331	239 417	44 464	125 590
Rest of households and NPISHs	18 590 081	17 277 723	40 960	4 762 026	6 440 133	5 207 688	447 376	461 460
Housing	16 296 015	16 259 276	5 364	4 243 403	6 180 954	5 052 081	407 738	380 464
Consumer loans	442 447	42 157	4 247	28 474	10 797	3 767	1 177	2 189
Other purposes	1 851 619	976 290	31 349	490 149	248 382	151 840	38 461	78 807
Total	**26 290 470**	**19 518 366**	**1 359 165**	**5 787 737**	**7 141 052**	**5 538 133**	**530 590**	**1 880 019**
Memorandum item: Refinancing, refinanced and restructured transactions	**1 137 318**	**1 002 137**	**21 601**	**279 877**	**291 058**	**136 668**	**115 782**	**200 353**

31st December 2017	Total (a)	Of which: Real estate secured (d)	Of which: Other collateral (d)	LTV ratio of secured loans (e) Less than or equal to 40%	More than 40% but less than or equal to 60%	More than 60% but less than or equal to 80%	More than 80% but less than or equal to 100%	More than 100%
								€ ´000
Financial institutions	2 692 030	21 797	2 375 744	4 826	90	5 808	11 209	2 375 608
Non-financial corporations and individual entrepreneurs	6 016 925	2 016 341	400 251	1 009 154	689 841	325 913	118 078	273 606
Real estate construction & development (b)	674 618	569 846	35 224	173 588	152 906	104 805	32 059	141 712
Civil works	198 542	7 151	6 218	8 258	476	95	1 887	2 653
Other purposes	5 143 765	1 439 344	358 809	827 308	536 459	221 013	84 132	129 241
Large corporations (c)	1 887 270	85 902	37 978	22 414	26 629	27 851	16 059	30 927
SMEs and individual entrepreneurs (c)	3 256 495	1 353 442	320 831	804 894	509 830	193 162	68 073	98 314
Rest of households and NPISHs	19 406 374	17 689 534	173 802	4 746 219	6 464 186	5 846 809	475 154	330 968
Housing	17 088 934	16 699 876	82 226	4 214 611	6 186 403	5 681 951	430 456	268 681
Consumer loans	460 523	12 696	3 082	10 694	3 053	1 358	343	330
Other purposes	1 856 917	976 962	88 494	520 914	274 730	163 500	44 355	61 957
Total	**28 115 329**	**19 727 672**	**2 949 797**	**5 760 199**	**7 154 117**	**6 178 530**	**604 441**	**2 980 182**
Memorandum item: Refinancing, refinanced and restructured transactions	**1 534 142**	**1 256 717**	**120 478**	**328 829**	**313 577**	**380 878**	**125 123**	**228 788**

(a) The definition of loans and advances to customers and the scope of information in this table are the same as those used when drawing up the balance sheets. The sum shown is the book value of the transactions, i.e. after deducting value adjustments made to hedge specific transactions.

(b) This item covers all activities relating to real estate construction and development, including financing land for real estate development.

(c) Non-financial companies are classified as “Large corporations” or “SMEs” according to the definition applicable to the latter for the purposes of calculating shareholders’ equity. Activity conducted by natural persons in carrying out their entrepreneurial activities is treated as individual entrepreneurial activity.

(d) Includes the book value of all transactions with real estate guarantee and with other collateral, whatever their loan-to-value ratio.

(e) Loan-to-value ratio is calculated by dividing the book value of transactions on the statement date by the latest appraisal or valuation available for the collateral.

The table below shows aggregate information to 31st December 2018 & 2017 on Unicaja Banco Group’s risk concentration, broken down by geography and segment of activity, excluding exposures held with public administrations.

31st December 2018	Total (a)	Spain	Rest of European Union	America	RoW
					€ ´000
Credit institutions	6 687 967	5 454 390	1 232 466	661	450
Other financial institutions	5 041 713	4 829 824	205 141	1 429	5 319
Non-financial corporations and individual entrepreneurs	7 856 118	7 434 800	297 493	121 237	2 588
Real estate construction & development (b)	673 086	671 456	1 600	-	30
Civil works	216 949	216 949	-	-	-
Other purposes	6 966 083	6 546 395	295 893	121 237	2 558
Large corporations (c)	3 059 426	2 646 342	290 995	120 361	1 728
SMEs and individual entrepreneurs (c)	3 906 657	3 900 053	4 898	876	830
Rest of households and NPISHs	18 617 878	18 500 365	84 089	12 627	20 797
Housing	16 296 015	16 197 591	65 993	12 408	20 023
Consumer loans	444 574	444 143	190	32	209
Other purposes	1 877 289	1 858 631	17 906	187	565
	38 203 676	**36 219 379**	**1 819 189**	**135 954**	**29 154**

31st December 2017	Total (a)	Spain	Rest of European Union	America	RoW
					€ ´000
Credit institutions	4 340 748	4 204 106	134 766	1 332	544
Other financial institutions	6 632 758	6 512 365	116 048	-	4 345
Non-financial corporations and individual entrepreneurs	7 919 006	7 696 853	198 836	22 341	976
Real estate construction & development (b)	852 436	850 435	1 958	-	43
Civil works	198 543	198 543	-	-	-
Other purposes	6 868 027	6 647 875	196 878	22 341	933
Large corporations (c)	3 276 119	3 061 801	194 245	20 073	-
SMEs and individual entrepreneurs (c)	3 591 908	3 586 074	2 633	2 268	933
Rest of households and NPISHs	19 420 117	19 265 864	121 977	11 900	20 376
Housing	17 088 934	16 941 155	116 603	11 527	19 649
Consumer loans	460 541	460 002	194	23	322
Other purposes	1 870 642	1 864 707	5 180	350	405
	38 312 629	**37 679 188**	**571 627**	**35 573**	**26 241**

(a) The definition of risk for the purposes of this table includes the following balance-sheet items: Deposits in credit institutions, loans and advances to customers, debt securities, equity instruments, trading derivatives, hedge derivatives, participations and contingent risks. The sum shown for assets is the book value of transactions; i.e. after deducting value adjustments for hedging specific transactions. The distribution of activity by geography depends on the country or autonomous region where borrowers, securities issuers and counterparty derivatives and contingent risks are domiciled.

(b) This item covers all activities relating to real estate construction and development, including financing land for real estate development.

(c) Non-financial companies are classified as "Large corporations" or "SMEs" according to the definition applicable to the latter for the purposes of calculating shareholders' equity. Activity conducted by natural persons in carrying out their entrepreneurial activities is treated as individual entrepreneurial activity.

The table below shows the breakdown at 31st December 2018 and 2017 of Unicaja Banco Group's loans and advances to customers by autonomous community and by activity segment, excluding exposures held with public administrations.

31st December 2018	Total (a)	Andalusia	Madrid	Castile (*)	East (*)	Rest of autonomous communities
						€ ´000
Credit institutions	5 454 390	-	5 454 227	22	67	74
Other financial institutions	4 829 824	726 961	4 090 598	11 943	232	90
Non-financial corporations and individual entrepreneurs	7 434 800	3 885 672	1 536 380	1 342 000	323 020	347 728
Real estate construction & development (b)	671 456	516 039	69 249	57 490	1 906	26 772
Civil works	216 949	100 191	86 914	19 190	1 492	9 162
Other purposes	6 546 395	3 269 442	1 380 217	1 265 320	319 622	311 794
Large corporations (c)	2 646 342	1 101 294	1 063 212	159 059	269 446	53 331
SMEs and individual entrepreneurs (c)	3 900 053	2 168 148	317 005	1 106 261	50 176	258 463
Rest of households and NPISHs	18 500 365	9 721 651	2 029 122	4 692 379	377 548	1 679 665
Housing	16 197 591	8 346 634	1 874 899	4 100 824	351 483	1 523 751
Consumer loans	444 143	291 925	16 305	109 365	2 132	24 416
Other purposes	1 858 631	1 083 092	137 918	482 190	23 933	131 498
	36 219 379	**14 334 284**	**13 110 327**	**6 046 344**	**700 867**	**2 027 557**

31st December 2017	Total (a)	Andalusia	Madrid	Castile (*)	East (*)	€ ´000 Rest of autonomous communities
Credit institutions	4 204 106	-	4 204 106	-	-	-
Other financial institutions	6 512 365	472 354	5 869 575	130	170 278	28
Non-financial corporations and individual entrepreneurs	7 696 853	3 699 403	1 581 901	1 793 366	240 931	381 252
Real estate construction & development (b)	850 435	633 566	92 837	93 849	2 033	28 150
Civil works	198 543	126 139	54 508	9 138	82	8 676
Other purposes	6 647 875	2 939 698	1 434 556	1 690 379	238 816	344 426
Large corporations (c)	3 061 801	1 266 853	1 186 390	334 156	183 201	91 201
SMEs and individual entrepreneurs (c)	3 586 074	1 672 845	248 166	1 356 223	55 615	253 225
Rest of households and NPISHs	19 265 864	9 718 641	2 151 415	5 176 759	411 179	1 807 870
Housing	16 941 155	8 518 193	1 990 905	4 401 259	383 612	1 647 186
Consumer loans	460 002	325 318	15 587	96 654	1 750	20 693
Other purposes	1 864 707	875 130	144 923	678 846	25 817	139 991
	37 679 188	**13 890 398**	**13 806 997**	**6 970 255**	**822 388**	**2 189 150**

(*) The geographical area identified as "Castile" covers the autonomous communities of Castile-La Mancha and Castile-Leon, while the geographical area of "Levant" includes the autonomous communities of Catalonia, Valencian Community and Murcia.

(a) The definition of risk for the purposes of this table includes the following balance-sheet items: Deposits in credit institutions, loans and advances to customers, debt securities, equity instruments, trading derivatives, hedge derivatives, participations and contingent risks. The sum shown for assets is the book value of transactions; i.e. after deducting value adjustments for hedging specific transactions. The distribution of activity by geography depends on the country or autonomous region where borrowers, securities issuers and counterparty derivatives and contingent risks are domiciled.

(b) This item covers all activities relating to real estate construction and development, including financing land for real estate development.

(c) Non-financial companies are classified as "Large corporations" or "SMEs" according to the definition applicable to the latter for the purposes of calculating shareholders' equity. Activity conducted by natural persons in carrying out their entrepreneurial activities is treated as individual entrepreneurial activity.

28. Exposure to interest rate risk

The duty of interest rate risk management is carried out in an integrated manner by the Assets and Liabilities and Budget Committee (ALBCO). This committee is in charge of implementing procedures that ensure that the Banco Unicaja Group complies at all times with interest rate control and risk management policies, as set by the Board of Directors.

In the analysis, measurement and control of the interest rate risk taken on by the Group, techniques to measure stress and testing of scenarios that could significantly affect this risk environment are used.

The Group uses hedging operations to globally manage the interest rate risk of all financial instruments that may expose it to such risks.

The table below shows maturities or revisions, where the book value of the financial assets and liabilities are classified by the revision dates of the interest rates or the maturity, depending on which of these occurs first, of the balances of the Group's main entities at 31st December 2018 and 2017.

31st December 2018								€ ´000
Assets	**Less than 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More than 5 years**
Financial assets	10 117 666	7 867 837	13 711 082	1 309 918	3 287 353	699 549	714 274	10 112 433
After hedging adjustments	10 067 666	8 003 538	14 286 082	2 029 918	6 213 849	2 200 170	762 764	4 595 890

31st December 2018								€ ´000
Liabilities	**Less than 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More than 5 years**
Financial liabilities	5 582 826	1 867 155	4 657 996	1 896 907	4 593 032	156 240	391 913	2 650 210
After hedging adjustments	5 582 826	2 077 805	6 034 453	1 838 574	4 093 032	104 388	391 913	1 673 287

31st December 2017								€ ´000
Assets	**Less than 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More than 5 years**
Financial assets	11 612 149	7 619 690	14 765 196	828 542	1 122 139	3 125 209	588 124	8 296 107
After hedging adjustments	11 612 149	7 675 990	14 765 196	828 542	1 622 139	3 805 296	592 344	7 089 807

31st December 2017								€ ´000
Liabilities	**Less than 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More than 5 years**
Financial liabilities	5 326 372	2 307 561	5 529 568	1 315 156	1 289 647	4 552 567	228 587	2 949 607
After hedging adjustments	5 427 753	2 518 211	7 140 669	1 201 132	1 231 314	4 052 567	176 735	1 750 684

The tables above show, for each term, the adjustments made to fixed rate components, due to the hedging of such components by the Group using derivative instruments, in order to show global exposure to fluctuations in interest rates.

At 31st December 2018 and 2017, the sensitivity of the bank’s balance sheet to an unfavourable shift in the interest rate curve of 100 basis points in a maintained balance sheet stage is as follows:

	2018	**2017**
12-month net interest income forecast	Less than 3%	Less than 4%
Economic value	Less than 2%	Less than 4%

29. Exposure to other market risks

Market risk represents the Group's potential losses from changes in the value of the following portfolios: Financial assets and liabilities held for trading, non-trading financial assets mandatorily designated at fair value through profit and loss, and financial assets at fair value through other comprehensive income. This could be due to adverse movements in their market price levels or their volatility, or due to foreign exchange rates.

These changes will sometimes be defined based on primary factors, such as credit risk and interest rates for the price of fixed income instruments. In the case of options, there are several risk factors to take into account, volatility being one of the most important.

The Group's policies, methods and procedures to control market risk are approved by the parent company's Board of Directors. The functions of the parent company's Global Risk Control department, include ensuring proper compliance with the group's policies, methods and risk control procedures, ensuring that these are effectively implemented and reviewed on a regular basis.

The unit responsible for monitoring and controlling financial risks is the parent company's Global Risk Control department, which is responsible for ensuring that risks are identified, analysed, assessed and reported correctly, operating appropriate risk management tools, improving position evaluation models so that they are most appropriately matched to markets reality, and manage the distance from defined risk limits. Furthermore, it controls and monitors Treasury and Capital Markets transactions on a permanent and systematic basis.

In order to manage market risk adequately, the Group has tools that enable it to define, calculate and monitor market risks and the limits authorised therein, in particular "Value at Risk" (VaR) and operating limits on credit /counterparty risk that affect Unicaja Banco Group's transactions in capital markets.

Risk of changes in the market price

Price risk is the risk that the fair value of variable income securities falls as a result of changes in the listed price of indexes or shares. Price risk arises in positions classed in portfolios as follows: financial assets and liabilities held for trading, non-trading financial assets mandatorily designated at fair value through profit or loss, financial assets designated at fair value through profit or loss and financial assets at fair value through other comprehensive income.

Below is an analysis of the sensitivity to price risk as a result of the Group's equity positions in the financial markets at 31st December 2018 and 2017:

			€ ´000
Decrease in market price (listed)	**Impact on results**	**Impact on other comprehensive income**	**Total impact on net equity**
Impact to 31st December 2018 of a 1% decrease in market price	144	3 831	3 975
Impact to 31st December 2017 of a 1% decrease in market price	-	2 327	2 327

A 1% change in the key variables of risk impacting equity prices has been considered because this "impact" is a standard measure, both in the finance industry and in the Unicaja Banco Group, that reveals the level of exposure to this risk.

In the present context of highly-volatile markets, it is very difficult to determine what is a "reasonably-possible change" in the risk variables. However, we consider it appropriate to report on the sensitivity to a 1% "impact" so that users of this public information can factor the effect in accordance with their market expectations.

At the close of 2017, the table above did not include equity instruments booked to the financial assets available for sale portfolio that did not have a liquid market and which were entered in the consolidated annual statements at cost, net of any possible value impairment, as it was not possible to objectively determine their fair value under IAS 39. The value in consolidated books of these instruments at 31st December 2017 amounted to EUR 203,656 thousand.

Exchange rate risk

Structural exchange rate risk is caused basically by the exposure of investments made in securities denominated in currencies other than the euro to changes in the exchange rate.

Managing structural exchange rate risk in the Unicaja Banco Group is aimed at minimising the potential negative impacts that fluctuations in exchange rates might have on solvency ratios and on the contribution to the results of investments in foreign currency.

Al 31st December 2018 and 2017, the risk of variation in exchange rates in the Unicaja Banco Group is insignificant, as they do not hold any significant volume of assets or liabilities on the consolidated balance sheet denominated in any currency other than the euro. The countervalue in euros of the total assets and liabilities in foreign currency held by the Group at 31st December 2018 and 2017 is as follows:

		€ ´000
	2018	**2017**
Equivalent value of assets in foreign currency	**94 365**	**78 089**
Of which: % in USD	84%	82%
Of which: % in GBP	5%	8%
Of which: % in other currencies traded in the Spanish market	11%	10%
Equivalent value of assets in foreign currency	**48 708**	**34 292**
Of which: % in USD	54%	75%
Of which: % in GBP	5%	10%
Of which: % in other currencies traded in the Spanish market	41%	16%

The countervalue in euros of the assets denominated in foreign currency accounts for 0.16% and 0.14% of the consolidated total assets at 31st December 2018 and 2017, respectively, while the countervalue in euros of the liabilities denominated in foreign currency accounts for 0.09% and 0.07% of the consolidated total liabilities on these respective dates.

30. Duty of loyalty of the Directors of the Parent Company

Pursuant to article 229 of Act 31/2014, 3rd December, amending the Consolidated Text of the Capital Enterprises Act to enhance corporate governance, and to reinforce transparency of limited liability companies, the Directors have informed the entity that, in accordance with the definition established in article 231 of the Capital Enterprises Act, in 2018, neither they themselves, nor their related parties:

a) Have conducted transactions with the bank, without taking into account ordinary transactions, in standard conditions likened to normal customers and of little importance. These are understood to be transactions that are not necessary to be included in reporting to reflect the true image of the entity's equity, financial situation or results.

b) Have used the name of the entity or invoked their status of directors to unduly influence private transactions.

c) Have made use of corporate assets, including the entity's private information, for private purposes.

d) Have misused the business opportunities of the bank.

e) Have obtained advantages or remuneration from third parties other than the Company and its group of associates while performing their duties, with the exception of cases of mere act of courtesy.

f) Have engaged in activities of their own or for others entailing competition, either sporadic or potential, to the bank, or that would bring them into permanent conflict with the interests of the bank in any other way.

31. Other relevant information

31.1 Contingent risks

The breakdown of contingent risks at the close of fiscal years 2018 2017, whose nominal value is recorded in off-balance sheet accounts, is shown below:

		€ ´000
	2018	**2017**
Financial guarantees given	**64 537**	**77230**
Financial guarantees	64 537	77 230
Other commitments given	**2 021 991**	**1 818 194**
Performance guarantees	1 020 660	966 796
Credit derivatives sold	-	-
Irrevocable letter of credit	9 123	8 682
Other commitments	992 208	842 716
	2 086 528	**1 895 424**

At 31st December 2018 and 2017, the line “Other commitments” mainly includes commitments arising from simultaneous transactions in organised markets within market parameters awaiting formalisation.

A significant part of these amounts under this heading will reach maturity without any payment obligation materialising for the consolidated companies, such that the joint balance of these commitments cannot be taken as a real future need to finance or provide liquidity to third parties by the Group.

The proceeds from the guarantee instruments are recorded under “Fee income” and “Interest income" (by the amount of the restatement of commissions) in the consolidated income statements for the years 2018 and 2017, and are calculated by applying the rate established in the contract on the nominal amount of the guarantee.

The provisions recorded for the coverage of these guarantees, which have been calculated using criteria similar to those applied when calculating the impairment of financial assets measured at amortised cost, are recorded under "Provisions - guarantees given" in the consolidated balance sheet (Note 18).

31.2 Assets assigned and received under guarantee

At 31st December 2018 and 2017, assets owned by the Group guaranteed its transactions, as well as various liabilities and contingent liabilities undertaken by the Group. At both dates, the carrying amount of the Group's financial assets given as collateral for these liabilities or contingent liabilities and similar items was as follows:

		€ ´000
	2018	**2017**
Pledged securities	5 238 593	5 824 243
Pledged non-mortgage loans	-	-
	5 238 593	**5 824 243**

At 31st December 2018 and 2017, these amounts were mainly accounted for by pledged securities and non-mortgage loans, via a Bank of Spain policy, in pledge to obtain long-term financing with maturities in 2018 and 2017.

With respect to the terms and conditions of the collateral, the guarantees made by Unicaja Banco to Bank of Spain will not be affected, and apply, as the parties expressly and irrevocably agree, to any extensions, renewals or novations of any kind, tacit or express, that could be placed on the guaranteed obligations and will remain in force until the total cancellation of these and of any that are renewed or replaced by others.

The Bank has not received assets as collateral which it is authorised to sell or pledge, regardless of whether there has been a default by the owner of the assets. Therefore, the breakdown as per paragraph 15 of IFRS 7 does not apply.

31.3 Available by third parties

At 31st December 2018 and 2017, the thresholds on financing given and the amounts drawndown on the latter, for which the Group had assumed any kind of credit commitment higher than the amount recorded on the assets side of the consolidated balance sheet at said dates, were as follows:

				€ ´000
	2018		**2017**	
	Undrawn amounts	**Credit limit**	**Undrawn amounts**	**Credit limit**
Instant availability	**1 814 901**	**2 556 029**	**2 185 673**	**3 005 391**
Credit institutions	225	2 108	236	266
Public administrations	91 870	138 258	155 471	224 940
Other sectors	1 722 806	2 415 663	2 029 966	2 780 185
Available subject to conditions	**764 337**	**959 194**	**600 743**	**1 858 226**
Public administrations	255	7 905	31 866	171 799
Other sectors	764 082	951 289	568 877	1 686 427
	2 579 238	**3 515 223**	**2 786 416**	**4 863 617**

31.4 Third party deposits managed or marketed by the Group and central securities depository

The off-balance sheet deposits managed by the Group at 31st December 2018 and 2017 are shown below:

		€ ´000
	2018	**2017**
Real estate investment funds portfolios	5 435 429	5 934 074
Portfolios of other collective investment institutions	103 890	116 191
Other financial instruments	38 145	68 674
Managed portfolios	733 946	898 864
	6 311 410	**7 017 803**

The off-balance sheet customer deposits marketed by the Group in 2018 and 2017 are shown below:

		€ ´000
	2018	2017
Real estate investment funds portfolios	5 483 713	5 980 624
Other financial instruments	103 890	116 191
Pension fund portfolios	2 301 248	2 273 650
Managed portfolios	733 946	898 864
Insurance	3 962 949	3 429 340
	12 585 746	**12 698 669**

The fair value of the third-party deposits held by the Group at 31st December 2018 and 2017 are shown below:

		€ ´000
	2018	2017
Debt securities and equity instruments	4 916 130	4 255 513
Other financial instruments	2 810	-
	4 918 940	**4 255 513**

31.5 Reclassifications of financial instruments

The Group has not made any significant reclassifications between financial instrument portfolios in 2018 and 2017, except for those resulting from the first application of IFRS 9.

31.6 Asset securitisation

At 31st December 2018 and 2017 there were no financial asset transfers using securitisation instruments.

31.7 Netting agreements and guarantees

Apart from the sums that can be off-set in the accounts pursuant to IAS 32, there are other netting agreements and guarantees that, while they do not entail netting in the accounts as they do not meet the necessary criteria, they do reduce credit risk.

The details of the derivative financial instruments (Note 11) in the aforementioned situation at 31st December 2018 and 2017 are presented below, breaking down the effects of these agreements individually and the collateral received and/or given by the Group.

				€ ´000
		2018		2017
Derivative financial instruments	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Gross exposure (book value)	**422 688**	**161 277**	**475 312**	**58 798**
Compensation agreements and guarantees	**(350 560)**	**(83 690)**	**(434 090)**	**(36 090)**
Compensation agreements	-	-	-	-
Collateral received/given	(350 560)	(83 690)	(434 090)	(36 090)
Net exposure	**72 128**	**77 587**	**41 222**	**22 708**

The amounts of the collateral in cash and in financial instruments show their fair value. The set-off rights concern cash and financial instrument guaranties and are contingent upon the counterparty default.

Furthermore, there are other agreements, mainly repurchase agreements (repo) and reverse repurchase agreement made by the Group that have entailed receiving and/or giving the following additional guarantees, over and above those implicit to such transactions:

				€ ´000
	2018		2017	
Guarantees linked to reverse repos and repos	**Given**	**Received**	**Given**	**Received**
In cash	62 173	985	-	-
In securities	-	-	-	-
	62 173	**985**	**-**	**-**

32. Interest income

The breakdown of the most significant sources of interest income accrued by the Group for the periods ending on 2018 and 2017 is as follows:

		€ ´000
	2018	**2017**
Cash, balances in central banks and other sight deposits (Note 7)	-	-
Deposits in financial institutions (Note 10.1)	556	760
Money market transactions via counterparty entities (Note 10.1)	-	-
Loans to customers (Note 10.1)	521 250	581 880
Debt securities	253 385	212 339
NPAs (Note 10.1)	24 188	26 116
Deposits in central banks (Note 17.1)	13 588	10 386
Reclassification of hedge accounting income (Note 11)	(22 164)	6 970
Gains of pension contracts linked to pensions funds and similar obligations	1 156	1 550
Other income	13 227	12 817
	805 186	**852 818**

Below is a breakdown of the amounts recorded under "Interest income" in the Group's consolidated income statements for the years 2018 and 2017, classified according to the portfolio of financial instruments that produced to them:

		€ ´000
	2018	**2017**
Financial assets held for trading (Note 8.1)	2 677	772
Non-trading financial assets mandatorily designated at fair value through profit and loss (Nota 8.2)	603	
Financial assets designated at fair value through profit or loss (Note 8.3)	-	
Financial assets designated at fair value through other comprehensive income (Note 9.1)	177 583	
Available-for-sale financial assets (Note 9.1)		86 842
Financial assets carried at amortized cost (Note 10)	618 516	
Held-to-maturity investments (Note 10)		114 767
Loans and receivables (Note 10)		618 714
Money market transactions via counterparty entities	-	-
Reclassification of hedge accounting income	(22 164)	6 970
Other income	27 971	24 753
	805 186	**852 818**

33. Interest expenses

The breakdown of the balance under this heading in the consolidated income statements for the years 2018 and 2017 is as follows:

	€ ´000	
	2018	2017
Central bank deposits (Note 17.1)	-	-
Credit institutions deposits (Note 17.2)	2 260	3 140
Money market transactions via counterparty entities (Note 17.3)	-	-
Customer deposits (Note 17.3)	289 573	327 395
Subordinated liabilities (Note 17.4)	-	39 893
Other Marketable debt securities (Note 17.4)	55	167
Reclassification of hedge accounting costs (note 11)	(106 027)	(114 157)
Costs allocated to established pension funds (Note 18)	1 796	2 101
Other interests	16 715	11 516
	204 372	**270 055**

A breakdown of the amounts recorded under "Interest expenses" in the Group's consolidated income statements for fiscal years 2018 and 2017, classified according to the financial instrument portfolio that gave rise to them is shown below:

	€ ´000	
	2018	2017
Financial liabilities carried at amortized cost	291 888	370 595
Reclassification of hedge accounting cost	(106 027)	(114 157)
Other	18 511	13 617
	204 372	**270 055**

34. Dividend income

The breakdown of the balance under this heading in the consolidated income statements for years 2018 and 2017, by portfolios and by type of financial instruments, is as follows:

	€ ´000	
	2018	2017
Equity instruments classified as:		
Financial assets held for trading	368	-
Financial assets designated at fair value through profit or loss	-	
Financial assets designated at fair value through other comprehensive income	22 143	
Available-for-sale financial assets		22 881
	22 511	22 881
Equity instruments with attributes of:		
Shares	22 511	18 881
Interests in Collective Investment Institutions	-	4 000
	22 511	**22 881**

35. Results of entities accounted for using the equity method

The breakdown by company of the balance under this heading in the consolidated income statement for fiscal years 2018 and 2017 is as follows:

	€ ´000	
	2018	2017
Autopista del Sol Concesionaria Española, S.A.	1 567	521
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.	16 192	20 277
Hidralia, Gestión Integral de Aguas de Andalucía, S.A.	2 883	4 304
Deoleo, S.A.	(1 055)	(784)
Sociedad Municipal de Aparcamientos y Servicios, S.A.	1 079	939
Ingeniería e Integración Avanzadas, S.A. (Engineering)	452	194
Autopista del Guadalmedina, Concesionaria Española, S.A.	(1 978)	(1 371)
Ahorro Andaluz, S.A.	3 015	2 469
Gestión e Investigación de Activos, S.A.	2 967	185
Unión del Duero, Compañía de Seguros de Vida, S.A.U. (*)	-	10 089
Caja España Vida, Compañía de Seguros y Reaseguros	10 090	11 323
Madrigal Equity participations, S.A.	12	444
Ingeniería de Suelos y Explotación de Recursos, S.A.	2 814	1 767
Other companies	(832)	(1 388)
	37 206	48 969

(*) It was consolidated in 2018 using the full consolidation method as it is a company that was added to the Unicaja Banco Group perimeter during 2018.

36. Fee income

The following are the fees accruing for the years 2018 and 2017 classified by the activity that generated them, and also by the headings under which they have been filed in the consolidated income statements for these years:

	€ ´000	
	2018	2017
Interest income		
Arrangement fees	27 135	26 795
	27 135	**26 795**
Fee and commission income		
Contingent risk fees	7 188	7 061
Contingent commitment fees	2 466	2 550
Collections and payment fees	126 059	130 404
Securities services fees	45 049	43 251
Exchange services fees	351	354
Non-banking financial products marketing fees	54 061	50 123
Other	5 064	6 822
	240 238	**240 565**
Other operating income		
Direct costs compensation fees (Note 39)	3 298	3 288
	3 298	**3 288**

37. Fee Expenses

The following are the fee expenses accruing for fiscal years 2018 and 2017 classified by the appropriate activity, and also by the headings under which they have been filed in the consolidated income statements for these years:

		€ ´000
	2018	**2017**
Interest expense		
Intermediaries' fees	907	767
Other fees	469	411
	1 376	**1 178**
Fee and commission expense		
Lending and borrowing transactions	1 024	801
Fees paid to other institutions and correspondents	11 608	10 555
Security trading fees	2 801	2 243
Other fees	6 000	6 819
	21 433	**20 418**

38. Trading income or loss

A breakdown of the balance under these headings in the Group's consolidated income statements for the years 2018 and 2017, classified according to the financial instrument portfolio that gave rise to them is shown below:

		€ ´000
	2018	**2017**
Net gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	144 727	96 052
Financial assets carried at amortized cost	(48)	-
Loans and receivables		299
Held-to-maturity investments		1 621
Financial assets designated at fair value through other comprehensive income	144 775	-
Available-for-sale financial assets		94 132
Net gains or losses from financial assets and liabilities held for trading	513	1 675
Reclassification of financial assets designated at fair value through other comprehensive income	-	
Reclassification of financial assets at amortised cost	-	-
Other gains or losses	513	1 675
Net gains or losses from non-trading financial assets mandatorily designated at fair value through profit and loss	853	
Reclassification of financial assets designated at fair value through other comprehensive income	-	
Reclassification of financial assets at amortised cost	1 424	-
Other gains or losses	(571)	-
Net gains or losses on financial assets and liabilities designated at fair value through profit or loss	(3 561)	-
Net gains or losses from hedge accounting	-	179
	142 532	**97 906**

In fiscal years 2018 and 2017, the amount included under “Net gains or losses from financial assets and liabilities designated at fair value through profit and loss” are mainly from divestments described in Note 9.1.

39. Other operating income and expenses

39.1 Other operating income

The breakdown of the balance under this heading in the consolidated income statements for the years 2018 and 2017 is as follows:

		€ ´000
	2018	**2017**
Income from investment property (Note 13.2)	17 086	17 170
Direct costs compensation fees (Note 36)	3 298	3 288
Income from non-financial services	11 718	16 574
Variable price in the 2008 sale of Unión Duero Vida, Compañía de Seguros y Reaseguros y Duero Pensiones, E.G.F.P., S.A. (Note 12.2)	-	25 325
Income from companies with real estate operations	43 653	73 671
Other items	25 371	27 861
	101 126	**163 889**

In the years 2018 and 2017, the heading "Other items" includes mainly income from the sale of real estate properties by Unicaja Banco Group companies.

39.2 Other operating expenses

The breakdown of the balance under this heading in the consolidated income statements for the years 2018 and 2017 is as follows:

		€ ´000
	2018	**2017**
Operating expenses of real estate investments (Note 13.2)	3 371	2 947
Contributions to the National Deposit Guarantee Fund (Note 1.10)	46 878	48 591
Contributions to the Single Resolution Fund (Note 1.11)	12 848	13 987
DTA monetisation levy (*Prestación patrimonial*)	15 800	16 364
Expenses from companies with real estate operations	20 608	12 057
Other items	43 964	45 960
	143 469	**139 906**

"Other items" includes the cost of sales for the provision of services that constitute the normal course of business of the consolidated non-financial corporations that form part of the Group. During fiscal years 2018 and 2017 the DTA monetisation levy paid by the Group amounted to EUR 15,800 thousand and EUR 16,364 thousand, respectively.

40. Revenues and expenses from insurance or reinsurance contracts

The breakdown of the balance under these headings in the consolidated income statements for the years 2018 and 2017 is as follows:

		€ ´000
	2018	**2017**
Income from insurance or reinsurance contracts	**57 545**	**-**
Insurance and reinsurance premiums received	34 314	-
Reinsurance income	1	-
Financial income	23 230	-
Expenses from insurance or reinsurance contracts	**(37 708)**	**-**
Benefits paid	(73 505)	-
Net provisions to technical reserves	36 266	-
Insurance and reinsurance premiums paid	(469)	-
	19 837	**-**

41. Administrative expenses

41.1 Staff expenses

The breakdown of “Staff expenses” in the consolidated income statements for the years 2018 and 2017 is as follows:

		€ ´000
	2018	**2017**
Wages and salaries	289 241	297 243
Social security	79 389	81 103
Appropriations to defined benefit pension plans	160	197
Appropriations to defined contribution pension plans	10 464	10 037
Compensation	815	347
Training expenses	1 161	1 332
Other staff expenses	9 564	10 814
	390 794	**401 073**

The average number of Group employees by professional categories at 31st December 2018 and 2017 is as follows:

	Average number of persons			
	2018		2017	
	Men	**Women**	**Men**	**Women**
Group 1	**3 283**	**3 073**	**2 186**	**1 753**
Level I	26	3	13	-
Level II	49	6	29	2
Level III	215	61	130	25
Level IV	454	163	286	81
Level V	1 013	553	678	318
Level VI	202	131	197	98
Level VII	439	500	335	333
Level VIII	393	652	296	399
Level IX	86	210	48	143
Level X	130	284	77	163
Level XI	246	463	75	158
Level XII	14	24	8	14
Level XIII	16	22	14	19
Level XIV	-	1	-	-
Group 2	**27**	**7**	**16**	**5**
Level I	1	-	1	-
Level II	22	7	11	5
Level III	3	-	3	-
Level IV	1	-	1	-
Level V	-	-	-	-
Cleaning staff	**-**	**6**	**-**	**7**
Total Patent company	**3 310**	**3 086**	**2 202**	**1 765**
Other Group companies	**267**	**257**	**1 591**	**1 642**

A breakdown of the sums booked under "Provisions - Pensions and related post-employment defined benefits" and "Insurance contracts linked to pensions" by item on the consolidated balance sheets at 31st December 2018 and 2017 is presented below:

	€ ´000	
	2018	**2017**
Provisions - Pensions funds and related obligations	**273 539**	**290 895**
Pensions and related post-employment defined benefits	146 468	163 480
Other long-term benefits	127 070	127 415
Insurance contracts linked to pensions	**118 615**	**131 103**
Post-employment benefits	118 615	131 103

The movement in the provisions set aside by the Group for the years ending 31st December 2018 and 2017 is shown in Note 18.

41.1.1 Post-employment commitments

In 2002, the Parent Company reached an agreement with its employees to amend and transform its complementary social benefits system into a mixed, defined contribution and defined benefit model, whereby an out-sourced employment pension plan was signed with Unifondo Pensiones V, Fondo de Pensiones. In order to make such modification and transformation, the bank redeemed the insurance policies that covered the actuarial liabilities at that time. At the same time, the bank made appropriations to the internal pension fund, part of which was later contributed to Unifondo Pensiones V, Fondo de Pensiones.

At 31st December 2018 and 2017, the Unifondo Pensiones V, Fondo de Pensiones position account amounted to EUR 281,333 thousand and EUR 299,881 thousand, respectively. This sum includes the needs of both the defined contributions and the defined benefits that were calculated in accordance with the criteria set out in Note 2.12.

In 2014, Unicaja Banco Group acquired a controlling stake in the capital of Banco de Caja España de Inversiones, Salamanca y Soria, S.A. which, pursuant to the collective bargaining agreements in effect, must envisage the Social Security payments of its employees, or its rights holders, in the event of retirement, widowhood, becoming an orphan, permanent and/or severe disability.

41.1.1.1 Information on post-employment commitments

The different post-employment commitments, both defined benefits and defined contributions, made by the Group are detailed below:

Defined contribution plans

The contributions made by the Unicaja Banco Group in 2018 to the external pension fund amount to EUR 10,464 thousand (EUR 10,037 in 2017). These are recorded under “Staff expenses” in the consolidated income statement for those fiscal years.

Defined benefit plans

The current value of these commitments has been determined by qualified actuaries, using the following criteria:

- Calculation: “of the projected unit credit” method, which takes each year of service equivalent to an additional unit of entitlement to benefits and appraises each unit separately.

- Actuarial assumptions used: unbiased and compatible with each other.

- Estimated age of retirement of the employees: calculated for each employee based on the best information available on the date of the financial statements.

The fair value of the assets earmarked to cover the pensions not part of this plan are included in the fair value of insurance policies underwritten by the Group with Unicorp Vida, Compañía de Seguros y Reaseguros, S.A. to cover the commitments to employees who are guaranteed a complementary pension at the time of their retirement that are explained above. As these insurance policies are with a company considered a related entity of the Bank (Note 12), they are booked at their fair value under “Insurance contracts linked to pensions” on the assets side of the balance sheet, as they are not considered as an “asset plan” from an accounting point of view. The fair value of these policies has been calculated using actuarial methods, discounting the cash flows envisaged in the policy at the pertinent discount rate in accordance with the IBOXX AA Corporate curve, depending on the financial duration of the commitments.

At 31st December 2018 and 2017, the fair value of the assets held to cover post-employment remuneration break down as follows:

	€ ´000	
	2018	2017
Type of assets held to cover commitments		
Plan assets hedged through an insurance policy	94 846	93 890
Insurance policies underwritten by the Plan linked to defined benefits commitments	118 615	133 808
Uninsured defined benefit pension plans	-	4 297
External defined contribution pension plan	379 310	420 048
	592 771	**652 043**

41.1.1.2 Information on defined contribution post-employment commitments

Pension commitments materialised in defined contribution plans are settled by the contributions of funds that the Group makes each year in favour of their beneficiaries; almost exclusively active employees of the Group. These contributions are charged to consolidated income statement of the pertinent year (Note 2.12.1) and, thus, do so do not require liability entry for this item in the attached consolidated balance sheets.

The sums recorded in the attached consolidated income statement for contributions made to these plans in the years 2018 and 2017 amounted to EUR 10,464 thousand and EUR 10,037 thousand, respectively (Note 41.1).

41.1.1.3 Information on defined benefit-post employment commitments

The total amount of actuarial profits and losses in defined benefit pension plans recorded in the 2018 consolidated recognised income and expense statement that will not be reclassified to results amounts to EUR 2,088 thousand in pre-tax profit (EUR 1,904 thousand in 2017), which represents an after-tax profit of EUR 1,462 thousand (EUR 1,333 thousand in 2017).

The reconciliation between the opening and closing balances of the current value of Group's fixed benefit obligation for 2018 and 2017 is presented below:

					€ ´000
Year 2018	**Plan 1 Unicaja**	**Plan 2 Unicaja**	**Plan 1 España Duero**	**Plan 2 España Duero**	**Total**
Present value of obligations at 1 January 2018	**95 990**	**35 364**	**7 907**	**92 058**	**231 319**
(i) Cost of services in current fiscal year	95	-	-	-	95
(ii) Interest costs	885	367	61	851	2 164
(iii) Contributions made by participants	-	-	-	-	-
(iv) Actuarial gain or loss	(2 954)	(2 171)	(227)	(5 062)	(10 414)
iv.1. From changes in demographic assumptions	241	280	85	(716)	(110)
iv.2. From changes in financial assumptions	(3 195)	(2 451)	(312)	(4 346)	(10 304)
iv.3. Experience adjustments	-	-	-	-	-
(v) Changes in the exchange rate	-	-	-	-	-
(vi) Benefits paid	(8 328)	(1 417)	(575)	(6 081)	(16 401)
(vii) Past service cost	-	-	-	-	-
(viii) Business combinations	-	-	(734)	734	-
(ix) Reductions	(219)	-	-	-	(219)
(x) Plan settlement	-	-	-	-	-
Present value of obligations at 31 December 2018	**85 469**	**32 143**	**6 432**	**82 500**	**206 544**

Year 2017	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 España Duero	Plan 2 España Duero	€ ´000 Total
Present value of obligations at 1 January 2017	**101 118**	**38 442**	**8 538**	**95 792**	**243 890**
(i) Cost of services in current fiscal year	124	-	-	-	124
(ii) Interest costs	1 181	505	91	1 104	2 881
(iii) Contributions made by participants	-	-	-	-	-
(iv) Actuarial gain or loss	1 833	(2 124)	(60)	1 491	1 140
iv.1. From changes in demographic assumptions	(646)	(2 890)	232	(1 057)	(4 361)
iv.2. From changes in financial assumptions	2 479	766	(292)	2 548	5 501
iv.3. Experience adjustments	-	-	-	-	-
(v) Changes in the exchange rate	-	-	-	-	-
(vi) Benefits paid	(8 266)	(1 459)	(662)	(6 329)	(16 716)
(vii) Past service cost	-	-	-	-	-
(viii) Business combinations	-	-	-	-	-
(ix) Reductions	-	-	-	-	-
(x) Plan settlement	-	-	-	-	-
Present value of obligations at 31 December 2017	**95 990**	**35 364**	**7 907**	**92 058**	**231 319**

The reconciliation between the opening and closing balances of the fair value of the plan's assets and the opening and closing balances of any reimbursement rights recognised as assets by the Group for 2018 and 2017 is presented below:

Year 2018	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 España Duero	Plan 2 España Duero	€ ´000 Total
Fair value of assets at 1 January 2018	**98 149**	**27 869**	**7 141**	**68 138**	**201 297**
(i) Cost of services in current fiscal year (contributions)	176	-	-	1 220	1 396
(ii) Interest costs (expected return on assets)	827	286	(156)	623	1 580
(iii) Contributions made by participants	-	-	-	-	-
(iv) Actuarial gain or loss	(3 218)	(903)	(112)	(3 395)	(7 628)
iv.1. From changes in demographic assumptions	450	344	52	(514)	332
iv.2. From changes in financial assumptions	(3 668)	(1 247)	(164)	(2 881)	(7 960)
iv.3. Experience adjustments	-	-	-	-	-
(v) Changes in the exchange rate	-	-	-	-	-
(vi) Benefits paid	(8 328)	(1 418)	(575)	(4 527)	(14 848)
(vii) Past service cost	-	-	-	-	-
(viii) Business combinations	-	-	-	-	-
(ix) Reductions	(220)	-	-	-	(220)
(x) Plan settlement	-	-	-	-	-
Fair value of assets at 31 December 2018	**87 386**	**25 834**	**6 298**	**62 059**	**181 577**

€ ´000

Year 2017	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 España Duero	Plan 2 España Duero	Total
Fair value of assets at 1 January 2017	**103 518**	**29 660**	**7 429**	**71 025**	**211 632**
(i) Cost of services in current fiscal year (contributions)	-	-	-	(1 748)	(1 748)
(ii) Interest costs (expected return on assets)	1 115	383	221	796	2 515
(iii) Contributions made by participants	345	276	-	-	621
(iv) Actuarial gain or loss	1 437	(991)	153	2 744	3 343
iv.1. From changes in demographic assumptions	(206)	603	91	(480)	8
iv.2. From changes in financial assumptions	1 643	(1 594)	62	3 224	3 335
iv.3. Experience adjustments	-	-	-	-	-
(v) Changes in the exchange rate	-	-	-	-	-
(vi) Benefits paid	(8 266)	(1 459)	(662)	(4 679)	(15 066)
(vii) Past service cost	-	-	-	-	-
(viii) Business combinations	-	-	-	-	-
(ix) Reductions	-	-	-	-	-
(x) Plan settlement	-	-	-	-	-
Fair value of assets at 31 December 2017	**98 149**	**27 869**	**7 141**	**68 138**	**201 297**

The reconciliation between the present value of the defined benefit post-employment commitments and the fair value of the plan's assets (excluding insurance contracts linked to pensions), with the assets and liabilities recognised in the Group's balance sheet at 31st December 2018 and 2017 is presented below:

€ ´000

Year 2018	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 España Duero	Plan 2 España Duero	Total
Present value of obligations at 31 December 2018	**85 469**	**32 143**	**6 432**	**82 500**	**206 544**
(i) Cost of services in not recorded in the balance sheet	-	-	-	-	-
(ii) Any amount not recognised as an asset	-	-	-	2 886	2 886
(iii) Fair value of reimbursement right recognised as an asset	1 247	-	-	-	1 247
(iv) Other amounts recognised in the balance sheet	-	(32 143)	(273)	(28 583)	(60 999)
Fair value of assets at 31 December 2018	**86 716**	**-**	**6 159**	**56 803**	**149 678**

€ ´000

Year 2017	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 España Duero	Plan 2 España Duero	Total
Present value of obligations at 31 December 2017	**95 990**	**35 365**	**7 907**	**92 058**	**231 320**
(i) Cost of services in not recorded in the balance sheet	-	-	-	-	-
(ii) Any amount not recognised as an asset	-	-	-	2 354	2 354
(iii) Fair value of reimbursement right recognised as an asset	1 481	-	-	-	1 481
(iv) Other amounts recognised in the balance sheet	-	(35 365)	(905)	(31 220)	(67 490)
Fair value of assets at 31 December 2017	**97 471**	**-**	**7 002**	**63 192**	**167 665**

The details of the total spending recognised in net equity in 2018 and 2017, and the items in which they are included, are presented below.

Definition	**Item as per IFRS 19**
a) Cost of services in current fiscal year	Staff expenses
b) Interest cost	Interest expenses
c) Expected return on assets	Interest income
d) Cost of past service recognised in the year	Provisions/reversal

Year 2018	**Plan 1 Unicaja**	**Plan 2 Unicaja**	**Plan 1 España Duero**	**Plan 2 España Duero**	**Total**
					€ ´000
a) Cost of services in current fiscal year	95	-	-	-	95
b) Interest cost	63	367	217	289	936
c) Expected return on assets	(5)	(286)	-	(44)	(335)
d) Gains and losses recognised in the year	263	(1 268)	(115)	(1 152)	(2 272)
d) Cost of past service recognised in the year	-	-	-	-	-

Year 2017	**Plan 1 Unicaja**	**Plan 2 Unicaja**	**Plan 1 España Duero**	**Plan 2 España Duero**	**Total**
					€ ´000
a) Cost of services in current fiscal year	124	-	-	-	124
b) Interest cost	74	505	-	385	964
c) Expected return on assets	(8)	(383)	(130)	52	(469)
d) Gains and losses recognised in the year	396	(1 132)	(213)	(1 254)	(2 203)
d) Cost of past service recognised in the year	-	-	-	-	-

The main actuarial assumptions used by Unicaja Banco at 31 December 2018 are presented below.

Actuarial Assumptions of Plan 1 Unicaja Banco:

- Up-dated tables: PERMF 2000-P
- Discount rate:
  - Market rate depending on the financial duration of the commitment cash flows and the IBOXX AA Corporate curve at 31st December 2018, for investment grade corporate bonds in the Euro Zone
  - The duration for each commitment ranges between 17.88 and 8.78 for obligations and 12.12 and 2.85 for assets.
  - The rates applied for each commitment range between 1.55% and 1.33% for obligations and 1.46% and 0.45% for assets.
- Salary growth rate: 2%
- Social Security pension growth rate: 0%
- Contribution base growth rate:
  - The contribution base increases until it reaches real salaries, with ceilings for the maximum base of their tariff group.
  - Maximum contribution base growth rate: 1%
- Pension revaluation rate: 1%
- Expected yield of plan assets:
  - For assets used to cover the obligations insured in the policy of Group II (Defined Benefits. Collective Bargaining agreement of the former Savings Banks. Former Unicaja), the applicable rate is 0.45%.

- For the assets used to cover the obligations insured in the policy of Group III (Defined Benefits. Employees from Banco Urquijo), the applicable rate is 0.45%.
- For the assets used to cover the obligations insured in the policy of Group VI (Beneficiaries of the Plan) with cash-flow matching, the applicable rate is 1.33%.
- For assets allocated to covering the obligations insured in the policy of the Beneficiaries from Group I (Mixed. General System), II and III who enjoy actuarial incomes, the applicable rate is 1.46%.
- For the assets used to cover the obligations insured in the policy covering benefits not funded by the Plan by contribution limits, the applicable rate is 0.45% for assets and 1.42% for liabilities.

- Yield on any recognised reimbursement right: 0
- Estimated retirement age: 65, except for those whose early retirement age is known.
- Rotation: No

Actuarial Assumptions of Plan 2 Unicaja Banco:

- Up-dated tables: PERMF 2000-P
- Discount rate:
  - Market rate depending on the financial duration of the commitment cash flows and the IBOXX AA Corporate curve at 31st December 2018, for investment grade corporate bonds in the Euro Zone
  - The duration for each commitment ranges between 15.25 and 9.25 for both obligations and assets.
  - The rates applied for each commitment range between 1.53% and 1.36% for both obligations and assets.
- Salary growth rate: 5%
- Social Security pension growth rate: 0%
- Contribution base growth rate:
  - The contribution base increases until it reaches real salaries, with ceilings for the maximum base of their tariff group.
  - Maximum contribution base growth rate: 3%
- Pension revaluation rate: 3%
- Expected yield of plan assets:
  - For assets used to cover the obligations insured in the policy that covers commitments of the former Collective Bargaining agreement of Savings Banks, the applicable rate is 1.53%.
  - For the assets used to cover the obligations insured in the policy of the early retirement group involving cash flow matching, the applicable rate is 1.47%.
  - For the assets used to cover the obligations insured in an annuity policy, the applicable rate is 1.36%.
- Yield on any recognised reimbursement right: 0%
- Estimated retirement age: 65
- Rotation: No

Actuarial Assumptions of Plan 1 EspañaDuero:

- Up-dated tables: PERMF 2000-P
- Discount rate:
  - Market rate depending on the financial duration of the commitment cash flows and the IBOXX AA Corporate curve at 31st December 2018, for investment grade corporate bonds in the Euro Zone
  - The interest rates and duration for each commitment are:
    - For beneficiary benefits not covered by the plan and uninsured, 1.10% and 5.95 years, respectively.

    - For beneficiary benefits covered by the plan and insured in policy RV81 12000017, 1.51% and 14.91 years, respectively.
    - For participant benefits 1.48% and 13.27 years, respectively.
- Salary growth rate: 3.5%
- Social Security pension growth rate: 0%
- Contribution base growth rate: 2.5%
- Pension revaluation rate: 2.5%
- Expected yield of plan assets:
  - For plan assets and liabilities -4.55%
  - For insured liabilities within the plan 1.51%
  - For plan participant: 0.11%
  - For plan surplus policy 0.11%
- Estimated retirement age: 65

Actuarial Assumptions of Plan 2 EspañaDuero.

Commitments from Caja Duero

- Up-dated tables: PERMF 2000-P
- Discount rate
  - Market rate depending on the financial duration of the commitment cash flows and the IBOXX AA Corporate curve at 31st December 2018, for investment grade corporate bonds in the Euro Zone
  - The interest rates and duration for each commitment are:
    - For benefits of assets not covered by the Caja Duero pension plan scheme, 1.55% and 17.58 years, respectively.
    - For the benefits of the liabilities policy 02/02, these liabilities have 1.17% and 6.67 years, respectively; the guaranteed spread of the liabilities of the plan is 1.39% with a financial duration of 10.32 years, while the spread of insured liabilities of the plan is 1.51% with a financial duration of 14.91 years.
    - For the benefits of the liabilities policy 1440001, 1.14% and 6.07 years, respectively.
    - Internal fund 1.36% and a financial duration of 9.80 years.
- Salary growth rate: 3.5%
- Social Security pension growth rate: 0%
- Contribution base growth rate: 2.5%
- Pension revaluation rate: 2.5%
- Expected yield of plan assets:
  - For assets not part of the plan 0.41%
  - For the policy 02/02: 1.17%
  - For the liabilities policy 1440001: 1.14%
- Estimated retirement age: 65
- Rotation: No

Commitments from Caja España

- Up-dated tables: PERMF 2000-P
- Discount rate
  - Market rate depending on the financial duration of the commitment cash flows and the IBOXX AA Corporate curve at 31st December 2018, for investment grade corporate bonds in the Euro Zone
  - The interest rates and duration for each commitment are:
    - Benefits of beneficiaries' policy 8.118: 1.39% (financial duration of 9.82 years).
    - Benefits of beneficiaries' policy PCP-1.001: 1.27% (financial duration of 7.76 years).
-

- Salary growth rate: 3.5%
- Pension revaluation rate:
  - Policy 8.118: 2%
  - Policy PCP-1.001 2.91%
- Expected yield of plan assets:
  - Assets under policy 8.118 have a cash flow matching rate of 1.39%
  - Assets under policy 1.001 have a cash flow matching rate of 1.27%
- Estimated retirement age: 65
- Rotation: No

The amounts for the present value of the defined benefits obligations, the fair value of the plan's assets and the experience adjustments referred to in letter (f), paragraph 120A IAS 19 resulting from the plan's assets and liabilities for 2018 and for the four previous years are presented below.

					€ ´000
	Present value of obligations				
	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 España Duero	Plan 2 España Duero	Total
2013					
Experience adjustments	(1 725)	567	-	-	(1 158)
Value at 31 December 2013	105 074	36 378	-	-	141 452
2014					
Experience adjustments	-	-	-	-	-
Value at 31 December 2014	114 083	41 346	7 438	108 364	271 231
2015					
Experience adjustments	-	-	-	-	-
Value at 31 December 2015	105 708	38 757	9 408	99 036	252 909
2016					
Experience adjustments	-	-	-	-	-
Value at 31 December 2016	101 118	38 442	8 538	95 792	243 890
2017					
Experience adjustments	-	-	-	-	-
Value at 31 December 2017	95 990	35 365	7 907	92 057	231 319
2018					
Experience adjustments	-	-	-	-	-
Value at 31 December 2018	85 469	32 143	6 432	82 500	206 544

	€ ´000				
	Fair value of assets				
	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 España Duero	Plan 2 España Duero	Total
2013					
Experience adjustments	639	(137)	-	-	502
Value at 31 December 2013	104 078	28 019	-	-	132 097
2014					
Experience adjustments	-	-	-	-	-
Value at 31 December 2014	112 922	31 324	6 557	79 122	229 925
2015					
Experience adjustments	-	-	-	-	-
Value at 31 December 2015	106 698	29 853	8 428	73 501	218 480
2016					
Experience adjustments	-	-	-	-	-
Value at 31 December 2016	103 518	29 660	7 429	71 025	211 632
2017					
Experience adjustments	-	-	-	-	-
Value at 31 December 2017	98 148	27 869	7 141	68 139	201 297
2018					
Experience adjustments	-	-	-	-	-
Value at 31 December 2018	87 386	25 834	6 298	62 059	181 577

The sensitivity of the present value of the obligations to changes in interest rates and salary growth at 31st December 2018 and 2017 is as follows:

	Percentage change	
Fiscal year 2018 - Unicaja Banco Group	**Increase**	**Decrease**
Sensitivity of the present value of obligations to a 0.5% change in wages	0.08%	(0.08%)
Sensitivity of the present value of obligations to a 50 bps change in interest rates	(5.04%)	5.51%

	Percentage change	
Fiscal year 2018 - EspañaDuero Group	**Increase**	**Decrease**
Sensitivity of the present value of obligations to a 0.5% change in wages	0.00%	(0.00%)
Sensitivity of the present value of obligations to a 50 bps change in interest rates	(4.62%)	5.02%

	Percentage change	
Year 2017	**Increase**	**Decrease**
Sensitivity of the present value of obligations to a 0.5% change in wages	0.13%	(0.10%)
Sensitivity of the present value of obligations to a 50 bps change in interest rates	(5.35%)	5.90%

Based on the mortality tables used, remaining life expectancy for a person retiring at the close of 2018 is 26.91 and 22.42 years, respectively for women and men (26.79 years and 22.30 years respectively at the close of 2017). Life expectancy for a person retiring 20 years after the close of 2018 is 29.03 and 24.73 years, respectively for women and men (24.52 and 28.93 years respectively at the close of 2017).

The main categories of assets of the plans funded externally as a total percentage of the plan's assets are shown below:

				€ ´000
	2018	**%**	**2017**	**%**
Equity instruments	19 824	9.97%	76 054	19.46%
Debt securities	97 032	48.81%	188 877	48.32%
Mutual funds	80 900	40.70%	106 991	27.37%
Financial derivatives	(14 710)	(7.40%)	(20 274)	(5.19%)
Other assets	15 736	7.92%	39 251	10.04%
	198 782	**100.00%**	**390 899**	**100.00%**

The instrument contracted in all cases is an insurance policy.

The fair value of the plan's assets includes the following financial instruments issued by Unicaja Banco Group:

		€ ´000
	2018	**2017**
Equity instruments	-	-
Debt instruments	-	-
Deposits and current accounts	2 759	2 759
	2 759	**2 759**

The estimated benefit payments for post-employment commitments for the next ten years is as follows:

						€ ´000
Unicaja Banco	**2019**	**2020**	**2021**	**2022**	**2023**	**2024-2028**
Post-employment benefits	7 527	7 449	7 379	7 276	7 106	32 533
Other long-term benefits	26 154	26 415	22 123	16 639	11 346	9 463
Total benefits	**33 681**	**33 864**	**29 502**	**23 915**	**18 452**	**41 996**

						€ ´000
EspañaDuero	**2019**	**2020**	**2021**	**2022**	**2023**	**2024-2028**
Post-employment benefits	4 161	3 859	2 564	1 466	600	43
Other long-term benefits	6 496	6 365	6 213	6 036	5 843	25 782
Total benefits	**10 657**	**10 224**	**8 777**	**7 502**	**6 443**	**25 825**

Estimated benefits for the next year:

- For defined retirement benefits, the amount of the contributions will be equal to the normal and supplementary cost, if any, resulting from the last appraisal made by the Plan's Actuary at the close of the previous year.

- For the defined disability, widowhood and orphanage benefits of the defined benefit groups, a sum equivalent to the annual premium necessary to cover it will be contributed through a Collective Life Insurance Policy, the amount of which is budgeted for in accordance with the sums paid in the previous year.

- For the fixed disability, widowhood and orphanage benefits of the defined contribution groups, the cost of the insurance policy for these risk benefits set for the purpose with the Insurance Company will be contributed, or rather, the proportion of this necessary to attain such benefits, deducting constituted provisions. This is generally estimated based on the amounts paid in the previous year.

41.1.2 Death and disability

The sum of the premiums paid for the insurance policies covering the contingencies of death and disability of employees amounted to EUR 3,294 thousand, in 2018 (EUR 319 thousand in 2017). This is booked under "Staff expenses" in the consolidated income statement (Note 2.12.3 and Note 41.1).

41.1.3 Service awards

The sums entered for commitments to employees in the event of them attaining 20 and 35 years of service in the Bank at the close of 2018 and 2017 amount to EUR 5,079 thousand and EUR 5,015 thousand. These are booked under "Provisions – Pension funds and similar obligations" in the consolidated balance sheets at such dates.

41.1.4 Other benefits

Total commitments have been calculated by qualified actuaries by applying the following criteria:

Criteria for Unicaja Banco

- Actuarial assumptions used: to calculate employee commitments stemming from the aforementioned agreement, the Entity has applied the market rate determined by the term of the financial flows and based on the IBOXX AA Corporate 3 December 2018 curve, of investment grade Euro zone corporate bonds.
- Commitments last anywhere between 0.12 to 8.51 years.
- The interest rate applied to each commitment ranges anywhere between 0.11% to 0.97%.
- The estimated retirement age for each employee is the agreed age.

Criteria for España Duero

- Actuarial assumptions used: to calculate employee commitments stemming from the aforementioned agreement, the Entity has applied the market rate determined by the term of the financial flows and based on the IBOXX AA Corporate 3 December 2018 curve, of investment grade Euro zone corporate bonds.
- Commitments last anywhere between 0.10 to 0.97 years.
- The interest rate applied to each commitment ranges anywhere between 0.11% to 0.15%.
- The estimated retirement age for each employee is the agreed age.

41.2 Other administrative expenses

The breakdown of the balance under this heading in the consolidated income statements for the years 2018 and 2017 is as follows:

		€ ´000
	2018	**2017**
Properties & buildings	28 532	28 358
Rents	10 236	7 930
IT	47 348	34 100
Communications	14 498	20 871
Advertising	14 636	14 330
Legal fees	1 437	1 359
Technical reports	12 355	17 553
Security services	8 508	8 725
Insurance premiums	1 216	1 256
Public administrations	3 324	3 851
Entertainment expenses	5 122	4 628
Association membership dues	6 505	5 682
Outsourced services	3 661	7
Taxes	28 748	31 641
Other items	5 175	9 117
	191 301	**189 408**

The balance of "Other administrative expenses" includes the fees paid by the Group to PricewaterhouseCoopers Auditores, S.L. for auditing its accounts, amounting to EUR 1,333 thousand in 2018 (EUR 1,152 thousand in 2017). In 2018 on the other hand, the fees for services provided to the Group by companies using the PricewaterhouseCoopers brand for other work in the area of financial and regulatory verification, amounted to EUR 1,533 thousand (EUR 2,346 thousand in 2017), and other services amounting to EUR 302 thousand (EUR 236 thousand in 2017).

42. Impairment or reversal of investments in joint ventures or associates and of non-financial assets

The composition of the balance under these headings in the consolidated income statements for the years 2018 and 2017 is as follows:

		€ ´000
	2018	**2017**
Impairment or reversal in the value of joint ventures or associates) (Note 12)	**-**	**27 247**
Impairment or reversal in the value of non-financial assets	**(4 332)**	**46 716**
Goodwill (Notes 4 & 14)	7 807	1 794
Other assets	(12 139)	44 922
	(4 332)	**73 963**

The breakdown per items of the consolidated balance sheet under "Impairment or reversal in the value of non-financial assets" for the 2018 and 2017 is as follows:

		€ ´000
	2018	**2017**
Impairment losses on tangible fixed assets (Note 13.3)	(145)	6 431
Impairment losses on real estate investments (Note 13.3)	15 583	(623)
Impairment losses on inventory	(27 577)	39 114
	(12 139)	**44 922**

Impairment losses on inventory includes the amounts set aside by the Group for asset impairments in investee companies engaged principally in the real estate business.

43. Gain or loss on derecognition from the statements non-financial assets and stakes

The breakdown of the balance under this heading in the consolidated income statements for the years 2018 and 2017 is as follows:

				€ ´000
		2018		**2017**
	Gain	**Loss**	**Gain**	**Loss**
Sale of tangible asset	7 697	(105)	6 326	(1 025)
Sale of equity stakes	-	-	13 407	(13)
Other items	498	(695)	217	(175)
	8 195	**(800)**	**19 950**	**(1 213)**

44. Gains or losses arising from non-current assets and disposal groups of items classified as held for sale that cannot be classified as discontinued operations

The breakdown of the balance under this heading in the consolidated income statements for the years 2018 and 2017 is as follows:

				€ ´000
		2018		**2017**
	Gain	**Loss**	**Gain**	**Loss**
Sale of non-current assets	26 513	(22 084)	34 412	(18 826)
Sale of equity stakes	-	-	-	-
Provisions to value corrections for non-current assets for sale	-	(6 245)	-	(15 729)
Other items	-	-	-	-
	26 513	**(28 329)**	**34 412**	**(34 555)**

45. Related parties

In addition to the information presented in Note 6 on the balances and transactions carried out with members of the Board of Directors of the parent company and with Senior Management thereof, the tables below show the remaining balances recorded on the consolidated balance sheets at 31st December 2018 and 2017, and in the consolidated income statements for the periods ending on those dates, arising from transactions with related parties:

					€ ´000
					2018
Income, expenses and other transactions	**Significant shareholder**	**Directors and senior management**	**People, companies or group entities**	**Other Related parties**	**Total**
Financial expense	-	(31)	(475)	(18)	(524)
Management or collaboration contracts	-	-	(5 477)	-	(5 477)
R&D transfers and licensing agreements	-	-	-	-	-
Leases	-	-	-	-	-
Reception of services	-	-	-	-	-
Asset purchases (completed or work in progress)	-	-	-	-	-
Valuation allowance for bad debts	-	-	-	-	-
Loss on assets' disposal	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	**-**	**(31)**	**(5 952)**	**(18)**	**(6 001)**
Financial income	-	19	2 817	138	2 974
Management or collaboration contracts	479	-	10	-	489
R&D transfers and licensing agreements	-	-	-	-	-
Dividends received	-	-	-	-	-
Leases	-	-	-	-	-
Provision of services	-	-	-	-	-
Sale of assets (completed or work in progress)	-	-	-	-	-
Profit on assets' disposal	-	-	-	-	-
Other income	-	-	-	-	-
Total revenues	**479**	**19**	**2 827**	**138**	**3 463**
Purchase of tangible, intangible or other assets	-	-	-	-	-
Financing agreements: loans and capital contributions (lender)	59	2 066	162 713	78 444	243 282
Financial lease contracts (lessor)	-	-	-	-	-
Repayment or cancellation of credits and lease contracts (lessor)	-	-	-	-	-
Sale of tangible, intangible or other assets	-	-	-	-	-
Financing agreements: loans and capital contributions (borrower)	51 156	7 844	232 722	57 104	348 826
Financial lease contracts (lessee)	-	-	-	-	-
Repayment or cancellation of credits and lease contracts (lessee)	-	-	-	-	-
Guarantees and collaterals given	-	244	119 803	16 999	137 046
Guarantees and collaterals received	-	-	-	-	-
Contingent commitments	-	-	-	-	-
Commitments/guarantees cancelled	-	-	-	-	-
Dividends and other distributed income	17 192	-	-	-	17 192
Other operations	-	-	-	-	-
Total other transactions	**68 407**	**10 154**	**515 238**	**152 547**	**746 346**

Income, expenses and other transactions	Significant shareholder	Directors and senior management	People, companies or group entities	Other Related parties	Total
					€ ´000
					2017
Financial expense	-	(10)	(876)	(16)	(902)
Management or collaboration contracts	-	-	(4 915)	-	(4 915)
R&D transfers and licensing agreements	-	-	-	-	-
Leases	-	-	-	-	-
Reception of services	-	-	-	-	-
Asset purchases (completed or work in progress)	-	-	-	-	-
Valuation allowance for bad debts	-	-	-	-	-
Loss on assets' disposal	-	-	-	-	-
Other expenses	-	-	-	-	-
Total expenses	**-**	**(10)**	**(5 791)**	**(16)**	**(5 817)**
Financial income	-	26	4 099	98	4 223
Management or collaboration contracts	368	-	5 335	-	5 603
R&D transfers and licensing agreements	-	-	-	-	-
Dividends received	-	-	-	-	-
Leases	-	-	-	-	-
Provision of services	-	-	-	-	-
Sale of assets (completed or work in progress)	-	-	-	-	-
Profit on assets' disposal	-	-	8 851	-	8 851
Other income	-	-	-	-	-
Total revenues	**368**	**26**	**18 285**	**98**	**18 677**
Purchase of tangible, intangible or other assets	-	-	-	-	-
Financing agreements: loans and capital contributions (lender)	33	1 567	151 017	73 322	225 939
Financial lease contracts (lessor)	-	-	-	-	-
Repayment or cancellation of credits and lease contracts (lessor)	-	-	-	-	-
Sale of tangible, intangible or other assets	-	-	-	-	-
Financing agreements: loans and capital contributions (borrower)	71 673	6 019	167 358	3 561	248 611
Financial lease contracts (lessee)	-	-	-	-	-
Repayment or cancellation of credits and lease contracts (lessee)	-	-	-	-	-
Guarantees and collaterals given	-	168	117 607	24 102	141 877
Guarantees and collaterals received	-	-	-	-	-
Commitments	-	-	-	-	-
Commitments/guarantees cancelled	-	-	-	-	-
Dividends and other distributed income	14 738	-	-	-	14 738
Other operations	-	-	-	-	-
Total other transactions	**86 444**	**7 754**	**435 982**	**100 985**	**631 165**

The information in the tables above has been presented in aggregate since in all cases transactions with related parties were of scarce significance in terms of both size and importance in the context of an adequate understanding of the financial information provided.

Transactions with related parties were carried out under normal market conditions.

46. Information on the mortgage market

Under Article 12 of Law 2/1981, 25th March, on Mortgage Market Regulation, as amended by Law 41/2007, 7th December and Law 1/2013, 14th May, “the issuer of the mortgage covered bonds shall keep a special accounting record of the loans and credits that serve as collateral for the issuances of mortgage covered bonds and, where appropriate, of the replacement fixed assets backing them, as well as the derivative financial instruments linked to each issue. This same special accounting record shall also identify, for the purpose of calculating the limit established in article 16, from all loans and credits filed, those that meet the conditions required under section two of this Law. The accounts of the issuing entity will report, in the manner required under law, the key data of said filing”.

The Board of Directors declares that the Group has the policies and procedures in place expressly to cover all the activities carried out in the field of mortgage market issuances, ensuring strict compliance with the mortgage market regulations applicable to these activities.

The policies and procedures referred to include the following criteria:

- The loan to appraisal value (LTV) ratio of the mortgaged property as well as the effect of other collateral and the selection of the appraisal companies.

- The borrower’s debt to income ratio, as well as verification of the information provided by the borrower and their solvency.

- Avoidance of imbalances between the flows coming from the hedging portfolio and those stemming from satisfying the payments due on the securities issued.

Article 3 of Law 41/2007,7th December, establishes that the appraisal companies that render their services to credit institutions within the group, should, whenever any of those credit institutions has issued and has outstanding mortgage securities, have adequate mechanisms to safeguard the independence of the appraisal activity and avoid conflicts of interest.

On 29th July 2014, Unicaja Banco Group proceeded to sell its 100% interest in the company Tasaciones Andaluzas, S.A.U. (TASA). At 31st December 2018 the Unicaja Banco Group had no stake in any appraisal company.

As an issuer of MBS & mortgage bonds, the following information is presented at the level of Unicaja Banco Group in compliance with the provisions of the mortgage market regulations:

A) Active operations

At 31st December 2018 and 2017, the detail of the nominal value of the mortgage loans and credits backing the issuance of MBS & mortgage bonds, together with lending or borrowing using mortgage participations or mortgage transfer certificates, is as follows:

	€ ´000	
	2018	**2017**
Transferred loans held in assets	**-**	**-**
Mortgage securities	-	-
Mortgage transfer certificates	-	-
Mortgages held as collateral for financing received	**-**	**-**
Loans securing MBS & mortgage bonds issues	**20 513 172**	**21 934 278**
Non-eligible loans	3 818 451	4 738 945
Compliant with eligibility criteria except for limits established under article 5.1 of Royal Decree 716/2009	1 368 743	1 353 040
Other	2 449 708	3 385 905
Eligible loans	16 694 721	17 195 333
Non-eligible amount	51 148	70 558
Eligible amount	16 643 573	17 124 775
Loans securing mortgage bond issues	-	-
Loans eligible for securing mortgage covered bonds	*16 643 573*	*17 124 775*
	20 513 172	**21 934 278**

At 31st December 2018 and 2017, the outstanding face value of the mortgage loans and credits backing the issuance of mortgage covered bonds amounts to EUR 20,513,172 thousand and EUR 21,934,278 thousand respectively. The outstanding nominal value of the mortgage loans and credits that meet the eligibility criteria to support the issuance of these mortgage covered bonds amounts to EUR 16,694,721 thousand and EUR 17,195,333 thousand, respectively. During fiscal years 2018 and 2017, the Group had not made any mortgage bond issues.

At 31st December 2018 and 2017, no mortgage transactions in the portfolio have been assigned through mortgage securities or mortgage transfer certificates.

The nominal value of all ineligible mortgage loans and credits that do not meet the limits described in article 5.1 of Royal Decree 716/2009, but that nevertheless meet the remaining requirements to be eligible, referred to in Article 4 of that regulation, amounted to EUR 1,368,743 thousand and EUR 1,353,040 thousand at 31st December 2018 and 2017, respectively.

The detail of the loans backing the issuance of MBS & mortgage bonds, classified by different criteria, at 31st December 2018 and 2017, is as follows:

	€ ´000	
	2018	
	Loans securing MBS & mortgage bonds issues	Of which: Eligible loans
Nominal value of outstanding loans and mortgages		
By source of operation:	20 513 172	16 694 721
- Originated by the bank	20 334 450	16 546 371
- Subrogated by other institutions	178 722	148 350
- Others	-	-
By currency:	20 513 172	16 694 721
- In euros	20 511 633	16 693 731
- Other currencies	1 539	990
By payment status:	20 513 172	16 694 721
- Performing	20 218 440	16 694 721
- Other	294 732	-
By average residual maturity:	20 513 172	16 694 721
- Up to 10 years	9 349 718	6 758 423
- 10 to 20 years	7 373 653	6 668 547
- 20 to 30 years	3 739 792	3 242 083
- More than 30 years	50 009	25 668
By type of interest rate:	20 513 172	16 694 721
- Fixed rate	484 997	348 035
- Floating rate	20 028 175	16 346 686
- Mixed rate	-	-
By loan holder:	20 513 172	16 694 721
- Legal person and entrepreneurs	3 003 096	1 474 101
Of which: real estate development	348 066	135 792
- Households	17 510 076	15 220 620
By type of guarantee:	20 513 172	16 694 721
- Completed assets/buildings and other structures	18 560 730	15 655 215
- Residential use	17 890 296	15 253 379
Of which: social housing	819 850	780 953
- Business premises	548 568	331 931
- Other	121 866	69 904
- Assets/buildings and other structures under construction	343 563	243 736
- Residential use	320 893	225 867
Of which: social housing	4 871	4 860
- Business premises	20 980	17 306
- Other	1 690	563
- Land	1 608 879	795 770
- Permitted and ready for development	676 598	201 576
- Other	932 281	594 194

	€ ´000	
	2017	
	Loans securing MBS & mortgage bonds issues	Of which: Eligible loans
Nominal value of outstanding loans and mortgages	**21 934 278**	**17 195 333**
By source of operation:	21 934 278	17 195 333
- Originated by the bank	21 674 755	16 988 479
- Subrogated by other institutions	259 523	206 854
- Others	-	-
By currency:	21 934 278	17 195 333
- In euros	21 932 646	17 193 712
- Other currencies	1 632	1 621
By payment status:	21 934 278	17 195 333
- Performing	21 530 142	17 195 333
- Other	404 136	-
By average residual maturity:	21 934 278	17 195 333
- Up to 10 years	10 072 707	6 555 495
- 10 to 20 years	7 885 198	7 224 603
- 20 to 30 years	3 794 381	3 306 548
- More than 30 years	181 992	108 687
By type of interest rate:	21 934 278	17 195 333
- Fixed rate	537 821	361 424
- Floating rate	21 396 457	16 833 909
- Mixed rate	-	-
By loan holder:	21 934 278	17 195 333
- Legal person and entrepreneurs	3 425 521	1 498 275
Of which: real estate development	427 296	166 030
- Households	18 508 757	15 697 058
By type of guarantee:	21 934 278	17 195 333
- Completed assets/buildings and other structures	19 799 300	16 163 699
- Residential use	19 013 231	15 749 304
Of which: social housing	923 243	878 966
- Business premises	631 605	360 344
- Other	154 464	54 051
- Assets/buildings and other structures under construction	322 626	238 330
- Residential use	299 309	220 342
Of which: social housing	5 607	5 514
- Business premises	20 308	15 842
- Other	3 009	2 146
- Land	1 812 352	793 304
- Permitted and ready for development	746 901	169 117
- Other	1 065 451	624 187

At 31st December 2018 and 2017, the breakdown of the nominal value of all eligible mortgage loans and credits, based on the ratios between the transaction figures and the latest appraisal available of the mortgaged assets in question, is as follows:

	€ ´000 2018					
	Less than or equal to 40%	**More than 40% but less than or equal to 60%**	**More than 60% but less than or equal to 80%**	**More than 80% but less than or equal to 100%**	**More than 100%**	**Total**
Eligible loans						
- On homes	4 579 736	6 143 621	4 755 888	-	-	15 479 245
- On rest of assets	681 346	509 413	24 717	-	-	1 215 476
	5 261 082	**6 653 034**	**4 780 605**	**-**	**-**	**16 694 721**

	€ ´000 2017					
	Less than or equal to 40%	**More than 40% but less than or equal to 60%**	**More than 60% but less than or equal to 80%**	**More than 80% but less than or equal to 100%**	**More than 100%**	**Total**
Eligible loans						
- On homes	4 520 781	6 218 834	5 230 031	-	-	15 969 646
- On rest of assets	722 678	472 609	30 400	-	-	1 225 687
	5 243 459	**6 691 443**	**5 260 431**	**-**	**-**	**17 195 333**

Information on the nominal value of the mortgage loans and credits flows for fiscal years 2018 and 2017 is as follows:

	€ ´000 2018		2017	
	Eligible loans	**Non-eligible loans**	**Eligible loans**	**Non-eligible loans**
Balance at beginning of fiscal year	**17 195 333**	**4 673 634**	**18 257 324**	**5 248 679**
Derecognitions for the period	**(1 583 220)**	**(1 133 579)**	**(1 967 717)**	**(854 658)**
Cancellations at maturity	(37 447)	(25 788)	(37 279)	(5 853)
Early repayments	(390 125)	(290 430)	(382 675)	(300 236)
Subrogated by other institutions	(2 731)	(399)	(3 323)	(102)
Other	(1 152 917)	(816 962)	(1 544 440)	(548 467)
New mortgages	**1 082 608**	**278 396**	**905 726**	**344 925**
Originated by the Bank	38 673	7 668	37 490	12 160
Subrogated by other institutions	50	323	709	1 107
Other	1 043 885	270 405	867 527	331 658
Balance end of period	**16 694 721**	**3 818 451**	**17 195 333**	**4 738 945**

The movements included under “Other”, when these movements are associated with “Derecognitions for the period” basically concern the following flows that give rise to changes in the nominal balance on the aggregate of both eligible and non-eligible transactions, applicable to movements during both 2018 and 2017:

- Transfers between the eligible and non-eligible portfolios, such that they constitute entries in “eligible loans” and they are taken-off from the “non-eligible loans” portfolio or vice-versa. This variation is common with movements associated with “New mortgages” (with an opposite sign). The transfers are the result of changes in compliance with the eligibility requirements pursuant to the applicable regulations (mainly as a result of the change in LTV from drawdowns/loan repayments or due to revision/up-dating of appraisals).

- Repayment of transactions that remain outstanding vis-à-vis the aggregate recorded in the previous period and that do not, therefore, count as cancellations at maturity or in advance.

The movements included under “Other”, when these movements are associated with “New mortgages” basically concern the following flows that give rise to changes in the nominal balance on the aggregate of both eligible and non-eligible transactions, applicable to movements during both 2018 and 2017:

- Transfers between the eligible and non-eligible portfolios, such that they constitute entries in “eligible loans” and are taken-off from the “non-eligible loans” portfolio or vice-versa. This change is common with movements associated with “Derecognitions for the period” (with an opposite sign). The transfers are the result of changes in compliance with the eligibility requirements pursuant to the applicable regulations (mainly as a result of the change in LTV from drawdowns/loan repayments or due to revision/up-dating of appraisals).

The available balance of the mortgage loans securing the issuance of MBS and mortgage bonds at 31st December 2018 and 2017 is as follows:

		€ ´000
	2018	**2017**
Potentially eligible	174 045	176 150
Non-eligible	204 793	156 272
	378 838	**332 422**

The nominal value of the sums available (committed amounts not drawn upon) of all the possibly eligible loans and mortgage at 31st December 2018 and 2017 is EUR 174,045 thousand and EUR 176,150 thousand, respectively. The potentially non-eligible loans amount to EUR 204,793 thousand and EUR 156,272 thousand, respectively.

At 31st December 2018 and 2017, the Group did not have replacement assets earmarked for mortgage bonds and MBS issues.

B) Liability transactions

The breakdown at 31st December 2018 2017 of the aggregate nominal value of the outstanding mortgage covered bonds issued by the Group and of the mortgage securities and mortgage transfer certificates outstanding at that date, taking into account their residual maturity, is as follows:

		€ ´000
	2018	**2017**
Outstanding mortgage bonds	**-**	**-**
Issued mortgage covered bonds	**4 486 927**	**5 397 928**
Issued through public offering	-	-
- Residual maturity up to 1 year	-	-
- Residual maturity of more than 1 year but less than 2 years	-	-
- Residual maturity of more than 2 years but less than 3 years	-	-
- Residual maturity of more than 3 years but less than 5 years	-	-
- Residual maturity of more than 5 years but less than 10 years	-	-
- Residual maturity of more than 10 years		
Other issues	60 000	130 000
- Residual maturity up to 1 year	-	70 000
- Residual maturity of more than 1 year but less than 2 years	-	-
- Residual maturity of more than 2 years but less than 3 years	30 000	-
- Residual maturity of more than 3 years but less than 5 years	30 000	60 000
- Residual maturity of more than 5 years but less than 10 years	-	-
- Residual maturity of more than 10 years		-
Deposits	4 426 927	5 267 928
- Residual maturity up to 1 year	668 024	819 000
- Residual maturity of more than 1 year but less than 2 years	325 000	668 024
- Residual maturity of more than 2 years but less than 3 years	660 000	325 000
- Residual maturity of more than 3 years but less than 5 years	451 852	811 852
- Residual maturity of more than 5 years but less than 10 years	1 242 051	1 542 052
- Residual maturity of more than 10 years	1 080 000	1 102 000
Mortgage participations issued	-	**-**
Issued through public offering	-	-
Other issues	-	-
Mortgage transfer certificates issued	-	**-**
Issued through public offering	-	-
Other issues		-
	4 486 927	**5 397 928**

47. Information transparency in relation to financing for construction, real estate development, housing acquisition and assets acquired from foreclosures

47.1 Qualitative information

With regard to the minimum information to be disclosed by consolidated credit institution groups and by individual independent credit institutions, the following considerations must be taken into account:

- In the area of financing for construction and real estate development, entities are asked to make public their policies and strategies for dealing with distressed assets in this sector, whether in the short, medium or long term. In addition, such exposures should be assessed within the framework of stress tests published before the summer, if the entities have stakes in them.

- An assessment of the financing needs in the markets should be included, as well as the short, medium and long-term strategies (but the Bank of Spain may still subsequently send details of the minimum information requirements on financing and liquidity needs).

As part of its risk policy, particularly regarding real estate construction and development, Unicaja Banco Group has established a series of specific policies and strategies aimed at helping borrowers to meet their obligations and mitigating the risks that the Group is exposed to. They seek alternatives that allow projects to be completed and sold, analysing the renegotiation of the risks if the Group's credit position improves, basically to keep the borrower in business.

To such end, consideration is given to previous experience with the borrower, their compliance history, the manifest will to pay, their capacity to generate cash-flow or the give of new guarantees, before increasing their indebtedness unduly.

First of all, provided that there is a certain capacity of payment and after exhausting all possibilities of recovering the outstanding debt, the possibility of granting grace periods on the principal is studied to allow the development of the funded lands, the completion on-going developments and the marketing completed units. This analysis prioritises the feasibility of the projects such that an increase in capex is avoided for real estate assets that are deemed to have a clear chance of future sales.

In the event that support measures are either not possible or insufficient, other alternatives are sought, such as deed in lieu or the purchase of assets, while the last option is to claim through the courts and then foreclosing on the real estate by executing the mortgage guarantee. All NPAs that come onto the Group's consolidated balance sheet are managed with the final aim of selling or leasing them.

To such end, the Unicaja Banco Group has special purpose vehicles that specialise in managing urban development projects, marketing real estate and renting out real estate assets. The Group also has specific units for developing these strategies and for co-ordinating the actions of the SUV subsidiaries, the Branch Network and the other players involved. Finally, the Group has a web site, www.unicajainmuebles.com, as one of the main tools for publicising these assets among the general public interested in them.

47.2 Quantitative information

At 31st December 2018 and 2017, the breakdown of the financing for construction and real estate development and their hedges (1) was as follows:

	€ ´000 2018			
	Gross book value (2)	**Excess over collateral value (3)**	**Accumulated impairment (4)**	**Net value**
Financing for construction and real estate development (including land) (business in Spain)	**829 387**	**273 443**	**(118 673)**	**710 714**
Of which: NPLs/(Stage 3)	152 126	82 775	(105 479)	46 647
Memorandum item:				
Write-offs (5)	260 614			

	€ ´000 2017			
	Gross book value (2)	**Excess over collateral value (3)**	**Accumulated impairment (4)**	**Net value**
Financing for construction and real estate development (including land) (business in Spain)	**1 073 118**	**301 160**	**(240 423)**	**832 695**
Of which: in arrears/NPLs	346 430	169 349	(219 993)	126 437
Memorandum item:				
Write-offs (5)	407 581			

Memorandum item: Consolidated Group information (5)	**Book Value 2018**	**2017**
Loans to customers, excluding Public administrations (business in Spain) (book value) (6)	25 166 469	25 705 696
Total consolidated assets (total business) (book value) (7)	57 504 179	56 331 908
Impairment and provisions of performing exposure (total business) (8)	156 209	111 053

(1) Funding in this statement will be classified by purpose, and not by the debtor's CNAE (National Classification of Economic Activities). For example, if the debtor is: (a) a real estate company but uses the financing for a purpose other than construction or real estate development, it will not be included in this statement, and (b) a company whose main activity is neither construction nor real estate development, but which intends to use the loan to finance real estate for real estate promotion, will be included in this statement.

(2) Amount before deduction, if any, of valuation adjustments for impairment losses.

(3) The amount over and above the gross book value of each transaction over the value of the jus ad rem that may have been received as collateral, calculated according to the provisions of Circular 4/2017. The value of the jus ad rem is the result of weighing the smaller amount between the cost of the assets and the value of the appraisal in their current state weighed by the appropriate percentages as per the type of asset mortgaged.

(4) Amount provisioned by the entity to cover financing transactions for construction and real estate development.

(5) Includes all financing, in the form of loans, with or without mortgage collateral, and debt securities, intended for construction and real estate development, for activity in Spain (business in Spain).

(6) Gross amount of financing for construction and real estate development (business in Spain) that has been written off.

(7) Amount recorded in the assets of the balance sheet after deducting, if applicable, sums earmarked for hedges.

(8) Total amount of the value adjustments and general hedging provisions for credit risk set up to cover normal risks, as per Circular 4/2017, corresponding to their entire activity (total business).

The breakdown of the item for financing of construction and real estate development in transactions recorded by credit institutions (businesses in Spain), at 31st December 2018 and 2017, is as follows:

	€ ´000	
	Gross book value (6)	
	2018	**2017**
Without real estate collateral (*)	282 052	327 418
With mortgage		
(classified by type of pledged collateral) (1)	547 335	745 700
Buildings and other finished buildings (2)	290 682	466 998
Residential	237 133	389 920
Other	53 549	77 078
Buildings and other structures under construction (3)	78 760	62 567
Residential	75 195	61 338
Other	3 565	1 229
Land	177 893	216 135
Permitted and ready for development	129 447	169 116
Other land	48 446	47 019
Total (4)	**829 387**	**1 073 118**

(*) At 31st December 2018, the book value of "With no mortgage" financing included EUR 78,853 thousand for transactions with real estate collateral whose exposure was not fully hedged (94,474 thousand at 31st December 2017). Additionally, it included secured transactions with Government agencies for EUR 168,387 thousand (EUR 191,490 thousand at 31st December 2017).

(1) Amount before deduction, where applicable, of the accumulated impairment.

(2) All real estate collateral transactions, regardless of the manner in which the collateral is implemented, are included, irrespective of their loan to value ratios.

(3) If a building is used for both residential purposes (housing) and other purposes, financing is allocated to the predominant purpose category.

(4) This amount coincides with the gross book value of the item "Financing for construction and real estate development (including land) (business in Spain)" in statement PC 7-1.

The following is a list of the pledged collateral and financing awarded for construction and real estate development financing, in transactions registered by credit institutions (business in Spain) 31st December 2018 and 2017:

	€ ´000	
Guarantees received	**2018**	**2017**
Value of collateral	704 041	639 385
Of which: Defaulted/NPLs	*107 289*	*172 209*
Value of other guarantees	-	-
Of which: Defaulted/NPLs	-	-
Total value of guarantees received	**704 041**	**639 385**

Financial guarantees given	2018	2017
		€ ´000
Financial guarantees given vis-à-vis construction and real estate development	364 530	420 191
Amount recorded in liabilities of the balance sheet	*8 237*	*29 664*

At 31st December 2018 and 2017, the breakdown of loans to households for house purchase in transactions recorded by credit institutions (business in Spain) is as follows:

	2018		2017	€ ´000
	Gross amount (2)	**Of which: Defaulted/NPLs**	**Gross amount (2)**	**Of which: Defaulted/NPLs**
Lending for house purchase (1)	16 068 933	900 997	17 029 041	1 251 685
Without mortgage	204 333	2 050	316 110	11 636
With mortgage (3)	15 864 600	898 947	16 712 931	1 240 049

(1) Loans, with or without real estate mortgage collateral, to households to buy housing granted by businesses in Spain.

(2) Amount before deducting, if applicable, accumulated impairment.

(3) All transactions with real estate mortgage collateral, regardless of the loan-to-value ratio, will be included.

The breakdown of mortgage-backed loans to households for the purchase of housing by LTV (1), in transactions recorded by credit institutions (businesses in Spain) at 31st December 2018 and 2017 is as follows:

31st December 2018 (1)	LTV≤40%	40%<LTV≤60%	60%<LTV≤80%	80%<LTV≤100%	LTV>100%	Total
Gross book value (2)	3 983 910	5 921 181	5 036 830	425 806	496 873	15 864 600
Of which: In default/ Non-performing (2)	78 815	170 188	258 442	107 102	284 399	898 946

31st December 2017 (1)	LTV≤40%	40%<LTV≤60%	60%<LTV≤80%	80%<LTV≤100%	LTV>100%	Total
Gross book value (2)	3 973 086	6 080 204	5 701 978	442 284	515 379	16 712 931
Of which: In default/ Non-performing (2)	89 265	224 930	415 779	119 287	390 788	1 240 049

(1) “Loan to Value” is the ratio reached by dividing the gross book value of the transaction at the date of compiling the information by the amount of the latest available appraisal.

(2) Amount before deducting, if applicable, accumulated impairment. The sums given in the “Total” column for the “Carrying amount” and “Of which: Non-performing” entries in this statement concur with the amounts in the entry “With mortgage” in the PC 7-3 statement.

The breakdown of the assets allocated to the entities in the consolidated Group (business in Spain) (1) at 31st December 2018 and 2017, is as follows:

€ ´000

	2018			2017		
	Gross book value (2)	**Accumulated impairment**	**Net value**	**Gross book value (2)**	**Accumulated impairment**	**Net value**
Foreclosed real estate or received in lieu of payment	**1 661 437**	**(1 034 078)**	**627 359**	**1 871 698**	**(1 196 962)**	**674 736**
Real estate assets from loans to construction and real estate development companies (3)	911 218	(634 276)	276 942	1 069 831	(769 426)	300 405
Buildings and other finished buildings	138 492	(75 704)	62 788	212 768	(111 472)	101 296
Residential	93 799	(48 081)	45 718	151 933	(76 323)	75 610
Other	44 693	(27 623)	17 070	60 835	(35 149)	25 686
Buildings and other structures under construction	128 756	(74 805)	53 951	139 313	(80 992)	58 321
Residential	127 012	(73 832)	53 180	137 767	(80 129)	57 638
Other	1 744	(973)	771	1 546	(863)	683
Land	643 970	(483 767)	160 203	717 750	(576 962)	140 788
Permitted and ready for development	402 301	(287 473)	114 828	461 865	(357 747)	104 118
Other land	241 669	(196 294)	45 375	255 885	(219 215)	36 670
Real estate assets from retail mortgages	493 786	(240 167)	253 619	530 069	(260 241)	269 828
Rest of foreclosed real estate assets or received in lieu of payment (4)	256 433	(159 635)	96 798	271 798	(167 295)	104 503
Foreclosed equity instruments or received in lieu of payment	**-**	**-**	**-**	**20 434**	**(19 147)**	**1 287**
Investment in real estate companies	-	-	-	**-**	**-**	-
Equity instruments of companies holding foreclosed real estate assets or received in lieu of payment (5)	-	-	-	**-**	**-**	-
Financing of companies holding foreclosed real estate assets or received in lieu of payment (5)	-	-	-	**-**	**-**	-
			-			-
	1 661 437	**(1 034 078)**	**627 359**	**1 892 132**	**(1 216 109)**	**676 023**

(1) Assets allocated or received in lieu of debt arising from financing given by the entity in the course of its business in Spain, as well as equity investments and financing to entities holding such assets, are included.

(2) Amount before deducting, if applicable, accumulated impairment.

(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 company or entrepreneur handing over the asset, are included.

(4) Real estate assets coming neither from financing for construction and real estate development nor from mortgage financing to households to buy housing are included.

(5) All stakes in the capital and financing of entities holding foreclosed real estate assets or received in lieu of debts will be recorded.

As the table above shows, at 31st December 2018, the gross acquisition price of foreclosed assets amounted to EUR 1,661,437 thousand, with a total provisions coverage of EUR 1,034,078 thousand, giving a coverage of the gross acquisition cost of 62.24%.

48. Information on the deferment of payments made to suppliers. Additional clause three – Duty of disclosure of Act 15/2010, 5th July

In compliance of Act 15/2010, 5th July, amending Act 3/2004, 29th December, establishing measures to fight arrears in commercial transactions, developed by the Ruling of 29th December of the Institute of Accounting and Auditing (ICAC, by its Spanish acronym), on the information to be included in the annual report regarding the deferment of payments to suppliers in commercial transactions, we would point out that:

- Given the Group's core activities, information on debt deferments basically concerns payments to suppliers for the provision of services and miscellaneous supplies, other than payments to depositors and holders of securities issued by it. All such payments were in scrupulous compliance with the contractual and legal deadlines established for each of them, whether they were demand loans or debts with deferred payment.

- The payments made by the Unicaja Banco Group to suppliers just for the provision of services and the supply of miscellaneous services in 2018 amounted to EUR 257,309 thousand (EUR 473,471 thousand in 2017). All such payments were made within the legal and contractual deadlines. The balance due to suppliers at 31st December 2018 and 2017 falls within the deadline established by Act 15/2010, 5th July.

Pursuant to final provision two of Act 31/2014, 3rd December, amending additional provision three of Act 15/2010, regarding information to be included in the annual report on the deferment of payments to suppliers in commercial transactions, calculated based on the Ruling of 29th January 2016 of the Institute of Accounting and Accounts Auditing (*Instituto de Contabilidad y Auditoría de Cuentas*), the average period for paying the Group's suppliers in 2018 and 2017 was 18.99 and 20.49 days respectively. The ratio of transactions paid for these years was 14.77 and 20.37 days respectively, and the ratio of transactions with payments due at 61.82 and 39.21 days respectively.

The average payment period falls within the legal limits set in the regulations, so the inclusion in the management report of the measures established in paragraph 1, article 262 of the recast text of the Capital Enterprises Act, is not applicable.

49. Customer service

Pursuant to article 17.2 of Order ECO/734/2004, 11th March, on Customer service departments and services and the financial ombudsman, the Bank's Department of Customer Services report is that 85.93 percent of the complaints and claims received in 2018 were resolved during that same period (96.11 percent in 2017). The remaining cases, pending at the end of 2018, are scheduled to be resolved within the first two months of the following year, in accordance with the aforementioned Order and the Regulations for the Protection of the Bank's Customers.

APPENDIX I
GROUP INSTITUTIONS AT 31 DECEMBER 2018

Company name	Registered domicile	Activity	% Equity stake owned by Group		
			% Share		Total Share
			Direct	Indirect	
Alqlunia Duero, S.L. (Single-member company)	C/ Titán 8, 2º, Madrid	Property development	100.00%	0.00%	100.00%
Alteria Corporación Unicaja, S.L.U. (Single-member company)	C/ Bolsa, nº 4, 5ª planta, Málaga	Investment in assets, transferable securities and financial companies	100.00%	0.00%	100.00%
Analistas Económicos de Andalucía, S.L.U. (Single-member company)	C/ San Juan de Dios 1-2	Economic research and analysis	100.00%	0.00%	100.00%
Andaluza de Tramitaciones y Gestiones, S.A.U. (Single-member company)	C/ Angosta del Carmen 2, entreplanta, Malaga	Management and settlement of documents and deeds	0.00%	100.00%	100.00%
Banco Europeo de Finanzas, S.A. (Single-member company)	C/ La Bolsa, 4, Piso 1, Málaga	Banking, financial activities	100.00%	0.00%	100.00%
Desarrollos de Proyectos de Castilla y León, S.L. (Single-member company)	Av. Madrid 120, Ed. El Portillo, León	Property development	100.00%	0.00%	100.00%
Duero Pensiones, E.G.F.P., S.A. (Single-member company)	C/ Titán 8, Madrid	Pension fund management company	100.00%	0.00%	100.00%
Finanduero Sociedad de Valores, S.A.U. (Single-member company)	C/ Titán 8, 2º, Madrid	Securities firm	100.00%	0.00%	100.00%
Gestión de Actividades y Servicios Empresariales, S.A. (Single-member company)	C/ Federico Orellana Toledano nº 14, Málaga	Electronic recording and processing of data and documents	0.00%	100.00%	100.00%
Gestión de Inmuebles Adquiridos, S.L. (Single-member company)	C/ Mauricio Moro Pareto nº 6, 6ª planta, Edf. Eurocom, Málaga	Property development	0.00%	100.00%	100.00%
Inmobiliaria Acinipo, S.L. (Single-member company)	C/ Mauricio Moro Pareto nº 6, Bajo, Edf. Eurocom, Málaga	Property development	100.00%	0.00%	100.00%
Inmobiliaria Uniex Sur, S.L.U. (Single-member company)	C/ Mauricio Moro Pareto, nº 6, Edf. Eurocom, Málaga	Property development	0.00%	100.00%	100.00%
La Algara Sociedad de Gestión, S.L. (Single-member company)	C/ Mauricio Moro Pareto nº 6, 4ª, Edf. Eurocom, Málaga	Property development	0.00%	100.00%	100.00%
Parque Industrial Humilladero, S.L.	C/ Miguel Hernández 1, Humilladero, Málaga	Industrial land development	0.00%	88.61%	88.61%
Pinares del Sur, S.L. (Single-member company)	Avda. Portugal Edf. Abarzuza, bajo (Esquina Avda. Juan Carlos). Cádiz	Property development	0.00%	100.00%	100.00%

APPENDIX I
GROUP INSTITUTIONS AT 31 DECEMBER 2018

Company name	Registered domicile	Activity	% Equity stake owned by Group		
			% Share Direct	% Share Indirect	Total Share
Propco Blue 1, S.L. (Single-member company)	C/ Mauricio Moro Pareto nº 6, 6ª planta, Edf. Eurocom, Málaga	Real estate development	0.00%	100.00%	100.00%
Segurándalus Mediación, Correduría de Seguros, S.A. (Single-member company)	C/ Cuarteles nº 51 Ptl.1 Entreplanta. Málaga	Insurance broking	0.00%	100.00%	100.00%
Unicaja Gestión de Activos Inmobiliarios, S.A. (Single-member company)	Avda. Andalucia, 10-12, Málaga	Real estate holding companies	100.00%	0.00%	100.00%
Unicartera Caja 2, S.L. (Single-member company)	C/ Mauricio Moro Pareto nº 6, 6ª planta, Edf. Eurocom, Málaga	R&D promotion and financing in the medical sector	100.00%	0.00%	100.00%
Unicartera Gestión de Activos, S.L.(Sociedad Unipersonal)	C/ Bolsa, nº 4, 5ª planta, Málaga	Debt collection and litigation manager	0.00%	100.00%	100.00%
Unicartera Internacional, S.L. (Single-member company)	Avda. Andalucía, 10-12, Málaga	Investment in assets, transferable securities and financial companies	100.00%	0.00%	100.00%
Unicartera Renta, S.L.U. (Single-member company)	Avda. Andalucía, 10-12, Málaga	Investment in assets, transferable securities and financial companies	100.00%	0.00%	100.00%
Unicorp Patrimonio, Sociedad de Valores, S.A. (Sociedad Unipersonal)	C/ Bolsa nº 4, 1ª 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	Collective investment institutions management company	44.59%	55.41%	100.00%
Unimediación, S.L. (Single-member company)	C/ Bolsa nº 4, 2ª planta, Málaga	Insurance broking	0.00%	100.00%	100.00%
Unimediterráneo de Inversiones, S.L. (Single-member company)	C/ Mauricio Moro Pareto nº 6, 6ª planta, Edf. Eurocom, Málaga	Investment in assets, transferable securities and financial companies	100.00%	0.00%	100.00%
Unión del Duero, Compañía de Seguros de Vida, S.A. (Single-member company)	C/ Titán 8, Madrid	Life insurance	100.00%	0.00%	100.00%
Uniwindet, S.L.	C/ Bolsa nº 4, 5ª planta, Málaga	Renewable energies	20.62%	79.38%	100.00%
Viajes Caja España, S.A.	Av. Madrid 120, León	Travel agency	50.00%	0.00%	50.00%
Viproelco, S.A. (Single-member company)	Av. Madrid 120, León	Property development	100.00%	0.00%	100.00%

APPENDIX II
JOINTLY CONTROLLED ENTITIES AT 31ST DECEMBER 2018

€ ´000

Company name	Registered domicile	Activity	% Equity stake owned by Group			Individual Results at date of analysis	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total revenues	Total expenses
			% Share Direct	% Share Indirect	Total Share							
Cartera Perseidas, S.L. (1)	Paseo de Recoletos, 29 Madrid	Investment in assets, transferable securities and financial companies	45.27%	0.00%	45.27%	(50)	-	216	-	12	-	(50)
Dolun Viviendas Sociales, S.L. (2)	C/ Muñoz Olivé 1, portal 1-1C, Sevilla	Property development	0.00%	40.00%	40.00%	-	-	-	-	-	-	
Espacio Medina, S.L. (3)	Pº de la Castellana (Torre Espacio) 259. Madrid	Property development	0.00%	30.00%	30.00%	(1 223)	5 342	123 166	9 217	70 081	326	(1 549)
Muelle Uno-Puerto Málaga, S.A. (4)	Avda. de Andalucía 21, Entreplanta, Málaga	Property development	0.00%	39.74%	39.74%	(7)	47 441	3 464	24 088	2 735	5 245	(5 159)
Sociedad de Gestión San Carlos, S.A. (5)	Avda. San Juan Bosco, 46. San Fernando - Cádiz	Property development	0.00%	53.29%	53.29%	(341)	-	14 279	90	8 818	-	(341)
Cerro del Baile, S.A. (6)	Av. Bruselas, 15 - 4º. Arroyo de la Vega - Valladolid	Property development	80.00%	0.00%	80.00%	(6)	-	23 590	179	47 090	-	(6)
Lares Val de Ebro, S.A. (7)	Avda. Talgo 155 Madrid	Property development	33.33%	0.00%	33.33%	(292)	-	19 277	2	21 381	-	(292)
Madrigal Participaciones, S.A. (5)	C/ Santiago 7, 1º E, Valladolid	Investment in assets, transferable securities and financial companies	75.68%	0.00%	75.68%	-	4 894	13 620	1 163	65	9 589	(9 588)
Rochduero, S.L. (8)	C/ Armas 10-A, Jerez de la Frontera (Cádiz)	Property development	54.09%	0.00%	54.09%	(359)	-	35 758	420	36 535	25	(385)

(1) Financial data at 30 November 2018.
(2) Company being wound up. Information not available
(3) Financial data at 31 October 2018.
(4) Financial data at 30st September 2018.
(5) Financial data at 31st December 2018.
(6) Financial data at 31st March 2018.
(7) Financial data at 30th June 2016, company in liquidation
(8) Financial data at 31st March 2016.

Note: The financial information used for the equity method of stakes in jointly controlled entities presented in this appendix is the latest available to the bank on the date of filing these consolidated financial statements. In those cases where this financial information is not stated to 31st of December 2018, it is because information has been used instead with a date very close to it, or otherwise because the activity of the jointly controlled entity does not have a significant influence on these consolidated financial statements (being in the process of liquidation or for other causes).

APPENDIX III
31st December 2018

€ ´000

Company name	Registered domicile	Activity	% Equity stake owned by Group			Financial statements at date of analysis				
			% Share Direct	% Share Indirect	Total	Total assets at EOP	Equity	Profit for the year	Liabilities	Operating income
Ahorro Andaluz, S.A. (1)	Avenida Andalucía 10 - 12, Málaga	Securities holding firm	42.40%	7.60%	50.00%	8 865	6 245	9 732	2 621	(24)
Alestis Aerospace, S.L. (3)	C/ Infeniero Rafael Rubio Enola nº 1 (Parque Tecnológico y Aeronáutico de Andalucía-AEROPOLIS). La Rinconada-Sevilla	Aerospace industry	12.19%	1.85%	14.04%	436 352	(16 636)	(8 140)	452 988	3 382
Andalucía Económica, S.A. (4)	C/ Diego de Riano nº 11, Piso 2º. Sevilla	Publishing, graphic design & TV	23.80%	0.00%	23.80%	145	59	(91)	86	(91)
Autopista del Guadalmedina, Concesionaria Española, S.A. (5)	Carretera A-45 (AP 46 Km 6,200), Casabermeja-Málaga	Tollroad	30.00%	0.00%	30.00%	388 245	82 543	2 794	305 701	11 892
Autopista del Sol Concesionaria Española, S.A. (2)	Plaza Manuel Gómez-Moreno (Edf. Alfredo Mahou), nº 2, Madrid	Tollroad	20.00%	0.00%	20.00%	684 539	(2 160)	7 833	686 699	35 992
B.I.C. Euronova, S.A. (1)	Avenida Juan López Peñalver,21 (Parque Tecnológico Andalucía). Campanillas-Málaga	Investment and promotion services	20.00%	0.00%	20.00%	1 416	851	38	565	50
Creación de Suelo e Infraestructuras, S.L. (6)	C/ Ibiza, 35 -5ºA. Madrid	Property development	0.00%	24.98%	24.98%	625	(12 058)	(253)	12 683	(253)
Desarrollo Urbanísticos Cerro de Medianoche, S.L. (1)	Plaza Jaén por la Paz, 2. Jaén	Property development	0.00%	24.72%	24.72%	3 582	3 571	9	11	12
Gestión e Investigación de Activos, S.A. (7)	Paseo General Martínez Campos, 46-2ªplanta. Madrid	Real Estate	0.00%	50.00%	50.00%	10 301	10 265	(112)	36	61
Hidralia, Gestión Integral de Aguas de Andalucía, S.A (4)	C/ Alisios. Edf Ocaso, nº 1, Sevilla	Integrated water cycle	20.00%	0.00%	20.00%	267 034	118 631	14 413	148 402	17 312
Ingeniería de Suelos y Explotación de Recursos, S.A. (8)	Paseo del Coso S/N. Minas de Riotinto-Huelva	Mining	30.00%	0.00%	30.00%	85 466	29 351	5 314	56 115	5 382
Ingeniería e Integración Avanzadas, S.A. (5)	C/ Severo Ochoa, 43 (Parque Tecnológico de Andalucía). Campanillas-Málaga	New technologies	40.00%	0.00%	40.00%	13 827	6 466	1 129	7 360	954
La Reserva de Selwo Golf, S.L. (9)	Pasaje Linaje 3, Planta 1, Piso 1 Málaga	Property development	0.00%	35.00%	35.00%	535	(3 831)	(9)	4 366	(9)
Malagaport, S.L. (1)	Muelle Cánovas s/nº Edif. Inst. Estudios Portuarios del Puerto de Málaga	Freigth and warehousing services	26.77%	0.00%	26.77%	395	330	5	65	5

APPENDIX III
31st December 2018

€ ´000

Company name	Registered domicile	Activity	% Equity stake owned by Group			Financial statements at date of analysis				
			% Share Direct	% Share Indirect	Total	Total assets at EOP	Equity	Profit for the year	Liabilities	Operating income
Obenque, S.A. (10)	Pº del General Martínez Campos, 46 2ª planta Madrid	Property development	0.00%	26.98%	26.98%	2 378	712	159	1 666	356
Parque Científico-Tecnológico de Almería S.A. (1)	Avda. de la Innovación 15, Edificio Pitágoras, Almería	Property development	0.00%	30.08%	30.08%	48 288	27 974	(967)	20 314	(379)
Propco Malagueta, S.L. (1)	C/ Mauricio Moro Pareto (Edificio Eurocom Norte), 6.	Property development	0.00%	25.00%	25.00%	102 611	100 571	3 077	2 040	4 112
Propco Orange 1 S.L. (1)	C/ Mauricio Moro Pareto (Edificio Eurocom Norte), 6.	Property development	0.00%	49.00%	49.00%	16 599	13 467	(36)	3 132	(30)
Santa Justa Residencial, S.L. (1)	C/ Mauricio Moro Pareto (Edificio Eurocom Norte), 6.	Property development	0.00%	49.50%	49.50%	80 991	14 989	(120)	66 002	(20)
Sociedad Municipal de Aparcamientos y Servicios, S.A. (5)	Plaza Jesús "El Rico" 2-3. Málaga	Car park	24.50%	0.00%	24.50%	68 352	43 254	4 405	25 098	6 118
Uncro, S.L. (11)	C/ Ibiza 35, 5º A, Madrid	Property development	0.00%	25.00%	25.00%	910	(9 570)	(35)	10 480	(35)
Unema Promotores Inmobiliarios, S.A. (12)	C/ Strachan, nº 1, planta 1. Málaga	Property development	0.00%	40.00%	40.00%	37	(1 669)	(22)	1 706	-
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A. (5)	C/ Bolsa nº 4, 3ª planta, Málaga	Insurance	42.40%	7.60%	50.00%	2 436 215	96 211	20 180	2 340 004	45 519
Ala Ingeniería y Obras, S.L. (13)	Crta. De la Estación, naves 7 y 8 - Meco (Madrid)	Fabrication of metal structures	0.00%	26.49%	26.49%	8 889	(5 005)	(1 178)	13 894	(1 275)
Caja España Vida Cia de Seguros y Reaseguros S.A. (1)	C/ Santa Nonia 4, 3ª Planta, León	Insurance and reinsurance	0.00%	50.00%	50.00%	1 485 511	86 357	20 180	1 399 154	19 546
Camping El Brao, S.A. (14)	C/ Uría, 56, 2 C, Oviedo (Asturias)	Camping	0.00%	25.00%	25.00%	5	(10)	(4)	15	(4)
Cuatro Estaciones INM Siglo XXI, S.L. (15)	Plaza del Mío Cid 6 - 3º, Burgos	Property development	0.00%	20.00%	20.00%	1 787	(632)	(10)	2 419	(10)
Inversiones Alaris, S.L. (1)	Av. Carlos III El Noble, 8 Pamplona/ Iruña (Navarre)	Holding company	0.00%	33.33%	33.33%	16 294	7 339	(523)	8 955	(523)
Mejor Campo Abonos y Cereales, S.A. (14)	Callejón de San Francisco 1, Bajo Medina del Campo (Valladolid)	Fertilizer and fodder sales	0.00%	27.00%	27.00%	3	(58)	-	61	-
Patrimonio Inmobiliario Empresarial, S.A. (16)	C/ Santa Engracia nº 69, Madrid	Property development	0.00%	29.09%	29.09%	26 857	(21 423)	(566)	48 280	-

APPENDIX III
31st December 2018

€ ´000

Company name	Registered domicile	Activity	% Equity stake owned by Group			Financial statements at date of analysis				
			% Share Direct	% Share Indirect	Total	Total assets at EOP	Equity	Profit for the year	Liabilities	Operating income
Proyecto Lima, S.L. (1)	C/ Mauricio Moro Pareto (Edificio Eurocom Norte), 6.	Real Estate	0.00%	25.00%	25.00%	66 655	65 913	47	742	58
Mastercajas S.A. (4)	C/ Alcalá 27, Madrid	Banking, financial activities	25.39%	0.00%	25.39%	6 661	3 266	68	3 394	78

(1) Financial data at 31 December 2018.
(2) Financial data at 31st December 2018, under IFRS.
(3) Financial data at 30 June 2018.
(4) Financial data at 30 September 2018.
(5) Financial data at 30 November 2018.
(6) Financial data at 30 September 2016. Company being wound up.
(7) Financial data at 31 October 2018.
(8) Financial data at 31 July 2018.
(9) Financial data at 31 December 2017.
(10) Financial data at 31 August 2018.
(11) Financial data at 31 December 2017. Company being wound up.
(12) Financial data at 30 September 2017. Company being wound up.
(13) Financial data at 31 December 2013. Company being wound up.
(14) Financial data at 31 December 2016. Company being wound up.
(15) Financial data at 31 October 2014. Company being wound up.
(16) Financial data at 31 March 2014. Company being wound up.

Note: The financial information used for the equity method of stakes in associates presented in this appendix is the latest available to the bank on the date of filing these financial statements. In those cases where this financial information is not stated to 31st of December 2018, it is because information has been used instead with a date very close to it, or otherwise because the activity of the associate does not have a significant influence on these financial statements (being in the process of liquidation or for other causes).

APPENDIX IV:
ANNUAL BANKING REPORT FOR FISCAL YEAR 2018

Information for compliance with article 89 of Directive 2013/36/UE of the European Parliament and its transposition into Spanish legislation via Act 10/2014

Pursuant to article 89 of Directive 2013/36/UE of the European Parliament and of the Council, 26th June 2013, regarding access to the business by credit institutions and the prudential supervision of credit institutions and investment companies, and in accordance with Article 87 of Act 10/2014, 26th June, on planning, supervision and solvency of credit institutions, which transposes this regulation into Spanish law, the information on the Unicaja Banco Group's annual report for the year ending 31st December 2018 is hereby enclosed.

	Business turnover (€ ´000)	Number of employees (**)	Pre-tax income (€ ´000)	Income tax (€ ´000)
Spain	998 958	6 920	205 876	53 335
Rest of European Union	-	-	-	-
RoW	-	-	-	-
Total	**998 958**	**6 920**	**205 876**	**53 335**

(*) The gross income of the consolidated income statement is taken as the business turnover.
(**) Number of full-time employee equivalents, taken from the staff of the Unicaja Banco Group working in each jurisdiction.

At 31st December 2018, the yield on the assets of the Unicaja Banco Group, calculated as the ratio between "Consolidated results for the period" from the consolidated income statement and the "Total assets" of the consolidated balance sheet, is 0.27% percent.

The detailed information on the companies within the consolidation perimeter of the Unicaja Banco Group that trade in each jurisdiction, including information on the name of the companies, geographic location and nature of their business, is available in Appendices I-II-III of this report.

As these appendices show, practically all of the business engaged in by the Group takes place in Spain, in the financial sector, with the emphasis on Unicaja Banco, S.A.'s (Unicaja Banco) commercial banking business.

Unicaja Banco has not received any subsidies or public aid.

UNICAJA BANCO, S.A. AND SUBSIDIARIES
(UNICAJA BANCO GROUP)

CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR 2018

1. Introduction

This Management Report presents the relevant facts and figures for the year 2018, so that Unicaja Banco Group's (hereinafter Unicaja Banco Group or the Group) situation and its business performance can be understood. The consolidated financial statements for fiscal year 2018, which this Management Report accompanies, have been filed in line with the International Financial Reporting Standards adopted by the European Union (EU-IFRS) and comply with the Bank of Spain Circular 4/2004, 22nd December, and subsequent amendments.

Unicaja Banco, S.A. (hereinafter Unicaja Banco, the parent company or the bank) was set up as a credit institution for an unlimited period on 1st December 2011. It originally operated indirectly through the financial bank of Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén - Unicaja (currently Fundación Bancaria Unicaja), as a result of the entry into law of Act 26/2013, 27th December.

The bank is bound by the rules and regulations governing banking institutions that operate in Spain. Other public information about the Bank may be found both on its official website (www.unicajabanco.es) and at its corporate headquarters (Avenida de Andalucía, 10 y 12, Malaga).

The Bank's corporate purpose is to carry out and pursue all manner of banking activities, transactions, business, contracts and services, in general and those directly or indirectly related to this business. These activities may be complementary to the banking business or pursuant to it, provided that they are permitted and not forbidden under legislation current at the time.

The Bank's purpose includes the provision of investment services and other related ancillary services, as well as carrying out insurance broking activities, either as an independent operator or through a relationship with a particular provider; the two may not be exercised at the same time.

By virtue of the articles of association, the activities, which are in line with the requirements of Act10/2014, 26th June, on the organisation, supervision and solvency of credit institutions and represent its corporate purpose, may be conducted wholly or in part, indirectly, in any of the forms admitted by law, and in particular by ownership of shares or interests in companies or in other entities whose purpose is identical, similar or complementary to such activities.

The Bank is registered in the Companies Registry of Malaga and as a credit institution in the Special Registry of the Bank of Spain with the number 2103. The Bank also holds a licence for the exercise of banking activity granted by the Ministry of Economy and Finance, in accordance with the provisions of article 1 and consistent with Royal Decree 1245/1995.

At 31st of December 2018, 49.68% of the Bank's share capital belonged to Fundación Bancaria Unicaja, the parent entity of both the bank and the Unicaja Group. Both the bank and its parent entity are based in Malaga, are subject to Spanish legislation and file their annual accounts in the Mercantile Registry of this city.

The Bank is at the head of a sub-group of subsidiary entities, with different activities that make up the Unicaja Banco Group. This is detailed in the consolidated financial statements for firscal year 2018.

Balance sheet & business turnover	€ million December'18	December'17	YTD € million	%
Total assets	57 504	56 332	1 172	2.1%
Performing loans and advances to customers (excluding valuation adjustments)[1]	25 613	25 908	(296)	-1.1%
Deposits from customers (excluding valuation adjustments)	42 861	45 373	(2 512)	-5.5%
Off balance sheet funds	12 586	12 699	(113)	-0.9%
Total customer funds	55 507	58 202	(2 695)	-4.6%
Of which: customers (non- market)[2]	*50 383*	*50 417*	(33)	-0.1%

(1) Excluding non-performing loans, repurchase agreements through counterparties institutions or with financial intermediaries, or other financial assets (mainly bonds to hedge market transactions)
(2) Not including repurchase agreements through counterparty institutions or financial intermediaries, or market issues

Results	€ million December'18	December'17	YoY € million	%
Net interest income	600.8	582.8	18.1	3.1%
Gross Margin	999.0	997.0	1.9	0.2%
Operating income (before impairments)	379.8	364.3	15.5	4.3%
Impairments and other results	173.9	224.5	(50.6)	-22.5%
Pre-tax income	205.9	139.8	66.1	47.3%
Consolidated results for the period	152.5	138.4	14.1	10.2%
Net income attributed to the parent company	152.6	142.4	10.2	7.1%

Profitability and efficiency	% December'18	December'17	YTD € million	%
ROE (net income for the year/average shareholders' equity)	4.0%	4.1%	n.a.	-0.1 pp
ROTE (net income for the year/ave. tangible comm shareholders' eq.)	4.0%	4.1%	n.a.	-0.1 pp
ROA (net income for the year/average total assets)	0.3%	0.2%	n.a.	0.0 pp
RORWA (Net income for the year/RWA)	0.7%	0.6%	n.a.	0.1 pp
Cost-to-income ratio (op. exp. excluding amort./gross margin)	58.3%	59.2%	n.a.	-1.0 pp

Solvency	€ m/% December'18	December'17	YTD € million	%
Equity	3 918	3 902	15	0.4%
Total Capital	3 580	3 650	(70)	-1.9%
Tier 1 eligible common capital (CET1)	3 533	3 532	1	0.0%
Additional Tier 1 eligible capital	48	42	6	13.7%
Tier 2 eligible capital	-	76	(76)	
RWA	22 871	24,239	(1 368)	-5.6%
Total Capital Ratio	15.7%	15.1%	n.a.	0.6 pp
CET1 ratio	15.4%	14.6%	n.a.	0.9 pp
Fully loaded CET1 Ratio	13.5%	12.8%	n.a.	0.7 pp

Risk Control	€ m/% December'18	December'17	YTD € million	%
Non-performing	1 926	2 710	(785)	-29.0%
NPL ratio	6.7%	8.7%	n.a.	-2.0 pp
NPL coverage ratio	53.0%	50.0%	n.a.	3.0 pp
Cost of credit risk	0.0%	0.2%	n.a.	-0.2 pp
Foreclosed real estate available for sale (gross)	1 661	1 872	(210)	-11.2%
Foreclosed assets coverage ratio	62.2%	64.0%	n.a.	-1.7 pp

Liquidity	€ m/% December'18	December'17	YTD € million	%
Gross liquid assets	21 919	20 829	1 090	5.2%
Net liquid assets	13 939	14 177	(238)	-1.7%
Net liquid assets/Total assets	24.2%	25.2%	n.a.	-0.9 pp
LTD Ratio	73%	76%	n.a.	-3.0 pp
Liquidity Coverage Ratio (LCR)	468%	701%	n.a.	-232.8 pp
Net Stable Financial Ratio (NSFR))	139%	134%	n.a.	5.0 pp

Other information	Units December'18	December'17	YTD Number	%
Branches in Spain	1 153	1 227	(74)	-6.0%
ATMs	1 462	1 515	(53)	-3.5%
Average number of employees	6 920	7 200	(280)	-3.9%

Credit rating		December'18
Fitch	Short term	F3
	Long term	BBB-
	Outlook	Stable
Moody´s	Long term deposits	Baa3
	Short term	Prime-3
	Outlook	stable

2. Economic and financial environment

Throughout the last quarter of 2018, economic activity on the international arena was influenced by increased uncertainty and the likelihood that possible risks in trade flows could materialise. Nevertheless, on balance the year has been positive for both the global and the Spanish economy. The latest reports from the OECD and the European Commission indicate that the growth rate in global production was 3.7% in 2018, while Gross Domestic Product (GDP) is expected to grow by 3.5% in 2019.

Concerns about trade relations, together with persistent political risks, have created lack of clarity that has impacted on the decisions being taken by economic agents. This has coincided with political tensions in Europe that have focused particularly on Italy and Brexit negotiations. In the first case, uncertainty about the Italian government's economic policy triggered the sale of Italian sovereign debt and has damaged confidence in the country. Approval for the Brexit pre-deal reached between London and Brussels, meanwhile, has not been backed up by the British Parliament, so that uncertainty has not been dispelled.

Another potential risk derives from a hike in the oil price. Despite the significant increase in US and Russian production, the price of Brent crude has remained high since the beginning of the year, driven mainly by constant increase in demand, alterations in supply from Venezuela and uncertainties around the impact on Iranian production in the face of US sanctions. The possible slowdown in the demand for crude over the next few quarters also creates high price volatility.

The OECD believes that in the short term the policies adopted and the increase in employment will continue to support domestic demand. However, forecasts point to increasingly tight macroeconomic policies, difficulties resulting from trade tensions – especially between the US and China –, less stable financial conditions and higher oil prices. For these reasons, GDP growth in the OECD area is expected to slow gradually.

These projections are similar to those of the European Commission, which emphasises that the EU's economy is still growing, for its sixth consecutive year, forecasting that in 2019 and 2020 GDP will grow in all Member States. But it also acknowledges that the rate of expansion has tapered –the peak was reached in 2017– and expects this moderate slowdown to continue for the next two years. Specifically, GDP growth is expected to have slowed by 0.3 p.p., from a rate of 2.4% in 2017 to 2.1% in 2018. Furthermore, GDP in the Eurozone is projected to moderate to 1.9% in 2019, itself a slight correction to the downside from pre-summer expectations.

The Commission anticipates that inflation will rise in the next two years, although price tensions are not expected to weigh on monetary policy decisions. Conditions in the job market are forecast to continue improving and the downward trend in the unemployment rate to continue over the forecast horizon, bringing the average unemployment rate in the EU as a whole down to 7.5% and in Spain to 13.3%, by 2020.

The European executive's report stresses that the slowdown in expansion is accounted for by exogenous factors: weaker global trade due to the greater obstacles to transactions, the increase in uncertainty and more expensive oil. It argues that Europe's internal growth drivers ought to enable activity to maintain its momentum and create employment. Investment is also referenced as providing structural support for the real economy's expansionary profile in the Eurozone since, despite expectations about economic confidence, financing terms will be favourable.

At its last board meeting, in mid-December, the Eurozone's monetary authority confirmed that it was stopping its net asset purchase programme that very month. Nevertheless, it decided to keep interest rates on the main refinancing transactions, the marginal lending facility and the deposit facility unchanged at 0.00%, 0.25% and minus 0.40%, respectively, committing to maintain these rates until at least the summer of 2019 and, in any event, as long as is necessary to stick to the targets set by the ECB. Similarly, its statement reiterated its intention to reinvest all the principal on the securities bought under this programme that mature for an extended period of time.

Meanwhile, the Federal Reserve has already raised the official interest rate by 225 base points since the end of 2015 At the same time, it has begun to gradually reduce its sovereign debt and mortgage securities positions, although this process of absorbing such a large amount of money in circulation is still incipient. In fact, expectations that benchmark interest rates still have upside over the next few months has caused a spike in short-term yields.

Against this international backdrop, the Spanish economy continues to report high, although slightly moderating, growth rates. This trend also began crossing over into the performance over time of growth forecasts throughout the year, with a GDP forecasts increase in the final months of the year of around 2.6% for 2018. In mid-December the Bank of Spain set its forecast at 2.5%, which was 0.1 p.p. below most forecasting institutions' estimates, and also below the Spanish Government's own estimate, made in October. Projections for 2019 put GDP growth at around 2.2% or 2.3%.

Once again, in 2018-2019 the Spanish economy is forecast to grow faster than the average for the Eurozone, which will help to mitigate the convergence gap. Furthermore, the data profile up to the third quarter of 2018 shows how GDP growth has been exceptionally expansive since the end of the crisis. On the contrary, the rising profile of employment –apart from the more seasonal effects on performance– has still not reached its pre-crisis level. Meanwhile, the signs of retrenchment visible in the active population (work force) since 2013 represent a risk for the potential growth of the Spanish economy.

When we look at the Bank of Spain's forecasts of a gradual moderation in the momentum of domestic private demand, these are compatible with an increase in spending (1.9% and 1.5% in 2019 and 2020, respectively), that will be supported by job creation and wage improvements, as well as by investment (with expansion rates in the last item of 4.7% and 3.6% over the next two years). The negative contribution of net external demand to GDP growth –which in 2018 was somewhat affected by the deterioration of international trade– will tend to diminish.

Nevertheless, we should bear in mind that –as with any forecast– the macroeconomic outlook predicted is based on a series of hypotheses and certain technical assumptions; should these suffer alterations, this would also affect the behaviour of the national economy's main aggregates. Thus, average short-term interest rates (Euribor 3 months) in 2019 will remain negative, with rates similar to those of 2018. Yields on long-term debt will tick up slightly (1.4% in 2019) and edge up gradually over the next two years (to 1.9% in 2021). Oil prices will slide a little, with the price of Brent crude estimated at just under USD 70. Restraint in energy prices and other commodities, coupled with weakening domestic demand, will put pressure to the downside on inflation over the EMU area as a whole.

We should emphasise that the high levels of unemployment are forecast to drop, with the average annual rate falling to below 14% in 2019, according to most bodies, thanks to the sustained annual job creation. Inflation is also expected to rise, although no faster than in 2018, when the rate of price variation was about 1.8%. The Spanish economy's external surplus is forecast to shrink too, because of a less favourable external outlook, and more expensive energy imports. But in any case, the forecasts do not anticipate that the Spanish economy's current account balance will move into the red from its current positive position, but merely that some of the surplus will be shaved off.

Looking at public accounts, the forecast consensus appears to indicate that the deficit target for 2018 (-2.7%) may have been achieved, while forecasts for 2019 come in at -2.4%. From the private-sector perspective, the Spanish economy has cut its indebtedness significantly and, although the principal risks come from abroad, we should not forget that structural problems persist that could also prevent a more solid expansion in the next few years. A hypothetical deterioration of the turbulence in international markets or an episode of greater uncertainty could undermine household and corporate confidence, affecting domestic demand. Indeed, private spending has been fundamental to the Spanish economy's healthy expansion rate, but is expected to slow in the next few quarters.

The information available about the situation in the fourth quarter suggests a very similar rate of productive activity growth to the third quarter and is based on the (non-trending) acceleration in indicators such as labour affiliation, industrial production, the service sector PMI, retail sales and confidence indicators. The tendency of these supports the forecasts of a gentle slowdown for the Spanish economy, since the positive performance in the final months of 2018 is compatible with forecasts of a slightly slower rate of growth in 2019.

When we look at the information on employment, the figure for those in work retains a fairly expansionary curve, with an estimated year-on-year growth rate of 2.5% in the third quarter. For the next few quarters, employment figures are expected to continue performing well (with a related fall in unemployment), but losing some momentum, given the expected flattening out of the Spanish economy's growth rate.

3. Highlights of the period

Unicaja Banco Group posted net profit for 2018 of EUR 153 million, 10.2% higher than that recorded during the same period a year earlier.

Unicaja Banco improves its key banking activity indicators:

- Net interest income is up against the same period last year (3.1%).
- Fees have risen by 2.4% within a constant perimeter in the year.
- Operating expenses have fallen by 2.2% in the year.
- Impairments drop significantly in 2018, in which both credit and foreclosures recorded net recoveries.

Commercial activity continued to improve, both in terms of loans and customer funds:

- Loan production increased by 21% in the SMEs and individuals segment compared to the same period in 2017.
- On-balance sheet customer funds grew and total sums are virtually unchanged, affected by the negative impact on off-balance sheet funds of the performance of markets.

Risk indicators remain positive, having come close to reaching in 2018 the NPA target for 2020 set in the IPO:

- NPAs fell by 21.7% (EUR 995 million), with NPLs and foreclosed assets falling by 29% and 11.2%.
- The NPL ratio dropped by -2.0 p.p. in the year. This did not significantly impact the coverage levels both for non-performing loans and foreclosed assets (53.0% and 62.2%, respectively.)

Financial robustness and high liquidity levels:

- The Group has a comfortable liquidity position, with a LTD ratio of 73% and net liquid assets accounting for 24.2% of the balance sheet.
- The regulatory CET1 stands at 15.4% and fully loaded at 13.5% and has a surplus of EUR 1,674 million above SREP requirements for 2018.
- High capital levels make it possible to predict that in 2018 the proportion of profit used to pay out dividends will be 40%, the percentage forecast for 2020 when the bank went public.

4. Profitability and write downs

The Group reported a net profit of EUR 153 million for 2018. This net profit comes in the first instance from core income (net interest income and fees) of EUR 820 million, which amounts to 1.43% of total average assets, and which has risen by 2.1% in the year (2.9% if the integration of the insurance companies is stripped out). Net interest income grows by 3.1% compared to the previous year. This improvement is due to lower funding costs and to the higher contribution made by the fixed income portfolio. Meanwhile, net fees have grown by 2.4% from the same period the year before without taking into account the integration of the insurance companies.

Income Statement. Unicaja Banco Group
€ millions

	dic-18	dic-17	Abs. Val.	% change
Net interest income	**600.8**	**582.8**	**18.1**	**3.1%**
Fees	218.8	220.1	-1.3	-0.6%
Dividends and other income from shareholdings	59.7	71.9	-12.1	-16.9%
Trading income + exchange differences	142.1	98.3	43.8	44.6%
Other operating income/expenses	-22.5	24.0	-46.5	-193.8%
Gross income	**999.0**	**997.0**	**1.9**	**0.2%**
Operating expenses	619.2	632.8	-13.6	-2.2%
Operating income before impairments	**379.8**	**364.3**	**15.5**	**4.3%**
Provisions, impairments and other results	173.9	224.5	-50.6	-22.5%
Pre-tax income	**205.9**	**139.8**	66.1	**47.3%**
Income tax	53.3	1.3	52.0	3878.4%
Consolidated results for the period	**152.5**	**138.4**	**14.1**	**10.2%**
Results attributed to the parent company	***152.6***	***142.4***	**10.2**	***7.1%***

At the close of 2018, customer spread remained at a level similar to that of the beginning of the year.

YIELDS & COSTS

Million euros / %	December-2018			December-2017			YoY			Breakdown of change(YoY)		
	Average balances	FI/FE	Yield/ cost (%)	Average balances	FI/FE	Yield/ cost (%)	Average balances	FI/FE	Yield/ cost (%)	Balance effect	Price effect	Joint effect
F.I. intermediaries & reverse repos	5,125	-14	-0.28	3,661	-8	-0.22	1,465	-6	-0.06	-3	-2	-0.9
F.I. fixed income portfolio	17,827 [1]	231	1.30	17,418	219	1.26	408	12	0.04	5	6	0.2
F.I. Net loans	**27,023**	**545**	**2.02**	**28,289**	**608**	**2.15**	**-1,266**	**-63**	**-0.13**	**-27**	**-37**	**1.7**
F.I. other assets	7,442	5	0.07	6,942	5	0.07	500	0	0.00	0	0	0.0
TOTAL ASSETS	**57,417**	**768**	**1.34**	**56,310**	**824**	**1.46**	**1,107**	**-57**	**-0.13**	**16**	**-72**	**-1.4**
F.E: intermediaries & sight accounts	7,645	-19	-0.25	6,836	-11	-0.17	809	-8	-0.08	-1	-6	-0.7
F.E. issues (incl. mortgage c.b.)	4,819	104	2.17	6,023	116	1.92	-1,203	-11	0.25	-23	15	-3.0
F.E. customer deposits*	**37,348**	**76.3**	**0.20**	**36,585**	**92**	**0.25**	**762**	**-16**	**-0.05**	**2**	**-18**	**-0.4**
Sight deposits	26,509	12	0.05	23,840	15	0.06	2,670	-3	-0.02	2	-4	-0.4
Term deposits	8,294	63	0.76	10,490	76	0.73	-2,196	-13	0.03	-16	3	-0.7
F.E: subordinated liabilities	0	0		376	40	10.66	-376	-40	-10.66	-40		
F.E: other liabilities	7,605	5	0.07	6,490	5	0.07	1,115	0	-0.01	1	-1	-0.1
TOTAL LIABILITIES & EQUITY	**57,417**	**167**	**0.29**	**56,310**	**242**	**0.43**	**1,107**	**-75**	**-0.14**	**5**	**-78**	**-1.5**
CUSTOMER SPREAD*			**1.81**			**1.90**			**-0.08**			
NET INTEREST INCOME	**57,417**	**601**	**1.05**	**56,310**	**583**	**1.03**	**1,107**	**18**	**0.01**	**11**	**6**	**0.1**

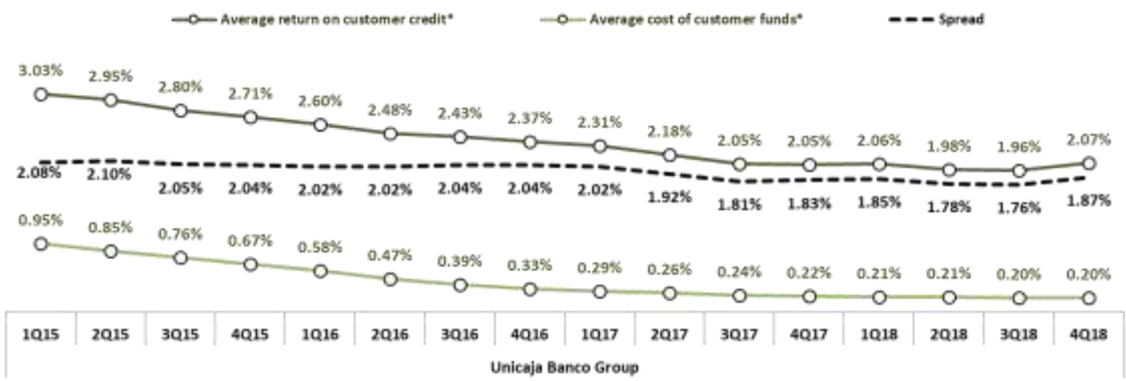
F.I : Financial income
F.E. Financial expense
(*) F.I. Net lending less F.C. of customer deposits

(1) It does not include Fixed Income Portfolio from Unión Duero Vida and Duero Pensiones.

Quaterly performance of average customer business spread. Unicaja Banco Group.

	Unicaja Banco Group																Average	Average	Average	Average
	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	2015	2016	2017	2018
Average return on customer credit*	3.03%	2.95%	2.80%	2.71%	2.60%	2.48%	2.43%	2.37%	2.31%	2.18%	2.05%	2.05%	2.06%	1.98%	1.96%	2.07%	2.87%	2.47%	2.15%	2.02%
Average cost of customer funds*	0.95%	0.85%	0.76%	0.67%	0.58%	0.47%	0.39%	0.33%	0.29%	0.26%	0.24%	0.22%	0.21%	0.21%	0.20%	0.20%	0.81%	0.44%	0.25%	0.20%
Spread	2.08%	2.10%	2.05%	2.04%	2.02%	2.02%	2.04%	2.04%	2.02%	1.92%	1.81%	1.83%	1.85%	1.78%	1.76%	1.87%	2.07%	2.03%	1.90%	1.81%

(*)Excluding Repo and reverse repurchase agreements



(*)Excluding Repo and reverse repurchase agreements

Meanwhile, net fees are slightly down in the year (-0.6); if the integration of the insurance companies is stripped out, fees would have grown 2.4% in the year. The growth in fee income for the period is mainly in contingent risks and commitments and in non-banking securities and products.

Net trading income and exchange differences, with revenues of EUR 142 million, were 45% higher than the previous year and were accounted for, mainly, by sales made in the last quarter of 2018. These will fund the staff reduction agreements made with the employees' representatives in the fourth quarter.

Results for other operating income /expenses were EUR -23 million. We should note that in 2017 income of EUR 25 million from restructuring the bancassurance deal was booked here, as well as the results from real estate activity was EUR 31 million higher than results over the same period in 2018. Lastly, this item has also been affected by the loss of income due to the sale in the first quarter of 2017 of certain companies in the Group and to the integration into the consolidation perimeter of Unión Duero Vida and Duero Pensiones.

Another significant feature of the statement for this period is the change in transformation expenses (administrative expenses plus amortizations and depreciations), which have fallen by 2.2% from the previous period. The application of a strict policy of cost containment and rationalization, and the attainment of the synergies envisaged in the Business Plan, have resulted in a decrease in administrative expenses of EUR 8 million and EUR 5 million in amortisation and depreciation.

Finally, impairments and other net income is down 23% YoY. This reduction was particularly steep in loan impairments, firstly, which in the year to December have posted net recoveries of EUR 4 million, as opposed to the charge in the previous year of EUR 49 million, and secondly, in foreclosed assets results, which yielded recoveries of EUR 6 million, as opposed to impairments of EUR 43 million in 2017. All this demonstrates the Group's capacity to reduce its exposure to NPLs and foreclosed assets, without having a significant impact on the income statement and, as we have pointed out in earlier paragraphs, without affecting its high coverage ratios.

Breakdown of impairments and other results
€ millions

	Dic-18	Dic-17	Change
Credit impairments	4.0	-48.6	52.6
Foreclosed assets impairments	6.0	-43.1	49.1
Provisions & other results	-183.9	-132.8	-51.1
TOTAL IMPAIRMENTS AND OTHER RESULTS	**-173.9**	**-224.5**	**50.6**

5. Business magnitudes

The volume of total customer funds managed by the Group rose at the close of December 2018 to EUR 55,507 million.

Customer funds. Unicaja Banco Group.
€ millions. Excludes value adjustments.

	31/12/2018	Compos.	31/12/2017	chg. year.	%chg. year.
Total funds on balance sheet	**42,921**	**77.3%**	**45,503**	**-2,582**	**-5.7%**
Customer deposits	**42,861**	**77.2%**	**45,373**	**-2,512**	**-5.5%**
Public sector	**2,568**	**4.6%**	**2,638**	**-69**	**-2.6%**
Private sector	**40,293**	**72.6%**	**42,736**	**-2,443**	**-5.7%**
Sight deposits	27,312	49.2%	25,356	1,955	7.7%
Term deposits	11,713	21.1%	14,222	-2,509	-17.6%
Repurchase agreements	1,268	2.3%	3,157	-1,889	-59.8%
Issues	**60**	**0.1%**	**130**	**-70**	**-53.8%**
Promissory notes	0	0.0%	0	0	-
Mortgage securities	60	0.1%	130	-70	-53.8%
Other securities	0	0.0%	0	0	-
Subordinated liabilities	0	0.0%	0	0	-
Off-balance sheet funds	**12,586**	**22.7%**	**12,699**	**-113**	**-0.9%**
TOTAL CUSTOMER FUNDS	**55,507**	**100.0%**	**58,202**	**-2,695**	**-4.6%**
Of which:					
Retail customer funds	**50,383**	**90.8%**	**50,417**	**-33**	**-0.1%**
Of which: on balance sheet	*37,798*	*68.1%*	*37,718*	*80*	*0.2%*
Markets	**5,124**	**9.2%**	**7,785**	**-2,662**	**-34.2%**

The bulk of managed funds are customer deposits (EUR 42,861 million), of which EUR 27,312 million are private sector clients' sight deposits, EUR 11,713 million are term deposits (including EUR 4,249 million in non-negotiable mortgage covered bond issues) and EUR 1,268 million are repos. Off-balance sheet funds managed with various instruments and insurance reached EUR 12,586 million, made up mostly of customer funds raised through investment funds (EUR 5,588 million), pension funds (EUR 2,301 million) and savings insurance (EUR 3,963 million). The balance of issues included under total customer funds is limited to EUR 60 million and consists of mortgage securities exclusively in the hands of third parties.

As to the origin of the funds, 91% (87% at year-end 2017) relates to retail customers' business (EUR 50,383 million), while the remaining 9% (EUR 5,124 million) is represented by funds raised in wholesale markets through issuances or repos.

Total managed retail customer funds (excluding public administrations) rose 0.1% in the previous 12 months, while the total in the balance sheet (excluding public administrations) is up by 0.4%, with an increase of 7.7% in at sight deposits. Total customer funds decreased in the year by 0.1%, due to the uneven performance during the year of on-balance sheet funds, which edged up by 0.2%, and off-balance sheet funds that slid by 0.9%. Throughout the year, retail customer funds continued to move across from term to sight deposits. Finally, we should point out that the weight of off-balance sheet funds has diminished slightly, as a result of unfavourable market performance, which has triggered, on the one hand, a fall in total equity by value, and on the other, an increase in reimbursements to less volatile products, such as sight deposits.

Loans and advances to customers (without valuation adjustments) amounted to EUR 28,703 million at the close of December 2018. The largest weight in the loan portfolio corresponds to credit to the private sector, supported by collateral representing 60% of all credit.

Loans & advances to customers of Unicaja Banco Group
€ millions.

	31/12/2018	Compos.	31/12/2017	abs. v.	rel.v.
Public sector	**1,366**	**5%**	**1,524**	**-158**	**-10.4%**
Private sector	**27,337**	**95%**	**29,513**	**-2,177**	**-7.4%**
Retail credit	356	1%	336	20	6.1%
Debtors with collateral	17,206	60%	17,811	-605	-3.4%
Reverse purchase agreements	1,041	4%	2,221	-1,180	-53.1%
Other financial assets	123	0%	198	-75	-37.7%
Other term loans	5,666	20%	5,377	288	5.4%
Overdrafts and other	2,945	10%	3,570	-626	-17.5%
Total loans and advances to customer, excluding valuation adjustments	**28,703**	**100.0%**	**31,038**	**-2,334**	**-7.5%**
Impairment corrections and other valuation adjustments	-1,052		-1,400	347	-24.8%
Total loans and advances to customers	**27,651**		**29,638**	**-1,987**	**-6.7%**
Memorandum entry:					
Performing loans and advances - customers (no valuation adjustments)(*)	***25,613***		***25,908***	***-295***	***-1.1%***

(*) Not including NPLs, repurchase agreements through counterparties or with financial intermediaries, or other financial assets (mainly bonds to hedge market transactions)

Loans classified by credit risk(*)
€ millions

	31/12/2018	Compos.	31/12/2017	abs. v.	rel.v.
TOTAL LOANS AND ADVANCES TO CUSTOMERS	**28,703**	**100%**	**31,038**	**-2,335**	**-7.5%**
1. Performing loans to public sector	**1,353**	**5%**	**1,522**	**-169**	**-11.1%**
2. Performing loans to private sector	**24,260**	**85%**	**24,386**	**-126**	**-0.5%**
Corporates	**6,557**	**22.8%**	**6,144**	**413**	**6.7%**
Real Estate development and construction	496	1.7%	572	-76	-13.3%
All other companies	6,061	21.1%	5,572	489	8.8%
SMEs and self-employed	3,626	12.6%	3,518	108	3.1%
Large corporations	2,307	8.0%	1,864	444	23.8%
Civil engineering works	128	0.4%	191	-63	-33.0%
Individuals	**17,703**	**61.7%**	**18,242**	**-539**	**-3.0%**
Housing	15,299	53.3%	15,900	-601	-3.8%
Other	2,404	8.4%	2,343	61	2.6%
3. NPLs	**1,926**	**6.7%**	**2,710**	**-785**	**-29.0%**
4. Reverse purchase agreements and other	**1,164**	**4.1%**	**2,419**	**-1,255**	**-51.9%**

(*) Excludes valuation adjustments

Performing loans balance of the Entity stands at EUR 26,777 million. Of this, EUR 1,353 million correspond to loans to public sector, EUR 24,260 million to private sector loans and EUR 1,164 million to reverse repos and other unclassified balances, the latter being mainly collateral for financing transactions in markets and derivatives. By portfolio type, the most important are retail home loans with mortgage guarantees, representing 53.3% of total performing loans, and the SME and self-employed portfolio, accounting for another 12.6% with latter growing in weight since the close of 2017.

Performing loans have a year-on-year negative evolution, but are close to the tipping point. This is thanks to the Group's strong commercial performance, with significant volumes of new lending, accounting for EUR 3,248 million, representing increases of 18% in SMEs, 19% in mortgages to individuals and 33% in consumer loans and others, compared to the same period in the previous financial year. In the public sector and corporates, production stands at EUR 965 million, not greater than the previous period, pursuing a strategy of prioritising profitability over volume in these segments.

Performing loans to the public sector have fallen 11.1% over the year, as a result of a number of early transaction terminations, while in the private sector it has contracted only 0.5%, marked by the performance of mortgage volumes to individuals, where softening is slowing quarter-on-quarter compared to the same quarters the previous year. On the positive side, corporate credit and consumer loans and other have increased.

6. Credit quality

The Group continues to show a solid ability to consistently reduce NPLs which stood at EUR 1,926 million at the close of December 2018, representing a 60% drop in NPLs since the end of 2014.

In the previous 12 months, it has fallen by 29% (EUR -785 million), representing a further improvement in the NPL ratio, which has edged to 6.7%. Gross entries for the year stood at less than EUR 100 million per quarter, and less the 50 million over the last two quarters of the year. On the other hand, there is a significant improvement in recoveries, which, together with selective portfolio sales and excluding write-offs, means the Entity has recorded eleven consecutive quarters of net outflows (if the effect of the Banks of Spain Circular 4/2016 in Q4 2016 is stripped out).

This drop in non-performing balances is occurring without damaging our high coverage ratios, which have been reinforced since IFRS 9 came into effect and amounted to 53.0% at the close of December 2018, above that at the start of the financial year.

7. Foreclosed assets

At year to December 2018, the net balance of foreclosed assets, net of provisions, amounted to EUR 627 million euros (Eur 1,661 million gross), representing only 1% of Unicaja Banco Group's total assets. 50% of the foreclosed assets, at net book value, are finished new housing and used housing.

Foreclosed real estate assets. Unicaja Banco Group
December 2018. € millions

	Net book value	Value adjust.	Gross value	Coverage (%)
Real estate from construction & development	**277**	**634**	**911**	**69.6%**
Finished buildings	63	76	138	54.7%
Buildings under construction	54	75	129	58.1%
Land	160	484	644	75.1%
From retail mortgages	**254**	**240**	**494**	**48.6%**
Other foreclosed assets	**97**	**160**	**256**	**62.3%**
TOTAL FORECLOSED ASSETS	**627**	**1,034**	**1,661**	**62.2%**

Note: The amount of the hedge includes both value corrections from impairments linked to foreclosures and the hedges prior to acquiring the assets, which covered the impairment of the credit instruments from which they came.

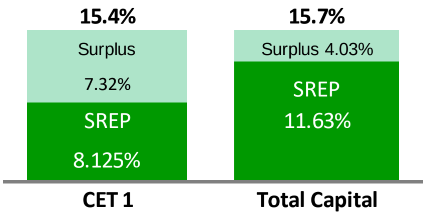
Following Unicaja Banco Group's conservative policy, the provisioning for foreclosed assets was EUR 1,034 million at the close of December 2018. This represents a coverage of 62.2%.

8. Solvency

Unicaja Banco Group has a common equity tier 1 ratio (CET1) of 15.4% and a total capital ratio of 15.7%. This represents an increase of 0.9 p.p. in CET1 and 0.6 p.p. in total capital versus the 2017 year-end closing. The Bank's capital improved when taking into account, on the one hand, the negative impact (-0.4 pp) from the integration of the life insurance firms and pension funds (formalised in the first quarter of 2018), and on the other, the application of IFRS 9 which had a positive 0.7 p.p. impact at 1st January 2018, made possible thanks to the application by the Entity of the transition period applicable with the entry into force of the regulation (without this period, the impact would have been +0.4 pp).

In fully loaded terms Unicaja Banco has a CET1 ratio of 13.5% and a total capital ratio of 13.7%. This represents 0.7 pp increase in the CET1 ratio and a 0.4 pp increase in the total capital ratio, compared to December 2017.

The levels required by the ECB (including progressive application of systemic and conservation buffers) for 2018, sets the CET1 ratio at 8.125% and the total capital ratio at 11.625%. This means that the Group has at December 2018 a surplus of 732 basis points (EUR 1,674 million) over its CET1 requirements and of 403 basis points (EUR 922 million) over its total capital requirements.



The Texas ratio comes in at 61.2% at the close of December 2018. The lower this ratio, the better the quality of the balance sheet and liquidity. In the case of the Group, the ratio has gone down by 11.2 pp in the year.

Finally, the quality of the institution's balance sheet and its liquidity levels allow a proposal to be submitted for approval at the next Annual General Meeting to pay out a cash dividend of 40% of profits, bringing forward by two years the goal set for 2020 when the entity went public.

9. Liquidity

Unicaja Banco Group had at 31 December 2018 a liquid and discountable assets position at the European Central Bank, net of assets used, of EUR 13,939 million, representing 24.2% of the total balance sheet, reflecting a stable performance of around 24-25% on a quarter-on-quarter basis. This large volume of liquid assets will enable the forthcoming wholesale funding maturities in the markets to be managed comfortably (EUR 668 million in 2019 and EUR 325 million in 2020).

Discountable liquid assets of the Unicaja Banco Group
€ millions

Liquid Assets	Dic'18
Cash surplus (1)	3,712
Discountable reverse repos	2,293
Fixed income portfolio and other discountable assets at ECB	15,914
Total liquid assets (at ECB discount value)	**21,919**
Used liquid assets	
Taken in the ECB	3,316
Repos and other pledges	4,664
Total used liquid assets	**7,980**
Discountable liquid assets available	**13,939**
Percent of total assets	**24.2%**

(1) Interbanking deposits + surplus in ECB account and operating accounts

Maturing debt securities
€ millions

	Issues (*)
2019	668
2020	325
2021	690

(*) Includes multi-issuer covered bonds.

The Group's high liquidity levels are reflected in its LTD ratio which, at the end of December 2018, stands at 73%, lower than year-end 2017, due to the performance of the business discussed.

LTD ratio performance Unicaja Banco Group (*)	**Ratio %**
Year-end 2013	109%
Year-end 2014	91%
Year-end 2015	82%
Year-end 2016	83%
Year-end 2017	76%
Year-end 2018	73%

(*) Loan to deposits (no valuation adjustments in either case). Excludes transactions balances in wholesale markets for both credit and deposits.

10. Branch network

Unicaja Banco Group operates exclusively in Spain and mainly in the autonomous communities of Andalusia, Castilla y León and Madrid, Castilla La Mancha and Extremadura. 83% of Unicaja Banco Group's offices are in the Communities of Andalusia and Castilla y León; of these, the provinces of Málaga (with 17%), León (8%), Valladolid (7%), Salamanca (7%) and Almería (7%), have the greatest specific weighting in the Unicaja Banco Group. At 31st December 2018, Unicaja Banco Group had a network of 1,154 branches: 1,153 offices in Spain, in 38 provinces and in Ceuta and Melilla; and 1 correspondent office in the United Kingdom (offices "open to the public" according to the Bank of Spain's definition include "ventanillas desplazadas" (or small branches with reduced business hours and offices abroad).

Business network distribution					
Country	Autonomous Region	Branches open to public at 31/12/2018		Branches open to public at 31/12/2017	
		Number of branches	Share (%)	Number of branches	Share (%)
SPAIN	Andalucia	544	47.1%	584	47.6%
	Aragon	1	0.1%	1	0.1%
	Asturias	3	0.3%	3	0.2%
	Cantabria	1	0.1%	1	0.1%
	Castile-Leon	415	36.0%	419	34.1%
	Castile-La Mancha	53	4.6%	66	5.4%
	Catalonia	1	0.1%	2	0.2%
	Ceuta	1	0.1%	1	0.1%
	Community of Valencia	2	0.2%	4	0.3%
	Extremadura	52	4.5%	52	4.2%
	Galicia	6	0.5%	6	0.5%
	La Rioja	1	0.1%	1	0.1%
	Madrid	67	5.8%	80	6.5%
	Melilla	3	0.3%	3	0.2%
	Murcia	1	0.1%	2	0.2%
	Navarra	1	0.1%	1	0.1%
	Basque Country	1	0.1%	1	0.1%
Total number of branches Spain		**1,153**	**99.9%**	**1,227**	**99.9%**
Country	City	Branches open to public at 31/12/2018		Branches open to public at 31/12/2017	
		Number of branches	Share (%)	Number of branches	Share (%)
UK	London	1	100.0%	1	100.0%
Total num. of branches abroad		**1**	**0.1%**	**1**	**0.1%**
Total branches		**1,154**	**100%**	**1,228**	**100%**

At 30th September 2018, according to the Statement FI-132 on market share published by Bank of Spain, in the autonomous communities of Andalusia and Castilla-Leon, the bank's market share of customer deposits was 13.3% and 21.9% respectively, and of customer loans 10.3% and 13.7% respectively. Unicaja Banco Group had 12.6% of the branches in Andalusia and 20.8% of those in Castilla y León, according to the latest information available from the Bank of Spain on 30th of September 2018.

11. Risk management

The risk management and control system rolled out by the Unicaja Banco Group is organised in accordance with the following basic mechanisms:

- The governance and organisation system in the risk function is abed on the participation and active supervision on the part of Senior Management, who approves the general business strategies and policies of the Bank and sets the general lines of risk management and control in the entity.
- A Risk Propensity Framework (also known as the Risk Appetite Framework, or RAF) that is put in place in the Unicaja Banco Group as a fundamental instrument for implementing risk policy.
- The Group follows a conservative approach to risk exposure and strives to maintain a permanently prudent and balanced risk profile, keeping to its solvency, profitability and capital adequacy targets.
- A selection of suitable risk measurement, management and control as well as reporting methods in continual improvement and in line with the regulatory requirements, and, at the same time, bringing own resources' requirements in line with the level of risk arising from the banking business.
- A supervision model based on three lines of defence, in line with the expectations of the supervisory and regulatory authorities.

At the Unicaja Banco Group, policies, methods and procedures related to Global Risk Management are approved by the Board of Directors.

Centred on legal framework in force, the organizational structure of Unicaja Banco includes the Global Risk Control and Supervisor Relations Division, which reports to Unicaja Banco's Control, Strategy and Supervisor Relations Division. It is functionally independent of the areas that originate the risk.

One of the duties of this Department is to take overall control of all the risks incurred by the Bank. On a departmental level, the organisation has a well-defined internal structure that acts as support and allows the decisions taken to be implemented.

2.1. Risk Appetite Framework

The management and control of the Group's risks is organised by policies that include the "Risk Appetite Framework", which is adopted by the Bank's Board of Directors.

The Unicaja Banco Group uses the RAF as an instrument for implementing the Group's risk policy and as a key management and control tool that allows it to: (i) formalise the statement of risk appetite; (ii) formalise the mechanism for supervising and monitoring risks, such that compliance with the risk appetite is ensured and (iii) reinforce its risk culture.

The development of this Framework as the Group's general risk policy is organised as a fundamental element in the management and control of the Bank, providing the Board of Directors and the Senior Management with an integral framework that determines the risks that the Bank is willing to take to reach its business objectives. It also sets out a range of metrics for its quantification, control and monitoring, which allow the Bank to react to certain levels or situations. These metrics characterise the target behaviour of the Unicaja Banco Group, and they are transversal for the entire organisation, allowing the risk appetite culture to be transmitted to all levels in a systematic and understandable manner. They summarise the Group's objectives and limits, making them highly useful for communication to lobby groups, if any, and they are uniform, as they are applied throughout the organisation.

The Group has a system for identifying material risks. This establishes methods for quantifying all the risks to which the Bank is exposed. It also defines criteria for selecting risks that are material and, thus, require more intensive management. This intensive management entails, among other things, allocating internal capital within the Internal Capital Adequacy Assessment Process (ICAAP), or, in the case of liquidity risk, the allocation of a liquidity management buffer as part of the Internal Liquidity Adequacy Assessment Process (ILAAP). The process of quantifying and identifying material risks is conducted recurrently, allowing the Bank to identify emerging risks at all times.

Taking this process as a base, the appetite and tolerance is established in the Risk Appetite Framework for at least each and every material risk, using a qualitative statement to select a set of risk indicators or metrics and a calibration methodology is defined that allows target thresholds, early warnings and limits to be established.

The Unicaja Banco Group's Risk Appetite Framework considers the impact of all its subsidiaries, especially EspañaDuero's risk because of its significant character and importance in terms of the Group's solvency.

The Global Risk Control Department (CRO - Chief Risk Officer) monitors compliance with the Risk Appetite Framework using the existing metrics for each kind of risk. Any findings are put to the Risk Committee and to the Board of Directors.

Finally, the Bank has integrated the Risk Appetite Framework into other key processes: the Business Plan, the ICAAP, the ILAAP, corporate risk policies and the Recovery Plan.

2.2. Risk governance framework

The management and control model requires a robust, efficient organisational structure. This requires the effective involvement of the Board of Directors and the Senior Management, and it must have suitable coordination with the Organisation as a whole.

Below is a list of levels directly involved, indicating their main functions and responsibilities in the area of risk management and control.

- Board of Directors

All policies, methods and procedures related to Global Risk Management are approved by the Board of Directors. Hence, the main risk management and control functions attributed to this body are:

- Approve the risk control and management policy, including tax policy, and a periodic monitoring of the internal reporting and control systems.
- Approve the RAF and subsequent amendments, at the proposal of the Risk Committee.
- Analyse, at least every six months, a report presented by the Risk Committee on the implementation of the RAF, notwithstanding any other information that may be required at any time.
- Take the RAF into consideration in the ordinary management of the Bank and especially, in adopting strategic decisions.
- Adopt the pertinent measures, as the case may be, to remedy any breaches of the thresholds or whenever this may be foreseeable.

- Risk Committee

Among its main functions includes:

- Advise the bank's Board of Directors on the entity's current and future global risk appetite and its strategy in this area, as well as helping the Board in monitoring the application of this strategy.
- Ensure that the risk control and management systems work properly and, in particular, adequately identify, manage and quantify all important risks that affect the Bank.
- Ensure that the risk control and management system mitigates risks adequately within the policy established by the Board of Directors.
- Play an active part in drawing up the Bank's risk management policy, ensuring that this identifies at least:
    - The different kinds of financial and non-financial risk (including operational, technological, legal, social, environmental, political and reputational risk) that the Bank faces, including contingent liabilities and other off-balance sheet risks among the financial and economic risks.
    - Setting the level of risk that is acceptable to the Bank.
    - The measures envisaged to mitigate the impact of the risks identified, in the event that they should materialise.
    - The internal reporting and control systems to be used to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.
- In particular, as part of the RAF:
    - Propose the approval of the RAF to the Board of Directors.
    - Report to the Board of Directors about monitoring the RAF at least every six months, or at any time at their request.
    - Request information from the different Departments about the RAF whenever they may consider this advisable.

- Audit and Regulatory Compliance Committee

The Audit and Regulatory Compliance Committee shall supervise the internal audit, which will ensure that the internal reporting and control systems are working properly.
Apart from the functions set out in the legislation and in the Corporate Bylaws, the duties of the Audit and Regulatory Compliance Committee also encompass duties concerning:

- internal information and control systems,
- external auditor,
- compliance with the rules of corporate governance,
- regulatory compliance.

These functions also include the assessment of everything to do with the company's non-financial risks – including operational, technological, legal, social, environmental, political and reputational risks.

- Management/Strategy Committee

Its functions include the following related to the RAF:

- Relay the main criteria of the RAF, whether the initial ones or any future amendments, to the rest of the Bank through the appropriate Departments in each area, in order to maintain a sound "risk culture" in Unicaja Banco.

- Forward the main criteria of the RAF to the Unicaja Banco Group companies through the competent Departments.
- Assess the implications of the RAF, in their respective areas of competence, in co-ordination with the following Committees, among others, which will, in turn, forward these on to the qualified Departments should this be necessary:
    - Asset, Liability and Budget Committee.
    - Business Committee.
    - Credit Committee.
    - New products Committee.
    - Treasury Committee.
    - Real Estate Committee
    - Committee on the Prevention of Money Laundering and Terrorist Financing
    - Criminal Risk Prevention Committee

- Corporate Global Risk Control Division

Its functions include taking control of all the risks incurred by the Bank, from an overall perspective.

In particular, with regard to the Risk Appetite Framework, the following functions:

- Develop and implement the control management function for all the Bank's risks, in the context of the Risk Appetite Framework.
- Draw up and present RAF up-date proposals.
- Monitor and follow up on its metrics and KPIs at least once a quarter.
- Report on monitoring the RAF at least once a quarter ("Risk Appetite Framework Monitoring and Control Report") to the Risk Committee and to the Senior Management.
- Warn of flags being triggered as soon as possible.
- Verify compliance with the RAF and its main criteria in the Unicaja Banco Group.

-Internal Audit Department

Its functions include:

- Carrying out the functions and tasks assigned to the third line of defence in matters of Governance as the Bank's specialist staff.
- Check and permanently monitor the activities of the Bank to ensure compliance with internal and external regulations.

The following functions are indicated in relation to the RAF:

- Audit compliance with the RAF and with its main criteria throughout the Bank.
- Assess the design and effectiveness of the RAF and its implementation.
- Risk control model.

2.3. Risk Control Model

The Entity's risk control model takes into account, among others, the following risks:

- Credit risk.
- Market risk.
- Operational risk.
- Behavioural risk.
- Interest rate risk in the banking book (IRRBB).
- Business and strategy risk.
- Real Estate risk.
- Liquidity risk.

- *Credit risk:*

Credit risk is defined as the risk of losses incurred as a result of default on payments due to the Bank. This is inherent to the Bank's daily operations.

Unicaja Banco has a Manual of Customer Credit Risk, Policies, Functions and Procedures, approved by the Board of Directors, as the right control and management framework for the credit risks inherent to the Bank's lending.

This defines the mandatory policies and procedures for risks, it details the activities and tasks, delimits the responsibilities of the different areas involved in the processes of granting and monitoring transactions, it establishes the risk appetite decided upon by the Bank and how this is articulated through risk limits and types of transactions and it documents all general and special aspects associated with much of the lending operation in a structured and uniform manner.

Likewise, Unicaja Banco Group has a credit scoring system that considers the different characteristics of transactions and of debtors that, with the benefit of historical experience and best market practices, enable the Group to segment those transactions that, depending on their credit risk, can be undertaken by the bank from those that cannot. The criteria for segmenting transactions at origination by applying this system are approved by the Group's Senior Management, which has validations and reviews in place that allow the system to be constantly updated.

Furthermore, depending on the beneficiaries, type, guarantees and characteristics, the granting of a transaction must be put to a decentralised approval process, based on the joint authorities of the following decision-making bodies:

- Board of Directors.
- Credit Committee.
- Credit Committee of the Corporate Credit Risk Division.
- Credit Committee of Corporate Banking.
- Credit Committee of point-of-sale Financing.
- Credit Committee of the Territorial Division
- Credit Committee of Department of Territorial Divisions
- Credit Committee of the Branches

The functions and methodologies used for controlling credit risk are implemented both in the admission phase and in the lending operation monitoring phase.

Pursuant to the regulations in effect, the Unicaja Banco Group has a re-financing, re-structuring, renovation or re-negotiation policy with a view to independently manage the actions taken in problem risk management concerning actions related to performing risks.

Moreover, the Unicaja Banco Group has methodologies, procedures tools, and operating standards for checking and recovering non-performing assets.

- Market risks

Market risk is defined as the potential losses for the Bank on positions they keep in the markets resulting from adverse movements of financial variables or risk factors that determine the value of such positions.

Although market risk is allotted to trading positions for solvency purposes, the Unicaja Banco Group has developed policies, processes and tools for managing market risk for the entire portfolio of securities booked at fair value, including sovereign exposures and share-holdings.

In order to manage market risk adequately, the Group has tools that enable it to define, calculate and monitor market risks and the limits authorised therein, in particular "Value at Risk" (VaR) and operating limits on credit /counterparty risk that affect Unicaja Group's transactions in capital markets.

The market risk assessment and analysis process is based on implementing the following functions:

- Market data management.
- Classification & measurement.
- Control.

Through of limits and diversification, the Group can control exposure to market risks, by defining an action framework for the different operations that the Bank engages in the financial markets, such that these are conducted within this framework. The limit structure is also used as a means of diversification to prevent highly concentrated exposure to market risk.

The responsibility for identifying and controlling risk ultimately lies with the Unicaja Banco Group's Governing Bodies, such that the Senior Management is responsible for, and must play an active part in the entire risk management process (planning, approval, valuation and control of all risks inherent to the positions taken by the Bank in financial markets).

- Operational risk

Operational risk is the risk of incurring losses due to the inadequacy or failure of processes, staff or internal systems, or due to external events. Legal and tax risk are included as operational risk, while strategic risk is not.

The Unicaja Banco Group has established a set of procedures to compile operational loss events. These provide the Group with the necessary information to implement the pertinent operational risk management mitigation policy instruments. The Bank has also developed the Operational Risk Framework, approved by the Board of Directors, and has disseminated and implemented it throughout the Organisation.

Furthermore, in December 2017, the Bank adopted the Standard Method as a methodology for quantifying operational risk in terms of capital, with a view to enhancing operational risk management, in line with the Bank's risk culture.

Operational risk includes technological risk. This is the risk associated with technological tools, operating systems and new technologies. It is a broad risk that encompasses all and any I.T. or technological action.

Operational risk also includes reputational risk, understood as the risk of loss as a result of a deterioration of the Bank's image, either due to events that have occurred in the Bank itself or due to external events (macro-environment) that affect the industry's reputation in general.

The Unicaja Banco Group has traditionally been very demanding in aspects pertaining to managing reputational risk. Customer satisfaction and the Bank's good image are standing objectives of all its employees as well as of the highest levels of management and administration of the Bank.

This on-going effort is founded on the global culture and translates into specific measures that include, among others:

- The Bank's strategic objectives.
- The Code of Conduct and the Corporate Social Responsibility Policy approved by the Board of Directors of the Bank.
- The steps taken by the three lines of defence.
- Compliance with the general regulatory framework and, in particular, with the market regulations on financial instruments and investor protection ("MiFID").
- The process of continued education of employees in all areas in which the Bank operates, specifically including training in ethical aspects, in accordance with the Bank's Code of Conduct.

- Behavioural risk

Behavioural risk is the risk of internal mal-practise incurred by the Bank at the time of an event, whether it knew about the action (in an informed manner or in bad faith on the part of the perpetrator) or due to ignorance, which does not exempt the bank from behaving correctly.

The Unicaja Group ensures that its products are correctly developed, issued and distributed and that its services are provided correctly, guaranteeing compliance with the legislation in force.

- Interest rate risk in the banking book (IRRBB)

Interest rate risk on the banking business (IRRBB) is defined as the potential loss of income or equity of the Bank due to the impact of adverse movements in interest rates on the Bank's banking book positions.

The control functions and methodologies implemented by the Bank include defining the limit structure, thresholds control and control over the effectiveness of balance sheet hedging as mitigation instruments and the use of stress-testing measures. As such, the Group's analysis, measurement and control of the interest rate risk uses techniques to measure sensitivity and scenario testing that could significantly affect the Bank.

Based on the findings of exposure to structural interest rate risk by the Unicaja Banco Group, a series of actions are organised, aimed at mitigating this exposure to bring it down to the acceptable levels defined in the Bank's risk profile.

The Group uses hedging operations to manage the interest rate risk in its balance sheet.

The different stages of the interest rate management process are clearly distributed among different units, such that the following structure is in place in the Unicaja Banco Group to manage the structural interest rate risk of the balance sheet:

- The Board of Directors approves the overall Bank's risk management strategy and sets the general lines and controls of this management.
- The Assets, Liabilities and Budget Committee (ALBCO) develops the strategy within the framework and the limits set by the Board of Directors.

- Strategic and business risk

This is the risk of incurring losses arising from an inaccurate analysis of the market in which the Bank operates or from a lack of knowledge thereof, which could eventually threaten the feasibility and sustainability of the Bank's business model.

To analyse the robustness of its business model, the Group conducts an exercise to identify both its potential internal and external vulnerabilities, bearing in mind the probability of occurrence and its impact. It also defines mitigation measures in order to cope with them.

- Real estate risk

This is the risk associated with the loss of value of the real estate assets on the Bank's balance sheet.

The Unicaja Banco Group sets limits to real estate risks on those assets received in foreclosures with a view to controlling this exposure and keeping it within suitable levels.

These assets are managed by the Bank with the final purpose of selling or leasing them. To such end, the Unicaja Banco Group has special purpose vehicles that specialise in managing urban development projects, marketing real estate and leasing real estate assets. It also has specific units for developing these strategies and co-ordinating its subsidiary companies.

Furthermore, the Bank has a decentralised governance structure that ensures that this is managed and controlled properly by means of an authority framework.

- Liquidity risk

Liquidity risk in a financial institution can be defined as the risk of not meeting its obligations when they fall due, or if the cost to honour such obligations are unsustainable for the institution.

The Bank establishes prudent policies and objectives that not only contemplate normal market conditions, but also contingency plans for situations of stress or crisis, either within the organisation or in the market.

The Unicaja Banco Group has set limits on liquidity risk to control exposure to it and to keep such exposure within authorised levels. In general, liquidity is considered adequate if potentially liquid assets and the funding capacity are greater than the needs of the arising from the business and from refinancing in the markets. The greater this difference is, the greater the liquidity available.

The Unicaja Banco Group also follows a policy of diversification to avoid exposure to overly concentrated structural liquidity risk. In managing its liabilities, it also diversifies its sources of funding, guaranteeing that these are diversified by markets, terms and products, in order to prevent difficulties in particular moments of crisis or in the market.

12. Subsequent events

In the period between year-end closing at 31st December 2018 and the date the consolidated management report was filed, no other significant event which has not been detailed in the annual report has taken place.

13. Research and development (R&D)

During fiscal years 2018 and 2017, the Unicaja Banco Group's research and development work did not involve a significant sum.

14. Environmental impact

The Group's global operations are governed by environmental protection Laws ("environmental laws"). The parent company considers that it substantially complies with such Laws and has procedures in place designed to ensure and promote compliance.

The parent considers that it has adopted the appropriate measures for the protection and improvement of the environment and the minimisation, where applicable, of environmental impact, complying with the current regulations in this regard. During fiscal years 2018 and 2017, the Group has not made significant environmental investments nor deemed it necessary to record any provision for risks and charges of this nature, nor does it consider that there are significant contingencies relating to the protection and improvement of the environment.

15 Treasury shares

At 31st December 2018, the Group owned 2,146,738 treasury shares (the Group had none at 31st December 2017). The treasury stock acquired directly by Unicaja Banco comes to 2,054,680 shares, purchased to meet the swap needs in executing the merger by absorption of Banco de Caja España de Inversiones, Salamanca y Soria, S.A. The movements in treasury shares during 2018 and 2017 is as follows:

	2018		2017	
	Number of shares	**€ ´000**	**Number of shares**	**€ ´000**
Opening balance of treasury shares	**-**	**-**	**-**	**-**
Purchase of treasury shares by Unicaja Banco	8 143 462	8 144	-	-
Purchase by other group entities	92 058	92	-	-
Share swap from merger with EspañaDuero	(6 088 782)	(6 089)		
Changes in perimeter of consolidation	-	-	-	-
Balance of treasury shares at end of period	**2 146 738**	**2 147**	**-**	**-**

Purchases of treasury shares by Unicaja Banco in 2018 had an effective cost of EUR 2,054 thousand and were duly notified as relevant events.

16. Deferment of payments to suppliers

The payments made by the Unicaja Banco Group to suppliers just for the provision of services and the supply of miscellaneous services in 2018 amounted to EUR 257,309 thousand (EUR 473,471 thousand in 2017). All such payments were made within the legal and contractual deadlines. The balance of payables to suppliers at 31st December 2018 and 2017 falls within the deadline set by Act 15/2010.

Pursuant to final provision two of Act 31/2014, 3rd December, amending additional provision three of Act 15/2010, regarding information to be included in the annual report on the deferment of payments to suppliers in commercial transactions, calculated based on the Ruling of 29th January 2016 of the Institute of Accounting and Accounts Auditing (*Instituto de Contabilidad y Auditoría de Cuentas*), the average period for paying the Group's suppliers in 2018 and 2017 was 18.99 and 20.49 days respectively. The ratio of transactions paid for these years was 14.77 and 20.37 days respectively, and the ratio of transactions with payments due at 61.82 and 39.21 days respectively.

The average payment period of the Group is within the legal limits established in the regulations, so including them in the management report on the measures envisaged in paragraph 1 article 262 of the Consolidated Text of the Capital Enterprises Act is not applicable.

17. Consolidated statement of non-financial information

Pursuant to Act 11/2018, 28th December, amending the Code of Commerce, the consolidated text of the Capital Enterprises Act enacted by Royal Legislative Decree 1/2010, 2nd July, and Act 22/2015, 20th July, on Auditing Accounts, in matters of non-financial reporting and diversity, the Unicaja Banco Group has drawn up the consolidated statement of non-financial information for 2018, which, in accordance with article 44 of the Code of Commerce, forms part of this consolidated management report and it is appended as a separate document.

APPENDIX I
ALTERNATIVE PERFORMANCE MEASURES (APM)

The information contained in this Appendix is prepared in accordance with the International Financial Reporting Standards adapted by the European Union (EU-IFRS). In addition, Unicaja Banco Group considers that certain Alternative Performance Measures (APM), as defined in the Directive on Alternative Performance Measures issued by the European Securities Market Authority (ESMA) on 5th October 2015 (ESMA/2015/1415en), provide additional information that may be useful for analysing the Group's financial performance.

The Group considers that the APMs included in this appendix comply with ESMA Guidelines. These APMs have not been audited and in no way are a substitute for the financial information prepared under IFRS. Likewise, the definition that the Group uses of these APMs may differ from other similar measures calculated by other companies and therefore may not be comparable.

Following the recommendations of the aforementioned Guidelines, the breakdown of the APMs used by Unicaja Banco Group is attached below:

ALTERNATIVE PERFORMANCE MEASURES		December'18	December'17
Cost of risk	Impairment or (-) reversal of impairment in value of loans and receivables to customers	-4.0	48.6
	Average between start/end of period for loans and receivables from customers (excluding valuation adjustments)	29,870	31,884
	Ratio	**-0.01%**	**0.15%**
Cost to income ratio (Operating expenses excl. amort. & depre./gross margin)	Administrative expenses	582	590
	Gross Margin	999	997
	Ratio	**58.3%**	**59.2%**
Customer spread	Yields in the year on loans and advances to customers (excluding reverse repos) over net average yearly balances of loans and advances to customers (excluding repos and other financial assets)	2.02%	2.15%
	Cost in the year of customer deposits (excluding reverse repos) over average yearly balances of customer deposits (excluding repos)	0.20%	0.25%
	Difference between yield & cost	**1.82%**	**1.90%**
Foreclosed assets coverage	Impairment of foreclosed real estate assets	1,034	1,197
	Gross carrying amount of Real Estate foreclosed assets	1,661	1,872
	Ratio	**62.2%**	**64.0%**
Net Interest Margin	Net interest income	601	583
	Total average assets (average of quarterly average balances)	57,418	56,413
	Ratio	**1.05%**	**1.03%**

ALTERNATIVE PERFORMANCE MEASURES		December'18	December'17
NPL coverage ratio	Loans and receivables portfolio. Total asset impairment adjustments	1,014	1,355
	Loans and receivables portfolio. NPL risk	1,926	2,710
	Ratio	**52.6%**	**50.0%**
NPL ratio	Loans and receivables portfolio. NPL risk	1,926	2,710
	Loans and receivables portfolio. Gross amount	28,703	31,038
	Ratio	**6.7%**	**8.7%**
ROA	Consolidated net income	152.5	138.4
	Total average assets (average of quarterly average balances)	57,418	56,413
	Ratio	**0.3%**	**0.2%**
ROE	Consolidated net income	152.5	138.4
	Average shareholders' equity (average of quarterly average balances)	3,850	3,397
	Ratio	**4.0%**	**4.1%**
RoRWA (management)	Consolidated net income	152.5	138.4
	Risk weighted assets (RWA)	22,871	24,239
	Ratio	**0.7%**	**0.6%**
RoTE	Consolidated net income	152.5	138.4
	Average own funds (excluding adjustments from accumulated other comprehensive income) less average intangible assets (average of quarterly average balances)	3,794	3,397
	Ratio	**4.0%**	**4.1%**
Performing loans and advances - customers (excluding valuation adjustments)	1. Loans and receivables. Credit and loans at variable interest rate	23,861	25,388
	2. Loans and receivables. Credit and loans at fixed interest rate	3,669	3,230
	3. Other assets designated at fair value. Credit at variable interest rate	9	-
	4. Loans and receivables portfolio. NPL risk (Nota 27)	1,926	2,710
	Performance measure (1+2+3-4)	**25,613**	**25,908**
Total customer funds	1. Financial liabilities measured at amortized cost Deposits from customers (excluding valuation adjustments)	42,861	45,373
	2. Issued debt securities (excluding valuation adjustments)	60	130
	3. Funds managed through off-balance sheet instruments	12,586	12,699
	Performance measure (1+2+3)	**55,507**	**58,202**

ALTERNATIVE PERFORMANCE MEASURES		December'18	December'17
Retail Customer funds (non-market).	1. Total customer funds	55,507	58,202
	2. Covered bonds under the heading "Term deposits" Effective value *Management measure*	4,249	5,093
	3. Deposits from customers. Repos (excluding valuation adjustments)	1,268	3,157
	4. Issued debt securities (excluding valuation adjustments)	60	130
	5. Repos controlled by retail customers *Management measure*	454	594
	Performance measure (1-2-3-4+5)	**50,383**	**50,416**

Wholesale funds (Markets)	1. Covered bonds under the heading "Term deposits" Effective value *Management measure*	4,249	5,093
	2. Deposits from customers. Repos (excluding valuation adjustments)	1,268	3,157
	3. Issued debt securities (excluding valuation adjustments)	60	130
	4. Repos controlled by retail customers *Management measure*	454	594
	Performance measure (1+2+3-4)	**5,123**	**7,786**

Loan to Deposits (LtD)	1. Loans and receivables. Credit and loans at variable interest rate	23,861	25,388
	2. Loans and receivables. Credit and loans at fixed interest rate	3,669	3,230
	3. Other assets designated at fair value. Credit at variable interest rate	9	-
	(1+2+3) NUMERATOR. Loans and advances. Customers -excluding valuation adjustments-	**27,539**	**28,618**
	1. Financial liabilities measured at amortized cost Deposits from customers (excluding valuation adjustments)	42,861	45,373
	2. Covered bonds under the heading "Term deposits" Effective value *Management measure*	4,249	5,093
	3. Deposits from customers. Repos (excluding valuation adjustments)	1,268	3,157
	4. Repos controlled by retail customers *Management measure*	454	594
	(1-2-3+4) DENOMINATOR. Customer deposits (non-market) -excluding valuation adjustments-	**37,798**	**37,717**
	Ratio	**72.9%**	**75.9%**

ALTERNATIVE PERFORMANCE MEASURES		December'18	December'17
Gross liquid assets	1. Cash surplus (interbank deposits + balance surplus in ECB and operating accounts)	3,712	3,073
	2. Discountable reverse purchase agreement	2,293	2,222
	3. Fixed income portfolio and other discountable assets in ECB	15,914	15,534
	Performance measure (1+2+3)	**21,919**	**20,829**

Sum of:
- Surplus/deficit of deposits in Bank of Spain with respect to the minimum reserve ratio in effect on the date, surplus/ deficit in operating accounts open in credit institutions compared to the average during the previous 12 months
- Net position of interbank deposits with other credit institutions.
- Fixed-income portfolio that the Entity can discount in ECB, both in fixed assets and through repos, including the own portfolio issued for use as collateral in ECB and pledged loans, valued at discount value in ECB.

Net liquid assets	1. Gross liquid assets	21,919	20,829
	2. Taken in the ECB	3,316	3,340
	3. Repos and other pledges	4,664	3,311
	Performance measure (1-2-3)	**13,939**	**14,178**

Any part of the gross liquid assets already used or being used as collateral for financing, either with the ECB, for repos or other pledges, has been discounted.

Performing Loans	1. Loans and receivables portfolio. Gross amount (Nota 27)	28,703	31,038
	2. Loans and receivables portfolio. NPL risk (Nota 27)	1,926	2,710
	Performance measure (1-2)	**26,777**	**28,328**

Operating expenses	1. Administrative expenses	582.1	590.5
	2. Depreciation and amortization	37.1	42.3
	Performance measure (1+2)	**619.2**	**632.8**

Credit and loan impairments	Impairment or (-) reversal of impairment in value of loans and receivables to customers	-4.0	48.6

Provisions	Provisioning or (-) provisioning reversals	186.9	132.5

Pre-provision profit	1. Gross Margin	999.0	997.0
	2. Administrative expenses	582.1	590.5
	3. Depreciation and amortization	37.1	42.3
	Performance measure (1-2-3)	**379.8**	**364.2**

ALTERNATIVE PERFORMANCE MEASURES		December'18	December'17
Provisions, impairments and other results	1. Provisioning or (-) provisioning reversals	186.9	132.5
	2. Impairment or (-) reversal in the value of financial assets not measured at fair value through profit and loss	-3.1	36.7
	3. Impairment or (-) reversal in the value of joint ventures or associates	0.0	27.2
	4. Impairment or (-) reversal in the value of non-financial assets	-4.3	46.7
	5. Gain or (-) loss on derecognition from the statements non-financial assets and stakes, netted out	7.4	18.7
	6. Recognised negative goodwill	0.0	0.0
	7. Gains or (-) losses arising from non-current assets and disposal groups of items classified as held for sale that cannot be classified as discontinued operations	-1.8	-0.1
	Performance measure (1+2+3+4-5-6-7)	**173.9**	**224.5**

Net Fees	1. Fee and commission income	240.2	240.6
	2. Fee and commission expense	21.4	20.4
	Performance measure (1-2)	**218.8**	**220.2**

Trading income + exchange differences	1. Gain or (-) losses on derecognition from the statements of financial assets and liabilities (not measured at fair value) through profit or loss, netted out	144.7	96.1
	2. Gain or (-) losses from financial assets and liabilities held for trading	0.5	1.7
	3. Gain or losses from non-trading financial assets mandatorily designated at fair value through profit or loss, netted out	0.9	0.0
	4. Gain or (-) losses from financial assets and liabilities designated at fair value through profit or loss, netted out	-3.6	0.0
	5. Gain (-) losses from hedge accounting, netted out	0.0	0.2
	6. Exchange differences, gains or (-) losses, netted out	-0.4	0.4
	Performance measure (1+2+3+4+5+6)	**142.1**	**98.4**

Other products/operating charges	1. Other operating income	101.1	163.9
	2. Other operating expenses	143.5	139.9
	3. Income from assets under insurance or reinsurance contracts	57.5	0.0
	4. Expenses from liabilities under insurance or reinsurance contracts	37.7	0.0
	Performance measure (1-2+3-4)	**-22.6**	**24.0**

APPENDIX II
SEPARATE REPORT ON NON-FINANCIAL INFORMATION

The Unicaja Banco, S.A. and subsidiary companies (Grupo Unicaja) separate report on non-financial information for 2018 follows. It was drafted in accordance with the Code of Commerce and all the other applicable regulations. This report is an integral part of the consolidated management report.

APPENDIX III
ANNUAL CORPORATE GOVERNANCE REPORT

The Unicaja Banco, S.A. Annual Corporate Governance Report for year ending 31 December 2018 is appended below as an integral part of this consolidated management report.

UNICAJA BANCO, S.A. AND SUBSIDIARIES
(UNICAJA BANCO GROUP)

CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED MANAGEMENT FOR THE YEAR JUNE 2018

The Board of Directors of Unicaja Banco, S.A., in the meeting held today, formulates and approves the Consolidated annual statements of the Unicaja Banco Group for the year ending 31st December 2018 and the Consolidated Management Report for 2018 (which includes the consolidated statement of non-financial information), all of which appears on the backs of official State stamped paper, numbered consecutively from 5707501 to 5707928, Series ON, Class 8, costing EUR 0.03 each, in compliance with the legislation in force.

In Madrid, 27th of February 2019

D. Manuel Azuaga Moreno Executive Chair	D. Enrique Sánchez del Villar Boceta Chief Executive Officer
D. Juan Fraile Cantón Vice Chair	D. Victorio Valle Sánchez Vice Chair
Ms. Isabel Martín Castellá Coordinating member	Ms. Dª. Ana Bolado Valle Board member
D. Manuel Conthe Gutiérrez Board member	Ms. Petra Mateos-Aparicio Morales Board member

UNICAJA BANCO, S.A. AND SUBSIDIARIES
(UNICAJA BANCO GROUP)

CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED MANAGEMENT FOR THE YEAR JUNE 2018

D. Agustín Molina Morales Board member	D. Manuel Muela Martín-Buitrago Board member
Ms. Mª Antonia Otero Quintas Board member	Ms. Teresa Sáez Ponte Secretary to the Board