

FINANCIAL REPORT

January to June 2018

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Basis of presentation

The consolidated income statement and balance sheet at the close of June 2018 and June 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 interim abridged consolidated financial statements for the 6 month period ending on 30 June 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 93 published by the *Analistas Económicos de Andalucía* group.

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

- **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 doubtful 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.

2. Key Highlights

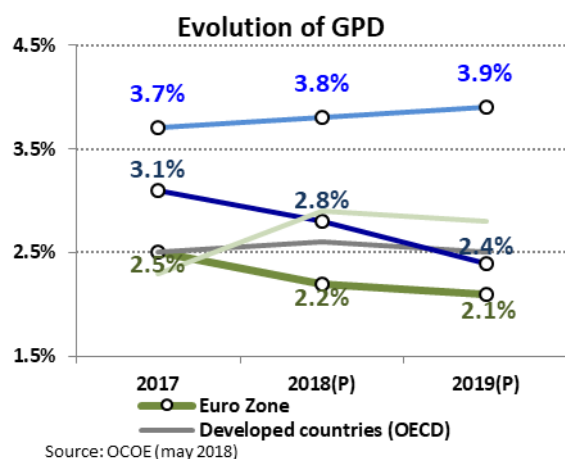
Million euros / % / pp

	30/06/2018	31/03/2018	31/12/2017	30/06/2017	QoQ	YTD	YoY
BALANCE SHEET							
Total assets	57,606	58,305	56,332	56,472	-1.2%	2.3%	2.0%
Gross loans and advances to customers (ex-reverse repos, ex others financial assets)*	28,709	28,605	28,619	30,329	0.4%	0.3%	-5.3%
Performing gross loans and advances to customers (ex-reverse repos, ex other financial assets)*	26,369	26,035	25,908	27,418	1.3%	1.8%	-3.8%
On-balance sheet customers funds*	38,330	37,173	37,718	37,325	3.1%	1.6%	2.7%
Off-balance sheet customer funds	13,063	12,920	12,699	12,196	1.1%	2.9%	7.1%
Shareholders equity	3,837	3,786	3,856	3,574	1.3%	-0.5%	7.4%
Total equity	3,957	4,019	3,902	3,790	-1.5%	1.4%	4.4%
<i>(*) Excluding valuation adjustments</i>							
RESULTS (cumulative figures)							
Net interest income	303	152	583	291			4.2%
Gross income	492	250	997	559			-12.1%
Pre-provision profit	181	94	364	239			-24.3%
Consolidated net income	104	57	138	75			39.6%
Attributable net income	105	58	142	86			22.9%
Cost to income	59.4%	58.5%	59.2%	53.3%	0.9 pp	0.2 pp	6.1 pp
ROE	5.5%	6.1%	4.1%	4.9%	-0.6 pp	1.4 pp	0.6 pp
ROA	0.4%	0.4%	0.2%	0.3%	0.0 pp	0.1 pp	0.1 pp
RISK MANAGEMENT							
Non performing loans (NPL) (a)	2,340	2,570	2,710	2,910	-8.9%	-13.7%	-19.6%
Foreclosed assets (b)	1,772	1,776	1,872	2,450	-0.2%	-5.3%	-27.7%
Non performing assets -NPA- (a+b)	4,112	4,345	4,582	5,360	-5.4%	-10.2%	-23.3%
NPL ratio	7.6%	8.4%	8.7%	8.9%	-0.7 pp	-1.1 pp	-1.3 pp
NPL coverage	54.9%	54.9%	50.0%	50.0%	-0.1 pp	4.9 pp	4.9 pp
Foreclosed assets coverage	63.8%	64.4%	64.0%	62.5%	-0.6 pp	-0.1 pp	1.3 pp
Non performing assets (NPA) coverage	58.7%	58.8%	55.7%	55.7%	-0.1 pp	3.0 pp	3.0 pp
Cost of risk	-0.09%	-0.06%	0.15%	0.00%	0.0 pp	-0.2 pp	-0.1 pp
LIQUIDITY							
Loan to deposit ratio	74.7%	76.9%	75.9%	81.3%	-2.2 pp	-1.1 pp	-6.5 pp
LCR	470%	584%	701%	1057%	-114.0 pp	-230.8 pp	-587.1 pp
NSFR	132%	133%	134%	0%	-1.0 pp	-2.0 pp	132.0 pp
SOLVENCY							
CET1 ratio (phase-in)	15.3%	15.4%	14.6%	13.4%	0.0 pp	0.8 pp	1.9 pp
CET1 ratio (fully loaded)	13.5%	13.5%	12.8%	11.8%	0.0 pp	0.7 pp	1.7 pp
Total capital ratio (phase-in)	15.5%	15.9%	15.1%	13.9%	-0.3 pp	0.5 pp	1.7 pp
Total capital ratio (fully loaded)	13.7%	14.1%	13.3%	12.3%	-0.4 pp	0.4 pp	1.4 pp
Risk weighted assets (RWA)	23,878	23,959	24,239	25,128	-0.3%	-1.5%	-5.0%
Texas ratio	65.9%	67.6%	72.4%	81.8%	-1.6 pp	-6.5 pp	-15.9 pp
ADDITIONAL INFORMATION							
Employees (average number)	6,916	6,945	7,200	7,304	-0.4%	-3.9%	-5.3%
Branches	1,196	1,211	1,227	1,249	-1.2%	-2.5%	-4.2%
ATMs	1,496	1,502	1,515	1,523	-0.4%	-1.3%	-1.8%

3. Macroeconomic 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.

4. Balance sheet

<i>Million euros</i>	30/06/2018	31/03/2018	31/12/2017	30/06/2017	QoQ	YTD	YoY
Cash and balances at central banks	3,060	2,999	3,806	1,557	2.0%	-19.6%	96.5%
Assets held for trading & at fair value through P&L	147	182	31	54	-19.3%	367.8%	171.1%
Financial assets at fair value through other comprehensive income	6,459	6,925	3,702	3,601	-6.7%	74.5%	79.4%
Financial assets at amortised cost	29,568	29,899	29,822	31,381	-1.1%	-0.9%	-5.8%
Loans to central banks and credit institutions	278	628	184	195	-55.8%	50.7%	42.7%
Loans to customers	29,290	29,271	29,638	31,186	0.1%	-1.2%	-6.1%
Fixed income at amortised cost	12,714	12,615	13,220	13,896	0.8%	-3.8%	-8.5%
Hedging derivatives	427	504	457	474	-15.2%	-6.4%	-9.9%
Associates	369	370	483	507	-0.2%	-23.6%	-27.1%
Tangible assets	1,224	1,244	1,291	1,313	-1.6%	-5.1%	-6.8%
Intangible assets	63	64	2	1	-0.8%	3272.4%	8679.5%
Tax assets	2,651	2,613	2,613	2,565	1.5%	1.5%	3.3%
Other assets	470	462	466	604	1.7%	0.9%	-22.1%
Non current assets held for sale	453	428	439	520	5.8%	3.1%	-12.9%
TOTAL ASSETS	57,606	58,305	56,332	56,472	-1.2%	2.3%	2.0%
Liabilities held for trading & at fair value through P&L	25	29	27	30	-14.2%	-8.8%	-17.1%
Financial liabilities at amortised cost	51,449	52,043	50,941	51,072	-1.1%	1.0%	0.7%
Deposits from central banks	3,323	3,327	3,330	3,337	-0.1%	-0.2%	-0.4%
Deposits from credit institutions	1,960	3,296	715	805	-40.5%	174.2%	143.4%
Customer deposits	44,772	44,565	46,041	45,217	0.5%	-2.8%	-1.0%
Other Issued Securities	130	130	130	814	0.0%	0.1%	-84.0%
Other financial liabilities	1,264	726	725	898	74.0%	74.3%	40.6%
Hedging derivatives	157	107	31	21	46.4%	400.7%	657.2%
Provisions	843	870	935	1,066	-3.0%	-9.8%	-20.9%
Tax liabilities	283	271	209	215	4.3%	35.3%	31.8%
Other liabilities	893	966	286	279	-7.6%	212.4%	220.1%
TOTAL LIABILITIES	53,650	54,286	52,430	52,683	-1.2%	2.3%	1.8%
Own Funds	3,837	3,786	3,856	3,574	1.3%	-0.5%	7.4%
Other comprehensive income	96	202	17	46	-52.4%	468.1%	110.9%
Minority Interests	24	31	30	171	-23.7%	-20.7%	-86.2%
Total Equity	3,957	4,019	3,902	3,790	-1.5%	1.4%	4.4%
Total Liabilities and Equity	57,606	58,305	56,332	56,472	-1.2%	2.3%	2.0%
OFF BALANCE SHEET CUSTOMER FUNDS	13,063	12,920	12,699	12,196	1.1%	2.9%	7.1%

On 1st January 2018 a number of International Financial Reporting Standards (IFRS) came into force, as described in note 1 of the consolidated half-year statements to 30 June 2018. Among them is IFRS 9 whose main impacts are described in the note in the half-year statement referenced above. Applying this standard has had a major effect on the fixed income portfolio and on loans and advances; it has entailed variations to the item “Financial assets held for trading through profit or loss”, to “Financial assets with changes in other comprehensive income”¹, “Loans and advances at amortised cost” and “Debt securities at amortised cost”. Finally, we should point out that the application of the standard has had a positive

impact on the Group’s net equity, after fiscal 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

¹ The “other comprehensive results” item is included in net equity

as such they can be fully integrated into the Group's 2018 statements.

At 30 June 2018, Unicaja Banco Group's assets came to EUR 57,606 million. Loans and advances carried at amortised cost account for EUR 29,568 million, with loans and advances to customers worth EUR 29,290 million. Debt securities carried at amortised cost amount to EUR 12,714 million, and mainly consist of Spanish Sovereign debt.

Total assets fell by 1.2%, in the quarter, mainly as a result of the performance of loans to central banks and credit institutions, as well as changes in how financial assets through other comprehensive income are measured. Loans and advances to clients have grown in net terms by 0.1% over the quarter, because of the growth in performing loans being offset by the recovery of doubtful transactions and also because of the reduction in reverse repurchase agreements.

Compared to the year's performance, total assets grew by 2.3% in the first six months of 2018, mainly because of the performance in the fixed income portfolio. This portfolio has grown through new purchases and due to the new consolidation perimeter stated earlier. Loans and advances to clients fell in net terms by 1.2% over the half-year, essentially through the recovery of non-performing loans and the increase in provisions as a result of the entry into force of IFRS 9. When these impacts are stripped out, together with repos and other financial assets, performing credit grew in the period by EUR 461million. The balance on intangible assets also rose during the first half-year, mainly consisting of goodwill generated from the global integration mentioned earlier.

The Group's total liabilities come to EUR 53,650 million. The vast majority of this is made up of financial liabilities at amortised cost, amounting to EUR 51,449 million. Customer deposits of EUR 44,772 million account for 87% of these total financial liabilities. In addition to the liabilities

mentioned above, the Group also manages other customer funds, mainly investment funds, pension funds and savings insurance. These are all off-balance sheet and come to EUR 13,063 million.

Liabilities have fallen by 1.2% in the quarter, mainly as a result of the reduction of deposits in credit institutions, resources that have been partially replaced by client deposits and other financial liabilities (collection accounts essentially) and on the other hand by bringing down short-term investments (loans to central banks and credit institutions, which have diminished, as indicated above).

However, over the semester liabilities have increased by 2.3%. This is explained by the full integration into the Group of the insurance companies referenced above, bringing with them liabilities for insurance contracts that explain the performance of the "Other Liabilities" item; another factor was the growth of amortised cost liabilities, up by 1%, mainly as a result of the contribution of other financial liabilities, since the growth in deposits by credit institutions and the reduction in client deposits is down fundamentally to the transfer of repurchase agreements from one accounting entry to another.

Customer funds have increased over the half-year and also in the last 12 months, both in the case of sight deposits and off-balance sheet resources, as a result of the good performance of the commercial activity with customers.

Finally, net equity has fallen over the quarter; income over the period is lower than the fall in existing capital gains in portfolios measured at fair value against other global results. With respect to half-year performance, 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.

Strong commercial activity has enabled business volumes to continue to grow, both in new credit origination / performing balances, as well as in new retail funds.

5. Customer Funds.

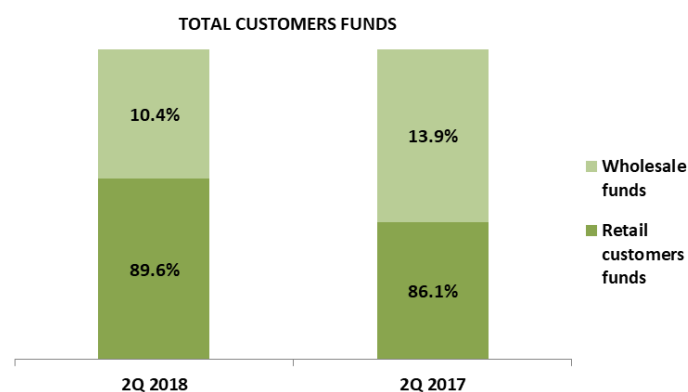
Million euros. Excluding valuation adjustment. 30/06/2018 31/03/2018 31/12/2017 30/06/2017 QoQ YTD YoY

	30/06/2018	31/03/2018	31/12/2017	30/06/2017	QoQ	YTD	YoY
On-balance sheet customer funds	44,320	44,032	45,503	45,344	0.7%	-2.6%	-2.3%
Customer funds	44,190	43,902	45,373	44,540	0.7%	-2.6%	-0.8%
Public Sector	2,414	2,626	2,638	2,132	-8.1%	-8.5%	13.2%
Private sector	41,776	41,275	42,736	42,408	1.2%	-2.2%	-1.5%
Sight deposits	27,283	25,370	25,356	24,370	7.5%	7.6%	12.0%
Term deposits	12,978	13,529	14,222	16,139	-4.1%	-8.8%	-19.6%
<i>of which: covered bonds</i>	<i>4,635</i>	<i>4,858</i>	<i>5,093</i>	<i>5,718</i>	<i>-4.6%</i>	<i>-9.0%</i>	<i>-18.9%</i>
Repos	1,515	2,377	3,157	1,899	-36.2%	-52.0%	-20.2%
Issues	130	130	130	804	0.0%	0.0%	-83.8%
Promissory notes	0	0	0	0	-	-	-
Mortgages securities	130	130	130	200	0.0%	0.0%	-35.0%
Other values	0	0	0	0	-	-	-
Subordinated liabilities	0	0	0	604	-	-	-100.0%
Off-balance sheet customer funds	13,063	12,920	12,699	12,196	1.1%	2.9%	7.1%
Mutual funds	6,206	6,162	6,067	5,812	0.7%	2.3%	6.8%
Pension funds	2,223	2,237	2,274	2,253	-0.6%	-2.2%	-1.3%
Insurance savings	3,582	3,518	3,429	3,199	1.8%	4.4%	12.0%
Discretionary portfolios	1,052	1,002	929	932	4.9%	13.3%	12.8%
TOTAL CUSTOMER FUNDS	57,383	56,951	58,202	57,541	0.8%	-1.4%	-0.3%
Retail customers funds	51,393	50,093	50,417	49,521	2.6%	1.9%	3.8%
of which: on-balance sheet	38,330	37,173	37,718	37,325	3.1%	1.6%	2.7%
Public Sector	2,414	2,626	2,638	2,132	-8.1%	-8.5%	13.2%
Sight deposits	27,283	25,370	25,356	24,370	7.5%	7.6%	12.0%
Term deposits	8,342	8,671	9,130	10,421	-3.8%	-8.6%	-20.0%
Others	291	506	594	401	-42.4%	-51.0%	-27.5%
of which: off-balance sheet	13,063	12,920	12,699	12,196	1.1%	2.9%	7.1%
Wholesale funds	5,990	6,859	7,785	8,019	-12.7%	-23.1%	-25.3%

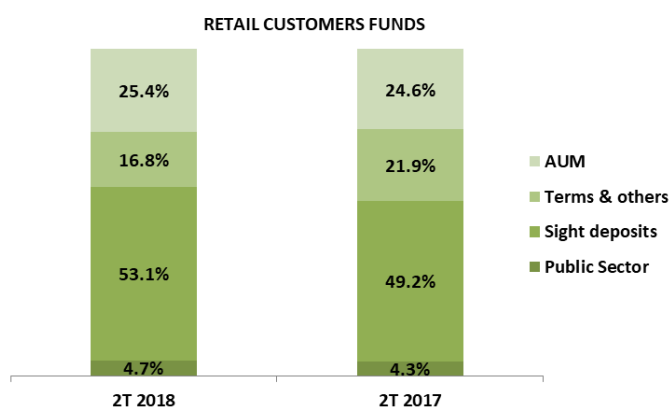
The volume of total customer funds managed by the Group rose at the close of June 2018 to EUR 57,383 million.

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. Off-balance sheet funds managed with various instruments reached EUR 13,063 million, made up mostly of investment funds (EUR 6,206 million), pension funds (EUR 2,223 million) and savings insurance (EUR 3,582 million). The balance of issues included in the aggregate of managed resources 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.

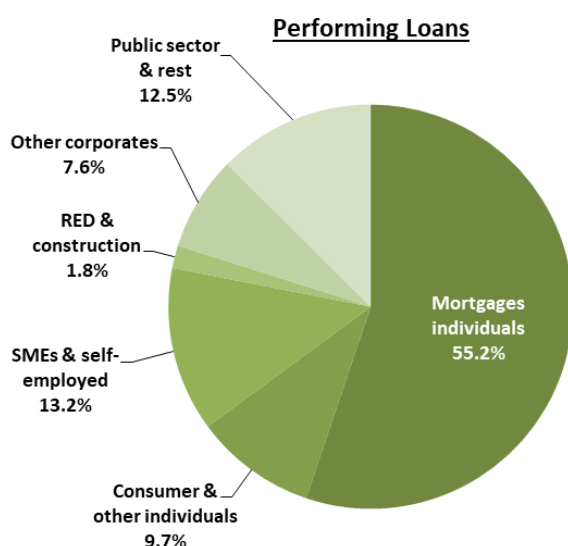


The variation in customer funds is a reflection of the strategic direction taken by the institution to improve its margins in attracting resources. Total retail customer funds rose 3.8% in the previous 12 months, while the total in the balance sheet is up by 2.7%, with an increase of 13.2% in public 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 managed 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.

6. Performing Loans

Million euros. Excluding valuation adjustments	30/06/2018	31/03/2018	31/12/2017	30/06/2017	QoQ	YTD	YoY
Public sector	1,639	1,632	1,522	2,127	0.4%	7.7%	-22.9%
Private sector	24,729	24,403	24,386	25,292	1.3%	1.4%	-2.2%
Corporates	6,381	6,333	6,144	6,224	0.8%	3.9%	2.5%
RED and construction	511	517	572	600	-1.1%	-10.7%	-14.8%
SMEs and self-employed	3,725	3,623	3,518	3,462	2.8%	5.9%	7.6%
Other corporates	2,145	2,193	2,054	2,162	-2.2%	4.4%	-0.8%
Individuals	18,348	18,070	18,242	19,068	1.5%	0.6%	-3.8%
Mortgages	15,598	15,744	15,900	16,368	-0.9%	-1.9%	-4.7%
Consumer and other	2,750	2,327	2,343	2,700	18.2%	17.4%	1.8%
PERFORMING LOANS TO CUSTOMERS	26,369	26,035	25,908	27,419	1.3%	1.8%	-3.8%
Repos and valuation adjustments	1,906	2,166	2,418	2,357	-12.0%	-21.2%	-19.2%
TOTAL PERFORMING LOANS	28,274	28,201	28,326	29,777	0.3%	-0.2%	-5.0%

Performing loans balance of the entity stands at EUR 28,274 million. Of this, EUR 1,639 million correspond to loans to public sector, EUR 24,729 million to private sector credit and EUR 1,906 million to reverse repos and other unclassified balances, the latter being mainly collateral for financing transactions and derivatives. By portfolio type, the most important are retail loans with mortgage guarantees, representing 55.2% of total performing loans, and the SME and self-employed portfolio, accounting for another 13.2% with 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, characterised by an increase in lending operations, which amount to EUR 1,804 million a rise of 42% over the previous half. In the public sector, lending has risen by 55% in the first half-year, while the private sector is up by 41%.

The balance of performing loans to the public sector and private sector is 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%, 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.

7. Non-performing loans & foreclosed assets

<i>Million euros</i>	30/06/2018	31/03/2018	31/12/2017	30/06/2017	QoQ	YTD	YoY
GROSS BALANCE							
Public sector	2	2	2	8	-1.5%	-16.3%	-75.6%
Private sector	2,338	2,568	2,708	2,902	-8.9%	-13.7%	-19.4%
Business	840	982	1,071	1,239	-14.5%	-21.5%	-32.2%
RED and construction	214	310	351	435	-31.1%	-39.2%	-50.9%
SMEs and self-employed	578	623	653	735	-7.4%	-11.6%	-21.4%
Other corporates	49	49	66	69	0.3%	-25.7%	-29.1%
Individuals	1,498	1,585	1,637	1,663	-5.5%	-8.5%	-9.9%
Mortgages	1,008	1,099	1,136	1,215	-8.2%	-11.3%	-17.0%
Consumer and other	490	487	501	448	0.6%	-2.3%	9.4%
Repos and valuation adjustments	0	0	0	0	n.a.	n.a.	n.a.
NON PERFORMING LOANS	2,340	2,570	2,710	2,910	-8.9%	-13.7%	-19.6%
Non performing loans (excluding RED loans)	2,126	2,260	2,359	2,475	-5.9%	-9.9%	-14.1%
PROVISIONS							
Public sector	7	3	0	2	121.9%	n.a.	254.9%
Private sector	1,269	1,400	1,347	1,444	-9.4%	-5.8%	-12.1%
Business	542	636	614	716	-14.8%	-11.7%	-24.3%
RED and construction	166	221	249	314	-25.2%	-33.5%	-47.3%
SMEs and self-employed	321	362	327	357	-11.1%	-1.6%	-9.9%
Other corporates	55	53	38	45	3.5%	44.5%	21.6%
Individuals	726	764	733	728	-4.9%	-1.0%	-0.2%
Mortgages	372	406	414	446	-8.4%	-10.1%	-16.6%
Consumer and other	354	358	319	282	-0.9%	10.9%	25.8%
Repos and valuation adjustments	8	8	8	8	0.0%	6.1%	9.3%
NON PERFORMING LOANS	1,284	1,412	1,355	1,454	-9.0%	-5.3%	-11.7%
Non performing loans (excluding RED loans)	1,118	1,190	1,106	1,140	-6.0%	1.1%	-1.9%
% COVERAGE							
Public sector	360.4%	160.0%	0.0%	24.8%	200.4 pp	360.4 pp	335.6 pp
Private sector	54.3%	54.5%	49.8%	49.8%	-0.3 pp	4.5 pp	4.5 pp
Business	64.5%	64.8%	57.3%	57.8%	-0.2 pp	7.2 pp	6.7 pp
RED and construction	77.5%	71.4%	70.9%	72.3%	6.1 pp	6.7 pp	5.3 pp
SMEs and self-employed	55.7%	58.0%	50.0%	48.6%	-2.3 pp	5.7 pp	7.1 pp
Other corporates	112.3%	108.9%	57.8%	65.5%	3.5 pp	54.6 pp	46.8 pp
Individuals	48.5%	48.2%	44.8%	43.8%	0.3 pp	3.7 pp	4.7 pp
Mortgages	36.9%	37.0%	36.4%	36.7%	-0.1 pp	0.5 pp	0.2 pp
Consumer and other	72.4%	73.5%	63.7%	62.9%	-1.1 pp	8.6 pp	9.5 pp
Repos and valuation adjustments						0.0 pp	0.0 pp
NON PERFORMING LOANS	54.9%	54.9%	50.0%	50.0%	-0.1 pp	4.9 pp	4.9 pp
Non performing loans (excluding RED loans)	52.6%	52.7%	46.9%	46.0%	-0.1 pp	5.7 pp	6.6 pp

The Group continues to show a solid ability to consistently reduce NPLs which stood at EUR 2,340 million at the close of Q2 of 2018, representing less than half the balance since 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.

<i>Million euros</i>	2Q 2018	1Q 2018	4Q 2017	3Q 2017	2Q 2017
NPL EVOLUTION					
NPLs at the beginning of the period	2,570	2,710	2,833	2,910	3,032
Recoveries	-192	-117	-95	-26	-70
Write-offs	-38	-24	-28	-51	-52
NPLs at the end of the period	2,340	2,570	2,710	2,833	2,910

<i>Million euros</i>	2Q 2018	1Q 2018	4Q 2017	3Q 2017	2Q 2017
NPL recoveries evolution					
Gross entries	56	60	88	112	108
Recoveries	-249	-177	-182	-138	-171
Net recoveries	-192	-117	-95	-26	-62

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.

54% 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 foreclosures was EUR 1,132 million at 30 June 2018, representing coverage of 63.8%, the same as at December 2017.

Foreclosed assets outflows continue at a sound pace. In this regard, during this last quarter, outflows amounted to EUR 99 million, which is equivalent to 5% of the stock held at the beginning of the year. The slight fall in sales volume compared to previous quarters is due to the fact that there have been scarcely no sales of asset portfolios, whereas the previous 3 quarters derecognised EUR 97, 265 and 252 million respectively. The upward price trend and sales results for this type of asset continues and coverage ratios remain high.

<i>Million euros</i>	<u>30/06/2018</u>	<u>31/03/2018</u>	<u>31/12/2017</u>	<u>30/06/2017</u>	<u>QoQ</u>	<u>YTD</u>	<u>YoY</u>
GROSS BALANCE							
From lending to RE developers	959	991	1,070	1,424	-3.3%	-10.4%	-32.7%
Finished buildings	172	177	213	355	-2.8%	-19.2%	-51.5%
Buildings under construction	129	127	139	187	1.7%	-7.3%	-30.8%
Land	658	688	718	883	-4.3%	-8.3%	-25.5%
From retail mortgages	536	508	530	644	5.5%	1.1%	-16.9%
Other foreclosed assets	278	276	272	382	0.6%	2.2%	-27.2%
TOTAL FORECLOSED ASSETS	1,772	1,776	1,872	2,450	-0.2%	-5.3%	-27.7%
Off which finished buildings	708	685	743	999	3.3%	-4.7%	-29.2%
PROVISIONS							
From lending to RE developers	706	733	769	975	-3.8%	-8.3%	-27.7%
Finished buildings	94	96	111	184	-2.6%	-15.6%	-49.0%
Buildings under construction	78	78	81	112	0.0%	-3.8%	-30.2%
Land	534	559	577	679	-4.5%	-7.5%	-21.5%
From retail mortgages	265	251	260	324	5.5%	1.7%	-18.3%
Other foreclosed assets	161	160	167	233	0.7%	-3.5%	-30.6%
TOTAL FORECLOSED ASSETS	1,132	1,144	1,197	1,532	-1.1%	-5.5%	-26.1%
Off which finished buildings	359	347	372	508	3.3%	-3.5%	-29.4%
COVERAGE (%)							
From lending to RE developers	73.6%	74.0%	71.9%	68.5%	-0.4 pp	1.7 pp	5.1 pp
Finished buildings	54.7%	54.6%	52.4%	52.0%	0.1 pp	2.3 pp	2.7 pp
Buildings under construction	60.3%	61.4%	58.1%	59.8%	-1.0 pp	2.2 pp	0.5 pp
Land	81.1%	81.3%	80.4%	76.9%	-0.1 pp	0.7 pp	4.2 pp
From retail mortgages	49.4%	49.4%	49.1%	50.3%	0.0 pp	0.3 pp	-0.9 pp
Other foreclosed assets	58.1%	58.0%	61.6%	60.9%	0.1 pp	-3.5 pp	-2.9 pp
TOTAL FORECLOSED ASSETS	63.8%	64.4%	64.0%	62.5%	-0.6 pp	-0.1 pp	1.3 pp
Off which finished buildings	50.7%	50.7%	50.0%	50.9%	0.0 pp	0.7 pp	-0.2 pp

<i>Million euros</i>	<u>2Q 2018</u>	<u>1Q 2018</u>	<u>4Q 2017</u>	<u>3Q 2017</u>	<u>2Q 2017</u>
FORECLOSED ASSETS EVOLUTION					
BoP	1,776	1,872	2,111	2,450	2,512
Inflows	96	90	104	54	97
Outflows	99	187	343	394	159
EoP	1,772	1,776	1,872	2,111	2,450
% Quarter recoveries of foreclosures at beginning of 2017	5%	10%	13%	15%	6%

8. Results

Million euros	30/06/2018	30/06/2017	YoY	
			Amount	%
Interest income	406	439	-34	-7.7%
Interest expense	103	149	-46	-31.0%
NET INTEREST INCOME	303	291	12	4.2%
Dividend income	15	13	2	11.7%
Share of results of entities accounted for using the equity method	21	20	0	1.8%
Net fee income	108	109	-1	-0.9%
Trading income (*)	29	78	-49	-63.1%
Other operating income/expenses (*)	17	48	-32	-65.5%
GROSS INCOME	492	559	-67	-12.1%
Administrative expenses	292	298	-6	-2.0%
Staff expenses	195	203	-8	-3.8%
Other administrative expenses	97	95	2	1.9%
Amortisation & depreciation	19	22	-4	-16.1%
PRE-PROVISION PROFIT	181	239	-58	-24.3%
Provisions /reversal of provisions	62	90	-28	-31.4%
Impairments / reversal of financial assets	-14	32	-46	-142.5%
NET OPERATING INCOME	133	117	16	13.6%
Impairments on non-financial assets	-7	43	-50	-116.9%
PROFIT BEFORE TAX	140	74	66	89.3%
Taxes	36	0	37	-9034.0%
NET INCOME FROM CONTINUING OPERATIONS	104	75	30	39.6%
Profit / loss from discontinued operations	0	0	0	n.a.
CONSOLIDATED NET INCOME	104	75	30	39.6%
ATTRIBUTABLE NET INCOME	105	86	20	22.9%

QUARTERLY EVOLUTION

Million euros	2Q 2018	1Q 2018	4Q 2017	3Q 2017	2Q 2017
Interest income	201	205	205	208	219
Interest expense	50	52	54	67	73
NET INTEREST INCOME	151	152	151	141	146
Dividend income	13	2	3	7	10
Share of results of entities accounted for using the equity method	10	11	9	20	17
Net fee income	55	53	56	55	56
Trading income (*)	13	16	18	2	32
Other operating income/expenses (*)	0	17	-55	31	17
GROSS INCOME	242	250	181	256	279
Administrative expenses	146	146	145	148	150
Staff expenses	97	98	99	100	101
Other administrative expenses	49	49	46	48	48
Amortisation & depreciation	9	9	10	10	11
PRE-PROVISION PROFIT	87	94	26	99	118
Provisions /reversal of provisions	33	29	37	6	95
Impairments / reversal of financial assets	-10	-4	-19	24	1
NET OPERATING INCOME	63	70	8	70	22
Impairments on non-financial assets	1	-8	-1	14	22
PROFIT BEFORE TAX	62	78	10	56	0
Taxes	16	21	-9	10	-24
NET INCOME FROM CONTINUING OPERATIONS	47	57	18	46	24
Profit / loss from discontinued operations	0	0	0	0	0
CONSOLIDATED NET INCOME	47	57	18	46	24
ATTRIBUTABLE NET INCOME	47	58	6	50	34

(*) 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

Million euros / %

	2Q 2018			1Q 2018			4Q 2017			3Q 2017			2Q 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 (%)
Financial intermediaries	4,877	-3	-0.27	5,474	-4	-0.26	4,670	-3	-0.28	3,543	-3	-0.30	3,380	-1	-0.16
Fixed income portfolio	18,126 ¹	59	1.31	17,340 ¹	59	1.38	17,338	56	1.28	17,638	55	1.24	16,958	55	1.31
Performing loans	26,205	128	1.97	25,972	134	2.09	26,036	135	2.05	26,791	138	2.05	27,284	150	2.21
Other assets (including NPLs)	8,748	9		8,532	7		8,325	9		8,467	9		8,277	8	
TOTAL ASSETS	57,956	193	1.34	57,318	196	1.39	56,369	196	1.38	56,439	200	1.41	55,899	213	1.53
Financial intermediaries	7,914	-5	-0.25	8,112	-5	-0.24	7,049	-4	-0.25	6,465	-4	-0.27	6,655	-2	-0.14
Debt securities	4,877	26	2.14	5,105	27	2.12	5,570	28	1.99	5,918	29	1.96	6,144	29	1.89
Customer deposits	37,353	19	0.21	36,895	19	0.21	36,913	20	0.22	36,813	22	0.24	36,461	24	0.26
Sight deposits (PS)	26,326	3	0.05	25,363	4	0.06	24,905	3	0.05	24,412	4	0.06	23,201	4	0.07
Term deposits (PS)	8,507	16	0.75	8,900	16	0.71	9,555	17	0.69	10,201	18	0.71	11,117	20	0.72
Subordinated liabilities	0	0		0	0		0	0		302	10	13.59	604	15	10.09
Other liabilities	7,812	2		7,206	2		6,837	1		6,942	2		6,036	1	
TOTAL LIABILITIES	57,956	43	0.29	57,318	44	0.31	56,369	45	0.32	56,439	59	0.41	55,899	67	0.48
CUSTOMER SPREAD*			1.76			1.88			1.84			1.81			1.94
NET INTEREST INCOME	57,956	151	1.04	57,318	152	1.08	56,369	151	1.06	56,439	141	0.99	55,899	146	1.04

F.I.: Financial Interest

F.E.: Financial expenses

PS: Private Sector

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

(*) Performing loans - Customer deposits

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. Meanwhile, net fees have grown by 2.1% from the same period the year before without taking into account the integration of the insurance companies.

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.

Although the performance of net fees is negative when compared with the same quarter the year before (-1.8%), it is higher than the previous quarter (+5.3%) and would have risen to +0.9% and +4.6%, respectively, were it not for having

fully booked the insurance companies. Growth in fee revenue over the quarter has been centred on collections and payments services (+4.1%) and on selling securities and non-banking financial products (+7.8%).

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 75.2% 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.

The bigger picture around this is that the Group is continuing to cut both its NPLs and its foreclosed assets, without affecting its coverage ratios, thus demonstrating its capacity to cut these types of assets without making a significant impact on the income statement.

<i>Million euros</i>	2Q 2018	1Q 2018	4Q 2017	3Q 2017	2Q 2017	QoQ	YoY
FEE INCOME	61	58	58	62	63	4.8%	-3.5%
From contingent risk	2	2	2	2	2	-8.2%	-23.4%
From contingent commitments	1	1	1	1	1	6.3%	-2.8%
From currency exchange	0	0	0	0	0	19.0%	-1.8%
From payments and collections	31	30	32	34	33	4.1%	-6.0%
From non banking products	26	25	23	23	25	7.8%	4.1%
Other fees	1	1	1	2	2	-18.8%	-38.0%
FEE EXPENSES	6	6	2	7	7	-0.4%	-17.7%
NET FEE INCOME	55	53	56	55	56	5.3%	-1.8%

IMPAIRMENTS

<i>Million euros</i>	2Q 2018	1Q 2018	4Q 2017	3Q 2017	2Q 2017	YoY	
						Amount	%
Credit impairments	10	5	17	-21	-19	28	-151.5%
Foreclosed assets impairments	7	-4	-8	-13	-2	8	-532.9%
Provisions and other results	-41	-17	-25	-9	-98	57	-58.2%
TOTAL IMPAIRMENTS	-25	-16	-16	-44	-118	93	-78.9%

CUMULATIVE IMPAIRMENTS

<i>Million euros</i>	2Q 2018	2Q 2017	Cumulative variation	
			Amount	%
Credit impairments	14	-45	59	-131.3%
Foreclosed assets impairments	2	-21	24	-111.5%
Provisions and other results	-57	-98	41	-41.5%
TOTAL IMPAIRMENTS	-41	-165	124	-75.2%

9. Liquidity

Loan to deposits

Million euros	30/06/2018	31/03/2018	31/12/2017	30/09/2017	30/06/2017	QoQ	
						Amount	%
Credit and loans (excluding valuations adjustments)	30,437	30,547	30,840	31,214	32,506	-110	-0.4%
-Reverse repos	1,723	1,942	2,221	2,218	2,178	-219	-11.3%
a) Core credit and loans	28,714	28,605	28,619	28,996	30,329	108	0.4%
Customers deposits (excluding valuations adjustments)	44,200	43,902	45,373	44,807	44,540	299	0.7%
-Repos	1,140	1,848	2,563	1,638	1,498	-708	-38.3%
-Multi-issuer covered bonds	4,635	4,858	5,093	5,718	5,718	-222	-4.6%
b) Core customer deposits	38,425	37,196	37,718	37,452	37,325	1,229	3.3%
LtD ratio (a/b)	75%	77%	76%	77%	81%	-2.2%	

The Group's high liquidity levels are reflected in its LTD ratio which, at the end of June 2018, stands at

around 75%, slightly lower than year-end 2017, due to the growth of the business discussed.

Liquid assets	30/06/2018	31/03/2018	31/12/2017	30/09/2017	30/06/2017	QoQ	
						Amount	%
Cash surplus (1)	2,228	2,229	3,073	411	853	-1	0.0%
Discountable reverse repos	1,842	2,491	2,222	2,581	2,178	-649	-26.0%
Fixed income portfolio and other discountable assets in ECB	16,657	17,275	15,534	17,075	16,372	-618	-3.6%
Total liquid assets (ECB discount value)	20,727	21,995	20,829	20,067	19,403	-1,268	-5.8%
Liquid assets used							
In ECB	3,323	3,340	3,340	3,340	3,340	-17	-0.5%
Repos	2,865	5,155	3,311	3,020	2,191	-2,290	-44.4%
Total liquid assets used	6,188	8,495	6,652	6,361	5,532	-2,307	-27.2%
AVAILABLE DISCOUNTABLE LIQUID ASSETS	14,539	13,500	14,177	13,706	13,872	1,039	7.7%
% over total assets	25.2%	23.2%	25.2%	24.3%	24.6%	2.1%	

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

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 454 million in 2018 and EUR 668 million in 2019).

Debt securities maturities

Debt securities (*)	
2018	454
2019	668
2020	325

(*) Includes multi issuer covered bonds

LIQUIDITY RATIOS	30/06/2018	31/03/2018	31/12/2017	30/09/2017	30/06/2017	QoQ
LCR	470%	584%	701%	884%	1057%	-114 pp
NSFR	132%	133%	134%	129%	127%	-1 pp

10. Solvency
PHASE IN RATIOS

<i>Million € and %</i>	30/06/2018	31/03/2018	31/12/2017	30/09/2017	30/06/2017
Qualifying capital	3,712	3,804	3,650	3,654	3,488
CET1 capital (BIS III)	3,664	3,685	3,532	3,530	3,373
Capital and share premium	2,820	2,820	2,820	2,820	2,063
Reserves	871	860	845	700	712
Attributable net profit (excluding dividends)	71	0	101	60	62
Deductions	-322	-313	-250	-245	-267
Others (1)	223	319	17	196	804
Tier 1	48	49	42	42	39
Tier 2	0	70	76	82	76
Risk weighted assets	23,878	23,959	24,239	24,949	25,128
CET1 capital (BIS III) (%)	15.3%	15.4%	14.6%	14.1%	13.4%
Tier 1	0.2%	0.2%	0.2%	0.2%	0.2%
Tier 2	0.0%	0.3%	0.3%	0.3%	0.3%
Total capital ratio (%)	15.5%	15.9%	15.1%	14.6%	13.9%

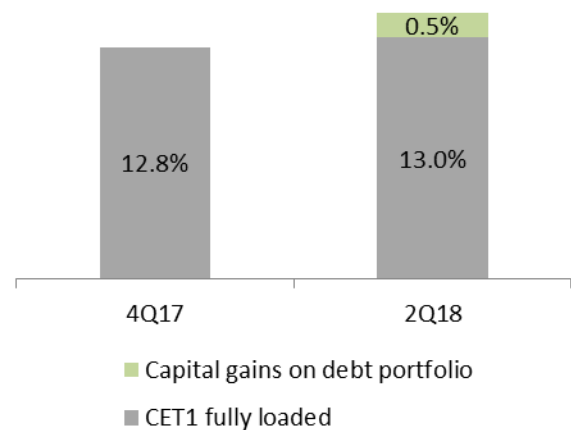
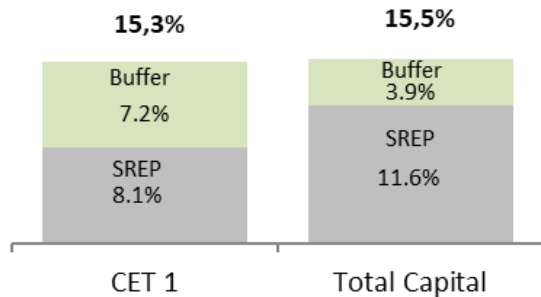
(1) Treasury stock, minorities, other global result and transitional period of IFRS9

FULLY LOADED RATIOS

<i>Million € and %</i>	30/06/2018	31/03/2018	31/12/2017	30/09/2017	30/06/2017
Qualify capital	3,225	3,336	3,196	3,227	3,063
CET1 capital (BIS III)	3,177	3,199	3,069	3,099	2,934
Capital and share premium	2,820	2,820	2,820	2,820	2,063
Reserves	871	860	845	700	712
Attributable net profit (excluding dividends)	71	0	101	60	62
Deductions	-698	-689	-719	-714	-736
Others (2)	113	208	22	233	834
Tier 1	48	49	49	49	49
Tier 2	0	89	78	79	80
Risk weighted assets	23,598	23,693	24,022	24,741	24,899
CET1 capital (BIS III) (%)	13.5%	13.5%	12.8%	12.5%	11.8%
Tier 1	0.2%	0.2%	0.2%	0.2%	0.2%
Tier 2	0.0%	0.4%	0.3%	0.3%	0.3%
Total capital ratio (%)	13.7%	14.1%	13.3%	13.0%	12.3%

(2) Treasury stock, minorities and other global result

	30/06/18
Phase in	
CET1 (%)	15.3%
Total capital (%)	15.5%
2018 CET1 SREP requirement	8.13%
2018 Total capital SREP requirement	11.63%
Excess of capital over 2018 CET1 SREP requirement	7.22%
Excess of capital over 2018 Total capital SREP requirement	3.92%



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, as already mentioned, 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. At 30th June 2018, 0.5 pp of the fully loaded CET1 ratio corresponded to other year-to-date comprehensive results from fixed income assets (unrealised income recorded against equity).

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 392 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.

	30/06/2018	31/03/2018	31/12/2017	30/09/2017	30/06/2018	YTD	YoY
Texas Ratio	65.9%	67.6%	72.4%	76.6%	81.8%	-6.5 pp	-15.9 pp
<i>Texas Ratio: NPLs + Foreclosed assets / Tangible Book value + NPAs provisions</i>							

APPENDIX I:
SHARE PRICE PERFORMANCE
Listing Data

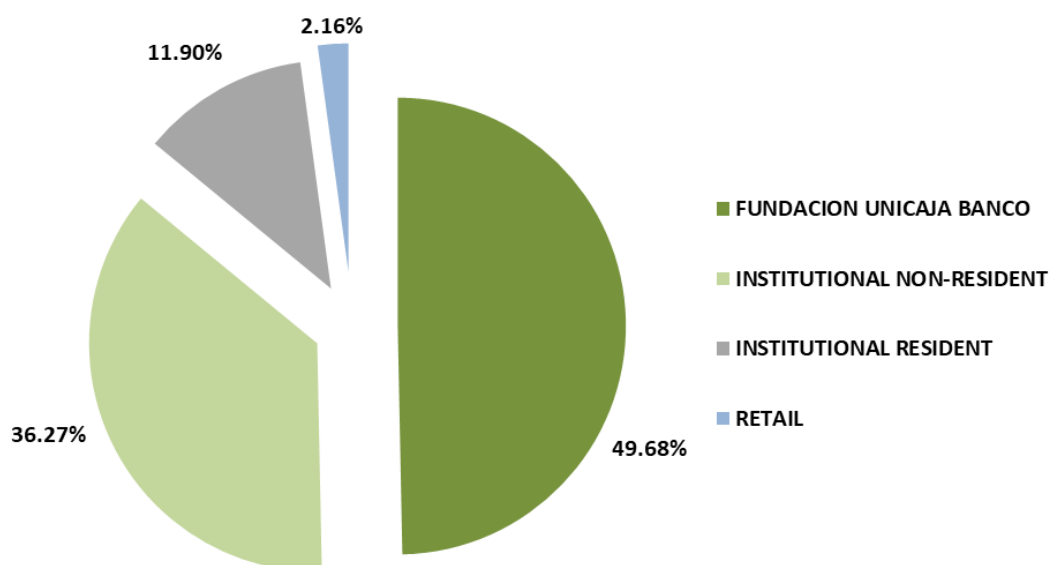
UNICAJA BANCO	Jun-18
Number of shareholders	14,956
Average daily trading (num. of shares)	2,151,643
Average daily trading (euros)	3,160,334
Closing high (euros/share)	1,626 (9-May)
Closing low (euros/share)	1,290 (2-Jan)
Year-end closing (euros/share)	1,461 (29-Jun)

Note: Data cumulative YTD June'18

Main shareholders

	NUM. OF SHAREHOLDERS	SHARES	%
FUNDACION UNICAJA BANCO	1	800,000,000	49.68%
INSTITUTIONAL NON-RESIDENT	88	583,984,739	36.27%
INSTITUTIONAL RESIDENT	375	191,583,336	11.90%
RETAIL	14,492	34,734,046	2.16%
TOTAL	14,956	1,610,302,121	100.00%

June 2018



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 %)

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 advances to customers (excluding valuation adjustments)	30,825	31,884
	Ratio (<i>June '18, annualised based on number of days in the period</i>)	-0.09%	0.15%

June'18 **December'17**

Cost to income ratio (Operating Expenses excl. amort. & depre. / gross margin)	Administrative expenses	292	590
	Gross Income	492	997
	Ratio	59.4%	59.2%

June'18 December'17

Customer spread	Yields on non-doubtful loans and advances to customers (excluding repos) over average quarterly balances of loans and non-doubtful advances to 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%

June'18 December'17

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%

June'18 December'17

NPL coverage ratio	Credit risk provisions	1,284	1,355
	Gross non performing loans	2,340	2,710
	Ratio	54.9%	50.0%

June'18 December'17

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%

June'18 December'17

ROA	Consolidated net income	104.1	138.4
	Total average assets (average of quarterly average balances)	57,637	56,413
	Ratio <i>(June '18, annualised based on number of days in the period)</i>	0.4%	0.2%

June'18 December'17

ROE	Consolidated net income	104.1	138.4
	Average shareholders' equity (excluding adjustments from other accumulated income) (average of quarterly average balances)	3,816	3,397
	Ratio (<i>June '18, annualised based on number of days in the period</i>)	5.5%	4.1%

June'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	25,026	25,388
	2. Loans and receivables Credit and loans at fixed interest rate	3,683	3,230
	Performance measure (1+2)	28,709	28,619

June'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	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

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 debt 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

June'18 December'17

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. Issued debt 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

June'18 December'17

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 amortised 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%	

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
<p><i>Sum of:</i></p> <ul style="list-style-type: none"> - 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. 			

June'18 December'17

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
<p><i>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.</i></p>			

June'18 June'17

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

June'18 June'17

Credit impairments	Impairment in / reversal of impairment in value of loans and receivables to customers	-14.1	45.5
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		<u>June'18</u>	<u>June'17</u>
Pre-provision profit	1. Gross Income	491.8	559.2
	2. Administrative expenses	292.0	297.9
	3. Depreciation and amortisation	18.5	22.1
	Performance measure (1-2-3)	181.2	239.3

		<u>June'18</u>	<u>June'17</u>
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

		<u>June'18</u>	<u>June'17</u>
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

		<u>June'18</u>	<u>June'17</u>
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

		<u>June'18</u>	<u>June'17</u>
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

APPENDIX III: Consolidation of public statements 18/17

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. Trading income****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, netted out
- 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. Other operating income / expenses**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
-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 at fair value 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 at fair value through other comprehensive income**2018**

·Financial assets through other comprehensive income

2017

·Available-for-sale financial assets

3. Financial assets at amortised cost**2018**

·Financial assets carried at amortised 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 assets carried at amortised cost. Loans and advances. Credit 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 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 at fair value 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 liabilities**2018**

Sum of:

- Other liabilities
- Equity redeemable upon demand
- Liabilities in disposal groups classified as held for sale
- Liabilities under insurance or reinsurance 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
