

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

CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDING 30TH JUNE 2018

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.

As of 30th June 2018, and after the IPO, 49.68% of the Bank's share capital belongs to Fundación Bancaria Unicaja, the bank's parent Company that also controls the Unicaja group. Both the bank and its parent Company are based in Malaga, are subject to Spanish law and file their annual accounts in that city's companies' registry.

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 interim financial statements for the six months ending 30th June 2018.

YoY

| Balance sheet & business turnover | € '000 | | YTD | |
|---|----------------|--------------------|---------------|----------|
| | June'18 | December'17 | € '000 | % |
| Total assets | 57 606 | 56 332 | 1 275 | 2.3% |
| Performing loans and advances to customers (excluding valuation adjustments) ¹ | 26 369 | 25 908 | 461 | 1.8% |
| Deposits from customers (excluding valuation adjustments) | 44 190 | 45 373 | (1 183) | (2.6%) |
| Off balance sheet funds | 13 063 | 12 699 | 364 | 2.9% |
| Funds under management | 57 383 | 58 202 | (819) | (1.4%) |
| Of which: customers (non-market) ² | 51 393 | 50 418 | 975 | 1.9% |

(1) Not including non-performing loans, repurchase agreements through counterparties institutions or with financial intermediaries, or other financial assets (mainly bonds to hedge market transactions)

(2) Not including repurchase agreements through counterparty institutions or financial intermediaries, or market issues

| Results | € '000 | | YoY | |
|---|----------------|----------------|---------------|----------|
| | June'18 | June'17 | € '000 | % |
| Net interest income | 302.9 | 290.6 | 12.3 | 4.2% |
| Gross Margin | 491.8 | 559.2 | (67.5) | (12.1%) |
| Operating income (before impairments) | 181.2 | 239.3 | (58.0) | (24.3%) |
| Impairments and other results | 40.9 | 165.1 | (124.3) | (75.3%) |
| Pre-tax income | 140.4 | 74.1 | 66.2 | 89.3% |
| Consolidated results for the period | 104.1 | 74.5 | 29.5 | 39.6% |
| Attributable net income to the parent Company | 105.3 | 85.7 | 19.6 | 22.9% |

| Profitability and efficiency | % | | YTD | |
|---|----------------|--------------------|---------------|----------|
| | June'18 | December'17 | € '000 | % |
| ROE (net income for the year/average shareholders' equity) | 5.5% | 4.1% | n.a. | 1.4pp |
| ROTE (net income for the year / average. tangible comm shareholders' eq.) | 5.6% | 4.1% | n.a. | 1.5pp |
| ROA (net income for the year/average total assets) | 0.4% | 0.3% | n.a. | 0.1pp |
| RORWA (Net income for the year/RWA) | 0.9% | 0.6% | n.a. | 0.3pp |
| Cost-to-income ratio (op. exp. excluding amort. / gross margin) | 59.4% | 59.2% | n.a. | 0.2pp |

| Solvency | € '000 | | YTD | |
|-----------------------------|----------------|--------------------|---------------|----------|
| | June'18 | December'17 | € '000 | % |
| Total equity | 3 957 | 3 902 | 54 | 1.4% |
| Total Capital | 3 712 | 3 650 | 62 | 1.7% |
| Common equity tier 1 (CET1) | 3 664 | 3 532 | 132 | 3.7% |
| Additional tier 1 capital | 48 | 42 | 6 | 14.3% |
| Tier 2 capital | - | 76 | (76) | (1.5%) |
| Capital requirements | 1 731 | 1 757 | (26) | (1.5%) |
| RWA | 23 878 | 24 239 | (361) | (1.5%) |
| Total Capital Ratio | 15.5% | 15.1% | n.a. | 0.5pp |
| CET1 ratio | 15.3% | 14.6% | n.a. | 0.8pp |
| CET1 ratio fully loaded | 13.5% | 12.8% | n.a. | 0.7pp |

| Risk Control | € '000 | | YTD | |
|--|----------------|--------------------|---------------|-----------|
| | June'18 | December'17 | € '000 | % |
| Non-performing loans | 2 340 | 2 710 | (370) | (13.7%) |
| NPL ratio | 7.6% | 8.7% | n.a. | (1.1) pp |
| NPL coverage ratio | 54.9% | 50.0% | n.a. | 4.9 pp |
| Cost of credit risk | (0.1%) | 0.2% | n.a. | (0.2) pp |
| Foreclosed assets available for sale (net) | 641 | 675 | (34) | (5.0%) |
| Foreclosed assets coverage | 63.8% | 64.0% | n.a. | (0.1) pp |

| Liquidity | € '000 | | YTD | |
|-----------------------------------|----------------|--------------------|---------------|------------|
| | June'18 | December'17 | € '000 | % |
| Gross liquid assets | 20 727 | 20 829 | (102) | (0.5%) |
| Net liquid assets | 14 539 | 14 177 | (365) | 2.6% |
| Net liquid assets / Total assets | 25.2% | 25.2% | n.a. | 0.1 pp |
| LTD Ratio | 75% | 76% | n.a. | (1.1) pp |
| Liquidity Coverage Ratio (LCR) | 470% | 701% | n.a. | (230.8) pp |
| Net Stable Financial Ratio (NSFR) | 132% | 134% | n.a. | (2.0) pp |

| Other information | Units | | YTD | |
|-----------------------------|----------------|--------------------|--------------|----------|
| | June'18 | December'17 | Units | % |
| Branches | 1 196 | 1 227 | (31) | (2.5%) |
| ATMs | 1 496 | 1 515 | (19) | (1.3%) |
| Average number of employees | 6 916 | 7 200 | (284) | (3.9%) |

| Credit rating | | June 2018 |
|----------------------|--------------------|------------------|
| Fitch | Short term | F3 |
| | Long term | BBB- |
| | Outlook | Stable |
| Moody's | Long term deposits | Baa3 |
| | Short term | Prime-3 |
| | Outlook | Stable |

Economic and financial environment

In the first half of 2018 the world economy has continued to show fairly positive signs, consistent with performance at the end of last year, when global GDP growth exceeded expectations. Existing momentum has enabled activity to move on briskly in the last few months, while inflation rates have shown some very modest upticks, despite the rise in the oil price and the reduction in unemployment rates. Divergences between global inflation rates across different areas (advanced and emerging markets) have in fact been unusually low. Likewise, financial conditions in most economies remain reasonably relaxed, although monetary policy is going through a process of normalisation.

In view of this favourable behaviour, the OECD has reviewed its growth forecast for the world economy upwards by 0.1 and 0.3 percentage points (p.p.), respectively, compared to its forecasts last November, bringing its estimates to 3.8% for 2018 and 3.9% for 2019. The growth rate for advanced countries has also been corrected to the upside, by 0.2 and 0.4 p.p., respectively, to 2.6% (2018) and 2.5% (2019), partly as a result of improved forecasts for the US, thanks to the effects of the tax reform. Projected growth for the Spanish economy has also been corrected upwards, to 2.8% in 2018 and 2.4% in 2019.

These optimistic forecasts are, however, compatible with symptoms of exhaustion and a possible gradual slowdown. Some activity indicators have begun to flatten slightly, consistent with the deceleration of GDP growth in the first quarter of 2018 in certain major economies (in the Eurozone, for example). Business confidence and industrial production have remained stable in recent months, although export orders, retail sales and container port traffic have slackened a little.

At the same time, key central banks have kept their monetary policy very loose, although with some divergences between major areas. So, the Federal Reserve is continuing its progressive rise in Federal Funds interest rates, and agreed another rise in middle of June (25 b.p.), the seventh since the end of 2015, setting the target range at 1.75%-2.00%, as forecast. Furthermore, it is still gradually reducing its balance and plans additional increases to interest rates between 2018 and 2020.

The Board of the European Central Bank (ECB) meanwhile, at its 14th June meeting, decided to maintain interest rates, declaring that they will remain at present levels until at least the summer of 2019 and, in any event, for as long as is necessary to ensure that inflation targets are met. The main news from the ECB was the announcement that, from September 2018 onwards –provided there is no scenario change –, the monthly rate of net asset purchases will be cut to EUR 15 billion (it is currently buying EUR 30 billion a month) to the end of December 2018, and that on that date net purchases will cease.

Although this change in the direction of monetary policy is being announced in advance, it may have an impact on the decisions made by stakeholders. Indeed, there have been movements in the price of shares in the principal economies, with falls in stock market indexes, at the same time as volatility has spiked from the unusually low levels of last year. Nor should we forget that monetary policy normalisation can impact on the sustainability of public sector finances.

On the other hand, attention in the last quarter has again focused on oil prices, which have been boosted by the steady expansion of global demand, and also by supply restrictions agreed by OPEC and other countries outside this organisation. Although this uptick is forecast to be a temporary one, there can be no doubt that if it were to be prolonged, this could have a negative effect on production supply in upcoming quarters.

The factors determining inflation, such as the expected price behaviour of oil and other raw materials, as well as monetary variables go to make up the technical assumptions that shape the macroeconomic outlook for the Eurozone and therefore for the Spanish economy. Thus the ECB's working assumptions, on a timeline to 2020, argues that GDP growth in the Eurozone will diminish gradually over the next few quarters, with 2018 expected to post at 2.1%, at 1.9% the following year, and at 1.7% in 2020.

This slowdown is compatible with the forecast of a sustained increase in production activity in the euro area as a whole, consistent with the high levels of business and consumer confidence. The anticipated curb on the rate of GDP growth over the forecast horizon is accounted for by the exhaustion of certain favourable factors,

such as slack monetary policy measures, the strength of external demand and decelerating job creation – some countries in the EMU will be short of labour– and, as a result, of private consumption. The latter may also be squeezed by the recovery in the household savings rate. Indeed, the EU is designing its long-term budgets with the aim of encouraging growth and future job creation in mind, to guarantee that its priorities are sufficiently funded, in a context of lower resources resulting from the United Kingdom's exit from the Union.

The ECB, meanwhile, expects that the euro's exchange rate against the dollar will remain stable throughout the rest of this year at close to USD 1.2, and anticipates that in the following two years the exchange rate will stay at USD 1.18 per euro, thus correcting expectations of an exchange rate around USD 1.24, given in its March 2018 estimates. This review is undoubtedly a response to the recent behaviour of the currency markets, where political uncertainty in Europe, expectations of new hikes in US interest rates and a rather lower-than-expected performance on the part of certain Eurozone macroeconomic indicators all strengthened the dollar during April and May.

Despite persistent risks, and taking into consideration the new circumstances influencing expected performance internationally, the Spanish economy is continuing a fairly solid expansion phase. In line with other institutions and analysts, in June the Bank of Spain (BoS) forecast real GDP growth this year of 2.7%, unchanged from its estimate three months before, while for 2019 it has made a slight correction to the upside, of 0.1 p.p., bringing its projection for GDP growth up to 2.4%, while estimating that this growth rate will moderate to 2.1% in 2020. So, it will continue to expand, although at a slightly lower rate than for the previous two years, because of a degree of slowdown in external markets (the Eurozone will grow less than expected in the spring) and due to the impact of more expensive oil.

In the European context, the Spanish economy continues to stand out, with a year-on-year growth rate in the first quarter this year of 3.0%, (quarter-on-quarter 0.7%), better than most neighbouring countries and with a scarcely noticeable curb compared to the Eurozone (2.5% between January and March, 0.3% less than the previous quarter) and also compared to the three main EMU economies (Germany, France and Italy), where the tailwinds are coming to an end more clearly than in Spain.

Another key indicator for assessing the course of an economy, the job market, shows the unemployment rate in the Eurozone as a whole at 8.5% in April 2018 (0.7% less than a year earlier), well below the rate in Spain (15.9%, according to Eurostat's standardised methodology), although the latter has shown a much steeper fall than in the major neighbouring economies.

According to the Bank of Spain's prognoses, together with the consensus of analysts and other forecasting bodies, the cycle of the Spanish economy between 2018 and 2020 will continue to be supported fundamentally by the dynamism of domestic demand. While the contribution of the external sector to GDP growth is expected to be positive, this is forecast to wane slightly over the forecast horizon. The view of the BoS is that growth in goods and services exports in 2018 could come in at 4.6%, 0.3% below its estimate three months ago, and that the rates for 2019 and 2020 will be 4.8% and 4.5%, respectively.

Highlights of the period

Unicaja Banco Group posted net profit of EUR 104 million over the first half-year, 39.6% higher than that recorded during the same period a year earlier.

Unicaja Banco achieved this result by improving its key banking activity indicators:

- Net interest income is up against the same period last year (4.2%).
- Operating expenses have fallen by 3% vis-à-vis the same period in the previous year.
- Total impairments have fallen significantly over the same period in the previous year; for the third consecutive quarter there have been net recoveries in loan impairments.

Commercial activity continues to improve, with growing share of wallet:

- Performing loans, excluding reverse repurchase agreements and other financial assets, have grown over the first half-year.
- New loan transactions increased by 45% in the corporates segment and 36% in the case of individuals compared to the second semester of 2017.
- Retail customer funds grow by 3.8% over the same period last year, notably with a year-on-year growth of 12% in sight funds and 7.1% in off-balance sheet funds. The at sight and term deposits mix also showed improvement against 2017.

The risk indicators illustrate the Group's ability to reduce its NPAs without negatively impacting results nor coverage levels.

- NPAs fell by 23.3% (EUR -1,248 million) against the same period last year (10.3% in the year), with NPLs and foreclosed assets falling by 19.6% and 27.7%, respectively, over the same period.
- The NPL ratio dropped by -1.1 p.p. in the first half-year to 7.6%, while the coverage ratio for non-performing loans increased and foreclosed assets remain at the same level (54.9% and 63.8%, respectively.)

Financial robustness and high liquidity levels:

- The Group has a comfortable liquidity position, with its net liquid assets accounting for 25.2% of the balance sheet.
- The regulatory CET1 stands at 15.3% and has a surplus of 722 basis points above SREP requirements for 2018.

Profitability and impairments

The Group reported a net profit of EUR 104 million in the first six months of 2018. This net profit comes in the first instance from core income (net revenues from interest and fees) of EUR 411 million, which, when annualised, amounts to 1.4% of total average assets, and which has risen by 2.9% from the same period last year (a 3.7% if the integration of the insurance companies is stripped out). Net interest income is growing by 4.2% compared to the same period the previous year. This improvement is due to lower funding costs and to the higher contribution made by the fixed income portfolio.

Income Statements. Unicaja Banco Group € millions

| | <u>jun-18</u> | <u>jun-17</u> | <u>Abs. Val.</u> | <u>% change</u> |
|---|---------------|---------------|------------------|-----------------|
| Net interest income | 302.9 | 290.6 | 12.3 | 4.2% |
| Fees | 108.0 | 109.0 | -1.0 | -0.9% |
| Dividends and other income from shareholdings | 35.4 | 33.5 | 1.9 | 5.7% |
| Trading income | 28.8 | 77.8 | -49.1 | -63.1% |
| Other operating income/expenses | 16.7 | 48.4 | -31.7 | -65.5% |
| Gross income | 491.8 | 559.2 | -67.5 | -12.1% |
| Operating expenses | 310.5 | 320.0 | -9.4 | -3.0% |
| Operating income before write downs | 181.2 | 239.3 | -58.0 | -24.3% |
| Provisions, impairments and other results | 40.9 | 165.1 | -124.3 | -75.3% |
| Pre-tax income | 140.4 | 74.1 | 66.2 | 89.3% |
| Corporate income tax | 36.3 | -0.4 | 36.7 | n.a. |
| Consolidated results for the period | 104.1 | 74.5 | 29.5 | 39.6% |
| Results attributed to the parent company | 105.3 | 85.7 | 19.6 | 22.9% |

Customer spread has fallen when compared with the previous quarter, mainly as a result of the impact on the retail mortgage portfolio of the outcome of “floor-clause” claims, in the application of Royal Decree 1/2017.

€ millions / %

| | Q2 2018 | | | Q2 2017 | | | YoY June 18-June 17 | | | Breakdown YoY (18/17) | | |
|--|---------------|-------------|-------------|---------------|------------|-------------|---------------------|------------|--------------|-----------------------|--------------|-------------|
| | Ave. Bal. | FI/FC | % | Ave. Bal. | FI/FC | % | Ave. Bal. | FI/FC | % | Impact balance | Impact price | Net |
| F.I. intermediaries & reverse repos | 5,174 | -7 | -0.27 | 4,107 | -6 | -0.29 | 1,067 | -1 | 0.02 | -2 | 1 | 0.1 |
| F.I. fixed income portfolio | 17,735 | 118 | 1.34 | 17,488 | 111 | 1.26 | 247 | 7 | 0.08 | 2 | 5 | 0.1 |
| F.I. credit to performing customers | 26,089 | 263 | 2.03 | 26,413 | 273 | 2.05 | -324 | -11 | -0.02 | -3 | -7 | 0.1 |
| F.I. other assets (including NPLs) | 8,641 | 16 | 0.36 | 8,396 | 18 | 0.42 | 245 | -2 | -0.06 | 1 | -3 | -0.1 |
| TOTAL ASSETS | 57,639 | 389 | 1.36 | 56,404 | 396 | 1.39 | 1,235 | -7 | -0.03 | 9 | -16 | -0.3 |
| F.C. Intermediaries & sight accounts | 8,013 | -10 | -0.25 | 6,757 | -9 | -0.26 | 1,256 | -1 | 0.01 | -2 | 1 | 0.1 |
| F.C. issues (incl. mortgage c.b.) | 4,990 | 53 | 2.13 | 5,744 | 57 | 1.97 | -754 | -4 | 0.16 | -7 | 4 | -0.5 |
| C.F. customer funds* | 37,125 | 38.7 | 0.21 | 36,863 | 43 | 0.23 | 263 | -4 | -0.02 | 0 | -4 | 0.0 |
| Of which: sight deposits | 25,847 | 7 | 0.05 | 24,658 | 7 | 0.06 | 1,189 | 0 | -0.01 | 0 | -1 | 0.0 |
| Of which: term deposits | 8,702 | 32 | 0.73 | 9,878 | 35 | 0.70 | -1,176 | -3 | 0.03 | -4 | 1 | -0.1 |
| F.C. subordinated liabilities | 0 | 0 | | 151 | 10 | 13.59 | -151 | -10 | -13.59 | -10 | | |
| F.C. other liabilities | 7,511 | 5 | 0.12 | 6,890 | 3 | 0.09 | 621 | 2 | 0.03 | 0 | 1 | 0.1 |
| TOTAL LIABILITIES & EQUITY | 57,639 | 86 | 0.30 | 56,404 | 104 | 0.37 | 1,235 | -18 | -0.07 | 2 | -20 | -0.4 |
| INCOME FROM CUSTOMERS * | | | 1.82 | | | 1.82 | | | 0.00 | | | |
| NET INTEREST INCOME | 57,639 | 303 | 1.06 | 56,404 | 292 | 1.03 | 1,235 | 11 | 0.03 | 6 | 4 | 0.1 |

F.I.: Financial income

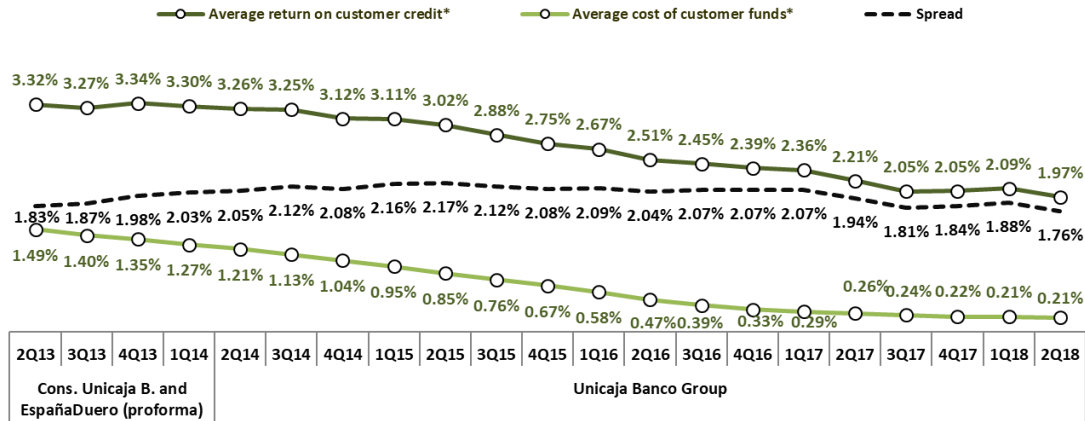
C.F.: Financial costs

P.S.: Private sector

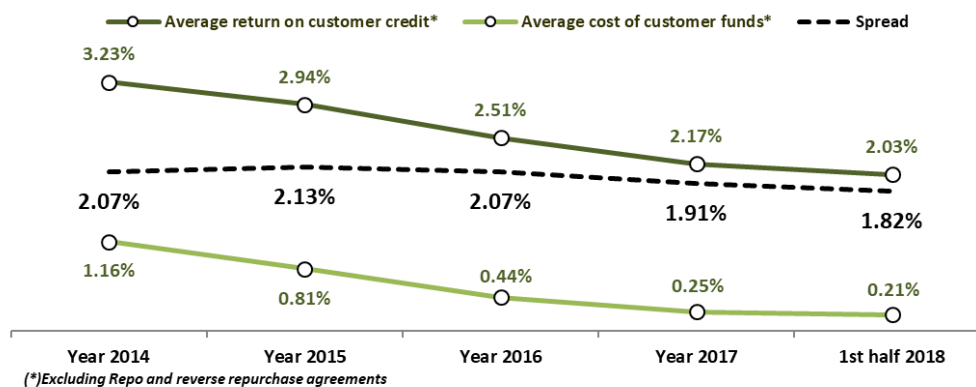
Quarterly performance of average customer business spread. Unicaja Banco Group.

| | Cons. Unicaja B. and EspañaDuero (proforma) | | | | | | | | | | Unicaja Banco Group | | | | | | | | | | Average 2014 | Average 2015 | Average 2016 | Average 2017 | Average 2018 | |
|------------------------------------|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------------|--------------|--------------|--------------|--------------|-------|
| | 2Q13 | 3Q13 | 4Q13 | 1Q14 | 2Q14 | 3Q14 | 4Q14 | 1Q15 | 2Q15 | 3Q15 | 4Q15 | 1Q16 | 2Q16 | 3Q16 | 4Q16 | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 | | | | | |
| Average return on customer credit* | 3.32% | 3.27% | 3.34% | 3.30% | 3.26% | 3.25% | 3.12% | 3.11% | 3.02% | 2.88% | 2.75% | 2.67% | 2.51% | 2.45% | 2.39% | 2.36% | 2.21% | 2.05% | 2.05% | 2.09% | 1.97% | 3.23% | 2.94% | 2.51% | 2.17% | 2.03% |
| Average cost of customer funds* | 1.49% | 1.40% | 1.35% | 1.27% | 1.21% | 1.13% | 1.04% | 0.95% | 0.85% | 0.76% | 0.67% | 0.58% | 0.47% | 0.39% | 0.33% | 0.29% | 0.26% | 0.24% | 0.22% | 0.21% | 0.21% | 1.16% | 0.81% | 0.44% | 0.25% | 0.21% |
| Spread | 1.83% | 1.87% | 1.98% | 2.03% | 2.05% | 2.12% | 2.08% | 2.16% | 2.17% | 2.12% | 2.08% | 2.09% | 2.04% | 2.07% | 2.07% | 2.07% | 1.94% | 1.81% | 1.84% | 1.88% | 1.76% | 2.07% | 2.13% | 2.07% | 1.91% | 1.82% |

(*Excluding Repo and reverse repurchase agreements)



(*Excluding Repo and reverse repurchase agreements)



Net fee income has grown by 2.1% from the same period the year before, excluding the integration of the insurance companies. The growth in fee income for the period is mainly in selling non-banking securities and products (+6.2%).

Net trading income and exchange differences, which amounted to EUR 29 million, are 63% below the previous year in which performance was particularly good.

Results from other products and operating charges fell by 65% from the same period in the previous year. In 2017 this item posted income of EUR 25 million, corresponding to restructuring of the bancassurance agreement, with the rest of the difference corresponding to the loss of income as a result of selling certain Group companies in the first quarter of 2017.

The application of a strict policy of cost containment and rationalization, part of a plan to improve efficiency and achieve the synergies envisaged in the Business Plan, continues to bear fruit, with a 3% improvement of operating expenses (administrative expenses plus amortisation and depreciation) which means a fall of EUR 9 million as compared with the corresponding ones from a year earlier.

Finally, impairments and other net income is down 74.9% YoY. This drop is particularly sharp, partly because of loan impairments, which for the second consecutive quarter has brought in net fund recoveries, and partly because of the results from foreclosed assets.

Breakdown of impairments and other results € millions

| | <u>Jun-18</u> | <u>Jun-17</u> | <u>Change</u> |
|--|---------------|---------------|---------------|
| Credit impairments | -14.1 | 45.5 | -59.6 |
| Impairments of foreclosed assets | -2.5 | 21.4 | -23.9 |
| Provisions & other results | 57.4 | 85.7 | -28.2 |
| TOTAL IMPAIRMENTS AND OTHER RESULTS | 40.9 | 152.5 | -111.7 |

Business magnitudes

Total customer funds managed by the Group rose at the end of the second quarter of 2018 to EUR 57,268 million.

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

| | 30/06/2018 | Compos. | 31/12/2017 | chg. year. | %chg. year. |
|-------------------------------------|---------------|---------------|---------------|---------------|--------------|
| Total funds on balance sheet | 44,320 | 77.2% | 45,503 | -1,183 | -2.6% |
| Customer deposits | 44,190 | 77.0% | 45,373 | -1,183 | -2.6% |
| Public sector | 2,414 | 4.2% | 2,638 | -224 | -8.5% |
| Private sector | 41,776 | 72.8% | 42,736 | -959 | -2.2% |
| Sight deposits | 27,283 | 47.5% | 25,356 | 1,927 | 7.6% |
| Term deposits | 12,978 | 22.6% | 14,222 | -1,245 | -8.8% |
| Repurchase agreements | 1,515 | 2.6% | 3,157 | -1,641 | -52.0% |
| Issues | 130 | 0.2% | 130 | 0 | 0.0% |
| Promissory notes | 0 | 0.0% | 0 | 0 | 0.0% |
| Mortgage securities | 130 | 0.2% | 130 | 0 | 0.0% |
| Other securities | 0 | 0.0% | 0 | 0 | 0.0% |
| Subordinated liabilities | 0 | 0.0% | 0 | 0 | 0.0% |
| Off-balance sheet funds | 13,063 | 22.8% | 12,699 | 364 | 2.9% |
| TOTAL CUSTOMER FUNDS | 57,383 | 100.0% | 58,202 | -819 | -1.4% |
| Of which: | | | | | |
| Retail customer funds | 51,393 | 89.6% | 50,417 | 977 | 1.9% |
| Of which: on balance sheet | 38,330 | 66.8% | 37,718 | 612 | 1.6% |
| Markets | 5,990 | 10.4% | 7,785 | -1,796 | -23.1% |

The bulk of customer funds are customer deposits (EUR 44,190 million), of which EUR 27,283 million are private sector clients' sight deposits, EUR 12,978 million are term deposits (including EUR 4,635 million in non-negotiable mortgage covered bond issues) and EUR 1,515 million are repos. Customer Funds managed with off-balance sheet instruments already account for EUR 13,063 million, made up mostly of customer funds tied in with investment funds (EUR 6,202 million), pension funds (EUR 2,223 million) and savings insurance (EUR 3,582 million). The balance of issues included in the aggregate of customer funds is limited to EUR 130 million and consists only of mortgage securities exclusively in the hands of third parties.

As to the origin of the resources, 90% (87% at year-end 2017 and 86% at June 2017) relates to retail customers' business (EUR 51,393 million), while the remaining 10% (EUR 5,990 million) is represented by funds raised in wholesale markets through issuances and repos.

Both in the half-year and on a year-on-year basis, the weight of retail customer funds has gone up. The variation in customer funds reflects the strategic direction taken by the institution to improve its margins in attracting resources. Total retail customer funds rose 3.8% in the previous 12 months, while the total in the balance sheet is up by 2.7%, with an increase of 13.2% in public sector funds and 12% in at sight deposits.

Additionally, off balance sheet funds are up 7.1% against the same period a year earlier. The half-year evolution of retail customer funds posted an 1.9% hike, with a drop in term deposits and public sector funds. At sight balances recorded an 7.6% increase and off-balance sheet funds are up 2.9%, continuing with the trend established in 2017. This higher growth in off-balance sheet resources is the result of stronger customer demand due to the interest rates scenario and is in line with the entity's strategy of giving greater weight to these resources, within total resources managed, and showing a positive performance on a quarter-on-quarter basis since the start of 2017.

Loans and advances to customers (without valuation adjustments) amounted to EUR 30,614 million at the end of the first half of 2018. The largest weight in the loan portfolio corresponds to credit to the private sector, supported by collateral representing 57% of all credit.

Loans & advances to customers of Unicaja Banco Group
€ millions.

| | <u>30/06/2018</u> | <u>Compos.</u> | <u>31/12/2017</u> | <u>abs. v.</u> | <u>rel.v.</u> |
|---|-------------------|----------------|-------------------|----------------|---------------|
| Public sector | 1,641 | 5% | 1,524 | 117 | 7.7% |
| Private sector | 28,973 | 95% | 29,511 | -539 | -1.8% |
| Retail credit | 352 | 1% | 336 | 16 | 4.7% |
| Debtors with collateral | 17,553 | 57% | 17,811 | -258 | -1.4% |
| Reverse purchase agreements | 1,723 | 6% | 2,221 | -498 | -22.4% |
| Other financial assets | 182 | 1% | 196 | -14 | -7.0% |
| Other term loans | 5,572 | 18% | 5,377 | 195 | 3.6% |
| Overdrafts and other | 3,591 | 12% | 3,570 | 20 | 0.6% |
| Total loans and advances to customer, excluding valuation adjustments | 30,614 | 100.0% | 31,036 | -422 | -1.4% |
| Impairment corrections and other valuation adjustments | -1,324 | | -1,398 | 74 | -5.3% |
| Total loans and advances to customers | 29,290 | | 29,638 | -347 | -1.2% |
| <u>Memorandum entry:</u> | | | | | |
| <u>Performing loans and advances - customers (no valuation adjustments)(*)</u> | 26,369 | | 25,908 | 461 | 1.8% |

(*) Not including doubtful loans, repurchase agreements through counterparties or with financial intermediaries, or other financial assets (mainly bonds to hedge market transactions)

Note that the weight of credit to the property development sector has fallen again in the year, now accounting for only 1.7% of the Group's total performing loans to the private sector.

Loans classified by credit risk (*)

€ millions

| | 30/06/2018 | Compos. | 31/12/2017 | abs. v. | rel.v. |
|---|---------------|--------------|---------------|-------------|---------------|
| TOTAL LOANS AND ADVANCES TO CUSTOMERS | 30,614 | | 31,036 | -422 | -1.4% |
| 1. Performing loans to public sector | 1,639 | | 1,522 | 117 | 7.7% |
| 2. Performing loans to private sector | 24,729 | 81% | 24,386 | 343 | 1.4% |
| Corporates | 6,381 | 20.8% | 6,144 | 237 | 3.9% |
| Real Estate development and construction | 511 | 1.7% | 572 | -61 | -10.7% |
| All other companies | 5,870 | 19.2% | 5,572 | 298 | 5.4% |
| SMEs and self-employed | 3,725 | 12.2% | 3,518 | 208 | 5.9% |
| Large corporations | 1,958 | 6.4% | 1,864 | 94 | 5.0% |
| Civil engineering works | 188 | 0.6% | 191 | -3 | -1.5% |
| Individuals | 18,348 | 59.9% | 18,242 | 106 | 0.6% |
| Housing | 15,598 | 51.0% | 15,900 | -301 | -1.9% |
| Other | 2,750 | 9.0% | 2,343 | 407 | 17.4% |
| 3. NPLs | 2,340 | | 2,710 | -370 | -13.7% |
| 4. Reverse purchase agreements and other | 1,906 | | 2,417 | -512 | -21.2% |

(*) Excludes valuation adjustments

Performing loans balance of the entity stands at EUR 28,274 million. Of this, EUR 1,639 million correspond to loans to public sectors, EUR 24,729 million to private sector credit and EUR 1,906 million to reverse repos and other unclassified balances, mainly collateral for financing transactions and derivatives. By portfolio type, the most important are retail loans with mortgage guarantees, representing 55.3% of total performing loans, and the SME and self-employed portfolio, accounting for another 13.2% with the latter growing in weight since the close of 2017.

Performing loan balances have grown, both in Public Administrations and in the private sector over the year, showing the strength of the Group's commercial activity, characterized by an increase in lending operations, which amount to EUR 1,804 million, a rise of 42% over the previous half year. In the public sector, lending has risen by 55% in the quarter, just ahead of the private sector, up by 41%.

The balance of performing loans to the public sector and private sector is up 7.7% and 1.4% respectively in the year to date. In the private sector, the SME and the self-employed segments have grown by 5.9%, while other corporates have expanded by 4.4%, an increase that has been driven by new originations, which shot up by 45%. New lending to individuals, which is up by 36% from the last half-year of 2017, has not yet offset the shrinking portfolio in this segment, if the effect in the second quarter of the temporary balances booked to the "consumer and others" section, is excluded, but the rate of the fall has slowed, from 0.9% in the previous quarter to 0.5% in the current one.

Credit quality

In line with the recovery and the positive performance it has been delivering since the end of 2014, the Group continues to show a solid ability to reduce NPAs which stood at EUR 2,340 million at the end of the first six-month period of 2018. This is less than half of the NPAs existing at the end of 2014 (51% less).

In the previous 12 months, it has fallen by 19.6% (EUR -570 million), representing a further improvement in the NPL ratio, which has edged to 7.6%. Over the quarter, this has dropped by EUR 230 million, compared to EUR 141 million in the previous quarter, with gross entries accounting for EUR 56 million, going down for the third quarter in a row from EUR 100 million per quarter. On the other hand, there is an improvement in recoveries, which, excluding write-off's, means the Entity has recorded nine consecutive quarters of net outflows (if the effect of the Banks of Spain Circular 4/2016 in Q4 2016 is stripped out).

This drop in non-performing balances is occurring without damaging our high coverage ratios, which have been reinforced since IFRS 9 came into effect and amounted to 54.9% at the close of June 2018, the same as the previous quarter. Unicaja Group's adoption of IFRS9 has entailed, at 1st January 2018, increased credit provisioning which has enabled the Group to improve the coverage ratios. The Group continues to show a solid ability to reduce NPAs which stood at EUR 2,340 million at the end of the first six-month period of 2018. This is less than half of the NPAs existing at the end of 2014 (51% less).

Foreclosed assets

At the end of the first half-year of 2018, the net balance of foreclosed assets, net of provisions, amounted to EUR 641 million euros (Eur 1,772 million gross), representing only 1.1% of Unicaja Banco Group's total assets.

Foreclosed real estate assets. Unicaja Banco Group
June 2018. € millions

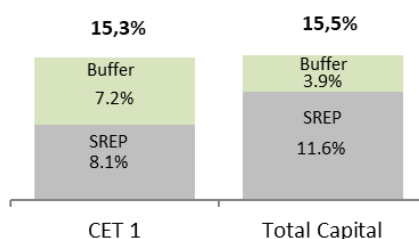
| | Net book value | Value adjust. | Gross value | Coverage (%) |
|--|-------------------|------------------|--------------|-----------------|
| Real estate from construction & development | 253 | 706 | 959 | 73.6% |
| Finished buildings | 78 | 94 | 172 | 54.7% |
| Buildings under construction | 51 | 78 | 129 | 60.3% |
| Land | 124 | 534 | 658 | 81.1% |
| From retail mortgages | 271 | 265 | 536 | 49.4% |
| Other foreclosed assets | 117 | 161 | 278 | 58.1% |
| TOTAL FORECLOSED ASSETS | 641 | 1,132 | 1,772 | 63.8% |

Note: The amount of the coverage includes both the impairment losses due to foreclosures and the coverages 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 foreclosures was EUR 1,132 million at the end of the first half of 2018. This represents a coverage of 63.8%.

Solvency

Unicaja Banco Group has a common equity tier 1 ratio (CET1) of 15.3% and a total capital ratio of 15.5%. This represents an increase of 0.8 pp in CET1 and 0.5 pp total capital versus the 2017 year-end closing. On the other hand, restructuring agreements in the life insurance and pensions segments have involved certain corporate operations, which have finally materialised in the course of Q1 2018 and have had a negative impact on capital of 0.4 pp. In addition, the final application of IFRS 9 has had a positive 0.7 pp impact at 1st January 2018, made possible thanks to the transition period applicable with the entry into force of the regulation (without this period, the impact would have been 0.4 pp).



In fully loaded terms Unicaja Banco has a CET1 ratio of 13.5% and a total capital ratio of 13.7%. This represents 0.7 pp increase in the CET1 ratio and a 0.4 pp increase in the total capital ratio, compared to December 2017.

We should point out that the supervisory authorities have notified the institution of the SREP's requirements for 2018, setting the CET1 ratio at 8.125% and the total capital ratio at 11.625%. This means that at June end of 2018 the Group has a surplus of 722 basis points (EUR 1,724 million) over its CET1 requirements and of 372 basis points (EUR 936 million) over its total capital requirements, a tangible evidence of the institution's high capitalisation and low risk profile.

The Texas ratio comes in at 65.9% at the close of the first six months of 2018. The latter ratio measures the percentage represented by the sum of NPLs and foreclosed assets divided by the sum of: i) provisions for NPLs, ii) provisions for foreclosures, and iii) equity. The lower this ratio, the better the quality of the balance sheet and solvency. In the case of the Group, the ratio has gone down by 15.9 pp since 30 June 2017, and by 6.5 pp year-to-date, which again underlines the quality of its balance sheet and its liquidity.

Liquidity

Unicaja Banco Group had at 30 June 2018 a liquid and discountable assets position at the European Central Bank, net of assets used, of EUR 14,539 million, representing 25.2% of the total balance sheet. This large volume of liquid assets will enable the forthcoming wholesale funding maturities in the markets to be managed comfortably (EUR 464 million in 2018 and EUR 668 million in 2019).

Discountable liquid assets of the Unicaja Banco Group

€ millions

| | |
|---|---------------|
| Liquid Assets | Jun'18 |
| Cash surplus (1) | 2,228 |
| Discountable reverse repos | 1,842 |
| Fixed income portfolio and other discountable assets at ECB | 16,657 |
| Total liquid assets (at ECB discount value) | 20,727 |
| Used liquid assets | |
| Taken in the ECB | 3,323 |
| Reverse purchase agreement | 2,865 |
| Total used liquid assets | 6,188 |
| Discountable liquid assets available | 14,539 |
| Percent of total assets | 25.2% |

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

Debt securities

€ millions

| | Issues (*) |
|-------------|-------------------|
| 2018 | 454 |
| 2019 | 668 |
| 2020 | 325 |

(*) Includes multi-issuer covered bonds.

The Group's high liquidity levels are reflected in its LtD (loan to deposit ratio) which, at the end of the second quarter of 2018, stands at around 75%, lower than at the end of 2017, due to the growth of customer deposits more so than to credit balances.

| LTD ratio performance Unicaja Banco Group (*) | Ratio % |
|--|----------------|
| Year-end 2013 | 109% |
| Year-end 2014 | 91% |
| Year-end 2015 | 82% |
| Year-end 2016 | 83% |
| Year-end 2017 | 76% |
| First half 2018 | 75% |

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

Branch network

Unicaja Banco Group operates exclusively in Spain and mainly in Andalusia and Castile-Leon, as well as in the autonomous communities of Madrid and Murcia, the provinces of Albacete, Alicante, Badajoz, Barcelona, Ciudad Real, Toledo and Valencia and in the autonomous cities of Ceuta and Melilla. 82% of Unicaja Banco Group's offices are in the Communities of Andalusia and Castile-Leon; of these, the provinces of Málaga (with 17%), Leon (8%), Almeria (7%), Valladolid (7%) and Salamanca (7%) have the greatest specific weighting in the Unicaja Banco Group. At 30th June 2018, Unicaja Banco Group had a network of 1,197 offices: 1,196 offices in Spain, in 38 provinces and in Ceuta and Melilla; and 1 correspondent office in the United Kingdom (offices "open to the public" according to the Bank of Spain's definition include "ventanillas desplazadas" (or small branches with reduced business hours and offices abroad).

| Business network distribution | | | | | |
|--------------------------------|-----------------------|---------------------------------------|-----------|---------------------------------------|-----------|
| Country | Autonomous Region | Branches open to public at 30/06/2018 | | Branches open to public at 31/12/2017 | |
| | | Number of branches | Share (%) | Number of branches | Share (%) |
| SPAIN | Andalusia | 564 | 47.1% | 584 | 47.6% |
| | Aragon | 1 | 0.1% | 1 | 0.1% |
| | Asturias | 3 | 0.3% | 3 | 0.2% |
| | Cantabria | 1 | 0.1% | 1 | 0.1% |
| | Castile-Leon | 418 | 34.9% | 419 | 34.1% |
| | Castile-La Mancha | 56 | 4.7% | 66 | 5.4% |
| | Catalonia | 2 | 0.2% | 2 | 0.2% |
| | Ceuta | 1 | 0.1% | 1 | 0.1% |
| | Community of Valencia | 4 | 0.3% | 4 | 0.3% |
| | Extremadura | 52 | 4.3% | 52 | 4.2% |
| | Galicia | 6 | 0.5% | 6 | 0.5% |
| | La Rioja | 1 | 0.1% | 1 | 0.1% |
| | Madrid | 80 | 6.7% | 80 | 6.5% |
| | Melilla | 3 | 0.3% | 3 | 0.2% |
| | Murcia | 2 | 0.2% | 2 | 0.2% |
| | Navarra | 1 | 0.1% | 1 | 0.1% |
| | Basque Country | 1 | 0.1% | 1 | 0.1% |
| Total number of branches Spain | | 1,196 | 99.9% | 1,227 | 99.9% |
| Country | City | Branches open to public at 30/06/2018 | | Branches open to public at 31/12/2017 | |
| | | Number of branches | Share (%) | Number of branches | Share (%) |
| UK | London | 1 | 100.0% | 1 | 100.0% |
| Total num. of branches abroad | | 1 | 0.1% | 1 | 0.1% |
| Total branches | | 1,197 | 100% | 1,228 | 100% |

At 31st March 2018, according to the Statement FI-132 on market share published by Bank of Spain, in the autonomous communities of Andalusia and Castile-Leon, the bank's market share of customer deposits was 13.1% and 22.4% respectively, and of customer loans 10.3% and 14.4% respectively. Unicaja Banco Group had 13.2% market share of the offices in Andalusia and 20.8% of those in Castile-Leon, according to the latest information available from the Bank of Spain on 31st March 2018.

Global Risk Control

The Group strives to maintain a permanently conservative and balanced risk profile, upholding the objectives of solvency, profitability and adequate liquidity. In applying credit policy and as a common element to any line of investment, it uses an underlying risk management model that comprehensively guarantees that our service is of sufficient quality.

The Risk Commission was created on 25th April 2014, with powers to advise the bank's Board of Directors on the entity's current and future global risk appetite and its strategy in this area, supporting senior management's implementation of this strategy and verifying whether the prices of assets and liabilities offered to clients are fully aligned with the entity's business model and risk strategy. The amendments made to Unicaja Banco's articles of association, approved by the General Shareholders' Meeting on 30th September 2014, introduced the Risk Committee at the highest level of the institution.

The Group continues to be involved in a continuous process to improve and update systems covering global credit or counterparty risk, market risk, operational risk, interest rate risk and liquidity risk.

Unicaja Banco Group designs and implements its own specific action plans and participates in sector-wide Global Risk Control projects, enabling it to improve the procedures, systems and methodologies necessary for the comprehensive and effective management of the range of risk types the Company takes on in the course of its activities.

In the area of Credit Risk, the Group has implemented scoring systems for certain products (retail consumer, mortgage and credit cards), which, up to certain threshold, allow retail segment transactions to be approved automatically or support the risk analyst's decision taking.

In the area of Market Risk, understood as the risk of changes in the value of the trading portfolio's positions as a result of adverse movements in market price levels or their volatility, Unicaja Banco Group is using measurement and control tools and conducts permanent, systematic monitoring and control of the transactions completed, due to their special complexity in both operational and accounting terms.

Unicaja Banco Group has integrated the management of operational risk, (understood as the risk of loss resulting from a lack of adequacy or a failure of processes, human error and faults in internal systems or external events) into its risk control policy. This risk policy has been shared and rolled out across the different areas of the organization.

Global interest rate risk occurs as a result of the time lag between the maturities and interest repricing applying to a number of asset and liability classes. It can be measured in terms of the impact that a particular change in market interest rates would have over the entity's brokerage margin in a given period. Structural interest rate risk is actively managed and continuously monitored by the Assets and Liabilities and Budget Committee (ALBCO).

Unicaja Banco Group evaluates and manages Liquidity Risk both from a short-term point of view (by controlling daily liquidity needs to meet deposit maturities and customers' demand for credit) and from a structural point of view, inasmuch as it assesses possible medium and long-term financing needs on the capital markets to sustain the expected growth rate of the activity.

Subsequent events

In the period between 30th June 2018 and the date these consolidated condensed interim financial statements were filed, no other event that significantly affects Unicaja Banco Group and which has not been detailed in the explanatory notes to these statements or in the consolidated interim management report has taken place.

Research and development (R&D)

During the six-month periods ending on 30th June 2018 and 2017, the Group's research and development work did not involve a significant sum.

Environmental impact

The Group's global operations are governed by environmental protection Laws ("environmental laws"). The parent considers that it substantially complies with such Laws and has procedures in place designed to ensure and promote compliance.

The parent entity considers that it has adopted the appropriate measures for the protection and improvement of the environment and the minimization, where applicable, of environmental impact, complying with the current regulations in this regard. During the six-month periods ending on 30th June 2018 and 2017, the Group has not made significant environmental investments nor deemed it necessary to record any provision for risks and charges of this nature, nor does it consider that there are significant contingencies relating to the protection and improvement of the environment.

In any event, since the Unicaja Banco Group is aware of the importance of safeguarding the environment, it endeavours to support those initiatives and lines of action that are designed to protect it.

This commitment is laid out in the institution's Environmental Policy, published on the corporate website, which is based on the following principles:

- Ensuring compliance with current environmental legislation, regulation and stipulations as they apply to us, as well as other requirements that are entered into voluntarily.
- Promoting continuous improvement in the area of the environment, adopting sustainable practices and contributing to improving the institution's social responsibility.
- Developing all our activities within a global framework aimed at protecting the environment, encouraging the principle of prevention and control of pollution, as well as an efficient use of natural resources and energy.
- Rapid and responsible action in mitigating incidents that may involve a risk to health, safety or the environment, promptly informing the authorities and affected parties.
- Promoting awareness of and involvement with the environment among all Group employees, integrating the environmental component in our daily activity and in our relationships with stakeholders, providing active support for the reuse and recycling of materials.

- Making environmental training available to employees that is commensurate with their level of responsibility, providing them with the skillset needed to implement and track sound environmental practices.
- Working with our customers, suppliers, other financial institutions, public administrations and with wider society to reduce environmental risk and promote sustainable development.
- Incorporating environmental criteria into decision-making about awarding service provision contracts.
- Rolling out programs that set annual goals and targets, entered into by the institution voluntarily, for continuous improvement in environmental performance, carrying out rigorous audits and self-assessments in compliance with our Environmental Policy and producing follow-up reports.
- Making the “Environmental Policy” available to all interested parties.

Unicaja Banco’s environmental policy is certified under the UNE-EN ISO14001:2004 standard, meaning that its appropriate management of the waste it generates is accredited. This certification also ensures that respecting certain environmental considerations is integrated, with particular emphasis on the consumption of natural resources (paper, cardboard, water, energy) and noise pollution.

The Institution has an Environmental Operating Committee in charge of management, coordination and supervision of this environmental policy.

Treasury shares

At 30th June 2018, the Group owned 7,572,246 treasury shares (the Group had none at 31st December 2017). The treasury stock acquired directly by Unicaja Banco comes to 4,500,000 shares, purchased to meet the swap needs in executing the merger by absorption of Banco de Caja España de Inversiones, Salamanca y Soria, S.A.

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 (in EUR million):

| ALTERNATIVE PERFORMANCE MEASURES (APM) | | June'18 | December'17 |
|---|---|---------------|--------------|
| Cost of risk | Impairment / reversal of impairment in value of loans and receivables to customers | -14.1 | 48.6 |
| | Average between start/end of period for loans and receivables from customers (excluding valuation adjustments) | 30,825 | 31,884 |
| | Ratio | -0.09% | 0.15% |
| Cost to income ratio (Operating Expenses excl. amort. & depre. / gross margin) | Administrative expenses | 292 | 590 |
| | Gross Income | 492 | 997 |
| | Ratio | 59.4% | 59.2% |
| Customer spread | Yields on performing loans and advances to customers (excluding repos) over average quarterly balances of loans and advances to performing customers (without valuation adjustments and excluding repos and other financial assets) | 2.03% | 2.17% |
| | Cost in the year of customer deposits (excluding repos) over average quarterly balances for the year of customer deposits (without valuation adjustments and excluding repos) | 0.21% | 0.25% |
| | Difference between yield & cost | 1.82% | 1.91% |
| Foreclosed assets coverage | Impairment of Real Estate foreclosed assets | 1,132 | 1,197 |
| | Gross carrying amount of Real Estate foreclosed assets | 1,772 | 1,872 |
| | Ratio | 63.8% | 64.0% |

| ALTERNATIVE PERFORMANCE MEASURES (APM) | | June'18 | December'17 |
|--|---|---------|-------------|
| Net Interest Margin | Net interest income | 303 | 583 |
| | Total average assets (average of quarterly average balances) | 57,637 | 56,413 |
| | Ratio | 1.06% | 1.03% |
| NPL coverage ratio | Credit risk provisions | 1,284 | 1,355 |
| | Gross non-performing loans | 2,340 | 2,710 |
| | Ratio | 54.9% | 50.0% |
| NPL ratio | Gross non-performing loans | 2,340 | 2,710 |
| | Loans and advances to customers (excluding valuation adjustments) | 30,614 | 31,038 |
| | Ratio | 7.6% | 8.7% |
| ROA | Consolidated net income | 104.1 | 138.4 |
| | Total average assets (average of quarterly average balances) | 57,637 | 56,413 |
| | Ratio | 0.4% | 0.2% |
| ROE | Net income attributed to the parent company | 104.1 | 138.4 |
| | Average shareholders' equity (excluding adjustments from accumulated other comprehensive income) (average of quarterly average balances) | 3,816 | 3,397 |
| | Ratio | 5.5% | 4.1% |
| RoRWA (management) | Consolidated net income | 104.1 | 138.4 |
| | Risk Weighted Assets (RWAs) | 23,878 | 24,239 |
| | Ratio | 0.9% | 0.6% |
| RoTE | Net income to the parent Company | 104.1 | 138.4 |
| | Average shareholders' equity (excluding adjustments from accumulated other comprehensive income) less average intangible assets (average of quarterly average balances) | 3,768 | 3,397 |
| | Ratio | 5.5% | 4.1% |
| Performing loans and advances to customers (excluding valuation adjustments) | 1. Loans and receivables. Credit and loans at variable interest rate | 25,026 | 25,388 |
| | 2. Loans and receivables. Credit and loans at fixed interest rate | 3,683 | 3,230 |
| | 3. Gross non-performing loans. | 2,340 | 2,710 |
| | Performance measure (1+2+3) | 26,369 | 25,908 |
| Customer funds | 1. Financial liabilities carried at amortized cost Loans and advances to customers (excluding valuation adjustments) | 44,190 | 45,373 |
| | 2. Issued debt securities | 130 | 130 |
| | 3. Off-balance sheet exposure | 13,063 | 12,699 |
| | Performance measure (1+2+3) | 57,383 | 58,202 |

| ALTERNATIVE PERFORMANCE MEASURES (APM) | | June'18 | December'17 |
|---|--|---------------|---------------|
| Retail Customer funds. (non-market). | 1. Total customer funds | 57,383 | 58,202 |
| | 2. Covered bonds under the heading "Term deposits" | 4,635 | 5,092 |
| | 3. Customer Funds- Repos (excluding valuation adjustments) | 1,515 | 3,157 |
| | 4. Deposits from customers. Other (excluding valuation adjustments) | 41 | 59 |
| | 5. Issued Mortgage Securities (excluding valuation adjustments) | 130 | 130 |
| | 6. Repos controlled by retail customers. <i>Performance measure</i> | 332 | 654 |
| | Performance measure (1-2-3-4-5+6) | 51,393 | 50,417 |
| Wholesale funds (Markets) | 1. Covered bonds under the heading "Term deposits" | 4,635 | 5,093 |
| | 2. Customer Funds- Repos (excluding valuation adjustments) | 1,515 | 3,157 |
| | 3. Deposits from customers. Other (excluding valuation adjustments) | 41 | 59 |
| | 4. Issues Mortgage Securities (excluding valuation adjustments) | 130 | 130 |
| | 5. Repos controlled by retail customers. <i>Performance measure</i> | 332 | 654 |
| | Performance measure (1+2+3+4-5) | 5,990 | 7,785 |
| Loan to Deposits (LtD) | 1. Loans and receivables Credit and loans at variable interest rate | 25,026 | 25,388 |
| | 2. Loans and receivables Credit and loans at fixed interest rate | 3,683 | 3,230 |
| | (1+2) NUMERATOR. Loans and advances Customers -excluding valuation adjustments- | 28,709 | 28,618 |
| | 1. Financial liabilities carried at amortized cost Deposits from customers (excluding valuation adjustments) | 44,190 | 45,373 |
| | 2. Covered bonds under the heading "Term deposits" | 4,635 | 5,092 |
| | 3. Customer Funds- Repos (excluding valuation adjustments) | 1,515 | 3,157 |
| | 4. Deposits from customers. Other (excluding valuation adjustments) | 41 | 59 |
| | 5. Repos controlled by retail customers. <i>Performance measure</i> | 332 | 654 |
| | (1-2-3-4+5) DENOMINATOR. Customer deposits (non-market) -excluding valuation adjustments- | 38,330 | 37,718 |
| | Ratio | 74.9% | 75.8% |

| ALTERNATIVE PERFORMANCE MEASURES (APM) | | June'18 | December'17 |
|--|--|---------|-------------|
|--|--|---------|-------------|

| | | | |
|----------------------------|--|---------------|---------------|
| Gross liquid assets | 1. Cash surplus (interbank deposits + balance surplus in ECB and operating accounts) | 2,228 | 3,073 |
| | 2. Discountable reverse repos | 1,842 | 2,222 |
| | 3. Fixed income portfolio and other discountable assets in ECB | 16,657 | 15,534 |
| | Performance measure (1+2+3) | 20,727 | 20,829 |

Sum of:

- Surplus/deficit of deposits in Bank of Spain with respect to the minimum reserve ratio in effect on the date, surplus/ deficit in operating accounts open in credit institutions compared to the average during the previous 12 months

- Net position of interbank deposits with other credit institutions.

- Fixed-income portfolio that the Entity can discount in ECB, both in fixed assets and through repos, including the own portfolio issued for use as collateral in ECB and pledged loans, valued at discount value in ECB.

| | | | |
|--------------------------|------------------------------------|---------------|---------------|
| Net liquid assets | 1. Gross liquid assets | 20,727 | 20,829 |
| | 2. Taken in the ECB | 3,323 | 3,340 |
| | 3. Repos | 2,865 | 3,311 |
| | Performance measure (1-2-3) | 14,539 | 14,177 |

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.

| | | | |
|-------------------------|--|---------------|---------------|
| Performing Loans | 1. Loans and accounts receivables (gross amount) Note 35.2 | 30,614 | 31,037 |
| | 5. Gross non-performing loans | 2,340 | 2,710 |
| | Performance measure (1-2) | 28,274 | 28,326 |

| ALTERNATIVE PERFORMANCE MEASURES (APM) | | June'18 | June'17 |
|--|--|---------|---------|
|--|--|---------|---------|

| | | | |
|---------------------------|----------------------------------|--------------|--------------|
| Operating expenses | 1. Administrative expenses | 292.0 | 297.9 |
| | 2. Depreciation and amortization | 18.5 | 22.1 |
| | Performance measure (1+2) | 310.5 | 320.0 |

| | | | |
|---------------------------|---|-------|------|
| Credit impairments | Impairment in / reversal of impairment in value of loans and receivables to customers | -14.1 | 45.5 |
|---------------------------|---|-------|------|

| | | | |
|-------------------|--|------|------|
| Provisions | Provisioning or provisioning reversals | 61.8 | 90.0 |
|-------------------|--|------|------|

| | | | |
|-----------------------------|------------------------------------|--------------|--------------|
| Pre-provision profit | 1. Gross income | 491.8 | 559.2 |
| | 2. Administrative expenses | 292.0 | 297.9 |
| | 3. Depreciation and amortization | 18.5 | 22.1 |
| | Performance measure (1-2-3) | 181.2 | 239.3 |

| ALTERNATIVE PERFORMANCE MEASURES (APM) | | June'18 | June'17 |
|--|--|--------------|--------------|
| Impairments and other results | 1. Provisioning or reversal of provisions | 61.8 | 90.0 |
| | 2. Impairment or reversal in the value of financial assets not measured at fair value through profit and loss | -13.6 | 32.1 |
| | 3. Impairment or reversal in the value of joint ventures or associates | 0.0 | 27.6 |
| | 4. Impairment or reversal in the value of non-financial assets | -0.8 | 21.0 |
| | 5. Gain or loss on derecognition from the statements non-financial assets and stakes, netted out | 4.0 | 7.9 |
| | 6. Recognised negative goodwill | 0.0 | 0.0 |
| | 7. Gains or (-) losses arising from non-current assets and disposal groups of items classified as held for sale that cannot be classified as discontinued operations | 2.4 | -2.4 |
| | Performance measure (1+2+3+4-5-6-7) | 40.9 | 165.1 |
| Net Fee Income | 1. Fee and commission income | 119.1 | 121.2 |
| | 2. Fee and commission expense | 11.1 | 12.2 |
| | Performance measure (1-2) | 108.0 | 109.0 |
| Trading income | 1. Net gain or (-) losses on derecognition from the statements of financial assets and liabilities (not measured at fair value) through profit or loss, netted out | 28.5 | 75.8 |
| | 2. Net gain or (-) losses from financial assets and liabilities held for trading | -1.4 | 1.9 |
| | 3. Net gain or losses from non-trading financial assets mandatorily designated at fair value through profit or loss, netted out | 1.0 | - |
| | 4. Net gain or (-) losses from financial assets and liabilities designated at fair value through profit or loss, netted out | 0.0 | 0.0 |
| | 5. Net gain (-) losses from hedge accounting, netted out | 0.0 | 0.0 |
| | 6. Net exchange differences, gains or (-) losses, netted out | 0.6 | 0.1 |
| | Performance measure (1+2+3+4+5+6) | 28.8 | 77.8 |
| Other operating income / expenses | 1. Other operating income | 55.7 | 95.9 |
| | 2. Other operating expenses | 48.8 | 47.5 |
| | 3. Income from assets under insurance or reinsurance contracts | 31.0 | 0.0 |
| | 4. Expenses from liabilities under insurance or reinsurance contracts | 21.2 | 0.0 |
| | Performance measure (1-2+3-4) | 16.7 | 48.4 |

