FINANCIAL REPORT

January to December 2018

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Basis of presentation

The consolidated income statement and balance sheet at the close of December 2018 and December 2017, together with the breakdowns of different items shown in this Financial Report, are presented in accordance with the bases, principles and accounting criteria defined in Note 1 of the Group's consolidated financial statements for the 12-month period ending on 31 December 2018.

Some of the figures included in this document have been rounded up or down. As a result, there may be small discrepancies in the tables between the totals and the amounts listed.

The macroeconomic analysis is taken from the report "The economic outlook for Andalusia", issue 95, published by the Analistas Económicos de Andalucía group.

Introduction

Unicaja Banco Group posted net profit for 2018 of EUR 153 million, 10.2% higher than that recorded during the same period a year earlier.

Net Income	€ 153 million	+10.2%

Results

Net interest income	+3.1%
Net fee income (constant perimeter)	+2.4%
OPEX	-2.2%
Impairments	-51€ Mill.

Risks

NPA	-21.7%
NPL ratio	-2.0%
NPL coverage ratio	53%
Foreclosed assets coverage	62%

Commercial activity

New lending (SMEs & individuals)	+21%
Total retail customer funds	≈0%

Liquidity and solvency

LTD	72.9%
CET 1 Fully Loaded	13.5%

X (filled box): To 31 December 2018
X (outlined box): YoY December 2018 and December 2017

Unicaja Banco improves its key banking activity indicators:

- **Net interest income** is up against the same period last year (3.1%).
- **Fees** have risen by 2.4% within a constant perimeter in the year.
- **Operating expenses** have fallen by 2.2% in the year.
- Total **impairments** fell by EUR 51 million in 2018, posting net recoveries in both credit and foreclosed asset impairments.

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

- **Performing loans** grows 0.2% in the quarter.
- **Loan production** increased by 21% in the SMEs and individuals segment compared to 2017.
- On-balance sheet **customer funds** grew and total sums are virtually unchanged, affected by the negative impact on off-balance sheet funds of the performance of markets.

Risk indicators remain positive, having come close to reaching in 2018 the NPA target for 2020 set in the IPO:

- **NPAs** fell by 21.7% (EUR 995 million), with NPLs and foreclosed assets falling by 29.0% and 11.2%.
- The **NPL ratio** dropped by -2.0 p.p. in the year, while the coverage ratio for both NPLs and NPAs increased 3.0 p.p. and 1.6 p.p., respectively.

Financial robustness and high liquidity levels:

- The Group has a comfortable liquidity position, with a LTD ratio of 73% and net liquid assets accounting for 24.2% of the balance sheet.
- The regulatory CET1 stands at 15.4% and fully loaded at 13.5% and has a surplus of EUR 1,674 million above SREP requirements for 2018.
- High capital levels make it possible to predict that in 2018 the proportion of profit used to pay out dividends will be 40%, the percentage forecast for 2020 when the bank went public.

2. Key Highlights

Million euros / % / pp	31/12/18	30/09/18	31/12/17	QoQ	YoY
BALANCE SHEET					
Total assets	57,504	56,843	56,332	1.2%	2.1%
Gross loans and advances to customers (ex-reverse repos, ex others financial assets)*	27,539	27,779	28,619	-0.9%	-3.8%
Performing gross loans and advances to customers (ex-reverse repos, ex other financial assets)*	25,613	25,558	25,908	0.2%	-1.1%
On-balance sheet customers funds*	37,798	37,751	37,718	0.1%	0.2%
Off-balance sheet customer funds and insurance	12,586	12,945	12,699	-2.8%	-0.9%
Shareholders equity	3,921	3,889	3,856	0.8%	1.7%
Total equity	3,918	3,957	3,902	-1.0%	0.4%
(*) Excluding valuation adjustments					
RESULTS (year-to date)					
Net interest income	601	452	583		3.1%
Gross income	999	735	997		0.2%
Pre-provision profit	380	269	364		4.3%
Consolidated net income	153	142	138		10.2%
Attributable net income	153	142	142		7.1%
Cost to income	58.3%	59.6%	59.2%	-1.3 pp	-1.0 pp
ROE	4.0%	5.0%	4.1%	-1.0 pp	-0.1 pp
ROA	0.3%	0.3%	0.2%	-0.1 pp	0.0 pp
RISK MANAGEMENT					
Non performing loans (NPL) (a)	1,926	2,221	2,710	-13.3%	-29.0%
Foreclosed assets (b)	1,661	1,668	1,872	-0.4%	-11.2%
Non performing assets -NPA- (a+b)	3,587	3,889	4,582	-7.8%	-21.7%
NPL ratio	6.7%	7.5%	8.7%	-0.8 pp	-2.0 pp
NPL coverage	53.0%	55.0%	50.0%	-2.1 pp	3.0 pp
Foreclosed assets coverage	62.2%	64.3%	64.0%	-2.1 pp	-1.7 pp
Non performing assets (NPA) coverage	57.3%	59.0%	55.7%	-1.7 pp	1.6 pp
Cost of risk	-0.01%	-0.02%	0.15%	0.0 pp	-0.2 pp
LIQUIDITY					
Loan to deposit ratio	72.9%	73.6%	75.9%	-0.7 pp	-3.0 pp
LCR	468%	412%	701%	56.0 pp	-232.8 pp
NSFR	139%	139%	134%	0.0 pp	5.0 pp
SOLVENCY					
CET1 ratio (phase-in)	15.4%	15.6%	14.6%	-0.2 pp	0.9 pp
CET1 ratio (fully loaded)	13.5%	13.7%	12.8%	-0.2 pp	0.7 pp
Total capital ratio (phase-in)	15.7%	15.8%	15.1%	-0.2 pp	0.6 pp
Total capital ratio (fully loaded)	13.7%	13.9%	13.3%	-0.2 pp	0.4 pp
Risk weighted assets (RWA)	22,871	23,259	24,239	-1.7%	-5.6%
Texas ratio	61.2%	63.3%	72.4%	-2.1 pp	-11.2 pp
ADDITIONAL INFORMATION					
Employees (average number)	6,920	6,916	7,200	0.1%	-3.9%
Branches	1,153	1,181	1,227	-2.4%	-6.0%
ATMs	1,462	1,487	1,515	-1.7%	-3.5%

3. Macroeconomic Environment

Throughout the last quarter of 2018, economic activity on the international arena was influenced by increased uncertainty and the likelihood that possible risks in trade flows could materialise. Nevertheless, on balance the year has been positive for both the global and the Spanish economy. The latest reports from the OECD and the European Commission indicate that the growth rate in global production was 3.7% in 2018, while Gross Domestic Product (GDP) is expected to grow by 3.5% in 2019.

Concerns about trade relations, together with persistent political risks, have created lack of clarity, that has impacted on the decisions being taken by economic agents. This has coincided with political tensions in Europe that have focused particularly on Italy and Brexit negotiations. In the first case, uncertainty about the Italian government's economic policy triggered the sale of Italian sovereign debt and has damaged confidence in the country. Approval for the Brexit pre-deal reached between London and Brussels, meanwhile, has not been backed up by the British Parliament, so that uncertainty has not been dispelled.

Another potential risk derives from a hike in the oil price. Despite the significant increase in US and Russian production, the price of Brent crude has remained high since the beginning of the year, driven mainly by constant increase in demand, alterations in supply from Venezuela and uncertainties around the impact on Iranian production in the face of US sanctions. The possible slowdown in the demand for crude over the next few quarters also creates high price volatility.

The OECD believes that in the short term the policies adopted and the increase in employment will continue to support domestic demand. However, forecasts point to increasingly tight macroeconomic policies, difficulties resulting from trade tensions – especially between the US and China –, less stable financial conditions and higher oil prices. For these reasons, GDP growth in the OECD area is expected to slow gradually.

These projections are similar to those of the European Commission, which emphasises that the EU's economy is still growing, for its sixth consecutive year, forecasting that in 2019 and 2020 GDP will grow in all Member States. But it also acknowledges that the rate of expansion has tapered –the peak was reached in 2017– and expects this moderate slowdown to continue for the next two years. Specifically, GDP growth is expected to have slowed by 0.3 p.p., from a rate of 2.4% in 2017 to 2.1% in 2018. Furthermore, GDP in the Eurozone is projected to moderate to 1.9% in 2019, itself a slight correction to the downside from pre-summer expectations.

The Commission anticipates that inflation will rise in the next two years, although price tensions are not expected to weigh on monetary policy decisions. Conditions in the job market are forecast to continue improving and the downward trend in the unemployment rate to continue over the forecast horizon, bringing the average unemployment rate in the EU as a whole down to 7.5% and in Spain to 13.3%, by 2020.

The European executive's report stresses that the slowdown in expansion is accounted for by exogenous factors: weaker global trade due to the greater obstacles to transactions, the increase in uncertainty and more expensive oil. It argues that Europe's internal growth drivers ought to enable activity to maintain its momentum and create employment. Investment is also referenced as providing structural support for the real economy's expansionary profile in the Eurozone since, despite expectations about economic confidence, financing terms will be favourable.

At its last board meeting, in mid-December, the Eurozone's monetary authority confirmed that it was stopping its net asset purchase programme that very month. Nevertheless, it decided to keep interest rates on the main refinancing transactions, the marginal lending facility and the deposit facility unchanged at 0.00%, 0.25% and minus 0.40%, respectively, committing to maintain these rates until at least the summer of 2019 and, in any event, as long as is necessary to stick to the targets set by the ECB. Similarly, its statement reiterated its intention to reinvest all the principal on the securities bought under this programme that mature for an extended period of time.

Meanwhile, the Federal Reserve has already raised the official interest rate by 225 base points since the end of 2015. At the same time, it has begun to gradually reduce its sovereign debt and mortgage securities positions, although this process of absorbing such a large amount of money in circulation is still incipient. In fact, expectations that benchmark interest rates still have upside over the next few months has caused a spike in short-term yields.

Against this international backdrop, the Spanish economy continues to report high, although slightly moderating, growth rates. This trend also began crossing over into the performance over time of growth forecasts throughout the year, with a GDP forecasts increase in the final months of the year of around 2.6% for 2018. In mid-December the Bank of Spain set its forecast at 2.5%, which was 0.1 p.p. below most forecasting institutions' estimates, and also below the Spanish Government's own estimate, made in October. Projections for 2019 put GDP growth at around 2.2% or 2.3%.

Once again, in 2018-2019 the Spanish economy is forecast to grow faster than the average for the Eurozone, which will help to mitigate the convergence gap. Furthermore, the data profile up to the third quarter of 2018 shows how GDP growth has been exceptionally expansive since the end of the crisis. On the contrary, the rising profile of employment –apart from the more seasonal effects on performance– has still not reached its pre-crisis level. Meanwhile, the signs of retrenchment visible in the active population (work force) since 2013 represent a risk for the potential growth of the Spanish economy.

When we look at the Bank of Spain's forecasts of a gradual moderation in the momentum of domestic private demand, these are compatible with an increase in spending (1.9% and 1.5% in 2019 and 2020, respectively), that will be supported by job creation and wage improvements, as well as by investment (with expansion rates in the last item of 4.7% and 3.6% over the next two years). The negative contribution of net external demand to GDP growth –which in 2018 was somewhat affected by the deterioration of international trade– will tend to diminish.

Nevertheless, we should bear in mind that –as with any forecast– the macroeconomic outlook predicted is based on a series of hypotheses and certain technical assumptions; should these suffer alterations, this would also affect the behaviour of the national economy's main aggregates. Thus, average short-term interest rates (Euribor 3 months) in 2019 will remain negative, with rates similar to those of 2018. Yields on long-term debt will tick up slightly (1.4% in 2019) and edge up gradually over the next two years (to 1.9% in 2021). Oil prices will slide a little, with the price of Brent crude estimated at just under USD 70. Restraint in energy prices and other commodities, coupled with weakening domestic demand, will put pressure to the downside on inflation over the EMU area as a whole.

We should emphasise that the high levels of unemployment are forecast to drop, with the average annual rate falling to below 14% in 2019, according to most bodies, thanks to the sustained annual job creation. Inflation is also expected to rise, although no faster than in 2018, when the rate of price variation was about 1.8%. The

Spanish economy's external surplus is forecast to shrink too, because of a less favourable external outlook, and more expensive energy imports. But in any case, the forecasts do not anticipate that the Spanish economy's current account balance will move into the red from its current positive position, but merely that some of the surplus will be shaved off.

Looking at public accounts, the forecast consensus appears to indicate that the deficit target for 2018 (-2.7%) may have been achieved, while forecasts for 2019 come in at -2.4%. From the private-sector perspective, the Spanish economy has cut its indebtedness significantly and, although the principal risks come from abroad, we should not forget that structural problems persist that could also prevent a more solid expansion in the next few years. A hypothetical deterioration of the turbulence in international markets or an episode of greater uncertainty could undermine household and corporate confidence, affecting domestic demand. Indeed, private spending has been fundamental to the Spanish economy's healthy expansion rate, but is expected to slow in the next few quarters.

The information available about the situation in the fourth quarter of 2018 suggests a very similar rate of productive activity growth to the third quarter and is based on the (non-trending) acceleration in indicators such as labour affiliation, industrial production, the service sector PMI, retail sales and confidence indicators. The tendency of these supports the forecasts of a gentle slowdown for the Spanish economy, since the positive performance in the final months of 2018 is compatible with forecasts of a slightly slower rate of growth in 2019.

When we look at the information on employment, the figure for those in work retains a fairly expansionary curve, with an estimated year-on-year growth rate of 2.5% in the third quarter. For the next few quarters, employment figures are expected to continue performing well (with a related fall in unemployment), but losing some momentum, given the expected flattening out of the Spanish economy's growth rate.

4. Balance Sheet

Million euros	31/12/2018	30/09/2018	30/06/2018	31/03/2018	31/12/2017	QoQ	YoY
Cash and balances at central banks	4,280	2,766	3,060	2,999	3,806	54.7%	12.4%
Assets held for trading & at fair value through P&L	132	139	147	182	31	-5.1%	318.8%
Financial assets at fair value through other comprehensive income	3,425	5,926	6,459	6,925	3,702	-42.2%	-7.5%
Financial assets at amortised cost	29,350	28,916	29,568	29,899	29,822	1.5%	-1.6%
Loans and advances to central banks and credit institution	1,699	756	278	628	184	124.7%	822.5%
Loans and advances to customers	27,651	28,160	29,290	29,271	29,638	-1.8%	-6.7%
Debt securities at amortised cost	14,763	13,546	12,714	12,615	13,220	9.0%	11.7%
Hedging derivatives	411	408	427	504	457	0.8%	-9.9%
Investment in joint ventures and associates	359	363	369	370	483	-1.1%	-25.6%
Tangible assets	1,188	1,224	1,224	1,244	1,291	-2.9%	-7.9%
Intangible assets	63	63	63	64	2	-0.6%	3220.8%
Tax assets	2,653	2,633	2,651	2,613	2,613	0.8%	1.5%
Other assets	505	445	470	462	466	13.6%	8.3%
Non current assets held for sale	374	414	453	428	439	-9.7%	-14.8%
TOTAL ASSETS	**57,504**	**56,843**	**57,606**	**58,305**	**56,332**	**1.2%**	**2.1%**
Liabilities held for trading & at fair value through P&L	18	19	25	29	27	-4.8%	-34.4%
Financial liabilities at amortised cost	51,376	50,572	51,449	52,043	50,941	1.6%	0.9%
Deposits form central banks	3,316	3,320	3,323	3,327	3,330	-0.1%	-0.4%
Deposits from credit institutions	3,579	2,349	1,960	3,296	715	52.4%	400.6%
Customer deposits	43,462	44,058	44,772	44,565	46,041	-1.4%	-5.6%
Other Issued Securities	60	130	130	130	130	-53.9%	-53.8%
Other financial liabilities	959	715	1,264	726	725	34.1%	32.2%
Hedging derivatives	143	120	157	107	31	19.7%	356.6%
Provisions	885	810	843	870	935	9.3%	-5.3%
Tax liabilities	232	265	283	271	209	-12.5%	11.0%
Other liabilities	932	1,100	893	966	286	-15.3%	226.2%
TOTAL LIABILITIES	**53,587**	**52,886**	**53,650**	**54,287**	**52,430**	**1.3%**	**2.2%**
Own Funds	3,921	3,889	3,837	3,786	3,856	0.8%	1.7%
Accumulated other comprehensive income	-4	67	96	202	17	-105.6%	-122.4%
Minority Interests	0	0	24	31	30	-5.9%	-98.6%
Total Equity	**3,918**	**3,957**	**3,957**	**4,019**	**3,902**	**-1.0%**	**0.4%**
Total Liabilities and Equity	**57,504**	**56,843**	**57,606**	**58,305**	**56,332**	**1.2%**	**2.1%**
OFF BALANCE SHEET CUSTOMER FUNDS AND INSURANCE	**12,586**	**12,945**	**13,063**	**12,920**	**12,699**	**-2.8%**	**-0.9%**

On 1st January 2018 a number of International Financial Reporting Standards (IFRS) came into force, notable among them is IFRS 9. Applying this standard has had a major effect on the fixed income portfolio and on loans and advances; it has entailed variations to the items "Financial assets held for trading through profit or loss", "Financial assets with changes in other comprehensive income"[1], "Loans and advances at amortized cost" and "Debt securities at amortized cost". Finally, we should point out that the application of the standard had a positive impact on the Group's net equity, after tax considerations have been taken into account, as a result of the increase in provisioning for insolvencies and the impact on other comprehensive income from the reclassifications of the fixed income portfolios.

It should also be pointed out that the administrative authorisations for the purchase in 2017 of Unión Duero Vida and Duero Pensiones, in which the Group already had a 50% stake and was included using the equity method in the 2017 financial year, were approved in Q1 2018. This means that the conditions have been met to take control of the above-mentioned companies, and as such they can be fully integrated into the Group's 2018 statements.

[1] The "other comprehensive result" item is included in net equity

At 31th December 2018, Unicaja Banco Group's assets came to EUR 57,504 million. Loans and advances carried at amortised cost account for EUR 29,350 million, with loans and advances to customers worth EUR 27,651 million. Debt securities carried at amortised cost amount to EUR 14,763 million, and mainly consist of Spanish Treasury debt.

Total assets are up by 1.2% in the quarter, mainly as a result of the short-term increase in cash and balances at central banks. Financial assets at fair value through other comprehensive income have diminished, mainly because of sales, offset (nearly entirely) by the increase in debt securities at amortized cost and of loans and advances to central banks and credit institutions. Loans and advances to customers fell by 1.8% over the quarter, due to the EUR 296 million fall in non-performing loans, the EUR 483 million reduction in repos and other financial assets, while other performing loans grew by EUR 54 million.

Compared to the year's performance, total assets grew by 2.1%, mainly because of the performance in the fixed income portfolio in the item "Debt securities at amortized cost". This portfolio has grown through net purchases and due to the new consolidation perimeter stated earlier. Loans and advances to customers have fallen in net terms by 6.7% in the year, mainly because of the recovery of non-performing transactions (EUR 785 million) and the fall in repos and other financial assets (EUR 1.254 million). To a lesser extent, performing public administration loans has narrowed too (EUR 169 million), as has credit to the private sector (EUR 126 million). Loans and advances to central banks and financial institutions help offset in part these decreases. The balance on intangible assets also rose during the year, mainly consisting of goodwill generated in the global integration mentioned earlier.

The Group's total liabilities come to EUR 53,587 million. The vast majority of this is made up of financial liabilities carried at amortized cost, amounting to EUR 51,376 million. Customer deposits of EUR 43,462 million account for 85% of these total financial liabilities. The Group also manages other customer funds as well as the deposits mentioned above, mainly investment funds, pension funds and savings insurance. These come to EUR 12,586 million.

Liabilities went up by 1.3% over the quarter, mainly because of the increase in deposits from credit institutions and other financial liabilities, funds that have partly substituted customer deposits, which have dropped, basically in market repo transactions. This rise in short-term cash items have helped, as mentioned above, to increase total cash balances recorded in the item "cash and balances in central banks".

Conversely, liabilities have grown by 2.2% in the year, partly because of the full integration into the Group of the insurance firms mentioned above, that bring liabilities for insurance contracts that explain the performance of the "Other Liabilities" section. Financial liabilities at amortised cost are also up. Within these ledger entries, there has been, on the one hand, a transfer of wholesale funds booked as Customer Deposits to the deposits from the Credit Institutions, and on the other, an increase in the latter items with counterpart entries in cash and balances in central banks, which are short term liquid entries.

Retail customer funds (excluding public administrations) have increased over the last 12 months, with good performance both in the case of sight deposits and savings insurance, as a result of the good performance of the commercial activity.

Finally, net equity has fallen over the quarter as net income over the period is lower than the fall in existing capital gains in portfolios measured at fair value through other comprehensive income. However, it remains stable with respect to the year’s performance. It should be pointed out that net equity rose on 1st January 2018 because of the application of IFRS 9, which has entailed a debit on reserves due to higher impairments made in the initial application of these standards, and a credit in other comprehensive income from the net capital gains on the securities reclassified to portfolios measured at fair value. Finally, we should emphasise that in Q3 the merger of España Duero (an Unicaja Banco subsidiary) took place, which explains for the change in the Minority Interests ledger entry.

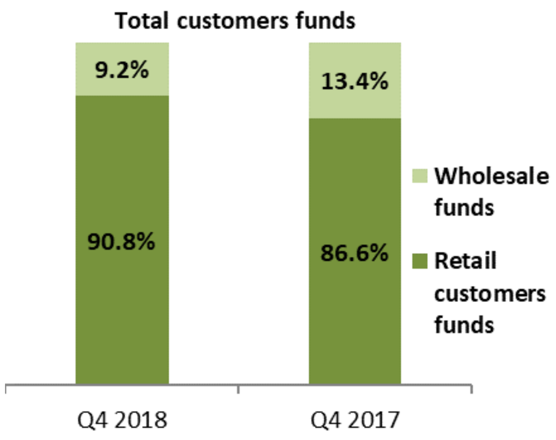
5. Customer Funds

Million euros. Excluding valuation adjustments	31/12/2018	30/09/2018	30/06/2018	31/03/2018	31/12/2017	QoQ	YoY
On-balance sheet customer funds	**42,921**	**43,584**	**44,320**	**44,032**	**45,503**	**-1.5%**	**-5.7%**
Customer funds	**42,861**	**43,454**	**44,190**	**43,902**	**45,373**	**-1.4%**	**-5.5%**
Public Sector	**2,568**	**2,537**	**2,414**	**2,626**	**2,638**	**1.2%**	**-2.6%**
Private sector	**40,293**	**40,917**	**41,776**	**41,275**	**42,736**	**-1.5%**	**-5.7%**
Sight deposits	27,312	27,023	27,283	25,370	25,356	1.1%	7.7%
Term deposits	11,713	12,516	12,978	13,529	14,222	-6.4%	-17.6%
of which: covered bonds	*4,249*	*4,635*	*4,635*	*4,858*	*5,093*	*-8.3%*	*-16.6%*
Repos	1,268	1,378	1,515	2,377	3,157	-8.0%	-59.8%
Issues	**60**	**130**	**130**	**130**	**130**	**-53.8%**	**-53.8%**
Promissory notes	0	0	0	0	0	-	-
Mortgages securities	60	130	130	130	130	-53.8%	-53.8%
Other values	0	0	0	0	0	-	-
Subordinated liabilities	0	0	0	0	0	-	-
Off-balance sheet customer funds and insurance	**12,586**	**12,945**	**13,063**	**12,920**	**12,699**	**-2.8%**	**-0.9%**
Mutual funds	5,588	5,907	6,206	6,162	6,067	-5.4%	-7.9%
Pension funds	2,301	2,396	2,223	2,237	2,274	-4.0%	1.2%
Insurance savings	3,963	3,866	3,582	3,518	3,429	2.5%	15.6%
Discretional portfolios	734	776	1,052	1,002	929	-5.4%	-21.0%
TOTAL CUSTOMER FUNDS	**55,507**	**56,529**	**57,383**	**56,951**	**58,202**	**-1.8%**	**-4.6%**
Retail customers funds	**50,383**	**50,696**	**51,393**	**50,093**	**50,417**	**-0.6%**	**-0.1%**
of which: on-balance sheet	37,798	37,751	38,330	37,173	37,718	0.1%	0.2%
Public Sector	2,568	2,537	2,414	2,626	2,638	1.2%	-2.6%
Sight deposits	27,312	27,023	27,283	25,370	25,356	1.1%	7.7%
Term deposits	7,464	7,881	8,342	8,671	9,130	-5.3%	-18.2%
Others	454	311	291	506	594	45.8%	-23.7%
of which: off-balance sheet and insurance	12,586	12,945	13,063	12,920	12,699	-2.8%	-0.9%
Wholesale funds	**5,124**	**5,832**	**5,990**	**6,859**	**7,785**	**-12.2%**	**-34.2%**

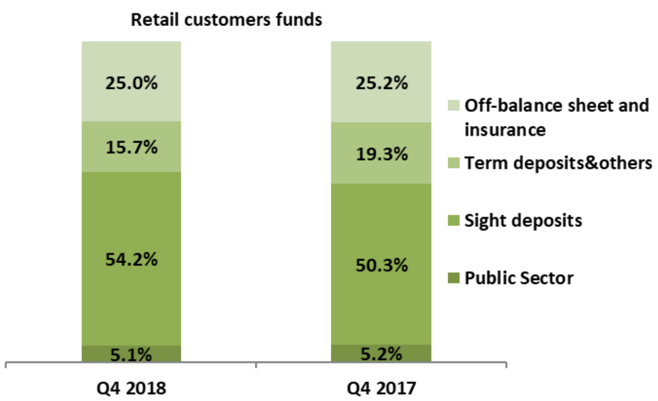
The volume of total customer funds managed by the Group rose at the close of December 2018 to EUR 55,507 million.

The bulk of managed funds are customer deposits (EUR 42,861 million), of which EUR 27,312 million are private sector clients' sight deposits, EUR 11,713 million are term deposits (including EUR 4,249 million in non-negotiable mortgage covered bond issues) and EUR 1,268 million are repos. Off-balance sheet funds managed with various instruments and insurance reached EUR 12,586 million, made up mostly of customer funds raised through investment funds (EUR 5,588 million), pension funds (EUR 2,301 million) and savings insurance (EUR 3,963 million).

As to the origin of the funds, 91% (87% at year-end 2017) relates to retail customers' business (EUR 50,383 million), while the remaining 9% (EUR 5,124 million) is represented by funds raised in wholesale markets through issuances or repos. The balance of issues limited to EUR 60 million and consists of mortgage securities exclusively in the hands of third parties booked under the markets section.



In the last 12 months, the weight of funds managed for retail customers has gone up.



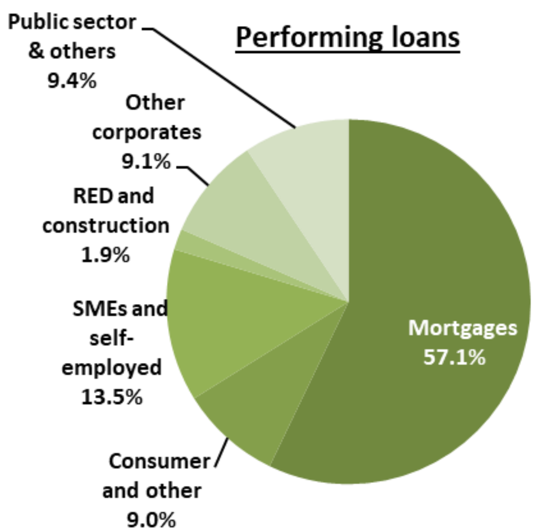
Total managed retail customer funds (excluding public administrations) rose 0.1% in the previous 12 months, while the total in the balance sheet (excluding public administrations) is up by 0.4%, with an increase of 7.7% in at sight deposits. Total customer funds decreased in the year by 0.1%, due to the uneven performance during the year of on-balance sheet funds, which edged up by 0.2%, and off-balance sheet funds that slid by 0.9%.

Retail customer funds continued to move across from term to sight deposits in the final quarter, with a slight reduction in the weight of public administrations. Finally, we should point out that the weight of off-balance sheet funds has diminished slightly, as a result of unfavourable market performance, which has triggered, on the one hand, a fall in total equity by value, and on the other, an increase in reimbursements to less volatile products, such as sight deposits.

6. Performing Loans

Million euros. Excluding valuation adjustments	31/12/2018	30/09/2018	30/06/2018	31/03/2018	31/12/2017	QoQ	YoY
Public sector	**1,353**	**1,278**	**1,639**	**1,632**	**1,522**	**5.9%**	**-11.1%**
Private sector	**24,260**	**24,281**	**24,729**	**24,403**	**24,386**	**-0.1%**	**-0.5%**
Corporates	**6,557**	**6,417**	**6,381**	**6,333**	**6,144**	**2.2%**	**6.7%**
RED and construction	496	506	511	517	572	-1.9%	-13.3%
SMEs and self-employed	3,626	3,726	3,725	3,623	3,518	-2.7%	3.1%
Other corporates	2,435	2,186	2,145	2,193	2,054	11.4%	18.5%
Individuals	**17,703**	**17,864**	**18,348**	**18,070**	**18,242**	**-0.9%**	**-3.0%**
Mortgages	15,299	15,529	15,598	15,744	15,900	-1.5%	-3.8%
Consumer and other	2,404	2,335	2,750	2,327	2,343	3.0%	2.6%
PERFORMING LOANS TO CUSTOMERS	**25,613**	**25,558**	**26,369**	**26,035**	**25,908**	**0.2%**	**-1.1%**
Repos and valuation adjustments	**1,164**	**1,647**	**1,906**	**2,166**	**2,418**	**-29.3%**	**-51.8%**
TOTAL PERFORMING LOANS	**26,777**	**27,206**	**28,274**	**28,201**	**28,326**	**-1.6%**	**-5.5%**

Performing loans balance of the Entity stands at EUR 26,777 million. Of this, EUR 1,353 million correspond to loans to public sector, EUR 24,260 million to private sector loans and EUR 1,164 million to reverse repos and other unclassified balances, the latter being mainly collateral for financing transactions in markets and derivatives. By portfolio type, the most important are retail loans with mortgage guarantees, representing 57.1% of total performing loans, and the SME and self-employed portfolio, accounting for another 13.5% with latter growing in weight since the close of 2017.



Performing loans have a year-on-year negative evolution, but are close to the tipping point. This is thanks to the Group's strong commercial performance, with significant volumes of new lending, accounting for EUR 3,248 million, representing increases of 18% in SMEs, 19% in mortgages to individuals and 33% in consumer loans and others, compared to the same period in the previous financial year. In the public sector and corporates, production stands at EUR 965 million, not greater than the previous period, pursuing a strategy of prioritising profitability over volume in these segments.

Performing loans to the public sector have fallen 11.1% over the year, as a result of a number of early transaction repayments, while in the private sector it has contracted only 0.5%, marked by the performance of mortgage volumes to individuals, where softening is slowing quarter-on-quarter compared to the same quarters the previous year. On the positive side, corporate credit and consumer loans and other have increased.

7. Non-performing loans & foreclosed assets

Million euros	31/12/2018	30/09/2018	30/06/2018	31/03/2018	31/12/2017	QoQ	YoY
GROSS BALANCE							
Public sector	**14**	**2**	**2**	**2**	**2**	**687.1%**	**510.7%**
Private sector	**1,912**	**2,219**	**2,338**	**2,568**	**2,708**	**-13.8%**	**-29.4%**
Business	**688**	**793**	**840**	**982**	**1,071**	**-13.3%**	**-35.8%**
RED and construction	147	189	214	310	351	-22.6%	-58.3%
SMEs and self-employed	509	552	578	623	653	-7.7%	-22.1%
Other corporates	32	52	49	49	66	-38.3%	-51.3%
Individuals	**1,224**	**1,426**	**1,498**	**1,585**	**1,637**	**-14.1%**	**-25.2%**
Mortgages	842	956	1,008	1,099	1,136	-11.9%	-25.9%
Consumer and other	382	470	490	487	501	-18.7%	-23.7%
Repos and valuation adjustments	**0**	**0**	**0**	**0**	**0**	**n.a.**	**n.a.**
NON PERFORMING LOANS	**1,926**	**2,221**	**2,340**	**2,570**	**2,710**	**-13.3%**	**-29.0%**
Non performing loans (excluding RED loans)	**1,779**	**2,032**	**2,126**	**2,260**	**2,359**	**-12.4%**	**-24.6%**
PROVISIONS							
Public sector	**7**	**7**	**7**	**3**	**0**	**5.6%**	**n.s.**
Private sector	**1,005**	**1,207**	**1,269**	**1,400**	**1,347**	**-16.8%**	**-25.4%**
Business	**450**	**527**	**542**	**636**	**614**	**-14.6%**	**-26.7%**
RED and construction	115	152	166	221	249	-24.5%	-53.9%
SMEs and self-employed	284	321	321	362	327	-11.5%	-13.0%
Other corporates	51	54	55	53	38	-5.7%	32.5%
Individuals	**555**	**681**	**726**	**764**	**733**	**-18.5%**	**-24.3%**
Mortgages	262	341	372	406	414	-23.2%	-36.7%
Consumer and other	293	339	354	358	319	-13.7%	-8.3%
Repos and valuation adjustments	**8**	**8**	**8**	**8**	**8**	**-1.4%**	**5.5%**
NON PERFORMING LOANS	**1,020**	**1,223**	**1,284**	**1,412**	**1,355**	**-16.6%**	**-24.7%**
Non performing loans (excluding RED loans)	**905**	**1,071**	**1,118**	**1,190**	**1,106**	**-15.4%**	**-18.1%**
% COVERAGE							
Public sector	**52.1%**	**388.3%**	**360.4%**	**160.0%**	**0.0%**	**-336.2 pp**	**52.0 pp**
Private sector	**52.5%**	**54.4%**	**54.3%**	**54.5%**	**49.8%**	**-1.9 pp**	**2.8 pp**
Business	**65.4%**	**66.4%**	**64.5%**	**64.8%**	**57.3%**	**-1.0 pp**	**8.0 pp**
RED and construction	78.3%	80.3%	77.5%	71.4%	70.9%	-2.0 pp	7.4 pp
SMEs and self-employed	55.8%	58.2%	55.7%	58.0%	50.0%	-2.4 pp	5.8 pp
Other corporates	157.3%	102.9%	112.3%	108.9%	57.8%	54.4 pp	99.6 pp
Individuals	**45.3%**	**47.7%**	**48.5%**	**48.2%**	**44.8%**	**-2.4 pp**	**0.5 pp**
Mortgages	31.1%	35.7%	36.9%	37.0%	36.4%	-4.6 pp	-5.3 pp
Consumer and other	76.6%	72.2%	72.4%	73.5%	63.7%	4.4 pp	12.9 pp
Repos and valuation adjustments							
NON PERFORMING LOANS	**53.0%**	**55.0%**	**54.9%**	**54.9%**	**50.0%**	**-2.1 pp**	**3.0 pp**
Non performing loans (excluding RED loans)	**50.9%**	**52.7%**	**52.6%**	**52.7%**	**46.9%**	**-1.8 pp**	**4.0 pp**

The Group continues to show a solid ability to consistently reduce NPLs which stood at EUR 1,926 million at the close of December 2018, representing a 60% drop in NPLs since the end of 2014.

In the previous 12 months, it has fallen by 29% (EUR -785 million), representing a further improvement in the NPL ratio, which has edged to 6.7%. Over the quarter, this has dropped by EUR 296 million, with gross entries accounting for EUR 48 million, going down, for the fifth quarter in a row, from EUR 100 million per quarter, and for the second in a row from EUR 50 million. On the other hand, there is considerable improvement in recoveries, which, excluding write-offs, means the Entity has recorded eleven consecutive quarters of net outflows (if the effect of the Banks of Spain Circular 4/2016 in Q4 2016 is stripped out). It is pertinent to point out here that there would also have been net outflows in this period, had the selective portfolio sales not been taken into account.

This drop in non-performing balances is occurring without damaging our high coverage ratios, which have been reinforced since IFRS 9 came into effect and amounted to 53.0% at the close of December 2018, above that at the start of the financial year.

Million euros	4Q 2018	3Q 2018	2Q 2018	1Q 2018	4Q 2017
NPL EVOLUTION					
NPLs at the beginning of the period	**2,221**	**2,340**	**2,570**	**2,710**	**2,833**
Recoveries	-270	-80	-192	-117	-95
Write-offs	-25	-39	-38	-24	-28
NPLs at the end of the period	**1,926**	**2,221**	**2,340**	**2,570**	**2,710**

Million euros	4Q 2018	3Q 2018	2Q 2018	1Q 2018	4Q 2017
NPL recoveries evolution					
Gross entries	48	35	56	60	88
Recoveries	-319	-114	-249	-177	-182
Net recoveries	**-270**	**-80**	**-192**	**-117**	**-95**

FORECLOSED ASSETS

At year to December 2018, the net balance of foreclosed assets, net of provisions, amounted to EUR 627 million euros (Eur 1,661 million gross), representing only 1% of Unicaja Banco Group's total assets.

50% of the foreclosed assets, at net book value, are finished new housing and used housing.

Following Unicaja Banco Group's conservative policy, the provisioning for foreclosed assets was EUR 1,034 million at the close of December 2018. This represents a coverage of 62.2%, slightly below the previous quarter and year-end 2017.

Foreclosed assets outflows continue at a sound pace. During this last quarter, outflows amounted to EUR 85 million, which is equivalent to 5% of the stock held at the beginning of the year. The drop in sales over the Q4 is due to the sale in the previous quarter of a portfolio at a cost of EUR 125 million (portfolio sales in the fourth quarter were EUR 35 million). In the first and second quarter of 2018 portfolio sales amounted to EUR 97 million and EUR 10 million respectively, while in the previous year portfolio outflows in the third and fourth quarter were EUR 265 million and 252 million, respectively. The upward price trend and sales results for this type of asset continues and coverage ratios remain high.

Million euros	31/12/2018	30/09/2018	30/06/2018	31/12/2017	QoQ	YoY
GROSS BALANCE						
From lending to RE developers	**911**	**920**	**959**	**1,070**	**-0.9%**	**-14.8%**
Finished buildings	138	139	172	213	-0.6%	-34.9%
Buildings under construction	129	128	129	139	0.7%	-7.6%
Land	644	652	658	718	-1.3%	-10.3%
From retail mortgages	**494**	**494**	**536**	**530**	**-0.1%**	**-6.8%**
Other foreclosed assets	**256**	**254**	**278**	**272**	**0.9%**	**-5.7%**
TOTAL FORECLOSED ASSETS	**1,661**	**1,668**	**1,772**	**1,872**	**-0.4%**	**-11.2%**
Off which finished buildings	**632**	**634**	**708**	**743**	**-0.3%**	**-14.9%**
PROVISIONS						
From lending to RE developers	**634**	**684**	**706**	**769**	**-7.2%**	**-17.6%**
Finished buildings	76	78	94	111	-2.7%	-32.1%
Buildings under construction	75	77	78	81	-3.0%	-7.6%
Land	484	529	534	577	-8.5%	-16.2%
From retail mortgages	**240**	**240**	**265**	**260**	**-0.1%**	**-7.7%**
Other foreclosed assets	**160**	**148**	**161**	**167**	**7.5%**	**-4.6%**
TOTAL FORECLOSED ASSETS	**1,034**	**1,073**	**1,132**	**1,197**	**-3.6%**	**-13.6%**
Off which finished buildings	**316**	**318**	**359**	**372**	**-0.7%**	**-15.0%**
COVERAGE (%)						
From lending to RE developers	**69.6%**	**74.4%**	**73.6%**	**71.9%**	**-4.8 pp**	**-2.3 pp**
Finished buildings	54.7%	55.8%	54.7%	52.4%	-1.2 pp	2.3 pp
Buildings under construction	58.1%	60.3%	60.3%	58.1%	-2.2 pp	0.0 pp
Land	75.1%	81.1%	81.1%	80.4%	-6.0 pp	-5.3 pp
From retail mortgages	**48.6%**	**48.6%**	**49.4%**	**49.1%**	**0.0 pp**	**-0.5 pp**
Other foreclosed assets	**62.3%**	**58.4%**	**58.1%**	**61.6%**	**3.8 pp**	**0.7 pp**
TOTAL FORECLOSED ASSETS	**62.2%**	**64.3%**	**63.8%**	**64.0%**	**-2.1 pp**	**-1.7 pp**
Off which finished buildings	**50.0%**	**50.2%**	**50.7%**	**50.0%**	**-0.2 pp**	**-0.1 pp**

Million euros	4Q 2018	3Q 2018	2Q 2018	1Q 2018	4Q 2017
FORECLOSED ASSETS EVOLUTION					
BoP	**1,668**	**1,772**	**1,776**	**1,872**	**2,111**
Inflows	78	78	96	90	105
Outflows	85	182	99	187	344
EoP	**1,661**	**1,668**	**1,772**	**1,776**	**1,872**

8. Results

Million euros	31/12/2018	31/12/2017	YoY Amount	YoY %
Interest income	805	853	-48	-5.6%
Interest expense	204	270	-66	-24.3%
NET INTEREST INCOME	**601**	**583**	**18**	**3.1%**
Dividend income	23	23	0	-1.6%
Share of results of entities accounted for using the equity method	37	49	-12	-24.0%
Net fee income	219	220	-1	-0.6%
Trading income (*)	142	98	44	44.6%
Other operating income/expenses (*)	-23	24	-46	-193.8%
GROSS INCOME	**999**	**997**	**2**	**0.2%**
Administrative expenses	582	590	-8	-1.4%
Staff expenses	391	401	-10	-2.6%
Other administrative expenses	191	189	2	1.0%
Amortization	37	42	-5	-12.4%
PRE-PROVISION PROFIT	**380**	**364**	**16**	**4.3%**
Provisions /reversal of provisions	187	132	54	41.1%
Impairments / reversal of financial assets	-3	37	-40	-108.4%
NET OPERATING INCOME	**196**	**195**	**1**	**0.4%**
Impairments / reversals on non-financial assets	-10	55	-65	-117.9%
PROFIT BEFORE TAX	**206**	**140**	**66**	**47.3%**
Taxes	53	1	52	3878.4%
NET INCOME FROM CONTINUING OPERATIONS	**153**	**138**	**14**	**10.2%**
Profit / loss from discontinued operations	0	0	0	n.a.
CONSOLIDATED NET INCOME	**153**	**138**	**14**	**10.2%**
ATTRIBUTABLE NET INCOME	**153**	**142**	**10**	**7.1%**

QUARTERLY EVOLUTION

Million euros	4Q 2018	3Q 2018	2Q 2018	1Q 2018	4Q 2017
Interest income	200	200	201	205	205
Interest expense	51	51	50	52	54
NET INTEREST INCOME	**149**	**149**	**151**	**152**	**151**
Dividend income	2	5	13	2	3
Share of results of entities accounted for using the equity method	5	12	10	11	9
Net fee income	56	55	55	53	56
Trading income (*)	98	15	13	16	18
Other operating income/expenses (*)	-46	7	0	17	-55
GROSS INCOME	**264**	**243**	**242**	**250**	**181**
Administrative expenses	144	146	146	146	145
Staff expenses	98	98	97	98	99
Other administrative expenses	46	48	49	49	46
Amortization	10	9	9	9	10
PRE-PROVISION PROFIT	**110**	**88**	**87**	**94**	**26**
Provisions /reversal of provisions	106	19	33	29	37
Impairments / reversal of financial assets	0	10	-10	-4	-19
NET OPERATING INCOME	**5**	**58**	**63**	**70**	**8**
Impairments / reversals on non-financial assets	-9	7	1	-8	-1
PROFIT BEFORE TAX	**14**	**52**	**62**	**78**	**10**
Taxes	3	14	16	21	-9
NET INCOME FROM CONTINUING OPERATIONS	**10**	**38**	**47**	**57**	**18**
Profit / loss from discontinued operations	0	0	0	0	0
CONSOLIDATED NET INCOME	**10**	**38**	**47**	**57**	**18**
ATTRIBUTABLE NET INCOME	**10**	**37**	**47**	**58**	**6**

(*) Equivalence of the headings of the consolidated public income statement for the financial year 2018 and 2017 in Annex III of the Quarterly Financial Report

YIELDS & COSTS

Million euros / %	4Q 2018			3Q 2018			2Q 2018			1Q 2018			4Q 2017		
	Average balances	FI/FE	Yield/ cost (%)	Average balances	FI/FE	Yield/ cost (%)	Average balances	FI/FE	Yield/ cost (%)	Average balances	FI/FE	Yield/ cost (%)	Average balances	FI/FE	Yield/ cost (%)
F.I. intermediaries & reverse repos	5,546	-4	-0.31	4,609	-3	-0.27	4,877	-3	-0.27	5,474	-4	-0.26	4,670	-3	-0.28
F.I. fixed income portfolio	17,686[1]	55	1.23	18,148[1]	59	1.28	18,126[1]	59	1.31	17,340	59	1.38	17,338	56	1.28
F.I. Net loans	**26,546**	**138**	**2.07**	**26,999**	**134**	**1.96**	**27,317**	**135**	**1.98**	**27,236**	**138**	**2.06**	**27,429**	**142**	**2.05**
F.I. other assets	7,396	1		7,468	1		7,635	1		7,268	2		6,932	2	
TOTAL ASSETS	**57,174**	**189**	**1.31**	**57,225**	**190**	**1.32**	**57,956**	**192**	**1.33**	**57,318**	**196**	**1.39**	**56,369**	**196**	**1.38**
F.E: intermediaries & sight accounts	7,627	-5	-0.25	6,941	-4	-0.25	7,914	-5	-0.25	8,112	-5	-0.24	7,049	-4	-0.25
F.E. issues (incl. mortgage c.b.)	4,537	26	2.26	4,765	26	2.16	4,877	26	2.14	5,105	27	2.12	5,570	28	1.99
F.E. customer deposits*	**37,392**	**19**	**0.20**	**37,740**	**19**	**0.20**	**37,353**	**19**	**0.21**	**36,895**	**19**	**0.21**	**36,913**	**20**	**0.22**
Sight deposits	27,167	3	0.04	27,153	3	0.04	26,326	3	0.05	25,363	4	0.06	24,905	3	0.05
Term deposits	7,672	15	0.79	8,111	16	0.78	8,507	16	0.75	8,900	16	0.71	9,555	17	0.69
F.E: subordinated liabilities	0	0		0	0		0	0		0	0		0	0	0.00
F.E: other liabilities	7,617	1		7,779	1		7,812	1		7,206	2		6,837	1	
TOTAL LIABILITIES & EQUITY	**57,174**	**40**	**0.28**	**57,225**	**42**	**0.29**	**57,956**	**41**	**0.28**	**57,318**	**44**	**0.31**	**56,369**	**45**	**0.32**
CUSTOMER SPREAD*			**1.87**			**1.76**			**1.78**			**1.85**			**1.83**
NET INTEREST INCOME	**57,174**	**149**	**1.03**	**57,225**	**149**	**1.03**	**57,956**	**151**	**1.04**	**57,318**	**152**	**1.08**	**56,369**	**151**	**1.06**

F.I : Financial income

F.E. Financial expense

(*) F.I. Net lending less F.C. of customer deposits

(1) It does not include Fixed Income Portfolio from Unión Duero Vida and Duero Pensiones.

The Group reported a net profit of EUR 153 million for 2018.

This net profit comes in the first instance from core income (net interest income) of EUR 820 million, which amounts to 1.43% of total average assets, and which has risen by 2.1% in the year (2.9% if the integration of the insurance companies is stripped out). Net interest income grows by 3.1% compared to the previous year. This improvement is due to lower funding costs and to the higher contribution made by the fixed income portfolio. Meanwhile, net fees have grown by 2.4% in the year before taking into account the integration of the insurance companies.

Customer spread is up when compared with the previous quarter, mainly as a result of higher lending yields.

Meanwhile, net fees are slightly down in the year (-0.6); if the integration of the insurance companies is stripped out, fees would have grown 2.4% in the year. Growth in fee income over the quarter was centred on collections and payments services (+9.1%), while over the 12-month period fees received for risk and contingent commitments and from securities and non-banking products have improved.

Net trading income and exchange differences, with revenues of EUR 142 million, were 45% higher than the previous year and were accounted for, mainly, by sales made in the last quarter of 2018. These will fund the staff reduction agreements made with the employees' representatives in the fourth quarter.

FEES

Million euros	4Q 2018	3Q 2018	2Q 2018	1Q 2018	4Q 2017	QoQ	YoY
FEE INCOME	**60**	**61**	**61**	**58**	**58**	**-2.0%**	**3.8%**
From contingent risk	2	2	2	2	2	-19.3%	1.3%
From contingent commitments	1	1	1	1	1	4.3%	4.2%
From currency exchange	0	0	0	0	0	-11.9%	30.5%
From payments and collections	34	31	31	30	32	9.1%	7.3%
From securities services and non banking products	22	26	26	25	23	-14.9%	-1.7%
Other fees	1	1	1	1	1	15.6%	12.5%
FEE EXPENSES	**4**	**6**	**6**	**6**	**2**	**-24.4%**	**171.9%**
NET FEE INCOME	**56**	**55**	**55**	**53**	**56**	**0.3%**	**-1.1%**

Results for other operating income /expenses were EUR -23 million. We should note that in 2017 income of EUR 25 million from restructuring the bancassurance deal was booked here, as well as the results from real estate activity was EUR 31 million higher than results over the same period in 2018. Lastly, this item has also been affected by the loss of income due to the sale in the first quarter of 2017 of certain companies in the Group and to the integration into the consolidation perimeter of Unión Duero Vida and Duero Pensiones.

Another significant feature of the statement for this period is the change in transformation expenses (administrative expenses plus amortizations and depreciations), which have fallen by 2.2% from the previous period. The application of a strict policy of cost containment and rationalization, and the attainment of the synergies envisaged in the Business Plan, have resulted in a decrease in administrative expenses of EUR 8 million and EUR 5 million in amortisation and depreciation.

Finally, impairments and other net income is down 23% YoY. This reduction was particularly steep in loan impairments, firstly, which in the year to December have posted net recoveries of EUR 4 million, as opposed to the charge in the previous year of EUR 49 million, and secondly, in foreclosed assets results, which yielded recoveries of EUR 6 million, as opposed to impairments of EUR 43 million in 2017. All this demonstrates the Group's capacity to reduce its exposure to NPLs and foreclosed assets, without having a negative impact on the income statement and, as we have pointed out in earlier paragraphs, without affecting its high coverage ratios.

YEAR-TO-DATE IMPAIRMENTS			**Cumulative variation**	
Million euros	**4Q 2018**	**4Q 2017**	**Amount**	**%**
Credit impairments	4	-49	53	-108.3%
Foreclosed assets impairments	6	-43	49	-114.0%
Provisions and other results	-184	-133	-51	38.5%
TOTAL IMPAIRMENTS	**-174**	**-224**	**51**	**-22.5%**

IMPAIRMENTS						**YoY**	
Million euros	**4Q 2018**	**3Q 2018**	**2Q 2018**	**1Q 2018**	**4Q 2017**	**Amount**	**%**
Credit impairments	0	-10	10	5	17	-17	-98.5%
Foreclosed assets impairments	8	-4	7	-4	-8	16	-193.3%
Provisions and other results	-105	-22	-41	-17	-25	-79	310.0%
TOTAL IMPAIRMENTS	**-97**	**-36**	**-25**	**-16**	**-16**	**-80**	**492.0%**

9. Liquidity

Loan to deposits						QoQ	
Million euros	31/12/2018	30/09/2018	30/06/2018	31/03/2018	31/12/2017	Amount	%
Credit and loans (excluding valuations adjustments and other financial assets)	28,580	29,291	30,432	30,547	30,840	-711	-2.4%
-Reverse repos	1,041	1,512	1,723	1,942	2,221	-471	-31.1%
a) Core credit and loans	27,539	27,779	28,709	28,605	28,619	-240	-0.9%
Customers deposits (excluding valuations adjustments)	42,861	43,454	44,190	43,902	45,373	-592	-1.4%
-Repos	815	1,067	1,224	1,871	2,563	-252	-23.6%
-Morgage covered bonds	4,249	4,635	4,635	4,858	5,093	-387	-8.3%
b) Core customer deposits	37,798	37,751	38,330	37,173	37,718	46	0.1%
LtD ratio (a/b)	73%	74%	75%	77%	76%	-0.7%	

The Group's high liquidity levels are reflected in its LTD ratio which, at the end of December 2018, stands at 73%, lower than year-end 2017, due to the performance of the business discussed.

						QoQ	
Liquid assets	31/12/2018	30/09/2018	30/06/2018	31/03/2018	31/12/2017	Amount	%
Cash surplus (1)	3,712	2,103	2,228	2,229	3,073	1,609	76.5%
Reverse repos	2,293	1,946	1,842	2,491	2,222	347	17.8%
Fixed income portfolio and other discountable assets in ECB	15,914	16,804	16,657	17,275	15,534	-891	-5.3%
Total liquid assets (ECB discount value)	21,919	20,853	20,727	21,995	20,829	1,066	5.1%
Liquid assets used							
In ECB	3,316	3,320	3,323	3,340	3,340	-3	-0.1%
Repos	4,664	3,077	2,865	5,155	3,311	1,586	51.5%
Total liquid assets used	7,980	6,397	6,188	8,495	6,652	1,583	24.7%
AVALABLE DISCOUNTABLE LIQUID ASSETS	13,939	14,456	14,539	13,500	14,177	-517	-3.6%
% over total assets	24.2%	25.4%	25.2%	23.2%	25.2%	-1.2%	

(1) Interbank deposits + surplus balance in ECB and operating balances

Unicaja Banco Group had at 31 December 2018 a liquid and discountable assets position at the European Central Bank, net of assets used, of EUR 13,939 million, representing 24.2% of the total balance sheet, reflecting a stable performance of around 24-25% on a quarter-on-quarter basis. This large volume of liquid assets will enable the forthcoming wholesale funding maturities in the markets to be managed comfortably (EUR 668 million in 2019 and EUR 325 million in 2020).

Debt securities maturities

	Debt securities (*)
2019	668
2020	325
2021	690

(*) Includes multi issuer covered bonds

LIQUIDITY RATIOS	31/12/2018	30/09/2018	30/06/2018	31/03/2018	31/12/2017	QoQ
LCR	468%	412%	470%	584%	701%	56 pp
NSFR	139%	139%	132%	133%	134%	0 pp

10. Solvency

PHASE IN RATIOS					
Million € and %	**31/12/2018**	**30/09/2018**	**30/06/2018**	**31/03/2018**	**31/12/2017**
Qualifying capital	**3,580**	**3,682**	**3,712**	**3,804**	**3,650**
CET1 capital (BIS III)	3,533	3,634	3,664	3,685	3,532
Capital and share premium	2,820	2,820	2,820	2,820	2,820
Reserves	903	881	871	860	845
Attributable net profit (excluding dividends)	85	70	71	0	101
Deductions	-372	-337	-322	-313	-250
Others (1)	97	200	223	319	17
Tier 1	48	48	48	49	42
Tier 2	0	0	0	70	76
Risk weighted assets	**22,871**	**23,259**	**23,878**	**23,959**	**24,239**
CET1 capital (BIS III) (%)	**15.4%**	**15.6%**	**15.3%**	**15.4%**	**14.6%**
Tier 1	0.2%	0.2%	0.2%	0.2%	0.2%
Tier 2	0.0%	0.0%	0.0%	0.3%	0.3%
Total capital ratio (%)	**15.7%**	**15.8%**	**15.5%**	**15.9%**	**15.1%**

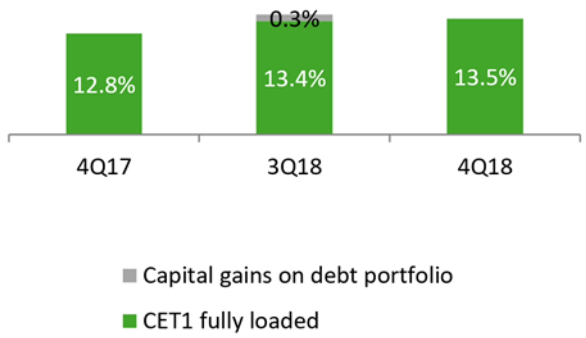
(1) Treasury stock, minorities, other comprehensive income and IFRS9 transitional period

FULLY LOADED RATIOS					
Million € and %	**31/12/2018**	**30/09/2018**	**30/06/2018**	**31/03/2018**	**31/12/2017**
Qualify capital	**3,089**	**3,189**	**3,225**	**3,336**	**3,196**
CET1 capital (BIS III)	3,041	3,141	3,177	3,199	3,069
Capital and share premium	2,820	2,820	2,820	2,820	2,820
Reserves	903	881	871	860	845
Attributable net profit (excluding dividends)	85	70	71	0	101
Deductions	-753	-720	-698	-689	-719
Others (2)	-13	90	113	208	22
Tier 1	48	48	48	49	49
Tier 2	0	0	0	89	78
Risk weighted assets	**22,573**	**22,976**	**23,598**	**23,693**	**24,022**
CET1 capital (BIS III) (%)	**13.5%**	**13.7%**	**13.5%**	**13.5%**	**12.8%**
Tier 1	0.2%	0.2%	0.2%	0.2%	0.2%
Tier 2	0.0%	0.0%	0.0%	0.4%	0.3%
Total capital ratio (%)	**13.7%**	**13.9%**	**13.7%**	**14.1%**	**13.3%**

(2) Treasury stock, minorities and other comprehensive income

	31/12/18
	Phase in
CET1 (%)	15.4%
Total capital (%)	15.7%
2018 CET1 SREP requirement	8.13%
2018 Total capital SREP requirement	11.63%
Excess of capital over 2018 CET1 SREP requirement	**7.32%**
Excess of capital over 2018 Total capital SREP requirement	**4.03%**

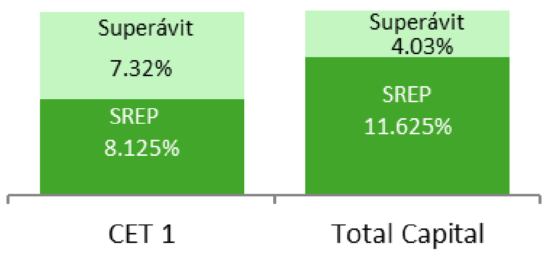
Unicaja Banco Group has a common equity tier 1 ratio (CET1) of 15.4% and a total capital ratio of 15.7%. This represents an increase of 0.9 pp in CET1 and 0.6 pp in total capital versus the 2017 year-end closing. The Bank's capital improved when taking into account, on the one hand, the negative impact (-0.4 pp) from the integration of the life insurance firms and pension funds (formalised in the first quarter of 2018), and on the other, the application of IFRS 9 which had a positive 0.7 pp impact at 1st January 2018, made possible thanks to the application by the Entity of the transition period applicable with the entry into force of the regulation (without this period, the impact would have been +0.4 pp).



In fully loaded terms Unicaja Banco has a CET1 ratio of 13.5% and a total capital ratio of 13.7%. This represents 0.7 pp increase in the CET1 ratio and a 0.4 pp increase in the total capital ratio, compared to December 2017. As of 31 December 2018, no significant capital gains were included in the fully-loaded CET1 ratio.

It is worth noting that regulatory capital as of September only included eligible results for the first half-year 2018, while year-end figures include the eligible results for the financial year. This means that the change in capital for Q4 includes the eligible results for the last two quarters.

The levels required by the ECB (including progressive application of systemic and conservation buffers) for 2018, sets the CET1 ratio at 8.125% and the total capital ratio at 11.625%. This means that the Group has at December 2018 a surplus of 732 basis points (EUR 1,674 million) over its CET1 requirements and of 403 basis points (EUR 922 million) over its total capital requirements.



The Texas ratio comes in at 61.2% at the close of December 2018. The lower this ratio, the better the quality of the balance sheet and liquidity. In the case of the Group, the ratio has gone down by 11.2 pp in the year.

Finally, the quality of the institution's balance sheet and its liquidity levels allow a proposal to be submitted for approval at the next Annual General Meeting to pay out a cash dividend of 40% of profits, bringing forward by two years the goal set for 2020 when the entity went public.

	31/12/2018	30/09/2018	30/06/2018	31/03/2018	31/12/2017	QoQ	YoY
Texas Ratio	**61.2%**	**63.3%**	**65.9%**	**67.6%**	**72.4%**	**-2.1 pp**	**-11.2 pp**

Texas Ratio: NPLs + Foreclosed assets / Tangible Book value + NPAs provisions

APPENDIX I:

SHARE PRICE PERFORMANCE

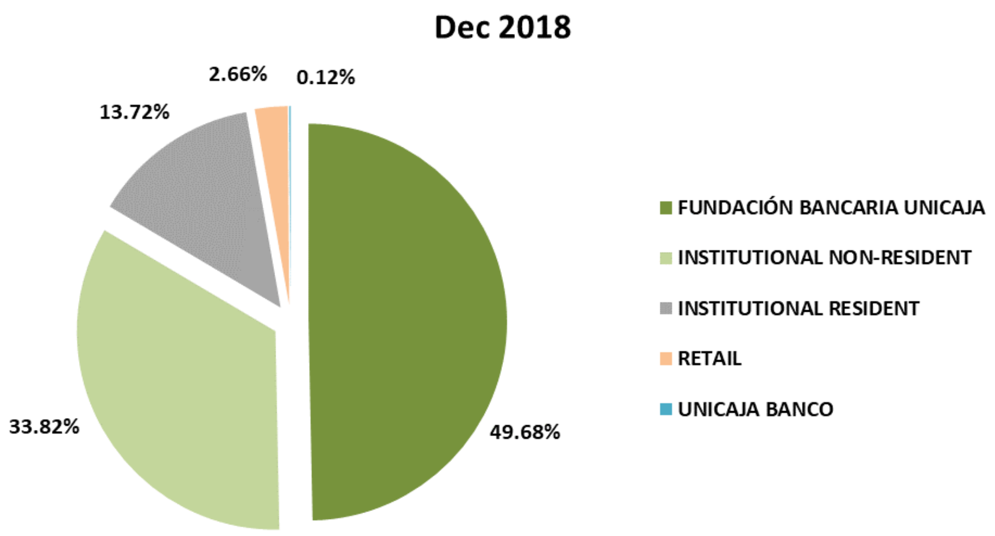
Listing Data

UNICAJA BANCO	Dec-18
Number of shareholders	16,941
Average daily trading (num. of shares)	3,074,744
Average daily trading (euros)	4,308,468
Closing high (euros/share)	1,626 (9-May)
Closing low (euros/share)	1,007 (10-Dec)
Year-end closing (euros/share)	1,15 (31-Dec)

Note: Data cumulative YTD December'18

Main shareholders

	NUM. OF SHAREHOLDERS	SHARES	%
FUNDACIÓN BANCARIA UNICAJA	1	800,000,000	49.68%
INSTITUTIONAL NON-RESIDENT	105	544,532,007	33.82%
INSTITUTIONAL RESIDENT	444	220,983,658	13.72%
RETAIL	16,390	42,796,030	2.66%
UNICAJA BANCO	1	1,990,426	0.12%
TOTAL	**16,941**	**1,610,302,121**	**100.00%**



APPENDIX II:

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, including the definitions and matching balance sheet and income statement items used by the Grupo Unicaja Banco:

ALTERNATIVE PERFORMANCE MEASURES (APM)

(in EUR million or %)		December'18	December'17
Cost of risk	Impairment or (-) reversal of impairment in value of loans and receivables to customers	-4.0	48.6
	Average between start/end of period for loans and receivables from customers (excluding valuation adjustments)	29,870	31,884
	Ratio	**-0.01%**	**0.15%**

		December'18	December'17
Cost to income ratio (Operating Expenses excl. amort. & depre. / gross margin)	Administrative expenses	582	590
	Gross Margin	999	997
	Ratio	**58.3%**	**59.2%**

		Q4 2018	Q4 2017
Customer spread (quarterly figure)	Quarterly yields on loans and advances to customers (excluding reverse repos) over net average quarterly balances of loans and advances to customers (excluding repos and other financial assets)	2.07%	2.05%
	Cost in the quarter of customer deposits (excluding reverse repos) over average quarterly balances of customer deposits (excluding repos)	0.20%	0.22%
	Difference between yield & cost	**1.87%**	**1.83%**

		December'18	December'17
Foreclosed assets coverage	Impairment of foreclosed Real Estate assets	1,034	1,197
	Gross carrying amount of foreclosed Real Estate assets	1,661	1,872
	Ratio	**62.2%**	**64.0%**

		December'18	December'17
NPL coverage ratio	Loans and receivables portfolio. Total adjustments for impairment of assets (Note 27).	1,020	1,355
	Loans and receivables portfolio. NPL risks (Note 27)	1,926	2,710
	Ratio	**53.0%**	**50.0%**

		December'18	December'17
NPL ratio	Loans and receivables portfolio. NPL risks (Note 27)	1,926	2,710
	Loans and receivables portfolio. Gross amount (Note 27)	28,703	31,038
	Ratio	**6.7%**	**8.7%**

		December'18	December'17
ROA	Consolidated net income	152.5	138.4
	Total average assets (average of quarterly average balances)	57,418	56,413
	Ratio	**0.3%**	**0.2%**

		December'18	December'17
ROE	Consolidated net income	152.5	138.4
	Average Own Funds (average of quarterly average balances)	3,850	3,397
	Ratio	**4.0%**	**4.1%**

		December'18	December'17
Loans and advances to customers (excluding valuation adjustments)	Loans and receivables portfolio. Gross amount (Note 27)	28,703	31,038

		December'18	December'17
Gross loans and advances to customers ex repos & other financial assets (excluding valuation adjustments)	1. Loans and receivables. Credit and loans at variable interest rate	23,861	25,388
	2. Loans and receivables. Credit and loans at fixed interest rate	3,669	3,230
	3. Other assets designated at fair value. Credit at variable interest rate	9	-
	Performance measure (1+2+3)	**27,539**	**28,619**

		December'18	December'17
Gross performing loans and advances to customers ex repos & other financial assets (excluding valuation adjustments)	1. Loans and receivables. Credit and loans at variable interest rate	23,861	25,388
	2. Loans and receivables. Credit and loans at fixed interest rate	3,669	3,230
	3. Other assets designated at fair value. Credit at variable interest rate	9	-
	4. Loans and receivables portfolio. NPL risks (Note 27)	1,926	2,710
	Performance measure (1+2+3-4)	**25,613**	**25,908**

		December'18	December'17
Total customer funds	1. Financial liabilities measured at amortized cost. Deposits from customers (excluding valuation adjustments)	42,861	45,373
	2. Issued debt securities (excluding valuation adjustments)	60	130
	3. Funds managed through off-balance sheet instruments	12,586	12,699
	Performance measure (1+2+3)	**55,507**	**58,202**

		December'18	December'17
Retail Customer funds (non-market).	1. Total customer funds	55,507	58,202
	2. Covered bonds under the heading "Term deposits" Cash value (*management measure*)	4,249	5,093
	3. Deposits from customers. - Repos (excluding valuation adjustments)	1,268	3,157
	4. Issued debt securities (excluding valuation adjustments)	60	130
	5. Repos controlled by retail customers (*management measure*)	454	594
	Performance measure (1-2-3-4+5)	**50,383**	**50,417**

		December'18	December'17
Wholesale funds (Markets)	1. Covered bonds under the heading "Term deposits" Cash value (*management measure*)	4,249	5,093
	2. Deposits from customers. - Repos (excluding valuation adjustments)	1,268	3,157
	3. Issued debt securities (excluding valuation adjustments)	60	130
	4. Repos controlled by retail customers (*management measure*)	454	594
	Performance measure (1+2+3-4)	**5,124**	**7,785**

		December'18	December'17
Loan to Deposits (LtD)	1. Loans and receivables. Credit and loans at variable interest rate	23,861	25,388
	2. Loans and receivables. Credit and loans at fixed interest rate	3,669	3,230
	3. Other assets designated at fair value. Credit at variable interest rate	9	-
	(1+2+3) NUMERATOR Loans and advances Customers -excluding valuation adjustments-	**27,539**	**28,619**
	1. Financial liabilities measured at amortized cost. Deposits from customers (excluding valuation adjustments)	42,861	45,373
	2. Covered bonds under the heading “Term deposits” Cash value (*management measure*)	4,249	5,093
	3. Deposits from customers. - Repos (excluding valuation adjustments)	1,268	3,157
	4. Repos controlled by retail customers (*management measure*)	454	594
	(1-2-3+4) DENOMINATOR. Customer deposits (non-market) -excluding valuation adjustments-	**37,798**	**37,718**
	Ratio	**72.9%**	**75.9%**

		December'18	December'17
Gross liquid assets	1. Cash surplus (interbank deposits + balance surplus in ECB and operating accounts)	3,712	3,073
	2. Reverse repos	2,293	2,222
	3. Fixed income portfolio and other discountable assets in ECB	15,914	15,534
	Performance measure (1+2+3)	**21,919**	**20,829**

Sum of:

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

- Net position of interbank deposits with other credit institutions.

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

		December'18	December'17
Net liquid assets	1. Gross liquid assets	21,919	20,829
	2. Taken in the ECB	3,316	3,340
	3. Repos and other pledges	4,664	3,311
	Performance measure (1-2-3)	**13,939**	**14,177**
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.			

		December'18	December'17
Operating or transformation expenses	1. Administrative expenses	582.1	590.5
	2. Depreciation and amortization	37.1	42.3
	Performance measure (1+2)	**619.2**	**632.8**

		December'18	December'17
Credit and loans impairment	Impairment or (-) reversal of impairment in value of loans and receivables to customers	-4.0	48.6

		December'18	December'17
Pre-provision profit	1. Gross Margin	998.9	997.0
	2. Administrative expenses	582.1	590.5
	3. Depreciation and amortization	37.1	42.3
	Performance measure (1-2-3)	**379.7**	**364.3**

		December'18	December'17
Provisions, impairments and other results	1. Provisioning or (-) provisioning reversals	186.8	132.5
	2. Impairment or (-) reversal in the value of financial assets not measured at fair value through profit and loss	-3.1	36.7
	3. Impairment or (-) reversal in the value of joint ventures or associates	0.0	27.2
	4. Impairment or (-) reversal in the value of non-financial assets	-4.3	46.7
	5. Gain or (-) loss on derecognition from the statements non-financial assets and stakes, netted out	7.4	18.7
	6. Recognised negative goodwill	0.0	0.0
	7. Gains or (-) losses arising from non-current assets and disposal groups of items classified as held for sale that cannot be classified as discontinued operations	-1.8	-0.1
	Performance measure (1+2+3+4-5-6-7)	**173.8**	**224.5**

		December'18	December'17
Net Fees	1. Fee and commission income	240.2	240.6
	2. Fee and commission expense	21.4	20.4
	Performance measure (1-2)	**218.8**	**220.1**

		December'18	December'17
Net 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, netted out	144.7	96.1
	2. Net gain or (-) losses from financial assets and liabilities held for trading	0.5	1.7
	3. Net gain or (-) losses from non-trading financial assets mandatorily designated at fair value through profit or loss, netted out	0.9	0.0
	4. Net gain or (-) losses from financial assets and liabilities designated at fair value through profit or loss, netted out	-3.6	0.0
	5. Net gain (-) losses from hedge accounting, netted out	0.0	0.2
	6. Net exchange differences, gains or (-) losses, netted out	-0.4	0.4
	Performance measure (1+2+3+4+5+6)	**142.1**	**98.3**

		December'18	December'17
Other products / operating charges	1. Other operating income	101.1	163.9
	2. Other operating expenses	143.5	139.9
	3. Income from assets under insurance or reinsurance contracts	57.5	0.0
	4. Expenses from liabilities under insurance or reinsurance contracts	37.7	0.0
	Performance measure (1-2+3-4)	**-22.5**	**24.0**

		December'18	December'17
Impairment/reversal in the value of other assets and other gains & losses (net)	1. Impairment / reversal in the value of joint ventures or associates	0.0	27.2
	2. Impairment or (-) reversal in the value of non-financial assets	-4.3	46.7
	3. Net gain or loss on derecognition from the statements of non-financial assets	7.4	18.7
	4. Recognised negative goodwill	0.0	0.0
	5. Gains or (-) losses arising from non-current assets and disposal groups of items classified as held for sale that cannot be classified as discontinued operations	-1.8	-0.1
	Performance measure (1+2-3-4-5)	**-9.9**	**55.4**

<u>APPENDIX III:</u> Consolidation of public statements 2018/2017

Since IFRS 9 came into force in 2018, amendments have been made to the consolidated financial statements that credit institutions must file publicly. The lists below show the items in these public statements that have been grouped together in this document, both on the balance sheet and in the income statement, in their current versions, and in those that were in force in the 2017 financial year.

INCOME STATEMENT

1. <u>Net trading income</u>

2018

Sum of: ·Net gain or losses on derecognition from the statements of financial assets and liabilities (not measured at fair value) through profit or loss ·Net gain or losses from financial assets and liabilities held for trading ·Net gain or losses from non-trading financial assets mandatorily designated at fair value through profit or loss ·Net gain or losses from financial assets and liabilities designated at fair value through profit or loss ·Net gain losses from hedge accounting ·Net exchange differences

2017

Sum of: ·Net gain or losses on derecognition from the statements of financial assets and liabilities (not measured at fair value) through profit or loss ·Net gain or losses from financial assets and liabilities held for trading ·Net gain or losses from financial assets and liabilities designated at fair value through profit or loss ·Net gain losses from hedge accounting ·Net exchange differences

2. <u>Other operating income/expenses</u>

2017 and 2018

+Other operating income +Other operating expenses +Income from assets under insurance or reinsurance contracts -Expenses from liabilities under insurance or reinsurance contracts

3. Impairment/reversal in the value of other assets and other gains & losses (net)

2017 and 2018

+Impairment or reversal in the value of joint ventures or associates
+Impairment or reversal of non-financial assets
-Net gain or loss on derecognition from the statements of non-financial assets, netted out
-Recognised negative goodwill
-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

BALANCE SHEET. ASSETS

1. Financial assets held for trading through profit and loss

2018

Sum of:

·Financial assets held for trading
·Non-trading financial assets mandatorily designated at fair value through profit and loss
·Financial assets designated at fair value through profit or loss

2017

Sum of:

·Financial assets held for trading
·Financial assets designated at fair value through profit or loss

2. Financial assets through other comprehensive income

2018

·Financial assets through other comprehensive income

2017

·Available-for-sale financial assets

3. Loans and advances carried at amortised cost

2018

·Financial assets carried at amortized cost. Loans and advances

2017

·Loans and receivables. Loans and advances

4. Loans to central banks and credit institutions

2018

Sum of: ·Financial assets carried at amortised cost. Loans and advances. Central Banks ·Financial liabilities carried at amortized cost. Loans and advances. Financial institutions

2017

Sum of: ·Loans and receivables. Loans and advances. Central Banks ·Loans and receivables. Loans and advances. Financial institutions

5. Loans to customers

2018

·Financial assets carried at amortised cost. Loans and advances. Customers

2017

·Loans and receivables. Loans and advances. Customers

6. Fixed income carried at amortised cost

2018

·Financial assets carried at amortised cost. Debt securities

2017

Sum of: ·Loans and receivables. Debt securities ·Investments held to maturity

7. Hedging derivatives.

2017 and 2018

Sum of: ·Hedging derivatives ·Change in fair value of securities held in a portfolio hedged against interest rate risk

8. **Associates**

2018

·Investments in joint ventures and associates

2017

·Investments in subsidiaries, joint ventures and associates

9. **Other assets**

2017 and 2018

Sum of: ·Other assets ·Assets under insurance and reinsurance contracts

10. **Non-current assets held for sale**

2017 and 2018

·Non-current assets and disposal groups classified as held for sale

BALANCE SHEET. LIABILITIES

1. **Financial liabilities held for trading through profit and loss**

2017 and 2018

Sum of: ·Financial liabilities held for trading ·Financial liabilities designated at fair value through profit or loss

2. **Hedging derivatives.**

2017 and 2018

Sum of: ·Hedging derivatives ·Change in fair value of securities held in a portfolio hedged against interest rate risk

3. Other liability

2018

Sum of: ·Other liabilities ·Equity redeemable upon demand ·Liabilities in disposal groups classified as held for sale ·Liabilities under insurance contracts

2017

Sum of: ·Other liabilities ·Liabilities in disposal groups classified as held for sale ·Liabilities under insurance or reinsurance contracts

BALANCE SHEET. EQUITY

4. Accumulated other comprehensive income

2018

·Accumulated other comprehensive income

2017

·Valuation adjustments