FINANCIAL REPORT

January to June 2020

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Basis of presentation

The consolidated income statement and balance sheet at the close of June 2020 and June 2019, 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 first half of 2020.

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 has been prepared by Analistas Económicos de Andalucía, a Group company.

Introduction

Unicaja Banco Group posted net results of EUR 61 million in the first half of the year, after provisioning EUR 103 million for Covid-19

Net income	61€ million	-47.5%
Net income (excl. COVID provisions)	133€ million	+14.8%

Results

Gross income	+68%
OPEX	-4.3%
Pre-provision profit	+24.3%
Consolidated income (ex COVID)	+14.8%

Risks

NPA	-26.2%
NPL ratio	-1.4pp
NPL coverage ratio	60.9%
Foreclosed assets coverage	62.4%

Commercial activity

Performing credit and loans	+2.7%
New lending	-22%
Retail customer funds	+2.5%

Liquidity and solvency

LTD	69.7%
CET 1 Fully Loaded	14.4%

X (filled dark green)	To 30 June 2020
X (outlined)	YoY June 2020 and June 2019
X (light green)	YoY June 2020 y December 2019

Unicaja Banco is showing its capacity to post results that mitigate the temporary impacts of Covid, and is putting significant effort into provisioning:

- Income has been affected by the state of alert, having a negative impact on **net interest income** which has dropped by 2.4% during the quarter, and on **net fees** which, despite dropping 14.4% over the same period, remain over the year to date at **similar** levels to those of the first half of **2019**.
- **Operating costs** have fallen by 4.3% compared to 2019, an outcome of the significant cost containment measures put in place to off-set the effects of Covid.
- **Operating income before impairments** is up by 24.3%, boosted by the cost savings, booking the profits from the Caser shareholders' agreement, and the rise in trading income.
- This improvement in income has enabled the bank to book **Covid-19 provisioning** during the quarter of **EUR 78 M** bringing the total in the financial year to date to **EUR 103 M** on this item, while keeping the loan and foreclosed assets recurrent impairments at low levels.
- Notwithstanding, **net profit**, excluding the effect of the provisions for Covid-19, is 14.8% higher than in 2019.

Commercial activity shows a positive overall balance despite the difficult climate:

- **Performing loans** to clients (excluding reverse repos) grow 2.7% in the year, driven by the growth in loans to the public sector (+9.6%) and to corporates (8.4%).
- **Customer funds** grew during the period (+2.5%), with a noteworthy growth in private sector sight deposits.

Risk indicators remain positive despite the economic slowdown:

- **Non-performing assets** (NPAs) fell by 26.2% year-on-year (EUR 873 million); of these, NPLs dropped by 23.8% and foreclosed assets by 28.8%. The **NPL ratio** shrank by -1.4 pp year-on-year, posting at 4.5%.
- The **coverage ratio** for non-performing assets (NPAs) rose by 5.0 pp year-on-year.

Financial strength and high liquidity levels:

- The Group has a comfortable liquidity position, with a LTD ratio of 69.7% and a LCR of 346%.
- The high level of solvency at the close of the first half of the year, with proforma(1) CET1 at 15.8% and total capital at 17.3%, represents a surplus of EUR 1,176 million above SREP requirements.

(1) Proforma: The deduction of software for prudential purposes is included (awaiting publication of final RTS)

2. Key Highlights

Million euros / % / pp	30/06/20	31/03/20	31/12/19	30/06/19	QoQ	YTD	YoY
BALANCE SHEET							
Total assets	63,002	55,632	56,708	55,922	13.2%	11.1%	12.7%
Gross loans and advances to customers (ex-reverse repos, ex others financial assets)*	27,814	27,564	27,151	28,243	0.9%	2.4%	-1.5%
Performing gross loans and advances to customers (ex-reverse repos, ex other financial assets)*	26,494	26,229	25,800	26,512	1.0%	2.7%	-0.1%
On-balance sheet customers funds*	39,905	38,180	38,035	36,973	4.5%	4.9%	7.9%
Off-balance sheet customer funds and insurance	12,269	11,928	12,863	12,923	2.9%	-4.6%	-5.1%
Shareholders equity	3,965	3,952	3,971	3,933	0.3%	-0.2%	0.8%
Total equity	4,062	4,033	3,970	3,959	0.7%	2.3%	2.6%
(*) Excluding valuation adjustments							
RESULTS (cumulative figures)							
Net interest income	277	140	579	293			-5.3%
Gross income	528	254	1,009	494			6.8%
Pre-provision profit	239	105	402	192			24.3%
Consolidated net income	61	46	172	116			-47.5%
Cost to income	50.4%	54.3%	55.9%	56.7%	-3.9 pp	-5.5 pp	-6.3 pp
ROE	3.1%	4.7%	4.4%	6.0%	-1.6 pp	-1.3 pp	-2.9 pp
ROA	0.2%	0.3%	0.3%	0.4%	-0.1 pp	-0.1 pp	-0.2 pp
ROE*	6.8%	6.4%	4.4%	6.0%	0.3 pp	2.4 pp	0.8 pp
ROA*	0.5%	0.5%	0.3%	0.4%	0.0 pp	0.2 pp	0.0 pp
(*) Excludes Covid-19 provisions							
RISK MANAGEMENT							
Non performing loans (NPL) (a)	1,320	1,334	1,351	1,731	-1.1%	-2.3%	-23.8%
Foreclosed assets (b)	1,142	1,130	1,120	1,604	1.1%	2.0%	-28.8%
Non performing assets -NPA- (a+b)	2,462	2,464	2,470	3,334	-0.1%	-0.3%	-26.2%
NPL ratio	4.5%	4.6%	4.8%	5.9%	-0.1 pp	-0.3 pp	-1.4 pp
NPL coverage	60.9%	56.0%	54.0%	52.1%	4.9 pp	6.9 pp	8.8 pp
Foreclosed assets coverage	62.4%	62.7%	62.7%	61.5%	-0.3 pp	-0.3 pp	0.9 pp
Non performing assets (NPA) coverage	61.6%	59.1%	57.9%	56.6%	2.5 pp	3.7 pp	5.0 pp
Cost of risk	0.89%	0.48%	0.04%	0.11%	0.4 pp	0.9 pp	0.8 pp
Cost of Risk Ex Covid (*)	0.17%	0.13%	0.04%	0.11%	0.0 pp	0.1 pp	0.1 pp
(*) Excludes Covid-19 provisions							
LIQUIDITY							
Loan to deposit ratio	69.70%	72.19%	71.38%	76.39%	-2.5 pp	-1.7 pp	-6.7 pp
LCR	346%	335%	319%	336%	11.0 pp	27.0 pp	10.0 pp
NSFR	141%	143%	141%	134%	-2.0 pp	0.0 pp	7.0 pp
SOLVENCY							
CET1 ratio (phase-in)*	15.82%	15.36%	15.61%	14.77%	0.5 pp	0.2 pp	1.1 pp
CET1 ratio (fully loaded)*	14.42%	14.11%	14.00%	13.15%	0.3 pp	0.4 pp	1.3 pp
Total capital ratio (phase-in)*	17.32%	16.85%	17.12%	14.97%	0.5 pp	0.2 pp	2.4 pp
Total capital ratio (fully loaded)*	15.94%	15.61%	15.53%	13.35%	0.3 pp	0.4 pp	2.6 pp
Risk weighted assets (RWA)	23,168	23,297	23,000	23,853	-0.6%	0.7%	-2.9%
Texas ratio	45.1%	45.9%	46.7%	58.1%	-0.8 pp	-1.6 pp	-13.0 pp
(*) Pro-forma figure: June 2020 includes the effect of the IFRS 9 phase-in introduced by Regulation (EU) 2020/873, subject to approval by the supervisor, and the deduction of software for prudential purposes (awaiting final RTS publication). In previous periods does not include the deduction of the authorised limit on unused treasury stock. In addition, for period closings not ending in June or December the unaudited quarterly result is provided.							
ADDITIONAL INFORMATION							
Employees (average number)	6,274	6,299	6,719	6,803	-0.4%	-6.6%	-7.8%
Branches	1,028	1,031	1,046	1,105	-0.3%	-1.7%	-7.0%
ATMs	1,486	1,488	1,485	1,451	-0.1%	0.1%	2.4%

3. Macroeconomic environment

According to the OECD's latest Economic Outlook report, the coronavirus pandemic has triggered the worst economic recession of the last hundred years, with huge repercussions on economic activity and employment. Because of the lockdown, economic activity has fallen steeply in all OECD countries, by between 20% and 30%, while international trade has plummeted. This has led governments and central banks to put exceptional and wide-reaching measures in place to support their health systems, stabilize financial markets and underpin household incomes and production fabric.

As long as a vaccine or other treatment remain unavailable, physical distancing and the strategy of test, track and isolate (TTI) will be the principal instruments for controlling the spread of the virus, although they may well be insufficient to prevent likely second waves. This strategy is indispensable if economic activity is to resume and lost ground won back.

The OECD also notes that ultra-loose monetary policy measures are needed until economic activity picks up and as long as unemployment remains at high levels, since public policy must focus on supporting the most vulnerable and making the economy more robust, capable of achieving sustainable growth in the long term. Recovery, whether of spending or investment, is dependent on confidence, and this will not bounce back completely without global cooperation. The report also argues that more resilient supply chains must be developed, with larger reserves of stocks, and greater diversification of sources.

Against this backdrop of high uncertainty, given that the likelihood of a vaccine becoming widely available this year is remote, the OECD has opted for presenting two possible scenarios: one in which the virus is brought under control and is gradually pushed back; and another, in which there is a global second wave before the end of 2020. If a second wave of infection can be avoided, global Gross Domestic Product (GDP) could fall by 6.0% this year and unemployment will rise across the OECD as a whole by 9.2%. On the contrary, if a second wave leads to the adoption of new lockdown measures, global production could fall by 7.6%, while the unemployment rate would double from its pre-pandemic rates. In the first scenario, GDP in 2021 might rise by 5.2%, and by 2.8%, in the second.

The contraction will be particularly sharp in the eurozone, where some countries have undergone strict and relatively long lockdowns (as was the case of Italy and Spain), oscillating between -9.1% and -11.5%, whereas in the US and Japan the falls were less abrupt. Turning to emerging economies, China and India will be less affected, in comparison, whereas others such as Brazil, Russia and South Africa face complex challenges (pressure on their health systems and drops in commodity prices).

The International Monetary Fund's (IMF) estimates, also published in June, suggest a slightly smaller fall in world GDP, at around 5%, which is 2 pp lower than their April forecast. The reverse suffered by advanced economies could reach 8.0%, and go over 10% in the eurozone, while its forecast for emerging economies stands at 3.0%. In this group China is an exception, since it is expected to post growth of 1.0%. The pandemic's impact on activity in the first half has been more negative than expected and recovery is estimated to be more gradual than previously thought. In general, private spending growth has been revised to the downside, while uncertainty will have a significant impact on business investment, although the support measures are partly offsetting the deterioration in private domestic demand.

These OECD and IMF forecasts for the eurozone are more negative than those published in early July by the European Commission, even taking into account the latter's downward review. The impact on economic activity in 2020 will be greater than expected, given that the tapering of lockdown measures is progressing more slowly than forecast, with the upshot that the Eurozone's GDP could shrink by 8.7% this year, against the forecast of -7.7% made in the Spring, with expected growth for 2021 of 6.1%, a 0.2 pp shaving of May's estimate. The initial figures for May and June suggest that the worst may be over, and the recovery is expected to take hold in the second half of 2020, although with uneven effect across the different member states.

The risks continue to be essentially to the downside, since the scale and duration of the pandemic are unknown, as are the possible lockdown measures that might be adopted in the future, although these forecasts are supported by the assumption that containment measures continue to taper and that there is no second wave of infections. There is also the risk that, in the long term the labour market suffers more than expected and that corporate liquidity difficulties could give rise to solvency issues, not forgetting uncertainty about the future trade relationship between the United Kingdom and the EU, or the adoption of protectionist policies. However, earlier-than-expected availability of a vaccine, a swifter relaxing of restrictions than expected and agreement on the Commission's proposal for an EU-wide recovery plan could improve these forecasts.

The Spanish economy will be one of those suffering the biggest contraction of activity in 2020, with GDP expected to fall by over 10%, according to forecasts from the main international bodies (IMF, OECD and the European Commission), with the OECD indicating a drop of around 14.5% if the more adverse scenario is confirmed, that of a second wave. This latter forecast is very similar to the one published by the Bank of Spain in a scenario of greater risk and "very slow recovery" (-15.1%), which would include the likelihood of episodes with substantial surges in the number of new infections, which would require further strict lockdowns.

Nevertheless, within the two alternative scenarios described by the supervisory body (early recovery or gradual recovery), the drop in GDP would oscillate between 9.0%, in an early recovery scenario (a fall similar to that indicated by the Government in its Stability Update Programme, submitted to the European Commission), and 11.6%, in a gradual recovery scenario. In both scenarios, uncertainty about how the illness progresses will impact household and corporates' spending. Under the first scenario, GDP would bounce back by 7.7% and 2.4%, respectively, in 2021 and 2022, while under the second, GDP would increase by 9.1% in 2021 and by 2.1% in 2022. Thus, by the end of the horizon period, GDP would be 0.5 percentage points (pp) higher than before the crisis, in the early recovery scenario, while under the gradual recovery model GDP would still be 1.6 pp lower. The unemployment rate would rise to 18.1% this year, in the early recovery scenario, and increase to 19.6%, in the gradual recovery model.

According to these forecasts, all the components of demand, except for public spending and investment, would post significant falls in 2020, with a strong uptick in 2021. Turning to prices, the HCPI (Harmonised Consumer Price Index), excluding food and energy, is forecast to continue showing very restrained rates of variation, and downward pressures due to weak demand could be offset by the increase in the cost of some service provision because of social distancing measures in place.

The Public Administrations' deficit could rise to 9.5% of GDP under the early recovery scenario, and to 11.2% in that of gradual recovery, remaining at high levels in both 2021 and 2022, although with some reduction. Thus, public-sector debt would grow by between 20 and 25 pp this year, posting at 114.5% and 119.3%, respectively, under each of the scenarios modelled, remaining at high levels over the next two years. In fact, public-sector debt increased during the first quarter of 2020 by around 3.5 pp from the previous quarter, coming in at 98.9% of GDP. To this has to be added private indebtedness (companies and households), although this has managed to come in below the eurozone average, mainly because of a reduction in corporate debt.

These forecasts are formulated on the basis of assumptions about interest rates, oil prices and other commodities from their listings in the ten working days before the forecasts were closed. In the case of the oil price, the Bank of Spain expects the sharp reduction in the first half of the year, due to plummeting demand because of the steep fall in activity, to be partially reversed starting around mid-year, coinciding with the expected recovery of production levels. Indeed, although Brent crude's listing price has been very volatile, in May prices picked up from their minimums in April, a trend that has continued in June.

In terms of interest rates, money policy interventions have contributed to limiting the tightening of interest rate curves in the eurozone. Specifically, at the beginning of June the European Central Bank decided to extend provisioning for its pandemic emergency purchase programme (PEPP) by a further EUR 600 billion, to EUR 1.35 billion, and the purchase horizon to at least the end of June 2021. The US Federal Reserve, meanwhile, has started to buy corporate bonds on the secondary market. Interest rates traded on the futures markets suggest that the 3-month Euribor could stay at similar rates to where it was in 2019, while sovereign debt yields would spike over the forecast horizon, after the downward trend of 2019, an upturn which would be more intense if the scenario looked more unfavourable.

The pandemic's impact on economic activity is visible in the indicators published recently. Compared to the first quarter, the Quarterly National Accounts issued by INE (National Statistics Institute) show a quarterly drop in GDP of 5.2% and 4.1% year-on-year (YoY) compared to -3.6% and -3.1%, respectively, in the eurozone as a whole), posting a YoY reduction of close to 6% in household consumption and around 6.5% in investment, with investment in machinery and equipment falling by over 9%. There were similar falls in most productive sectors, particularly in manufacturing and construction; in services, the hardest-hit activities were trade, transport, hospitality and artistic and recreational activities.

According to a recent article by the Bank of Spain, in these latter segments, added value in the last two weeks of the quarter with strict lockdown fell by around 70% from its pre-crisis level, while the contraction in the economy as a whole was 34%, similar to Italy and France, but worse than that of Germany (-13.0%). Turning to the second quarter, Bank of Spain estimates point to a quarter-on-quarter reversal of around 20%, as a direct consequence of the pandemic containment measures.

Some indicators for the second quarter appear to show a degree of stabilisation starting in May, with the beginning of the easing of lockdown measures, after posting very steep falls across the board in April. Sales in major corporates sank by 32.5% in April, in year-on-year terms (-12.4% in March), with a 31.9% drop in domestic sales and a contraction of 35.3% in exports, a fall that moderated in May. Meanwhile, the number of property sales registered in April plummeted by nearly 50%, with a sharper fall in May, and residential sales down by slightly over 50% compared to May 2019, at just 22,394 transfers, affecting both second-hand and new housing purchases.

However, the numbers of workers affiliated to social security registered a brake on job destruction, with 68,208 more people signed up in June than in May. This was the second consecutive monthly rise, after the crash of nearly 800,000 affiliations lost between February and April (there were nearly 900,000 fewer affiliations between 12th and 31st March). In seasonally adjusted figures, in June there was a rise of 29,447 people from May, the first after three consecutive falls. In year-on-year terms, the average number of Social Security affiliations had fallen by June by around 895,000 workers, down to 18,624,337, a contraction in relative terms of 4.6%.

Furthermore, we should bear in mind that to 30th June, around 1.8 million workers were on total or partial furlough schemes (ERTE); of these, 1,556,919 were recorded as cases of force majeure. This means that around 1.5 million workers have come off force majeure furlough since the end of April, and around a million just in the last month, June. By activity sectors, food and beverage services, accommodation services, retail trade (apart from motor vehicles) and wholesale trade account for just over half of the workers furloughed by reason of force majeure.

Finally, we should highlight the fact that some qualitative indicators have improved, although they still reflect the contraction of activity Specifically, the PMI (purchasing managers' index) showed significant upticks in May and June, in both manufacturing and services, although they are still shrinking, except in China, and in the eurozone, in France. In the case of Spain, there is also an improvement, in both the industrial and service PMI, with the latter positioned around 50. Likewise, the OECD's composite leading indicators (CLIs) have risen in May and June, although they are still below the longterm trend.

4. Balance Sheet

Million euros	30/06/2020	31/03/2020	31/12/2019	30/06/2019	QoQ	YTD	YoY
Cash and balances at central banks	7,250	2,366	4,559	2,040	206.3%	59.0%	255.3%
Assets held for trading & Finantial assets at fair value through P&L	162	132	128	119	22.3%	26.6%	35.7%
Financial assets at fair value through other comprehensive income	2,383	2,100	1,886	2,860	13.5%	26.3%	-16.7%
Financial assets at amortised cost	28,854	28,643	28,018	29,205	0.7%	3.0%	-1.2%
Loans and advances to central banks and credit institution	357	566	459	639	-37.0%	-22.4%	-44.2%
Loans and advances to customers	28,498	28,078	27,558	28,565	1.5%	3.4%	-0.2%
Debt securities at amortised cost	18,882	16,779	16,662	16,081	12.5%	13.3%	17.4%
Hedging derivatives	560	680	507	519	-17.6%	10.4%	7.8%
Investment in joint ventures and associates	347	324	363	347	7.1%	-4.6%	0.0%
Tangible assets	1,154	1,155	1,162	1,222	-0.1%	-0.7%	-5.6%
Intangible assets	71	70	66	61	1.5%	7.4%	16.4%
Tax assets	2,689	2,684	2,758	2,624	0.2%	-2.5%	2.5%
Other assets	398	394	294	452	0.8%	35.3%	-12.1%
Non current assets held for sale	253	304	304	390	-16.6%	-16.8%	-35.1%
TOTAL ASSETS	**63,002**	**55,632**	**56,708**	**55,922**	**13.2%**	**11.1%**	**12.7%**
Financial liabilities held for trading & at fair value through P&L	22	52	25	27	-58.2%	-13.1%	-19.5%
Financial liabilities at amortised cost	56,583	49,167	50,205	49,574	15.1%	12.7%	14.1%
Deposits from central banks	5,025	3,300	3,303	3,310	52.3%	52.1%	51.8%
Deposits from credit institutions	3,309	1,060	2,538	1,898	212.2%	30.3%	74.4%
Customer deposits	46,218	43,274	42,969	43,218	6.8%	7.6%	6.9%
Other Issued Securities	366	362	358	60	1.0%	2.2%	509.6%
Other financial liabilities	1,666	1,171	1,037	1,089	42.3%	60.8%	53.1%
Hedging derivatives	407	393	428	413	3.6%	-4.8%	-1.5%
Provisions	844	865	921	833	-2.4%	-8.4%	1.3%
Tax liabilities	294	295	325	274	0.0%	-9.5%	7.3%
Other liabilities	789	828	833	842	-4.6%	-5.3%	-6.2%
TOTAL LIABILITIES	**58,940**	**51,599**	**52,737**	**51,963**	**14.2%**	**11.8%**	**13.4%**
Own Funds	3,965	3,952	3,971	3,933	0.3%	-0.2%	0.8%
Accumulated other comprehensive income	97	81	-1	25	20.1%	-9375.9%	286.6%
Minority Interests	0	0	0	0	-0.2%	-0.3%	13.8%
Total Equity	**4,062**	**4,033**	**3,970**	**3,959**	**0.7%**	**2.3%**	**2.6%**
Total Liabilities and Equity	**63,002**	**55,632**	**56,708**	**55,922**	**13.2%**	**11.1%**	**12.7%**
OFF BALANCE SHEET CUSTOMER FUNDS AND INSURANCE	**12,269**	**11,928**	**12,863**	**12,923**	**2.9%**	**-4.6%**	**-5.1%**

At the close of the first half of 2020, Unicaja Banco Group's assets came to EUR 63,002 million. Financial assets carried at amortised cost account for EUR 28,854 million, with Loans and advances to customers worth EUR 28,498 million.

Debt securities carried at amortised cost amount to EUR 18,882 million, and mainly consist of Spanish Treasury debt.

Total assets have risen by 11.1% in the year to date, mainly as a result of the EUR 2,691 million growth in "Cash and balances at central banks", which accounts for short-term liquidity items, and of the EUR 2,220 million in Debt securities at amortised cost, because of the investments made in long-term fixed income. Likewise, there are significant increases in "Financial assets through other comprehensive income", of EUR 497 million, and in "Loans and advances to clients", of EUR 939 million (3.4%). This section basically covers retail banking activity and the principal variation is due to performing loans, that are up by 2.7% (+EUR 694 million), with nearly EUR 400 million of this corresponding to advances of a seasonal nature. In addition, reverse repos and other financial assets have increased by EUR 330 million, while the EUR 31 million reduction in non-performing assets and increased provisioning, together with other valuation adjustments, have helped to mitigate the increase.

Turning to year-on-year performance, total assets have grown by 12.7%, with most of that increase coming from "Cash and balances at central banks", which is up by EUR 5,209 million, and includes short-term liquidity items, and "Debt securities at amortised cost" that has grown by EUR 2,800 million.

“Loans and advances to customers” posted a -0.2% year-on-year growth in net terms. This contraction is mainly caused by the reduction in non performing balances (NPAs) posted in the last twelve months (- EUR 411 million, equivalent to 23.8%), while performing balances have remained virtually stable.

The Group’s total liabilities come to EUR 58,940 million. The vast majority of this is made up of financial liabilities carried at amortized cost, amounting to EUR 56,583 million. Customer deposits of EUR 46,218 million account for 82% 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, which come to EUR 12,269 million.

Liabilities have increased in the first half by 11.8%, both because of the increase in funds taken from the ECB (the TLTRO-III programme) and from market positions (repos), and because of the growth in retail deposits, that have risen over the period by EUR 1,870 million (4.9%).
Year on year, liabilities are up by 13.4%, with increases in ECB, debt repos in markets and retail deposits (retail deposits are up by EUR 2,932 million, 7.9%).

At the close of June 2020, total equity reached EUR 4,062 million, which amounts to a growth of 92 million in the first six months resulting mainly from changes in valuation adjustments which are up by EUR 98 million. The increase in the latter is a consequence of the positive performance of cash flow hedge adjustments, up by EUR 87 million, while the rest is basically variations on the asset adjustments at fair value.

Year on year, total equity has risen by EUR 104 million, 2.6%, an increase to which a EUR 32 million rise in own funds has contributed, as have the valuation adjustments, another EUR 72 million, of which EUR 28 million correspond to the positive variation in cash flow hedging adjustments, while the rest is basically variations to asset adjustments at fair value.

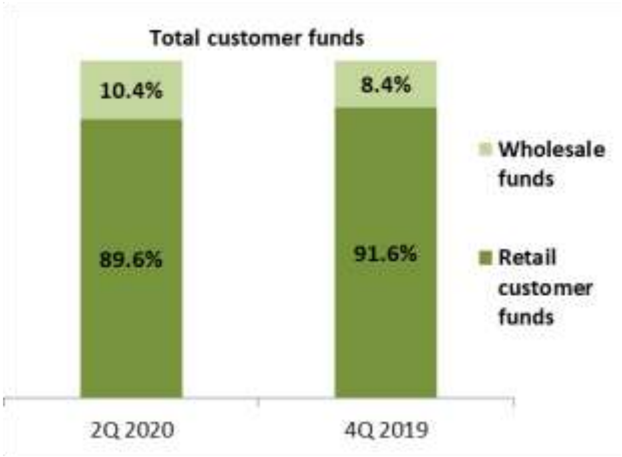
5. Customer Funds

Million euros. Excluding valuation adjustments	30/06/2020	31/03/2020	31/12/2019	30/06/2019	QoQ	YTD	YoY
On-balance sheet customer funds	**45,987**	**42,967**	**42,695**	**42,636**	**7.0%**	**7.7%**	**7.9%**
Customer funds	**45,627**	**42,607**	**42,335**	**42,576**	**7.1%**	**7.8%**	**7.2%**
Public Sector	**2,891**	**2,942**	**2,812**	**2,593**	**-1.7%**	**2.8%**	**11.5%**
Private sector	**42,736**	**39,665**	**39,523**	**39,983**	**7.7%**	**8.1%**	**6.9%**
Sight deposits	31,335	29,411	29,256	27,920	6.5%	7.1%	12.2%
Term deposits	8,760	9,080	9,420	10,337	-3.5%	-7.0%	-15.3%
of which: covered bonds	*3,266*	*3,404*	*3,578*	*4,049*	*-4.1%*	*-8.7%*	*-19.3%*
Repos	2,640	1,174	848	1,726	124.9%	211.5%	53.0%
Issues	**360**	**360**	**360**	**60**	**0.0%**	**0.0%**	**500.0%**
Promissory notes	0	0	0	0	-	-	-
Mortgages securities	60	60	60	60	0.0%	0.0%	0.0%
Other values	0	0	0	0	-	-	-
Subordinated liabilities	300	300	300	0	0.0%	0.0%	-
Off-balance sheet customer funds and insurance	**12,269**	**11,928**	**12,863**	**12,923**	**2.9%**	**-4.6%**	**-5.1%**
Mutual funds	5,119	5,047	5,430	5,504	1.4%	-5.7%	-7.0%
Pension funds	2,231	2,145	2,376	2,353	4.0%	-6.1%	-5.2%
Insurance savings	4,027	3,950	4,112	4,241	1.9%	-2.1%	-5.1%
Other managed assets	893	785	945	825	13.7%	-5.5%	8.2%
TOTAL CUSTOMER FUNDS	**58,257**	**54,895**	**55,558**	**55,559**	**6.1%**	**4.9%**	**4.9%**
Retail customers funds	**52,175**	**50,107**	**50,898**	**49,896**	**4.1%**	**2.5%**	**4.6%**
of which: on-balance sheet	39,905	38,180	38,035	36,973	4.5%	4.9%	7.9%
Public Sector	2,891	2,942	2,812	2,593	-1.7%	2.8%	11.5%
Sight deposits	31,335	29,411	29,256	27,920	6.5%	7.1%	12.2%
Term deposits	5,495	5,675	5,841	6,288	-3.2%	-5.9%	-12.6%
Others	184	151	125	172	21.6%	46.4%	6.9%
of which: off-balance sheet and insurance	12,269	11,928	12,863	12,923	2.9%	-4.6%	-5.1%
Wholesale funds	**6,082**	**4,787**	**4,660**	**5,663**	**27.1%**	**30.5%**	**7.4%**

Total customer funds managed by the Group at the end of the first half of 2020 came to EUR 58,257 million.

The bulk of managed funds are customer deposits (EUR 45,627 million), of which EUR 31,335 million are private sector clients' sight deposits, EUR 8,760 million are term deposits (including EUR 3,266 million in non-negotiable mortgage covered bond issues) and EUR 2,640 million are repos. Customer funds managed using off-balance sheet instruments and insurance amounted to EUR 12,269 million, consisting mainly of customer funds raised through investment funds (EUR 5,119 million), pension funds (EUR 2,231 million) and savings insurance (EUR 4,027 million).

As to the origin of the funds, 89.6% (91.6% at the close of 2019) relates to retail customers' banking business (EUR 52,175 million), while the remaining 10.4% (EUR 6,082 million) is represented by funds raised in wholesale markets through issuances, multi-issuer covered bonds or repos. The largest rise so far this year on market balance sheets (+30.5%) compared to retail customer funds (+2.5%), is not structural; it is the result of short-term treasury transactions, which have triggered a very short-term increase in market financing and liquidity in central banks. The issuance section remains unchanged in 2020 since the EUR 300 million subordinated liability Tier II issue conducted in the second half of 2019, which was fully placed on wholesale markets. The balance of the rest of there category (EUR 60 million) consists of mortgage securities also in the hands of third parties booked under the markets section.



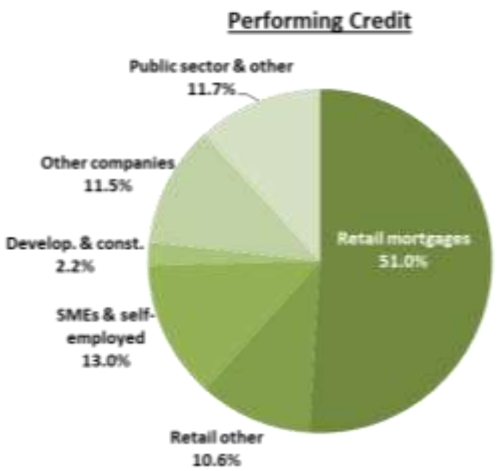
Total managed funds have grown by 2.5% in the year to date, and by 4.6% in the last 12 months. This performance is due to strong growth in retail customer deposits so far this year, together with the recovery in the second quarter of part of the fall in customer funds in insurance and off-balance sheet products at the end of March. So far this year, on-balance sheet funds have risen by 4.9%, of which we would highlight the 2.8% increase in public administrations and a 7.1% rise in private-sector sight balances. Turning to off-balance sheet funds and insurance, which taken together have fallen by 4.6%, this is the result of the fall in the valuations of these products in the first quarter, which at June had still not totally recovered. All this has triggered an increase in the weight of private-sector sight funds in managed customer funds as a whole.

The year-on-year performance of retail funds is similar to that of this past half, with the increase posting at 4.6%, growth of 7.9% in balance-sheet funds and a 5.1% contraction in off-balance sheet funds. As was the case in the first quarter of 2020, growth is focused on public-sector balances, which have risen by 11.5%, and on private-sector sight balances, which are up by 12.2%.

6. Performing Loans

Million euros. Excluding valuation adjustments	30/06/2020	31/03/2020	31/12/2019	30/06/2019	QoQ	YTD	YoY
Public sector	**1,868**	**1,938**	**1,704**	**1,557**	**-3.6%**	**9.6%**	**20.0%**
Private sector	**24,626**	**24,291**	**24,097**	**24,956**	**1.4%**	**2.2%**	**-1.3%**
Corporates	**7,425**	**7,187**	**6,848**	**7,038**	**3.3%**	**8.4%**	**5.5%**
RED and construction	602	604	591	549	-0.4%	1.9%	9.6%
SMEs and self-employed	3,615	3,631	3,611	3,821	-0.4%	0.1%	-5.4%
Other corporates	3,208	2,952	2,647	2,668	8.7%	21.2%	20.2%
Individuals	**17,202**	**17,104**	**17,249**	**17,917**	**0.6%**	**-0.3%**	**-4.0%**
Mortgages	14,239	14,511	14,633	15,003	-1.9%	-2.7%	-5.1%
Consumer and other	2,963	2,594	2,616	2,914	14.2%	13.3%	1.7%
PERFORMING LOANS TO CUSTOMERS	**26,494**	**26,229**	**25,800**	**26,512**	**1.0%**	**2.7%**	**-0.1%**
Repos and valuation adjustments	**1,411**	**1,192**	**1,081**	**1,203**	**18.3%**	**30.5%**	**17.3%**
TOTAL PERFORMING LOANS	**27,905**	**27,422**	**26,882**	**27,715**	**1.8%**	**3.8%**	**0.7%**

Performing loans balance of the Group stands at EUR 27,905 million. Of these, EUR 1,868 million correspond to loans to public sector, EUR 24,626 million to private sector loans and EUR 1,411 million to reverse repos and other unclassified balances, the latter being collateral for financing transactions in markets and derivatives, as well as to suspense account awaiting settlement. By portfolio type, the most important are retail loans with mortgage guarantees, representing 51.0% of total performing loans, and the SME and self-employed portfolio, accounting for another 13.0%.



Performing loan balances have posted positively in the course of the year despite the slowdown in lending, resulting from the declaration of the state of alert. So it is that if the contingency impact of extraordinary advances posted at the end of June is stripped out, performing loans to customers are EUR 294 million higher than at the end of 2019. This rise combines the growth of transactions with public administrations (EUR 164 million) and corporates (EUR 577 million) with the reduction of positions with individuals (- EUR 447 million, excluding the temporary positions indicated), a consequence of the slowdown in the second quarter of the mortgage market and of the sharp reduction in demand for consumer credit.

Thus, the most negatively affected segment is that of individuals, both in terms of mortgage lending, where production over the half year has been 35% lower than in the same period in 2019, and that of personal loans, where production was 45% down on the first half of 2019. On the contrary, loans to SMEs, boosted in recent months by the supply of special lines of financing designed to shore up the consequences of the pandemic, and large corporates are posting increases over the same period last year.

7. Non-performing loans & foreclosed assets

NON PERFORMING LOANS							
Million euros	30/06/2020	31/03/2020	31/12/2019	30/06/2019	QoQ	YTD	YoY
GROSS BALANCE							
Public sector	**13**	**14**	**14**	**14**	**-0.6%**	**-0.6%**	**-3.0%**
Private sector	**1,306**	**1,321**	**1,337**	**1,717**	**-1.1%**	**-2.3%**	**-23.9%**
Business	**504**	**494**	**502**	**580**	**2.0%**	**0.3%**	**-13.2%**
RED and construction	96	99	102	120	-2.7%	-5.6%	-20.1%
SMEs and self-employed	359	363	377	402	-0.9%	-4.5%	-10.7%
Other corporates	48	32	24	57	49.2%	103.1%	-16.3%
Individuals	**802**	**827**	**835**	**1,137**	**-3.0%**	**-3.9%**	**-29.4%**
Mortgages	507	510	515	745	-0.5%	-1.5%	-31.9%
Consumer and other	295	318	321	392	-7.0%	-7.8%	-24.7%
Repos and valuation adjustments	**0**	**0**	**0**	**0**	**n.a.**	**n.a.**	**n.a.**
NON PERFORMING LOANS	**1,320**	**1,334**	**1,351**	**1,731**	**-1.1%**	**-2.3%**	**-23.8%**
Non performing loans (excluding RED loans)	**1,223**	**1,235**	**1,249**	**1,610**	**-1.0%**	**-2.0%**	**-24.0%**
PROVISIONS							
Public sector	**8**	**8**	**8**	**8**	**-0.7%**	**-1.4%**	**-2.6%**
Private sector	**785**	**739**	**712**	**885**	**6.2%**	**10.3%**	**-11.3%**
Business	**399**	**367**	**348**	**389**	**8.9%**	**14.8%**	**2.8%**
RED and construction	67	102	99	104	-34.0%	-31.7%	-35.4%
SMEs and self-employed	250	210	215	225	19.2%	16.3%	11.0%
Other corporates	82	55	34	59	49.6%	139.2%	39.2%
Individuals	**386**	**372**	**364**	**496**	**3.6%**	**6.1%**	**-22.3%**
Mortgages	156	159	143	215	-2.2%	9.2%	-27.7%
Consumer and other	230	213	221	281	8.0%	4.1%	-18.2%
Repos and valuation adjustments	**11**	**0**	**10**	**10**	**7637.2%**	**12.1%**	**12.4%**
NON PERFORMING LOANS	**803**	**747**	**729**	**902**	**7.6%**	**10.2%**	**-11.0%**
Non performing loans (excluding RED loans)	**736**	**644**	**630**	**798**	**14.2%**	**16.8%**	**-7.7%**
% COVERAGE							
Public sector	**55.8%**	**55.9%**	**56.2%**	**55.6%**	**-0.1 pp**	**-0.5 pp**	**0.2 pp**
Private sector	**60.1%**	**55.9%**	**53.2%**	**51.5%**	**4.2 pp**	**6.9 pp**	**8.6 pp**
Business	**79.3%**	**74.3%**	**69.3%**	**67.0%**	**5.0 pp**	**10.0 pp**	**12.3 pp**
RED and construction	70.1%	103.4%	97.0%	86.7%	-33.3 pp	-26.9 pp	-16.6 pp
SMEs and self-employed	69.5%	57.8%	57.0%	55.9%	11.7 pp	12.4 pp	13.6 pp
Other corporates	171.3%	170.9%	145.4%	103.1%	0.4 pp	25.9 pp	68.3 pp
Individuals	**48.1%**	**45.0%**	**43.5%**	**43.7%**	**3.1 pp**	**4.5 pp**	**4.4 pp**
Mortgages	30.7%	31.3%	27.7%	28.9%	-0.5 pp	3.0 pp	1.8 pp
Consumer and other	77.9%	67.1%	69.0%	71.7%	10.8 pp	8.9 pp	6.2 pp
Repos and valuation adjustments					**n.a.**	**n.a.**	**n.a.**
NON PERFORMING LOANS	**60.9%**	**56.0%**	**54.0%**	**52.1%**	**4.9 pp**	**6.9 pp**	**8.8 pp**
Non performing loans (excluding RED loans)	**60.2%**	**52.2%**	**50.5%**	**49.5%**	**8.0 pp**	**9.7 pp**	**10.6 pp**

The Group continues to reduce its non-performing assets, with the balance of the latter standing at EUR 1,320 million at the end of June 2020, representing a drop of 23.8% in existing balances at the close of the previous year (-EUR 411 million), thus showing a further improvement in the NPL ratio, which falls 1.4 percentage points in the last 12 months to 4.5%. Due to the Covid 19 crisis, the pace of outflows of this balance sheet item has slowed in the year. Nonetheless, the bank posted a EUR 31 million decrease, while gross entries where EUR 114 million. On the other hand, despite the slowdown, the amount of recoveries remain considerable, which, excluding write-offs, means the Entity has recorded seventeen consecutive quarters of net outflows (if the effect of the Banks of Spain Circular 4/2016 in Q4 2016 is stripped out).

In addition, so far this year, an extraordinary provision of EUR 103 million has been made to cover the impact of the Covid 19 crisis on credit risks. This means that coverage levels have risen significantly, improving both in terms of the first six months (6.9 pp) and in the last 12 months (8.8 pp), to reach 60.9%. Excluding the extraordinary provisions, the levels of credit risks are slightly higher than those recorded last year.

Million euros	**2Q 2020**	**1Q 2020**	**4Q 2019**	**3Q 2019**	**2Q 2019**
NPL EVOLUTION					
NPLs at the beginning of the period	**1,334**	**1,351**	**1,573**	**1,731**	**1,833**
Recoveries	-4	-6	-216	-153	-70
Write-offs	-10	-10	-7	-4	-32
NPLs at the end of the period	**1,320**	**1,334**	**1,351**	**1,573**	**1,731**

Million euros	**2Q 2020**	**1Q 2020**	**4Q 2019**	**3Q 2019**	**2Q 2019**
NPL recoveries evolution					
Gross entries	58	56	23	56	36
Recoveries	-62	-62	-239	-209	-106
Net recoveries	**-4**	**-6**	**-216**	**-153**	**-70**

FORECLOSED ASSETS

At the end of the first six months of 2020, the net balance of foreclosed assets, net of provisions, amounted to EUR 430 million (EUR 1,142 million gross), which by weight is only 0.68% of Unicaja Banco Group's total assets. On the other hand, the vast majority of these real estate assets (52.7% in terms of net book value) are finished new housing.

Following Unicaja Banco Group's conservative policy, the provisioning for foreclosed assets stood at EUR 713 million at the end of the first six-month period of 2020. This represents a coverage of 62.4%, similar to that of year-end 2019 and higher than that attained for the same period a year earlier.

During this first half of 2020, outflows at cost amounted to EUR 44 million, which is equivalent to 4% of the stock held at the beginning of the year. Outflows have doubled from the previous quarter, as a result of the measures taken to create incentives to mobilise foreclosed assets, after the standstill in the first quarter. This heightened sales push has not made a significant impact on the sales results of these assets, which nonetheless, remain positive.

Million euros	2Q 2020	1Q 2020	4Q 2019	3Q 2019	2Q 2019
FORECLOSED ASSETS EVOLUTION					
BoP	1,130	1,120	1,138	1,604	1,640
Inflows	57	27	35	57	62
Outflows	44	17	53	522	99
EoP	**1,142**	**1,130**	**1,120**	**1,138**	**1,604**
% Quaterly out-flows / foreclosures at beginning of year	**4%**	**2%**	**3%**	**31%**	**6%**

Million euros	30/06/2020	31/03/2020	31/12/2019	30/06/2019	QoQ	YTD	YoY
GROSS BALANCE							
From lending to RE developers	**567**	**577**	**581**	**822**	**-1.8%**	**-2.5%**	**-31.0%**
Finished buildings	71	69	72	142	1.8%	-2.3%	-50.2%
Buildings under construction	50	57	54	89	-12.6%	-7.4%	-44.1%
Land	447	451	455	592	-1.0%	-1.9%	-24.5%
From retail mortgages	**375**	**359**	**347**	**526**	**4.7%**	**8.1%**	**-28.7%**
Other foreclosed assets	**200**	**193**	**191**	**255**	**3.4%**	**4.5%**	**-21.6%**
TOTAL FORECLOSED ASSETS	**1,142**	**1,130**	**1,120**	**1,604**	**1.1%**	**2.0%**	**-28.8%**
Off which finished buildings	**446**	**428**	**419**	**668**	**4.2%**	**6.4%**	**-33.2%**
PROVISIONS							
From lending to RE developers	**395**	**398**	**399**	**572**	**-0.7%**	**-1.1%**	**-31.0%**
Finished buildings	37	37	39	79	0.9%	-3.3%	-52.7%
Buildings under construction	30	33	31	51	-8.0%	-3.9%	-41.0%
Land	328	328	329	442	-0.2%	-0.6%	-26.0%
From retail mortgages	**182**	**177**	**170**	**253**	**2.9%**	**6.9%**	**-28.2%**
Other foreclosed assets	**136**	**134**	**132**	**160**	**1.6%**	**2.8%**	**-15.3%**
TOTAL FORECLOSED ASSETS	**713**	**708**	**702**	**986**	**0.6%**	**1.6%**	**-27.7%**
Off which finished buildings	**219**	**214**	**209**	**332**	**2.5%**	**5.0%**	**-34.0%**
COVERAGE (%)							
From lending to RE developers	**69.6%**	**68.9%**	**68.7%**	**69.6%**	**0.8 pp**	**1.0 pp**	**0.1 pp**
Finished buildings	53.0%	53.4%	53.5%	55.7%	-0.5 pp	-0.5 pp	-2.8 pp
Buildings under construction	60.4%	57.4%	58.2%	57.2%	3.0 pp	2.2 pp	3.2 pp
Land	73.3%	72.7%	72.3%	74.8%	0.6 pp	1.0 pp	-1.4 pp
From retail mortgages	**48.5%**	**49.3%**	**49.1%**	**48.2%**	**-0.9 pp**	**-0.6 pp**	**0.3 pp**
Other foreclosed assets	**67.9%**	**69.2%**	**69.1%**	**62.9%**	**-1.2 pp**	**-1.1 pp**	**5.0 pp**
TOTAL FORECLOSED ASSETS	**62.4%**	**62.7%**	**62.7%**	**61.5%**	**-0.3 pp**	**-0.3 pp**	**0.9 pp**
Off which finished buildings	**49.2%**	**50.0%**	**49.8%**	**49.8%**	**-0.8 pp**	**-0.6 pp**	**-0.6 pp**

8. Results

RESULTS			YoY	
Million euros	30/06/2020	30/06/2019	Amount	%
Interest income	356	388	-33	-8.5%
Interest expense	78	96	-17	-18.2%
NET INTEREST INCOME	**277**	**293**	**-15**	**-5.3%**
Dividend income	11	20	-9	-44.4%
Equity method	19	21	-1	-6.8%
Net fee income	114	114	0	0.0%
Trading income	64	26	38	145.8%
Other operating income/expenses	44	22	22	n.a.
GROSS INCOME	**528**	**494**	**34**	**6.8%**
Administrative costs	266	281	-14	-5.1%
Staff costs	184	193	-9	-4.7%
Other administrative costs	82	87	-5	-5.9%
Depreciation and amortization	23	22	1	6.0%
PRE-PROVISION PROFIT	**239**	**192**	**47**	**24.3%**
Provisions /reversal of provisions	17	43	-26	-60.1%
Impairments / reversal of financial assets	129	19	111	596.8%
NET OPERATING INCOME	**93**	**131**	**-38**	**-29.2%**
Impairments on non-financial assets	7	-15	22	-149.8%
PROFIT BEFORE TAX	**86**	**146**	**-61**	**-41.4%**
Taxes	25	30	-6	-18.3%
NET INCOME FROM CONTINUING OPERATIONS	**61**	**116**	**-55**	**-47.5%**
Profit / loss from discontinued operations	0	0	0	n.a.
CONSOLIDATED NET INCOME	**61**	**116**	**-55**	**-47.5%**
CONSOLIDATED NET INCOME (excluding COVID provisions)	**133**	**116**	**17**	**14.8%**
ATTRIBUTABLE NET INCOME	**61**	**116**	**-55**	**-47.5%**

QUARTERLY EVOLUTION					
Million euros	2Q 2020	1Q 2020	4Q 2019	3Q 2019	2Q 2019
Interest income	175	180	186	189	194
Interest expense	38	40	44	45	46
NET INTEREST INCOME	**137**	**140**	**142**	**144**	**148**
Dividend income	4	7	4	4	10
Equity method	8	12	11	8	13
Net fee income	52	61	59	58	58
Trading income	35	28	32	43	2
Other operating income/expenses	38	5	-24	33	6
GROSS INCOME	**274**	**254**	**223**	**291**	**236**
Administrative costs	129	138	142	141	141
Staff costs	92	92	98	98	97
Other administrative costs	37	46	44	44	44
Depreciation and amortization	12	11	11	11	11
PRE-PROVISION PROFIT	**134**	**105**	**71**	**139**	**85**
Provisions /reversal of provisions	13	4	238	71	20
Impairments / reversal of financial assets	94	36	-20	19	11
NET OPERATING INCOME	**28**	**65**	**-147**	**49**	**53**
Impairments on non-financial assets	4	4	-118	-9	-8
PROFIT BEFORE TAX	**24**	**61**	**-29**	**57**	**61**
Taxes	9	15	-43	14	9
NET INCOME FROM CONTINUING OPERATIONS	**15**	**46**	**13**	**43**	**53**
Profit / loss from discontinued operations	0	0	0	0	0
CONSOLIDATED NET INCOME	**15**	**46**	**13**	**43**	**53**
CONSOLIDATED NET INCOME (excluding COVID provisions)	**70**	**63**	**13**	**43**	**53**
ATTRIBUTABLE NET INCOME	**15**	**46**	**13**	**43**	**53**

Million euros / %	2Q 2020			1Q 2020			4Q 2019			3Q 2019			2Q 2019		
	Average balances	FI/FE	Yield/ cost (%)	Average balances	FI/FE	Yield/ cost (%)	Average balances	FI/FE	Yield/ cost (%)	Average balance	FI/FE	Yield/ cost (%)	Average balance	FI/FE	Yield/ cost (%)
Financial intermediaries	5,874	0	-0.03	4,372	0	-0.03	4,697	-2	-0.16	3,628	-2	-0.21	3,703	-2	-0.19
Fixed income portfolio	18,821[1]	58	1.23	17,380[1]	55	1.27	16,807[1]	54	1.28	16,993 [1]	53	1.23	17,499 [1]	54	1.25
Net loans (including NPLs)	**26,924**	**111**	**1.65**	**26,616**	**119**	**1.80**	**26,825**	**125**	**1.85**	**27,284**	**132**	**1.92**	**27,081**	**133**	**1.97**
Other assets	7,698	0		7,803	0		7,928	1		7,959	0		7,883	1	
TOTAL ASSETS	**59,317**	**168**	**1.14**	**56,170**	**174**	**1.25**	**56,257**	**178**	**1.26**	**55,864**	**182**	**1.29**	**56,166**	**187**	**1.33**
Financial intermediaries	8,274	-5	-0.25	6,150	-4	-0.23	6,500	-5	-0.29	6,619	-4	-0.23	6,639	-4	-0.25
Debt securities	3,395	18	2.11	3,551	18	2.07	3,874	22	2.22	4,109	24	2.31	4,209	24	2.28
Customer deposits	**38,875**	**15**	**0.16**	**37,969**	**16**	**0.17**	**37,531**	**17**	**0.18**	**36,977**	**17**	**0.19**	**37,342**	**17**	**0.19**
Sight deposits (PS)	30,373	1	0.02	29,334	2	0.03	28,722	2	0.03	28,054	2	0.03	27,978	2	0.03
Term deposits (PS)	5,585	14	1.00	5,758	14	0.98	5,952	15	0.97	6,175	15	0.94	6,749	15	0.89
Subordinated liabilities	300	2	3.05	300	2		150	1		0	0		0	0	0.00
Other liabilities	8,473	1		8,200	1		8,202	1		8,159	1		7,976	2	
TOTAL LIABILITIES	**59,317**	**31**	**0.21**	**56,170**	**34**	**0.24**	**56,257**	**36**	**0.25**	**55,864**	**38**	**0.27**	**56,166**	**39**	**0.28**
CUSTOMER SPREAD*			**1.49**			**1.63**			**1.66**			**1.73**			**1.78**
NET INTEREST MARGIN	**59,317**	**137**	**0.93**	**56,170**	**140**	**1.01**	**56,257**	**142**	**1.00**	**55,864**	**144**	**1.02**	**56,166**	**148**	**1.05**

F.I.: Financial Interest
F.E.: Financial expenses
PS: Private Sector *(*) Net loans (including NPLs) - Customer deposits*

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

At the close of the first six-month period of 2020, the Group reported a net profit of EUR 60.9 million after making a EUR 103 million provision for the Covid 19 crisis. Excluding this extraordinary provision, pre-tax income for the first half of the year would have been 15% higher than that posted for the same period in 2019.

This net profit comes in the first instance from core revenues (net interest income and fees) of EUR 390.9 million, which is only a -3.8% drop with respect to the same period a year earlier, despite the negative impact of Covid-19 on both interests income (lower lending to households, particularly in consumer loans and credit on cards) and fees and commissions (elimination/reduction of certain kinds of fees, mainly those related to payment systems).

Nevertheless, Unicaja has succeeded in offsetting this temporary negative impact on its core revenue, posting a 6.8% rise in its gross income compared to the first half of 2019. This has been achieved, in the first place, thanks to the rise in results from trading income (EUR 37.7 million higher than the same period in de 2019), from capital gains on its fixed income portfolio; and secondly, from the netting out of other products/operating charges (EUR 21.7 million up from the same period last year). This last increase can be accounted for by the profits from a shareholders' agreement relating to the investee company Caser. This improved revenue has also offset the performance of revenues from dividends and results of institutions valued at equity method, which have fallen by EUR 9 and 1 million respectively, because of the drop in their profits (in some cases with cancellations of previously announced divdends) which, across the board, companies are reporting as a consequence of the pandemic.

FEES

Million euros	2Q 2020	1Q 2020	4Q 2019	3Q 2019	2Q 2019	QoQ	YoY
FEE INCOME	**55**	**67**	**64**	**64**	**64**	**-17.7%**	**-14.0%**
From contingent risk	2	3	4	2	2	-35.5%	1.9%
From contingent commitments	1	1	1	1	1	2.2%	-2.1%
From currency exchange	0	0	0	0	0	-73.7%	-81.9%
From payments and collections	31	32	37	36	34	-4.9%	-10.4%
From non banking products	21	30	22	25	26	-28.4%	-19.0%
Other fees	1	2	1	1	1	-46.8%	-34.4%
FEE EXPENSES	**3**	**6**	**5**	**6**	**6**	**-50.6%**	**-50.6%**
NET FEE INCOME	**52**	**61**	**59**	**58**	**58**	**-14.4%**	**-10.2%**

Also with the aim of palliating the negative effects of the temporary reduction in revenues, a major cost containment drive has got underway, which has reduced expenditure in transformation (administration costs + amortisations & depreciations) by 4.3% from the same period last year, well above the forecast for the current 2020 period in the strategic plan. This push represents a EUR 13 million reduction in transformation expenses as a whole in the first half of 2020 compared to the same period in 2019.

Finally, impairments and other results came to a net total of EUR 153 million, which is a EUR 107 million increase with respect to the same period a year earlier. Were it not for the extraordinary insolvency provisions of EUR 103 million for Covid-19 mentioned above, the difference would have been only EUR 4 million. Impairments linked to foreclosures remain low, while those designed to cover loan losses, excluding the extraordinary provisioning mentioned, are EUR 9 million higher than in the same period in 2019, representing in any event very low ordinary cost of risk.

IMPAIRMENTS AND OTHER RESULTS						**YoY**	
Million euros	**2Q 2020**	**1Q 2020**	**4Q 2019**	**3Q 2019**	**2Q 2019**	**Amount**	**%**
Credit impairments	94	34	-21	17	8	85	1007.0%
Foreclosed assets impairments	5	1	8	-1	0	5	3482.1%
Provisions and other results	11	8	113	65	14	-4	-26.2%
TOTAL IMPAIRMENTS	**109**	**44**	**100**	**81**	**23**	**86**	**373.2%**

CUMULATIVE IMPAIRMENTS AND OTHER RESULTS			**YoY**	
Million euros	**2Q 2020**	**2Q 2019**	**Amount**	**%**
Credit impairments	128	16	112	716.8%
Foreclosed assets impairments	6	0	6	1114.6%
Provisions and other results	19	30	-11	-36.9%
TOTAL IMPAIRMENTS	**153**	**46**	**107**	**230.5%**

9. Liquidity

Loan to deposits				**QoQ**	
Million euros	**30/06/2020**	**31/03/2020**	**31/12/2019**	**Amount**	**%**
Credit and loans (excluding valuations adjustments and OFA)	29,016	28,693	28,169	323	1.1%
-Reverse repos	1,202	1,129	1,018	73	6.5%
a) Core credit and loans	27,814	27,564	27,151	250	0.9%
Customers deposits (excluding valuations adjustments)	45,627	42,607	42,335	3,021	7.1%
-Repos	2,457	1,023	722	1,434	140.2%
-Multi-issuer covered bonds	3,266	3,404	3,578	-139	-4.1%
b) Core customer deposits	39,905	38,180	38,035	1,725	4.5%
LtD ratio (a/b)	**69.7%**	**72.2%**	**71.4%**	**-2.5%**	

The Group's high liquidity levels are reflected in its LTD ratio which, at the close of the first half of 2020, stands at 69.7%, up 2.5 points in the previous quarter due to the strong growth in customer deposits compared to performance in lending.

				QoQ	
Liquid assets	**30/06/2020**	**31/03/2020**	**31/12/2019**	**Amount**	**%**
Cash surplus (1)	6,395	1,683	3,736	4,712	279.9%
Reverse repos	1,294	1,294	1,110	0	0.0%
Fixed income portfolio and other discountable assets in ECB	18,612	15,867	15,919	2,745	17.3%
Total liquid assets (ECB discount value)	26,301	18,844	20,765	7,457	39.6%
Liquid assets used					
In ECB	5,025	3,300	3,303	1,725	52.3%
Repos	6,182	2,473	3,452	3,709	150.0%
Total liquid assets used	11,206	5,773	6,755	5,434	94.1%
AVALABLE DISCOUNTABLE LIQUID ASSETS	**15,095**	**13,072**	**14,011**	**2,023**	**15.5%**
% over total assets	**24.0%**	**23.5%**	**24.7%**	**0.5%**	

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

Unicaja Banco Group recorded in the first half of 2020 a liquid and discountable assets position at the European Central Bank, net of assets used, of EUR 15,095 million, representing 24.0% of the balance sheet total.

The LCR ratio is also worth noting, at 346%, is well above regulatory requirements.

Debt securities maturities

	Debt securities (*)
2020	**0**
2021	**690**
2022	**182**

(*) Includes multi issuer covered bonds

LIQUIDITY RATIOS	**30/06/2020**	**31/03/2020**	**31/12/2019**	**QoQ**
LCR	346%	335%	319%	11 pp
NSFR	141%	143%	141%	-2 pp

10. Solvency

SOLVENCY

PHASE IN RATIOS					
Million € and %	**30/06/2020**	**31/03/2020**	**31/12/2019**	**30/09/2019**	**30/06/2019**
Qualifying capital	**4,014**	**3,925**	**3,938**	**3,668**	**3,570**
CET1 capital (BIS III)	3,666	3,578	3,590	3,621	3,523
Capital and share premium	2,820	2,820	2,820	2,820	2,820
Reserves	1,067	1,069	946	951	952
Attributable net profit (excluding dividends)	27	21	88	85	62
Deductions	-443	-448	-438	-432	-464
Others (1)	195	115	174	198	153
Tier 1	48	48	48	48	48
Tier 2	300	300	300	0	0
Risk weighted assets	**23,168**	**23,297**	**23,000**	**23,516**	**23,853**
CET1 capital (BIS III) (%)	**15.8%**	**15.4%**	**15.6%**	**15.4%**	**14.8%**
Tier 1	0.2%	0.2%	0.2%	0.2%	0.2%
Tier 2	1.3%	1.3%	1.3%	0.0%	0.0%
Total capital ratio (%)	**17.3%**	**16.8%**	**17.1%**	**15.6%**	**15.0%**

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

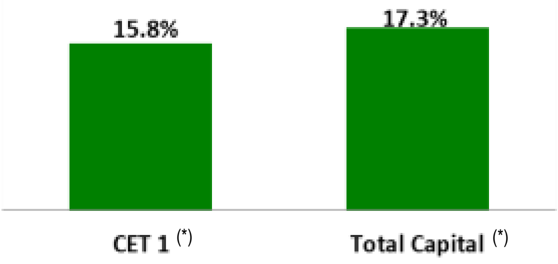
FULLY LOADED RATIOS					
Million € and %	**30/06/2020**	**31/03/2020**	**31/12/2019**	**30/09/2019**	**30/06/2019**
Qualify capital	**3,658**	**3,609**	**3,540**	**3,256**	**3,157**
CET1 capital (BIS III)	3,311	3,261	3,192	3,208	3,109
Capital and share premium	2,820	2,820	2,820	2,820	2,820
Reserves	1,067	1,069	946	951	952
Attributable net profit (excluding dividends)	27	21	88	85	62
Deductions	-679	-683	-737	-746	-779
Others (2)	76	34	76	99	54
Tier 1	48	48	48	48	48
Tier 2	300	300	300	0	0
Risk weighted assets	**22,954**	**23,113**	**22,793**	**23,304**	**23,640**
CET1 capital (BIS III) (%)	**14.4%**	**14.1%**	**14.0%**	**13.8%**	**13.2%**
Tier 1	0.2%	0.2%	0.2%	0.2%	0.2%
Tier 2	1.3%	1.3%	1.3%	0.0%	0.0%
Total capital ratio (%)	**15.9%**	**15.6%**	**15.5%**	**14.0%**	**13.4%**

(1) Treasury stock, minorities and other global result

(*) Pro-forma figure: June 2020 includes the effect of the IFRS 9 phase-in introduced by Regulation (EU) 2020/873, subject to approval by the supervisor, and the deduction of software for prudential purposes (awaiting final RTS publication). In previous periods does not include the deduction of the authorised limit on unused treasury stock. In addition, for period closings not ending in June or December the unaudited quarterly result is provided.

	30/06/2020
	Phase in
CET1 (%)	15.8%
Total capital (%)	17.3%
2019 CET1 SREP requirement	8.75%
2019 Total capital SREP requirement	12.25%
Excess of capital over 2019 CET1 SREP requirement	**5.07%**

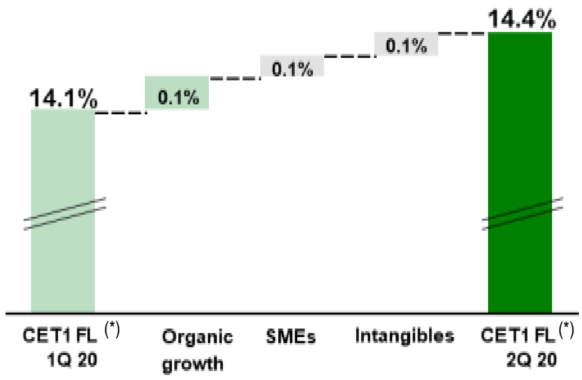
Unicaja Banco Group has a common equity tier 1 ratio (CET1) of 15.8%, a 1.1 pp improvement in this ratio compared to the same six-month period last year. The successful issue of securities worth EUR 300 million classified as Tier II, conducted in the fourth quarter of 2019, has meant that the total capital ratio has risen during the previous 12 months by 2.4 pp to 17.3%.



In fully loaded terms Unicaja Banco has a CET1 ratio of 14.4% and a total capital ratio of 15.9%, which compared to the first half of 2019, represents a 1.3 pp and 2.6 pp increase, respectively.

These capital ratios have taken into account the removal from the Agenda of the Annual General Meeting of the proposal for a dividend distribution for 2019, that the Board of Directors had submitted, awaiting greater visibility. Following the recommendation of the oversight bodies, it has been suspended, as has also been the case other banking institutions.

During the quarter, the CET1 fully loaded ratio posted an increase of 31 basis points. This due to organic growth taken from the results for the year and from portfolio valuation adjustments, which have contributed 14 basis points. Two regulatory changes have also contributed to the increase; firstly, the introduction of a reduction factor in the RWA calculation for SMEs, which has contributed 9 bps; and secondly the impact of the deduction of certain intangible assets (software) that has been included in the calculation of the proforma CET1.



The levels required by the ECB (including progressive application of systemic and conservation buffers) for June 2020, sets the total capital ratio at 12.25%. This means that the Group has a surplus of EUR 1,176 million over its total capital requirements. It is worth noting that on 12th March, the ECB announced flexibility measures, which have not been included in the calculation of capital surplus, allowing institutions to operate in the short term with capital ratios below the Pillar 2 guidance (P2G) and below the capital conservation buffer, as well as to use in part non-CET1 capital instruments to comply with their Pillar 2 (P2R) requirements.

Finally, the Texas ratio comes in at 45.1% at the close of the first half of 2020. The lower this ratio, the better the quality of the balance sheet and liquidity. In the case of the Group, the ratio has gone down by 13.0 pp in the last 12 months.

	30/06/2020	31/03/2020	31/12/2019	30/09/2019	30/06/2019	QoQ	YoY
Texas Ratio	45.1%	45.9%	46.7%	49.9%	58.1%	-0.8 pp	-13.0 pp

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

(*) Proforma data: June 2020 includes the effect of the IFRS 9 phase-introduced by Regulation (EU) 2020/873, subject to approval by the supervisor, and the deduction of software for prudential purposes (awaiting final RTS publication). In Q1 2020 the deduction of the authorised limit on unused treasury stock is excluded but includes the unaudited quarterly result. CET 1 FL is the CET1 fully loaded ratio.

APPENDIX I:

SHARE PRICE PERFORMANCE

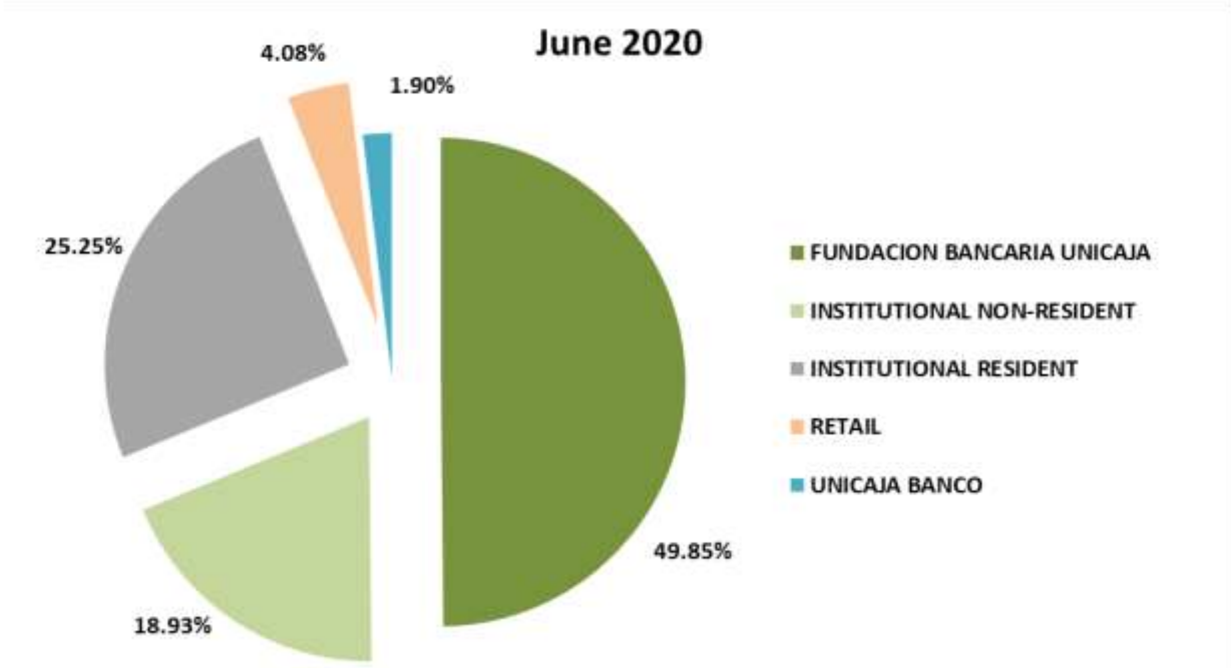
Listing Data

UNICAJA BANCO	jun-20
Number of shareholders	18,551
Average daily trading (num. of shares)	3,037,663
Average daily trading (euros)	1,788,081
Closing high (euros/share)	0.9825 (3-jan)
Closing low (euros/share)	0.42 (22-may)
Year-end closing (euros/share)	0.455 (30-jun)

Note: Data cumulative YTD June 2020

Main shareholders

	NUM. OF SHAREHOLDERS	SHARES	%
FUNDACION BANCARIA UNICAJA	1	802,707,000	49.85%
INSTITUTIONAL NON-RESIDENT	125	304,757,809	18.93%
INSTITUTIONAL RESIDENT	476	406,556,778	25.25%
RETAIL	17,948	65,753,338	4.08%
UNICAJA BANCO	1	30,527,196	1.90%
TOTAL	**18,551**	**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 adopted 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 items of the balance sheet, income statement and notes to the consolidated financial statements used by the Grupo Unicaja Banco on its annual or interim financial statements:

ALTERNATIVE PERFORMANCE MEASURES (APM)

(in EUR million or %)

		June'20	December'19
Cost of risk	Impairment or (-) reversal of impairment in value of loans and receivables to customers. *Management measure*	127.8	11.9
	Average between start/end of period for loans and receivables from customers (excluding valuation adjustments)	28,728	28,467
	Ratio	**0.89%***	**0.04%**

Source: Public income statement consolidated using IAS39 criteria (under IFRS9, these are not broken down) for value impairment, and Note 8.5.2 for loans and advances.

Purpose: Defines the Group's credit quality rating through the annual cost, in terms of impairment losses (loans and receivables write downs, booked to the item Impairment of financial assets not valued at fair value through profit and loss) of each gross customer loans unit.

*Annualized measure (366/182)

		June'20	December'19
Impairment or (-) reversal of impairment in value of loans and receivables to customers ***Management measure***	1. Impairment or (-) reversal of impairment in value and gains or losses from adjustments in cash flows of financial assets not valuated at fair value through profit or loss and net gains or (-) losses from adjustments. Financial assets carried at amortized cost	129.3	17.4
	1a. From loans and receivables portfolio. *Management measure*	127.8	11.9
	1b. Rest of financial assets carried at amortised cost.	1.4	5.5
	Performance measure (1a)	**127.8**	**11.9**

Source: Public income statement consolidated using IAS39 criteria (under IFRS9, these are not broken down).

Purpose: Defines the figure for impairments of loans and receivables, booked in the impairment of financial assets not valued at fair value through profit and loss item.

		June'20	June´19
Cost to income ratio (Operating Expenses excl. amort. & depre. / gross margin)	Administrative expenses	266	281
	Gross Margin	528	494
	Ratio	**50.4%**	**56.7%**

Source: Consolidated public income statement
Purpose: Productivity metric defining the proportion of funds used to generate operating income.

		Q2 2020	Q4 2019
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 reverse repos and other financial assets) *Management measure*	1.65%*	1.85%*
	Cost in the quarter of customer deposits (excluding repos) over average quarterly balances of customer deposits (excluding repos) *Management measure*	0.16%*	0.18%*
	Difference between yield & cost	**1.49%***	**1.66%**

Source: Internal information using management criteria
Purpose: Profitability metric that defines the difference between the customer loan portfolio's average profitability and the average cost of customer funds.
*Annualized measure (366/92)

		June'20	December'19
NPL ratio	Loans and receivables portfolio. Gross amount Stage 3	1,320	1,351
	Loans and receivables portfolio. Gross amount	29,225	28,232
	Ratio	**4.5%**	**4.8%**

Source: Note 35.2
Purpose: Measures the quality of the Group's loan portfolio, indicating the percentage of non-performing loans over total loans.

		June'20	December'19
NPL coverage ratio	Loans and receivables portfolio. Total adjustments for impairment of assets.	803	729
	Loans and receivables portfolio. Gross amount Stage 3	1,320	1,351
	Ratio	**60.9%**	**54.0%**

Source: Note 35.2
Purpose: Defines the percentage of the NPL portfolio that is covered by liquidity provisions. An indicator of the expected recovery of these assets.

		June'20	December'19
Foreclosed assets coverage	Impairment of foreclosed Real Estate assets	713	702
	Gross carrying amount of foreclosed Real Estate assets	1,142	1,120
	Ratio	**62.4%**	**62.7%**

Source: Note 32
Purpose: Shows the extent to which foreclosed real estate goods are covered and, thus, their net exposure value and the asset quality.

		June’20	December’19
NPA coverage ratio	1. Loans and receivables portfolio. Total adjustments for impairment of assets.	803	729
	2. Impairment of Real Estate foreclosed assets	713	702
	3. Loans and receivables portfolio. Gross amount Stage 3	1,320	1,351
	4. Gross carrying amount of Real Estate foreclosed assets	1,142	1,120
	Ratio (1+2)/(3+4)	**61.6%**	**57.9%**

Source: Notes 35.2 and 32
Purpose: The Group uses this APM as an indicator of the asset quality, to measure the weight of distressed assets after deducting provisions for these on the Group’s balance sheet.

		June’20	June´19
ROA	Consolidated net income	60.9	115.9
	Total average assets (average of quarterly average balances)	57,744	56,562
	Ratio*	**0.2%**	**0.4%**

Source: Consolidated public income statement and consolidated balance sheet
Purpose: Measures profitability of the Group’s entire assets, reflecting the Group’s efficiency in generating profits from applying funds to such assets.
*Annualized measure (366/182)

		June’20	June´19
ROE	Consolidated net income	60.9	115.9
	Average own funds (average of quarterly average balances)	3,960	3,915
	Ratio*	**3.1%**	**6.0%**

Source: Consolidated public income statement and consolidated balance sheet
Purpose: Measures the yield from funds invested/retained in the Group and, as such, is an indicator of the profitability of own funds used.
*Annualized measure (366/182)

		June’20	December’19
Loans and advances to customers (excluding valuation adjustments)	Loans and receivables portfolio. Gross amount	29,225	28,232

Source: Note 35.2
Purpose: Reconciles the report’s definition with the consolidated annual statement item.

		June’20	December’19
Performing Loans	1. Loans and receivables portfolio. Gross amount	29,225	28,232
	2. Loans and receivables portfolio. Gross amount Stage 3	1,320	1,351
	Performance measure (1-2)	27,905	26,882

Source: Note 35.2
Purpose: Defines the total balance and performance of the Group’s performing loans and advances (those classified as stage 1 or stage 2).

		June'20	December'19
Gross loans and advances to customers ex reverse repos & other financial assets (excluding valuation adjustments)	1. Loans and receivables. Credit and loans at variable interest rate	20,698	20,976
	2. Loans and receivables. Credit and loans at fixed interest rate	7,116	6,175
	Performance measure (1+2)	**27,814**	**27,151**

Source: Note 8.5.1 (loans and receivables)
Purpose: Reconciles the definition with consolidated annual statement items. Defines (non-wholesale market) customer credit in the category of loans and advances to customers.

		June'20	December'19
Gross performing loans and advances to customers ex reverse repos & other financial assets (excluding valuation adjustments)	1. Loans and receivables. Credit and loans at variable interest rate	20,698	20,976
	2. Loans and receivables. Credit and loans at fixed interest rate	7,116	6,175
	3. Loans and receivables portfolio. Gross amount Stage 3	1,320	1,351
	Performance measure (1+2-3)	**26,494**	**25,800**

Source: Note 8.5.1 (loans and receivables) and note 35.2 (NPL risks)
Purpose: Defines the total balance and progress of performing credit risk (that is, those in stage 1 or stage 2) in the category of loans and advances to customers.

		June'20	December'19
Total customer funds	1. Financial liabilities measured at amortized cost. Deposits from customers (excluding valuation adjustments)	45,627	42,335
	2. Issued debt securities (excluding valuation adjustments)	360	360
	3. Funds managed through off-balance sheet instruments	12,269	12,863
	Performance measure (1+2+3)	**58,257**	**55,558**

Source: Note 8.6.3 (deposits from customers) and 8.6.4 (debt securities)
Purpose: Defines the total balance and performance of funds managed by the group, both on and off balance sheet.

		June'20	December'19
Retail Customer funds (Non-market)	1. Total customer funds	58,257	55,558
	2. Covered bonds under the heading “Term deposits”. Carrying amount (excluding valuation adjustments)	3,266	3,578
	3. Deposits from customers. Repos (excluding valuation adjustments)	2,640	848
	4. Issued debt securities (excluding valuation adjustments)	360	360
	5. Repos controlled by retail customers *Management measure*	184	125
	Performance measure (1-2-3-4+5)	**52,175**	**50,898**

Source: Note 8.6.3 (deposits from customers) and 8.6.4 (debt securities)
Purpose: Defines the total balance and performance of funds managed by the group, both on and off balance sheet on behalf of customers, excluding market transactions.

		June'20	December'19
Wholesale funds (Markets)	1. Covered bonds under the heading "Term deposits". Carrying amount (excluding valuation adjustments)	3,266	3,578
	2. Deposits from customers. Repos (excluding valuation adjustments)	2,640	848
	3. Issued debt securities (excluding valuation adjustments)	60	60
	4. Subordinated liabilities (excluding valuation adjustments)	300	300
	5. Repos controlled by retail customers *Management measure*	184	125
	Performance measure (1+2+3+4-5)	**6,082**	**4,660**

Source: Note 8.6.3 (deposits from customers) and 8.6.4 (debt securities)
Purpose: Defines the total balance and performance of funds managed by the group in market transactions.

		June'20	December'19
Loan to Deposits (LtD)	1. Loans and receivables. Credit and loans at variable interest rate	20,698	20,976
	2. Loans and receivables. Credit and loans at fixed interest rate	7,116	6,175
	(1+2+3) NUMERATOR. Loans and advances. Customers - excluding valuation adjustments	**27,814**	**27,151**
	1. Financial liabilities measured at amortized cost. Deposits from customers (excluding valuation adjustments)	45,627	42,335
	2. Covered bonds under the heading "Term deposits". Carrying amount (excluding valuation adjustments)	3,266	3,578
	3. Deposits from customers. Repos (excluding valuation adjustments)	2,640	848
	4. Repos controlled by retail customers *Management measure*	184	125
	(1-2-3+4) DENOMINATOR. Customer deposits (non-market) - excluding valuation adjustments	**39,905**	**38,035**
	Ratio	**69.7%**	**71.4%**

Source: Note 8.5.1 (loans and receivables) / Note 8.6.3 (customer deposits)
Purpose: Liquidity indicator that measures the ratio between the Group's funds in its customer deposits and the volume of loans and advances.

		June'20	December'19
Gross liquid assets	1. Cash surplus (interbank deposits + balance surplus in ECB and operating accounts)	6,395	3,736
	2. Reverse purchase agreements	1,294	1,110
	3. Fixed income portfolio and other discountable assets in ECB	18,612	15,919
	Performance measure (1+2+3)	**26,301**	**20,765**

Sum of:

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

- Net position of interbank deposits with other credit institutions.

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

Source: Internal information using management criteria
Purpose: Defines the total balance and performance of the Group's HQLA (high quality liquid assets).

		June'20	December'19
Net liquid assets	1. Gross liquid assets	26,301	20,765
	2. Taken in the ECB	5,025	3,303
	3. Repos and other pledges	6,182	3,452
	Performance measure (1-2-3)	**15,095**	**14,011**
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.			

Source: Internal information using management criteria
Purpose: Defines the total balance and performance of the Group's HQLA (high quality liquid assets) netted out from assets of this nature that are being used as collateral for financing.

		June'20	June´19
Operating or transformation expenses	1. Administrative expenses	266.3	280.5
	2. Depreciation and amortization	22.8	21.6
	Performance measure (1+2)	**289.1**	**302.1**

Source: Consolidated public income statement
Purpose: Reconciles the report's definition with consolidated public financial statement items.

		June'20	December'19
Credit and loans impairment	Impairment or (-) reversal of impairment in value of loans and receivables to customers. *Management measure*	127.8	11.9

Source: Public income statement consolidated using IAS39 criteria (under IFRS9, these are not broken down).
Purpose: Defines the figure for impairments of loans and receivables, booked in the impairment of financial assets not valued at fair value through profit and loss item.

		June'20	June´19
Pre-provision profit (before impairments)	1. Gross Margin	528.2	494.5
	2. Administrative expenses	266.3	280.5
	3. Depreciation and amortization	22.8	21.6
	Performance measure (1-2-3)	**239.1**	**192.4**

Source: Consolidated public income statement
Purpose: Reconciles the report's definition with consolidated public financial statement items. Shows the Group's results from its business excluding impairments, as defined in its APMs.

		June'20	June´19
Impairments	1. Provisioning or (-) provisioning reversals	17.0	42.6
	2. Impairment or (-) reversal in the value of financial assets not measured at fair value through profit and loss	129.1	18.5
	3. Impairment or (-) reversal in the value of joint ventures or associates	0.4	0.0
	4. Impairment or (-) reversal in the value of non-financial assets	8.3	11.1
	5. Net gain or (-) loss on derecognition from the statements of non-financial assets and stakes	5.0	22.8
	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	-3.6	3.2
	Performance measure (1+2+3+4-5-6-7)	**153.5**	**46.2**

Source: Consolidated public income statement
Purpose: Reconciles the report's definition with consolidated public financial statement items. Shows the volume of the Group's impairments and provisions.

		June'20	June´19
Net Fees	1. Fee and commission income	122.7	125.9
	2. Fee and commission expense	9.1	12.3
	Performance measure (1-2)	**113.5**	**113.6**

Source: Consolidated public income statement
Purpose: Reconciles the report's definition with consolidated public financial statement items. Shows the net result from service provision and selling of products invoiced through fees and commissions.

		June'20	June´19
Net 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	66.0	23.5
	2. Net gain or (-) losses from financial assets and liabilities held for trading	-2.7	-0.2
	3. Net gain or (-) losses from non-trading financial assets mandatorily designated at fair value through profit or loss	-2.2	3.5
	4. Net gain or (-) losses from financial assets and liabilities designated at fair value through profit or loss	0.0	0.0
	5. Net gain (-) losses from hedge accounting	2.5	-1.1
	6. Net exchange differences, gains or (-) losses	0.0	0.2
	Performance measure (1+2+3+4+5+6)	**63.6**	**25.9**

Source: Consolidated public income statement
Purpose: Reconciles the report's definition with consolidated public financial statement items and groups into one item the contribution to the statement of the asset valuations at fair value and sale, essentially, of fixed and equity assets not valued at fair value through P&L, as well as their hedges as shown in P&L.

		June'20	June´19
Other products / operating charges	1. Other operating income	80.2	61.2
	2. Other operating expenses	46.4	52.1
	3. Income from assets under insurance or reinsurance contracts	35.0	36.3
	4. Expenses from liabilities under insurance or reinsurance contracts	25.3	23.5
	Performance measure (1-2+3-4)	**43.5**	**21.9**

Source: Consolidated public income statement
Purpose: Reconciles the report's definition with consolidated public financial statement items.

		June'20	June´19
Impairment/reversal in the value of other assets and other gains & losses	1. Impairment or (-) reversal in the value of joint ventures or associates	0.4	0.0
	2. Impairment or (-) reversal in the value of non-financial assets	8.3	11.1
	3. Net gain or (-) loss on derecognition from the statements of non-financial assets	5.0	22.8
	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	-3.6	3.2
	Performance measure (1+2-3-4-5)	**7.4**	**-14.8**

Source: Consolidated public income statement
Purpose: Reconciles the report's definition with consolidated public financial statement items.

		June'20	December'19
Covered bonds under the heading "Term deposits". Carrying amount (excluding valuation adjustments)	1. Covered bonds under the heading "Term deposits". Nominal value	3,434	3,759
	2. Measurement at fair value of issues. Management measure	-168	-181
	Performance measure (1+2)	**3,266**	**3,578**

Source: Note 8.6.3 (customer deposits)
Purpose: Reconciles the report's definition with consolidated public financial statement items.

		June'20	December'19
Repos controlled by retail customers. Management measure	1. Deposits from customers. Repos (excluding valuation adjustments)	2,640	848
	1a. Repos controlled by retail customers Management measure	184	125
	1b. Rest of repos	2,457	722
	Performance measure (1a.)	**184**	**125**

Source: Note 8.6.3 (customer deposits)

Purpose: Reconciles the report's definition with consolidated public financial statement items.