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

Independent audit report,
Consolidated annual accounts and
Consolidated directors' report
at December 31, 2019

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, 2019, 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, 2019, 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
Impairment losses on 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, therefore, has been considered a key audit matter. 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 the other debt instruments, establishing different classifications for the operations based on the nature of the liable parties, the situation of the transaction, the existence of significant increase in credit risk, the type of guarantee, the 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 with significant increase in credit risk (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. During 2019, within the framework of its Irregular Assets Management Plan, the Unicaja Banco Group has sold a significant volume of portfolios of non-performing loans and foreclosed assets to various investors. The aforementioned portfolio sales operations have led to a decrease in non-productive assets for a gross amount of 640 million euros (308 million euros of doubtful loans and 332 million euros of foreclosed assets).	• 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. • Verification with supporting documentation and by means of selective tests of the sales of portfolios of non-performing loans and foreclosed assets carried out in 2019 and verification of the accounting treatment of these on the basis of the applicable financial reporting framework.

Key audit matters	How the matter was addressed in the audit
See note 1.4 Responsibility for information and estimates made; note 1.13 Sales of non-productive assets of the Unicaja Banco Group; 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.	The result of the procedures described above is that the models and methodologies used by the Group to classify transactions and calculate impairment are appropriate and that the estimates made by the Group are reasonable in accordance with the financial reporting framework applicable to the Group.
Sale of the stake in Autopista del Sol, Concesionaria Española, S.A.	
On 13 June 2019, subject to the relevant authorisations, the Parent formalised the sale of its interest in Autopista del Sol, Concesionaria Española, S.A. (Ausol). Subsequently, on 3 December 2019, once the relevant authorisations had been obtained, the transaction was formalised and the sale price of 138.8 million euros was collected, giving rise to a net gain of 109.7 million euros, which was recognised in the accompanying consolidated income statement. This aspect is considered a key audit matter as it was a significant event that took place during the year under audit. See note 12.2 Notifications of acquisition and disposal of investments and note 43 Gains or losses on derecognition of non-financial assets and investments in the accompanying consolidated financial statements.	In connection with the operation described above, we have carried out the following audit procedures: • Obtaining and reading of the corresponding minutes of approval by the Group's governing bodies. • Verification of the authorisations received from the competent authorities. • Analysis of the reasonableness of the accounting treatment of the transaction, including its impact on the consolidated income statement for the year. • Verification of the collection of the full sale price. • Verification of the information provided on the transaction in the notes to the consolidated financial statements for the year. As a result of the above procedures, we have obtained sufficient and appropriate audit evidence to conclude on the proper accounting recording of the transactions and their breakdown in the Group's consolidated financial statements.

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 nature. 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 and has therefore been considered a key audit matter. 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. 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.	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. • 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.

Key audit matters	How the matter was addressed in the audit
	• Verification of the recognition, estimate and movements of accounting provisions. 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.
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 files. • 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.

Key audit matters	How the matter was addressed in the audit
	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 2019 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 consolidated 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 the Group acquired from the audit of the consolidated 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 2019 financial year, and its content and presentation are in accordance with the applicable regulations.

Responsibility of the directors and the Audit and Compliance 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 and Compliance 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 and Compliance 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 and Compliance Committee of the Parent company with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the Audit and Compliance 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 and Compliance 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 and Compliance Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent company's Audit and Compliance Committee dated February 21, 2020.

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 1.1 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

The audit services and those permitted other than the audit of the accounts that have been provided by PricewaterhouseCoopers Auditores, S.L. and the entities in its Network to the Unicaja Banco Group are detailed in note 41.2 to the accompanying consolidated financial statements.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by
Amagoia Delgado Rodríguez (22009)

February 21, 2020

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

Consolidated financial statements
and management report
for the year ended December 31, 2019

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

CONSOLIDATED BALANCE SHEETS AT 31ST DECEMBER 2018 AND 2019
(€ ´000)

ASSETS	Note	2019	2018 (*)
CASH, CASH BALANCES IN CENTRAL BANKS AND OTHER DEMAND DEPOSITS	7	4 558 815	4 279 598
FINANCIAL ASSETS HELD FOR TRADING	8.1	35 298	44 349
Derivatives		7 966	11 294
Equity instruments		27 332	20 616
Debt securities		-	12 439
Loans and advances		-	-
Central Banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum item: lent or provided as collateral (sell or pledge)		-	-
NON-TRADING FINANCIAL ASSETS MANDATORILY DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS	8.2	92 664	85 371
Equity instruments		-	-
Debt securities		92 664	85 371
Loans and advances		-	-
Central Banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum item: lent or provided as collateral (sell or pledge)		-	-
FINANCIAL ASSETS DESIGNATED 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)		-	-
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	9	1 886 161	3 425 138
Equity instruments		636 091	547 252
Debt securities		1 250 070	2 877 886
Loans and advances		-	-
Central Banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum item: lent or provided as collateral (sell or pledge)		*57 301*	*402 876*
FINANCIAL ASSETS CARRIED AT AMORTIZED COST	10	44 679 791	44 113 307
Equity instruments		-	-
Debt securities		16 662 155	14 763 449
Loans and advances		28 017 636	29 349 858
Central Banks		-	
Credit institutions		459 323	1 699 075
Customers		27 558 313	27 650 783
Memorandum item: lent or provided as collateral (sell or pledge)		*7 952 679*	*9 354 348*
DERIVATIVES - HEDGE ACCOUNTING	11	507 229	411 394
CHANGE IN FAIR VALUE OF HEDGED SECURITIES HELD IN A PORTFOLIO HEDGED AGAINST INTEREST RATE RISK.		-	-
INVESTMENTS IN JOINT VENTURES AND ASSOCIATE COMPANIES	12	363 347	359 128
Joint ventures		48 440	38 301
Associates		314 907	320 827
ASSETS UNDER INSURANCE OR REINSURANCE CONTRACTS	20	2 163	2 585
TANGIBLE ASSETS	13	1 161 954	1 188 447
Fixed tangible assets		880 209	848 638
For own use		880 209	848 638
Let under an operating lease agreement		-	-
Investment property		281 745	339 809
Of which: let under operating lease		*165 981*	*215 668*
Memorandum item: acquired under a lease		*46 458*	-
INTANGIBLE ASSETS	14	66 225	62 505
Goodwill		50 671	56 840
Other intangible assets		15 554	5 665

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ASSETS	Note	2019	2018 (*)
TAX ASSETS	24	2 757 773	2 653 442
Current tax asset		46 128	84 735
Deferred tax asset		2 711 645	2 568 707
OTHERS ASSETS	15	291 722	502 735
Insurance contracts linked to pensions		32 734	118 615
Inventory		205 004	283 380
All other assets		53 984	100 740
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	16	304 473	374 130
TOTAL ASSETS		**56 707 615**	**57 504 179**

(*) 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 2019.

LIABILITIES	**Note**	**2019**	**2018 (*)**
FINANCIAL LIABILITIES HELD FOR TRADING	8.1	25 116	17 978
Derivatives		25 116	17 978
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	50 204 678	51 375 861
Deposits		48 810 251	50 357 347
Central Banks		3 302 914	3 316 446
Credit institutions		2 538 458	3 578 774
Customers		42 968 879	43 462 127
Issued debt securities		357 907	59 958
Other financial liabilities		1 036 520	958 556
Memorandum item: subordinated liabilities		297 907	-
DERIVATIVES - HEDGE ACCOUNTING	11	427 761	143 299
		-	
CHANGE IN FAIR VALUE OF HEDGED SECURITIES HELD IN A PORTFOLIO HEDGED AGAINST INTEREST RATE RISK		-	-
LIABILITES UNDER INSURANCE OR REINSURANCE CONTRACTS	20	630 694	642 350
PROVISIONS	18	921 134	885 380
Pensions and related post-employment defined benefits		62 715	146 468
Other long term employee benefits		203 697	127 070
Provisions for taxes and other legal contingencies		-	-
Commitments and guarantees given		128 247	129 301
All other provisions		526 475	482 541
TAX LIABILITIES	24	325 385	232 010
Current tax liabilities		32 397	21 128
Deferred tax liabilities		292 988	210 882
OTHER LIABILITIES	19	202 452	289 645
LIABILITIES IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE		-	-
TOTAL LIABILITIES		**52 737 220**	**53 586 523**

(*) 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 2019.

EQUITY	Note	2019	2018 (*)
SHAREHOLDERS' EQUITY	22 & 23	**3 970 966**	**3 921 020**
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		47 574	47 897
Equity component of compound financial instruments		47 574	47 897
Other equity instruments issued		-	-
OTHER EQUITY ITEMS		-	-
RETAINED EARNINGS	23.1	915 492	969 426
REVALUATION RESERVES		-	-
OTHER RESERVES		30 759	(66 431)
Reserves or accumulated losses of investments in joint ventures and associates		(223 726)	(320 916)
Other		254 485	254 485
(–) TREASURY SHARES		(14 865)	(2 147)
NET INCOME/(LOSS) ATTRIBUTABLE TO THE PARENT COMPANY		172 281	152 550
(–) INTERIM DIVIDENDS		-	-
ACCUMULATED OTHER COMPREHENSIVE INCOME		**(1 049)**	**(3 784)**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT		24 938	7 105
Actuarial gain or (-) loss in defined benefit pension scheme		(787)	1 644
Non-current assets and disposal groups classified as held for sale		-	-
Share of other recognised income and expenses of investments in joint ventures and associates		9 349	8 523
Change in fair value of equity instruments measured at fair value through other comprehensive income	9.4	16 376	(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		(25 987)	(10 889)
Hedging of net investments abroad (effective portion)		-	-
Foreign currency translation		(15)	(54)
Hedging derivatives. Reserve of cash flow hedges (effective portion)		(94 580)	7 018
Change in fair value of debt instruments measured at fair value through other comprehensive income	9.3	46 477	(20 157)
Hedging instruments (non-designated items)		-	-
Non-current assets and disposal groups classified as held for sale		-	-
Share of other recognised income and expenses of investments in joint ventures and associates	23	22 131	2 304
NON-CONTROLLING INTEREST (FROM MINORITY STAKES)	21	**478**	**420**
ACCUMULATED OTHER COMPREHENSIVE INCOME		-	-
OTHER ITEMS		478	420
TOTAL EQUITY		**3 970 395**	**3 917 656**
TOTAL EQUITY AND LIABILITY		**56 707 615**	**57 504 179**
MEMORANDUM ITEM: OFF-BALANCE SHEET EXPOSURE			
LOAN COMMITMENTS GIVEN	31.3	3 009 113	2 579 238
FINANCIAL GUARANTEES GIVEN	31.1	62 296	64 537
OTHER COMMITMENTS GIVEN	31.1	1 983 681	2 021 991

(*) 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 2019.

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

CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31ST OF DECEMBER 2019 & 2018

(€ ´000)

	Note	(Debit) Credit 2019	(Debit) Credit 2018 (*)
INTEREST INCOME	32	763 656	805 186
Financial assets designated at fair value through other comprehensive income		14 029	177 583
Financial assets carried at amortized cost		700 964	618 516
Other		48 663	9 087
INTEREST EXPENSE	33	(185 113)	(204 372)
REDEEMABLE EQUITY EXPENSES		-	-
NET INTEREST INCOME		**578 543**	**600 814**
DIVIDEND INCOME	34	27758	22 511
INCOME/LOSS FROM ENTITIES CARRIED AT EQUITY METHOD	35	40 439	37 206
FEE AND COMMISSION INCOME	36	253 917	240 238
FEE AND COMMISSION EXPENSE	37	(23 127)	(21 433)
NET GAIN/LOSS ON DERECOGNITION FROM THE STATEMENTS OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	38	95 592	144 727
NET GAINS/LOSSES FROM FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING	38	2 498	513
NET GAIN OR (LOSSES) FROM NON-TRADING FINANCIAL ASSETS MANDATORILY DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	38	3 962	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	(1 755)	-
NET GAINS/LOSSES FROM EXCHANGE DIFFERENCES	2.4	415	(404)
OTHER OPERATING INCOME	39	124 615	101 126
OTHER OPERATING EXPENSES	39	(114 466)	(143 469)
INCOME FROM ASSETS UNDER INSURANCE OR REINSURANCE CONTRACTS	40	66 984	57 545
EXPENSES FROM LIABILITIES UNDER INSURANCE OR REINSURANCE CONTRACTS	40	(46 817)	(37 708)
GROSS MARGIN		**1 008 558**	**998 958**
ADMINISTRATIVE EXPENSES	41	(563 945)	(582 095)
Staff expenses		(388 750)	(390 794)
Other administrative expenses		(175 195)	(191 301)
DEPRECIATION AND AMORTIZATION	13 & 14	(42 676)	(37 073)
(PROVISIONS OR REVERSALS OF PROVISIONS)	18	(352 203)	(186 904)
(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	(17 292)	3 079
Financial assets designated at fair value through other comprehensive income		152	-
Financial assets carried at amortized cost		(17 444)	3 079
NET OPERATING INCOME		**32 442**	**195 965**
IMPAIRMENT OR REVERSAL IN THE VALUE OF JOINT VENTURES OR ASSOCIATES	42	-	-
IMPAIRMENT OR REVERSAL IN THE VALUE OF NON-FINANCIAL ASSETS	42	(19 177)	4 332
Tangible assets		80	(15 439)
Intangible assets		(7 411)	(7 807)
Other		(11 846)	27 578
NET GAIN/LOSS ON DERECOGNITION OF NON-FINANCIAL ASSETS AND INVESTMENTS	43	161 401	7 395
NEGATIVE GOODWILL RECOGNISED IN P&L		-	-
GAIN/LOSS FROM NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS	44	(591)	(1 816)
PRE-TAX INCOME (OR LOSS) FROM CONTINUING OPERATIONS		**174 075**	**205 876**
TAX EXPENSE OR INCOME ON EARNINGS FROM CONTINUED OPERATIONS	24	(1 797)	(53 335)
PROFIT/LOSS AFTER TAX FROM CONTINUING OPERATIONS		**172 278**	**152 541**
PROFIT/LOSS AFTER TAX FROM DISCONTINUED OPERATIONS	2.22	**-**	**-**
PROFIT FOR THE YEAR		**172 278**	**152 541**
Attributable to minority interests (non-controlling interest)	21	(3)	(9)
Attributable to owners of the parent company		172 281	152 550
EARNINGS PER SHARE			
Basic earnings per share (€)	3	0.103	0.091
Diluted earnings per share (€)	3	0.103	0.091

(*) 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 2019 period.

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

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES FOR THE YEARS ENDED 31st DECEMBER 2019 & 2018

(€ ´000)

	Note	Year 2019	Year 2018 (*)
PROFIT FOR THE YEAR		**172 278**	**152 541**
OTHER COMPREHENSIVE INCOME		**2 735**	**(166 726)**
Items not subject to reclassification to income statement		**17 833**	**(7 027)**
Actuarial gain (loss) in defined benefit pension scheme	41	(3 473)	2 088
Non-current assets and disposal groups held for sale		-	-
Share of other recognised income and expenses of investments in joint ventures and associates		1 180	12 176
Change in fair value of equity instruments measured at fair value through other comprehensive income		27 769	(29 822)
Net gains or (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	(7 643)	8 531
Items subject to reclassification to income statement		**(15 098)**	**(159 699)**
Hedging of net investments abroad (effective portion)		-	-
Gain (loss) in value recognised in equity		-	-
Transferred to results		-	-
Other reclassifications		-	-
Foreign currency translation	2.4	56	35
Gain (loss) in currency exchange recognised in equity		471	439
Transferred to results		(415)	(404)
Other reclassifications		-	-
Cash flow hedges (effective portion)	11	(145 140)	21 996
Gain (loss) in value recognised in equity		(124 051)	39 340
Transferred to results		(21 089)	(17 344)
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		-	-
Debt instruments designated at fair value through other comprehensive income	9	95 191	(220 550)
Gain (loss) in value recognised in equity		135 226	(163 861)
Transferred to results		(40 035)	(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 and expenses of investments in joint ventures and associates	23	28 324	(29 623)
Income tax on items to be reclassified to income statement	24.3	6 471	68 443
Total comprehensive income for the year		**175 013**	**(14 185)**
Attributable to minority interests (non-controlling interest)		(4)	(9)
Attributable to owners of the parent company		175 017	(14 176)

(*) 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 the year 2019.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31st OF DECEMBER 2019 & 2018

(€ ´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: Accumulated other comprehensive income	Non-controlling interests: Other items	Total
Opening 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**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 01/01/2019	**1 610 302**	**1 209 423**	**47 897**	**-**	**969 426**	**-**	**(66 431)**	**(2 147)**	**152 550**	**-**	**(3 784)**	**-**	**420**	**3 917 656**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**172 281**	**-**	**2 735**	**-**	**(3)**	**175 013**
Other changes to equity	**-**	**-**	**(323)**	**-**	**(53 934)**	**-**	**97 190**	**(12 718)**	**(152 550)**	**-**	**-**	**-**	**61**	**(122 274)**
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) (Note 3)	-	-	-	-	(67 867)	-	-	-	-	-	-	-	-	(67 867)
Purchase of treasury shares	-	-	-	-	-	-	-	(13 324)	-	-	-	-	-	(13 324)
Sale or redemption of treasury shares	-	-	-	-	-	-	-	1 633	-	-	-	-	-	1 633
Reclassification of equity financial instruments to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity entries (Note 3)	-	-	-	-	55 299	-	97 190	-	(152 550)	-	-	-	61	-
Changes in equity due to business combinations	-	-	-	-	-	-	-	(1 027)	-	-	-	-	-	(1 027)
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity	-	-	(323)	-	(41 366)	-	-	-	-	-	-	-	-	(41 689)
Balance at 31/12/2019	**1 610 302**	**1 209 423**	**47574**	**-**	**915 492**	**-**	**30 759**	**(14 865)**	**172 281**	**-**	**(1 049)**	**-**	**478**	**3 970 395**

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 2019.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31st OF DECEMBER 2019 & 2018

(€ ´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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	(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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity issues	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt-to-equity conversion (Note 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
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 2019.

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31st DECEMBER 2019 & 2018
(€ ´000)

	Note	Year 2019	Year 2018 (*)
A) CASH FLOWS FROM OPERATIONS		**(222 763)**	**464 777**
Profit for the year		**172 278**	**152 541**
Adjustments to obtain cash flows from operating activities		**(82 909)**	**(110 715)**
Depreciation and amortization	13 & 14	42 676	37 073
Other adjustments	2.26	(125 585)	(147 788)
Net changes in operating assets		**1 001 691**	**(43 393)**
Financial assets held for trading	8.1	9 051	9 150
Non-trading financial assets mandatorily designated at fair value through profit and loss	8.2	(7 293)	(6 130)
Financial assets designated at fair value through profit or loss	8.3	2 050	42 175
Financial assets designated at fair value through other comprehensive income	9.1	1 538 977	4 174 687
Financial assets carried at amortized cost	10	(639 358)	(4 376 556)
Other operating assets		98 264	113 281
Net changes in operating liabilities		**(1 294 530)**	**476 963**
Financial liabilities held for trading	8.1	7 138	(9 434)
Financial liabilities designated at fair value through profit or loss		-	-
Financial liabilities carried at amortized cost	17	(1 469 630)	435 118
Other operating liabilities		167 962	51 279
Income taxes paid		**(19 293)**	**(10 619)**
B) CASH FLOW FROM INVESTMENT ACTIVITIES		**283 916**	**43 035**
Payments		**(61 419)**	**(81 489)**
Tangible assets	13	(15 067)	(12 784)
Intangible assets	14	(12 124)	(68 705)
Investments in joint ventures and associates	12	(34 228)	-
Subsidiaries and other business units		-	-
Non-current assets and liabilities classified as held for sale	16	-	-
Other investment related payments		-	-
Collections		**345 335**	**124 524**
Tangible assets	13	96 767	108 653
Intangible assets	14	6 876	-
Investments in joint ventures and associates	12	91 488	-
Subsidiaries and other business units		-	-
Non-current assets and liabilities classified as held for sale	16	150 204	15 871
Other investment related collections		-	-
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 2019.

	Note	Year 2019	Year 2018 (*)
C) CASH FLOW FROM FINANCING ACTIVITIES		**218 064**	**(34 605)**
Payments		**(82 015)**	**(34 605)**
Dividends	3	(61 017)	(34 605)
Subordinated liabilities	17	-	-
Own equity instruments amortization		-	-
Acquisition of treasury stock		(14 351)	-
Other financing related payments		(6 647)	-
Collections		**300 079**	**-**
Subordinated liabilities	17	298 447	-
Share capital issues		-	-
Sale of share capital instruments		1 632	-
Other investment related collections		-	-
D) EFFECT OF FOREIGN EXCHANGE RATES		**-**	**-**
E) NET INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS (A + B + C + D)		**279 217**	**473 207**
F) CASH AND CASH EQUIVALENTS AT BEGINING OF PERIOD		**4 279 594**	**3 806 387**
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD		**4 558 811**	**4 279 594**
BREAKDOWN OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		**4 558 811**	**4 279 594**
Cash	2.26	420 611	377 073
Cash equivalents at central Banks	2.26	3 996 385	3 771 140
Other financial assets	2.26	141 815	131 381
Less: bank overdraft refundable on demand		-	**-**
TOTAL CASH AND CASH EQUIVALENTS AT END OF PERIOD	2.26	**4 558 811**	**4 279 594**
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 2019.

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

CONSOLIDATED ANNAUL REPORT FOR THE YEAR ENDED 31ST DECEMBER 2019
(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 corporate website (www.unicajabanco.com) 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 2019, 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.

1.2 Consolidated Group

At 31st December 2019, 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 2018 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 2019 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
Desarrollo de Proyectos de Castilla y León, S.L.U.	Property development
Finanduero Sociedad de Valores, S.A.U.	Securities firm
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 Gestión de Activos, S.L.U.	Debt collection and litigation manager
Unicorp Patrimonio, Sociedad de Valores, S.A.U.	Wealth management
Unigest, S.G.I.I.C., S.A.U.	Collective investment institutions management company
Unimediación, S.L.U.	Insurance broking
Unión del Duero, Compañía Seguros de Vida, S.A.U.	Life insurance
Uniwindet, S.L.U.	Renewable energies
Viproelco, S.A.U.	Property development

The most important changes to have taken place in the composition of the Unicaja Bank Group in the 2019 financial year are as follows:

- During the 2019 financial period, the following entities left the Unicaja Banco Group: Unicartera Internacional, S.L.U., Unicartera Renta, S.L.U., Unicartera Caja 2, S.L.U. and Unimediterráneo de Inversiones, S.L.U. On 18th October 2019 they were all merged into Unicartera Gestión de Activos, S.L.U. Likewise, Duero Pensiones, E.G.F.P., S.A. left the Group and was absorbed by Unión del Duero, Compañía de Seguros de Vida, S.A.

- During 2019, after its stake had been sold on 26th December 2019, Gestión de Actividades y Servicios Empresariales, S.A.U., left the Unicaja Banco Group, as did Viajes Caja España, S.A., which ceased trading on 12th September 2019.

- The companies Propco Eos, S.L. and Propco Épsilon, S.L. were set up during 2019 and formed part of the Unicaja Banco Group; on 18th October 2019, 80% of both companies' capital was sold, requiring them to be rebooked using the equity method.

The most important changes to the Unicaja Banco Group's composition in 2018 were the following:

- The Boards of Directors 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).

- 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.

Finally, we should note that:

- On 29th November 2019 a liquidation deed for Finanduero Sociedad de Valores S.A.U. was issued; filing of the deed was requested from the Mercantile Registry on 2nd December 2019 and finally recorded on 10th January 2020.

- On 29th January 2020 the extinction deed for Proyectos de Castilla y León, S.L.U. was issued, liquidating its assets on the balance sheet of its sole partner (Unicaja Banco, S.A. in this case) and subsequently transferring the company's business to Inmobiliaria Acinipo, S.L.U. through a non-financial contribution.

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 2019 and 2018 have all been summarized below at 31st December 2019 and 2018:

				€ ´000
		2019		**2018**
	Individual	**Consolidated**	**Individual**	**Consolidated**
Assets	56 572 997	56 707 615	57 700 090	57 504 179
Equity	4 183 367	3 970 395	4 233 258	3 917 656
Profit for the year	125 572	172 278	200 127	152 541
Revenues and expenses of the statement of changes in equity	46 312	175 013	52 113	(14 185)
Net increase/decrease of cash or cash equivalents	286 300	279 217	1 935 622	473 207

The Group's consolidated financial statements for 2019 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 2019 and 2018, drawn on the basis of the accounting principles and regulations and valuation criteria laid out in the Bank of Spain's 4/2017 Circular, and subsequent amendments, 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 2019 and to 31st December 2018.

	€ ´000	
	2019	**2018 (*)**
Cash, cash balances in central banks and other demand deposits	4 563 406	4 277 106
Financial assets held for trading	17 583	23 734
Non-trading financial assets mandatorily designated at fair value through profit and loss	89 796	77 263
Financial assets designated at fair value through profit or loss	-	2 050
Financial assets designated at fair value through other comprehensive income	1 134 484	2 727 591
Financial assets carried at amortized cost	44 995 333	44 573 998
Derivatives – accounting	507 229	411 394
Investments in subsidiaries, joint ventures and associates	864 126	1 058 024
Tangible assets	1 113 050	1 113 744
Intangible assets	14 002	3 457
Tax assets	2 822 307	2 818 515
Other assets	147 053	238 499
Non-current assets and disposal groups classified as held for sale	304 628	374 715
Total assets	**56 572 997**	**57 700 090**
Financial liabilities held for trading	12 958	17 978
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities carried at amortized cost	50 409 033	51 621 885
Derivatives - Hedge accounting	427 761	143 299
Change in fair value of hedged securities held in a portfolio hedged against interest rate risk	-	-
Provisions	907 062	868 916
Tax liabilities	209 824	205 850
Equity redeemable upon demand	-	-
Other liabilities	422 992	608 904
Liabilities in disposal groups classified as held for sale	-	-
Total liabilities	**52 389 630**	**53 466 832**
Shareholders' equity:	4 257 647	4 228 278
Capital or endowment fund	1 610 302	1 610 302
Share premium	1 322 995	1 322 995
Equity instruments issued other than capital	47 574	47 897
Other equity instruments	-	-
Retained earnings	904 492	787 527
Revaluation reserves	-	-
Other reserves	261 485	261 485
Less: Treasury shares	(14 773)	(2 055)
Profit for the year	125 572	200 127
Less: Interim dividends	-	-
Accumulated other comprehensive income:	(74 280)	4 980
Items not subject to reclassification to income statement	18 309	2 417
Items subject to reclassification to income statement	(92 589)	2 563
Total equity	**4 183 367**	**4 233 258**
Total liabilities and equity	**56 572 997**	**57 700 090**
Loan commitments given	3 047 962	2 627 040
Financial guarantees given	63 105	65 210
Other commitments given	1 977 002	2 019 858

(*) Information presented solely for comparison purposes.

b) Individual income statements for fiscal years 2019 and 2018:

	€ ´000	
	2019	2018 (*)
Interest income	764 046	806 500
Interest expense	(185 203)	(204 821)
Net interest income	**578 843**	**601 679**
Dividend income	103 908	142 276
Fee and commission income	243 752	226 813
Fee and commission expense	(22 791)	(21 326)
Net gain/loss on derecognition of financial assets and liabilities not measured at fair value through profit or loss	95 591	144 659
Net gain/loss from financial assets and liabilities held for trading	2 470	398
Net gain/loss from non-trading financial assets designated at fair value through profit or loss	3 962	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	(1 755)	-
Net gain/loss on derecognition of non-financial assets	-	-
Net exchange differences	417	(402)
Other operating income	37 153	34 549
Other operating expenses	(99 130)	(117 669)
Gross Margin	**942 420**	**1 008 269**
Administrative expenses	(531 518)	(549 440)
Depreciation and amortization	(39 987)	(33 561)
(Provisions or reversals of provisions)	(353 020)	(180 663)
(Impairment or reversal in the value of financial assets not measured at fair value through profit and loss or net gains by modification)	39 897	9 089
Net operating income	**57 792**	**253 694**
Impairment or reversal in the value of joint ventures or associates	13 079	(14 485)
Impairment or reversal of non-financial assets	(2 651)	(14 026)
Net gains/loss on derecognition of non-financial assets and investments	66 022	9 576
Recognised negative goodwill	-	-
Gain/loss from non-current assets and disposal groups held for sale not classified as discontinued operations	(2 603)	2 837
Pre-tax income/loss from continuing operations	**131 639**	**237 596**
Tax expense or income on earnings from continued operations	(6 067)	(37 469)
Profit/loss after tax from continuing operations	**125 572**	**200 127**
Profit/loss after tax from discontinued operations	-	-
Profit for the year	**125 572**	**200 127**

(*) Information presented solely for comparison purposes.

c) Individual statements of recognised income and expenses for fiscal years 2019 and 2018:

	€ ´000	
	2019	**2018 (*)**
Profit for the year	**125 572**	**200 127**
Other comprehensive income	**(79 260)**	**(147 994)**
Items not subject to reclassification to income statement	**15 892**	**(2 167)**
Actuarial gain (loss) in defined benefit pension scheme	(3 473)	(2 654)
Non-current assets and disposal groups held for sale	-	-
Change in fair value of equity instruments measured at fair value through other comprehensive income	26 176	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	(6 811)	(4 704)
Items subject to reclassification to income statement	**(95 152)**	**(145 827)**
Hedging of net investments abroad (effective portion)	-	-
Foreign currency translation	-	(15)
Cash flow hedges (effective portion)	(145 140)	21 995
Hedging instruments (non-designated items)	-	-
Debt instruments designated at fair value through other comprehensive income	9 209	(230 304)
Non-current assets and disposal groups held for sale	-	-
Income tax on items to be reclassified to income statement	40 779	62 497
Total comprehensive income for the year	**46 312**	**52 133**

(*) Information presented solely for comparison purposes.

d) Individual statement of changes in equity for fiscal years 2019 and 2018:

	Capital & share premium	Equity instruments issued other than capital	Retained earnings	Other reserves	Treasury shares	Profit for the year	Accumulated other comprehensive income	Total
Opening balance at 31/12/2018 (*)	**2 933 297**	**47 897**	**787 527**	**261 485**	**(2 055)**	**200 127**	**4 980**	**4 233 258**
Effects of corrections of errors	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-
Opening balance at 01/01/2019	**2 933 297**	**47 897**	**787 527**	**261 485**	**(2 055)**	**200 127**	**4 980**	**4 233 258**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**125 572**	**(79 260)**	**46 312**
Other changes to equity	**-**	**(323)**	**116 965**	**-**	**(12 718)**	**(200 127)**	**-**	**(96 203)**
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)	-	-	(67 867)	-	-	-	-	(67 867)
Purchase of treasury shares	-	-	-	-	(14 350)	-	-	(14 350)
Sale or redemption of treasury shares	-	-	-	-	1 632	-	-	1 632
Reclassification of equity financial instruments to liabilities	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to equity	-	-	-	-	-	-	-	-
Transfers between equity entries	-	-	200 127	-	-	(200 127)	-	-
Changes in equity due to business combinations	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-
Other changes in equity	-	(323)	(15 295)	-	-	-	-	(15 618)
Balance at 31/12/2019	**2 933 297**	**47 574**	**904 492**	**261 485**	**(14 773)**	**125 572**	**(74 280)**	**4 183 367**

(*) Information presented solely for comparison purposes.

	Capital & share premium	Equity instruments issued other than capital	Retained earnings	Other reserves	Treasury shares	Profit for the year	Accumulated other comprehensive 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 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.

e) Individual cash flow statements for fiscal years 2019 and 2018:

	€ ´000	
	2019	**2018 (*)**
Cash flows from operating activities	**(329 572)**	**(418 042)**
Profit for the year	125 572	200 127
Cash flow after adjustments to operating activities	(66 136)	(558 584)
Net changes in operating assets	1 102 578	(732 201)
Net changes in operating liabilities	(1 449 067)	683 235
Income taxes paid	(42 519)	(10 619)
Cash flow from investments activities	**397 805**	**2 388 269**
Payments	(83 784)	(404 965)
Collections	481 590	2 793 234
Cash flow from financing activities	**218 064**	**(34 605)**
Payments	(82 015)	(34 605)
Collections	300 079	-
Impact from foreign exchange rates	**-**	**-**
Net increase/decrease of cash and cash equivalents	**286 298**	**1 935 622**
Cash and cash equivalents at beginning of period	4 277 106	2 341 484
Cash and cash equivalents at end of period	4 563 404	4 277 106

(*) Information presented solely for comparison purposes.

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 2019 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 2019 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 2019 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 2019 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 14).

- 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 2019 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

On the matter of changes to accounting criteria with effect from 1st January 2019, and as provided for under IFRS 16, the Group has chosen not to re-state its comparative financial statements, since it did not re-state the comparative information covering the period to 31st December 2018 using these new accounting criteria; this means that it is not comparable, since the adoption of IFRS 16 has entailed making amendments to the criteria of lease accounting. The information to 31st December 2018 has not been restated under the terms of this Circular.

The impact of first-time adoption of IFRS 16 is detailed in Note 1.12.

1.5.2 Information comparison

As required by IAS 1, the information contained in these consolidated annual statements for 2018 is presented solely and exclusively for the purpose of comparing it with the information for the period ending on 31st December 2019 and, as such, does not constitute the consolidated annual statements of Unicaja Banco Group for 2018.

1.6 Equity interests in credit institutions' capital

In compliance with the provisions in article 28 of Royal Decree 84/2015, 13th February, laying out the secondary legislation for Act 10/2014, 26th June, on the organization, oversight and liquidity of credit institutions, a list follows below of the stakes in the capital of other credit institutions, both domestic and foreign, held by the bank on 31st December 2019 and 2018 that account for more than 5% of that institution's total capital or voting rights:

	% Share	
Entity	**2019**	**2018**
Banco Europeo de Finanzas, S.A.U.	100.00%	100.00%

At 31st December 2019 and 2018, 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 2019, 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 (Almería)
Alejandro Ortiz Bernabé	Abla (Almería)
Alfonsa Sánchez Mulas	Salamanca
Alicia García Prieto	Puertollano (Ciudad Real)
Alonso Lara Asesores, S.L.	Andújar (Jaén)
Ana Belén Santamaría Vizán	Zamora
Ana Chica Jiménez	Pegalajar (Jaén)
Ana María Ureña Asensio	Valenzuela de Calatrava (Ciudad Real)
Ángel Maigler Unguetti	Castellar (Jaén)
Antonia Castellano Yeste	El Hijate (Almería)
Antonia María Manso Sánchez	Tahivilla (Cádiz)
Antonia Navarro Latorre	Palomares (Almería)
Antonio Ayuso Serrano	Villamanrique (Ciudad Real)
Antonio Javier Ruiz Rodríguez	Alhaurín el Grande (Málaga)
Antonio Jesús Cano Aceituno	Frailes (Jaén)
Antonio José Álvarez Caparros	Los Gallardos (Almería)
Antonio José Fernández Sánchez	Villanueva de la Concepción (Málaga)
Antonio Matellán Ferreras	Zamora
Antonio Nicolás Hidalgo Reguera	San José del Valle (Cádiz)
Antonio Sánchez Escobar	Antequera (Málaga)
Antonio Sánchez Ruiz	Villarrodrigo (Jaén)
Aplagest Consulting, S.L.	Campo de Criptana (Ciudad Real)
Arancha López Santos	Fuente el Fresno (Ciudad Real)
Asesoramiento E Inversiones Ferma, S.L.	Cortegana (Huelva)
Asesores La Solana, S.C.	La Solana (Ciudad Real)
Asesoría Tremp, S.L.	Fregenal de la Sierra (Badajoz)
Beatriz Nova Gómez	Hornos de Segura (Jaén)
Beatriz Recio Ortega	Vélez-Málaga (Málaga)
Begoña Yolanda Arguelles Martínez	Gijón (Asturias)
Benzadonmuñoz, S.L.	El Burgo (Málaga)
Carlos Estévez Hernández	Béjar (Salamanca)
Cavar Mediación, S.L.	Peñarroya-Pueblonuevo (Córdoba)
Celia Cabañas Martínez	Puertollano (Ciudad Real)
Construcciones y Promociones Taberno Gestiones Inmobiliarias, S.L.	Taberno (Almería)
Cristina Barba Ciudad	Ciudad Real
Cristina Monge Pérez	Zayas de Torre (Soria)
Cristina Pérez Mora	Puertollano (Ciudad Real)
Daniel Bernardo Faus	Lorenzana (León)
Daniel Fernández Márquez	Toro (Zamora)
David Sánchez Sanz	Mingorria (Ávila)
Davinia González-Carrato García-Madrid	Daimiel (Ciudad Real)
Despacho Rbh León, S.L.	León
Diego José Rodríguez López	Yunquera (Málaga)
Dolores Ayala Salguero	Pruna (Sevilla)
Dolores Solís Ferrete	Cañete la Real (Málaga)
Dominga Pilar Haro Rodríguez	Carrizosa (Ciudad Real)
Elvira Rubio Cerezales	Villablino (León)
Emma Sola García	Chirivel (Almería)
Ernesto Javier Fernández Arroyo	Almuradiel (Ciudad Real)
Esmeralda Barba Redondo	Agudo (Ciudad Real)
Esmeralda de Zuqueca Vallez Gomez	Granátula de Calatrava (Ciudad Real)
Estela Fernández	Alcoba De Los Montes (Ciudad Real)

Name	Geographical area
Esther Puertas Martin	Zarza De Granadilla (Cáceres)
Eulalia Romero Baleta	Pontones (Jaén)
Evangelina Martínez Romero	Iznatoraf (Jaén)
Félix Domingo Del Hierro	Ciudad Real
Francisca Navarro Lao	Instinción (Almería)
Francisco Antonio Pérez Gemar	Vélez-Málaga (Málaga)
Francisco Antonio Ramírez Sánchez	Antequera (Málaga)
Francisco Jesús Jiménez Romero	Jaén
Francisco Trujillo Carmona	Alozaina (Málaga)
Gaspar Navas Pastrana	Bornos (Cádiz)
Gelihar Asesores, S.L.	Valverde del Camino (Huelva)
Gema Ayala López	Alhabia (Almería)
Gerardo Vicente Criado Bueno	Villamayor (Salamanca)
Gestión 3 Uleila, S.L.	Uleila Del Campo (Almería)
Gestoría Intercazorla, S.L.P	Cazorla (Jaén)
Gonzalo Esteban García	San Pedro Manrique (Soria)
H&O Recursos Económicos, S.L.	Baena (Córdoba)
Héctor López Serna	Palencia
Inmaculada Villarejo Becerra	Cuevas del Becerro (Málaga)
Irene García Casero	Alcolea de Calatrava (Ciudad Real)
Ismael Barea Jiménez	Villaluenga del Rosario (Cádiz)
J.M. Gestión y Servicios, S.C.A.	Laujar De Andarax (Almería)
Jesús Fernández Salvador	Roales de Campos (Valladolid)
Jesús Ledesma Gutiérrez	Muga De Sayago (Zamora)
Jesús León Minaya	Arjona (Jaén)
Jonathan Donoso San Martin	Ciudad Real
José Antonio Arrebola Benítez	Villanueva del Trabuco (Málaga)
José Manuel Alcaraz Forte	Instinción (Almería)
José Manuel Barrera Castro	El Gastor (Cádiz)
José Manuel García Montoya	Guarromán (Jaén)
José Manuel Gómez Castaño	Montejaque (Málaga)
José Manuel Orozco Pastor	Coripe (Sevilla)
José Manuel Rodríguez García	Jerez de los Caballeros (Badajoz)
José María Ruiz Sánchez	Cabezarrubias del Puerto (Ciudad Real)
José Miguel Berrón Hernández	Ávila
José Velasco Palomo	Villamayor de Calatrava (Ciudad Real)
Josefa Rojas Téllez	La Barca de la Florida (Cádiz)
Juan Ángel Arroyo Blanco	Almagro (Ciudad Real)
Juan Bautista Hidalgo Iñigo	Salamanca
Juan Liébana Jiménez	Jamilena (Jaén)
Laura Muñoz Gutiérrez	Horcajo de los Montes (Ciudad Real)
Luis Fernando Cabrero Beneítez	Formariz (Zamora)
Luis Miguel Segura Rodríguez	Benatae (Jaén)
Luis Miguel Zanca Martin	Burganes de Valverde (Zamora)
María Isabel Alonso Cruz	Viator (Almería)
María Victoria Lombo Rivas	San Martín del Pedroso (Zamora)
María Cristina Salamanqués Rando	Alaejos (Valladolid)
Magali Rodríguez Sánchez	Parada de Rubiales (Salamanca)
Magdalena Fonseca Hernández	Toro (Zamora)
Mairena Moya Ballesteros	Puebla Del Príncipe (Ciudad Real)
Manuel Guerrero Verdeja	Málaga
Manuel Jesús Jiménez Lara, S.L.	Villaverde del Rio (Sevilla)
María Amalia Martos Pastor	Macael (Almería)
María de Los Ángeles González Alcaraz	La Mojonera (Almería)
María de Los Ángeles Granados López	Alcalá la Real (Jaén)
María del Carmen Martos Miras	Cantoria (Almería)
María del Carmen Pomares Molina	Gador (Almería)
María del Mar González Arias	Almería
María del Pilar Carrión Corral	Tíjola (Almería)
María del Pilar Salas García	El Gastor (Cádiz)
María del Sol De Fuente Cuervo	Villaquilambre (León)
María del Sol Ojeda Cazorla	Segura de la Sierra (Jaén)

Name	Geographical area
María Dolores Armijo Montblanc	Linares (Jaén)
María Dolores Asensio Águila	Paterna del Rio (Almería)
María Dolores Ramírez Carmona	La Carolina (Jaén)
María Eugenia Sánchez Berjaga	Cortijos Nuevos (Jaén)
María Isabel Juárez Padilla	Rioja (Almería)
María Jesús Pérez Rubio	Sierro (Almería)
María Luisa Jiménez López	Zorita (Cáceres)
María Luz Benítez Montero	Zahara de la Sierra (Cádiz)
María Muñoz Sánchez	Navas de Estena (Ciudad Real)
María Pilar Quesada Blanco	Jaén
María Rocío Martín	Palencia
María Teresa Martos García	Mengíbar (Jaén)
Marta Redondo Fernández	Cañamero (Cáceres)
Mayo Abellán Berruezo	Mojácar (Almería)
Miguel Ángel Macias Rabanal	León
Miguel Sancho Aguilera	El Saucejo (Sevilla)
Mikel Payo Barroso	Eljas (Cáceres)
Miplanfinanciero, S.C.	Antequera (Málaga)
Moisés Herrera Pérez	Úbeda (Jaén)
Muriel Saiz de la Parte	Herrera de Pisuerga (Palencia)
Natalia Fernández Llorente	La Adrada (Ávila)
Natalia Naranjo Fernández	Benamahoma (Cádiz)
Neftalí Gonzálvez Pérez	Almería
Noram 2018, S.L.	Recas (Toledo)
Pablo Fernández Enríquez	Alcolea (Almería)
Pablo Fernández Rivera	Alcolea (Almería)
Pablo José Moreno Sánchez	San Isidro de Níjar (Almería)
Pablo Segurado Hernández	Zamora
Pinar Martin, S.L.	Losar de la Vera (Cáceres)
Rafael Jiménez Marchal	Valdepeñas de Jaén (Jaén)
Ramon Barrera Bodes	Casar de Cáceres (Cáceres)
Raquel Cousido Sandoval	Segura de la Sierra (Jaén)
Raquel García Prieto	Sorriba (León)
Raúl Rojo González	Aguilar de Campoo (Palencia)
Rocío Aparicio García	Paredes de Nava (Palencia)
Rodrigo Domínguez Hoyas	Deleitosa (Cáceres)
Rosa María Botello Barrero	Valverde de Leganés (Badajoz)
Rosana Torrubia Godoy	Periana (Málaga)
Sara Barrado Granado	Madroñera (Cáceres)
Sara Paloma Iruela Quiñones	Pozo Alcón (Jaén)
Segurtojar, S.L.	Fuente-Tójar (Córdoba)
Severo Enrique Marcos Sánchez	Medina Del Campo (Valladolid)
Simón & García Servicios Financieros, S.L.	Zurgena (Almería)
Sonia Meléndez Román	Tarifa (Cádiz)
Sonia Mínguez Pérez	Carrión de los Condes (Palencia)
Sonia Prieto Miguel	Zamora
Susana Vozmediano Pizarro	Puertollano (Ciudad Real)
Tanya Expósito Orcera	Chiclana de Segura (Jaén)
Teodoro Bernabéu Torrecillas	La Carolina (Jaén)
This Is Our Business, S.L.	Peleas de Abajo (Zamora)
Vanesa García Hernández	San Pedro Manrique (Soria)
Velasdiano, S.C.	Solana del Pino (Ciudad Real)
Vicente Canuto Álamo	Valdepeñas (Ciudad Real)
Víctor Manuel Torres Tejerina	Zamora
Victoria Ortiz López	La Puerta de Segura (Jaén)
Yasmina María González Martínez	Puente de Genave (Jaén)
Yolanda Sánchez Bartol	Vitigudino (Salamanca)

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)
Atlas Formación Continua, S.L.U.	Albolote (Granada)
Avances Tecnológicos y Diseño, S.L.	Marbella (Málaga)
Carlos Jesús Checa Martin	Torre del Mar (Málaga)
Carlos Lorente Martínez	Iznalloz (Granada)
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 Joyar Montilla	Jaén
Manuela Jurado Ollero	Marmolejo (Jaén)
Mario Navarro Díaz	Estepona (Málaga)
Sistema Asesores Málaga, S.L.	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 2019 and 2018, 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.

Said Regulation (EU) Nº 575/2013 establishes uniform standards that entities must observe with respect to: 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, del 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 2019 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 2.5%.

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.

For the year 2019, the European Central Bank established for Unicaja Banco Group, within the SREP framework a minimum total capital ratio of 12.25% (phase-in). This requirement applies for fiscal year 2019 and include the minimum exacted for Pillar I of 8%, a Pillar II requirement of 1.75% and a capital conservation buffer of 2.5%.

In addition, for the year 2020, the European Central Bank established for Unicaja Banco Group, within the SREP framework, a minimum total capital ratio of 12.25% (phase-in). This requirement applies for fiscal year 2020 and include the minimum exacted for Pillar I of 8%, a Pillar II requirement of 1.75% and a capital conservation buffer of 2.5%.

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 2019 was 15.42%, while its total capital ratio came to 16.93% (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 2019 and 2018, Unicaja Banco Group's equity amounted to EUR 3,891,674 thousand and EUR 3,580,498 thousand, respectively, of which EUR 3,544,100 thousand and EUR 3,532,601 thousand respectively, are part of Common Equity Tier 1 (CET1).

The total capital surplus taking into account the equity requirements in accordance with the regulation of Directive 36/2013/ 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 2019 SREP (Pillar 2) and the capital conservation buffer of 2.5%, comes to EUR 1,076,313 thousand at 31st December 2019.

	€ ´000	
	2019	2018
Tier one eligible common capital (CET1) (a)	3 544 100	3 532 601
Additional Tier (AT) 1 eligible capital (b)	47 574	47 897
Tier 2 eligible capital (c)	300 000	-
Risks (d)	22 982 533	22 871 497
CET1 ratio 1 (A)=(a)/(d)	15.42%	15.45%
AT 1 capital ratio (B)=(b)/(d)	0.21%	0.21%
Tier 1 capital ratio 1 (A)+(B)	15.63%	15.66%
Tier 2 capital ratio (C)=(c)/(d)	1.31%	-
Total Capital Ratio (A)+(B)+(C)	**16.93%**	**15.66%**

	€ ´000	
	2019	2018
Tier 1 Capital (a)	3 591 674	3 580 498
Exposure (b)	55 844 123	57 158 157
Leverage ratio (a)/(b)	**6.43%**	**6.26%**

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 2019 and 2018, 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.

All policies, methods and procedures in the Group related to Global Risk Management are approved by the Board of Directors of the parent entity. The duties of the Audit and Compliance Committee, the Risk Committee, the Assets & Liabilities & Budget Committee (ALBCO), the Internal Audit Division and the Global Risk Control Division of Unicaja Bank include verifying 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 2019 and 2018, the Bank met the required minimums applicable under Spanish law for this ratio.

1.10 National Deposit Guarantee Fund

The Bank is a member of the Credit Institutions Guarantee Fund. In the 2019 and 2018 fiscal years, the expenses incurred for ordinary and additional contributions, plus one-off payments to this body, came to EUR 41,388 thousand and EUR 46,878 thousand, respectively, which was booked under the item “Other operating expenses” in the consolidated income statement attached (Note 39.2).

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.

For 2019, 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 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 2019; 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 2.0 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 2019.

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 2019, the value of these contributions came to EUR 16,489 thousand EU (21,985 thousand at 31st December 2018).

1.11 Contributions to the resolution funds

During the 2019 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 2019 contribution period came to EUR 7,444 thousand (Note 39.2), while the same item for 2018 came to EUR 12,828 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.

Also, 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 2019, 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 2019:

Standards, amendments & interpretations (Note 1.12.1)	**Description**	**Mandatory application 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	Amendment, reduction or settlement of the plans	1st January 2019

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 1.12.2)	Description	Mandatory application in the year commencing
Amendment to the IFRS conceptual framework	Amendment to references to the IFRS conceptual framework	1st January 2020
Amendment IAS 1 and AIS 8	Definition of material (or relative importance)	1st January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7	Benchmark interest rate	1st January 2020
Amendment IFRS 3	Definition of a business	1st January 2020
IFRS 17	Insurance contracts	1st January 2021
Amendment IAS 1	Classification of liabilities as current or non-current	1st January 2022
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 Directors of Parent Company 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 fiscal year in review

During fiscal year 2019 the following modifications of the IFRS or interpretations thereof (hereinafter, "IFRIC") have come into force:

- IFRS 16 "Leases": IFRS 16 provides for a single lessee accounting model, according to which right of use assets and liabilities must be recognised on all leasing contracts, unless the lease term is 12 months or less or if the underlying asset has a low value. IFRS 16 applies to accounting periods on or after 1st January 2019; the Unicaja Banco Group has not exercised the early application option.

  The most important aspects of the transition to this Standard, the implementation programme followed by the Group and its main impact are outlined below:

  - The Group has undertaken 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 applied 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 (Note 1.5.2).

  - The Group has applied 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 therefore has applied IFRS 16 to those contracts that were previously identified as lease contracts under IAS 17.

  - The Group has recognised at 1st January 2019 a lease liability of EUR 46,846 thousand on the date of initial application for leases that were previously classified as operating leases, using IAS 17. The Group measures 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 has recognised at 1st January 2019 a right-of-use asset, valued at EUR 46,846 thousand, on the initial application date for leases that were previously classified as operating leases using IAS 17. From the options permitted under the Standard, the Group chose to measure the right-of-use asset of all the contracts affected by a sum that is the same as the lease liability (asset equivalence method).

- The impact of the initial application of IFRS 16 has been measured as 3 basis points of the Group's Fully Loaded CET1 ratio to 1st January 2019.

o 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. IFRSIC 23 applies for financial years beginning on or after 1st January 2019.

  At 1st January 2019, the first application of IFRSIC 23 has had a reclassification effect on Unicaja Banco Group amounting to EUR 14,668 thousand from the item "Provisions" to "Current tax liability" of the consolidated balance sheet.

o 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 is effective for the fiscal years commencing 1st January 2019 onwards. Although permitted, Unicaja Group chose not to adopt this amendment early.

o 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 is effective for the fiscal years commencing 1st January 2019 onwards. Although permitted, Unicaja Group chose not to adopt this amendment early.

o IFRS Annual Improvements, Cycle 2015-2017: The amendments affect IFRS 3, IFRS 11, IAS 12 and IAS 23 will apply to fiscal years starting 1st January 2019 onwards. 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": The tax effects 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.

- IAS 19 (Amendment) “Amendment, reduction or settlement of the plans”: This amendment specifies how companies should decide on expenses for pensions when there are changes in a defined benefits plan. The amendment will come into force on 1st January 2019.

The application of these accounting standards and their interpretations has not had a significant impact on the Group’s consolidated financial statements.

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 2019 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:

- 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 be applied before that.

- IAS 1 (amendment) and IAS 8 (amendment): “Definition of material (or relative importance)” 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.

- IFRS 9 (Amendment), IAS 39 (Amendment) and IFRS 7 (Amendment) “Review of reference interest rates”: These amendments are a response to the consequences, as they affect the presentation of financial information, of the change to the benchmark interest rates in the previous financial period prior to the replacement of an existing benchmark interest rate by another alternative. The amendments set out temporary, limited exemptions to the requirements for hedge accounting of IAS 39 Financial instruments: Recognition and assessment and of IFRS 9 Financial instruments, such that companies can continue to comply with the requirements, based on the assumption that existing benchmark interest rates do not undergo alterations due to the change in the interbank offered rate. The amendments will be effective from 1st January 2020.

- IFRS 3 (amendment) “Definition of a business": The amendments will provide pointers to determine whether the acquisition in question is a business or a group of assets. The amended definition emphasises that the purpose of a business is to provide goods and services to customers, whereas the previous definition focused on achieving profitability in the form of dividends, lower costs or other economic benefits for investors and others. As well as amending the wording of the definition, it has provided additional guidelines. To be considered a business, an acquisition must include both an input and a process that, together, contribute significantly to the ability to create products. The new guidelines provide a framework to assess whether both factors are present (even for early-stage companies that have not generated any products). To be classified as a business when there are no results, it will now be necessary to have organised labour. These amendments will apply to business combinations that are bought after the beginning of the first financial year starting on or after the 1st January 2020 that are reported, and to asset purchases after the beginning of that financial period. Early application is permitted. In any case, 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 other 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.

- IAS 1 (Amendment) "Classification of liabilities as current or non-current": This amendment clarifies that liabilities are classified as current or non-current depending on the rights prevailing at the end of the financial period being reported. The classification is not affected by the institution's forecasts or by events occurring after the closing date of the period (for example, the reception of a waiver or non-compliance with the agreement). The amendment also clarifies what IAS 1 means when it refers to the "liquidation" of a liability. The amendment is effective for the year commencing 1st January 2022, although it can be adopted earlier. 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.

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.

1.13 Sale of NPAs of the Unicaja Banco Group

During 2019, the Unicaja Banco Group has continued divesting its unproductive assets, which have been reduced by around EUR 1,117 million (31.1%) in this financial period. This has brought the NPA rate down by 1.9 percentage points to 4.8% by the end of 2019, as noted in the consolidated management report.

Some of this reduction is due to Unicaja Banco Group's portfolio sales as part of its Non-Performing Asset Management Plan, amounting to a gross figure of EUR 640 million (EUR 308 million of non-performing loans and EUR 332 million of foreclosed assets).

1.14 Events occurring after the close of the fiscal year

On 23rd January 2020, Unicaja Banco and other shareholders of "Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A." (Caser) signed a shareholder contract with Helvetia Schweizerische Versicherungsgesellschaft AG (hereinafter, Helvetia) after Helvetia entered the shareholding body and took control of Caser. Furthermore, Unicaja Banco has signed an agreement with Helvetia under which, as part of this handover of control, it undertakes to refrain from exercising its right to terminate the existing distribution agreement it has with Caser through Unimediación, S.L.U. In exchange Unicaja Banco will receive compensation of EUR 46.87 million. The transaction is subject to the usual conditions precedent applying in this type of business.

In the period between the end of the financial year on 31st December 2019 and the date on which these consolidated annual statements were prepared, there have been no other particularly important events which are not already covered in the annual report.

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 2019 and 2018 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 2019 and 2018, 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 involvement 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 2019 in owned institutions.

At 31st December 2019 and 2018 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 (multi-group 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 multi-group 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 2019 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 granted Unicaja Banco Group significant influence but does not go as far as representing control or joint control over the company. This stake was transferred on 30 July 2019.

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 2019.

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.

Although the business model has been classified in such a way as to keep the financial assets in the category of "held to receive contractual flows", this category is not determined by the company's intentions regarding an individual financial instrument, but rather a set of instruments, taking into account the frequency, amount and dates of sales in previous periods, the reasons for said sales and the expectations around future sales. Infrequent or insignificant sales, those close to the asset's maturity date and those motivated by increases in the credit risk of financial assets, among others, may be compatible with the model of holding assets to receive contractual flows.

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.

Criteria used for SPPI tests

Unicaja Banco Group has an accounting policy for classifying financial assets which sets out the criteria to be applied in SPPI tests in light of the information available in the entity's databases, the transaction's contractual paperwork and the conclusions, both quantitative and qualitative, reached from individual analyses. The information used is subjected to the bank's IT system controls and to the second and third line of defence reviews. The controls applied include verification of data quality.

The Group's accounting policy defines principal as the fair value of the financial asset in its initial recognition. This amount may change over the lifecycle of the financial asset, for example, if the principal is amortised.

In the case of interest, understood as the implicit and explicit returns satisfied as compensation for the transfer of the principal, the Group considers the following factors:

- Time value of money: this is the component of the interest that takes into account only the passing of time, without including other risks or costs associated with keeping the financial asset. The Group heads use their judgment in assessing whether the component only contemplates the passing of time; the currency of the financial asset and the period over which the interest rate is set are relevant factors.

- Credit risk: this can be defined as the loss that a debtor's potential default or impaired liquidity would cause, that is, the likelihood of the collection right not being honoured when it reaches maturity.

- Other basic risks and costs: this covers risks such as liquidity and administrative overheads.

- Profit margin: additional margin charged by the creditor for a loan transaction.

The Group assesses the contractual and financial nature of its financial assets using the above criteria to analyse whether they satisfy the definitions of principal and interest, bearing in mind factors such as the amended time value of money, the contractual terms that may affect the payment schedule and the volume of cashflows, the link between contractual flows and specific projects or assets rather than the borrower's rate of return and the effects of the instruments that are linked by contract.

To complete their analysis and reach their final decision, the Group assesses the effect of these factors on the contract and defines a tolerance threshold by taking into account the "de minimis" effect, setting the percentage difference that is acceptable on all the flows taken as a whole (section B4.1.9C of IFRS 9), with a "non genuine" effect (section B4.1.18 de la IFRS 9), that is activated when it is believed that the likelihood of a clause or the financial effect is remote (under the terms of section B4.1.18 mentioned above, "remote" is understood as referring to an extremely exceptional event, highly anomalous and very unlikely).

The Group believes that the impact of a clause that is not aligned with the requirements relating to the SPPI test will have a significant impact on the contractual cash flows of the transaction when the difference with the flows of the same transaction without said non-compliance is higher than 10%.

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 they 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.

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, 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 through these values, calculated using this method, are 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 the reclassification 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 "Accumulated other 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.

IFRS 9 stipulates that conventional purchases or sales of financial assets will be recognised and derecognised according to the date on which they were either negotiated or liquidated. Unicaja Banco Group has chosen to book these items on the liquidation date.

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 hedged risk 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 arise in the effective hedging portion of the hedging elements are recorded temporarily in the equity item "Accumulated Other comprehensive income – Items subject to reclassification to income statement– 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 from financial assets and liabilities of 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 – Accumulated other 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 hedged 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 2019 comes to EUR 98,114 thousand and EUR 87,837 thousand, respectively (EUR 94,365 thousand and EUR 48,708 thousand, respectively, at 31st December 2018). 50% and 50%, respectively, at 31st December 2019 were in United States dollars (84% and 54%, respectively, at 31st December 2018) and 36% and 43%, respectively, at 31st December 2019 were in Swiss francs (4% and 6%, respectively, at 31st December 2018), 7% and 5%, respectively, at 31st December 2019 were in pounds sterling (5% and 5%, respectively, at 31st December 2018) 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 2019 and 2018, 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 2019 financial period, the amount of the exchange differences recorded on the Group’s consolidated income statement came to EUR 415 thousand of (net) gains, whereas during the 2018 financial year they came to EUR 404 thousand of (net) loss.

Financial assets classified in the portfolio “Impairment of financial assets designated at fair value through other comprehensive income, are managed as follows:

- Adjustments arising from exchange differences in debt securities (monetary items) are recognised directly on the consolidated income statement, under the line entry “Exchange difference (net)”.

- Adjustments due to exchange differences in equity instruments (non-monetary items) are recognised in other comprehensive income, and are not restated in the results when they are made, but adjusted directly against an equity “Reserves” account, without going through the Group’s consolidated income statement.

During the 2019 and 2018 financial years, the net amount of the exchange differences recorded in the consolidated statement of recognised income and expense as “Foreign exchange conversion” comes to EUR 56 thousand and EUR 35 thousand in gains 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 collections 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 IFRSIC 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 coverage 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. Coverage 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. Coverage 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. Coverage 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 coverage for impairment losses is calculated according to how the credit risk is classified, and to whether there has been a default event. Thus, a coverage 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 have experienced a significant increase in risk since it was granted, are considered "Stage 2" ('Watch-list performing risk').

To determine whether risk has increased significantly, the Group responds both to automatic triggers, which entail the immediate classification from normal risk to watchlist (or non-performing), and synthetic ones, that may involve objective signs or evidence of a significant rise in risk or a default event (the latter may occur independently through the application of one trigger or the combination of several).

Triggers defined by Unicaja Banco Group include factor such as defaults, 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. As such, the Group does not reject the presumption that there has been a significant increase in risk when contractual payments are delayed by more than 30 days.

Also, the Group has developed collective classification indicators to reflect the significant increase in risk through the worsening in the probabilities of default throughout the life of the transaction, taking as reference the first estimate of transactional PD (probability of default) of the transactions.

Similarly, the Group has put in place objective criteria for classifying debt instruments as stage 3 (non-performing risk) in which some of the following circumstances apply:

- 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.

Low credit risk

In line with the stipulations of paragraph 5.5.10 of IFRS 9, the Group considers that an instrument's credit risk has not increased significantly since the initial recognition if that instrument's credit risk on the date of the information is established as being low.

Unless specific circumstances occur to make it change this classification, Unicaja Banco Group considers that the following are low credit risk transactions:

a) transactions with central banks;
b) transactions with the public administrations of countries in the European Union, including those arising from repo loans on sovereign debt securities;
c) transactions with the Central Governments of Group 1 country-risk countries according to the sector regulation applying to Spanish credit institutions;
d) transactions in the name of deposit guarantee funds and resolution funds, provided that these are comparable in terms of their credit quality with those of the European Union;
e) transactions in the name of the credit institutions and financial credit establishments of European Union countries and, in general, Group 1 country-risk countries;
f) transactions with Spanish mutual guarantee companies and with public bodies or corporations from other Group 1 country-risk countries whose main activity is credit assurance or collateral provision;
g) transactions with non-financial companies which are treated as public sector entities;
h) advances on pensions and pay cheques for the following month, provided that the payer is a public administration and the advances are paid into the entity; and
i) non-loan advances.

Unicaja Banco Group considers that all these cases comply with the low credit risk definition set out in paragraph B5.5.22 of IFRS 9, stating that the credit risk of a financial instrument is considered low if the financial instrument carries a low risk of non-compliance, the borrower has a robust capacity to fulfil their contractual cashflow obligations on the next payment date and the adverse changes in economic and business conditions on the long term may bring down the borrower's ability to satisfy their contractual cashflow obligations, but will not necessarily do so.

It should be noted, however, that for transactions that are not classified as low risk, the Group considers the risk to have suffered a significant increase if the following individual triggers have been activated on the reference date:

a) The external credit rating of the issue or the issuer has been significantly downgraded from the outset of the transaction or from the previous year (reduction of 3 or more rating tiers), or has fallen below speculative-grade (in the case of Fitch and S&P, this is when it drops from BBB- to BB+, and in the case of Moody's, when it falls from Baa- to Ba+).

b) The securities' listing has fallen from the previous year or since the initial recognition by 20% or more (if it is more than 40% it will be classified as stage 3).

c) The security's CDS listing falls, with a significant impairment from the previous year or from the outset, with a reduction of 60% or more, or it breaches the threshold of 400 base points (inclusive).

Estimating Impairment losses

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. This was in order to avoid the 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 evidence of impairment or a significant increase in risk, held with borrowers who are individually significant, (ii) on a cluster basis for the key portfolios which can be modelled, and (iii) using methods based on sectoral parameters obtained from experience and information held by the Bank of Spain on the Spanish banking sector, 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 coverages 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 coverage 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).

- Group coverage 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.

Unicaja Banco Group determines coverage for impairment of exposures with low credit risk by applying individual estimation methods, calculating coverage as the difference between the gross book value of the exposure and the current book value of the estimated cashflows likely to be collected, multiplied by the exposure's estimated probability of default and discounted using the effective interest rate.

In applying paragraph 5.5.18 of IFRS 9 to this estimate, Unicaja Banco Group always reflects the possibility of whether a credit loss may or may not occur, even when the most likely outcome is that there is no credit loss, and only ruling out remote scenarios. The Group reserves its application of 0% coverage for those exceptional cases where its use is properly justified.

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 an offsetting 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 counterparty 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 Consolidated entities as lessors

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 "Investment properties" or as "Let under an operating lease agreement", 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 income – Income from non-financial services".

2.9.2 Consolidated entities as lessees

When consolidated companies are the lessees in a lease operation, the accounting principles and valuation criteria adopted by the Group after IFRS 16 came into effect, are explained below:

- *Lease term*: The lease term is the period during which a lease may not be revoked, to which periods covered by the option of extending the lease may be added, if there is reasonable certainty that the lessee will exercise this option, as well as the periods covered by the option to rescind the lease, if reasonable certainty exists that the lessee will not exercise it.

- *General criterion for recognition*: Assets and liabilities arising from the lease contracts are recognised on the date the lease starts, which will be when the lessor makes the leased good available for use to the lessee.

- *Initial measurement of the lease liability*: On the inception date of the contract, the Group recognises a lease liability for the present value of the lease payments that have not been paid before that date.

  The discount rate used to measure the value of these payments, takes the interest rate that the lessee would have to pay to borrow, for a similar period and with similar collateral, the funds necessary to obtain a good of a similar value to the right-of-use asset in comparable economic conditions (incremental borrowing rate).

  These liabilities are recorded in the item "Financial liabilities measured at amortized cost - Other financial liabilities" of the consolidated balance sheet.

- *Initial right-of-use value of the asset:* At the contract inception date, the Group recognises an asset by the right of use, valued at cost, and including:

  a) The sum of the initial measurement of the lease liability, as described above.

  b) Any lease payment made on or before the commencement of the lease, less any collection received from the lessor (such as incentives received to sign the contract).

  c) Initial direct costs borne by the leaseholder. These include, among others, those costs directly relating to the location of a tangible good in the place and in the conditions necessary so that it can be operated by the leaseholder.

  d) Costs expected to be incurred to dismantle and remove the leased good, restore the site where it is located and return the good to the condition required by virtue of the contract, unless these costs are incurred for the production of inventory. These costs are recognised as part of the cost of the right-of-use asset when the Group takes on the obligation to incur them.

  Right-of use assets, for accounting purposes, are classified as tangible or intangible assets depending on the nature of the good being leased.

- *Subsequent measurement of the lease liability:* After its initial recognition, the Group measures the lease liability in order to:

  a) Increase its carrying value to reflect the accrued interest, calculated by applying the interest rate used at the initial measurement over the liability balance.

  b) Reduce its carrying value to reflect the lease payments made.

  c) Reflect the changes in: (i) the lease term, if there has been an adjustment in how the exercise of extension or rescission options is valued, (ii) the lease term and lease payments as a result of an alteration in how the purchase option of the leased good is valued, (iii) lease payments as a result of an alteration in the amounts expected to be settled for the residual value guarantee, (iv) the amounts of future variable lease payments because of a variation in an index or rate used to determine those payments. In the cases covered in points (i) and (ii), since the lease term has been changed, the revised payments will be discounted at a revised discount rate, which shall be the same as the implicit interest rate for the remainder of the lease term, if that rate can be readily determined, or at the lessee's incremental borrowing rate at the date of reassessment, if not. In the situations provided for in points (iii) and (iv), since the lease term has not changed, the revised payment amounts will be discounted at the discount rate used for the initial measurement, unless the variation in the payments results from a change in floating interest rates. In that case, the lessee shall use a revised discount rate that reflects changes in the interest rate. The Group revises the lease term or the sums expected to be paid for residual value guarantees when there is a significant event or change to the exercise of options provided for in the contract. Likewise, the Group revises the payments that are linked to an index or rate when, under the terms of the contract, it is required to update the amounts of these payments.

  d) Reflect any changes made to the lease.

  e) Reflect those lease payments that had not been considered inevitable, such as those contingent on events that were not certain to happen before they did, but which on the reference date are considered fixed in nature because they are inevitable.

Variable lease payments not included in the measurement of the lease liability will be recognised on the profit and loss statement of the financial period in which the event or circumstance giving rise to said payments occurred.

- *Subsequent measurement of the right-of-use asset: After its initial recognition, the Group measures the right-of-use asset at cost:*

  a) Less the accumulated amortization and depreciation and any accumulated impairment loss. If the ownership of the leased asset is transferred by the end of the lease term or if the initial measurement of the right-of-use asset's cost reflects the fact that the lessee will exercise the purchase option, the right-of-use asset is depreciated during the useful life of the underlying asset. Otherwise, it will depreciate at the end of its useful life, or the end of the lease term, whichever is earlier.

  b) Adjusted to reflect changes in the present value of the lease payments that need to be made in line with the stipulations above.

- *Simplified treatment for recognition and measurement:* The Bank treats the following lease payments as expenses:

  a) Short-term leases (understood as those which at the commencement date have a duration of twelve months or less), provided that they do not contain a purchase option.

  b) Leases of low-value underlying assets, provided that the asset can be used without depending to a large extent on other goods (nor closely related to these) and that the lessee can obtain advantage from using the good on its own (or together with other easily accessible resources). The value of the underlying asset leased is measured in absolute terms based on its value in its new situation.

  In both cases, the item is booked on a straight-line basis to the profit and loss account during the lease term.

- *Amendment to the lease:* The Bank accounts for the amendment to a lease by separately recording a new lease if said amendment extends the scope of the contract (by adding one or several underlying assets) in exchange for an increase in the consideration for an amount similar to the specific price that would be paid if a separate lease contract were to be created for the underlying assets added to the contract.

  In the event that these requirements are not met, on the date on which the parties agree the amendment, the Bank: (a) distributes the consideration from the amended contract between the lease components and the other components, (b) decides on the amended lease term, (c) re-evaluates the lease liability, discounting the revised lease payment using a revised discount rate, set for the remainder of the lease term on the date of the amendment, and (d) accounts for the new measurement of the lease liability.

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 2019 and 2018 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 Commitments to employees

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 employee Social Security contributions, and other rightholders, 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, effectively cancelling and settling the former, while 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 vested 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 during the 2014 fiscal year, Unicaja Banco Group acquired a controlling stake in the capital of Banco de Caja España de Inversiones, Salamanca y Soria, S.A.(EspañaDuero). According to the labour agreement in place, the Group must complete employee Social Security contributions, and other rightholders, in the case of retirement, death of a spouse, permanent 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 2019 and 2018, actuarial calculations for the defined contribution systems have been made, applying the following assumptions:

Unicaja Banco Plan 1	**2019**	**2018**
Rate of wage increase	2%	2%
Increase in social security coverage (contribution bases)	1%	1%
Pensions review rate	1%	1%
Mortality rate	PERMF 2000-P	PERMF 2000-P

Plan 2 Unicaja	**2019**	**2018**
Rate of wage increase	5%	5%
Increase in social security coverage (contribution bases)	3%	3%
Pensions review rate	3%	3%
Mortality rate	PERMF 2000-P	PERMF 2000-P

EspañaDuero Plan 1	**2019**	**2018**
Rate of wage increase	0%	3.5%
Increase in social security coverage (contribution bases)	0%	2.5%
Pensions review rate	1.5%-2.5%	2.5%
Mortality rate	PERMF 2000-P	PERMF 2000-P

EspañaDuero Plan 2	**2019**	**2018**
Rate of wage increase	0%	3.5%
Increase in social security coverage (contribution bases)	0%	2.5%
Pensions review rate	0%-2.5%	2.5%
Mortality rate	PERMF 2000-P	PERMF 2000-P

Commitments accrued by retired staff to 31st December 2019 and 2018 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 2019 and 2018, 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 IFRSIC 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 all of 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.
- They are not non-transferable 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 and 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 debit 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 2019 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 2019.

2.12.1.3 Post-employment defined benefit commitments

The post-employment defined benefit commitments held by Unicaja Banco at the close of the 2019 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 nºs 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, in which the benefits payable match, in both amount and in payment dates, the flows of the policy's financial assets (cashflow matching).

2.12.2 Other long term employee benefits

During fiscal years 2019 and 2018 the Group reached a number of individual agreements consisting, mainly, in early retirements through contract expiration, 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 covered 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 hedged 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 paid redundancies and early retirement through contract termination 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 as a counterparty 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 appropriate 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 recorded.

The Group only records 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 or 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 the 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. In addition, it allows for these temporary differences to be swapped for public debt instruments once the period laid down in the applicable regulation for offsetting negative tax bases is up.

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, as well as rights-of-use assets that meet IFRS 16 requirements and 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, excluding rights-of-use 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. Rights of use are valued according to Note 2.9.2. on operating leases.

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%

Annual provisioning for rights of use is calculated as set in out in Note 2.9.2. on operating leases.

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 administrative 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 “Impairment losses 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 expenses – 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 debtors 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 that apply to 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 followed for such inventory.

2.18 Provisions and Contingent liabilities

At the time of filing the subsidiaries' annual accounts, their respective 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 2019 and 2018 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 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 transferred financial asset is derecognised from the consolidated balance sheet as a result of the transfer.

- 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:

    - An 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 or 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’ fair value at present, 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 an 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 Expenses from insurance or reinsurance contracts

The accounting policies applied by the Unicaja Banco Group on assets and liabilities under insurance or reinsurance contracts are described below:

- *Assets under insurance or reinsurance contracts:* The sums that the Group is entitled to receive from insurance or reinsurance contracts are booked as "Assets under insurance or reinsurance contracts". The Group checks whether these assets are impaired, in which case it recognises the loss on the consolidated income statement, directly against these assets. The Group considers an asset or asset group under insurance contracts is impaired if there is objective proof, from an event that has occurred after the initial recognition of the asset in question, that the institution may not receive all the sums stipulated under the terms of the contract, and if the amount that will not be satisfied can be reliably quantified.

- *Liabilities under insurance or reinsurance contracts* Distinctions are made between technical provisions (which include provisions for life insurance, provision for benefits and provision for bonuses and rebates) and provision for accounting asymmetry.

    - *Provisions for life insurance:* Distinctions are made between provisions for unearned premiums, provisions for current risks, mathematical provisions and life insurance provisions when the investment risk is taken by the policyholder.

        - *Provisions for unearned premiums:* This accounts for the fraction of the premium intended for meeting unexpired future obligations at the end of the current financial period. The provision for unearned premiums is calculated for each type of insurance, taking as its basis the premiums accrued during the financial period, and applying a uniform distribution of the loss. The Group uses a "policy by policy" procedure for calculating the provision on the types of policy that generate it.

        - *Provisions for current risks:* The provision for current risk is in addition to the provision for unearned premiums in those cases in which the amount insufficiently reflects the assessment of all the risks and expenses to be covered and that correspond to the period of cover going beyond the end of the financial period. To 31st December 2019 and 2018, there was no need to make significant provisions for this item, given that the provisions for unearned premiums were sufficient.

        - *Mathematical provisions:* These represent the value of the Group's obligations net of the obligations of life insurance policyholders at year-end. Life insurance provisions for insurance with cover of a year or less are shown as "Provision for unearned premiums" and for the remaining contracts under the heading "Mathematical provisions".

          A mathematical provision is the difference between the current actuarial value of the Group's future obligations and those of the policyholder or, where applicable, the insured party. This is calculated "policy by policy", using the formulas, mortality tables and discount rates specified for each type of policy in the technical notes. The basis used for calculating the mathematical provision is the inventory premium accrued in each financial period.

        - *Life insurance provisions when the investment risk is taken by the policyholder:* Life insurance provisions with contracts stipulating that the investment risk is wholly borne by the policy holder are calculated "policy by policy" and assessed according to their specific assets to determine the value of the rights.

    - *Provision for pay-outs:* This represents the best estimate of the total sums of the Group's pending obligations arising from losses occurring before each year-end, which is the same as the difference between their estimated or actual total cost, including the external and internal management and administration expenses of claims, and the sum of the amounts already paid out for these losses.

To establish the amount, the losses are classified by the year in which they took place and the type of insurance, with each loss being assessed individually. These provisions are divided into three categories: pending settlement or payment, pending declaration, and internal expenses for settling losses.

- The provision for losses pending declaration is calculated taking into account the information and experience from the Group's insurance entities' previous financial years. The average number of losses pending declaration is multiplied by their average cost from the previous financial year and estimated as stipulated in the regulations.

- The provision for internal expenses in settling losses serves the purpose of provisioning enough funds to cover the internal expenses of the Group's insurance institutions to completely write off the losses that have to be included in the payout provision.

- Provision for participating in profits and rebates: This provision covers the profits accrued by policy holders or beneficiaries, and the value of the premiums that have to be returned to policyholders or insured parties. It is calculated according to the stipulations laid out in Article 38 of the Regulation for the Organization and Supervision of Private Insurance, passed by Royal Decree 2486/1998, 20th November. This provision also covers the policies' share in the returns obtained from investments linked to coverage of provisions. It is calculated according to the specific conditions in each contract.

- *Provision for accounting mismatches:* To minimise accounting mismatches resulting from the use of different assessment methods for certain assets and liabilities, the gains and losses recognised on the income statement or booked as own equity emanating from certain financial assets valued at fair value and linked to certain insurance transactions are equally recognised on both sides of the income statement. Alternatively, they are booked as net equity with compensation in the technical provision evaluation, or in the "Liabilities under insurance or reinsurance contracts - Liabilities from accounting mismatches" item.

As a general rule, revenue and expenses from insurance and reinsurance contracts are booked by the Group according to their accrual period and recognised depending on the real flow of goods and services they represent. This is independent of the model in which the resulting monetary or financial flow manifests itself, taking into account the correlation between revenues generated and their corresponding expenses. Insurance and reinsurance premiums are recorded using the accrual criterion, collecting the premiums accrued and pay-outs in the period and the variations in the technical provisions for unearned premiums. Technical expenses for losses, which are booked by accrual, reflect the disbursements for pay-outs deriving from insurance contracts, and the expenses met that can be set against the liquidation of those contracts; they also include the variations in the corresponding technical provisions for pay-outs.

Finally, we should point out that in the case of financial assets linked to these insurance and reinsurance contracts, Unicaja Banco Group applies the same accounting criteria and valuation rules as it does to the Group's remaining financial assets, since it has not made use of the temporary exemption from IFRS 4 "Insurance contracts" after it was amended following the entry into force of IFRS 9.

2.22 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 2019 and 2018 the Group has not had gains/losses from discontinued operations that ought to be booked under this heading in the consolidated income statement.

2.23 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 at 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 subject 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.

2.24 Consolidated statement of recognised income and expenses

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 for the same fiscal year, 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.

2.25 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 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.

2.26 Consolidated cash flow statement

In the Group's consolidated cash flow statements for the periods 2019 and 2018, 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 2019 and 2018, 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 & cash balances with Central Banks and other demand deposits" heading of the consolidated balance sheet The Group's cash balance at 31st December 2019 amounts to EUR 420,611 thousand (EUR 377,073 thousand at 31st December 2018) (Note 7).

- Balances held with central banks, which are recorded under the "Cash & cash balances with Central Banks and other demand deposits" heading of the consolidated balance sheet, which at 31st December 2019 came to EUR 3,996,385 thousand (EUR 3,771,140 thousand at 31 December 2018) (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 and Other Demand Deposits" heading on the consolidated balance sheet, with volume coming at 31st December 2019 to EUR 141,815 thousand (EUR 131,381 thousand to 31st December 2018) (Note 7).

3. Application of earnings of the Parent Company

The proposal for distributing the parent company's net profits from the 2019 period that its Board of Directors will submit to the General Shareholders' Meeting for approval, together with the proposal that was approved for the 2018 period, is as follows:

		€ ´000
	2019	**2018**
Dividends - Interim dividends	77 525	61 017
Interim dividend paid	-	-
Dividends payable	*77 525*	*61 017*
Reserves - Legal reserve	12 557	20 013
Reserves - Capitalization reserve (Tax Law 27/2014)	4 000	600
Reserves - Voluntary reserves	31 490	118 497
Net profit for the year	**125 572**	**200 127**

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 a 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 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 6,850 thousand, on 28th March 2020 (in the previous year, the agreed discretionary remuneration was EUR 6,850 thousand for the PeCoCos outstanding at 28th March 2019.)

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 2019 and 2018 are as follows:

	2019	2018
Net income to the parent Company (€ ´000)	172 281	152 550
Adjustments: Remuneration of contingent convertible instruments (€´000)	(6 850)	(6 850)
Adjusted net income (€ ´000)	165 431	145 700
Of which: Net income from operations (€´000)	*165 431*	*145 700*
Of which: Net income from discontinued operations (€´000)	-	-
Weighted average of outstanding ordinary shares less treasury stock (´000)	1 604 781	1 606 703
Basic earnings per share from continuing operations (€)	0.103	0.091
Basic earnings per share from discontinued operations (€)	-	-
Basic earnings per share (€)	**0.103**	**0.091**

	2019	2018
Net income to the parent Company (€ ´000)	172 281	152 550
Adjustments: Remuneration of contingent convertible instruments (€´000)	(6 850)	(6 850)
Adjusted net income (€ ´000)	165 431	145 700
Of which: Income from operations (net of minority holdings)	*165 431*	*145 700*
Of which: Income from discontinued operations (net of minority holdings)	-	-
Weighted average of outstanding ordinary shares less treasury stock (‘000)	1 604 781	1 606 703
Average number of shares resulting from bond conversion (‘000)	-	-
Adjusted total average number of shares for calculation of diluted earnings per share (‘000)	1 604 781	1 606 703
Diluted earnings per share from continuing operations (€)	0.103	0.091
Diluted earnings per share from discontinued operations (€)	-	-
Diluted earnings per share (€)	**0.103**	**0.091**

At 31st December 2019 and 2018 Unicaja Banco Group 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 outstanding during fiscal years 2019 and 2018 has been used. Perpetual Contingent Convertible Bonds (PeCoCos) have no impact on the calculation of the diluted earnings since their conversion is remote. If there were plans to convert these instruments, they would in any event have an anti-dilutive effect, since the earning per share would increase to EUR 0.105 per share in the 2019 financial year and to EUR 0.093 per share in 2018 if the PeCoCos were converted into shares.

Dividends paid and remuneration from other equity instruments

Dividend payments made by Unicaja Banco, S.A. at 31st December 2019 and 2018 were as follows:

						€ ´000
			2019			**2018**
	% of nominal value	**Euros per share**	**Amount**	**% of nominal value**	**Euros per share**	**Amount**
Ordinary shares	3.79%	0.04	61 017	2.15%	0.02	34 605
All other shares (no vote, redeemable, etc.)	-	-	-	-	-	-
Total dividends paid	**3.79%**	**0.04**	**61 017**	**2.15%**	**0.02**	**34 605**
Dividends paid from net income			61 017			34 605
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 28th March 2019, Unicaja Banco's Board of Directors included a pay-out of EUR 61,017 thousand in dividends in the proposal for distribution of profits for the 2018 fiscal year (which was subsequently approved by the General Shareholders' Meeting on 25th April, 2019 and paid on 10th May, 2019). Similarly, on 24th March 2018, the Board of Directors included a dividend of EUR 34,605 thousand in the proposal for distribution of profits for the year 2017 (subsequently approved by the General Shareholders' Meeting on 27th April, 2018 and paid on 10th May 2018).

Also, on 28th March 2019, 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 2018 and March 2019; they were paid on 28th March 2019. Similarly, on 24th March 2018, 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 28th March 2018.

4. Goodwill from entities carried under the equity method

At 31st December 2019 and 2018, the Bank maintains goodwill in entities carried under the equity method (excluding impairment) of EUR 2,629 thousand and EUR 26,172 thousand, respectively. This goodwill was calculated mainly by 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. However, on 3rd December 2019 the stake in Autopista del Sol, Concesionaria Española, S.A. was sold, as a result of which at 31st December 2019 there was no goodwill.

At 31st December 2019 and 2018 the goodwill is recorded 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.

In application of the treatment described in Note 2.16, the goodwill in entities using the equity method has been impaired by EUR 1,242 thousand during the 2019 period (EUR 1,454 thousand in 2018), 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 2019 and 2018:

						€ ´000
			Accumulated impairment		Net amount	
	Initial amount	Date of recognition	2019	2018	2019	2018
Autopista del Sol, C.E.S.A.	34 833	June 2005	-	11 895	-	22 938
Hidralia, G.I.A.A., S.A.	20 467	September 2005	17 838	17 233	2 629	3 234
	55 300		**17 838**	**29 128**	**2 629**	**26 172**

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 2019 and 2018 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 2019 and 2018, is shown below, with the same breakdown as the sector information reported to the Bank of Spain.

At 31st December 2019, the credit and insurance entities sector accounted for virtually all the consolidated total assets and consolidated total equity

a) Consolidated balance at 31st December 2019:

ASSETS	Total	Credit and insurance institutions	Other entities	Adjustments and eliminations
				Breakdown (€ ´000)
Cash, cash balances in central banks and other demand deposits	4 558 815	4 574 365	47 888	(63 438)
Financial assets held for trading	35 298	35 298	-	-
Non-trading financial assets mandatorily designated at fair value through profit and loss	92 664	92 664	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-
Financial assets designated at fair value through other comprehensive income	1 886 161	1 887 738	42	(1 619)
Financial assets carried at amortized cost	44 679 792	44 692 727	63 600	(76 535)
Derivatives - Hedge accounting	507 229	507 229	-	-
Investments in subsidiaries, joint ventures and associates	363 347	545 359	-	(182 012)
Assets under insurance and reinsurance contracts	2 163	2 163	-	-
Tangible assets	1 161 954	1 150 191	12 074	(311)
Intangible assets	66 225	14 355	1 199	50 671
Tax assets	2 757 773	2 747 413	6 650	3 710
Other assets	291 721	301 577	29 103	(38 959)
Non-current assets and disposal groups classified as held for sale	304 473	304 473	-	-
Total assets	**56 707 615**	**56 855 552**	**160 556**	**(308 493)**

NET LIABILITIES AND EQUITY	Total	Credit and insurance institutions	Other entities	Adjustments and eliminations
				Breakdown (€ ´000)
Financial liabilities held for trading	25 116	25 116	-	-
Financial liabilities carried at amortized cost	50 204 678	50 247 342	99 759	(142 423)
Derivatives - Hedge accounting	427 761	427 761	-	-
Liabilities under insurance or reinsurance contracts	630 694	630 694	-	-
Provisions	921 134	917 938	3 243	(47)
Tax liabilities	325 385	325386	2	(3)
Other liabilities	202 452	212 675	9 058	(19 281)
Total liabilities	52 737 220	52 786 912	112 062	(161 754)
Shareholders' equity	3 970 966	4 000 943	48 507	(78 484)
Accumulated other comprehensive income	(1 049)	67 697	(13)	(68 733)
Minority interest (non-controlling interest)	478	-	-	478
Total equity	3 970 395	4 068 640	48 494	(146 739)
Total liabilities and equity	**56 707 615**	**56 855 552**	**160 556**	**(308 493)**

b) 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)**

NET LIABILITIES AND EQUITY	Total	Credit and insurance institutions	Other Entities	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)**

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 2019 and 2018 is shown below.

				€ ´000
	Breakdown of revenues by geography			
	Individual		Consolidated	
	2019	2018	2019	2018
Domestic market	764 046	806 500	763 656	805 186
Exports				
European Union	-	-	-	-
OECD Countries	-	-	-	-
Rest of World	-	-	-	-
Total	**764 046**	**806 500**	**763 656**	**805 186**

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 and of senior management

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 2019 and 2018 periods. It covers the sums accrued for per diems, as well as fixed remunerations for their condition as Directors.

		€ ´000
	2019	2018
Atencia Robledo, Manuel	-	15
Azuaga Moreno, Manuel	57	52
Bolado Valle, Ana	85	52
Conthe Gutiérrez, Manuel	81	50
Eloy Domínguez-Adame Cobos	-	73
Fraile Cantón, Juan	86	84
Jiménez Sánchez, Guillermo	-	19
Lombardero Barceló, Mª Luisa	-	2
López, Antonio	-	20
Martín Castellá, Isabel	97	84
Mateos-Aparicio Morales, Petra	78	76
Molina Morales, Agustín	79	65
Muela Martín-Buitrago, Manuel	79	59
Otero Quintas, María Antonia	47	54
Rodríguez de Gracia, Ángel	19	-
Sáez Ponte, María Teresa	87	56
Sánchez del Villar Boceta, Enrique	29	52
Torre Colmenero, José Mª de la	-	22
Valle Sánchez, Victorio	99	86

6.2 Remuneration of the Parent Company's Senior Management

For the purposes of these annual statements, twenty one people (eighteen in 2018) are considered to be the Unicaja Banco's 's senior management, of whom three are Executive Directors (two in the post at 31st December 2019 and another two at 31st December 2018). Remunerations paid to the members of this group during the periods 2019 and 2018 were EUR 4,985 thousand and EUR 4,452 thousand, respectively. Obligations vis-à-vis the arrangements mentioned above, in post-employment benefits as Bank's employees or executives, were EUR 672 thousand in 2019, whereas the charge in 2018 was EUR 593 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 2019 and 2018 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 2019 and 2018 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 demand deposits

The breakdown of this item in the consolidated balance sheets to 31 December 2019 and 2018 is as follows:

		€ ´000
	2019	**2018**
Cash	420 611	377 073
Deposits in Bank of Spain	3 996 385	3 771 140
Other sight deposits	141 815	131 381
Valuation adjustments - Accrued interest	4	4
	4 558 815	**4 279 598**

During the periods 2019 and 2018 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 2019 and 2018, classified by classes of counterparty and type of instrument is shown below:

	2019	2018
		€ ´000
By type of counterparty -		
Credit institutions	1 960	2 700
Resident public administrations	-	12 439
Non-resident public administrations	-	-
Other resident sectors	23 721	29 210
Other non-resident sectors	9 617	-
	35 298	**44 349**
By type of instrument -		
Listed shares	27 332	20 616
Listed bonds and notes	-	12 439
Exchange traded derivatives	-	-
Non-OTC derivatives	7 966	11 294
	35 298	**44 349**

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 2019 and 2018 on debt instruments classified in the portfolio of Available-for-sale financial assets amounted to EUR 12 thousand and EUR 603 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 2019 was 3.52% (3.63% at 31st December 2018).

The positive cash flow in the consolidated cash flow statement for the 2019 fiscal year for debit balances in the financial asset portfolio held for trading was EUR 9,051 thousand (compared to a positive cash flow of EUR 9,150 thousand in 2018).

8.1.2 Detail of the balance – credit balances

A breakdown of financial liabilities included in this category at 31st December 2019 and 2018, classified by classes of counterparty and type of instrument is shown below:

	2019	2018
		€ ´000
By type of counterparty -		
Credit institutions	19 045	7 962
Other resident sectors	6 071	10 016
	25 116	**17 978**
By type of instrument -		
Exchange traded derivatives	850	2 611
Non-OTC derivatives	24 266	15 367
	25 116	**17 978**

The positive cashflow in the 2019 consolidated cash flow statement from the credit balances in the financial liabilities portfolio held for trading came to EUR 7,138 thousand (negative flow of EUR 9,434 thousand in 2018).

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 2019 and 2018:

€ ´000

	2019				2018			
	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	**1 474**	**81 211**	**106**	**131 007**	**1 750**	**204 437**	**379**	**(2)**
Currencies purchased against euro	1 394	40 986	-	-	1 349	36 222	379	(2)
Currencies sold against euro	80	40 225	106	131 007	401	168 215	-	-
Securities and interest rates futures	**-**	**-**	**-**	**2 797**	**-**	**-**	**-**	**29 443**
Purchased	-	-	-	-	-	-	-	-
Sold	-	-	-	2 797	-	-	-	29 443
Options on securities:	**-**	**-**	**5 650**	**1 626 181**	**-**	**60 000**	**8 946**	**1 836 600**
Purchased	-	-	-	-	-	60 000	-	-
Issued	-	-	5 650	1 626 181	-	-	8 946	1 836 600
Interest rate options:	**-**	**26 618**	**175**	**56 761**	**13**	**24 124**	**407**	**101 105**
Purchased	-	9 736	-	-	13	24 124	-	-
Sold	-	16 882	175	56 761	-	-	407	101 105
Other transactions involving securities	**-**	**-**	**572**	**-**	**-**	**-**	**-**	**-**
Security swaps	-	-	-	-	-	-	-	-
Forward contracts	-	-	572	-	-	-	-	-
Currency options:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Purchased	-	-	-	-	-	-	-	-
Issued	-	-	-	-	-	-	-	-
Other currency transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Currency swaps	-	-	-	-	-	-	-	-
Other interest rate transactions	**6 492**	**39 175**	**18 613**	**159 578**	**9 531**	**53 665**	**8 246**	**174 076**
Interest rate swaps (IRS)	6 492	39 175	18 613	159 578	9 531	53 665	8 246	174 076
Other products	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	7 966	**147 004**	**25 116**	**1 982 865**	**11 294**	**342 226**	**17 978**	**2 141 222**

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 2019 and 2018, classified by classes of counterparty and type of instrument is shown below:

		€ ´000
	2019	**2018**
By type of counterparty -		
Credit institutions	47 071	16 789
Resident public administrations	-	-
Non-resident public administrations	-	-
Other resident sectors	57 076	43 487
Other non-resident sectors	3 757	35 095
(Impairment losses)	(15 240)	(10 000)
Other valuation adjustments	-	-
	92 664	**85 371**
By type of instrument -		
Debt securities:	92 664	85 371
Spanish government debt securities	-	-
Treasury bills	-	-
Sovereign debt	-	-
Other Spanish government bodies	-	-
Foreign sovereign debt	-	-
Issued by credit institutions	47 071	16 789
Other fixed income securities	60 833	78 582
(Impairment losses)	(15 240)	(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	-	-
Other investments	-	-
	92 664	**85 371**

Interest accrued on debt securities classified in the portfolio of financial assets for the years 2019 and 2018 amounted to EUR 2,924 thousand EUR 2,677 thousand, respectively, 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 2019 and 2018, classified by classes of counterparty and type of instrument is shown below:

		€ ´000
	2019	**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 credit institutions	-	-
Other financial assets	-	-
	-	
(Accumulated losses in the fair value due to credit risk)	-	(1 922)
Other valuation adjustments	-	-
	-	**2 050**

The positive cash flow included in the consolidated cash flow statement for the year 2019 for the financial assets classified in this portfolio amounts to EUR 2,050 thousand (positive flow of EUR 42,175 thousand for fiscal year 2018).

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 2019 and 2018, classified by classes of counterparty and type of instrument is shown below:

	€ ´000	
	2019	**2018**
By type of counterparty -		
Credit institutions	120 178	106 365
Resident public administrations	893 920	2 514 205
Non-resident public administrations	176 092	168 785
Other resident sectors	227 791	281 046
Other non-resident sectors	461 829	331 627
	1 879 810	3 402 028
(Impairment losses) (*)	-	-
Other valuation adjustments	6 351	23 110
	1 886 161	**3 425 138**
By type of instrument -		
Debt securities:	1 250 070	2 877 885
Spanish government debt securities	875 849	2 514 205
Treasury bills	-	*4 658*
Sovereign debt	*875 849*	*2 509 547*
Other Spanish government bodies	18 072	-
Foreign sovereign debt	176 092	168 785
Issued by credit institutions	92 910	70 649
Other fixed income securities	80 796	101 136
(Impairment losses) (*)	-	-
Other valuation adjustments	6 351	23 110
Other equity instruments:	636 091	547 253
Shares of listed Spanish companies	74 721	62 475
Shares of unlisted Spanish companies	149 671	154 707
Shares of listed foreign companies	241 568	248 997
Shares of unlisted foreign companies	27	-
Other investments	170 104	81 074
	1 886 161	**3 425 138**

(*) This amount at 31st December 2019 and 2018 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.

In the 2019 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:

- Acquisition of 4,197,599 Lyxor Euro Stoxx 50 Daily (-1x) Inverse Ucits ETF shares, for a total of EUR 71,062 thousand.
- Acquisition of 265,973 Unilever shares, for a total of EUR 12,610 thousand.

- Acquisition of 2,335,000 Nokiar shares, for a total of EUR 11,458 thousand.
- Acquisition of 70,417 Unibail - Rodamco SE and WFD shares, for a total of EUR 9,825 thousand.
- Acquisition of 1,582,500 International Consolidated Airlines Group shares, for a total of EUR 7,996 thousand.
- Acquisition of 125,100 Danone shares, for a total of EUR 7,996 thousand.
- Disposal of 294,173 Unilever shares, for a total of EUR 14,150 thousand, which posted a gain of EUR 1,540 thousand.
- Disposal of Anheuser Busch Inveb, for a total of EUR 10,078 thousand, which posted a loss of EUR 3,082 thousand.

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 loss of EUR 175 thousand.

In the 2019 and 2018 financial years, 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.

Interest accrued on debt securities classified in this portfolio for the years 2019 and 2018 amounted to EUR 14,029 thousand and EUR 73,068 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 2019 was 0.90% (1.42% at 31st December 2018).

The positive cash flow included in the consolidated cash flow statement for the year 2019 for the financial assets classified in this portfolio amounts to EUR 1,538,977 thousand (positive flow of EUR 4,174,687 thousand for fiscal year 2018).

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 2019 and 2018 of debt instruments classified as financial assets measured at fair value through other comprehensive income are shown below:

	€ ´000
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	**-**
Net allowances for the period	-
Funds recovered from previous fiscal years	-
Other movements	-
Balance at 31 December 2019	**-**

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 2019 and 2018 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
	2019	**2018**
Accumulated other comprehensive income - Items subject to reclassification to income statement - balance at end of the previous year	**(20 157)**	**2 145**
IFRS 9 impact	**-**	**191 331**
Transfer to results	**(40 035)**	**(56 689)**
Recorded in the consolidated income statement	(25 828)	(144 775)
Change in fair value of securities sold during the year staring 1 January or the purchase date to date of sale of said securities	(14 207)	88 086
Changes in fair value:	**135 227**	**(163 861)**
Other movements	**-**	**(2 641)**
Taxes	**(28 558)**	**9 558**
Accumulated other comprehenshive income - Items subject to reclassification to income statement - balance at end of current period	**46 477**	**(20 157)**

The breakdown of transfers to the consolidated income statement for the years 2019 and 2018 is the following:

	€ ´000	
	2019	**2018**
Net trading income (Note 38)	(25 828)	(144 775)
Cash flow hedges from revenue adjustments	-	-
Exchange differences	-	-
Impairment of financial assets designated at fair value through other comprehensive income	-	-
	(25 828)	**(144 775)**

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 not subject to reclassification to income statement – Financial assets at fair value through other comprehensive income of net equity of the consolidated balance sheet for the years 2019 and 2018, based on the amounts recorded in the consolidated statement of recognised income and expense.

	€ ´000	
	2019	**2018**
Accumulated other comprehensive income - items not subject to reclassification to income statement - balance at end of the previous year	**(3 062)**	**(890)**
IFRS 9 impact	-	14 993
Changes in fair value:	27 769	(29 822)
Other movements	-	(153)
Taxes	(8 331)	12 810
Accumulated other comprehensive income - items not subject to reclassification to income statement - balance at end of period	**16 376**	**(3 062)**

10. Financial assets carried at amortized cost

A breakdown of financial assets included in this category at 31st December 2019 and 2018, classified by nature of exposure is shown below:

	€ ´000	
	2019	**2018**
Debt securities	16 662 155	14 763 449
Loans and advances	28 017 636	29 349 858
Central Banks	-	-
Credit institutions	*459 323*	*1 699 075*
Customers	*27558313*	*27 650 783*
	44 679 791	**44 113 307**

10.1 Detail of the balance and credit risk threshold

A breakdown of financial assets included in this category at 31st December 2019 and 2018, classified by classes of counterparty and type of instrument is shown below:

		€ ´000
	2019	**2018**
By type of counterparty -		
Credit institutions	1 637 787	1 945 684
Resident public administrations	8 701 559	8 448 018
Non-resident public administrations	5 412 605	4 402 103
Other resident sectors	28 865 009	29 877 660
Other non-resident sectors	610 341	441 317
	45 227 301	45 114 782
(Impairment losses)	(729 782)	(1 014 452)
Other valuation adjustments	182 272	12 977
Accrued interest	*29 286*	*25 720*
Micro-hedging transactions	*169 562*	*56 164*
Unearned fees	*(64 297)*	*(68 577)*
Other products and discounts	*47721*	*(329)*
	44 679 791	**44 113 307**
By type of instrument -		
Credit and loans at variable interest rate	20 976 017	23 860 958
Credit and loans at fixed interest rate	6 174 829	3 669 057
Debt securities	16 535 972	14 721 077
Reverse purchase agreements	1 110 277	2 293 359
Term deposits in financial institutions	19 798	322 762
Other deposits in credit institutions	-	-
Other financial assets	410 408	247 569
	45 227 301	45 114 782
(Impairment losses)	(729 782)	(1 014 452)
Other valuation adjustments	182 272	12 977
	44 679 791	**44 113 307**

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 2019 and 2018 on credit to customers amounted to EUR 522,897 thousand and EUR 545,438 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 1,154 thousand and EUR 556 thousand, respectively, and are similarly recorded under "Interest income" in the consolidated income statement herein (Note 32).

Interest accrued in fiscal years 2019 and 2018 on debt instruments classified in the financial assets portfolio amounted to EUR 193,893 thousand and EUR 253,385 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 2019 for loans to customers was 0.84% (1.92% at 31st December 2018) and 0.08% (0.02% at 31st December 2018) for deposits in credit institutions.

The negative cash flow included in the consolidated cash flow statement for the 2019 fiscal year for financial assets at amortised cost under this item amounts to EUR 639,358 thousand (and negative flow of loans and receivables for EUR 4,376,556 thousand for the year 2018).

10.2 Loans and advances

The breakdown by counterparty of the amounts of gross loans and advances recorded at amortized cost at 31st December 2019 and 2018 is as follows:

	€ ´000	
	2019	2018
Credit institutions	458 706	1 699 075
Resident public administrations	1 717 270	1 366 494
Non-resident public administrations	-	-
Other resident sectors	26 248 232	27 055 972
Other non-resident sectors	267121	271 939
	28 691 329	**30 393 480**

The movements during 2019 of loans and advances carried at amortized cost by credit risk stages (not including losses from impairment or other measurement adjustments) is as follows:

				€ ´000
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Opening balance	**26 978 272**	**1 489 621**	**1 925 587**	**30 393 480**
Transfers between stages:	(62 873)	(22 941)	85 814	-
To performing risk (stage 1).	236 319	(230 847)	(5 472)	-
To watch-list performing risk (Stage 2)	(240 889)	310 089	(69 200)	-
To non-performing loans (Stage 3)	(58 303)	(102 183)	160 486	-
Additions of financial assets	4 281 895	-	-	4 281 895
Derecognition of financial assets (excluding write-offs)	(5 155 110)	(208 107)	(468 075)	(5 791 292)
Reclassified to write-offs	-	-	(55 355)	(55 355)
Asset foreclosures	-	-	(141 435)	(141 435)
Other movements	-	-	4 036	4 036
Year-end balance	**26 082 184**	**1 258 573**	**1 350 572**	**28 691 329**

The breakdown at 31st December 2018 and 1st January 2018 as well as the movements during 2018 is as follows:

				€ ´000
	Stage 1	**Stage 2**	**Stage 3**	**Total**
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)	(3 461 776)	(200 079)	(419 248)	(4 081 103)
Reclassified to write-offs	-	-	(125 790)	(125 790)
Asset foreclosures	-	-	(301 590)	(301 590)
Other movements	-	-	(8 684)	(8 684)
Year-end balance	**26 978 272**	**1 489 621**	**1 925 587**	**30 393 480**

10.3 Debt securities

The breakdown by counterparty and type of debt securities issues recorded at amortized cost at 31st December 2019 and 2018 is as follows:

	2019	2018
		€ ´000
By type of counterparty -		
Credit institutions	1 179 081	246 384
Resident public administrations	7 077 997	7 081 526
Non-resident public administrations	5 445 642	4 402 143
Other resident sectors	2 616 214	2 864 019
Other non-resident sectors	343 221	169 377
	16 662 155	**14 763 449**
By type of instrument -		
Spanish government debt securities	6 557 833	6 459 735
Treasury bills	-	-
Sovereign debt	6 557 833	*6 459 735*
Other Spanish government bodies	426 457	621 791
Foreign sovereign debt	5 445 642	4 402 143
Issued by credit institutions	1 179 081	246 384
Other fixed income securities	3 053 142	3 033 396
	16 662 155	**14 763 449**

The breakdown of debt securities recorded under this heading at 31st December 2019 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	-	-	-
Rating Aa1-Aa3	124 704	-	-
Rating A1-A3	10 294 809	-	-
Rating Baa1-Baa3	6 215 779	-	-
Rating Ba1-Ba3	10 022	-	-
Rating B1-C	-	6 517	-
No credit rating	10 324	-	-
	16 655 638	**6 517**	**-**

On the other hand, the breakdown of debt securities recorded under this heading at 31st December 2018 (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 2019 and 2018 is as follows:

	2019		2018 (€ ´000)	
	Total	Of which: NPL (Stage 3)	Total	Of which: NPL
Gross amount	**1 267 039**	**769 025**	**1 811 614**	**1 108 910**
Asset impairment adjustments	**450 953**	**380 982**	**674 296**	**591 839**
Of which: collective	367 850	309 068	558 334	475 877
Of which: individual	83 103	71 914	115 962	115 962
Net amount	**816 086**	**388 043**	**1 137 318**	**517 071**
Of which: granted to customers	816 086	388 043	1 137 318	517 071
Value of guarantees received	**889 747**	**598 015**	**1 132 610**	**683 906**
Of which: value of collateral	889 747	598 015	1 132 610	683 906
Of which: value of other guarantees	-	-	-	-

On the other hand, the conciliation of the book value of refinanced and restructured transactions at 31st December 2019 and 2018 is as follows:

	2019	2018 (€ ´000)
Opening balance	**1 137 308**	**1 534 142**
Refinanced and restructured in the period	67 624	126 635
Debt repayments	(211 929)	(240 226)
Asset foreclosures	(68 780)	(149 357)
Derecognition (reclassified to write-offs)	(27 860)	(39 349)
Other changes	(80 277)	(94 537)
Of which: Changes to gross balance (*)	(303 618)	*(268 392)*
Of which: Changes in hedging for insolvencies	223 341	*173 855*
Balance at the end of the period	**816 086**	**1 137 308**

Changes in the gross balance under the "Other changes" section are mainly due to derecognitions of refinanced transaction stock as a consequence of applying the cure criteria described below. 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 2019, 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 2019						
	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 or loss in fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
Public administrations	12	59	3 932	-	9	19 180	(302)
Other financial institutions and individual entrepreneurs (finance related business)	4	204	143	-	4	2 569	(2 039)
Non-financial corporations and individual entrepreneurs (non-finance related business)	2 564	426 478	338 999	185	1 496	189 390	(230 559)
Of which: financing real estate development & construction (including land)	*377*	*110 653*	*94 634*	*79*	*43*	*23 208*	*(88 724)*
Rest of households	8 645	618 466	550 309	-	1 107	10 692	(218 053)
	11 225	**1 045 207**	**889 562**	**185**	**2 616**	**221 832**	**(450 953)**
Other information							
Financing classified as non-current assets and disposable groups of items classified as held for sale	-	-	-	-	-	-	-

€ ´000

	31st December 2019						
	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 or loss in fair value due to credit risk
Credit institutions	-	-	-	-	-	-	-
Public administrations	12	59	59	-	1	389	(234)
Other financial institutions and individual entrepreneurs (finance related business)	4	204	195	-	2	2 523	(2 039)
Non-financial corporations and individual entrepreneurs (non-finance related business)	1 624	256 388	219 093	79	565	71 067	(200 441)
Of which: financing real estate development & construction (including land)	*255*	*62 705*	*48 942*	*79*	*26*	*17 716*	*(80 060)*
Rest of households	5 463	433 072	378 589	-	433	5 373	(178 268)
	7 103	**689 673**	**597 936**	**79**	**1 001**	**79 352**	**(380 982)**
Other information							
Financing classified as non-current assets and disposable groups of items classified as held for sale	-	-	-	-	-	-	-

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:

	€ ´000						
	31st December 2018						
	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 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 of items 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 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 of items classified as held for sale	-	-	-	-	-	-	-

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.

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 performing 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 normal watchlist as normal risk:

- After the credit holder’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 2019 and 2018, 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 2019

					€ ´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	400	-	12 109	1 042	13 551
Other resident sectors	597 902	56 783	41 832	616 624	1 313 141
Non-resident public administrations	-	-	-	-	-
Other non-resident sectors	11 956	549	114	11 261	23 880
	610 258	**57 332**	**54 055**	**628 927**	**1 350 572**

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	877 823	1 885 482
Non-resident public administrations	-	-	-	-	-
Other non-resident sectors	12 363	405	285	13 109	26 162
	921 657	**59 766**	**52 289**	**891 875**	**1 925 587**

Past due balances not considered impaired at 31st December 2019

				€ ´000
	Less than 1 month	**1 to 2 months**	**2 months to 90 days**	**Total**
By type of counterparty -				
Credit institutions	35	-	-	35
Resident public administrations	113	-	1 593	1 706
Other resident sectors	-	-	-	-
Non-resident public administrations	32 937	3 683	8 543	45 163
Other non-resident sectors	57	43	7	107
	33142	**3 726**	**10 143**	**47 011**

Past due balances not considered impaired at 31st December 2018

				€ ´000
	Less than 1 month	**1 to 2 months**	**2 months to 90 days**	**Total**
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**

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 2019 and 2018 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 2019, is as follows:

				€ ´000
				2019
	Stage 1	Stage 2	Stage 3	Total
Opening balance	**50 329**	**105 880**	**857 291**	**1 013 500**
Transfers between stages:	3 334	2 093	(5 427)	-
To performing risk (stage 1).	9 579	(8 500)	(1 079)	-
To watch-list performing risk (Stage 2)	(2 986)	15 710	(12 724)	-
To non-performing loans (Stage 3)	(3 259)	(5 117)	8 376	-
From additions of new financial assets	14 782	-	-	14 782
Changes in parameters	(15 114)	(6 890)	57 142	35 138
Changes in methodologies	(1 374)	(20)	(320)	(1 714)
Derecognition of financial assets (excluding write-offs)	(3 687)	(5 939)	(136 218)	(145 844)
Reclassification to write-offs	-	-	(49 964)	(49 964)
Foreclosed assets	-	-	(65 360)	(65 360)
Other movements	-	-	(71 831)	(71 831)
Balance at the end of the period	**48 270**	**95 124**	**585 313**	**728 707**
Of which:				
Individually determined	242	16 464	93 242	109 949
Collectively determined	48 028	78 660	492 071	618 758
	48 270	**95 124**	**585 313**	**728 707**

The movement of impairment losses for the 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**

11. Derivatives - Hedge accounting

At 31st December 2019 and 2018, the main contracted derivatives designated as hedges and their hedged items were the following:

- Interest Rate Swaps, to hedge 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 2019:

						€ ´000
						2019
	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:	**1 089 860**	**1 062**	**58 333**	**1 136 152**	**4 844 778**	**7 130 186**
Futures on securities and interest rates	**1 089 860**	**-**	**-**	**-**	**-**	**1 089 860**
Sale of interest rate futures	1 089 860	-	-	-	-	1 089 860
Currency options:	**-**	**1 062**	**-**	**-**	**-**	**1 062**
Currency options issued	-	1 062	-	-	-	1 062
Other interest rate transactions	**-**	**-**	**58 333**	**1 136 152**	**4 844 778**	**6 039 264**
Interest rate swaps: (IRS bonds)	-	-	58 333	551 852	2 095 128	2 605 313
Interest rate swaps: (IRS deposits in credits institutions)	-	-	-	-	300 000	300 000
Interest rate swaps: (IRS fixed income)	-	-	-	84 300	2 749 650	2 833 950
Interest rate swaps: (IRS fixed term deposits)	-	-	-	-	-	-
Subordinated liabilities	-	-	-	300 000	-	300 000
Cash flow hedges:	**-**	**-**	**-**	**925 000**	**3 406 446**	**4 331 446**
Other interest rate transactions	**-**	**-**	**-**	**925 000**	**3 406 446**	**4 331 446**
Interest rate swaps: (IRS loan portfolio)	-	-	-	300 000	498	300 498
Interest rate swaps: (IRS balances with central banks)	-	-	-	-	-	-
Interest rate swaps: (IRS fixed income)	-	-	-	625 000	3 405 446	4 030 498
Total	**1 089 860**	**1 062**	**58 333**	**2 061 152**	**8 251 224**	**11 461 632**

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 loan portfolio)	-	-	-	-	-	-
Interest rate swaps: (IRS balances with 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 2019 and 2018, 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 2019:

	Fair Value debtor	Fair Value creditor	Notional	Changes in fair value used to calculate hedging ineffectiveness	Hedged item
					2019
Fair Value hedges:	**487 092**	**205 210**	**7 007 415**	**242 917**	
Futures on securities and interest rates	**-**	**-**	**-**	**-**	
Sale of interest rate futures	-	-	-	-	
Other transactions involving securities	**14 630**	**360**	**967 090**	**14 270**	
Security swaps	-	-	-	-	
Options on securities:	-	-	-	-	
Forward contracts	14 630	360	967 090	14 270	Debt securities
Currency options:	**2 308**	**1 126**	**1 062**	**1 182**	
Options on bought currencies:	-	-	-	-	
Currency options issued	2 308	1 126	1 062	1 182	Foreign currency balances
Other interest rate transactions	**470 154**	**203 724**	**6 039 263**	**227 465**	
Interest rate swaps: (IRS bonds)	454 534	-	2 605 313	421 010	Issued MBS & bonds
Interest rate swaps: (IRS loan portfolio)	-	47 112	556 300	(44 486)	Loans and advances
Interest rate swaps: (IRS deposits in credit institutions)	10 148	-	300 000	9 429	Credit institutions' deposits
Interest rate swaps: (IRS fixed income)	5 472	154 925	2 277 650	(147 346)	Debt securities
Interest rate swaps: (IRS fixed term deposits)	**-**	**-**	**-**	**-**	
Interest rate swaps: (IRS on subordinated liabilities)	-	1 687	300 000	(1 713)	Subordinated debt
Cash flow hedges:	**20 137**	**222 550**	**4 454 216**	**(135 558)**	
Other transactions involving securities	**1 033**	**-**	**122 770**	**1 033**	
Security swaps	-	-	-	-	
Options on securities:	-	-	-	-	
Forward contracts	1 033	-	122 770	1 033	Debt securities
Other interest rate transactions	**19 104**	**222 550**	**4 331 446**	**(136 591)**	
Interest rate swaps: (IRS loan portfolio)	100	20 800	300 498	-	Loans and advances
Interest rate swaps: (IRS deposits in central banks)	-	-	-	-	
Interest rate swaps: (IRS fixed income)	19 004	201 750	4 030 948	(136 591)	Debt securities
Total	**507 229**	**427 761**	**11 461 631**	**107 359**	

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

					2018
	Fair Value debtor	**Fair Value creditor**	**Notional**	**Changes in fair value used to calculate hedging ineffectiveness**	**Hedged item**
Fair Value hedges:	**390 729**	**85 633**	**6 483 214**	**334 672**	
Futures on securities and interest rates	**168**	**6 442**	**967 961**	**(6 275)**	
Sale of interest rate futures	168	6 442	967 961	(6 275)	Debt securities
Currency options:	**2 107**	**1 011**	**30 170**	**550**	
Currency options issued	2 107	1 011	30 170	550	Foreign currency balances
Other interest rate transactions	**388 454**	**78 180**	**5 485 083**	**340 397**	
Interest rate swaps: (IRS bonds)	388 454	-	2 001 133	370 598	Issued MBS & bonds
Interest rate swaps: (IRS loan portfolio)	-	15 641	556 300	(13 404)	Loans and advances
Interest rate swaps: (IRS fixed income)	-	62 539	2 927 650	(16 797)	Debt securities
Interest rate swaps: (IRS fixed term deposits)	-	-	-	-	Deposits from customers
Cash flow hedges:	**20 665**	**57 666**	**3 452 948**	**(43 440)**	
Other interest rate transactions	**20 665**	**57 666**	**3 452 948**	**(43 440)**	
Interest rate swaps: (IRS deposits in central banks)	-	-	-	-	Deposits in central banks
Interest rate swaps: (IRS fixed income)	20 665	57 666	3 452 948	(43 440)	Debt securities
Total	**411 394**	**143 299**	**9 936 162**	**291 232**	

The table below shows the Bank's hedged items at 31st December 2019 and 2018 using the hedging instruments listed above:

						2019
	Book value of hedged items		**Accumulated fair value adjustment in the hedged item**		**Changes in fair value used to calculate hedging**	**Reserve of cash flow**
	Assets	**Liabilities**	**Assets**	**Liabilities**	**ineffectiveness**	**hedges**
Fair Value hedges:	**3 692 392**	**3 613 534**	**199 909**	**443 021**	**(244 672)**	**-**
Debt securities	3 162 572	-	195 887	20 210	133 076	-
Foreign currency balances	1 909	-	2 309	1 125	-	-
Issued MBS & bonds	-	3 303 681	1 713	421 686	(410 692)	-
Deposits from customers	-	-	-	-	-	-
Credit institutions' deposits	-	309 853	-	-	(9 281)	-
Loans to customers	527 911	-	-	-	42 225	-
Cash flow hedges:	**4 570 734**	**-**	**163 609**	**27 906**	**135 703**	**(135 558)**
Deposits in central banks	-	-	-	-	-	-
Debt securities	4 570 734	-	163 609	27 906	135 703	(135 558)
Total	**8 263 126**	**3 613 534**	**363 518**	**470 927**	**(108 969)**	**(135 558)**

						2018
	Book value of hedged items		**Accumulated fair value adjustment in the hedged item**		**Changes in fair value used to calculate hedging**	**Reserve of cash flow**
	Assets	**Liabilities**	**Assets**	**Liabilities**	**ineffectiveness**	**hedges**
Fair Value hedges:	**4 929 196**	**3 953 144**	**35 925**	**370 597**	**(334 672)**	**-**
					-	
Debt securities	4 337 761	-	23 071	-	23 071	-
Foreign currency balances	48 734	-	(550)	-	(550)	-
Issued MBS & bonds	-	-	-	-	-	-
Deposits from customers	-	3 652 572	-	367 569	(367 569)	-
Credit institutions' deposits	-	300 572	-	3 028	(3 028)	-
Loans to customers	542 701	-	13 404	-	13 404	-
Cash flow hedges:	**3 409 508**	**-**	**43 440**	**-**	**43 440**	**10 026**
Deposits in central banks	-	-	-	-	-	-
Debt securities	3 409 508	-	43 440	-	43 440	10 026
Total	**8 338 704**	**3 953 144**	**79 365**	**370 597**	**(291 232)**	**10 026**

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: positive correction of EUR 22,405 thousand (negative correction of EUR 22,164 thousand in 2018) (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 97,631 thousand (negative correction of EUR 106,027 thousand in 2017) (Note 33).
- Recognised inefficiency in the results for the period arising from cash flow hedges: No inefficiencies were recorded during the 2019 and 2018 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 2019 and 2018 gains and losses associated with the hedging instrument.
- Losses and gains on the hedged item that are attributable to the hedged risk: See the attached table for the breakdown of 2019 and 2018 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 of recognised income and expense of the hedgings designated by the Group at 31st December 2019 and 2018:

Fair Value hedges:

€ ´000

	2019				2018			
	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:	**359**	**844**	**844**	**359**	**857**	**187**	**-**	**670**
Currency options: issued	359	844	844	359	857	187	-	670
Other interest rate transactions	**143 093**	**95 313**	**77 812**	**127 347**	**332 674**	**224 169**	**224 169**	**332 674**
Interest rate swaps (IRS bonds)	19 491	61 815	44 166	9 332	241 190	194 425	194 425	241 190
Interest rate swaps (IRS deposits in credits institutions)	-	7 013	7 161	-	-	-	-	-
Interest rate swaps (IRS FTD customers)	-	-	-	-	8 088	-	-	8 088
Interest rate swaps (IRS fixed income)	123 602	5 581	5 581	118 016	73 702	23 463	23 463	73 702
Interest rates options: (fixed income)	-	20 905	20 905	-	9 694	6 281	6 281	9 694
	143 452	**96 157**	**78 655**	**127 706**	**333 531**	**224 356**	**224 169**	**333 344**

Cash flow hedges:

€ ´000

	2019			2018		
	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 in results of hedged transaction		Discontinued hedge	Recognition in results of hedged transaction
Other interest rate transactions	**(135 558)**	**-**	**27 140**	**10 026**	**-**	**(17 344)**
Interest rate swaps (IRS balances with central banks)	-	-	-	-	-	-
Interest rate swaps (IRS fixed income)	(135 558)	-	27140	10 026	-	(17 344)
Total	**(135 558)**	**-**	**27 140**	**10 026**	**-**	**(17 344)**

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 2019 and 2018, 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 associates" on the consolidated balance sheet at 31st December 2019 and 2018 is the following:

	€ ´000	
	2019	**2018**
Caja España Vida, Compañía de Seguros y Reaseguros, S.A.	-	109 739
Hidralia, Gestión Integral de Aguas de Andalucía, S.A.	26 612	27 530
Autopista del Guadalmedina, Concesionaria Española, S.A.	-	13 392
Autopista del Sol, Concesionaria Española, S.A.	-	22 506
Ingeniería de Suelos y Explotación de Recursos, S.A.	11 740	10 025
Sociedad Municipal de Aparcamientos y Servicios, S.A.	11 173	10 597
Propco Malagueta, S.L.	15 101	25 143
Propco Orange 1, S.L.	6 484	6 602
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.	192 356	54 208
Espacio Medina, S.L.	8 400	14 690
Proyecto Lima, S.L.	11 062	16 478
Muelle Uno - Puerto de Málaga, S.A.	9 944	9 503
Madrigal Participaciones, S.A.	13 783	13 083
Propco Eos, S.L.	16 281	-
Propco Epsilon, S.L.	15 712	-
Santa Justa Residencial, S.L.	10 535	7 420
Parque Científico-Tecnológico de Almería S.A.	8 850	8 062
Other entities	5 314	10 150
	363 347	**359 128**

The table below shows a reconciliation between the initial and end balance of the "Investments in joint ventures and associates" section of the consolidated balance sheet for 2019 and 2018:

	€ ´000	
	2019	**2018**
Net carrying amount at 1 January	**359 128**	**482 943**
Additions in the period	34 228	17 572
Divestmens in the period	(61 369)	-
Results from equity accounting method	40 439	37 206
Impairment of investments joint ventures or associates (Note 42)	-	-
Dividends paid	(30 119)	(49 926)
Differences in valuation adjustments	20 653	(12 214)
Changes in accounting classification (Note 16)	-	(132 087)
Other movements	387	15 634
Net carrying amount at 31 December	**363 347**	**359 128**

The breakdown of the dividends received from joint ventures and associates is as follows:

		€ ´000
	2019	2018
Caja España Vida, Compañía de Seguros y Reaseguros, S.A.	-	12 149
Gestión e Investigación de Activos, S.A.	-	1 008
Ahorro Andaluz, S.A.	4 061	-
Hidralia, Gestión Integral de Aguas de Andalucía, S.A.	2 926	2 279
Ingeniería e Integración Avanzadas, S.A.	136	170
Ingeniería de Suelos y Explotación de Recursos, S.A.	1 500	660
Sociedad Municipal de Aparcamientos y Servicios, S.A.	384	384
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.	21 112	33276
	30 119	**49 926**

The allowances are recorded under the section "Impairment or reversal in value of investments in joint ventures or associates" of the attached consolidated income statement.

In the course of 2019 and 2018 the Group has not recorded impairments in the stakes of its associated companies.

"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.

The balance in the "Investments in joint ventures and associates" heading of the consolidated balance sheets to 31st December 2019 and 2018 includes EUR 2,629 thousand and EUR 26,172 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 2019 and 2018 the main acquisitions and divestments of interests in entities under the equity method were:

Acquisitions of equity stakes in 2019

					€ ´000
Company name	**Category**	**Effective date of transaction**	**Net acquisition cost**	**% voting rights acquired**	**% Total voting rights in the entity after acquisition**
Sociedad de Gestión San Carlos, S.A.	Multi-group	29/05/2019	900	6.89%	60.18%
Parque Científico Tecnológico de Almería, S.A.	Associate	29/05/2019	375	0.05%	30.13%
Mastercajas, S.A.	Associate	27/11/2019	229	7.08%	32.47%

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%

Disposals of equity stakes in 2019

Company name	Category	Effective date of transaction	% Voting rights disposed or derecognised	% Voting rights controlled after divestment	Resulting gain or loss
					€ ´000
Obenque, S.A.	Associate	08/01/2019	26.98%	0.00%	-
Autopista del Guadalmedina, Concesionaria Española, S.A.	Associate	28/03/2019	15.00%	15.00%	9 802
Autopista del Guadalmedina, Concesionaria Española, S.A.	Associate	06/06/2019	15.00%	0.00%	9 628
Alestis Aerospace, S.L.	Associate	30/07/2019	14.04%	0.00%	6 729
Propco Eos, S.L.	Associate	18/10/2019	80.00%	20.00%	-
Propco Epsilon, S.L.	Associate	18/10/2019	80.00%	20.00%	-
Autopista del Sol, Concesionaria Española, S.A.	Associate	03/12/2019	20.00%	0.00%	109 753

On 13th June 2019 Unicaja Banco formalised the sale, subject to the usual conditions precedent for this type of transaction, of 5,036,898 shares in Autopista del Sol, Concesionaria Española, S.A., representing 20% of this company's total stock, for EUR 137.6 million to Infratoll Concesiones, S.A.U., a company controlled by Meridiam Infraestructure Europe III SLP. On 3rd December 2019, once the transactions' conditions precedent had been satisfied, the sale was completed, generating positive net income of EUR 109.7 million, recognised on the 2019 consolidated income statement.

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.

These changes in the composition of the Group have not had a significant impact on the consolidated condensed interim financial statements at 31st December 2019.

Caja España Vida, Compañía de Seguros y Reaseguros, S.A. was absorbed by Unicorp Vida Compañía de Seguros y Reaseguros, S.A. on 22nd March 2019.

13 Tangible assets

13.1. Fixed tangible assets

The composition of the balance under this heading in the consolidated balance sheets at 31st December 2019 and 2018 is as follows:

	2019	2018
		€ ´000
Fixed tangible assets	880 209	848 638
For own use	880 209	848 638
Let under an operating lease agreement	.	-
Of which: Leasehold rights of use	*46 458*	-
Investment property	281 745	339 809
	1 161 954	**1 188 447**

13.1.1 Movements in fixed tangible assets

Movements under the “Fixed tangible assets” heading on the Group’s consolidated balance sheet in the 2019 and 2018 periods were as follows:

			€ ´000
	For own use	**Investment property**	**Total**
Cost			
Balance at 31 December 2018	**1 806 140**	**587 251**	**2 393 391**
Other additions	15 019	48	15 067
Additions from leasehold rights of use	55 285	-	55 285
Derecognitions from sales or disposals	(40 565)	(121 000)	(161 565)
Derecognitions from leasehold rights of use	(1 880)	-	(1 880)
Other transfers and movements	(18 841)	36 996	18 155
Balance at 31 December 2019	**1 815 158**	**503 295**	**2 318 453**
Accumulated depreciation			
Balance at 31 December 2018	**(920 992)**	**(94 704)**	**(1 015 696)**
Derecognitions from sales or disposals	49 530	15 268	64 798
Provisions	(26 235)	(7 445)	(33 680)
Provisions for the leasehold rights of use:	(7 298)	-	(7 298)
Other transfers and movements	4 096	(6 042)	(1 946)
Balance at 31 December 2019	**(900 899)**	**(92 923)**	**(993 822)**
Impairment losses			
At 31st December 2019	**(34 050)**	**(128 627)**	**(162 677)**
Net fixed tangible assets			
Balance at 31 December 2019	**880 209**	**281 745**	**1 161 954**

	For own use	Investment property	Total
			€ ´000
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**

“Other transfers and other movements” are shown in the charts above both in terms of the cost and the aggregate depreciation of assets. The breakdown by type of these movements for the 2019 and 2018 periods is as follows:

	2019		2018	€ ´000
	For own use	Investment property	For own use	Investment property
Transferred from non-current assets for sale	-	15 728	-	14 984
Transfers between “For own use” and “Investment property”	(14 294)	14 294	(5 662)	5 662
Transfers from inventory	-	-	-	12 587
Other movements	(451)	932	517	(2 429)
	(14 745)	**30 954**	**(5 145)**	**30 804**

The Group has taken out several insurance policies to hedge 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 flow statement for the year 2019 for the tangible assets recorded under this item amounts to EUR 81,700 thousand (net collections of EUR 95,869 thousand for the year 2018).

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 2019 and 2018 is as follows:

				€ ´000
	Cost	Accumulated depreciation	Impairment losses	Net balance
Computer equipment and related 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**
Computer equipment and related facilities	129 916	(99 732)	-	30 184
Furniture, vehicles and fixtures	596 739	(561 768)	(21 952)	13 019
Buildings	913 251	(201 167)	(12 098)	699 986
Work in progress	367	-	-	367
Other	174 885	(38 232)	-	136 653
Balance at 31 December 2019	**1 815 158**	**(900 899)**	**(34 050)**	**880 209**

In the net balance at 31st December 2019 and 2018 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 2019 and 2018, tangible assets for own use for the gross amounts of EUR 641,572 thousand and EUR 703,722 thousand, respectively, were completely depreciated.

13.2 Investment property

The “Investment properties" heading in the consolidated balance sheet reflects, in general terms, the net values of land, buildings and other constructions held, for operation as rentals. Investment properties 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 investment properties on the basis of the usage value based on the income generated by the assets.

Unicaja Banco Group does not have a reliable fair value indicator for investments properties. 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 2019 and 2018 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
	2019	**2018**
Investment property expenses that generated income	3 599	3 371
Investment property expenses that did not generate income	5 120	1 805
	8 719	**5 176**

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 2019 and 2018, the rental income from investment property owned by Group companies came to EUR 17,261 thousand and EUR 17,086 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 2019 and 2018, the Group obtained annual revenues for operating leases that cannot be terminated, ie. rent-controlled leases, of EUR 150 thousand and EUR 151 thousand, respectively.

Unicaja Banco Group follows the accounting standards laid out in IAS 40 “Investment property” to assess its real estate investments and in particular paragraph 53. This establishes that the institution will value the assets in its real estate investment portfolio by applying the cost model in IAS 16 “Fixed Tangible Assets” until the sale or other means of disposal of the property investment, when certain conditions are met, among which are that the property has become a real estate investment after a change of use. The Group’s real estate investments are either properties it uses itself or property acquired through debt recovery.

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 “Impairment of assets”, the greater of the two sums - fair value less sales costs or the value in use of assets – must be used. Since these assets generate mainly rental income, the Group calculates the recoverable amount of investment properties on the basis of the usage value based on the income generated by the assets and does not have a reliable fair value indicator for investments properties.

In any event, the tables below show the real estate investments, at 31st December 2019 and 2018 by type, indicating their book value and the best estimation the Group can make of their fair value on these dates:

					€ ´000
31st December 2019	**Book Value**	**Accumulated depreciation**	**Asset impairment adjustments**	**Net carrying amount**	**Estimated fair Value**
Premises and warehouses	294 554	(50 487)	(77 167)	166 900	169 883
Finished homes	81 536	(12 485)	(14 639)	54 412	68 416
Garages and storage rooms	8 551	(5 169)	(1 638)	1 744	7 112
Developed land	5 939	(1)	(3 490)	2 448	6 237
Rural homes	1 607	(6)	(40)	1 561	2 244
Other	111 108	(24 775)	(31 653)	54 680	56 070
Total	**503 295**	**(92 923)**	**(128 627)**	**281 745**	**309 962**

					€ ´000
31st December 2018	**Book Value**	**Accumulated depreciation**	**Asset impairment adjustments**	**Net carrying amount**	**Estimated fair Value**
Premises and warehouses	318 711	(60 465)	(81 482)	176 764	221 072
Finished homes	8 784	(560)	(5 952)	2 272	8 219
Garages and storage rooms	33 053	(4 055)	(10 108)	18 890	34 836
Developed land	109 316	(18 812)	(24 505)	65 999	69 836
Rural homes	5 936	(1)	(3 490)	2 445	5 125
Other	111 451	10 811	(27 201)	73 439	105 904
Total	**587 251**	**(94 704)**	**(152 738)**	**339 809**	**444 992**

The fair value estimation has been arrived at mainly by using the latest appraisal reports received on each of the assets comprising the line item “Investments Property”.

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 companies with which Unicaja Banco Group works in Spain must be registered with the Bank of Spain’s Record Office and that their appraisals must be conducted using the methods laid out in Order ECO/805/2003, 27th March, by the Ministry of the Economy, on rules for appraising real estate assets and specific rights for certain financial purposes.

13.3 Impairment losses

The table below summarises the movements which have affected these items' losses from impairment in 2019 and 2018:

			€ ´000
	For own use	Investment property	Total
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**
Provisions	-	2 785	2 785
Recoveries from sales	(1 636)	(24 286)	(25 922)
Other recoveries	(41)	(2 824)	(2 865)
Other transfers and reclassifications	(783)	214	(569)
Balance at 31 December 2019	**34 050**	**128 627**	**162 677**

Impairment losses under the "Inventory" heading are recorded under "Impairment or reversal in value of non-financial assets" in the consolidated income statement.

13.4 Leasehold rights of use

The Group holds rights of use from its leaseholds, mainly on buildings, commercial premises and offices used to conduct its activity together with, to a lesser extent, over vehicles, equipment for information processes and parking.

The detail of the leasehold rights of use and the variation therein for 2019 is as follows:

			€ ´000
	Land and buildings	Other	Total
Balance at 1 January 2019	**46 846**	**-**	**46 846**
Additions	8 439	-	8 439
Derecognitions	(1 250)	-	(1 250)
Depreciation and amortization	(7 298)	-	(7 298)
Other movements	(279)	-	(279)
Balance at 31 December 2019	**46 458**	**-**	**46 458**

The detail to 31st December 2019 and on first application of IFRS 16 of lease liabilities from rights of use (recorded under the heading "Financial liabilities carried at amortized cost") are broken down as follows:

		€ ´000
	31/12/2019	**First application**
Lease liabilities		
Current lease liabilities	47 131	46 846
Non-current lease liabilities	-	-
	47 131	**46 846**

Maturities on the Group's lease liabilities stood as follows at 31st of December 2019:

						€ ´000
	Less than 1 month	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Lease liabilities	590	25 799	1 275	5 294	14 173	47 131

The impact on the income statement of the Bank's lease rights of use at 31st December 2019 was:

	€ ´000
	2019
Rights of use amortization expenses	7 299
Land and buildings	7 299
Other	-
Interest expenses of lease liabilities	828
	8 127

Finally, the Group has excluded contracts of 12 months or less, as well as lease contracts of low-value assets, from its general treatment of leases. Although these exclusions have not represented significant sums, their impact on the Group's statements to 31st December 2019 is presented below:

	€ ´000
	2019
Short term lease expenses (Note 41.2)	113
Low-value lease expenses (Note 41.2)	375
	488

14 Intangible assets

The breakdown under the heading “Intangible assets” in the consolidated balance sheet to 31 December 2019 and 2018 is as follows:

	€ ´000	
	2019	**2018**
Goodwill	50 671	56 840
Other intangible assets	15 554	5 665
	66 225	**62 505**

The movements under the heading “Intangible assets” in the consolidated balance sheet to 31 December 2019 and 2018 is as follows:

			€ ´000
	Cost	**Accumulated depreciation**	**Net carrying amount**
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**
Additions cost/amortization	12 124	(1 698)	10 426
Disposals cost/amortization	(12 922)	6 046	(6 876)
Other movements	(6)	176	170
Balance at 31 December 2019	**70 631**	**(4 406)**	**66 225**

The amount recorded under “Amortisation and depreciation" in the consolidated income statement amounts to EUR 1,698 thousand in the period ending on 31stDecember 2019 (EUR 745 thousand in the period ending on 31st December 2018). 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 2019 and 2018 amounted to EUR 393 thousand and EUR 6,438 thousand, respectively.

The net payments recorded in the consolidated cash flow statement for the year 2019 for the intangible assets recorded under this item amounts to EUR 5,248 thousand (net collections of EUR 68,705 thousand for the year 2018).

The breakdown of “Goodwill” for each of the companies that produced it at 31st December 2019 and 2018, is as follows:

	€ ´000	
	2019	**2018**
Unión del Duero, Compañía de Seguros de Vida, S.A.U.	50 671	53 949
Duero Pensiones, E.G.F.P., S.A.U.	-	2 891
	50 671	**56 840**

The breakdown of the goodwill is as follows:

						€ ´000
			Accumulated impairment		**Net amount**	
	Initial amount	**Date of recognition**	**2019**	**2018**	**2019**	**2018**
Unión del Duero, Compañía de Seguros de Vida, S.A.U.	63 009	March 2018	(12 338)	(6 169)	50 671	56 840

Goodwill filed under Unión del Duero, Compañía de Seguros de Vida, S.A.U., corresponds to the price paid in purchasing 50% of the capital in this company and in Duero Pensiones, E.G.F.P., S.A.U (subsequently absorbed by the former) 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 fiscal year 2019 and 2018, which stood at EUR 6,169 thousand, in both years for Unión del Duero, Compañía de Seguros de Vida, S.A.U. and Duero Pensiones, E.G.F.P., S.A.U. In addition, impairment in 2018 stood at EUR 184 thousand for other companies. These sums are recorded under “Impairment or reversal in value of non-financial assets - Intangible assets" 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 2019 and 2018 is as follows:

		€ ´000
	2019	**2018**
Insurance contracts linked to pensions	32 734	118 615
Inventory	205 004	283 380
Other	53 984	100 740
	291 722	**502 735**

At 31st December 2019 and 2018, the “Insurance contracts linked to pensions” item on the asset side of the consolidated balance sheet came to EUR 32,734 thousand and EUR 118,615 thousand, respectively, corresponding to post-employment benefits (Note 41).

At 31st December 2019 and 2018, 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 either 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), or 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 sheet at 31st December 2019 and 2018 is as follows:

		€ ´000
	2019	**2018**
Gestión de Inmuebles Adquiridos, S.L.U.	177 759	252 532
Pinares del Sur, S.L.U.	23 364	27 411
Other companies	3 881	3 437
	205 004	**283 380**

Movements under the heading “Inventory” of the consolidated balance sheet for the years 2019 and 2018 is:

		€ ´000
	2019	**2018**
Net carrying amount at 1 January	**283 380**	**266 596**
Additions in the period	35 078	63 449
Derecognitions from disposals or transfers	(290 022)	(164 556)
Transferred to investment property	(15 841)	(12 587)
Transferred from non-current assets for sale	-	28 464
Transfers from “own use”	-	-
Change in impairment corrections	194 046	102 103
Other movements	(1 637)	(89)
Net carrying amount at 31 December	**205 004**	**283 380**

Impairment losses under the "Inventory" heading, due to impairment of other assets (net), are recorded under “Impairment or reversal in the value of non-financial assets - Others” in the consolidated income statement.

The detail of inventory sales completed during the years 2019 and 2018 by Unicaja Banco Group, giving the sales price, cost of sales, use of provisions and other items, is as follows:

	€ ´000	
	2019	**2018**
Sale price	135 849	88 020
Cost of sales	(296 474)	(134 133)
Use of provisions	208 374	75 058
Selling fees	(2 422)	(4 650)
	45 327	**24 295**

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 2019 and 2018, 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 classified as held for sale

The breakdown of "Non-current assets and disposal groups 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 2019 amounted to EUR 304,473 thousand (EUR 374,130 thousand at 31st December 2018).

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 2019 and 2018 is as follows:

		€ ´000
	2019	**2018**
Equity instruments	**-**	**-**
Residential real estate	**221 852**	**253 619**
Finished buildings	**71 603**	**68 666**
Residential	17 871	26 851
Other	53 732	41 815
Buildings under construction	**2 535**	**9 141**
Residential	2 479	6 292
Other	56	2 849
Land	**8 483**	**42 704**
	304 473	**374 130**

During the years 2019 and 2018 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 classified as held for sale” heading of the balance sheet for 2019 and 2018:

			€ ´000
	Gross amount	**Asset impairment adjustments**	**Net carrying amount**
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**
Additions in the period	90 771	-	90 771
Derecognitions from disposals or transfers	(188 624)	37 746	(150 878)
Allocated to results (Note 44)	(315)	(8 909)	(9 224)
Transferred to inventory	28 215	(12 374)	15 841
Transferred to investment property	(17 936)	2 208	(15 728)
Transfers to “for own use”	-	-	-
Changes in accounting classification (Note 12.1)	-	-	-
Other movements	(439)	-	(439)
Balance at 31 December 2019	**360 226**	**(55 753)**	**304 473**

Allowances made on this item’s non-current assets, apart from equity instruments, are recorded under the “Profit or losses from non-current assets and disposal groups classified as held for sale which are 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 “Profit from discontinued operations” on the consolidated income statement.

During fiscal year 2019, net collections recorded in the cash flow statement for non-current assets held for sale amounted to EUR 150,204 thousand under this heading (net collections of EUR 15,871 thousand for fiscal year 2018).

Losses from impairment in the consolidated income statements for 2019 and 2018 for the hedging of non-current assets for sale came to EUR 9,224 thousand and EUR 6,245 thousand, respectively, recorded under “Profit or losses from non-current assets and disposal groups classified as held for sale which are not admissible as discontinued operations” (Note 44).

The "Non-current assets and disposal groups classified as 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 2019 comes to EUR 20,500 thousand (EUR 8,138 thousand in 2018). At 31 December 2019, the amount of the gains from these operations awaiting recognition came to EUR 27,278 thousand (gains awaiting recognition of EUR 24,024 thousand at 31 December 2018).

Fair value hierarchy

In the case of the appraisal of “Non-current assets and disposal groups classified as 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. These 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.

Pursuant to Ministerial Order ECO/805/2003, the appraiser can apply the following methods:

- Cost method: The cost method is applicable when appraising all kinds of buildings and parts of buildings, whether these are at the project stage, under construction, being refurbished or completed. Using this method, a technical value is calculated, known as the replacement value, which can be gross or net. To calculate the gross replacement value, the following investments are added together: (i) the value of the land on which the building stands or the value of the building to be refurbished, (ii) the cost of construction or refurbishment works, and (iii) the expenditure necessary to carry out the replacement. To calculate the net replacement value, the physical and functional depreciation of the completed building is subtracted from gross replacement value.

- Comparison method: The comparison method can be applied to all kinds of real estate provided it meets the requirements set out in article 21 of Order ECO/805/2003: (i) a market with comparable properties exists, (ii) enough data about transactions and supply is available about the geographical area in question to set appropriate parameters to standardise comparable properties, and (iii) there is sufficient information available about at least six transactions or offers of comparable properties that clearly show the current status of this market. To calculate the value by comparison, the following general rules should be followed:

    - The features and characteristics of the property being appraised that affect its value are determined. In the case of historic or artistic buildings, the specific value of the constructive elements that warrant this description will also be taken into account when establishing these features and characteristics.

    - The comparable market segment is analysed and, based on specific information about real transactions and firm offers that are adjusted as necessary, the current cash sale prices of these properties is obtained.

    - From the prices resulting from the analysis described above, a representative sample is selected of comparable properties, to which the standardisation procedure is applied as necessary. Price outliers are identified from this selection and eliminated, both those arising from transactions and offers that do not meet the conditions required within the definition of market value of the goods in question, and those which may be of a speculative nature, when the valuation is conducted for the purpose provided for under Order ECO/805/2003.

    - Comparable properties are standardised using the criteria, ratios and/or weightings best suited to the property in question.

    - The property's value is allocated, net of selling expenses, according to the standardised prices, having deducted any easements and ownership restrictions which may apply and that have not been considered when applying the preceding rules.

- Rental updating method: Provided that the requirements set out in article 25 of Order ECO/805/2003 are met, the rental updating method applies to the valuation of all kinds of real estate that can generate income. To use the updating method at least one of the following requirements must be satisfied: (i) a rental market of comparable properties exists, (ii) a rental contract for the property being valued exists, or (iii) the property valued is generating or could generate revenue as a property linked to an economic activity and, furthermore, there is enough accounting data on the operation or appropriate information about average structural ratios in the corresponding field of activity. The calculation of the update value requires the appraiser to estimate cashflows, estimate the reversal value, choose the type of update and apply the formula for calculating the discount on the estimated flows.

- Residual method: When applying the residual method, value is calculated by using one of the following procedures: analysis of investments with expected values (dynamic residual method) or analysis of investments with current values (static residual method). The residual method can be applied using the dynamic procedure on the following types of real estate: land that is developed or can be developed, whether it is built on or not, or buildings at the project, construction or refurbishment stages, even if the works have been put on hold. The static residual method can only be applied to plots or real estate that are being refurbished when building or refurbishment can start no later than a year ahead, as well as to built-on plots. To calculate the residual value using dynamic calculation the steps are as follows: the cashflows are estimated, the type of updating is chosen, and the calculation formula applied. Cash flows are taken as: collections and, where applicable, expected credit deliveries from the sale of the property being developed; and the payments expected for the costs and expenses during construction or refurbishment, including payments on credits awarded. These charges and payments are applied on the dates scheduled for the selling and construction of the property.

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 banks deposits

The composition of the balances under this heading in the consolidated balance sheets at 31st December 2019 and 2018 was as follows:

		€ ´000
	2019	**2018**
Other Central Banks	3 340 420	3 340 420
Valuation adjustments	(37 506)	(23 974)
	3 302 914	**3 316 446**

At of 31st December 2019 and 2018, 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 2019, these operations have accrued interest income of EUR 13,532 thousand (EUR 13,588 thousand in 2018), included in the section “Interest income - Deposits in central banks” in the attached consolidated income statement (Note 32).

During the periods 2019 and 2018 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 2019 and 2018, taking into account the nature of the transactions, is as follows:

	€ ´000	
	2019	**2018**
Term deposits	520 652	541 751
Repurchase agreements	1 962 678	2 955 148
Other accounts	46 151	78 992
Valuation adjustments	8 977	2 883
	2 538 458	**3 578 774**

Interest accrued by these deposits in the years 2019 and 2018 amounted to EUR 2,838 thousand and EUR 2,260 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 2019 was 0.13% (0.14% at 31st December 2018).

17.3. Deposits from customers

The balance under this heading in the consolidated balance sheets at 31st December 2019 and 2018, classified by type and by the counterparties in the transactions, is as follows:

	€ ´000	
	2019	**2018**
By type -		
Current accounts	13 877 323	12 994 322
Savings accounts	17 931 754	16 658 265
Term deposits	9 645 274	11 906 443
Repos	847 592	1 268 299
Other	33 094	34 016
Valuation adjustments	633 842	600 782
Of which:		
Micro-hedging transactions	*490 527*	*459 733*
Accrued interest	*250 279*	*253 484*
Other adjustments	*(106 964)*	*(112 435)*
	42 968 879	**43 462 127**
By counterparty -		
Resident public administrations	2 812 031	2 568 486
Other resident sectors	39 297 241	40 077 631
Other non-resident sectors	225 765	215 228
Valuation adjustments	633 842	600 782
Of which:		
Micro-hedging transactions	*490 527*	*459 733*
Accrued interest	*250 279*	*253 484*
Other adjustments	*(106 964)*	*(112 435)*
	42 968 879	**43 462 127**

Interest accrued by these deposits in the years 2019 and 2018 amounted to EUR 263,045 thousand and EUR 289,573 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 2019 was 0.40% (0.43% at 31st December 2018).

Mortgage covered bonds, issued under the provisions of Law 2/1981, 25th March, on Mortgage Market Regulation are filed under the heading "Term deposits":

				€ ´000
Date of issue	**Maturity date**	**Nominal interest rate**	**Nominal 31/12/2019**	**Nominal 31/12/2018**
16/11/2004	16/11/2019	(a) 4.257%	-	53 659
16/11/2004	16/11/2019	(a) 4.257%	-	8 049
16/11/2004	16/11/2019	(a) 4.257%	-	52 317
24/11/2004	27/11/2019	(b) 4.125%	-	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	58 333
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
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
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
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
30/11/2009	28/11/2019	4.511%	-	154 000
			3 758 903	**4 426 927**

(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 31st December 2019 and 2018 is as follows:

		€ ´000
	2019	**2018**
Mortgage securities	60 000	60 000
Other non-convertible securities	300 000	-
Convertible subordinated debt	-	-
Treasury stock	-	-
Valuation adjustments - Accrued interest	1 174	(42)
Valuation adjustments - Micro hedging	(1 713)	-
Valuation adjustments - Other	(1 554)	-
	357 907	**59 958**

Interest accrued on debits represented by tradable securities for the years ended 31st of December 2019 and 2018 amounted to EUR 1,252 thousand and EUR 55 thousand, respectively. These interests are recorded under "Interest expense" 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 2019 by both the parent company and other Group companies is as follows:

					€ ´000
	Balance at 01/01/2019	**Issues**	**Repurchases/repayments**	**Adjustments due to exchange rate & other**	**Balance at 31/12/2019**
Issued debt securities in a EU member state which required the registration of a prospectus	59 958	300 000	-	(2 051)	357 907
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	**59 958**	**300 000**	**-**	**(2 051)**	**357 907**

There were no issues of debt instruments in 2019 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 2018 by both the parent company and other Group companies is as follows:

					€ ´000
	Opening balance at 01/01/2018	Issues	Repurchases/repayments	Adjustments due to exchange rate & other	Balance at 31/12/2018
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 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 breakdown of the mortgage securities (specifically mortgage backed securities) issued by Unicaja Banco Group at 31st December 2019 and 2018 is as follows:

					€ ´000		
Issue	**ISIN code**	**Date of issue**	**Issue amount**	**Balance at 31/12/2019**	**Balance at 31/12/2018**	**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%
3rd Unicaja issue	ES0458759026	22/11/2010	30 000	30 000	30 000	22/11/2022	6 m. Euribor + 2.00%
				60 000	**60 000**		

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 breakdown of fixed income securities issues by Unicaja Banco Group at 31st December 2019 is as follows:

				€ ´000		2019
Issue	**ISIN**	**Date of issue**	**Nominal value**	**Net outstanding balance**	**Interest rate**	**Issue maturity**
Unicaja Banco - Subordinated debt	ES0280907017	13/11/2019	300 000	300 000	2.875%	13/11/2029
			300 000	**300 000**		

Unicaja Banco issued EUR 300,000 thousand of subordinated debt, which coincides with its face value, on 13th November 2019. As described in the terms and conditions of the issue prospectus, unless they are repaid early, they will be repaid at the value of their principal on 13th November 2029. The Bank has the option of repaying these obligations in full, at their nominal value, together with any interest accrued and outstanding, subject to a series of conditions that include obtaining prior authorisation from the supervisory authority if any of the events described in the issue prospectus relating to fiscal or capital events were to occur. In addition, the bank may, if it so chooses, and subject to the prospectus conditions, which also include getting the necessary regulatory authorisation beforehand, amortise all the debt on a reset date (established as 13th November 2024), at its nominal value, together with any interest accrued and outstanding on that date.

For these effects, a capital event will be interpreted as having occurred when a change takes place (or any change pending approval by the industry regulators that is considered sufficiently certain) in the regulatory classification of the debt that results (or is likely to result) in: (i) the exclusion of any amount of the principal of the debt from the Bank's or the Group's Tier 2 capital, or (ii) the reclassification of any amount of the debt to lower quality own funds, of the Bank or the Group, according to current banking regulation. A fiscal event, meanwhile, will be interpreted as having taken place if there is a change or amendment to the Kingdom of Spain's laws or secondary legislation, or any change in the official application or interpretation of these laws and regulations that results in: (a) the Bank not having the right to claim a deduction in its tax obligations in Spain on any interest payments on the obligations or if the value to the Bank of this deduction drops substantially; or (b) the Bank is obliged to pay additional amounts to those indicated in condition 7 of the issue prospectus; or (c) that the tax treatment of the obligations is significantly affected and the Bank cannot avoid this by taking reasonable measures available to it.

The subordinated debt accrues interest on the outstanding principal: (i) at a fixed 2.875% annual interest rate from the issue date until the reset date, payable on 13th November every year, with the first interest payment date set as 13th November 2020, and (ii) from the reset date, at the reset interest rate (Mid-Swap at 5 years plus an annual spread of 3.107%), payable on 13th November every year, with the first interest payment date after the reset date set on 13th November 2025.

The effective average interest rate of the debt instruments classified under this heading at 31st December 2019 was 3.03% (0.04% at 31st December 2018).

17.5 Other financial liabilities

The breakdown of this item in the consolidated balance sheets to 31st December 2019 and 2018 is as follows:

		€ ´000
	2019	**2018**
Payment obligations (*)	141 633	102 368
Collection accounts	368 341	329 573
Special accounts	140 944	159 310
Financial guarantees	1 192	1 361
Surety bonds received and other	384 410	365 944
	1 036 520	**958 556**

(*) This includes a balance of EUR 57,877 thousand at 31st December 2019 (EUR 69,509 thousand at 31st December 2018) 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 2019 and 2018 under the heading of "Surety bonds 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 negative cash flow included in the consolidated cash flows statement for the year ended 2019 for financial liabilities at amortised cost amounts to EUR 1,469,630 thousand (positive flow of EUR 435,118 thousand for the year ended 2018).

18. Provisions

The following are movements for the years 2019 and 2018 and the purpose of the provisions recorded under these headings in the consolidated balance sheet at 31st December 2019 and 2018:

€ ´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 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**
Provisions recorded against results:	370	8 762	8 128	346 722	363 982
Provisions (*)	*97*	*8 400*	*8 128*	*346 722*	*363 347*
Interest costs (Note 33)	*273*	*362*	-	-	*635*
Recoveries recorded in results	-	-	(8 356)	(2 788)	(11 144)
Provisions used	(9 096)	(30 806)	-	(274 856)	(314 758)
Other movements	(75 026)	98 670	(826)	(25 144)	(2 326)
Balance at 31 December 2019	**62 716**	**203 696**	**128 247**	**526 475**	**921 134**

(*) See Note 2.18 for the allowances to provisions for the pension fund and similar obligations.

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 realization of these estimates, taking into account the amount of these provisions, will entail a material adjustment to the carrying amount of the Group's assets and liabilities during the next accounting period. The financial effect estimated when calculating provisioning and the amount for recovering provisions was insignificant during fiscal years 2019 and 2018.

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 from 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 2019 and 2018, and the breakdown of the item “Other movements” associated with the movement of these provisions during 2019 and 2018, is as follows:

				€ ´000
	Year-end balance		**Other movements (*)**	
	2019	**2018**	**2019**	**2018**
Provisions for contingent risks	117 921	119 014	(826)	23 687
Provisions for contingent commitments	10 326	10 287	-	-
	128 247	**129 301**	**(826)**	**23 687**

(*) For 2019 and 2018, the “Other movements” amount represents the increases and reductions in provisions allocated for contingent risks as a result of the reclassifications between amounts drawn down 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 from 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 2019 and 2018.

All other provisions

The breakdown of the balances by type recorded under the section “All other provisions” at 31st December 2019 and 2018, and the breakdown of “Other movements” associated with the changes of these provisions during 2019 and 2018, is as follows:

				€ ´000
	Year-end balance		**Other movements**	
	2019	**2018**	**2019**	**2018**
Allowance for legal contingencies and similar	254 530	287 960	81 599	65 833
Allowance for investee contingencies	12 401	14 005	-	(49 713)
Allowance for other contingencies	259 544	180 576	(106 743)	(22 100)
	526 475	**482 541**	**(25 144)**	**(5 980)**

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.

  Furthermore, in the balance for “ All other provisions”, coverage has been set up for legal proceedings and claims relating to floor clause agreements on interest rate variation to the value of EUR 177 million (Note 27) and EUR 130 million of new provisions for restructuring have been allocated in the 2019 financial year as part of the 2020-2022 Strategic Plan passed by Unicaja Banco’s Board of Directors.

  In the opinion of the Group's top management, 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 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.

We should point out here that Unicaja Banco Group holds a mortgage contract portfolio that is indexed to the Mortgage Loan Reference Index (IRPH in the Spanish acronym), the official indicator published by the Bank of Spain, pursuant to article 27 of Order EHA/2899/2011, 28th October, on the transparency and protection of banking service customers and also pursuant to Circular 5/2012, 27th June, from the Bank of Spain, to credit institutions and payment service providers, on banking service transparency and responsibility in loan origination.

A number of legal proceedings have been taken out against the majority of Spain’s credit institutions, alleging that the clauses linking mortgage transaction interest rates to the IRPH did not comply with European transparency regulations. The Supreme court, in its ruling 669/2017, of 14th December 2017, ratified the legitimacy of these clauses because they are indexed to an official indicator and, as such, not subject to transparency oversight.

After several requests for preliminary rulings were lodged by the Spanish Courts, the Court of Justice of the European Union (CJEU) decided to open Case C-125/18, which is still awaiting ruling. This spurred the European Commission to issue a report on 31st May 2018 which recommends that the CJEU respond to the requests for preliminary rulings. The Commission maintains that the CJEU should analyse whether the IRPF index was being abused (Directive 93/12). Another significant event is the legal opinion by the CJEU's Attorney General, on 10th September 2018, which finds that the clause referencing the IRPH is subject to oversight within the scope of possible abuse. In both cases the reports are not binding for the CJEU's decision which will ultimately determine the criteria for assessing this kind of clause.

In the event that the CJEU should rule that the clause containing IRPH as the indicator of reference can be examined within the scope of possible abuse, the effects of this ruling must be determined in each and every case in which, after an analysis, the potential for abuse is established. This creates uncertainty about what interest rate should be applied. This set of circumstances makes it difficult to estimate the impact of a hypothetical unfavourable ruling.

At 31st December 2019, the balance of performing mortgage loan transactions to consumers held by the bank that are linked to the IRPH is EUR 182 million (0.65% of the total balance of Loans and Advances). Although the Supreme Court ruling quoted above is considered well-founded, a CJEU decision that accepts the possibility of analysing the index on the grounds of potential abuse could lead to the bank booking a potential provision for those cases in which the transparency of the marketing is up for debate. In any event, in the light of the volume of loans that would be affected, it does not constitute a material impact on the Group's equity.

19 Other liabilities

The composition of the balance under this heading in the consolidated balance sheets at 31st December 2019 and 2018 is as follows:

		€ ´000
	2019	**2018**
Accrued expenses payable	52 640	79 428
Ongoing operations	44 186	80 664
Other	105 626	129 553
	202 452	**289 645**

At 31st December 2019 and 2018, the "Others" item under this heading of the consolidated balance sheet mainly includes liabilities accrual accounts.

20. Assets and liabilities under insurance and reinsurance contracts

At 31st December 2019 and 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 2,163 thousand and EUR 2,585 thousand, respectively.

The composition of the balance OF the heading “Liabilities under insurance or reinsurance contracts” in the consolidated balance sheets at 31st December 2019 and 2018 is as follows:

	2019	**2018**
		€ ´000
Provisions for life insurance	552 137	571 402
Provision for employee benefits	9 603	10 311
Provision for bonuses and rebates	695	726
Provision for accounting asymmetry	60 685	53 561
Other	7 574	6 350
	630 694	**642 350**

At 31st December 2019 and 2018, 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 at 31st December 2019 and 2018 and “Income attributable to minority interests (non-controlling interests)” in the consolidated income statement for the years 2019 and 2018 is as follows:

				€ ´000
	2019		**2018**	
	Non-controlling interests	**Net income/loss attributable to minority interests**	**Non-controlling interests**	**Net income/loss attributable to minority interests**
Viajes Caja España, S.A.	-	-	(63)	-
Parque Industrial Humilladero, S.L.	478	(3)	483	(9)
	478	**(3)**	**420**	**(9)**

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 19,852 thousand at 31st December 2019 (EUR 19,588 thousand at 31st December 2018).

At 31st December 2019 and 2018, there are no significant non-controlling interests.

During the years 2019 and 2018, 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 2019 and 2018 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 2019 and 2018 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 2019 and 2018 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 - Equity component of compound financial instruments" recorded at 31st December 2019 and 2018 includes the outstanding balance of the issuances of Unicaja Banco Perpetual Contingent Convertible Bonds (PeCoCos). The breakdown of these issues at 31st December 2019 and 2018 is as follows:

				2019			2018		
			€	€ ´000		€	€ ´000		
Issue	ISIN code	Number of securities issued	Total nominal amount	Year-end balance	Number of securities issued	Total nominal amount	Year-end balance	Nominal interest	Maturity
Perpetual Contingent Convertible Bonds (PeCoCos)	ES0280907009	47 573 771	47 573 771	47 574	47 896 938	47 896 938	47 897	13.8824%	Perpetual
				47 574			47 897		

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 2019 and 2018 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 sums 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 set 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 condensed balance sheet.

22.3 Treasury shares

At 31st December 2019 the Group had 14,865,086 treasury shares (2,146,738 31st December 2018). The treasury portfolio that has been directly acquired by Unicaja Banco to 31st December 2019 amounts to 14,773,028 treasury shares (against 2,054,680 treasury shares to 31st December 2018).

The movement of treasury shares at 31st December 2019 and 2018 is as follows:

	2019		2018	
	Number of shares	**€ ´000**	**Number of shares**	**€ ´000**
Opening balance of treasury shares	**2 146 738**	**2 147**	**-**	**-**
Purchase of treasury shares by Unicaja Banco	14 350 630	14 350	8 143 462	8 144
Purchase by other group entities	-	-	92 058	92
Share swap from merger with EspañaDuero	-	-	(6 088 782)	(6 089)
Sale of treasury shares by Unicaja Banco	(1 632 282)	(1 632)	-	-
Balance of treasury shares at end of period	**14 865 086**	**14 865**	**2 146 738**	**2 147**

Purchases of treasury shares by Unicaja Banco in 2019 amounted to a nominal sum of 12,718 thousand (EUR 2,055 thousand in 2018).

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 2019 and 2018 under the heading “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 2019 and 2018 is as follows:

		€ ´000
	2019	**2018**
Retained earnings	915 492	969 426
Revaluation reserves	-	-
Other reserves	30 759	(66 431)
Reserves or accumulated losses of investments in joint ventures and associates	*(223 726)*	*(320 916)*
Other reserves	*254 485*	*254 485*
	946 251	**902 995**

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.

The breakdown of these headings based on origin and type is as follows:

	€ ´000	
	2019	**2018**
Parent Company reserves	1 105 114	1 049 012
Legal reserve	126 972	106 959
Revaluation reserves	-	(22 407)
Capitalization reserve	19 601	19 001
Unrestricted reserves	958 541	945 459
Consolidation reserves attributed to the parent Company, consolidated subsidiaries and investments in joint ventures and associates	(158 863)	(146 017)
	946 251	**902 995**

The breakdown of these reserves by company is shown below:

	€ ´000	
	2019	**2018**
Unicaja Banco, S.A. (parent)	1 710 052	1 662 525
Gestión de Inmuebles Adquiridos, S.L.U. (*)	(591 477)	(611 130)
Inmobiliaria Acinipo, S.L.U. (*)	(102 024)	(109 160)
Desarrollo de Proyectos de Castilla y León, S.L.U. (*)	(57 077)	(56 737)
Viproelco, S.A. (*)	(21 152)	(20 764)
Alteria Corporación Unicaja, S.L.U.	1 833	10 757
Unicartera Gestión de Activos, S.L.U.	18 794	21 805
Unicartera Internacional, S.L.U.	-	9 893
Gestión de Actividades y Servicios Empresariales, S.A.U.	-	3 208
Andaluza de Tramitaciones y Gestiones, S.A.U.	6 596	6 596
Other companies (*)	(19 294)	(13 998)
	946 251	**902 995**

(*) Negative balances show losses.

23.2 Other recognised revenues and expenses from joint ventures and associate companies

The breakdown of the balance on the consolidated balance sheet at 31st December 2019 and 2018 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 statement of recognised income and expense for 2019 and 2018, 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**	
	2019	**2018**	**2019**	**2018**
Ahorro Andaluz, S.A.	-	-	-	(2 521)
Alestis Aerospace, S.L.	-	711	(1 016)	6 161
Autopista del Guadalmedina, Concesionaria Española, S.A.	-	(6 113)	8 733	767
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.	31 480	8 899	32 259	(21 676)
Caja España Vida, Compañía de Seguros y Reaseguros, S.A.	-	7 330	(10 472)	(10 052)
Deoleo, S.A.	-	-	-	2 409
Duero Pensiones, E.G.F.P., S.A.U.	-	-	-	(424)
Unión del Duero Compañía Seguros de Vida, S.A.U.	-	-	-	7 889
	31 480	**10 827**	**29 504**	**(17 447)**

24. Taxes

24.1 Consolidated Tax Group

The Bank is the parent entity of the Tax 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 2019:

- Unicaja Banco, S.A.
- Fundación Bancaria Unicaja
- Inmobiliaria Acinipo, S.L.U.
- Unigest, S.G.I.I.C., 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.
- 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.
- Unicaja Gestión de Activos Inmobiliarios, S.A.U.
- Uniwindet, S.L.U.
- La Algara Sociedad de Gestión, S.L.U.
- Pinares del Sur, S.L.U.
- Finanduero Sociedad de Valores, S.A.U. (*)

- Viproelco, S.A.U.
- Banco Europeo de Finanzas, S.A.U.
- Duero Pensiones, Entidad Gestora de Fondos de Pensiones, S.A.U.
- Madrigal Participaciones, S.A.
- Propco Blue 1, S.L.U.
- Unión del Duero, Compañía de Seguros de Vida, S.A.U.

(*): Although these companies at 31st December 2019 had ceased to exist, having been absorbed by another Group company, we have provided the information, since a pro-rated proportion of Companies tax for 2019 has been settled by them as they are part of the 660/10 fiscal group.

In 2019, the following companies have ceased to form part of the 660/10 fiscal group.

- Grupo de Negocios Duero S.A. was absorbed by Banco de Caja España de Inversiones, Salamanca y Soria, S.A., with the deeds formalised on 21st December 2017 and registered on the Madrid Property Registry on 8th January 2018.
- Banco de Caja España de Inversiones, Salamanca y Soria, S.A. was absorbed by Unicaja Banco, S.A. on 21st September 2018.
- Caja España Mediación Operador Banca Seguros Vinculado, S.A. was absorbed by Unimediación, S.L. on 14th May 2018.
- The companies Altos de Jontoya Residencia para Mayores, S.L. and Mijas Sol Resort, S.L.U., have been absorbed by the real estate company Acinipo S.L., on 17th September 2018.
- Gestión de Actividades y Servicios Empresariales, S.A.U. was sold on 26th December 2019.

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, currently in progress 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.

On 4th January 2019, the Tax Authorities notified the Group that it was beginning inspection proceedings of Unicaja Banco, S.A as the successor of the entity Banco de Caja España de Inversiones, Salamanca y Soria, S.A. 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 Corporate income tax expense resulting from the application of the general tax rate in force in Spain and the expenditure recorded for this tax for the fiscal years 2019 and 2018:

		€ ´000
	2019	**2018**
Pre-tax income	174 075	205 876
Corporate income tax (30% tax rate)	52 223	61 763
Eliminations in the consolidation process	(8 130)	(4 340)
Permanent positive differences	5 431	1 414
Permanent negative differences	(47 052)	(5 177)
Effect of Royal Decree 3/2016	859	859
Tax deductions and credits		
Other deductions	(1 534)	(1 184)
Income tax	**1 797**	**53 335**

The permanent negative differences include the exemption arrangements in place for dividends and capital gains of eligible holdings, regulated by the Corporation Tax Act 27/2014, 27th November.

As regards the breakdown of the main components of the expenditure on the tax on earnings, the entire amount recorded in the consolidated profit and loss statement for 2019 and 2018 for this item (which comes to EUR 1,797 thousand of expenditure in 2019 and EUR 53,335 thousand of expenditure in 2018) 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 2019 and 2018, are the following:

		€ ´000
	2019	**2018**
Expense/(income) from temporary differences	8 796	65 739
Expense/(income) from outstanding negative tax base	(6 999)	(9 862)
Expense/(income) from unused tax credits	-	(2 542)
Income tax	**1 797**	**53 335**

As to the tax on profits in the consolidated recognised income and expense statements for 2019 and 2018, the Group has charged a negative amount on its consolidated net equity of EUR 1,172 thousand and a positive amount of EUR 76,974 thousand, respectively, for the following items:

	2019	2018
		€ ´000
Actuarial gain or loss in defined benefits plans	(7 643)	(626)
Valuation of financial assets designated at fair value through other comprehensive income	(28 557)	78 974
Valuation of cash flow hedges derivatives:	43 542	(6 599)
Net exchange differences	(17)	(11)
Valuation of on-current assets for sale	-	-
Valuation of entities valued using the equity method	(8 497)	5 236
Income tax	**(1 172)**	**76 974**

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 2019 and 2018, includes deferred tax liability of EUR 2,711,645 thousand and EUR 2,568,707 thousand, respectively, while the deferred tax credit amounted to EUR 292,988 thousand and EUR 210,882 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 2019 and 2018 is as follows:

				€ ´000
		2019		2018
	Assets	Liabilities	Assets	Liabilities
Current taxes	**46 128**	**32 397**	**84 735**	**21 128**
Deferred taxes	**2 711 645**	**292 988**	**2 568 707**	**210 882**
From negative tax base	664 678	-	671 677	-
Unused tax credits	-	-	-	-
Temporary differences - insolvencies	1 419 481	-	1 318 415	-
Permanent negative differences - pensions	92 052	-	92 052	-
Permanent negative differences - foreclosed assets	76 087	-	76 060	-
Other items	459 347	-	410 503	-
Revaluations	-	292 988	-	210 882
	2 757 773	**325 385**	**2 653 442**	**232 010**

As described in Note 1.12.1 of these statements, on 1st January 2019 IFRIC 23 “Uncertainty over Income Tax Treatments” came into force, clarifying recognition and measurement of tax liabilities when there is uncertainty over income tax treatments. IFRIC 23 takes “uncertain tax treatment” to mean uncertainty over whether the relevant tax authority will accept the interpretation in the context of that jurisdiction’s fiscal legislation.

Unicaja Banco Group’s roll-out of IFRIC 23 is restricted to two relevant procedures for both of which the Group has set up provisions:

- Procedure for recovering state “Tax Lease” aid for financing of vessels by the European Commission. The bank has provisioned EUR 5,505 thousand for this eventuality (see more information on this in Note 19.7).

- Procedure on 2013/14 corporation tax (Naviera Cabio, A.I.E,) on the use of fiscal negative tax bases in EspañaDuero. The bank has provisioned EUR 9,760 thousand for this contingency.

In line with IFRIC 23 stipulations, the amounts affected by these uncertainties have been recognised in the “Current Tax Liabilities” item on the Group’s consolidated balance sheet.

The Group'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 14 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 result for each of the fiscal years included in the forecasts; these are consistent with other reports used by the Group 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 Unicaja Banco 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:

	2020E	2021E	2022E
Real GDP (% year-on-year change)	1.80	1.70	1.60
Average annual unemployment (%)	13.30	12.60	12.00
Consumer price index YRV (%)	1.30	1.50	1.60
Housing prices YRV (%)	6.00	5.00	4.20

  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 0.38% by 2020 (10-year Spanish government bond yield).

- 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 Unicaja Banco Group has made an initial estimate of the amount of deferred tax assets likely to become a receivable vis-à-vis the Tax Authorities. The sums are therefore guaranteed by the Spanish authorities and come to EUR 1,587,603 thousand at 31st December 2019 (EUR 1,486,526 thousand at 31st December 2018). 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 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 establish it by segregating 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.

24.6 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 2019.

24.7 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 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.

On 25th July 2018, the Court of Justice of the European Union issued a ruling on the appeal in cassation lodged by the European Commission against the European General Court’s (EGC) judgment of 17th December 2015. The CJEU repealed and annulled that judgment and sent the case back to the EGC for it to examine the reasons given for that annulment, that were not analysed at the time by the GC.

Now that the EGC’s judgment has been set aside, the European Commission’s decision on the Tax Lease once again becomes a live issue, which has given rise to the renewal of procedures by the Spanish tax authority to recover state aid, these having been suspended by the EGC’s judgment in 2015.

These procedures can be expected to run their course until a new annulment stops them again or requires the Spanish tax authorities to reverse their effects, should they have been concluded.

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 recorded, 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 Entitie’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 2019, 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	**448 262**	**1 620 873**	**1 572 989**	**2 744 868**	**14 501 416**	**22 288 901**	**43 177 309**
Deposits in financial institutions	-	12 263	2 813	3 654	-	147 796	166 526
Loans to financial institutions	-	1 537	2 957	9 448	65 895	41 546	121 383
Reverse purchase agreements and securities loans (borrower)	-	1 022 257	92 285	-	-	-	1 114 542
Loans	448 262	577 816	534 264	2 270 463	7 792 258	14 024 942	25 648 007
Securities' portfolio settlement	-	7 000	940 670	461 303	6 643 263	8 074 617	16 126 853
TOTAL OUTFLOWS	**(31 815 168)**	**(2 616 849)**	**(1 723 432)**	**(3 903 679)**	**(6 003 021)**	**(2 743 099)**	**(48 805 248)**
Wholesale issues	-	-	(175 000)	(150 000)	(1 171 852)	(2 622 051)	(4 118 903)
Credit institutions' deposits	(58 866)	(32 256)	(12 230)	(586)	-	-	(103 938)
Deposits in other financial institutions and international bodies	(994 849)	(2 423)	(270)	(56 134)	(200 885)	(100 764)	(1 355 325)
Deposits of large non-financial corporations	(1 546 380)	(6 616)	(6 781)	(176 491)	(3 968)	-	(1 740 236)
Customer deposits	(29 215 073)	(495 327)	(833 809)	(3 565 990)	(1 053 517)	(517)	(35 164 233)
Funds for brokered loans	-	(6 455)	(5 223)	(34 829)	(96 955)	(19 767)	(163 229)
Security pledge funding	-	(2 053 367)	(684 924)	-	(3 403 226)	-	(6 141 517)
Derivatives (net)	-	279	8 346	92 272	-	-	100 897
Other outflows (net)	-	(20 684)	(13 541)	(11 921)	(72 618)	-	(118 764)
LIQUIDITY GAP	**(31 366 906)**	**(995 976)**	**(150 443)**	**(1 158 811)**	**8 498 395**	**19 545 802**	**(5 627 939)**
ACCUMULATED GAP	**(31 366 906)**	**(33 358 858)**	**(32 513 324)**	**(34 830 947)**	**(25 173 740)**	**(5 627 939)**	
Memorandum item:							
Contingent risks	2 045 977	-	-	-	-	-	2 045 977
Available by third parties	3 009 113	-	-	-	-	-	3 009 113
Instant availability	*1 943 123*	-	-	-	-	-	*1 943 123*
Available subject to conditions	*1 065 990*	-	-	-	-	-	*1 065 990*
Total contingent risks and drawable by third parties	**5 055 090**	-	-	-	-	-	**5 055 090**

The chart of maturities at 31st December 2018, 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	**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)	(22445)	(163 254)
Security pledge funding	-	(3 443 703)	(670 222)	(24177)	(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)**	**(28 873 297)**	**(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 breakdown of contractual maturities of derivative and non-derivative financial liabilities at the end of the periods 2019 and 2018, is as follows:

€ ´000

31st December 2019	**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	**32 268 318**	**2 553 634**	**1 793 259**	**4 118 264**	**6 429 756**	**3 170 031**	**50 333 261**
Financial liabilities carried at amortized cost (embedded derivatives)	32 144 165	2 553 552	1 792 128	4 117 264	6 428 721	3 168 848	50 204 678
Financial guarantees issued	124 153	82	1 131	1 000	1 035	1 183	128 583
Derivative financial liabilities	**-**	**1 079**	**7 214**	**12 422**	**96 697**	**335 464**	**452 877**
	32 268 318	**2 554 713**	**1 800 473**	**4 130 686**	**6 526 453**	**3 505 495**	**50 786 138**

€ ´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**

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, ie. 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 equity 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 2019 and 2018 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 the discount rate as the risk-free interest rate (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 2019 and 2018.

- 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 2019 and 2018 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 2019 and 2018 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:

					€ ´000
			2019		2018
Balance sheet heading	**Instrument**	**Book value**	**Fair Value**	**Book value**	**Fair Value**
Financial assets carried at amortized cost:	Debt securities	16 662 155	17 324 401	14 763 449	14 774 219
Financial liabilities measured at amortized cost.	Marketable debt securities	357 907	357 907	59 958	59 958

26.3 Information on equity instruments

At the close of the 2019 and 2018 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 2019 and 2018 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.

The financial instruments whose fair value is determined by prices listed on active markets (ie. those classified as Level 1 in the fair value hierarchy) comprise public debt, private debt, derivatives listed on recognized exchanges, securitised assets, short positions and issued fixed income.

Where listed prices are not available, the Group's senior management makes its best estimation of the price that the market would have set, using its own internal models. On most occasions, these internal models use data based on observable market parameters as significant inputs (Level 2) and sometimes use significant inputs that are unobservable in market data (Level 3). Several techniques are employed to reach this estimate, including the extrapolation of observable market data. The best proof of a financial instrument's fair value at the outset is the price of the transaction, unless said instrument's value can be obtained from other transactions made in the market with the same or similar instrument, or it is valued by using an evaluation technique, where the variables used include solely data that is observable in the market, essentially interest rates.

If a financial instrument can no longer be valued using Level 1 or 2 criteria, it moves to the next level of the fair value hierarchy. Likewise, when instruments start to be listed on active securities markets, or achieve observable market inputs, they move from Level 3 to lower levels of the fair value hierarchy. The table below shows detailed information on the classification of financial instruments by hierarchy level of fair value at 31st December 2019 and 2018:

					€ ´000
					2019
	Net book				Fair Value
	value	Total	Level 1	Level 2	Level 3
Assets					
Financial assets held for trading	35 298	35 298	27 332	7 966	-
Debt securities	7 966	7 966	-	7 966	-
Equity instruments	27 332	27 332	27 332	-	-
Derivatives	-	-	-	-	-
Non-trading financial assets mandatorily designated at fair value through profit and loss	92 664	92 664	49 827	39 969	2 868
Debt securities	92 664	92 664	49 827	39 969	2 868
Financial assets designated at fair value through other comprehensive income	1 886 161	1 797 005	1 736 502	60 502	-
Debt securities	636 091	546 935	486 433	60 502	
Equity instruments	1 250 070	1 250 070	1 250 070	-	-
Hedging derivatives	507 229	507 229	-	507 229	-
Liabilities					
Financial liabilities held for trading	25 116	25 116	850	24 266	-
Derivatives	25 116	25 116	850	24 266	-
Hedging derivatives	427 761	427 761	-	427 761	-

					€ ´000
					2018
	Net book				Fair Value
	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	-

The table below shows the changes during 2019 and 2018 of the fair value of the various financial instruments classified at level 3 under IFRS 13:

					€ ´000
	Financial assets held for trading			Non-trading financial assets mandatorily designated at fair value through profit and loss	
	Debt securities	Derivatives (asset)	Derivatives (liability)	Debt securities	Equity instruments
Balance at 31/12/2018	**-**	**-**	**-**	**8 108**	**-**
Additions of instruments	-	-	-	-	-
Derecognitions of instruments	-	-	-	-	-
Changes in fair value recognised in profit or loss	-	-	-	(5 240)	-
Changes in fair value recognised in equity	-	-	-	-	-
Level transfers	-	-	-	-	-
Transfers to loans and receivables	-	-	-	-	-
Transferred to investments held to maturity	-	-	-	-	-
Balance at 31/12/2019	**-**	**-**	**-**	**2 868**	**-**

					€ ´000
	Financial assets held for trading			Non-trading financial assets mandatorily designated at fair value through profit and loss	
	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	-	-	-	-	-
Transferred to investments held to maturity	-	-	-	-	-
Balance at 31/12/2018	**-**	**-**	**-**	**8 108**	**-**

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 statement of recognised income and expense.

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 2019 and 2018. 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.

- NAV (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 2019 and 2018, 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, while warranting 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 2019 and 2018. Total risk held by the Group with mortgage collateral in the private residential sector in Spain came to EUR 16,653,521 thousand and EUR 17,056,682 thousand at 31st December 2019 and 2018, 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 2019 and 2018, comes to EUR 47,044 thousand and EUR 61,019 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.

These rulings issued by the Courts of Madrid and León were appealed before their respective Provincial Courts and, when the original rulings were ratified, before the Supreme Court.

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. 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.

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 2019, the provisions deemed necessary to hedge 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 177 million at 31st December 2019 (EUR 203 million at 31st December 2018).

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 2017 and with the regulatory requirements of the Bank of Spain, including the following points:

- Concession criteria linked to the borrower's ability to pay.
- 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 of 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.

Financial assets derecognised from the balance sheet

The following shows the movement during fiscal years 2019 and 2018 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
	2019	**2018**
Balance of financial assets derecognised from the balance sheet at January 1st	**1 393 761**	**1 616 834**
Additions	**60 878**	**131 205**
Recorded against value corrections due to impairment of assets	49 464	106 134
Recorded in the income statement	5 391	19 656
Matured uncollected receivables	6 023	5 415
Other items	-	-
Recoveries	**(37 419)**	**(63 685)**
Cash collections during the period	(27 321)	(44 973)
From repossessed assets	(10 098)	(18 712)
Derecognitions	**(104 641)**	**(290 593)**
Sale of write-offs	(21 983)	(202 461)
Other	(82 658)	(88 132)
Balance of financial assets derecognised from the balance sheet at December 31st	**1 312 579**	**1 393 761**

In 2019, the Group closed the sale of written-off credits amounting to EUR 25,820 thousand, arising from individuals and small and medium-sized enterprises (no unmanageable write offs have been recorded). 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 2018, the Group formalised the sale of written off loans amounting to of EUR 225,142 thousand, arising from individuals and small and medium-sized enterprises (this sum includes unmanageable write offs of 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”.

During 2019 and 2018, the recovery 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 “unmanageable”).

The net amount booked to the consolidated income statement for 2019 and 2018 from the movement of these assets is a positive sum of EUR 21,930 thousand and EUR 25,317 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 5,391 thousand and EUR 19,656 thousand for 2019 and 2018 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 27,321 thousand and EUR 44,973 thousand in 2019 and 2018, 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 2019 and 2018 is as follows:

				€ ´000
				2019
	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	-	-	870 246	6 651 644
Italy	-	-	179 296	4 683 707
Portugal	-	-	7 591	761 934
Other	-	-	753	-
	-	**-**	**1 057 886**	**12 097 285**

				€´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**

Credit quality of debt securities

The classification of debt securities on the consolidated annual statements of the Unicaja Banco Group at 31st December 2019 and 2018 are as follows, classified in the different portfolios:

		€´000
	2019	**2018**
Financial assets held for trading (Note 8.1)	-	12 439
Non-trading financial assets mandatorily designated at fair value through profit and loss (Note 8.2)	92 664	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)	1 250 070	2 877 886
Financial assets carried at amortized cost (Note 10)	16 662 155	14 763 449
	18 004 889	**17 739 145**

At 31st December 2019 and 2018, 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 16,315 thousand and EUR 11,030 thousand, respectively. The classification of these values by rating at 31st December 2019 and 2018 is as follows:

		€´000
	2019	**2018**
Rating Aaa	753	10 251
Rating Aa1-Aa3	136 497	541 763
Rating A1-A3	11 252 982	12 127 249
Rating Baa1-Baa3	6 572 046	4 963 805
Rating Ba1-Ba3	19 060	-
Rating B1-C	6 517	27 231
No credit rating	17 034	68 846
	18 004 889	**17 739 145**

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 2019 and 2018 is shown below:

				€ ´000
				2019
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross amount	**25 622 706**	**1 258 573**	**1 350 572**	**28 231 851**
Asset impairment adjustments	**48 270**	**95 124**	**585 313**	**728 707**
Of which: individual	242	16 464	93 242	109 948
Of which: collective	48 028	78 660	492 071	618 759
Net amount	**25 574 436**	**1 163 449**	**765 259**	**27 503 144**

				€ ´000
				2018
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross amount	**25 287 881**	**1 489 621**	**1 925 587**	**28 703 089**
Asset impairment adjustments	**50 329**	**105 880**	**863 925**	**1 020 134**
Of which: individual	202	23 194	198 942	222 338
Of which: collective	50 127	82 686	664 983	797 796
Net amount	**25 237 552**	**1 383 741**	**1 061 662**	**27 682 955**

Collateral sums received and given at 31st December 2019 and 2018 are outlined below:

		€ ´000
Guarantees received	**2019**	**2018**
Value of collateral	18 121 253	18 509 135
Of which: guaranteeing non-performing risks	*815 953*	*1 216 971*
Value of other guarantees	2 282 110	2 043 497
Of which: guaranteeing non-performing risks	*119 349*	*110 513*
Total value of guarantees received	**20 403 363**	**20 552 632**

Financial guarantees given	2019	€ ´000 2018
Loan commitments given	3 018 522	2 579 238
Of which amount classified as NPL	5 923	3 176
Amount recorded in liabilities of the balance sheet	3 315	2 270
Financial guarantees given	62 296	64 537
Of which amount classified as NPL	-	-
Amount recorded in liabilities of the balance sheet	7 011	8 107
Other commitments given	1 983 681	2 021 992
Of which amount classified as NPL	223 712	232 579
Amount recorded in liabilities of the balance sheet	117 921	119 014
Total value of financial guarantees given	**5 064 499**	**4 665 767**

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 2019 and 2018 broken down by type of counterparty, guarantee and LTV ratio, and excluding exposures held with public administrations.

				€ ´000 LTV ratio of secured loans (e)				
31st December 2019	**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	1 330 554	19 641	1 018 331	3 219	754	15 752		1 018 247
Non-financial corporations and individual entrepreneurs	6 527 436	2 169 482	95 271	969 429	710 185	331 478	116 572	137 089
Real estate construction & development (b)	615 648	547 101	11 902	228 830	142 124	110 443	35 815	41 791
Civil works	58 941	850	176	459	443		30	94
Other purposes	5 852 847	1 621 531	83 193	740 140	567 618	221 035	80 727	95 204
Large corporations (c)	2 378 023	79 808	5 625	43 264	19 499	20 511	336	1 823
SMEs and individual entrepreneurs (c)	3 474 824	1 541 723	77 568	696 876	548 119	200 524	80 391	93 381
Rest of households and NPISHs	17 950 001	16 251 084	39 601	4 701 231	5 846 210	4 809 836	462 687	470 721
Housing	15 675 938	15 405 441	5 279	4 245 075	5 632 132	4 700 366	433 292	399 855
Consumer loans	432 499	14 989	2 113	11 980	3 472	960	105	585
Other purposes	1 841 564	830 654	32 209	444 176	210 606	108 510	29 290	70 281
Total	**25 807 991**	**18 440 207**	**1 153 203**	**5 673 879**	**6 557 149**	**5 157 066**	**579 259**	**1 626 057**
Memorandum item: Refinancing, refinanced and restructured transactions	**816 086**	**774 928**	**17 404**	**208 598**	**166 235**	**167 879**	**92 767**	**156 853**

31st December 2018	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	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**

(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 2019 and 2018 on Unicaja Banco Group’s risk concentration, broken down by geography and segment of activity, excluding exposures held with public administrations.

31st December 2019	Total (a)	Spain	Rest of European Union	America	RoW
					€ ´000
Credit institutions	6 177 343	5 477 386	529 482	155 171	15 304
Other financial institutions	5 689 523	5 036 375	641 517	1 863	9 768
Non-financial corporations and individual entrepreneurs	8 497 413	8 176 225	284 284	35 871	1 033
Real estate construction & development (b)	925 623	924 025	1 581		17
Civil works	147 441	147 441			
Other purposes	7 424 349	7 104 759	282 703	35 871	1 016
Large corporations (c)	3 516 252	3 202 973	278 198	35 081	
SMEs and individual entrepreneurs	3 908 097	3 901 786	4 505	790	1 016
Rest of households and NPISHs	18 032 446	17 879 203	117 554	13 655	22 034
Housing	15 758 364	15 623 313	100 158	13 528	21 365
Consumer loans	432 518	432 023	337	34	124
Other purposes	1 841 564	1 823 867	17 059	93	545
	38 396 725	**36 569 189**	**1 572 837**	**206 560**	**48 139**

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	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**

(a) The definition of risk for the purposes of this table includes the following balance-sheet items: Deposits in credit institutions, loans 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 2019 and 2018 of Unicaja Banco Group's loans to customers by autonomous community and by activity segment, excluding exposures held with public administrations.

31st December 2019	Total (a)	Andalusia	Madrid	Castile (*)	East (*)	Rest of autonomous communities
						€ ´000
Credit institutions	5 477 386	-	5 477 320	-	66	-
Other financial institutions	5 036 375	396 247	4 629 019	11 036	47	26
Non-financial corporations and individual entrepreneurs	8 176 225	4 259 760	1 937 893	1 241 005	359 718	377 849
Real estate construction & development (b)	924 025	720 460	97 502	74 330	925	30 808
Civil works	147 441	60 358	60 719	17 094	1 512	7 758
Other purposes	7 104 759	3 478 942	1 779 672	1 149 581	357 281	339 283
Large corporations (c)	3 202 973	1 137 334	1 533 043	141 926	305 201	85 469
SMEs and individual entrepreneurs	3 901 786	2 341 608	246 629	1 007 655	52 080	253 814
Rest of households and NPISHs	17 879 203	9 707 352	1 974 112	4 295 438	346 026	1 556 275
Housing	15 623 313	8 246 442	1 815 139	3 823 785	322504	1 415 443
Consumer loans	432 023	301 810	13 275	95 321	1 741	19 876
Other purposes	1 823 867	1 159 100	145 698	376 332	21 781	120 956
	36 569 189	**14 363 359**	**14 018 344**	**5 547 479**	**705 857**	**1 934 150**

31st December 2018	Total (a)	Andalusia	Madrid	Castile (*)	East (*)	€ ´000 Rest of autonomous communities
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	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**

(*) 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 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.

Financing Transactions

The quantitative information to 31st December 2019 and 2018 on Unicaja Banco Group’s finance lease activity is shown below:

(i) The reconciliation between gross investment (including the call option when there is one) and the present value to 31st December 2019 and 2018 is the following:

	2019	€ ´000 2018
Nominal value of accounts receivables	110 264	100 689
Nominal value of purchase transactions	7 879	7 261
Total nominal value at close	118 144	107 950
Unearned financial revenue	5 088	5 265
Present value at close	**123 232**	**113 215**

(ii) The present value of the minimum payments to 31st December 2019 and 2018, and the breakdown by residual periods, is as follows:

	2019	2018
		€ ´000
Less than one year	35 944	32 160
1 to 5 years	76 127	69 478
More than 5 years	11 160	11 577
	123 232	**113 215**

(iii) The unguaranteed residual values accruing to the benefit of the lessor came at 31st December 2019 to EUR 7,879 thousand (EUR 7,261 thousand to 31st December 2018).

(iv) The accumulated allowance for uncollectible minimum lease payments due to 31st December 2019 amounted to EUR 2,309 thousand (EUR 2,924 thousand to 31st December 2018).

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 Unicaja Banco 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 2019 and 2018.

31st December 2019								**€ ´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	10 274 354	6 729 925	13 715 526	3 254 546	994 202	1 142 129	1 481 989	10 131 934
After hedging adjustments	12 266 108	7 229 721	14 875 375	4 470 796	1 505 422	1 285 829	1 353 189	5 222 086

31st December 2019								**€ ´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	4 168 091	2 791 508	3 924 711	5 119 400	219 259	3 909	530 466	2 746 312
After hedging adjustments	4 268 091	3 101 508	6 661 691	4 619 400	167 407	3 909	30 466	651 184

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

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 2019 and 2018, 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:

	2019	2018
12-month net interest income forecast	Less than 10%	Less than 3%
Economic value	Less than 4%	Less than 2%

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, financial assets at fair value through profit or 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 market prices

Price risk is the risk that the fair value of equity 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 2019 and 2018:

			€ ´000
Decrease in market price (listed)	**Impact on results**	**Impact on other comprehensive income**	**Total impact on net equity**
Impact to 31st December 2019 of a 1% decrease in market price	191	4 453	4 664
Impact to 31st December 2018 of a 1% decrease in market price	144	3 831	3 975

Results are net after taxes. 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.

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 2019 and 2018, 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 2019 and 2018 is as follows:

		€ ´000
	2019	**2018**
Equivalent value of assets in foreign currency	**98 114**	**94 365**
Of which: % in USD	50%	84%
Of which: % in GBP	7%	5%
Of which: % in CHF	36%	4%
Of which: % in other currencies traded in the Spanish market	7%	7%
Equivalent value of assets in foreign currency	**87 837**	**48 708**
Of which: % in USD	50%	54%
Of which: % in GBP	5%	5%
Of which: % in CHF	43%	12%
Of which: % in other currencies traded in the Spanish market	2%	29%

The countervalue in euros of the assets denominated in foreign currency accounts for 0.17% and 0.16% of the consolidated total assets at 31st December 2019 and 2018, respectively, while the countervalue in euros of the liabilities denominated in foreign currency accounts for 0.17% and 0.09% 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 Recast 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 2019 2018, whose nominal value is recorded in off-balance sheet accounts, is shown below:

		€ ´000
	2019	**2018**
Financial guarantees given	**62 296**	**64 537**
Financial guarantees	62 296	64 537
Other commitments given	**1 983 681**	**2 021 991**
Performance guarantees	1 106 736	1 020 660
Credit derivatives sold	-	-
Irrevocable letter of credit	8 595	9 123
Other commitments	868 350	992 208
	2 045 977	**2 086 528**

At 31st December 2019 and 2018, 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 2019 and 2018, 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 - Commitments and guarantees given" in the consolidated balance sheet (Note 18).

31.2 Assets assigned and received under guarantee

At 31st December 2019 and 2018, 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
	2019	**2018**
Pledged securities	4 922 678	5 238 593
Pledged non-mortgage loans	-	-
	4 922 678	**5 238 593**

At 31st December 2019 and 2018, 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 2019 and 2018.

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 2019 and 2018, the thresholds on financing given and the amounts drawn down 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
		2019		**2018**
	Undrawn amounts	**Credit limit**	**Undrawn amounts**	**Credit limit**
Instant availability	**1 943 123**	**2 533 186**	**1 814 901**	**2 556 029**
Credit institutions	136	146	225	2 108
Public administrations	202 405	210 042	91 870	138 258
Other sectors	1 740 582	2 322 998	1 722 806	2 415 663
Available subject to conditions	**1 065 990**	**1 614 015**	**764 337**	**959 194**
Public administrations	16 035	23 685	255	7 905
Other sectors	1 049 955	1 590 330	764 082	951 289
	3 009 113	**4 147 201**	**2 579 238**	**3 515 223**

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 2019 and 2018 are shown below:

		€ ´000
	2019	**2018**
Real estate investment funds portfolios	5 280 649	5 435 429
Portfolios of other collective investment institutions	111 721	103 890
Other financial instruments	1 132 268	38 145
Managed portfolios	945 010	733 946
	7 469 648	**6 311 410**

The off-balance sheet customer deposits marketed by the Group in 2019 and 2018 are shown below:

		€ ´000
	2019	**2018**
Real estate investment funds portfolios	5 318 126	5 483 713
Other collective investment institutions	111 721	103 890
Pension fund portfolios	2 376 316	2 301 248
Managed portfolios	945 010	733 946
Insurance	4 112 092	3 962 949
	12 863 265	**12 585 746**

The fair value of the third-party deposits held by the Group at 31st December 2019 and 2018 are shown below:

		€ ´000
	2019	**2018**
Debt securities and equity instruments	5 073 038	4 916 130
Other financial instruments	2 629	2 810
	5 075 667	**4 918 940**

31.5 Reclassifications of financial instruments

The Group has not made any reclassifications between financial instrument portfolios in 2019 and 2018 fiscal years.

31.6 Asset securitisation

At 31st December 2019 and 2018 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 2019 and 2018 are presented below, breaking down the effects of these agreements individually and the collateral received and/or given by the Group.

				€ ´000
		2019		**2018**
Derivative financial instruments	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Gross exposure (book value)	**515 195**	**440 719**	**422 688**	**161 277**
Compensation agreements and guarantees	**(368 670)**	**(230 766)**	**(350 560)**	**(83 690)**
Compensation agreements	-	-	-	-
Collateral received/given	(368 670)	(230 766)	(350 560)	(83 690)
Net exposure	**146 525**	**209 953**	**72 128**	**77 587**

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
	2019		2018	
Guarantees linked to reverse repos and repos	**Given**	**Received**	**Given**	**Received**
In cash	85 341	6 976	62 173	985
In securities	200 000	-	-	-
	285 341	**6 976**	**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 2019 and 2018 is as follows:

		€ ´000
	2019	**2018**
Cash, balances in central banks and other other sight deposits (Note 7)	-	-
Deposits in financial institutions (Note 10.1)	1 154	556
Money market transactions via counterparty entities (Note 10.1)	-	-
Loans to customers (Note 10.1)	504 994	521 250
Debt securities	193 983	253 385
NPAs (Note 10.1)	17 903	24 188
Deposits in central banks (Note 17.1)	13 532	13 588
Reclassification of hedge accounting income (Note 11)	20 405	(22 164)
Gains of pension contracts linked to pensions funds and similar obligations	-	1 156
Other income	11 685	13 227
	763 656	**805 186**

Below is a breakdown of the amounts recorded under "Interest income" in the Group's consolidated income statements for the years 2019 and 2018, classified according to the portfolio of financial instruments that produced them:

		€ ´000
	2019	**2018**
Financial assets held for trading (Note 8.1)	12	603
Non-trading financial assets mandatorily designated at fair value through profit and loss (Note 8.2)	2 924	2 677
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)	14 029	73 068
Financial assets carried at amortized cost (Note 10)	700 964	723 031
Reclassification of hedge accounting income	20 405	(22 164)
Other income	25 322	27 971
	763 656	**805 186**

33. Interest expense

The breakdown of the balance under this heading in the consolidated income statements for the years 2019 and 2018 is as follows:

		€ ´000
	2019	**2018**
Central bank deposits (Note 17.1)	-	-
Credit institutions deposits (Note 17.2)	2 838	2 260
Money market transactions via counterparty entities (Note 17.3)	-	-
Customer deposits (Note 17.3)	263 045	289 573
Subordinated liabilities (Note 17.4)	61	-
Other Marketable debt securities (Note 17.4)	1 191	55
Reclassification of hedge accounting costs (note 11)	(97 631)	(106 027)
Costs allocated to established pension funds (Note 18)	636	1 796
Other interests	14 973	16 715
	185 113	**204 372**

A breakdown of the amounts recorded under "Interest expenses" in the Group's consolidated income statements for fiscal years 2019 and 2018, classified according to the financial instrument portfolio that gave rise to them is shown below:

		€ ´000
	2019	**2018**
Financial liabilities carried at amortized cost	267 135	291 888
Reclassification of hedge accounting cost	(97 631)	(106 027)
Other	15 609	18 511
	185 113	**204 372**

34. Dividend income

The breakdown of the balance under this heading in the consolidated income statements for years 2019 and 2018, by portfolios and by type of financial instruments, is as follows:

	€ ´000	
	2019	2018
Equity instruments classified as:		
Financial assets held for trading	-	368
Financial assets designated at fair value through other comprehensive income	27758	22 143
	27758	**22 511**
Equity instruments with attributes of:		
Shares	27 758	22 511
Interests in Collective Investment Institutions	-	-
	27 758	**22 511**

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 2019 and 2018 is as follows:

	€ ´000	
	2019	2018
Autopista del Sol Concesionaria Española, S.A.	2 801	1 567
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.	28 453	16 192
Hidralia, Gestión Integral de Aguas de Andalucía, S.A.	2 569	2 883
Deoleo, S.A.	-	(1 055)
Sociedad Municipal de Aparcamientos y Servicios, S.A.	944	1 079
Ingeniería e Integración Avanzadas, S.A. (Engineering)	480	452
Autopista del Guadalmedina, Concesionaria Española, S.A.	(323)	(1 978)
Ahorro Andaluz, S.A.	45	3 015
Gestión e Investigación de Activos, S.A.	(12)	2 967
Caja España Vida, Compañía de Seguros y Reaseguros	-	10 090
Madrigal Participaciones, S.A.	809	12
Ingeniería de Suelos y Explotación de Recursos, S.A.	3 278	2 814
Propco Malagueta, S.L.	758	534
Proyecto Lima, S.L.	196	769
Santa Justa Residencial, S.L.	3 148	(59)
Espacio Medina, S.L.	(2 429)	(440)
Other companies	(278)	(1 636)
	40 439	**37 206**

36. Fee income

The following are the fees accruing for the years 2019 and 2018 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
	2019	**2018**
Interest income		
Arrangement fees	26 534	27 135
	26 534	**27 135**
Fee and commission income		
Contingent risk fees	8 990	7 188
Contingent commitment fees	2 295	2 466
Collections and payment fees	140 944	126 059
Securities services fees	42 222	45 049
Exchange services fees	350	351
Non-banking financial products marketing fees	54 049	54 061
Other	5 067	5 064
	253 917	**240 238**
Other operating income		
Direct costs compensation fees (Note 39)	3 097	3 298
	3 097	**3 298**

37. Fee Expenses

The following are the fee expenses accruing for fiscal years 2019 and 2018 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
	2019	**2018**
Interest expense		
Intermediaries' fees	1 015	907
Other fees	348	469
	1 363	**1 376**
Fee and commission expense		
Lending and borrowing transactions	1 934	1 024
Fees paid to other institutions and correspondents	12 125	11 608
Security trading fees	2 655	2 801
Other fees	6 413	6 000
	23 127	**21 433**

38. Trading income or loss

A breakdown of the balance under these headings in the Group's consolidated income statements for the years 2019 and 2018, classified according to the financial instrument portfolio that gave rise to them is shown below:

		€ ´000
	2019	**2018**
Net gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	95 592	144 727
Financial assets carried at amortized cost	69 764	(48)
Financial assets designated at fair value through other comprehensive income	25 828	144 775
Net gains or losses from financial assets and liabilities held for trading	2 498	513
Reclassification of financial assets designated at fair value through other comprehensive income	-	-
Reclassification of financial assets at amortised cost	-	-
Other gains or losses	2 498	513
Net gains or losses from non-trading financial assets mandatorily designated at fair value through profit and loss	3 962	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	3 962	(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	(1 755)	-
	100 297	**142 532**

In fiscal years 2019 and 2018, 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 2019 and 2018 is as follows:

		€ ´000
	2019	**2018**
Income from investment property (Note 13.2)	17 261	17 086
Direct costs compensation fees (Note 36)	3 097	3 298
Income from non-financial services	9 149	11 718
Income from companies with real estate operations	64 239	43 653
Other items	30 869	25 371
	124 615	**101 126**

In the years 2019 and 2018, 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 2019 and 2018 is as follows:

		€ ´000
	2019	**2018**
Operating expenses of real estate investments (Note 13.2)	3 599	3 371
Contributions to the National Deposit Guarantee Fund (Note 1.10)	41 388	46 878
Contributions to the Single Resolution Fund (Note 1.11)	7 444	12 828
DTA monetisation levy (*Prestación patrimonial*)	15 390	15 800
Expenses from companies with real estate operations	13 247	20 608
Other items	33398	43 984
	114 466	**143 469**

"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 2019 and 2018 the DTA monetisation levy paid by the Group amounted to EUR 15,390 thousand and EUR 15,800 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 2019 and 2018 is as follows:

		€ ´000
	2019	**2018**
Income from insurance or reinsurance contracts	**66 984**	**57 545**
Insurance and reinsurance premiums received	35 004	34 314
Reinsurance income	1	1
Financial income	31 979	23 230
Expenses from insurance or reinsurance contracts	**(46 817)**	**(37 708)**
Benefits paid	(68 203)	(73 505)
Net provisions to technical reserves	21 939	36 266
Insurance and reinsurance premiums paid	(553)	(469)
	20 167	**19 837**

41. Administrative expenses

41.1 Staff expenses

The breakdown of “Staff expenses” in the consolidated income statements for the years 2019 and 2018 is as follows:

	€ ´000	
	2019	**2018**
Wages and salaries	278 464	289 241
Social security	82 565	79 389
Appropriations to defined benefit pension plans	109	160
Appropriations to defined contribution pension plans	15 169	10 464
Compensations	122	815
Training expenses	984	1 161
Other staff expenses	11 337	9 564
	388 750	**390 794**

The average number of Group employees by professional categories at 31st December 2019 and 2018 is as follows:

	Average number of persons			
	2019		2018	
	Men	**Women**	**Men**	**Women**
Group 1	**3 149**	**3 018**	**3 283**	**3 073**
Level I	23	4	26	3
Level II	43	6	49	6
Level III	214	64	215	61
Level IV	444	164	454	163
Level V	1 008	565	1 013	553
Level VI	161	118	202	131
Level VII	453	523	439	500
Level VIII	385	686	393	652
Level IX	89	220	86	210
Level X	143	331	130	284
Level XI	163	298	246	463
Level XII	19	33	14	24
Level XIII	4	5	16	22
Level XIV	-	1	-	1
Group 2	**22**	**5**	**27**	**7**
Level I	1	-	1	-
Level II	20	5	22	7
Level III	1	-	3	-
Level IV	-	-	1	-
Level V	-	-	-	-
Cleaning staff	**-**	**6**	**-**	**6**
Total Parent company	**3 171**	**3 029**	**3 310**	**3 086**
Other Group companies	**265**	**254**	**267**	**257**
Unicaja Banco group	**3 436**	**3 283**	**3 577**	**3 343**

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 2019 and 2018 is presented below:

		€ ´000
	2019	**2018**
Provisions - Pensions funds and related obligations	**266412**	**273 538**
Pensions and related post-employment defined benefits	62 715	146 468
Other long-term benefits	203 697	127 070
Insurance contracts linked to pensions	**32 734**	**118 615**
Post-employment benefits	32 734	118 615

The movement in the provisions set aside by the Group for the years ending 31st December 2019 and 2018 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 2019 and 2018, the Unifondo Pensiones V, Fondo de Pensiones position account amounted to EUR 330,741 thousand and EUR 281,333 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. (EspañaDuero), and, according to the labour agreement in place, the Group must complete employee Social Security contributions, and other rightholders, in the case of retirement, death of a spouse, permanent 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 2019 to the external pension fund amount to EUR 15,169 thousand (EUR 10,464 in 2018). 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 2019 and 2018, the fair value of the assets held to cover post-employment remuneration break down as follows:

			€ ´000
	2019	**2018 (*)**	**2018**
Type of assets held to cover commitments			
Plan assets hedged through an insurance policy	176 354	181 562	94 846
Insurance policies underwritten by the Plan linked to defined benefits commitments	32 734	31 899	118 615
External defined contribution pension plan	383 295	379 310	379 310
	592 383	**592 771**	**592 771**

(*) The balance at 31st December 2018 has been adjusted because of the change in criteria in the 2019 financial period to the treatment of Unicaja's Plan 1 assets; they are now treated within the scope of the Plan (EUR 86,176 thousand).

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 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 2019 and 2018 amounted to EUR 15,169 thousand and EUR 10,464 thousand, respectively (Note 41.1).

41.1.1.3 Information on defined benefit-post employment commitments

The total amount of actuarial profits and losses recorded in the 2019 consolidated statement of recognised income and expense that will not be reclassified to results amounts to EUR 3,379 thousand in pre-tax loss (EUR 2,088 thousand profit in 2018), which represents an after-tax loss of EUR 2,431 thousand (EUR 1,462 thousand net gain in 2018).

The reconciliation between the opening and closing balances of the current value of Group's fixed benefit obligation for 2019 and 2018 is presented below:

€ ´000

Year 2019	**Plan 1 Unicaja**	**Plan 2 Unicaja**	**Plan 1 España Duero**	**Plan 2 España Duero**	**Total**
Present value of obligations at 1 January 2019	**85 469**	**32 143**	**6 432**	**82 500**	**206 544**
(i) Cost of services in current fiscal year	65	-	-	-	65
(ii) Interest costs	1 121	464	76	915	2 576
(iii) Contributions made by participants	-	-	-	-	-
(iv) Actuarial gain or loss	6 175	2 720	422	4 888	14 205
iv.1. From changes in demographic assumptions	(89)	(96)	433	288	536
iv.2. From changes in financial assumptions	6 264	2816	(11)	4 600	13 669
iv.3. Experience adjustments	-	-	-	-	-
(v) Changes in the exchange rate	-	-	-	-	-
(vi) Benefits paid	(6 182)	(1 407)	(526)	(5 844)	(13 959)
(vii) Past service cost	-	-	-	-	-
(viii) Business combinations	-	-	(259)	259	-
(ix) Reductions	(795)	-	-	-	(795)
(x) Plan settlement	-	-	-	-	-
Present value of obligations at 31 December 2019	**85 853**	**33 920**	**6 145**	**82 718**	**208 636**

€ ´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**

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 2019 and 2018 is presented below:

€ ´000

Year 2019	**Plan 1 Unicaja**	**Plan 2 Unicaja**	**Plan 1 España Duero**	**Plan 2 España Duero**	**Total**
Fair value of assets at 1 January 2019	**87 386**	**25 834**	**6 298**	**62 059**	**181 577**
(i) Cost of services in current fiscal year (contributions)	-	-	-	-	-
(ii) Interest costs (expected return on assets)	1 074	370	273	646	2 363
(iii) Contributions made by participants	146	99	-	178	423
(iv) Actuarial gain or loss	5 152	2 323	375	4 003	11 853
iv.1. From changes in demographic assumptions	(304)	(116)	87	295	(38)
iv.2. From changes in financial assumptions	5 456	2 439	288	3 708	11 891
iv.3. Experience adjustments	-	-	-	-	-
(v) Changes in the exchange rate	-	-	-	-	-
(vi) Benefits paid	(6 182)	(1 407)	(525)	(4 298)	(12 412)
(vii) Past service cost	-	-	-	-	-
(viii) Business combinations	-	-	-	-	-
(ix) Reductions	(892)	-	-	-	(892)
(x) Plan settlement	-	-	-	-	-
Fair value of assets at 31 December 2019	**86 684**	**27 219**	**6 421**	**62 588**	**182 912**

€ ´000

Year 2018	**Plan 1 Unicaja**	**Plan 2 Unicaja**	**Plan 1 España Duero**	**Plan 2 España Duero**	**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**

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 2019 and 2018 is presented below:

Year 2019	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 España Duero	Plan 2 España Duero	€ ´000 Total
Present value of obligations at 31 December 2019	**85 854**	**33 919**	**6 145**	**82 717**	**208 635**
(i) Cost of services not recorded in the balance sheet	-	-	-	-	-
(ii) Any amount not recognised as an asset	-	-	-	4 049	4 049
(iii) Fair value of reimbursement right recognised as an asset	72	-	136	-	208
(iv) Other amounts recognised in the balance sheet	-	(33 919)	-	(28 796)	(62 715)
Fair value of assets at 31 December 2019	**85 926**	**-**	**6 281**	**57 970**	**150 177**

Year 2018	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 España Duero	Plan 2 España Duero	€ ´000 Total
Present value of obligations at 31 December 2018	**85 469**	**32 143**	**6 432**	**82 500**	**206 544**
(i) Cost of services 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**

The details of the total spending recognised in net equity in 2019 and 2018, 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 costs	Interest expenses
c) Expected return on assets	Interest income
d) Cost of past service recognised in the year	Provisions/reversal

Year 2019	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 España Duero	Plan 2 España Duero	€ ´000 Total
a) Cost of services in current fiscal year	65	-	-	-	65
b) Interest costs	44	464	3	371	882
c) Expected return on assets	(7)	(370)	(200)	(60)	(637)
d) Gains and losses recognised in the year	1 024	396	(47)	2 006	3 379
d) Cost of past service recognised in the year	97	-	-	-	97

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 costs	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	-	-	-	-	-

The main actuarial assumptions used by Unicaja Banco at 31 December 2019 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 2nd December 2019, for investment grade corporate bonds in the Euro Zone
    - The duration for each commitment ranges between 18.41 and 9.07 for obligations and 13.33 and 2.35 for assets.
    - The rates applied for each commitment range between 0.69% and 0.5529% for obligations and 0.6439% and 0.03% 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 1.334%.
    - 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 2nd December 2019, for investment grade corporate bonds in the Euro Zone
  - The duration for each commitment ranges between 15.78 and 9.42 for both obligations and assets.
  - The rates applied for each commitment range between 0.6753% and 0.5626% 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 (pension liabilities), the applicable rate is 1.4740%.
  - For the assets used to cover the obligations insured in the policy of the early retirement group (risk provisions) involving cash flow matching, the applicable rate is 1.5055%.
  - 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 2nd December 2019, 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, 0.3951% and 5.92 years, respectively.
    - For beneficiary benefits covered by the plan and insured in policy RV81 12000017, 0.67% and 15.76 years, respectively.
    - For participant benefits, 0.6514% and 14.01 years respectively for obligations, and -0.0888% and 0.56 years respectively for assets.
- Salary growth rate: 0%
- Social Security pension growth rate: 0%
- Contribution base growth rate: 0%
- Pension revaluation rate: ranges between 1.5% and 2.5%
- Expected yield of plan assets:
  - For plan assets and liabilities 6.83%
  - For insured liabilities within the plan 1.51%
  - For plan participant: 0.11%
  - For plan surplus policy 0.11%

- Estimated retirement age: 65
- Rotation: No

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 2nd December 2019, for investment grade corporate bonds in the Euro Zone
  - The interest rates and duration for each commitment are:
    - For benefits from assets that are not part of Caja Duero's Pension Plan scheme, the rates applied are 0.6843% for obligations and 0.0639% for assets, together with a duration of 17.43 years for the obligations and 2.07 years for the assets.
    - For the benefits of the liabilities policy 02/02, 0.4395% and 6.69 years, respectively.
    - For the benefits of the liabilities policy 144001, 0.4593% and 6.60 years, respectively.
    - Internal fund 0.5425% and a financial duration of 9.53 years.
- Salary growth rate: 0%
- Social Security pension growth rate: 0%
- Contribution base growth rate: 0%
- Pension revaluation rate: 2.5% and between 0% and 2.5% for the Internal Fund
- 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: 1.1417%
- 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 2nd December 2019, for investment grade corporate bonds in the Euro Zone
  - The interest rates and duration for each commitment are:
    - Benefits of beneficiaries' policy 8.118: 0.5802% (financial duration of 10.11 years).
    - Benefits of beneficiaries' policy PCP-1.001: 0.5133% (financial duration of 8.03 years).
- Salary growth rate: 0%
- Pension revaluation rate: 2.5%
- 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 2019 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**
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
2019					
Experience adjustments	-	-	-	-	-
Value at 31 December 2019	85 854	33 919	6 145	82 717	208 635

	€ ´000				
	Fair value of assets				
	Plan 1 Unicaja	**Plan 2 Unicaja**	**Plan 1 España Duero**	**Plan 2 España Duero**	**Total**
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
2019					
Experience adjustments	-	-	-	-	-
Value at 31 December 2019	86 684	27219	6 421	62 558	182 882

The sensitivity of the present value of the obligations to changes in interest rates and salary growth at 31st December 2019 and 2018 is as follows:

Fiscal year 2019 - Unicaja Banco Groups	Percentage change Increase	Decrease
Sensitivity of the present value of obligations to a 0.5% change in wages	0.06%	(0.06%)
Sensitivity of the present value of obligations to a 50 bps change in interest rates	(4.62%)	5.02%

Fiscal year 2019 - EspañaDuero Groups	Percentage change Increase	Decrease
Sensitivity of the present value of obligations to a 0.5% change in wages	0.06%	(0.06%)
Sensitivity of the present value of obligations to a 50 bps change in interest rates	(4.62%)	5.02%

Fiscal year 2018 - Unicaja Banco Groups	Percentage change 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%

Fiscal year 2018 - EspañaDuero Groups	Percentage change 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%

Based on the mortality tables used, remaining life expectancy for a person retiring at the close of 2019 is 27.03 and 22.54years, respectively for women and men (26.91 years and 22.42 years respectively at the close of 2018). Life expectancy from retirement for a person retiring 20 years after the close of 2019 is 28.12 and 24.84 years, respectively for women and men (29.03 and 24.73 years respectively at the close of 2018).

The main categories of assets of the plans funded externally as a total percentage of the plan's assets are shown below:

				€ ´000
	2019	%	2018	%
Equity instruments	19 053	8.51%	19 824	9.97%
Debt securities	96 230	43.00%	100 211	50.41%
Mutual funds	90 525	40.45%	80 900	40.70%
Financial derivatives	266	0.12%	(14 710)	(7,40%)
Other assets	17 733	7.92%	12 557	6.32%
	223 807	**100.00%**	**198 782**	**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:

	2019	2018
		€ ´000
Equity instruments	-	-
Debt instruments	-	-
Deposits and current accounts	15 016	2 759
	15 016	**2 759**

The estimated benefit payments for post-employment commitments for the next ten years is as follows:

Unicaja Banco	**2020**	**2021**	**2022**	**2023**	**2024**	**€ ´000 2025-2029**
Post-employment benefits	7 300	7 217	7 123	6 954	6 763	31 012
Other long-term benefits	31 967	35 756	39 539	32 832	33219	26 810
Total benefits	**39 267**	**42 973**	**46 662**	**39 786**	**39 982**	**57 822**

EspañaDuero	**2020**	**2021**	**2022**	**2023**	**2024**	**€ ´000 2025-2029**
Post-employment benefits	6 206	6 065	5 899	5 717	5 522	24 080
Other long-term benefits	3 881	2 556	1 468	603	44	-
Total benefits	**10 087**	**8 621**	**7 367**	**6 320**	**5 566**	**24 080**

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 the provisions setup for the purpose. 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 3,044 thousand, in 2019 (EUR 3,294 thousand in 2018). 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 2019 and 2018 amount to EUR 5,507 thousand and EUR 5,079 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 2 December 2019 curve, of investment grade Euro zone corporate bonds.
- Commitments last anywhere between 2.90 to 8.77 years.
- The interest rate applied to each commitment ranges anywhere between 0.0258% to 0.5475%.
- 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 2 December 2019 curve, of investment grade Euro zone corporate bonds.
- Commitments last anywhere between 0.47 to 1.20 years.
- The interest rate applied to each commitment ranges anywhere between -0.0730% to -0.089%.
- 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 2019 and 2018 is as follows:

		€ ´000
	2019	**2018**
Properties & buildings	29 545	28 532
Rents (Note 13.4)	488	10 236
IT	38 921	47 348
Communications	14 434	14 498
Advertising	12 693	14 636
Legal fees	782	1 437
Technical reports	12 525	12 355
Security services	8 485	8 508
Insurance premiums	1 267	1 216
Public administrations	2 449	3 324
Entertainment expenses	6 060	5 122
Association membership dues	7 086	6 505
Outsourced services	2 836	3 661
Taxes	28 752	28 748
Other items	8 872	5 175
	175 195	**191 301**

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 1,345 thousand in 2019 (EUR 1,333 thousand in 2018). In 2019 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 1,526 thousand (EUR 1,533 thousand in 2018), and other services amounting to EUR 30 thousand (EUR 302 thousand in 2018).

42. Impairment or reversal of investments in joint ventures or associates and of non-financial assets

The composition of these headings in the consolidated income statements for the years 2019 and 2018 is as follows:

		€ ´000
	2019	**2018**
Impairment or reversal in the value of joint ventures or associates (Note 12)	**-**	**-**
Impairment or reversal in the value of non-financial assets	**(19 177)**	**4 332**
Goodwill (Notes 4 & 14)	(7 411)	(7 807)
Other assets	(11 766)	12 139
	(19 177)	**4 332**

The breakdown per items of the consolidated balance sheet under "Impairment or reversal in the value of non-financial assets" for the 2019 and 2018 is as follows:

		€ ´000
	2019	**2018**
Impairment losses on tangible fixed assets	1 698	145
Impairment losses on real estate investments	(1 617)	15583
Impairment losses on inventory	(13 045)	27577
Impairment losses on other assets	1 198	-
	(11 766)	**12 139**

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 of non-financial assets and stakes

The breakdown of the balance under this heading in the consolidated income statements for the years 2019 and 2018 is as follows:

				€ ´000
		2019		2018
	Gain	Loss	Gain	Loss
Sale of tangible asset	23 902	(1 396)	7 697	(105)
Sale of equity stakes	138 838	-	-	-
Other items	61	(4)	498	(695)
	162 801	**(1 400)**	**8 195**	**(800)**

The gains from the sale of stakes are largely from share disposals in the following companies: Autopista del Guadalmedina, Concesionaria Española, S.A., Alestis Aerospace, S.L. and Autopista del Sol, Concesionaria Española, S.A. (Note 12.2)

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 2019 and 2018 is as follows:

				€ ´000
		2019		2018
	Gain	Loss	Gain	Loss
Sale of non-current assets	12 785	(4 152)	26 513	(22 084)
Provisions to value corrections for non-current assets for sale (Note 16)	-	(9 224)	-	(6 245)
	12 785	**(13 376)**	**26 513**	**(28 329)**

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 2019 and 2018, and in the consolidated income statements for the periods ending on those dates, arising from transactions with related parties:

					€ ´000
					2019
Income, expenses and other transactions	**Significant shareholder**	**Directors and senior management**	**People, companies or group entities**	**Other Related parties**	**Total**
Financial expense	-	(13)	(308)	(32)	(353)
Management or collaboration contracts	-	-	(5 385)	-	(5 385)
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	**-**	**(13)**	**(5 693)**	**(32)**	**(5 738)**
Financial income	-	6	3 165	293	3 464
Management or collaboration contracts	408	-	1	-	409
R&D transfers and licensing agreements	-	-	-	-	-
Dividends received	-	-	-	-	-
Leases	-	-	-	-	-
Provision of services	-	-	-	-	-
Sale of assets (completed or work in progress)	-	-	-	-	-
Profit on assets' disposal	-	-	138 838	-	138 838
Other income	-	-	-	-	-
Total revenues	**408**	**6**	**142 004**	**293**	**142 711**
Purchase of tangible, intangible or other assets	-	-	-	-	-
Financing agreements: loans and capital contributions (lender)	175	1 590	127 188	23 802	152 755
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)	46 770	7 930	243 432	30 576	328 708
Financial lease contracts (lessee)	-	-	-	-	-
Repayment or cancellation of credits and lease contracts (lessee)	-	-	-	-	-
Guarantees and collaterals given	-	176	71 879	21 300	93 355
Guarantees and collaterals received	-	-	-	-	-
Commitments	-	-	-	-	-
Commitments/guarantees cancelled	-	-	-	-	-
Dividends and other distributed income	30 357	-	-	-	30 357
Other operations	-	-	-	-	-
Total other transactions	**77 302**	**9 696**	**442 499**	**75 678**	**605 175**

					€ ´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	-	-	-	-	-
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**

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) and so, as of 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 2019 and 2018, the detail of the nominal value of the mortgage loans and credits backing the issuance of MBS and mortgage bonds, together with lending or borrowing using mortgage participations or mortgage transfer certificates, is as follows:

		€ ´000
	2019	**2018**
Transferred loans held in assets	**-**	**-**
Mortgage participations	-	-
Mortgage transfer certificates	-	-
Mortgages held as collateral for financing received	**-**	**-**
Loans securing MBS & mortgage bonds issues	**19 256 391**	**20 513 172**
Non-eligible loans	3 276 442	3 818 451
Compliant with eligibility criteria except for limits established under article 5.1 of Royal Decree 716/2009	1 296 358	1 368 743
Other	1 980 084	2 449 708
Eligible loans	15 979 949	16 694 721
Non-eligible amount	63 111	51 148
Eligible amount	15 916 838	16 643 573
Loans securing mortgage bond issues	-	-
Loans eligible for securing mortgage covered bonds	*15 916 838*	*16 643 573*
	19 256 391	**20 513 172**

At 31st December 2019 and 2018, the outstanding face value of the mortgage loans and credits backing the issuance of mortgage covered bonds amounts to EUR 19,256,391 thousand and EUR 20,513,172 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 15,979,949 thousand and EUR 16,694,721 thousand, respectively. During fiscal years 2019 and 2018, the Group had not made any mortgage bond issues.

At 31st December 2019 and 2018, 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 1,296,358 thousand and EUR 1,368,743 thousand at 31st December 2019 and 2018, respectively.

The detail of the loans backing the issuance of MBS and mortgage bonds, classified by different criteria, at 31st December 2019 and 2018, is as follows:

	Loans securing MBS & mortgage bonds issues	Of which: Eligible loans
	€ ´000	
	2019	
Nominal value of outstanding loans and mortgages	**19 256 391**	**15 979 949**
By source of operation:	19 256 391	15 979 949
- Originated by the bank	19 103 031	15 849 910
- Subrogated by other institutions	153 360	130 039
- Others	-	-
By currency:	19 256 391	15 979 949
- In euros	19 255 067	15 979 150
- Other currencies	1 324	799
By payment status:	19 256 391	15 979 949
- Performing	18 997 576	15 979 949
- Other	258 815	-
By average residual maturity:	19 256 391	15 979 949
- Up to 10 years	8 789 824	6 843 061
- 10 to 20 years	6 742 093	5 941 111
- 20 to 30 years	3 701 953	3 190 471
- More than 30 years	22 664	5 306
By type of interest rate:	19 256 391	15 979 949
- Fixed rate	509 009	371 631
- Floating rate	18 747 382	15 608 318
- Mixed rate	-	-
By loan holder:	19 256 391	15 979 949
- Legal person and entrepreneurs	2 707 915	1 445 385
Of which: real estate development	*350 928*	*139 114*
- Households	16 548 476	14 534 564
By type of guarantee:	19 256 391	15 979 949
- Completed assets/buildings and other structures	17 342 896	15 322 892
- Residential use	16 760 295	14 542 622
Of which: social housing	*725 221*	*691 100*
- Business premises	482 504	310 910
- Other	100 097	64 592
- Assets/buildings and other structures under construction	440 415	280 643
- Residential use	420 722	264532
Of which: social housing	*4 158*	*4 157*
- Business premises	19 123	15 598
- Other	570	513
- Land	1 473 080	781 181
- Permitted and ready for development	516 998	174 512
- Other	956 082	606 669

	Loans securing MBS & mortgage bonds issues	Of which: Eligible loans
	€ ´000	
	2018	
Nominal value of outstanding loans and mortgages	**20 513 172**	**16 694 721**
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

At 31st December 2019 and 2018, 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					
	2019					
	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	4 574 458	5 770 523	4 462 173	-	-	14 807 154
- On rest of assets	662 352	485 443	25 000	-	-	1 172 795
	5 236 810	**6 255 966**	**4 487 173**	**-**	**-**	**15 979 949**

	€ ´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**

Information on the nominal value of the mortgage loans and credits flows for fiscal years 2019 and 2018 is as follows:

	€ ´000			
	2019		2018	
	Eligible loans	Non-eligible loans	Eligible loans	Non-eligible loans
Balance at beginning of fiscal year	**16 694 721**	**3 818 451**	**17 195 333**	**4 673 634**
Derecognitions for the period	**(1 834 813)**	**(865 047)**	**(1 583 220)**	**(1 133 579)**
Cancellations at maturity	(41 595)	(3038)	(37 447)	(25 788)
Early repayments	(410 175)	(344 514)	(390 125)	(290 430)
Subrogated by other institutions	(3 426)	(471)	(2 731)	(399)
Other	(1 379 617)	(517 024)	(1 152 917)	(816 962)
New mortgages	**1 120 041**	**323 038**	**1 082 608**	**278 396**
Originated by the Bank	57 604	9 837	38 673	7 668
Subrogated by other institutions	-	712	50	323
Other	1 062 437	312 489	1 043 885	270 405
Balance end of period	**15 979 949**	**3 276 442**	**16 694 721**	**3 818 451**

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 2019 and 2018:

- 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 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 2019 and 2018:

- 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 2019 and 2018 is as follows:

		€ ´000
	2019	**2018**
Potentially eligible	174 834	174 045
Non-eligible	306 126	204 793
	480 960	**378 838**

The nominal value of the sums available (committed amounts not drawn upon) of all the possibly eligible loans and mortgages at 31st December 2019 and 2018 is EUR 174,834 thousand and EUR 174,045 thousand, respectively. The potentially non-eligible loans amount to EUR 306,126 thousand and EUR 204,793 thousand, respectively.

At 31st December 2019 and 2018, the Group did not have replacement assets earmarked for mortgage bonds and MBS issues.

B) Liability transactions

The breakdown at 31st December 2019 2018 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
	2019	**2018**
Outstanding mortgage bonds	**-**	**-**
Issued mortgage covered bonds	**3 818 903**	**4 486 927**
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	60 000
- 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	30 000	30 000
- Residual maturity of more than 3 years but less than 5 years	30 000	30 000
- Residual maturity of more than 5 years but less than 10 years	-	-
- Residual maturity of more than 10 years		
Deposits	3 758 903	4 426 927
- Residual maturity up to 1 year	325 000	668 024
- Residual maturity of more than 1 year but less than 2 years	660 000	325 000
- Residual maturity of more than 2 years but less than 3 years	151 852	660 000
- Residual maturity of more than 3 years but less than 5 years	300 000	451 852
- Residual maturity of more than 5 years but less than 10 years	1 242 051	1 242 051
- Residual maturity of more than 10 years	1 080 000	1 080 000
Mortgage participations issued	-	-
Issued through public offering	-	-
Other issues	-	-
Mortgage transfer certificates issued	-	-
Issued through public offering	-	-
Other issues		
	3 818 903	**4 486 927**

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 payment capacity 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 of on-going developments and the marketing of 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 2019 and 2018, the breakdown of the financing for construction and real estate development and their hedges (1) was as follows:

	€ ´000			
	2019			
	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)	**856 050**	**183 992**	**(100 272)**	**755 778**
Of which: NPLs/(Stage 3)	107 097	42 912	(87 603)	19 494
Memorandum item:				
Write-offs (5)	261808			

	€ ´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			

Memorandum item: Consolidated Group information (5)	Book Value	
	2019	**2018**
Loans to customers, excluding Public administrations (business in Spain) (book value) (6)	24 756 341	25 166 469
Total consolidated assets (total business) (book value) (7)	56 707 615	57 504 179
Impairment and provisions of performing exposure (total business) (8)	143 394	156 209

(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 2019 and 2018, is as follows:

	€ ´000	
	Gross book value (6)	
	2019	2018
Without real estate collateral (*)	269735	282 052
With mortgage		
(classified by type of pledged collateral) (1)	586 315	547 335
Buildings and other completed structures (2)	244 839	290 682
Residential	202 764	237 133
Other	42 075	53 549
Buildings and other structures under construction (3)	158 033	78 760
Residential	156 281	75 195
Other	1 752	3 565
Land	183 443	177 893
Permitted and ready for development	137 286	129 447
Other land	46 157	48 446
Total (4)	**856 050**	**829 387**

(*) At 31st December 2019, the book value of “With no mortgage" financing included EUR 74,955 thousand for transactions with real estate collateral whose exposure was not fully hedged (78,853 thousand at 31st December 2018). Additionally, it included secured transactions with Government agencies for EUR 194,680 thousand (EUR 168,387 thousand at 31st December 2018).

(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 2019 and 2018:

	€ ´000	
Guarantees received	**2019**	**2018**
Value of collateral	718 647	704 041
Of which: Defaulted/NPLs	*71 851*	*107 289*
Value of other guarantees	-	-
Of which: Defaulted/NPLs	-	-
Total value of guarantees received	**718 647**	**704 041**

Financial guarantees given	2019	2018
		€ ´000
Financial guarantees given vis-à-vis construction and real estate development	501 831	364 530
Amount recorded in liabilities of the balance sheet	*6 828*	*8 237*

At 31st December 2019 and 2018, the breakdown of loans to households for house purchase in transactions recorded by credit institutions (business in Spain) is as follows:

	2019		2018	€ ´000
	Gross amount (2)	**Of which: Defaulted/NPLs**	**Gross amount (2)**	**Of which: Defaulted/NPLs**
Lending for house purchase (1)	15 379 537	622 987	16 068 933	900 997
Without mortgage	184 753	1 974	204 333	2 050
With mortgage (3)	15 194 784	621 013	15 864 600	898 947

(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, in transactions recorded by credit institutions (businesses in Spain) at 31st December 2019 and 2018 is as follows:

						31st December 2019 (1)
	LTV≤40%	**40%<LTV≤60%**	**60%<LTV≤80%**	**80%<LTV≤100%**	**LTV>100%**	**Total**
Gross book value (2)	4 004 999	5 534 501	4 677 281	451 690	526 313	15 194 784
Of which: In default/ Non-performing (2)	49 669	92 781	147 329	91 143	240 091	621 013

						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

(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 2019 and 2018, is as follows:

						€ ´000
			2019			**2018**
	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	**1 119 733**	**(701 729)**	**418 004**	**1 661 437**	**(1 034 078)**	**627 359**
Real estate assets from loans to construction and real estate development companies (3)	581 232	(399 232)	182 000	911 218	(634 276)	276 942
Buildings and other completed structures	72 241	(38 651)	33 590	138 492	(75 704)	62 788
Residential	56 133	(28 939)	27 194	93 799	(48 081)	45 718
Other	16 108	(9 712)	6 396	44 693	(27 623)	17 070
Buildings and other structures under construction	53 524	(31 140)	22 384	128 756	(74 805)	53 951
Residential	52 176	(30 342)	21 384	127 012	(73 832)	53 180
Other	1 348	(798)	550	1 744	(973)	771
Land	455 467	(329 441)	126 026	643 970	(483 767)	160 203
Permitted and ready for development	341 180	(239 703)	101 477	402 301	(287 473)	114 828
Other land	114 287	(89 738)	24 459	241 669	(196 294)	45 375
Real estate assets from retail mortgages	347 077	(170 269)	176 808	493 786	(240 167)	253 619
Rest of foreclosed real estate assets or received in lieu of payment (4)	191 424	(132 228)	59 196	256 433	(159 635)	96 798
Foreclosed equity instruments or received in lieu of payment	-	-	-	-	-	-
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)	-	-	-	-	-	-
						-
	1 119 733	**(701 729)**	**418 004**	**1 661 437**	**(1 034 078)**	**627 359**

(1) Foreclosed assets or those received in lieu of debt from financing granted in the course of doing business in Spain, as well as equity investments and financing to entities holding these assets, are included, independently of how the title was acquired, and of the balance sheet item under which they are booked, except those classified as fixed tangible assets for own use.

(2) Amount for which the assets were booked on the consolidated balance sheet, as stipulated in point 164, appendix 9 of Circular 4/2017, dated 27th November, before deductions for accumulated value 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 2019, the gross acquisition price of foreclosed assets amounted to EUR 1,119,733 thousand, with a total provisions coverage of EUR 701,729 thousand, giving a coverage of the gross acquisition cost of 63%.

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 Accounts 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 2019 amounted to EUR 425,573 thousand (EUR 257,309 thousand in 2018). All such payments were made within the legal and contractual deadlines. The balance due to suppliers at 31st December 2019 and 2018 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 2019 and 2018 was 16.53 and 18.99 days respectively. The ratio of transactions paid for these years was 16.14 and 14.77 days respectively, and the ratio of transactions with payments due at 17.03 and 61.82 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 88.14 percent of the complaints and claims received in 2019 were resolved during that same period (85.93 percent in 2018). The remaining cases, pending at the end of 2019, are scheduled to be resolved within the deadline established by type of case in accordance with the aforementioned Order and the Regulations for the Protection of the Bank's Customers.

APPENDIX I
GROUP INSTITUTIONS AT 31 DECEMBER 2019

Company name	Registered domicile	Activity	% Share owned by Group		
			% Share Direct	% Share Indirect	Total Share
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, planta 5ª, Málaga	Investment in assets, transferable securities and financial companies	100.00%	0.00%	100.00%
Analistas Económicos de Andalucía, S.L. (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. (Single-member company)	C/ Angosta del Carmen 2 Entreplanta, Málaga	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%
Desarrollo 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%
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 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%	89.77%	89.77%
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 2019

Company name	Registered domicile	Activity	% Share 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 Gestión de Activos, S.L. (Single-member company)	C/ Bolsa nº 4, planta 5ª, Málaga	Debt collection and litigation manager	0.00%	100.00%	100.00%
Unicorp Patrimonio, Sociedad de Valores, (Single-member company)	C/ Bolsa, Nº 4, 1ª planta, Málaga	Wealth management	0.00%	100.00%	100.00%
Unigest, S.G.I.I.C., S.A. (Single-member company)	C/ Bolsa, Nº 4, 5ª planta, Málaga	Collective investment institutions management company	0.00%	100.00%	100.00%
Unimediación, S.L. (Single-member company)	C/ Bolsa nº 4, planta 2, Málaga	Insurance broking	0.00%	100.00%	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. (Single-member company)	C/ Bolsa, Nº 4, 5ª planta, Málaga	Renewable energies	0.00%	100.00%	100.00%
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 2019

€ ´000

Company name	Registered domicile	Activity	% Share 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. (3)	Paseo de Recoletos, 29, Madrid	Investment in assets, transferable securities and financial companies	45.27%	0.00%	45.27%	(36)	-	175	-	7	-	(36)
Dolun Viviendas Sociales, S.L. (7)	C/ Muñoz Olivé 1, portal 1-1-C, Sevilla	Property development	0.00%	40.00%	40.00%	-	-	-	-	-	-	
Espacio Medina, S.L. (1)	Pº de la Castellana (Torre Espacio) 259, Madrid	Property development	0.00%	30.00%	30.00%	(8 098)	3 116	106 138	-	81 253	48 970	(57 068)
Muelle Uno-Puerto Málaga, S.A. (1)	Avda. de Andalucía 21- Entreplanta, Málaga	Property development	0.00%	39.74%	39.74%	964	44 799	4 911	21 369	3 329	8 635	(7 671)
Sociedad de Gestión San Carlos, S.A. (1)	Avda. San Juan Bosco, 46. San Fernando - Cádiz	Property development	0.00%	60.18%	60.18%	(349)	-	14 397	7 828	616	-	(349)
Cerro del Baile, S.A. (4)	Av. Bruselas, 15 - 4º. Arroyo de la Vega, Valladolid	Property development	80.00%	0.00%	80.00%	-	-	23 590	179	47 091	-	-
Lares Val de Ebro, S.A. (6)	Avda. Talgo 155 Madrid	Property development	33.33%	0.00%	33.33%	(292)	-	19 277	2	21 381	-	(292)
Madrigal Participaciones, S.A. (2)	C/ Santiago 7 - 1º E, Valladolid	Investment in assets, transferable securities and financial companies	75.70%	0.00%	75.70%	(260)	2 037	19 298	-	3 128	9 579	(9 839)
Rochduero, S.L. (5)	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 31 December 2019.
(2) Financial data at 31 December 2019. Company being wound up.
(3) Financial data at 31 October 2019.
(4) Financial data at 31st March 2019. Company being wound up.
(5) Financial data at 31st August 2016. Company being wound up.
(6) Financial data at 30 June 2016. Company being wound up.
(7) Company being wound up. Information not available

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 2019, 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
ASSOCIATE AT 31st DECEMBER 2019

€ ´000

Company name	Registered domicile	Activity	% Share 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. (4)	Avenida Andalucía 10 - 12, Málaga	Securities holding firm	50.00%	0.00%	50.00%	820	251	90	569	(7)
Andalucía Económica, S.A. (2)	C/ Diego de Riano nº 11, Piso 2º. Sevilla	Publishing, graphic design & TV	23.80%	0.00%	23.80%	762	541	(11)	220	(12)
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%	1 364	1 042	154	321	-
Creación de Suelo e Infraestructuras, S.L. (6)	C/ Ibiza, 35 -5ºA. Madrid	Property development	0.00%	24.98%	24.98%	53	(12 455)	-	12 508	-
Desarrollo Urbanísticos Cerro de Medianoche, S.L. (1)	Plaza Jaén por la Paz, 2. Jaén	Property development	0.00%	24.72%	24.72%	3 177	3 177	(406)	-	(406)
Gestión e Investigación de Activos, S.A. (2)	Paseo General Martínez Campos, 46-2ªplanta. Madrid	Real Estate	31.71%	18.29%	50.00%	467	464	(24)	3	(24)
Hidralia, Gestión Integral de Aguas de Andalucía, S.A (1)	C/ Alisios. Edf Ocaso, nº 1, Sevilla	Integrated water cycle	20.00%	0.00%	20.00%	258 898	101 197	12 846	157 701	18 830
Ingeniería de Suelos y Explotación de Recursos, S.A. (3)	Paseo del Coso S/N. Minas de Riotinto-Huelva	Mining	30.00%	0.00%	30.00%	96 105	38 834	10 928	57 270	10 492
Ingeniería e Integración Avanzadas, S.A. (2)	C/ Severo Ochoa, 43 (Parque Tecnológico de Andalucía). Campanillas-Málaga	New technologies	40.00%	0.00%	40.00%	13 869	6 997	1 006	6 872	1 141
La Reserva de Selwo Golf, S.L. (5)	Pasaje Linaje 3, Planta 1, Piso 1 Málaga	Property development	0.00%	35.00%	35.00%	99	(3 875)	61	3 974	61
Malagaport S.L. (1)	Muelle Cánovas s/nº Edif. Inst. Estudios Portuarios del Puerto de Málaga	Freight and warehousing services	26.77%	0.00%	26.77%	470	394	76	76	76
Mastercajas S.A. (2)	C/ Alcalá 27, Madrid	Banking, financial activities	32.47%	0.00%	32.47%	4 270	3 251	17	1 019	31
Parque Científico-Tecnológico de Almería S.A. (3)	Avda. de la Innovación 15, Edificio Pitágoras, Almería	Property development	0.00%	30.13%	30.13%	48 741	29 852	(821)	18 888	(383)
Propco Malagueta, S.L. (1)	C/ Mauricio Moro Pareto (Edificio Eurocom Norte), 6.	Property development	0.00%	25.00%	25.00%	60 900	60 405	3 032	495	4 042
Propco Orange 1 S.L. (1)	C/ Mauricio Moro Pareto (Edificio Eurocom Norte), 6.	Property development	0.00%	49.00%	49.00%	17 260	13 234	(233)	4 026	(255)
Santa Justa Residencial, S.L. (1)	C/ Mauricio Moro Pareto (Edificio Eurocom Norte), 6.	Property development	0.00%	49.50%	49.50%	28 285	17 158	6 360	11 127	8 526
Sociedad Municipal de Aparcamientos y Servicios, S.A. (2)	Plaza Jesús "El Rico" 2-3. Málaga	Car park	24.50%	0.00%	24.50%	65 356	45 606	3 854	19 750	3 909

APPENDIX III
ASSOCIATE AT 31st DECEMBER 2019

€ ´000

Company name	Registered domicile	Activity	% Share 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

€ ´000

Company name	Registered domicile	Activity	% Share 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

Uncro, S.L. (5)	C/ Ibiza Nª 35 5ª A, Madrid	Property development	0.00%	25.00%	25.00%	1 795	(8 757)	884	10 551	884
Unema Promotores Inmobiliarios, S.A. (7)	C/ Strachan, nº 1, planta 1. Málaga	Property development	0.00%	40.00%	40.00%	37	(1 669)	-	1 706	-
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A. (1)	C/ Bolsa, Nº 4, 3ª planta. Málaga	Insurance	45.29%	4.71%	50.00%	4 576 329	278 062	42 645	4 298 267	62 095
Ala Ingeniería y Obras, S.L. (11)	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)
Camping El Brao, S.A. (8)	C/ Uría, 56, 2 C, Oviedo (Asturias)	Camping	25.00%	0.00%	25.00%	5	(10)	(4)	15	(4)
Cuatro Estaciones INM Siglo XXI, S.L. (9)	Plaza del Mío Cid 6 - 3º, Burgos	Property development	20.00%	0.00%	20.00%	1 787	(632)	(10)	2 419	(10)
Inversiones Alaris, S.L. (2)	Av. Carlos III El Noble, 8 Pamplona/ Iruña (Navarre)	Holding company	33.33%	0.00%	33.33%	15 775	6 857	(424)	8 917	(424)
Mejor Campo Abonos y Cereales, S.A. (8)	Callejón de San Francisco, 1 - Bajo Medina del Campo (Valladolid)	Fertilizer and fodder sales	27.00%	0.00%	27.00%	3	(58)	-	61	-
Patrimonio Inmobiliario Empresarial, S.A. (10)	C/ Santa Engracia nº 69, Madrid	Property development	29.09%	0.00%	29.09%	26 857	(21 423)	(566)	48 280	-
Proyecto Lima, S.L. (1)	C/ Mauricio Moro Pareto (Edificio Eurocom Norte), 6.	Real Estate	25.00%	0.00%	25.00%	44 964	44 246	783	718	1 044
Propco Epsilon, S.L. (1)	C/ Mauricio Moro Pareto (Edificio Eurocom Norte), 6.	Property development	0.00%	20.00%	20.00%	78 203	76 930	259	1 273	259
Propco Eos, S.L. (1)	C/ Mauricio Moro Pareto (Edificio Eurocom Norte), 6.	Property development	0.00%	20.00%	20.00%	82 139	81 407	(15)	732	(15)

(1) Financial data at 31 December 2019.
(2) Financial data at 30 November 2019.
(3) Financial data at 31 October 2019.
(4) Financial data at 30 September 2019.
(5) Financial data at 30 September 2019. Company being wound up.
(6) Financial data at 31 December 2018. Company being wound up.
(7) Financial data at 30 September 2017. Company being wound up.
(8) Financial data at 31 December 2016. Company being wound up.
(9) Financial data at 31 October 2014. Company being wound up.
(10) Financial data at 31 March 2014. Company being wound up.

APPENDIX III
ASSOCIATE AT 31st DECEMBER 2019

(11) Financial data at 31 December 2013. 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 2019, 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 2019

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	1 008 558	6 719	174 075	1 797
Rest of European Union	-	-	-	-
RoW	-	-	-	-
Total	**1 008 558**	**6 719**	**174 075**	**1 797**

(*) 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 2019, 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 0.30% 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 2019

1. Introduction

This Management Report presents the relevant facts and figures for the year 2019, 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 2019, 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 corporate website (www.unicajabanco.com) 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 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 fiscal year 2019.

Balance sheet & business turnover	€ million December'19	€ million December '18	YTD € million	YTD %
Total assets	56 708	57 504	(797)	(1.4%)
Performing loans and advances to customers (excluding valuation adjustments)[1]	25 800	25 613	188	0.7%
Deposits from customers (excluding valuation adjustments)	42 335	42 861	(526)	(1.2%)
Off balance sheet funds	12 863	12 586	278	2.2%
Total customer funds	55 558	55 507	51	0.1%
Of which: customers (non- market)[2]	*50 898*	*50 383*	514	1.0%

(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'19	€ million December '18	YoY € million	YoY %
Net interest income	578.5	600.8	(22.3)	(3.7%)
Gross Margin	1 008.6	999.0	9.6	1.0%
Pre-provision profit	401.9	379.8	22.1	5.8%
Impairments and other results	227.9	173.9	53.9	31.0%
Pre-tax income	174.1	205.9	(31.8)	(15.4%)
Consolidated net income for the period	172.3	152.5	19.7	12.9%
Attributable net income to the parent company	172.3	152.6	19.7	12.9%

Profitability and cost-to-income ratio	% December'19	% December '18	YTD € million	YTD %
ROE (net income for the year/average equity)	4.4%	4.0%	n.a.	0.4 pp
ROTE (net income for the year/ave. tangible comm shareholders' eq.)	4.5%	3.9%	n.a.	0.6 pp
ROA (net income for the year/average total assets)	0.3%	0.3%	n.a.	0.0 pp
RORWA (Net income/RWA)	0.7%	0.7%	n.a.	0.1 pp
Cost-to-income ratio (op. exp. excluding amort./gross margin)	55.9%	58.3%	n.a.	(2.4 pp)

Solvency	€ m/% December'19	€ m/% December '18	YTD € million	YTD %
Equity	3 970	3 918	52	1.3%
Total Capital	3 892	3 580	311	8.7%
Common equity tier one eligible capital (CET1)	3 544	3 533	11	0.3%
Pro forma common equity tier 1 eligible capital (CET1)	3 590	3 533	58	1.6%
Additional Tier 1 eligible capital	48	48	-	(0.7%)
Tier 2 eligible capital	300	-	300	100.0%
RWA	22 983	22 871	111	0.5%
Total Capital Ratio	16.9%	15.7%	n.a.	1.3 pp
Pro forma total capital ratio*	17.1%	15.7%	n.a.	1.5 pp
CET1 ratio	15.4%	15.4%	n.a.	0.0 pp
Pro forma CET1 ratio*	15.6%	15.4%	n.a.	0.2 pp
Fully loaded CET1 Ratio	13.8%	13.5%	n.a.	0.3 pp
Pro forma fully loaded CET1 Ratio*	14.0%	13.5%	n.a.	0.5 pp

(*) Pro forma data: Excluding the deduction of the authorised limit on unused treasury stock

Risk Control	€ m/% December'19	December '18	YTD € million	YTD %
Non-performing loans	1 351	1 926	(575)	(29.9%)
NPL ratio	4.8%	6.7%	n.a.	(1.9 pp)
NPL coverage ratio	54.0%	53.0%	n.a.	1.0 pp
Cost of credit risk	0.04%	(0.01%)	n.a.	0.1 pp
Foreclosed real estate available for sale (gross)	1 120	1 661	(542)	(32.6%)
Foreclosed assets coverage ratio	62.7%	62.2%	n.a.	0.4 pp

Liquidity	€ m/% December'19	December '18	YTD € million	YTD %
Gross liquid assets	20 765	21 919	(1 154)	(5.3%)
Net liquid assets	14 011	13 939	72	0.5%
Net liquid assets/Total assets	24.7%	24.2%	n.a.	0.5 pp
LTD Ratio	71.0%	73.0%	n.a.	(1.5 pp)
Liquidity Coverage Ratio (LCR)	319.0%	468.0%	n.a.	(149.0 pp)
Net Stable Financial Ratio (NSFR)	141.0%	139.0%	n.a.	2.0 pp

Other information	Units December'19	December '18	YTD Number	YTD %
Branches in Spain	1 046	1 153	(107)	(9.3%)
ATMs	1 485	1 462	23	1.6%
Average number of employees	6 719	6 920	(201)	(2.9%)

Credit rating		December'19
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

World economic growth weakened during 2019, while the increase in Gross Domestic Product (GDP) slowed, posting the lowest rate of increase for the last ten years. The most recent reports from international bodies (IMF, OECD and the European Commission) have reviewed their growth forecasts to the downside for the full 2019 year and for 2020 as a result, above all, of greater trade barriers and weak trade. This is in addition to geopolitical tensions, together with other more structural factors such as the sluggish increase in productivity and the ageing population in developed economies.

The OECD's latest Economic Outlook report, last November, indicates that global GDP will expand during the whole of 2019 by 2.9% (0.6% less than in 2018). The latest published figures, which cover the third quarter, show overall weak growth, with an estimated GDP expansion for the OECD as a whole of 0.4% in that quarter, similar to the results for the one preceding it. By countries, GDP in Germany and the United Kingdom has risen by 0.1% and 0.3%, respectively, after both slid back in the second quarter, whereas in France, Italy, Spain and the US growth has remained more stable.

The outlook for growth has thus deteriorated over the last two years, due mainly to persistent political uncertainty and weak trade and investment, with differences in growth forecasts between countries depending on the weight of trade in each economy. The OECD therefore estimates that world GDP may grow at a rate of around 3% in the next two years (2020-2021), below the forecast a year ago of 3.5%. In the US growth will slow to 2.0% in 2021, while Japan and the Eurozone will post at around 0.7% and 1.2%, respectively, with China expanding more slowly at 5.5%, meaning that growth rates overall will be below their potential.

Turning to global trade, 2019 is expected to close with a growth rate of 1.2%, around 2.5 points below 2018, although it may subsequently recover momentum to end at 1.6% in 2020 and 2.3% in 2021. Against this backdrop, central banks have rolled out more expansionary monetary policies to offset the negative effects of trade tensions and put a stop to the deteriorating economic outlook. Uncertainty is running very high and the fact that the deteriorating outlook is persisting is a worry, not so much because of the cyclical shocks, as for the possible impact on growth of more structural factors, such as climate change and digitalisation. To this must be added the shift in trade and geopolitical relations away from the multilateral order forged in the decade of the nineties, according to the OECD's latest economic outlook report. For this reason, growth risks are tilted to the downside, chief among them the increasing restrictions on trade and investment, Brexit uncertainty and the future trading relationship between the EU and the United Kingdom, a sharper deceleration than expected in China and elevated indebtedness among non-financial corporations.

Inflation in the eurozone, which has slowed during the year because of the fall in energy prices, is expected to post at 1.2% in 2019 and 2020, while the unemployment rate could come in at 7.6% in 2019, edging down to 7.4% and 7.3% in 2020 and 2021, respectively, although net job creation may become more sluggish. Likewise, the ratio of public debt to GDP is forecast to continue falling for the fifth consecutive year, despite lower GDP growth. On the other hand, the public deficit is expected to rise slightly due to slower economic growth and somewhat looser budgetary policies in some member states. Thus, the eurozone's combined deficit could rise from its historical low of 0.5% of GDP in 2018 to 0.8% in 2019, 0.9% in 2020 and 1.0% in 2021.

At the European Central Bank's (ECB) first Governing Council chaired by Christine Lagarde, in the middle of December, the decision was taken to keep the eurozone's official interest rates unchanged. These are expected to remain at current levels or below until a solid convergence of inflation forecasts is reached that is close enough to, but below, 2% over the forecast horizon, and until this convergence is consistently reflected in the performance of core inflation. Meanwhile, the asset purchasing programme, which began again on 1st November at a rate of EUR 20 billion a month, is expected to continue for as long as it takes to reinforce the accommodative impact of official interest rates and to end shortly before the ECB raises its official interest rates.

The Euro system's macroeconomic forecasts suggest that 2019 could close with growth of 1.2%, 0.1 pp higher than estimated in September, while expected growth for 2020 has been revised downwards by 0.1 pp, to 1.1%. Risks continue to tilt to the downside (geopolitical factors, increasing protectionism, vulnerabilities in emerging markets), although they are currently somewhat less pronounced.

Turing to consumer prices, inflation forecasts measured by the HICP (Harmonised Index of Consumer Prices) have been revised slightly upward for 2020 to 1.1%, and slightly down for 2021 to 1.4%, due above all to expectations about the future performance of energy prices. In fact, after the agreement between OPEC and the principal oil economies at their meeting in early December to reduce the supply of crude oil by half a million barrels a day, starting on 1st January 2020, the price of Brent topped out at over USD 68 the barrel.

On the Spanish economy, the European Commission has revised its growth forecasts for 2019 and 2020 downwards by 0.4 pp to 1.9% and 1.5%, respectively, although this variation is partly due to National Accounts' statistical review, published in September. The OECD has also revised its growth forecasts for Spain downwards since its May estimates, to 2.0% in 2019 and 1.6% in 2020. This is accounted for by the slower momentum of national demand which, while still the main driver of growth, will increase more slowly than in recent years, since the slower rise in employment and uncertainty may affect consumption and investment, while exports may be affected by slower growth in export markets.

The latest forecasts from the Bank of Spain, meanwhile, in mid-December, have not changed their growth predictions over the 2020-2022 forecast horizon, because there are different factors with opposite effects that offset one another, as the note accompanying these forecasts points out. Thus, although a less vigorous recovery in export markets is expected than in the September forecast, the most recent data suggest that GDP growth will stabilise in the second half of the year, compared to the slight softening suggested by the preliminary information available when the previous forecasts were made.

Current projections thus point to a prolongation of the expansionary period being experienced at the moment, although GDP growth is set to continue the gradual slowdown it has been showing since the middle of 2017. GDP growth is expected to post at 2.0% in 2019 (0.4 pp less than in 2018), and to taper through 1.7% in 2020, and 1.6% in 2021, to 1.5% in 2022, representing a gradual convergence towards the economy´s potential growth rate. Growth will continue to be supported essentially by domestic demand, helped by continued loose financial conditions and the improvement in households' and corporates' finance situation.

As is consistent with this slower growth, a moderation in the job creation rate is also anticipated. Nevertheless, the unemployment rate will continue to fall until it reaches around 12.5% at the end of 2022, despite the increase in the active population. Higher labour costs and the expansionary tone of monetary policy will also translate into greater pressure to the upside on prices, such that the growth of the HICP is expected to recover gradually from its 2019 annual average of 0.8% to 1.6% in 2022.

However, the risks to economic growth continue to predominate on the downside and come mainly from abroad. A more unfavourable performance on the part of activity and global trade cannot be ruled out, despite certain recent signs of stabilisation. In addition, the absence of specific details on the United Kingdom's exit procedure from the EU and the likely rekindling of political tensions in certain regions are, in the Bank of Spain's view, further sources of uncertainty. Moreover, in the domestic arena, concerns persist about the direction of future economic policies and, in particular, about the process of budgetary consolidation.

3. Highlights of the period

Unicaja Banco Group posted net profit for the 2019 fiscal year of EUR 172 million, 12.9% higher than that recorded in the previous fiscal year.

Unicaja Banco improves its key banking activity indicators:

- Net income grows 12.9% with respect to the previous year
- Gross margin has risen by 1% with respect to the same period a year earlier, to which a 5.5% improvement in commissions has contributed, together with other operating income and expenses, driven by profits from real estate activity, as well as income from investments in variable income (dividends and income from companies using the equity method).
- Pre-provision profit has risen by 5.8% from the previous period. Taken with the higher gross margin, this has contributed to reducing operating expenses by EUR 13 million, representing a 2.0% drop compared to the 2018 financial year.
- Impairments have remained low, with a cost-of-credit risk at around 4 pp.

Commercial activity continued to improve, both in terms of loans and customer funds:

- Performing loans to clients (excluding reverse repos) grows 0.7% in the year.
- New loan production increased by 28% in the year.
- Customer funds performed positively over the period (+1%). This growth was principally in the increase private sector sight deposits (+7.1%) and in off-balance sheet funds (+2.2%).

Risk indicators remain positive:

- Non-performing assets (NPAs) fell by 31.1% year on year (EUR 1,117 million); of these, NPLs dropped by 29.9% and foreclosed assets by 32.6%. The NPL ratio dropped by 1.9 pp in the year to 4.8%.
- The coverage ratio of non-performing assets (NPAs) rose by 0.6 pp over the year, with rates improving on both NPLs and foreclosed assets.

Financial strength, high levels of solvency, and improved dividends

- The Group has a comfortable liquidity position, with a LTD ratio of 71% and a LCR of 319%.
- The high levels of solvency at the end of the period, which put the CET1* ratio at 15.6%, and the fully loaded ratio at 14%, have made it possible to raise the dividend pay-out to 45%, with the dividend per share increasing by 25%.

(*) Pro forma data: Excluding the deduction of the authorised limit on unused treasury stock

4. Profitability and write downs

The Group reported a net profit of EUR 172 million for 2019, which is an 12.9% improvement over the same period a year earlier. This net profit comes in the first instance from core revenues (net interest income and fees) of EUR 809 million, which amounts to 1.4% of total average assets, with net fees up by 5.5% compared to the fiscal year 2018.

Income Statement. Unicaja Banco Group
€ millions

	Dec-19	Dec-18	Abs. Val.	% change
Net interest income	**578.5**	**600.8**	**-22.3**	**-3.7%**
Fees	230.8	218.8	12.0	5.5%
Dividends and other income from shareholdings	68.2	59.7	8.5	14.2%
Trading income + exchange differences	100.7	142.1	-41.4	-29.1%
Other operating income/expenses	30.3	-22.5	52.8	-234.7%
Gross income	**1,008.6**	**999.0**	**9.6**	**1.0%**
Operating expenses	606.6	619.2	-12.5	-2.0%
Operating income before impairments	**401.9**	**379.8**	**22.1**	**5.8%**
Provisions, impairments and other results	227.9	173.9	53.9	31.0%
Pre-tax income	**174.1**	**205.9**	-31.8	**-15.4%**
Income tax	1.8	53.3	-51.5	-96.6%
Consolidated results for the period	**172.3**	**152.5**	**19.7**	**12.9%**
Results attributed to the parent company	***172.3***	***152.6***	**19.7**	***12.9%***

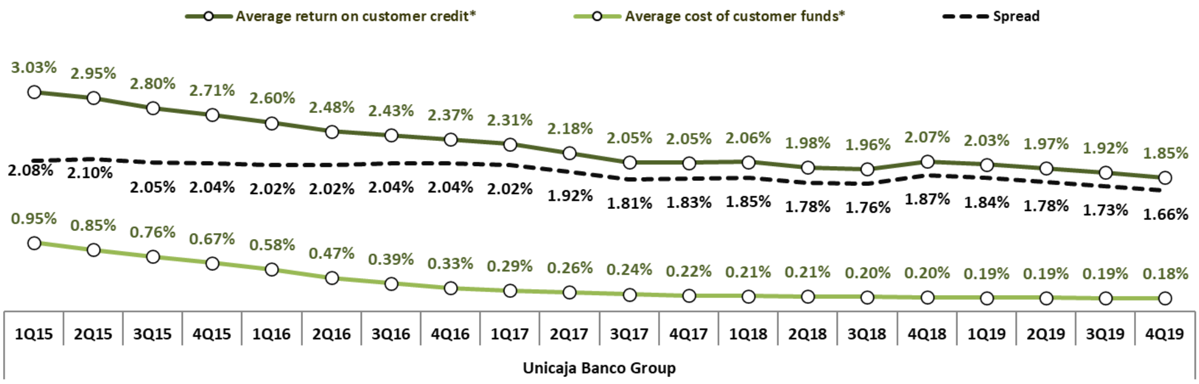
Customer spread drops slightly due to the negative impact of floor clauses and the performance of benchmark interest rates.

YIELDS & COSTS

Million euros / %	December-2019			December-2018			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	4,349	-10	-0.23	5,125	-14	-0.28	-776	4	0.05	2	2	-0.4
F.I. fixed income portfolio	17,136 [1]	215	1.26	17,827 [1]	231	1.30	-691	-16	-0.04	-9	-7	0.3
F.I. Net loans	**26,966**	**523**	**1.94**	**27,023**	**545**	**2.02**	**-57**	**-23**	**-0.08**	**-1**	**-21**	**0.0**
F.I. other assets	7,857	2	0.02	7,442	5	0.07	415	-3	-0.05	0	-3	-0.2
TOTAL ASSETS	56,308	730	1.30	57,417	768	1.34	-1,109	-38	-0.04	-15	-23	0.5
F.E: intermediaries & sight accounts	6,750	-21	-0.31	7,645	-19	-0.25	-896	-2	-0.06	2	-4	0.5
F.E. issues (incl. mortgage c.b.)	4,124	97	2.34	4,819	104	2.17	-696	-8	0.17	-15	8	-1.2
F.E. customer deposits*	**37,365**	**69.5**	**0.19**	**37,348**	**76.3**	**0.20**	**17**	**-7**	**-0.02**	**0**	**-7**	**0.0**
Sight deposits	28,110	9	0.03	26,509	12	0.05	1,601	-3	-0.01	1	-4	-0.2
Term deposits	6,549	59	0.90	8,294	63	0.76	-1,745	-4	0.15	-13	12	-2.6
F.E: subordinated liabilities	38	1	3.15	0	0		38	1	3.15			
F.E: other liabilities	8,032	4	0.05	7,605	5	0.07	427	-1	-0.01	0	-1	0.0
TOTAL LIABILITIES & EQUITY	56,308	151	0.27	57,417	167	0.29	-1,109	-16	-0.02	-3	-13	0.2
CUSTOMER SPREAD*			**1.75**			**1.81**			**-0.06**			
NET INTEREST INCOME	56,308	579	1.03	57,417	601	1.05	-1,109	-22	-0.02	-12	-11	0.2

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.



(*)Excluding Repo and reverse repurchase agreements

Growth in fees and commissions compared to the same period last year has focused on collections and payments (+11.8%) and, to a lesser degree, on contingent risks and other fees. We should also point out that fees have grown every quarter when compared against the same period the previous year.

Net trading income and exchange rate variations, which amount to EUR 101 million, are 29% lower than the previous year; despite this reduction, the Group has made significant capital gains over the year and holds large underlying capital gains in its fixed income portfolios.

Other operating income and expenses stand at EUR 30 million, a result significantly higher than that recorded for 2018. The contribution made by the Group's investments in variable income has also improved, reflected in the improvement in dividends and results using the equity method, which have risen over the year by 23.3% and by 8.7% respectively.

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 2.0% from the previous period. The application of a strict policy of cost containment and rationalization, have resulted in a decrease in transformation expenses plus amortization and depreciation of EUR 13 million.

Finally, impairments and other results came to a net total of EUR 228 million. Foreclosed asset impairments were low over the year and were mainly in the final quarter. Loan impairments have posted an expenditure of EUR 12 million in the year as a whole. If we exclude impacts deriving from all the portfolio sales during the year from this sum, the credit impairment would be EUR 5 million. Bearing this in mind and the fact that in the 2018 financial year income from credit impairments were booked at EUR 17.8 million, resulting from sales of written-off assets, the credit and foreclosed assets impairments has remained at similar levels from the previous year. All this continues to show the Group's capacity to reduce its exposure to NPLs and foreclosed assets, without having a significant negative impact on the income statement and, as we have pointed out in earlier paragraphs, without affecting its high coverage ratios.

The sale of shares representing the Group's entire stake in Autopistas del Sol, Concesionaria Española S.A. has been completed, originally formalised in June and reported as a significant event. This transaction represents net capital gains worth EUR 109.7 million, booked in the Bank's "Provisions and other results" item.

Finally, we should note that the institution has recorded provisioning of EUR 230 million over the course of the year to improve future profitability, of which EUR 190 million has been in the last quarter, linked to the approval of its new 2020- 2022 strategic plan.

Breakdown of impairments and other results
€ millions

	Dec-19	Dec-18	Change
Credit impairments	11.9	-4.0	16.0
Foreclosed assets impairments	7.3	-6.0	13.4
Provisions & other results	208.5	184.0	24.5
TOTAL IMPAIRMENTS AND OTHER RESULTS	**227.8**	**173.9**	**53.9**

5. Business magnitudes

At the close of the fiscal year 2019, the volume of total customer funds managed by the Group rose to EUR 55,898 million.

Customer funds. Unicaja Banco Group.
€ millions. Excludes value adjustments.

	31/12/2019	Compos.	31/12/2018	chg. year.	%chg. year.
Total funds on balance sheet	**42,695**	**76.8%**	**42,921**	**-226**	**-0.5%**
Customer deposits	**42,335**	**76.2%**	**42,861**	**-526**	**-1.2%**
Public sector	**2,812**	**5.1%**	**2,568**	**244**	**9.5%**
Private sector	**39,523**	**71.1%**	**40,293**	**-770**	**-1.9%**
Sight deposits	29,256	52.7%	27,312	1,944	7.1%
Term deposits	9,420	17.0%	11,713	-2,293	-19.6%
Repurchase agreements	848	1.5%	1,268	-421	-33.2%
Issues	**360**	**0.6%**	**60**	**300**	**500.0%**
Promissory notes	0	0.0%	0	0	-
Mortgage securities	60	0.1%	60	0	0.0%
Other securities	0	0.0%	0	0	-
Subordinated liabilities	300	0.5%	0	300	-
Off-balance sheet funds	**12,863**	**23.2%**	**12,586**	**278**	**2.2%**
TOTAL CUSTOMER FUNDS	**55,558**	**100.0%**	**55,507**	**51**	**0.1%**
Of which:					
Retail customer funds	**50,898**	**91.6%**	**50,383**	**514**	**1.0%**
On balance sheet	*38,035*	*68.5%*	*37,798*	*237*	*0.6%*
Off-balance sheet	*12,863*	*23.2%*	*12,586*	*278*	*2.2%*
Markets	**4,660**	**8.4%**	**5,124**	**-463**	**-9.0%**

The bulk of managed funds are customer deposits (EUR 42,335 million), of which EUR 29,256 million are private sector clients' sight deposits, EUR 9,420 million are term deposits (including EUR 3,578 million in non-negotiable mortgage covered bond issues) and EUR 848 million are repos. Off-balance sheet funds managed with various instruments and insurance reached EUR 12,863 million, made up mostly of customer funds raised through investment funds (EUR 5,430 million), pension funds (EUR 2,376 million) and savings insurance (EUR 4,112 million).

As to the origin of the funds, 92% (91% at year-end 2018) relates to retail customers' banking business (EUR 50,898 million), while the remaining 8% (EUR 4,660 million) is represented by funds raised in wholesale markets through issuances or repos. The balance of issues is limited to EUR 360 million and consists of mortgage securities exclusively in the hands of third parties booked under the markets section.

In the year the weight of retail customers funds has gone up slightly with respect to wholesale funds. Total customer funds grew by 0.1%, which breaks down as a 9% drop in wholesale funds, and a 1% increase in retail customer funds. The drop in wholesale funds is due mainly to the maturities of mortgage bonds, which have not been replaced, for a sum which represents a EUR 671 million drop in these instruments. This drop has been partly offset by the successful issue of Tier II for a total of EUR 300 million, in the fourth quarter of the year. The breakdown of retail customer funds shows an increase in the balances of both on-balance sheet and off-balance sheet items by 0.6% and 2.2, respectively.

Within the funds on the balance sheet there has been a 7.1% rise in sight deposits, as well as in balances with public administrations, while most of the falls have been in term deposits. Turning to off-balance sheet resources, performance from pension funds, savings insurance and other managed assets was strong. In summary, there has been an improvement in lower-cost funds or those generating greater profitability, such as sight balances and off-balance sheet customer, while the more expensive term deposits and wholesale markets have fallen. Over the year the weight of off-balance sheet funds and insurance, together with sight balances, has increased compared to a year earlier.

Loans and advances to customers (without valuation adjustments) amounted to EUR 28,232 million at the close of December 2019. 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.

	31/12/2019	Compos.	31/12/2018	abs. v.	rel.v.
Public sector	**1,717**	**6%**	**1,366**	**351**	**25.7%**
Private sector	**26,515**	**94%**	**27,337**	**-822**	**-3.0%**
Retail credit	383	1%	356	27	7.5%
Debtors with collateral	16,801	60%	17,206	-405	-2.4%
Reverse purchase agreements	1,018	4%	1,041	-23	-2.2%
Other financial assets	63	0%	123	-60	-49.0%
Other term loans	5,839	21%	5,666	173	3.1%
Overdrafts and other	2,411	9%	2,945	-534	-18.1%
Total loans and advances to customer, excluding valuation adjustments	**28,232**	**100.0%**	**28,703**	**-471**	**-1.6%**
Impairment corrections and other valuation adjustments	-674		-1,052	379	-36.0%
Total loans and advances to customers	**27,558**		**27,651**	**-92**	**-0.3%**
Memorandum entry:					
Performing loans and advances - customers (no valuation adjustments)(*)	***25,800***		***25,613***	***187***	***0.7%***

(*) 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

	31/12/2019	Compos.	31/12/2018	abs. v.	rel.v.
TOTAL LOANS AND ADVANCES TO CUSTOMERS	**28,232**	**100%**	**28,703**	**-471**	**-1.6%**
1. Performing loans to public sector	**1,704**	**6%**	**1,353**	**351**	**26.0%**
2. Performing loans to private sector	**24,097**	**85%**	**24,260**	**-164**	**-0.7%**
Corporates	**6,848**	**24.3%**	**6,557**	**291**	**4.4%**
Real Estate development and construction	591	2.1%	496	94	19.0%
All other companies	6,257	22.2%	6,061	196	3.2%
SMEs and self-employed	3,611	12.8%	3,626	-15	-0.4%
Large corporations	2,584	9.2%	2,307	276	12.0%
Civil engineering works	63	0.2%	128	-65	-50.8%
Individuals	**17,249**	**61.1%**	**17,703**	**-454**	**-2.6%**
Housing	14,633	51.8%	15,299	-666	-4.4%
Other	2,616	9.3%	2,404	212	8.8%
3. NPLs	**1,351**	**4.8%**	**1,926**	**-575**	**-29.9%**
4. Reverse purchase agreements and other	**1,081**	**3.8%**	**1,164**	**-83**	**-7.1%**

(*) Excludes valuation adjustments

Performing loans balance of the Group stands at EUR 26,882 million. Of this, EUR 1,704 million correspond to loans to public sector, EUR 24,097 million to private sector loans and EUR 1,081 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 loans with mortgage guarantees, representing 54.4% of total performing loans, and the SME and self-employed portfolio, accounting for another 13.4%.

Performing balances show a positive evolution (despite the abnormally high number of early repayments experienced in the last quarter of the year), thanks to the Group's strong commercial effectiveness, characterised by significant volumes of new lending, which stand at EUR 4,155 million at the close of 2019, representing increases of 11% in SMEs, 3% in mortgages to individuals and 23% in consumer loans and others, compared to the same period in the previous financial year. In the public sector, new loans amounted to EUR 723 million.

Over the year, the balance of performing loans to the customers has increased by 0.7%. Growth in the public sector was 26%, while the private sector has shrunk by 0.7%. By sector, performing loans to corporates have grown by 4.4%, while loans to individual customers have shrunk. This change in the balances of individuals is essentially due to the fall in loans with mortgage guarantees, which is partly offset by the positive performance of consumption and other items, which has grown by 8.8%.

6. Credit quality

The Group continues with its effective strategy of reducing its non-performing assets, with the balance of the latter standing at EUR 1,351 million at the end of December 2019, representing a drop of 72% over existing non-performing balances at the end of 2014.

In the previous 12 months, it has fallen by 29.9% (EUR 575 million), representing a further improvement in the NPL ratio, which has edged to 4.8%. When compared to the previous financial period, there has been a drop in gross NPL inflows and a continuing positive trend in outflows of NPLs. This is visible in the fact that even excluding write-offs, the Entity has now registered fifteen consecutive quarters (when the effect of the Bank of Spain's Circular 4/2016, in the 4Q of 2016 is stripped out) of net outflows.

This drop in non-performing balances is occurring while increasing coverage ratios, which improved 1 pp in the year, reaching 54.0% at the close of the year. This high level of coverage, together with the favourable trend of net non-performing inflows and outflows, has kept the costs of risk low: they stood at 4 basis points for the 2019 financial period as a whole.

7. Foreclosed assets

At 31 December 2019, the balance of foreclosed assets, net of provisions, amounted to EUR 418 million euros (Eur 1,120 million gross), representing only 0.7% of Unicaja Banco Group's total assets. 50.3% of the foreclosed assets, at net book value, are finished new housing.

Foreclosed real estate assets. Unicaja Banco Group
December 2019. € millions

	Net book value	Value adjust.	Gross value	Coverage (%)
Real estate from construction & development	**182**	**399**	**581**	**68.7%**
Finished buildings	34	39	72	53.5%
Buildings under construction	22	31	54	58.2%
Land	126	329	455	72.3%
From retail mortgages	**177**	**170**	**347**	**49.1%**
Other foreclosed assets	**59**	**132**	**191**	**69.1%**
TOTAL FORECLOSED ASSETS	**418**	**702**	**1,120**	**62.7%**

Note: The amount of the coverage includes both value corrections from impairments linked to foreclosures and the coverage prior to acquiring the assets, which covered the impairment of the credit instruments from which they came.

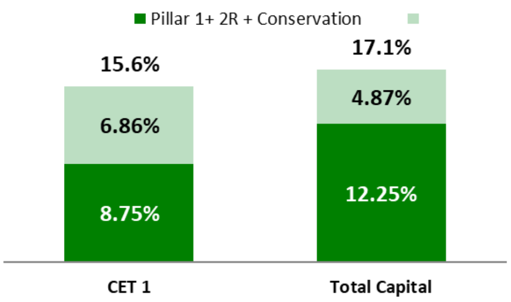
Foreclosed real estate assets have fallen during the year by 32.6% in gross terms, a drop of EUR 542 million. This has increased the coverage ratio, which now stands at 62.7%, with provisions at the end of December 2019 amounting to EUR 702 million on this item.

8. Solvency

Unicaja Banco Group has a common equity tier 1 ratio (CET1)* of 15.6% and a total* capital ratio of 17.1%. In fully loaded terms Unicaja Banco has a CET1 ratio of 13.8% and a total capital ratio of 15.4%. If we exclude from this ratio the deduction of the authorised limit on unused treasury stock to 31st December, the ratios would stand at 14.0% and 15.5%. respectively.

(*) Pro forma data: Excluding the deduction of the authorised limit on unused treasury stock

The levels required by the ECB (including progressive application of systemic and conservation buffers) for 2019, sets the CET1 ratio at 8.75% and the total capital ratio at 12.25%. This means that the Group has, excluding the limit on unused treasury stock mentioned above at June 2019, a surplus of 686 basis points (EUR 1,578 million) over its CET1 requirements and of 487 basis points (EUR 1,121 million) over its total capital requirements.



The Texas ratio comes in at 46.7% at the close of the year. The lower this ratio, the better the quality of the balance sheet and solvency. In the case of the Group, the ratio has gone down by 14.5 pp in the year.

9. Liquidity

Unicaja Banco Group had at 31 December 2019 a liquid and discountable assets position at the European Central Bank, net of assets used, of EUR 14,011 million, representing 24.7% of the balance sheet total. This large volume of liquid assets will enable the forthcoming wholesale funding maturities in the markets to be managed comfortably (EUR 325 million in 2020 and EUR 690 million in 2021).

Discountable liquid assets of the Unicaja Banco Group
€ millions

Liquid Assets	Dec'19
Cash surplus (1)	3,736
Discountable reverse repos	1,110
Fixed income portfolio and other discountable assets at ECB	15,919
Total liquid assets (at ECB discount value)	**20,765**
Used liquid assets	
Taken in the ECB	3,303
Repos and other pledges	3,452
Total used liquid assets	**6,755**
Discountable liquid assets available	**14,011**
Percent of total assets	**24.7%**

(1) Interbanking deposits + surplus in ECB account and operating accounts

Maturing debt securities
€ millions

	Issues (*)
2020	325
2021	690
2022	182

(*) Includes multi-issuer covered bonds.

The Group's high liquidity levels are reflected in its LTD ratio which, at the end of December 2019, stands at 71.4%. The ratio is an indicator of the Group’s very comfortable liquidity level and has improved over the course of the year, due on the one hand to the drop in credit resulting from the significant reduction of non-performing assets, and on the other to the increase in sight balances and in public administrations’ balances in the customer deposits item.

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%
Year-end 2019	71%

(*) Loan to deposits (no valuation adjustments in either case). Balances of transactions in wholesale markets are excluded for both credits and deposits.

(*) Loan to deposits (no valuation adjustments in either case). Excludes transactions balances in wholesale markets for both loans 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 16%), León (8%), Valladolid (8%), Salamanca (7%) and Almería (6%), have the greatest specific weighting in the Unicaja Banco Group. At 31st December 2019, Unicaja Banco Group had a network of 1,047 branches: 1,046 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 31/12/2019		Branches open to public at 31/12/2018	
		Number of branches	Share (%)	Number of branches	Share (%)
SPAIN	Andalucia	501	47.9%	544	52.0%
	Aragon	1	0.1%	1	0.1%
	Asturias	3	0.3%	3	0.3%
	Cantabria	1	0.1%	1	0.1%
	Castile-Leon	364	34.8%	415	39.6%
	Castile-La Mancha	50	4.8%	53	5.1%
	Catalonia	1	0.1%	1	0.1%
	Ceuta	1	0.1%	1	0.1%
	Community of Valencia	2	0.2%	2	0.2%
	Extremadura	42	4.0%	52	5.0%
	Galicia	6	0.6%	6	0.6%
	La Rioja	1	0.1%	1	0.1%
	Madrid	67	6.4%	67	6.4%
	Melilla	3	0.3%	3	0.3%
	Murcia	1	0.1%	1	0.1%
	Navarra	1	0.1%	1	0.1%
	Basque Country	1	0.1%	1	0.1%
Total number of branches Spain		**1,046**	**99.9%**	**1,153**	**110.1%**
Country	City	Branches open to public at 31/12/2019		Branches open to public at 31/12/2018	
		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		**1,047**	**100%**	**1,154**	**100%**

País	Ciudad	Oficinas Operativas a 31/12/2019		Oficinas Operativas a 31/12/2018	
		Número de Oficinas	Distribución (%)	Número de Oficinas	Distribución (%)
REINO UNIDO	Londres	1	100,0%	1	100,0%
Nº Total de Oficinas en el Extranjero		**1**	**0,1%**	**1**	**0,1%**
Total Oficinas		**1.047**	**100%**	**1.154**	**100%**

At 30th September 2019, 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 12.8% and 21.6% respectively, and of customer loans 9.9% and 13.2% respectively. Unicaja Banco Group had 12.3% of the branches in Andalusia and 21.3% of those in Castilla y León, according to the latest information available from the Bank of Spain on 30th of September 2019.

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 based 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 adequate liquidity targets, which translates into a solid and consistent risk culture.
- A selection of appropriate risk identification, 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 accordance 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.

11.1 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) specify the risk targets of the Group in line with corporate strategy, and so acting as an important reference for the activities carried out; (iii) formalise the mechanism for supervising and monitoring risks, such that compliance with the risk appetite is ensured and (iv) reinforce and disseminate 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 Entity is willing to take.

Furthermore, this framework uses different metrics to quantify, control and track risks, which enable the Group to react to particular risk levels or scenarios. These metrics characterise the target behaviour of the Unicaja Banco Group, and they are transversal for the entire organisation, and allow the risk appetite culture to be transmitted to all levels in a systematic and understandable manner. Likewise, 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 and control. This intensive management and control 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, as well as for certain risks that not being material are nonetheless subject to ECB's supervision, 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 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 top management and Governance Bodies.

Finally, the Bank has integrated the Risk Appetite Framework into the Strategic Transformation Plan, the ICAAP, the ILAAP, corporate risk policies and the Recovery Plan, among others.

11.2. Governance

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, without prejudice to other functions provided by the Law, the Articles of Association as well as in the regulations and manuals of the Entity, as the case may be.

Board of Directors.

All policies, methods and procedures related to Global Risks Management are approved by the Board of Directors. Hence, in this regard, the 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.
- Take the RAF into consideration in the ordinary management of the Bank and especially, in adopting strategic decisions.
- Be informed at least once every quarter by the Risk Committee on RAF monitoring, notwithstanding any other information it may be required at any time.
- To adopt the appropriate relief measures, when these are deemed necessary.
- To approve, where appropriate, adherence to situations that entail the breaching of thresholds.

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 Entity.
- 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 Entity'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 Entity 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 Entity.
    - 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 and subsequent amendments to the Board of Directors.
    - Report to the Board of Directors about monitoring the RAF at once every three months, or at any time at their request.
    - Request information from the different Departments about the RAF whenever they may consider this advisable.
    - To propose the appropriate relief measures when deemed necessary.
    - To propose to the Board of Directors, where appropriate, adherence to situations that entail the breaching of thresholds.

Audit and Regulatory Compliance Committee

This committee is responsible for roles relative to:

- Internal information and control systems, supervising the effectiveness of the system for the internal control of financial information (SCIIF, in the Spanish acronym), among other matters.
- Internal Auditors
- Accounts auditors
- Compliance with the rules of corporate governance
- Regulatory compliance.
- Structural and corporate amendments that the Group plans to carry out.

These functions, with respect to risks, includes the assessment of everything to do with the company's non-financial risks – including operational, technological, legal, social, environmental, political and reputational risks.

Technology & Innovation Committee

The functions of this Committee include the general tracking of technological risk.

Strategy & Transformation Committee

Its functions include the following related to the RAF:

- Validate and raise with the governing bodies, where appropriate, draft proposals about the institution's strategic planning, among them 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.
- Assess the implications of the RAF, in their respective areas of competence, in co-ordination with the Internal Committees of the Entity, which will, in turn, forward these on to the qualified Departments should this be necessary:

11.3. Risk control model.

The Entity's risk management and control model takes into account, among others, the following risks:

- Credit, concentration and NPL management risk.
- Market risk.
- Operational risk.
- Interest rate risk in the banking book (IRRBB).
- Business and strategy risk.
- Real Estate risk.
- Liquidity risk.

Credit, concentration and NPL management 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 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 scoring and rating models that are built into its admissions, tracking and recoveries procedures. PD, LGD and EAD estimates are taken into account and used widely, such as when originating transactions, calculating provisions or in classifying credit transactions. The Board of Directors is responsible for authorising the risk models.

The principles developed to such end are in line with the Bank's current situation by means of the "Manual of Credit Risk Policies, Functions and Procedures" and with the regulatory requirements in force, including the following points:

- Concession criteria linked to the borrower's ability to pay.
- 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 of a developer loan.

Unicaja Banco Group has systems in place to comply with Act 5/2015 to support business activity, which recognises the unalienable rights of SMEs and self-employed workers in those situations in which a credit institution decides to revoke or reduce the flow of funding.
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 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 risk.

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 Banco Group's transactions in capital markets.

The market risk assessment and analysis process is based on implementing the following functions:

- Market data management.
- Measurement.
- Control.

Through the establishment of a structure 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. Reputational, model, technological, behavioural, legal and tax risk are included as operational risk, while strategic risk is not.

Likewise, operational risk includes technology risk, reputational risk and behavioural risk.

Technological risk 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.

Reputational risk is defined 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. Reputational risk may be a consequence of other risks: reputation loss arising from other events, that we think of as "opportunity cost".

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 Entity.

This on-going effort to uphold and strengthen the image of the Entity is founded on the global culture and translates into specific measures that include, among others:

- The Bank's strategic objectives.
- The Code of Conduct, the Corporate Social Responsibility Policy and the Criminal Risk Prevention plan approved by the Board of Directors of the Entity.
- 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"), as well as protection of users of financial services.
- 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.

Finally, 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 Banco 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.

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 a Operational Risk Framework, approved by the Board of Directors, and has disseminated and implemented it throughout the Organisation.

Since December 2017, the Bank uses 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.

Interest rate risk in the banking book (IRRBB).

Interest rate risk in the banking book (IRRBB) is defined as the current or future risk for both results and the economic value of the Entity resulting from adverse fluctuations in interest rates that impact interest rate sensitive instruments.

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 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.

Business and strategy risk.

This is the risk of incurring losses arising from an inaccurate analysis of the market in which it operates or from a lack of knowledge thereof, or from the inability to reach business objectives 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 can be defined in different ways because it is not a single concept. There are three generally accepted types of liquidity risk, which we will classify here as follows:

- The cost of unwinding a position in a real or financial asset (this refers to the difficulties that may arise when undoing or closing a market position at a particular moment without impacting on the market price of instruments or on the transaction cost (Market or Asset Liquidity).
- Mismatch between current liabilities and the rate of asset transactions (funding liquidity).
- Inappropriateness of the investment activity’s growth capacity resulting from the inability to find financing that matches the risk appetite to leverage asset growth strategies (strategic or structural liquidity).
  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 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

On 23rd January 2020, Unicaja Banco and other shareholders of "Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A." (Caser) signed a shareholder contract with Helvetia Schweizerische Versicherungsgesellschaft AG (hereinafter, Helvetia) after Helvetia entered the shareholding body and took control of Caser. Furthermore, Unicaja Banco has signed an agreement with Helvetia under which, as part of this handover of control, it undertakes to refrain from exercising its right to terminate the existing distribution agreement it has with Caser through Unimediación, S.L.U. In exchange Unicaja Banco will receive compensation of EUR 46.87 million. The transaction is subject to the usual conditions precedent applying in this type of business.

In the period between year-end closing at 31st December 2019 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 2019 and 2018, 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 2019 and 2018, 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 2019 the Group had 14,865,086 treasury shares (2,146,738 31st December 2018). The treasury portfolio that has been directly acquired by Unicaja Banco to 31st December 2019 amounts to 14,773,028 treasury shares (against 2,054,680 treasury shares to 31st December 2018).

The movement of treasury shares at 31st December 2019 and 2018 is as follows:

	2019		2018	
	Number of shares	€ ´000	Number of shares	€ ´000
Opening balance of treasury shares	**2 146 738**	**2 147**	**-**	**-**
Purchase of treasury shares by Unicaja Banco	14 350 630	14 350	8 143 462	8 144
Purchase by other group entities	-	-	92 058	92
Share swap from merger with EspañaDuero	-	-	(6 088 782)	(6 089)
Sale of treasury shares by Unicaja Banco	(1 632 282)	(1 632)	-	-
Balance of treasury shares at end of period	**14 865 086**	**14 865**	**2 146 738**	**2 147**

Purchases of treasury shares by Unicaja Banco in 2019 were made for a nominal cost of EUR 12,718 thousand (EUR 2,055 thousand in 2018) 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 2019 amounted to EUR 425,573 thousand (EUR 257,309 thousand in 2018). All such payments were made within the legal and contractual deadlines. The balance due to suppliers at 31st December 2019 and 2018 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 2019 and 2018 was 16.53 and 18.99 days respectively. The ratio of transactions paid for these years was 16.14 and 14.77 days respectively, and the ratio of transactions with payments due at 17.03 and 61.82 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.

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 2019, 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 (APM)		December'19	December'18
Cost of risk	1. Impairment or (-) reversal of impairment in value of loans and receivables to customers (consolidated income statement)	11.9	-4.0
	2. Average between start/end of period for loans and receivables from customers (excluding valuation adjustments) (*)	28,467	29,870
	Ratio (1/2)	**0.04%**	**-0.01%**
Purpose: Defines the Group's credit quality rating through the annual cost, in terms of impairment losses (loans and receivables write downs, booked to the item Impairment of financial assets not valued at fair value through profit and loss) of each gross customer loans unit.			
Cost to income ratio (Operating Expenses excl. amort. & depre. / gross margin)	1. Administrative expenses (consolidated income statement)	564	582
	2. Gross margin (consolidated income statement)	1,009	999
	Ratio (1/2)	**55.9%**	**58.3%**
Purpose: Productivity metric defining the proportion of funds used to generate operating income.			
Customer spread	1. 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) (*)	1.94%	2.02%
	2. Cost in the year of customer deposits (excluding reverse repos) over average yearly balances of customer deposits (excluding repos) (*)	0.19%	0.20%
	Difference between yield and cost	**1.75%**	**1.81%**
Purpose: Profitability metric that defines the difference between the customer loan portfolio's average profitability and the average cost of customer funds.			
Foreclosed assets coverage	1. Impairment of Real Estate foreclosed assets (Note 47.2)	702	1,034
	2. Gross carrying amount of Real Estate foreclosed assets (Note 47.2)	1,120	1,661
	Ratio (1/2)	**62.7%**	**62.2%**
Purpose: Shows the extent to which foreclosed real estate goods are covered and, thus, their net exposure value and the asset quality.			
Net Interest Margin	1. Net interest income (consolidated income statement)	578.5	600.8
	2. Total average assets (average of quarterly average balances) (*)	56,311	57,418
	Ratio (1/2)	**1.03%**	**1.05%**
Purpose: Metric that calculates net margin made of financing costs from interest from the bank's assets (net of income & expenses).			
NPL coverage ratio	1. Loans and receivables portfolio. Total adjustments for impairment of assets (Notes 10 and 27).	729	1,020
	2. Loans and receivables portfolio. NPL risk (Note 27)	1,351	1.926
	Ratio (1/2)	**54.0%**	**53.0%**
Purpose: Defines the percentage of the NPL portfolio that is covered by liquidity provisions. An indicator of the expected recovery of these assets.			
NPL ratio	1. Loans and receivables portfolio. NPL risk (Note 27)	1,351	1.926
	2. Loans and receivables portfolio. Gross amount (Note 27)	28,232	28,703
	Ratio (1/2)	**4.8%**	**6.7%**
Purpose: Measures the quality of the Group's loan portfolio, indicating the percentage of non-performing loans over total loans.			

(*) This figure is not stated explicitly in the consolidated financial statements or in the explanatory notes, but has been obtained from Unicaja Banco Group's records, data bases and inventories.

ALTERNATIVE PERFORMANCE MEASURES (APM)		December'19	December'18
ROA	1. Consolidated net income (consolidated income statement)	172.3	152.5
	2. Total average assets (average of quarterly average balances) (*)	56,311	57,418
	Ratio (1/2)	**0.3%**	**0.3%**
Purpose: Measures profitability of the Group's entire assets, reflecting the Group's efficiency in generating profits from applying funds to such assets.			
ROE	1. Consolidated net income (consolidated income statement)	172.3	152.5
	2. Average Own Funds (average of quarterly average balances) (*)	3,938	3,850
	Ratio (1/2)	**4.4%**	**4.0%**
Purpose: Measures the yield from funds invested/retained in the Group and, as such, is an indicator of the profitability of Own Funds used.			
RoRWA (management)	1. Consolidated net income (consolidated income statement)	172.3	152.5
	2. Risk weighted assets (RWA) (Note 1.9.1)	22,983	22,871
	Ratio (1/2)	**0.7%**	**0.7%**
Purpose: It's based on ROA but used to measure profitability of the Group's entire risk weighted assets, reflecting the Group's efficiency in generating profits, adjusted to the capital required by the assets, and thus, to its risk.			
RoTE	1. Consolidated net income (consolidated income statement)	172.3	152.5
	2. Average own funds (excluding adjustments from accumulated other comprehensive income) less average intangible assets (average of quarterly average balances) (*)	3,876	3,794
	Ratio (1/2)	**4.5%**	**3.9%**
Purpose: Measures the yield from the Group's tangible equity and, as such, its ability to remunerate its shareholders from own funds invested in the bank, once intangible assets have been discounted.			
Performing loans and advances - customers (excluding valuation adjustments)	1. Loans and receivables. Credit and loans at variable interest rate (Note 10.1)	20,976	23,861
	2. Loans and receivables. Credit and loans at fixed interest rate (Note 10.1)	6,175	3,669
	3. Other assets designated at fair value. Credit at variable interest rate (Note 8.3)	0	9
	4. Loans and receivables portfolio. NPL risk (Note 27)	1,351	1.926
	Performance measure (1+2+3-4)	**25,800**	**25,613**
Purpose: Defines the total balance and progress of performing credit risk (that is, those in stage 1 or stage 2) in the category of loans and advances to customers.			
Total customer funds	1. Financial liabilities measured at amortized cost. Deposits from customers (excluding valuation adjustments) (Note 17.3)	42,335	42,861
	2. Issued debt securities (excluding valuation adjustments) (Note 17.4)	360	60
	3. Funds managed through off-balance sheet instruments (Note 31.4)	12,863	12,586
	Performance measure (1+2+3)	**55,558**	**55,507**
Purpose: Defines the total balance and performance of funds managed by the group, both on and off balance sheet.			

(*) This figure is not stated explicitly in the consolidated financial statements or in the explanatory notes, but has been obtained from Unicaja Banco Group's records, data bases and inventories.

ALTERNATIVE PERFORMANCE MEASURES (APM)		December'19	December'18
Total customer funds. Customers (Non-market).	1. Total customer funds (the appropriate APM)	55,558	55,507
	2. Covered bonds under the heading "Term deposits" Transactional value. *Management measure (*)*	3,578	4,249
	3. Deposits from customers. Repurchase agreements (excluding valuation adjustments) (Note 17.3)	848	1,268
	4. Issued debt securities (excluding valuation adjustments) (Note 17.4)	60	60
	5. Repos controlled by retail customers *Management measure (*)*	300	0
	6. Repos controlled by retail customers *Management measure (*)*	125	454
	Performance measure (1-2-3-4-5+6)	**50,898**	**50,383**
Purpose: Defines the total balance and performance of funds managed by the group, both on and off balance sheet on behalf of customers, excluding market transactions.			

Wholesale funds (Markets)	1. Covered bonds under the heading "Term deposits" Transactional value. *Management measure (*)*	3,578	4,249
	2. Deposits from customers. Repurchase agreements (excluding valuation adjustments) (Note 17.3)	848	1,268
	3. Issued debt securities (excluding valuation adjustments) (Note 17.4)	60	60
	4. Repos controlled by retail customers *Management measure (*)*	300	0
	5. Repos controlled by retail customers *Management measure (*)*	125	454
	Performance measure (1+2+3-4+5)	**4,660**	**5,124**
Purpose: Defines the total balance and performance of funds managed by the group in market transactions.			

Loan to Deposits (LtD)	1. Loans and receivables. Credit and loans at variable interest rate (Note 10.1)	20,976	23,861
	2. Loans and receivables. Credit and loans at fixed interest rate (Note 10.1)	6,175	3,669
	3. Other assets designated at fair value. Credit at variable interest rate (Note 8.3)	0	9
	(1+2+3) NUMERATOR. Loans and advances customers -excluding valuation adjustments-	**27,151**	**27,539**
	1. Financial liabilities measured at amortized cost. Deposits from customers (excluding valuation adjustments) (Note 17.3)	42,335	42,861
	2. Covered bonds under the heading "Term deposits" Transactional value. *Management measure (*)*	3,578	4,249
	3. Deposits from customers. Repurchase agreements (excluding valuation adjustments) (Note 17.3)	848	1,268
	4. Repos controlled by retail customers *Management measure (*)*	125	454
	(1-2-3+4) DENOMINATOR. Customer deposits (non-market) - excluding valuation adjustments	**38,035**	**37,798**
	Ratio (NUMERATOR/DENOMINATOR)	**71.4%**	**72.9%**
Purpose: Liquidity indicator that measures the ratio between the Group's funds in its customer deposits and the volume of loans and advances.			

(*) This figure is not stated explicitly in the consolidated financial statements or in the explanatory notes, but has been obtained from Unicaja Banco Group's records, data bases and inventories.

ALTERNATIVE PERFORMANCE MEASURES (APM)		December'19	December'18
Gross liquid assets	1. Cash surplus (interbank deposits + balance surplus in ECB and operating accounts) (*)	3,736	3,712
	2. Discountable reverse repos (Note 10.1)	1,110	2,293
	3. Fixed income portfolio and other discountable assets in ECB (*)	15,919	15,914
	Performance measure (1+2+3)	**20,765**	**21,919**
Sum of: - Surplus/deficit of deposits in Bank of Spain with respect to the minimum reserve ratio in effect on the date, and 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.			
Purpose: Defines the total balance and performance of the Group's HQLA (High Quality Liquid Assets).			

Net liquid assets	1. Gross liquid assets (see appropriate APM)	20,765	21,919
	2. Taken in the ECB (Note 17.1)	3,303	3,316
	3. Repos and other pledges (*)	3,452	4,664
	Performance measure (1-2-3)	**14,011**	**13,939**
Note: Any part of the gross assets already used or being used as collateral for financing, either with the ECB, for repos or other pledges, has been discounted.			
Purpose: Defines the total balance and performance of the Group's HQLA (high quality liquid assets) netted out from assets of this nature that are being used as collateral for financing.			

Performing Loans	1. Loans and receivables portfolio. Gross amount (Note 27)	28,232	28,703
	2. Loans and receivables portfolio. NPL risk (Note 27)	1,351	1.926
	Performance measure (1-2)	**26,882**	**26,777**
Purpose: Defines the total balance and performance of the Group's performing loans and advances (those classified as stage 1 or stage 2).			

Operating expenses	1. Administrative expenses (consolidated income statement)	563.9	582.1
	2. Depreciation and amortisation (consolidated income statement)	42.7	37.1
	Performance measure (1+2)	**606.6**	**619.2**
Purpose: Reconciles the report's definition with consolidated public financial statement items.			

Credit and loans impairment	Impairment or (-) reversal of impairment in value of loans and receivables to customers (consolidated income statement)	11.9	-4.0
Purpose: Defines the figure for impairments of loans and receivables, booked in the impairment of financial assets not valued at fair value through profit and loss item.			

Provisions	Provisioning or (-) provisioning reversals (consolidated income statement)	352.2	186.9
Purpose: Reconciles the report's definition with consolidated public financial statement items.			

Pre-provision profit	1. Gross margin (consolidated income statement)	1,008.6	999.0
	2. Administrative expenses (consolidated income statement)	563.9	582.1
	3. Depreciation and amortisation (consolidated income statement)	42.7	37.1
	Performance measure (1-2-3)	**401.9**	**379.8**
Purpose: Reconciles the report's definition with consolidated public financial statement items. Shows the Group's results from its business excluding impairments, as defined in its APMs.			

(*) This figure is not stated explicitly in the consolidated financial statements or in the explanatory notes, but has been obtained from Unicaja Banco Group's records, data bases and inventories.

ALTERNATIVE PERFORMANCE MEASURES (APM)		December'19	December'18
Provisions, impairments and other results	1. Provisioning or (-) provisioning reversals (consolidated income statement)	352.2	186.9
	2. Impairment or (-) reversal in the value of financial assets not measured at fair value through profit and loss (consolidated income statement)	17.3	-3.1
	3. Impairment or (-) reversal in the value of joint ventures or associates (consolidated income statement)	0.0	0.0
	4. Impairment or (-) reversal in the value of non-financial assets (consolidated income statement)	19.2	-4.3
	5. Net gain or (-) loss on derecognition of non-financial assets and stakes (consolidated income statement)	161.4	7.4
	6. Recognised negative goodwill (consolidated income statement)	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 (consolidated income statement)	-0.6	-1.8
	Performance measure (1+2+3+4-5-6-7)	**227.9**	**173.9**
Purpose: Reconciles the report's definition with consolidated public financial statement items. Shows the volume of the Group's impairments and provisions as well as results in non-financial and non-current assets as well as stakes held by the Group.			
Net Fees	1. Fee and commission income (consolidated income statement)	253.9	240.2
	2. Fee and commission expense (consolidated income statement)	23.1	21.4
	Performance measure (1-2)	**230.8**	**218.8**
Purpose: Reconciles the report's definition with consolidated public financial statement items. Shows the net result from service provision and selling of products invoiced through fees and commissions.			
Trading income + exchange differences	1. Net gain or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss (consolidated income statement)	95.6	144.7
	2. Net gain or (-) losses from financial assets and liabilities held for trading (consolidated income statement)	2.5	0.5
	3. Net gain or (-) losses from non-trading financial assets mandatorily designated at fair value through profit or loss (consolidated income statement)	4.0	0.9
	4. Net gain or (-) losses from financial assets and liabilities designated at fair value through profit or loss (consolidated income statement)	0.0	-3.6
	5. Net gain (-) losses from hedge accounting (consolidated income statement)	-1.8	0.0
	6. Net exchange differences, gains or (-) losses (consolidated income statement)	0.4	-0.4
	Performance measure (1+2+3+4+5+6)	**100.7**	**142.1**
Purpose: Reconciles the report's definition with consolidated public financial statement items and groups into one item the contribution to the statement of the asset valuations at fair value and sale, essentially, of fixed and variable income assets not valued at fair value through in profit and loss, as well as their hedges as shown in profit and loss.			

(*) This figure is not stated explicitly in the consolidated financial statements or in the explanatory notes, but has been obtained from Unicaja Banco Group's records, data bases and inventories.

ALTERNATIVE PERFORMANCE MEASURES (APM)		December'19	December'18
Other products / operating charges	1. Other operating income (consolidated income statement)	124.6	101.1
	2. Other operating expenses (consolidated income statement)	114.5	143.5
	3. Income from assets under insurance or reinsurance contracts (consolidated income statement)	67.0	57.5
	4. Expenses from liabilities under insurance or reinsurance contracts (consolidated income statement)	46.8	37.7
	Performance measure (1-2+3-4)	**30.3**	**-22.5**
Purpose: Reconciles the report's definition with consolidated public financial statement items.			

(*) This figure is not stated explicitly in the consolidated financial statements or in the explanatory notes, but has been obtained from Unicaja Banco Group's records, data bases and inventories.

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 2019 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 the year ending 31 December 2019 is appended below as an integral part of this consolidated management report.

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

FILING OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED MANAGEMENT FOR THE YEAR 2019

FILING FORM (1 of 2)

The Board of Directors of Unicaja Banco, S.A., in the meeting held today, files the Consolidated annual statements of the Unicaja Banco Group for the year ending 31st December 2019 and the Consolidated Management Report for 2019 (which includes the consolidated statement of non-financial information), all of which appears on the backs of official State stamped paper, numbered consecutively from [●] to [●], Series [●], Class 8, costing EUR 3 cents each, in compliance with the legislation in force.

In Madrid, 21st of February 2020

D. Manuel Azuaga Moreno Executive Chair	D. Ángel Rodríguez de Gracia Chief Executive Officer
D. Juan Fraile Cantón Vice Chair	D. Victorio Valle Sánchez Vice Chair
Isabel Martín Castellá Coordinating member	Teresa Sáez Ponte Secretary to the Board
Dª Mª Luisa Arjonilla López Board member	D. Manuel Conthe Gutiérrez Board member
Petra Mateos-Aparicio Morales Board member	D. Agustín Molina Morales Board member
D. Manuel Muela Martín-Buitrago Board member	

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

FILING OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED MANAGEMENT FOR THE YEAR 2019

FILING FORM (2 of 2)

The Board of Directors of Unicaja Banco, S.A., in the meeting held today, files the Consolidated annual statements of the Unicaja Banco Group for the year ending 31st December 2019 and the Consolidated Management Report for 2019 (which includes the consolidated statement of non-financial information), all of which appears on the backs of official State stamped paper, numbered consecutively from [●] to [●], Series [●], Class 8, costing EUR 3 cents each, in compliance with the legislation in force.

In Madrid, 21st of February 2020

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Dª. Ana Bolado Valle
Board member