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

Consolidated financial statements
and management report
for the year ended December 31, 2020

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

Independent audit report,
Consolidated annual accounts at December 31, 2020
Consolidated directors' report

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, 2020, 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, 2020, 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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Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Key audit matters	How the matter was addressed in the audit
Impairment losses on loans and receivables and assets acquired in settlement of debts, and impact of Covid-19 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 credit 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 characteristics. • 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.	• 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 from debt recovery. 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, any relevant impairment, where appropriate, as well as for estimating necessary real-estate asset provisions. • Selective verifications with respect to: i) methods of calculation and segmentation of borrowers and real-estate assets into different categories; ii) historical loss rates in the estimate of future cash flows and of historical discount rates in sales of real-estate assets derived from debt recovery processes compared with the appraisal value; iii) the correct classification of lending operations and real-estate assets in the relevant categories. • Recalculation of collective provisions and real-estate assets derived from debt recovery processes. • Monitoring and verification, through selective testing, of impairment losses actually incurred against those estimated in previous periods.

Key audit matters	How the matter was addressed in the audit
The health and economic crisis caused by Covid-19, which has been declared on March 11, 2020 as a global pandemic, has significantly affected the consolidated annual accounts of the Unicaja Banco Group, and has increased significantly The level of uncertainty in the accounting estimates is substantial. This impact especially affects provisions for credit risk, through the following factors: • Approval by the Government of urgent measures to deal with the economic and social impact of Covid-19, including different types of moratoriums on the payment of loans for groups in vulnerable situations due to Covid-19. • Extension of these moratorium measures to other groups affected by Covid-19 through sectoral agreements, such as the one signed on April 16, 2020 by entities associated with the Spanish Confederation of Savings Banks (CECA). • Creation by the Government of a line of guarantees, on behalf of the State and managed by the Official Credit Institute (ICO), to guarantee part of the financing that credit institutions grant to companies and the self-employed to meet their needs for liquidity due to Covid-19. • Publication of different pronouncements by the main regulatory and supervisory bodies, on the interpretation of the regulations that regulate aspects such as the evaluation and recognition of significant increases in credit risk and the difference between temporary liquidity problems as a consequence of the Covid-19 crisis and structural problems whose origin cannot be exclusively linked to the Covid-19 crisis. • Update by various public bodies, especially the Bank of Spain, of the macroeconomic forecasts for the Spanish economy in the years 2020, 2021 and 2022, through various scenarios that contemplate the high uncertainty that exists due to the impact of Covid-19.	Regarding the implications of Covid-19 and the estimation of the impact on expected credit losses, the main procedures carried out in the audit are the following: • Analysis of the policies and criteria used by the Group for the granting and monitoring of Legislative and sectoral moratoriums and financing operations with ICO Covid-19 endorsement. • Analysis of a sample of files of credit operations with moratorium measures granted by the Unicaja Banco Group (both legislative and sectoral), in order to verify their adequate concession and documentation in accordance with current regulations and applicable sectoral agreements. • Analysis of a sample of files of financing operations with ICO Covid-19 guarantee, in order to verify their adequate concession and documentation in accordance with current regulations and the agreements signed with the Official Credit Institute (ICO), with a view to the evaluation of the effectiveness of the guarantees granted by the State. • Understanding of the accounting policies and the methodological framework regarding the assessment of the existence or not of a significant increase in credit risk, taking into account the pronouncements published by the main regulatory and supervisory bodies, and the legislative and sectoral measures adopted in this matter. of moratoriums on loans and granting of operations endorsed by the ICO. • Verification of the criteria and methodologies developed by the Group to calculate the necessary provisions under the new context caused by Covid-19 through adjustments to the models.

Key audit matters	How the matter was addressed in the audit
In this context, the Unicaja Banco Group has granted both legislative and sectoral moratorium measures to its clients during fiscal year 2020, as well as financing operations that have ICO Covid-19 guarantees. Likewise, the Group has updated its estimates of losses due to credit risk, considering the high level of uncertainty existing at the current date as a consequence of Covid-19, incorporating the existing forecasts on the main macroeconomic variables that affect the information "forward looking "Of their models. The impact of these changes on the Group's estimates has meant additional provisions of 200 million euros at the close of the 2020 financial year. See note 1.4 Responsibility for the information and estimates made; note 1.13 Impacts of Covid-19; note 2.7 Impairment of financial assets; note 10 Financial assets at amortized cost; and note 16 Non-current assets and disposal groups of items that have been classified as held for sale and other assets, in the accompanying annual accounts.	As a result of the above procedures, we have obtained sufficient and adequate audit evidence to conclude on the reasonableness of the models and methodologies used by the Group for the classification of operations and the calculation of their impairment, and any difference obtained as a result of our procedures regarding the estimates made by the Group has been kept within a reasonable range in relation to the amount of the value adjustments for asset impairment included in the accompanying consolidated annual accounts.
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. In these estimates, in addition to considering the future results included in the approved business plan, the Unicaja Banco Group has taken into account the expected impact of Covid-19 in the budget for the next few years. 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.	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.

Key audit matters	How the matter was addressed in the audit
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.	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 Group's 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). • 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.

Key audit matters	How the matter was addressed in the audit
Provisions 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. • 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.

Key audit matters	How the matter was addressed in the audit
Consideration obtained for the waiver of the right to terminate the distribution agreement signed with Caser In the heading of "Other operating income" of the consolidated income statement of the Unicaja Banco Group an amount of 46.87 million of euros, which corresponds to the consideration obtained in the process of acquiring control of Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros (“Caser”) by Helvetia Schweizerische Versicherungsgesellschaft AG (hereinafter, “Helvetia”). Said consideration has been obtained as a result of the signing, on January 23, 2020, of an agreement with Helvetia by which it agrees to waive its right to terminate the insurance distribution agreement that it has signed with Caser in exchange. of an amount of 46.87 million euros. This aspect is considered a key audit issue as it is a significant event that has taken place during the audited period. See note 39.1 Other operating income of the attached consolidated annual accounts.	In relation to the described operation, we have carried out the following audit procedures: • Verification of the supporting documentation regarding the agreements reached by the Group with Helvetia. • Analysis of the reasonableness of the accounting treatment of the transaction, including its impact on the consolidated income statement. • Verification of the collection of the consideration by the Group. • Verification of the information provided on the operation in the attached consolidated annual accounts. As a result of the above procedures, we have obtained sufficient and adequate audit evidence to conclude on the proper accounting record of the operation and its breakdown in the Group's consolidated annual accounts.
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.	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.

Key audit matters	How the matter was addressed in the audit
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.	• 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. 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 2020 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 consolidated management report, in accordance with what is required by the regulations governing the activity of auditing accounts, consists of:

a) Check only that the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report, to which the Accounts Audit Law refers, has been provided in the manner provided in the applicable regulations and, in otherwise, to inform about it.

b) Evaluate and report on the concordance of the rest of the information included in the consolidated management report with the consolidated annual accounts, based on the knowledge of the Group obtained during the audit of the aforementioned accounts, as well as evaluate and report on if the content and presentation of this part of the consolidated management report are in accordance with the applicable regulations. If, based on the work we have done, we conclude that there are material misstatements, we are obliged to report it.

Based on the work carried out, as described above, we have verified that the information mentioned in section a) above is provided in the manner provided for in the applicable regulations and that the rest of the information contained in the consolidated management report agrees with that of the consolidated annual accounts for the year 2020 and their 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

European Single Electronic Format

We have examined the digital files of the European Single Electronic Format (ESEF) of Unicaja Banco, S.A. and subsidiaries for financial year 2020, which comprise the XHTML file that includes the consolidated annual accounts for the financial year and the XBRL files with the labeling carried out by the entity, which will form part of the annual financial report.

The administrators of the Parent Company are responsible for presenting the annual financial report for the 2020 financial year in accordance with the format and marking requirements established in the Delegated Regulation (EU) 2019/815, of December 17, 2018, of the European Commission (hereinafter ESEF Regulation).

Our responsibility is to examine the digital files prepared by the administrators of the Parent Company, in accordance with the regulations governing the activity of account auditing in force in Spain. Said regulations require that we plan and execute our audit procedures in order to verify whether the content of the consolidated annual accounts included in the aforementioned digital files fully corresponds to that of the consolidated annual accounts that we have audited, and whether the format and marking of the same and the aforementioned files has been carried out in all significant aspects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined fully correspond to the audited consolidated annual accounts, and these are presented and have been marked, in all their significant aspects, in accordance with the requirements established in the ESEF Regulation.

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 25, 2021.

Appointment period

The Ordinary General Shareholders' Meeting of the parent Company, at its meeting held on April 29, 2020, appointed PricewaterhouseCoopers Auditores, S.L. as auditors for a period of one year, corresponding to the year ended December 31, 2020.

Previously , we were appointed as auditors by resolutions of the General Meeting of Shareholders of the parent Company, or of the General Assembly of the predecessor entity (see note 1.1 of the attached consolidated annual accounts), and we have been carrying out the work of auditing the accounts of the Group, without interruption, since the year ended December 31, 2002.

Services provided

The services, other than the auditing of accounts, that have been provided to the audited Group are detailed in note 41.2 of the accompanying consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by
Carlos Caballer Fernández-Manrique (23390)

February 25, 2021

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

CONSOLIDATED BALANCE SHEETS AT 31ST DECEMBER 2020 & 2019
(€ ´000)

ASSETS	Note	2020	2019 (*)
CASH, CASH BALANCES IN CENTRAL BANKS AND OTHER DEMAND DEPOSITS	7	6,667,189	4,558,815
FINANCIAL ASSETS HELD FOR TRADING	8.1	192,834	35,298
Derivatives		5,916	7,966
Equity instruments		14,954	27,332
Debt securities		171,964	-
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 OR LOSS	8.2	91,279	92,664
Equity instruments		-	-
Debt securities		91,279	92,664
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		-	-
Debt securities		-	-
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 OTHER COMPREHENSIVE INCOME	9	1,494,464	1,886,161
Equity instruments		403,005	636,091
Debt securities		1,091,459	1,250,070
Loans and advances		-	-
Central Banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum item: lent or provided as collateral (sell or pledge)		*346,097*	*57,301*
FINANCIAL ASSETS CARRIED AT AMORTIZED COST	10	51,548,558	44,679,791
Equity instruments		-	-
Debt securities		22,157,383	16,662,155
Loans and advances		29,391,175	28,017,636
Central Banks		-	-
Credit institutions		1,762,178	459,323
Customers		27,628,997	27,558,313
Memorandum item: lent or provided as collateral (sell or pledge)		*13,636,465*	*7,952,679*
DERIVATIVES - HEDGE ACCOUNTING	11	617,130	507,229
CHANGE IN FAIR VALUE OF ITEMS HELD IN A PORTFOLIO HEDGED AGAINTS INTEREST RATE RISK		-	-
INVESTMENTS IN JOINT VENTURES AND ASSOCIATE COMPANIES	12	361,830	363,347
Joint ventures		35,360	48,440
Associates		326,470	314,907
ASSETS UNDER INSURANCE OR REINSURANCE CONTRACTS	20	1,831	2,163
TANGIBLE ASSETS	13	1,144,501	1,161,954
Fixed tangible assets		837,060	880,209
For own use		837,060	880,209
Let under an operating lease agreement		-	-
Investment property		307,441	281,745
Of which: let under operating lease		*198,016*	*165,981*
Memorandum item: acquired under a lease		*40,833*	*46,458*
INTANGIBLE ASSETS	14	74,095	66,225
Goodwill		44,502	50,671
Other intangible assets		29,593	15,554

continues on next page

ASSETS	Note	2020	2019 (*)
TAX ASSETS	24	2,741,136	2,757,773
Current tax asset		37,018	46,128
Deferred tax asset		2,704,118	2,711,645
OTHERS ASSETS	15	365,102	291,722
Insurance contracts linked to pensions		31,679	32,734
Inventory		185,138	205,004
All other assets		148,285	53,984
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	16	244,316	304,473
TOTAL ASSETS		**65,544,265**	**56,707,615**

(*) 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 2020.
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LIABILITIES	Note	2020	2019 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	8.1	11,634	25,116
Derivatives		11,634	25,116
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	59,052,887	50,204,678
Deposits		57,504,176	48,810,251
Central Banks		4,998,096	3,302,914
Credit institutions		3,805,469	2,538,458
Customers		48,700,611	42,968,879
Issued debt securities		362,926	357,907
Other financial liabilities		1,185,785	1,036,520
Memorandum item: subordinated liabilities		*302,932*	*297,907*
DERIVATIVES - HEDGE ACCOUNTING	11	609,030	427,761
			-
CHANGE IN FAIR VALUE OF SECURITIES HELD IN A PORTOFOLIO HEDGED AGAINTS INTEREST RATE RISK		-	-
LIABILITES UNDER INSURANCE AND REINSURANCE CONTRACTS	20	612,472	630,694
PROVISIONS	18	798,622	921,134
Pensions and related post-employment defined benefits		56,633	62,715
Other long term employee benefits		176,619	203,697
Provisions for taxes and other legal contingencies		-	-
Commitments and guarantees given		119,629	128,247
All other provisions		445,741	526,475
TAX LIABILITIES	24	257,941	325,385
Current tax liabilities		21,477	32,397
Deferred tax liabilities		236,464	292,988
OTHER LIABILITIES	19	196,487	202,452
LIABILITIES IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE		-	-
TOTAL LIABILITIES		**61,539,073**	**52,737,220**

(*) 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 2020.

EQUITY	Note	2020	2019 (*)
SHAREHOLDERS' EQUITY	22 & 23	**4,000,562**	**3,970,966**
CAPITAL		1,579,761	1,610,302
Paid-in capital		1,579,761	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		47,429	47,574
Equity component of compound financial instruments		47,429	47,574
Other equity instruments issued		-	-
OTHER EQUITY ITEMS		-	-
RETAINED EARNINGS	23.1	959,533	915,492
REVALUATION RESERVES		-	-
OTHER RESERVES		126,764	30,759
Reserves or accumulated losses of investments in joint ventures and associates		(127,721)	(223,726)
Other		254,485	254,485
(–) TREASURY SHARES		(179)	(14,865)
NET INCOME/(LOSS) ATTRIBUTABLE TO THE PARENT COMPANY		77,831	172,281
(–) INTERIM DIVIDENDS		-	-
ACCUMULATED OTHER COMPREHENSIVE INCOME		**4,157**	**(1,049)**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT		79,000	24,938
Actuarial gain or (-) loss in benefit pension scheme		2,694	(787)
Non-current assets and disposal groups classified as held for sale		-	-
Share of other recognised income and expenses of investments in joint ventures & associates		9,979	9,349
Change in fair value of equity instruments measured at fair value through other comprehensive income	9.3	66,327	16,376
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		(74,843)	(25,987)
Hedging of net investments abroad (effective portion)		-	-
Foreign currency translation		(22)	(15)
Hedging derivatives. Reserve of cash flow hedges (effective portion)		(151,376)	(94,580)
Change in fair value of debt instruments measured at fair value through other comprehensive income	9.2	48,147	46,477
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 & associates	23	28,408	22,131
MINORITY INTEREST (NON-CONTROLLING INTEREST)	21	**473**	**478**
ACCUMULATED OTHER COMPREHENSIVE INCOME		-	-
OTHER ITEMS		473	478
TOTAL EQUITY		**4,005,192**	**3,970,395**
TOTAL EQUITY AND LIABILITYY		**65,544,265**	**56,707,615**
MEMORANDUM ITEM: OFF-BALANCE SHEET EXPOSURE			
LOAN COMMITTMENTS GIVEN	31.3	2,429,312	3,009,113
FINANCIAL GUARANTEES GIVEN	31.1	62,306	62,296
OTHER COMITTMENTS GIVEN	31.1	1,902,936	1,983,681

(*) 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 2020.

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

CONSOLIDATED INCOME STATEMENT FOR THE FISCAL YEARS ENDED 31ST OF DECEMBER 2020 & 2019

(€ ´000)

	Note	(Debit) Credit	
		2020	**2019 (*)**
INTEREST INCOME	32	724,724	763,656
Financial assets designated at fair value through other comprehensive income		3,759	14,029
Financial assets carried at amortized cost		590,573	700,964
Other		130,392	48,663
INTEREST EXPENSE	33	(146,531)	(185,113)
REDEEMABLE EQUITY EXPENSES		-	-
NET INTEREST INCOME		**578,193**	**578,543**
DIVIDEND INCOME	34	14,929	27,758
INCOME/LOSS FROM ENTITIES CARRIED AT EQUITY METHOD	35	35,377	40,439
FEE AND COMMISSION INCOME	36	254,711	253,917
FEE AND COMMISSION EXPENSE	37	(21,843)	(23,127)
NET GAIN OR LOSS ON DERECOGNITION FROM THE STATEMENTS OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	38	92,021	95,592
NET GAIN OR LOSS FROM FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING	38	(2,948)	2,498
NET GAINS (LOSS) FROM NON-TRADING FINANCIAL ASSETS MANDATORILY DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	38	664	3,962
NET GAIN (LOSS) FROM FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	38	-	-
NET GAIN (LOSS) FROM HEDGE ACCOUNTING	38	2,712	(1,755)
NET GAIN (LOSS) FROM EXCHANGE DIFFERENCES	2.4	(9)	415
OTHER OPERATING INCOME	39	95,591	124,615
OTHER OPERATING EXPENSES	39	(113,773)	(114,466)
INCOME FROM ASSETS UNDER INSURANCE OR REINSURANCE CONTRACTS	40	70,446	66,984
EXPENSES FROM LIABILITIES UNDER INSURANCE OR REINSURANCE CONTRACTS	40	(51,241)	(46,817)
GROSS MARGIN		**954,830**	**1,008,558**
ADMINISTRATIVE EXPENSES	41	(521,966)	(563,945)
Staff expenses		(366,625)	(388,750)
Other administrative expenses		(155,341)	(175,195)
DEPRECIATION AND AMORTIZATION	13 & 14	(49,931)	(42,676)
PROVISIONS OR REVERSALS OF PROVISIONS	18	(43,131)	(352,203)
IMPAIRMENT OR REVERSAL IN THE VALUE OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS OR NET GAINS BY MODIFICATION	10 & 27	(241,927)	(17,292)
Financial assets designated at fair value through other comprehensive income		(22)	152
Financial assets carried at amortized cost		(241,905)	(17,444)
NET OPERATING INCOME		**97,875**	**32,442**
IMPAIRMENT OR REVERSAL IN THE VALUE OF JOINT VENTURES OR ASSOCIATES	42	-	-
IMPAIRMENT OR REVERSAL IN THE VALUE OF NON-FINANCIAL ASSETS	42	(2,700)	(19,177)
Tangible assets		2,575	80
Intangible assets		(6,773)	(7,411)
Other		1,498	(11,846)
NET GAIN (LOSS) ON DERECOGNITION OF NON-FINANCIAL ASSETS AND INVESTMENTS	43	2,614	161,401
NEGATIVE GOODWILL RECOGNISED IN P&L		-	-
GAIN (LOSS) FROM NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS	44	1,309	(591)
PRE-TAX INCOME (OR LOSS) FROM CONTINUING OPERATIONS		**99,098**	**174,075**
TAX EXPENSE OR INCOME ON EARNINGS FROM CONTINUED OPERATIONS	24	(21,272)	(1,797)
PROFIT OR LOSS AFTER TAXES FROM CONTINUING OPERATIONS		**77,826**	**172,278**
PROFIT OR LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS	2.22	**-**	**-**
PROFIT FOR THE YEAR		**77,826**	**172,278**
Attributable to minority interests (non-controlling interest)	21	(5)	(3)
Attributable to owners of the parent company		77,831	172,281
EARNINGS PER SHARE			
Basic earnings per share (€)	3	0.045	0.103
Diluted earnings per share (€)	3	0.045	0.103

(*) 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 2020 period.

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

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES FOR THE YEARS ENDED 31st DECEMBER 2020 & 2019

(€ ´000)

	Note	Year 2020	Year 2019 (*)
PROFIT FOR THE YEAR		**77,826**	**172,278**
OTHER COMPREHENSIVE INCOME		**5,206**	**2,735**
Items not subject to reclassification to income statement		**54,063**	**17,833**
Actuarial gain (loss) in defined benefit pension scheme	41	4,973	(3,473)
Non-current assets and disposal groups held for sale		-	-
Share of other recognised income and expenses of investments in joint ventures & associates		901	1,180
Change in fair value of equity instruments measured at fair value through other comprehensive income		71,358	27,769
Net gains (losses) from hedge accounting of equity instruments measured at fair value through other comprehensive income		-	-
Change in fair value of equity instruments measured at fair value through other comprehensive income (hedged item)		-	-
Change in fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)		-	-
Change in fair value of financial liabilities designated at fair value through profit or loss attributable to changes in its credit risk		-	-
Income tax on earnings from items not subject to reclassification	24.3	(23,169)	(7,643)
Items subject to reclassification to income statement		**48,857**	**(15,098)**
Hedging of net investments abroad (effective portion)		-	-
Gain (loss) in value recognised in equity		-	-
Transferred to results		-	-
Other reclassifications		-	-
Foreign currency translation	2.4	(10)	56
Gain (loss) in currency exchange recognised in equity		3	471
Transferred to results		(13)	(415)
Other reclassifications		-	-
Cash flow hedges (effective portion)	11	(81,138)	(145,140)
Gain (loss) in value recognised in equity		(167,773)	(124,051)
Transferred to results		86,635	(21,089)
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	2,385	95,191
Gain (loss) in value recognised in equity		4,261	135,226
Transferred to results		(1,876)	(40,035)
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 & associates	23	8,967	28,324
Income tax on items to be reclassified to income statement	24.3	20,939	6,471
Total comprehensive income for the year		**83,032**	**175,013**
Attributable to minority interests (non-controlling interest)		(5)	(4)
Attributable to owners of the parent company		83,037	175,017

(*) 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 expenses for year 2020.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31st DECEMBER 2020 & 2019

(€ ´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 31/12/2019	**1,610,302**	**1,209,423**	**47,574**	**-**	**915,492**	**-**	**30,759**	**(14,865)**	**172,281**	**-**	**(1,049)**	**-**	**478**	**3,970,395**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 01/01/2020	**1,610,302**	**1,209,423**	**47,574**	**-**	**915,492**	**-**	**30,759**	**(14,865)**	**172,281**	**-**	**(1,049)**	**-**	**478**	**3,970,395**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**77,831**	**-**	**5,206**	**-**	**(5)**	**83,032**
Other changes to equity	**(30,541)**	**-**	**(145)**	**-**	**44,041**	**-**	**96,005**	**14,686**	**(172,281)**	**-**	**-**	**-**	**-**	**(48,235)**
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	(30,541)	-	-	-	-	-	-	-	-	-	-	-	-	(30,541)
Dividends (or shareholder remuneration) (Note 3)	-	-	-	-	(6,850)	-	-	-	-	-	-	-	-	(6,850)
Purchase of treasury shares	-	-	-	-	-	-	-	(15,887)	-	-	-	-	-	(15,887)
Sale or redemption of treasury shares	-	-	-	-	-	-	-	30,573	-	-	-	-	-	30,573
Reclassification of equity financial instruments to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity entries (Note 3)	-	-	-	-	76,276	-	96,005	-	(172,281)	-	-	-	-	-
Changes in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity	-	-	(145)	-	(25,385)	-	-	-	-	-	-	-	-	(25,530)
Balance at 31/12/2020	**1,579,761**	**1,209,423**	**47,429**	**-**	**959,533**	**-**	**126,764**	**(179)**	**77,831**	**-**	**4,157**	**-**	**473**	**4,005,192**

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 2020.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31st DECEMBER 2020 & 2019

(€ ´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**	**47,574**	**-**	**915,492**	**-**	**30,759**	**(14,865)**	**172,281**	**-**	**(1,049)**	**-**	**478**	**3,970,395**

(*) 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 2020.

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31st DECEMBER 2020 & 2019
(€ ´000)

	Note	Year 2020	Year 2019 (*)
A) CASH FLOWS FROM OPERATIONS		**2,027,910**	**(222,759)**
Profit for the year		**77,826**	**172,278**
Adjustments to obtain cash flows from operating activities		**(46,358)**	**(82,905)**
Depreciation and amortisation	13 & 14	49,931	42,676
Other adjustments	2.26	(96,289)	(125,581)
Net changes in operating assets		**(6,842,248)**	**1,001,691**
Financial assets held for trading	8.1	(157,524)	9,051
Non-trading financial assets mandatorily designated at fair value through profit or loss	8.2	1,385	(7,293)
Financial assets designated at fair value through profit or loss		-	2,050
Financial assets designated at fair value through other comprehensive income	9.1	391,685	1,538,977
Financial assets carried at amortized cost	10	(6,894,845)	(639,358)
Other operating assets		(182,949)	98,264
Net changes in operating liabilities		**8,868,170**	**(1,294,530)**
Financial liabilities held for trading	8.1	(13,482)	7,138
Financial liabilities designated at fair value through profit or loss		-	-
Financial liabilities carried at amortized cost	17	8,848,209	(1,469,630)
Other operating liabilities		33,443	167,962
Income taxes paid		**(29,480)**	**(19,293)**
B) CASH FLOW FROM INVESTMENT ACTIVITIES		**103,168**	**283,916**
Payments		**(51,285)**	**(61,419)**
Tangible assets	13	(25,857)	(15,067)
Intangible assets	14	(14,635)	(12,124)
Investments in joint ventures and associates	12	(10,793)	(34,228)
Subsidiaries and other business units		-	-
Non-current assets and liabilities classified as held for sale	16	-	-
Other investment related payments		-	-
Collections		**154,453**	**345,335**
Tangible assets	13	24,534	96,767
Intangible assets	14	-	6,876
Investments in joint ventures and associates	12	56,535	91,488
Subsidiaries and other business units		-	-
Non-current assets and liabilities classified as held for sale	16	73,384	150,204
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 2020.

	Note	Year	
		2020	2019 (*)
C) CASH FLOW FROM FINANCING ACTIVITIES		**(22,704)**	**218,064**
Payments		**(22,731)**	**(82,015)**
Dividends	3	-	(61,017)
Subordinated liabilities	17	-	-
Own equity instruments amortisation		-	-
Acquisition of treasury stock		(15,881)	(14,351)
Other financing related payments		(6,850)	(6,647)
Collections		**27**	**300,079**
Subordinated liabilities	17	-	298,447
Share capital issues		-	-
Sale of share capital instruments		27	1,632
Other investment related collections		-	-
D) IMPACT OF FOREIGN EXCHANGE RATES		**-**	**-**
E) NET INCREASE/DECREASE OF CASH AND CASH EQUIVALENTS (A + B + C + D)		**2,108,374**	**279,221**
F) CASH AND CASH EQUIVALENTS AT BEGINING OF PERIOD		**4,558,815**	**4,279,594**
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD		**6,667,189**	**4,558,815**
BREAKDOWN OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		**6,667,189**	**4,558,815**
Cash	2.26	339,299	420,611
Cash equivalents at central Banks	2.26	6,106,672	3,996,385
Other financial assets	2.26	221,218	141,819
Less: bank overdraft refundable on demand		**-**	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF PERIOD	2.26	**6,667,189**	**4,558,815**
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 2020.

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

CONSOLIDATED ANNUAL REPORT FOR THE YEAR ENDED 31ST DECEMBER 2020
(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 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 regulation, 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 regulation, supervision and solvency of credit institutions.

The Group's consolidated accounts, for fiscal year 2020, 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 2020, 50.81% 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 Affairs & Digital Transformation 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 2019 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 has securities listed for trading traded on 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 2020 are as follows:

Company name	**Activity**
Alqlunia Duero, S.L.U.	Property development
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
Gestión de Inmuebles Adquiridos, S.L.U.	Property development
La Algara Sociedad de Gestión, S.L.U.	Property development
Parque Industrial Humilladero, S. L.	Industrial land development
Propco Blue 1, S.L.U.	Property 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 2020 financial year are as follows:

- During the 2020 financial period, the following entities left the Unicaja Banco Group: Finanduero Sociedad de Valores, S.A.U., company liquidated on 10 January 2020; Cuatro Estaciones Inmobiliaria Siglo XXI, S.L, company liquidated on 20 July 2020; Cartera Perseidas, S.L., company liquidated on 17 November 2020; Alteria Corporación Unicaja, S.L.U., company liquidated on 15 December 2020; Cerro del Baile, S.A., company liquidated on 30 December de 2020; and Desarrollo de Proyectos de Castilla y León S.L.U., company liquidated on 29 January 2020.

- Prior to liquidating the company Alteria Corporación Unicaja, S.L.U, it’s direct stakes in the following companies were transferred to Unicaja Banco S.A.: Unigest, S.A, S.G.I.I.C., Andaluza de Tramitaciones y Gestiones, S.A.U, Unimediación, S.L., Uniwindet, S.L., Unicorp Vida Compañía de Seguros y Reaseguros, S.A., Segurándalus Mediación Correduría de Seguros, S.A., Unicorp Patrimonio Sociedad de Valores, S.A., y Sociedad de Avales y Garantías de Andalucía, S.G.R.

- In addition, the companies Inmobiliaria Acinipo, S.L.U., Inmobiliaria Uniex Sur, S.L.U., and Pinares del Sur, S.L.U, left Unicaja Banco Group after being absorbed on 2 September 2020 by Gestión de Inmuebles Adquiridos, S.L.U.

- During 2020 financial period, the company Participaciones Estratégicas del Sur, S.L. joined the Unicaja Banco Group after the spin-off conducted by the company Ingeniería de Suelos y Explotación de Recursos S.A. on 4 June 2020.

The most important changes to the Group’s composition in 2019 were the following:

- 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., after being absorbed on 18 October 2019 by Unicartera Gestión de Activos, S.L.U. In the same manner, the company Duero Pensiones, E.G.F.P., S.A. left the Group after it was absorbed by Unión del Duero, Compañía de Seguros de Vida, S.A.

- Also leaving the Unicaja Banco Group in 2019 financial period was the company Gestión de Actividades y Servicios Empresariales, S.A.U., when its stake sold on 26 December 2019 and Viajes Caja España, S.A., after it was closed down on 12 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.

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 2020 and 2019 have all been summarized below at 31st December 2020 and 2019:

				€ ´000
		2020		**2019**
	Individual	**Consolidated**	**Individual**	**Consolidated**
Assets	65,260,057	65,544,265	56,572,997	56,707,615
Equity	4,214,589	4,005,192	4,183,367	3,970,395
Profit for the year	163,927	77,826	125,572	172,278
Revenues and expenses of the statement of changes in equity	159,505	83,032	46,312	175,013
Net increase/decrease of cash or cash equivalents	2,103,394	2,108,374	286,300	279,221

The Group's consolidated financial statements for 2020 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 2020 and 2019, 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 2020 and to 31st December 2019.

	€ ´000	
	2020	2019 (*)
Cash, cash balances at central banks and other demand deposits	6,666,800	4,563,406
Financial assets held for trading	177,880	17,583
Non-trading financial assets mandatorily designated at fair value through profit or loss	91,279	89,796
Financial assets designated at fair value through profit or loss	-	-
Financial assets designated at fair value through other comprehensive income	775,647	1,134,484
Financial assets carried at amortized cost	51,827,202	44,995,333
Derivatives - Hedge accounting	615,801	507,229
Investments in subsidiaries, joint ventures and associates	657,832	864,126
Tangible assets	1,100,729	1,113,050
Intangible assets	29,508	14,002
Tax assets	2,853,153	2,822,307
Other assets	219,320	147,053
Non-current assets and disposal groups classified as held for sale	244,906	304,628
Total assets	**65,260,057**	**56,572,997**
Financial liabilities held for trading	11,857	12,958
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities carried at amortized cost	59,189,715	50,409,033
Derivatives - Hedge accounting	609,030	427,761
Change in fair value of hedged items held in a portfolio hedged against interest rate risk	-	-
Provisions	786,492	907,062
Tax liabilities	198,060	209,824
Equity redeemable upon demand	-	-
Other liabilities	250,314	422,992
Liabilities in disposal groups classified as held for sale	-	-
Total liabilities	**61,045,468**	**52,389,630**
Own funds:	4,293,291	4,257,647
Capital or endowment fund	1,579,761	1,610,302
Share premium	1,322,995	1,322,995
Equity instruments issued other than capital	47,429	47,574
Other equity instruments	-	-
Retained earnings	917,786	904,492
Revaluation reserves	-	-
Other reserves	261,485	261,485
Less: *Treasury shares*	(92)	(14,773)
Profit for the year	163,927	125,572
Less: Interim dividends	-	-
Accumulated other comprehensive income:	(78,702)	(74,280)
Items not subject to reclassification to income statement	72,288	18,309
Items subject to reclassification to income statement	(150,990)	(92,589)
Total equity	**4,214,589**	**4,183,367**
Total liabilities and equity	**65,260,057**	**56,572,997**
Loan commitments given	2,470,211	3,047,962
Financial guarantees given	62,815	63,105
Other commitments given	1,913,637	1,977,002

(*) Information presented solely for comparison purposes.

b) Individual income statements for fiscal years 2020 and 2019:

	€ ´000	
	2020	**2019 (*)**
Interest income	724,247	764,046
Interest expense	(146,345)	(185,203)
Net interest income	**577,902**	**578,843**
Dividend income	157,966	103,908
Fee and commission income	242,466	243,752
Fee and commission expense	(21,941)	(22,791)
Net gain/loss on derecognition from the statements of financial assets and liabilities not measured at fair value through profit or loss	92,021	95,591
Net gain/loss from financial assets and liabilities held for trading	(3,062)	2,470
Net gain/loss from non-trading financial assets designated at fair value through profit or loss	664	3,962
Net gain/loss from financial assets and liabilities designated at fair value through profit or loss	-	-
Net gain/loss from hedge accounting	2,827	(1,755)
Net gain/loss on derecognition from the statements of non-financial assets	-	-
Net exchange differences	(9)	417
Other operating income	26,882	37,153
Other operating expenses	(110,018)	(99,130)
Gross Margin	**965,698**	**942,420**
Administrative expenses	(490,496)	(531,518)
Depreciation and amortisation	(48,607)	(39,987)
Provisions or reversals of provisions	(52,015)	(353,020)
Impairment or reversal in the value of financial assets not measured at fair value through profit or loss or net gains by modification	(237,360)	39,897
Net operating income	**137,220**	**57,792**
Impairment or reversal in the value of joint ventures or associates	47,487	13,079
Impairment or reversal of non-financial assets	(1,398)	(2,651)
Net gain/loss on derecognition of non-financial assets and investments	(10,230)	66,022
Recognised negative goodwill	-	-
Gain/loss from non-current assets and disposal groups held for sale not classified as discontinued operations	1,438	(2,603)
Pre-tax income/loss from continuing operations	**174,517**	**131,639**
Tax expense or income on earnings from continued operations	(10,590)	(6,067)
Profit/loss after tax from continued operations	**163,927**	**125,572**
Profit/loss after tax from discontinued operations	-	-
Profit for the year	**163,927**	**125,572**

(*) Information presented solely for comparison purposes.

c) Individual statements of recognised income and expenses for fiscal years 2020 and 2019:

	€ ´000	
	2020	2019 (*)
Profit for the year	**163,927**	**125,572**
Other comprehensive income	**(4,422)**	**(79,260)**
Items not subject to reclassification to income statement	**53,979**	**15,892**
Actuarial gain (loss) in defined benefit pension scheme	4,973	(3,473)
Non-current assets and disposal groups held for sale	-	-
Change in fair value of equity instruments measured at fair value through other comprehensive income	72,140	26,176
Net gain/loss 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	(23,134)	(6,811)
Items subject to reclassification to income statement	**(58.401)**	**(95,152)**
Hedging of net investments abroad (effective portion)	-	-
Foreign currency translation	-	-
Cash flow hedges (effective portion)	(81,137)	(145,140)
Hedging instruments (non-designated items)	-	-
Debt instruments designated at fair value through other comprehensive income	(2,293)	9,209
Non-current assets and disposal groups held for sale	-	-
Income tax on items to be reclassified to income statement	25,029	40,779
Total comprehensive income for the year	**159,505**	**46,312**

(*) Information presented solely for comparison purposes.

d) Individual statement of changes in equity for fiscal years 2020 and 2019:

	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 31/12/2019 (*)	**2,933,297**	**47,574**	**904,492**	**261,485**	**(14,773)**	**125,572**	**(74,280)**	**4,183,367**
Effects of corrections of errors	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-
Opening balance at 01/01/2020	**2,933,297**	**47,574**	**904,492**	**261,485**	**(14,773)**	**125,572**	**(74,280)**	**4,183,367**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**163,927**	**(4,422)**	**159,505**
Other changes to equity	**(30,541)**	**(145)**	**13,294**	**-**	**14,681**	**(125,572)**	**-**	**(128,283)**
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	(30,541)	-	-	-	-	-	-	(30,541)
Dividends (or shareholder remuneration)	-	-	(6,850)	-	-	-	-	(6,850)
Purchase of treasury shares	-	-	-	-	(15,886)	-	-	(15,886)
Sale or redemption of treasury shares	-	-	-	-	30,567	-	-	30,567
Reclassification of equity financial instruments to liabilities	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to equity	-	-	-	-	-	-	-	-
Transfers between equity entries	-	-	125,572	-	-	(125,572)	-	-
Changes in equity due to business combinations	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-
Other changes in equity	-	(145)	(105,428)	-	-	-	-	(105,573)
Balance at 31/12/2020	**2,902,756**	**47,429**	**917,786**	**261,485**	**(92)**	**163,927**	**(78,702)**	**4,214,589**

(*) 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 31/12/2018 (*)	**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.

e) Individual cash flow statements for fiscal years 2020 and 2019:

	€ ´000	
	2020	**2019 (*)**
Cash flow from operating activities	**1,839,402**	**(329,572)**
Profit for the year	163,927	125,572
Cash flow after adjustments to operating activities	(114,770)	(66,136)
Net changes in operating assets	(6,852,656)	1,102,578
Net changes in operating liabilities	8,676,226	(1,449,067)
Income taxes paid	(33,325)	(42,519)
Cash flow from investment activities	**295,327**	**397,805**
Payments	(233,415)	(83,784)
Collections	528,742	481,590
Cash flow from financing activities	**(31,335)**	**218,064**
Payments	(31,362)	(82,015)
Collections	27	300,079
Impact from foreign exchange rates	**-**	**-**
Net increase/decrease of cash and cash equivalents	**2,103,394**	**286,298**
Cash and cash equivalents at beginning of period	4,563,406	4,277,106
Cash and cash equivalents at end of period	6,666,800	4,563,404

(*) 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 2020 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 2020 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 2020 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 2020 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 on certain assets due to impairment (Notes 10, 12, 13, 14 and 15), especially the individual and group estimates of losses from insolvencies in the loans and advances to customers portfolio, together with the determination as to when there has been a significant increase in lending risk (Note 2.7).

- 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 cover 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 2020 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.

Each explanatory note for the consolidated financial statement above describes the effect of Covid-19 on each of the accounting estimates, especially in the case of Note 10, covering “Financial assets at amortised cost”, due to Covid-19's impact on the classification of credit exposures based on their credit risk and on the estimation of the hedges necessary to cover said risk.

1.5 Changes in accounting criteria, errors and information comparison

1.5.1 Changes in accounting criteria and errors

The regulatory changes taken place during 2020 (Note 1.12) have not affected the comparability of the Group's financial information, so it has not been necessary to adapt or reclassify the appropriate 2019 quantitative information published in the consolidated annual accounts of the previous fiscal year. Nor were there any errors requiring restatement of the comparative information for the 2019 period.

1.5.2 Information comparison

As required by IAS 1, the information contained in these consolidated annual statements for 2019 is presented solely and exclusively for the purpose of comparing it with the information for the period ending on 31st December 2020 and, as such, does not constitute the consolidated annual statements of Unicaja Banco Group for 2019.

1.6 Equity interests in credit institutions' capital

In accordance with the provisions of article 28 of Royal Decree 84/2015, 13th February, implementing Law 10/2014, 26th June on the regulation, supervision and solvency of credit institutions the following is the list of capital participations in other credit institutions, both domestic and foreign, held by the Bank at 31st December 2020 and 2019 that are over the threshold of 5% of their capital or voting rights in them:

	% Share	
Entities	**2020**	**2019**
Banco Europeo de Finanzas, S.A.U.	100.00%	100.00%

At 31st December 2020 and 2019, 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 2020, 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 regulation, supervision and solvency of credit institutions, and also in the Bank of Spain's Circular 4/2010, is as follows:

Name	Geographical area
Pablo Fernández Enríquez	Alcolea (Almería)
Gestión 3 Uleila, S.L.	Uleila Del Campo (Almería)
Aplagest Consulting, S.L.	Campo De Criptana (Ciudad Real)
José Antonio Arrebola Benítez	Salinas (Málaga)
Luis Salvador Antúnez Cabello	La Joya (Málaga)
María Dolores Asensio Águila	Paterna Del Río (Almería)
Antonia Castellano Yeste	Hijate (Almería)
María Eugenia Sánchez Berjaga	Hornos De Segura (Jaén)
Pablo Fernández Rivera	Fondón (Almería)
Ángel Maigler Unguetti	Montizón (Jaén)
Ángel Maigler Unguetti	Venta De Los Santos (Jaén)
Antonio Sánchez Ruiz	Villarrodrigo (Jaén)
María Dolores Asensio Águila	Bayarcal (Almería)
José Manuel Alcaraz Forte	Instinción (Almería)
María Isabel Juárez Padilla	Rioja (Almería)
María Dolores Abellán Berruezo	Mojácar (Almería)
Construcciones y Promociones Taberno Gestión Inmobiliaria	Taberno (Almería)
Miguel Sancho Aguilera	El Saucejo (Sevilla)
Félix Domingo Del Hierro	Montiel (Ciudad Real)
Gema Ayala López	Alhabia (Almería)
Segurtojar, S.L.	Fuente-Tójar (Córdoba)
Cavar Mediación S.L.	Peñarroya-Pueblonuevo (Córdoba)
Gema Ayala López	Alboloduy (Almería)
María De Los Ángeles Granados López	Mures (Jaén)
Antonia María Manso Sánchez	Tahivilla (Cádiz)
Miplanfinanciero, S.C.	Cartaojal (Málaga)
Yasmina González Martínez	Génave (Jaén)
H&O Recursos Económicos, S.L.	Luque (Córdoba)
Moisés Herrera Pérez	Sorihuela De Guadalimar (Jaén)
Eulalia Romero Baleta	Pontones (Jaén)
Antonio Ayuso Serrano	Torre De Juan Abad (Ciudad Real)
Dolores Ayala Salguero	Pruna (Sevilla)
Luis Miguel Segura Rodríguez	Benatae (Jaén)
María Del Sol Ojeda Cazorla	Segura De La Sierra (Jaén)
Ana María Ureña Asensio	Valenzuela De Calatrava (Ciudad Real)
Manuel Jesús Jiménez Lara, S.L.	Brenes (Sevilla)
Agencia Financiera F.J. Ramírez, S.L.	María (Almería)
Esmeralda Barba Redondo	Saceruela (Ciudad Real)
Cristina Pérez Mora	Ballesteros De Calatrava (Ciudad Real)
José Manuel Rodríguez García	Jerez De Los Caballeros (Badajoz)
Asesoría Tremp, S.L.	Fregenal De La Sierra (Badajoz)
Agencia Financiera F.J. Ramírez, S.L.	Topares (Almería)
María Del Pilar Salas García	El Gastor (Cádiz)
Evangelina Martínez Romero	Iznatoraf (Jaén)
María Luz Benítez Montero	Zahara De La Sierra (Cádiz)
Simón & García Servicios Financieros, S.L.	Lubrín (Almería)
Antonio Jesús Cano Aceituno	Frailes (Jaén)
Simón & García Servicios Financieros, S.L.	Zurgena (Almería)
Natalia Naranjo Fernández	Benamahoma (Cádiz)
José Velasco Palomo	Cabezarrubias (Ciudad Real)
Asesores La Solana, S.C.	San Carlos Del Valle (Ciudad Real)
José Manuel Orozco Pastor	Coripe (Sevilla)
María Amalia Martos Pastor	Oria (Almería)
Pablo José Moreno Sánchez	Níjar (Almería)

Name	Geographical area
Rosa María Botello Barrero	Olivenza (Badajoz)
María Del Carmen Martos Miras	Líjar (Almería)
María Del Carmen Martos Miras	Albanchez (Almería)
Francisco Rubén Lara Quiñones	Pozo Alcón (Jaén)
Francisca Navarro Lao	Gergal (Almería)
Ismael Barea Jiménez	Villaluenga Del Rosario (Cádiz)
Estela Fernández Villalongo	Horcajo De Los Montes (Ciudad Real)
Isabel Perdiguero Rodríguez	Retuerta Del Bullaque (Ciudad Real)
Campiña Asesores, S.R.L.	Beas (Huelva)
Segurtojar, S.L.	Almedinilla (Córdoba)
Susana Vozmediano Pizarro	Hinojosa De Calatrava (Ciudad Real)
José María Ruiz Sánchez	Mestanza (Ciudad Real)
Arancha López Santos	Los Cortijos (Ciudad Real)
Irene García Casero	Alcolea De Calatrava (Ciudad Real)
Laura López Félix	Villamayor De Calatrava (Ciudad Real)
Velasdiano, S.C.	Solana Del Pino (Ciudad Real)
Alicia García Prieto	Brazatortas (Ciudad Real)
Gestoría Intercazorla, S.L.	La Iruela (Jaén)
Neftalí Gonzálvez Pérez	Santa Fe De Mondújar (Almería)
Ernesto Javier Fernández Arroyo	Castellar De Santiago (Ciudad Real)
Davinia González-Carrato García-Madrid	Villarta De San Juan (Ciudad Real)
Jesús León Minaya	Escañuela (Jaén)
Mairena Moya Ballesteros	Puebla Del Príncipe (Ciudad Real)
María Dolores Ramírez Carmona	Santa Elena (Jaén)
María Pilar Quesada Blanco	Campillo De Arenas (Jaén)
Vicente Canuto Álamo	Viso Del Marqués (Ciudad Real)
María Del Mar González Arias	Ohanes (Almería)
Teodoro Bernabéu Torrecillas	Carboneros (Jaén)
Alejandro Ortiz Bernabé	Abla (Almería)
José Manuel Barrera Castro	Torre Alhaquime (Cádiz)
José Manuel Alcaraz Forte	Ragol (Almería)
Neftalí Gonzálvez Pérez	Pechina (Almería)
María Del Mar González Arias	Canjayar (Almería)
Ana Chica Jiménez	Pegalajar (Jaén)
Esmeralda De Zuqueca Vallez Gómez	Granatula De Calatrava (Ciudad Real)
Francisco Jesús Jiménez Romero	La Guardia De Jaén (Jaén)
María Teresa Martos García	Espeluy Estación (Jaén)
Francisco Javier Rangel Torres	Cazalilla (Jaén)
Juan Liébana Jiménez	Jamilena (Jaén)
Raquel Cousidó Sandoval	Torres De Albánchez (Jaén)
Dominga Pilar Haro Rodríguez	Carrizosa (Ciudad Real)
Juan Ángel Arroyo Blanco	Cózar (Ciudad Real)
Benzadonmuñoz, S.L.	El Burgo (Málaga)
Antonio José Fernández Sánchez	Almogía (Málaga)
Inmaculada Villarejo Becerra	Cuevas Del Becerro (Málaga)
José Manuel Gómez Castaño	Montejaque (Málaga)
Francisco Antonio Ramírez Sánchez	Valle De Abdalajís (Málaga)
Antonio Nicolas Hidalgo Reguera	San José Del Valle (Cádiz)
Josefa Rojas Téllez	Barca De La Florida (Cádiz)
Yolanda Sánchez Bartol	Barruecopardo (Salamanca)
Gaspar Navas Pastrana	Bornos (Cádiz)
Miplanfinanciero, S.C.	Cuevas Bajas (Málaga)
Antonio Javier Ruiz Rodríguez	Tolox (Málaga)
Magali Rodríguez Sánchez	Pedroso De La Armuña (Salamanca)
Belén Josefa Caballero Muñoz-Reja	Aldea Del Rey (Ciudad Real)
Francisco Trujillo Carmona	Alozaina (Málaga)
Rodrigo Domínguez Hoyas	Deleitosa (Cáceres)
Victoria Ortiz López	Cortijos Nuevos (Jaén)
Despacho Rbh León, S.L	Almanza (León)
Juan Bautista Hidalgo Iñigo	Cantalpino (Salamanca)
Dolores Solís Ferrete	Cañete La Real (Málaga)
María De Los Ángeles González Alcaraz	Venta Del Viso (Almería)

Name	Geographical area
Diego José Rodríguez López	Yunquera (Málaga)
Daniel Bernardo Faus	Sueros De Cepeda (León)
Cristina Pérez Mora	Abenójar (Ciudad Real)
Miguel Ángel Macias Rabanal	Rioseco De Tapia (León)
Muriel Saiz De La Parte	Alar Del Rey (Palencia)
Raquel García Prieto	Quintana De Rueda (León)
Raúl Rojo González	Villoldo (Palencia)
Natalia Fernández Llorente	La Adrada (Ávila)
Antonio Matellán Ferreras	Coreses (Zamora)
Beatriz Recio Ortega	Alcaucín (Málaga)
María Isabel Alonso Cruz	Viator (Almería)
Sara Almudena Rodríguez Martin	Riofrio De Aliste (Zamora)
Vanesa García Hernández	San Pedro Manrique (Soria)
Pablo Segurado Hernández	Carbajales De Alba (Zamora)
Jesús Ledesma Gutiérrez	Muga De Sayago (Zamora)
Gerardo Vicente Criado Bueno	Rollán (Salamanca)
José Miguel Berrón Hernández	Muñana (Ávila)
María Cristina Salamanqués Rando	Castronuño (Valladolid)
Begoña Yolanda Arguelles Martínez	Villamanin De Tercia (León)
Francisco Antonio Pérez Gemar	Canillas De Aceituno (Málaga)
Rosana Torrubia Godoy	Periana (Málaga)
Antonio Bedmar Fernández	Arquillos (Jaén)
José Muñoz Arguello’s	Gaucín (Málaga)
María Del Carmen Pomares Molina	Gádor (Almería)
José Manuel García Montoya	Guarromán (Jaén)
Gestión 3 Uleila, S.L.	Sorbas (Almería)
Pb Asesores Economía Y Empresa, S.L.	Valverde De Fresno (Cáceres)
Ana Belén Santamaria Vizán	Moraleja Del Vino (Zamora)
Rodrigo Domínguez Hoyas	Bohonal De Ibor (Cáceres)
Sonia Meléndez Román	Facinas (Cádiz)
María Victoria Lombo Rivas	Mombuey (Zamora)
Esther Puertas Martin	Zarza De Granadilla (Zamora)
Beatriz Nova Gómez	Arroyo Del Ojanco (Jaén)
Tanya Expósito Orcera	Chiclana De Segura (Jaén)
Agencia Financiera F.J. Ramírez, S.L.	Vélez Blanco (Almería)
María Jesús Pérez Rubio	Sierro (Almería)
María Del Pilar Carrión Corral	Purchena (Almería)
Sara Barrado Granado	Madroñera (Cáceres)
Rafael Jiménez Marchal	Valdepeñas De Jaén (Jaén)
Antonia Navarro Latorre	Palomares (Almería)
María Del Sol De Fuente Cuervo	Barrio De Nuestra Señora (León)
Emma Sola García	Chirivel (Almería)
Asesoramiento E Inversiones Ferma, S.L.	Cortegana (Huelva)
Gonzalo Esteban García	Vinuesa (Soria)
María Del Sol De Fuente Cuervo	La Vecilla (León)
Elvira Rubio Cerezales	Villaseca De Laciana (León)
Sonia Mínguez Pérez	Quintana Del Puente (Palencia)
Roció Aparicio García	Fuentes De Nava (Palencia)
Virginia Prieto Casas	Villaralbo (Zamora)
Luis Ángel Lorenzo Macho	Becerril De Campos (Palencia)
Ramon Barrera Bodes	Casar De Cáceres (Cáceres)
Indalhome Inversiones, S.L.	Los Gallardos (Almería)
David Sánchez Sanz	Mingorría (Ávila)
Severo Enrique Marcos Sánchez	Fontiveros (Ávila)
Pinar Martin, S.L.	Villanueva De La Vera (Cáceres)
Daniel Fernández Márquez	Bóveda De Toro (Zamora)
J.M. Gestión y Servicios, S.C.A	Laujar De Andarax (Almería)
Cristina Monge Pérez	Langa De Duero (Soria)
Pb Asesores Economía Y Empresa, S.L.	Cilleros (Cáceres)
Alfonsa Sánchez Mulas	Cantalapiedra (Salamanca)
Víctor Manuel Torres Tejerina	Aspariegos (Zamora)
Carlos Estévez Hernández	Sotoserrano (Salamanca)

Name	Geographical area
Luis Fernando Cabrero Benítez	Fermoselle (Zamora)
Marta Redondo Fernández	Cañamero (Cáceres)
María Luisa Jiménez López	Madrigalejo (Cáceres)
María Luisa Jiménez López	Campo Lugar (Cáceres)
Sonia Prieto Miguel	Corrales Del Vino (Zamora)
María Rocío Martin Madrigal	Torquemada (Palencia)
Luis Miguel Zanca Martin	Santibáñez De Vidriales (Zamora)
Jesús Fernández Salvador	Villanueva Del Campo (Zamora)
Moisés Pérez Abruña	Burganes De Valverde (Zamora)
Elena Alonso Arienza	Gradefes (León)
Constantino Ramos Ruiz	Villanueva De La Fuente (Ciudad Real)
Víctor Ovejero Martin	Dueñas (Palencia)
Despacho Rbh León, S.L.	Laguna De Negrillos (León)
Jorge Manuel García Cabrero	Campaspero (Valladolid)
María De La Paz Ortega Barreiro	Vega De Valcarce (León)
Raquel Pérez García	Palanquinos (León)
Nancy Diaz Silva	Paramos Del Sil (León)
Félix Domingo Del Hierro	Villahermosa (Ciudad Real)
Sonia Pérez Jiménez	Benalup-Casas Viejas(Cádiz)
Joaquín José Aynat Bañón	Almería - El Alquian (Almería)
Manuel Guerrero Verdeja	Estepona-Cancelada (Málaga)
Carmen Ruiz Lisbona	Benamocarra (Málaga)
David Álvarez Devesa	Viana De Cega (Valladolid)
Lidia Blanco Macias	Linares De Riofrio (Salamanca)
José Luis Redondo Marcos	Gómara (Soria)
Javier Villasclaras Fernández	La Robla (León)
Yennifer Finistrosa Montes	Riaño (León)
Cristina Barba Ciudad	Torralba De Calatrava (Ciudad Real)
Samuel Ledesma Andrés	Corral De Calatrava (Ciudad Real)
Antonio Miguel Ruiz Jiménez	Navas De San Juan (Jaén)
Miguel Ángel Beltrán Pérez	Prado Del Rey (Cádiz)
María Ares Lozano	Carbajosa De La Sagrada (Salamanca)
Sofia Corral Pereira	San Emiliano (León)
Nexion Consultores, S.L.	Camponaraya (León)
Raquel Cuesta Calvo	Renedo De Esgueva (Valladolid)
Javier Benito Manso	Mojados (Valladolid)
Viajes Ruralsol, S.L.	Villanueva De Los Castillejos (Huelva)
Jesús Moreno Rural sol	Ibros (Jaén)
Cecilio Esteban Rodríguez	La Maya (Salamanca)
José Alejandro Fernández Alonso	Villafranca Del Bierzo (León)
Jorge Luis Montero Chacón	Camas (Sevilla)
José Vicente Herrera	Calzada De Valdunciel (Salamanca)
José Manuel Aragón Jiménez	Zahara De Los Atunes (Cádiz)
Carlos Estévez Hernández	Ledrada (Salamanca)
Juan Carlos López Sánchez	Cabrerizos (Salamanca)
Álvaro García González	Valderas (León)

1.8 Environmental impact

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

The parent company 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 2020 and 2019, 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 for individual entities and their economic groups, 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.

The above-mentioned Regulation (EU) Nº 575/2013 sets out uniform regulations that institutions must meet regarding: 1) the regulatory requirements over own resources relative to credit risk factors, market risk, operating risk and liquidation risk; 2) requirements designed to limit major risks; 3) liquidity risk hedging relative to wholly quantifiable, uniform and standardized factors, once they are developed by means of a European Commission delegated act; 4) establishing the leverage ratio, and 5) reporting 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 regulation, supervision 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 allocation and distribution of competences established in Regulation (EU) Nº 1024/2013 and set out in more detail in Regulation (EU) Nº 468/2014 of the European Central Bank, on 16th April 2014.

On 24th March 2016, Regulation (EU) Nº 2016/445, of the European Central Bank, on exercising the options and powers provided in Union law, which specifies some of these options and powers, granted to the competent authorities in accordance with Union law on prudential requirements over credit institutions, exercised by the European Central Bank was published. This will be exclusively applied to credit institutions classified as significant under the terms of article 6, paragraph 4, of Regulation (EU) Nº 1024/2013, and part IV and article 147, paragraph 1, of Regulation (EU) Nº 468/2014. 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.

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.

On 7th June 2019, the Official Journal of the European Union (OJEU) published Directive (EU) 2019/878 of the European Parliament and the Council of 20th May 2019 amending EU Directive 2013/36. Among other changes, this Directive added article 104a, section 4 of which stipulates that entities must comply with the requirement imposed by the authority concerned by virtue of article 104, section 1, letter a), for additional own funds to tackle risks other than excessive leverage, with their own funds. These funds must meet the following criteria: (a) at least three quarters of the additional own funds requirement must be met using Tier 1 capital; and (b) at least three quarters of the Tier 1 capital indicated in letter (a) will consist of ordinary tier 1 capital. Institutions will comply with the own funds requirement imposed by the relevant authority by virtue of article 104, section 1, letter a) in order to tackle the risk of excessive leverage using Tier 1 capital. Nevertheless, the authorities may require the entity to comply with the additional own funds requirement using a higher proportion of Tier 1 or ordinary Tier 1 capital when necessary, depending on the specific circumstances of the entity.

Regarding the fiscal year 2020, we should point out that the European Union Commission, the European Central Bank (ECB) and the European Banking Authority (EBA) have provided clarity over how to exercise the flexibility implicit in Regulation (EU) nº 575/2013 (CRR), by publishing interpretations and guidelines on how to enforce the prudential framework in the light of Covid-19. These guidelines include the Commission's interpretative communication, of 28th April 2020, on the application of the accounting and prudential frameworks to encourage banks to lend in the European Union: "Supporting households and businesses amid Covid-19". In response to the Covid-19 pandemic, the Basel Committee on Banking Supervision (BCBS) has also made the implementation of international standards somewhat more flexible, communicating on 3rd April 2020 that it would be more flexible in applying transitional arrangements to introduce the impact of IFRS 9 "Financial instruments" gradually.

Furthermore, on 26th June 2020, the Official Journal of the European Union (OJEU) published Regulation (EU) 2020/873 of the European Parliament and the Council of 24th June 2020 amending Regulations (EU) nº 575/2013 (CRR) and (EU) 2019/876 having regard to certain adjustments in response to the Covid-19 pandemic (*quickfix*). This regulates, among other things, the following: (i) temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic, (ii) temporary exclusion of certain exposures to central banks from the total exposure measure, when calculating the leverage ratio, in view of the COVID-19 pandemic, (iii) exclusion of overshootings from the calculation of the back-testing addend in view of the COVID-19 pandemic, and (iv) temporary calculation of the exposure value of regular-way purchases and sales awaiting settlement in view of the COVID-19 pandemic.

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 2020 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 2020, the European Central Bank established for Unicaja Banco Group, within the SREP framework, a minimum total capital ratio of 12.25%, and a minimum CET1 ratio of 8.75% (phase-in in both instances). This requirement applies for fiscal year 2020 and includes the minimum needed for Pillar 1 of 8% for total capital (or 4.5% in the case of CET1), a Pillar 2 requirement of 1.75% and a capital conservation buffer of 2.5%.

For the year 2021, the European Central Bank established for Unicaja Banco Group, within the SREP framework, a minimum phase-in CET1 ratio of 12.25% (the result of adding the minimum 8% required for Pillar 1 plus the 1.75% Pillar 2 requirement and the capital conservation buffer of 2.5%) and a minimum phase-in CET1 of 7.98% (the result of adding the minimum 4.5% required for Pillar 1 plus the 0.98% Pillar 2 requirement (to cover at least three quarters of the mandatory Pillar 2 requirement using CET1 and at least three quarters using T1) plus the 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 2020 was 16.63%, while its total capital ratio came to 18.17% (both including the year’s retained earnings). 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. In any event, the European Central Bank’s recommendations to restrict dividend distribution during the 2020 financial year in order to preserve credit institutions’ regulatory capital against the economic impacts of Covid-19 (see Note 3), must be taken into account.

At 31st of December 2020 and 2019, Unicaja Banco Group's equity amounted to EUR 4,087,064 thousand and EUR 3,891,674 thousand, respectively, of which EUR 3,739,635 thousand and EUR 3,544,100 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 2020 SREP (Pillar 2) and the 2.5% capital conservation buffer, comes to EUR 1,331,741 thousand at 31st December 2020. Likewise, the CET1 surplus, taking into account the all the above requirements as they apply to CET1, comes to EUR 1,943,755 thousand at 31st December 2020.

		€ ´000
	2020	**2019**
Tier 1 eligible common capital (CET1) (a)	3,739,635	3,544,100
Additional Tier (AT) 1 eligible capital (b)	47,429	47,574
Tier 2 eligible capital (c)	300,000	300,000
Risks (d)	22,492,427	22,982,533
CET1 ratio 1 (A)=(a)/(d)	16.63%	15.42%
AT 1 capital ratio (B)=(b)/(d)	0.21%	0.21%
Tier 1 capital ratio 1 (A)+(B)	16.84%	15.63%
Tier 2 capital ratio (C)=(c)/(d)	1.33%	1.31%
Total Capital Ratio (A)+(B)+(C)	**18.17%**	**16.93%**

		€ ´000
	2020(*)	**2019**
Tier 1 Capital (a)	3,787,064	3,591,674
Exposure (b)	62,108,387	55,844,123
Leverage ratio (a)/(b)	**6.10%**	**6.43%**

(*) While the leverage ratio is comparable from the regulatory point of view, the way in which the denominator is calculated has been temporarily adjusted, using the quickfix (article 500, (c) introduced into the CRR under Regulation (EU) 2020/873), given that institutions can exclude the following exposures to their own national central bank from their total exposure measurement until 27th June 2021: (a) coins and notes that are legal tender within their central bank's geographical remit; and (b) assets that represent credits against the central bank, including reserves in that central bank. The sum exempted by the institution may not exceed the average daily sum of exposures listed under letters (a) and (b) throughout the entire, most recent, period that the entity's reserves are held by the central bank.

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 2020 and 2019, 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.

In the Group, policies, methods and procedures related to Global Risk Management are approved by the Board of Directors of the parent company. The governance bodies and Unicaja Banco's Management, as parent company of the Group, carry out the task of ensuring that these policies, methods and procedures are properly complied with, ensuring that they are fit for purpose, and reviewed on a regular basis.

1.9.2 Minimum reserve ratio

During fiscal years 2020 and 2019, the Bank has met the required minimums applicable under Spanish law for this ratio.

1.10 National Deposit Guarantee Fund

The Bank is part of the Credit Institutions Deposit Guarantee Fund. In the 2020 and 2019 fiscal years, the expenses incurred for ordinary and additional contributions, plus one-off payments to this body, came to EUR 53,488 thousand and EUR 41,388 thousand, respectively, which was booked under the item "Other operating charges" in the consolidated profit & loss statement attached (Note 39.2).

In terms of ordinary contributions, on 7th November 2015, Royal Decree 1012/2015, 6th November, was published, implementing Law 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 fund 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.

The FGDEC's management committee, by virtue of article 6 of Royal Decree 16/2011 and article 3 of Royal Decree 2606/1996, set the annual contributions to be made by the member institutions for 2020, 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 2020; 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 2020.

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 2020, the current value of these contributions came to EUR 10,992 thousand (EUR 16,489 thousand at 31st December 2019).

1.11 Contributions to the resolution funds

During the 2020 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 2020 contribution period came to EUR 15,723 thousand (Note 39.2), while the same item for 2019 came to EUR 7,444 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 therein. The resolution authority will determine the annual contribution on the basis of the annual financing level of the resolution funding mechanism and taking into account the level of financing that must be reached by 31st December 2024 at the latest, according to article 102, paragraph 1, of EU Directive 2014/59, and based on the average sum of guaranteed deposits from the previous year, calculated every quarter, of all the authorized entities in its territory.

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

1.12 Changes in the International Financial Reporting Standards

During fiscal year 2020, 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 2020:

Standards, amendments & interpretations (Note 1.12.1)	**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 (o relative importance)	1st January 2020
Amendment to IFRS 9, IFRS 7 and IAS 39	Benchmark rate reform - Phase 1	1st January 2020
Amendment IFRS 3	Definition of a business	1st January 2020
Amendment IFRS 16	Covid-19-Related Rent Concessions amendments	1st January 2020

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 IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Benchmark rate reform - Phase 2	1st January 2021
Amendment IFRS 4	Extension of temporary exemption from application of IFRS 9	1st January 2021
Amendment IAS 16	Proceeds before Intended Use	1st January 2022
Amendment IAS 37	Onerous Contracts: Cost of Fulfilling a Contract	1st January 2022
Amendment IFRS 3	Reference to the Conceptual Framework	1st January 2022
Annual Improvements to IFRS	2018-2020 cycle	1st January 2022
IFRS 17	Insurance contracts	1st January 2023
Amendment IFRS 17	Amendments to IFRS 17	1st January 2023
Amendment IAS 1	Classification of liabilities as current or non-current	1st January 2023
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 Parent Company's Directors understand that the coming into force of most of these standards will not have a major impact on the Group's consolidated financial statements.

1.12.1 Standards and interpretations effective for the fiscal year in review

During fiscal year 2020 the following modifications of the IFRS or interpretations thereof (hereinafter, "IFRIC") have come into force:

- 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. Among other issues, the revised Conceptual Framework 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 amendments apply on or after 1st January 2020; the Unicaja Banco Group has not exercised the early application option.

- 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 came into force on 1st January 2020.

- IFRS 9 (amendment), IFRS 7 (amendment) and IAS 39 (amendment) “Benchmark interest rate reform - Phase 1”: These amendments are a response to the consequences, as they affect the presentation of financial information, of the reform 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 are not modified due to the change in the interbank offered rate. The amendment came into force on 1st January 2020.

- IFRS 3 (amendment) “Definition of a business": These changes help institutions 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 apply after 1st January 2020; the Unicaja Banco Group has not exercised the early adoption.

- IFRS 16 (amendment) “Covid- 19-Related Rent Concessions”: The IASB has issued an amendment to IFRS 16 “Leases” that permits lessees, as an optional practical expedient, not to assess whether particular rent concessions occurring as a consequence of the Covid-19 pandemic are lease modifications. Lessees may opt to account for those rent concessions as if they are not lease modifications. In many cases, this will give rise to the concession being booked as variable lease payments on the period(s) during which the event or condition triggering the reduced payment occurs. The amendment does not grant this facility to lessors, who have to apply the current IFRS 16 requirements and judge whether there has been an amendment to the corresponding lease contract or not. For the purposes of the EU-IFRS, the amendments shall be applied retroactively and no later than 1st of June 2020 for financial years beginning on or after 1st January 2020.

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 2020 and which the Group did not apply by that year. At the current time, analysis of the future impact that adopting these standards may have is still underway although significant impacts are not anticipated when they come into force. These standards are the following:

- IFRS 9 (amendment), IFRS 39 (amendment), IFRS 7 (amendment), IFRS 4 (amendment) and IFRS 16 (amendment) "Benchmark interest rate reform - Phase 2": The IASB has begun a two - phase project to establish which exceptions, if any, to make for the effects of the interest rate benchmark (IBOR) reform. The amendments from phase 1, issued in September 2019, provided temporary reprieves from specific hedge accounting requirements over relationships affected by the uncertainties arising from the IBOR reform ("phase 1 exceptions"). Phase 2 amendments tackle issues arising from implementing the reforms, including replacing the benchmark rate with an alternative one. The amendments will be apply to fiscal years beginning on or after 1st January 2021, although early application is permitted.

- IFRS 4 (amendment) Extension of temporary exemption from application of IFRS 9 In accordance with the postponement of the effective date of IFRS 17 "Insurance contracts", the amendment modifies the expiry date of the temporary exemption under IFRS 4 "Insurance contracts" with regards to the application of IFRS 9 "Financial instruments", which now requires entities to apply IFRS 9 for fiscal years starting on 1st January 2023 instead of 1st January 2021.

- IAS 16 (amendment) "Intangible assets - Proceeds before Intended Use": Deductions from the cost of an element of intangible assets of any proceeds obtained from selling items produced while the entity is bringing that asset to the condition necessary for it to be capable of operating in the manner intended are forbidden. The proceeds from selling such items, and the cost of producing them, are to be recognised in profit and loss. The amendment also clarifies that an institution is testing whether the asset works properly when it assesses that asset's technical and physical performance. The asset's financial performance is irrelevant for the purpose of this evaluation. As such, an asset may be capable of operating as planned by management and be subject to amortisation/depreciation before it has reached the level of operating performance expected by management. The amendment is effective for the year commencing 1st January 2022.

- IAS 37 (amendment) "Onerous Contracts: Cost of Fulfilling a Contract": The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract, and an allocation of other costs directly related to compliance with the contracts. It also clarifies that before making a separate provision for an onerous contract, the entity will recognise any loss from impairment losses that may have occurred on the assets used in fulfilling the contract, instead of on the assets comprising that contract. The amendment is effective for the year commencing 1st January 2022.

- IAS 3 (amendment) "Reference to the Conceptual Framework": IFRS 3 has been updated to refer to the 2018 Conceptual Framework in order to establish what represents an asset or a liability in a business combination (formerly it referred to the 2001 Conceptual Framework). A further exception has been added in IFRS 3 for liabilities and contingent liabilities. The amendment is effective for the year commencing 1st January 2022.

- IFRS Annual Improvements, Cycle 2018-2020: The amendments affect IFRS 1, IFRS 9, IFRS 16 and IAS 41 will apply to fiscal years starting 1st January 2022 onwards. The most important amendments concern:

  - IFRS 1 "First-time adoption of IFRS”: IFRS 1 provides for an exemption in the event of a subsidiary adopting the IFRSs after its parent company. This amendment enables institutions that have opted for this exemption to measure the accrued translation differences, using the amounts reported by the parent, based on the parent’s date of transition to IFRSs.
  - IFRS 9 "Financial instruments": The amendment covers which costs must be included in the 10 per cent test for the derecognition of financial liabilities. Costs or fees may be paid to third parties or to the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10 per cent test.
  - IFRS 16 "Leases": Illustrative Example 13 accompanying IFRS 16 has been amended by removing from the example the illustration of the reimbursement of leasehold improvements by the lessor, in order to resolve any potential confusion regarding the treatment of lease incentives.
  - IAS 41 “Agriculture”: The amendment removes the requirement to exclude taxable cash flows when measuring fair value under IAS 41.

- IFRS 17 "Insurance contracts": In May 2017, the IASB completed its long-term project to develop accounting regulation for insurance contracts and published IFRS 17, "Insurance contracts". IFRS 17 replaces IFRS 4 "Insurance contracts", that currently permits a wide variety of accounting practices. IFRS 17 will fundamentally change the accounting for all issuers of insurance contracts and investment contracts with a discretionary participation component Originally, the standard´s application was compulsory for fiscal years beginning on January 1, 2021, but early application was permitted only if IFRS 15 "Revenue from contracts with customer" and IFRS 9 "Financial instruments” were applied at the same time. However, compulsory application of IFRS 17 has been postponed for fiscal years beginning on or after 1st January 2023. Standard IFRS 17 has not yet been adopted by the European Union.

- IFRS 17 (amendment) “Amendments to IFRS 17” In response to some of the concerns and challenges voiced about applying IFRS 17, the IASB has drawn up amendments and clarifications designed specially to ease the implementation of this new standard, although these amendments do not change its fundamental principles. In addition, the coming into force of IFRS 17 has been postponed for fiscal years beginning on or after 1st January 2023. Standard IFRS 17 has not yet been adopted by the European Union.

- IAS 1 (amendments) “Classification of liabilities as current or non-current”: The initial amendment to IAS 1 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. Notwithstanding, in July 2020 the standard was amended to change the coming into force of the modification to 1st January 2023. The above modifications have 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 Impact of Covid-19

During the fiscal year 2020, the event with the greatest repercussion on Spain’s economic situation and that of the entire world has been the Coronavirus pandemic that causes severe acute respiratory syndrome (SARS-CoV-2), generally abbreviated to Covid-19.

The illness, identified for the first time in December 2019 in the city of Wuhan (Hubei province, People’s Republic of China), was acknowledged as a “global pandemic” by the World Health Organization (WHO) on 11th March 2020, by which point it was expanding in Spain and other countries in the European Union, with grave impact on the health systems of most countries and causing major social and economic disruption.

In the light of this wider picture, Unicaja Banco and its Group activated the necessary contingency plans, which have helped to underpin the continuity of its business. This response has enabled the Group to continue its work, without putting its business in a critical situation and without affecting senior management’s ability to execute appropriate accounting practices. The Group has not reneged, nor expects to have to renege on important contractual obligations; it therefore does not anticipate any significant consequences deriving from contractual non-compliance as a result of Covid-19.

The main effects of Covid-19 on the accounting estimations in these consolidated Unicaja Group annual accounts are listed in the notes to the consolidated financial statement, in those cases where Covid-19 has had a significant impact, particularly in Note 10 on “Financial assets at amortised cost”, because of Covid-19’s effect on the classification of credit exposures based on its credit risk and on the estimation of hedges for these exposures

On the date when these annual accounts were closed, the likelihood of economic recovery and the speed at which this will occur were uncertain, depending as they do, among other issues, on the macroeconomic measures adopted by the Spanish, European and international authorities, on the effectiveness of the vaccines and how quickly they are given to the general population. Nevertheless, the directors of the parent entity consider that the current application of the company’s accounting principles remains appropriate under these circumstances.

1.14 Merger by absorption of Liberank by Unicaja Banco

On 29th December 2020, the Boards of Directors of Unicaja Banco S.A. and of Liberbank S.A. agreed on the common draft terms of the merger by absorption between Liberbank (acquired company) and Unicaja Banco (acquiring company).

As described in the joint merger project, the health and economic crisis caused by Covid-19, together with other structural challenges already facing Spanish and other European credit institutions, such as the low interest rate environment, the sector's digital transformation and the irruption of new Fintech competitors, mean that the merger between Unicaja Banco and Liberbank is a strategic opportunity to consolidate both institutions' positioning. Furthermore, this strategic opportunity has arisen at a moment in which the Single Supervisory Mechanism (SSM) is clearly in favour of encouraging mergers such as this which, as well as having a strategic rationale, mean that the challenges facing the sector can be met from a position of greater strength and, in particular, enable institutions to reach a higher number of customers with an optimized cost structure, and to take on digital transformation investments jointly.

After the merger, the joint merger project points out:

- Based on the information publicly available, the combined entity will become the sixth largest credit institution in the Spanish market in terms of assets (the fifth largest if the integration of CaixaBank and Bankia is counted), the sixth in terms of deposits (the fifth if the integration of CaixaBank and Bankia is taken into account), and the seventh in terms of gross loans to customers (the sixth if the integration of CaixaBank and Bankia is counted).

- From the commercial perspective, the integration of Unicaja Banco and Liberbank will allow the combined entity to extend its footprint across 80% of Spain's landmass, with little overlap in the geographical areas in which they currently operate and where each institution has deep historical roots. Furthermore, the complementary nature of their branch networks and footprints will give the combined institution leading market shares in at least four autonomous regions.

In short, as indicated in the joint merger project approved by the Boards of Directors of both Unicaja Banco and Liberbank, the merger of both institutions is also a very close strategic fit, bearing in mind (i) Unicaja Banco and Liberbank's regional leadership in their respective heartlands, (ii) the strong brand recognition enjoyed by both institutions, (iii) their very solid, loose, liquidity structure, and (iv) their strong solvency position. Furthermore, the type of retail banking in which both institutions specialize, with a high concentration in retail mortgage lending, and a lot of SME business, means that the cultural fit between the two entities will make integration easier.

The share exchange ratio between the merging institutions, which has been calculated on the basis of the real value of Unicaja Banco y Liberbank's net equity, will be 1 newly issued Unicaja Banco share, with a nominal value of one euro, with the same characteristics and rights as existing Unicaja Banco shares at the time of issuance, for every 2.7705 Liberbank shares, with a nominal value of two eurocents each.

In accordance with the stipulations of the second paragraph of article 34.1 of the 3/2009 Act covering structural amendments to corporations, Unicaja Banco and Liberbank applied to Malaga's Companies Register for an independent expert to draw up a report on the joint merger project, with the scope of the brief as stipulated in article 34.3 of the same law.

In line with the provisions in article 36.3 of the Structural Amendments Act, Unicaja Banco and Liberbank's merger balance sheets will be replaced by their respective half-yearly financial statements, as required under securities market legislation, statements that were closed on 30th June 2020, and published by Unicaja Banco and Liberbank.

In compliance with Art.89.1 of the 27/2014 Corporation Taxation Act, dated 27th November, the merger will be subject to the tax regime laid out in Chapter VII, Heading VII and in the 2nd Additional Provisions of this law, as well as in Art. 45, paragraph I.B.10 of Legislative Decree 1/1993, 24th September, passing into law the recast text of the Tax on the Transfer of Assets and Stamp Duty. This regime allows corporations to be restructured with a tax-neutral treatment, provided that the transaction in question is carried out for legitimate economic reasons, such as those described in the Joint Merger Project.

The joint merger project is expected to be submitted for the approval of Unicaja Banco and Liberbank's Boards of Directors. Once the merger has gone through, Unicaja Banco will acquire all of Liberbank's rights and obligations by means of universal succession. The merger is expected to be completed by the end of the second quarter or early in the third quarter of 2021.

The efficacy of the merger depends on the following conditions precedent:

- The authorisation by the Minister of Economic Affairs and Digital Transformation, in accordance with the twelfth additional provision of Law 10/2014, 26th June, on the regulation, supervision and solvency of credit institutions.

- Authorisation by the National Markets & Competition Commission of the economic concentration resulting from the merger, in compliance with the Defence of Competition Act 15/2007, 3rd July, and supporting legislation.

- Obtaining whatsoever remaining authorisations or non-opposition statements as may be necessary or advisable from the European Central Bank, Bank of Spain, National Securities Market Commission, General Directorate of Insurance & Pensions and any other administrative or oversight body prior to the merger becoming effective. These should include, in particular, the non-opposition of the European Central Bank to the ensuing increase of the Unicaja Banking Foundation's stake in Unicaja Banco as an outcome of the capital reduction of the latter registered on 18th November 2020, such that, albeit on a temporary basis until the merger is complete, this shareholder is authorized to hold more than 50% of Unicaja Banco's capital.

Since the joint merger project has not yet been submitted for approval to the General Shareholders' meetings of Unicaja Banco and Liberbank, the merger project does not have direct accounting impact on these consolidated annual accounts for the 2020 period.

1.15 Events occurring after the end of the period

In the period between the end of the financial year on 31st December 2020 and the date on which these consolidated annual statements were prepared, there have been no particularly important events which are not already covered in the annual report.

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 2020 and 2019 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 2020 and 2019, 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 2020 in subsidiary entities.

At 31st December 2020 and 2019 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 2020 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, was considered an associate entity. Regarding this stake, 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 2020.

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.

Regarding the evaluation of the business model, the purpose of which is to keep financial assets to receive contractual flows, the latter 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 life 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 or the volume of cashflows, the link between contractual flows to specific projects or assets rather than the borrower's ability to repay 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 the 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 5%.

2.2.2 Classification of financial liabilities

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

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

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

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

2.2.3 Initial measurement of financial instruments

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

Unless there is evidence to the contrary, the fair value at the initial recognition is the price of the transaction, equivalent to the fair value of the consideration given.

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 income.

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

- **Financial assets and 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 or 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 or 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 or loss (net)" and "Gains/losses from financial assets and liabilities designated at fair value through profit or 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 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 book 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 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.

  On 6th June 2019, the European Central Bank announced its new targeted longer-term refinancing operations programme (TLTROs III). On 30th April 2020, the European Central Bank's Governing Council made a series of amending decisions to the terms and conditions of these financing operations in order to provide further support for lending to households and enterprises in the light of current economic disruption and increased uncertainty. These amending decisions reduced the interest rate on these operations by 25 basis points to -0.5% from June 2020 to June 2021, and allow for the interest rate to drop to -1% for the period between June 2020 and June 2021 in the case of institutions that reach a certain volume of eligible loans. Furthermore, these conditions were prolonged until 10th December 2020 for operations signed between 1st October 2020 and 31st December 2021, including the option to cancel or reduce the financing sum before maturity in time-windows coinciding with periods of review and interest rate adjustments.

  Paragraph B5.4.4 of IFRS 9 indicates that, to book amortised cost, the institution will use a shorter period when the fees, basis points paid or charged, transaction costs, premiums or discounts refer to this item. This is the case when the variable with which the fees, basic points paid or charged, transaction costs and discounts or premiums are correlated is adjusted to market rates before the expected maturity of the financial instrument. In this scenario, the appropriate amortisation period is the period until the next adjustment date.

In this case the 1% interest rate applicable from June 2020 to June 2021 (created by the April 2020 amendment to the programme) and from June 2021 to June 2022 (deriving from the December 2020 amendment to the programme) corresponds to a specific period after which the financing adjusts to market rates (specifically, the average rate applied on the Eurosystem's main financing transactions), and as such these will have to be charged until the next adjustment date. The early amortisation windows on this financing programme are substantive conditions, given that, at the time of adjusting the cost of financing to those of the market, the institution can choose whether to renew or cancel and obtain new financing on more favourable terms.

In view of this, the Unicaja Banco Group has opted to accrue interest in line with the specific adjustment periods to market rates, such that the interest corresponding to the June 2020-June 2022 period (that is, -1%) will be booked on the consolidated profit and loss account for that same period, on the assumption that the threshold of eligible loans which results in the more favourable rate is reached. This compliance is estimated on the basis of the performance of the eligible loan portfolio to date, and on the budgets for 2021. During 2020, there have been no changes in the estimated cash flows resulting from amendments in the assessment of compliance with these thresholds.

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 or 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 or 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 transferred.

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 risk covered will be almost entirely offset by the changes in fair value or in the cash flows, as the case may be, of the hedging instrument or instruments and that, retrospectively, the results of the hedge will have fluctuated 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 – 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 on the consolidated income statement.

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

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

If a cash flow hedging transaction, or a transaction to hedge net investments overseas, is interrupted, the accumulated income of the hedging instrument recorded in the section “Net equity – 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 covered item being a transaction that is expected to end up recorded as a non-financial asset or liability.

2.4 Foreign currency transactions

2.4.1 Operating currency

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

The euro equivalent of total assets and liabilities in foreign currency held by the Group at 31st December 2020 comes to EUR 105,529 thousand and EUR 94,919 thousand, respectively (EUR 98,114 thousand and EUR 87,837 thousand, respectively, at 31st December 2019). 57% and 59%, respectively, at 31st December 2020 were in United States dollars (50% and 50%, respectively, at 31st December 2019); 33% and 35% respectively, at 31st December 2020 were in Swiss Francs (36% and 43%, respectively, at 31st December 2019), while 4% and 3%, respectively, at 31st December 2020 were in pounds sterling (7% and 5%, respectively, at 31st December 2019), 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 2020 and 2019, 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 2020 financial period, the amount of the exchange differences recorded on the Group's consolidated income statement came to EUR 9 thousand of (net) loss, whereas during the 2019 financial year they came to EUR 415 thousand of (net) gains.

Financial instruments classified in the portfolio "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 fiscal year 2020, the net amount of the exchange differences charged against the consolidated statement of recognised income and expense as "Foreign exchange conversion" comes to EUR 10 thousand in losses (net), while in the fiscal year 2019 it was EUR 56 thousand in gains (net).

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 or 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 or 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 receivables 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 EU-IFRS 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.

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 grouping classification indicators developed by the Group as part of its internal methodology for estimating provisions, debt instruments that do not meet the criteria to be classified as non-performing or write-off risk, but which display weaknesses that could entail higher losses than the rest of the transactions classified as performing risk, are considered Stage 2 ('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 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 in which some of the following circumstances apply as Stage 3 (non-performing risks):

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

With respect to the impact that Covid-19 is having on the classification of risk of credit exposures (see comments on Note 1.13) and in accordance with the various statements made by the authorities, among them the European Banking Authority (EBA), the European Central Bank (ECB), the European Securities & Markets Authority (ESMA), the International Accounting Standards Board (IASB), the Basel Committee on Banking Supervision (BCBS) and the Bank of Spain, about how to interpret the standards that regulate aspects such as the assessment and recognition of significant increases in credit risk or the impact of refinancing on this assessment, the Unicaja Banco Group has updated its policy about what it considers a significant risk increase, differentiating between those cases presenting temporary liquidity issues resulting from the Covid-19 crisis from those with structural problems whose source cannot be linked solely to said crisis.

In view of these public statements, Unicaja Banco Group has adapted its criteria for identifying and recognising significant risk increase in order to distinguish between borrowers who are suffering temporary liquidity restrictions and those who really have exposures whose credit risk has significantly grown. In this way, and by paying attention to the triggers reflecting borrowers' circumstances before the declaration of the Covid-19 state of alert, the classification of transactions as Stage 1 risk has remained unchanged except where there are specific indicators that have caused a significant increase in the transaction risk.

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 reverse 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 specialised credit institutions 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 since 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 price 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).

Impairment losses

Impairment is calculated by the Group: (i) on a case-by-case basis for those exposures which show evidence of impairment or significant increase 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 sector specific parameters, learned from experience and from information held by the Bank of Spain on Spanish banking sector or the remaining exposures. For these purposes, the transactions are grouped together according to their shared credit risk features, which highlight holders' ability to pay all sums due, principal and interest, according to the contractual conditions.

- Individual hedges are estimated using future cash flow discounting techniques. To do this, the Group has current, reliable information about the holder or guarantors' solvency and ability to pay. Individual coverage estimates for performing transactions take into consideration not only credit losses (LGD), 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 has defined its threshold system for when to treat a transaction as significant for the purposes of classification and coverage estimates. Using this system, a transaction is considered significant when any of the following thresholds is crossed:

- Borrowers classified as non-performing: those with exposure of more than EUR 2 million (or 5% of the institution's own funds), when their non-performing risk amounts to more than 20% of their total exposure.

- Borrowers classified as watch-list performing: those with performing loans with exposure of over EUR 3 million (or 5% of the institution's own funds), when that watch-list performing and/or non-performing risk amounts to over 20% of their total exposure.

- Borrowers classified as performing: those with total exposure of over EUR 5 million (or 5% of the institution's own funds) when they do not fall into either of the previous two categories.

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 developed 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 variables representative of the economic context, the Group uses the macroeconomic table published by the leading National and European organisations. In order to avoid potential problems that might arise as a result of creating too many parameters in our projections, parameters are 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 economic losses in the loan portfolio. 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 chain-linked volume indicator adjusted for trend-cycle data, (ii) the unemployment rate, defined in terms of "unemployed population/working population", and (iii) year-on-year rate of change 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 rate of change 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 are 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 spread 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 change 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 cumulative probability, and (ii) An optimistic scenario: on the 80th percentile distribution of each variable's cumulative probability.

Taking into account Covid-19's impact on the volatility of the key macroeconomic variables forecasts used in collective coverage estimation models (Note 1.13), in the 2020 period the Group has enhanced the estimations calculated using internal models with an adjustment (hereinafter, "post-model adjustment" or PMA) so as to build in the effect of the forecasts over future macroeconomic conditions in a highly uncertain scenario. In this way, following the precepts of the financial sector's leading supervisory bodies (including the European Banking Authority, the European Central Bank and the Bank of Spain), the Group has given greater weight to the long-term projections.

Within this context, the Unicaja Banco Group <has updated its estimates, using the information available as of 31st December 2020, incorporating the existing forecasts for the key macroeconomic variables that affect these models' forward-looking information. Unicaja Banco Group has chosen to add the macroeconomic impairment caused by Covid-19 using a post-model adjustment (PMA), such that the base model no longer has a forward-looking effect, since this is built into the PMA itself.

The estimations made by the Group for the PMA are based on the following base macroeconomic scenario, which makes projections for the key macroeconomic variables in the Spanish economy to which the loan portfolio is sensitive:

			€ ´000
	2021	**2022**	**2023**
Real GDP (% year-on-year change, year average)	7.6%	2.3%	2.0%
Unemployment rate (% year-on-year change, year average)	18.1%	17.5%	15.6%
CPI (%, year average)	0.5%	0.9%	1.3%
Housing prices (% year-on-year change, year-end)	-2.3%	0.5%	1.5%

Unicaja Banco Group believes that the PMA is the best way of recognising the increased loss expected in the circumstances arising from Covid-19 and its economic consequences, since a mechanical application of the expected credit loss methodology, as the European Banking Authority points out, may lead to estimates that do not match the future circumstances.

This quantification method is backed up by processes that have been properly documented and subjected to strict governance oversight, given that it uses the Group's econometric models and macroeconomic scenarios that have been adjusted to the current context. Furthermore, Unicaja Banco Group continues to monitor the macroeconomic forecasts so that, as the situation begins to stabilise, the base models are updated accordingly in order to continue with the Group's usual provisioning quantification process.

The impact on the 2020 period of these changes in the Group's estimations has been broken down in Note 10.7 of this consolidated annual accounts report.

In addition, 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 present 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 When the consolidated entity is the lessor

When consolidated institutions act as lessors in 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 When the consolidated entity is the lessee

When consolidated institutions act as lessees in lease transactions, 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 booked under the heading "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 commencement 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 a change 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 variable 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 and known to happen, 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 Bank measures the right-of-use asset at cost:

  a) Less the accumulated amortization or depreciation and any accumulated impairment loss. If the ownership of the leased asset is transfered 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 2020 and 2019 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 the Social Security contributions made by its employees, and others with similar rights, in the case of retirement, death of a spouse, permanent or severe disability.

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

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

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

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

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

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

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). According to the labour agreement in place, the Group must complete the Social Security contributions of its employees, and others with similar rights, in the case of retirement, orphanhood, 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.

On 25th December 2020, the Official State Bulletin (BOE) published a resolution by the General Employment Directorate dated 23rd November 2020. The resolution records and publishes the collective employee agreement for savings & loans and financial savings institutions, articles 42 and 71 of which cover wage growth and pension growth. These articles analyse the consistency of the working assumption that have been used to quantify, from an accounting perspective, those of Unicaja Banco Group's pension commitments that have been affected by these two variables. This analysis points out the following:

- The Bank's commitment as regards the revaluation of beneficiaries' annuities, depending on which entity the beneficiary worked for, are linked to the CPI (in the case of employees from Unicaja Banco) or the index specified in the above-mentioned agreement (commitments emanating from EspañaDuero). These are long-term commitments in both cases.

- In the case of variable wages and its future growth, this affects a small group of employees still working who have defined retirement remuneration. It is calculated from the employee's pensionable wage (all beneficiaries emanate from Unicaja Banco). It also affects the long service award commitment.

In the light of this analysis, we have unified the accounting assumptions that should be applied in relation to these two variables, as far as our commitment allows, and whatever the provenance of the commitment:

- Pension revaluation rate for commitments linked to the CPI: 1.5% per year (1% or 3% in 2019)

- Pension revaluation rate for commitments linked to the agreement: 2% per year (2.5% in 2019)

- Salary growth rate: 2.5% per year (1 percentage point higher than the growth of commitments linked to the CPI)

At this time, noting the CPI's performance and the wage provisions in the agreement for the next two periods (0% in 2021, 0.75% in 2022 and 1% in 2023), the adjustment made to the variable wages and pensions is commensurate and in line with the agreement.

Finally, the General Insurance and Pensions Directorate's Resolution of 17th December 2020 (published in the Official State Bulletin (BOE) on 28th December), on mortality and survival tables, has the purpose of explicitly stating that certain biometric tables are not admissible, while declaring admissible the new tables published in the annex to the resolution. The Resolution indicates which of these apply to pension plans.

Even when this resolution does not explicitly state which tables should be applied, for the purposes of quantifying in the accounts the companies' pension commitments to its employees, if we refer to the Regulation on how to implement companies' pension commitments to its employees and beneficiaries (Royal Decree 1588/1999 and subsequent updates), this sets out that in order for internal resources to be able to implement pension commitments, they must be endowed with criteria that are equally rigorous to those placed on the commitments taken on through pension plans.

Even with the lack of time because of the proximity of year-end, once an initial analysis of Unicaja Group's pension commitments to its employees and beneficiaries was completed, based on their characteristics, on whether they are outsourced, and on whether the risks are assumed directly by the Group or transferred to an insurance company by taking out insurance policies, the following should be noted:

- A commitment that has been outsourced through insurance policies that are suited to outsourcing, or else outsourced by means of a Pensions Plan, provided that the pension plan has in turn taken out an insurance policy to transfer onto the insurer the biometric and interest rate risks, the effect of applying a given actuarial table on the accounting quantification of the pension commitments, has no effect at all if this same table is applied when quantifying the accounting obligation at the same time as quantifying the asset concerned.

- A commitment that is held in internal funds or pension plan whose biometric risk is directly taken on by the Pension Plan, quantifying it with biometric tables such as 1st order PERM/F 2020, as indicated in the General Insurance and Pensions Directorate's Resolution, compared to PERM/F 2000P tables, which have been replaced by virtue of this resolution, increases the amount of the accounting obligation that must be booked in the institution's Liability balance sheet. For these groups, as the appropriate actuarial studies show, the calculation and, in consequence the accounting item, take into consideration the new table that is admissible by virtue of the General Insurance and Pensions Directorate's resolution.

To 31st December 2020 and 2019, actuarial calculations for the defined contribution systems have been made, applying the following assumptions:

Plan 1 Unicaja Banco	**2020**	**2019**
Rate of wage increase	2.5%	2%
Increase in social security coverage (contribution base)	1.5%	1%
Pensions review rate	1.5%	1%
Mortality rate	PERM/F 2000-P	PERM/F 2000-P

Plan 2 Unicaja Banco	**2020**	**2019**
Rate of wage increase	0% (*)	5%
Increase in social security coverage (contribution base)	0% (*)	3%
Pensions review rate	1.5%	3%
Mortality rate	PERM/F 2000-P	PERM/F 2000-P

(*) To 31st December 2020 there were no asset collectives in this Plan, so the effect of wage growth and social security coverage is nil.

EspañaDuero Plan 1	**2020**	**2019**
Rate of wage increase	0%	0%
Increase in social security coverage (contribution base)	0%	0%
Pensions review rate	1.5%-2%	1.5%-2.5%
Mortality rate	PERM/F 2000-P/ 2020 1st Order	PERM/F 2000-P

EspañaDuero Plan 2	**2020**	**2019**
Rate of wage increase	0%	0%
Increase in social security coverage (contribution base)	0%	0%
Pensions review rate	2%	0%-2.5%
Mortality rate	PERM/F 2000-P/ 2020 1st Order	PERM/F 2000-P

Commitments accrued by retired staff to 31st December 2020 and 2019 are outsourced in Unifondo Pensiones V pension fund and are covered 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 PERM/F 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 2020 and 2019, there were no outstanding payments 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 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 untransferable financial instruments issued by the Group.

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

The difference between real and preliminary actuarial assumptions will be treated as “actuarial gain or loss”, as will changes in the actuarial assumptions used.

In compliance with IAS 19, the Group records actuarial gains & 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 cover 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 2020 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 high credit-rated corporate bonds was 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 2020.

2.12.1.3 Post-employment defined benefit commitments

The post-employment defined benefit commitments held by Unicaja Bank at the close of the 2020 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 cover commitments from pensions resulting 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 cover 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 cover 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, with cashflow matching.

2.12.2 Other long term employee benefits

During fiscal years 2020 and 2019 the Group reached a number of individual agreements consisting, mainly, in early retirements through contract suspension, in which all commitments are suitably covered 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 covering the contingencies of death and disablement of employees while they remain active and are covered by insurance policies underwritten by the Pension Plan (Note 2.12.1) signed with Unicorp Vida, Compañía de Seguros y Reaseguros, S.A., are recorded on the consolidated income statement for a sum equal to the sum of these insurance policies' premiums accruing in each financial period.

2.12.4 Long service awards

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

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

2.12.5 Redundancy payments

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

2.12.6 Voluntary severance plans

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

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

On 30th September 2020, the Bank implemented a new voluntary early retirement plan, for which employees who are 58 or older on 31st December 2022 and have not signed up for any of the severance plans currently in force are eligible.

2.13 Taxes on profits

The tax expense 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 contra entry in the Group's net equity.

The tax expense 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 it for tax purposes. A taxable temporary difference is one that will generate a future obligation to the Group involving one off payments to the public administration. A deductible temporary difference is one that will trigger for the Group a right to reimbursement or a reduction in the payment to be made to the public administration concerned at some point in the future.

The tax credits from deductions and allowances 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.

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. The sums which are expected to be recovered or paid out, respectively, from the administration concerned in future financial periods, on the other hand, are treated as deferred tax assets or liabilities.

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

The Group only 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 when it is 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 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 deferred tax asset to be swapped for public debt 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 right of use that comply with the conditions laid out in IFRS 16 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, 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 amortisation" 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 "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 "Impairment or reversal in the value 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 make a capital gain from their sale from 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 consolidated 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 other 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 – Associates” 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 other 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 capitalized 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 other 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 debts to satisfy, wholly or partially, financial assets representing collection rights from them, however their ownership is acquired, and that, because of their nature and the use to which they are put, are classified as inventory by the Group, are recorded initially at their acquisition cost. This is understood as the net book value of the debts which gave rise to them, and this net value is calculated according to the regulations 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 drawing up the subsidiaries' annual statements, their company directors distinguish between:

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

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

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

The provisions are quantified taking into account the best information available on the consequences of their root cause 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 2020 and 2019 financial years, several judicial proceedings and complaints procedures against Group subsidiaries were underway, arising from the normal course of their business activities. Both the Group's legal advisors and its board directors are of the opinion that the outcome of these proceedings and complaints will not have a significant impact on the consolidated annual statements of the fiscal years in which they are completed.

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

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

2.19 Transfer of financial assets

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

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

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

- 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 liabilities included in disposal groups 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 time when they are considered as such and their fair value, net of the its estimated sales costs. To determine these values, the Group has developed internal methodologies, that enable them to estimate assets' present fair value, based on the latest appraisals received, and the sales costs expected. While they remain in this category, tangible and intangible assets are not depreciated/amortised although by their nature they could be.

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

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

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

2.21 Insurance or reinsurance contracts

Accounting policies followed by the Unicaja Banco Group on assets and liabilities under insurance and 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 contingent 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 pertain to the period of cover going beyond the end of the financial period. To 31st December 2020 and 2019, 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 policyholder 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 the specific assets assigned to determine the value of the rights.

o *Provision for benefits:* 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.

o *Provision for participating in bonuses and rebates:* This provision covers the benefits accrued by policy holders or beneficiaries, and the value of the premiums that have to be refunded 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.

o *Liabilities from accounting mismatch:* 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 contra entry 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 appropriate expenses. Insurance and reinsurance premiums are recorded using the accrual criterion, collecting the premiums accrued and ceded in the period and the variations in the technical provisions for unearned premiums. Technical expenses for losses, which are booked following the accrual criterion, 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 Gains/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 loss 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 2020 and 2019 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 for said values.

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

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

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

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

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

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

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

2.24 Consolidated statement of recognised income and expense

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

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

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

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

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

- Amounts transferred to the initial value of the hedges 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 recognised statement of recognised income and expense as indicated above.

- Other changes 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 2020 and 2019, 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 2020 and 2019, 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 changes 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, balances at central banks and other demand deposits” heading of the consolidated balance sheet The Group’s cash balance at 31st December 2020 amounts to EUR 339,299 thousand (EUR 420,611 thousand at 31st December 2019) (Note 7).

- Balances held with central banks, which are recorded under the “Cash, balances at central banks and other demand deposits” heading on the asset side of the consolidated balance sheet, which at 31st December 2020 came to EUR 6,106,672 thousand (EUR 3,996,385 thousand at 31 December 2019) (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, balances at central banks and other demand deposits" heading on the consolidated balance sheet, with volume coming at 31st December 2020 to EUR 221,218 thousand (EUR 141,819 thousand to 31st December 2019) (Note 7).

3. Application of earnings of the Parent Company

The proposal for distributing the parent company's net profits from the 2020 period that its Board of Directors will submit to the General Shareholders' Meeting for approval, together with the proposal that was approved for the 2019 period, is as follows:

	€ ´000	
	Proposal 2020	**Approved 2019**
Dividends - Interim dividends	16,909	-
Interim dividend paid	-	-
Dividends payable - First tranche	*11,544*	-
Dividends payable - Second tranche	*5,365*	-
Reserves - Legal reserve	16,393	12,557
Reserves - Capitalization reserve (Tax Law 27/2014)	7,700	4,000
Reserves - Voluntary reserves	122,925	109,015
Net profit	**163,927**	**125,572**

Dividends pending disbursement for the 2020 period are divided into two tranches.

Payment of the first tranche of EUR 11,544 thousand is subject to the condition precedent - to ensure the neutrality of this dividend with the exchange ratio agreed in the Joint Merger Project signed on 29th December 2020 between Unicaja Banco and Liberbank - that Liberbank's General Meeting approves a dividend payment against 2020 earnings of EUR 7,857 thousand. This condition precedent will only apply if the Extraordinary General Meetings of Unicaja Banco and Liberbank respectively approve the merger agreement. The disbursement of the first tranche of the dividend will be effective on 16th April 2021.

Payment of tranche two, of EUR 5,365 thousand, will be effective once the merger with Liberbank, S.A. has been filed with Companies Registry in Malaga, on the date that Unicaja Banco, S.A.'s Board of Directors determines.

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

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

Also, at time of filing these annual accounts, Unicaja Banco's Board of Directors, after confirming that the conditions set out in the issue prospectus were met, resolved to pay the discretionary remuneration of the Perpetual Contingent Convertible Bonds (PeCoCos) issued by the Bank, for a total gross amount of EUR 6,850 thousand, and paid out on 28th March 2021 (in the previous year, a discretionary remuneration was agreed on the 21st 2020 of February for an amount of EUR 6,850 thousand for the outstanding PeCoCos which was paid out on 30th March 2020.)

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 2020 and 2019 are as follows:

	2020	2019
Net income attributed to the Parent Company (€ ´000)	77,831	172,281
Adjustments: Remuneration of contingent convertible instruments (€´000)	(6,850)	(6,850)
Adjusted net income (€ ´000)	70,981	165,431
Of which: Net income from operations (€´000)	*70,981*	*165,431*
Of which: Net income from discontinued operations (€´000)	-	-
Weighted average of outstanding ordinary shares less treasury stock (´000)	1,582,947	1,604,781
Basic earnings per share from continuing operations (€)	0.045	0.103
Basic earnings per share from discontinued operations (€)	-	-
Basic earnings per share (€)	**0.045**	**0.103**

	2020	2019
Net income attributed to the Parent Company (€ ´000)	77,831	172,281
Adjustments: Remuneration of contingent convertible instruments (€´000)	(6,850)	(6,850)
Adjusted net income (€ ´000)	70,981	165,431
Of which: Income from operations (net of minority holdings)	*70,981*	*165,431*
Of which: Income from discontinued operations (net of minority holdings)	-	-
Weighted average of outstanding ordinary shares less treasury stock ('000)	1,582,947	1,604,781
Average number of shares resulting from bond conversion ('000)	-	-
Adjusted total average number of shares for calculation of diluted earnings per share ('000)	1,582,947	1,604,781
Diluted earnings per share from continuing operations (€)	0.045	0.103
Diluted earnings per share from discontinued operations (€)	-	-
Diluted earnings per share (€)	**0.045**	**0.103**

At 31st December 2020 and 2019, the 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 and other instruments outstanding during fiscal years 2020 and 2019 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 0.048 per share in fiscal year 2020 and to EUR 0.105 per share in fiscal year 2019 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 2020 and 2019 were as follows:

						€ ´000
			2020			**2019**
	% of nominal value	**Euros per share**	**Amount**	**% of nominal value**	**Euros per share**	**Amount**
Ordinary shares	-	-	-	3.79%	0.04	61,017
All other shares (no vote, redeemable, etc.)	-	-	-	-	-	-
Total dividends paid	**-**	**-**	**-**	**3.79%**	**0.04**	**61,017**
Dividends paid from net income			-			61,017
Dividends paid against retained earnings or share premium			-			-
Dividends in kind			-			-

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

On 21st February 2020, Unicaja Banco, S.A.'s Board of Directors agreed to submit for approval to the General Shareholders' Meeting the following proposal for distribution of earnings from 2019, which was included in that financial year's annual accounts and in the Notice of the Annual General Meeting on 27th March 2020:

	€ ´000
Dividends - Interim dividends	77,525
Interim dividend paid	-
Dividends payable	*77,525*
Reserves - Legal reserve	12,557
Reserves - Capitalization reserve (Tax Law 27/2014)	4,000
Reserves - Voluntary reserves	31,490
Net profit	**125,572**

As a result of the economic impacts of Covid-19, in order to safeguard credit institutions' regulatory capital, the European Central Bank issued a recommendation on 27th March 2020 that European banks under its supervision (a group in which Unicaja Banco is included) should refrain, at least until 1st October 2020, from distributing dividends or taking on binding commitments to distribute them for the 2019 and 2020 financial periods, as well as from buying back shares as a way of remunerating shareholders.

In this context, at the 7th April 2020 meeting of the Board of Directors of Unicaja Banco, following the European Central Bank's recommendations, resolved to void the proposal for the earnings from 2019, which it had included in that period's annual accounts and postponing the decision on distribution of results until this restriction is lifted. According to the resolution adopted by the Bank's Board of Directors, the withdrawal of the proposal on distributing the earnings from 2019 does not affect the annual accounts filed, since it does not represent a significant change, while the new proposal for how to use the profits in no circumstances would involve the payout of a bigger dividend than the one that was voided.

On 27th July 2020, the European Central Bank prolonged to 1st January 2021 its recommendation on dividend pay-outs and on acquiring treasury shares, for the reasons already given in its March recommendation, as noted above.

By virtue of the European Central Bank's new recommendation, Unicaja Banco's Board of Directors passed a resolution at its meeting on 25th September 2020 amending the proposal that had originally been drawn up on how to distribute its earnings, as follows:

	€ ´000
Reserves - Legal reserve	12,557
Reserves - Capitalization reserve (Tax Law 27/2014)	4,000
Reserves - Voluntary reserves	109,015
Net profit	**125,572**

Subsequently, on 15th December 2020, the European Central Bank once again altered its recommendation, urging credit institutions to be very prudent until 30th September 2021 when deciding on dividend amounts, and about buying back shares to remunerate shareholders. In this recommendation the European Central Bank also urged credit institutions that are proposing to apply dividend distribution measures and share buybacks to remunerate shareholders to get in contact with their joint supervisory teams, in a supervisory dialogue setting, to examine the prudence of such measures.

On the other hand, 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).

Also, on 21st February 2020, 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 2019 and March 2020; they were paid on 30th March 2020.

Similarly, on 27th March 2019, 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 2019.

4. Goodwill from entities carried under the equity method

At 31st December 2020 and 2019, the Bank maintains goodwill in entities carried under the equity method (excluding impairment) of EUR 2,024 thousand and EUR 2,629 thousand, respectively. This goodwill resulted mainly upon comparing the net fair value of the assets, liabilities and contingent liabilities acquired by the Bank when it took a stake in Hidralia, Gestión Integral de Aguas de Andalucía, S.A.

At 31st December 2020 and 2019 this goodwill this 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 605 thousand during the 2020 period (EUR 1,242 thousand in 2019), 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 associates 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 2020 and 2019:

						€ ´000
			Accumulated impairment		**Net amount**	
	Initial amount	**Date of recognition**	**2020**	**2019**	**2020**	**2019**
Hidralia, G.I.A.A., S.A.	20,467	September 2005	18,443	17,838	2,024	2,629
	20,467		**18,443**	**17,838**	**2,024**	**2,629**

Since this goodwill is linked to corporate concessions and administrative licenses of the acquired entities that last for a certain period of time, the Directors of the Bank understand that, unless there is evidence of impairment, the recoverable amount of recorded goodwill is reduced 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 the 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 2020 and 2019 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 consolidated balance sheet organised by sectors, at 31st December 2020 and 2019, is shown below, with the same breakdown as the sector information reported to the Bank of Spain.

At 31st December 2020, the credit and insurance entities sector accounted for virtually all the consolidated total assets and consolidated total equity

a) Consolidated balance at 31st December 2020:

ASSETS	Total	Credit and insurance institutions	Other entities	Adjustments and eliminations
				Breakdown (€ ´000)
Cash, cash balances at central banks and other demand deposits	6,667,189	6,677,416	30,732	(40,959)
Financial assets held for trading	192,834	192,834	-	-
Non-trading financial assets mandatorily designated at fair value through profit or loss	91,279	91,279	-	-
Financial assets designated at fair value through profit or loss	-	--	-	-
Financial assets designated at fair value through other comprehensive income	1,494,464	1,496,018	47	(1,601)
Financial assets carried at amortized cost	51,548,558	51,522,085	35,597	(9,124)
Derivatives - Hedge accounting	617,130	617,130	-	-
Investments in subsidiaries, joint ventures and associates	361,830	506,303	-	(144,473)
Assets under insurance and reinsurance contracts	1,831	1,831	-	-
Tangible assets	1,144,501	1,143,611	890	-
Intangible assets	74,095	29,515	78	44,502
Tax assets	2,741,136	2,720,915	12,435	7,786
Other assets	365,102	406,338	4,926	(46,162)
Non-current assets and disposal groups classified as held for sale	244,316	244,316	-	-
Total assets	**65,544,265**	**65,649,591**	**84,705**	**190,031**

NET LIABILITIES AND EQUITY	Total	Credit and insurance institutions	Other entities	Adjustments and eliminations
				Breakdown (€ ´000)
Financial liabilities held for trading	11,634	11,857	-	(223)
Financial liabilities carried at amortized cost	59,052,887	59,055,247	52,665	(55,025)
Derivatives - Hedge accounting	609,030	609,030	-	-
Liabilities under insurance or reinsurance contracts	612,472	604,716	-	7,756
Provisions	798,622	795,648	3,020	(46)
Tax liabilities	257,941	257,942	1	(2)
Other liabilities	196,487	206,748	15,696	(25,957)
Total liabilities	**61,539,073**	**61,541,188**	**71,382**	**(73,497)**
Own funds	4,000,562	4,025,963	13,332	(38,733)
Accumulated other comprehensive income	4,157	82,440	(9)	(78,274)
Minority interest (non-controlling interest)	473	-	-	473
Total equity	**4,005,192**	**4,108,403**	**13,323**	**(116,534)**
Total liabilities and equity	**65,544,265**	**65,649,591**	**84,705**	**190,031**

b) Consolidated balance at 31st December 2019:

				Breakdown (€ ´000)
ASSETS	**Total**	**Credit and insurance institutions**	**Other entities**	**Adjustments and eliminations**
Cash, cash balances at 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 or 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)**

				Breakdown (€ ´000)
NET LIABILITIES AND EQUITY	**Total**	**Credit and insurance institutions**	**Other entities**	**Adjustments and eliminations**
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	325,386	2	(3)
Other liabilities	202,452	212,675	9,058	(19,281)
Total liabilities	52,737,220	52,786,912	112,062	(161,754)
Own funds	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)**

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 2020 and 2019 is shown below.

				€ ´000
	Breakdown of revenues by geography			
	Individual		Consolidated	
	2020	**2019**	**2020**	**2019**
Spain	724,247	764,046	724,724	763,656
Exports				
European Union	-	-	-	-
OECD Countries	-	-	-	-
Rest of World	-	-	-	-
Total	**724,247**	**764,046**	**724,724**	**763,656**

Information about key customers

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

6 Remuneration of the Board of Directors

6.1 Remuneration of the Board of Directors of the parent company

The following table lists the remunerations accrued by members of the Board of Directors of the parent company, Unicaja Banco, S.A., exclusively in their capacity as Board members of the Group during the 2020 and 2019 periods. It covers the sums accrued for per diems, as well as fixed remunerations for their condition as Directors.

		€ ´000
	2020	**2019**
Arjonilla López, María Luisa	74	-
Azuaga Moreno, Manuel	59	57
Bolado Valle, Ana	80	85
Conthe Gutiérrez, Manuel	80	81
Fraile Cantón, Juan	83	86
Martín Castellá, Isabel	97	97
Mateos-Aparicio Morales, Petra	77	78
Molina Morales, Agustín	79	79
Muela Martín-Buitrago, Manuel	77	79
Otero Quintas, María Antonia	-	47
D. Ángel Rodríguez de Gracia	59	19
Sáez Ponte, María Teresa	87	87
Sánchez del Villar Boceta, Enrique	-	29
Valle Sánchez, Victorio	98	99

6.2 Remuneration of the Parent Company's Senior Management

For the purposes of these annual statements, fifteen people (compared to twenty one in 2019) are considered to be the parent company's senior management, of whom two are Executive Directors (three at 31st December 2019). Remunerations paid to the members of this group during the periods 2020 and 2019 were EUR 3,907 thousand and EUR 4,985 thousand, respectively. Obligations vis-à-vis the arrangements mentioned above, in post-employment benefits as Bank's employees or executives, were EUR 567 thousand in 2020, whereas the charge in 2019 was EUR 672 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 2020 and 2019 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 2020 and 2019 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 2020 and 2019 is as follows:

		€ ´000
	2020	**2019**
Cash	339,299	420,611
Deposits in Bank of Spain	6,106,672	3,996,385
Other demand deposits	221,218	141,815
Valuation adjustments - Accrued interest	-	4
	6,667,189	**4,558,815**

During the periods 2020 and 2019 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 2020 and 2019, classified by classes of counterparty and type of instrument is shown below:

		€ ´000
	2020	**2019**
By type of counterparty -		
Credit institutions	71,400	1,960
Resident public administrations	-	-
Non-resident public administrations	-	-
Other resident sectors	52,049	23,721
Other non-resident sectors	69,385	9,617
	192,834	**35,298**
By type of instrument -		
Listed shares	14,954	27,332
Listed bonds and notes	171,964	-
Exchange traded derivatives	-	-
Non-OTC derivatives	5,916	7,966
	192,834	**35,298**

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 2020 and 2019 on debt instruments classified in the portfolio of Financial assets held for trading amounted to EUR 347 thousand and EUR 12 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 2020 was 1.63% (3.52% at 31st December 2019).

The negative cash flow in the consolidated cash flow statement for the 2020 fiscal year for debit balances in the financial asset portfolio held for trading was EUR 157,524 thousand (compared to a positive cash flow of EUR 9,051 thousand in 2019).

8.1.2 Detail of the balance – credit balances

A breakdown of financial liabilities included in this category at 31st December 2020 and 2019, classified by classes of counterparty and type of instrument is shown below:

	2020	2019
		€ ´000
By type of counterparty -		
Credit institutions	7,822	19,045
Other resident sectors	3,812	6,071
	11,634	**25,116**
By type of instrument -		
Exchange traded derivatives	-	850
Non-OTC derivatives	11,634	24,266
	11,634	**25,116**

The negative cashflow in the 2020 consolidated cash flow statement from the credit balances in the financial liabilities portfolio held for trading came to EUR 13,482 thousand (negative flow of EUR 7,138 thousand in 2019).

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 2020 and 2019:

								€ ´000
	2020				2019			
	Debit balance		Credit balance		Debit balance		Credit balance	
	Fair Value	Notional	Fair Value	Notional	Fair Value	Notional	Fair Value	Notional
Unmatured forward exchange contracts	**1,327**	**48,467**	**1,306**	**228**	**1,474**	**81,211**	**106**	**131,007**
Currencies purchased against euro	1,246	24,614	-	114	1,394	40,986	-	-
Currencies sold against euro	81	23,853	1,306	114	80	40,225	106	131,007
Securities and interest rates futures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,797**
Purchased	-	-	-	-	-	-	-	-
Sold	-	-	-	-	-	-	-	2,797
Options on securities:	**-**	**-**	**2,744**	**1,161,781**	**-**	**-**	**5,650**	**1,626,181**
Purchased	-	-	-	-	-	-	-	-
Issued	-	-	2,744	1,161,781	-	-	5,650	1,626,181
Interest rate options:	**-**	**187,998**	**155**	**49,248**	**-**	**26,618**	**175**	**56,761**
Purchased	-	9,302	-	-	-	9,736	-	-
Sold	-	178,696	155	49,248	-	16,882	175	56,761
Other transactions involving securities	**-**	**-**	**2,470**	**-**	**-**	**-**	**572**	**-**
Security swaps	-	-	-	-	-	-	-	-
Forward contracts	-	-	2,470	-	-	-	572	-
Currency options:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Purchased	-	-	-	-	-	-	-	-
Issued	-	-	-	-	-	-	-	-
Other currency transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Currency swaps	-	-	-	-	-	-	-	-
Other interest rate transactions	**4,587**	**28,864**	**4,959**	**149,259**	**6,492**	**39,175**	**18,613**	**159,578**
Interest rate swaps (IRS)	4,587	28,864	4,959	149,259	6,492	39,175	18,613	159,578
Other products					**-**	**-**	**-**	**-**
	5,914	**265,329**	**11,634**	**1,360,516**	**7,966**	**147,004**	**25,116**	**1,982,865**

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 or loss

A breakdown of financial assets included in this category at 31st December 2020 and 2019, classified by classes of counterparty and type of instrument is shown below:

		€ ´000
	2020	**2019**
By type of counterparty -		
Credit institutions	50,924	47,071
Resident public administrations	-	-
Non-resident public administrations	-	-
Other resident sectors	37,137	57,076
Other non-resident sectors	3,218	3,757
Impairment losses	-	(15,240)
Other valuation adjustments	-	-
	91,279	**92,664**
By type of instrument -		
Debt securities:	**91,279**	**92,664**
Spanish public debt securities	-	-
Treasury bills	-	-
Sovereign debt	-	-
Other Spanish government bodies	-	-
Foreign sovereign debt	-	-
Issued by financial institutions	91,279	47,071
Other fixed income securities	18,108	60,833
Impairment losses	(18,108)	(15,240)
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	-	-
	91,279	**92,664**

Interest accrued on debt securities classified in the portfolio of financial assets for the fiscal years 2020 and 2019 amounted to EUR 3,808 thousand and EUR 2,924 thousand, respectively, are recorded under "Interest income" in the consolidated income statement (Note 32).

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 2020 and 2019, classified by classes of counterparty and type of instrument is shown below:

	€ ´000	
	2020	**2019**
By type of counterparty -		
Credit institutions	61,106	120,178
Resident public administrations	982,986	893,920
Non-resident public administrations	18,362	176,092
Other resident sectors	405,953	227,791
Other non-resident sectors	25,265	461,829
	1,493,672	1,879,810
Impairment losses (*)	-	-
Other valuation adjustments	792	6,351
	1,494,464	**1,886,161**
By type of instrument -		
Debt securities:	1,091,459	1,250,070
Spanish public debt securities	967,584	875,849
Treasury bills	*358,100*	-
Sovereign debt	*609,484*	*875,849*
Other Spanish government bodies	15,404	18,072
Foreign sovereign debt	18,362	176,092
Issued by financial institutions	57,309	92,910
Other fixed income securities	32,008	80,796
Impairment losses (*)	-	-
Other valuation adjustments	792	6,351
Other equity instruments:	403,005	636,091
Shares of listed Spanish companies	6,226	74,721
Shares of unlisted Spanish companies	197,693	149,671
Shares of listed foreign companies	52,498	241,568
Shares of unlisted foreign companies	27	27
Other investments	146,561	170,104
	1,494,464	**1,886,161**

(*) This amount at 31st December 2020 and 2019 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 2020 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 2,724,700 Lyxor ETF Euro Stoxx 50 shares, for a total of EUR 77,200 thousand.
- Acquisition of 2,018,380 Euro Stoxx Quality Dividend shares, for a total of EUR 35,731 thousand.
- Acquisition of 1,650,000 ETF Invesco AT1 Cap Bond shares, for a total of EUR 32,672 thousand.
- Acquisition of 1,818,200 Lyxor ETF Euro Stoxx 50 Daily (1-x) shares, for a total of EUR 29,463 thousand.
- Disposal of 7,420,799 Lyxor ETF Euro Stoxx 50 Daily (1-x) shares, for a total of EUR 116,096 thousand, which posted a loss of EUR 9,879 thousand.
- Disposal of 2,724,700 Lyxor ETF Euro Stoxx 50 fund shares, for a total of EUR 89,005 thousand, which posted a gain of EUR 11,633 thousand.
- Disposal of 223,458 Sanofi shares, for a total of EUR 19,601 thousand, which posted a gain of EUR 1,877 thousand.
- Disposal of 304,973 Unilever shares, for a total of EUR 14,946 thousand, which posted a gain of EUR 323 thousand.
- Disposal of 1,581,149 Iberdrola shares, for a total of EUR 14,071 thousand, which posted a gain of EUR 4,063 thousand.

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 Nokia 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 2020 and 2019 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 2020 and 2019 amounted to EUR 3,759 thousand and EUR 14,029 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 2020 was 0.15% (0.90% at 31st December 2019).

The positive cash flow included in the consolidated cash flows statement for the year 2020 for the financial assets classified in this portfolio amounts to EUR 391,685 thousand (positive flow of EUR 1,538,977 thousand for fiscal year 2019).

9.2 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 2020 and 2019 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
	2020	**2019**
Accumulated other comprehensive income - Items subject to reclassification to income statement - Balance at end of the previous year	**46,477**	**(20,157)**
Transfer to results	**(1,876)**	**(40,035)**
Recorded in the consolidated income statement	(16,679)	(25,828)
Change in fair value of securities sold during the year staring 1 January or the purchase date to the sale date of said securities	14,803	(14,207)
Changes in fair value:	**4,261**	**135,227**
Other movements	**-**	**-**
Taxes	**(715)**	**(28,558)**
Accumulated other comprehensive income - Items subject to reclassification to income statement - Balance at end of the previous year	**48,147**	**46,477**

The breakdown of transfers to the consolidated income statement for the years 2020 and 2019 is the following:

		€ ´000
	2020	**2019**
Net trading income (Note 38)	(16,679)	(25,828)
Cash flow hedges from revenue adjustments	-	-
Exchange differences	-	-
Impairment of financial assets designated at fair value through other comprehensive income	-	-
	(16,679)	**(25,828)**

9.3 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 for the years 2020 and 2019, based on the amounts recorded filed in the consolidated statement of income and expense.

		€ ´000
	2020	**2019**
Accumulated other comprehensive income - Items not subject to reclassification to income statement - Balance at end of the previous year	**16,376**	**(3,062)**
Changes in fair value:	71,358	27,769
Other movements	-	-
Taxes	(21,407)	(8,331)
Accumulated other comprehensive income - Items not subject to reclassification to income statement - Balance at end of the current year	**66,327**	**16,376**

10. Financial assets carried at amortized cost

A breakdown of financial assets included in this category at 31st December 2020 and 2019, classified by nature of exposure is shown below:

		€ ´000
	2020	**2019**
Debt securities	22,157,383	16,662,155
Loans and advances	29,391,175	28,017,636
Central Banks	-	-
Credit institutions	*1,762,178*	*459,323*
Customers	*27,628,997*	*27,558,313*
	51,548,558	**44,679,791**

10.1 Detail of balance and credit risk threshold

A breakdown of financial assets included in this category at 31st December 2020 and 2019, classified by classes of counterparty and type of instrument is shown below:

		€ ´000
	2020	**2019**
By type of counterparty -		
Credit institutions	3,030,038	1,637,787
Resident public administrations	11,374,745	8,701,559
Non-resident public administrations	8,486,602	5,412,605
Other resident sectors	28,484,218	28,865,009
Other non-resident sectors	703,636	610,341
	52,079,239	45,227,301
Impairment losses	(797,122)	(729,782)
Other valuation adjustments	266,441	182,272
Accrued interest	27,058	*29,286*
Micro-hedging transactions	233,403	*169,562*
Unearned fees and commissions	(55,954)	*(64,297)*
Other products and discounts	61,934	*47,721*
	51,548,558	**44,679,791**
By type of instrument -		
Credit and loans at variable interest rate	19,004,192	20,976,017
Credit and loans at fixed interest rate	7,927,533	6,174,829
Debt securities	21,982,612	16,535,972
Reverse purchase agreements	2,460,920	1,110,277
Term deposits in credit institutions	11,358	19,798
Other deposits in credit institutions	-	-
Other financial assets	692,624	410,408
	52,079,239	45,227,301
Impairment losses	(797,122)	(729,782)
Other valuation adjustments	266,441	182,272
	51,548,558	**44,679,791**

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.

Loans and advances with credit institutions, consisting for the most part of deposits with this type of institution, are wholly classified as performing risk (Stage 1). The breakdown by Stages of the remaining exposures in this item is detailed in Notes 10.2 and 10.3.

Interest accrued for the years 2020 and 2019 on credit to customers amounted to EUR 447,935 thousand and EUR 522,897 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 1,228 thousand and EUR 1,154 thousand, respectively, and are similarly recorded under "Interest income" in the consolidated income statement herein (Note 32).

Interest accrued in fiscal years 2020 and 2019 on debt instruments classified in the financial assets portfolio amounted to EUR 141,410 thousand and EUR 193,893 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 2020 for loans to customers was 1.06% (0.84% at 31st December 2019) and 0.19% (0.08% at 31st December 2019) for deposits in credit institutions.

The negative cash flow included in the consolidated cash flows statement for the fiscal year 2020 for financial assets at amortised cost under this item amounts to EUR 6,894,845 thousand (and negative flow of EUR 639,358 thousand for the year 2019).

10.2 Loans and advances

The breakdown by counterparty of the amounts of gross loans and advances recorded at amortized cost at 31st December 2020 and 2019 is as follows:

		€ ´000
	2020	**2019**
Credit institutions	1,762,033	458,706
Resident public administrations	2,039,442	1,717,270
Non-resident public administrations	-	-
Other resident sectors	26,072,365	26,248,232
Other non-resident sectors	204,177	267,121
	30,078,017	**28,691,329**

The movements during 2020 of loans and advances carried at amortized cost by credit risk stages (not including losses from impairments or other valuation adjustments) is as follows:

				€ ´000
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Opening balance	**26,082,184**	**1,258,573**	**1,350,572**	**28,691,329**
Transfers between stages:	(878,060)	724,833	153,227	-
To performing risk (stage 1)	140,137	(134,852)	(5,285)	-
To watch-list performing risk (Stage 2)	(940,083)	978,996	(38,913)	-
To non-performing loans (Stage 3)	(78,114)	(119,311)	197,425	-
Additions of financial assets	5,123,481	-	-	5,123,481
Derecognition of financial assets (excluding write-offs)	(3,209,636)	(204,399)	(203,364)	(3,617,399)
Reclassified to write-offs	-	-	(46,985)	(46,985)
Asset foreclosures	-	-	(72,409)	(72,409)
Other movements	-	-	-	-
Year-end balance	**27,117,969**	**1,779,007**	**1,181,041**	**30,078,017**

The breakdown at 31st December 2019 and 1st January 2019 as well as the movements during 2019 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**

10.3 Debt securities

The breakdown by counterparty and type of debt securities issues recorded at amortized cost at 31st December 2020 and 2019 is as follows:

		€ ´000
	2020	**2019**
By type of counterparty -		
Credit institutions	1,268,981	1,179,081
Resident public administrations	9,509,896	7,077,997
Non-resident public administrations	8,486,602	5,445,642
Other resident sectors	2,528,027	2,616,214
Other non-resident sectors	363,877	343,221
	22,157,383	**16,662,155**
By type of instrument -		
Spanish public debt securities	8,988,458	6,557,833
Treasury bills	-	-
Sovereign debt	8,988,458	6,557,833
Other Spanish government bodies	521,438	426,457
Foreign sovereign debt	8,486,602	5,445,642
Issued by financial institutions	1,268,981	1,179,081
Other fixed income securities	2,891,904	3,053,142
	22,157,383	**16,662,155**

The breakdown of debt securities recorded under this heading at 31st December 2020 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	264	-	-
Rating Aa1-Aa3	274,003	-	-
Rating A1-A3	12,636,710	-	-
Rating Baa1-Baa3	10,155	-	-
Rating Ba1-Ba3	9,232,990	-	-
Rating B1-C	-	3,261	-
No credit rating	-	-	-
	22,154,122	**3,261**	**-**

On the other hand, the breakdown of debt securities recorded under this heading at 31st December 2019 (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**	**-**

10.4 Refinancing, refinanced and restructured transactions

The refinancing and restructuring balances at 31st December 2020 and 2019 is as follows:

				€ ´000
		2020		**2019**
	Total	**Of which: Stage 3**	**Total**	**Of which: Stage 3**
Gross amount	**1,223,021**	**645,680**	**1,267,041**	**769,028**
Asset impairment adjustments	**503,709**	**332,575**	**450,953**	**380,982**
Of which: collective	393,929	243,708	367,850	309,068
Of which: individual	109,780	88,867	83,103	71,914
Net amount	**719,312**	**313,105**	**816,086**	**388,043**
Of which: granted to customers	719,312	313,105	816,086	388,043
Value of guarantees received	**841,734**	**506,975**	**889,747**	**598,015**
Of which: value of collateral	841,734	506,975	889,747	598,015
Of which: value of other guarantees	-	-	-	-

On the other hand, the conciliation of the book value of refinanced and restructured transactions at 31st December 2020 and 2019 is as follows:

		€ ´000
	2020	2019
Opening balance	**816,086**	**1,137,308**
Refinanced and restructured in the period	276,951	67,624
Debt repayments	(132,384)	(211,929)
Asset foreclosures	(36,708)	(68,780)
Derecognition (reclassified to write-offs)	(5,743)	(27,860)
Other changes	(198,890)	(80,277)
Of which: Changes to gross balance	(144,979)	(303,618)
Of which: Changes in coverage for insolvencies	(53,911)	223,341
Closing balance	**719,312**	**816,086**

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 2020, 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 2020
	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	10,804	3,225	7,579	6	5,241	(356)
Other financial institutions and individual entrepreneurs (finance related business)	5	404	378	-	4	2,558	(2,003)
Non-financial corporations and individual entrepreneurs (non-finance related business)	2,337	466,440	393,538	4,753	1,282	246,878	(237,162)
Of which: financing real estate development & construction (including land)	344	87,090	76,245	1,190	28	17,627	(38,651)
Rest of households	6,490	480,416	430,412	1,849	1,016	10,280	(264,188)
	8,844	**958,064**	**827,553**	**14,181**	**2,308**	**264,957**	**(503,709)**
Other information							
Financing classified as non-current assets and disposable groups classified as held for sale	-	-	-	-	-	-	-

	€ ´000						
	31st December 2020						
	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	9	23	23	-	1	238	(143)
Other financial institutions and individual entrepreneurs (finance related business)	4	339	313	-	3	2,528	(2,003)
Non-financial corporations and individual entrepreneurs (non-finance related business)	1,500	237,107	208,590	523	544	65,607	(156,726)
Of which: financing real estate development & construction (including land)	233	47,994	39,265	201	18	15,354	(36,275)
Rest of households	4,292	336,016	295,942	1,584	419	3,822	(173,703)
	5,805	**573,485**	**504,868**	**2,107**	**967**	**72,195**	**332,575**
Other information							
Financing classified as non-current assets and disposable groups classified as held for sale	-	-	-	-	-	-	-

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 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 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 coverage.

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 of the Bank of Spain after it being amended by Bank of Spain's Circular 3/2020. These criteria are summarised below:

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

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

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

- The borrower must have paid the accrued principal and interest payments (reducing the renegotiated principal), since the date on which the restructuring or refinancing transaction was signed or, if later, since the date on which that transaction was reclassified as non-performing. Therefore, there must not be any amounts overdue on the transaction. In addition, the borrower will have satisfied through regular payments a sum equivalent to all the amounts – principal and interest – that were overdue on the date of the restructuring or refinancing transaction, or that were written-off as a result of that transaction. Alternatively, when it is more appropriate in view of the transactions' features, other objective criteria showing the borrower's ability to pay will have been verified.

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

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

- While they remain identified as such, refinancing, refinanced or restructured transactions that it would not be appropriate to classify as non-performing will be categorised as watch-list performing, unless it can be shown that there has been no significant rise in their credit risk since their initial recognition, in which case the transaction will be classified as performing.

For the exposure to no longer be classified as a refinancing, refinanced or restructured transaction:

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

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

- The borrower has paid the instalments accruing on the principal and interest since the date on which the restructuring or refinancing transaction was signed or, if later, since the date on which that transaction was reclassified from the non-performing category. In addition, the borrower will have satisfied through regular payments a sum equivalent to all the amounts – principal and interest – that were overdue or impaired on the date of the restructuring or refinancing transaction or were 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 Moratorium measures and financing transactions with the ICO Covid-19 guarantee

On 18th March 2020 Royal Decree 8/2020 was published, with urgent measures to deal with the economic and social impact of Covid-19.

One of this Royal Decree's measures was designed to ensure protection for mortgage borrowers in situations of vulnerability, giving them a moratorium on their mortgage payments on their primary residence. The scope of application was extended with the amendment under Royal Decree 11/2020, such that, together with providing exemption for contracts signed to acquire primary domiciles, mortgage contracts whose collateral is real estate that is contingent on economic activity are included, as are those whose collateral is rental housing where the borrower has ceased to receive rental payment because of the pandemic. Similarly, the scope of the moratorium has been extended to cover lending and credit contracts without mortgage guarantee, including personal loans. Finally, legislative moratoriums for the tourism sector have been extended, by virtue of the 25/2020 Royal Decree, and for the transport sector (26/2020 Royal Decree).

In addition, the measures adopted in these Royal Decrees attempt to tackle the difficult financial situation facing both companies and the self-employed because of the health crisis. One of the measures passed is to create a EUR 100 billion guarantee line backed by the State to guarantee part of the financing that credit institutions grant to corporates and the self-employed so that they can meet their liquidity needs. This facility will be managed by the Official Credit Institute (Instituto de Crédito Oficial: ICO), with the aim of providing sufficient liquidity to maintain jobs and mitigate the economic effects of Covid-19.

Against this backdrop, the Group has been granting its clients both the public moratoria provided for by virtue of the Royal Decrees described above, and sector-specific moratoria, covered under the sector-wide agreement between the member entities of the Spanish Savings & Loan Confederation (Confederación Española de Cajas de Ahorro: CECA) on 16th April 2020. In addition, the Group has been originating transactions since March 2020 for which it has Covid-19 ICO-secured facilities approved under Royal Decree 8/2020, and on which certain fees are paid to the Official Credit Institute depending on the nature of the transaction – the category of aid for which they are eligible, the type of borrower and the term.

The breakdown of the moratoria transactions at 31st December 2020 is as follows:

						€ ´000
			Total figures			**Detail of the outstanding balances by risk stage**
	Number of transactions given	**Amount granted**	**Outstanding balance**	**Stage 1**	**Stage 2**	**Stage 3**
Legal moratoria	**55**	**23,386**	**11,833**	1,156	9,716	961
- Households	-	-	-	-	-	-
SMEs	55	23,386	11,833	1,156	9,716	961
Sector moratorium	**7,235**	**867,085**	**555,240**	**343,297**	**186,796**	**25,147**
- Households	7,235	867,085	555,240	343,297	186,796	25,147
SMEs	-	-	-	-	-	-

Similarly, the breakdown of transactions with ICO Covid-19 guarantee at 31st December 2020 is as follows:

€ ´000

					Detail of the outstanding balances by risk stage		
				Total figures			
	Number of transactions given	**Financing threshold**	**Guaranteed amount**	**Outstanding balance**	**Stage 1**	**Stage 2**	**Stage 3**
ICO COVID 19 guarantees	**21,808**	**897,190**	**444,759**	**578,424**	**442,706**	**126,913**	**8,805**
Self-employed	5,810	108,240	69,965	87,802	80,738	6,932	132
SMEs	14,593	523,683	307,899	388,847	302,891	82,757	3,199
Other corporates	1,405	265,267	66,895	101,775	59,077	37,224	5,474

The previous course of action was taken in accordance with the regulations laid down in the Royal Decrees, and also in compliance with the sector-specific guidelines and agreements.

In terms of the legislative moratorium on mortgage-backed loans, this entails the suspension of the mortgage debt for three months (which can be extended by virtue of Royal Decree 8/2020) and the corresponding non-application during the period the moratorium is in place of the early cancellation clause which in some cases will figure in the mortgage-backed loan contract. While the moratorium is in force, the credit institution could not demand payment of the mortgage instalment, nor any of its components (principal or interest payments), either in full or in part. The moratorium could be backdated for instalments that are unpaid on or after 18th March 2020.

Likewise, legislative moratoriums on unsecured loan contracts entailed their suspension for three months (which can be prolonged under the 11/2020 Royal Decree) during which time the institution may not demand payment either of the instalment or any of its component parts, either in part or whole. The maturity date in the contracts was extended as a consequence of the suspension for the duration of the contract, with no further amendments to any of the agreed conditions.

Finally, we should turn to the legislative moratorium measures for the tourism sector, regulated under Royal Decree 25/2020, which apply to mortgages on property affected by the performance of activity in the tourism sector as defined in this same Decree, and the legislative moratorium on the public transport of goods and discretional transport of bus passengers, regulated under Royal Decree 26/2020.

As of 31st December 2020, the legislative moratorium measures in force affected 55 operations in total, with a balance of EUR 11,833 thousand.

The legislative moratorium measures granted during 2020 have had an impact of EUR 2,659 thousand on the "Impairment or reversal in the value of financial assets not measured at fair value through profit or loss or net gains by modification – Financial assets at amortized cost" item on the Group's consolidated income statement.

Regarding the sector-specific moratorium, this is applicable to those borrowers who are not eligible under the Government's deferral (the legislative moratorium) and whose financial circumstances have worsened because of Covid-19. In these cases, by virtue of the sector agreement signed on 16th April 2020, the Group has made a commitment to support them, making payments easier by reducing them temporarily, both for mortgages and personal loans. Under the provisions in the sector agreement, the borrower may not have more than two outstanding direct debits or instalments as of 14th March 2020. The moratorium term is a maximum of 12 months on mortgage-backed loans or credits and a maximum of 6 months on personal loans or credits (with an option to extend this if the sector agreement is amended).

On 22nd June 2020, taking into account the European Banking Authority (EBA)'s new directives, the sector agreement to which the entity is a signatory was amended, prolonging until 29th September 2020 the duration of that agreement. Likewise, on 15th December 2020, an addendum was signed acknowledging the possibility that new moratoriums might be requested until a final cut-off date of 31st March 2021, with a term equivalent of nine months for mortgage backed loans or credits and six months for personal loans or credits.

In these cases, the postponement only affects the repayment of the loan principal during the term of the moratorium. As of 31st December 2020, the legislative moratorium measures in force affected 7,235 operations in total, with a balance of EUR 555,241 thousand. The impact of these modifications on the consolidated income statement of the Group has not been significant.

Finally, in the item on financing using ICO Covid-19 collateral, this scenario is regulated under article 29 of the extraordinary emergency measures in Royal Decree 8/2020, 17th March, establishing that the Ministry for Economic Affairs & Digital Transformation will grant up to EUR 100 billion in guarantees on financing granted by credit institutions to meet their needs arising from invoice management, working capital, financial and tax obligations, meeting the payroll and other liquidity needs that enable them to continue economic activity. Companies and self-employed workers are accessing these guarantees through their financial institutions when they sign up for new financing transactions or roll over existing ones.

Up to 31st December 2020, the guarantee facilities activated by the Government account for the entire sum of the latter, and are divided into four groups, approved by Ministerial Council agreements on 24th March, 10th April, 5th May, 19th May and 16th June 2020. Of the total sum, EUR 67,500 million is earmarked for SMEs and the self-employed and EUR 25,000 million for non-SME corporations, EUR 4,000 million to cover Alternative Fixed Income Market (MARF) promissory notes, EUR 2,500 million for self-employed workers and SMEs in tourism and related sectors, EUR 500 million to back up the re-guarantees granted by CERSA, the Spanish counterguarantee company and EUR 500 million for the self-employed and companies to acquire or lease motor vehicles for professional haulage purposes.

In addition to the guarantees listed above, Royal Decree 25/2020, of 3rd July, approved guarantee facilities for EUR 40,000 million from the Economic Affairs & Digital Transformation Ministry, to guarantee the financing granted to companies and the self-employed, mainly support their financial needs as they arise from new investments. Some of these facilities were approved through agreements made in the Ministerial Council on 28th July 2020 and 24th November 2020.

The number of transactions approved by the Group for the self-employed comes to 5,810, with a financing limit of EUR 108,240 thousand, an ICO-secured facility totalling EUR 69,965 thousand, and an outstanding balance as of 31st December 2020 of EUR 87,802 thousand.

The number of transactions approved by the Group for the self-employed comes to 15,998, with a financing limit of EUR 788,951 thousand, an ICO-secured facility totalling EUR 374,794 thousand, and an outstanding balance as of 31st December 2020 of EUR 490,622 thousand.

The Bank considers that the ICO Covid-19 collateral to a large degree form part of the guaranteed financing (integral guarantee), since in any case they are new transactions or renewals of existing lines of credit with substantial amendments to the original terms and conditions. As such, the accounting approach is based on the following premises: (i) the fee paid by the Bank to ICO is included as an incremental cost in the calculation of the transaction's effective interest rate, as indicated in paragraph B5.4.1 of IFRS 9, and (ii) expected flows from executing the collateral are taken into account when calculating the expected loss from the transaction, as indicated in paragraph B5.5.55 of IFRS 9.

10.6 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 2020 and 2019, 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 2020

€ ´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	197	-	-	13,121	13,318
Other resident sectors	470,323	49,390	48,860	584,119	1,152,692
Non-resident public administrations	-	-	-	-	-
Other non-resident sectors	10,618	68	249	3,954	14,889
	481,138	**49,458**	**49,109**	**601,194**	**1,180,899**

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**

Past due balances not considered impaired at 31st December 2020

€ ´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	77	-	1,208	1,285
Other resident sectors	-	-	-	-
Non-resident public administrations	17,443	2,100	3,593	23,136
Other non-resident sectors	62	11	9	82
	17,617	**2,111**	**4,810**	**24,538**

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
	33,142	**3,726**	**10,143**	**47,011**

10.7 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 2020 and 2019 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 2020, is as follows:

				€ ´000
				2020
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Opening balance	48,270	95,124	585,313	728,707
Transfers between stages:	(10,144)	26,943	(16,799)	-
To performing risk (stage 1)	5,342	(4,362)	(980)	-
To watch-list performing risk (Stage 2)	(12,133)	36,660	(24,527)	-
To non-performing loans (Stage 3)	(3,353)	(5,355)	8,708	-
From additions of new financial assets	7,941	-	-	7,941
Changes in parameters	21,186	132,768	52,805	206,759
Changes in methodologies	(859)	830	4,126	4,097
Derecognition of financial assets (excluding write-offs)	(6,760)	(4)	(4,285)	(11,049)
Reclassification to write-offs	-	-	(39,943)	(39,943)
Foreclosed assets	-	-	(39,425)	(39,425)
Other movements	-	(60,600)	-	(60,600)
Closing balance	59,634	195,061	541,792	796,487
Of which:				
Individually determined	-	32,254	116,438	148,692
Collectively determined	59,634	162,807	425,354	647,795
	59,634	**195,061**	**541,792**	**796,487**

The movement of impairment losses for 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)
Closing balance	**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**

To estimate coverages for credit risk impairment to 31st December 2020, the Group has made the individual and collective estimations described in Note 2.7. adding, in the case of coveragesestimated collectively, an adjustment to the Group models (post-model adjustment or PMA) which builds in the forward-looking effect of existing forecasts for key macroeconomic variables affecting the estimation of coverages (see Note 2.7).

The detail of the PMA recorded by the Unicaja Banco Group at 31st December 2020, broken down by the main risk segments and stages, is as follows:

			€ ´000
	Adjustment allocated to portfolio without significant risk increase	**Adjustment allocated to portfolio with significant risk increase**	**Total**
- Households	14,176	79,044	93,220
Corporates	8,704	50,605	59,309
	22,880	**129,649**	**152,529**

Total coverage provisions made by the Unicaja Banco Group during 2020 to factor in the impact of Covid-19 (see Note 1.13) come to EUR 200 million, of which EUR 153 million are a result of the Post-Model Adjustment (PMA) described above, while the remainder originate in the impact of Covid-19 on the parameters of internal collective estimation models and on the individual estimation methodologies of coverage for credit risk(see Note 2.7 describing the methods used to calculate coverage for credit risk).

11. Derivatives - Hedge accounting (debtors and creditors)

At 31st December 2020 and 2019, the main contracted derivatives designated as hedges and their hedged items were the following:

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

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

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

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

The Group has carried out an assessment of the extent to which financial markets volatility may have affected the efficacy of the hedge accounting recognised on the consolidated financial statements to 31st December 2020 compliant with IAS 39.

The Group has identified no hedge accounting that has to be amended as a result of the volatility of financial markets.

The list below shows the maturities of the notional values of hedging instruments used by the Group at 31st December 2020:

						€ ´000
						2020
	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:	**1,644,132**	**100,000**	**-**	**1,490,780**	**5,516,150**	**8,751,062**
Futures on securities and interest rates	**-**	**-**	**-**	**-**	**-**	**-**
Sale of interest rate futures	-	-	-	-	-	-
Other transactions involving securities	**1,644,132**	**-**	**-**	**-**	**-**	**1,644,132**
Security swaps	-	-	-	-	-	-
Options on securities:	-	-	-	-	-	-
Forward contracts	1,644,132	-	-	-	-	-
Currency options:	**-**	**-**	**-**	**-**	**-**	**-**
Currency options issued	-	-	-	-	-	-
Other interest rate transactions	**-**	**100,000**	**-**	**1,490,780**	**5,516,150**	**7,106,930**
Interest rate swaps: (IRS bonds)	-	100,000	-	856,980	1,490,000	2,446,980
Interest rate swaps: (IRS loan portfolio)	-	-	-	277,500	3,976,150	4,253,650
Interest rate swaps: (IRS fixed income)	-	-	-	-	-	-
Interest rate swaps: (IRS fixed term deposits)	-	-	-	56,300	50,000	106,300
Subordinated liabilities	-	-	-	300,000	-	300,000
Cash flow hedges:	**29,077**	**67**	**-**	**1,985,377**	**5,350,902**	**7,365,423**
Other interest rate transactions	**29,077**	**67**	**-**	**1,985,377**	**5,350,902**	**7,365,423**
Interest rate swaps: (IRS loan portfolio)	-	67	-	320,377	60,506	380,950
Interest rate swaps: (IRS balances with central banks)	-	-	-	-	-	-
Interest rate swaps: (IRS fixed income)	29,077	-	-	1,665,000	5,290,396	6,984,473
Total	**1,673,209**	**100,067**	**-**	**3,476,157**	**10,867,052**	**16,116,485**

Similarly, the maturities of the notional values of hedging instruments used by the Group at 31st December 2019 was as follows:

						€ ´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 credit 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**

At 31st December 2020 and 2019, 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 2020:

					2020
	Fair Value debtor	**Fair Value creditor**	**Notional**	**Changes in fair value used to calculate hedging ineffectiveness**	**Hedged item**
Fair Value hedges:	**477,847**	**243,168**	**8,751,060**	**227,277**	
Futures on securities and interest rates	**-**	**-**	**-**	**-**	
Sale of interest rate futures	-	-	-	-	
Other transactions involving securities	**1,508**	**30,476**	**1,644,132**	**(28,968)**	
Security swaps	-	-	-	-	
Options on securities:	-	-	-	-	
Forward contracts	1,508	30,476	1,644,132	(28,968)	Debt securities
Currency options:	**-**	**-**	**-**	**-**	
Options on bought currencies	-	-	-	-	
Currency options issued	-	-	-	-	
Other interest rate transactions	**476,339**	**212,692**	**7,106,928**	**256,245**	
Interest rate swaps: (IRS bonds)	472,083	-	2,446,980	464,681	Issued MBS & bonds
Interest rate swaps: (IRS loan portfolio)	**-**	**-**	**-**	**-**	
Interest rate swaps: (IRS FTD customers)	-	7,498	106,298	(7,498)	Customer loans
Interest rate swaps: (IRS fixed income)	1,071	205,194	4,253,650	(204,123)	Debt securities
Interest rate swaps: (IRS fixed term deposits)	**-**	**-**	**-**	**-**	
Interest rate swaps: (IRS subordinated liabilities)	3,185	-	300,000	3,185	Subordinated issue
Cash flow hedges:	**139,283**	**365,862**	**7,365,423**	**(226,579)**	
Other transactions involving securities	**-**	**-**	**-**	**-**	
Security swaps	-	-	-	-	
Options on securities:	-	-	-	-	
Forward contracts	-	-	-	-	
Other interest rate transactions	**139,283**	**365,862**	**7,365,423**	**(226,579)**	
Interest rate swaps: (IRS loan portfolio)	1,574	12,970	380,950	(11,396)	Customer loan hedging
Interest rate swaps: (IRS deposits with central banks)	-	-	-	-	
Interest rate swaps: (IRS fixed income)	137,709	352,892	6,984,473	(215,183)	Debt securities
Total	**617,130**	**609,030**	**16,116,483**	**698**	

The table below shows the fair value and cash flow hedging instruments used by the Group at 31st December 2019:

					2019
	Fair Value debtor	**Fair Value creditor**	**Notional**	**Changes in fair value used to calculate hedging ineffectiveness**	**Hedged item**
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 balances from credit institutions)	10,148	-	300,000	9,429	Deposits from credit institutions
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 subordinated liabilities)	-	1,687	300,000	(1,713)	Subordinated debentures
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 with 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 Bank's hedged items at 31st December 2020 and 2019 using the hedging instruments listed above:

	Book value of hedged items		Accumulated fair value adjustment in the hedged item			2020
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Changes in fair value used to calculate hedging effectiveness**	**Reserve of cash flow hedges**
Fair Value hedges:	**5,734,265**	**3,129,337**	**235,106**	**441,610**	**(210,143)**	**-**
Debt securities	5,312,407	-	235,106	178	173,016	-
Foreign currency balances	857	-	-	-	-	-
Issued MBS & bonds	-	2,841,856	-	440,361	(428,127)	-
Customer deposits	-	-	-	-	-	-
Credit institutions' deposits		287,481	-	-	(12,234)	-
Loans and advances to customers	421,001	-	-	1,071	57,202	-
Cash flow hedges:	**8,535,399**	**-**	**260,947**	**42,957**	**217,990**	**217,990**
Deposits at central banks	-	-	-	-	-	-
Debt securities	8,535,399	-	260,947	42,957	217,990	(217,990)
Total	**14,269,664**	**3,129,337**	**496,053**	**484,567**	**7,847**	**(217,990)**

	Book value of hedged items		Accumulated fair value adjustment in the hedged item			2019
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Changes in fair value used to calculate hedging effectiveness**	**Reserve of cash flow 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)	-
Customer deposits	-	-	-	-	-	-
Credit institutions' deposits	-	309,853	-	-	(9,281)	-
Loans and advances to customers	527,911	-	-	-	42,225	-
Cash flow hedges:	**4,570,734**	**-**	**163,609**	**27,906**	**135,703**	**(135,558)**
Deposits at 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)**

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 77,835 thousand (positive correction of EUR 20,405 thousand in 2019) (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 105,717 thousand (positive correction of EUR 97,631 thousand in 2019) (Note 33).
- Recognised inefficiency in the results for the period arising from cash flow hedges: No inefficiencies were recorded during the 2020 and 2019 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 2020 and 2019 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 2020 and 2019 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 (eg. non-compliances).
- Possible movements or differences relative to the market in the collateralised and non-collateralised curves used in the valuation of derivatives and hedged items.
- Possible differences between the nominal value, the settlement/repricing dates and the credit risk of the hedged item and the hedging item.

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

The table below shows the breakdown of the impacts on the consolidated income statement and on the consolidated statement recognised income and expense of the hedgings designated by the Group at 31st December 2020 and 2019:

Fair Value hedges:

€ ´000

	2020				2019			
	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:	**-**	**-**	**-**	**1,897**	**359**	**844**	**844**	**359**
Currency options: issued	-	-	-	1,897	359	844	844	359
Other interest rate transactions	**56,743**	**21,663**	**33,210**	**66,393**	**143,093**	**95,313**	**77,812**	**127,347**
Interest rate swaps (IRS bonds)	-	21,663	33,210	-	19,491	61,815	44,166	9,332
Interest rate swaps (IRS balances with credit institutions)	-	-	-	-	-	7,013	7,161	-
Interest rate swaps (IRS FTD customers)	2,972	-	-	-	-	-	-	-
Interest rate swaps (IRS fixed income)	9,204	-	-	51,941	123,602	5,581	5,581	118,016
Interest rates options: (fixed income)	44,567	-	-	14,452	-	20,905	20,905	-
	56,743	**21,663**	**33,210**	**68,290**	**143,452**	**96,157**	**78,655**	**127,706**

Cash flow hedges:

€ ´000

	2020			2019		
	Change in value of the hedged item recognised in other comprehensive income	Amount reclassified from equity to income statement		Change in value of the hedged item recognised in other comprehensive income	Amount reclassified from equity to income statement	
		Discontinued hedge	Recognition of forecast transaction in results		Discontinued hedge	Recognition of forecast transaction in results
Other interest rate transactions	**(216,773)**	**-**	**92,237**	**(135,558)**	**-**	**27,140**
Interest rate swaps (IRS balances with central banks)	-	-	-	-	-	-
Interest rate swaps (IRS fixed income)	(216,773)	-	92,237	(135,558)	-	27,140
Total	**(216,773)**	**-**	**92,237**	**(135,558)**	**-**	**27,140**

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 stakes in multigroup institutions and associates at 31st December 2020 and 2019, 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 2020 and 2019 is the following:

		€ ´000
	2020	**2019**
Hidralia, Gestión Integral de Aguas de Andalucía, S.A.	21,711	26,612
Ingeniería de Suelos y Explotación de Recursos, S.A.	8,566	11,740
Sociedad Municipal de Aparcamientos y Servicios, S.A.	10,810	11,173
Propco Malagueta, S.L.	9,711	15,101
Propco Orange 1, S.L.	6,271	6,484
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.	207,619	192,356
Espacio Medina, S.L.	4,993	8,400
Proyecto Lima, S.L.	7,125	11,062
Muelle Uno - Puerto de Málaga, S.A.	9,475	9,944
Madrigal Participaciones, S.A.	17,023	13,783
Propco Eos, S.L.	21,017	16,281
Propco Epsilon, S.L.	16,541	15,712
Santa Justa Residencial, S.L.	284	10,535
Parque Científico-Tecnológico de Almería S.A.	7,499	8,850
Participaciones Estratégicas del Sur, S.L.	3,746	-
Other entities	9,439	5,314
	361,830	**363,347**

The table below shows a reconciliation between the initial and end balance of the "Investments in joint ventures and associate" section of the consolidated balance sheet for 2020 and 2019:

		€ ´000
	2020	**2019**
Net carrying amount at 1 January	**363,347**	**359,128**
Additions in the period	10,793	34,228
Divestmens in the period	(30,426)	(61,369)
Results from equity accounting method	35,377	40,439
Impairment of investments in joint ventures or associates (Note 42)	-	-
Dividends paid	(26,109)	(30,119)
Diferences in valuation adjustments	6,751	20,653
Changes in accounting classification (Note 16)	-	-
Other movements	2,097	387
Net carrying amount at 31 December	**361,830**	**363,347**

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

	€ ´000	
	2020	**2019**
Ahorro Andaluz, S.A.	257	4,061
Hidralia, Gestión Integral de Aguas de Andalucía, S.A.	2,596	2,926
Ingeniería e Integración Avanzadas, S.A.	146	136
Ingeniería de Suelos y Explotación de Recursos, S.A.	720	1,500
Sociedad Municipal de Aparcamientos y Servicios, S.A.	481	384
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.	21,909	21,112
	26,109	**30,119**

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 2020 and 2019 the Group has not recorded impairments in its interests in associates.

"Other movements" essentially contains associate's 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 2020 and 2019 includes EUR 2,024 thousand and EUR 2,629 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 associates, as required under the Capital Enterprises Act and Article 53 of the Securities Market Act 24/1988, are listed below.

In 2020 and 2019 the main acquisitions and divestments of interests under the equity method in were:

Acquisitions of equity stakes interests in 2020

			€ ´000		
Company name	**Category**	**Effective date of transaction**	**Net acquisition cost**	**% voting rights acquired**	**% Total voting rights in the entity after acquisition**
Participaciones Estratégicas del Sur, S.L.	Associate	04/06/2020	-	30%	30%
Sociedad de Gestión San Carlos, S.A. (*)	Multi-group	-	-	1.48%	61.66%

(*) % of voting rights grows due to a capital increase

Acquisitions of equity stakes interests in 2019

Company name	Category	Effective date of transaction	Net acquisition cost	% voting rights acquired	% Total voting rights in the entity after acquisition
					€ ´000
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%

Disposals of equity stakes in 2020

Company name	Category	Effective date of transaction	% Voting rights disposed or derecognised	% Voting rights controlled after divestment	Resulting gain or loss
					€ ´000
Finanduero Sociedad de Valores, S.A.U.	Group	10/01/2020	100.00%	0.00%	-
Desarrollos de Proyectos de Castilla y León, S.L.	Group	29/01/2020	100.00%	0.00%	-
Cuatro Estaciones INM Siglo XXI, S.L.	Associate	20/07/2020	20.00%	0.00%	-
Inmobiliaria Acinipo, S.L.	Group	02/09/2020	100.00%	0.00%	-
Inmobiliaria Uniex Sur, S.L.U.	Group	02/09/2020	100.00%	0.00%	-
Pinares del Sur, S.L.	Group	02/09/2020	100.00%	0.00%	-
Cartera Perseidas, S.L.	Multi-group	17/11/2020	45.27%	0.00%	-
Alteria Corporación Unicaja, S.L.	Group	15/12/2020	100.00%	0.00%	-
Cerro del Baile, S.A.	Multi-group	03/12/2020	80.00%	0.00%	-

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

(*) Reduction of percentage stake with significant loss of influence.

With respect to “Autopista del Sol, Concesionaria Española, S.A.” Unicaja Banco formalised on 13th June 2019 the sale, subject to the usual conditions precedent for this type of transaction, of 5,036,898 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 conditions precedent to which the transaction was subject had been met, the sale was finalised, generating a net profit of EUR 109.7 million, recognised on the consolidated income statement for the fiscal year 2019.

These changes in the composition of the Group have not had a significant impact on the consolidated condensed interim financial statements at 31st December 2020.

On the other hand, 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 2020 and 2019 is as follows:

		€ ´000
	2020	2019
Fixed tangible assets	837,060	880,209
For own use	837,060	880,209
Let under an operating lease agreement	-	-
Of which: Leasehold rights of use	*40,833*	*46,458*
Investment property	307,441	281,745
	1,144,501	**1,161,954**

13.1.1 Movements in fixed tangible assets

Movements under the “Fixed tangible assets” heading on the Group’s consolidated balance sheet in the 2020 and 2019 periods were as follows:

			€ ´000
	For own use	**Investment property**	**Total**
Cost			
Balance at 31 December 2019	**1,815,158**	**503,295**	**2,318,453**
Other additions	12,691	13,166	25,857
Additions from leasehold rights of use	5,689	-	5,689
Derecognitions from sales or disposals	(32,545)	(25,923)	(58,468)
Derecognitions from leasehold rights of use	(4,562)	-	(4,562)
Other transfers and movements	(18,613)	24,467	5,854
Balance at 31 December 2020	**1,777,818**	**515,005**	**2,292,823**
Accumulated depreciation			
Balance at 31 December 2019	**(900,899)**	**(92,923)**	**(993,822)**
Derecognitions from sales or disposals	19,281	4,866	24,147
Provisions	(28,422)	(6,724)	(35,146)
Provisions for leasehold rights of use	(7,226)	-	(7,226)
Other transfers and movements	8,239	4,377	12,616
Balance at 31 December 2020	**(909,027)**	**(90,404)**	**(999,431)**
Impairment losses			
At December 31 2020	**(31,731)**	**(117,160)**	**(148,891)**
Net fixed tangible assets			
Balance at 31 December 2020	**837,060**	**307,441**	**1,144,501**

	For own use	Investment property	Total
			€ ´000
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 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**

"Other transfers and movements" are shown in the charts above both in terms of the cost and the accumulated depreciation of assets. The breakdown by type of these movements for the 2020 and 2019 periods is as follows:

	2020		2019	
				€ ´000
	For own use	**Investment property**	**For own use**	**Investment property**
Transferred from non-current assets for sale	-	17,577	-	15,728
Transfers between "For own use" and "Investment property"	(11,974)	11,974	(14,294)	14,294
Transfers from inventory	-	1,334	-	-
Other movements	(38)	(782)	(451)	932
	(12,012)	**30,103**	**(14,745)**	**30,954**

The Group has taken out several insurance policies to cover the risk to which fixed tangible assets are subject. The coverage of these policies is considered sufficient.

The net payments recorded in the consolidated cash flows statement for the year 2020 for the tangible assets recorded under this item amounts to EUR 1,323 thousand (net collections of EUR 81,700 thousand for the year 2019).

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 2020 and 2019 is as follows:

				€ ´000
	Cost	**Accumulated depreciation**	**Impairment losses**	**Net balance**
Computer equipment and 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**
Computer equipment and facilities	132,199	(95,895)	-	36,304
Furniture, vehicles and fixtures	607,988	(565,561)	(20,456)	21,971
Buildings	872,696	(205,594)	(11,275)	655,827
Work in progress	-	-	-	-
Other	164,935	(41,977)	-	122,958
Balance at 31 December 2020	**1,777,818**	**(909,027)**	**(31,731)**	**837,060**

In the net balance at 31st December 2020 and 2019 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 2020 and 2019, tangible assets for own use for the gross amounts of EUR 643,600 thousand and EUR 641,572 thousand, respectively, were completely depreciated.

13.2 Investment property

The “Investment property" heading in the consolidated balance sheet reflects, in general terms, the net values of land, buildings and other constructions held for operation as rentals. Real estate investments are presented on the consolidated balance sheet at their purchase cost, arrived at by the fair value of any consideration given, plus the full amount of monetary disbursements made or committed, less their accumulated depreciation and, if applicable, the estimated losses resulting from comparing the net value of each item with its recoverable amount. To comply with IAS 36, the greater of the two sums - fair value less sales costs or the value in use of assets – must be used.

Since these are assets that generate rental income and since their value-in-use can be estimated, the Group does not follow the same criteria for updating appraisals as those required for distressed real estate held exclusively for sale. The Group calculates the recoverable amount of real property investments on the basis of the value in use based on the income generated by the assets.

Unicaja Banco Group does not have a reliable fair value indicator for real estate investments. As such, the Group does not report on the requirements pursuant to points (d) and (e) of paragraph 75 of IAS 40.

The expenses recorded on the consolidated income statement for 2020 and 2019 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	
	2020	**2019**
Investment property expenses that generate income	2,055	3,599
Investment property expenses that did not generate income	160	5,120
	2,215	**8,719**

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 2020 and 2019, the rental income from investment property owned by Group companies came to EUR 18,313 thousand and EUR 17,261 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 2020 and 2019, the Group obtained annual revenues for operating leases that cannot be terminated, i.e. rent-controlled leases, of EUR 110 thousand and EUR 150 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 entity 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 accumulated 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 property investments on the basis of the value in use based on the income generated by the assets and does not have a reliable fair value indicator for real estate investments.

In any event, the tables below show the property investments, at 31st December 2020 and 2019 by type, indicating their book value and the best estimation the Group can make of their fair value on these dates:

					€ ´000
31st December 2020	**Net carrying amount**	**Accumulated depreciation**	**Asset impairment adjustments**	**Net carrying amount**	**Estimated fair value**
Premises and warehouses	294,243	(58,844)	(53,224)	182,175	171,901
Finished homes	95,422	(9,412)	(18,943)	67,067	88,304
Garages and storage rooms	3,694	(525)	(1,562)	1,607	1,946
Developed land	7,865	-	(3,490)	4,375	7,249
Rural homes	1,823	(8)	(57)	1,758	2,578
Other	111,958	(21,615)	(39,884)	50,459	63,931
Total	**515,005**	**(90,404)**	**(117,160)**	**307,441**	**335,909**

					€ ´000
31st December 2019	**Net carrying amount**	**Accumulated depreciation**	**Asset impairment adjustments**	**Net carrying amount**	**Estimated fair value**
Commercial 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**

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, of 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 2020 and 2019:

			€ ´000
	For own use	Investment property	Total
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**
Provisions	-	(5,309)	(5,309)
Recoveries from sales	(48)	(10,752)	(10,800)
Other recoveries	-	-	-
Other transfers and reclassifications	(2,271)	4,594	(2,323)
Balance at 31 December 2020	**31,731**	**117,160**	**148,891**

Impairment losses under the "Inventory" heading are recorded under "Impairment or reversal in the 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, IT equipment and parking.

The detail of the leasehold rights of use and the variation therein for the year 2020 is as follows:

			€ ´000
	Land and buildings	Other	Total
Balance at 1 January 2019	**46,846**	**-**	**46,846**
Additions			
Derecognitions	8,439	-	8,439
Depreciation and amortisation	(1,250)	-	(1,250)
Other movements	(7,298)	-	(7,298)
Balance at 31 December 2019	**46,458**	**-**	**46,458**
Additions	5,689	-	5,689
Derecognitions	(3,889)	-	(3,889)
Depreciation and amortisation	(7,226)	-	(7,226)
Other movements	(199)	-	(199)
Balance at 31 December 2020	**40,833**	**-**	**40,833**

The detail of lease liabilities from rights of use (recorded under the heading “Financial liabilities carried at amortized cost”) are shown below at 31st December 2020 and 2019:

		€ ´000
	2020	**2019**
Lease liabilities		
Current lease liabilities	44,445	47,131
Non-current lease liabilities	-	-
	44,445	**47,131**

The breakdown of the maturities on the Group’s lease liabilities at 31st December 2020 is as follows:

						€ ´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	83	1,219	5,404	25,645	12,094	**44,445**

The impact on the profit and loss statement of the Bank’s lease rights of use at 31st December 2020 was:

		€ ´000
	2020	**2019**
Rights of use amortization	7,226	7,299
Land and buildings	*7,226*	*7,299*
Other	-	-
Interest expenses of lease liabilities	834	828
	8,060	**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 2020 is presented below:

		€ ´000
	2020	**2019**
Short term lease expense	99	113
Low-value lease expense	373	375
	472	**488**

14. Intangible assets

The breakdown under the heading “Intangible assets” in the consolidated balance sheet to 31 December 2020 and 2019 is as follows:

		€ ´000
	2020	**2019**
Goodwill	44,502	50,671
Other intangible assets	29,593	15,554
	74,095	**66,225**

The movements under the heading “Intangible assets” in the consolidated balance sheet to 31 December 2020 and 2019 is as follows:

			€ ´000
	Cost	**Accumulated amortisation**	**Net carrying amount**
Balance at 31 December 2018	**71,435**	**(8,930)**	**62,505**
Additions cost/amortisation	12,124	(1,698)	10,426
Disposals cost/amortisation	(12,922)	6,046	(6,876)
Other movements	(6)	176	170
Balance at 31 December 2019	**70,631**	**(4,406)**	**66,225**
Additions cost/amortisation	14,400	(7,559)	6,841
Disposals cost/amortisation	(265)	501	236
Other movements	793	-	793
Balance at 31 December 2020	**85,559**	**(11,464)**	**74,095**

The amount recorded under “Depreciation and amortisation”" in the consolidated income statement amounts to EUR 7,559 thousand in the period ending on 31st December 2020 (EUR 1,698 thousand in the period ending on 31st December 2019). 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 2020 and 2019 amounted to EUR 1,560 thousand and EUR 393 thousand, respectively.

The net payments recorded in the consolidated cash flows statement for the year 2020 for the intangible assets recorded under this item amounts to EUR 14,635 thousand (net collections of EUR 5,248 thousand for the year 2019).

The breakdown of “Goodwill” for each of the companies that produced it at 31st December 2020 and 2019, is as follows:

		€ ´000
	2020	**2019**
Unión del Duero, Compañía de Seguros de Vida, S.A.U.	44,502	50,671
	44,502	**50,671**

The breakdown of the goodwill is as follows:

			€ ´000			
			Accumulated impairment		Net amount	
	Initial amount	Date of recognition	2020	2019	2020	2019
Unión del Duero, Compañía de Seguros de Vida, S.A.U.	63,009	March 2018	(18,507)	(12,338)	44,502	50,671

Goodwill filed under Unión del Duero, Compañía de Seguros de Vida, S.A.U. corresponds to the price paid for purchasing 50% of the capital in the latter company and in and Duero Pensiones, E.G.F.P., S.A.U., 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 2020 and 2019, which stood at EUR 6,169 thousand in both fiscal years, for Unión del Duero, Compañía de Seguros de Vida, S.A.U. and Duero Pensiones, E.G.F.P., S.A.U. These sums have been filed under the “Impairment or reversal in the value of non-financial assets – Intangible assets” heading in the consolidated income statement (Note 42).

The heading "Other intangible assets" includes mainly computer applications used by Unicaja Banco Group companies in the course of business.

15. Other assets

The composition of the balances under this heading in the consolidated balance sheets at 31st December 2020 and 2019 is as follows:

	€ ´000	
	2020	**2019**
Insurance contracts linked to pensions	31,679	32,734
Inventory	185,138	205,004
Other	148,285	53,984
	365,102	**291,722**

At 31st December 2020 and 2019, the “Insurance contracts linked to pensions” item on the asset side of the consolidated balance sheet came to EUR 31,679 thousand and EUR 32,734 thousand, respectively, corresponding to post-employment benefits (Note 41).

At 31st December 2020 and 2019, the "Others" item under this heading of the consolidated balance sheet mainly includes asset accrual accounts.

The "Inventory" heading in the consolidated balance sheet reflects the non-financial assets held by the consolidated companies for sale in the ordinary course of their business; they are in the process of being produced, built or otherwise developed for that purpose, or are expected to be consumed in the production process or in the service provision. Consequently, land and other properties held for sale or for real estate development are considered as inventory.

Inventories are valued at the lower value of between their cost, which includes all the disbursements arising from their acquisition and transformation, the direct and indirect costs that would have been incurred to give them their current condition and location, as well as the related financial costs (provided they need a period of more than one year to be sold), and their net realizable value. The "net realizable value" of inventories is the estimated selling price in the ordinary course of business, less the estimated costs to complete production and the costs involved in carrying out their sale.

Pursuant to paragraph 36 of IAS 2, "Inventory", both reductions and, as the case may be, subsequent recoveries of the net realizable value of inventories below their net book value are recognised in the consolidated income statement for the period in which they occur, under "Impairment losses on other assets (net) - Other assets".

The breakdown of the balance, per company, of the asset “Inventory” in the consolidated balance sheets at 31st December 2020 and 2019 is as follows:

		€ ´000
	2020	**2019**
Gestión de Inmuebles Adquiridos, S.L.U.	180,890	177,759
Pinares del Sur, S.L.U.	-	23,364
Other companies	4,248	3,881
	185,138	**205,004**

Movements under the heading “Inventory” of the consolidated balance sheet for the years 2020 and 2019 is:

		€ ´000
	2020	**2019**
Net carrying amount at 1 January	**205,004**	**283,380**
Additions in the period	18,860	35,078
Derecognitions from disposals or transfers	(65,360)	(290,022)
Transferred to investment property	(1,866)	(15,841)
Transferred from non-current assets for sale	-	-
Transfers from “own use”	5,455	-
Change in impairment corrections	23,246	194,046
Other movements	(201)	(1,637)
Net carrying amount at 31 December	**185,138**	**205,004**

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 2020 and 2019 by Unicaja Banco Group, giving the sales price, cost of sales, use of provisions and other items, is as follows:

	€ ´000	
	2020	**2019**
Sale price	42,334	135,849
Cost of sales	(65,360)	(296,474)
Use of provisions	725	208,374
Selling fees	(226)	(2,422)
	(22,527)	**45,327**

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 2020 and 2019, 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 2020 amounted to EUR 244,316 thousand (EUR 304,473 thousand at 31st December 2019).

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 2020 and 2019 is as follows:

		€ ´000
	2020	**2019**
Equity instruments	**-**	**-**
Residential real estate	**168,086**	**221,852**
Finished buildings	**66,910**	**71,603**
Residential	19,428	17,871
Other	47,482	53,732
Buildings under construction	**3,364**	**2,535**
Residential	3,344	2,479
Other	20	56
Land	**5,956**	**8,483**
	244,316	**304,473**

During the years 2020 and 2019 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 2020 and 2019:

			€ ´000
	Gross amount	**Asset impairment adjustments**	**Net carrying amount**
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**
Additions in the period	43,714	-	43,714
Derecognitions from disposals or transfers	(90,450)	17,066	(73,384)
Allocated to results (Note 44)	-	(9,297)	(9,297)
Transferred to inventory	-	-	-
Transferred to investment property	(20,205)	2,570	(17,635)
Transfers to "for own use"	-	-	-
Changes in accounting classification (Note 12.1)	-	-	-
Other movements	(3,553)	-	(3,553)
Balance at 31 December 2020	**289,732**	**(45,416)**	**244,316**

Allowances made on this item's non-current assets, apart from equity instruments, are recorded under the "Gains/losses from non-current assets and disposal groups of items held for sale not admissible as discontinued operations" heading in the attached consolidated income statement. The impact on results of equity instruments in this item is recorded directly under the heading "Gains/Losses after tax from discontinued operations" on the consolidated income statement.

During fiscal year 2020, net collections recorded in the cash flow statement for non-current assets held for sale amounted to EUR 73,384 thousand under this heading (net collections of EUR 150,204 thousand for fiscal year 2019).

Losses from impairment in the consolidated income statements for 2020 and 2019 for the hedging of non-current assets for sale came to EUR 9,297 thousand and EUR 9,224 thousand, respectively, recorded under "Gains/losses from non-current assets and disposal groups classified as held for sale 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 2020 comes to EUR 95 thousand (EUR 20,500 thousand in 2019). At 31st December 2020, the amount of the gains from these operations awaiting recognition came to EUR 20,502 thousand (gains awaiting recognition of EUR 27,278 thousand in at 31st December 2019).

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. This consists of, pursuant to article 7 of the Order: (i) physical identification of the property by visiting and inspecting it, confirming the surface area and other observable features, checking on visible easements, the state of the construction or apparent conservation, (ii) the occupation status of the property and the use or operations to which it is being put, (iii) whether it is subject to any public-sector or architectural protection, and (iv) whether the property falls within current urban planning laws and, if applicable, the existence of planning and building permits. Specifically, in the case of real estate in construction, we should note here that the assessment is made of the current situation of the property, not on its final value.

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 permitted, whether it is built on or not, or projected buildings, 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. The steps to calculate the residual value using dynamic calculation 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 UVE Valoraciones, S.A., y Tasaciones Andaluzas, S.A. (Tasa) In this way. the Unicaja Banco Group complies with the independence and rotation of appraisal companies requirement indicated in points 78 and 166 of Appendix 9 of Bank of Spain's Circular 4/2017.

17. Financial liabilities at amortised cost

17.1 Central bank deposits

The composition of the balances under this heading in the consolidated balance sheets at 31st December 2020 and 2019 was as follows:

	€ ´000	
	2020	**2019**
Other Central Banks	5,025,100	3,340,420
Valuation adjustments	(27,004)	(37,506)
	4,998,096	**3,302,914**

At of 31st December 2020, the amounts recorded under the item "Other central banks" represent the financing taken out by the Group through the third series of targeted longer-term refinancing operations (TLTRO III). The accounting treatment of this financing transactions is described under Note 2.2.4. At of 31st December 2019, these amounts represented the financing taken out by the Group through the second series of targeted longer-term refinancing operations (TLTRO II).

During 2020, these operations have accrued interest income of EUR 33,405 thousand fully generated from the new TLTRO III issues (in 2019, accrued income from the TLTRO II issues amounted to EUR 13,532 thousand) and are recorded in the section "Interest income - Deposits with central banks" in the attached consolidated income statement (Note 32).

During the periods 2020 and 2019 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 2020 and 2019, taking into account the nature of the transactions, is as follows:

	€ ´000	
	2020	**2019**
Correspondent accounts	62	
Term deposits	478,810	520,652
Repurchase agreements	3,192,921	1,962,678
Other accounts	121,800	46,151
Valuation adjustments	11,876	8,977
	3,805,469	**2,538,458**

Interest accrued by these deposits in the years 2020 and 2019 amounted to EUR 2,453 thousand and EUR 2,838 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 2020 was 0.11% (0.13% at 31st December 2019).

17.3. Deposits from customers

The balance under this heading in the consolidated balance sheets at 31st December 2020 and 2019, classified by type and by the counterparties in the transactions, is as follows:

		€ ´000
	2020	**2019**
By type -		
Current accounts	16,398,388	13,877,323
Savings accounts	20,158,989	17,931,754
Term deposits	7,819,165	9,645,274
Repos	3,675,065	847,592
Other	36,638	33,094
Valuation adjustments	612,366	633,842
Of which:		
Micro-hedging transactions	*485,170*	*490,527*
Accrued interest	*233,621*	*250,279*
Other adjustments	*(106,403)*	*(106,964)*
	48,700,611	**42,968,879**
By counterparty -		
Resident public administrations	3,264,999	2,812,031
Other resident sectors	44,593,313	39,297,241
Other non-resident sectors	229,933	225,765
Valuation adjustments	612,366	633,842
Of which:		
Micro-hedging transactions	*485,170*	*490,527*
Accrued interest	*233,621*	*250,279*
Other adjustments	*(106,425)*	*(106,964)*
	48,700,611	**42,968,879**

Interest accrued by these deposits in the years 2020 and 2019 amounted to EUR 228,837 thousand and EUR 263,045 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 2020 was 0.29% (0.40% at 31st December 2019).

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 31/12/2020**	**Nominal 31/12/2019**
29/03/2005	29/03/2020	(a) 4.003%	-	58,333
29/03/2005	29/03/2020	(b) 4.003%	-	58,333
29/03/2005	29/03/2020	4.003%	-	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
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	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
			3,433,903	**3,758,903**

(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 2020 and 2019 is as follows:

	€ ´000	
	2020	**2019**
Mortgage securities	60,000	60,000
Other non-convertible securities	300,000	300,000
Convertible subordinated debt	-	-
Treasury stock	-	-
Valuation adjustments - Accrued interest	1,152	1,174
Valuation adjustments - Micro-hedging	2,998	(1,713)
Valuation adjustments - Other	(1,226)	(1,554)
	362,926	**357,907**

Interest accrued on debits represented by tradable securities for the years ended 31st of December 2020 and 2019 amounted to EUR 9,164 thousand and EUR 1,252 thousand, respectively. These interests are recorded under "Interest expenses" in the consolidated income statement (Note 33).

The detail and changes in issues, repurchases or redemptions of debt securities, including convertible subordinated liabilities, carried out in 2020 by both the parent company and other Group companies is as follows:

					€ ´000
	Balance at 01/01/2020	**Issues**	**Repurchases/redemption**	**Adjustments due to exchange rate & other**	**Balance at 31/12/2020**
Debt securities issued in a EU member state which required the registration of a prospectus	357,907	-	-	5,019	362,926
Debt securities issued in a EU member state which did not require the registration of a prospectus	-	-	-	-	-
Other debt securities issued outside the EU	-	-	-	-	-
TOTAL	**357,907**	**-**	**-**	**5,019**	**362,926**

There were no issues of debt instruments in 2020 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 2019 by both the parent company and other Group companies is as follows:

					€ ´000
	Balance at 01/01/2019	Issues	Repurchases/redemptions	Adjustments due to exchange rate & other	Balance at 31/12/2019
Debt securities issued in a EU member state which required the registration of a prospectus	59,958	300,000	-	(2,051)	357,907
Debt securities issued 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 breakdown of the mortgage securities (specifically mortgage backed securities) issued by Unicaja Banco Group at 31st December 2020 and 2019 is as follows:

					€ ´000		
Issue	**ISIN code**	**Date of issue**	**Issue amount**	**Balance at 31/12/2020**	**Balance at 31/12/2019**	**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 outstanding mortgage backed securities issued by Unicaja Banco Group at 31st December 2020 is as follows:

Issue	ISIN code	Date of issue	€ ´000 Issue amount	Balance at 31/12/2020	Balance at 31/12/2019	Maturity date	Interest rate
Unicaja Banco – Subordinated debenture	ES0280907017	13/11/2019	300,000	300,000	300,000	13/11/2029	2.875%
				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 redeemed early, they will be repaid at the value of their principal on 13th November 2029. The Bank has the option of repaying this debt 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, redeem all the debt on a restart 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 is lowered substantially; or (b) the Bank is obliged to pay additional amounts to those indicated in condition 7 of the 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 restart date, payable on 13th November every year, with the first interest payment date set as 13th November 2020, and (ii) from the restart date, at the restart 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 restart date set on 13th November 2025.

The effective average interest rate of the debt instruments classified under this heading at 31st December 2020 was 2.99% (3.03% at 31st December 2019).

17.5 Other financial liabilities

The breakdown of this item in the consolidated balance sheets to 31st December 2020 and 2019 is as follows:

	2020	2019
		€ ´000
Payment obligations (*)	227,778	141,633
Collection accounts	431,130	368,341
Special accounts	134,179	140,944
Financial guarantees	935	1,192
Guarantees received and other	391,763	384,410
	1,185,785	**1,036,520**

(*) This includes a balance of EUR 64,480 thousand at 31st December 2020 (EUR 57,877 thousand at 31st December 2019) representing the outstanding balance from the extraordinary contribution to the Deposits 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 2020 and 2019 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 positive cash flow included in the consolidated cash flows statement for the year ended 2020 for financial liabilities at amortised cost amounts to EUR 8,848,209 thousand (negative flow of EUR 1,469,630 thousand for the year ended 2019).

18. Provisions

The following are movements for the years 2020 and 2019 and the purpose of the provisions recorded under these headings in the consolidated balance sheet at 31st December 2020 and 2019:

	Pensions funds and related obligations	Other long term employee benefits	Provisions for commitments and guarantees given	All other provisions	Total
					€ ´000
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**
Provisions recorded against results:	362	7,988	21,832	42,703	72,885
Provisions (*)	*88*	*7,917*	*21,832*	*42,703*	*72,540*
Interest costs (Note 33)	*274*	*71*	-	-	*345*
Recoveries recorded in results	-	-	(28,590)	(819)	(29,409)
Provisions used	(3,279)	(35,058)	-	(198,376)	(236,713)
Other movements	(3,166)	(7)	(1,860)	75,758	70,725
Balance at 31 December 2020	**56,633**	**176,619**	**119,629**	**445,741**	**798,622**

(*) 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 materialisation of these estimates, taking into account the amount of these provisions, will entail a material adjustment to the carrying amount of the Group's assets and liabilities during the next accounting period. The financial effect estimated when calculating provisioning and the amount for recovering provisions was insignificant during fiscal years 2020 and 2019.

The Bank has quantified provisions taking into account the best available information on the consequences of the event they are providing for, consequences that are re-estimated at each accounting closure. These provisions are used to meet the specific obligations for which they were originally recognised, with the total or partial reversal thereof, when those obligations cease to exist or decrease.

The Group periodically reassesses the risks to which its activity is exposed in accordance with the economic environment in which it operates. Once the valuation and initial recording of the provisions have been made, they are reviewed at the date of each balance sheet and adjusted, if necessary, to reflect the best estimate at that time.

Provisions are used to meet the specific obligations for which they were originally recognised, with the total or partial reversal thereof, when those obligations cease to exist or decrease.

Pensions and related post-employment defined benefits

The heading "Pension fund and similar obligations" refers to the commitments undertaken by the Group on behalf of its employees, as described in notes 2.12 and 41.1.

Provisions for commitments and guarantees given

This balance sheet heading includes provisions to hedge contingent liabilities, understood as those operations in which the Group guarantees third party obligations arising as a result of financial guarantees or other type of contracts that have been given, and contingent commitments, understood as irrevocable commitments that may give rise to the recognition of financial assets.

The breakdown of the balances recorded under the section “Provisions for commitments and guarantees given” at 31st December 2020 and 2019, and the breakdown of the item “Other movements” associated with the movement of these provisions during 2020 and 2019, is as follows:

				€ ´000
	Year-end balance		**Other movements (*)**	
	2020	**2019**	**2020**	**2019**
Provisions for contingent risks	115,620	117,921	(1,861)	(826)
Provisions for contingent commitments	4,009	10,326	-	-
	119,629	**128,247**	**(1,861)**	**(826)**

(*) For 2020 and 2019, the “Other movements” amount represents the increases and reductions in provisions allocated for contingent risks as a result of the reclassifications between amounts drawndown and contingent risks.

The item "Provisions for contingent risks" includes provisions to hedge contingent liabilities, understood as those operations in which the Group guarantees third party obligations arising as a result of financial guarantees or other type of contracts that have been given, while the item “Provisions for contingent commitments”, records provisions for the hedging of irrevocable commitments that may give rise to the recognition of financial assets.

All other provisions

The breakdown of the balances by type recorded under the section “All other provisions” at 31st December 2020 and 2019, and the breakdown of “Other movements” associated with the changes of these provisions during 2020 and 2019, is as follows:

				€ ´000
	Year-end balance		Other movements	
	2020	2019	2020	2019
Allowance for legal contingencies and similar	197,349	254,530	74,203	81,599
Allowance for investee contingencies	8,824	12,401	-	-
Allowance for other contingencies	239,568,	259,544	1,555	(106,743)
	445,741	**526,475**	**75,758**	**(25,144)**

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, which include those relating to the granting of mortgage loans and litigation with public administrations. The final date of outflows depends on the contingency, such that in certain cases the obligations do not have a fixed settlement deadline, and in others the deadlines depend on ongoing legal procedures. The amounts to be provisioned are calculated according to the best estimate of the sum necessary to settle claims. This is calculated on the basis, among other factors, of the individual analysis of the facts and legal opinions of internal and external advisors.

  In addition, the heading “Hedges for legal contingencies and similar” includes the coverage for disputes and claims relating to the interest rate limitation agreements for an amount of EUR 123 million. 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 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.

  This heading includes the restructuring provisions set up in the framework of the 2020-2022 Strategic Plan adopted by the Unicaja Banco Board of Directors. No new provisions were set up during 2020. During 2019, a provisions were made amounting to EUR 130 million.

Covenants limiting interest rate variations

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 spread 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, 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, final and 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 first lodge suits against the entity and be handed the appropriate ruling confirming said refund.

Without prejudice to the aforementioned judgements, Unicaja Banco Group considers, in general, that the covenants in its mortgage deeds setting limits to interest rate variations, 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 2020, the provisions deemed necessary to cover potential asset impairments and deal with the risks and contingencies that may impact the Group were in place. In this regard, the Group has provisions of EUR 123 million at 31st December 2020 (EUR 177 million at 31st December 2019).

IRPH clause

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 IRPH 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.

On 3rd March 2020, the ECJ handed down a ruling in the above-mentioned Case C-125/18, stating, in line with earlier rulings, that the clauses containing the Mortgage Loan Reference Index (IRPH) in mortgage contracts with consumers are covered in the scope of application of the Directive on unfair terms, indicating in turn that the Spanish courts must check that clauses of this nature are written in clear, comprehensible language, and that they should not mislead the consumer ("abusiveness"). If these courts reach the conclusion that these clauses are predatory, they may be replaced by another legal index instead, to protect these consumers from particularly damaging consequences that could give rise to the voiding of the mortgage contract.

On 12th November 2020, the Supreme Court's Courtroom Nº 1 handed down several rulings resolving four cassation appeals relating to the IRPH index, which were deliberated in Plenary session of the Supreme Court on 21st October 2020, the date on which the ruling was known. In these rulings, the Plenary analysed the ECJ ruling of 3rd March 2020, and confirmed that the preliminary question submitted by the Barcelona Court of the 1st Instance Nº 38, which gave rise to this judgment, transmitted the meaning of the jurisprudence from Courtroom Nº 1 to the ECJ erroneously. Contrary to what the proposal writ stated, this courtroom had upheld both the contractual validity of the clause establishing the IRPH index as the benchmark index for the loan, and also the need to apply the assurance of transparency to this clause. Therefore, even though the ECJ affirms that the clause in question is not excluded from Directive 93/13, it does not follow that the courtroom's jurisprudence need be amended, given that it was consistent with said declaration.

In analysing the repercussions of the ECJ ruling on ascertaining the transparency of the clauses in question, the Plenary starts with the fact that the ECJ finds that the publication of the IRPH in the Official State Bulletin (the BOE) enabled the average consumer to understand that the index in question was calculated according to the average rate of mortgage loans on buying homes over more than three years, including the spreads and expenses applied by these institutions, such that this publication meets, for all cases, the transparency requirements regarding the composition and calculation of the IRPH.

The second transparency parameter established by the ECJ is the information that the lending institution made available to consumers about the past performance of the index. In the event that the lack of direct information about the performance of the IRPH in the previous two years determines the lack of transparency of the clause in question, said lack of transparency does not necessarily entail its annulment. According to settled case law of the ECJ, the effect of the lack of transparency of the clauses defining the principal purpose of the contract is not what makes them invalid, but rather that it opens up the possibility of making a judgment about unfair terms of contract. In other words, it enables the court to assess whether it is a clause that, contrary to the requirements of good faith, causes a significant imbalance, to the detriment of the consumer and user, of the rights and obligations between the parties to that contract.

The Court, making this judgment about unfair terms of contract in line with the ECJ's parameters, finds that the fact that the banking institution provided an official index, approved by the banking authority, cannot in itself be a breach of good faith. Furthermore, the Central Government and several autonomous governments have been determining, through regulatory standards, that the IRPH is the most appropriate index to use as a benchmark index in the financing of social housing. It is therefore illogical to find it in bad faith to use the same index on loans arranged outside the scope of official financing.

As such, to 31st December 2020, Unicaja Banco Group is not anticipating contingencies relating to litigation and potential lawsuits on the matter of IRPH.

Revolving cards

On 4th March 2020, The Supreme Court's Chamber 1 handed down ruling 149/2020, dismissing the cassation appeal lodged by a credit institution (not one belonging to Unicaja Banco Group), against a ruling that had declared a revolving credit contract void on the grounds that the interest being charged was usurious. The Group's senior management and directors have assessed the potential impacts of this ruling on the portfolio of similar products held by Unicaja Banco Group as of 31st December 2020, concluding that the potential losses from claims that may be made against the Group for this cause are not significant.

Mortgage arrangement fees

On 23rd December 2015, the Plenary session of the Supreme Court's Civil Division issued a ruling about, among other matters, the charging to the consumer of certain costs pertaining to a mortgage loan, based on the stipulations in the contract clauses. This triggered a number of non-significant claims against Unicaja Banco Group through its Customer Services department, together with lawsuits, for the return of charges and taxes paid by customers in the process of setting up their mortgage.

A number of rulings have subsequently been issued by domestic and European courts, among which the most significant are those by the Supreme Court of 15th March 2018, 23rd January 2019 and 27th January 2021, and the ruling by the European Court of Justice (ECJ) on 16th July 2020.

In its latest ruling on 27th January 2021, the Supreme Court has resolved on the consequences of the annulment of clauses charging the costs of formalising the mortgage loan to consumers. This doctrine states that consumers are entitled to the restitution of all expenses paid in registering the property, the administration and appraisal, as well as half of the notarial expenses. Only the Stamp Duty (AJD), on which tax regulations state that the principal taxable person is the borrower, is payable by consumers.

The Group does not expect a significant effect as a consequence of these claims.

19 Other liabilities

The composition of the balance under this heading in the consolidated balance sheets at 31st December 2020 and 2019 is as follows:

	2020	2019
		€ ´000
Accrued expenses payable	51,352	52,640
Transactions in progress	48,550	44,186
Other	96,585	105,626
	196,487	**202,452**

At 31st December 2020 and 2019, the "Others" item under this heading of the consolidated balance sheet mainly includes liability accrual accounts.

20. Assets and liabilities under insurance and reinsurance contracts

At 31st December 2020 and 2019, 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 1,831 thousand and 2,163 thousand, respectively.

The composition of the balance the heading “Liabilities under insurance or reinsurance contracts” in the consolidated balance sheets at 31st December 2020 and 2019 is as follows:

	2020	2019
		€ ´000
Provisions for life insurance	523,988	552,137
Provision for employee benefit	14,756	9,603
Provision for bonuses and rebates	629	695
Provision for accounting asymmetry	65,645	60,685
Other	7,454	7,574
	612,472	**630,694**

At 31st December 2020 and 2019, the “Others” item includes the amounts of insurance or reassurance contracts, as defined in the applicable accounting regulation.

21. Minority interests and income

The breakdown, per consolidated companies, of the balance of the items "Minority Interests (non-controlling interests)” in the consolidated balance sheet 31st December 2020 and 2019 and “Income attributable to minority interests (non-controlling interests)” in the consolidated income statement for the years 2020 and 2019 is as follows:

				€ ´000
	2020		2019	
	Non-controlling interests	**Net income/loss attributable to minority interests**	**Non-controlling interests**	**Net income/loss attributable to minority interests**
Parque Industrial Humilladero, S.L.	473	(5)	478	(3)
	473	**(5)**	**478**	**(3)**

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 20,026 thousand at 31 December 2020 (EUR 19,852 thousand at 31 December 2019).

At 31st December 2020 and 2019 there are no significant non-controlling interest.

During the years 2020 and 2019, 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 2020 and 2019 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 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 this date, 49.68% of the capital belonged to Fundación Bancaria Unicaja.

Similarly, on 30 October 2020, the Board of Directors approved a capital reduction against treasury shares for a total of 30,541,097 shares for sum of EUR 30,541 thousand.

Therefore, the bank’s share capital at 31st December 2020 amounted to EUR 1,579,761 thousand, comprising 1,579,761,024 ordinary shares with a par value of one euro, fully subscribed and paid up. At this date, 50.81% of the capital belonged to Fundación Bancaria Unicaja.

Thus, the issue premium at 31st December 2020 and 2019 amounted to EUR 1,209,423 thousand.

Since 30th June 2017, all of the Bank's shares have been admitted to trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, and are included in the Stock Market Interconnection System (S.I.B.E. or Continuous Market).

22.2 Equity instruments issued other than capital

The heading "Equity instruments issued other than capital - Net equity component of compound financial instruments" recorded at 31st December 2020 and 2019 includes the outstanding balance of the issuances of Unicaja Banco Perpetual Contingent Convertible Bonds (PeCoCos). The breakdown of these issues at 31st December 2020 and 2019 is as follows:

		2020			2019				
			€	€ ´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	47,429,435	47,429,435	47,429	47,573,771	47,573,771	47,574	13.8824%	Perpetual
				47,429			**47,574**		

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 2020 and 2019 this issue was not listed for trading on any type of secondary market.

The bonds grant their holders the right to: non-cumulative, pre-determined discretionary remuneration, to conversion into ordinary Unicaja Banco shares, subject to certain conversion and to the political rights resulting from belonging to the respective bond syndicates. The shares into which such bonds will eventually be converted will grant their holders the same rights as those of currently floating Unicaja Banco shares.

The accrual of discretionary remuneration is subject to the following four conditions being met simultaneously: (i) the existence of a profit that can be distributed, after the requirements provided under law and Unicaja Banco Statutes are covered; (ii) the absence of applicable constraints imposed by existing or future Spanish or European regulations over own resources; (iii) that the Board of Directors of Unicaja Banco, at its sole discretion, having regard to the liquidity of Unicaja Banco and Unicaja Banco Group, has not decided to declare a non-remuneration scenario, one in which it considers it necessary not to proceed to the payment of remuneration for an unlimited period, considering in any case that unpaid interest will not be cumulative; and (iv) that Bank of Spain has not exacted the cancellation of the remuneration because of the financial situation and liquidity of Unicaja Banco or Unicaja Banco Group, pursuant to the applicable regulations. In the event of partial application of the conditions mentioned in sections (i) to (iv) above, Unicaja Banco may proceed, at its sole discretion, to pay the remuneration in part or to declare a situation of non-remuneration. If for any reason the remuneration to the bondholders is not paid in full or in part on a payment date, they will not be able to claim such remuneration.

Perpetual Contingent Convertible Bonds (PeCoCos) will necessarily be fully converted into shares, in the cases hereinafter indicated, and partially, in the amount necessary to recover, where appropriate, the equilibrium of own resources by the amount fixed by the competent authority, in the remaining cases:

- Total mandatory advance conversion: Bonds will be converted into shares in the following cases: (i) if Unicaja Banco adopts any measure tending towards its dissolution and liquidation, voluntary or involuntary, or if it is declared bankrupt, or (ii) if Unicaja Banco adopts any measure that results in the approval of a share capital reduction under the provisions of articles 320 et seq. of the Capital Enterprises Act, or article 343 by reference to article 418.3 of the Capital Enterprises Act.

- Contingency events: The bonds will be converted into shares if the capital ratios of Unicaja Banco Group, calculated quarterly, are below the limits indicated in the securities prospectus relating to the issuance of these instruments.

- Viability events: Bonds will be converted into shares in the following cases: (i) if the Bank of Spain determines that, without the conversion of the instrument, the Entity would not be viable, or (ii) if the decision is taken to inject public capital or any other measure of financial support, without which the Entity would not be viable.

- Regulatory event: Bonds will be converted into shares in the following circumstances: (i) if, with the entry into force and pursuant to the capital adequacy rules known as Basel III (CRD IV/CRR) in 2014, the bonds can no longer be classified as at least additional Tier 1 capital; (ii) if the bonds can no longer be classified as core capital; or (iii) if the bonds can no longer be classified as ordinary capital.

Taking into account the foregoing, the Directors of the parent company consider that these convertible instruments do not represent an unconditional contractual obligation to deliver cash or another financial asset, nor to exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the Group; therefore they should be classified as equity instruments and fully recorded in own funds under "Equity instruments issued other than capital" in the consolidated balance sheet.

22.3 Treasury shares

At 31st December 2020 the Group had 178,589 treasury shares (14,865,086 31st December 2019). The accumulated treasury shares purchased by Unicaja Banco at 31st December 2020 amounts to 92,296 treasury shares (14,773,028 at 31st December 2019).

The change of treasury shares at 31st December 2020 and 2019 is as follows:

	2020		2019	
	Number of shares	**€ ´000**	**Number of shares**	**€ ´000**
Opening balance of treasury shares	**14,865,086**	**14,865**	**2,146,738**	**2,147**
Purchase of treasury shares by Unicaja Banco	15,887,216	15,887	14,350,630	14,350
Redemption of Unicaja Banco treasury shares	(30,541,097)	(30,541)	-	-
Treasury shares sold by Unicaja Banco	(26,851)	(26)	(1,632,282)	(1,632)
Sold by other group entities	(5,765)	(6)	-	-
Balance of treasury shares at end of period	**178,589**	**179**	**14,865,086**	**14,865**

The net purchases of treasury shares by Unicaja Banco in 2020 had nominal cost of EUR 15,861 thousand (EUR 12,718 thousand in 2019).

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 2020 and 2019 under the heading “Net equity" in the consolidated balance sheets, with an explanation of all movements over the aforementioned periods under this heading.

The breakdown of retained earnings and other reserves at 31st December 2020 and 2019 is as follows:

		€ ´000
	2020	**2019**
Retained earnings	959,533	915,492
Revaluation reserves	-	-
Other reserves	126,764	30,759
Reserves or accumulated losses of investments in joint ventures and associates	*(127,721)*	*(223,726)*
Other reserves	*254,485*	*254,485*
	1,086,297	**946,251**

The "Retained earnings" item records accumulated 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.

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

	2020	2019
	€ ´000	
Parent Company reserves	1,240,134	1,105,114
Legal reserve	*139,539*	126,972
Revaluation reserves	-	-
Capitalization reserve	*23,601*	19,601
Unrestricted reserves	*1,076,994*	958,541
Consolidation reserves attributed to the parent Company, consolidated subsidiaries and investments in joint ventures and associates	(153,837)	(158,863)
	1,086,297	**946,251**

23.2 Other recognised revenues and expenses from joint ventures & associates

The breakdown of the balance on the consolidated balance sheet at 31st December 2020 and 2019 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 expenses for 2020 and 2019, resulting from the institutions valued using the equity method, is as follows:

	Balance in consolidated balance sheet		**Gains (losses) from valuation adjustments**	
	€ ´000			
	2020	**2019**	**2020**	**2019**
Ahorro Andaluz, S.A.	-	-	-	-
Alestis Aerospace, S.L.	-	-	-	(1,016)
Autopista del Guadalmedina, Concesionaria Española, S.A.	-	-	-	8,733
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.	38,386	31,480	9,865	32,259
Caja España Vida, Compañía de Seguros y Reaseguros, S.A.	-	-	-	(10,472)
Hidralia, Gestión Integral de Aguas de Andalucía, S.A.	(151)	-	(215)	-
	38,235	**31,480**	**9,650**	**29,504**

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 2020:

- 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. (*)
- Analistas Económicos de Andalucía, S.L.U.
- Unicorp Patrimonio, Sociedad de Valores, S.A.U.
- Inmobiliaria Uniex Sur, S.A.U.
- Unicartera Gestión de Activos, S.L.U.
- Unimediación, 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.
- 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 2020 had ceased to exist, having been absorbed by another Group company, they are included herein, since a fractionated payment of Corportae tax for 2020 has been settled by them as they are part of the 660/10 fiscal group. These companies will leave the fiscal group in 2021.

In 2020 the following companies have ceased to form part of the 660/10 fiscal group.

- Unimediterráneo de Inversiones, S.L.U.
- Unicartera Caja 2, S.L.U.
- Unicartera Internacional, S.L.U.
- Unicartera Renta, S.L.U.
- Duero Pensiones, Entidad Gestora de Fondos de Pensiones, S.A.U.

24.2 Fiscal years subject to tax inspection

On the date that these annual accounts were filed, the consolidated Fiscal Group's Central Government taxes for 2020, 2019, 2018, 2017, 2016, 2015 and 2014 were being reviewed by the tax authorities.

As to the remaining applicable regional and local tax obligations, the periods 2020, 2019, 2018 and 2017 are being reviewed by the public administrations concerned.

The Tax Authorities are currently carrying out an inspection procedure relating to the following taxes and financial periods of the tax groups Unicaja Banco and EspañaDuero (the forerunner of the institution):

- 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.
- Tax on Credit Institutions' Deposits for the periods 2014 through 2016.

Due to the differing interpretations that can be made of the ongoing 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 years 2020 and 2019:

		€ ´000
	2020	**2019**
Pre-tax income	99,098	174,075
Corporate income tax (30% tax rate)	29,729	52,223
Eliminations in the consolidation process	(5,796)	(8,130)
Permanent positive differences	637	5,431
Permanent negative differences	(4,824)	(47,052)
Effect of Roya Decree 3/2016	2,081	859
Tax deductions and credits		
Other deductions	(555)	(1,534)
Income tax	**21,272**	**1,797**

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

As regards the breakdown of the main components of the expenditure on the tax on earnings, the entire amount recorded in the consolidated profit and loss statement for 2020 and 2019 for this item (which comes to EUR 21,272 thousand of expenditure in 2020 and EUR 1,797 thousand of expenditure in 2019) 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 2020 and 2019, are the following:

		€ ´000
	2020	**2019**
Expense/(income) from temporary differences	23,860	8,796
Expense/(income) from outstanding negative tax base	(2,588)	(6,999)
Expense/(income) from unused tax credits	-	-
Income tax	**21,272**	**1,797**

As to the tax on profits in the consolidated recognised income and expense statements for 2020 and 2019, the Group has charged a negative amount on its consolidated net equity of EUR 2,231 thousand and a positive amount of EUR 1,172 thousand, respectively, for the following items:

	€ ´000	
	2020	**2019**
Actuarial gain or loss in defined benefits plans	(23,169)	(7,643)
Valuation of financial assets designated at fair value through other comprehensive income	(715)	(28,557)
Valuation of cash flow hedges derivatives:	24,341	43,542
Net exchange differences	3	(17)
Valuation of on-current assets for sale	-	-
Valuation of entities valued using the equity method	(2,690)	(8,497)
Corporate tax expense	**(2,230)**	**(1,172)**

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 2020 and 2019, includes deferred tax liability of EUR 2,704,118 thousand and EUR 2,711,645 thousand, respectively, while the deferred tax credit amounted to EUR 236,464 thousand and EUR 292,988 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 2020 and 2019 is as follows:

				€ ´000
		2020		**2019**
	Asset	**Liability**	**Asset**	**Liability**
Current taxes	**37,018**	**21,477**	**46,128**	**32,397**
Deferred taxes	**2,704,118**	**236,464**	**2,711,645**	**292,988**
From negative tax base	662,090	-	664,678	-
Unused tax credits	-	-	-	-
Temporary differences - insolvencies	1,421,987	-	1,419,481	-
Permanent negative differences - pensions	128,276	-	92,052	-
Permanent negative differences - foreclosed assets	71,896	-	76,087	-
Other items	419,869	-	459,347	-
Revaluations	-	236,464	-	292,988
	2,741,136	**257,941**	**2,757,773**	**325,385**

Following the entry into force of IFRIC 23 beginning on or after 1 January 2019, it's impact on the Unicaja Banco Grupo is restricted to the procedure for recovering State aid from the "Tax Lease" for Financing of Vessels by the European Commission The bank has provisioned EUR 6,449 thousand for this eventuality (see Note 24.7).

In line with IFRIC 23 stipulations, the amounts affected by these uncertainties have been classified in the "Current Tax Liabilities" item on the Group's consolidated balance sheet.

The Directors of the Group 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 loans 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 13 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 time limit to use them.

The business plan takes as its most important estimates: (i) the forecast result for each of the fiscal years included in the forecasts; these are consistent with other reports used by the Bank for its internal management and as information for supervisors, and (ii) the reversibility of the key tax assets recorded on the consolidated balance sheet, in line with current tax rules, particularly as per Article 130 (5) of the Corporation Tax Law. In these estimates, as well as bearing in mind the future results outlined in the approved business plan, Unicaja Banco Group has taken into consideration the expected impact of Covid-19 on the budget in forthcoming periods. In this respect, Covid-19 introduces additional uncertainty vis-à-vis estimates of future results. In any event, Unicaja Banco Group's senior management has made its best estimate of the impact of Covid-19 on these future results, treating them within the model of deferred tax assets absorption.

The entry into force of Royal Decree-Law 14/2013, 29th November on urgent measures to adapt Spanish law to European Union legislation on the supervision and liquidity of financial institutions basically means that some deferred tax assets recorded in the consolidated balance sheet herein, may, under certain conditions, be converted into receivables from the Tax Authorities.

For the 2016 financial period, this arrangement has been continued by introducing an DTA monetisation provision that, essentially, will amount to an annual payment of 1.5% of the assets eligible to be guaranteed by the Spanish State that were generated prior to 2016.

On 3rd December 2016, Royal Decree 3/2016, 2nd December, was published, adopting a number of tax measures, among them a new limit to the carryforward offsets for major corporations with a net turnover of at least EUR 20 million, the reversal of impairment losses of stakes that were tax deductible in tax periods prior to 2013 and the non-deductibility of losses occurring in the transfer of stakes in entities.

The Group to which the Bank belongs has made an initial estimate of the amount of deferred tax assets likely to become a receivable apropos the Tax Authorities. These sums are therefore guaranteed by the Spanish authorities, coming to EUR 1,622,159 thousand at 31st December 2020 (EUR 1,587,603 thousand at 31st December 2019). 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 segregate part of its equity. It therefore resolved to present the segregation transaction under the Special Arrangements applying to mergers, divisions, transfers of assets and exchanges of shares, regulated under Chapter VII, Heading VII, of the Corporation Tax Law (at the time it was applied, this was numbered differently, as Chapter VIII, Heading VII, of the recast text 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 2020.

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 EGC.

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.

The Tax Authorities have already initiated proceedings for the recovery of this State Aid, issuing inspection reports, and the amount of State Aid to be reimbursed matches the bank's provisioning.

In the opinion of the Group's Directors and tax advisors, the likelihood of significant liabilities arising from this proceeding, in addition to those already provisioned, is remote.

25. Liquidity risk with financial instruments

The Assets & Liabilities & Budget Committee (ALBCO), a committee formed by senior management, manages the liquidity risk inherent to the Entity's activity and its financial instruments to ensure that it will have sufficient liquidity at all times to meet its payment commitments to settle its liabilities, on their respective maturity dates, without compromising the Group's ability to respond quickly to strategic market opportunities.

The Group uses a centralised approach to manage liquidity risk, applying integrated computer tools to test liquidity risk, based on the cash flows estimated by the Group for its assets and liabilities, as well as the additional collateral or instruments available to it to guarantee additional liquidity sources that may be required (for example, liquidity lines not used by the Group). The Group's liquidity risk position is based on a variety of scenarios. Trialling different scenarios takes into account not only normal market situations, but also extreme conditions that could affect collection and payment flows, whether due to factors in the market or in the Group.

Turning to compliance with the requirements in IFRS 7 "Financial instruments: disclosures", see the chart below with maturities at 31st December 2020, specifying the remaining contractual true flows of the Group's assets and liabilities:

	Upon demand	**Less than 1 month**	**More than 1 month but less than 3 months**	**More than 3 months but less than 1 year**	**More than 1 year but less than 5 years**	**More than 5 years**	**Total balance**
TOTAL INFLOWS	**456,592**	**3,144,017**	**3,057,907**	**4,650,645**	**12,907,845**	**25,342,686**	**49,559,692**
Deposits in financial institutions	-	3,455	3,336	3,421	-	222,187	232,399
Loans to financial institutions	-	10,667	1,222	21,481	40,737	357,665	431,772
Reverse purchase agreements and securities loans (borrower)	-	2,167,347	376,051	-	-	-	2,543,398
Loans	456,592	489,548	464,598	2,013,592	8,565,552	13,290,036	25,279,918
Securities' portfolio settlement	-	473,000	2,212,700	2,612,151	4,301,556	11,472,798	21,072,205
TOTAL OUTFLOWS	**(36,573,150)**	**(6,857,403)**	**(1,187,768)**	**(3,799,999)**	**(7,042,296)**	**(2,056,755)**	**(57,517,371)**
Wholesale issues	-	-	(100,000)	(590,000)	(1,163,903)	(1,940,000)	(3,793,903)
Credit institutions' deposits	(121,867)	(45,279)	-	-	-	-	(167,146)
Deposits in other financial institutions and international bodies	(1,117,173)	(881)	(100)	(13,660)	(201,235)	(100,764)	(1,433,813)
Deposits of large non-financial corporations	(1,774,118)	(7,626)	(33,098)	(67,603)	(12,924)	-	(1,895,369)
Customer deposits	(33,559,992)	(602,645)	(707,560)	(2,710,699)	(562,317)	(724)	(38,143,937)
Funds for brokered loans	-	(5,554)	(5,652)	(32,943)	(74,114)	(15,267)	(133,530)
Security pledge funding	-	(6,148,452)	(345,390)	(359,783)	(5,025,100)	-	(11,878,725)
Derivatives (net)	-	(12,212)	14,271	50,091	-	-	52,150
Other outflows (net)	-	(34,754)	(10,239)	(75,402)	(2,703)	-	(123,098)
LIQUIDITY GAP	**(36,116,558)**	**(3,713,386)**	**1,870,139**	**850,646**	**5,865,549**	**23,285,931**	**(7,957,679)**
ACCUMULATED GAP	**(36,116,558)**	**(39,829,944)**	**(37,959,805)**	**(37,109,159)**	**(31,243,610)**	**(7,957,679)**	
Memorandum item:							
Contingent risks	1,965,242	-	-	-	-	-	1,965,242
Available by third parties	2,429,312	-	-	-	-	-	2,429,312
Instant availability	*1,827,735*	-	-	-	-	-	*1,827,735*
Available subject to conditions	*601,577*	-	-	-	-	-	*601,577*
Total contingent risks and drawable by third parties	**4,394,554**	**-**	**-**	**-**	**-**	**-**	**4,394,554**

The chart of maturities at 31st December 2019, specifying the remaining contractual real flows of the Group's assets and liabilities, is shown below:

	Upon demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 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 breakdown of contractual maturities of derivative and non-derivative financial liabilities at the end of the periods 2020 and 2019, is as follows:

31st December 2020	**Upon demand**	**Less than 1 month**	**1 to 3 months**	**3 months to one year**	**1 to 5 years**	**More than 5 years**	**€ ´000** **Total**
Nom-derivative financial liabilities	**37,750,493**	**6776215**	**1,048,693**	**3,895,970**	**7,427,441**	**2,410,394**	**59,309,206**
Financial liabilities carried at amortized cost (embedded derivatives)	37,636,819	6,776,195	1,047,963	3,895,502	7,424,718	2,408,518	59,189,715
Financial guarantees issued	113,674	20	730	468	2,723	1,876	119,491
Derivative financial liabilities	**-**	**32,946**	**-**	**-**	**83,155**	**504,786**	**620,887**
	37,750,493	**6,809,161**	**1,048,693**	**3,895,970**	**7,510,596**	**2,915,180**	**59,930,093**

31st December 2019	**Upon demand**	**Less than 1 month**	**1 to 3 months**	**3 months to one year**	**1 to 5 years**	**More than 5 years**	**€ ´000** **Total**
Nom-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**

The following criteria have been used to submit these maturity statements:

- The data presented are static, and do not estimate business growth scenarios, early cancellations, or transaction renewals. They only include the contractual flows of signed transactions to date and recorded with the appropriate accounting entry on the consolidated balance sheet.
- The data presented show the remaining real contractual flows, i.e. they systematically reflect the transaction’s cash flows.
- For derivative financial instruments (the vast majority of which are subject to profit requirements), the Group reports on the net settlement amount of contracts with a forward term of up to one year.
- Cash outflows shown in the maturities chart are those under contract.
- As part of its liquidity management, Unicaja Banco Group includes some drawdown scenarios from balances available by third parties but, on the basis of past experience, this does not noticeably affect the Group’s maturities structural profile.
- Finally, the maturities chart does not contain a forecast of future interest flows, given that this would require assumptions, estimates of the interest rate curve and liability structure to be developed. Nevertheless, the Group does not consider that this information is essential to analyse its liquidity risk, given that the interest is not a significant proportion of the whole balance.

The Group manages its liquidity risk to ensure it complies with its payment commitments, by monitoring appropriately the cash flows and assets it has to cover possible liquidity gaps. That is why the Group believes that the maturity charts are the most germane manner to present its liquidity status on a specific date.

The entity sets prudent policies and goals that encompass not only normal market conditions but also contingency plans for stress or crisis situations, both its own and in the market. It combines three main factors in order to reach its goals:

- Asset management: analysis of maturities, likelihood of sale, degree of liquidity, potential use as collateral, among others.
- Liability management: analysis of maturities, diversification of sources of business, maturities other than those under contract, performance under changing interest rate conditions, etc.
- Access to markets: financing capacity on wholesale markets and time needed to get financing, among others.

The Group keeps a significant volume of liquid assets on its consolidated balance sheet that enable it to manage liquidity risk comfortably; the most important of its liquid assets are:

- Sight balances with central banks and credit institutions.
- Short-term reverse purchase agreements.
- Discountable fixed income securities in the European Central Bank.
- Listed variable income securities.

In addition, the Group can issue mortgage and regional bonds that would allow it to secure new resources should it need to.

26. Fair value

26.1 Fair value of financial assets and liabilities not recorded at fair value

The estimation of the fair value of financial assets and liabilities that are stated at amortised cost at 31st December 2020 and 2019 was carried out by the Entity 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 2020 and 2019.

- 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 2020 and 2019 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 2020 and 2019 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
			2020		**2019**
Balance sheet heading	**Instrument**	**Book value**	**Fair Value**	**Book value**	**Fair Value**
Financial assets carried at amortised cost	Debt securities	22,157,383	23,222,878	16,662,155	17,324,401
Financial liabilities measured at amortized cost:	Marketable debt securities	362,926	362,926	357,907	357,907

26.3 Information on equity instruments

At the close of the 2020 and 2019 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 consolidated balance sheet headings at 31st December 2020 and 2019 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 fair value hierarchy at 31st December 2020 and 2019:

	€ ´000				
	2020				
	Net	Fair Value			
	book value	Total	Level 1	Level 2	Level 3
Asset					
Financial assets held for trading	192,834	192,834	186,918	5,916	-
Debt securities	171,964	171,964	171,964	-	-
Equity instruments	14,954	14,954	14,954	-	-
Derivatives	5,916	5,916	-	5,916	-
Non-trading financial assets mandatorily designated at fair value through profit or loss	91,279	91,279	53,387	37,892	-
Debt securities	91,279	91,279	53,387	37,892	-
Financial assets designated at fair value through other comprehensive income	1,494,464	1,295,203	1,294,191	1,012	-
Debt securities	1,091,459	1,091,459	1,090,447	1,012	-
Equity instruments	403,005	203,744	203,744	-	-
Hedging derivatives	617,130	617,130	-	617,130	-
Liability					
Financial liabilities held for trading	11,634	11,634	-	11,634	-
Derivatives	11,634	11,634	-	11,634	-
Hedging derivatives	609,030	609,030	-	609,030	-

	€ ´000				
					2019
	Book value	Fair Value Total	Level 1	Level 2	Level 3
Asset					
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 or 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	-
Liability					
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	-

The table below shows the changes during 2020 and 2019 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 or loss	
	Debt securities	**Derivatives (asset)**	**Derivatives (liability)**	**Debt securities**	**Equity instruments**
Balance at 31/12/2019	**-**	**-**	**-**	**2,868**	**-**
Additions of instruments	-	-	-	-	-
Derecognitions of instruments	-	-	-	-	-
Changes in fair value recognised in profit or loss	-	-	-	(2,868)	-
Changes in fair value recognised in equity	-	-	-	-	-
Level transfers	-	-	-	-	-
Transfers to loans and receivables	-	-	-	-	-
Transfers to investments held to maturity	-	-	-	-	-
Balance at 31/12/2020	**-**	**-**	**-**	**-**	**-**

€ ´000

	Financial assets held for trading			Non-trading financial assets mandatorily designated at fair value through profit or 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	-	-	-	-	-
Transfers to investments held to maturity	-	-	-	-	-
Balance at 31/12/2019	**-**	**-**	**-**	**2,868**	**-**

The changes in fair value recognised in the results are recorded on the consolidated income statement in the sections “Gains/losses from financial transactions”, while the adjustments to fair value recognised in net equity are recorded under “Financial Assets held for sale” on the consolidated recognised income & expenses statement.

To evaluate financial instruments at level 3 of the fair value hierarchy, classified thus because they use inputs unobservable in market data, the Bank uses models and methods generally accepted as standard by credit institutions, among them the Hull & White, the Longstaff & Schwartz, the Montecarlo and the Black-Scholes methods.

These technical valuation models feed off data observed directly in the market using Bloomberg and Reuters connections, relating to underlying volatility, interest rate curves, underlying correlations, dividends and CDS (Credit Default Swaps), etc. In the case of non-observable data, the Group uses generally accepted market assumptions for its estimates, including:

- Implicit volatilities obtained from share options.
- Determining zero coupon curves using deposits and swaps listed in each currency based on “bootstrapping”.
- Obtaining discount factors or the implicit rates necessary for valuations under an assumption of Absence of Arbitrage Opportunity (AAO).
- Resorting to historic data to assess correlations, generally using weekly underlying indicator performances over a historic period of between 1 and 4 years.
- Build the estimated dividend curves from asset dividend futures, if they are listed and liquid.
- Estimating dividends from the implicit dividends in the options on that asset (share or index) that are listed on the markets.
- Using the dividends forecast by market suppliers (Bloomberg, Reuters and DataStream) if neither futures on the dividends nor quotes of stock options exist.

When level 3 financial instruments are evaluated, the effect that a change, 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 2020 and 2019. For this reason, the breakdown of information on alternative assumptions that would be reasonably feasible in the evaluation is not given in the report.

Covid-19 has impacted significantly on the financial markets at certain points during the 2020 financial period, and particularly in the weeks following the official designation of Covid-19 as a global pandemic. In general, securities markets have suffered considerable falls, yields on government bonds have reached historic lows, and volatility has increased, as have credit spreads. In the first few days after Covid-19 was classified as a global pandemic and most of the world's economies started announcing restrictive measures, there was lowered liquidity, a widening of the price spreads between supply and demand on some financial instruments, and a certain loss of convergence between the different market price contributors.

Subsequently, particularly after the measures taken by most central banks and financial regulators across the globe, market conditions have been returning to normal. Some assets have recovered part of their accumulated losses, liquidity has recovered, and volatility has fallen in most markets from the maximums reached in the weeks following the declaration of Covid-19 as a worldwide pandemic. At 31st December 2020, there is no significant reduction in the sources of prices used to assess financial instruments, but there has been a wider spread in the price ranges of these same instruments.

As a consequence, during the 2020 financial period, the Group has not identified significant changes in the fair value hierarchy levels of the financial assets it carries in its portfolio.

The Group's senior management will continue to closely monitor market developments, their liquidity and the observability of assessment inputs as they apply to the criteria set by the Group for classifying hierarchy levels of fair value for financial assets and liabilities measured at fair value.

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 2020 and 2019, the Group estimated that there were no significant differences between the book value and the fair value of property, plant and equipment.

27. Exposure to credit risk

Credit risk represents the Group's losses if a customer or a counterparty defaults on their contractual obligations to pay. This risk is inherent to the financial system in institutions' traditional banking products (loans, credits, financial collateral provided, etc.), as well as in other types of financial assets.

Credit risk affects both financial assets that are recorded in the financial statements at amortised cost and assets that are recorded at fair value in these statements. Irrespective of the accounting criteria used to record the Group's financial assets in these financial statements, the parent entity applies the same policies and procedures for controlling credit risk.

The parent company's policies, methods and procedures to control credit risk are approved by the parent company's Board of Directors. The duties of the Audit and Compliance Committee, the Risks Committee, the Internal Audit Division and the bank's Global Risk Control Division include ensuring proper compliance with said policies, methods and procedures, ensuring that they are adequate, effectively implemented and regularly reviewed.

The credit risk control activities of the parent Company are performed by the Corporate 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 2020 and 2019. Total risk held by the Group with mortgage collateral in the private residential sector in Spain came to EUR 17,376,667 thousand and EUR 16,653,521 thousand at 31st December 2020 and 2019, 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 2020 and 2019, comes to EUR 48,932 thousand and EUR 47,044 thousand, respectively.

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 payment capacity.
- Payback plan tailored to the customer.
- Prudent ratio between the sum of the transaction and the value of its guarantee (LTV).
- Transaction marketing policy.
- Guarantee appraisal policy.
- Consideration given to the variability of interest rates and the exchange rate in lending denominated in foreign currency.
- Interest rate risk hedging.
- Policy for exceptions to the transaction conditions.
- Warning the customer about breaching their payment obligations.
- Debt renegotiation policy.
- Information about the cost of services linked to the loan transaction.
- Obligation to provide information to purchasers acquiring houses by subrogating a developer loan.
- Other aspects of the responsible lending policies and procedures.

To ensure compliance of such principles and criteria, the Group has put in place a range of control procedures in its risk management. These include different approval areas that ensure suitable levels of evaluation of the decisions depending on the complexity of the transaction and a proper assessment of the customer's risk profile and their payment capacity.

Financial assets derecognised from the balance sheet

The following shows the movement during fiscal years 2020 and 2019 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
	2020	**2019**
Balance of financial assets derecognised from the balance sheet at January 1st	**1,312,579**	**1,393,761**
Additions	**45,240**	**60,878**
Recorded against value corrections due to impairment of assets	30,840	49,464
Recorded in the income statement	14,400	5,391
Matured uncollected receivables	-	6,023
Other items	-	-
Recoveries	**(32,800)**	**(37,419)**
Cash collections during the period	(30,200)	(27,321)
From repossessed assets	(2,600)	(10,098)
Derecognitions -	**(540,397)**	**(104,641)**
Sale of write-offs	(500,300)	(21,983)
Other	(40,097)	(82,658)
Balance of financial assets derecognised from the balance sheet at December 31st	**784,622**	**1,312,579**

In 2020, the Bank formalised the sale of written off loans amounting to of EUR 501,493 thousand, arising from individuals and small and medium-sized enterprises (this sum includes unmanageable write offs of EUR 296,131 thousand). The unrecovered part is recorded under “derecognitions from sale of write-offs”, while the proceeds from these sales are included under “balances recovered during the year from cash collections”.

In 2019, the Group formalised the sale of written off loans amounting to of EUR 25,820 thousand, arising from individuals and small and medium-sized enterprises (there have been no sales of unmanageable write offs). 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 2020 and 2019, the movement identified as “Other" refers mainly to transactions that are no longer recorded as written-off assets, since any possibility of recovery by the Group has been ruled out (this is known as “complete charge-off”).

The net amount booked to the consolidated income statement for 2020 and 2019 from the movement of these assets is a positive sum of EUR 15,800 thousand (and EUR 21,930 thousand in 2019). 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 14,400 thousand and EUR 5,391 thousand for 2020 and 2019 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 30,200 thousand and EUR 27,321 thousand in 2020 and 2019, respectively.

The criteria used by the Unicaja Banco Group for derecognising transactions from the write-offs portfolio, is to book the derecognition 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 2020 and 2019 is as follows:

				€ ´000
				2020
	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	-	-	982,450	9,412,733
Italy	-	-	17,634	8,110,394
Portugal	-	-		303,089
Other	-	-	727	81,210
	-	**-**	**1,000,811**	**17,907,426**

				€ ´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**

Credit quality of debt securities

The classification of debt securities on the consolidated annual statements of the Unicaja Banco Group at 31st December 2020 and 2019 are as follows, classified in the different portfolios:

		€ ´000
	2020	**2019**
Financial assets held for trading (Note 8.1)	171,964	-
Non-trading financial assets mandatorily designated at fair value through profit or loss (Nota 8.2)	91,279	92,664
Financial assets designated at fair value through profit or loss	-	-
Financial assets designated at fair value through other comprehensive income (Note 9.1)	1,091,459	1,250,070
Financial assets carried at amortized cost (Note 10)	22,157,383	16,662,155
	23,512,085	**18,004,889**

At 31st December 2020 and 2019, 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 18,745 thousand and EUR 16,315 thousand, respectively. The classification of these values by rating at 31st December 2020 and 2019 is as follows:

		€ ´000
	2020	**2019**
Rating Aaa	991	753
Rating Aa1-Aa3	672,021	136,497
Rating A1-A3	13,278,784	11,252,982
Rating Baa1-Baa3	9,526,557	6,572,046
Rating Ba1-Ba3	10,155	19,060
Rating B1-C	17,256	6,517
No credit rating	6,298	17,034
	23,512,063	**18,004,889**

Customer credit quality

Basically, the Unicaja Banco Group determines the credit quality of the customer loans 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 2020 and 2019 is shown below:

				€ ´000
				2020
	Stage 1	Stage 2	Stage 3	Total
Gross amount	**25,465,434**	**1,779,008**	**1,181,041**	**28,425,483**
Asset impairment adjustments	**59,634**	**195,061**	**541,792**	**796,487**
Of which: collectively calculated	59,634	162,807	425,354	647,795
Of which: individually calculated	-	32,254	116,438	148,691
Net amount	**25,405,800**	**1,583,947**	**639,250**	**27,628,997**

				€ ´000
				2019
	Stage 1	Stage 2	Stage 3	Total
Gross amount	**25,677,875**	**1,258,573**	**1,350,572**	**28,287,020**
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	**25,629,605**	**1,163,449**	**765,259**	**27,558,313**

Collateral sums received and given at 31st December 2020 and 2019 are outlined below:

		€ ´000
Guarantees received	**2020**	**2019**
Value of collateral	17,390,727	18,121,253
Of which: guaranteeing non-performing risks	*417,658*	*815,953*
Value of other guarantees	2,135,723	2,282,110
Of which: guaranteeing non-performing risks	*124,881*	*119,349*
Total value of guarantees received	**19,526,450**	**20,403,363**

Financial guarantees given	2020	€ ´000 2019
Loan commitments given	2,429,312	3,018,522
Of which: amount classified as NPL	8,327	5,923
Amount recorded in liabilities of the balance sheet	*3,986*	3,315
Financial guarantees given	62,306	62,296
Of which: amount classified as NPL		-
Amount recorded in liabilities of the balance sheet		7,011
Other commitments given	1,902,936	1,983,681
Of which: amount classified as NPL	221,883	223,712
Amount recorded in liabilities of the balance sheet	*115,643*	117,921
Total value of financial guarantees given	**4,394,554**	**5,064,499**

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 2020 and 2019 broken down by type of counterparty, guarantee and LTV ratio, and excluding exposures held with public administrations.

€ ´000

31st December 2020	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%
Financial institutions	1,527,459	17,720	1,141,841	2,101	596	14,948	-	1,141,916
Non-financial corporations and individual entrepreneurs	6,713,594	2,153,807	85,780	859,025	745,727	285,966	88,257	260,612
Real estate construction & development (b)	635,840	517,637	8,715	182,865	187,738	114,275	17,677	23,797
Civil works	68,119	1,918	89	232	659	1,061	25	30
Other purposes	6,009,635	1,634,252	76,976	675,928	557,330	170,630	70,555	236,785
Large corporations (c)	2,735,738	268,657	4,651	51,043	19,366	7,964	1,216	193,719
SMEs and individual entrepreneurs (c)	3,273,897	1,365,595	72,325	624,885	537,964	162,666	69,339	43,066
Rest of households and NPISHs	17,287,183	15,433,890	39,529	4,635,091	5,531,193	4,533,486	442,048	331,601
Housing	14,997,338	14,711,516	5,846	4,234,986	5,349,021	4,445,667	415,409	272,279
Consumer loans	400,454	12,036	1,974	10,692	2,138	672	164	344
Other purposes	1,889,391	710,338	31,709	389,413	180,034	87,147	26,475	58,978
Total	**25,528,236**	**17,605,417**	**1,267,150**	**5,496,217**	**6,277,516**	**4,834,400**	**530,305**	**1,734,129**
Memorandum item: Refinancing, refinanced and restructured transactions	**681,915**	**549,514**	**25,860**	**169,346**	**162,461**	**101,265**	**55,620**	**86,682**

31st December 2019	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	1,330,554	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**

(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 2020 and 2019 on Unicaja Banco Group's risk concentration, broken down by geography and segment of activity, excluding exposures held with public administrations.

31st December 2020	Total (a)	Spain	Rest of European Union	America	RoW
					€ ´000
Credit institutions	9,937,468	7,890,196	1,851,204	155,963	40,105
Other financial institutions	4,901,689	4,277,247	592,028	4,136	28,278
Non-financial corporations and individual entrepreneurs	8,645,709	8,361,487	227,718	35,788	20,716
Real estate construction & development (b)	729,492	729,465	15		12
Civil works	150,804	150,804			
Other purposes	7,765,413	7,481,218	227,703	35,788	20,704
Large corporations (c)	4,122,849	3,842,653	227,703	35,075	17,418
SMEs and individual entrepreneurs (c)	3,642,564	3,638,565		713	3,286
Rest of households and NPISHs	17,287,200	17,142,114	77,431	12,779	54,876
Housing	14,997,338	14,871,986	60,347	12,657	52,348
Consumer loans	400,471	400,003	237	26	205
Other purposes	1,889,391	1,870,125	16,847	96	2,323
	40,772,066	**37,671,044**	**2,748,381**	**208,666**	**143,975**

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 (c)	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**

(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, stakes 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 2020 and 2019 of Unicaja Banco Group’s loans and advances to customers by autonomous community and by activity segment, excluding exposures held with public administrations.

31st December 2020	Total (a)	Andalusia	Madrid	Castile (*)	Levant (*)	Rest of autonomous communities
						€ ´000
Credit institutions	7,890,196	-	7,890,130	-	66	-
Other financial institutions	4,277,247	449,815	3,817,974	9,374	32	52
Non-financial corporations and individual entrepreneurs	8,361,487	4,350,098	2,108,387	1,137,106	393,217	372,679
Real estate construction & development (b)	729,465	576,851	64,678	64,821	737	22,378
Civil works	150,804	75,287	54,016	13,570	1,431	6,500
Other purposes	7,481,218	3,697,960	1,989,693	1,058,715	391,049	343,801
Large corporations (c)	3,842,653	1,485,117	1,755,814	122,843	354,690	124,189
SMEs and individual entrepreneurs (c)	3,638,565	2,212,843	233,879	935,872	36,359	219,612
Rest of households and NPISHs	17,142,114	9,284,867	2,045,347	4,053,063	309,191	1,449,646
Housing	14,871,986	7,835,760	1,905,354	3,524,386	289,139	1,317,347
Consumer loans	400,003	281,168	9,275	90,004	1,590	17,966
Other purposes	1,870,125	1,167,939	130,718	438,673	18,462	114,333
	37,671,044	**14,084,780**	**15,861,838**	**5,199,543**	**702,506**	**1,822,377**

						€ ´000
31st December 2019	Total (a)	Andalusia	Madrid	Castile (*)	Levant (*)	Rest of autonomous communities
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 (c)	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	322,504	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**

(*) 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, stakes 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.

Leasing Transactions

With respect to the leasing activity of Unicaja Banco, the quantitative information to 31st December 2020 and 2019 is shown below:

(i) The reconciliation between gross investment (including the call option when there is one) and the present value to 31st December 2020 and 2019 is the following:

		€ ´000
	2020	2019
Nominal value of accounts receivables	90,690	110,264
Nominal value of purchase transactions	7,203	7,880
Total nominal value at close	97,893	118,144
Unearned financial revenue	3,683	5,088
Present value at close	**101,576**	**123,232**

(ii) The present value of the minimum payments to 31st December 2020 and 2019, and the breakdown by residual periods, is as follows:

		€ ´000
	2020	**2019**
Less than one year	177	35,944
1 to 5 years	88,518	76,127
More than five years	12,881	11,161
	101,576	**123,232**

(iii) The unguaranteed residual values accruing to the benefit of the lessor came at 31st December 2020 to EUR 7,203 thousand (EUR 7,880 thousand to 31st December 2019).

(iv) The accumulated allowance for uncollectible minimum lease payments due to 31st December 2020 amounted to EUR 2,419 thousand (EUR 2,309 thousand to 31st December 2019).

28. Exposure to interest rate risk

The duty of interest rate risk management is carried out in an integrated manner by the Assets and Liabilities and Budget Committee (ALBCO). This committee is in charge of implementing procedures that ensure that the Banco Unicaja Group complies at all times with interest rate control and risk management policies, as set by the Board of Directors.

In the analysis, measurement and control of the interest rate risk taken on by the Group, techniques to measure stress and testing of scenarios that could significantly affect this risk environment are used.

The Group uses hedging operations to globally manage the interest rate risk of all financial instruments that may expose it to such risks.

The table below shows maturities or revisions, where the book value of the financial assets and liabilities are classified by the revision dates of the interest rates or the maturity, depending on which of these occurs first, of the balances of the Group's main entities at 31st December 2020 and 2019.

31st December 2020								**€ ´000**
Asset	**Less than 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More than 5 years**
Financial assets	11,590,138	6,818,706	14,682,910	5,121,175	2,319,217	1,944,660	961,828	13,342,164
After hedging adjustments	11,706,138	7,311,093	17,469,266	5,125,395	2,668,257	1,916,935	2,630,387	8,825,831

31st December 2020								**€ ´000**
Liability	**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	8,116,720	1,179,037	8,726,473	692,202	341,118	886,362	29,459	2,059,544
After hedging adjustments	8,016,720	969,037	6,389,493	744,054	341,118	1,386,362	634,587	3,549,544

31st December 2019								€ ´000
Asset	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
Liability	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

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 2020 and 2019, 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:

	2020	2019
12-month net interest income forecast	Less than 4%	Less than 10%
Economic value	Less than 5%	Less than 4%

29. Exposure to other market risks

Market risk represents the Group's potential losses from changes in the value of the following portfolios: Financial assets and liabilities held for trading, non-trading financial assets mandatorily designated at fair value through profit or loss, financial assets designated 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 the market price

Price risk is the risk that the fair value of variable income securities falls as a result of changes in the listed price of indexes or shares. Price risk arises in positions classed in portfolios as follows: financial assets and liabilities held for trading, non-trading financial assets mandatorily designated at fair value through profit or loss, financial assets designated at fair value through profit or loss and financial assets at fair value through other comprehensive income.

Below is an analysis of the sensitivity to price risk as a result of the Group's equity positions in the financial markets at 31st December 2020 and 2019:

			€ ´000
Decrease in market price (listed)	**Impact on results**	**Impact on other comprehensive income**	**Total impact on net equity**
Impact to 31st December 2020 of a 1% decrease in market price	-	1,899	1,899
Impact to 31st December 2019 of a 1% decrease in market price	191	4,453	4,644

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 2020 and 2019, 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 2020 and 2019 is as follows:

		€ ´000
	2020	**2019**
Equivalent value of assets in foreign currency	**105,529**	**98,114**
Of which: % in USD	57%	50%
Of which: % in GBP	4%	7%
Of which: % in CHF	33%	36%
Of which: % in other currencies traded in the Spanish market	6%	7%
Equivalent value of assets in foreign currency	**94,919**	**87,837**
Of which: % in USD	59%	50%
Of which: % in GBP	3%	5%
Of which: % in CHF	35%	43%
Of which: % in other currencies traded in the Spanish market	3%	2%

The countervalue in euros of the assets denominated in foreign currency accounts for 0.16% and 0.17% of the consolidated total assets at 31st December 2020 and 2019, respectively, while the countervalue in euros of the liabilities denominated in foreign currency accounts for 0.15% and 0.17% of the consolidated total liabilities on these respective dates.

30. Duty of loyalty of the Directors of the Parent Company

Pursuant to article 229 of Act 31/2014, 3rd December, amending the Consolidated Text of the Capital Enterprises Act to enhance corporate governance, and to reinforce transparency of limited liability companies, the Directors have informed the entity that, in accordance with the definition established in article 231 of the Capital Enterprises Act, in 2018, neither they themselves, nor their related parties:

a) Have conducted transactions with the bank, without taking into account ordinary transactions, in standard conditions likened to normal customers and of little importance. These are understood to be transactions that are not necessary to be included in reporting to reflect the true image of the entity's equity, financial situation or results.

b) Have used the name of the entity or invoked their status of directors to unduly influence private transactions.

c) Have made use of corporate assets, including the entity's private information, for private purposes.

d) Have misused the business opportunities of the bank.

e) Have obtained advantages or remuneration from third parties other than the Company and its group of associates while performing their duties, with the exception of cases of mere act of courtesy.

f) Have engaged in activities of their own or for others entailing competition, either sporadic or potential, to the bank, or that would bring them into permanent conflict with the interests of the bank in any other way.

31. Other relevant information

31.1 Contingent risks

The breakdown of contingent risks at the close of fiscal years 2020 2019, whose nominal value is recorded in off-balance sheet accounts, is shown below:

		€ ´000
	2020	**2019**
Financial guarantees given	**62,306**	**62,296**
Financial guarantees	62,306	62,296
Other commitments given	**1,902,936**	**1,983,681**
Performance guarantees	1,052,915	1,106,736
Credit derivatives sold	0	-
Irrevocable letter of credit	8,752	8,595
Other commitments	841,269	868,350
	1,965,242	**2,045,977**

At 31st December 2020 and 2019, the item "Other commitments" mainly includes commitments arising from simultaneous transactions in organised markets within market parameters awaiting formalisation.

A significant part of the 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 2020 and 2019, 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 2020 and 2019, 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
	2020	**2019**
Pledged securities	6,527,908	4,922,678
Pledged non-mortgage loans	-	-
	6,527,908	**4,922,678**

At 31st December 2020 and 2019, 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 2020 and 2019.

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 2020 and 2019, the thresholds on financing given and the amounts drawndown on the latter, for which the Group had assumed any kind of credit commitment higher than the amount recorded on the assets side of the consolidated balance sheet at said dates, were as follows:

				€ ´000
		2020		**2019**
	Undrawn amounts	**Credit limit**	**Undrawn amounts**	**Credit limit**
Instant availability	**1,827,735**	**2,528,291**	**1,943,123**	**2,533,186**
Credit institutions	1,061	1,118	136	146
Public administrations	25,889	180,887	202,405	210,042
Other sectors	1,800,785	2,346,286	1,740,582	2,322,998
Available subject to conditions	**601,577**	**836,547**	**1,065,990**	**1,614,015**
Public administrations	20,551	37,067	16,035	23,685
Other sectors	581,026	799,480	1,049,955	1,590,330
	2,429,312	**3,364,838**	**3,009,113**	**4,147,201**

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 2020 and 2019 are shown below:

		€ ´000
	2020	**2019**
Real estate investment funds portfolios	5,405,463	5,280,649
Portfolios of other collective investment institutions	97,822	111,721
Other financial instruments	1,066,670	1,132,268
Managed portfolios	886,999	945,010
	7,456,954	**7,469,648**

The off-balance sheet customer deposits marketed by the Group in 2020 and 2019 are shown below:

		€ ´000
	2020	**2019**
Real estate investment funds portfolios	5,488,188	5,318,126
Other collective investment institutions	97,822	111,721
Pension fund portfolios	2,384,367	2,376,316
Managed portfolios	886,999	945,010
Insurance	4,030,428	4,112,092
	12,887,804	**12,863,265**

The fair value of the third-party deposits held by the Group at 31st December 2020 and 2019 are shown below:

		€ ´000
	2020	**2019**
Debt securities and equity instruments	4,972,520	5,073,038
Other financial instruments	2,486	2,629
	4,975,006	**5,075,667**

31.5 Reclassifications of financial instruments

The Group has not made any reclassifications between financial instrument portfolios in 2020 and 2019.

31.6 Asset securitisation

At 31st December 2020 and 2019 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 2020 and 2019 are presented below, breaking down the effects of these agreements individually and the collateral received and/or given by the Group.

				€ ´000
		2020		**2019**
Derivative financial instruments	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Gross exposure (book value)	**621,717**	**620,887**	**515,195**	**440,719**
Compensation agreements and guarantees	**(521,721)**	**(370,296)**	**(368,670)**	**(230,766)**
Compensation agreements	-	-	-	-
Collateral received/given	(521,721)	(370,296)	(368,670)	(230,766)
Net exposure	**99,996**	**250,591**	**146,525**	**209,953**

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
	2020		2019	
Guarantees linked to reverse repos and repos	**Given**	**Received**	**Given**	**Received**
In cash	1,631	12,238	85,341	6,976
In securities	200,000	-	200,000	-
	201,631	**12,238**	**285,341**	**6,976**

32. Interest income

The breakdown of the most significant sources of interest income accrued by the Group for the periods ending on 2020 and 2019 is as follows:

		€ ´000
	2020	**2019**
Cash, balances in central banks and other sight deposits (Note 7)	-	-
Deposits in financial institutions (Note 10.1)	1,228	1,154
Money market transactions via counterparty entities (Note 10.1)	-	-
Loans to customers (Note 10.1)	434,874	504,994
Debt securities (Note 10.1)	141,410	193,983
NPAs (Note 10.1)	13,061	17,903
Deposits in central banks (Note 17.1)	33,405	13,532
Reclassification of hedge accounting income (Note 11)	77,835	20,405
Gains of pension contracts linked to pensions funds and similar obligations	-	-
Other income	22,911	11,685
	724,724	**763,656**

Below is a breakdown of the amounts recorded under "Interest income" in the Group's consolidated income statements for the years 2020 and 2019, classified according to the portfolio of financial instruments that produced to them:

		€ ´000
	2020	**2019**
Financial assets held for trading (Note 8.1)	347	12
Non-trading financial assets mandatorily designated at fair value through profit and loss (Nota 8.2)	3,808	2,924
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)	3,759	14,029
Financial assets carried at amortized cost (Note 10)	590,573	700,964
Reclassification of hedge accounting income	77,835	20,405
Other income	48,749	25,322
	724,724	**763,656**

33. Interest expenses

The breakdown of the balance under this heading in the consolidated income statements for the years 2020 and 2019 is as follows:

		€ ´000
	2020	**2019**
Central bank deposits (Note 17.1)	-	-
Credit institutions deposits (Note 17.2)	2,453	2,838
Money market transactions via counterparty entities (Note 17.3)	-	-
Customer deposits (Note 17.3)	228,837	263,045
Subordinated liabilities (Note 17.4)	67	61
Other marketable debt securities (Note 17.4)	9,097	1,191
Reclassification of hedge accounting costs (note 11)	(105,717)	(97,631)
Costs allocated to established pension funds (Note 18)	345	635
Other interests	11,449	14,974
	146,531	**185,113**

A breakdown of the amounts recorded under "Interest expense" in the Group's consolidated income statements for fiscal years 2020 and 2019, classified according to the financial instrument portfolio that gave rise to them is shown below:

		€ ´000
	2020	**2019**
Financial liabilities carried at amortized cost	240,454	267,135
Reclassification of hedge accounting cost	(105,717)	(97,631)
Other	11,794	15,609
	146,531	**185,113**

34. Dividend income

The breakdown of the balance under this heading in the consolidated income statements for years 2020 and 2019, by portfolios and by type of financial instruments, is as follows:

	€ ´000	
	2020	**2019**
Equity instruments classified as:		
Financial assets held for trading	-	-
Financial assets designated at fair value through other comprehensive income	14,929	27,758
	14,929	**27,758**
Equity instruments with attributes of:		
Shares	14,929	27,758
Interests in Collective Investment Institutions	-	-
	14,929	**27,758**

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 2020 and 2019 is as follows:

	€ ´000	
	2020	**2019**
Autopista del Sol, Concesionaria Española, S.A.	-	2,801
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.	28,948	28,453
Hidralia, Gestión Integral de Aguas de Andalucía, S.A.	1,612	2,569
Sociedad Municipal de Aparcamientos y Servicios, S.A.	9	944
Ingeniería e Integración Avanzadas, S.A. (Engineering)	519	480
Autopista del Guadalmedina, Concesionaria Española, S.A.	-	(323)
Ahorro Andaluz, S.A.	208	45
Gestión e Investigación de Activos, S.A.	(6)	(12)
Madrigal Participaciones, S.A.	3,224	809
Ingeniería de Suelos y Explotación de Recursos, S.A.	2,215	3,278
Propco Malagueta, S.L.	(1,147)	758
Proyecto Lima, S.L.	(1,186)	196
Santa Justa Residencial, S.L.	404	3,148
Espacio Medina, S.L.	861	(2,429)
Other companies	(284)	(278)
	35,377	**40,439**

36. Fee income

The following are the fees accruing for the years 2020 and 2019 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
	2020	**2019**
Interest income		
Arrangement fees	22,130	26,534
	22,130	**26,534**
Fee and commission income		
Contingent risk fees	9,509	8,990
Contingent commitment fees	2,331	2,295
Collections and payment fees	136,575	140,944
Securities services fees	38,862	42,222
Exchange services fees	114	350
Non-banking financial products marketing fees	61,951	54,049
Other	5,369	5,067
	254,711	**253,917**
Other operating income		
Direct costs compensation fees (Note 39)	2,714	3,097
	2,714	**3,097**

37. Fee Expenses

The following are the fee expenses accruing for fiscal years 2020 and 2019 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
	2020	**2019**
Interest expense		
Intermediaries' fees	997	1,015
Other fees	298	348
	1,295	**1,363**
Fee and commission expense		
Lending and borrowing transactions	2,650	1,934
Fees paid to other institutions and correspondents	9,653	12,125
Security trading fees	2,825	2,655
Other fees	6,715	6,413
	21,843	**23,127**

38. Trading income or loss

A breakdown of the balance under these headings in the Group's consolidated income statements for the years 2020 and 2019, classified according to the financial instrument portfolio that gave rise to them is shown below:

		€ ´000
	2020	2019
Net gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	92,021	95,592
Financial assets carried at amortized cost	75,342	69,764
Financial assets designated at fair value through other comprehensive income	16,679	25,828
Net gains or losses from financial assets and liabilities held for trading	(2,948)	2,498
Reclassification of financial assets designated at fair value through other comprehensive income	-	-
Reclassification of financial assets at amortised cost	-	-
Other gains or losses	(2,948)	2,498
Net gains or losses from non-trading financial assets mandatorily designated at fair value through profit or loss	664	3,962
Reclassification of financial assets designated at fair value through other comprehensive income	-	-
Reclassification of financial assets at amortised cost	-	-
Other gains or losses	664	3,962
Net gains or losses on financial assets and liabilities designated at fair value through profit or loss	-	-
Net gains or losses from hedge accounting	2,712	(1,755)
	92,449	**100,297**

In fiscal years 2020 and 2019, the amount included under "Net gains or losses from financial assets and liabilities designated at fair value through profit or 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 2020 and 2019 is as follows:

		€ ´000
	2020	2019
Income from investment property (Note 13.2)	18,313	17,261
Direct costs compensation fees (Note 36)	2,714	3,097
Income from non-financial services	3,933	9,149
Income from companies with real estate operations	6,419	64,239
Other items	64,212	30,869
	95,591	**124,615**

The heading “Other items” includes income from operating activities that are not covered by other headings in this item, such as considerations for certain expenses, compensation received, income from miscellaneous bank services or from other Group-owned companies, etc.

Among the components of “Other items” is the consideration received by the Group during the fiscal year ended 31 December 2020 in the process of Helvetia Schweizerische Versicherungsgesellschaft AG (hereinafter, “Helvetia”) taking a controlling share of Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros (“Caser”). This consideration was obtained thanks to the agreement signed on 23 January 2020 with Helvetia under the terms of which, it undertakes to waive exercising its right to terminate the distribution agreement it has with CASER, in exchange for EUR 46.87 million.

39.2 Other operating expenses

The breakdown of the balance under this heading in the consolidated income statements for the years 2020 and 2019 is as follows:

		€ ´000
	2020	**2019**
Operating expenses of real estate investments (Note 13.2)	2,055	3,599
Contributions to the National Deposit Guarantee Fund (Note 1.10)	53,488	41,388
Contributions to the Single Resolution Fund (Note 1.11)	15,723	7,444
DTA monetisation levy (*Prestación patrimonial*)	15,360	15,390
Expenses from companies with real estate operations	1,623	13,247
Other items	25,524	33,398
	113,773	**114,466**

"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 2020 and 2019 the DTA monetisation levy paid by the Group amounted to EUR 15,360 thousand and EUR 15,390 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 2020 and 2019 is as follows:

		€ ´000
	2020	**2019**
Income from insurance or reinsurance contracts	**70,446**	**66,984**
Insurance and reinsurance premiums received	31,180	35,004
Reinsurance income	1	1
Financial income	39,265	31,979
Expenses from insurance or reinsurance contracts	**(51,241)**	**(46,817)**
Benefits paid	(74,274)	(68,203)
Net provisions to technical reserves	22,387	21,939
Insurance and reinsurance premiums paid	646	(553)
	19,205	**20,167**

41. Administrative expenses

41.1 Staff expenses

The breakdown of "Staff expenses" in the consolidated income statements for the years 2020 and 2019 is as follows:

		€ ´000
	2020	**2019**
Wages and salaries	268,712	278,464
Social security	72,955	82,565
Appropriations to defined benefit pension plans	80	109
Appropriations to defined contribution pension plans	13,718	15,169
Compensation	818	122
Training expenses	551	984
Other staff expenses	9,791	11,337
	366,625	**388,750**

The average number of Group employees by professional categories at 31st December 2020 and 2019 is as follows:

				Average number of persons
		2020		2019
	Men	**Women**	**Men**	**Women**
Group 1	**2,954**	**2,913**	**3,149**	**3,018**
Level I	18	3	23	4
Level II	36	7	43	6
Level III	211	69	214	64
Level IV	419	159	444	164
Level V	965	570	1,008	565
Level VI	137	105	161	118
Level VII	437	523	453	523
Level VIII	364	696	385	686
Level IX	93	223	89	220
Level X	145	331	143	331
Level XI	109	197	163	298
Level XII	17	28	19	33
Level XIII	3	2	4	5
Level XIV	-	-	-	1
Group 2	**18**	**5**	**22**	**5**
Level I	-	-	1	-
Level II	18	5	20	5
Level III	-	-	1	-
Level IV	-	-	-	-
Level V	-	-	-	-
Cleaning staff	**-**	**4**	**-**	**6**
Total Parent company	**2,972**	**2,922**	**3,171**	**3,029**
Other Group companies	**161**	**146**	**265**	**254**
Total Unicaja Banco Group	**3,133**	**3,068**	**3,436**	**3,283**

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 2020 and 2019 is presented below:

		€ ´000
	2020	**2019**
Provisions - Pensions funds and related obligations	**233,252**	**266,412**
Pensions and related post-employment defined benefits	56,633	62,715
Other long-term benefits	176,619	203,697
Insurance contracts linked to pensions	**31,679**	**32,734**
Post-employment benefits	31,679	32,734

The movement in the provisions set aside by the Group for the years ending 31st December 2020 and 2019 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 2020 and 2019, the Unifondo Pensiones V, Fondo de Pensiones position account amounted to EUR 292,020 thousand and EUR 330,741 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). According to the labour agreement in place, the Group must supplement the Social Security benefits accrued to its employees, and dependants, 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:

<u>Defined contribution plans</u>

The contributions made by the Unicaja Banco Group in 2020 to the external pension fund amount to EUR 13,718 thousand (EUR 15,169 in 2019). 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: "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 supplementary 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 2020 and 2019, the fair value of the assets held to cover post-employment remuneration break down as follows:

		€ ´000
	2020	**2019**
Type of assets held to cover commitments		
Plan assets instrumented through an insurance policy	166,482	176,354
Insurance policies underwritten by the Plan linked to cover defined benefits commitments	31,679	32,734
External defined contribution pension plan	381,058	383,295
	579,219	**592,383**

41.1.1.2 Information on defined contribution post-employment commitments

Pension commitments instrumented 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 the consolidated income statement of the pertinent year (Note 2.12.1) and, thus, so do not require liability entry for this item in the attached consolidated balance sheets.

The sums recorded in the attached consolidated income statement for contributions made to these plans in the years 2020 and 2019 amounted to EUR 13,718 thousand and EUR 15,169 thousand, respectively (Note 41.1).

41.1.1.3 Information on defined benefit-post employment commitments

The total amount of actuarial gains and losses recorded in the 2020 consolidated recognised income and expense statement that will not be reclassified to results amounts to a gross loss of EUR 4,973 thousand (a profit of EUR 3,473 thousand in 2019), which represents an after-tax loss of EUR 3,481 thousand (net loss of EUR 2,431 thousand in 2019).

The reconciliation between the opening and closing balances of the current value of Group's fixed benefit obligation for 2020 and 2019 is presented below:

					€ ´000
Year 2020	**Plan 1 Unicaja**	**Plan 2 Unicaja**	**Plan 1 España Duero**	**Plan 2 España Duero**	**Total**
Present value of obligations at 1 January 2020	**85,853**	**33,920**	**6,145**	**82,718**	**208,636**
(i) Cost of services in current fiscal year	44	-	-	-	44
(ii) Interest costs	473	212	31	444	1,160
(iii) Contributions made by participants	-	-	-	-	-
(iv) Actuarial gain or loss	4,748	(4,616)	1,118	(2,439)	(1,189)
iv.1. From changes in demographic assumptions	(547)	151	654	(317)	(59)
iv.2. From changes in financial assumptions	5,295	(4,767)	464	(2,122)	(1,130)
iv.3. Experience adjustments	-	-	-	-	-
(v) Changes in the exchange rate	-	-	-	-	-
(vi) Benefits paid	(5,862)	(1,400)	(498)	(5,456)	(13,216)
(vii) Past service cost	-	-	-	-	-
(viii) Business combinations	88	-	-	-	88
(ix) Reductions	(1,526)	-	-	-	(1,526)
(x) Plan settlement	-	-	-	-	-
Present value of obligations at 31 December 2020	**83,818**	**28,116**	**6,796**	**75,267**	**193,997**

					€ ´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	2,816	(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**

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 2020 and 2019 is presented below:

					€ ´000
Year 2020	**Plan 1 Unicaja**	**Plan 2 Unicaja**	**Plan 1 España Duero**	**Plan 2 España Duero**	**Total**
Fair value of assets at 1 January 2020	**86,684**	**27,219**	**6,421**	**62,588**	**182,912**
(i) Cost of services in current fiscal year (contributions)	-	-	-	-	-
(ii) Interest costs (expected return on assets)	439	170	(38)	336	907
(iii) Contributions made by participants	550	-	-	-	550
(iv) Actuarial gain or loss	3,113	1,218	69	1,202	5,602
iv.1. From changes in demographic assumptions	(198)	169	(81)	184	74
iv.2. From changes in financial assumptions	3,311	1,049	150	1,018	5,528
iv.3. Experience adjustments	-	-	-	-	-
(v) Changes in the exchange rate	-	-	-	-	-
(vi) Benefits paid	(5,862)	(1,400)	(497)	(3,989)	(11,748)
(vii) Past service cost	-	-	-	-	-
(viii) Business combinations	-	-	-	-	-
(ix) Reductions	(1,526)	-	-	-	(1,526)
(x) Plan settlement	-	-	-	-	-
Fair value of assets at 31 December 2020	**83,398**	**27,207**	**5,955**	**60,137**	**176,697**

					€ ´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**

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 2020 and 2019 is presented below:

Year 2020	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 España Duero	Plan 2 España Duero	Total
					€ ´000
Present value of obligations at 31 December 2020	**83,818**	**28,116**	**6,796**	**75,267**	**193,997**
(i) Cost of services in not recorded in the balance sheet	-	-	-	-	-
(ii) Any amount not recognised as an asset	-	-	-	5,960	5,960
(iii) Fair value of reimbursement right recognised as an asset	-	-	-	1,692	1,692
(iv) Other amounts recognised in the balance sheet	(894)	(28,116)	(983)	(26,641)	(56,634)
Fair value of assets at 31 December 2020	**82,924**	**-**	**5,813**	**56,278**	**145,015**

Year 2019	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 España Duero	Plan 2 España Duero	Total
					€ ´000
Present value of obligations at 31 December 2019	**85,854**	**33,919**	**6,145**	**82,717**	**208,635**
(i) Cost of services in 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**

The details of the total spending recognised in net equity in 2020 and 2019, and the items in which they are included, are presented below.

Definition	**Item as per IAS 19**
a) Cost of services in current fiscal year	Staff expenses
b) Interest cost	Interest expenses
c) Expected return on assets	Interest income
d) Cost of past service recognised in the year	Provisions/reversal

Year 2020	Plan 1 Unicaja	Plan 2 Unicaja	Plan 1 España Duero	Plan 2 España Duero	Total
					€ ´000
a) Cost of services in current fiscal year	44	-	-	-	44
b) Interest cost	37	213	69	148	467
c) Expected return on assets	(3)	(170)	-	(20)	(193)
d) Gains and losses recognised in the year	1,635	(5,834)	1,049	(1,750)	(4,900)
d) Cost of past service recognised in the year	88	-	-	-	88

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 cost	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

The main actuarial assumptions used by Unicaja Banco at 31 December 2020 are presented below.

Actuarial Assumptions of Plan 1 Unicaja Banco:

- Up-dated tables: PERM/F 2000-P
- Discount rate:
  - Market rate depending on the financial duration of the commitment cash flows and the IBOXX AA Corporate curve at 2t December 2020, for investment grade corporate bonds in the Euro Zone
  - The duration for each commitment ranges between 18.67 and 9.27 for obligations and 13.35 and 1.92 for assets.
  - The rates applied for each commitment range between 0.3574% and 0.2375% for obligations and 0.3146% and -0.1732% for assets.
- Salary growth rate: 2.5%
- 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: 1.5%
- Pension revaluation rate: 1.5%
- 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 0.03%.
  - 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 0.03%.
  - 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 0.5529%.
  - 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 0.6439%.
  - 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 0.03% for assets and 0.6151% 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: PERM/F 2000-P
- Discount rate:
  - Market rate depending on the financial duration of the commitment cash flows and the IBOXX AA Corporate curve at 2^{t} December 2020, for investment grade corporate bonds in the Euro Zone
  - The duration for each commitment ranges between 14.49 and 8.54 for both obligations and assets.
  - The rates applied for each commitment range between 0.3306% and 0.2153% for both obligations and assets.
- Salary growth rate: 0%
- Social Security pension growth rate: 0%
- Contribution base growth rate:
  - Maximum contribution base growth rate: 0%
- Pension revaluation rate: 1.5%
- 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 0.6753%.
  - For the assets used to cover the obligations insured in the policy of the early retirement group (passive) the applicable rate is 0.6396%.
  - For the assets used to cover the obligations insured in the policy of the early retirement group (passive) the applicable rate is 0.6471%.
  - For the assets used to cover the obligations insured in an annuity policy, the applicable rate is 0.5626%.
- 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 and PERMF 2020
- Discount rate:
  - Market rate depending on the financial duration of the commitment cash flows and the IBOXX AA Corporate curve at 2^{t} December 2020, 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, 0.1506% and 6.90 years, respectively.
    - For beneficiary benefits covered by the plan and insured in policy RV81 12000017, 0.3357% and 15.55 years, respectively.
    - For participant benefits 0.3219% and 13.71 years respectively for obligations and -0.2632% and 0.08 years for assets.
- Salary growth rate: 0%
- Social Security pension growth rate: 0%
- Contribution base growth rate: 0%
- Pension revaluation rate: 1.5% to 2%
- Expected yield of plan assets:
  - For plan assets and liabilities -1.71%
  - For insured liabilities within the plan 0.67%
  - For plan participants: -0.0888%
  - For plan surplus policy -0.0888%
- Estimated retirement age: 65
- Rotation: No

Actuarial Assumptions of Plan 2 EspañaDuero.

Commitments from Caja Duero

- Up-dated tables: PERMF 2000-P and PERMF 2020
- Discount rate
  - Market rate depending on the financial duration of the commitment cash flows and the IBOXX AA Corporate curve at 2nd December 2020, for investment grade corporate bonds in the Euro Zone
  - The interest rates and duration for each commitment are:
    - For benefits of assets not covered by the Caja Duero pension plan scheme, rates are 0.3492% for obligations and -0.2681% for assets, with financial duration of 17.22 years for obligations and 1.53 years for assets.
    - For the benefits of the liabilities policy 02/02, 0.1250% and 6.44 years, respectively.
    - For the benefits of the liabilities policy 144001, 0.1495% and 6.46 years, respectively.
    - Internal fund 0.2149% and a financial duration of 9.70 years.
- Salary growth rate: 0%
- Social Security pension growth rate: 0%
- Contribution base growth rate: 0%
- Pension revaluation rate: 2%
- Expected yield of plan assets:
  - For assets not part of the plan 0.0639%
  - For the policy 02/02, 0.4395%
  - For the liabilities policy 1440001: 0.4593%
- Estimated retirement age: 65
- Rotation: No

Commitments from Caja España

- Up-dated tables: PERM/F 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 2020, for investment grade corporate bonds in the Euro Zone
  - The interest rates and duration for each commitment are:
    - Benefits of beneficiaries' policy 8.118: 0.2513% (financial duration of 9.75 years).
    - Benefits of beneficiaries' policy PCP-1.001: 0.1830% (financial duration of 7.61 years).
- Salary growth rate: 0%
- Pension revaluation rate: 2.0%
- Expected yield of plan assets:
  - Assets under policy 8.118 have a cash flow matching rate of 0.5802%
  - Assets under policy 1.001 have a cash flow matching rate of 0.5133%
- 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 2020 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**
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
2020					
Experience adjustments	-	-	-	-	-
Value at 31 December 2020	83,818	28,116	6,796	75,267	193,997

					€ ´000
					Fair value of assets
	Plan 1 Unicaja	**Plan 2 Unicaja**	**Plan 1 España Duero**	**Plan 2 España Duero**	**Total**
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	27,219	6,421	62,588	182,912
2020					
Experience adjustments	-	-	-	-	-
Value at 31 December 2020	83,398	27,207	5,955	60,137	176,697

The sensitivity of the present value of the obligations to changes in interest rates and salary growth at 31st December 2020 and 2019 is as follows:

Fiscal year 2020 - Unicaja Banco Groups	**Percentage change**	
	Increase	**Decrease**
Sensitivity of the present value of obligations to a 0.5% change in wages	0.04%	(0.04%)
Sensitivity of the present value of obligations to a 50 bps change in interest rates	4.55%	5.48%

Fiscal year 2020 - 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	(4.70%)	4.84%

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%

Based on the mortality tables used, remaining life expectancy for a person retiring at the close of 2020 is 27.15 and 22.66 years, respectively for women and men (27.03 years and 22.54 years respectively at the close of 2019). Life expectancy for a person retiring 20 years after the close of 2020 is 29.21 and 24.95 years, respectively for women and men (28.12 and 24.84 years respectively at the close of 2019).

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

				€ ´000
	2020	**%**	**2019**	**%**
Equity instruments	8,707	4.01%	19,053	8.51%
Debt securities	89,829	41.34%	96,230	43.00%
Mutual funds	103,843	47.79%	90,525	40.45%
Financial derivatives	-	-	266	0.12%
Other assets	14,903	6.86%	17,733	7.92%
	217,282	**100.00%**	**223,807**	**100.00%**

The instrument contracted in all cases is an insurance policy.

The fair value of the plan's assets includes the following financial instruments issued by Unicaja Banco Group:

	€ ´000	
	2020	2019
Equity instruments	-	-
Debt instruments	-	-
Deposits and current accounts	-	15,016
	-	**15,016**

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

						€ ´000
Unicaja Banco	**2021**	**2022**	**2023**	**2024**	**2025**	**2026-2030**
Post-employment benefits	7,081	7,007	6,859	6,695	6,531	32,632
Other long-term benefits	39,487	40,108	33,307	26,923	17,818	10,235
Total benefits	**46,568**	**47,115**	**40,166**	**33,618**	**24,349**	**42,867**

						€ ´000
EspañaDuero	**2021**	**2022**	**2023**	**2024**	**2025**	**2026-2030**
Post-employment benefits	5,902	5,732	5,547	5,347	5,127	21,872
Other long-term benefits	2,545	1,460	605	44	-	-
Total benefits	**8,447**	**7,192**	**6,152**	**5,391**	**5,127**	**21,872**

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 2,641 thousand, in 2020 (EUR3,044 thousand in 2019). 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 2020 and 2019 amount to EUR 6,407 thousand and EUR 5,507 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 of the commitment and based on the IBOXX AA Corporate 2 December 2020 curve, of investment grade Euro zone corporate bonds.
- Commitments last anywhere between 2.35 to 9.65 years.
- The interest rate applied to each commitment ranges anywhere between -0.2163% to 0.2651%.
- 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 of the commitment and based on the IBOXX AA Corporate 2 December 2020 curve, of investment grade Euro zone corporate bonds.
- Commitments last 0.98 years.
- The interest rate applied to each commitment is -0.2676%.
- 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 2020 and 2019 is as follows:

		€ ´000
	2020	**2019**
Properties & buildings	19,995	29,545
Rents	903	488
IT	33,228	38,921
Communications	15,338	14,434
Advertising	9,948	12,693
Legal fees	697	782
Technical reports	12,374	12,525
Security services	6,967	8,485
Insurance premiums	1,245	1,267
Public administrations	2,273	2,449
Entertainment expenses	2,758	6,060
Association membership dues	7,428	7,086
Outsourced services	403	2,836
Taxes	26,882	28,752
Other items	14,902	8,872
	155,341	**175,195**

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 1,954 thousand in 2020 (EUR 1,345 thousand in 2019). In 2020 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 1,418 thousand (EUR 1,126 thousand in 2019), and other services amounting to EUR 101 thousand (EUR 12 thousand in 2019).

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

The composition of the balance under these headings in the consolidated income statements for the years 2020 and 2019 is as follows:

	€ ´000	
	2020	**2019**
Impairment or reversal in the value of joint ventures or associates) (Note 12)	**-**	**-**
Impairment or reversal in the value of non-financial assets	**(2,700)**	**(19,177)**
Goodwill (Notes 4 & 14)	(6,773)	(7,411)
Other assets	4,073	(11,766)
	(2,700)	**(19,177)**

The breakdown per items of the consolidated balance sheet under "Impairment or reversal in the value of non-financial assets" for the 2020 and 2019 is as follows:

	€ ´000	
	2020	**2019**
Impairment losses on tangible fixed assets	1,768	1,698
Impairment losses on real estate investments	807	(1,617)
Impairment losses on inventory	2,776	(13,045)
Impairment losses on other assets	(1,278)	1,198
	4,073	**(11,766)**

Impairment losses on inventory includes the amounts set aside by the Group for asset impairments in investee companies engaged principally in the real estate business.

43. Gain or loss on derecognition from the statements non-financial assets and stakes

The breakdown of the balance under this heading in the consolidated income statements for the years 2020 and 2019 is as follows:

				€ ´000
		2020		2019
	Gain	Loss	Gain	Loss
Sale of tangible assets	2,051	-	23,902	(1,396)
Sale of equity stakes	2,789	(2,226)	138,838	-
Other items	-	-	61	(4)
	4,840	**(2,226)**	**162,801**	**(1,400)**

The gains from the sale of stakes in 2019 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 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 2020 and 2019 is as follows:

				€ ´000
		2020		2019
	Gain	Loss	Gain	Loss
Sale of non-current assets	14,864	(4,258)	12,785	(4,152)
Provisions to value corrections for non-current assets for sale (Note 16)		(9,297)	-	(9,224)
	14,864	**(13,555)**	**12,785**	**(13,376)**

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 2020 and 2019, and in the consolidated income statements for the periods ending on those dates, arising from transactions with related parties:

					€ ´000
					2020
Income, expenses and other transactions	**Significant shareholder**	**Directors and senior management**	**People, companies or group entities**	**Other Related parties**	**Total**
Financial expenses	-	(11)	(303)	(33)	(347)
Management or collaboration contracts	(562)	-	(2,934)	-	(3,498)
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	**(562)**	**(11)**	**(3,237)**	**(33)**	**(3,846)**
Financial income	-	5	3,021	209	3,235
Management or collaboration contracts	253	-	2	-	255
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	**253**	**5**	**3,023**	**209**	**3,492**
Purchase of tangible, intangible or other assets	-	-	4,949	-	4,949
Financing agreements: loans and capital contributions (lender)	-	1,503	127,837	20,821	150,161
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)	46,696	8,511	243,594	4,737	303,538
Financial lease contracts (lessee)	-	-	-	-	-
Repayment or cancellation of credits and lease contracts (lessee)	-	-	-	-	-
Guarantees and collaterals given	-	165	48,550	224	48,939
Guarantees and collaterals received	-	-	-	-	-
Commitments	-	-	-	-	-
Commitments/guarantees cancelled	-	-	-	-	-
Dividends and other distributed income	-	-	-	-	-
Other operations	-	-	343	-	343
Total other transactions	**46,696**	**10,179**	**425,273**	**25,782**	**507,930**

Income, expenses and other transactions	Significant shareholder	Directors and senior management	People, companies or group entities	Other Related parties	Total
					€ ´000 2019
Financial expenses	-	(13)	(308)	(32)	(353)
Management or collaboration contracts	(408)	-	(5,363)	-	(5,771)
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	**(408)**	**(13)**	**(5,671)**	**(32)**	**(6,124)**
Financial income	-	6	3,165	293	3,464
Management or collaboration contracts	175	-	1	-	176
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	**175**	**6**	**142,004**	**293**	**142,478**
Purchase of tangible, intangible or other assets	-	-	2,478	-	2,478
Financing agreements: loans and capital contributions (lender)	-	1,590	127,188	23,802	152,580
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	-	-	1,159	-	1,159
Total other transactions	**77,127**	**9,696**	**446,136**	**75,678**	**608,637**

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 assets earmarked to back 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.

At 31st December 2020 and 2019, the Unicaja Banco Group does not holds stakes on any appraisal company.

As an issuer of MBS & mortgage bonds, the following information is disclosed at the level of Unicaja Banco Group in compliance with the provisions of the mortgage market regulations:

A) Active operations

At 31st December 2020 and 2019, the detail of the nominal value of the mortgage loans and credits backing the issuance of MBS & mortgage bonds, together with lending or borrowing using mortgage participations or mortgage transfer certificates, is as follows:

		€ ´000
	2020	**2019**
Transferred loans held in assets	**-**	**-**
Mortgage participations	-	-
Mortgage transfer certificates	-	-
Mortgages held as collateral for financing received	**-**	**-**
Loans securing MBS & mortgage bonds issues	**18,324,621**	**19,256,391**
Non-eligible loans	3,103,731	3,276,442
Compliant with eligibility criteria except for limits established under article 5.1 of Royal Decree 716/2009	1,193,065	1,296,358
Other	1,910,666	1,980,084
Eligible loans	15,220,890	15,979,949
Non-eligible amount	47,723	63,111
Eligible amount	15,173,167	15,916,838
Loans securing mortgage bond issues	-	-
Loans eligible for securing mortgage covered bonds	*15,173,167*	*15,916,838*
	18,324,621	**19,256,391**

At 31st December 2020 and 2019, the outstanding face value of the mortgage loans and credits backing the issuance of mortgage covered bonds amounts to EUR 18,324,621 thousand and EUR 19,256,391 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 15,220,890 thousand and EUR 15,979,949 thousand, respectively. During fiscal years 2020 and 2019, the Group had not made any mortgage bond issues.

At 31st December 2020 and 2019, 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 1,193,065 thousand and EUR 1,296,358 thousand at 31st December 2020 and 2019, respectively.

The detail of the loans backing the issuance of MBS & mortgage bonds, classified by different criteria, at 31st December 2020 and 2019, is as follows:

	€ ´000	
	2020	
	Loans securing MBS & mortgage bonds issues	Of which: Eligible loans
Nominal value of outstanding loans and mortgages	**18,324,621**	**15,220,890**
By source of operation:	18,324,621	15,220,890
- Originated by the bank	18,191,810	15,106,232
- Subrogated by other institutions	132,811	114,658
- Others	-	-
By currency:	18,324,621	15,220,890
- In euros	18,323,805	15,220,312
- Other currencies	816	578
By payment status:	18,324,621	15,220,890
- Performing	18,063,129	15,220,890
- Other	261,492	-
By average residual maturity:	18,324,621	15,220,890
- Up to 10 years	8,636,891	6,908,322
- 10 to 20 years	6,262,579	5,433,058
- 20 to 30 years	3,420,880	2,878,499
- More than 30 years	4,271	1,011
By type of interest rate:	18,324,621	15,220,890
- Fixed rate	488,700	354,749
- Floating rate	17,835,921	14,866,141
- Mixed rate	-	-
By loan holder:	18,324,621	15,220,890
- Legal person and entrepreneurs	2,521,358	1,375,516
Of which: real estate development	*333,898*	*118,901*
- Households	15,803,263	13,845,374
By type of guarantee:	18,324,621	15,220,890
- Completed assets/buildings and other structures	16,502,930	14,179,392
Residential use	15,981,031	13,846,021
Of which: social housing	*635,901*	*608,111*
Business premises	434,759	279,063
- Others	87,140	54,308
- Assets/buildings and other structures under construction	442,358	289,189
Residential use	428,494	278,573
Of which: social housing	*3,438*	*3,438*
Business premises	13,374	10,190
- Others	490	426
- Land	1,379,333	752,309
Permitted and ready for development	498,377	172,085
- Others	880,956	580,224

		€ ´000
		2019
	Loans securing MBS & mortgage bonds issues	**Of which: Eligible loans**
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*
- Others	100,097	64,592
- Assets/buildings and other structures under construction	440,415	280,643
Residential use	420,722	264,532
Of which: social housing	*4,158*	*4,157*
Business premises	19,123	15,598
- Others	570	513
- Land	1,473,080	781,181
Permitted and ready for development	516,998	174,512
- Others	956,082	606,669

At 31st December 2020 and 2019, 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

	2020					
	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	4,541,335	5,452,264	4,130,995	-	-	14,124,594
- On rest of assets	565,756	509,735	20,805	-	-	1,096,296
	5,107,091	**5,961,999**	**4,151,800**	**-**	**-**	**15,220,890**

€ ´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**

Information on the nominal value of the mortgage loans and credits flows for fiscal years 2020 and 2019 is as follows:

€ ´000

	2020		2019	
	Eligible loans	Non-eligible loans	Eligible loans	Non-eligible loans
Balance at beginning of fiscal year	**15,979,949**	**3,276,442**	**16,694,721**	**3,818,451**
Derecognitions for the period	**(1,768,826)**	**(404,116)**	**(1,834,813)**	**(865,047)**
Cancellations at maturity	(43,900)	(2,839)	(41,595)	(3,038)
Early repayments	(343,134)	(117,992)	(410,175)	(344,514)
Subrogated by other institutions	(9,937)	(967)	(3,426)	(471)
Other	(1,371,855)	(282,318)	(1,379,617)	(517,024)
Additions	**1,009,767**	**231,405**	**1,120,041**	**323,038**
Originated by the Bank	78,191	11,273	57,604	9,837
Subrogated by other institutions	141	640	-	712
Other	931,435	219,492	1,062,437	312,489
Balance end of period	**15,220,890**	**3,103,731**	**15,979,949**	**3,276,442**

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 2020 and 2019:

- 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 2020 and 2019:

- 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 2020 and 2019 is as follows:

		€ ´000
	2020	**2019**
Potentially eligible	157,562	174,834
Non-eligible	178,564	306,126
	336,126	**480,960**

The nominal value of the sums available (committed amounts not drawn upon) of all the possibly eligible loans and mortgage at 31st December 2020 and 2019 is EUR 157,562 thousand and EUR 174,834 thousand, respectively. The potentially non-eligible loans amount to EUR 178,564 thousand and EUR 306,126 thousand, respectively.

At 31st December 2020 and 2019, the Group did not have replacement assets earmarked for mortgage bonds and MBS issues.

B) Liability transactions

The breakdown at 31st December 2020 2019 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
	2020	**2019**
Outstanding mortgage bonds	**-**	**-**
Issued mortgage covered bonds	**3,493,903**	**3818903**
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	30,000	-
- Residual maturity of more than 1 year but less than 2 years	30,000	30,000
- Residual maturity of more than 2 years but less than 3 years	-	30,000
- Residual maturity of more than 3 years but less than 5 years	-	-
- Residual maturity of more than 5 years but less than 10 years	-	-
- Residual maturity of more than 10 years	-	-
Deposits	3,433,903	3,758,903
- Residual maturity up to 1 year	660,000	325,000
- Residual maturity of more than 1 year but less than 2 years	151,852	660,000
- Residual maturity of more than 2 years but less than 3 years	300,000	151,852
- Residual maturity of more than 3 years but less than 5 years	682,051	300,000
- Residual maturity of more than 5 years but less than 10 years	560,000	1,242,051
- Residual maturity of more than 10 years	1,080,000	1,080,000
Mortgage bonds issued	**-**	-
Issued through public offering	-	-
Other issues	-	-
Mortgage transfer certificates issued	**-**	-
Issued through public offering	-	-
Other issues		
	3,493,903	**3818903**

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, their manifest will to pay, their capacity to generate cash-flow or the give of new guarantees, before increasing their indebtedness unduly.

First of all, provided that there is a certain capacity of payment and after exhausting all possibilities of recovering the outstanding debt, the possibility of granting grace periods on the principal is studied to allow the development of the funded lands, the completion 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 2020 and 2019, the breakdown of the financing for construction and real estate development and their coverage (1) was as follows:

	€ ´000			
	2020			
	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)	**816,796**	**180,331**	**(46,545)**	**770,251**
Of which: NPLs/Stage 3	85,263	31,664	(41,512)	43,751
Memorandum item:				
Write-offs (5)	177,983			

	€ ´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)	261,808			

Memorandum item: Consolidated Group information	Book Value	
	2020	**2019**
Loans to customers, excluding Public administrations (business in Spain) (book value) (6)	24,184,451	24,756,341
Total consolidated assets (total business) (book value) (7)	65,544,265	56,707,615
Impairment and provisions of performing exposure (total business) (8)	254,695	143,394

(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) Gross amount of financing for construction and real estate development (business in Spain) that has been written off.

(6) 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).

(7) Amount recorded in the assets of the balance sheet after deducting, if applicable, sums earmarked for coverages.

(8) Total amount of the value adjustments and general coverage 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 2020 and 2019, is as follows:

	€ ´000	
	Gross book value (6)	
	2020	2019
Without real estate collateral (*)	264,303	269,735
With mortgage		
(classified by type of pledged collateral) (1)	552,493	586,315
Buildings and other completed structures (2)	245,981	244,839
Residential	188,711	202,764
Other	57,270	42,075
Buildings and other structures under construction (3)	159,310	158,033
Residential	146,604	156,281
Other	12,706	1,752
Land	147,202	183,443
Permitted and ready for development	94,853	137,286
Other land	52,349	46,157
Total (4)	**816,796**	**856,050**

(*) At 31st December 2020, the book value of "With no mortgage" financing included EUR 75,863 thousand for transactions with real estate collateral whose exposure was not fully hedged (74,955 thousand at 31st December 2019). Additionally, it included secured transactions with Government agencies for EUR 188,441 thousand (EUR 194,680 thousand at 31st December 2019).

(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 received and financing awarded for construction and real estate development financing, in transactions registered by credit institutions (business in Spain) 31st December 2020 and 2019:

	€ ´000	
Guarantees received	**2020**	**2019**
Value of collateral	612,650	718,647
Of which: Defaulted/NPLs	*50,800*	*71,851*
Value of other guarantees	-	-
Of which: Defaulted/NPLs	-	-
Total value of guarantees received	**612,650**	**718,647**

Financial guarantees given	2020	€ ´000 2019
Financial guarantees given for construction and real estate development	324,191	501,831
Amount recorded in liabilities of the balance sheet	4,701	*6,828*

At 31st December 2020 and 2019, the breakdown of loans to households for house purchase in transactions recorded by credit institutions (business in Spain) is as follows:

	2020		2019	€ ´000
	Gross amount (2)	Of which: Defaulted/NPLs	Gross amount (2)	Of which: Defaulted/NPLs
Lending for house purchase (1)	14,773,182	513,422	15,379,537	622,987
Without mortgage	152,442	1,889	184,753	1,974
With mortgage (3)	14,620,740	511,533	15,194,784	621,013

(1) Loans, with or without real estate mortgage collateral, to households to buy housing granted by businesses in Spain.

(2) Amount before deducting, if applicable, accumulated impairment.

(3) All transactions with real estate mortgage collateral, regardless of the loan-to-value ratio, will be included.

The breakdown of mortgage-backed loans to households for the purchase of housing by LTV (1), in transactions recorded by credit institutions (businesses in Spain) at 31st December 2020 and 2019 is as follows:

						31st December 2020 (1)
	LTV≤40%	40%<LTV≤60%	60%<LTV≤80%	80%<LTV≤100%	LTV>100%	Total
Gross book value (2)	4,010,756	5,263,364	4,436,931	442,817	466,872	14,620,740
Of which: In default/ Non-performing (2)	47,992	69,248	120,951	80,191	193,151	511,533

						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	62,013

(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 2020 and 2019, is as follows:

	2020			2019		
€ ´000	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	**1,091,429**	**(686,049)**	**405,380**	**1,119,733**	**(701,729)**	**418,004**
Real estate assets from loans to construction and real estate development companies (3)	534,941	(375,838)	159,103	581,232	(399,232)	182,000
Buildings and other finished constructions	69,258	(37,276)	31,982	72,241	(38,651)	33,590
Residential	54,045	(27,433)	26,612	56,133	(28,939)	27,194
Other	15,213	(9,843)	5,370	16,108	(9,712)	6,396
Buildings and other structures under construction	47,693	(30,394)	17,299	53,524	(31,140)	22,384
Residential	46,301	(29,478)	16,823	52,176	(30,342)	21,834
Other	1,392	(916)	476	1,348	(798)	550
Land	417,990	(308,168)	109,822	455,467	(329,441)	126,026
Permitted and ready for development	313,765	(221,621)	92,144	341,180	(239,703)	101,477
Other land	104,225	(86,547)	17,678	114,287	(89,738)	24,549
Real estate assets from retail mortgages	353,706	(171,240)	182,466	347,077	(170,269)	176,808
Rest of foreclosed real estate assets or received in lieu of payment (4)	202,782	(138,971)	63,811	191,424	(132,228)	59,196
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)	-	-	-	-	-	-
	1,091,429	**(686,049)**	**405,380**	**1,119,733**	**(701,729)**	**418,004**

(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 2020, the gross acquisition price of foreclosed assets amounted to EUR 1,091,429 thousand, with a total provisions coverage of EUR 686,049 thousand, giving a coverage of the gross acquisition cost of 63% (EUR 1,119,733 thousand at 31st December 2019, with a total coverage of EUR 701,729 thousand, which is equivalent to a 63% coverage).

48. Information on the deferment of payments made to suppliers. Additional clause three – Duty of disclosure of Act 15/2010, 5th July

In compliance of Act 15/2010, 5th July, amending Act 3/2004, 29th December, establishing measures to fight arrears in commercial transactions, developed by the Ruling of 29th December of the Institute of Accounting and Auditing (ICAC, by its Spanish acronym), on the information to be included in the annual report regarding the deferment of payments to suppliers in commercial transactions, we would point out that:

- Given the Group's core activities, information on debt deferments basically concerns payments to suppliers for the provision of services and miscellaneous supplies, other than payments to depositors and holders of securities issued by it. All such payments were in scrupulous compliance with the contractual and legal deadlines established for each of them, whether they were demand loans or debts with deferred payment.

- The payments made by the Unicaja Banco Group to suppliers just for the provision of services and the supply of miscellaneous services in 2020 amounted to EUR 374,238 thousand (EUR 425,573 thousand in 2019). All such payments were made within the legal and contractual deadlines. The balance due to suppliers at 31st December 2020 and 2019 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 2020 and 2019 was 8.64 and 16.53 days respectively. The ratio of transactions paid for these years was 8.22 and 16.14 days respectively, and the ratio of transactions with payments due at 8.17 and 17.03 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 68.66% of the complaints and claims received in 2020 were resolved during that same period (88.14% in 2019). The remaining cases, pending at the end of 2020, are scheduled to be resolved within the maximum legal period that, based on the type of claim, is provided for by the Legislation and the Regulations for the Protection of the Bank's Customers.

APPENDIX I
GROUP INSTITUTIONS AT 31 DECEMBER 2020

Company name	TAX ID	Registered domicile	Activity	% Share owned by Group		
				% Share		Total Share
				Direct	Indirect	
Alqlunia Duero, S.L. (Single-member company) (in liquidation)	B45541786	C/ Titán 8, 2º, Madrid	Property development	100.00%	0.00%	**100.00%**
Analistas Económicos de Andalucía, S.L. (Single-member company)	B29714045	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)	A29600178	C/ Angosta del Carmen 2 Entreplanta, Málaga	Management and settlement of documents and deeds	100.00%	0.00%	**100.00%**
Banco Europeo de Finanzas, S.A. (Single-member company)	A78963816	C/ La Bolsa, 4, Piso 1, Málaga	Banking, financial activities	100.00%	0.00%	**100.00%**
Gestión de Inmuebles Adquiridos, S.L. (Single-member company)	B92954197	C/ Mauricio Moro Pareto nº 6, 6ª planta, Edf. Eurocom, Málaga	Property development	0.00%	100.00%	**100.00%**
La Algara Sociedad de Gestión, S.L. (Single-member company)	B91933523	C/ Mauricio Moro Pareto nº 6, 4ª, Edf. Eurocom, Málaga	Property development	0.00%	100.00%	**100.00%**
Parque Industrial Humilladero, S.L.	B92503432	C/ Miguel Hernández 1, Humilladero, Málaga	Industrial land development	0.00%	89.77%	**89.77%**
Propco Blue 1, S.L. (Single-member company)	B93597904	C/ Mauricio Moro Pareto nº 6, 6ª planta, Edf. Eurocom, Málaga	Property development	0.00%	100.00%	**100.00%**
Segurándalus Mediación, Correduría de Seguros, S.A. (Single-member company)	A48484232	C/ Cuarteles nº 51 Ptl.1 Entreplanta. Málaga	Insurance broking	100.00%	0.00%	**100.00%**
Unicaja Gestión de Activos Inmobiliarios, S.A. (Single-member company)	A93229516	Avda. Andalucía, 10-12, Málaga	Real estate holding companies	100.00%	0.00%	**100.00%**
Unicartera Gestión de Activos, S.L. (Single-member company)	B84537356	C/ Bolsa nº 4, planta 5ª, Málaga	Debt collection and litigation manager	100.00%	0.00%	**100.00%**
Unicorp Patrimonio, Sociedad de Valores, S.A. (Single-member company)	A92067131	C/ Bolsa nº 4, 1ª planta, Málaga	Wealth management	100.00%	0.00%	**100.00%**
Unigest, S.G.I.I.C., S.A. (Single-member company)	A29558798	C/ Bolsa nº 4, 5ª planta, Málaga	Collective investment institutions management company	100.00%	0.00%	**100.00%**
Unimediación, S.L. (Single-member company)	B92802271	C/ Bolsa nº 4, 2ª planta, Málaga	Insurance broking	100.00%	0.00%	**100.00%**
Unión del Duero Seguros de Vida, S.A. (Single-member company)	A37042975	C/ Titán 8, Madrid	Life insurance	100.00%	0.00%	**100.00%**
Uniwindet, S.L. (Single-member company)	B18602680	C/ Bolsa nº 4, 5ª planta, Málaga	Renewable energies	100.00%	0.00%	**100.00%**
Viproelco, S.A. (Single-member company) (in liquidation)	A24501561	Avda. Madrid 120, León	Property development	100.00%	0.00%	**100.00%**

APPENDIX II
JOINTLY CONTROLLED ENTITIES AT 31ST DECEMBER 2020

Company name	TAX ID	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		Total Share							
				Direct	Indirect								
Dolun Viviendas Sociales, S.L. (5)	B91701854	C/ Muñoz Olivé 1, portal 1-1C, Sevilla	Property development	0.00%	40.00%	40.00%	-	140	125	-	-	-	-
Espacio Medina, S.L. (1)	B85186526	Pº de la Castellana (Torre Espacio) 259. Madrid	Property development	0.00%	30.00%	30.00%	2,870	3,115	55,022	-	41,494	34,970	(32,100)
Muelle Uno-Puerto Málaga, S.A. (1)	A92674522	Avda. de Andalucía 21, Entreplanta, Málaga	Property development	0.00%	39.74%	39.74%	(1,002)	43,240	5,980	20,792	4,585	6,452	(7,454)
Sociedad de Gestión San Carlos, S.A. (1)	A11504842	Avda. San Juan Bosco, 46. San Fernando - Cádiz	Property development	0.00%	61.66%	61.66%	(375)	-	14,436	7,828	335	-	(375)
Lares Val de Ebro, S.L. (3)	A84076975	Avda. Talgo 155, Madrid	Property development	33.33%	0.00%	33.33%	(292)	-	19,277	2	21,381	-	(292)
Madrigal Participaciones, S.A. (2)	A47538301	C/ Santiago 7, 1º E, Valladolid	Investment in assets, transferable securities and financial companies	75.70%	0.00%	75.70%	(291)	2,036	20,529	-	77	-	(291)
Rochduero, S.L. (4)	B11824430	C/ Armas 10-A, Jerez de la Frontera (Cádiz)	Property development	54.09%	0.00%	54.09%	(359)	0	35,758	420	36,535	25	(385)

(1) Financial data at 31 December 2020.
(2) Financial data at 31 December 2020. Company being wound up.
(3) Financial data at 31 December 2016. Company being wound up.
(4) Financial data at 31 August 2016. Company being wound up.
(5) Company no activity.

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 2020, 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 with similar effects).

APPENDIX III
Associate entities at 31st December 2020

Company name	TAX ID	Registered domicile	Activity	% Share owned by Group			Financial statements at date of analysis				
				% Share		Total Share	Total assets at EOP	EQUITY	Profit for the year	Liability	Operating income
				Direct	Indirect						
Ahorro Andaluz, S.A. (1)	A41374539	Avenida Andalucía 10 - 12; Málaga	Securities holding firm	50.00%	0.00%	50.00%	118	118	416	-	556
Andalucía Económica, S.A. (1)	A41397514	C/ Diego de Riano 11, Piso 2º Sevilla	Publishing, graphic design & TV	23.80%	0.00%	23.80%	578	466	(60)	112	(60)
B.I.C. Euronova, S.A. (1)	A29534765	Avenida Juan López Peñalver 21 (Parque Tecnológico Andalucía). Campanillas-Málaga	Investment and promotion services	20.00%	0.00%	20.00%	1,685	1,279	250	406	254
Creación de Suelo e Infraestructuras, S.L. (5)	B10272011	C/ Ibiza 35, 5ºA. Madrid	Property development	0.00%	24.98%	24.98%	53	(12,455)	(0)	12,508	(0)
Desarrollo Urbanísticos Cerro de Medianoche, S.L. (1)	B23532252	Plaza Jaén por la Paz, 2. Jaén	Property development	0.00%	24.72%	24.72%	3,172	3,090	179	82	255
Gestión e Investigación de Activos, S.A. (1)	A79332367	Paseo General Martínez Campos 46, 2ªplanta. Madrid	Real Estate	31.71%	18.29%	50.00%	500	499	(11)	1	(16)
Hidralia, Gestión Integral de Aguas de Andalucía, S.A (1)	A41461856	C/ Alisios Edf Ocaso, nº 1, Sevilla	Integrated water cycle	20.00%	0.00%	20.00%	258,273	99,117	8,062	159,156	4,160
Ingeniería de Suelos y Explotación de Recursos, S.A. (3)	A21102157	Paseo del Coso S/N, Minas de Riotinto, Huelva	Mining	30.00%	0.00%	30.00%	91,530	28,552	7,383	62,978	7,618
Ingeniería e Integración Avanzadas, S.A. (1)	A29584315	C/ Severo Ochoa, 43 (Parque Tecnológico de Andalucía). Campanillas-Málaga	New technologies	40.00%	0.00%	40.00%	14,789	8,090	1,296	6,699	1,518
La Reserva de Selwo Golf, S.L. (1)	B18671784	Pasaje Linaje 3, Planta 1, Piso 1 Málaga	Property development	0.00%	35.00%	35.00%	63	(3,875)	-	3,938	-
Malagaport, S.L. (1)	B92635192	Muelle Canovas s/n, Edif.Inst. Estudios Portuarios del Puerto de Málaga	Freigth and warehousing services	26.77%	0.00%	26.77%	454	407	34	47	34
Mastercajas, S.A. (3)	A81584369	C/ Alcalá 27, Madrid	Banking, financial activities	32.47%	0.00%	32.47%	3,556	3,285	81	271	96
Parque Científico-Tecnológico de Almería S.A. (1)	A04418067	Avda. de la Innovación 15, Edificio Pitágoras, Almería	Property development	0.00%	30.13%	30.13%	47,189	27,779	(1,189)	19,410	(731)
Participaciones Estratégicas del Sur, S.L. (3)	B90471350	C/ Luis Montoto Nº 65 1ºB	Other financial assets	30.00%	0.00%	30.00%	15,192	12,486	701	2,706	(49)
Propco Malagueta, S.L. (1)	B93562940	C/ Mauricio Moro Pareto (Edificio Eurocom Norte), 6 Málaga	Property development	0.00%	25.00%	25.00%	39,082	38,842	(4,588)	240	(6,117)
Propco Orange 1, S.L. (1)	B93597896	C/ Mauricio Moro Pareto (Edificio Eurocom Norte), 6 Málaga	Property development	0.00%	49.00%	49.00%	49,041	12,798	(328)	36,243	(422)

APPENDIX III
Associate entities at 31st December 2020

Company name	TAX ID	Registered domicile	Activity	% Share owned by Group			Financial statements at date of analysis				
				% Share		Total Share	Total assets at EOP	EQUITY	Profit for the year	Liability	Operating income
				Direct	Indirect						
Santa Justa Residencial, S.L. (1)	B93514453	C/ Mauricio Moro Pareto (Edificio Eurocom Norte), 6 Málaga	Real estate development	0.00%	49.50%	49.50%	1,688	573	816	1,115	1,099
Sociedad Municipal de Aparcamientos y Servicios, S.A. (1)	A29178902	Plaza Jesús "El Rico" 2-3. Málaga	Car park	24.50%	0.00%	24.50%	60,466	44,125	38	16,341	263
Uncro, S.L. (4)	B23545379	C/ Ibiza 35, 5º A, Madrid	Property development	0.00%	25.00%	25.00%	1,562	(8,784)	(2)	10,346	(2)
Unema Promotores Inmobiliarios, S.A. (6)	A92078013	C/ Strachan, nº 1, planta 1. Málaga	Property development	0.00%	40.00%	40.00%	37	(1,669)	(0)	1,706	(0)
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A. (1)	A78804390	C/ Bolsa 4, 3ª planta, Málaga Promotors	Insurance	50.00%	0.00%	50.00%	4,408,492	302,743	50,062	4,105,749	69,429
Ala Ingeniería y Obras, S.L. (9)	B85294536	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. (7)	A33357484	C/ Uría, 56, 2 C, Oviedo (Asturias)	Camping	25.00%	0.00%	25.00%	5	(10)	(4)	15	(4)
Inversiones Alaris, S.L.	B31881055	Avda. Carlos III El Noble, 8 Pamplona/ Iruña (Navarre)	Holding company	33.33%	0.00%	33.33%	14,583	5,756	(768)	8,827	(590)
Mejor Campo Abonos y Cereales, S.A. (7)	A24371866	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. (8)	A83458067	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)	B93562957	C/ Mauricio Moro Pareto (Edificio Eurocom Norte), 6 Málaga	Real Estate	25.00%	0.00%	25.00%	28,752	28,501	(4,746)	251	(6,327)
Propco Epsilon, S.L. (3)	B93673283	C/ Mauricio Moro Pareto 6, Edf. Eurocom, Málaga	Real estate development	0.00%	20.00%	20.00%	82,950	82,706	2,131	244	2,137
Propco Eos, S.L. (3)	B93673291	C/ Mauricio Moro Pareto nº 6, 6ª planta, Edf. Eurocom, Málaga	Real estate development	0.00%	20.00%	20.00%	105,389	105,083	1,843	306	1,848

(1) Financial data at 31 December 2020.
(2) Financial data at 31 December 2020. Company being wound up.
(3) Financial data at 30 November 2020.
(4) Financial data at 30 June 2020. Company being wound up.
(5) Financial data at 31 December 2018. Company being wound up.
(6) Financial data at 30 September 2017. Company being wound up.
(7) Financial data at 31 December 2016. Company being wound up.
(8) Financial data at 31 March 2014. Company being wound up.
(9) 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 2020, 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 with similar effects).

APPENDIX IV:
ANNUAL BANKING REPORT FOR FISCAL YEAR 2020

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 regulation, 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 2020 is hereby enclosed.

	Business turnover (€ ´000)	**Number of employees (**)**	**Pre-tax income (€ ´000)**	**Income tax (€ ´000)**
Spain	954,830	6,201	99,098	21,272
Rest of European Union	-	-	-	-
RoW	-	-	-	-
Total	**954,830**	**6,201**	**99,098**	**21,272**

(*) 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 2020, 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 0.12% 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. & SUBSIDIARY COMPANIES (UNICAJA BANCO GROUP)

CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR 2020

1. Introduction

This Management Report presents the relevant facts and figures at the close of the fiscal year 2020 so that Unicaja Banco Group's (hereinafter Unicaja Banco Group or the Group) situation and its business performance can be understood. The consolidated interim financial statements for the first six months of 2020, 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 4/2017, 27th November, 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 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 regulation, 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 2020, 50.81% 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 condensed financial statements of the fiscal year 2020.

	€ million		Annual change	
Balance sheet & business turnover	**Dec. 2020**	**Dec. 2019**	**€ million**	**%**
Total assets	65,544	56,708	8,836	15.6%
Performing loans and advances to customers (excluding valuation adjustments)[1]	25,751	25,800	(49)	(0.2%)
Deposits from customers (excluding valuation adjustments)	48,088	42,335	5,753	13.6%
Off balance sheet funds	12,888	12,863	25	0.2%
Total customer funds	61,336	55,558	5,778	10.4%
Of which: customers (non- market)[2]	*54,215*	*50,898*	3,317	6.5%

(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

	€ million		Annual change	
Results	**Dec. 2020**	**Dec. 2019**	**€ million**	**%**
Net interest income	578.2	578.5	(0.3)	(0.1%)
Gross Margin	954.8	1,008.6	(53.8)	5.3%
Operating income (before impairments)	382.9	401.9	(19.0)	4.7%
Impairments and other results	283.8	227.9	55.9	24.6%
Pre-tax income	99.1	174.1	(75.0)	43.1%
Consolidated net income for the period	77.8	172.3	(94.5)	54.8%
Net income attributed to the parent company	77.8	172.3	(94.5)	54.8%
Consolidated results for the period (ex-Covid-19)*	218.1	172.3	45.8	26.6%

(*) Excluding extarordinary provision for Covid-19

	%		Annual change	
Profitability and cost-to-income ratio	**Dec. 2020**	**Dec. 2019**	**€ million**	**%**
ROE (net income for the year/average shareholders' equity)	2.0%	4.4%	n.a.	(2.4 pp)
ROTE (net income for the year/ave. tangible shareholders' eq.)	2.0%	4.4%	n.a.	(2.4 pp)
ROA (net income for the year/average total assets)	0.1%	0.3%	n.a.	(0.2 pp)
RORWA (net income/RWA)	0.3%	0.7%	n.a.	(0.4 pp)
Cost-to-income ratio (op. exp. excluding amort./gross margin)	54.7%	55.9%	n.a.	(1.3 pp)

	€ m/%		Annual change	
Solvency	**Dec. 2020**	**Dec. 2019**	**€ million**	**%**
Equity	4,005	3,970	35	0.9%
Total Capital*	4,087	3,938	149	3.8%
Tier 1 eligible common capital (CET1)*	3,740	3,590	150	4.2%
Additional Tier 1 eligible capital*	47	48	(0)	(0.3%)
Tier 2 eligible capital*	300	300	-	-
RWA*	22,492	23,000	(508)	2.2%
Total Capital Ratio*	18.2%	17.1%	n.a.	1.0 pp
CET1 ratio*	16.6%	15.6%	n.a.	1.0 pp
Fully loaded CET1 Ratio*	15.0%	14.0%	n.a.	1.0 pp

(*) Proforma data: December 2019 does not include the deduction of the authorised limit on unused treasury stock.

	€ m/%		Annual change	
Risk Control	**Dec. 2020**	**Dec. 2019**	**€ million**	**%**
Non-performing	1,181	1,351	(170)	12.6%
NPL ratio	4.2%	4.8%	n.a.	(0.6 pp)
NPL coverage ratio	67.4%	54.0%	n.a.	13.5 pp
Cost of credit risk	0.85%	0.04%	n.a.	0.8 pp
Foreclosed real estate available for sale (gross)	1,091	1,120	(28)	2.5%
Foreclosed assets coverage ratio	62.9%	62.7%	n.a.	0.2 pp

	€ m/%		Annual change	
Liquidity	**Dec. 2020**	**Dec. 2019**	**€ million**	**%**
Gross liquid assets	29,562	20,765	8,797	42.4%
Net liquid assets	16,845	14,011	2,834	20.2%
Net liquid assets/Total assets	25.7%	24.7%	n.a.	1.0 pp
LTD ratio	65.2%	71.4%	n.a.	(6.2 pp)
Liquidity Coverage Ratio (LCR)	310%	319%	n.a.	(9.0 pp)
Net Stable Funding Ratio (NSFR)	142%	141%	n.a.	1.0 pp

	Units		Annual change	
Other information	**Dec. 2020**	**Dec. 2019**	**Number**	**%**
Branches in Spain	949	1,046	(97)	9.3%
ATMs	1,470	1,485	(15)	(1.0%)
Average number of employees	6,209	6,719	(510)	7.6%

Credit rating		**Dec. 2020**
Fitch	Short term	F3
	Long term	BBB-
	Outlook	Negative
Moody´s	Long term deposits	Baa3
	Short term	Prime-3
	Outlook	Stable

2. Economic and financial environment

The outlook has improved in recent weeks, mainly as a result of progress in production and distribution, and the start of vaccinations against Covid-19, although a high degree of uncertainty continues. Some of the jobs destroyed have been restored and most of the production framework has been preserved. While the economic situation remains delicate, the economic and social impact has been partially mitigated, thanks to the measures put in place by the various public administrations.

In the final quarter of 2020, the recovery of activity that was seen during the summer has slowed, due to flare-ups of the virus, which have been more serious in Europe and North America. In its latest Economic Outlook report, the OECD estimates that activity will continue to be limited and that social distancing and the partial closure of borders will remain in place throughout the first half of 2021, with the economy slowly picking up as vaccines are administered in all OECD countries. Thus, for 2021 the organization expects global economic growth to post at 4.2%, after falling by a similar amount in 2020, with China accounting for more than a third of this rise.

Recovery will be uneven across countries, although forecasts remain unusually uncertain, with risks both to the upside and to the downside. Global growth might go as high as 5% in 2021 if the vaccine campaigns are efficient and cooperation between countries succeeds in boosting consumer and business confidence. This would bring about an uptick in spending and production (reducing the saving rates and possible pent-up demand), but growth might be as low as 2.7 percentage points (pp) if there are problems with vaccination distribution and procedure.

Against this backdrop, the OECD believes public health services must be strengthened through investment in human resources, the development of prevention strategies, efficient test, trace and isolation programmes set up, and vaccination campaigns planned, not forgetting international cooperation, as well as support for the most vulnerable segments of the population. Similarly, the organisation stresses the need to sustain companies with measures that do not entail increasing in their debt, as well as boosting digitalization.

The expected fall in 2020 will be most intense in the eurozone. The decrease anticipated by the European Commission is less than expectations in the summer (-8.7%), while growth in 2021 is forecast at 4.2%, around 2 pp lower than earlier projections. The increase in social spending and the reduction in fiscal revenues is expected to trigger a sharp rise in the public deficit, such that the public debt/GDP ratio could rise to 102.6% by 2022, up from 85.9% in 2019.

Nevertheless, these forecasts are also subject to a degree of uncertainty. The EU's recovery programme (NextGenerationEU) could boost the economy more than expected, given that the forecasts have only been able to partially include the likely benefits of these initiatives, given the limited information available about national plans. Similarly, a trade deal between the EU and the United Kingdom would have a positive impact on the EU economy from 2021 onwards, when compared with the benchmark assumptions (the World Trade Organization's most favoured nation rule).

As noted above, the economic impact of the pandemic, while generalised, is significantly different between countries, depending on the spread of the virus, the measures put in place to contain it and each economy's industrial infrastructure. The Spanish economy, heavily weighted towards tourism and activities that involve more social interaction, and a high incidence of infection, will suffer a steeper fall in production within the EU during 2020, although it will also be one of the fastest growing economies in 2021.

Specifically, GDP could shrink by 12.4%, according to the Commission's latest projections, the only large economy, together with the United Kingdom, in which the outlook has worsened since the summer predictions. Likewise, the unemployment rate could rise to around 18% in 2021, the public deficit will top 12% in 2020 and public debt will continue increasing to 123.9% by 2022.

The drop forecast for 2020 is a little sharper than the estimates of the Government, that reviewed its projections for the 2020-2021 period in October for inclusion in the 2021 National Budget. The fall in GDP in 2020 is forecast as 11.2%, a 2.0 pp revision to the downside from the estimate last April, due essentially to performance in the second quarter, held back by weak spending and investment, as a result of the measures to reduce mobility. Turning to 2021, growth is estimated at 7.2%, without including the additional effects of the Next Generation EU plan, that could boost growth in 2021 by a further 2 pp, with more dynamic investment, private consumption, exports and employment.

The impact of these European funds will be somewhat more moderate (around 1.3 pp in 2021) according to the Bank of Spain’s forecasts. Its latest projections indicate a fall in GDP in 2020 of between 10.7% and 11.6% depending on the scenario (upside, central or downside), although all three envisage the contraction being followed by a relatively intense recovery in the two subsequent years. The scenarios differ, fundamentally, in the short-term behaviour of the pandemic, the measures taken to contain it, adaptation by the various agents involved to the crisis and the persistence of its effects in the medium term. All three scenarios include the roll-out of spending projects covered in the European Next Generation EU (NGEU) programme.

In 2021, activity is expected to recover by 6.8%, in the central scenario, by 8.6% in the upside scenario, and 4.2% in the downside scenario. In any event, GDP will not return to pre-COVID-19 levels until mid-2023 in the central scenario, while in the downside scenario GDP will still be nearly 3% below where it was at the end of 2019. By the end of 2023 the unemployment rate will still be above 14% in the central scenario, a little higher than before the crisis, despite the downward trend it will show since the second half of 2021.

Risks around growth have moderated in the Bank of Spain’s central scenario, although they remain tilted to the downside, because of the possibility of a more unfavourable epidemiological outcome than the one factored into this calculation, one requiring containment measures with greater impact on the “social industries”. To this we should add the uncertainty about the impact of the NGEU, the persistence of the effects of the crisis on productive capacity (structural changes, potential growth, and others) plus external geopolitical factors, such as Brexit and the new US Administration’s fiscal and foreign policies.

As to the assumptions made to calculate these projections, one factor taken into account was the oil price, which had an average price of USD 41.6 per barrel in 2020, and is forecast to rise to USD 44 and USD 45.7, respectively, in 2021 and 2022, slightly lower than September’s estimates. In the case of interest rates, the three-month Euribor will be around -0.5%. Yields on ten-year Spanish sovereign debt will be between 0.2% and 0.5% in average annual terms.

Turning to monetary policy, the European Central Bank’s Board decided at its December meeting to prolong its debt purchase programme, among other measures designed to ensure favourable financing conditions to support economic activity. The interest rate applicable on major financing transactions remains at 0.00%, the marginal lending facility rate at 0.25%, and the deposit rate at -0.50%. In addition, the Board has decided to increase provisioning for the pandemic emergency purchasing programme (PEPP) by EUR 500 billion, to a total of EUR 1.85 trillion, extending the net purchasing horizon to the end of March 2022 at least. In any event, net purchases will be made until the crisis phase of the pandemic is over.

When we look at the most recent data from Spain’s Quarterly National Accounts, the figures for 3Q 2020 show that GDP fell by 8.7% in year-on-year terms (-21.5% vis-à-vis the second quarter), double the average for the eurozone (-4.3%), although production increased by 16.7% from the second quarter. The negative contribution of domestic demand to growth has tapered, bringing growth down by 7.8 pp, after household spending rose by a little more than 20% in the quarter, and investment by nearly 20%, with a higher rise in equipment and machinery. Nevertheless, compared to the third quarter of 2019, household spending has shrunk by 10.4%, while investment has fallen by around 12%, and by more than 15% in the construction sector.

The contribution of external demand also remains negative (-0.9 pp), although more moderate than in the second quarter, due to the greater fall in exports of goods and services than in imports (-17.0% and -15.7%, respectively, in year-on-year terms). The drop in service exports has been particularly brusque (-42.8%), compared to the 4.6% slide in exports of goods. This is a consequence, above all, of negative performance in exports of tourism services (-74.3%), despite posting strong growth in the third quarter. Exports of non-tourism services have also grown in the third quarter, by over 20%, although in year-on-year terms they have accumulated a fall of 20.6%.

On the supply side, Gross Value Added (GVA) has increased across the board in the third quarter, with growth rates of more than 20% in industry and construction. In year-on-year terms, however, this latter sector has performed better, with a 5.0% growth rate, together with the branches within the services sector of financial activities and insurance (6.2%) and the public administration (1.8%). In the remaining sectors there have been reductions, particularly sharp ones in construction (-11.0%) and services (-9.8%), with 2-digit falls in trade, transport and hospitality, artistic and recreational activities and professional activities.

We should point out that employment, measured on the basis of full-time equivalent rates, increased by 16.0% in the third quarter, although this remains 5.5% lower than jobs recorded in the third quarter of 2019, translating into around a million fewer jobs in the last year. This drop is more noticeable in terms of hours worked (-6.2%), although these grew by nearly 25% between July and September.

This year-on-year reduction in employment is slightly sharper than the estimates in the Labour Force Survey (LFS). Specifically, in the third quarter, the number of people in work stood at 19,176,900, representing an increase of nearly 570,000 from the second quarter (the largest increase in the series), although if we compare it to the third quarter the previous year, 2019, the fall is close to 700,000 workers (-3.5%). However, the number of people in the labour force who actually worked would be 15,584,100 (39.4% of the population over 16), since around 3.6 million workers did not work in the week reviewed, 1.1 million fewer than the preceding quarter. In this quarter, the customary increase in workplace absence because of holidays has been offset by the sharp reduction in those who were laid off or in furlough for technical or economic reasons.

The quarterly increase in employment is due to the growth in the number of waged workers (581,200 more than in the second quarter), despite the number of self-employed workers falling by 11,500; waged workers thus account for 84.0% of all jobs in Spain. In year-on-year terms, the fall affects both waged and non-waged workers, although the drop is more noticeable in the former, with a considerable reduction in the number of waged workers with temporary contracts (nearly 583,000 fewer than in the third quarter of 2019). By activity sectors, the fall is generalised, except in non-market services, real estate, financial and ICT activities. The sharpest drops in employment were suffered in industry (-4.5%), trade, transport and hospitality (-8.3%) and artistic and recreational activities (-6.1%), with trade, transport and hospitality activities losing nearly 500,000 workers between them.

The working population increased by nearly 925,000 people in the third quarter of 2020, with the activity rate rising by over 2 pp, to 57.8%, although the working population is lower than in the same quarter of 2019 (188,900 fewer people). The number of unemployed has increased by around 355,000 from the second quarter, with about half a million more people unemployed than the third quarter of 2019. The unemployment rate has thus risen to 16.3% of the working population, compared to 13.9% the year before.

Social security affiliation reflects the recovery of employment in the third quarter of 2020 (up by 1.5% from the previous quarter), although the number of affiliated workers was 3.0% down on the same quarter in 2019. This monthly increase in jobs continued in October and November, with the year-on-year fall moderating to 1.8% in November, although the number of furloughed workers has also increased, coinciding with flare-ups of the virus and new restrictions in mobility and activity. Thus, although the furloughed workers have fallen in numbers by about 80% compared to April, the numbers rose in November by 2.5% from October, to 746,900, of which over half (420,604 workers) were furloughed under the terms of the RDL 30/2020 Act.

Turning to the external sector, the accrued figure over the last twelve months to September 2020 for the Spanish economy's financing capacity is EUR 16,300 million, against the EUR 29,700 million accumulated to September 2019. This fall is mainly due to the performance of the current account balance, which has slumped from EUR 23,700 million to EUR 12,200 million, hit by the trend in tourism, where the surplus has shrunk by over EUR 30 billion, only partially offset by the performance of the non-tourism goods and services component.

The most recent data, from November, from the Purchasing Managers' Index (PMI) shows a worsening across the board in Europe's biggest economies, all posting a contraction (under 50), except Germany. This contrasts with performance in the USA, where the index has shot to its highest levels since March 2015, and with the uptick in China. In the case of Spain, there has been a drop too, with the manufacturers' index posting another contraction, after the improvement in the previous two months, and with the services index not even close to 50. Similarly, economic sentiment in the eurozone fell in November for the first time since April (-3.5 points, to 87.6), while the OECD's composite leading indicator (CLI) has slipped slightly in France, Italy and Spain, with growth in Germany moderating.

3. Highlights of the period

Unicaja Banco Group posted net results of EUR 78 million in fiscal year 2020, after provisioning EUR 200 million for Covid-19.

Unicaja Banco is showing its capacity to post results that mitigate the temporary impacts of Covid, and is putting significant effort into provisioning:

- Core income (net interest income +fees) grew by 0.2% in the year, following its 8.9% and 3.7% expansion in the previous two quarters, respectively.
- Net interest income expanded by 1.1% during the quarter, after growing by 9.2% in Q3, thanks to the fall in the cost of funds, with an improvement in the customer spread in the second half of the year.
- Net fee income was up 0.9% in the year, after growing 10.7% and 8.1% in the previous 2 quarters, respectively.
- Operating expenses have fallen by EUR 35 million in the year (-5.7%).
- Extraordinary provisioning for Covid-19 came to EUR 200 million, with impairments on loans and recurring foreclosures remaining at low levels.
- Net income fell by 54.8%, as a result of the extraordinary provisions for Covid-19. Were it not for these provisions, net income would have posted at EUR 218 million, 26.6% higher than the previous financial period.

Commercial activity shows a positive overall balance despite the difficult climate.

- Customer funds have increased this year by 6.5%, with growth in both on-balance sheet funds (8.7%) and off-balance sheet funds & insurance (0.2%).
- Performing loans have grown by 0.8% in the quarter, therefore limiting the drop over the year to 0.2%. Public administrations and corporates posted a quarterly growth of 18.9% and 5%, respectively, albeit not offsetting retail performance.
- Front book increased substantially in the last quarter, with growth of 123% in corporates and 24% in retail.

Risk indicators remain positive despite the economic slowdown:

- Non-performing assets fell by 8% in the year, while NPLs shrank by 12.6% and foreclosed assets by 2.5%. The coverage of these assets increases by 7.3 percentage points during the year posting 65.2%.
- The NPL ratio dropped 0.6 pp year-on-year, posting at 4.2% and the coverage ratio for non-performing assets rose by 13.5 pp year-on-year.

Financial strength and high levels of solvency:

- The Group has a comfortable liquidity position, with a LTD ratio of 65.2% and a LCR of 310%.
- The regulatory CET1 stands at 16.6% and total capital at 18.2%, boosting surplus capital over the required minimum by EUR 1,332 million.

4. Profitability and impairments

Net profit attained year-to-date comes in the first instance from core revenues (net interest income and fees) of EUR 811 million, which accounts for a fall of EUR 2 million (+0.2%) with respect to the same period a year earlier. This improvement has been underpinned by the measures to contain transformation expenses (administration costs + amortizations and depreciations) that have made savings this year of EUR 35 million, improving the Bank's core revenue (core income – transformation expenses) by 18%.

INCOME STATEMENT Grupo Unicaja Banco
(€ millions)

	Dec. 2020	Dec. 2019	% Change	YRV
Net interest income	**578.2**	**578.5**	**-0.4**	**-0.1%**
Fees	232.9	230.8	2.	0.9
Dividends and other income from stakes	50.3	68.2	-17.9	-26.2%
Net trading income & exchange differences	92.4	100.7	-	-
Other products / operating charges	1.	30.3	-29.3	-96.6%
Gross Margin	**954.**	**1,008.6**	**-**	**-**
Operating expenses	571.9	606.6	-34.7	-
Pre-provision profit (before impairments)	**382.**	**401.**	**-**	**-**
Provisions, impairments and other results	283.8	227.9	56.0	24.6
Pre-tax income	**99.**	**174.**	-75.0	**-**
Taxes	21.3	1.	19.5	1083.4
Consolidated net income	**77.**	**172.**	**-**	**-**
Net income attributable to the parent company	***77.8***	***172.3***	**-**	***-54.8%***
Memorandum entry::				
Core revenue (NII + Fees - Opex)	**239.**	**202.**	**36.**	**18.0**

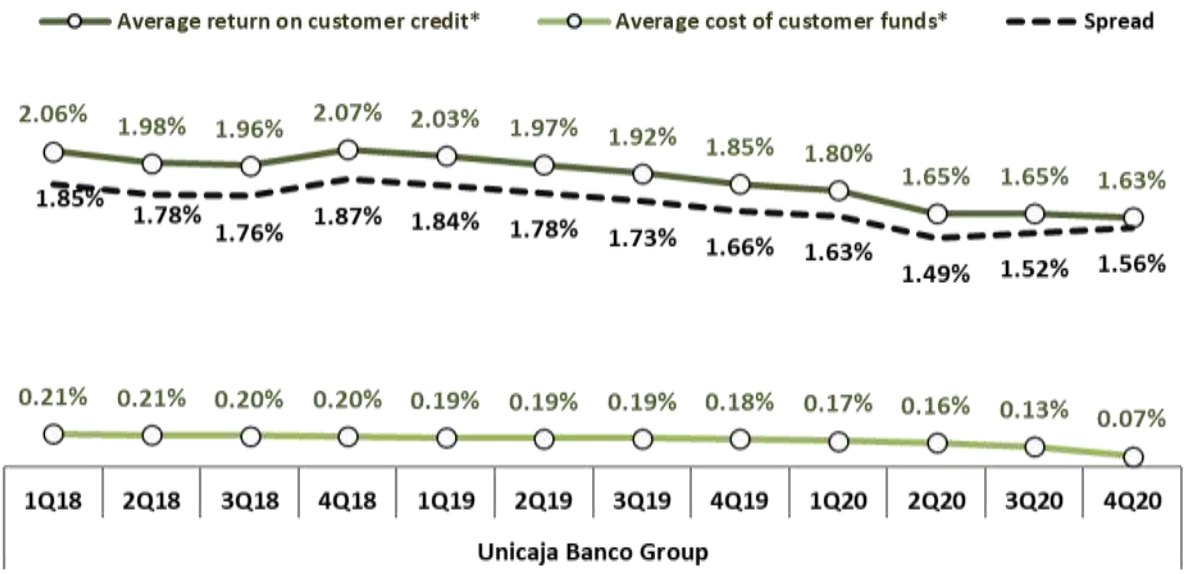
Net interest income of Unicaja Banco remains practically at the same level as the previous year, with performance improving in the third and fourth quarter after the impact of confinement in the second. Thus, there has been a increase in net interest income of 9.2% and 1.1% in the previous 2 quarters, thanks to the improvement in funding costs in both the retail and the wholesale segments. The fall in retail costs, as a result of the maturing of high-cost term liabilities, which will continue to mid-2021, has contributed to a better customer spread in the second half of the year. Wholesale financing costs, meanwhile, are improving thanks to the contribution of TLTRO.

YIELDS & COSTS

Million euros / %	Decembre-20			Decembre-2019			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	6,262	-4	-0.07	4,349	-10	-0.23	1,913	6	0.17	-4	7	3
F.I. fixed income portfolio	19,889 [1]	228	1.15	17,136 [1]	215	1.26	2,753	13	-0.11	35	-19	-3
F.I. Net loans	**26,532**	**447**	**1.68**	**26,966**	**523**	**1.94**	**-434**	**-76**	**-0.25**	**-8**	**-69**	**1**
F.I. other assets	7,809	1	0.01	7,857	2	0.02	-48	-1	-0.01	0	-1	0
TOTAL ASSETS	**60,491**	**672**	**1.11**	**56,308**	**729**	**1.30**	**4,183**	**-58**	**-0.18**	**54**	**-104**	**-8**
F.E: intermediaries & sight accounts	9,098	-41	-0.45	6,750	-18	-0.27	2,348	-23	-0.18	-6	-12	-4
F.E. issues (incl. mortgage c.b.)	3,399	71	2.08	4,124	94	2.29	-725	-24	-0.21	-17	-9	2
F.E. customer deposits*	**39,353**	**52**	**0.13**	**37,365**	**69**	**0.19**	**1,988**	**-18**	**-0.05**	**4**	**-20**	**-1**
Sight deposits	30,968	5	0.02	28,110	9	0.03	2,858	-4	-0.02	1	-5	0
Term deposits	5,325	46	0.87	6,549	59	0.90	-1,224	-13	-0.04	-11	-2	0
F.E: subordinated liabilities	300	9	3.03	38	1	3.15	262	8	-0.12	0	0	0
F.E: other liabilities	8,342	3	0.04	8,032	4	0.05	310	-1	-0.02	0	-1	0
TOTAL LIABILITIES & EQUITY	**60,491**	**94**	**0.15**	**56,308**	**151**	**0.27**	**4,183**	**-57**	**-0.11**	**11**	**-64**	**-5**
CUSTOMER SPREAD*			**1.55**			**1.75**			**-0.20**			**0.0**
NET INTEREST INCOME	**60,491**	**578.2**	**0.96**	**56,308**	**578.5**	**1.03**	**4,183**	**-0.4**	**-0.07**	**43.0**	**-40.3**	**-3.0**

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

In addition, fees grow 0.2% in the year with excellent performance in the course of the second half of the year, with quarterly rates of 8.1% in the third quarter and 10.7% in the fourth.

On the other hand, dividends and results of entities carried at equity method, which have fallen EUR 13 and 5 million respectively, because of the drop in their profits (in some cases with cancellations of previously announced dividends) which, across the board, companies are reporting as a consequence of the overall environment of uncertainty and economic deterioration. In addition the "Other operating income" item has shown a fall. This item is affected by, firstly, the reduction in the income contributions from certain group companies, particularly the real estate business, whose contribution was especially high the previous period (EUR 38 million better). Secondly, the regulatory costs of the Single Resolution Fund and the Deposit Guarantee Fund have risen, because of the rise in customer deposits. Finally, and partly offsetting all the above, the company booked the profits from a shareholders' agreement relating to the investee company Caser.

As has been already highlighted, Unicaja Banco has implemented a major cost containment drive in the course of the year which has reduced administration expenses by 7.4% from the same period last year, well above the forecast for the 2020 period in the strategic plan. This push represents a reduction of EUR 42 million in administrative expenses for the year.

Finally, impairments came to EUR 284 million. Of these, EUR 239 million are lending provisions and include the extraordinary provisions of EUR 200 million mentioned above, without which the cost of risk would remain very low.

Breakdown of impairments and other results
(€ millions)

	Dec'20	Dec'19	Change
Credit impairment	239.0	11.9	227.1
Foreclosed assets impairment	-	7.	-
Provisions and other results	46.1	208.7	-
TOTAL IMPAIRMENTS AND OTHER RESULTS	**283.**	**227.**	**56.**

Impairments on foreclosures have fallen during the period to minimal levels. Finally, provisioning and other results have fallen by EUR 162 million compared to the previous year. We should recall that in the 2019 period the institution recognised extraordinary provisions under this item to improve its future efficiency and profitability as outlined in its 2020-2022 Strategic Plan.

5. Business magnitudes

Total customer funds managed by the Group at the close of 2020 came to EUR 61,336 million.

Customer funds. Grupo Unicaja Banco
€ millions. Excludes valuation adjustments

	31/12/2020	Breakdown	31/12/2019	chg. year	%chg. year
Total customer funds	**48,448**	**79.0**	**42,695**	**5,753**	**13.5**
Customer deposits	**48,088**	**78.4**	**42,335**	**5,753**	**13.6**
Public Sector	**3,265**	**5.3**	**2,812**	**453**	**16.1**
Private sector	**44,823**	**73.1**	**39,523**	**5,300**	**13.4**
Sight deposits	33,500	54.6	29,256	4,244	14.5
Term deposits	7,648	12.5	9,420	-1,772	-18.8%
Repurchase agreements	3,675	6.0	848	2,827	333.6%
Issues	**360**	**0.0**	**360**	**0**	**0.0**
Promissory notes	0	0.0	0	0	0.0
Mortgage securities	60	0.0	60	0	0.0
Other securities	0	0.0	0	0	0.0
Subordinated liabilities	300	0.0	300	0	0.0
Off-balance sheet customer funds	**12,888**	**21.0**	**12,863**	**25**	**0.2**
TOTAL CUSTOMER FUNDS	**61,336**	**100.0**	**55,558**	**5,778**	**10.4**
Of which:					
Customer Funds (retail)	**54,215**	**88.4**	**50,898**	**3,317**	**6.5**
On balance sheet	*41,327*	*67.4%*	*38,035*	*3,293*	*8.7%*
Off-balance sheet	*12,888*	*21.0%*	*12,863*	*25*	*0.2%*
Markets	**7,121**	**11.6**	**4,660**	**2,460**	**52.8**

The bulk of managed funds are customer deposits (EUR 48,088 million), of which EUR 33,500 million are private sector clients' sight deposits, EUR 7,648 million are term deposits (including EUR 3,266 million in non-negotiable mortgage covered bond issues) and EUR 3,675 million are repos. Customer funds managed using off-balance sheet instruments and savings insurance amounted to EUR 12,888 million, consisting mainly of customer funds raised through investment funds (EUR 5,586 million), pension funds (EUR 2,384 million) and savings insurance (EUR 4,030 million).

As to the origin of the funds, 88.4% relates to retail customers' banking business (EUR 54,215 million), while the remaining 11.6% (EUR 7,121 million) is represented by funds raised in wholesale markets through issuances, multi-issuer covered bonds and repos. The largest rise so far this year on market balances (+52.8%) compared to retail customer funds (+6.5%), is not structural; it is the result of short-term treasury transactions, which have triggered a very short-term increase in market financing and liquidity (assets) at central banks. Negotiable issuances remains unchanged in 2020 and consists of the EUR 300 million subordinated liability issued in 2019, eligible as Tier II, and the EUR 60 million of mortgage securities, both of which are entirely in the hands of wholesale markets investors.

Total retail funds have grown by 6.5% in the year to date, and by 2.6% in the last quarter. This performance is due to strong growth in retail customer deposits so far this year, together with the recovery in the last 2 quarters of customer funds in off-balance sheet and insurance products, which are up 5.0% with respect to the close of June. So far this year, retail customer funds have risen by 8.7%, of which we would highlight the 16.1% increase in public administrations and a 14.5% rise in private-sector sight balances. Off-balance sheet funds and insurance have edged up 0.2%, after the significant drop in the first quarter following the impact on valuations experienced by these products at the onset of the first surge of the pandemic. All this has triggered an increase in the weight of private-sector sight funds in managed customer funds as a whole.

Loans and advances to customers (without valuation adjustments) amounted to EUR 28,334 million at the close of December 2020. The largest weight in the loan portfolio corresponds to credit to the private sector, supported by collateral representing 56% of all credit.

Loans & advances to customers of Unicaja Banco Group
€ millions.

	31/12/2020	Compos.	31/12/2019	abs. v.	rel.v.
Public sector	**2,039**	**7%**	**1,717**	**322**	**18.8%**
Private sector	**26,295**	**93%**	**26,515**	**-220**	**-0.8%**
Retail credit	272	1%	383	-111	-28.9%
Debtors with collateral	16,165	57%	16,801	-636	-3.8%
Reverse purchase agreements	1,142	4%	1,018	124	12.2%
Other financial assets	260	1%	63	197	313.6%
Other term loans	6,233	22%	5,839	394	6.8%
Overdrafts and other	2,221	8%	2,411	-189	-7.9%
Total loans and advances to customer, excluding valuation adjustments	**28,334**	**100.0%**	**28,232**	**102**	**0.4%**
Impairment corrections and other valuation adjustments	-705		-674	-32	4.7%
Total loans and advances to customers	**27,629**		**27,558**	**71**	**0.3%**
Memorandum entry:					
Performing loans and advances - customers (no valuation adjustments)(*)	***25,751***		***25,800***	***-50***	***-0.2%***

(*) 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

	31/12/2020	Compos.	31/12/2019	abs. v.	rel.v.
PERFORMING LOANS	**27,153**	**100%**	**26,882**	**272**	**1.0%**
1. Performing loans to public sector	**2,026**	**7.5%**	**1,704**	**322**	**18.9%**
2. Performing loans to private sector	**23,725**	**87.4%**	**24,097**	**-372**	**-1.5%**
Corporates	**7,188**	**26.5%**	**6,848**	**340**	**5.0%**
Real Estate development and construction	577	2.1%	591	-14	-2.3%
SMEs and self-employed	3,479	12.8%	3,611	-132	-3.7%
All other companies	3,133	11.5%	2,647	486	18.4%
Individuals	**16,536**	**60.9%**	**17,249**	**-712**	**-4.1%**
Housing	14,026	51.7%	14,633	-607	-4.1%
Other	2,511	9.2%	2,616	-105	-4.0%
3. Reverse purchase agreements and other	**1,403**	**5.2%**	**1,081**	**321**	**29.7%**
NON-PERFORMING	**1,181**	**-**	**1,351**	**-170**	**-12.6%**
TOTAL PERFORMING LOANS AND ADVANCES TO CUSTOMERS	**28,334**	-	**28,232**	**102**	**0.4%**
Memorandum entry:					
PERFORMING LOANS TO CUSTOMERS (1+2)	**25,751**	**-**	**25,800**	**-50**	**-0.2%**

(*) Excludes value adjustments.

Performing loans balance of the Group stands at EUR 27,153 million. Of these, EUR 2,026 million correspond to loans to public sector, EUR 23,725 million to private sector loans and EUR 1,403 million to reverse repos and other unclassified balances, the latter being collateral for financing transactions in markets and derivatives, as well as to suspense account awaiting settlement. By portfolio type, the most important are retail loans with mortgage guarantees, representing 51.7% of total performing loans, and the SME and self-employed portfolio, accounting for another 12.8%.

Performing loan balances remain similar to the previous year dropping a slight -0.2%. Growth in the public sector was 18.9%, while the private sector has shrunk by 1.5%, where performance has been patchy, depending on the segment. Lending to corporates is up by 5.0%, driven on the one hand by new lending, helped by the existence of stimulus measures to combat the effects of the pandemic (ICO guarantees), and by the greater use of existing lines of credit. However, consumer lending has performed negatively in the year, falling by 4.1%, as a consequence of the reduction in the demand for credit during the lockdown. However, improved lending over the last quarter has significantly offset this drop.

Although the performance of new lending to the private sector has dropped by 21% during the year as a whole, as a result of the impact of Covid-19 in the first half of the year, lending has increased in the final quarter, with 123% growth over the third quarter in the corporate sector, and 24% in the retail segment.

6. Credit quality

The Group has managed to continue to reduce its non-performing assets, despite the uncertain environment, with the balance of the latter standing at EUR 1,181 million at the end of December 2020, representing a drop of 12.6% against last year (-EUR 170 million), and 8.4% in the quarter.

All of this translates into a further improvement in the NPL ratio, which has edged to 4.2%, representing a drop of 0.6 pp in the last 12 months. The portfolio's credit quality is high, as shown by the average fall in volume of new entries into the non-performing category in the last two quarters; this follows after the first 2 quarters during which the volumes of entries were slightly higher to periods before the outbreak of the pandemic.

Million euros	**4Q 2020**	**3Q 2020**	**2Q 2020**	**1Q 2020**	**4Q 2019**
NPL recoveries evolution					
Gross entries	48	35	58	56	23
Recoveries	-142	-54	-62	-62	-239
Net recoveries	**-93**	**-19**	**-4**	**-6**	**-216**

Finally, even though the NPL rate, as remarked above, does not show signs of deterioration in the portfolio, in the year the bank has recorded EUR 200 million as coverage for the estimated impact of the Covid-19 crisis on lending risk. As a result of this, coverage levels have risen considerably, improving in the year (13.5 pp) to reach 67.4%. When the extraordinary provisions mentioned above are excluded, loan impairments remain low, putting the cost of recurring risk at just 14 basis points.

7. Foreclosed assets

At the close of the year 2020, the net balance of foreclosed assets, net of provisions, amounted to EUR 405 million (Eur 1,091 million gross), limiting their weight to only 0.62% of Unicaja Banco Group's total assets. On the other hand, the vast majority of these real estate assets (52.9% in terms of net book value) are finished new housing.

Foreclosed real estate assets. Unicaja Banco Group

Decembre 2020. € millions

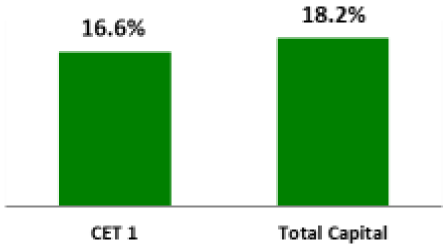
	Net book value	**Value adjust.**	**Gross value**	**Coverage (%)**
Real estate from construction & development	**535**	**376**	**159**	**70.3%**
Finished buildings	69	37	32	53.8%
Buildings under construction	48	30	17	63.7%
Land	418	308	110	73.7%
From retail mortgages	**354**	**171**	**182**	**48.4%**
Other foreclosed assets	**203**	**139**	**64**	**68.5%**
TOTAL FORECLOSED ASSETS	**1,091**	**686**	**405**	**62.9%**

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.

Following Unicaja Banco Group's conservative policy, the provisioning for foreclosed assets was EUR 686 million at the end of the year 2020. This represents a coverage of 62.9%, 0.2 pp greater than that for 2019.

8. Solvency

Unicaja Banco Group has a common equity tier 1 ratio (CET1) of 16.6% and a total capital ratio of 18.2%. In fully loaded terms Unicaja Banco has a CET1 ratio of 15.0% and a total capital ratio of 16.6%.



The levels required by the ECB (including progressive application of systemic and conservation buffers) for 2020, sets the total capital ratio at 12.25%. The Group has at surplus of 592 basis points (EUR 1,332 million) over its total capital requirements.

The Texas ratio comes in at 42.4% at the close of the year 2020. The lower this ratio, the better the quality of the balance sheet and liquidity. In the case of the Group, the ratio has gone down by 4.4 pp in the year.

9. Liquidity

Unicaja Banco Group recorded in the fiscal year 2020 a liquid and discountable assets position at the European Central Bank, net of assets used, of EUR 16,845 million, representing 25.7% of the balance sheet total. The LCR ratio is also worth noting, at 310%, is well above regulatory requirements, while the NSFR is remains slightly above 140%.

Discountable liquid assets of the Unicaja Banco Group
€ millions

Liquid assets	Dec'20
Cash surplus (1)	5,822
Discountable reverse purchase agreement	2,461
Fixed income portfolio and other discountable assets in ECB	21,279
Total liquid assets (at ECB discount value)	**29,562**
Used liquid assets	
Taken in the ECB	4,998
Repos and other pledges	7,719
Total used liquid assets	**12,717**
Discountable liquid assets available	**16,845**
Percentage of total assets	**25.7**

(1) Interbank deposits + surplus balance in ECB and operating balances

Forthcoming issue maturities in the markets
€ millions

	Issues (*)
2021	690
2022	182
2023	300

(*) Includes multi-issuer covered bonds

The Group's high liquidity levels are reflected in its LTD ratio which, at the end of December 2020, stands at 65.2%. The ratio is an indicator of the Group's very comfortable liquidity level and has improved over the course of the year, thanks to the growth in customer deposits in this period.

LTD ratio performance Unicaja Banco Group (*)	**Ratio %**
Year-end 2014	91%
Year-end 2015	82%
Year-end 2016	83%
Year-end 2017	76%
Year-end 2018	73%
Year-end 2019	71%
Year-end 2020	65%

(*) Loan to deposits (no valuation adjustments in either case). Excludes transactions balances in wholesale markets for both credit and deposits.

10. Branch network

Business network distribution					
Country	Autonomous Region	Branches open to public at 31/12/2020		Branches open to public at 31/12/2019	
		Number of branches	Share (%)	Number of branches	Share (%)
SPAIN	Andalucia	466	49.1%	501	47.9%
	Aragon	1	0.1%	1	0.1%
	Asturias	3	0.3%	3	0.3%
	Cantabria	1	0.1%	1	0.1%
	Castile-Leon	316	33.3%	364	34.8%
	Castile-La Mancha	46	4.8%	50	4.8%
	Catalonia	1	0.1%	1	0.1%
	Ceuta	1	0.1%	1	0.1%
	Community of Valencia	2	0.2%	2	0.2%
	Extremadura	40	4.2%	42	4.0%
	Galicia	6	0.6%	6	0.6%
	La Rioja	1	0.1%	1	0.1%
	Madrid	59	6.2%	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		**949**	**99.9%**	**1,046**	**99.9%**
Country	City	Branches open to public at 31/12/2020		Branches open to public at 31/12/2019	
		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		**950**	**100%**	**1,047**	**100%**

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. 82% of Unicaja Banco Group's offices are in the Communities of Andalusia and Castilla y León; of these, the provinces of Málaga (with 17%), Valladolid (8%), León (7%), Salamanca (7%), Almería (6%) and Cádiz (6%) have the greatest specific weighting in the Unicaja Banco Group. At 31st December 2020, Unicaja Banco Group had a network of 950 branches: 949 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).

At 30th September 2020, 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 12.7% and 21.1% respectively, and of customer loans 9.4% and 12.0% respectively. Unicaja Banco Group had 12.9% of the branches in Andalusia and 20.9% of those in Castilla y León, according to the latest information available from the Bank of Spain on 30th of September 2020.

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 Group as a fundamental instrument for implementing risk policy.
- The Group follows a conservative approach to risk exposure and strives to maintain a permanently prudent and balanced risk profile, keeping to its solvency, profitability and capital adequacy targets. This translates into a solid and consistent risk culture.
- A selection of suitable risk identification, measurement, management and control 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 agreement 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 and periodically reviewed 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 approved 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) outline the risk objectives of the Group in line with the corporate strategy, and so acting as an important reference of activities carried out, (iii) formalise the mechanism for supervising and monitoring risks, such that compliance with the risk appetite is ensured, (iv) integrate in a single common framework all of the risk control and management processes, and (v) 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 to reach its business objectives.

Therefore, the main purpose of Unicaja Banco's RAF is to establish a set of principles, procedures, controls and systems which define, communicate and monitor the Entity's risk appetite.

Risk appetite is the level or profile of risk that Unicaja Banco is prepared to take on and maintain, both in terms of its type and its amount, as well as its tolerance to risk, and should be targeted at achieving the goals in its strategic plan, in line with the actions established in that plan.

The main purpose in managing different risks is to build up a risk profile that sits within the desired risk appetite, defined using established thresholds, carrying out such management measures as are most appropriate to achieve this.

In addition, this framework sets up different metrics to quantify, control and follow-up on risks, allowing the entity to react given certain thresholds or circumstances. These metrics characterise the target behaviour of the Unicaja Banco Group, they are transversal for the entire organisation, and so allow the risk appetite culture to be transmitted to all levels in a systematic and understandable manner. These in turn, 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, which 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 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, 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 monitors compliance with the Risk Appetite Framework using the existing metrics for each kind of risk. Any findings are put to top management, as well as to Governance Bodies.

Finally, the Bank has integrated the Risk Appetite Framework with the strategy, the ICAAP, the ILAAP, corporate risk policies and the Recovery Plan, among others. The Institution ensures compliance with the established risk culture by approving the management framework, the development of strategies and policies, as well as monitoring the established thresholds for managing each type of risk.

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 Risk Management are approved by the bank's Board of Directors. Hence, within this scope, the main 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.
- To be informed, at least once a quarter, on RAF monitoring by the Risk Committee, notwithstanding any other information that 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 Company.
- 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 Company'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 Company 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 Company.
    - 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 least every quarter, or at any time at their request.
    - Request information from the different Departments about the RAF whenever they may consider this advisable.
    - Propose the appropriate relief measures, when these are 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

The committee's functions relate to:

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

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

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 risks
- Market risk.
- Operational risk.
- Interest rate risk in the banking book (IRRBB).
- Business and strategy risk.
- Real Estate risk.
- Liquidity risk.
- Environmental, social and governance related risks.

Credit, concentration and NPL management risks

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 its 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.

With respect to credit transactions, 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" and with the regulatory requirements of the Bank of Spain, including the following points:

- Concession criteria linked to the borrower's payment capacity.
- Payback plan tailored to the customer.
- Prudent ratio between the sum of the transaction and the value of its guarantee (LTV).
- Transaction marketing policy.
- Guarantee appraisal policy.
- Consideration given to the variability of interest rates and the exchange rate in lending denominated in foreign currency.
- Interest rate risk hedging.
- Policy for exceptions to the transaction conditions.
- Warning the customer about breaching their payment obligations.
- Debt renegotiation policy.
- Information about the cost of services linked to the loan transaction.
- Obligation to provide information to purchasers acquiring houses by subrogating a developer loan.

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 Divisions
- Credit Committee of Department of Territorial Divisions
- Credit Committee of the Branch

The functions and methodologies used for controlling credit risk are implemented both in the admission phase and in the lending operation monitoring and recovery phase.

Pursuant to the regulations in effect, the Unicaja Banco Group has a policy for re-financing, re-structuring, renovating or re-negotiating transactions.

Moreover, the Unicaja Banco Group has methodologies, procedures tools, and operating standards for checking and recovering non-performing assets.

Unicaja Banco has adapted its policies, processes and tools to identify and measure credit risk in the context of the coronavirus pandemic (COVID-19)

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 of limits and diversification, the Group can control exposure to market risks, by defining an action framework for the different operations that the Bank engages in the financial markets, such that these are conducted within this framework. The limit structure is also used as a means of diversification to prevent highly concentrated exposure to market risk.

The responsibility for identifying and controlling risk ultimately lies with the Unicaja Banco Group's Governing Bodies, such that the Senior Management is responsible for, and must play an active part in the entire risk management process (planning, approval, valuation and control of all risks inherent to the positions taken by the Bank in financial markets).

Operational risk

Operational risk is defined as 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.

Unicaja Banco assumes the following types of operational risk, according to Regulation 575/2013 (CRR), in order to keep its risk management uniform and parameterized:

- Internal fraud
- External fraud
- Human resources
- Labour relations and safety in the workplace
- Customers, products and business practices
- Marketing practices
- Damages in tangible assets
- Business disruption and systems failure

Likewise, operation risk includes the following sub-types:

Technology risk is the risk of loss resulting from confidentiality breach, a fault in systems and data integrity, unsuitable or unavailable systems or data, or the inability to change information technologies (IT) within reasonable timeframes and at reasonable cost when the surrounding needs or business change (i.e. responsiveness). This risk includes security risk resulting from internal processes that are unsuitable or break down, or external events, including the risk of cyberattacks or risk deriving from inappropriate physical security.

Reputational risk is defined as the risk of loss as a result of a deterioration of the Entity's image, either due to events that have occurred in the Entity 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 Company.

This on-going effort to maintain and strengthen the Entity's good image 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, Sustainability Policy, Environmental, Energy and Climate Change Policy, and the Criminal Risk Prevention Programme approved by the Board of Directors of the Bank.
- The steps taken by the three lines of defence.
- Compliance with the general regulatory framework and, in particular, with the market regulations on financial instruments and investor protection ("MiFID") and 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.

Legal risk is defined as the likelihood of suffering losses from non-compliance with or amendments to legislation, except for losses in behavioural risks.

Model risk derives from implementing, calibrating, using or not having internal models, whether these are to calculate regulatory capital or for the institution's own internal management.

Lastly, 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 relies on an Operational Risk Framework, approved by the Board of Directors, and has disseminated and implemented it throughout the Organisation.

The Group can control exposure to risks, by establishing a structure of limits.

Starting December 2017, the Entity 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 on the banking book (IRRBB) is defined as the current or future risk to both the results and the value of the Entity as a result of adverse movements in interest rates which impact instruments that are sensitive to interest rates.

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 the Bank operates, from a lack of knowledge thereof or from failure to achieve 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 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.

Risks relating to environmental, social and governance factors

Environmental, social and governance (ESG) factors may have a significant impact on the institution's financial development or solvency. The scope of these factors is extrapolated to those playing a part in the marketing of financial products and their exposure to the public, as well as the institution's own exposures.

The entity's appropriate management of ESG factors, from the risk perspective, is conditional upon its economic activity and on the classification of its assets (such as the industry and geographical location of its counterparties or issuances of financial instruments) and liabilities (such as financial instrument issues or its investment profile).

ESG factors may affect the institution's financial performance when they are manifested as financial or non-financial prudential risks, such as lending risk, market, operational, liquidity or interest risk, reputational and civil liability risk, respectively. Therefore, while ESG factors may have positive or negative impacts, ESG risks are defined from a prudential perspective, in the context of the supervisory review[1], such as the negative realisation (on the entity or on its counterparties) of ESG factors.

Climate and environment-related risks (the Environment part of ESG) are risks triggered by the entity's exposure to counterparties that have the potential to make negative contributions to, or may be negatively affected by, environmental factors, including factors resulting from climate change and other types of environmental deterioration.[1] These risks are generally considered to entail two main risk factors that affect economic activities that, simultaneously, have a repercussion on the financial system. They are[2]:

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[1] According to "EBA Discussion paper on management and supervision of ESG risks for credit institutions and investment firms", published in October 2020.

[2] As per "Guide on climate-related and environmental risks. Supervisory expectations relating to risk management and disclosure", published in November 2020.

- **Physical risk**, referring to the financial impact of a changing climate, including more frequent extreme weather events and gradual changes to the climate, as well as environmental degradation, such as pollution of air, water and land, biodiversity loss and deforestation.
  Physical risk is classified, in turn, as:

  - «Serious», when extreme events such as droughts, floods and heavy storms ensue, and
  - «Chronic», when progressive changes ensue, such as the increase in temperature, rising sea level, change in land uses, habitat destruction and scarcity of resources.
    This may directly cause, for example, damage to goods or a reduction in productivity, and may also indirectly trigger new incidents, such as the interruption to the supply chains.

  - Transition risk refers to the institution's financial losses that may ensue, directly or indirectly, from the process of adjusting to a lower carbon economy that is more sustainable from the environmental point of view.[3] This circumstance may be set off, for example, by a relatively sudden adoption of environmental policies, new technologies or changes in market climate and consumer preferences.

Physical and transitional risks may trigger, in addition, new damages, resulting directly or indirectly from legal claims (liability risk) and reputational loss, if the public, counterparties or investors associate the institution or its customers, particularly corporate and institutional customers, with these adverse environmental effects (reputational risk).

In consequence, physical and transitional risks are existing risk factors, in particular credit risk, operating risk, market risk and liquidity risk, as well as those falling outside Pillar 1, such as migration risk, credit differential risk in the investment portfolio, real estate risk and strategic risk.

In order to manage ESG risks (encompassing climate-related and environmental risks) correctly, the institution has launched a series of initiatives aimed at measuring in depth the impact of these kinds of risk on its financial structure, and that will enable it to act efficiently on this issue, in the medium and long term. These initiatives include:

- Approval by the Board of Directors in June 2020 of the Action Plan on Sustainable Finance.
- Setting-up a Sustainability & CSR Committee.
- Designing a work programme to integrate ESG regulations and best practices.

Unicaja Banco considers that the appropriate management of ESG risk forms part of a global work programme, one that analyses the financial, commercial, and good governance impacts, in order to position itself as an entity that is committed to sustainability and its associated impacts.

12. Subsequent events

In the period between the end of the financial year on 31st December 2020 and the date on which these consolidated annual statements were prepared, there have been no particularly important events which are not already covered in the annual report.

13. Research and development (R&D)

During fiscal years 2020 and 2019, the Unicaja Banco Group's research and development work did not involve a significant sum.

3 The EU hopes to attain no net emissions of greenhouse gases by 2050 (for example, see "A European Green Deal", published by the European Commission in December 2019).

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 2020 and 2019, 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 2020 the Group had 178,589 treasury shares (14,865,086 31st December 2019). The accumulated treasury shares purchased by Unicaja Banco at 31st December 2020 amounts to 92,296 treasury shares (14,773,028 at 31st December 2019).

The change of treasury shares at 31st December 2020 and 2019 is as follows:

	2020		2019	
	Number of shares	€ ´000	Number of shares	€ ´000
Opening balance of treasury shares	**14,865,086**	**14,865**	**2,146,738**	**2,147**
Purchase of treasury shares by Unicaja Banco	15,887,216	15,887	14,350,630	14,350
Redemption of Unicaja Banco treasury shares	(30,541,097)	(30,541)	-	-
Treasury shares sold by Unicaja Banco	(26,851)	(26)	-	-
Sold by other group entities	(5,765)	(6)	(1,632,282)	(1,632)
Balance of treasury shares at end of period	**178,589**	**179**	**14,865,086**	**14,865**

The net purchases of treasury shares by Unicaja Banco in 2020 had nominal cost of EUR 15,861 thousand (EUR 12,718 thousand in 2019).

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 2020 amounted to EUR 374,238 thousand (EUR 425,573 thousand in 2019). All such payments were made within the legal and contractual deadlines. The balance due to suppliers at 31st December 2020 and 2019 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 2020 and 2019 was 8.64 and 16.53 days respectively. The ratio of transactions paid for these years was 8.22 and 16.14 days respectively, and the ratio of transactions with payments due at 8.17 and 17.03 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 2020, 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'20**	**December'19**
Cost of risk	1. Impairment or (-) reversal of impairment in value of loans and receivables to customers (consolidated income statement)	239.1	11.9
	2. Average between start/end of period for loans and receivables from customers (excluding valuation adjustments) (*)	28,283	28,467
	Ratio (1/2)	0.85%	**0.04%**
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 or loss) of each gross customer loans unit.			
Cost to income ratio (Operating Expenses excl. amort. & depre. / gross margin)	1. Administrative expenses (consolidated income statement)	522	564
	2. Gross Margin (consolidated income statement)	955	1,009
	Ratio (1/2)	**54.7%**	**55.9%**
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) (*)	1.68%	1.94%
	2. Cost in the year of customer deposits (excluding reverse repos) over average yearly balances of customer deposits (excluding repos) (*)	0.13%	0.19%
	Performance measure (1-2)	**1.55%**	**1.75%**
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 foreclosed Real Estate assets (Note 47.2)	686	702
	2. Gross carrying amount of foreclosed Real Estate assets (Note 47.2)	1,091	1,120
	Ratio (1/2)	**62.9%**	**62.7%**
Purpose: Shows the extent to which foreclosed real estate goods are covered and, thus, their net exposure value and the asset quality.			

ALTERNATIVE PERFORMANCE MEASURES (APM)		December'20	December'19

Net Interest Margin	1. Net interest income (Consolidated income statement)	578.2	578.5
	2. Total average assets (average of quarterly average balances) (*)	60,746	56,311
	Ratio (1/2)	**0.96%**	**1.03%**
Purpose: Metric that measures the net profitability resulting from interest generated by the bank's assets' (net of interest returns and expenses)			

NPL coverage ratio	1. Loans and receivables portfolio. Total adjustments for impairment of assets (Notes 10 and 27).	796	729
	2. Loans and receivables portfolio. NPL risks (Note 27)	1,181	1,351
	Ratio (1/2)	**67.4%**	**54.0%**
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 risks (Note 27)	1,181	1,351
	2. Loans and receivables portfolio. Gross amount (Note 27)	28,334	28,232
	Ratio (1/2)	**4.2%**	**4.8%**
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'20	December'19

ROA	1. Consolidated net income (consolidated income statement)	77.8	172.3
	2. Total average assets (average of quarterly average balances) (*)	60,746	56,311
	Ratio (1/2)	**0.1%**	**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)	77.8	172.3
	2. Average own funds (average of quarterly average balances) (*)	3,962	3,938
	Ratio (1/2)	**2.0%**	**4.4%**
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)	77.8	172.3
	2. Risk weighted assets (RWA) (Note 1.9.1)	22,492	22,983
	Ratio (1/2)	**0.3%**	**0.7%**
Purpose: It's a development of ROA and it measures profitability of the Group's entire assets weighted by risk, reflecting the Group's efficiency in generating profits adjusted to the capital required by such assets and therefore it risks.			

RoTE	1. Consolidated net income (consolidated income statement)	77.8	172.3
	2. Average own funds (excluding adjustments from accumulated other comprehensive income) less average intangible assets (average of quarterly average balances) (*)	3,891	3,876
	Ratio (1/2)	**2.0%**	**4.5%**
Purpose: Measures the profitability of the Group's tangible equity and so the ability to remunerate shareholders on own funds invested in the Bank, after deducting intangible assets.			

ALTERNATIVE PERFORMANCE MEASURES (APM)		December'2 0	December'19
Performing loans and advances - customers (excluding valuation adjustments)	1. Loans and receivables. Credit and loans at variable interest rate (Note 10.1)	19,004	20,976
	2. Loans and receivables. Credit and loans at fixed interest rate (Note 10.1)	7,928	6,175
	3. Other assets designated at fair value. Credit at variable interest rate	0	0
	4. Loans and receivables portfolio. NPL risks (Note 27)	1,181	1,351
	Performance measure (1+2+3-4)	**25,571**	**25,800**
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)	48,088	42,335
	2. Issued debt securities (excluding valuation adjustments) (Note 17.4)	360	360
	3. Funds managed through off-balance sheet instruments (Note 31.4)	12,888	12,863
	Performance measure (1+2+3)	**61,336**	**55,558**
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'20	December'19
Customer funds. (non-market)	1. Total customer funds (please see appropriate APM)	61,336	55,558
	2. Covered bonds under the heading "Term deposits" Transactional value. *Management measure (*)*	3,266	3,578
	3. Deposits from customers. Repurchase agreements (excluding valuation adjustments) (Note 17.3)	3,675	848
	4. Issued debt securities (excluding valuation adjustments) (Note 17.4)	360	360
	5. Repos controlled by retail customers. *Management measure (*)*	180	125
	Performance measure (1-2-3-4+5)	**54,935**	**51,617**
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 (*)*	3,266	3,578
	2. Deposits from customers. Repurchase agreements (excluding valuation adjustments) (Note 17.3)	3,675	848
	3. Issued debt securities (excluding valuation adjustments) (Note 17.4)	360	360
	4. Repos controlled by retail customers. *Management measure (*)*	180	125
	Performance measure (1+2+3-4)	**7,121**	**4,661**
Purpose: Defines the total balance and performance of funds managed by the group in market transactions.			

ALTERNATIVE PERFORMANCE MEASURES (APM)		December'20	December'19
Loan to Deposits (LtD)	1. Loans and receivables. Credit and loans at variable interest rate (Note 10.1)	19,004	20,976
	2. Loans and receivables. Credit and loans at fixed interest rate (Note 10.1)	7,928	6,175
	3. Other assets designated at fair value. Credit at variable interest rate	0	0
	(1+2+3) NUMERATOR. Loans and advances. Customers - excluding valuation adjustments	**26,932**	**27,151**
	1. Financial liabilities measured at amortized cost. Deposits from customers (excluding valuation adjustments) (Note 17.3)	48,088	42,335
	2. Covered bonds under the heading "Term deposits" Transactional value. *Management measure (*)*	3,266	3,578
	3. Deposits from customers. Repurchase agreements (excluding valuation adjustments) (Note 17.3)	3,675	848
	4. Repos controlled by retail customers. *Management measure (*)*	180	125
	(1-2-3+4) DENOMINATOR. Customer deposits (non-market) - excluding valuation adjustments	**41,327**	**38,035**
	Ratio (NUMERATOR/DENOMINATOR)	**65.2**	**71.4%**
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'20	December'19
Gross liquid assets	1. Cash surplus (interbank deposits + balance surplus in ECB and operating accounts) (*)	5,822	3,736
	2. Discountable reverse purchase agreement (Note 10.1)	2,461	1,110
	3. Fixed income portfolio and other discountable assets in ECB (*)	21,279	15,919
	Performance measure (1+2+3)	29,562	**20,765**
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 reverse 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 (please see previous APM)	29,562	20,765
	2. Taken in the ECB (Note 17.1)	4,998	3,303
	3. Repos and other pledges (*)	7,654	3,452
	Performance measure (1-2-3)	**16,845**	**14,011**
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)	28,334	28,232
	2. Loans and receivables portfolio. NPL risks (Note 27)	1,181	1,351
	Performance measure (1-2)	**27,153**	**26,882**
Purpose: Defines the total balance and performance of the Group's performing loans and advances (those classified as stage 1 or stage 2).			

ALTERNATIVE PERFORMANCE MEASURES (APM)		December'20	December'19
Operating expenses	1. Administrative expenses (consolidated income statement)	522	563.9
	2. Depreciation and amortisation (consolidated income statement)	49.9	42.7
	Performance measure (1+2)	**571.9**	**606.6**
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)	239.1	11.9
Purpose: Defines the figure for impairments of loans and receivables, booked in the impairment of financial assets not valued at fair value through profit or loss item.			

Provisions	Provisioning or (-) provisioning reversals (consolidated income statement)	43,131	352.2
Purpose: Reconciles the report's definition with consolidated public financial statement items.			

Pre-provision profit (before impairments)	1. Gross Margin (consolidated income statement)	954.8	1,008.6
	2. Administrative expenses (consolidated income statement)	522	563.9
	3. Depreciation and amortisation (consolidated income statement)	49.9	42.7
	Performance measure (1-2-3)	**382.9**	**401.9**
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'20	December'19
Impairments	1. Provisioning or (-) provisioning reversals (consolidated income statement)	43.1	352.1
	2. Impairment or (-) reversal in the value of financial assets not measured at fair value through profit or loss (consolidated income statement)	241.9	17.3
	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)	2.7	19.2
	5. Net gain or (-) loss on derecognition from the statements of non-financial assets and stakes (consolidated income statement)	2.6	161.4
	6. Recognised negative goodwill (consolidated income statement)	0.0	0.0
	7. Gains or (-) losses arising from non-current assets and disposal groups classified as held for sale that cannot be classified as discontinued operations (consolidated income statement)	1.3	-0.6
	Performance measure (1+2+3+4-5-6-7)	**283.8**	**227.8**
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 of non-financial assets, current assets and Group stakes.			

Net Fees	1. Fee and commission income (consolidated income statement)	254.7	253.9
	2. Fee and commission expense (consolidated income statement)	21.8	23.1
	Performance measure (1-2)	**232.9**	**230.8**
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.			

ALTERNATIVE PERFORMANCE MEASURES (APM)		December'20	December'19
Trading income + exchange differences	1. Net gain or (-) losses on derecognition from the statements of financial assets and liabilities (not measured at fair value) through profit or loss (consolidated income statement)	92.0	95.6
	2. Net gain or (-) losses from financial assets and liabilities held for trading (consolidated income statement)	-2.9	2.5
	3. Net gain or (-) losses from non-trading financial assets mandatorily designated at fair value through profit or loss (consolidated income statement)	0.7	4.0
	4. Net gain or (-) losses from financial assets and liabilities designated at fair value through profit or loss (consolidated income statement)	0.0	0.0
	5. Net gain (-) losses from hedge accounting (consolidated income statement)	2.7	-1.8
	6. Net exchange differences, gains or (-) losses (consolidated income statement)	0.0	0.4
	Performance measure (1+2+3+4+5+6)	**92.4**	**100.7**
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 equity assets not valued at fair value through profit or 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'20	December'19
Other products / operating charges	1. Other operating income (consolidated income statement)	95.6	124.6
	2. Other operating expenses (consolidated income statement)	113.8	114.5
	3. Income from assets under insurance or reinsurance contracts (consolidated income statement)	70.4	67.0
	4. Expenses from liabilities under insurance or reinsurance contracts (consolidated income statement)	51.2	46.8
	Performance measure (1-2+3-4)	**1.0**	**30.3**
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 2020 follows. It was drafted in accordance with the Code of Commerce and all the other applicable regulations. This report is an integral part of the consolidated management report.

APPENDIX III
ANNUAL CORPORATE GOVERNANCE REPORT

The Unicaja Banco, S.A. Annual Corporate Governance Report for year ending 31 December 2020 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 REPORT FOR THE FISCAL YEAR 2020

At the Board of Directors meeting of Unicaja Banco S.A., held via telematic means, on 25th February 2021 in Malaga (which is taken as held at the headquarters), and in compliance with current legal requirements, the Board resolved to file the Unicaja Banco, S.A. and subsidiary companies (Grupo Unicaja) Consolidated Annual Financial Statements for period ending on December 2020. This document contains the balance sheet at 31st December 2020, the income statement, the recognised income and expense statement, the statement of changes in shareholders' net equity and the statement of cash flows and the annual report, all of them consolidated and for said date. In addition, the Board of Directors resolves to file the consolidated management report for the year 2020, which includes the annual corporate governance report and consolidated statement of non-financial information. All are shown on the front side of official governmental die-stamped paper, numbered consecutively from [●] to [●], all inclusive, Series [●], Class 8, costing 3 cents per sheet.

To the best of our knowledge, the consolidated financial statements for the fiscal year 2020, give a true and fair view of the net assets and the financial position of the Group to 31st December 2020 as well as its results and cash flow, all of which consolidated for the period ended on said date, in compliance with the International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting regulatory framework applicable in Spain. Likewise, the consolidated management report for the fiscal year ending on 2020 includes a fair analysis of the performance, results and position of Unicaja Banco, S.A. and the subsidiaries that make up Unicaja Banco Group.

The filing of the Consolidated Annual Report and the Consolidated Management Report for the fiscal year 2020 was resolved with the unanimous vote of all the directors: D. Manuel Azuaga Moreno (Executive Chair), D. Ángel Rodríguez de Gracia (Chief Executive Officer), D. Juan Fraile Cantón (Vicepresident), D. Victorio Valle Sánchez (Vicepresident), Dª Isabel Martín Castellá (coordinating director), Dª Teresa Sáez Ponte (Secretary), Dª Ana Bolado Valle (Director), D. Manuel Conthe Gutiérrez (Director), Dª Petra Mateos-Aparicio Morales (Director), D. Agustín Molina Morales (Director) and D. Manuel Muela Martín-Buitrago (Director). Due to the exceptional circumstances resulting from the Covid-19 health emergency, the Board meeting was held using telematic means, the Directors that, except D. Manuel Azuaga Moreno and D. Ángel Rodríguez de Gracia, were not able to sign the aforementioned Consolidated Financial Report and the Consolidated Management Reports, gave their agreement by means of electronic mail sent to the electronic mail addresses of the Chair of the Board of Directors, the Secretary of the Board of Directors and the Non-Director Deputy Secretary of the Board of Directors.

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

FILING OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED MANAGEMENT REPORT FOR THE FISCAL YEAR 2020

The signing this document by the Non-Director Deputy Secretary with the approval of the Chair of the Board of Directors, the filing of the Consolidated Financial Report of Unicaja Banco, S.A. & Subsidiary Companies (Unicaja Banco Group) for the fiscal year ending on 31st December 2020 and the Consolidated Management Report for the 2020 period (which includes the Annual Corporate Governance Report and the Consolidated Statement of Non-financial Information, both for the fiscal year 2020) is certified in the terms indicated in page [●], Series [●], Class 8, also including the signature of the Chief Executive Officer.

In Madrid, 25th of February 2021

D. Manuel Azuaga Moreno Executive Chair	D. Ángel Rodríguez de Gracia Chief Executive Officer

D. Vicente Orti Gisbert
Non-Director Deputy Secretary